

The Customer Success Index

2022



Foreword

“How can customer success (CS) increase the valuation of our company? How do we do more with the same number of Customer Success Managers (CSMs)? What are the important customer success metrics to measure?” These are some of the questions that are top of mind for Chief Customer Officers (CCOs) and other executives across industries.

We wanted to better understand the current state of customer success, what executives are focusing on in 2022, the challenges they face, and how companies are scaling their CS Operations (CS Ops). We partnered with RevOps Squared, a benchmarking research firm, to reach out to the largest customer success community for answers. Over 350 companies participated in the research across a wide range of company sizes, annual contract values, industry segments, and geographic locations.

Inside, we've included the most important trends and findings of the research. Here is what I was most interested to see (and what I'm most excited to talk to the CS community about):

- **Companies that reported the highest Net Revenue Retention Rates (NRR) also reported investing 10% of revenue in their CS and CS Ops teams (75th percentile).** Simply put, investing in CS increases revenue and the value of businesses.
- **61% of companies reported having a well-defined CS Ops function or one they are currently building.** The momentum in CS Ops indicates that CS is becoming more strategic to businesses. Through partnerships with CS Ops, organizations are able to operationalize the right processes to drive the desired business outcomes.
- **45% of companies indicated that their CS organization owns renewal responsibilities.** CS organizations are taking on more direct revenue responsibility, proving that organizations appreciate their impact as a growth engine.

I hope you can use the data benchmarked and outlined in this report to see where your CS organization fits against the standards of today. But, more importantly, this report should highlight the quick wins and growth opportunities available to you over the next year.

Armed with this report, your organization can invest in the right people, solutions, and strategies to create a company-wide CS culture that drives revenue and ensures success for all.

Kellie Capote

Chief Customer Officer, Gainsight

Key Findings



👍 CS is well-defined or present in 95% of companies. Whether they are newly formed or more established operations, B2B companies of all sizes prioritize customer success.

📊 CS responsibilities tie directly to business goals and revenue. Churn reduction and product adoption were top priorities, indicated by 83% and 81% of respondents, respectively.

🔄 CS Ops is evolving quickly, with 61% of companies reporting a dedicated organization. While 41% of companies reported their CS Ops function as newly formed, 20% indicated they had a well-established CS Ops team.

📈 NRR is the top customer retention metric. Importantly, 63% of companies said that their CS organization is responsible for NRR performance.

📱 Only 17% of companies assign CS the responsibility of identifying and closing upsell and/or cross-sell opportunities. Most companies leave it to Sales or Account Managers to identify and close these opportunities.

📉 NPS is used by 80% of companies to track customer satisfaction. However, only 37% of companies measure NPS for executive buyers or platform administrators.

📦 Companies reported a considerable discrepancy in NPS between users and executive buyers. This highlights the need for verified outcomes and mutual success plans that establish the goals for each customer stakeholder.

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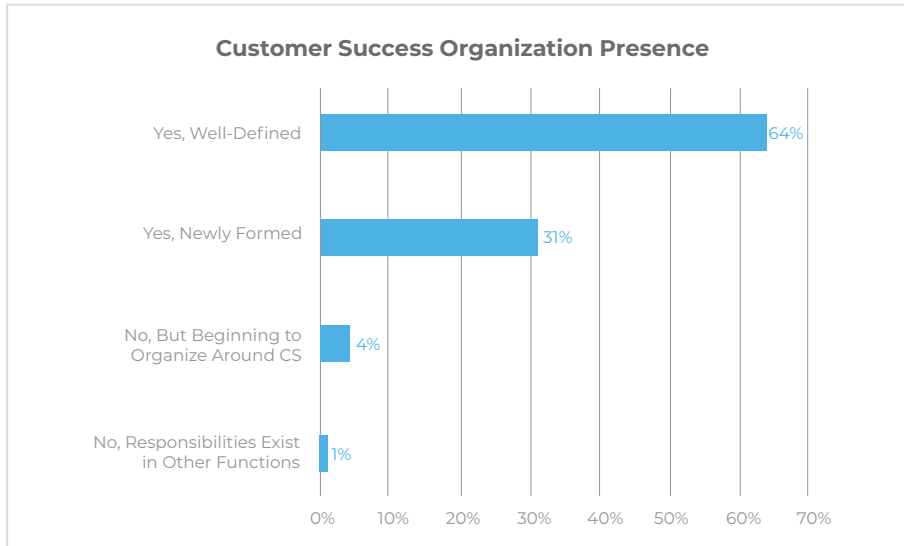
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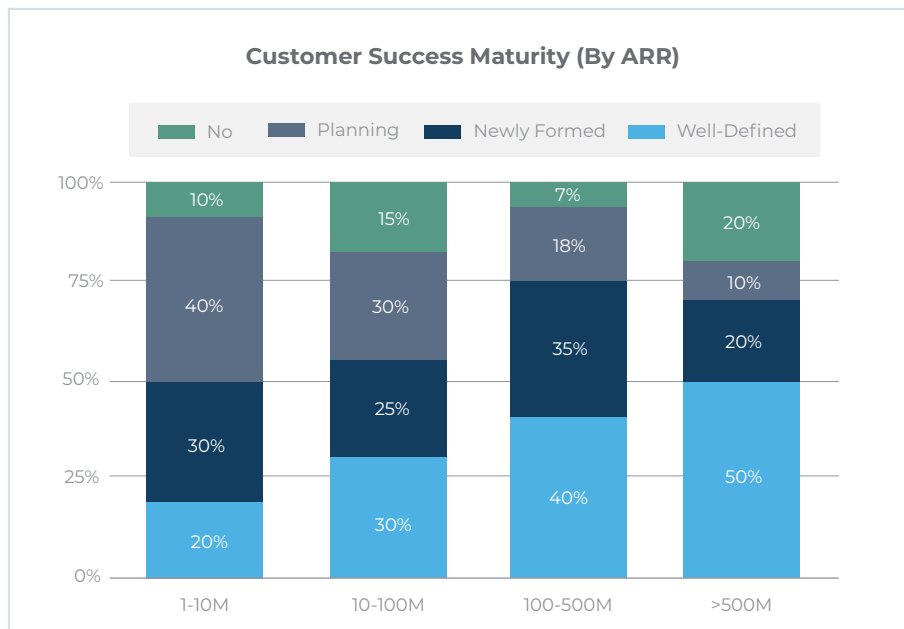
The Growth of CS

A Customer Success Team Is Table Stakes at Almost Every Company



95%

95% of companies mentioned that they have a customer success function in their organization.



