



Breaking Down Customer Success Costs

This guide explains the hard and soft cost to consider when determining the actual cost of hiring a new Customer Success team member. Use these sample calculations with your own data to build a solid financial business case for adding new resources.

Hard Cost

The hard cost of hiring goes beyond salary. Make sure to take into consideration obvious costs, like employee benefits, as well as less apparent expenses, such as the cost of turnover.

Here's how to break it down:

Start simple. Calculate the cost of the hire based on compensation.

Cost of hiring CSMs		
Salary of CSM (annualized)		\$85,000
Variable compensation	+	\$17,000
Total CSM OTE	=	\$102,000
Number of CSMs	X	1
Cost of hiring CSMs		\$102,000

If a recruiter was used to find the talent, include that cost as well.

Cost of hiring CSMs - Recruiting		
Salary of CSM (annualized)		\$85,000
Recruiter compensation (10%) of salary		\$8,500
Number of CSMs	X	1
Cost of hiring CSMs - Year 1		\$8,500

Next, calculate the cost of employee benefits. The United States Department of Labor recommends multiplying the base salary by 1.25 to estimate the total cost of employment taxes and benefits. Items listed under Salary subject to benefits are examples of benefit expenses included in the 1.25 multiplier.

Cost of employee benefits		
Salary of CSM (annualized)		\$85,000
Number of CSMs	X	1
Salary subject to benefits	=	\$85,000
Healthcare Benefits		
Social Security/FICA		
Unemployment/FUTA/SUTA		
Medicare		
Workers Comp Premium		
Basic Salary + employment taxes + benefits = 1.25 X base salary		\$106,250
Cost already accounted for (salary)	-	\$85,000
Employment taxes + benefits		\$21,250
Cost of employee benefits		\$21,250

Estimating facility costs can be a bit tricky. Joe Hadzima, MIT Sloan School of Management Chair, recommends estimating 225 to 250 square feet per employee in high-tech industries. The example below uses this average to calculate facility cost per employee.

Facility costs		
Work space cost (annualized)		\$5,276
Rent per square foot		
Tech industry average 225-250 sq. ft.		
Number of CSMs	X	1
Facility costs		\$5,276

Technology and equipment cost can be calculated separately from facility cost. For this equation, Hadizma suggests, "...figure on \$1,000+ for a computer, \$500 to several thousand for software and \$250 to \$300 Initially per telephone handset on average when you factor in installation. Don't forget the periodic expensive upgrades you will need to your LAN and voice mail systems."

Technology and equipment cost		
Hardware costs		\$4,000
Software costs	+	\$1,200
Operating supplies	+	\$200
Technology and equipment cost (per employee)	=	\$5,400
Number of CSMs	X	1
Technology and equipment cost		\$5,400

Cost of turnover is less straightforward, but still important to include. SHRM predicts that it costs 6 to 9 months' salary on average every time a business replaces a salaried employee. Plus, make sure to assume the turnover rate for the role. If unknown, use the 19% national average.

Cost of turnover	
Salary of CSM (annualized)	\$85,000
Cost of turnover (50% of salary)	\$42,500
Turnover rate (national average - 19%)	25%
Technology and equipment cost (per employee)	1
Number of CSMs	.25
Technology and equipment cost	\$10,625

Don't forget fringe benefits. These can vary by company. The example below suggests some common fringe benefits that should be included.

Cost of fringe benefits		
Cell phone	+	\$480
Internet	+	—
Company vehicle (depreciation, gas, license, insurance, etc.)	+	—
Continued training and development	+	—
Gym	+	—
Retirement benefits (assuming 3% 401K match)	+	\$2,550
Stock benefits		
Tuition reimbursement	+	—
Other		
	=	\$3,030
Number of CSMs	X	1
Cost of fringe benefits		\$3,030

Will the employee travel for business? If so, estimate travel expense to complete the hard cost exercise.

