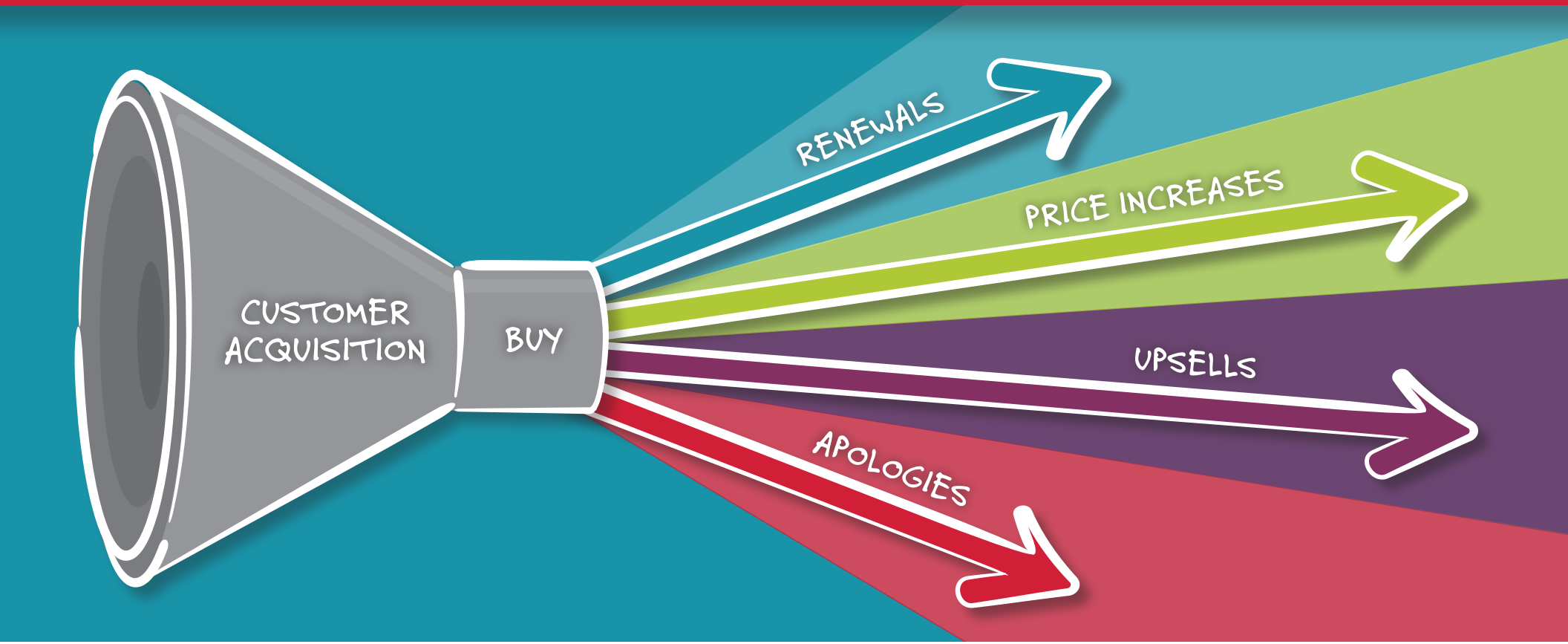
THE MARKETER'S GUIDE TO

CUSTOMER EXPANSION

Four Must-Win Moments for Keeping and Growing Revenue



corporate visions
conversations that win®

In partnership with Gainsight

One Size Does NOT Fit All



corporate visions
conversations that win®

Tim Riesterer, *Chief Strategy & Research Officer*

Customer acquisition and demand generation seem to get all the love when it comes to commercial spend and resources.

According to our research, 80 percent of companies spend more than 70 percent of their Marketing budget on demand generation messaging and content. The remainder is allocated to customer retention and expansion programs.

Here's the problem with that ratio. For most companies, existing customers represent at least 70 percent of your revenue. Which means whether or not your company hits its growth goals relies more on how many existing companies you retain and how much more you can sell them, versus how many new logos you acquire.

In addition to not getting much effort and investment, there's one more problem with customer expansion marketing and communications at most companies. The majority (58 percent) just use the same messages and content, regardless of the customer relationship.

However, recent research has proven that the psychology of an existing customer is 180 degrees different than a potential prospect. And messaging approaches used to acquire a new customer will backfire when used to renew or expand an existing relationship.

Just because the majority of companies—58 percent, according to a Corporate Visions survey—see no need to differentiate their messaging and content between customer acquisition and customer retention/expansion doesn't mean a one-size-fits-all approach is right.

Existing customers require a distinct approach to messaging and content, because the demands of those must-win expansion conversations are radically different from those of customer acquisition. Treat them the same at your peril.

This eBook covers the pressures and customer buying psychology you must navigate in four must-win commercial moments for keeping and growing revenue—renewals, price increases, upsells, and service recoveries. And, it provides four science-backed, tested and proven approaches to these critical conversations.



Gainsight

Ruben Rabago, *Chief Strategist, Pulse Customer Success Programs*

Overcoming Buyer's Remorse

There is an inevitable pivot that occurs in most customers immediately after the deal closes. No matter the product, service, or solution sold, there is room for buyer's remorse to manifest during implementation and after the initial sales engagements.

This sentiment can be a result of a disjointed journey, manifesting as over-amplified marketing or sales cycle messaging, or a misalignment of feature expectations. Unless you're fortunate to have a consistent message from beginning to end, at some point the "honeymoon phase" comes to an end and there is a shift from "What should I buy?" to "Prove to me why I did buy."

The primary way to prove to customers that they made a good investment is to demonstrate value as quickly as possible. This is the charter of a company that has adopted "Customer Success."

