Whitepaper

Customer Success Management in the cloud era

New ways of customer interaction

aixigo
Driving the New Wealth Experience.

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5%

increase in customer retention can increase the revenue up to 95%[1]

70%

of businesses investing in Customer Success Management are more profitable than those without[2]

67%

of millennials "expect their company to have a clear purpose in their work"[3], which is fulfilled by companies focusing on Customer Success Management

[1] Bain and Company (2006): Retaining customers is the real challenge
[2] Blake Morgan (2019): 50 Stats That Prove The Value Of Customer Experience
[3] FIG Strategy and Consulting (2021): Millennials: The Future of the Workplace

Executive summary

- There is a shift in the market towards subscription-based products to mitigate risks related to individualised and custom-built software.
- Cloud offerings and SaaS gain increasing attention and are part of most strategic roadmaps, if not realised yet.
- With the shift towards subscription-based standard offerings, the personal attention and customer care which clients experienced in the past are often missing.
- Customer Success Management is a strategic company approach to support the customer's goal attainment with dedicated actions and resources to maximise value.
- A holistic Customer Success Management approach can help to increase the company's growth, profitability, purpose as well as the customer's commitment.
- Customer Success Management can help to bridge the gap between subscription-based standard offerings and the customer's wish to have specialised features for their individual requirements.
- SaaS providers with a Managed Services offering create greater value for their customers based on their deep insights regarding usage and realised success of their products.
- The insights and touchpoints gained can help to further strengthen the Customer Success Management approach in the future.

Chapter 1 – The industry seeks for new ways of customer interaction

The world within and around financial software is changing. There is no doubt that digitalisation and Industry 4.0 reshape both the way we work and the manner in how we interact with clients as well as each other. It also accelerates the uprising of new business models[4]. The market has been disrupted by Fintechs and Neobanks, for example, through mobile-first approaches[5]. In addition to that, more and more banks redefine their value propositions with the help of digital offerings and customer interactions.

When it comes to implementing a new business strategy, one question is key: buy or build? There is a clear trend towards a product-led approach, particularly in the financial software industry[6].

What is most critical in the purchase of a single software product? "Owning" a piece of unique software is costly, maintenance-intensive, and can bear various risks regarding security and operations. At the same time, there is a high demand for ownership of a unique solution. Consequently, there is a need to enable ownership while minimising its disadvantages. Solving this dilemma has led to an increase in subscription-based products. Product-led offerings that run on subscriptions, in particular SaaS (Software-as-a-Service) models, are the predominant response to mitigate the downsides of individual software and the answer to new demands in the market. In fact, the World Economic Forum predicts that all products will have become services by the year 2030[7]. Early adopters have embraced Cloud Services, such as SaaS, already years ago, and they are now becoming part of most strategic roadmaps.

[4] SAP (2022): What is industry 4.0?
[5] Fortunesoft IT (2020): FinTech disruption – 10 Innovative ways to revolutionize the financial ecosystem
[6] Medium (2020): Is product-led growth the next frontier in B2B fintech?
[7] World Economic Forum (2016): 8 predictions for the world in 2030



The key advantages are that corresponding services allow for usage-based investments, simplicity, and flexibility. SaaS comes with many benefits, since companies have access to scalable and resilient software. Even in the financial sector, where most stakeholders are hesitant when it comes to cloud engagements, convenience and advantages convince decision-makers to outsource hosting and services. The evolution goes from capital expenditure, where long-term investments used to be made for hosting software on owned servers, towards operational expenditure, which allows to only invest in the running costs of day-to-day business.

