

SERVICE **SOURCE**™  
▲

# CREATING CUSTOMERS FOR LIFE

The Formula for Profitable Success



**30%–80%**

Growth  
expected by the  
average investor.

**3.1 years**

Average break  
even with a new  
customer.<sup>2</sup>

## Manage Your Customers to Beat Your Growth Targets

Every B2B company is feeling the heat. Investors, shareholders and stakeholders alike expect high growth. Anything less is not good enough. While a new company can drive growth from new customer acquisition, maximizing customer lifetime value is the secret to sustainable and predictable growth.

In order to drive greater revenue growth from existing customers, your revenue formula needs to expand from simply acquiring customers to executing programs that drive revenue after the initial sale. It's actually 6 to 7 times less costly to earn revenue from existing customers than from new ones, so you're expanding the revenue opportunity while reducing the cost of that revenue.

In today's economy, your emphasis on maximizing customer lifetime value is the key to not only growth, but also profitability and, in the long run, viability.

In fact, the average time to break even for a new customer can be more than three years when you account for acquisition and delivery costs.

With so much of your revenue and profit delivered after the initial sale, it is critical that you keep customers longer and increase the amount they spend with you over their lifetime.

Customer success management is all about the motions and activities required to retain and grow revenue from your existing customers—and ultimately to create customers for life. When you get it right, you'll exceed shareholder expectations.

# The customer success management motions that create customers for life



## Onboarding: the start of the customer journey

After the initial sale, Onboarding is the first motion in customer success management, and the one that creates the foundation for success. During customer acquisition, a promise was made to your customers on the value you planned to deliver.

How do you ensure that you meet your customers' expectations? A successful onboarding process will ensure your customers are set up for success. It should include go/no-go milestones for user provisioning, configuration, integration and training. Issues that arise need to be resolved immediately; otherwise, your customer relationships will get started on the wrong foot. In some cases, customer expectations will need to be reset based on new information uncovered during onboarding.

During the first 90 days, customer usage trends alert your teams to which customers need extra attention, and in which area. Your Customer Success team should be engaged during the onboarding process to learn more about the customer's business. They should be on top of any issues that may persist into the Adoption phase.

### Top KPIs

- Actual deployment time vs. planned
- Customer satisfaction

## Monitor and Get Ahead of Issues Quickly

- ▶ Track critical deployment and training milestones to proactively address issues
- ▶ People skills are important; prioritize customers who need additional attention, and ensure that project managers are adept at navigating difficult customer situations
- ▶ Engage Customer Success early to ensure they will gain an in-depth understanding of how the customer will derive value from your product
- ▶ Set up an incentive structure that rewards Implementation Services and Customer Success for on-time deployments

# Adoption: how your customer realizes value

If a user is not loyal within the **first 90 days**, there is only a 10% chance they ever will be.<sup>3</sup>

Once your solution is deployed, is your solution actually being used? Is your customer realizing the maximum value of your products or services?

Adoption is always directly correlated to customer retention. For example, with end users, gaining adoption is critical within the first 90 days. If a user is not actively using your product within this time frame, there is only a 10% chance they ever will be. During the Adoption stage, it is critical to nurture users to use features that are sticky, encourage training as needed, and promote ways for end users to gain value from your offering. Customer Success teams should be monitoring customer health and proactively engaging stakeholders if adoption is not meeting expectations.

During this phase, it is essential to reinforce the benefits of the product, remove any barriers to usage, and highlight the critical features that help end users. You should closely monitor end user adoption to determine where additional change management, training or support is required.

## Develop Champions in the First 90 Days

- ▶ Monitor ongoing product usage at the end user level
- ▶ Identify power users who can champion adoption and show early success
- ▶ Promote your “stickiest” capabilities and run personalized adoption plays
- ▶ Incentivize both Customer Success and product teams on achieving customer success

## Top KPIs

- Percentage of active users at 30, 60 and 90 days
- Frequency of usage, especially sticky features
- Breadth of usage

## Upsell: upsizing the revenue captured from each customer

To effectively uncover opportunities to upsell and cross-sell, you will need to analyze customer usage and product buying affinity. Your teams should be prompted to promote the next best offer based on a customer's product usage. Through this process, you will grow your value proposition and stickiness with customers. At the same time, you will be in a position to sell new products and services to those customers most likely to buy, ultimately driving higher customer lifetime value and growing profitability.

