




# 3 B2B KPIs That Will Make or Break Your Growth

While B2B organizations have long been feeling the pressure to go through digital transformation, nothing could have prepared them for the immediate need that the pandemic has brought. For many businesses, the question of if they'd go digital turned into the only option for survival.

But digital isn't just the future. Digital is the present. Especially if manufacturers want to grow.

By moving to a modern ecommerce solution, B2B sellers can start to improve on these 3 KPIs to drive bottom-line growth:

-  Net Promoter Score (NPS)
-  Customer Lifetime Value (CLV)
-  Sales Efficiency

Let's dive into what each of these metrics are, why they should matter to B2B decision makers, and how modern ecommerce can improve them.

## Net Promoter Score

### What is NPS?



**NPS reflects customer loyalty and can predict repeat business.**

The Net Promoter Score (NPS) is a powerful metric that measures the likelihood of a customer recommending a business to their personal and/or professional social circle. NPS, in essence, reflects customer loyalty and can predict repeat business.

## How Do You Calculate NPS?

As Hotjar noted in their 2021 guide to NPS, “Net Promoter Score (NPS) is calculated by asking customers one question: ‘On a scale from 0 to 10, how likely are you to recommend this product/company to a friend or colleague?’ Data from this question helps businesses improve upon service, support, delivery, etc. for increased customer loyalty.”<sup>1</sup>

Based on the rating selected, the customer is classified into one of the following categories:

- **Detractors (0-6):** Customers in this group had an unpleasant experience with your company and may voice their dissatisfaction to others.
- **Passives (7-8):** This group was satisfied with their experience, but they may easily switch to competing companies and are not likely to recommend.
- **Promoters (9-10):** These customers keep coming back to your product or service and refer their friends.

(Source: Data Decisions Group<sup>2</sup>)

The score is calculated by following this equation:

$$\frac{(\text{Number of Promoters} - \text{Number of Detractors})}{(\text{Number of Respondents})} \times 100$$

Optionally, some organizations will also ask: “Why did you choose this score?” This allows the business to gain direct feedback in addition to the score.

Because of the simplicity of gathering this data, measuring NPS frequently is one of the most straightforward ways for businesses to see changes over time.

---

<sup>1</sup> What is Net Promoter Score?

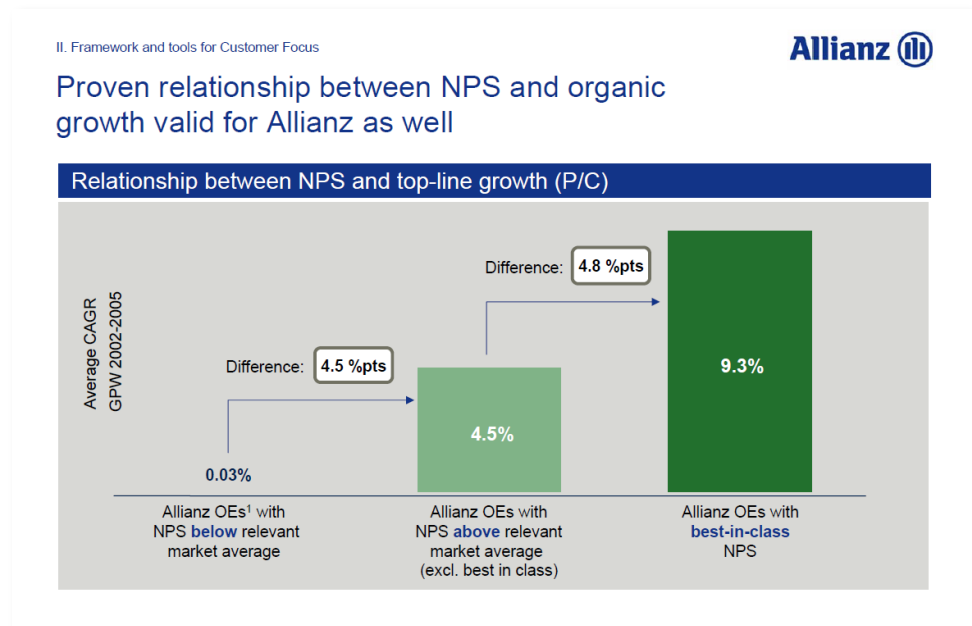
<sup>2</sup> Measuring Customer Experience with Net Promoter Score

# Why Should Decision-Makers Care About NPS?

Similarly to how 74% of consumers identify word of mouth as a critical influencer in their purchasing decision, NPS shows how important loyalty and referrals are to a business' growth (Source: Review 42<sup>3</sup>).

