

Gainsight®

RevOps<sup>2</sup>

# THE EVOLUTION OF CUSTOMER SUCCESS REPORT

Role Expansion and Compensation in 2023



60  
OUTCOMES

50  
OVERALL

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# FOREWORD

**IT'S OFFICIAL:** Customer Success (CS) is firmly established at the “adults table” in SaaS companies and beyond.



We've been seeing this transition for years, but our 2023 Evolution of Customer Success Report proves it. Companies have figured out customer success isn't just a “function” it's key to driving business value. And that value is showing up in capacity and compensation trends across the org chart.

We're all very well aware of the current uncertainties that businesses in general, and tech, in particular, are experiencing in 2023. Recession has been knocking at the door for almost a year. Layoffs seem to be announced daily. Every CFO has issued a “do more with less” mandate.

Software companies faced difficult choices in terms of resourcing across teams. However, in April 2023, Harvard Business Review noted that a portion of the companies mistakenly suffered in the tech downturn due to a “misunderstanding of Customer Success in a [subscription model]. The report highlights the unique role of Customer Success in a downturn—“CS affects revenue in at least two ways that, when combined, are usually bigger than cost savings from decreasing CS headcount.” Churn reduction and expansion are, of course, the two primary outcomes of Customer Success.

It's important to note that this survey was conducted earlier this year, which means the data and the positive trends in CS we're seeing reflect the current state of play in business.

We partnered with RevOps Squared, a benchmarking research firm, to conduct the research reflected in this edition of our report. An estimated 740 CS professionals in North America participated in the research across a wide range of company sizes and annual contract values. The majority of those are in the B2B technology industry and have been working in CS for more than six years.

Because we wanted this report to work hard for our industry, we went beyond traditional compensation metrics.

This report benchmarks important evolutions in our industry, such as Digital Customer Success and Community Management. We hope this data arms you with rich insights into how these strategies can expand your CS footprint in a scalable and efficient way.

And because CS is now a more mature industry and the experience of those in this field is growing, we wanted to capture data that shows how companies are making strategic decisions around planning and capacity-building in CS.

For long, we've had a fairly simple approach to CS capacity: more customer spend equals more CS head count. But the market is changing, and everyone is having to make hard decisions about compensation and headcount. CS is changing, too, to respond to these bigger market forces. Our data can help you manage through uncertain times and achieve the holy grail of durable growth.

The old adage that the employees that are closest to revenue are viewed as the most strategic holds, and this report shows that this has never been more true for Customer Success.

In fact, there's a lot of good news for our industry in this report. Let's dig in.

**Tyler McNally,**  
*SVP, Customer Experience  
& Customer Success Operations*

Gainsight

# KEY FINDINGS



## Customer Success is a priority for most companies.

**98%** of companies plan to maintain or grow their CS org in 2023, even in an atmosphere of cautious capital, reduced expenses, and an increase focus on durable, profitable growth.



## Customer Success is incorporating scalable digital experiences like community programs.

Although, currently, only **26%** of survey participants responded to having a dedicated community management function, our research shows this area will increase over the next two to three years, reflecting the overall growth of Customer Success when it was at the same point five years ago.



## In fact, over one-third of companies have already established formal digital customer success roles.

**36%** of companies already reported they have a Digital CS currently, so there's clear room to grow and a large opportunity for investments in Digital CS to free up CSMs to support a larger revenue base. 51% percent of those who do not currently have a Digital CS motion said they plan to invest in one for 2023.



## Customer revenue is the #1 factor in determining CS capacity.

**71%** of companies use customer revenue as the primary factor for determining CSM capacity, while 57% use CSM capacity availability as a primary factor.



## Experience in CS bodes well for the future.

An increase in the number of Senior Vice President and Chief Customer Officer positions in the market means the future as a CS professional is bright. A reported **27%** of companies indicated they had a CCO and 20% had SVPs.



## Customer Success compensation is on the move—up.

Almost **2/3's** of Customer Success professionals saw total compensation increase in 2022. Approximately one-third of those saw an increase in total compensation by 6% or more.



## C-Suite and SVP CS roles and salaries are also rising.

**46%** of companies increased compensation for their CS VP roles by up to 20%, indicating great growth opportunities for CS executives at this level.



## Two financial measurements rule all.

Across every position in Customer Success, the **top two** measurements that impact incentive compensation are Renewal/Retention Performance and Expansion Revenue. But surprisingly, the indicators of these measures—customer experience, business value/outcomes, and user adoption—are only used by one-third of companies when evaluating incentive compensation.

