Customer Success Case Study: A Survey of 5 Companies

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Case Study Overview

Customer Success is often presented as a single, unified discipline. But, in practice, Customer Success methods and organizations vary in important ways across companies. Over the course of six weeks in 2015, I interviewed five Customer Success leaders and surveyed the details of their organizations. The primary goal of this case study is to provide behind-the-scenes insight into Customer Success efforts at businesses across industries, levels of maturity, and growth.

The breadth of the Customer Success approaches are wide — and this case study is not a playbook or an exhaustive list of practices. Instead, I present a summary of the five interviews. They cover topics including: team and organizational structure, hiring and compensation, roles and responsibilities, priorities and measuring success, and the challenges and changes faced by a rapidly growing team.

Out of discretion for the interviewed Customer Success leaders, their names and companies will remain private, and only broad descriptions of the surveyed companies are provided.

Company 1: Enterprise Healthcare Technology Company

This is a publicly traded company that offers a subscription-based B2B complete health management platform for enterprise companies, their employees, and healthcare providers.

User and Customer Journey

At Company 1, the decision maker is the Benefits Director at an enterprise company. Yet, the end user of their platform is an individual employee — and they learn of the platform from their employer. The discrepancy between buyer and end user motivations and success criteria can introduce some interesting challenges for the Customer Success team.

Desired Outcomes

For the Benefits Directors, the key success metric is ROI. Hoping to answer “yes” to the question: did they save money by implementing Company 1’s solution? For the employees, the key to success is changing and improving behavioral health, which is admittedly more difficult to measure. Although, the team does use, and continues to develop, a multivariate customer health score for high level account health monitoring. They are currently using Gainsight for this. The best early indicator of a successful implementation of Company 1’s solution is the registration rate of employees that are signing up to the platform.

Customer Onboarding

Initially the customer is working with Sales, then they are handed-off to an Implementation team, and finally introduced to Customer Success. Ideally these would be clean hand-offs, but rarely are. What they have realized is that Customer Success needs to be involved much earlier to act as a quarterback for the relationship and customer onboarding process. Sales is now using their discretion on a case-by-case basis in deciding the best time to introduce the Customer Success Manager (CSM) and Implementation Manager (IM).

Account Segmentation and Assignment

Customer assignments are loosely based on regional territories, such that CSM’s can more easily and regularly have in-person meetings. A CSM’s book of business is measured by revenue rather than a strict number of accounts because of the varying account sizes.

Although, as an order of magnitude estimate, each CSM has 10’s of accounts (not 100’s or 1,000’s).

Team Effectiveness

The Customer Success team has 10-20 people and customer retention is their main focus. Often the customer value that’s unlocked from behavioral health changes and improving employee habits takes multiple years, and if a customer churns early, they are discarding a lot of potential value. The metrics used for measuring the team’s effectiveness are retention rate, churn rate, protected revenue, net promoter score (NPS), and customer referencability. Most metrics are compiled and reviewed on a quarterly basis.

Organizational Structure

Customer Success has been around for a few years, although has recently come into prominence as the focus on retention has intensified. As such, the team rolls up to the Chief Revenue Officer, alongside the sales organization. The reactive support team is a different department entirely, but they work together closely and operate as a unified team (in “pods”) when working with customers. The background of the team members’ include work experience with: healthcare providers, sales organizations, social work, hospital staff, private equity, and consulting. In short, domain expertise is highly valued in the hiring process.

Company 2: Website Security Certification Service

This is a profitable private company that provides reviews, diagnostics, and security services to its customers’ websites. Their trustmark is proven to boost traffic and conversion rates.

User and Customer Journey

What’s interesting in this case is that Company 2 works with all types of customers, from Fortune 100 companies all the way down to small mom-and-pop ecommerce sites. A significant portion of customers sign up in a no-touch, self-service funnel (free or $9/mo). While larger customers typically request contact or are engaged by their outbound sales team (customers up to $2,000/mo). They also have a channel partner program acquiring new customers on their behalf.

Creating a Customer Centric Mentality

Originally, there was no concept of Customer Success and no proactive outreach at Company 2. The company only had a customer service team that received mediocre quality ratings. After 8 years in business, the company realized it needed to redesign their approach with customers and put the customer at the center of their philosophy and decision making.

A Neglected Customer Base

The team's efforts looked a bit different than your typical organization because the customer base had been relatively neglected. A big challenge is making up for lost time and initiating contact and relationship building with existing customers — well before their renewal dates. The team has begun by reaching out to customers they had identified as both high-value and high-risk based on key product usage metrics.

