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THE STATE OF CUSTOMER SUCCESS

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Dear Reader,

To say 2020 has been surprising would be an understatement. As we began the new year, none of us could have imagined how our worlds would be turned upside down just a few months later. If this year has taught us anything, it's that human connection is crucial both in a business and personal setting and that technology adoption is no longer a 'nice to have', but rather a non-negotiable.

Customer Success teams have evolved rapidly over the past several years, and given the events of 2020 in particular, we took the opportunity to go directly to the source: CSMs and leaders – over 400 of them to be exact. These individuals are the 'boots on the ground' and they live and breathe CS in their own organizations, so we wanted to hear from them about critical topics, such as:

- What does the average customer success team look like?
- How do companies pay for customer success?
- How much does customer success cost?
- Where are CSMs (Customer Success Managers) spending their time?
- And much more...

From their responses, our team at ClientSuccess extracted compelling insights that will help you identify areas in your own business that are excelling, as well as areas to focus on in the future. We hope you find the State of Customer Success in 2020 as enlightening and helpful as our team did!

Best,

Dave Blake

CEO, ClientSuccess

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The State of Customer Success in 2020

While businesses have always known that satisfied customers come back, today's technologies provide measurable data about what contributes to a customer's happiness with your brand, as well as their likelihood to continue to give you their business.

In a landscape where new competitors join the market all the time and long-term success is not ensured, cultivating relationships with customers is more important than ever. Our report will help you understand the State of Customer Success in 2020, and give you the tools to communicate the importance of investment in this vital field.

How Customer Success Has Grown and Changed

Customer Success is still a relatively new and evolving field. While the first-named customer success department was launched in 1996, it would be another decade before many companies began tracking CS metrics. Now, CS is considered essential by the majority of brands. In 2017, about half of all businesses said that CS numbers had a direct effect on income streams, but the next year, only 26% didn't see any connection. That number drops each year, with more and more brands recognizing that the happiness and success of their customers are also their own.

Customer Success in the Remote-Focused World

The changes in behavior that have come in the wake of the response to COVID-19 will require changes in customer success, as well. More people are working from home than ever before, and they are spending their off-hours at home. And, while some patterns may revert after the crisis, some behavior patterns may be altered forever. By anticipating the coming challenges, CS professionals can ensure that customers continue to have positive experiences that make them return to your brand over and over.

Retaining trust, for instance, will be vital. Seventy-one percent of customers in a recent survey said they will not do business with a brand that puts profits over people. Ensuring that stores make your clients feel safe and welcome will require changes like ensuring touch screen surfaces are frequently cleaned. More customers will prefer to interact with your brand through digital channels – one in three shoppers say they'll buy online more often – so ensuring that those provide good user experience will be key.

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Who We Talked To

Customer success is not a niche interest. Organizations at all stages of development and all sizes make this area a priority. Not sure if our State of Customer Success in 2020 report is relevant to your organization? A quick breakdown of who we talked to:

- Over 400 CS professionals across 340+ companies participated.
- 70% of respondents were from North America
- 39% were CSMs. 59% were CS Leaders (Director, VP, CCO, etc)
- 66% of companies were investor-backed (Series A - Public)
- 36% targeted Enterprise customers; 36% targeted Mid-Market
- Annual revenue range varied. 23% were under \$5M
- 48% had fewer than 100 employees



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What We Learned About Customer Success in 2020

Our State of Customer Success in 2020 survey provided many revelations about growing trends, and who is involved in customer success.

What does the average customer success team look like?

