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The Emergence of the Customer Success function within SaaS companies

Gillamor Stephens has recently built the European management team for Clarizen. Here's a discussion between the Partner who leads that relationship, Steve Lavelle, and Clarizen's Global VP of Customer Success, Chris Bates.

- **What was the genesis of the Customer Success function? I've seen stats that it was virtually unheard of as a job function on LinkedIn until 2010-12, then emerged rapidly.**

The Customer Success function started with the emergence of Software-as-a-Service (SaaS) companies and as the role of vendor and client began to change. Historically, clients would purchase a technology solution and pay up-front for the software or hardware. In a subscription or SaaS model, things are very different. The client purchases a solution for a certain period of time, and then decides whether they renew and continue, or they have a choice to stop the subscription. In this new model, the client wields greater power in the relationship than in the past and must achieve an ROI on their SaaS investment to continue to renew. For the vendor the economic value of a client is not realized up-front, but instead over a period of time. As a result, managing the clients' success becomes imperative to maintaining revenue and profitability over time.

Organizationally, there was a gap. Functions such as Technical Support and Professional Services previously existed and Account Managers historically worked with customers to identify and drive expansion opportunities. However, a new function was needed, solely focused on helping a client maximize value and ROI and as a result protecting the company's recurring revenue. Thus the emergence of Customer Success.

These new Customer Success Managers (CSM's) are focused on leading the client through the adoption and training of the new technology solution, leveraging best practices from other clients, and at the end of the day maximizing the business value/ROI from the solution for the client. They also need to serve as the "Trusted Advisor," always with the client's interests in mind. Finally, they must serve as an internal advocate for the customer, working cross-functionally with Sales, Product, Marketing, and other functions on behalf of the client.

- **Why has it become so prevalent in SaaS? What are the benefits for SaaS vendors?**

  The economics of the SaaS model tell the story on why Customer Success is so critical. First, a SaaS company has to acquire new customers through various Marketing and Sales activities. This represents the Customer Acquisition Cost (CAC). One of two things then happen, each of which has a dramatic impact on the company's P&L. In the first scenario, if the client is not achieving sufficient value from the solution, they do not renew the subscription and this a called a churn. Depending on the length of the contract and the degree of customer acquisition costs, the company may have lost money on the client. In the second scenario, the client is achieving value and ROI and chooses to renewal their contract. Ideally, they stay with the vendor for an extended period of time and even expand their number of licenses (often called "Land and Expand"). The vendor not only covers the initial acquisition cost but then generates ongoing recurring revenue and profit.

  Over time, this generates what is known as the "snowball effect" of the SaaS model. While new customers continue to be added, the bulk of the company's revenue starts to be generated from existing customers renewing their subscriptions. A certain number of customers will not chose to renew, which are referred to as "gross churn" or "attrition." In an ideal world, a company's expansion from existing clients exceeds the churn from existing clients. This is referred to as "negative net churn," a very desirable metric for SaaS companies to achieve.

- **How do companies ensure Customer Success is part of their culture, not just a function?**

  While the function of Customer Success is maniacally focused on helping the client achieve value and renew, a Customer Success philosophy must be embedded cross-functionally in every part of the company. Product Development must be focused on optimizing product features to drive simplicity, ease-of-use, and user adoption. Sales needs to be focused on setting appropriate expectations during the sales cycle. Professional Services needs to ensure that the implementation phase (getting the client live on the solution after the deal is closed) goes smoothly and the client starts to achieve early value from the solution. Marketing must be focused on providing value-added content to clients as they learn the solution and drive adoption across their users. Managed

Service/IT needs to ensure the reliability of the solution is strong and that security protocols are maintained to build client trust. Customer Success truly is a team sport.

