



# **XAAS FILES PODCAST EP 14: WHAT'S DRIVING YOUR CUSTOMERS?**

## **VIDEO TRANSCRIPT**

**Introduction [00:00:00]** Welcome to Accenture is XaaS a service files the podcast for business leaders helping their companies transform using innovative digital business models. Here, you'll learn from some of the industry's leading movers and shakers, senior executives from companies around the globe who are changing the way the world works and plays by delivering all types of compelling subscription services. Join your host Kevin Dobbs Accenture as XaaS service managing director who brings 20 plus years of experience as an entrepreneur, CEO and senior executive to the table. Kevin has led dozens of as a service business transformation for some of the largest technology and industrial companies globally. Now let's get to today's episode.

**Kevin Dobbs [00:01:03]** Thanks for tuning in today to our "X As A Service Files" podcast. My name is Kevin Dobbs and I run our revenue acceleration practice here at Accenture. We're now going to continue our discussion with Leslie Stretch, the CEO at Medallia, to learn more about growing and scaling a digital business. In this segment, Leslie, it'd be great to hear how you're kind of building Medallia, because I know you're a very successful company and in a really interesting space, it's kind of the leader of the firm. So as the listeners are thinking about this as they're building their business. What kind of North Star vision are you setting for your company in order to kind of be successful?

**Leslie Stretch [00:01:42]** Well, it's a huge question, Kevin. If I start with the future, I'm always practicing to try and be a better leader and be a good leader. And I'm very much a reflection of our team. I think that at Medallia that I'm not the benchmark by any means, but we're in a build phase. And I think the excitement I have about work, day-to-day work in the company is, you know, we're on a journey, we're on a journey, and we see a future that's very different and better than today. And it's a future where our technology informs our customers about their customers and the most important detail in a way that allows them to engender loyalty rather than buy it, that allows them to be more successful. And we're thinking about our customers outcomes when they invest in our technology. We're focused on their outcomes. But the north star of the company is, I think, very simple. I've always believed in the customer driven roadmap and the marriage of our Silicon Valley know how with the customers view of the roadmap. And so, our interactions with our customers as as many as we can, as often as we can, it's critical. My working week is usually, this week I've talked with three CEOs, one private, two public companies, brands that everybody would know already and we are at Wednesday morning and that's my typical week. And so, I'm learning from them all the time. But we also have a very formal framework for the customer driven roadmap. It's not marketing. And that customer driven roadmap informs us on what to build, what to buy, what to acquire



and how to innovate for the future. And we combine that with my belief and our team as a high performing innovation group. We combine those things and we create this magical roadmap which competitors don't understand. It confounds them. They tend to follow it. When you have competitors following your roadmap, you know that you're on to something. We see other companies making acquisitions that ape our acquisitions or building products that ape our products. And so, that customer driven roadmap is key. That's one important foundation. The other one is treat your team members like customers because they will be one day. All right. So don't have a differential treatment of your employees. I think about that very carefully. So that's the second one. The third one is, you know, keep things steady. Right. My job, I think, is partly to take apart from allocating all of the resources, the income statement, the balance sheet is to remove variables. If you think of a family unit, right. When the children look up and see the parents arguing and they see discord it destabilizes these people for life, and we have a responsibility to create a stable environment, remove variables. In the pandemic that's been a lot harder. At the same time, we see a crazy world, a crazy market. Three hundred and fifty stocks, one hundred cryptos, so many distractions for people. So we used to help people focus around that. And then the fourth one is that it's very simple and it's our values, our core values. We don't want to screw up the place that we live in and disrupt the planet, there's a whole theme that, the people express it as you know, as ESG today and so on, but that's kind of just a label for us what's absolutely key here is we want to build a business for the long term. I really believe in what our teams produce in partnership with our customers. I really believe in the software. It's my biggest hobby, my biggest interest. But I won't do or say anything for a deal. I won't do that and nobody in the company should. And there are companies in our

