ProfitWell   HubSpot

The State of RevOps Report

Reducing Friction In The Flywheel
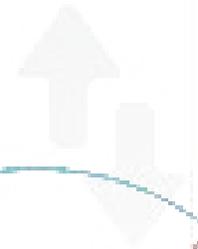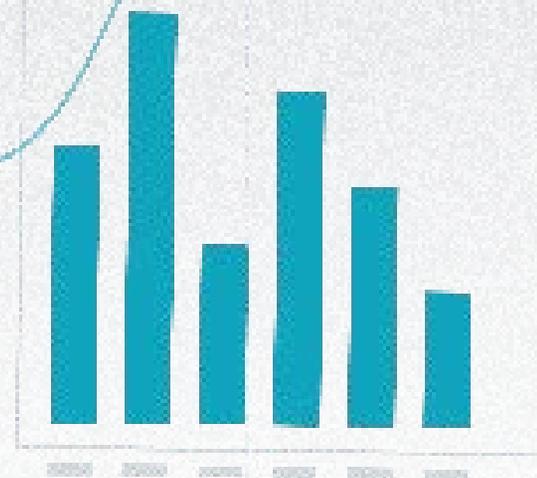
The Importance of Revenue Operations

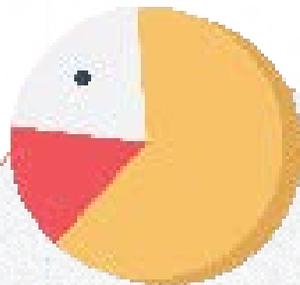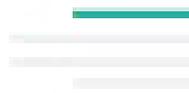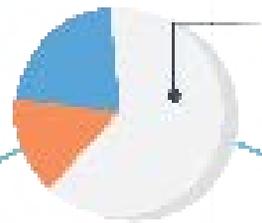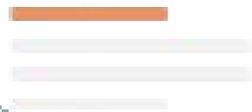Growth is no longer a funnel—it's a flywheel. The flywheel consists of acquiring customers, engaging them, and then delighting them to restart the cycle. Like all wheels though, friction exists at every contact point that can hinder the flywheel from spinning efficiently. These include poor tools, people in the wrong roles, and even information asymmetry. All this friction hinders your growth.

Revenue Operations is the inner ring of that flywheel, reducing friction and providing the lubrication to make sure the three big areas of your business - sales, marketing, and service - are moving smoothly, accelerating your growth flywheel and letting nothing stand in your way. Putting the metaphor aside, Revenue Operations is the combining and aligning of revenue goals throughout marketing, sales, and success teams within a business.

You no longer silo sales, marketing, and customer success operations in different areas of the business; you bring them under one roof. Your central RevOps organization ensures data flows throughout the organization, the tech stack speaks with one voice, and the efforts of one part of the organization doesn't interfere with the success of another.

We no longer live in a transactional world. Our goal as businesses is not only to convert a customer, but keep that relationship with the customer into the long term, either with them purchasing more on a one time basis or through a subscription. This shift causes us to need a different way of looking at success.

The old world is full of single move thinking—aggressive sales tactics, reactive customer support, etc. The new world is full of multi-move thinking—customer service as a profit center, a focus on lifetime value, etc.
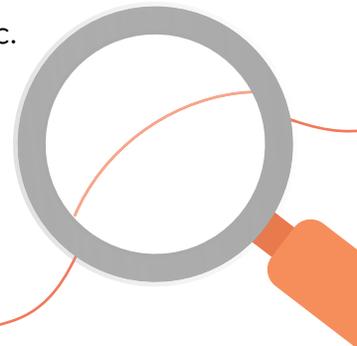
Old World vs. New World Thinking

Old World:

1. Single Move Thinking

2. Focus on bookings

3. Agressive sales tactics that alienate leads and offer deep discounts

4. Custom service and success are cost centers

5. Sales and marketing bicker over success and failure

New World:

1. Multi Move Thinking

2. Focus on the lifetime value (LTV) of bookings

3. Product led growth and consultive sales

4. Customer service and success are profit centers

5. Sales and marketing work as one.

We're moving into the new world whether you're ready or not, so Revenue ↓
Operations makes this transition much easier. Throughout this guide we're going to walk through data that supports the need for revenue operations as well as some of the pitfalls of businesses who don't move to a revenue operations framework.

You ready? Let's jump in.

Two Foundations - Revenue Data Everywhere and Unified Goals

A lot has been written on the foundations of setting up Revenue Operations. We'll link to some of those guides, but we're going to highlight two crucial pieces of the RevOps stack that optimize revenue in particular. The first is making sure revenue data flows throughout the organization and the different tools being used. The second is making sure there's holistic goal setting that stems from this data.

REVENUE DATA ALLOWS TEAMS TO UNDERSTAND WHAT'S WORKING (AND WHAT'S NOT)

Making sure revenue data is ubiquitous throughout an organization may feel like the most obvious business advice statement ever made. Yet, you'd be surprised at how many companies know their top-line revenue, but have no idea what their second order metrics are—retention, lifetime value, attribution channels, etc. Even those who know end up not tracking this information consistently, let alone making sure revenue data exists in the tools being used by teams. The lack of revenue data begs the following questions:

- How will a marketer know that her top channel may be good for revenue, but those customers cancel and churn very quickly?
- How will a sales manager know that his best sales person is great at closing deals, but those deals end up leaving after 3 months?
- How will a customer success manager know who's the best target to sell an add-on effectively?

The answers are— they won't, or rather maybe they will, but they're going to have to come up with their own systems with their own data that talks to other parts of the business. Revenue data needs to permeate throughout your organization, so it's in the hands of those on the front lines. They have more revenue generating power than your C-suite. Asking them to do their job without understanding what works and what doesn't in the new world we're in is like asking them to cook dinner with their hands behind their back. You'll surely get a meal if they're determined, but it could have been so much easier and so much better if you just helped them.

At the executive level of your business, you also end up seeing a holistic view of your growth (or lack thereof). When you connect the dots, you can see the whole picture, including where friction exists. You can then fix the friction.

This isn't just a nice idea to think about - the data backs up this notion. We looked at 814 companies and asked them a simple question--what percentage of your team has access to revenue data?