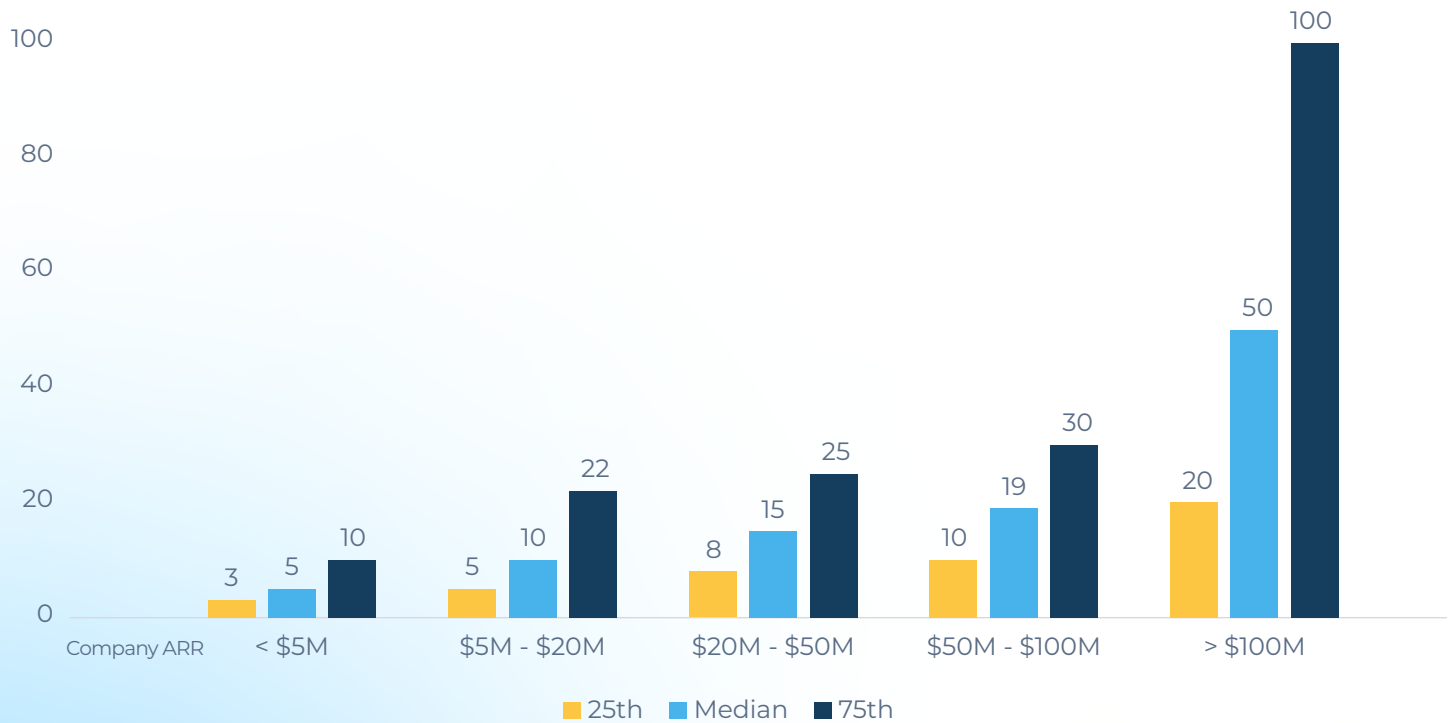




# CS PRESENCE IN COMPANIES AND ROLES

## Customer Success is More Strategic Than Ever

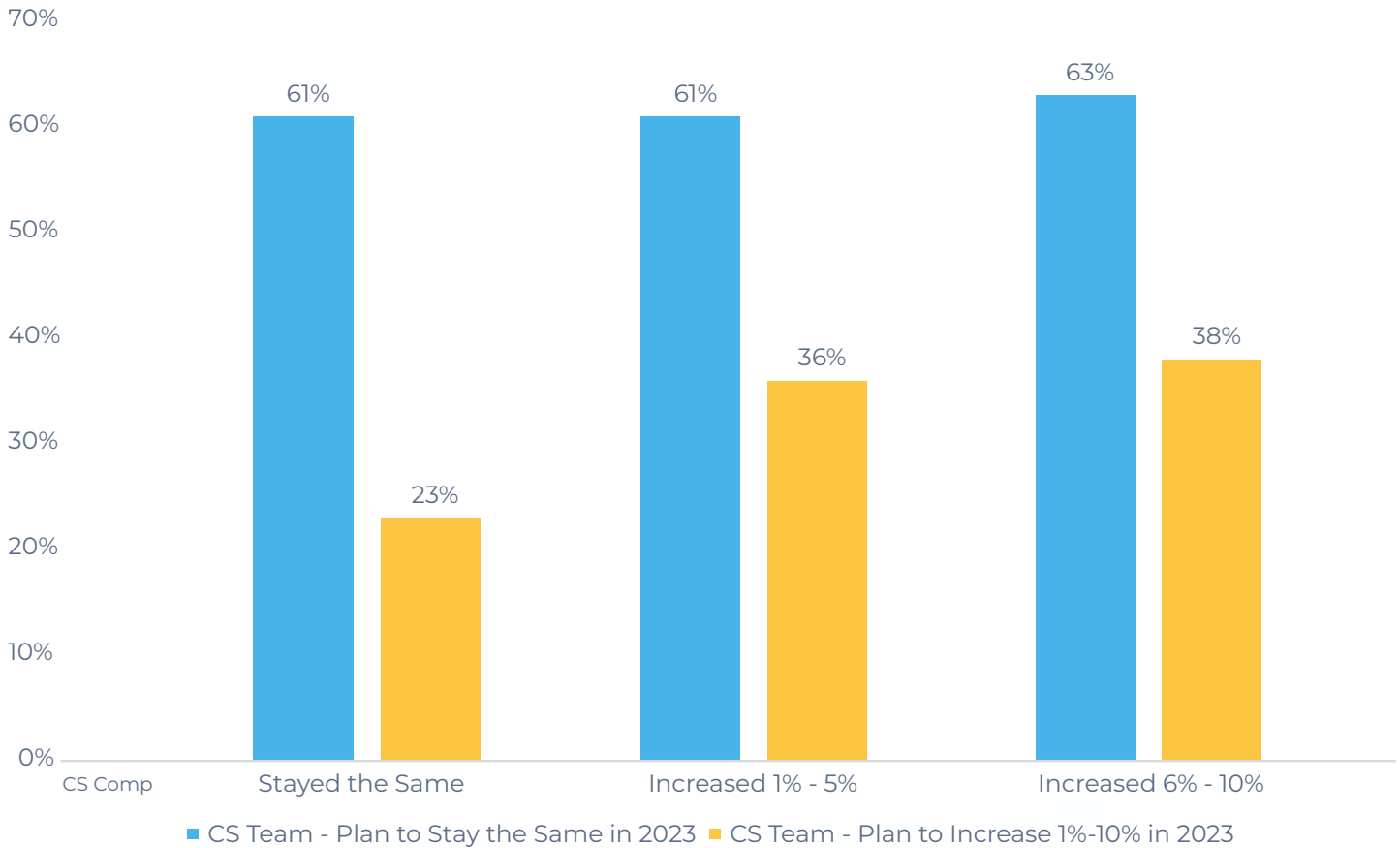
Number of People in Customer Success



**A major takeaway from this report** is that the strategic value of customer success is higher than ever. 61% of survey participants said they are responsible for revenue growth. This data shows that CS teams are core to business revenue, even for the smallest companies in our research. It's clear that building CS capacity is something that should be done as early as possible, just as you would with sales and product teams.



## Change in CSM Comp During Last 12 Months - Impact on Plan to Increase CS Team in 2023



Further, most companies are investing in CS as the market slows down. In the last 12 months, 76% of companies maintained or grew their CSM teams. Looking at compensation, 63% of our survey participants said CSM compensation increased. And this year (2023), 98% plan to stay the same or grow the CSM team!

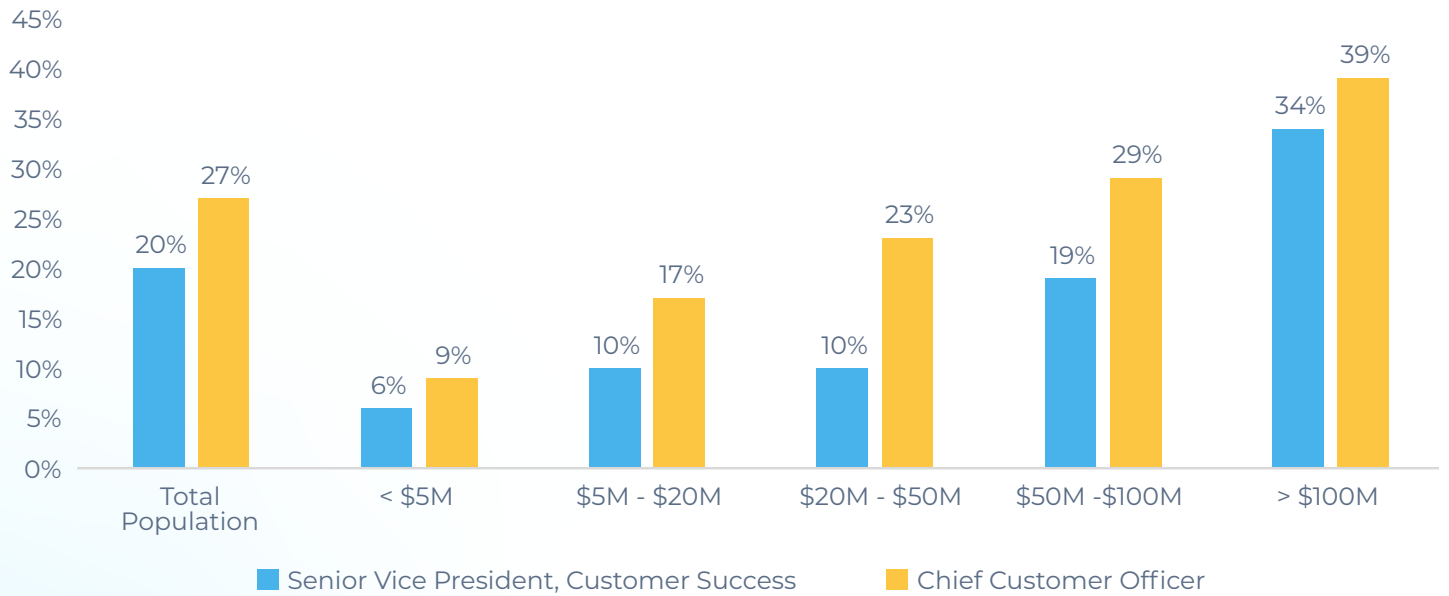
Recall the HBR article from the introduction highlighting the companies leveraging CSMs to protect revenue and find new sources within the customer base.

Last 12 Months	VS.	Plans for 2023
<b>76%</b> of companies either increased or maintained the number of people in Customer Success		<b>98%</b> of companies plan to either increase or maintain the number of people in Customer Success

But with 53% of companies either maintaining or decreasing the number of resources in CS over the last 12 months, it's clear that identifying and deploying solutions that increase the productivity and efficiency of every CS resource, such as Digital Customer Success will be critical in 2023.

# CS Has a Seat at the Executive Table

CS Leadership Role in Company by Company Revenue



**47% of survey respondents said** their company has either a Chief Customer Officer or a Senior Vice President of CS.



This data shows that almost half of companies have now given customer success leaders a seat at the executive table. This isn't just good for CS; it's good for CS leaders. More and more, we're seeing CCOs and SVPs of CS take on the top spot of CEO at their organizations, only solidifying CS's role within companies.

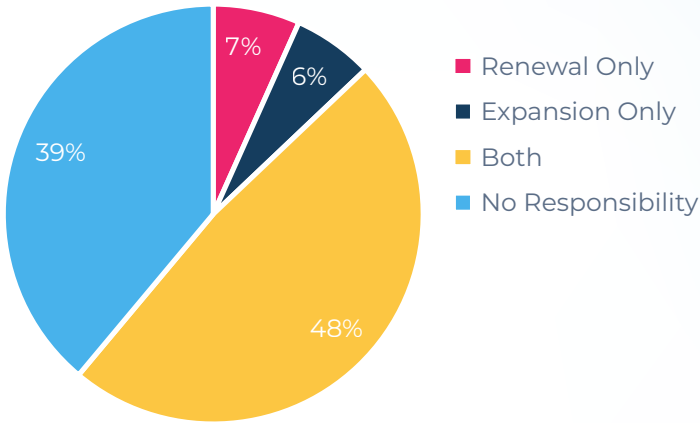


# EVOLUTION OF ROLES AND DIGITAL CUSTOMER SUCCESS

In this section, we will note current capacity and changes in the overall role of CS and how companies are starting to incorporate more strategic approaches like Digital Customer Success

