THE 10 LAWS OF CUSTOMER SUCCESS

Dan Steinman

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Foreward – The Ten Laws of Customer Success

In 2010, Bessemer Venture Partners produced the definitive resource on running a SaaS company – "The Ten Laws of Cloud Computing". It was widely used as the definitive guide to building and running a SaaS company with wisdom and advice from some of the leading thinkers on the subject.

In the years since 2010, virtually every new software company has been a SaaS company and many that were not originally SaaS are being moved rapidly in that direction. It's been a seismic shift in the industry affecting even the largest software providers – IBM, Microsoft, Oracle, SAP, etc. The SaaS tsunami has created a number of follow-on waves and one of those waves is Customer Success. Customer Success is the necessary result of a world dominated by recurring revenue businesses - a world where retention of customers has become at least equal in importance to customer acquisition.

With Customer Success increasing in importance daily, Bessemer has produced a reprise - "The Ten Laws of Customer Success". Following the same format as the original eBook, ten experts in the Customer Success field have each authored one of the laws. These are the guiding principles for any company that wants to deliver world-class retention results. Many of these laws can also serve as a technology guide for you – each focusing on an area where technology can and should be applied to improve and automate that part of your business.

Without further ado, we're pleased to present to you "The Ten Laws of Customer Success". We hope you enjoy the book and that the advice and wisdom herein help you drive greater success for your customers and improved retention for you.

1 It's A Top-Down, Company-Wide Commitment

Executive Summary

Customer Success is not just a department or organization. It's a philosophy that must pervade your entire company. For most of business history, only two things have really mattered—building the product and selling the product. We believe that the time has come for a third core process to emerge—Customer Success.

Customer Success is not just the buzz phrase du jour. It's here and it's here to stay. Done well, Customer Success drives real value to the bottom line of your business. If you are not on board yet, you will be soon because you can't survive without it. Luckily, getting started is not that difficult. But Customer Success starts at the top, and it must be a companywide commitment.

Customer Success. It sounds like a truism that says nothing new or interesting. After years of hearing CEOs say customers are king and watching them do the opposite, it's easy to be cynical about the new Customer Success movement.

In this law, I hope to convince you about the following four points:

- What Customer Success is (for real)
- Why Customer Success is inevitable
- How Customer Success drives value
- Where to start

1. What Customer Success is (for real)

As many B2B companies create teams with labels such as "Customer Success Management" or "Chief Customer Officer," you might think "Customer Success" is a department.

Nick Mehta
Chief Executive Officer, Gainsight

Prior to Gainsight, Nick was an Entrepreneur in Residence at Accel Partners where he focused on developing opportunities in the enterprise applications and infrastructure markets. Prior to Accel, Nick served as CEO of LiveOffice, where he led the company's profitable growth to $25 MM in revenue and successful sale to Symantec. LiveOffice earned recognition as a Visionary by Gartner, as an Inc. 5000 company, and as an Ernst & Young Entrepreneur of the Year finalist. Prior to LiveOffice, Nick was a Vice President at VERITAS Software (acquired by Symantec)

But just as sales is both a team and a cross-functional activity, Customer Success is a companywide matter. Literally, Customer Success involves shifting the orientation of your company from your product or your sales to your customers' success.

For most of business history, companies have focused on two core processes—"building product" and "selling product." In the Customer Success movement, we argue for a third core process—"driving Customer Success." Put simply, if you bet on delivering success for your customers, then success for your business (in terms of sales and profits) will follow. This is a big bet, and it takes support across Customer Success, finance, marketing, sales, and product teams—hence the companywide commitment. And if you're a CEO or senior executive, you set the tone for this commitment.

In the Customer Success movement, all business questions are reframed around the customer's success:

- **Product:** Which feature will truly help our clients achieve their goals using our solution (versus being demoware)?
- **Sales:** Which clients are likely to be good fits for our solution (versus ones that will leave us quickly)?
- **Marketing:** What messages authentically align with the success and value we deliver (versus being buzzwords)?
- **Finance:** Which metrics reflect real success and value for our clients (versus just new sales)?

2. Why Customer Success Is Inevitable

The good news is that you don't need to think too hard about the "if" here—Customer Success is a natural outcome of massive changes in the economy:

- Globalization and technology have dropped the barrier to entry for businesses.
- Lowered barrier to entry allows new entrants to disrupt almost every established category.
- New entrants have created lower-friction business models.
- Lower-friction business models make it easy for customers to try and buy—with shorter-term pricing (monthly or yearly); granular consumption (per minute, per CPU cycle, per user, per click); and easier deployment (cloud and mobile).
- At the same time, this lower friction makes it easier for customers who "try" and "buy" to say "bye" and leave.
- At the end of the day, customers have the power and customers have choice.
- Customers with choice will choose to stay with vendors who deliver the outcomes and success they desire.
- Indeed, customers will start expecting vendors to focus on success as more of them do so and as their applications as consumers (e.g., Uber) do such a great job at this.

It's not a matter of whether it will happen. Will your business react quickly enough to survive?

3. How Customer Success Drives Value

On the positive side, companies that embrace this opportunity early will achieve massive results by focusing on Customer Success:

- **Growth:** Facing less headwind in the form of churn and more tailwind in the form of upsell, businesses that focus on Customer Success simply grow faster. And successful customers become advocates and references to drive more new clients. In the long run, the "leaky bucket" effect of churn cannot be counteracted by new business alone.
- **Valuation:** According to an Altimeter Capital report, *Valuation of Subscription Businesses* (October 2014), public subscription business multiples are directly correlated to Customer Success and retention: "Dollar renewal rate (DRR) is the most important metric for valuing subscription businesses." In short, Wall Street notices Customer Success.
- **Differentiation:** Finally, because not every company in every category is focused on Customer Success, customer success management can become a meaningful differentiator. Customers know that products and services become commoditized over time. The business process and team a company uses to drive success for its clients is really what matters in the long run. The sales messaging of best-in-class companies talks about the Customer Success process in a meaningful way.

4. Where to Start

If you're convinced, you're probably thinking, "How the heck do I implement a 'top-down, companywide commitment'? Where do I start?" Here are a few ideas:

- **Define Success:** One of the biggest steps you can take to create a Customer Success–centric culture is to crystallize what success means for your customers. Many companies sell horizontal products that can be used in a variety of use cases. If you're a CEO or senior executive, you should kick off a cross-functional process to canonize the common use cases for your offering and define what success would mean to the customer in each of those use cases. A simple way to think about this: If you asked customers, "What does wild success with our company mean to you?" what would they say? Without defining the goal, it's hard to get the company rallied around it.
- **Align Around Success:** Next, review your organization and make sure that each functional area knows what it must do to support Customer Success. Your Customer Success team can be the quarterback of the initiative, but it needs buy-in from each department. This could mean:
    - Reviewing Customer Success feedback each month with the product team
    - Defining and refining sales qualification criteria
    - Reviewing messaging regularly with the marketing and Customer Success teams

- **Listen to the Customer Success Team:** If you're a senior executive or CEO, you are likely flooded with signals about your business—from customers, partners, investors, and employees. You need to make sure a key part of that signal comes from the Customer Success team, since they are the eyes and ears of your customer base. Establish a regular review of Customer Success issues. Include a Customer Success executive in every executive meeting, every board meeting, and every key strategic decision. And take his or her opinions as seriously as you take those of your sales leader.
- **Prioritize Customer Success:** This is where the rubber meets the road. Every business has limited resources and must make tradeoffs. Is the feature to delight clients always getting deprioritized for the feature to drive demos? Is the project to implement self-service getting pushed behind the channel partner rollout? Is the training for Customer Success Managers (CSMs) being postponed for the sales training? If you want to drive Customer Success, prioritize it.
- **Empower the Customer Success Team:** In the same vein, if you've created a team to drive success with your customers, take measures to support it. Some things to consider:
    - Make sure the title for the Customer Success executive is on par with the sales leader.
    - Keep your CSM in the loop when a customer escalates to the management team.
    - Let the CSM be the hero with customers if possible (e.g., ideally the CSM will tell the customer that you agreed to their contract change or road map request).
    - Make it clear to the rest of the organization that the CSM represents the client's views.
- **Measure Customer Success:** Customer Success will never be taken seriously if there aren't agreed-upon metrics to apply. Define metrics for your bottom-line results, including gross churn, net retention, and other measures. Make sure everyone is clear on what the metrics mean. And create some early-warning metrics such as health score, adoption score, and Net Promoter Score (NPS) to track where Customer Success is going.
- **Incent Toward Customer Success:** Companies set compensation plans to drive behavior. So if you want to drive Customer Success, pay people for it. Consider adding Customer Success metrics (e.g., net retention, NPS, or health score) to your company bonus plan.
- **Challenge the Company:** Just as you push the company to grow sales and hit quarterly targets, expend as much effort pushing the company to hit Customer Success targets, such as retention, go-lives, satisfaction metrics, or adoption goals.
- **Celebrate Success:** Customer Success isn't easy. It's not always in your control, and customers can be challenging. Most companies have great traditions for cheering sales on—gongs, champagne, trips, fun bets. Do the same for Customer Success. Get yourself a CSM gong and send the signal that Customer Success is a top-down, companywide commitment.

2 Sell to the Right Customer

Executive Summary

Selling to the right customer and being completely aligned with your product market fit (PMF) is a mission that growth companies need to focus on throughout the entire organization. The excitement of closing net new deals, especially ones involving common and well-known brands, is exciting for everyone. Especially if they are within your PMF, then the revenue machine is empowered and your specialized handoff from pre-sales to post-sales can be templatized and scaled to help ensure expansion and reduce churn.

But if your customer isn't the right customer, the impact on your organization can be disastrous. The wrong customers can inhibit your organization and take you away from efforts that drive success, efficiency, and scale. On the other hand, this may be a fine line because these customers can also become critical design partners to help you extend your use case and PMF. The critical point? Be aligned on the aspects of what the right customer for your company is and is not!

Ted Purcell
Senior Vice President of Sales and Customer Success, Clarizen

Ted leads all Sales and Customer Operations for Clarizen, the leader in Enterprise Work Collaboration software. Ted's extensive Enterprise Software sales background has driven him to focus on a Customer first agenda to enable referenceability, expansion, and scale.

Ted has extensive Global leadership experience across a broad range of start-up, fast growth, and mature companies, most recently from SAP. His career has expanded many Enterprise Software categories including ERP, Applications, Analytics/ Big Data, Development Tools, and Mobility.

The customer is the north star of a company—and its most valuable asset. For a company to live up to its aspirations and expectations at scale, the CSM needs to be the host responsible for the complete customer journey, both inside and outside the company—the ultimate trusted advisor. The end result may be increased expansion and decreased churn, but that is icing on the cake compared to the details to enable that goal.

Revenue doesn't just speak, it shouts. That said, your PMF screams! Your PMF must drive your complete corporate alignment, from product development to operations and throughout the go-to-market funnel. As you grow, customers may begin to surface use cases that ideally build on the foundation of your PMF. If not, they may drive your organization into chaos. An organizational commitment to understand the data that surfaces during your customer engagement life cycle, to ask whether this is the right customer for you, is extremely important. The right customers hone your company's vision, your content, and your onboarding of employees, partners, and customers. And they help optimize your corporate direction. The wrong customers, even those who may come with great brands, the promise of large up-front or potential revenue, or referenceability, may take your valuable resources, mindshare, and company down a very dangerous rat hole.

To maximize effectiveness as a software-as-a-service (SaaS) growth company, you will be confronted with the question, "Is this customer the right one for us?"

In your efforts to optimize a SaaS revenue machine, alignment at all levels and aspects of the company drives focus, specialization, and the ability to effectively scale. Although the product teams must focus on delivering to the PMF, they still need to be aware of and responsive to customer needs and the reality of the market as it evolves. If this alignment is not strong, it can erode a company's focus and ability to execute and scale—to enable and ultimately deliver for the right customers as they start showing up at high volumes and velocity. The right customers may help mature and calibrate a company's PMF and innovation agenda. The wrong customer, who is not aligned with your target market and core PMF, may put constraints on every aspect of your company's go-to-market motion. The key is building a communication mechanism and a process to surface risks early on.

Pre-sales, sales, and scoping within the services/statement of work (SOW) build phase (as a last resort) are critical points in the feedback loop to mutually surface risks and ultimately change customer direction or put a stop to the sales process with a particular customer. For this to be effective, your sales team must have a clear and complete picture of the customer context, beyond simple product features and functionality. Your sales team must understand the perceived business value and who, how, and why it will affect and influence customers.

Marketing, sales, and Customer Success fully aligned with the product provides a strong enabler of the myriad requests and demands that come from an evolving and maturing customer base. It is incumbent on sales and Customer Success teams to manage growth and drive scale in context with the feedback loop from the customer base to maintain alignment with your target market and PMF. This requires strong leadership and a commitment to understanding that the right customers will enable us to be more responsive to the target market and help focus resources on the right efforts, making not only your customers but also your own employees more successful.

How do you define the "right customer?"

Does it encompass a particular use case or line of business, a particular industry vertical, or a particular size of customer that fits with your existing product? Is it based on analyzing your current customer base and what's working today, or analyzing the size of various addressable markets where you are not currently playing and deciding which ones to target and, potentially, which customers to deprioritize or completely abandon? In the end, it includes a bit of all these factors, but the CEO must be aligned with and committed to the PMF, including the right target customer profile.

Once you have defined the profile of the ideal customer or ideal customer segment, your operational go-to-market engine needs to align with that profile. Operationally, it all starts with selling to the right customer, which means starting at the very top of your revenue funnel. Marketing must target the right kinds of customers, and sales must quickly disqualify those who aren't a great fit, going beyond typical methodology and key qualification steps such as budget, time frame, and executive sponsorship.

The churn itself is only the tip of the iceberg; the cost of signing customers that you can't make successful could be enormous. First you incur the customer acquisition cost (CAC) of bringing these customers on board. But the biggest cost is the opportunity cost of applying resources to the wrong customers, and inevitably doubling down on those customers when they struggle. These resources could have gone to helping other customers who have a greater opportunity for higher customer lifetime value.

Your message and your brand are empowered by the right content, which needs to be put in the right context in front of the right people at the right time. The customer profile must be assessed at every stage of the funnel, with a commitment to providing a consultative and trusted advisor approach to your customer interactions—even when it is to prevent customers from going down a path that creates complexity, cost, and ultimate derailment. This approach requires investment, including continual messaging to your teams to establish and reaffirm this commitment.

