

FOUNDATIONS

Inaugural Customer Success Leadership Study

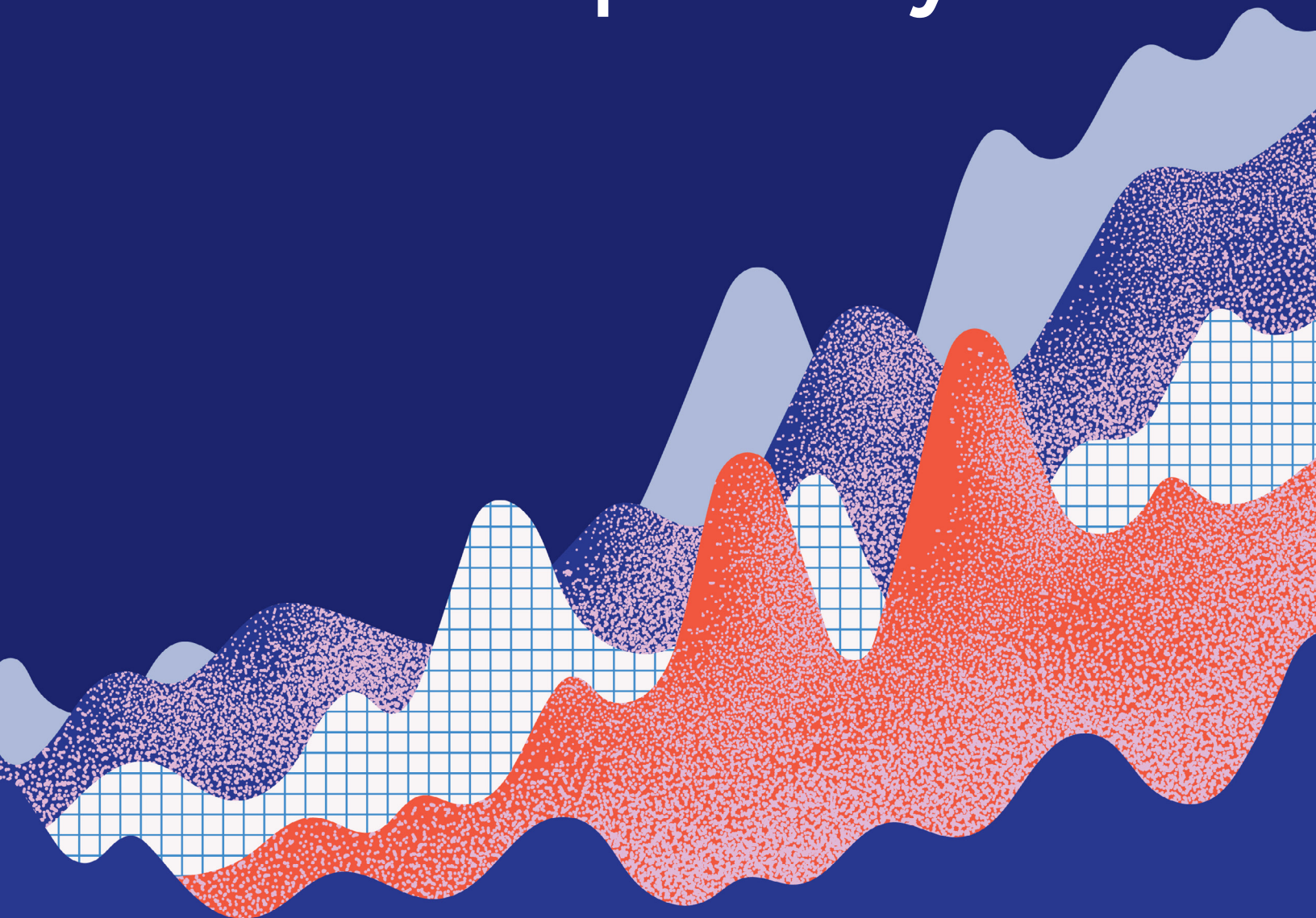


Table of Contents

INTRODUCTION	1
OUR SURVEY RESPONDENTS	2
HOW WE ORGANIZED THIS REPORT	3
1. INFLUENCE WITHIN THE ORGANIZATION	4
2. ORGANIZATIONAL ALIGNMENT	7
3. CUSTOMER SUCCESS OPERATIONS	13
4. GOALS AND ASPIRATIONS	17
CONCLUSION	21
APPENDIX - ADDITIONAL CHARTS	23

Introduction

Welcome to the inaugural Customer Success Leadership Study — brought to by your Customer Success friends at ChurnZero, ESG, and Higher Logic.

Now, we know you're here for the good-looking charts and practical takeaways, so we'll keep this introduction short.

Why did we create this report?

Simple: to shed light on the current state of Customer Success and its influence within SaaS organizations. By sharing the top initiatives and issues facing Customer Success leaders today, we hope to move the Customer Success conversation forward from achieving industry validation to innovation, scale, and maturity.

This debut report is just the start as we aim to continuously survey the Customer Success community to uncover trends over time. Because if 2020 showed us anything, it's how everything can change in an instant — and that there's an inextricable link between Customer Success and the resilience of SaaS organizations in bouts of upheaval.

As the industry continues to rapidly gain ground, Customer Success leaders find themselves facing many “firsts” in this function — whether it's building their first team, hiring their first operations role, implementing their first technology, or experiencing their first pandemic.

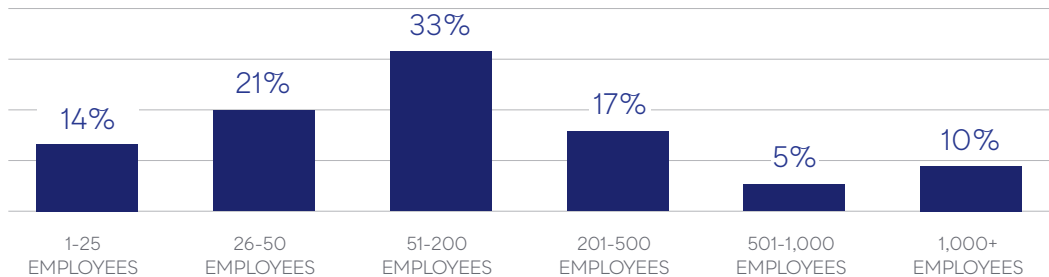
First-time experiences are intimidating, no doubt. But without relevant benchmarks, it doesn't matter if it's your first or hundredth time executing, you'll still be left wondering: “Am I doing this right?” “Are these numbers any good?” “Is my team behind the curve?”

These elusive questions that keep Customer Success leaders up at night are often met with vague anecdotes and ballpark figures. We set out to change that with this study.

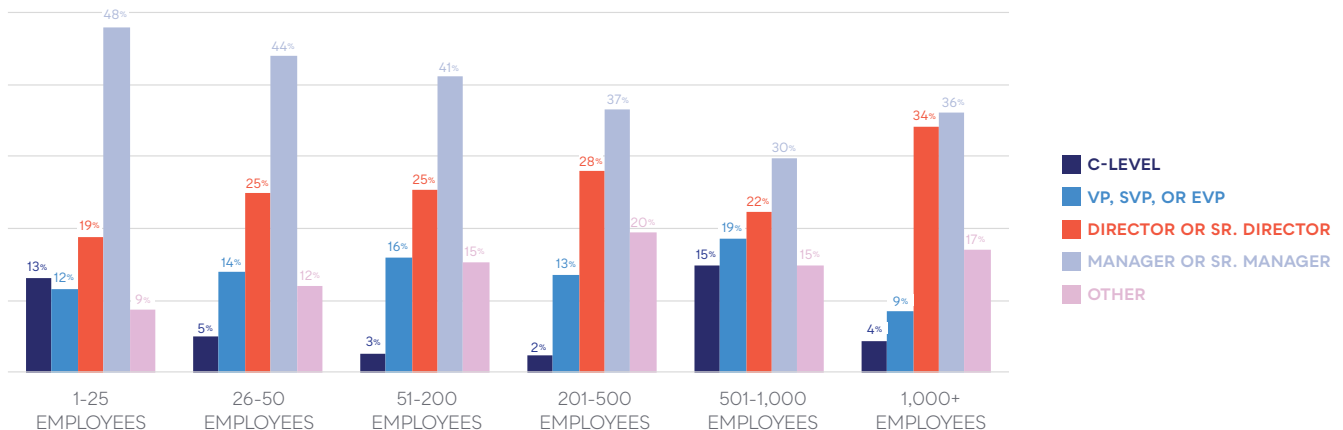
Our Survey Respondents

In this report, we surveyed **586 respondents** about their goals, processes, and technology. Below, you'll find a breakdown of our respondents' seniority level and company size. A majority of our respondents work at companies with **51 to 200 total employees** and **\$5M to \$10M in annual revenue**.

Number of Employees



Respondent Seniority Level



How We Organized This Report

After analyzing hundreds of survey responses and consulting our team of Customer Success experts to distill the data into their top conclusions and recommendations, we surfaced **four key focus areas** for Customer Success:

1. **Influence Within the Organization**
2. **Organizational Alignment**
3. **Customer Success Operations**
4. **Goals and Aspirations**

This report is organized around these themes to help you easily navigate the findings, as well as discover the biggest areas of improvement for today's Customer Success leaders.

