



ALE

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Generate more revenue from your support contracts

Guide dedicated to Alcatel-Lucent Enterprise
Business Partners



This document is intended for Alcatel-Lucent Enterprise Partners, in particular, the management team and sales team responsible for selling Support Services.

The goal is to help generate more revenue, increase margin and retain customers by leveraging ALE (operating under the Alcatel-Lucent Enterprise brand) Support Services.

The document explains the value of ALE Support Services and provides guidance on how to overcome customer objections. It also provides best practices that can be implemented within your company to increase support contract sales and renewals.

Why should you focus on selling support services?

Do you think your customer business will survive one day without your networking or communication solutions?

Did you know?

54% of the Technology and Services Top 50 companies reported a product margins decline in Q1 2017, however 60% of them experienced growth in services revenues.¹

Communication and networking solutions **are critical to your customers' daily operation**. Their performance is directly related to their ability to deliver high-quality customer service, communicate with business partners and ensure effective and efficient teamwork within their organization. ALE Support Services help customers leverage their technology to avoid business disruptions - without additional investments.

Did you know?

Companies with recurring income grew revenue 20% faster and enjoyed 25% higher profit margins than their peers.²

Services - and especially support services - can offer **a high-margin growth opportunity**. Investing in a strategy to drive adoption, automate renewals and expand selling, provides access to top ALE expertise and can help increase customer loyalty. Vital information, including end-user data, administration and maintenance guides, feature lists, standard offer documents and release notes are available at your fingertips to better support your customers at the most critical moments.



Did you know?

It costs 6 to 7 times more to acquire a new customer than to retain an existing one.³

Your installed base is a **gold mine!** Optimizing your installed base to secure renewals and expand selling can help you **increase your top line and your margins!**

1 TSIA, Technology and Services Industry Trends Q1 2017 <https://www.slideshare.net/TSIACommunity/technology-and-services-industry-trends-q1-2017>

2 TSIA, Mayhem or Margin? Generate Services Revenue Gains!, February 19, 2015

3 TSIA, Mayhem or Margin? Generate Services Revenue Gains!, February 19, 2015

Best practices

Selling services can be challenging for several reasons, but mainly because services are intangible. Customers have to experience service to understand the added value. Requirements are often unique to each customer. The ALE services portfolio is diverse and can be customized to address specific customer needs. To succeed in Support Services sales you will need to become an expert. Familiarizing yourself with the value and benefits of the Support Services will provide a solid foundation to win with your customers.

As in any other sale, the key element to selling services is **understanding your customer's needs**. Take the time to engage with your customers and understand their challenges. This will allow you to position the best support service options available and also to discover new opportunities.

The following best practices are based on market standards and experience gained from top performing Partners worldwide.



1. Develop a strategy

Your installed base can be mined to secure recurring revenues and increase margins. That's why we recommend you develop a strategy to drive adoption, automate renewals and expand selling.

The right KPI's are key. We recommend that you focus on:

- Customer attrition: Percentage of customers who did not renew when the contract was expiring
- Renewal rate: Percentage of business renewed versus total business available to renew

Understanding why your customers did, or did not renew their support contract can help you determine the **best strategy** to increase your support sales.

2. Set the right expectations for your customers during the initial sale

It is important to set the right expectations, in terms of **yearly fees**, when you first position ALE products and services. Presenting the support services **value**, the components and the format (yearly contracts with renewal) is key to ensuring customers understand the offering.

Ensure that your customers includes support fees in their **year-over-year budget**. Lack of budget planning is one of the main roadblocks when it comes to renewals. Make it a priority during early discussions to avoid running into this issue in future. If possible, coordinating the support termination date with the customer budget date can help facilitate the renewal.

3. Get the best price

ALE offers several ways to reduce the yearly support contract costs. **Multi-year** support contracts are a good way to take advantage of reduced pricing as ALE offers embedded discounts on all multi-year options. You will not only get the best yearly price but you will also secure your customer for a longer period of time, reduce your costs, and reduce your customer turnover for the years ahead. In addition, your customer will benefit from a fixed price for a longer period of time.

Stay tuned for ALE **campaign and promotions**. They often include discounts on support contracts.

It's also important to **renew on time** to avoid additional fees like mandatory upgrades and reactivation or backdating fees. Don't forget: even if you send a purchase order before the expiration of a contract, ALE will not invoice before the start date of the new contract!

4. Engage early when it comes to renewal

Industry standards tell us that the best time to engage with a customer for a renewal discussion is **90 days prior to the expiration** of the contract. Keep in mind that customers with many pieces of equipment will require more time and with possible complex negotiations to secure renewal, but the discussion can also present greater value.

ALE monitors all service contracts and has a dedicated team responsible for managing renewals. ALE will send you a renewal quotation for each of your customers 90 days before the end of the contract. We recommend you engage with your customer as soon as you receive the quotation in order to ensure sufficient time to discuss the contract value and answer any customer questions.

Did you know?

