



Customer Success Management: The new imperative in sales for recurring revenue?

Prof. Dr. Marco Schmah*
 Marketing and Sales Management
 ESB Business School, Reutlingen

Alessandro Sibilio, MSc
 OEM Liaison Manager
 Petronas Lubricants International

Dr. Manuel Kern
 Hitachi Solutions
 CRM Leader, Freiburg
 German

*Correspondence author: Marco.Schmaeh@Reutlingen-University.DE

ABSTRACT

Customer Success Management is the next evolution in complex sales that drives growth. Moreover, Customer Success Management is a modern holistic sales philosophy and part of a professional customer experience management strategy. The following conceptual paper discusses fundamental thoughts based on value-based selling, customer success focus, and a clear view on a perspective beyond selling that will gain importance in the future.

KEYWORDS: Value based selling, customer success management, recurring revenue, sales concept, sales force, sales compensation

Introduction

Innovative companies reduce churn and grow recurring revenues with a customer success strategy. This conceptual study demonstrates the shift toward a customer-first philosophy. Under this philosophy, companies listen to customers to decode their needs and place them at the center of sales activities. A foundation of the customer success management approach and the driving force is necessary to deliver the full value of the desired products and services. Delivering the right customer success strategy means constantly optimizing and adapting products with a customer-centric focus. This starts with value-based thinking based on a customer-centric sales strategy, a redefined role for the account manager, and a modern leadership style.

Customer Success Management is the next evolution in complex sales (Hilton et al. 2020) that drives growth (Vaidyanathan & Ruben 2020). Sales must continuously think ahead and realign to meet challenges and the constantly growing

customer expectations. Customer Success Management is a modern holistic sales philosophy, fundamentally adopting an integrative approach. It is closely interwoven with customer management, corporate management, and the structures and processes of the company (Eggert et al. 2020). As summed up by Manfred Maus who elaborated on the success factors for sales, the implementation can only succeed with consistency and discipline.

Customer Success Management is based on complex multi-channel sales, designed to act holistically. It shows that some aspects are more important for successful business management than many proven concepts. For example, clean segmentation, stringent buying center analysis, and accurate formulation of the customer benefit-oriented value proposition within the framework of the value-based selling concept remain indispensable (Eggert et al. 2018). In addition, value-based selling includes the focus on strategic values that ensure sustainable sales success (see Fig. 1).

Fig. 1: The value-based selling concept (source: own depiction)





However, it is also important to focus on topics that will become much more important in the future, such as customer success.

Customer Success Management is a strategic concept with a fundamental organizational challenge (Mehta et al. 2016, p. 28). The core elements are revenue driver, success orientation, and analytics focus (Mehta et al. 2016, p. 35-36). Customer Success Management requires a strong focus on marketing and sales to target customers who can be successful in the long-term with the company's products and services to drive renewals, reduce churn, and generate upsells.

Customer Success Management puts sales to the test

Sales processes, structures, and instruments must be adapted to the continuously changing economic conditions. How can sales organizations, channels, and especially processes be reconsidered? Which framework conditions are needed so that sales staff questions the status quo and shapes the (digital) age of sales with enthusiasm and joy? How can a previously product-oriented approach be transformed into a "customer enthusiasm approach" by focusing on true customer values?

Therefore, case study analyses were developed with selected companies. The following procedure has proven to be very suitable in practice:

1. Fundamental analysis of the past 3-5 fiscal years, revenue development, profitability, revenue development at article/product group level, breadth of the product portfolio, and other key figures.
2. Ruthless, unemotional analysis of the previous sales approach for the relevant target groups/markets and identification of gaps.
3. Diligently optimizing the sales concept (for a modern sales concept, see Wieseke 2022) is, therefore, the order of the day. The focus is on the customer journey from the lead process, preparing the offer and closing, to post-sales service deployment. This requires that trigger events are analyzed, customer perceptions are obtained, marketing and sales are more closely coordinated, and the (digital) customer experience is optimized. In addition, we train the sales force in questioning skills and creating customer value propositions. Sales tools (CRM, lead evaluation methods, territory analysis, etc.) are also evaluated and selected to fit precisely, such as the Echobot vs. LinkedIn Sales Navigator decision). These efforts finally result in the value offered to the customer.
4. Effectively implementing a modern sales concept with a hybrid training concept to increase the effectiveness of the sales force (guidance on proactive self-training and peer-to-peer coaching) and a team-oriented compensation model that promotes multilateral cooperation within the company.
5. Coaching and supporting business and sales management.

