The Role of Data in Customer Success

Custify

If in SaaS, you have 70–90% of revenue on average coming from retention and expansion, why are customer-facing teams equipped with incomplete, disconnected, low-resolution data?

Philipp Wolf
Founder & CEO Custify

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Intro

In Customer Success, you can't or at least shouldn't have a siloed data view. I'll tell you an inside story to explain why.

A while ago, we had a customer who integrated our CS solution with their CRM and Billing System. Their goal was to unite commercial data (contract value, renewal dates), as well as account-based information coming from sales. This way, they could easily handle any renewal conversation. Or so they thought.

They implemented a manual onboarding process, driven by the CS team. This flow had everything: detailed onboarding calls considering the client's pain points, walkthrough implementation calls, product training sessions, review calls. You name it, they had it.

It looked great — on paper. But eventually, they realized something was missing — they had no idea how the client was using the product **after** the onboarding process was over.

Assuming your customers will adopt the product exactly as described in a training session is a pipe dream. And they made this assumption, learning the hard way that training is just a small piece of a bigger puzzle.

Without connecting your customers' product usage data to your CS platform, you won't get a complete 360-degree view of your customers. This will make it impossible to build insightful actions that will guide your users. Long story short, our client had no clue if their customers were getting any value from the product or not. **Retention, therefore, was a big problem, and their data strategy was a big part of the cause.**

Data Challenges In Customer Success

1

a. Everything is spread around — "no command central"

Most companies sit on a goldmine of data that they don't use because it's spread across different tools (CRM, Product Analytics, BI tools, Billing Systems, Ticketing System) which do not connect.

> You have customer data in your CRM and Billing System, you have product usage and utilization data in your Product Analytics and BI tools, and support and customer feedback data in your Ticketing System. Individually, all these data sets are great sources of information, but if you want to make sense of them, you need to bring them all under one roof to have a look of the full picture.

For example, if you look at your Billing System, you might think that one customer is healthy because they just renewed their subscription. However, if you look at your Ticketing System, that same client just submitted three support tickets in one week.

This can easily become a reason to churn, and the only way to prevent it is to analyze all data at the same time.

b. Too much data, too much noise, no useful insights

Now, while having lots of data is great, it's also possible to have too much data, which can paralyze you. You become so sucked in by metrics and KPIs that you run after vanity metrics, and you don't ask yourself: is this data even relevant? How can I apply this insight?

Sometimes, it's best to declutter and focus on the essentials. Ask yourself:

> What's my main objective? Why do I put all this data together? What am I trying to achieve?

> How am I going to correlate different data sources?

> If I had all this data connected, how would this help me? How am I going to use it?

Data is only valuable if you can turn it into actionable insights; otherwise, simply owning it is useless. So think about how you can mix and match customer data, adoption data, and product usage data so that you can generate the kind of metrics that drive your decisions and conversations.

Small teams can do this manually, but what if you have a data set so large that most tools or specialists are unable to process?

Dusan Stanar
Founder & CEO of VSS Monitoring

Because Customer Success Administration is a data-intensive endeavor, companies can increase the effectiveness of their CSM efforts by utilizing a data science mindset.

Firstly, I integrate the data silos to help connect the dots across more variables. The more I can understand my customers, the better I am able to meet their needs, address their concerns and ensure they are receiving value from my solutions.

Secondly, I use machine learning capabilities to discover insights from my clients' data. Because the size of the integrated data set is so large, data scientists are not able to immediately get insights from the plethora of variables available to them. The adoption of machine learning can enhance time-to-insight to ensure my results are both accurate and timely.

c. Turning insights into actionable tactics that support your CS strategy

Last but not least, insights are also useless unless you can act on them. **You need to add every new thing you learn about your customers to your playbook**, so that it can empower your customers' success.

As an example, let's consider how you may approach your customer acquisition process. If you hold several meetings with a prospective customer and find that you're more likely to close the deal by hooking them on the value first, you should add that to your playbook. Namely: talk about the value first, only discuss pricing in the later meetings.

But let's think in terms of customer success. Data analysis is vital but it's not customer-facing. It can be done outside the normal interaction flow. By segmenting customer data by country, industry, and revenue, customer success teams could understand how clients use their product, where they usually need help, and when to trigger custom upsell or cross-sell messages to get the best possible conversion rate.