We then compared that information to a 3-month average growth rate score that takes company size into account (because large companies may have smaller growth rates given how percentages work).

We found that there was a strong correlation between those who made sure the data was in the hands of their team and growth.
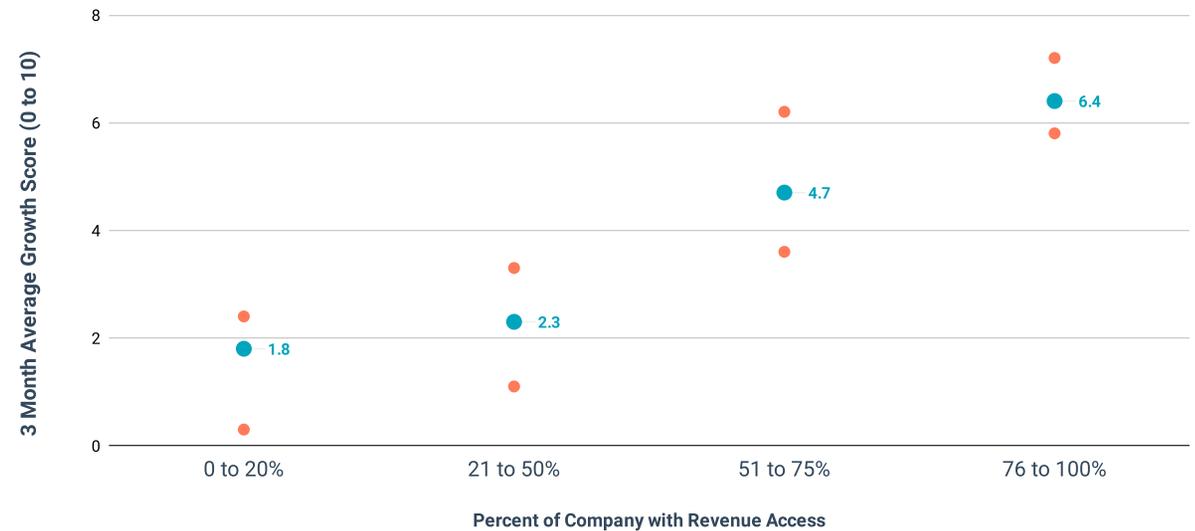
We also asked the question "do your marketing, sales, and customer success tools include revenue data, including lifetime value (LTV) and retention?" Those companies who had revenue data inside these tools, even partially we're growing at a much higher clip than those who didn't.

Remember, data isn't the secret. The context the data provides allows all those smart people you've hired to make better decisions as your flywheel turns.

Connecting data to your systems can get tricky, but if you're a HubSpot customers, tools like ProfitWell Rev-Connect seamlessly connect your billing system and HubSpot to get accurate, clean revenue data to into HubSpot to guide your decisions (oh, and it's free).

How Giving Access to Revenue Data Impacts Growth (n=814)

3 Month Average Growth Score (0 to 10)

- 0 to 20%: 1.8
- 21 to 50%: 2.3
- 51 to 75%: 4.7
- 76 to 100%: 6.4

Percent of Company with Revenue Access

How Revenue Data In Tech Stack Impacts Growth (n=814)

3 Month Average Growth Score (0 to 10)

- No: 1.4
- Partially: 3.6
- Yes: 5.9

Revenue Data in Tools

# Unified Goals Align Team and Push For More Growth

When done right, RevOps unifies the revenue goal setting process. You'd be surprised at the number of organizations that don't set goals or set those goals in silos. Setting goals as independent teams isn't necessarily a bad thing, except when those goals conflict, which they often do inside fast growing companies.

If marketing wants to optimize specifically for subscribers, which takes away from opportunity development, but sales is looking to increase their bookings yield significantly, you're setting yourself up for an argument between sales and marketing. Oh, and you're also not going to hit your number.

Another example is sending heavily discounted customers closed with aggressive sales tactics to customer service and expecting them to up-sell and renew those customers. Now you have an argument that's real fun—imagine trying to figure this out on a cohort of annual customers—were they customers who were never going to convert or is customer success just bad at engagement?

Obviously data proliferation and connection throughout your organization helps here, but so does having unified goals that stem from the unified revenue data. If your team is beating with one heart beat, you can easily see how optimizing for one metric in a part of the organization will impact another. You can also do a root cause analysis to determine the key friction points in your flywheel.

In the graph below you're looking at a study we completed where we compared companies that set goals in some shape or manner to those that didn't. Notice how just the act of setting goals, even if they're simple and without a framework, typically correlates with faster growth.

How Goal Setting Improves Growth Score (n=742)
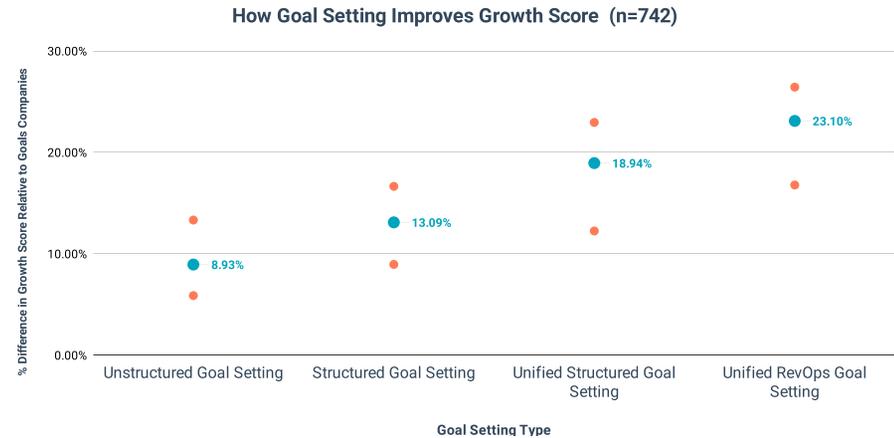
Those utilizing goals through a unified process or utilizing Revenue Operations for goal setting seem to be growing at the fastest pace. Of course there are likely other lurking variables here (RevOps is new and those utilizing the function are on the cutting edge), but given all the known benefits of goal setting, it stands to reason that unified goals should help significantly.
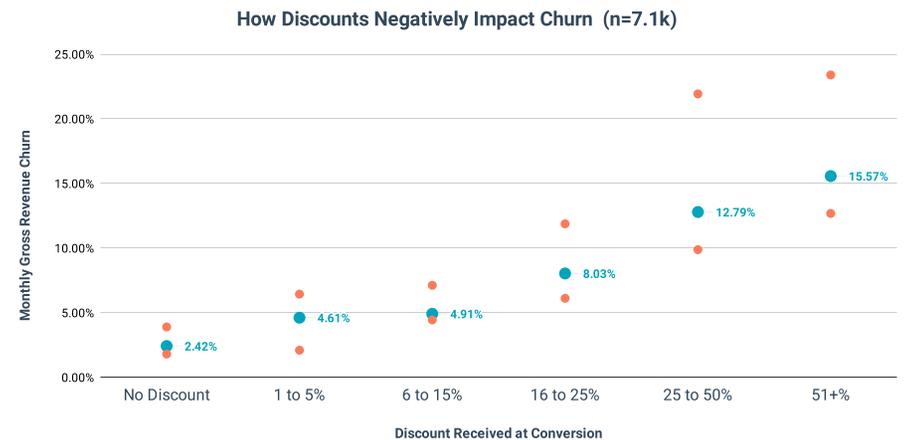
Reducing Flywheel Friction: Benchmark Data from Sales, Marketing, and Customer Success

