HOW TO BUILD AND SCALE A CUSTOMER SUCCESS TEAM

Introduction

Customer success is no longer a nice-to-have department for any product focused business – it's a must have. This is especially true for brands working in the SaaS industry. As corporate solutions become more complex and corporate teams invest in more and more platforms to keep their businesses up and running, making sure they're using these platforms to the highest potential is now critical. While sales teams and account executives managed these relationships for a while, the explosive growth of the SaaS space has identified an opportunity for the Customer Success role.

It's not just customers who are benefiting from customer success roles, either. Companies as a whole are more successful when there are customer success managers owning current customer accounts. The numbers are there to prove it, like these eye-opening stats from Invesp Consulting:

- Existing customers are 50% more likely to try new products and spend 31% more than new users

- Increasing customer retention by 5% can increase profits by up to 95%

- Around 89% of companies view customer experience as a key factor in driving customer loyalty and retention

One of the biggest mistakes many organizations make when it comes to customer success is including it as an afterthought at a company. Most SaaS organizations start with a product idea, bring in sales reps to grow revenue, and then, once there are customers on board who are asking for more, they start to think about building a customer success team. In reality, customer success should be part of the initial conversation right alongside product or sales. Creating loyal, long-term customer accounts should be a priority of any technology organization right out of the gate.

This guide will explore how to actually build out a customer success department and how to scale your team with successful Customer Success Managers (CSMs).

Part 1: Building Your Department

Starting out, your customer success team should be involved in every single process and decision at your company. This often means working with sales, product, support, finance, and other departments to establish a clear handoff process that works well with your internal team as well with your customers. Early on, it's okay to be direct with customers and ask them what they're looking for from your team. After all, if you're going to scale your department you want to make sure you're delivering valuable support where and how customers need it most.

When building a customer success department, make sure you:

1. Identify what customer success means to your company

When you're first building out your department it's critical to determine what customer success will mean when you talk about it with prospects, customers, and board members. Customer success can have many meanings, which means that your team can customize the meaning how you see fit. Maybe your customer success team will be mainly focused on onboarding and supporting new clients. Or maybe you'll be responsible for upsells and account expansion.

This is also where your team should start building out the ideal customer lifecycle. This will help your team work with other departments, know when to step in and hand-hold customer accounts, and when issues should be escalated. Having this lifecycle map in place early will help your team scale down the road.

2. Find and hire competent CSMs to manage customer accounts

Now comes the fun part: finding the right people to actually manage your customers. Once you know *what* success looks like and *how* you're going to get there, it's time to put these plans in place. The role of a modern CSM involves more than just hand-holding a customer through their onboarding process and walking them through enterprise training. Because customer retention, satisfaction, and loyalty are so

brought to you by

client**success**

important to organizations, CSMs are literally carrying the success of a company on their backs.

So what do CSMs have to look forward to? These are just a few of the core tasks CSMs are responsible for on a daily basis:

- **Onboarding:** CSMs are first and foremost responsible for welcoming new customer accounts, training users, and helping them realize their initial value in the relationship.

- **Support:** As the main point of contact between customers and other departments, CSMs help customers with escalations, issues, questions, and other projects that might come up.

- **Renewals & Upsells:** Even if a CSM isn't directly responsible for closing a renewal or upsell, they are still responsible for keeping customers happy and seeing enough value to want to enter into these conversations.

- **Retention:** Customers want to do business with vendors who actively want them to succeed and who are on their side. CSMs keep constant tabs on accounts, regardless of how long they've been a customer, and act as internal advocates during big decisions and conversations.