Customer Success is the notion that, "We only succeed if you succeed." If your customers attain their desired outcomes, and you're able to help your customers recognize the value of their engagement with your solution, they will more readily expand, renew, and advocate on your behalf. Customers are the sleeping giant of your revenue stream, and your customer success efforts have the potential to create a revenue growth engine entirely derived from existing customers.

Tapping into this source of growth requires surgically precise messaging. With a bevy of options at their disposal, customers are granted the knowledge, power, and ease of switching to a competitor. From the very beginning of your customer engagement, you must be mindful and purposeful in your communications. Messaging consistency will result in less post-sale friction and keep customers from **their natural tendency to churn**.

A Different Buyer Psychology

There are fundamental differences in buyer psychology when you're the outsider (trying to displace an incumbent) versus when you're the insider (trying to protect and expand on your incumbent status). And, there's research to prove it.

Corporate Visions research found that the most effective message for acquiring new prospects is a Why Change story—designed to overcome Status Quo Bias by introducing "unconsidered needs" that create urgency and open prospects up to change. Edgy and disruption-minded, this message is meant to drive big changes and mentality shifts in your prospects.

But "big changes" aren't always the main objective when you're trying to persuade existing customers to expand or renew with you. So, it's no surprise that the same provocative approach that worked wonders in a customer acquisition scenario actually backfired in a customer renewal one.



A test simulation conducted with an academic research partner found that:

- **A messaging approach that reinforces an existing customer's natural Status Quo Bias increased intention to renew by 13 percent** relative to the provocative messages in the test.
- **The provocative messages increased the likelihood of a customer switching by 10 percent** relative to the status quo reinforcement message.

FOUR CAUSES OF STATUS QUO BIAS

In his study **"The Psychology of Doing Nothing"**, research psychologist Christopher Anderson details four causes of Status Quo Bias. When you're the outsider and trying to convince prospects to change to you, you need to disrupt these causes. When you're the insider and need to retain customers or expand, you often need to reinforce them.

CAUSE #1: Preference Stability

If a customer's preferences are static, they're more likely to stick with what they're doing today. Conversely, if you destabilize their preferences, you increase their openness to change.

CAUSE #2: Anticipated Regret/Blame

Humans chafe at the possibility of regret. It elicits all sorts of negative anticipatory emotions such as fear, dread, and anxiety. While the consequences of actual regret will play out in the future, the emotional experience of regret takes place in the present.

CAUSE #3: Cost of Action/Change

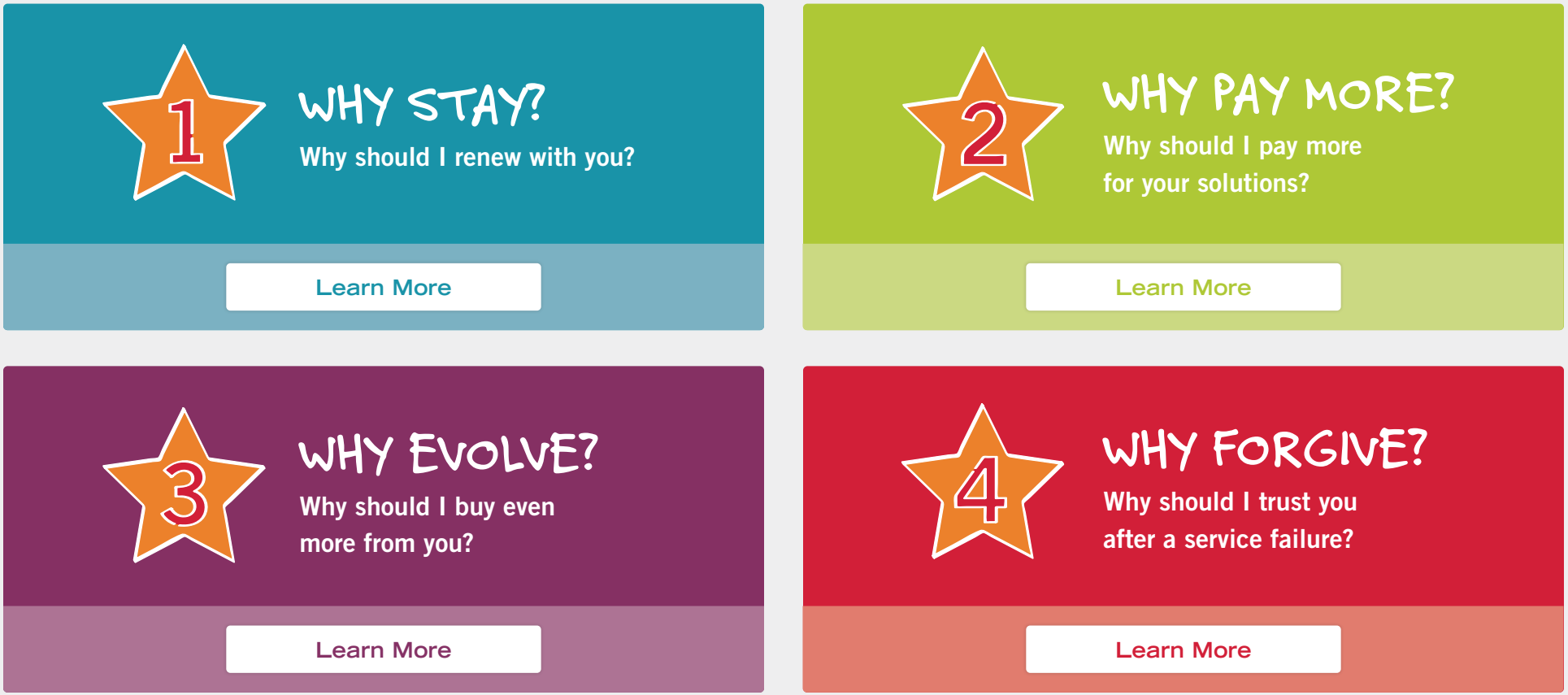
Change seems risky or costly, while sticking with the status quo registers as either neutral or even beneficial—even in the face of contrary evidence.

