XaaS Transformation

The Informatica Case Study

Thomas Lah, Executive Director and Executive Vice President, TSIA
Ansa Sekharan, Chief Customer Officer and Executive Vice President, Informatica

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By Thomas Lah and Ansa Sekharan

Introduction

After 16 years as a publicly traded company, in 2015, Informatica became a private company. The chairman of Informatica described the rationale for this move:

"The Informatica goal remains to grow into a multibillion-dollar leader in all things data. Now as a private company, with a long view measured in years, not quarters, we will have more flexibility and more time to implement our transformative innovation roadmap and to evolve our business model."

Many publicly traded software companies have been taken private with the objective of transforming their business model and then becoming public again—JDA Software, BMC, Veritas, and QLIK to name just a few. However, few companies have actually completed this journey. In October of 2021, Informatica did just that by becoming a public company once again.

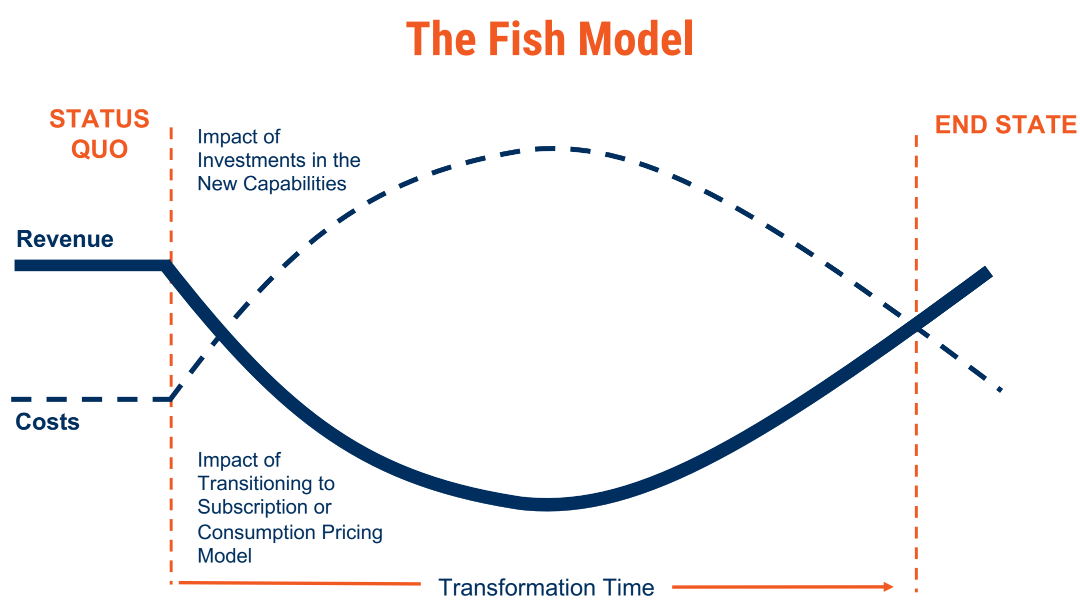
This paper will visit key milestones in the Informatica transformation journey. Each milestone will be described with previously published TSIA content. Then, Ansa Sekharan, the chief customer officer for Informatica during this transformation, will answer questions on how Informatica navigated the milestone. Ansa surveyed key executives at Informatica to curate the answers. This is a must-read for any management team facing a business model transformation.

Facing the Fish

From the TSIA paper "Update: Swallowing the Fish," by Thomas E. Lah:[1]

The fish is what happens when a traditional company starts to shift revenue from an asset purchase model to a subscription model. When this migration begins, top-line revenues can shrink as revenues from large, pay-up-front deals are replaced by recurring subscriptions without the big up-front *payment. At the same time revenues may be dipping, the company must make investments in many new organizational capabilities that are required to stand up new cloud capabilities, XaaS value propositions, and expensive XaaS customer engagement models, all of which can have a negative impact on margins. Why would a company even consider swallowing the fish? It's because of commoditization of traditional technology offers and of the promise of the right side of the illustration shown in* Figure 1*. Here, companies have built up profitable recurring revenues with innovative and modern value propositions. Top-line growth has returned to the business.*

Figure 1: The Fish Model



Source: TSIA Research.

