



Why You Need to Invest in Customer Success Early

By Dennis Hammer

In the startup world, we're always focused on growth. More users, more customers, more tech, etc. There's a product to build, a marketing strategy to implement, and a million things to optimize in order to scale.

This obsession with growth means a lot of startups and internal teams fail to consider *retention*. They push so hard for *new* customers that they don't take active steps to keep their *existing* customers paying month after month.

[According to Econsultancy](#), many organizations prioritize growth at the *expense* of retention, even though they need those customers to pay again and again. In order to retain customers,

startups (or internal teams who seek to grow like a startup) need to invest in customer success, and they need to do it early.

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What is Customer Success?

[Customer success](#) is the practice of helping your customers realize the value, and actually get the benefits, your product provides.

“Customer success is the business methodology of ensuring customers achieve their desired outcomes while using your product or service,” [says Nick Mehta](#), the CEO of customer success tool Gainsight. “Customer success is relationship-focused client management that aligns client and vendor goals for mutually beneficial outcomes. Effective customer success strategy typically results in decreased customer churn and increased upsell opportunities.”

There are a lot of ways to build a customer success program, but they depend entirely on your product and customer.

Some customer success programs involve sophisticated onboarding or product documentation. Some involve sending a representative from your company to the customer’s office and literally holding their hand as they use the product.

Customer success is *not* account management. Account managers handle the technical details (like making sure users can log in, their credit cards are valid, and supporting the sales team), but customer success managers think *proactively* to clear roadblocks and solve problems. Customer success managers (CSMs) become the customer’s advocate *inside* your organization.

For instance, in a low-touch SaaS model, a CSM might pore through data and interviews to discover that customers find one of the product’s features confusing. He would work with the engineering and marketing teams to clarify or simplify the feature and include in the product’s tutorial.

In a high-touch SaaS model, a customer success manager would perform quarterly business reviews. He would have regular meetings with the customer to uncover their goals, then take steps to help the customer achieve those goals.

The CSM (or the customer success team) should manage the entire relationship with the customer after the sales team closes the deal, including renewal periods, upsells, and cross-

sells. In some high-touch enterprise deals, customer success sometimes gets involved in the sales process.

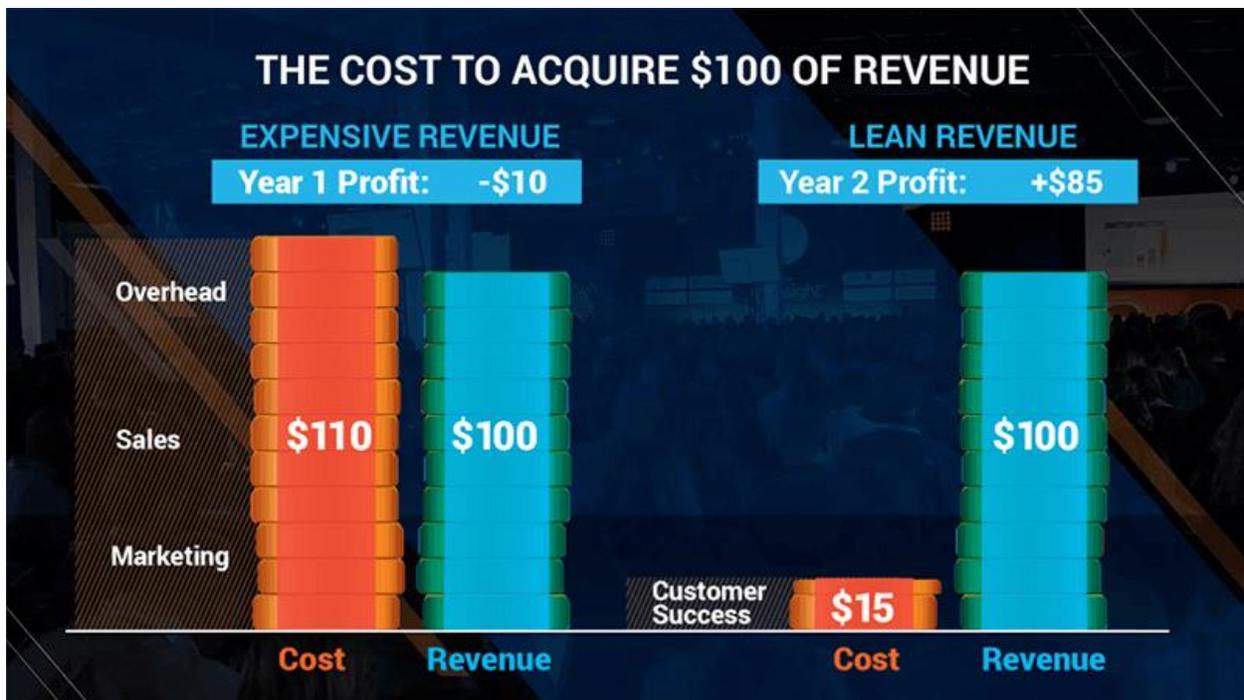
“Customer success has a much longer, and ultimately deeper, relationship with the customer than sales or anyone else in your company,” [says SaaS founder and venture capitalist Jason Lemkin](#). Ultimately, your CSMs will become the face of your company.

