

Mapping Capabilities to Customer Value: An Innovative Use of ‘Voice of the Customer’

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How do you know if the capabilities that you can offer have any value? Instead of trying out offerings in the market, there is a much better way to do this...

This white paper focuses on the first element of INSIGHT's **Services / Solutions Business Model Architecture**: **"Services Capabilities: Business Unit / Practices Offerings and Solutions."** The ten design elements cover Go-To-Market Capabilities, Talent Management, and Business Management. Our experience has found that the existing culture is many times the largest barrier that the organization / leadership have in making the shift to this new model.

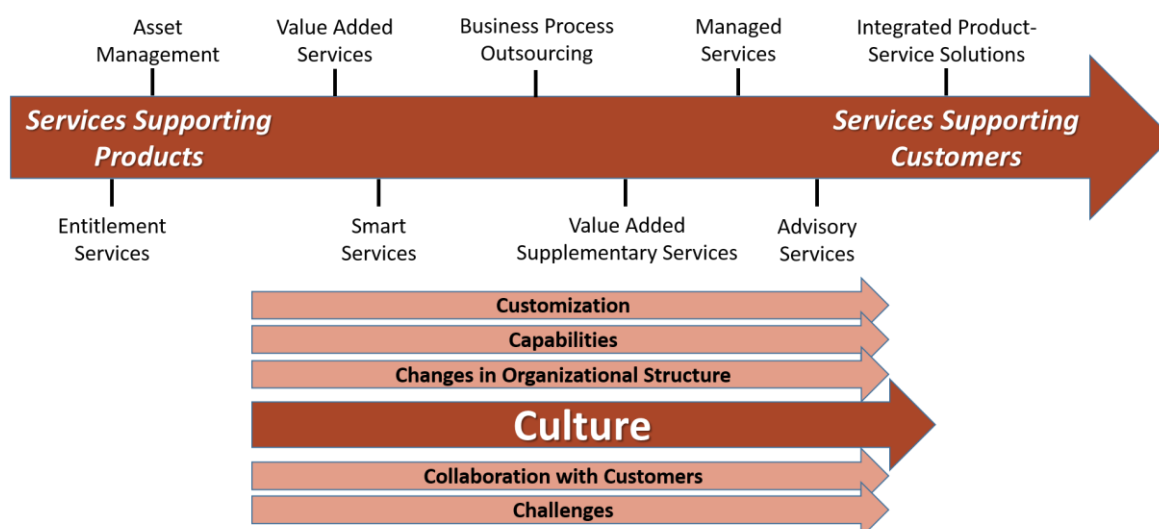
OVERVIEW

All services offerings are not alike and span a broad spectrum. Many act and look like products... Like most product entitlement services... Extended



Warranty is a good example. As services become more strategic to the Customer they become more Customer supportive as opposed to product supportive. The chart below graphically depicts the migration of service capabilities/offerings as they become more Customer supportive and list the attributes which are affected, Culture being dominant.

Key Success Factor -- Culture



CULTURAL CHANGES

Some of the key cultural changes that must be considered to move to a customer supportive offerings development model include:

- ✓ A customer satisfaction & profit focus versus a revenue focus
- ✓ A focus on customers (market of one) versus a market that is made up of customers
- ✓ Solutions that provide customer business value...solve specific customer problems...Helps them become more competitive
- ✓ A structured consultative selling (needs based) process

These cultural differences are particularly important to any product that is positioning itself to delivering integrated solutions and services. Customers are demanding solutions that solve their unique problems. In over 500 C-Level interviews performed by the Insight Group the Executives made it clear. Their 6 top responses to the question “What are you expecting from your solutions and services suppliers?”

Customers Services Feedback

500+ “C” Level
Interviews

Customer Constructive Suggestions / Observations

- “Need to stay focused on your core competencies and provide integrated offerings in your areas of expertise”
- “Want full integrated offerings... a solution approach is very important... communicated in terms of value (ROI) delivered.”
- “Need to be client-focused, not product- or offerings-focused.”
- “Should be our ally with business justification and proof of results when implementing your services and solutions.”
- “Need to supplement your products with the right services... need the right skills and capabilities...”
- Need to be more proactive in calling on top executives and communicate how your integrated offerings (business solutions) will provide ROI.”

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THE SERVICES OFFERINGS DEVELOPMENT PROCESS

So what is the Services Offerings Development Process? There are 7 key steps:

Services Offerings Development Process						
Identify & Develop <i>...a Services Business Concepts / Offerings & Investment case</i>	Assess and Validate Customer Opportunity <i>(Customer Wants & Needs vs. Market Opportunity)</i>	Develop 1st-of-a-Kind Services Engagements with Customers	Perform Multiple Prototype Customer Engagements <i>...on successful 1st-of-a-Kind offerings</i>	Document Mass-Customize Delivery Methodologies <i>...intellectual capital, & tools for scalable growth</i>	Develop an Operational Business Plan & Metrics	Continually Assess Customer Satisfaction & Implement Process Improvements

This article will focus on the first three steps, formulating the business concepts, validating with customers and developing a “First of a Kind” joint development opportunity.

It is critically important to understand that offering development should only be undertaken with specific paying customers through the First-of-a-Kind development process.

