Gainsight

FOUNDATIONS OF CUSTOMER SUCCESS

THE MANUAL FOR AN IMPACTFUL CSM

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Introduction

With uncertainty rippling through the global economy—and the tech sector in particular—SaaS companies find themselves trying to do more with less while maintaining revenue growth. In this challenging environment, Customer Success (CS) is uniquely positioned to take the lead in driving business outcomes.

In fact, CS has already taken a seat at the adult's table at software companies large and small. The data bears out this new reality. According to The Evolution of Customer Success Report by Gainsight and Benchmarkit, 98% of companies are planning to maintain or grow their CS teams in 2023.

In tandem with the growth of CS, the role of Customer Success Managers (CSMs) is expanding—and becoming more strategic. 61% of Customer Success professionals surveyed said that CS teams are now responsible for revenue growth. And perhaps not surprisingly, investments in CS teams are increasing, with 63% of survey respondents telling us that CSM compensation has increased.

It's clear that CS is now at the heart of recurring revenue businesses. And CSMs are at the heart of CS. But that evolution presents a challenge for CSMs.

The percentage of CSMs responsible for Customer Support has been steadily decreasing. Gone are the days of firefighter CSMs whose main job was to react to customer emergencies. And even driving adoption and other product-centric metrics is no longer enough. To impact business outcomes for both customers and their companies, CSMs need to aim higher.

An impactful CSM has a truly game-changing skillset: proactively addressing risk; identifying expansion opportunities; and driving customer outcomes. These strategic actions have become core competencies. They are no longer aspirational goals, but absolutely vital to the CSM role.

This ebook is intended to provide CSMs with a blueprint for thriving in this brave new world of CS. We've asked some of the brightest thought leaders within our organization to share their best practices—the practices they themselves use as Gainsight CSMs—to give you the essential insights and strategies you need to excel in your role.

Let's dig in!

Mastering Risk Management

The risk of revenue churn is ever present in SaaS. In the classic sense, “risk” means the possibility of losing a customer. But in today’s complex operating environment, with multiple product lines, service packages, and business lines, down-sell risk is also an important threat.

The road from risk to churn is not always clear or linear. For CSMs on the front line of risk management, the job is not just to identify risk, but also to understand the reasons behind it. Not all risks are created equal, and there is no one-size-fits-all solution.

To keep a clear head and effectively prioritize their efforts, CSMs should implement a well-planned risk management process. This process should be structured, standardized, and transparent. There are numerous benefits to having a structured process:

Operational impacts: Having a plan in place ensures that CS time and resources are used efficiently, tackling the more severe and important risks first.

Customer impacts: Risk will throw off even the best-planned customer journey. When you nip risk in the bud, you get the customer back on the path to achieving value. Properly handled risk will also build a reputation in the marketplace.

Business impacts: It may be obvious, but it bears repeating: a well-executed risk management process will reduce revenue churn, increase retention and revenue growth, and open the door to expansion opportunities down the road.

"Ultimately, risk is a normal part of business, and is not something to shy away from. Embracing risk means embracing teamwork and collaboration."

Vanessa Vadas
Customer Success Manager, Enterprise, Gainsight

Here are the key steps that should drive any well-structured risk management process:

Categorize the Risk: Categorize the risk based on the primary cause. Perhaps the customer failed to complete onboarding, or a key sponsor left the company.

Create a Risk Call to Action (CTA): Flag the risk and the risk reason, which should then trigger a predetermined playbook for CSMs to use during mitigation.

Reassess Customer Health: Once a customer has been flagged as at-risk, this should automatically override the existing health score, driving it into "red."

Visualize the Risk: Using a centralized information source, like Gainsight Dashboard, provide a quick snapshot of the risk situation that can be shared across the organization.

Assemble the Team: Risk management is the responsibility of the entire company, not just CS. Take the lead in communicating risk to other teams, like Product and Sales, as well as to executive leadership.

Kantata: Risk Indicators Based on Robust Customer Data

Kantata's CSMs were focused on increasing retention by properly identifying and addressing risk. Using Gainsight PX and CS, they developed a data framework that tracked and measured risk indicators across customer behavioral and attitude dimensions. This framework combined product telemetry data with data from Sales and Marketing, such as Customer Acquisition Costs CAC, revenue growth rates, and conversion rates.

For example, license activation and utilization reports built in Gainsight showed CSMs the number of licenses purchased and deployed, how many users were active over certain periods of time, and whether that number was increasing or decreasing. When indicators fell below a certain threshold, CSMs jumped in to determine why and then mitigate the risk. Read their full story here.

