HOW SAAS COMPANIES SHOULD UTILIZE CUSTOMER SATISFACTION SURVEYS TO ENSURE SUCCESS

THINKstrategies

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EXECUTIVE OVERVIEW

A combination of market forces has converged to spark the rapid growth of the Software-as-a-Service (SaaS) and broader Cloud Computing market. The growing interest in these "on-demand" service alternatives to traditional, on-premise applications and systems has also created greater challenges for aspiring SaaS/Cloud solution providers.

These challenges include:

☛ Rising user expectations regarding the features and functionality of today's SaaS/Cloud solutions.

☛ Intensifying competition from a myriad of start-ups and established players seeking a share of the widening marketplace.

☛ Declining customer loyalty and lowering barriers to abandonment among users of today's Saas/Cloud solutions.

The economics of the SaaS/Cloud marketplace make it imperative that providers of these solutions minimize customer churn in order to maximize their profitability in order to sustain their businesses.

This means that SaaS/Cloud providers must have unprecedented insight into their customer's preferences in order to ensure satisfaction. They must know which features their customers like and be able to quickly remedy those aspects of their solutions which don't appeal to their customers.

The problem with traditional surveys is that they are often only used periodically or for specific purposes, such as immediately after a customer support call. As a result, surveys are viewed in a limited context by only a select group of people who may not fully understand the full value of the customer feedback and how it can be applied to various aspects of the business.

Fortunately, the direct connection which SaaS/Cloud solutions provide to the end-customer can give the provider unique insight into these preferences. But, this information must be properly tapped to be effectively utilized.

This whitepaper will examine how the dynamics of today's SaaS/Cloud solutions change the nature of customer satisfaction and how it is measured. This document will also examine how Gainsight's Customer Satisfaction Management (CSM) solutions are addressing these challenges and enable users to better monitor and meet the escalating needs of their customers.

THE CHANGING SAAS/CLOUD SOLUTIONS MARKETPLACE

The following market forces are driving a growing number of organizations of all sizes across nearly every industry to adopt a widening assortment of SaaS/Cloud solutions:

☛ Continuing economic uncertainty which is forcing organizations to reduce their capital spending and seek IT solutions which entail less resources to deploy and maintain at lower risk.

☛ Escalating competition because of lowering barriers to entry is making it imperative that organizations deliver higher quality solutions at

👉 lower costs that can more quickly respond to customers' rapidly changing needs.

👉 Changing customer preferences created by the innovative solutions pioneered in the consumer market are setting higher expectations among customers for more powerful and economic alternatives that can be accessed from anywhere with greater ease of use.

Traditional, on-premise applications and systems were not designed to satisfy these requirements. Instead, they have proven to be too complex and costly to meet the needs of most organizations.

In response to these trends, Gartner expects the worldwide SaaS market to experience a 17.9% increase in 2012 and reach $14.5 billion by year end. The research firm expects the market to jump to $22.1 billion by 2015.[1]

Rising demand for SaaS/Cloud solutions is attracting a proliferation of players to the market which is intensifying the competitive landscape and threatening to create an industry shakeout.

An indication of this phenomenon is the rapid growth of THINKstrategies' Cloud Computing Showplace which now includes over 1900 companies divided into over 90 different application, industry, service, and technology categories. THINKstrategies refers to this competitive trend as a "Cloud Rush" effect.

Because of the subscription fee orientation of SaaS/Cloud solutions, SaaS/Cloud companies must pay particular attention to the changing needs, expectations and preferences of their customers. This is not only essential to satisfy their customers' escalating requirements, but because it is imperative that they retain their business.

Unlike traditional, on-premise product sales which enable independent software vendors (ISVs) to record substantial revenues up-front, SaaS/Cloud service fees can only be registered as they are incurred. Therefore, SaaS/Cloud companies cannot afford to lose customers. In fact, it is to not only imperative that SaaS/Cloud companies retain current customers and minimize 'churn', but just as important that build deeper customer relationships so they can deliver more services to these customers to optimize their lifetime customer value (LTCV).

