iasset.com®

The Global Channel Ecosystem

# The Ultimate Playbook

*Guide to Renewals Management*

# Introduction

**Managing the renewals or recurring revenue stream of company is a challenging yet critically important.**

The renewals process can be easily stifled by inefficient and slow operations. This is due to the complexities that come with managing the data required to generate renewal quotes, the immense volume of transactions, as well as the effort and close engagement required to close those opportunities. Failure to address these issues will lead to poor closure rates, delayed renewals, and consequently lost revenue.

In this guide, we detail six key strategies that will help you build a best-in-class, streamlined and highly efficient renewal operation that we have found most helpful in our experience working with channel players grappling with renewals. By applying these strategies into those organizations, we've seen increased on-time closure rates, more renewal opportunities generated and therefore more revenue for each and every company.

## Common Challenges

What we've seen and heard...

*"Many of our processes for managing service/subscription sales are manual, time intensive, and not very effective."*

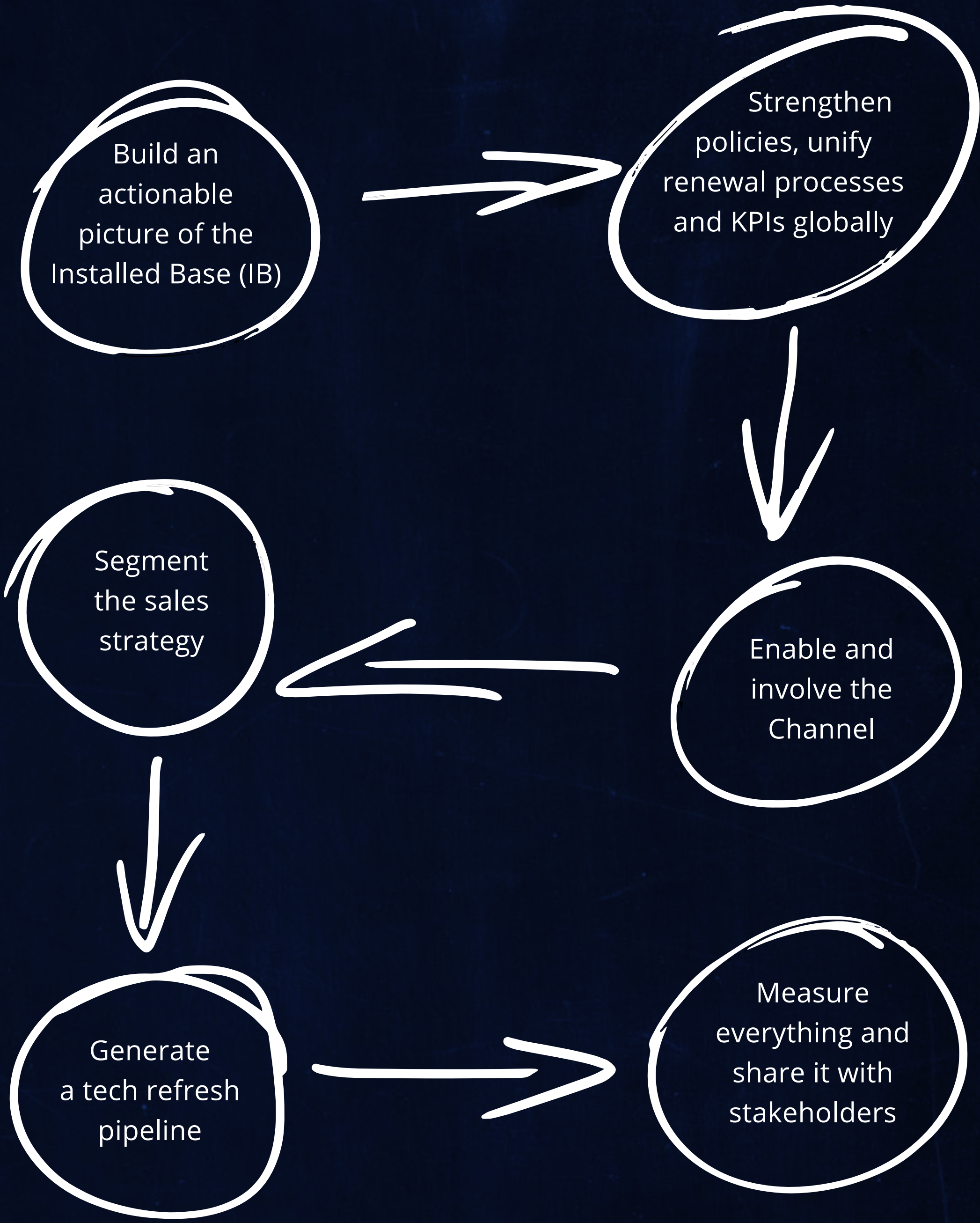
*"We lack clear visibility into our service/subscription opportunities. Data is dispersed, stale, and incomplete."*

