Selling Service Contract Renewals (Canada)

Managing Your Customer Base With Service Renewals

Distributors, resellers, and channel service account managers boost revenues, increase margins, and build long-term customer loyalty by renewing Cisco Systems® Technical Support Services contracts with commercial customers.

Renewing Cisco Technical Support Services contracts help you:

- Enhance cash flow and margins
- Penetrate new markets
- Improve your competitive advantage
- Increase customer retention
- Increase customer satisfaction
- Expand your relationship with your customer

Selling Services: Using Solutions Selling To Capture Renewals

Using a solutions selling approach is key to gaining a thorough understanding of your customer's business, decision-making process, and factors that affect the need for your solution.

The process for securing service contract renewals is:

1. Update your customer's business situation and associated service coverage model 90 to 120 days before the contract expiration date.
2. Prepare a quote and proposal for new hardware, software, services, with financing options
3. Manage objections and adjust the proposal as required
4. Close the sale on the new and renewed contracts

Focus on the Business Need—What Customers Need is:

- Their networks up and running
- To increase return on investment
- To manage total cost of ownership
- To maintain a competitive advantage
- To maintain business credibility and continuity

Cisco Technical Support Services: A Complete Offering

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

Cisco SMARTnet® and SMARTnet Onsite

- Cisco SMB Support Assistant
- Cisco Software Application Support Services
  - Cisco Software Application Support (SAS)
  - Cisco Software Application Support plus Upgrades (SASU)

Cisco SMARTnet service and SMARTnet Onsite— Providing World-Class Support

Cisco SMARTnet coverage includes software maintenance (Cisco OS Software updates), advanced replacement (of hardware), technical support (access to the world-class Cisco Technical Assistance Center [TAC]), and net access to an online suite of technology-specific tools to help customers support their networks.

With Cisco SMARTnet, customers reduce risk and increase return on investment.

The Cisco SMARTnet Onsite option provides a Cisco field engineer to install replacement parts at a customer site.

Cisco SMB Support Assistant—Protecting Network Investments

Cisco SMB Support Assistant is a service option that provides technical support to small and medium-sized businesses using select SMB-class products targeted to organizations of up to 250 employees. Cisco SMB Support Assistant includes access to the SMB Support Portal and Client that includes setup, configuration, and troubleshooting of devices, password recovery, and access to basic health checks and network troubleshooting tools. Cisco SMB Support Assistant provides 8x5 access to the SMB TAC, advanced hardware replacement, and minor software updates.

Cisco Software Application Support Services—Providing Increased Return on Investment, Strengthening Application Functionality

Cisco Software Application Support (SAS) and Cisco Software Application Support plus Upgrades (SASU) help to keep mission-critical software applications, like network management and voice over IP, current with application updates to strengthen application functionality and to increase the return on investment.

SAS and SASU include minor software updates, minor version releases, comprehensive 24x7 access to technical support, and registered access to a wealth of technical documentation, tools and utilities on Cisco.com.

SASU additionally entitles customers to major application upgrade releases which often include new software features and functions. Customers can keep applications current and implement major upgrades quickly and efficiently to maintain a competitive edge.

Securing Renewals—Increasing Your Sales Opportunity

Securing the renewal of a service contract and increasing your sales opportunity is dependent upon a number of critical factors:

Starting Early—90 to 120 Days In Advance
The most important aspect of successfully managing the renewals process is starting early—at least 90 to 120 days before service contracts are due to expire. Contact your customer to let them know they have a renewal coming up, and then schedule time with them to conduct a business review. The business review is essential to understanding the customer's business needs and proposing a valid solution.

Understanding the Customer's Business Needs—The renewals process is an important opportunity to re-engage with your customer. It's an excellent time to revalidate your customer's business challenges, networking requirements, and service coverage models. Use the renewals process to learn everything you can about their business and how it has changed since you first secured them as a customer. Better understanding your customer's situation will help you to retain them as a customer. It will also increase the value you provide them through Cisco solutions.

Exploring Opportunities to Up Sell—Your discussions with your customers should fully explore whether this is strictly a renewal, or an opportunity to sell additional services. Discuss the changes that have taken place in your customer's business that might affect the way they are using the technology. If they have taken on more staff, you can make a case for increased demand on switches and routers, meaning the existing service level may not be enough.
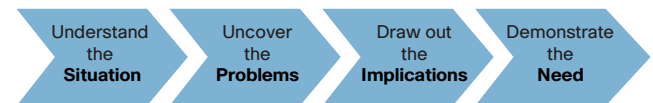
Proposing a Solution to Meet Customer Requirements—Once you have a thorough understanding of your customer's business issues, you will be in the best position to propose a complete solution that helps them achieve their business objectives. Your proposal will no doubt include the renewal of any existing service agreements, but the exploration of your customer's evolving situation may also lead you to propose new hardware and software and new service agreements for any uncovered equipment you have discovered, as well as financing.

Best Practices for Selling Service Contract Renewals

Use a Solutions Selling Approach—Entering into the service agreement renewals process is a critical time to continue using a solutions selling approach. This is an opportunity to continue exploring your customer's questions about cost of ownership, the impact of unexpected downtime, their need to show a return on technology investments, and what a reliable network solution means to the long-term success of their business.