45% of customers do not renew because they believe they weren't contacted!⁴

5. Present a single offer to your customer

Customers prefer a single maintenance offer that includes all equipment from the same vendor. Try to **include all components** in your maintenance quotation including communications, networking and applications. If possible, work with ALE to determine a single renewal date for the customer and establish the date based on the customer budget.

Take time to explain what services are included and highlight the added-value for the customer.

6. Assign a dedicated team or person to be responsible for support renewal

Selling services requires specific skills, full knowledge of the services available, and the value of the services to the customer. Assign one person or one team in your company to be responsible for selling and renewing support contracts. They will be your **key services experts** responsible for following-up on all support contract opportunities. They will engage with customers to sell value, manage concerns, identify incremental sales opportunities, and close deals.

They will **execute your support strategy** on a day-to-day basis, running reports and following-up on KPIs. They can also engage with the ALE Support renewal team to follow-up on support renewal opportunities.

⁴ TSIA, Mayhem or Margin? Generate Services Revenue Gains!, February 19, 2015

Conversation guide

Here are some **conversation starters** that you can use when you meet with your customers:

- ✓ What are your processes when there's a hardware failure in your system? How many days does it take to replace a defective component? Did you provision any budget for equipment failure?
- ✓ How old is your existing system? Are you aware of the main risks of aging systems?
- ✓ How much business would you lose without business communications or networks for half a day?
- ✓ How much do you spend to maintain/upgrade your systems?

Below are a few examples of the types of challenges, as well as some tips to **address the challenges** that you may face when presenting maintenance contracts to your customers.

“I don't see the value of your support contract.”

Could your business survive one day without your networking or communication solutions? What would the impact be for your end-customers?

We believe that your communication and networking solutions are **critical to your daily operation**. Ensuring their performance is directly related to your ability to deliver high-quality customer service, communicate with your business partners, and ensure effective and efficient teamwork within your organization.

A support contract can ensure a **quick diagnosis and solution** to critical problems, around the clock, as well as technical expertise and assistance when necessary. ALE offers **strict Service Level Agreements** for issues resolution. This will enable you to reduce equipment downtime and return to normal operations as quickly as possible.



To limit risk and decrease downtime time, you can proactively protect your equipment with full access to **maintenance releases**. Access to **system upgrades** can future-proof your solution at no additional cost.

Single annual payments and fixed operating expenditures (OPEX) for upgrades can keep **IT costs predictable** and manageable. Unplanned costs in the event of equipment failure are no longer an issue. Moreover, embedded **discounts** on **multi-year contracts** really provide the best price for your support contract.

“I don’t have enough budget to buy a maintenance contract.”

Did you budget for equipment failure?

Buying maintenance contracts is an **essential extension** of your investment. The annual fee ensures you **avoid high, unexpected costs** in case of equipment failure, including high transactional fees (such as one-time access to Technical Support), or long delays for parts delivery. Annual maintenance costs are controlled and **predictable**, making budgets easier to manage.

ALE offers several support options giving you the **flexibility to chose the level of support** you want depending on your needs and your budget. With embedded **multi-year discounts** you benefit from the best price. We can also **co-terminate** all your support contracts to your budget date to make them easier to manage.

Finally if you renew your service contract after the expiration of your current contract, you **may incur extra fees**. For network equipment, the support contract would be backdated to the previous contract end date. For communication systems, there may be reactivation fees as well as a fee for a one-time upgrade, before being able to restart a new support contract.

“I am not planning to do system upgrade(s) in the next year.”

Did you know that an aging system can put your business at risk? Aging systems are more vulnerable to **security threats, system failures** and in some cases **cannot accommodate business** group or corporate evolution requirements. Even if you don’t plan a system upgrade(s), you never know if and when you will require a **maintenance release** or ALE assistance.



As you know, business environments are **constantly changing**. Your business needs today may not be the same as tomorrow, and will evolve sooner rather than later. In addition, ALE solutions are also evolving. **New features and applications** are being developed and released regularly. If you do not have a contract that provides software upgrades, your solutions may not be functioning at their **full potential** and you will not be receiving the best value from your solution. As an example, any upgrade of OXE to R12 includes connectivity to allow end users to benefit from Rainbow™ services.

Access to updates and upgrades will help **increase your return on investment** and lengthen the life of your solution.

“I haven’t had any issues in years, why should I keep buying a support contract?”

Unfortunately, no one can predict if and when they will face downtime. The best way to prevent it is with **preventive maintenance**. Subscribing to a support contract, ensures you have access to maintenance release and vendor notifications and any other latest information. Proactive maintenance helps reduce the risk of equipment failure.

With a maintenance contract you get **rapid response** in case of system failure, you **avoid high transactional fees** (such as one-time access to Technical Support) and **you avoid long delays for parts delivery**. In addition, a valid support contract includes access to software updates which provide the latest features and applications, ensuring you to get the greatest value from your solution.

