Selling the CS story internally

Customer Success

Contents

Intro

What is the value of marketing and sales budgets? The rationale is straightforward: both budgets drive crucial revenue pillars that keep firms, well, running. They are an established part of any business. This is also true for customer success, especially in SaaS companies.

Now, even though customer success is seen as essential to business operations, it's still new and in some cases it's pushed in the same corner as support. So a common challenge for CS executives is providing a data-driven argument for their impact on revenue.

One of the most difficult things you have to do as a manager is reach an agreement with all stakeholders on what customer success is to your company. You need to understand each stakeholder's position and be prepared to explain or adapt.

Philipp Wolf
Founder & CEO - Custify

In theory, companies understand the importance of CS, but in practice they need a strong data-backed argument in order to allocate proper funds for tools and resources. This guide will help you advocate internally for the CS department to your CEO, CFO, CPO, COO, and other stakeholders.

Why do we need a CS team if we already have Account Managers, Customer Experience & Support teams?

Because customer success is none of these things. CS is not just a business function, it's a philosophy every company should follow. And even though there may be some overlaps, ultimately, it serves a very different purpose.

Let's take each one by one and see how they differ from customer success.

Account Management focuses precisely on what the name suggests - managing accounts. **Unlike CSMs, Account Managers are not necessarily interested in making their assigned clients as successful as possible.** Their main focus is growing accounts and the revenue they bring in (in other words, they focus on upsells and cross-sells).

The sets of skills required to complete each job also differ: while Customer Success team members can also be technical, their main goal is understanding how to help customers achieve their goals; Account Managers, on the other hand, need to be deeply technical - they need to understand the product they're selling inside and out to be able to propose product solutions and thus encourage upsells and cross-sells.

The main difference between CS and Support is in their nature - **Customer Support / Service is reactive**, the customer reaches out with a problem, and the Support Rep helps them solve it, while Customer Success is proactive, meaning the CSM analyzes data and proactively reaches out to the customer with a solution before they even realize they have a problem.

In terms of objectives, Customer Support focuses on issue resolution and avoidance, while Customer Success focuses on helping customers achieve desired business outcomes. Regarding skills, depending on each product, Support Reps can have hands-on abilities (like basic programming, for example), while CS professionals need a wide range of industry expertise because their role is more consultative.

Often, Customer Success is also compared to Customer Experience and Customer Satisfaction, so here's a table describing the differences between all five business functions.

Customer Success	Customer Experience	Customer Support	Account Management
Proactive, oversees the entire Customer Journey from the moment the user interacts with the product	Starts from the moment the user encounters the brand, long before he even interacts with the product	Reactive, issues are solved as they arise	Only involved when/if major issues arise and during renewals
Ongoing	Ongoing	Inbound and transactional	Inbound, outbound and transactional
Closely tied to product	Experience driven	Satisfaction driven	Goal driven
Relationship driven (responsible for fostering the client relationship in order to ensure retention)	Experience-driven, subjective & experiential (defines the customer's perception of the company)	Cost center	Revenue-driven (renewals, upsells, cross-sells)
Cross Team Effort between Product, Sales, Support & Account	The entire organization is involved	Owned by the Support Department	Owned by each Account Manager
Helps the user get the most value from the product by facilitating onboarding, adoption and success plans)	Focused on the overall user experience from the first website visit to beyond the sale and through all touchpoints	Provides short term resolution to issues reported by the customer	Focused on renewals and upsells by ensuring the product is used to its full capacity

Why should we hire if we can automate & organize?

There's a common misconception going around that each CSM should handle approximately $2M in ARR. However, this claim doesn't take into account the following factors that influence the optimal ARR / CSM ratio:

- ✔ **Your Average Revenue Per Account (ARPA)** - what if you target SMBs and your entire revenue doesn't even get near the $2M mark?

- ✔ **The complexity of your product** - the more complex your product is, the more handholding your customers will need, so the fewer accounts a single CSM will be able to handle in a proactive way

- ✔ **The maturity of your in-app onboarding** - onboarding is the most critical stage of the customer journey that has a significant direct impact on adoption, retention, and churn. If your onboarding is not optimized (for each persona, customer segment, etc.), CSMs will need to spend more time with each client

- ✔ **Your organization's lifecycle stage** - for most companies, the onboarding stage is the most resource-intensive stage of the customer journey. So, as your company matures and reaches the next stages, customers in the onboarding stage of the customer journey will represent a smaller and smaller percentage of your overall customer base

✔ **The seniority of your CSM team** - senior CSMs are more efficient because they know the processes they should follow and enforce and are able to solve customer requests faster thanks to their experience; therefore, a senior CSM can handle more customers than a junior one

✔ **The cost of your CSM** - the optimal ARR / CSM ratio should take into account CSM impact vs. CSM cost, and the latter is different depending on where your CSMs are located.

