



CUSTOMER SUCCESS
Research Publication

The State of Customer Success 2021

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By Phil Nanus and Stephen Fulkerson

Executive Overview

The year 2020 was a time of life-changing events. We lost family, friends, and colleagues. We will remember the heroic efforts of frontline healthcare workers across the globe. Each of us will take a piece of 2020 with great pause and remembrance—the good, the bad, the laughs, and the heartbreak. We will also applaud the heroic and herculean efforts from the unwavering customer success community to continue their work to help their customers achieve business objectives, many having a direct impact on the global COVID-19 pandemic.

In this annual “State of Customer Success” report, we will identify trends within customer success organizations and explore lessons learned from our customer success community. As we look back at the last year, we see a mix of broad growth and investment, but also significant loss in customer success organizations and capabilities. As outlined in *Figure 1*, more than 90% of organizations identified as having a dedicated customer success function in their company. The motions of adoption, expansion, and retention were then, and are now, potentially just as critical as ever before.

Figure 1: Companies with Organizations Referred to as Customer Success



Source: TSIA Organizational Studies, 2015-2019, TSIA CS versus CX Quick Poll 2020.

Current Landscape

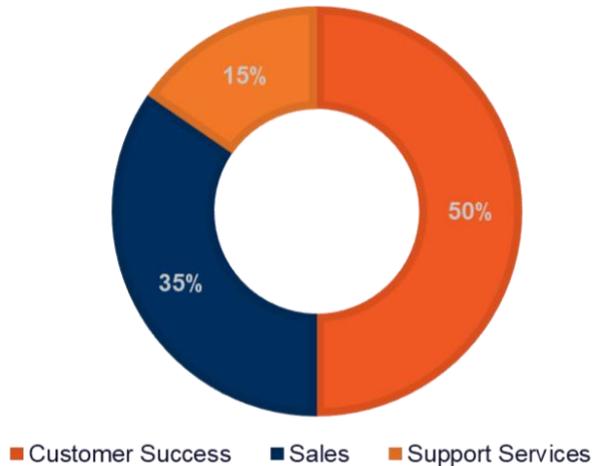
In October 2019, TSIA communicated that some customer success organizations did not have a direct funding model nor a solid ROI model to communicate internal value back to their companies. We concluded that if there were an economic downturn, there was a vulnerability for significant job loss within those customer success organizations.¹ Unfortunately, we found that to be an accurate forecast. At the early stages of the global COVID-19 pandemic, in late March of 2020, 17% of customer success organizations had experienced job loss, and more than half of that cohort had higher than 10% job reduction. Common characteristics of these organizations included gaping holes in their business models, including the absence of an ROI model, lack of a defined funding model, no direct revenue responsibility, and the majority were not monetizing customer success.

The flip side of that coin was the tremendous growth in the customer success organizations that were poised to take on more responsibility when crisis struck. With a very uncertain 2020 calendar Q2 for many technology and services organizations, there was a push to look at immediate cost savings and efficiencies. In prior versions of these “State of” publications, there had been continued momentum for customer success organizations to take on more revenue responsibility, and as companies looked for efficiency, it was clear that sales and marketing costs could be further optimized, and the pandemic only accelerated that. We discussed the short-term and long-term impacts of the global COVID-19 pandemic on customer success organizations during our TSW Live! event in a session titled [“Everything Will Change: How COVID-19 Becomes the Accelerator for Customer Success.”](#)²

By June of 2020, customer success organizations hit a monumental milestone. As outlined in *Figure 2*, with greater challenges in the market came greater trust and responsibility for customers success

organizations who increased their scope of revenue responsibility. It is now a common practice for customer success organizations to have primary responsibility for the renewals function. This does not mean that an individual CSM or TAM has that responsibility. We explore this discussion further in an on-demand webinar titled [“Two Worlds Colliding: Bringing Customer Success and Renewals Together.”](#)³

Figure 2: Which Organization Has Primary Responsibility for Renewals?



Source: TSIA R3 Poll, Who Owns Renewals?

This publication would not be complete without mentioning another critical milestone in the customer success industry. In late 2020, Vista Equity Partners made a majority investment in one of the leading customer success solution providers, Gainsight. This investment further validates the central and core importance of customer success organizations.⁴ There have been major advances over the last year in customer success technology platforms, and we continue to see more community investment going forward.

