

Most MSPs do not track customer satisfaction and underestimate its impact on the business

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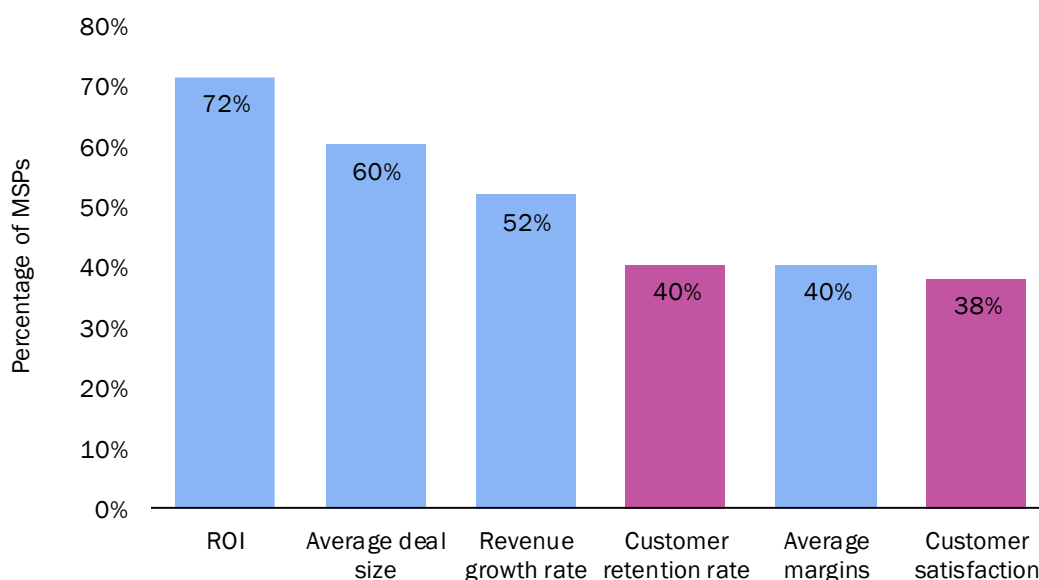
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Managed service providers (MSPs) operate in a challenging environment. The provision of high-quality services is essential to be successful in this competitive space. Analysys Mason’s [survey](#) of 950 MSPs worldwide shows that most MSPs do not track metrics to assess the quality of their services or the likelihood of retaining their customers; these are surprising statistics considering their importance. Customer satisfaction can have a significant impact on the overall business, helping MSPs to differentiate their services, cross-sell and prevent churn. MSPs that do not track customer satisfaction will not be able to assess how it has improved or how it impacts important financial KPIs, and the absence of these insights could be harmful to business.

Satisfaction and churn will, at least initially, be less important than other measures of success for MSPs, such as revenue growth. For most MSPs, managed IT services is a rapidly growing market and the main challenge is to gain a share of this growth. However, the MSP business model depends not simply on winning customers, but primarily on retaining them and generating recurring revenue. Tracking customer satisfaction is an essential component of this.

Most MSPs do not track customer satisfaction and retention metrics

Figure 1: Percentage of MSPs that track different types of KPIs [Source: Analysys Mason, 2018]¹



