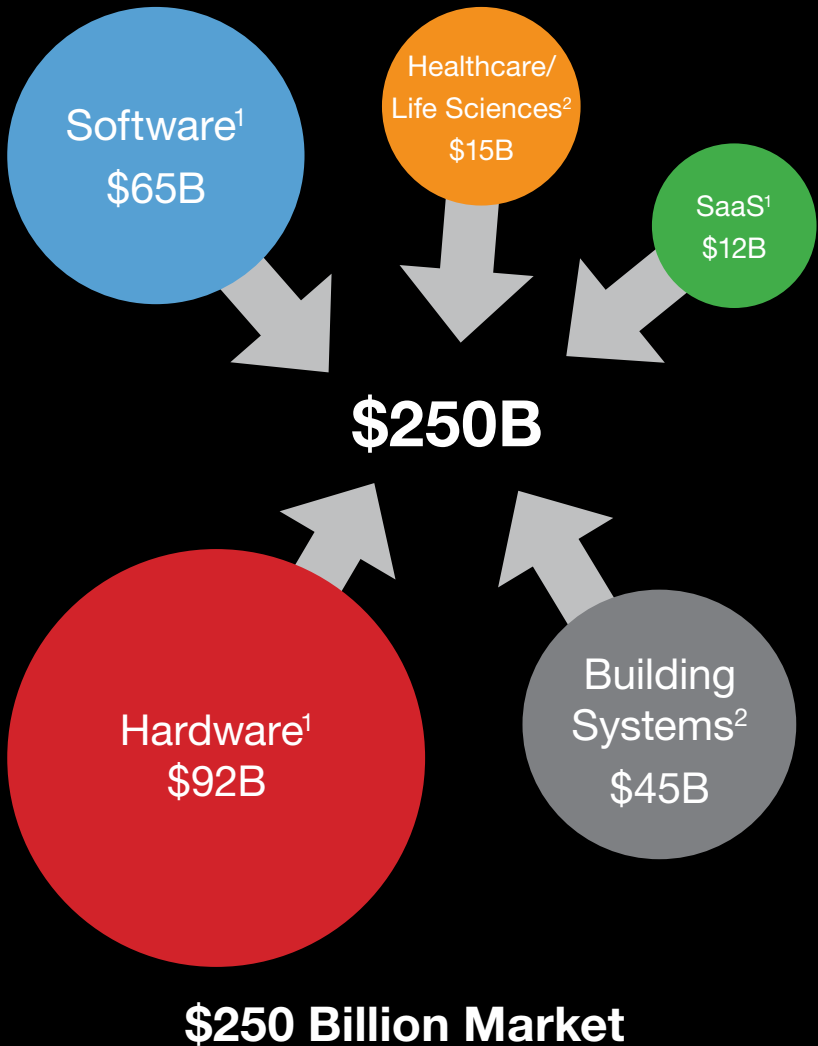


A long-exposure photograph of a road at night, showing light trails from cars. The road curves to the right, and the light trails are primarily white and orange-red. The background is dark, suggesting a night sky or a dark landscape.

6 Miracles for Accelerating Recurring Service Revenue



¹ Gartner, Inc., Forecast: IT Services, 2008-2015, 2Q11 Update, June 2011 Kathryn Hale et al; Forecast Analysis. Software as a Service, Worldwide, 2010-2015, Update, Sharon A. Mertz et al, June 22, 2011. Gartner Market Databook, 2010.

² ServiceSource Estimates

Claim Your Share of a \$30 Billion Opportunity

Imagine if you could drive a five percent annual increase in top-line revenue. That's precisely the power and potential of recurring service revenue, an increasingly large and valuable part of technology businesses today.

Gartner estimates that companies spend over \$169 billion annually on recurring revenue from hardware maintenance, software support and SaaS subscriptions. ServiceSource has demonstrated that customers have achieved, on average, a 15 percentage point improvement in renewal rates, which translates to a \$30 billion opportunity industry-wide.

The proportion of total revenue for IT vendors coming from services is also increasing, typically reaching one-third or more of total revenue. That means companies that improve their renewals performance by an average of just 15 percentage points can increase their top-line revenue by five percent. The question is: how to capture your share of that \$30 billion pie? The answer begins with a series of steps that we call the "Six Miracles" — not because they're impossible but because, although they require some focus and work, they offer an amazing payoff.