Figure 1. Solutions Selling

Ask Questions to Discover the Right Approach to the Renewals Process

| Understand the **Situation** | Uncover the **Problems** | Draw out the **Implications** | Demonstrate the **Need** |

Lock in Revenue Streams through Co-Termination—This is an excellent strategy for optimizing your revenue streams and reducing your administrative burden. Where customers have purchased different service contracts at different times, you may find yourself contacting them repeatedly with the same messages relating to different pieces of equipment, which is a nuisance for you and for them. Co-termination means arranging for all service contracts to be renewed at the same time.

Sell Multiyear Options

Multiyear contracts (typically three years) provide:

- Discount incentives for customers
- Lower sales administration costs
- Higher renewal rates, stronger gross margins
- Improved cash flow for you and your customer

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Sell Financing for Commercial Businesses

Offering your commercial customer a financing solution that spreads their capital outlay over a number of years can enable the customer to accelerate or increase the deployment of state-of-the-art network solutions to help enable more productive, collaborative business environments—without having to worry about how they are going to pay for it.

Handling Objections

Objection

I know the technology now. Why should I pay for another year? My team can look after it.

Response

Point out the value they have already received in terms of support, upgrades, updates, replacement parts, and tools and resources. As an industry leader, Cisco continuously evolves and develops its products. With service protection, your customers have taken full advantage of the Cisco investment in innovation and kept their infrastructures up to speed with leading networking technology.

Objection

I do not need updates for Cisco OS Software (for renewals of Cisco SMARTnet).

Response

Remind them that their business is constantly changing and new applications are being released every day. Abandoning software support may result in new applications not working or working properly, thereby decreasing the competitive advantage they have gained. Reinforce that new versions of Cisco OS Software will add new functionality to their equipment, and help to boost their return on investment and lengthen the life of their equipment.

Objection

Why do I need to renew my service contract? I have not used it this year.

Response

Point out that your customer has received updates of Cisco operating system software (and application software, if this is relevant), which have kept their Cisco solution current and operating at a high level. Most customers do not realize just how much they have benefited from Cisco OS downloads.

Point out that service contracts:

- Supply rapid response to problems that can affect network availability
- Provide investment protection
- Avoid high transactional fees and long waits for delivery of parts
- Ensure software is current

Objection

I need service, but Cisco SMARTnet is too expensive and provides more than I need.

Response

If your customer does not want to renew Cisco SMARTnet, and meets the criteria for SMB Support Assistant, consider offering SMB Support Assistant. Revalidate the business need for the device and the associated decision to use service previously. Lead with the message that Cisco SMB Support Assistant is a service program designed to meet the needs of businesses like theirs. Emphasize that Cisco SMB Support Assistant delivers service in a package that is tailored to the way their business operates.

Objection

I do not want an on-site contract for parts replacement any more because it is more expensive (for Cisco SMARTnet Onsite renewals).

Response

Ask your customer what would happen if they were to experience a critical network problem after business hours or on the weekend. Point out that with Cisco SMARTnet Onsite support, they have fast responding onsite help, even after hours. Ask if they are comfortable with the risk of having their network down over a weekend, or even for several days, until they can get a resource to the location to help them. This point is particularly compelling for customers in remote locations.

Objection

I didn't budget for it.

Response

Handling this objection involves identifying cost savings, price protection, and most importantly, financing opportunities. Emphasize that while a customer might not have budgeted for a prepaid multiyear contract, making monthly payments to Cisco by financing the contract, while incurring little (if any) financing charges, can make the renewal viable. Resellers can also work with Cisco Systems Capital® to buy down the rate by utilizing their multiyear prepaid discount.

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.

Making the First Sale

For more information about selling services at the very first sales opportunity, please refer to the "Making the First Sale" series of sales tools, which can be found at: http://www.cisco.com/ca/go/arm/resources.

Selling Services on Uncovered Equipment

For more information about selling services on uncovered equipment, please refer to the "Selling Services on Uncovered Equipment" series of sales tools, which can also be found at: http://www.www.cisco.com/ca/go/arm/resources.

Selling Service Contract Renewals

For more information about selling service renewals, please refer to the "Selling Service Contract Renewals" series of sales tools, which can also be found at: http://www.cisco.com/ca/go/arm/resources.

Other Resources

- Cisco Technical Support Services Portfolio Introduction
  http://www.cisco.com/en/US/partner/products/svcs/ps3034/ps2827/serv_group_home.html
- SMARTnet services and Cisco SMARTnet Onsite
  http://www.cisco.com/en/US/partner/products/svcs/ps3034/ps2827/ps2978/serv_home.html
- Cisco SMB Support Assistant
  http://www.cisco.com/en/US/partner/products/ps6193/serv_home.html
- Cisco Software Application Support Services
  http://www.cisco.com/en/US/partner/products/svcs/ps3034/ps2827/ps2993/serv_home.html
- Cisco Systems Capital information
  http://www.cisco.com/ca/channels/financing/
- Campaign Builder from Cisco Systems, Inc.
  http://www.cisco.com/go/campaignbuilder