Onboarding Process

As part of their updated approach, new customers and even some free users are now provided training and implementation support with a dedicated point of contact from either the Customer Success team (for paid customer) or on the Sales team (free users). When sales closes a new customer, the hand off to Customer Success is very smooth and they use a proprietary workflow system built in-house to pass the baton. Implementation is quite simple, typically made up of adding a javascript code snippet to the customer website and a short walk-through of their dashboard. The Customer Success team places more emphasis on conveying the value of their solution rather than any technical demonstration during new customer onboarding.

Team Effectiveness

The primary indicator for the new program's success is renewals. The secondary metric used to understand the team's effectiveness is customer engagement. They define engagement as connection between a team member and a customer, and not necessarily product engagement. The team's practices initially centered around reengaging a despondent customer base. The effects were significant. Their high-risk cohort began with a 5% renewal rate, and after only 6 months of proactive effort, the same high-risk cohort had an approximately 40% renewal rate. And the renewal rate across the entire customer base has jumped 10-20%.

Customer Health Score

They are still defining a generalized, weighted customer health score. It is not an integrated system at the moment. Instead it's built using a spreadsheet that is manually updated on a regular basis.

Account Segmentation and Assignment

Customer assignments are segmented and assigned based on customer size (by revenue) and by product line. The higher revenue customers are sent to the most experienced CSM's. And it is a rare scenario that meetings occur in-person. This is due in part to the lack of existing customer relationships.

Organizational Structure

Customer Success is a new initiative and has 4 people total. The support team now lives within Customer Success and is 2 people. Support was headquartered in Texas up until Q2 2015 and has now been consolidated and moved into the San Francisco office. Support and Success teams have distinct and separate responsibilities, but are present in the same meetings and trainings and they operate closely together. The Customer Success team reports into the executive responsible for Finance and Operations.

Hiring and Compensation

The best quality for a CSM they hire is someone that genuinely loves to interact with customers every day. Someone that is excited to speak with customers, teach them, and travel to them. They also need to have great conflict resolution skills and is even keeled. The team has variable compensation plans for its CSM's based on renewal rates and customer engagements. The split between base and variable compensation for team members is approximately 80/20. The engagement goal (i.e. connect rate) is 90%, and the renewal rate for their high-value and high-risk customer cohort is 50%.

Company 3: Web and Mobile Application Business Analytics

This is a hyper growth startup that provides an analytics product for web and mobile applications. It tracks user interactions and offers reporting and communication tools.

The Beginning

For the first 5 years of the company's life, there was very little in terms of Customer Success. In June of 2014 the team was 2 people, and they were responsible for the success of 300 customers. Over the next 12 months, they focused on hiring the smartest and most hardworking people they could find. Keeping in mind that things were going to break, they needed to find teammates that wouldn't be frustrated when things did go wrong. They were hiring for intelligence and resilience.

Account Segmentation and Assignment

Now, CSM's are assigned based on revenue only. Although, the way that accounts are distributed to the team isn't completely standardized. They are in a hyper growth mode and still nailing down the best process for the future. For now, accounts with revenue between $2K/mo and $10K/mo are distributed round-robin, and accounts with revenue above $10K/mo ("whales") are distributed to a team of the most experienced CSM's. As the company moves up-market and customer sizes increase, the revenue demarcation between teams will gradually rise. Some CSM's manage upwards of $3M of ARR (between 10 accounts), with the goal of increasing that to $5M of ARR soon. As a theoretical bare minimum, the team is striving for each CSM to manage $2M of ARR in the long term. But the rapid growth has shifted focus away from the revenue per CSM metric and toward CSM's getting experience managing accounts regardless of their size.

Organizational Structure

Customer Success rolls up to the sales organization, and is entirely separate from the support team. Support is much more technical and is handling detailed implementation questions. The Customer Success team has had a strong revenue focus to date.

Top Priorities

The primary goal of the team is to help grow customer usage. The Sales team never leaves the account, and they focus on cross-selling additional products. Except in the case of smaller SMB customers, where this model tends to allow too many points of contacts for the customer. The secondary priority for the team is to ensure a world-class onboarding experience, which they've found to be the best defense against future churn.

Hiring and Compensation

The best backgrounds for CSM's have come from consulting backgrounds or from SaaS CSM backgrounds. The team does have a variable compensation component to incentivize the right behavior. 65% of the variable compensation is based on net revenue retention, 25% is based on customer retention, and 10% is management by objectives (MBO).

