Strategies for Supporting SMBs

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Agenda

- Who is Sage?
- What is an SMB?
- Why they are different?
- What are the challenges?
- Strategies to support SMBs
- Some key Lessons we learned along the way.
- Q&A

The world's leading supplier of accounting, payroll and business software to small and medium-sized businesses.

- ## The Sage Group plc
  - Supporting 5.5M business customers worldwide
  - Sage Group plc revenue $2.3B for FY 2007
  - Publicly traded on the London Stock Exchange (SGE) and the only technology stock on the FTSE 100

- ## Sage in North America
  - Supporting nearly 2.8M business customers in North America
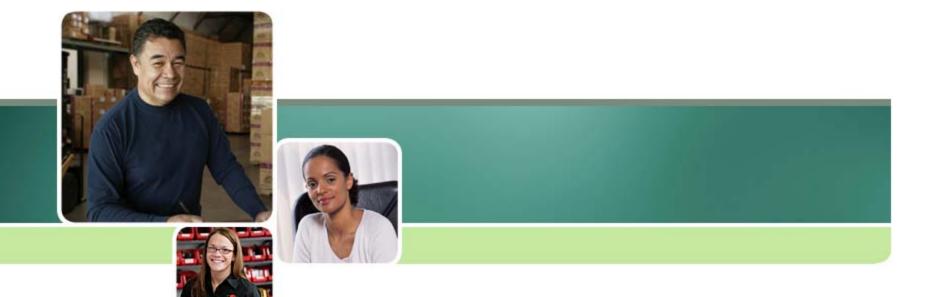 - $1.01B revenue for FY 2007
  - 488,000 customers on Support plans

What is an SMB

sage software

- Many different definitions of the market.

- Entirely depends on who you ask.

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What is an SMB ?

- "SMB is an abbreviation for small and medium-size business, sometimes seen as small and mid-size business. A business with **100 or fewer employees is generally considered small, while one with 100-999 employees is considered to be medium-sized**."

  - CIO-Midmarket.com

- "(Small to Medium-sized Business) Also called "SME" (small to medium-sized enterprise), it refers to companies that are larger than the small office/home office (SOHO), but not huge. For example, it typically refers to **companies with 25 to 500 employees; however, some SMB/SME ranges use an upper limit of 5,000 employees**."From an IT viewpoint, the SMB/SME designation refers to the number of workstations that must be managed, rather than the number of employees in the organization."

  - pcmag.com

- "But now the EU has started to standardize the concept. Its current definition categorizes companies with fewer than 50 employees as "small", and those with **fewer than 250 as "medium**". By contrast, in the United States, when small business is defined by the number of employees, it often refers to those with **less than 100 employees, while medium-sized business often refers to those with less than 500 employees."**

  - Wikipedia

- Oracle defines its midsize and small application market as **companies with less than $500 million** in revenues; it claims 24,000 SMB business applications customers, which totals approximately two-thirds of its applications customer base.)
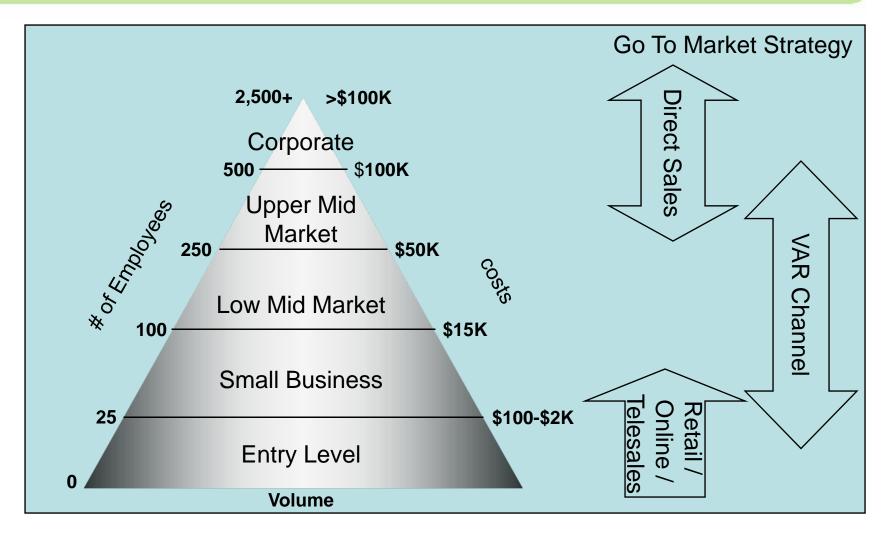
  - Network World 6/9/08

