

Product-Led Customer Success Thoughts for B2B SaaS CEOs

Much has changed since I started my first SaaS company in 2000, Clicktools, an app for collecting and using feedback through surveys and forms. We appointed our first CSM in 2005 as part of our strategy to improve retention and, a few years later, expanded the role to include responsibility for revenue growth in the existing customer base. What we learned was that the product alone was not sufficient for the customer to achieve their goals. Success also required changes to how they used the data collected to drive improved experiences that delivered growth. Focusing on improving customer's performance improved ours and that required CSMs to go beyond the product with advice and guidance on the processes, skills and approaches that successful companies used. As the business grew, we added more CSMs to help a growing customer base achieve their goals.

A changing world

Building a team of CSMs to help customers achieve their goals was how it was done fifteen years ago and it delivered real benefits but as we enter the 2020's a number of important changes are underway.

Self-serve as first choice

Increasingly but not exclusively¹, customers prefer a self-serve option as a first approach to problem solving. Self-serve enables people to do things in their time and take an approach that suits them. Some just want to just jump-in and do stuff; others want a step-by-step guide. Every time a self-serve option has been introduced, sceptics have dismissed it, usually to see it take hold and become the dominant service delivery method. Think ATM's in banking, self-service checkouts in shops and check-in desks at airports.: all cases where staffed options are available. Companies that dismiss the desire for self-service suffer from a dangerous syndrome I call legacy thinking.

SaaS unit economics

Understanding of the SaaS financial model, notably unit economics has evolved. Productising acquisition, retention and expansion processes drives down acquisition and retention costs. When delivered well, with high conversion rates, product-led growth enables margin at scale with a significant, positive impact on valuation. Companies like Zoom, Atlassian, Drift and Slack are already delivering significant valuation multiples by exploiting a product-led approach.

Buyer and value atomisation

An increasing number of software purchases are driven by individuals, often with a specific need associated with a project that has to deliver. This atomisation of the buyer brings with a need to increase the focus on role-specific measures of value that can be delivered in stages. Understanding these value thresholds is key to driving conversion from free to paid, fostering retention and encouraging the adoption of higher-value and therefore higher priced offerings.

¹ I recognise that this is not the case for every B2B SaaS product but I caution against dismissing it without meaningfully testing with customers first.

Technology developments

Finally, technology, including machine learning and artificial intelligence continues to develop, enabling more sophisticated functionality. These technologies allow companies to build products that personalise better the user experience and deliver functionality and advice and guidance that matches their specific needs.

Implications for customer success

This evolution requires a different approach to customer success; one that embraces fully a product-led philosophy; a digital first approach. I first wrote about product-led customer success four years ago, when a number of experts dismissed it as quackery. In the time since, I have become even more convinced that is the key to profitable, scalable growth. If I was starting a B2B SaaS business today, or converting a traditional software offering to SaaS, here's what I would do to build customer success capabilities.

STEP OUT OF THE SILOS

Customer success is not just about what a supplier does when it has won a customer. In fact, the biggest mistake a company can make is to think of CS as a post-sales, retention-focused department. Real CS is the core capability around which great organisations are built: it is “everything the company does to profitably win, satisfy, retain and grow its chosen customers better than the competition.” That definition is one I have used for 30 years and I maintain it holds true today. Customer success is the basis of the value proposition, it is what a great SaaS business markets and sells; it is what the product should deliver and what the whole post-sale process enables. Customers don't recognise your silos; which is why they are the best focus for aligning the organisation. It is the responsibility of a SaaS CEO to establish a high-level, customer focused organisation design. This has three core elements:

- Company-wide agreement on target customers that drives acquisition, retention growth and product development.
- A high-level engagement process covering acquisition, customer success, revenue growth and product.
- Metrics that focus the whole organisation on maximising customer lifetime value and minimising the factionalism of individual departments.

Underpinning these three things is a leadership team that gets it and through their actions, create a customer-focused culture.

