

VP Customer Success Actions to do Sooner Rather than Later

A B2B startup or a company that's beginning its growth phase will do anything to satisfy customers and build happy references; no matter the cost. As VP Customer Success your role is to deliver happy customers who are ready to buy more from the company. If your customers are happy, and are making good use of the product or service, they will not leave. Customer Satisfaction, Upselling and Churn are your key performance metrics. The pressure comes from the cost of service. A company might make nice profits selling its products, while the services arm burns up these profits. I am sure you felt this pressure, and it looks like this: support needs are increasing, and you are asked to do it with less resources.

In Customer Success organizations there is no alternative to good planning. The main cost item is the number of employees in your organization. Almost all cost items are a factor of the number of people; it's clear you have to watch this number and this number alone before you think of other cost controlling measures. Therefore, the well known secret that's key to being able to control the number of people, is to focus on process, procedures and automation, and with it increase the amount of work that one person can carry. The true secret, however, or the art, is to do it with just the right amount of investment congruent with every phase of the company's development.

For example, you might have a favorite CRM system and you move to deploy it in your organization. But if the processes and procedures are not yet well developed, tried and tested, you will add to costs instead of making a step toward saving costs. Or, if you are not yet set to deliver services in tiers, your deployment of the system will be wasteful. Time and again I have seen work that's pushed into a poorly designed deployment of a system's use, and because it becomes a significant burden subsequently, people are hired just to serve the system. You shouldn't buy an expensive toolbox if you don't know how you'd use the tools in it.

Let me help you unravel the layers of this, seldom practiced, secret in the world of Customer Success. It's never too early to start thinking and designing processes and procedures. i.e., putting structure in everything you do. I propose you employ a healthy progressive approach to introducing these processes and procedures and further up the growth curve embark on an obsessive automation journey. You start deploying this approach from the moment you assume your position, or, if you're already there, retract and revise your current approach with the following pillar principles.

- Tiered Service. You may currently have only 10 customers to support, or even fewer, and your company is investing in creating good references. You treat all customers, large or small, in the same way. You know in advance that in the future when the company has 100 customers, there's no way you'll be able to scale your current level of service to all of them. It will simply cost too much - you will not have the budget for it.

I propose you create 3 tiers of customers right from the start: large, medium and small and categorize your existing customers according to the expected revenue they will generate for the company. For SaaS products it will be the ARR (annual recurring revenue) according to which you segment the customers into tiers. You can give these tiers nicer names like: Strategic, Enterprise, SMB.

Cost of service is very difficult to estimate, especially if your product is relatively new. The needs of each customer are different, and before you have a significant number of similar customers, any statistics you'd try to use will be confusing more than helping. It's a long learning process that will give you the best lessons if you do it in tiers.

For example, you may give a small customer the best possible (and expensive) service because this customer is one of the early adopters. However, as you provide this service you learn the nature of the needs, and because this specific customer belongs to the lowest tier, you constantly think of how to service the next one in this tier or the one after that. Eventually, you will be prepared to service such customers with the lowest possible human touch, i.e. automated service in combination with infrequent touch points, or none at all.

Strategic customers in the highest tier should always be treated with high touch service: frequent reviews, assistance in usage of your product, very quick response time, and solutions to bridge product deficiencies, like customized tools. You should add automated features to your service, but not as replacement for human service. For example, you might send them an automated report, but you also offer to review it with them. You should develop a partnering relationship with strategic customers; their interests are your interests.

To service the tier in the middle - Enterprise - you employ a mix of these two extreme approaches. These customers typically have very high expectations for service. You have to wean them off these expectations, lowering the level of touch gradually, until you learn what's acceptable to them as just the right amount of human touch.

You design all other pillars of your service *per tier*. You should demonstrate forward thinking and show how clever you are by not getting into ratholes that in the future are going to be costly to get out of. For example, if you allow 20 small customers to

receive the level of service of large customers, inevitably you will encounter what's known as a long tail problem - customers that bring only a small percentage of the total revenue and yet, they consume services way above this percentage. Even if you wake up and introduce tiered approach at that point, it will take a long time and much effort to settle into the new service levels.

- Tools and systems. There are quite a few work management systems that allow collaboration and flexible visibility on high numbers of tasks. They can be easily designed to show specific views on customer-base status, workload management and balancing, and managerial dashboards. Their collaboration features allow the needed access authorizations for cross functional communication as well. With my clients I have encountered Jira, Asana and Confluence, but I am sure there are more available in the market with similar advantages.

You should experiment with them on a small scale and commit to full deployment only when the growth signals are there, and after confirming with all types of users that their needs for information are satisfied. For example, Sales Account Executives will tell you that they want full exposure to everything that's happening in their accounts. But they really don't. They will be happier as you refine the information you feed to them with time. You may start with full access, then add monthly reports, then only highlights, and further down the road, perhaps only alerts on significant changes. As this example shows, your progressive deployment should be a never ending journey of continuous improvements.