Genroe, an NPS and customer feedback expert, notes the following impacts NPS tracking and improvement had on various companies across industries and geographies:<sup>4</sup>

- SaaStr, the world's largest community of SaaS executives, founders, and entrepreneurs, doubled their NPS for annual conferences by 30 points between 2017-2018 and grew ticket sales 204% year over year
- Bain and Company, a global management consulting firm, found that promoters (by the NPS definition) spend 3.5 times more than detractors
- Macquarie Telecom Group, an Australian data center, cloud, cybersecurity, and telecom company found their customer retention and cross-sell increased while debtors have decreased as Net Promoter Score has improved
- Allianz, a global integrated financial service provider, operating units with a high NPS have a higher compound annual growth rate (CAGR) than those with overall NPS scores



<sup>3</sup> Word of Mouth Marketing Statistics

<sup>4</sup> 34 Net Promoter Score Case Studies

- American Express stated that “For a promoter who is positive on American Express, we see a 10% to 15% increase in spending and four to five times increased retention, both of which drive shareholder value. In fact [sic.] our operating expenses associated with service have gone down because we’re more streamlined, and we limit friction points and errors.”

Ultimately, NPS reflects brand health by measuring how satisfied customers have been.

## How Can Modern ECommerce Improve NPS?

NPS offers organizations a simple way to measure how effective their efforts have been to improve customer experience immediately after making the changes.

Modern ecommerce can improve customer experience in a multitude of ways, including:

- Allowing customers to manage all aspects of their accounts and orders through self-service account management
- Empowering customers with self-service support to find answers and solutions on their own
- Improving or introducing online ordering to streamline the customer buying process
- Reducing service wait times, call volume, and your bottom-line with knowledge sharing, virtual assistants, and chat bots
- Providing all the product information needed to make well-informed purchases

## What Do NPS Informed Improvements Look Like?

What does an organization need to do in order to improve their NPS score?

The Builder’s Site, a building materials supplier, recently asked customers for their feedback only to find that they have more detractors than promoters.

After doing more digging, they realized that their low scores are due to their poor ecommerce experience. Their site had been live for a number of years, but wasn’t an integrated element of their business other than allowing customers to see products and pricing.

However, once the pandemic struck, staff was reduced and there was no longer someone dedicated to managing the website. Customers became frustrated when the price listed on the site of products was not the price once they placed the order. The quantity of product available did not match what

was truly in inventory, leading to longer lead times than most of their customers could wait. Moreover, customers became tired of having to call in to get a simple update on the status of their order.

When the ecommerce manager looked into why this was happening, they realized that the team was managing most, if not all of these processes manually, and had become too busy with other, more urgent tasks to update inventory, pricing, and product details.

So, the ecommerce manager found a solution that synced with their EPS to keep inventory current and update pricing real-time. The Builder's Site was also able to offer automated updates on orders, including when orders shipped and when they were available for pickup.

Their NPS indicated that something wasn't going well in their buyers' experience and The Builder's Site took action to quickly improve their ecommerce offerings by adding streamlined capabilities.

## Customer Lifetime Value

### What is CLV?



**CLV is how much revenue a customer can bring your business over their lifetime.**

Customer Lifetime Value (CLV) is the total revenue an ecommerce business can earn from a customer from their first to their final engagement. In short, it is how much revenue a customer can bring over their lifetime purchasing from your business.

### How Do You Calculate CLV?

This metric can be challenging to calculate as companies often have different methodologies for arriving at their CLV. However, to ensure we are all speaking the same language, we calculate CLV by following this equation:

$$\text{CLV} = (\text{Average Order Value}) \times (\text{Purchase Frequency}) \times (\text{Average Customer Lifetime})$$

*Where purchase frequency is the total orders/total customers and average customer lifetime is how long businesses retains a customer on average.*

Though this simplified formula won't be able to capture all the nuances of purchasing, it will provide a snapshot of customer satisfaction, loyalty, and the viability of your brand.