The classic sales force as an "all-rounder" is no longer viable today

Customer Success Management comes in here. Sales are being digitalized and must be integrated internally into processes more than before and managed differently. Therefore, the role of internal sales must also be reconsidered. Integration instead of separation is the maxim. Nowadays, the customer demands more transparency about internal processes and suppliers. This can only be achieved in a concerted interaction of sales and office staff as well as service or even controlling and logistics. Generally, the internal sales force can process customer inquiries at a higher level. However, corporate practice at the investigated companies shows that product management is sometimes pushed into action by the customer because customer inquiries require extraordinary expertise, found only in product management. However, product management must be established as an independent unit acting on equal terms with the sales and development departments. Market proximity and understanding customer needs, competitive offers, and market facts are important prerequisites. Therefore, the sales department has a genuine sparring partner with whom specifications for development can be established and compared. However, product management must also have sufficient technical expertise to critically question future requirement specifications from the development department and then coordinate them with the technology department. In the best scenario, this process results in a balanced and comprehensive consideration and safeguards for developing truly beneficial products in whose development process customers are also closely involved. After all, customer success is the core element of this approach. Digital processes, especially at the interface to the customer, are increasingly decisive competitive factors.

The philosophy of Customer Success Management and the new role of the sales force

Customer Success Management helps to position and differentiate a company in the market. Therefore, relevant sales skills must be developed to improve sales effectiveness radically. Price-based and value-based selling has long been obsolete and has become the standard. Without customer benefit-based argumentation with precisely quantified customer benefits, convincing customers in sales is no longer possible. Moreover, strategic concepts for customers, such as business process innovations and digital journeys, are sought-after. They go further, are more comprehensive, focus on developing sales and results or increasing the customer's productivity, and are interlinked with the customer's business processes (Eggert et al. 2020). Sales become a business partner for the customer, an integral part of the company's processes. Customer Success Management becomes a holistic approach to successful sales.

With state-of-the-art technologies and algorithms, customer data are easily processed; publicly available news channels, databases, company websites, social media networks, trade registers, and financial information are scanned automatically in real-time; and campaigns are better customized.

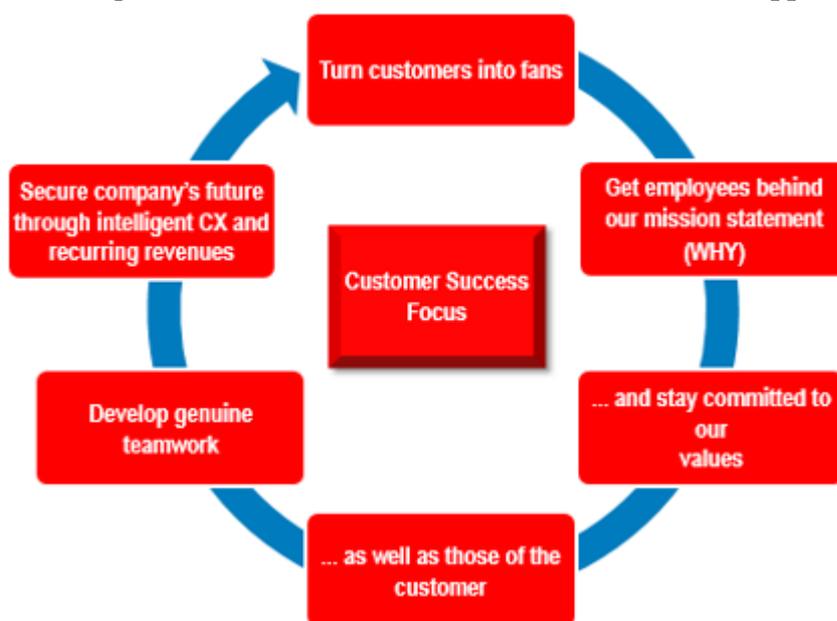


This allows customers to be more selective and, therefore, better targeted. Customer Success Management uses state-of-the-art technologies to significantly increase sales performance.

However, in addition to a lack of digital transformation capability, sustainable success in sales often fails because of the (management) company culture. Customer Success Management can contribute to the review and definition of the company's purpose (aptly formulated by Simon Sinek—"Start with WHY", s. Fig. 2). The relevant corporate values, their embodiment in the

team, and a meaningful corporate vision include relevant benchmarks for the desired change (Sinek 2011). This is because many companies have still not internalized Peter Drucker's famous saying, "Culture eats strategy for breakfast" (Fields 2006), and drawn the right conclusions from it. Without the necessary deductions from this insight, it will be challenging for every company to delegate responsibility, create transparency, and strengthen teamwork with digital processes.