No one likes the shape of the fish. It creates the classic innovator's dilemma challenge that has often been discussed in business literature. Profitable, incumbent players seem to stand still as new entrants disrupt a marketplace. They are reticent to disrupt their profitable economic engine—even as customers start to leave and revenues start to shrink.

TSIA: Was the financial fish one of the motivations for Informatica to go private?

Ansa Sekharan: Long-term value creation was the driving motivation for going private. We knew we had an opportunity to capture new markets through organic product innovation in data management, a key driver for digital transformation(s). In the six years since initially going private, Informatica has invested more than one billion dollars in organic R&D to build a new cloud data management platform (http://www.informatica.com). To fund this investment, long-term private equity was the proper approach. It was a multiyear journey, but the investment in a next-generation cloud data management platform has increased our total addressable market by fivefold.

I can't emphasis enough that this business model transformation is a multiyear journey. Here is a summary of key milestones in the Informatica journey:

- 2015: Went private
- 2017: Started building/scaling out the Data Management Cloud (IDMC) XaaS
- 2017: Started the go-to-market transformation to subscription
- 2021: Started the go-to-market transformation to consumption (Cloud First product portfolio)
- 2021 October: Went public
- 2022: 95% of revenue is now recurring

TSIA: What were some of the tactics the management team pursued to minimize the size of the fish?

Ansa Sekharan: The challenge we faced, as companies face when navigating a business model transformation, is how to balance short-term financial objectives with long-term sustainability. We were fortunate in that we had a very profitable and cash-flow positive business prior to the privatization. We leveraged the profitability of that legacy business to invest in R&D and the systems required to move the business from a traditional perpetual license model to a pure ratable revenue model.

Other specific tactics we pursued included:

- We focused on maintaining very high levels of renewal on our $500 million-plus maintenance business.
- We, in effect, partitioned off the perpetual license business and wound that down over several years rather than cutting off sales of licenses in year one. This provided incremental revenues to fund the transformation and time for the products team to build the new cloud solutions.
- We were consistent in billing annually up-front for the new subscription and cloud contracts rather than doing monthly billing or billing in arrears; this mitigated the cash flow impact.
- We invested in new customer care systems and processes for tracking adoption, engagement, and renewal rates. This was critical to ensuring we could renew these subscriptions.
- We implemented a new instance of our CRM and ERP system to support the mixed-mode business.
- We brought together the professional services, customer support, and customer success teams as one operating unit with one paid "success offering" option rationalizing the 18 different offers we had previously by function. That helped create a 90%-plus attach rate for a new paid tier offering. The sales team was compensated to sell this offering, which again, provided revenue to fund the transformation.

TSIA: After getting into the transformation, what were some of the tactics that proved most successful in accelerating the journey through the fish?

Ansa Sekharan: There were five levers that helped accelerate the transformation:

1. **Sales compensation.** We created a series of incentives for our sales team to start selling the new subscription and cloud products rather than perpetual licenses. As of 2022, we ended new sales of perpetual license products (with a few limited exceptions), putting all our new sales emphasis on subscription/cloud offerings; higher commission multipliers on these products drove the behavior of the sales team in a significant way.
2. **Systems.** Up-front we created a process and internal IT systems roadmap for the end-to-end transformation. We spent over three years building these new systems to support the ratable model, which included a detailed database of all our annual recurring revenue (ARR) to track metrics and key performance indicators (KPI) to drive year-over-year performance improvement.
3. **Shift in R&D spending.** We progressively moved a high percentage of our R&D spending to the new cloud products and moved the older perpetual license products into sustaining engineering mode.
4. **New success offerings.** We rolled out a series of higher-touch, higher-value, and higher margin support services for our subscription customers. The value proposition for these offers was a very different paradigm compared to traditional support services powered by artificial intelligence (AI)/machine learning (ML) technologies leveraging the power of data to upscale customer experience.
5. **Simplified pricing.** We simplified our complex pricing across multiple product lines by creating a token-based consumption model called IPUs—this is key in terms of providing purchasing and usage flexibility for our cloud customers versus having fixed configurations of licensed products.

XaaS Workstreams

From the TSIA paper “Update: The XaaS Transformation,” by Thomas E. Lah:[2]

This is not a simple transformation—this is a complete business model transformation. Every function in the company eventually is impacted as the company pivots to support XaaS revenue streams. Yes, product teams are developing new types of products. But that is just the beginning. Marketing and finance must price these products. Sales teams need to land these products. Services needs to support these products. And so on.