There may be instances when the right target customers are not met with the right internal customer alignment, therefore putting them at potential risk of becoming the wrong customers. Sales and customer support hygiene is critical here. Surprisingly, some customers have become our storybook customers even though they were not the right customer profile initially. Establish executive sponsorship, reaching higher and wider in an organization not only to position your product in the right context, but also to showcase your Customer Success–oriented culture to drive a successful customer engagement life cycle. This will help you establish the right cadence with the customer as well as your "trusted advisor" brand, ultimately helping you ascertain whether solving for the internal customer context will drive you to the right customer profile.

When a company is in scale mode, the communication and message of the "right customer" commitment must be consistent and continually reaffirmed. This alignment will drive the top of the funnel activity through your marketing and demand generation efforts: to sales, to onboarding/professional services, to Customer Success, and back to product again, building on your referenceability and ultimately leading to reduced churn and improved expansion results.

Sales and customer hygiene is important, and the process enables the data, which leads to decision making that drives the right results. In an ideal world, a company would sell only to its ideal customer, but we know that growth companies face tremendous pressure to drive revenue growth. As such, it may be necessary to expand the definition of the ideal customer to optimize growth. In that case, it's important to also have a scalable mechanism in place to capture the customer profile so you're able to track and assess the ideal customers, including important metrics such as resource allocation, CAC ratio, net churn, and customer lifetime value. Various SaaS tools such as Salesforce, Marketo, Gainsight, and Clarizen have the ability to leverage the open application programming interface (API) architecture of these systems to connect them for seamless data flow, so it's possible to capture customer fit criteria early in the go-to-market cycle and track this data throughout the revenue funnel.

You may also choose to define unique processes for less-than-ideal customer segments. For example, you may choose different business requirements, such as requiring a certain profile of customers to purchase a specific services package. You may choose to invest in a higher-touch process during key risk points, such as deeper CSM engagement during the adoption phase to work to neutralize risk early and get the customer on the right track. Alternatively, you might choose to minimize investment through lower-touch and one-to-many approaches, such as webinars and self-help web-based resources to focus limited resources on higher–lifetime value customers.

Prioritize a scalable system to capture churn reasons and to analyze this data on a regular basis, with product and customer teams to slice and dice the data across various customer segments. Understand what percent of churns were driven by poor adoption, what percent were driven by product fit issues or product gaps versus customer needs, and what percent were driven by factors that were hard to affect, such as merger, acquisition, restructuring, and bankruptcy.

It's also important to analyze your incentive processes across the company and determine how to align them to reinforce the need to focus on the right customer segments. Clearly your Customer Success leadership is incented to reduce churn and partner with sales to accelerate expansions. Are your sales leaders incented to reduce churn, thus incenting them to not sell to the wrong customers? How about your product leadership and an incentive on customer retention? If we've established the point that customer lifetime value and minimizing churn are some of the critical key performance indicators (KPIs) for any SaaS company's success and valuation, doesn't it make sense for all functional leaders to share those variables in their incentives?

Another factor to consider is organizational structure and how it does or does not align to focus the organization on selling to the right customers. Do your sales and Customer Success organizations report to a chief revenue officer who holds a holistic view of both new business and retained business to help drive the right decisions about which customers to target and which ones to walk away from? If sales and Customer Success are independent silos, do you provide your Customer Success leadership veto power over deals that are not a fit?

The feedback from sales and Customer Success is tremendously important for any high-growth SaaS company to evolve your product and strengthen your PMF. It's critical if you choose to broaden your lens to nonideal customers or to adjacent customer segments beyond your core market. It's also key to capture customer segment information for new feature requests. Without that designation, your product team may incorrectly assess and prioritize where they dedicate product development resources. It's also important to define processes and data flows that scale as the business grows, and it becomes harder and harder to align on priorities because of communication challenges.

Of course your agenda and your strategy may evolve and mature as you scale, as will your target customer profile, to set the example for the organization and the company. Referenceability is everything to a company, and building the right content in a value-oriented context should drive the right behavior—not only to acquire more customers, but also to set the agenda for your own people, especially as you hire and bring on new employees.

The right customer journey, in combination with the right PMF, with top-down alignment on the priorities of the organization, driven by a collaborative and transparent agenda for your employees, partners, and customers, will help minimize noise and drive operational excellence throughout your customer engagement life cycle. Moreover, it will ultimately help you focus on selling to the right customer.

3 The Natural Tendency for Customers is towards Churn

Executive Summary

Customers and vendors start off their relationship like two boats side by side in the middle of a lake. But if both boats are unoccupied, they will soon begin to drift apart. Over a longer period of time, it's highly likely that the two boats will end up very far apart. What would change that natural tendency? Simple. Put someone in one of the boats with a pair of oars. Better yet, put someone in each boat with oars.

Change is the enemy here. If nothing changed, customers and vendors might very well stay tight. But change is the constant. People change in both companies. Business models change. Products change. Leadership and direction change. And on it goes. Only willful, proactive interaction on the part of one or both companies will overcome the natural drift caused by constant change.

It's critical to understand the tendency, without intervention, for a customer and vendor to drift apart. The primary reason for this is change. Your product changes, their people change, your people change, their business model changes. And on and on. This is why Customer Success organizations have come into existence. Customer Success organizations intervene to push the customer and the vendor back together.

The long-term health of your SaaS business is directly tied to your ability to retain customers and prevent churn. No other metric is responsible for more meetings or more sleepless nights. In a recurring revenue business, most of your revenue comes after the initial sale. In fact, in many SaaS companies, the lifetime value of a customer is 10 times the value of the initial sale. As a limiting factor to growth, churn negatively affects both growth and company valuation. It also has a terrible impact on morale. Everyone hates to lose a customer but in a recurring revenue business, the costs are acute. In fact, the biggest cost may not even be the value of the customer's contract, but the resources that were burned acquiring, onboarding, assisting, and often trying to save a customer who eventually churns. Churn increases with the size of your customer base, which makes it incredibly difficult to overcome.

Churn can be defined as the percentage of subscribers to a service that discontinue their subscription to that service in a given time period. Because SaaS companies invest significant resources acquiring their customers, it's critical to be sure customers stick around as long as possible to generate the largest possible return on the initial investment. The longer your customers stay, the larger the return.

Karen Pisha
SVP Customer Success, Code42

Karen Pisha is a cloud customer success veteran with a wealth of experience managing large, successful customer engagements and helping to rapidly expand high-growth software companies. Prior to her position at Code42, Karen led Adaptive Insight's Professional Services, Customer Success, Education, and Support teams, working in conjunction with worldwide sales and partners to develop and expand business success for Adaptive's worldwide customer base. Karen joined Adaptive Insights from Oracle, where she served as Vice President of Professional Services. She joined Oracle having served as SVP of Global Account Services at Eloqua, an Oracle acquisition, where she helped more than triple revenues over four years and dramatically expanded sales to the existing customer installed base. Prior to Eloqua, Karen was Global VP of Professional Services for SuccessFactors, where she significantly ramped the professional services team and revenues through a successful IPO. Karen has also served in key roles at ServiceMax, PeopleSoft and others. Karen attended Central Michigan University where she majored in business administration and marketing.

The concept of "partial churn" is also valuable to understand. That is simply the loss of contract dollars in a situation where the customer does not leave you. Partial churn can come from a product churning, unused licenses being returned, or customers negotiating a deeper discount because of challenges they encountered working with you.

So why do customers decide to part ways with their established SaaS vendors in search of greener pastures? What triggers customers to leave the nest? Does churn result from predictable patterns, or a series of unpredictable, random occurrences? Many hours have been spent analyzing this problem and research suggests the former.

It might sound obvious, but if you want to stop your customers from looking at your competitors, you need to make them successful using your product or service. It's not as easy as it sounds. The definition of successful customers varies widely and depends on many factors. Most SaaS companies believe that successful customers are a direct result of product adoption, engagement, and product usage. It's also critical to make sure they are getting the business benefits they set out to achieve when they selected you as their vendor of choice. One thing to consider is that sometimes the most successful customers appear to be unhappy. This tends to happen when customers are pushing the boundaries of your product or your organization.

While there are many reasons why customers cancel, most SaaS companies don't catch on until it's too late to save the account. Here are some of the top reasons why customers churn. The real trick is putting measures in place to look for the warning signs and acting on the data when you see the signals.

1. Financial Return or Business Value Not Realized
It's possible that the initial business case wasn't founded on accurate data, or maybe the circumstances changed internally. In either event, lack of return on investment (ROI) creates a big risk for you.

- **Telltale signs:** Decrease in usage or inactivity after sign up.
- **Steps you can take:** Leverage the Customer Success team to review the client's goals and guide clients through the product adoption phases so they get value early. Continuously look for ways to expand use of your product so it supports more functions, thereby generating more business value (i.e., higher return).

2. Stalled or Prolonged Implementation
Customers are usually antsy to get started, but all too often they lose their momentum or focus after the project starts. If customers can't get their products into production, they aren't seeing any value.

- **Telltale signs:** Customer fails to get the product in an operational production mode.
- **Steps you can take:** Define packages and services offerings that provide quicker time to value by getting customers started on the customer journey. This may include defining smaller phases that get the customer using your product for a subset of their overall scope.

3. Loss of Project Sponsor or Power User
The transition of a project sponsor or power user creates a risk for your long-term success. In some cases, all the background information about why your product was purchased and the keys to managing the application reside in one or two key people.

- **Telltale signs:** The customer goes dark. You can't reach the project owner or sponsor.
- **Steps you can take:** Offer training for new users to make sure that more than one person in the organization knows how to use your product. Push to maintain high-level relationships to keep management on board.

4. Low Rate of Product Adoption
Customers who are not using your product to support their business requirements are likely to find another option or go back to their old method of doing business.

- **Telltale signs:** Customers aren't using your product, or you have seen a decline in logins.
- **Steps you can take:** Develop programs to work with customers to assess their business needs and guide them through a customer journey that outlines the capabilities they can use in the product. Ensuring that more users are logging into the product and supporting a broader set of functions makes your product more sticky (and harder to replace).

5. Acquisition by a Company That Uses Another Solution
Company acquisitions account for some degree of churn in most SaaS companies.

- **Telltale signs:** Your customer contact tells you that the organization is being acquired or that the new company leadership is forcing another solution.
- **Steps you can take:** This is a tough one. In some cases, you may have the opportunity to present the value of your product or service to the new company leadership. This may give you a chance to maintain (or grow) your footprint. In many cases, however, the die has been cast and your product is not on the approved list, thereby creating uncontrollable churn.

6. Lack of Product Features
Competition is heating up for many SaaS companies. The draw of new features, such as more intuitive user interfaces or mobile or social capabilities, is driving many companies to switch vendors.

- **Telltale signs:** Your customer is asking for new features or more product enhancements.
- **Steps you can take:** Make sure your CSM is up to speed on your product road map and understands where you are making investments in the product. Get customer feedback about product direction, and ask customers what they think. Share feedback with your product management team to let them know what matters most to customers.

7. New Leadership Driving Shift in Direction or Strategy
New customer leadership can drive a shift in direction or strategy. Sometimes leaders bring strong opinions or biases about the product they used in the past and they force an evaluation or replacement of your product.

- **Telltale signs:** You are being asked to participate in a request for proposal (RFP) or solution evaluation process.
- **Steps you can take:** With the support of your project owner or sponsor, place a proactive call to the new leader. Offer to provide an overview of your organization, product, and value proposition. Reinforce value received and opportunities to get additional ROI from extended capabilities and usage.

8. Customer Affected by Poor Product Quality or Performance Issues
Product or performance issues can create significant pain for your customers and put them in a position where they are looking for a better, more stable solution.

- **Telltale signs:** Your customer has logged an increased volume of support tickets or escalated cases.
- **Steps you can take:** Be knowledgeable and empathetic, offering solutions and alternatives in a timely fashion. Escalate internally and let your customers know that their issues are receiving the highest level of attention. Stay on top of issues, and proactively provide updates on progress. Customers understand that software isn't perfect, and they value the relationship and support they receive to get to resolution. Unfortunately, if the issues persist or create significant impact, you are at risk of losing your customer.

9. Your product is not the right solution
Creative salespeople can find ways to sell products (even when they're not the perfect fit for your customer's requirements). In some cases, customers will buy your product to solve a need that doesn't match your sweet spot.

- **Telltale signs:** Your customer's understanding of your core product capabilities is not accurate, or the customer is asking for features that are outside your wheelhouse.
- **Steps you can take:** Educate the sales team on the use cases and customer parameters that create the ideal customer experience. Partner during the sales process to help identify where prospects do not fit the ideal customer profile and offer alternatives to the way the customer is solving the business requirement. Teach the professional services team the warning signs and how to identify risks early in the project.

10. The Human Factor
Even the best Customer Success professionals will occasionally not mesh with your customers. It's important to pay close attention to all the customer-facing people on your team and watch for the warning signs when the match-up might not be ideal.

- **Telltale signs:** You may receive less-than-glowing feedback from a customer on a call or in a survey

about your team member. You may also get the feedback second-hand, through partners or individuals who are connected to your customer.
- **Steps you can take:** Don't ignore negative feedback. Proactively reach out to your customers and seek their input and opinion about your team member. You need to quickly determine whether the relationship can be fixed or whether you need to replace it. Delaying the need to replace a resource can bring long-term negative effects.

The bottom line is that you must put proactive procedures in place to monitor the health of your SaaS customers. The more you understand your customers, their business needs, and the ways they are using your product, the better off you will be when it comes time for them to renew their contract. Whenever possible, proactive outreach from your Customer Success management team can make a big difference in your long-term relationships and overall customer health. A few great ways to maintain contact include:
- Proactive outreach from the CSM or an executive
- Timely, relevant email content
- High-quality customer webinars that provide ideas about how to extend use of the product
- Updates and involvement from a robust customer community
- Regular user group meetings
- Customer advisory boards
- User conferences

4 The Expectation of Your Customers is for You to Make Them Wildly Successful

Executive Summary

Customers don't buy your solution to use its features and functions. They buy your solution (and buy into the relationship with you) because they want to achieve a business objective. Just as sales organizations are using a "Challenger" sales approach, Customer Success organizations need to provide new insights and challenges. As Ben Horowitz said in his 2015 commencement address at Columbia University: "There's no value in telling someone what they already know."

