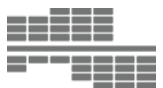# Keeping Customers Happy

Driving Retention by Optimizing for Value

Pragmatic Marketing
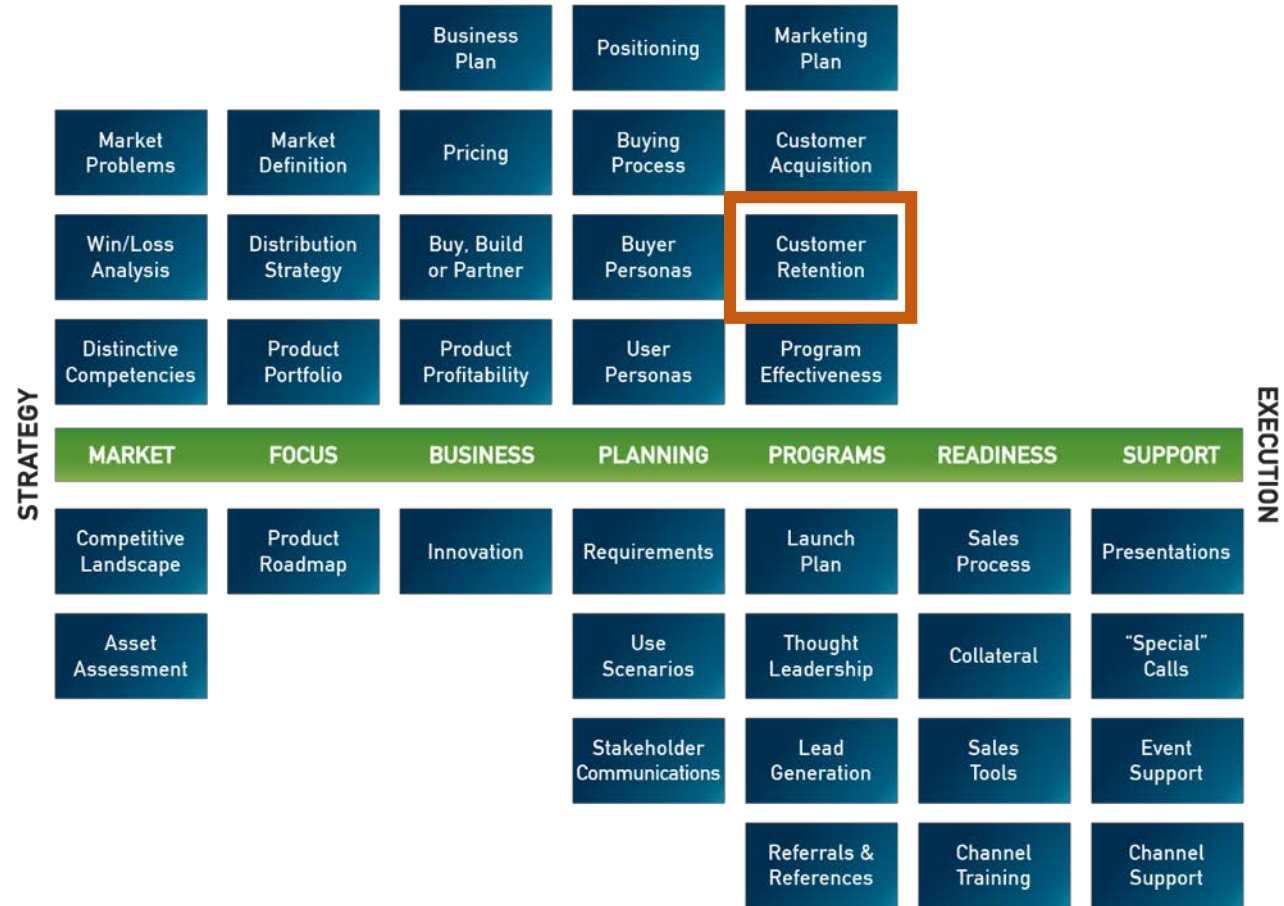
NALPEIRON

David Rowley
Chief Revenue Officer
Nalpeiron, Inc.

about us

Experts in technology product management and product marketing

Specialize in training

Trained hundreds of thousands of people at thousands of companies since 1993

David Rowley

Chief revenue officer for Nalpeiron, David has extensive experience in cloud and SaaS solutions, enterprise software, big data and software licensing, across sales, marketing, business development, product management and international expansion. He holds a degree in computer science from the University of Waterloo.

NALPEIRON

About Nalpeiron

- Leader in cloud-based software licensing, entitlement management and usage analytics solutions for software and hardware vendors

- "The monetization company"

- Tens of millions of endpoints under management

- Customers include leading companies such as Anaconda, Erwin, Dialogic, Alibre and hundreds of others

- Many are making/have made the transition from perpetual to subscription-based SaaS-style business models

- Customer retention is a <u>key</u> issue for our customers

Agenda

- Quick stats—why you must care

- Starting the relationship off on the right foot

- The main reasons customers leave you

- Matching perceived value with pricing

- Creating predictable revenue streams

"We're a startup—all of our focus right now is on customer acquisition. We'll think about customer retention later!"

- Anonymous Startup

Quick Stats—Why Care?

- Customer acquisition costs (CAC) are typically 5-7X higher than retention

- A 5 percent increase in retention can lead to an increase in profitability from 25-95 percent

- Probability of selling something new to an existing customer can be more than 60 percent vs. 5-20 percent for a non-customer

- Yet 70 percent of CMO's do not list retention as a top priority

What does it cost you to acquire a customer vs. retain a customer?

