



Data-driven ICPs

A secret weapon for predictable scalable revenue



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Data-Driven ICPs

In the B2B world ideal customer profile or ICP is a device for describing your best revenue opportunities. ICPs list out characteristics that are most relevant in determining whether someone is a potential buyer. These characteristics typically include industry, company size, funding and revenue. There are a number of problems with the traditional method of developing ICPs. In this white paper we are introducing a data-driven approach. This new approach coupled with automation provides an effective tool for building predictable scalable revenue acquisition funnels at B2B companies.

Traditional ICPs & The Problem

The process for developing traditional ICPs goes something like this: Pick out your best customers. List out their key characteristics. Look for commonalities. Use the common attributes among your best customers as the ICP. This approach has a few problems:

Shallow: Companies tend to work with a limited set of known attributes such as industry, revenue and employee count during the ICP development. This limits their ability to discover granular divisions and develop ICPs that truly reflect their customers. Lack of granular understanding about customers results in poor messaging

and positioning, which leads to poor funnel performance.

Biased: Companies handpick the customers to evaluate. This usually results in evaluating what's referred to as a convenience sample in statistics. A convenience sample is made-up of items that are there because for one reason or the other they were readily available and easier to pick. Using a convenience sample typically results in under-coverage. Imagine if you were asked to describe a whole forest based on the first ten trees you see. There is a random chance you might get lucky. But, there is a high probability that you might get it completely wrong. And, making a mistake with your ICPs can be very costly.

Expensive: If you were to overcome the bias and find ways to collect a wide range of customer attributes, it is going to be an expensive and time consuming process. This will involve designing a sample selection mechanism, conducting customer interviews and performing in-depth research.

Data-driven Approach & The Opportunity

A data-driven approach to ICPs offer the opportunity to go beyond intuition and assumptions. Here we use algorithms to analyze internal and external data to find the defining attributes of your best customers. There are a number of advantages in taking a data-driven approach.

Comprehensive: First, instead of picking a handful of customers to review, we have the option to review the entire customer base. Second, instead of looking at a few superficial characteristics we have the option to go deep and look at dozens or even hundreds of characteristics to discover patterns. The opportunity to analyze the full depth and breadth of your

customer base generates a comprehensive picture that is simply unfeasible with the traditional approach.

Objective: The data-driven approach helps address all types of selection biases and be objective. We have the option to either mathematically select a representative sample from the customer base, or analyze the complete data-set.

Inexpensive: Imagine the level of effort it would take to manually review all your customers, look into their characteristics and figure out which ones are important? Using the data-driven approach we can run through the whole process quite efficiently in a fraction of time and cost.

Methods for developing ICPs	
Traditional	Data-driven
Biased	Objective
Shallow	Comprehensive
Expensive	Inexpensive

Figure 1: ICPs Methods Comparison

“ A data-driven approach to ICPs offer the opportunity to go beyond intuition and assumptions.”

How to develop data-driven ICPs

In a nutshell, developing data-driven ICPs involves the following steps:

▶ **Collect the list of customers**

This typically is an export from your CRM or the marketing automation platform.

▶ **Enrich customer data set using internal and external data sources**

Data-driven ICPs offer the opportunity to evaluate a wide range of customer attributes. Some of these attributes may come from internal systems (e.g. newsletter engagement) while the others may come from third party data sources (e.g. tech stack in use).

▶ **Analyze the dataset to discover your best customers**

Rather than relying on intuition, here we look at the data to identify the best customers. A couple of example definitions are customers with the highest net promoter scores and customers with the highest product utilization.

▶ **Analyze the dataset to discover the most important customer characteristics.**

There are a series of machine learning techniques that can be deployed to evaluate dozens or even hundreds of characteristics to determine the most important ones.

▶ **Test the identified characteristics against your known customers to validate the ICP**

As the last step, we validate the identified characteristics against a known group of customers.



