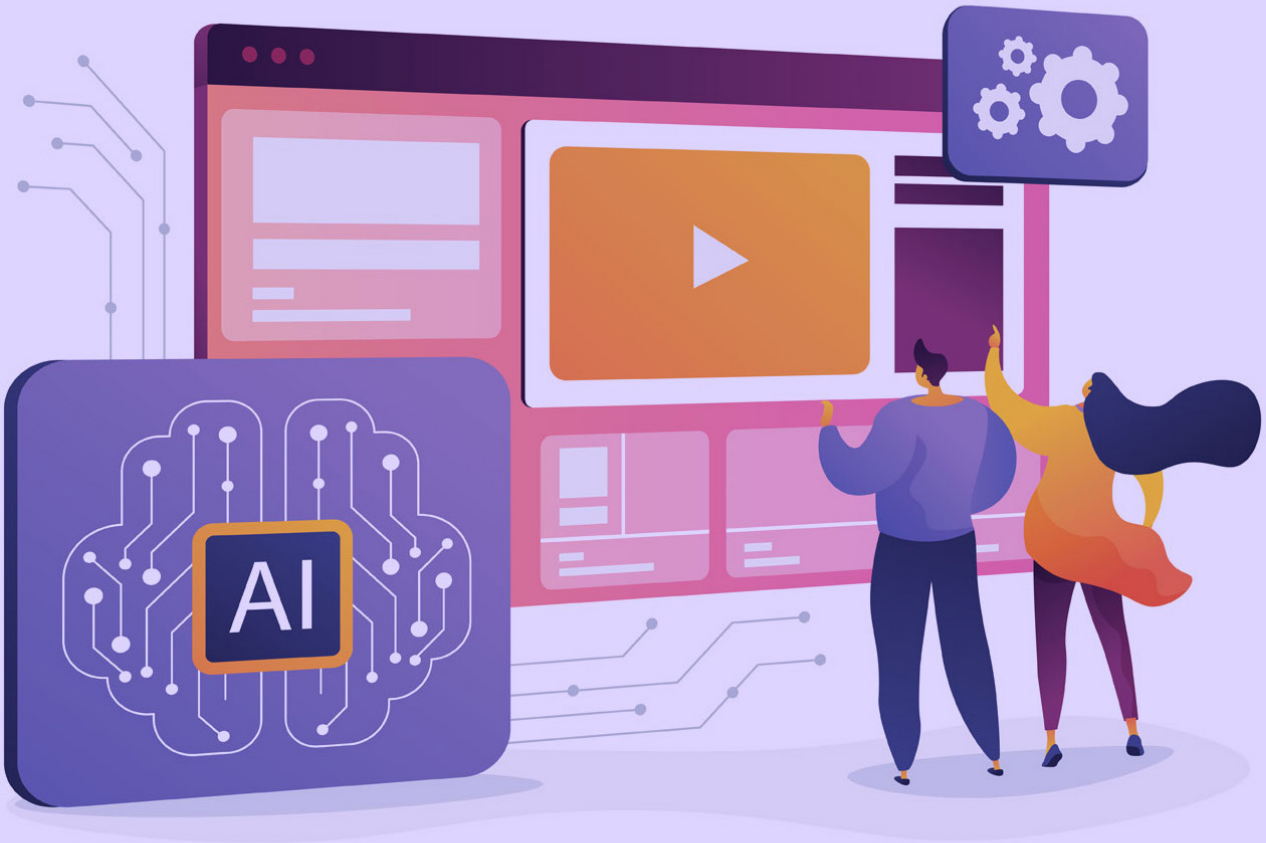
OCX Cognition™

EBOOK

How Customer AI Unlocks Growth and Accelerates Profit for B2B SaaS



In the dynamic landscape of manufacturing, complexity intertwines with a heightened focus on customer satisfaction.

Revenue leaders in B2B SaaS companies face pressure to drive growth while managing costs and boosting profit margins. Customer demand is projected to grow at a CAGR of nearly 20% until 2030, yet GTM team budgets are increasing more slowly. Traditional methods of targeting GTM efforts based on experience and intuition are no longer effective, especially as advances in AI push companies to adopt AI tools for greater efficiency.