Here are some of the characteristics and skills to look for — and cultivate — in your CSMs:
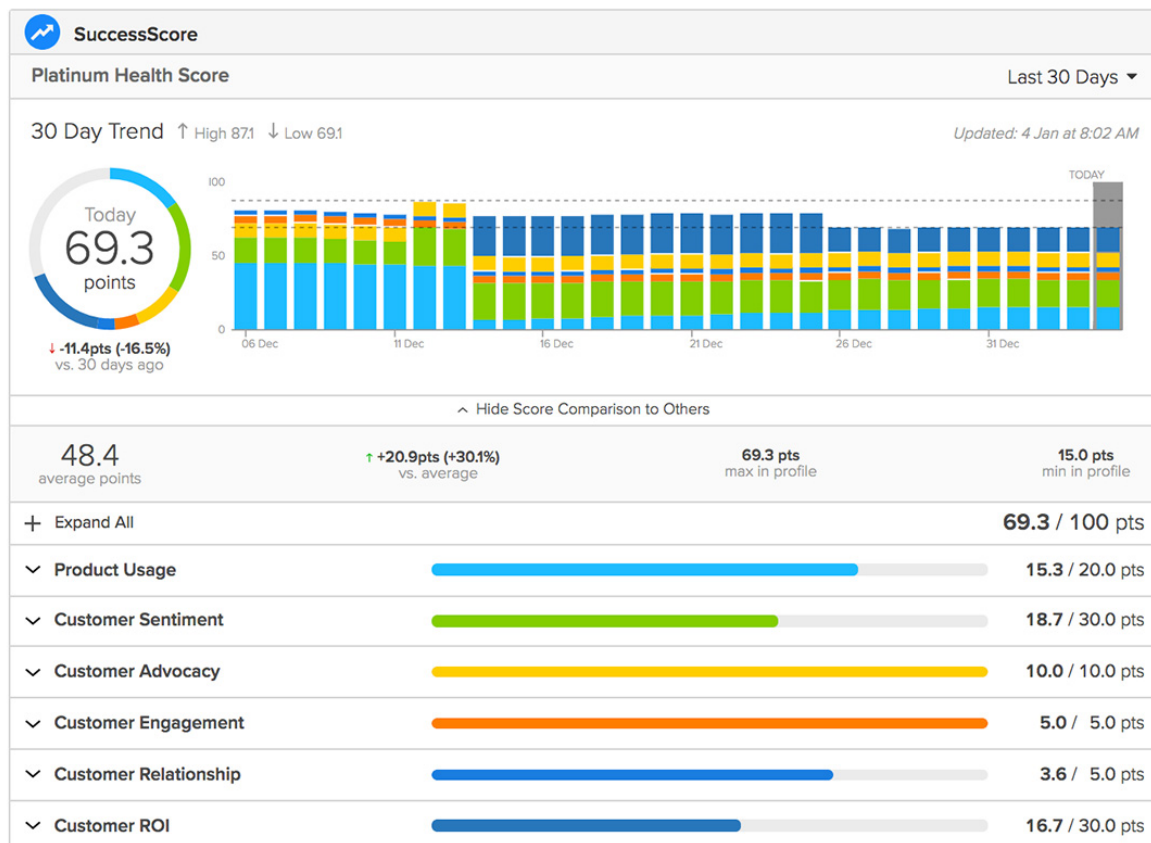
- Problem solving
- Expectation setting
- A need to understand
- Level headedness
- Data and numbers focused
- Knowledge of the product
- Grit and tenacity
- Empathy

Yes, the day-to-day lives of CSMs are intense. There is a lot to keep track of for even a single customer account, and some CSMs can be dealing with up to a dozen customers at one time. Finding the right CSMs takes time, but it's worth it to put the effort in. After all, these are the people who will be helping to grow your team — and your organization — in the long run.

3. Start tracking KPIs and metrics for success.

Another part of building a customer success team is knowing what metrics you will track and what 'success' will actually look like. Again, because every customer success team is different there can be wide variations between teams, although there is a common core metrics group that every customer success team should track as a best practice.

