

Cisco Services Renewals Call Guide

For Distributor Use



The “Whys” and “Hows” – Motivating Cisco Channel Partners on Selling

The opportunity:

Channel Partners need to become aware of why and how Cisco and their Cisco Distributor make it easy for them to understand and execute lifecycle practices that include more effective management of service contract renewals.

There are good reasons to get Partners motivated in this regard, all directly related to Partner profitability. Contract renewal time is a Partner’s chance to expand their installed base, enhance cash flow, increase margins, and develop their role as a strategic part of their customers’ teams.

Why it matters:

These statistics underscore the importance of planning and implementing a proactive solutions approach to service contract renewals. They appear in the guide below. As motivating factors they are well worth committing to memory for the purposes of this call guide.



Retaining customers

It can cost up to five times more to attract new customers than to retain existing customers. A 5% increase in customer retention can increase a company’s profitability by 75%.



Expanding the installed base

The probability of selling to an existing customer is 60% to 70%. The probability of selling to a new prospect is 5% to 20%.



Maintaining Uninterrupted Coverage

Customers are four times more likely to defect to a competitor if they encounter service-related problems than price or product-related problems.

Questions and talking points

1.

Of those customers in your Cisco installed base currently under contract for services and support – are you actively renewing these service agreements?

If Yes: Let me start by saying it's great that you recognize the benefits of selling renewals. (Move to Question 2)

If No: OK. Would you allow me a few minutes to share with you some of the benefits in selling renewals that our other partners have found?

If Yes: Most partners will agree, there are four good reasons to take advantage of contract renewal time. That's why Cisco and [Disti] urge Partners to plan ahead and get systematic about their renewals process.

First, customer retention is important because:

- The probability of retaining an existing customer is 60% to 70% while the probability of selling to a new prospect is just 5% to 20%.
 - Renewals open an opportunity to take the trust level higher
 - It can cost up to five times more to attract new customers than to retain existing customers.
 - A 5% increase in customer retention can increase a company's profitability by 75%
- Second, service contract renewals open the opportunity to expand your installed base by:
- Opening the door to profitable portions of your sales motion --adoption, expansion, renewal, refresh --which happen after the initial sale
 - Enhancing your role as a strategic part of your customers' team
- Third, selling renewals is your opportunity to help your customers maintain uninterrupted coverage and avoid devastating losses due to downtime.
- Customers are four times more likely to defect to a competitor if they encounter service-related problems than price or product-related problems
 - Would you like to learn more about how you might build a renewals practice and gain the benefits some of our partners are experiencing?

If Yes: Move on to Q2

If No: *(Thank them for their time and offer to send them the infographic and additional resource links so they can explore when they have time. Emphasize that a key factor in effectively selling renewals is getting a head start.)*

2.

We've found there are 3 recurring challenges partners experience in getting the most benefit from a service contract renewals process. 1) lack of an organized process? 2) not implementing renewals best practices? Or 3) not knowing how to overcome your customers objections. Whether you're actively pursuing renewals or not, we can help you overcome these challenges. Is there one in particular that resonates with you?

(Responses to these challenges are below and correspond to the order in the question above. You may discuss one, two or all 3 challenges based on the partner's need and interest.)

1. Plan and implement an organized process

Cisco and [Disti] have found that a solutions approach to selling renewals works really well. It's a four-step process.

- **Start the process early.** That means 90 to 120 days before contracts are due to expire. If you plan out and implement your approach well ahead of time, it can help secure at least another year's revenue for a far smaller outlay of time and effort than you made during the initial sale.
- **Update your understanding of your customers' businesses and service coverage needs.** Few businesses remain in a holding pattern --you can help them meet new challenges. Ask your customers a lot of questions to uncover their problems. Explain the ramifications of not addressing them --especially having frustrated customers when networks go down. With your guidance your customers can:
 - a. Increase return on investment (ROI)
 - b. Maintain their competitive advantage
 - c. Keep networks up and running, and secure
 - d. Ensure business credibility and continuity
 - e. Better manage total cost of ownership (TCO)
- **Learn how to manage objections.** Your customer has already gotten tangible benefits from their service contract including support, upgrades, updates, replacement parts, plus tools and resources. Their IT staff time can be better spent on their core business --leaving service up to the experts is the whole point. Cisco software application updates are available only on products with service contracts. Without valid service coverage, the cost of purchasing an upgrade is often greater than the cost of renewing a service contract. The cost of one service call can be as expensive as the contract itself. Having mission critical network functionality problems or downtime is not worth the risk.
- **Leverage best practices**, such as including financing options and utilizing Cisco's digital lifecycle platform, to accelerate and organize the renewals process that will make it even easier going forward.

