How to Become A Customer-Led Growth Leader

Highlights and insights from *How to Become A Customer-Led Growth Leader*, an involve.ai webinar featuring Chris Hicken. Hicken is an innovator, investor, and co-founder and CEO of nuffsaid, a software platform that enables companies to implement customer-led growth strategies, allows you to check with your customers along their journeys, and ask them questions about their experiences. Check out nuffsaid's 2.0 magazine published for customer success leaders.

The challenge

One common and significant problem at companies of all sizes is that no company understands why customers leave them. Currently, the solution everyone mentions is NPS, but of course, NPS is a terrible way to detect if you're delivering value to customers' overall journeys.

How did the model of customer-led growth emerge?

Being a customer-led company starts with the CEO, whose primary responsibility, at least in the eyes of their investors, is to increase the company's value. Obviously, the CEO also wants to make the world a better place, but their financial responsibility is to provide a return to their investors.

The journey to customer-led growth:

First: Sales-led growth

In the early days of SaaS, investors rewarded companies that grew really quickly, which created a sales-led growth approach where companies were willing to spend 100% or more of their revenue to acquire new customers.

However, as a result of "growing at any cost," those companies tended to have much higher churn rates because the philosophy was "throw as much money as you need at sales and marketing because the only thing investors reward is top-line growth."

Next: Product-led growth

Wall Street then realized it was expensive to grow these SaaS companies and started rewarding businesses that grew more efficiently, leading to the concept of product-led growth. In this model, value is delivered from the product, allowing companies to grow quickly with a minimal investment in sales and marketing.

Product-led growth companies, where customers can try the product before they subscribe, gave businesses much higher retention rates than traditional sales-growth companies. But 95% of companies will never be product-led because they're missing the most important key ingredient that enables product-led growth—the product has to be stupid-simple to use, and the customer has to get super-high value with minimal effort.

Very few businesses today have a product that's actually simple enough to use to enable actual product-led growth. Since Wall Street highly values companies that can grow without spending a lot of money on sales and marketing, and most businesses will never be product-led, a new alternative model was needed for companies to achieve the metrics Wall Street wants.

Now: Customer-led growth

And that's where the concept of customer-led growth comes in because it employs a philosophy where companies are obsessed with the value they deliver to customers. It forces companies to make better choices about what customers it acquires, provide the right value to each segment of customers, deliver a content roadmap that aligns with the things customers need, and make pricing decisions that align with how customers want to buy and renew.

Customer-led growth is not new; it's been developing over the last five to seven years.

3 things that define a customer-led growth company

1—They measure whether or not customers have received value. Most companies are pretty good at documenting the outcomes that customers want to achieve. But to get the complete picture, you also have to understand the customer's perception of the value received, both outcomes and perception.

2—Customer data is king. In other words, customer data is prioritized as the most critical information for making key decisions, such as pricing, creating the ideal customer profile, developing a content roadmap, or product prioritization. All those decisions happen with customer data at the core.

3—They make outsized investments in their customer success teams. This means customer success is not an overhead function that the CEO or CFO is trying to squeeze every last dollar out when creating a budget. Instead, they consider it a place they want to invest in because it increases company value.

Current market trends

The market trend is heading toward net retention as a key measure of a company's health and ability to grow sustainably long-term. Specifically, CEOs are value-maximizing machines. Since investors are penalizing companies that grow inefficiently and rewarding companies that grow efficiently, investing and retention rate is the fastest way to increase your company's value, and that's why customer success (CS) is such a critical department in the customer-led growth future we're trying to create.

Metrics that matter

Telling company boards, CEOs, and CFOs about decreasing time to value or increasing NPS scores, etc., are not valuable metrics for them. Those metrics simply don't matter. To be a better advocate for customers and the customer success team, you have to connect your story to what they actually care about, which is the overall company value.

In a SaaS company, you live by the metrics, and the metrics that make a business more valuable are the ones that show customer connection. You want to have metrics that make everyone say, "How much money do you need? Here's a check for you."

The most critical factors for customer-led growth companies

You can't measure whether customers are receiving value if you're looking at product usage data in NPS. That shows you don't understand customer outcomes or customer sentiment. It's better to ask the customer what they want to achieve. That's the best way to measure the customer's perception of the value they've received, so you're no longer guessing how they feel about their purchase or interaction with you.

How do your customers feel?

You're missing key metrics if you only measure NPS and product usage. For example, imagine a surgeon who needs to understand how their patient is doing. They might start by looking at the heart rate monitor or blood oxygen levels. That's similar to examining company analytics showing product usage data.

