Customer success – An Indian perspective

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Executive summary

The subscription economy is fundamentally transforming how technology products are sold and serviced by technology focused organisations. By moving to cloud-based delivery models, technology providers now have greater control over the customer lifecycle journey, helping ensure that their customers are continuously engaged and are achieving the required business outcome as promised by the vendor. Customer success functions leverage this opportunity to drive client loyalty and advocacy, leading to higher customer retention and revenue growth.

India, poised to become a leading global technology ecosystem, has become a key growth market for cloud-based services. The phenomena has attracted not only the global cloud native vendors to set-up their operations out of India, but also spurred a burgeoning ecosystem of local SaaS (Software as a service) companies. Additionally, we are also seeing a gaining prominence of B2B (business to business) - focused solution providers who are catering to enterprises globally out of their delivery centres in India. As such, internal customer success organisations are steadily becoming the service arm of these born-in-the-cloud service providers and tasked with ensuring that customers are consistently realising business value through the successful adoption of their solutions.

The subscription model is also resulting in the IT service delivery value chain of Plan, Implement, Operate, Manage and Optimize to start overlapping, with shortening of product implementation cycles and adoption of agile service delivery models to manage continuous deployment cycles. As such, the customer success function now acts as the internal consulting arm for the SaaS firms, offering planning and consulting services, providing ongoing advice and share best practices to customers throughout the product lifecycle.

As the Indian SaaS technology landscape matures further, we might see proliferation of the digital offerings, where vendors are likely to capture the ecosystem opportunities around their core product offering. To effectively scale their customer base and market the increasing complex and integrated solution set, SaaS vendors will also have transform their sales function to address both customer acquisition and customer retention. To address this challenge of salesforce scalability, Customer Success teams work directly with end users to ensure maximum adoption, provide training services and impart best practices maximising product usage and collaborate with business owners to identify cross-sell opportunities and ensure account growth. As such, the customer lifetime value, a key SaaS metric is expected to be directly impacted by the efficiency of the customer success function.

The market for India's public cloud services is expected to cross USD7.1 bn by 2022[01]. As such, the technology enablement services for on-premise offerings which focused on integration and maintenance, are losing ground to customer focused roles aimed at ensuring value realisation. IT (Information Technology) and BPM (Business Process Management) consulting firms in India have already started realising this shift and are scaling their cloudbased transformation service offerings. However, the long-tail of cloud professional services which include support and customer success is still not addressed in a scalable way. This creates a partnership opportunity for service providers and SaaS product vendors, where the service provider can act as customer success arm for the product company by leveraging its scalable workforce and the existing knowledge about the client's IT ecosystem, while the SaaS vendor can continue to scale its customer base without shifting its solution focus.

The objective of this thought leadership is to explore various aspects of Customer success, its evolution over time, engagement models, monetisation strategies and its relevance within the Indian context in particular.

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Customer and Operations

Note: This paper mostly addresses enterprise SaaS and B2B Technology sales. Impact and opportunities identified in the report are purely based on timed-research conducted over August 2018 to February 2019 and may not be construed as exhaustive.

01. Cloud-Next Wave of Growth in India, NASSCOM, 2019

Customer success

From a SaaS-led phenomenon to a critical Customer Engagement strategy

While Customer success gained prominence with the advent of SaaS, its inception preceded the Cloud era. Customer Success was first introduced by an on-premise CRM software company Vantive[02] to tackle the high failure rate of CRM implementations. Later, after an initial spate of CRM vendors like Siebel[02] and Salesforce[02], other technology vendors started assessing the feasibility of having a customer success function to manage customer churn and ensure successful adoption. Today, customer success functions are being set-up not only by SaaS and cloud service vendors, but also by several high-tech businesses who are shifting towards services led business from an earlier product-based strategy.

As the complexity of technology stack keeps increasing, any additional inclusion to an enterprise ecosystem immediately impacts the legacy infrastructure, platforms, security and development practices. As a result, leading products and services competing in the same market are no longer significantly differentiated basis their features and intrinsic capabilities. Alternately, a vendor's ability to align with its customer's actual needs and drive successful business outcome is determining its competitive positioning in the marketplace. Organisations are increasingly investing in a Customer success as a function to assist clients achieve desired business outcomes and manage post-buy relationships to improve customer lifetime value. Most customer success organisations list creating 'value for customers' and increasing 'share of wallet across the customer lifecycle' as their top responsibilities.

