

# Customer Success: Our New Imperative

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Retaining and Growing Customers  
in the Subscription Economy



# Summary



In the subscription economy, your company's success depends on your customers' success. You have to earn customer loyalty every day!



Customer success isn't a department or role – it's a company-wide, customer-centric mindset, and you need a scorecard so everyone knows what position they play on your team and how the whole team is doing.



Becoming customer-centric takes organizational planning and time but you can jumpstart your efforts by ensuring your customer success initiative follows a few essential rules and best practices. Read on to learn more.

## INTRODUCTION

Customer success may seem like an obvious concept because it's essential to doing business. What company doesn't want its customers to be successful with its products? Yet customer success is a relatively new and rising corporate discipline – something many organizations don't have a good handle on.

Customer success is a business methodology, designed to ensure that your customers achieve their desired outcomes while using your product or service. By making sure your customers are wildly successful with your solutions, your company increases product or service use and adoption – ultimately boosting customer retention and growing customer relationships. It's a win-win. But for too long, customer success has fallen on the shoulders of your post-sales support and services teams when it should be a company mindset. Everybody in your organization should be responsible and accountable for your solutions effectively delivering on the promises your product, sales, marketing, and executive teams make. For B2B technology companies operating in the subscription economy, focusing on customer success is the path to ensuring growth and profitability.

# The New Drivers of Customer Success

So what's driving increased interest in excelling at customer success, and why has it taken B2B companies longer than other companies to embrace the discipline as a top priority? These two drivers help explain the momentum:

## New Expectations

Your customer's expectations have changed. They're no longer comparing their experiences with your products and services to experiences they've had with your competitors' offerings – they're sizing you up against the best customer experiences they've had everywhere. You can thank Amazon, Uber, and Netflix for raising the bar to a new level. Now your B2B customer experience has to be just as good – or better – because your customers expect nothing less.

Seamless, frictionless, and intuitive are what your customers anticipate their experiences will be like not only when using your products, but also when doing business with your company.

**Consider these findings from Salesforce and Walker<sup>1</sup> studies:**



of business buyers say their standard for good experiences are higher than ever



say the experience a company provides is as important as its products and services



customer experience will overtake price and product as the key differentiator



of buyers will pay more for a product or service if they receive a better customer experience

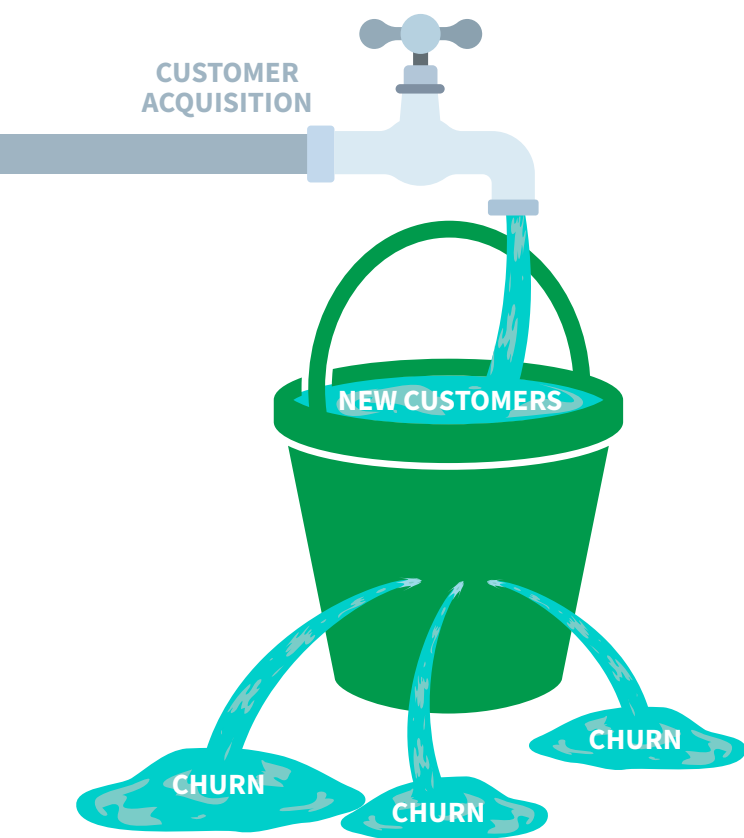


expect Amazon-like buying experiences, with 72% expecting vendors to personalize engagement to their needs

## Subscription Economy

A software company called Zuora coined the phrase “subscription economy” to describe a new business landscape – one where traditional pay-per-product (or service) companies moved toward recurring purchase business models. “At the heart of the subscription economy is the idea that customers are happier subscribing to the outcomes they want, when they want them, rather than purchasing a product with the burden of ownership,” explained Zuora.

