



## The Business of Service

### What's New At Hahn Consulting

The vast majority of service executives we speak with are faced with two main challenges, do these resonate with you?

- Increasing service revenues and margins
- Delighting their customers and driving loyalty

At Hahn, we are pleased to invite you to a series of remote workshops dedicated to addressing one of these challenges: Driving Service/Support Revenues

The objective of these workshops is to provide you a game plan filled with actionable information to profitably grow your service business. Hahn Consulting has been working with hundreds of clients over the past several decades providing insights on growing services.

Starting on July 28th, Hahn will host a series of six weekly interactive workshops, each from 60 to 90 minutes in length focused on the following topics:

- Session one –Contract Offerings
- Session two – Pricing
- Session three – When, Who and How to Effectively sell Service & Support
- Session four – Effectively managing the high value components of your offerings (i.e. upgrades, updates, parts)
- Session five – Getting Sales On Board
- Session six – Discounting & often over-looked opportunities

In the event you cannot commit to six weekly sessions, each one will be recorded so that you will have the opportunity to attend the recorded session for a period of one year from the conclusion of the workshop.

For more information on these workshops or to register, please visit our website at [www.hahnconsulting.com](http://www.hahnconsulting.com) or call Hahn Consulting at (503) 668-9200.



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### Business of Service

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## Service *Selling* the Long Tail

by Ted Lee

Much has been written about “selling to the long tail” when it comes to products, however, when it comes to services, subscriptions, warranty extensions and even after sale services attach, the popular long tail sales theory is poorly executed if not totally overlooked.

Many internal service and sales organizations opt to drive their low dollar value service customers to online or self-service methods for “renewals” based on the belief that handling sales related calls will eat into the relatively small margins from each individual sale. The misguided belief is that customers will self-select the service they need and purchase online – lowering the cost of sale for the service and increasing the margin. The tendency is to significantly stretch the “One – to – Many” ratio of sales reps to opportunities and assign the small ones to their least experienced/tenured resources. Finally, a common tactic masquerading as strategy for the long tail is to task the inside product sales or renewals teams with the “long tail burden” on top of their existing responsibilities. These tactics will only result in customer churn and should be avoided.

### Retention: It's not just for SaaS

The problem with all these strategies, (and I use the term strategies loosely here), is that they neglect an ever-growing trend among small and medium sized customers – these customers are increasingly needing more help navigating the rapidly changing IT infrastructure environment.

*Last year, COMPTIA released a report, [Enabling SMBs with Technology](#), in which [Seth Robinson](#) highlighted the fact that nearly half of medium and small businesses are becoming more dependent upon their IT infrastructure, yet are less capable of keeping up with the latest technology.*

In other words, these customers need **more help** making important technology, service and “tech refresh” decisions. Couple this trend with what we know about the manufacturers and their channel partners setting strategy based on **less help** and it is no wonder why the “long tail” is so prone to poor customer satisfaction surveys, low retention rates and underperforming service revenue achievement.

Providing less sophisticated sales assistance in this segment, therefore, has a negative effect on the renewals, upsell, cross-sell, tech refresh and even customer retention. You may think this only applies to net-new sales, however, it might just apply more so to services and tech refresh since the world of net-new commerce is so frictionless.

Hahn Consulting,  
over 30 years of experience  
delivering

### Service Sales & Marketing Training

**Research** - customer, competitive and benchmarking

**Consulting** - portfolio design, pricing, developing services strategy and growth plans



**Ted Lee** is Co-CEO of Annuity Systems, a Recurring Revenue and Service Sales organization that helps manufacturers and their channel partners maximize service and support revenue through expertise, process and technology. Throughout his career and at Annuity Systems, Ted has helped companies address the challenges of selling services to customers of all sizes. Annuity Systems is hyper focused on effective service sales solutions for “the long tail” and over the last 10 years has helped companies large and small like Adobe, WatchGaurd, Acorns, Aptelligent, Office Depot and many others. [www.annuitysys.com](http://www.annuitysys.com)

With the online and full service resellers highly focused on new customer acquisition, it is easy for a customer to find a new solution to replace a product or service. To avoid this result, you must prioritize retention -- keeping your customer satisfied, protected and serviced throughout the product or service life and then retain them through upsell or refresh before your competitor sneaks in to steal them – yes steal them. Big or small, they are your gold ... protect them as such.

### **Custom Tail Sales Solutions based on Aggregate Value**

By focusing on the aggregate segment value and devising a comprehensive compensation model for sales and channel partners, the low value customer base can be serviced and retained at rates previously reserved for the higher dollar segments. Dedicated teams of service sales resources either selling directly to customers or supporting the channel in facilitation efforts can greatly increase the customer satisfaction and retention.

While an individual sale may be deemed too unprofitable to sustain, the aggregate value of the increased revenue in the overall segment and the increased overall margin that results for these increased sales typically makes a “long tail service sales strategy” worth the initial investment. If you build self-service or customer self-sustainability initially through an increased customer touch campaign, they will be more likely to self-sustain themselves through your services – knowing that the help they need is a simple call, a chat or an email away.

Selling ongoing services, especially to the needy tail, is often times more complex and requires more touch than product sales, yet it yields greater immediate and downstream profitability through higher lifetime customer values. The result is that most “tail service sales and marketing teams” are proving grounds for higher level positions within the organization – both manufacturer and channel partner alike. The rising stars are often poached by internal resources or are highly recruited by competitors or SaaS based organization who value these unique skills. Maintaining an effective strategy, let alone a consistent management and sales team is nearly impossible in the tail of most service and service sales organizations. In the anecdotal words of Sun Founder Scott McNealy, most service sales teams handling the tail are using hamburger flippers where the chefs are needed.

### **How to Find Chef’s to replace the Burger Flippers**

It is therefore essential to focus on a solution that will deliver consistent strategy, process expertise, technological innovation and employee longevity and channel focus on servicing the fickle tail. Companies must realize, however,

that customers are dictating a comprehensive strategy that involves sales, marketing and technology that must be proactive in nature before the customer goes under-served, unprotected and, within time, will go to the competition.

A few traditional hardware and software organizations have watched their SaaS technology cousins improve customer retention out of greater necessity and adopted their ideas – most have not. Many others look to outside organizations that provide expert resources from a strategic, managerial, sales, marketing and technological perspective to deliver the results they are unable to achieve through internal teams. However, many outsourced partners try to focus on the whole of the “service sales, renewals or customer success” business for their manufacturer clients and are similarly challenged by the unique market forces of “the tail”. Their results on customer retention are often too similar to those of internal teams resulting in lost customers and revenue.

There are, however, service sales organizations that focus specifically on the long tail, and leave the larger segments to internal resources while sharing best practices across all of their customer’s segments – from Enterprise to SMB.

Whatever path is chosen, consistent Long Tail Service Sales Expertise, coupled with dynamic flexibility from a process and technology perspective is the most effective way to succeed in not only retaining, but growing, the profitable service revenue from the “the long tail”.

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