We have also included an appendix with more charts broken out by organization size, for you to better benchmark your team against others in the industry.



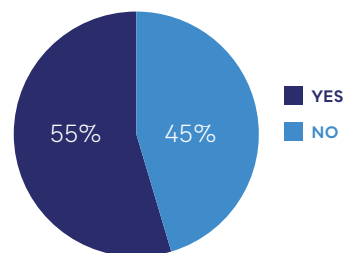
1 Influence Within the Organization

For Customer Success to truly transform into the most mature and effective version of itself, customer-centricity must expand beyond the silo of your Customer Success department. It must permeate into, and resonate with, the larger organization.

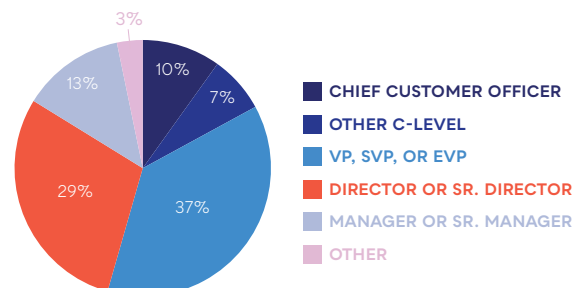
As our industry continues to rapidly grow in both size and prevalence, the simplest way to measure the influence of Customer Success more broadly is to take a look at organizational structure. Factors such as budget autonomy, reporting structures, and leadership seniority are key indicators of how Customer Success is viewed and valued more broadly.

This year's survey showed a relatively even split both between Customer Success organizations that report directly to the Chief Executive Officer (CEO) and those that do not, as well as Customer Success organizations that are led by VPs and above, or Sr. Directors and below.

Does your Customer Success function report directly to the CEO?

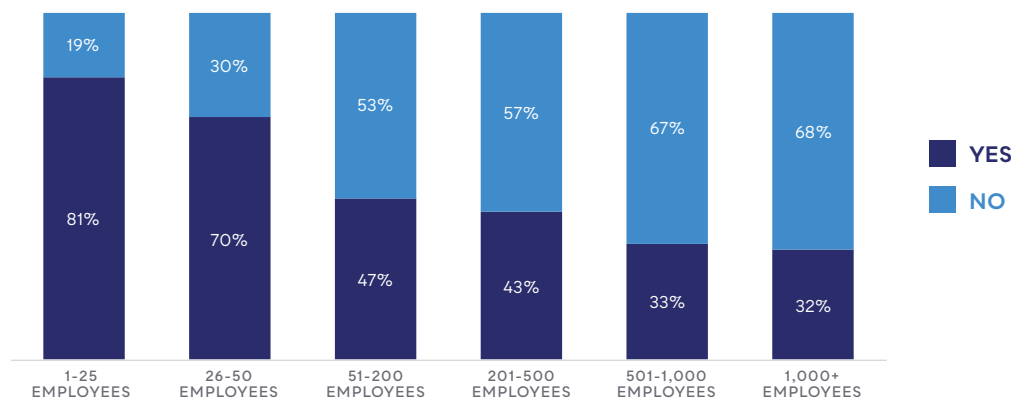


What is the highest Customer Success leader in your organization?



As we dig deeper into this data, we begin to see patterns emerge. Although the majority of Customer Success organizations (55%) report directly to the CEO, this is less likely to be the case as companies increase in size. And while the propensity for that structure is not surprising in small businesses with under 50 employees, the small number of enterprise businesses with that reporting structure (just 32%) defied expectations.

Does your Customer Success function report directly to the CEO?



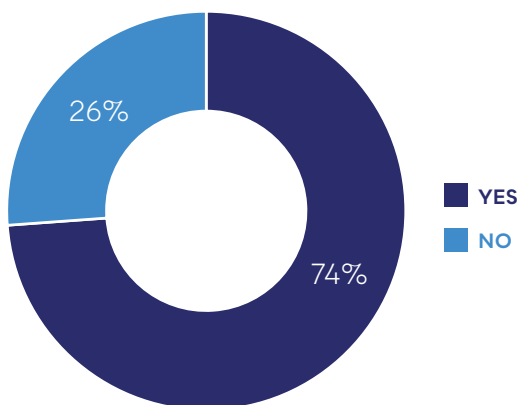
The two most common alternative scenarios in organizations where Customer Success does not report directly to the CEO are Customer Success rolling up either through the sales or revenue organization, or services and support. Occasionally, Customer Success will fall under the operations department, but this is much less common.

While each structure has its benefits, like the alignment between Customer Success and sales if reporting to a Chief Revenue Officer (CRO) or the holistic post-sale customer experience provided if they're tied into services or support, Customer Success organizations with a distinct department that stretches all the way to the top tend to be the most mature and influential.

Like the surprising numbers around reporting structures, the prevalence of the Chief Customer Officer (CCO) was also lower than perhaps anticipated, with just 10% of Customer Success organizations surveyed being led by someone with that title. The CCO is clearly still an emerging role, after being in existence for less than 20 years.

We expect these numbers to continue to grow in the coming years, in part due to the overwhelming majority of Customer Success leaders surveyed who have a seat at the executive table and the ability to create a budget, regardless of title (74%).

Does the Customer Success leader have a seat at the executive table and the ability to create budget?



While our survey did not specifically delve into the impact that COVID-19 may have had on this ability, there is the potential for correlation between the pandemic-era business environment and budget.



Jay Nathan

Chief Customer Officer
Higher Logic

“[The] budgeting processes that I was involved in this year have been top-down exercises — more so than in the past. They’ve been more cautious and provisional. For example, in terms of adding headcount, Customer Success organizations are taking a more conservative approach in the earlier months of the year so that when they enter the new year, they can start off with some wins and not get upside down.

Most Customer Success organizations run annuity-type businesses. If you get behind in the early months with that budgeting model, you never catch up. You’re going to have a hard year. Every board meeting is going to suck. The trend I see is Customer Success taking a more conservative approach, especially in Q1 and Q2 of the calendar year for 2021.”

2 Organizational Alignment

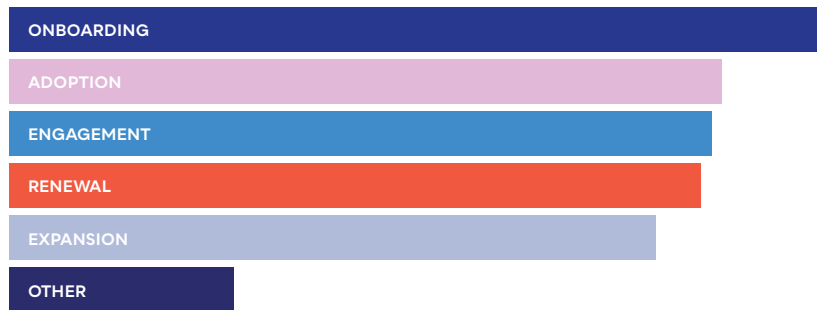
Similar to the concept of Customer Success influence within a larger organization, our survey took a step further to focus on organizational alignment factors such as interdepartmental collaboration, organizational charters, and the ownership of renewal, up-sell, and cross-sell. These structural components are key to building a strong Customer Success foundation.

Perhaps the most important building block of that foundation is your organizational charter. What is your *primary* focus as a Customer Success organization? The data shows that new customer onboarding is the most common organizational charter, with customer engagement and feedback, expansion, product adoption, and renewal, all closely following behind.

Onboarding can be the most critical make-or-break moment in the customer journey, so it comes as no surprise to see this outweighs other priorities or journey

phases. Purposeful onboarding integrates desired customer outcomes and strategic insights about what they expect from your product. Well-executed onboarding requires a comprehensive plan, including the steps for migration from the old system to the new, gathering technical requirements, product training, and a targeted approach to each new user. More than anything, successful onboarding enables intense and productive customer interaction and empowers the customer to use your product to its maximum potential.

**Which area(s) are tied to your organizational charter?
(Rank in order of priority with 1 being most important, 6 being least important)**



While onboarding is the most common organizational charter, we see that adoption, engagement, renewal, and expansion are all closely ranked not far behind. It's no easy feat to conquer all of these equally critical priorities, so our experts have some advice.

“Segments are the linchpin of effective customer programs, from onboarding through adoption and into expansion. One-size-fits-all Customer Success is like one-size-fits-all clothing – even when it sort of works, it's not the ideal experience. Segmenting your customers inherently requires you to ask the important questions: Why did my customer purchase? What do they consider success? What are their expectations from me? What are the potential barriers to them realizing value?

While it's possible to build programs based on generic answers to these questions, your services will also feel generic – and therefore expendable – to your customers. Effective Customer Success proactively addresses variations in customer's wants, needs, and expectations; it seeks to provide customers with direction and value without them having to ask for it. And the only way to do this at scale is to have a system for segmenting your customers in a way that doesn't strip out what makes them unique. Thoughtful segmentation – not just at the start of your relationships, but consistently throughout the lifecycle – is the difference between okay experiences and phenomenal experiences. It is the difference between a customer who maybe sticks around and a customer who stays, grows with you, and promotes you to others.”