- **Product Usage:** *how often are users actually logging in and using your product?*
- **Product Adoption:** *is your product sticking with users and growing organically?*
- **Customer Engagement:** *how often are customers engaging with your team?*
- **Customer Pulse:** *what is the 'gut feeling' a CSM has about a particular customer?*
- **Net Promoter Score:** *is a customer likely to recommend your product to others?*

4. Make customer success part of your company culture.

This last building block of starting a customer success department in your organization is critical to both the long-term success of your company and your customer relationships. Everyone in an organization, from the top to the bottom, must be mentally and emotionally invested in your customers in order to ensure lasting success. Customers are the building blocks of a successful business. Why would your team want to go through all the trouble of finding and securing new customers only to have them churn a few years later?

In order to create a profitable, scalable customer success department, customer success leaders must have a seat at the table — but they also need the ear and assistance of leaders from other departments. Here are a few reasons a strong, company-wide foundation of customer success is key for long-term organization success:

- Ensures that all departments are on the same page regarding goals, success mapping, customer account trajectories, and overall metrics.

- Helps bring new ideas to the table that other departments may have thought of to move customer accounts forward.

- Brings every department and every person together to work towards common metrics and goals.

- Keeps customers happy to know that an entire company is focused on their success, which keeps other internal and external stakeholders satisfied.

- Allows c-level executives and board members to focus on the success of customer accounts and make decisions that will help keep customers happy.

Read this eBook to learn more making customer success a part of your culture.

Part 2: Scaling Your Team

Once your customer success team is in place, it's time to start building and growing value for your internal team and for your customers. This means processes. Winning customer success teams should be highly reliant on internal processes and procedures to ensure the complexities of customer accounts don't slip through the cracks.

1. Make sure your leaders and CSMs have mastered the skills to service, support, and retain clients.

Scaling a customer success team starts with ensuring your leaders and CSMs have the right skills to service, support, and retain clients. Because every organization and every customer are different, there is no set path a customer success team should take. Instead, there are a set of tools that every single customer success team should have in its toolbox.

With these skills, your team should be able to deliver exceptional service to customers regardless of where they are in the customer lifecycle.

Building repeatable processes: Modern customer success teams are responsible for a lot. From keeping customers happy to facilitating onboarding and training to working with executives to close renewal deals, there is a lot going on for CSMs. This is why building repeatable, scalable processes is so important. With strong processes in place, your team can seamlessly manage all of the day-to-day CSM work will easily bringing new team members in whenever necessary.

Balancing new and long-term accounts: This is a tricky balancing act for many customer success teams that are trying to grow and scale with new customer accounts. On one hand, new customers require a lot of attention and handholding, especially during the account setup, onboarding, and training stages. But on the other hand, ignoring long-term accounts can mean losing a potential renewal or upsell opportunity. As your team grows, having a clear account management strategy in place is key to balancing new and long-term accounts for success on both sides.

Re-engaging with latent customers: If your team has been around for a few years and has some strong customers on your roster, they might not need as much one-on-one

attention as your newer, more finicky customers. Sometimes, this means the relationship might lapse into organic radio silence. While your customers might think they can manage themselves, it's important to re-engage as much as possible. Schedule regular touch points to check in, connect executive sponsors as much as possible, and keep tabs on metrics like product usage to ensure users are still happy and engaged with your product.

Choosing the right engagement model: When you first start thinking about how you'll engage with customers, it's important to take a big step back and consider a few questions: What's your organization's annual sales price? Will a model that has a high touch team with many CSMs and contributors actually support revenue growth, or will you need an engagement model that's lower touch? Below are 4 engagement models and the corresponding variations so you and your team can determine which model best fits your organizational needs.

4 Customer Success Engagement Models

POST ONBOARDING

|		Low Touch	High Touch
ONBOARDING	**High Touch**	Characteristics Low annual contract value Requires onboarding team	Characteristics High annual contract value Requires onboarding team
	Low Touch	Characteristics Low annual contract value Self onboarding	Characteristics Enterprise annual contract possible Self onboarding

brought to you by client**success**™

Dealing with customer churn: Churn happens to everyone. There is no point in killing yourself trying to retain every single account. This being said, retaining customers should be your team's number one priority. Understanding the implications of customer churn — and what's at risk for your company if too many customers leave —

will ensure that your CSMs have the processes in place to successfully managing long-term customer accounts.

