

FOUNDATIONS

Customer Success Leadership Study

2021



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Introduction

Welcome to our second annual Customer Success Leadership Study – brought to you by your Customer Success friends at ChurnZero, ESG, and Higher Logic. We're back and excited to share that this year we had even more Customer Success leaders participate in the study, with an 8% increase in responses.

If you're a returning reader, you'll notice that we've kept the questions the same as last year to allow for year-over-year comparisons and trend analysis.

To kick off on a positive note and give you a taste of this year's findings, we're thrilled to see an increase in the number of VPs and above leading Customer Success organizations. This is in part due to a rise in the prominence of the Chief Customer Officer role. Both of which indicate growth in Customer Success leaders' authority, value, and visibility within the larger organization.

But alas, these wins don't come without a few challenges, which we continue to see shared across Customer Success organizations of all sizes.

To find out where your fellow Customer Success leaders are crushing it, where they come up short, and where they have the most room for improvement, let's wrap up this introduction so we can get to it.

TOTAL PARTICIPANTS

632

LARGEST SAMPLE BASED ON REVENUE

\$10M - \$49.9M

LARGEST SAMPLE BASED ON EMPLOYEE COUNT

**51 - 200
Employees**

LARGEST SAMPLE BASED ON SENIORITY LEVEL

**Director or
Sr. Director**

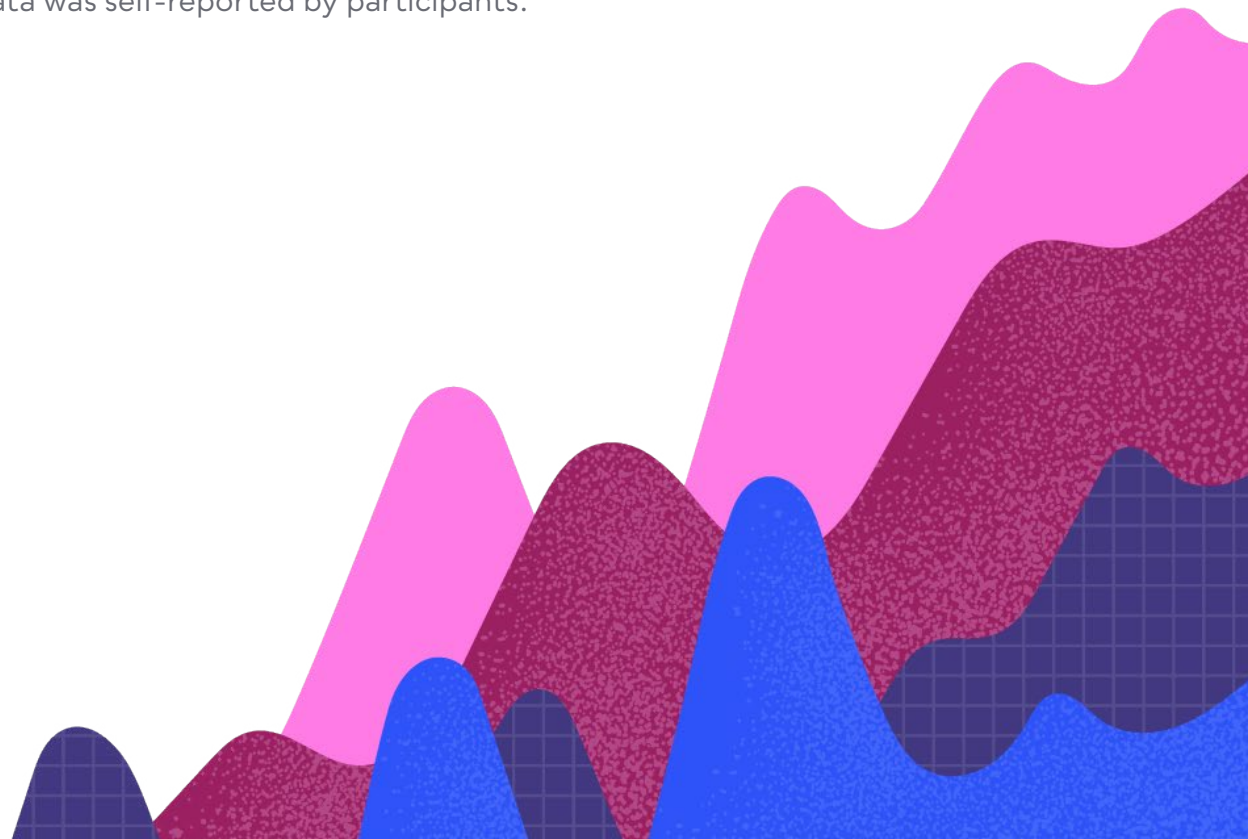
About This Report

When we released our inaugural study in the midst of the pandemic, we wanted to shed a light on the current state of Customer Success and its influence within SaaS organizations. An influence that we'd see expand over the course of 2020-2021 as companies fought to retain their customers amid budget and new business freezes.

Now, in our second year of this study, our mission remains the same. Our aim is to continuously survey the Customer Success industry to uncover trends over time. Through this research, we give you an insider's look at the evolving Customer Success landscape, based on the firsthand experience of those breaking ground and leading the way. By sharing the top initiatives and issues facing Customer Success leaders today, we hope to bring greater awareness, understanding, and support to our growing community.

