

Connecting Your Embedded PS Business to Your Strategy

Turning the Primary Revenue gears to drive growth
and value



Driving Success in Your Embedded PS Business

Many corporations have added Professional Services (PS) to their businesses to drive greater customer intimacy and differentiation. But, how do ensure you're maximizing the benefits? If you're looking to unlock greater opportunity provided by your PS business, consider the following questions:

What is the role of PS in your overall strategy?

Are you applying PS correctly to fulfill that role?

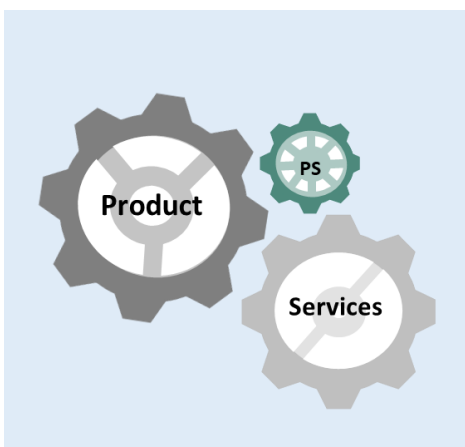
Are you deploying PS in the right places?

Is your PS business running according to best practices?

Is PS properly interfacing with your commercial organization?

For most product-based companies, PS cannot drive significant enough revenue on its own to greatly impact growth or valuation. The primary function of the embedded PS wheel is to enable the big revenue wheel (i.e., core products and services) to improve outcomes for both the client and your broader organization. PS serves as an

engine for growth, driving forward other, larger levers of revenue. PS can impact the business through intimacy and differentiation, so it's important that you manage the PS business to the outcomes that move your strategy forward.



The PS gear, while smaller financially on its own, turns the other, larger gears on its own.

What is the role of PS in your overall strategy?

Through proper enablement, PS can be one of the most impactful functions to drive revenue for the whole business. So, how does it fit into your strategy?

What are you trying to accomplish, and how can PS help you drive those outcomes?

There are three key ways that PS drives the bigger revenue wheel:

- 1) Providing differentiation
- 2) Creating intimacy with your customers
- 3) Pulling through your products and services

1. Providing Differentiation

PS has the ability to set you apart from your competition, allowing you to win in your market and overcome the inevitable commoditization of your products and services. PS will serve as the tip of the spear, helping you enter new accounts, as well as the connective tis-

sue between your products, helping you provide enhanced value to accounts. There are many forms of differentiation that PS can support you in achieving including:

- Differentiation of the firm-to-firm relationship
- Differentiation of a product's place in the market
- Differentiation of an account relationship
- Differentiation by solving key problems

2. Creating Intimacy

The strongest relationships are built by driving significant value for the customer. By working with executives to solve their most challenging problems, you can elevate yourself from a vendor to an advisor. Furthermore, you can maintain relevance in between large purchases.

The Impact of a Trusted Advisor: Customer Intimacy in Action

For example, imagine you are a Strategic Account Executive for a large manufacturer. You and your company are attending the Masters Golf Tournament and run into the CEO of one of your strategic accounts. You are eager about the unexpected opportunity to interact with an important buyer.

Now, imagine the CEO is also excited, but his excitement stems from the opportunity to introduce one of the company's **largest vendors**, you and your company, to **an advisor**, his business consultant, that he invited to the tournament. Even though you are one of the biggest vendors (and expenses) of this account, he decided to invite his advisor as his guest.

What does this tell you about your relationship with this individual and this account?

This is indicative of the fact that your company has not built intimacy with that customer, you are not viewed as an advisor, and your relationship is purely transactional. The CEO sees your company only as a vendor. He relies on his business consultant as his trusted advisor. As vendors are more replaceable than advisors, this puts you in a dangerous position, where the CEO could easily pursue work with your competitor and suffer a low or minor switching cost.

Adversely, the advisor is in a strong position. He is the trusted expert who is capable of helping the client realize opportunities and overcome changes to win. It is highly unlikely that the CEO would ever replace this advisor.

What is the role of PS in your overall strategy? (cont.)