Subscription economy has disrupted the traditional B2B technology sales cycle

Pressure from technology buyers to shift IT cost from Capex to Opex has caused vendors and service providers to revisit their go-to-market strategy and consider moving to subscription based sales model. Unlike traditional sales, where revenue recognition occurs though license sales and additional maintenance services, revenue recognition in a subscription business is recurring and occurs periodically throughout the customer life cycle. This puts pressure on the service provider to ensure that its customers are meaningfully engaged with the product/service and the solution is successfully delivering promised business outcome. Although subscriptions are less sticky than traditional sales, it however allows the service provider to improve recurring revenue by providing long-term opportunities for upsell and cross-sell.

In the subscription model, actively managing customer engagement after the initial sale is key to successful revenue realisation. As such, this relationship-driven customer journey life cycle in a subscription based business is generally broken into four stages –

Land – This marks the initial sale of products and attached services to the customer. This part of the sales cycle is primarily driven by sales development teams.

02. The History of Customer Success-Part One, The Customer Success Association, 2017

Adopt – This stage includes all deployment and onboarding activities conducted by the customer success team to ensure and accelerate the value realized from the solution. Activities in this stage assist the customer to successfully adopt the technology/ service and leverage them to achieve desired business outcomes.

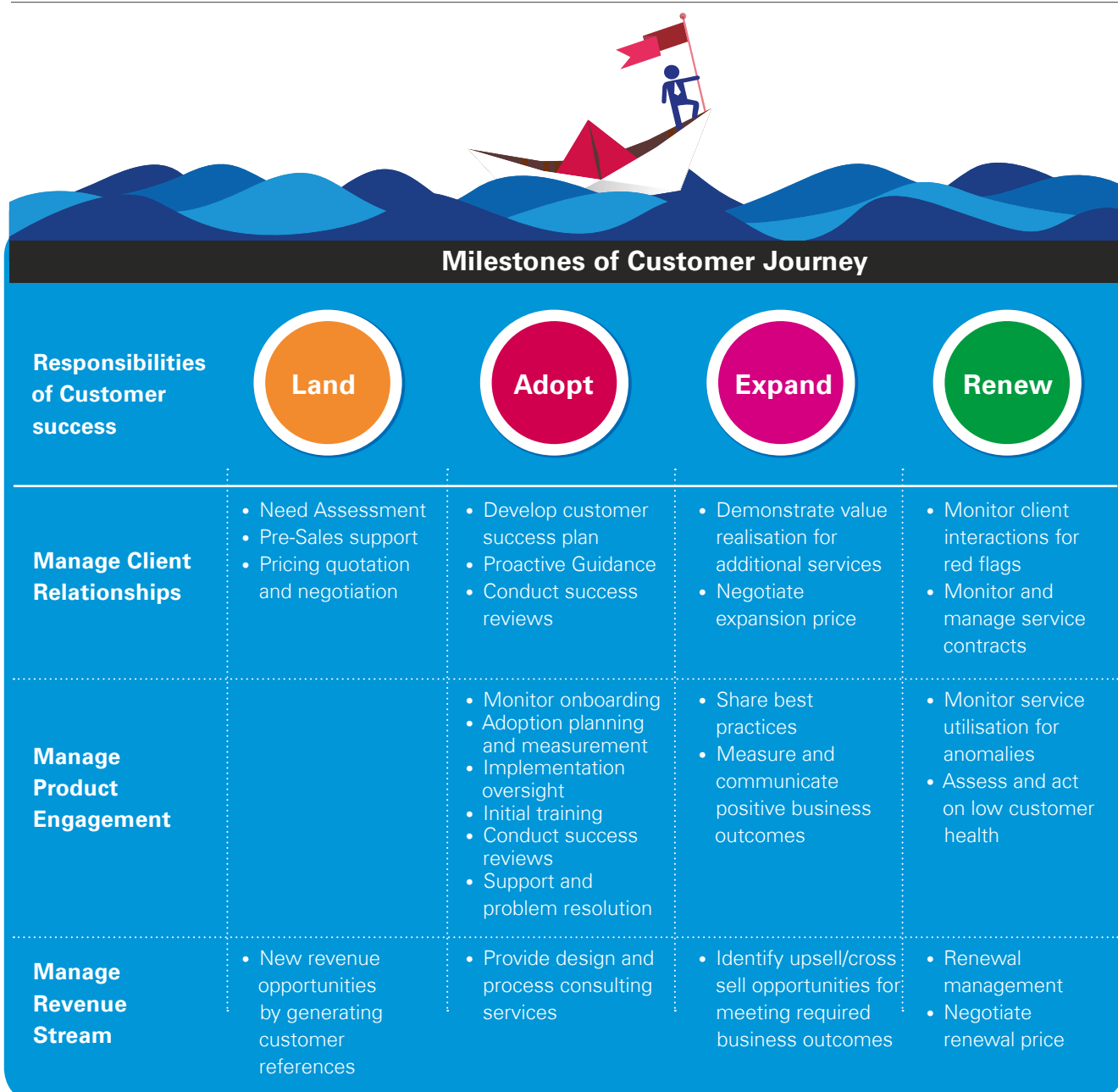Expand – Expand includes all ongoing sales activities conducted by customer success and account management teams, including both cross-sell and upsell, to get an existing customer more invested in the vendor's technology stack.