70%

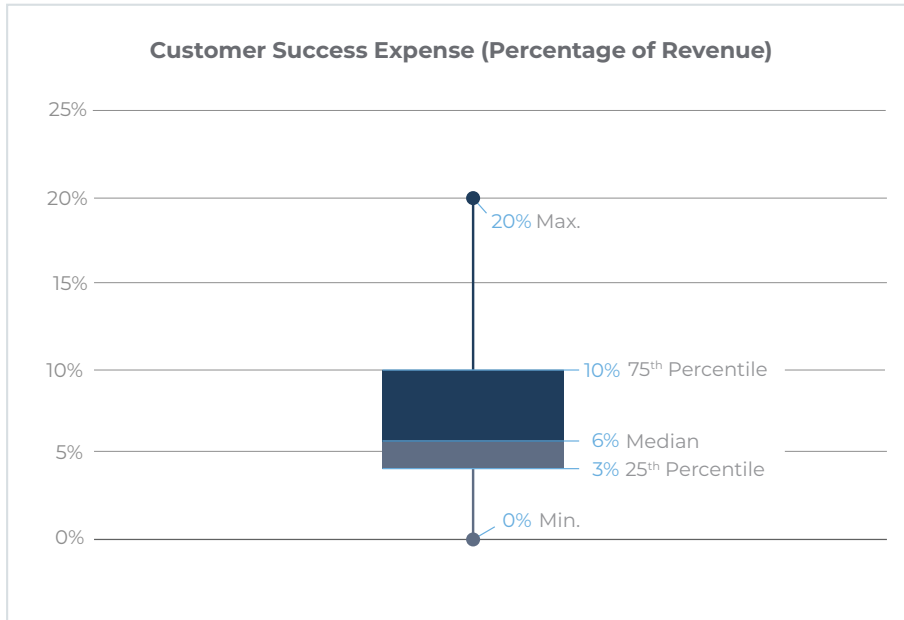
Companies with \$1-10M in ARR have the lowest percentage of well-defined CS organizations, but 70% are either planning or have newly formed organizations.



Kellie's Take

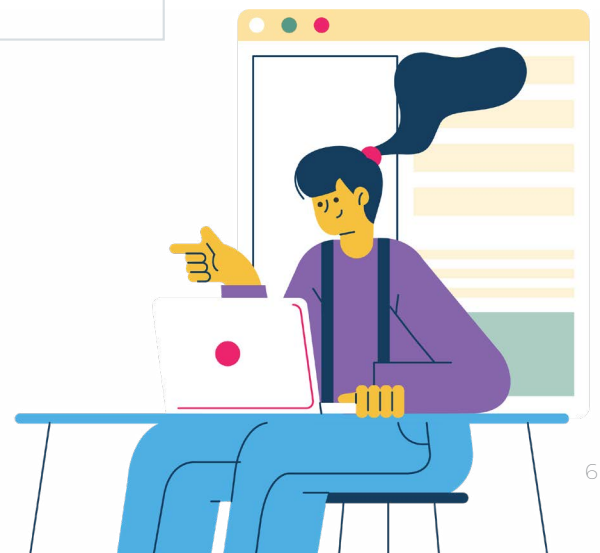
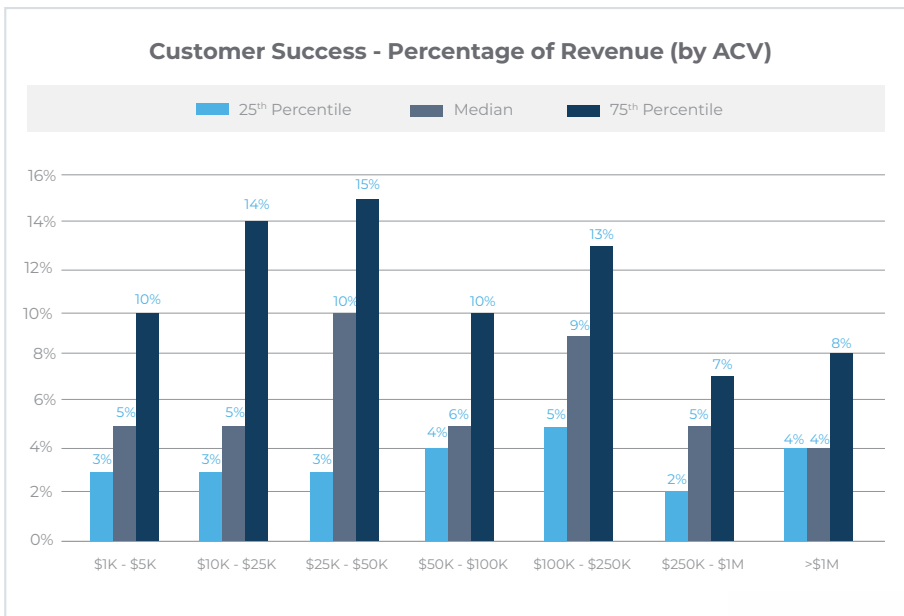
“The standard for B2B companies is fast adoption of customer-centric business operations. If it’s not built into the core of your business as you grow, you’ll find it harder to implement down the line.”

Companies Spend Anywhere From 3% to 20% of Revenue on Customer Success

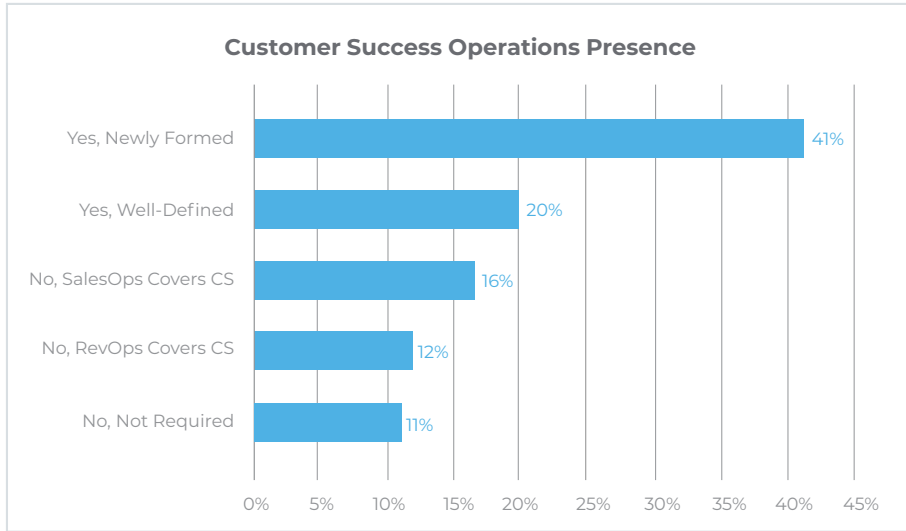


Kellie's Take

“Understanding the ROI of CS is much easier when the budget is separate from Marketing and Sales operations. Establish a CS budget to identify efforts that directly impact your revenue and customer growth.”



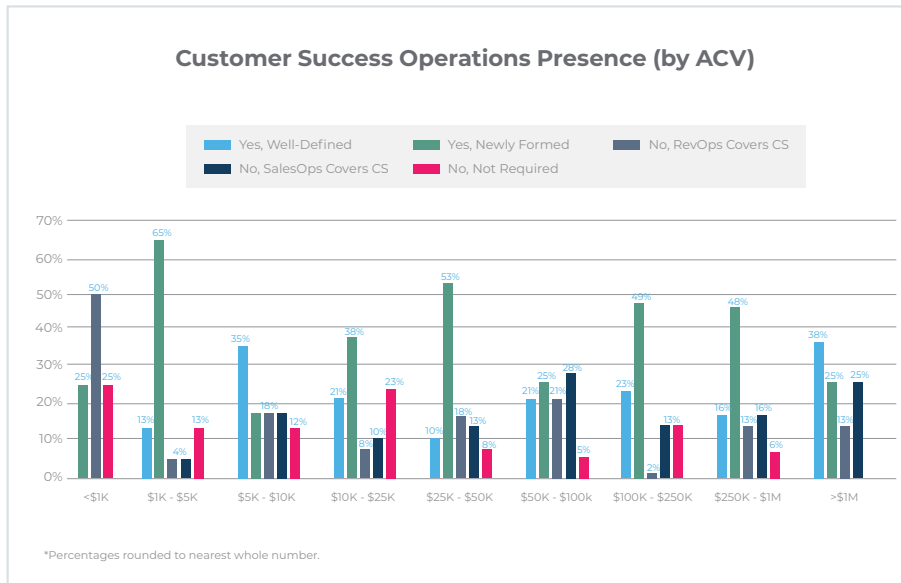
As Companies Grow Their Annual Contract Value (ACV), They Invest More in Customer Success Operations



41%

41% of companies indicated that their CS Ops organization was newly formed.





