

Gainsight®

THE CUSTOMER SUCCESS INDEX NORTH AMERICA 2023



INTRODUCTION

If this past year has shown us anything, it's that companies with the most agility and a strong focus on the customer are the ones that are poised to thrive in a constantly shifting and uncertain economy.

But what does this evolution actually look like in the real world?

We created this report in partnership with Benchmarkit, a B2B SaaS research firm, to find out. We surveyed more than 400 companies throughout North America and across a wide range of companies that vary by size, annual contract value, industry segment, and geographic location.

In this year's Customer Success Index, which many refer to colloquially as the "state of the Customer Success (CS) industry" report, we learned something big: We're at an inflection point.

Customer Success has evolved well beyond "firefighting" and defense; it's now a critical way to maintain and drive revenue growth. Challenging economic times have only reinforced and accelerated this trend. Listen to any public SaaS company earnings call—the mantra is growth from current customers through retention and expansion—and you'll hear that Customer Success is the key to unlocking this growth.

In the coming pages, we've highlighted the most interesting takeaways from this year's survey so you can see where your company measures up—and what areas you need to focus on in the coming year.

And though I'm burying the lede a bit here, the other big story from this year's CS Index is that Digital Customer Success (Digital CS) is where all the action is. If you've been looking for a way to scale your CS efforts in a way that's efficient and contributes to your revenue, there's lots of good news for you here.

One final thought: At Gainsight, we believe that you can win in business while being Human-First. And we're so excited to see technology and the CS industry evolving in ways that help us be more human, because that's really the bottom line, isn't it?



Tyler McNally,

SVP, Customer Experience &
Customer Success Operations, Gainsight

Measure Groups

Outcomes Health	▼ 33
Experience Health	▼ 48
Support	▼ 52



THE CHEAT SHEET

Customer Success Has Matured—And Is Growing

A whopping 98% of companies are maintaining or increasing their investment in CS, and we're seeing that the important role of CS operations is becoming more common in companies with more than 20 Customer Success Managers (CSMs). Companies are also recognizing the value of CS operations to drive efficiency and further ROI from the CS organization: The number of companies with a dedicated CS Operations organization has more than doubled, from 20% in 2022 to 41% this year.

The Responsibilities of CS Hold Steady

As in previous reports, CS continues to have the same primary responsibilities: customer retention, customer outcomes, product adoption, and expansion. One interesting point: These responsibilities don't always align with what a company measures. Dig into the charts to learn more.

CS Measurements Are Evolving

While traditionally companies have only measured CS performance based on customer retention, we're starting to see expansion and other measurements come into play. We're seeing that 64% of companies primarily measure their CS organizations on customer retention, with NDR coming in a close second at 63%. Only 41% of companies measure CS on expansion revenue.

Keep Your Eye on Digital Customer Success

Almost half of the participants (48%) currently have some level of formal Digital CS programs and teams, a number we've seen grow steadily. Digital CS is gaining the most ground in companies at the lower end of revenue (\$1M-\$10M) and at the higher end (\$100M+). We only expect Digital CS to grow as companies continue to strive to do more with less, without losing the human touch.



KPIs Still in Their Infancy With Digital CS

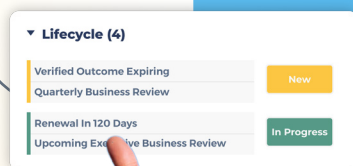
While only 27% of companies with a Digital CS program have well-established KPIs, 60% report their KPIs are currently “under construction.” An interesting finding: Companies that do have Digital CS KPIs are using the same metrics as they do for human-led CS (renewal rates, NRR, logo churn). At first glance, this makes sense. The ultimate goals of Digital CS programs should be the same—driving adoption, retention, and expansion. However, the leading indicators of Digital CS programs are much different—there is often little to no human assessment of risk or opportunity. Teams need to increase their focus on collecting and acting on signals from user engagement with your products, one-to-many campaigns, and self-serve assets.

Customer Health Scores and NPS for the Win

It should come as no surprise that Customer Health Scores were the number-one non-revenue measure of CS organizations in North America, with 60%. Organizations are looking for that holistic view into customer health that product adoption alone just doesn’t always provide. Close behind was Net Promoter Score (NPS) at 59%. NPS can be a polarizing topic. And it’s not a panacea. Mature CS organizations use NPS as an early signal of risk or opportunity. Are you immediately driving advocacy off promoter NPS? Why not? Further, they confirm the validity of NPS on lagging outcomes to ensure NPS scores are not mischaracterizing the customer situation.

Expansion Revenue Responsibilities Still Up for Grabs

Of our participants, 42% report that CS is responsible for renewals, while 33% report Account Management, and 15% say that Sales own renewals. It is important to note that these findings are closely correlated to company size and ACV, so make sure you factor those things in when you’re looking at your own company. In our conversations, we hear a lot more discussion and planning around CSMs “owning their number” for expansion. Next year, look for CSMs with expansion responsibility to shoot up.



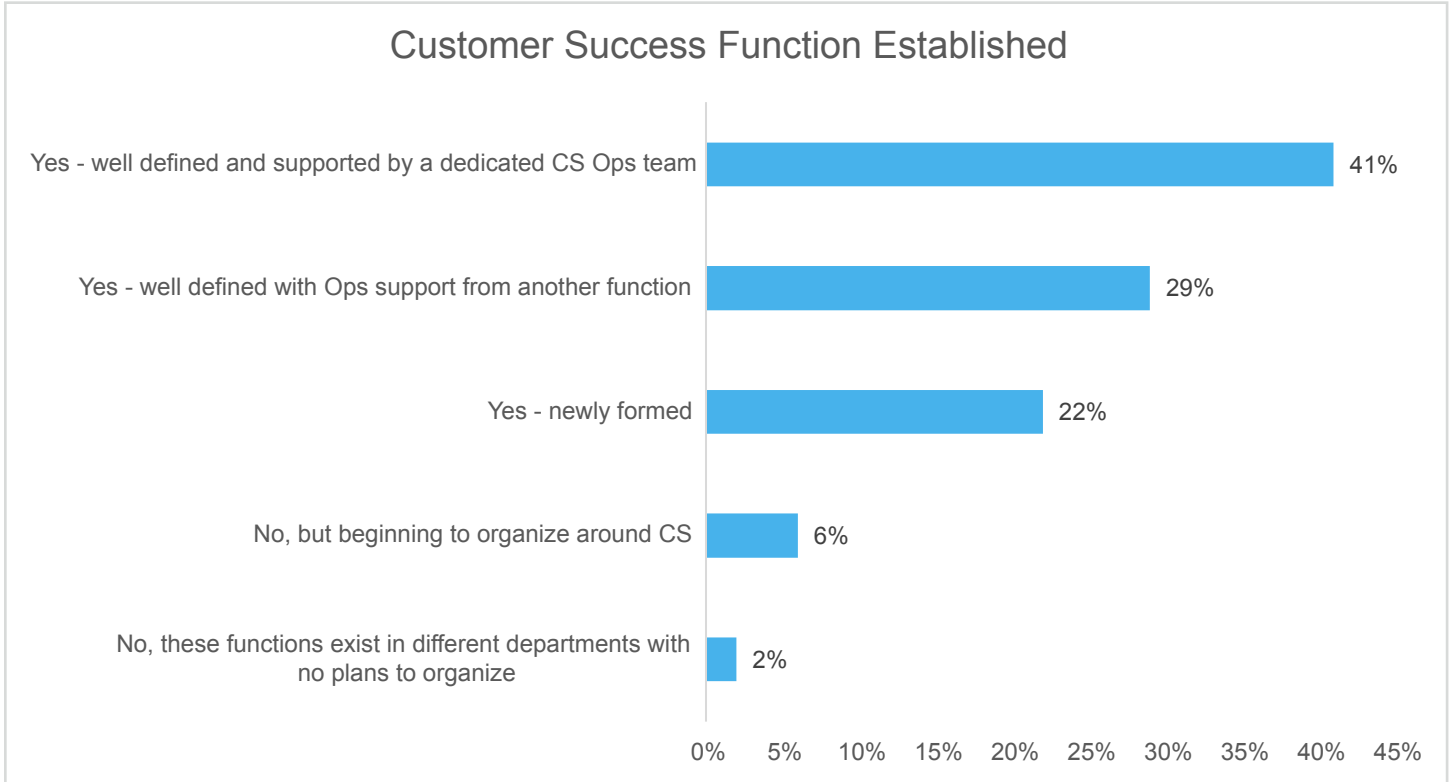
▼ Lifecycle (4)

- Verified Outcome Expiring New
- Quarterly Business Review New
- Renewal in 120 Days In Progress
- Upcoming Executive Business Review In Progress



THE GROWTH OF CUSTOMER SUCCESS

Customer Success Has Matured to Drive Revenue Growth



92% of companies are maintaining or increasing their investment in Customer Success.



