Customer Success Management

PLATFORM BUYER'S GUIDE

gainsight™

Purpose of this Document

Many companies are realizing that Customer Success is a priority and that technology can help. Since companies typically haven't purchased Customer Success Management (CSM) platforms before, we built this guide based upon our experience working with many mid to large sized subscription businesses on how to run the buying process. We'll address the following questions:

- **Why** should I consider a CSM platform?
- **What** are my requirements?
- **How** should I select a solution?

- **Who** do I need to convince internally?
- **Where** can I find budget?
- **When** will I see value?

WHY SHOULD I
Consider a CSM Platform?

Macro Trends Driving Customer Success

The "good old days" of technology were much simpler. Many technology vendors built products, sold them and walked away. Customers were often left holding the bag with failed implementations, missed expectations and mounds of "shelfware."

The SaaS, and more broadly, recurring revenue business models fundamentally shifts that. If your customer doesn't pay you a boatload of money upfront and if they don't have to sink millions of dollars into an implementation, they are no longer married to you "til death do you part." Heck – they're barely dating you.

Just as your customer's barrier to trying your product has dropped (e.g., through free trials, online signups and monthly pricing), their barrier to exit has dropped as well. Their commitment to you is only for as long as you're delivering value. And even if they are in a

multi-year agreement, if they are not seeing success, they will not buy more from you or recommend you to others.

In addition, buyers are much smarter now after the binge of software buying in 1980s, 1990s and early 2000s. They realize technology is only as good as its implementation and adoption. So they expect the vendor to be as focused on their success as they are – if not more.

Finally, the cloud-based delivery model and modern instrumentation allow vendors to collect a plethora of data about its customers in an effort to serve them better – across product usage and adoption, community interactions, support activity, bill payments and so on. SaaS companies that don't leverage this data are living in the dark and will become tomorrow's dinosaurs.

> ❝ THE CONCEPT IS SIMPLE -
> **focus on your**
> # customer's success
> & YOUR BUSINESS' SUCCESS
> WILL COME ❞

Business Impact of Customer Success

Because of these macro trends, nearly every SaaS company – and many traditional technology companies – is establishing or has established a Customer Success team and program. The concept is simple – focus on your customer's success and your business' success will come.

And this isn't just out of the goodness of these companies' hearts. Customer Success has a major impact on bottom lines:

Reduced Churn & Increased Up-Sell

By focusing on your customers' success and using data to understand them, you'll find problematic customers early and "save them" before they need to be saved, while identifying opportunities for up-sell and cross-sell within accounts.

Increased Lifetime Value & Shareholder Value

This isn't just about mitigating risk or avoiding problems. Customer Success makes companies more money. In a recent study cited by David Skok of Matrix Partners, companies with a 2% reduction in churn or a 2% increase in up-sell see a 20-28% increase in shareholder multiple.

Align Company Around Customers

Most strategically, for many companies, Customer Success becomes the quarterback to rally the company's various functional teams around its clients and their needs. Done correctly, Customer Success becomes the eyes and ears of the company.

How Customer Success Management Technologies Can Help

Just as Marketing teams have Marketing Automation software and Sales teams have Salesforce Automation technology, Customer Success teams are starting to look at platforms to assess, analyze and automate their Customer Success operations.

While they come in many flavors, at a high level, Customer Success Management platforms do three core things:

Assess: CSM Platforms help you assess the health of an individual customer across a variety of factors including product usage and adoption, community interactions, support activity, bill payments, survey feedback, marketing interactions and other data points.

Analyze: CSM technologies then take these data points and help you drill into trends and patterns across your customer base. For example, they help you understand the early warnings of future churn and the early hallmarks of successful customers.

Act: Finally, CSM products use workflow and automation to drive the right action at the right time to the right customer to maximize the probability of renewal, up-sell and success.

In this way, CSM solutions are complementary to investments in Customer Success teams and help the teams scale through technology – not just through people.

WHAT ARE MY REQUIREMENTS?

Once you've decided to investigate CSM platforms, we recommend you consider three core questions.