Now that we've explored some foundational data surrounding Revenue Operations, let's look at some data specifically pertaining to sales, marketing, and customer success. The data not only reinforces the need for revenue operations, but also why your current siloed approach is problematic in the new world of business.

Discounts: The lurking problem for lifetime value

If you have a sales culture that has backward bending quarters, meaning you hit or come close to hitting your number, but only after a big sales push (and likely heavy discounting), you have a pretty big problem in the new world. This herculean effort ends up sending customer service and success customers that just weren't ready.

These aren't "bad" customers per se, but we've seen time and time again that the higher the discount, typically the higher (and quicker) the churn. In the data below we looked at over 100k customers at 7.1k companies and compared the revenue churn rates of different groups (vertical, Y-axis) based on the discount they were given at purchase (horizontal, X-axis). The group contains customers that came in with and without sales assistance.

How Discounts Negatively Impact Churn (n=7.1k)

Y-axis: Monthly Gross Revenue Churn (0.00% to 25.00%)

X-axis: Discount Received at Conversion

- No Discount: 2.42%
- 1 to 5%: 4.61%
- 6 to 15%: 4.91%
- 16 to 25%: 8.03%
- 25 to 50%: 12.79%
- 51+%: 15.57%

Discounts aren't the problem. We all sometimes need to give a little friends and family discount to get a lead over the line. The level of discount can be problematic though. If you're not connecting sales, marketing, and service to retention data, you likely don't even know this problem exists.

In the new world, we need to make sure we're measuring the lifetime value (LTV) of channels, sales reps, and cohorts of customers. Without looking at LTV, it's difficult to understand if that quarter you're celebrating was actually a win, or just a short term dessert that's going to make you feel terribly later.

Monetization and Retention: Just as Important as Acquisition (if not more)

You're going to spend quite a bit of your budget on acquiring customers. You'll hire sales people, spend money on ads, write lots of content, and use many tools. Acquiring customers is important. In fact, it's the largest category of expenses in most businesses.

We looked at the expenses of 1,819 companies and found that the median percentage of all expenses that goes to acquiring customers is 57%. This means you spend more money on acquiring customers than on anything else in your business. The effectiveness of spending more and improving your acquisition has gone down over the years. Everyone is doing Google Ads, writing ebooks and blog posts, and figuring out their sales model. This density means you need to spend a lot on acquiring customers just to survive.

To thrive, you need to focus on other areas of the flywheel—particularly your monetization and retention strategies. You're never going to spend 57% of your budget on these two pieces, but you need to spend more time than you are now. The average company spends less than 15 hours per year optimizing their pricing, and not much more on their retention.

Percentage of Budget That Goes to Acquiring Customers

43%
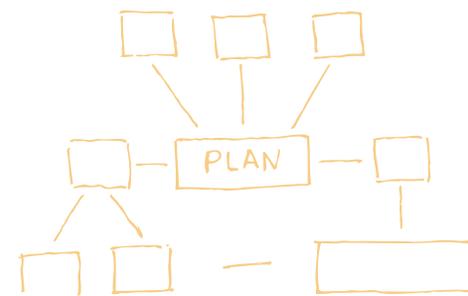
57%

- Acquisition
- Everything else
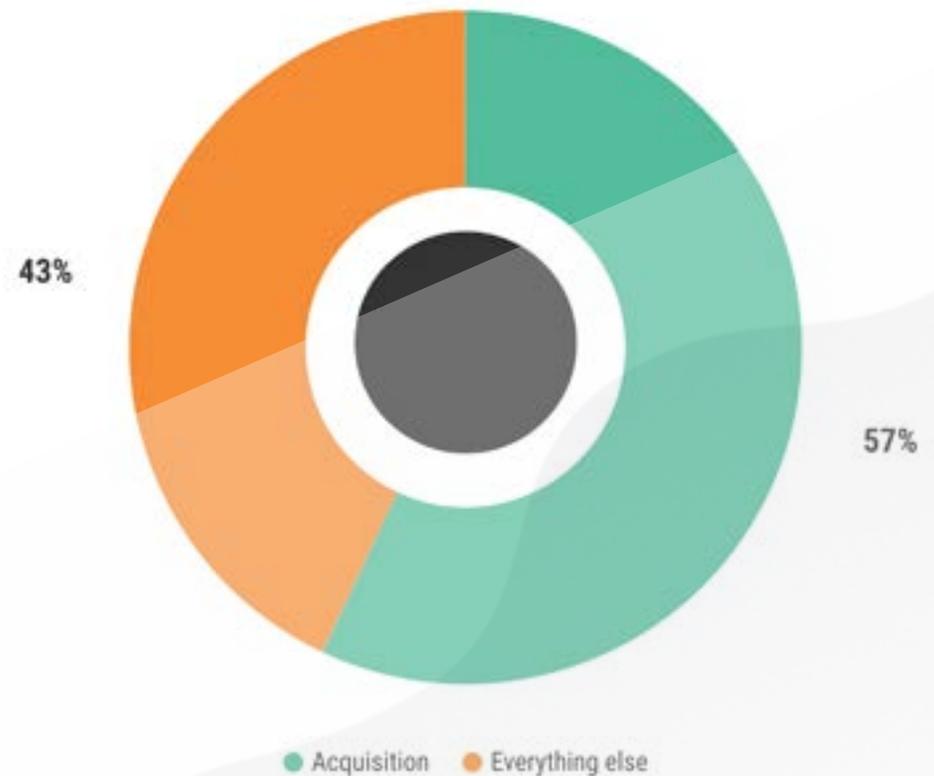
Isolating Business Growth

