



Cisco Technical Support Services—At-A-Glance

Selling Multiyear Service Agreements

Adding Value with Multiyear Service Agreements

Multiyear service agreements are about adding value—both for the partner and for the end customer.

Selling multiyear service agreements can help partners:

- Increase customer loyalty
- Reduce administration costs
- Improve cash flow
- Increase revenue opportunities
- Enhance margins

Multiyear coverage helps customers:

- Lock in prices
- Receive continuous coverage
- Take advantage of discounts and incentives
- Better manage operating expenses
- Improve cash flow
- Reduce time spent renewing service contracts

Selling Services: Changing the Way You and Your Customers Think

Selling multiyear service contracts should not be seen as a separate activity from selling at the point of first sale, securing a contract on uncovered equipment, or pursuing a renewal.

Lead with multiyear service coverage at every opportunity as part of a complete solution.

Consider that when you sell a single-year service contract you spend time preparing, selling, negotiating, and processing contracts. When you offer a multiyear contract from the beginning, with the same amount of effort, your sales revenues and margins can improve dramatically.

The “sweet spot” is at first sale. Another important opportunity occurs during renewals.

Multiyear Customer Example

In this scenario, the customer purchases a three-year agreement that would normally cost \$9,458 per year or \$28,374 over the course of 3 years. By purchasing a three-year contract and paying up front for all three years, the customer pays \$26,388 today, rather than \$9,458 now and \$18,916 over the next two years. Paying up front results in a savings of \$1,986, or a 7percent savings over the three-year price. If the customer chooses to finance the purchase of this three-year service agreement, the customer does not receive the prepay discount, but is able to make monthly payments of \$788 at no interest. Additionally, the customer is able to avoid price increases by purchasing a multiyear agreement whether prepaying or financing.

Helping Your Customers Think Long Term

Customers are likely to think about service with a short-term perspective. To sell multiyear service contracts successfully, you will need to help your customers think long term, understand the finance behind the benefits of a multiyear program, and be able to converse comfortably with both operations decision makers as well as finance decision makers at different size companies.

Always ask your customers how long they intend to have the equipment in use.

Important questions to ask your customer include:

- How long do you think you will have a Cisco network? For at least the next three years?
- How would monthly payments for your service contracts benefit your business?
- How would locking in prices and improving cash flow affect your business?
- What projects would you pursue if you had additional budget?

Discussing Financial Impact: Positioning Multiyear Solutions for Success

- Tailor your approach to the needs of financial decision makers—Operations staff care about the quality of service and the details of the program. CFOs care about effective cost and benefit management, budget stability and planning, conserving budgets, tax advantages, and budget allocation.
- Calculate return on investment (ROI)—CFOs often use ROI to measure IT investment. Use an ROI calculation to demonstrate the cost-savings benefits of a multiyear agreement.
- Break down the upfront investment—Address the larger upfront expense by breaking down the multiyear expense into monthly, weekly, or daily costs.
- Demonstrate the benefits of improved cash flow—Multiyear contracts reduce overall costs, provide predictable monthly expense budgeting, free up cash, and allow services to be accounted for as an operating expense rather than a capital expense.
- Offer multiple payment options—Payment options can affect cash flow. Customers can choose to prepay or finance.
- Promote the benefits of Cisco Systems Capital® financing—Financing spreads the capital outlay over a number of years. Cisco Systems Capital financing solutions provide straightforward, flexible leasing options; competitive rates; and fast credit approval, documentation, and funding turnarounds.

Cisco Technical Support Services: A Complete Offering

Cisco Systems® offers a family of services to meet the needs of different types of commercial customers:

- Cisco SMARTnet® services and SMARTnet Onsite
- Cisco SMB Support Assistant
- Cisco Software Application Support Services
 - Cisco Software Application Support plus Upgrades (SASU)
 - Cisco Software Application Support (SAS)
- Cisco Unified Communications Essential Operate Service
- Cisco Unified Communications Select Operate Service
- Cisco Services for Intrusion Prevention Systems
- Cisco Services Integrated Services Routers

Best Practices for Selling Multiyear Service Agreements

- Sell multiyear service agreements at every opportunity—Sell at first sale, on uncovered equipment, and at renewal time.
- Do your homework.
 - Track contract renewal dates for each customer and time your sales and marketing activities appropriately.
 - Validate service availability, service levels, and service types so you can set your customer’s expectations appropriately.
 - Create price comparisons for one-year agreements compared to multiyear agreements
 - Factor in discount percentages that your customer might be eligible for and break down the larger upfront expense into smaller increments by day, week, or month.
 - Create ROI calculations that show the long-term cost savings and cash flow improvements specific to your customer.
 - Have a finance specialist review your ROI calculations to help ensure their accuracy.
- Capitalize on the renewals opportunity—Every annual renewal is an opportunity to increase the sales and margins for that particular sale by selling a multiyear agreement.
- Lead with financing—Offer the option of monthly payments, but wait to offer additional adjustments for multiyear prepay until you have confirmed that the customer will absolutely prepay.
- Measure your performance—The most successful Cisco resellers use a mix of marketing communications methods: e-mailers, phone calls, and postal mailers. It is important to track the response to these different media.