- Processes and procedures. Processes should simplify and regiment the work and procedures should serve as checklists for ensuring quality. Examples:
 - Customer onboarding process is the period of handholding until the customer reaches an acceptable level of independence in using the product. It may include training, assisted deployment activities, etc.
 - Customer acceptance procedure is the checklist which includes all the information and tasks associated with handing over a customer from sales to customer success.
 - Customer Install Base Review is the process in which regular team forums are established to review status per customer and follow-up on actions.
 - Voice of the Customer process would be regular meetings (quarterly) with Product/R&D/Marketing to educate the organization on all facets of customer experience, for which Customer Success personnel are the best proxy.
- Personnel and Staffing. Customer Success is a people business, not a product or solution business. On its own it's hard to make profits unless on a very large scale; long term gross margin for such work is 15% at best. Net profits are always under pressure. For a product or a solution company, the CS arm exists to facilitate sales because a large percentage of customers won't buy unless they're assisted with a package of services.

You manage a people-based operation; therefore, you have to follow hard principles of keeping your group motivated and productive. Sometimes the workload is as wild as an emergency room in a hospital. Unless your first line personnel knows that their work conditions is your highest priority, the system might be compromised and you won't be able to deliver the necessary levels of service.

- Form teams based on the longest learning curve. Usually you think about it in terms of regional teams or functional teams. If learning the specifics of the customers in a region and staying abreast of their particulars is harder than learning specific skills, form a team for the region that's diverse enough in its collective skills. If on the contrary, certain skills are required at a high level of expertise, then you form groups of experts that provide service to more than one region. Most well structured organizations adopt a hybrid approach.
- Agile methods. Small teams work most effectively and efficiently in Agile processes. But, not everything is happening inside the teams. You should create layers of cross functional interactions on top of the teams, to facilitate learnings from best practices, and create a sense of unity and pride in the entire organization.
- Utilization. From a certain size of the organization it will be useful to do accounting of hours. Overall the utilization of CS personnel should be about 80%, while the rest is consciously allocated to self improvements and team improvements. Activities such as training and cross-pollination among teams will send a clear message to the employees that their professionalism is the highest priority for you and the executive team you represent for them.
- Motivation. Your personnel is mostly inside the trenches. The best way to motivate your group is to show them the big picture above ground and to celebrate successes. They expect you, as their VP, to satisfy those needs; therefore, you should go out of your way to search for reasons to celebrate achievements and successes. And I don't mean parties. Rather, one public recognition is worth more than a thousand drinks.
- Planned Growth. Always use the number of customers as the milestones for planning. Create a roadmap for 10: 50: 100: 500: 1000 customers in each tier. Every roadmap revision should have an outlook of two milestones ahead. For each milestone detail the required level of automation, processes and service personnel based on the pillars that I describe here.

Investing according to the plan and leadtimes. If your roadmap calls for a deployment of a new system or process, and you estimate it to take about two quarters to ramp it up, then start two quarters ahead of the anticipated milestone.

Not earlier. Do not overinvest ahead of time, because you will make better decisions as you move along the roadmap. Use the rule: just the right amount of investment and process for each phase.

- Monitor progress. The best way to keep track of all the activities and maintain your head above water is to construct managerial dashboards and with their monthly updates you can visualize the areas that are doing well and those that need more of your focus. For processes I especially like the Kanban visualization; it helps identify bottlenecks, and guide your thinking on corrective actions. The categories for your dashboard are statistics and assessments on: workload, paid tasks vs. service contract tasks, workload per tier, customer satisfaction, workforce analysis statistics and skills coverage, recognitions, utilization, productivity, automation, processes and procedures and level of adherence, knowledge base and reuse of work products, internal and external visibility.

VPs Customer Success spend most of their time in handling escalations and actions that are based on intuition. I hope you aren't totally immersed in these typical behaviors, even though I am confident that you are there at least partially. With the looming uncertainty period as a result of the economic crisis, it is crucial to work according to plans that are flexible enough to adapt to changing circumstances.

Acting by intuition and urgencies will result in cost of service that dilutes significantly the profits of the company. Your reputation as an executive lies in knowing your cost structure per tier and controlling it by being methodic and intelligent, and not by being stringent. This is the perfect case where there's no one model that fits all types of companies, neither for the customers, nor for the personnel that serves them.

The framework that I gave you here will uplift your performance as the executive who's in charge of the people and organization that are the front line of the company.

Sought after C-Level Mentor, consultant and speaker, Sarah Zohn is a highly respected expert on Operational Strategies for Growth and Go-To Market for hi-tech companies. She brings broad experience from her positions as VP in mega multinational corporations as well as from coaching dozens of B2B technology companies and guiding them with game-changing strategies. With hundreds of consulting interactions with startups, Sarah also knows well the nature of startups and their ecosystem.

Sarah is a graduate of B.Sc.E.E and MBA from the Technion Institute of Technology in Israel. Her executive level positions at EMC Corporation over 15 years covered hardware and software Engineering, Services and Customer Success, Product Management and Sales. She also served as Deputy Executive Vice President, where she participated at the top of the decision making processes of EMC's leadership. Sarah's experience spans over continents, cultures, several technology-based industries, and hundreds of mentored managers and leaders.