You get much more effectiveness out of improving these levers than acquisition. We did a study where we isolated the three main growth areas in a business—acquiring customers, monetizing them, and retaining them.

We wanted to see what the impact on revenue would be if we improved each of them by the same relative amount. In the below you're looking at this study on 2.6kk companies.

You'll notice that a 1% improvement in acquisition - 1% more leads, conversion volume, etc - only equates to a roughly 2% boost in your revenue. Improving your monetization - your revenue per customer (ARPU, ACV, ARPA, etc) or your retention equates to a 4-6x impact on your revenue.

With Revenue Operations you end up with a more holistic view of your business. You're able to not only improve your sales, but also the other main growth levers. this is absolutely crucial to being successful in the new world.

How Improving Each Growth Pillar Impacts Revenue (2.6k companies)

% Impact on Revenue From a 1% Improvement

- Monetization: 13.35%
- Retention: 9.75%
- Acquisition: 2.23%

Growth Pillar
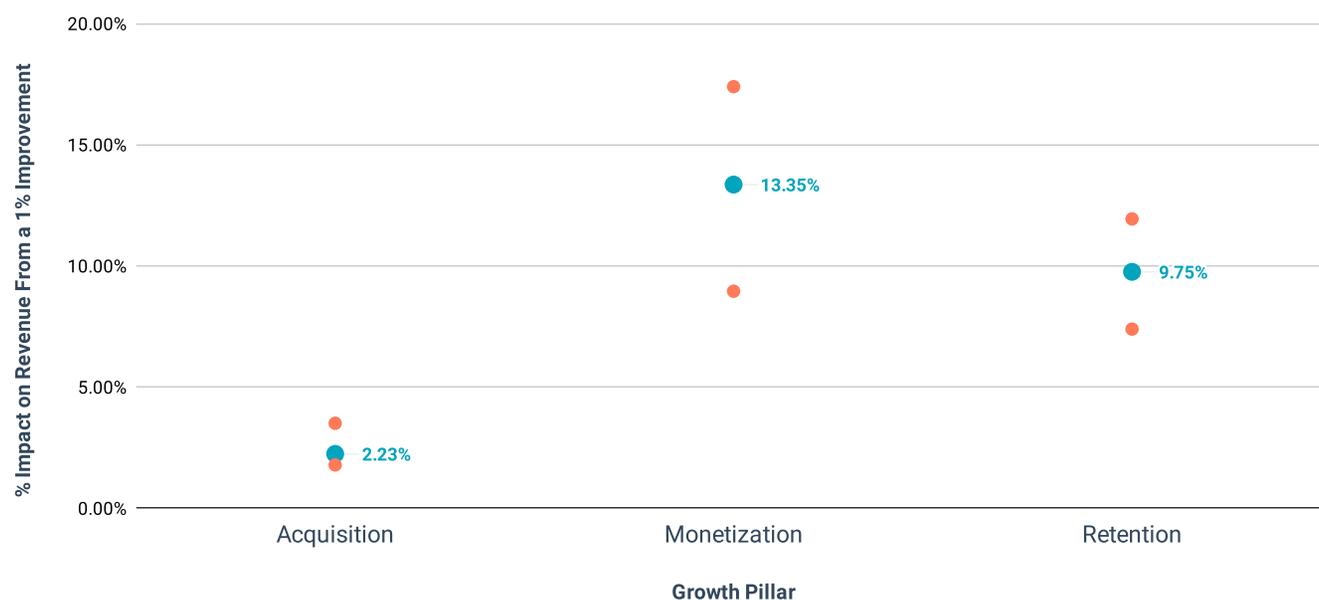
Marketing: The Next Evolution of Inbound

With Revenue Operations you end up with a more holistic view of your business. You're able to not only improve your sales, but also the other main growth levers. this is absolutely crucial to being successful in the new world. Brand matters more than ever for monetization and retention.

We like to have always believed that branding mattered, but in reality this wasn't exactly true ten years ago. Sure, we liked when companies we bought from had a brand we connected with, but unless we're talking about retail or consumer packaged goods products, we really focused on if the product or service did the job.

Data supports this, as many studies we conducted back then showed that those customers and prospects that liked a brand didn't have much of a different willingness to pay or retention than those who didn't like the brand. Today, with the explosion of competitors (both direct and indirect) this couldn't be further from the truth. Your brand now matters more than ever.

We conducted a study asking **52.3k** customers of different products a few questions about their affinity for a company based on their brand. We scored their answers, placing them in one of the buckets on the horizontal, x-axis below between -3 and 3. We then measured their willingness to pay for the product and noticed that those individuals who scored high on liking the product's brand were willing to pay upwards of 30% more.