The value your customer places in your relationship isn't defined only by your product's features and functions; it's also defined by everything else your company does to help make your customers better at what they do. That includes enablement, content marketing, online resources, and in the case of relationships with larger enterprises, direct engagement by subject-matter experts. In some cases, delivering a message that goes against conventional (and popular) wisdom can be difficult, but in the end, delivering a challenging message that is in your customer's best interest will strengthen your relationship

Delivering wild success requires you to understand three fundamental things:

- *How is your customer measuring success? In other words, what is the customer's unit of measure (time saved, incremental revenue, reduced cost, specific financial impact of increased quality), and what results does the customer need to declare victory?*
- *Is the customer achieving that value (or at least on a realistic path to achieving it)?*
- *What's the customer's experience with you along the way?*

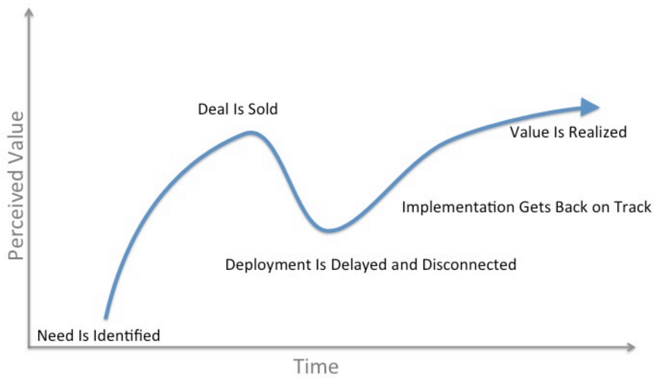
Nello Franco
SVP Customer Success, Talend

Nello Franco is Senior Vice President of Global Customer Success at Talend. responsible for all aspects of the company's recurring revenue and customer base, including Customer Support, Client Success Management, Renewals, Training/Enablement, and Professional Services. Before joining Talend in 2013, Nello had extensive experience leading the implementation of technology solutions to Global 1000 customers and building customer-facing organizations for Systems Integrators as well as software companies. He is also a leading influencer in the Customer Success space, and authors a blog on Customer Success at http://blog.nellofranco.com.

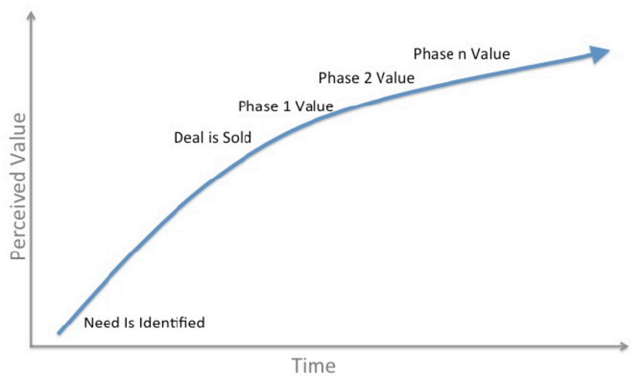
Wild success doesn't happen by chance. It happens because both you and your customer have a real stake in mutual success, you both share and understand those objectives, you measure and monitor progress against those objectives, you ask hard questions, and you continuously strive to raise the bar when setting new objectives.

The truth is that it takes more than a great product to make your customers successful. In the enterprise, you've won the deal because your sales team has done an outstanding job of selling the benefits of your company, painting a vision, and setting expectations that there will be significant payback with your solution. In a recent customer meeting, a forward-thinking CIO expressed to me his concern with many software vendors: "None of them challenge us. They come in, install the software, and then move on. I'd like to understand what we're currently doing that we should be doing differently. We're not just paying for a product—we want expertise as well." In a sense, he was telling us: "You sold us on vision and expertise. That's our expectation. Now deliver."

Unless you can start by delivering some value quickly, while executives are still excited, you risk losing momentum and falling into what Gartner has called the Trough of Disillusionment.



With early proof points, your customers' perception of success will be on a much flatter curve:



In addition to ensuring that you're tracking to ultimate success for your customer, set your customers up for a quick win. Define an initial milestone and track that time to first value (shown in the chart above as "Phase 1 Value"). It may be as simple as delivering an initial proof of concept with basic functionality, but it will quickly provide evidence to your customer (both your immediate sponsor as well as executives or board members) that the decision to go with your technology was a good one. It's also important to prove value quickly, since any expansion plans you may have with the customer will be predicated on your success. Early wins keep that momentum going. An early win will also be extremely helpful if you encounter any challenges (technical, business, environmental, or political) in future phases. It will allow your sponsor to point to the value already achieved as a way to flatten obstacles and rally support.

Installing software on-premises, provisioning a user account for a SaaS solution, or even providing basic training on the functionality of your product are simply table stakes. Those activities get you in the game, but they aren't what make you win. If your company innovates—and which successful ones don't?—it's important that you outwardly communicate the benefits of that innovation and, critically, how your customers should use your capabilities to be more effective at what they do. Great companies need to provide this expertise and guidance in a way that scales. It isn't just about having highly skilled professional services consultants who come in on a fee-for-services basis (although that's very important when serving the enterprise, as well as some subset of highly technical solutions). You'll also need great content (knowledge base, best practices, how-tos) and an efficient means for delivering it.

The main reason why your customer bought your product in the first place isn't because your features are cool. It's because your customer has a job to do and expects your solution (and your company) to help them do it better. For example, if your company provides a digital marketing solution, you need to provide the tools, technology, training, and supporting content to make your customers better digital marketers, not just a tool that allows them to send emails. More importantly, you need to continuously provide the customer with examples of how they can use your solution to be more effective, how other customers are using it to be more effective and, if you have the aggregate data, how some of the customer's key metrics (usage or otherwise) compare to similar companies or industry averages. Without a benchmark of comparison or a target to achieve, the customer's current performance data has limited value.

To Help Your Customers Become Wildly Successful, You Must First Understand What Success Means to Them

To manage your customers through the journey of wild success, you always need to know three things about them:

- **How are they measuring success?** Specifically, what is the key metric, or "unit of currency," that they're using to measure success, and how many units will the customer need to add/save/remove/reduce to claim that they've gotten value from your solution? You should also know how the customers as a team (irrespective of your solution) are being measured for performance.
- **According to that metric (or metrics), are they achieving success?** Or, if it's a work in progress, is the customer on track to succeed within to the expected time frame?
- **What is their experience along the way?** While the first two questions are pretty clear-cut and quantitative, this one is less so; however, it is incredibly important. It will drive the tone of your relationship and interactions with your customers. Even if your customers achieve their objectives using your technology, if their experience is painful and requires more effort than they believe is necessary, then you've significantly increased their cost (both tangible and intangible) of achieving success.

ROI Isn't a Concept; It's an Equation

Another area that receives intense focus during the sales cycle but may fall through the cracks after implementation is the quantification of ROI. If you're a provider of Customer Success solutions, your customers might have the following objectives:

- Reduce churn
- Find upsell opportunities
- Improve the ability to scale their team

While it is difficult to attribute the degree to which your solution is helping the customer achieve each of the three preceding objectives, the first thing to do, if possible, is quantify the expected results. For example, reduce churn by how much? Identify how many new upsell opportunities, and of what size? How much total value? How much productivity gain do you expect to see in your team? How do you measure productivity? Is there a way that you can tie use of the product (or particular features of the product) to team scalability? Can you identify a few key metrics associating health scores for a certain percentage of customers in a certain tier as a point of first value? After you understand the expectations, set them as a clear target.

Get on a Cadence and Track Your Progress

Use regular business reviews (with your higher-touch customers) as a way to track progress toward the objectives and targets you've jointly defined. If your customers understand that you have a vested stake in their success and you share a common objective with them, they'll be willing to engage with you on a regular basis to collaborate on how they can get there. Regular strategic business reviews (SBRs), quarterly or otherwise, focusing on these objectives give you and your customers a reason to engage on a regular basis. These objectives also help frame the conversation for a business review. I've seen too many quarterly business reviews (QBRs) poorly attended because they weren't working toward clearly stated and understood success criteria. Product road map updates and a review of open support cases will carry a QBR only so far. In fact, a QBR that covers only those topics is extremely defensive. There's no way for you or your customer to win if all you're talking about are features that don't yet exist and features that aren't working properly.

A business review must be part of a broader context of a journey to well-understood success. If you have a clear understanding of the customer's success criteria, then at the end of each SBR, you should be setting measurable objectives for the next one. I met with a customer recently who has an objective to migrate billions of rows of data to a new repository within the next two months using our product. While our CSM is going to have a number of conversations in the interim to ensure that the customer achieves that goal, the larger team is certainly going to review progress against that quantifiable objective in the next QBR.

Success Isn't a Destination; It's a Journey

While your customers may have set out initial success criteria, part of the value you bring as a partner is helping customers define what they should think about next. You know and understand the value your product can potentially bring to your customers. You also know how other customers are using your product successfully. This is a perfect opportunity for you to give your customers guidance about what they should be thinking about next. If they just used your Customer Success automation product to increase their retention rates from 85% to 88%, you now have an opportunity to show them how best-in-class companies are achieving 90%+ renewal rates—and how your partnership can help them get there. For lower-touch customers, you can achieve this objective through content marketing and communication of online best practices. For higher-touch customers, this can (and should) be an opportunity for executive alignment. It's an opportunity to influence each other's strategy, as well as an opportunity to strengthen the relationship. A good tool to use to help drive customer direction beyond first value is an effectiveness model—**Demonstrating Value and Progress**—that you can use to set objectives and timelines to help your customers better achieve their business objectives via your partnership.

In Theory, There's No Difference between Theory and Reality—But in Reality, There Is

All this sounds great in theory. However, unless you have perfect alignment and agreement on everything throughout your customer relationship (starting with the sales process), you're going to have cases in which customers won't come to the table, won't provide you with key data, will be challenging and confrontational, and may have a different understanding and set of expectations than you do—possibly thanks to an overly optimistic sales effort. You may run into challenges with your product. Your support or services organization may not always deliver impeccable service. All I can say is: Welcome to Customer Success. These are all challenges that you have to deal with, and you must have difficult conversations as soon as possible when issues arise. Issues won't go away by themselves. Customers, however, will.

Approached properly, these conversations are, at minimum, incredible learning experiences. The best perspective for your company to take is to look at itself through the lens of your customer. No matter how hard you try to imagine how your customers feel about something or what they think, you won't know until they tell you. Candid customer conversations are a valuable source of information—sometimes epiphanies—for your company.

Challenging times are also a great opportunity to cement a relationship. I have heard it said that the strongest steel is forged by the fires of hell. If you've worked through a difficult situation collaboratively with a customer and shown your true colors as a partner; or if you've accepted responsibility, identified short-term milestones—then met those milestones—regained trust, and made your customer successful, then you'll understand and empathize with this statement. If customers aren't following through on their side of a commitment, then you'll need to escalate, strategize with your sales team or other business functions, and figure out how to have the necessary difficult conversation with the right person or people. Customer Success is everyone's responsibility. Use all the resources available to you. Your customer is expecting you to.

It's true that customers expect you to make them wildly successful. It's also true that they're highly motivated to be wildly successful with you. In fact, they're at least as big a stakeholder in your mutual success as you are. Your customers are demanding because they want to be successful. Challenging your customers isn't always an easy task. It requires a relationship, mutual respect, and a sense that you both are working toward the same objective. A customer told me recently at a dinner meeting: "The challenge you posed to us was difficult for us to process and accept. We initially took offense that you, in essence, were telling us that we were wrong, and that caused some tension. Ultimately, however, because we felt that you were in the same boat with us, we accepted it. As a result, it has strengthened our relationship."

Customer feedback about your opportunities for improvement isn't always as obvious as an escalation or challenge. In most cases, you need to be paying attention to the more subtle clues that there may be risk to your customers' success. Many times, those clues are in what they don't say rather than what they do say. Risk might be indicated by a change in schedule or priorities. In any of these cases, it's critical to get to the root cause of the issue and understand what course corrections you need to make to drive Customer Success.

Remember, your customers aren't buying a technology. They're buying a solution to a problem, a path to a better way. It's your responsibility to understand the customer's goals and objectives and steer the customer along that path (in both high-touch and low-touch ways). Once you're able to understand how customers are measuring success, confirm that they're achieving it, and confirm that they're having a positive experience along the way, you'll have the most valuable thing possible: an advocate. And in a world where social media and the network are accelerants that help both negative and positive opinions spread like wildfire, advocacy is priceless.

In combination, the **Challenger Sale** methodology and the rise of content marketing have created an environment in which customers expect that they have purchased more than just a product to use. They've entered a relationship with a company that is going to make them more effective at achieving their business objectives. As a result, the CSM (as well as the entire customer-facing team) need to grab the baton and take on the role of challenger throughout the customer life cycle. Wild success doesn't happen by chance. It happens because someone asks hard questions, objectives are measured and monitored, and once those objectives are achieved, someone raises the bar and repeats. Welcome to (wild) Customer Success.

5 Relentlessly Monitor and Manage Customer Health

Executive Summary

Customer health is at the heart of Customer Success. It not only informs, but it drives appropriate action when used properly. It is to Customer Success what the sales pipeline is to a sales VP—the predictor of future customer behavior. Good customer health equates to a high chance of renewal and upsell. Poor customer health means a lower chance of renewal and upsell. So just as sales VPs manage through their pipeline, Customer Success teams must manage through customer health.

Given that retention is life or death for a recurring revenue business, monitoring and managing customer health is a core activity for Customer Success teams: It must be done and done well—even relentlessly.

Dan Steinman
Chief Customer Officer, Gainsight

Prior to Gainsight, Dan served as Vice President of Customer Success and Renewals at Marketo. Previous to Marketo, he served as Vice President of Customer Success at Mozes and was co-founder and VP of Customer Relations at Nearbynow. Dan is a recognized thought leader in the Customer Success space and an active blogger and speaker on its behalf.

The following is one of those phrases with which you can play an old word game—read it aloud four times, emphasizing a different word or phrase each time:

- Relentlessly monitor and manage **CUSTOMER HEALTH**
- Relentlessly monitor and **MANAGE** customer health
- Relentlessly **MONITOR** and manage customer health
- **RELENTLESSLY** monitor and manage customer health

Each and every idea in this phrase is equally valuable if you are to execute on an aggressive Customer Success vision. Let's set the stage first, and then come back and analyze each piece independently.

As has already been articulated over and over in this paper, the subscription business model demands that we pay attention to customers. Not because we want them to be referenceable—although that's nice. Not because we want them to do case studies—although that's nice too. And not even because our CEOs want to proclaim that they are customer-focused—which they will all claim, regardless of whether they practice what they preach. No, this is different. We have no choice but to pay attention to our customers and for one very simple reason—it's life or death. Recurring revenue businesses just can't survive unless they drive success for their customers, because successful customers do two things: **(1)** They renew their contracts at a high rate, and **(2)** They buy more stuff from you. It's really is as simple as that. And subscription, or pay-as-you-go, businesses will not survive without those things happening.

