Deloitte.

Future of customer outcomes

Comprehensive study on how B2B technology companies are evolving towards customer outcomes orientation

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Introduction

The business-to-business (B2B) customer experience is changing, and customers are relying on solution providers to help them maximize their business outcomes. Changes in customer preferences are largely driven by three trends. First is the emergence of business buyers who are increasingly making and influencing buying decisions. Second is fast-changing business models as customers rapidly shift to cloud and subscription. Third is shrinking product differentiation as customers find it increasingly difficult to evaluate providers solely on product features. As such, solution providers are starting to shift from solely maximizing sales and providing solutions to supporting customers in maximizing their intended business outcomes.

Until recently, companies have primarily focused on investing in capabilities to drive adoption and retention. Various post-sales functions, such as customer success (CS), professional services, managed services, technical support, education services, and field services, have traditionally resided in different parts of the organization under distinct leaders with varying priorities and success measures for their business. As net-retention is becoming a key measure of business performance and, the impact customer outcomes (CO) has on the measure and the cross-functional nature of driving CO and value has become more apparent and the necessity to scale outcome delivery more prominent, most companies have undertaken various initiatives to drive their business model evolution toward customer outcomes.

Though companies have made investments in many areas—portfolio, service offerings, operating model, key performance indicators (KPIs) and metrics, and technology—the majority of companies report gaps in maturity that might hinder their transformation's success. As part of this study, we worked to uncover priorities and maturity levels of customer organizations in order to uncover insights on how to successfully transition to the next customer outcomes-led business model. Throughout this process, we were able to capture and assess current state practices, understand what companies ahead of the curve are doing, and conclude with a perspective that highlights the need for a multi-faceted holistic approach to customer outcomes and ultimately growth.

Executive Summary

Customer outcomes focuses on how to orchestrate services for customers to advance outcome and value delivery. In a first-of-its kind study exploring B2B technology executives' perspectives on the shift toward customer outcomes, Deloitte Consulting interviewed over 40 B2B technology chief customer officers (CCOs) or equivalents to understand how they are navigating this transformation. While 88% of companies largely agree that customer outcomes is the next business model evolution for B2B technology companies, only 15% of companies strongly agree that they have the right level of maturity to drive customer outcomes.

To achieve a customer outcome orientation, a provider should deliberately construct an organizational system that addresses the following questions:

1. **Orient all services functions toward a focus on driving customer outcomes, ensuring the right leadership and incentives are in-place to create cross-functional alignment.** While a dedicated leader helps to drive a consistent customer experience, most post-sales functions are still decentralized. Cross-functional alignment and agility, along with a shared view of the customer and where they are in their journey, is key to driving this consistency. While 92% of organizations report that they are taking steps to unify and share customer data to drive cross-functional alignment, more than half of these organizations have an inability to see the full customer profile. This extends beyond post-sales functions and into pre-sales as well. Delivering on customer outcomes begins by setting the right expectations during the selling process to properly define customer outcomes. Yet, nearly one-third of companies do not see Sales and Customer Success as equal peers.
2. **Redefine value, focusing on value delivered to the customer rather than value derived from the customer.** Increasingly, organizations are leveraging customer health scores to measure customer experience-in fact, 100% of companies surveyed reported having a customer health score. While organizations recognize its importance, however, the majority of companies define metrics through an inside-out, vs. outside-in, lens. Companies are taking steps to articulate customer value, as formal success planning is adopted at most organizations. However, more than 50% feel that they lack the maturity to measure outcomes and quantify value for the customer. Moreover, 85% of companies reported that they do not have a fully matured customer-centric organization with shared goals and metrics across business functions.
3. **Scale for growth, focusing on "productizing" a full portfolio of services offerings and expanding reach through partners and digital capabilities.** A full portfolio of offerings is a key step on the path to delivering customer outcomes; however, 13% of organizations strongly agree that they have all of the service offerings required to deliver customer outcomes effectively. While organizations see the value in leveraging the skills and scale of their partner networks, 80% believe that partners lack the required capabilities and that they have further opportunity to enable them. Furthermore, while technology and automation can further help companies achieve scale, 80% of services spend is currently focused on human capital, with only 9% focused on technology.

While customer outcomes is widely recognized as the next B2B business evolution, realizing this vision will not happen overnight, and will require organization-wide velocity and collaboration. Those that can realize this transformation have the potential to reap disruptive rewards.

Study Methodology

Deloitte conducted a first-of-its-kind customer outcomes executive study, aimed at understanding US B2B technology organizations' current and future orientation toward a customer-outcomes focused business model, with an exploration of the role of services in driving the organization toward that business model.

The study was tailored specifically to understand the perspectives of the CCO (or equivalent) to gain insights into changing customer expectations, and the shift toward a customer outcomes business model. This included a deep-dive into five key areas:

- **Firmographic profiles:** Company overview, including size of organization, mix of products and services revenue, and overall outcomes philosophy/orientation
- **Portfolio, go-to-market, and delivery:** Services offering portfolio, including monetization models routes to market, and opportunities relating to services delivery
- **Operating model and talent:** Services team structures, including reporting structure, headcount, roles, and compensation
- **Metrics and KPIs:** Success measures monitored by executive leadership and leveraged to inform compensation
- **Data and technology:** Platforms leveraged by organizations and assessment of how effectively companies are leveraging data insights and technology

All 40-plus respondents were the senior-most executives overseeing customer success or all postsale customer experience at their respective organizations. Specifically, 41% of the respondent pool held the designation of CCOs (or equivalent), and the remaining 59% were vice presidents (VPs), or senior vice presidents (SVPs). 75% of respondents were from companies within the software or software-as-a-service subsector, with the remaining 25% from platform companies. All respondents came from enterprise-scale technology business with annual revenues in the range of $20M to $126B. Nearly 25% of the leaders surveyed belonged to business with revenues more than $10B annually. We maintained a balance by surveying companies across different solution types, including application software, cloud infrastructure, and platform software, and in different growth stages, from high growth to traditional enterprise.

Future of B2B Technology Services

Making Customer Outcomes the Focal Point

In order to deliver on their customer success services, successful companies are elevating customer outcomes as a priority to more effectively support customers to realize value.