ACV

While company size doesn't seem to impact CS Ops formation, ACV does seem to have an impact.

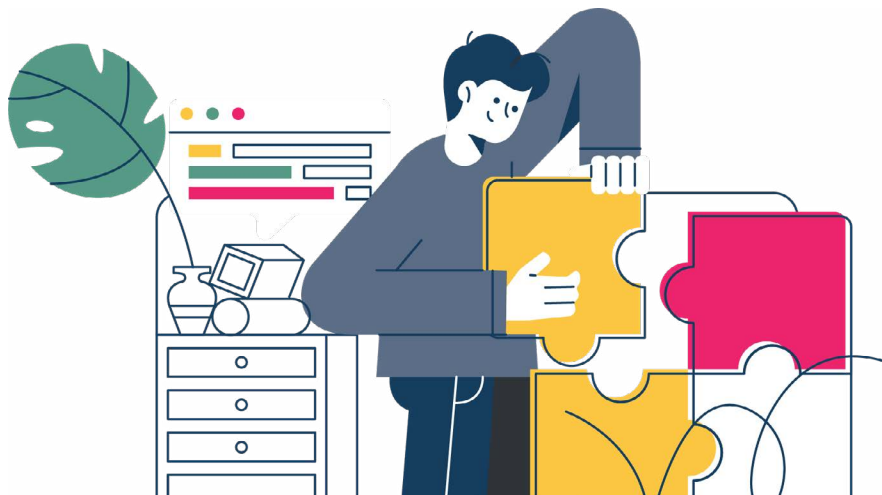
< \$1M

As contracts grow from \$25K-\$1M, companies start to invest more in their CS Ops organizations.

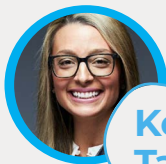
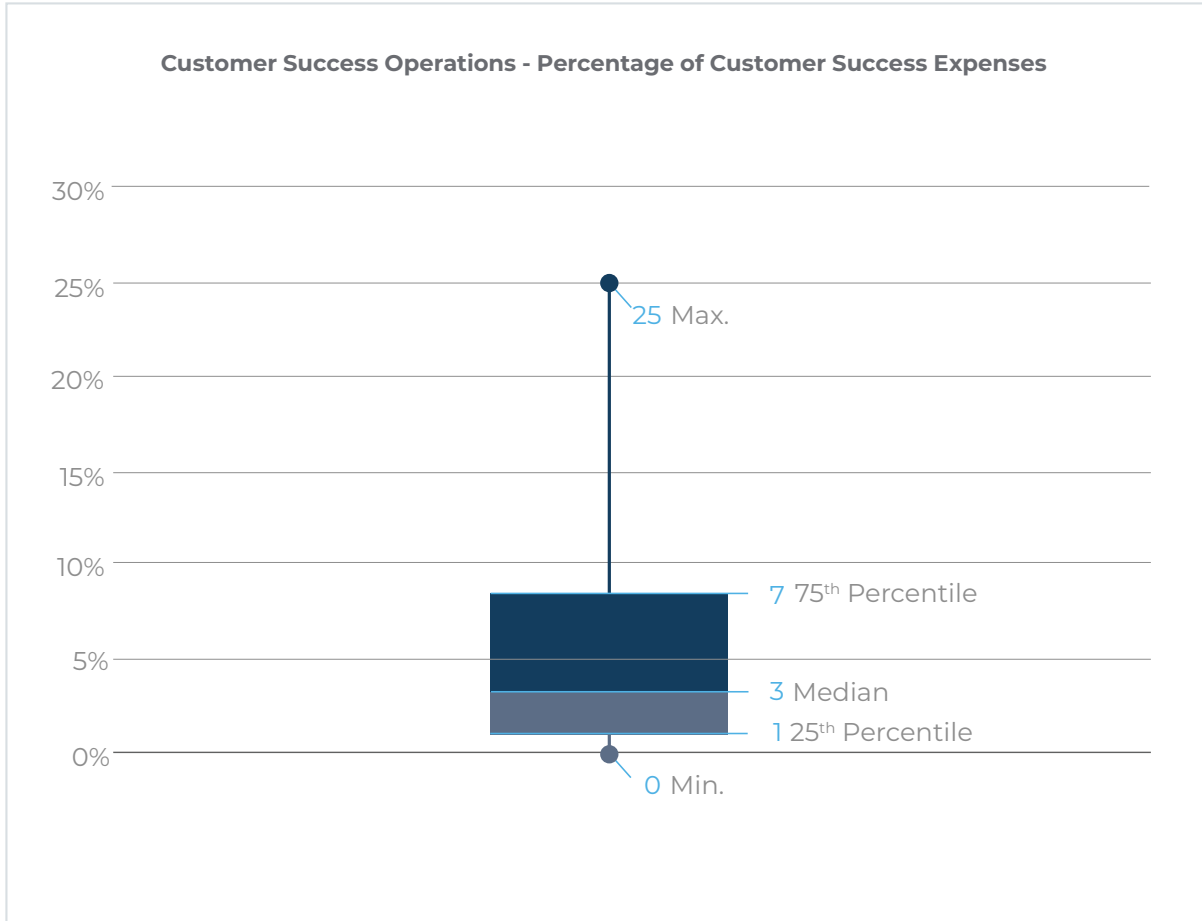


Kellie's Take

"CS Ops is rapidly evolving, with almost half of companies reporting newly created organizations. Even if you don't need it right now, creating a plan for when and how you'll form your CS Ops organization is critical for quick and scalable growth."



Customer Success Operations Represents Between 1% and 25% of Customer Success Spending

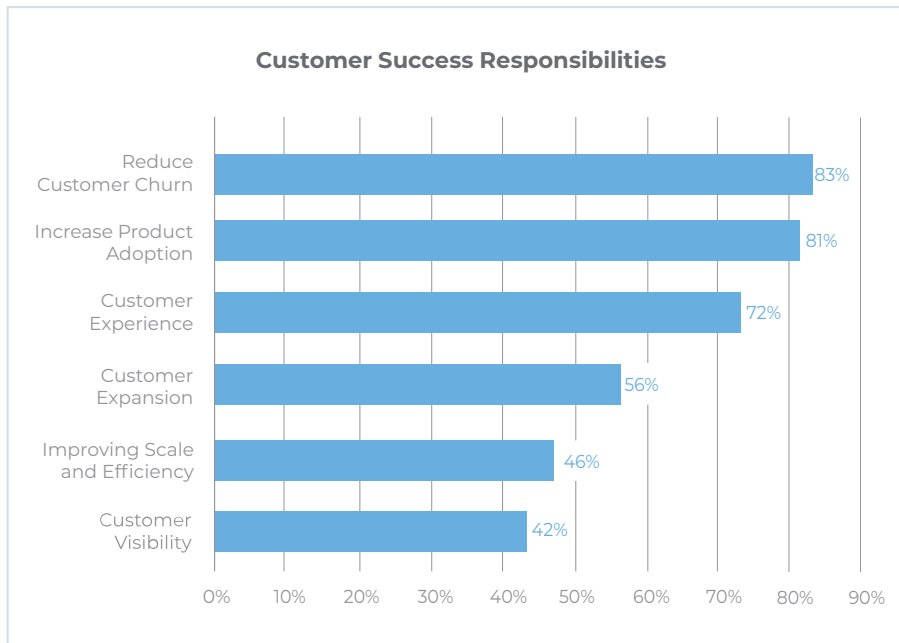


**Kellie's
Take** 

“The median spend on CS was 6% and the median spend on CS Ops is 3% of that CS spend, amounting to .18% of total revenue spend. This will be an important benchmark to watch over the next year.”

