CUSTOMER ENGAGEMENT

SAMPLE DUE DILIGENCE REPORT

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Summary

This report assesses the effectiveness, scalability, and resilience of TargetCo's customer engagement model. The focus is on how effectively TargetCo retains, expands, and services customers within a recurring revenue MSSP model.

HEADLINE FINDINGS

- Customer engagement is technically strong but inconsistently orchestrated across the lifecycle.
- Onboarding too often diverted away from existing tasks to new, typically Enterprise, customer wins, causing mistakes to be made and resulting in service failures.
- The impact of losing enterprise tier customers has a significant impact on financial performance – focus needs to be applied to reducing the impact of losing enterprise tier customers.
- Retention, outside of their enterprise tier, particularly in their mid-tier customer base, is of concern and far too much effort is needing to be expended on customer retention exercises.
- Retention is being adversely impacted by frustration from some customers over onboarding delays or rushed deployments leading to early and repeated service failures.
- Renewals triggered <90 days before contract end for some customers.
- Service optimisation is held back.
- There appears to be limited proactive value articulation.
- The model is service-heavy and relationship-dependent, creating scalability and margin risks.
- Limited use of technology to drive customer interaction.

Overall Assessment:

Moderately strong engagement foundation with clear upside through more balanced focus, staffing, standardisation, segmentation, and automation.

Scope & Methodology

Scope of Review:

- Customer lifecycle engagement (onboarding, steady-state, renewal, expansion)
- Account management and customer success structure
- Governance, Frequency, and communication models
- Customer sentiment and retention drivers
- Scalability and repeatability of engagement

Data Sources:

- CRM and contract data (24 months)
- Customer interviews (anonymised)
- Management and staff interviews (anonymised)
- Service delivery documentation
- NPS and support ticket data

Business & Customer Model Overview

TargetCo operates a recurring-revenue MSSP model providing managed SOC services, threat detection, and incident response across enterprise, mid-market, and SME customers.

Revenue Profile:

85% recurring revenue

- Multi-year contracts with annual renewal cycles (Public sector typically 3+1 years, Private sector typically 3+2 years)
- Upsell/cross-sell opportunities tied to additional modules/services and response tiers

Customer Segmentation:

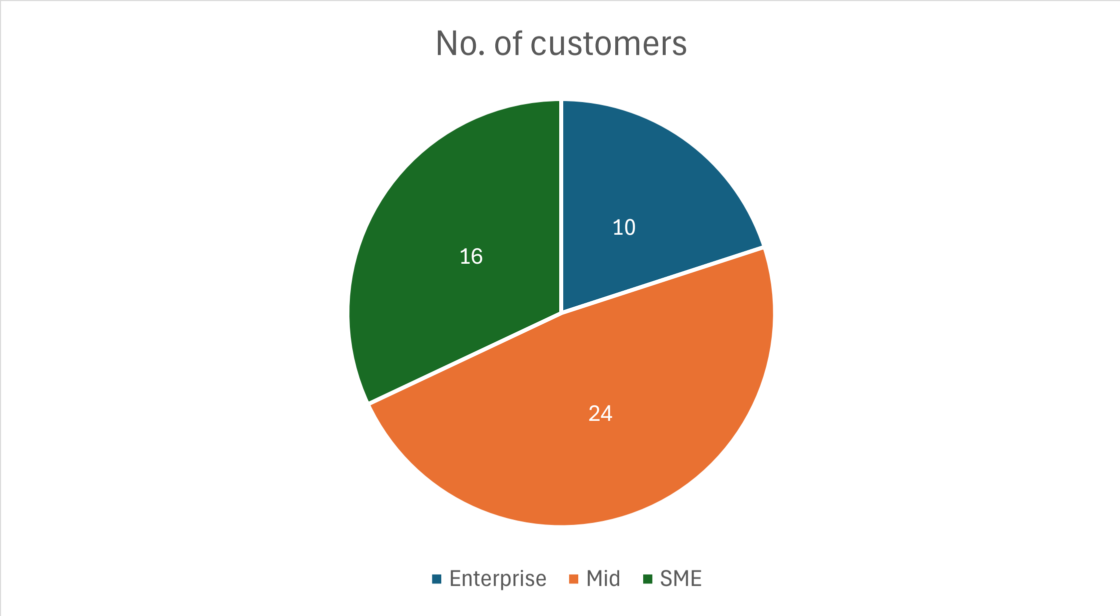
- Enterprise (strategic, high touch) (>£10,000 revenue per month)
- Mid-market (mixed touch) (£5,000-£10,000 revenue per month)
- SME (largely reactive) (<£5,000 revenue per month)