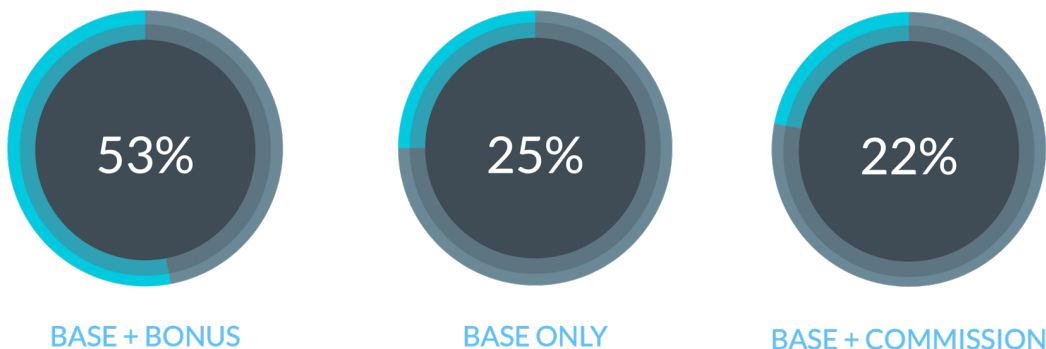
Our survey revealed that customer success has become a large and influential team in most companies. The average CS team had 18 members, and 71% of teams reported to C-level executives. Only 12% of respondents said their CS team shrunk in the past six months. At all other companies, CS teams were either holding steady or growing, even during the pandemic.

A few of the highlights:

- The average CS Team has 18 team members. The median size of a team is 8.
- For smaller companies (< 100 employees), CS represents about 13% of the workforce. For companies with more than 100 employees, the CS Team represents about 6% of the workforce.
- 58% of CS Teams have grown over the past 6 months, while 12% have seen a reduction in staff. 30% had no change.
- 41% of CS Leaders report directly to the CEO.

How do companies pay for customer success?

The first question most executives considering a customer success team will ask is how they'll pay for it. The vast majority of customer success professionals work on either a 'base plus commission' or 'base plus bonus' basis.



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Linking the performance of customer success to the salaries of those who work in the field means that the cost of this function will always be in line with its benefits. This is a factor that could tip the opinions of CEOs who are hesitant to make an investment.

Top insights:

- 53% of CS Teams are paid on a “Base + Bonus” structure
- 25% of CS Teams are “Base Only”
- 22% of CS Teams are paid on a “Base + Commission”

How much does customer success cost?

Among those who know, customer success costs provided a good return on investment. These efforts cost about 10% of revenue per year while, according to other survey records, providing strong value in customer retention. Because retained customers are, in general, more profitable than new ones, customer success provides a great return on investment.

Top insights:

- 60% of respondents said the customer success costs were around 10% of revenue.
- 40% of respondents did not know the cost of customer success.

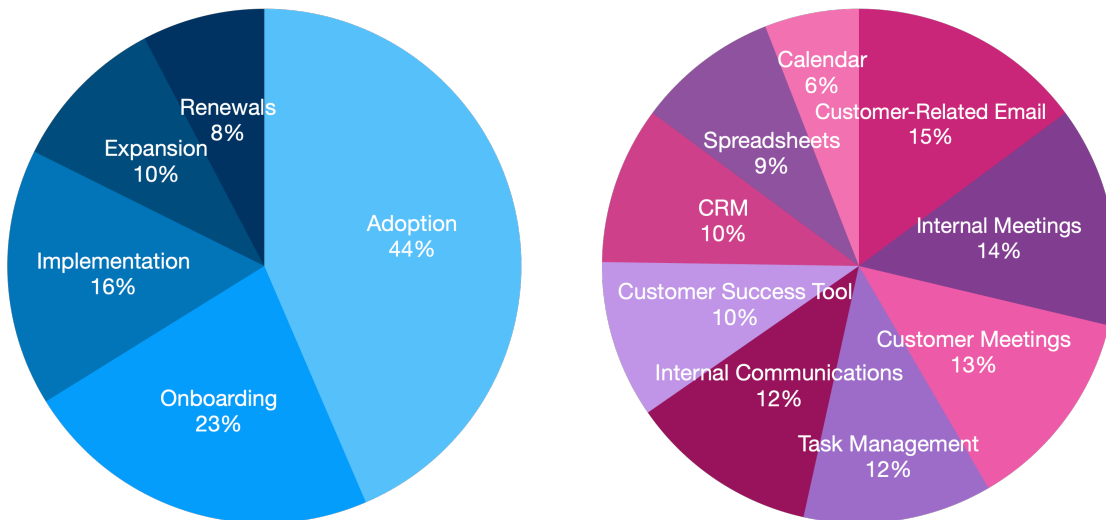
Where are CSMs (Customer Success Managers) spending their time?

