What are success factors that play a role in Customer Success Management and what role does it play in the overall firm performance?

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ABSTRACT

This study examines the underexplored areas of customer success management, focusing on the impact of leadership and companywide collaboration, and the role of customer success in overall firm performance. A qualitative research approach was utilized, which involved reviewing relevant literature and conducting an interview with the Vice President of Customer Success Management in B2B at a case company. Findings revealed that both leadership and pervasive collaboration greatly enhance the customer journey experience. Given that 75% of Annual Recurring Revenue is derived from existing customers, the substantial role of customer success in propelling business growth is affirmed. The study also demonstrated the importance of proactive customer engagement, assimilating customer feedback into products and services, and nurturing personal relationships with customers for fostering innovation. It further stressed the need for service provision and decision-making at various levels, as well as the implementation of a range of communication channels, to ensure customer success.

KEYWORDS: customer success management, customer journey experience, customer relationship management, company performance

1. Introduction

With 15 times increase since 2015, the job position of Customer Success Specialist has been ranked the 3rd highest demanded position in Germany in 2020 (Krasowski, 2021). Going through the job holders one red line follows along. Most of them work for technology and SaaS companies. The shift toward a service evolution seemed to not only affect consumption behavior of customers but also how value within products and services is realized. As part of this natural evolution Customer Management practices changed over the recent years. Following CRM, the new practice of Customer Success Management evolved (Hilton et al., 2020). While CRM focuses on building and maintaining a mutual connection and relationship with the customer, CS is built upon the target to maximize the value-in-use of the product offering (Hilton et al., 2020; Prohl-Schwenke & Kleinaltenkamp, 2021). Alignment with customer goals and providing the path toward a competitive advantage are the main priorities. CSM are seen as

trusted customer advisors with a focus on increasing customer retention and life-time-value (Eggert et al., 2020). Even though the importance and benefit of CS have been acknowledged by many software vendors, available research is still rare and primarily focused on SaaS companies.

2. Theoretical Foundation of Customer Success Management

Customer Success (CS) Management, predominantly adopted by leading software firms and cloud providers, revolves around proactive customer engagement aimed at optimizing product value. CS Managers (CSMs) focus primarily on customer education and retention, to ensure that they understand how to use the product and get the most benefit out of it, leveraging data-driven insights to deliver value outcomes (Prohl-Schwenke & Kleinaltenkamp, 2021; Hochstein et al., 2021). They're viewed as trusted advisers, with a genuine concern for clients as well as an excellent understanding of customers' needs. However, CSMs have no direct sales responsibility (Hochstein et al., 2021).
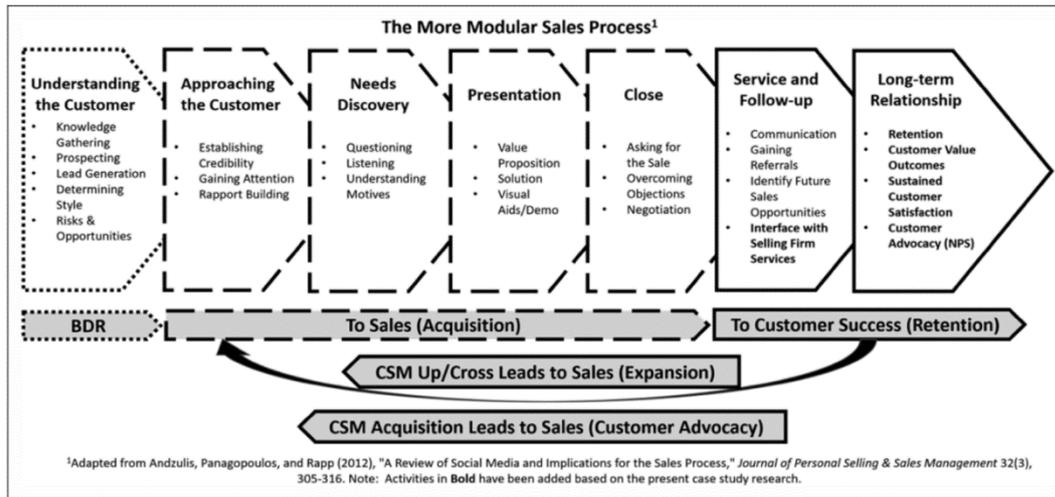
**Figure 1** The More Modular Sales Process (Hochstein et al., 2021)

The rise of zero-cost distribution, utilization-based billing, and industrial servitization appear to be drivers behind this trend. Especially for recurring revenue businesses, attitudinal loyalty - customers loving a product or brand is central to CS (Mehta et al., 2016). This form of loyalty strengthens the customer-seller relationship, fostering a more personalized, enduring connection.

The growing independence of customers has led sellers to prioritize customer experience and encourage engagements toward maximum value-in-use (Hochstein et al., 2020; Hilton et al., 2020). Particularly in the context of complex offerings, sellers are expected to proactively enhance value-in-use (Prohl-Schwenke & Kleinaltenkamp, 2021). This creates a cooperative value-creation sphere, fostering customer value co-creation and influencing customer perception of the firm (Grönroos & Voima, 2013; Hochstein et al., 2021). However, despite the benefits of CS Management, some customers may still prioritize price over CS efforts, overlooking long-term profitability and solution quality improvement.