What Is My Customer "Touch" Model?

Just like there are many forms of sales, from online sales to telesales to field sales, there are many variants of Customer Success. These approaches typically align to the value of an individual customer.

Some companies practice one type of Customer Success while many have multiple customer segments and align the appropriate Customer Success strategy to that customer segment.
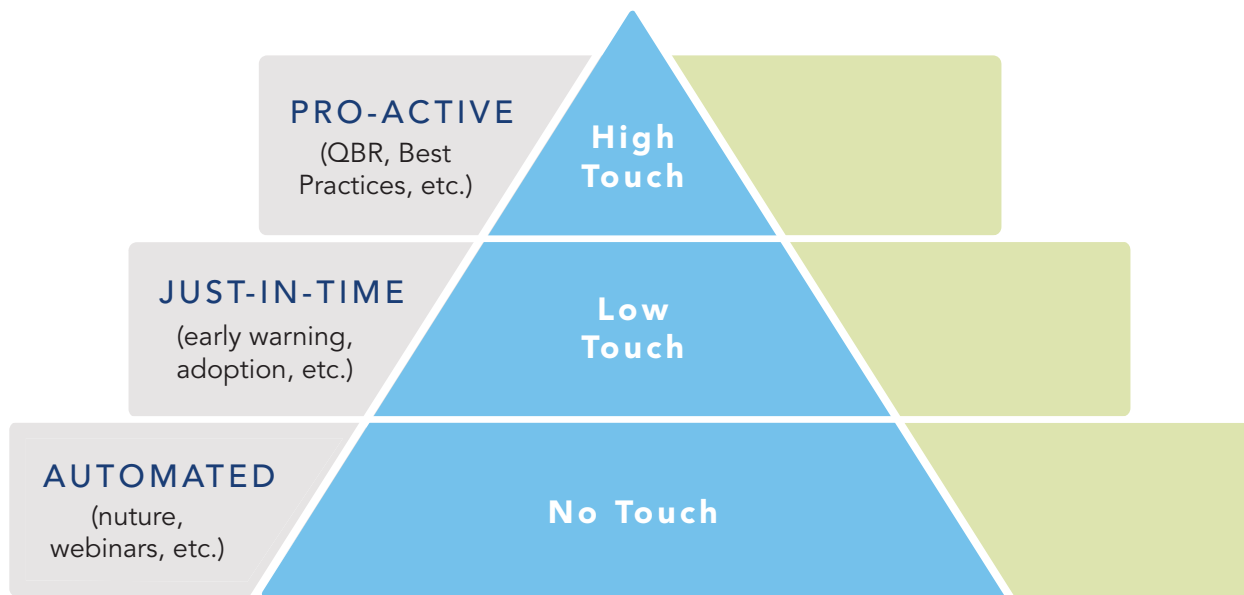
High Touch: For businesses with high customer lifetime values (e.g., > $100K annual recurring revenue), companies often adopt a "high touch" approach to Customer Success. The Customer Success Manager typically manages a relatively small number of accounts (e.g., 5-20). This means the Customer Success Manager or Account Manager often knows everything about the customer – down to the sponsor's kids' birthdays – and communicates with them frequently. In these types of businesses, CSM technologies can help by improving the impact of client interactions. Customer Success Managers can leverage CSM technology to be better prepared and more consultative in client meetings. They can reach out at the right time with value-added information like adoption data, best practices and benchmarking versus peers. They can more easily prepare for Quarterly Business Reviews and Monthly Health Checks. And they can manage their calendar of recurring "customer touches." Finally, they can report on customer health internally in a repeatable, quantitative fashion.

Low Touch: For companies with mid-sized customer values (e.g., $5K - $100K annual recurring revenue), they often opt for a "low touch" Customer Success model. In this segment, Customer Success Managers often manage 50 – 200 accounts. The goal is to interact with the customer "just in time" rather than all the time. At those price points, very frequent communication isn't always economical. So CSMs want to have regular touch points (e.g., quarterly) and pair those with data-driven intervention triggers. CSM technology helps here by telling Customer Success Managers which clients to interact with on a given day and what message or strategy to use in a given customer situation. For example, if a customer is coming up for renewal and isn't using one of the modules they purchased, the Customer Success Manager could get alerted with a specific playbook of actions to take.

