

Workload, non-transparency, conflicts

CHANNEL RENEWAL MANAGEMENT – CHALLENGES AND SOLUTIONS

Businesses with indirect sales and numerous partners are faced with the particular challenge of managing this ecosystem in such a way that they can take advantage of as many opportunities for contract extensions and renewals, as well as for cross-selling and up-selling, as possible. Proactive renewal management supports partners and prevents channel conflicts.

The extension of existing service and maintenance contracts is highly profitable for providers. Margins of 50 per cent are not uncommon and there are also significant opportunities for new business. This revenue is particularly attractive, as it recurs every year. Every pound acquired in this way is multiplied over the entire contract term.

Most providers use the channel not only for sales, but also for renewal management, (the management of existing service and maintenance contracts), as demonstrated by a survey from Annuity Management AG. According to this, 85 per cent use the indirect sales channel, while 14 per cent use it exclusively. Over 60 per cent of participants also wish for better support from their channel partners in the case of contract extensions.

This is not surprising, as channel renewal management is a complex process. Different points of contact, incorrect or outdated information from providers, hardware and software acquired directly or through various different distributors, as well as different contract terms, contract partners and volumes, make management confusing and often inefficient, particularly if providers hold onto high-volume contracts with good margins and only pass on the less lucrative ones to their channel partners.

Complexity, non-transparency and a lack of confidence in actually succeeding in agreeing all contracts with a customer (and not just the less attractive ones) diminish the motivation of channel partners to invest time and money into renewal manage-

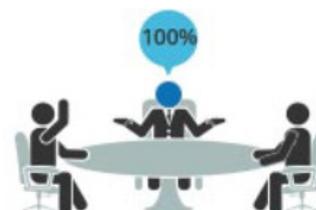


ment. Contracts subsequently expire or are taken over by third-party maintenance providers (TPM).

This unsatisfactory situation is not due to any ill will on the part of the channel. On the contrary, over 90 per cent of the channel partners surveyed by Annuity Management would welcome more proactive support from providers with regard to renewal management. Providers are also not interested in ignoring the channel, but are simply overwhelmed by the complex nature of renewal management.

What needs to be done

For successful renewal management, it is first and foremost vital to compile all existing service and maintenance contracts with a customer, regardless of whether they were originally agreed directly with the provider, a distributor or a channel partner. After this, the responsibilities for contract extensions should be defined and scheduled so that there is ample time for renewal prior to expiry of the contract. Ideally, contact should be made three months prior to expiry of the contract.



During this process, opportunities for cross-selling and up-selling should also be explored, such as upgrading to a higher service level or identifying 'naked box', hardware from customers that is not, or is no longer, covered by service contracts.

In general, these tasks are not performed adequately by the provider or by channel partners. It is therefore advisable to seek the assistance of a specialist service-only provider. They not only have the necessary expertise in the management of complex contract types, but also in processes and IT systems which simplify contract management, ensure transparency, and significantly reduce workload.

The experts consequently support both the provider and the channel in relation to all renewal management tasks, such as offer preparation, performance tracking, cross-selling and up-selling, and generation of new business. As a neutral partner, they have both the provider's and partner's interests in mind and can thus prevent channel conflict.

Rescue in time of need

Without a channel support programme of this nature, channel partners are not always able to renew expiring contracts in time, even though the providers give them over 120 days in some cases. This is a problem for the provider, as they stand to lose revenue and customers. This is where channel rescue experts come in. These companies have made a business out of rescuing expired contracts. They only come into contact with the customer after the renewal period has lapsed. To avoid channel conflict, the customer is always informed of the opportunity to contact their channel partner directly in order to obtain a contract extension. If a customer would still like to request a contract extension from the service-only renewal rescue expert, they can do this, but they will not receive any discount on the list prices. Studies confirm that around 40 per cent of customers contacted in this manner successfully conclude a contract extension with their partner – a lead generation factor for the channel that should not be underestimated.

If all else fails and the partner takes no action despite receiving reminders, or the customer does not contact the partner as arranged, the rescue expert then gets

involved again and contacts the customer after 30 days if no request has been received. With this type of rescue, the specialist typically also identifies up to 30 per cent naked box, and can thus generate additional business, which in turn can benefit the provider and, ultimately, the channel.

Renewal and channel rescue services complement one another perfectly, as together they cover the entire lifecycle of a contract and thus maximise opportunities for renewals and corresponding new business.

Benefits for providers and partners

Cooperation with service-only end-to-end providers presents the following benefits for the providers and their channel:

- Systematic, thorough renewal management prevents erosion of the install base and ensures high coverage rates.
- Professional support from sales experts generates additional new business.
- Professional processes, systems and tools enable higher productivity and quality with significantly reduced management costs.
- Complete transparency across all contract details enable market trends and sales opportunities for new business to be identified, and up-selling and cross-selling measures to be defined.

Conclusion

Renewal management through or with channel partners is complex, error-prone and time-consuming for providers. It often leads to channel conflict, and does not allow the full potential for new business, as well as up-selling and cross-selling associated with existing service and maintenance contracts, to develop. A service-only provider specialising in contract management can help to clear things up. It guarantees fair, transparent conditions for providers and channel partners, increases the intrinsic value of renewal management, and also reduces management costs. Even expired service contracts can be rescued with professional assistance. With this type of professional renewal management, renewal rates can be increased by over 20 per cent per year, while over 10 per cent new business can be generated through up-selling and cross-selling as well as through identification of hardware without maintenance and service contracts (naked box) – a step which quickly pays off for providers and channel partners.



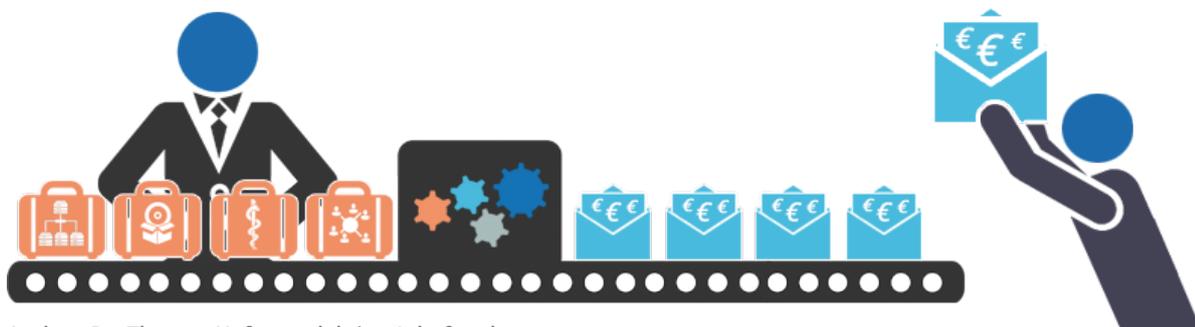
About the Annuity Management Group

The Annuity Management Group focuses on revenue lifecycle management and customer success management solutions for technology providers. As a highly specialised and independent service provider for recurring revenue, or annuities, Annuity Management AG offers comprehensive end-to-end solutions for support and optimisation in service revenue management.



Focus, expertise and technology are our ingredience for success!

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