Venture Capital View of Customer Success
Aligning Software Vendor & Customer for Mutual Success

Greg Goldfarb
Managing Director, Summit Partners

#Pulse2017
How We Got Here
Three Shifts

- Toward Many Humans
- Toward Cloud
- Toward Recurring
From What Starting Point?
Shift 1: General Direction of Enterprise Software

- **Primary Consumer**: One or Many
- **Human**
- **Hardware Element**

**Number of Consumers**

- One
- Many
Shift 2: From Bespoke Assembly to Configurable Clouds

Simple picture, so many implications
Shift 3: From Upfront to Recurring

License World

License Services

5x to 10x Upfront Dollars to Future Dollars

SaaS World

Maintenance

Services

Subscription

5x to 10x Future Dollars to Upfront Dollars
A Corollary to #2 and #3
The Old Days: Get Back in There At Once and Sell, Sell!
Sell Mortimer! Philosophy

How software businesses were run
Sell Mortimer! Philosophy

How software businesses exited

Non-renewing addressable markets
And it was perfectly rationale...
LicenseCo vs. SaaS Co

LicenseCo
- $100K license ASP
- 18% maintenance
- 95% dollar renewal
- $20K cost to acquire
- 10% COGS

SaaS Co
- $50K subscription ASP
- 95% dollar renewal
- $20K cost to acquire
- 20% COGS
Transaction 1 as % of 7 Year Discounted CPLTV

60% vs. 12%
Where We Are Going
The Prototype for the Future of Software

“Our business model is to turn software into an appreciating asset for the customer.”
Operating Principles

- Will not sign a contract longer than month-to-month
- Will not accept a booking until customer has met CS rep / accepted CS plan and vice versa
- Mutually agreed one page value realization plan
- All new engineers start in customer success
- Agile team dedicated to customer success / sits with CS team
- CS team is boot camp for internal talent development

- Customers should be able to leave anytime
- “A reminder to be at our best every day”
- Never sell what product can’t already deliver
- Feature customer success as part of v prop
- Simple framework built prior to booking, then tracked going forward
- Customer intimacy is duty of eng too
- Product familiarity from Day 1
- Tight coupling of CS and engineering / everyday scrum across departments
- Develop product owners, sales experts, sales contributors, product marketing
The Appreciating Asset Philosophy

How software businesses will be run
The Appreciating Asset Philosophy

How software businesses will exit

Annually renewing addressable markets
Some Rules of Thumb
Within a reasonable magic number boundary (say >0.75), moving CAC is irrelevant if you have ways to move dollar retention.
Effect of 10% Reduction in CAC vs. 10% Increase in $ Renewal

1% vs. 34%
GPM
aka Rule of 50
aka Golden Ratio
aka Rule of 40
R² Forward Revenue Multiple & Revenue Growth

vs

R² Forward Revenue Multiple & Revenue Growth + FCF Margin

.59  vs.  .73
It is a mathematical impossibility to sustainably clear a GPM of 50 without best-in-class playbook & execution in customer success.

[Unless you have a monopoly…if you do, that’s awesome and I am jealous.]
A New Concept for GPM Analysis: Amplitude

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If you regularly run an NPS of 40+ and a GPM of 40+, the odds will ever be in your favor for a premium outcome at a time of your choosing.
Greg’s 40 / 40 Rule (or, if we are getting crazy, 50 / 50)

And if you run a 50+ / 50+, then you, like Alexander, can weep for you will have no worlds left to conquer and total control of your destiny. Enjoy your top decile revenue multiple, good market or bad.

[...if you sustain this as you reach scale.]
FOUR THOUGHT QUESTIONS TO ASSESS YOUR ORGANIZATION
What is your business process to substantiate value to the customer and confirm the customer agrees?
How does your business educate the customer on how to get the most out of the product as the product steadily improves (and often increases in complexity)?
How many people in your CS org have moved into another group over the past few years?
Have you mapped each of your core customer journeys and aligned every department and person in the organization to those journeys, with systems and instrumentation to measure how that customer is progressing at each step?
A FINAL THOUGHT
How many of your companies conceptualize themselves like this?
Standard Organizing Principle – Functional Department

CEO

- Sales
- Marketing
- Customer Success
- Engineering
- Product
- CFO
Do you think that’s how customers conceptualize their experience with your company?
This is how customers experience your organization
Software Organization as Symphony
### My dream sheet music (quarterly by customer persona or segment)

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