



The Business of Service

At Hahn Consulting we are hard at work on our new website. Prior to building our site, we conducted a survey of our clients and what they would like to see. Does this resonate with your customers and is your website meeting their needs?

- Everyone scans...reading can be done via downloads
- Bulleted lists are preferred over lengthy sentences or paragraphs
- High marks for sites that are clear, concise, easy to navigate with useful content
- Visitors will spend 10 to 60 seconds searching for relevant information, otherwise they are gone

We believe our new site will deliver on the above requirements. Personally, I think it looks terrific! We plan on launching in a few weeks...so you be the judge.

We are also working on client-based training plans for the remainder of this year. In fact, we are planning a series of online service marketing workshops focused on driving revenues.

We know there is interest in a public Value-Based Selling and Value-Based Negotiating, but we're looking for a consensus on when and where.

Our next webinar is scheduled for April 27 at 11am Pacific time. The topic is driving revenues, a precursor to the workshops. Ken Woonton and I will spend 30 minutes discussing this topic. We won't give up all of our secrets, but we will discuss the key steps in driving service revenues. Ken & I have been having some lively discussions in our webinar series, and this should be another great session. Go here to register: <https://attendee.gotowebinar.com/register/5121897170422272769>

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Business of Service

Issue 1, February 2016

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Designing of Services

By Ken Woonton

Few would disagree that new service development is often key to achieving corporate growth objectives. Personally, I like the phrase “Innovate or die”, but that is probably because the state where I live has a motto of “live free or die”. However, one source¹ estimates that the success rates for new service products is less than 60%. Unfortunately, it appears that many companies have not figured out how to develop new services well enough or fast enough.

With respect to your service organization’s ability to develop new services, ask yourself the following questions:

- What is the success and failure rate of your organization at new service development?
- Do you track results beyond introduction?
- Has your time-to-market been fast enough?
- Does your service organization use a well-defined service development process, or simply leverage the one used by the product division(s), or do you just wing it?
- Are you spending too much time on low-risk service modifications that do not produce significant increases in revenues?

Although I believe there are four critical drivers to success (Strategy, Resources, Processes and Execution), this article focuses on a six-step process of designing new services (or transforming existing services). Before beginning, however, we should ask why you might want to design new services or transform your existing services. Are your renewal rates declining? Are attach rates unsatisfactory? Are you experiencing low/no revenue growth or declining margins? Are

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Research - customer, competi-
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pricing, developing services
strategy and growth plans

you experiencing a decline in customer satisfaction or an increase in customer defections?

The six step process

Market research

Unfortunately, based on my experience, this is often an area that is shortchanged. Whether due to funding or senior management's impatience, marketing often takes short cuts in this critical area (substituting discussions with sales or delivery personnel in lieu of talking to customers). There is no substitute for obtaining customer research or direct voice of the customer augmented with competitive research. According to Cooper and Edgett in "Product Development for the Service Sector" they state that when marketing and market research are executed well, success rates rise to approximately 80%; when they are poorly done success rates drop to approximately 20%.

Ultimately, the strength of your value proposition and differentiation will be reflective of your efforts in this area. The most important thing to research is customer needs, both met needs and (more importantly) unmet needs. This data will tell you what service offerings you need and provide most of the information you need to design new services.

Partner with the product division & tech support

This is one of those areas that are unique to services that you will not find in the product divisions development process. If you are creating a service based on a software or hardware product that your company produces, it is important to obtain inputs from software/product managers as it relates to their customer experiences, how their product is positioned in the market, pricing strategy, product roadmap in terms of updates and upgrades. Service/support strategy (i.e. planned maintenance, failure rates, application issues, discontinuance plans, etc.) must also be considered. This information may be provided by your tech support organization. Consider a cross-functional team that includes representation from the product division and tech support. Leverage these relationships and seek out these synergies. Failure to pro-actively manage this step may result in setting your service up for failure before it is launched.

Consider company and division goals

Prior to development of the proposed offerings, it is imperative to consider the goals of the company and division/business unit. Is the proposed service a strategic fit aligning with existing operational, technical, delivery and selling resources? What are you trying to achieve? Is it just revenue growth? How important are margins? You may have to

choose one over the other. Optimizing both is common, but will not allow you to maximize either.

Structure proposed offerings

This is the fun part! Consolidating the above steps to create the offerings that will meet customer needs, achieve financial goals, strengthen your relationship with the customer and hopefully outperform your competitors. The types of service programs are limited to the imagination (i.e. warranty extensions/enhancements, contract offerings, co-op programs, operational services, value-added services, professional services, upgrade programs, etc.). Remember to take a holistic view of the business rather than a myopic view of your new service. For example, tiered contracts and their impact to one another, the impact to different customer segments (i.e. premium customers vs. self-service customers) impact to T&M sales, part sales, etc. If you did your customer needs analysis in step one, it will provide the ideas for features that will be key in this step. It also tells you how many different segments you have in your customer base, which indicates how many different services you need to design.

One parting thought in how you structure your service...service is a promise...thus making good on your promise is the most important ingredient to success. Attempting to market a service that your organization cannot deliver well will ultimately result in poor financial results, a loss of customer good-will and a loss of credibility from the sales channels and senior management.

Test the offerings

The service is built and ready for beta testing. Who will you test it with? A customer that appreciates (and understands the bumps) being on the leading edge (most customers do not enjoy being on the bleeding edge...so do not ruin good-will by testing a service prematurely). Or will you test across a limited set of customers? This is an important step prior to a full launch. The learning that comes from a beta test can be worth its weight in gold via customer acceptance and preventing problems that could absorb your call center personnel, site personnel, field managers and cost dearly in terms of customer satisfaction. Similar to customer research, do not skip this step. Think of this step as a way to mitigate risk to your organization and improve the odds of success.

Fine tune the offerings

Based on learnings from testing the offering this is the final step before launch. Often it is the small things that customers appreciate and make a service product stand out...

so pay attention to the details so that you get it right...it could mean the difference between good and great!

Although not a step in designing services, it is critical to conduct a post-launch review and analysis.

Ultimately the process itself is not the key to success but rather how it is executed that makes the difference. Successful companies take the time to do a quality job the first time rather than wasting precious time and resources executing poorly.

The benefits that accrue to the organization that does it right make it all worthwhile:

- Increased growth with new/incremental revenue streams
- Potentially attracting new customers, increasing wallet share of current customers, diversifies your portfolio and creates more cross selling/up selling opportunities
- Improves customer satisfaction and retention
- Helps to keep the competitors at bay

1 Journal of Product Innovation Management

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