## CS Teams are Responsible for Revenue Growth

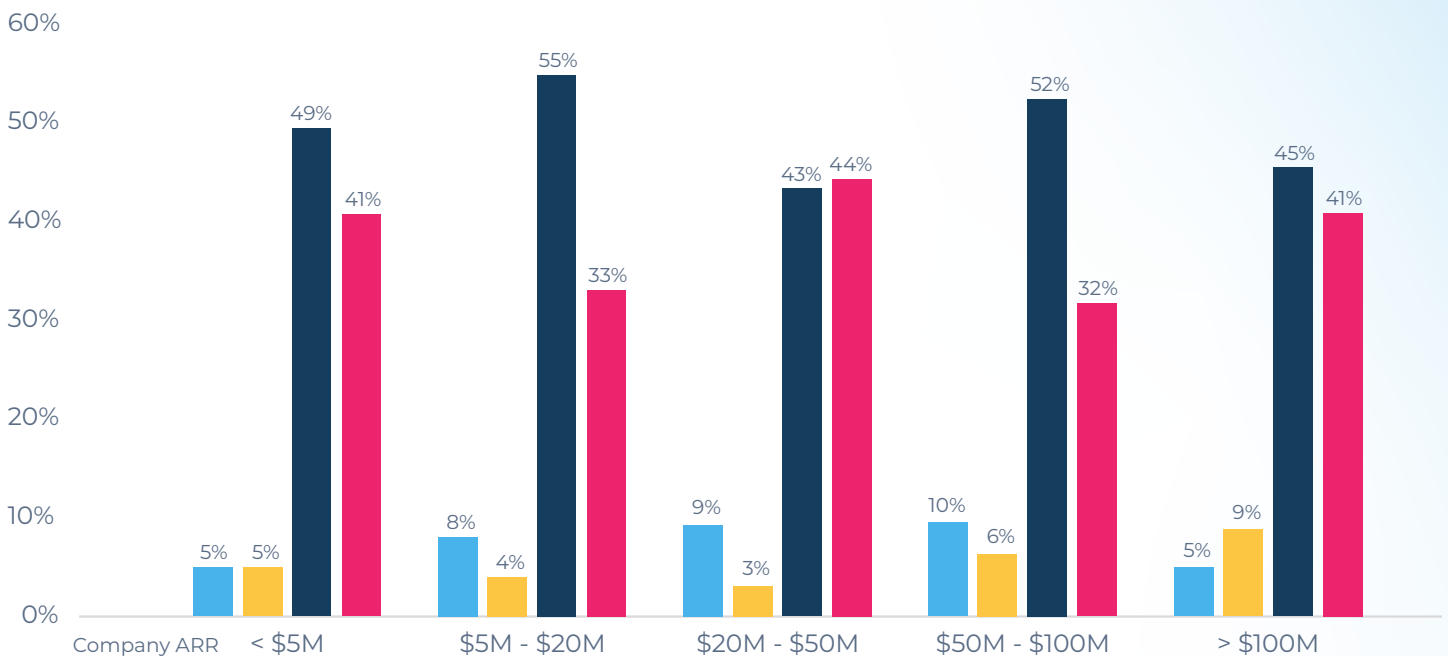
Customer Success Revenue Components



**The data in these charts confirms a shift we've been seeing in CS overall.** No longer is it enough to be nice to customers and make sure they're happy using your product. Our research shows that 79% of Customer Success Managers have incentive compensation components based upon BOTH Renewals & Existing Customer Expansion.

Even in the best circumstances, churn happens and companies lose money. So there's a rapid evolution to CS having revenue responsibility, more specifically being accountable for getting renewals and/or expansion.

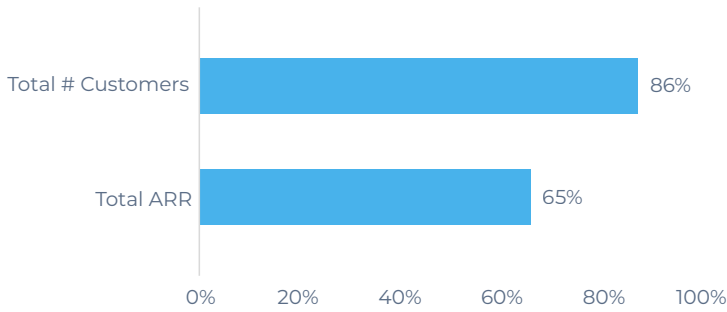
## Customer Success Revenue Components by Company Revenue





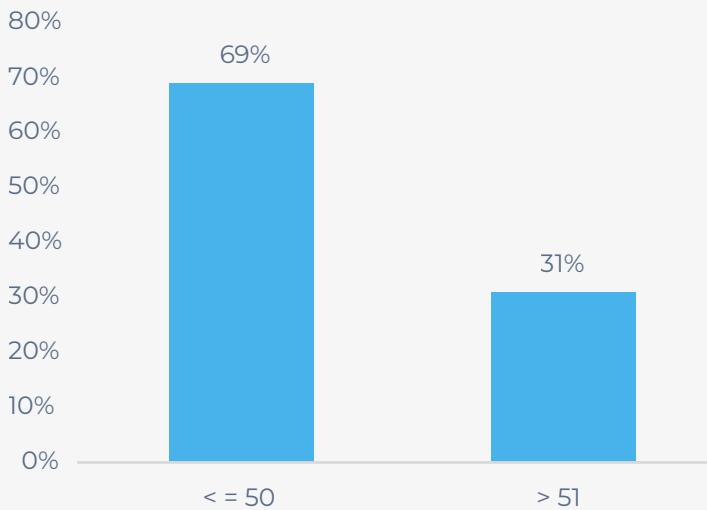
# How to Determine CSM Capacity is Still Divided

## Customer Success Capacity Criteria



The number of customers as a CSM capacity planning factor is highly correlated to the revenue associated with each customer.

## Target Number of Customers per CSM

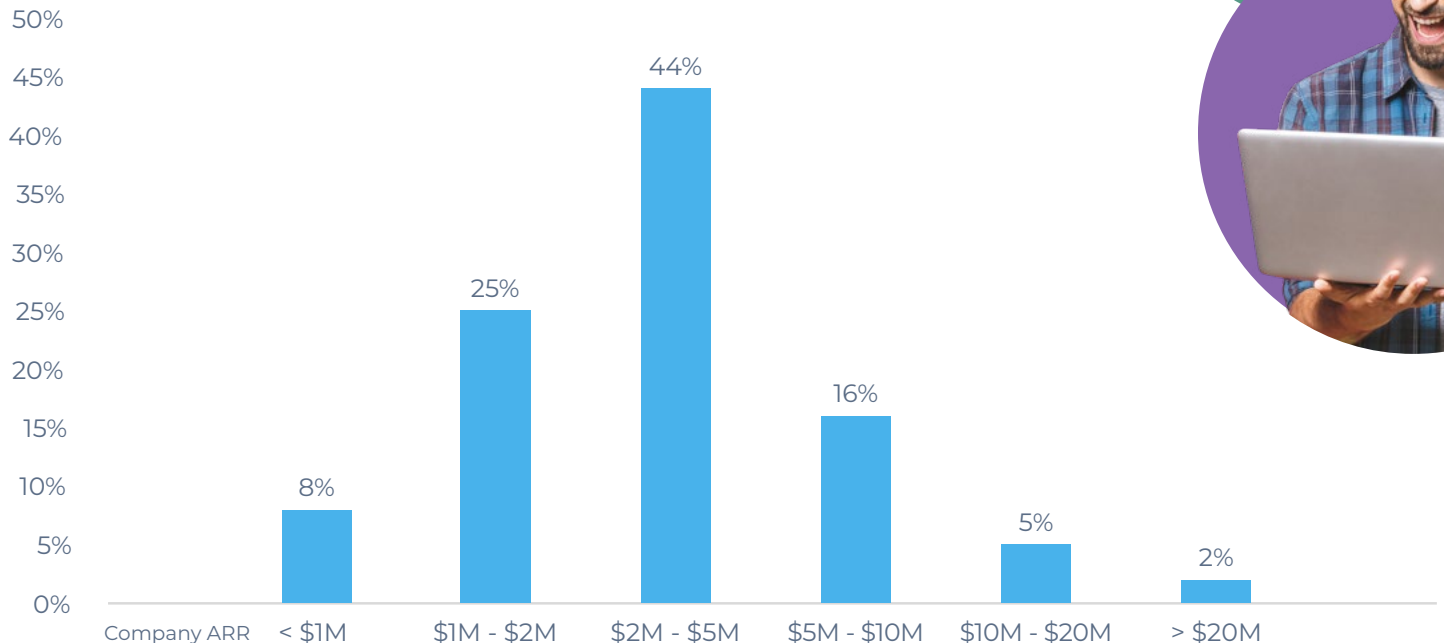


**Nearly 70% of companies have <= 50 customers per CSM.** With more pressure to grow efficiently in 2023 and beyond, we expect these ratios to increase as companies lean into Digital Customer Success and Community.

