



White Paper

Up-Selling and Retaining Customers

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Introduction

The PEM OSS/BSS (Operations Support System / Business Support System) is a distributed, modular, multi-tier hosting automation platform that is scalable to millions of customer accounts, customizable on all levels, extendable with custom modules, and integrateable into a provider's existing infrastructure.

Using the PEM solution, providers are able to sell, provision and deliver virtually any type of services from basic domain registration to complex managed dedicated hosting solutions in clustered fail-over configurations. PEM's delivery capabilities are ubiquitous across platforms, types of applications, and can be extended to include any type of service in ASP or hosting models.

Equally important, the customer upgrade path from domain registration to basic shared hosting, e-commerce, to VPS (virtual private server) and to dedicated (or complex dedicated) is completely seamless for the end user and almost completely effortless for the provider. End users can self-provision additional services or self-upgrade themselves to higher end hosting plans right from the customer control panel. At every step of end user evolution, customers will enjoy the familiar and easy to use PEM interface with new functional areas being added by PEM when end users upgrade or add services.

Providers must constantly generate continued increases in growth, competitiveness and profitability in today's hosting environment. In this document, we will illustrate two very important elements of a provider's business in addressing these challenges:

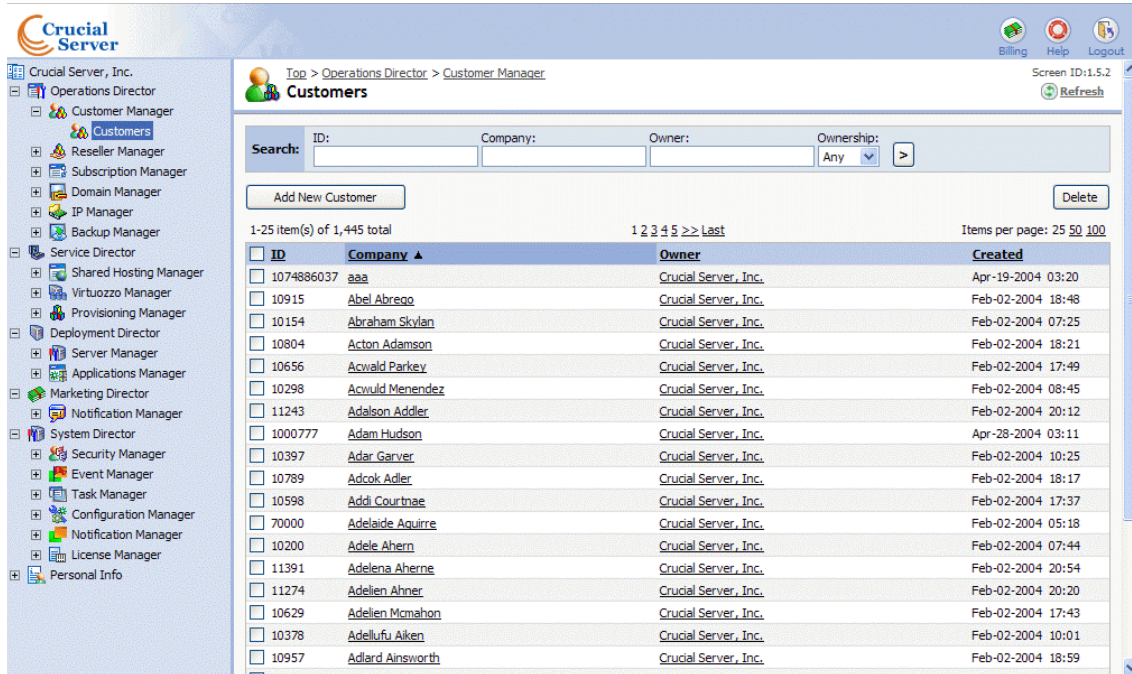
- **UP-SELLING THE EXISTING CUSTOMER BASE WITH ADDITIONAL UPGRADES AND SERVICES WITH MAXIMUM EFFICIENCY.**
- **RETAINING CUSTOMERS WITH UNIQUE, DIFFERENTIATED OFFERINGS AND SEAMLESS UPGRADE PATHS FOR EVOLVING CUSTOMER NEEDS.**

PEM can be deployed to help providers enter the hosting market or to help maintain and up-sell and existing customer base. The focus of this paper will be on using PEM to maintain and increase profits from an existing base of customers.