To ensure competitive prices and scalable business models, SaaS is usually based on a standard offering. Individuality and customised software are, due to disadvantages in many cases, often economically not feasible anymore. **But what does that mean for the relationship between vendor and buyer if the customer is only one of many? Is "one size fits all" really good enough?**

Chapter 2 – Customer Success Management in the cloud era

Individuality despite standard offerings

The shift from custom-built software to "one size fits all" standard solutions often completely ignores the customer's individual needs. This is because the majority of sales people selling off-the-shelf products are revenue-driven instead of customer-driven. The customers don't benefit from any further support after their purchase. Indeed, the customer's demand for tailor-made processes and workflows can be both costly and risky. **However, this demand must still be fulfilled since disappointing the customer and failing to meet their requirements will eventually result in losing them.**

This is precisely where **Customer Success Management (CSM)** plays an important role. The main objective of CSM is to assure the desired outcome and success for the customer as a result of interactions with the supplier[8]. The concept of CSM became prominent in 2014, when Salesforce invested in strategies to move their business towards long-term software subscriptions. This turned out to be successful, as Salesforce became the industry leader in CRM software[9].

CSM is the necessary response for dealing with the high-paced and rapidly changing dynamics of digitalisation. If implemented correctly, it **can be an enabler to ensure the prosperity of a product-led approach and subscription-based offerings.** As soon as a basic product is sold, CSM becomes key. A successful and thus loyal business relationship is required to ensure the scalability of SaaS offerings as well as customer retention. As SaaS is mainly subscription-based, there is always the risk that plans can be easily cancelled. However, in rigid structures and cases of custom-build software this is less likely, since customers are highly invested in their solution.

"CSM can be an enabler to ensure the prosperity of a product-led approach and subscription-based offerings."

[8] CMS Wire (2014): Salesforce Shifts Focus to Customer Success with Analytics Cloud #DF14

[9] T. Purcărea (2018): Developing Marketing Capabilities by Mapping Customer Journey and Employer Journey, Considering the Blurring of Boundaries between Marketing, Technology and Management, in: Holistic Marketing Management Journal, Vol. 8, pp. 22-44



Figure 1.: CSM Importance Matrix. The Importance of Customer Success Management in subscription-based offerings (own model)

Chapter 3 – Customer Success Management

Why is it worth investing?

For software vendors, CSM facilitates building a long-lasting relationship despite subscription-based models. It can help to create trust and maximised value for the customer even though the product is standardised[10].

As standard products are only scalable if they are sold with no custom scope of work, individuality and tailor-made customer care, as experienced by clients in the past, are quite often sacrificed. A Customer Success Manager's job is well done if they bridge this gap between uniformity and individual needs. If this is achieved, the relationship between provider and client can be very fruitful.

Figure 2 summarises the benefits that the aligned interplay between the stakeholders involved and the strategic guidance through CSM brings. It presents the interaction interfaces and the discussed benefits of CSM, which are reflected in monetary and value-oriented benefits:



Growth:
Customer satisfaction as a powerful driver to increase revenues

Figures show that CSM does not only ensure the customer's thriving, but it rather secures a healthy business for companies perusing a customer-success strategy. Lincoln Murphy, SaaS and CSM expert, even states, **"The majority of the revenue from your relationship with a customer happens post-sale."**[11] This statement emphasises the potential and weight that the downstream care after a successful deal bares. CSM can act as an enabler to grow business as customer churn is reduced and retention increased[12]. The figures indicating the potential benefits of customer retention are impressive: a 5% increase in customer retention can increase the revenue up to 95%[13].

[10] B. Hilton, B. Hajihashemi, C. M. Henderson & R. W. Palmatier (2020): Customer Success Management: The next evolution in customer management practice?, in: Industrial Marketing Management, Vol. 90, pp. 360-369
[11] Forbes (2015): Customer Success: The Best Kept Secret of Hyper-Growth Startups
[12] Gainsight: The Essential Guide to Churn
[13] Bain and Company (2006): Retaining customers is the real challenge



Profitability:
CSM as risk detector and ROI booster

Blake Morgan from Forbes states that 70% of businesses investing in CSM are more profitable than those without[14]. This can be broken down into several areas where CSM serves as enabler. Winning new opportunities requires a lot of resources and time. As a result, the costs of realising new deals are often considerable. Here, CSM comes into play, as referrals can shorten this process and reduce expenses immensely[15]. Additionally, CSM can serve as a risk-detector and avoid costly escalations, communications and re-work. Therefore, it can help to reduce unnecessary operational efforts in the interaction with the customer.[16] Lower investment costs to win opportunities thanks to referrals, combined with decreased customer churn, increased retention rates, and increased operational efficiencies, have a strong impact on the overall return on investments (ROI).