CAUSE #4: Selection Difficulty

When prospects and customers are overwhelmed by too many options, they suffer from "choice overload." This amplifies their tendency to view change as complex and costly.

Four Must-Win Customer Expansion Moments for Marketing Teams

The four "moments of truth" in every customer lifecycle can be summed up by the decisions your customers are wrestling with in these situations:



Each of these moments is an opportunity to persuade your customers to remain and expand with your solution.

How well you answer these questions could be the difference between keeping your customers versus losing them, or growing with them versus stagnating.

Corporate Visions conducted a series of studies which reveal how you can tailor your messaging and content to precisely fit the buyer psychology in each of these key customer decisions.

Read on to learn about the factors at play in these moments, and how you should respond to them.

Must-Win #1: Why Stay

The mission of any "land and expand" strategy is clear: Acquire and retain the best customers in your sweet spot who can deliver the most long-term expansion value.

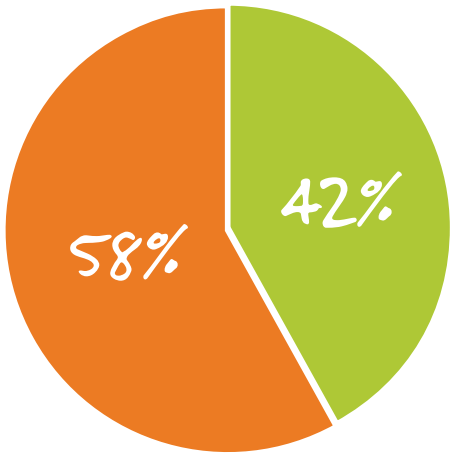
It costs a lot of money to market to, sell to, and acquire these coveted customers—to say nothing of the investment required for a successful implementation. In some cases, companies might over-service these accounts early on to ensure an outstanding initial experience.

For many industries, especially those that rely on subscription-type contracts, the up-front cost means the real profitability ramps up only when you score that first renewal. That's why the Why Stay message has huge implications for your growth goals.

You already know that dialing down the disruption during a renewal conversation is an effective approach. It might even seem like a no-brainer. But get this: Nearly 60 percent of marketing and sales leaders think the provocative messaging and content suited to new customer acquisition is still applicable in a renewal context. The research doesn't bear that out.

Learn More

Do you think your messaging and content for demand generation / customer acquisition strategies should differ from your messaging for retention / renewal business?



42% Yes
These messages should differ significantly

58% No
A provocative demand generation message should still be applicable in a renewal scenario

So, in an era when marketers and salespeople are encouraged to challenge prospects and customers at every turn, it's worth keeping in mind that a) *messaging isn't a one-size-fits-all undertaking*; and b) that *critical customer renewal and expansion moments have their own buyer psychologies that you need to account for.*

You know the best approach to the Why Stay story. But what's the best message *framework* for executing your story? That's covered on the following page.

The Best Why Stay Story

Corporate Visions **research** found that the most effective Why Stay story follows the framework below. It performed best in the areas most critical to customer retention, including switching intentions, trust, willingness to pay more to renew, and message quality.



In the simulation, three different pitches were tested to determine which messaging strategy is most effective for winning renewal conversations:

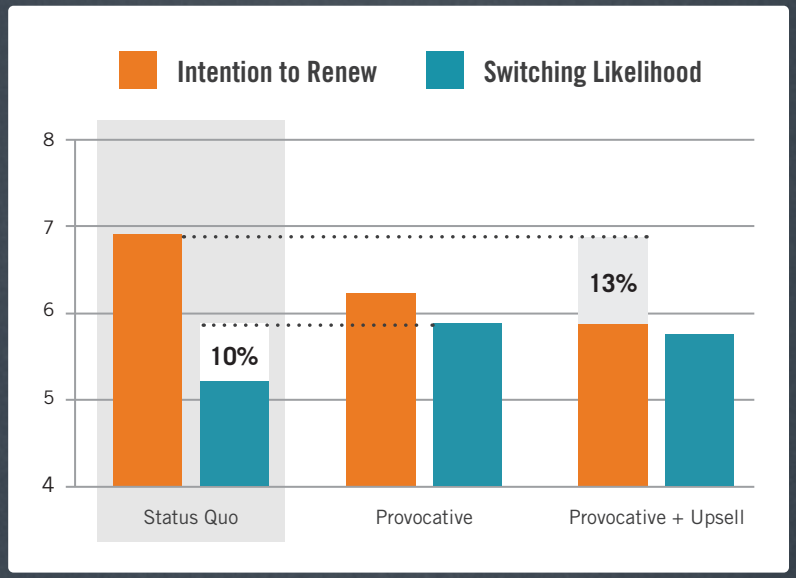
1. Status Quo Reinforcement – This message led with an encouraging description of how the plan was working to date and how the company was making progress toward its goals. Then it moved to a message intended to reinforce the status quo, emphasizing how much effort went into selecting the current provider and highlighting the risks and costs associated with changing to a new one.

2. Provocative Pitch – This message also documented results to date, but then switched gears, introducing a new idea that challenged their current approach. The new approach would require some changes, which the provider would help implement.

3. Provocative Pitch with Upsell – This message was the same as the provocative pitch above, except for that it also offered a series of online tools for employees that would ostensibly increase their engagement in reaching their goals.