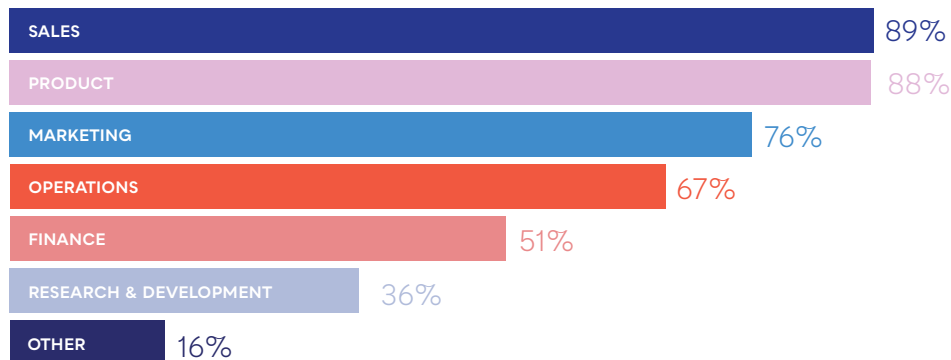


Abby Hammer

Chief Customer Officer
ChurnZero

To successfully break out the many responsibilities required to achieve all of these equally important goals, a high level of inter-departmental collaboration throughout the organization is imperative. Our survey results show strong collaboration with sales, product, marketing, and operations, but interactions with finance are lower than expected at approximately 51%.

Which departments do you work with on a regular basis to help meet your objectives?



This may be indicative of the youth of the Customer Success industry. While correlations between Customer Success and revenue are certainly possible in the right environment, many companies lack the data and expertise to draw those conclusions. So, Customer Success may seem “soft” or “immaterial” to a finance team, especially if they’re not familiar with their work and its business impact.

If you’re among the 49% that *does not* currently work closely with finance, we encourage you to begin building that relationship. Be sure that you understand your company’s business model and understand and use the same metrics as your

“[When] making the financial business case for client success, [it’s] hard to quantify impact and need for investment before you show results (which lag).”

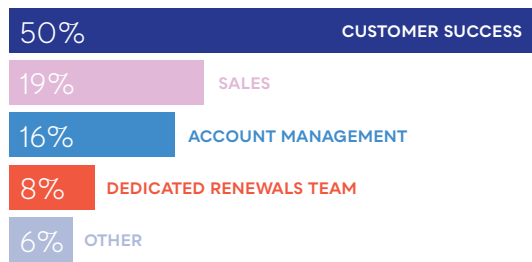
Director
Survey Respondent

finance team, board, and investors. Ask them how your team can support their initiatives around accounts receivable. Align with them on your retention and churn goals so you can develop a clear plan to accomplish them.

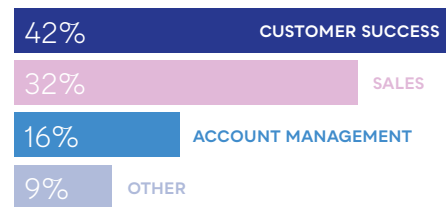
By strengthening that relationship, you'll better understand what drives finance, and they'll realize Customer Success' impact on the overall business. That way, when you need to request additional Customer Success resources (be it people, technology, training, etc.), you'll be well-positioned to build a business case that resonates.

Finance is most likely interested in your numbers around renewals, cross-sells, and up-sells, so if you're part of the majority where Customer Success owns those business components, use that shared interest to start the conversation around forging a stronger alliance.

Who owns the customer renewal?



Who owns customer expansion (up-sell/cross-sell)?



Customer Success is the most common owner of both renewal (50%) and expansion (42%). But for other functions, the ownership breakdown of these key revenue drivers is not as consistent. The biggest differences lie in the gap between Customer Success and sales ownership. When we look at renewals, Customer Success is in the overwhelming majority (50%) while just 19% of sales teams own the renewal. Plus, there's the not insignificant factor that about 8% of companies use a dedicated renewals team for this activity. Expansion, on the other hand, is a much closer split between Customer Success and sales (although Customer Success is still the majority here) — with 42% of Customer Success teams owning expansion, versus 32% of sales teams. So, this shows just a 10% difference rather than the 30+ point gap when it comes to renewals.

This difference makes sense given the nature of the approach. A customer renewing their contract should simply be a result of strong Customer Success and the customer finding value in your product or service. In an ideal scenario, a renewal is just a continuation, not a disparate transactional event. Expansions, on the other hand, while still a result of the customer finding value in your product or service, can in some scenarios, depending on complexity, require more sales strategy and knowledge than a Customer Success Manager (CSM) is prepared to tackle on their own.

Note that the answers included in “Other” for both questions about renewal and expansion primarily consist of some combination of co-ownership between Customer Success and either sales or account management. That kind of collaboration is exactly what we like to see!



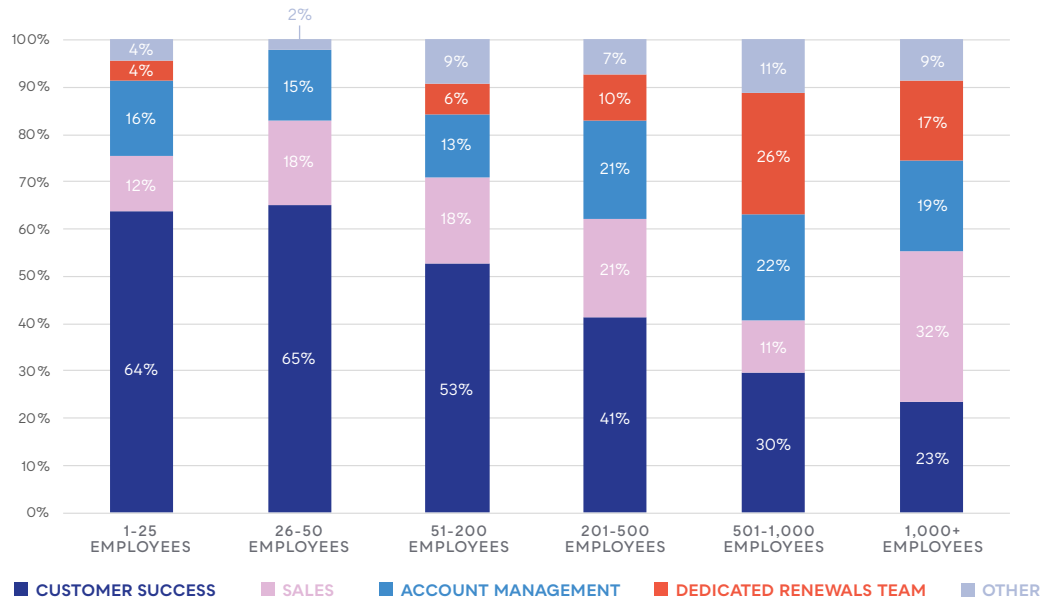
Michael Harnum

Chief Executive Officer
ESG

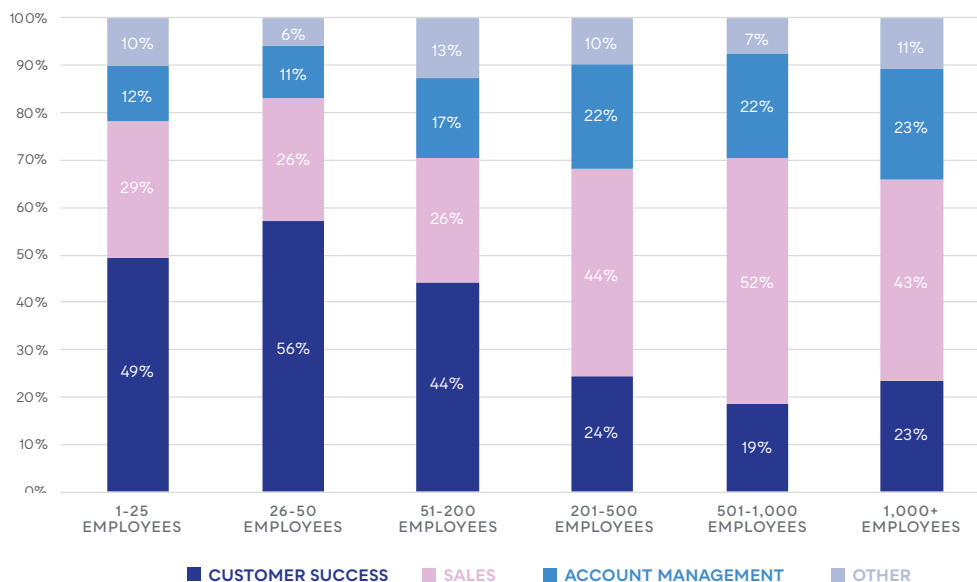
“There's the broader debate around, should Customer Success own renewals or not? And that can be debated on the surface. But, if you've got a leader with a strong background in renewals, who is great at driving revenue that way, then that team can look and feel really, really different. Because it's tailored to *that* leader and to *that* team, and the way they're best able to drive results. And I think back to the crux of this, which, at the surface, it's easy to have an opinion about where these things should sit or not sit. But it's so dependent on your organization, and what its strengths are, and how your team is built in working together.”

If we break down renewal and expansion responsibility by company size, a clear trend emerges. The larger the company, the more role specialization we begin to see.

Who owns the customer renewal?