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Jack Zmudzinski

Senior associate - Future Processing

Data science is incredibly important as it helps answer some really important questions about your customers. Understanding your customer is where it's at in 2022, and data science can provide invaluable insights — including the key reasons why customers leave. Subsequently, this allows me to better manage my customers and to significantly reduce customer churn. In the modern world, data forms the basis of pretty much every aspect of every business, and getting to grips with this is vital for survival and success.

2 Making The Case For A CS Data Strategy

To put it simply, leveraging CS data insights is essential to forming and nurturing strong relationships with your customers. However, some organizatinos are still reluctant when it comes to investing in a comprehensive CS data strategy.

If that sounds familiar, and you'd like for your organization to adopt a data-driven approach to CS, here are a few arguments that will help you make a case for a CS data strategy.

Dear boss - we have no idea what we're doing!

churn   retention

onboarding

KPIs   outreach

CLV

automation   retention

renewal

Surveys   CX

NPS

a. Customer success IS a revenue driver and should be treated as such

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 cuts 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.

As frame.ai puts it: recurring revenue is a flywheel, not a funnel, and successful companies are recognizing the importance of investing in customer success — not just to keep business, but even more critically, to grow it. This imperative increasingly requires knowledge about what customers need to be successful, and what organizations need to do to create the long and profitable relationships that subscription-based businesses aspire to. The more relevant data that customer-facing teams have available to them, the better positioned they are to drive revenue for your organization.

b. Acting vs. reacting

The main difference between Customer Success and Customer Support is in their nature. Customer Support is reactive: the customer reaches out with a problem, and the Support Rep helps them solve it. Meanwhile, Customer Success is proactive,

meaning the CSM analyzes data and proactively engages with the customer and solves problem before the customer realizes they have one.

For example, CSMs can monitor product usage and make recommendations on deriving more value or reducing cost based on the client's activity, segment, or customer base. Customers will then be far more likely to renew and even buy new features.

c. Connecting the whole organization

In the intro, I explained how data silos are an issue for CS, but what about the rest of the company? By pushing to connect and integrate customer data into one source of truth for the entire organization, every aspect of the customer journey will be positively impacted.

Customer data, in theory, should always be shared across teams and departments. In reality, however, you end up with as many as five teams working with just as many tools and no information sharing. Multiple departments have a hand in the customer journey. If they all have access to the same customer context, support can be faster, handovers from sales to CS can be smoother, account managers and CSMs can sync their notes better, and so on.

d. Product differentiation

It's a global world, and SaaS companies are everywhere. The technical advantage is very rare. So, what's left? Differentiation through UX and customer experience.

In fact, according to [Gartner](#), more than two-thirds of companies now **compete primarily on the basis of customer experience** — up from only 36% in 2010! So, if you're at this point in time when you share the same features, price, and market fit as

your main competitors, CX is the key. And yet, many companies still don't understand this.

In their Future of CX report, PwC surveyed 15,000 consumers and found that 1 in 3 will leave a brand they love after just one bad experience, while 92% would completely abandon a company after two or three negative interactions.