Fig. 2: Customer Success Management as a customer-centric, transformative sales approach (own depiction)



The classic sales force and its corresponding management have become obsolete

This is due, among other factors, to the enormous digitalization advantage of purchasing. This does not mean there will not be a sales force in the future. The lines between the office and the sales force will only become more fluid, and the omni-channel approach will become necessary.

Therefore, scarce time resources must be used in the best way possible. The buyer expects concrete, quantified added value (cost reductions). The customer visit, whether in person or digitally, must, therefore, become part of the Customer Journey. This requires a high level of process expertise from the sales force. Excellent process knowledge in one's own company and knowledge of customer processes are critical for success in the future.

The pure product price is not the top priority in many companies; process costs are much more decisive (Total Cost of Ownership and ROI), thus helping achieve long-term returns.

Successful customer managers direct and link the special expertise of their company with that of their customers. Therefore, new teams are created oriented toward the opportunities and challenges of the customer and, naturally, customer success.

Customer Success Management modernizes the sales rewards of the company

A traditional, classic success commission for the sales force cannot meet the high, multi-faceted market demands. Team rewards are, therefore, increasingly used as a supporting and motivating element in many companies. Profit-sharing must reach all areas of the company. In cooperation with the managing partner of AllWin from Lehrte, Mario Schuckert revealed that the monthly feedback of the individual and the team leads to a new team dynamic due to direct participation in the business process. Thus, a team's success and failure can be made transparent and tangible.

Customer Success Management impacts the organization, particularly the customer relationship. The account manager becomes a customer manager, always focusing on the customer's success, and a team player cannot be successful without a motivated team. Isn't it fair and modern to give everyone on the team a share in its success?

Conclusion and outlook

Customer Success Management embodies a holistic, customer-centric approach to business and sales that use digitization as a catalyst. With this holistic approach, we go far beyond traditional sales concepts. Therefore, innovative solutions with a significant impact on sales results are implemented. Managers are trained to coach their teams and



work under the umbrella of a jointly established guiding principle on a new level of inspiration. This does not need to be explicitly communicated to the customer they should feel and experience it through the enthusiasm of the sales force and other contact points. Ultimately, the decisive moment is the customer's success-oriented proposal and appreciative and value-based dealing. Thus, the customer understands that it is not about closing the deal quickly but rather a fruitful, trusting collaboration that puts their interests at the center of the customer-supplier relationship.

References

- Eggert, Andreas; Ulaga, Wolfgang; Frow, Pennie, Payne, Adrian (2018): Conceptualizing and communicating value in business markets: From value in exchange to value in use, in: *Industrial Marketing Management*, NY [u.a.]: Elsevier, ISSN 0019-8501, ZDB-ID 120124-4. Vol. 69 (2018), p. 80-90
- Eggert, Andreas; Ulaga, Wolfgang; Gehring, Anna (2020): Managing customer success in business markets: Conceptual foundation and practical implication, in: *Journal of Service Management Research*, Vol. 4 2-3/2020, p. 121-132
- Fields, Mark (2006): Citation of "Culture eats strategy for breakfast"(Peter Drucker), source unknown
- Hilton, Bryson; Hajihashemi, Bitia; Henderson, Connor; Palmatier, Robert (2020): Customer Success Management: The next Evolution in Customer Success Management, in: *Industrial Marketing Management*, Vol. 90 (2020), p. 360-369
- Mehta, Nick; Steinmann, Dan; Murphy, Lincoln (2016): *Customer Success, How innovative companies are reducing churn and growing recurring revenue*, New Jersey: John Wiley & Sons
- Terho, Harri; Eggert, Andreas; Haas, Alexander; Ulaga, Wolfgang (2015): How sales strategy translates into performance: the role of salesperson customer orientation and value-based selling, in: *Industrial marketing management*, New York, NY [u.a.]: Elsevier, ISSN 0019-8501, ZDB-ID 120124-4. - Vol. 45 (2015) p. 12-21
- Sinek, Simon (2011): *Start with why: How great leaders inspire everyone to take action*, 2011
- Vaidyanathan, Ashvin; Rabago, Ruben (2020): *The customer success professional's handbook, How to thrive in one of the world's fastest growing careers – Whiel driving growth for your company*, New Jersey: John Wiley & Sons
- Wieseke, Jan (2022): *The sales profit chain*, Bochum sales publishing GmbH, Solingen