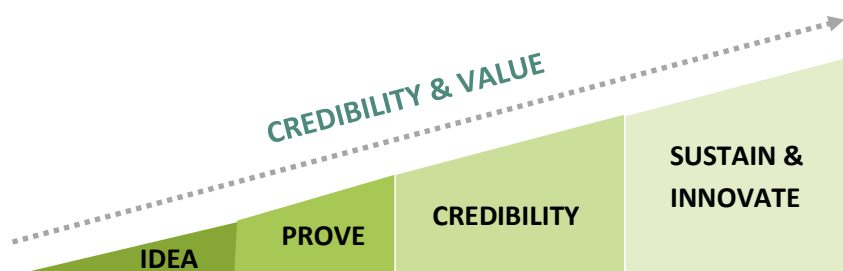
3. Pulling through Products

All products and services fall somewhere on the commoditization curve, whereby, they eventually become materially or practically indistinguishable from the competition's offerings. Unfortunately, the longer your products have been in the market, the more time your competitors have to catch up. Increased competition erodes your company's ability to charge a premium. **PS will enable your company to combat commoditization and generate pull through opportunities by:**

1. Repositioning the product – The product merges into a larger transaction involving PS that more holistically addresses a challenge or opportunity. This focuses the client on the outcomes that you are driving, rather than the product.

2. Acquiring a halo effect – Now that you have created intimacy and provided impactful solutions, you will gain a halo effect. This positions you as the provider of choice for some of your more commoditized products.

3. Facilitates the purchase process—PS allows you to disaggregate the buying journey, therefore de-risking the purchase for the client. This phased transaction helps you move away from transactional deals and instead embed your core products in transformational journeys.



Even the most innovative products commoditize...

The MRI in healthcare was a major innovation when it was introduced. It was quickly adopted by the market. Unfortunately, as the third, fourth, and fifth generation MRI was released, the product became increasingly commoditized. What was once viewed as a groundbreaking development is now commonplace in the industry. MRI manufacturers have lost their ability to charge a price premium due to the product's ubiquity.

The Purchase Process

Throughout the life of a typical PS project, you are able to bring your client on a journey to realize an opportunity. You introduce an Idea, prove the Idea, demonstrate credibility by driving outcomes, and continuously sustain and innovate by bringing new solutions and opportunities to the table. As the project progresses (in size and scope), you can provide greater value and establish credibility in the clients' eyes.

Are you applying PS correctly to fulfill that role?

Once you **define the objectives** of your PS business, you can **apply PS** to achieve objectives that fulfill **its role in your strategy**;

You will consider how does or should PS affect my broader company. PS can serve a multitude of purposes, including but not limited to:

Driving selling cycles that **generate demand** rather than reacting to buying cycles

Guiding clients with impactful ideas rather than rehashing the same overworked issues

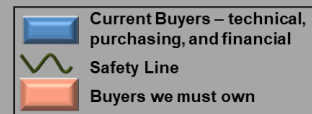
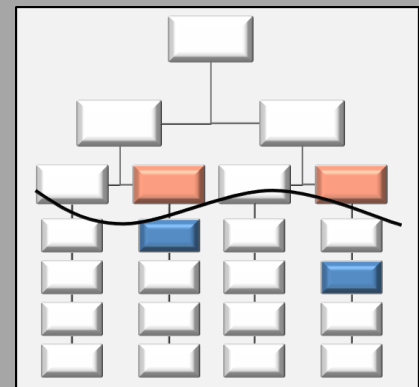
Moving above the **Line of Safety*** and defining the company as a Trusted Advisor to the client

De-risking the purchase process rather than asking for unearned trust

Engaging through a **“Land and Expand Lifecycle”** that facilitates pull-through and builds intimacy in key accounts

*Line of Safety:

The “Line of Safety” separates those senior executives that set budgets and direction for the client from those that manage to budgets they are given.