No Touch: Finally, many companies have small customers (e.g., $100 - $5K annual recurring revenue) where human outreach may not always be practical or economical. Customer Success Managers could manage hundreds to thousands of accounts each. Or there could be so many accounts that none of them are assigned to specific Customer Success Managers. As such, companies use CSM technology to target automated, personalized communications (e.g., via email) to customers based upon data, much like they target "nurture" emails to prospects. For examples, CSM technologies could drive messages to all customers who haven't launched at least one activity in the company's product with a training video and best practices content. In this segment, CSM technologies often integrate with a company's underlying Marketing Automation platform.

Where Am I In My Evolution of My Customer Success Program?

Rome wasn't built in a day and Customer Success strategies take even longer. As your company evolves, your needs for Customer Success will change. We built a maturity model to capture the common needs we see at each segment:

SUCCESS MATURITY MODEL
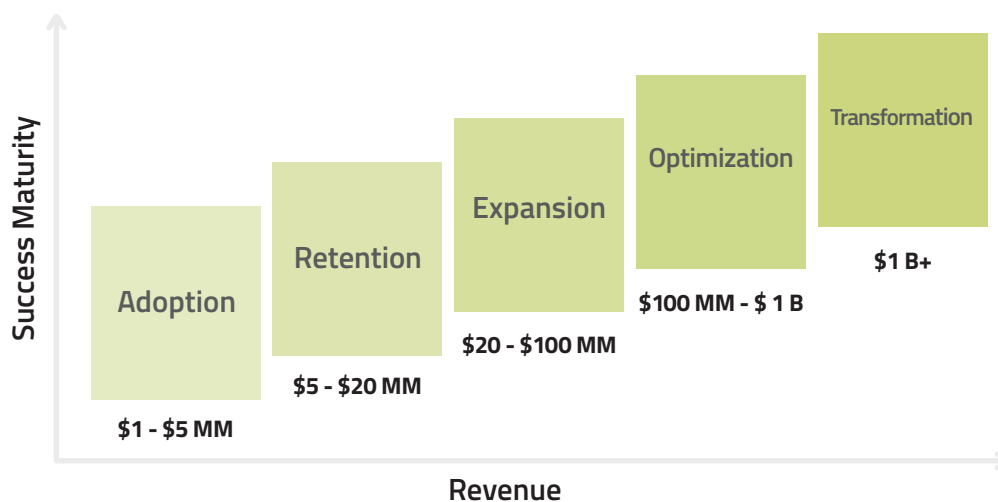
1. **Adoption:** When companies are just getting started, they often don't have a lot of renewals coming up, especially if they are on annual or multi-year contracts. As such, Customer Success isn't about retention or up-sell – it's simply about getting customers to use and get value from your solution. CSM technology in this phase can help identify which customers are successfully adopting the service and prioritizing Customer Success Mangers' time to the customers that need help.

2. **Retention:** Once you have a sizable base of customers coming up for renewal, you'll start focusing on reducing churn and maximizing the probability of customers staying with you for a long time. Here CSM technologies help you identify renewal and retention risk early and take the right action at the right time.

3. **Expansion:** As companies move toward the growth stage and get ready IPOs or other exit events, they often start introducing multiple product lines or taking a "land and expand" strategy. Customer Success teams are charged with identifying expansion opportunities and CSM

technology can help flag the right time to engage a customer in an up-sell / cross-sell conversation – and what message to deliver.

4. **Optimization:** Mature Customer Success organizations can get large. Some companies have hundreds of Customer Success Managers or Account Managers. In these stages, businesses often want to scale cost-effectively, by automating processes and increasing the "leverage" of Customer Success teams, in terms of the number of accounts a given Customer Success Manager can address. In addition, some companies want to use technology to push Customer Success activities to Customer Support or to the Marketing Automation system.

