

Reaching the Next Level

How New Tiering Strategies Can Set the Stage for Growth



At a Glance

When you package your services right, you can set the stage for streamlined customer acquisition, improved customer retention, enhanced up-selling and more. However, for too many service providers, packaging strategies haven't changed in years. This strategy brief offers a fresh take on a tiering model, one that's aligned with today's business realities and that can help foster business growth.

Introduction: The History of Tiering Strategies and the Need for Change

In spite of all the differences in service offerings, businesses and approaches, there's been a striking commonality across many service providers for quite some time. While the names and details may vary, many service providers have effectively been working from the same tiering strategy. Whether tiers have been referred to as "Silver, Gold and Platinum" or another hierarchy of metals, these tiering approaches have largely been focused on service hours. For example, when a customer signs up for the silver package, they have service from 9:00 am to 5:00 pm. With the gold package, hours may be extended to 12 hours, for example, 7:00 am to 7:00 pm. Finally, customers who sign up for the platinum package would gain 24x7 service.

Another common theme with these tiering strategies is that the services rendered were largely consistent. Often, whether customers signed up for the silver or platinum package, they were effectively paying for the same, complete list of services. Effectively, the only difference has to do with the hours during which services are delivered.

While these tiering strategies may suffice for some service providers, the reality is that they don't fully jibe with today's market realities. Now it's more about what services you're delivering, not when you're delivering them. In addition, customers are growing increasingly selective about their purchases, looking to pick and choose only those specific services they need, rather than paying extra for bundles with extraneous offerings. As they look to manage costs, customers will look for more affordable, relevant services.

A Modern Approach to Tiering

In this section, we'll look at a tiering strategy that is well aligned with current customer realities, and that sets the stage for growth within customer accounts. This strategy is comprised of three tiers: monitoring, maintenance and management. Following is more information on each tier.

Monitoring

The Service

This tier is comprised of passive fault monitoring, which means monitoring platforms are set up to track the performance of specified devices. When thresholds are breached, alerts are generated and sent to the service provider. The service provider's staff is responsible for verifying the alerts and sending actionable alerts to the cus-

tomers' staff. The customer's administrators would ultimately be responsible for all subsequent troubleshooting, remediation and so on.

The Value

Monitoring represents an ideal starting point for a customer engagement. Why? Following is how the much-quoted Scottish physicist, Lord Kelvin put it:

"I often say that when you can measure what you are speaking about, and express it in numbers, you know something about it; but when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind..."

Lecture on "Electrical Units of Measurement" (3 May 1883), published in *Popular Lectures Vol. I*, p. 73

In the world of IT, monitoring is measurement, making it the critical underpinning of virtually any IT service. By delivering this critical service to your customers, you and they can start to understand the environment, how it's performing, how it's used and more. These insights help clients manage their infrastructures, and they can help you better understand their environment and their business, which is vital in setting the stage for an increasingly strategic business relationship.

Beyond the critical insights provided, these monitoring services also add value by offloading significant burden from internal IT teams. Internal staff members no longer have to handle set up, tuning and maintenance of the monitoring environment.

Further, as a service provider you can also bring expertise that adds additional value. If the customer has to buy a monitoring product and implement it, they will have to build their own monitoring governance, that is, setting thresholds, defining escalation policies and so on. By delivering monitoring services across clients, your organization will gain a much higher level of expertise, so you can establish and sustain optimized monitoring governance approaches. For the client, this means less internal effort, and less trial and error, false alarms and other distractions.

Maintenance

The Service

The next step in the tiering strategy is maintenance. In addition to the monitoring service outlined above, this tier can include the following types of maintenance efforts:

- Operating system patch management, including installing service packs and feature releases
- Firmware updates
- Backup management, including setting up, monitoring and testing an online backup service

The Value

Maintenance represents a nice second step in a client engagement for a couple key reasons. First, this maintenance service helps offload menial administrative tasks from internal staff. Second, the internal IT team still does management of their environment. As a result, this service isn't intrusive or threatening. Rather than displacing any client jobs, these maintenance efforts will largely be

seen as augmenting existing staff and helping them be more successful.

