



Monetizing Customer Success: What You Need to Know Before Taking the Plunge

How to know when you're ready to start using the "M" word

The need for Customer Success is rapidly rising across diverse industries, company sizes, and business models. No longer relegated to Software as a Service (SaaS), companies are eager to dive headfirst into the many benefits of implementing their own CS program. But as you build or expand your CS capability, one of the first questions often asked is: how will you pay for it? In [TSIA's The State of Customer Success 2020](#), they found that CFOs are reluctant to invest in another large, people-based organization (whether Customer Success is new or scaling), but eager to fund CS resources with direct monetization. About half of TSIA members have monetized CS in some form, and many see it as a quick way to prove ROI. The result of all this enthusiasm is that many Customer Success organizations are jumping into monetization before they are ready.

It's easy to say, "I'll just charge my customers for premium support," but much harder to actually implement such a change without disturbing the core principals of a genuinely proactive Customer Success organization. There is a reason that Monetization is the final step of ESG's 17 capability [Customer Success Maturity Model](#). Monetizing CS takes careful planning, analysis, and time.

You can't suddenly spring a new cost structure on your customers and not expect a jump in your churn rates. Not to mention the stress it can put on your team if you haven't thoroughly prepared them for this transition. Depending on your product, process, and organization, monetization might require a new team structure or additional training for CSMs. You may need to develop new marketing communications, education initiatives, and onboarding processes to ease the transition.

The bottom line? To ensure the long-term success of monetizing Customer Success, both your organization and your customers need to be prepared.

What to do before you ever use the "M" word

Considering monetization? Well, first things first. Because there are so many creative ways to tie Customer Success to revenue, a significant part of this process is discovering the best monetization strategy for your business. Before you can make that kind of big picture decision, you need to examine your CS offering from top to bottom. A deep-dive analysis of your customers, their needs, and the value you bring them will give you a solid foundation to build your monetization strategy. In short, you need to do your homework.

You may be thinking that you are already an expert in all things *your* customer. And so you likely are, regarding your customer *today*. But what about your customer *tomorrow*? It's important to remember that as your offering evolves, so does your customer. You can never have enough intelligence on these critical elements of your business. Filling in these blanks from an outside perspective is key to getting monetization right from the beginning. The last thing you want is to jump in with both feet and lose a chunk of customers for your trouble.

Who are your customers, really?

In [TSIA's 2020 Capabilities Heatmap](#), one of 20 critical organizational capabilities flagged as high priority in the coming years is building buyer and user personas. Understanding who your customers are is the first step towards demonstrating a CS value proposition that will speak to them. Establishing your buyer and user personas is directly connected to Value Realization in TSIA's report. TSIA expresses this capability as "a precise definition of the buyer persona and all the user personas in each market and customer segment to factor for developing, selling, and delivering company offers." They recognize the connection between knowing your customer and cultivating value for your customer in new offerings. Despite its criticality, TSIA believes this is an underdeveloped competency in most technology companies.

In your enthusiasm to answer the big question of ROI, don't lose sight of what Customer Success is really about – building a mutually beneficial relationship with your customers by anticipating their challenges and needs. You can't anticipate challenges and needs if you don't know who your customers are. [Developing buyer and user personas](#) for your customers and prospects is an invaluable tool in this process. Even if you've already developed buyer and user personas, they should be revisited frequently. Talk to your sales and marketing teams to get their input. Interview your best *and* worst customers. Gather as much data as you can about everyone buying your product and everyone using your product.

What do they need?

While you are outlining your buyer and user personas, you should start asking the next big question: what do my customers need? The answer might be trickier than you think. You know your product backward and forwards, and you know all the bells and whistles that you believe make your product valuable to your customers. But, it's very easy to miss the forest for the trees from that internal company perspective. Take a drive out of the thick of it and really look at your product offering from the customer's point of view. Does it match what your customers are telling you they need? Most critically, does it solve their problems? What problems is it solving and how?

Alarmingly, "value pricing," i.e., delivering tangible, proven results that drive desirable business outcomes, is one of TSIA's top industry uncertainties in their 2020 Capabilities Heatmap. Value pricing is connected to one of the latest business model trends, "offer reengineering." Everyone is scrambling to provide their customers with actual business value realization – a fancy way of saying they want their technology aligned with their customers' strategic business goals. But without knowing what your customers' goals actually are, you won't be able to build that value into your new offer.

How are you (currently) filling those needs?

In their book, [*The Customer Success Economy*](#), Nick Mehta and Allison Pickens, CEO and COO of Gainsight, respectively, recommend having “a well-defined baseline (i.e., free) CS plan before adding a paid version.” If you want to charge for Customer Success, your customers need to see additional benefits beyond what they’ve already been receiving from your organization. So, what are you currently providing for your customers in terms of value and experience?

