OPENVIEW

BUILDING YOUR CUSTOMER SUCCESS STRATEGY

Building your strategy one step at a time

CUSTOMER SUCCESS

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THE POWER OF CUSTOMER SUCCESS – SUSTAINABLE HYPER GROWTH: A CASE STUDY ON YAMMER

In fewer than four years, David Sacks and Adam Pisoni were able to transform their business, Yammer, from a startup in the crowded collaboration space into a hyper-growth juggernaut that was acquired by Microsoft for $1.2 billion.[1] Mike Grafham, former Head of Customer Success, attributes much of Yammer's success and ability to differentiate itself in the market place to its customer-first business model and the customer success philosophy that guided the way the company was designed, organized, and driven from top to bottom.

1 Yammer was founded in September 2008 (CrunchBase, https://www.crunchbase.com/organization/yammer) and was sold to Microsoft on June 25, 2012 for $1.2 billion (Tech Crunch, http://techcrunch.com/2012/06/25/its-official-microsoft-confirms-it-has-acquired-yammer-for-1-2-billion-in-cash/).

Behind the scenes of Yammer's dizzying ascent there were three core pillars that defined and enabled the operating philosophy, the business, and its success:

1. CUSTOMER-CENTRIC VISION AND MISSION

From day one, Yammer rallied its team behind a customer-centric vision and mission. Yammer's mission was to help organizations become more responsive in their work by functioning like a network and making better use of the knowledge that people in their organization possessed. The team felt the modern workplace evolution had not kept pace with the needs of today's professional teams. They believed that a social collaboration platform would fill gaps in workplace communication.

Hiring to this vision and the corresponding core values, they made sure that each person who came to work at the company was dedicated to bringing this vision to life by helping each customer communicate and collaborate more efficiently and effectively through the Yammer platform. The team they hired had a very specific and shared purpose against which to benchmark their actions and decisions.

2. CUSTOMER OUTCOME FOCUSED KPI

To realize this vision, the organization knew it needed an engaging product that was capable of transforming how people work. Yammer's management team went all in on this intention and focused on a single key guiding metric: product engagement. "Each member of our team cared deeply about whether customers were actually using Yammer and deriving value from it," explains Grafham. "Engagement was a useful proxy for whether our customers were succeeding with the product."

While many of their competitors focused on the traditional SaaS goal of acquiring customers, the Yammer team also applied efforts into helping customers achieve their goals. Product decisions were made through the lens of whether they would increase end user engagement with the product. This singular focus helped them drive utilization, which in turn could be translated into customers' productivity and efficacy with the product. Ultimately, Yammer knew happy, successful customers would tell authentic and passionate stories about their experience with Yammer – stories that would influence future customers and accelerate acquisition.

Even more important to the sustainability and valuation of the business, Yammer's successful, highly engaged customers were less likely to abandon the product and more likely to respond positively to up-sells and cross-sells. Because Yammer consistently delivered on the promise they'd made they saw high engagement, low churn, and strong customer expansion – the key indicators that made the company attractive on the M&A market. With a strategic vision and focused performance metrics in place, the last piece of the puzzle was to address how the team would infuse the strategy into day-to-day tasks.

"Yammer's focus on a freemium business model and on engineering our product towards customer engagement drove a huge amount of interest from our customers. The Customer Success team's role was to make sure that interest translated into business value for our customers, ultimately driving high engagement metrics, customer expansion, and minimizing churn."

– Mike Grafham, former Head of Customer Success at Yammer

3. FLEXIBLE AND EASILY ADAPTED ENVIRONMENT

Yammer created a collaborative, flexible environment and a dynamic organizational structure that enabled teams to evolve rapidly in whatever way was necessary to fulfill their mission and drive the vision forward. "The way we were organized meant that people were free to pursue the best course of action for our customers and for the business," says Grafham. "We combined a clear, shared mission with a huge amount of individual and team autonomy to deliver on that mission."

This autonomy allowed the organization to evolve rapidly – learning from customer successes and failures – so it could consistently meet the needs of its customers even as it scaled.

This flexibility empowered the organization to proactively innovate on its organizational model and how it delivered on its customer success promises. The role of customer success and organization structure rapidly went through a number of evolutions in the early stages:

PHASE 1: Combined with customer support – the default approach for startups

PHASE 2: Separated from customer support based on the fact that each group serves a different audience, requires a unique sets of skills, and needs to be free to focus all their resources on their respective objectives – reactively putting out fires vs. proactively facilitating customer success

PHASE 3: Integrated across four specialized groups:

- *Sales:* Selling value directly to the business people so they could invest in setting up for success as well as in the product
- *Support:* Focusing on reactive problem resolution
- *Success:* Helping customers define success and coaching them toward it so Yammer could deliver the highest value
- *Implementation:* Working with customer IT teams to ensure Yammer was correctly plugged into technology

The open and flexible working environment also enabled the team to think outside the box and innovate on its customer success delivery model with limited resistance and much success.

"The way we were organized meant that people were free to pursue the best course of action for our customers and for the business," says Grafham. "We combined a clear, shared mission with a huge amount of individual and team autonomy to deliver on that mission."

Phase One

Customer Support

Customer Success

Combined Support & Success Organization

Phase Two

Customer Support

Customer Success

Separated from Customer Support

Phase Three

Customer Support

Sales

Implementation

Customer Success

Integrated Across Four Specialized Groups

That's the power of customer success —
transforming the success of individual
customers into the kind of hyper
growth that becomes the stuff of
game-changing legends.
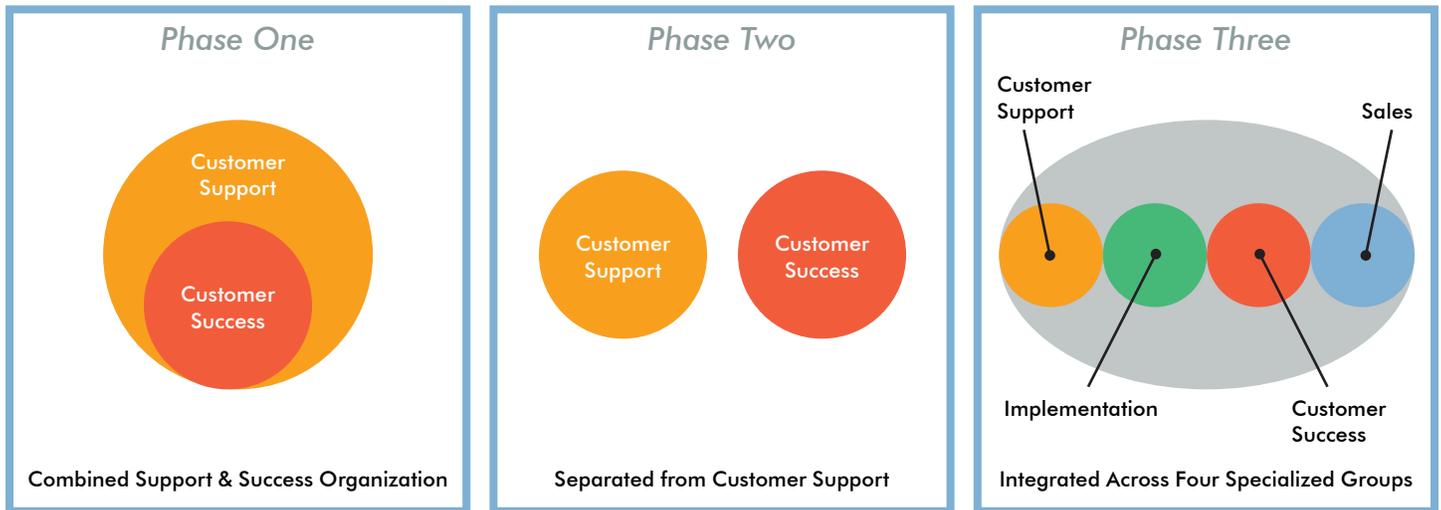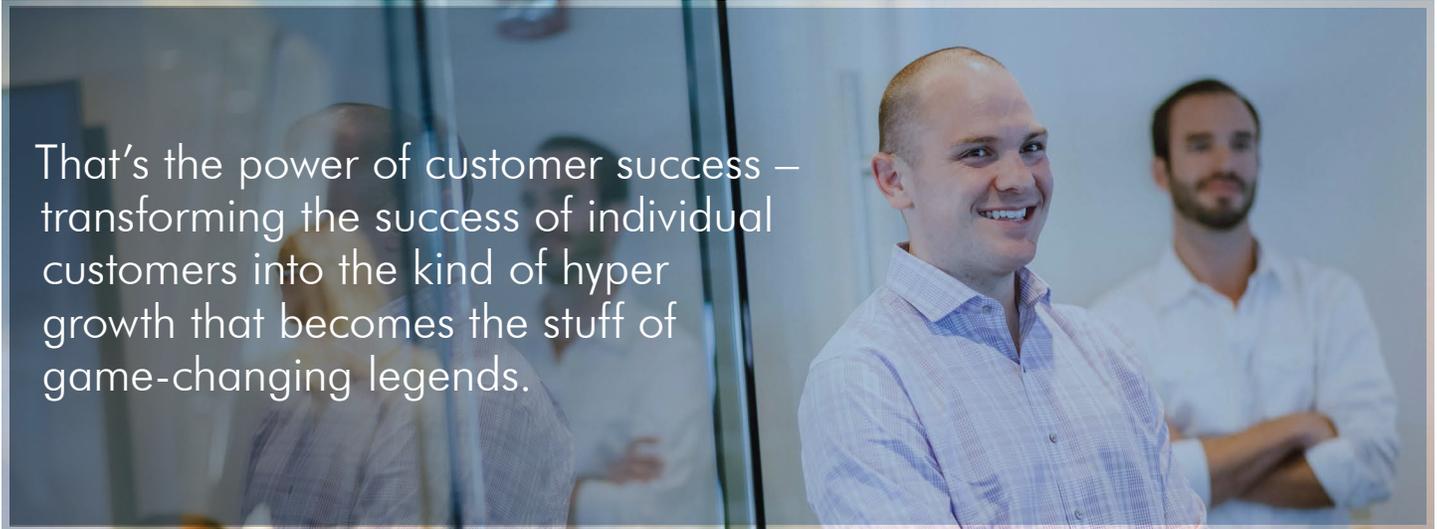
As Yammer progressed through the expansion stage, they needed to find a way to effectively scale their customer success operations. For the Customer Success team, this meant adopting a network model and building a community of users who could support each other and also recruit new customers.

"Creating a network and a community around the *purpose* of your product – what it *means* to your customers vs. what it is/does – is a hugely valuable and very cost-effective approach to customer success," says Grafham. Though Yammer CSMs continued to connect 1:1 with each customer at least once on their customer journey, they leveraged network events involving groups of customers to scale their customer success efforts. "We wanted our customers to be part of this global network of people who want to change how work gets done, so we invited them to be part of it," explains Grafham.

By harnessing the enthusiasm and good will of their successful customers, Yammer was able to help its customers become more successful with the product. This in turn made their product even stickier by providing community benefits beyond the technology, created strong,

influential brand advocates who helped recruit and refer new customers and reduced the costs of their customer success operations.

Though SaaS companies may initially have a difficult time justifying investing in both customer support and success, Grafham makes an important distinction between the roles each play in business growth. He explains that while support is a mandatory component of a credible SaaS business, it is possible to run a revenue-generating business without customer success. It just won't grow as fast or renew as much.

This innovative customer success management approach also created a buzz around Yammer and the scalability of its business operations, which no doubt played a role in Microsoft's decision to acquire the company in the summer of 2012. That's the power of customer success – transforming the success of individual customers into the kind of hyper growth that becomes the stuff of game-changing legends.

THE PURPOSE OF THIS GUIDE

The goal of this guide is to give the leadership of SaaS companies a framework and methodology for developing your own customer success strategy. By sharing our own knowledge as well as insights from the industry thought leaders who are passionately evangelizing the value of customer success, we will provide an overview of the resources, strategies, and tactics that will help you facilitate the necessary operational and cultural changes within your organization.

Top performing organizations have experienced the P&L impact of customer success because they were willing to create significant changes in their approach to business growth. On its surface, customer success reflects the customer-first slogans and buzzwords we're all used to hearing, but behind the scenes it is an operating philosophy and culture that guides how your company perceives, interacts with and serves your prospects and customers.

