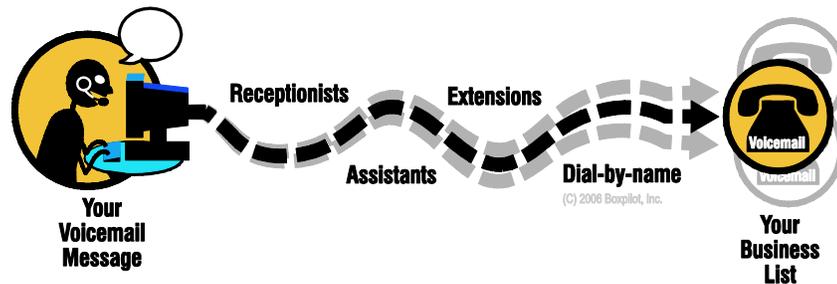


# Recurring Revenue



## Increase Profits With More Contract Renewals

**Boxpilot, Inc.**

[www.boxpilot.com](http://www.boxpilot.com)

1-877-669-4729

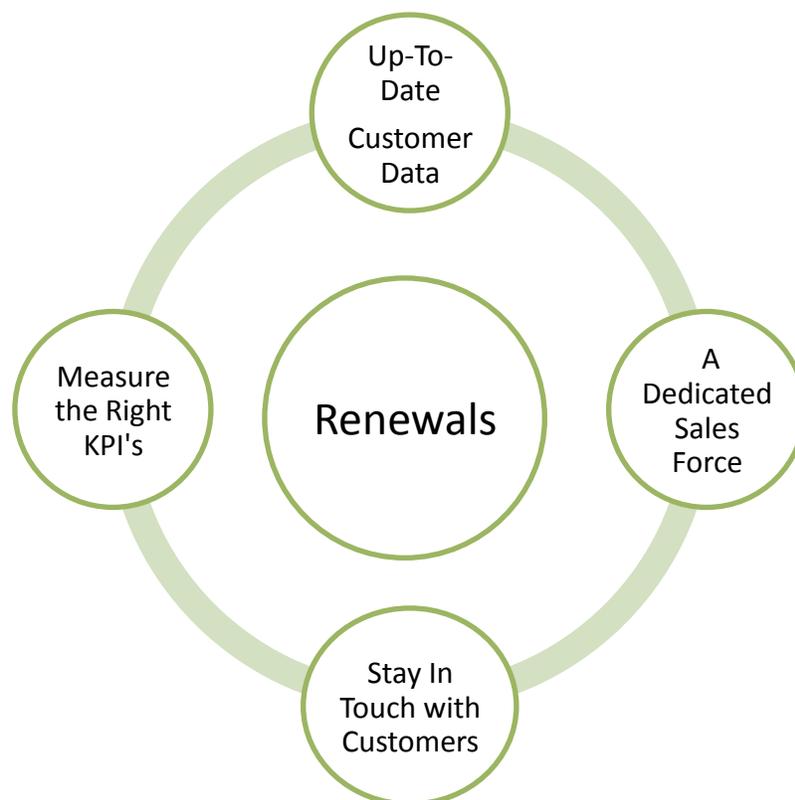
Report provided courtesy of Boxpilot, The World Leader in Guided Voicemail™. For more information about how Boxpilot can help your company with B-to-B voicemail marketing, please call us at 1-877-669-4729 or visit [www.boxpilot.com](http://www.boxpilot.com). Copyright © Boxpilot, Inc. All Rights Reserved. Any publication, rebroadcast, or other use of this material without express written approval of Boxpilot, Inc. is strictly prohibited.

## Grow Your Recurring Revenue

Recurring revenue is nothing new, but it has taken on a new importance and, according to Morgan Stanley, over 50% of technology company profits come from recurring revenue. According to the Harvard Business Review it costs on average 6-7 times more to gain a new customer than to retain one. Smart organizations are taking steps to protect the profitability of their recurring revenue

Delivering excellent value for the service you offer is just the starting point. In a market where fierce competition and fickle customer loyalty are the status quo, delivering what you promised is not enough to guarantee a healthy rate of retained customers.