In this context, B2B SaaS GTM leaders in sales, marketing, and customer success must focus on sustainable growth and shareholder value. AI-enabled customer insights offer a quicker, cost-effective way to determine actions that drive better results and establish scalable strategies. Leaders should use machine learning to transform sales efforts and enhance revenue impact.

This eBook explores the potential of a specific AI type to address the four main challenges for B2B SaaS companies. It highlights how customer analytics can provide valuable GTM insights, helping leaders achieve growth and profitability with less effort. By leveraging AI tools, organizations can acquire and retain high-value customers, optimize resources, and drive more profitable growth.

EBOOK

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SECTION 1

Top Four B2B SaaS Growth and Profit Challenges

With pressure to grow sales faster than costs, leaders can no longer rely solely on intuition and personal experience for decision-making. B2B leaders must embrace data-driven, AI-enabled strategies to stay competitive or risk being replaced by someone more adept at deploying machine learning resources to inform their choices.

This is where a new type of tool is essential. Customer AI uses data sources companies already have to develop highly accurate predictions of customer needs and outcomes, delivered in real time and updated continuously as conditions shift. This allows organizations to understand customer dynamics, identify specific growth opportunities, and take decisive action quickly and effectively, from the C-suite to the front line.

Customer AI directly addresses the four major strategic challenges faced by B2B SaaS companies in 2024 and beyond.

Challenge 1

Define efficient growth strategies to deliver more profitable revenue

GTM leaders need to balance revenue and cost targets by making faster, better decisions around where to find growth. Customer AI delivers accurate predictions into which customers are most likely to churn, and which are most likely to buy additional products and services. It also identifies operational and other drivers that most impact those outcomes so companies can focus improvement efforts on the most productive areas.

Challenge 2

Align go-to-market processes with ideal customers for smarter resource allocation

Customer AI accurately identifies which customers are most likely to deliver high margins, renewal rates, and cross- and upsell revenue. This allows sales, marketing, and customer success leaders to reallocate resources and budgets to accounts that will deliver the strongest and most profitable growth with the least effort. It also allows GTM leaders to monitor the accuracy of their ideal customer profile (ICP) definition and account selection based on real-time data about current customers and prospects.

Challenge 3

Define post-sale strategies to maintain profitable relationships and identify growth potential

Customer Success can replace inaccurate customer scorecards and health scores with a more precise approach using actual customer data. Customer AI predicts churn risk to enable timely, personalized actions. Teams can complement human coverage with customer-driven triggers that automate outreach, improve adoption, and manage costs.

Challenge 4

Redefine Customer Success and segment service levels for enhanced profitability

Customer AI enables accurate customer segmentation based on a combination of behavioral, operational, and profile data, not assumptions. It can identify profitability and growth potential, and the drivers of those outcomes, to allow superior allocation of resources to the most attractive opportunities. It can also point out where current processes are not a match for customer needs, showing options for cost reduction and experience improvement.

SECTION 2

How Customer AI Empowers Companies to Overcome the Top Four B2B SaaS Challenges

B2B SaaS companies face four challenges in their quest to maximize growth, retention, and profits. These range from operational efficiency goals to effective alignment of customer profiles and service offerings. All of them require actionable insights about customers to ensure the right steps are taken, from strategy definition to front-line execution. Those who embrace Customer AI will find themselves the winners in the race for above-market growth, profitable customers, and efficient operations.

Challenge 1

Replace "Grow at All Costs" with efficient growth strategies for more profitable revenue

Today's capital constraints mean B2B SaaS companies can no longer afford the "grow at all costs" mentality, and the inefficient go-to-market and customer engagement practices that went with it. Investors and stakeholders want increased profitability and sustainable growth. Companies are challenged to adopt a balanced growth strategy that finds a profitable equilibrium between sustainable, profitable revenue streams, and rapid expansion. This places significant pressure on companies to optimize their bottom line and improve margins.

A heightened focus on Net Revenue Retention (NRR) as a key performance metric underscores this transition. NRR measures the ability to retain and grow revenue from existing customers in three main ways:

1. **Renew the annual contracts with existing customers**, ideally with more coverage, meaning more revenue.

2. **Sell the same products and services already sold to a customer** to additional parts of the same company. The departments that have already purchased are ideal references.

3. **Sell additional products and services to teams** who have already made their first purchase.

