



Service Segmentation Strategies

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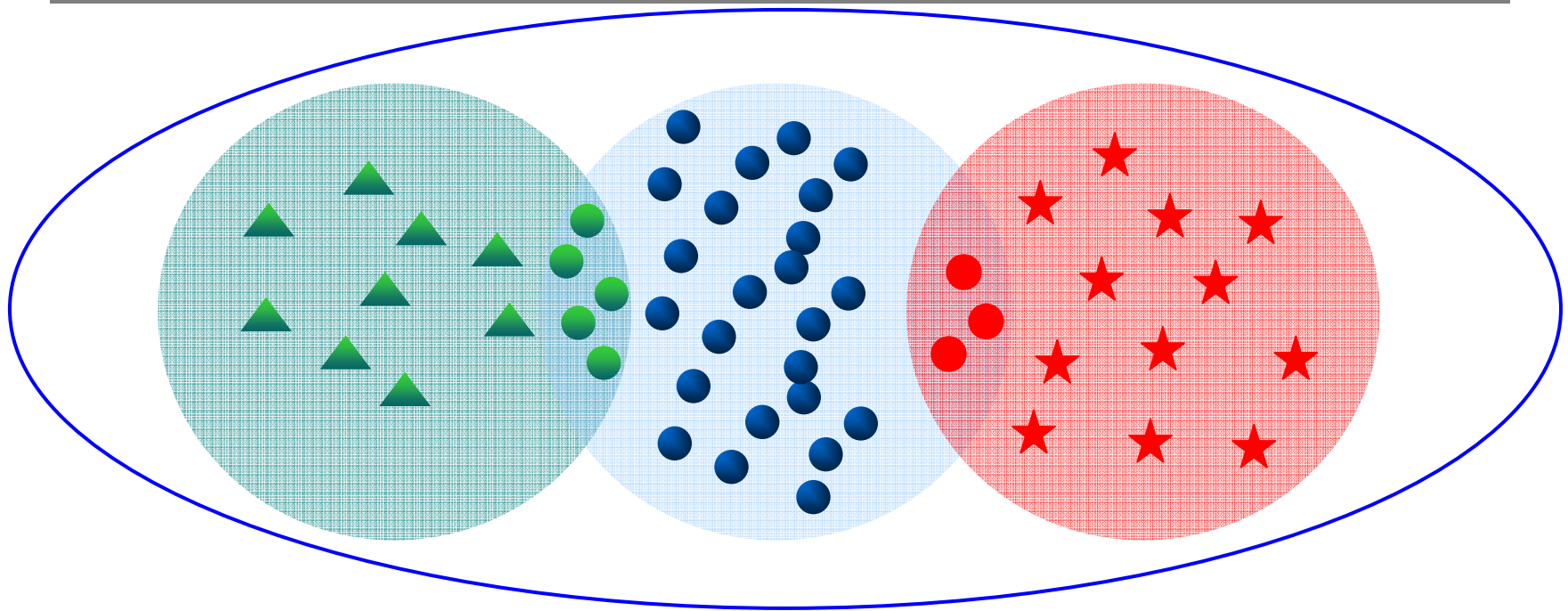
About ServiceXRG