There are four critical trends that we will bring to the surface for greater visibility and awareness so that customer success organizations will be better aligned to evolve and scale.

1. Growth of the Expansion Charter within Customer Success
2. The Rise of the Dynamic Engagement
3. Customer Onboarding—More Important than Ever
4. The Separation of Customer Experience and Customer Success

Growth of the Expansion Charter within Customer Success

The challenges of 2020 left companies recognizing the need to focus sales on new logo acquisition and focus customer success on existing customers, thus the charter of expansion was put more in focus for customer success organizations. In prior versions of our annual “State of Customer Success” report, we discussed the importance of these organizations taking on direct revenue responsibility.⁵ Most of that was in the context of monetizing the adoption capability or taking on the renewal function. This is further communicated in *Figure 3*, where customer success organizations carry the expansion charter 47% of the time.

Figure 3: Percentage of Customer Success Organizations with These Charters



Companies start with a lead-generation capability, but this can quickly evolve into an opportunity to further streamline the company’s sales and marketing costs by allowing customer success organizations to take on the easier expansion opportunities. This does not mean these organizations are executing complicated cross-selling motions like adding a human capital management (HCM) solution to complement an enterprise resource planning (ERP) solution. That is, and will be, the domain of a sales organization. However, companies need to explore what will occur when expansion is a direct and natural result through effective adoption.

A more recognizable example exists within SaaS companies. As companies grow through natural usage and consumption of the technology, they may need to buy more licenses. We refer to the incremental sale of additional users or employees on the same subscription as upsell.

Another example of an expansion motion exists in public cloud, platform as a service (PaaS), or infrastructure as a services (IaaS). In a consumption-based economy, adoption could be considered equal to expansion. As a result, every adoption activity therefore represents accretive revenue to the company. Companies have to ask themselves about optimizing the commercial expansion motion further if indeed they are a natural byproduct of adoption. Who would have thought a decade ago that a CSM, TAM, CSA, or CSE could represent a significant and direct revenue engine for your company just by executing the adoption motion? The future disruption between sales and customer success organizations is coming in the next several years. If there is any doubt, then look no further than your CFO organization who will quickly recognize this phenomenon.

TSIA benchmark data further supports the evolution of customer success taking on this important charter of expansion:

- Since 2015, customer success organizations have grown the expansion charter from 10% to 47%.
- Over the last two years, the number of organizations that have their CSMs that dedicate time to lead generation has increased by 27%.
- Over the last 12 months alone, we have seen companies that use predictive analytics models for expansion increase by 22%. This is still considered a minority practice, but it is important to watch this trend as it is a leading indicator of an additional shift in revenue responsibility across technology and services organizations.

The Rise of the Dynamic Engagement Model

Even as customer success organizations are getting more involved in direct revenue responsibility, there is still a call to effectively scale the organization. Until early 2019, customer success organizations have explored six primary ways to scale their organization, including low-touch and digital customer success, operationalizing the customer journey, leveraging partner ecosystems, analytics, effective sales growth, and through investments in technology. These continue to be the primary ways to scale the organization. However, there was a new level of scale that started to appear in 2019. TSIA introduced a new framework called the “dynamic engagement model” to help further explain this.

Dynamic engagement represents the alignment of human and digital resources to cost-effectively deliver against the promise of your company’s technology and service offers. The foundational principle of the dynamic engagement model is to put the right resources at the point in the customer’s journey that delivers the best possible experience, but in the most cost-effective manner. The initial use cases for this framework target customer success management organizations, but the applicability is the entire ecosystem of technology and services organizations to ultimately deliver customer success thematically throughout the end-to-end ecosystem. In short, the dynamic engagement model was developed to help shape infinite work for a finite workforce.

Current Customer Success Engagement Models

The dynamic engagement model guides customer success organizations to create an elastic or dynamic resourcing model. Communicating the goal to deliver the best possible experience communicates to a broader experience than a “user experience” within an application or set of technologies. This specifically refers to all interactions across a customer’s journey. Further, the guiding principle mentions resource, but does not differentiate between human or digital or define whether a human resource is even in the customer success organization. Finally, the dynamic engagement model does not define that a human resource would be at the specific company that creates the model, meaning it is considered inclusive of a partner ecosystem.

