



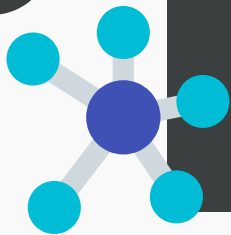
Smart Segmentation

Best practices for a successful segmentation strategy

Segmentation is the foundation of effective Customer Success (CS). Segments divide your base into groups of customers and users with similar characteristics and needs, empowering you to provide programs, services, and prioritization that are tailored to each group. A thoughtful and thorough approach to segmentation is the key to effectively improving adoption, minimizing churn, and maximizing expansions.

To put your most strategic foot forward, use this guide to drive your team's conversations about your segmentation strategy.

1



Segmenting on basic customer information

An easy and logical place to begin shaping your segmentation strategy is with **basic and key information about your customers**. While these will not be the most revolutionary segments you create, these segments will be the foundation on which you build the more complex parts of your strategy.

Questions to Ask

- What updates and stats about your customers do you routinely report on to your CS team and to the company? Do you have different updates and stats for weekly syncs v. quarterly meetings v. executive rundowns?
- How does your company currently think about your different types of customers? What are the central characteristics that make customers distinct from one another, from both a firmographic and a product perspective?
- What data points do you need to isolate in order to answer questions about the make-up of your overall base?
- What data points do you need to isolate to provide high-level reporting on churn rates and reasons for churn?

Example/Potential Segments

- Active Customers
- Accounts by Status (Full Customer v. Trial)
- Customers by Size (Enterprise v. SMB)
- Customers by Product/Edition (Gold v. Silver, Product A v. Product B, Freemium)
- Customers by Contract Type/Length (Annual v. Monthly, those with an Opt-Out)
- Customers by Industry, by Region
- Customers by Tenure (Y1 v. Tenured)
- Contacts by Role (Decision Maker, Executive Sponsor, Primary Contact)
- Churned Customers
- Churned Customers Last X Days
- Churned Customers by Churn Reason (Competitor v. Out of Business)
- Decision Makers from Churned Customers (for Loss Analysis)

2



Segmenting on CS processes and the customer lifecycle

Once you have the basics in place, build on that foundation with the **processes of your CS team and your customer lifecycle**. Segments based on this data can immediately provide value to your CS team by helping them strategically organize their portfolios and proactively identify off-track customers.

Questions to Ask

- What portion of the customer lifecycle does your CS team own? Onboarding, adoption, renewal, expansion - all of the above? Are you responsible for trial or freemium conversion?
- For each of these processes/phases, what are the expectations? Timeline, customer accomplishments, required engagements?
- What does a "successful" completion of each process/phase look like? What do you need to be able to report on about that process?
- What bottlenecks and challenges does the CS team currently face with these processes? Are there consistent issues or sticking points that your team and/or your customers experience?
- At what point(s) are customers most likely to be "forgotten" or left to their own devices?
- How does your team spend most of their time?

Example/Potential Segments

- New Customers Last X Days, by Size, Product/Edition, Contract Type, Industry, Region, etc.
- Customers by CSM Sentiment
- Customer by Product Fit
- Actively Onboarding Customers
- Customers Behind or Stuck in Onboarding
- Customers w/out Engagement for X Days, by Type of Engagement (Email v. Call)
- Primary Contacts without minimum product adoption by X Tenure
- Users with power adoption before X Tenure
- Customers Renewing in the Next X Days, by Size, Product/Edition, etc.
- Customers with Upsell Potential (Product A to Product B, Addition of Feature C, Increase Limits)
- Customers at Risk for Downgrade or Churn (low license utilization, minimum usage)

3



Segmenting on positive behaviors and engagement

The ultimate goal of CS is to drive adoption and deepen engagement so that customers reliably renew and expand. Thus it is critical to have a clear picture of the **positive behaviors and routine engagements** that signal a customer is satisfied and receiving value from your product and services.

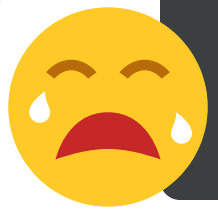
Questions to Ask

- What are your expectations for how a customer will use your product (frequency, intensity, specific features)?
- What are the stickiest, most impactful features in your product?
- What benefits - direct and indirect - should customers get from using those features?
- What is the ideal timeline for product adoption? By what tenure/stage should a customer being using a collection of features and/or have reached a desired frequency/intensity of use?
- Do you provide the same level of service/engagement to all customers? What expectations are there for the CS team's frequency and type of engagement with customers?
- What are the most common points and/or best practices that the CS team discusses with customers?
- Do your answers to all the above questions vary depending on what type of customer you are talking about? How does a healthy customer vary and why?
- Are there different personas of users within a single customer? How do your expectations of product use and/or engagement vary between those personas?