Renew – Renew includes steps to preserve the existing recurring revenue streams created in the earlier stages. Ownership of renewal may or may not lie with the customer success function.

SaaS vendors have to manage the customer lifecycle tightly, given the low stickiness of SaaS products.

Additionally, the SaaS sales cycle is relatively shorter compared to traditional IT sales path, however entailing many more touch points with the customers. As a result, the SaaS sales process involves much more collaboration between the Sales and service delivery function to enable greater insight into customer requirements and desired business outcomes. Customer success roles are mandated with three key objectives throughout the SaaS sales cycle.

Customer success organisations ensure mutual success for both technology vendor and the customer[03]

Milestones of Customer Journey

Responsibilities of Customer success	Land	Adopt	Expand	Renew
Manage Client Relationships	• Need Assessment • Pre-Sales support • Pricing quotation and negotiation	• Develop customer success plan • Proactive Guidance • Conduct success reviews	• Demonstrate value realisation for additional services • Negotiate expansion price	• Monitor client interactions for red flags • Monitor and manage service contracts
Manage Product Engagement		• Monitor onboarding • Adoption planning and measurement • Implementation oversight • Initial training • Conduct success reviews • Support and problem resolution	• Share best practices • Measure and communicate positive business outcomes	• Monitor service utilisation for anomalies • Assess and act on low customer health
Manage Revenue Stream	• New revenue opportunities by generating customer references	• Provide design and process consulting services	• Identify upsell/cross sell opportunities for meeting required business outcomes	• Renewal management • Negotiate renewal price

03. KPMG in India Analysis, April 2019

Customer success – Deploying the right structure

Once companies start marketing their subscription-based solutions, they look at ways to support and grow their client base. Investing in a customer success function is seen as a mandatory investment for achieving medium to long term growth. As such, successfully deploying a customer success function is critical and if positioned strategically, can become a significant competitive advantage in the market.

Setting up the right organisation structure

Depending on the type of organisation, product/implementation sophistication, sales process complexity and level of CS (customer success) involvement across the sales lifecycle, the customer success function can reside either within the sales organisation or service organisation or report independently to the executive leadership (C-suite).

Common reporting structures for customer success functions in mature organisations are as follows –

Customer success under Sales and Marketing function – Best suited for organisations which require customer success teams to focus significantly on sales related activities such as account landing, expansion and renewals. This model is prevalent where renewal rates are typically low and require joint efforts across sales and customer success teams.

Customer success under Services and Support function – Best suited for organisations where the product implementation is complex. Customer success efforts are aligned to getting the customer on-boarded and ensure that healthy usage levels of the products/services are maintained.

Customer success as a stand-alone function – Stand-alone customer success teams report directly to the executive leader, i.e. either the CEO or other C-level positions like Chief Revenue Officer or Chief Customer Officer. This model is prevalent in larger organisations which are transitioning to subscriptionbased business model, and there is a top-down focus on driving collaboration across sales and marketing and services and support divisions with the customer success function. The executive level support to customer success ensures that there is no narrow ownership over the customer success and allows the CSMs (customer success managers) to more effectively drive 'customer first' mindset through better collaboration with other internal functions.