Portfolio Summary

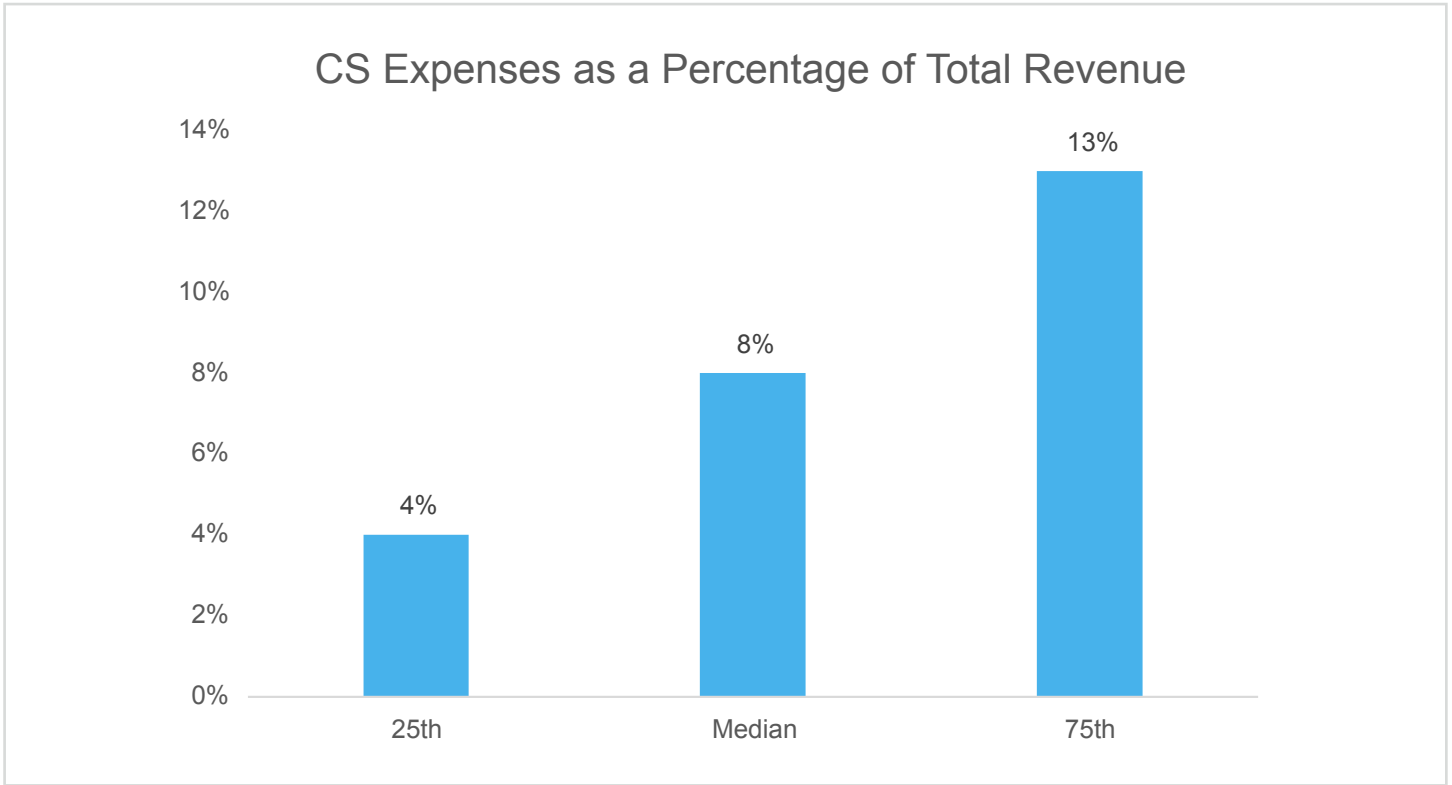
Distribution by Health



ARR

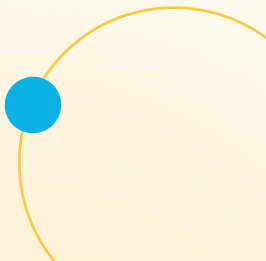
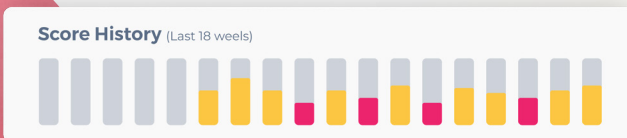
USD 27.24M

Companies Are Investing in Customer Success



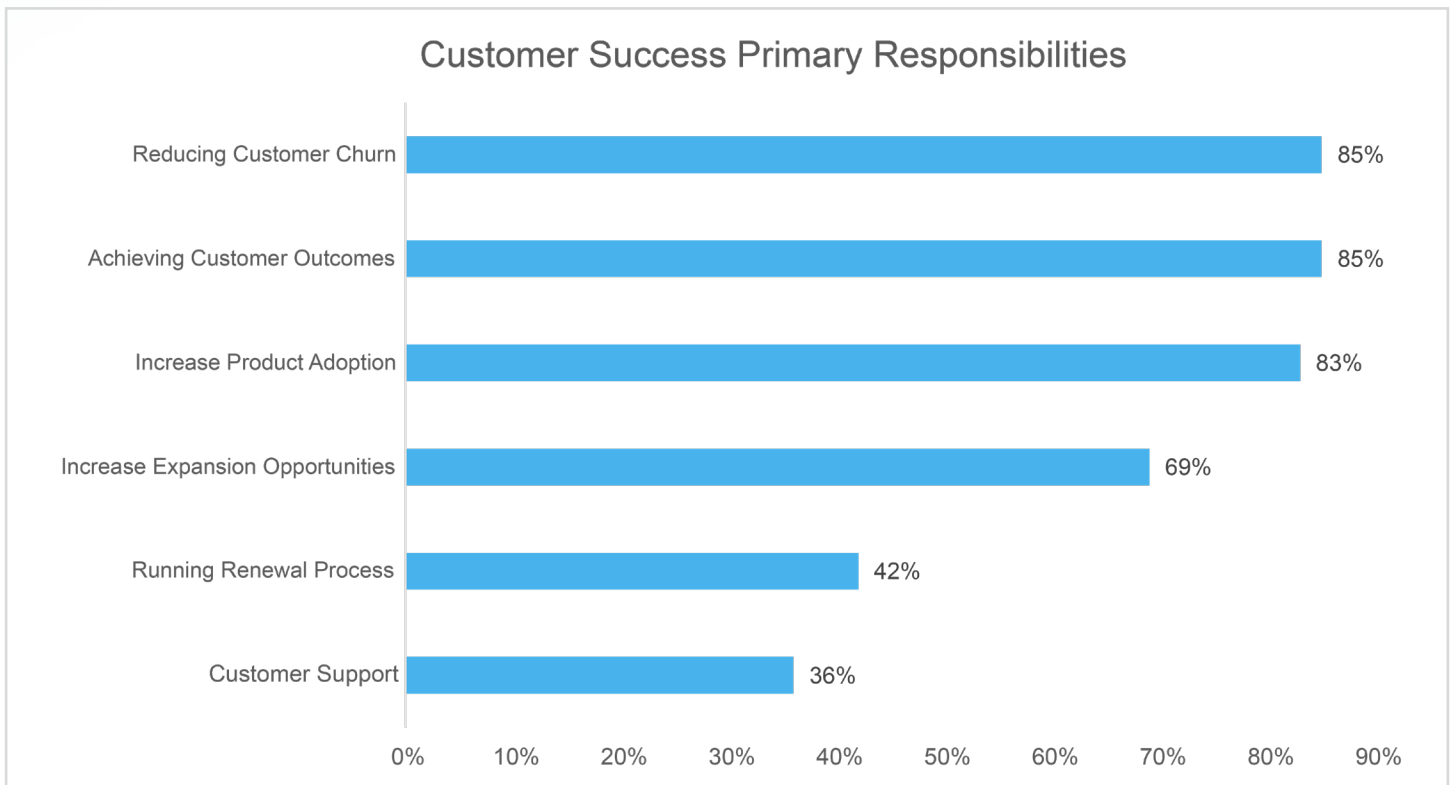
Tyler's Take

"When you combine these two charts, it's crystal clear that CS is core to growth—nearly all companies have a CS function and most are investing a meaningful amount (up to 8% of ARR, an increase from 6% last year) to drive retention, advocacy, and expansion. This is the reason CS was created and has established itself."