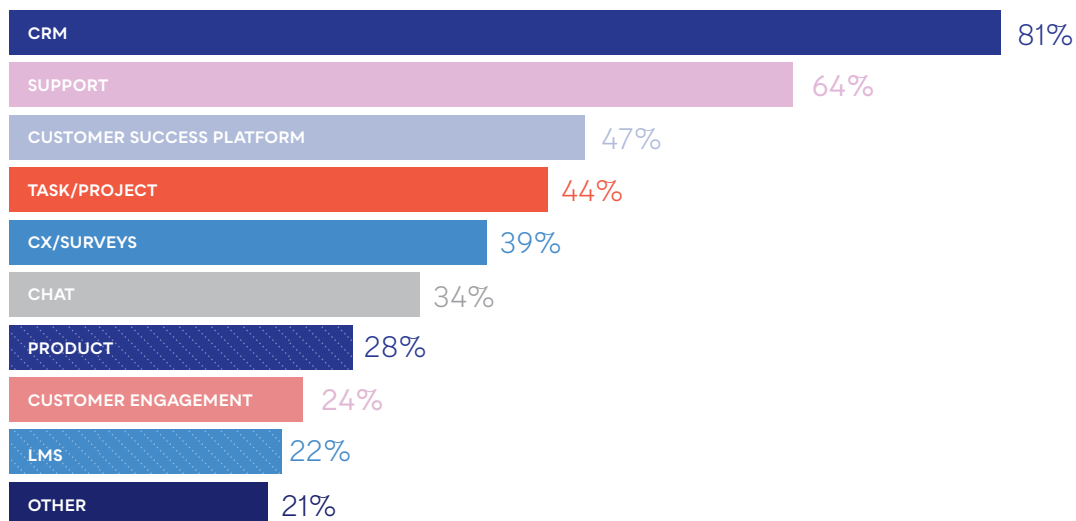
Who owns customer expansion (up-sell/cross-sell)?



Customer Success Operations

Scalability. Operational efficiency. These topics are constant sources of conversation (and sometimes brow furrowing). But these terms are bounced around because they are *critical* to the success of any Customer Success organization, and business more broadly. The elimination of repetitive or inefficient processes through technology lies at the core of the digital age.

What does your Customer Success tech stack look like? Indicate the area(s) where you have a tool in place.



Any business unit, including Customer Success, needs the right set of tools to create the effective, efficient, and scalable practices that we all dream of. We were pleased to see that survey respondents across all company sizes largely possess a strong cross-section of systems and tools. Note that the “Other” category is largely attributed to business intelligence tools.

The tool category that defied expectations was Customer Success platforms. Just 47% of survey respondents have a Customer Success platform (like ChurnZero, Gainsight, Totango, or Strikedeck) in place today, which is significantly lower than the expected or ideal scenario. With 81% of survey respondents citing CRMs in their tech stack, it’s likely that a subset of these Customer Success teams are still managing their operations and customers through their organization’s legacy sales tools — an attribute of an early maturity phase.

Unlike CRMs, which were built to manage sales pipelines, Customer Success platforms focus on fostering ongoing customer value *after* the initial purchase. Since CRMs rely on transactional relationship data, they struggle to glean insights from product usage and other behavioral data. This provides a challenge when automating processes like onboarding and renewal workflows — a prerequisite to scaling Customer Success teams.

While our survey did not delve into the extent to which these tools are integrated with one another or are being used effectively, we can draw some correlations between Customer Success tool stacks and the implementation status of more strategic initiatives.

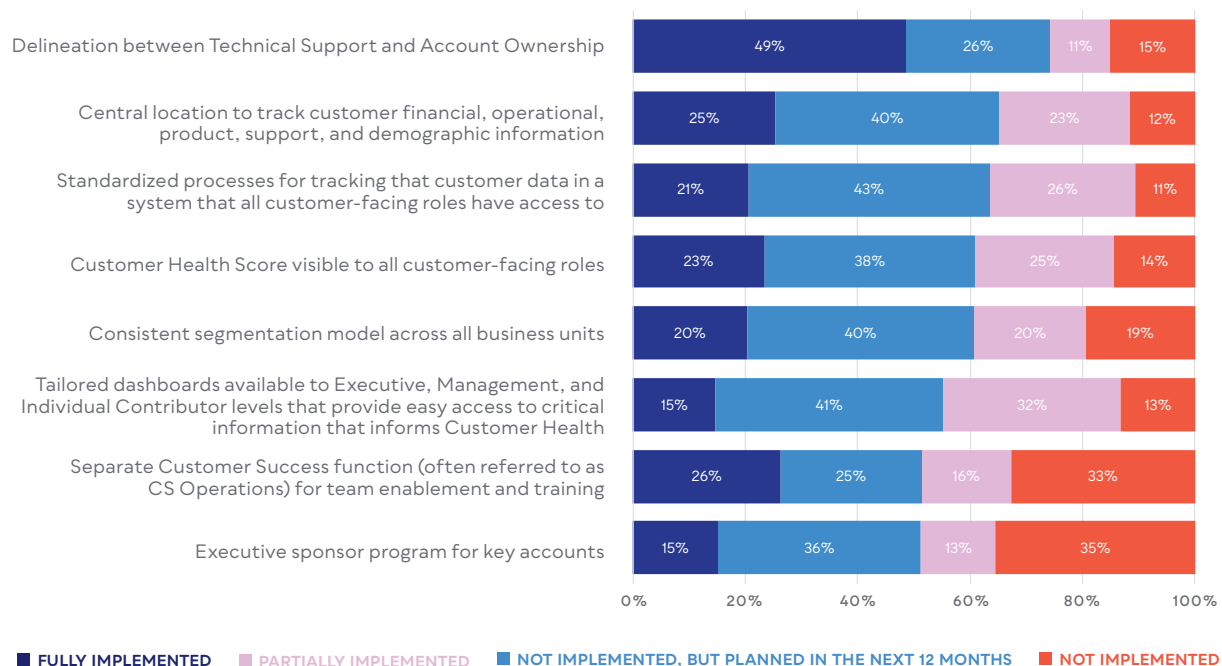
The foundational elements of operational maturity, like a delineation between technical support and account ownership or a central location and standardized processes for tracking customer data, are largely either fully or partially implemented within Customer Success organizations

“[Our big mission is] scalability. Moving from ‘white glove’ service for all customers, which was attainable when we were smaller, to automated systems that replicate the custom experience in a scalable fashion.”

Chief Operating Officer
Survey Respondent

across company sizes. However, as strategies become more time consuming, complex, or novel, we see the likelihood of current implementation decrease. For example, while 23% of respondents have a fully implemented customer health score that is visible to all customer-facing roles, just 15% have fully implemented tailored dashboards that provide easy access to the critical information that informs customer health.

Which of the following strategies have you implemented? Indicate the current implementation status for each.



Generally speaking, this scale of complexity and implementation status is not surprising to see in an industry as new as Customer Success. The current status of these critical strategies will serve as a benchmark for the industry to compare itself to as it matures in the years to come.

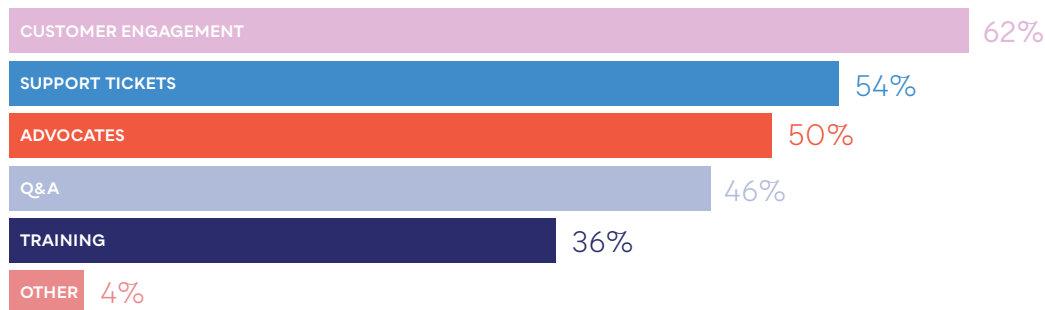
As the Customer Success industry matures, so too does the nature of how we interact with our customers. While just under 24% of survey respondents are using a Customer Engagement/Community tool today, we expect to see that number increase over time. And of those that do have a community tool in place, almost 62% are using their customer community for customer engagement.

Here's what this means: For many of your customers, the digital customer experience *is* the customer experience. They likely interact with you almost entirely online (as they do things like submit support tickets, tag your business profiles on social media, or visit your website), other than the few times they get to speak to their CSM.

This becomes even more true as you move from a white-glove, high-touch experience, to mid-touch, tech-touch, and so on. And as a customer gets further from a human interaction at your company, the looser their feeling of connection to you becomes.

So, a customer community can come in to help you create those personal bonds throughout their digital experience. It's the solution to scaling deep customer engagement. You're building a customer-facing hub that gives them the peer-to-peer connections and product education they need for success.

If you have a Customer Community, what are the purposes of the community?





Goals and Aspirations

The updates you provide to your Board of Directors, the mantras you hear repeated back from your team, and the areas that you wish were running a bit more smoothly are all critical to creating a mature, effective Customer Success practice. These factors indicate the priorities of the larger business and how Customer Success fits into them, as well as your impact as a leader.