- US Small Business Administration – 44 pages of definitions that basically says **0-1500 employees**.
- SMBs differ so greatly in size, geographic focus and industry expertise that they actually constitute a vast collection of sub-markets.
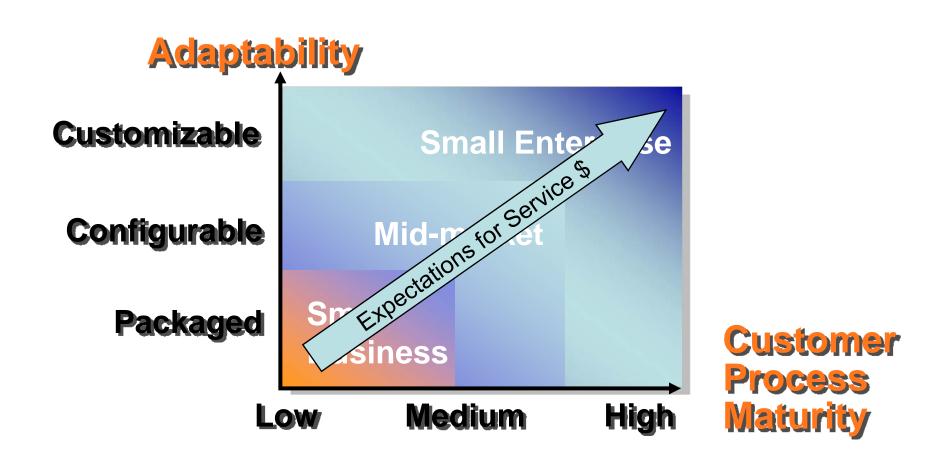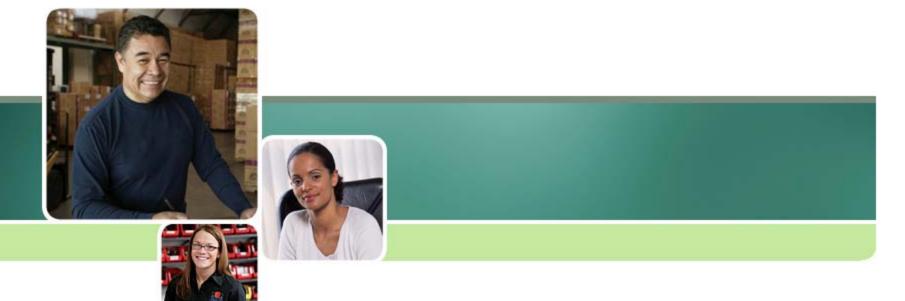
  - Warren Wilson, Research Director, Ovum 2008

What's the difference between Small and Medium businesses?

Small Businesses

- 1-100 Employees
- No or Limited IT Support
- "I'm 23 miles from the internet"
- Owner operator
- Not very technical
- Just want it to work
- Small budgets, high expectations
- Pay once, expect free forever

