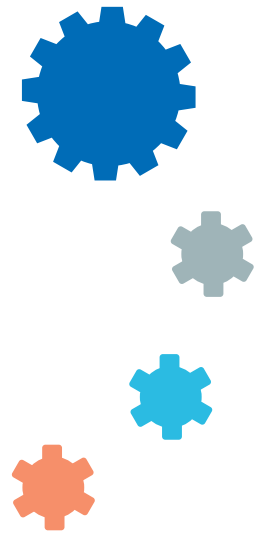


# annuity management

*Experts increasing service revenues.*



## Customer success management

# CUSTOMER SUCCESS IS A COMPETITIVE ADVANTAGE

*By actively helping your customers to use your products and services successfully, you can lower churn rates and generate additional revenue.*

The business models of manufacturers and service providers have changed significantly in recent years. One-off sales of products or services have fallen by the wayside and long-term contracts with lower yet steady revenue have become much more significant. Perhaps the most well-known representatives of this trend are manufacturers such as Microsoft, Adobe and Salesforce which provide subscription models for their software, or cloud providers such as Amazon Web Services and Google. However, even hardware manufacturers are generating increasingly large percentages of their proceeds from recurring revenue by, for example, providing usage based rental models of infrastructure as a service (IaaS).

This trend has changed the focus and significance of customer relations significantly. Reactive customer relationship management has become proactive customer success management. Supporting customers properly over the entire life cycle is a key success factor. Although customers can be attracted more easily than with purchase models, they can drift away just as quickly as they are not tied to one provider through long-term investments. Therefore, contracts are only extended and expanded if the user is satisfied with the product and is able to use it to meet his or her business targets successfully. In contrast, dissatisfaction leads to higher cancellation rates and the churn rate increases. This is all the more alarming because even negligible changes in the churn rate can have a considerable impact on revenue.

The positive contribution proactive support can make is reflected in the many years of experience of Annuity Management in renewal management, i.e. the administration of existing service and maintenance contracts. By contacting customers or the relevant channel partner in good time, the vast majority of expiring contracts can be extended and a significant volume of new business can even be generated.



## Data collection and analysis are crucial

Generally speaking, in the service and subscription model, businesses have access to the data necessary for monitoring customer success. With usage data, they can identify how their products or services are being used. For example, the frequency and scope of use are two of the most informative parameters. Are essential features rarely being opened, or not at all? Has the customer posted 50 accounts but is only using one? Does the customer often close the application after just a few seconds? Information like this can be used to define KPIs or thresholds which trigger an alarm if they are not met. This allows the provider to take suitable steps, call the customer, arrange a screen-sharing session, send links to video guides on certain features or offer training.

Customer success management can even play a crucial role in indirect sales and the activities of the channel partner can be planned and managed with much more precision when customer satisfaction can be taken into consideration. If, for example, a product is not being used, the relevant partner can be notified and motivated to contact the customer and offer support.



## Support with customer success management

Special tools and expertise are necessary in order to be able to generate informative usage profiles, monitor customer success, identify negative trends and implement the correct measures. Many times, these two things are still not available. Many businesses do not have a department dedicated to customer success management. Responsibility for ongoing customer support is often borne by the customer acquisition department; a risky strategy as that department has completely different duties and is therefore unable to operate customer success management properly. Subscription models are often launched even though the organisational requirements for successful customer management have not been met. There is a reason why Michael E. Porter, a professor at the renowned Harvard University, and James E. Heppelmann, CEO of PTC, state that customer success is one of the key aspects of digitisation in their article in Harvard Business Review entitled 'How Smart, Connected Products Are Transforming Companies'.

Even if providers have identified the significance of customer success management, it is difficult to find suitable employees. The advertisements for customer success manager jobs currently far exceed the supply, which means that the situation will not change significantly in the foreseeable future.

It is therefore advisable to work with a customer success management specialist. Working with the provider, the specialist can define and monitor the key customer success indicators and collect the usage data needed to monitor them on a continuous basis. If the agreed thresholds are fallen short of or exceeded, the specialist becomes active, contacts the end customer or sales partner and offers support.

## Conclusion

Customer success management measures customer satisfaction and customer success. This makes it an effective alarm system for subscription services and a key success factor for businesses that rely on recurring revenue. If you are able to increase the success and satisfaction of your customers, you can lower the churn rate reliably, increase customer willingness to agree to contractual extensions and expansions and strengthen your customer relations. However, defining the right customer success indicators, collecting and interpreting the necessary data and implementing appropriate measures to counter falling customer satisfaction require the correct tool set and a lot of expertise. These are often not available internally and can only be built up over the long term. It is therefore advisable to work with a specialist who can support businesses on their way to happier, more successful customers.



Ideally, customer success management does not end with customer support, but rather also affects product development, sales and marketing. Ultimately, customer success cannot be viewed separately from product quality and customer communication. Customer success management is therefore a strategic interface which can also provide businesses with valuable information about customers and their habits and requirements. Businesses that rely on subscription and rental models now and in the future would be wise to seek the support of a customer success management specialist.

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## About the Annuity Management Group

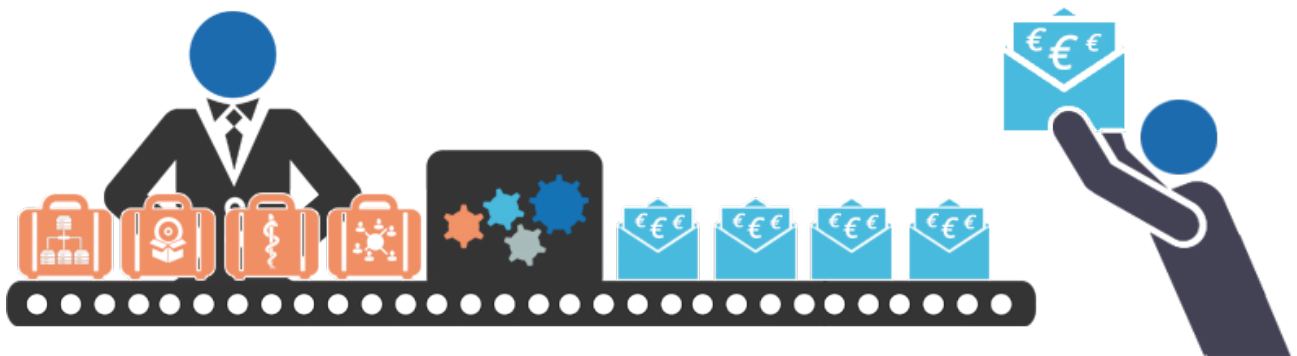
The Annuity Management Group focuses on revenue life cycle management and customer success management solutions for technology providers. As a highly specialised and independent service provider for recurring revenue, or annuities, Annuity Management AG offers comprehensive proactive and reactive end-to-end solutions for support and optimisation in service revenue management. For more information, visit [www.annuity-management.com](http://www.annuity-management.com).





*Focus, expertise and technology are our ingredients for success!*

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