It comes as no surprise that terms like “revenue,” “churn,” “retention,” “renewals,” “expansion,” and “growth” were among the most commonly used when describing priorities for an upcoming board update. These and similar terms were used by an overwhelming 67% of survey respondents. This is indicative of the market’s recognition that sales isn’t exclusively the purview of salespeople any longer.

What are your top two to three priorities for the next board update?



Tying Customer Success to your company's strategic growth (aka revenue) can be tricky to maneuver. Yet, for most Customer Success organizations, embracing a relationship with revenue is the only way to have a seat at the table as your company expands and evolves. To really prove your value to senior leadership, Customer Success metrics must have a direct alignment to revenue. Regardless of your organizational structure — whether Customer Success rolls up to sales, services, or you have your own discreet organization within the business — it's critical to demonstrate how Customer Success influences growth and impacts costs.

The criticality of revenue should not, however, diminish the importance of the customer. The term “customer(s)” was overwhelmingly the single most frequently used word throughout all three of our survey's open-ended questions, with 28% of respondents referencing customer(s) or client(s). This goes without saying, but the reality is that our work and our world is all about the customer! Their best interests should be at the center of everything we do.

OUR BIG MISSION:

“Turn customers into heroes within their organization”

Vice President
Survey Respondent

As for the big mission Customer Success teams are working towards, most of our survey respondents cited answers relating to the customer experience including satisfaction, growth, product value, and advocacy. This was followed by retention-oriented missions such as improving net revenue retention, customer references, and customer relationships.

If you asked someone on your team, “what is the big mission you’re working towards?”, what would you want their answer to be?



When asked what Customer Success teams wished they were doing better, many respondents cited wanting to improve how they access, use, and manage their customer data to better understand customer health and its associated risk. Deepening customer engagement was a top concern as well with respondents wishing to provide more proactive, frequent, and meaningful engagement based on prescriptive models and customer segmentation. And of course, as a top priority for majority of the Customer Success professionals surveyed, onboarding was heavily mentioned with teams desiring more consistent and automated onboarding, targeted training, and shorter time to value.

Conclusion

As Customer Success sheds its nascent status and takes on a more distinguished role within SaaS organizations, the function will need to embrace being held to a higher operating standard than ever before. 2020's volatile and unpredictable nature accelerated this maturity shift that was already in motion — pushing Customer Success teams into the deep end with a sink-or-swim ultimatum.

Fast-tracked by this functional reckoning, Customer Success organizations are advancing from their improvised practices and make-do mentality to enter an anticipated phase of refinement that spans across their people, processes, and technologies. But as their organizational power grows, so does their financial responsibility. Performance expectations will be more ambitious and revenue forecasts will have a smaller margin for error as Customer Success takes the center stage in SaaS.

For indicators of Customer Success' improving esteem within the organization, we look to their budget autonomy, reporting structure, and leadership seniority. As our study revealed, there's still room for improvement in these areas; most notably when we look at Customer Success' organizational influence. As SaaS organizations increase in size, the frequency of a CCO reporting directly to the CEO declines — a sign that the CCO role hasn't yet cemented its place in the traditional executive hierarchy.

And though a majority of our respondents reported routine collaboration with sales, product, marketing, and operations, that was not the case with finance. This may suggest a weaker relationship between Customer Success and the Chief Financial Officer (CFO), who is often regarded as the second most powerful C-suite executive. As such, this is an ally Customer Success should have on its side as a visible affirmation of its business value.

Turning to Customer Success' operational maturity, we see that as strategies become more complex, the likelihood of their implementation decreases. This tendency to shy away from operational intricacies may not be surprising since only about half of our survey respondents report having a Customer Success platform — a tool that's indicative of more sophisticated workflows and processes through its automation and business intelligence. And with better data usage and management being a popular answer among survey respondents when asked what they wish they were doing better, it's clear there's a mounting need for purpose-built software in this space.

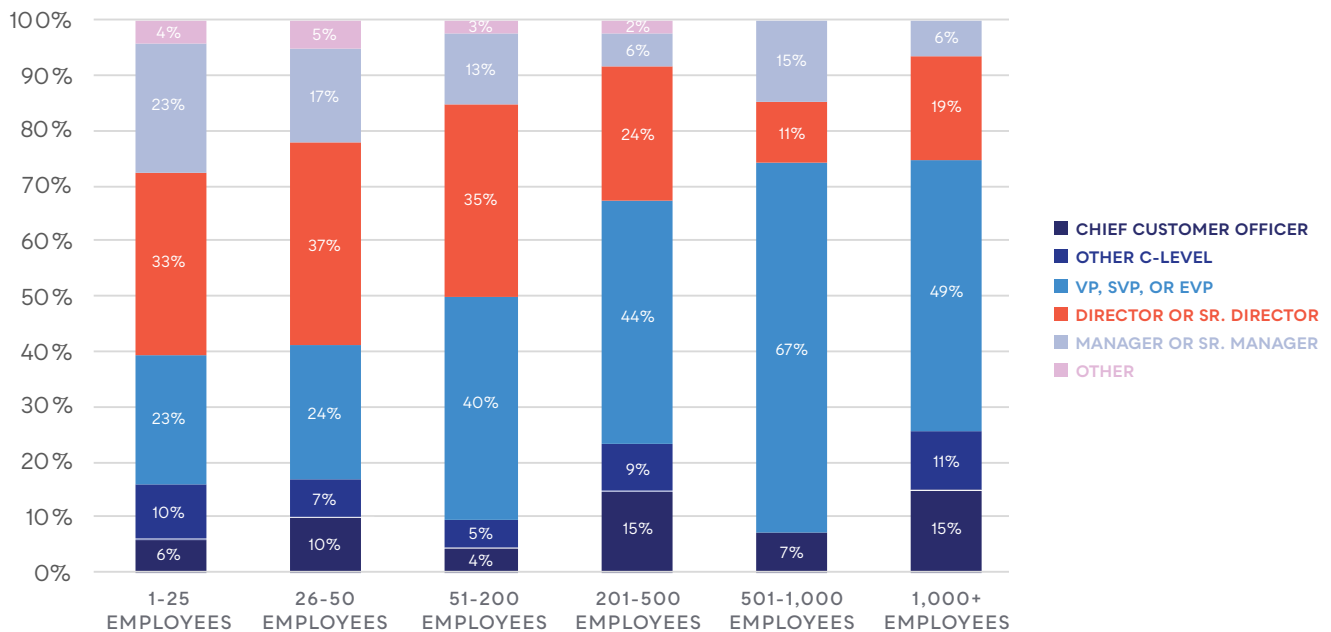
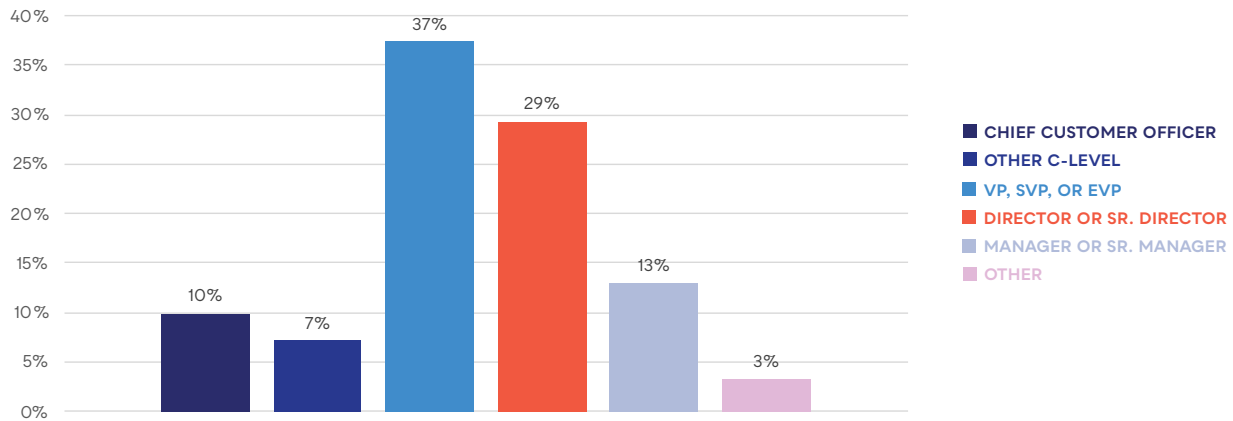
With today's technologies making direct access to customer data a common standard, Customer Success teams have never been better positioned to claim power within their organization. Through its growing ownership of revenue streams (renewal, up-sells, and cross-sells) and customer data, Customer Success is elevating its status and solidifying its rank by becoming *the* single source of truth on the customer.

Every SaaS business wants to better understand their customer base to become an indispensable part of their life and engender lasting loyalty. Customer Success' ability to surface and analyze customer insights makes them the best suited solution to this age-old problem.