How significant is the subscription economy impact on your customer success? In one word, **very!**



In the subscription world, your customers get to continually reconsider their loyalty – making it critical to provide superior end-to-end experiences to retain them. No company can afford to sell a product and stop engaging with a customer. Instead, you have to ensure all of your customers are using your products and services most effectively to prevent churn and create expansion opportunities. Customer renewal becomes key to ongoing relationships and revenue.

It's often easier (and definitely cheaper) to renew an existing customer than to earn a new one. Studies show increasing customer retention rates by 5% increases profits by 25% to 95%,<sup>2</sup> and that the success rate of selling to a customer you already have is 60-70% while the success rate of selling to a new customer is 5-20%.<sup>3</sup>

**The secret:** reducing churn, which requires a new level of customer engagement and collaboration across your organization. When there's cooperation everywhere, sales and marketing teams aren't systematically filling a “leaky bucket” – adding new customers only to lose them at a greater rate because there's not a customer-centric culture and practices are broken across the customer success ecosystem.



# The 3 Rules of Customer Success

As you set your organization on the path to becoming customer centric and delivering exceptional experiences that compel your customers to stay, three essential rules and best practices are worth considering.



## Rule 1. Customer Centricity

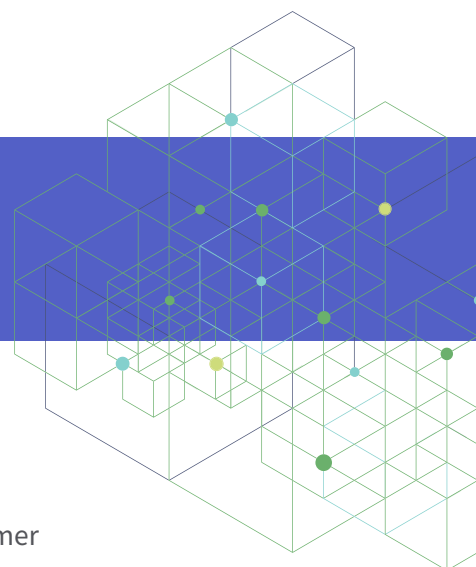
### Everyone has a role

A big part of driving a customer-centric culture is recognizing that customer success isn't exclusively owned by your services and support organization. Customer success is a team sport: everyone plays a position. Every employee interaction with a customer should contribute to your success. And everyone in your organization should be coached to look at their own initiatives from the customer point of view. Even one bad experience can be costly. Let's review the key positions core departments play:

### The Role of the CCO

The Chief Customer Officer (CCO) role is defined as “an executive that provides the comprehensive and authoritative view of the customer and creates corporate and customer strategy at the highest levels of the company to maximize customer acquisition, retention, and profitability,” according to the Chief Customer Officer Council.

The CCO is an emerging but increasingly important C-level job in organizations looking to drive a customer-centric culture. 10% of Fortune 500 companies and 22% of Fortune 100 companies included the role in their businesses in 2014<sup>4</sup> – and that percentage has continued to grow with the subscription economy.





## Services & Support:

This team sits at the epicenter of customer success, meeting post-sales needs that help ensure your customers are happy with your products and services. In the subscription economy, consider expanding the scope of this team to become a full-fledged customer success organization, focused not only on service and support delivery but also on owning the overall customer experience. Ideally this organization is led by a Chief Customer Officer (CCO) who serves as the organization's coach in moving everyone to a customer-centric culture (see inset).