- 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

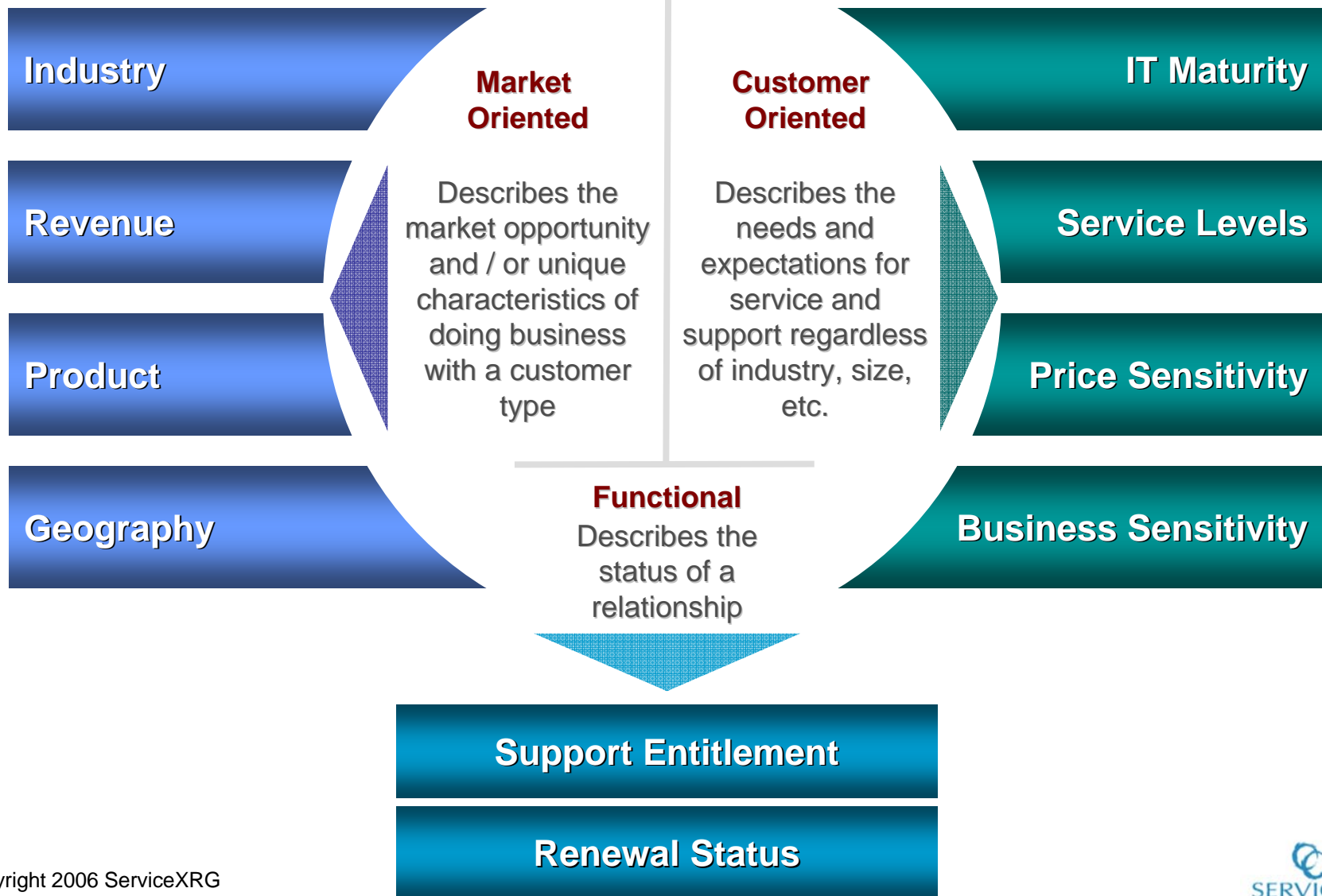
Customer Segmentation

What is it

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



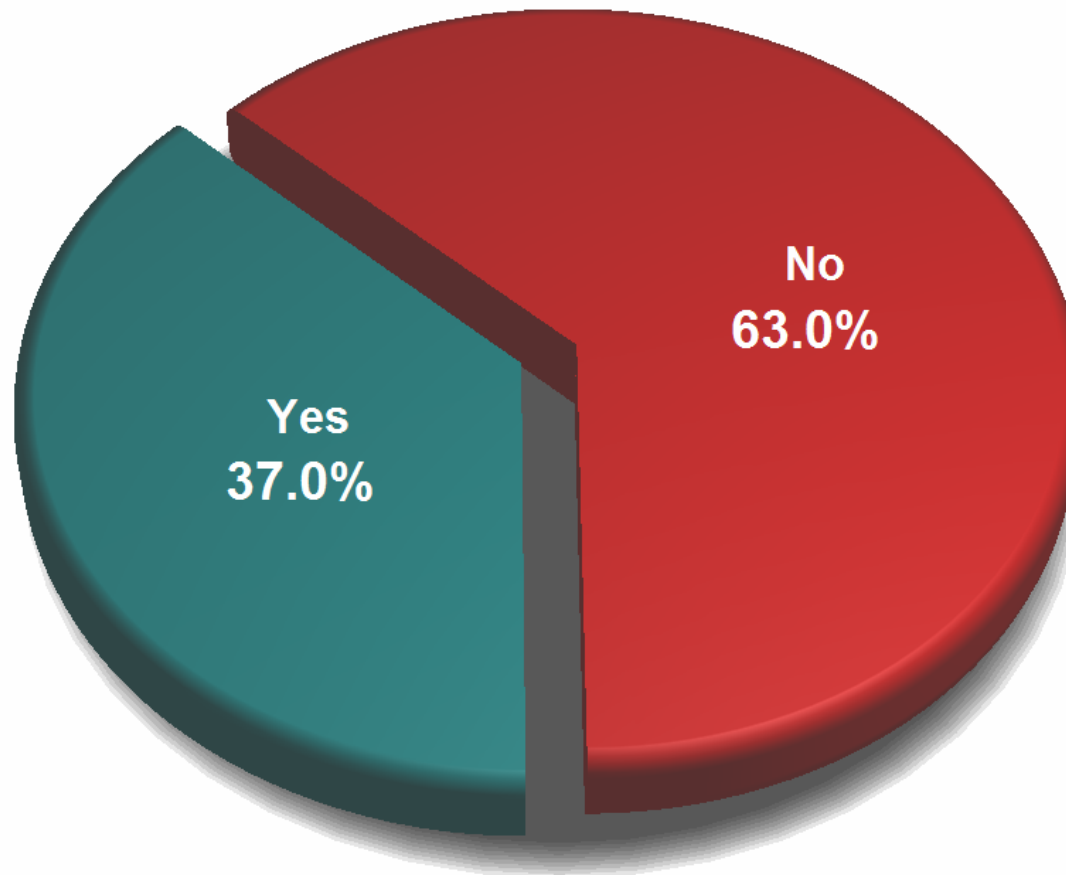
Types of Segmentation



A Global View of Segmentation

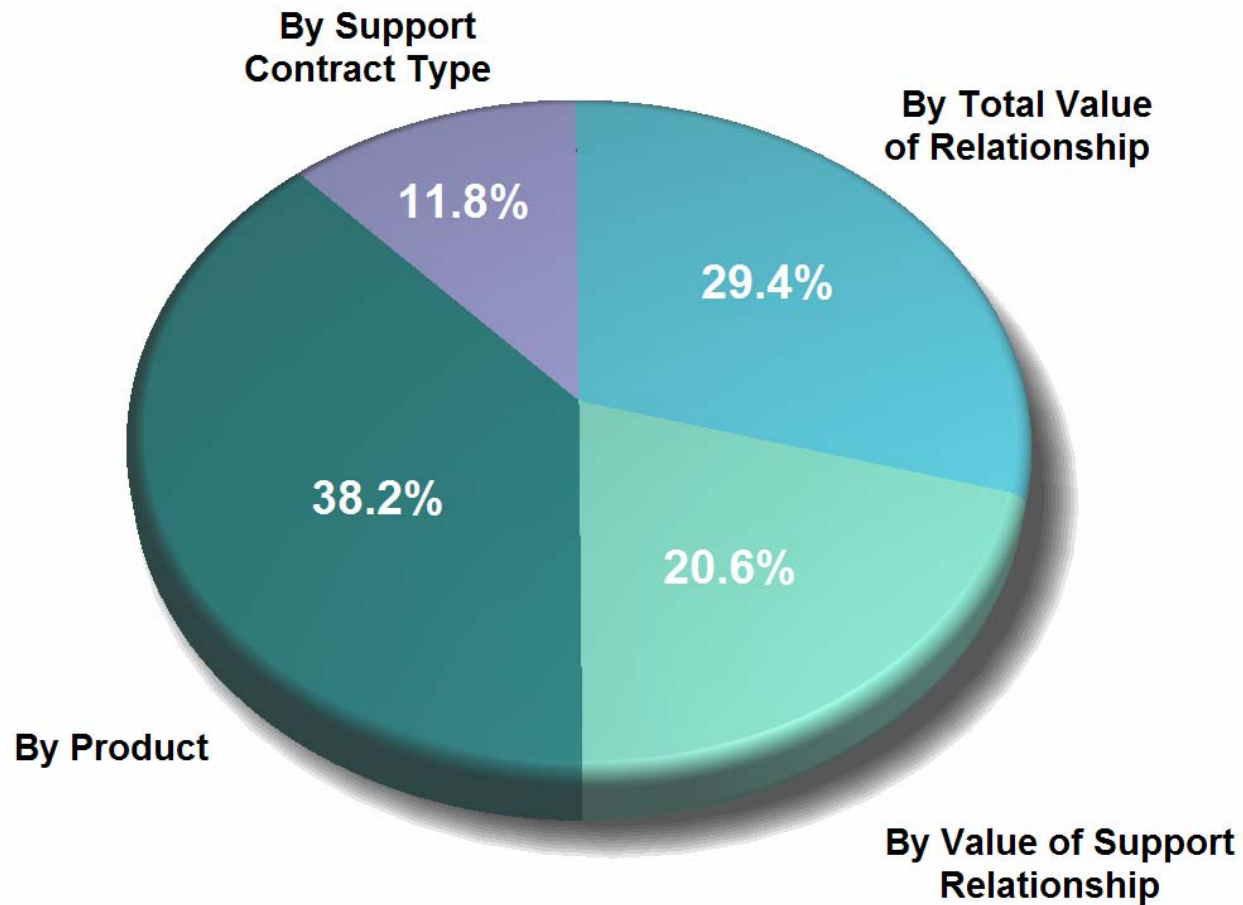


Current Use of Service Segmentation