THE ROLE OF CUSTOMER SUCCESS

The Responsibilities of CS Teams Are Expanding



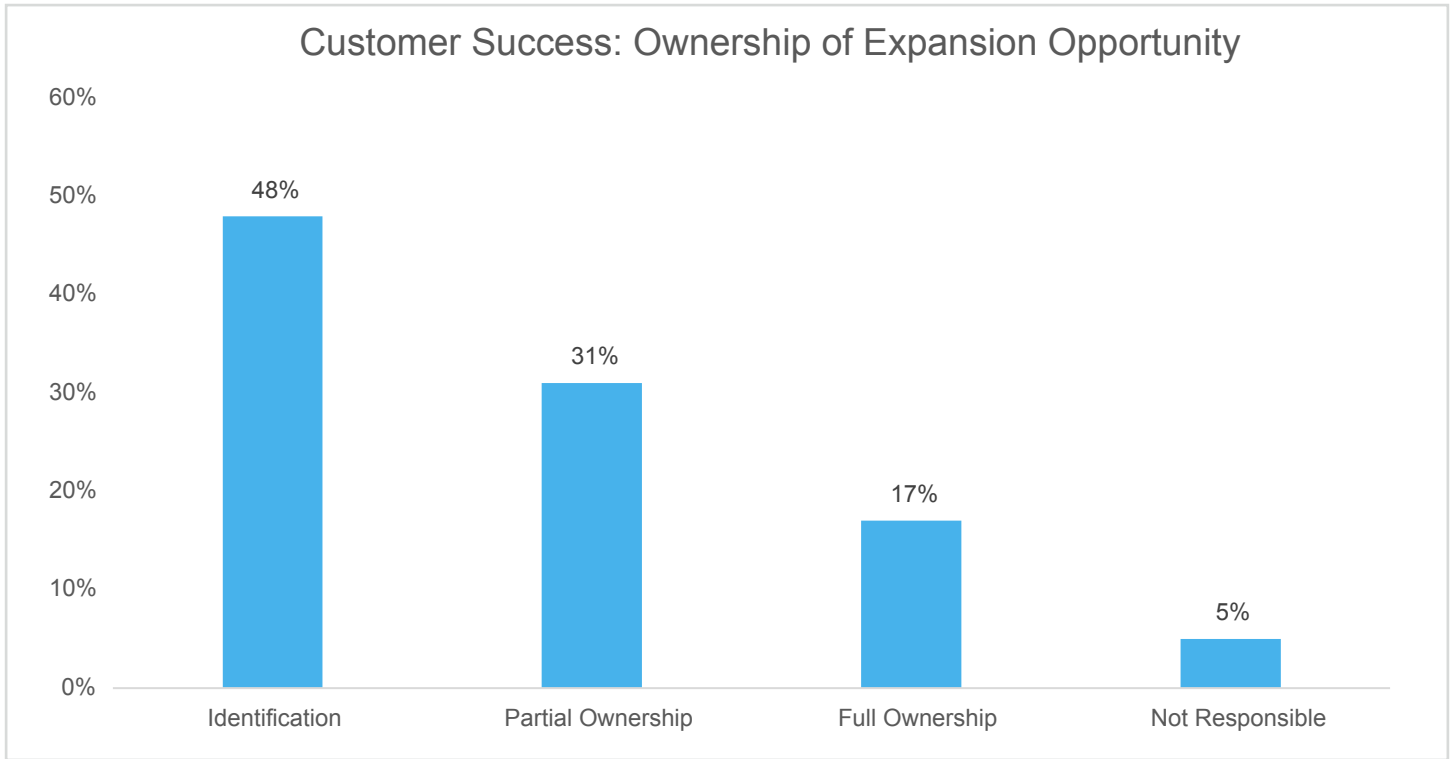
Reducing churn, achieving customer outcomes, and increasing product adoption all vied for top honors in CS responsibilities.



Tyler's Take

"This chart illustrates the core charter for CSM teams. In other words, it highlights *how* CS teams drive growth—proactively driving customers to adopt, addressing risky situations, and ensuring customer outcomes are achieved. Two changes in the charter to call out. The percentage of CSMs responsible for Customer Support is going down. Several years ago, this number would have been 50% or higher. Instead, CS is shifting to a more commercial charter. We'll talk about the second change in the next chart."





Almost **50%** of CS organizations have expansion responsibility with **17%** owning the full customer expansion process.



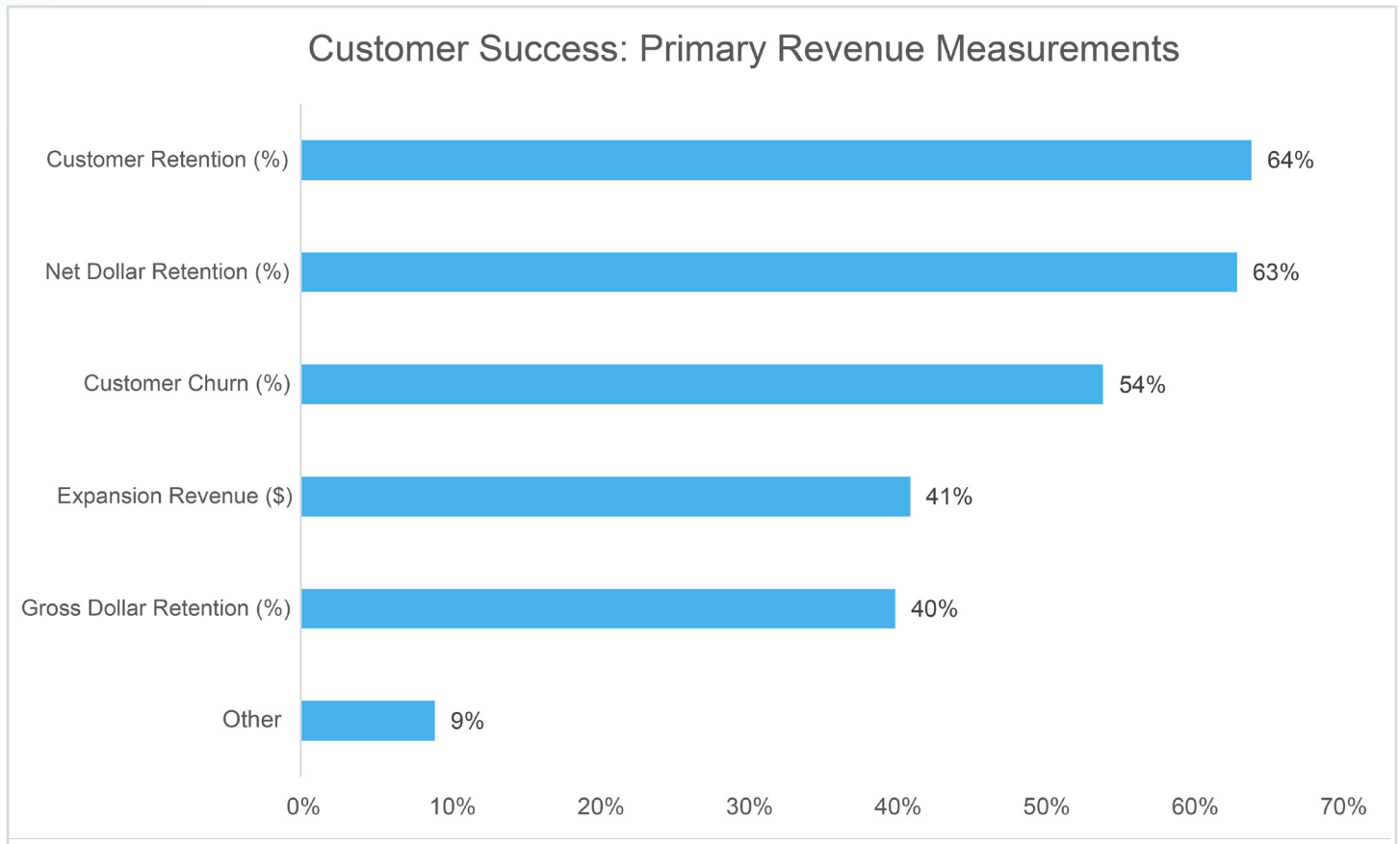
Tyler's Take

"The second change is just how many CS orgs have expansion responsibility of some kind. The CS org —via CSMs and Digital CS programs and data—is the subject matter expert on each customer's needs and how your product suite specifically meets those needs. They are best positioned to identify and qualify expansion opportunities. CS organizations are shifting to drive expansion in one of two main approaches : (1) CSMs owning everything or (2) CSMs primarily responsible for identification and handing off to an Account Management team that is part of the CS Org. In fact, Gainsight made this change in 2023. Look for these numbers to continue to increase over time!"



MEASURING CUSTOMER SUCCESS

CS Measurements Are Growing and Evolving



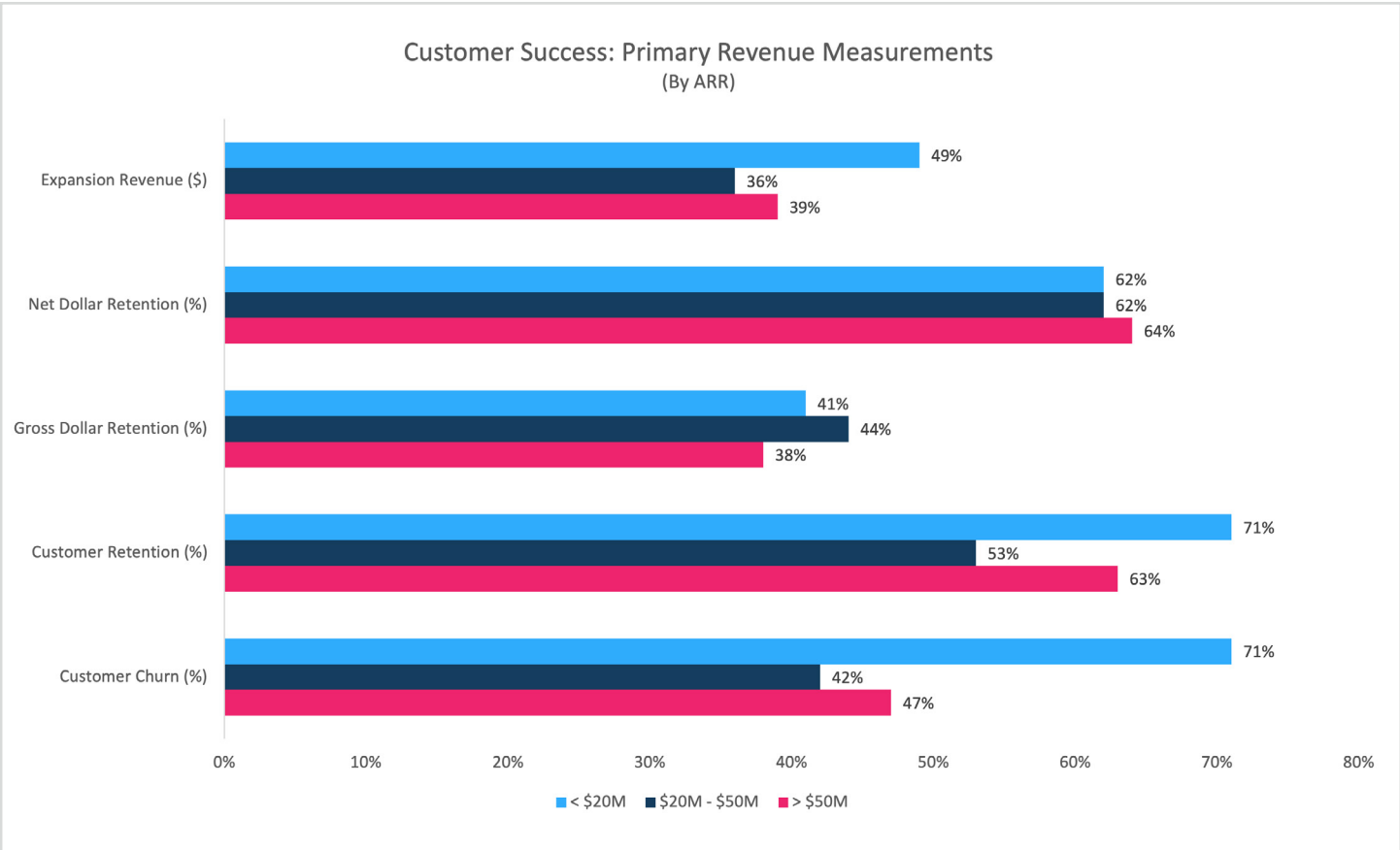
64% of companies primarily measure their CS organizations on customer retention, with NDR coming in second.



