

RTM Consulting, LLC

TurboCharge Your Portfolio With Packaged Services

**A Fundamental Building Block for Resource and Quality
Management**

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The Case for Packaged Services

Create powerful differentiation for your company while making the job of resource management easier at the same time – sounds like something worth doing! For years, manufacturers have known that designing a product with the intent to build it in volume, paves the way to fatter margins, improved quality, lower costs, and more predictable resourcing. Welcome to the future of technology professional services.

To be fair, there are many technology companies that have adopted the new paradigm for selling and delivering productized (packaged) services successfully. These companies are clearly still in the minority. Many companies argue against packaging because 1) Every client is unique therefore their IT needs are unique and nothing in a package will solve a unique need, or 2) Packaging services will detract from product sales, or 3) Services are intangible and people intensive, therefore too much opportunity for delivery variability exists to achieve true packaging.

You can bet that Ray Kroc heard from some naysayers why his hair-brained idea about fast food would never meet the needs of the dinner crowd. They had been trained to get exactly what they wanted, the way they wanted it, with the quality only a real restaurant could provide. But economics and convenience won over the hungry public paving the way for a fast food industry that is enormous in size and still growing around the globe. Today McDonald's is very profitable with a great reputation for consistency and quality.

The rapidly growing Software as a Service model is a good example of a packaged service, and is fast becoming the "fast food" model of the technology industry. SaaS services are typically designed more as a one size fits all approach, packaging a capability as a service, and offering it in a convenient delivery model with compelling economics. In the SaaS model, companies choose economics and convenience over deep customization as a means to be more competitive. SaaS providers do typically allow or provide for customization, just as with McDonald's, you can get a special order to meet your particular wants or needs. As SaaS providers become more experienced with their client needs and volume delivery, they are determining how to expand functionality while maintaining the one size fits all approach to keep costs in check.

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The Benefits of Packaged Services for Your Portfolio

Companies that have learned, or are learning to package services, are realizing the benefits of this approach including:

- Generating more product pull-thru, and overall larger (revenue) deals
- Opening new doors with an expanded or more compelling value proposition
- Achieving improved predictability of resourcing needs (you know what it takes to deliver, therefore you can more accurately forecast demand) leading to higher utilization and lower costs
- Delivering better quality through consistency and repeatability (when the packaged services are delivered using a process oriented methodology)
- Higher margins

The Services Packaging Lifecycle

The best way to think about how to package services is to think like a product manager. The only difference is, with a product you have something you can touch and feel. With a packaged service, you have an intangible offering. Your challenge is to bring the service to life so that the prospective buyer can 'touch and feel' the offer.

The Role of the Services Manager

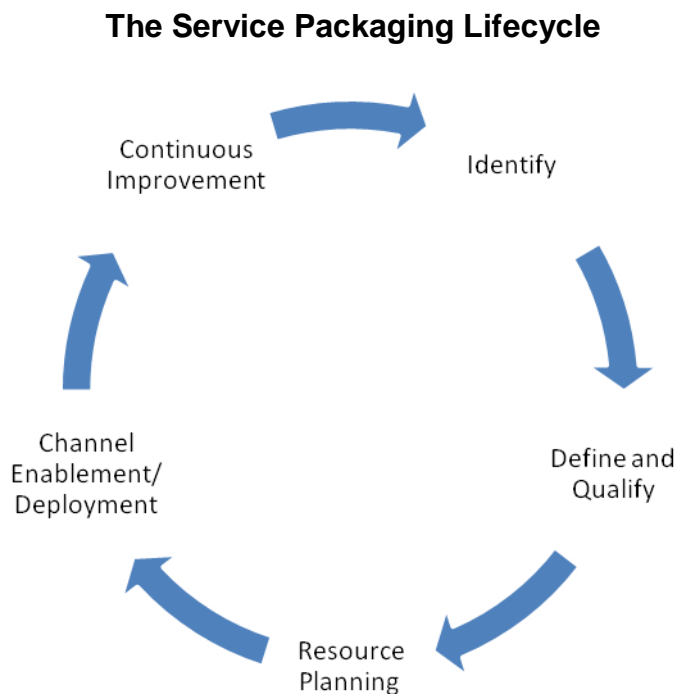
Similar to a product management function, the role of the services manager must be viewed as an investment in the development, continuous improvement, and go-to-market needs of your services portfolio. That means services management (or sometimes called services engineering/marketing) will require appropriate and sustained investment to realize the long term benefits of disciplined services portfolio management. Typical roles of the service manager are as follows:

- Leading the identification of new services
- Leading the qualification and definition of new services
- Developing service offers or packages
- Leading deployment of new services (typically for beta clients)
- Managing a continuous improvement process

Each of the above tasks also forms the basis of the services packaging lifecycle.