### Upsell: Keys to Success

- ▶ Identify where pricing is too low relative to utilization to recapture discounts, target annual price increases or rate plan changes
- ▶ Continuously monitor subscription counts, heavily used features and overages to proactively alert your team to upsell opportunities
- ▶ Transparently report usage and leverage value selling to meet upsell objectives

## Cross-Sell: making customers aware of all you have to offer

### Cross-Sell: Keys to Success

- ▶ Develop cross-sell strategies that promote sticky, high value-add and premium features
- ▶ Monitor end user usage and product purchase patterns to identify new "product bundles"
- ▶ Proactively alert Account Managers to cross-sell opportunities
- ▶ Promote targeted offers directly to end users who exhibit the right usage behavior

### Top KPIs

- Average contract value (ACV)
- Upsell quota attainment
- Average ACV per customer
- Conversion rate
- Customer satisfaction

### Top KPIs

- Cross-sell quota attainment
- Conversion rate
- Compliant subscription percentage
- Average ACV per customer

# Retention: keeping your customers happy

## Top KPIs

- Customer ROI
- Service level agreement attainment
- Usage rate
- Retention rate
- Discount rate

Retention is about maintaining continuous engagement with your customers, proactively identifying those who are dissatisfied with or underutilizing a product, and then quickly engaging with targeted strategies with these customers before they churn. You need ongoing support and proactive engagement during this phase, since your customers' businesses are constantly in a state of flux.

A successful Retention program includes continuously monitoring customer usage data, satisfaction and other factors such as executive or economic changes to identify any downward trends that may be a precursor to churn and then proactively intervene. Profitable cloud companies benchmark 90% retention as a minimum threshold, with best in class achieving 95% or higher customer retention rates.

Your Customer Success team should be triggered into action when a customer is flagged as "at-risk." Proactively engaging at-risk customers will help you increase customer retention, which drives serious results—a 10% increase in customer retention results in a 30% increase in company valuation.

At the same time, you should also anticipate and act on revenue growth opportunities. Monitoring and predicting retention helps you keep an eye on whether customers are out of compliance with your licensing policies, such as overages, sharing of logins or access violations. When you bring a customer back into compliance, you're reducing their legal risks while creating an upsell opportunity for you.

## Identify At-Risk Customers

- ▶ Develop and maintain a customer health scorecard
- ▶ Monitor end users for changing usage patterns or underutilization to identify customers most at risk of churn
- ▶ Regularly host business reviews with the customer to identify changes to their business
- ▶ Run personalized save plays directly to end users based on their usage patterns
- ▶ Incent Customer Success and operations on service level agreement attainment and customer satisfaction



A **10%** increase in customer retention results in a **30%** increase in company valuation.<sup>4</sup>

# Renewal: making the right ask at the right time

During the renewal phase, you should always work backwards from the date of expiration—preferably more than 120 days in advance. The renewal event is also a great time to identify opportunities to increase the value you are providing your customers and potentially sell more. Based on key criteria like customer size, disposition and level of strategic importance, understand which customers can be renewed through lower-touch campaigns and which require a higher-touch, personalized approach. Your renewal teams should work closely with Customer Success to retain or possibly grow the value of the customer.

## RENEWAL EVENT AS A GROWTH OPPORTUNITY

- ▶ Generate clean renewal opportunities and quotes >120 days in advance of renewal term expiration
- ▶ Develop and run sales plays tailored to each customer segment
- ▶ Reach out to the end customer 90-120 days in advance of term expiration
- ▶ Ensure the right touch points occur on each renewal to maximize close rates
- ▶ Train Account Managers on the product's value proposition and identification of cross-sell and upsell opportunities

## Top KPIs

- In-quarter renewal rate
- Final renewal rate
- Resolution rate

Generate clean renewal opportunities and quotes **more than 120 days in advance** of term expiration.