Can you identify how far along you are on the CS Maturity scale? Have you already completed a full customer journey map, do you have a [purposeful onboarding program](#), and have you been benchmarking your results? If not, these are great places to start, but you may still be a few steps away from implementing a successful monetization strategy.

If you have an established Customer Success program in place, great! You’ve installed some critical CS capabilities. Now is the time to find out if your customers have realized the value of your CS offering, and perform a health check on your CS organization.

After you identify what your customers are already getting from your CS solution, for no fee, and you understand your customer and their needs better than ever, you can start thinking about how to take your CS organization to the next level: monetization.

Charging for CS - strategies and stakes

TSIA loosely defines Customer Success monetization as charging a premium fee for services you are delivering to your customer in their report, [Building the Business Case for Customer Success at Scale](#). So simple, right? In practice, businesses have been “monetizing” their CS organizations in a myriad of small and large ways since Customer Success became a business buzzword just a few short years ago. 49% of TSIA survey respondents stated that they are monetizing at least a portion of their CS capability in that same report.

At the same time, technology companies are being encouraged to consolidate all services under the umbrella of CS. Support services, field services, professional services, and education services are called out in TSIA’s report [The Case for Services Convergence and Big “C” Customer Success](#). Traditionally, each of these organizations has its own P&L, and TSIA has encouraged companies to link each P&L to a clear financial business model to keep overall cost structures optimized. Today, TSIA makes the case that the days of compelling each of these organizations to compete for customer revenue dollars should come to an end.

All of these trends add up to a new way of looking at Customer Success monetization and, in fact, CS on the whole. The most successful CS strategies involve overhauling the way services models operate as silos in your business, integrating them into one comprehensive plan in a shift to “as a service” business models. Rather than pricing out bits and pieces of services that have been half-heartedly labeled as Customer Success, monetization should be seen as the final step in a larger CS plan that brings about monumental positive change across your entire organization.

Models for successful paid programs

You may have noticed a common theme here: healthy Customer Success => healthy monetization. The groundwork you lay on the path to full CS maturity ultimately leads to a stable, longstanding revenue generating organization. Let's take a closer look at some of the ways other organizations have reached this milestone.

The strongest models for proving ROI and driving recurring revenue growth involve constructing tiered CS solutions. Starting with a free version of CS and working up to a premium service offering allows your customers to choose the right level of service *for them*. This way, you aren't pricing anyone out of your service, and you're staying true to the central tenets of Customer Success.

Mehta and Pickens discussed the merits of this framework with several CS leaders in their book, *The Customer Success Economy*. Omid Razavi, VP of Customer Success & Services at SupportLogic, Inc., says, "It is the customer that should opt for the right plan for them, and they should never be forced to pay." He believes "you risk cannibalizing your subscription revenue" without a free option because you end up "bak[ing] the CS fees into the license costs."

Another option is allowing your customers to pay for extra resources outside of your tiered services solution, for example, a seasoned CSM who specializes in your customer's industry. Catherine Blackmore, GVP of Customer Success & Renewals at Oracle, told Mehta and Pickens that the "client should be allowed to work with that high-caliber person if they pay for it separately." She believes that making a client spend a lot of money on a whole extra tier of service when they only need that additional resource or only allocating more expensive resources to customers that spend a lot more is a "very un-customer-centric approach."

This framework is a basic outline for monetization that you should take and customize to your business and your customers' needs. Once you've laid the groundwork for value realization, you'll be able to put together a paid program that takes your entire post-sale ecosystem into account. Eduarda Camacho, Chief Customer Officer at PTC, says, "It's not about monetizing your CSMs. It's about monetizing that whole support infrastructure for your customers so that you can help them get to that business outcome faster," in Mehta and Pickens's book.

Because this will impact all of your post-sales teams (support, professional services, education services, etc.), be sure to get their input as you build out your program. As Razavi explains, "It should be designed and delivered as a collaborative effort by all involved in the post-sales customer journey." Not only will this collaboration help ease the transition to a new model, but your own teams are your best resource for making sure everything you're building will work for both your business and your customers.

A holistic approach: PTC

PTC is the poster child for successful Customer Success monetization strategy. Their customer-centric philosophy is the golden standard for engineering a thriving CS revenue program. After launching their CS plan in 2016, PTC merged their support services, operational services, and adoption services into one Customer Success organization with four payment tiers.

A free tier helped them drive subscription revenue growth. Two middle tiers, “Guided” and “Managed,” enhanced their product value. A final “Strategic” tier is a full, trusted partnership between PTC and their customer. Additionally, [PTC allows customers to purchase add-on offerings](#) beyond their Success Plans from a broad catalog of microservices.