It is our hope that this guide will help you understand what it takes to transform the potential of customer success into a game-changing reality for your business. With this vital understanding, you will be able to set your company up for success as it embarks on its journey to alter its culture to a truly customer-orientated approach to business.

"It's one thing to claim that a 50% reduction in churn will result in a 2X increase in recurring revenue, but it's quite another thing to make it happen."

– Joel York, CEO and Founder, Markodojo

ESTABLISHING YOUR CUSTOMER SUCCESS STRATEGY

HOW WILL YOU HELP YOUR CUSTOMERS SUCCEED?

Knowing the answer to this question is critical to the growth and sustainability of your business, but it's just as critical to understand that there is not a single answer to this question.

An effective customer success strategy touches every aspect of the customer experience and affects the operations and culture of each function in your company. Customer success is not the result of a single mandate; it is the culmination of hundreds of small changes, all moving you toward a common goal.

GOAL

A predictable customer experience where each customer is setup and supplied with the necessary assistance to achieve his or her goals around adopting/using your product or service.

BUT, HOW DO YOU KNOW WHICH CHANGES TO MAKE, AND WHEN?

The "formula" for customer success varies depending on your company's maturity, resources, product, and customer life cycle, but the framework for developing your strategy is always the same:

Assessing Your Situation:

- Addressing your company's customer experience maturity
- Understanding your company's potential focal points

Building Your Plan:

- Identifying relevant metrics and benchmarks
- Understanding your customer's definition of success
- Choosing focal points
- Selecting the right metrics
- Setting SMART goals

Implementing Your Plan:

- Obtaining leadership buy-in and establishing cross-functional support
- Creating a culture of customer success

In the following pages, we will review each of these three phases, but first we're going to look at exactly how customer success can help your business achieve and surpass its corporate goals and set itself up to fulfill its vision.

HOW CUSTOMER SUCCESS CAN HELP ACHIEVE CORPORATE GOALS

Customer Success is a cross-functional strategy that can – if designed and executed in an integrated and aligned manner –significantly impact your organization's performance in the following business growth areas:

- Strategic Positioning
- Revenue Growth/Profitability
- Operational Effectiveness
- Market Expansion
- New Market Development
- Market Penetration

Because the corporate goals of most expansion stage organizations will fall into one of these key areas, it follows that adopting a customer success strategy has a strong potential to positively impact your organization's ability to achieve its goals and fulfill its vision.

The following section includes a diagram and explanation of the key performance metrics that are driven by a customer success strategy as well as the related corporate goals that customer success influences via each metric.

CORPORATE GOALS

Customer Loss / Revenue Predictability	Operations Improvement	CAC / CRC
Retention	Profitability	
	Strategic Clarity	
Strategic Focus	Revenue Goals	
	Strategic Plan	
Customer Acquisition	Market Coverage	Stickiness of Services & Account Expansion
	Market Share Growth	
	Market Expansion	
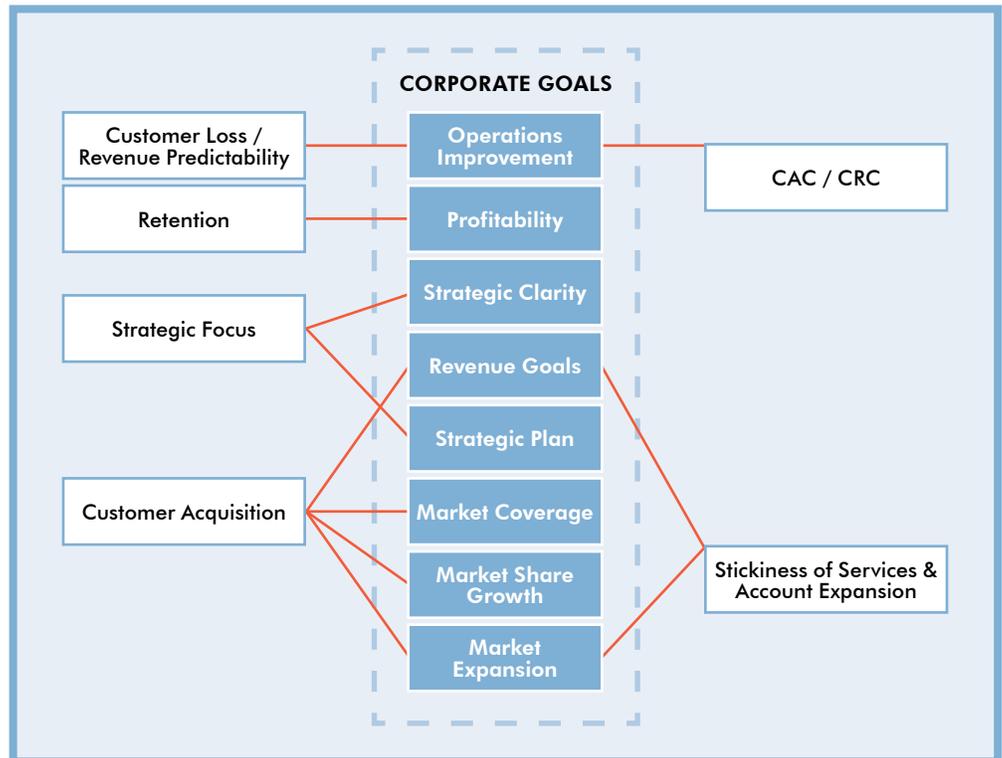
TOP BENEFITS OF CUSTOMER SUCCESS

While customer success helps you improve in many key areas – both tangible and intangible – the five most important business elements it drives are:

CUSTOMER RETENTION

Renewal decisions are based on perceived value. By focusing on customer success you will help customers realize more value in your products and services which will lead to increased renewal rates and longer customer tenures, both of which increase a customer's lifetime value and help you drive growth and profitability.

The number of available options out there combined with low switching costs have commoditized many markets. By adding value to customer relationship beyond product and service you can alleviate some of the pressure on product delivery and introduce a buffer for errors that will be acceptable to customers.

As Mitch MacFarlane, SVP of Customer Success, Instructure, puts it, "You're not perfect. You may not have all the features, but you can inspire customer loyalty (retention) by aggressively supporting customer success. If they love working with you, and they feel like you're invested in their success, they will commit for the long-term."

EXPANSION

According to a Totango study, 70%–90% of a customer's lifetime value is generated via renewals, cross-sells, and up-sells.[1] Customer success provides better visibility into customer goals, making it easier for you to identify and convert valuable up-sell and cross-sell opportunities. And, by keeping you actively involved with your customers' goal fulfillment, success creates an intrinsic association between your customers' success and your product, which makes them more likely to extend and expand their relationship with your company.

OPERATIONAL IMPROVEMENT

Customer success increases customer predictability by giving you insight into developing issues. Without a customer success perspective, you are just looking at an outcome. With a customer success focus, you can uncover drivers of that outcome, which will help you with recurring revenue predictability and capacity planning.

CUSTOMER ACQUISITION

An effective customer success strategy turns customers into evangelists who are willing to recommend your product, refer customers, and provide testimonials. This good will and third-party validation helps you accelerate acquisition velocity, grow market share, lower overall CAC and sometimes helps you open the door for new market development. Customer advocacy and a good reputation will get you in front of prospects and drive higher win rates while reducing CAC by increasing the pace at which referred prospects move through the sales funnel.

EXTERNALITY

A customer success strategy clarifies the corporate vision, creating a strong focus for the entire organization. Cross-functional goal alignment reduces the number of intra-company investments by consolidating efforts around a few key areas that create value for the customer, making the entire operation more efficient and effective.

The nature of the SaaS model means that there is a very direct relationship between your company's ability to achieve its corporate goals and your customers' ability to achieve their goals. You cannot have one without the other.

"The nature of the SaaS model means that there is a very direct relationship between your company's ability to achieve its corporate goals and your customers' ability to achieve their goals. You cannot have one without the other."

— Brandon Hickie,
Market Strategy Manager,
OpenView

1. *Presentation: Leading with Customer Success,* presented by Guy Nirpaz, Co-founder and CEO of Totango, OpenView Customer Success Workshop, February 2015

ASSESSING YOUR SITUATION: CUSTOMER EXPERIENCE MATURITY

Different customer success approaches and goals will be relevant depending on where your company falls on the customer experience maturity spectrum, your annual contract value (ACV) and the complexity of your product. To ensure that you are focusing your customer success initiatives most effectively, it's critical to take a realistic view of your organization's assets and capabilities.

There are many variations on the customer experience maturity model, but they all attempt to first define the stages of evolution that a company goes through, and then explain how each stage affects the organization's ability to inspire customer loyalty through great experience and realized success. For the purposes of this guide, we will refer to the customer experience maturity framework developed by Jackie Golden, Senior Vice President of Customer Success at Socrata and OpenView Senior Advisor on Customer Success, overlaid with insights and commentary from other industry experts.

MATURITY	AD HOC	AWARE	REPEATABLE	PREDICTABLE	ACTIVATING
PEOPLE	Random, skills/experience mismatched.	Basic organization structure. Skills/experience defined.	Process-centric customer experience focus.	Business and customer outcome focused.	Realize connection between customer outcomes and business outcomes. Customer acquisition focus.
PROCESS	Ad hoc. Exceptions are the rule. Soccer ball drives activity. Everything is a priority.	Identify working and non-working elements. Basic processes exist. Integrated activities are limited. Priorities established.	Customer life cycle established Repeatable processes Metrics Established/ monitored Feedback loop established	Customer life cycle Stages working collaboratively Integrated customer center Innovative Customer Success	Collaboration across functions across all aspects of life cycle is normal practice. Customer advocacy program in place.
TECHNOLOGY	Basic tools, not right investments.	Tools fit project or group, not integrated or collaborative.	Tools/system integrated with collaboration and social capabilities Automation.	Real-time, collaborative online customer knowledge/ community center.	Customer advocacy tracking tool in place. Customer success tracking tool in place
BUSINESS STRATEGY	Survival mode	Project focused	Standardized customer experience delivery	Predictable customer experience delivery	Leveraging customers to drive acquisition velocity
	MATURITY LEVEL 1	MATURITY LEVEL 2	MATURITY LEVEL 3	MATURITY LEVEL 4	MATURITY LEVEL 5

MATURITY LEVEL 1: ADHOC

Business Strategy: Survival Mode

At this stage, the customer experience is unpredictable with very little structure to guide the customer. As a result, each customer experience is unique and cannot be replicated. Reactivity is the name of the game. There is no formal prioritization process, so issues are handled as they come-up and everything is treated as a priority. Omer Gotlieb, Co-founder and Chief Customer Officer at Totango, describes this stage as the "CPR" stage during which you don't really know why anything happens and you're just trying to stay alive. Joel York makes a similar observation, saying that even though your metrics provide visibility on churn, they don't provide any guidance for how to reduce it.

MATURITY LEVEL 2: AWARE

Business Strategy: Project Focused

At the next stage, Golden says that you're beginning to identify what's working and what's not. Some basic processes have been put in place, and priorities have been established. Gotlieb describes this stage as the "fire fighting" stage, comparing it to a well-equipped ER. You may have an initial customer success team in place, but it is focused almost entirely on triage efforts. York says this stage is about getting to the "why" – delving into statistical methods and models to better understand root causes of churn, trial conversion, purchase, etc., and uncovering the customer success KPIs and benchmarks that will help identify operational opportunities to improve the customer experience.

MATURITY LEVEL 3: REPEATABLE

Business Strategy: Standardized Customer Experience Delivery

This is the point at which you really begin to get a handle on defining and managing your customer experience. You have defined your customer's lifecycle and established repeatable processes and metrics that align with that journey so that you can deliver a standardized customer experience. For Gotlieb, this stage marks the transition to a more proactive approach, or the application of "preventive medicine." You are now able to develop engagement and action plans based on customer segments and their respective journeys and preemptively identify at-risk customers.

MATURITY LEVEL 4: PREDICTABLE

Business Strategy: Predictable Customer Experience Delivery

At this level of maturity, all the elements of your business are working together to deliver a predictable customer experience. Your people, processes, and technology are all focused on supporting and enabling customer success in an integrated and collaborative way. This is the point at which you transition from defense to offense. You are continually fine tuning your processes using data from churned and renewed customers to deliver the value and account expertise that help you proactively encourage full use of the product.