Across the measures assessed in the experiment, the status quo reinforcement message outperformed the provocative and upsell messages by statistically significant margins:

- **13 percent boost in intentions to renew**, relative to the two provocative messages.
- **10 percent less likely to switch** or shop around than the two provocative pitches.
- **9 percent boost in positive attitudes**, compared to the two other pitches.
- **7 percent lift in credibility perceptions**, relative to the provocative conditions.

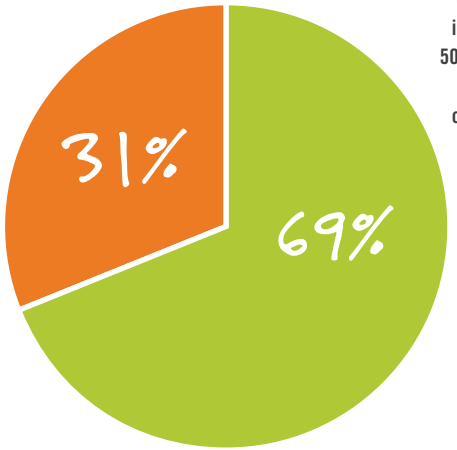


Must-Win #2: Why Pay More

Ongoing investments in servicing accounts and improving solutions, not to mention the rising cost of goods, all wind up in the same spot: a post-purchase price increase discussion, typically attached to a customer renewal. Not only is your profitability on the line, the conversation carries the additional risk of destabilizing customer relationships and undercutting loyalty—potentially leaving your customers vulnerable to competitors.

Nearly two thirds of companies view price increases as "very important" or "mission critical" to maintaining desired profitability and revenue growth, according to a Corporate Visions **survey**. Unfortunately, this dialogue isn't going over too well with customers.

When you communicate price increases to your customers, how well does it go over?



26%
Pretty good.

5%
Excellent.

Less than 1/3 of respondents say price increases are going over well with customers.

69% describe price increase requests as 50-50 or worse in terms of how well they go over with customers.

2%
Terribly.

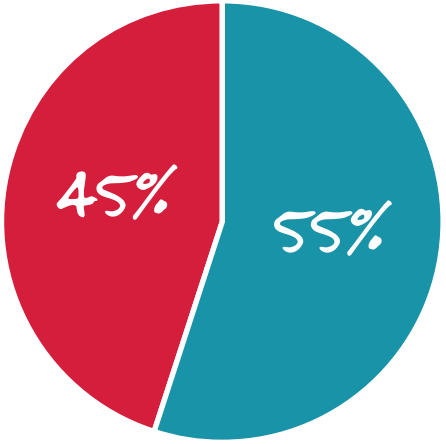
14%
Pretty bad.

53%
It's 50-50.

How confident are you that the way you structure and deliver your price increase message is the most effective for communicating price increases and creating positive outcomes?

8%
We're very confident that our approach is effective.

37%
We're confident our approach is effective.



3%
Not at all; we have zero confidence that our approach is best for communicating price increases.

15%
We have little confidence in our effectiveness.

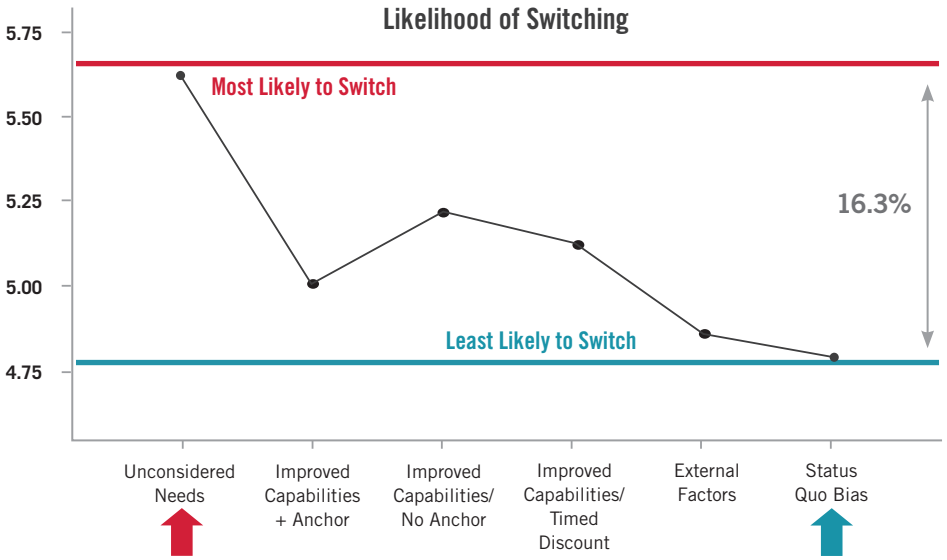
37%
We're somewhat confident.