A) More than 7x
B) 5-7x
C) 3-5x
D) I have absolutely no idea
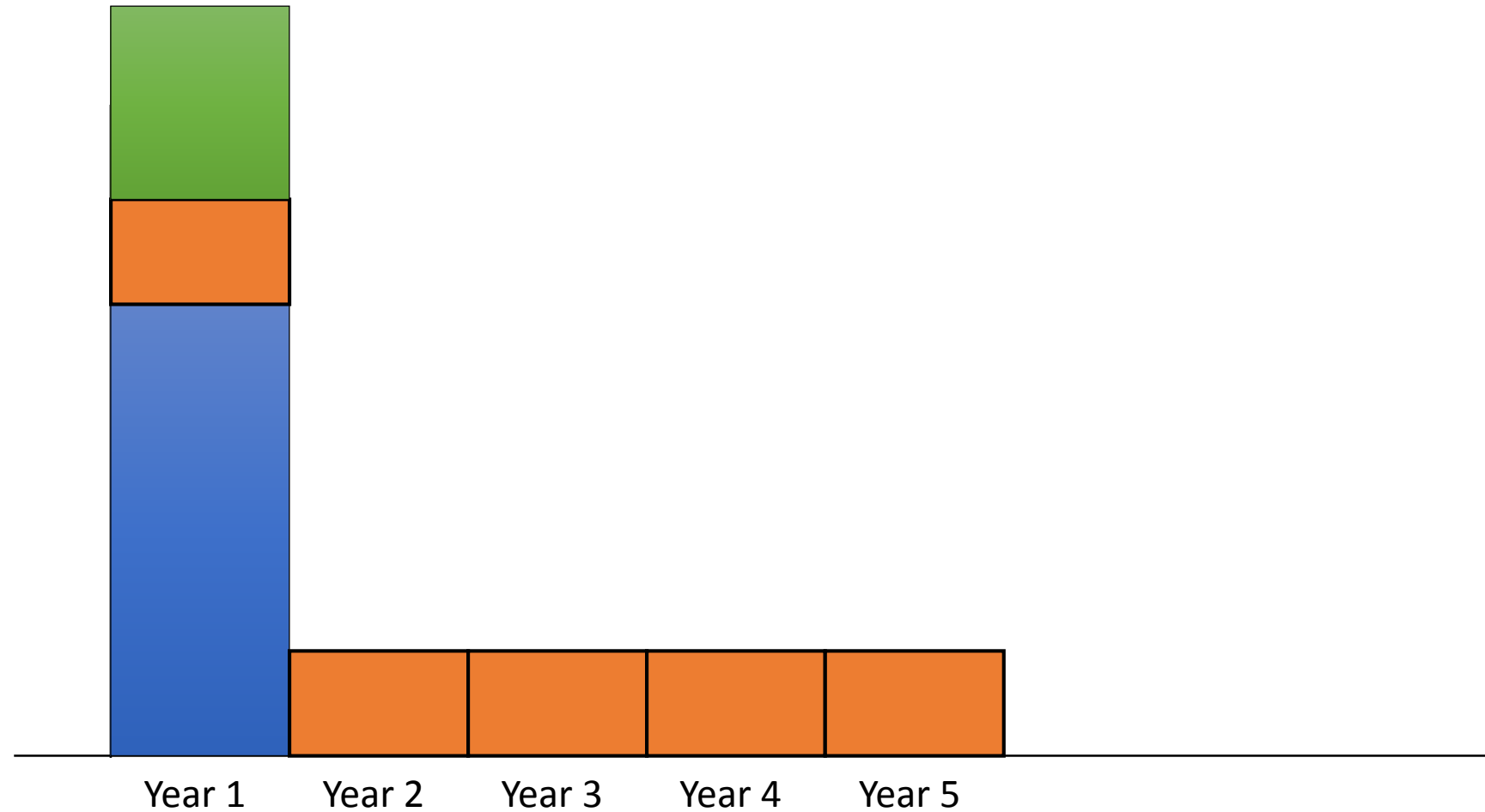
Why is retention more important now?

- Vendors moving from perpetual to subscription
  - Every renewal is a 're-up'

- Customers have lower switching costs
  - Not as 'captive' as before

- Most markets experiencing much stronger competition
  - Well-funded aggressive startups focusing on most domains with strong incentives for customers to try them out
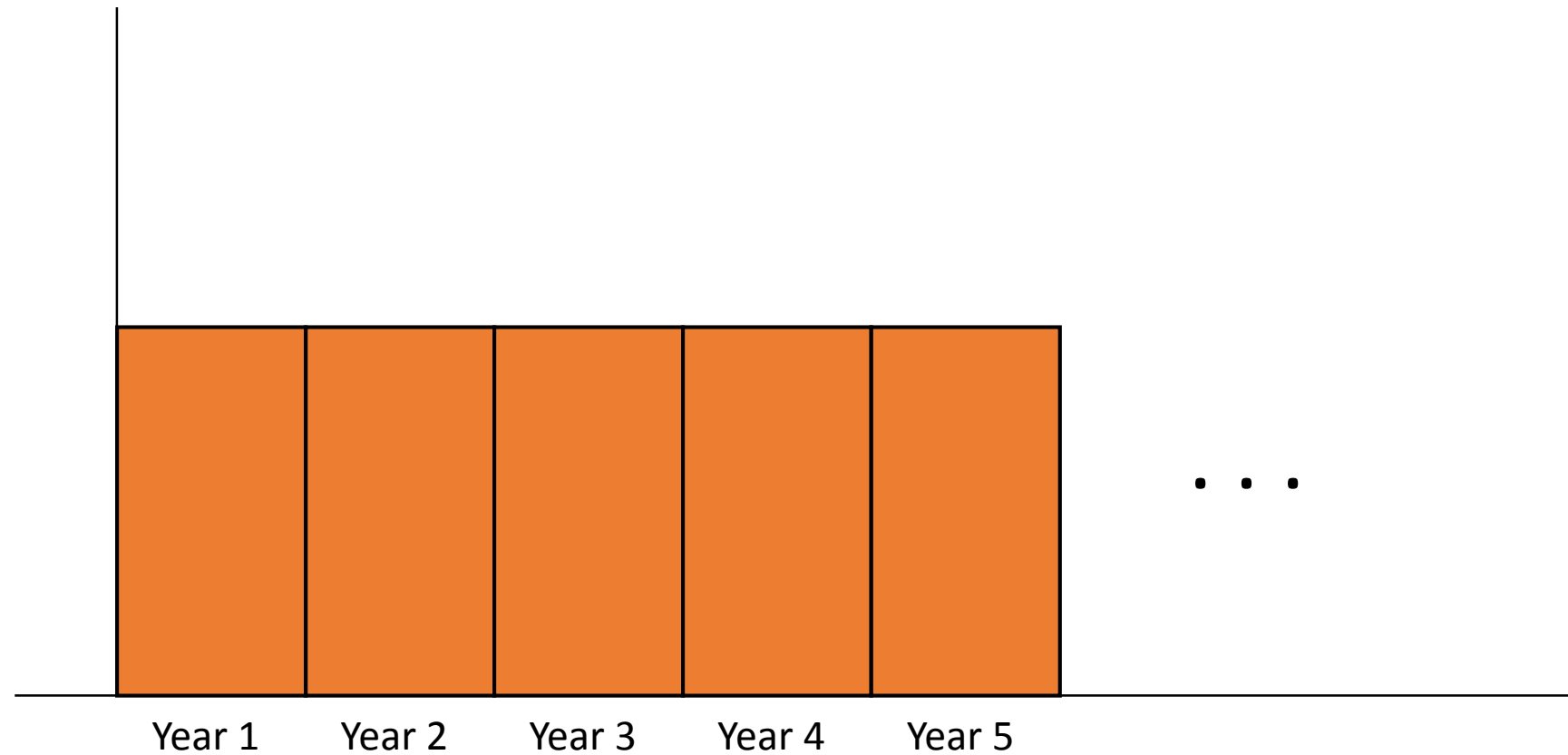
Starting the relationship off on the right foot