Travel cost	
Anticipated travel cost reduction	\$8,500
Internal training, customer visits, etc.	
Travel cost	\$8,500

Soft Cost

The soft cost of hiring a new team member can be challenging to identify, let alone calculate. These sample equations should help you better understand what indirect expenses should be added to the overall cost to hire.

Here's how to break it down:

First, understand the per hour expense for all roles that have a hand in hiring and ensuring the success of the new employee. This could include the hourly rate for a team manager, the average hourly rate for other CSMs who may help onboard and the hourly rate for the recruiter who identified the employee.

Hourly Conversion			Hourly Conversion			Hourly Conversion		
Team Manager			CSM			Talent Acquisition		
Total Manager OTE	=	\$140,000	Total CSM OTE	=	\$102,000	Total Recruiter OTE	=	\$65,000
Hours per week		40	Hours per week		40	Hours per week		40
Weeks per year	X	52	Weeks per year	X	52	Weeks per year	X	52
Hours per pay	=	2,080	Hours per pay	=	2,080	Hours per pay	=	2,080
Hourly conversion		\$67.31	Hourly conversion		\$49.04	Hourly conversion		\$31.25
\$ per hour		\$67.31	\$ per hour		\$49.04	\$ per hour		\$31.25

Use the per hour totals to calculate the cost of recruiting per person. This is a first year only cost and should be deducted from future projections.

Recruiting (time to fill) - CS Team		Recruiting (time to fill) - Talent Acquisition Team	
Time recruiting (hours)	15	Time recruiting (hours)	25
Finding talent, interviews, etc.		Finding talent, interviews, etc.	
(Team manager hourly rate)		(Recruiter hourly rate)	
Recruiting (time to fill)	\$1,009.62	Recruiting (time to fill)	\$781.25

Use the per hour totals to calculate the cost of recruiting per person. This is a first year only cost and should be deducted from future projections.

Onboarding new CSM - CS Team		Onboarding new CSM - Training Team	
Onboarding new CSM (hours)	20	Onboarding new CSM (hours)	40
Admin., training, etc.		Admin., training, etc.	
(Team manager hourly rate)		(Team manager hourly rate)	
Onboarding new CSM	\$1,346.15	Onboarding new CSM	\$1,961.54

If you are implementing a new predictive analytics tool, make sure to include the cost of the time required to implement. This is typically a single year expense and should be deducted from future projections.

CS Platform implementation time	
Implementation time requirement (hours)	60
Implementation requirement with ESG (hours)	30
Delta	30
CS platform implementation time	\$2,019.23

Calculate the time spent managing the employee. This should include the estimated time for meetings, development, on-going training, etc.

Time managing employee	
Time managing employee (hours)	150
Meetings, development, on-going training, etc.	
(Team manager hourly rate)	
CS platform implementation time	\$10,096.15

Calculate productivity hours. This should include tasks that negatively impact productivity, like manual report creation. Estimate the hours spent on these tasks and multiply them by the CSM hourly rate.

Productivity hours reporting	
Manually creating reports	20
(CSM hourly rate)	
Time productivity hours reporting	\$980.77



Don't Overlook Opportunity Cost

While calculating your soft cost may not uncover a substantial cost savings opportunity, they do force you to realize the time investment required to complete activities like hiring, onboarding, and reporting. The time estimates used in the equations above are conservative. Tally them all together, and you'll quickly realize how many weeks you or your team could be tied up, leaving less time to manage your customers properly. For many, the time invested in completing these activities is more valuable than the financial investment.

What could you accomplish if you got those hours back? Customer Success as a Service (CSaaS) helps Customer Success teams reclaim valuable time and energy. CSaaS partners take on the burden of hiring, onboarding, managing and reporting so you can focus on running your business.

Calculating True Cost & Impact to Revenue

Understanding the actual cost of Customer Success requires a deeper dive into productivity. Each Customer Success team is different so the factors that contribute to calculating productivity can vary. We'd love to walk you through these more complex equations with your team data. Plus, we can help you estimate the impact your new hire will have on revenue attribution.

Ready to get started? Contact Sheik Ayube at sayube@esgsuccess.com now.



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