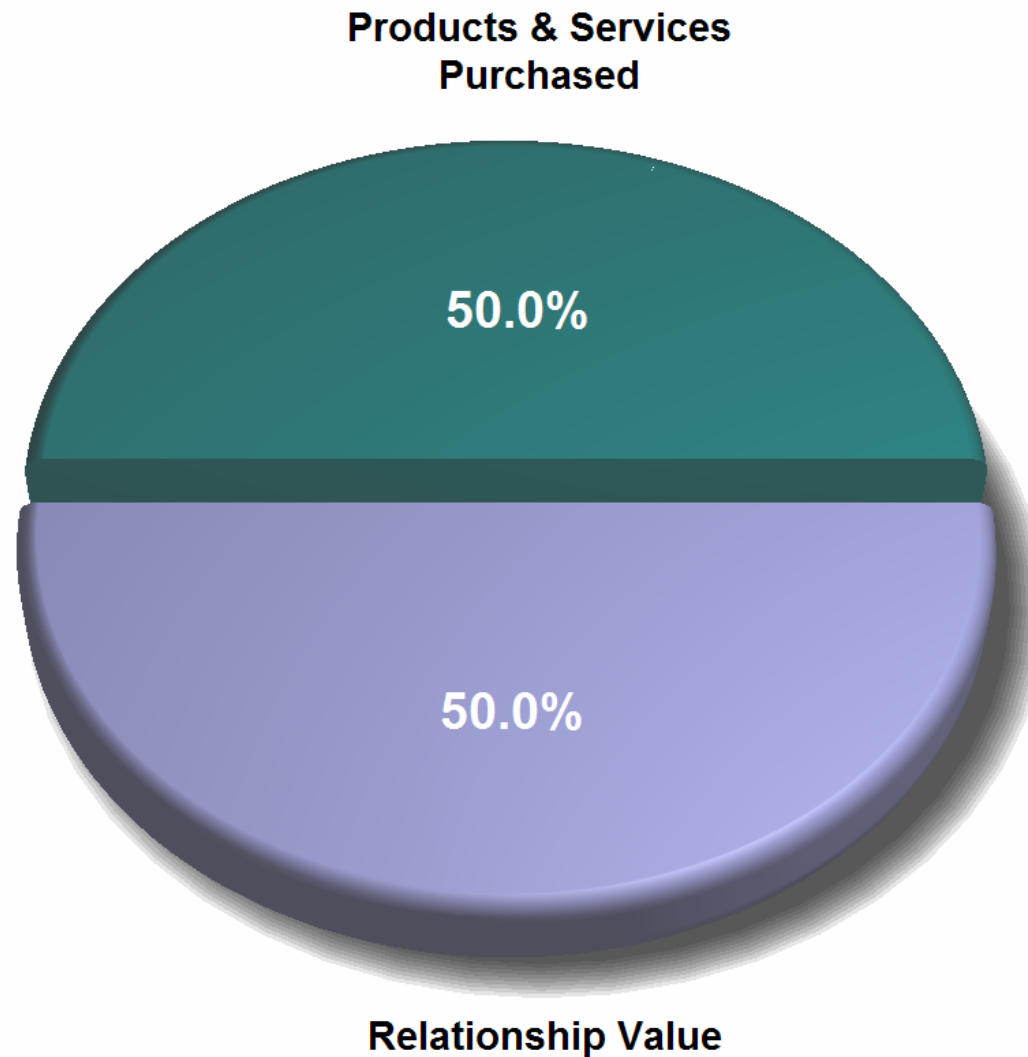
Service Segmentation

Market Oriented Bias



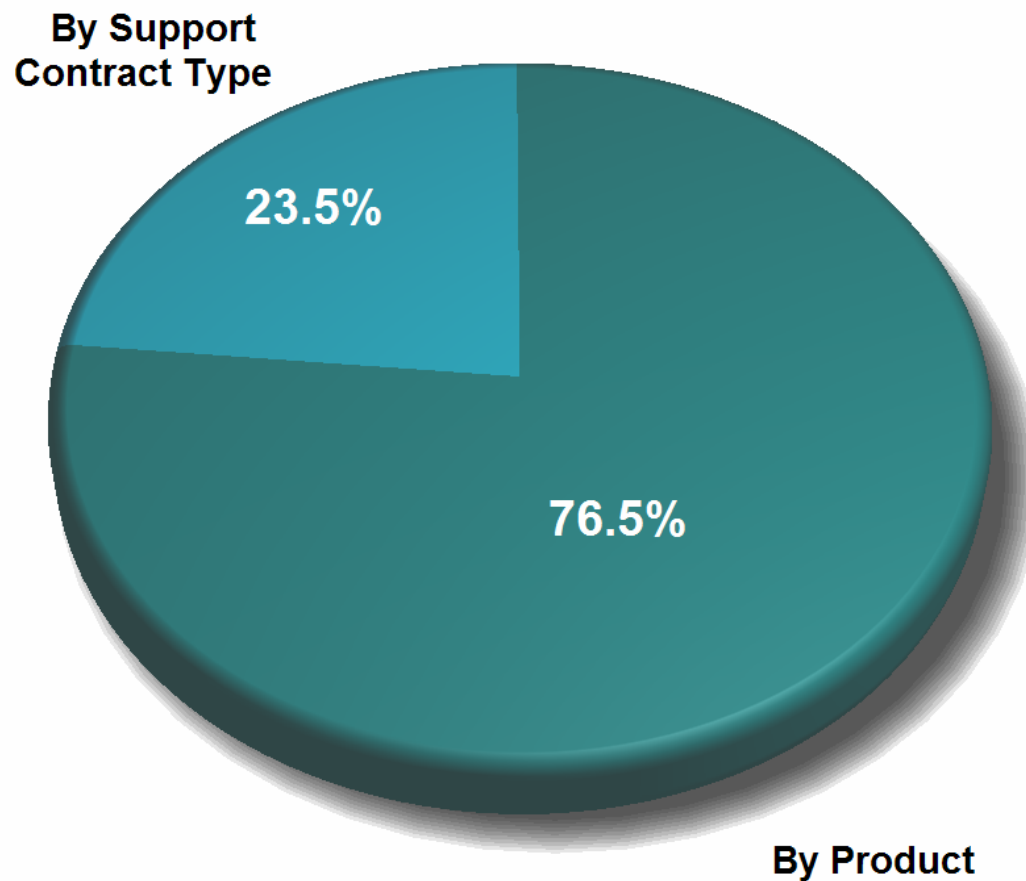
Service Segmentation

A Balance between Products Purchased and Relationship Value



Service Segmentation

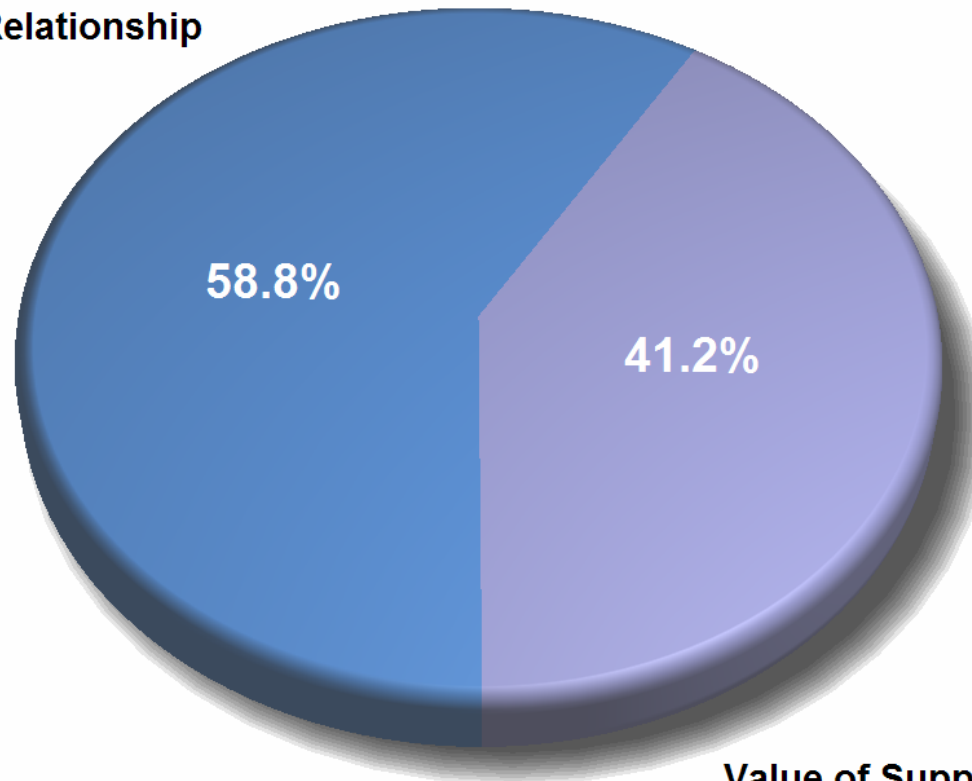
Bias Towards Product Purchased vs. Service Relationship



