

**Adam Joseph (AJ):** Can you tell us more about your background?

**Dan Steinman (DS):** I feel like I have been in Customer Success all my career, it just didn't start getting called that until the early/mid 2000's, so technically I have been in Customer Success for ten years but it's really much longer. One of the interesting twists of me ending up at Gainsight was that I was actually their third customer when I was running Customer Success at Marketo. At that time, Marketo was one of those hyper-growth companies which was scaling really quickly and by the time I got there to build the first Customer Success team we already had 500 customers, so I got thrown right into the fire of a hyper-growth SaaS company who had nothing but Excel and Salesforce to run Customer Success. It didn't take me long to start asking my CEO for a whole bunch of money to build my own Customer Success solution and he wisely said *"why don't you go see if there is something out there on the market that might work?"* and now coming up on seven years ago, I was Gainsight's third customer.

**AJ:** For companies who are currently using Excel/CRM systems to manage their customer health, when would you advocate for adopting a Customer Success technology?

**DS:** Great question and I get asked this all of the time. It's not a simple question to answer but I'll do it in two parts. The first part is often times, the question is asked this way ***"At what point with regards to the number of customers, should I start looking at a Customer Success solution?"***. My answer isn't really a number, my answer is ***"At the point where you feel like across your company you're losing knowledge or intimacy with your customers"***. Here's one way to think about that; if you're sitting in a meeting and the CEO says *"hey – what's going on with customer xyz?"*, and more than one person looks around at somebody else, that's when you need a solution because that means everybody in the company isn't completely aware of what's going on with every customer. Typically that happens at a small company in the first twenty customers, everyone knows everything but sometime after twenty (or after fifty) you start to lose that intimacy level.

The other question I often ask is *"what does it look like at your company when your CEO casually walks by your office and says – hey, I'm going to see customer x tomorrow – could you make sure that I'm ready?"*. I know what happens as I have been through that drill 300 times! As soon as the CEO gets out of sight there's four voicemails, eleven emails, three spreadsheets and nine Salesforce reports that are dusted off and run and lots of shoulders tapped on to ask *"who has talked to this customer? What do we know, what do I need to pull together so that the CEO doesn't throw bombs at me when he comes back as he got blindsided"*. If that scramble is more than two or three people and takes more than twenty minutes, then you'll probably need something that starts to capture institutional knowledge about customers so that no-one has to do that scramble to try and prepare for a call with the customer.

**AJ:** What are the key metrics that you believe are vital in understanding customer health?

**DS:** I try and convince everyone in the world that it boils down to one metric. In my very strong opinion, it is the most important metric in your company if you are a reoccurring revenue business. By that, I don't mean just SaaS companies, I mean any company who is setting customers up to be on some kind of reoccurring revenue cycle, whether it's pay-as-you-go, consumption based or subscription based. That metric is "Net Retention". What Net Retention means is, if you never sold to another customer, is your customer-base a growing entity? That would be a Net Retention of over 100% or is it a shrinking entity?

The simplest way of explaining it would be if you had 100 customers today and then you fast-forward a year, and you looked at that same 100 customers (it might have dropped to 90 customers) but if the original 100 were worth \$100m, you need that remaining 90 a year later to be worth \$1.1m+ to show a positive Net Retention. This becomes the most meaningful metric to define your business because over time, way more of your business will come from your installed base than comes from new customer acquisition. You need to be in a position where that installed base, even if you don't add any new customers to it, is a growing entity. Salesforce is a good example; their installed base is worth \$10b a year reoccurring, and it's growing somewhere between 25%-30% each year, so that's just an awesome business all by itself even if they never sell to another customer.

**AJ:** Are there any pre-requisites that companies need to consider if they wanted to go live with a Customer Success technology such as Gainsight?

**DS:** Great Question! I would like to back-up a little bit and say the mindset that I think works best for coming into a Customer Success technology are first, don't approach it as if it's an analytics problem because it is not. There is an analytics component to it but it is not at its core, an analytics problem. I talked to a really big company a couple of weeks ago and they said "Hey Dan, two years ago when you talked to us and we said 'no - we're good, because we have Salesforce and Tableau' but I'm here today to tell you that neither Salesforce or Tableau solve this problem for us". You need to buy into this idea that if Customer Success is important to you as a company, at some point you are going to buy a solution for your Customer Success team. You can't build it yourself in the long-run and you can't make a system that's not designed for Customer Success solve that problem.

