The Power of Installed-Base Intelligence:
Using Quality Data and Meaningful Analysis to Drive Service Revenue
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For many technology-based companies, post-sales service and support is little more than an afterthought. But if approached properly, after-sales service and support can improve customer retention and loyalty while significantly increasing recurring revenue. This is not always easy, however; improving service revenue on a company-wide level hinges on the value, and quality, of installed-base data and the ability to transform it into meaningful customer intelligence. In most companies, such data is originally optimized for product sales, with little thought given to its post-sales value. Too often, data is siloed, fragmented, and error ridden and is difficult to access and use.

Despite these challenges, installed-base data is extremely valuable in optimizing recurring service revenue. ServiceSource® is dedicated to expertly cleansing, reporting, and analyzing this data – creating meaningful customer intelligence – to draw the highest return from actionable information on thousands of customers. This creates a foundation for an analytic approach that transforms data into information, knowledge, and finally wisdom and that drives real-time insights to make operating decisions and grow service revenue. To do this, we use powerful analytics that not only restore usability and value to your information but, more importantly, provide the fuel for data-driven decisions around sales initiatives, resource allocations, and sales policies and processes. The result: increased service revenue and ongoing profitability.

The Importance of Installed-Base Data

Inaccurate data can have serious consequences. Research firm Datamonitor estimates that it costs U.S. companies 30 percent of total revenues – a massive $700 billion per year in additional operating costs. And that number is only expected to increase. Poor installed-based data is no exception, and the effects continue far beyond the financial. Bad data can be worse than no data at all, leading to erroneous conclusions and poor decisions.

ServiceSource estimates that in a service subscription, support, and maintenance market of $250 billion, nearly $40 billion in potential revenue is left on the table every year, often because companies fail to fully optimize existing customer data. As companies and product lines evolve and mature, a natural strategy is to move beyond new product sales to grow recurring and highly profitable service and support revenue. But, far too often, a company sets out to increase its service offerings, only to find that its systems, processes, and databases have been optimized for product sales – and not for service.

This situation can have several causes, though the most common one is simple: the data is a mess. Once a sale is made, the order entry process is manual and often fragmented across multiple systems. The evidence is inaccurate, incomplete, duplicated data from disparate systems, collected to serve multiple objectives.

This misalignment of data and processes significantly limits visibility into the installed customer base, making it hard to capture the information needed to drive critical business decisions.

1 Includes recurring revenue from technology, healthcare, life sciences, and building systems industries.
From Data to Knowledge, and Beyond

Many companies become overwhelmed with the prospect of cleansing, organizing, and reporting on installed-base data. In fact, close to 70 percent of companies have yet to implement a data quality plan. Others dive in, adding information management resources that provide a spot fix. Such piecemeal solutions fail to address fundamental problems and can even compromise performance.

So where to start? ServiceSource follows a comprehensive approach to improving and managing installed-base data. We move beyond fixing core data quality issues to using data-driven analysis and insight across the business. This data-driven approach to increasing service revenue performance is illustrated by the knowledge hierarchy model in Figure 2, which represents how processes and analytics transform simple data into valuable knowledge and wisdom.
At the base of the knowledge model is data. In most companies, data is abundant – yet meaningless without context. Apply tracking and reporting to the data (for example, using key performance metrics), and that data becomes information. Apply analytics, and you create knowledge and actionable insight. Finally, wisdom arises from the ability to operationalize knowledge and drive real time decision making.

Apply this hierarchy to a renewals business, and some clear observations arise. Many organizations can work with data and information, at least enough to generate basic service revenue performance reports. But without the proper analysis, some information can be misleading. For example, a 90 percent final renewal rate, while impressive on the surface, could mask low in-quarter or on-time renewal rates. In contrast, turning accurate data into knowledge and wisdom lets your organization understand renewal rates, close and conversion rates, and reasons for contract lapse or cancellation. Insight into the performance of customers, channels, policies, and practices gives you the power to identify areas needing improvement and to drive performance through changes in staffing, resources, or policies.

**ServiceSource addresses each of the four stages of the knowledge model.**

### 1. Data Transformation

ServiceSource attacks the data challenge head on. On behalf of more than 60 leading technology customers in verticals including hardware, software, networking, storage, healthcare, life sciences, and building systems, ServiceSource controls and operates a purpose-built renewals data warehouse called the Service Revenue Intelligence Platform™. This platform is backed by expert industry guidance, best practices, benchmarking, and analytics. We use the Service Revenue Intelligence Platform to address the root causes of poor data quality and grow service revenue. At the heart of our business model is the ability to amplify a traditionally underperforming asset, installed-base intelligence. This is the actionable knowledge and insights residing in customer data.