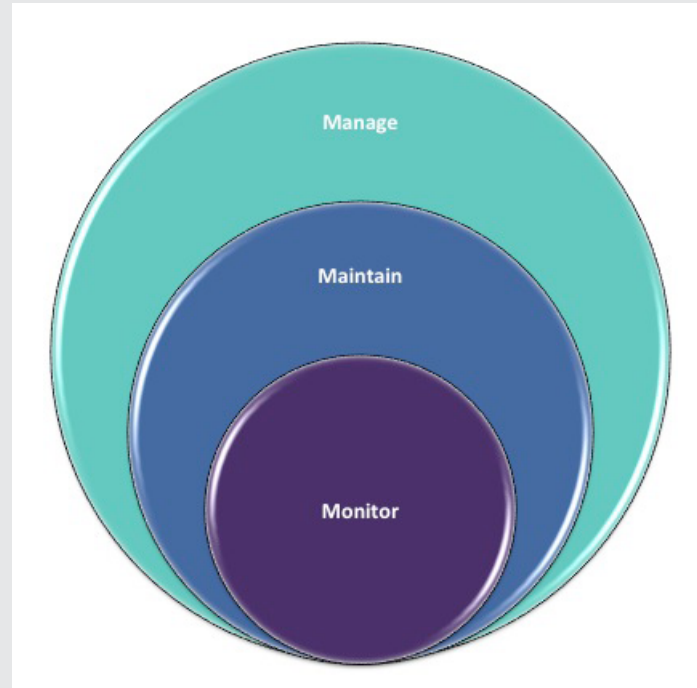
The service provider can deliver valuable services to the client, without having to come in and rethink or change the customer's existing IT strategy. The service provider can help execute the existing strategy, and ultimately help the client's IT team better deliver on its existing commitments to the business.

Management

The Service

Built on top of monitoring and maintenance, management services include incident management and remediation. The service provider's administrators act as the first and maybe even the second line of support when issues arise. Depending on the specifics of

Compared to common tiering approaches employed by many service providers, this tiering strategy promises a host of benefits, including providing a low barrier to entry for customers, and a clear path to growth for service providers.



the arrangement, the internal IT team would handle second or third line support responsibilities. This more complete service is often referred to as IT outsourcing.

The Value

In delivering management services to clients, service providers can offer a range of benefits:

- First, by eliminating the distraction and effort associated with following up on alerts, these services free up internal staff to work on larger, more strategic projects.
- Second, by offloading these management responsibilities, IT can have more staff focus on application development and administration, which represents an increasingly strategic effort for virtually any organization.

- Finally, this service enables clients to reallocate or reduce the number of low-level systems administrators, who are often underutilized, particularly inside small and medium organizations.

The Advantages

By employing this tiering strategy, your organization can realize a range of benefits:

- **Reduce the barrier to entry in new accounts.** By starting with monitoring, your organization can deliver significant value. With the right monitoring platform and governance, however, you'll also be able to get into new accounts by offering aggressive pricing, while still preserving the margins required. Further, monitoring represents an unobtrusive way to get started, while setting a foundation upon which to build more profitable, more strategic services.
- **Create seamless, easy buying path for customers.** As opposed to getting customers to commit to a larger bundle of services up-front, this strategy enables you to start with a specific service and then make it easy for customers to add additional services when needed. Through this approach, customers can gain significant benefits quickly and over the long term.

- **Set the stage for business growth.** By starting small and in a standardized fashion, you boost your chances of early success in a new account. This early success is vital in enabling your organization to establish the trust that is key to building a more strategic partnership, so you can ultimately provide higher value, higher margin services. Further, this strategy gives your organization a clear path for expansion within your accounts. Once engaged in the account, your staff will be in a much better position to understand client operations, identify opportunities for optimization and capitalize on up-sell opportunities.

Conclusion

Are your current service tiers working for or against your business? By adopting the tiering strategy outlined above, your organization may be able to leverage an approach that fuels greater success for your business and your customers. Through this approach, you can start small, deliver value quickly and provide customers with a clear upgrade path—and a clear path for your business' growth.

About This Document: Developed by the CA Service Provider Center of Excellence

This document has been written by the CA Service Provider Center of Excellence team and is intended to provide our service provider partners with the guidance they need to address some of their most pressing challenges. Our team has rich expertise in service provider businesses, strategic consulting, technical deployments, sales and marketing. Our documents are informed by the Center of Excellence team's extensive experience over the past ten years in helping build successful service provider businesses and by interviews with some of our most successful service provider partners. This document is provided for informational purposes only and on an as-is basis. The guidance and results described herein are based on the unique experiences of our staff and partners, and may not be applicable to all organizations.

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