Gartner, Inc.'s latest Executive Programs survey found that CIOs in general ranked customer relationship management (CRM) as their #8 technology priority for 2012, up from #18 in 2011. In addition, Gartner's 2012 CEO Survey found they view CRM as their most important area of investment to improve their business over the next five years.[2]

In response to these priorities, Gartner estimates worldwide CRM software revenue reached $12 billion in 2011, a 13.5% increase over 2010, and expects to the CRM market to grow 7 percent in 2012. However, Gartner predicts SaaS CRM will grow 16% in 2012.

SaaS/Cloud companies are even more dependent on CRM systems to track their business. Yet, while CRM solutions can record customer activity, they can't measure customer satisfaction or predict customer behavior.

This shortcoming has led to the emergence of a new category of SaaS/Cloud providers that are developing and delivering customer satisfaction management (CSM) solutions to better measure the ability of SaaS/Cloud services to meet the evolving needs of users.

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[1] Gartner press release—Gartner Says Worldwide Software-as-a-Service Revenue to Reach $14.5 Billion in 2012 – March 27, 2012
[2] Gartner press release—Gartner Says Customer Experience Enters Top 10 CIO Technology Priorities for 2012 – April 24, 2012

REAPING THE BENEFITS OF SAAS CUSTOMER SATISFACTION SYSTEMS

One of the problems with traditional customer survey tools is that they are often deployed in a siloed fashion, and looked at by a select group for a narrowly defined purpose.

As a result, the survey data doesn't provide an overall assessment of the customer's satisfaction, preferences, or likelihood to remain loyal. Even worse, the survey data can be forgotten and possibly lost if it isn't properly stored and shared across the business.

Therefore, it's important to tie every survey completed to the particular customer record in a manner that is easily accessible by right people across the enterprise such as field sales, customer support and product management.

It is also important to have a multiple customer feedback mechanism which can be utilized in a flexible fashion to capture insights about customers' changing needs and preferences. For instance, being able to issue surveys via email, embed them within applications with a timed activation, or when a service agent contacts a customer.

Today's leading CSM solutions provide a combination of monitoring and measurement tools to track customer preferences and provide users with insights about how they should continuously enhance their offerings. The right combination of features can give the user customer intelligence.

The key features to achieve meaningful customer intelligence include:

👉 Customer and Product Usage Monitoring

👉 Adoption Monitoring

👉 Relationship and Transactional Surveys

👉 "At-Risk" Customer Mitigation Management

👉 Churn Analytics

👉 Revenue Health Performance

👉 360 Reporting and Visualization

Gainsight's Customer Satisfaction Module enables users to conduct a variety of "Relationship Surveys," including Net Promoter Score (NPS) and "Transaction" surveys. The module automates the survey creation, publication, distribution, collection and analysis processes. This saves valuable time and resources, and enables users to obtain valuable information and insight into customer preferences more quickly and on a continuous basis.

The fully customizable features also enables users to determine the type of questions, response options, participants, deployment method (email, agent activated, embedded within application, etc.) and delivery schedule to best fit their specific needs. They are also able to quickly generate reports which can be shared with others that include a variety of presentation quality graphs to make it easy to identify key findings.

As the screenshot on the next page illustrates, Gainsight's Salesforce.com Account Viewer enables users to track surveys, usage, alerts, contract data, purchase history, features being used, and other important customer success data.

SUMMARY AND CONCLUSIONS

The rapid growth of SaaS/Cloud market has been driven by a combination of macro-market trends which are driving businesses of all sizes across nearly every industry to re-think how they operate in order to survive and succeed. As a result of these forces, every business must pay closer attention to the changing needs of their customers in order to retain their business and expand their relationships. This especially true of SaaS/Cloud companies which

360 View
Abbett Electric Corp

Change customer...