The Role of CS

Increasing Product Adoption Is Emerging as a Top Customer Success Responsibility



83%

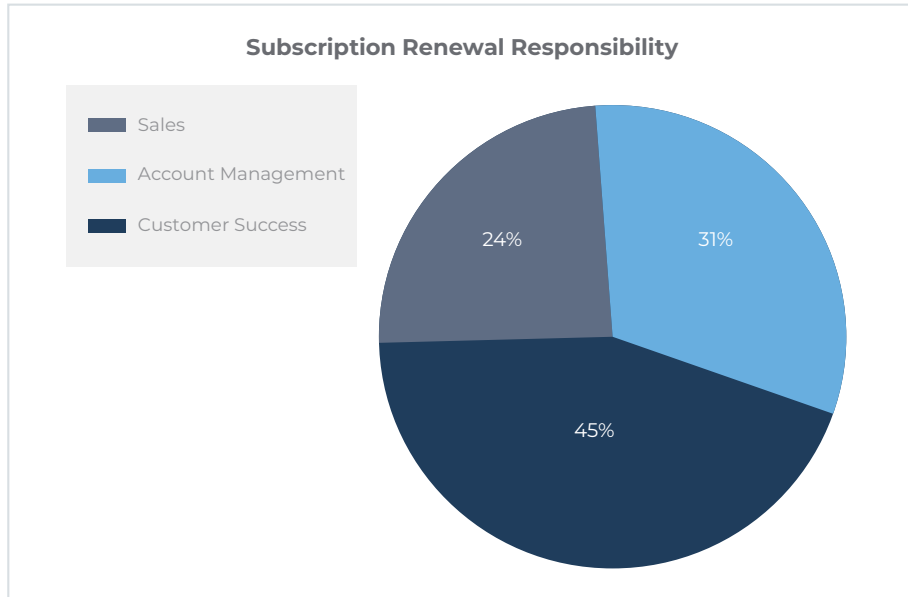
Reducing churn and increasing product adoption were identified by 83% and 81% of companies, respectively, as the top responsibilities for customer success.



**Kellie's
Take** 

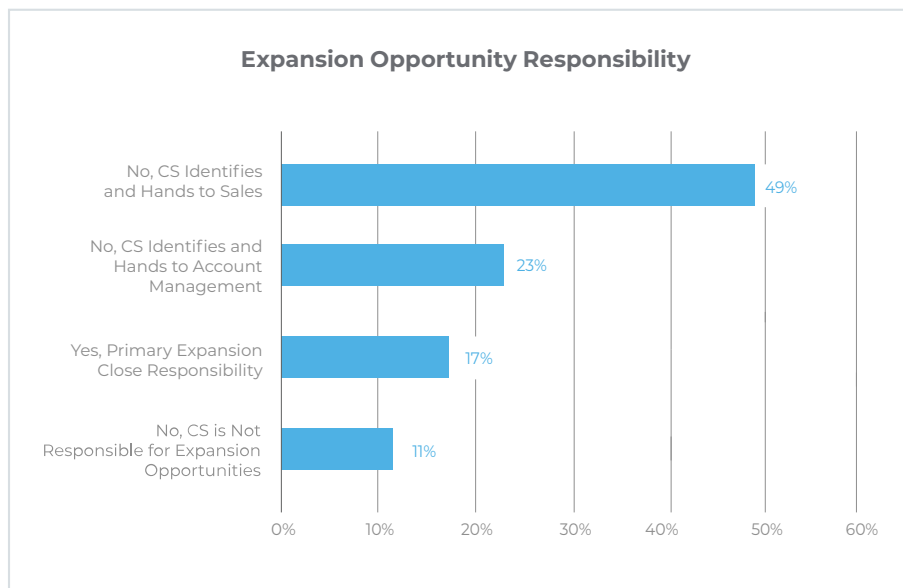
“Reducing customer churn remains the primary responsibility for customer success, but increasing product adoption is an emerging responsibility, underscoring the value of customer success as a growth driver.”

An Emerging Minority of Companies Have Customer Success Driving Expansion



45%

CS is responsible for renewals in 45% of companies surveyed.



17%

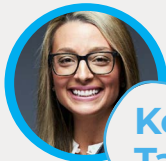
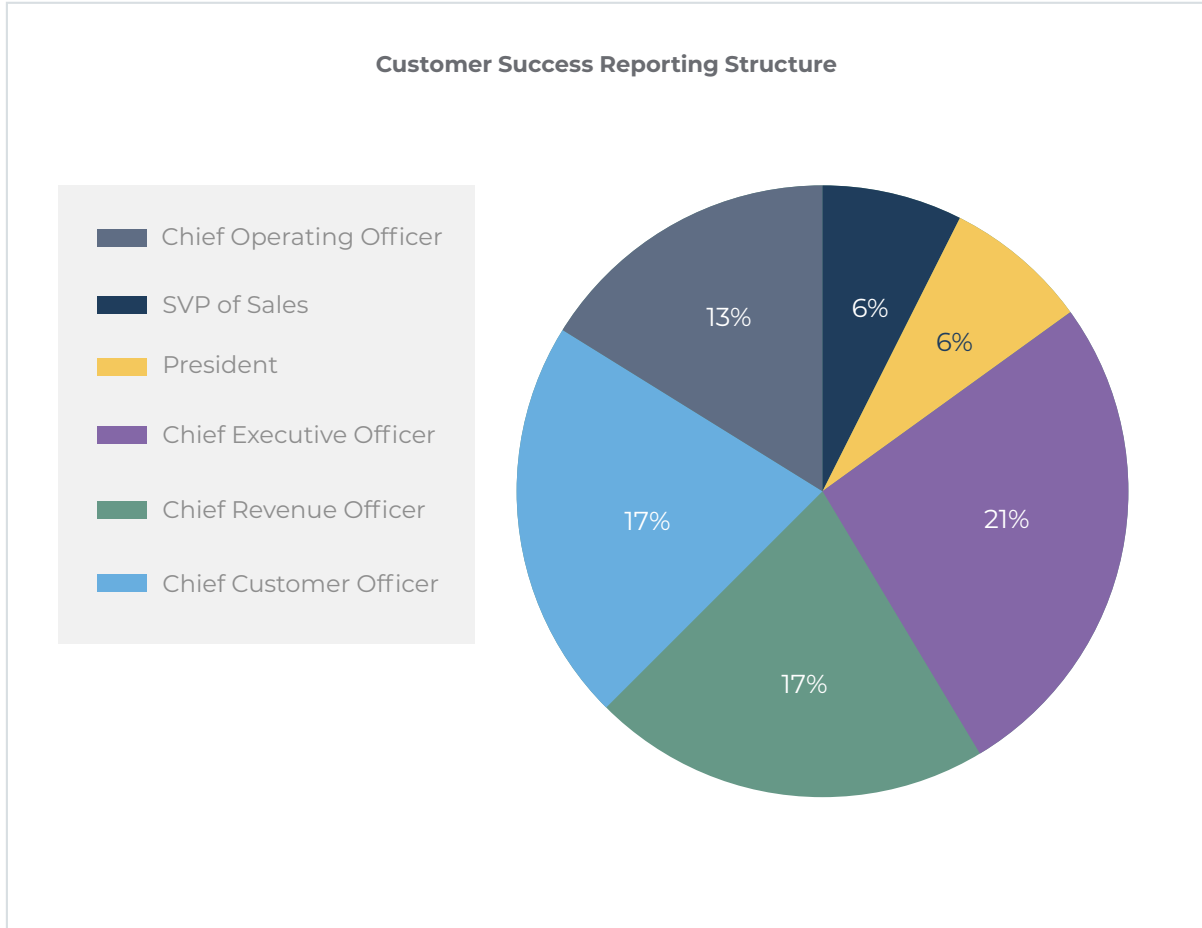
CS is responsible for closing expansion opportunities in 17% of companies.