## 4 Steps For Renewal Revenue



## Start With Up-to-Date Customer Data

Managing data is a huge challenge. Large organizations are often plagued with multiple, disconnected databases. Billing, customer service and sales databases with no integration points are further complicated when autonomous business units and acquired companies cannot share data. A failure to accurately reconcile ALL the business you do with any single organization means renewal, cross sell and up-sell opportunities which could create new, highly profitable revenue streams will never materialize.

For smaller companies, the data issues might be less complicated, but the resources to solve the problems are also more limited, so at some level, when it comes to data, everyone is in the same sinking ship.

Outside of the challenges of managing multiple databases, to maximize your renewal revenue opportunities, your database must:

### ***INCLUDE***

- Current contact information for Key Decision Makers and Influencers

### ***DIFFERENTIATE***

- Contacts based on their Priorities, Interests & Requirements

### ***HIGHLIGHT***

- Customer service/billing Issues and their Resolutions

### ***IDENTIFY***

- Actions and Timelines relevant to customer renewals

### ***CROSS REFERENCE***

- Purchases & sales notes for Cross and Up-sell Opportunities

## Measure the Important Stuff

It's not uncommon for companies to only track the final tally of year-over-year renewal revenue. Diagnostically this information is not particularly useful. While it will be different for every business, there are some key performance indicators (KPI) that really should be part of your ongoing measurement. They could include:

- Unsuccessful on-boarding
- Dropouts by quarter (their contracts)
- Where applicable - data on adoption and usage
- Accounts lost due to business failures, takeovers etc
- Accounts lost to competitors
- Renewal decision rates
- Renewal Sales Cycle Length
- Contact - Days in Advance of Expiration
- Renewal close rates
- Up sell and cross sell performance
- Number and average value of sales vs. YAG
- Cancellation reasons
- % Contracts renewed before expiration

Beyond this, understanding and managing metrics such as LTV (Lifetime Customer Value), CAC (Cost to Acquire a Customer) MRR- ARR (Monthly/Annual Recurring Revenue) and ACV (Annual Contract Value) not only help companies (and financiers) determine if a business model is viable, they also set limits on the rate of and maximum possible growth. Read more about this on the For Entrepreneurs site <http://www.forentrepreneurs.com/saas-metrics-2/> and <http://www.forentrepreneurs.com/why-churn-is-critical-in-saas/>



## A Dedicated Sales Force

Industry research has proven that using focused renewal sales teams rather than billing, customer service/success or new sale teams improves renewal results and that applies to both annual and monthly models. It pays to have at least one person whose sole business focus is on your renewing revenue.

Roughly 80% of companies still rely on their customer service/satisfaction account managers and even their accounts receivable team to take the lead on collecting renewal revenue and maybe that's the mistake - an assumption that it's simply yours to collect. It's not. Ignoring the issues of ongoing communications, customer service engagement and competitive pressures, a renewal sales program needs to work around three main problems/opportunities

1. The Renewal Sale is Different (from the Acquisition) and Extremely Time Sensitive. According to research, you should begin the sales cycle on renewals 120 days before expiration. Every week you delay translates into a 2.5% loss of revenue. Once your contracts have lapsed for 30 days, the renewal rate will be cut by 50%. The renewal sale is not like a new sale. You have experience with the client (and they with you). It's not the place to start parading your features and benefits, but rather a golden opportunity to explore the relationship in more detail. Some people would call this the Farmer Sale, if the term hadn't already been so abused.
2. Getting a Decision to Renew is only the First Step. This decision rate is a key metric in your sales process, but companies who rely on less than talented and experienced sales people to manage this process often think that once a client communicates their decision the work is done. Just send the invoice and collect that cash, but this is not the case.
3. This Sale Needs a Close. A mailed invoice and a few follow ups from billing will leave far too much money on the table. Book closing appointments. They ensure that your customer has approved the purchase and provide an irreplaceable opportunity to pursue up-sell and cross-sell possibilities and department/divisional references. Customer service and accounting staff are not equipped to do this, it's a sales job.

## Four Stage Communication Plan

Whether your contracts renew monthly or annually, a proactive communications plan in support of your recurring revenue goals is important for a company to systematically address the challenges that can hurt successful renewals.

Use customer communications to pre-empt your competitors, uncover hidden customer satisfaction issues, nurture your customers for the next sales effort, promote early decisions to renew and facilitate sales appointments to close, up-sell and cross-sell.