world that will do that. They will do and say things for a deal. And I won't, right and none of our people should. So just stay calm and steady, be honest and authentic with customers. Commit to them for things we don't have today. We're software, software company, everything's malleable. Commit to them that we can do things for them in the future. Make a commercial arrangement if you have to, but don't say and do things to get a deal right that aren't true. Don't cross that line, ever. Don't cross that line ever. And don't ever as a manager, I don't believe in performance management. I only believe in coaching. The sports world is way ahead of us. I only believe coaching. The four worst words in the English language that you can say to an employee a pejorative term I hate. The four words roles you can say is meet your new manager. He says, what? What value am I getting from you? I've been here four years or 10 years or 15 years and I'm getting a new manager. But what value are you going to add? A manager that report's performance, good and bad, is useless to us. That's a hygienic function. A manager that adds value, domain expertise or process expertise. So they're a great product manager or they understand the technology or they're a great salesperson or they understand the sales process. They add a ton of value as coaches, but you don't have to have domain expertise to be a great coach. You can just be a fabulous wingman. Just be a fabulous, just be a fabulous wingman. Right. And so that's that's our philosophy. It's that simple. We're still building. You're never finished. And there's different turns. The pandemic's brought a different turn. The balance of power in companies has changed. Employee activism is a welcome and important value-added shift that's going on. Everything's always changing, so we don't have all the right answers. But that's how I think about the company. And I hope I hope any Medallion would be able to articulate at least some of that or a little bit.



**Kevin Dobbs [00:07:40] That's fantastic. I, I ascribe to many of those things as well. And then I think it also is you're building your team is you're talking about kind of building Medallia is you're looking at leaders and you're bringing them in. And how you structure your organization is it's based on many of those things that you just talked about, I'm sure, and I would assume what is your screening for people you're looking for people who probably fall in and align with your values as opposed to trying to get somebody and force fit them in?**

Leslie Stretch [00:08:10] Yeah, I want to dance with the person who wants to dance with me. I don't want to pursue the person that doesn't. So I think one of the things that I don't know if it's used anymore, but, you know, there was a methodology, a hiring methodology years ago called targeted selection. It was a data-based set of questions. And so, one of the things and the more senior roles got, the more people have developed this and in my view, incredibly flawed recruitment approach, which comes from the political arena, which you see on Capitol Hill, where there's a new appointee, a new committee appointee, and you have these senators and individuals, some of whom have never run an organization or had a team or had any responsibility or leadership. And they create this question session. And the worst questions are the hypotheticals. Let me give you a hypothetical situation. How would you solve it? And all that test is a person's ability to think on their feet. Targeted selection is about data. What have you achieved? How long? One of the things about a degree which isn't essential for everybody or a two-year community college diploma is it proves a person's ability to complete a project, start and finish a project over a long period of time. That's all it tells you. But there are so many things from an individual's life that produce data that tells you about their propensity to succeed and stay the course, because success today too many people are like I go to the next stock, I go to the next highest offer. I go here, I go there. That's not going to last forever, in my opinion. That's going to see a

collapse at some point. I think a total shift in value at some point, you know, there just isn't enough money to support, you know, what's going on. It just isn't enough liquidity. And so the people. Are jumping for the next dollar and what we're interested in are people that really buy into the mission, who really want to be part of the team, that expect us to be loyal to them and they expect to be supported and they want a stable progression through their lives. And so the data that supports that decision, that recruitment decision is there, if you look for it.

Kevin Dobbs [00:10:22] Is your, thinking about Medallia and you're sitting in your staff meeting, you know what are the metrics or the key success factors, that it sounds like you're a very data driven company and that you're you're kind of like, what are the signals internally of your firm that you're looking at on an ongoing basis to kind of determine whether you're being successful or not?