Kellie's Take

“Even if Customer Success isn’t directly involved in closing the opportunities, the teams play a big part in identifying and setting these opportunities in motion. Expansion isn’t sold, it’s earned — in large part by the work of CS teams.”

The Head of Customer Success Most Often Reports to the CEO

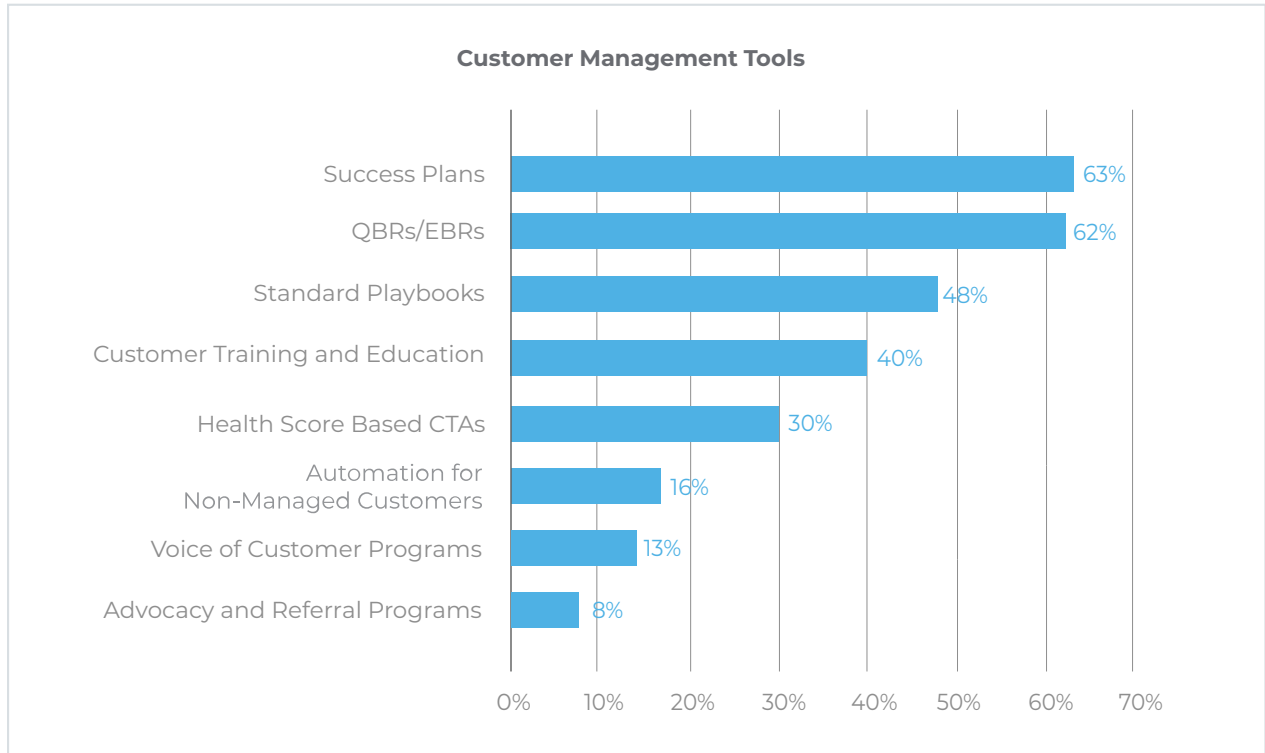


**Kellie's
Take** 

“A majority of companies indicated that their Customer Success teams reported to either the CCO (if applicable), CRO, or CEO. With CS seen as a new growth engine, we predict an increase in CCOs over the next year.”

Measuring CS

Success Plans and QBRs Are the Most Used Customer Management Tools



63%

63% of companies identified success plans as the top tool used to manage customers.

62%

Quarterly business reviews (QBRs) came in a close second with 62% of companies identifying it as the tool most used to manage customers.

13%

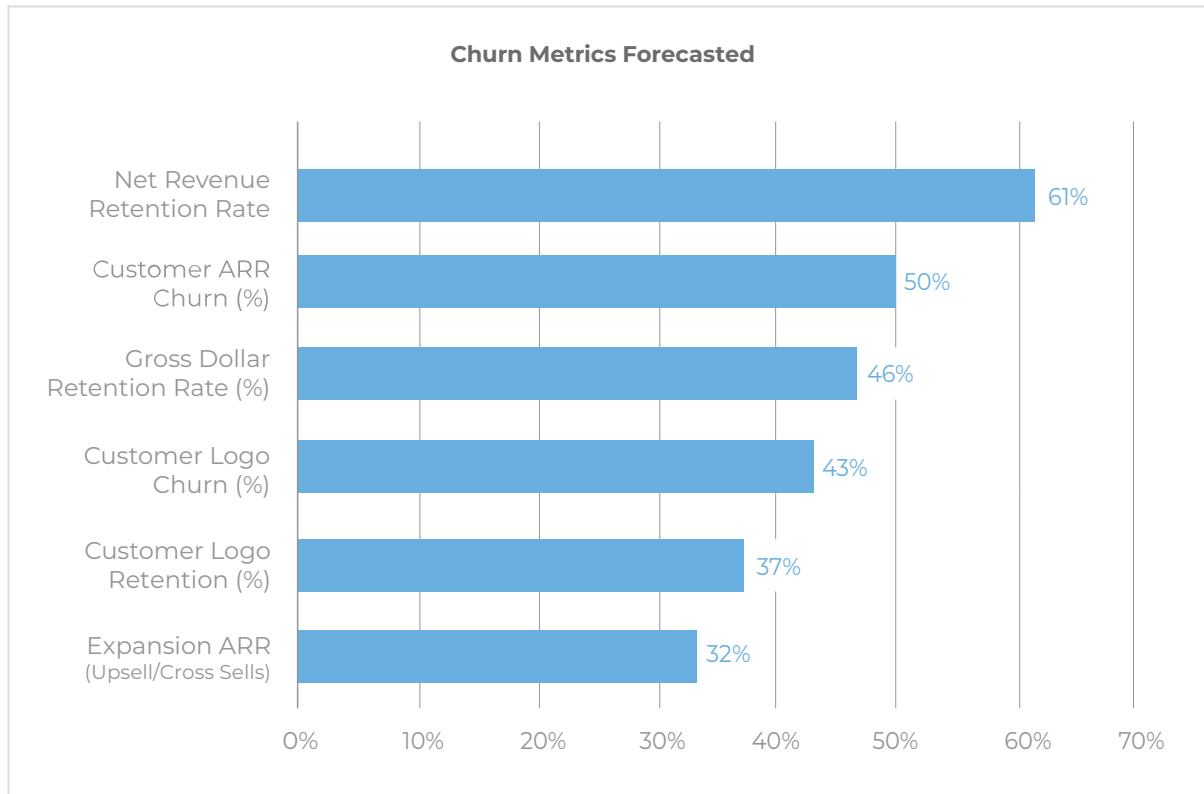
Voice of Customer programs were very low on the list of tools used, at only 13% of companies.