## Sales:

Traditionally, sales organizations have been all about selling customers as much as possible, as fast as possible. Now your sales teams should be looking more closely at selling your customers the right deals for their needs, at the right time. The upside: successful customers are more likely to renew and buy more, sooner. So what's the optimal sales tactic for the subscription economy? Land smaller deals faster, support their growth, and renew them quicker. Additionally, focus on selling to the right customers, which are those aligned with your target market(s).<sup>5</sup>

Customer-centric organizations know and govern every customer touchpoint, ensuring communications are relevant and teams are aligned.

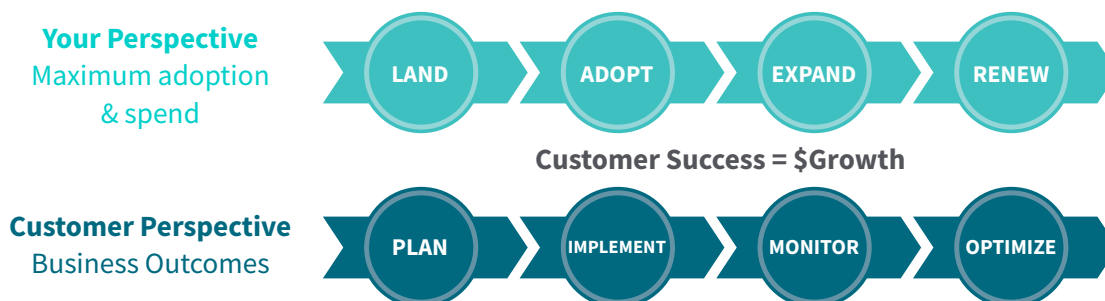
## Marketing:

This team uses a variety of channels – web sites, social media, events, and more – to regularly communicate with your customers and prospects. That means your marketers play a key role in building customer perceptions and ensuring experiences are positive. In the subscription economy, your marketing team must continually be focused on customer success with digital platforms and communications.

## Executive and Administration Teams:

Overly complex front and back-office systems and processes – across finance, legal, procurement, and more – can negatively impact customer success. Customers no longer want to do business with organizations that rely on paperwork and complicated transactions. Simplifying systems and processes to make customer engagement frictionless is key to customer success.

### Customer Centric vs. Organization Centric: TSIA Customer Engagement Models





## Rule 2. Customer Experience

### Mapping the customer journey and measuring key moments of truth

Customer-centric organizations know what it's like to walk a mile in customers' shoes because they've tried it. A great practice for your organization to get started is to map your customer journey and measure how your business is doing at key points. When you do this right – using a corporate dashboard – you gain more insight into what's important to your customers. This then allows you to prioritize technology or process improvements that will yield the most impact for your customers – all of which improves renewal and expansion rates for you.<sup>6</sup>