But wouldn't it be crazy if the surgeon didn't ask the patient how they felt? That would never happen! But that's how we run our SaaS companies right now. We look at all the analytics but fail to ask the customer how they feel about their experience.

People think multi-million dollar and multi-year deals happen after a rigorous ROI exercise where they map out how much value was delivered and how much money was spent. But that's not how these decisions get made. Instead, the decisions get made because somebody believes they will get value from the product.

In reality, very few companies have a product that can draw a direct line between product usage and value received. Here's a great example. My Slack rep used to tell me that we had 14 new channels created in a month, 73 of my employees were active in the last 30 days, and 700 messages were sent in the last 60 days. The thing is—I didn't care about any of that. I cared about: Were my employees engaged? Did they feel that their manager and company care about them? Will we be able to retain them over time?

Slack gave me all the usage data, but that had nothing to do with the numbers I needed to know about employee retention.

So if you don't ask customers about the value they received, you don't actually know what they're thinking, and you can't accurately predict how much risk is in the relationship or how likely they are to grow and expand.

Another reason to ask customers how they're feeling is that they only want to answer questions that matter to them. When you ask the NPS question, you're asking how likely they are to recommend you when the reality is—customers don't care about you. They don't care about anything you want to know. Customers only care about themselves, their needs, and their problems.

We've got to stop asking selfish questions that customers don't care about.

We can solve this problem by creating a library of the questions we should ask along the customer's journey. We can decide how those questions are delivered via email, in person, chat, or in your app.

Each response must carry a certain amount of relationship risk or opportunity level, and each question must include some kind of action. And that data (you can call it playbook) should be compiled into a central repository and shared with company executives and team members so that when they're making decisions, they can see what the customer actually thinks and values about working with the company and its products.

Information kept in silos or somewhere people can't get access to it doesn't help anyone.

Traits of 2.0 customer success leaders

A 1.0 customer success leader is focused on running a better customer success operation. They say things like, "I want better onboarding or better training." The problem with that is that it's all internally focused. Customers don't churn because they didn't like the QBR process, their CSM, or their time to value was 90 days instead of 60.

The reason for churn is almost always things that happen outside of customer success, such as prices being too high, they were oversold, or the product is missing key features.

The 2.0 leader—the customer-led growth leader—champions for the customer receiving value. This means they are gathering information about the actual things that lead to a bad product-market fit, including things like pricing. Their focus is on helping their CSMs understand the customer's experience, save it in a database, and arm other executives at the company with that data.

They not only see themselves as champions for product-market fit but as influencers urging others in the company to use customer data because you can't get to product-market fit by running a better customer success team. You can only get there if you fix all the things that lead to churn, and most of those are outside the area of customer success.

Other traits of 2.0 leaders include stepping up to take more revenue ownership and ensuring the company's goal is around actual customer value delivered. They do a good job advocating for and increasing customer success budgets, and they set up data repositories that anyone at the company can use for making decisions.

What data should CS leaders provide to their peers in marketing and sales?

Because everyone is collecting data independently, someone at the company has to own the customer's experience. Involve.ai's product is interesting because it centralizes all these data points and makes them easy to distribute.

Only one executive should be responsible for making these decisions. This role is best filled by the most senior customer leader. That person should be accountable for defining what types of data are essential for understanding the customer journey and how that data is stored and distributed to the team.

This is what's missing in many companies. Typically, everyone makes decisions in silos, and at the end of the day, they look at sales and where the customers are churning to measure success.

How to prevent selling to customers who have no chance of succeeding

Several options:

- Have sales engineers go into the deals and pitch the use case to validate whether or not this customer is the right fit.
- Give CS the ability to veto a bad deal. So if a customer has been oversold, the CS team can disqualify that company from consideration. This gives CS some power to counterbalance what happens in sales.
- Provide incentives for sales on renewals, meaning they get some of their commission when the deal closes, but the rest comes at renewal time which incentivizes them to only close deals that are likely to renew.
- Ask customers questions as they're onboarded about what use case they want to solve for, how much value the product is delivering, and how the features and the product match what they need to accomplish their roles.

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The 1st step to becoming a great customer-led growth leader

The lowest-hanging fruit: start asking customers how much value you're delivering to them. Ask that question of every single customer, record their response and start tracking it relative to their business segment, their pricing plan, and the product they bought. You will quickly see how close your company is to product-market fit (whether you have or don't have it) and where you need to focus your company's resources to drive up your net retention rate.