Service Segmentation by Relationship Value

The Value to the Company vs. Support P&L

Total Value of
Relationship



Value of Support
Relationship

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

**SOHO /
Individual**

Mature

IT Maturity

Limited

**Mission
Critical**

Business Sensitivity

**Non
Critical**

High

Price Sensitivity

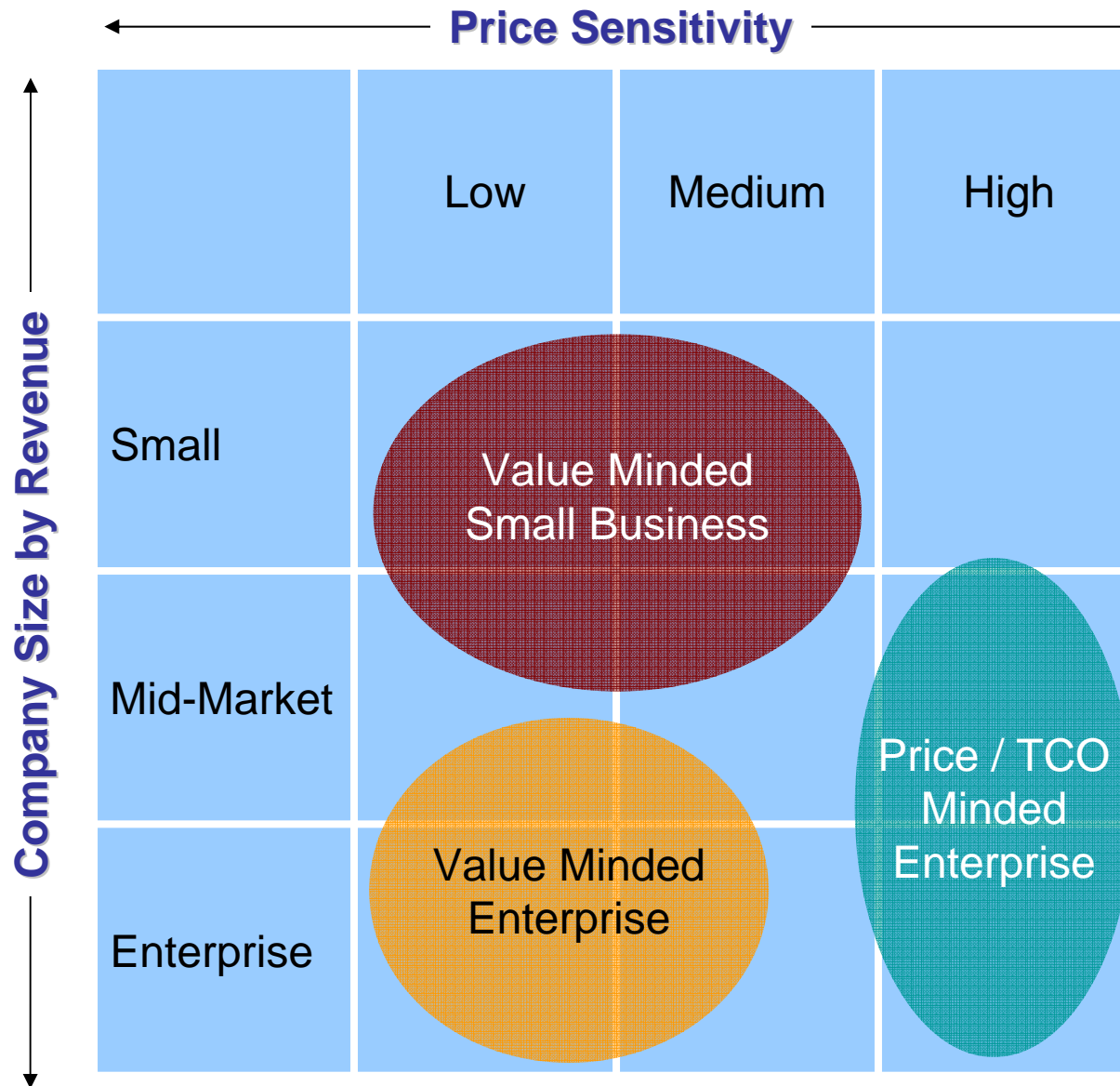
Low

**Stringent
SLAs**

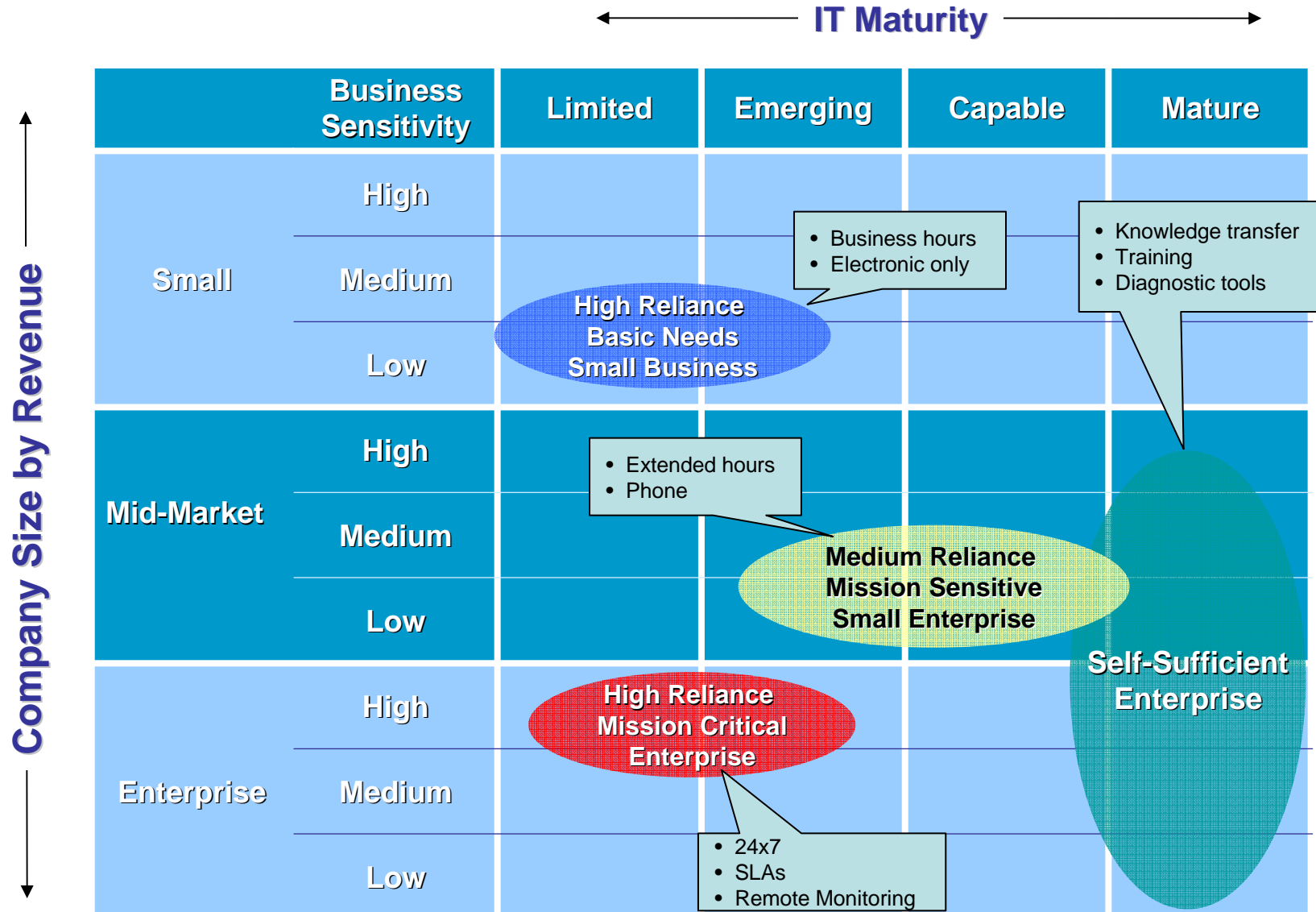
Expectations

**Limited
SLAs**

An Emerging View of the Customer Base



Adding a Third Dimension



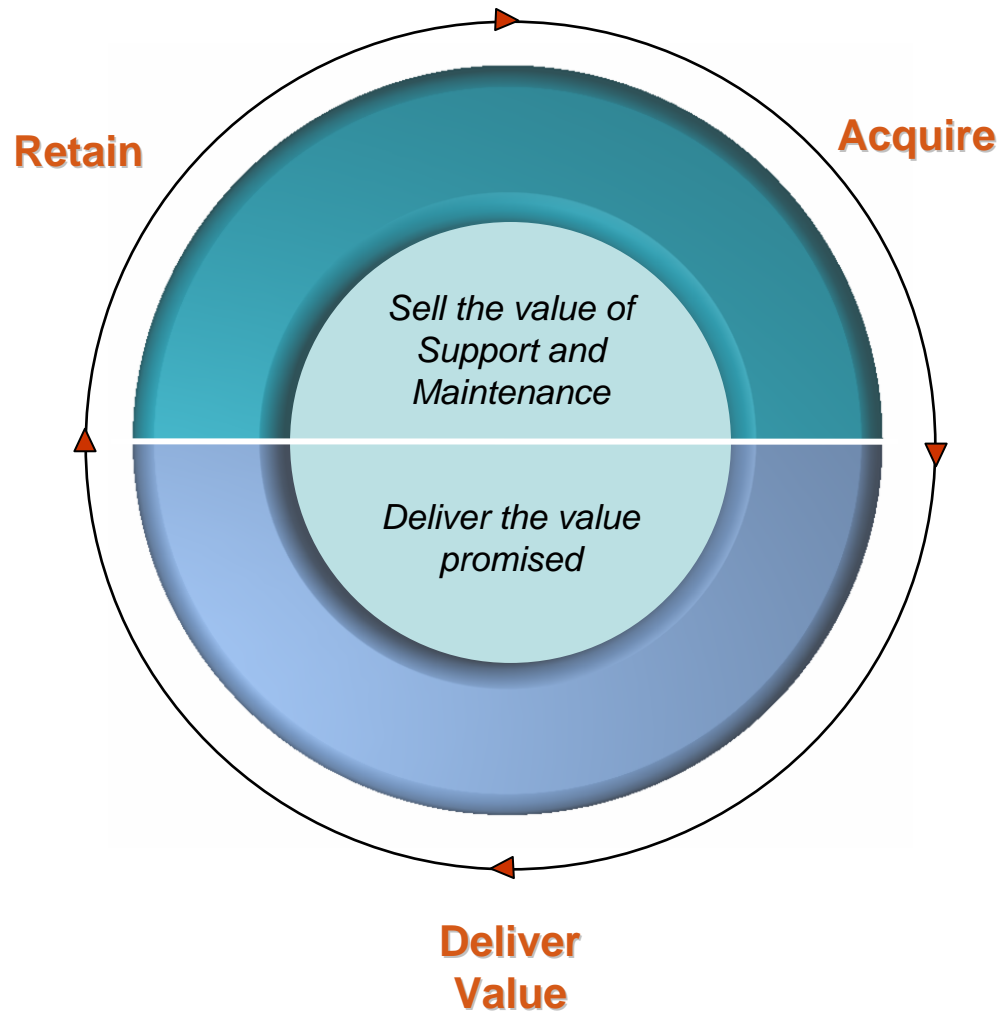
Opportunities

- 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

