



# PRODUCT-LED CUSTOMER SUCCESS

The future of customer success in B2B SaaS

# FOREWORD



A handwritten signature in black ink that reads "Dave". The signature is written in a cursive, slightly slanted style.

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CEO, TheCustomer.co

As CEO of a B2B SaaS company, your job is to build a product and organisation that can achieve profitable growth. You know the horrible impact churn has on your ability to achieve this. You decided to build a product company, not a consultancy, because you know that the valuation multiples of recurring revenue are significantly higher than service revenues and anyway, as Marc Andreessen said, software is eating the world. Hold those thoughts a minute.

Your customers buy your app to achieve a goal (their desired outcome or ROI), which is their primary driver of renewal. You also know that to get that ROI, you have to help them change the way they work. If you are like most CEO's you address this challenge by building a team of people, CSM's. After all, everyone tells you this is best practice.

Think that through: so called best practice is to add significant recurring cost, suppress your valuation multiple and add constant interruptions to your customer to address a failure to deliver on your core value proposition - your customer's ROI. Put bluntly, the people-led approach to CS is a failure to build products that deliver on sales promises out of the box.

What if there is a better way? An approach that is less intrusive and easier for the customer and more profitable for the supplier. My vision for customer success in B2B SaaS companies is a simple one: the product guides the customer in setting and achieving their goals. After all, your job is drive profitable growth! Read on to learn how.

CHAPTER 1

WHAT  
& WHY

# THE CUSTOMER SUCCESS GAP

Businesses buy software to achieve the ROI promised by your sales team. Achieving that ROI usually requires customers to change the way they work, but most B2B SaaS applications are not designed to enable this.

Enter the Customer Success team, the approach most CEOs take to resolve adoption and churn problems. Done well, a good CS team generates a return, through higher retention and additional revenue. I know because I was founder and CEO at a successful SaaS company that did just that. Looking back, I was wrong. Why? There are two reasons.

We have conditioned customers to accept that on-boarding, training and other regular 'check-in' calls are an added-value benefit. Customers don't want these interruptions; they want a product that helps them achieve their ROI. What if we could deliver the same or better outcomes at significantly lower costs whilst maintaining, or better still, improving customer satisfaction as expressed in lower churn, higher up/cross-sells and increased advocacy? The improved margins drive increased valuations and growth that truly scales.

Many B2B companies have forgotten that they are product companies, not consultants. and should shift the balance of investment from people to product. Does this mean the end of CSM's? No; but there will be fewer of them and they will focus on higher order problems. More on this later.

WHAT IS SAID	WHAT IS DONE
Customer success is a company-wide philosophy.	Customer success is the responsibility of a single department.
The product is the basis of customer success.	Customer success is an add-on delivered by a team of people, often as an additional cost to the customer.
The customer's ROI is the primary goal and measure.	Customer success is measured in terms of value to the supplier (e.g. NRR, Churn, Expansion Revenue) not the customer.
A comprehensive, single view of the customer underpins decisions.	Interventions are based on the data available, rather than knowledge of customer ROI.
The experience is tailored to the needs of each customer.	Experiences are based on supplier-determined journeys and simplistic segmentation - typically customer spend.

# APPLIED COMMON SENSE



“Product-led CS needs to address individual needs as well as those of the business. @tweetdavej”

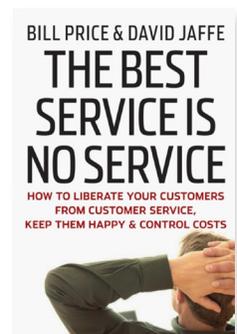
Product-led customer success is just another example of **self-service**, which has been applied to everything from banking and shopping to passport applications and tax returns. In many cases, the introduction of self-service was met by a barrage of critics saying customers will hate it. The critics were often incumbents with a vested interest who had no idea about what customers wanted. Customers actively seek out self-service over people-based provision; they like the control.