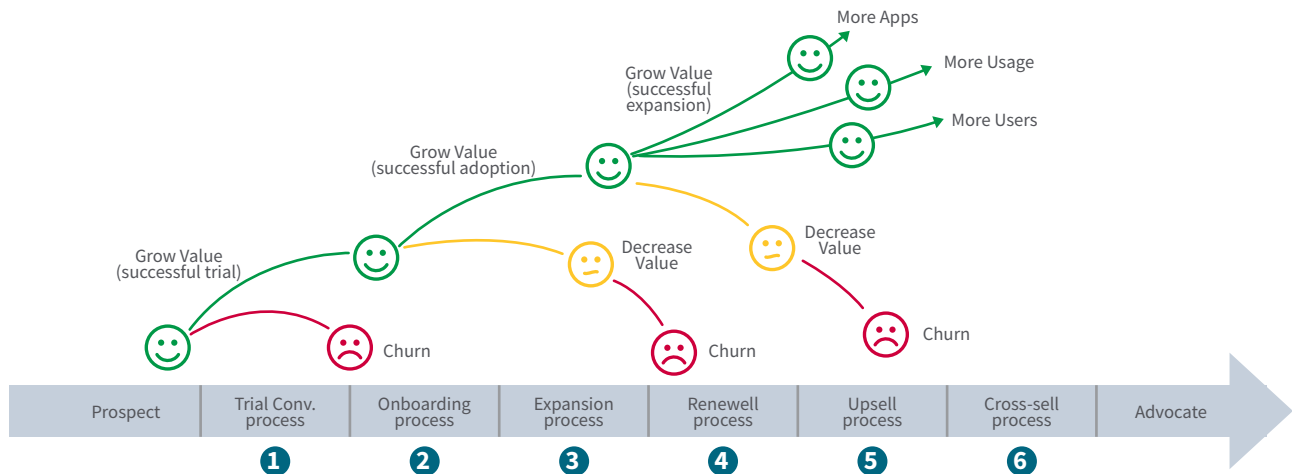


**“Customer journey mapping is what successful companies do.”**

— Phil Nanus, TSIA



Customer success solution company Totango<sup>7</sup> explains the customer mapping journey this way: “This process comprises tracking, measuring, and monitoring customer health at every stage, predicting issues before they occur, and providing course correcting to ensure the delivery of continuous business value.” Illustrated below, the process is designed to drive activities and outcomes as well as help you monitor progress during each phase to prevent customer churn and create expansion opportunities.



### Onboarding is the most important moment of the journey

In a subscription economy, onboarding is your make-or-break moment. If after a month, a customer hasn’t put your product to use, they may decide not to and move on to something else. For your customers to be successful, you have to get user onboarding right!

Studies show early investments in onboarding don’t just improve your active customer count during that period; there’s a multiplying effect. Improvements in week one retention, for instance, will cascade over time. Customers who previously would’ve dropped out during the trial period, now activated, are retained through better onboarding and deliver monthly revenue for the entire year or more. That lifts your revenue for every month throughout the year.<sup>8</sup>

What makes a user onboarding experience successful? According to the TSIA customer engagement model, the most common definition of a “successfully onboarded” customer is first time to value. The sooner your customer gets the desired value from your product, the better. The most appropriate onboarding model varies from company to company, but here’s some guidance. The greater the complexity is in your platform or solution, the more you need a prescriptive workflow-driven approach (a customer journey mapping exercise is a good start). With less complex solutions, you can drive onboarding and repeat purchases at scale – for example, by encouraging “in app” experiences, showing videos, providing guides, etc.