To be fair, it's never been OK to not manage and nurture customers. We really do want them to successfully use our products and talk about them to others, to be willing references and do other marketing-related things with and for us. And most companies and CEOs truly want customers to be successful for nonfinancial reasons. It just feels good to have customers deriving real business value from the products we've worked so hard to deliver to them. But it was never about desire; it was about motivation. It's one thing to want your customers to get business value, but it's a whole other matter to have your business's viability at stake.

And this isn't an exaggeration for the sake of making a point. The numbers are inarguable. In the perpetual license software world, a very high percentage of the customer's lifetime value is collected at the time of the initial sale, perhaps as much as 90%. In the subscription economy, it's quite likely that the initial deal is worth less than 10% of total customer lifetime value. Let's take a $25,000 annual contract as an example. Customer lifetime would be projected at 7 years minimum but more likely 10+ for a healthy customer. That means that this customer will do nine renewals. Even at an annual growth rate of only 5%, the customer will end up spending well over 10 times the initial deal during the lifetime of the relationship. And that doesn't even count the nonrecurring dollars from services and training and the like.

Thus the birth of Customer Success: an organization designed specifically for the intent of driving value to every customer through the use of your product, resulting in high retention rates and a healthy business. This makes for a pretty simple metric for measuring what these Customer Success people are accomplishing—net retention. But what are they actually going to be doing every day?

Relentlessly monitoring and managing customer health, that's what.

Let's tackle each part of that phrase in reverse order.

Customer Health

Even before we define what customer health means, we should answer the why. Motivation is almost always derived from the why, not the what or the how. So why do we care about customer health? The answer probably seems obvious, but let's make it a little bit more concrete. Because sales has been around forever and most everyone understands how it works, that will be our analog. Understanding customer health in the Customer Success world is very similar to your sales leadership (and executives) understanding their pipeline. And what does a clear vision of the pipeline do for your sales VP? At least three things:

- Predict future behavior
- Predict timing of future behavior
- Enable better management of the team

To put it succinctly—forecasting and management. Customer health for a VP of Customer Success provides the same value. It's a daily predictor of future customer behavior (renewal, upsell, churn, at risk) and offers a more timely way to manage your team (no need to wait 12 months to find out a CSM's churn/retention rate).

Now on to the what. What is customer health? Well, the word "health" is no coincidence. It really is akin to our health as human beings. If we go to the doctor and get a thorough physical, we could be given a health score, right? Let's see here—this patient has a normal temperature and heart rate. His blood work reveals no major problems, but his cholesterol is a little bit high. He's also 10 pounds over his ideal weight and exercises only three times a month. We could run a bunch more tests, but those are the usual ones for a man his age. On a scale of 0–100, let's give him a score of 84.

Customer health works the same way. We can run a series of tests to determine overall health. Of course, that first requires a definition of "healthy" against which to compare the test scores. It's likely that you have a bunch of healthy customers. You know who they are, and you probably also know why you consider them healthy—they use your product almost every day, even some of the more advanced features. They call your support folks often enough for you to know they are actively using your product, but they don't call too often. They pay their bills on time, and their last customer satisfaction survey score was 90%. You can determine customer health anecdotally or scientifically. Ultimately, it will probably be a combination of both but you need to tackle it in some way. Every company is different so there's no one way to do this but here's a list of possible customer health components that could be used to determine overall health:

- **Product Use:** If you can get this data, do so. It will be of great value in determining customer health. Look at it in every possible way: How often do customers use the solution? Are they using your stickiest features? How many people are using it? Do executives use it? Is it used in board meetings, executive meetings, departmental meetings, and the like? Nothing will tell you more about your customers' health than whether and how they use your product. However, there's more to customer health than this. If you don't have access to product usage data, the rest of this list will be even more important.
- **Customer Support:** How often does the customer call? How long is the average case open (how many P1s, etc.)? Good, healthy customers usually call or use support with some regularity. This is a good indicator of customer health.
- **Survey Scores:** Think about customer relationships as human relationships. Both verbal communication and nonverbal communication are important, but what your customers tell you directly when asked is critical.

- **Marketing Engagement:** What happens when you send the customer a marketing email? Does it bounce? Does the customer unsubscribe? Does the customer open, click through, or download? What happens is revealing, no matter the outcome.
- **Community Involvement:** If you have a community, your customers, whether healthy or not, probably spend time there. What they do can be very interesting. Are they asking questions or answering them? Do they submit product requests? Do they vote on proposals from others?
- **Marketing Participation:** Do your customers provide references for you? Case studies? Speak at your conferences? Healthy customers do.
- **Contract Growth:** A customer's investment in your technology and services is a clear indicator of loyalty. If after five years a customer's contract is the same size as at the outset (or smaller), the customer is probably not as healthy as one whose contract has doubled.
- **Self-Sufficiency:** Customers who don't need you to help them use your product more effectively are usually healthier than those who rely on you to drive them forward.
- **Invoice History:** Healthy, happy, and loyal customers pay their bills on time. Period.
- **Executive Relationship:** How good your personal relationships are with each customer, together with how high up the chain they go, can be a very important component of customer health.

At the very least, you owe it to yourself to think through what customer health means and analyze its various aspects for your particular customers. You might make a list like this and then determine that some items are too hard to get or that computing a score is too complex. Or you might decide that the only item that matters is product use. That's fine, because you need to start with something you can both do and explain. But keep your list, and make it a running list, because many other aspects of customer health will come to light as you make this a central point of discussion and consideration.

Regardless of what you ultimately decide, the process will be enlightening and beneficial, and by the end of it, you'll be thoroughly convinced that some kind of assessment of customer health needs to be the focal point of your Customer Success strategy.

Manage

Such a simple word. So much meaning. Let's dig in. This word is at the core of what your Customer Success team will actually be doing on a daily basis. In fact, if our thesis is true—that an accurate assessment of customer health is a clear indicator of loyalty and a predictor of future customer behavior, then any activities your Customer Success team undertakes that aren't designed to drive customer health scores up are activities they should probably stop doing. To lean on a sales analogy again, any activities being performed by your sales team that aren't either building pipeline or moving opportunities through the pipeline are not good uses of team members' time.

Creating a customer health score is not an academic exercise. It has a clear purpose. But, if done right, it also creates actionable insights for your team to operate on. For example, if you determine that a customer's health score should go down if they give you a low survey score, that low survey score should be acted upon in some way to reverse a negative course for that customer. This is exactly what we mean when we say "Manage." Take action. Don't just observe and ponder—do something! Analytics or insights with no action are largely useless. At the risk of belaboring the sales comparison, it would be like a sales representative reporting that a deal in her pipeline has been at the same stage for 180 days. Observing and reporting this fact does nothing to advance the business. "Move it or lose it" is likely to become the VP's admonition long before 180 days have passed.

Let's go back to establishing a health score by developing the components of an overall score. These components of overall health are extremely important to your individual CSMs, because they provide them with the power to change the overall score. Think about it this way. If all you have is an overall score, how would you, an individual CSM, move that score up for an individual customer? Ah. Umm. Hmm. Make the customer happier? Right. In other words, just go boil the ocean, please.

But let's look at the same challenge when you have a component-based score. Let's say there's a component called "product adoption" that measures the percentage of purchased licenses that are active. Now, if you're a CSM and you want to move a particular customer's health score up, and you see that the customer's product adoption score is really low, with only 13 of 100 licenses active, you suddenly have some very specific action you can take. You can be certain that if you get 60 users actively using your product instead of 13, the overall score will go up significantly.

So establish a customer health score, and then manage to it under the assumption that moving health scores upward indicates increased loyalty and the likelihood of future good things—renewals and upsells.

Monitor

Perhaps this is becoming way too obvious but we've come this far, so let's keep going. To manage customer health, you must monitor it. Technology can play a huge role in all the areas we've discussed, but it's essential for helping you monitor. If you don't have some kind of system for monitoring your customer's health, you'll be stuck analyzing lots of spreadsheets and reports and trying to draw actionable conclusions from them. This is a reasonable way to start down the path of turning this into something much more scientific and systematic. It's actually helpful to experience the pain of doing something manually, to provide the proper motivation for automating it. It's also useful to create processes that are initially not systematized as you work the kinks out, and then automate them. No sense in automating if the process isn't reasonably refined. You'll end up just making mistakes faster.

You can't manage something that you are not monitoring, so this is obviously critical no matter how you do it. The three elements of our law that we've discussed so far are equally important. Any one without the other two is not useful—it's folly. So please don't try it.

Relentlessly

And here's the adverb in our phrase. One could argue that it's not as important as the other three because it's simply describing how to do the particular task. After all, monitoring and managing customer health sounds like a really good idea. And it most definitely is. But as a wise man once said, if it's worth doing, it's worth doing really well. We all agree that what we're discussing here is worth doing, so why not do it really well by being relentless about it? In fact, it would not be hard to argue that if this is not done relentlessly, it may not be worth doing at all. We definitely live in a world of very high urgency on so many things we are doing. But if we agree that driving loyalty (Customer Success) is fundamental to the long-term viability of the recurring revenue business model, then do we really have any choice but to be relentless about it? Is there any doubt what your CEO's answer to that question would be?

For most of us, daily work activities are like gas in a vacuum—they expand to fill the entire space. If we had nothing else to do, email would likely consume our entire workday. And we'd probably all agree that we wouldn't be very productive if that's all we did. So why not apply the word "relentlessly" here with no qualms? We're talking about something that must be done, by people whose accomplishments will be defined by how well it is done. "Relentlessly" seems like the only logical way to proceed.

Perhaps the best way to summarize this law is with the following meme:

Relentlessly. Monitor. And Manage. Customer Health.

Just do it. (Swoosh!)

6 You Can No Longer Build Loyalty through Personal Relationships

Executive Summary

Software-as-a-service vendors realize that they need to systematically create programs that allow for interaction between them and their customers. Most SaaS vendors will need to address how to service the largest portion of their customer base in a technically friendly way while reducing the need for human capital–intensive ways of building relationships. This large portion of customers are usually lower-value customers in terms of annual spend commitment—but they are important for overall growth. This is not to say that you will eliminate the need for personal relationships with your customers; it just dictates a need to develop different programs that fit each segment of your customer base accordingly. This has to be done without losing the strong connection between customer and vendor that ultimately breeds loyalty, and changes what is known as a customer–vendor relationship into a mutual partnership.

Depending on your product and service, you will need to decide how to create a customer experience that develops a connection with your company. Once outlined, that customer experience needs to be captured, driven, and continually refined by your Customer Success team. However, customer experience must be a top company priority; it can't be delivered by individual relationships with your customers or even by a single department. The customer experience that builds the strongest relationship between you and your customer needs to start during the initial sales cycle (which could be interacting with your website or an actual human), and then moves to onboarding, product quality, support, and solution adoption, while having a strong focus on communication between the two entities and your community of customers.

While all this reads like common business practice, most organizations do not have a cohesive plan (key word being cohesive) to deliver the optimal customer experience. By having a customer experience blueprint that maps across the entire organization, and a Customer Success organization that drives the process, a company will now have data points to drive change and help develop stronger relationship across all customers. The data-driven decisions can allow companies to institute change that includes website design and flow, more intuitive product design, and new Customer Success programs that are customized to particular sizes of customer organizations while allowing you to redirect expensive one-to-one human interaction to your highest-value customers

Bernie Kassar
SVP, Customer Success & Services, Mixpanel

Bernie Kassar is currently leading Mixpanel's Customer Success & Services organization to meet and optimize their customer's desired outcomes across the organization. Prior to Mixpanel, Bernie served as the SVP Customer Success & Services for Xactly's global customer support operations and customer success initiatives, including renewals and add-on sales. With extensive experience in customer success, business development, field marketing, customer support and sales, Mr. Kassar focuses his efforts on driving superior customer satisfaction and ensuring exceptionally high customer renewal rates. Prior to joining Xactly, Mr. Kassar was at Endeca Technologies were he initiated and led strategic business development for its Accenture partnership. Before Endeca, he was at Callidus Software in a variety of leadership positions, including senior director of business development/global alliances and director of customer advocacy/field marketing. Previously, Mr. Kassar held sales positions with Deluxe Corporation, Compuware and Adams Systems and holds a B.S. degree in Speech Communications/Rhetoric from the University of Minnesota.

Businesses scale only when customers scale. For most companies that means a long tail of "low-value" customers. In aggregate, they are often extremely valuable, but each of them individually is typically not big enough or strategic enough to merit anything approaching white-glove treatment. These are the customers who make up the bottom of your segmentation pyramid under the heading "low-touch" or "tech-touch." You have to figure out how to deliver love and value to these customers without much one-to-one interaction. This will bring out both the best and the worst in your product and your company as you learn whether customers will be loyal because of the value they get from your product, not the relationship they have with an individual.

With the advent of the SaaS delivery model, department heads are now empowered more than ever to drive business value through a wide variety of solutions. With lowered dependency on IT involvement to deliver and maintain business applications, the door has been opened for companies of all sizes to evaluate and invest in SaaS solutions to improve their department's productivity and effectiveness. This evolution provides a win for both the customer and the vendor, but it does create a need for a different approach to managing customer relationships.

Previously, vendors serviced customers through one-to-one relationships, either maintained by the original salesperson or managed by a separate group of account managers. This model works well if your customers spend a large amount of money with you and your company can support the high cost structure accompanying this model. But with SaaS vendors now growing at a rapid clip by selling to smaller companies first and then working their way up the revenue chain, tackling bigger and bigger clients, the old customer relationship model doesn't work until the vendor has reached a certain maturity point and is starting to sell large annual recurring revenue deals. A few of the SaaS vendors that started with this selling model include well-known players such as DocuSign, Cornerstone OnDemand, Marketo, Salesforce.com, SuccessFactors/SAP, and Xactly, while relative newcomers like Gainsight, Mixpanel, and Zenefits hit the scene. The proven players have established themselves as leaders in their space by having superior products and focusing on Customer Success initiatives as a high priority. Their early success resulted from the tremendous growth of their top-line revenues; however, for sustained long-term growth SaaS companies must focus on new business as well as customer retention. By applying some of the following principles and processes, you can advance and improve your Customer Success initiatives, focused on building stronger relationships between your company and your customers:

- Segment your customers by a particular metric that works for your business
- Define a customer coverage model based on your segmentation
- Create customer interaction categories based on your coverage model
- Establish a cadence for interacting with customers
- Help connect your customers by building a strong and loyal community
- Create a customer feedback loop

Segment Your Customers Using a Particular Metric That Works for Your Business

Each vendor has a target market and based on its solution(s), the focus can be 100% on a particular segment, à la SMB (think Zoho or Zendesk) or selling just to the enterprises (think Workday), or solutions that range the full gamut including a solution for B2B and B2C (think LinkedIn—solutions for HR recruiting departments and premium memberships for individual consumers). Regardless of what market you service, you will have to segment each of your revenue streams by customer. The segmentation process allows you to determine the most effective coverage model, which in turn will drive your engagement model. Most SaaS vendors segment B2B customers by ARR or another similar measurement that helps bucket customers by size or potential opportunity (segmentation will vary from business to business). By segmenting your customers, you can understand how each independent group behaves as a slice within that segmentation. By analyzing these different slices, you will gain a new lens on key trends by segment. You might identify that your larger customers tend to renew more after they reach a certain milestone, while your smaller customers churn at a higher rate; however, if you can get them successful early, they have a higher propensity to buy more solutions or licenses. Segmenting properly and analyzing trends will allow you to adjust your relationship strategy accordingly.