CurrencyCloud: Using Health Scores to Identify and Prioritize Risk

CurrencyCloud needed better visibility into customer health to help them identify and manage risk. They used Gainsight CS to pull information from more than a dozen different data sources, creating a new health score. This automated process not only gave them a clearer picture of risk, it also increased efficiency to give CSMs more space to focus on customers who are in the red.

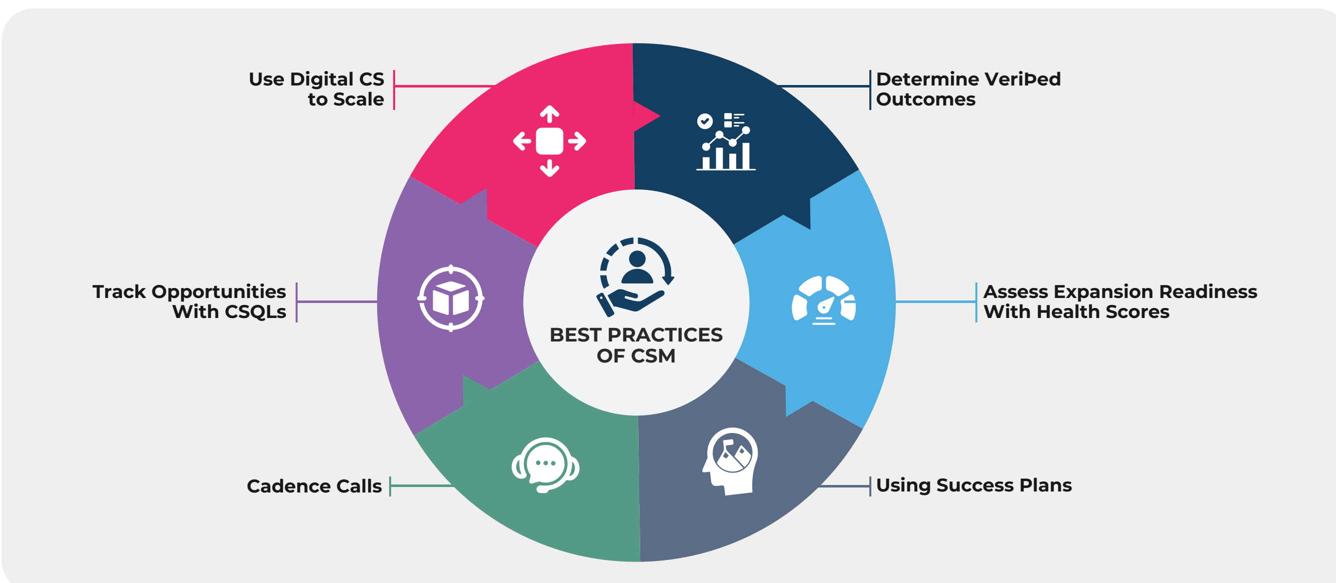
Their CSMs cross-referenced the health score against customer revenue and growth potential to determine which customers were the highest priority. Now, they are able to proactively engage important customers at risk of churn before it becomes an urgent situation. Learn more about CurrencyCloud's journey here.

Dive deeper with our ebook "Sniffing Out Risk and What to Do About It"

Cross-Sell and Upsell: Yes, It’s Always Your Job

As new sales slow, software businesses are looking to cross-sells and upsells to grow revenue. Expansion has always been a good idea—studies show that it is at least 5X more costly to add a new customer than it is to retain an existing customer—but in the current environment, it is an imperative. And because of their unique position, CSMs are in prime position to drive this effort.

That’s because CSMs control the flywheel of customer success, helping customers define and achieve value, and then mature in their usage to the point where they are ready to expand.



How do CSMs get customers to the point of expansion? The best way to position customers for cross-sell or upsell is to operationalize high-value activities that impact leading indicators and ultimately lagging outcomes. These activities will build your relationship with customers as a trusted advisor. And if you work closely with customers and understand their business, you will be able to spot expansion opportunities by actively listening and analyzing the customer data you have at your disposal.

> **"I would argue that being the customer's trusted advisor puts you in a unique position because you know your customer's business more than anybody, you know what they need, and they trust you to tell them what they need."**
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> **Desiree Dietiker**
> Customer Success Manager, Gainsight

Here are some best practices that can help you build an expansion program.