Customer service has long practised **call deflection**; a simple process of identifying the reasons for customer contact and eliminating them. SaaS companies need to understand that customers don't want regular contact; they want a product/service that works and in this context, 'works' means helping them achieve their goals.

This common sense approach is described in detail in the excellent book “The best service is no service.”

**Continuous improvement** underpins any successful business. Think of it like chopping the top off an iceberg: the iceberg re-levels, bringing new ice into view. Solve a problem and another appears. Agile and lean are popular approaches to continuous improvement.

Successful technologies understand the psyche of people: it is **technology with a human touch**. Change is a human process. Product-led CS needs to address individual needs as well as those of the business. There is much to learn from psychology, especially theories of change and motivation.



# THE BUSINESS CASE

There are four factors that underpin the case for product-led customer success:

- 1** It is what customers want. As competitors begin to provide this capability (I know of three companies that are working on this) not having success built-in will be a competitive disadvantage. It is yet to be proven but there may be first mover advantage as customers see the absolute focus on their success front and centre.
- 2** There is a cost saving from deflecting calls to automation, which increases as the business scales. There is also a shift in cost structure from Sales and Marketing to R&D with potential opportunities to capitalise costs. [Email me for a workbook](#)
- 3** A growing customer ROI data set will enable companies to better understand the actions and patterns of product usage and process change that correlate with customer success. Machine learning will improve the richness of this understanding and drive further opportunities for call deflection and self-service. This will also enhance sales capability as the company is able to prove the real value of their application.
- 4** It enhances valuations. Cost savings drive higher EBIDTA. Investors also value recurring product revenues at higher multiples compared with services (*Source: [Hg Capital](#)*).

## LOWER COSTS

Improved cost productivity

Lower overall headcount

Lower management costs

## MORE REVENUE

Higher renewals through visible customer ROI

New business growth through word of mouth

= HIGHER VALUATIONS

CHAPTER 2

# TODAY'S CUSTOMER



# THE DOWNTRODDEN CUSTOMER

Think you're the centre of your buyer's life? Think again.

You're not the only one with a challenging job.

I don't give a hoot about your renewal rate. I have my own targets to worry about.

Is it too much to expect something that delivers the benefits you sold me out of the box? I buy apps like Amazon & Google Apps that don't need constant contact from a CS team. Why can't I get the same from you?

If I'd wanted a consultant, I would have hired one. I didn't, I bought a product.

## BUSY

Stop interrupting me with your calls and emails. I've got work to do!

## PERFORMANCE FOCUS

Help me achieve my targets and I'll sing your praises.

