

AJ (Adam Joseph): Thanks for joining us Alan; can you give us some background on Eigenworks and your role?

AA (Alan Armstrong): We are based just outside of Toronto in Canada and have a team of around ten people. I've been doing enterprise software since I graduated from College where I studied Systems Design Engineering and I started Eigenworks in 2008.

We help people understand the story behind churn. There is so much data available to Customer Success teams and we know a lot about usage but there is a point at which that leads to a dead-end and we don't understand really what we need to do to improve the key metrics of Customer Success like retention, up-sell and cross-sell. Our premise is that we help understand not only what the data is saying but also the dialogue and the story of the journey that the customer is experiencing.

It's not to say that we should get rid of the data at all; I would have salivated about the amount of data that's available to Customer Success and Product Management teams today when I was building products even ten years ago! The data is essential but we can't lose an understanding of the customer's story and so we "partner with data" and do direct interviews with customers to understand why they either cancelled, renewed or bought more. We also look at new purchases through win/loss analysis - in fact that's where the company started ten years ago.

AJ: The key for me when analysing customer data is context - understanding the usage metrics through the lens of the value that customer is actually to achieve with a particular solution.

AA: I love that example – everyone instruments what their users are doing and so often we receive calculations when our healthscores are OK and are "green". **We have coined the term "Green Churn", which are cancellations, downsize or net-negative churn that occurs even when usage is very high or when healthscores are very high. It points to context (or what we call the story, dialogue or journey) and the metrics may look green but the story in fact is a different matter.**

AJ: You must have spent countless hours talking to customers. What are some of the key insights that you have learnt from these valuable conversations?

AA: **First of all, there is a big difference between the reason for churn or cancellation and the trigger for churn or cancellation.** So often Customer Success teams get these things confused so let me try to illustrate. **When we look through the reason codes that show why a customer cancelled, we'll hear things like "budget was cut", or "the price was too high", or "we re-organised", and so that's written down as the reason for churn. In fact, that was just the trigger that enabled the organisation to rethink what they were doing and realise that they weren't getting value out of the product. The reason for churn is that they weren't getting value.**

We're conducting something in the region of 100-125 interviews per month of customers who are cancelling, renewing, up-selling or moving to a competitor. **We had one very recently where they started describing that the problem was price, that the structure was too expensive as they grew and that they were bought-out by a different company and that they had another way of doing things. If I was a CSM listening to this I would have coded this as "lost budget" or "price is too high", but that assessment would actually be very misleading because as we drilled into that customer situation what we found was that they weren't finding value.**

The software was unintuitive, unnecessarily complex, they had to spend a lot of extra money on consulting to get the product configured and as we started to peel back those layers, it was clear that it wasn't so much that the price was too high because frankly, the product wasn't delivering on the value that they were proposing. **The customer said "I would have defended this, regardless of price, if I had people who said they needed this tool to do their job", so price was not the reason for churn – a hard-to-use product was the reason for churn but the first excuse that they tell a CSM is the price is too high.**

The problem with this approach is even if you lower your price, you are going to go out of business because you won't be profitable and they would go on to cancel anyway. **Always think about the precipitating event or the thing that causes them to rethink and develop a "Plan B", versus the reason they wanted a "Plan B" in the first place.**

Lots of things are happening all of the time but people don't change solutions so there had to be an underlying reason and that's hard to get to. Even the person on the other end of the phone doesn't even know how to tell you that in the first conversation so you really need a way of excavating or digging up the underlying drivers for churn.

AJ: How can CSMs develop this kind of “detective-like” thought process to help find the underlying reasons for churn?

