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A Publication from INPUT's Customer Services Programme—Europe

## Customer Services Product Segmentation

The increasingly dominant role of services within the IT industry has been dramatically underlined by UNISYS's announcement this month to separate its product and IT services businesses.

This is a move clearly designed to increase focus on the provision of total services like *systems integration* and *outsourcing*. UNISYS have yet to articulate how they plan to provide product support services with this new structure.

However, it is the increasing emphasis in the industry on *total* service provision that obscures the fundamental issue for product vendors, designing profitable customer services support models.

This task is becoming increasingly complex as IT markets continue to fragment and distribution channels become more complex. Product vendors are needing to utilise market segmentation and targeting techniques to tackle their customer services product support requirements.

This bulletin briefly reviews a market segmentation and targeting model and includes details of two recent examples of this approach,

SUN Microsystems' SunSpectrum™ service programmes and Tandem's software product support offering for its newly introduced HIMALAYA systems range.

### Market Segmentation Model

The first step in identifying target markets is classifying the market into meaningful groups of potential customers. Within each group, customers must demonstrate broadly similar needs or demonstrate similar buying characteristics.

In order for these market segments to be useful for market targeting, they must be, at least to some extent, measurable, accessible, substantial and actionable. When this is the case this market segmentation process directs management's attention to the most useful and realistic opportunities because it has the data to evaluate them.

Exhibit 1 shows a general service product support segmentation model. This model clearly focuses on service delivery polarisation between comprehensive total system (high integration) support needs and those of specific product support.

Exhibit 1

**Service Product Demand Matrix**

High	Niche	Total Service Contract
	Pick and Mix	Shrink-Wrapped
Low	Low	High

**Level of Customisation**

**Level of Integration**

Source: INPUT

The examples of support services from SUN and Tandem described in this bulletin primarily address the product support issue, whilst comprehensive system support needs were discussed in a recent bulletin on Problems Management (Vol. IV No. 13).

The issue being faced by product vendors is that of ensuring ultimate end-user support but in a way that is profitable to the firm. Microsoft's recent statements on Windows NT support, effectively abdicating from its provision and opening the field to independents in the distribution channels, underlines the difficulty of supporting mass market products profitably through complex channels.

To increase service profitability vendors are having to simplify their delivery mechanisms and this means *productisation* based on the identification of market segments. The range of service *products* allows product vendors to target a number of service need levels.

Ultimately the customer who needs a total problems management service will need to contract with a provider who can combine a number of service products to provide a customised service, for example Tandem's Custom Availability Support described below.

**SUNSPECTRUM<sup>SM</sup>**

SUN Microsystems introduced a range of product support services in May 1993 designed to simplify (and therefore make more profitable) the delivery of services across a wide range of customer needs. (See INPUT's Research Bulletin Vol. IV No. 7).

SUNSPECTRUM<sup>SM</sup> demonstrates one market segmentation targeting approach to address the issue of increasing complexity in the delivery of product support through diverse channels.

As shown in Exhibit 2, there are four levels of service ranging from Bronze<sup>SM</sup> the entry level, to Platinum<sup>SM</sup> the premiere level of support designed for enterprise wide maximum availability environments.