2. Implement these renewals best practices, proven by successful partners

- **Utilize a solutions approach and employ a digital lifecycle management methodology.** Cisco's Lifecycle Advantage Program can be extremely useful and it's free! I can send you more information on Lifecycle Advantage when we finish our discussion.

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- **Arrange for all service contracts to be renewed at the same time(Co-termination).** This is an effective way to manage customers who have purchased various contracts at various times. This lets you optimize revenue streams, reduce administration, and avoid having to repeatedly contact customers about different pieces of equipment. It's easy to do. Just create new or renew Technical Services (TS) and software subscription (Term-and-Content) quotes, submit approved orders, and manage your contracts via the CCW-R page.
- **Sell multi-year options** and let your customers take advantage of discounts for longer term agreements and lock in pricing. This can improve customer cash flow with financing that spreads out their payments while reducing customer administration costs on their end. For your business, selling multi-year options increases renewal rates and improves your gross margins.
- **Sell financing solutions** helps customers spread their capital outlay over a number of years, which can speed the deployment of cutting edge, productivity-building solutions. Financing also helps you manage customer budget concerns and promotes multi-year contracts. This too is easy with Cisco Capital® Easy Lease, which provides straightforward, flexible financing options, competitive rates and fast credit processing.

3. Know how to effectively respond to common customer objections

You and your customers need to have a shared understanding of the value received from Cisco Services Renewals and fully explore issues, concerns and objections that might affect the decision to renew. There are five common objections and ways to effectively respond.

- ***“My team can handle this now. Why should I pay for another year?”***
 - Remind the customer of the value they have already gotten from their service contract (support, upgrades, updates, replacement parts, plus tools and resources). With a Cisco Services contract they are enjoying easy access to information on Cisco products and trained experts with the latest knowledge. With an active services contract, their IT staff time can be better spent on their core business. Plus, service protection guarantees that the same Cisco innovation they have already been taking full advantage of can continue: Keeping their networking infrastructure up to speed is mission critical.
- ***A Smart Net Total Care user claims “We don’t need updates for OS software.”***
 - Remind them that their businesses continuously change and that new applications are released every day. Without software support, they might find that a new app isn't functioning properly or working at all --and there goes their competitive advantage and possibly the integrity of their network security! New versions of Cisco OS software add new functionalities to existing equipment, and that boosts ROI and extends equipment lifespan. If they would like to upgrade their applications in the future but do not have valid service coverage, the cost of purchasing these upgrades will be greater than the cost of renewing their service contract.

- ***“We haven’t used our service contract in a year.”***
 - Remind them that the reality is, most customers don’t realize how much they benefit from Cisco OS downloads. Cisco OS updates (and application software if that applies in their case) have ensured that their Cisco solution is current and performing at peak levels. Plus their service contract supplies rapid response to problems that can affect mission critical network availability. Their investment is protected with expedited delivery or parts critical to network uptime. There’s a value on uptime and peak performance. It’s called customer retention and transactional continuity.
- ***“We don’t want Cisco Smart Net Total Care On-site agreements for parts replacement anymore because they cost too much.”***
 - Remind them that a Cisco Smart Net Total Care On-site contract that responds very quickly at their place of business --including the remote ones, even after hours – is insurance against the risk of having their network down over a weekend, or possibly several days, until they can get a resource to the location to help.
- ***“We didn’t budget for renewals.”***
 - Here’s where financing and multi-year agreements can pay dividends for your customer and you. Explain to your customers that they might not have budgeted for a pre-paid multi-year contract, but buying service peace of mind with monthly payments to Cisco by financing the contract can make it happen. Remind them that the cost of one service call can be as expensive as the contract itself. And what kind of hit would your customer’s budget take in the event of network downtime or security breaches?

3.

We've talked about a lot ways to get the most out of Cisco service contract renewals. If you have a few more minutes, I'd like to revisit one in particular that is a proven best practice no matter where you are in your renewals practice development. – and that's Lifecycle Advantage, which is a free, low to no touch digital platform for managing your renewals. Are you enrolled in the Cisco Lifecycle Advantage program?

If Yes: Excellent move. Lifecycle Advantage goes a long way toward simplifying renewals. (move to close)

If No: Cisco Lifecycle Advantage digitally engages and guides your customer through each stage of the lifecycle with an automated series of co-branded emails. It accelerates adoption, simplifies renewals, and facilitates upsells. May I get you enrolled today? It's free!

If YES: Move to Close

If NO: (Offer to send them information on Lifecycle Advantage including steps to enroll)

Close. Okay, great talk today. Thank you for your time! If you have any questions or if there is any way [disti] can help, please reach out. We absolutely are here to support your success. If you would like to receive the Cisco materials that reinforce everything we discussed today, let me get your email address and I'll send that over right away.