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MAKING CUSTOMER SUCCESS SIMPLE



CUSTOMER SUCCESS MANAGEMENT: **A STRATEGY FOR WEATHERING ECONOMIC RECESSION**

**How To Succeed During an Economic Recession
Through Customer Success Management**

Part ONE of our *Customer Success Leadership Conversations* series



client**success**

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CUSTOMER SUCCESS MANAGEMENT: A strategy for weathering economic recessions

HOW CUSTOMER SUCCESS MANAGEMENT CAN HELP BUSINESSES SURVIVE OR EVEN THRIVE IN A RECESSION

The economic recession has made it more difficult than ever for businesses to succeed. With a global economy that is changing rapidly, many companies are concerned that they will be forced to cut costs and/or find new ways to generate revenues. The majority of businesses will inevitably see a change in their existing customers' and new prospects' challenges, priorities, and available resources (including of course cash for spending). The secret is not to try to prevent this from happening but instead to embrace it, to anticipate it, and to prepare for it ahead of time.

The good news is that there are plenty of strategies for keeping businesses afloat during times of economic distress. Many of these strategies will relate to existing customer retention or even expansion, and for these strategies it is the Customer Success Management team that will take the lead in ensuring that each strategy is planned and executed successfully. It is not wrong to say that Customer Success Management will play a large part in helping businesses of all types and sizes keep their heads above water during tough times, and will contribute to ensuring those businesses emerge stronger than ever afterward.



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WHAT IS A “RECESSION,” AND WHY DOES IT MATTER?

The past few years haven't been easy for many businesses, with factors such as the COVID-19 pandemic and a series of other global issues, including, of course, the ongoing war in Ukraine that have each brought their problems with them. There has been no let-up for businesses in the past few years, with one difficulty seeming to supersede the next. So what's so special about a recession, and why should businesses start thinking about its potential for business disruption?

Although there is no legal definition for a recession, a recession is generally considered to be taking place when total GDP* revenues reduce for two Quarters in succession within the relevant country or region, or indeed globally as a whole.

This decline in a country's or region's economic output might sometimes only be very slight (as is the case for the USA right now in September/October of 2022) or could be extensive and severe, as was the case in 2007/8 in the USA and in many parts of Europe and elsewhere.

*GDP stands for Gross Domestic Product and refers to the total value of all goods and services produced by that country or region (or worldwide) in the stated period. It is most commonly calculated in US\$ since this is the leading global currency, and doing so enables easier like-for-like comparisons between countries and regions.



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Recessions can start for many different reasons, but once it's in place, they are hard to stop because recessions tend to go hand-in-hand with high inflation. High inflation occurs when the prices of goods and services go up by a significant level. This tends to happen because, in turn, the costs of raw materials and/or the costs of manufacturing and/or the costs of transporting finished goods are going up, forcing other manufacturers and service providers to increase the cost of their own goods in order to be still able to take a sufficient profit from the sale of those goods and enable them to continue paying essential bills such as taxes, salaries, and energy usage.





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Businesses that struggle to pay their bills out of cash flows and do not have a stockpile of cash savings sitting in bank accounts to fall back upon have no option other than to cut back on their expenditure. Of course, this is where it has a knock-on effect on other businesses since that expenditure on products and services is also the income those product and service providers rely on to keep themselves going.

There are all sorts of reasons why recessions occur and how they tend to get turned around in the end, which would make for an interesting article. But the topic for this article is more of a practical focus on what businesses and, in particular, Customer Success Management functions within those businesses can do to help their business to survive or even thrive during the recession period.





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NEW CUSTOMERS DURING AN ECONOMIC RECESSION

Business is all about risk-taking. Greater risks tend to provide greater rewards, and the best senior decision-makers know just how much risk to take on behalf of their company to exploit the best opportunities without putting the entire business in jeopardy.