The Churn Reasons Report inside of ClientSuccess can help you answer important questions about the reasons why your clients are leaving.
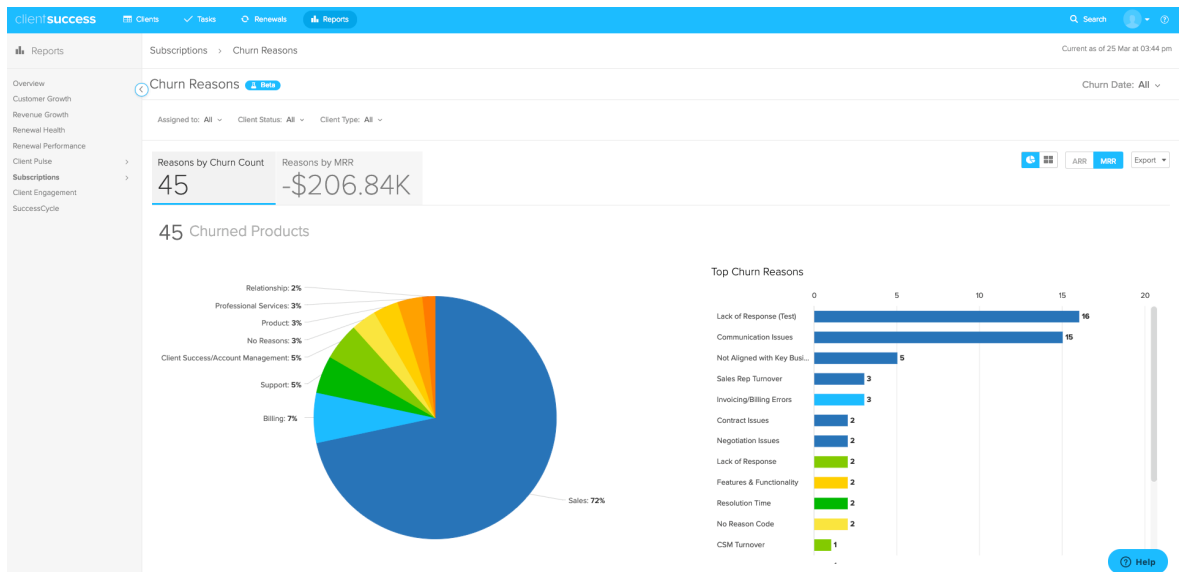
3. Create a scalable compensation plan.

CSM compensation plans are looking more and more like sales salaries in that they are inherently tied to performance and target revenue goals. Typically, there are three CSM compensation models:

- Base Only — pure base salary with no bonus or variable component
- Base + Bonus — base salary with a small bonus structure, usually in the form of a Management by Objective (MBO) bonus
- Base + Variable — base salary with a variable component to not only reward for performance, but also to provide more upside for over-achievement against targets.

The compensation plan your team has in place is based on one basic question: who owns the renewal? Simply put, if your CSMs are responsible for cultivating and managing upsells or renewals then there needs to be a variable component in play on top of base salary. In the Base + Variable model, keep things as simple as possible and focus on the two main objectives of a CSM: core retention and expansion (growth).

Determine the ideal base-to-variable compensation split for your CSMs. This will designate the portion of the on-target earnings (OTE) that will be allocated to base salary vs. variable compensation. Typically, the base-to-variable split is anywhere from 70/30 to 80/20 against the total on-target earnings (OTE). A good compromise is a 75/25 base-to-variable split. In that case, CSM with an OTE would have 75% ($75,000) allocated to base, and 25% ($25,000) allocated to variable compensation.

Consider a reverse comp model for sales with their variable comp focused 75% on new business growth and 25% on retention (see image below). This ensures the primary responsibilities of sales and customer success are reflected in their respective comp plans and aligns them in a complementary way to drive growth and retention.