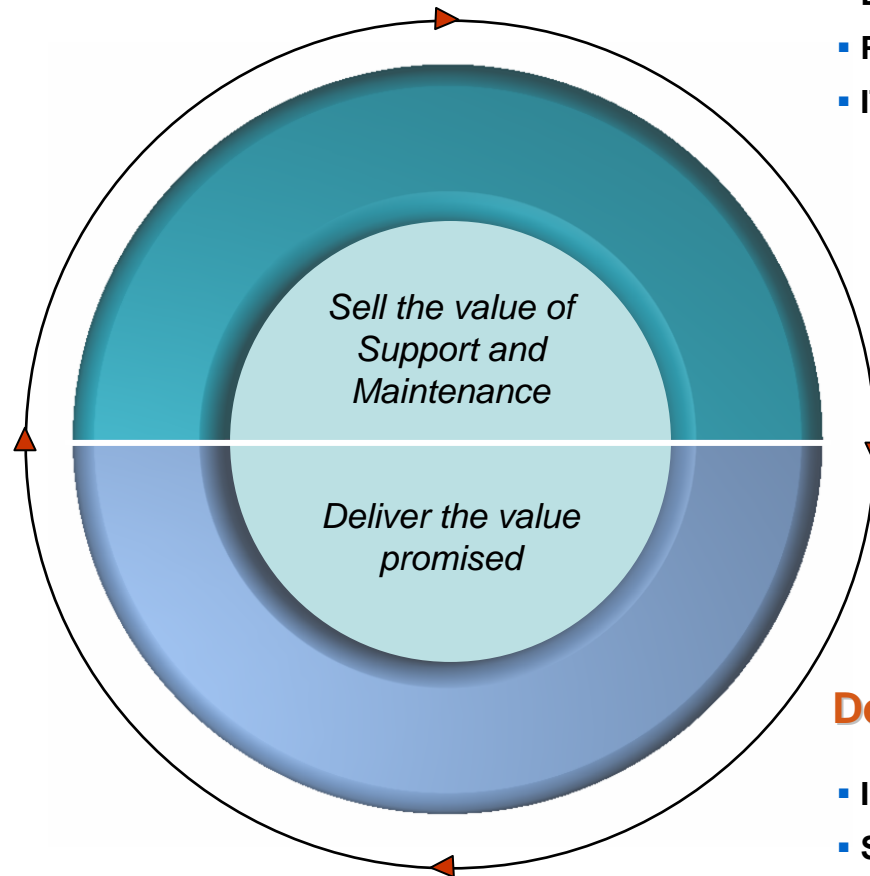
The Support Relationship Lifecycle



Lifecycle Specific Characteristics

Retain

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



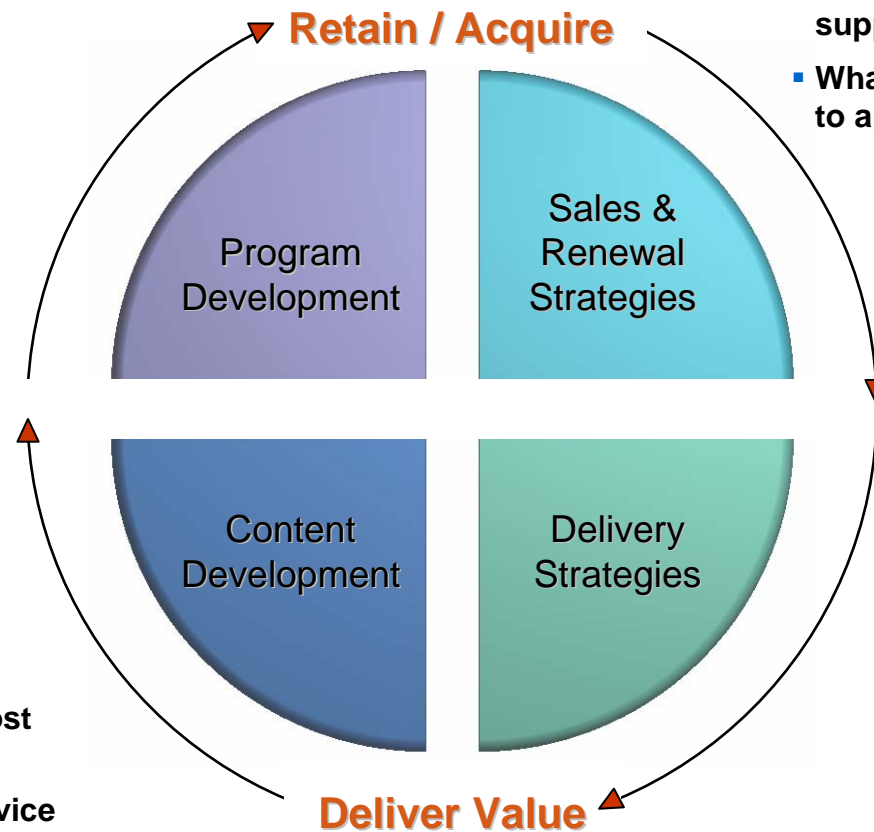
Acquire

- Business & price sensitivities
- Pain points
- IT maturity

Deliver Value

- Interaction preferences
- Service level expectations
- Expertise

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

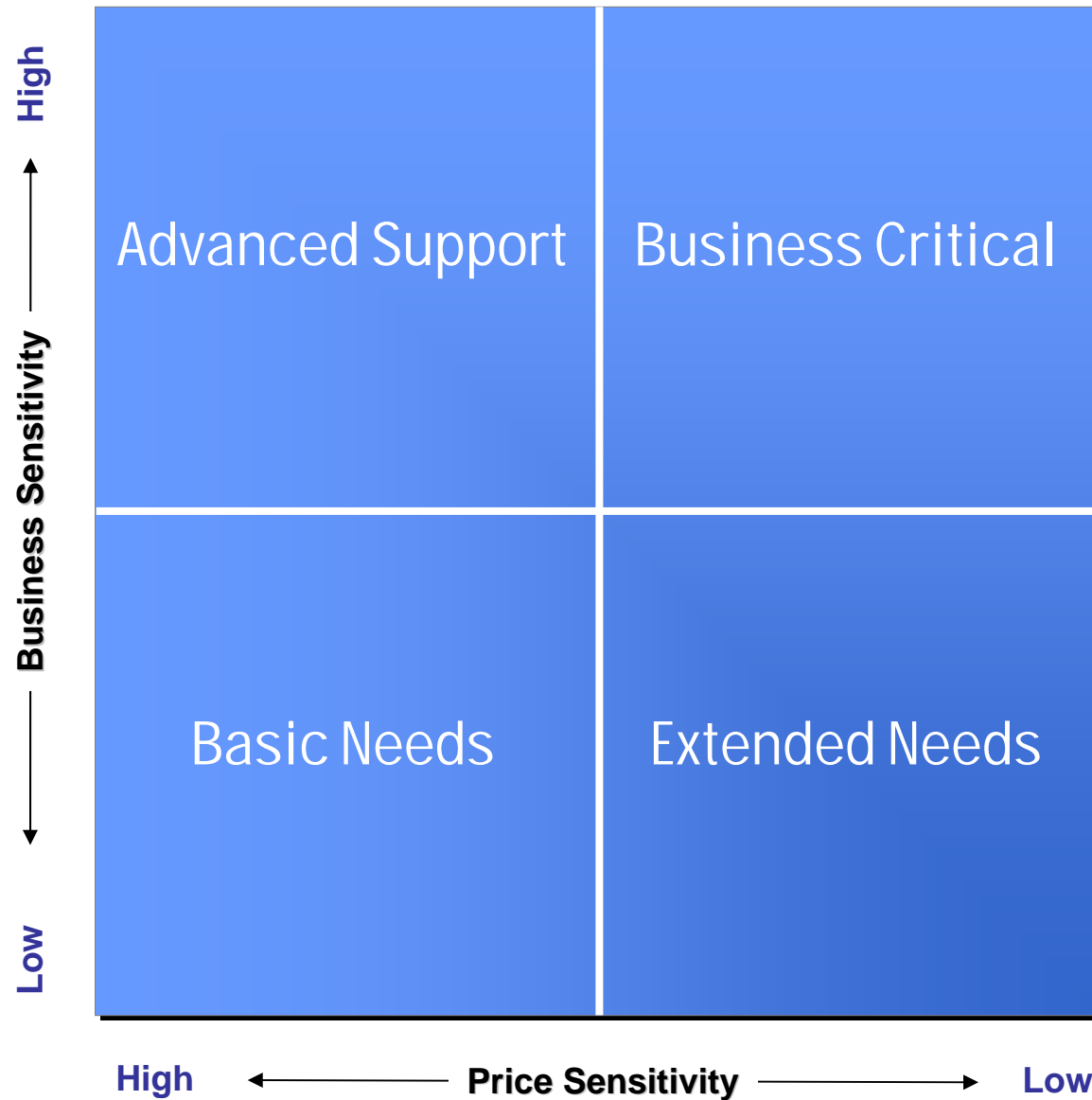
Applying Segmentation to...

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

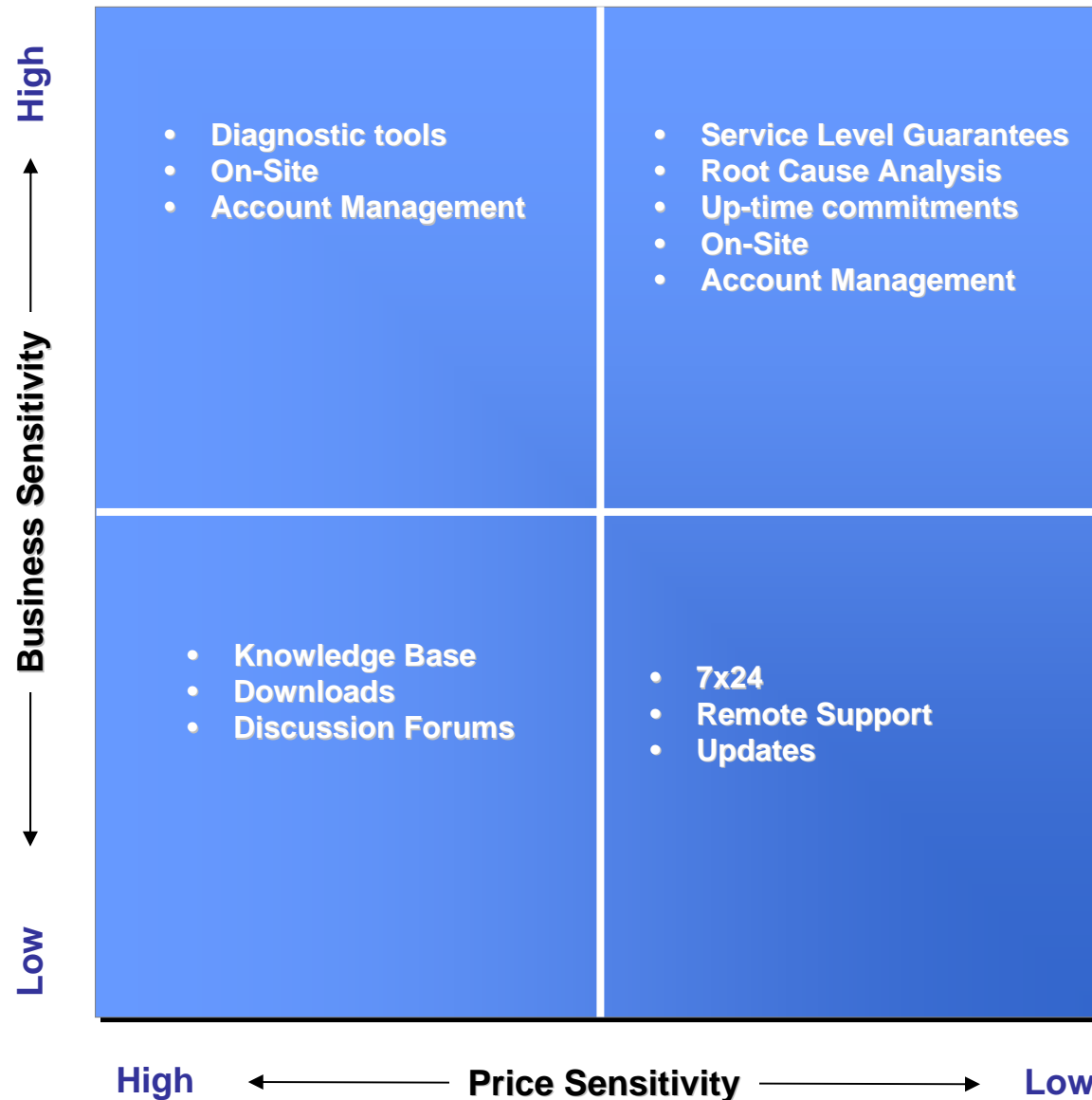
Applying Segmentation to Program Development