Generally speaking, recessions create greater levels of risk for businesses, and increased risk is problematic since it provides instability and loss of control, which could lead to failure if left unchecked. To counter this, senior leaders will look at ways to reduce that risk, and of course, one obvious way to reduce risk is to avoid taking on anything new. This could include new personnel (that will need paying), new strategic initiatives (that will need funding), and new tools and/or technology (that will need to be purchased). During a period of already sufficiently high risk, it may well be deemed necessary to drop all such new activity until after the recession has ended, or at least until the business once again feels in control of those risk levels.





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This is why it is generally very difficult to win new business from new customers during a recession – the risk is too high for that company to take on a new and untried-and-tested product or service right now since the ROI from that product or service is yet unknown, and since it will not be clear, not just as to how much, but also as to when that ROI is likely to be realized. Companies, therefore, tend to put a hold on all (or all but the most essential) new spending, and even for the few exceptions, they will generally have very stringent rules and processes for getting any new expenditure approved.

This is the case unless you are able to prove the immediate need for your product or service with a watertight business case that cannot be ignored (for example, if the prospective customer will make substantial, provable, and immediate savings from using your product or service, or if your product or service will enable them to remain legally compliant after a recent change in legislation) you are highly unlikely to win anything like the same amount of new business from new customers during a recession as you are able to do pre-recession.

This, of course, is bad news for the Sales department and indeed for company revenues in general – especially if your business tends to rely upon revenues from new customers for growth or (worse still) even to keep itself afloat.



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EXISTING CUSTOMERS DURING AN ECONOMIC RECESSION

As we previously discussed, recessions create greater levels of *risk* for businesses. As we have seen, the increased risk is problematic since it provides instability and loss of control and could lead to failure if left unchecked. To counter this, senior leaders will look at ways to reduce that risk whilst the recession is occurring in addition to ceasing or drastically curtailing net new purchases.



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There are several ways in which this can be done, and below are some of the more common ones:

- **Slow down or halt the recruitment of additional employees**
- **Reduce funding for or cancel any longer-term research or innovation projects**
- **Focus the limited financial resources solely on core business activities**
- **Slow down production levels (*and therefore the need to purchase raw materials*)**
- **Reduce expenditure on anything deemed non-essential**
- **Renegotiate better terms on all necessary expenditures**





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These last two bullet points are a bit of a catch-all. Still, they are nevertheless very real, and it is entirely likely that your product or service sits inside one or other of these categories within the minds of your customers' senior decision-makers. If this is the case, then alongside reductions in expenditure from new prospective customers, you should expect to see many of your existing customers canceling, reducing, or wanting to renegotiate terms for the products and/or services you are providing. Additionally, suppose your product or service is supporting non-core business activities such as the exploration of or research into new innovations. In that case, you may find that, again, your customers will want to cancel, reduce or, at best, renegotiate terms with you.

So as we can see, even with existing customers, the picture is not particularly rosy. Revenues, even from existing customers for whom risk and reward levels are much better known, are likely to be often challenged in times of economic recession, depending upon the level of depth and the ongoing duration of the recession, since by their nature. For obvious reasons, shorter, shallower recessions will tend to impact business growth less than longer, deeper ones.



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THE ROLE OF CUSTOMER SUCCESS MANAGEMENT - NEW CUSTOMERS

So, where does Customer Success Management come into the picture? Well, largely, it is going to play a major role in working with existing customers. Still, we must not forget the positive impact that Customer Success Management can have in winning new business from new prospects. Let's discuss that first.

Customer Success Managers generally only get involved with a customer after becoming a customer. In other words, the CS team is generally only directly involved in the post-contract signature or sometimes even post-implementation and configuration activities. Why might they be an important or even an essential component in winning net new business, even before the sale is made?

The answer lies in the needs of customers, and in particular, their requirement to manage and mitigate risk as much as possible – especially in difficult times such as during an economic recession. It's true to say that over the years, customers have become more knowledgeable and savvy about the process of purchasing new products and services.



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Firstly the (customer-led) movement towards renewable contracts rather than capital purchases allows greater agility and better management of cash flow, which in itself reduces risk considerably by reducing the downside of purchasing a good that either fails to deliver to its specifications and promises or alternatively outlives its usefulness as the customer's specific needs change over time.