3. Methodology

This study explored the success factors in CSM and its impact on overall firm performance through a qualitative research approach. Primary insights were gleaned from an interview with a renowned CS expert of a case company, augmenting previous research with novel findings. The selection criteria for the seven interviewees of the second survey included non-affiliation with the SaaS industry, a minimum of one-year experience as a Customer Success Manager, and English proficiency. The semi-structured interview was guided by a literature-based framework, addressing key, yet under-researched factors in CSM.

The qualitative data were analyzed using MAXQDA software, with categories, subcategories, and codes established from a line-by-line transcript review. Upon completion of the analysis, the categories, subcategories, and codes were revised following both the interview responses and existing literature.
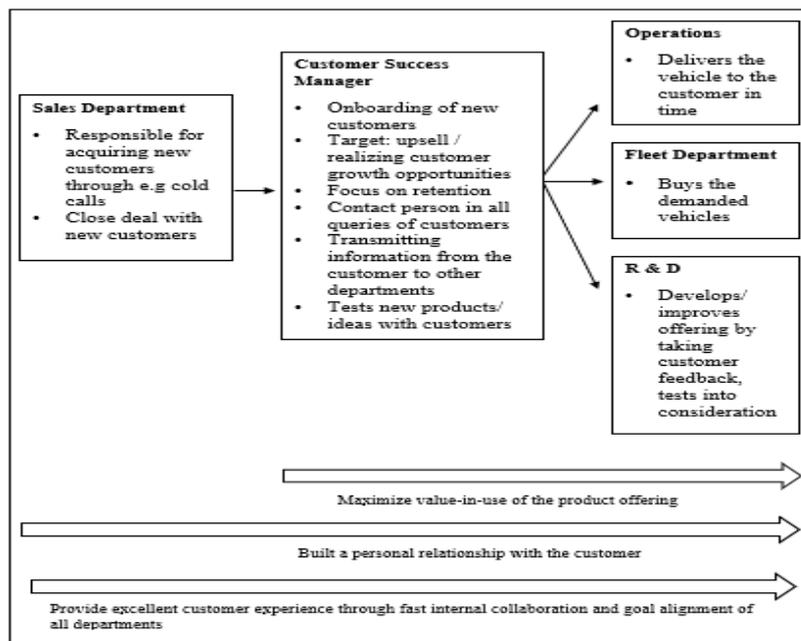
Figure 2 The Customer Journey case company (own presentation)

4. Success Factors and the Role of CS in the overall Firm Performance

The key findings from the interview are summarized as follows:

4.1 Influence of Leadership

The collected data underscore the criticality of leadership as a prerequisite for a lucrative CS department. It is implied that without the appropriate mindset and recognition of the necessity for CS, the department cannot function optimally nor contribute significantly to overall company revenue. Leaders must appreciate the value and potential of existing customers to guarantee to upsell and growth opportunities, realized through the efforts of CSMs.

Zoltners et al. (2019) align with this perspective, proposing that leadership must reinforce the correct mission and culture, and motivate CSMs to function as genuine advisers, not sales representatives. Further, one interviewee emphasizes the importance of providing necessary resources for a CSM's day-to-day tasks. Given the variable and evolving needs of customers, leadership must foster an agile environment in which CSMs can ensure customers' voices are heard.

4.2 Importance of Collaboration

The analysis also stresses the significance of collaboration. A CSM must interact efficiently with other departments daily due to shifting customer needs, technical issues, or upsell opportunities. The CSM hereby represents the face to the customer however in the background is working closely with other departments to fix occurred problems or present improvement ideas to the R&D department as well as higher management level. Companywide collaboration and goal alignment are deemed crucial as a CSM is regularly called upon to communicate customer information or needs to the relevant departments.

This view is reinforced by prior research. Prohl-Schwenke & Kleinaltenkamp (2021) stress that delivering a remarkable customer experience requires collaboration across all departments of a company, coupled with a shared understanding of the value created through product usage. A unified front should always be presented to the customer, achievable through consistent communication and valid information sharing by CSMs in coordination with other departments (Hochstein et al., 2021).

4.3 Impact of CS on Business Growth

As ascertained from the key participant, in the current organizational setup, a CSM becomes the primary customer interface post-deal closure. The CSM's role is critical in expanding business with existing customers and ensuring a steady flow of incremental revenue. In the context of the participant's industry, customers are generally familiar with product usage; their primary requirement is assistance in effective fleet expansion and management, thereby enhancing value-in-use. A CSM leverages personal connections with customers to upsell larger quantities instead of focusing on selling new products. The CSM expert reported that 75% of the case company`s business growth predominantly originates from existing customers overseen by the CS department.

The literature fortifies the participant's arguments; CSMs gather data that facilitates the measurement of customer satisfaction, preferences, product use, and performance. These data insights unveil customer growth opportunities, including upselling and cross-selling opportunities (Porter & Heppelmann, 2015). Mehta et al. (2016) further emphasize that if CS successfully cultivates attitudinal loyalty, a stable ARR (Annual Recurring Revenue) can be maintained. Such loyalty personalizes and extends the relationship beyond the purchase, consequently decreasing churn rates. Customers are less likely to switch to competitors, and their willingness to expand existing business increases due to attitudinal loyalty.