A Walker study found that at the end of 2020, **customer experience will overtake price and product as the key brand differentiator**. It's tough to say whether this has already happened across all industries but it does suggest it's inevitable. Is your company prepared?
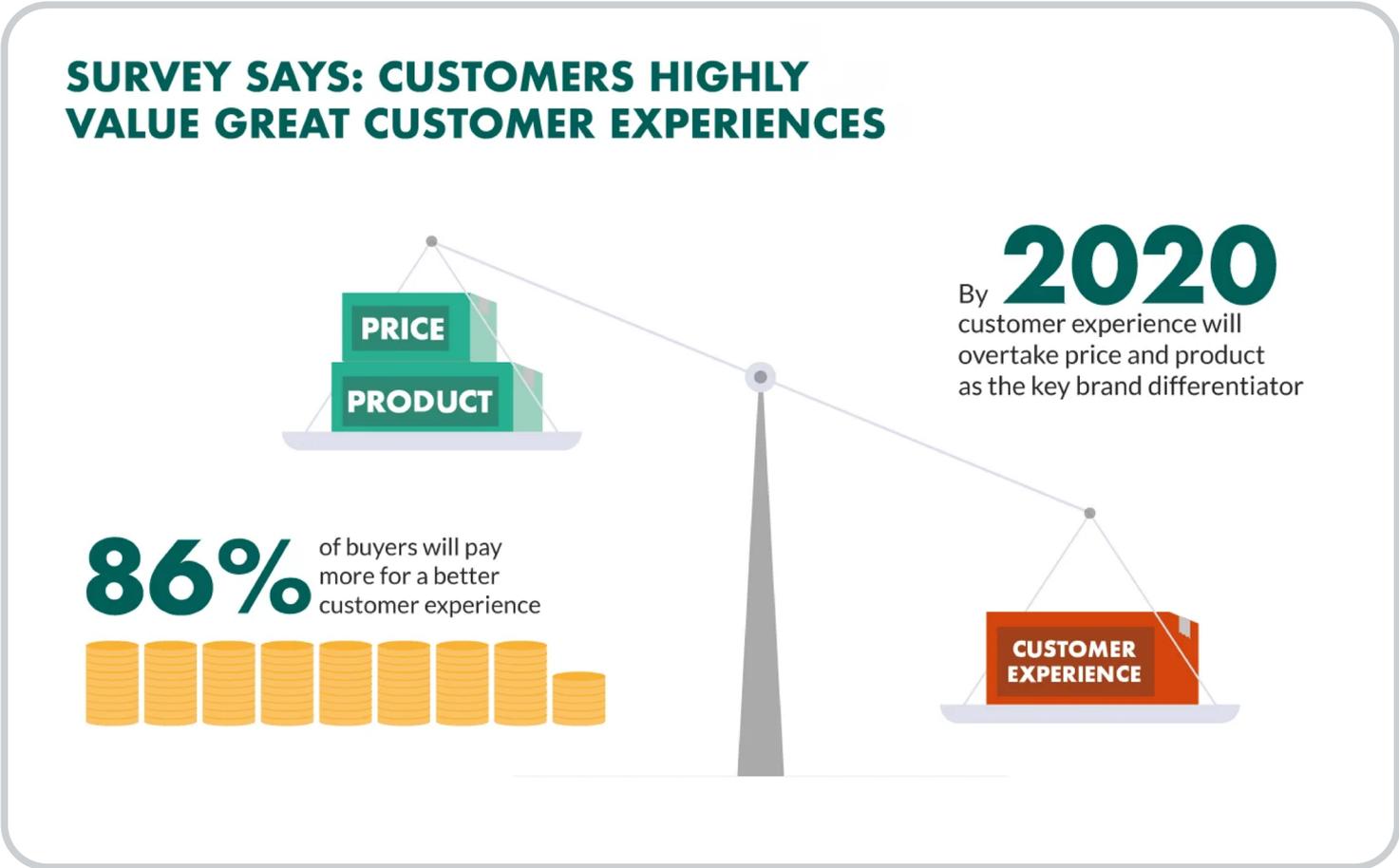

Image source: superoffice

How Do You Get Started?

It's impossible to focus on 100 objectives at the same time. Every company should have only one north star metric that is crucial to them and drives all their decisions. To identify your company's north star, you can have leading and lagging indicators guiding you through.

The **leading metrics** are those that allow you to measure change. They can clearly indicate in advance whether you're going to achieve your goals or not, so you can adjust your strategy accordingly. A few examples of leading metrics are are Net Promoter Score (NPS), Customer Satisfaction Score (CSAT), Time to Value (TTV), and product adoption.

In contrast, **lagging metrics** are those that measure results, so there's little to no chance of improving them once an event has already taken place. A few examples of lagging metrics are renewals, revenue growth, and churn.

So how do you get started? By building a customer journey with clear milestones. Once you know what these milestones are, you can identify the data points you need to track those milestones.

3.1

Metrics per customer jouney phase: onboarding ➔ adoption ➔ expansion ➔ renewal ➔ advocacy

a. Metrics to be tracked during the onboarding phase

At this stage, you should care about how quickly you are onboarding new customers, since this accelerates everything else. And once you know how quickly you're doing it, the next question is: how well are you doing it?