CONTRAST TO PRODUCT CULTURE

The initial business concepts/offerings are typically formulated from multiple sources of customer feedback (e.g. – internal interviews with your company executives, industry conferences, sales feedback, etc.). This input facilitates the identification process of potential offerings that address a customer’s unique needs and integrated solution requirements. Below are two examples of the output of a needs discussion and a business opportunity concept.

- ✓ XYZ has identified a need for offerings to provide Semiconductor companies with a complement of software and services that supports and optimizes engineering data analysis, yield management, engineering reliability and product quality applications that reduce design time, increase engineering productivity, provides an early warning system and improves chip yield
- ✓ The ABC Company has identified a requirement for some energy management solutions that reduce cost, improve energy efficiency, and improve operational & strategic decision making

Next, the assessment and validation of the potential customer opportunity is one of the most important steps in the whole process...obtaining meaningful customer feedback (Wants & Needs) on the value, need and purchase propensity for the identified business concepts/offerings in a targeted industry segment. The key to getting this actionable input is the:

Professional Services

- ✓ Development of a structured discussion guide that facilitates a 1 ½ - 2 hour discussion with a “C” level executive (decision makers) that can identify their needs for the proposed business concepts / offerings

The discussion guide is structured to probe and gather feedback in 7 areas from “C” level executives. It is a powerful document that generates considerable enthusiasm on the part of the executive. It includes questions that focus on the following:

- ✓ **Key challenges** – customer view of top business/ management problems/issues and key strategies/actions to address the issues
- ✓ **Key success metrics/measurements**
- ✓ **Buying intentions** – current or planned for fee and non-fee based services
- ✓ **Customer opportunity view** – for XYZ’s consulting and services solution offerings in this market space
- ✓ **Offerings** – Customer view (need, value and purchase propensity) for the proposed direction and offerings
- ✓ **Market positioning** – Customer suggestions and input on awareness creation and marketing approach
- ✓ **Co-development opportunities** – identification of willingness to co-develop “1st-of-a-kind” potential offerings

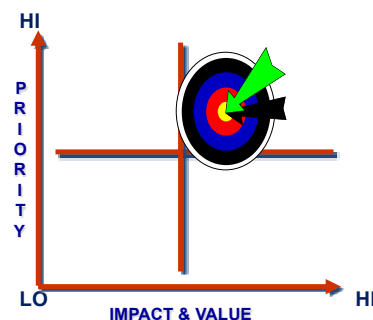
The next follow on discussion with the Customer will be targeted at their needs that are “High Priority” (Where they are investing) and high impact for their business. This will facilitate a discussion for a potential “1st-of-a-Kind” joint development opportunity.

| *The Value of this ‘Wants and Needs Process’ is astonishing*



Customer Needs Process – Value Realization

- Improved Win Ratio and Sales Productivity--Targeting to Need
- Increased Sales Revenue Through Opportunity Identification Building Backlog
- Portfolio Development Through Identified “1st-of-a-Kind” Opportunities
- Increased Customer Loyalty and Involvement
- Earlier Penetration of New Markets
- Portfolio Management / Prioritized Set of Offerings
- Thought Leadership Document



Building a “Go to Market” Plan Targeted at Customers View of Value and Where They Are Allocating Budget

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THE IMPACT OF CULTURE IN MAPPING CAPABILITIES TO CUSTOMER VALUE

Product companies use market research, focus group sessions, and customer product satisfaction feedback reviews to determine the features of their tool/product; yet this approach is not effective in services, where each customer is singularly concerned with solving his/her problem and each customer is unique. Using the Wants & Needs ‘Voice of the Customer’ approach allows you to understand both the market needs as well as individual customer needs--which is invaluable when developing services and solutions offerings that can be mass-customized to address each customer's unique needs. The cultural challenge for product companies is to approach each customer as a 'market of one' when assessing the customer's view of value so as to determine what offerings to develop and/or take to market. This is not only a best practice but also a critical success factor.



CONCLUSION

In summary the structured consultative selling (needs based) model is process driven and a “win/win” for the customer and your company by:

- ✓ Providing solutions for each customers unique needs, driving high customer satisfaction and loyalty
- ✓ Improving account relationships
- ✓ Increasing revenue performance and, most importantly... higher profitability

About The Authors



Michael Poehner has extensive experience in business strategy development, market coverage strategies, sales management/marketing, Partnering Programs and acquisition & mergers. He led 5 acquisitions as part of the DMR growth strategy, including DMR Canada, ICL consulting UK, and Trecom in the USA. Michael had a distinguished 35-year career in the Technology and Services Business. He has held President/CEO and Senior Executive positions in a number of major Information Technology and Services Companies. Contact Michael at mpoehner@insight-group.com.



Denny Sigloh is Insight's co-founder and has been instrumental in the development of the company's methodologies, including Customer “Wants & Needs Assessments”, Operational Business Plans, Customer Satisfaction Models & Channel Coverage Strategies. Prior Insight, Denny engaged in sales, marketing, product & general management roles at IBM, where he chaired the task force for North America to develop IBM's marketing strategy for the 90s with a specific focus on the development and implementation of services. Contact Denny at dsigloh@insight-group.com.

About The INSIGHT Group

The INSIGHT Group is a management consulting firm specializing in the development and implementation of profitable high-growth services business strategies and plans. INSIGHT is composed of highly skilled executives with demonstrated line management experience and success in Fortune 50 and major foundation environments. For further information check our web site at www.insight-group.com.