Current Customer Mix

Tier	Number	Ave mthly revenue	Retention	NRR [1]
Enterprise	10	£28,000	90%	104%
Mid-Tier	24	£7,200	78%	97.5%
SME	16	£3,100	65%	87.5%
Total/Ave	50	£10,000	76%	100.5%[2]

- Average of 10% growth achieved for those retained customers.
- Increasing retention within the Mid-Tier customer base to ≈ 90 % would improve the NRR to 105% for that tier and 102.7% overall.

[1] Measured over a 12 month period
[2] With 3% inflation NRR looks more like 97.2%



Customer Engagement Model Assessment

ENGAGEMENT OWNERSHIP & STRUCTURE

- Enterprise customers benefit from named Account Managers, Customer Success and Service Managers.
- Mid-market customers often share pooled resources, reducing relationship depth.
- SME engagement is predominantly ticket-driven with minimal proactive outreach.

Observation: Engagement quality correlates strongly with customer size rather than risk profile or scale of opportunity.

Observation: The Onboarding team is sometimes stretched too thinly, leading to short cuts or incomplete deployments.

TARGETCO CUSTOMER ENGAGEMENT STRUCTURE

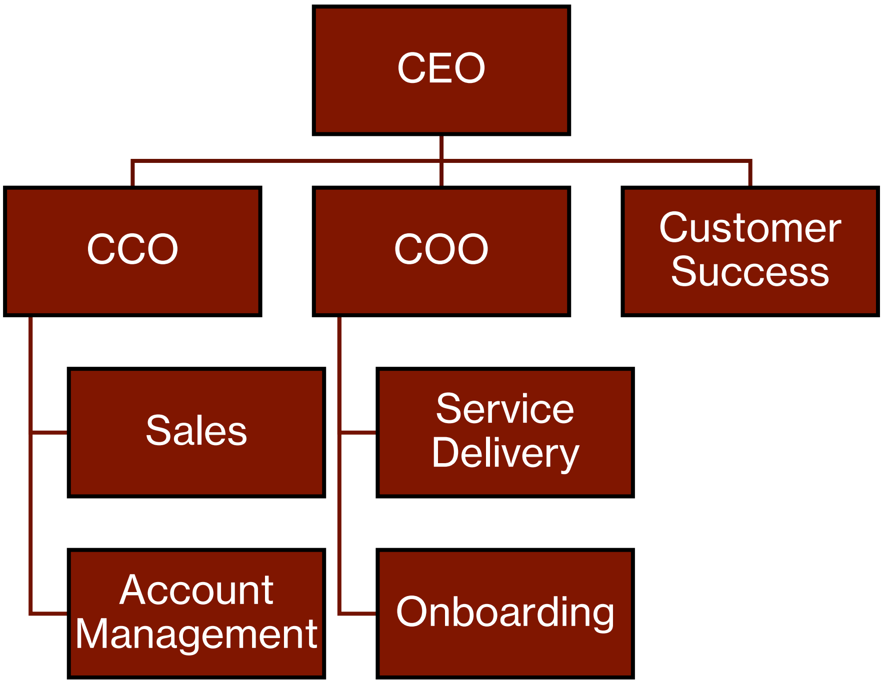


Figure 1 Customer engagement organisational structure

N.B. Customer Success reports directly to the CEO.

Operating Model & Role Clarity

Sales → Account Management
↓ ↑
Onboarding → Customer Success
↓ ↑
Service Delivery

Figure 2 Roles & responsibilities

This diagram highlights the teams involved in the customer engagement lifecycle at TargetCo

- **Sales** hands off to **Account Management** (commercial relationship) and **Onboarding** (Scope)
- (**Onboarding** hands off cleanly to **Service Delivery**
- **Customer Success** sits *above* delivery, translating service into value
- **Account Management** monetises that value

- **Onboarding** → time-bound enablement
- **Service Delivery** → operational execution
- **Customer Success** → value realisation
- **Account Management** → commercial ownership

ROLE & TASK SEPARATION

1. Onboarding

Purpose:
Get the customer live, stable, and confident as fast as possible.