Historical Model
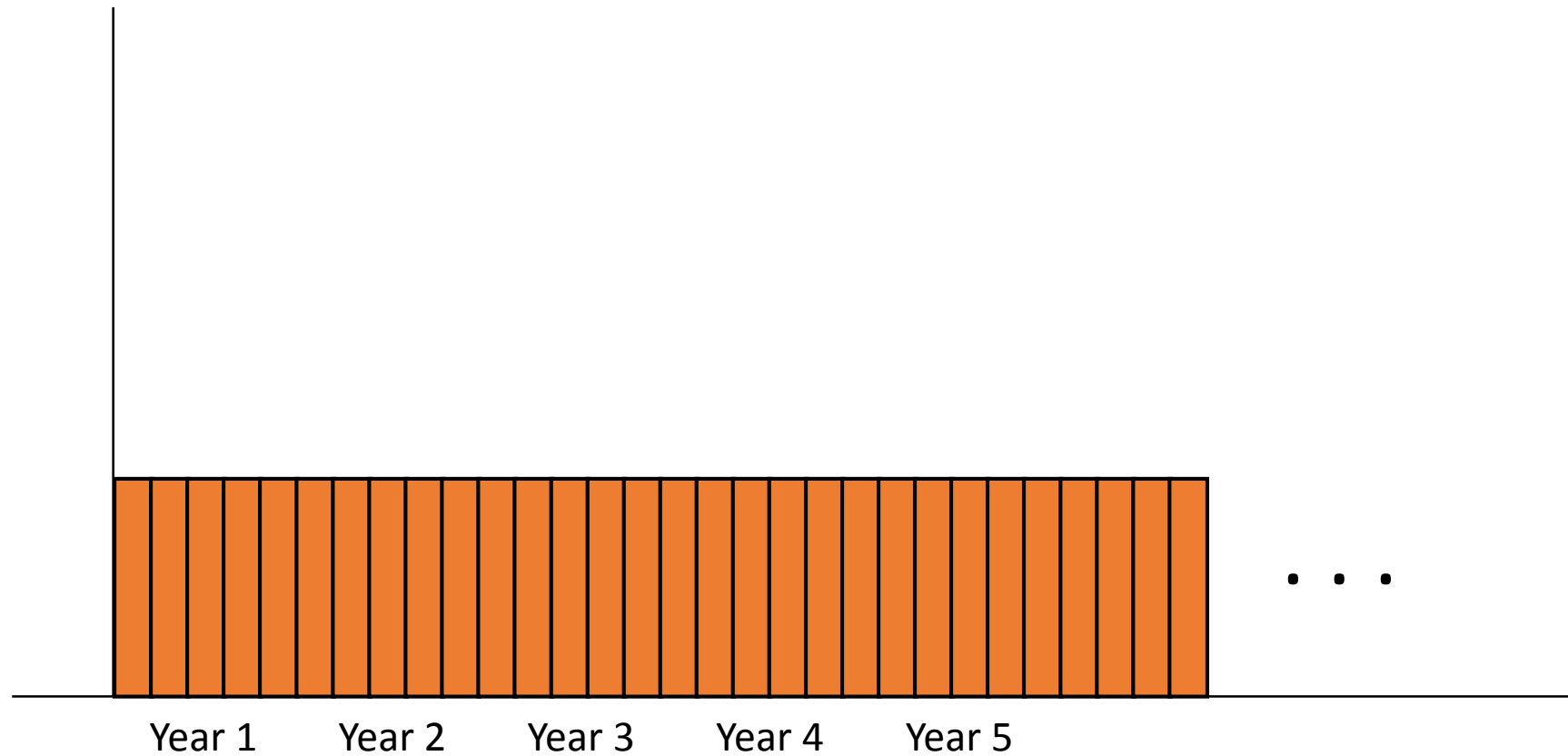# perpetual + maintenance + ps

Year 1   Year 2   Year 3   Year 4   Year 5

Subscription Model (Annual)

Year 1   Year 2   Year 3   Year 4   Year 5   . . .