NRR covers all three categories and has become the gold standard for assessing long-term growth potential. Companies must hit higher NRR benchmarks to demonstrate financial health and attract investors. Balancing the need for new customer acquisition while maximizing value from existing customers is a complex challenge that demands strategic recalibration and meticulous execution to maintain profitability.

> "It's cheaper to grow a customer than it is to put the effort in to go find a new customer. Every company needs new logo acquisition to grow. But the companies that are learning how to maximize the impact they're having with their existing customers are doubling down or oversizing and creating greater impact within their own organization."
>
> Chris Bishop
> Chief Customer Experience Officer, Conga

To shift towards this NRR focus, companies must redefine go-to-market strategies, but not in the way they have done so in the past. Today's best practice is to use Customer AI to gain and act upon prioritized customer insights. Companies must foster a culture of data-driven continuous improvement, where every team is aligned with the goal of driving sustainable growth, and takes action based on real customer data. This shift from aggressive new logo growth to a more data-driven, efficient approach that also optimizes returns from existing customers is not only a strategic necessity but also a competitive differentiator in the crowded SaaS market.

Three types of data are critical to success

There are three types of data that companies already have and can use to prioritize sales efforts:

- **Attitudinal data**: indicates which customers already have a propensity towards buying more. This data comes from surveys and other sources.
- **Operational data**: helps prioritize based on the things that happen at the hundreds, indeed sometimes thousands of operational touchpoints a customer has with a company.
- **Profile data**: groups customers by, for example, current products and services consumed, geography, and price category.

How Customer AI transforms the way GTM teams deliver profitable revenue

The most significant practical tool to deliver on these goals is predictive customer analytics. Customer AI provides real-time analysis of operational and financial data companies already have in their IT systems. Using this existing data, the following areas can improve performance for customers and the business overall:

- **Financial forecasting and budget optimization**: Predictive analytics can forecast NRR and other financial metrics for each customer, helping companies to allocate budgets more effectively. It enables scenario analysis to understand the impact of various strategies on financial health.

- **Cost reduction**: Data analytics can identify cost-saving opportunities by analyzing operational data. For instance, it can highlight inefficient processes, redundant activities, or areas where automation can reduce expenses. Customer AI can be used to identify over or under investment in customer facing teams such as technical support of customer success.

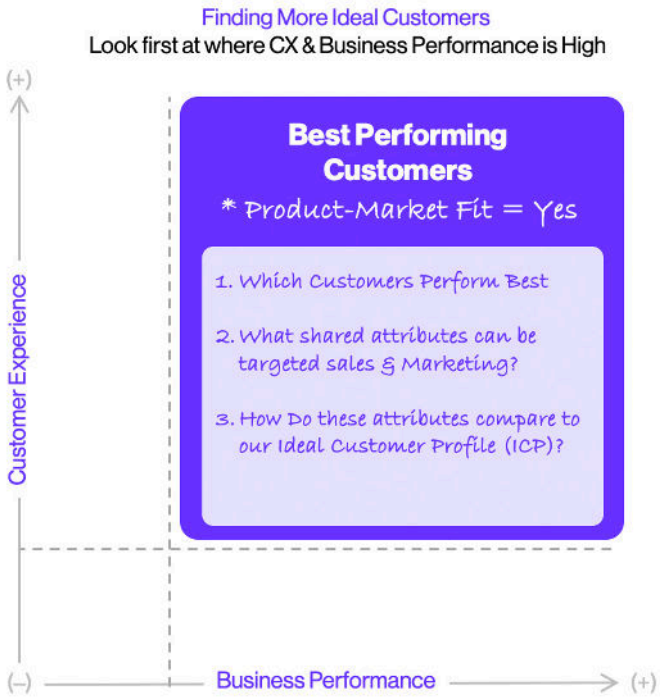
- **Resource allocation**: AI-driven analytics can optimize resource allocation by analyzing performance and outcomes for each and every customer, ensuring that resources are directed toward customers with the best leverage for growth or churn reduction.

Challenge 2

Align go-to-market processes with ideal customers for smarter resource allocation

Customer acquisition in B2B SaaS has evolved significantly. Acquisition teams are no longer judged solely on volume of new customers but on the quality and long-term value of these customers. This requires both accurate definition of the ieal customer profile, and vigilance to ensure GTM teams focus on that ICP.