Headcount:

Manager + 2 staff

Time-bound:
Contract signature → steady-state operations (typically 30–90 days)

Core Tasks

- Kick-off & scope confirmation
- Technical integration (feeds, network traffic, SIEM, access)
- Playbook & runbook configuration
- Customer education (how to access the tools being used, how incidents handled, who to contact)
- Go-live sign-off

Success Metrics

- Time-to-value
- Onboarding completion on schedule
- Quality of service deployment
- Zero unresolved scope ambiguity

What Can Go Wrong

- Onboarding treated as “early service delivery”
- Scope creep baked in permanently
- No formal handoff to Customer Success
- Onboarding sometimes not completed in full as resource can be pulled away early to work on new customer

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2. Service Delivery

Purpose:
Deliver what was sold – reliably, securely, and at agreed SLAs.

Headcount:

Time-bound:
Ongoing, operational

Core Tasks

- Monitoring & threat detection
- Incident response & escalation
- Ticket handling
- SLA management

- Platform uptime & performance

Success Metrics

- SLA adherence
- Incident resolution times
- Customer trust during crises

What Can Go Wrong

- Service team becomes the de facto relationship owner
- Delivery excellence masks weak engagement
- No feedback loop into renewal or expansion

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3. Customer Success

Purpose:
Ensure customers **realise and understand value**, continuously.

Headcount:

2 staff

Time-bound:
Ongoing, strategic

Core Tasks

- Proactive engagement frequency (QBRs)
- Value articulation (risk reduction, outcomes)
- Health scoring & churn risk identification
- Ensuring service features have been fully and correctly deployed
- Adoption of features / service tiers
- Expansion identification (non-commercial)

Success Metrics

- Gross & Net Revenue Retention
- Customer health distribution
- Expansion pipeline quality

What Can Go Wrong

- CS confused with “polite support”
- No quantified outcomes (especially in security)
- Reactive posture — only visible during incidents

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4. New Business Sales (Sales)

Purpose:
Conversion of prospects into customers.

Headcount:

Manager + 2 leaders + 6 staff

Time-bound:
From prospect qualification to initial contract signature.

Core Tasks

- Opportunity ownership through to contract signature
- Commercial negotiations
- Pricing and scope of initial service
- Relationship building and handover to Customer Engagement team
- Forecasting & pipeline ownership

Success Metrics

- Opportunity pipeline health
- Target achievement
- Deal quality & pricing discipline

What Can Go Wrong

- Sales look to retain the key commercial relationships post award, distracting them from their focus on new business and impacting the customer engagement team's ability to take over.
- Failure to introduce Account Management and Onboarding during contract negotiation can lead to relationship/trust challenges.

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5. Account Management

Purpose:
Commercial ownership of the customer relationship.

Headcount:

2 staff (report to Sales Manager)

Time-bound:
Full customer lifecycle

Core Tasks

- Contract ownership & renewals
- Commercial negotiations
- Pricing, scope, and upsells
- Relationship mapping (economic buyer vs technical buyer)
- Wider relationship management
- Forecasting & pipeline ownership
- Account plan health

Success Metrics

- Renewal rates
- Expansion ARR
- Deal quality & pricing discipline

What Can Go Wrong

- AMs become relationship-only, not commercial drivers
- Renewals delegated to CS or service teams
- Incentives misaligned (no retention or expansion ownership)

- Relationships with customers become too narrow leading to fractures in relationship when personnel move on.

RISK:

Resourcing is heavily focused on winning new business, whilst Onboarding, Customer Success and Account Management appear to be under-resourced to deliver best in class service and customer retention.

RACI MATRIX – CUSTOMER ENGAGEMENT MODEL (MSSP)

Roles

- **OB** = Onboarding / Implementation
- **SD** = Service Delivery / SOC / Ops
- **CS** = Customer Success
- **AM** = Account Management

1. Customer Lifecycle Activities

Activity	OB	SD	CS	AM
Contract handover & kick-off	**R**	I	C	**A**
Scope confirmation	**R**	C	C	**A**
Technical integration / setup	**R**	**C**	I	I
Go-live sign-off	**R**	C	C	**A**
Transition to steady state	**R**	**A**	C	I

2. Service Delivery & Operations

Activity	OB	SD	CS	AM
Monitoring & detection	I	**R/A**	I	I
Incident response	I	**R/A**	C	I
SLA management	I	**R**	C	**A**
Ticket handling	I	**R/A**	I	I
Service quality reporting	I	**R**	**C**	**A**

