



Pioneering SaaS Customer Success Leaders Seek New Customer Benchmarking Strategies to Deliver Value



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INTRODUCTION

Customer benchmarking is the practice of identifying where a customer can improve or is already doing well by comparing to other customers. When Customer Success Managers with SaaS vendors benchmark their customers, they motivate customers to make changes that yield better outcomes with their solutions. In turn, they help the SaaS vendor improve its own business performance.¹

According to research by Technology Services Industry Association (TSIA), CSMs at 25% of SaaS vendors are using customer benchmarking.² These pioneers have recognized the opportunity to enhance customer relationships and sustain their journey.

Customer benchmarking helps CSMs in several ways:

- Satisfies a customer's need to know what's good performance, what's achievable and where they stand versus others
- Encourages customers to take improvement actions to get more value from their solutions
- Continually provides unique value and reinforces the vendor's value proposition
- Promotes more strategic, forward-looking discussions in customer business review meetings
- Offers fresh, objective insights and data to use in proactive customer outreaches
- Pinpoints a customer's comparative strengths and weaknesses, and where they've made progress (or regressed) versus others
- Influences their coworkers and executives to take actions to benefit customers

Traditionally, customers who sought insights from peer comparisons either relied upon benchmarking research by third-party organizations or did the research themselves. New options emerged with SaaS business models because SaaS vendors generate data as a byproduct of their customer relationships and their customers' solution usage. This dynamic data contains valuable insights that only the SaaS vendor can deliver, creating a meaningful business advantage. Recently, approaches built upon artificial intelligence make it possible for CSMs to unlock deep and broad insights from this data in an automated, scalable way.

SEVEN STRATEGIES FOR SAAS CUSTOMER BENCHMARKING

SaaS Customer Success leaders use seven distinct strategies to empower their CSMs with customer benchmarking. Below, we'll discuss these strategies, what they involve and their pros and cons.

Strategy One: Industry Surveys

CSMs can leverage the benchmarking work of industry associations and research firms to help customers set performance targets, identify areas for improvement, and recommend best practices. These independent organizations sponsor benchmarking surveys that are completed by representatives of companies in the industry. The sponsor creates the survey, collects the data and does the analysis. The aggregated, anonymized findings are accessible in published documents or online tools for their members and customers.

Pros

- Sponsor's benchmarking expertise
- Sponsor's impartiality
- Sponsor does the data collection, analysis and reporting work
- Offers a broader perspective than other strategies

Cons

- Unreliability of self-reported data
- Not specific to vendor's solutions
- Findings don't account for the many differences between companies, diluting their relevancy
- Self-selection and non-response bias
- Data can be outdated

Strategy Two: Best-Practices Studies

CSMs can help customers strive for superior outcomes by comparing their customer's practices with the best practices. This approach studies a key business process of several industry-leading companies that agree to participate. A third-party organization or the SaaS vendor sponsors on-site studies to collect mostly qualitative data on practices, key metrics and business context. The sponsor analyzes the data and reports what they've learned.

Pros

- Uncovers leading edge practices
- Challenges of the best companies can be informative
- CSMs gain deeper knowledge of superior practices

Cons

- Some customers may perceive the practices of the best companies as unrealistic or irrelevant.
- Not specific to vendor's solutions
- Bias from small sample size (less than 10 participants)
- The best companies may not participate
- Requires more staff or diversion of staff for each study
- Perceived bias when led by vendor

Strategy Three: Vendor Surveys

SaaS vendors can do their own benchmarking survey when their customer base is sufficiently large to obtain a representative sample. They analyze the aggregated data and share summary findings with their customers. A CSM collects data from an individual customer to compare how they're doing versus the aggregated, anonymized results at a more granular level.

Pros

- Survey can be tailored for the SaaS vendor's customer base
- Vendor decides when to re-run the survey to get fresh data

Cons

- Same drawbacks as Strategy One
- The data covers the vendor's customers only
- SaaS vendor does the data collection, analysis and reporting
- The relative size of large customers may compromise their anonymity

Strategy Four: Data Scientists

When requested by CSMs, data scientists use their skills with statistics and modeling to mine the SaaS vendor's data for deep, insightful correlations and comparisons. This is often a one-off solution, although procedures can be set up for recurring needs. The work involves advanced techniques such as regression analysis, stochastic frontier analysis and data envelope analysis using sophisticated software tools.