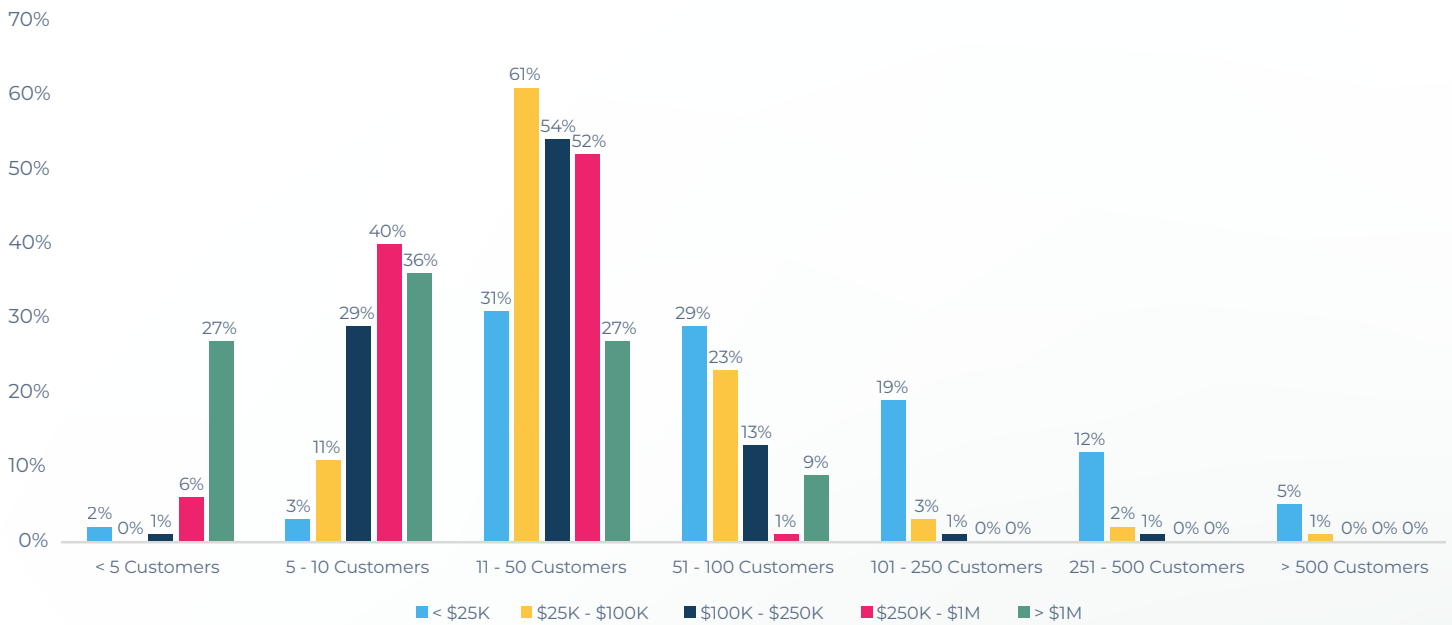


We also found a clear “break-point” in the data around a 50:1 ratio. Almost 70% of companies noted ratios < 50:1. With more pressure to grow efficiently in 2023 and beyond, we expect these ratios to increase as companies lean into Digital Customer Success and Community. More on these topics later in the report!

## Customer ARR per CSM



## Target Number of Customers per CSM by ACV



One of the most common questions in CS is, what is the appropriate target ARR for each CSM? And what this data shows is: it depends. In general, the higher the ACV, the more ARR a CSM can support.

We're seeing smaller companies with less expensive products have lower ARR and the mythical \$2M per CSM seems to take hold if you're a company selling \$50K products. And as expected, lower ACV products tend to have higher ratios. 64% of companies with ACV <25K have ratios greater than 50:1 vs. less than 10% of high ACV (>250K) have ratios above 50:1.

No matter where your company falls on this spectrum, one thing is for sure: In a changing market, the pressure to increase dollars (and customers) per CSM is only going to increase.



# Early Adopters Embrace Digital Customer Success



As companies are tasking CSMs to take on more revenue responsibility and customers, there comes a point where strategy must evolve from how traditional CS was executed. A Digital Customer Success (DCS) approach has offered early adopters a way to scale their CS teams.

We've talked about the evolution of CS and nowhere is it more evident than in the data around DCS. The needs of our companies have evolved. And, of course, the tools have evolved as well.

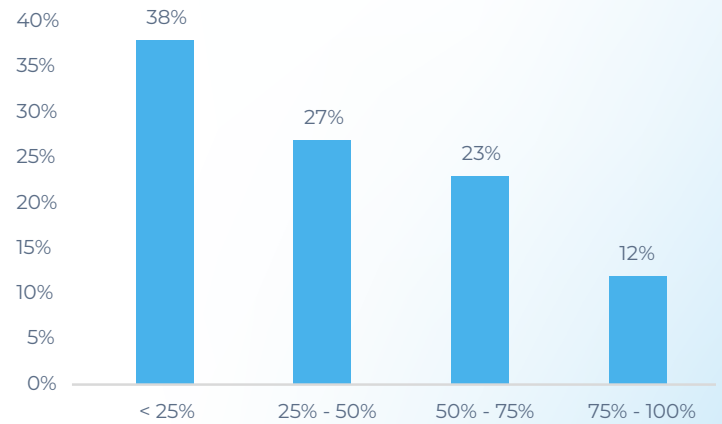
Our data shows that 38% of companies are using some level of digital touch with their customers. Of those respondents, 48% said they have allocated between 2-3 resources for digital touch.

These are the pioneers who have realized the power DCS gives them to deliver high-touch service without blowing headcount budget. However, those who said they were currently not using any form of digital touch plan to introduce a DCS motion in their 2023 plans. Based on this, we expect to see those blue bars on the right rise significantly.

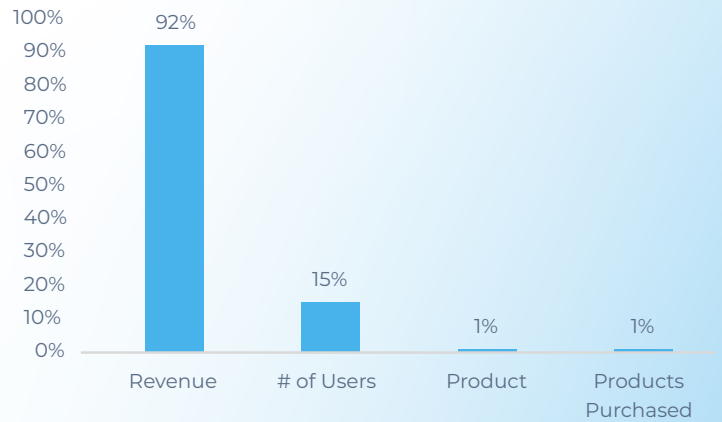
One tactic within the DCS approach is leveraging customer communities and community management to help with ticket deflection, peer-to-peer support, and a centralized location for customers to self-serve.

**38% of survey participants said they adopted DCS as a strategy for < 25% of their customer base. We anticipate this number to only increase in years to come.**

## Customers Managed Through Digital Touch (%)

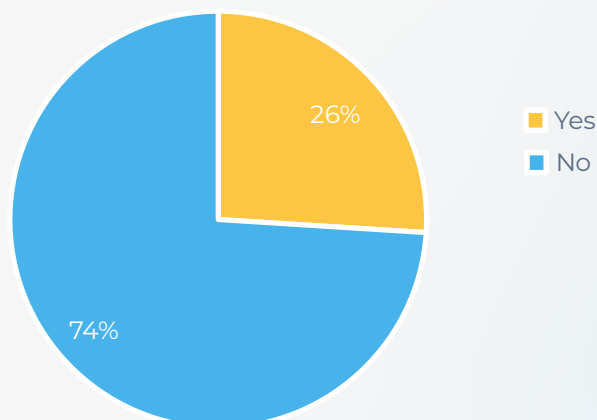


## Digital CS Support Criteria



# Community Expected to Become More Prevalent

## Community Organization Presence



**One tactic we see more B2B organizations using as a part of their DCS strategy is a customer community. 26% of people said they currently have a community management function in their org.**



Our research shows that community management as a part of CS is still in its early stages. As CS continues to evolve, we see this area growing rapidly and predict we'll see a significant rise from 26% in our next report.

