Service Segmentation Strategies
About ServiceXRG

- Market research and business consulting firm dedicated to service industry issues
- A balanced perspective with views from users, vendors and partners
- Performance benchmarking, competitive analysis, trend analysis and demand drivers
- Coverage in North America, Europe and China
- Recent Research Topics: Knowledge Management, Support in China, Customer Retention Strategies, Support SLAs, Service Segmentation
Customer Segmentation

What is it

Creating filters to view groups of customers that share one or more common characteristics
Types of Segmentation

- **Market Oriented**
  - Describes the market opportunity and / or unique characteristics of doing business with a customer type

- **Customer Oriented**
  - Describes the needs and expectations for service and support regardless of industry, size, etc.

- **Functional**
  - Describes the status of a relationship

- **Support Entitlement**

- **Renewal Status**

- **Industry**
- **Revenue**
- **Product**
- **Geography**

- **IT Maturity**
- **Service Levels**
- **Price Sensitivity**
- **Business Sensitivity**

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A Global View of Segmentation

Who to sell to

How to Acquire Customers

Business Need

How to position products

What products to offer

Pre-Sales

How to Retain Customers

Who to sell to

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How to position products

What products to offer

Pre-Sales

How to Retain Customers
Current Use of Service Segmentation

Yes 37.0%
No 63.0%
Service Segmentation
A Balance between Products Purchased and Relationship Value

- Products & Services Purchased: 50.0%
- Relationship Value: 50.0%
Service Segmentation

Bias Towards Product Purchased vs. Service Relationship

- By Product: 76.5%
- By Support Contract Type: 23.5%
Service Segmentation Today

- Not often used
- When used, biased towards “market oriented” vs. “functional” or “customer” segments
- Significant opportunity to apply service segmentation to enhance business effectiveness
Customer Oriented Service Segmentation “Filters”

- **Large Business**
  - Support Demand

- **Mature**
  - IT Maturity

- **Mission Critical**
  - Business Sensitivity

- **High**
  - Price Sensitivity

- **Stringent SLAs**
  - Expectations

- **SOHO / Individual**
  - Limited

- **Non Critical**
  - Limited SLAs

- **Low**

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An Emerging View of the Customer Base

- **Price Sensitivity**
- **Company Size by Revenue**

- **Small**
  - Low
  - Medium
  - High
  - Value Minded Small Business

- **Mid-Market**
  - Value Minded Minded Enterprise

- **Enterprise**
  - Price / TCO Minded Enterprise
Adding a Third Dimension

Company Size by Revenue

IT Maturity

<table>
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<th>Business Sensitivity</th>
<th>Limited</th>
<th>Emerging</th>
<th>Capable</th>
<th>Mature</th>
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- **High Reliance**
  - Basic Needs
  - Small Business

- **Medium Reliance**
  - Mission Sensitive
  - Small Enterprise

- **High Reliance**
  - Mission Critical
  - Enterprise

- **Self-Sufficient**
  - 24x7
  - SLAs
  - Remote Monitoring

- **Knowledge transfer**
- **Training**
- **Diagnostic tools**

- **Business hours**
- **Electronic only**
- **Extended hours**
- **Phone**
Opportunities

- Optimize programs to the specific needs of key customer segments
- Develop segment specific value proposition
- Increase the rate of sales and renewal of support programs
- Allocate staff to meet the SLA’s for most important customers
- Develop targeted proactive and self-service capabilities
Segmentation Tips

- Segment customers using characteristics that tell you something important and actionable.
- The types of characteristics used will vary depending upon the stage within the support relationship lifecycle.
The Support Relationship Lifecycle

Acquire

Sell the value of Support and Maintenance

Deliver the value promised

Deliver Value

Retain
Lifecycle Specific Characteristics

**Acquire**
- Business & price sensitivities
- Pain points
- IT maturity

**Deliver Value**
- Interaction preferences
- Service level expectations
- Expertise

**Sell the value of Support and Maintenance**

**Deliver the value promised**

**Retain**
- The value of customer relationship
- Frequency of service use
- Satisfaction with services

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Applying Service Segments

- What support programs to offer
- How to price offerings
- How to position the value of support
- What sales and renewal strategies to apply

- How to meet SLAs
- How to allocate staff to most important needs
- Where to leverage self-service
- How to allocate account managers and on-site resources
Segmentation Scenarios

Applying Segmentation to...