Purpose:
Increased purpose leads to higher employee satisfaction

On a non-monetary basis, there are further benefits resulting from CSM. A successful CSM strategy and execution allows perusing purpose and positively affects employee satisfaction. A good CSM approach and a matching value proposition can strengthen an employee's sense of meaning experienced in the job through the "chance to directly interact with those benefitting from their work"[17, 18]. Especially for millennials, this is important as 67% "expect their company to have a clear purpose in their work"[19]. This generation will make up for an estimated 75% of the global workforce in 2025[20]. The Service-Profit-Chain, for example, illustrates how closely customer satisfaction and employee satisfaction are intertwined[21].



Commitment:
Increasing commitment through high quality, satisfaction, and enhanced value generation

When it comes to the interaction between supplier and customer, CSM and the dedicated investment in quality, time, and value generation eventually results in loyalty. This is not only positive encouragement and feedback for the employees working hard on products and the happiness of the accounts. Loyalty also directly impacts the revenue, as satisfied customers buy from the companies they trust.[22] New projects are therefore often realised with existing providers among which trusting relationships exist. It is essential to maintain the value for the customer when the product changes or expands.[23] The more successes are achieved and the more time is invested, the greater the commitment and loyalty towards the supplier will be.[24]

[14] Blake Morgan (2019): 50 Stats That Prove The Value Of Customer Experience
[15] Modus: The Power of Customer Referrals
[16] Mainstay (2014): Measuring the ROI of Customer Success Management solutions
[17] F. Martela, M. Gómez, W. Unanue, S. Araya, D. Bravo & A. Espejoc (2021): What makes work meaningful? Longitudinal evidence for the importance of autonomy and beneficence for meaningful work, in: Journal of Vocational Behavior, Vol. 131
[18] McKinsey & Company (2018): Introducing customer success 2.0: The new growth engine
[19] FIG Strategy and Consulting (2021): Millennials: The Future of the Workplace
[20] Firstup (2021): Key statistics about Millennials in the workplace
[21] Harvard Business Review (2008): Putting the Service-Profit Chain to Work
[22] Salesforce (2020): How Can Your Company Earn Consumers' Trust?
[23] B. Hochstein, D. Rangarajan, N. Mehta & D. Kocher (2020): An Industry/Academic Perspective on Customer Success Management, in: Journal of Service Research, Vol. 23(1), pp. 3-7
[24] medium (2020): How Customer Success Managers Can Reduce Churn