5. **Transformation:** While most SaaS companies aren't here yet, the long-term opportunity is for Customer Success to be strategic to your business – and to your clients. Mature organizations like Saleforce.com have CSM teams that are regarded by customers as true strategic partners. At this stage, CSM technology can help the Customer Success Manager always add value in every interaction through data and best practices.

What Platform Capabilities Are Important?

Beyond the above functional considerations, companies should consider the platform requirements for CSM technology including:

Usability: How do your users want to access the system? Do they want to login to a standalone application or access it via an existing system like your CRM system? Do you want to present them with data and reports? Do you want them to also have a workflow system to manage their activities?

Integration: What systems do you need the CSM platform to integrate with? Your CRM system? Your support system? Your services system? Your marketing system? Your billing system? Your community system? How do you plan to capture usage data? Do you want to instrument your application with code or sync data from your existing database to the CSM technology?

Analytics: What type of analysis do you want to do on your Customer Success programs? Do you want to report on usage and adoption? Do you want to segment your customers? Do you want to analyze churn and up-sell?

Data Science: Do you want to leverage data science and predictive analytics resources from the vendor? Or do you already know what the factors are in churn and success?

Security: How do you think about storage for your data? The data in a CSM technology can be very valuable and confidential, since it tracks your customers and their actions. Is that data stored in a system you trust?

Extensibility: CSM technologies can be very useful across your enterprise. Done right, CSM platforms can be used by Customer Success, Services, Support, Sales, Marketing, Finance, Product Management and Executives. How do you want the platform to scale? Can it easily integrate with all of the data in your enterprise CRM system? Are there open APIs to get data in and out of the system?

SUMMARY OF REQUIREMENTS

Customer	Adoption	Retention	Expansion	Optimization
Success Maturity Stage				
High Touch	360-degree view and health score of customer	Proactive touch management	Client benchmarking	Automated client / QBR reports
Low Touch	Adoption and satisfaction tracking	Early warning alert workflow and playbooks	Early upsell alert workflow and playbooks	Workflow and team management
No Touch	Integration with Marketing Automation platforms	Alerts to trigger email campaigns	Alerts to trigger email campaigns	Analytics on retention and up-sell trends
Platform Requirements	Usability Integration Analytics Data Science Security Extensibility			

Do I Build or Buy?

In the early days of any new software category, vendor solutions are limited, so customers are often forced to evaluate whether to buy a third-party product or build a solution internally.

You may consider building your own Customer Success Management platform – either on top of a Business Intelligence platform or natively into your CRM platform. If you have this discussion internally with your Engineering and/or IT groups, here are some questions to consider:

Core Competency: In the 1990s, many companies built their own CRM systems. Indeed, a few to this day are stuck with homegrown tools that are difficult to maintain but their switching costs are high to go to a more standard platform like Salesforce.com, Netsuite, Microsoft, Oracle or SAP. Similarly, many companies built their own help desk and marketing systems before the advent of standardized support and marketing automation systems, respectively. If you believe Customer Success is an important area for your company, it's likely that the technology domain will be important as well. Weigh the trade-offs of controlling your own system versus investing your internal resources into making your own product better.

Data Scalability: Customer Success Management platforms fundamentally are data management platforms. As such, they have to manage a large volume and variety of data. If you build your own solution, will it scale? Many homegrown systems have struggled to keep up with increasing types of data that Customer Success teams want to track. Specifically, if you're looking to build your own solution on top of a CRM system like Salesforce.com, consider the nuances around data structures, data storage and data access carefully.

Data Integration: Do you have a strategy for integrating with the variety of systems you have to track customer data – such as your product, Marketing Automation, CRM, Support, Billing and the like? Will you be able to maintain these integrations over time as the underlying technologies evolve?

