

CREATING A FRAMEWORK FOR CONTINUOUS CUSTOMER SUCCESS IN IT

Cisco needed to boost subscription-based sales. Techworkers delivered with customer success practices for partners.



Executive Summary

Customer Name:
Cisco

Industry:
IT

Location:
San Jose, California

Number of Employees:
72,790

Key Takeout:

As a hardware company, Cisco faced declining product margins and increasing competition from software-based technologies. A high-stakes strategic bet by the company's management saw Cisco re-focusing on software and services, opening the door to new shareholder value. Techworkers helped make it happen.

Challenge:

- Cisco's industry is shifting from upfront procurement to usage-based / renewal sales models
- Cisco's channel partners required significant transformation to respond to this shift
- Cisco faced declining revenues unless the company and its partners could quickly implement customer success as a best practice

Solution:

- Techworkers took Cisco's customer success strategy and used it to develop a customer success practice-enabling infrastructure
- This could be used by Cisco and partner customer success managers to initiate and maintain high-touch customer engagement beyond sales
- Techworker project management enablement efforts spanned training content and development, process development, data analytics and reporting, system and tools inception and scaling, and communications and change management globally

Results:

- Partners can plan their return on investment (ROI) and competitive industry standing with Techworkers-developed ROI and index tools
- Cisco's recurring revenues have grown to make up a third of total sales
- Some partners are now achieving 60 percent recurring revenue
- Cisco and its partners face lower risk of customer defection
- Lead generation quality and volume has improved

“Cisco’s Customer Success implementation has accelerated our evolution toward a subscription and recurring-revenue business model. In a short period of time, we have seen a significant positive impact on customer outcomes and value, customer retention, Cisco revenue, and partner revenue. We have also found that Customer Success is a competitive differentiator in the market. Any delays to implement Customer Success is a guaranteed approach to losing customers and revenue.”

Ed Daly
Senior Director of Global Customer Success
Cisco

Challenge

Cisco is the world’s top networking equipment company, with leading products across sectors as diverse as IT security, unified communications and data centers. The company’s success has largely been based on sales of innovative hardware products such as routers, switches and servers. In recent years, however, Cisco has been at risk of losing market share as the IT market has moved from capital purchase to usage-based consumption models. Instead of making occasional large investments in hardware, Cisco’s customers were now looking to buy software and service subscriptions and adopt pay-as-you-go models.

This was not only a problem for Cisco but also for its channel partners, which were critical for sales success because the vendor does not generally sell direct to its customers. Like Cisco, most channel partners had built their businesses around hardware sales and were used to a sell-it-and-leave-it relationship with customers. Recognizing the need for change, in 2016 Cisco began looking into ways it could help its partners to boost long-term customer engagement.

The result was ‘customer success,’ a concept which at Cisco means nurturing customer relationships beyond the closure of a deal. The idea is that by helping its customers get the best value from their Cisco products and services, partners could remain top of mind with customer decision makers and benefit from repeat business and upselling or cross-selling opportunities. Cisco began piloting the concept in 2017, and found it worked.

But then it faced another challenge: how to take this concept and roll it out to partner organizations without stretching internal resources or losing focus?

Solution

Working with Cisco and building on its own client service expertise, Techworkers set about creating a scalable, repeatable process for building a customer success practice infrastructure. This included a full suite of capabilities, from calculating the return partners could make through implementation to their competitive standing. It also included value metrics, health scores and management, a customer success assignment tool, and learning, development and training on a foundation of change management and communication.

Recognizing the need for Cisco channel partners to tailor customer success to their own needs, Techworkers developed two frameworks for the concept. The first was closely modelled on the Cisco customer success model, which is a highly digital, high-touch, virtual approach supported with results-driven playbooks. Separately, though, Techworkers offered the opportunity to build a tailored practice for channel partners. Both approaches were designed to help Cisco channel partners:



- Formulate a vision, mission and strategy for customer success
- Determine the partner’s unique value propositions
- Define its financial goals and objectives
- Create business and financial plans and metrics

Critically, the purpose of the customer success practice is to step in once a sale has been achieved, and to help the customer make the most of their subscription-based products. Thus, customer success sits apart from sales, although the two functions work closely together. Since many Cisco channel partners already have sales teams that are stretched and highly focused on driving deals, Techworkers also provided organizational optimization services that included resourcing and training.

The result was an out-of-the-box full-lifecycle customer success management practice, supported by metrics-driven results, that could be rolled out with minimum partner effort and rapidly deliver a high return on investment.

Results

The customer success practice concept developed by Techworkers has been rolled out across dozens of Cisco channel partners, helping them to:

- Gain strategic insights into revenue growth, the competitive environment and business value transformation
- Achieve greater, long-lasting relationships and increased revenue opportunities
- Expand their relationship footprint across their customer base
- Gain greater, deeper customer insights

The results of the Cisco customer service program have been remarkable. One of Cisco's collaboration products, for example, saw renewal rates jump from 63 percent to 97 percent¹. In its second-quarter earnings call for the 2018 fiscal year, Cisco specifically called out an increase in recurring revenues. It said: "33 percent of total revenue was from recurring offers, up 2 percentage points from the second quarter of fiscal 2017²."

Elsewhere, Scott Brown, senior vice president of customer success at Cisco, said that some partners were achieving recurring revenue levels of up to 60 percent of total income. Cisco believes customer success practices can yield a 400 percent return on investment for partners, compared to traditional resale models³. As well as growing revenue, the recurring nature of these income streams is helping Cisco channel partners to improve cash flow, reduce risk, optimize expenses and increase asset use.

More strategically, the move to recurring revenue-based models represents a key competitive advantage for Cisco, helping the company to achieve greater customer intimacy while unlocking new sources of shareholder value. Commenting on Cisco's Q4 FY18 results, equity researcher Daniel Martins of DM Martins Research said: "The company's slow transition from the unpredictable sale of pricey network hardware to a software-centric, recurring revenue model appears to be well on track."

Footnotes

¹ <http://www.channelfutures.com/strategy/doyle-report-customer-success-programs-contribute-rise-recurring-revenue-cisco-partners>

² <https://newsroom.cisco.com/press-release-content?type=webcontent&articleId=1910322>

³ <http://www.channelfutures.com/strategy/doyle-report-customer-success-programs-contribute-rise-recurring-revenue-cisco-partners>



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