Exhibit 2

SunSpectrum<sup>SM</sup> Programme Comparison

Services	Platinum	Gold	Silver	Bronze
Unlimited phone support	7 x 24	7 x 24	7am-7pm M-F	9am-5pm M-F
On-site response	7 x 24	7am-7pm M-F	9am-5pm M-F	OSSC once/wk
Customer defined priority	yes	yes	yes	no
P1 - urgent (phone/on-site)	live xfer/2hr	live xfer/4hr	live xfer/4hr	4hr/not avail.
P2 - seriously impaired	2hr/4hr	2hr/1 bus day	2hr/1 bus day	4hr/not avail.
P3 - not-critical	4hr/planned	4hr/planned	4hr/planned	4hr/not avail.
Systems approach coverage	yes	yes	yes	yes
Remote dial-in analysis	yes	yes	yes	yes
Replacement hardware parts	onsite	onsite	onsite	OSSC once/wk
Solaris enhancement releases	yes	yes	yes	yes
Patches & maintenance releases	yes	yes	yes	yes
SunSolve licence	yes	yes	yes	yes
7 x 24 telephone coverage	yes	yes	option	no
7 x 24 on-site coverage	yes	option	option	no
2 hour on-site response	yes	option	option	no
Self-paced education library	SunTutor/Video	SunTutor/Video	option	no
Personal account support	yes	yes	option	no
On-site support reviews	quarterly	semi-annual	option	no
Technical support plan	yes	no	no	no
99% uptime guarantee	yes	option	no	no
Site activity log	yes	yes	no	no
Coaching & training service	15 days/year	no	no	no
On-site support-full time	option	no	no	no
Additional telephone contacts	option	option	option	option
Unbundled software enhancements	option	option	option	option

Source: SUN Microsystems

## Himalaya Software Support

TANDEM recently announced (July 1993) the Himalaya Range of parallel - processing architecture server systems. A stratified range of service product offerings was announced by Tandem for supporting the software products on this system. An important reason for this stratification is the wide range of customer needs anticipated for a system offering scalability over a wide performance range. (Its packaged configurations range from 2 to 16 processors).

Exhibit 3 defines the service components for five different levels of support, one of which is a basic warranty service.

The other four are described as:

- Self Support for customers who elect to provide their own software support, but would like the added security of electronic access to Tandem's database for problem verification and documentation.
- Multiple Systems Support for customers with more than one system. This service product provides the electronic support features of Support Centre Assistance described at the next level.
- Support Centre Assistance for customers who require platform availability support, enhanced electronic support features and fast problem resolution from Tandem's global network of NonStop Support Centres.
- Custom Availability Support provides customers with Tandem's most comprehensive level of support. Custom Availability Support has to be provided by a Tandem partner in order to provide proactive 24 x 7 support that guarantees application availability.

Exhibit 3

## Himalaya Software Support Offerings

Programme Feature	Warranty	Self Support	Support Centre Assistance	Multiple Systems Support	Custom Availability Support
Problem Support	Defect	Defect	Defect/Usage	Defect/Usage	Defect/Usage
Resolved Problem Database	Yes	Yes	Yes	Yes	Yes
IPM Research and Retrieval	Yes	Yes	Yes	Yes	Yes
Access to Problem Support	E-mail or Fax, TNSC	E-Mail or Fax, TNSC	Phone, TNSC	Via Primary System Focal Point	Phone, TNSC
Coverage	9x5	9x5	9x5	Via Primary System Focal Point	24x7
Response	8 hour	4 hour	Immediate	Via Primary System Focal Point	Immediate
Releases	No	Yes	Yes	Yes	Yes
Documentation	No	Yes	Yes	Yes	Yes
Proactive IPM Notification and IPM Emergency Recall	No	No	Yes (Available 2nd Half 1994)	Yes (Available 2nd Half 1994)	Yes (Available 2nd Half 1994)
Availability Support	Platform	Platform	Platform	Platform	Computing Environment
Availability Review	No	No	No	No	Yes
Availability Maintenance Process	No	No	No	No	Yes
Availability Guarantee	No	No	No	No	Yes
Critical Problem Response Telephone	2 Hour, 9x5 E-mail or Fax	2 Hour, 9x5, E-mail or Fax	Immediate, 24x7, Telephone	Interface Via Primary System	Immediate, 24x7, Telephone

\* Coverage and response may vary based on individual country

Source:Tandem

This Research Bulletin is issued as part of INPUT's Customer Services Programme for the information services industry. If you have any questions or comments on this bulletin, please call your local INPUT organisation or Peter Lines at INPUT, 17 Hill Street, Mayfair, London W1X 7FB England. (071) 493 9335, Fax (071) 629 0179

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