# A LOOK INTO COMPENSATION

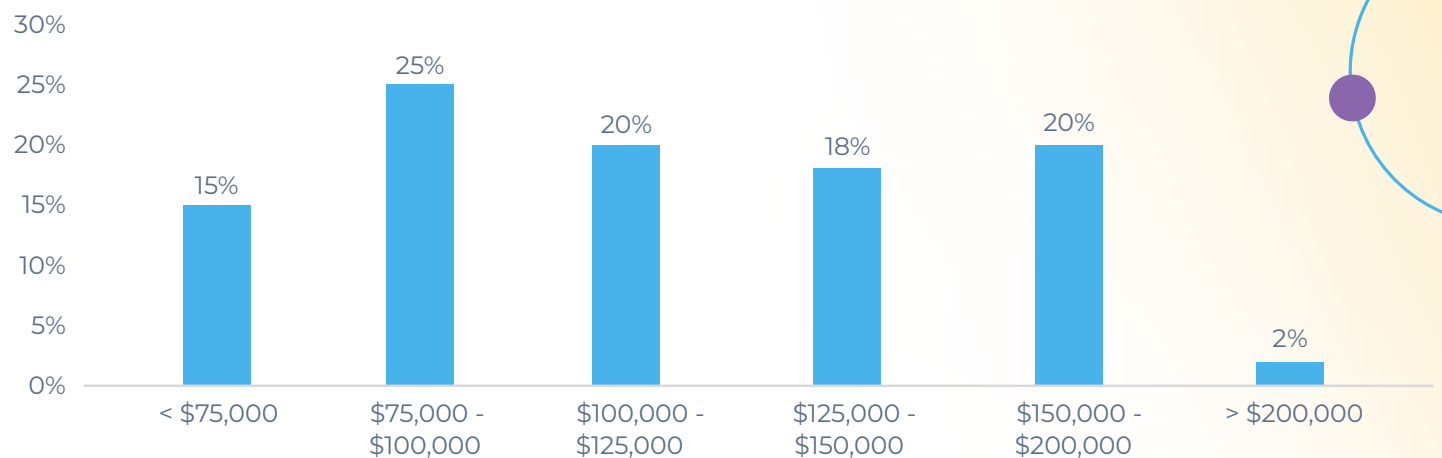
**This year, we took a look at how compensation nets out from Customer Success Managers all the way up to Chief Customer Officer.** As we'll discuss later in our findings, there's a trend starting to take shape in how CS professionals' compensation structure is broken out. Incentive compensation is becoming a larger part of the

conversation and measuring against customer outcomes. Yes, renewal performance continues to be the number one incentive compensation criteria across the board, but there is an opportunity for companies to get even more granular and factor leading indicators such as customer adoption.

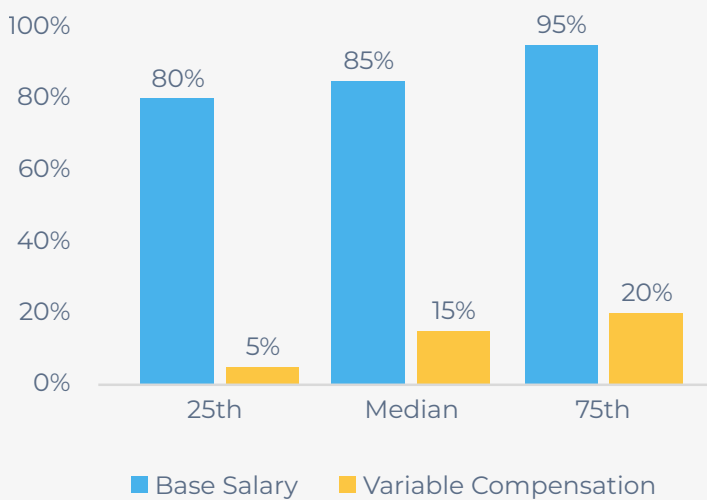
## The Customer Success Manager

According to this year's survey data, 60% of companies have CSM on-target earnings at less than \$125,000. 25% of respondents reported having a salary between \$75,000 - \$100,000.

### Customer Success Manager: On-Target Earnings



### Total Compensation Mix: Customer Success Manager



This new data shows the amount of bonus compensation is going way up, which reflects how much value companies are putting on CS. We're also taking from this data that there's a need to be much more cost-effective in determining compensation mix, as well as be ready for CSMs to be accountable for revenue as opposed to the number of customers.

Even in a challenging economic period, 27% of companies reported increasing CSM compensation between 6% - 20%. This data clearly highlights the increasing demand for CSMs. It also indicates that the companies that are raising CSM compensation and doing more with CSMs are succeeding.

And this resonates with what we're hearing in the market. NRR is the most valuable metric right now, and the team that's responsible for maintaining or growing NRR? Customer Success, of course. So companies that are looking long-term and want to have a durable business (who doesn't?) are paying their CSMs well, hiring more CSMs, and investing in tools and technologies for the CS team.



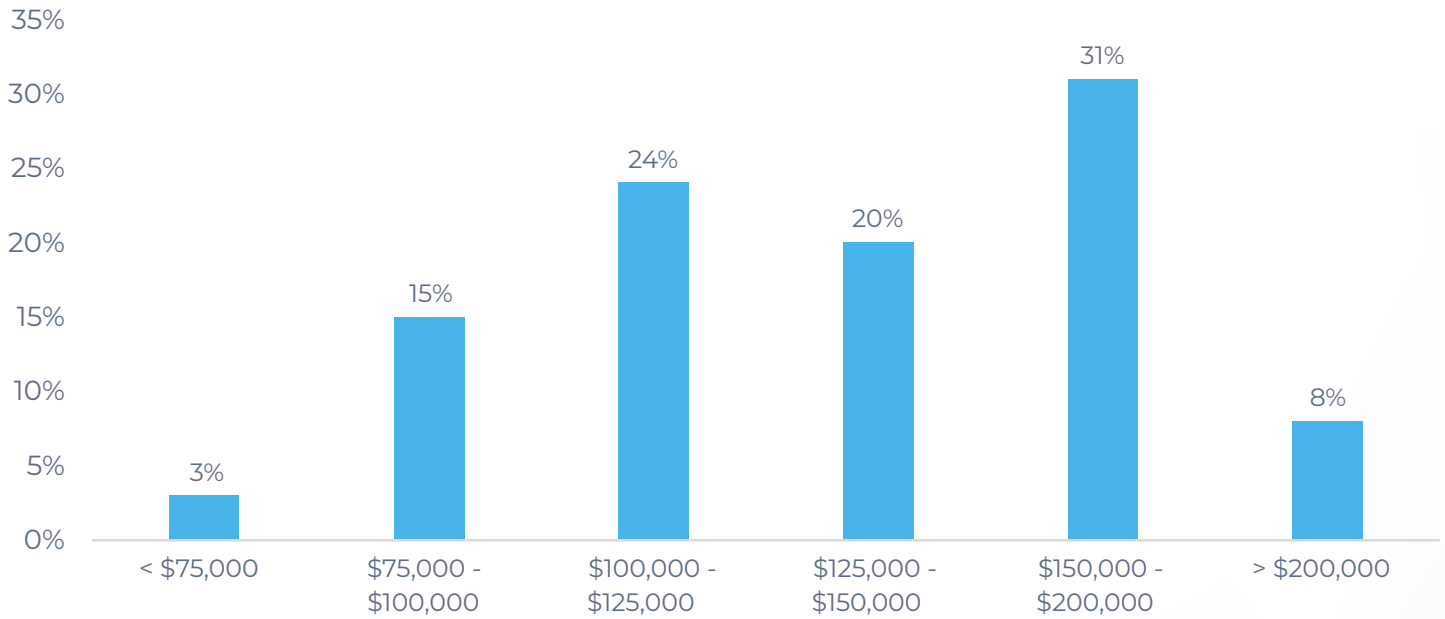
## The Manager

According to this year's survey data, 92% of participants said they make no more than \$200,000 per year. Managers' OTE is represented by 85% base salary and 15% incentive compensation.