B2I (Business to Individual) marketing or as it is sometimes called P2P (Person to Person) is the ideal way to communicate with your customers. In marketing circles, B2I is heralded as the new cutting edge marketing concept and ironically, in an effort to be more personable, the focus is on software, personalizing through data collection and privacy issues.

Few companies have access to the resources needed to gain the benefits of P2P marketing using technology, but there is a good alternative- the human voice. While email will form the backbone of your renewal communications plan, the judicious use of the human voice and the phone will give your messages impact and allow you to connect with the individuals in your customer base on a more personal and memorable level.

Your plan will support 4 unique communications objectives, each of which plays a vital role to your total renewal effort.



Reach Out From Customer Service - Greasing the Silent Wheels



Nurture Your Customers Like High Quality Leads



Promote the Decision - Ask Early, Ask Often



Book Sales Appointments to Close , Up-Sell and Cross-Sell

## Customer Service Outreach – Because There Is Nothing Blissful About Ignorance

Your customer service outreach will accomplish two goals with a high impact on renewal:

- Promote adoption and usage
- Stimulate customer feedback

Once your customers are set up to use your service and have had all their initial questions and training needs answered, it's easy to believe that a quiet customer is a happy customer. It does happen, but sadly that isn't always the case. Changing people's habits is a long term process and if your service requires your customers to work in different ways, many will slip back into more familiar patterns if they can. When that happens, the service you have offered can easily be ignored long enough to be totally forgotten, and that spells disaster at renewal time.

Customers might also go dark because they are:

- Apathetic
- Flirting with your competition
- Unhappy to the point of abandonment
- Taking what you offer for granted

A quarterly tailored customer service outreach to all your clients in addition to your broader newsletters is a perfect way to solicit feedback from them. Combine a personalized email from their customer service contact with a phone message to follow up on adoption issues, sustained usage, features awareness and maintain a human relationship between your customer service/success teams and your quiet customers. Incorporating surveys on their perception of your performance, satisfaction, adoption and use levels will also help you manage these KPI's either in isolation or combined with any software feedback you might have access to.

Adding personal calls to your online communications emphasizes the importance of your message and while it won't guarantee that all of your quietly dissatisfied customers will raise their hands, you'll have the opportunity to rescue the business from those that do.

## Nurture those Renewal Leads and Grow Your Contract Values

### Never take a sale for granted

Every customer who needs to be renewed should be nurtured like a hot lead that isn't ready to close, because that's what they are, hot leads for renewed business. Until the contract for the next period has been put to bed, a sales nurturing program can offer your company some outstanding advantages.

This is not the same as the customer service outreach, which is working to uncover issues and ensure satisfaction with the current purchase. Your customer sales nurturing program has three unique and specific goals:

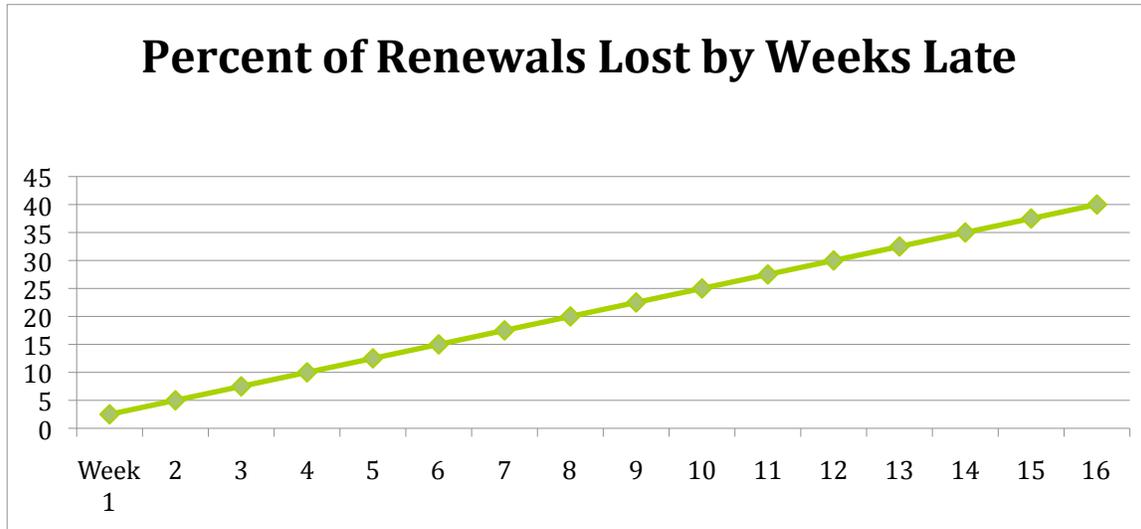


Look at a quarterly communication that's distinct from your newsletter and customer service messaging. Bind your customers to your sales growth objectives with event invitations, webinars and demonstrations. Deliver market leading content on trends, issues and opportunities for improvement. Remind them why they should continue doing business with you.