Define a Customer Coverage Model Based on Your Segmentation

Defining a customer coverage model is not one size fits all. Depending on the solutions you provide and the maturity level of your organization, your coverage model will evolve over time. If you are an early stage startup, your Customer Success team might be asked to wear multiple hats and deliver onboarding, training, support, and renewals. As your company matures, you will naturally start to create specific departments to handle each functional area.

Once your organization is big enough to have a dedicated Customer Success team, you will need to decide on your coverage model. The first step in the process is to define how many accounts fall into the following categories of interaction: high touch, medium touch, and tech touch (see guidelines under the following section, “Create Customer Interaction Categories Based on Your Coverage Model”). One approach to help understand your segmentation (if you use annual recurring revenue[ARR] as the benchmark) is to see where your Pareto principle kicks in, by analyzing where 80% of your revenue is coming from. Based on your findings, you can start making judgments about how many accounts you want managed by high-touch versus medium-touch CSMs and programs. Once accounts are established by segment, you can more easily decide how many accounts each of your CSMs can manage appropriately. Depending on the complexity of your solution and the customer’s willingness to spend, the range for the number of high-touch accounts managed by an individual CSM can vary from 5 to 15 accounts, whereas your medium-touch CSMs might be able to manage from 20 to 50 accounts. This will vary greatly for every company depending on a number of factors. The guideline provided for high-touch accounts, for example, is for complex solutions that service multiple departments or the whole company and that have high ARR value—say, $500,000 or more. The focus of this exercise should be on how much to invest in protecting your current revenue stream (and potential upside growth) from your most valuable customers.

Create Customer Interaction Categories Based on Your Coverage Model

The focus has shifted from being a one-to-one relationship to one-to-many relationship. As a vendor servicing a broader set of customers, you need to establish multiple programs for customer engagement. These programs should provide a channel to make your customer feel connected to your company. Moreover, these programs should be educating your customers about features and functions—but more importantly, teaching best practices with the goal of increasing overall adoption. Depending on how you categorize your customers into segments, the following guidelines help determine how and when to interact with your customers.

High-touch:
- Multiple in-person meetings during a quarter (depending on each customer’s initiatives)
- QBR meetings
- Creation of a blueprint success plan
- One-to-one meeting(s) with your executive staff

Medium-touch:
- One in-person meeting per quarter (or as needed)
- Focus on at least one high-value meeting per month via online or video conferencing
- One-to-one meeting with your executive staff

Tech-touch:
- Webinar-style one-to-many customers meetings on product adoption
- Monthly to quarterly newsletter
- Email campaigns

These are some suggested guidelines, but it will take individual judgment to know where CSMs should be spending time and effort based on the health of their portfolio of customers. Each company will need to define what high-, medium-, and tech-touch interactions look like. Depending on your customer mix and spend, you could very well have a high-touch interaction model that does not justify face-to-face meetings and one-to-one executive interaction—and that’s okay. If you sell to the small and midsize business (SMB) market, for example, you might want to consider one executive interaction with many customers. This experience can be delivered through executive roundtable events by region. The key is to have distinct interactions by grouping that are valued by your customer base, and provide the right level of attention for each category.

Establish a Cadence for Interacting with Customers

Now that you have segmented your customers by their appropriate “touch” category, you should weave those interactions into your larger communication/relationship strategy. Your goal should be to interact with your customers on at least a monthly basis via your macro-communication strategy (company and product newsletters, regional user groups, annual customer user conference, etc.). The macro-communication strategy should be focused on all your customers (content might vary by segment), but the medium of delivery is the same for all. When you establish your macro-communication strategy for the year, your Customer Success leader and your CSMs can now layer in the different “touch” interactions for their portfolio of customers.

Now that you have established a macro-communication strategy and an engagement model, you should map out your plan for the whole year. By building your macro-communication calendar, the frequency of interaction by your “touch” programs becomes much clearer to deliver by your organization and individual CSMs.

Help Connect Your Customers by Building a Strong, Loyal Community

After establishing your Customer Success coverage model, macro-communication strategy, and cadence of interaction, you have now completed a great portion of your company’s plan to stay connected with your customers. The plan should allow for an interactive relationship between your two entities. However, in today’s world of highly connected customers (think social media—LinkedIn, Twitter, Facebook, etc.), you need to provide forums for customers to interact with each other. This is going to happen with or without you, so you are better off making it easy for your customers to meet, collaborate, and share their experiences. This can be done via electronic means like a customer portal, or through high-touch gatherings such as regional user groups, meet-ups, or conferences sponsored by your company or an ecosystem of partners. By embracing a customer community and proactively planning a strategy for your customer community, you provide a platform for your users to engage, exchange knowledge, and ultimately build relationships that you helped foster. Most companies believe in a customer community and this concept is not a new thing, but proactively planning what you want your customers to experience within the community can be a game-changer. Your customers are hands-down your best marketing and lead source vehicle. You can espouse how great your company and products are until the cows come home, but when your customers do the talking on your behalf they become your “company success agents,” and can convert more users faster by talking about their success. These company success agents help other customers become stronger while delivering your company’s value proposition to current and future customers. This role becomes as valuable as (if not more valuable than) your CSMs. It’s a Catch-22, though: You need a company that invests in Customer Success initiatives and CSMs to create this new category of company success agents.

Develop a Customer Feedback Loop

To build and foster strong customer relationships and loyalty, you need to create a feedback loop. This strategy can be delivered through surveys, electronic suggestion box, customer focus groups, one-to-one meetings, or a customer advisory board. You can employ one or all of these mechanisms, but the bottom line is that your customers need ways to voice their opinions on your product strategy, quality, customer support, enablement programs, company vision—or just provide general feedback.

This feedback is critical to your company’s future success and should help drive your current and future initiatives. Companies that listen to their customers get more great product ideas that assist with adoption and allow for stronger loyalty. You need to provide multiple communication channels that are focused on different goals. These goals should span feedback on specific product and service delivery to your company strategy and future initiatives. At the end of the day, your customers are the ones fueling your growth and generating your revenues—it seems fair to provide them with a seat at the table—and the most successful SaaS companies provide them an opportunity to sit at the head of the table more often than not.

By now you probably realize that communication is the key element in building an effective relationship with your customers. To strengthen your customer relationships and build loyalty in this new SaaS era, follow three basic principles with your communication efforts: **(1)** Communicate often, **(2)** Set clear expectations, and (3) Be as transparent as possible. As a SaaS vendor, you have now taken on the responsibility of providing a quality product that delivers business value. At the same time, you’ve taken on the responsibility for deliverables that an internal IT team used to handle, including application availability and uptime, performance monitoring, and delivering easy-to-use products with relevant and timely new features and bug fixes.

For most SaaS vendors, the days of selling only multimillion-dollar deals and throwing bodies at the relationship part of account management are long gone. In today's world, we can't afford that level of touch with most of our customers. But this is actually a good thing: SaaS vendors now have the ability (if they choose) to reach all types of customers, from small to large. However, the economics of these deals differs greatly, and therein lies your challenge. The way you build your Customer Success strategy has to mirror the value received from the customer, and vice versa. These initiatives will still include some account management for your high-value customers, but your other Customer Success programs need to address the majority of your customer base and deliver value while being cost-effective.

Solid customer relationships and loyalty are the bloodline of any successful SaaS organization. The correlation between strong renewal rates and exceptional customer satisfaction scores depends on your customer's experience. This relationship is no longer owned by an individual, but rather by the broader organization. Your whole company now needs to contribute to building the relationship between you and your customers. The relationship is now defined by the products you design, build, market, deliver, and service. By rethinking how you build a relationship with your customers based on the preceding variables, you now have the ability to plan and collaborate with the appropriate parts of the organization to help contribute content and value for all your Customer Success initiatives.

7 Product Must Be Priority No. 1

Executive Summary

The key to customer retention, client satisfaction, and scaling the support and service organizations is a well-designed product that's combined with a best-in-class customer experience. Consumer technology has changed the way we work, as well as our customers' expectations. To ensure you have created a product that meets the needs and expectations of your customers, create a client experience team that focuses on building out programs in a client engagement framework—one that drives community among clients, encourages engagement at all levels and roles of the customer base, and provides clear feedback loops that inform product improvements.

Product advisory councils (PACs) and communities of practice (COPs) for functional business process areas are useful programs a client experience team can utilize to drive continuous improvement in all functions, improve the customer experience, and influence product design directly. Both PACs and COPs provide input into the software life cycle development process by communicating business value for product features, which is critical for building a best-in-class offering. A product that is easy to use and that becomes essential to the way people do business will create happy and loyal customers.

Customer Success Managers often work 12-hour days, fielding every question under the sun from clients as well as internal colleagues even when it has nothing to do with the CSM's responsibilities. They are the one-stop shop for dealing with customer challenges and questions all day, every day. Even when CSMs are talking to happy customers, it is usually about driving value by getting them to try out a new feature, encouraging more people to use the product, measuring the ROI, and more. A CSM's priorities typically focus on:

- Driving adoption and value of your products
- Fixing root causes of dissatisfaction, such as addressing problems across the client life cycle and support functions
- Making sure your product is best in its class

Ultimately, the key to customer retention, client satisfaction, and scaling the support and service organizations is a well-designed product or solution married with a best-in-class customer experience.

To ensure you have created a product that meets the needs of your customers, create a client experience team that focuses on building out programs in a client engagement framework. This framework is designed to drive community among clients, encouraging engagement at all levels and roles of the customer base, and providing clear feedback loops to drive the CSM's priorities. The framework also allows clients to know that you

Kirsten Maas Helvey
SVP of Client Success, Cornerstone OnDemand

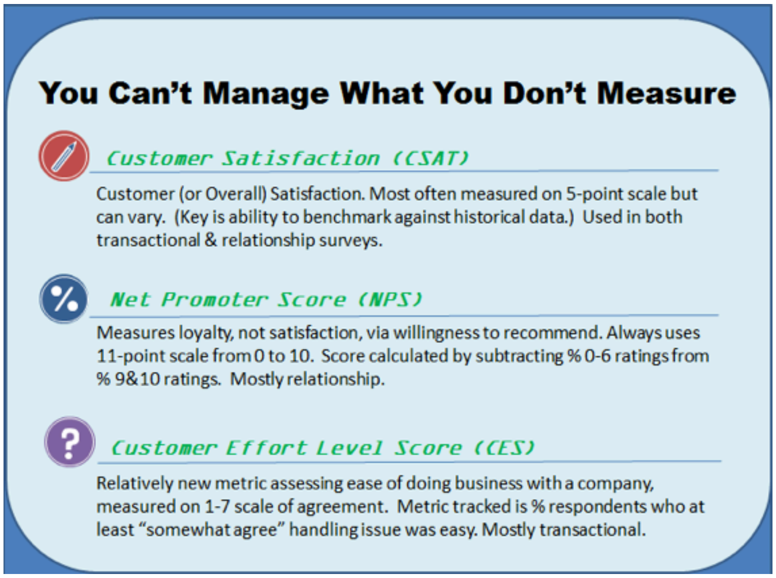
Kirsten Helvey is senior vice president of client success at Cornerstone OnDemand (www.csod.com) and is responsible for overseeing all aspects of the global client experience, including satisfaction, retention, global industry solutions, professional services delivery and consulting, as well as client education.

The global client success team that Kirsten oversees helps ensure that Cornerstone clients are happy, engaged and solving the business problems they came to us with in the first place (Cornerstone's 95 percent dollar retention rate since inception is a testament to this). Kirsten brings a background in providing operational expertise to Fortune 500 companies for large-scale, complex re-engineering and cost reduction initiatives using technology. Before joining Cornerstone, Kirsten spent time with the Supply Chain Operations Strategy Group at PricewaterhouseCoopers, as well as IBM Business Consulting Services.

Kirsten holds a bachelor's degree in English literature from Skidmore College. She is a member of Women in Technology International (WITI) and the American Business Women's Association (ABWA).

have an organized way to approach client success management. Each program should have a set objective and key metrics for determining success.

Metrics and analytics derive actionable insights that help drive CSM priorities. You will be able to clearly identify drivers of satisfaction and dissatisfaction if you have a defined measurement process and focus on key metrics such as customer satisfaction, Net Promoter Score, and customer effort-level score.



Typically, the main root of customer dissatisfaction is the product. Simply put, the harder your product is to use, the harder it will be to make your client successful. We develop software that addresses business problems, but in Customer Success, our goal is to help our customers deliver value using that software. Creating a great product that puts design front and center will allow everything else in the customer's experience to flow more easily, making it easier to provide service and support and easier for you to help customers deliver value.

Focus on making the product intuitive. If your customer discussions are constantly about functionality and how to use existing features, you're missing out on the opportunity to drive value-added activities. If a person has to spend a lot of time to figure out the product, it will be less sticky—and people will not want to use it. To start, take cues from how people are used to interacting with their favorite apps in their everyday lives. Put yourself in their shoes.

For example, there are norms about how people search for things and what search results look like. We take for granted that we can easily look anything up and do not have to work hard to find anything. Give your search information-rich functionality so users can find what they're looking for when and where they need it.