At this level of maturity, York describes the organization as a "recurring revenue machine." There are no more "what if?" scenarios. Financial and operational goals are linked using customer success metrics and predictive analytics.

MATURITY LEVEL 5: ACTIVATING ADVOCATES

Business Strategy: Accelerated Customer Acquisition

The last level brings the power of the customer full circle and leverages them in your business' go-to-market processes in a structured and repeatable manner.

Mark Organ, CEO at Influitive, is quick to point out that effective customer success can't be measured by retention alone; it must be measured based on customer *growth*. Growth, he explains, is driven by advocacy, and advocates are mobilized when they are fueled by "wow" moments in their customer experience.

In a study on the efficacy of different channels in relation to the share of closed-won vs. closed-lost opportunities, Organ and his team compared the conversion rates of different types of leads and found that referrals are roughly four times more effective than other kinds of leads.[1] Delivering a customer experience that inspires loyalty and advocacy will drive profitability via improved LTV, number of closed deals, and lower CAC, cost-to-serve, and churn rates.

Organ cautions SaaS companies to understand the distinction between what it takes to maintain vs. what it takes to grow. "Minimizing weaknesses doesn't delight, it appeases," he explains, "If you want to earn advocacy, you need to be remarkable."

1. *Presentation: Putting Customer Success in the Driver's Seat,* OpenView Customer Success Forum, February 2015, presented by Mark Organ, CEO at Influitive

ASSESSING YOUR SITUATION:
KEY FOCAL POINTS BY MATURITY LEVEL

Depending on your organization's maturity level, you will be focused on one to two of the following key focal points. The capability maturity table below will help you determine which ones are relevant for your organization in its current state.

ADOPTION:
Onboarding and implementation, shifting from a reactive to proactive approach

RETENTION:
Ensuring renewals by helping customers reach their goals so that they realize the value of your product

EXPANSION:
Growing the business through up-sells, cross-sells, and increased usage

OPTIMIZATION:
Standardizing processes and services, fine-tuning, establishing programs and standard tracks for various customer types and segments

TRANSFORMATION:
Developing tiered customer models and setting the foundations for customer advocacy

NEXT FRONTIER:
Leveraging the power of customer advocacy to generate opportunities and increase/accelerate movement through the funnel

Assessing where your organization is in terms of customer experience maturity will help you orient your customer success strategy around the right resources, goals, and KPIs.

It's important to take a step back to determine where your organization fits along the customer success maturity curve. This knowledge will be important in identifying the relevant benchmarks that will help you best evaluate your current organization against potential opportunities for impact.

KEY FOCAL POINTS	AD HOC	AWARE	REPEATABLE	PREDICTABLE	ACTIVATING ADVOCATES
Adoption	✖	✖	✖	✖	✖
Retention		✖	✖	✖	✖
Expansion		✖	✖	✖	✖
Optimization			✖	✖	✖
Transformation				✖	✖
Next Frontier					✖

BUILDING YOUR PLAN:
IDENTIFYING RELEVANT METRICS AND BENCHMARKS

By comparing top-level customer success metrics against industry benchmarks you can identify the best opportunities for impact as you develop your customer success strategy.

Please refer to the process in the figure below on how to use these benchmarks to evaluate which focal points will have the most impact on your current business. Keep in mind that this exercise is meant to help narrow the focus of your strategy by identifying opportunities for impact.
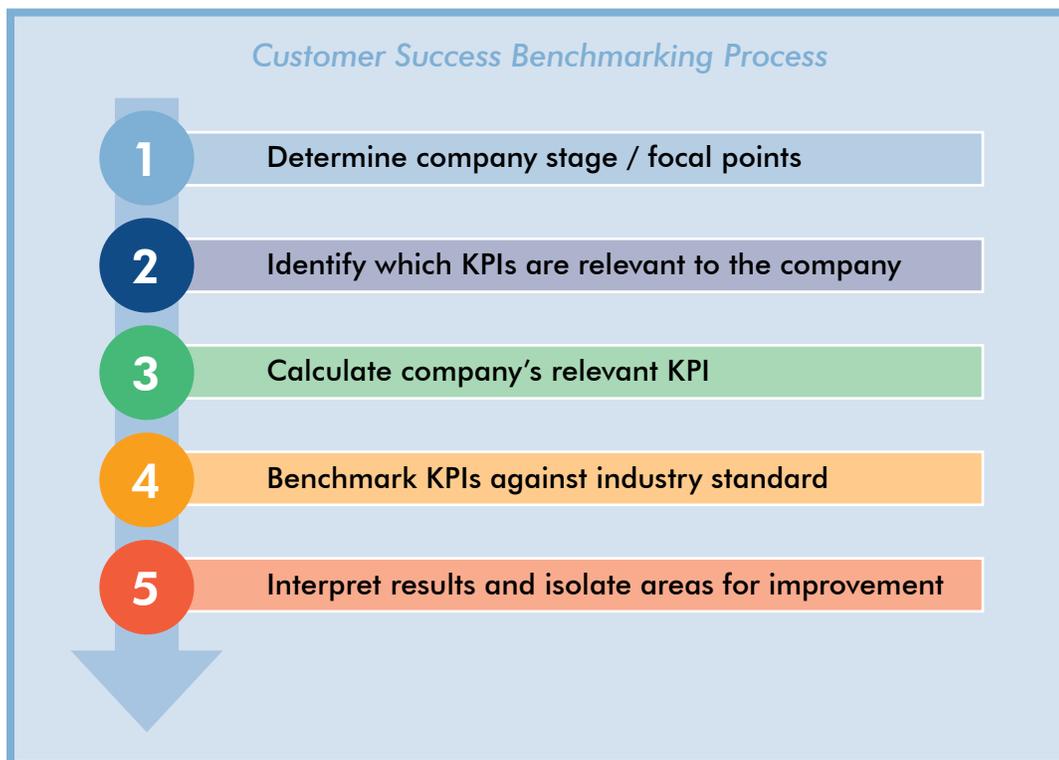
Customer Success Benchmarking Process

1 — Determine company stage / focal points

2 — Identify which KPIs are relevant to the company

3 — Calculate company's relevant KPI

4 — Benchmark KPIs against industry standard

5 — Interpret results and isolate areas for improvement

By comparing top-level customer success metrics against industry benchmarks you can identify the best opportunities for impact as you develop your customer success strategy.

BUILDING YOUR PLAN: UNDERSTANDING CUSTOMER SUCCESS KPI METRICS AND BENCHMARKS

The table below summarizes the primary customer success KPI metrics and benchmarks related to customer success.

KPI	DESCRIPTION	CALCULATION	ASSOCIATED GOALS	MEASUREMENT	BENCHMARK	BENCHMARK SOURCE
Net Retention $	The total revenue dollars retained year over year from previous year's customer base. The measure is represented as a percentage.	Total Revenue from Customers T2 / Total Revenue from Customers T1	Profitability, Revenue	Customer Value, Value to Company, Operational	~104%	http://www.forentrepreneurs.com/2015-saas-survey-part-2/
Net Promoter Score	A measure of customer satisfaction gauged on their response to the following question (0–10 point scale) "How likely is it that you would recommend [your company] to a friend or colleague?"	Categorized customer by their score into the following groups: • Promoters: 9–10 • Passive: 7–8 • Detractors: 0–6 Then calculate: % Promoters – % Detractors	Operations Improvement, Profitability	Customers Value	29%	http://www.temkingroup.com/research-reports/net-promoter-score-benchmark-study-2015/
Time to First Value	The time it takes from onboarding to a fully operational system and delivering value to the customer.	Date First Value is Achieved – Dave Onboarding of Customer Began	Operations Improvement	Customer Value	N/A: depends on deal, sales cycle and implementation requirements	N/A
Customer Acquisition Cost (CAC)	Refers to the resources that a business most allocate in order to acquire additional customers.	Sum of all Sales and Marketing Expenses/ Number of New Customers Added	Profitability	Value to company	~$1.18	http://www.forentrepreneurs.com/2015-saas-survey-part-1/
Customer Retention Cost (CRC)	The total expense a company incurs in retaining and cultivating its existing customers	[Cost of: CS Team + Account Management Team + Customer Engagement & Adoption Team (Systems & Programs) + Professional Services & Training] / No. of Active Customers	Profitability	Value to Company	CRC Ration = .08 - .13	http://customer-success-resources.totango.com/i/496294-the-missing-saas-metric-customer-retention-cost-report/1 http://www.forentrepreneurs.com/2015-saas-survey-part-1/
Customer Effort Score	A customer experience metric that measures how easy it was for a customer to take a specific action or make something happen. An example could be around implementation or adoption. The question you ask for this measure is "How hard was it for you to ___? Usually on a 1–7 scale with 1–3 being hard.	Total Customer Effort Score / # Respondents in Time X	Operations Improvement	Customer Value	Requires CEB CES Membership and is only available for certain actions	https://www.cebglobal.com/exbd/membership-inquiry/index.page?
Customer Churn Rate / Unit Churn	The percentage of subscribers to a service that discontinue their subscription to the service in a given period of time	No. of customers lost in a time period / total no. of customers at the start of the period	Profitability	Company Value	~10% annually	http://www.forentrepreneurs.com/2015-saas-survey-part-2/
Dollar Churn	Lost revenue due to downgrades and churn customers as a percentage of total recurring revenue	%MRR Churned = Churned MRR / Previous Months MRR	Profitability, Revenue	Value to Company	~7% annually	http://www.forentrepreneurs.com/2015-saas-survey-part-2/

And in this table, we see how the different KPIs relate to the various focal points:

KEY FOCAL POINTS:	ADOPTION	RETENTION	EXPANSION	OPTIMIZATION	TRANSFORMATION	NEXT FRONTIER
Net Retention Dollars		✖	✖	✖	✖	
Annual Net Dollar Retention From Existing Customers		✖	✖		✖	
Unit Churn		✖			✖	
Dollar Churn		✖			✖	
Customer Acquisition Cost (CAC)				✖		✖
Customer Retention Cost (CRC)		✖		✖		
Customer Effort Score (CES)	✖					
Net Promoter Score (NPS)		✖			✖	✖
Time To First Value	✖			✖		

It's important to focus on only the KPIs that are relevant for your established focal points. Spreading your resources and attention over too broad a range of metrics will dilute your efforts and greatly diminish your ability to affect positive change and performance. When choosing KPIs, less really is more.

Following the steps in this process, you will be able to gain valuable insight into how your organization's performance compares against that of other B2B SaaS companies. With this information in-hand, you will be better able to narrow your customer success focus to the areas where your efforts will yield the most beneficial results.

CS BENCHMARKING PROCESS EXAMPLE

The following example walks you through the benchmarking process using a hypothetical company to illustrate the different steps to determine your KPI focal points.

SaaStainable, Inc.

$20MM Revenue

$200K Average Contract Value

100 Customers

SaaStainable, Inc. is a retention stage company that provides energy management software through the cloud to help businesses manage their energy consumption and utility bills.