Subscription Model (Monthly)
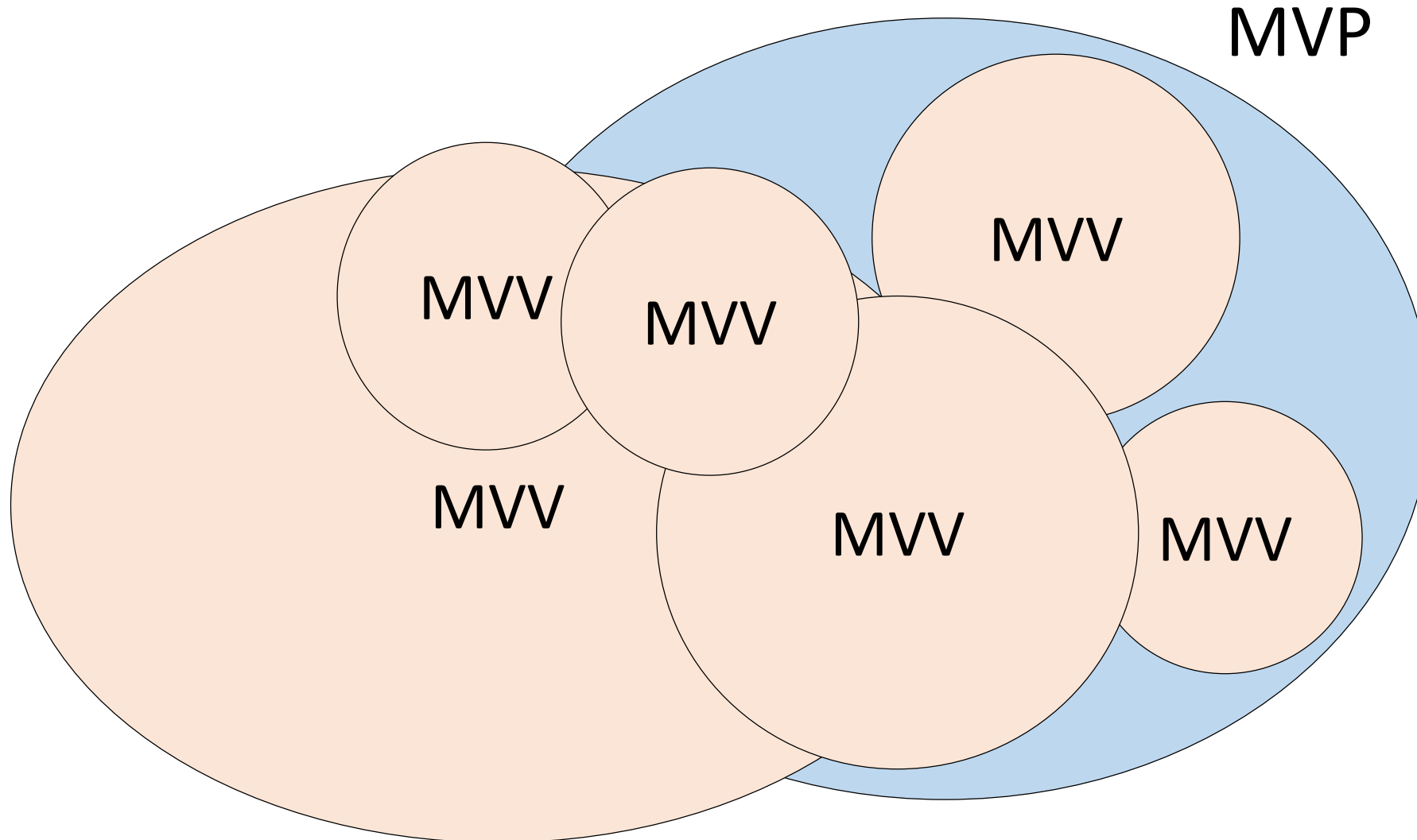
Year 1   Year 2   Year 3   Year 4   Year 5

Minimum Viable Value (MVV)

- The individual customer's equivalent to a MVP

- "What is the minimum value I <u>must</u> get from this solution in order for me to justify spending my time and money working with it?"

- Each customer's MVV is different!

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Minimum Viable Product vs. Minimum Viable Value

MVP

MVV

MVV

MVV

MVV

MVV

MVV

Customer-Centric Thinking

"You've got to start with the customer experience and work backward to the technology—not the other way around."

– Steve Jobs

Each Customer Is Unique

Customers are not homogenous. Each has their own:
- Experience level
- Set of needs
- Learning style
- Perception of your product's value
- Potential value from your product

Don't just understand your MARKET, understand <u>individual</u> users and prospects:
- Practice deep empathy
- Unrelenting curiosity

Leverage Those Unique Attributes!

- Create different offerings targeted at different needs—at appropriate price points and business models (perpetual, subscription, usage-based, etc.)

- Use usage analytics

- Create multiple educational offerings to suit different learning styles:
  - Printed documents/text (PDFs, etc.)
  - Video walk-throughs (short, task-oriented)
  - General overviews/quick starts

Customer-Hostile Example

- 25 percent+ of many organization's tickets relate to licensing
- Main challenges are:
    1. Initial activation (sequence confusing, wrong, etc.)
    2. Reactivation due to h/w changes
    3. Moving licenses from A to B
    4. Connectivity/offline
- Creates an awful first impression + ongoing friction, higher churn

