



Building a Business Case for more Customer Success resources

Fuel Growth and Revenue

LEVERAGING CS TO DECREASE CHURN AND INCREASE SALES

In the archives of the prestigious research firm Forrester, there's an article written by a seasoned analyst highlighting what she foresaw as key business trends for the coming year. Number two on her list was "Companies Will Explore Proactive Engagement." She wrote: "Proactive engagements anticipate the what, when, where, and how for customers, and prioritize information and functionality to speed customer time-to-completion. Next year, we expect organizations to explore proactive engagement ... delivered at the right time in a customer's pre-purchase journey. They will use learnings from these proactive engagements to improve operational performance and to predict future customer behavior."

At a time when Customer Success (CS) is transforming the way businesses connect with clients, it's logical to assume the research quoted above was published 10, 20 or even 30 years ago. Fact is, it was published in 2014. The fundamental concept of proactive customer engagement was so uncommon in actual business-to-business practice that a noted research firm was suggesting it as a blossoming trend just four short years ago.

The SaaS Effect: We're not just selling software

The Forrester report wasn't news to successful Software as a Service (SaaS) companies in 2014, and their integration of proactive engagement continues to outpace other industries. More than ever, SaaS companies recognize that they are no longer just selling software. The service aspect of the SaaS offering is just as critical as the technology itself — and the software subscription is in place to provide a product/proactive service combination that solves a specific problem for the end user. By the way, the "problem" isn't just rooted in what the software can do; customers expect help with training, integration, troubleshooting and improved organizational performance. They want answers — how do we reduce time spent on X, lower costs on Y, gain greater insight on Z. It's a whole new level of value they demand (and no longer just desire). A proactive engagement model with customers helps SaaS companies understand these mission-critical dynamics.

At the 30,000-foot view, studies show that CS results in increased renewals, increased revenue and decreased churn. But at the micro level, it's about the emotions driven by human engagement that's creating those positive changes — more happiness, more satisfaction, more value, more trust. It's almost always true that businesses are finding the resources (and the willpower) to provide that next-level customer coverage to their top-tier clients — that top 20 percent that's generating 80 percent of the revenue. But it's almost always true, too, that these companies are missing a huge opportunity for retention and advocacy from mid-tier and bottom-tier customers. If there's consensus that the proactive engagement philosophy is good business, then the philosophy should apply from the top of your customer list to the bottom, right? While the philosophy is on target, the reality of limited budget and staff resources often hamstrings the process.

Because of this, many consider extending their customer coverage model with outsourced resources, like virtual Customer Success Managers (vCSM). This allows the CS team to scale their proven, human-centric strategy across larger or lower-value tiers without the expense and stress of hiring internal resources. vCSMs provide the critical human touch — conversations with customers, one-on-one attention, proactive outreach — that is often overlooked in the face of advancing automation yet more crucial than ever.

All customers — big and small — seek rewarding, highly personalized interactions. A well-executed Customer Success as a Service (CSaaS) strategy empowers them to fully realize the capabilities and value of their investment. It also has the potential to turn your previously neglected users into raving fans.

The 'Do more with less' philosophy

Today's focus on reducing costs and streamlining operations — while still delivering bigger bottom lines — puts tremendous pressure on organizations to do more with less. Add to this the shortage of qualified talent, which I delve into a bit more later on, and companies often stretch to serve just their biggest customers. Automation helps, but — as I covered in a [previous paper](#), Customer Success at Scale: To Automate or Not? — it can only go so far.

Why it doesn't work

Whether a company is established or merely a start-up, its liability for customer communication grows as its portfolio of clients expands. Traditional customer segmentation models pin a high-touch, proactive approach at the top for the highest value customers — with much justification. Attention on the highest value customers means that the mid-market then gets a just-in-time approach to help support adoption and nurture expansion. And the bottom tier? It gets only an automated/tech-touch experience — no human touch to nurture relationships, build advocacy and uncover expansion opportunities.

When resources are tight, organizations need to be choosy. But that doesn't mean that you should ignore the 80 percent. Even with the mid- and bottom tiers, customer adoption and ongoing satisfaction is critical. In the SaaS business, revenue depends on renewals. "If your customer doesn't engage with your product — because they don't see it as helping them to be more successful — they won't renew," explains Sharon Gillenwater of Salesforce. "And you've lost a customer."

In cases where CS is not monetized — either amortized in the cost of goods sold (COGS) or billed as a marketing/sales expense — hiring additional headcount to supply ample account coverage isn't always a realistic option.