Staffing the right talent

Customer success teams are tasked with the objective of driving engagement and product adoption with customers and making sure that the service delivery teams are optimally addressing customer requirements. Accordingly, CSMs are expected to have deep sector/domain expertise, detailed product knowledge and an understanding of the customers' ecosystem. In additional to technical know-how, CSMs should also be capable of developing relationships with multiple customers simultaneously, and at the same time, operate cross-functionally with internal teams like marketing, sales, services, support, engineering and finance to best support client's requirements. Being able to collaborate with other functions to develop an engagement strategy for each client and work proactively and independently to ensure all goals and milestones are met, is prerequisite for any customer success manager.

Aligning organisation goals with Customer Success KPIs and performance metrics

As highlighted earlier, customer success is moving beyond the realm of B2B SaaS and becoming equally pervasive in high-tech firms which are moving towards services-led business models. Irrespective of the nature of organisation, they typically have goals aimed at one, or more of the following objectives - accelerating customer and revenue growth, or optimising profitability or securing sustainability. The key performance indicators and metrics used for monitoring and incentivising customer success teams should be accordingly aligned to the overall objectives targeted by the firm.

Relevance of Customer Success metrics across key organisational goals[04]

Parameter	Accelerate Growth	Optimise Profitability	Secure Sustainability
Customer Life-time Value	✓	✓	
Revenue Renewal Rate	✓	✓	✓
Account Revenue Growth	✓		✓
Net Promoter Score			✓
Time to First Value			✓
Customer Retention Cost		✓	
Customer Churn Rate	✓	✓	✓
Initial Adoption			✓
Ongoing Adoption/ Customer Engagement			✓

Accelerate Growth

Given the low barriers to enter and operate, managing customer and revenue growth is a priority across the SaaS business lifecycle. As such, a sales oriented customer success function is a key enabler of maximising growth metrics such as customer life-time value and subscriptions per customer. Organisations focused on maximising revenue growth can align their customer success team with the sales function where the drive is on maximising account revenue rather than customer enablement. Customer Success teams mandated to support revenue growth own responsibility of account management and expansion of existing customers and may consist of quota-bearing roles.

Optimize Profitability

For subscription-based businesses, managing the balance between growth and profitability is crucial, especially after an organisation has cross the initial high growth phase and is looking to scale and optimize its operations. The high customer acquisition cost which is initially incurred by organisations to maintain the revenue growth has to be balanced by ensuring high customer retention rates and low cost to serve. Customer success function ensures both by ensuring that the solution provider meets client expectations continuously. Depending on the level of solution complexity and the sales process involved in renewal, customer success teams can be aligned to either sales or the services business unit. Alternately, several leading SaaS organisations have aligned Customer Success parallel to sales function under the umbrella of Chief Revenue Officer or Chief Customer Officer. Churn, Sales leads identified, Customer Adoption and Customer Satisfaction are the key metrics tracked to monitor customer success efficiency.

Secure Sustainability

Sustainability in a SaaS organisation is ensured through high customer retention which further depends on stable user adoption rates, minimal recurring revenue leakage and capturing opportunities for upsell and cross-sell. A priority for mature SaaS and services organisations, sustainability requires managing the customer lifecycle flawlessly, right from customer onboarding to service renewal and expansion. As such, the effectiveness of customer success function is measured through non-revenue related KPIs such as Customer Onboarding Experience, Time to First Value, Product Adoption Rate and Overall Customer Satisfaction metrics. Customer success managers, mandated with ensuring sustainability, act as an interface between the customer and the internal stake holders such as account management team and product development to ensure successful adoption, quick time to initial value and overall customer satisfaction. Identifying opportunities to cross-sell and upsell also plays an important role since organisations which are significantly invested in a solution set have a lower churn rate.

Align Data, Processes and Tools to facilitate customer success

Customer Success teams need to continuously monitor and assess customer behaviour, with the objective of identifying accounts at risk of churning, expansion opportunities within accounts and identify prospects for advocacy. Customer behaviour is measured through customer health assessment scorecards which include metrics like product usage, customer interactions, number and nature of support tickets, CSAT (Customer Satisfaction Score)/NPS (Net Promoter Score) scores etc. Setting customised triggers and automated workflows based on customer health can help customer success managers keep track of usage and adoption and quickly identify and remediate customer grievances.