Interfaces and generated benefits under the umbrella of successful CSM

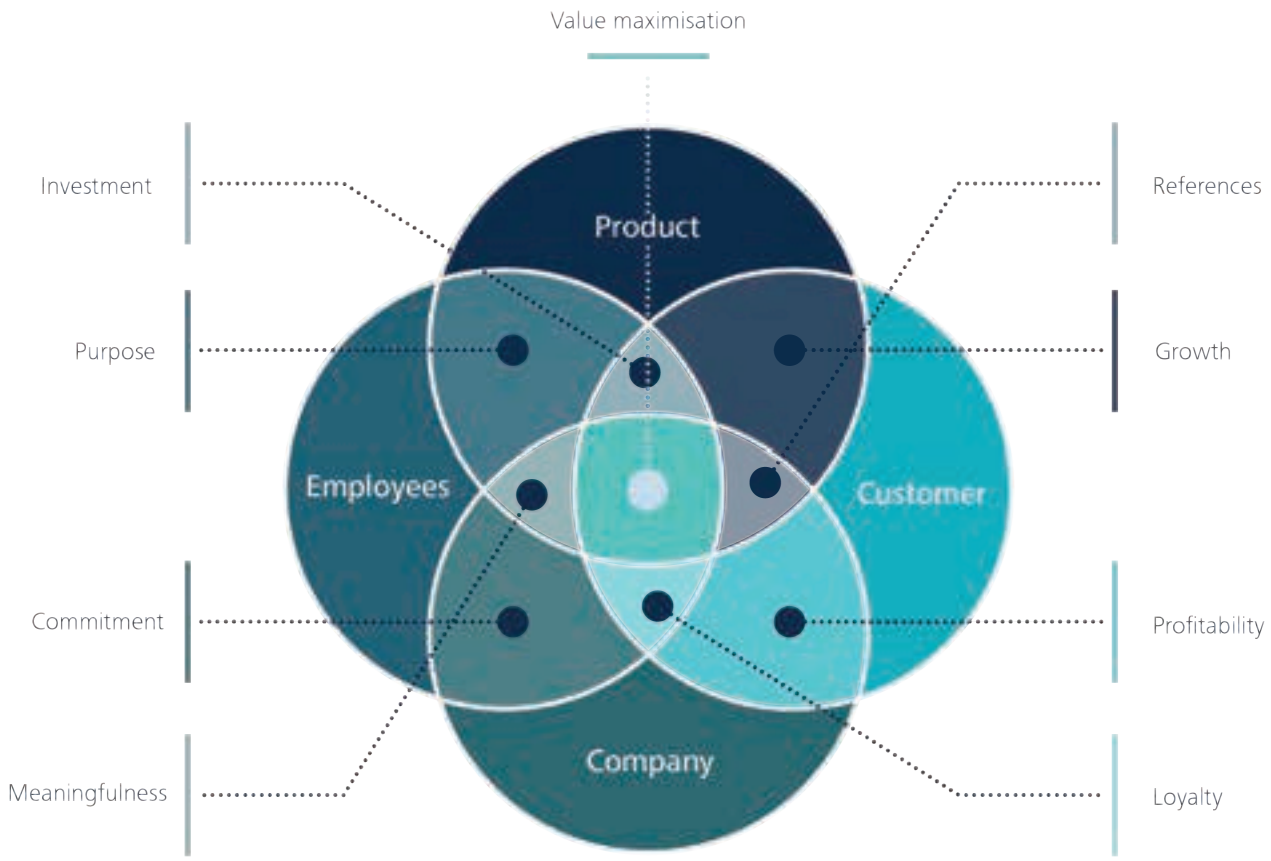


Figure 2: CSM Value Kaleidoscope. Interfaces and generated benefits under the umbrella of successful CSM (own model)

Chapter 4 – Customer Success Management and Managed Services

A perfect match

Unlike traditional vendors, software vendors having a XaaS branch (Anything-as-a-Service branch) with Managed Services offerings have a clear advantage when looking at the product value chain holistically. The Managed Services concept emerged with the uprising of cloud infrastructures and is focused on the daily operation of specialised applications.

Managed Services, such as cloud hosting, application management, or technical and functional support from dedicated experts, can help maximise the value of a software subscription. Moreover, those offerings can realise the customer's expectations in terms of scalability, performance, and expert knowledge on usage.

An initial training is often not enough to familiarise users with all features and processes to be used and followed. And sometimes, such training is also insufficient to convince them of the product's value. For example, **45% of software functions customers pay for are never used and, on average, only 7% of enterprise application features are used "regularly".**[25] This is not only unfortunate for users, but it also jeopardises the company's realisation of the desired efficiency and revenue gains. Moreover, this may hinder users from being convinced of the product. And if hardly anyone is using the software properly, why prolong a subscription in the first place?

Looking at the use cases, both pre- and post-sales, is a pivotal focus of CSM to secure a healthy business and a smooth customer journey. Managed Services extend the provider's value chain and increase the number of customer touchpoints. This is the significant advantage that SaaS suppliers with a value-driven Managed Services offering enjoy. CSM engagement extended through Managed Services propositions supports the further qualification of the product or service in a way that creates a holistic view of customer interactions and maximum value for the customer[26].

"Unlike many other technology services, Managed Services providers have a head start in subscription-based customer engagement plans, as [they] have always been closer to client business outcomes by the nature of [the] service engagement."[27]

[25] David Rice (2015): Why 45% of all software features in production are NEVER Used
[26] NG Data (2016): The Science Behind Customer Churn
[27] TSIA (2020): Client management and customer success in Managed Services

CSM is therefore a key component of a solid Managed Services strategy and, vice versa, Managed Services can help build a holistic and strong CSM value chain.