How Brand Affinity Impacts Willingness to Pay (WTP)
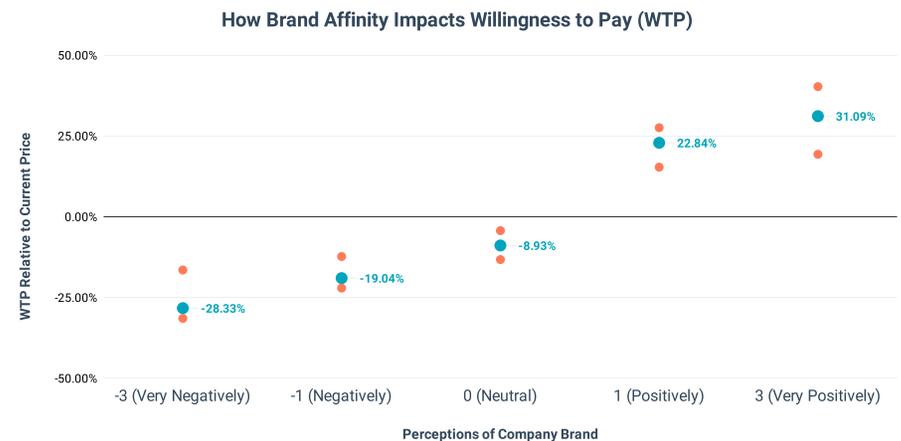
Notice how those with a negative perception are also willing to pay roughly 30% less. In a world of competition, brand acts a signal to buyers who identify with the values and messaging evoked. It's also what keeps customers around.

When we compared retention rates based on brand affinity, those who had a high affinity for the brand had 11-18% better retention compared to those who were neutral. Negative perception drove noticeably worse retention.

Long gone are the days where we simply chased transactions. We're now in a world where the holistic impression you make on your prospects and customers influences their purchasing decisions more than ever. This requires a level of data and measurement we're not used to tracking and a patience to realize that prospects aren't going to convert on the first visit always. We also need to connect all this data past the point of purchase.

What helps you do all that and more? Yup - revenue operations.

How Brand Affinity Impacts Net Dollar Retention

Negative Perception (-1, -3)   Neutral Perception   Positive Perception (1, 3)
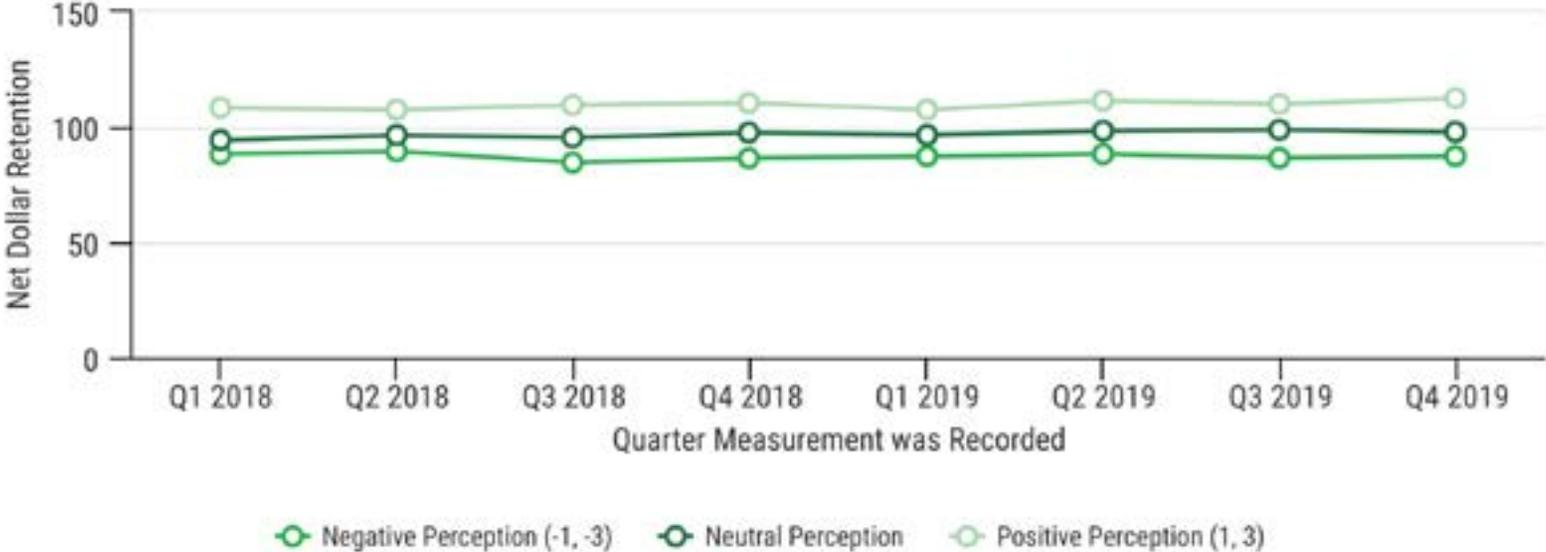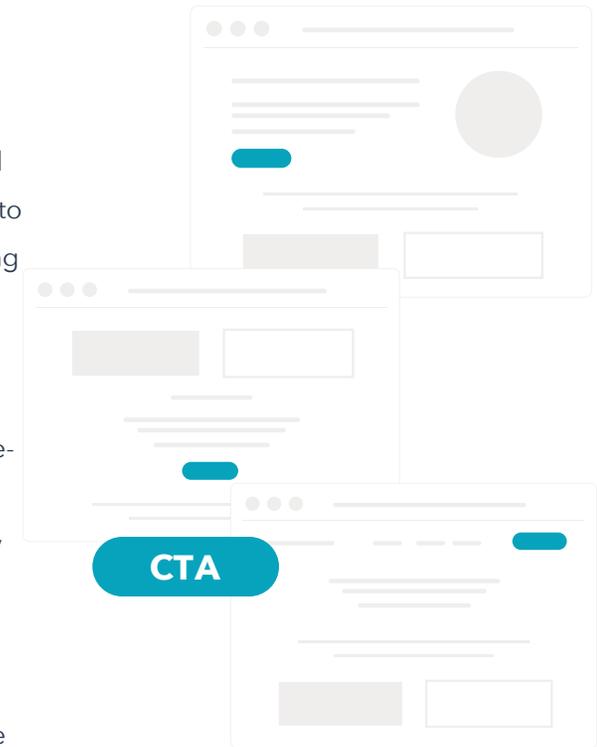
Freemium: An Acquisition Model

Given the world of brand we're now all in—no matter the type of product or service we sell—we need to find better ways to nurture leads and prospects. Content is still the ultimate tool here. After all, what better way to gain a customer than to educate them or provide much needed information? Yet, a lot of people are making great content now.