AA: It’s a really great question; the problem is that we hire people who are customer pleasers and that’s generally a good thing as you need them to show empathy and “feel the pain” of our customers in order to service them really well. However, that’s not the same as doing everything that it takes to please the customer; the phrase that “*the customer is always right*”, could be misleading. **I think it starts with the hiring process and think about the profile of the CSM that you are hiring; are we hiring people who are there to please or find people who also have more “detective-type” skills?**

The second question is to examine the type of dialogue that we are having with our customers. Are we ready to take that first answer or do we have a way of digging further and can we train our people to do that? The approach that we have is by utilising a toolkit that we have developed and gives a guide for having conversations like this – we call it the “[Buyer as Hero](#)” model - the idea is to not just ask customers service-level questions but to really get into their world (i.e. who are they as a character in a story). If we were a journalist profiling this customer on their journey with a company we would take a lot of time just to understand that and then map it to our product and our tools and so on.

AJ: I’ve heard you use the phrase in the past that “*your customers are lying to you*”; based on your last answer, I guess that this is not borne out of dishonesty but more trying to ask the right questions to understand the reasoning behind what they are saying?

AA: You’re absolutely right! We do say that “*your customers are lying*”, and it is a provocative statement to get your attention but it’s not dishonesty, it’s for a variety of reasons. First, it can be uncomfortable on the customer side to really tell the brutal honest truth about a product to anyone, be that Sales or a CSM. They also don’t always know the answer, during a churn exit interview, the buyer will sometimes come to a clearer understanding of why they came to the decision that they did; we help them articulate that by doing the “excavation” or detective work.

AJ: How can you get in-depth insight into your customers “journey” at scale? I can imagine this being relatively straight forward if you have a handful of accounts but what about if you have hundreds?

AA: That’s a really common question that I get asked, especially in the SaaS world where you are often dealing at scale and with hundreds or thousands of customers. We are actually about to publish an article soon called “*How Many Calls?*”, and what we talk about is getting really clear on a specific question (or maybe two or a maximum of three) that needs to be answered and then decide on what segment that we were wondering about.

If we get clear on the question(s) and clear on the segment, we can then conduct 20-30 conversations within that segment and that will then give us intelligence that we can lean on and we’re getting beyond anecdotes. There’s a famous phrase “data is not the same as the plural of anecdote”, and in the qualitative research world, 20-30 conversations is a magic tipping-point where you reach saturation.

Look for customer segments that look the same (or look similar enough) and then start ranking those and say “*where is the segment with the question that will give us the best bang for our buck?*” What we deal with our clients (who are all mostly in the SaaS world), is understanding their greatest risk and their greatest opportunity. For example, do you have a product that is not taking off that could be a great opportunity or where is a product that is starting to get disrupted and we are worried about incremental, small amounts of churn that we want to protect against? If we can find the segment that this represents and focus on it, and develop a question for it, then the leverage on that activity is massive.

AJ: You mentioned earlier about identifying “Green Churn” when speaking to customers. Did you identify any other types?

AA: We’ve identified three types so far and I think there’s an argument that there’s room for more. We’ve talked to companies large and small, and the phrase that I remember most clearly from a very well-known brand name is that they tend to look at churn as just one big thing. That doesn’t necessarily help them address churn but what they loved about this concept was that they could tease out the different “species” of churn.

The first type that we have identified is “Green Churn”, which is where it appears to be a healthy customer but they still cancelled. The second type is vexing for so many SaaS vendors and we call it “Failure to Thrive”, this is a customer who signs up and just never takes off. Either that’s a single user or it’s a team (either a subset or the entire team). Potentially there could be hundreds or thousands of users that just never adopt the product.

AJ: Can we expand on “Failure to Thrive” churn – do you think this is caused by Customer Success taking on bad-fit customers from Sales?