3. Customer Engagement & Value Realisation

Activity	OB	SD	CS	AM
Customer health scoring	I	C	**R/A**	C
Proactive engagement Frequency	I	I	**R**	**A**
QBRs / Service reviews	I	C	**R**	**A**
Value articulation (outcomes)	I	C	**R**	**A**
Churn risk identification	I	C	**R**	**A**

4. Commercial Ownership & Growth

Activity	OB	SD	CS	AM
Contract ownership	I	I	C	**R/A**
Renewal management	I	I	C	**R/A**
Pricing & negotiations	I	I	C	**R/A**
Expansion identification	I	C	**R**	**A**
Upsell / cross-sell execution	I	I	C	**R/A**

5. Governance & Escalation

Activity	OB	SD	CS	AM
Executive escalation	I	C	C	**R/A**
Risk & issue management	I	**R**	**C**	**A**
Relationship mapping	I	I	C	**R/A**
Forecasting & pipeline	I	I	C	**R/A**

ENGAGEMENT FREQUENCY & GOVERNANCE

- Enterprise accounts follow quarterly business, monthly service and weekly ticket reviews, plus ad hoc threat briefings.
- Frequency is inconsistently documented and reliant on individual AM discipline.
- Limited use of standardised agendas or outcome tracking.
- Limited use of technology to drive engagement.

Risk: Knowledge and relationship risk concentrated in individuals.

VALUE ARTICULATION & OUTCOMES

- Customers strongly value technical competence and incident response speed.
- However, many customers struggle to articulate ongoing value outside of incidents.
- Limited translation of security outcomes into business risk reduction metrics.

Impact: Renewal discussions skew to defensive rather than value led.

Retention, Churn & Expansion Analysis

Retention:

- Relationship at enterprise tier too reliant on the AM.
- Gross Revenue Retention is strong (>90%) at enterprise tier.
- Room for improvement in Mid-Tier.
- More focus on completing the service deployment within Mid-Tier should improve retention.
- Churn in SME segment driven by price sensitivity and perceived commoditisation.

Expansion:

- Expansion revenue is opportunistic, typically triggered by incidents or regulatory change.
- No consistent expansion playbooks or cross-sell activity.

Current Customer Mix & NRR

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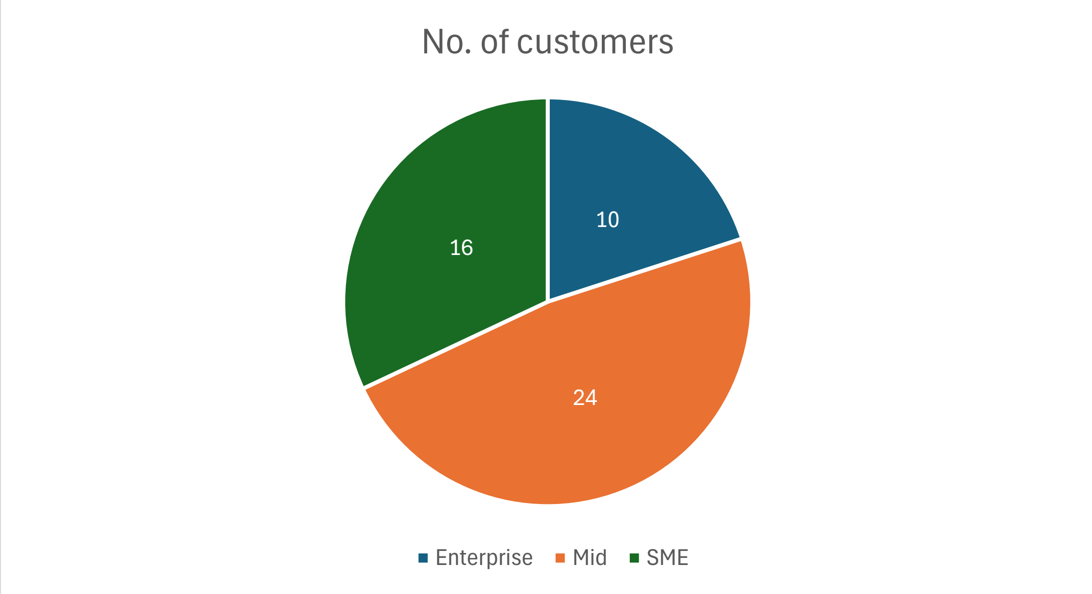