Determine Verified Outcomes: Quantifiable metrics that will unequivocally demonstrate to customers that they are achieving value. Every business will use different metrics, but ideally, you will find a metric that you can ultimately tie to a dollar amount. We'll discuss verified outcomes more in the next section of this ebook, Success for All: Verified Outcomes & Success Plans.

Assess Expansion Readiness With Health Scores: Customer health can tell you a lot about whether a customer is ready for a cross-sell or upsell. Obviously, if a customer is in the red, they are probably not an appropriate candidate.

Using Success Plans: Working closely with customers on a well-thought-out success plan is a great tool for spotting expansion opportunities. Do they have a new business objective? Are they launching a new product? Are they adding headcount? Any of these situations could be an opportunity to expand existing services (eg, licenses) or cross-sell another product in your portfolio.

Cadence Calls: Similar to Success Plans, these conversations are another way to help you understand your customer's business and use cases. These conversations are a time to listen—take really good notes and put them directly into Gainsight Timeline. Logging your activity will not only help you, it will help establish alignment with other stakeholders within your organization. Just remember to avoid being "salesy"—you area CSM, and your primary relationship with your customer is as a trusted advisor.

Track Opportunities With CSQLs: Customer Success Qualified Leads (CSQLs) is a feature within Gainsight tailor made to drive expansion. With 2 clicks, CSMs can send an email to their sales counterparts and simultaneously create an Opportunity in Salesforce.

Use Digital CS to Scale: Human-led efforts are great for expansion, but digital can amplify CSM efforts. Automation, CTAs, and other other digital tools will help you reach more customers, faster, so you can spend more time thinking strategically.

LeanIX: Landing Expansions Across a Multi-Product Platform

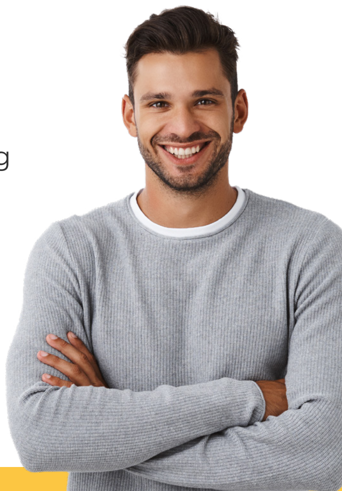
LeanIX had evolved from a single product to a multi-product portfolio, so their CSMs had an exciting range of new cross-sell and upsell opportunities. Using Gainsight, LeanIX built a Digital CS system that used predictive analytics and workflows to identify expansion candidates.

Gainsight's Relationships enabled them to accurately model and manage complex customer structures. For example, LeanIX often has multiple customers within a single company, who are in turn using multiple products. LeanIX's CSMs use different reports and dashboards to track stakeholders separately for each product. They also added the capability for CSMs to track cross-sells directly in Gainsight Timeline, which enabled them to quickly gather insights and drive actions over the course of the customer life cycle. Read more about how LeanIX achieved this here.

Gong Drives Freemium-to-Paid Expansion With Community

Freemium-to-paid is an important upsell opportunity for companies like Gong. Gong used Gainsight Customer Communities (CC) to create a community that uses federated search and intuitive learning paths to deliver a fun, educational experience to users. Their community has paid dividends in terms of driving business objectives.

Many people register for their community before they become customers. Many of those prospects become customers, which is itself an expansion. But Gong has also found that they have higher retention rates among community participants, and active community users are three times more likely to upsell. Their community has become a key touch point in the sales cycle. Get to know Gong's journey to community success here.



Success for All: Verified Outcomes and Success Plans

CS is more than just driving adoption. CSMs need to make sure they are aligned to a customer's desired business outcomes so that the product is moving the needle towards them in a measurable way.

Success plans are a foundational tool to help CSMs help their customers. With success plans, CSMs work with customers to establish goals and strategies. An effective success plan should centered around verified outcomes that are based on real, quantifiable business results for the customer.

Determining a meaningful verified outcome starts with understanding your customers' key business challenges or value drivers. Verified outcomes can be both a spark for a more intentional conversation with the customer, and a result of those conversations.

When a CSM and a customer have agreed on verified outcomes, it means that no one is guessing about what the customer needs or what the CSM needs to do. The CSM's job then becomes figuring out how to use their product platform to help the customer reach their objective.

"We want to make sure that we're solving for our customer's key business challenges—their value drivers—because ultimately that's going to help us ensure renewal."

