



Customer Centered Market Discovery – Service Contracts

Middlesex Consulting developed its Customer Centered Market Discovery (C²MD) methodology long before GE Chairman and CEO H. Lawrence Culp Jr. included this quote in his February 27, 2019 Shareholder letter:

“We need to shift our lens back to the customer and work backward to improve what matters to them. If we can do this successfully, our own growth and performance will follow.”



We used C²MD to answer such questions as:

- ▲ How can I increase my service contract revenue and profit?
- ▲ Why are customers not buying my new service offering?
- ▲ Where should my plan to move service from a cost to a profit center start?
- ▲ Where should I set our Time and Materials hourly rate?
- ▲ Which new tests should we add to our desktop blood analyzer?
- ▲ How can I increase sales to University Core Facilities?

Here, we focus on projects designed to answer the first question - How can I increase my service contract revenue and profit?

Our C²MD Methodology consists of three steps and usually takes less than 3 months from project start to beginning of revenue growth:

Step 1 – Define target audience and prepare to collect customer data.

- ▲ We jointly define the target audience and learn about your current contracts, customer feedback, and other areas you want to probe.

Step 2 – Typical customer segmentation

- ▲ We conduct telephone interviews with a number of your customers who fall into each category below:

Did not convert warranty to contract	Did not renew contract
Converted warranty to contract	Renewed contract

- ▲ We develop four survey instruments, consisting of a core set of questions and couple this with questions unique to each category.

Step 3 - Interviews, Analysis, and Recommendations

- ▲ We interview the agreed number of contacts, prepare a final report including analyses, customer comments and recommendations, and review the results with the service executive and team.

- ▲ We generate actionable insights with 12 telephone interviews. In most cases, this is the point where interviews stop identifying anything new.

Examples of results from recent projects looking at both the customer's importance of contract components and perceptions of their service delivery:

This chart, prepared for a **\$300+ million high tech company**, identifies the relative importance of each of the elements of their highest-level service contract and compares responses from contract and non-contract customers.



▲ For contract customers, the three most important contract elements are:

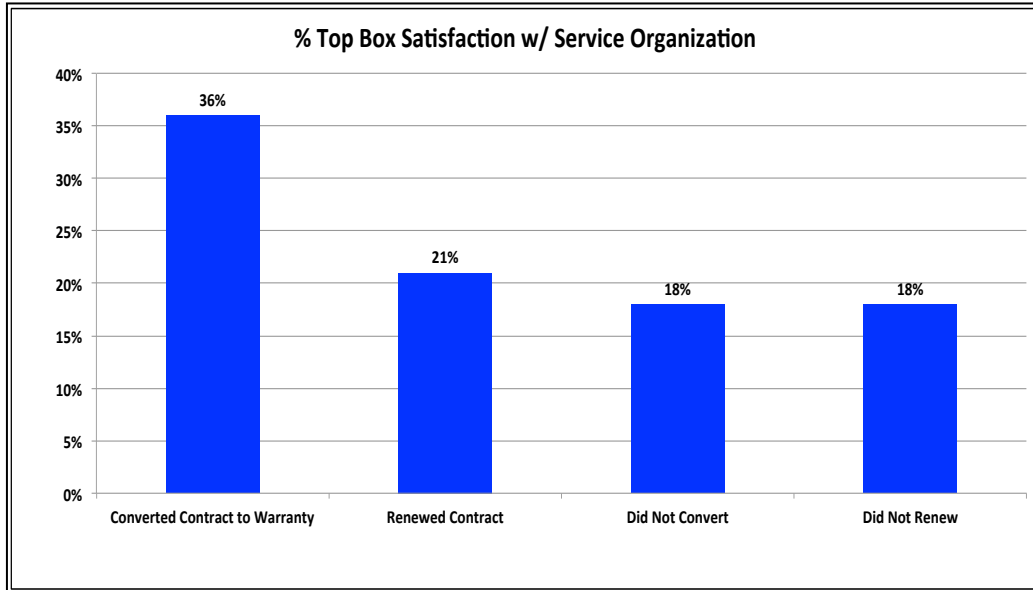
- Software updates
- Preventative maintenance inspections
- No extra charges – everything is included in the price

▲ For non-contract customers, the three most important contract elements are:

- No extra charges – everything is included in the price
- Software updates
- On-site visits



When probing satisfaction with the service organization, we clearly see the relationship between “top box” (the highest choice) and contract status.



We published an article in American Laboratory News titled, [Why Companies Sell Contracts and Why People Buy Them](#). The article categorizes the reasons for purchasing contracts into four major categories, which we evaluated for this **\$50 million/year medical device manufacturer**.





NEXT STEP

Please contact us to discuss how we can help you understand you customer's the contract purchase decision process and how to use this information to improve your contract sales and profits, while growing customer satisfaction.

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