So, during the onboarding phase, there are several important metrics you need to measure:

> **Time to Value (TTV)** - how quickly your customers reach the "aha!" moment

> **Customer Satisfaction Score (CSAT)** - how happy your customer are with your product or service

> **Journey Status** - stage of the customer lifecycle where your customer is currently

> **Time spent per lifecycle stage** - how long it took your customer to navigate their lifecycle

> **Milestones completed on time -** indicates how smoothly your customer's journey is going

> **Customer Effort Score (CES)** - how much effort a customer needs to put in to get their issue solved

> **Training attendance** — indicates whether your customer engaging with your educational content and resources

Delia Visan
Trainer & Customer Success Consultant

As a CS Leader, I find the Onboarding process to be an eliminatory test. The CSMs either perform it properly and the customer remains in the partnership; or they do not, and then there might be churn happening. From a CS Leader's perspective, some of the most important metrics to assess during and after the Onboarding phase are:

> The level of customer engagement: how engaged the users are in using the product;

> The level of customer curiosity: how curious they are about the existing features and the benefits, about the product roadmap;

> The impact of the onboarding sessions on the participants: level of interaction, questions asked;

> The structure, quality, and clarity of the onboarding process and materials - you can measure the result of these in usage and adoption rates afterward;

> The Time-To-Value: how long after the onboarding process the customer starts benefiting from the product;

> The follow-ups: discovery sessions (Service Requests Analysis included) to understand if the customer has knowledge gaps in using the product or any feature; based on the results, an onboarding refresher might be necessary.

b. Metrics to be tracked during the adoption phase

> **Login frequency** - how often the customer logs into your product, meaning how often they use it

> **Active users** — on a daily or monthly basis

- **Sticky feature utilization rate** — each product has some core features customers must use in order to get value; this metric tracks how much these core features are used

- **Customer health scores** — a customer success metric that's usually tied to product feaures and how your customers use them

- **First contact resolution rate** — how long it takes you to solve customer issues

- **Power users** — your most successful customers

- **CSM sentiment** — your CSM's gut feeling about your customers' success

- **Customer fit** — indicated whether you're attracting the right

- **Customer Effort Score** (CES)

Irina Vatafu
Lead Customer Success Manager - Custify

If your team's primary focus is product adoption, you must first understand what product adoption means to your customers. Don't make assumptions and don't track adoption the way you would like your product to be adopted. You may understand it differently than your customers. One sign of misunderstood product adoption could be unexpected churn. Customers you thought were healthy actually didn't get any benefit from the product, leading to unwanted surprises. In my opinion, the top-3 measures for acting towards assuring product adoption are:

- Understand the customer's use case as early as possible, preferably during onboarding; learn how the customer plans to use the product.

- Track usage metrics combined with CS sentiment scores to determine the best health scores (using a CS platform).

- Run NPS campaigns.

c. Metrics to be tracked during the expansion phase

> **License utilization** — the rate between the number of active users in an account and the total number of licenses purchased

> **Product usage rate** — the rate at which your customers use your product which allows you to segment them into heavy users, moderate users, and occasional users

> **Sticky feature utilization rate** — each product has some core features customers must use in order to get value; this metric tracks how much these core features are used

> **CSM sentiment**

> **CSAT**

> **CES**

> **Customer fit**

d. Metrics to be tracked during the renewal phase

> **On-time renewal rate** — how many renewals come before the expiry date

> **Customer renewal rate** — the percentage of customers that renew their subscriptions

> **Customer churn rate** — the percentage of customers that don't renew their subscriptions

> **Monthly Recurring Revenue** (MRR) — the amount of predictable revenue you can expect to receive on a monthly

> **Customer Lifetime Value** — the total amount a customer spends over the whole period of being your customer

> **Net Promoter Score** (NPS) — a measure of how likely your customers are to recommend your product

> **Support ticket volume**

> **Average revenue per customer**

Ingmar Zahorsky
VP of Customer Success, ChartMogul

Starting an annual renewal conversation one month early gives our team enough time to work through any new requirements or objections. Analyzing the product usage data available in Custify helps us identify where a company realizes the most value using our service. It also reveals areas that lack product adoption. We leverage these insights during the customer renewal process.

Deliberate life cycle management will result in a smoother renewal process. A customer that is well onboarded and has embedded your service into essential workflows will perceive your offering as mission-critical.

e. Metrics to be tracked during the advocacy phase

> **Customer Satisfaction Score** (CSAT)

> **Net Promoter Score** (NPS)

> **CSM sentiment**.

Rachel Provan
Customer Success Leadership Coach &
Top 100 CS Strategist 2022

Advocacy is interesting. What a lot of CS leaders get wrong is that they treat advocacy as a favor based on building strong relationships with customers. This is a terrible strategy, because it actually strains the relationship.