As we observe companies managing this transition, there are seven workstreams that appear in some shape or form again and again. These workstreams are fired up to answer the following questions:

1. ***Target Economic Engine:*** *How do the new XaaS revenues fit into our financial objectives? Does the company have a target economic engine defined for the next three- to five-year horizon?*

2. ***Build XaaS Offers:*** *Does the company have the capabilities to design profitable XaaS offers?*
3. ***Sell XaaS Offers:*** *Does the company have the appropriate customer engagement models, skills, and metrics to land new XaaS customers?*
4. ***Initial Delivery:*** *Does the company have the skills, organizational structure, and processes to efficiently stand customers up on new XaaS platforms?*
5. ***Manage XaaS Environments:*** *Does the company have the organizational structure, infrastructure, and processes to manage customers on XaaS platforms?*
6. ***Keep and Grow XaaS Customers:*** *Does the company have the appropriate customer engagement models to cost-effectively renew and grow XaaS customers?*
7. ***Enabling Partners on XaaS Offers:*** *Can the company enable partners to successfully sell and support XaaS offers? Do partners have a profitable business model as it relates to these new XaaS offers?*

TSIA: How many workstreams do you think Informatica initiated as part of this business model transformation?

Ansa Sekharan: We aggressively pursued six of the seven workstreams:

1. **Target Economic Engine.** We set goals to get 90% or more of our revenue to be recurring.
2. **Building XaaS Offers.** We organically built the new Intelligent Data Management Cloud platform to replace on our on-premise product portfolio.
3. **Sell XaaS.** We created sales specialists in order to support the new cloud services; this allowed us to sell the net-new products while maintaining momentum on the old products over the transition period.
4. **Initial Delivery.** As previously noted, we established a new converged services organization and defined new service offerings for subscription customers.
5. **Manage XaaS Environments.** We consolidated the customer care organization, added new adoption services, and built company-wide systems to drive adoption, customer satisfaction, renewals, and upsells.
6. **Keep and Grow Customers.** We established an expansion team within the renewals organization. This team focuses on consumption and upsell (no cross-sell).

TSIA: From your perspective, what was the most challenging workstream for the overall company?

Ansa Sekharan: It is difficult to narrow it down to one. Most of the workstreams involved cross-functional alignment. This is an end-to-end transformation that impacts product, go-to-market, pricing, cloud infrastructure, customer success, and back-office functions like finance, IT, legal, and accounting.

One of the more challenging workstreams was related to building out the SaaS portfolio. We made the decision to go all-in on cloud and that required us to pivot from innovating our on-premise products. This required us to map out how the sales team should sell in a hybrid model and how the customer success team needs to engage to deliver on the promise of business outcomes.

Another challenging workstream was related to building an operating system to handle hybrid (license and subscription). Here are some challenges we faced in that workstream:

- In 2016, we had no true "subscription management system." Net-new business (NNB) and renewals were disconnected. There was no way to amend an agreement without doing a credit-and-rebill transaction of the NNB order.
- Renewals were done four different ways using different systems and processes. This had to be consolidated so we could see all our recurring revenue in one place and provide a renewal quote and co-term across products/offerings.
- Our quote-to-cash systems didn't support ACS 606 revenue recognition requirements.
- Legal contracts were not digitized. We could not easily search for terms and conditions related to specific contracts. Our customer contracts are now digitized, with certain key terms captured, and are available across the organization through our CRM system.
- Renewals opportunities are now created immediately and automatically based on a new subscription or cloud order. This allows all sorts of downstream capabilities that didn't previously exist.

TSIA: What workstream took much more time and treasure than initially anticipated?

Ansa Sekharan: The good news is that most workstreams took the time we anticipated. In-function workstreams were shorter to complete; highly cross-functional workstreams took longer. What did take much longer than anticipated was the post-implementation change management required to stabilize the environment and how to support the long tail of legacy customers. Here are some lessons we learned:

- ERP is easy compared to quote-to-cash.
- What the company needs is different than the sum of what all the functions want—be ready for resistance everywhere.
- Building to optimize for a nascent business that will grow exponentially is hard. Gravity in the organization will pull you back into the old model that pays the bills today. You cannot iterate from the current model to the old model. It has to be built fresh to meet the needs of the new model.
- Deploying new SaaS applications is fairly easy and very fast. Taking care of the data that is locked inside the old applications and making sure it's leveraged as an asset in the new systems is harder; a company-wide data management strategy is critical.