This doesn't mean we should stop making content. In fact, we should makie more, but we should also look for more premium ways to evolve the inbound vision. One way to push to the next level is by offering a freemium version of your product or service. Yes, freemium feels counterintuitive, but you need to think about it as an acquisition tool, not part of your pricing. Think about it like a premium ebook that brings you highly qualified leads, because what better content do you have than an actual product experience?

People want to explore on their own and timing is becoming a bigger factor in customers converting. Freemium allows you to nurture these leads, allowing them to convert on their terms (of course, with gentle nudges) than on some artificial construct like time or a pushy sales person.

Data supports freemium power and that it'll be a much bigger part of the new world growth strategy, too. When looking at customer acquisition costs (CAC), **those customers who convert from free tend to have a 30% lower cost of acquisition**. All costs are going up, but freemium as a channel is growing at a lower rate and even lower than free trials.

Retention tends to be much better, too. In the below you'll see that those customers who converted from freemium have much better retention rates than those who came from other channels. The customers converted when they were ready, not from some sort of discount or aggressive sales process.
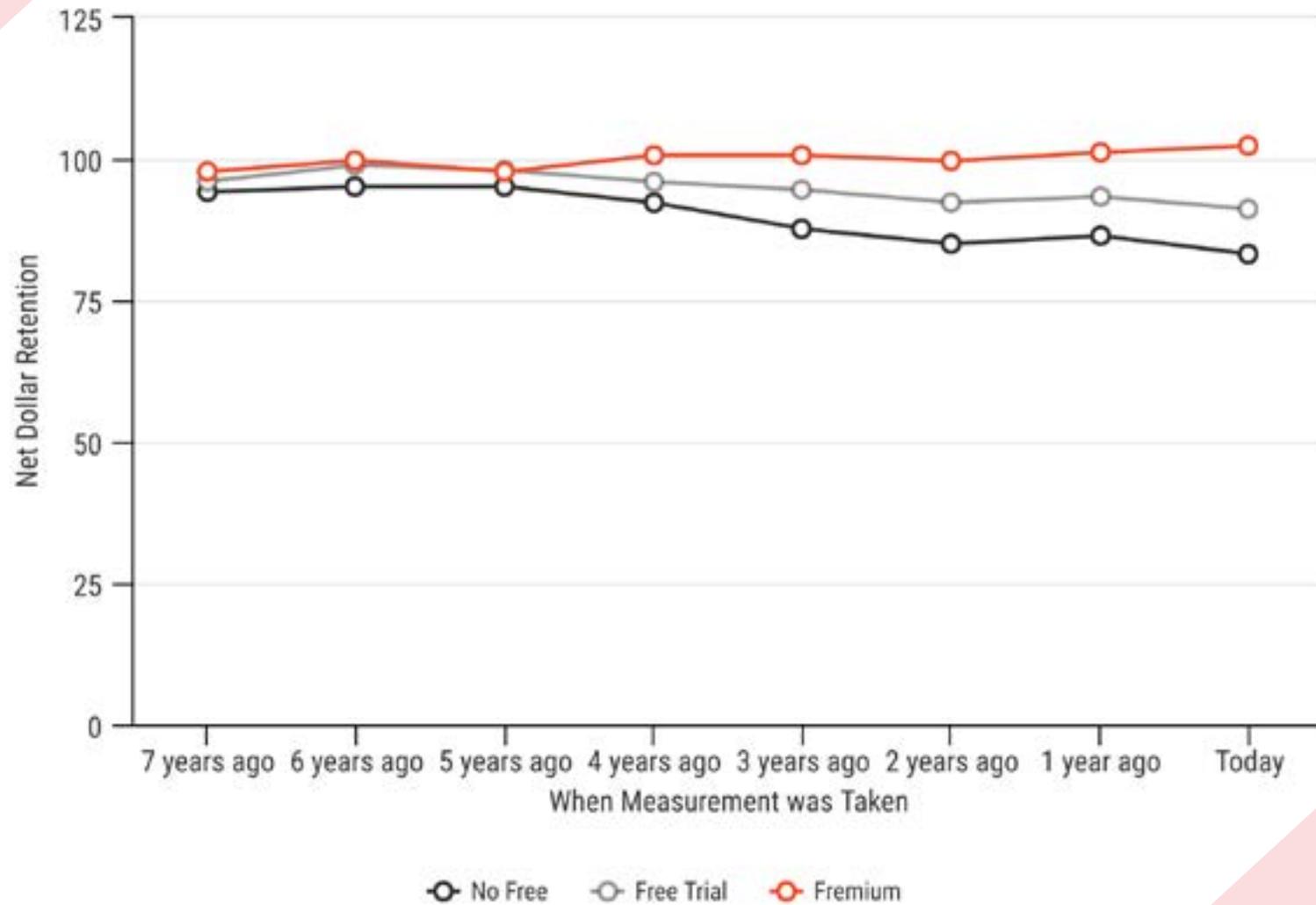
GET INSPIRED

The Ultimate Guide To Freemium

How Freemium Impacts Customer Acquisition Cost (CAC)

Blended CAC Relative to Seven Years Ago

When Measurement was Taken

No Free — Free Trial — Freemium

Ultimately freemium allows these customers to convert on their terms, not your terms. With customers getting more expensive to acquire and factors like brand and experience becoming more and more important, we're going to continue to see the rise of freemium. There are lots of different ways to do freemium and it's not as simple as just putting something out there, but the market pressure will push us in this direction in some form.

As our acquisition models evolve and become more complex, we're going to need to ensure we can keep our hands around this complexity through revenue operations.