Pros

- Find unexpected comparative insights in the vendor's data
- Data measurements taken from actual solution usage and interactions are more reliable than survey response data
- Current data is used

Cons

- Lack of scalability limits this strategy's use and the number of insights found
- The turnaround time may not match the needs of CSMs
- Results rely upon the data scientists' expertise and communication skills

Strategy Five: Business Software Reports

By running reports on their aggregated customer data, CSMs can easily see how a specific customer compares with other customers on a given metric. A company's adopted CRM, BI or CSM software platforms usually provide this capability. For example, customer success software platforms such as Amity, Gainsight, and Totango generate a scorecard summary which lists the SaaS vendor's customers and their performance on key metrics. A CSM sorts the list by a selected metric, calculates averages and filters the customers into a relevant group using various attributes.

Pros

- Easy to produce rankings, averages and comparisons of customers on an individual metric
- Reports are easy to automate
- Data measurements taken from actual solution usage and interactions are more reliable than survey response data
- Current data is used

Cons

- The reports present data, not insights
- CSMs need to slice, dice and drill-down through data to find insights
- Deep insights require more analysis than CSMs have the time, skills and tools to do

Strategy Six: Your SaaS Product

SaaS vendors can enable their customers to benchmark themselves within their own software solution, which can be used by their CSMs, too. SAP, Apptio, ServiceNow, InsightSquared, Samanage, IQNavigator, ADP, Zendesk and other companies offer this capability. Using the vendor's anonymized, aggregate customer data, a customer can compare itself against other customers of the same solution on various metrics, and CSMs can compare them also. SaaS companies can develop basic benchmarking features in-house (such as scorecards, rankings,

averages and several peer groups) or embed technology from specialized benchmarking software vendors like OnlyBoth that does this along with automated analysis and narrative reporting.

Pros

- Customers can get answers immediately to some benchmarking questions on their own
- Vendor's staff reduces time spent on benchmarking inquiries from customers
- Data measurements taken from actual solution usage and interactions are more reliable than survey response data
- Current data is used

Cons

- Internal metrics and data such as customer segments, journey stage, product usage, adoption, revenue and support that are important to CSMs won't be available
- Anonymized data prevents CSMs from knowing the best/worst customers on a metric
- Work competes for resources with other items on the vendor's product roadmap
- Requires rights to use the data in this manner

Strategy Seven: Specialized Benchmarking Software

With advanced automation available from several software firms, CSMs can quickly get many more actionable and deep comparative insights for each customer quickly. These benchmarking innovations overcome the limitations of business software reports and data scientist scalability.

Waypoint Group's TopBox benchmarking module automatically analyzes for significant correlations between customer feedback responses and outcome metrics such as NPS and customer health for several customer peer groups. The Customer Benchmarking Engine available from OnlyBoth automates the data analysis, insight discovery, and narrative reporting by using artificial intelligence.

Pros

- Automated analysis is scalable
- The results are insights and data, received instantly
- Produces many more and deeper comparative insights for each customer
- Data measurements taken from actual solution usage and interactions is more reliable than survey response data
- Current data is used