Research Methodology

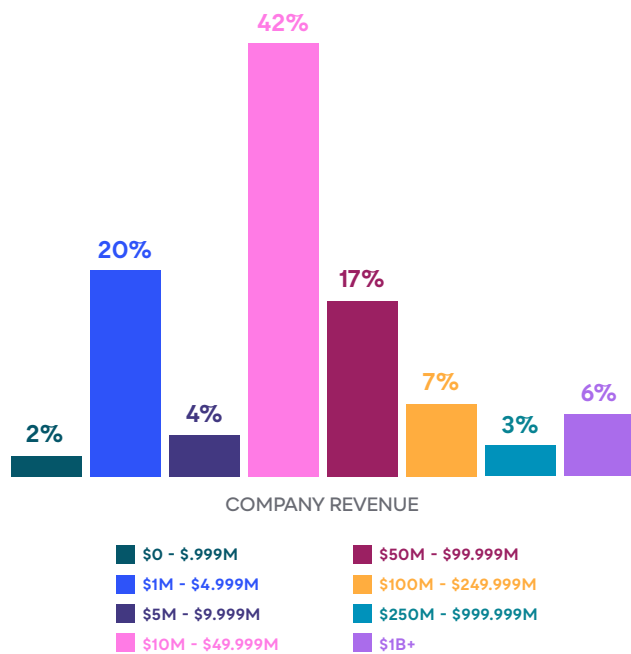
ChurnZero, ESG, and Higher Logic alongside other partners like The Customer Success Association, conducted a survey between August 12 – September 6, 2021. The survey was emailed to our respective databases of Customer Success professionals. The survey was promoted across social media and industry newsletters. Data was self-reported by participants.



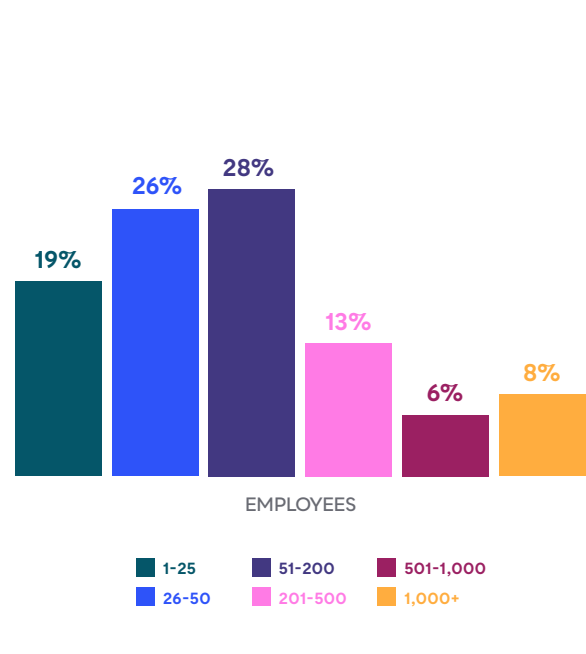
Our Survey Respondents

We surveyed 632 respondents about their goals, processes, and technology. Below, you'll find a breakdown of our respondents' seniority level and company size. Consistent with last year's results, the majority of our respondents work at companies with 51 to 200 total employees. Whereas the majority of last year's respondents worked at companies with \$5 - 10M in annual revenue, this year's respondents have moved upmarket, to most prevalently work in companies with \$10 - 50M in annual revenue. Similarly, we've seen our largest seniority sample move from Manager/Sr. Manager in last year's report to Director/Sr. Director this year, as Customer Success professionals continue to progress in their careers.

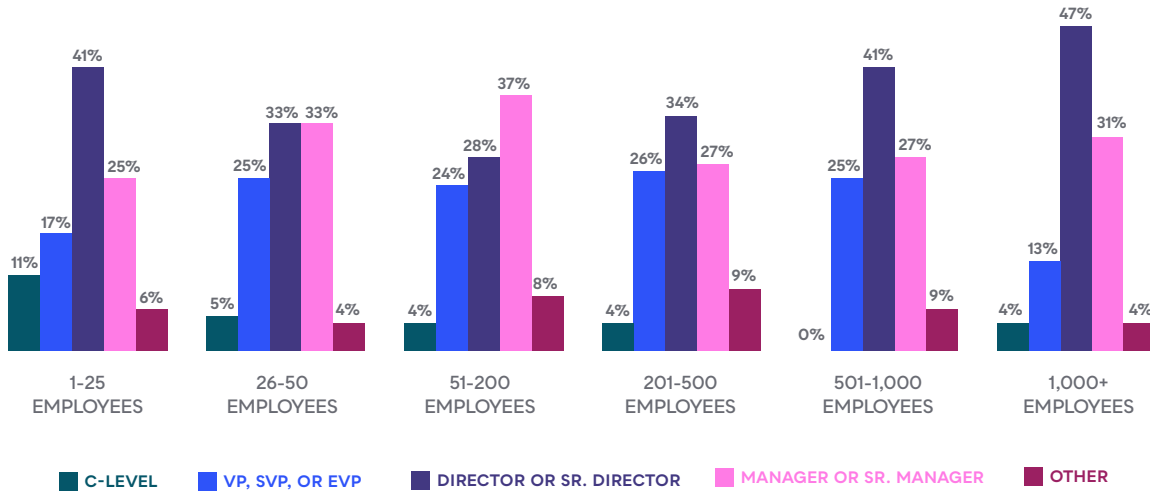
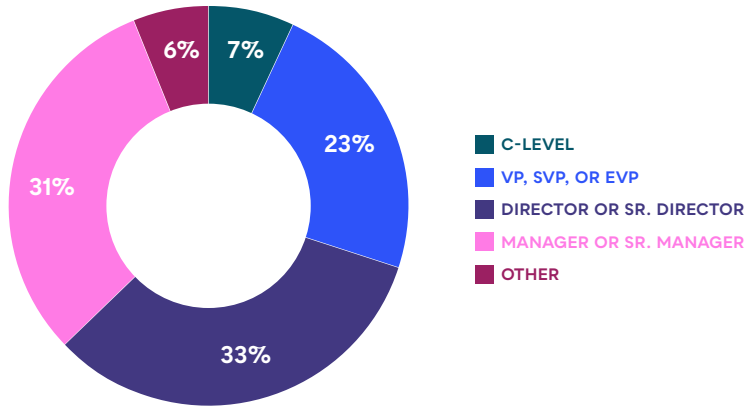
Annual Revenue



Number of Employees



Respondent Seniority Level



How We Organized This Report

In this report, we distilled the data into four key focus areas for Customer Success:

- 1. Influence Within the Organization**
- 2. Organizational Alignment**
- 3. Operations**
- 4. Goals and Aspirations**

We identified these particular categories after analyzing hundreds of survey responses and consulting our team of Customer Success experts to identify their top conclusions and recommendations. Following these themes, we hope to help you easily navigate the report's findings and discover the biggest areas of improvement for today's Customer Success leaders.

