



Selling Multiyear Cisco Service Agreements

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Quick Reference

Adding Value with Multiyear Service Agreements

Multiyear service agreements are about adding value—both for the partner and for the end customer. Selling multiyear service agreements can help partners:

- Increase customer loyalty
- Reduce administration costs
- Improve cash flow
- Increase revenue opportunities
- Enhance margins

Multiyear coverage helps customers:

- Lock in prices
- Receive continuous coverage
- Take advantage of discounts and incentives
- Better manage operating expenses
- Improve cash flow
- Reduce time spent renewing service contracts

Selling Services: Changing the Way You and Your Customers Think

Selling multiyear service contracts should not be seen as a separate activity from selling the initial service agreement, securing a contract on uncovered equipment, or pursuing a renewal.

Lead with multiyear service coverage at every opportunity as part of a complete solution.

When partners sell a single-year service contract, they spend time preparing, selling, negotiating, and processing the contracts. When partners offer a multiyear contract from the beginning, with the same amount of effort, sales revenue and margins can improve dramatically.

Helping Your Customers Think Long Term

To sell multiyear service contracts successfully, partners will need to help customers think long term, understand the finance behind the benefits of a multiyear program, and be able to converse comfortably with both operations decision makers as well as finance decision makers at different size companies. Important questions to ask your customer include:

- How long do you think you will have a Cisco network? For at least the next three years?
- How would monthly payments for your service contracts benefit your business?
- How would locking in prices and improving cash flow affect your business?
- What projects would you pursue if you had additional budget?

Discussing Financial Impact: Positioning Multiyear Solutions for Success

- **Customize the approach to the needs of financial decision makers**—Operations staff care about the quality of service and the details of the program. CFOs care about effective cost and benefit management, budget stability and planning, conserving budgets, tax advantages, and budget allocation.
- **Calculate return on investment (ROI)**—CFOs often use ROI to measure IT investment. Use an ROI calculation to demonstrate the cost-savings benefits of a multiyear agreement.
- **Break down the initial investment**—Address the larger initial expense by breaking down the multi-year expense into monthly, weekly, or daily costs.
- **Demonstrate the benefits of improved cash flow**—Multiyear contracts reduce overall costs, provide predictable monthly expense budgeting, free up cash, and allow services to be accounted for as an operating expense rather than a capital expense.

- **Offer multiple payment options**—Payment options can affect cash flow. Customers can choose to prepay or finance.
- **Promote the benefits of Cisco Capital™ financing**—Financing spreads the capital outlay over a number of years. Cisco Capital financing solutions provide straightforward, flexible leasing options; competitive rates; and fast credit approval, documentation, and funding turnarounds.

Cisco Smart Services for Small and Medium Business

Cisco Smart Services for Small and Medium Business are a portfolio of services designed to meet the different preferences and needs of small and medium-sized business customers in the operate and optimize phases of the network:

- Cisco Smart Care Service is a comprehensive networkwide service that combines technical support with proactive monitoring, assessments, and remote repairs to keep networks secure and running optimally.
- Cisco SMARTnet® Service is an award-winning technical support service that offers direct, anytime access to Cisco engineers and extensive technical resources.
- Cisco Smart Foundation Service is an entry-level technical support service that provides the support small businesses need to help them maintain network reliability and minimize disruption to their business.

For collaborative services such as Cisco Smart Care Service, selling multiyear agreements is not required because Cisco Smart Care Service is automatically renewed every year.



Best Practices for Selling Multiyear Service Agreements

- **Sell multiyear service agreements at every opportunity**—Sell at first sale, on uncovered equipment, and at renewal time.
- **Do your homework.**
 - Track contract renewal dates for each customer and time your sales and marketing activities appropriately.
 - Validate service availability, service levels, and service types so you can set your customer's expectations appropriately.
 - Create price comparisons for one-year agreements compared to multiyear agreements.
 - Factor in discount percentages that your customer might be eligible for and break down the larger initial expense into smaller increments by day, week, or month.
 - Create ROI calculations that show the long-term cost savings and cash flow improvements specific to your customer.
 - Have a finance specialist review your ROI calculations to help ensure their accuracy.
- **Capitalize on the renewals opportunity**—Every annual renewal is an opportunity to increase the sales and margins for that particular sale by selling a multiyear agreement.
- **Lead with financing**—Cisco Capital offers flexibility with payment schedules that match cash flow and budget cycles by spreading the cost over time, therefore, allowing partners to counter any concerns.
- **Measure your performance**—The most successful Cisco resellers use a mix of marketing communications methods: e-mailers, phone calls, and postal mailers. It is important to track the response to these different media.

Handling Objections

Objection

I did not budget for a multiyear agreement. I only budgeted for a one-year service agreement.

Response

This is a good opportunity to introduce Cisco Capital financing as a means of paying for the larger multiyear costs. Ask your customers if they would be interested in a multiyear agreement, at today's Cisco Technical Service prices, while making monthly or quarterly payments.

Objection

I am concerned about locking up my budget for three years. Is there an out clause?

Response

This is one of the most difficult objections you will need to be able to handle when selling a multiyear agreement. It is true that there is no cancellation option, nor are service contracts transferable. This is a good time to remind your customers that a multiyear service agreement is the best way to protect the investment they have made in their networking solution.

Important Links

Cisco Services Accelerate Program www.cisco.com/go/accelerate

Cisco Lifecycle Services www.cisco.com/en/US/products/ps6890/serv_category_home.html

Cisco Services www.cisco.com/en/US/partner/products/svcs/services_area_root.html

Cisco Services for Small and Medium Business
www.cisco.com/en/US/partner/products/ps6888/serv_category_home.html

Cisco Smart Business Roadmap www.cisco.com/web/partners/sell/smb/smart_business_roadmap.html

Cisco Services for Partners www.cisco.com/web/partners/services/index.html

Cisco Partner Central www.cisco.com/web/partners/index.html

Cisco Capital www.cisco.com/web/ordering/ciscocapital/or6/order_finance_and_payments_concept_home.html

Objection

Buying a multiyear service agreement seems like it costs more in the short term.

Response

Acknowledge this larger initial expense right away. But remind your customers that they will be saving substantially over the cost of a one-year agreement. This is also a good time to show your customers how this larger initial expense breaks down by day, week, or month to show that it is a small amount to pay for such value. If customers choose to finance the solution, they can spread out the cost of a multiyear agreement over a longer period and free up cash for other projects.

Objection

I do not see the benefit of financing the multiyear service agreement.

Response

Cisco Capital provides special below-market interest rates for multiyear service agreements. The customer enjoys all of the discount and price protection of the prepay option with the ability to spread the cost over the life of the contract at rates that are often below the customer's own cost of funds.