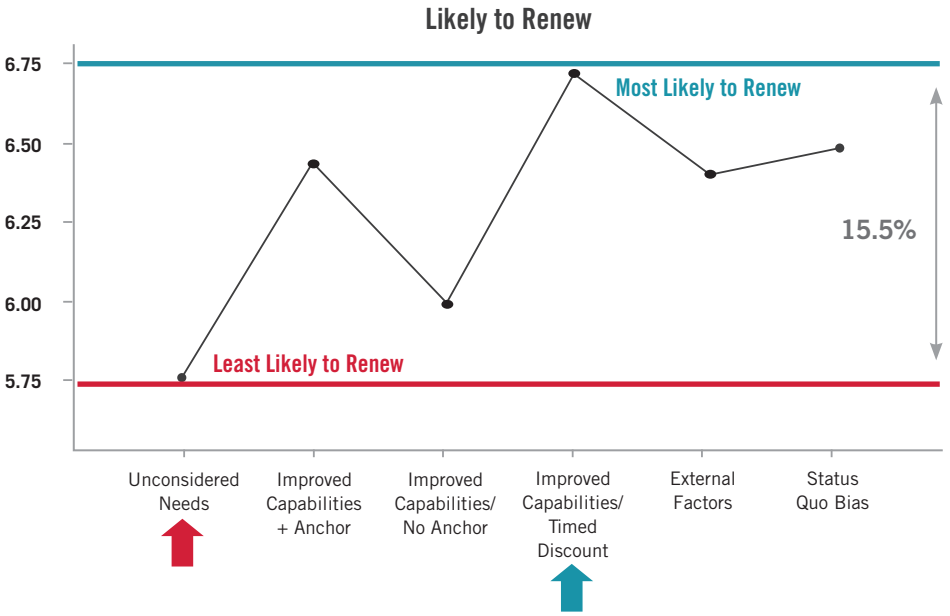
The same survey revealed that *nearly four out of five companies say they want to make their price increase communications more formal and strategic*. Clearly, there's great appetite for improvement in this area. But what does improvement actually look like? Read on.

The Best Why Pay More Story

A Corporate Visions **study** conducted with Dr. Nick Lee, a professor at Warwick Business School, found that challenging the customer with disruptive insights during a renewal and a price increase will set you back.

As the charts below illustrate, a provocative message based on unconsidered needs—the core of an effective Why Change story—makes customers more likely to consider other alternatives and less likely to renew.





According to the study, the most effective price increase message will pattern itself off the most impactful customer renewal message—the Why Stay message validated in previous Corporate Visions research. But, it will then broach the price increase by anchoring a higher price before introducing a loyalty discount.

Here is the message framework plus an example—from the winning simulation condition—of the price increase component.



"These new services and functionalities will add approximately eight percent to the annual cost of your plan. However, if you renew before the end of the month, we will reduce the price increase by 50 percent, making it just a four percent overall increase to get this level of service."

"You're making great progress. Stick with our program for another two years and I know you'll get to your 80 percent participation goal and further increase your employee retention rates."



Gainsight

Allison Pickens, *Chief Customer Officer*

Why Build a Renewals and Expansion Team?

When it comes to dividing up renewal and expansion opportunities, most post-sales leaders end up having to make a Solomon's Choice between Sales and Customer Success. But is that really the best way to resolve the question of ownership?

As for Gainsight, what we found as we grew is that is that neither role was ideal for owning these responsibilities, and that a dedicated Renewals and Expansion team was better suited to handle these unique motions. We call them Customer Account Managers (CAMs).

We found that at our size, it didn't make sense for Customer Success Managers (CSMs) to own renewals and upsells because:

- **Skill Set** – Renewal and expansion selling requires a different skill set from the primary responsibility of CSMs, whose focus is on advising the customer about their strategy for deriving maximum value from the product.
- **Advisor Role** – CSMs rightfully feel that discussing pricing with customers can subvert their ability to serve as the pure trusted advisor to the customer.

But what about Account Executives? Depending on the segment (SMB, Enterprise, etc.), AEs aren't necessarily the best fit for owning renewals and upsells for the following reasons:

- **Skill Set** – Selling to an existing customer demands different skills than selling to a new one. Analytical abilities are valuable in the former, given the wealth of customer data. Being able to thoughtfully represent what has gone well and what hasn't is an important part of renewal and expansion selling.
- **Workflow** – There are different workflow requirements for pursuing organic upsell and white space opportunities versus new business. It's challenging to wear both hats.
- **Coordination** – Value delivery should drive financial outcomes, which in turn should contribute to the closing of the renewal and upsell. By working cross-functionally with sales toward these objectives, you can cloud the linkage between business value and financial outcomes—which needs to be crystal clear for you to close renewal and expansion deals.

Notably, before we dedicated a CAM team to renewals and expansions, neither our CSMs nor AEs were maximizing as much upsell as possible. There is one important exception, though, and that's for our largest accounts, where sales into new divisions resemble new business sales. For these accounts, the AE should continue to own the post-sale business.

Must-Win #3: Why Evolve

Nearly 87 percent of companies Corporate Visions **surveyed** say upselling customers to upgraded solutions and services is "important" or "very important" to their revenue success and ability to retain customers. But, nearly 60 percent of respondents say they're only somewhat satisfied or worse when it comes to how well they convert customers to new solutions—both in terms of how fast they convert them and how many are converting.

There's a lot hanging in the balance in the upsell dialogue. Succeed, and you lay the groundwork for better customer experiences and longer-lasting partnerships. Stumble, and your partnerships stagnate, your revenues level off, and you could become vulnerable to getting picked off by competitors, who can disrupt you out of the equation with promises of something better.

It's not that you can't provide that better customer experience. It's that you haven't made a compelling case for doing so.

87 percent of companies surveyed say the upsell conversation is important or very important to revenue success and retention. But, nearly 60 percent say they're only somewhat satisfied or worse at converting customers to higher value solutions.

A great upsell message must address five key challenges:



1. **Different enough?** How do you create a message that's not what the customer expects—that's unusual enough to pique their interest?



2. **Important to success?** How do you craft a message that gets them to see your solutions as vitally important to a successful future vision?



3. **Personally convincing?** How do you craft a message that not only shows how much you value their business but convinces them to become personally invested in doing something to propel their business forward?



4. **Willingness to change?** How do you craft a message that makes a compelling case for change?



5. **Intention to purchase?** How do you craft a message that increases the likelihood of your customer buying?