As you'll see in the pages that follow, the Six Miracles focus on making dramatic improvements in the following aspects of your renewals business, to optimize revenue and customer relationships:

1. Data

Invest in data management and mining solutions

2. Systems

Customize product-oriented applications to support service renewals

3. Processes

Develop and optimize processes for recurring revenue

4. Sales talent

Hire, develop and retain world-class service sales talent

5. Comparative analytics

Collect industry data for comparative analytics and benchmarks

6. Automation

Automate to continuously improve process efficiency and effectiveness



Miracle #1: Fix Your Data

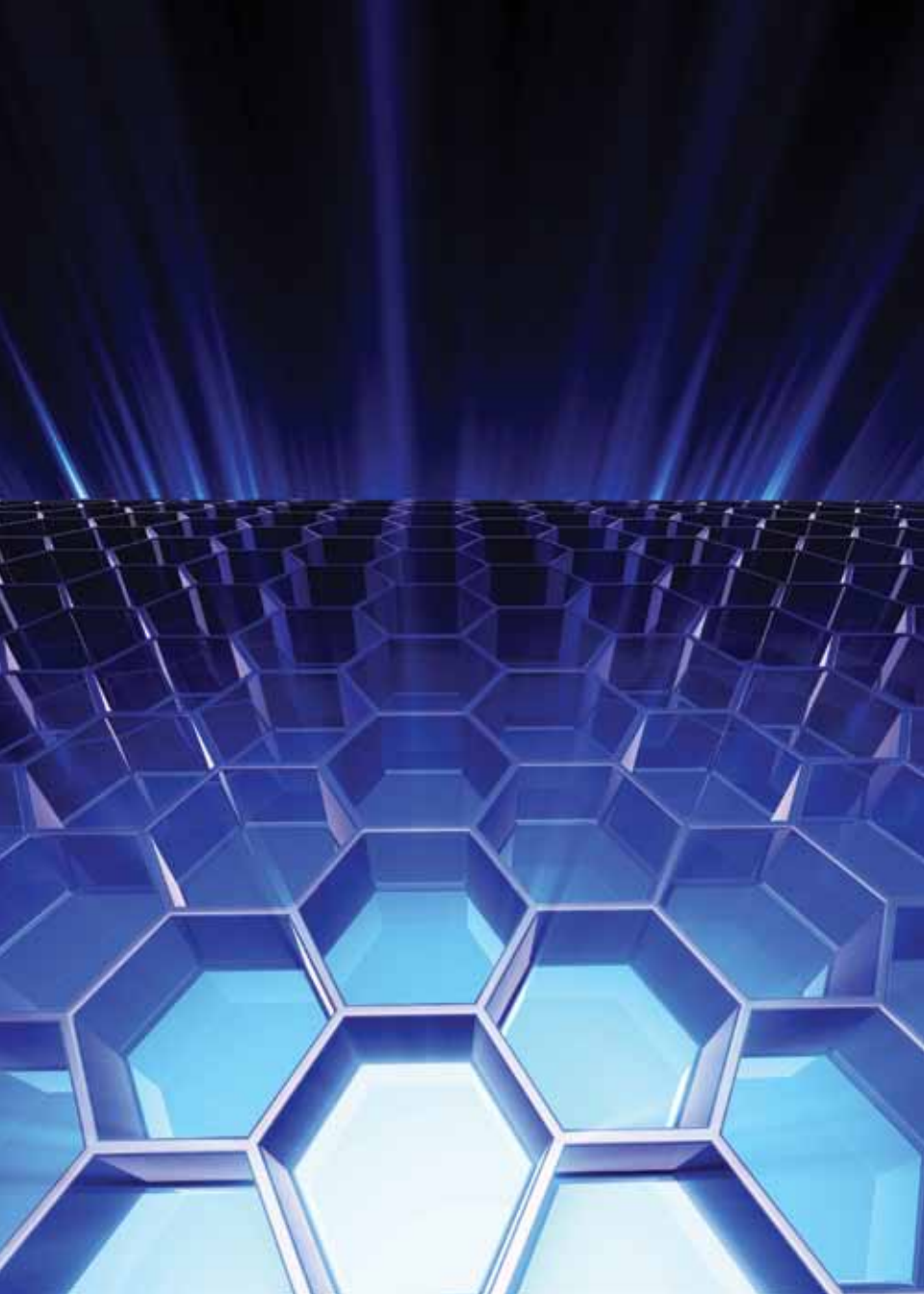
Maybe you've been told that recurring revenue should be predictable. But accurate predictions depend on something many companies lack: complete, accurate data that can provide insight into your installed base.

In many companies, data on customer assets, contracts and opportunities is spread across disparate systems. This data is riddled with inaccuracies, omissions and duplications that make it impossible to gain a true understanding of renewal opportunities.