Customer Success Managers dedicate significant parts of their time to directly interfacing with customers through means that include email, customer meetings and their customer success platforms. Other time was divided between research in tools like spreadsheets and time spent communicating their findings to internal teams. These professionals are communicators, helping organizations better understand the people they serve.

Top insights:

- CSMs spend 28% of their time communicating with customers (via email or in meetings). In an 8-hour day, this would represent about 2.2 hours.
- CSMs spend 26% of their time communicating internally (meetings and communications). In an 8-hour day, this would represent about 2.1 hours.
- CS Teams are responsible for adoption, onboarding, expansion, renewals, and implementation. 68% of respondents said they are responsible for all 5 areas
- 44% of teams say they spend most of their time on adoption, followed by onboarding

Where CSMs Spend Their Time:

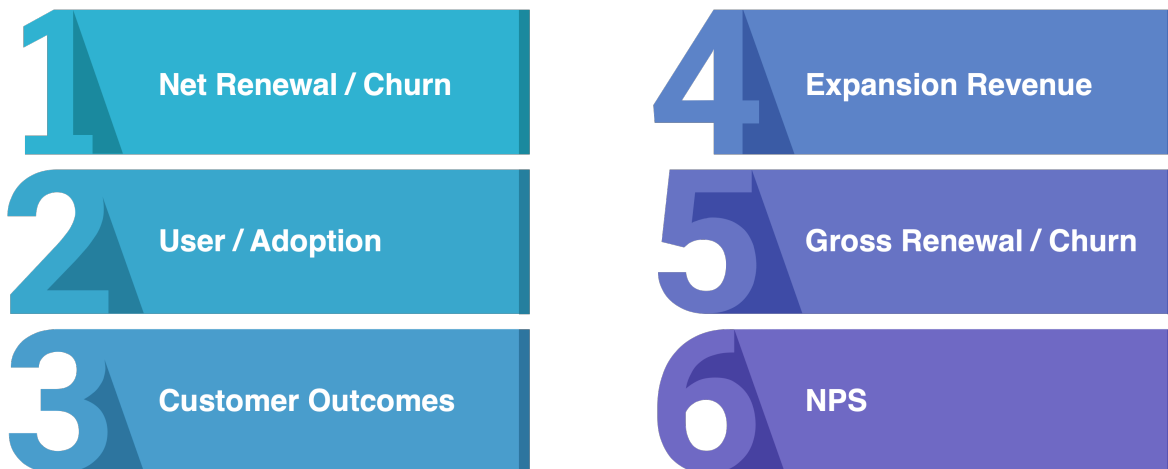


What are CSMs Responsibilities?

When we asked CSMs what their responsibilities were, many of the same responses came up again and again. Nearly all respondents said that they were responsible for adoption, with 44% saying they spend more time on adoption than anything else, followed by onboarding, expansion, renewals and implementation.

When it came to the information that CEOs, sales teams and others wanted most, Net Renewal and Churn were the numbers that were considered most important. Teams were tracking three different KPIs on average.

Key Performance Indicators:



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Seventy percent said that they were at least partially accountable for customer retention and growth. They were most likely to share this responsibility most deeply with the product and sales teams.

Top insights:

- Net renewal / churn are the top KPI metrics for CS teams, followed by usage / adoption
- On average, a CS Team has 3 different KPIs they are tracking
- 70% of respondents say they share the responsibility for customer retention and growth with other departments
- CS Teams most rely on the product team to help them (74%), followed by the Sales team (52%)
- 70% of the teams considered their customer engagement to be “high touch”.
- 22% included a tech touch, which was almost always accompanied by some sort of human touch

What tools do CSMs use?

Customer success professionals have more tools at their disposal than ever. While Salesforce was the most-used CRM and CS platform, [ClientSuccess](#), and productivity tools like spreadsheets, Asana, and Trello had many adherents.