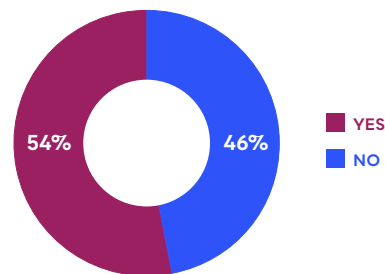
1 Influence Within the Organization

For Customer Success to truly transform into the most mature and effective version of itself, customer-centricity must expand beyond the silo of your Customer Success department. It must permeate into, and resonate with, the larger organization.

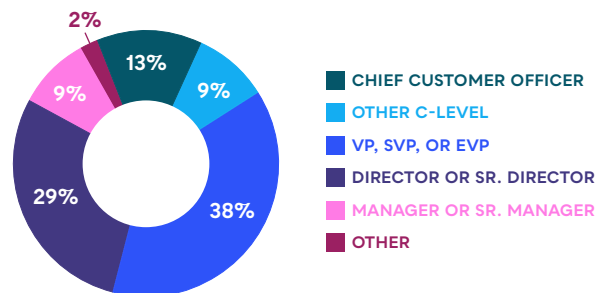
As our industry continues to rapidly grow in both size and prevalence, the simplest way to measure the influence of Customer Success more broadly is to take a look at organizational structure. Factors such as budget autonomy, reporting structures, and leadership seniority are key indicators of how Customer Success is viewed and valued at large.

This year’s survey showed a relatively even split both between Customer Success organizations that report directly to the CEO and those that do not, which is consistent with the results we saw in our 2020 study. As for the highest leader in a Customer Success organization, we saw an increase in the number of VPs and above in that role, growing from 54% to 60%, compared to the prior year.

Does your Customer Success function report directly to the CEO?



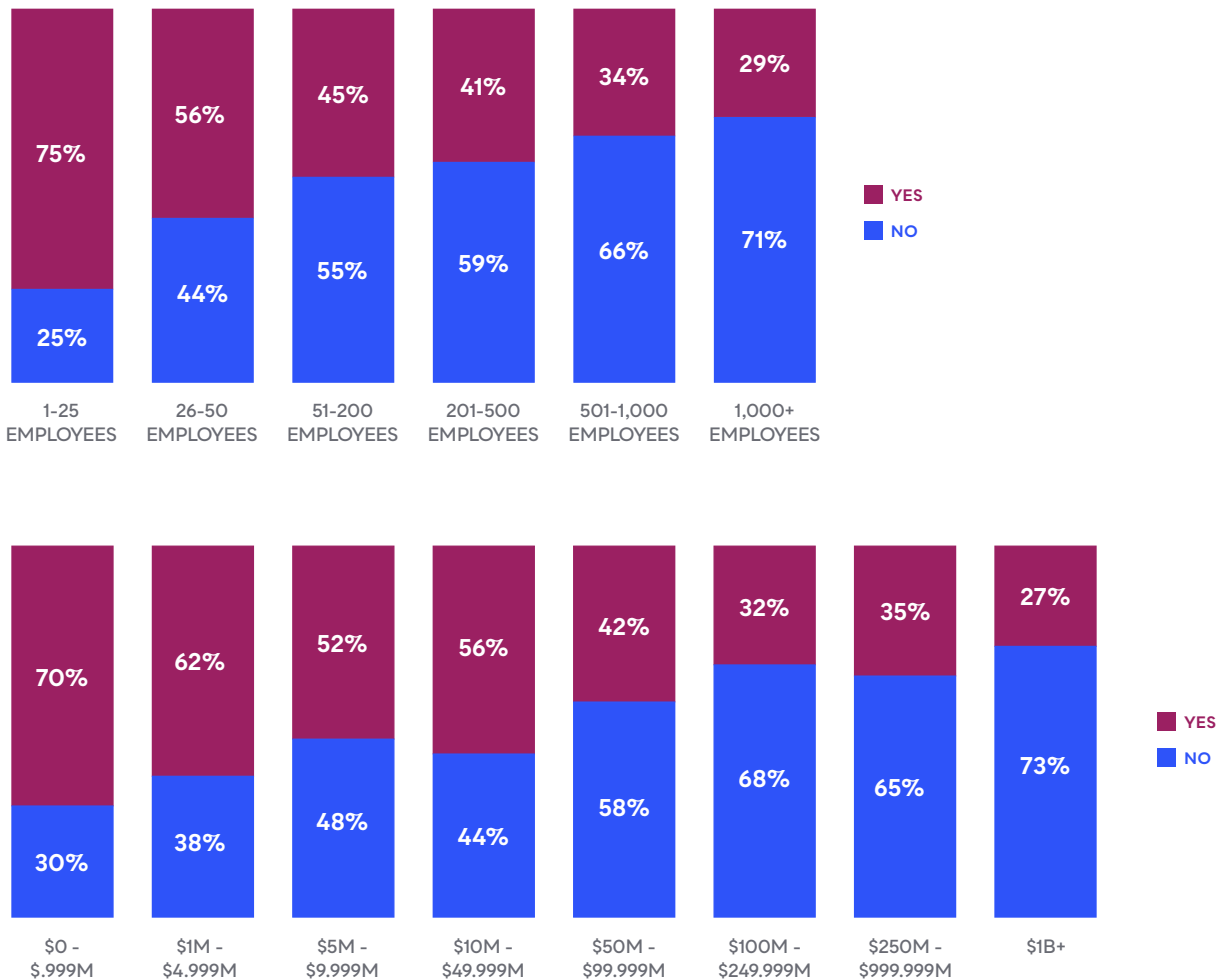
What is the highest CS leader in your organization?



While last year’s study indicated that majority practices were beginning to emerge, with respondents indicating just a few point differential in being led by a “senior” Customer Success leader at a VP-level or above, the 6-point increase in this factor indicates that higher level of executive leadership becoming a dominant trend in the last year.

Similar to last year’s data, we see that although a majority of Customer Success organizations (54%) report directly to the CEO, this is less likely to be the case as companies increase in employee count. We also see a similar pattern emerge as companies increase in revenue, although the organizational structure does become slightly less predictable when analyzed in this way.