**Kellie's
Take**

“Success plans are helpful to reduce churn, but mutual success plans, where the customer is also responsible for key milestones, helps increase adoption and expansion. Creating an in-app engagement that collects direct feedback from your customers is also a huge growth opportunity for most companies in the next year.”

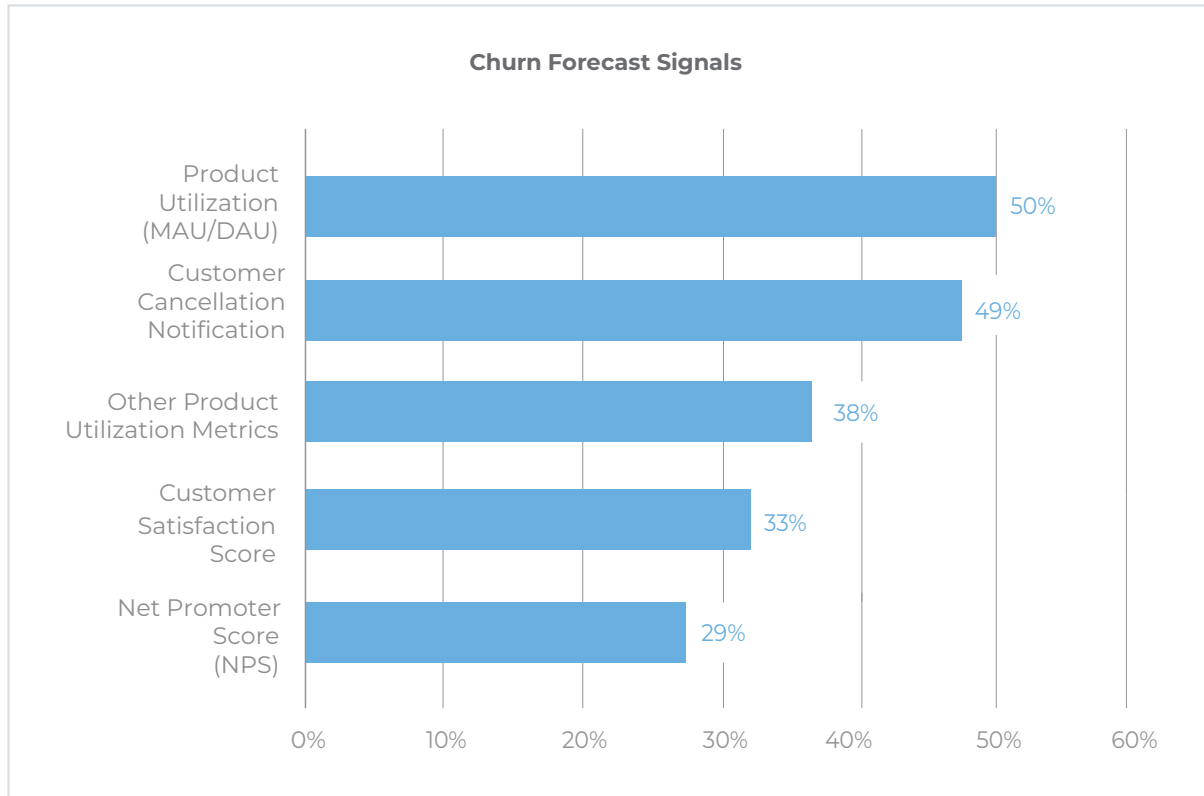
NRR Is the Most Used Metric to Forecast Churn and Retention



**Kellie's
Take**

“When asked what churn metrics companies used to forecast, most said NRR. It’s the single metric companies are using to understand the health of their customer base and CS strategies. When you align everyone around a single growth metric, you’re able to make the best decisions for your customers in everything from product roadmap to engagement playbooks.”

Product Utilization Is the Leading Churn Indicator

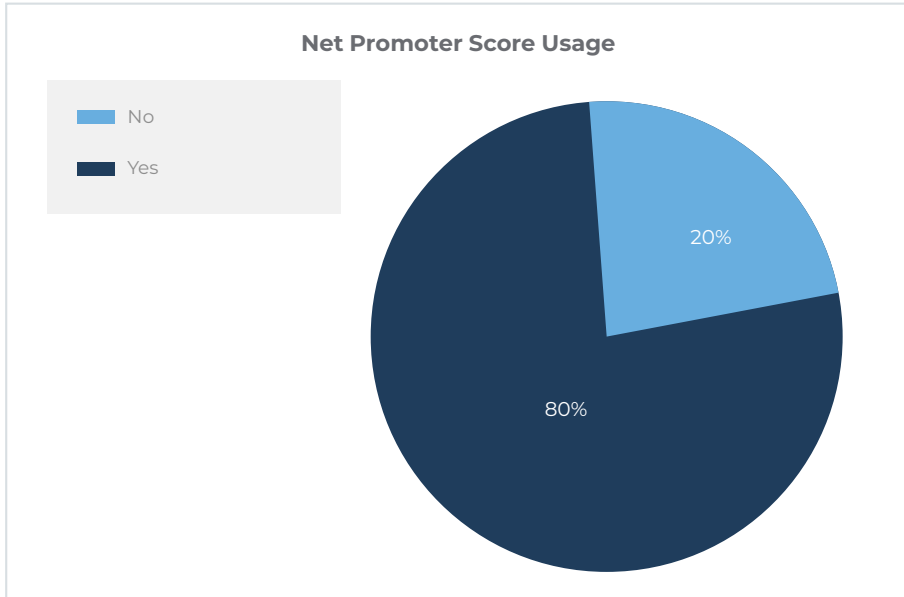


**Kellie's
Take**

“Although 80% of companies track Net Promoter Score (NPS), 88% prefer to use product utilization metrics to forecast churn. Investing in product analytics that provide actionable insights beyond Monthly and Daily Active Usage helps retain and grow your current customers.”