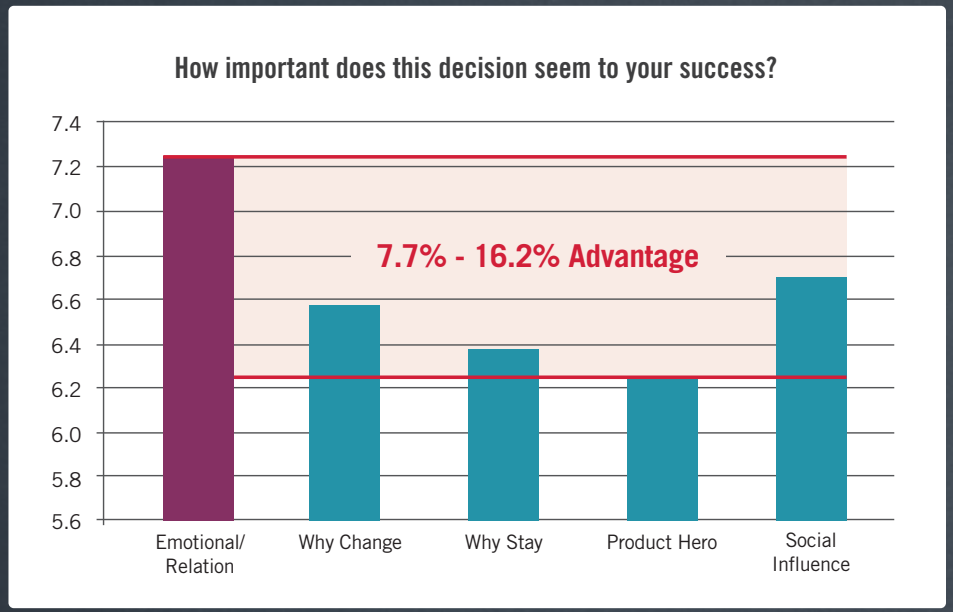
The Best Why Evolve Story

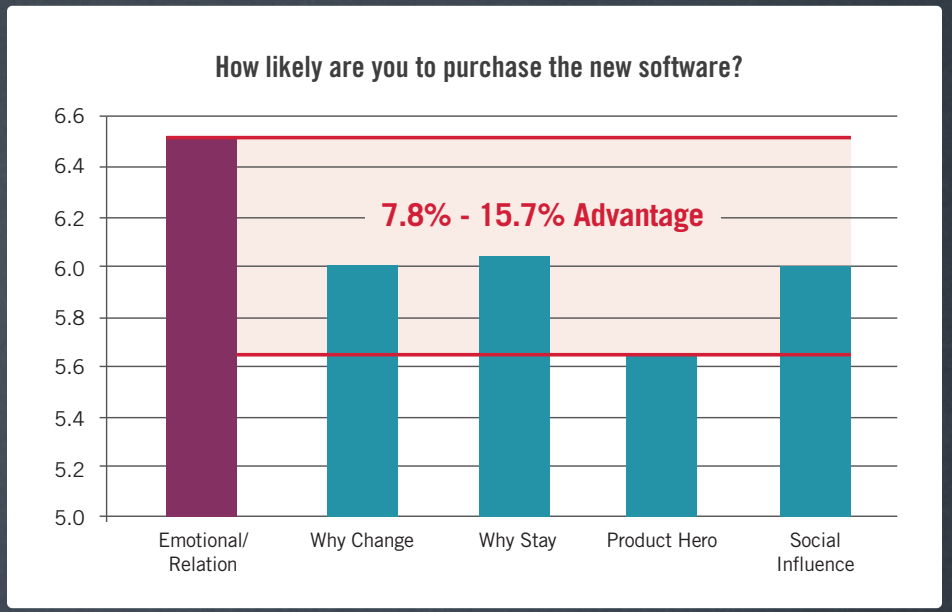
A Corporate Visions **test simulation** found that the most effective message for the upsell dialogue brings together some disruption and some relationship reinforcement. It's essentially a hybrid message that includes elements of a provocative new customer acquisition story (Why Change) and elements of the more protectionist customer renewal story (Why Stay).



The message framework to the left outperformed a range of other message types—including a product-oriented message, a purely disruptive message, and a purely protectionist one—in the following areas:

- **Overall message effectiveness**
- **How unusual it was**
- **How convincing it was**
- **Importance to success**
- **Purchase intent**
- **Willingness to switch to an upgraded solution or service**



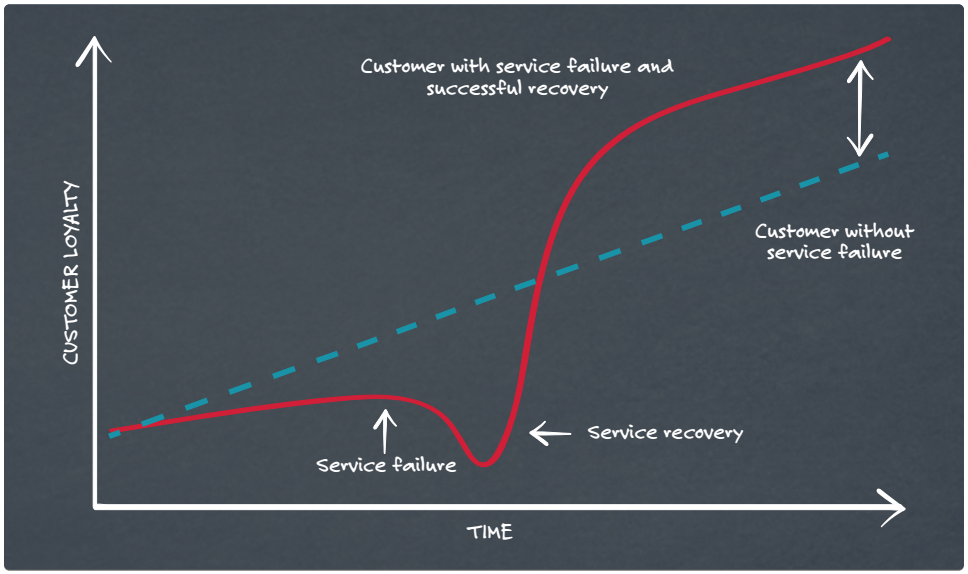


Must-Win #4: Why Forgive

In a perfect world, you would never need to apologize to your customers. But service failures are inevitable. And mishandling these pivotal moments can put your customer relationships, retention, and future revenue at risk.