Here's what other industry leaders had to say on this matter:

Jim Jones
Customer Success & Support Executive at RTI

When I started my team, I was a player/coach. I was trying to build out customer success but also trying to serve as a CSM for multiple accounts. So I took on as many accounts as I felt I reasonably could, given the other load I had. Then, when I hired my first dedicated CSM, I did the same with her, started having her take on accounts to see what kind of load she could handle. We kept in close contact about the number of accounts she could handle, and didn't take on any more.

We then used that as a rough guide for adding staff. So, if my first CSM could handle (example) 10 accounts, and I had 100 to cover, I could either hire 10 CSMs and cover them all, or hire "X" CSMs and prioritize accounts so that I'm handling "X" x 10 accounts. That's where the "customer experience vs profitability" question comes into play. It's usually a bit of a judgment call.

Most companies though will err on the side of "hire 'X' CSMs because that's all the budget will allow", and then you service the right number of customers based on the hiring. It's not a good strategy to overextend CSMs and give them many more customers than a normal load. You do that, customer experience suffers and you degrade the value proposition of having customer success.
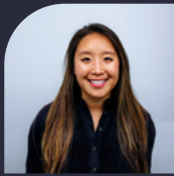
Jung Kim
VP Client Delivery at NeuroFlow

There's no perfect balance in my opinion, but the goals for us are:

✔ expansion revenue (impacts our client success executive roles)

✔ meaningful activities (hiring account managers to help free up the strategic hours for our CSEs)

✔ getting C-level to support the imperative for successful implementation and onboarding as a whole distinct skillset, especially for enterprise clients - the leverage ratio and volume of clients for that team is adjusted accordingly.

It's also varied by channel and segment. So, ultimately, what are the company OKRs? Are you staffed for that in addition to the forecast? Then add on the sustainability perspective. When would you need to hire additional headcount to make it sustainable, while still accounting for onboarding and ramp up time?"

So you end up asking yourself "What problem am I trying to solve?" and then break down your goal. Are you trying to improve proactive outreach or lower churn? Then you need to understand the task and then break down the process into steps. This will give you an idea of what can be automated and what needs human touch.

If you do this across all CS activities, you could end up with a hybrid workflow that will help you scale as much as 100% without hiring. However, if your clients anticipate high-touch, tailored encounters or sophisticated exchanges that need social intelligence, you may want to reconsider automating certain services.

Alexander Sorbo
Customer Success Manager & Consultant

To me, the number of CSMs changes based on a lot of factors:

- ✔ How many customers do I have

- ✔ Average revenue per account

- ✔ Total desired revenue coverage

- ✔ How in depth do I expect account relationships to be

- ✔ What are the expected responsibilities of the CSM

To have moderate relationships with most customers and a strong relationship with a few more strategic customers I think 10-20 accounts usually make sense for a single CSM. Then, you need to back out how many accounts you may need to cover to hit your target revenue coverage.
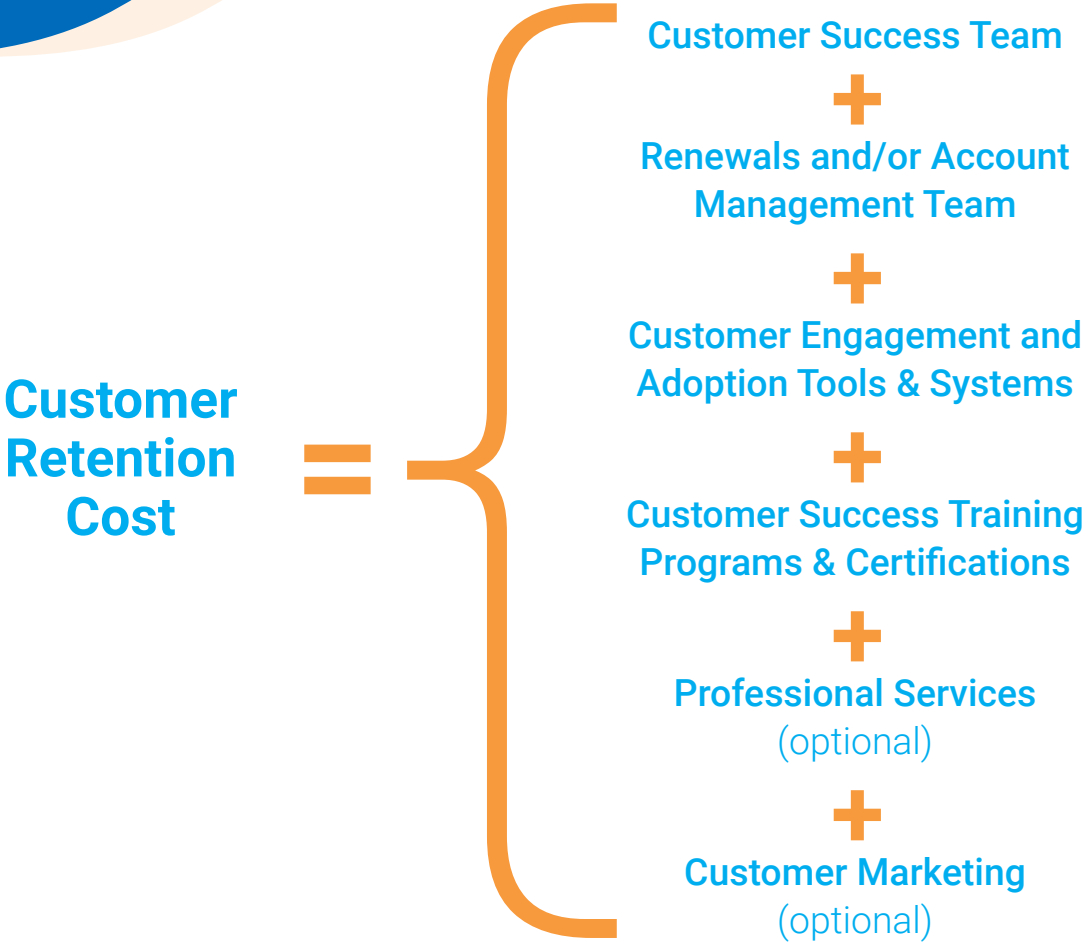
Strategic accounts usually have a much lower ratio of 1 CSM to 3 or 5 customers, but the expectation is revenue per customer is at least 3-5x what you might see with your higher ratio customers.