Sales and CSM Variable Comp Structures
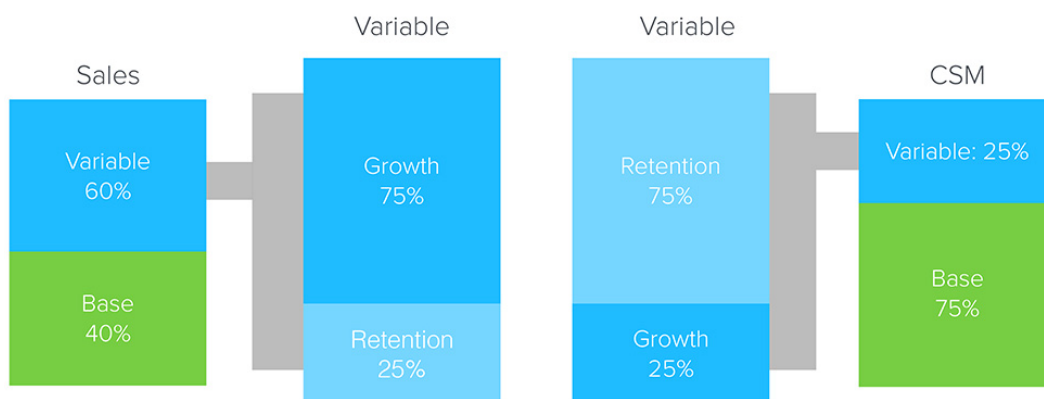
brought to you by client**success**

3. Make sure you have the right tools in place.

Scaling the team is an important part of the growth equation, but it's not the only critical component. Just as key is ensuring you have the right tools in place to help grow and retain your existing customers.

A customer success platform is one of the most important technology investments that scaling organizations will make — it's akin to the importance of a CRM platform to a new business sales team or an account-based marketing platform is to a digital marketing team. But finding the right one can seem overwhelming — especially if you're not sure what to look for when evaluating.

At ClientSuccess, we believe that the role of customer success is to build relationships around value. We know that recurring revenue requires recurring value along the customer journey, which is why our customer success platform helps your team to deliver the right value at the right time to the right customer. With this mission in mind, your customer success team can deliver the source of truth for customer success SaaS subscriptions and revenue.

If you're interested in seeing how ClientSuccess can help your customer success team grow, request a personalized demo.

With the ClientSuccess platform, you will be able to:

- Understand the real pulse of your customer's health
- Drive adoption, reduce churn, increase upsells
- Know what makes your customers happy
- Build proactive actions and processes for customer success
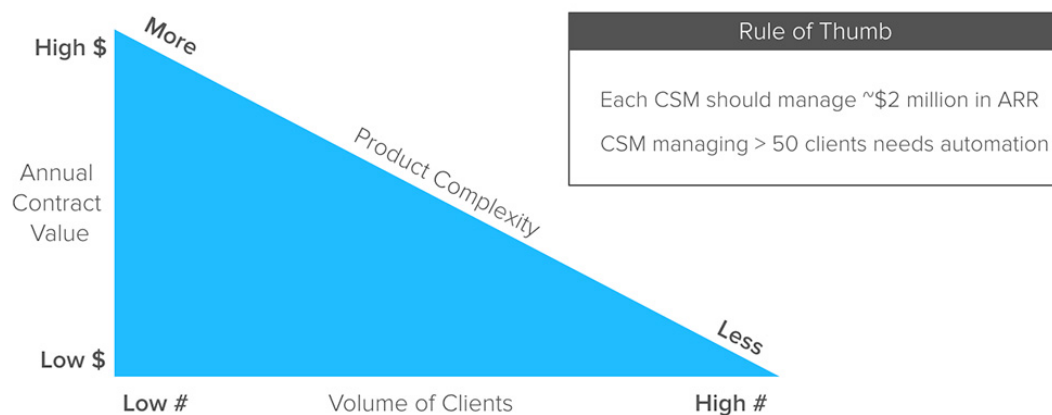- Increase team productivity by 25%

4. Know when to scale.

When thinking about the right time to scale, consider these three important factors:

- Annual Contract Value (ACV) Target Per CSM
- Product Complexity (Simple to Complex)
- Volume of Customers Per CSM

Below is a visual representation of these factors on a grid that will help guide your strategic thought process when it comes scaling your customer success team.