## What CLV Do Companies Want?

Because each organization's CLV will vary depending on the price of their products and services, it's hard to compare across different industries. Instead, businesses should look to increase their CLV year over year.

A higher CLV directly impacts profitability and increases ROI of customer acquisition efforts. By increasing CLV, you can expect higher profit margins, steadier cash flow, more scalability, and it indicates that your customers like your brand and products.

## Why Should Decision-Makers Care about CLV?

CLV provides a look at how valuable your customers are across their entire engagement with your organization.

Studies show that the top 1% of ecommerce customers are worth 18 times as much as the average customer.<sup>5</sup>

Yet, one of the biggest challenges manufacturers currently face is customer retention. In 2018, the global retention rate for the industry was 67%, one of the lowest among all the industries surveyed by Statista.<sup>6</sup>

Historically, manufacturers have been product-focused, but with Amazon and other online marketplaces setting the bar higher for customer experience, they have no choice but to build better experiences to keep their customers.

---

<sup>5</sup> How to Calculate Customer Lifetime Value in Ecommerce

<sup>6</sup> Customer Retention Rate of Businesses Worldwide

# How Does Modern ECommerce Affect CLV?

Today, 59% of all B2B buyers are millennials and close to 30% of them are the lead buyers for their organizations. These digitally-savvy buyers are going to want more than just a nice-looking website.<sup>7</sup>

In order to make a measurable impact on CLV, manufacturers will need to figure out how to raise their average order value, purchase frequency, and average customer lifetime.

## The 3 Sub-KPIs That Impact CLV:

### 1. Average Order Value (AOV)

One of the main driving factors of AOV is the ease of ordering, which includes a customer's ability to easily access information on related products to purchase or to order in bulk.

Businesses that have been able to move their ordering process online have increased AOV by 44%.<sup>8</sup>

A streamlined product content experience allows manufacturers to showcase product information so customers can make more informed and more efficient purchasing decisions. Sellers can also increase average order value by leveraging personalization to easily bundle or recommend products together.

### 2. Purchase Frequency

It stands to reason that if the purchasing process is easier, then customers will do it more often. It's your system's job to remove as many barriers to purchase as possible.

Manufacturers can boost how often their customers purchase by:

- **Allowing buyers to order through self-service**, rather than needing to contact a sales representative every time they want to place an order. This is not only quicker for the customer, but also becoming the preferred way to purchase. According to Forrester, more than 70% of B2B buyers find buying from a website more convenient than buying from a sales rep.<sup>9</sup>

---

<sup>7</sup> Does Your B2B Site Give Millennial Buyers What They're Looking For?

<sup>8</sup> E-Commerce: How to Approach the Next Big Thing in Marketing

<sup>9</sup> Death of a (B2B) Salesman



- **Setting up reordering capabilities** to enable buyers to place frequent orders with only a few clicks or through a subscription. Instead of repeating the same steps for a purchase they need to place periodically, buyers are able to expedite this process, freeing up their time to handle more important tasks.

### 3. Average Customer Lifetime

Ultimately, happy customers are customers who buy more and stay longer. Essentially, average customer lifetime is how long customers stay.

Self-service is also an effective tactic to increase retention. Companies who offered self-service support experienced an 85% year-over-year increase in customer retention rates, compared to those without self-service.<sup>10</sup>

Self-service empowers customers to be in charge of their own buying process, which can lead to higher satisfaction and retention rates.

## What Do CLV Informed Improvements Look Like?

If your customers are frustrated with the current buying process, why would they continue to purchase or even buy more?

Imagine ChemisCorp, a chemical distributor struggling with this challenge.

Let's say this organization has a goal to increase their gross profit per order. As the CEO of ChemisCorp knows, profit can be increased in two ways: by reducing cost-to-serve or increasing revenue. Retaining existing customers will be much less expensive than attracting new leads, so ChemisCorp looks to increase the value of each interaction and the length of the lifetime of a customer.