The ‘Zoom boom’ has definitely hit the CS field. 62% of respondents said that they use Zoom to engage with customers. A good thing, since Zoom was among the favorite tools CS pros have at their disposal.

Some of what we learned:

- Salesforce is the most used CRM
- The most loved tools are Slack and Zoom
- The CRM is considered the source of truth for 55% of organizations. 17% consider the customer success platform the source of truth
- 72% of organizations don’t use text as a form of communication
- 98% of organizations use video conferencing
- 39% always use video conferencing; 40% mostly use video conferencing

What retention rates can you expect when your organization is actively engaged in customer success?

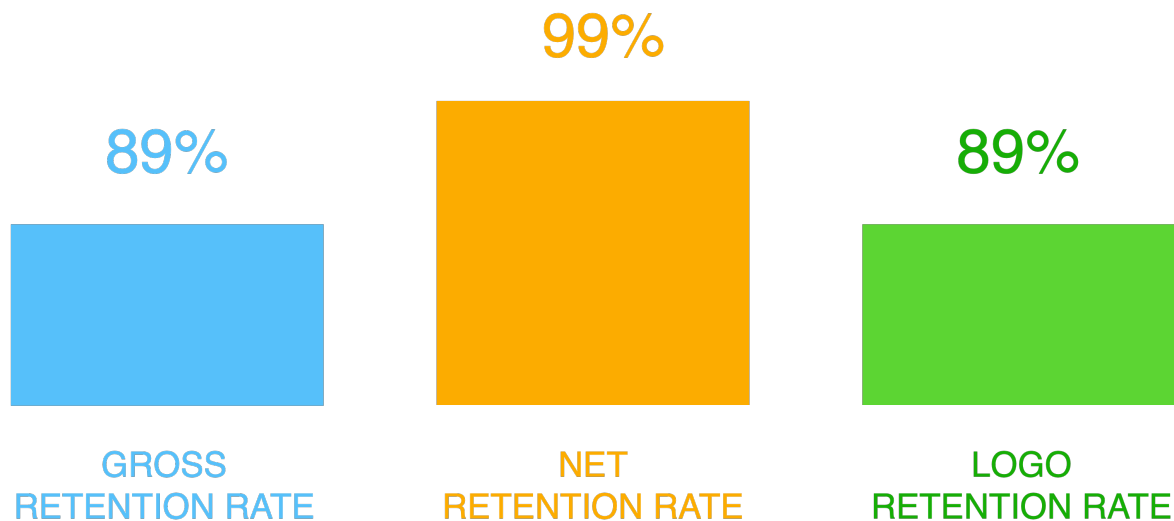
The goal of customer success is to increase customer retention, and for good reason. Acquiring a new customer costs [roughly five times as much as retaining an existing one](#).

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Additionally, **existing customers** are more likely to be loyal to your brand. They are more likely than new customers to forgive when they experience issues. And, they can become an important source of new customers for your brand.

The data says that CS succeeds in this goal, with an average net retention rate of 99%. These figures show that customer success is worthwhile and likely to help your organization thrive.



A few key insights:

- Average gross retention rate was 89%
- Average net retention rate was 99%
- Average Logo Retention Rate was 89%
- 12% of respondents didn't know their gross retention rate
- 19% didn't know their net retention rate
- 22% didn't know their logo retention rate

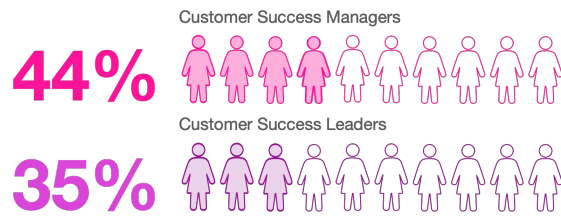
How does customer success score with diversity and inclusion in the workplace?