Overall, there are multiple reasons to invest in CSM, not only with the purpose to maximise sales, but the value created by your products' usage over the entire life-cycle. CSM strategies enable individualised responses to customers despite standard offerings, and their effectiveness can be enhanced through Managed Services offerings. They are a solid asset to support a flawless, effective, and secure usage of the software. The provider keeps control of the entire value chain and can complement usage as well as use cases with the proper knowledge and consulting.

In combination with SaaS offerings, CSM can therefore form the essentials for a value-generating holistic approach, ensuring that the product sold:

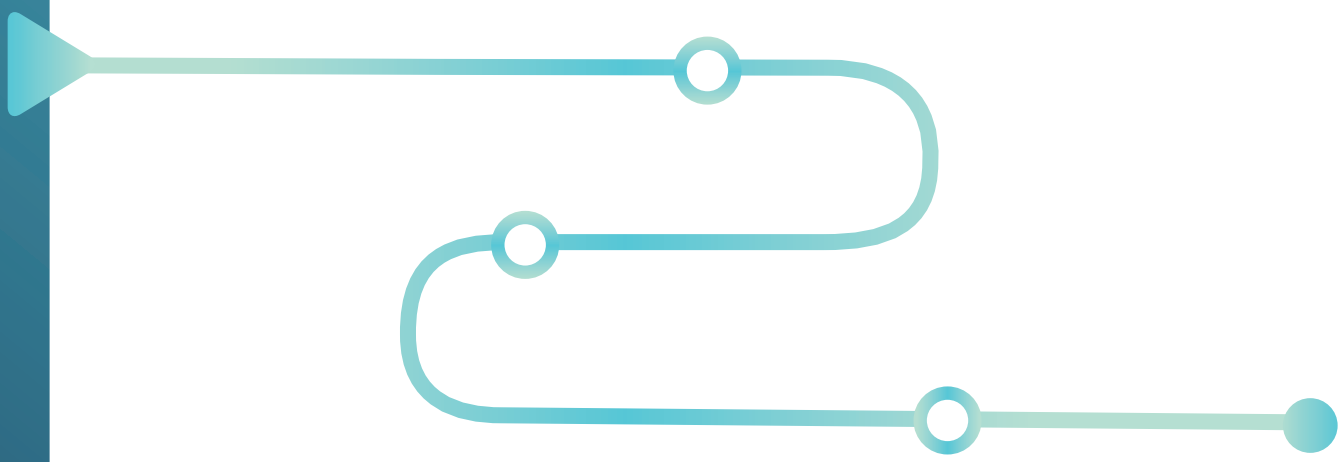
1. **is fully understood and successfully used.**
2. **helps your customer to solve the desired use cases.**
3. **works flawlessly, effectively, efficiently, and securely.**
4. **creates maximum value for your customer.**
5. **opens the door for further offerings and a beneficial relationship for both parties.**

Chapter 5 – How to implement Customer Success Management in a SaaS business successfully?

CSM holds excellent promise for XaaS suppliers.[28] If done right, it is not a one-time set-up, but an evolving service. Proper CSM should follow a roadmap focused on improvement, just like the company's core product and service offering should[29]. This ensures that the market requirements are represented and that both product and service journeys are connected. Both the competitive scalability of the business and the customer's individual needs should be at the forefront of CSM activities.

SaaS is an opportunity to revolutionise CSM endeavours, as it allows for selling the product inside the universe in which it "exists". This can be the ultimate key to delivering a holistic value chain and the ultimate customer experience based on maximised value.

The following is a 5-step guide on how to maximise the value creation of CSM and the customer's success.