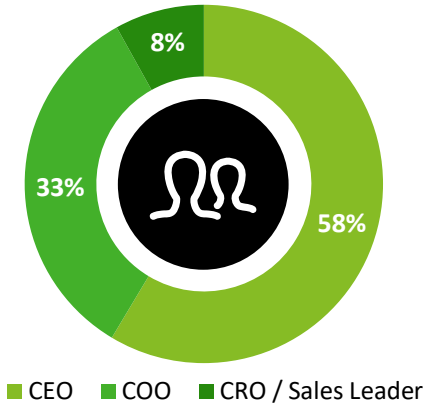
CO as the Cockpit

As customer outcomes emerges as a priority, so does the need to ensure the right leadership and incentives are in place to create cross-functional alignment. CCOs are elevating their position in the organization, with 58% reporting directly to the chief executive officer (CEO), and the remaining reporting to either to chief operating officer (COO) or chief revenue officer (CRO)/sales leader.

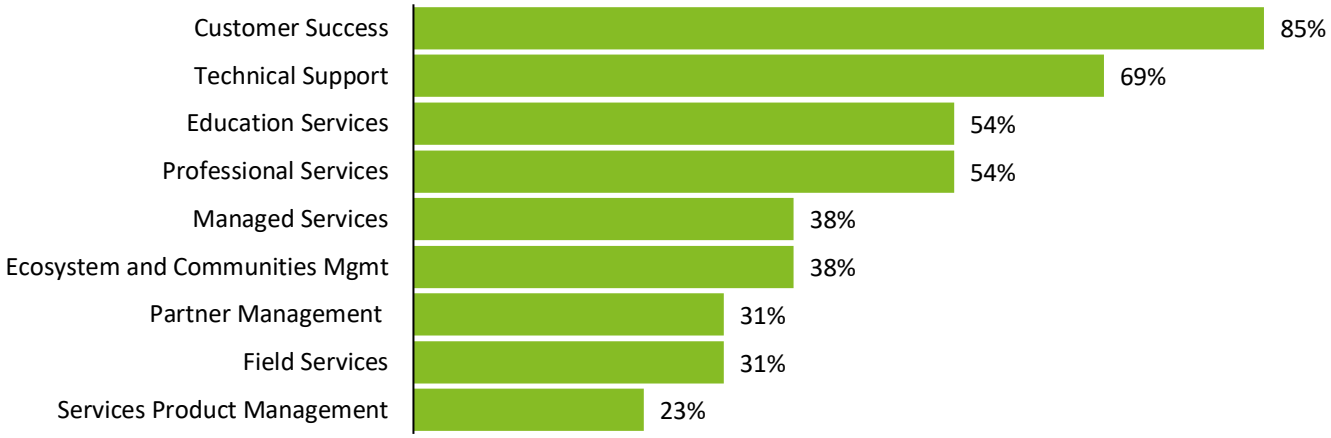
"Where Does the CCO/CCXO/Services Leader Report Into?"

Moreover, responsibility for the majority of service teams is being centralized under the CCO. This includes customer success, technical support, education services, professional services, managed services, and ecosystem and communities management. Partner management, field services, and services product management remain largely outside the CCO's sphere or do not exist at all.

Though companies are taking strides to centralize the post-sales organization, there is still an opportunity to increase the CCO's level of engagement at the board-level. Board-level engagement enables CCOs to have direct influence over the direction of the business and inspire organization-wide changes. CCOs who build stronger relationships with company leadership and the board are better equipped to have a significant impact on the direction of their business.



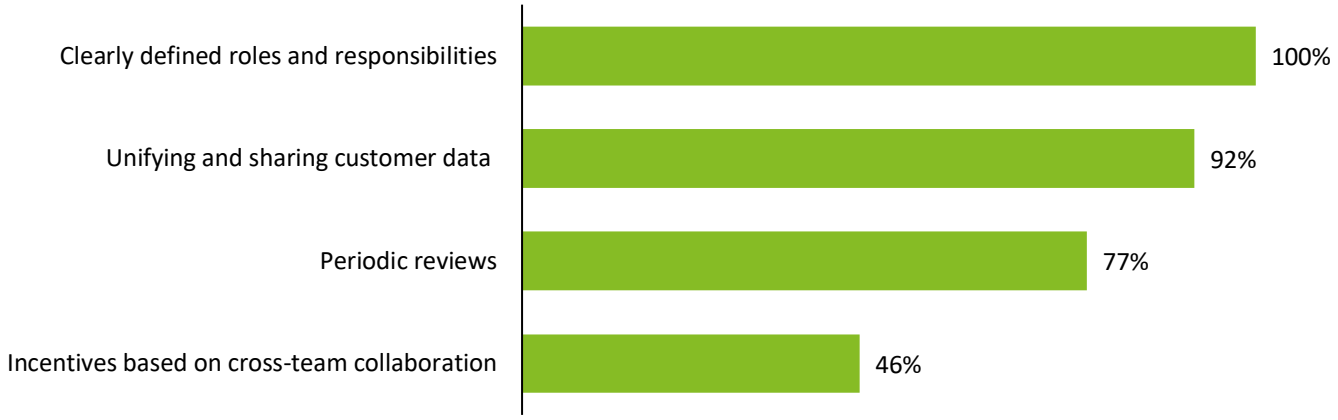
"Which Teams Report to the CCO/CCXO/Services Leader?"



Cross-Functional Alignment

As organizations align to driving customer outcomes as a "north-star" vision, roles and responsibilities must follow suit. To that end, 100% of companies surveyed noted that they were clearly defining roles and responsibilities to enable cross-functional collaboration

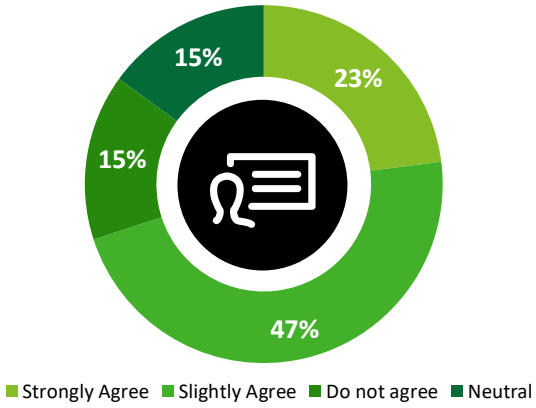
"What measures is your organization taking to ensure there are no conflicts among different teams and increase collaboration?"



"Everyone in our company understands well their role in delivering customer outcomes."