- Integrating data from your product cloud platform with data from your back-office systems unlocks a whole new level of customer- and product-focused analytics capabilities. Do it thoughtfully in a way that scales.
- Pricing and packaging is even more important than you thought it was. Think beyond SKU definition. Focus on simplification when you are operating in a mixed business model transition period.

Organizing for Success

The following is from the TSIA Pathway "Navigating Business Model Transformation:"[3]

A crucial step in business model transformation entails that management teams determine how best to reorganize their company. In this milestone, TSIA has outlined five organizational options, each with its own strengths and weaknesses, that can help you make this decision.

Option 1: Dispersed Incubation

This approach allows new XaaS offers to be created within the current organizational structure, assuming that the existing product, sales, and service teams will be able to design, sell, and service new XaaS offers.

Strengths:

- Does not disrupt the current organizational structure of the company.

Potential Drawbacks:

- Sales organizations and BUs will be under pressure to meet overall sales and revenue targets and will not spend the time required to sell emerging XaaS offers.
- Employees will focus on what they know.

Option 2: XaaS Acquisition

In this approach, a company lets newly acquired XaaS businesses operate independently of the existing structure (the so-called "string of pearls" strategy).

Strengths:

- *Does not disrupt the current organizational structure of the company.*
- *Accelerates the development of XaaS capabilities.*

Potential Drawbacks:

- *This option carries all the risks associated with one company acquiring another.*
- *Existing product organizations may aggressively compete against acquired XaaS business units.*

Option 3: XaaS GTM Stack

In this option, the company invests in sales and service resources to sell and deliver new XaaS offers that were previously designed by existing product business units.

Strengths:

- *Accelerates the development of capabilities related to selling and delivering XaaS offers.*
- *Coordinates the go-to-market strategy for XaaS offers across all product BUs.*

Potential Drawbacks:

- *GTM organization has little control over the XaaS offers being created by product BUs.*
- *Existing sales organizations may not introduce new XaaS sales representatives to existing customers.*

Option 4: XaaS Incubation Zone

In this option, the company incubates multiple XaaS businesses, essentially functioning as a VC. Here the go-to-market model is the same as Option 2, but the new business units are not created through acquisition.

Strengths:

- *Does not have the risks associated with acquisition.*
- *Accelerates the development of XaaS capabilities.*

Potential Drawbacks:

- *May take a long time for these incubation initiatives to grow into meaningful revenue streams.*
- *Requires some resources to be reallocated from legacy activities to these new BUs.*

Option 5: XaaS Transformation Zone

In this option, a company makes an aggressive commitment to transforming their business model by standing up a new business unit responsible for all activities related to XaaS.

Strengths:

- *Accelerates the development of XaaS capabilities.*
- *Accelerates the growth of XaaS revenues.*

Potential Drawbacks:

- *Requires significant resources to be reallocated from legacy activities to this new BU.*
- *Most disruptive to the current organizational structure.*

TSIA: Which of the five options most closely resembles how Informatica organized for the business model transformation?

Ansa Sekharan: Option 5 is the closest. But we actually made the entire company the transformation zone! And we limited the R&D investment in the old perpetual license model. For several years we had a mixed go-to-market model, where the sales channel did sell old and new products, but the focus was on rapidly growing revenue in the new products as the R&D team progressively released more cloud products.

Today, as we continue to explore new offers and markets, we leverage Option 1.

TSIA: What do you feel were the advantages of that approach?

Ansa Sekharan: There were two big advantages to turning the entire company into the transformation zone:

1. We were able to manage the P&L transition from license to a subscription model more effectively and flatten the downward curve of the fish. Our gross margins and net margins were not dramatically impacted over the transition period.
2. We were better able to align our strategy/vision/transformation with customer readiness to transition from license and subscription. This also helped to accelerate the growth of subscription revenue.

TSIA: What were the friction points in your approach?

Ansa Sekharan: As TSIA has written, every option has pros and cons. There were three main friction points in our approach:

1. **GTM friction.** Since we leveraged the same sales force to sell new and old, aligning sales mindshare with the desired mix of revenue from on-prem versus cloud offerings was challenging at times.