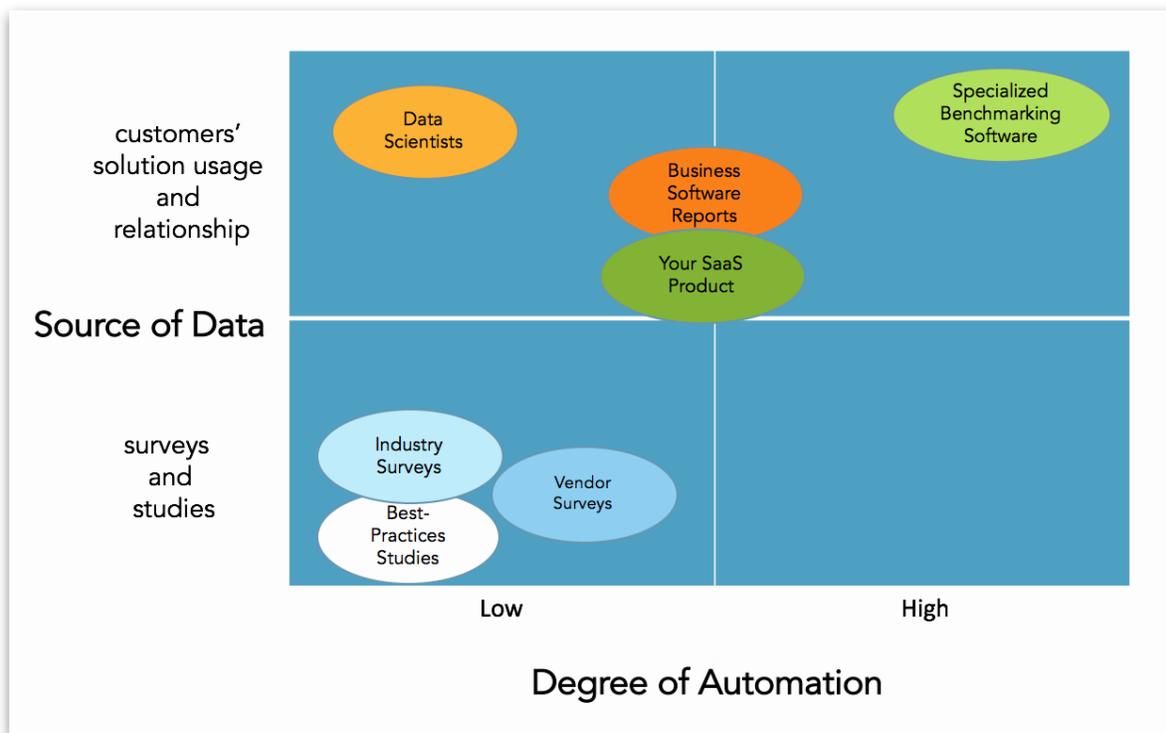
Cons

- Requires data for a sufficient number of customers

- CSMs are tasked with making more judgments on which insights to share with customers, discuss internally, or take other actions on, if any
- Vendor incurs the cost and coordination overhead of working with a specialized software supplier

STRATEGY MATRIX

It's useful to look at the seven strategies along two distinguishing dimensions: the source of data and the degree of automation.



CONCLUSION

Customer benchmarking using a SaaS vendor's data and specialized benchmarking software's automation overcomes the limitations of the other approaches. This strategy offers unique opportunities for SaaS Customer Success leaders to help their CSMs deliver more value to customers, increase customer engagement and improve outcomes. As a result, we expect SaaS organizations to increasingly incorporate customer benchmarking in their customer success programs.

References

- 1 Berardone, Jim. "Why Your Customer Success Managers Need Comparative Insights for Each Customer." Web blog post. OnlyBoth. August 2016. <https://blog.onlyboth.com/2016/08/16/why-your-customer-success-managers-need-comparative-insights-for-each-customer/>
- 2 Armaly, Peter, "Shifting to an Outcome-focused world." March 2016. Customer Success Summit, San Francisco, CA. Presentation. <https://www.youtube.com/watch?v=VjC5id8TFHY>

ABOUT ONLYBOTH

OnlyBoth Inc. provides the industry's first commercial benchmarking engine, helping businesses offer comprehensive, automated benchmarking services to their end customers, based on their own solutions data. Founded in March 2014 by veteran entrepreneurs Raul Valdes-Perez and Andre Lessa, OnlyBoth combines machine discovery – algorithms that discover humanly-digestible knowledge – with natural language generation, making insights easy to read and share in perfect English. Business-services providers rely on OnlyBoth's breakthrough artificial intelligence to solve the usual flaws of benchmarking, such as narrow scope, bias, complexity, and scale, and uncover operational insights and areas for improvement.

For more insights about customer benchmarking for your Customer Success team:

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