While ChemisCorp's website works, it doesn't do a whole lot more than that. To meet their growth goals, ChemisCorp invests in their ecommerce experience by leveraging a solution that offers personalized content to recommend related products to buyers before they check out and a simple "subscribe" function for recurring purchases. And, because customers can do this seamlessly using self-service, no direct people time is spent on this specific order.

By implementing these improvements, the company was able to increase the average order value, increase annual contract value, and lower cost-per-transaction to ultimately boost their customer lifetime value.

---

<sup>10</sup> 10 Leading Customer Experience Trends

# Sales Efficiency

## What is Sales Efficiency?



**Sales efficiency measures the profitability of the sales department.**

Sales efficiency measures the profitability of the sales department. Your sales team is in charge of many important tasks, but they are often overloaded with low-value tasks that take away from their main role.

## How Do You Calculate Sales Efficiency?

Sales efficiency can be calculated generally by dividing the gross revenue generated by the sales team by the total costs of the sales team.

$$\frac{\text{(Gross Revenue of Sales)}}{\text{(Total Cost of Sales)}}$$

## Why Should Decision-Makers Care about Sales Efficiency?

The sales team is a powerful resource in a B2B organization's toolkit. But, when these employees are spending so much of their time manually inputting and managing orders or answering routine phone calls, how can they focus on the tasks where they drive the most value for customers?

# How Does Modern ECommerce Affect Sales Efficiency?

Traditionally, B2B organizations have emphasized the importance of the personal touch a dedicated salesperson can add, especially since purchasing cycles tend to be long and expensive.

But having a digital channel does not replace your sales team. B2B buyers still value the direct sales team as a key part of their purchasing experience; however, they are needed much later in their buying journey than they have historically.

Sales team members can now focus on advising and serving their customers, rather than just taking orders, now that most of their operational tasks are automated.

So really, it's not a matter of technology or a personal touch, but rather both working together for the optimal customer experience.

Here are 3 ways modern ecommerce improves sales efficiency:

1. **Automates routine tasks** such as answering common questions through self-service.
2. **Alerts them of unexpected changes in purchasing per account.** An intelligent ecommerce solution can send notifications if there's a risk of churn or even rise in purchasing frequency so that sales reps can step in accordingly.
3. **Equips them with their own sales library** of content, product details, common questions, and other useful services so that sales reps can easily search and access the most up-to-date information.

## But That's Not All!

Use an ecommerce site alongside your sales team to drive further growth. Learn how to eliminate channel conflict and create a truly differentiated commerce experience.

**Sales Team + ECommerce = Success →**

## What Do Sales Efficiency Informed Improvements Look Like?

How does a sales rep manage their time between facilitating large-scale custom orders and answering questions about smaller “off-the-shelf” purchases?

Materials n’ More, a large materials manufacturer, sells both custom orders and products off-the-shelf. Their sales team would like to spend a majority of their time serving the bigger-ticket customers, but their time is taken away by answering questions about these smaller purchases.

In order to increase the efficiency of their sales team, the company invested in a self-service ecommerce site. Now, customers who are just looking to buy off-the-shelf are able to easily get the information they need to select the correct products through self-service. This frees up the sales team to dedicate their time to helping customers with custom orders.

## The Key to B2B Growth

The shift to digital will not be a temporary solution. For businesses that want to scale their growth, leveraging strategic digital experiences will be critical.

By using a modern ecommerce platform, B2B sellers can monitor and improve NPS, CLV, and sales efficiency. Those that are able to improve customer experience, raise order value, and increase productivity of their sales team will bring their business to success.

## Ready to Scale Your Business?

If you’re ready to make the improvements needed to boost each of these three KPIs, then start with learning about these 7 best practices for B2B ecommerce success.

[Starting Your Path to Success →](#)



Liferay makes software that helps companies create digital experiences on web, mobile and connected devices. Our platform is open source, which makes it more reliable, innovative and secure. We try to leave a positive mark on the world through business and technology. Hundreds of organizations in financial services, healthcare, government, insurance, retail, manufacturing and multiple other industries use Liferay. Visit us at [liferay.com](https://www.liferay.com).

© 2021 Liferay, Inc. All rights reserved.