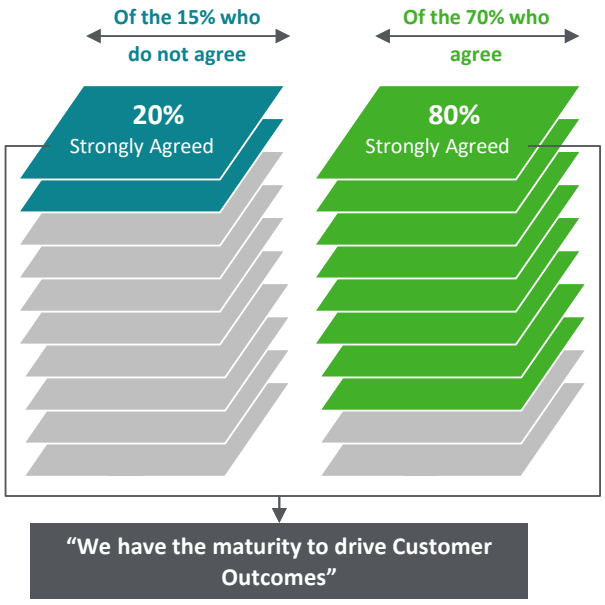
Despite this shared goal, only 23% of companies strongly agree that everyone in their company currently understands their role in delivering customer outcomes

However, there are proven gains to aligning stakeholders on their role in delivering customer outcomes. Organizations with a clear understanding of roles in delivering customer outcomes are more likely to have the maturity to drive customer outcomes.



"Everyone in our company understands well their role in delivering customer outcomes."

CCOs deem data sharing as important for systematic cross-functional alignment, and some are experimenting with more agile operating models. As companies adopt new metrics and change team structure and responsibilities to deliver on customer outcomes, organizations recognize that they must evolve their processes for information sharing in parallel. In order to improve collaboration between functions, 92% of organizations are focusing on unifying and sharing their customer data. However, there is a lack of incentive alignment, as only 46% note that they are tailoring incentives to promote cross-team collaboration. Organizations are beginning to experiment with adaptable, network-based models that allow dynamic teaming and engagement, and some organizations have set up cross-functional teams empowered to define and drive initiatives that deliver the greatest value for customers across the life cycle.

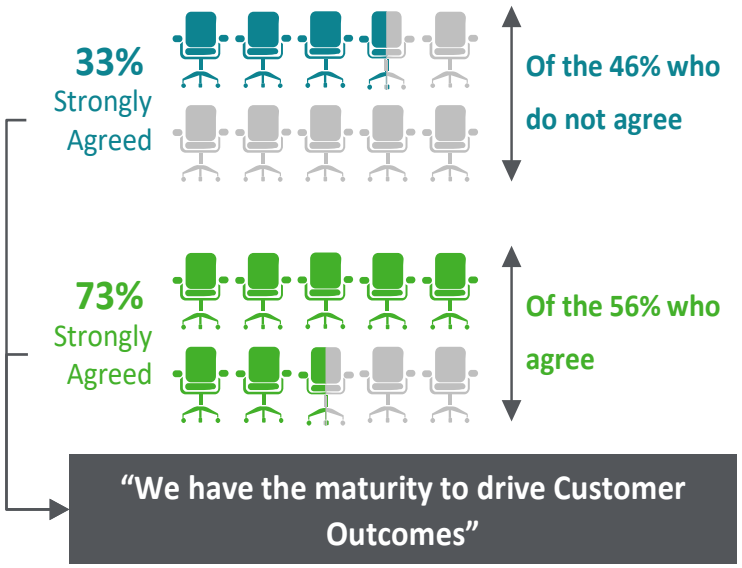


Sales-CS Relationship

This cross-functional collaborative focus extends from post-sales functions to pre-sales functions as well. While responsibilities for services are becoming combined with customer success, however, sales still tends to operate independently. Leaders recognize that aligning the various faces (sales, customer success, and services) of the organization toward the customer is valuable, but that sentiment has not yet propagated across organizational process and team structure.

Our survey found that organizations where sales and customer success teams are seen as equal peers are more than twice as likely to agree that they are organizationally mature enough to drive customer outcomes. Yet, two in three companies (67%) still noted that their services organization does not have its own sales and relies on the corporate sales team.

On the bright side, alignment between sales and services is rising, with 58% of organizations reporting that they mirror segmentation across sales and customer success offerings.



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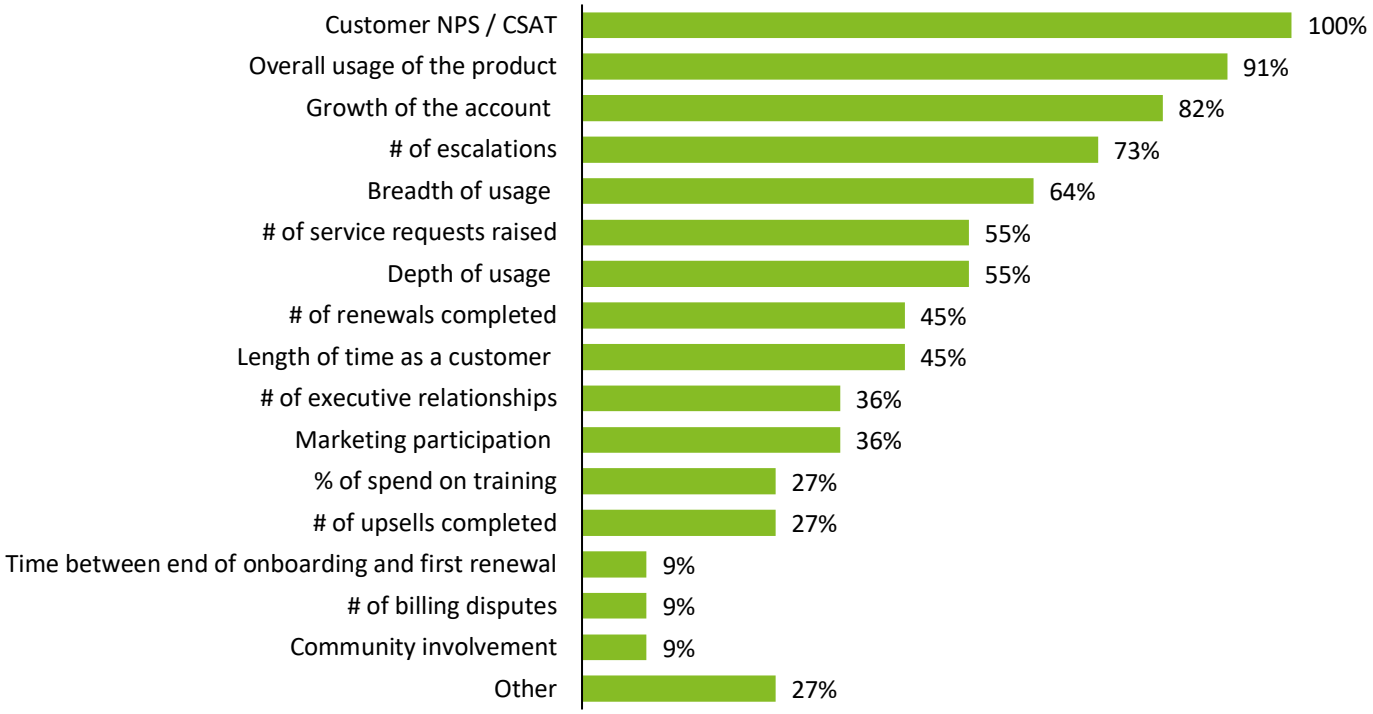
Redefining Value

Customer outcomes must be anchored on customer value—both "value to" and "value from" the customer. Value definition, value measurement, and value communication are key components of a robust customer outcomes strategy.

