

Capturing the Lost Opportunity of Maintenance Contract Revenue for Your Business

Industry reports have all come to the same shocking conclusion: channel partners are leaving tens of billions of dollars in revenue on the table each and every year. Perhaps surprisingly, that lost opportunity isn't in hardware or application integration. It's in *maintenance contract renewals* – easy sales of services that the customer virtually “has to have” to operate.

Not only is revenue being lost, but customer satisfaction is suffering as well. With the channel unable to proactively notify customers of expirations, companies are left with exposed equipment – equipment they are often unaware is no longer serviced until they are denied support. VARs are left with angry customers who must make an immediate decision on renewals – renewals for which they probably haven't budgeted and may be unable to justify.

To turn this neglect into opportunity, VARs, VADs and manufacturers must find a way to harness the contract data that exists within their organizations and create actionable intelligence. New contract management tools are helping companies achieve this objective. By combining key functions of asset tracking and business intelligence, these tools are helping the channel increase efficiency, better serve their customers and establish an annuity stream of maintenance services revenue.

This paper will explore the repercussions of this missed maintenance contract opportunity, the challenges of tracking key data, and how intelligent contract management tools can help transform the channel's ability to capture service revenue, drive new sales and ultimately strengthen customer relationships.

The Lost Opportunity

Analysts estimate that up to 50 percent of existing technology assets are left exposed, equating to billions of dollars in lost revenue. In most cases, these unprotected assets are not the result of customers making a conscious decision not to renew services. Rather, customers and their VARs are simply unaware that technology warranties and service contracts have expired. Although the loss of potential revenue is a significant motivation for the channel to focus on service renewal, there are much larger repercussions of this missed opportunity.

As hardware becomes more of a commodity, maintenance contracts are becoming the veritable expense for end customers, and thus a source of differentiation for resellers, distributors and manufacturers alike. Unfortunately, the channel has primarily been stuck in reactive mode. Customers are calling VARs in a panic after realizing that their service contracts have expired at the very time they need that service most – when something breaks. The resulting process of service renewal or technology refresh becomes rushed, stressful and aggravating as recovery from downtime takes longer than normal and funds must be re-allocated to cover the unanticipated expense. If VARs are repeatedly unable to inform customers of impending expiration dates, customers will undoubtedly begin to look

elsewhere for service. In sharp contrast, VARs that are able to consistently notify customers of upcoming renewal deadlines will significantly increase customer satisfaction alongside revenue.

Distributors and manufacturers should be equally motivated for VAR success and better tracking of contract renewals. In addition to benefiting from the trickling revenue stream, manufacturers who track warranty and service contract information can more effectively budget and provide service because they understand what types of skills are going to be needed when and where. By ensuring these service agreements are renewed, manufacturers are also able to gain traction in accounts and create brand loyalty for the future.

Tracking Challenges Today – Complex, Fragmented Data

With such huge revenue and customer satisfaction potential on the line, why are the majority of channel partners not tracking warranty and maintenance service contract data and re-engaging existing clients? Some simply do not recognize the opportunity. An individual maintenance renewal worth \$3,000 may hardly seem worth pursuing compared to a new-customer hardware sale. If a partner is missing 10 such renewals a month, however, there is now a revenue stream of nearly \$400,000 a year being ignored. Moreover, maintenance is not a one-time sale. It is \$400,000 in recurring revenue stream that is being neglected. The channel must take a long view of the data to see the real opportunity.

Unfortunately, achieving a consolidated view of contract data poses a significant challenge. Most partners recognize the potential in service contracts, but obtaining accurate, streamlined visibility into the maintenance data is simply too difficult. For any channel partner, there are expirations to be aware of for hundreds – if not thousands – of customer software and hardware assets each month. While the requisite data may physically exist within the organization, typically this complex data is fragmented and un-actionable in form.

In many cases, VARs are using Excel spreadsheets to track their warranty and service maintenance data, and those spreadsheets are frequently siloed by sales representative. Companies are relying on their sales teams to consult the spreadsheet and sort the data into a usable format – a process that's subject to human error and lack of motivation. Subsequent turnover within the sales force wreaks havoc on an already inefficient process.

