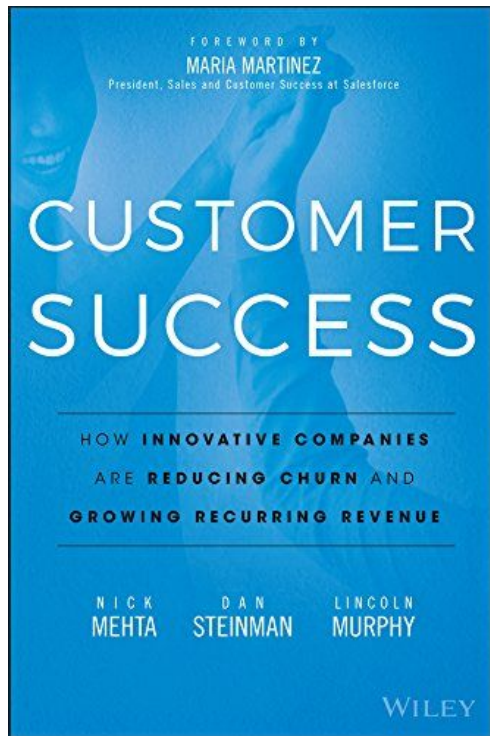


Favorite Quote:

“Despite what it looked like from the outside, Salesforce as a business was in a death spiral. . . The churn rate at Salesforce was 8 percent per month.” —Salesforce in Spring of 2005



Summary: *Customer Success* is an approachable 227-page read which highlights how SaaS distribution and subscription billing have compelled an explosion in a “new” business function: Customer Success.

If you are new to Customer Success, this book’s cheeky tone and elementary structure offer a good entrypoint for getting up to speed on:

- Key metrics in Customer Success
- Collaboration with other business functions
- Retention & upsell strategies

When done effectively, Customer Success helps customers derive optimal value from the product or service they’ve subscribed to.

The CS endeavor is worthwhile because if customers derive value from your product, they tend to be more loyal (retain revenue) and expand over time (grow revenue).

This dynamic generates positive unit economics and attractive customer LTV—inputs which ultimately influence the market cap of the company (and how much your stock options are worth).

This book was published in 2016.

“At a customer-success driven company, [the executive bonus plan] will include some kind of retention metric, too. A simple, but extremely effective plan might have only two elements—sales and retention.”

Authors: Nick Mehta is a familiar face in Customer Success as the CEO of Gainsight, a software company focused on the Customer Success space. Nick studied CompSci at Harvard before working at Goldman Sachs, DLJ, Chipshot, XDegrees, Symantec, and LiveOffice. He loves the Pittsburgh Steelers.

Dan Steinman was the VP of Customer Success at Marketo before joining Gainsight as CCO in 2012. He currently manages their EMEA region as General Manager.

Lincoln Murphy also worked at Gainsight for 2 years before striking it out on his own as a Go-To-Market consultant via Sixteen Ventures.



Part I: Customer Success

The History, Organization and Imperative

Overview: Software companies used to sell a one-time on-premise license. Now they primarily sell subscriptions to cloud-based software. These changes in distribution (cloud) and billing (recurring) have fundamentally changed how companies need to organize and execute to ensure value realization and revenue retention.

- The book argues there are only two kinds of loyalty: **attitudinal** and **behavioral**:
 - Attitudinal: customers love your product and brand (powerful emotional loyalty)
 - Behavioral: customer don't have another option (ephemeral intellectual loyalty)
- This distinction is clunky. So is the word *attitudinal*. There's a gap here when it comes to how enterprise customers evaluate purchasing decisions, e.g. ROI. The authors take perhaps the more readable route by drawing parallels to consumer brands like Apple vs. Dell.

Tien Tzuo was the 11th employee of Salesforce. He is currently the CEO of Zuora and coined the term *the subscription economy*. This was interesting.

We spend five paragraphs on "The Birth of Software as a Service" where we learn about John McCaskey (SGI) and Paul Graham (Viaweb) and the creation of *application service providers* and delivering software through a simple web browser. This was a game changer for distribution.

Why does Customer Success matter?

1. Reduce/manage churn
2. Drive increased contract value for existing customers
3. Improve the customer experience and customer satisfaction

| Activities (<i>leading indicators</i>): | Metrics (<i>lagging indicators</i>): |
|--|---|
| Health checks | Gross renewals |
| Business reviews | Net retention |
| Proactive outreach | Adoption |
| Education and training | Customer Health |
| Health scoring | Churn |
| Risk assessment | Upsell |
| Risk mitigation process | Downsell |
| | Net Promoter Score (NPS) |

What Customer Success Is & Is Not

| What CS is: | What CS is not: |
|-------------------|--|
| Revenue driver | Customer experience (CX) |
| Proactive | Customer relationship management (CRM) |
| Success-oriented | Customer advocacy |
| Analytics-focused | Customer support |
| Predictive | |

How Customer Success can positively impact other parts of your company

Sales

- Question to ask: does the VP Sales have an incentive (comp) to retain customers?
- Clearly identifying target customers who can be successful long-term. As they say, “Churn starts with a bad lead.”
- Less emphasis on maximizing the initial deal
- Awareness and involvement with renewals
- Setting realistic expectations with prospects
- Pre-close checklists to inform onboarding and post-close experience
- Incentives around renewals or LTV

Product

- Question to ask: do Product leaders have an incentive (comp) to increase usage or retention?
- Building ROI measurements *into your product* - ****important one****
- Making product easier to implement
- Thoughtful packaging to allow for future upsells
- Rigor around performance of the product

How to manage Customer Success given nature of portfolio

- High touch: fewer customers paying a lot.
- Low touch: somewhere in between.
- Tech touch: many customer paying a little.

Examples of 1:many programs

- Webinars
 - Podcasts
 - Communities
 - User groups
 - Customer summits
 - Email w/ branching logic and multi-channel intelligence
-

Part II: The Ten Laws of Customer Success

| | |
|---|--|
| Law 1: Sell to the right customer | Law 6: Product is your only scalable differentiator |
| Law 2: The natural tendency for customer and vendors is to drift apart | Law 7: Obsessively improve time-to-value |
| Law 3: Customers expect you to make them wildly successful | Law 8: Deeply understand your customer metrics |
| Law 4: Relentlessly monitor and manage customer health** | Law 9: Drive Customer Success through hard metrics |
| Law 5: You can no longer build loyalty through personal relationships | Law 10: It's a top-down, company-wide commitment |

***Perhaps the best chapter in the book is **Law 4: Relentlessly monitor and manage customer health** (see pp. 103-112). Dan Steinman aptly articulate the why, what and how of customer health, drawing a strong parallel to pipeline management in sales. He also shares 10+ components for consideration as you define, monitor and manage customer health across your customer segments. The only thing missing is how data science can play a vital role in building a health score and how to weight the components.*

Part III: Chief Customer Officer, Technology and Future

We finally arrive on the Gainsight pitch where the authors suggest the goal of implementing a Customer Success-focused technology is similar to the benefits of a CRM:

1. Predictability
2. Forecastability
3. Repeatability
4. Visibility

“Committing to customer success is hard and executing on it is expensive. But it’s a necessity in many businesses already and soon will be in yours. You can resist it or embrace it. Your choice.”