NURTURING CUSTOMER VALUE
Why customer success is the new growth mantra
To achieve sustainable growth amidst the fast-changing needs of today’s customers, responsive organizations are constantly adapting to offer customers a fast, personalized and relevant experience.

The traditional concept of customer loyalty has shifted, with the onus on the company to constantly adapt and cater products, services and experiences to the customer. Small, digital, pure-play organizations, and giant digital natives alike, are hardwired to thrive in this environment. Most large companies and industry mainstays face a tougher road.¹

In parallel, the rise of the subscription economy reinforces this customer-first ethos. There’s a heavy dependence on maintaining the customer relationship – capturing post-initial sales revenue and driving maximum customer lifetime value is now a must.

In this evolving world where businesses must constantly stay relevant and deliver superior customer experiences, customer success is becoming an increasingly important part of the equation to get right. Customer success is as much a strategy as it is an organizational function. Consequently, many companies are asking the question: **how do we create the right customer experience and outcomes?**
Early adopters of customer success initiatives, like Adobe and Salesforce, have already realized substantial benefit. In five years, Adobe more than quadrupled its valuation, from $20B in 2013 to over $100B today, after choosing to pursue a subscription model. The journey was challenging, but redefining their approach was an essential part. Teams focused on the adoption journey, and the company completely redesigned its customer success interaction model across their user base to increase returns.

Similarly, in 2005 Salesforce recognized the need to drive a long-term retention strategy and created a customer success organization to achieve that goal. The new function helped in 10 years reduce churn to less than 10% of customers per year, a near-10x improvement.

The basic interactions of a strong customer success program are known, but which factors are most influential? To identify what customers value and what companies need to do to meet their expectations, our study surveyed 500 software buyers to explore the key moments that make software and platform companies’ services and experiences stick – and persuade users to renew year-on-year.
Customer Attributes Influencing Retention

This study assessed which customer attributes influence retention, using the Keep Me Index.\(^4\) The key attributes are:

- **TRUST**: Degree to which the brand imparts security and reliability
- **PERCEPTION**: Satisfaction with the price and quality
- **INSTINCT**: First word reaction to the brand
- **VOICE OF THE CUSTOMER**: What users are saying about the product/service
- **DEPENDENCE**: Importance to a consumer that this brand stays in business

Using these variables, we studied the most impactful moments for a customer post-sale, and these are the top findings.

**FIGURE 1**: Shows the weight each attribute (trust, dependence, voice of the customer, sentiment perception, and instinct) has on a customer’s decision, based on how long the customer has used the product or service. The constant accounts for how much of the decision could be influenced by other attributes not analyzed in this study.
1. Trust is the #1 Influencer

2. Playing for Keeps

3. Deliver Continuous Value

4. First Impressions Count

5. The Growing Importance of Self-Service
We found that a customer’s level of trust in a brand is the single most important indicator of renewal.

Up to 28% of a customer’s decision to renew is based on whether they trust the brand. Looking across the customer lifetime, trust is up to 4 times more influential than the other attributes (instinct, voice of the customer, dependency, and sentiment perception) studied.

Trust counts no matter how long a customer has been buying a product or service. For longer-term customers (e.g. >6 years), up to 45% of a customers’ decision to renew is based on this attribute.
Newer customers are more likely to switch companies because costs are lower and there are fewer barriers to move to another company (especially with cloud products). So, how do you get a customer hooked early on?

Creating dependency on products and services early on can account for up to 9% of the renewal decision (Figure 1). That means creating dependency on products and services should be a first-order priority – by getting the installation right.

Companies must continue to provide ongoing value once the customer shows preference for the product or service. Once customers have used the product or services for at least three years, they tend to focus more on perceived product value. For customers that have used a product for at least 6 years, up to 23.5% of their decision to renew is based on their perception of the product (Figure 1).
The installation is one of the most important post-sale activities for determining whether a customer will renew

Compared to other CS activities, a positive installation/activation experience is 2x more significant in determining a renewal decision.

This is particularly important for new customers – the seeds of potential future churn are contained within that first encounter. For customers who have used the product for less than a year, the installation experience was the contributing factor that influences a renewal decision. Up to 62% of a customer’s decision to renew is based on the installation experience.

Experience during the initial installation and deployment will set the tone for the relationship. Hence the importance of getting it right the first time around.

As relationships mature, customers place a greater emphasis on self-service and ease of renewal.

Customers who are satisfied with self-serve documentation are more likely to adopt a product and stay with a brand. In fact, overall, self-serve documentation can account for up to 10% of a customer’s decision to renew. When we look at the break down across longer-term customers (e.g. >3 years), up to 13% of a customer’s renewal decision can be based on access to self-service tools that empower customers to complete everyday tasks on their own, enabling company representatives to focus on higher value-add activities.

Customers with longer relationships also place a greater emphasis on ease of renewal. It is the leading and single-most important factor for long-time customers. Customers expect the renewal process to be painless so that they can continue use uninterrupted.
Ongoing customer success activities

This study demonstrates that installation, self-service and ease of renewal are key contributors to a customer’s likelihood to remain loyal. Other typical customer success activities (e.g. quarterly business reviews, receiving professional services, training) may bring value to the customer relationship, but did not have a material impact on a customer’s likelihood to renew.
Companies must engage customers in relevant experiences from the moment they purchase the product through to their next renewal.

How companies stay relevant can take many different paths. It’s not only features and processes that influence a customer’s journey; the people supporting the customer do, too.

**FIGURE 2:** Percent of survey respondents managed by different roles, who are unlikely, somewhat likely, and very likely to renew. This shows how different roles interacting with customers can impact renewals.

<table>
<thead>
<tr>
<th>LIKELINESS OF A CUSTOMER TO STAY</th>
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<tbody>
<tr>
<td>No one managing</td>
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<tr>
<td>Very likely</td>
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<tr>
<td>Somewhat likely</td>
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<tr>
<td>Unlikely</td>
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<tr>
<td>Sales/Act Manager</td>
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<tr>
<td>Very likely</td>
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<tr>
<td>Somewhat likely</td>
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<tr>
<td>Unlikely</td>
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<tr>
<td>CSM</td>
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<tr>
<td>Very likely</td>
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<td>Somewhat likely</td>
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<tr>
<td>Unlikely</td>
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<tr>
<td>Multiple People</td>
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<tr>
<td>Very likely</td>
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<td>Somewhat likely</td>
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<td>Unlikely</td>
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Having customer coverage matters – if there is no team member managing a customer relationship, companies are significantly less likely to retain that customer.

When looking at customers who were supported by a company representative, those with a customer success manager (CSM) were most likely to renew, closely followed by those with a sales or account manager. 97.9% of respondents supported by a CSM were very likely to renew (Figure 2).
In summary, organizations must engage customers long after the initial interaction with relevant engaging experiences that instill trust from the very beginning. To do this successfully companies need the mindset, the right strategy, and an organization to support it.

Survey methodology
This study was designed to understand customers’ retention drivers, Customer Success activities that influence retention, and the value of the CSM.
We surveyed 500 respondents across multiple industries and company sizes online in the U.S. between May 2018 and July 2018.
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AUTHORS

Lauren Steinitz
Customers & Channels
Senior Manager

Monica Bendernagel
Customers & Channels
Manager

CONTRIBUTORS

Michael Malinoski
Research
Senior Principal

Konrad Suchecki
Research
Associate Manager

Doug Carter
Customers & Channels
Senior Manager