How Freemium Impacts Net Dollar Retention

How Freemium Impacts Net Promotor Score (NPS) (n=916 companies)

● NO FREE   ● FREE TRIAL   ● FREEMIUM

Average NPS Score

When Measurement was Taken

7 YEARS AGO   3 YEAR AGO   1 Year Ago

Customer Success: Delight and Expand

As we pointed out a few times already, customer service and success can often times get a raw deal. Sales and marketing can push through customers who aren't ready, resulting in a pretty big problem that's hard to fix. In the new world, these areas of your business shift from being problem solvers to revenue drivers.
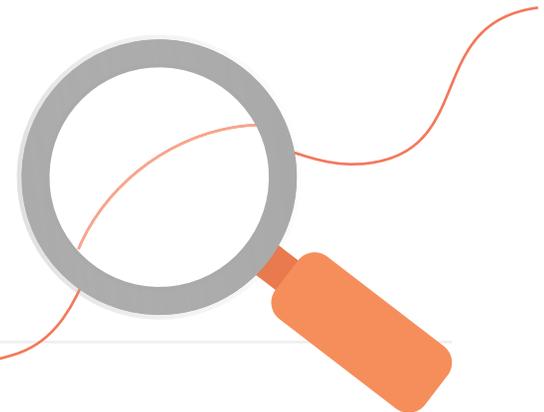
Customer Success: Expansion Revenue, Not Churn Reducers

Time and time again we see companies implement customer success and expect their cancellations to go down. Your product, the type of customer, onboarding, and many factors all impact your retention.

While customer success does have a modicum of impact on your overall churn, the real strength of this function is in expansion revenue. Take a look at the graph where we're comparing the monthly revenue churn to the type of customer success strategy 1.7k companies deploy. There seems to be a slight difference between the different groups, but it's not much. Customer success seems to help, but it's tough to say.

Now take a look at the same groups, but this time we're looking at the average expansion revenue (as a percentage of revenue) of these companies. Those utilizing customer success are doing 50-100% more expansion revenue than their counterparts not utilizing the function.

In the new world we have to look at the entire flywheel, not just acquiring customers. Who better to buy more than those you've already delighted?
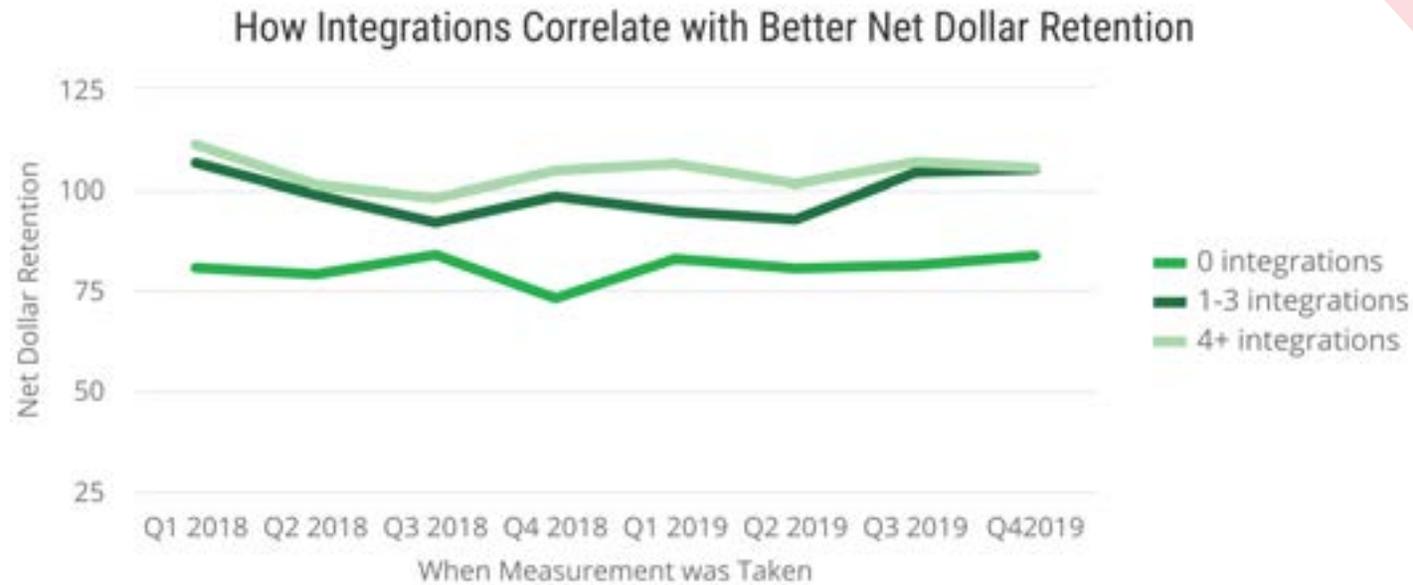
How Customer Success Impacts Revenue Churn (1.7k companies)

Avg Monthly Gross Revenue churn

- No Customer Success: **6.95%**
- Scalable Customer Success: **5.85%**
- Dedicated Customer Success: **5.02%**

Current Level of Customer Success

Customer Success Impact on Expansion Revenue (1.7k companies)

Avg % of Monthly Revenue From Existing Customers

- No Customer Success: **9.88%**
- Scalable Customer Success: **15.57%**
- Dedicated Customer Success: **22.41%**

Current Level of Customer Success

Integrations: The secret weapons no one's talking enough about

How Integrations Correlate with Better Net Dollar Retention

Another area we discovered in our research is the power of integrations. This is a bit meta, but not only does your company need to be interconnected from a data perspective, but there's an advantage in making your customer connected to the other pieces of their lives or business.

In B2B this means building out integrations or using third party middleware to provide integration support. For DTC or consumer products this means making sure you're strengthening your user experience by porting in or porting out data. You end up compounding the value of your product.

We see this compounding value clearly in the data. Take a look at the below. We're looking at the retention from 2.4k companies and over sixty thousand customers of those companies based on the number of integrations they have with the product. Notice how those with even just one integration tend to have 15% or more higher net retention. Those with 4 or more integrations push that retention gain another 7-10%.