## SOFTWARE PROLIFERATION

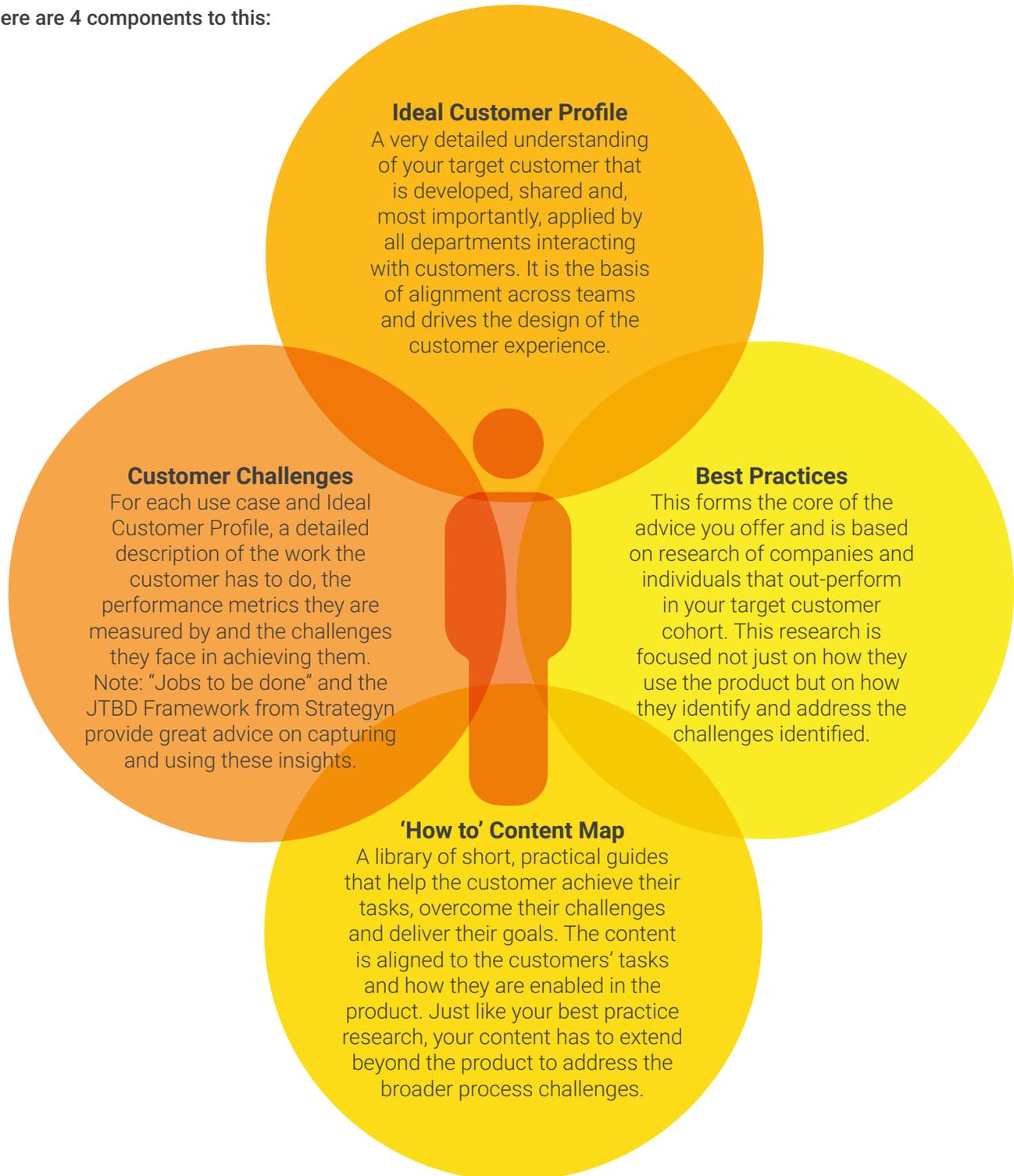
You're just one of stacks of app vendors I have to deal with



# UNDERSTANDING YOUR BUYER

Delivering the value your customers need to justify continued investment in your product has to be based on a deep understanding of the lives of your customer.

There are 4 components to this:

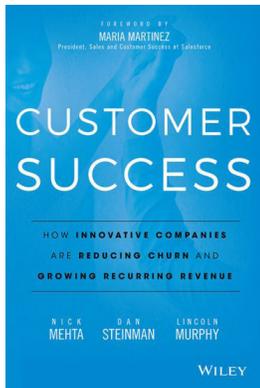
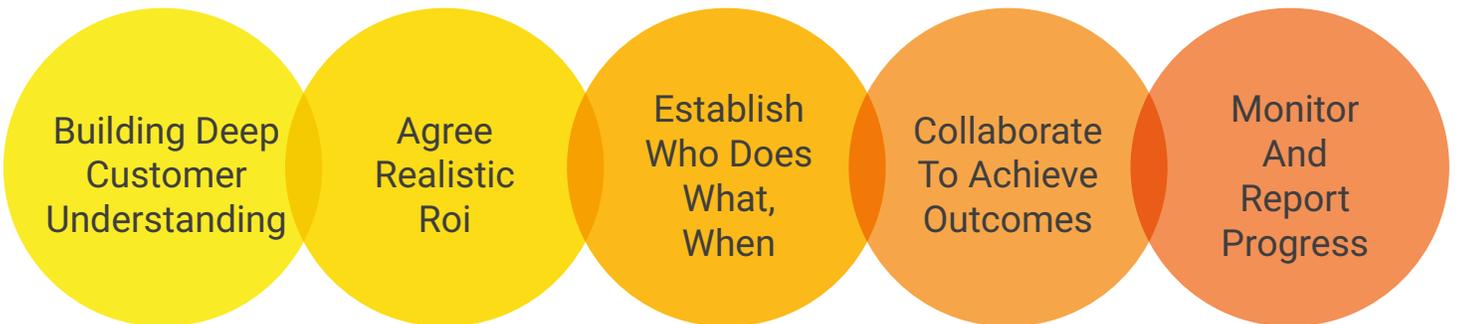