So no magic number per se, but that's how I would do the math. The last limiting factor, of course, is how much budget you have to hire talent. This can also dramatically impact the number of members you have on your team!"

As a conclusion, the fact that you can't accurately measure the ROI of CS is not an excuse to not hire CSMs, nor to hire too many of them. You need to be strategic with growing your team and constantly adjust that strategy.

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How much does it cost our organization to retain revenue?

One of the most important metrics your CEO/CFP will care about is the cost to retain revenue. Simply put, customer retention cost should include all expenses a company incurs in retaining and expanding its existing customers.

Customer Retention Cost =

- **Customer Success Team**
  +
- **Renewals and/or Account Management Team**
  +
- **Customer Engagement and Adoption Tools & Systems**
  +
- **Customer Success Training Programs & Certifications**
  +
- **Professional Services** (optional)
  +
- **Customer Marketing** (optional)

But this number is without context. What CFOs and CEOs really care about is the **CRC ratio**. This will answer how much you're willing to spend (on the dollar) to make sure you retain and renew every dollar of revenue from your existing customers. Here's the basic formula:

$$\frac{\text{Total Annual CRC}}{\text{Total Annual Revenue managed by CS}}$$

If you turn it into a percentage, for most customer success teams, the value is between 5% and 15%, which means for every $1 you earn in revenue, your customer success cost is between $0.05 and $0.15.

However, the percentage itself is not **what matters, what matters to management is that they see a decreasing trendline when looking at your cost to retain revenue over time.** The better the CS team does, the less expensive it should be to retain customers (and the healthier your organization becomes).

This is why Support and CS are fundamentally different - the first one is a cost-center, while the latter is a powerful growth engine. It's not about what it will cost you to implement customer success, but more about what it will cost you if you don't.

Getting better at customer success is not about decreasing your expenses, but about investing in long-term sustainability. This means, the cost percentage to retain revenue should improve over time - from spending $1.5M to retain $10M to spending $1.95M to retain $15M, basically this means going from 15% to 13%.

Follow these tips to be prepared for any budget related meeting with upper management:

✔ **Define the cost & CRC ratio for each business segment** (SMB, Mid Market, Enterprise or whatever your split is). This way you can explain to the CFO which segments need fresh investments and which are likely to deliver the highest growth. For example you could choose to automate and switch to a tech-touch model using a CS tool for certain segments.

✔ **Make sure everyone considers total revenue managed, not just total renewed revenue.** The point is that in a SaaS company, you're trying to protect all revenue, not just what's up for renewal. And if an account cancels 5 months in, they would have still needed CSM support for those months. That revenue should be considered.

✔ **Calculate your own retention cost and double check the CFO's data.** This is not a trust issue but a way to make sure everyone is aligned on the same metrics and no surprises occur during big meetings. There's a potential your CFO is bundling in other expenses that you would not consider like team training, travel costs or certain tools. In some cases, the CFO may add the cost of Customer Support in their estimate or they would look at GAAP revenue rather than ARR.