*"Sale Reps are spending too much time on admin, not selling."*

*"Our channel partners are not selling service contracts, and ongoing subscriptions effectively."*

# The Playbook Guide

To overcome the previous challenges, we've developed 6 key strategies which we cover in detail:



1

# Build an Actionable Picture of the Installed Base (IB)

As easy as this is to put down on paper, we understand that in reality building an actionable picture of the Installed Base (IB) is not that simple. Having said that, any effort invested in consolidating and enhancing your IB data will go a long way to improving your renewals. Here's how I recommend you start the process:

## Aggregate all Available Information

By aggregating all available information on IB, customers, partners and relationships into a single view, you'll achieve a much clearer picture of your actionable opportunities. Map all the sources of this information and define it as the "Master Data System".

Achieving this is a great start, however you will also need to map out how you plan to keep this up-to-date. A web service is a great way of automating the updates, but if you don't have access to that, then we suggest setting up a monthly cadence with relevant team members or channel partners that can supply the information.

## Cleanse Your Data

Your data is virtually useless if it isn't accurate and up-to-date. That's why data cleansing and achieving data integrity within your installed base is so important, even though it can be such an onerous task - from de-duplication and standard field mapping through to augmentation.

Creating standard field tables that your data sources easily map to can help auto-correct errors (e.g. SIC codes), replace missing field information, and remove irrelevant information. Not only will this make it easier for you to manage your data in the future, but by eliminating unnecessary information (including duplicates), you will als0 optimize data storage and increase capacity.

## Increase Visibility

Provide greater visibility of your data with your channel partners and customers. Most if not all of your data gaps will reside somewhere in one of your customers or partners database. An easy way to approach this, is to share the data you have in the context of the "renewal" transaction. However, be prepared for data inconsistencies to crop up, (which is partly what you're trying to solve), and establish a support mechanism to address them fast.

*As much as we all may hate to admit it, data is the backbone of any renewals program. The better the quality of your data, the more success you will have in turning old, new and existing opportunities into revenue.*

## Aim for a Unified Process

Adhering to one process will enable a much smoother, achievable and predictable management of renewal tasks. In order to help achieve this, every customer should be treated the same during the renewal process.

For example, if your policy states that the service will terminate 30 days post expiration date if no payment is made, then this should automatically apply to every single customer.

Special consideration should be made to cultural differences and expectations when implementing a single process worldwide. Different regions have different expectations on timing which may affect your ability to close renewals on time.

The only exception to following a unified process would be in cases where the opportunity is of significant value and requires additional time and resources in order to win the business.

# Strengthen Policies, Unify Processes and KPIs Globally

This particular strategy can be broken down into two parts. Firstly, creation (if the policies, processes and KPIs don't already exist) or revision (if updating them is required) followed by constant monitoring. In many cases it's a matter of continually reinforcing the correct policies, processes or KPIs through training and knowledge transfer to those actually responsible for implementing and executing them.

## Close Classic Policy Loopholes

If you haven't already done so, strengthen your policies through proper documentation that is easily accessible by all relevant parties. As you create or refresh these policies, pay particular attention to the classic loopholes. It's amazing how much revenue can be missed by failures to close these gaps.

For example, some of those we've seen include:

### Not enforcing a reinstatement fee.

If the customer fails to pay the renewal on-time, or at an agreed date post expiration, then that's money in his books not yours – so charging for it is only fair. When have you come across a bank that doesn't charge penalty fees!

### Continuing to provide support when actually there is no contract.

The critical element here is being able to provide your customer support or engineering teams with immediate access to contract information to help validate its status while the customer is on the phone, and if possible, the ability to process a credit card charge to enable support instantly.

### Continuing service on expired or terminated contracts.

Whilst we spend a lot of time and care on-boarding a customer, it is also critical to ensure that the off-boarding policy and process is not forgotten. Organizations must ensure all systems are updated when a contract has expired or terminated, so that they do not leave themselves exposed.

