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ServiceSource Study Reveals Technology Companies Neglecting Billions in Potential Revenue

Key Findings Indicate Poor Customer Data and Sales Processes Undercut Profitable Software, Hardware and SaaS Renewals

SAN FRANCISCO--(BUSINESS WIRE)-- ServiceSource® (NASDAQ: SREV), the global leader in recurring revenue management, today announced key findings from its first annual *Global Recurring Revenue Index*. Based on analysis of \$25B in recurring revenue under management globally since 2008, the study found that technology companies consistently underestimate the true recurring revenue opportunity for service, maintenance and other subscription-based offerings. The study features renewal statistics for several key industries and reveals that companies can boost true renewal rates an average of 18 percent by proactively managing data, analytics and selling processes of their direct and channel teams.

Today, recurring revenue from software and hardware maintenance and support and SaaS subscriptions account for between 30 to 40 percent of a company's revenues and up to 50 percent of profits. In fact, many companies are now generating more revenue from their existing customers than from new business. According to The Technology Services Industry Association (TSIA), recurring revenue is growing at 8 percent per year while new revenue is growing at 6 percent. Failing to capture this vital annuity stream can mean the difference between hitting or missing quarterly revenue targets. Key findings in the study include:

- **Best Practices Drive Increased Renewal Rates:** On average, companies that employed best practices and tools with renewal-ready data significantly increased renewals rates from 75 to 89 percent. For Global 1000 technology companies, this 14 percent delta collectively represents billions of dollars in lost revenue.
- **Hardware Support Requires Reliable Data:** Hardware renewal is the most challenging business since equipment is always removed from production environments, retired or relocated. As hardware becomes difficult to track over time, typical renewal rates remained stagnant at 75 percent. By applying stringent asset management practices, hardware renewal rates improved by over 22 percent.
- **Higher Customer Touch Equates to Improved Cross- and Up-sell:** For software and SaaS companies, engaging customers on a consistent basis improves cross-sell and up-sell, while bolstering overall renewal rates. Armed with accurate customer data and usage patterns, SaaS companies minimized churn and increased close rates by 8 percent while software companies boosted recurring revenue by 26 percent overall.
- **Channel Insight:** Some companies rely upon the channel for up to 80 to 90 percent of their renewals business. Unfortunately, as companies become disconnected and abstracted from the day-to-day channel sales operations, their ability to effectively manage and close renewals business diminishes an average of 12 percentage points lower than direct sales. With proper insight into channel operations, companies in North America increased their renewal rates by 20 percent across all market segments.
- **Laser Focus:** Healthcare and life sciences organizations face slow growth due to hospital spending constraints and strong competition from third-party maintenance providers; however, they grew average renewal rates 9 percent by leveraging focused renewal sales teams and clean account data.

"Companies typically take their renewals business for granted," said Christine Heckart, Executive Vice President of Marketing, Strategy, People, and Systems at ServiceSource. "The findings from our study underscore that technology companies significantly underestimate the true performance of their renewals business and must apply the same rigor to keeping existing customers as they would to winning new business."

"The ServiceSource Recurring Revenue Index validates the old adage that it costs five-to-ten times more to acquire a new customer than it does to keep an existing customer," said Gwynn M. Rydelek, Director of Sales Operations of Pitney Bowes Software. "With the customer-centric approach and proactive efforts of ServiceSource, Pitney Bowes Software has been able to attain high renewal rates while establishing deeper customer relationships."

"Renewals are the engine of today's subscription economy," said Jane Vaillancourt, VP of Global Sales Operations of NetApp Inc. "The ServiceSource Recurring Revenue Index underscores the need for every company to take a second look at their

recurring revenue business to ensure their sales operations, channel and customer-data processes are firing on all cylinders."

To help companies understand the challenges and opportunities associated with managing their recurring revenue business, ServiceSource has published an eBook entitled *"Recurring Revenue: Five Secrets to Fly High and Fuel Growth."* This informative book includes the findings from the global study, and provides practical advice for companies to better understand their current recurring revenue environment and employ best practices for managing ongoing sales and channel operations. To download the eBook, go to www.ServiceSource.com/5Secrets.

About ServiceSource

ServiceSource International, Inc. (NASDAQ: SREV) is the global leader in recurring revenue management. Renew OnDemand™, the only cloud application built specifically to grow recurring revenue, automates a highly valuable but typically manual business process. By leveraging big data to give companies a complete view of their customers, Renew OnDemand and our proven services drive higher subscription, maintenance, and support revenue, improved customer retention, and increased business predictability.

With over a decade of experience focused exclusively on growing recurring revenue, ServiceSource's products and services are based on proven best practices and global benchmarks. Headquartered in San Francisco, ServiceSource® manages over \$9 billion in recurring revenue for the world's largest and most respected technology companies. ServiceSource renews a customer contract every 47 seconds through engagements in more than 150 countries and 40 languages. For more information, please go to www.servicesource.com.

Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding the benefits of ServiceSource offerings, our managed services and our Renew OnDemand cloud platform and application. These forward-looking statements are based on our current assumptions and beliefs, and involve risks and uncertainties that could cause our results to differ materially from those expressed or implied in our forward-looking statements. Those risks and uncertainties include, without limitation, fluctuations in our quarterly results of operations; the risk of material defects or errors in our software offerings or their failure to meet customer expectations; migrating customers to Renew OnDemand and the ability to integrate Renew OnDemand with other third-party applications used by our customers; errors in estimates as to the renewal rate improvements and/or service revenue we can generate for our customers; our ability to grow the market for service revenue management; our ability to protect our intellectual property rights; the risk of claims that our offerings infringe the intellectual property rights of others; changes in market conditions that impact our ability to sell the Renew OnDemand solution and/or generate service revenue on our customers' behalf; the possibility that our estimates of service revenue opportunity under management and other metrics may prove inaccurate; demand for our offering that falls short of expectations; our ability to keep customer data and other confidential information secure; our ability to adapt our solution to changes in the market or new competition; general political, economic and market conditions and events; and other risks and uncertainties described more fully in our periodic reports and registration statements filed with the Securities and Exchange Commission, which can be obtained online at the Commission's website at <http://www.sec.gov>. All forward-looking statements in this press release are based on information currently available to us, and we assume no obligation to update these forward-looking statements.

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