Joyce Nakano
Customer Success Manager, Gainsight

Here is the process we use at Gainsight to establish a verified outomes–based success plan.

Identify Value Drivers: Every software solution provides a unique value proposition to its users. At Gainsight, our platform helps our users increase adoption, find efficiencies, discover expansion opportunities, and prevent churn.

Translate Value into Outcomes: Once you understand the value that your customer needs, it's time to translate that into a tangible outcome. To use another Gainsight example, we might have a customer looking to find expansion opportunities. An outcome that demonstrates the achievement of that value might be a revenue increase from existing customers.

Align on Metrics: Align on 1-2 leading indicator metrics that accurately predict the verified outome. We recommend no more than two because it is important to focus on the highest priorities first. To carry forward our previous example, the number of CSQLs generated using the Gainsight platform is probably a good predictor of expansion revenue.

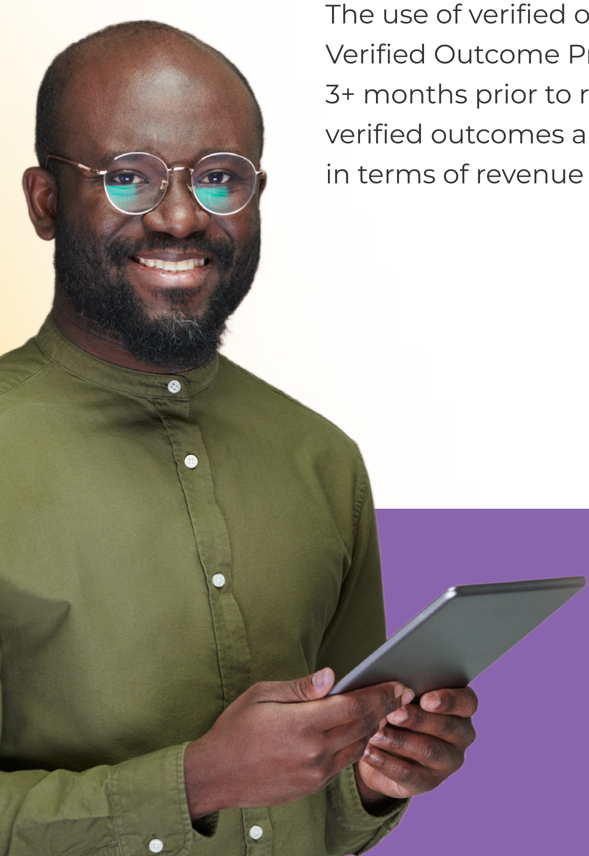
Establish Current State vs. Target: Many customers are looking for big improvements in the chosen metrics—and it's great to shoot for the stars. But it is also important to level set costumers with where they are today. Make goals realistic, but still challenging enough that the customer will feel that they are growing. Goals should account for where the customer is in their journey with the product.

Workflows: Recommend specific workflows assigned to each priority metric and target. These are specific actions that customers and end users can take with the product to achieve the verified outcomes. It is the CSM's job to be as prescriptive as possible with the workflow recommendations.

At Gainsight, we often work with a customer's CS Ops team to associate specific workflows within Gainsight with outcomes, either prebuilt in the solution or handheld to configuration.

The Impact of Verified Outcomes–Based Success Plans

The use of verified outcomes in CS has a proven success rate. At Gainsight, we tracked the results of our Verified Outcome Program, and they were definitive. Customers who achieved at least one verified outcome 3+ months prior to renewal had a 30% increase in gross revenue retention (GRR). Customers who achieved verified outcomes also reached an expansion point 25% faster time, and those customer expanded 70% more in terms of revenue than the customers who did not achieve verified outcomes.



Conclusion

At this point, it is pretty much consensus that CSMs need to be proactive and strategic. But how does a CSM turn those buzzwords into action? The ebook has outlined concrete steps that CSMs can take to make a real impact for both their companies and their customers.

Proactively address risk before it becomes a problem. Find expansion opportunities that deliver revenue that helps the company's bottom line. And reorient the customer experience around verified outcomes that represent real value.

When CSMs become truly impactful, they not only gain a seat at the table, they become leaders in the business. To get there, CSMs don't have to reinvent the wheel. By focusing on the strategic initiatives outlined in this ebook, CSMs will make an impact on their companies' business objectives.

And finally, CSMs should remember that the customer is at the center of everything. CSMs should remember why they entered the field of CS in the first place—to make customers look good. With that North Star principle in mind, everything else will fall into place.