Leading customer success organisation also leverage success playbooks to provide consistent and optimal customer experience. These playbooks assist success managers in predefined scenarios like creating customer success plans, adoption planning and monitoring, product training, performance assessments etc. Customer success teams can also create predictive risk and up-sell playbooks, which combined with usage of predictive analytics can help reduce churn and improve expansion opportunities.

Customer Success in India

Complementing India's SaaS growth story

KPMG's report 'Indian brands going global - A USD 39 billion opportunity[05]' highlighted the rapid growth of SaaS market in India; market size for Indian SaaS players is set to reach USD 4.4 bn by 2022, growing at a CAGR (Compound Annual Growth Rate) of approximately 32 per cent. This high double digit growth rate can only be supported if technology vendors can deliver value assurance to their customers. The SaaS market is extremely competitive and failure to retain customers will result in losing profitability even if the company achieves net positive customer acquisition rate. According to Gartner[06], the cost of selling to a new customer is 5 – 12 times greater than the cost of selling to an existing customer. Hence, given the focus on retaining customers, the adoption of customer success as a business model is expected to grow significantly, not only in SaaS companies, but also in legacy technology vendors which are migrating towards the subscription-based business model.

Growing adoption of public cloud services among enterprises

Cloud investments have become a major component of an organisation's IT planning and spend.. According to Gartner[07], revenue from public cloud services in India is expected cross USD 6.1 bn by 2022. Additionally, the share of enterprise workloads on the cloud is likely to increase from 18 per cent to 29 per cent in the same period. This increase in public cloud adoption in India is primarily driven by the desire to operate 'asset – light' IT infrastructure, while simplifying workloads and processes. Cloud computing reduces upfront hardware and software investments, converting the ICT (Information and communication technology) cost for small organisations from capital investments to operating expenditure.

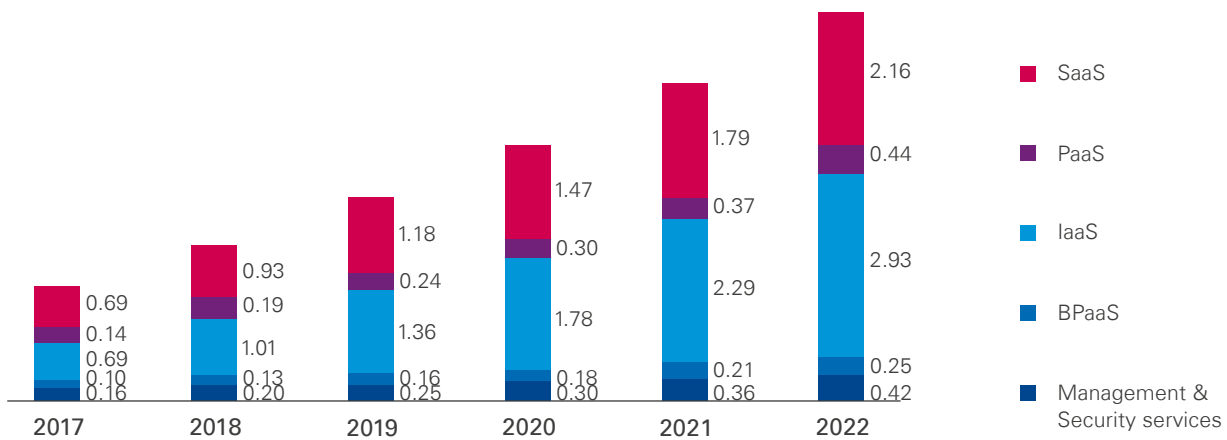Cloud services vendors will require setting up customer success functions to help organisations with legacy IT systems effectively adopt cloud services. Customer success teams enable a 'land and expand' model where they ensure seamless cloud adoption, reduce time to value from the initial solution and prepare the organisation to move other IT workloads to the cloud.