It’s important to note that it took time and focus over the course of three years for PTC to establish their fully monetized CS solution. Beginning in 2016, with the start of their CS program, PTC worked on perfecting their CS plans one phase at a time. In 2017, their focus was on free and guided tiers. In 2018, their target was developing the top two tiers of their services platform.

Altogether, PTC’s free to fee strategies aligned their internal goals with their customers’ values, keeping a singular focus in mind: driving their customers’ success.

[Focus on adoption capability – Salesforce](#)

Another way to introduce a paid CS program is by centering it around adoption services, as Salesforce has done. Adoption services are typically utilized at the beginning of your customer’s post-sale experience and revolve around onboarding and training your customers on your product. This is a particularly significant phase of a customer’s journey that is often overlooked. Developing a data-driven model for assessing customer adoption, an “Adoption Framework,” is another critical capability flagged by TSIA’s 2020 Capabilities Heatmap as most likely to be underdeveloped.

Salesforce’s monetization strategy involved blending support and adoption services together with an eye toward increasing user adoption and productivity. Salesforce has five payment tiers for Customer Success Plans, from free to “Mission Critical, as pictured below. This model allows the customer to choose the best support fit for them and is easily scalable. Labor intensive resources like CSMs or Technical Account Managers (TAMs) are relegated to higher-priced levels with a healthy dose of automation built-in to ensure every customer is still adequately supported.

In this case study, TSIA recommends designing the first paid tier to fit 50% of your customer base. The objective is to have as many of your customers on a fee-based plan as possible. This will drive up your adoption rates and other important CS metrics, like subscription renewals. Salesforce, for example, found customers on the fee-based Premier Plans experienced a 52% increase in user adoption and a 37% increase in productivity. TSIA benchmark studies have found that there is a [27-point Net Promoter Score \(NPS\) increase](#) for companies that monetize CS. After [Informatica monetized their adoption services](#), they experienced a 50% increase in their Enterprise support attach rate, a 92% customer satisfaction rate on all paid support tiers, a 96% subscription renewal rate, and a 44% increase in upsell revenue.

The path to a fully integrated and monetized Customer Success program is long but done carefully, and with purpose, you’ll transform your CS organization into a revenue growing powerhouse that stands the test of time.

How to know when you are ready

What is your Customer Success Maturity?

Three questions that Mehta and Pickens share in *The Customer Success Economy* to evaluate your readiness for launching a paid CS program are: *How mature is your product? How mature is your CS? and How mature is your buyer?* At ESG, we focus on the entire framework of a comprehensive, full-fledged Customer Success organization. Forging a deeper understanding of your product and your customer—and how these elements *impact* and *influence* your Customer Success strategy—is folded into this path to maturity.

[The ESG Customer Success Maturity Model](#) was built from aggregated CS best practices across multiple industries and from interviews with 100+ CS leaders. Over the past few years, we have cultivated, analyzed, and honed learnings from the top CS research firms and organizations in the world to produce an exhaustive model that measures the development and effectiveness of Customer Success. We identified seventeen key capabilities and mapped them across three stages of CS Maturity: Build, Operationalize, and Transform. Each stage represents a critical milestone towards achieving maximum CS proficiency.

The last rung on the ladder of capability, number seventeen, is CS Monetization and Funding. This was no accident. We mentioned earlier how it can take two to three years to reach a fully integrated CS monetization solution. Depending on the complexity of your business model and product offering, it can take just as long to establish a fully mature CS program. The two are closely connected. Just as Mehta and Pickens called out the question *How mature is your CS?* in their book, we consider this maturity an integral part of the foundation for successful monetization.

Implementation: recommended dos and don'ts

The step-by-step process of rolling out your paid CS program depends largely on your own post-sales services, your relationships with your customers, and the structure of your internal team. However, there are a few critical factors to keep in mind as you introduce your new offering to the world.

Do:

Involve your customers – Your customers contain a wealth of knowledge that you can tap to ensure a successful rollout. Choose a few that you have a great relationship with to get feedback on your value proposition. You can even offer them a beta trial to test for any issues before you unveil the platform to your whole customer base.

Be sure the paid program is truly an upgrade – Along the same lines, make sure all your i's are dotted and t's crossed when it comes to bringing your customer value. We've said it before, but it bears repeating. TSIA highlights how "value realization through complete offers" is more important than ever in their *The Case for Services Convergence and Big "C" Customer Success* report. Of course, you already know that your CS solution *must* generate *real* value for your customers.

Align with company goals – Your CS targets should be aligned with your overall company goals. Ideally, [CS metrics are directly connected to revenue targets](#). Just because you're monetizing CS doesn't mean you can forget about how CS delivers results across your entire business. Actively demonstrate this to your leadership. CS has value beyond dollars in the door, and keeping metrics tied to your company's growth strategy is one way to prove it.