Team Effectiveness

The team uses scheduled recurring calls (every 2-4 weeks) as a key indicator of their effectiveness. The strategy helps customers know that they have a reliable contact and serves to temper their reaction if something goes wrong. Their goal is to regularly speak with 75% of their customer base. They are also striving to go on-site as much as possible, and with a team of 13 CSM's, were able to have 65 on-site meetings in a single month in 2015.

Company 4: Recruiting Technology Platform

This is a mid-stage startup with steady growth that provides a platform used by recruiters to find talent. Their goal is to make recruiters more effective and candidate interactions more personal.

User and Customer Journey

Company 4 has focused intensely on inbound marketing and thought leadership by publishing a lot of high-quality, free content. As such, they experience predominantly inbound interest to their sales team. There is no free sign up or self service trial — anybody that is interested must submit a request for a demo and speak with a team member that will qualify them as a good potential customer and, if so, provide them a demo.

Customer Onboarding

Some prospective customers may receive free trials (ranging from 1 day to a few weeks), and Customer Success is introduced even during the early stages before a prospect has become a customer. For customers local to the San Francisco Bay Area, the team will visit in person to perform a 1-2 hour onboarding training session. Otherwise, the training will be a remote web meeting. Following the training sessions, they hold a 30 day review meeting with the decision maker and end users to assess any bottlenecks or product feedback. At the 90-day mark they hold another meeting to share more detailed reports and analytics about customer usage.

Core Mission

The Customer Success team believes that “you lose a customer in the first 90 days.” So they’ve prioritized mapping out a detailed onboarding success plan for all new customers and intentionally focus on smooth roll-outs for new customers. They seek to understand the goals and success criteria for their customers early on in their relationship so they can maneuver toward them.

Roles and Responsibilities

Once a prospect becomes a new customer, the team will host a kick-off call and clearly articulate the customer’s two points of contact: the seller for anything sales related, and the Customer Success Manager for everything else. The CSM will lead initial training, onboarding, quarterly business reviews, new feature notification and training, and support. Renewals are owned by the sales team, especially if there’s an upsell opportunity.

Compensation

The compensation structure includes a base salary, a variable bonus, and commissions on cross-selling and upselling. Although the Customer Success team isn’t selling directly, if they do their job well, the sales team will renew and upsell customers with more ease. The model includes a base salary that accounts for 75%, a bonus that is another 25% of compensation, and commissions. The bonus is determined by progress on a net revenue retention team goal (40%), a customer retention team goal (40%), and individual MBO goals (20%). Commissions come from sellers upselling and cross-selling of a CSM’s customers. While initially a controversial move, since instituting the CSM commission structure, revenue retention and upselling have hit all time highs.

Team Structure and Account Assignment

The Customer Success team has 4 people in total and its head reports directly to the CEO. They assign customers to three different tiers before doling them out. The tier is assigned by the sales team and is based on 2-year growth potential and current contract value. For a CSM to have a complete portfolio of customers, they need to have $1M of ARR under management, or at most, 100 accounts. Revenue for Tier 1 accounts are approximately $10K/year, Tier 2 accounts are $20K-30K/year, and Tier 3 accounts are $90K-100K/year. The support team rolls into Customer Success at Company 4.

Surfacing Product Needs

As the main points of contact and trusted advisors to their customers, the Customer Success team acts as an important communication channel for product feedback. They surface customer product needs in a few different ways: through a regular meeting between Customer Success and the product team, by tracking bugs and feature requests in a task management tool, and by including the product team in some customer quarterly business review meetings.

Company 5: Cloud Based Log Management

This is a small private company that records application log data from all devices and reports it in a real-time management platform. They provide developer analytics reporting tools.

User and Customer Journey

Company 5’s target customers are software engineers, and they funnel most prospects through a 30-day free trial, although they may also request a demo and conversation with their sales team. They employ a freemium business model that is throttled by data volume/throughput and certain premium features.

Account Segmentation and Engagement

Customers are placed into tiers based on their contract size. Small customers have very little interaction with the Customer Success team, and medium sized customers will have a point of contact and some onboarding training sessions. The largest customers have specific training and onboarding plans followed by regular check-in meetings and QBR sessions.

Main Priorities

The top focus of the team is improving retention. The Customer Success team was created in direct response to a few quarters with unexpectedly high churn. They monitor the health of customers with a mix of qualitative and quantitative factors including free form customer feedback and product usage data of key value-providing features. Because their customer is technical, the Support team rolls into the Engineering team at Company 5.

Customer Onboarding

Onboarding begins with a need finding meeting which drives toward understanding overall technical architecture, general use case, and specific needs. At that point Company 5 develops and delivers a tailored training session for the new customer.