2. **R&D resource allocation.** As TSIA has discussed on stage, there is a great gnashing of teeth from the legacy product lines when their resources are reallocated to build new cloud offers.
3. **Post-sales resources.** There was friction between resource allocation to support the on-prem installed base versus resource allocation for the new cloud customers that require customer success coverage to ensure adoption, expansion, and renewal.

Compelling XaaS Offers

From the TSIA paper "The Alchemy of Compelling XaaS Offers," by Thomas Lah, Laura Fay, and Hal Stanley:[4]

Whether your business is cloud native or on a journey from a traditional hardware or software business model to XaaS, mastering the formula of compelling XaaS offers is essential to drive customer value realization, revenue growth, and business scale. TSIA asserts that compelling XaaS offers have one or more of the following eight attributes:

1. *Operational simplicity: The XaaS offer is not hard to technically implement or run. Any operational complexity is assumed by the vendor.*
2. *Pay as you need: The customer does not pay for capacity or features that are not being utilized.*
3. *Enhanced insights: The XaaS provider can apply analytics and AI to provide new valuable insights to the customer.*
4. *Accelerated adoption: The XaaS provider is adept at helping key roles within the customer's organization effectively utilize the capabilities of the offer.*
5. *Process optimization: The offer helps optimize and digitize key employee or customer-facing processes.*
6. *Accelerated business outcomes: The adoption of the offer is directly linked to helping the customer achieve targeted business objectives.*
7. *KPI improvements: The adoption of the offer can be linked to the improvement of key performance indicators within the customer's environment.*
8. *Outcome-aligned pricing: The XaaS offer pricing is aligned to the customer's target business outcome.*

TSIA: What did Informatica have to do differently when it began designing new XaaS offers?

Ansa Sekharan: We decided to build out our new XaaS offers organically with only a few tuck-in acquisitions. As we began rolling these new offers out, we took a long-term view of aligning value creation around customer outcomes. We also engaged some outside consulting firms to help us with the pricing and packaging of these new offers.

As we have rolled new cloud-based offers, Attributes 1, 2, 4, and 6 became core to our Intelligent Data Management Cloud platform. As we migrate to “pay as you need” and “pay based on capacity used” Attributes 1,2, and 4 are critical. They unlock the ability to seamlessly move across completely different service offerings without having to trigger a new sales cycle. Attributes 5 and 8 are areas of current incubation.

It is important to note that this type of offer transformation requires:

- Clean, new customer projects where we sell only cloud, enterprise use cases.
- Developing and launching migration programs.
- Entering new product go-to-market, post-sales models of simplified/targeted use case offerings that are digitally bought/consumed/supported.

TSIA: On a scale of 1 (easy) to 5 (very hard) how would you rate the challenge of a legacy software company like Informatica transforming the portfolio to be a pure-play cloud data management company?

Ansa Sekharan: It was evident to us that transformation is also more about unlearning than learning. In-function workstreams were easier compared to cross-functional workstreams, and one which we would rate a 5.

Establishing Customer Success

From the TSIA paper “Framework for Funding Customer Success,” by Thomas Lah:[5]

The customer life cycle is commonly described as follows:

> *“The progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service.”*

For companies selling a product, this simple definition can be broken into four distinct objectives:

1. ***Land.*** *Successfully convince a prospect to become a new customer.*
2. ***Adopt****. Help that customer use the product they have just purchased to achieve the objectives they had for purchasing the product.*
3. ***Expand.*** *Ideally, find reasons why the customer should buy even more product from you.*
4. ***Renew****. Successfully convince the customer to renew their relationship with your product when the time comes to repurchase.*

Historically, companies selling technology products have heavily weighted their attention toward the beginning of that life cycle: landing new customers. Many technology-as-a-service (XaaS) providers have been continuing this tradition. Currently, companies in the TSIA Cloud 40 Index spend an *average of 37% of revenue on sales and marketing. Various XaaS industry analysts estimate that 70% to 80% of these sales and marketing dollars are spent to acquire new customers. However, for a host of reasons we will not explore in this paper, the technology industry has paid less attention to the middle phases of the customer life cycle—adoption and expansion. The net effect of this history is that product companies have organizational capabilities that are heavily weighted toward the beginning of the customer life cycle.*

Over the decades, this approach to the customer life cycle has worked extremely well for product companies. It is hard to argue with the top-line revenue growth and bottom-line profitability delivered by this industry. However, as more technology market segments embrace technology-as-a-service consumption models, the requirements of success shift. Profitability in technology-as-a-service markets requires technology providers to excel at the entire customer life cycle. Suddenly, the areas of adoption and expansion become critical to economic growth. This is an argument we detailed in the books Consumption Economics *and* B4B*. Customer success is the organizational response to this reality.*

TSIA: How early in the transformation did Informatica establish a customer success capability and where did it report?

