

SSPA news

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Playing Offense: Strategies and Best Practices For Protecting Support and Maintenance Revenue, Margins & Company EPS

By the SSPA Industry Committee for Support & Maintenance ROI

The final results and recommendations of the SSPA Industry Committee for Support and Maintenance ROI were presented during a keynote address at the SSPA Conference in Las Vegas this week. The Committee studied the very real and serious threat to services revenue and margins and company EPS that is posed by customers who are aggressively pursuing reduced pricing and other special concessions on maintenance and support fees.

The keynote presentation, delivered by Trisha Bright, SSPA Vice President of Member Programs, capped off a million dollar investment by the SSPA and a year's worth of research and analysis undertaken by the Committee to delve into the issue. Co-presenting with Ms. Bright was Suzi Pike, Executive Director of STAR Support for McKesson Corporation, who was a key contributor to the committee efforts.

Amongst the key Committee findings that were shared are the following:

- 38% of support and maintenance providers discount 30% or more of their large maintenance contracts
- 30% of support and maintenance providers discount 10% or fewer of their large maintenance contracts

Furthermore, the average size of discounts shows significant variation:

- 40% of respondents discount less than 5% off the original quote on their average maintenance contract.
- 16% discount their fees 20% or more on average

Notably, companies who are successful at defending their support and maintenance fees have higher customer satisfaction scores than their frequent discounting counterparts

The keynote then went on to present insights gained from studying the best practices of companies who are successful at minimizing discounts. Amongst the recommendations given by the ROI Committee are the following four key success factors for defending maintenance and support fees:

- Create a "culture of value" around services;
- Put in place the right organizational structure, business systems and processes;
- Implement sales and marketing policies that discourage discounting;
- Maintain a strong focus on service delivery execution.

In each area, the Committee identified specific actionable steps that can be taken to implement the success factors.

In addition to the involvement of more than 20 SSPA member companies, the SSPA engaged the Kotler Marketing Group, the

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country's preeminent experts on ROI-based sales and marketing, to bring high-powered subject matter expertise to the team. Representatives from the Kotler Marketing Group were present at the SSPA conference where they previewed a new ROI sales tool and training program designed to help maintenance and support providers defend their pricing by effectively quantifying the business benefits and reduced risk that their services provide to customers.

The full results and recommendations of the Committee will be published in a white paper (for SSPA Members only) available through the SSPA web site the week of October 24 th. Additionally, the SSPA will deliver a webcast series in November to present the issue and actions that can be taken to address it. Two versions of the webcast will be available – a 30-minute executive session intended for non-services staff will cover the issue and key recommendations at a high level and is intended for CEOs, CFOS, and the VPs of sales and marketing. A 90-minute version intended for services management will delve into the issue in detail, providing specific actions that companies can take to address this issue. Additional details about the webcast series will be provided in upcoming SSPA communications.

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