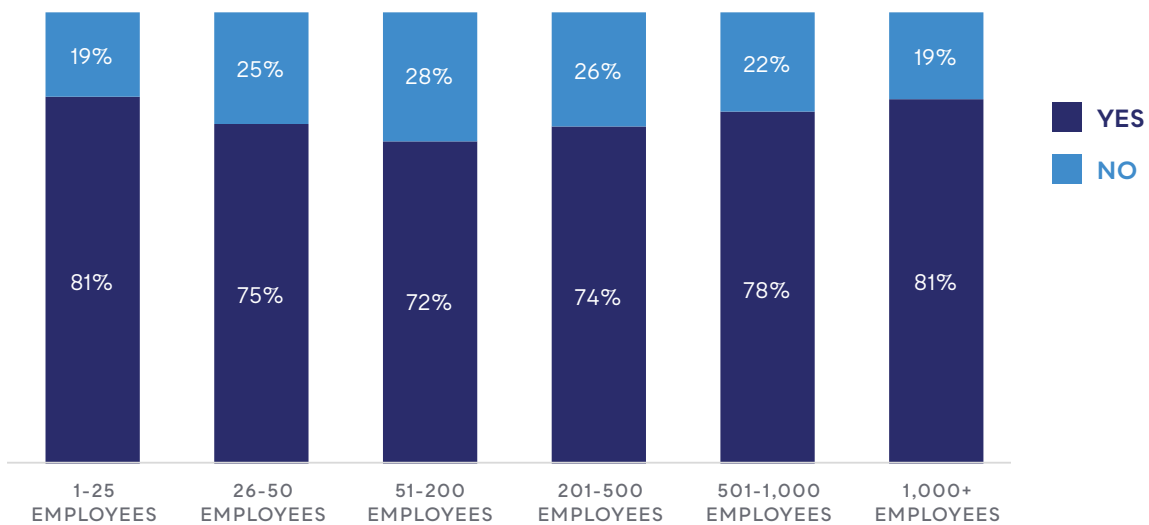
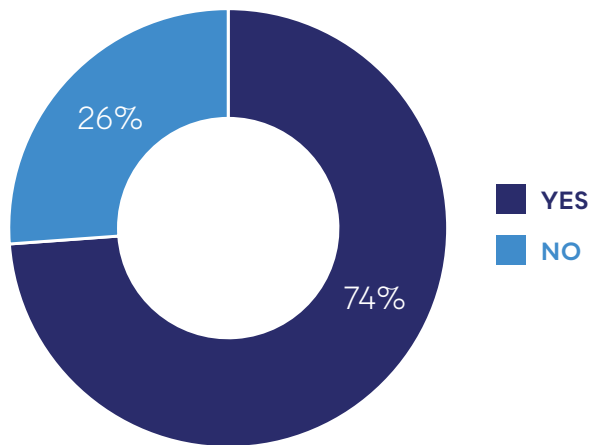
Appendix

Reference these additional charts broken out by organization size to better benchmark your team against others in the industry.

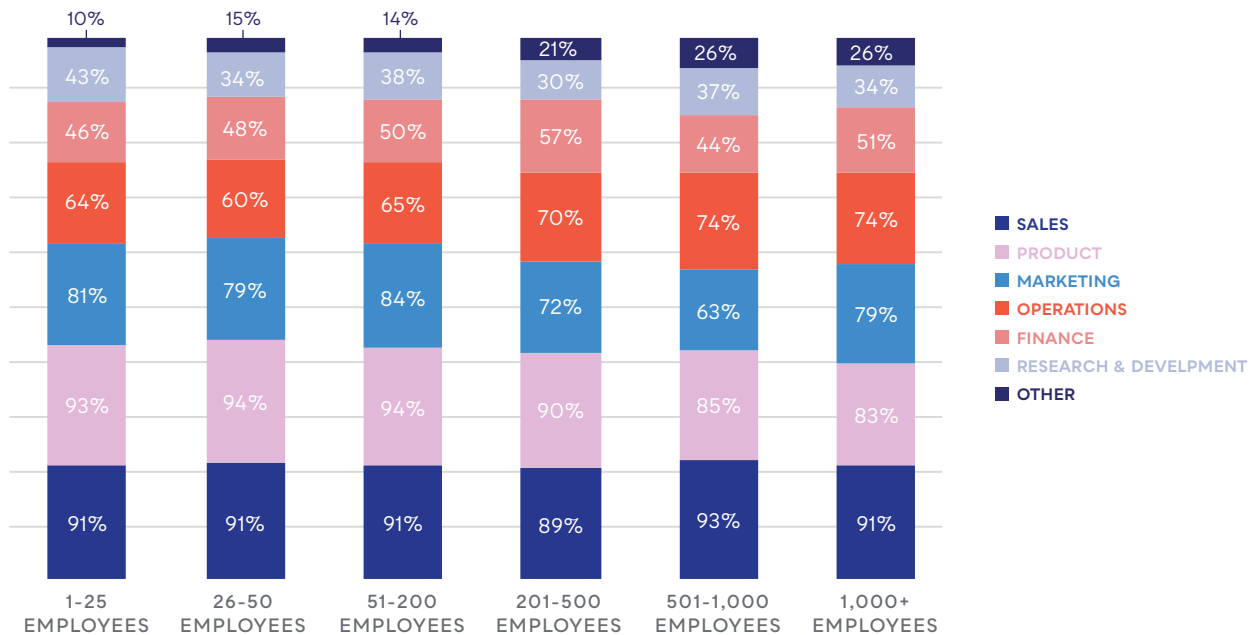
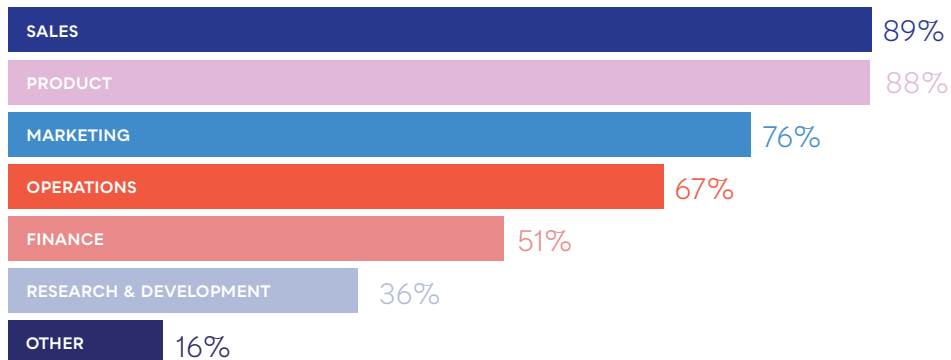
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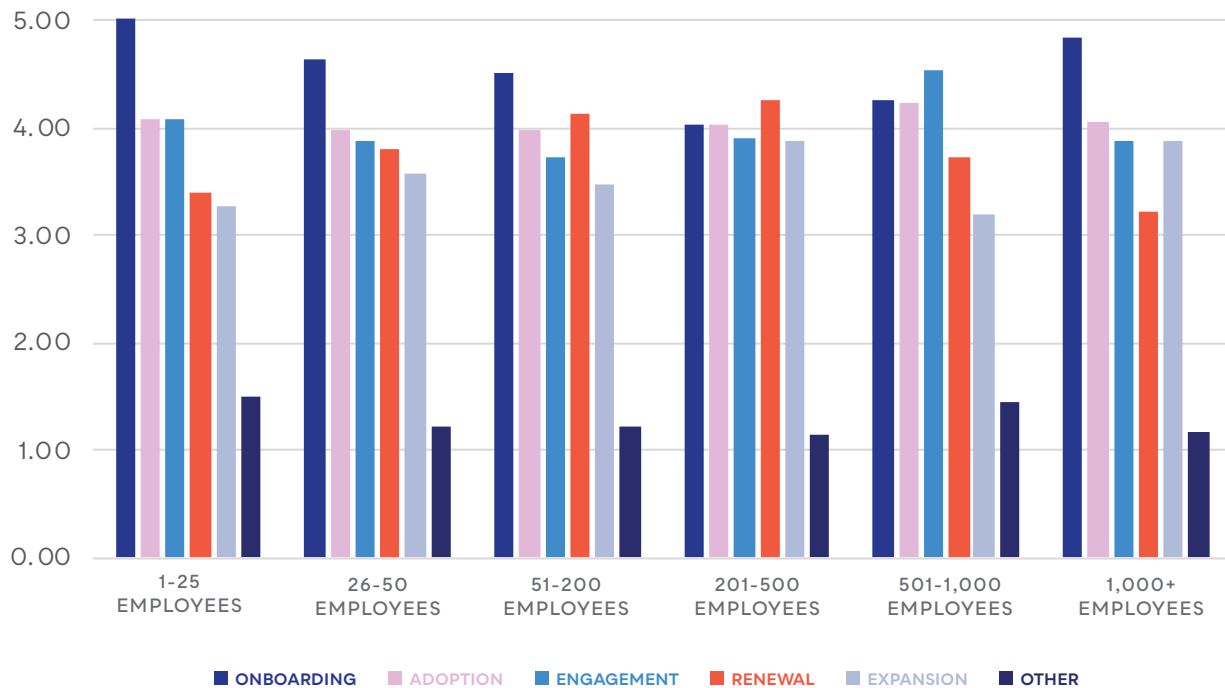
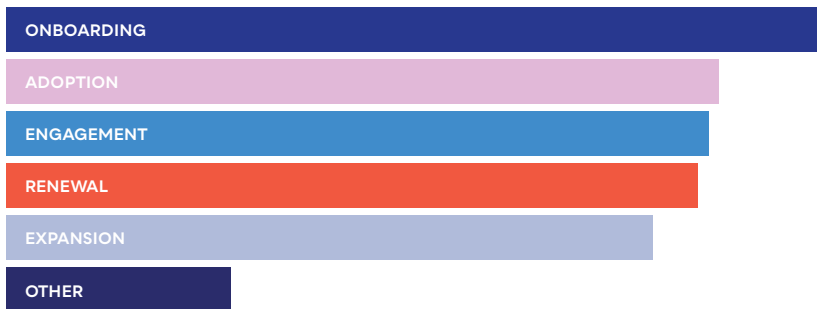
Does the Customer Success leader have a seat at the executive table and the ability to create budget?