Usability and Adoption: Do you have the skills and resources internally to think through user adoption of your CSM platform? Many companies have implemented Business Intelligence and reporting systems for their Customer Success teams – only to see them languish and not get leveraged because of a lack of integration and workflow. Data without action isn't very useful. Will the solution you build be integrated into the daily habit and workflow of your Customer Success and Sales teams? Also will you be able to track the adoption of your own internal platform?

Ongoing Maintenance: Who will maintain your internal system? In particular, if your system is built on top of your CRM system internally, will your CRM administrator now be tasked with maintaining updates? How will he or she prioritize updates to your homegrown Customer Success Management platform versus CRM updates for Sales, Marketing and other groups? What turnaround time can you expect? Will your custom-built system keep up with your needs?

Innovation: Like any other new field, Customer Success is evolving rapidly. CSM technology vendors are constantly integrating new customer health sources (e.g., social network data and web data), adding new analytics and driving new actions. In addition, they benefit from working with a wide variety of Customer Success teams. Finally, they often develop expertise in specific technical domains like data science and predictive analytics for customer retention and up-sell. Will your internal team keep up with this innovation – while they try to continue to keep up in innovation in your own product? Or will your requirements and approach stay relatively fixed for a long time?

What Third Party Solutions Are Out There?

As in any new robust market, a wide variety of CSM technology solutions are available. Indeed, as of this writing, companies focused on CSM technology have raised more than $100 MM in venture capital. This is good validation for the market demand in this space.

As with any market, every vendor has a slightly different approach and perspective. Broadly, you can segment the market on two dimensions:

Heritage and Focus

Some vendors have been borne out of the needs of Customer Success teams, with their founders and management all coming from leading Customer Success efforts at SaaS companies. Others have grown out of strong technical teams building general analytics platforms and identifying Customer Success Management as a great "use case."

Customer Target and Experience

CSMs need to be able to remain calm in the eye of the storm and have the tenacity to see a problem through to resolution even with the most difficult of customers.

CSM Platforms

MARKET SEGMENTATION		Heritage and Focus	
		Analytics for Multiple Use Cases	Customer Success
Customer Target and Experience	Early-stage companies		
	Mid-sized companies and enterprises		

What Questions Should I Ask Vendors?

To aid your evaluation process, we put together the below framework for evaluation. While the market isn't mature enough to demand formal Requests for Proposals (RFPs), it's useful to have a structured approach to comparing alternatives.

Functionality

- Can I see one page to get a 360-degree view of the customer across customer purchases, product usage and adoption, customer key milestones, support cases, payment history, reference activity, survey responses and other factors?

- Can I define a customer health scoring model, automate some of the factors, quickly update other factors across customers and report on and trend scores across customers?

- Can I easily track adoption by customer, by user or across customers across a variety of metrics and KPIs?

- Can I benchmark customers across median customers and best-in-class customers on a variety of metrics?

- Can I filter all data and reports by all fields in my CRM system (e.g., renewal date, industry, etc.)?

- Can I integrate with third-party client satisfaction measurement systems and/or deliver surveys natively from the platform?

- Can I manage proactive and recurring touches (e.g., Quarterly Business Reviews or Monthly Health Checks) in the system?

- Can I get an early warning to customers at risk and manage the at risk customers through a workflow an easy-to-use fashion?

- Can I get alerts about up-sell opportunities and similarly manage these customers through a workflow?

- For each early warning or up-sell trigger, can I get a standard set of recommended actions which can be handled by the Customer Success Manager or delegated to other team members?

- Can I produce PDF reports for presentation to my end customers about their adoption and success with our service?

- Can I produce customizable dashboards for various audiences to report on and trend the metrics in the CSM platform?

Usability

- Does the system require a separate user login or does it integrate with my CRM system?

- Does the system require a separate user interface or can 100% of the functionality be completed from my CRM system?

- Can the system create tasks for others in my CRM system?

Integration

- Does the vendor integrate with CRM systems like Salesforce.com, Netsuite, Microsoft, Oracle and SAP? Can they access standard and custom objects? Can they access data in real-time or do they sync through an API, creating a latency of updates? Do they integrate with the CRM system's workflow system? Do they integrate with the CRM system's reporting system? Is 100% of the functionality accessible from the CRM system?