Executing the Services Packaging Lifecycle

To get started follow the steps that a product manager would: a) Identify/research where there is an intersection of client need and your perceived core competency b) Define and qualify elements of a unique service (like a product plan) to solve the business need and find a beta client to test/refine the idea c) Forecast and plan your resource needs d) Train/enable your distribution channel, and market/launch the service e) Build a closed loop feedback mechanism to keep improving the offer. The lifecycle looks like this:



The depiction of this lifecycle is somewhat oversimplified to fit the introductory nature of this paper into services packaging and services management (the services packaging discipline equivalent to product management). However the basic fundamentals identified in the above exhibit help communicate at a high level what is necessary to properly package services. In the services world the discipline of managing a services portfolio is sometimes called services management, analogous to product management in a product world. More on the role of the services manager is provided later.

Identify – The main emphasis of this stage is to determine what you want to accomplish. Do you want to drive more product sales, open new doors, sell more services, sell larger overall solutions, or whatever your objectives may be? Since today’s technology buyers are more often

looking for solutions to business problems, focus on packaging your expertise in a way that will allow the buyer to see your unique competencies and compelling value. The service package could be a service only door opener, or be comprised of both service and product content to solve a particular problem. Interview current and prospective clients, evaluate available market research, get ideas and feedback from your sales channel(s), and research all other reasonable sources to determine what unique packaged service(s) will find willing buyers and generate long term growth prospects.

Define and Qualify – This involves defining the problem the service solves, articulating benefits the client can expect from buying the service, documenting the process to deliver the service, estimating skills required and time needed to deliver, estimating revenue and profit potential, developing pricing and promotion plans, defining a channel strategy, and development of any other elements necessary to successfully implement such as marketing and sales materials. The next step is to find a beta client to test, refine and qualify the idea to accelerate maturity of the service and create a needed client reference. The overall key here is to strive for repeatability of a service with validation from a real client. Your pricing strategy should also recognize the value (higher price) the client receives from a well defined and predictable service. Done correctly, the element of repeatability will also lower your delivery costs. Overall your expectation should be greater margins with these services.

Resource Planning – Through your market research in the identify stage you should have established what your view of demand will be. Your task here is to convert that view of demand into a skills and resource forecast, and then build your plan to be able to deliver the packaged services when you go-to-market. Use of a PSA tool for this stage of the effort can help streamline the process. The plan would normally include a skills roadmap, and even certification programs for the more sophisticated PS teams, to ensure needed skills are available and improve predictability of delivery.

Channel Enablement/Deployment – Think about channel enablement just like when you launch a product. Develop a comprehensive go-to-market plan, conduct channel and consultant training, execute your launch plan and begin the sales effort.

Continuous Improvement – Just like it sounds, track and evaluate results each time the service is delivered. Get lots of feedback from your early clients - what went right, what went wrong, how you could make the service better. Record all aspects of delivery in a knowledge base for further analysis, and use by future delivery teams. The continuous improvement step closes the loop with an eye toward repeatability of the service to accomplish the highest possible quality and margins with the least possible effort.

Many companies start with some consulting offer to open new doors and drive demand of follow on products, services and solutions. Over time, as you build up your services management discipline and capabilities, tackling larger more complicated service offerings is possible and can lead to even greater organizational efficiencies and business effectiveness.

The Links to Resource and Quality Management

Hopefully the linkages to improving resource forecasting accuracy and improving quality are already obvious at this point. As you continuously refine your services packages, delivery skills, capacity needs, and project timelines become more refined. The service starts to look and feel more like a product and forecasting becomes easier. Resource forecasting is therefore more accurate as delivery of the service becomes more predictable.

Similarly, a disciplined focus on quality is enabled by a well defined service that can be repeated and improved with each new deployment. Knowledge about each engagement is captured, and project processes are continuously refined each time. Predictability of demand allows for better planning of skills needs, and more targeted training to improve quality.

Key Do's and Don'ts

- Do:
 - Be clear on your objectives
 - Start with a small number of compelling offers
 - Use initial offers to build mind share, reinforce the brand, and open new doors
 - Be flexible when the need to customize is clear, but be sure your terms are clear on who pays for customization
 - Design the packaged service for repeatability
 - Be clear in your collateral to state that the service is packaged and therefore pricing (like a product) is based on the service package description

- Don't:
 - Create too many packaged services, particularly early on
 - Continue to market a packaged service when it's clear no one is buying (even the best of us create a dud now and then)
 - Over-engineer the service – it's the business problem being solved that is important
 - Price the service as a commodity – if the service is unique, predictable, and of proven quality, you should be confident in charging a premium for the service
 - Expect to do this without some investment in services management resources and marketing – again, think about your service like a product.

Conclusion

Services packaging is a very important building block for running an efficient and effective services operation in a technology company. Companies selling packaged services find they are growing faster and more profitably, while simplifying the job of resource management and delivering better quality. Power up your portfolio with packaged services!

About the Author

Randy Mysliviec leads RTM Consulting, providing high impact advisory services for technology companies' professional and consulting service businesses. RTM Consulting provides strategic and operational advice helping technology companies increase revenues, grow profits, and deliver best-in-class solutions by leveraging professional and consulting services more effectively. Acknowledged by industry sources as an expert in Global Resource Management (GRM), Randy helps multi-national companies with the complex challenge of operating professional services teams serving the global market. RTM Consulting is a Certified Partner of TPSA and contributing author of PSVillage.

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