The benefits described above can be accomplished through more specific strategic approaches. To be more targeted with your PS business, you should determine exactly what types of outcomes you are aiming to achieve. Below are a few examples of how you can leverage the intimacy created through your PS business to support distinct strategic objectives such as:

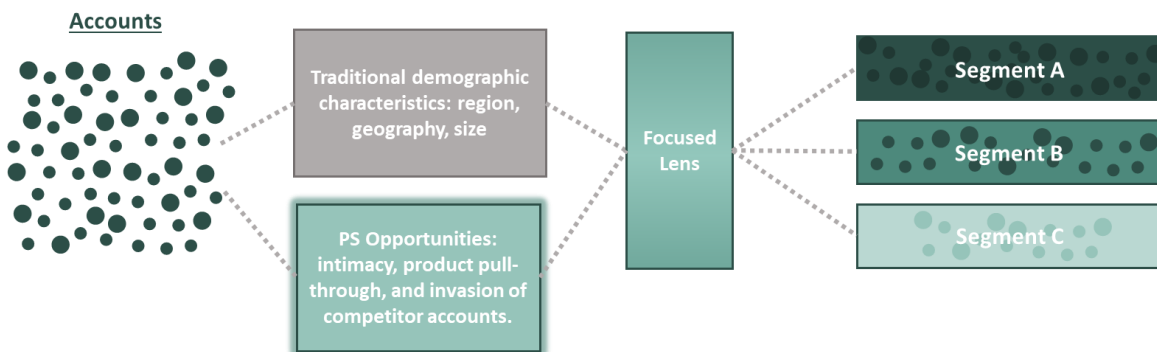
- **Entering new accounts:** Introduce provocative and powerful ideas that can engage new executives to open doors. Reframe products into topics and ideas that matter.
- **Protecting your share of wallet at current accounts:** Overcome the typical challenges of day-to-day interactions. By creating additional value in your clients’ businesses, they will be willing to work with you through inevitable missteps. You will be a Trusted Advisor, and therefore will be difficult to replace.
- **Growing share of wallet at current accounts:** Listen for your customers’ challenges and devise new solutions. When actively involved in the account, you will hear about issues and can proactively bring new Ideas to the table.
- **Pulling through specific products and services:** Consider specific products/ services you want to pull through and reframe them into topical outcomes. You will be able to construct purchase journeys that take accounts down a deliberate path and create a halo effect.
- **Maintaining relevance between purchase or renewal cycles:** Bring new Ideas and value above and beyond the long-term contract to ensure you are top-of-mind for executives upon renewal time.

Are you deploying PS in the right places?

Traditional Segmentation



Segmentation with New PS Opportunities



PS provides access to new opportunities. High-value segments might be divided into: those you have access to and new competitive landscapes. PS enables you to create new revenue streams and differentiate in existing accounts and leverage executive relationships to move more quickly and create demand in open segments.

Segmentation

In addition to defining the purpose of PS within the business, you should establish *where* PS will have the greatest impact in the market. This entails determining which segments PS can provide you the greatest impact. Therefore, PS will shift the traditional segmentation approach.

As you know, market segmentation leverages market-back information to determine which groups of like-minded accounts best fit your strategy. Customers are grouped and segments are prioritized based on similarities including demographic characteristics and external factors. In addition to traditional considerations, PS introduces new opportunities that impact segmentation including but not limited to: areas you can solve executive problems building the intimacy

halo, situations where you can pull-through more commoditized products or services, and areas where you can invade competitor accounts.

Once the market has been segmented, you can determine where PS will have the most impact. For example, large B2B customers may have completely different needs than your small B2B customers, while small customers might provide higher margins. You should understand how different segments align with your strategy.

Traditional segmentation plus the PS opportunity should positively impact your segment focus and guide your investment strategy to new areas of opportunity.

The PS Impact on Portfolio

Taking PS into account in your portfolio allows you to express your portfolio across an account lifecycle. PS should provide new account entry offers, offers that maintain customer intimacy across the life of an account, and offers that drive the account on buying journeys of products and services.