Secondly, customers have realized that the purchase of a product or service is not an end in itself but instead is more of a means to an end, that end being the ultimate outcome that the product or service is designed to assist the customer in realizing. In other words, customers don't want products or services; they want results – “outcomes” to use the common parlance within the CS profession. This is where the CS team comes in. Maximum value realization comes not just from purchasing the right product but also from how that product is used afterward, including the processes of onboarding, adoption, and value realization (covered in depth in the Practical CSM Framework through phases 1 to 6). Helping the customer through this post-sales engagement lifecycle is exactly what Customer Success Managers do.



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Mature customers should be well aware of the above and the essential role that Customer Success Management plays in helping them maximize the value returned from their investment in whatever goods they have purchased. If they are not already aware of this, then it is part of the role of Marketing and of Sales to make sure they educate the customer and evangelize this value to the customer. So part of the purchasing decision in the first place and also a very significant element of the level of customer satisfaction measured from new customers will be due to both expectations around and the reality of the Customer Success Management service offered to new customers by the company.





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PRACTICAL STEPS

What can be done on a practical basis?

- **Adopt a published best practice framework for Customer Success Management so that customers can view and understand the value of their purchased products and services.**
- **Support all CSMs to attain a globally recognized professional certification that customers can recognize as a standard of accomplishment**
- **Evangelize Customer Success and Customer Experience principles and create a “Customer First” culture within the company**
- **Train sales and account management personnel in consultative, outcomes-focused sales techniques**
- **Support sales and account management activities with marketing campaigns that explain the value of the “package” of both core product/service plus surrounding Customer Success Management services to maximize value for customers**



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THE ROLE OF CUSTOMER SUCCESS MANAGEMENT - EXISTING CUSTOMERS

Regardless of whether or not we are undergoing an economic recession, customer retention is vital for any company that desires its customers to make repeat purchases, leading to lower customer acquisition costs and increased revenue. In addition, retaining customers for significantly longer than previously can greatly increase a customer's cumulative (or total) lifetime value. Customer Success Management is a systematic approach to managing customer relationships in order to improve customer satisfaction and increase customer loyalty and reduce churn. It's a process that ensures every customer receives the right level of support, including providing access to the information and assistance they need and ensuring, as best as possible, they get what they want from their relationship with our company.

Customer Success Management is a process that helps companies to retain their customers and increase customer loyalty by maximizing customer value. This can only be achieved once our customers' needs have been fully identified. Only then can we hope to provide them with the best possible experience to meet their expectations.



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A critical aspect of the Customer Success Manager's role is to communicate with the company decision-makers and the customers, building a bridge between the two and promoting a win-win situation wherein both can meet their goals through a partnership. Through multiple efforts, Customer Success Managers aim to proactively offer the best of the company's products and services to promote customer retention and improve company revenue. But how can Customer Success Managers do this most efficiently and effectively?

1. Understand the business and the customers

The initial step to any strategic planning is conducting a thorough assessment and establishing comprehensive baseline data. To do so, a Customer Success Manager evaluates the customer's position and its ability to move forward on the journey toward its expected outcomes. It includes constantly re-evaluating KPIs and problems that limit its ability to generate value. With this, a Customer Success Manager can help the customer's stakeholders to develop a "success plan" plan that prevents wasting resources on strategies that may not directly fix the issues or have a minimal possibility of success.

On the other hand, it is undoubtedly necessary to re-evaluate the problems the customers are experiencing not only with the products and services but also with their set goals.



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Along with the possible economic recession, customers may choose to prioritize and minimize the risks they are willing to take. Some may even change their overall direction and goals, which may, in turn, require a Customer Success Manager to help them to redesign their success plan.



By collecting and analyzing information on the organization's current status with respect to multiple aspects of their business, including possible revenue losses brought by a recession, the CSM may be able to establish an understanding of:



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- How much can the company invest in product development?
- What method of building customer relationships will work best for the business to retain existing customers?
- What strategies aren't plausible due to limitations of budget?
- Which segments would customers fit better according to their priorities and needs?
- What services would a customer need for their reprioritized outcome requirements?; and
- How can the company deliver the client's expected outcomes with minimal cost but maximum efficiency?