UNDERSTAND VALUE THRESHOLDS

Focused buyers, with specific needs requires a very granular understanding of value thresholds: a detailed picture of the minimum the customer requires and values from the product to achieve their goals at a point in their personal journey. The key is finding the balance between providing sufficient value whilst retaining something in reserve to encourage an upgrade in spending.

Value thresholds might be:

- Volume based, e.g. number of users or transactions
- Feature based; the availability of deeper or adjacent capability
- Product based: extension into related products or services
- Compound - a mix of the above.

Whilst statistical techniques can help, identify value thresholds much of the work requires research and testing. Key questions to pose and test include:

- What is the minimum value that will attract and retain an initial customer?
- What is this minimum value worth?
- What features are required to deliver this minimum value?

- What additional value can be created and how does the customer perceive this value?
- How many customers are interested in additional value thresholds?
- How can we present additional value thresholds in a way that maximises conversion?
- What is the relationship between customer value and revenue?

BUILD LIFETIME ENGAGEMENT ON A DEEP UNDERSTANDING OF TARGET CUSTOMERS

Alignment of marketing, sales, customer success and product is an oft-quoted challenge facing SaaS companies. I believe much of the problem stems from the lack of an over-arching view of the customers the company seeks to acquire and serve and the journey they take them through. Alignment is all too often retro-fitted rather than built-in by design. It is the CEO's job to drive this agreement at a high level; to create the organisational architecture that other specialists can use to fill in the detail.

There are three elements a CEO has to get company-wide agreement on to craft a purposely designed, outside-in, product-led engagement process.

- The characteristics that describe the customers the supplier will sell to and, serve; aka ideal customer profiles. These have two components: company demographics and situational (intent) factors and, more importantly, the key roles involved. Remember, a company may pay the bill but people buy and use the product. For each of the key roles, a SaaS company has to identify the work they do, the challenges they face, how they are measured and how they perceive value.
- How the company helps the customer complete their tasks, address their challenges and achieve their goals at each step of the customer journey. This includes a library of best practices that helps the customer make best use of the product but goes beyond that to provide advice and guidance on changes to organisational issues: process, metrics and skills needed to achieve their goals.
- The role the product plays in helping the customer make achieve their goals. Recognise that today, the acquisition and success processes overlap. The traditional 'See > Try > Buy > Value' process has given way to an iteration of 'See > Try > Value > Buy'. This brings the need to deliver customer success much earlier into the cycle: it becomes a core marketing and sales capability, increasingly embedded in the product. This often requires success process functionality focused on agreeing goals, a plan to deliver them and context specific advice and guidance to achieve them. Tracking success achieved in-product becomes an important capability: it allows a customer to understand progress towards their goals and helps the supplier understand the relationship between goal achievement and their use of the product.

Understanding customers is a vital but often badly implemented capability in many companies. A product-led approach to SaaS intensifies the focus on target customers. Each interaction has to be tailored to the specific role, their specific context and their specific value threshold.

Companies transitioning from a traditional software model will have data from which they can begin to construct ideal customer profiles. The key is to identify the data that correlate with high and low spend, looking for the characteristics of the company and the key individuals. Customers that have been able to describe measurable value are of particular interest as they can also provide insights into what constitutes success.

For startups, this is more of a qualitative exercise, using the initial value proposition and feedback around product-market fit to craft profiles. For me, product-market fit is defined by customers that have achieved a meaningful, measurable value that causes them to want to renew. The questions listed in the section on Value Thresholds are useful in this exercise.

BUILD A RICH SINGLE VIEW OF THE CUSTOMER

Great customer success is a data-rich discipline, the core of which is a rich, company-wide single view of the customer and another area where product-led intensifies the capability needed.