Without bombarding your customers with heavy-handed, sales propaganda, dangle the promise offered by higher levels of service and adding related products/services. If your only renewal goal is to maintain what you already have, there is nowhere to go but down. A sales goal and nurturing program based on achieving growth will empower your renewal sales team with a realistic opportunity to achieve that growth.

## Getting to Yes – Ask Early and Often for a Decision

The dedicated sales push for annual renewals should start no later than 120 days before the contract expires. Once you cross that four month mark, every week you delay will cost you 2.5% of your renewals.



Most organizations use email as their first line of communication. It's fast, cheap, easy and a great way to harvest the low hanging fruit, but it won't be enough for the majority of your customers. If you doubt that, consider that claiming they were *never contacted for a renewal* is the reason cited by a staggering 45% of surveyed customers who failed to renew their contracts.

It's time to pick up the phone. If you haven't maintained regular telephone contact through your customer service outreach and sales nurturing, the state of your customer data might create a nasty surprise. It could be a scramble to replace contact information for decision makers and key influencers. When possible, engage your customers directly regarding their agreement to renew. If you can't reach them live, provide a compelling incentive to respond to your messages.

To whatever extent your resources allow, treat this as a two part sale and follow up the agreement to renew with a scheduled sales appointment to confirm the closing details.

## Schedule Sales Appointments and Close on a High Note

Even the best managed companies and the best service offerings will lose customers from year to year, but given the nature of compounded sales, every fraction of a percentage point that you can nudge that lost business number will deliver big value to your bottom line. While based on a monthly churn model, this report on HubSpot that appeared in Forbes Magazine dramatically demonstrates the impact of reducing customer churn from 3.5% to 1.5%.

HubSpot	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12
LTV:CAC	1.7	1.9	1.9	2.6	3.5	4.7
CAC	\$6,025	\$7,876	\$8,541	\$7,809	\$6,880	\$6,793
MRR CHURN	3.5%	2.7%	2.8%	2.3%	2.0%	1.5%
AVG MRR	\$429	\$507	\$548	\$560	\$583	\$577
SOFTWARE MARGIN	83%	81%	80%	82%	81%	82%
LTV	\$10,074	\$14,964	\$15,919	\$20,325	\$23,775	\$31,806

Finalize the process of renewals annually with a formal sales meeting (or maybe a few). Your clients deserve that much respect and attention from you. Carefully review your customers changing business needs and ensure they are matched up with the right product/service levels. This is where your renewal sales team (or person) will deliver their value to the company

1. Closing down unchanged renewals to maintain cash flow
2. Uncovering, presenting and closing up-sell and cross sell opportunities

Ideally, through the year, your customer service outreach, your sales nurturing and the early stages of your actual renewal sales campaign has helped to narrow the focus on the best customer candidates for a larger sale. Now it's up to your renewal sales team to spend as much time as possible in front of your customers who are scheduled to close.

Your communications plan supports this goal with a strong sales contact/appointment setting program that keeps pace with the calendar. Stay on pace with renewal sales - a contract that has been expired for only one month is 50% less likely to ever renew.