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Businesses may have fewer financial resources during a recession, but even when customers are hesitant to invest more money, they still want the same or even more benefits. Here, the Customer Success Manager plays a massive role in finding ways for the company to provide and satisfy the customers' needs while putting the organization's needs to minimize expenditure in mind. In simpler terms, the CSM finds a way to bridge the increasing gap between company revenues and expenses and customers' needs to keep businesses afloat during an economic recession. Expertise in business and technical analysis and creative problem solving very much come to the fore here. Expertise is itself the combination of knowledge, skill, and experience. It is these three qualities in abundance that makes the expert CSM such a critical player in helping customers to find clever ways to maximize ROI whilst maintaining or even reducing their outgoings.



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2. Leverage Relationships

Customer Success Managers are among those who are responsible for building and taking advantage of relationships with customer stakeholders and, in particular, business decision-makers. After all, CSMs are paid to care for and advocate for what the client values with the goal of retaining them. The depth and quality of the built relationship between the CSM and the customer will then decide how much a CSM can achieve in helping customers attain their expected outcomes in a way that also benefits the company.

As businesses gain the trust of their customers through the CSM-to-customer-stakeholder relationship and the customer's success in achieving or moving efficiently towards value realization, Customer Success Managers have more opportunities to influence the customers' decision to keep purchasing the company's products and services. In this way, the level of sponsorship can grow, with CSMs forging deeper relationships with more senior customer stakeholders over time.

It is not wrong to say that companies that are able to form tight relationships with customers' stakeholders through their CSMs are more likely to have an increased customer retention rate and greater revenues.



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In turn, the organization becomes less dependent on the income brought in by net new customers and thrives from the continuous support of existing (and less costly) loyal customers.

But effectively providing the customers' needs is not as simple as creating things out of nothing. Customer Success Managers must communicate these requirements and find common ground wherein the customers can achieve their expectations in a way that is not detrimental to the organization. Herein, the ability of a Customer Success Manager to develop a relationship with and influence the senior decision-makers in an organization comes into consideration. With this, it's not wrong to say that leveraging relationships makes or breaks the company as Customer Success Managers find revenue opportunities with less cost.

3. Communicate Value

Customer Success Management is a critical part of every business, and today's Customer Success Managers are tasked with many responsibilities. They can be responsible for driving customer advocacy, reducing churn, and increasing renewals and referrals. However, to succeed in their role, Customer Success Managers must know how best to understand and present the value the company is providing to the customers to retain them.



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A value, even when received and given directly, can't be appreciated when the customer is oblivious to it. Hence, it's an essential role of Customer Success Managers to help customers visualize the importance of the company's products and services in their ability to generate the maximum value out of their purchase and realize their expected outcomes. As we have said before, customers are looking for results, emphasizing the importance of your company's products and services in helping them achieve those set outcomes most effectively and efficiently possible; a Customer Success Manager puts the organization in the best light for the customers to continue their relationship and remain to purchase the company's products and services. And the best way to show these outcomes achieved is through correct and compelling data that depicts precisely how the company's products and services made the customers' lives better and easier and how it could continue doing that or even more in the future.



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TO SUMMARIZE

Challenges are not new to any business, and it just so happens that the recent global issues now lead us to the possibility of an oncoming economic recession. However, this remains only a challenge for businesses to prepare for and develop the best strategy to deal with the multiple possibilities as they happen and to emerge stronger afterward. As organizations look for ways to remain afloat during these troubled times, Customer Success Managers are great partners who help find creative and flexible ideas to retain customers and drive revenue while ensuring that customers attain their expected outcomes.

To effectively do so, Customer Success Managers must develop a suitable skill set, together with the necessary knowledge, experience, and attitude to foster growth and sustainability through quality training such as Our **Certified Customer Success Management** programs **for individuals** and **for teams**.

Should you wish to know more about the best practice framework of Customer Success Management, you can check out **[The Practical CSM Framework: Manager's Overview](#)**.



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**Don't miss out as Rick Adams interviews prominent
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