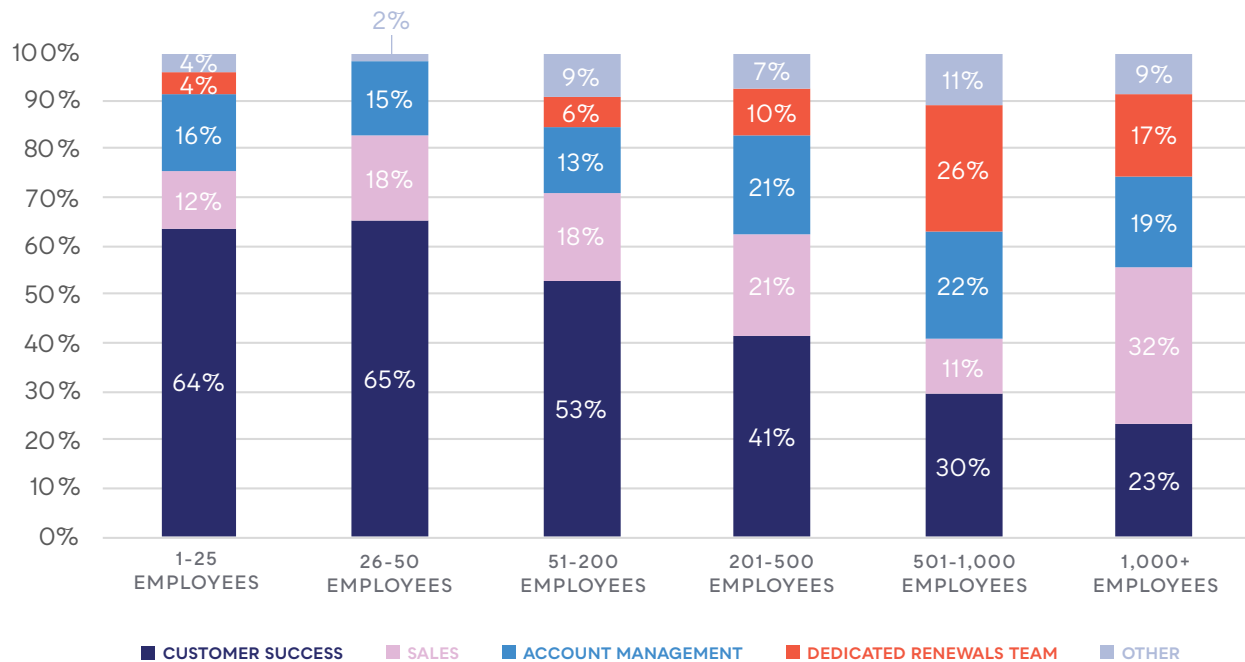
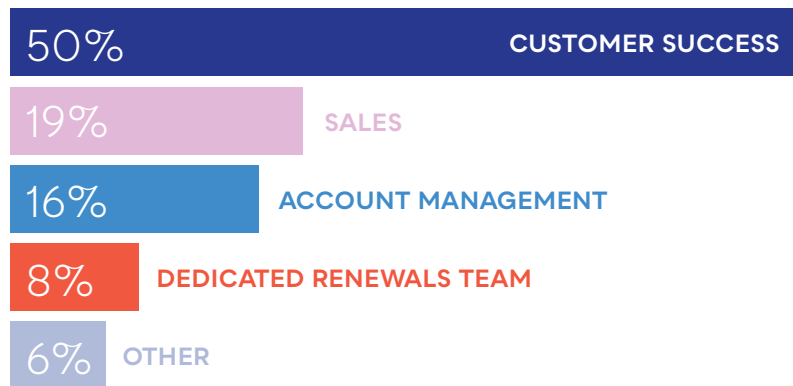
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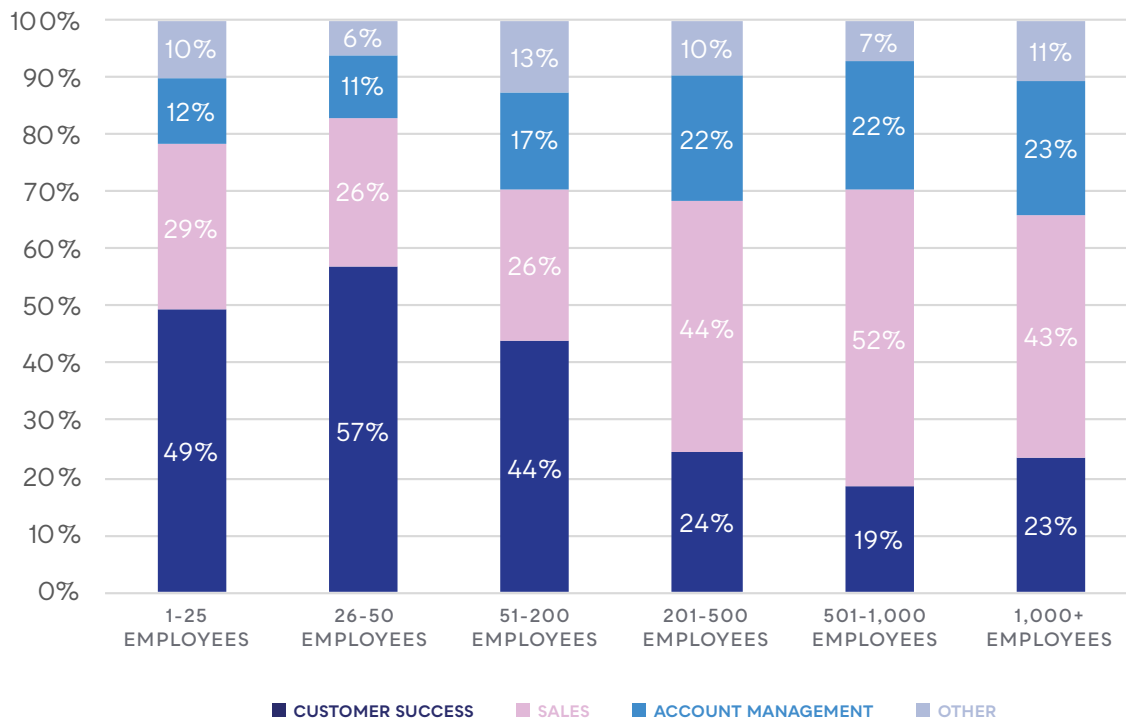
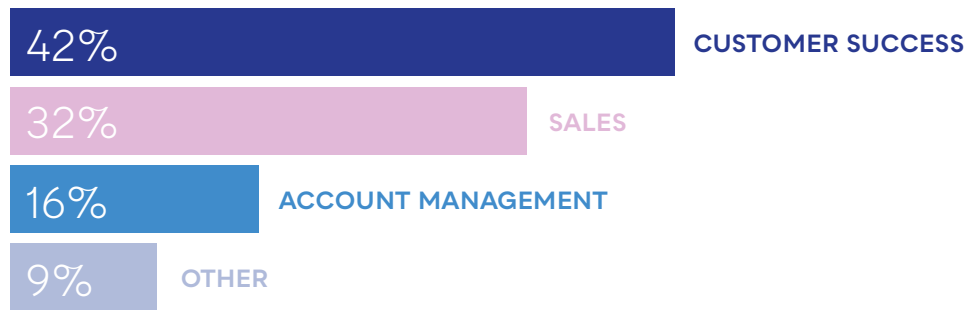
Which area(s) are tied to your organizational charter?
(Rank in order of priority with 1 being most important, 6 being least important)