Customer-Centric Design
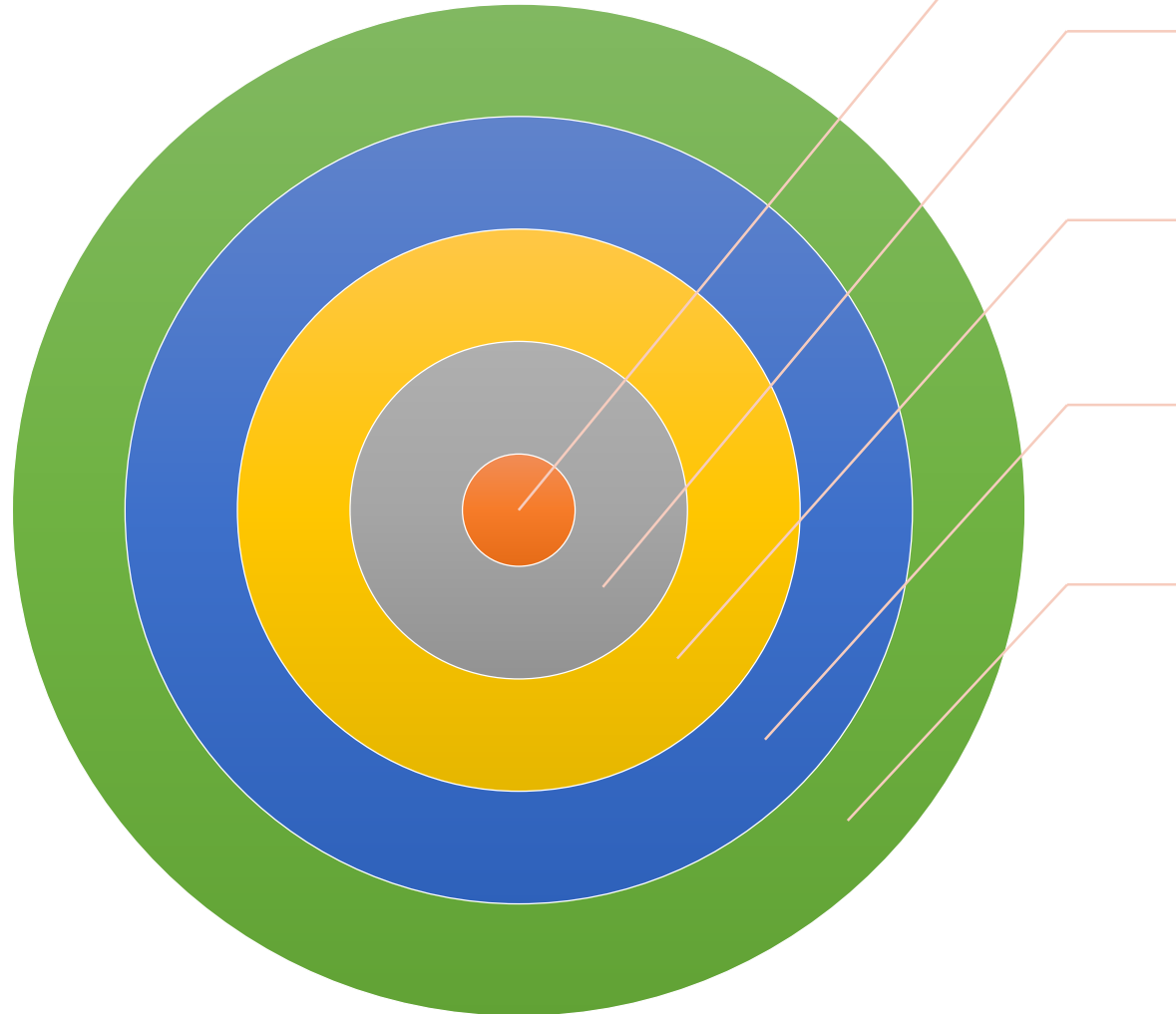
Customer (End User)

Customer (Admin/Proc)

Partners

Customer Support

Operations

Customer-Centric Licensing Design

- Emphasis is on the way customer experiences licensing/activation, especially with regards to the out-of-the-box experience

- Centers around initial activation/configuration, ease of purchasing upgrades, etc.

- Focus is to make licensing seamless and painless for <u>you</u> and <u>your customers</u>

- Customers do not care about licensing—EXCEPT when it doesn't work!

The Perils of Doing It Wrong

- Initial impressions are lasting impressions
- Hurts your brand at exactly the wrong time
- Licensing has little perceived value to the end-customer—and can swing to hugely **negative** value when done poorly

Some Examples (of How *NOT* to Do It)

Panasonic V-Log L Function Activation Code for DMC-GH4, DC-GH5, and DMC-FZ2500
B&H # PADMWSFU1VLO • MFR # DMW-SFU1-VLOG

Panasonic.

#1 SELLER

IMPORTANT NOTICE: This item is non-cancelable and non-returnable

$0.00 Tax Collected Outside NY

IN STOCK
Order **Now** to Ship **tomorrow**

Free Expedited Shipping

You Pay: **$97.99**

PRODUCT HIGHLIGHTS

- Adds V-Log L Gamma to GH4, GH5, FZ2500
- Wide Dynamic Range of up to 12 Stops
- Improved Color Matching with Varicam
- Similar Characteristics to Cineon

Show more

LUMIX

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More discussions in 🌐 Downloading, Installing, Setting Up ⌄

6 Replies | Latest reply on Jul 28, 2015 6:12 AM by jans45403615

SilentFallen   Jun 5, 2015 1:50 PM

Photoshop elements 13 -- Can't obtain a response code during the offline activation method

This question has been **Answered.**

Hi there,

I'm having trouble with activating Photoshop Elements 13. The program itself won't even let me enter my adobe id (seems like it can't connect to the internet, even though my internet connection works just fine otherwise; I even tried deactivating my firewall and my antivir program). So I tried the offline activation method but I can't obtain a response code; I entered (and checked) both my serial number and my activation code but the latter seems to be invalid (even though it worked just fine when using it to get the serial code). I have already consulted the troubleshooting page and looked into my host file and the certificate - to no avail.

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Customer-Centric Licensing

- General Guidance
  - Licensing should take less than 30 seconds
  - Use the **customer's** vocabulary not yours
  - Start licensing CX early—not at the back end
  - Talk to all the stakeholders, get their validation, iterate
  - Train all the stakeholders on how they are part of the overall experience (docs, videos, website, support/FAQs, etc.)
  - Make sure it is easy for people to get what they want and know what they have
  - Be consistent!
  - Make it easy to get support when things go wrong

Make Them Successful QUICKLY!