✔ **Build a CS revenue and expense forecast in a sheet.** This should cover ARR, NRR%, CS costs, Investments, ROI and NRR increase. If you split it by quarters you should clearly see the net value generated by the CS team over time. In a pinch you can also use the [Custify ROI calculator](#) to get some quick insights.

Inevitably you will be asked **"What's your plan to lower our cost to retain revenue?"**

This implies some sort of arbitrary percentage level the CFO came up with, usually without considering the ROI and NRR increase mentioned in the above points. In a mature company this question usually appears at the point where growth rate stalls and renewal revenue exceeds that of new clients.

If Customer Success is seen as a cost center, the company will never commit the resources required to optimize growth and retention. In fact, it will end up cutting its budget, performance will drop and more budget cysts will follow. An all too common vicious circle.

To avoid this, **when debating with CEOs and CFOs, don't simply focus on the costs of retaining revenue. Instead, push for a discussion about long-term sustainability and growth initiatives**. Customer Success must spearhead and take credit for expansion revenue tactics (upsell and cross-sell), or more commonly known as net renewal rate. To do this, customer success must be fully integrated into the overall corporate strategy.

Mikael Blaisdell
CS Analyst, Advisor & Executive Director of The Customer Success Association

Unfortunately, the typical procedure that most companies take is to advertise for a customer success executive to be brought on to do the whole job of designing and building the new CS group.

This approach has a very high failure rate for two main reasons. Either the senior management team will come to realize that there is much more to customer success than they had originally thought and that the person they hired is not a good fit, or the new CS exec will realize that the company is not really as

committed to implementing a comprehensive CS strategy as they should be and will therefore leave.

The cost for this exercise in lost profitability and time is largely hidden, but it is very substantial, especially where the same process is done 3 or 4 times over.

The most appropriate and effective procedure is to begin by retaining a veteran customer success consultant to work with the senior management team to, in effect, recode the company DNA for customer success.

✅ How will the customer success group be directly tied to company profitability?

✅ What is the relationship of the customer success team to the definition of the company's product?

✅ If the company is willing to spend a certain amount of money to acquire a customer (CAC), what is the amount to be budgeted for retaining and expanding that income stream every year?

✅ Where and how will the company communicate with its customers? Which aspects should be handled directly by humans and which may be automated?

These and a host of other points are all part of the questions of customer success that should be thoroughly researched, discussed, and decided before attempting to hire a CS leader to execute the strategy.

Why do we need a dedicated tool for customer success?

There's already a technology stack in your company: a CRM, product analytics tools, BI tools - why do you need another tool? "Can't you leverage what we already have?"

The short answer is NO. Technology is also a necessity. It will supplement the work your team does and even make it easier to scale operations without adding headcount. On top of that, dedicated tools for CS do serve their objectives and goals.

Take Hubspot for example. It's great at doing marketing and sales proposals but it's not great at representing data in graphics or in tracking custom metrics per user accounts. Hubspot is a great app but it's trascational driven, it's not exactly lifecycle or retention focused. If you're interested in how customers use your product, how their onboarding flow is going, how their activity improves or declines month over month, then you need a dedicated platform.

Retention is a whole different ball game than acquisition. And SaaS companies eventually realize that they have very specific metrics they want to track over time, per customer, or per customized segments. Existing tools for support, marketing or sales are not really designed for this.

A dedicated CS solution like Custify	Alternative Solutions like CRMs, Product Analytics Tools, Email Automation, Onboarding Tools
✅ **360 Customer Overview** All the info in one tool. You have all the customer data aggregate	❌ **No customer overview** Segmented customer data. You need to duplicate the information in several systems
✅ **Customer Health Score** You can leverage data to create personalized customer health scores	❌ **No customer health** No real possibility of building health scores
✅ **Proactive customer communication** You are in control when it comes to customer communication	❌ **Reactive customer communication** The customer is triggering the communication and you are reacting
✅ **Growth opportunity finder** Custify helps you identify growth opportunities like expansion and upsell. Revenue management is much easier with a dedicated tool	❌ **Find expansion opportunities on your own** You need to dig across different platforms and put together the data in XLS or customize dedicated views in other tools
✅ **Churn risk finder** Create alerts and custom filters to easily spot customers at risk to churn	❌ **No churn monitoring** Limited ability to track health scores and preemptively detect at-risk clients
✅ **Automate Tasks & Notifications** Set custom alerts, assign tasks or send customized reach-out messages through playbook automation	❌ **Limited automation possibilities** You can set email messages but triggers will be delayed due to lack of integration. Task management is also a hassle and usually ends up being done in sheets
✅ **CS team reporting** With Custify you are organizing things for your CS team and have a single source of truth for everyone.	❌ **No CS team reporting** You are using another project management tool only for your team tasks. Those tasks are not integrated with your customer portfolio

Is there a proper handover process between sales and customer success?

