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## Running Support as a Business *How to Make it Work in the Trenches*

In the [last article](#), we discussed how to transition to running renewals as a business from a strategic perspective. This time, we focus on how to run support renewals to maximize profits from a practical perspective.

Streamline the renewals process

Renewals are the quintessential repeatable process, so spend time tuning it until it flows well for you and for your customers.

Here are the key points:

- Start early – Make the initial contact with customers two to three months before their contracts expire and provide a tentative quote based on your current records. If your customers have a particularly rigid budgeting cycle you may need to start even earlier.
- Keep following up – The goal is to get to a firm invoice six to eight weeks before the expiration date. This requires a persistent and organized renewals rep.
- Track payments – Sending an invoice, even a revised and correct invoice, is only the beginning. The ultimate objective is to receive the renewal payment before the expiration date. Some organizations place customers on support hold as soon as support contracts expire; others are more lenient. Getting the renewal before the expiration date should always be the central goal of the renewals group.
- Constantly review the backlog – Don't let customers fall behind; it's virtually impossible to get paid for past support. Savvy renewals managers track customers through the cycle, pinpoint customers who are outside the parameters, and define strategies to resolve delays.

Don't hesitate to send retroactive bills if you inherit a messy situation. Some of the bills will get paid – and you can dance a little victory dance when they do. Other customers will negotiate a rebate, which you will probably have to grant if they never got invoices. And others won't pay at all, a good reminder that timing is key.

### Cluster renewals

Simplify your life, your customers' lives, and your sales reps' lives by invoicing each customer once a year regardless of how many purchases they have made over the years rather than sending one renewal notice per purchase. It requires some additional work to cluster renewals, but it's no more than a simple math exercise. Here's how to do it.

Say you're renewing a support contract for a customer who, five months before the renewal anniversary date, purchased a new license and with it a one-year support contract. When you create the renewal quote, include both the existing licenses and the new one. For the new one, since the customer already paid for seven of the 12 months of the coming year, charge for five months support to get to a single date for the existing contract.

The beauty of this system is that it lets sales rep sell as usual, without having to worry about co-terminating contracts. It saves the Renewals group a lot of overhead by minimizing the number of transactions. It gives customers the convenience of fewer bills. And it also avoids multiple negotiations that can each lead to concessions.

### Assertively increase discounted prices towards normal levels

If a customer got a discounted support price, remember to raise the price of the renewal contract towards the list price, within the constraints of the contract of course. Even if you are constrained to small yearly increases they will compound over time. Since many contracts restrict year-to-year increases, missing a yearly increase cannot be compensated with a larger increase the following year.

A customer whose contract clearly spells that support pricing for future years will be full-price should not have a problem with large increases. However, customers who have enjoyed low prices for years usually balk at sudden large increases (say more than 20%), even if their contract doesn't prohibit them through price caps. Tread lightly: avoiding an argument is often best, as customers who question the value of their support contract are led to question their entire relationship to you, the vendor. Spread large increases over a number of cycles. Whenever you grant a reprieve, make the discount clear to the customer by showing both the full price and the extended price on the quote, so the customer can appreciate both the full value of the service and your generosity.

### Encourage customers to upgrade to a higher level of support

This is where having sales-minded people do renewals pays off. With each quote, include a description of the benefits of the support packages above the one the customer already uses, with quotes for the upgraded levels. (Do not include descriptions of the lower levels; let customers ask for them.)

There is an interesting benefit to customers' upgrading their level of support beyond the added revenue: upgrading may remove the increase caps in the original contract. In other words, if the customer originally purchased Silver Support, the caps may not apply to Gold Support or Platinum Support.

### When creating new packages, plan the transition for existing customers

It's not a bad idea to regularly tune your support offerings to better serve existing and new customer segments. In your enthusiasm to create new packages don't forget to plan for how to transition existing customers to the new packages. It's not as

exciting as creating the packages, do be sure, but you should not ask the individual renewals reps to determine how to handle each customer. Identify what customers may find problematic, whether pricing or features-related and predefine transition paths that will be acceptable to customers. Renewals reps will take a little longer to process each contract if they have to explain the transition, but much less than if they had to reinvent the wheel each time.

### About the Author

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