A well-executed recovery, on the other hand, can not only rescue the relationship but advance it to an even higher level.

It's a scientific theory called the Service Recovery Paradox: a situation in which the customer thinks more highly of you after you've corrected a problem than if they'd never had the bad experience to begin with.



A critical part of a well-executed recovery is the apology. And certain elements must be present within your apology message if you want to fully reap the benefits of the Service Recovery Paradox.

A 2016 article called *An Exploration of the Structure of Effective Apologies* identified the five components of an effective apology:

- **Acknowledgement of Responsibility**
  A statement which demonstrates you understand your part in the service failure
- **Offer of Repair**
  A statement extending a way you plan to fix the problem and work toward rebuilding trust with your customer
- **Explanation of the Problem**
  A statement in which the reasons for the failure are explained to the customer
- **Expression of Regret**
  A statement in which you, the violator, express how sorry you are for the problem
- **Declaration of Repentance**
  A statement in which you promise to not repeat the problem

But it's not just what you say, it's how you say it. We discovered that the order in which you present these components makes a big difference in how your message is received.

Read on to learn which order of these apology elements is proven to improve customer loyalty.

The Best Why Forgive Story

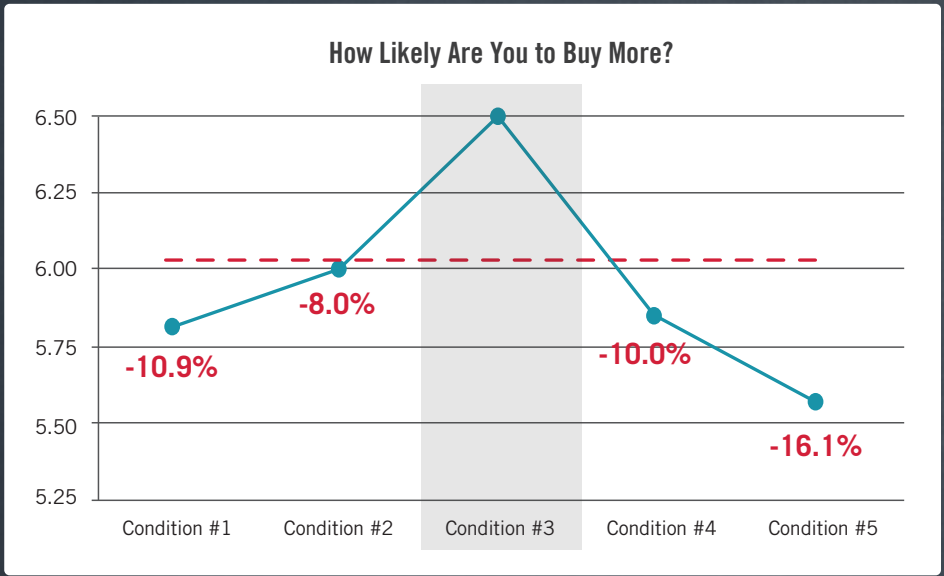
A Corporate Visions **study** revealed that one specific apology framework not only quells any misgivings—it can build even greater levels of commitment.

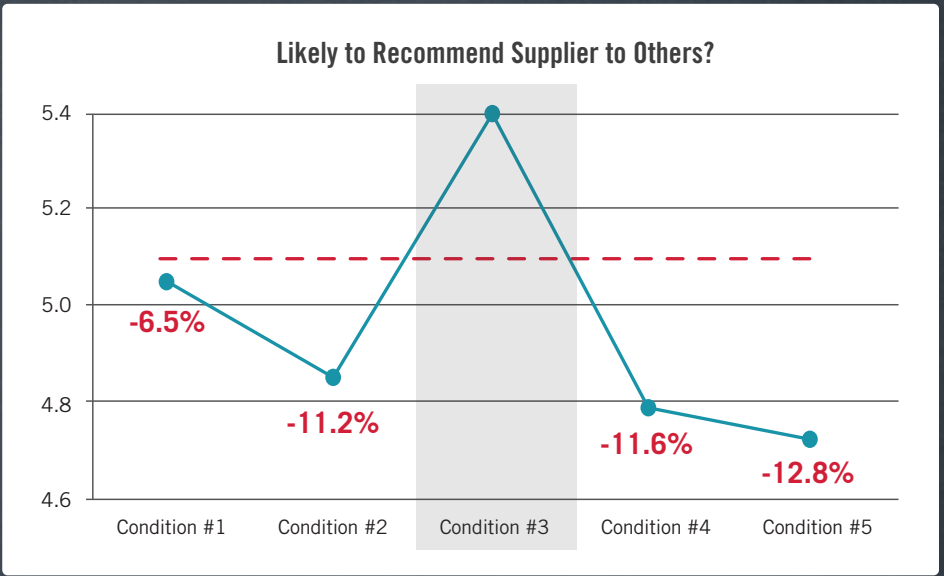


In the simulation, we tested five apology frameworks using various combinations of identical language in each step. As you can see from the charts below, Condition #3—which led with the Offer of Repair and closed with the sincere, emotional Expression of Regret, consistently and decisively outperformed all other frameworks.