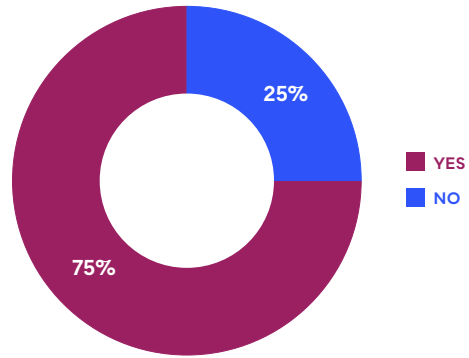
Does your Customer Success function report directly to the CEO?



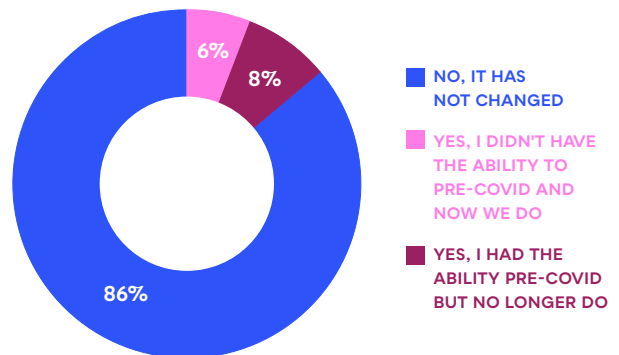
As predicted, we saw a rise in prominence of the Chief Customer Officer (CCO) over the course of the last year – an encouraging sign for the growth of the Customer Success industry more broadly. While just 10% of respondents were led by a CCO in 2020, that number is up to 13% in 2021. We would anticipate continuing to see that number tick up in coming years, in part due to the overwhelming majority of Customer Success leaders surveyed who have a seat at the executive table and the ability to create budget, regardless of title (75%).

Our experts were pleased to see the number of leaders with executive and budget authority remain constant year-over-year, despite the level of uncertainty, and in turn, wallet tightening, that COVID-19 brought to many businesses. To dive deeper into this realm, we added one question to this year’s study, asking if COVID-19 has impacted Customer Success leaders’ ability to create CS budget. The fact that this remained largely unchanged (86%), despite the turmoil of the pandemic, was reaffirming of the continued (if not increased) need for Customer Success in such uncertain times.

Does the Customer Success leader have a seat at the executive table and the ability to create budget?



Has COVID-19 impacted your ability to create a Customer Success budget?



Jay Nathan
Chief Customer Officer
Higher Logic

“If you are a VP of CS, act like you’re the Chief Customer Officer. Be the custodian of the customer experience. Be the person who knows more about the reasons that your customers stay. Be the person that knows the most about the end-to-end customer journey, and ultimately, you can end up in that CCO role, whether it’s at your current company and they recognize the need for that, or whether you go somewhere else.”

2 Organizational Alignment

Beyond the concept of Customer Success influence within a larger organization, our survey once again took a step further to focus on organizational alignment factors like interdepartmental collaboration, organizational charters, and the ownership of renewal, up-sell, and cross-sell. These structural components are key to building a strong Customer Success foundation.

Perhaps the most important building block of that foundation is your organizational charter. What is your *primary* focus as a Customer Success organization? The data shows that new customer onboarding is the most common organizational charter, with product adoption, customer engagement, renewal, and finally, customer expansion all closely following behind.

Which area(s) are tied to your organizational charter?

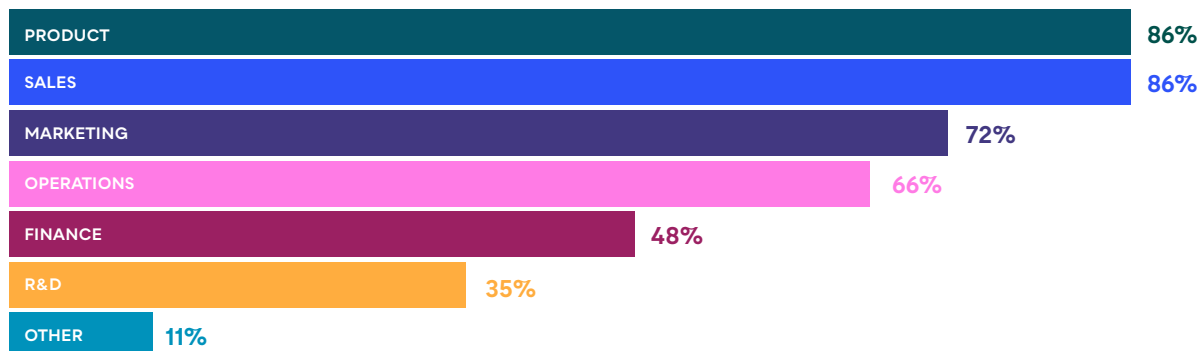


As the most critical make-or-break moment in the customer journey, it comes as no surprise to, once again, see new customer onboarding outweigh other priorities or journey phases as the most common CS organizational charter. We know that without purposeful intent, the customer onboarding “process” can be as simple as flipping a switch to activate a new customer and letting them get to it. In that scenario, those customers will likely attempt to use your product with no guidance or training. They’ll quickly get frustrated, they won’t be successful, and the seeds of churn will blossom into full-blown regret.

While onboarding remains the most common organizational charter, over the last year, we’ve seen a shift in the commonality of organizational charters outside of onboarding. Whereas last year’s data showed that onboarding was followed in order of popularity by engagement, expansion, adoption, and renewal, this year’s data shows a shakeup – with adoption following behind onboarding, followed then by engagement, renewal, and expansion. This shows an increased focus on adoption and renewal alongside a decrease in engagement and expansion by comparison.

As we know, a high level of interdepartmental collaboration throughout the organization is imperative to carry out the many responsibilities required to achieve all of these equally important goals. This year’s survey results showed similar patterns year-over-year in regard to which interdepartmental collaborations are strongest. We again saw the highest level of collaboration with Sales, Product, Marketing, and Operations, all with well above 50% of respondents working cross-functional with those organizations. Similarly, we again see that there is room for improvement in the relationships between Customer Success and Finance.