- Focus the majority of your attention on the first 30 minutes with your product, then the first 48 hours

- Accommodate different learning styles (text, video, …)

- Help them be successful QUICKLY

- Have them EXPERIENCE the value of your solution in some small but recognizable way, on their own terms

The main reasons customers leave you

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Why Customers Leave You

- They no longer have <u>the need</u> your software can fulfill
  - This is typically RARE

- They still have the need but <u>don't understand</u> how to fulfill the need through your software
  - Not enough focus on rapid success with your product, task-based approaches to learning

- They still have the need but found a <u>better/easier/cheaper alternative</u> to fulfill that need
  - Competition, low switching costs, not enough focus on value

Matching perceived value with pricing

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webinar series

PRAGMATIC live))

Maximum Realizable Value (MRV)

- The recognition that few customers will gain value from ALL of the features of your product (especially a mature one)

- "What is the maximum value I <u>personally</u> can get from using this product?"

- MRV is highly customer specific, subjective and depends on their individual needs and use cases

Mature Product vs. Maximum Realizable Value (MRV)

Current Release
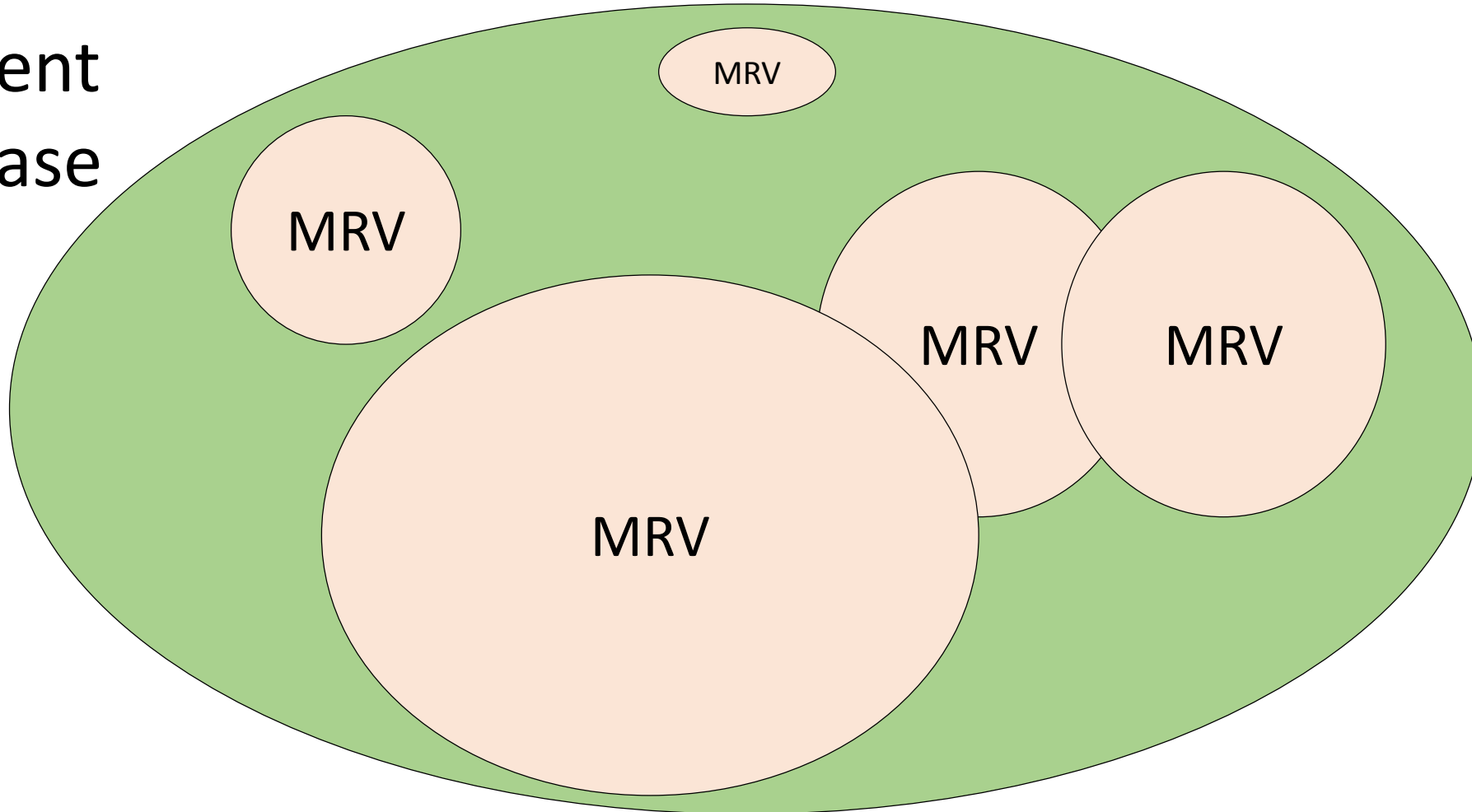
Feature Usage/Value Analysis