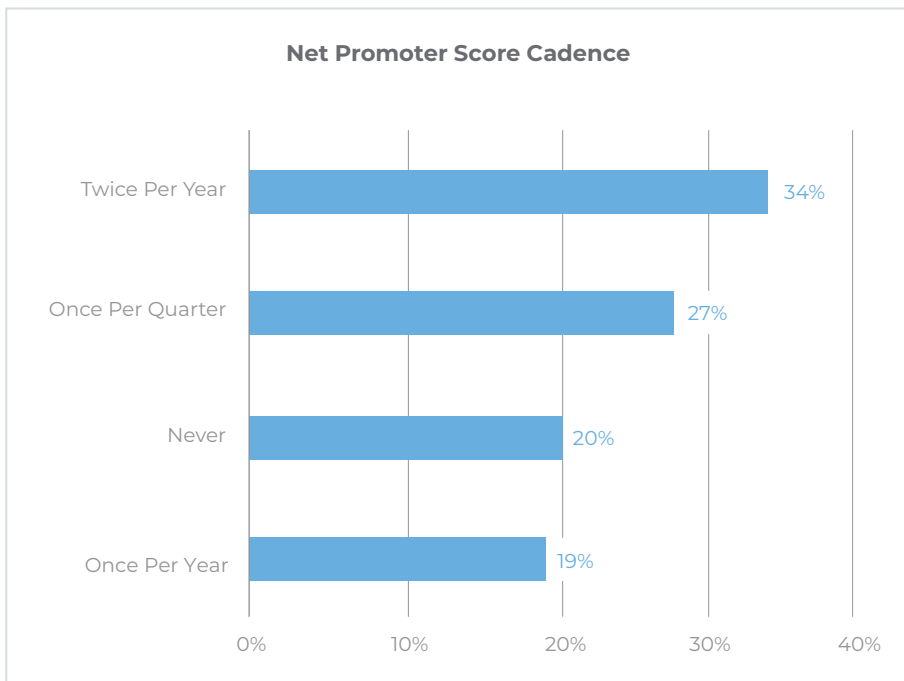


Net Promoter Score Remains the Leading Measure of Customer Satisfaction



80%

80% of companies report using NPS as a key customer satisfaction measurement.



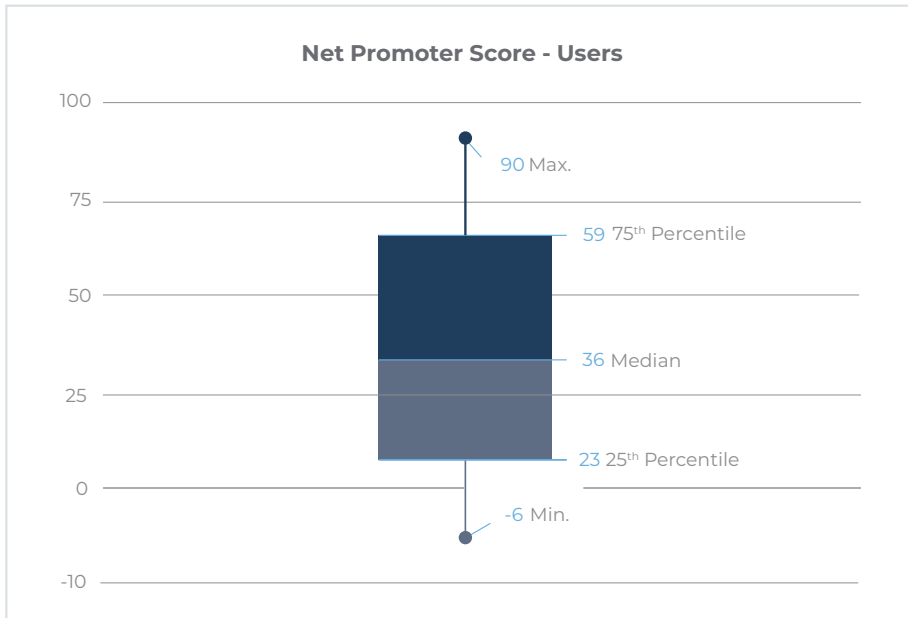
34%

The most common cadence to measure NPS is twice per year (34%) with another 27% highlighting a quarterly cadence.

19%

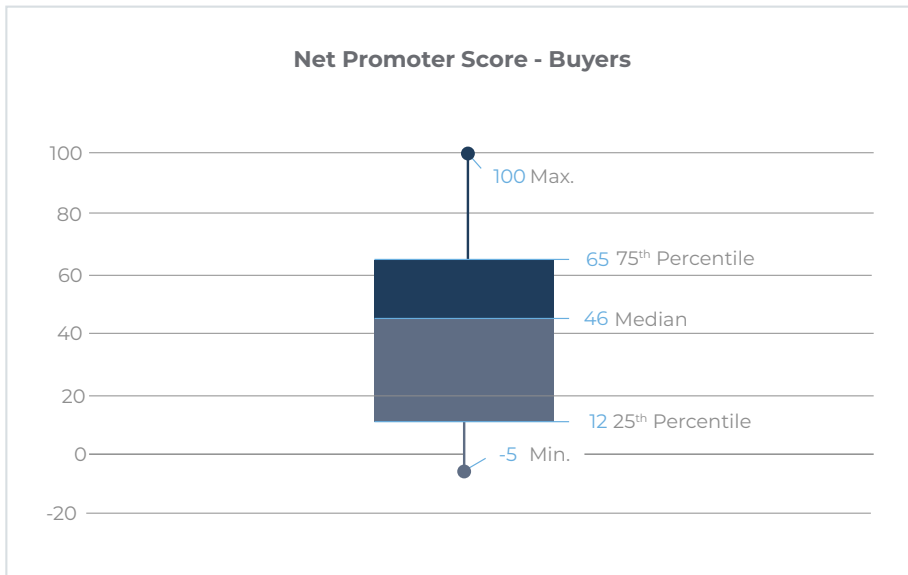
Only 19% of companies reported measuring NPS once a year, which, combined with 20% of companies not measuring NPS, indicates 39% of companies do not gather regular feedback regarding their customers' level of satisfaction.

There's a Huge Gulf Between User and Buyer NPS Scores



-6

The median NPS for users was 36, with the lowest score reported as -6.



46

Executive buyers reported the highest NPS with a median of 46, but only 37% of companies reported surveying buyers for NPS.



Kellie's Take

“The 10-point difference between NPS scores for users and executive buyers reflects a discrepancy in value delivered. Using mutual success plans and digital-led onboarding strategies, you can improve time-to-value for your customer’s entire company. Additionally, expanding your NPS surveys beyond executive buyers and users, to all levels of your customer’s organization, will help improve relationships and get a clearer picture of your perceived value.”

Final Thoughts

After talking to 350 companies about important topics, such as how CS organizations measure customer satisfaction, how the value created by CS is measured, and key factors used to impact and forecast customer retention and growth, the benchmarks in this report emerged as the most impactful.

They help to understand how you match up to the industry in 2022, as well as revealing opportunities for growth.

What's obvious is the universal adoption of CS by B2B companies, as 95% of companies reported having a CS organization in place. By any measure, the almost universal presence proves the maturity of CS. Equally important are the investments companies are making to grow the impact of CS. We saw that investment equals 6% of revenue at the median, with a range of 3% (25th percentile) to 10% (75th percentile).

The emergence of CS Ops reached an inflection point in 2021, with 41% of companies reporting they have recently formed a CS Ops function. This represents an incredible 300% growth over the 20% of companies that reported having a mature CS Ops function.