Which departments do you work with on a regular basis to help meet your objectives?



2020's [inaugural report](#) addressed some of the challenges in correlating Customer Success to revenue. One of the main takeaways was that if Customer Success wants to strengthen their bond with Finance, they first need to understand how Finance views the business. By establishing a common understanding, both functions can begin to align on retention and churn goals. These recommendations still apply and are imperative to the continued growth of Customer Success.

While this year's data did not reveal any material changes in which departments Customer Success teams collaborate with, it does show that the propensity for collaboration with nearly all departments has decreased slightly. For example, even with Product and Sales, the two departments with which we see the highest level of interaction, the percentage of respondents who are working with those teams on a regular basis is down from 88% to 86%. The same is true for collaboration with Marketing and Operations, down from 76% to 72% and 67% to 66%, respectively.

This drop in overall collaboration levels could be attributed to the additional responsibilities and concerns of nearly every single department as we've all navigated a global pandemic. Or perhaps the shift to a predominantly [remote workforce has impacted the open lines of communication](#) required for effective interdepartmental collaboration. Whatever the reasoning behind this shift in behavior, while certainly every bit reasonable and understandable given the broad move from in-person to remote work, it is something we will be keeping a close eye on. We know the criticality of working cross-functionally to accomplish strategic initiatives and move the larger business forward, so this must be a point of focus for Customer Success leaders moving forward.

“Most cross-functional efforts die off because they lack any kind of framework. Set guidelines for how Customer Success is expected to contribute to other team’s projects, meetings, and decisions. Define the cross-initiative owner and individual participants so the goal and role of Customer Success’ involvement is clear from the start. Also, the most effective way to align teams and leaders is through shared metrics. Quantified accountability builds a strong foundation and motivation for collaboration.”



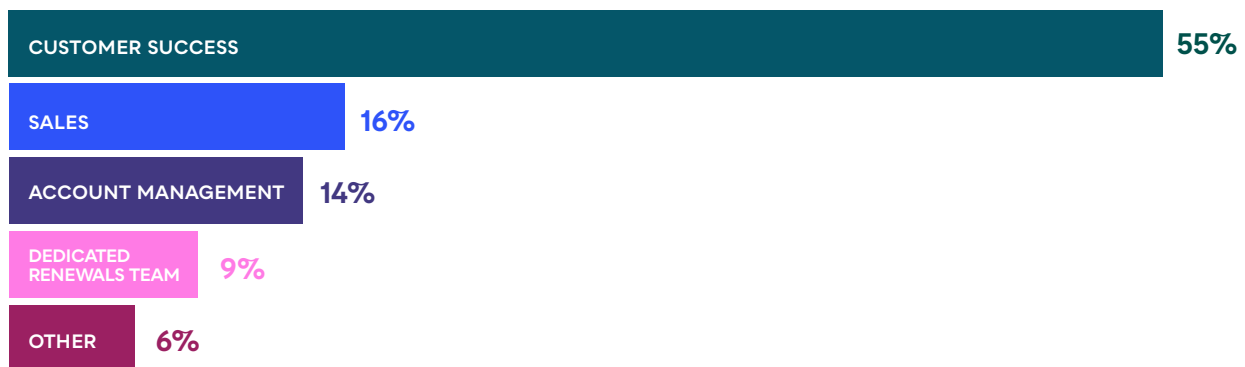
Abby Hammer

Chief Customer Officer
ChurnZero

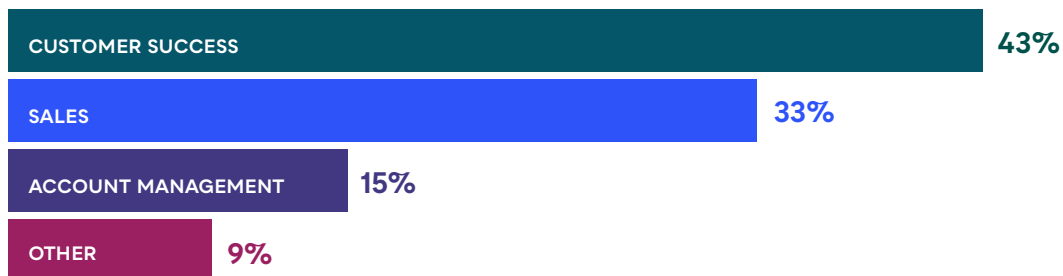
We also anticipate that customer renewals and expansion will remain areas of increased focus in Customer Success. As many companies have faced concerns about new business throughout the pandemic, we have observed a shift in attention towards generating revenue from existing customers.

While our data shows that ownership of customer expansions (cross-sells/up-sells) has remained nearly consistent over the past year, we see a different pattern beginning to emerge when looking at the same question regarding renewals responsibility. With an increase from 50% to 55% of Customer Success teams with renewal ownership in the last year, we're seeing a shift away from Sales and Account Management and towards Customer Success.

Who owns the customer renewals?



Who owns customer expansion (up-sell/cross-sell)?