Ansa Sekharan: Customer success was established in 2015 only for cloud subscriptions. It reported into the sales organization in the incubation phase. As part of the transformation to subscription, the customer success function was expanded to include self-managed ARR and reported into the office of the chief customer officer (CCO). *Figure 2* is an internal slide we use that documented the vision we had for our service capabilities.

Figure 2: Informatica Services Transformation

Source: Informatica.

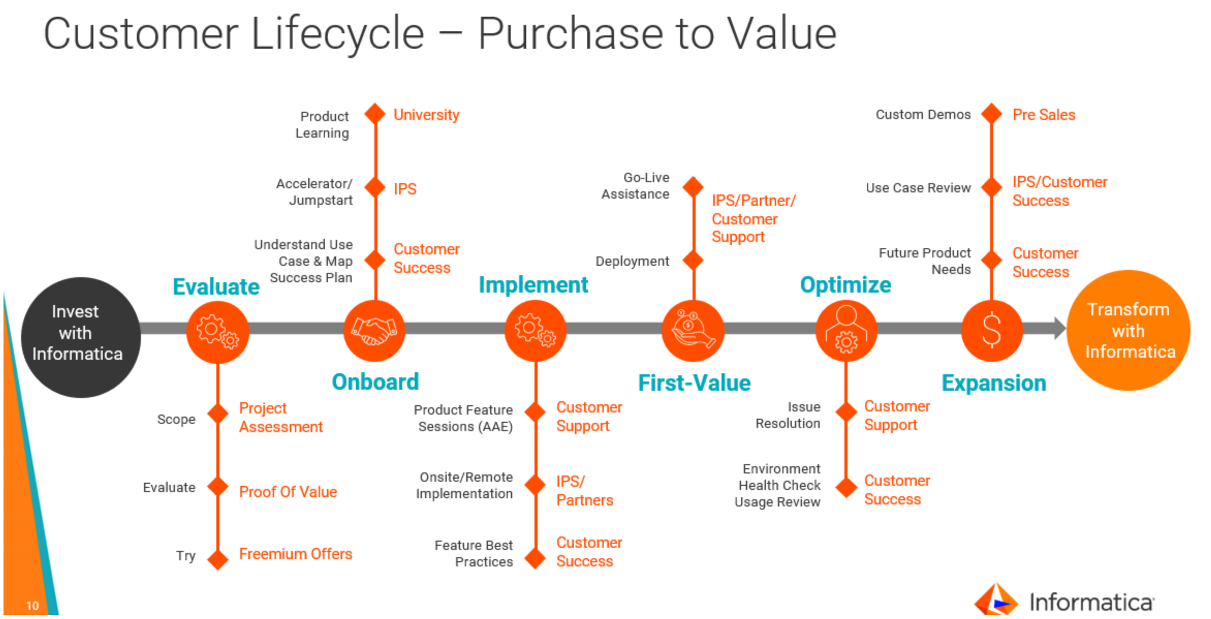
TSIA: What was the initial funding model for the customer success function? Was it treated as a cost of service or a sales and marketing expense?

Ansa Sekharan: It is included as part of sales and marketing expenses.

TSIA: What were some of the key tactics to creating an effective interface between the sales organization and this new customer success capability?

Ansa Sekharan: First, and perhaps foremost, the sales team was compensated 100% to sell new customer success offerings. These new offerings were unified from disparate post-sales service offerings into one paid success offering. We also redesigned the customer engagement operating model to be LAER-friendly. We called it the Purchase to Value framework. An overview is provided in *Figure 3*.

Figure 3: Purchase to Value Framework



Source: Informatica.