Existing Customer Base Challenges

Two of the most important challenges faced by large hosting providers are how to up-sell and how to retain already large existing customer bases.

New customer acquisition is expensive and the direct function of marketing, company image, pricing structure, and other factors that go beyond the scope of this paper. While needing to continue to attract new customers, hosting companies that have already achieved a "critical mass" of customers have a valuable asset and can recognize significant growth in revenues through up-selling of the existing customer base.



At the same time, the mounting problem of high churn rates (exaggerated by large existing customer bases) in the current cut throat market environment (exaggerated by a large existing customer base) also significantly contributes to the headaches of executives. Therefore, customer retention must also be a priority.

While this problem cannot be solved only by having a “single solution”, it can definitely be mitigated significantly.

The challenges of large providers outlined above can be broken down into 3 distinct pieces:

- How to increase average revenues per customer
- How to retain the customers
- How to minimize costs while achieving these goals

In the following chapters, we will address these 3 questions and discuss how a solution like PEM can help large hosting providers solve these problems directly and provide them with a clearer path to continued revenue growth and profitability.

Increasing Average Revenues per Customer

How do we increase average revenues per customer? Although the answer to this question might seem straightforward: “Just offer new services and up-sell to higher-end plans”, there are a number of challenges that any hosting company has to overcome to make “offering new services” successful:

- The service offerings have to be broad. They have to appeal to a wide range of audiences and cover the needs of all types of customers.
- End users have to be made aware of these services.
- The service ordering should be as easy as pushing a button
- Service provisioning has to be completely automated and instantaneous.
- Service Management by end users needs to be painless and preferably have zero or near-zero learning curve.

AND

- The services have to be attractive to the customer. A provider must be able to offer them at price points at which customers will find clear value in them.

Let's now explore each one of these items in more detail.

BROADENING SERVICE PORTFOLIO

What else can we offer to our customers? This is one of the main questions occupying the minds of any company with an already large existing customer base. This question is not just about up-selling the customers. It is also about retaining those customers. The offering must provide value, uniqueness and stickiness or the customer will just switch to another provider. In today's fast-paced and innovative environment, hosting companies are constantly trying to evolve their services portfolio. The ability to keep up or preferably outpace the competition in terms of the services provided is critical to the success of every provider.

Often these goals are impeded by or are impossible due to the inadequacy of the existing OSS/BSS system in place. When selecting an OSS/BSS system, the provider must ask themselves the following questions:

- How easy is it to roll out new services?
- Can our OSS/BSS system easily provision any new service or any application?
- Can the new service be rolled out without significant development efforts, redesign of custom control panels, and re-training of system administrators and support staff?
- What is the desired time to market for new services?
- Can we afford to wait for development of our existing system while other providers with better systems launch our offering?
- Can we afford to have hundreds of smaller add-on offerings covering the needs of a broad audience and still be profitable on each one of them?
- What is the total cost of ownership (TCO)?

With the PEM OSS/BSS system, providers are able to deliver and seamlessly provision virtually any type of offering with very minimal incremental cost.

END USER AWARENESS

The marketing of new services goes beyond the back-office functions of OSS/BSS system. In addition to supporting provision, billing, and customer support, the OSS/BSS system can provide a powerful mechanism to help deliver the knowledge of new services to the customer base. Customers access customer control panels almost daily to check/add/delete/forward email, check billing history, upload files to the website, check traffic statistics, etc. It makes good sense to use this medium to educate them about new offerings.

An OSS/BSS that also provides customer control panel functionality can provide a convenient and effective way to deliver advertising and notifications about new services to end users every time they access the control panel. Only a well designed system can take advantage of this functionality and value. How customizable is your current customer control panel? Is it easy to add new components, announcements or advertising blurbs to various sections often visited by customers? Most importantly, is the customer control panel an integral part of your marketing plan or just a system management tool for your customers?

EASE OF SERVICE ORDERING

The customer just logged into the customer control panel and discovered a new service in which they are interested. How do they order? Do they need to call or fill out a form and wait for a response? Do they have to do anything more than clicking on the service, pushing “Order Now”, and confirming their purchase? Many purchasing decisions are impulsive, especially in the consumer and SMB space. The attention span is short and a customer might never bother to pick up the phone or wait for a response to the enquiry.

How easy is your ordering process now? Is it as easy as pushing “Order Now” button?