FEATURE A

FEATURE B

FEATURE C

FEATURE D

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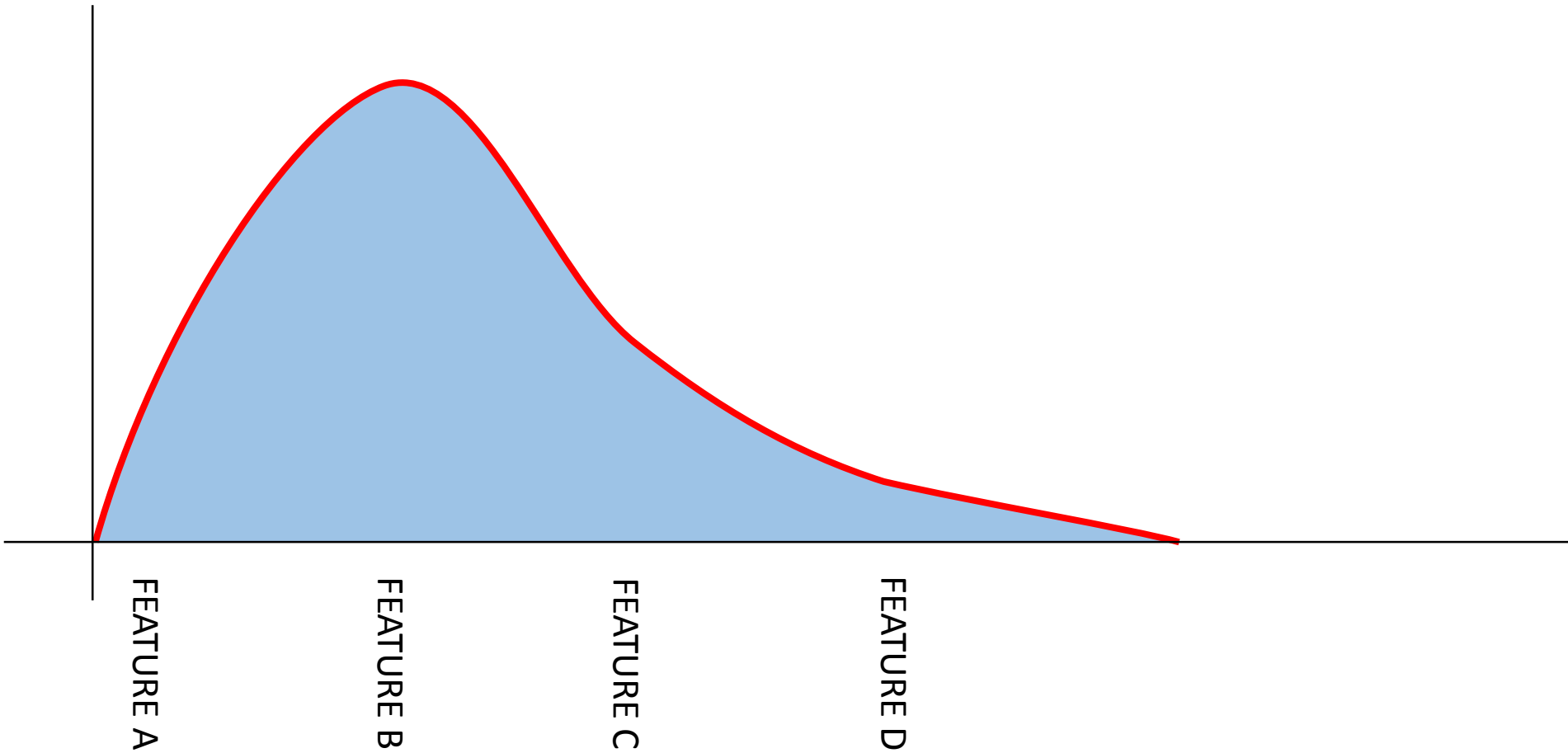
Matching Value With Expense

| EDITIONS	Feature A	Feature B	Feature C	Feature D	Price
BASE EDITION	●				$199
SILVER EDITION	●	●			$299
GOLD EDITION	●	●	●	●	$499

Match Investment With Value

- Create different editions at different price points in order to better match realized value with investment required