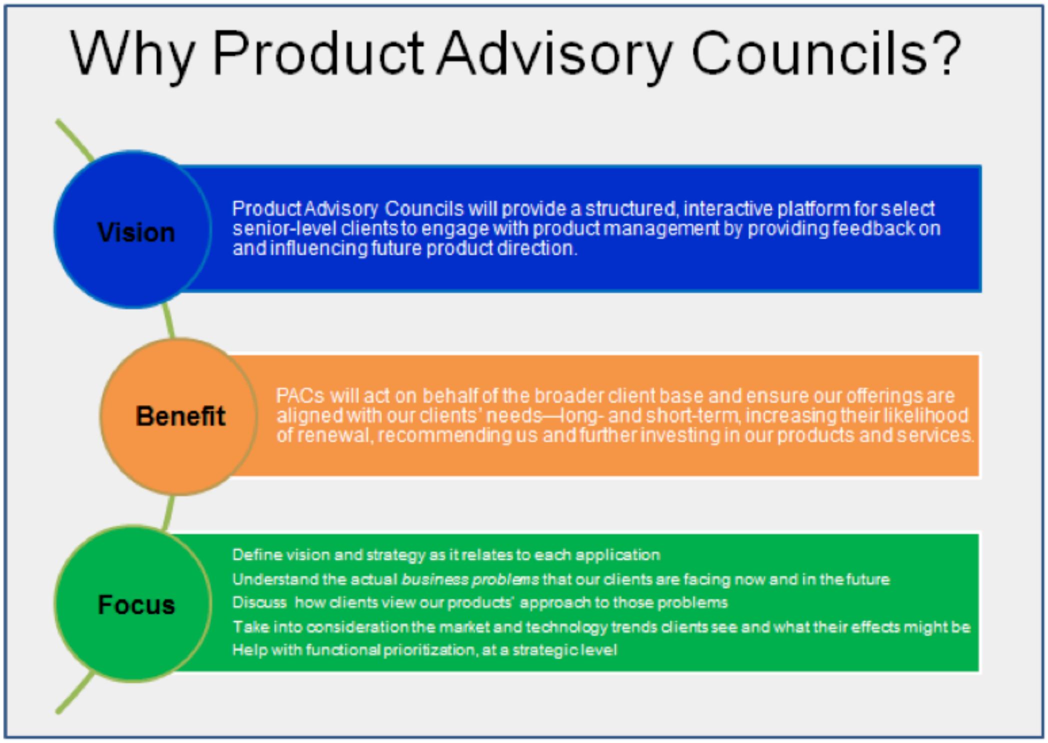
In addition, people want the ability to figure out and fix issues should they arise. Build in self-diagnostic tools to help users find answers themselves and guide them to what they need to be doing. Understand that consumer technology has changed the way we work. We are no longer tied to a desk using a single PC—we use a variety of devices to get work done. Your product's design must support quick access to information and easily executable activities on a mobile device, be it a smartphone, tablet, or even a watch.

The best way to ensure that feedback is getting back to product and other teams, such as sales, services, and customer support, is to have clearly defined feedback loops for the voice of the client. Product advisory councils and COPs for functional business process areas are useful ways to drive continuous improvement in all functions, improve the customer experience, and influence product design directly.

Product advisory councils provide a structured, interactive platform for clients to engage with your company's product management team by providing feedback and influencing future product direction. The focus of the PACs should be to:

- Help you define the vision and strategy for your products, understanding the actual business problems your clients face now and into the future
- Discuss how your clients view your products' approach to those problems
- Take into consideration the market and technology trends that your clients see and what their effects might be
- Help you with functional prioritization at a strategic level

The PACs should be led by the product management team.



The roles and responsibilities of a PAC member should be described clearly, with membership criteria determined as the members are representing the larger client base. For example, customer responsibilities might include:

- Actively engaging in PAC meetings and discussions, focusing on strategic business drivers
- Engaging and acting on behalf of peers and the broader client base
- Maintaining a high level of knowledge about current and future product road maps
- Engaging in project-specific design discovery and previews
- Participating in a reference program and speaking positively with clients or prospects on request

Example PAC membership criteria could include:

- Senior leader– or executive-level participation to drive strategic product vision
- PAC members to complete an application for PAC
- Members to commit to active participation in the PAC for one calendar year
- Members to commit to attending five meetings per calendar year:
    - Three quarterly road map review and prioritization meetings
    - Two feature request prioritization meetings (by PAC member or delegate)
- Organizations to participate in only one PAC per calendar year
- Member may not delegate responsibility for quarterly road map review and prioritization meetings
- Member to participate in a reference program, speaking positively with clients or prospects on request

A clear structure and cadence are critical to ensure the value of a PAC for your organization as well as for your clients. It is critical that you continuously highlight to the PAC and the larger client base their influence on product design and road map, to give credence to the voice of the client. A good practice is to send a quarterly communication that shares the product changes requested by clients, as well as organizational and process improvements that you have made in response to client feedback.

Communities of practice operate much like PACs but really serve as a forum to discuss business processes, practices, and challenges relating to specific products. COPs provide a collaborative forum in which clients are connected with other peers across a variety of business sectors. They tend to be larger groups than PACs.

Both PACs and COPs provide input into the software life cycle development process by communicating the business value of features for the product. The development team should have a defined business value model, based on your business, for use in assessing new features. Partnership with product management and product development in client programs is critical to building a best-in-class product.

Client programs are great ways to ensure that product is the priority and that your product is meeting the needs of clients and the market. As critical as client feedback is an organizational focus on client success. Company culture must be ingrained with Customer Success at its core. It must start from the top and move down, originating with the CEO and senior leadership. Every person in the company has a job because of two things: the product and the customers. The company culture must strive to make each of those a priority. You must turn your customers into raving fans. Create a common set of beliefs that describe your client focus. Ensure that one of your company's goals is a focus on customers. Every department in the company should then have goals aligned with customers. The company should define a Customer Success framework that clearly outlines the customer journey and what that journey looks like. Employees need the forums to funnel feedback to all departments, especially product management.

Just like clients, employees who are on the front line need a way to deliver feedback on all aspects of the product. The best way to obtain the feedback is to use a similar framework to that used for clients and to define clear channels for employees to submit and discuss product and process enhancements. Employees are a key input making your product best in its class. Sales, implementation, and customer support input provides a holistic view on what works and what doesn't.

A great way to obtain a fresh perspective is to collect feedback from new employees on the product and the processes that surround the product. Make this a key part of onboarding. Provide new employees with the opportunity to learn the product and to provide feedback to product and process owners, including sales, implementation, and customer support. Always try to have employees walk in the client's shoes. Your best reference is using your own product.

Customer Success focuses on helping people deliver results and ROI through products; good design enables that focus to be on value-added activities and not on functionality. Software that becomes onerous to manage, administer, and use will risk abandonment because customers will not value it.

Switching costs now are much lower than they used to be. As a SaaS vendor, all you have is the value of the support offerings you put around your product. And that support manifests from the ability to have a great product that's easy to use. Many vendors get hung up on building in "nice to have" forward-looking features, but often the customer's internal processes are not mature enough to take advantage of such features. The product itself must offer a runway that enables processes to change to accommodate advanced functionality. An easy-to-use product is the basis for getting customers ready for advanced functionality. Bridging that disconnect is critical.

If you've got a product that becomes essential to the way people are doing business and it's easy to use, your customers will be happy and loyal—they'll get the value. If not, they will look elsewhere.

A well-designed product that enables self-sufficiency and delivers value is crucial to Customer Success. It will not only build loyalty, but also enable your team to have more meaningful discussions with your customers and drive further growth.

8 Obsessively Improve Time to Value

Executive Summary

Why do people or companies buy? They think they'll get value from their purchase. If you're a consumer, this might mean spending a lot at a fine restaurant because you hope to get an above-average meal. And you find out pretty much right away: It's either delicious or so-so. Based on that, you can decide whether you'll ever return.

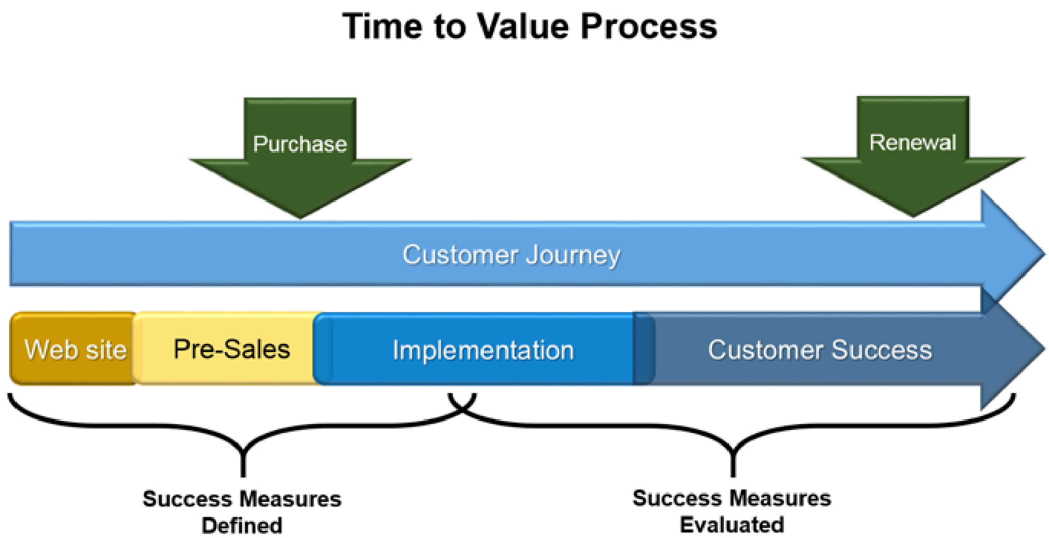
But when you are selling business products and services, it's often tough to show value that close to the transaction. Although buyers know that, they do expect to see value in a reasonable time frame. For SaaS vendors, that time frame is the length of the subscription: If the customer hasn't seen real value by the time renewal discussions begin, they're far less likely to renew. Working against the vendor is how long it might take to get the customer up and running with the solution. Obsessively improving time to value is the way to address this challenge

Diane Gordon
Chief Customer Officer, Brainshark

Diane is responsible for maximizing the value that customers get from Brainshark products and services, as well as sales enablement. She joined Brainshark in 2013, bringing her extensive background in ensuring world-class customer experiences. Prior to joining Brainshark, Diane was Bullhorn's Chief Customer Officer, where she was responsible for the implementation and support of Bullhorn's enterprise SaaS staffing solution.

A big part of any sales process is convincing prospects that they will get real value from your product or solution. In the world of SaaS, delivering that value quickly is key to ensuring that the customer renews after the first year.

If you're implementing enterprise software as we do at Brainshark, the onboarding process alone can span a few months, leaving only a few additional months of production time in which to see value. That's pretty risky when there's a one-year renewal looming. To highlight this challenge, consider the extreme: If it takes 11 months to get a customer up and running and the contract is 12 months long, are the odds of renewal better or worse than if the customer had been live in 60 days?



There's clearly a direct correlation between the length of onboarding and the likelihood of the first renewal. If you are in a business where all contracts are monthly, it's critical.

What's the secret to ensuring that the customer sees value as quickly as possible after buying your solution?

- Work with the customer to **establish concrete success measures**.
- **Implement iteratively for early value**, achieving the simplest measure first and focusing on the others later.
- **Adjust in real time**, springing into action the very moment you realize expected value is at risk.

Let's look at each of these points in a bit more detail.

Establishing Concrete Success Measures

Ideally, your customers made a buying decision based on the value of your product or solution. Even more, they know how they're going to measure that value.

Work with the business sponsor to define measures early. It is critical to leverage business sponsors while you have their attention during the sales process, because they will likely be less involved in the tactics of the implementation itself. Trying to get the business sponsor's attention later in the customer life cycle is difficult, after they have moved on to other things. Taking advantage of the opportunity to have the business sponsor's focus earlier on is the best way to capture success measures that resonate at the business level of the organization.

If you're lucky, the customer will have a concrete answer: "We want to cut in half the time it takes to onboard a new representative." But much more often, while customers might have cited key drivers, they don't have specific measures in mind (and if they do, they don't know what the baseline values of those measures are today). In this case, rather than asking the customer to come up with metrics (something that can take a while, especially in a complex organization), we present a list of the measures our customers typically use to gauge success:

- Decreased time to reach quota
- Increased number of representatives meeting quota
- Increased number of converted marketing leads
- Increased deal size or revenue
- Increased percentage of representatives actively using Salesforce
- Increased amount of time representatives spend selling versus searching for content
- Decreased time to onboard representatives
- Decreased time to close first deal
- Decreased time managers spend coaching representatives
- Increased representative competency with material
- Increased number of representatives who fully complete onboarding curriculum
- Increased viewership (number of views)

We ask the customer to choose from these examples, making sure that they have baseline values for any measure(s) they choose.

You should also communicate these measures to the onboarding team. At Brainshark, success measures are documented by our presales engineers using a handoff form they provide to the onboarding team at the beginning of the implementation process. Then, during the onboarding kickoff call, the presales engineer (required to participate in the call) validates those measures with the customer: "During the sales cycle, you indicated that decreased employee onboarding time was a key driver. Is that still true? If so, how long does onboarding take today?"

It is only after these success measures are clearly defined that we start the onboarding clock. Otherwise, you may find yourself months into an onboarding program—or, worse, fully implemented—without the customer knowing whether they've gotten any value from your solution.

You can also create a positive carryover effect with these concrete metrics. If you do QBRs or some kind of regular reviews with your customers, you can revisit these metrics frequently to **(1)** Determine whether they are still the right metrics for the business, and **(2)** Validate your success against those metrics. Many customers seem to shy away from measuring hard ROI, despite having often been adamant about it during the sales process. But you know it will come back to bite you if you don't help the customer measure it.

Implement Iteratively for Early Value

Don't boil the ocean. The fastest way to get to value is to begin meeting those criteria that are most easily achievable. For example, customers using Brainshark for sales productivity might use two or three (or more) success measures: decreased time to onboard sales representatives, more effective prospect engagement, and increased percentage of representatives hitting quota.

While these are all achievable, the customer will see value more quickly by starting with the most important measure. So we'll do an iterative implementation—focusing on, say, training and onboarding times in Phase I and improving prospect engagement in Phase II.

There are other ways to get to quicker value as well—for example, rolling out to specific groups, divisions, or geographies rather than an entire user population, or focusing on one or two specific initiatives (e.g., rebranding) or product lines. Slicing the challenge into small achievable chunks and implementing iteratively produces value early and often.

Also, confirm constantly. Don't make the mistake of assuming that just because the business sponsor defined metrics during the sales cycle and the customer's project team validated those metrics, they will remain the ones that matter:

- List the measures at the top of every status report and call attention to them during every check-in call: "Just checking in—these are still the measures that we care about for this phase, right?"
- At multiple points during the onboarding, connect directly with the business sponsor to validate the measures.

