



White Space in Professional Services

Key issues within the industry and how market insight
can help address them

A White Space white paper

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Introduction

The European economy has become increasingly identified with professional services over recent years, responding to and evolving around the threat of Asia and Central and Eastern Europe to its traditional manufacturing base. The sector is vast and varied, with a wide range of niche services sitting alongside a core of finance, banking, legal services and accountancy.

However, all professional services companies are united by common themes, including the fact that they rarely provide a tangible product and that people generally lie at the heart of their business. They are also united by a series of common drivers and marketplace issues, which relate directly into their competitive advantage. This white paper analyses three such issues and how market insight can assist companies in addressing them.

1. Justifying ROI

Due to the intangible nature of their products, many, if not most, professional services companies struggle to justify ROI to customers. This is particularly the case with business clients, but is also an issue in the consumer market, where many end customers seriously question the value of the service they have received.

At a basic level, most strong service organisations look to provide some kind of physical output as a wrapper around their core service offering. This can take many forms, from a PowerPoint presentation or report, through to a bound set of accounts or statements. The best companies do not just do this for the sake of it but look to provide something which is of real use and relevance to their customers.

At a more complex level, many organisations have sought to develop metrics and calculation tools to put a real value on the service they have provided. To do this in any credible way first requires an understanding of what the customer actually wants out of the service. This can vary hugely according to the type of service being offered and the nature of the customer. For example, a financially-motivated customer may be looking for an uplift in sales or a decrease in expenditure, whereas a service-orientated customer may be looking for an increase in customer service or an increase in quality standards. Gaining an understanding of exactly what your customer wants from your service, alongside an honest self-assessment of what you are able to deliver is a strong starting point for building appropriate ROI tools which achieve customer buy-in.

2. Cross-Sell and Up-Sell

There was a time in the past when many professional services companies only offered a narrow range of services, with only a few relevant to any given customer. This has all changed over recent decades, as companies have sought to maximise customer revenue by developing a wide range of 'complementary' services which either provide different versions of the same service or provide entirely different services which can be taken alongside each other. Many high street banks, for instance, now provide an incredible range of services, from current accounts through to income replacement insurance through to telephony, and also provide many different options and service levels for each.

This has simultaneously been driven by and has created the concepts of 'cross-sell' and 'up-sell' which now lie at the heart of the sales operations of most professional services companies.

However, although most companies look to cross- and up-sell, some companies are much better at it than others. An effective cross / up sell strategy needs to be based on a carefully constructed and positioned service portfolio and a range of initiatives to encourage customers to maximise their spend with you across this portfolio. This could potentially be built around a core

'wedge service' which is positioned to be the first service a customer buys which then directly supports additional sales to the same customer- the 'foot in the door'. The experience of companies who have used this approach, such as retail banks and accountancy firms, indicates that the following are key features of a good 'wedge service':

- 1) It is an easy sell – price could be reduced to support this
- 2) It will not disappoint customers, and so threaten an immature relationship
- 3) It provides visibility of the customer's entire requirement/ budget
- 4) It actively complements other services in the portfolio

Having constructed the service portfolio, potentially around a wedge service, a sales and marketing strategy needs to be built to support cross-sell and up-sell within it. This may include training and incentivising sales staff, setting appropriate prices, running appropriate marketing campaigns, and developing a customer lifecycle approach to channel strategy. This could be aligned with customer segmentation, allowing a tailored approach to be taken to different customer groups, according to the nature of their relationship with you and their overall requirement.

Taking an effective approach to 'cross-sell' and 'up-sell' requires in depth customer understanding as well as an appreciation of the strengths and weaknesses of your service portfolio against your competitors. Understanding the approaches taken by other organisations, competitive or non-competitive to your own, may also provide you with valuable insight into how best to develop your own strategy.

3. Customer communication

Customers enlist the help of a professional services company because there is something they need doing which they either cannot do themselves within a given timescale or budget, or do not want to. Often, they do not fully understand the scope of services they require. This creates a challenge for providers: how to communicate, sell and market something which the customer may not understand and probably has little enthusiasm to get to grips with.

Selling the benefits of the service can provide one relatively easy way around this. Customers may not understand exactly what it is that you do, but should have a strong idea of what they want out of this and what it allows them to do.

It may also be possible to win customer confidence in the quality of your service without making them understand it. Demonstrating the ability of your people and, more generally, the quality of your company, potentially through accreditations such as ISO 9001, may gain their trust in your ability to do what you claim to be able to do.

Whatever methods and channels of communication you choose, these should be based on an understanding of what is most appropriate for your customer base. Key questions to ask may include:

- In reality, how much do they understand what you do, and how much do they really want to know?
- What are the key benefits they are looking to achieve by using the types of services you offer?
- What communications media do they find easiest to absorb complex information from?
- What channels do they prefer to engage with?

Alongside this, an understanding of how other similar organisations are engaging with your customers may provide an indication of best-practice and put you in a position to make your messages stand out from the crowd.

Finding the white space

The three trends discussed above provide just a snapshot of the issues faced in the professional services sector. Taken at an industry-specific rather than a general level, many of the issues faced are significantly more complex and require industry-specific responses.

White Space has experience of helping professional services companies address both general and industry-specific issues by providing insight based on market understanding. In particular, our experience is that best-practice analysis, market landscaping and customer segmentation are particularly appropriate ways of providing a solid platform for decision making, based on commercially-focused analysis of relevant stakeholders, including customers, comparable organisations, regulators, industry experts and opinion leaders. This has allowed us to provide each of our clients with a total marketplace perspective, giving them insight into the most relevant solutions and their likely impact on the marketplace and on relative competitive advantage.

For more information on how White Space can help you understand your marketplace, please contact:



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