Tyler's Take

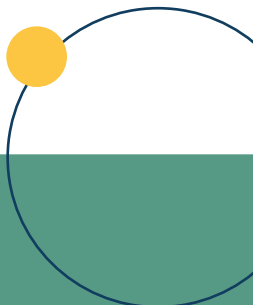
"Retention is where CS got started. It's critical in early- and mid-stage companies to get to a predictable retention model. Customer retention and dollar retention provide two different lenses to confirm product-market fit in combination with a high-performing CS organization. Expansion revenue and Net Dollar Retention (NDR) increase in importance as companies mature, shift to multi-product, and shift to most revenue being generated from existing customers."





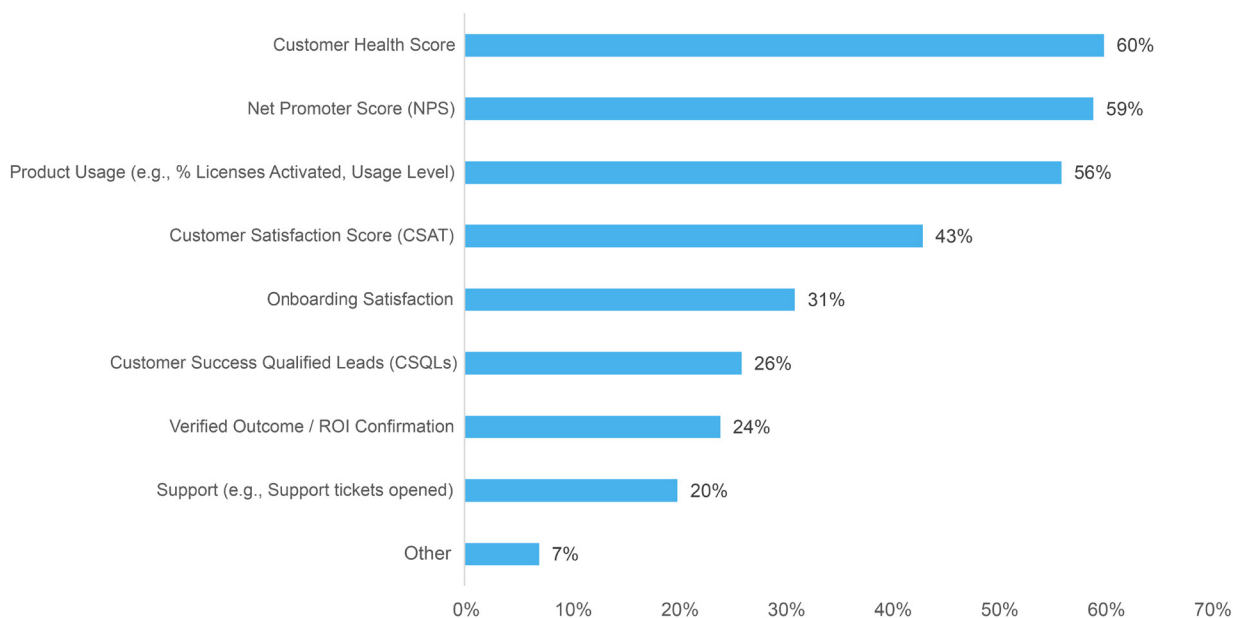
Tyler's Take

“The bigger the company, the more things you have to sell to existing customers who are much more likely to buy from you, much faster, than a prospect. You have derisked the purchase for customers. So it’s crucial that CS shifts from a focus solely on customer retention to include expansion opportunities. Whether the CSM role with expansion is CS Qualified Leads, direct support of the expansion process, or full ownership, we see lots of opportunities for cross-functional alignment here.”





Customer Success: Primary Non-Revenue Metrics



60% of companies say that the Customer Health Score is the number one non-revenue measure of CS organizations; the Net Promoter Score came in a close second.

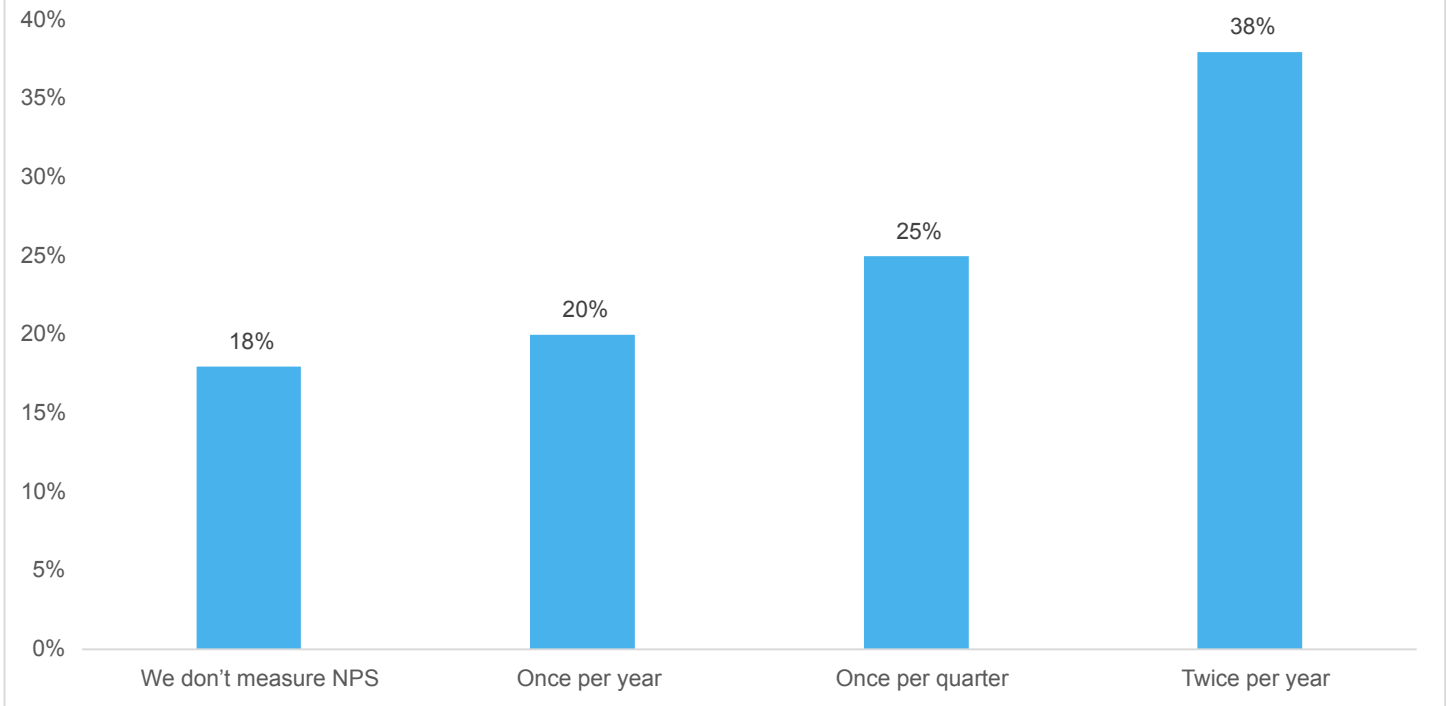


Tyler's Take

“Ask two people about NPS and you will get five very strong opinions. We believe NPS is an incredibly valuable signal to guide customer-facing activities. Use it to drive advocacy by immediately guiding promoters to leave a review, provide a case study, or be a reference. Use it to identify potential risks with key stakeholders. But NPS is one of the broadest measures of Customer Success that exists—and it’s focused on the experience a stakeholder is having with your company. Customer Success is the combination of achieving Customer Outcomes with an appropriately high-quality experience (CS = CO + CX). Measuring product usage and ROI capture the CO part of the equation. Mature CS orgs are able to bring these KPIs together into a predictive Customer Health Score that guides teams and digital programs to address risk and action opportunities.”