Now, you could use in the short-term a CRM such as Salesforce plus spreadsheets and kind of "get by" and I would recommend that people do that – you don't start by buying expensive solutions. You start by doing something manually and figuring out what your processes are and where your data is and then you can buy a solution much further along as far as your ability to implement it.

To answer specifically about Gainsight, there's a couple of things that help customers get ready. One is that you do need to understand your data – **Customer Success is a data-driven organisation – so understand where the pieces of data are that will help you as a company, understand whether your customers are healthy or not. The way to start doing that is just sit in a room with two or three people who really know your customers and been around for a while and just ask this question, “What does a healthy customer do every single week and what does an unhealthy customer do (or not do) every single week?”.**

That starts to give you an insight into what is the right set of data that you would want to pull together into a system to help manage your customers. That data typically comes from your CRM system (*i.e. how long they have been a customer, contract value, how much has their contract grown from the first time that they signed with you, how many renewals have they done*), survey responses, how often do they call Support (and how long the Support Cases remain open). **The most important metric (if you can get your hands on it) is how do they use your product, how often do they login, which parts of the product do they use, are there daily or monthly active users, etc.**

There is a tonne of metrics around how your customers use your product that almost always sits in a proprietary database, so one of the things that you need to look for in a solution is not just what the demo looks like, but is it a solution backed by a company that knows how to bring that large set of data together across multiple different data sources and integrate that into one place? That by itself, is a very difficult problem to solve which requires people that have done that before, especially at the enterprise level as it's not simple. You have to think holistically about Customer Success, it's not just about the usage data (*i.e. how are they using your product*) there's a number of other aspects to it.

**So understand your data and then start to think about being a process-driven company because a Customer Success problem is not an analytics problem, it's really a workflow problem.** There's a set of processes you need to build out in some kind of a system in order to effectively and actively manage your customer life-cycle. **One way to think about that is in some ways, Gainsight is doing for Customer Success teams exactly what Salesforce did for Sales teams.** Salesforce didn't invent the pipeline, all they did was operationalise it (*I say “all” carefully as they did a lot more than that!*) but they took the idea of the pipeline and operationalised it so that all of the data that a Sales person gathers on all of their calls now sits in a system.

With that information you can build a pipeline, you can see deals moving through it and forecast your sales results much more accurately. You can manage your sales people much more effectively because you can actually see what they're doing instead of however else they might have tracked it before. They always had a pipeline in mind, whether they specifically defined the stages, there was always some kind of pipeline but it was never institutional knowledge and now in a system like Salesforce all of that is now institutionalised. Also, if the Sales guy now leaves the company, he leaves his rolodex behind with all of the activities and the place that each of his deals are in that opportunity pipeline. I think Customer Success ultimately as a company grows, you have to think about your challenge in that way, am I getting consistent processes for all of my CSMs across all geographies, across all types of customers and do I have a place where all of that knowledge and intelligence comes together so someone can see it, so you can forecast renewals accurately, etc?

**AJ:** How does Gainsight help CSMs stay proactive and manage their customer base?

**DS:** **The first thing I will say is that effective Customer Success organisations are separate and distinct from Customer Support.** Customer Support is still necessary but it is what it is, a fully reactive organisation designed to let customers call or email in and get a high level of responsiveness on a reactive basis – that's what it's all about. **Customer Success is designed to be more proactive**, so as a separate organisation, what would you need to know about your customers in order to be proactive **for two reasons. First, to get ahead of any risk and second, to capitalise on the opportunities that appear based on the data at any given time.** Gainsight has a mechanism for triggering what we describe as "Calls to Action". You can think about them as alerts or an early warning system for anything that could indicate a risk. There is a component of Gainsight called "The Cockpit", where Customer Success people spend their day and it prioritises which customers they should be talking to (and why) because these "Calls to Action" are getting triggered. They are based on the customers' business rules, for example:

- We should call this customer today because they have not logged in for two weeks
- Call a customer as soon as possible because we got a really low survey score
- They haven't paid their bills on time
- They haven't logged into the "Community" in six weeks
- They haven't opened a Support Case in thirty days

There is a whole number of things that you would define as components of customer health; things you would like to know and if you could get that data together and put up those business rules, now the CSM is no longer combing through spreadsheets or logging into various systems to figure out which customers to speak to, it's all right there in Gainsight in "The Cockpit". This is basically prioritising their activities and saying "*call this Customer now!*" and providing the reasons for doing so which are the business rules that the company themselves set-up – not something pre-canned by Gainsight.