## Summary

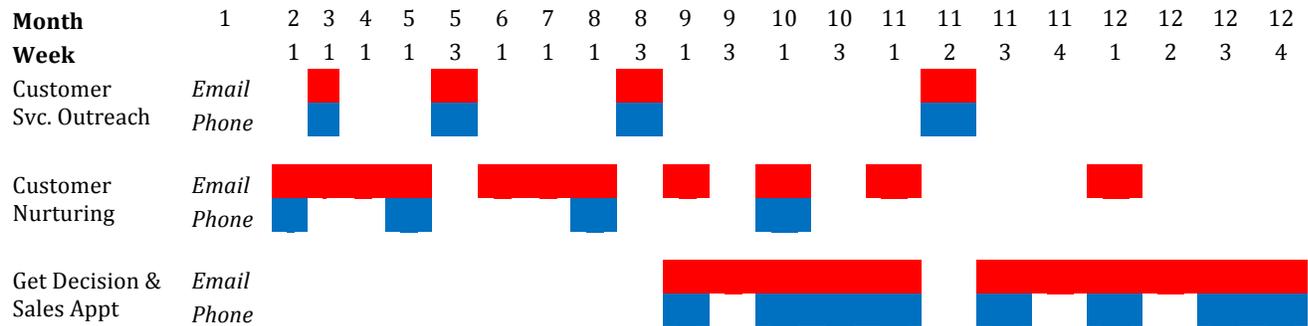
To make the most of your recurring revenue opportunities

- Start with a clear understanding of which Key Performance Indicators will impact your renewals.
- Set goals and track your performance.
- Clean up your data
- Dedicate a sales team

## Communicate with your Customers

A communications plan is the glue to hold your entire program together. Each piece in your plan fulfills a specific and extremely important function. Don't rely on email alone, because it's too easily ignored by too many people. Incorporating the intelligent use of phone contact from different departments and people in your organization to individuals in your client companies will give you messaging the emphasis you need.

### Demonstration Communications Schedule:



Of the three elements in the communications plan emails, phone calls and content development, executing the phone calls is probably the most challenging aspect. That's particularly true when the objective is to engage in a live conversation since it is extremely difficult to actually reach people on the phone. Fortunately, voicemail messages are a viable alternative and although it can be tediously time consuming to manually deliver the messages one by one, guided voicemail delivery by Boxpilot will quickly and affordably solve the problem.



## About Boxpilot

Make fast, easy and cost-effective voice contact with a perfectly delivered voicemail message, recorded by you, to everyone on your list. Sounds exactly like you called – you record your voicemail once, and then we deliver that exact message to everyone on your list; as personal as if you had called yourself.

Created specifically for the B2B marketing and sales environment, your message is delivered to all the contacts on your list one at a time by trained call center agents working with all types of business phone systems, lists and scheduling. Manually navigating through receptionists, dial-by-name directories, extensions and direct lines, your message is guided to your contact's personally verified voice mailbox, crystal-clear, every time.

Today, Boxpilot has developed market-leading specialization through exclusive focus on guided voicemail and integrated support services. Boasting many of the world's leading B2B organizations as clients, Boxpilot continues to serve a fast growing list of companies as it expands and adapts to new technologies and marketing opportunities.

Our culture of innovation and improvement continues to drive expansion of the guided voicemail approach to complement and integrate with changes to the market such as the expansion of social media, digital marketing and sophisticated CRM management.

Continuing our investments in research and development, and continually reinventing our processes and systems, Boxpilot will continue to grow one customer at a time by offering a technology wrapper around its service core of excellence. Today and into the future, building and developing long-term relationships with clients is the firm's top priority.



## Related Case Studies

### (1) Improving Cash Flow with Earlier Renewals

**Background** - A major software organization was looking to reduce the lag time on service renewals and improve cash flow. It was decided to include maintenance renewals as part of the sales team's responsibilities. An email program, with messages going out in each reps name was undertaken and the sales reps were also charged with calling customers to remind them to renew on time.

**Challenge** - The sales team was not making enough calls to have a noticeable impact on renewals and the emails were not driving enough responses.

#### Alternatives -

- Increasing the number of emails was rejected due to concerns with over saturating the customer base with emails, since this was also the preferred communication tool for others groups within the company.
- Penalizing the sales team for not meeting a renewal calling quota was rejected as maintenance renewals were a lower priority than new software sales – their main mandate.
- Shifting the calling to an inside sales team was rejected since the team was too small to meet the volume and not trained to deliver outbound calls.
- Outsourced telemarketing/telesales was rejected due to the high cost to contract enough callers to contact the large lists in a short time period.

**Solution** - The Company contracted Boxpilot to execute an outbound voicemail program. The messages not only altered customers to the renewal emails to be send within one day of the campaign, they also drove responses to the inbound call center which was well equipped to manage the inbound renewal requests. Boxpilot was selected because:

1. Having the sales reps record messages to their own client base supported renewals and an improved relationship with the reps.
2. The guaranteed delivery timing allowed the voicemails to support the emails and increase the email responses as well as inbound phone
3. Guided voicemail was considerably more cost effective than adding or outsourcing outbound telemarketing
4. The large customer base could be completely covered by voicemail over 1-2 day campaigns.
5. The delivery speed and low cost allowed for multiple voicemails to support responses.