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05. Indian brands going global – A USD39 billion opportunity, A Study by KPMG in India and Google, July 2018

06. 5 Steps to an Effective Account-Based Marketing Strategy, Gartner, May 2017

07. Growth of Public Cloud Services in India (Q1, 2018 Forecast), Gartner, May 2018

## Growth of Public Cloud Services in India, 2017-2022 (in USD bn)

	2017	2018	2019	2020	2021	2022
SaaS	0.69	0.93	1.18	1.47	1.79	2.16
PaaS	0.14	0.19	0.24	0.30	0.37	0.44
IaaS	0.69	1.01	1.36	1.78	2.29	2.93
BPaaS	0.10	0.13	0.16	0.18	0.21	0.25
Management & Security services	0.16	0.20	0.25	0.30	0.36	0.42

Source: Growth of Public Cloud Services in India, Gartner Q1, 2018 Forecast

Increasing demand from Indian and global SMB (Small and Medium Business) segments

The double digit growth rate of cloud adoption is also impacted by increasing digitisation of SMBs in India.. Indian SaaS firms cater not only to Indian firms, but also to the burgeoning demand from global small and medium enterprises. The market opportunity for Indian SaaS products is expected to grow from USD 1.1 bn to USD 4.4bn by 2022, with global SMB SaaS segment growing at a CAGR of 36 per cent over the same period. Given the increasing demand for cloud based offerings, vendors will have to put in place a scalable customer success model which can enable low touch onboarding for SMBs and effective post implementation support.

Market opportunity for Indian players offering SaaS solutions, in USD bn, 2017 - 2022
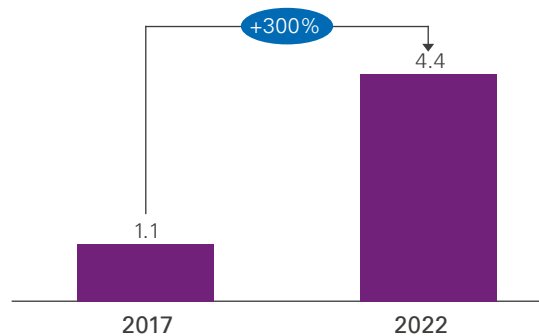
+300%

2017: 1.1
2022: 4.4

Source: Indian brands going global – A USD39 billion opportunity, A Study by KPMG in India and Google, July 2018

Diversification of SaaS product portfolios

With SaaS market opportunity expanding, vendors are exploring untapped revenue opportunities pivoted around their core offering. Proliferation of solutions will result in the sales function getting segregated into "hunters" and "farmers", where hunters or new sales development teams will focus on identifying new sales opportunities, while farmers or customer success teams will be tasked with mining existing accounts for upsell and cross-sell opportunities.

Availability of low cost, high skilled workforce

Indian SaaS start-ups have been historically marketing their solutions primarily in North America and Europe, thus, their sales representatives and channel partners in these geographies are responsible for generating new account revenue and capturing cross-sell and upsell opportunities. The customer success delivery centers based out of India predominantly focus on successful onboarding and enabling successful adoption.

Indian SaaS players can leverage the highly skilled, low cost talent pool available locally at four times the cost difference between India and the U.S. for product development and support. Leading cloud-native organisations have already started setting up their customer success functions in the subcontinent to leverage the easily available skilled labor force and comparatively lower cost of operations.

SaaS segments in emerging markets
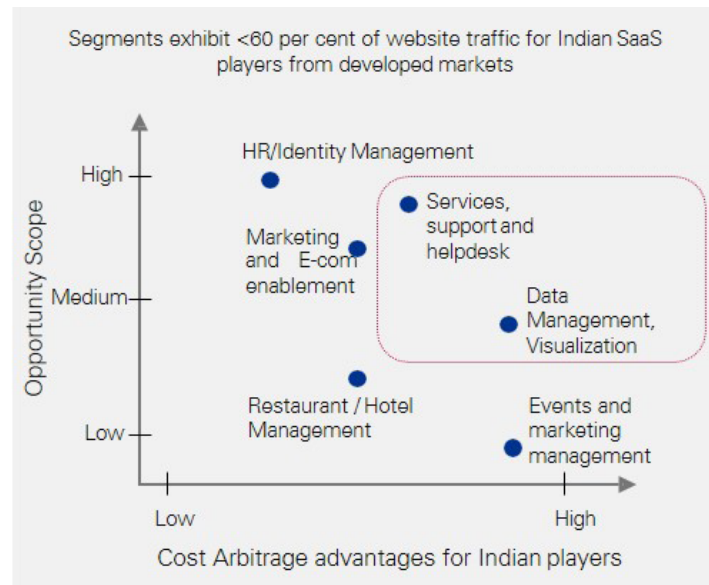
Source: Indian brands going global – A USD39 billion opportunity, A Study by KPMG in India and Google, July 2018.