NEW SERVICE PROVISIONING

A customer confirms a purchase. What happens next? How does the service get provisioned? Does a customer need to wait for an email with instructions? Or is the service provisioned instantaneously and the customer immediately has access to new sections of the customer control panel where they can manage new services and/or applications?

What if customer just upgraded their hosting plan – do they immediately see the difference in performance or functionality or do they need to manually move their website to a new dedicated server, for example? Can they schedule this movement? How seamless is the transition?

The importance of these questions concerns not just the customer’s experience but also the provider’s cost – it’s about the number of calls or emails a customer might make to the provider’s support staff and how much time support staff will have to spend on the customer after the purchase. This is about the efficiency of an overall provider’s operations and total total cost of ownership.

Using PEM, providers can provision any new service instantaneously for the customer. This includes upgrades between hosting plans such as from domain registration to shared hosting, to ecommerce, virtual private servers, and even upgrades between dedicated plans (from server to server). Each upgrade can be completely seamless for the customer.

SERVICE MANAGEMENT BY END USERS

A new service has been provisioned for the customer – how do they manage it? Do they use a familiar interface and tools or do they have to learn something completely new? After upgrading to a new hosting plan such as from shared to VPS or to dedicated, can they find the same email, web-site statistics, DNS, and other functional areas where they used to be? At the end of the day, new service management again comes down to the cost of provisioning new services. This includes in part the cost of after-purchase support related to a potentially high learning curve for the customer. A high learning curve can also lead to churn and lost revenues as irritated customers who could not find out how to easily use the new services and then simply cancel them or their account entirely.

Using PEM, customers will always use the same familiar customer control panel for any type of offering – the new controls or functional areas just appear seamlessly within the customer control panel when new services are provisioned or when a customer upgrades their hosting plan.

COST OF NEW SERVICES AND UPDATES

Hosting services are still relatively new and evolving very quickly. New technologies and updates are constantly emerging - from simple operating system updates to complex game server management. What is the cost of deploying new services or installing updates? Is it cost prohibitive for the provider to roll out dozens of new services or updates per month? Is it disruptive to the provider's business and the customer's business?

Some of the cost components associated with a new service rollout include:

- Potential disruption to customer's operations or high learning investment leading to lost customers.
- Development cost to run new services and enable customers to manage them.
- System management cost to deploy/roll-out new service.
- Human costs such as retraining system administration and support staff.

Can the provider afford to roll out innovative and competitive new services at low price points taking into consideration all of the above costs?

PEM enables significant decreases in the cost of new service rollout by completely automating processes, from developing new required services to service deployment and service management both from the customer's and provider's perspectives.

Retaining Existing Customers

In this section, we will explore three segments of customers and discuss how a fully functional OSS/BSS system can help retain these customer segments.

CUSTOMERS WITH STATIC NEEDS

This category of customers has set up their hosting account such as a web-site or email and makes changes to their settings only occasionally. As long as their website or email is working, they will continue to be loyal customers for years into the future. They usually do not shop around and are willing to pay a premium for a “proven” solution that’s been working for them for years, even if they know they can find a less expensive alternative.

The key to retaining this type of customer is reliability of service. At the same time, technological advancements do not allow providers to be static. Updates to applications, customer control panels and the overall OSS/BSS system are constantly required to keep up with competition and innovation. The biggest challenge is keeping up with innovation while avoiding disruption to this loyal customer base. This is especially important since these customers are typically the most profitable ones, as it is this type of customers that no longer require marketing and customer acquisition costs and that have minimal on-going support costs.

Using the PEM OSS/BSS system, providers can solve this seemingly difficult challenges:

- Rollout of new applications is completely seamless for the customers and does not disrupt the operations of customer applications.
- Customers can be served different types of customer control panels and providers can choose to roll out new control panels to a specific sub-set of customers only.
- Different customers can be served different versions of applications without adding management overhead for providers.

To summarize, PEM allows providers to innovate and evolve their service portfolio without disrupting the operations of their loyal customer base that need or care about innovation.

CUSTOMERS WITH STATIC NEEDS BUT WANDERING MINDS

This is the most “difficult” type of customers. They are the greatest contributors to high churn rates in the hosting space. Their needs are not evolving and they might not be a good candidate for higher-end hosting plans, but they do follow technological advancements and know if competition rolls out new services. Further, they expect those services from current providers and might leave the provider for a seemingly cheaper alternative.