How Customer Success Affects Revenue

When you sell a product on a subscription model, customers who churn reduce your growth. If you convert 20 customers this month, but 20 other customers canceled their service, you actually didn't grow at all. In fact, you actually *lose* money in some situations if you have a substantial customer acquisition cost.

Your existing customers are the foundation that makes growth possible. Over time, a majority of your revenue will come from people renewing their accounts and upselling to more expensive plans. This means that at some point, your customer success program will be your biggest source of revenue.

Here's a [hypothetical example from Gainsight](#) that shows how the costs of *acquiring* new customers usually eclipse the cost of *keeping* one. If you don't make that ongoing customer success investment, you'll never recoup your acquisition costs.



“A strong client success strategy offers enormous value and is every bit as important as sales, marketing and product,” [says Matt Preuss](#), CEO and founder of reporting tool Visible. “It’s a

long-term investment in growth and also an indicator your company will grow faster than your competitors and do it with less capital.”

Retention is important if you want funding, too. The [Harvard Business Review and Bain & Company](#) report that a 10% increase in customer retention raises your valuation by 30%. You can increase your *profit* by 25-90% with just a 5% retention increase.

Further, customers who receive great value by using your product create [second order revenue](#) – income from referrals, recommendations, affiliate programs, good PR, and case studies. If one happy customer refers another, your customer lifetime value gets a boost and your overall customer acquisition cost falls.