How Integrations Impact Willingness to Pay

Legend: SMB ($5M or Less) — Growth ($10.01M to $25M) — Enterprise ($100M+)
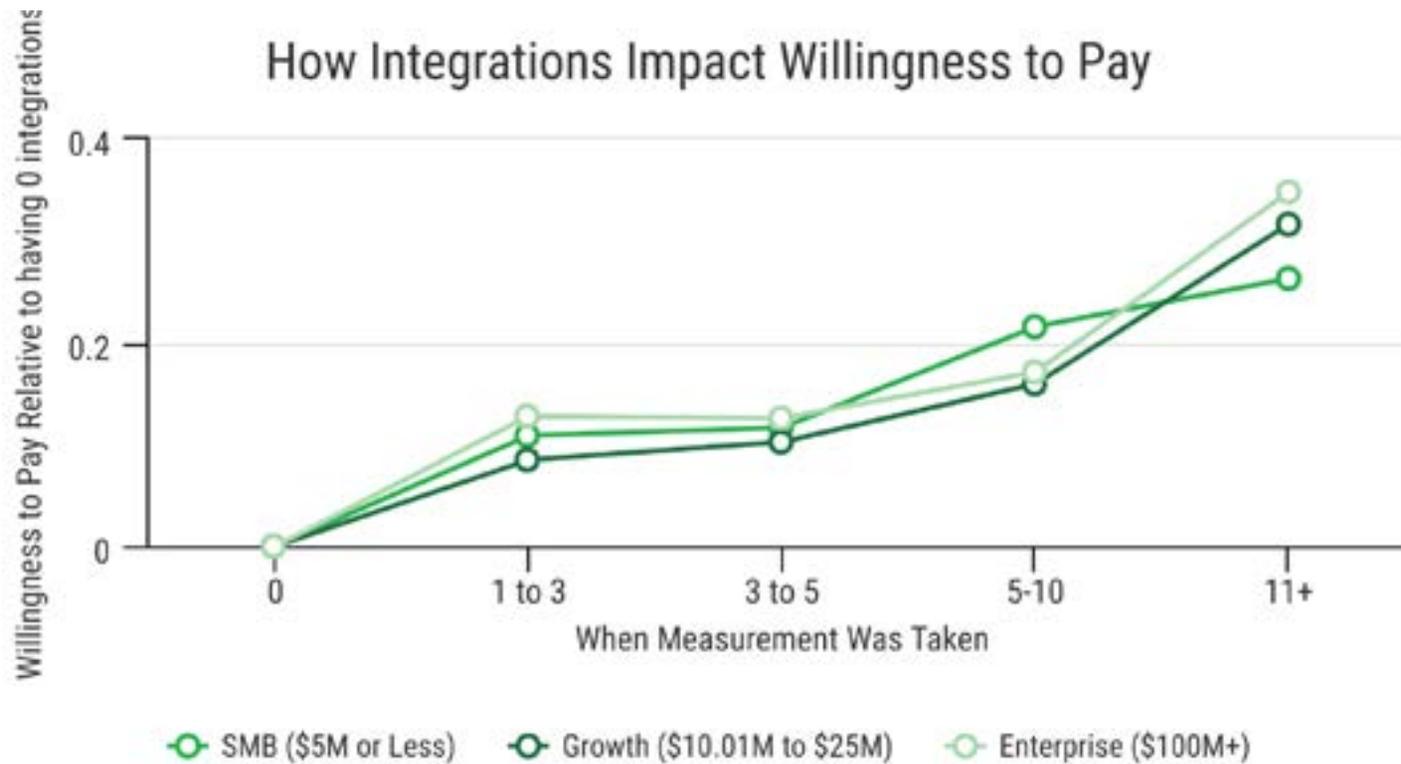
Integrations make customers think twice about leaving a product both consciously, but also sub-consciously as they have your product pulled deeper into their life or business. Connections also make your product more valuable. Below you're looking at the change in willingness to pay relative to how many integrations the customer has installed. Notice how you're looking at 10-30% lift in willingness to pay depending on the number of integrations.

Data permeating throughout a customer's personal or professional stack is starting to become an expectation, rather than a "nice to have" feature. We wouldn't recommend charging for integrations as there's more value int he connection. We're trying to keep customers into the long term and that requires giving up a bit of value sometimes.

LEARN MORE

The Ultimate Guide To Integrations and Why Your Business Needs Them

RevOps: Reducing Friction In The Flywheel

Revenue operations has always existed in some respect within our businesses, but the new world that's here requires us to eliminate silos within our business and ensure that we're doing everything in our power to reduce the friction of our flywheel.

We no longer live in a transactional world. Our goal as a businesses is not only to convert a customer, but to keep that relationship with the customer into the long term, either with them purchasing more on a one time basis or through a subscription. This shift causes us to need a different way of looking at success.

What we find exciting is this is a world where we're at the cutting edge of defining the norms and discovering the best way to move forward. We'll need to continue to work as a community to help one another. Hopefully you found all of the above helpful. We're going to keep working to bring you more.

RevOps Resources

Resources from HubSpot and ProfitWell

Why Your B2B Company Needs A Revenue Operations Strategy
A RevOps run-down to put your strategy together

A Case Study In HubSpot RevOps
Learn how GoSite put their RevOps strategy together using HubSpot

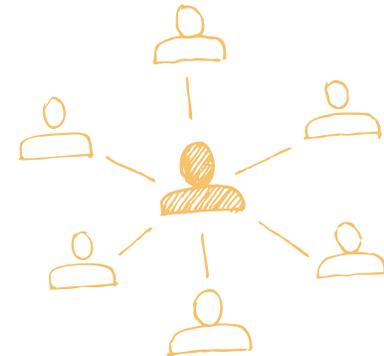### SaaS Growth: How To Do It and What To Track
Top Strategies and trends for SaaS growth from ProfitWell

Customer Expectations At All Time Highs
Tips for how companies can keep up with customer expectations

Guide To Statistics For SaaS Executives
How to properly use data in your decision making process

ProfitWell

About ProfitWell

With ProfitWell, our goal is to take care of everything when it comes to subscription growth.

Whether it's providing you with absolutely accurate subscription reporting and analytics for free or becoming experts in credit card failures and pricing strategy to automatically reduce your churn and optimize your monetization, ProfitWell exists to get you back to your customer and your product.

To learn more about ProfitWell, visit www.profitwell.com.

ProfitWell

HubSpot

About HubSpot

HubSpot is a leading growth platform. Over 56,500 total customers in more than 100 countries use HubSpot's award-winning software, services, and support to transform the way they attract, engage, and delight customers.

Learn more at www.hubspot.com

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