Keep internal consistency - All departments, from sales to product management, need to be in the know about the new CS offer. All teams should be able to answer questions about it, and they should understand what part they play in selling the solution to customers.

Connect with sales and marketing – Your sales and marketing teams need to be particularly aware of what your paid CS program entails. Train them on how to speak to the value of Customer Success, how CSMs can be a partner for customers in the post-sale journey, and how to find the right CS tier for them. CS should understand what's happening on the sales and marketing side of the business as well. The sales and marketing budget will affect the CS budget and vice versa. Stay connected!

Utilize technology to automate – With the right tools in place, you can automate portions of your CS activity. If you haven't already [chosen your CS technology vendor](#), now is the time. It's the best strategy to [scale your CS organization](#) as you launch your paid program.

Follow through on your promises – It might sound obvious, but if your customers are now paying for CS, you have to provide CS. You can't drop the ball on delivering that promised value. Every tier must be clearly defined so that CSMs know precisely what actions to take. No matter what plan your customers select, CSMs need to be enabled to stay consistent.

Stay flexible and keep evolving – Once you've launched, the stakes are higher than ever. You likely won't get everything perfect right out of the gate. Some trial and error is to be expected. Being flexible and rolling with the punches will ensure your CS program's survival beyond the implementation stage into successful and sustainable growth well into the future.

Don't:

Create inconsistent product coverage – If you have more than one product, Mehta and Pickens recommend building your premium CS plan to either cover all of them or none of them. Mixing and matching can generate uncertainty. Razavi is quoted in their book, explaining, "It will be confusing to both the customer and your CSMs if you offer paid CS only for a subset of your products."

Put out confusing messaging – For the same reason you want to keep internal messaging consistent, you should make sure your customers aren't getting mixed messages either. Work with marketing on the content surrounding your launch. Everything your customers see about CS from social media posts to website pages and payment portals should be crystal clear and consistent.

Forget to track performance - By continuously monitoring the performance of your CS solution, keeping customer health and satisfaction top of mind, you'll have all the up-to-date intelligence you need to stay ahead of the competition in the long run.

Allow CS to become a silo – We’ve talked a lot about how your [CS efforts can make a big difference](#) to many different teams across your entire organization. Don’t lose sight of these benefits as you establish your new program. Share your data across departments and communicate your struggles and successes as you learn and grow.

Set too many goals to focus on at once – After putting in so much work, you’ll be eager to prove how incredible your CS monetization strategy is and how much improvement it’s instilling across your organization. Don’t overextend your team by trying to do everything at once. Choose a few feasible targets to focus on at the beginning so you can make incremental progress as you adjust to these changes.

Keep customers out of the loop – There is a simple way to keep your customers up to date on the business values you are providing them. Tell them! By sharing progress reports and deliverables data with your customers, your CSMs can continuously demonstrate the value they bring to your customers.

Assume monetization will fix all your problems – If you are hitting snags in your CS strategy or having trouble proving the value of CS to leadership, adding revenue dollars won’t solve all your problems. In fact, introducing the stress of providing CS services to customers who are paying extra could make things even worse. Don’t blindly pursue ROI if you have holes in your CS to find and fix.

Microsoft found that 90% of consumers say customer service plays a pivotal role in their choice of and loyalty to a brand in their [Global State of Customer Service Report](#). The biggest pitfall to avoid when building a paid program for Customer Success is limiting CS services to only the customers willing to pay for it. CS is both about building trustworthy, long-term relationships with your customers and driving faster revenue growth for you. Paid services can’t replace CS all together. In *The Customer Success Economy*, PTC’s Eduarda Camacho explains how their CSMs deliver above and beyond their paid program: “We leverage our CSM team to do many other things that are not about delivering against the monetized program. For example, we monitor our clients for risk, we intervene when we see issues, we replace our client’s product with newer, better, versions.” Don’t miss out on the opportunity to reap the benefits CS has to offer across your entire customer base.

A partner in all things Customer Success

Determining when and how to take the plunge into monetization is not for the faint of heart. A good way to begin is by doing a thorough analysis of your current Customer Success organization – an honest assessment of your strengths and weaknesses. The ESG Customer Success Maturity Assessment was born out of the necessity to understand exactly where you are in Customer Success in order to build a roadmap to where you want to go. Whether you use our system or your own, this is your first step.

If you are considering adding a monetization strategy to your CS offering or want to get to a point where you’ll be ready to make the change, ESG can help. We can work with your organization to construct a customized Customer Success Plan that outlines the most efficient path to monetization, guiding you every step of the way.