Figure 2: Data-driven ICPs steps

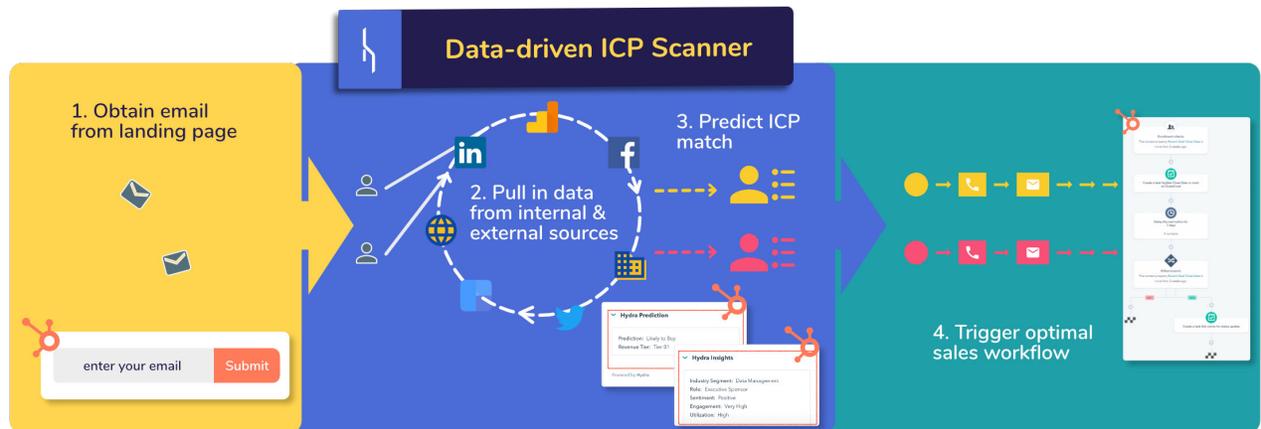


Figure 3: Data-driven ICP Scanner

The Automation Nirvana

As new leads get added to the top of the funnel, they go through a series of workflow touch points within sales and marketing teams. These touch points in some shape or form execute the following tasks: assign the lead to a SDR/ BDR within the team, review the lead to identify the fit, discover potential business problem/ solution fit, engage the lead.

There are companies that put in a great deal of effort upfront to identify the ICP match and discover problem/ solution fit before engaging a lead. This enables better prioritization and personalization leading to better results. Others automatically assign incoming leads to sequences. Based on our experience this approach produces poor results.

What if you have the option to identify the ICP match, identify problem/ solution fit, prioritize based on potential account value and engage with a targeted message

without all the upfront effort? The above illustration (**Figure 3**) depicts how data-driven ICPs can be used in an end to end automation.

Combining data-driven ICPs with automation has a number of advantages:

Improve sales efficiency: In a typical workflow you have SDRs or BDRs researching leads to identify the ICP match. This may include going through LinkedIn, Crunchbase, etc. to find additional details. Companies can gain double digit efficiency improvements here as ICP matches are automatically discovered when leads get added to the top of the funnel.

Improve sales effectiveness: Data-driven ICPs quickly points out the best matches from all your leads. This enables companies to spend their resources on the selected few prospects, and have more effective, high-quality sales engagements.

“ Data-driven ICPs improve sales efficiency and effectiveness by automating some of the most time consuming tasks in the sales funnel.”

Improve scalability: Data-driven ICPs codify and automate some of the SDR/BDR responsibilities helping companies scale their sales funnel throughput without increasing the costs.

Improve customer’s buying experience: In most cases subscription companies offer multiple products or plans. Implementing ICPs specific to each product or plan helps companies identify the right fit from the beginning and message accordingly, leading to a better buying experience.

The Summary

Ideal customer profiles are an effective device for describing your best revenue opportunities. Data-driven ideal customer profiles rely on algorithms to automatically discover ICPs. They eliminate issues such as bias, shallow analysis and cost from the process of developing ICPs. Data-driven ICPs make it possible to automate some of the most time consuming tasks in the sales funnel and improve sales efficiency and effectiveness. By doing so, they help companies build a predictable scalable revenue acquisition funnel.

About Hydra

Hydra is a SaaS revenue optimization engine. Hydra scans customer backgrounds and touch points using A.I. to determine who is likely to buy, upgrade or churn. Our platform empowers sales teams to focus their energy on the right opportunities and optimize revenue.



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