Companies define an ICP with the goal of focusing on accounts who are most likely to get impact from their solution and to remain a customer long enough to be profitable and deliver expansion revenue. It is also a way to reduce customer acquisition cost (CAC) by engaging with accounts that have a higher propensity to buy. This should lead to faster sales cycles with fewer resources needed to close deals. Investors increasingly monitor the match between the company's stated ICP and actual new and existing accounts as a way to track GTM team effectiveness.



Companies want to acquire new logos that fit their ICP because they promise higher Lifetime Value (LTV) and align with a lower cost to serve. Defining and maintaining this focus requires data analytics for precision targeting and engagement, not gut feel and personal experience. When go-to-market teams focus on accounts outside the ICP, the result is less profitable customers with two strikes against them: higher cost-to-serve and higher propensity to churn.

> "I think software companies margins have historically been good, but SaaS businesses have lost the plot a little bit on how they could be smarter in acquisition, selective about customers, and also how they can mitigate long-term downstream costs in an LTV model."

Das Naryandas
Edsel Bryant Ford professor of business administration at the Harvard Business School

Sometimes, non-operational data provides the best insights

Companies using Customer AI often identify situations where customers with identical operational experiences have a greater or lesser propensity to renew contracts and buy more. For example, geographic location may matter a lot, or which products or services a customer has already purchased may turn out to be the primary driver of new purchases. Customer AI shows exactly which customer profile aspects matter most across the entire customer base, greatly improving sales effectiveness.

How Customer AI transforms the way GTM teams allocate resources

To acquire high-value customers, B2B SaaS companies can refine their targeting and acquisition strategies using data analytics and AI. By identifying and prioritizing prospects that fit their ICP, companies can focus resources on accounts and buying groups with the highest potential Lifetime Value (LTV). Using predictive analytics makes it easier to assess the likelihood of conversion and long-term profitability of potential customers.
Customer AI delivers the following:

- **Ideal customer profiling**: Predictive analytics can assess the potential value of accounts based on historical data and behaviors, enabling sales to prioritize best-fit and higher potential value prospects.

- **Market segmentation**: Data analytics can identify additional market segments that align with the ICP, focusing acquisition efforts on the most promising sectors. It can also provide ongoing validation of ICP definition as markets shift.

- **Sales forecasting**: AI-driven models can predict sales outcomes, helping align marketing and sales efforts with high-potential opportunities.

Challenge 3

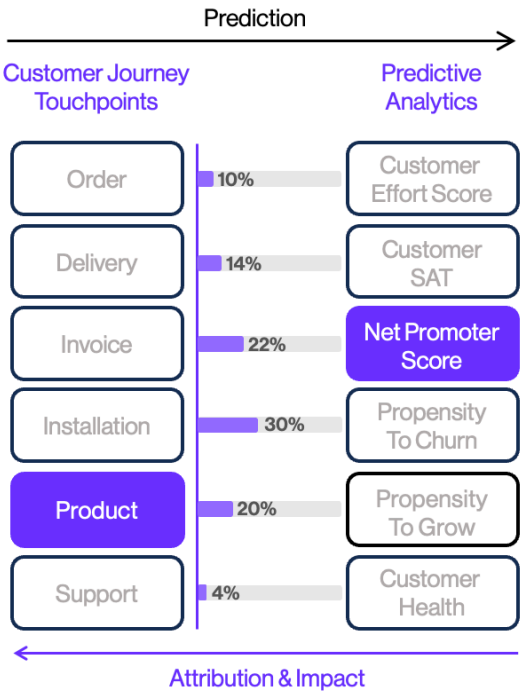
Define post-sale strategies that deliver profitable relationships and identify growth potential

While B2B SaaS companies have built capabilities for scalable tech- and data-driven customer acquisition, retention strategies have lagged, relying more on intuition than robust data. Given resource constraints and increased focus on improving retention, the challenge now is to extend the same efforts applied pre-sale to capabilities to the post-sale customer lifecycle. Companies need to be able to understand customer behavior, identify at-risk accounts, and develop targeted retention strategies that work at scale. This requires developing sophisticated models that predict customer churn and identify the factors that contribute to it.

Illustrating Customer AI in action

Consider an example showcasing Customer AI's impact for a B2B SaaS company in contract lifecycle management who recently deployed Customer AI. Six key touchpoints of the customer journey fare depicted, with the bar graph indicating how they impact key metrics for the business. For instance, when product improvements requested by customers take excessive amounts of time to be delivered, the company encounters customer experience impacts that put business at-risk. Customer AI predicts these effects early before they result in widespread defection, letting them act before business is lost.