Today, the most common approach for engagement within customer success organizations is to assign a human, most commonly the customer success manager (CSM). During the customer’s

lifecycle, the goals between suppliers and customers are symbiotic. The goal for the supplier is to ensure effective adoption that leads to higher retention and expansion. TSIA's definition of effective adoption includes achievement against quantifiable business outcomes, which is the goal of customers while using your technology and services. This ultimately means that they have realized value from their investment.

The CSM navigates a set of accounts in a pre-defined CSM-to-account ratio vetted with their finance teams. This ratio varies but can be traced to several variables, including but not limited to charter(s), industry expertise, a monetized portfolio, technical complexity, and overall commercial responsibility. To illustrate this further, the current industry median for a high-touch engagement model sits at eight accounts per CSM, according to the TSIA Customer Success Benchmark. A more detailed analysis of these ratios can be found in the TSIA outcome chain "[Establish Customer Success.](#)"

While this approach is common, it has faults. First, not all points along the customer's journey are equal. Second, your finance teams will inspect further and want to understand if this is the most cost-effective way to deliver, as overlapping service engagements can be expensive. This undoubtedly has a similar discussion thread to compensating multiple individuals for any sale including new business, renewal, or expansion. Thus, TSIA created a new framework to create different engagement models. As outlined in *Table 1*, we further define the four pillars of the dynamic engagement model. Early examples, from Bentley Systems, Informatica, and Salesforce, using variations of the dynamic engagement model can be found throughout case studies at recent TSIA events. One of those is a virtual summit TSIA hosted titled "[The Next Level of Scaling Customer Success.](#)"⁶

Table 1: The Four Pillars of Dynamic Engagement Explained

Pillar	
Business Outcome	Once the customer and cohort have been identified, establish the specific business outcome they are trying to achieve. This is commonly already established during the sales cycle or outlined in existing Customer Success Plan templates.
Experience	Define the ideal experience that customers desire as they realize value along their journey with your company. This can be aggregated from the outside-in customer journey mapping exercise.
ROI	The B2B world is a for-profit enterprise. Each company must determine its own return on investment (ROI) against its resource pool. Therefore, it is critical to identify all resources available, including digital, human, and third-party resources, such as your partner community.
Engagement	Map out the ideal match of digital and human engagement that delivers the best possible experience in the most cost-effective manner while achieving the business outcome.

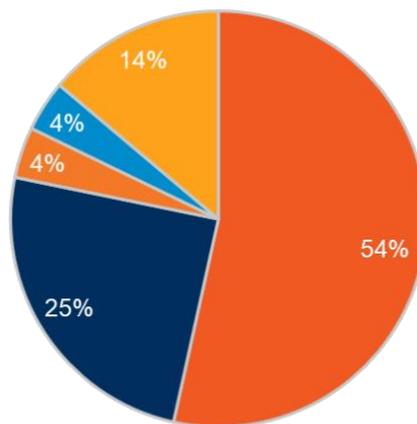
Customer Onboarding—More Important than Ever

According to TSIA Benchmark data, since 2016, customer onboarding has been in the top two adoption activities within customer success organizations. With the shift to as-a-service technology offerings, it is imperative that a technology supplier prove their worth every day, and often the onboarding experience represents that first impression. As technology commoditizes and vendors are forced to differentiate on experience, the initial contact a customer has with your technology or service can differentiate your relationship with your new customer and begin the journey to achieving the critical supplier goals of retention and expansion. When onboarding is executed properly, it lays this foundation.

In the TSIA 2020 Best Practices in Customer Success Onboarding Study, we found that expectations for onboarding are set during the sales cycle 52% of the time. As seen in *Figure 4*, it is considered a common practice to have customer success organizations take on the primary responsibility for customer onboarding.

Great companies are investing to ensure that the first step in a customer’s journey with the technology or service is impactful and value-added. During this critical phase, organizations must explain in deeper detail how the product or service works, validate success plans, and set customer expectations to ensure value realization. In this study, we explored correlated practices within onboarding that yielded impressive results, including the significant impact on dollar expansion rate. This is referred to further in the Recommended Member Resources, below.