As the VAR grows in size, harnessing data becomes even more complicated. Critical financial metrics may be housed in the accounting system, with other contractual details in CRM or sales force automation applications and/or distributor reports. Data is abundant, but the “right” data is hard to find. Companies can typically discern when a sale closed or when hardware shipped, but determining the next opportunity date on those pieces of equipment and the associated value is far more difficult. A single sale may have involved multiple distributors, each with its own report that the sales person must sift through. For most VARs, it requires such time-intensive research to gather all the requisite data for service contract opportunities that all but the most industrious of sales representatives have abandoned the effort.

At the distributor and manufacturer levels, tracking of customer contract data is even more challenging as these companies are two to three levels removed from the actual sale. Manufacturers are typically supplying technology

assets to tens of distributors, and distributors are managing relationships with hundreds of VARs. The sheer volume of data alone makes accurate tracking nearly impossible. To exacerbate the issue, products are frequently registered incorrectly – if they are registered at all – leading to sizable gaps in manufacturer data. Manufacturers may know a product was sold, but they have no record of the end customer. They may know the end customer, but not which VAR sold the service. The variations on this theme are many, but the culprit is always the same: lack of a comprehensive, consolidated view of contract data.

Fortunately, there is a solution designed to help the channel solve these data challenges. Intelligent contract management solutions can help companies transform their business by harnessing contract data from multiple sources into a single view and providing actionable intelligence on upcoming opportunities.

Addressing the Challenge – Intelligent Contract Management Solutions

Savvy companies are beginning to capitalize on the maintenance contract opportunity by employing intelligent contract management solutions. These unique tools gather critical service and asset data from all applicable applications, databases, spreadsheets and reports in a repeatable, predictable process and provide a consolidated view of that data to users. To turn this information into true business intelligence, leading contract management solutions such as Managed Maintenance Inc.'s OneView application will notify users of impending service opportunities based on pre-defined criteria. For instance, a sales person may elect to be notified of all warranty or contract expirations in the next 90 or 120 days – criteria that can be modified by individual customer. Typically, users are also able to sort the data with filters including customer, manufacturer, impending expirations, and type and model to find the precise information they need quickly.

When leveraged effectively with a solution such as Managed Maintenance Inc's OneView, contract data yields significant benefits for businesses including:

- **Generation of intelligence about the customer's buy cycle** – Most VARs start their sales cycle when the client calls. With a contract management solution, they can act as a trusted advisor when the buying cycle starts. Intelligent contract management solutions enable the channel partner to recognize action points for customers and approach them at the appropriate time with options for service renewal, technology refresh and/or disposal. By engaging customers during their buy cycle – or even alerting them that their buy cycle is starting – the VAR can drive the decision-making process and position its company as a trusted advisor. Rather than being reactionary, the VAR is able to proactively make recommendations and inform customers how to budget appropriately for those decisions, thereby increasing customer satisfaction and revenue generation.
- **Creation of a “sticky” customer interface** – By providing proactive communication to end customers around their asset's lifecycles, a VAR is able to deliver a competitive differentiator for its business. Recognizing the value of the asset tracking service, end customers may request that the VAR track additional assets obtained through other vendors. With this competitive information in hand, the VAR is able to generate cross-selling opportunities when those assets approach the time for refresh or renewal. VARs may also have access to end-of-life or disposal business that they wouldn't have been able to capitalize on previously and can truly serve as a “one-stop shop” for customers.

- **Improved productivity and efficiency** – With a contract management solution in place, sales and service teams no longer spend time searching for customer contract data. Self-service access to the tool ensures rapid retrieval of data and efficient use of time.
- **Improved customer satisfaction** – With end customers able to accurately plan and budget for expenses, satisfaction with the reseller soars. These tools also enable VARs to consolidate numerous maintenance contracts for the customer at a cost savings, further solidifying relationships in the account.
- **A recurring, revenue stream of maintenance contracts** – VARs, VADs and manufacturers alike are able to capture a previously neglected market and establish a steady stream of income based on maintenance contract revenue, which yields one of the highest profit margins in the business. One Managed Maintenance Inc. client estimates that it has created more than \$30 million – a 150% increase in new revenue – from marketing and management of long-term contracts with its contract management solution in the first 18 months alone.
- **Better business management** – Contract management tools enable the channel to forecast maintenance annuities effectively and promote more informed decision-making. In addition, the tools can provide visibility into the sales team and help leaders quickly identify extremes in performance.