Customer NPS Survey Frequency



38% of companies measure NPS twice per year.



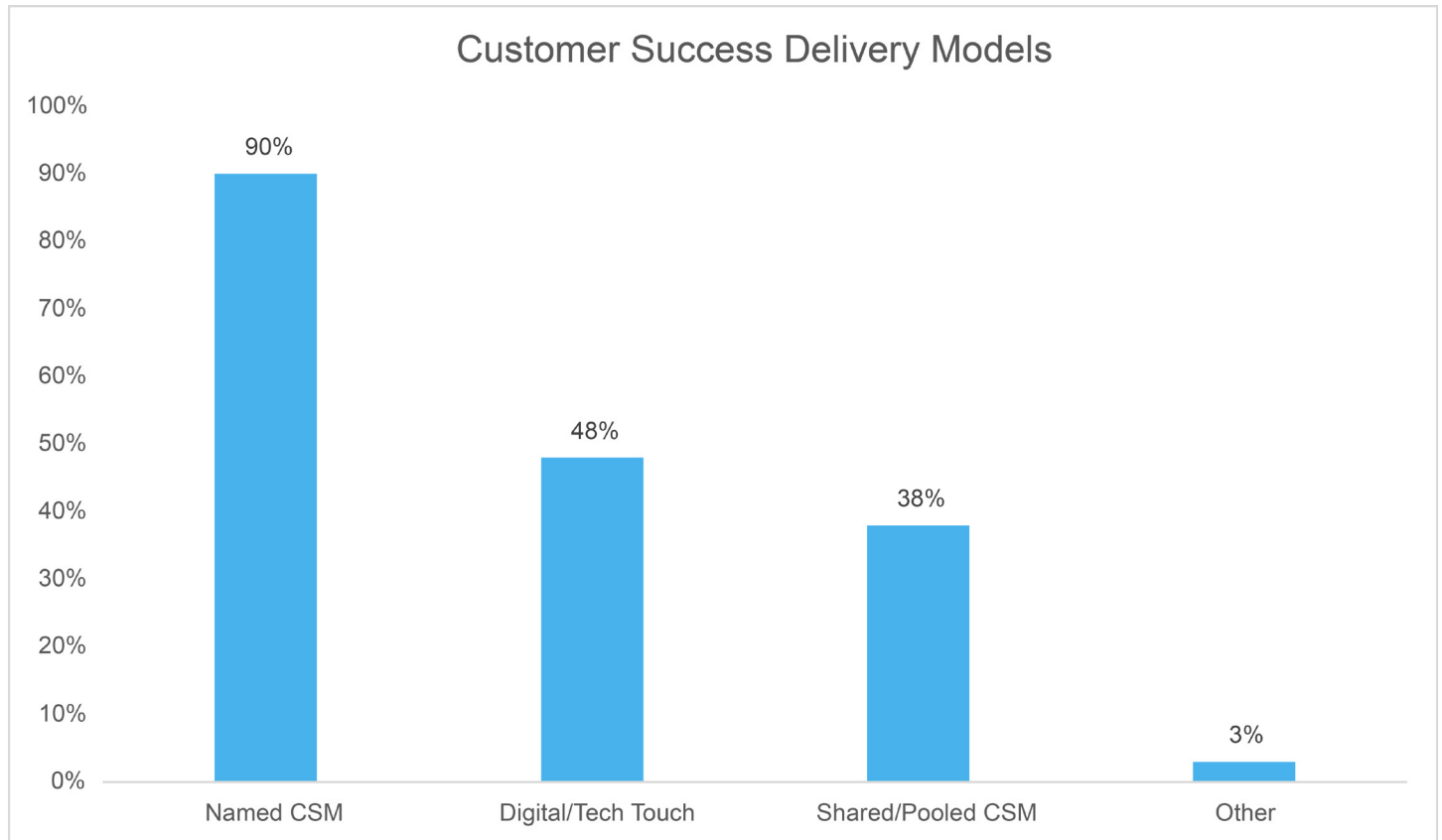
Tyler's Take

“There is no “rule” about NPS survey frequency—the data shows that companies take different approaches. But there are good rules of thumb. Balance the value of the signal with survey fatigue—how many times would you respond to an NPS survey from a vendor? Avoid surveying around the renewal period if you are actively engaging with stakeholders—they are already providing you with direct feedback through those discussions. An NPS survey right before or after a renewal event can frustrate customers who may feel they already gave you their input. Finally, use the survey as an early signal—if you got a detractor two weeks before renewal, could you do anything meaningful to turn around the situation? At Gainsight, we measure NPS twice a year with at least three months before the renewal.”



THE RISE OF DIGITAL CS—FOR ALL

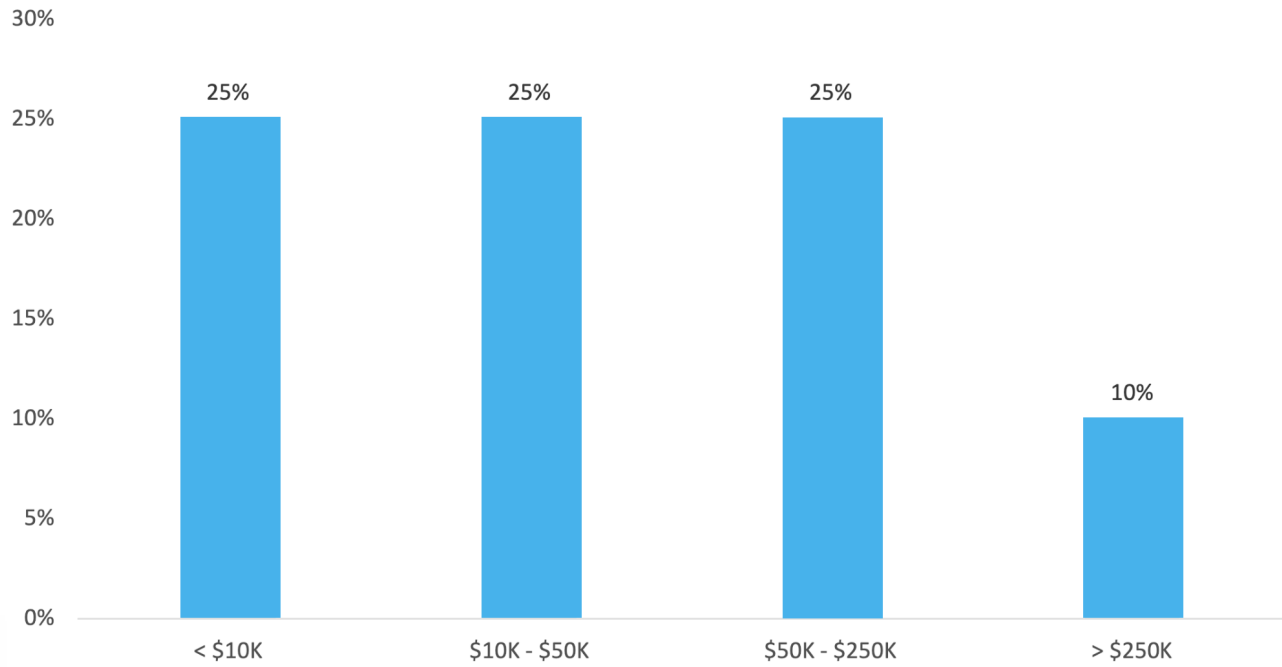
As companies continue to strive to do more with less, without losing the human touch, Digital Customer Success has been the salve for CS Orgs. This approach has enabled teams to efficiently drive adoption and retention with personalized customer experience via omni-channel engagement.



48% of participants report using some level of Digital Customer Success.



Use of Digital CS Approach By ACV



Tyler's Take

"It's clear that you have to be low-touch, digital-first when you have products under \$10K. You just can't afford enough CSMs to effectively manage \$10K accounts. But Digital CS has now become a crucial component of achieving scale with CS, no matter what size your company is. It elegantly and efficiently helps customers solve problems on their own, which, by the way, many prefer. It's not surprising that higher ACV products have meaningful Digital CS programs—they are becoming the standard operating model for all companies."