Medium Sized Business

- ~ 100-900 employees
- More sophisticated system needs, with dedicated staff using systems
- Receives advice from a trusted advisor
- May have small IT group, or get IT help from VAR
  - A lack of formal planning or control procedures
- Small budgets – require competitively priced solutions.
  - Difficulty assessing return on investment
- Purchase 80% of IT products through a reseller
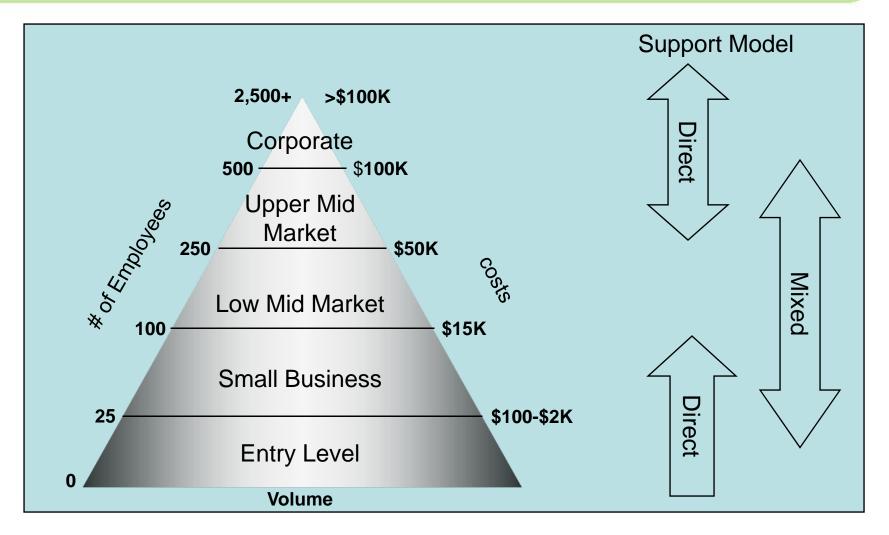 - 2007 Integrated mar.com Corporation whitepaper

One Size Doesn't Fit All

- Even within SMB market there are differences

- Small and Medium Sized businesses have different needs

- Need different approaches to the market and to support
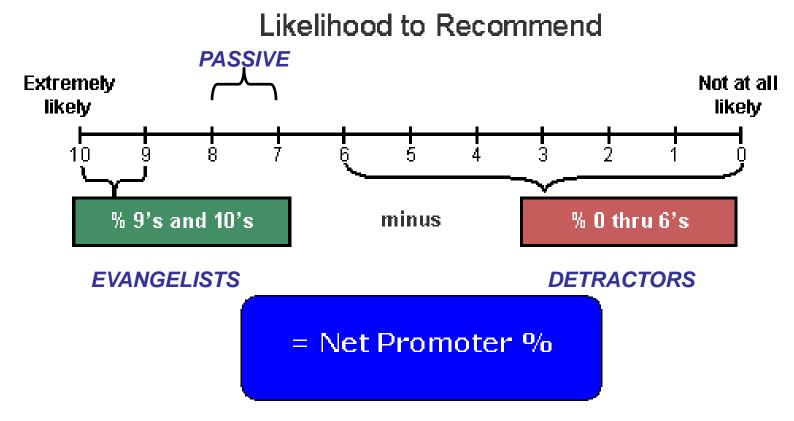
Business Models – How is support different

	Small	**Medium**
Go To Market	Online, Retail, Direct, Telesales	Direct, VAR/Consultant or other 3rd party
Product Profile	Simple install, upgrade, issues	More complex installation, upgrades, issues
Support Model	Majority of support is Direct Small partner component	VARs provide majority of support to customers. Sage supports the VARS Small % of customers have direct support
Pros	– Direct ongoing contact with your customer – Retain all services revenue – More "How To" Support (less technical)	– VAR = Scaleable field organization – Local touch and business specific support – Publisher Support more focused on 2nd level technical issues
Cons	– Customers Technically challenged – Similar to consumer in support needs – High call volumes, Large staff investment	– Margin giveaway, – limited support rev opportunity – Lose direct connection with your customer • VAR may resist you ever having direct contact with customer – Channel/VARs tend to be small businesses too…

On a Scale of 0-10, how likely are you to recommend "PRODUCT"?

Likelihood to Recommend

PASSIVE

Extremely likely

Not at all likely

10   9   8   7   6   5   4   3   2   1   0

% 9's and 10's   minus   % 0 thru 6's

EVANGELISTS   *DETRACTORS*

= Net Promoter %

NET PROMOTER:
% EVANGELISTS MINUS % DETRACTORS

- NPS for Small Business products significantly higher than mid market.