**AJ:** It's also important to focus the CSMs not only on identifying risks but also understanding the reasons why a customer is increasing their adoption of a solution – right?

**DS:** Right - going back to my comment regarding Net Retention being the most important metric, there's three components; it's "Renewal" minus "Churn" plus "Upsell". What you're talking about is the Opportunity part of this, it's great to get ahead of risk but the other-side of the risk coin is customers who are doing really well and you want to look for opportunities to sell them something more (maybe for a Salesperson rather than a CSM), but also opportunities to capitalise on the fact that they love your product for other marketing purposes (*e.g. being added to the reference database, case studies, speak on our behalf and joint webinars*). **Customer Success used to be just for churn mitigation but has become much more than that, it's really now about also driving up-sell and then even bigger than that, creating advocacy so that your customers are speaking highly of you when they talk to your prospects or other potential customers.**

**AJ:** What do you think the future of Customer Success will be and how will Gainsight adapt to this?

**DS:** It's a little difficult to look too far down the road but there's a couple of things we can say almost for sure because of the things that I have seen that are clearly trending over the last few years. For example, you have mentioned Software as a Service (SaaS) a couple of times during this podcast but **it's 100% clear that Customer Success is not just for SaaS companies; it is for all technology companies for sure – they are almost all exploring Customer Success.** If I explore our customer list (that includes GE, Cisco, Fitbit and Bright Horizons), you see a bunch of companies that are not SaaS based. In fact, in Cisco's case they are not even a reoccurring revenue business, they just want to more actively manage their customers than what they are doing today.

If you heard me mention Bright Horizons and Fitbit, then that's the next wave which is **all B2B companies are starting to think seriously about Customer Success because they are all under pressure (mostly from Wall Street and the public markets) to move towards a reoccurring revenue business model**. Once you do that, especially once you put your customers on a subscription, you have to pay attention to them in a very different way than you did before because now you need them to not just buy your product, you need them to renew that and buy more from you. If you don't do that well, you will not succeed, so the world is moving towards reoccurring revenue businesses and that requires Customer Success. **That's one trend for sure that more and more companies way outside of SaaS are going to start adopting Customer Success as a philosophy** – potentially technology as well and we see how that plays out. We think that's a pretty good start already on them buying technology; more than that, they're looking for expertise. So they're not just looking for a software solution, they're looking for a company that maybe sells a software solution but can really help guide them through that journey.

**The other comment that I will make is that 85% of all of the software in the world is still "on premise" or perpetual licence. All of that software over the next ten years (and all might be a slight stretch) will migrate to SaaS or to the cloud or to some reoccurring revenue business**. We are just barely at the tip of the iceberg; we're standing on the point of the iceberg and there's 99.99% left to explore from a Customer Success standpoint so the opportunity for people is absolutely huge. People who are in Customer Success today, two or three years from now, you'll have more experience than 85%-90% of all the people that are now in Customer Success and that will continue to be true year-over-year-over-year for as long as I can see forward.

**There is also a trend away from Customer Success being purely about relationships and being much more geared towards being process and metrics driven**. I think that's really important and then obviously when you have a group of people of more than two or three doing the same job, then technology really starts to become important as the Customer Success job essentially can only be done in one of two ways. Number one is just throw bodies at it, and that gets too expensive. The second way is to throw bodies AND technology at it, therefore you can reduce the number of bodies, so I think technology will play a much bigger role. I think Customer Success will consume more of a lion's share in every single company so that a great Customer Success solution will have to help the Product, Sales, Professional Services and the Customer Support Teams in addition to the core foundation which is the Customer Success Teams.

I think five years from now, for Gainsight to be successful, we would want to be in a position where for most of our customers, let's say after the first year, probably 70% of the people at any given company would have a licence to Gainsight as our belief is that every single person in a company would do their job better if they understood their customers better. It's our job as a technology to help make that knowledge accessible so that everyone can get a better understanding of their customers.