## Implement Unified KPIs

Although most organizations will have established key performance indicators, ensuring that they are unified and implemented across your global network will help streamline the measurement process. Again, there may need to be some "cultural tweaks", but where possible, these should be as similar as possible.

Doing so will enable you to effectively measure the impact of any process change, and develop cross-territory benchmarking standards.

# Key Performance Indicators (KPI)

The most important thing about KPIs is to set them above the minimum viable amount. That is, you want to make sure that your KPIs are aligned to your financial targets, so that at a minimum you are meeting those performance thresholds. Calculating performance, especially renewal rates, is dependent upon multiple contributory factors. Below is a simple equation to help calculate the renewal rate is:

**Resolution Rate x Close Win Rate x Conversion Rate = Renewal Rate**

### Resolution Rate

This measures how well a sales team is able to resolve a specific set of opportunities assigned to them regardless of whether they are "closed won" or "closed lost". Basically, the resolution rate demonstrates the ability of the sales team to cover the opportunity pipeline.

### Close Win Rate

This metric relates to how well the sales team are selling the value of the support contract or renewal to actually win the opportunity.

### Conversion Rate

This metric covers how well sales teams are able to increase the value of a renewal contract through upsell or cross-sell opportunities such as multi-year, service upgrades, or uncovered assets.

In addition to the previous KPIs, we also recommend tracking the following:

### 1. Total Available Opportunity

Yearly comparison of renewal rates: To determine base line and growth within your opportunity base.

Transaction value and units: Exposing both helps identify what's happening to the installed base and help predict future growth.

### 2. Bookings

Transaction value and units (as per the above).

Up-sell/cross-sell conversion rates and value: To determine if you are generating any revenue above and beyond the renewal.

### 3. In period Renewal Rate

In-month bookings/In-month TAO: This KPI can be helpful in motivating sales teams and partners.

### 4. Renewal Rates

On-time and pushed out renewal rates: By tracking both you will be able to determine how efficient your processes are, and whether it's an internal or external issue.

Segment by product family, service line, partner: This KPI can also be useful to determine which parts of your business operate more smoothly than others, and identify improvement opportunities.

3

# Enable and Involve the Channel

If you operate via a single-tier or two-tier channel model, then it's likely that your partners are your bread and butter. So enabling and involving them throughout the end-to-end process is critical in running a successful channel led renewals operation.

The steps we will discuss in more detail are:

1. Automate the Renewal Process
2. Trust but Verify
3. Over-Communicate
4. Channel Compensation
5. Role of Distributors
6. Keep it Simple

*Make sure your channel is "renewal ready!"*

## 1. Automate the Renewal Process

Automating the renewal process using a purpose-built solution such as iasset.com, will ensure 100% pipeline coverage – even down to the smallest of your renewal opportunities.

It also offers the ability to auto-generate order-ready renewal quotes. By providing online access, these tools greatly enhance a channel partner's ability to manage, update and track the status of quotes and contracts without the need to do multiple re-quoting or time-consuming administrative tasks.

## 2. Trust but Verify

While automating with technology will empower and enable your channel partners to complete these transactions on your behalf, it is still important to build in a verification process. In the first instance, let all the renewal opportunities "sitting in their queue" be managed by your relevant channel partner.

However, in the event of non-action by the partner, it is important to have an automated escalation process, where the opportunity can be issued to an alternative channel partner or even a third party tele-sales operation.

A 'Partner Renewal Performance' dashboard can also be established to help avoid "lack of action" scenarios that is shared with the partner on a monthly basis.

## 3. Over-Communicate

Establish clear rules of engagement and compensation to ensure a more seamless channel partnership and work flow. Once you have defined and communicated these rules to your channel, it is extremely important that you adhere to the rules, even if it can be painful at the start. Channel trust is earned and any break in the rules for convenience or a rouge rep will create distrust across your entire channel.

Determine who, how and when you plan to communicate with your channel. For example, you will need to ensure that your contact database is up-to-date, and that all relevant contacts are enrolled to your email communications or channel learning systems.

As more and more organizations are moving to subscription-based model, timely and frequent communications will be critical in enabling co-operation and adoption of these models.

## 4. Channel Compensation

Usually one of the most challenging areas in managing a channel-based strategy is determining appropriate levels of compensation.