- Direct = better control of customer experience.

- As a general rule, the partners with better NPS, are more successful.
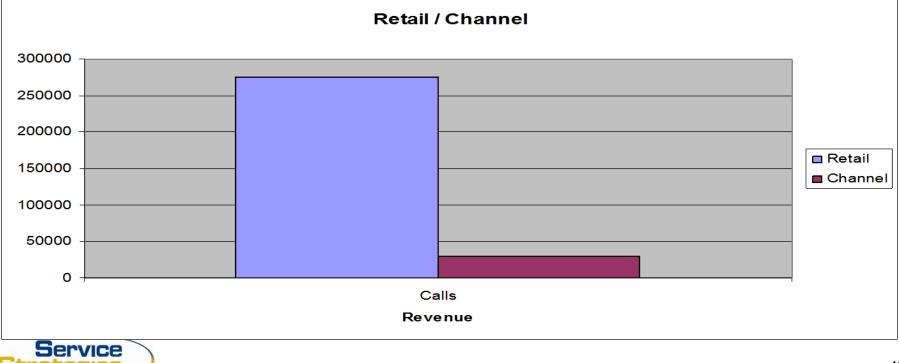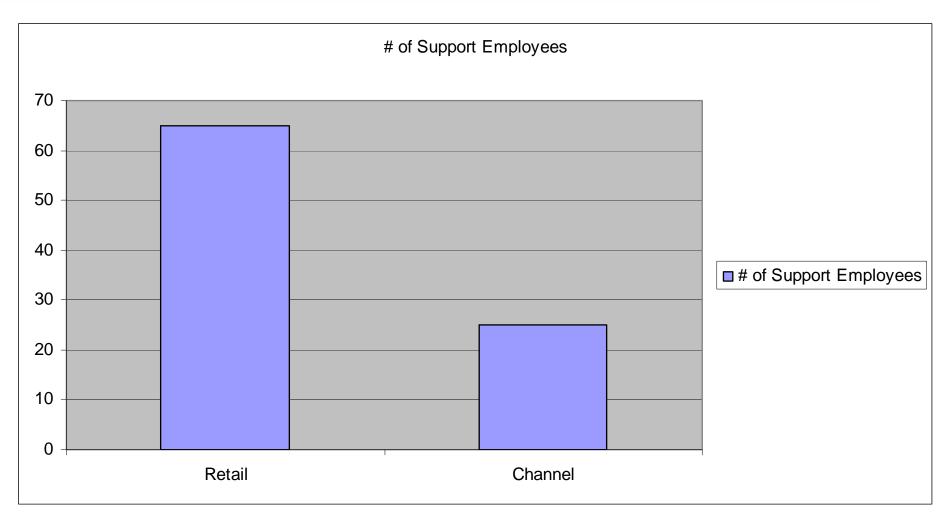
- Revenue for Retail vs Channel products are very similar (within 10% of each other).

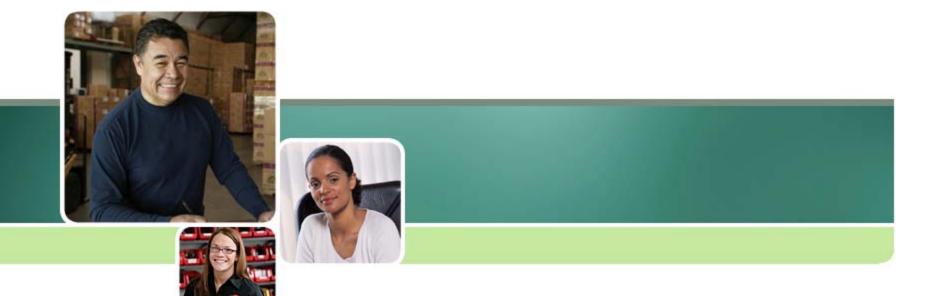- Call volume dramatically different due to different support model.