Rebalancing Value Equation

While organizations recognize the value of having a true measure of customer health, the majority of customer health scores are based on metrics that have been defined through an inside-out (e.g., growth of the account), vs. outside-in lens (e.g., time between onboarding and first value).

"What components go into your customer health score?"



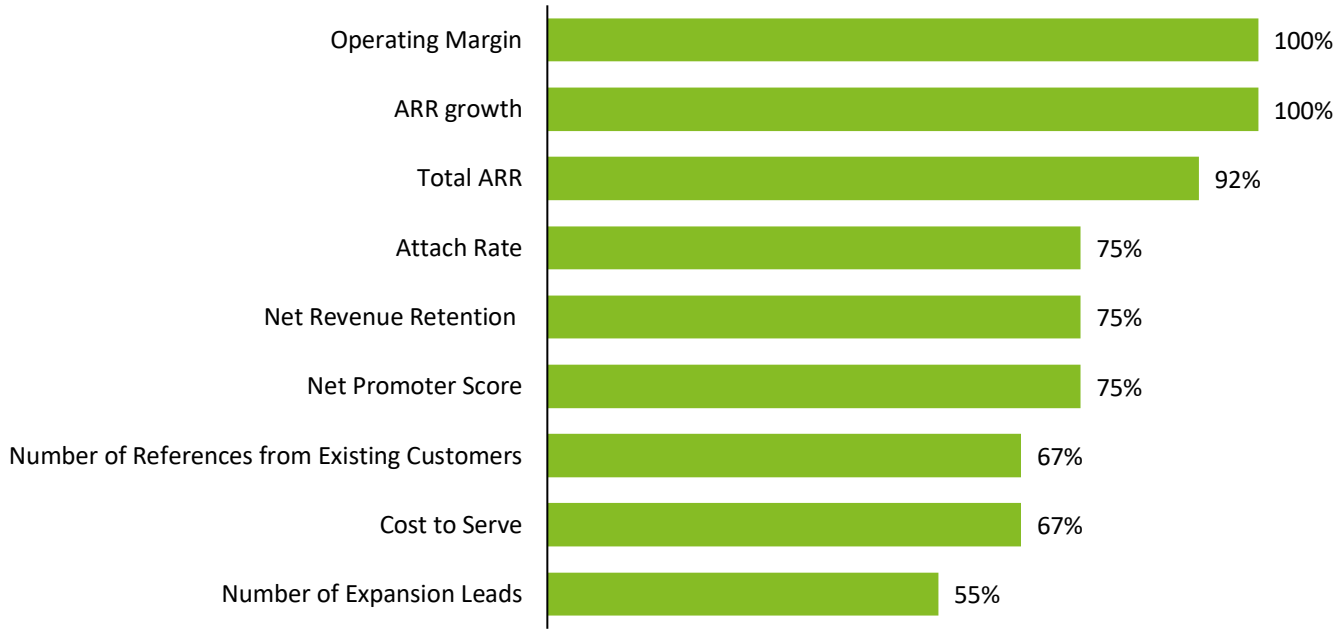
Most organizations use a combination of net promoter score (NPS) (100%), product usage (91%), growth of the account (82%), and number of escalations (73%) as key underlying metrics within their health score.

While all organizations use NPS, that is the only measure of consideration that directly captures the sentiment of the customer in the customer health score. Unfortunately, however, NPS is a lagging indicator and often lacks the context required to take action. As evidenced by a recent Deloitte study, leaders agree that they need to move to predictive measures of customer loyalty and trust.[1]

To enable customer success, leadership needs to focus on monitoring customer outcome-based measures of evaluation. This includes the business value delivered to the customer (e.g., solution ROI), performance value (e.g., uptime/availability), and the aforementioned experience value (e.g., NPS) Although leadership teams are beginning to shift their focus toward customer value, their metrics of evaluation are still entrenched in usage and financials.

Outside of a composite customer health score, the following depicts the top metrics monitored by executive leadership:

"What metrics are monitored by Executive Leadership?"



The most commonly monitored metrics by the executive leadership team are operating margin (100%), annual recurring revenue (ARR) growth (100%), and total ARR (92%), all strictly usage- and profit-based. Net dollar retention is also increasingly gaining prominence to measure growth via expansion, retention, and outcomes-based selling. The net promoter score is the only measure related to the customer that was found in the top nine most commonly used metrics by leadership.

Organizations need to connect these financial measures with outcomes-focused metrics to understand how they can build a sustainable revenue model based on delivering customer outcomes.