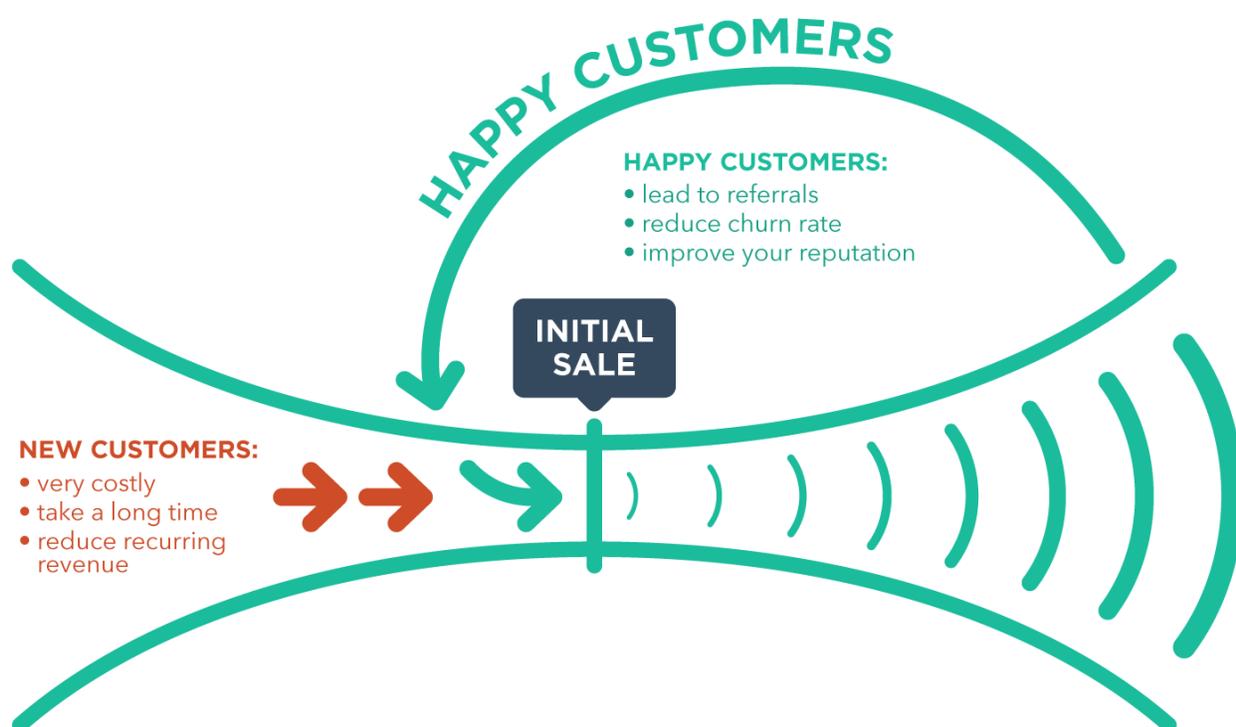


Image: forentrepreneurs.com

Other Reasons You Should Start Customer Success Early

Revenue from higher retention is the most impactful reason you should start a customer success program as soon as possible, but here are a few more:

1. Customer Success Validates the Product

CSMs build strong relationships with customers. They build trust and rapport with your users, which puts them in an excellent position to ask probing questions and have deep conversations about customers' problems and goals. They can turn this information into valuable insights for not only the customer success team, but also for other teams in the organization.

2. Customer Success Defines the Organization's Roadmap

Whether you're starting a new company or building a team inside a bigger organization according to startup principles, it's important to design a product and process *for* the customer, instead of asking the customer to fit it. By investing in customer success early, you become customer-centric. You can use the data and insights collected by CSMs to iterate on your product, pricing, marketing, service, and just about anything else.

3. Customer Success Builds Cross-Functionally Into Your Team

CSMs have to work with other teams more so than any other role in your organization. They work with the sales team to qualify customers, the marketing team to refine the message, the development team to optimize the product, etc. Customer success is an excellent way to tie your teams together so they don't degrade into silos.

"All departments ultimately impact the customer, and the CSM is essentially in the middle," [says customer success strategist Burke Alder](#). "Because of the CSM's unique position in the company, they are poised to work across all functions in order to make the customer successful, whereas other departments may not have the same cross-functional experience."

Finding a Customer Success Manager

Admittedly, finding a good candidate for your customer success program isn't easy. The discipline has been around for a long time (though usually wrapped into sales, customer support, or account management), but there just aren't many affordable CSMs with proven track records. The few with a history of improving retention know their rarity and the value they bring, so they come with a significant cost.

It's possible to pull CSMs from other teams, such as sales or customer support. You just need to find someone who is built to *serve* customers; someone who genuinely wants customers to do well and stick around, loves making data-based decisions, and likes to create processes and systems.

It's tough to justify creating a program and hiring someone when you don't see an immediate benefit. You might ask, "Why should I hire people to fight retention if I don't have a retention problem?" If you wait until you have a churn problem to create a customer success program, two things will happen:

1. You'll miss out on a lot of revenue. Multiply the revenue from those churned customers by the *life of your startup* to see how much money that churn costs.
2. You'll force your customer success team into the position of cleaning up messes. Ideally, you want your CSMs to think proactively and help existing customers get more value from the product, not spend their days putting out fires for customers threatening to cancel.

But if you can afford it, it's best to hire a CSM as one of your first 10 employees. Remember: Customer success helps you *compound* your revenue, so the sooner you build a customer success program, the sooner you'll realize the compounding effects.