Setting transparent KPIs on renewal rates, bookings attainment etc., will help provide clear goals for your channel partners to achieve. In the case that they do, it's essential to provide incremental margin to them based on the KPIs via additional rebates.

Also ensure that like-for-like pricing is offered to the customers regardless of whether a renewal is sold through partners or direct sales (it will give you a better outcome to actually be slightly more expensive direct). This reduces the potential for channel conflict to arise over margin differences, which can potentially upset your top partners.

## 5. Role of Distributors

It is vital to hold your distributors to the same renewal standards as your reseller base. In addition, by providing the distributors with better insight into the opportunity pipeline, they can potentially take a more active role in helping the reseller partners close opportunities. A three dimensional approach to targeting renewals will only yield more revenue for everyone in the channel.

In cases where they are non-responsive, it may be worth introducing an escalation policy that occurs at a certain stage of the renewal cycle, which could be directed to a 3rd party channel rescue operation such as the iasset.com Sweeper team.

## 6. Keep it Simple

Your partner programs have the ability to easily become quite complex, which can lead to potential confusion, disagreement and dissatisfaction. It should be a straightforward process of supplying a quote, obtaining quote approval and then closing the opportunity. By excluding any requirements attached to a partner program, you will be able to “keep renewals simple” and reduce internal barriers to closure.

It is worth leveraging existing partner portal infrastructure and frequently visited forums to communicate policy or process changes.

*Your channel partners have a significant ability to impact your renewal revenue, so it’s worth investing the time and effort required to get them completely “renewal ready!"*

# Segment the Sales Strategy

Typically, a renewals organization has huge variances in transaction values, product mix, customer base and more. Therefore, an essential part of any renewals plan is to segment the sales strategy in ways that create greater efficiency. Below we detail how to segment your renewals pipeline and help increase the productivity of your teams.

## Segment by Transaction Value and Type of Service

Segmenting your renewals by transaction value will allow for greater efficiency, as it will allow you to forecast the effort and time required to close renewals by each segment, as well as plan the revenue targets. By establishing benchmarks around closure time, you will also be able to measure the profitability of your renewals operation. Low value renewals should be automated as much as possible, to help reduce cost of sale and maximise return.

Subscription-based contracts that operate on monthly basis, should also require minimal human intervention. You can optimize your productivity through automating the removal of channel-closed sales, so that once the renewal is completed by a channel partner, it is closed on all other systems.

## Define Interaction Matrix by Segment

In addition to segmenting based on value, we recommend defining a “customer call frequency touch” model, or standard interaction matrix based on anticipated ROI per call, and ability to realize a gross margin over expected interaction costs. The higher value renewals will no doubt require more calls than lower value renewals, and therefore should be measured and tracked differently.

By monitoring team compliance to your interaction matrix, you will be able to assess how productive and efficient your renewals team is with closing renewals, and also identify areas where additional training may be required.

# Deep Dive on Low Value Contract Renewals

## Extremely Low Value Contracts

Among these very low value contracts which should not require any human intervention. All like-for-like quotes – that is, the exact same quote is issued this year as last year at this point – should be auto-generated and closed through complete automation.

Typically, the renewal process for these types of quotes would entail an email being sent to the reseller 90 days prior to expiry, and the subscription terminating at 30-90 days if no payment is made.

## Low Value Contracts

The level of automation for this segment would essentially be the same as what we've described above for extremely low value contracts, with most communications occurring via messaging and minimal inbound calls.

Some outbound calls may be required to follow up on outstanding opportunities in the case where opportunities can be aggregated into a reseller partner pipeline.

In situations where no action is taken prior to the expiration date, these renewals should be escalated automatically to an outbound tele-sales team, who can follow up at defined intervals until an agreed date of contract termination for non-payment.

# Best Practice Renewal Cadence Cycle

The following diagram is a structured renewals cycle plan that typically delivers strong results:

5

# Generate a Tech Refresh Pipeline

Recalling back to the first strategy, your actionable installed base data represents a wealth of opportunity for a tech refresh pipeline as well as your renewals pipeline.

## Develop an Installed Base Product Sales Strategy

It doesn't always make sense to sell a renewal, however there may be segments in your database that would qualify for an upsell, cross-sell or even a tech refresh campaign. Product lifecycle stages should be closely monitored to highlight opportunities for end-of-service (EOS) or end-of-life (EOL) campaigns.