The key to customer advocacy - as with everything else in CS - is that you have to deliver value. Put yourself in the customer's shoes and always ask "What's in it for me??" There needs to be a reason for the customer to take time out of their day. Most people don't realize what a big ask it is to serve as a reference, a case study or a quote. Not only are we asking for time from their day - often more than once in the case of references or quotes - but we are asking them to use a large amount of social capital. If someone has a bad experience with our product, and the client recommended it, the new customer will now think badly of the client.

That's why I prefer advocacy programs that give the referrer something in return - a discount for both them and the new client, a bonus of an additional service... Another great way to find advocates is through a customer advisory board - which is considered prestigious or a speaking event where they get to promote themselves as well.

3.2

Metrics inside the CS team

The second dimension spins around the CSM activity, and it's important to make sure that you are doing the right things rather than just doing things. Are you moving the needle in the right direction? You shouldn't just tick tasks off of your list. You could definitely be doing something to create impact, make sure you are driving outcomes and bringing value to your customers when you are having meetings, calls, QBRs — you name it.

> It's also important to understand what activities you are driving and how regularly you are driving them.

The type of CSM activities you should have in mind and monitor include **standard QBR/EBR sessions, expansion conversations, renewal conversations, strategic client audits, regular health audits, and customer education sessions.**

Make sure you also keep an eye on the account evolution per CSM **(HS, Onboarding, Renewals, Product Adoption) and task evolution per CSM** (how many are open, how many are delayed, and how many are on track).

Essential CSM Activities

CS activities can be divided into six categories, and each of these categories is essential. Yet most organizations focus on retention, health monitoring, and success planning and leave out the rest.

For best results, here's what you should spend your time on:
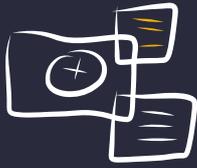
Onboarding activities

✓ initial welcome

✓ kick-off meeting

✓ establishing goals and objectives

Success planning activities

✓ goal-setting

✓ account planning

✓ journey mapping

✓ reviews

Driving adoption

✓ coaching

✓ training

✓ best practices

✓ templates

Health monitoring activities

✓ usage tracking

✓ sentiment analysis

✓ risk assessment

✓ intervention

Customer retention activities

✓ renewal notification

✓ budget planning

✓ follow-ups

✓ win-loss analysis

Upsell and cross-sell activities

✓ account reviews

✓ ROI analysis

✓ goal-setting

✓ opportunity alignment.

3.3

Financials

The unit economics are measured along the whole customer journey; they are not specific per customer stage. So what are the most important finance KPIs you would need to measure?

a. MRR

> Invoiced Gross Revenue

> New Monthly Recurring Revenue (MRR) — the additional revenue generated from the new customers gained during a month

> Churned MRR — the amount of monthly recurring revenue lost due to customer cancellations

> Reactivation MRR — the total amount of recurring revenue generated from reactivated accounts of customers who had canceled and have resumed their subscription within the current tracking period

> Expansion MRR — the additional monthly recurring revenue generated in the current month compared to the previous month, excluding the new MRR

Expansion Revenue =
∑ Cross-Sell Revenue + ∑ Upsell Revenue

Expansion MMR % =
[(**Expansion MRR** at the end of the month – Expansion MRR at the beginning of the month) / Expansion MRR at the beginning of the month] x **100**

Contraction MRR =
Downgrade MRR + Cancellation MRR

Net New MRR* = New MRR + Reactivation MRR + Expansion MRR - Churned MRR

Net MRR* = MRR + Reactivation MRR + Expansion MRR - Churned MRR

ARR* (calculated = Ending MRR * 12

b. Churn Metrics

> Total number of customer EOM

> Number of new customers

> Number of expansion customers

> Number of returning customers

Net new customers*:

new customers + expansion customers + returning customers - churned customers

% customer churn:

churned customers / total number of customers EOM

% net customer churn:

(churned customers - returning customers) / total number of customers EOM

% MRR churn:

churned MRR / starting MRR

% MRR reactivation:

reactivation MRR / starting MRR

Negative churn =
[New MRR + Expansion MRR] – Churned MRR

b. Unit Economics*

ARPA (Average MRR) for new customers:

new customers + expansion customers + returning customers - churned customers

LTV for new customers:

ARPA for new customers * %Gross Margin / %MRR Churn

LTV to CAC ratio:

LTV / CAC

Months to recover CAC:

CAC / ARPA for new customers * %Gross Margin

4 The Elephant In The Room — Leveraging All Your Data

The big challenge is not how you collect data, but what you do with it. Organizations these days have so much data at their fingertips that they can send themselves into information overload.