- Does the vendor provide a data integration framework to automatically synchronize data with my internal databases and other custom systems?

- Does the vendor integrate with analytics systems like Google Analytics?

- Does the vendor integrate with Marketing Automation systems like Marketo, Eloqua, Act-On, Salesforce.com and Hubspot?

- Does the vendor track usage data at a company, instance and user level?

- Does the vendor integrate with support systems like Salesforce.com and Zendesk?

- Does the vendor integrate with billing systems like Zuora and Aria?

- Does the vendor integrate with community management platforms like Lithium, GetSatisfaction or Salesforce.com?

Security

- Does the vendor integrate with your existing CRM system's authentication model?
- Where is your data stored? What security controls are in place? Is the data stored in a location that you already trust? (e.g., your CRM system)

Analytics

- Does the vendor have customizable dashboards?
- Does the vendor have analytics for health scores?
- Does the vendor have analytics for churn and up-sell?
- Does the vendor have analytics for customer sat?
- Does the vendor have analytics for adoption?
- Does the vendor have analytics for CSM operations?

Experience

- What size are the vendor's typical customers? Do they match your company's size?

- What level of Customer Success maturity are the vendor's typical customers? Do they match yours?

- What touch model do the vendor's typical customers use? Does that match your touch model?

Data Science

- Does the vendor offer a data science service to analyze your data and identify the early warnings of churn risk?

- Does the vendor offer a data science service to analyze your data and identify the early opportunities for up-sell?

- Does the vendor offer a data science service to help you define your health scoring model?

- Does the vendor augment your internal data with external data in its data science processes?
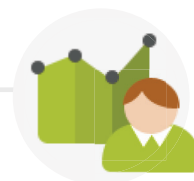
Extensibility

- Does the vendor offer a published API to load data into and extract data from the system?

- Does the vendor automatically integrate with the custom objects and workflows you've built into your CRM system?

- Does the vendor offer flexible, customizable reporting?

To Convince Internally?

Once you've decided on moving forward with a CSM technology strategy, you'll quickly realize that this isn't just a departmental decision. CSM platforms can help your whole company and will depend on multiple stakeholders:

Support / Services / Sales / Marketing / PM:

A Customer Success Management solution will allow your entire company to organize around your customers and their success. Here are some questions to be prepared for:

- **How will this help me?** Your other teams won't care about your day-to-day job but they might be interested in:

  - PM: Finding top features and who's using them.
  - Marketing: Finding references and advocates:
  - Sales: Identifying up-sell opportunities.
  - Services: Analyzing the success of onboarding.
  - Support: Quickly assessing the health of inbound calls.

- **How will this affect my workflow?** Similarly, they want to know how much change they'll have to go through. Ideally, the system you chooses fits into the workflow they use today.

CEO / CFO: Eventually, you'll likely have to talk to the bosses. Make sure to keep your discussion high-level, focused on the business impact, not the day-to-day workflow or features:

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IT / Engineering / Sales Operations:

Most importantly, you'll need to work with your IT, Engineering and/or Sales Operations groups to implement the chosen solution. These teams are typically very busy. Ironically, they may also be the teams that push you to "build" versus "buy." These are questions you'll need to be prepared to answer:

- **How does this fit with our other systems?** Does this become part of our CRM system or is it another tool? Does it integrate with our investments in Marketing, Support, Finance and other technologies? Does it overlap with any of these? Ideally, the strategy you choose leverages and integrates with what you already have. Ideally, draw a picture for the team of how they fit together?

- **Do we have the data today?** This system will depend on data – usage data, support data, etc. You'll be asked how much value you can get based upon the data you have. We've found that companies often have more data than they realize, so you can address this question with facts.

- **How much time will this take?** Most importantly, your technical teams are very busy. They want to know how much time is involved in the deployment and ongoing maintenance. Ideally, if you do it right, the long-term impact should be time savings since you now depend on a third party instead of internal CRM administration or IT teams.