**Every Software as a Service (SaaS) company has a make or break moment. And it’s called customer onboarding.”**

— Shayla Price, Entrepreneur Magazine



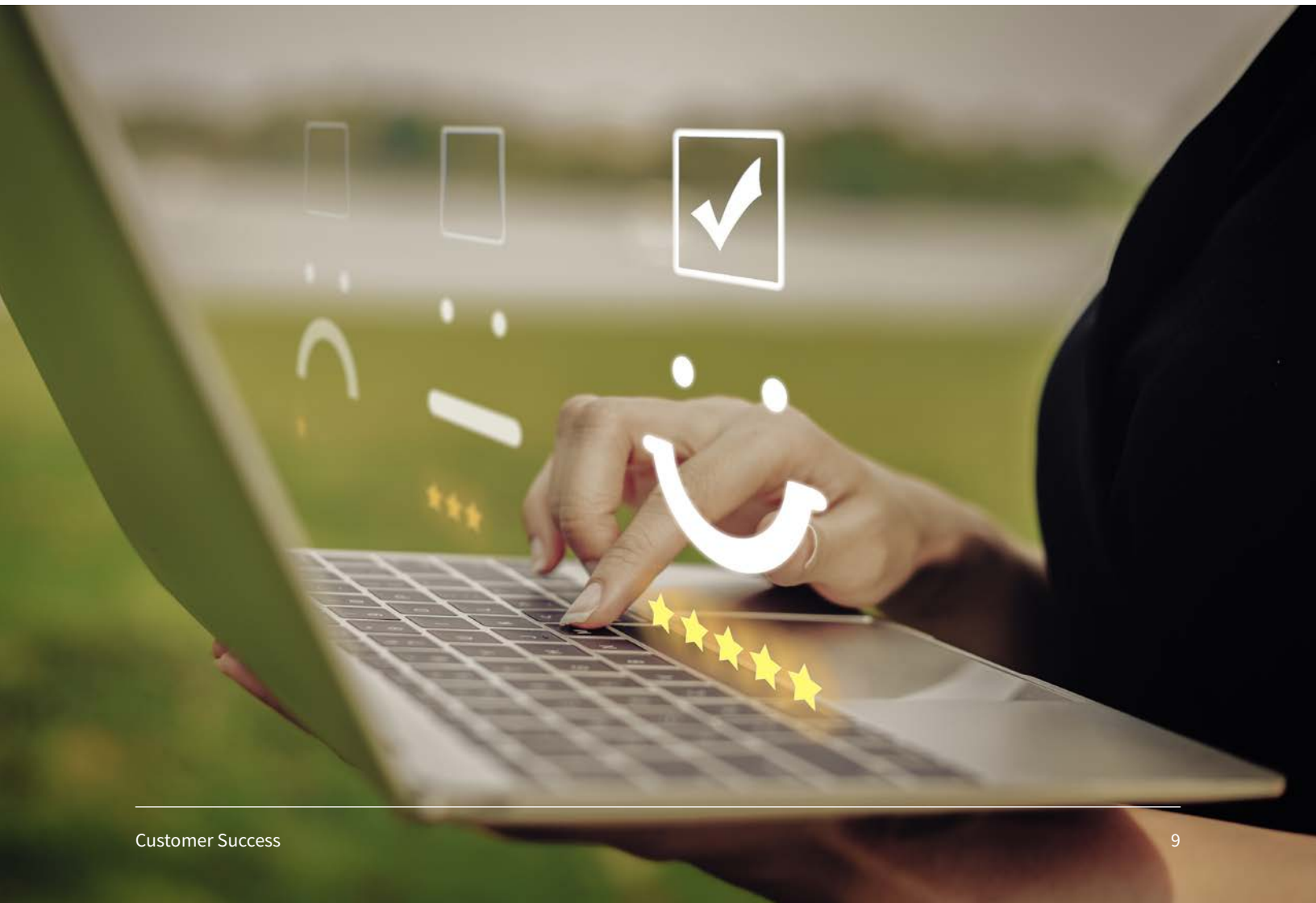




## Rule 3. Customer Value

### Customer success isn't one-size fits all

Most of your customers will need some level of service (whether it's training, consulting, or support) to ensure success, but not every customer requires the same attention. Giving customers a path to success that's right for them through a prescriptive approach that's marketed well helps ensure the right offering for the right customer segment, at the right time. Here are some best practices to consider:





- **Sell and deliver a full solution** – With this model, you combine the software you sell with packages of best practices and strategies, including appropriate implementation, support, and learning services to reduce time to value (TTV) and maximize customer ROI. This model also requires your value-add channel to scale from a delivery standpoint.



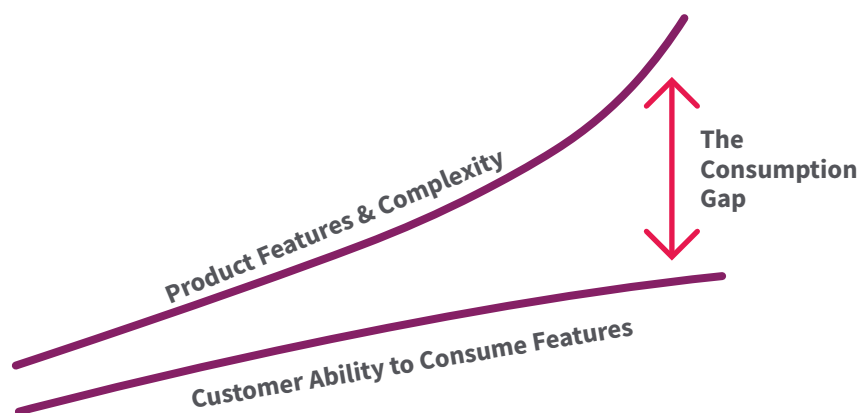
- **Map nurturing and learning content to roles and the user journey** – This model centers on offering the right assistance for the right role, at the right time in each end-user journey. Content should be directly aligned and integrated into all customer success ecosystems, including onboarding.



- **Build a tiered program for all customers** – With this approach, you adapt your engagement model to the size, complexity, and strategic alignment of your customers. Start at the top of your customer hierarchy with assigned Customer Success Managers and provide support all the way to your smallest, newest customers with a full digital account management plan. It's important to actively manage all of your customer relationships through the entire lifecycle.