The good news is that data is the root of the solution as well as the problem. With a complete data management solution, you can consolidate and enrich data from multiple sources and gain real-time visibility into your recurring service revenue opportunities and performance.

The key to data management is to avoid "clean for a day" programs and software-only solutions. Instead, opt for a process-driven solution in which systems, procedures and selling teams are aligned to continuously improve and sustain data quality over time.

When you combine better software, aligned processes and expert services, you can get your data right and keep it right — which is the first critical step in achieving greater service revenue.



Miracle #2: Find a System Built for Service Revenue Management

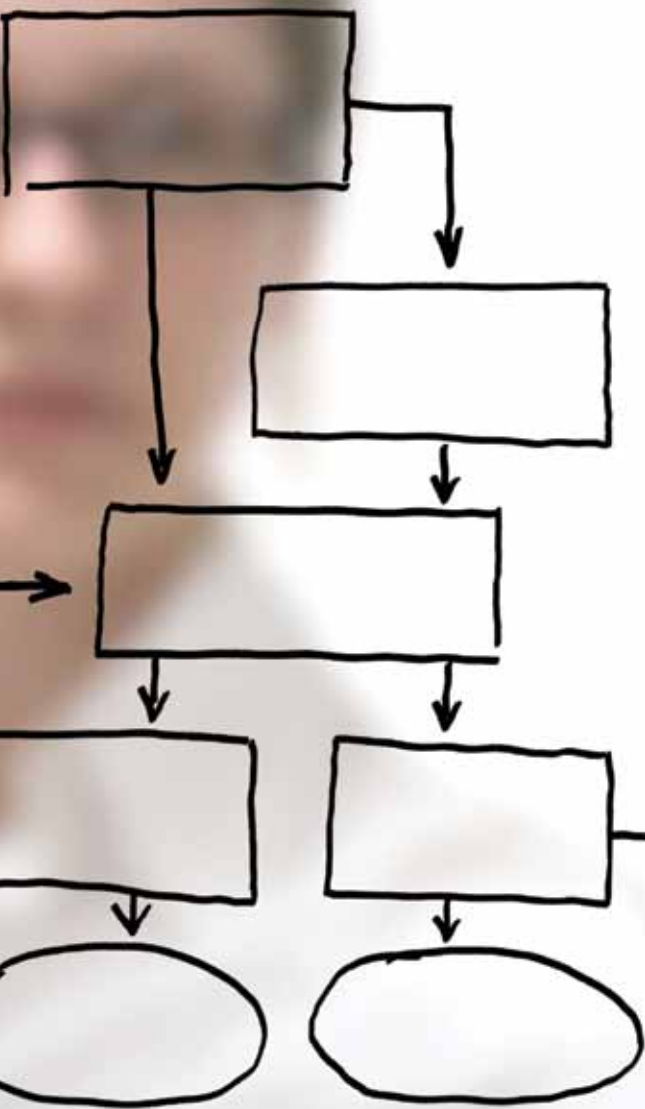
In today's hypercompetitive business environment, companies must focus on new product innovation and sales. Often, important objectives like renewing and growing service revenue are given a lower priority for investment in systems and tools. Service executives must rely on systems that are optimized for new product sales but aren't effective at managing service renewals.

These cobbled-together systems exacerbate the data problem. They make it difficult to capture key performance indicators (KPIs) and this leads to inaccuracies. What's more, these systems are often unable to create reports that are specific to renewals performance.

It is also costly to repurpose traditional ERP and CRM systems. Companies would have to spend significant time and money to re-engineer the system integration, and extensive customization is required to make product-oriented systems work in a recurring service environment. Even if this investment is made, the results are frequently disappointing. Perhaps this is why spreadsheets are often the "system" of choice for managing key aspects of service renewals.

What's needed is a purpose-built, end-to-end system that optimizes the renewals business process. The system should connect the entire renewals ecosystem, including distribution partners, customers and internal personnel.

When you combine a system built for service revenue management with accurate installed-base data, you are well on your way to best-in-class service renewal rates, which can lead to millions in recaptured recurring revenue and profits.



Miracle #3: Iron Out Your Processes

Along with data and systems, the third core element of a services infrastructure is processes. Carefully defining your processes will enable you to orchestrate your entire service revenue value chain so that all of your salespeople and partners follow your policies and procedures consistently, and everyone's efforts contribute to increasing service revenue performance.

It is important to understand that recurring service revenue processes are unique and somewhat complicated. To achieve the desired results, companies need to apply the same level of expertise to these processes as they provide to other areas of their business.