- 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

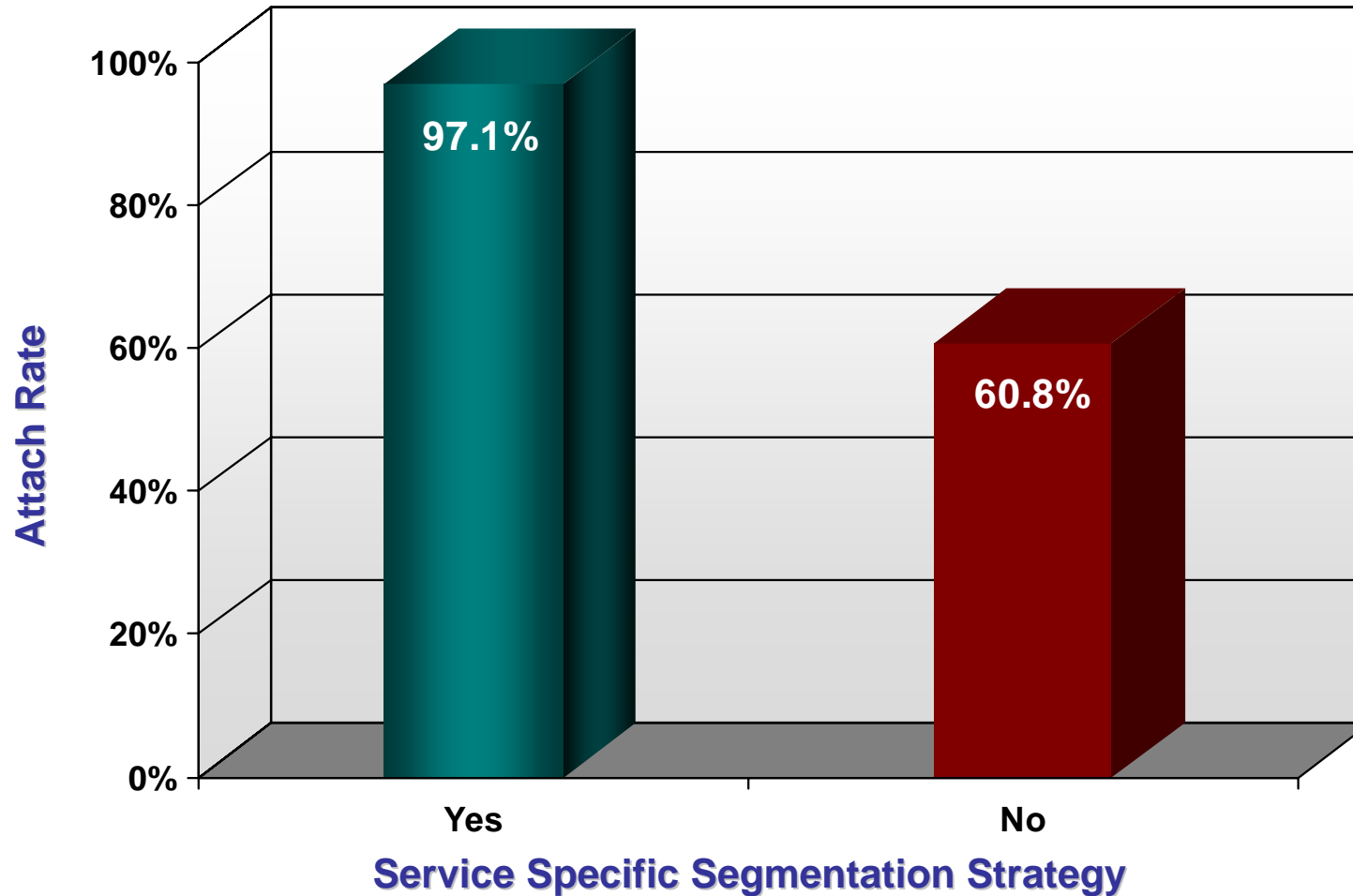


Program Attributes



Impact of Service Segmentation

Attach Rate

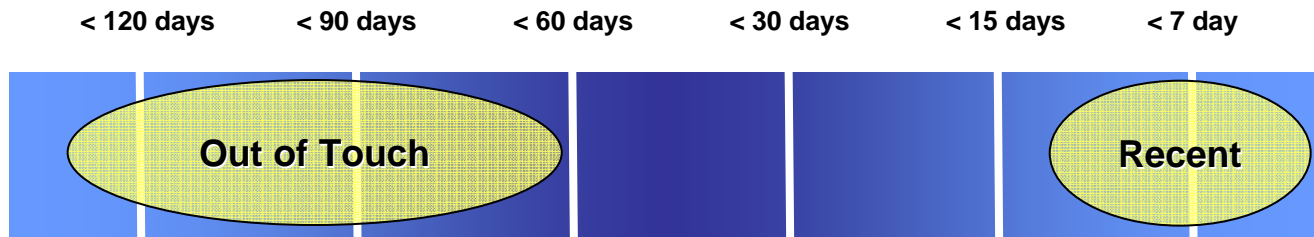


Applying Segmentation to Contract Renewals

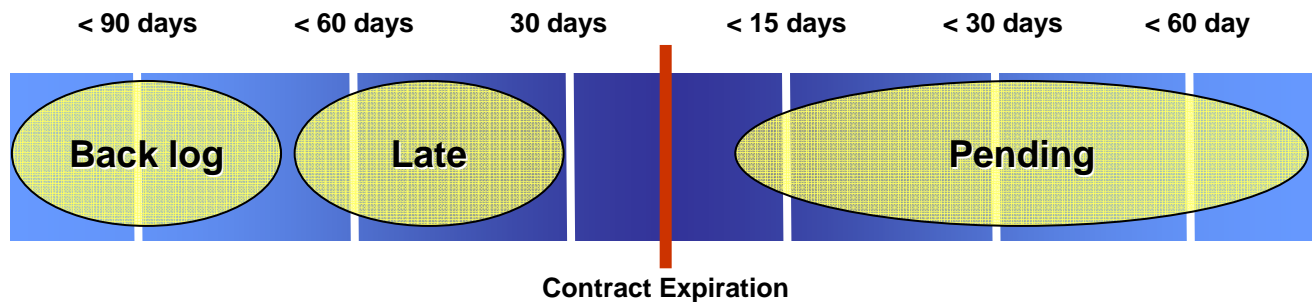
- Objectives
 - Minimize objections to renewals
 - Identify customers at risk
- Segmentation Characteristics
 - Last contact
 - Renewal status
- Goals
 - Increase renewal rate