Cisco Technical Support Services—(Continued)

Selling Multiyear Service Agreements

Handling Objections

Objection

I did not budget for a multiyear agreement. I only budgeted for a one-year service agreement.

Response

This is a good opportunity to introduce Cisco Systems Capital financing as a means of paying for the larger multiyear costs. Ask your customers if they would be interested in a multiyear agreement, at today's Cisco Technical Support Service prices, while making monthly or quarterly payments.

Customers can take advantage of several lease and financing packages from Cisco Systems Capital, enabling services to be included together with equipment on a lease or financed on a standalone agreement. Their financial experts will work with your customer to provide the best rates and structures available, which can include 0 percent financing options.

Objection

I am concerned about locking up my budget for three years. Is there an out clause?

Response

This is one of the most difficult objections you will need to be able to handle when selling a multiyear agreement. It is true that there is no cancellation option, nor are service contracts transferable. This is a good time to remind your customers that a multiyear service agreement is the best way to protect the investment they have made in their networking solution. Revisit the solutions selling approach to help your customers think long term and reexplore how long the customer intends to keep the equipment in service. Although a financing arrangement with Cisco Systems Capital is a noncancellable agreement, the customer does have flexibility to add or upgrade the services during the term of the agreement.

Objection

Buying a multiyear service agreement seems like it costs more in the short term.

Response

Acknowledge this larger upfront expense right away. But remind your customers that they will be saving substantially over the cost of a one-year agreement. This is also a good time to show your customers how this larger upfront expense breaks down by day, week, or month to show that it is a small amount to pay for such value. If customers choose to finance the solution, they can spread out the cost of a multiyear agreement over a longer period and free up cash for other projects.

Objection

I do not see the benefit of prepaying for the multiyear service agreement.

Response

Tell your customers that prepaying for a multiyear agreement can help them lock in prices, avoiding service price increases. Prepaying saves substantially over the cost of a “pay as you go” approach and saves interest charges for financing.

Objection

I do not see the benefit of financing the multiyear service agreement.

Response

Financing is becoming increasingly important as businesses strategically invest in their operations. Many businesses now realize that how they acquire technology is just as critical as the technology decision itself. Using financing eases the uncertainty of future technological developments and their effects on business planning.

Tell your customers that financing a multiyear service contract can help them by:

- Providing a total solution
- Improving cash flow by preserving cash and helping them avoid use of bank credit lines
- Enabling predictable monthly expense budgeting
- Maintaining service coverage, extending life, and maximizing benefit of equipment
- Locking in today's services pricing and avoiding price increases
- Freeing up more cash to invest in hardware or other projects
- Enabling maintenance to be treated as an operating expense versus a capital expense

Other Resources

- Cisco Technical Support Services Portfolio Introduction: www.cisco.com/en/US/partner/products/svcs/ps3034/ps2827/serv_group_home.html
- Cisco Systems Capital information: www.cisco.com/en/US/ordering/or6/or7/o39/ordering_finance_solution_business_category0900aecd800d4d33.html
- Campaign Builder from Cisco Systems: www.cisco.com/go/campaignbuilder

Objection

Buying a multiyear service agreement eliminates my ability to negotiate during the renewal process (because I will not be renewing annually).

Response

Tell your customers that a multiyear agreement will eliminate their need to negotiate for better deals because they will be saving money substantially over the cost of a one-year agreement, taking advantage of discounts and incentives, and locking in prices. In fact, the multiyear discount is likely to be larger than any renegotiated price.

Objection

I am worried that if I finance the service agreement, I will have monthly payments that are beyond my current budget.

Response

Cisco Systems Capital can provide flexible payment structures to accommodate customer budgets and allow them to pay for the services during the period they are receiving the benefits of the services. This frees up cash for use in other higher yield opportunities such as investing in new projects, or R&D, or securing new customers.

More Information

This sales guide is part of an ongoing Cisco effort to increase your service sales effectiveness by helping you sell Cisco services at the very first sales opportunity, secure additional revenue through targeting uncovered equipment, and better capture opportunities to sell service renewal contracts.

For more information about selling services, please refer to our ongoing series of sales tools at:

www.cisco.com/web/partners/sell/promotions/services/arm/resources.html.