Compared to when Customer Success first emerged as a business function, today it's introduced earlier in the relationship with a customer. For example, back in the day, the CS department was usually introduced at the same time as the Support department. Over time, however, it started creeping in earlier and earlier:

- at the beginning of training
- at the beginning of the onboarding
- when the contract was signed
- before the contract was signed.

The ideal scenario is the one where **CS is involved from even before the contract is signed**, leveraging their knowledge during the sales process. That's because the more complex a product is, the more you need the handover between departments to go as smoothly as possible.

However, most organizations haven't reached that point yet so the handoff happens later on. And now the question arises: who should own an account? When and how should the handoff from one department to the other happen?

Throughout the Customer Lifecycle, a customer will interact with several people and departments. So, intentionally or not, accounts are handed off all the time (temporarily handed to Support when there's a problem, handed to Marketing when there's something new to promote, among other examples). But amongst all of them, **the handoff from Sales to the Customer Success department is the most important one - it's crucial that nothing causes friction as this can become a cause for dissatisfaction and even churn in the future.**

Unlike temporary handoffs (like the one to Support that only happens if and when a customer has a problem), the handoff from Sales to CS includes ownership of the account. Account ownership is extremely important for subscription-based businesses - the person in charge is responsible for the business results as well as the customer's happiness. So, from this point of view, it makes sense that the CSM will take over the account from the sales rep.

The precise point where Sales ends and CS begins is highly debated, very client-specific, and subject to fine-tuning as your customer success efforts scale. Regardless, this is a point that can easily create friction, cause breaks in customer relationships, and in the worst cases, even lead to an immediate reason for churn.

To solve account ownership handoffs to Customer Success:

Communicate

Ensure that you correctly and respectfully communicate to the customer exactly what's happening. This will differ based on internal processes, but good dialogue needs to trump all other concerns.

Align

Sales & Customer Success, have radically different goals. It's difficult to keep your mind on churn rate when you're being paid based on a sales-generated revenue quota. This disconnect needs to be continuously discussed to ensure proper handoffs.

Research

Sales needs to secure all account information necessary for Customer Success. Simple, yet often overlooked. CS, in turn, must take the time to read and understand all the data passed down. This usually implies:

- ✔ contract period and potential value

- ✔ number of users and licenses

- ✔ customer goals

- ✔ customer use cases

- ✔ customer pain points

- ✔ stakeholders

- ✔ contact person

Strategize

Make your own handover process requirements and write them down. The two teams often collaborate on an account before ownership is passed - take that opportunity to align and foster a positive relationship with the customer.

When should the Sales rep Introduce the CSM?

- ✔ Introductions can be made over email and video meetings can happen together with the handoff itself. This approach is likely the safest option.

- ✔ Introducing the CS rep during the first few meetings. This is great if you want a tight relationship between both departments and the customers.

- ✔ Introducing CS before the deal is closed. It could be a week or up to a month before. This is probably the most customer-friendly option you have and is usually only done for large accounts.

Ideal Sales to Customer Success Handoff
Knowledge Transfer

A proper handoff from sales to the CS team is critical to starting the relationship with the customer on the right foot.

Irina Vatafu
Head of Customer Success at Custify

Customer Information

Basic information about the account.

- ✓ Point of contact
- ✓ Contract summary
- ✓ Number of users that get login info
- ✓ Sensitive topics to avoid
- ✓ Important topics to cover
- ✓ Why the customer chose us
- ✓ Stakeholders
- ✓ Higher-ups and decision-makers
- ✓ Any potential payment issues
- ✓ Upsell and cross-sell potential

Customer Account Overview

Information that should be available in the account dashboard.

- ✓ Contract period and potential value
- ✓ Yearly projected value
- ✓ Number of users and licenses
- ✓ Customer goals
- ✓ Customer use cases
- ✓ Customer pain points
- ✓ Customer workflow

Promises Made

Don't forget to pass on information about any promises made during presale.

- ✓ Go live date?
- ✓ KPI goals?
- ✓ Training on any particular feature?
- ✓ First results date?
- ✓ Onboarding promises?
- ✓ Integration promises?

Starting a relationship on a strong foundation will set up both your customer and your CS team with the best chance of mutual success.

Scott Cowley
Head of Sales at Custify

If you feel this is hard to do with sheets or project management tools, then it's time to get a [dedicated CS software](#). It will streamline data, communication, team alignment and proactive reach-out.

Let's say you've been tracking the activity, progress and the engagement of trial accounts. With a tool like Custify, CSMs have all this information at their fingertips once an account moves to paid.