Some of the more tactical steps taken are listed here:

1. **Deal closure handoff form** (also known as subscription adoption form). This outlines all deal closure information including customer use case, stakeholder information, technical product POC info, etc.
2. **Pre-deal closure CSM engagement.** Get CSM and CSM leadership introduced ahead of deal closure so that the customer gets to know the expectation of their post-sale experience and CSMs get firsthand exposure to the customer's intent for the purchase and an introduction to key decision makers.
3. **Deal grade interface.** Deal grade interface is based on deal grade, an ML-based approach to grade the quality of the deal around propensity to renew, engage with sales, and strategize on adoption plan.
4. **Account planning/CBR execution on top accounts.** On the strategic top accounts segment, have structured rules of engagement between the sales account manager and the CSM to drive account growth and retention strategy. Also, the account team executes periodic customer business reviews to validate customers' strategies and business priorities.
5. **CSM management/sales management-level sync-up.** Have periodic meetings between regional CSM management with sales leadership of the territory, participate in sales quarterly business reviews, and present joint accounts' adoption status, potential risks, etc.

Execution of this new engagement model is still inconsistent globally—it is a journey. Also churn within the sales force in any given region can exacerbate that inconsistency.

Becoming LAER Effective

From the TSIA blog “4 Phases of Becoming LAER Efficient, Summarized,” by Thomas Lah:[6]

TSIA has observed that companies experience distinct phases as they transform from being optimized for transactional revenue streams to being optimized to sell and grow recurring revenues.

Phase 1: Traditional Transactional

Traditionally, technology companies are optimized to have a very transactional relationship with customers. The customer is embarking on a massive technology refresh, and Sales engages to secure that transaction. When the customer has technical issues, they engage in support transactions. It’s hard to argue that technology business models are not optimized to be transactional when the KPIs for these transactional relationships are measured in product bookings, total company revenues and profits, and support resolution times (the total time it took to solve a customer’s issue from start to finish), just to name a few. For anyone that has been part of the technology industry for more than a decade, this phase of LAER efficiency should be very familiar, and most traditional technology suppliers find themselves in this phase.

Phase 2: LAER Experiment

This is where the real journey begins: A technology provider begins selling “as-a-service” offers, such as SaaS or multiyear managed service contracts. It then becomes painfully clear that the current customer engagement models are not optimized for these new offers. Customers that don’t use the technology don’t renew or expand their spending. In order for sales and product teams to continue doing their job, there needs to be a driver of customer adoption, which is why more executive teams are investing in some type of customer success capability.

TSIA observes these early-stage customer success capabilities as possessing the following traits:

- *Laser focus on improving customer adoption and/or retention.*
- *Relatively small team focused on the largest customers, often referred to as a high-touch customer success capability.*
- *Operates relatively independently of existing service capabilities such as professional services and support.*
- *Unclear how the funding model will scale.*

Currently, the majority of incumbent technology providers that are pivoting toward XaaS offers are squarely in the LAER Experiment phase.

Phase 3: LAER Effective

The journey from LAER Experiment to LAER Effective can take several years, and it's not always a linear path. Already, TSIA has witnessed companies enter the LAER Experiment phase and then exit by scrapping their customer success function, only to restart the function a year or two later.

In this phase, companies have learned (typically the hard way) which tactics are required to truly drive a customer through all four phases of LAER. Some of these key lessons include:

- *Adoption is a data and process-driven effort, not an art form or a series of heroic events.*
- *Expansion is just as important as adoption and retention.*

If compensation models don't change to prioritize all four phases of LAER, the company will not become LAER Effective.

The sales executive must begin to partner with Customer Success. When the customer has any significant issue, they may contact the sales executive or they may contact the customer success manager, which can cause tension between these two roles, as the question of "who owns the account" becomes less clear. This critical stage is where the company begins to learn that the process owns the customer and not any one person inside of the company

Customer Success will not scale if it is funded exclusively from subscription COGS.

Phase 4: LAER Efficient

There are companies in the technology industry that have successfully reached the LAER Effective phase, and there are few companies that have entered the LAER Efficient phase. How do we know? Because LAER Efficient companies are stabilizing or driving down their total cost of sales and marketing, while LAER Effective companies have demonstrated they can cost-effectively expand and renew existing customers.