This is essential research: without it, you cannot advise your customers on how to achieve their goals. Not to build this deep understanding is akin to saying we only want to play lip-service to customer success.

CHAPTER 3

# PRODUCTISING CUSTOMER SUCCESS

# BUILDING SUCCESS INTO THE PRODUCT



Product-led customer success is not new. Law 6 in the book *“Customer Success”* states **“Product is your only sustainable advantage.”** It is strange then that so few SaaS companies have made product the centrepiece of the customer success process.

The process that has to be built into the product is well understood: it is what the CSM team do day-in, day-out. It comprises five capabilities.

The process begins in the buying phases as customers share their objectives and challenges. It is here that the customer success process should begin. An outline Success Plan should be a deliverable of every sale. To ensure customers don't have to repeat the same information, close integration between the product and the system of record for the customer journey is needed.

Product-based customer success redefines on-boarding, which in too many cases is entirely product focused. Knowing how to use the product is important but of limited value unless it is delivered in the context of the customer's goals.

Users should be given an option to opt-out of the product-based CS process; they should just be able to use the product's core functionality. They should also be able to return to success planning and pick up where they left-off.

Productising CS is not a once and done project: start with a big vision, a few simple steps and implement through a continuous learn and improve approach.

Data and associated technologies are key to success. This will require changes in the way we think about CS technology. **[See Chapter Four](#)**

# BUILDING SUCCESS INTO THE PRODUCT

## 1. Discovery

Understanding the customer's operating context is the basis of customer success. This is an extension of a process that starts with sales.

Data collection should focus on three areas:

- Who are the key players: what is their role, responsibilities and attitude to the project?
- What are the strengths and weaknesses (maturity) of the key processes associated with the use case(s)?
- What can we learn about users' attitudes and needs?

Data collection should be broken down into a series of simple questions. Form based tools like Clicktools, Survey Monkey and Typeform can be used, particularly those with rich, two-way CRM integration. Information garnered during the sales process should be pre-populated, with the option to edit if the user requires. The information collected becomes part of the single view of the customer.

## 2. Goal Setting

Discovery provides the basis of goal setting through the identification of the key metrics and their current performance. The product should suggest a goal based on their current performance and process maturity. The customer can edit this but should be prompted if the goal is unrealistic.

## 3. Success Plan

This is where understanding of what the customer needs to do to achieve success comes into play. A success plan sets out the actions needed. The user is given the option to allocate the action to a user and set a completion date. The customer is given a summary of how to implement the action and helped further with links to resources that give detailed guidance. Research in other areas suggest three effective strategies to promote the behaviours required to drive change:

- Facilitate action by providing users with reminders and prompts
- Reduce barriers by setting default actions
- Shape behaviour by developing incentives, sanctions, and requirements.

## 4. Working Space

This part of goal management is where the customer is guided over time. I envisage a kanban style structure, pre-populated from the Success Plan. Again, a third-party embedded tool could be used to deliver this capability.