They can easily find:

- ✔ What type of client is this? Has their product usage dropped or increased?

- ✔ How much have some features been used? Was the onboarding flow helpful?

- ✔ Have they run into any issues? Have they gotten stuck in the lifecycle?

- ✔ What is left before they reach a successful implementation?

Last but not least, today, it's common for the **Customer Success team to have veto authority over new product features and even over the sales pipeline** - CSM's can say 'these customers don't fit our model, they're likely to churn' and the organization 7 can decide not to sign those clients. Or even earlier, when the Product Marketing team launches a new marketing campaign, the CS team can point out whether they are pitching to the wrong prospects.

What is the CS team's ROI?

Quantifying the exact Customer Success ROI value can be quite a mind-boggling task, "especially when other teams within the company are also driving similar results in terms of sales, product adoption, and churn reduction", as Accenture points out. **There's no one universally proven formula**, no one knows the exact ROI of their CSMs, and many organizations are struggling with this.

Here are a few examples of how industry thought leaders approach this issue with their teams:

✔ They assess word-of-mouth marketing results

✔ They track how interaction with CSMs influences customers' behavior - for example, how many customers the CSMs save and the revenue that comes from the recovered customers;

✔ They correlate NPS to LTV (or other business metrics)

✔ They track metrics that directly affect the customer, such as Average Initial Response Time & Average Resolution Time, while doing regular customer satisfaction surveys

As you can see, although investing in a Customer Success department definitely adds value to every SaaS business, **the impact of CSMs is many times intangible**, which makes calculating an exact ROI difficult.

On the one hand, that's because there are factors outside CSMs' control that impact retention rates on a regular basis, such as:

- ✔ overall global economy situation
- ✔ competitive landscape changes
- ✔ your own product development & improvement.

On the other hand, assessing the exact value and revenue input from customer success programs can prove difficult because:
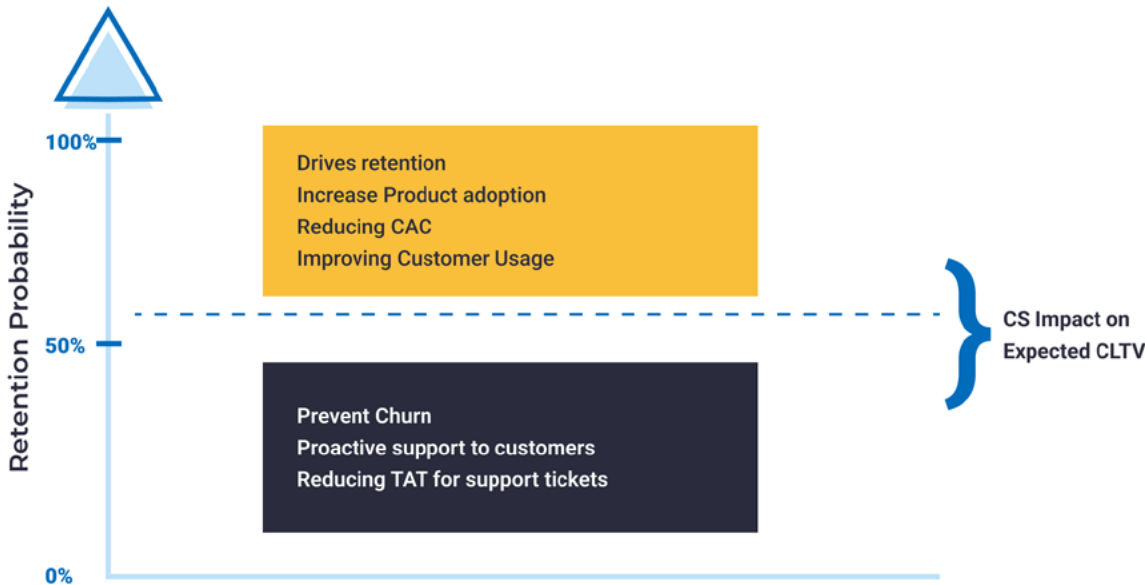
- ✔ following the natural lifecycle of your business as it becomes more mature, you can easily see that the net retention rates constantly improve over time, and it's not just CSMs' impact

- ✔ your business keeps growing over time, and therefore your marketing teams also grow and develop more leads with higher lifetime values & better retention rates

- ✔ as your product develops, you add new features, you fix bugs or downtimes - all these improvements impact the retention curve over time, and you can't attribute them all to CS exclusively.

At Custify, in order to calculate the actual ROI of customer success, we first try to understand the status quo and measure its impact on the baseline:

✔ **The "baseline" status** represents the measured revenue from the client's account prior to CS actually engaging with those customers

✔ And **the measurable impact** is the revenue generated by CS through actively engaging with these accounts - making sure they onboard successfully, getting them to expand, renew, or upsell.