Four Month Sales Cycle Time

Two Month Time to First Value

Three Year Average Lifetime Value

KPI: Net Retention Dollars

Year	2013	2014	2015
Retained Revenue (M)	4.5	8	11.5
New Revenue (M)	2	4.5	7.5
Upsell Revenue (M)	0.5	0.5	1
Total Revenue (M)	7	13	20

BENCHMARK = 103%

Net Retention Dollars

$$= \frac{\text{Retained Revenue (including Upsell Revenue) in a Given Time Period}}{\text{Total Revenue from Last Time Period}}$$

$$= \frac{11.5 + 1}{13} = 96\%$$

KPI: Unit Churn

Year	2013	2014	2015
Existing Customers	20	35	60
New Customers	17	32	50
Lost Customers	2	7	10
Total Customers	35	60	100

BENCHMARK = 8%

Unit Churn

$$= \frac{\text{Number of Customers Lost in a Time Period}}{\text{Total Number of Customers at the Beginning of the Period}}$$

$$= \frac{10}{60} = 17\%$$

KPI: Customer Retention Cost

Year	2013	2014	2015
Sales and Marketing Expenses (M)	3	5.5	9
Revenue (M)	7	13	20

BENCHMARK = 10.2%

Customer Retention Cost

$$= \frac{(\text{Sales and Marketing Expenses}) \times 0.2}{\text{Revenue}}$$

$$= \frac{9 \times 0.2}{20} = 17\%$$

KPI: Revenue Churn

Year	2013	2014	2015
Retained Revenue (M)	4.5	8	11.5
New Revenue (M)	2	4.5	7.5
Upsell Revenue (M)	0.5	0.5	1
Total Revenue (M)	7	13	20

BENCHMARK = 6%

Revenue Churn

$$= \frac{\text{Revenue Lost in a Time Period}}{\text{Total Revenue at the Beginning of the Period}}$$

$$= \frac{13 - 11.5}{13} = 11.5\%$$

KPI: Net Promoter Score

	1	2	3	4	5	6	7	8	9	10
Score	10	9	9	4	10	7	10	8	5	10
Value	+	+	+	−	+	0	+	0	−	+

BENCHMARK = 24.7%

Net Promoter Score

= Definition: % Promoters – % Detractors
= (6 / 10) – (2 / 10)
= 60% – 20%
= 40%
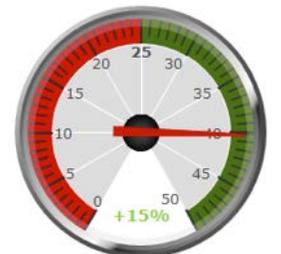
Conclusion

KPI	RELEVANCE LEVEL	SCORE INTERPRETATION	PRIORITY
Unit Churn Revenue Churn		Churn is double the industry standard and adversely affecting Net Retention Dollars	1
Net Retention Dollars		Churn rate is higher then upsell rate	2
Customer Retention Dollars		Despite focusing on revenue expansion, SaaStainable has managed to contain its costs	3
Net Promoter Score		The Net Promoter Score is high and is not a priority KPI at this time	4
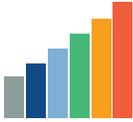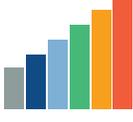
Churn is an input into Net Retention Dollars, and so an improvement in churn will improve Net Retention.

BUILDING YOUR PLAN: UNDERSTANDING YOUR CUSTOMER'S DEFINITION OF SUCCESS

Customer success is unique to your customer's experience in the context of your product. There isn't a one-size-fits-all definition, but there is a methodology for discovering how your customer defines success and perceives value.

Understanding what success means to your customers requires bringing the perspectives of each customer-interfacing function in your organization together to develop a working understanding of how customers define success and then validating these hypotheses with customer data and customer interviews.

In the following section, we will show you how to define customer success in your business.

DEVELOPING A WORKING UNDERSTANDING OF CUSTOMER SUCCESS

The first step is to assemble your organization's existing knowledge. To do this, you'll want to start with a list of questions that you will attempt to answer by referring to existing sources such as prior research, CRM, support data, and internal interviews and brainstorming with the different functions within your organization.

The key questions you should ask:

- What does your existing customer experience look like?
- What does a successful customer outcome look like?
- What is required to make this more likely?
- And what role does each function play in ensuring this happens?

The answers to these questions help you uncover the trends that define what matters most to your customers. It's important to remember, however,

that all customers are not created equal. For this exercise, focus on particular customer segments broken-out by how you value different types and tiers of customers. Also, since this definition will change as you learn, repeat this exercise at regular intervals to ensure that your team's insights keep pace with customers' evolving needs.

DEVELOPING AND VALIDATING CUSTOMER SUCCESS HYPOTHESES

Once your internal team has collected and reviewed all the available resources, you can put together a list of hypotheses that explain how the customers in each segment define success and perceive value in relation to your product.

To build on your internal research and begin the validation process for your customer success hypotheses, you will need to conduct customer interviews. You may be able to validate some of the hypotheses by revisiting your CRM data or speaking with internal team members about the relevant hypotheses.

KEY DEFINITIONS

SaaSTAINABLE CUSTOMER SUCCESS

Utilities subscribe to SaaStainable to encourage energy conservation amongst their customers. This helps make them eligible for government tax relief as well as helps control costs since energy costs increase as company operates at above 85% capacity.

SUCCESS MEASUREMENT

The percentage of customers using SaaStainable application.

BUILDING YOUR PLAN: CHOOSING FOCAL POINTS

Once you have working hypotheses about how your customers define success, and you have evaluated your business against industry benchmarks, you're ready to select one or two customer success KPIs to build your strategy around. It is important to limit your focus because, realistically, you can only optimize on one to two top-line metrics at a time. Taking on too much at once will dilute your efforts and result in poor performance across the board.

The key is to avoid getting caught up in short-term metrics by keeping the long-term vision clearly in sight. Bill Macaitis, CMO, Slack Technologies – the first B2B software company to reach a $1billion valuation in only two years – explains, "Short-term metrics incentivize bad organizational behavior which creates bad experiences. We're good people. We don't want to screw the customers, but we're measured on short-term metrics."

Macaitis includes leads, pipeline, opportunities, and margins in his list of short-term (and short-sighted) metrics. Though these types of metrics might make sense for early stage companies focused almost entirely on acquisition, they aren't helpful for growing companies focused on renewal and churn mitigation. "Good" metrics help you assess engagement, gauge customer satisfaction (CSAT and CES), and quantify the likelihood that a customer will recommend you (NPS). These short-term metrics should be seen as supporting metrics used to understand changes in your top line metrics.

To perform well on these KPIs, you need to delight your customers at each step in the customer experience. You need to align your entire team around a common set of long-term customer success metrics and empower them to create the outstanding customer experiences that drive performance against those metrics.

> "Short-term metrics incentivize bad organizational behavior which creates bad experiences. We're good people. We don't want to screw the customers, but we're measured on short-term metrics."
> – *Bill Macaitis*

HOW TO SELECT YOUR TOP-LEVEL KPI FOCAL POINTS

To accurately identify the most appropriate KPI focal points for your organization you need to evaluate each KPI in the context of three different perspectives:

1. **Viability Based on Organizational Maturity:** Your choices will be constrained by your organization's ability to track and calculate different kinds of metrics. More sophisticated metrics require more in-depth data and can be more difficult and time consuming to track than the value and insights they provide early on in the maturity cycle. You want to avoid over-engineering the organization and driving it into analysis paralysis.

2. **Potential for Business Impact:** The benchmarking exercise will help you identify your best opportunities – the areas where implementing a customer success strategy will have the best chance of helping you achieve key corporate goals.

3. **Relation to Customer Definition of Success:** Last but not least, each KPI should be judged against how directly it will drive success for your customers.

By pulling together everything you've learned so far about your organization's maturity, how you measure up against industry benchmarks, and what success looks like to your customers, you will be able to make smart choices about which top-level KPI focal points make the most sense for your organization.

UNDERSTANDING ROLE PLAYERS IN SUCCESS

Customer success is a function of goals, people, trust, and communication. Its aim is to coordinate all business functions around a set of aligned goals in such a way that each person understands not only the role he or she is playing, but also how that role integrates into the larger customer success initiative.

The customer success team plays a dual "concierge" role. Internally, they preemptively coordinate cross-functional teams around customer success goals. Externally, they work directly with the customer, helping assemble key resources to facilitate success. Without this unified approach, combining the traditional account management role with a holistic and company-wide perspective, you run the risk of creating a customer experience with gaps and/or conflicts.

What metrics best align with success definition?
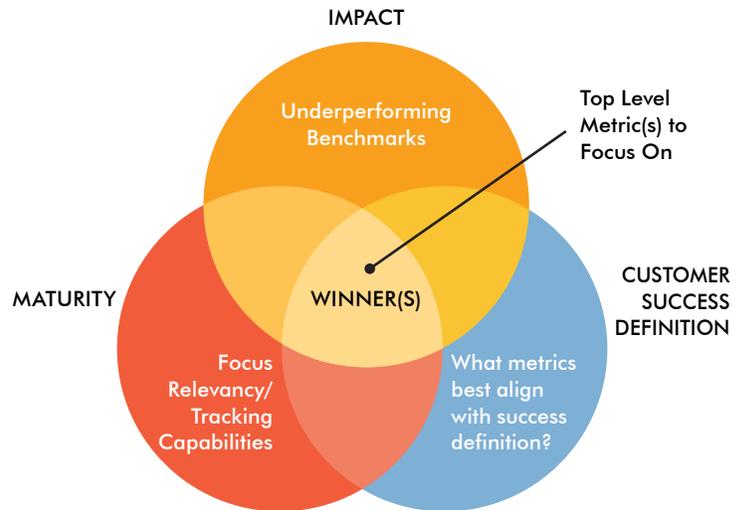
SaaStainable Top Level Metric Selection Example
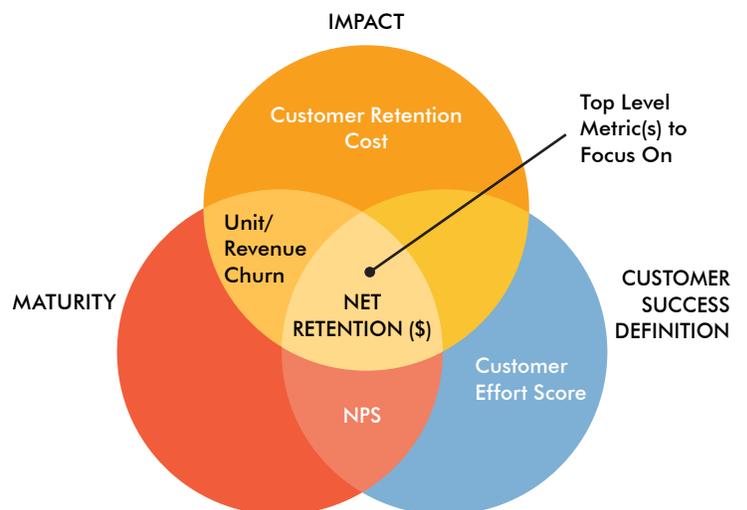
To position your organization for success, you need:

1. Clear, Shared Goals

Customer goals must be consistent across the entire company so that once you've chosen your top-level KPIs, each part of your organization is aligned behind improving performance against those measurements. Though each function will approach each KPI from a different perspective, ultimately all efforts will move your organization forward towards achieving a single objective.

2. Detailed Role Definition

To ensure the success of the larger initiative, each member of the team must understand the specific role he or she plays in supporting customer success and improving overall performance against the top-level KPIs. Each functional area has important contributions to make:

a. CUSTOMER SUCCESS: Provides critical insight into what customer success looks like from a business perspective and how to achieve it, gives the team big picture perspective, owns and facilitates the integrated strategy that helps your customers achieve their goals

b. CUSTOMER SUPPORT: Is the day-to-day technical face of the organization, providing on-going technical support and gathering key intelligence that helps other parts of the organization proactively eliminate the issues that derail customer success

c. SALES: Creates first impression of company with customer, helps the team understand what success means to the customer and positions them for a successful customer journey

d. PRODUCT AND ENGINEERING: Educates team with product vision and direction, solicits feedback from other teams to identify where customers are finding value in the product, works at making the product more efficient through added features and automation in order to add value to customers, make the customer's life easier and to reduce strain on customer support and professional services

e. PROFESSIONAL SERVICES: Works directly with customers to provide critical knowledge on product features and process strategies that will facilitate customer success, implements solutions for customers, and provides valuable feedback to the larger team about where customers are succeeding and failing, identifies best opportunities to build out product for maximum customer success

f. MARKETING: Creates opportunities for additional learning and for building stronger customer relationships through customer communities, customer empowerment, and customer advocacy

3. Peer Trust

In addition to understanding his or her role, each member of the team must have an understanding of how all the functional roles work together and establish a level of trust and respect that other members of organization will do their work well. This larger understanding will keep team members from worrying about parts of the process that are entrusted to other functional teams, so they can focus on their own role.

4. Consistent Communication

Good communication is the glue that is essential for effective collaboration and smooth execution. It's not enough to align the individual teams behind common goals; you must also facilitate an on-going conversation in which they can share information and ideas. Without communication, trust breaks quickly and focus is commonly lost.

When you incorporate these four elements into your customer success program, each member of your cross-functional team will understand the role he or she plays, the shared objectives, and how performance will be measured. All team members will have a broader sense of how the entire team functions, which will enable them to focus on their own responsibilities secure in the knowledge that their peers have other aspects of customer success covered. And the entire effort will benefit from cross-functional communication that improves overall operational processes.