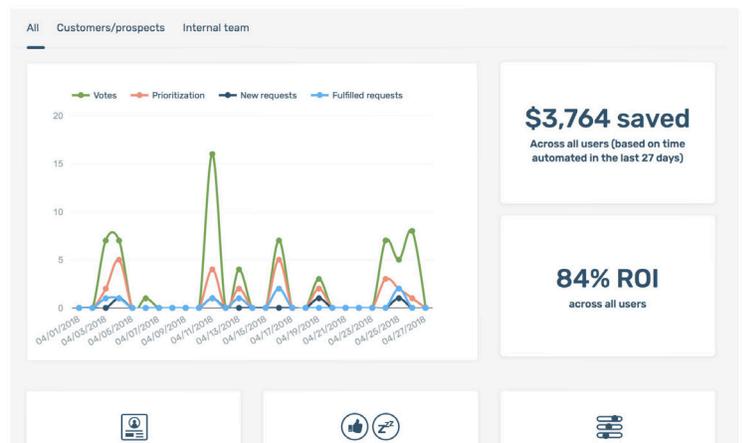
The user can add updates, change the status (e.g. Not started, In-progress, Completed) and allocate to a different user. A 'Help' button presents activity specific guidance, additional resources or initiates a call or chat with a CSM. Progress against the actions form part of the Success Dashboard. Gamification can be used to encourage participation and reward the completion of actions. Discussion forums allow customers to seek the views and help of peers. The Working Space is also key to addressing the emotional needs of users.

## 5. Success Dashboard

This is the 'Home' page of the goal process comprising data in two areas:

- Progress of the actions set out in the success plan.
- The results generated by the product that show achievement against the goals established.

The dashboard highlights out of norm actions and results and drill-down capability to support analysis and understanding.



Receptive.io's ROI dashboard

# IMPLEMENTATION ISSUES

Here are some of the hurdles companies will face along the way.

## Tracking goal achievement

There is often a disconnect between the activities and measures available in a SaaS application and the metrics a customer uses to track achievement of their goals. There are three ways to address this:

- Build ROI specific metrics into the application. Capture current performance as part of Discovery and Goal setting and develop ways to track on-going performance in the product.
- Provide easy integration to enable your customer to integrate your application with other data sources that track their ROI related metrics.
- Prove the relationship between available metrics (e.g. product usage metrics) and customer ROI. Do not guess what these are! This is already a proxy and anything other than statistical correlations is dangerous. It risks leading you and the customer down the wrong path.

## Delivering emotional needs

The brain is wired to be emotional before it is rational. This is not to say that decisions don't have a rational element just that it is not the totality of the decision: it's not even the majority owner!

This includes our feelings about the effectiveness of software, to trust or distrust a company or person and therefore the decision to renew or churn! Failure to recognise and build this human element into software threatens a company's growth. Automation of the customer success process will only be successful when the emotional drivers of customer success are addressed, particularly the factors that affect individuals, not just the business.

Trust starts with being good at delivering core functionality: an assumed pre-requisite to success. The success process elements of Discovery, Goal-Setting and Success Planning support mastery and autonomy, which are important intrinsic motivators.

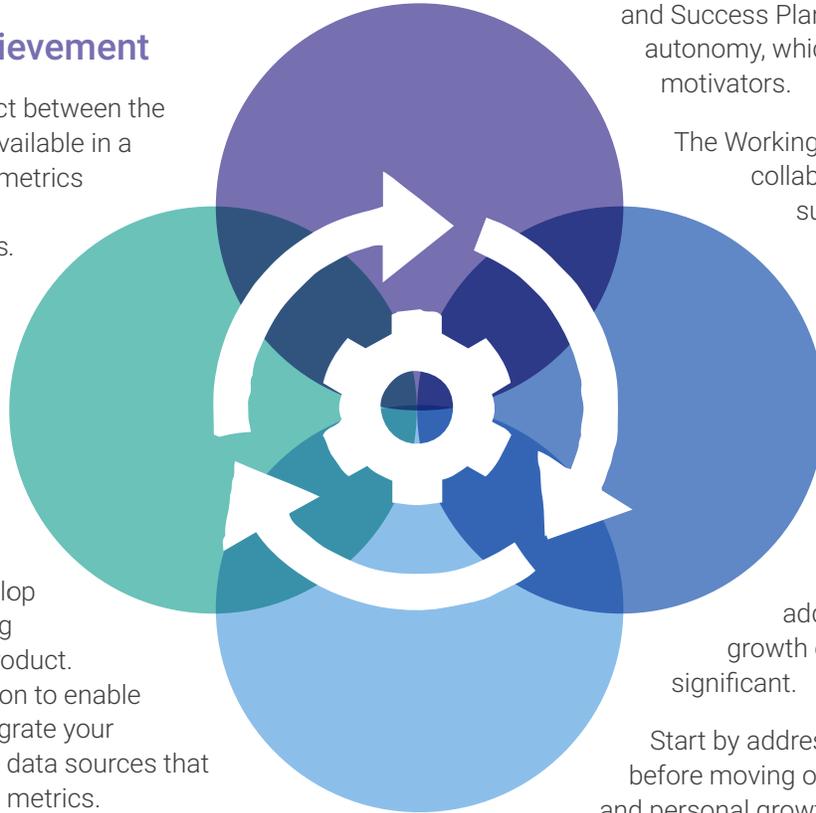
The Working Space enables collaboration and reward whilst success benchmarks, compiled from aggregate data drive recognition and encourage further engagement.