Example/Potential Segments

- Customers/Users active >15 days out of the last 30 days
- Customers with License Utilization >80%
- Customers whose License Utilization has increased >30% in the last month
- Customers with more than 120 minutes in the app in the last 7 days
- Customers with more than 2 active users in the last 14 days
- Customers/users who frequently and consistently use sticky Feature A
- Customers whose use of Feature A has increased >40% in the last month
- Customers getting positive results from their use of Feature A (ex: high open rates for their sent emails)
- Customers who started using Feature A and Feature B within their first month
- Exec Sponsors routinely using Report A
- Primary Contacts with daily usage
- Customers with regular QBR meetings
- Customers with a positive Account NPS
- Decision Makers who are NPS Promoters
- Customers who actively engage with Support to leverage resources and engage with self-service learning
- Customers with >2 meetings with their CSM in the last month

4



Segmenting on negative behaviors and lack of engagement

CS is distinguished from Support by its mission to be proactive, as opposed to reactive. As such, it is critical to have a clear picture of the **negative behaviors and missing engagements** that signal - as early as possible - that a customer is disengaged, not receiving (enough) value, and potentially headed towards churn.

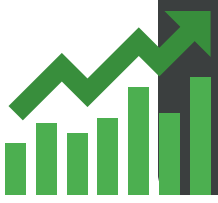
Questions to Ask

- What are the initial signs that a customer is struggling? Are these signs different at different points in the customer's lifecycle?
- What are the most common challenges your customers face with adopting your product?
- Are there features that are more difficult to adopt than others? Are those also your stickiest, most impactful features?
- What other factors can influence if a customer has success with product? Which of those features do you have control over and which do you not?
- At what point do you consider a customer to be behind in adopting the product?
- Coming into a renewal, what type and frequency of usage and engagement do you want a customer to have?
- How long can a customer go without connecting with your company - via their CSM and/or via Support - before you become concerned?
- How critical is it to have certain types of contacts - POCs, Decision Makers, Exec Sponsors, etc. - using the product and/or engaging with their assigned CSM?
- Do your answers to all the above questions vary depending on what type of customer you are talking about? How does an unhealthy customer vary and WHY?

Example/Potential Segments

- Customers/Users active 2 or fewer days out of the last 30 days
- Customers with License Utilization <20%
- Customers whose License Utilization has decreased >40% in the last month
- Customers with fewer than 30 minutes in the app in the last 7 days
- Customers with fewer than 2 active users in the last 14 days
- Customers/users who have never used sticky Feature A
- Customers whose use of Feature A has decreased >20% in the last month
- Customers getting poor results from their use of Feature A (ex: low open rates for their sent emails)
- Customers who haven't used Feature A or Feature B within their first 3 months
- Exec Sponsors who never log in
- Primary Contacts with infrequent usage
- Customers without regular QBR meetings and/or who routinely cancel meetings
- Customers with a negative Account NPS
- Decision Makers who are NPS Detractors
- Customers with zero engagement with Support, or only engagement to report major bugs
- Customers with <2 meetings with their CSM in the last quarter

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Segmenting on potential value and customers needs

The final piece of your segmentation strategy should be a broader review of your customer base in order to 1) reflect variations in the **needs and goals of your customers** and 2) define your strategy - as a CS team and as a company - on how to **prioritize your customers by potential value**.

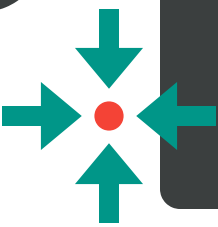
Questions to Ask

- What value and benefit(s) do customers get from using your product and services? Is every customer looking for the same benefits? How do the goals and needs of your customers vary?
- Hypothetically, if you had two customers whose behaviors were exactly the same but you only had time to serve one of them 1:1, are there any factors that you would look at to help you pick who to focus on? (ARR, growth potential, fit for your product, industry/region your company is trying to corner, etc.)
- What is the growth path for smaller customers - new features, higher editions, conversion from pilot to full customer, etc.? How does your team assess a customer's revenue potential?
- How valuable/necessary are reference accounts to your company? How does a customer become an advocate and what types of references are most valuable (type of customer, industry, size, etc.)?
- Do you have or are you looking to define strategic customers, who can help your company dominate or break into a new industry, region, space? Or perhaps well-known brands for marketing purposes?