ESTABLISHING TRUE CROSS-FUNCTIONAL ALIGNMENT

To make the most of your customer success strategy, you need to align all functions so that they are working in tandem toward the same objectives and vision. To help create this alignment, Boaz Maor, Former VP of Success at Mashery, recommends looking at your situation in terms of program scope, execution, and value:

- **PROJECT SCOPE:** What is the purpose of the program as defined by your top KPIs?
- **EXECUTION:** Who is involved and what roles do they play?
- **VALUE:** How the program delivers value to the customer?

This exercise helps you narrow the scope of your customer success initiative through constraints, and is an important part of the process when dealing with a topic as broad and deep as customer success. Even large, mature organizations do not have the resources to address all the angles. Focusing your resources on only the best opportunities is key to sustained success.

Because customer success is a truly cross-functional effort, it's critical that your strategy and implementation consider all these points of alignment. To succeed, your effort must be integrated and holistic – a coordinated and collaborative team aligned around a single set of objectives and operating in an environment of trust and communication. Only then will you be able to realize the full benefits of customer success across your entire organization and your company's bottom line.

Program Scope: WHO
Program Execution: WHAT
Program Value: HOW

TSS

Program Value

Program Execution

CPSM ➡ Program Scope ➡ PS

CPSM: Customer Program Success Manager
PS: Professional Services
TSS: Technical Support Services
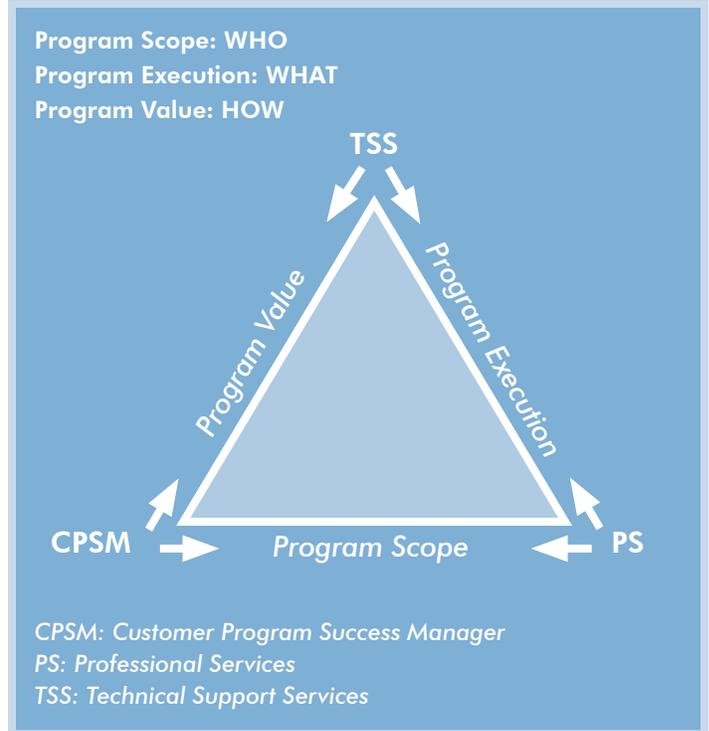
BUILDING YOUR PLAN: SELECTING THE RIGHT METRICS

Common goals are the secret to truly cross-functional alignment. The following section will help you identify which metrics to consider when constructing the coordinated team and individual goals that will help you reach your common corporate objectives.

At this point in the process, you have identified your customer success focal points and the correlating top-level metrics that you are targeting. The next step is to determine which tier 2 and tier 3 metrics will help you build out the goals that will facilitate implementation of your strategy.

However, before evaluating potential tier 2 and tier 3 metrics, it's important to map out your customer journey and identify the key conversion points in that life cycle. This information will allow you to narrow your scope in terms of the metrics you might want to track.

DEFINING THE CUSTOMER LIFE CYCLE TO IDENTIFY TIER 2 AND TIER 3 METRICS

Mapping out the customer lifecycle will help you identify the critical junctures at which you can influence whether your customer experiences succeed or fail. Jeanne Bliss, President of Customer Bliss and author of The Chief Customer Officer 2.0, calls these turning points "moments of truth," and explains that you need to be very deliberate in delivering the right interactions in the right way. Each of these moments is instrumental in either derailing or ensuring your customer's success, and as such will be a determining factor in customer decisions about your product.
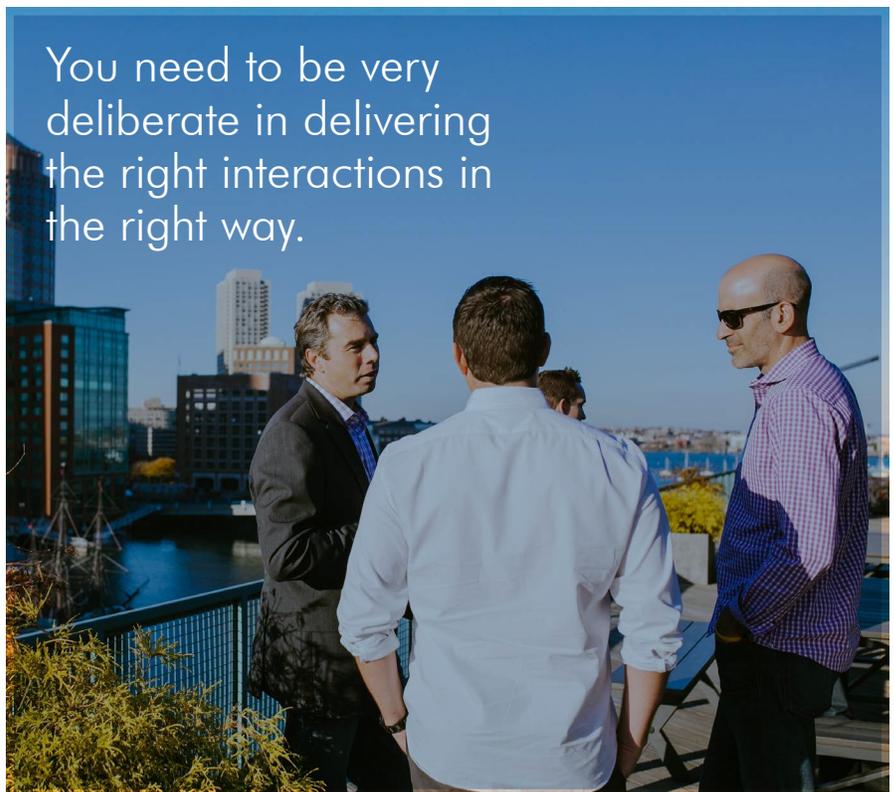
You need to be very deliberate in delivering the right interactions in the right way.

To identify your customer's moments of truth, you need to map your customer life cycle. Golden defines the customer life cycle as the stages a customer goes through during their partnership with your company that creates a customer for life. A typical life cycle can be broken-down into four stages:
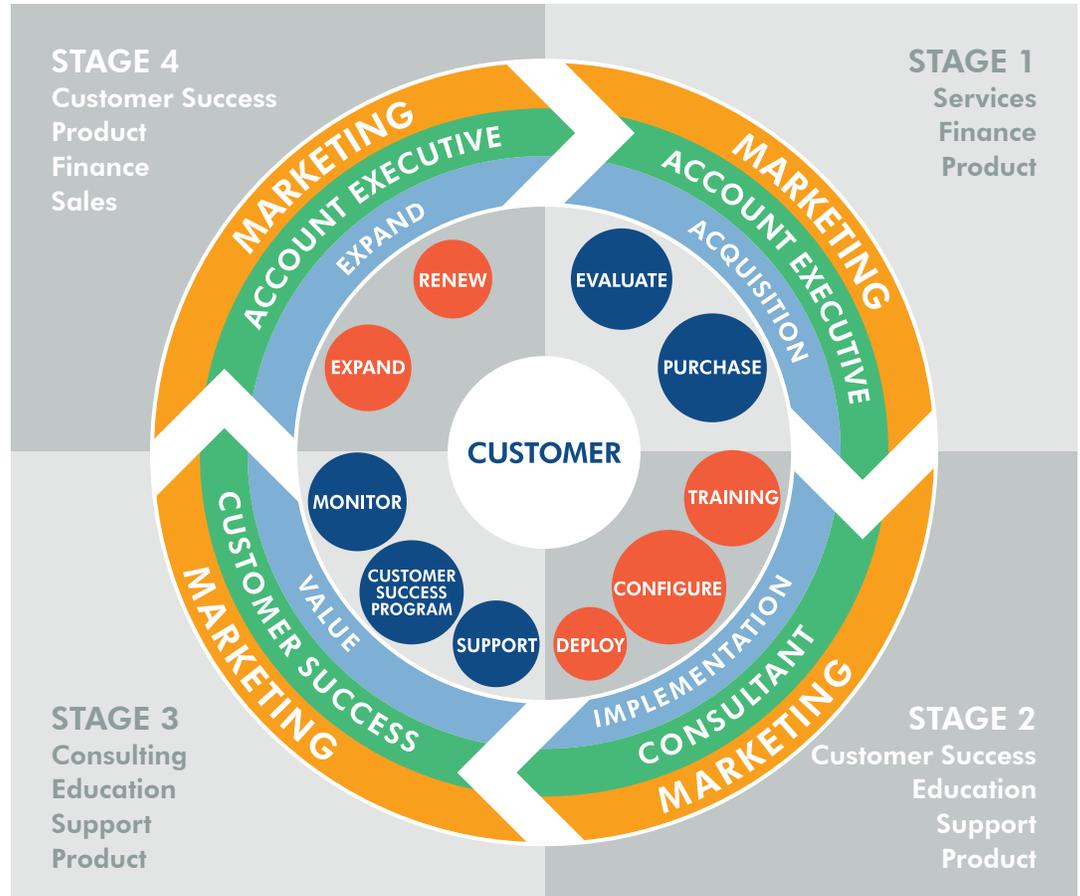
STAGE 1. ACQUISITION:	STAGE 2. IMPLEMENTATION:	STAGE 3. VALUE:	STAGE 4. EXPANSION:
Interactions with prospect before becoming a customer that could influence expectations once they become a customer	*The period of onboarding and implementation of the product*	*The period in which the customer begins to realize value*	*The period in which the customer has experienced success and is ready to expand*
Key Metrics: Win rates, average ASP, sales cycle time	*Key Metrics:* Customer satisfaction, engagement factor, time to value, utilizations, customer success criteria met	*Key Metrics:* Customer satisfaction, engagement factor, usage rates, adoption rates, reference ratings, renewal predictions, renewal risk factors	*Key Metrics:* Renewal rates, % customer growth, engagement factor, usage rates, adoption rates, reference ratings, total customer value/potential, net retention dollars

Below is an example of a customer life cycle diagram for the implementation stage. Looking at the overall process at this high level allows you to then drill down into the specific segments that matter most to your particular objectives.

Your attention should be concentrated on the specific phase(s) of the journey that pertain to the focal points you've chosen for your customer success strategy. Narrowing your focus this way will help you more accurately identify the key metrics that have the ability to influence your ability to achieve your key objectives/goals.

IMPLEMENTATION METHODOLOGY

PLAN	DESIGN	CONFIGURE	TEST	DEPLOY	MATURE

PROCESS

Enterprise Customer	Detailed planning call	Design session	Configure	Execute pilot (2 weeks)	End user education by role	
Transition to services Onsite / call	Base team education		Redesign / Test	Critical issue resolution	Communica-tion plan	Retrospect / transition to Customer success Call onsite
			Validate meets goals / success criteria	Validate meets goals / success criteria and usability	Production scope Phase 1 confirmed	
			Develop test plan	Review integration strategy / plan / SOW	Go live	

COVERING ALL THREE SIDES OF THE VALUE EQUATION

Up to this point, we have provided a methodology for identifying the metrics associated with customer value and company value. Identifying and understanding these metrics is critical to achieving company-wide alignment and focus on the things that matter most, but there is a third facet to the value equation: the operational/execution side of the puzzle.

To ensure that your strategy covers all three sides of the value equation, David Mitzenmacher, VP of Customer Success at Kareo, recommends asking yourself the following questions in the context of your key focal points and customer journey (see figure at right).

Looking at value in this three-dimensional model will help you maintain a good balance in how you define the strategies and tactics that are best suited to delivering a long-term return on investment for your company (financially and operationally) and your customers. This approach will ensure that you consider all three elements of the success equation when building out your tier 2 and tier 3 metrics, ensuring greater perspective that leads to greater relevance and effectiveness.