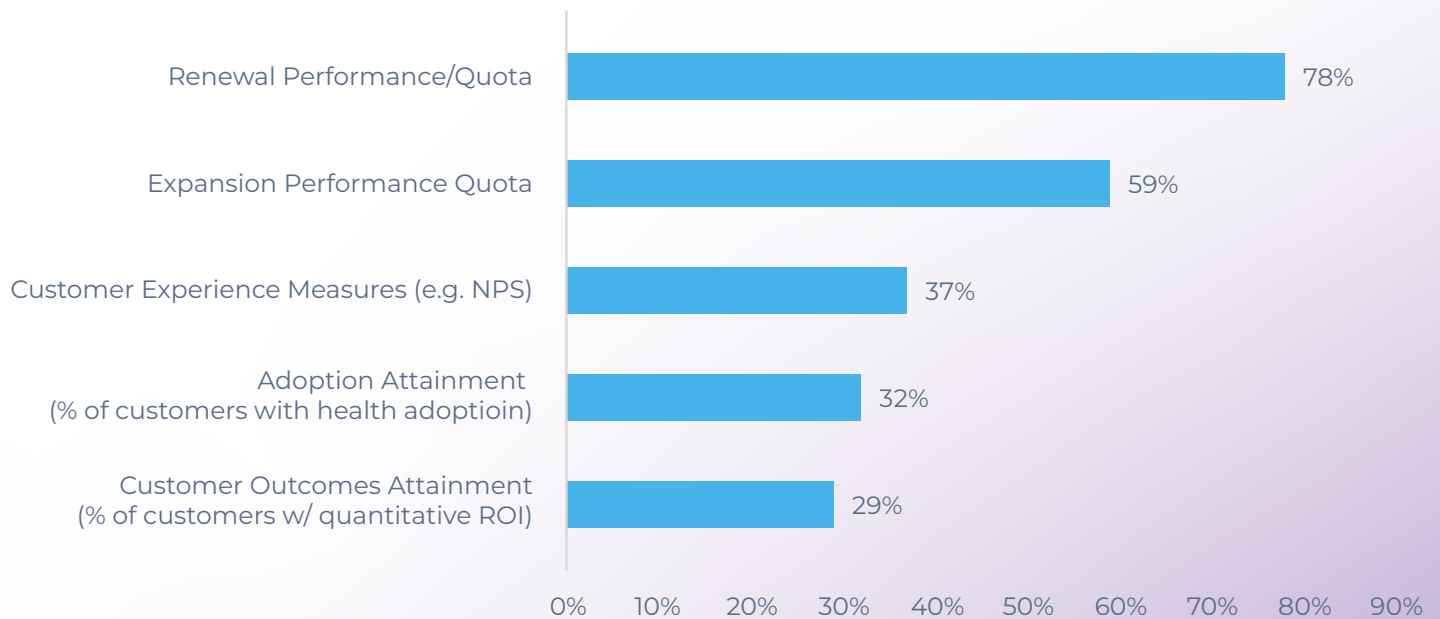


44% of managers earn between \$100,000-\$150,000.

### On-Target Earnings: Manager, Customer Success



### Variable Compensation Components: Manager, Customer Success



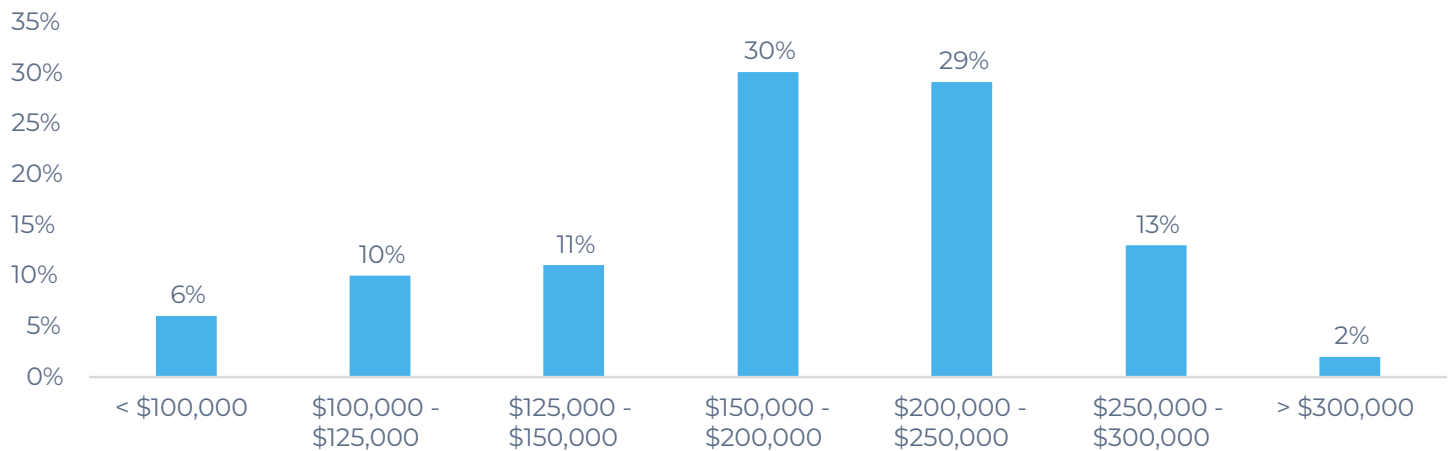
## The Director of Customer Success

According to the survey, the most common range for on-target earnings for the role of Director of Customer Success was \$150,000 - \$200,000. Renewal performance continues to be the number one incentive compensation criterion for this role. A reported 28% of companies have increased compensation for this role between 6% - 20%.

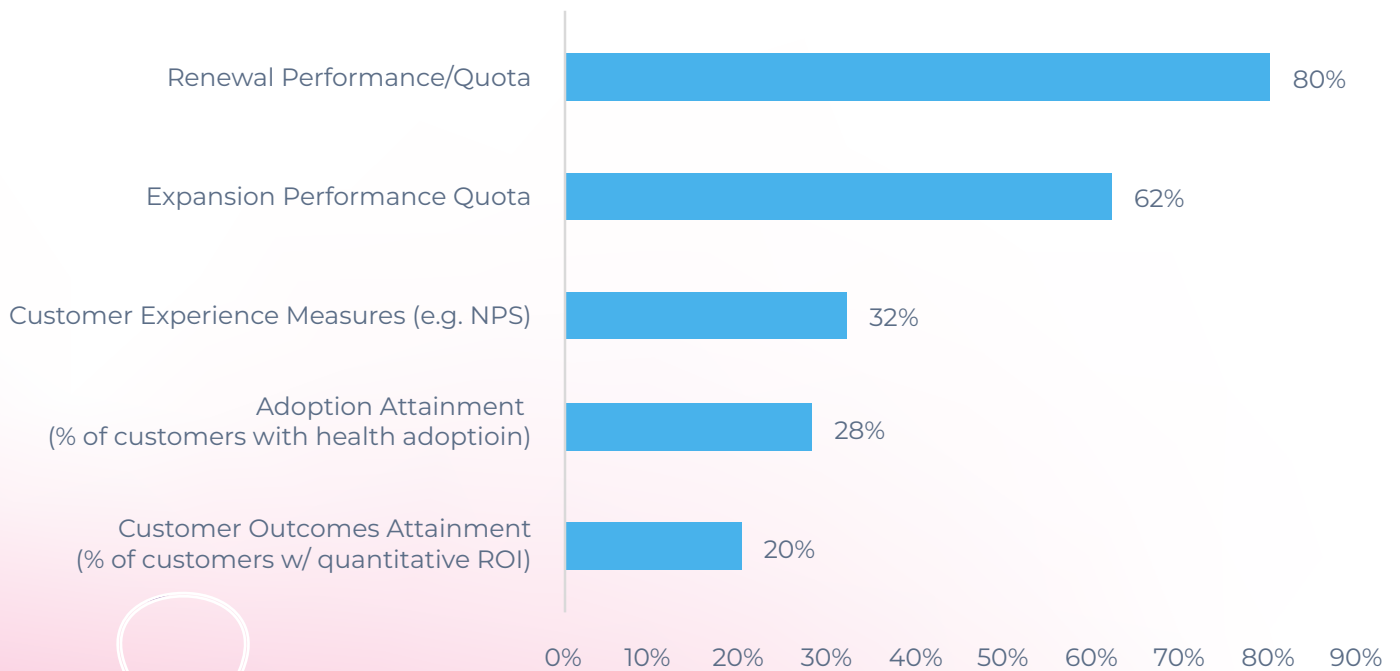
~60% of Directors earn between \$150,000-\$250,000.



### On-Target Earnings: Director, Customer Success



### Variable Compensation Components: Director, Customer Success



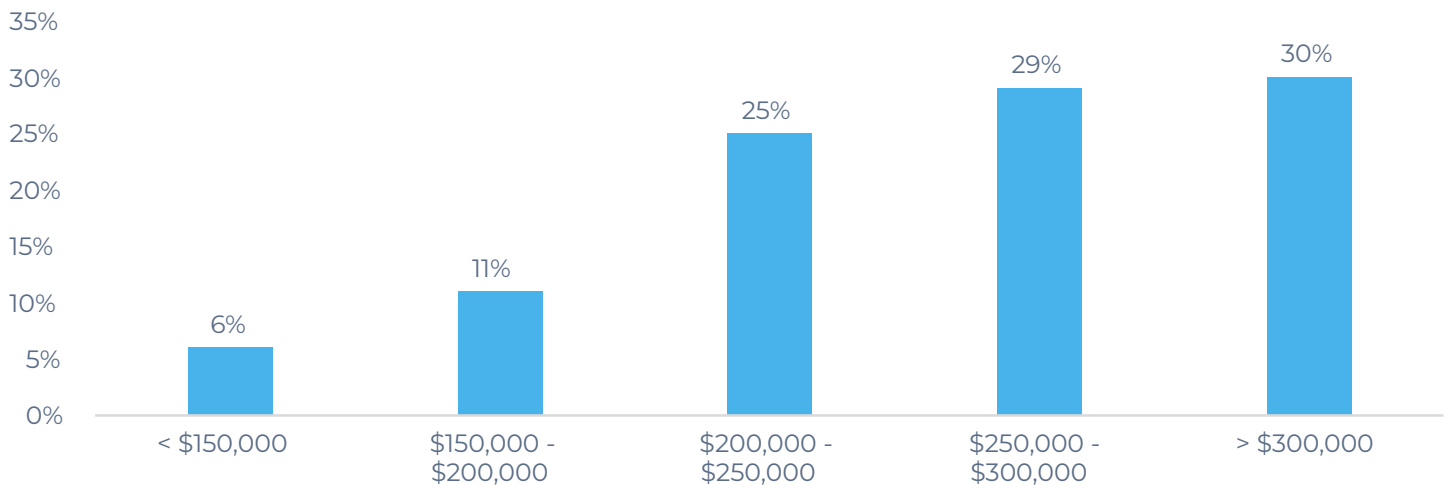
## The Vice President of Customer Success

According to the survey, the most common range for on-target earnings for the role of Vice President of Customer Success was greater than \$300,000. Renewal performance continues to be the number one incentive compensation criterion for VPs of Customer Success at 82%. Within the last year, a reported 35% of companies have increased compensation for this role between 6%–20%.

