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Turning Your Services into Products

Professional services clients lean on their partners to help them solve some of their toughest challenges. When contracting for a service engagement, clients are often taking a big leap of faith due to the fact that the very nature of services makes them difficult to comprehend— they are intangible and it is often difficult to quantify results. In the selling process, potential clients expect to see client references, samples of previous work done, industry expertise and skill sets of potential project team members, and various other “proof” of a firm’s ability to deliver. Professional services firms also continue to struggle with project challenges that are a drain on profitability. Projects take too long, significant rework is required and exceptions to standard processes are common.

Many of these concerns can be alleviated by ascribing more tangible features and benefits to service offerings. For instance, having pre-defined and clear offerings or deliverables puts the prospective client more at ease during the buying process, establishing a fixed price reduces the perceived risk of cost overruns and identifying

the actual names of people who will do the work adds credibility. These are all ways of productizing professional services and more and more professional services firms are transitioning toward this model.

What is driving service productization?

There are number of interrelated market challenges that are driving the trend toward productization, including:

- Clients are more demanding than ever before. Value is the new favorite word of client execs that pressure firms to simultaneously accelerate project schedules and return on investment. They are employing much more sophisticated procurement processes than in the past.
- Services are increasingly seen as commodities. Historically, to raise profit margins, you increased price, but in today’s more competitive market, you have to cut costs to improve profit margins. With global competition and the blurring of lines between services and products, prices have been driven down, meaning the



ability to reduce costs is the most sure way to maintaining or improving profit margins.

- Projects continue to get more complex. Rapidly changing technology environments and the drive for innovation have resulted in the need for professional services firms to expand their market and service portfolio and work harder to differentiate themselves and improve sales effectiveness.
- Cloud services drive the demand for packaged services. The cloud has made many companies rethink how they operate and how they engage with service providers.

What are the Benefits?

Professional services firms who make the move to productize some of their services, report the following benefits:

Credibility with The Customer - Customers' perception of risk tends to be high for services because of their intangible nature. The stakes are high when professional services firms are focused on particularly critical issues and failure can exact a high cost in both time and money. By productizing a service offering, the professional services firm is, in effect, improving the credibility of the offering by making it more tangible and providing visibility into the actual service experience.

Sales Effectiveness - Professional services firms are always looking to sales teams to drive revenues. While these resources are generally well versed in sales methods, they often do not have the service delivery experience to truly grasp the nature of services they are selling. This gap in understanding can result in customer satisfaction issues, unprofitable client engagements, and poor sales performance. Productization of services

can aid in developing key selling points and value propositions the sales team can use to improve performance. Equipping account/project managers with tangible product to differentiate a firm provides more opportunities. Let's face it. It is much easier to sell something physical and tangible that your prospect can see. If you have a service offering and your competitor does not you are at an advantage.

Repeatability - Repeatability is one of the keys to achieving scalable financial performance in professional services firms, as it improves service delivery consistency and thereby client satisfaction. Predetermined templates for work products and deliverables, standardized methods, and fixed pricing and staffing models are all examples of standardized product attributes that can be assigned to service offerings.

What does a Productized Service Look Like?

A common example of a productized service that most people are familiar with is rapid start or accelerator packages offered by technology firms to streamline technology implementations. A productized service has some specific characteristics that makes the service more tangible, such as:

- Clearly defined client "pain", pre-defined business value
- A consistent standard methodology
- Quantifiable costs and demonstrable value (Value based pricing)
- Clear policies, blueprints, templates and tools
- Tight scope/assumptions



- Consistency, repeatability and scalability
- Deliverables, such as:
 - » Instructions
 - » Delivery Guides
 - » Tools
 - » Templates
 - » Practices, methods, processes
 - » Links to supporting systems
 - » FAQs
 - » Best practice examples

It is important to remember that productization of service offerings is not a silver bullet. Professional services firms provide solutions to their customer's unique problems and those solutions are always custom to some extent. No matter how productized the collateral, methodology, and other elements appear, the actual services delivered will differ due to the specific needs of the client. A productized service offering must still be tailored to meet the client's distinctive needs.

The Role of Technology in Productization

Professional services automation (PSA) can play a significant role in driving service productization. Many of the key functionalities of a PSA solution can support the effort to develop, maintain and evolve service productization, such as:

- Time and expense tracking allows companies to collect and analyze project cost and billable hour allocations on past projects. This data

provides confidence when establishing standard pricing for a particular service offering. Further, regular reporting of project profitability can be leveraged to validate project pricing as the work for an actual engagement unfolds.

- Centralized knowledge management and team collaboration infrastructure streamlines communications and increases productivity.
- Document management solutions centralize storage and retrieval of pre-packaged methodologies, project plans, deliverables, and proposals from past engagements. Centralized document management will accelerate sales and delivery activities while demonstrating credibility to clients.
- Resource management solutions provide skills databases that can be used to quickly identify available and appropriate individuals to staff on a "packaged" engagement.
- Sophisticated invoicing systems that permit milestone and/or value billing methods will help ensure timely collections for productized projects that are delivered.

Conclusion

Standardizing processes and putting the right tools in place to develop consistent, repeatable and scalable solutions is the first step in developing innovative packaged service offerings that provides value to clients and improves profitability for the firm. Productizing services can help professional services firms take their practice to the next level.