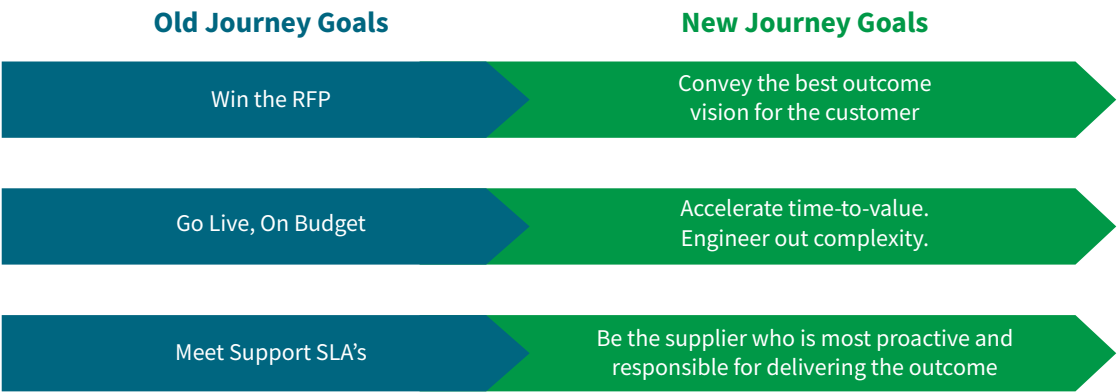
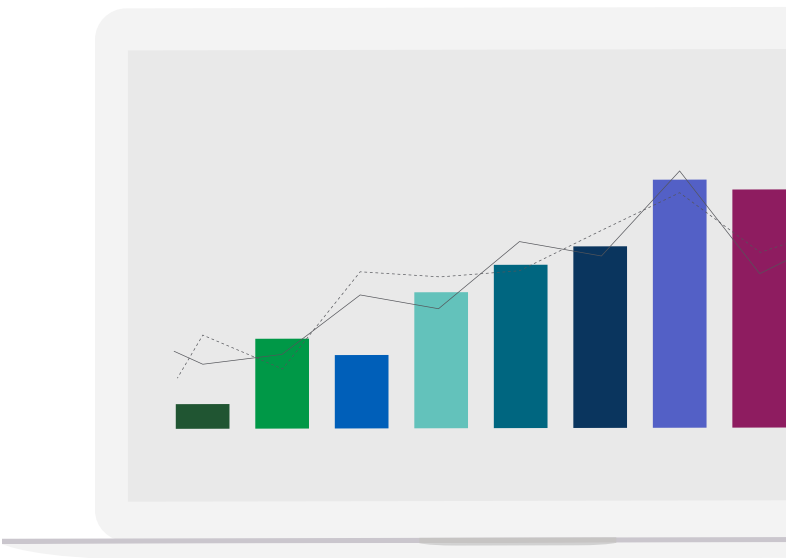
### Customer outcomes outweigh product features

Product innovation is important. Yet while customers that buy your brand should care that your organization continues to invest in product development to further improve and evolve your products or services, at the same time, product features are no longer the end-all and be-all for engagement. Past studies suggest users only take advantage of a select number of features in software applications.