Source: Analysys Mason

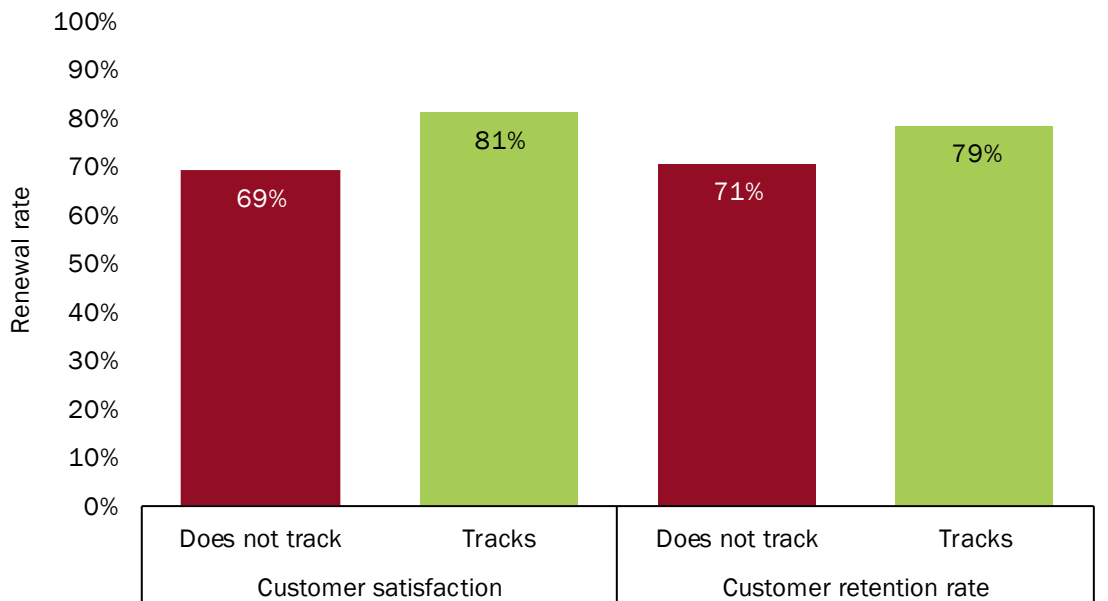
¹ Question: “During your transformation journey, which metrics or KPIs did your firm track in order to ensure a successful transition?”; n = 950.

Figure 1 shows that only 38% of MSPs track customer satisfaction; far fewer MSPs track this than other simple measures such as average deal size. This suggests that MSPs do not understand, or do not have the means for understanding, the significance of customer satisfaction and how it affects the rest of the business. We know from our [related business services research](#) that customer satisfaction has a substantial impact on churn and cross-selling potential. Our data supports the common-sense assumption that satisfied customers are far less likely to churn and more likely to purchase additional services than those that are unsatisfied.

The latter is a particularly important point for MSPs. Our [MSP survey](#) also highlighted that bundling and cross-selling services is a core driver of revenue growth. MSPs that do not track, let alone succeed in improving, customer satisfaction may find it considerably harder to sell more services to their customers, which has negative implications for the growth of the business.

The process of tracking customer satisfaction correlates with higher customer retention rates

Figure 2: Average renewal rate of contracts for MSPs that do and do not track customer satisfaction metrics [Source: *Analysys Mason, 2018*]²



Source: *Analysys Mason*

Figure 2 shows that MSPs that track customer satisfaction have a renewal rate that is 12 percentage points higher than MSPs that do not track customer satisfaction, which indicates that the process alone of tracking this metric is correlated with lower churn rates. Renewal rates are likely to be even higher for the MSPs that actually achieve high customer satisfaction scores. It is not the tracking itself that makes any impact – it is the fact that

² Question: “How frequently do customers renew their subscriptions to the managed IT services your company sells?”; n = 950.

MSPs that track this metric are likely to already be considering how to improve customer satisfaction and retention, and this is reflected in the way that they run their businesses and treat their customers.

MSPs that are conducting good business practices will typically produce better KPIs. Indeed, 75% of MSPs that track customer satisfaction also track customer retention rates, indicating that it is largely the same MSPs that conduct successful business practices and have higher retention rates. Other MSPs should follow suit. Measuring these KPIs will help MSPs to change their behaviour and improve their practices.

MSPs that track customer satisfaction have the means to differentiate themselves in a competitive market

Tracking customer satisfaction will help MSPs to monitor it and measure its impact. It can also be a strong differentiator in what is a competitive market. MSPs that can justify advertising the provision of superior or high-quality services will have an edge over competitors in a service market.