How Do I Scale CSMs?

Rule of Thumb

Each CSM should manage ~$2 million in ARR

CSM managing > 50 clients needs automation

Bringing ARR, complexity, and volume together will help you identify triggers to hire more CSMs. A best practice is to have each of the three factors defined clearly in your organization. While most companies may fit squarely into the factors above and others do not so you may need to refine your model based on the unique factors in your business Natural signs that your model needs refinement include shallow customer relationships, overworked CSMs, lack of insights and knowing the true pulse of your customer base and, of course, an increase of customer churn.

5. Prepare your customers to grow with you.

Another part of scaling a customer success team is preparing your customers themselves to grow with you. Your team can be prepared as possible, but unless a customer is committed to your product and the long-term value of your partnership there is nothing you can do.

This is why focusing on customer loyalty and long-term success is so important right out of the gate. You can improve the overall lifetime value of customers by:

- Starting out with a long-term outlook right out of the gate – aka at the kick-off call or even during sales meetings.

- Being available for customer questions, calls, and discussions when they need you, and having the answers on-hand (or at least knowing who to ask for help).

- Understanding what long-term success means to the customer. This might be different for every account, so listening and research is important here.

- Flawlessly executing every single customer handoff between different departments so that nothing ever feels out of place for a customer.

- Coming into your first meeting with a customer prepared with long-term goals and a success strategy that stretches beyond onboarding and implementation.

Part 3: Optimizing Your Output

With a fully functional customer success team in place, your organization is ready to take the next step by optimizing your services and maximizing customer satisfaction.

One of the first steps customer success leaders might think to take when optimizing a team is to look at CSM performance. Let's say you're managing a team of CSMs with varying degrees of success and retention rates among their clients. While your first instinct may be to focus on low-performing CSMs to help them improve, your focus should actually start with the high-preforming assets. After all, they're doing something right and you need to know what it is. Understanding how your highest performers organize their days, communicate with clients, work with other departments, and measure success can help maximize the output of your entire team.

Another step is to Here are a few actionable strategies to take your customer success team to the next level:

- Leverage a live chat feature on your platform alongside your other help content for customers who need to contact your team as soon as possible.

- Don't think webinars and demos are just for new prospects! Host client-specific webinars, forums, and demos to highlight new features, products, and give clients space to share their stories with others.

- Work with your marketing team to build a strategic customer marketing plan that merges marketing best practices with the repartee and relationships of CSMs.

- Build a customer-specific portal or user group website where customers can connect with each other, ask questions, share tips and tricks, and more.

- Install pop-ups and notifications on your platform or in your product to alert customers in real-time when there are new features, products, or updates available.

Key Takeaways

Customer success is a necessity for any successful organization, but it takes some planning and strategy to get right. As you build, scale, and optimize your customer success department, make sure you:

1. Having a clear trajectory of customer success and ensuring every single person understands what 'success' means in the customer lifecycle.

2. Hiring the right customer success managers for your business who can be firm, strong, and compassionate with customers.

3. Putting strong metrics for success in place so that your team, department, company, investors, and customers all know how things stand.

4. Making customer success a foundational focus of not only your team but your company in general.

5. Focusing on the skills and tools that CSMs need to help customers reach their highest potential.

6. Creating long-term, mutually-beneficial customer relationships that are built on transparency, trust, and value.

7. Looking for new ideas and inspiration to surprise and delight your customers, regardless of how long they've been a partner.

One of the biggest drivers of success for your new customer success team is your CSMs. They are the ones on the front lines, working with clients every day to ensure success and long-term customer happiness. They're one of your company's most valuable assets — but great CSMs aren't created overnight. It takes a strong organization-wide focus on customer success, the right training and resources, and a forward-thinking approach to growing customer accounts to thrive.

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.