Over the past few years, the global workplace has had a spotlight on diversity. And, research shows that **diversity pays off**. Inclusive companies are nearly twice as likely to be innovative leaders in their fields. They are 35% more likely to outperform their competitors. Diverse companies have better employee retention. And, they are more likely to be able to effectively serve a diverse customer base.

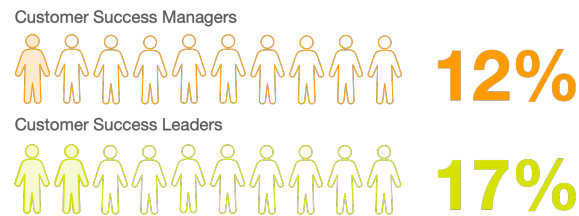
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Women



Minorities

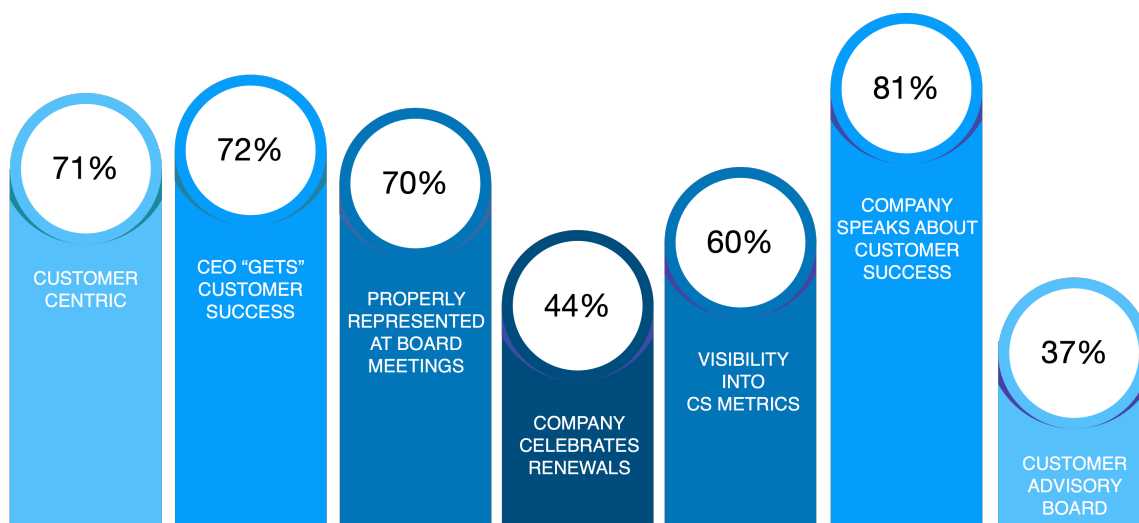


The good news is that an active focus on customer success is also good at boosting a company's diversity. A few key findings:

- 44% of CSMs are women
- 12% of CSMs are people of color
- 35% of CS leaders are women.
- 17% of CS leaders are people of color.
- 53% of organizations actively focus on diversity and inclusion
- An active focus on diversity results in 13% more women CSMs and 33% more CSMs of Color. A minor focus on diversity doesn't have any impact on diversity
- An active focus on diversity results in 33% more women CS Leaders and 100% more CS Leaders of Color. A minor focus on diversity doesn't have any impact on diversity in CS Leadership.

Creating customer-centric organizations

A customer-centric brand is, in the current environment, **more likely to be a successful brand**. Research says that three-quarters of companies that offer an above-average experience outperform their competitors. And, customers notice when their experience is of prime importance, with 96% saying that customer service is an essential component in earning their loyalty. Our research shows that respondents are aware of this connection, with most reporting a customer-centric environment at their brand.



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A few of our key findings:

- 71% of respondents believe they are a customer-centric company
- 72% of respondents say that their CEO “gets” customer success
- 70% of respondents say that they are properly represented at board meetings
- 44% of respondents say the company celebrates renewals like they do new deals
- 60% of companies have visibility into CS metrics
- 81% say the company speaks about customer success
- 37% have customer advisory boards

Points of Excellence

There's a lot to be excited about with the current state of customer success. As a field, customer success has more visibility than ever, with eight in ten respondents saying their company talks about this measure. Even better, 72% of CEOs understand its importance.