A tightly managed systematic process lets ServiceSource use this platform to improve the quality and completeness of customers' data. We take renewals data from disparate sources and store it in unique instances of our Service Revenue Intelligence Platform. A ServiceSource sales enablement team then normalizes, cleanses, enhances, and enriches customer data to remove errors or other inaccuracies and significantly increase overall quality. We rely on automated processes and exception reports, but we also have a team that is constantly scrubbing and reviewing data for accuracy. Numerous audits and checkpoints ensure that we update, improve, and report the highest-quality data. This methodical approach to quality assurance ensures our sales teams are well positioned to engage each customer during the renewal event.

Every customer renewal event is an opportunity to position the value of maintenance and support, ensure product usage, uncover potential issues, update contact or asset data, identify opportunities for up sell or cross sell, and drive to closure. With each customer touch, we update our Service Revenue Intelligence Platform to reflect the most current, accurate customer data; we then use this data to provide real-time visibility into the client’s services business.

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**Benefits of Accurate Installed-Base Data**

The benefits of accurate installed-base data extend beyond service revenue management to affect both upstream and downstream operations, helping you:

- Better identify opportunities for up sell and cross sell
- Streamline service delivery and reduce costs (by ensuring that each part or service is delivered to the right contact and location)
- Increase sales efficiency and reduce cycle times
- Improve tech refresh, end of service life campaigns, and product sales
- Increase customer and partner satisfaction and loyalty
2. Comprehensive Reporting

Many companies rely on spreadsheets to manage data, although as a business grows, standalone spreadsheet software cannot provide needed insight or visibility. As a result, executives have trouble determining the ROI of investments or reconciling recurring service revenue with policy and process changes. To optimize performance, ServiceSource tracks those metrics with the greatest impact on renewal opportunity, sales results, and operational performance, giving the business the visibility it needs to make confident decisions.

For example, end-to-end quote-to-order cycle time is a critical metric, but it’s just as important to know how long the quote sat at each stage of the process. Was it hung up in generation, delivery, or follow-up? This level of insight allows companies to proactively manage capacity and throughput, adjust in real time, and avoid bottlenecks to capture the most renewal dollars.

ServiceSource has developed over 100 business management KPIs. Figure 3 highlights the KPIs that make up our core service revenue performance dashboard.

### Key Performance Indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>Key Questions Answered</th>
<th>Performance Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewal Opportunity</td>
<td>• What is the true value of the renewal opportunity?</td>
<td>1. Total Opportunity Amount</td>
</tr>
<tr>
<td></td>
<td>• Have we captured our starting point accurately?</td>
<td>2. Adds Ratio</td>
</tr>
<tr>
<td>Renewal Results</td>
<td>• How did we perform against the true opportunity?</td>
<td>3. In-Quarter Renewal Rate</td>
</tr>
<tr>
<td></td>
<td>• How can we consistently compare performance across geographies, partners, and sales teams?</td>
<td>4. Final Renewal Rate</td>
</tr>
<tr>
<td>Sales Processes</td>
<td>• Did we manage the renewal sales process in a timely fashion?</td>
<td>5. Contact Days in Advance</td>
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<tr>
<td></td>
<td>• Are sales teams doing the right things to maximize performance?</td>
<td>6. Sales Cycle Length</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. Contract Renewed Before Expiration</td>
</tr>
<tr>
<td>Performance Drivers</td>
<td>• How can we drive improvements in future performance?</td>
<td>8. Resolution Rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9. Close Rate</td>
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<tr>
<td></td>
<td></td>
<td>10. Conversion Rate</td>
</tr>
<tr>
<td>Customer Feedback</td>
<td>• What am I learning from customers?</td>
<td>11. Conversion Reason Analysis</td>
</tr>
<tr>
<td></td>
<td>• What do my renewal and cancellation rates indicate about the business as a whole?</td>
<td>12. Cancellation Reason Analysis</td>
</tr>
</tbody>
</table>

Figure 3.
3. Analytics and Benchmarking

One of the primary challenges of benchmarking is setting targets. Many companies measure quarter-on-quarter or year-on-year performance, by department or by product. However, such practices risk setting the bar too low. Benchmarking against last year’s data is easy, but benchmarking against the best-in-class performers in your industry is nearly impossible, because each company compiles data and calculates averages in its own way. So how do you find out how other companies are doing? And what is the best possible performance? As Michelangelo said, “The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.” How will you know how high to set the mark?

ServiceSource makes benchmarking more valuable and actionable. Using data from more than 100 customer engagements, we measure performance across segments, regions, and types of business. Because ServiceSource captures the right data and calculates metrics in a consistent, industry-standard way, we can normalize and drive consistency across data to generate valuable industry benchmarks.