Adjust in Real Time

As the end of an onboarding program nears, we introduce the CSM, bringing him or her into project status calls and educating him or her about the selected success criteria. The CSM's highest priority in the weeks and months after onboarding is to be obsessive about ensuring that the customer achieves the stated value. All other traditional Customer Success activities (introducing new features, doing quarterly business reviews, etc.) take a back seat to this critical item.

Why is this so important? Well, we find that once customers finish onboarding, their project team may lose focus as its members turn their attention back to their day jobs. When that happens, we assume that the customer just isn't going to be as laser-focused on getting to value as we will be. The CSM is responsible for reporting on progress to both the customer and the Brainshark account management team, and then re-engaging resources as quickly as possible if the value timeline is hitting snags.

Another compelling reason for obsessively driving time to value is because we want our customers to have the opportunity to expand our solution. As vendors, we call this up-sell. But if we look at it from the customer's standpoint, it's extending the value of their investment in your technology.

The bottom line? This cannot happen until your product is up and running and delivering value. No customer is buying more licenses or add-on modules of your product(s) if they aren't yet deriving business value. To assess the magnitude of this, simply multiply 30 days by the number of customers you have. The result is the number of additional selling days available to you because you improved time to value by 30 days. If that's not reasonable, use 5 days as your multiplier. Just calculate a number and ask yourself what a good sales team (yours) could do with that number of additional selling days.

Customers buy because they believe the value will far exceed the cost of your solution. But in the world of SaaS, it's simply not safe to assume this will just happen. You have to own making sure your customers know how they'll measure value, and that they actually see the measures improve long before that renewal call comes in.

9 Deeply Understand the Details of Churn & Retention

Executive Summary

Successful subscription-based companies must deeply understand the details of churn and retention if they are going to maintain and accelerate their revenue growth. Nothing slows your company's growth rate faster than having revenue from your installed base evaporate. As your installed base revenues grow, even a 1% increase in churn can make a huge difference in your company's velocity. If you are at a $25 million run rate and are trying to maintain a 50%+ growth rate, a 1% increase in churn means your sales team will have to close an extra 20% in new business sales to maintain your growth rate. The following five steps will help you define and gain a deep understanding of churn and retention to help your company focus on the right priorities, accelerate growth, and keep your customers for life.

The biggest issue subscription-based companies face is how to accelerate customer acquisition. In fact, the majority of a company's resources (time and money) are spent figuring out how to solve this problem and prove that the company has a viable business model. However, as soon as a company has successfully solved the challenge of accelerating customer acquisition, someone—your CEO or a finance person most likely—starts to notice that the company's total customer count and committed monthly recurring revenue (CMRR) are declining.

Committed monthly recurring revenue is defined as the combined value of all of the recognized recurring subscription revenue on a monthly basis, plus signed contracts currently committed and going into production, minus churn. Churn is the monthly recurring revenue that is no longer committed from customers that have turned off the service or are anticipated to do so in the future. Your sales VP might wonder how this could be, considering that he or she is doing such a great job driving new business. Unfortunately, many companies do not invest enough company resources to successfully retain the customers on whom they've spent a significant amount of the company's resources to acquire. And this is exactly how the organization commonly known as Customer Success came into being.

Kathleen Lord
Vice President of Sales and Customer Success, Intacct

Vice President, Sales & Customer Success Kathy Lord leads sales activities and operations, supporting both the direct sales team and the channel partners. She brings to Intacct nearly 20 years of sales management experience at startups and major software companies.
Prior to Intacct, Kathy developed and managed the corporate sales organization at Proofpoint, a leading email security provider. At Biz360, Kathy doubled revenue within the first year. She was also instrumental in building the customer base at Trading Dynamics, a web-based procurement and spend management software company that later became part of Ariba. She also successfully managed Arbor Software's corporate sales team, leading it through its merger with Hyperion.

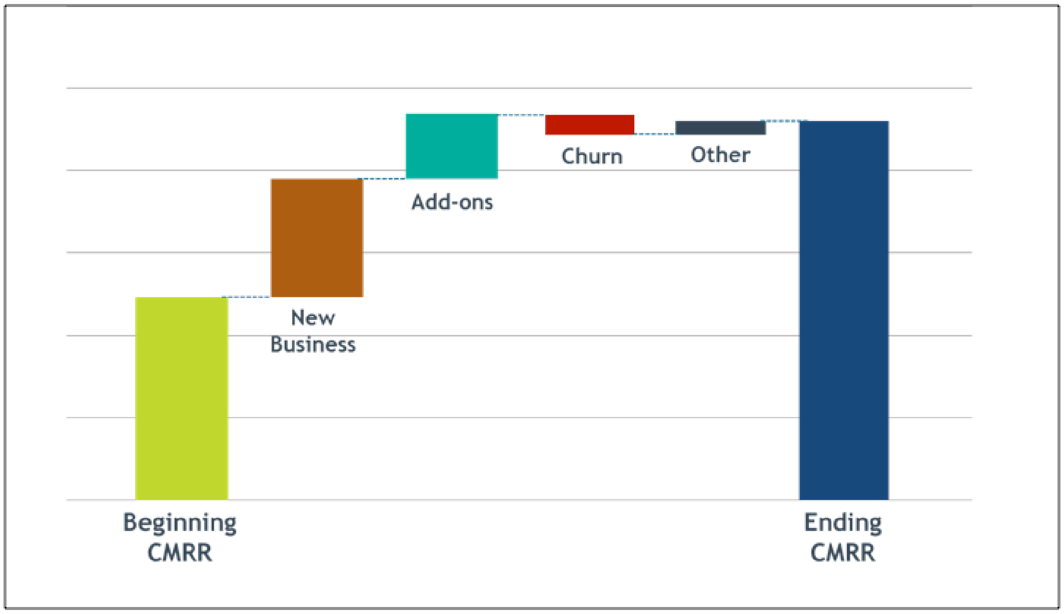
Kathy holds a Bachelor of Science degree in Agribusiness from California Polytechnic State University, San Luis Obispo.

To sustain a subscription-based company for the long term, your company must have a deep understanding of both churn and retention: churn from the standpoint of understanding why and how often customers leave, and retention from the standpoint of why and how often customers stay and continue using your product or service. The earlier in your company's life cycle churn and retention are addressed, the easier the problem is to solve.

1. Define what you are measuring, and components of CMRR
2. Define period of measurement and frequency
3. Determine expected CMRR and categories of churn
4. Determine how to identify suspected/at -risk churn
5. Align with executive leadership to develop a set of standard definitions and reports for churn/retention

Step 1: Companies must first define how they are going to measure churn and retention. Does it make more sense to measure on a per-customer basis or on a per-contract basis, or both? This decision will depend a lot on customer size (SMB versus enterprise) and whether your company has multiple contracts that are managed separately under a single customer umbrella (e.g., a company might have five different divisions of GE as customers). Additionally, it is fundamental in determining how your company needs to operationalize the way it captures and calculates churn and retention on a go-forward basis. The necessary operational changes include being able to capture churn and retention both from a CMRR dollar perspective and from a count perspective.

The next step is to determine how you will define CMRR. The typical components of CMRR usually include new CMRR, add-on CMRR, renewal CMRR, and churn. Following is a graphical representation of how each of these components is combined with your period-beginning CMRR to calculate your period-ending CMRR, with the difference being your net change in CMRR. Net change in CMRR is the amount you grew your business period over period, and it provides the clearest forward-looking view into the health of your business.



Best practice is to have an even-more granular view by breaking down renewal CMRR into multiple buckets, including cancellations, downgrades, upgrades, and first-time archives. (Note: Many cloud companies offer an archive service at a percentage of the former annual subscription fees to provide ongoing read-only access to the data after a customer is no longer actively using the service.) This granular breakdown of the renewal CMRR provides insight into your renewal business so your company can more effectively pinpoint where there is a potential problem versus just providing high-level churn and retention rate numbers.

For example, let's say the customer had a $50,000 contract renewed, and the new contract was worth $55,000. Celebrate, right? Definitely—but not so fast. Let's examine the details:

- $45,000 apples-to-apples renewal of products A and C
- $8,000 churn of product B
- $14,000 upsell of additional licenses for product A
- $4,000 increase because discount went from 25% to 22%

Somebody cares a lot about each of those line items—the product manager for product B for sure, and your CFO almost certainly. There's no time like the present for figuring out how you are going to track at this level of detail.

Your company will need to build out its order process to capture the necessary data at the level of granularity in which your company wants to be able to report on churn and retention (customer, contract, etc.). This includes capturing order type (new, add-on, renewal), upgrade/downgrade amounts on the renewal (recommended to track actual new product add-ons separately), reasons for downgrade at the stock-keeping unit (SKU) level, and reasons for cancellation. Best practice is to have both a picklist of reasons for ease of standardized reporting, as well as a freeform comment field to capture additional color commentary. Ideally, your company's order process is set up to capture the difference between a quantity downgrade versus a price downgrade, for these are very different churn problems to address.

Additionally, having the downgrade/churn reasons automatically populate a churn-type field will greatly facilitate real-time reporting of avoidable versus unavoidable churn. For reference, unavoidable churn is often referred to as "death and marriage." In other words, churn caused when a customer goes out of business or gets acquired is generally accepted as unavoidable. This will become very important as you begin starting to report on your downgrade and churn reasons and prioritize the ones you need to address first. Although most enterprise resource planning (ERP) or Customer Success applications enable you to track this level of detail through different transaction types, some burden will be placed on your sales and finance operations teams.

Step 2: Once your company has determined the basis against which it is measuring churn and retention, it must determine the period of measurement and frequency of that measurement. Depending on your company's business model, it may make sense to measure churn and retention weekly, monthly, quarterly, or annually. This should be determined by the length of commitment customers are required to make and align with how the company plans CMRR and churn to facilitate comparisons versus plan. Often companies measure churn and retention on a more granular basis—say, monthly—but report these metrics as an annualized rate for key stakeholders. This approach makes it easier for key stakeholders to have a clearer picture of the annualized effects of churn and retention.

Additionally, it's important to define how you will handle both early and late renewals relative to the period of measurement. In terms of booking renewals early, this is a very good thing for your company. However, you need to make sure the renewal is booked in the period in which it is due; booking in an earlier period will significantly throw off churn and retention metrics. When handling late renewals, the best practice for keeping your company's churn and retention metrics accurate is to move the expected CMRR and expected customer count to the next period while maintaining the same subscription start and end dates. This approach enables the company to accurately measure churn and retention while also being able to report on late renewals. This is a key metric that the company should measure. Ideally, all renewals are completed 30–60 days in advance of their subscription end date.

Step 3: Determining how your company will calculate renewal rates starts with determining how you will define expected CMRR. The best practice for determining expected CMRR is to add the CMRR of the prior-period renewal to the annualized value of any add-ons during the period. This becomes the basis for calculating your company's churn and retention. This approach also means the churn plan you set at the beginning of your fiscal year will change over the course of the year as customers add on incremental subscriptions.

Customer Success and finance need to agree on the point in time when your company will lock in your expected CMRR. Best practice is at the beginning of the fiscal period during which the renewal is due (monthly or quarterly). If your customers are highly dynamic (e.g., regular cadence of death and marriage), then you should determine an appropriate churn run rate that is acceptable to your overall business model. For example, if your company determines that planning for a 10% churn rate is appropriate, then the original plan will model churn at 10% of expected CMRR at the beginning of your fiscal period and will be adjusted at the beginning of each new fiscal period to reflect 10% of the revised expected CMRR. Otherwise, midterm add-ons can significantly misrepresent the health of your business and mask potential churn issues. This type of churn is classified as unavoidable; you should build it into your overall bookings and revenue plans so you can provide more predictable forecasts for the business.

For example, calculating expected CMRR at the beginning of your fiscal year as the basis for your company plan might look like this:

- Prior-year renewals = $25 million
- Assumed 10% churn (due to death, marriage, etc.) = ($2.5 million)
- Planned expected CMRR = $22.5 million

A moderate approach to account for the annualized value of midterm add-ons is to update the expected CMRR plan at the beginning of each fiscal quarter. For example, you want to calculate updated expected CMRR at the beginning of your second fiscal quarter along these lines:

- Original planned expected CMRR = $22.5 million
- Added annualized value of midterm add-ons from fiscal Q1 = $1.76 million
- Updated planned expected CMRR = $24.26 million

The most conservative approach to accounting for the annualized value of midterm add-ons is updating expected CMRR at the close of each fiscal period (generally monthly if you are doing monthly closes). For example:

- Original planned expected CMRR for September = $1.5 million
- Added annualized value of midterm add-ons for September renewals = $225,000
- Updated planned expected CMRR = $1.725 million

If you have multiple customer segments in your business, you should calculate expected CMRR for each customer segment as part of your planning process, since each segment will usually have a different projected churn rate.

Step 4: An emerging area of focus for many companies is to take a much more forward-looking view of the company by measuring suspected or at-risk churn. There are two ways to forecast suspected churn or at-risk customers: through human interaction and by leveraging signals or data points. In a traditional enterprise, leveraging human interaction is much easier, because the company can typically afford to establish a Customer Success team. This team engages with customers on a frequent basis and can qualitatively assess and document a customer's likelihood of churn. The challenge with this approach is that as the company's Customer Success team begins to scale, it becomes harder and harder to maintain objective and consistent qualitative assessments of risk across your CSMs. For companies that sell to the SMB market, staffing a Customer Success team at low-enough ratios to develop deep-enough relationships to obtain good qualitative churn assessments is not fiscally possible.

Leveraging signals or data points is a great quantitative way to supplement the qualitative assessment from your human interactions in the enterprise model and is a much more cost-effective way of assessing likelihood of churn in the SMB market. The first step is to define and gain agreement on the attributes of your happiest and healthiest customers, and then define the attributes for your at-risk customers. These attributes could include use patterns, number of support cases, NPS, tenure, contract growth, or departure of key contacts or sponsors. Although it's certainly possible to try to capture and maintain this type of customer health information in your customer relationship management (CRM) solution or Microsoft Excel, the company can be much more efficient and proactive by implementing a purpose-built Customer Success application.

Customer Success applications not only help automate the process of capturing and scoring customer health but they also provide a centralized repository that all key customer-facing personnel across the company can access in real time when engaging with customers. In addition, they can provide you with the capability for doing tech-touch for some deliverables or some set of customers; that is, driving relevant and timely touching of your customers through automated one-to-many channels instead of the expensive one-to-one processes.