Figure 4: Primary Responsibility for Customer Onboarding



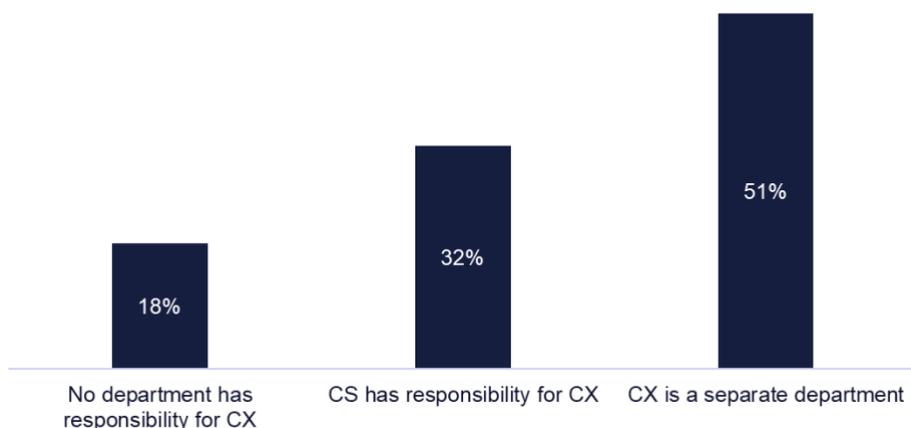
■ Customer Success ■ Professional Services ■ Sales ■ Partners ■ Other

The Separation of Customer Experience and Customer Success

Customer success and customer experience historically were used as two different naming conventions for the same organizational effort. Recent TSIA research reveals that customer experience and customer success co-exist within the organizational structure and have different responsibilities. Customer experience (CX) focuses on the interactions and key milestones that the customer will experience during onboarding and post-production with your company. Customer experience is the process of creating and validating a positive customer journey as the customer navigates their lifecycle of the technology or service. Almost 88% of customer experience organizations focus on engaging with customers to ensure that their products and solutions align to solution requirements, use cases, business challenges, and desired outcomes. These areas streamline the ability to efficiently map the customer journey in a manner that thwarts issues before they become problems and help avoid risk later in the customer lifecycle.

TSIA conducted a poll and found that 51% of technology and services companies indicated they had a customer experience department that had responsibility specifically for customer experiences that were uniquely separate from customer success. Approximately 32% of the organizations polled indicated that the customer success department had responsibility for customer experience, and 18% indicated that no department within their company had any responsibility for customer experience. This is further outlined in *Figure 5*. It is clear that customer experience organizations exist in parallel with customer success organizations, with 32% of organizations having both departments. What we will continue to monitor is if customer experience departments are consuming the responsibility of customer success operations or absorbing customer success data scientist resources and having a greater empirical data focus on the customer. The fact remains that there is a growing trend surfacing where both organizations exist in the same company with different focus areas of responsibility. The days of two different naming conventions is quickly changing to meet the demands of the market.

Figure 5: Companies with Organizations Responsible for Customer Experience



Source: TSIA CS versus CX Quick Poll 2020.

Recommended Member Resources

There are critical trends that we have outlined in this paper. We have several member resources available to help. Below are just a few, but members should reach out to their member success manager for more information specific to their customer success business challenges:

- [Customer Success versus Customer Experience⁷](#)
- [Best Practices in Customer Onboarding⁸](#)
- [The Case for Services Convergence and Big C Customer Success⁹](#)
- [Compare and Contrast: Sales Account Manager and Customer Success Manager¹⁰](#)

Customer Success Member Inquiries from 2020

In addition to our benchmark data, we can also look at TSIA member inquiries to spot early trends. TSIA received thousands of inquiries from member companies in 2020. This volume of member inquisitiveness provided incredible visibility into the topics that are most critical to technology organizations. TSIA mapped every inquiry we received to a specific organizational business challenge. We also tracked which business challenges were surfacing with the greatest frequency. Without a doubt, customer success was clearly a hot topic within our membership. Below are the top customer success business challenges ranked by the percentage increase in frequency from 2020 to 2021:

1. Effective Training for Customer Success Teams
2. Digital Touch Customer Success
3. Customer Success Onboarding
4. Customer Success Compensation Strategies
5. Low-Touch Customer Success

Customer Success 2021 Research Calendar

TSIA provides data, frameworks, and advisory services that accelerate the development of organizational capabilities. Our research studies, member inquiries, and other data-collection vehicles help provide input back into these frameworks and services.