Maturity is more than just presence, though. Companies would not prioritize customer success or CS Ops if they weren't delivering on important business outcomes. The research shows that NRR is the number one measurement that CS is responsible for. NRR is a primary predictor of a company's valuation, and as such, highlights the strategic and long-lasting impact that customer success has.

One of the more interesting opportunities the data highlights involves NPS, a more traditional measurement of customer success. As you saw, 80% of companies use NPS as a measurement, but surprisingly only 51% conducted NPS surveys specific to users, and only 37% targeted NPS specific to executive buyers. Capturing NPS across the primary stakeholders, including executives, users, and administrators, provides an untapped opportunity to understand better how specific stakeholders view your solution and, over time, will highlight the correlation of NPS by cohort to customer retention.

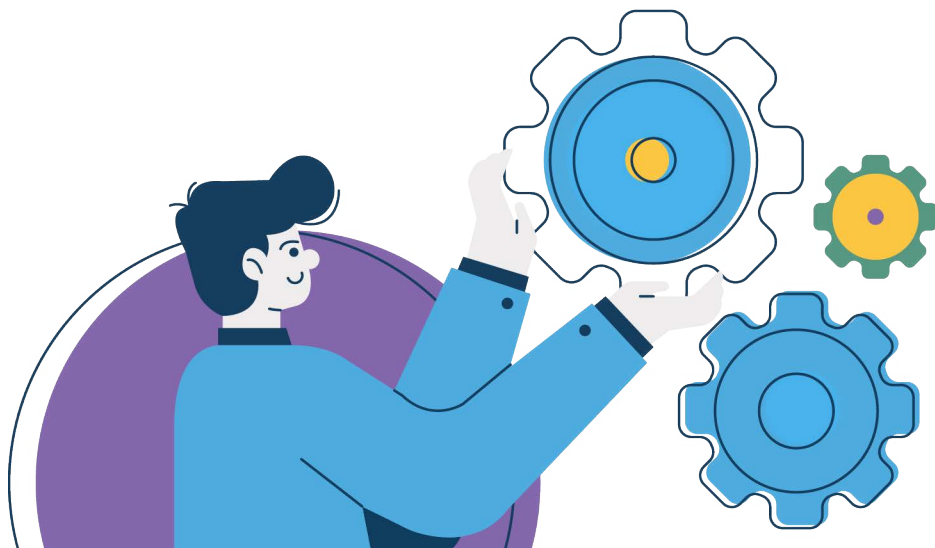
The data highlights that executive buyers have a median NPS of 46, while users were only at 36 NPS. This divergence suggests the opportunity to better understand the factors driving lower satisfaction for users and how to leverage your product to deliver that value faster.

One of the most significant areas of opportunity the research identified was the leading indicators used to predict and forecast churn. On a positive note, 50% of companies reported using basic product analytics, such as Monthly and Daily Active User trends and their relationship, to predict potential churn. Forty-nine percent of companies reported that a customer cancellation notice was a top indicator of churn. Interestingly, less than one-third of companies use NPS or customer satisfaction scores as a primary indicator of customer retention challenges.

All of this reveals an opportunity to use more sophisticated tools, such as enhanced product analytics and in-app engagements, coupled with assessments on the business value received, to improve retention, while driving adoption and expansion.

Product and CS must work hand-in-hand in the coming years to deliver value to customers and increase NRR.

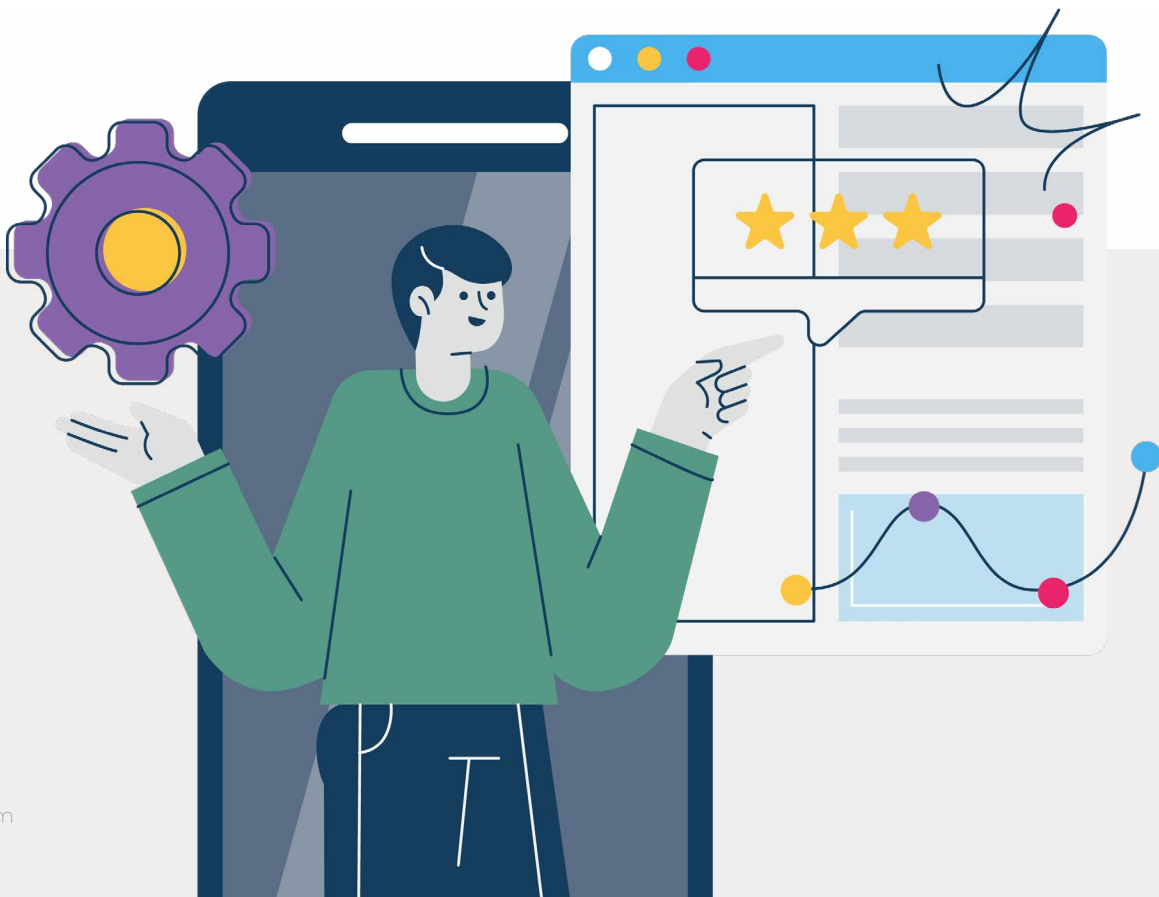
The data makes clear that CS, as a profession and an ethos, is ingrained in B2B SaaS and Cloud companies. As leaders, we have an opportunity to double down on the trends shown in this report over the next year to increase revenue and valuation for our companies. We can do all of this while helping our customers reach new levels of their own success.



Methodology

Gainsight, in partnership with RevOps Squared, conducted research throughout November and December 2021 to benchmark Customer Success organizational structure, customer retention process measurements, and performance metrics as well as including NPS, Gross Dollar, and Net Dollar Retention rates.

Over 350 companies 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, Senior Vice Presidents, Vice Presidents, and Directors, both in and outside of the CS department.





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