

The Maintenance Pricing Shell Game

By Gerard Frey

Are you ready to play?

1. Your company charges 20% of net for maintenance, and your competition charges 18% of list. Which is more expensive?
2. Your maintenance plan includes support and upgrades, but a competitor charges half the price but doesn't include upgrades. Which is better for your customer?
3. Your competition pitches a lower cost bare-bones maintenance plan, but you think it also provides a lower level of service than your standard maintenance plan. How do you compete with that?

If you answered "Who knows?", you're not alone.

Maintenance pricing has become one of the most confusing parts of the sales process. Many of our technology clients are telling us that more and more time is being spent on maintenance pricing negotiations during the sales cycle. Between the games customers play and general confusion over revenue recognition rules, it can have even the most experienced sales person chasing his or her tail.

Change the game

If you want to avoid issues with maintenance pricing during the initial sales and subsequent renewal cycles, do your homework and be able to compare your own company to whatever competition you are facing on at least these points:

- ✓ HOW maintenance is calculated
- ✓ WHAT services are included in that cost, and
- ✓ WHY your value for maintenance story sets you apart from your competition.

It basically boils down to these 5 questions:

- Is maintenance price based on list or net?
- Is it even based on software license at all?
- How are annual escalations calculated?
- What is the definition of license price?
- Are you comparing apples to apples?

But our competition is only charging 14%!

Recently a client told us that their main competitor was disrupting deals by offering maintenance at what seemed to be a ridiculously low 14%, but after investigation, they determined that the vendor's offering did NOT INCLUDE UPGRADES! In fact, once upgrades were added in, it cost their customers MORE! Our client further discovered that, because they had faced this competitor many times in the recent past, they had literally GIVEN AWAY percentage points on maintenance and were sickened at the overall value of the ongoing annuity they had left on the table. Don't let the same thing happen to you.

NONE of our vendors charges us that much for maintenance!

Ever heard this before from your favorite purchasing agent? Our experience is that they are JUST NEGOTIATING. Most of the time it is simply a strong-arm tactic—just a ploy. Don't fall for it!! Remember that maintenance has no value to them—they don't care, and their job is to try anything to get maintenance lowered. You'd be surprised how many vendors will roll over and give price or service concessions. Don't be one of them. Get to the people who benefit from and see the value in your maintenance agreement – users, IT, executives.

Win the game every time

Go back to your sales roots – sell the value. Once you know how your offerings and pricing compare to the industry, make the most out of that information—know YOUR OWN VALUE STORY. Know your strengths and differentiators. Help your prospect/customer understand how your total solution delivers the best value for their situation. That will enable you to keep the discussion on value and away from price.