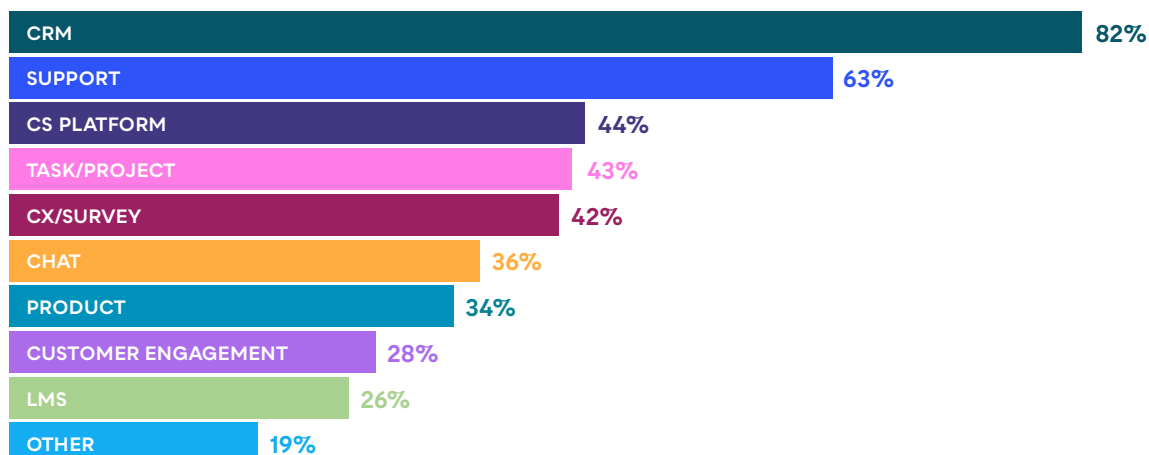


3 Customer Success Operations

Scalability. Operational efficiency. These topics are constant sources of conversation (and sometimes brow furrowing). But these terms are bounced around because they are *critical* to the success of any Customer Success organization, and business more broadly. The elimination of repetitive or inefficient processes through technology lies at the core of the digital age.

Any business unit, including Customer Success, needs the right set of tools to create the effective, efficient, and scalable practices that we all dream of. We were pleased to see that survey respondents across all company sizes largely possess a strong cross-section of systems and tools. Note that the “Other” category is largely attributed to business intelligence tools.

What does your Customer Success tech stack look like?



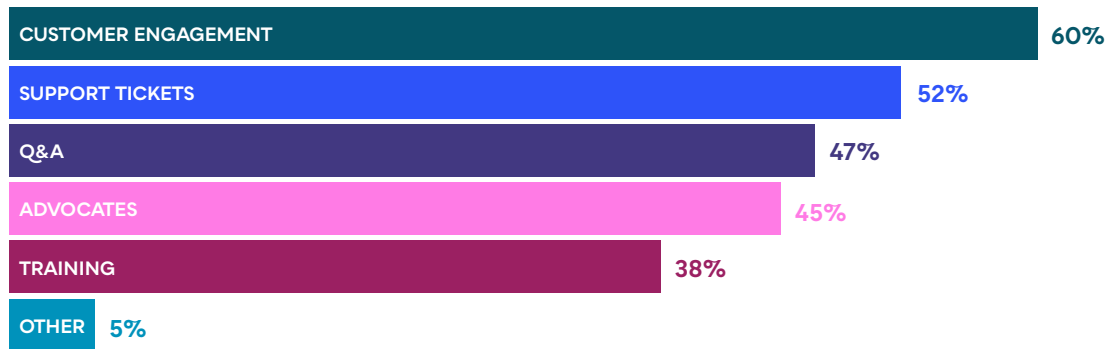
For the second year in a row, the tool category of Customer Success platforms defied expectations. Just 44% of survey respondents (down from 47% last year) have a Customer Success platform (like ChurnZero, Gainsight, Totango, Strikedeck, etc.) in place today, which is significantly lower than ideal. With the consistency year-over-year in the usage of CRMs (with 82% of survey respondents citing CRMs in their tech stack this year, 81% last year), it's likely that a subset of these Customer Success teams are still managing their operations and customers through their organization's legacy sales tools – an attribute of an early maturity phase. Unlike CRMs, which were built to manage sales pipelines, Customer Success platforms focus on fostering ongoing customer value *after* the initial purchase. Since CRMs rely on transactional relationship data, they struggle to glean insights from product usage and other behavioral data. This provides a challenge when automating processes like onboarding and renewal workflows – a prerequisite to scaling Customer Success teams.

Product tools like Pendo, WalkMe, and Mixpanel, saw the single largest change in the usage of technology areas, increasing from 28% last year to 34% this year. This growth in adoption of tools of this nature is certainly an encouraging sign, as many of these tools can be used to gather ever-important customer usage and telemetry data, as well as to push out real-time messaging to end-users through your product interface. The push/pull dynamic of many of the tools in this space can be key to both gathering the necessary data about customers' usage and behavioral patterns, and to increase levels of customer engagement and encourage adoption behaviors.

This year's survey responses also showed modest increases in the use of CX or Survey tools (like Qualtrics, Medallia, and SurveyMonkey), Learning Management Systems (like Skilljar, LearnUpon, and Docebo), and Customer Engagement/Community tools (like Higher Logic, inSided, Khoros, and Vanilla). Each of these categories rose in prominence by 3 - 4%, an amount proportionate to the decrease in use of purpose-built Customer Success platforms we mentioned earlier. While an increase in one does not necessarily indicate causation of a decrease in the other, it is an interesting pattern to observe, and one that our experts will continue to monitor in this study in future years.

Last year's study noted an expected increase in the use of Customer Engagement/Community tools over the next few years. We explained that as the Customer Success industry matures, so too must the nature of how we interact with our customers. While just under 24% of survey respondents were using a Customer Engagement/Community tool a year ago, we now see that number has increased to 28% – an encouraging sign of growth, scalability, and maturity for Customer Success. Of those that do have a Community tool in place, a majority (60%) use their customer Community for customer engagement.

If you have a Customer Community, what are the purposes of the community?