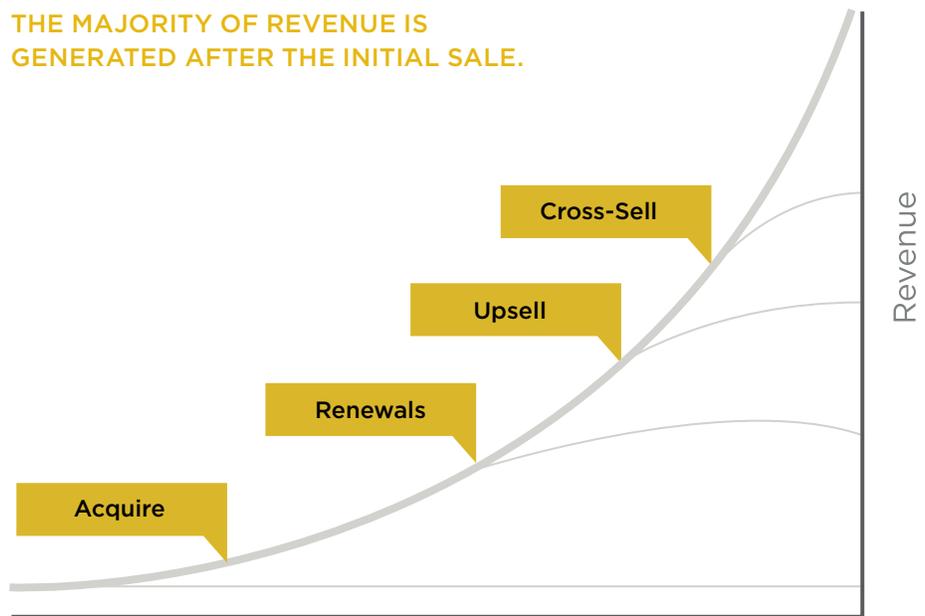


# Maximize Customer Lifetime Value

By implementing a best practice framework for customer success management, you can reduce your time to profitability and reap the high recurring revenue potential from your existing customers.

Maximizing your customer lifetime value (CLV) and creating customers for life is the key to achieving annual growth targets and increasing your company's valuation.

**THE MAJORITY OF REVENUE IS GENERATED AFTER THE INITIAL SALE.**



## Create Customers for Life Best Practices and Methods

### Know Your Customers

You should have an in-depth understanding of the customer's business objectives and the value they expect to receive from your product. Gaining this holistic insight requires you to integrate the various silos of customer data across the enterprise.

- ▶ House all of your customer data in a single repository for ease of access and a complete view of your customers
- ▶ Develop a customer scorecard to measure ongoing customer health
- ▶ Understand your customer's business: know their industry, competitors, challenges and goals
- ▶ Memorialize the business case you developed with the customer during the sales cycle and ensure it is accessible by your Customer Success and Account Management teams

### Top KPIs

- Customer health scoring
- NPS

## Evangelize Your Value

Effectively measure, monitor and report on the business ROI derived from your product or service to ensure customers are meeting their business objectives.

- ▶ Consistently track and monitor the value your customer is getting from your product
- ▶ Consistently engage your customers to learn how they derive value from your product
- ▶ Cultivate customer advocates or “fans” and enable them to act as evangelists of your products through development of user communities and forums
- ▶ Reward your biggest advocates and promoters through customer appreciation events or gifts

### Top KPIs

- # of fans/advocates
- NPS
- # or % of referenceable customers

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## Personalize Customer Interactions

Leverage predictive analytics and automation to proactively engage customers based on their needs. Make sure you develop a process delineating the customers who require 1:1 engagement versus those who should receive automated nurturing.