![Benchmarking Against Best-in-Class](image)

**Benchmarking Against Best-in-Class**

- Current Renewal Rate: 47.1%
- Industry Average: 65.0%
- Best-in-Class: 75.8%
- Below Best-in-Class: 28.7%

Figure 4.

4. Predictive Analytics

Once you have clean data and the right reports, metrics, and benchmarking, you can focus on predictive analytics – transforming raw data into meaningful information that supports confident, knowledgeable decision making.

Predictive analytics uses real-time data to make decisions that change trajectories and affect outcomes. In short, you can make more rapid, informed business decisions around staffing, forecasting, resources, and policy. Suppose you notice a change in customer behavior, such as an increase in contract cancellation in a specific area of the business. Advanced analytics allows you to note the change, investigate the data, and alter policy or pricing to correct the problem.
Let’s look at some typical use cases for predictive analytics:

- **Intelligent campaign management.** Installed-base intelligence can drive proactive marketing campaigns for channels by predicting renewal results based on particular attributes. For example, you could capture and aggregate data about the installed base to identify a cluster of customers using a certain product. You might then apply knowledge of this product’s roadmap to choose between a tech refresh and a renewal campaign. Each approach can be individualized by segment attributes, product age, and renewal rates.

- **Resourcing decisions.** You can use predictive analytics to affect resourcing decisions. For example, you can review throughput on quoting and closure rates within a quarter, then reduce or ramp up resources as needed to manage to the sales goal. Or use modeling to decide if adding specific resources at a particular stage in the sales cycle could help meet quarter-end goals.

- **Quoting efficiency.** Operational analytics can improve outcome in the form of higher throughput and higher-quality quotes. Whether you handle 10 or 1,000 sales quotes a day, predictive analysis based on dollar value, number of products, and value of customer can break down the complexity of the sales process. A $1 million quote with 5,000 line items, for example, is a large opportunity – though the complexity of the quote increases risk of error. Routine quotes can be generated automatically, while more complex quotes can be routed to your best resource, enabling you to match tenure and experience with opportunity and risk.

- **Sales and support enablement.** Advanced analytics let you forecast the probability of customer renewal. You can analyze the likelihood of renewal based on attributes such as Dun & Bradstreet data, products and services, and length of contract, then focus resources on those customers most likely to renew.

- **Further renewal opportunities.** Sophisticated data mining can help you capture less readily identifiable opportunities. For example, a computer hardware provider might use ServiceSource data-mining capabilities to ensure renewals on multiple products covered under different contracts, with varied termination dates. Advanced analytics could then go one step further, identifying situations in which, for example, only two of three components are renewed, allowing you to pursue the missing assets.

- **Data accuracy and quality.** Best-in-class workflow management systems let ServiceSource actively and automatically track the flow of data through multiple touchpoints in an organization. The result is consistent, accurate, and comprehensive data throughout the process.

Predictive analytics allow for informed, confident decisions that help individual departments, and your company as a whole, run more smoothly. Predictive reporting and analysis creates enhanced visibility into data as it touches points throughout the organization, setting the stage to best position resources, enact policy or pricing changes, and ultimately optimize recurring service revenue.
A Way Forward

Your renewals business is an untapped opportunity, one with significant net new revenue potential – not to mention the potential to strengthen customer relationships and loyalty. It’s clear why some companies leave that money and customer relationship opportunity on the table; the prospect of cleaning up fragmented, siloed customer data can be overwhelming and potentially costly, even before a company considers the resources needed to properly report, benchmark, and analyze the results for maximum value.

ServiceSource makes it easy to unlock the potential and value of your installed-base data and customer relationships, transforming it into information, knowledge, and wisdom. Using higher-quality data and predictive analytics enables you to better staff resources, improve quote efficiency, enable your sales and support teams, and capture more renewal opportunities. Our thorough, systematic, and insightful approach to data management, combined with over a decade’s worth of renewals data, benchmarks, KPIs, and best practices, can help you get the most out of your renewals business – maximizing your performance, revenue, and profitability.

For More Information:
To learn more about this topic and how we have helped companies drive improved financial performance and increased visibility and insight within their renewals business, contact ServiceSource at sales@servicesource.com or call 800-211-5868 to speak with a sales professional.
The Service Revenue Performance Company

ServiceSource focuses on driving increased recurring service revenue, profitability and customer satisfaction for the world's leading technology-based companies. The ServiceSource solution consists of a suite of cloud applications, dedicated service sales teams working under its customers' brands and a proprietary Service Revenue Intelligence Platform™ with over a decade of renewals data, KPI's, benchmarks, and best practices. ServiceSource addresses the critical steps of the renewals process, including: data management, quoting, selling, and renewal business intelligence. Its business is built on a pay-for-performance model that ensures a results-driven, shared risk partnership with customers.

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