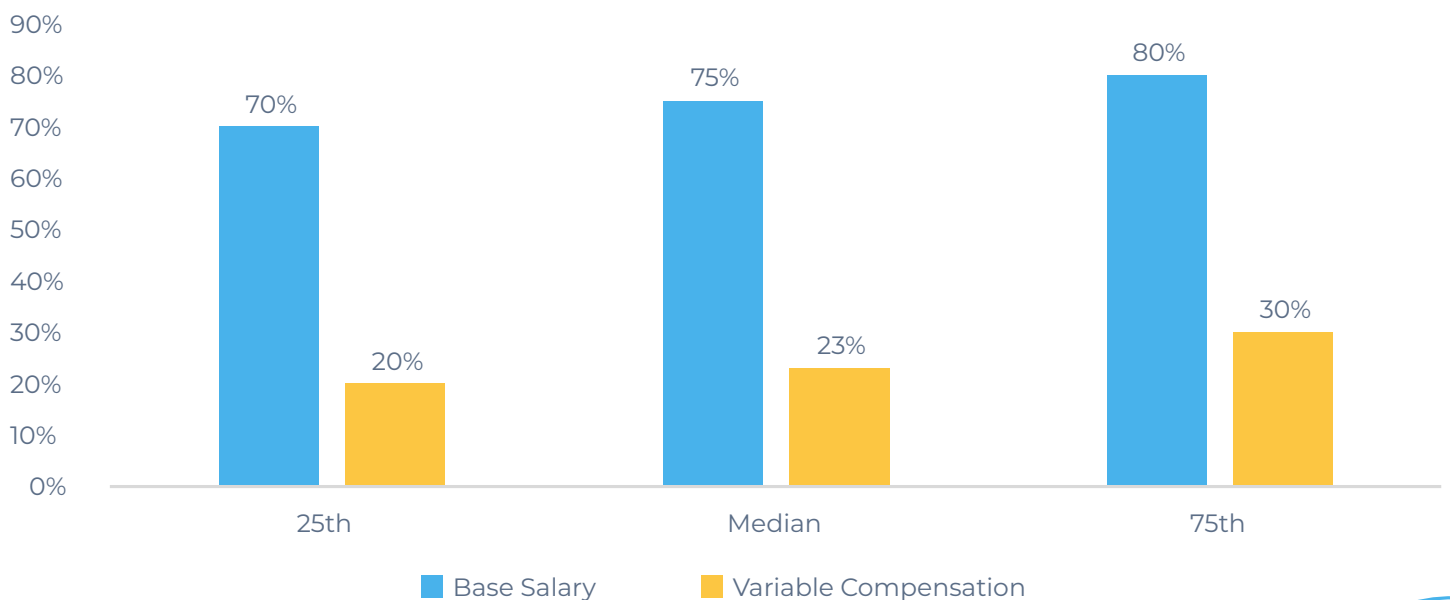


**~55% of VPs earn between \$200,000-\$300,000.**

### On-Target Earnings: Vice President, Customer Success



### Total Compensation Mix: Vice President, Customer Success



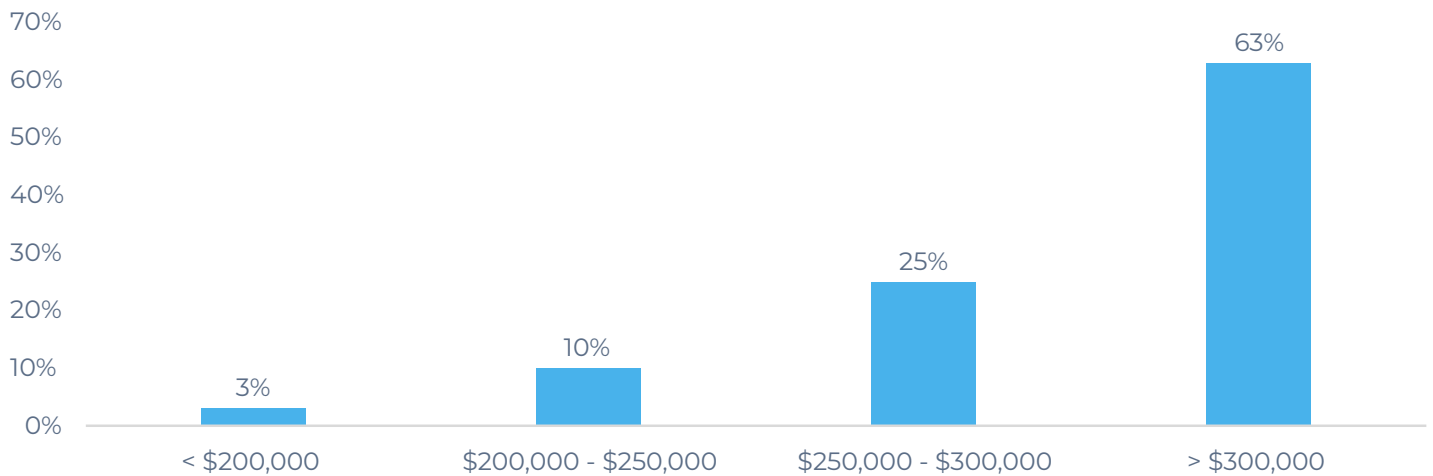
## The Senior Vice President of Customer Success

According to the survey, 63% of survey respondents said on-target earnings for the role of Senior Vice President of Customer Success was greater than \$300,000. SVPs say that 70% of compensation is a base salary and 30% incentive compensation. Within the last 12 months, a reported 46% of companies have increased SVP compensation between 6%–20%.

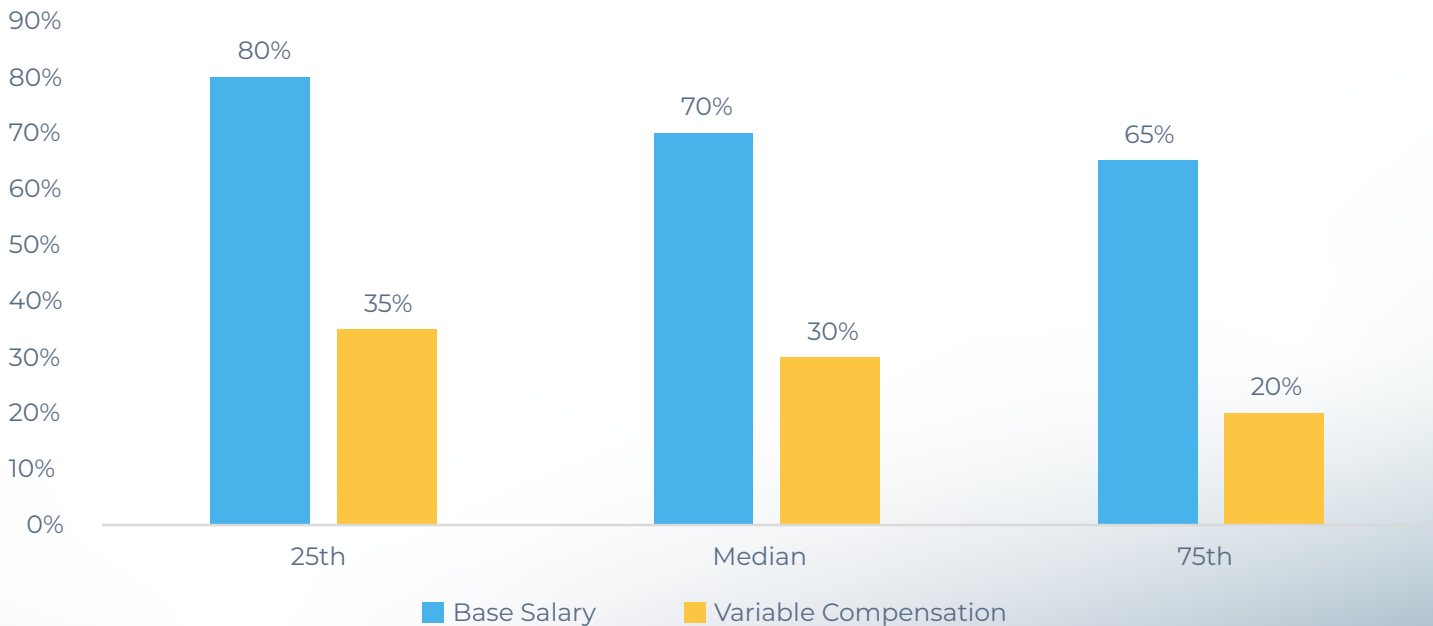
**63% of participants with the title of SVP of Customer Success earned more than \$300,000.**