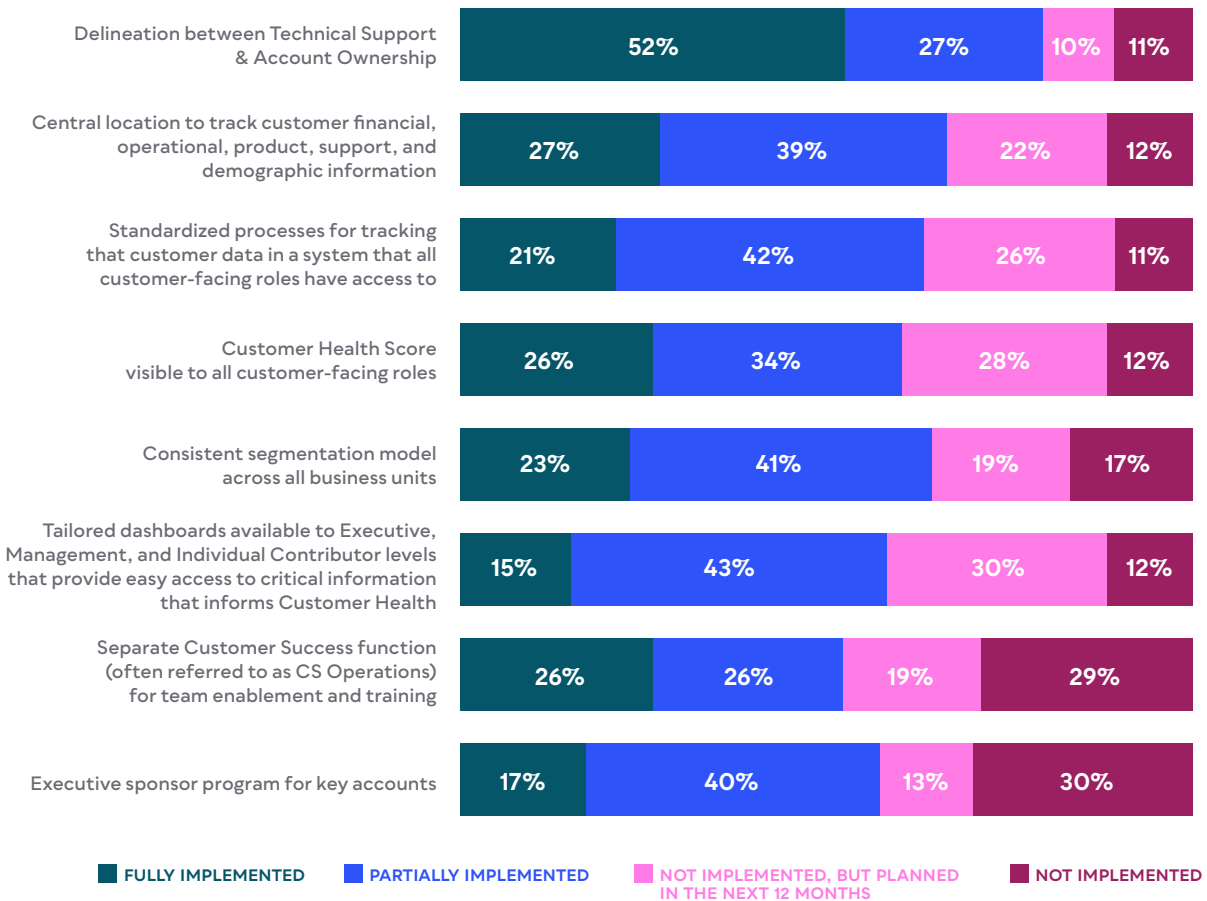


While overall increased technology adoption within the past year was mixed, we see a different pattern beginning to emerge when looking at the implementation status of more strategic initiatives. In observing the survey responses focused on the key components required to achieve operational maturity, we see an increase over last year in the percentage of respondents who have fully or partially implemented nearly every listed category. While some are subtle differences, others stand out more prominently.

For example, while the delineation between technical support and account ownership was the most highly adopted strategy in back-to-back years, the percentage of respondents who have not yet implemented this fell from 26% percent to just 21%, with half of those planning to implement it within the next 12 months. As the most foundational element covered in this particular question, it isn't surprising to see the increased capability here, but was a bit more so to see other, more complex initiatives following suit. For example,

the percentage of respondents who have fully or partially implemented an executive sponsor program for key accounts increased from 51% to 57% - a significant increase, especially considering the impact that programs like this can have in metrics like customer satisfaction, expansion, and retention.

Which of the following strategies have you implemented?



While encouraged by the increase in adoption and implementation of these strategic initiatives, the Customer Success industry still has a long way to go before becoming fully mature. The current status of these critical strategies and changes year-over-year will serve as a benchmark for the industry to compare itself to as it matures in the years to come.

4 Goals and Aspirations

The updates you provide to your Board of Directors, the mantras you hear repeated back from your team, and the areas that you wish were running a bit more smoothly are all critical to your ability to create a mature, effective Customer Success practice. These factors indicate the priorities of the larger business and how Customer Success fits into them, as well as your impact as a leader.

Whereas last year's respondents focused on terms like "revenue," "churn," "retention," "renewals," "expansion," and "growth" when describing priorities for an upcoming Board update, we've seen a significant shift in focus in this year's data. Instead of strictly metric-driven terms, the most commonly used terms this year include those such as "increase," "leadership," "strategy," "management." Potentially indicative of increased buy-in and understanding of Customer Success at an executive and Board level, we view this change as promising.

“This year’s Customer Success Leadership Study results confirm what we have all sensed, that Customer Success has moved from the periphery of running a business into the core strategy. Companies embracing Customer Success are thinking in terms of how they can weave Customer Success into the cross-departmental fabric in a meaningful, efficient way. This movement is accelerated by the proliferation of talented, experienced, progressive leaders both entering Customer Success organizations and being promoted to lead them.”



Michael Harnum
Chief Executive Officer
ESG

What are your top 2 - 3 priorities for the next Board update?



There were two other groups of terminology worth mentioning in regard to Board updates – the first included the terms “product” and “sales.” If you recall from our earlier section on Organizational Alignment, the Product and Sales organizations are the two departments that we see Customer Success collaborating with most frequently to achieve their goals. So, we can surmise that mentioning these departments in updates to the Board of Directors is either leading to that collaboration or is a result of it. That this is being brought to the Board level is a powerful message on the criticality of cross-functional cooperation.

The next discreet category of prominently used terms includes “employees,” “development,” “meetings,” “staff,” and “training.” It will come as no surprise to today’s Customer Success leaders that recruiting, training, and retaining high-performing CSMs and other Customer Success professionals is no easy feat! With factors like a tight labor market and the growing size of our industry, bringing concepts such as employee engagement and satisfaction, professional development and training opportunities, or optimization of staff meetings to a higher level is becoming imperative.

As for the big mission Customer Success teams are working towards, the most popular answer may come as no surprise. Driving value and success for customers took the number one spot. This was closely followed by missions of reducing churn and increasing retention and renewals. And rounding out the top five answers, in order of popularity, were missions to improve product adoption, customer satisfaction, and expansion.

