



The Exact Expertise to
Ignite and Sustain Performance™

LSA Global | White Paper



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What Have You Done For Your Most Profitable Customers Lately?

With Vendor Specific Objective Evidence (VSOE) and revenue recognition rules taking some of the fun out of negotiating both license and maintenance for normally zealous sales people, high tech companies are having to spend more time analyzing both where their profits are really coming from, and what the real cost is of “servicing” each type of customer.

We all know that it costs five to seven times more to acquire a new customer than it does to keep or service an existing one. Since for most software companies, 60-80% of their total revenue (license, services and maintenance combined) is being generated from their existing install base, it is reasonable that selling to existing customers generates more profit than cultivating a net new customer.

Many companies don't know who their most profitable customers are and do not have an explicit strategy to keep them. Perhaps as important, how many companies actually profile those customers so they can develop strategies to attract more customers that match that profile?

How do you know you have the right customer strategy?

1. First, segment your customer base by total spend. How many customers represent the top 1% of payers, top 10%, top 15% and 20%? You need to know how many large, medium and small customers you have.
2. Then, develop a sales and marketing strategy by segment that maximizes revenue and retention within that segment.

In most software companies the top 20% of customers generate about 80% of the revenue. For these customers, you'd likely take a more proactive approach with an emphasis on retaining and growing them. An example of the type of service you might provide higher-paying customers is a designated account manager—someone they can call for any reason, such as escalation of an existing issue, to order more product, or discuss a migration. This type of established relationship can help you reach trusted partner status with your customer and enables you to keep up to date on their business plans and needs.

Within the other 80% that generate 20% of the revenue, you'll find a mixed bag consisting of low-paying customers that cost more to deliver service to than they pay (you'll certainly want to address that), customers who just cover their costs, and middle-paying customers that, with the right strategies and services, will grow over time into larger customers.

It takes time to determine who the most profitable customers are, but it does pay to spend the time to determine exactly how much services cost to deliver, and just exactly which customers are using those services. You might be surprised at what you discover. Some of our customers have changed the services they offer Once they know how much they actually cost to deliver and who is using them.

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Look for trends in your customer base. If your most profitable customers are all in a particular industry or are a specific size, use that information to develop your retention strategies and future sales and marketing strategies.

Once your services initiatives are in place, you'll need to create the proper organization to support and deliver on them.

1. First, develop a cost-effective model that supports your service strategies. Some of our customers establish a threshold of dollars that a customer must pay in maintenance before they will have access to different levels of service.
2. Establish clear lines of responsibility and accountability, and ensure that there are defined lines of communication and escalation where applicable. Goals should be measurable and reachable. Layers of administration can hinder service delivery levels—the simpler the better.
3. Lastly, develop a compensation model that will drive the kind of behavior that you want from the organization. The best strategies will achieve nothing if compensation spurs different behavior. Effectively, regardless of how important you tell your sales people maintenance is, they are really not going to hear you unless there is compensation tied to it.

Companies that apply the right strategies to the different segments of their customer bases find that their retention rates are more stable than companies that simply throw additional services at customers when they are unhappy. A well thought out strategy can help you determine who your most profitable customers are and how to treat them so that they will want to stay your customers. What have you done for your most profitable customers lately?

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About LSA Global

Since 1995, LSA has helped leading organizations create and maintain competitive advantages through people.

Over 85% of our business comes from repeat clients and our customer satisfaction rating is 97.5%. Our clients tell us that we are different. Our clients tell us that we save them both time and money. Our clients tell us that they appreciate access to experts across many areas.



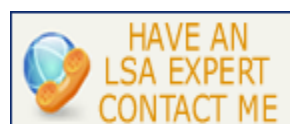
“LSA is different. They focus on helping clients and they guarantee and deliver results.”

- Our **Sales** clients confirm that they have grown sales by 40%, increased units sold by 42%, increased average pricing by 12%, and closed over 50% of their pipeline.
- Our **Customer Loyalty** clients confirm that their customer revenue per household increased by 18%, repeat calls decreased by 48.4%, single contact resolution increased by 6.1% and their overall customer satisfaction increased by 10%.
- Our **Leadership and Management** clients report that we decrease their costs by up to 50%, while helping increase speed-to-productivity by 60% and decrease unwanted attrition by up to 40%.
- Our **Project Management** clients inform us that, by regularly completing projects that meet or exceed expectations, they have become an anomaly in the world where most projects disappoint or fail.

Our clients succeed in the marketplace through increased revenue, decreased costs, and higher productivity. They maintain that our rigorous assessment, implementation, and measurement capabilities bring them tangible results. As an organization, we are fiercely devoted to supporting their success.

For more information, please visit us:

- [Grow Sales](#)
- [Satisfy Customers](#)
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- [Manage People](#)
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