COMPANY VALUE
Are our customer success initiatives delivering value? Doing so will help you uncover financial or non-monetary metrics to measure impact on your own business, such as retention, churn or referrals generated.

CUSTOMER VALUE
Are our customer success initiatives helping customers succeed? This will help you identify metrics that can help you uncover whether (and how) you are helping your customers succeed such as NPS, Customer Effort Score (CES), feature utilization and time to first value.

OPERATIONAL VALUE
Are our contributors and teams performing to full potential? This will help you identify metrics for evaluating the team and individual execution/performance and development like up-sell, cross-sell and renewal batting averages.

SETTING INDIVIDUAL, TEAM, AND CORPORATE GOALS

Setting specific, measurable goals for each functional team in your company is what makes the customer lifecycle and journey insights actionable. It's not enough to make broad company mandates about improving overall performance. The process of mapping the different stages of the customer relationship helps you discover the moments of truth at which you have the ability to influence customer success. By looking at these critical junctures alongside your corporate objectives and cross-functional KPIs, you will be able to create a function-by-function road map for customer success.

To ensure effective goal setting, each individual goal needs to roll up into a team goal, which ultimately ties back to a long-term corporate objective. The result is a cascading set of interrelated and aligned goals that work in concert to achieve your ultimate corporate objectives. The waterfall chart below is an example of how to map KPIs from the company level down to the team and individual levels.

There are two different ways to create these charts:

The first (see top right) is to deconstruct a top level KPI into its constituent components to determine the next tier of KPIs. Thus, individual KPIs become inputs into the team KPIs, which are likewise the inputs into the company KPI.

The second (see lower right) is to determine team and individual KPIs by identifying metrics that have direct impact or influence on its parent metric. This will require a little more thought and will enable you to identify dependencies and causality between metrics.

Understanding the relevant moments of truth will help you identify the best cascading metrics to use in your KPI waterfall. The tier 2 and tier 3 metrics should tell you, directly or indirectly, how your organization is performing in those critical moments of truth and why.

It may be helpful to reference OpenView's comprehensive list of company, team and individual customer success KPIs.

Deconstructing a Top Level KPI into its Constituent Components

COMPANY	TEAM	INDIVIDUAL
Net $ Retention	Gross $ Retention	Churn
		Downgrades
		Renewal %
	Gross Expansion $	Upsells
		Cross Sells
		License / User Growth
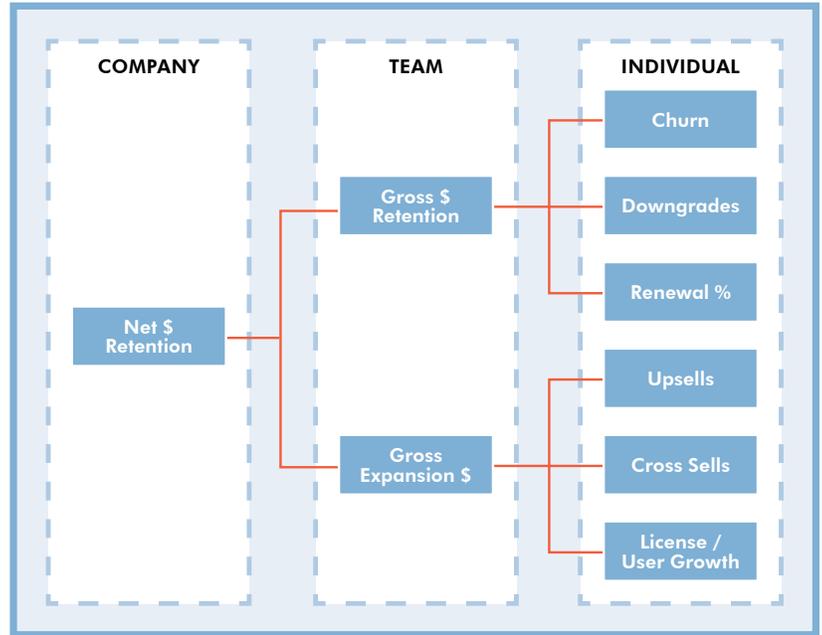
Breaking Top Level KPIs into Impact/Influence Metrics"

COMPANY	TEAM	INDIVIDUAL
CRC	Renewal %	Utilization
		CSM Retention
	Average Cost of Service	Gross / Net Retention
		Churn Rate
		Average Contact Duration
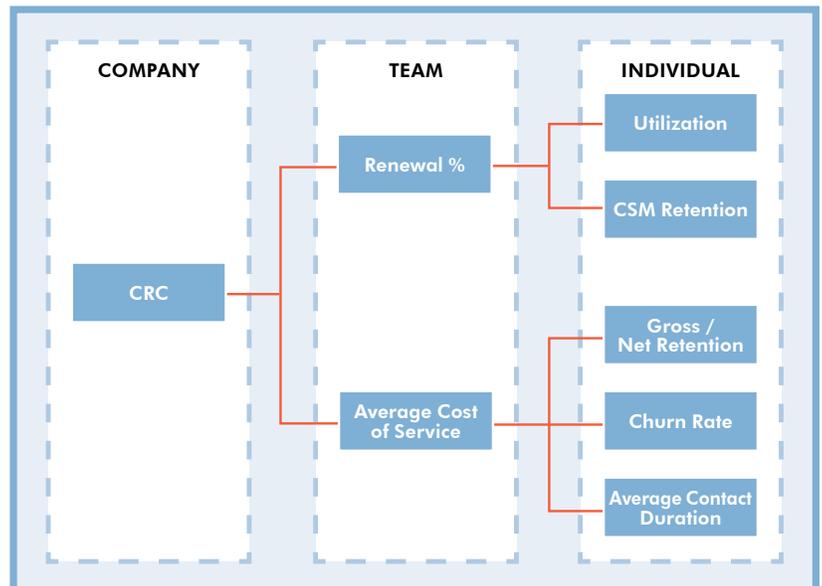
To get at the "why", Mitzenmacher recommends breaking each metric's data down to a level of detail that allows you to start to understand the drivers behind it. For instance, when looking at churn, go deeper by looking at the percentage of the overall number that is attributable to lost customers vs. downgrades vs. license shrinkage.

You should also try to strike a balance between leading and lagging indicators. Revenue, for instance is a lagging indicator. It only tells you about last quarter, not next quarter. You want to structure your goals and choose your metrics so that people can look ahead and predict what's going to happen next. This will take some time, but approaching the challenge with the right mindset will get you started in the right direction.

As you work through this goal-setting exercise, it's important to remember that it will be an iterative process. Mitzenmacher says that while a road map is an absolute necessity, perfection is the enemy of progress. As with any startup initiative, you want to find and build on the quick wins, optimizing your approach at each step in the process. He notes, however, that it is critical to maintain a consistent and clear line of sight from the individual to the team to the company (and back). Though iteration is part of the process, communication and alignment are non-negotiable.

> "While a road map is an absolute necessity, perfection is the enemy of progress. As with any startup initiative, you want to find and build on the quick wins, optimizing your approach at each step in the process... It is critical to maintain a consistent and clear line of sight from the individual to the team to the company (and back). Though iteration is part of the process, communication and alignment are non-negotiable."
>
> — *David Mitzenmacher,*
> *VP Customer Success at Kareo*

BUILDING YOUR PLAN: SETTING SMART GOALS

To fully leverage the coordinated effects of a customer success strategy, you need to ensure that goals set at the company, team, and individual levels are all "SMART" goals:

SPECIFIC	MEASURABLE	ASSIGNABLE	REALISTIC	TIME-RELATED
Target a specific area for improvement.	*Quantify or at least suggest an indicator of progress.*	*Specify who will do it.*	*State what results can realistically be achieved, given available resources.*	*Specify when the result(s) can be achieved.*

It's particularly important when you're initially implementing your customer success strategy to establish realistic goals. You want to include reach goals in your plan, but you want to make sure that while they are a stretch, they are still realistically achievable. It's also a good idea, while you're ramping up your efforts, to take a moment to reconfirm what resources and assets you need to achieve a particular goal. This is a good reality check to see if it is achievable. Nick Mehta, CEO, Gainsight, recommends the following four steps for setting customer success SMART goals:

- Determine the primary objective of your customer success activities
- Understand how these objectives will help your business
- Figure out what to do to reach those objectives
- Budget to reach those objectives

Applying this criteria to each of your customer success goals will help set your team members up for their own success, and — by extension — the success of their teams and your company.
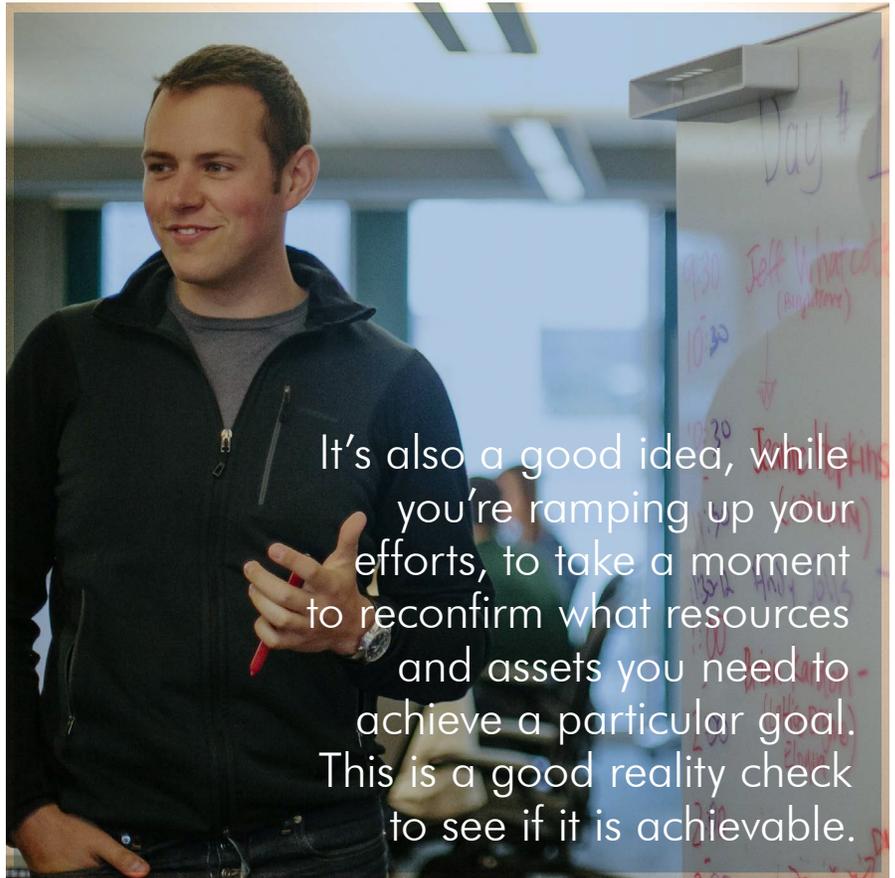
> It's also a good idea, while you're ramping up your efforts, to take a moment to reconfirm what resources and assets you need to achieve a particular goal. This is a good reality check to see if it is achievable.

IMPLEMENTING YOUR PLAN:
OBTAINING LEADERSHIP BUY-IN AND ESTABLISHING
CROSS-FUNCTIONAL SUPPORT

Disney parks around the world are renowned for being spotless. A clean, beautiful park is an important part of the experience and value that Disney delivers to its customers. The monumental task of keeping all those acres and acres of property free of unsightly debris is accomplished because cleanliness is a customer success value that has been part of the Disney DNA since Walt Disney himself strolled the grounds of Disneyland. The man behind the mouse would often stop and pick up trash off the ground as he made his daily rounds through the park. He called this "stooping to excellence," and he understood the long-term power of modeling this behavior and value to Disney employees.

Echoing Disney's philosophy, the most successful company leaders and customer success managers are the ones who aren't afraid to get their hands dirty. Standing shoulder-to-shoulder with your team, walking the walk is the most effective and efficient way to build trust and gain first-hand insights that help you see more clearly what needs to be done to strengthen customer relationships.

There are many moving parts involved in building your customer success team. You need to think about the structure, resources, and personnel. In the following pages, we will present some specific ways that you can establish and build a customer success culture, but first here are some high-level, almost philosophical guidelines for how to create the right environment:

- **CLEAR ROLES AND RESPONSIBILITIES:** Define individual and team responsibilities. Identify a consistent point of customer contact. Keep the process clear and simple.