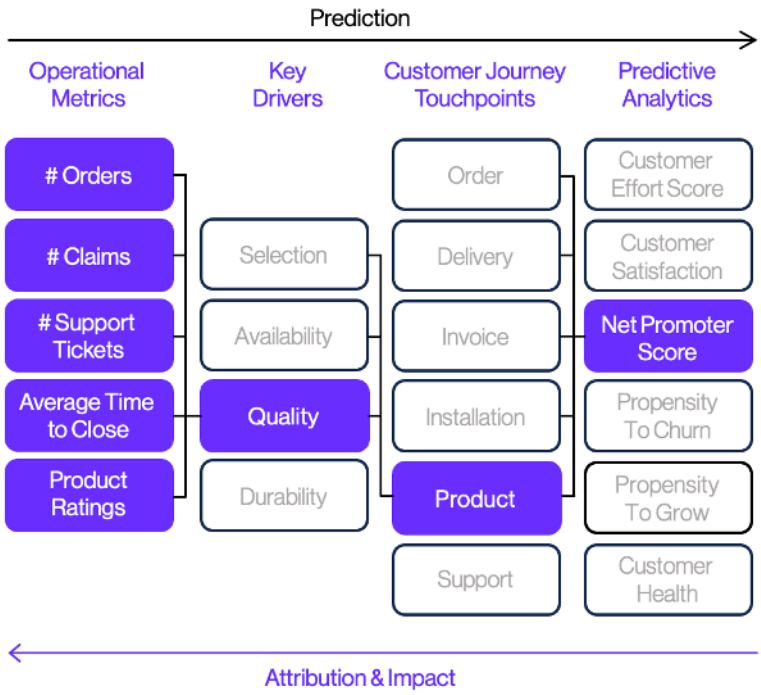
Customer AI illustrates the relative impact of each experience on key metrics like NPS and propensity to grow.



To become data-driven in retention efforts, B2B SaaS companies can leverage advanced analytics and AI to gain deep insights into customer behavior and engagement. Implementing a unified data platform that integrates customer data from various touchpoints can provide a holistic view of the customer journey. This lets companies identify at-risk customers and proactively address their concerns. Even better, predictive models that forecast churn and explain the key drivers behind it let companies develop targeted retention strategies. Personalized retention campaigns based on these insights address the specific needs and preferences of different customer segments, while allowing automation to scale efforts without adding headcount.

Integration with operational and customer value chains

Traditional forecasting methodologies often lack granular attribution to underlying causes, hindering informed decision-making. Customer AI bridges this gap by providing detailed connections between top-level predictive analytics and operational metrics. Consider the example of a B2B SaaS company monitoring NPS, where Customer AI identifies operational drivers impacting software capability, enabling targeted insights.



Journey Touchpoints, Drivers, and Operational Metrics /KPIs.
Example: B2B SaaS company connects operating KPIs to key business metrics including NPS with Customer AI

One of the top-level metrics the company chooses to monitor is Net Promoter Score or NPS. While they previously measured NPS using an annual survey, Customer AI has unlocked an unprecedented ability to continuously understand and explore root causes for NPS results within their operations. The diagram above illustrates a particular attribution path that explores the impacts of Product Quality on NPS. More importantly though, the effects on Product Quality can be traced to underlying operational metrics and KPIs already being measured throughout their business. This connects NPS directly to actionable areas of the operation and measures the relative impact of diffuse operational components on customer experience with an objective data-driven model. With these new analytics in hand, this software provider can weigh product roadmap, production planning and budget decisions using customer impact as part of the equation. Perhaps most importantly, the weighting of each factor can determined for each customer with a reasonable level of accuracy.

Naturally, predictions and related attributions can also be provided for metrics directly related to NRR, such as propensity to grow and propensity to churn. Customer AI models display positive and negative thresholds for each of their existing KPIs, making it possible to tune KPI targets to proper levels in a quantifiable way.

Traditionally, getting these insights would have involved a project to collect and analyze vast amounts of customer data and a team capable of translating insights into effective, personalized retention initiatives. Customer AI makes this process easier and faster, and delivers a constant stream of data rather than a point–in-time solution that can lose effectiveness as conditions shift.