Research Studies

- **Low-Touch and Digital Customer Success.** Topics covered in this survey include customer success practices delivered in low-touch, digital, or dynamic engagement models. We will review the important correlation of practices that are yielding improved retention and expansion.
- **Customer Success Delivered via Partners.** Topics covered in this survey include customer success practices delivered via a partner, sales coverage models, direct and indirect renewal rates, financial incentives for partners, and customer success enablement for partners. We will

also look at how many customer success organizations are beginning to outsource a portion of their capabilities to third parties.

- **Customer Success Benchmark Study.** TSIA delivers the most comprehensive benchmark in the industry for customer success organizations. The Customer Success Benchmark Study addresses a broad range of practices, results, and operational metrics in the core areas that enable companies to protect and grow recurring service revenues. Merely conducting an internal evaluation of your company's quarterly trends on metric percentages does not tell the whole story. With TSIA's Customer Success Benchmark Study, we:
 - Evaluate your company's performance on critical metrics versus your peer companies.
 - Quantify the metric performance and align it to peer and industry groups.
 - Help you craft strategies and tactics to pursue these revenue growth opportunities.

Outcome Chains

- **Customer Success Outcome Chains.** TSIA leverages software to build "outcome chains." Each outcome chain is centered on a specific target outcome, such as improving the customer experience or reducing churn. For more information, visit <https://app.outcomechains.com/?ref=tsia.com>.

Endnotes

¹ Nanus, Phil, Srivatsan Vaiyakarnam, Ashok Gunasekaran. October 22, 2019. "The Future of Customer Success: It's Dynamic." TSW Conference Presentation. <https://www.tsia.com/conference-presentations/the-future-of-customer-success-it-s-dynamic>.

² Nanus, Phil. April 2020. "Everything Will Change: How COVID-19 Becomes the Accelerator for Customer Success." TSIA On-Demand Webinar. <https://www.tsia.com/webinars/everything-will-change-how-covid19-becomes-the-accelerator-for-customer-success>.

³ Nanus, Phil and Jack Johnson. December 2020. "Two Worlds Colliding: Bringing Together Customer Success and Renewal Teams." TSIA On-Demand Webinar. <https://www.tsia.com/webinars/two-worlds-colliding-bringing-together-customer-success-and-renewal-teams>.

⁴ "Gainsight Announces Majority Investment from Vista Equity Partners" Press Release. November 30, 2020. <https://www.gainsight.com/press/release/gainsight-announces-majority-investment-from-vista-equity-partners/>.

⁵ Nanus, Phil. February 2020. "State of Customer Success: 2020." TSIA. <https://www.tsia.com/resources/the-state-of-customer-success-2020>.

⁶ Nanus, Phil. June 2020. "The Next Level of Scaling Customer Success." TSIA On-Demand Webinar. <https://www.tsia.com/webinars/the-next-level-of-scaling-customer-success>.

⁷ Fulkerson, Stephen. October 2020. "Customer Success versus Customer Experience: What's the Difference?" TSIA. <https://www.tsia.com/resources/customer-success-versus-customer-experience>.

⁸ Nanus, Phil, Stephen Fulkerson, and Jay Kelkar. September 2020. "Best Practices in Customer Onboarding." TSIA. <https://www.tsia.com/resources/best-practices-in-customer-onboarding>.

⁹ Lah, Thomas, Phil Nanus, George Humphrey, Maria Manning-Chapman, Vele Galovski, and Bo Di Muccio. June 2020. "The Case for Services Convergence and Big "C" Customer Success." TSIA. <https://www.tsia.com/resources/the-case-for-services-convergence-and-big-c%E2%80%9D-customer-success>.

¹⁰ Dove, Martin, Phil Nanus, and Thomas E. Lah. November 2020. "Compare and Contrast: Sales Account Manager to Customer Success Manager." TSIA. <https://www.tsia.com/resources/compare-and-contrast-sales-account-manager-to-customer-success-manager>.



TSIA is the world's leading research organization dedicated to helping technology companies achieve profitable growth and solve their top business challenges. Services, Sales, Product, and Channel organizations at technology companies large and small look to TSIA for world-class business frameworks, best practices based on real-world results, detailed performance benchmarking, and exceptional peer networking opportunities. TSIA's membership community consists of over 40,000 executives from 96 countries and represents 80% of the Fortune 100 technology companies.

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