**Results** - Within 60 days, inbound requests for maintenance renewals increased from 500 to 1200 per month. This volume was sustained as long as the voicemail campaigns ran. Over the period of the program the cash flow lag time decreased from -60 days to -50 days.



## (2) Guided Voicemail Increases Renewals & Improves Forecasting

**Background** – A large non-software client needed to improve their renewal rates and the accuracy of revenue projections. In a weak market the contract renewal rate had been declining and even with over 61 dedicated phone reps, over 40% of renewal sales lapsed without any sales follow up.

**Challenge** – Because the previous sales management had supported aggressive, high pressure selling tactics, the new sales team was subjected to many negative customer encounters when making renewal calls. As a result call volumes were well below objectives.

### Alternatives –

- Email was considered and rejected as it created very low response rates. It also failed as a means to rebuild a personal and positive relationship with some irate customers.
- Replacing reps who did not meet calling quotas was rejected since the problem extended to over 80% of the sales team.

**Solution** – The Company selected Boxpilot to execute an intensive calling campaign with voicemail plus synchronized email left 60, 45 and 30 days prior to renewals. The messages were recorded by the sales reps and provided information about renewals with a concerted effort to communicate the emphasis on better customer service and a positive tonality.

**Results** – Within 120 days the percentage of resolved renewals increased from 56 to 75% and the positive response for renewals increased from 25 – 33%. While the positive responses were lower than desired, they were significantly better than before and the company management was able to create benchmarks of anticipated renewals to create new incentives for both the customers and the sales team.

### (3) Solving a Renewal Challenge - Flexible Campaigns Deliver More Sales at a Lower Cost-Per-Sale

**Background** - A North American security software developer selling to business organizations of all sizes, was concerned about the low rate of maintenance agreement renewals from its base of smaller customers (under 50 seats). Because they already knew that a call from the sales reps at 90, 60 and if necessary 30 days, was the major contributor to the better renewal rate among larger accounts, the sales force was mandated to begin calling on the smaller customers as well in exchange for a commission on the sale which had not been paid in the past.

**Challenge** - It proved to be a bad plan for a number of reasons.

- Unlike the large accounts, records for the smaller customers were inconsistent required a combination of different contact methods to reach them.
- The sales team was not large enough to make all the necessary calls with voicemail and email follow ups to the full base of smaller accounts and so began to cherry pick the easier call backs to gain extra commissions.
- While renewals increased, the smaller invoices offered a poor ROI relative to the cost of sale.
- The time consuming calls generated short term renewal sales, but at the expense of more difficult new account development. Additionally, the calling for larger account renewals was becoming inconsistent.

**Alternatives** – Considered and rejected

- High end outsourced telemarketers could manage the different types of contact needed but were more expensive than the in-house resources. Low end outsourced service providers were affordable, but lacked the management support to deal with the many different messaging alternatives needed to reach the accounts with any significant penetration.
- Email only reminders provided some lift and a positive ROI, but used alone the overall impact was insignificant.
- Increasing the telesales/telemarketing group was not cost effective.
- Status quo was not acceptable, given the potential revenue.

**The Solution** – A fluid combination of services from Boxpilot was used to reach this market and renew the agreements. Three unique voicemail messages were pre-recorded by the actual sales rep for the account and delivered at 90, 60 and if necessary 30 days prior to the renewal date. The first message was delivered using the guided voicemail service. For some companies, after the contact and direct dial information was verified on the first call, the 60 and 30 day messages were delivered using Boxpilot's auto-guided service as a cost savings measure.

Each delivered message was followed up with a synchronized email – again from the individual sales rep. The emails offered additional information and an easy method to respond directly to their sales rep representative. Boxpilot's Live Message service was used for the segment of the list without fully developed voicemail systems and in cases where the desired contact actually answered the phone.

**Results** - Using the combination of four delivery methods and campaign management services from Boxpilot – Guided Voicemail, Synchronized email, Auto-Guided Voicemail and Live Message – the renewal rates of the test group were 18% higher than the control and the cost-per-sale was well within acceptable limits.