Once your contract has expired, you may **incur additional fees** to renew your service contract. For network equipment, the support contract would be backdated to the previous contract end date. For communication systems, there may be reactivation fees and possibly as well as a fee for a one-time upgrade, before being able to restart a new support contract.

“I am knowledgeable about the technology. Why should I pay for support?”

We understand that your team is familiar with ALE products, and based on that experience, have found interim solutions to troubleshoot issues. That is a great short term advantage for you.

However, in the long term, these solutions may cost you more time and more money. The best way to get real **“peace of mind”** and ensure that the issue is addressed is with a patch.



The longer you wait the more difficult it will be to evolve your solution. **Aging products** can incur additional costs and re-initiating a support contract can also add one-time costs such as a mandatory upgrade, backdating or reactivation fees.

A support contract will provide access to **top ALE expertise** to help troubleshoot issues and offer optimization and implementation advice. ALE experts also have extensive knowledge with regard to the latest technologies in the product portfolio.

Need additional information?



What are the risks of unsupported systems?

Communication and networking systems that are not supported may put **customer business at risk** and **disrupt** their daily operations. Equipment downtime can impact customer operations that can lead to decreased customer satisfaction and potential business loss. Customers may also face unplanned operational and capital costs, such as one-time access to Technical Support. **Spare parts are expensive and difficult to find at the last minute**, increasing downtime duration during failures.

Without a valid support contract, customers will be unable to perform preventive system maintenance. They cannot access maintenance releases or patches in case of issues. Their systems will be less stable and more at risk for failure.

Finally, systems that have been in service for a long time are more vulnerable to **security threats** and might not be able to accommodate business group or corporate update requirements.

Value of ALE Support Services

With a valid support contract, customer can avoid business disruptions. In case of failure, ALE Support Services will respond, based on a strict Service Level Agreement, to reduce downtime. Regular maintenance releases let customers proactively maintain their systems to ensure stability and limit the risks of downtime.

Single annual payments and price stability for renewals keep support spending under control. With an ALE Software Support Services contract, unpredictable software upgrade costs are transformed into fixed operating expenditures (OPEX) that are amortized throughout the life cycle of the solution. Customers can pay annually, benefit from multi-year discounts and reap additional savings.

Access to system upgrades ensures customers leverage the technology to get the most from their investment. They can evolve their solution and enjoy access to top ALE expertise to support them along the way.

Overall, customers benefit from the peace of mind they get with a support contract. They receive quick diagnosis and solution resolution to critical problems, as well as complementary technical expertise and assistance when necessary.

Why you should buy an ALE support contract

A vendor support contract, in addition to your own support contract, can help protect your installed base. With a valid contract, ALE protects the relationship between end-customers and partners. An end-customer can only switch partners with a written agreement from the actual partner.

A vendor support contract, in addition to a Partner contract, provides an additional layer of coverage that offers real added-value and protection for end-customers.

Technical support access is only available for supported systems (CPU-ID or Serial Numbers). Top ALE experts can help to quickly resolve customer issues. Access to maintenance releases and upgrades are only available for supported customers.

Purchasing the ALE support contract will help reduce your support costs. One-time access to Technical Support can be expensive and charging your customer for the additional fees to reactivate a support contract (including mandatory upgrade, backdating or reactivation) would create dissatisfaction. With access to maintenance release and upgrades, there are no additional costs to upgrade the system.

Finally, a support contract can simplify the management of your installed base. ALE sends you reminders for expiring contracts with a quotation. You will receive them approximately 90 days before the expiration. No internal process is required to manage the renewals. In addition, you can access tools such as PALM and Fleet Dashboard to simplify the management of your installed base.



Want to learn more?

Services information

Internet: <http://enterprise.alcatel-lucent.com/?services=SupportServicesandpage=overview>

Communication Support Services: <https://businessportal2.alcatel-lucent.com/support-services/services-portfolio/communication-support-services>

Network Support Services: <https://businessportal2.alcatel-lucent.com/support-services/services-portfolio/network-support-services>

Contact ALE service renewal team

For North America Region: Supportrenewal-na@al-enterprise.com

For Europe and Asia-Pacific: Ebg_global_supportcenter@al-enterprise.com

For more information, please contact your Channel Sales Representative or your Services Sales Specialist.

References

1. **TSIA**, Technology and Services Industry Trends Q1 2017, <https://www.slideshare.net/TSIACommunity/technology-and-services-industry-trends-q1-2017>.
2. **TSIA**, Pacesetter Practices for Renewal Sales and Marketing Maintenance and Support Contracts, October 2012, Julia Stegman Vice President Research, Service Revenue Generation TSIA
3. **TSIA**, Mayhem or Margin? Generate Services Revenue Gains!, February 19, 2015
4. **Service Source**, The definitive guide to optimizing customer success and recurring revenue growth, Revenue Lifecycle Management (RLM)
5. **ALE**, Moving up to the next level of enterprise communications - Increase efficiency and improve operations by mitigating the risks of aging systems, White paper