Keep in mind that quantifying these 2 variables is not easy since there are other factors responsible for the visible growth of your customers.

A possible solution to this issue may be looking at customers' lifecycles to determine the overall Customer Success ROI. That works because, **if a customer's lifetime increases while being under the evaluation and management of CS departments, then their profitability also increases.**

Retention Probability

100%

Drives retention
Increase Product adoption
Reducing CAC
Improving Customer Usage

50%

Prevent Churn
Proactive support to customers
Reducing TAT for support tickets

0%

CS Impact on Expected CLTV

That's why using the **Customer Lifetime Value metric can be very useful** to measure the created value of CS departments as a unit. The higher a customer's lifetime length is, the higher their value and profitability.

$$\text{Customer Lifetime Value (CLTV)} = \frac{\text{(ARPA)}}{\text{(Revenue Churn Rate \%)}}$$

ARPA = Average revenue per account.

Do note that both ARPA and Churn Rate need to be either monthly or yearly.

Considering ARPA is the average of all revenue throughout your client base, then Churn Rate would be the outcome of all customer interactions and touchpoints. For example, this would include onboarding, support, service delivery, your CRM, and others depending on your business.

Investing in customer success will either impact your ARPA or your Churn rate, but at the end of the day you should see an impact in CLTV.

Now, with this formula, you can determine the overall ROI of implementing customer success into your organization. But one problem remains, though: **how do you determine the ROI of each CSM?**

The logical path would be assessing the baseline of the CS department before you've hired the CSM you're calculating the ROI for.

Then, you'd need to calculate the impact of that CSM after some time (either quarterly or twice a year would be most beneficial).

To calculate the ROI of any employee, you must look at 3 key elements:

- ✔ the cost of that employee (fully loaded
- ✔ the baseline before you hired that employee
- ✔ the impact that employee has on their leads and Customer Success KPIs

So a simple equation of calculating the ROI of an employee would be:

$$\text{Impact generated} - \frac{\text{Baseline}}{\text{Cost of employee}}$$

How to calculate employee cost:

you can start measuring the cost of that employee by taking into account their respective salary, overhead expenses, necessary tools, and other fees. This part is pretty straightforward.

How to calculate the baseline:

in the case of a CSM, calculating the baseline is a challenge unto itself. So let's start with the number of accounts per CSM. You might already have a certain idea of the size of the portfolio of customers a CSM in your team could handle. Try to define a round number of accounts, as close to reality as possible.

Then, you need to hypothetically challenge that number. Start by asking spot-on questions to find out probable results if you raise or decrease the number of accounts your CSMs handle within their portfolios:

What if we ADD 50% more accounts to our portfolio?

✔ What touchpoints in the relationship between CSMs and customers will be removed?

✔ How will this affect CSMs' overall performance? Will it get worse?

✔ How will the cost-efficiency of the CSMs change?

✔ How will the impact the CSMs make change with 50% more accounts added to their portfolio?

What if we REMOVE 50% of the accounts from our portfolio?

- What touchpoints could be added to the CSM - customer relationship?

- How will this affect CSMs' overall performance? Will it improve?

- Same questions about cost-efficiency and impact arise in the case of 50% fewer accounts in their portfolio.

Larger companies might have the means and time to experiment with these ideas hands-on every month. But most SaaS businesses don't have the scale to do it as easily. So a best practice would be to assess these options either once a business quarter or twice a year.

How to calculate employee impact: the impact that each employee has is usually measured by calculating the revenue generated from the deals they close and their Customer Success KPIs. But in the case of CSMs, their impact is largely intangible, so applying the same formula becomes difficult. So here's what you should do:

- Establish a method that works best for your company and your team. Sketch out an overview of your customers' journeys and your main touchpoints within the relationship with your business.

- Think about the size of the portfolio that each CSM manages, go through the mental model explained above, and play with all the variables: add or remove touchpoints, assess the CSMs performance metrics, add or remove engagement strategies, etc.

Basically, you need to aim to be as cost-effective as possible while not removing the whole impact that you can make on your customers. It's more a matter of

experimenting with your CS strategies until you find a model that works best for your own business and that can bring you quantifiable value in the future.

How to track Customer Success Manager KPIs: there are a few common-sense metrics you should take into account. You can track them by answering these questions:

- ✔ **How many calls does each CSM complete in a dedicated amount of time?** (only take into account the calls where they get positive feedback or close a deal)

- ✔ **How many tasks do they work on on a regular basis?**

- ✔ **What is the satisfaction score of their customer touchpoints?** (analyze the feedback customers give after interacting with that CSM)

- ✔ **What is the overall health score of the portfolio the CSM is managing?** (this will help you avoid customer churn in the long run by identifying opportunities and risks early on)

- ✔ **What is the Lifetime Value, and how can you better understand customers' lifecycles?**

Calculating Customer Success ROI may remain a challenge, but as the CSM role keeps expanding, customer-centric strategies will become more present and bring significant changes to the industry. It's also important you also keep in mind that investing in CS is not just a matter of ROI.

