

## The ROI Revival SaaS Company Takes Value Measurement to the Next Level

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### EXECUTIVE OVERVIEW

Near the end of 2005 SSPA conducted a survey of over 200 decision-makers at large and midsize companies. The results revealed that 42% of large enterprises and 31% of mid-sized companies planned to renegotiate their service and support contracts in the next year. Why? Customers wanted to lower prices to match the value they were receiving from their support packages. Until recently, the support services industry has put forth few examples of companies that are using support to advance product value and ROI for their customers. This report highlights a small but high-growth SaaS provider that is breaking traditional support precedents by successfully embedding value measurement into every level of their organization—from sales & marketing, to product development and customer support. By uniting their SaaS application with value-driven services, they are moving beyond customer satisfaction and focusing on the capability to deliver positive financial outcomes for their customers.

When the next big thing from Apple or Microsoft is introduced, it doesn't arrive quietly. On the contrary, these products are vigilantly tracked through the R&D life cycle by analysts, the press, The Street, and deliberately timed press releases. The launches are a big deal – even the ads are celebrated.

However, innovations that redefine how technology is supported – and to a greater extent, how a product's value to the customer is measured and enhanced – don't generate the same amount of hoopla. Innovations to technology support services tiptoe into the marketplace, often receiving little attention from the press or Wall Street; and if you're in customer support you had better watch out – any attention from a popular blogger is probably not the kind of attention you're after.

### The New Reality

Until recently, it has been easy to understand this lack of excitement – innovations to technology service and support models have traditionally lagged far behind advances in product development. The majority of support services are perceived and offered the same way they were decades ago despite the explosive transformations to the products they support. During this period, we have seen entire categories of products – even entire categories of companies – come and go. Yet, technology support has remained pretty much the same: “you break it, we'll fix it”.

The confluence of key market forces – namely, the introduction of “[Software-as-a-Service](#)”, increasing technical complexity and customers wanting more and more value from their technology purchases – is quickly making the traditional “break/fix” support model impractical.

The new reality is that a handful of pioneering companies have recently given support an unambiguous role in driving product value. Customers have recognized that support organizations have the most promise and aptitude to create value that goes beyond the ROI they expect at the point of purchase; the support team understands how customers might optimize their systems, increase utilization, meet industry or company targets, adopt new features, or make use of best practices.

It is this distinction between the role of support organizations to keep products merely functional versus providing value beyond customers’ expectations that is igniting an ROI revival for the most progressive of companies and their customers.

It is documented that revenue generated from technology company services represents significant contributions to overall company gross margins. From a market perspective, it is clear that the break/fix part of the support value equation is commoditizing. Competition for the “traditional support” pieces of the customer’s support spend is increasing as low-cost, offshore, direct service providers add scale and sophistication<sup>1</sup>.

To be successful in this rapidly changing landscape, forward-looking companies are charting new territories by uniting their product development, sales, marketing and support organizations to systematically take customers to new levels of value.

This article explores the latest innovative service offerings at a high-growth SaaS company you may not have heard of (not yet anyway) – SSPA member [SignalDemand](#).

### **About SignalDemand**

The fundamentals of large-scale manufacturing are shifting in some unprecedented ways, particularly for food companies. Rising global demand and skyrocketing commodity prices mean that this is an era of unpredictability – a trend that isn’t showing any signs of slowing<sup>2</sup>.

SignalDemand helps manufacturers determine pricing, product mix and key aspects of production in this often volatile business environment. SignalDemand’s software application – delivered through a Software-as-a-Service (SaaS) model – employs



advanced math and patent-pending algorithms to enable large-scale manufacturers to improve profit margins by helping them make better decisions on important facets of their business.

With SignalDemand, companies like Cargill, Farmland Foods (Smithfield), Seaboard Foods and Ventura Foods can achieve profit improvements of 2% to 5% of sales, resulting in increased profits of over 20% in many situations. These bottom-line results are garnering attention from the financial and technology analyst communities. In March 2008, SignalDemand was the sole pricing vendor recognized by Gartner, a leading analyst firm, as one of the "Cool Vendors in Manufacturing in 2008," and in May 2008, JMP Securities placed the company on their "Hot 100" list.