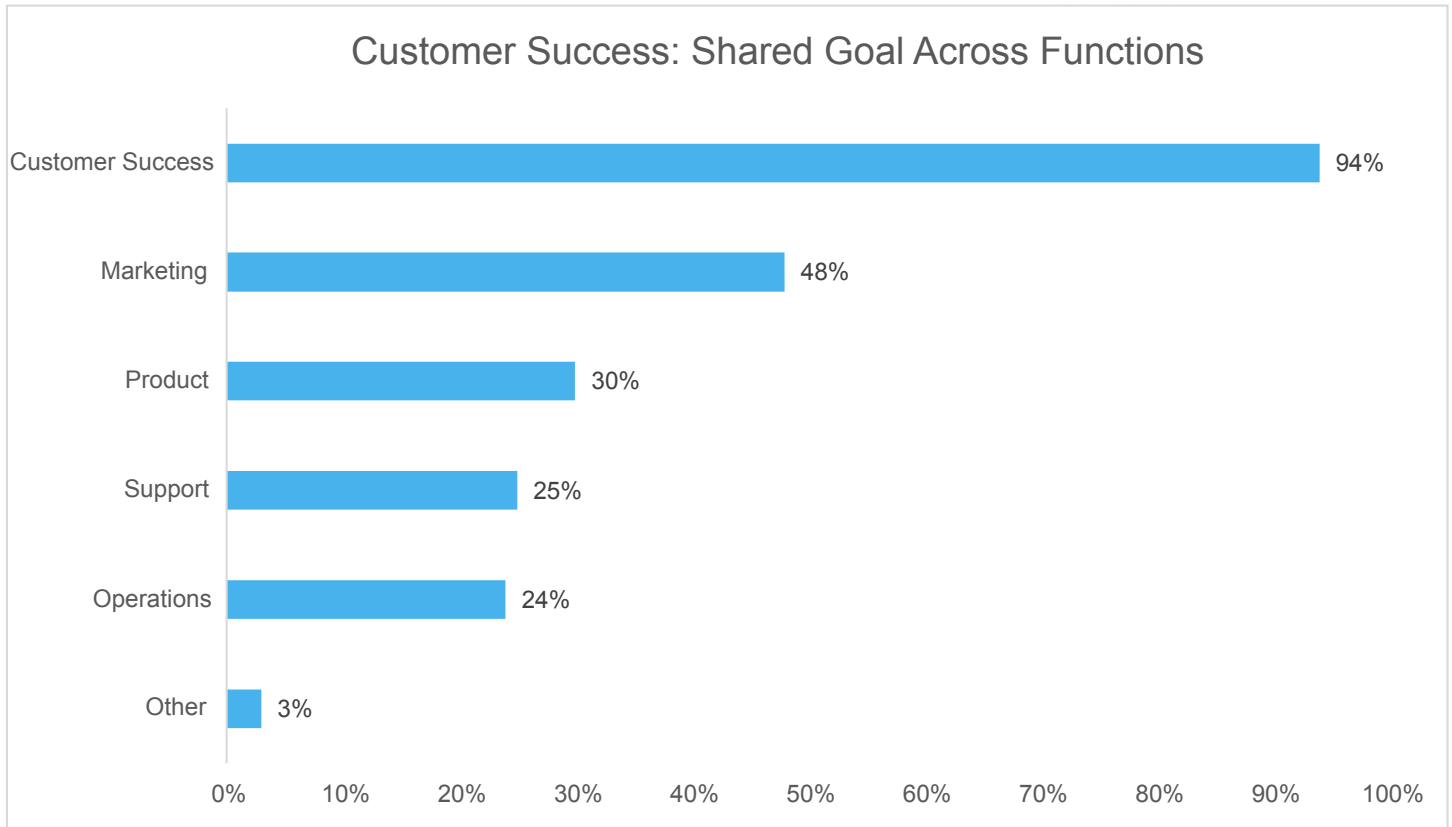


96%

IMPORTANCE

Net ARR - \$521M

Digital CS Is Starting to Become a Company-Wide Priority

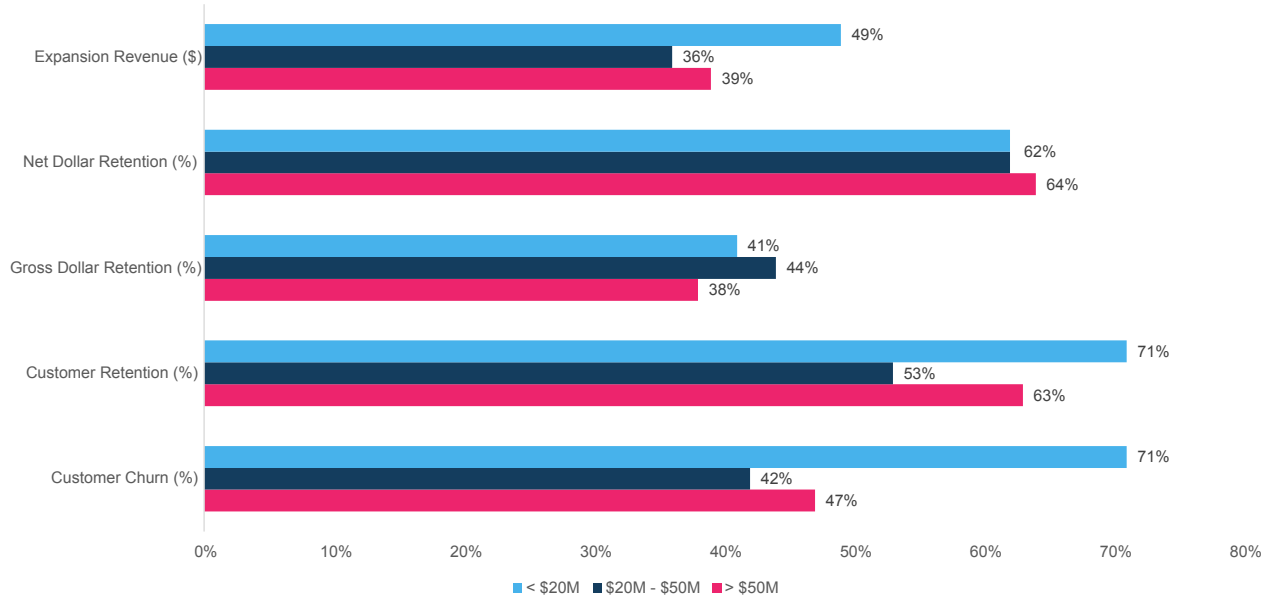


Tyler's Take

"CS is taking the lead on driving Digital CS in companies; that's no surprise. But I think the more interesting story from the data is that CS is the hub, the center of driving Digital CS, and other functions are the spokes plugging into the hub in an aligned way to drive it further. It's better for the company—and the customers—if all the teams are connected, using the same data, and aligned in their customer-facing activities. You need to weave digital and human experiences from all functions into a coherent, blended journey that drives users to adopt the parts of your products most aligned to the goals defined by your buyer."



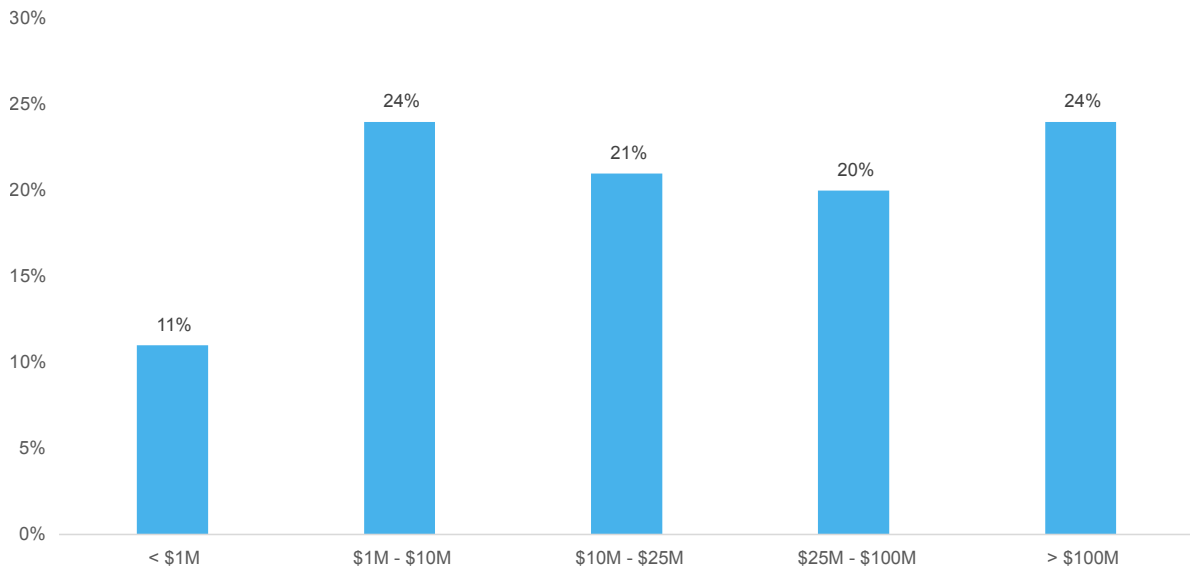
Customer Success: Primary Revenue Measurements (By ARR)



Tyler's Take

"Only 14% had no plans to have a digital resource, which fits with what we're seeing as the growth of Digital CS, whether it's in CS or outside. Investments are only going to go up here."