Using Maslow's Hierarchy of Needs as a metaphor, it is important to understand that basic needs have to be addressed before higher-level, growth orientated needs become significant.

Start by addressing the core needs before moving on to collaboration, reward and personal growth. For example, core functionality may increasingly be table stakes but cannot be allowed to become uncompetitive. Don't interpret that as a mandate to ignore the higher-level needs: loyalty is driven primarily by the higher-level emotional, often personal needs.

## Integration

Driving the correct guidance and actions requires a rich understanding of the customer's current context. This can only be achieved with a real-time, two way conversation between the product-based success process and a comprehensive, single view of the customer. This is not an insurmountable obstacle with today's technology. By the way, a single customer view is a requirement of great customer relationships irrespective of how they are delivered. My experience is that there is a relationship between the number of customer data points a company tracks and their ability to deliver true customer success.



# IMPLEMENTATION ISSUES

## Roadmap capacity and control

Ever found an development team that have delivered all required functionality and have time on their hands? Me neither. Getting product-led customer success onto the roadmap will require persuasion based on a clear business case. There is a strong argument, one I will return to, for Product management to report into Customer Success.

## Balancing automation and people

I am a great believer in the power of people. I am also aware of the neuroscience research which strongly suggests that person to person collaboration is valued over machine based collaboration and thus strengthens relationships. So why suggest an approach that replaces people with automation? I am not.

I do not see product-led customer success as the end of the CSM. I do however see a change in the number required and what they do. Much of the basic work of customer success; guiding product use, setting goals, process change advice will become part of the product. CSMs will focus on the higher order challenges of change: helping customers build the case for change, shoring up their courage and providing examples of success. It might sound a bit airy-fairy but they become change counsellors more than process experts.

## TWEET THIS:



“The world is full of examples of people doing things that others said can’t be done. [@tweetdavej](#)”

## Usability

Extending the application to address the complete customer success will only work if the steps are very easy. Usability is critical. Any interface should be extensively tested with real customers before being released. Do not stint on this: investment will pay off in spades. Usability extends to the resources and content provided as part of the process. Many customer success organisations have already invested in developing resources to help the customer achieve success. Moving these into the product ‘as-is’ is dangerous. They need to be reviewed to ensure they are suitable for in-app use. Typically, this means focusing on short, practical, how-to content.

## Legacy mindsets

People who say it can’t be done or it’s wrong is perhaps the biggest challenge of all. Some say that product-based customer success is overly ambitious and I am certainly not saying it is easy but I believe fortune favours the brave. The world is full of examples of people doing things that others said can’t be done. The underlying concepts are not new: as I described above, they have been practised for many years. I believe a shift in mindset is needed to make the product front and centre of delivering customer success. SaaS companies are, after all, product companies.

CHAPTER 4

# ENABLERS

# ORGANISATIONS

Product-led customer success embeds much of the advisory process in the application. Full implementation will take time but as it grows, the balance between product and people will tilt. This will drive changes to the CS organisation.