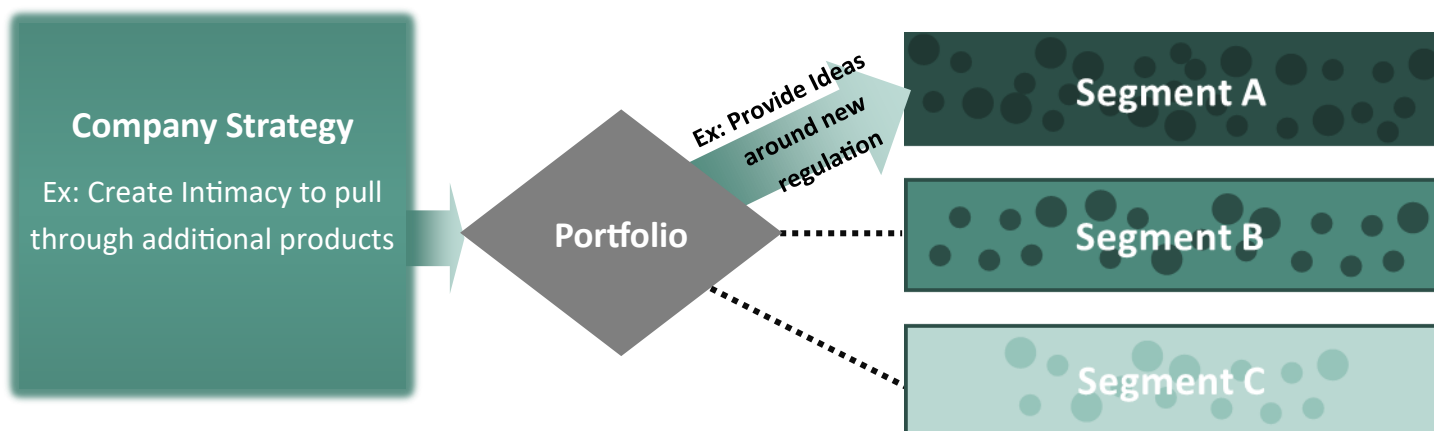
Constructing the Portfolio

Your portfolio links your strategy to your accounts, providing the how-to that drives outcomes. An effective portfolio provides both the specificity for what needs to be offered (and why) and the flexibility to adapt to emerging market opportunities. You want to construct your portfolio with key PS objectives in mind. The following three elements of a strong portfolio include:

Market-back view - Consider the unique problems and opportunities of each of your segments. It is crucial that your portfolio addresses these holistically, especially for the segments you have prioritized. For instance, as demonstrated below, new accounts for Segment A all face a new regulation. Providing a differentiated point of view on this challenge allows you to open new doors.

Capability-out view: Determine the kinds of offers, solutions, services, etc. that are already in place that could provide the basis to quickly demonstrate outcomes and begin to build critical mass around this topic. For example, when approaching Segment A, do you have a tracking product or process to facilitate customers in adhering to regulatory requirements? In addition to your current capabilities, understand the capabilities you must build, partner, or buy to deliver value to its segment.

White space: Understand how to disrupt the market and bring new ideas to the table. For example, how will this new regulation create untapped opportunity for Segment A?



Portfolio defines the intersection of Where to Play and How to Play. The portfolio links the organizational strategy to the segments and accounts to achieve specific objectives.

Is your PS business running according to best practices?

With your segments and portfolio established, the key to enhancing PS efficiency and effectiveness is by leveraging key operational best practices.

Once you've developed an understanding of your high priority segments and how to serve them, you can unlock the full benefits by implementing PS best practices. Embedded PS businesses are unique and therefore have unique challenges – Companies often fail to adjust their operating models to account for the nuances in PS operations.

Though you have the foundation for a great PS business, PS operations are counterintuitive to product operations, so best

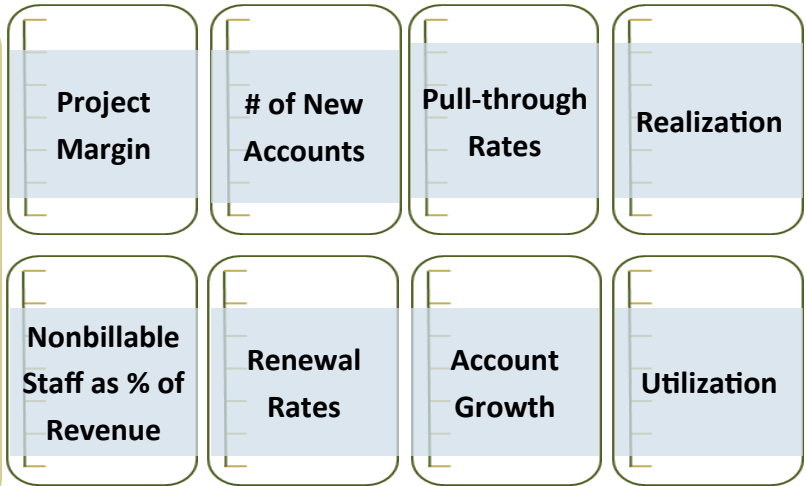
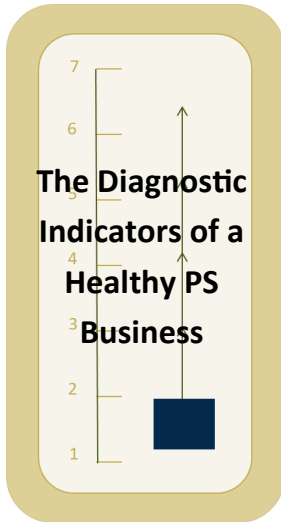
practices are critical. PS best practices will help you further your impact and increase your success.