AA: I think you are on to a great point, what you are looking for are the root causes. **We try and distinguish between the symptoms (i.e. what we see on the surface) verses what is causing those things. Certainly “Failure to Thrive” could arise from a number of issues such as having the wrong customer in the first place.**

When we’re selling a product it’s pretty clear that anyone who is willing to sign a cheque, click “OK” or sign up for our service is a “good” customer. However, Customer Success knows very differently; I have worked with countless vendors where Sales signs up customers that end up cancelling and they wonder “*why are we doing this in the first place?*”. **Most companies are not profitable with a customer unless they on-board (on average) for around thirteen months. They need the customer to adopt the product in order to become successful so you wonder why that while that initial sales that looks great to that Sales person, they may well be undermining the company’s viability and profitability.**

There are other contributing causes as well regarding on-boarding success not being aligned to what the customer was actually trying to accomplish with your product.

AJ: So far, we have covered “Green” and “Failure to Thrive” churn - what was the third type that you identified?

AA: **The third type is “Sudden Change”; which is where we might have a customer who looks healthy and then suddenly something changes in their world. This could be the most difficult to anticipate because it may have nothing to do with your product at all.**

For example, we are working with a restaurant software vendor currently. Restaurants are known for having a short life span, going out of business or getting bought out; churn is part of their normal operations. Those kinds of things are understandable, and maybe hard to avoid, but there are lots of sudden changes that can happen at the customer that we could potentially monitor for but we don’t.

The classic example is that your customer “champion” gets a new job. The person who was really driving the use of your product, getting the budget and sponsoring you at a senior level moves on or gets promoted - your product is left floundering. **Are your Customer Success Managers and your health-scores instrumenting for job changes in the key champion?**

For example, are they monitoring LinkedIn? If having a champion is critical to the success of your product then you ought to monitor turnover in your customer champion. That’s not so easy or obvious on the surface.

AJ: When you collect all the customer data and understand both the triggers and the reasons behind churn, who do you think should “own” the customer story inside a business (e.g. Customer Success, Marketing, Product, etc)?

AA: I think it is so interesting that this industry around Customer Success has been created and yet Customer Success has to be a function of the whole company. We can't help customers be successful unless the product is designed for our users or our buyers. We can't attract the right customers unless Product Marketing understand how to attract the right kind of people. We can't have successful customers unless Sales is saying “yes” to the ideal prospects and saying “no” to the potential failures.

Customer Success really has to be a function and a mindset of an entire company; who should own that? Probably the CEO. The idea of a persona which has been really studied in the Product Marketing discipline needs to be drawn across the entire company. You can't be developing for a different persona then you are marketing to, selling to, on-boarding or trying to renew. These are the same customer – you have buyers and you have users and so you have to understand them as a single thing and have singular unified goals and user stories. This has been studied in Product Marketing but now being adopted by Customer Success and we can learn a lot from the lessons learnt in Product Marketing.

AJ: Finally, how are the findings, analysis and recommendations that you gather on behalf of your customers been typically received? Are they universally accepted or are there any scepticism from any groups who believe they know better?

AA: What we tend to see most is rather than resistance, it's tends to be one group saying **“Finally! Someone is talking about what's real for my customers”**. I do think what you get when you study this enough is more alignment between teams. We'll have Customer Success teams bring us in to do this study because they are trying to show to the rest of the company that it is not just them complaining about the product or it's not just them saying that **“you are selling to the wrong customers”**. **Customer Success brings us in to analyse churn - not because they don't know why - but because nobody else will believe them.**

What's amazing is that we don't go in to prove the hypothesis of our champion (that would be bad practice) and our clients almost always say **“this is just our opinion”** because they don't want us to have confirmation bias - they just want an objective understanding.

It's amazing how teams will react to the truth. Ultimately, we are all on the same team in trying to build a company and these internal squabbles and politics are just noise and are no fun for any of us. With a little bit of evidence, information and customer story – if it's done really well and conveyed in a way that people can hear in the direct words of the customer and there are enough stories so we can get beyond the anecdote and into the data - then that has a lot of power to align teams.

I used to be really focussed on diagnosis and I think as I have matured in my own practice, it's been more about helping teams align – that's the big power. If you can get a whole company a little bit more aligned then the power of that is immense.