## CS as product owner

In a performant B2B SaaS company revenue from existing customers soon exceeds new logo sales. That and the focus of product as the delivery vehicle for customer success places product front and centre of delivering customer success. It is natural then that CS is a natural locus for the agile product ownership role. I also believe that product and development know-how will become an essential attribute of a CS leader. [Intelliflo](#), a provider of SaaS for financial advisors brings customer success and product development under a Chief Operating Officer role and delivers great results.

## CS research

Understanding the customer, their goals and challenges is a requirement of any effective CS organisation but one that few companies resource effectively. Product-led CS is founded on a deep understanding of the customer. This is not a one off exercise: companies will need to maintain their deep understanding of customers. Winners will understand their chosen customers better than the competition.

## TWEET THIS:

“Understanding customers’ goals and challenges is the foundation of effective CS organisation: few companies do it well. [@tweetdavej](#)”

## CS content manager

Short, practical content contextually presented via the product is an essential element of product-led CS. This will go beyond product, addressing process. Creating and maintaining this content requires full time resource. Relying on marketing to do this will not suffice.

## Success operations

A team that already exists in many CS organisations. The focus will be on integrating systems to build a rich, single customer view and use that to orchestrate contextually rich, in-product interactions. Applications that can be embedded into and orchestrate interventions your product will be essential.

## Success and Support as one team

Having two teams to advise the customer makes no sense from either a customer or productivity perspective. Both are admissions of a failure to build a product that is easy to use and delivers success out of the box. Greater automation and a focus on usability reduces the need for people-based support and success. What remains will become one team focused on higher-level problem solving.

## Upskilling CSMs

As an increasing element of a CSM’s work, particularly around product use and process design, is productised, they will focus on higher level activities. Key will be helping customers with the psychology and management of change. CSM skillset will be more akin to a business consultant with a salary to match.

# METRICS



Customers' success should be the primary measure of customer success! Sounds odd but in my experience, many of the metrics used in customer success measure the success of the company, not the customer. A CS dashboard should have two sections: Customer and Company.

Customer Success	Company Success
% customers that have achieved value	Net revenue retention
Average \$ value generated	Gross revenue retention
Average time to value	Logo churn
% customers at key value stages	Up-sell/cross-sell penetration
% customer interactions/activities self-service	CS cost/customer
	Average number of contacts per customer achieving value
	Employee satisfaction
	Customer satisfaction

Much of the customer element, which focuses on their achievement of value, will be derived from data aggregated from the Success Dashboard.

TWEET THIS:



"Many of the metrics used in customer success measure the success of the company, not the customer. @tweetdavej"

# CS TECHNOLOGY

Product-led customer success is not possible without a rich and deeply integrated technology stack, the main components of which are:

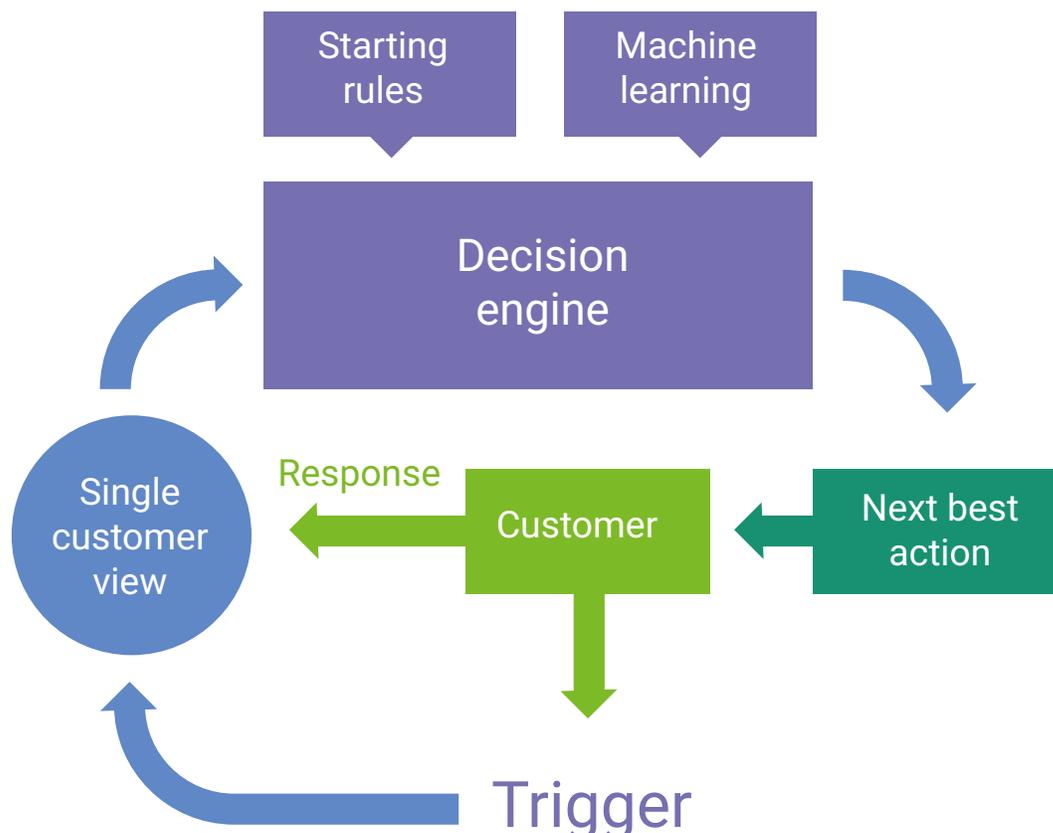
- Extensive product telemetry, including tracking of value achievement.
- In product, context specific advice and messaging on process improvement and product use.
- Next best action engine: allows context specific micro workflows driven by customer data. These replace fixed customer journeys or playbooks, which often reflect a standardised view of what the company thinks the journey should be.
- E-commerce capability to enable in product purchase based on customer pull and context based push.

Underpinning the technology is the most important element - a comprehensive, single customer view. Developing a rich customer data model that can be accessed in a holistic way is key. Too many companies fail in this respect and operate with siloed data sets that limit the insights and therefore the context richness of the actions that are needed. Machine learning and applied AI is most effective when it has a comprehensive data set to work on.

We are already seeing a coming together of two application types: those serving customer success and a second group serving product management. Just as the two functions will increasingly overlap, so will the two product sets.

Data and application Integration is a critical capability in bringing together the data required to understand the customer. Deep, point and click integration capability linking backend systems and the product is needed to drive more in-app actions.

Some of these capabilities already exist although the area of customer value - the heart of customer success is poorly served. Those that do exist are not focused on driving in-product actions: this will change.



CHAPTER 5

# THE FUTURE

“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don’t let yourself be lulled into inaction.”

- Bill Gates



# DRIVERLESS SUCCESS

The driverless car was science fiction just a few years ago. Now the question is not if but when they are the primary mode of car transport. Product-led CS is early stage but it will become the norm. There are already a number of companies moving down this path already. I am especially excited by a couple of startups that are building their products with the success process embedded.



As guidance to and measurement of customer value become part of the product, machine learning will help us identify and promote success patterns, thereby building trust. These patterns will be applied to automate the success process by configuring the product and offering customer specific advice. As this develops, customers will increasingly trust the product and accept greater levels of autonomy in the software. Most B2B SaaS products are currently Level 1 or 2. I am aware of a couple of products in the early stages of delivering Level 3. Levels 4 and 5 will herald the final piece of the jigsaw: performance based pricing where customers pay based on the value the software actually delivers.

Now that will focus the mind and make true customer success a competitive necessity.

TWEET THIS:



“The goal is performance-based pricing, where what customers pay is based on the ROI they generate from your product. @tweetdavej”

Want to know more about product-led customer success or need help to make it happen?

**We are happy to help**



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