1. Program Development
2. Contract Renewals
3. Identifying High Value Customers
4. Self-Service Strategies
Applying Segmentation to Program Development

- Objectives
  - Create programs customers want
  - Strike the right balance between price and service features

- Segmentation Characteristics
  - Price sensitivity
  - Business sensitivity

- Goals
  - Increase support contract sales rate (attach)
Buyer Types

Price Sensitivity

Low

High

Advanced Support

Business Critical

Basic Needs

Extended Needs

Business Sensitivity

Low

High

Price Sensitivity

Low

High
Program Attributes

- **High Business Sensitivity**
  - Diagnostic tools
  - On-Site
  - Account Management

- **Low Business Sensitivity**
  - Knowledge Base
  - Downloads
  - Discussion Forums

- **High Price Sensitivity**
  - Service Level Guarantees
  - Root Cause Analysis
  - Up-time commitments
  - On-Site
  - Account Management

- **Low Price Sensitivity**
  - 7x24
  - Remote Support
  - Updates
Impact of Service Segmentation

Attach Rate

Service Specific Segmentation Strategy

<table>
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<th>No</th>
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<td>97.1%</td>
<td>60.8%</td>
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Applying Segmentation to Contract Renewals

- Objectives
  - Minimize objections to renewals
  - Identify customers at risk

- Segmentation Characteristics
  - Last contact
  - Renewal status

- Goals
  - Increase renewal rate
Customer Segments to Drive Renewals

**Last Contact**

- < 120 days
- < 90 days
- < 60 days
- < 30 days
- < 15 days
- < 7 days

- Out of Touch
- Recent

**Renewal Status**

- < 90 days
- < 60 days
- 30 days
- < 15 days
- < 30 days
- < 60 days

- Back log
- Late
- Pending

Contract Expiration
Impact of Service Segmentation

Renewal Rate

Service Specific Segmentation Strategy

Yes: 86.9%
No: 83.8%
Applying Segmentation to Self-Service

- **Objectives**
  - Develop self-service appropriate to needs, interest and capabilities of customers
  - Develop audience appropriate content

- **Segmentation Characteristics**
  - Propensity to use self-service
  - Technical expertise

- **Goals**
  - Increase customer use
  - Increase self-service effectiveness
Four Self-Service Audience Segments

- Reluctant
- Challenged
- Proficient
- Willing

Product Expertise: Novice to Expert

Propensity to Use Self-Service: Low to High
Targeted On-Line Capabilities

- **Low Propensity to Use Self-Service**
  - Proactive E-Mail Alerts
  - File Download Library
  - Experts Forums

- **High Propensity to Use Self-Service**
  - Advanced Diagnostic Tools
  - Advanced Search
  - File Download Library
  - Bug Reporting
  - Submit / Review Cases

- **Novice Product Expertise**
  - Support Newsletter
  - E-mail FAQs
  - E-Mail Alerts

- **Expert Product Expertise**
  - Full Text Search
  - Browse by Category
  - Automated Diagnostic Tools
  - Tutorials / Training
  - Personalization
Applying Segmentation to Identify High Value Customers

- Objectives
  - Allocate staff to meet the SLA’s for most important customers
  - Retain

- Segmentation Characteristics
  - Relationship value

- Goals
  - Increase high value customer satisfaction
  - Increase high value customer retention rate
Segmentation Break Points

Customer Segments

Relationship Value ($000)

$0  $500  $1,000

$200  $500  $1M+

$175  $237  $675

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Percent of Customers Considered to be Strategic

- 71.5%
- 28.5% Strategic Accounts
Revenue Contribution of Strategic Accounts

- Strategic Accounts: 28.5%
- 71.5%

- 60.6%
Benefits of Service Segmentation

- Offers greater insight into the unique needs of your customers
- Provides the means to develop targeted programs and offerings
- Helps to focus finite resources on most important customers
- Enables the development of audience specific content, processes, and user experiences
- Increases sales, renewal and self-service effectiveness
Getting Started with Service Segmentation

- Establish how you intend to use service segments
- Create the “filters” that will be used to segment customers
- Remember that customers can belong to more than one segment
- Study the specific needs, expectations and behaviors of key segments
- Understand the indicators that will be used to measure the impact of segmentation
Thank you

Questions & Discussion

Who to sell to

Business Need

What products to offer

How to position products

Service needs

Responsiveness

Expected use

Mission critical

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