How Customer AI transforms the way GTM teams identify growth and maximize customer profitability

- **Churn prediction**: Predictive models identify customers at risk of leaving by analyzing factors such as engagement levels, product usage trends, and support ticket frequency, as well as many other operational data points. This allows for more accurate revenue forecasts and accountability for account management teams.

- **Personalized retention efforts**: AI can tailor retention strategies to individual customers based on what the analytics reveal about their behavior and preferences. Tactics can include personalized offers and targeted communications. Triggers can be identified and automated to let customer success or other teams know when to take action. It can also provide a foundation for the development of automated post-sale campaigns to support onboarding, implementation, or customer advocacy goals.

- **Automated triggers and next best actions for retention and growth**: AI can prompt and automate highly relevant follow-up interactions with customers, ensuring timely engagement and increasing the likelihood of retention. This makes it easier for every customer success or account management resource to take the right action at the right time consistently, assuring better retention outcomes. This can also be applied to identification of expansion signals to pick up on moments when customers are most likely to be open to upsell or cross-sell of new offerings.

> ""Wow! We can really, for example, build targeted marketing campaigns to customers that we think are ready to take the next step based on what this predictive analytics engine is telling us."
>
> Chris Bishop
> Chief Customer Experience Officer, Conga

Challenge 4

Redefine customer success and segment service levels for enhanced profitability

The “one size fits all” approach to customer engagement is increasingly ineffective in B2B SaaS. Companies are now expected to align service levels with customer profitability and growth potential, which requires a nuanced understanding of customer segments and the ability to tailor service offerings accordingly. In companies with multiple GTM models, from large enterprise accounts to product-led growth segments, service options and resources require accurate insights to define and deliver a high-quality, cost-effective customer experience.

Adding pressure is the evolving role of Customer Success (CS) teams. Customer Success is often structured as a reactive cost function, focused on resolving issues as they arise. This model is under tough scrutiny, as budget constraints require CS teams to demonstrate efficiency and value beyond basic responsiveness and check-ins. As part of a GTM team focused on delivering profitable growth, CS must become a proactive function that addresses issues while actively growing Customer Lifetime Value (CLV). The challenge for CS leaders is knowing what specific actions their teams should take and when.

Teams must navigate the complexities of delivering personalized service at scale, while also identifying opportunities for upselling and cross-selling. This requires CS teams to prioritize focus, much as sales teams do. Today, most rely on qualitative inputs to define the best path, such as customer journey mapping or interviewing reps considered the best at their jobs. While helpful, qualitative inputs are usually less accurate and impactful, and may result in over- or under investment in process and technology changes.

Instead, making the right decisions is easier and faster when the CS team is provided with specific guidance on what activities yield the best results, both for customers and for the business, based on actual customer data. The numbers in existing Customer Health scorecards can be replaced by metrics that make the most difference in the real world. Leaders can deploy AI to segment accounts and identify actions that most improve engagement, retention, and expansion. Teams can implement scalable processes that deliver personalized experiences and identify growth potential without disproportionately increasing costs.

How Customer AI transforms the way GTM teams define customer success and service levels

- **Accurate customer segmentation**: Data analytics can segment customers based on profitability, growth potential, and service needs, ensuring that resources are allocated efficiently.

- **Service level optimization**: Analytics can determine the optimal service levels for different customer segments by analyzing the cost-to-serve and the impact on customer satisfaction and retention.

- **Profitability analysis**: By analyzing customer lifetime value and cost-to-serve metrics, companies can adjust service levels to maximize profitability over time.

- **Resource allocation**: AI can dynamically allocate support resources based on customer segment and current demand, ensuring high-value or high growth potential customers receive priority.

- **Scalable support solutions**: AI-powered self-service options, such as chatbots and knowledge bases, can provide efficient support for lower-value customers, reducing costs while maintaining satisfaction.

Conclusion

By leveraging advanced data analytics and AI, B2B SaaS companies can address strategic challenges and create a more agile, efficient, and customer-centric organization. This integrated approach ensures decisions are data-driven, resources are used optimally, and customer relationships are nurtured effectively to drive sustainable growth and profitability.

For more information

To learn more about Customer AI, visit https://www.ocxcognition.com.

Access customer examples, videos from customer analytics experts, and more information on how the application of AI to customer analytics can accelerate a company's ability to deliver profitable revenue.