In addition to founding SignalDemand in 2004, Michael Neal, the CEO, previously founded [DemandTec](#) (Nasdaq: DMAN), the largest provider of Consumer Demand Management (CDM) software for retail price and promotion optimization. With a recent \$20 million investment in SignalDemand by leading VCs, several related patents and 20 years of industry experience, Neal is regarded as a thought leader in the enterprise analytics space.

## Redefining ROI with Value Measurement

What might be surprising about much of SignalDemand's recent success is the emphasis the company is placing on measuring and enhancing the value received from their software applications. In fact, their value measurement program is built into the core values of the company charter. Value measurement is a top-down initiative – an initiative that the CEO, management team and board consider to be a big part of their future success.

When the SignalDemand executive team reviewed customer satisfaction results from a survey launched in early 2008, they realized that customers put almost as much focus on the ability to *measure* the value generated as a result of their pricing and margin improvement initiatives as they did on the value *actually delivered*. The value measurement program was a direct result of this customer feedback.

*"Our organization is committed to ensuring that our customers receive maximum usage and benefit from our solutions. As a result, we have built the ability for customers to track – on a minute-by-minute basis – exactly how our solutions contribute to their performance. Because our customers rely on us for mission-critical functions, they*



*appreciate that we have made our impact so visible to them.*" - Mike Neal, Chairman, CEO and Founder, SignalDemand

#### *ENTER THE INNOVATORS*

SignalDemand turned to Jimmy Fitzgerald, an executive hire from Oracle Corporation where he was responsible for all global customer management functions across Oracle Customer Services (Fitzgerald also held services management positions at Siebel Systems, Shell Services International, IBM Consulting, and Andersen Consulting).

*"A SaaS platform gives us a distinct advantage in understanding how customers are using our application to support their strategic business objectives. We are looking to be proactive and preemptive in ensuring we deliver the value customers expect – this was the founding mission of our value measurement program", says Fitzgerald. "Our value measurement program is 'cradle to grave' – it is an overarching framework in how we market, sell, service and support our customers".*

Fitzgerald and the executive team then looked to John Phipps, a seasoned management consultant, engineer and marketer (now Vice President of Services) to dedicate 100% of his time to designing and managing the value measurement program.

### **Cradle to Grave**

How could a seemingly simple service initiative have the potential to become an industry standard for software companies? The answer is in how value measurement connects with every other function in the company – from product development to support.

*"The program is end to end," says John Phipps. "It's not something that is specific to support or specific to services or even product development. It's a company-wide initiative for all levels of the company to implement in a very systematic way, with all roads leading to enabling customers' business environments."*

SignalDemand's applications deliver value to customers in a number of discrete fields called "value areas". Each department aligns along these value areas to ensure a consistent approach to marketing, building, selling, implementing, and supporting SignalDemand SaaS applications.

During the later stages of a sales cycle, SignalDemand completes a "Margin Analysis™" engagement with the prospect to help provide insight into where and how much value the SignalDemand application can be expected to deliver. The final deliverable shows anticipated returns by value area. When the prospect then makes a decision to move



forward, the services team begins the implementation. The benchmark targets and baselines are already known from the sales process (baselines for historic performance are set by extracting 3-5 years of history from customers IT systems). The gaps between baseline and target benchmarks provide the business objectives for the SignalDemand team. Project decisions are made with a continuous focus on these value areas and how project decisions can impact them.

*"The project governance and discipline are all aligned to our value measurement program" says Fitzgerald "It ensures all decisions are good decisions. All too often, I have seen projects lose focus on the original business case once the implementation commences."*

Following the deployment of the SignalDemand application into the customer environment, the "actual" value in each of the value areas can be measured. The responsibility for this resides with the support organization working closely with the SignalDemand account teams.