[28] B. Hochstein, D. Rangarajan, N. Mehta & D. Kocher (2020): An Industry/Academic Perspective on Customer Success Management, in: Journal of Service Research, Vol. 23(1), pp. 3-7

[29] Smartkarrot (2019): 5 Best Practices for Enhancing Customer Success Management

5-step guide to maximise value creation of Customer Success Management and the customer's success

Step 01

Listen and verify to truly understand the individuality of the customer's needs and use cases pre- and post-sale

To understand the use case your customer has, it is vital to listen to how their problems are intended to be addressed and what is the desired outcome. This often happens pre-sale. While it represents only a short span of the whole interaction with the client, pre-sale is where most companies invest most of their efforts. Presentations and demos are prepared to demonstrate how the product assists, but as soon as the deal is closed, companies turn towards new opportunities and new potential customers. However, real value arises when the entire customer life-cycle is considered. A successful relationship is built when the holistic customer journey is in the focus of the company's doings. Most of this journey then starts with the signing of the contract.

Therefore, part of the client success story is to listen and verify. Listen to the customer's needs, clarify use cases and desired outcomes. Understand how their users are working and what they are expecting. Understand the problem statement and how it evolves, make sure that the solution adds maximum value. What has been understood needs to be verified in all stages of the customer interaction – constantly and especially post-sale. This is the only way to create real added value and bridge the gap between standard offerings and individuality.

Step 02

Match value of products and services to maximise value throughout the product life-cycle

SaaS in Managed Services allows serving your customers holistically. This approach should be reflected by matching offered products and services. The knowledge and expertise of employees as well as the processes and KPIs should follow the same goal: to maximise the successful usage of your product. Post-sales services can help to ensure strong performance and outcomes. Furthermore, they help to understand and gain insights on how a product is used, which helps to improve the interplay between products and services.



Step 03

Constantly improve your product

Supervising the entire product life-cycle yields first-hand knowledge regarding market needs and opportunities. In the fast-moving software industry it is essential to stay up-to-date when it comes to innovation, trends, and market needs. CSM insights should be utilised to constantly improve and adapt the company's offering. This will help to attract new customers and to provide benefits to existing clients as they thrive from constant improvement.

Step 04

Connect to R&D, not just for the product, but also for services

Constant improvement is an essential component of the overall health of companies' offerings. Innovation can result from customer feedback, market research or user-data analysis. A stand-alone research and development unit (R&D) is common in many industries. However, new product launch activities are often disconnected from real customers.[30] CSM can aid to involve customers in an early stage of the innovation process, which should not be limited to the core product but spread over the entire product life-cycle, including Managed Services.

Step 05

Pro-actively engage

Proactive engagement is an overarching necessity throughout CSM activities.[31] This can be a regular status telco on product-usage and service satisfaction, or, in the XaaS setting, a control mechanism and process to reach out to users to see if all is well after an upgrade has been placed. The co-creation of value is challenging but can be addressed through fixed points of interactions and processes. This is of value either if stakeholders are affected by change or addressed to analyse shifts in perception or satisfaction.

[30] McKinsey & Company (2020): Building an R&D strategy for modern times
[31] B. Hochstein, D. Rangarajan, N. Mehta & D. Kocher (2020): An Industry/Academic Perspective on Customer Success Management, in: Journal of Service Research, Vol. 23(1), pp. 3-7



Figure 3: CSM Value Creation Model. Interplay and effects of the value maximisation approach

Conclusion

Generally, CSM is nothing new, but its potential is growing, especially in the age of cloud infrastructures and digitised offerings. It has the power to determine the success of a standard offering by acknowledging individual customer perceptions. Cloud offerings are key enablers of Industry 4.0. Even though some industries have just begun to shift to SaaS, the trend towards subscription-based offerings is not a passing fad, it is rather truly changing consumers' behaviour.

Investing in CSM is both economically and strategically beneficial and the answer to ensure customer retention.

A running CSM strategy is based on an end-to-end approach, which includes fully understanding the customer's problem and use cases. Product providers with a Managed Services approach benefit by maximising the value of the product cycle as well as the synergies arising from product and Managed Services offerings.

With in-depth knowledge, Managed Services providers can ensure that the software is set up and operating at its best to support efficiency and performance. Managed Services can help to holistically embed CSM into a company's offering. In addition, they also offer the opportunity to help customers get the most out of their subscription. Which, in turn, helps to maximise value and build a long-term and meaningful relationship between customer and provider.

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