Example/Potential Segments

- Customers by intended use cases (self-reported or CSM determined)
- Customers without the features/edition necessary to achieve their intended use cases
- Customers who purchased for Benefit A that have not achieved it by X tenure
- Customers who purchased for Benefit A that achieved it before X tenure
- Customers who are not meeting industry-specific benchmarks with their use of Feature B
- Customers by Revenue (MRR or ARR in bands/tiers)
- Customers with high growth potential, by customer health
- Customers with low growth potential, by customer health
- Decision Makers from customers with high growth potential
- Primary Contacts from reference accounts
- Primary Contacts who have given references that resulted in new business
- Primary Contacts and Decision Makers from potential new reference accounts
- Strategic Customers - Manually Tagged
- Strategic Customers - By Target Industry, Company Size, etc.

6



Segmenting on combinations of these categories

None of these categories should stand alone. Segmentation advances from a random exercise to a purposeful strategy that drives your CS team when you **thoughtfully combine factors to create well-defined groups of customers and users**. This empowers you to deliver programs, products, and services that are highly relevant, timely, and personalized for each of your customers.

2. Gold edition customers who are behind in onboarding

11. Primary Contacts from Pilot Customers within 30 day of pilot expiration, who have been using more user licenses than originally scoped

12. Gold Edition customers within 6 months of their renewal who are not using the two features that distinguish Gold and Silver editions

3. Customers paying >\$20k (high value) who are overdue for a QBR

7. Decision Makers from annual customers with a renewal in the next 90 days, where CSM Sentiment is green and usage is a good match for a higher edition

8. Strategic customer (in the industry your company is targeting) who is behind on onboarding and not yet using on a daily basis

13. Y1 customer who - despite being a poor product fit - consistently uses in unique and creative ways and has a good relationship with their CSM

4. Customers who should be fit for your top edition but whose usage has decreased >40% last month

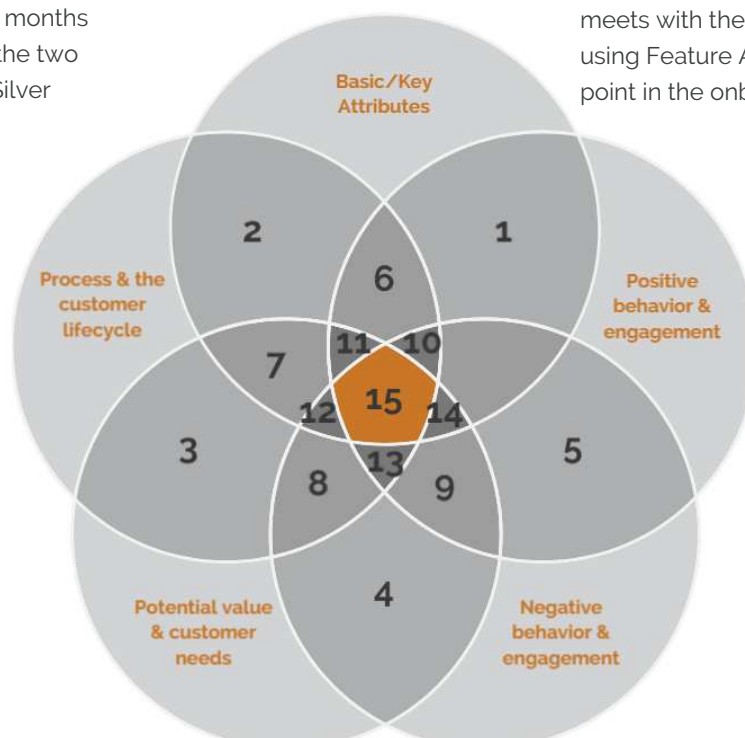
1. Trial customers with >15 active days in their 30 day trial

6. Primary Contacts in Y2 with consistent usage but who don't engage with their CSM and/or Support regularly

10. Silver Edition customers who routinely meets with their CSM but have not started using Feature A despite being past that point in the onboarding process

5. Customers who consistently use Feature A but report a high volume of bugs with the feature

9. Customers with increasing usage but who have not met with their CSM recently and are not using a new feature



14. Primary Contacts who use the product daily and who are a potential upsell to a higher edition but whose Decision Maker(s) never logs in

15. Y2 customers who are the ideal size and are consistently using the product but the Primary Contacts and Decision Makers are NPS Detractors