Process discipline is needed, as well as coordination across the entire services ecosystem. Processes must be documented—from design, training and support to execution. Global enterprises need to allot even more time and expertise to managing processes due to global variability in customer behavior, sales approach and metrics.

When this third piece of the service revenue management infrastructure is in place, it is then possible to move on to the final three miracles, which focus on people, analytics and automation.



0

160

180

200

220

240

260

280

300

Miracle #4: Develop a Culture of High-Performance Selling

Many tech companies have very talented salespeople. Unfortunately, that's not enough to achieve best-in-class service sales performance. To seize the opportunity, companies must transform their service sales cultures and mindsets to a high-performance selling approach.

Once you adopt a higher-performance mindset, you are more likely to do what's necessary to improve service sales, including:

- Invest in hiring and training top sales talent
- Provide career progression within sales (not management) for renewal sales professionals
- Develop a value-based sales methodology, with systematic training and accountability for following that methodology
- Focus on role specialization, so individuals are focused on sales, data analysis or other roles that suit their skills and abilities

Companies often invest heavily in product-side sales but overlook the importance of making similar investments in the services arena. Fortunately, that means that by devoting more time and resources to developing your services sales culture, your company can gain a significant competitive advantage.



Miracle #5: Compare Your Service Revenue Performance

If you've achieved the first four miracles, you may feel that your service performance is exceptional. The problem is you won't know what you don't know without benchmarking. Unfortunately, it is nearly impossible for most companies to devote the resources to continuously assess best practices and compare metrics across outside companies that measure performance differently.

Benchmarking enables you to conduct comparative analyses that identify performance gaps and opportunities. You can see how your renewals performance compares to peers in your industry and region, and you can use that information to make further adjustments to your systems and processes.

Comparative analyses can help you understand not only your renewal rate but also all of the other leading indicators that feed into it, such as conversion rates. Ideally, you should be able to examine your data by geography, channel partner, contract size, distribution model and more, and compare them to recent benchmarks.



The Analytics Cloud identifies the KPIs to track performance of your sales representatives, channel partners and overall business. Evaluating your company's metrics, trends and forecasts ultimately drives performance.



Miracle #6: Look for Opportunities to Automate

The final miracle you need to achieve requires that you examine your entire services ecosystem and identify any opportunities to automate the workflow. Doing so can help you drive down costs, but it is equally important to note that automation can help you drive up performance.

Examples of workflow automation that you can build into your processes include:

- Pre-built reports that are automatically generated on a daily basis
- System requirements that force salespeople to record a reason a customer has chosen not to renew
- Daily, customized and highly relevant email communications that are sent to customers 90, 60, 30 and zero days before contract expiration

Even relatively small changes like these can help your salespeople work more efficiently. Just remember that every improvement in the workflow gives your employees more time to focus on value-added activities that can help your business be more successful.



What if you could find a way to perform the Six Miracles in just days?

How can you transform your renewals business in as little as 45 days to start capturing your fair share of today's \$30 billion service revenue opportunity? You can't do it by yourself. We call the six steps "miracles" because there is no way that tech-based companies can fund and execute on the six miracles internally on their own. The costs to acquire resources, systems and expertise are beyond the capabilities of most businesses, take years of capability building and require access to world class expertise.

ServiceSource can help you begin to increase recurring service revenue within 45 days without an upfront investment because we offer our solution on a pay for performance model. Take advantage of the millions we've invested over the past decade in systems, expertise and renewals insights and best practices. We have helped over 60 brand name technology-based companies like Adobe, Avaya, GE Healthcare, Johnson Controls, Microsoft, NetApp, Red Hat, Riverbed Technology, Verizon Business and VMware increase renewal rates, on average, by over 15 percentage points.

With more than \$6 billion of recurring service revenue under management and more than 100 customer partnerships, ServiceSource's purpose-built service revenue performance solution combines an innovative blend of managed services, cloud applications and a platform of data and renewals insights you can't get anywhere else — all designed to deliver lasting improvements to your top — and bottom — line.



SERVICE SOURCE

ServiceSource is the service revenue performance company. We partner with technology-based companies to maximize maintenance, support and subscription revenue while optimizing customer loyalty. We increase contract renewal rates for customers on average by over 15 percentage points — and in some cases by up to 44 points. These dramatic results are achieved via a purpose-built service revenue management solution that includes a suite of cloud applications and managed services built on a proprietary data intelligence platform, leveraging KPI's, benchmarks and best practices developed in over 100 leading global customer engagements. It delivers proven results through a 100% pay-for-performance business model that enables a success-driven, shared-risk partnership. Headquartered in San Francisco, ServiceSource has over \$6 billion in service revenue under management.



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