- Leverage usage analytics to determine appropriate tiers

- Keep it <u>simple</u> and easily understandable—don't overcomplicate

Creating predictable revenue streams

Typical Acquisition Funnel

Lead

Trial/Free

Paid

Renewal
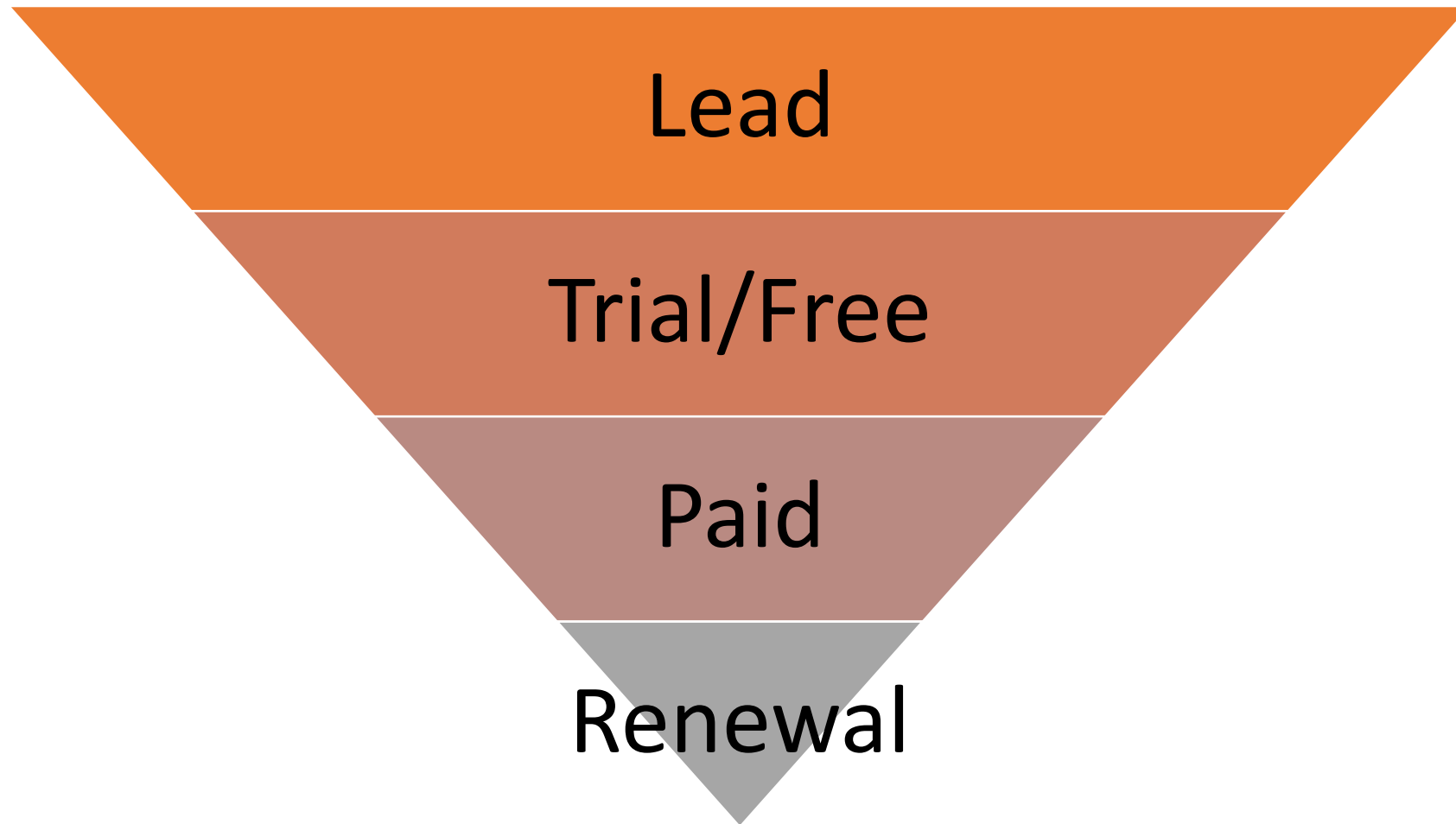
Typical Customer Value
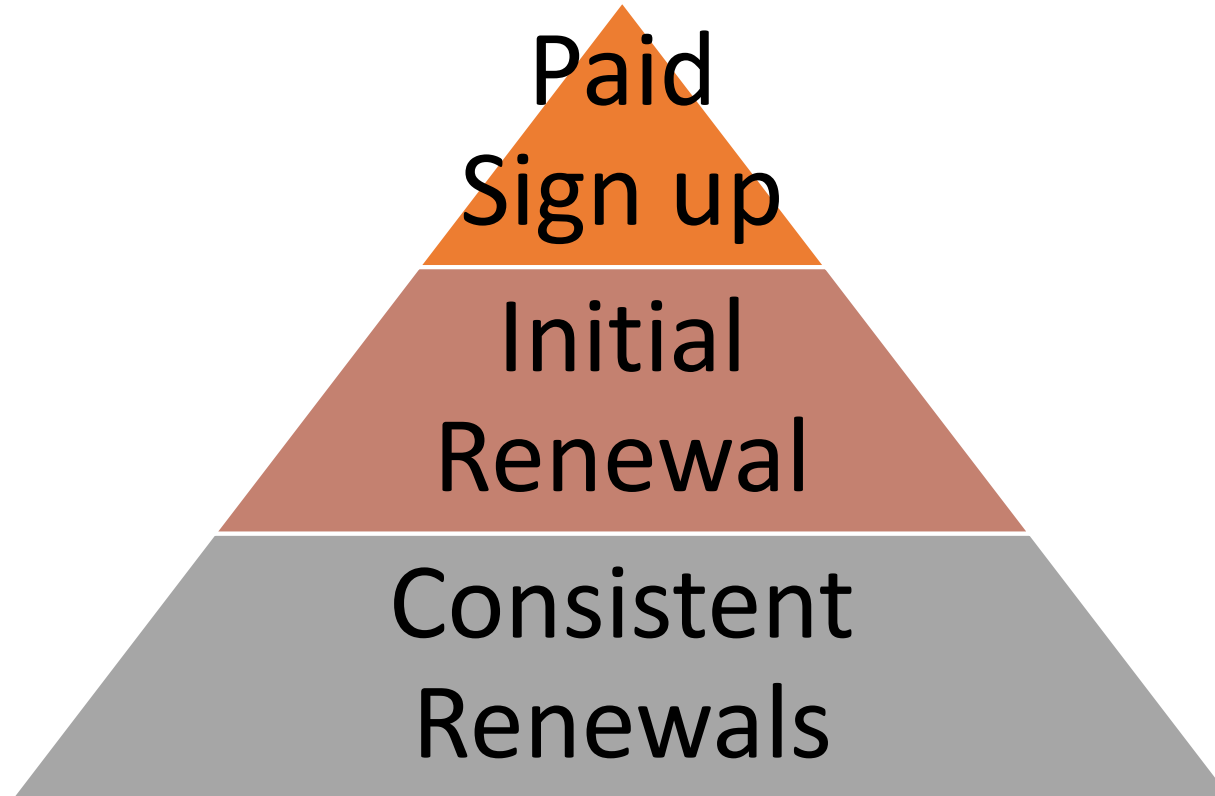
The Benefits of Focus on Retention

- More predictable retention rates lead to more predictable revenue

- Moving from perpetual to subscription gives higher predictability

- Creating valued tiers of your offering at different price points provides higher monetization

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Move to Subscription-Based Models

- Provide ongoing value for ongoing income

- Track engagement/activity

- Proactive renewals (auto-renew, automated renewal notices, reinforcement of value provided, etc.)

Summary

Minimum viable value/maximum realizable value

Each customer is different—use analytics when possible

Practice deep empathy

Show extreme curiosity

Be customer-centric—focus on OOB experience

poll

How does your focus on customer retention compare to customer acquisition?

**A) No real focus on retention
B) Some, but less than acquisition
C) As important as acquisition
D) More important than acquisition**

contact

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www.nalpeiron.com

Thank You
for attending!

Join us for next month's webinar:

Market Problems

B M

JAN Product Portfolio	**FEB** Win/Loss	**MAR** Stakeholder Communications
APR Requirements	**MAY** Distinctive Competencies	**JUN** Collateral
JULY Product Profitability	**AUG** Referrals & References	**SEP** Innovation
OCT Customer Acquisition	**NOV** Customer Retention	**DEC** Market Problems