### On-Target Earnings: SVP, Customer Success



### Total Compensation Mix: SVP Customer Success





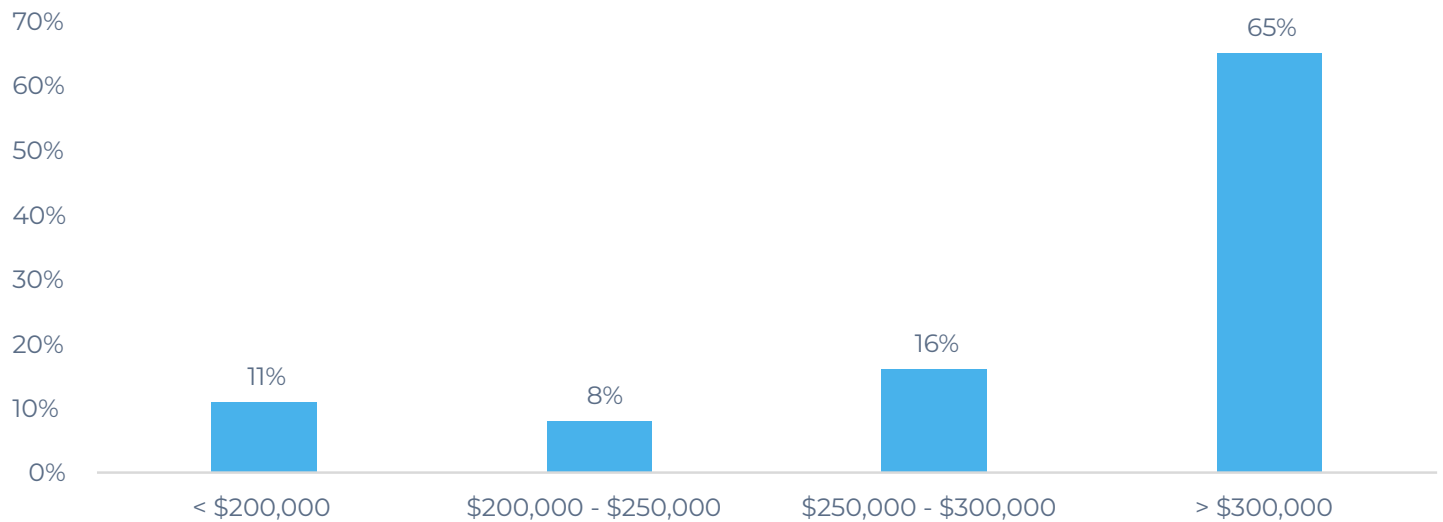
## The Chief Customer Officer

According to the survey, the majority of Chief Customer Officers reported earning more than \$300,000. Renewal performance continues to be the number one incentive compensation criteria for CCOs at % of companies reporting this as a key measurement for incentive compensation. Unlike many roles in the CS umbrella, CCO compensation did not increase as consistently as other high-ranking roles such as VP and SVP levels.

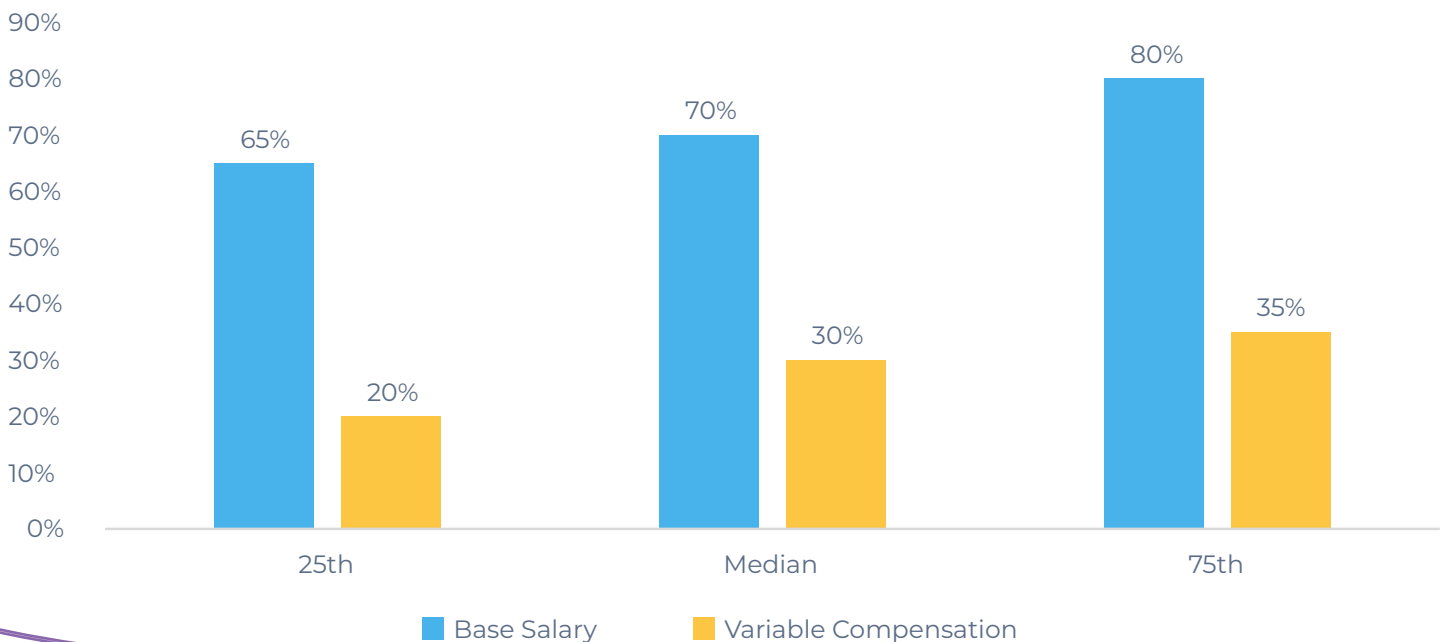
**65% of participants with the title of Chief Customer Officer earned more than \$300,000.**



### On-Target Earnings: Chief Customer Officer



### Total Compensation Mix: Chief Customer Officer



# FINAL THOUGHTS

After talking to 740 CS professionals in North America about their salary, roles, and growth, we can see how essential Customer Success has become in B2B SaaS.



**Incentive compensation variables:** Although renewals are currently the number one criterion for incentive compensation, companies may start to factor in more variables such as customer experience, adoption, and outcomes.



**Capacity planning:** Factoring existing revenue and potential revenue growth may be a much better capacity determinant than the number of customers for companies with ACVs of \$25K or greater. Every customer is not worth the same today and equally tomorrow. Increasing the priority on total ARR including existing plus potential may provide an increased focus and growth of the most valuable customers.



**Team resources:** With 53% of companies either maintaining or decreasing the number of resources in Customer Success over the last 12 months, it will be critical to identify and deploy solutions that increase the productivity and efficiency of every CS resource, such as Digital Customer Success.



**Digital Customer Success (DCS) plans:** Based on the reported plans to increase utilization of DCS in 2023, it will be important to measure the key performance indicators for customer satisfaction and retention in the cohort of customers receiving DCS and comparing it to their previous CS support model.

**As leaders in Customer Success,** we have an opportunity to lean into trends this report's data show and make an even larger impact on overall business performance.

It's time for CS teams to adopt digital tactics to improve efficiency, customer experience, and drive revenue. At Gainsight, we are fired up for the next chapter in Customer Success!



# METHODOLOGY

Gainsight, in partnership with RevOps Squared, conducted research throughout January through March, 2023, to measure total compensation trends for CS roles by base and incentive, see what are the criteria for capacity, and whether Digital Customer Success is being adopted.

More than 700 CS professionals 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. The majority of those are in the B2B technology industry and have been working in CS for more than six years.

## About Gainsight

Gainsight's innovative platform helps companies of all sizes and industries drive durable growth through customer-led, product-led, and community-led strategies. It offers a powerful set of customer success, product experience, and community engagement solutions that together enable businesses to scale efficiently, create alignment, and put the customer at the heart of innovation. With Gainsight, it's never been easier to drive acquisition, increase product adoption, prevent churn, and grow with renewals and expansion. Learn how leading companies such as GE Digital, SAP Concur, and Box use Gainsight at [www.gainsight.com](http://www.gainsight.com).

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