In this phase, companies finally crack the code in the following areas:

- *Reducing the cost of sales is not just a function of effectively managing the costs related to the traditional sales force.*
- *Lifetime value of a customer (LTV) is more relevant than the size of the initial deal with the customer.*
- *Everyone touching an account should care about expansion and renewal.*
- *Not all accounts are created equal regarding profitability, so account resources should be applied appropriately.*
- *Customer success is not a standalone function, but a larger concept that integrates all the service capabilities of the company along with broad revenue responsibility.*

- *Growing existing customer revenue is not the exclusive remit of a sales executive focused on landing big deals but pairs with a chief customer officer (CCO) focused on retaining and growing existing customers.*

How to Know If You're Successfully Moving Toward Being LAER Efficient

The journey from a transactional customer engagement model to a LAER Efficient model is not always a linear experience. There will be starts and stops and diversions along the way. However, there are a few road signs that confirm your company is on the right path:

- *The sales team acknowledges that the current customer engagement model is not working. The first step in the journey to becoming LAER Efficient is realizing you need to take this journey. Specifically, the sales leadership within the company needs to internalize the reality that the traditional tactic of hiring more highly skilled account executives is not resulting in cost-effective growth.*
- *The executive team realizes that lack of adoption kills. Investment in adoption activities does not occur at scale unless executive teams realize the investment is non-negotiable in XaaS business models.*
- *The topic of account ownership comes up for debate. Sales and service leaders are realizing that the answer to "who owns the account" is not as simple as it once was.*
- *Effective communication across account-facing roles. The company is investing in tools and processes that enable effective coordination across multiple account-facing roles, such as the account executive, the customer success manager, and a renewal specialist.*
- *A cultural shift from blame to continuous learning. LAER Efficient organizations abandon a culture where internal organizations spend too many cycles assigning blame for account failures. Instead, LAER Efficient organizations are fixated on continuous learning—what changes can we make in our customer engagement processes that accelerate customer success? When the customer succeeds, all economic boats rise.*

TSIA: First of all, what phase best describes the current state at Informatica?

Ansa Sekharan: It depends on the revenue stream. For self-managed ARR, which means we sell our cloud-ready products to end users who, in turn, deploy it on their own public/private cloud and manage their own cloud instances, we are close to being LAER Efficient. For cloud ARR, we are past LAER Experiment and are moving into being LAER Effective.

Some of the current friction points that are holding us back from being LAER Efficient for cloud ARR include:

- A data-driven approach to expansion backed by telemetry across all channels.
- Friction points between the sales and CS teams on engagement model around expansion.

- As a company we are trying to drive a consumption mindset, a cultural shift which is a multiyear journey by itself.
- Establishing an investment model for consumption across products, sales, and customer success.

TSIA: How long did it take you to reach the current state of LAER Effectiveness?

Ansa Sekharan: This has been a three-year journey that was broken in phases:

- Phase 1:
    - Unification of the services portfolio to bridge the gap between the promise of technology and desired customer outcomes
    - Digital self-service to autonomously accelerate customer adoption
- Phase 2:
    - Creation of the Purchase to Value (P2V) framework to offer a seamless customer experience across all the post-sales functions
- Phase 3:
    - Redesign the operating model with sales for consumption go-to-market
    - Success offering models to support consumption-based offers

TSIA: What are some of the big levers you pulled as a company to become more LAER Efficient?

Ansa Sekharan: We focused on new responsibilities for renewals, expansion, and cross-sell. For cloud offers, we created a separate team to drive expansion through upsells, a dedicated team for renewal management, and made the sales team responsible for cross-selling.

Now, we are realigning pre-sales and post-sales technical resources (technical account manager, customer success architect) to effectively drive adoption for our new consumption-based offers.

Closing Comments

The legacy on-premise software model has been a very profitable business model. However, success has downsides. Many technology executive teams facing a painful business model transformation are asking, “Why fix something that isn’t broken?” It is incredibly hard to question or change a business strategy that has been successful. Yet, Informatica would be far less successful today if the board of directors and executive team had not done just that.

TSIA would like to thank the leadership team from Informatica for sharing their experiences and learnings. This is a business model transformation that many technology providers still need to navigate. This case study should be an asset as they embark on that journey.

Contributing Authors

Sowmya Srinivasan, https://www.linkedin.com/in/srisowmya/ and Ansa Sekharan, https://www.linkedin.com/in/ansa-sekharan/.

Endnotes

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