Customer Segments to Drive Renewals

Last Contact

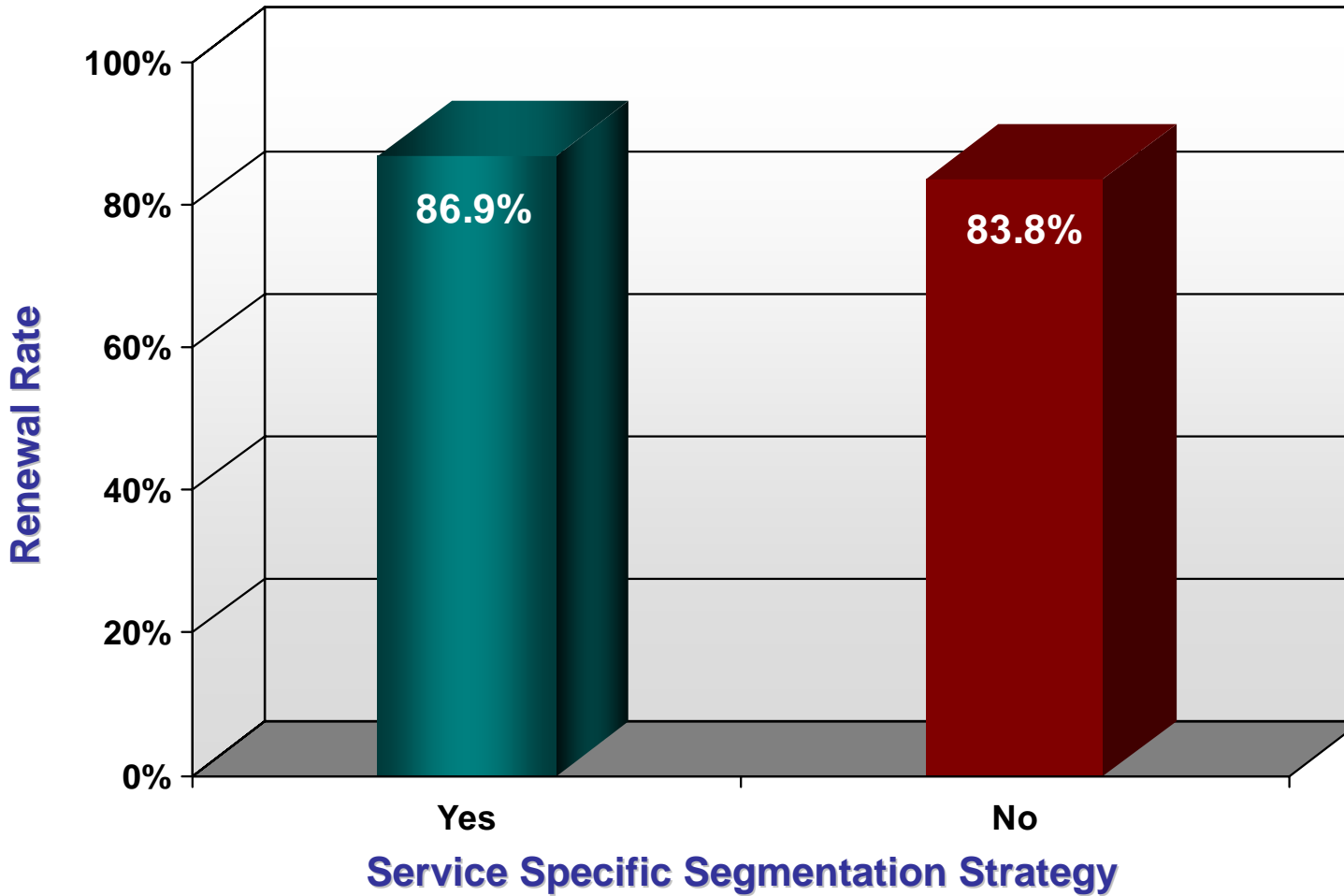


Renewal Status



Impact of Service Segmentation

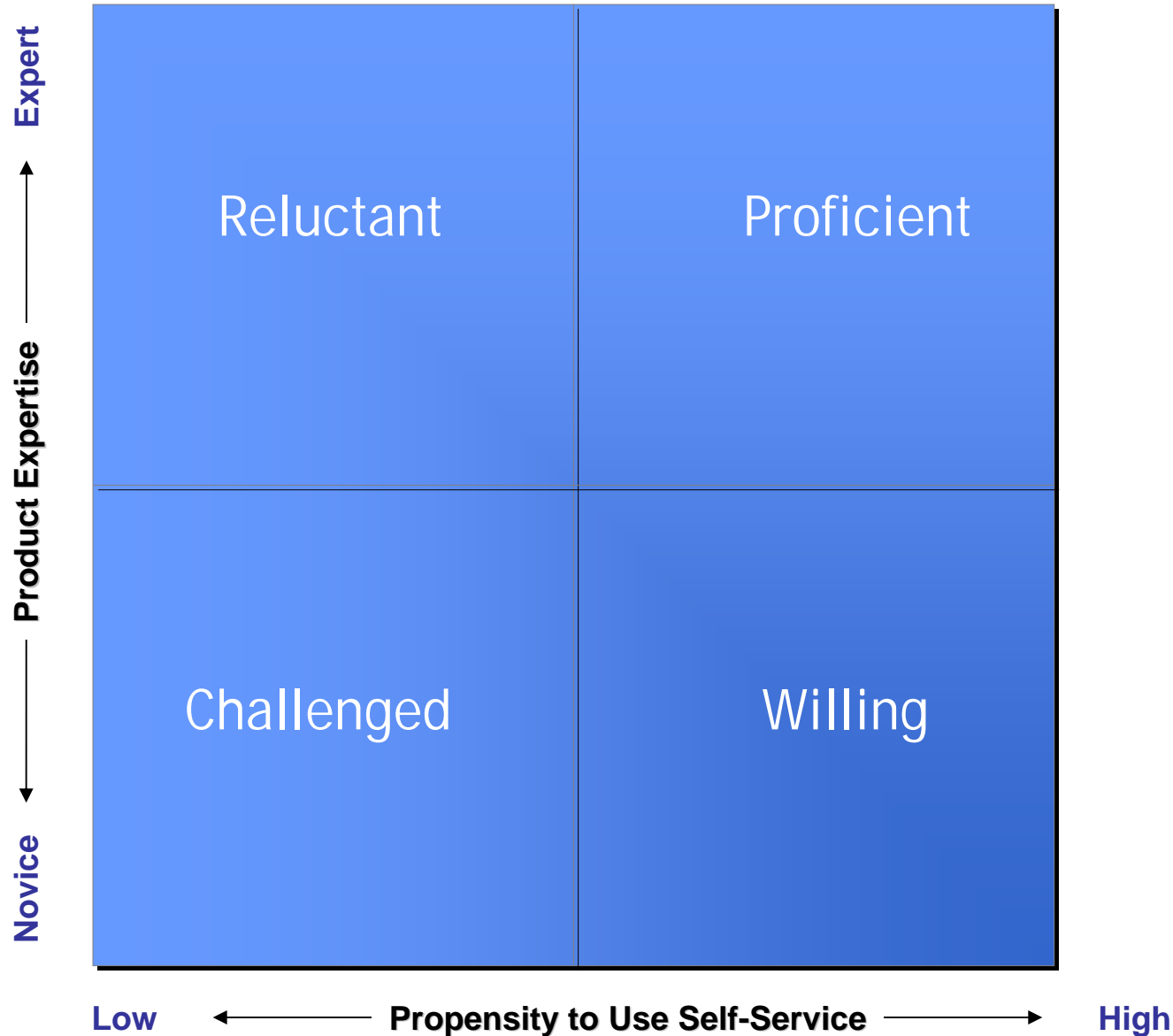
Renewal Rate



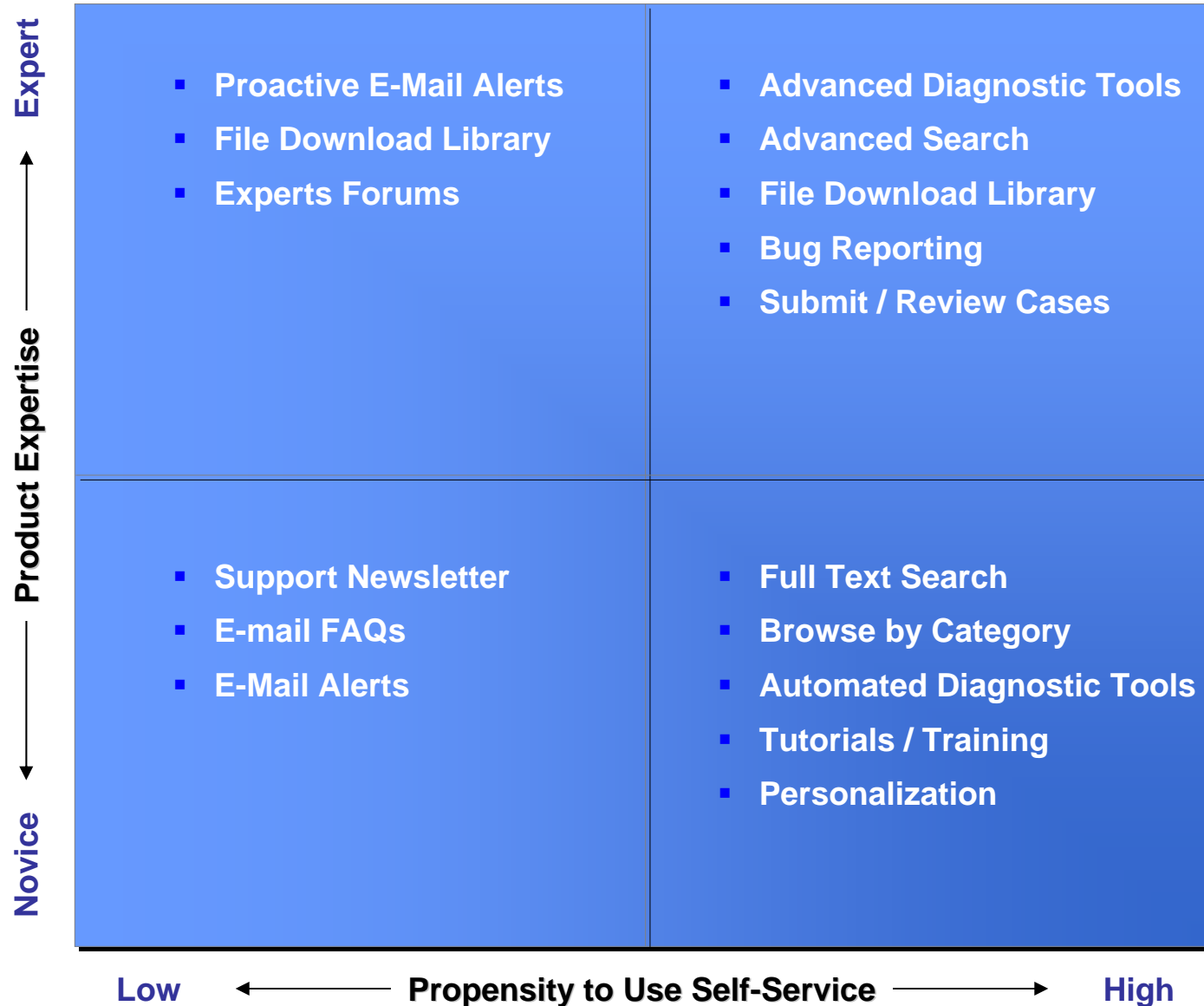
Applying Segmentation to Self-Service

- 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



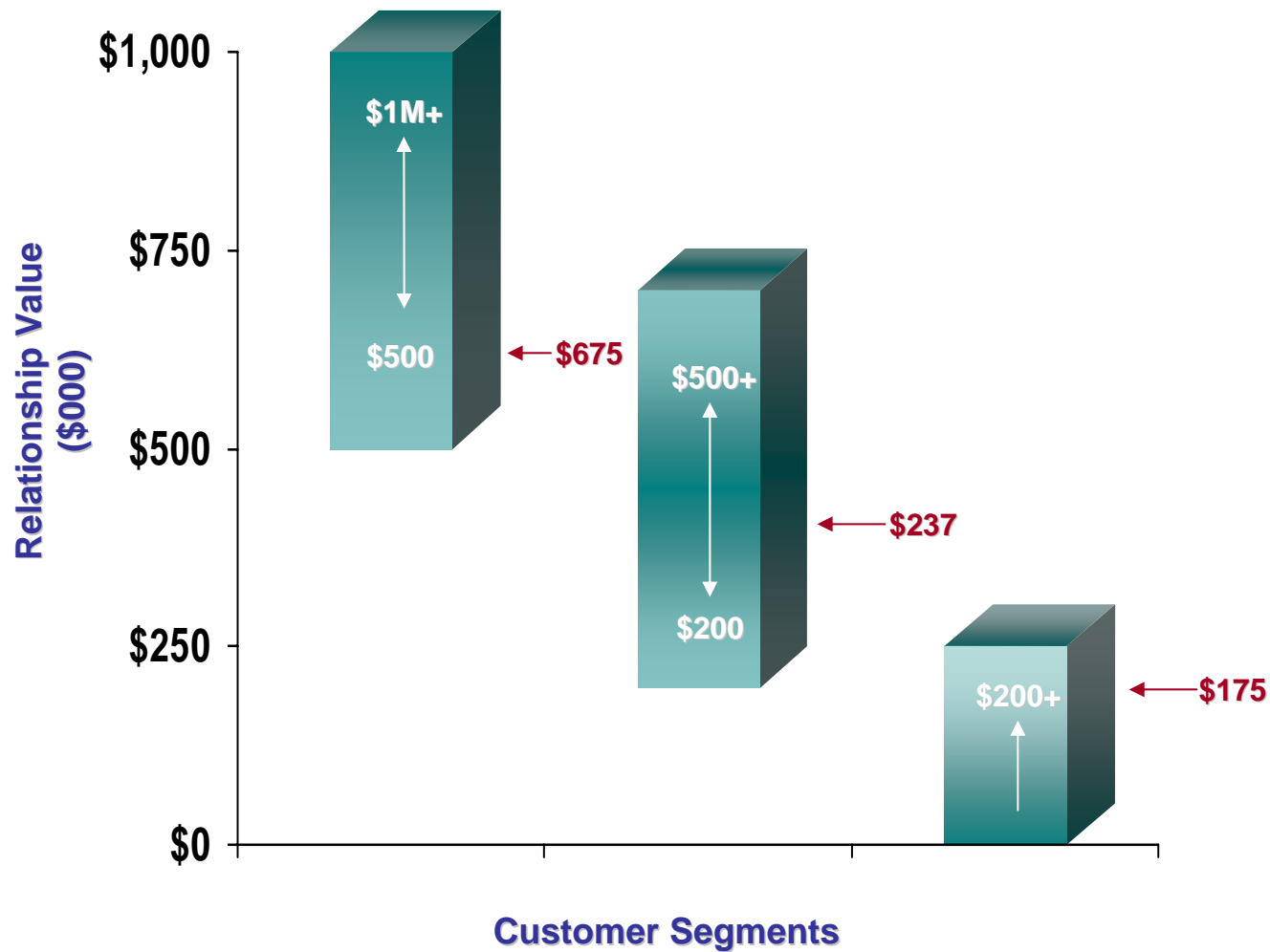
Targeted On-Line Capabilities



