Customer Success as a Service®

"Judge Taney can do many things but he cannot change the essential nature of things, making evil good and good evil." - Frederick Douglass, American social reformer, abolitionist, orator, writer, and statesman

The tech industry is experiencing the kind of turmoil it hasn't seen in over 20 years, since the dot-com boom and bust and the aftereffects of 9/11. For all kinds of reasons – including pandemic-related economic and societal fallout, tectonic demographic and labor market shifts, opportunistic wars, and climate change and its effects on our world and on our economies – credit markets today have contracted. Inflation and interest rates are on the march, and as a result, individual and institutional investors, private equity firms, and venture capital funds are spooked. Many large banks are too, the memories of 2009 not far enough in the past for them to dismiss signs of trouble.

This has all culminated in a choking of money supply that many companies rely on, not only for funding expansion, but for day-to-day operations too. So much uncertainty makes it nearly impossible for business leaders to predict what's next. Even sure-bet and steady Salesforce expressed in its guidance last month that "it is not possible to forecast future gains and losses".

We've seen market contractions in the past, of course, and it's a cliché to refer to the economy as cyclical. There is an important difference, in my view, this time around, yet many executives are reacting reflexively by quickly paring back expenses in the face of falling, or at least, slowing revenue. They feel they have no choice. Granted, the math is hard to argue with and it looks as if many executives are doing this exact exercise. As proof, PWC reports that 50% of companies in the US are planning layoffs.

TikTok and Snap are the latest companies to report workforce reductions as of this writing. The advertising business is collapsing.Ads . Those not-so-subliminal messages that convince us to buy, buy, buy. Seemingly, they're not working anymore. The uncertainty can make one throw up their hands. I mean, if ads don't work anymore, that tried-and-true strategy that's powered commerce since the day the printing press emerged on the scene, how can anyone say with any degree of confidence that they know what's coming next?

The important difference this time

While the conventional management levers of selecting and cutting make sense on the surface, there's a critical consideration for executives about today's environment that should give them pause before doing so. The cloud of today is not the cloud of 2009. It powers business infrastructure and provides

the means to extend what we know of as the subscription economy now in a way that it simply did not then. The power dynamic of customer and provider is different than before, and there's no reason to think that will change going forward. Even if we cannot predict what is going to happen next, we can say with a high degree of confidence that customer expectations, ratcheted up by the features of speed, flexibility, and choice inherent to cloud technologies, are not going to diminish. The genie is out and the wishes they grant seem limitless. If you're a business executive, are you sure that cutting back indiscriminately is the best decision at this time?

And yet, cutting back on expenses seems to be the de facto response – something that most of us have no choice but to accept – and that means executives are paying closer attention to departmental margins. They believe this gives them a tool for assessing each area of their business and for making decisions around prioritizing organizations based on not just how much each costs to run but also on…

Guess what?

Their revenue-generating impact.

Margins bring uncomfortable attention for Customer Success

This level of scrutiny brings Customer Success (CS) into uncomfortably sharp relief in most companies. The reason it's uncomfortable is the same reason our colleagues in Marketing always feel dry mouthed, like their breathing is being constricted during a downturn. While Marketing is a department not typically included in the cost of goods sold (COGS) bucket (a key difference from CS), it has historically struggled with drawing a clear and direct line between the effort it expends and the revenue flowing into the company. So, they frequently become the easiest first strike by executives during periods of economic uncertainty.

Sales has no such difficulty in proving their connection to revenue. What they do or don't do is what we see. On the other hand, Customer Success has always struggled with that not-so-small attribution point, much like Marketing. CS usually shouts that it's a vital function for retaining customers. It makes the case that of all the provider's organizations, it is best positioned to be the customer's trusted advisor. It argues that it lays the groundwork for strengthened relationships with customers that can lead to investment expansion. It even tries to say that without it, the company would struggle to ensure its products and services reflect the real needs of customers.

These might all be true for some Customer Success organizations in some companies. But it's not true for most Customer Success organizations in most companies. If it were true, we wouldn't see research like this that shows customer retention has dropped 22% over the last three years of surveyed companies. Or this one from Deloitte that showed that "a mere 25 percent of customers today consider solution providers to be their trusted advisers". These sorts of damning statistics make it very challenging for Customer Success leaders to stand behind those claims mentioned earlier. It would be so much easier if they were armed with proof when they walked into those conversations.

2

Clear, measurable, reportable proof that the efforts of their Customer Success organization and its engagement model are what made the difference when a customer decided to renew or grow the financial relationship. Until that capability to draw a direct line is established, Customer Success organizations will always be subjected to the klieg lights of executives looking for the most obvious candidates for cutting back.