Our big mission: “To create a team that has both the potential and the drive to reach the level where customer delight is the goal, not customer experience. Delight is where we are beyond expectations.”

-- Survey Respondent

If you asked someone on your team, "what is the big mission you're working towards?", what would you want their answer to be?



Our big mission: “Making Customer Success the most critical business function within the company.”

-- Survey Respondent

Dreaming up and articulating your big mission is a critical first step, but actually executing on that mission is easier said than done. When asked what one thing Customer Success leaders wish they and their team were doing better, the most frequently cited response was internal communications and cross-team collaboration. This finding is consistent with last year’s study, though notably for 2021, this challenge has grown in prominence as it claims the number one spot. Remote work continues to take a toll on team relationships, both inside and outside of the Customer Success function.

The second most frequently cited response surrounded internal operations and processes. Top themes included the improved standardization, documentation, and execution of processes, as well as better journey management and tracking of journey touchpoints.

Another familiar challenge from last year’s report made its way into the top ranks this year with respondents citing data — the need for more of it and better tracking and use of it when making decisions — as a major area of improvement. This virtually tied with Customer Success leaders’ desire for more frequent and deeper customer engagement, followed by increased proactiveness. Trends among these responses included Customer Success leaders wanting more accurate health scores and the ability to move faster when making strategic decisions and executing work.

What is the one thing you wish you and your team were doing better right now?



And of course – it all comes back to the customer. In fact, for the second year in a row, the term “customer(s)” was overwhelmingly the single most frequently used word throughout all three of our survey’s open-ended questions, with over a quarter of respondents referencing customer(s) or client(s). This goes without saying, but the reality is that our work and our world is all about the customer! Their best interests should be at the center of everything we do.

As we all plan for another new year (one that’s hopefully better than the last... two), we hope that Customer Success leaders will take a moment to pause and reflect. To be proud (*incredibly proud*) of the fact that our industry has not only survived, but thrived, in times of uncertainty and confusion. We have kept our customers at the center of the conversation (as they should be) and kept up the good fight in raising the profile of Customer Success within our companies, and the business world at large.

Conclusion

In wake of such an unpredictable series of events in 2020 and 2021, we've seen remarkable trends and resilience from the Customer Success community. We'd come to find that, by and large, the organizational influence of Customer Success shifted, not waning but growing stronger, during turbulent times. The pandemic made clear the importance of protecting and expanding your existing customers, especially as new business pipelines all but vanished in a matter of days and weeks.

For Customer Success to continue on its path to maturity — which was further accelerated by the pandemic — the function's strategies, capabilities, and resources will need to advance alongside it. But as this study shows, Customer Success is headed in the right direction. More and more Customer Success organizations are owning revenue, gaining executive power, and becoming an invaluable asset to both their customers and their business.



Appendix

As this is our second year of conducting the Customer Success Leadership Study, we wanted to take a look at what changes might have occurred in the data for respondents that participated in the survey in 2020 as well as 2021. We were able to confidently isolate 80 participants that responded to the survey both years. While a majority of the responses remained consistent year-over-year amongst this group, there were a few areas we thought were worth calling out to show progress.

As you can see in the chart below there was a significant increase from those that reported this year that they regularly work with the Finance team versus last year with a 19% uptick. This is positive to see as Customer Success better aligning with Finance was an area for improvement that we called out in the survey data last year.

Which departments do you work with on a regular basis to help meet your objectives?

| | 2020 Response | 2021 Response | Percentage Change |
|------------|---------------|---------------|-------------------|
| FINANCE | 55% | 64% | 19% |
| OPERATIONS | 67% | 69% | 6% |
| PRODUCT | 90% | 84% | -4% |
| SALES | 85% | 86% | 5% |
| MARKETING | 77% | 84% | 12% |
| R&D | 31% | 30% | 0% |
| OTHER | 19% | 11% | -40% |

Also of note is that we have seen the role of Sales significantly diminish in regards to ownership of the renewal (47% decrease) as well as customer expansion (31% decrease) amongst this group of repeat respondents. This is positive to see as we know that Customer Success teams gaining ownership of these revenue numbers is a one-way ticket to the executive table.

Who owns the customer renewals?

| | 2020 Response | 2021 Response | Percentage Change |
|-------------------------|---------------|---------------|-------------------|
| CUSTOMER SUCCESS | 54% | 55% | 5% |
| SALES | 22% | 11% | -47% |
| ACCOUNT MANAGEMENT | 13% | 14% | -10% |
| DEDICATED RENEWALS TEAM | 5% | 11% | 125% |
| OTHER | 6% | 9% | 40% |

Who owns customer expansion (up-sell/cross-sell)?

| | 2020 Response | 2021 Response | Percentage Change |
|--------------------|---------------|---------------|-------------------|
| CUSTOMER SUCCESS | 42% | 48% | 15% |
| SALES | 33% | 23% | -31% |
| ACCOUNT MANAGEMENT | 18% | 16% | -7% |
| OTHER | 6% | 14% | 120% |

About

About ChurnZero

ChurnZero helps subscription businesses fight customer churn. Its software solutions allow businesses to understand how their customers use their product, assess their health and their likelihood to renew, and give businesses the means to personalize the customer experience through timely and relevant touchpoints. ChurnZero is headquartered in Washington, D.C. and is backed by leading angels and venture capital firms such as JMI Equity, Baird Capital, Grotech Ventures and Middleland Capital.

For more information, visit churnzero.net.

About ESG

ESG delivers Customer Success as a Service® (CSaaS), enabling technology companies to build, operationalize, and transform their CS organization. We're here to improve metrics and accomplish the ultimate goal of reduced churn and increased retention. Our services combine consultation, process development, people, and automation to increase the capabilities of Customer Success organizations.

Learn more at esgsuccess.com.

About Higher Logic

Higher Logic, the industry-leading, human-focused engagement platform, delivers powerful online communities and communication tools to engage your users at every stage of their journey. With Higher Logic, you get a robust platform plus over a decade of experience in building sophisticated community engagement programs. We serve over 3,000 customers and 50 million users across 21 countries worldwide and support 2.4 billion community interactions annually.

Visit us at higherlogic.com.