Leslie Stretch [00:10:45] Well, first of all, we are customer one for our own platform. And so net promoter score, which was a fundamental crystallization of referral business thinking, which Fred Reichheld created with being back in the day, is a core foundation for the best companies in the world. If you look at Target's results recently, big net promoter score believer. Look at Dick's Sporting Goods today big net promoter score believer. That's evolving to a new metric around a notion of earned growth, likelihood to recommend, this can be measured. And so our core cohort of customers, the fact that they acquire more, they have to increase their subscription is a key metric for us, so we look at that. Our new business attraction, the brands that we take on in the last year, we've taken on HP, we've taken on Versace, Ferragamo, Valentino, Cartier, huge fashion brands. We've taken on a whole slew of new financial services customers. So, we're looking at our new customer acquisition. We're looking at our customers propensity to spend more, our cross-sell and up-sell success and the customers. We're looking at this data constantly on a daily basis. There's so many data points,



but we're also crystalizing for the different divisions of the company, a net promoter score. And in the future, that will be a net promoter score plus an earned growth premium measurement. And so that's about renewal business, renewal, up-selling, cross-sell and measuring likelihood to recommend. So we're all about that. And so the future for our executive team and the company at least, and probably our corporate profit share structure will be hinged around these metrics. And these metrics are scientific and valid and absolutely key to our future. So the execs in the company will receive a portion of their compensation and reward a long term incentive around net promoter score likelihood to recommend. Why wouldn't we do that? Right. It's all about experience. And so that's how we think about data from as we manage the company. And also the re will be an ENPS, an employee net promoter score that people will be paid on and rewarded on or not, as the case may be. Remember employees as customers.

Kevin Dobbs [00:13:14] Great. So kind of the last question in this segment, when you stepped into Medallia, you obviously had a lot of experience in your prior roles. Any surprises as you've been kind of building the business over time, pleasant or unpleasant surprises that you kind of walked into that other people may help other people as they're kind of starting out on this journey?

Leslie Stretch [00:13:36] I think is really almost all have been upside, Kevin. For me, a great coach, a great foundation of culture. It was a private company. We took it public in twenty-nineteen. That was necessary for lots of different reasons, but it helped bring a discipline and operational discipline to the company that's still evolving. And so, I think it's all been good. It's all been exciting. The big surprises have been external, the pandemic, the impact of the pandemic on some of our core customers in hospitality and travel, all of whom renewed with us in the pandemic, but a very challenged sector. So, learning about that and also learning

more and reinforcing the idea that we stay with people through good times and bad. The value of staying with people through good times and bad cannot be overstated. I mean, it's just been that's just been the culture of Medallians to stick with their customers through good times and bad. And the dividends are coming back to us now already hugely coming back to us. So that's been a very valuable lesson. And again, just this transformational notion of, you know, why would you give your customers the best possible tools to communicate with you and then give your employees a fax machine or telex? Why would you treat your employees differently? That notion, we all know it back in the last century. When the digital world was in its infancy, we all know we have worked for companies and been part of companies where we've been rather more hostages than willing partners. That's that's a huge shift. You can see it now in the mass resignation movement and so on. And that's a huge shift. And it's actually a shift that's going to be, it's going to work out for the better for every company that embraces it. As I say, you know, my job is to engender stability through what will always be a turbulent world. We've seen that compounded in the pandemic. Anything could happen in the next 30 minutes. Our job is to stay steady through that drama.

Kevin Dobbs [00:15:41] Again really, really good insights. Leslie, thank you very much. We'll look forward to kind of continuing the discussion in the next segment.

Leslie Stretch [00:15:48] Oh, great. Thanks for having me.

Closure [00:15:52] Thank you for listening to Accenture XaaS Service files. Please be sure to visit our podcast Web site at [Accenture.com slash XaaS service files that's Accenture dot com slash x a a s dash f i l e s](https://www.accenture.com/xaaS-service-files). Where you can listen to more conversations with other industry leaders about their vision and perspectives on innovative digital business models. You'll also find more great insights from these leaders on our blogs that accompany each episode. And of



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