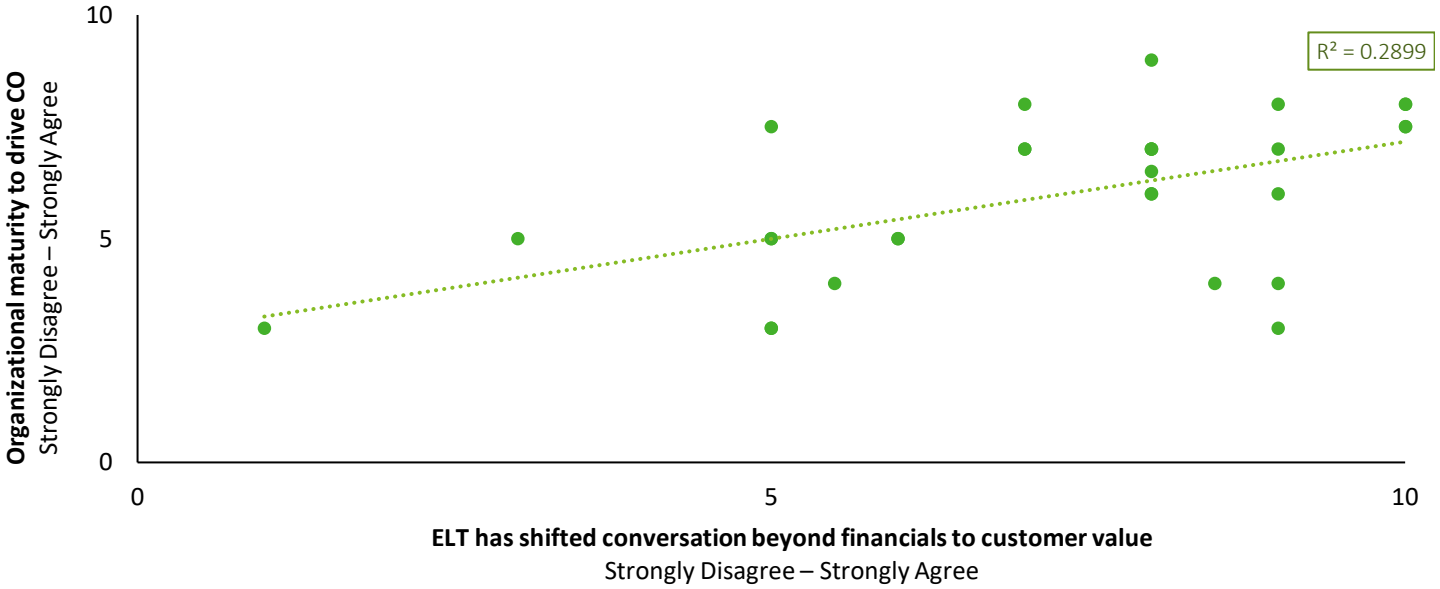
Value Articulation

Aligning on intended outcomes at the beginning of an engagement is going mainstream, and most organizations are defining and tracking formal success plans with their customers, a necessary first step to capture the customer's intended outcomes.

"Do you use define and track formal success plans with customers?

Furthermore, internal value articulation is gradually moving beyond financials and toward customer value and is strongly related with a company's maturity to drive outcomes.

Leadership Focus on Customer Value vs. Maturity to Drive Outcomes



Organizations that driving their revenue models based on customer-outcome metrics are seeing the greatest success with customers. As further evidence, while 91% of respondents strongly agree that they get adequate support from their leadership team, only 59% feel that their leadership team has shifted their focus toward customer value. Currently, only 15% of organization strongly agree that they have the maturity to drive customer outcomes. However, those organizations that are beginning to move the leadership conversation toward customer value typically see greater organizational maturity to drive customer outcomes.

Shared Goals and Metrics

Organizations are beginning to experiment with different models to enable cross-functional alignment through shared cross-functional customer outcomes metrics, rather than individual department income statements. P&Ls. While organizations are taking steps in the right direction, however, 85% of survey respondents reported that they do not have a fully matured customer-centric organization with shared goals and metrics across business functions. Services compensation is still largely margin-based, with 58% still basing compensation for services teams on operating margin. The future, however, is growth-oriented, with a large number of organizations moving to incremental annual contract value targets from the traditional ARR targets for sales.

Scaling for Growth

As organizations look to increase their value across client life cycles, they recognize they must evolve to achieve both scale and efficiency to enable sustainable growth for a customer outcomes approach.

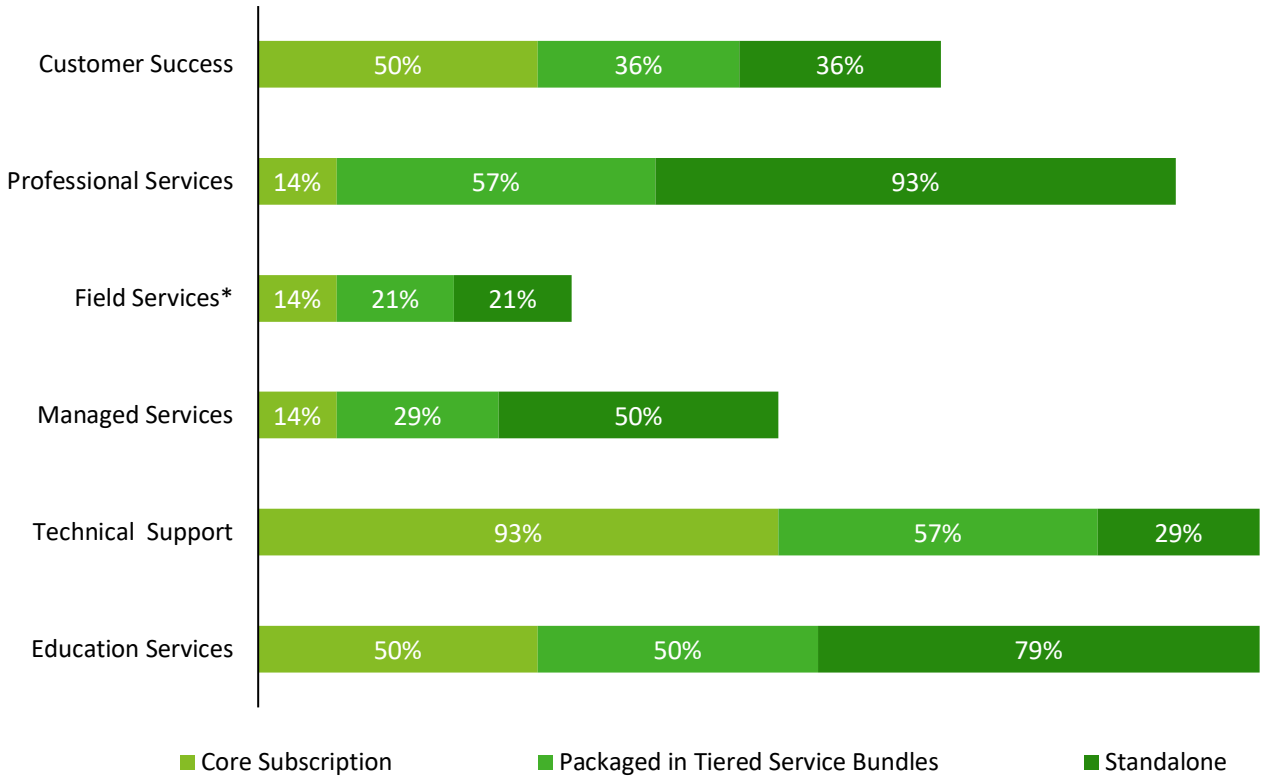
The typical model of monetizing individual services (e.g., support, implementation, etc.) has some hindrances to a holistic customer outcomes approach. Individual pieces of the customer life cycle are harder to sell to clients. Furthermore, these individual pieces are typically lower margin due to competition. In large part, these individual pieces are harder to sell as they do not convey the value of a holistic customer outcomes approach.