Additional Benefits for VADs and Manufacturers

In addition to implementation by individual VARs, many VADs and manufacturers are electing to implement contract management solutions as a value-added service to their partners. Beyond increasing revenue potential by pushing opportunity data to their VARs, these tools provide other specific benefits for VADs and manufacturers, including:

- **Better visibility into the channel** – VADs and manufacturers implementing contract management solutions can easily determine which VARs are capturing the service maintenance renewal opportunity and which are not. This intelligence allows companies to further incent partners to manage service opportunities and/or enables them to close gaps themselves.
- **Ability to track service needs** – With better tracking of contract data, manufacturers can more accurately budget and staff for technology support, ensuring the best quality service at the least possible cost. VADs are able to better manage and stock technology inventory at just-in-time levels.
- **Improved brand loyalty** – With maintenance and renewals captured more effectively, manufacturer products remain in customer accounts longer. The positive customer association with the VAR extends to the manufacturer, creating brand loyalty.

Finding and Implementing the Right Solution for Your Business

Whether you are a VAR, VAD or manufacturer, the first step in implementing a contract management solution is uncovering the contract data within your company and organizing it in a useful way. This discovery process can be handled internally or outsourced to a consulting company such as Managed Maintenance, Inc. It is imperative that this task be executed by a team that is knowledgeable about data discovery and conversion and that they establish an easy process for ongoing data upload and verification.

When it comes to the contract management application itself, companies developing or purchasing a solution platform should focus on a few key criteria:

- **Proactive Opportunity Identification** – An intelligent contract management solution will proactively notify the sales team or support personnel of opportunities for end-customer renewals. The user should be able to set specific preferences for alerts and their frequency based on customer and expiration date criteria.
- **Ability to Forecast Annuity Business by Month and Year** – In addition to contract details, the application should include detailed budgeting and forecasting reporting, with capabilities to filter data from one to 36 months.
- **Ability to Push Data to End Customers** – Not only should your business have access to contract expiration and financial data, but you should be able to extend that information to customers with ease. In some cases, you may wish to have the tool notify your sales team *and* end customers of impending expirations.
- **Campaign Management** – The application should provide the ability to target marketing campaigns at multiple end customers based on defined criteria such as type of asset or geography. By pushing announcements to customers that fit selected criteria, the tool further enables proactive sales and opportunity development. The solution should also track click thrus and/or responses for a complete campaign management solution.
- **Ease of Use** – The solution should require minimal training and include flexible options for data presentation based on the user's log-in ID. For example, a sales representative may only wish to see those contracts that pertain to his or her particular customers.
- **Low-Cost Implementation** – Custom-developed solutions can be labor intensive and expensive to implement. If you elect to purchase an established solution, be sure that it provides a flexible pricing model for your business. Savvy providers will price the solution by contract line item, enabling smaller VARs to capitalize on solution benefits as easily as larger manufacturers.

Seizing the Opportunity

In an ever-changing and increasingly competitive economy, the channel can no longer afford to ignore the inherent opportunity in selling maintenance service contracts. If your company has struggled to capitalize on this untapped market, consider implementing a contract management solution for your business and/or partners today. Whether you elect to build a solution yourself or leverage a consultant to implement a proven solution, an intelligent contract management tool will dramatically increase your business potential with benefits including increased efficiency, improved customer relationships and establishment of a recurring revenue stream. Why wait any longer? Harness the potential of your contract data today, and you can be certain that your customers *and* your bottom line will thank you for years to come.

Want to know more about Managed Maintenance?

See how we can turn your maintenance contract supply chain into a turnkey renewal machine!

Contact us at **561-869-4399** or visit www.managedmaint.com.

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