Digital CS: Company Size When First Introduced



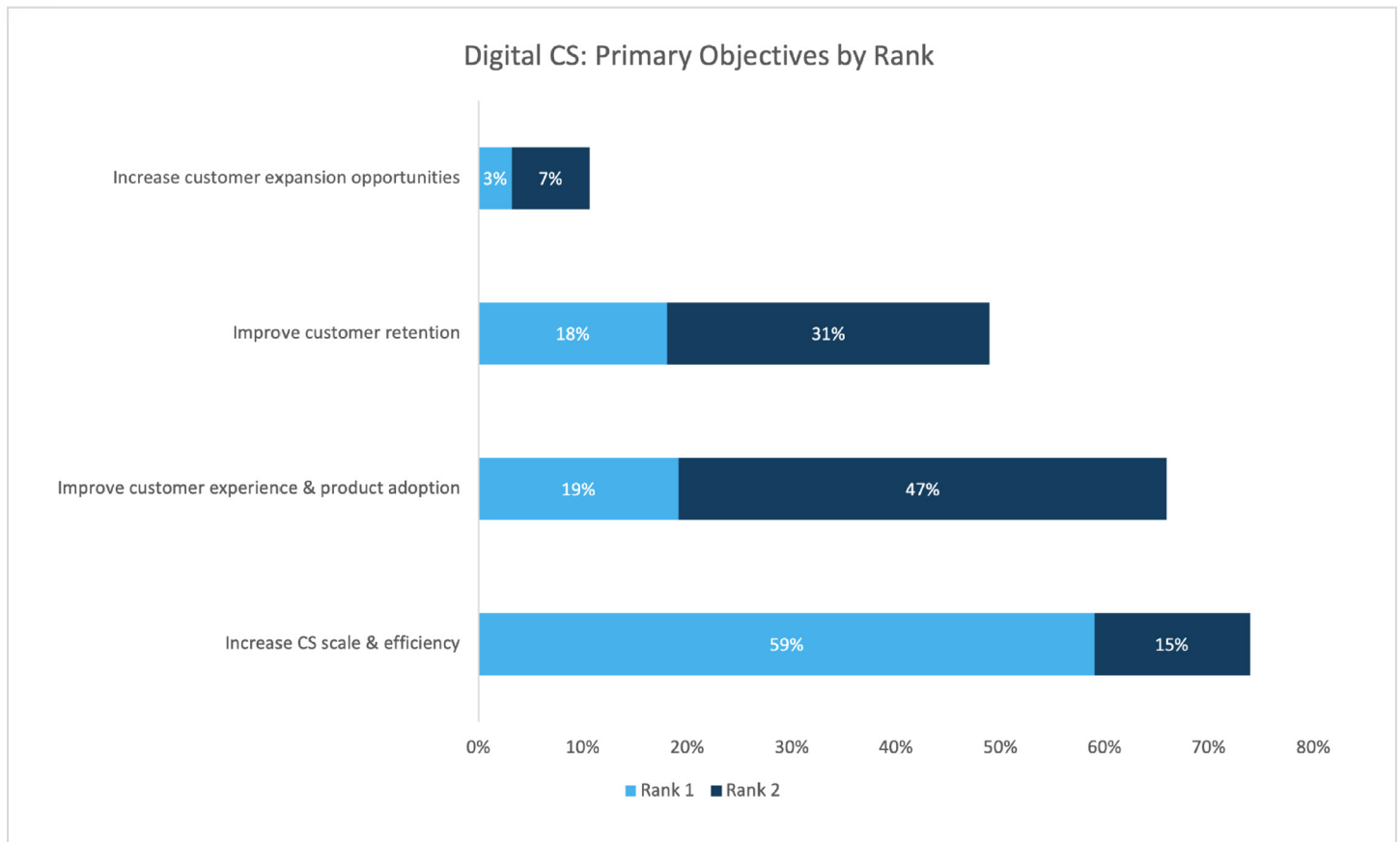
35% of companies are introducing Digital CS early in their growth curve.



Tyler's Take

"We're now at a point where if you're starting a company today, you're digital-first. And at the other end of the spectrum, the biggest companies realize they need digital to make their numbers work for shareholders (or in preparation for an IPO). Where we expect to see growth in digital are the companies in the middle, who are in transition and will be needing to layer on Digital CS."

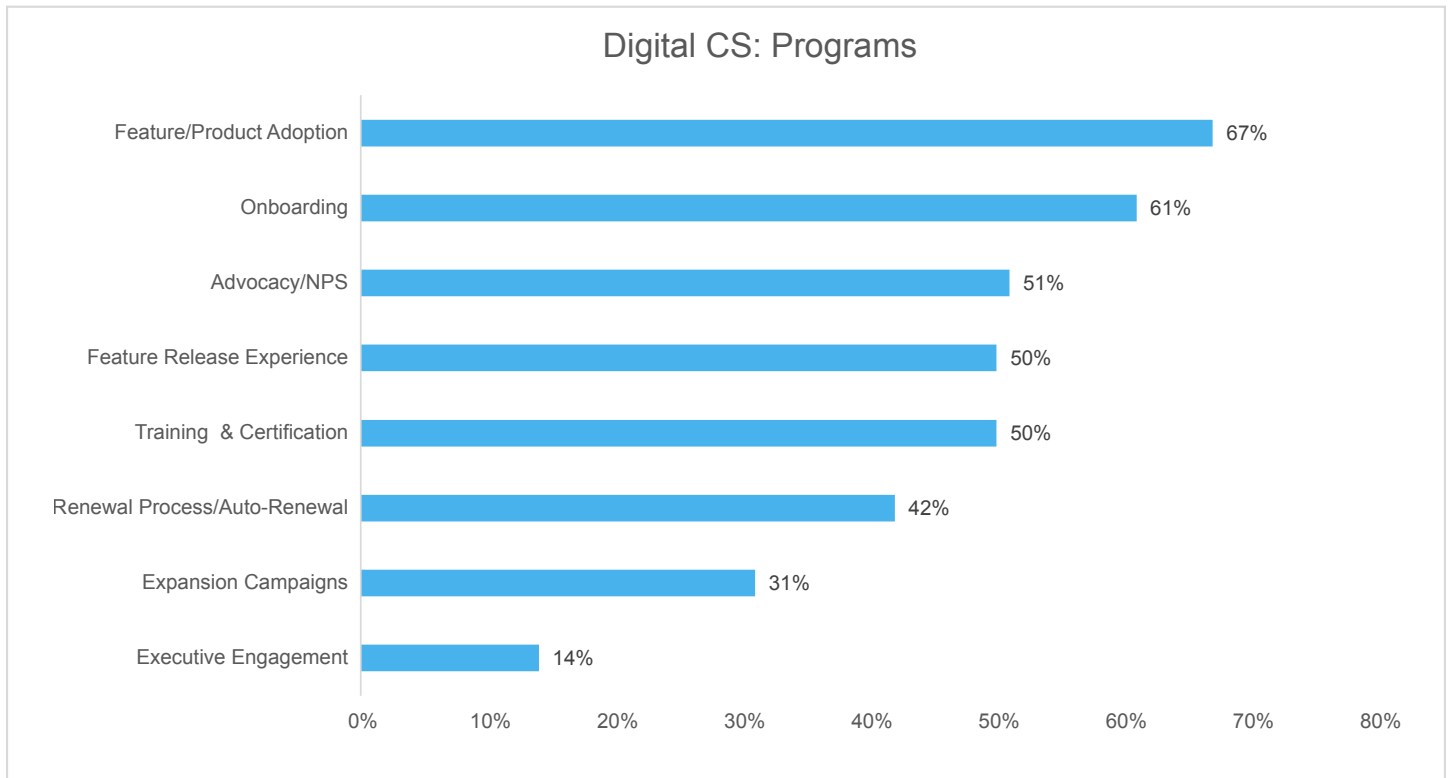
#1 Objective for Digital CS Is Increasing CS Scale and Efficiency



Tyler's Take

"The key driver of Digital CS is retaining customers and keeping costs low. As market pressures to show profitability rise, increasing CS scale and efficiency naturally becomes a top priority. However, we expect to see much more focus on expansion as digital programs mature. Just as the charter for CSMs has expanded to include expansion activities, Digital CS programs will follow suit."

Digital CS Is Being Used to Drive a Wide Range of CS Programs



Tyler's Take

"It makes sense that product adoption is the number-one thing companies are using Digital CS for, but this data shows that there is so much more Digital CS can help companies do. Hopefully, this chart gives you inspiration for the breadth of experiences that should and will become digital-led or digital-only over time, including digital-led onboarding and using Digital CS to automate programs like advocacy, reference matching, training, renewals, and expansion."

▼ Lifecycle (4)

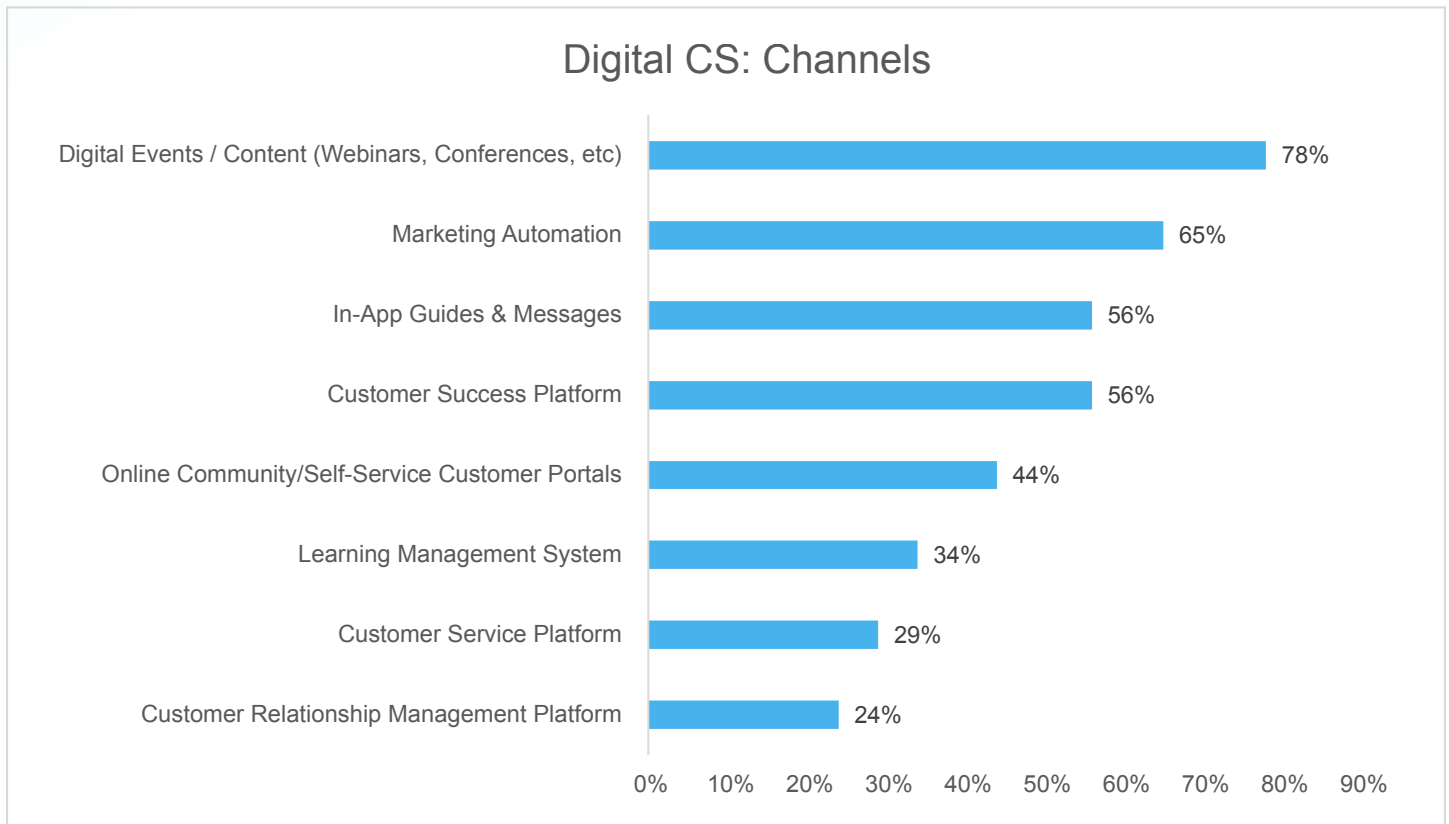
Verified Outcome Expiring	New
Quarterly Business Review	
Renewal In 120 Days	In Progress
Upcoming Executive Business Review	

