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EXECUTIVE SUMMARY

Introducing customer success 2.0: The new growth engine

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Introducing customer success 2.0: The new growth engine

Can software vendors and other companies identify more opportunities to deliver value by taking a fresh look at customer success?

For many years, software-as-a-service (SaaS) vendors focused their customer-success efforts on reducing churn. But several recent trends indicate that we are at the beginning of a new era—call it customer success 2.0—in which companies are expanding their efforts to include growth within the current customer base (exhibit). They could win big from this strategy, with McKinsey benchmark data suggesting that existing customers account for between a third to half of total revenue growth, even at start-ups. Costs for revenue expansion from existing customers are also a fraction of those for acquiring new business.

We have previously written about the skills essential for customer success, and these still hold true. Now it is also time to reevaluate go-to-market (GTM) strategies, funding models for customer-success services, talent development, and advanced analytics. And perhaps most important, it is time to embed customer success as a philosophy across the entire organization.
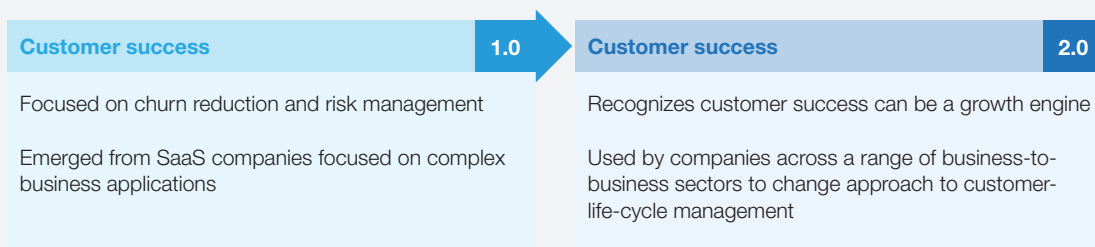
A unified go-to-market model

If organizations do not clearly define the role of customer-success managers (CSMs) in relation to the broader GTM strategy, these employees cannot play a strategic role in customer interactions. To avoid this problem, companies should develop charters that create accountability—describing, for example, how customer success contributes to the growth of the organization or how employees with customer-success responsibilities should work with other functions. It is also essential for companies to define a unified GTM model that designates specific responsibilities for marketing, sales, customer success, and services throughout the customer life cycle.

A sustainable funding model supported by premium services

For many subscription-based companies, customer success poses a dilemma. Although this function has clear value, the required investment can raise cost-to-serve ratios to astronomical levels.

Exhibit

Customer success is becoming a growth engine that extends beyond software-as-a-service (SaaS) businesses.

Customer success	1.0	Customer success	2.0
Focused on churn reduction and risk management		Recognizes customer success can be a growth engine	
Emerged from SaaS companies focused on complex business applications		Used by companies across a range of business-to-business sectors to change approach to customer-life-cycle management	

Companies can avoid these financial straits by funding customer success through a combination of free services (those included with a software purchase) and premium offerings. Our experience suggests that leading companies conduct detailed customer research and quantitative analyses to determine when a premium is justified. They map out their customers' pain points, prioritize different customer needs (both in size and urgency), and then determine which customer-success activities deliver the strongest returns.

A customer-success talent 'engine'

A strong staff is the backbone of any strong customer-success effort, but software vendors find stiff competition when looking for skilled employees. Companies can optimize their recruitment efforts by taking a data-driven approach. For instance, they can identify the characteristics of top CSMs by looking at survey information gathered on their skills and capabilities and then determining how these are linked to customer-success outcomes, such as customer-satisfaction levels. Companies should also build the capabilities of their current CSMs through "field and forum"–based training programs in which they attend classes and then apply their knowledge in the workplace. These capability-building efforts take CSMs on a continuous-learning journey in which they upgrade their skills over time.

Advanced analytics and digital tools

Many companies struggle to incorporate advanced analytics and digital tools into their customer-success activities, despite widespread acknowledgement that analytical insights are the lifeblood of a strong customer-success function. Our experience suggests that they can escape this trap by focusing their initial analytics efforts on a single area, such as up-selling. They must also create tools, processes, and incentives that will encourage the use of analytics in the field, including software that gives CSMs and sales

representatives a comprehensive view of their accounts. Formal change-management programs can also help analytical efforts take root.

Customer success as an embedded philosophy

As software businesses transition to subscription-based models, and as B2B customers increasingly expect consumer-like experiences, players with a customer-focused culture are likely to excel. This knowledge has led some vendors to take a journey-based approach to products and services—one that maps out the desired customer experience and outcomes for the entire life cycle. But many vendors still fail to consider how early decisions about product management, marketing, sales, and services delivery can have lasting implications on the customer experience. To combat this mind-set, companies need to take a different view of customer success—one in which it is viewed as a shared philosophy for which every function is responsible. Although this may sound easy, it represents a major cultural shift. In addition to creating clear accountability and customer-success metrics for teams at each stage of the journey, companies must define the desired outcomes, implement processes to support cross-functional collaboration, and empower leaders to oversee end-to-end customer-success efforts.

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By identifying opportunities to deliver more value to customers, companies derive more value in return. Although it sounds basic, few companies have mastered this mutually beneficial transaction. The shift to customer success 2.0 will involve a multiyear journey during which software vendors build new capabilities and revise their traditional processes, all with the goal of understanding client needs, identifying products that can help them achieve their goals, and generating more customer value. Clients will return the favor by rewarding companies with

greater sales, more referrals, and increased loyalty. And that is the real value of customer success 2.0. ◼

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