## Use the Renewal Event to Expand Relationship with the Customer

A renewal event is a natural conversation-starter, and is a great opportunity to promote any upsell, cross-sell opportunities. Prepare for these calls by researching the options to identify the ideal product/service upgrade based on the customer lifecycle stage.

Remember that every interaction with the customer is an opportunity to further enhance the relationship, be it via e-commerce, direct phone calls, channel partners, or even direct e-mail campaigns.

Finally, we recommend creating appropriate incentives and processes for tele-sales teams to capture leads. Doing so will improve the chances of immediate conversion, which can then be fulfilled through a reseller partner.

# Measure everything and share with all stakeholders

*"What gets measured, gets managed"*

Peter Drucker

This famous quote by management guru Peter Drucker sums up what most of us already know about the importance of establishing and tracking key performance indicators for renewals. By continuously measuring performance, process improvements can be identified, which is critical for operating a successful renewals organization.

## Different Stakeholders are Interested in Different KPIs

Not all stakeholders will be interested in exactly the same performance measures, so it may be worthwhile segmenting your KPIs into groups with standard reports that are updated weekly or monthly. Share with as many stakeholders as you can, as they will value the insights and feel empowered by understanding what's happening.

Typical stakeholders are listed below:

### Executive (Sales) Management

Probably your biggest stakeholder, the sales management team see this a core source of revenue and will obviously want to keep a close eye on the results. They will be most interested in bookings attainment as well as total available opportunity (TAO) metrics.

### Channel Account Managers (CAMs) and Channel Partners

In the case of CAMs, they will benefit from understanding which product segments are achieving the greatest renewal rates, to help determine where they should direct their net-new sales efforts and support to channel partners.

Channel Partners usually have very little view into renewal organization performance, so by providing them with visibility on the renewal pipeline, including TAO conversion trends, bookings attainment and renewal rate metrics, will help drive more activity. Monthly reports would usually be considered sufficient.

### Product Marketing

Product marketing managers are often not compensated on sales results, and therefore have no feeling of ownership. Including them in the performance reporting will help influence where they focus their efforts, such as updating service value propositions. Target these updates at bi-monthly or quarterly meetings, highlighting details such as renewal rates by product segments, customer feedback and inhibitors.

### Finance

One of the most forgotten stakeholders is the Finance team. As a numbers focused team, they crave any kind of metric, and will often provide valuable insights that other stakeholders may not pick up. My suggestion is to include them as much as possible – it can be helpful to have them on your side during more challenging times.

# Conclusion

Renewals organizations are often known for their complexity, but implementing the six strategies we covered within this ebook, will significantly improve on-time closure rates, generating more renewal opportunities and therefore more revenue.

Underlying success can be attributed to:

### 1. Managing the Data: Simplifying Processes

Building actionable installed base will help you take back control of your various data sources, and also create a natural tech refresh, up-sell, cross-sell pipeline of opportunities.

### 2. Simplifying Processes

Efficiency is the name of the game in renewals, so developing standard policies, closing common loop holes and unifying KPIs, will drive better and simpler processes.

### 3. Empowering the Channel

Increasing the channel's visibility of the pipeline and performance will drive more activity, however, it's still worth establishing "escalation" processes for non- action.

### 4. Structuring your Sales Approach

Renewals is characterized by various transaction sizes, product mixes, customer segments and more, so by structuring the sales approach, you will achieve more efficiency in managing the broad range of transactions.

### 5. Measuring Everything

Measurement is the key to improvement. Track everything and communicate broadly with all stakeholders. By promoting greater transparency, you will generate more insights that will drive valuable improvements to your renewal organization.

If you're looking to implement a robust, efficient and effective renewal strategy, or would like to have your current processes reviewed to assess whether you are operating using best practices, iasset.com has dedicated consultants who have experience helping several Fortune 500 companies deploy models that have helped deliver better renewal and on-time closure rates, and increased revenue from renewals.

By minimizing wasted activities and streamlining tasks, the iasset.com technology solution simplifies and automates renewal processes to deliver successful outcomes such as increased revenue, lower operational costs and better customer engagement.

Contact us today at iasset.com to learn more about our consulting and technology solutions.




Want to learn more? Contact us at info@iasset.com or visit www.iasset.com

**AMERICAS**
Tel: +1 415 745 3568

**ASIA PACIFIC**
Tel: +61 2 8915 6222

**EUROPE**
Tel: 0800 048 8970

iasset.com®
The Global Channel Ecosystem