*"The real strength of the program is that it focuses everyone on achieving and exceeding target benchmarks in each of the value areas" says Phipps "as Peter F. Drucker famously said, 'what gets measured gets managed.'"*

The corporate culture at SignalDemand is entrenched in value measurement from top to bottom. There are incentives to stay focused on delivering customer-specific value through the sales cycle, implementation and post-deployment – which is somewhat uncommon of large-scale software implementations. The goal for the support team is to continually measure performance in each of the value areas and to work with the SignalDemand account team and customers to drive continual improvement.

Support's constant interaction with customers is directly linked back to product development. It is written on the wall at SignalDemand: support is a key driver of the product roadmap. As SignalDemand's support team goes through a continuous improvement cycle with the customer, they document certain things the software can do to increase the value received from each area. This is supplemented with regular customer satisfaction surveys as well as an uninterrupted line of communication from support to product management. As issues arise, SignalDemand product management can prioritize upgrades and new features based on the potential it has to impact the value areas across their customer base.

SignalDemand "gets it" around the differences not only between reactive and proactive



support, but also around the benefits and components of a true [Value Added Support](#)<sup>3</sup> model.

*"The innovations that we are witnessing at SignalDemand are clearly aimed at improving the customer experience, primarily by providing customers with more ROI on their software products – and it's not just innovation in support capabilities. It is support offering innovation in conjunction with business model innovation – value measurement touches every part of the company."* – Stephen Smith, Executive Director, SSPA

## SUMMARY

The assertion behind SignalDemand's service strategy is simple – get the entire company working together on enabling the customer's business objectives. The peculiarity here is that software companies and traditional support organizations don't typically employ this deep level of customer engagement.

Why has SignalDemand – a small SaaS company – placed their bets with service and support?

- Support Services has the most germane staff, systems and touch-points to engage customers and circulate information on product utilization and management issues.
- Support Services has the most in-depth understanding about how the product is actually used (and used best) by customers.
- Support Services recognizes best practices for deployments, user training, system maintenance, and reducing total cost of ownership.
- Support Services knows more about the state of their customer's systems and the uptake of these systems by their users.
- Support Services is best prepared and positioned to be proactive with customers on issues of product utilization and business outcomes.

SignalDemand is demonstrating that co-creating a support and value measurement model with their customers is providing tangible value to both parties, and may be an important strategy to consider for SSPA members interested in moving to the next level of support.

### *ROI FOR SIGNALDEMAND*

For SignalDemand, value measurement is all about strengthening their relationships with customers. Knowledge is power – engagement through the value measurement process will enable the SignalDemand account team to have customer-centric business



discussions with senior decision makers inside the customer organization, understand more about their needs and objectives and provide a forum to focus on continual improvement around value delivered, all-the-while raising the profile and visibility of SignalDemand with their customers.

#### *ROI FOR CUSTOMERS*

- Having a support manager proactively focused on the business should translate to reduced risk while taking the focus away from issue management; freeing the organization to focus on business outcomes.
- Value measurement benchmarks provide guidance and solid measurements that enable continuous improvement.
- Following best practices on SignalDemand applications in a proactive engagement (and directly from the source) will increase the likelihood of customers achieving their stated business objectives, realizing a solid return on investment at a lower total cost of ownership.
- A proactive engagement from a support manager will ultimately lead to avoiding under-utilized software investments, unsupported software deployments, and an inability to effectively provide timely support.

SignalDemand's product roadmap shows future software capabilities around executive dashboards and automated benchmarking. With customers increasingly enabled to co-create their own value measurement experience, SignalDemand will continue to turn customers into evangelists. This is a truly unique ROI revival—a big win for SignalDemand and their customers.

#### **END NOTES**

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<sup>1</sup> Source: SSPA White Paper Series "The Mid-Term Future of Support", August 2006.

<sup>2</sup> Source: Information on SignalDemand and the industries and customers they serve was culled from interviews with SignalDemand executives, as well as reviews of publically available articles, market research reports and case studies.

<sup>3</sup> "[Value Added Support](#)" is a term coined by SSPA in the White Paper Series "The Mid-Term Future of Support", August 2006.