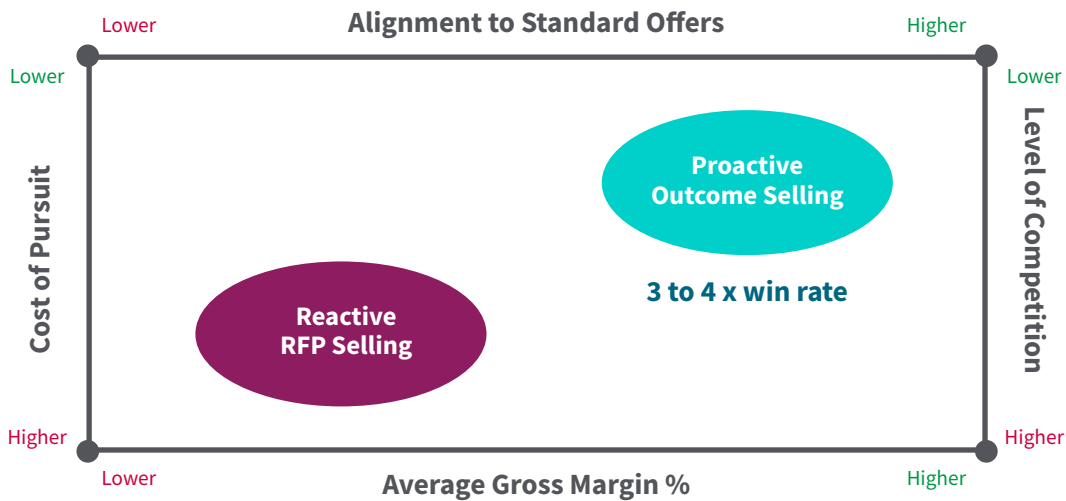


TSIA predicts by 2020, 80% of new technology spend will sit with business buyers: “These buyers don’t want to talk about product features and functions, they want to engage with companies and individuals who can explain how a proposed solution will contribute to the achievement of their priority business outcomes.” In its recent study, TSIA found 92% of senior sales executives believe they need to adapt their customer engagement model to outcome-based selling over the coming 12 to 24 months.<sup>9</sup>

That new selling model is illustrated as follows:



The same study shows an outcome-based approach yields terrific upside not only in win rate, but also gross margins. The findings are illustrated in this chart:



# Measuring Customer Success

Successful customer success initiatives and organizations take a data-driven approach. They're prescriptive and proactive because they measure key performance indicators and behaviors.

## Product Telemetry

Product telemetry – a great resource for product development and proactive support – provides critical information into how and how often customers use your products and services. In the subscription economy, you can't afford to wait for your customers to contact you if there's a problem. You need to be able to proactively recognize and address issues before it's too late and your customer has churned. Telemetry can help you measure usage frequency – no use in one week? Maybe the person is on vacation. No use in one month? Maybe you should reach out... Telemetry also helps you measure adoption as well as the impact of training and consulting.

Today, most companies are still operating in the dark. TSIA's recent XaaS Product Management Practices Survey reveals "just 15% of product management teams use available product adoption analytics for product roadmap decision making. Customer success teams in these same companies are craving the insights that only telemetry can provide to guide their customer engagements and influence adoption."<sup>10</sup>

## What's Telemetry?

"Telemetry is the automatic recording and transmission of data from remote or inaccessible sources to an IT system in a different location for monitoring and analysis. In the software development world, telemetry can offer insights into which features end users use most, detection of bugs and issues, and offer better visibility into performance without the need to solicit feedback directly from users."

— Stackify

## Churn Analytics

When it comes to customer retention, it's imperative that you understand why your customers renew and why they leave. Your customer success program must include analytics around customer churn: developing and maintaining an application that allows you to analyze the reasons behind churn and derive actionable insights. This is one of the most important initiatives to drive as you begin your journey to becoming a customer-centric culture. That's because you can't affect change in the way you deliver customer success if you can't analyze why customers churn. Consider also gathering qualitative data by performing win and loss interviews with select customers. These are typically executed by third-party firms and use vendor-neutral lines of questioning.



## Voice of Customer

A strong voice of customer program, including surveys or interviews, directly tied to customer success will also help you gather (and act on) critical feedback. According to Gartner, 95% of B2B companies have a voice of customer mechanism. But only 35% take action on that feedback.<sup>11</sup> That's a huge gap.

### Here are some best practices to consider:

- Ensure your survey processes are aligned and streamlined across your organization – the last thing you want is for your customers to receive different surveys from disparate systems, dispatched by different parts of your organization
- Pay close attention to the cadence and timing of your survey dispatch – launch a customer survey at key “moments of truth” (for example, 90, 180, 270 days after purchase)
- Pick the most efficient methods to poll your customers – sometimes a simple thumbs up/down format at the point of use can be equally revealing

## Key Metrics

Several metrics are important to include as you look to measure key performance indicators for customer success:



- **Time to value (TTV)** – This is arguably the most important metric. What is the average time period until your customer gets value from your product? How does that compare to industry standards?