One of the biggest topics of interest across surveyed leaders is which services are offered for free vs. which are offered for a fee. Traditionally, basic support, basic learning, and basic customer success have been offered for free, while premium support, advanced learning, and specialist services, such as onboarding, implementation, etc., have been sold for a fee.

CO as a Product

Companies have been evaluating different monetization options to package services to build a portfolio offering. This shift is representative of demand by customers for holistic offerings that enable them to achieve success and realize value throughout the journey. Successful organizations have started redesigning their portfolios and go-to-market strategies in order to activate a healthy subscription-based model.

"How are your services packaged in the market?"



* Denotes low sample size, interpret results directionally

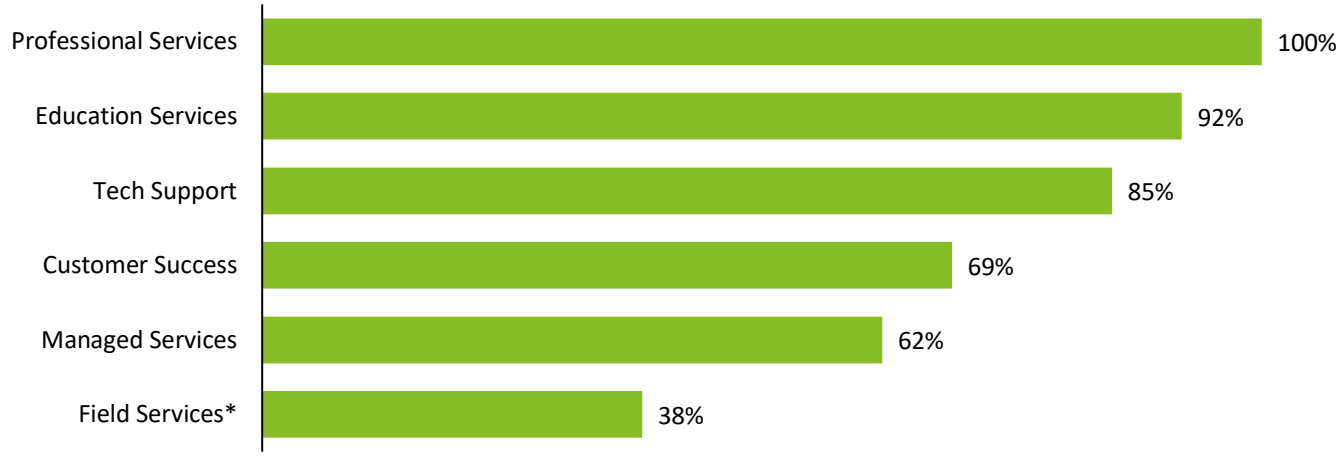
What our study found is that core subscription models are most common for technical support (93%), customer success (50%), and education services (50%); tiered service bundles are most common for professional services (57%) and technical support (57%); and standalone sales are most common for

professional services (93%) and education services (79%).

In order to succeed at building a portfolio of offerings, organizations recognize that they need to identify and understand the outcomes that their customers are trying to drive, build the right offerings so that client needs are addressed, and strictly define the provider's responsibility to ensure joint accountability. Internally, success is dependent on efficiently organizing internal operations for delivery of different service offerings in order to minimize overlap and inefficient work between functions.

Specifically, as it relates to customer success, companies are struggling to articulate the return on investment to customers in the same way that they can for other service offerings. Many organizations stated that customer success often feels like a cost in traditional sales and revenue models, as they struggle to express the value of their customer success offering to customers. In fact, only 69% of organizations offering customer success services report that they are able to monetize those services, a rate lower than that for professional, education, and support services.

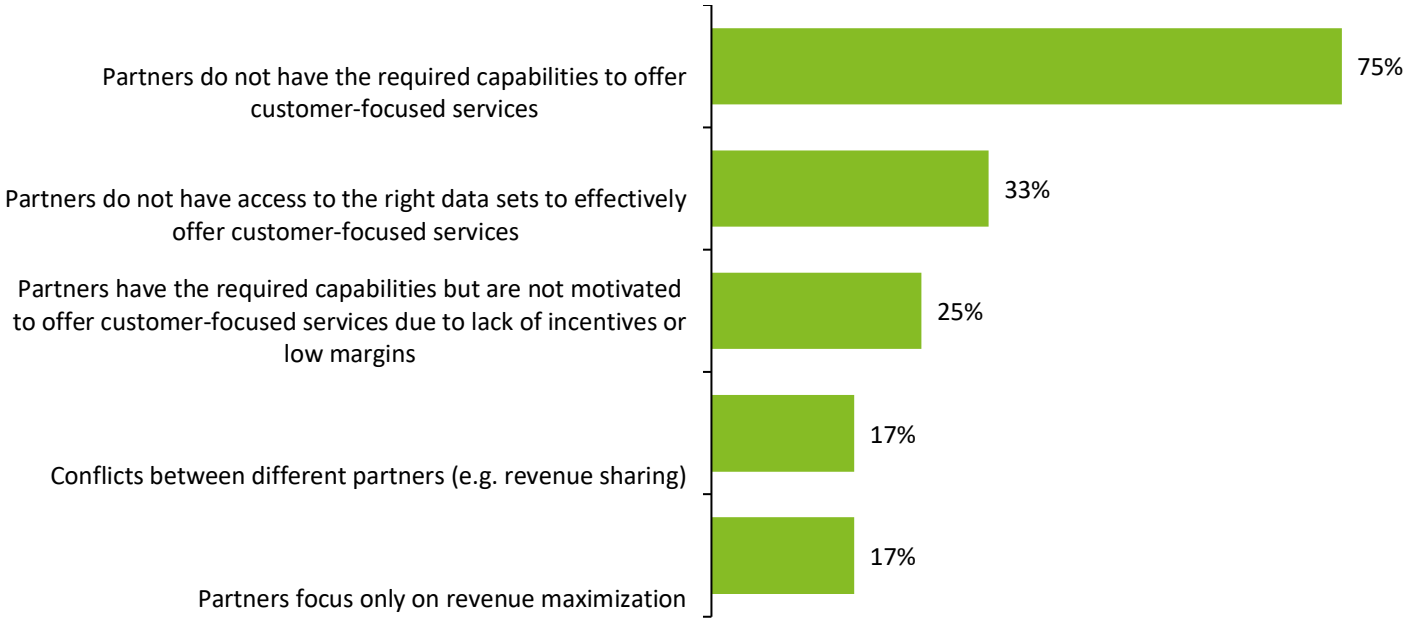
"Do you monetize the following services?"