4.4 How CS Fosters Innovation

As for fostering innovation, the data suggests that due to regular customer interactions, a CSM is likely the individual within the company who understands the customer best. By actively receiving feedback, understanding customer needs, and prioritizing active listening, CSMs embody the voice of the customer. This information transmission to relevant departments stimulates product adjustments, development, and novel research, which are crucial for outperforming competitors and achieving market dominance. The participant underscored that without CS, innovation might be stunted, as it is vital to test and heed customer feedback in their industry.

The academic literature echoes the participant's perception of the influence of CS on innovation. Hochstein et al. (2021) posit that product development views CSMs as subject matter experts because they are the most informed about customer needs. Moreover, they serve as valuable feedback providers and brainstorming partners for prototype development.

5. CS Trends

CS entails proactive client engagement and fostering positive experiences (David-Pur, 2021). Srinivasan (2022) emphasizes the modern CS trend of concentrating on every touchpoint throughout the customer journey, aiming to offer increased insights, self-service, and integrated experiences across all coverage models.

Effective communication, regardless of the channel, is a noteworthy CS trend, necessitating CSMs to employ digital tools like interactive dashboards for enhancing insights and bolstering communications with customers (David-Pur, 2022; Srinivasan, 2022). The literature acknowledges the substantial impact of existing customers on business performance, underlining the significance of CS as a crucial function meriting C-suite level representation (Tsang, 2022; Ramdas, 2021).

The findings of the interview with the seven experts reveal that successful CS requires providers to strive for deeper personal relationships with customers. However, this does not appear to be a universal industry practice, as shared by the interviewed expert. Evidence suggests that large car rental or leasing companies' reliance on call centers for customer interaction leads to variability in service provision and reduced customer satisfaction. Conversely, companies like the case company assign a dedicated CSM to each customer for the

duration of their engagement, allowing for close relationships, a better understanding of customer needs, and proactive assistance to ensure the value-in-use of their offerings.

6. CS Best Practices

Our findings regarding the best practices of CS show the following four main categories:

6.1 Establishing Personal Relationships

Building a personal relationship with customers is crucial to CS. Customers prioritize service quality and seek partners who offer value beyond the price point. At the case company, each customer is paired with a specific CSM, fostering a personalized service culture. CSMs, seen as trusted advisors rather than salespersons, remember important dates in the customer's personal life, fostering a closer bond.

6.2 Offering Different Levels of Service

Offering variable service levels caters to customer needs more effectively. The case company provides different service levels for decision-makers and end-users, successfully achieving CS. A dedicated CSM maintains a personal relationship with the decision maker, while a separate customer service team handles end-user requests.

6.3 Implementing Different Communication Channels

Adopting both direct and indirect communication channels is critical for CS. Customers require communication flexibility, and CS managers must ensure availability across different platforms. At the case company, a business portal provides customers with access to valuable insights and online request management, demonstrating the efficient use of digital tools for communication.

6.4 Enabling Decision-Making on Different Levels

Allowing multi-level decision-making enhances CS. At the case company, customers have a voice at various levels. For instance, fleet managers may select cars for users, or employees may choose their vehicles, enhancing CS through diversified decision-making.

7. Conclusion

The transition towards service orientation within the technology sector has influenced both customer behavior and the intrinsic value of products and services. This has led to a paradigm shift in Customer Management practices, with companies recognizing CSM as a novel practice to enhance the value-in-use of their product offerings (Hilton et al., 2020; Prohl-Schwenke & Kleinaltenkamp, 2021).

CSMs are now seen as trusted customer advisors, central to enhancing customer retention and creating value throughout a customer's lifecycle (Eggert et al., 2020). Through a qualitative research approach, the findings underline the importance of leadership and cross-functional alignment within a company to deliver a satisfying customer experience throughout its journey. Additionally, proactive customer engagement and the incorporation of customer feedback into the product and service core emerge as crucial in ensuring customer success and fostering innovation. Furthermore, the pivotal role of CS is highlighted, not just as a function at the C-suite level but also as a key driver of business growth.

Managerial implications emerged from the findings, underscoring CS best practices adaptable by organizations and CSMs. The study emphasizes the importance of personal relationships in providing superior customer service and the necessity of collective efforts from leadership and various departments in ensuring customer success. Additionally, the study recommends differentiating service levels for decision-makers and end-users and empowering decision-making at various levels for enhanced customer satisfaction and retention.

However, the study has certain limitations. The exploration of success factors was not exhaustive, and the sample size was restricted. Future research should consider broader scopes and larger, more diverse samples to yield more comprehensive and conclusive insights.

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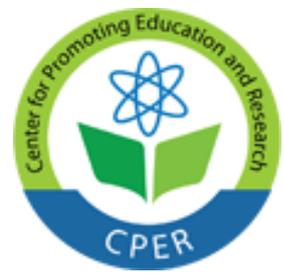
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