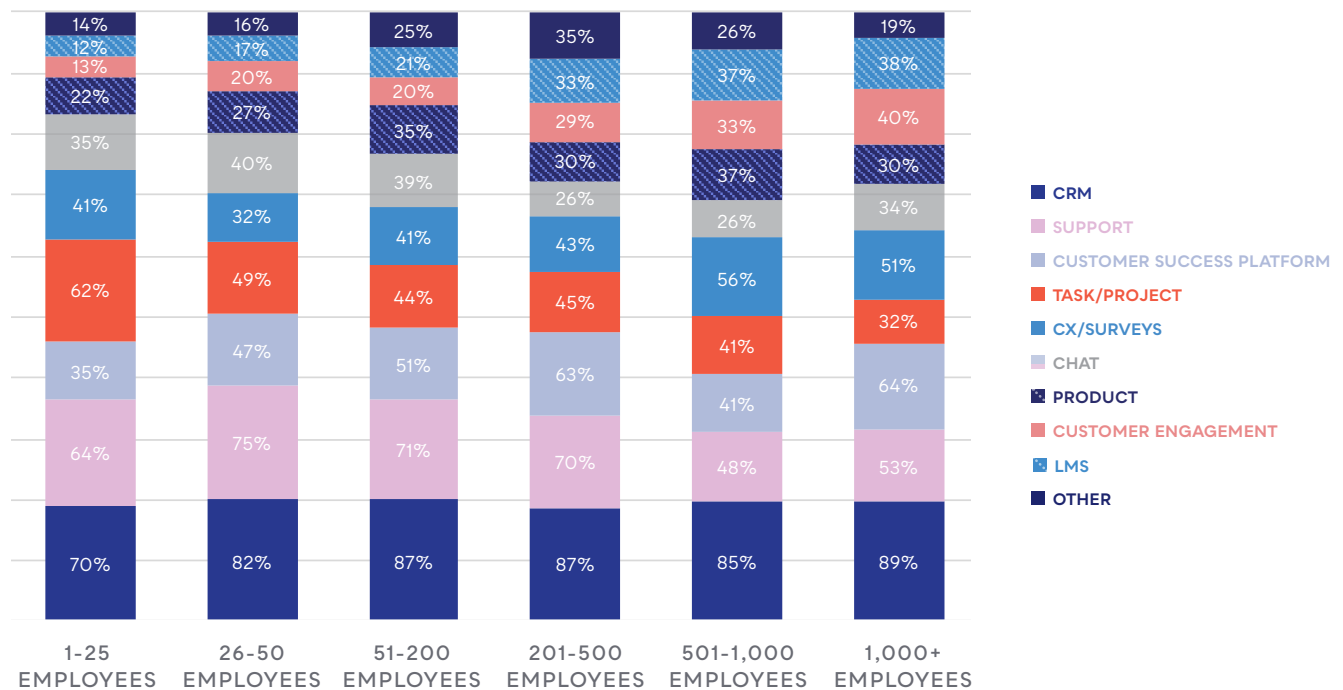
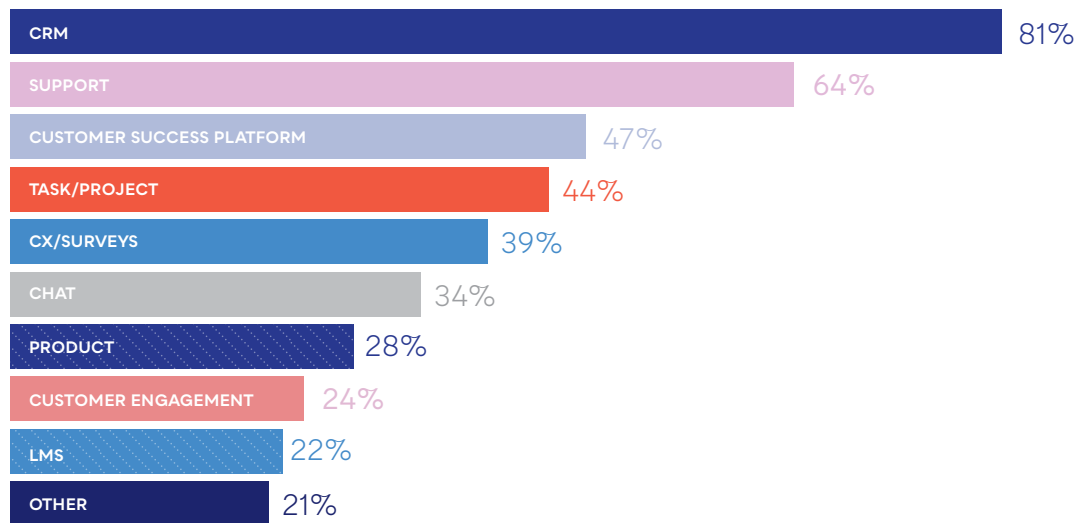
Who owns the customer renewal?



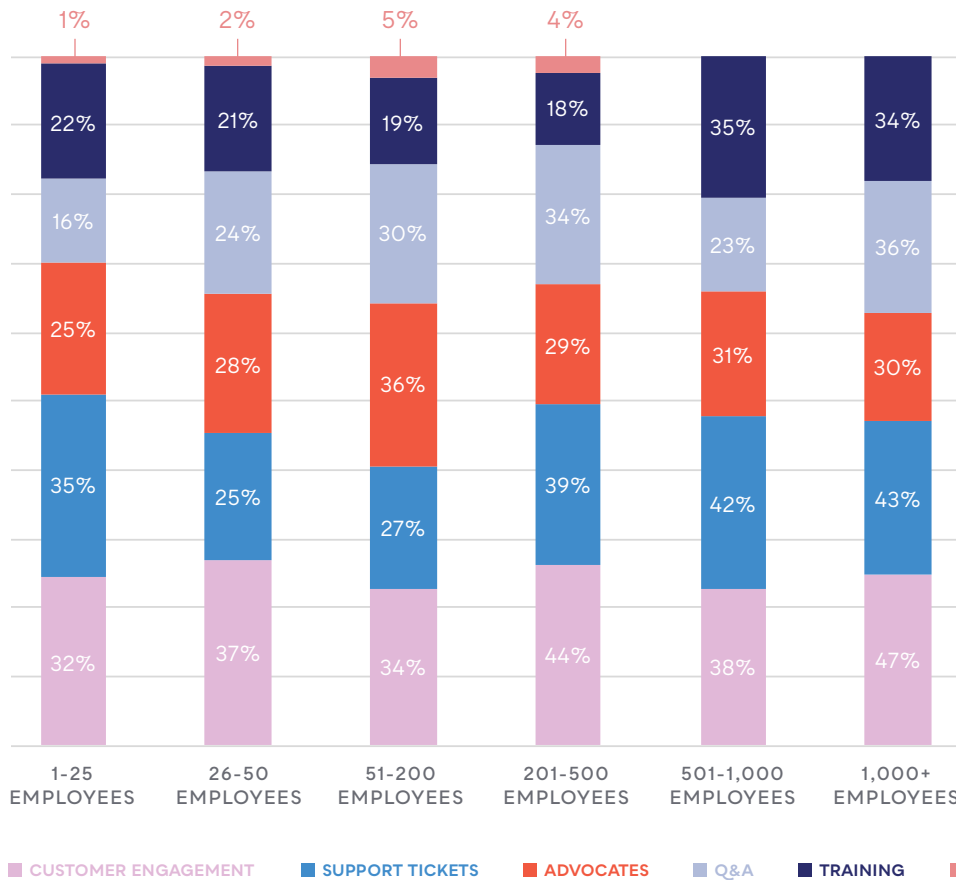
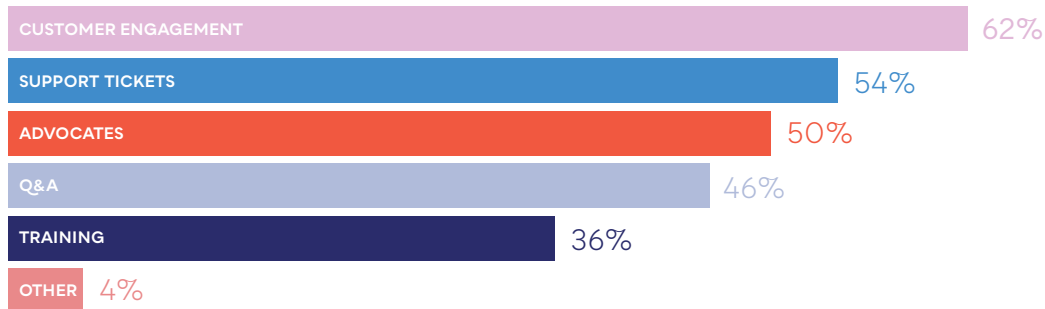
Who owns customer expansion (up-sell/cross-sell)?



What does your Customer Success tech stack look like?
Indicate the area(s) where you have a tool in place.



If you have a Customer Community, what are the purposes of the community?



About

ABOUT CHURNZERO

ChurnZero helps subscription businesses fight customer churn. Its software solutions allow businesses to understand how their customers use their product, assess their health and their likelihood to renew, and give businesses the means to personalize the customer experience through timely and relevant touchpoints. ChurnZero is headquartered in Washington, D.C. and is backed by leading angels and venture capital firms such as Baird Capital, Grotech Ventures and Middleland Capital. For more information, visit churnzero.net.

ABOUT ESG

ESG delivers Customer Success as a Service® (CSaaS), enabling you to build, operationalize, and transform your CS organization. We're here to help you improve metrics and accomplish your ultimate goal of reduced churn and increased retention. Our services combine consultation, process development, people, and automation to increase the capabilities of your Customer Success organization. Learn more at esgsuccess.com.

ABOUT HIGHER LOGIC

Higher Logic, the industry-leading, human-focused engagement platform, delivers powerful online communities and communication tools to engage your users at every stage of their journey. With Higher Logic, you get a robust platform plus over a decade of experience in building sophisticated community engagement programs. We serve over 3,000 customers and 50 million users across 21 countries worldwide and support 2.4 billion community interactions annually. Visit us at higherlogic.com.