- ▶ Segment your customer base by size and health to determine engagement strategies through automation or personal touch
- ▶ Use predictive analytics to determine customer disposition
- ▶ Customers who are at risk of churn should be engaged personally by your Customer Success team, regardless of size
- ▶ Larger opportunities with a high propensity to buy should be engaged personally by an Account Manager, while smaller deals should leverage marketing automation

### Top KPIs

- Usage
- At-risk
- Likelihood to buy (lead scoring)

## Harness the Right Skills and Incentives

At any point within the customer success management process, you should be able to measure, monitor and report against your stated business objectives and ROI derived from your product or service.

- ▶ Your Customer Success team should be focused on customer onboarding, adoption, retention and nurturing, while your Account Management or Renewal team should be focused on revenue-generating activities such as upsell, cross-sell and maximizing the value of the renewal
- ▶ While not specifically tasked or compensated for revenue generation, your Customer Success teams should be trained to identify and share opportunities for upsell and cross-sell with the sales team
- ▶ Tailor compensation to specific objectives by team: Customer Success should be compensated on retention rates, customer satisfaction scoring and referenceability, while Account Managers or Renewal Reps should be compensated on revenue generation through upsell, cross-sell, trial conversion, and renewal

### TOP KPIs

- Retention rate
- NPS
- # of referenceable customers
- Renewal
- Trial conversion
- MRR and ARR
- Attach rate

## Continually Optimize Your Performance

Consistently monitor recurring revenue KPIs and leverage A/B testing to drive toward best-in-class performance. Systematically capture feedback from your customer-facing teams to learn from every customer interaction.

- ▶ Measure and track campaign efficacy
- ▶ Make changes to campaigns in flight, based on real-time results
- ▶ Track specific feature usage so you can amend pricing and packaging to optimize revenue
- ▶ Develop new offers based on your most popular product features (e.g., package a really popular feature as an upsell or higher-tier license fee)

### TOP KPIs

- Feature usage
- A/B testing and results
- Pricing optimization

# Keys to Profitability

## The Business Drivers That Matter

Expanding your **Revenue Capacity** by freeing customer-facing teams from low-value activities and helping them engage at the right time with the right customers

- ▶ Leveraging a single system and automation will allow your Customer Success and Account Management resources to expand their coverage
- ▶ Armed with predictive analytics, your teams will be more productive and focused while also driving higher results

Increasing your **Customer Retention Rate** to get as much value from your customers while creating customers for life

- ▶ Bain & Company notes that a 10% increase in customer retention results in a 30% increase in value of the company
- ▶ The number one goal of your Customer Success team should be customer retention—ensure their training and compensation align with this goal
- ▶ Maximizing **Gross Margin** by growing your business with existing customers who only cost 15 cents for every dollar spent on acquiring new customers
- ▶ By selling more to your existing customer base, you gain more profitable revenue, which you can then use to fund and fuel investment, innovation and growth
- ▶ Use segmentation and automation to help your Customer Success and Account Management teams scale

# Conclusion

## How Will You Create Customers for Life?

Employing a best-in-class customer success management strategy is the secret to maximizing customer lifetime value. It's time to focus your efforts and invest in retaining and growing your business with your current customers. By nurturing these relationships and demonstrating your ongoing value, you'll achieve the high revenue growth and profits that your investors expect—and in the process, create customers for life

### CITED SOURCES:

1. 6-7 times more expensive to acquire a new customer than to retain an existing one. (Bain & Co.)
2. 3.1 years—average time it takes for a customer to become profitable and recoup the initial cost to acquire the customer [multiple analysts, including Bessemer Venture Partners, Opexengine, and River Cities].
3. Onboarding/Adoption—if a user is not loyal within the first 90 days, there is only a 10% chance they ever will be. (Scout research data)
4. 10% increase in customer retention results in a 30% increase in value of the company. (Bain & Co.)

To learn more about how to create customers for life and drive greater revenue growth, contact [ServiceSource](#) today.



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