« Back   Status: Active   New ▾

▾ Summary   Edit Summary

| $ 66,000 ASV | $ 5,500 MRR | $ 8,160 One-time Rev | 42 Users | $ 130 ARPU | Industry: Electronics Stage: Seasoned Customer | | 43 Months Lifetime | 23 Days To Renew | Orig. Contr. Date: 7/1/2009 Renewal Date: 3/16/2013 |

Comments: Customer was oversold on the performance boost feature.

▾ Account Attributes

Customer Success Mgr: Skyler Ward

▾ Transactions

4/1/2011 Renewal with Upsell
ASV :$ 66,000   MRR :$ 5,500   Users :42
One-time Rev :$ 3,000 Term :12

4/12/2012 Renewal
ASV :$ 66,000   MRR :$ 5,500   Users :42
One-time Rev :$ 3,000 Term :11

7/1/2009 New Business
ASV :$ 54,000   MRR :$ 4,500   Users :30
One-time Rev :$ 2,160 Term :24

▾ Features   Edit Features

Product	Feature	Licensed	Enabled	Comments
Email Deliverability	Feature 3	✓	✓	
	Feature 4	✓	✓	
	Feature 5	✓	✓	
Integration Packages	Siebel CRM	✓	✓	
Lead Management	Email Marketing	✓	✓	
	Event Marketing	✓	☐	
	Landing Page Opt.	✓	✓	Roles - Sales Manager and
	Lead Database	✓	☐	
	Website Monitoring	✓	✓	
Revenue Cycle Analytics	Feature 1	✓	☐	
	Feature 2	✓	✓	
	Feature 2	✓	✓	
Sales Insights	Capital Budgets	✓	☐	Roles - Sales Rep

▾ Alerts

Next Steps: Call James
Status: Engaged with the Customer   ASV: $ 66,000
Created By : Sgutha - CSM 6/12/2012   Next Steps : John Gardner 10/14/2012

Type: Potential Churn | Reason: Product Issues | Severity: Elevated
Subject: Performance Issues in Reporting
Comments: Abbett Electric is seriously concerned about performance of our reporting functionality. While we promised them a "performance boost" - the delivered improvements are not satisfactory from the customer perspective.
Next Steps: Changed severity from 'Low' to 'High' since we have a huge upsell opportunity against this customer. Product Management needs to engage with the customer.
Need to get customer talking to product management for enhancement request.
Status: Engaged with the Customer   ASV: $ 66,000
Created By : Sgutha - CSM 9/12/2012   Next Steps : Smith 8/29/2012

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rely on subscription revenue and cannot afford customer churn. Tracking customer satisfaction and changing preferences is imperative to identify potential problems and new business opportunities. Taking a multi-dimensional approach to capturing this information via various surveys and other information gathering mechanisms is the key to success.

Today's SaaS/Cloud-based CSMs, such as those offered by Gainsight, are making it easier and more cost-effective to capture, analyze, share and act on this critical user data to ensure customer satisfaction and build stronger customer relationships to gain and maintain a competitive advantage in an increasingly challenging business environment.
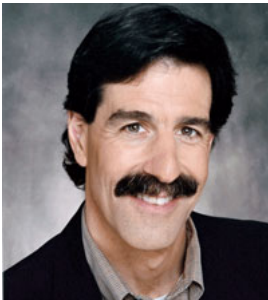
THINKstrategies is the only strategic consulting services company formed specifically to help our clients better understand and capitalize on the business implications of the transformation of the technology industry from a product-centric to a services-driven business model. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. THINKstrategies has also founded the Cloud Computing Showplace (www.cloudshowplace.com), an easy-to-use, online directory and resource center of SaaS, PaaS and IaaS solutions worldwide, organized into over 90 Application, Industry, Service and Enabling Technology categories. The Showplace also includes information and insights regarding industry best practices. For more information regarding our unique services, visit www.thinkstrategies.com, or contact us at info@thinkstrategies.com.

Net Promoter is a loyalty metric developed and registered as a trademark by Fred Reichheld, Bain & Co, and Satmetrix.