

Common Mistakes That Lead to Customer Defection—and How to Avoid Them



There are several common mistakes that can seriously erode a managed service provider's (MSP's) chances of winning a new opportunity. Likewise, once the customer has been signed, there are also several common mistakes that can lead to customer defection or, at minimum, erode loyalty.

These mistakes can also significantly increase the likelihood that the customer's management team will consider making a change when the contract is up for renewal. In this brief, we'll highlight some of the most common mistakes MSPs make in serving their customers and outline strategies for keeping these mistakes from being repeated in your business.

Missing SLAs

Probably the worst problem an MSP can create is to set deliverable expectations for customers and then fail to meet those expectations. Given that they're the formal, mutually agreed upon commitments, service level agreements (SLAs) are the most important set of expectations that will be established with the customer. Missing these commitments can quickly erode the service provider's reputation with the customer.

Depending on the nature of the SLA breach, some customers may be more understanding or forgiving than others. Some may be okay with the assessment of a financial penalty. Others may immediately start looking to make a change in vendors. Either way, a service provider does not want to jeopardize the relationship with a customer. It's essential to set up effective service delivery models and processes and do whatever it takes to meet or exceed all customer expectations.

This starts with setting effective SLAs. As the Information Technology Infrastructure Library (ITIL) outlines, service level targets should be "SMART":

- **Specific.** What exactly is the service provider going to do and for whom?
- **Measurable.** Is the target quantifiable and can it be measured?
- **Achievable.** Can the target be achieved in the proposed time frame?

- **Relevant.** Will the attainment of this objective have an effect on the desired goal or strategy?

- **Timely.** How long will it take for this objective to be accomplished?

Once effective SLAs are in place, it's about operational execution, ongoing optimization and communication.

Failure to communicate

When an organization outsources vital IT services to an external provider, there's a huge amount of trust that has to be established and cultivated. All too often, however, the customer's left with inconsistent or inadequate communications from the service provider, which breeds questions, doubts and uncertainty—elements that can be toxic to the ongoing partnership. That's why communications are so vital. Even in a worst case scenario in which an SLA is breached, the timeliness and quality of communications can be instrumental in helping to mitigate or minimize the resulting account damage.

As a rule of thumb, it's always better to err on the side of over communicating. It's much easier to stop or scale back certain forms of communication based on customer input than it is to engage in new types of communication later. For example, if a customer contact indicates they no longer want to receive ticket updates but would rather start being notified only when tickets are resolved, that's an easy change to make. Whatever the MSP account team can feasibly do to keep a customer from being surprised or in the dark about issues, should be done.

Surprising customers with hidden charges

Quite simply, don't surprise the customer with extra fees. If scope changes require price changes, discuss them with the customer and document them immediately. For example, if monitoring of 14 servers is quoted and agreed upon and it turns out 19 servers need to be monitored, don't just add costs for those extra servers to the invoice. Discuss them with customer and get approval first.

In addition, it's important to avoid "non-optional options." Think about this in terms of hotel rates. You shop around and book based on the advertised rate, and only at checkout do you hear about a "resort fee" that's been levied every day, and which you had no choice in opting out of. In managed services, the equivalent is when a vendor assesses an "account management fee" on top of a monitoring service, which the customer has no choice but to pay. Instead, just add that charge to the total price quoted to the customer up front.

Being reactive: Getting buried in the tactical

In many MSP businesses there can be a very fine line between healthy, rapid growth and a problem-ridden over-expansion. Significant problems can arise when growth comes too quickly, particularly to an early stage service provider in which revenues start growing faster than capabilities. Often, there can be a domino effect. Just a few issues arise first and before long, resources are spending far too much time scrambling and putting out fires.

As soon as the MSP stops being proactive, efficiency, productivity and service levels can all take a steep nose dive, ultimately jeopardizing customer satisfaction. Even if new resources are brought on, no one has the cycles to institute the processes or efforts that enable the business to efficiently scale.

That's why it's so vital to institute the tools and processes that enable proactive issue mitigation and fast remediation in the event issues arise. Without these capabilities in place, the

MSP may be able to get by for a while. But if more customers sign on or existing accounts expand their service adoption, a scalability wall can be hit hard and fast, and the results can be disastrous.

Dropping the hand-off

Customer onboarding is not simply a matter of implementing a tool and moving on, even though that's how some service providers seem to approach it.

This is particularly important to consider in light of the very real potential for customer misgivings. Just because an organization has signed up for a new managed service doesn't mean that customer contacts don't have some misgivings or difficulty in giving up control of the service in question. A DBA may feel a genuine sense of ownership in server monitoring. An IT director may have serious misgivings about moving to your hosted environment after years of managing infrastructure internally. Security teams can be particularly sensitive about outsourcing all or part of their security infrastructure administration.

MSPs need to be mindful of these issues, coordinate effectively with appropriate team members and communicate before, during and after the process to alleviate these concerns. To effectively manage the onboarding process, it is particularly critical to educate customers on the process, outlining how migration will work and when key milestones will be hit. Customer staff members need to be trained on how services will work after deployment and how they should interact with your organization. For example, they'll need to understand how to submit requests, track SLAs and escalate open issues.

Conclusion

Your organization has to battle to win new business—make sure you do what it takes to keep that new customer for the long term. By being aware of the common missteps outlined above and taking the steps necessary to guard against them, your business can more effectively boost customer satisfaction and retention.

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