There are many forces that can influence an executive's decision to cut the company's Customer Success investment, but it is logical to think that if CS leaders were able to provide that missing proof, they would be much better protected from the headwinds we're feeling in this rapidly evolving business world. Especially since there's potentially more to come. It's better to be within a solid structure that's built using sound principles and methods, and that operates efficiently in a predictable and reliable way, than to be in one that has mismatched material and is constructed around a frame that is out of alignment and not square. (Some time ago, I wrote an article about the cabin in the woods I built myself 30 years ago. While the cabin is still standing, the article, unfortunately, is not.)

Time squandered

You would think that CS leaders would be accustomed to rapid change – for years being at the forefront of so much of it – to market, technology, and customer-induced change. But, like the rest of the business world, CS leaders enjoyed the environment of easy money and seemingly endless growth, one that meant there was little attention paid to the quaint notion of accountability. Accountability was the perpetual pot on the back burner. Everyone knew it was important to get to but there were too many other, more pressing, concerns. The seemingly bottomless pots of customers and oceans of investment dollars hypnotized companies into believing all they had to do was to pursue quick go-to-market strategies. If customers struggled, there were always organizations populated by "rockstars" like Support and CS that would fix them up and get them going again. The prevailing view seemed to be all about driving up valuation. It didn't seem to be about building enduring value as a company.

We can say that CS was a victim of circumstances, but whether that's true or not is beside the point. How should CS leaders be thinking about their situations now? If they (we) want to be successful, I argue we should be thinking first, like businesspeople. We should become very comfortable with understanding that the purpose of Customer Success is to ensure customers successfully achieve the outcomes they expect *so that they make decisions to renew and expand their investment.* If we think like this, the answers to many of our challenges might be right in front of us.

For a start in moving towards a very basic mindset for business, CS leaders should ask ourselves these questions:

- Over the last couple of years, did we focus on building a CS practice that has empirically measurable outcomes?
    - Are we able to track (in a centralized data storage location) how well our customers are achieving the milestones detailed in the mutually agreed upon success plan?
    - Has that capability allowed us to put in place the building blocks for eventually being able to accurately report to our top executives the Lifetime Value (LTV) of each customer, a metric that can be used to inform strategies for Sales, Marketing, Support, and Product?

3

- o Has that capability allowed us to build a program for benchmarking our customer cohorts and to leverage those insights so that we can provide more precise and specific guidance to more of our customer base, and even to extend its benefits to Sales and Marketing so they might reimagine and repurpose it in the sales process?
- Are we able to maintain a healthy margin over many consecutive quarters?
- Did we build a scalable mechanism for listening to signals and feedback from customers? Is it a mechanism that we programmatically leverage to improve our CS service and to assist our Support, Product, and Engineering teams in their efforts to improve the company's services and products?
- Can we say with a high degree of confidence that we know how much effort and what kind of effort is required from our customers to implement and adopt our solutions?
- Can we say with a high degree of confidence that we know how much effort and what kind of effort is required from us to drive higher rates of retention and expansion?

Now put yourself in the CEO's or CFO's shoes. If you were them and if you were to probe your CS leader in an effort to understand the value of the programs they built, would positive answers to these questions convince you that the CS organization was valuable enough to save? If CS leaders can't answer "yes" to these questions, then it should come as no surprise to those same CS leaders that this suggests (although doesn't confirm that the CS organization is probably of questionable value to the company.

Glinda told Dorothy in *The Wizard of Oz*, "You had the power all along, my dear"

It's important to look at each of those questions and to notice that the control for answering "yes" to each has always been with Customer Success. To answer "yes" to any of the questions does not require the participation of any other organization. It some instances, it does require approval from other areas of the business, and their cooperation and collaboration may certainly be a nice-to-have, but none of the building or the execution of these items requires that other organizations participate, at least at the base level, which is the level where your proof is established.

The good news for CS leaders that are worried about whether they can provide the proof is this: It's not too late. There is a large market out there for great products and superior service (for example, Hewlett Packard Enterprise just reported strong results, crediting what they see as "enduring demand"). The need is still out there and always will be.

To paraphrase the great Frederick Douglass who spoke of essential truths of life, we cannot change the trajectory of how cloud technologies have combined today with vast human desires and the human need to unleash a force for growth and change.

Your customers are still invested in what your company offers. They still need your solutions and your help. All of what you need is in your control. You just have to start building and executing so that you can prove that what you do matters.

4