Partner Empowerment

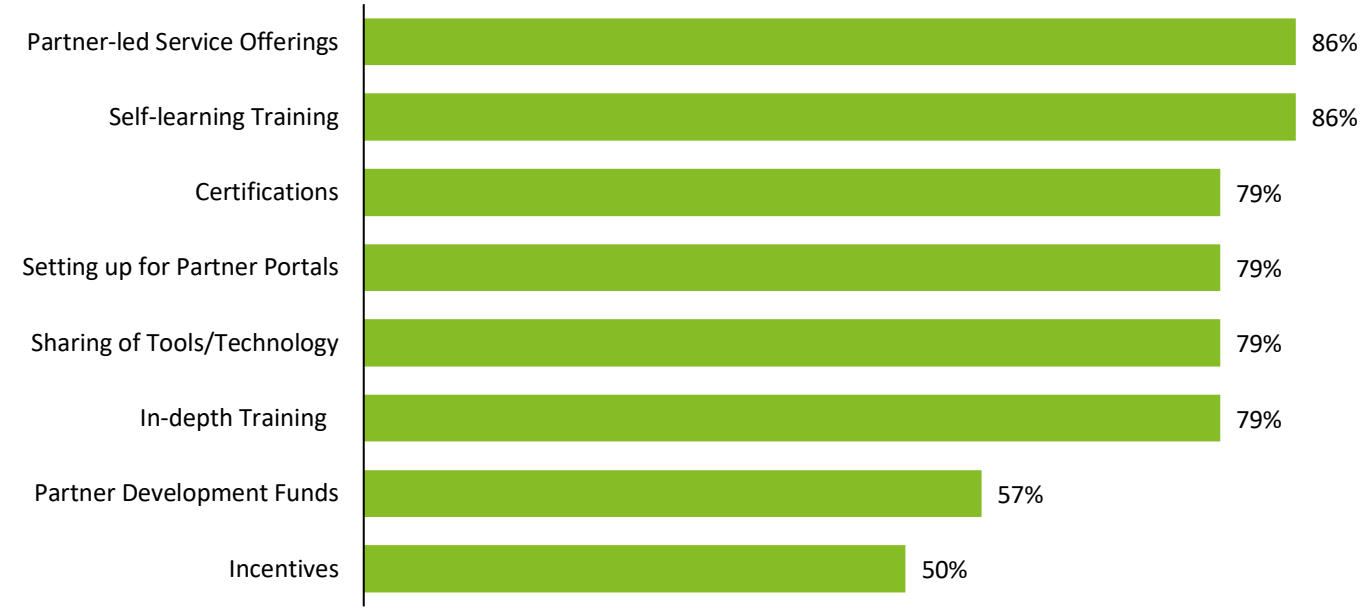
In order to scale customer success offerings to all clients, organizations recognize the necessity of extending their customer outcomes framework through their partner networks and have begun working toward building sustainable partner networks with shared goals toward integrated, end-to-end services. However, the vast majority of organizations (75%) feel their partners are currently lacking in basic capabilities to deliver on customer focused services, and ultimately their customer outcomes and goals.

"What are the challenges faced in providing customer-focused services through partners?"



Companies are taking a wide variety of actions to bridge the gap with partners and enable seamlessly integrated service offerings. Despite the challenges to scale through partners, 85% of respondents still have partner-led service offerings. Beyond that, organizations are focusing their efforts on training and certifications, partner portals, tools and technology, and development funds and incentives. However, development of incentives for partners, aimed at integrated service delivery, is the least common course of action.

"What measures have your organizations adopted to enable partners to offer integrated service delivery?"

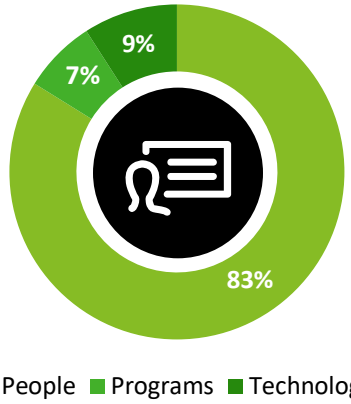


Explore Deloitte's recent articles for more insights on the evolution of partner roles2 and how to design your partner experience to help drive enhanced customer experience and outcomes.3

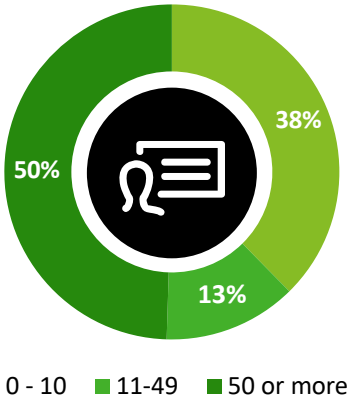
Automation and Digitization

As companies grow their customer success capabilities, they must be resourceful in the way that they scale to ensure that customer outcome delivery is a focus for customers across all segments. While 80% of customer success teams' spend is allocated toward human capital, customer success manager coverage remains thin, and automation is imperative to scale.

"What is % Services Spend Across People, Programs, and Technology?"



"Number of Customers Covered by Customer Success Managers"



In fact, one-half of those surveyed reported that their customer success managers are responsible for 50 or more customers.

Automation and artificial intelligence (AI) are needed for scale, while maintaining personalization. Organizations recognize that delivering customer outcomes demands a personal connection with customers; therefore, they recognize the importance of insights-augmented workflows.