- **CULTURE OF EMPOWERMENT:** Have a well-defined customer success playbook, but leave room for employees to make decisions and take actions that serve the greater purpose.

- **FOCUS ON VALUE ALIGNMENT:** In addition to ensuring each team member has the requisite skills and resources, pay attention to how each candidate's personality and attitude align with your customer success philosophy.

- **VALUE-DRIVEN COMPENSATION:** Let the financial and cultural rewards for customer service contributions accurately reflect the value you place on the difference such efforts make for your business.

When building your customer success organization, you really do have to step outside the typical functional "boxes," and create an environment and team construct that's designed around what's best for the customer. As Amazon founder and CEO Jeff Bezos puts it, "we innovate by starting with the customer and working backwards."

"Customer success is not a department; it's a company culture."

– David Blake, Founder and CEO, ClientSuccess

IMPLEMENTING YOUR PLAN:
CREATING A CULTURE OF CUSTOMER SUCCESS

At least as important as establishing goals and choosing metrics is instilling your entire team with a passion for customer success. While it's imperative for your core team to be deeply invested in your company's evolution into a proactive customer success organization, their commitment is not enough to drive a holistic transition to a customer-centric approach. There are a lot of moving parts, and you need to get them all aligned and working together. To help you put your best foot forward, here are eleven ways to create and nurture a customer success culture in your organization.

1 ASSIGN SOMEONE TO THE EXECUTIVE TEAM WHO OWNS THE CUSTOMER SUCCESS TRANSFORMATION.

Jeanne Bliss defines the key role of the Chief Customer Officer (CCO) as being the "human duct tape" that moves an organization from delivering your organizational chart to delivering a differentiated experience that provides real value to the customer. "Your role isn't to fix the problem," she explains. "You're role is to create the comprehensive view that doesn't exist in the organization, to create the infrastructure that gives your organization the ability to work together."

This is important because customer success culture will not evolve on its own. Transitioning to a customer-centric way of thinking is a major mindset change that requires a focused and staunch champion to ensure success.

This role is often separate from the lead of your customer success function. Earlier stage businesses may combine this role into one until they are large enough or rely on a current executive team member to take the lead on culture development.

Bliss offers some guidelines to help you identify potential candidates to lead your customer success initiative:

- The best people from inside are the general managers (president of a division or region), someone who has run an operation, had P&L responsibility, and has seniority.

- They must be capable of building an organizational-level process by mobilizing and managing cross-functional teams to solve customer problems.

- They are great at bringing people together, bridging the gap. They are "engine builders" who facilitate productive conversations between the C-suite and the rest of the organization, helping everyone understand the challenge from multiple perspectives.

- They are able to take the broad view and avoid getting mired in function-specific silos. They can look at customer success through the lens of a single, end-to-end experience that encompasses all the touch points and "moments of truth" in an integrated and holistic way.

Bliss cautions against putting a call center VP or VP of customer experience in charge of customer success. In the first case, you risk getting a shortsighted view that is mired in the call center world and lacks the perspective of broader experience and a deeper relational expertise. In the second case, you're simply dealing with a different skill set.

Ultimately, your goal is to integrate the customer success mindset so deeply and completely into your corporate culture, that employees across all functions automatically and organically make decisions based on customer success.

2 INSTITUTIONALIZE THE KNOWLEDGE.

Create a living document that defines your company's understanding of customer success. The definition should be easy to understand, provide a sense of what you want the customer experience to feel like, and give employees in each functional area an idea of how they can embody and support your organization's customer success vision.

Go beyond the obvious. Categorize customers into segments that help your team profile how each customer derives value from your relationship. This will help the team stay focused on the few things that matter to each customer. Regularly update this document based on information collected via feedback loop.

Once you've captured your customer success knowledge in this way, make sure to keep it front and center for your team. Don't file it away in some archive. Schedule regular cross-functional customer success-related training sessions where success and failure stories can be shared, and feedback can be processed and synthesized. The CEO or owner of customer culture (i.e. Chief Customer Officer) should own this document and ensure it is a core organization asset.

This document should become a key piece of your new employee onboarding process and also over time should help the organization learn how to identify cultural fits during the hiring process. You may even choose to turn your culture document into a brand asset the way Hubspot did with their customer-centric "company code," a 128-slide deck they call part manifesto and part employee handbook.

The point here is that the culture and knowledge needs to be timeless and not dependent on an individual or group of employees. It needs to be infused into the blood of the organization.

3 ACKNOWLEDGE AND CELEBRATE CUSTOMER SUCCESS.

It's human nature to adapt our behavior in response to positive feedback. This is why sticker charts work well with preschoolers, and why acknowledgment and celebration work well with grown-ups. A strong customer success strategy encourages, inspires, and incentivizes employees to go above and beyond, to find heartfelt and innovative ways to deliver the wow moments that make a huge difference to the customer. Celebrate success stories, and use them as benchmarks. Think about how can you replicate these experiences for other customers.

"One of the main differences I can see in truly customer-centric companies is that they care about the customer beyond the scope of trying to push their own agenda."

– Mike Grafham, former Head of Customer Success at Yammer

There are dozens of ways to put customer success (and the people who are making it happen) center stage:

- Jeanne Bliss has her clients bring jars of marbles — one representing new clients, one representing lost clients — to each meeting to help them visualize how bad experiences affect the bottom line.

- Teams at Enterprise Rent-A-Car make time during weekly meetings to share customer testimonials received by individual employees. Other companies share customer success stories in quarterly meetings or monthly newsletters.

- Many companies establish peer-to-peer awards that let employees recognize excellence in their ranks. KeyBank has "Key Kudos," Southwest Airlines has "Heroes of the Heart," and Starbucks has the "Green Apron Awards."

- Other companies have customer-nominated awards, like Starbucks' "Bravo" awards, which can influence career advancement.

- Sometimes, just having a moment of silly fun is enough. The team at Instructure has 30-second dance parties to celebrate customer success wins.

- Many others have a gong that is rung for each win.

4 CALL OUT PROBLEMS AND DEFEND CUSTOMER SUCCESS.

Handled correctly, mistakes make great teaching moments. Your customer success culture is only as strong as its weakest link. If someone missteps and behaves in a way that is contrary to the customer experience you're trying to create, call them on it. This isn't about issuing reprimands or punishments. It's about stepping in to help by giving your team visibility into the real-world cause and effect of good and bad behavior on customer success.

5 MAKE CUSTOMER SUCCESS A REGULAR AGENDA ITEM IN BOARD MEETINGS.

You need to manage your customers as assets and make their success a focal point of every board meeting. To succeed in this transition, Jeanne Bliss recommends "shifting your attitude from numbers and sales to client asset nurturing and growth. You need to connect customer experience with business impact in terms of increased customer sales, trust, and recommendations."

A big part of the customer success team's responsibility is to bring the customer success stories to the rest of the organization. You need a seat at the table so you can present the customer success KPIs, walk leadership through what's happening with your customer assets, show them growth and loss, and show them where it breaks down and where customer success is making a difference.

Remember, for this conversation to be most effective, you need to frame it in language that is familiar to your audience, and focus on the takeaways that will be most meaningful to them.

6 **TIE EXECUTIVE BONUSES TO CUSTOMER SUCCESS OUTCOMES.**

In a customer success organization, everyone works for one boss: the customer. For this reason, it only makes sense that each employee — from the CEO to the interns — should be judged and compensated based on his or her contribution to the customer's success. The correlation between customer success and compensation can be as direct as using customer effort and net promoter scores to determine the level of funding in a bonus pool. The point is to help your entire team maintain their focus on the real objective — helping customers achieve success.

7 **ESTABLISH A REQUIRED-TIME-WITH-CUSTOMERS GUIDELINE FOR EXECUTIVES.**

Reflecting on his time as CEO of EchoSign Jason Lemkin, Managing Director for Storm Ventures, writes, "Of the 1000s of customers we closed when I was running EchoSign … while we lost a few over time for many reasons, indeed we lost some great customers … we never lost a single one I actually visited." The impact of face-to-face meetings with customers was so significant, that EchoSign established the 5 + 2 rule, which stated that the CEO, co-founders, and customer success manager had to meet on-site with five customers each month, or sixty visits per year. Also, they would receive a bonus for obtaining at least two customer office badges within a year.

"When your prospects and your customers actually meet you, they're buying you. Not just your product as it exists today, but also your vision, your strategy, and your commitment to making the product better and better over time," Lemkin explains. "And, they're buying - and getting - your social contract to deliver for them over time. So they get a win in the organization. Not just some tool."[1]

8 **CLARIFY FOR EACH TEAM MEMBER WHAT HE OR SHE CAN DO TO HELP DELIVER VALUE.**

Your entire team needs to be aligned behind a unified customer success initiative, and each member of the team has to understand how he or she can contribute. This extends to internal as well as customer-facing team members. Even "behind-the-scenes" people can have a significant impact on customer success by supporting other internal teams. Everyone has to understand how what they do can affect customer success, for better or for worse. And everyone — from the CEO to the guy in the warehouse — has to care.

> "When your prospects and your customers actually meet you, they're buying you. Not just your product as it exists today, but also your vision, your strategy, and your commitment to making the product better and better over time."
>
> *— Jason Lemkin, VC and SaaStr Advisor*
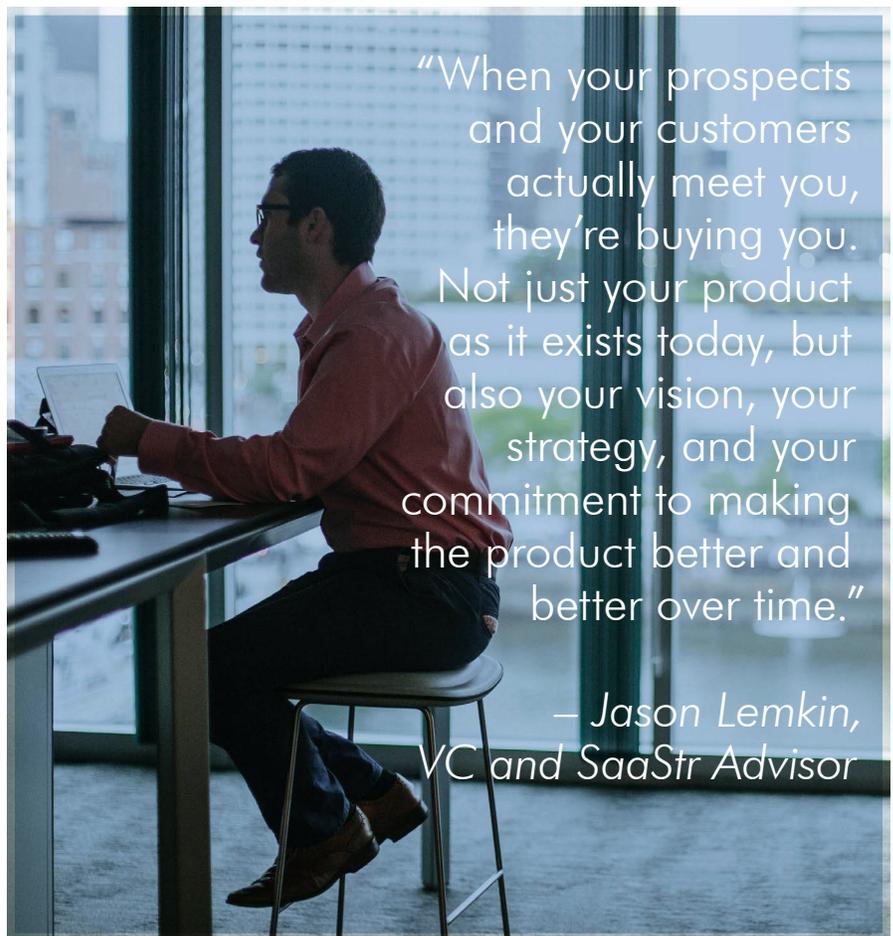
I Never Lost a Customer I Actually Visited by Jason Lemkin, CEO at EchoSign, for SaaStr (http://www.saastr.com/i-never-lost-a-customer-i-actually-visited/)

9 CREATE AN INVITING AND COLLABORATIVE CUSTOMER CULTURE

Customer collaboration is a powerful tool for customer success. Customer communities and networks unlock a treasure trove of information about your customer and their experiences and encourage them to share with you and their peers about their experiences. This provides the necessary data to engineer success into your product and operations. However, this can be a double-edged sword, as it amplifies the voice of your customers for good or bad across your organization and across your customer base. Doing so, demonstrates to your employees the central importance of customers in your operating philosophy.