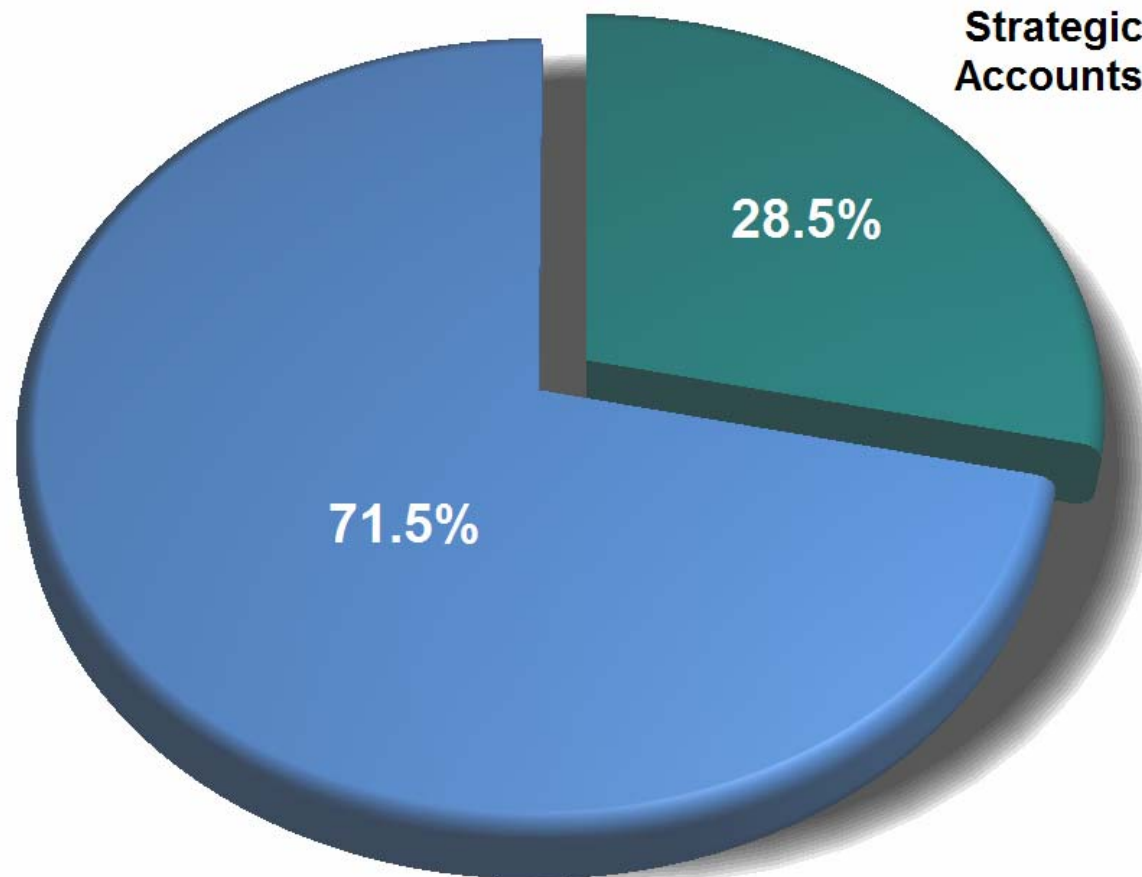
Applying Segmentation to Identify High Value Customers

- 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

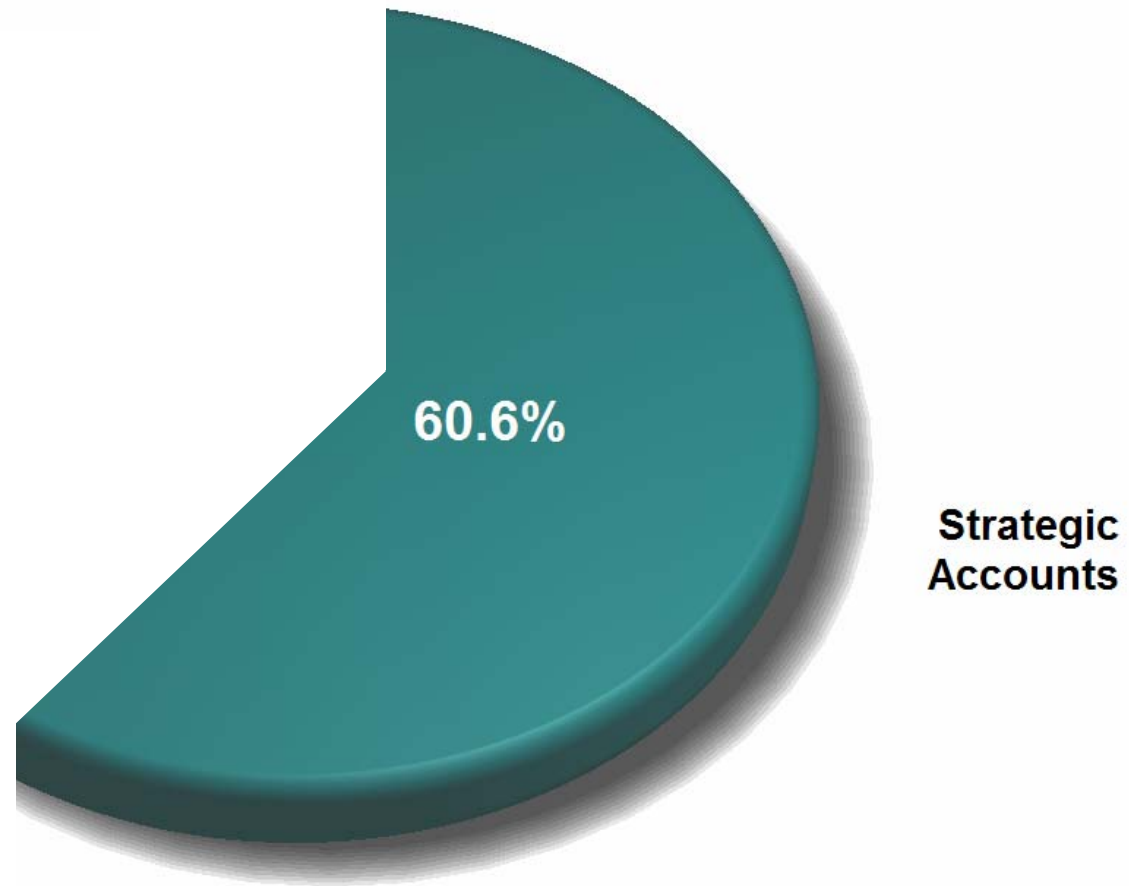
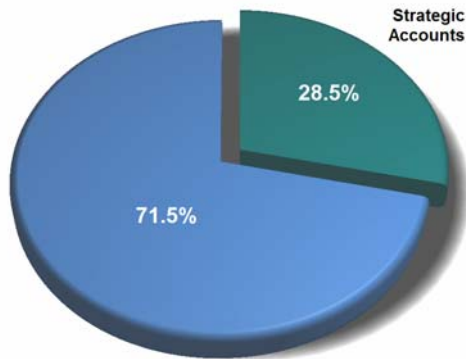
Segmentation Break Points



Percent of Customers Considered to be Strategic



Revenue Contribution of Strategic Accounts



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