Looking for a quick insight into the ROI of Customer Success?
Custify made a dedicated ROI Calculator tool.

Key ROI formulas

MRR

$$\text{MRR} = (\text{No of customers}) \times (\text{average billing per customer per month})$$

Churn rate

$$\text{MRR churn} = \frac{\text{Lost MRR}}{\text{MRR over the previous period}}$$

ARPA

$$\text{ARPA (per month)} = \frac{\text{Monthly recurring revenue (MRR)}}{\text{Total Number of Customers}}$$

CLTV

$$\text{LTV} = \frac{\text{Average revenue per account (ARPA)}}{\text{MRR churn (or customer churn)}}$$

CAC

$$\text{CAC} = \frac{\text{Total expenses to acquire customers}}{\text{MRR churn (or customer churn)}}$$

LTV: CAC ratio

$$\frac{\text{LTV}}{\text{CAC}}$$

Adoption Rate

$$\text{Adoption Rate} = \frac{\text{Number of Unique Daily Users}}{\text{Total Number of Account Licenses}}$$

Customer Usage

$$\text{Customer Usage} = \frac{\text{Average Time in App Per Session or Week}}{\text{Total Time in App Per Week}}$$

Customer Retention Cost (CRC)

$$\text{CRC} = \text{Cost of} \begin{cases} \text{CS Team + Renewals and/or Account Team} \\ + \\ \text{Customer Engagement Programs} \\ + \\ \text{Customer Marketing} \end{cases}$$

At Custify, we focus on helping SaaS businesses achieve:

- a 360° view on customers;

- a much lower a churn rate;

- renewal, growth and upsell opportunities;

- proactive customer issue resolution;

- automated outreach.
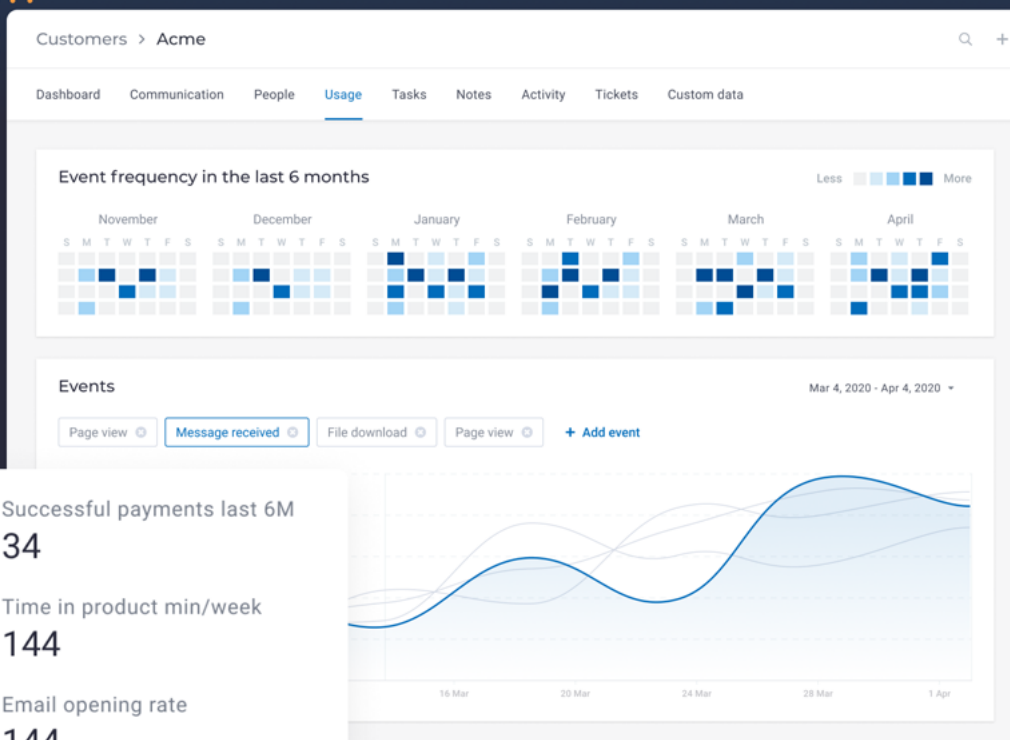
Do you want to understand why your customers are leaving?
See if Custify is right for you.

Schedule quick call