This type of adjustment requires additional discipline and understanding. It is often helpful to have a partner to support with “how-to” insights, tools, and intellectual property. Furthermore, this partner can provide an outside presence to bring positive pressure to enable the business to move forward.

PS Requires a Different Approach

IBM was one of the first companies to scale PS into a large organization that could be leveraged to drive success in the rest of the business. They found that the operations of this PS organization were vastly different from the rest of their business operations. They responded by eventually creating separate support functions, specifically human resources. They leveraged best practices to revise their organizational structure and appropriately hire, enable, and manage key account, sales, and delivery talent to drive PS and greater organizational success.

Is your PS business running according to best practices?



By reviewing the diagnostic indicators for PS, you can determine how effectively your PS business is performing in a particular area or activity (as compared to best practices).

8 Pillars Framework

The 8 Pillars Framework identifies 8 key areas where you can implement best practices to address the PS diagnostic indicators. As you move forward in establishing best practices in these 8 key areas, you can pinpoint performance gaps and measure your progress.



Pillar	Sub-Pillars	Pillar	Sub-Pillars
Value Proposition	Competitive Landscape; Differentiation strategy, Hierarchy and Messaging	Financial Management	Governance; Financial Reporting; Business Planning; Operational Metrics
Brand/Legitimacy	Market Understanding; Brand Development; Legitimacy Approach	Organization and Talent	Direction and Culture; Structure and Roles, Decision Rights; Talent Acquisition, Performance Management and Development; Compensation & Retention
Client Intercept	Roles and Responsibilities; Field Marketing and Targeting; Sales Methodologies; Client	Practice Management	Commercializing Offers; Revenue Generation; Profitability; Intellectual Capital
Service Lines/Offerings	Service Line Positioning; Offering Impact Analysis; Service Chains; Life Cycle Management	Delivery	Resource Management; Project Management; Risk Management; Solution Methodologies

PS is a powerful enabler of the commercial organization, but it must be integrated and leveraged to fulfill its mission. The following discusses integration into sales and account management.

Sales Considerations:

The selling motion begins with presentation of an Idea – this allows the Idea to carry the burden, rather than the salesperson. If the Idea is worthwhile and meaningful, it should be evaluated jointly with the executive, which entails transitioning that Idea into the hands of the PS group to provide a more consultative approach. Once the executive is bought into the value of the Idea, you have the opportunity to explain in detail how the solution works and its outcomes. The discussion then becomes operational, focused on validating that this solution would work in the customer’s environment. This is a new selling motion and often proves to be difficult to shift into because it requires the sales team to think and act differently.

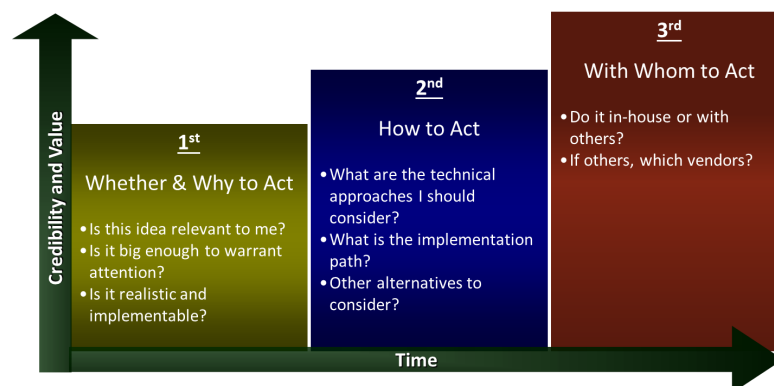
New accounts: In new accounts, PS can be the best door-opener. We have found that it is easier to sell an impactful Idea (rather than moving through the RFP process). When making purchase decisions, executives experience the “whether to act”, “how to act”, and “with whom to act” decision-making process (as displayed below). Typically, companies find they are intersecting their customers at the “with whom to act” decision (e.g., RFPs). With the right sales enablement, PS allows you to enter your customers’ mindset ear-

ly, intersecting at the “whether to act” decision.