WHERE
Can I Find Budget?

Nowadays, very few companies have incremental budget for technology solutions – particular within the year. Therefore, you need to make sure you can demonstrate the impact of a CSM technology. You should break this impact down into three dimensions and you can use an **ROI Calculator** to help quantify this.

Reduce churn through early intervention

Ask yourself the following questions:

- How many churned customers do I have a month?
- What's the dollar value of these customers?
- How many of these churns are controllable (e.g., customer didn't go out of business)?
- Out of these controllable churns, how many could you have saved if you got to them earlier (30/60/90 days before)?
- What's the annual impact of reduced churn?
- What's the lifetime value (over multiple years) of this reduced churn?

Drive up-sell

Determine the following factors

- How many customers do I have today?
- What percentage of these would be ready to buy more products if I got to them at the right time?
- What would the average value be of those products?
- Ask yourself the same question on services. Sometimes this is even easier to quantify. You could imagine triggers where if a customer calls support for an issue multiple times, you sell them training on that issue.

Scale team

Quantify the scaling impact to your team:

- How many team members do you have in Customer Success or Account Management today?
- How many accounts do these team members manage?
- How could that ratio increase through using data to identify which customers to call, rather than calling all of them?
- Perhaps you could start by applying this to your smaller customers?
- How many new hires can you defer in this model?
- How much would you save on those new hires?

WHEN
Will I See Value?

Like any technology solution, expectations management is critical in buying a CSM platform.

First, you need to understand how you'll get value over time. When people buy CRM systems, they often start by using them as contact managers – and only eventually get to using them for forecasting. Similarly, the value you get from your CSM solution will likely evolve over time:
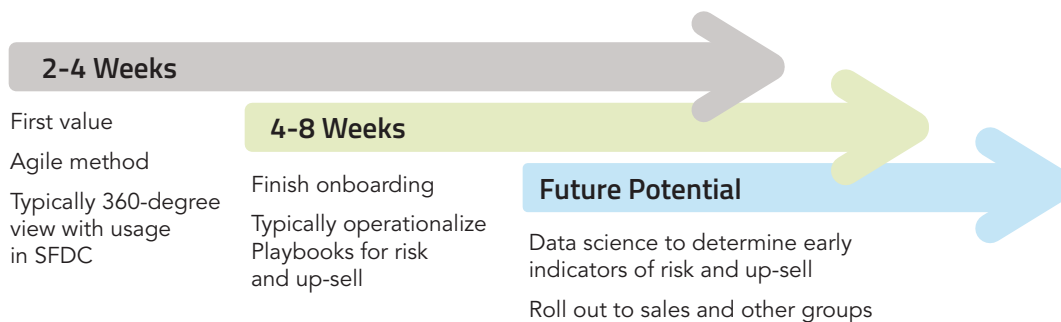
Second, identify the critical success factors to make the project work. These often include:

✔ **Clear goals and measurements for the project**
✔ **Alignment with the vendor on those goals**
✔ **A regular process for evaluating those goals –**
   internally and with the vendor
✔ **A project manager on your side**
✔ **An IT / engineering contact on your side**
✔ **Similar resource alignment from the vendor**
✔ **Executive sponsorship of the effort**

Finally, build a realistic project plan. You likely won't hit nirvana in a week but you can make big progress in a few weeks. Here's a sample timeline for how things might evolve:

2-4 Weeks

First value

Agile method

Typically 360-degree view with usage in SFDC

4-8 Weeks

Finish onboarding

Typically operationalize Playbooks for risk and up-sell

Future Potential

Data science to determine early indicators of risk and up-sell

Roll out to sales and other groups

FIVE-STEP EVALUATION PLAN

1. **Define requirements**
2. **See demos**
3. **Understand data integration**
4. **Define business value**
5. **Sell to internal execs**

Conclusion

As with the product or service you sell, you likely will get out of this effort what you put into it. But if you take it seriously, the results of CSM technology investments can be massive. Hopefully this guide helps you think about your roadmap to get there.