Simply collecting data is not enough. You need to empower your CS team and provide them with the right data and the right training to help them make the best and most informed decisions.

> Instead of spelling out each action your CSMs should take in a very descriptive step-by-step playbook (which I doubt you could even apply to all your customers since every company is different), you should focus on hiring individuals who have a high level of business awareness and understand how to find, interpret, and act on data.

Once you build your dream team, it's time to build dashboards that let your CSMs know their portfolio health at a glance: **payment health, usage health, sentiment health, etc.** If you can zoom in on a customer and identify exactly when and why they went sideways, it's easier (more and advisable!) to come up with possible strategies to get them back on track (instead of going by the playbook and applying a previously decided strategy that may or may not work on them).

Also, consider the following two dimensions:

> **Governance around data** — what are you actually trying to measure, what are you actually trying to achieve?

> **Consumption of that data** — who is going to leverage the data? Data is not just for managers; it's not there just to make you feel good that stuff's happening.

You need to understand that the insights you need in order to move the needle forward are the result of connecting individual data points. For example, if you want to know which of your customers have the potential to become your champions, you need to look at past reports and account data. But this is not always enough, so you also have to strategize and think about what you can do to help those customers achieve that status.

Effective customer success requires, first and foremost, **proper segmentation**, as well as an alignment of business processes and the ability to deliver customer outcomes. And the latter is only possible if you can predict the behavior that will lead to positive outcomes.

So the bottom line is: in order to improve customer success, you must first define the maturity of your data science strategy.

reactive   informed   proactive   cognitive

Only after you determine your organization's maturity level, the problems you need to solve, and the investments you need to make in data science will you truly be able to act on your data. Unfortunately, many CS departments skip this step, and instead of starting small, they immediately jump to the next new and shiny tool.

That's a very misleading strategy because, if you let a tool make predictions for you, do you even know what goes into calculating those predictions? It's best if you first start small with a qualitative, manual, and not scalable process, understand how things work behind scenes, and then bring complex tools into the mix, one by one.

A great customer success strategy is based on data. "Why?" I hear you ask. Well, let's go back to basics: customer support is reactive by nature and depends on customers complaints to function. Customer success, on the other hand, is proactive. It aims to predict and and address user problems even before the client can react. Now, how do you do this effectively? Data, my friend! An effective data strategy is the cornerstone of every good CS implementation because it's the only way to effectively and quickly detect, diagnose, and react to customer needs.

5 Practical Examples Of Leveraging Your Data

Example 1
-answering the age-old question of the CS team size

"Is my team properly sized or not?" is a question CSMs frequently ask themselves. If you measure the percentage of your premium customers that have had a high impact on CS activity in the last three months, you know how regularly or not you are performing these activities. The logic behind being, if you are not performing essential activities regularly, are you staffed enough? Are the ratios leveraged too much?

If you have activities defined for the onboarding process, you should analyze how regularly you do them to determine the impact.

Example 2
-product feature adoption with the help of CSMs

You've just launched a new feature; let's call it "feature A release". Educating your customers on this new feature is critical right now, and this has become a top priority

for the CSM team. So, you need to track how many conversations your CSMs are having around this new feature specifically.

In order to encourage CSMs to include this feature in the conversation, to surface it, to raise it, you need to set targets around it, so every month or quarter, you can review performance on this particular KPI. This way, the CSM has a specific objective: 70% of their client portfolio needs to have had a "feature A" conversation. That's what they need to achieve.

Example 3
-preventing churn caused by missing features

If losing customers feels bad, losing customers because of missing features feels even worse because this is not something that's in CSMs' power. Or is it?

You can prevent churn caused by missing features by prioritizing feature requests depending on how much revenue they will help you save or how much additional revenue they will help you bring in. For this, you should look at data such as:

> frequently requested features

> features requested by customers with high annual spending vs features requested by customers with lower annual spending (but take this with a grain of salt and consider how many customers you have in each category and the lost revenue from all customers in that category combined)

> number of customers potentially lost

> revenue lift (maybe this feature won't save you customers, but it will bring in additional revenue), etc.

Example 4
- leverage VOC surveys to plan your product roadmap

Combined with other types of Voice of Customer initiatives (NPS, for example), VOC surveys can provide extremely valuable insights that can have a significant positive impact on your product roadmap.