- **What does it mean for you at Clarizen?**

Clarizen is the leader in collaborative work management, bringing together cross-company project management, configurable workflow automation and purposeful collaboration in an enterprise-grade platform. Our solution unites teams, reduces communication overload, and provides extensive visibility at any level of the enterprise, so everyone can work more effectively, adapt to changes and achieve their objectives. Thousands of organizations across 79 countries, including dozens of the Fortune 500, rely on our award-winning software. We have office locations all around the world including San Mateo, California, Tel Aviv, Israel, Melbourne, Australia and a rapidly expanding London office which opened this earlier this year.

Many of our customers use Clarizen to manage their Professional Services business, including Marketo and Box. Clarizen also serves the IT PMO and Digital Marketing use cases for customers like Cisco, Electronic Arts, Equifax, Ricoh, Sodexo and Western Union.

Customer Success has been a core value at Clarizen since day one, and as a result, we have more than doubled the Customer Success headcount in the last 18 months. At Clarizen, Customer Success owns the post-sale customer journey, including Professional Services, CSM's, Training, and Technical Support.

- **How is Customer Success developing? How do you see it evolving in the future?**

Since Customer Success has really developed in the last 5-10 years, it continues to change and evolve to deliver more value to clients. One of the exciting areas of innovation is tied to new SaaS solutions to help better determine customer health and identifying customers at-risk. In the past, CSM's and CS executives had a very manual process to determine which customers were healthy and which ones were at-risk, often captured in Excel spreadsheets. Over the last several years, new Customer Success SaaS solutions have emerged. One example is Gainsight, based in Silicon Valley. Gainsight provide a "360 degree view" of customer health, including metrics spanning usage, adoption, executive sentiment, and support issues. With these insights, CSM's and Customer Success executives know where

risk exists and which customers need prioritized help. Surveys can also be sent from within Gainsight, including the Net Promoter Survey which is an excellent way to assess the overall sentiment of a client.

Another area of innovation is around predictive analytics and delivering a "one-to-many Customer Success" model at scale. A hands-on, one-to-one Customer Success engagement model works very well with large Enterprise and larger Commercial clients to drive adoption and client success. However, this model does not scale well when a SaaS company is delivering Customer Success to hundreds or often thousands of customers in the Commercial or SMB space. A solution to this challenge is leveraging predictive analytics to identify which customers are at-risk. Since SaaS companies can see what features clients are using or not using and know which patterns correlate to how successful clients have used their solution, this step can be done in an automated fashion. Action can then be taken via automated Customer Marketing campaigns. For example, if Clarizen customers are not entering their projects into Clarizen or not using the reports and dashboards for executive visibility, then they can all be sent an e-mail directing them to a Customer Success portal (ours at Clarizen is www.success.clarizen.com) for various types of information including articles, videos, and white papers to help them take these actions and drive adoption.

- Key metrics?

At a macro level, Customer Success KPI's tie into maximizing the Lifetime Value of a customer. There are specific KPIs that tie to each phase of the post-sale lifecycle. During the Implementation Phase, it's critical to get the client live on-time and on-budget so they can start to realize value from the solution. Customer Success Managers are focused on adoption metrics, maximizing renewal rates (and minimizing churn rates), and driving customer advocacy. The ultimate definition of Customer Success is when a client is so satisfied that they are willing to serve as a "Brand Ambassador." The Technical Support organization is focused on Response Time, Resolution Rate and Resolution Time, and Customer Satisfaction scores. Finally, Net Promoter Score (NPS) is another key metric – how likely is a client willing to recommend your solution to a friend or a colleague?

- About Chris

Chris Bates is the VP of Customer Success, leading the global organization that is responsible for the satisfaction and success of Clarizen's customers around the world. Chris brings a great deal of experience leading high-growth customer-facing organizations at Salesforce.com and Dell. Before joining Clarizen, Chris was an executive at Salesforce.com where his experience included leading a global Customer Success organization. Prior to Salesforce, Chris spent 13+ years at Dell, where he served in GM and Sales leadership roles in the US and several years based in the UK. Chris started his career at Procter & Gamble where he first developed his passion around customers. Chris holds an MBA from Harvard Business School and an undergraduate degree from the University of Virginia.