- **Net renewal rate** – This is the rate at which customers are renewing and expanding. It differs from Gross Renewal Rate, which only shows the rate at which customers are renewing and does not take expansion into account.<sup>12</sup>



- **Customer retention rate** – This is a measure of customer retention in terms of number of customers lost, not revenue lost.



- **Customer health score** – This metric calculation can vary from one company to another, but it is designed to measure a customer's overall success with a product. Typical KPIs can include login activity, feature usage, support history, subjective inputs, etc.<sup>13</sup>



- **Annual recurring revenue (ARR)** – This metric captures the money that comes in every year for the life of a subscription (or contract). More specifically, ARR is the value of the recurring revenue of a business's term subscriptions normalized for a single calendar year.<sup>14</sup>



- **Net Promoter Score (NPS)** – This score measures and evaluates customer loyalty by asking a simple question: “On a scale of 1-10, how likely are you to recommend the product/service to a friend?” Responses are sorted into three buckets: Promoters, Detractors, and Passives. NPS is a reliable leading indicator of future customer behavior, including renewal, expansion, and advocacy.<sup>15</sup>



- **Customer satisfaction score (CSAT)** – This is a measure of short-term customer satisfaction with a business, purchase, or interaction. It's calculated by asking a question, such as “How satisfied were you with your experience?” There's a corresponding survey scale, which can be 1 – 3, 1 – 5, or 1 – 10.<sup>16</sup>



## Conclusion

As you evolve your organization's operations and execution for the subscription economy, it's simply good business to embrace a customer-centric, continuous improvement mindset. And remember, change is a journey, not a short race. Pace your teams and do things right. That's what we're working on at Qlik as we master the 3 rules of customer success, continuously improving how we serve and enable our customers. In our industry, it's common for companies adopting analytics solutions to face a plateau in their journey, challenging their ability to drive ongoing value from the investments they've made – and therefore hampering their success with our software. This is a result of their ability to drive adoption of the solutions deployed, the overall data literacy of the organization and therefore the consumers of the analytics capabilities deployed to them, and their ability to go beyond the initial vision and business use case they originally set out to achieve. At Qlik our Customer Success Organization sets out to proactively work with customers to identify future opportunity and break down barriers in each of these areas. Thereby driving successful outcomes at every step of their journey, now and in the future.





## About Qlik

Qlik is on a mission to create a data-literate world, where everyone can use data to solve their most challenging problems. Only Qlik's end-to-end data management and analytics platform brings together all of an organization's data from any source, enabling people at any skill level to use their curiosity to uncover new insights. Companies use Qlik products to see more deeply into customer behavior, reinvent business processes, discover new revenue streams, and balance risk and reward. Qlik does business in more than 100 countries and serves over 48,000 customers around the world.

[qlik.com](https://qlik.com)

<sup>1</sup> State of the Connected Customer (Salesforce, 2018), Customer 2020: A Progress Report (Walker, 2013)

<sup>2</sup> "The Value of Keeping the Right Customers" (Harvard Business Review, 2014)

<sup>3</sup> "Customer Acquisition vs. Retention Costs – Statistics and Trends" (Invesp)

<sup>4</sup> CCO Council CCO Study (2014)

<sup>5</sup> The 10 Laws of Customer Success (Gainsight)

<sup>6</sup> "How Customer Journey Mapping Improves the Customer Experience" (Phil Nanus- TSIA- September 2017)

<sup>7</sup> "How to Map the Customer Journey" (Totango)

<sup>8</sup> The Cost of Keeping Your Customers (customer.io)

<sup>9</sup> Making the Move to Outcome-Based Selling (TSIA- 2018)

<sup>10</sup> "Putting Telemetry on the Long Finger" (Laura Fay- TSIA- October 2018)

<sup>11</sup> "The 3 Essential Elements of a Modern Voice of Customer Program" (Gainsight)

<sup>12</sup> "How to Calculate 6 Key Customer Success Metrics" (Gainsight- 2018)

<sup>13</sup> "Customer Success Metrics" (Natero)

<sup>14</sup> "Annual Recurring Revenue" (Zuora)

<sup>15</sup> "How to Calculate 6 Key Customer Success Metrics" (Gainsight- 2018)

<sup>16</sup> "What is Customer Satisfaction Score (CSAT)?" (Hubspot)