Retail / Channel

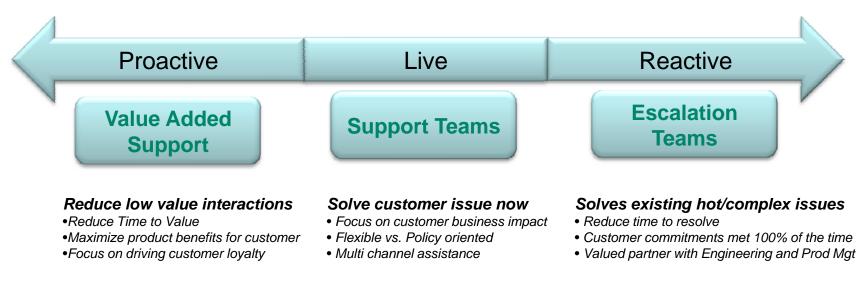Legend: Retail, Channel

Calls
Revenue

Staff levels

of Support Employees

Strategies to support SMBs

Providing options while creating the appropriate amount of balance!

Support Model

One of our primary objectives is continue our transformation to a more value added support organization...

Proactive	Live	Reactive
Value Added Support	**Support Teams**	**Escalation Teams**

Reduce low value interactions	**Solve customer issue now**	**Solves existing hot/complex issues**
•*Reduce Time to Value*	• *Focus on customer business impact*	• *Reduce time to resolve*
•*Maximize product benefits for customer*	• *Flexible vs. Policy oriented*	• *Customer commitments met 100% of the time*
•*Focus on driving customer loyalty*	• *Multi channel assistance*	• *Valued partner with Engineering and Prod Mgt*

75/25

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sage
software

Responsiveness

Sage Agent

Peer / Sage
Moderator

Self Service

Premium Support

Standard Support

Online Communities

Pay Per Incident

Knowledge Center

Customer Cost

No Cost

Highest Cost

Service
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- Open access to content. Including bugs etc.
- Ungated….make it easy for customers to help themselves.
- Why make it hard on your legitimate customers.
- Wiki / Social network World…people expect to be able to find it and not have to pay for it.
- Fees are for true value added services
  - Interactive support (phone, email, chat, etc)
- Reality is that if competitors want it, they can get it…
  - Common Business Partners
  - Just buy the product
- Some partners were publishing the information on their websites and newsletters
- If raised as a competitive risk….
  - Ask why the competitor won't share the info? What are they hiding?

Communities

- Promote better knowledge and self support.
- Active community helping each other.
- Partners participate
- Dedicated staff
- Blogs, newsletters – great way to broaden communication with customers.
- Monitor forums, move conversations along

- Channel certification programs
  - Require partner to be certified to sell and service your product.
  - Don't try to make money off the certification program.
    - Like charging your sales people to go an internal training class.
    - It is an investment.
  - They need to be certified to call for support
  - Certified Support Centers?
    - Good idea or bad?

- Incent your partners to provide great service…not just generate revenue.
    - "What gets measured gets managed." - Peter Drucker
    - If they are the face of your company to your customer, incent them to behave as you would want your employees to.
    - Give them tools and services to support them….but don't go out of business doing it.
    - If you are already stuck in Revenue only Phased approach
        - Start with Carrot vs Stick
            - Education, reinforce positive behavior,
        - Then get the stick out…
            - Tie Margin to Satisfaction.
            - Put teeth in reseller agreement related to Satisfaction and positive behavior

Summary

- SMBs are different with unique challenges for support
- Small customer different from Medium customers
- One size does not fit all
- Supporting SMBs is tough
  - Mid Market - Can lose direct contact with customers, impacts loyalty.
  - Mid Market - Customer doesn't necessarily know who you are.
  - Small market - High volumes, unsophisticated customers.
- But there are upsides to each model
  - Mid Market – VARs = scale
  - Small market – better NPS and keep all the $
- Success is easy….just figure out what your customers want and deliver it….

Thank you!

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