- For example, the first conversation about a buyer’s journey on “whether to act” is most likely going to be conducted by a sales asset. That means the sales asset needs to know what to share, where to stop, and when to involve SMEs. Then, the salesperson moves from the role of the communicator to the role of the coach and the validator.

The role of the salesperson: The further you move into the sales process, the more dependent it becomes on the content and talent in the PS organization. This enables you to shift the role of the salesperson to orchestrating and working with the experts to take that buyer’s journey down the road.

Sales and marketing collateral: The collateral to enable sales should be a combination of a simple Idea description in terms that make it readily understandable, supported by a relatively more complex backbone. The Idea itself should be simple enough for your salesperson to draw it out on a whiteboard during a conversation with a customer. Separately, there should be white papers or more extensive documents explaining how the offer truly works (usually used as a leave behind).



Account Management Considerations:

Depending on the purpose of your PS offer, it most likely has a role in an account lifecycle or account plan. It is important to have the right people with the right account-level relationships to usher your customer through a pre-defined journey.

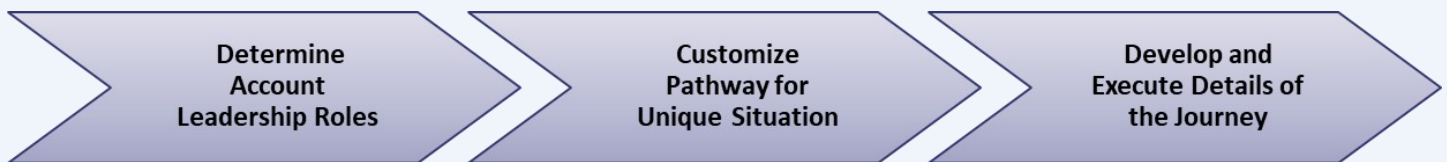
Role of an Account Manager: It is crucial to take the burden off of the commercial organization to be subject matter experts. Instead, the account manager’s role is to bring new, innovative Ideas and evaluate the applicability of the Idea with the customer.

Delivery: Once a project is sold, account managers can play roles that build their relevance and provide greater executive intimacy throughout that customer’s journey. This requires account managers to be comfortable in orchestrating people with more expertise on the topic, while maintaining their own bond with the customer.

Key Learning

It is common for product businesses to give away services for free. This practice **does not** help build intimacy, create differentiation, or pull through products. It devalues your PS offers in the eyes of your customers.

Account Lifecycle Management



Account lifecycles must be deliberate and align with your PS offer, account category, and segment.



IN SUMMARY

PS has the ability to unlock a tremendous amount of value for you and your customers. By ensuring that your PS business is applied correctly to meet your needs and enabled through best practices and proper integration, you will be able to maximize the value of your embedded PS business.

1. To achieve success, you must first understand the role of PS and how it supports your strategy. 2. Then, consider how to deploy PS—where can you make the greatest impact, and 3. What Ideas and offers will you bring to the table to drive account strategy? 4. Next, you will integrate best practices to ensure that your PS business is operating at maximum efficiency. 5. Finally, integrate your PS business into the company to ensure it is making the greatest impact in the commercial organization.

ABOUT

For more than 25 years, McMann & Ransford has helped some of the world's leading B2B companies overcome commoditization by realizing the value of customer intimacy as a sustainable business model.

The greatest risk facing business-to-business (B2B) companies today is commoditization of the very products and services that made the company successful.

McMann & Ransford provides B2B companies a means of thwarting the commoditization cycle through Renewable Differentiation, a proven mechanism for returning to growth and margin. We help our clients create True Intimacy™ with their customers and in their key markets.

This allows our clients to become members of their customer's management team, as a trusted advisor that leads the way in helping their customers address problems and take advantage of opportunities. Giving you access to greater share of their senior executive's attention, focus, and ultimately share of spend.

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