6.2
Average NPS

Usage analysis completed
Successfully detected

Modules	Features
19	20

Digital CS Simplifies—and Amplifies



Tyler's Take



"If current trends continue, companies are going to be overwhelmed by the number of distinct tools they're using to run their digital programs. With different tools and different teams, they'll struggle to deliver on Digital CS; it's just not sustainable. We see a big opportunity to condense the stack and have a smaller number of more capable platforms that are deeply integrated down to the data model—dramatically reducing integration time and cost. And, critically, ensuring that all customer-related data can be easily used with AI capabilities."

Personalized Customer Communications Is the Next Big Thing

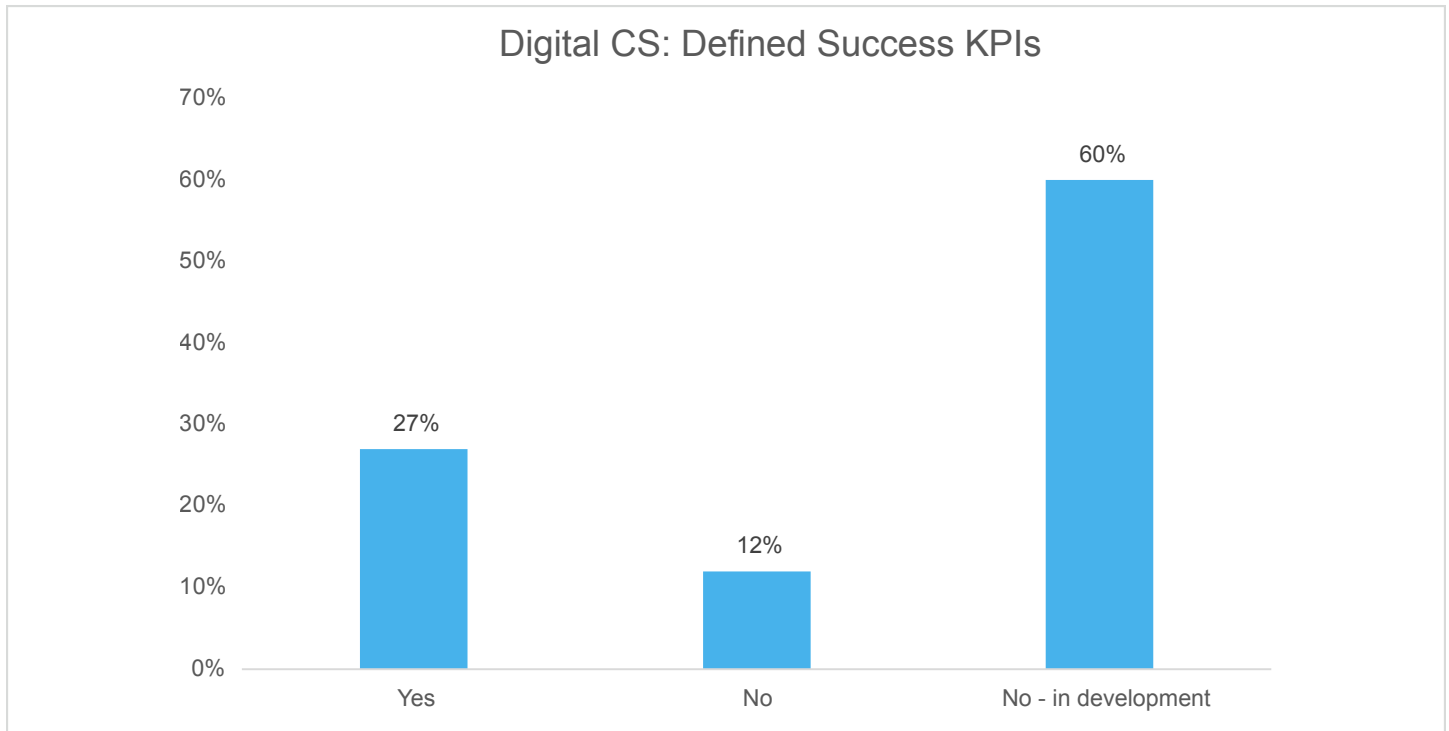
	Proactive Self Service	Personalized Programs + Experiences	Predictive Interventions
Optimized w/ Measurable ROI	5%	5%	4%
Demonstrated Success - Investing More	36%	22%	15%
Just Getting Started	68%	64%	56%
Not a Focus	8%	20%	30%



Tyler's Take

“Not moving to Digital CS is not an option. While the majority of responders are getting started, a large portion have demonstrated success and are investing more. Companies are establishing self-service experiences that scale to all segments. They're also moving on to personalized campaigns that guide users to adopt features that will achieve the customer's goals. In other words, they are clearly connecting specific adoption campaigns to the reasons for purchase. This orchestration requires an understanding of the buyer's needs and individual user behaviors. Be sure to check out our [Digital CS Maturity Model](#) to learn more about making the leap to Digital!”

Digital CS KPIs Are Yet to Be Defined



Tyler's Take

“We're seeing in the data that 27% already have it, and another 60% are working on it. You want to have goals defined for your Digital CS programs, just like you do for your other CS investments. It's just like building the CSM team. You're focused on achieving financial outcomes for your business, so it makes sense that the metrics are very similar. As mentioned earlier, here are specific digital CS metrics and they look a lot more like marketing or growth KPIs that track the signals that lead to high retention, expansion, and advocacy.”

FINAL THOUGHTS

In this state of the industry report for North America, it's clearer than ever that Customer Success isn't just a "nice to have" anymore; it's business critical. And as we face continuing global economic and political challenges, we're seeing that CS is more important than it's ever been.

Here's why.

In addition to a shift in owning a company's most important metrics, including retention and expansion, CS's "identity" in companies has evolved. CS is no longer merely a function; it's now becoming a company-wide endeavor that brings teams together to improve the entire post-sales customer journey, from onboarding to customer education, from retention to community.

One trend in this report that bodes well for this full-journey approach to CS is the increase in the use of Digital Customer Success. That's because Digital CS allows teams across an organization to collaborate seamlessly and efficiently by using a "single source of truth." What we're seeing in the data is that even the smallest companies who don't have headcount for CS (or who don't have a lot of headcount) can use Digital CS to improve how they take care of their customers. And it's just as helpful for enterprise-level companies, because it allows them to scale as their customers' needs grow, while freeing up their teams for higher-value tasks.

Other research we've conducted confirms another indicator that Digital CS is becoming more important: 67% of users prefer self-service over human interaction. Now, we would never promote removing the human touch from CS. Still, through predictive automation, hyper-personalization, and self-service capabilities, Digital CS allows companies to get even closer to their customers. That's why we predict that in five years, Digital CS will be table stakes. Now is the time to bring in Digital CS if you haven't already.

No matter what size your company is—and how deeply you've invested in CS—the news from this report is that there is much opportunity to reap the rewards of a scalable and intentional CS organization.



METHODOLOGY

Gainsight, in partnership with Benchmarkit, conducted research in February and March 2023 to benchmark the Customer Success organizational structure, measurements, Digital Customer Success presence, and key performance indicator benchmarks, including NPS and NRR.

More than 400 companies throughout North America participated in the research across a wide range of company sizes, annual contract values, industry segments, and geographic locations. Participants included every level of management, including C-level Executives, SVPs, VPs, and Directors, both in and outside the Customer Success organization.

This report is specific to participants in North America, and all company profile attributes were collected in US dollars, and company cohorts were created based on US dollar values.

Gainsight | **benchmarkit**