95% of consumers believe customer service is essential for brand loyalty, and you can't have good customer service without practiced, informed listening.

It's rare that over 90% of consumers agree on anything, so being better at listening isn't just the first step towards VoC, it's also a way to ensure your entire business is more aligned with customers' needs and wants. Listening is also one of the three core principles behind the Voice of the Customer.
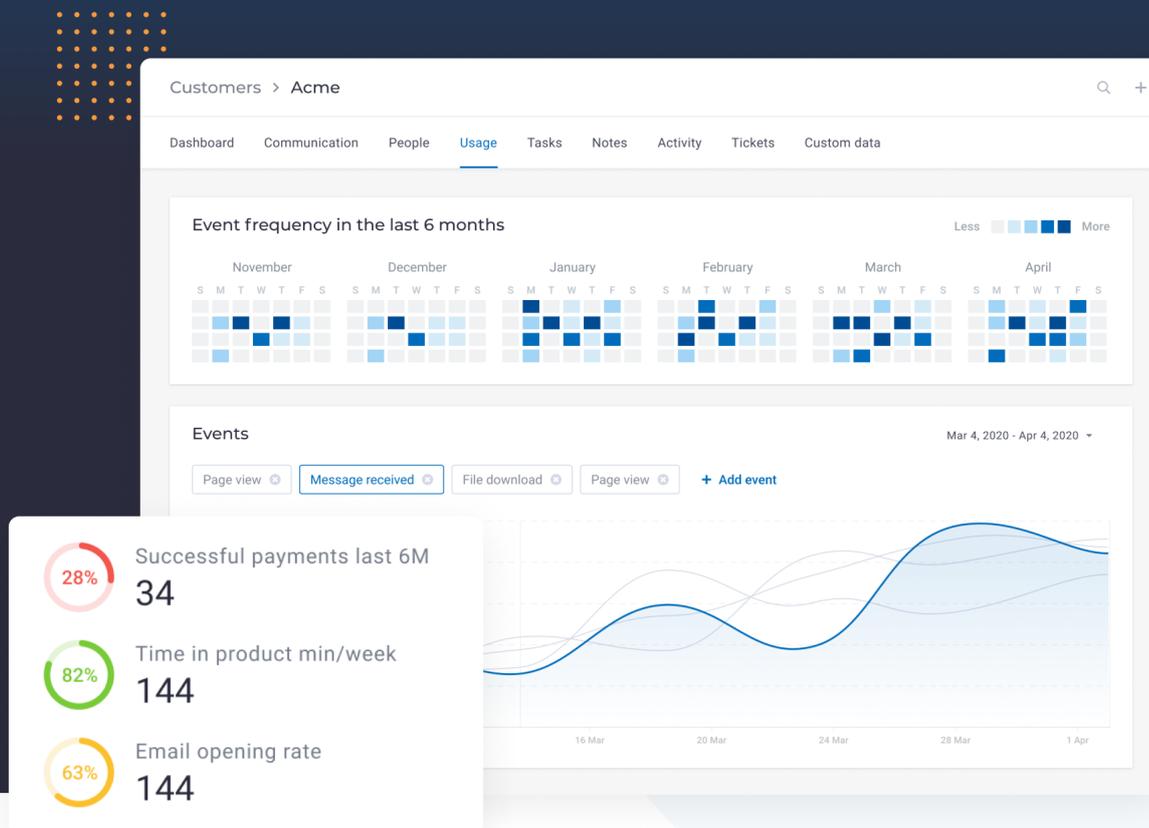
For example, customers can not only tell you what features you should build next, what features they want but also how you can build them, and what they should look like.

Sources of capturing VOC

Surveys

User Review Platforms

Call Centers

News Monitoring

Emails

Website Data

Social Media

Purchase History

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.

Customers > Acme

Dashboard   Communication   People   Usage   Tasks   Notes   Activity   Tickets   Custom data

Event frequency in the last 6 months

Less ▢▢▢▢▢ More

November	December	January	February	March	April
S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S

Events

Mar 4, 2020 - Apr 4, 2020 ▾

Page view ⊗   Message received ⊗   File download ⊗   Page view ⊗   + Add event

28% Successful payments last 6M
     34

82% Time in product min/week
     144

63% Email opening rate
     144

16 Mar   20 Mar   24 Mar   28 Mar   1 Apr

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

Schedule a quick call