High revenue from value realisation or adoption of professional services

Traditionally, professional services offered by Indian service providers were focused on implementing the solution and helping the clients manage the software solutions they had purchased by performing functions like basic fulfillment, installation and upgrades. However, these functions are no longer required in the SaaS model as the product vendor itself takes up responsibility of ensuring client success. Hence, SaaS model is expected to have a negative impact on incumbent revenue streams for most service providers.

ITO and BPO service leaders in India are already realising this shift in revenue and service delivery. According to a recent industry report from TSIA[08], the professional services industry witnessed an increase of 43 per cent in adoption and value realisation services, while revenue from implementation and integration services went down by 4.6 per cent.

This shift in the service delivery model, where traditional outsourcing services are increasingly paving the way for customer success roles is expected to continue, given the significant opportunity presented by the SaaS business model. We can also expect traditional service providers to partner with SaaS vendors to provide customer success. This presents a symbiotic revenue opportunity for Indian IT service providers, given their workforce strength and existing knowledge about the client's IT ecosystem, while the SaaS vendor can continue scaling its customer base without significantly increasing its employee strength.

Change in Global Professional services revenue metrics from 2017 to 2018
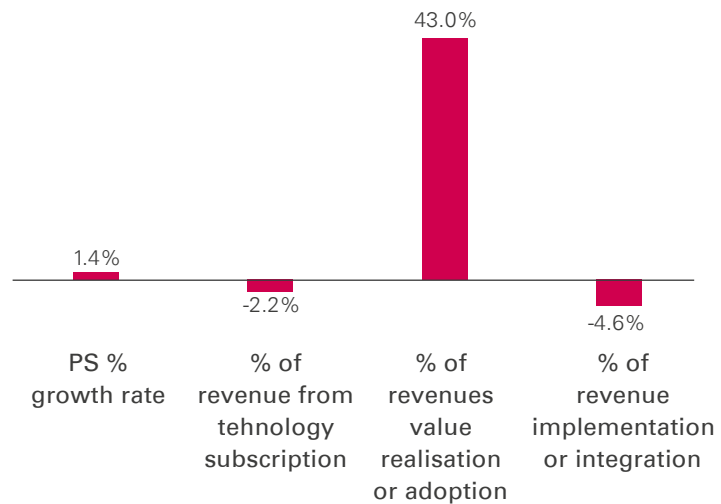
Source: The state of professional services, TSIA (Technology Services Industry Association), March 2018

Concluding remarks

While there is little doubt between the relationship of post sales service effectiveness with customer satisfaction, retention and loyalty, the correlation deepens further in case of B2B SaaS and Technology Services industry. However, building customer success teams require significant investment from the firm and it is essential to evaluate its financial viability, overall fit within the business model and mode of operation and monetisation. Some of the factors listed below can help in evaluating whether or not to invest in a customer success function, and the subsequent business model to adopt for achieving the desired goals of growth, profitability and sustainability.

1. A high degree of product sophistication, which includes deployment and adoption, necessitates having a high-touch model of customer success management. Alternately, solutions with low complexity and high degree of product stickiness can utilise inside sales teams for managing renewals.

2. Organisations with SaaS solutions that can be deployed across a number of diverse use cases, and require a 'land and expand' strategy can benefit significantly from well-organised customer success teams. The customer success team owns the post-sales relationship management, ensuring that customer are not only realising value from the initial deployment but also understanding the potential opportunity to explore additional use cases.

3. SaaS products which cater to dynamic business requirements, where clients require quick solution customisation in accordance to market and business needs. Customer success teams make sure that the deployed solution is keeping pace with internal and external environments, and any small changes in model, product, service etc. are done quickly and efficiently.

An effective customer success function helps the solution provider move away from 'service offering' based relationship towards a trust-based relationship, where customers turn to customer success managers for addressing not only their technical issues but also discuss and explore ideas which are core to the customer's business. As such, a relatively superior customer success function can become a powerful capability in the vendor's arsenal to provide a significant competitive advantage in the market.
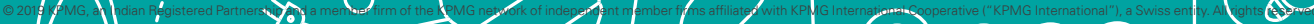
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