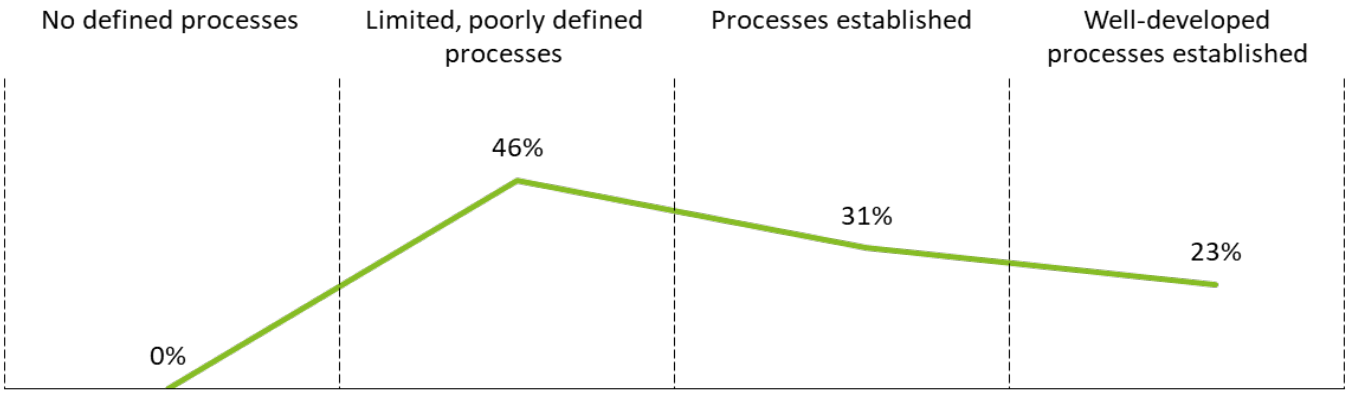
Currently, organizations are beginning to move beyond limited use of software (31%) toward using tools for multiple services to create customer insights (69%). However, organizations are universally falling short of leveraging AI and machine learning (ML) in their customer success processes and will need to expand that capability to truly scale their customer success offerings.

"Which of the following best describes your organization's use of platforms and tools to provide end to-end services?"

Manual efforts to manage processes, customer health scorecards etc.	Limited use of software across the organization	Software tools used for multiple services to support customer health and generate insights	All the relevant services software implemented with tools available to provide 360 view of the customer
No customer-centric software or tools in place with little focus or investment in technology integration and **lagging most industry peers**	Digital customer services and reports available via supporting tools for high valued customers but **still in the process of developing technology integration**	Other supporting tools available to support processes, along with **automated reports and alerts available** for heads of services teams to track adoption and renewals, **collaborative tech. integration enabling data & insight flow** among teams & services	**AI and ML-driven insights** provided to executives across customer lifecycle, **integrated customer feedback tools** to guide deployment of solutions/services

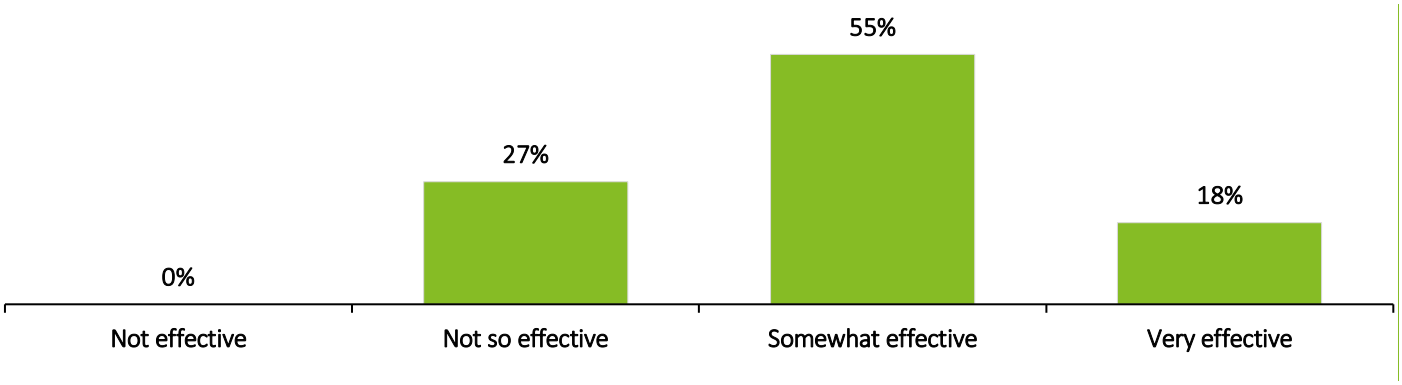
Companies must also be instrumented in the right way to streamline data capture and efficiently translate insights into action. Only 23% of survey respondents indicated that they have well developed processes established to translate customer insights into product enhancement opportunities.

"How effective are your processes in ensuring that customer feedback and usage data are collected and incorporated in the activities of the product development team?"



Even less respondents—18%—indicated that they very effectively use data insights across their services organization. As companies leverage automation and digitization to scale, they must also ensure that they are thoughtful about data capture and the ability to efficiently translate insights into action across stakeholder groups.

"How effectively do you use data insights in Services organization?"



Next Steps and the Path Forward

Organizations agree that the transition toward customer outcomes is an inevitable and necessary evolution, yet organizations are struggling to manifest an outcomes mentality across their organization. Customers are more open to developing deeper, more connected relationships with their technology providers, and those companies that are first to realize their customer success transformation will have the opportunity to embed themselves into client processes, become true partners with their clients, and drive their outcomes to grow their business.

Though companies are taking various initiatives to deliver on a customer outcome-focused approach, by centralizing responsibilities and decision rights under customer success leaders, developing technology architecture and infrastructure, and increasing the sales focus on customer outcomes, organization-wide adoption and understanding of customer outcomes frameworks is lagging, and impeding the seamless delivery of integrated services. Organizations that want to further their customer outcomes transformation need to focus on a comprehensive approach that encompasses five elements: value, customer journey, collaboration and experience, enablement, and company impact.

Customer Outcomes Galaxy

Customer outcomes must be maximized along business value (BV), performance value (PV), and experience value (EV), with value being orchestrated at every stage of the customer life cycle:

- **BV**—Value derived from the solution provider's offerings that help customers achieve quantifiable business outcomes (e.g., decrease total cost of ownership, increase revenue, improve operational efficiency, reduce tech debt) and justify their investment in the solution
- **PV**—Value derived from the solution in terms of quality of the product, utility of features, solution compatibility, user interface, and uninterrupted usage without issues, errors, or bugs
- **EV**—Value derived from the quality of experience delivered, ease of doing ¬business, and depth of relationship established during various touchpoints and interactions (both pre- and post-sales)

This requires ensuring collaboration and integration across different functions and elevating the experience of all stakeholders through the precise application of data, processes, digital tools, monetization, and talent models. Helping customers realize their desired outcomes, in turn, can help companies achieve economic value, brand advocacy, and market eminence. This topic is further explored in a more comprehensive Deloitte article, focused on customer outcomes as a cornerstone of exponential growth.[4]

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