The message framework to the left decisively outperformed a range of combinations—including one purely facts-based approach—in the following areas:

- **Overall message effectiveness**
- **How credible and convincing it was**
- **Likelihood to buy more or buy again**
- **Willingness to provide a referral or reference**
- **Whether the apology improved trust and loyalty**







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Ruben Rabago, *Chief Strategist, Pulse Customer Success Programs*

Success at Scale

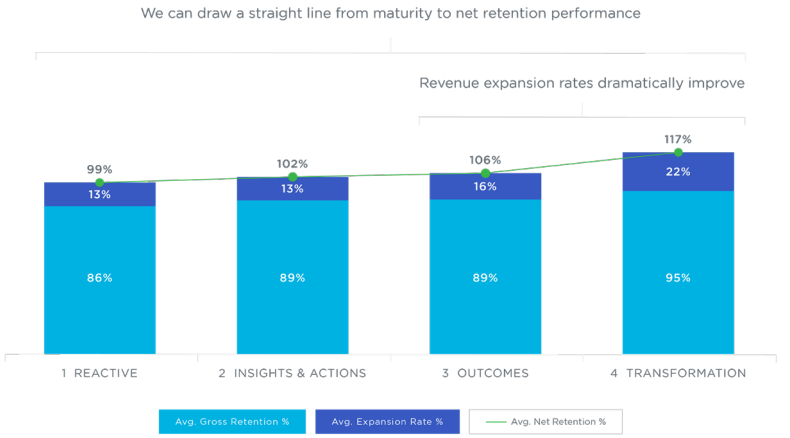
As we've learned so far, it's not enough for customer expansion messaging to take a generic "challenger mentality" with their customers. Rather, Customer Success Managers (CSMs) need to be more commercially savvy and use messaging based on the customer's state. One-size-does-not-fit-all when it comes to CSM motions. In high-touch engagements where CSM to customer ratio is relatively low, the focus tends to be on high-revenue customers. Customizing the messaging then becomes a training and coaching exercise. While this isn't void of its own challenges, the close relationship between the CSM and their customer can make it easier to tailor sales-minded expansion messaging and garner success.

The real challenge is implementing this same messaging sensitivity to tech-touch models where CSM to customer ratio is high. Automated approaches by nature are difficult to personalize and require a finely-tuned strategy. It requires integration of the insights described herein.

Even the most well-equipped CSM is only a singular touch point within your company. A team of talented CSMs will be fundamentally constrained if the entire organization doesn't have a mature, customer-focused operational environment. Gainsight has created a framework based on hundreds of implementations to guide companies through this transformative process. The four stages of company-wide customer success maturity are: **Reactive** (Manage escalation on a case-by-case basis), **Insights & Actions** (Turn data into meaningful actions across your team), **Outcomes** (Proactively deliver customer outcomes at scale), and **Transformation** (Rally your entire company around the mission of Customer Success).

We've evaluated that as teams advance from one maturity stage to another (based on objective criteria), there is a notable alignment of measurable increases to net retention. Between the Reactive and Insights & Actions stage, companies saw a 3 percent increase in net retention rate (NRR). From Insights & Actions to Outcomes, a 4 percent increase. And from Outcomes to Transformation, an immense 11% boost. You can read more about the Maturity Model in **The Essential Guide to Company-Wide Customer Success**.

Net Retention Performance by Operational Maturity Stage



When strategizing marketing messaging for Customer Success, you need to look at both a macro and micro level. Operationally speaking, CSMs absolutely need to fine tune their communications to be effective when the time comes to renew. But, the data is clearly calling out its own challenge to company leaders. From pre-sale to post-sale, companies must be aligned in order to get the most from their expansion efforts.



corporate visions
conversations that win®

Tim Riesterer, *Chief Strategy & Research Officer*

Marketing messaging isn't a one-size-fits-all effort that can be universally applied across the entire customer lifecycle. Customer Success is its own discipline, with its own demands, pressures, and buyer psychology. Your renewal, price increase, migration, and apology conversations need to reflect that psychology.

Adapting your stories and skills for these must-win moments means understanding what research, not opinions or hunches, reveals about effectively persuading customers to renew and expand.

That's how you capitalize on these untapped opportunities and create the outcomes you're seeking.

About Corporate Visions

Corporate Visions is a leading marketing and sales messaging, content, and skills training company. Global B2B companies come to us when they want to:

- **Create Value™**: Break the status quo and differentiate your solutions from competitors
- **Elevate Value™**: Build a more effective business case to justify executive decisions
- **Capture Value™**: Maximize the profitability of each deal and customer lifetime value
- **Expand Value™**: Renew and expand existing customer revenue

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Gainsight

Ruben Rabago, *Chief Strategist, Pulse Customer Success Programs*

When you're creating effective messaging, it all comes down to this—it's not the job of one team to deliver success to the customer, but the entire company's. What you say when it's time to renew or expand must reflect the customer's entire experience with your company. Communicate clearly and honestly during the sales cycle, deliver on those promises, and then demonstrate exactly how your product, solution, or service has impacted your customer. When your company aligns on the idea that they succeed every time a customer succeeds, you'll find just how truly powerful your messaging can be.

Gainsight is the Customer Success Company

Our best-in-class software platform helps your business grow faster by boosting retention, driving upsell, and fueling customer advocacy. With our product and evidence-based best practices, you'll communicate with customers more effectively, anticipate risk proactively, and transform your company around your customers' outcomes. Gainsight provides a 360-degree view of customers across Customer Success, Sales, Marketing, Executives, Product—your whole company. Learn how leading companies like Adobe, Box, Cisco, Glassdoor, Marketo, and Workday use Gainsight to increase retention with provable results at www.gainsight.com.