While it seems that the only real solution is to constantly keep up with sometimes unreasonable expectations of this customer group, that is not quite the case. In fact, this type of customer might be the best candidate for small incremental up-sell through various services - as long as the provider is able to offer those new services requested by this customer group. They would like to be on the edge of innovation, and they are willing to pay a premium for small add-ons to their account. As long as a provider can roll out those services at a low cost, this type of customer will buy these services.

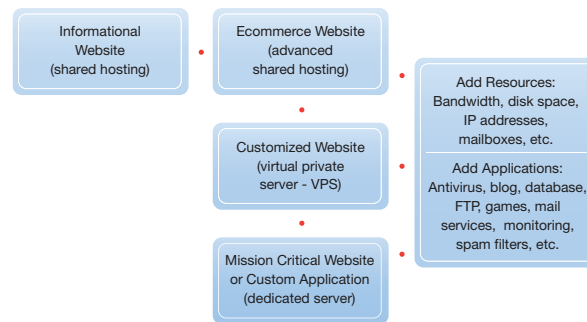
At the same time, the most important way to keep this customer base loyal is through service differentiation. As long as a provider is able to offer services that are not offered by the competition, these types of customers will unlikely leave as they become reliant on their own tendency for “innovation”. Using unique differentiated offerings, providers can position the competition’s offerings as inferior in the eyes of this group.

Using the PEM OSS/BSS system, providers have limitless abilities to differentiate. New services, and small incremental additions to existing services can be easily rolled out at very low cost. Further, as mentioned in the previous paragraph, these changes are not disruptive to the customers who are completely satisfied with the current offerings.

CUSTOMERS WITH EVOLVING NEEDS

Customer needs can evolve through growth and education. To retain these customers, you must keep them informed about improved service plans and new service offerings. In addition, you must provide them with an easy and logical upgrade path.

The majority of hosting customers mature through a “natural” progression. They start by building a static, informational website and purchasing shared hosting services. As they notice people going to their website, they add ecommerce capabilities to begin taking customer orders online. If the customer’s business is successful, website traffic and online transactions will grow. This growth will lead to the need for more capacity, more reliability, or both.



Customer growth provides an opportunity to make more money, but also provides the threat that the customer will switch service providers. To retain customers with evolving needs you must educate them at the moment when they become dissatisfied with their existing level of service and offer them a solution that is easy to purchase and install.

The key to success is exploiting the fact that you own the customer. Customers are often not aware of their real needs or if those needs or requirements have changed over time. As a service provider, you should be aware of which customers are pushing their plan limits and contact them.

Contacting hundreds or thousands of customer is expensive, but a properly configured OSS/BSS can mechanize the process. Customers access your OSS/BSS every day to configure mailboxes, upload new web files, check utilization reports, etc. During this daily process, the OSS/BSS can send reminders and promotions to customers who are consistently approaching their resource limits. While inside the system, customers can be given the option to purchase additional resources or upgrade to a more advanced hosting plan.

After the customer decides to upgrade his hosting plan, the next challenge is to ensure that the customer purchases the upgrade through you, his current hosting provider. The key to solving this challenge is to make the process of ordering, provisioning, and using the new services as easy as possible for the customer.

The PEM OSS/BSS system enables not only effective cultivation of customer needs to higher end-services through sophisticated a notification/alerting system, but also provides a seamless upgrade path for customers and efficient and streamlined processes for service providers. PEM provides an all-in-one system to coordinate service ordering, maintenance, and delivery.

Conclusion

Hosting providers need to continuously increase the competitiveness and innovation of their service offerings. When done in a seamless, automatic and cost-effective manner, the revenue growth and profitability of a hosting provider are significantly and measurably increased. The PEM OSS/BSS single solution addresses these needs in a very flexible and powerful way. With PEM, customer retention and customer up-selling is both easy and effective because all of the processes are built directly into the system.

PEM provides an automated solution for upgrading and retaining hosting customers. Key processes inside the PEM solution include:

- Automatic alerts informing customers when to consider an upgrade
- Targeted marketing so customers only see services which apply to their needs
- Online ordering from inside the customer management screens
- Automated service delivery following online orders
- Modular architecture to simplify new service introduction

No solution on the market today offers PEM's full range of capabilities in such an easy to deploy and cost effective package. PEM offers a single, integrated system for all hosting operations and support needs.