It is a discipline we got right at Clicktools, although initially it was driven by necessity, not strategy. As a bootstrapped business, we did not have cash to invest in systems. Having chosen Salesforce for CRM, we exploited its customisation ability to the max. We had to; CS tools did not exist when we started building our CS organisation in 2005. We built company and role specific health scores, including usage data from our app, crafted highly automated renewal and expansion opportunity management and built CS dashboards to drive understanding and action from CSMs to the board. The initial necessity turned to explicit strategy as we rejected app proliferation in favour of the huge benefits created by maintaining a single customer view.

A rich picture of the context of users and other stakeholders is essential to understand customers' progress towards their goals and their value threshold position. Informing this context underpins a shift from fixed customer journeys to data-driven next best actions; a contextually richer basis for interventions: interventions to drive customers to success, to identify renewal risks and uncover expansion revenue opportunities.

The growth of machine learning capability enables companies to identify better the factors that are causal correlates of customer success and growth. The richer the data set, the more correlates that can be identified. For example, one SaaS company in the UK has identified a number of activities that a customer has to take (both product and organisational) to create certain levels of success. This has enabled them to build a customer sophistication model that is predictive of the success a customer can achieve.

RETHINK METRICS

Mastering product-led customer success requires a wider set of metrics. The best companies already track three elements of customer success:

- **Customer activities.** What the customer does shapes the results they can achieve. Tracking these activities provides insights into the customer's progress and prompts interventions to drive the customer forward. This tracking has to be in place across the entire engagement process.
- **Customer success.** This is what it's all about. Measuring when and how effectively the customer achieves value thresholds is the essence of customer success.
- **Company success.** The financial and operational performance delivered by the company's CS capabilities.

It is the first two elements that require most attention as a company implements a product-led approach.

Understanding what the customer does in great detail underpins the ability to drive them to their value thresholds. This starts with the product. Extensive app monitoring tracking every product interaction and feature use for every user is needed. This provides a detailed map from which they can be prompted to take the next best action to achieve value thresholds. Analysis of this data provides valuable insights to improve conversion rates, drive journey progress, and prompt A/B testing scenarios.

Product tracking needs to be supplemented by non-product data, including response to marketing and 1-1 outreach, relationship depth and quality and sentiment (e.g. NPS). Collectively, this activity forms customer engagement or health scoring.

Despite being the reason for the discipline, measuring customer success (the value the customer achieves) remains an area of significant weakness. In the last ten years, the relationship between retention, growth and helping the customer achieve the meaningful changes needed to achieve value has been understood, yet still today, many companies lack the capability to reliably and repeatedly deliver meaningful and measurable value to customers. That is why a key element of building a deep customer understanding is identifying how customers measure success.



With product-led customer success, delivering and tracking the value a customer achieves has to be a function of the product. This not only allows progress to value to be presented to the customer, it makes it easier to understand the relationship between activity and outcomes.

And finally

Product-led customer success is set to change the face of customer success and, I believe, the nature of B2B SaaS itself. Implementing it ratchets up the pressure on CEOs to solve with challenges that, whilst not new, will require deeper customer knowledge driving outside-in, joined-up organisation design. Implementing it presents a significant management challenge, requiring a much more holistic approach; one where alignment of departments after the fact is unlikely to deliver the degree of integration required. It will require CEOs to step up to their role of chief organisation designer, establishing the high-level organisation architecture and culture which are the keys to meaningful customer success.

About the Author

David Jackson was the founder and CEO of Clicktools, one of the UK's first pure-play SaaS companies. David bootstrapped the company's growth and led it through two liquidity events. In 2010, he sold 49.9% to Survey Monkey before arranging a sale of 100% to Callidus Cloud in 2014.

Building on his experience and a 30 year interest in customer focus, he now advises B2B SaaS companies and investors on growth through customer focus. In 2015, he introduced the concept of product-led customer success, a capability he helps companies implement. He acts as a coach to a number of companies, working with their CEOs and CS leaders to build company-wide customer success capabilities.

In addition to his advisory work, David is Head of Leadership and Learning and a member of the leadership team of the Customer Success Network, the largest independent network of customer success professionals. His spare time is spent with family, including five grandchildren and indulging his love of good food and wine.