More than half of all CS teams have grown over the past six months, showing this is a growing field even in an uncertain economy. It's also an influential one, with 41% of all CS leaders reporting directly to the C-suites.

Customer success improves an organization's diversity. With the many benefits that can be gained from a diverse workplace, this is a fringe benefit that will pay off in a number of ways for organizations that make diversity a goal.

Organizations are seeing the importance of making customer experience central. Over seven in 10 respondents said that their organization was “customer-centric”. Eight in 10 regularly spoke about customer experience. Additionally, 60% of companies have high visibility into CS metrics, which means that the information gained can be acted on.

The data shows that customer success works. Among respondents, the average net retention rate was 99%. This level of retention means that future earnings are more certain, which, in turn, ensures the future of the organization itself.

Areas of Improvement

Our research also revealed areas where most organizations have some work to do. If you focus on improvements in these areas, your chances of getting ahead of your competition are high.

Surprisingly, one of the areas where CS performance can improve is in measuring the cost of customer success. Four in ten respondents did not know how much their customer success efforts cost. Quantifying what you are spending is the only way to get concrete ideas of your return on your CS investment.

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Communication methods are another area that could use improvement. While Email was widely identified as one of the most hated CS tools, CS professionals still found themselves spending hours mired in it each day. A shift to less-used options such as text could save time and make CS work more pleasant.

While there was a lot of sunny news in the area of diversity, there were also lessons to be learned. Diversity and inclusion must be conscious and active goals. Organizations that actively sought diversity were successful in their efforts. By contrast, those with only a mild focus on diversity achieved only minor success.

Customer advisory boards are only a part of the mix at one-third of organizations. Since the customers themselves are likely to be the richest source of information missed by KPIs, a greater adoption of customer advisory boards will be of benefit to organizations that are not yet tapping this resource.

Another shift that could improve customer success is a shift toward CS systems that are more user-friendly for CS teams. While Salesforce remains the most often used CS software, it was also tied with email as the tool most likely to be disliked by users.

7 Keys to Winning Executive Buy-In

Of course, none of these findings is of any value unless you are able to take action in your organization. It can be difficult to get the C-Suite to sign on to something new. These are the points that can win you the funding and time that you need to focus on customer success:

- A CEO who doesn't understand customer success is going to be left behind. By our numbers, seven in 10 CEOs "get" customer success.
- Customer success leaders keep CEOs better informed. Four in 10 CS leaders report directly to the CEO.
- Customer success is an expanding field. Even in the post-COVID era, over half of all CS teams have seen growth.
- Customer success pays for itself. The vast majority of CS pros work on a base plus commission or bonus basis. This means that your CS team's cost is always in line with the benefits it provides.
- Customer success is affordable. Among respondents who knew the percentage of revenue spent on CS efforts, the percentage of revenue that went toward customer success averaged 10%.
- Adding a customer success department can help with an organization's diversity. Nearly half of all CSMs are women, including 35% of CS leaders. Plus, an active focus on diversity in this area pays off.
- Customer success works. The average net customer retention rate was reported at 99%. Since keeping the customers you have costs less than attaining new ones, this means a better net profit for your organization.

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In Conclusion

Customers have more power in their relationships than ever before, and that trend will only continue. The organizations that thrive will be the ones that make their customers' success their own success. And, more and more organizations are grasping that fact, including customer success among their resources.

By embracing the tools that help you observe customer sentiment and predict the ways to make them happiest, your company can forge the strong relationships that will build your own future success.

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About ClientSuccess

ClientSuccess is a customer success management software that helps companies build relationships that last™. Revolutionizing the way SaaS companies manage, retain, and grow their existing customer base ClientSuccess provides customer success leaders actionable insights, rich customer analytics, and best practices to proactively manage success throughout the customer lifecycle. ClientSuccess helps SaaS companies increase renewal and expansion revenue, reduce churn, and maximize the lifetime value of the customer. For more information, visit <http://www.clientsuccess.com>.



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