Yet underinvesting in Customer Success functions will result in negative implications, including:

- **Over extending your Customer Success Managers (CSM):** As your company brings on new customers, your CSMs will eventually become overwhelmed by their client load. This burdens your CSMs with time-consuming administrative tasks that limit their ability to cover customers proactively. CSMs are expensive and play a critical role in your business. These high-value resources should focus on solving high-value problems, like driving more meaningful engagement with your customers.
- **High churn rates:** Limited resources means few customers are proactively contacted by a human being about their outcomes as well as your products and services. Data shows that lack of personal, proactive outreach is a fast track to high churn rates, low renewal rates and lost ability to cross-sell/upsell.
- **Strain other organizational resources:** Your customers are humans. They require attention and will seek out other organizational resources to fulfill this need. Without proactive CSMs, customers consume the time of sales, marketing and support in a manner that lowers company productivity and elevates customer dissatisfaction.

A better approach

It seems obvious (much like that Forrester report), but proactive customer engagement is critical for maintaining new customer relationships. Research by McKinsey & Company shows that “companies that invest one resource in sales support for every front-line sales resource drive significantly higher sales productivity than companies that invest less.”

A CS mindset takes those relationships to the next level. Success means that customers are not only using your product, but also that they are meeting their desired outcomes. A strong CS function can drive revenue growth by both improving the customer experience (CX) and expediting the customer's time to value. CS increases upsells and cross-sells, positive word-of-mouth and successful outcomes for customers. Essentially, it unlocks sustainable growth.

Thus, supplementing an existing CS team with alternative resources such as vCSMs in a CSaaS offering can help existing CSMs stay focused on key accounts and initiatives while automating mundane tasks and improving overall customer satisfaction ratings. Knowing and appreciating these basic truths about CS is one thing. Finding the resources and the talent to build a comprehensive CS infrastructure is another issue altogether.

The complexities of funding Customer Success talent

According to SaaS Capital, businesses that prioritize Customer Success can see a 40 percent increase in revenue, 50 percent faster growth, and experience many positive effects on churn and customer happiness.

Hiring new CSMs is an obvious solution. However, building a business case to hire more CSMs without diminishing margin is becoming increasingly difficult, as noted by Gainsight in “The Essential Guide to Budgeting for Customer Success.” Plus, CS departments are often funded from multiple budgets — most commonly COGS and sales/marketing expenses. In this model, if a CS team needs more resources — headcount, technology, etc. — it doesn’t control the funds to make that happen.

In fact, Deloitte’s 2017 Global Contact Center survey found 55 percent of respondents indicate budget management as a significant barrier to optimizing their value.

Even if CS did control its own budgets, CS team leaders must be able to show how investments in Customer Success can lead to company goal achievement. Yet many struggle with this task because they lack a clear model for how to budget and scale their activities.

Moreover, The State of Customer Success 2018, Technology Services Industry Association (TSIA), shows clear evidence of a labor shortage in the marketplace for Customer Success. The anchor for this assumption is the 29 percent increase in compensation from 2015 to 2017 for the role of CSMs within the United States. LinkedIn also recently published its 2018 edition of the most promising jobs and in-demand skills. The role of the CSM jumped from 19th in the 2017 edition to third in 2018.

Given all these factors around talent demand and availability, CS leadership needs to be realistic about the challenges they face when implementing strategic resource investments.

A win-win approach

To successfully manage the opportunity space that lies within the smallest 80 percent of your customers, doing less in-house may actually help you accomplish more. Rather than take on the considerable cost of hiring and training full-time employees for these roles, a viable alternative is to outsource the work.

The outsourced partner concept of CSaaS and vCSM can make a significant positive impact on your organization.

Outsourcing ensures access to a larger pool of talent that is familiar with CS best practices — a key benefit given today’s tight labor market. This means that you have qualified talent mapping the customer journey and managing the accounts — uncovering opportunities, converting customers into ambassadors and making your business more agile. Additionally, you benefit from lower labor costs and increased revenue.

By contrast, overburdening your own people and systems leads to burned-out employees and equipment and process meltdowns. Cutting corners almost always comes back to haunt in the long run, if not sooner.

If you hire your own team, you need to be aware of the ratio of customer accounts to CSMs. According to Gainsight, “if your CSMs are spread too thin, there will be less defense against churn and issues can slip through the cracks.”

Conclusion

As CS continues to advance and evolve, organizations are getting a clearer picture of how much they're missing when they only provide white-glove service to the top tier. That's where the CS model succeeds. Its focus on customer use and value across the entire customer set provides a cycle of continuous engagement, which drives revenue and reduces churn.

It's never been easier to build a business case for CS resources. Myriad studies prove its ROI. It's important to remember, however, that you don't need to build everything from scratch. The right partner, who understands your business and your customers, can help you build a realistic ROI and concrete plan of action.

This strategic approach — supported by analytics and actualized by humans — can help uncover lower-segment diamonds in the rough that become top-tier performers. This leads to increased revenue, faster growth, reduced churn and greater customer happiness. It's a win-win that also makes the C-suite happy.