Figure 3 Customer mix

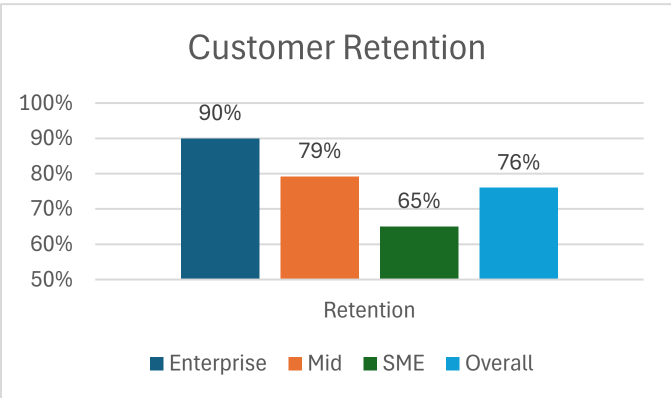

Figure 4 Customer retention

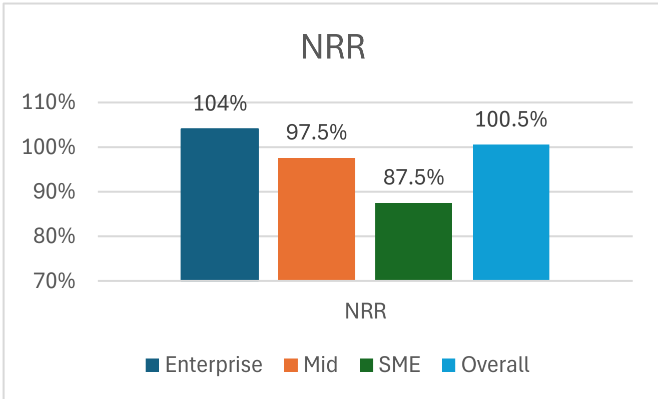

Figure 5 NRR

Average Customer Retention (over last 3 years)

		Ave Customer Retention		Ave NRR
FY	**No of Customers (start)**	**TargetCo**	**Sector**	**TargetCo**
2022/3	30	75%	80%	98.4%
2023/4	38	78%	82%	104.2%
2024/5	50	76%	83%	100.5%

Sector performance – Retention rate

Best performers in sector claiming 94%

Sector average 81-83%

Sector performance – NRR

100-110% is considered good, with 110-120% being seen as very strong

Customer Sentiment & Voice of Customer

Customer Interviews Highlight:

- Positive feedback on analyst quality and responsiveness.
- Frustration with onboarding delays amongst some customers, particularly amongst Mid-Tier.
- Frustration with unclear ownership of service issues and slow commercial follow-up.
- Desire for more proactive threat intelligence and benchmarking insights.

NPS: Stable but flat over the last 12 months.

Tier	No. interviewed
Enterprise	3
Mid	5
SME	4

Figure 4 Customer interview sample

Process Maturity & Scalability

Strengths:

- Deep technical expertise
- Strong service credibility
- High trust in incident handling

Gaps:

- Limited automation in customer communications
- Manual reporting and bespoke service reviews
- Engagement model not easily scalable without headcount growth

Key Risks

- Over-reliance on senior technical staff for relationship management
- Focus skewed too heavily to winning news logos rather than retaining those they already have
- Effort expended on customer recovery will become unsustainable if customer retention in Mid-Tier and SME segments not addressed
- New business sales distracted by being pulled back into existing customers

- Engagement dilution as customer base grows
- Loss of any enterprise tier customers has a significant impact on NRR
- Margin pressure from high-touch servicing
- TargetCo demonstrates strong service delivery, however accountability for value realisation and commercial ownership is fragmented
- Renewal risk if value is not continuously articulated and consistent attention to onboarding timetable and process

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Value Creation Opportunities

- Introduce tiered engagement models aligned to customer risk, value and potential
- Staff Customer Success and Onboarding to improve customer satisfaction and value recognition
- Standardise QBRs with business-aligned security metrics
- Clarify accountability for value realisation to improve NRR
- Better utilisation of technology to drive improved customer engagement particularly for long-tail accounts
- Align incentives to customer satisfaction, retention and expansion, not just service delivery

Estimated upside: Improved NRR and operating leverage within 12–18 months.

Conclusion

TargetCo's customer engagement model is credible and trusted but under-optimised for scale and value creation. With targeted improvements, the model can support accelerated growth and margin expansion post-acquisition.

Overall Engagement Effectiveness Rating: 7/10