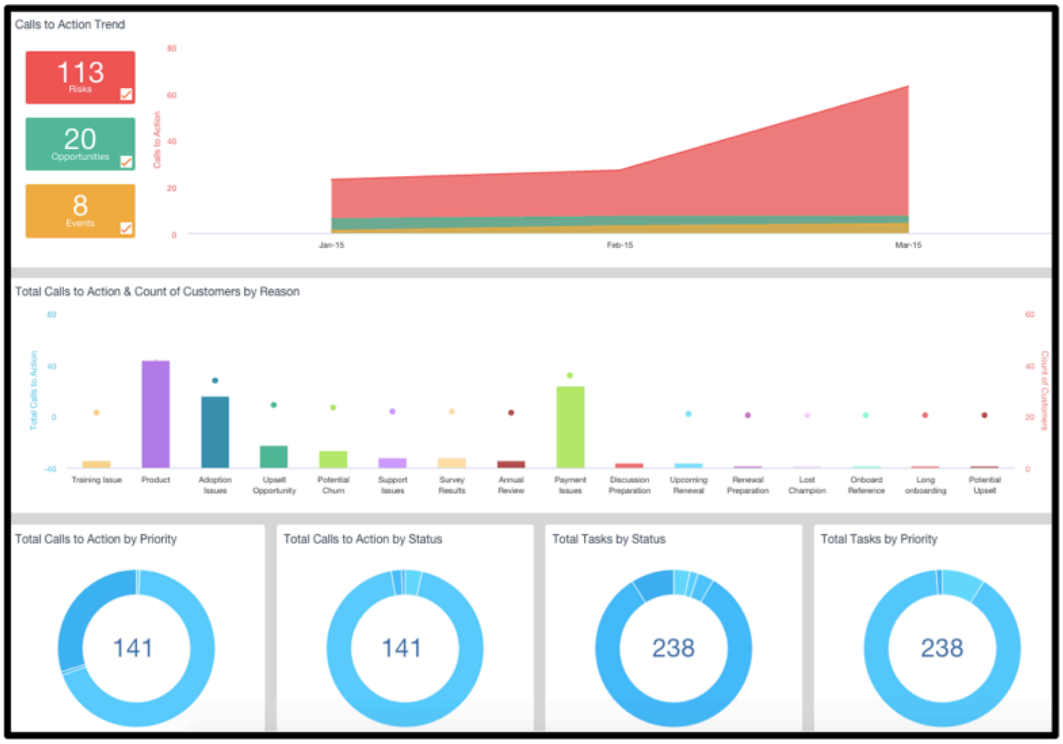
Having a clear forward-looking view of churn and retention enables the company to forecast much more accurately and to proactively address potential churn issues, both of which are critical to successfully growing your subscription base business.

Step 5: Aligning with executive leadership to develop a set of standard definitions and reports for churn and retention is needed to present key stakeholders with a clear view of the health of the business. The company should be measuring both CMRR and customer count churn and retention by the dimensions that are relevant to the company's business—for example, understanding churn and retention by industry, size, customer tenure, geographic region, sales channel, product line, or CSM, both from a CMRR perspective and a customer count perspective. To easily create these reports, the company needs to capture these dimensions at the level of granularity in which the company wants to measure churn and retention. Being thoughtful early on about the data you want to be able to report on, and setting your systems up to capture this information, provides the company with strategic insight on churn and retention that can help the company accelerate growth.

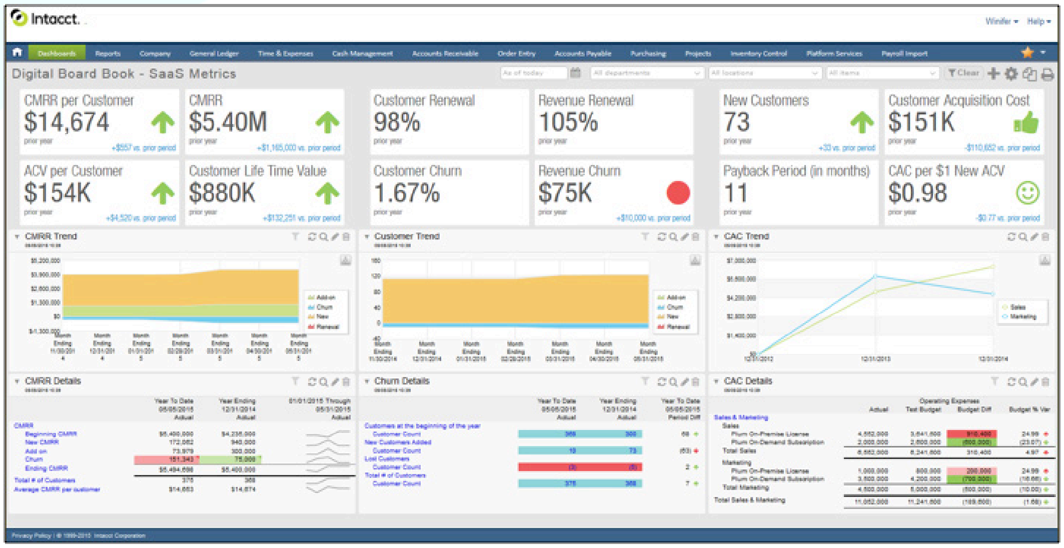
Additionally, making these reports available to the executive on a consistent basis with changes over time highlighted enables the company to identify what needs to be addressed. Just as importantly, the reports highlight the impact of new programs and processes that have been rolled out. For example, product development and engineering need to understand prioritization of enhancements that will have the biggest impact on Customer Success.

Perhaps a segment of your customer base is consistently unsuccessful, and the sales team needs to be advised not to close more customers matching that profile. Or customers are consistently not getting the training they need to achieve long-term success. Understanding churn and retention at a very granular level can help guide every facet of the company with regard to focus, priority, and investment to accelerate performance and growth.

The following example shows an operational-level dashboard available from the Gainsight Customer Success application to help your company proactively manage churn and retention.



The following example shows an executive metrics dashboard available from the Intacct ERP application that can easily be shared in real time across the key stakeholders of your company to understand the financial impact of churn and retention on the velocity of your business.



In addition to conducting regular deep dives into the quantitative information regarding your churn and retention, best practice is to also leverage an unbiased third party to conduct interviews with customers who churn so your company can better understand what happened and why. (Many excellent firms offer just such a service.) Leveraging a third-party service for this process will yield greater insight than having internal resources from your company conduct these post-churn interviews. Approach these in the same way your company would leverage a third-party service to conduct win/loss surveys for your new business.

The preceding discussion will deepen your understanding of churn and retention at a level that will help your company focus on the right priorities and accelerate growth. However, this does not come without an operational cost to the organization. An emerging best practice is to hire a Customer Success ops headcount. Customer Success ops can help operationalize your company's Customer Success programs cross-functionally; it's not realistic to expect your customer-facing resources to have the bandwidth or the skill set to project-manage these programs successfully. Additionally, Customer Success ops should help manage the underlying systems that help automate processes and provide the insight and visibility your company needs to keep customers for life.

10 Customer Success Teams MUST Become Metrics-Driven

Executive Summary

Customer Success is still relatively new as a formal organization within the enterprise. As with any new business endeavor, maturity is required to ensure long-term viability. It's that time for Customer Success. Repeatability, process definition, measurement, and optimization are the hallmarks of that maturation. We see glimpses of these at more mature recurring revenue businesses, but there's still a long way to go for most.

Ultimately, the purpose of Customer Success, like any other part of a thriving company, is to achieve real business outcomes. Defining what success means both for you and for your customers, then establishing clear metrics that will deliver those business outcomes, is a necessary part of accelerating the maturation process. You can't improve what you don't measure.

In the late 1980s, Carnegie Mellon's Software Engineering Institute began to develop a process maturity framework that would help organizations improve their software process. Published several years later, the **Capability Maturity Model for Software** (CMM) became the go-to reference for assessing the process maturity of software development organizations. Equally important, the CMM framework has been used as a more generalized reference for determining how "mature" an organization—and its processes—has become, and serves as a guidebook for how to move from the "Initial" level of maturity to the "Optimizing" level.

Jon Herstein
SVP, Customer Success, Box

Jon Herstein serves as Senior Vice President of Customer Success at Box, Inc., with responsibility for all post-sale services. Mr. Herstein has more than 20 years of experience in technology-related services and has worked with some of the biggest names in the tech world, including Accenture, Informatica and NetSuite. He received his BS in Computer Science from University of Maryland, College Park, where he graduated with honors.

Why is CMM relevant almost 30 years later in the (very different) world of Customer Success? Its basic premise is that as organizations evolve their capabilities, they get progressively better and more predictable at executing their mission. This is true whether that mission is building great software or ensuring a consistently excellent customer experience. And the hallmarks of progression through the levels of maturity are repeatability, process definition, measurement, and optimization. Putting it all together, if we can measure and optimize the processes relevant to our Customer Success organizations, we are significantly more likely to reach our likely business objectives (high customer satisfaction, low churn, revenue expansion, etc.).

At Level 1 ("Initial"), work gets done through the heroic actions of committed people without much regard for process or repeatability. Sound familiar? If you manage a handful of CSMs (or fewer), this is probably your daily reality. The objective your CSMs are focused on is along the lines of "Do whatever it takes to make your customers successful and make sure they renew!" The role of the CSM at this stage is likely to be poorly defined; details beyond this objective are left to individuals to figure out as they go. Assuming that you've got good people, this will actually work for a while. But your short-term gain (customer happiness) will likely result in long-term pain (overworked people, inconsistent delivery, uneven/inconsistent results).

Progressing to Level 2 ("Repeatable") occurs when the necessary process discipline is in place to repeat earlier successes. From there, achieving Level 3 maturity ("Defined") occurs when the process is documented, standardized, and integrated into a standard process for the organization. At this point, the fundamentals of repeatable process methodology are in place, and what remains is measurement ("Level 4: Managed") and consistent improvement ("Level 5: Optimizing").

Assuming that your Customer Success organization has identified its repeatable processes and clearly defined and documented them, your focus will turn to active measurement and optimization. But what can and should be measured, and what are the benefits of doing so? Broadly speaking, you can think of three categories of metrics to explore: customer behavior, CSM activity, and business outcomes. You will find a vast set of possible metrics within each of the buckets, and the following discussion will attempt to provide just a few relevant examples. Each business (and accompanying Customer Success organization) will need to determine which of these metrics matter and how, exactly, to define and measure them.

Customer and User Behavior

One of the biggest advantages of the SaaS delivery model for software, as compared to on-premise software, is that we can instrument and measure every aspect of how customers are using our products. Previously, a software vendor had no practical way to determine whether or how the intended user base used its software. In properly instrumented SaaS applications, we are aware of every login, click, upload, download, error generated, and so forth. We know the frequency with which users perform specified activities. And depending on the nature of the product, we may also know the business value of these activities (for example, a SaaS provider of an e-commerce platform will know the value of the transactions it has processed). The trick, of course, is correlating usage metrics to derived business value (for the customer) and how that will ultimately affect retention/ expansion.

Examples of user-based metrics may include (but aren't limited to)

- NPS
- Logins and logouts
- Usage of specific product features/platforms (online, mobile, API)

If you are operating a B2B model, you may also aggregate user-level behavior (and other customer-level behavior, such as payments made) into a higher-level view of customer "health." This may include identifying risk factors that you have correlated to likelihood of churn, such as payment/nonpayment, engagement with the customer's administrator, and referenceability.

One important note of caution: The behavior of your customer's users serves only as a proxy for the business value the customer is deriving. To paraphrase Nick Mehta, Gainsight CEO, no one buys your software so they can log into it. Your customer has subscribed to your solution to fulfill one or more business objectives: find more leads, generate more revenue, make manufacturing more efficient, or enhance collaboration with suppliers. The key is understanding what those objectives are and how your product relates to them. In some cases, you won't be able to ensure your customer is meeting its intended objectives solely through the instrumentation built into your product. For example, if customers are using your file-sharing solution to eliminate FTP servers, you'll have to ask them whether they've actually done so; your product provides no visibility into this. Spend time with your customers at the beginning of the relationship to understand their business objectives and agree on how you will jointly measure the results.

Customer Success Manager Activity

Once you've defined the processes for your CSMs, it is natural to wonder how well those processes are being followed. From there, you will want to understand how the activities in which CSMs are engaging (or not engaging) affect customer sentiment and retention. Having a comprehensive understanding and proper measurement of these processes will lead to insights into the performance of your people, as well as into how much these activities actually matter to business outcomes. For example, are your QBRs as effective as you think they are in driving great adoption of your product? Do face-to-face visits outperform email and phone calls when it comes to customer satisfaction?

Examples of CSM activity metrics may include:

- Frequency of various types of interactions with customers (QBRs, email updates, phone calls)
- Support ticket volume handled by CSMs (rather than your support team)
- Timeliness of risk identification
- Effectiveness of risk mitigation efforts

Business Outcomes

An added benefit of maturation toward measurement and optimization is greater predictability of outcomes. Want to know how many customers a CSM can effectively manage (ideal account ratio)? Measure the relevant business outcomes for cohorts of CSMs with varied account loads. Interested in understanding how effective formal quarterly business reviews are vis-à-vis more frequent, informal check-ins? Measure customer engagement and satisfaction for cohorts that vary on this dimension.

Note that this section refers to the business outcomes that matter to you (retention, expansion, etc.). You must work with various functions within your organization (product, marketing, sales, finance) to determine what "success" looks like and which metrics indicate how you're doing. You'll be designing your processes, activities, and metrics around the definition of success and measuring accordingly. In many cases, you will share responsibility for success with the other groups: For example, Customer Success and product are jointly responsible for ensuring that users of your product adopt it. The more clarity you can drive around "ownership" of these metrics, the more you can refine the processes and behaviors your team will execute.

Examples of business outcome metrics may include:

- Gross retention
- Net retention
- Expansion
- Logo retention
- Customer satisfaction
- NPS

Clearly defining what success means, both to you and your customers, ensures greater clarity of your Customer Success team's mission and responsibility. Once you've achieved alignment on this definition, it's critical to articulate the things you will measure to demonstrate how the team is performing. These metrics enable Customer Success leaders to prove the value of the Customer Success organization and improve your contribution to the company's overall performance over time. Finally, your CSMs will thank you for the clarity of purpose this brings them, as well as the enhanced ability to truly understand their own performance and contributions.

Remember—you get what you measure! So figure out what matters, then start defining and focusing on your key metrics.

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