If built correctly and properly managed, customer communities and networks can also become an extension of your customer success organization. Empowering your customers and the community to help one another is a win-win situation. Customers benefit from learning from others about how they are using your products and gaining access to a group of peers to share ideas and experiences with. The community essentially becomes another channel for success coaching that is free and more accessible to customers. This frees up resources to deal with systematic customer success issues.

Companies that successfully build these communities find their own unique ways of connecting and empowering their customers. Yammer built its success network by emphasizing importance peer customers can play in customer experiences. There was an unwritten understanding that customers should be introduced to 1 to 2 peer customers at a similar stage in the journey. This encouraged the customers to share with one another and made it easier for them to do so. Yammer also

ran coffee mornings in various cities around the world, where they would encourage customers to meetup and share their own experiences and work with one another. This helped foster a sense of community in these networks and created a comfortable environment for peers to help one another. These local networks helped create a big buzz and established Yammer as default option in many cities, as they valued access to the network and this made Yammer a sticky product.

Grasshopper took a little different approach to creating its own customer network with similar results. Grasshopper created its Tell Us Your Story program to get to know its customers better so that it could connect with them at a deeper level and take their relationship beyond the service provider level. Grasshopper made a commitment to its customers who shared their story that they would help publicize it so they could share in their entrepreneurial journey.

Grasshopper features many of these stories on their own blog, but they also pitch certain stories to other bloggers and media outlets. Some of the Tell Us Your Story case studies and anecdotes have been written up in articles for the *New York Times* and *Entrepreneur* magazine. Because of this program, Grasshopper has had the opportunity to get to know customers on a more intimate level and has positioned itself as a connector between its customers. This has resulted in an empowered customer network with a pool of about 400 customers who are actively involved in helping other customers overcome challenges.[1]

"Think of customers and community as a network for success. If you can create network for success, then it removes dependencies on a single relationship, and makes scaling success that much easier."

– Mike Grafham, former Head of Customer Success at Yammer

How Grasshopper Created a Culture of Service by Taylor Aldredge for Olark
(https://www.olark.com/customers/how-grasshopper-created-a-culture-of-service)

10 SEND TEAM MEMBERS ON CUSTOMER VISITS AS A REWARD.

Sending members of non-customer facing teams for on-site visits with customers is often seen as a travel perk, but — more importantly — time spent with the customer will help them close the loop on the work they are doing. It will give them a chance to see the product they work on in action, so to speak. The experience is both very fulfilling, and can also yield some unexpected benefits in terms of customer and product insights.

David Blake tells a story about a red flag situation with a customer at Omniture that was going nowhere through the regular customer management channels. Eventually, the team decided to send the head of engineering out to meet with the customer's engineering team, and the resulting discussion broke through the gridlock to find common ground and a solution to the problem.

The winner of several Stevie Awards for Best Front-Line Customer Service Team, Freshbooks puts a holistic twist on this idea. Mark MacLeod, Chief Corporate Development Officer explains, "Here at Freshbooks, every team member spends their first month in support and goes back once a quarter after. We encourage customers to call (not email). If support can't get the call within 3 rings, every phone in the office rings till the customer is served. We average 1.4 rings." This is a great example of how a company can give their entire team a chance to be directly involved with customer success.

Making everyone on your team part of success equation enhances the customer relationship by providing holistic and integrated support that looks at the customer's situation from multiple angles.

11 ESTABLISH A CUSTOMER ADVISORY BOARD.

Finally, consider establishing a formal customer advisory board. Structurally you will want to think about the following elements:

- **BOARD MEMBERSHIP:** Strike a balance of strategic customers and thought leaders. You want people in there who really "get it" and can add value to the conversation.

- **BOARD SIZE:** You want it big enough to allow for diverse perspectives and opinions, but small enough that the conversation is effective and follow-up is manageable.

- **MEETING LOCATION:** Hold your meetings offsite in a good location. Make people welcome. Get them out of their usual routine and environment. If you are a global company, consider rotating meetings in the different regions.

While there are plenty of different "right" ways to build this kind of resource in terms of the members you choose, there are some non-negotiable, strategic elements to consider about how you run a customer advisory board.

"The key to these boards is to talk less and listen more," says David Blake. "The key aspect of a customer advisory board is to understand their needs, and to hear their thought leadership, and get their input into the company." For example, instead of always focusing on the dialog between your company and your customers, broaden your perspective by facilitating networking opportunities that foster useful peer-to-peer conversations. Make sure it's about your customers, not your company.

Whatever approach you take, be careful not to bite off more than you can chew. Follow-up is critical. Your advisory board members are taking time out of their busy schedules to share their feedback, ideas, and insights. Your

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invitation to participate comes with an implicit promise that you're not only going to listen, but you're also going to act on what you learn. Be accountable. Communicate on a regular basis to let everyone know how things are evolving after you've left the table.

The Customer Success Culture –
Many Moving Parts, But Well Worth
the Effort

Whole-company buy-in is a non-negotiable attribute of an effective customer success strategy. Without the support of each and every business function, your efforts will fall short. As the proverb goes, your customer experience is only as strong as the weakest link in the chain.

A customer success culture is not created over-night. It takes time, careful planning, and – in some situations – a certain amount of persuasion. The key to successful implementation is identifying the people who will champion the cause and finding ways to get people excited about the cultural shift. Creating organization-wide activities to get people engaged and providing examples of executive leadership involvement will help inspire and encourage others to support the movement.

Customer success is both a top-down and a bottom-up strategy. The C-suite has just as much to learn from the sales and support staff on the front lines as those teams have to learn from company leadership. Though customer success is ultimately focused on helping you achieve corporate goals that benefit the entire organization, on a day-to-day basis it is driven forward by the coordinated and collaborative efforts of individuals within each functional area.
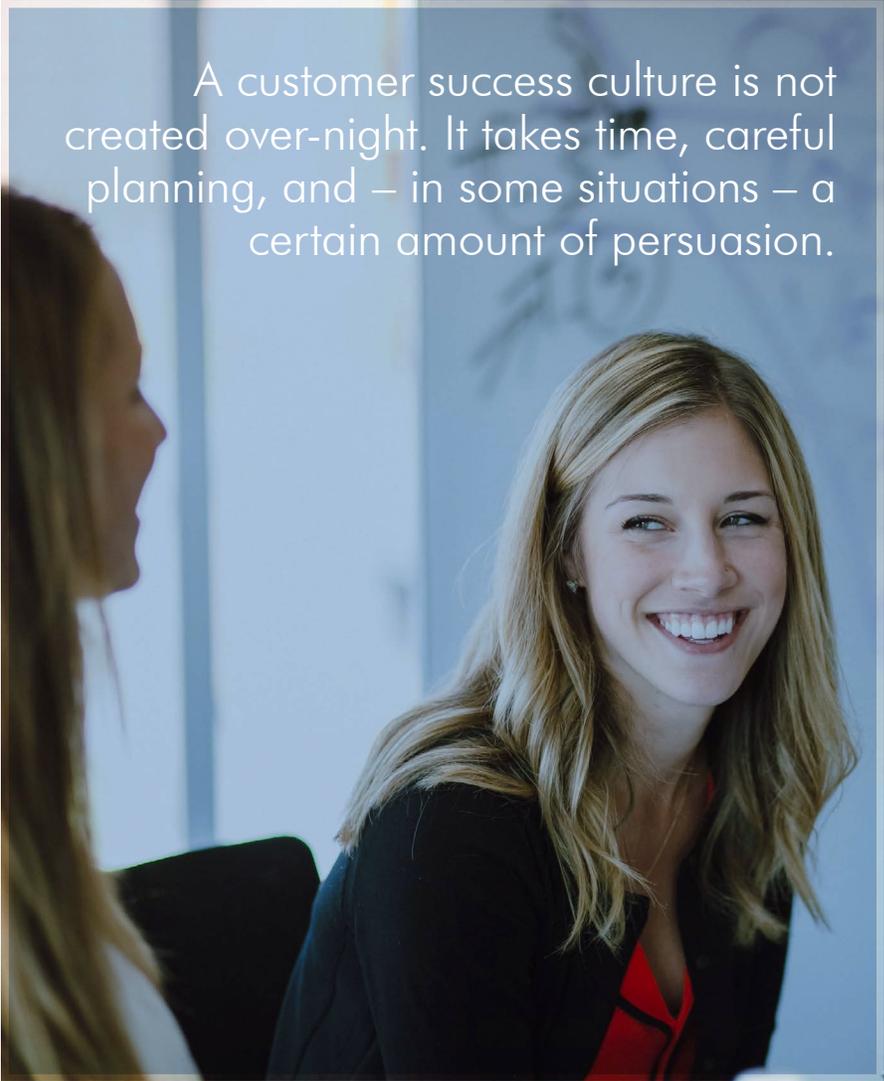
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CUSTOMER SUCCESS – THE ONLY PATH TO A SUSTAINABLE HIGH-GROWTH SAAS COMPANY

Customer success is a potential game changer for expansion stage software companies. As we've already established, 70%–90% of a customer's lifetime value is generated via renewals, cross-sells, and up-sells ([insert source], Totango). Since successful customers are more likely to renew and expand their use of your products, it follows that a strong customer success strategy can make major contributions to your bottom line and long-term sustainability. Despite this clear correlation, many expansion stage SaaS companies delay giving customer success the timely attention and investment required to take advantage of the opportunity.

Unlocking the full potential of customer success requires not only long-term vision, but also the right timing. Many SaaS companies wait too long to invest in their customer's success, instead remaining 100% focused on new customer acquisition. In doing so, they minimize or even ignore the negative affect of churn or miss out on great growth opportunities within their existing customer base. They also fail to take advantage of the substantial cost savings associated with customer retention and expansion vs. customer acquisition. (As we've already discussed, on average it costs $1.18 to acquire each dollar of first-year revenue as opposed to only $0.13 to retain (or $0.28 to up-sell) an existing customer.)[1]

These statistics indicate that a company should begin investing in the build-out of its customer success function and operations shortly after it has proven a repeatable business model and is ready to start scaling the organization. This will improve its return on investment for resource expenditures in the long-run by simultaneously reducing cost of goods/services sold and setting the foundations in place to drive longer customer tenures.

The expansion stage is a pivotal point in your company's evolution, not just in terms of physical assets, but also in terms of philosophical beliefs. During this phase, your company is already undergoing many important cultural and organizational changes. Team structures are expanding and adapting, customer relationships are deepening, and your overall perspective is broadening. If you miss this window, you risk allowing your organization to settle into unhealthy patterns that create resistance and make the shift to a customer-centric approach much more difficult.

It's never too early to develop a culture of success in your organization and its operating philosophy. The first steps in this direction can be as simple as the leadership team setting an example for the company. This is a small investment early-on that can pay huge dividends in helping the company focus on the few things that matter and makes the roll-out of a formal strategy and function much easier down the road.

1. Source: http://www.forentrepreneurs.com/2015-saas-survey-part-1/

"Staying in the start-up mindset that focuses exclusively on acquiring new customers (only to watch them walk away) is a losing proposition. Over the long term, the math doesn't add up… It's your business' life on the table. Make your choices wisely."

— Brandon Hickie

Losing customers is devastating to an organization's morale at any stage of development, but particularly at the expansion stage. The early adopters of your software are arguably your most valuable asset. Building a long-term plan around helping them succeed is the only smart way to move your business forward sustainably. Staying in the start-up mindset that focuses exclusively on acquiring new customers (only to watch them walk away) is a losing proposition. Over the long term, the math doesn't add up.

As you evaluate when and how much to invest in customer success, don't fall into the trap of being shortsighted. A good check for any organization is to evaluate the expected short-term customer acquisition gains vs. the long-tail benefits of ensuring your customers' success. This will help identify how close you are to a point when it will make sense to make this investment and also help you estimate the appropriate resource allocation. Remember, when it comes to customer success, it's better to invest earlier rather than later. The out-of-pocket costs and long-term profitability risks of churn are too high to ignore. It's your business' life on the table. Make your choices wisely.