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AIPMM MEMBERS SHARE SUCCESSES AND CHALLENGES

## CREATING A NEW SERVICES BUSINESS

INTERVIEW WITH HAGEN HOHN, SERVICES PRODUCT MANAGER, MITEL CORPORATION

### THE DIFFERENCE BETWEEN PRODUCTS AND SERVICES

One of the key challenges for a services product manager is creating the illusion of tangibility. You have to understand that products are fundamentally different from services.

As with any product, it is critical to establish trust with the end customer and yet you are dealing with an intangible. With a physical product, a customer can see, feel and touch the product. They can look at return rates, reliability, who else bought the product, etc. The key is to create something similar for your service. You have to concretely explain your processes, supply the customer with reference accounts, talk about previous wins, and clearly articulate a value proposition.

Hagen Hohn recently found himself, as many of us have, suddenly plunged into the world of product management. About a month ago he was given a new title—Services Product Manager. Never having been in product management, let alone services product management, Hagen is feeling a little overwhelmed. But, after talking to him, it's clear that he's also come up with a sound approach for overcoming his challenges. He shared some thoughts and ideas that could be beneficial to many of you in similar situations.

### The Challenge

Mitel is first and foremost a product company that sells IP telecommunications and networking equipment. A large portion of their sales are direct to customer, the rest is sold through resellers. They sell to both small business and enterprise customers. The enterprise customers often need professional services to get the Mitel solutions up and running and also managed and maintained. Up until now, services have been sold ad hoc by a few sales people savvy enough to make the sale. The sales have all been quoted on a custom, order-by-order basis. Mitel wants to produce a uniform interface to the customer by creating a standard set of services

and a proactive marketing approach and also ensure that services are a profitable line for business.

### Breaking Down the Challenge

Hagen's background in quality and project management is serving him well. His first goal was to break down the massive challenge into workable pieces. He separated his goals into three buckets—things to do right away, things to learn about, and things to do later. To decide what to do right away he embarked on a discovery mission. As for what to learn, that was obvious—educate himself on product management and services product management and what all of that really means.

### Learning about Product Management and Services

Hagen is learning on the fly in parallel to launching the services business. His first task (don't laugh) was to figure out what a product manager really does. He did the usual—bought books, read articles, and did research online. In the process he stumbled across two sources—AIPMM and a Services Product Management training course. He's been attending AIPMMs afternoon webinars and he'll be attending the P MEC in Boston in November. He

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discovered the training course he found isn't offered any more, but used the course outline to identify key terminology and then researched those terms to get up to speed on the discipline. He's been learning about the usual—competitive analysis, product strategy, product marketing, etc. But most importantly he has learned several key distinctions between services and products that are driving his plans and actions.

### **Creating the Strategy— The Discovery Phase**

In parallel to his self-education, Hagen is developing his services strategy by testing the plan with the people who will be impacted.

#### *Step 1: Craft a Draft*

Hagen started by creating a draft strategy that he could then take out and test. He wanted to put something on paper that people could react to and then use that to define the four or five categories of services that he should focus on.

#### *Step 2: Test and Discovery*

Hagen embarked on a test and discovery phase by talking to all of the people involved in the sale and delivery of services—sales, regional services directors, fulfillment, dealers, and channel partners. He intends to test concepts with customers, but wanted to first use internal people to educate him on what is actually going on, what customers are asking for, and what key issues and challenges exist. In lieu of talking directly to customers, Hagen is leveraging his previous roles in quality and support where he interfaced with the customer. In these roles, he learned key customer pain points and issues and he came to understand what customers view as the value-add around

the product. This discovery exercise not only provided deep insights about how to approach services, but also allowed people in the company to learn about Hagen, his new role, and the new vision to formalize a services offering.

#### *Step 3: Analyzing the Discoveries*

Hagen's key discovery was that 50% of the daily concern lies around implementation and fulfillment. And, that several of the processes need to be "fixed". At the same time, he discovered that sales people have the following needs:

- They must be very familiar with a product or service to be comfortable selling it
- The product or service has to work or they won't sell it
- They have to be motivated to sell—they are motivated by dollars

Based on this insight, Hagen decided that he needed to not only focus on defining the services but also prioritize the following: make the services something easy to understand, train the sales reps to get them familiar with the services, fix the processes so that the services "work", and motivate the sales force so they will sell.

### **Identifying the Services**

Hagen's goal is to quickly develop a services suite and then test that offering with the market. This allows him to quickly launch a suite of services and then tweak it based on the market response. He identified his initial services suite by answering the following:

- What can I fulfill with our current skill set?
- What service partners can I leverage and offer their suite?
- How can I leverage entire groupings of services with little or no modifications?

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He also identified the following critical success factors:

- End users should not be able to tell if the service is provided by internal or external Mitel teams. Seamless sell through is required for customer satisfaction. Many customers feel more comfortable with the hardware vendor backing up the sale with their expertise, as opposed to dealing with an outsourced company with whom they may not have a trusted relationship. (Getting back to the intangibles again).
- As Mitel develops expertise and volume, he will determine where to focus energies and identify what services to bring in-house based on company positioning, strategy, skill sets, and creation of opportunities for internal employees.

### **Creating the Marketing Face**

First on the task list is to develop a marketing plan and create what is necessary to actually deliver a service to a customer including tools to help coach and educate the sales team. The marketing team is able to help with marketing requirements, but there is no services marketing manager and no dedicated services resources. Like any good product manager, Hagen is using his influence to get the help that he needs. At the same time, he is doing the heavy lifting—playing the role of services expert and providing all of the content and direction to get what he needs. He's serving the product marketing role by defining value proposition, messaging strategy and positioning, borrowing some spare time from the product marketing teams where he can get it, and leveraging the services partner's own suite of collateral as much as possible.

### **Improving the Process and Infrastructure**

Hagen is a big proponent of the PDCA methodology of quality—Plan, Do, Check, Act. He started right away with doing some detailed planning and improving the service processes. All of the actual order and fulfillment processes had already been laid out and defined as part of an ISO 9000 initiative. He took those processes and identified issues, challenges, and gaps and also analyzed the hand offs to streamline the process.

Then he looked at the current infrastructure to support the process. Today, services get tacked on to the sale at the end and discounted or offered for free. Jobs get quoted manually by the order desk with several internal hand-offs. He is changing that process by changing the infrastructure and leveraging a PC-based quoting tool used for ordering products. He is adding services to that tool to simplify the quote and fulfillment process and change sales behavior. In the new process, sales will use the tool to quote both product and services together. Hagen is building in checkpoints to ensure that service hours cannot be shorted and that discounts are applied to the true price. Additionally, he is refreshing old templates to ensure consistency of service delivery.

### **Measuring Success**

Hagen is implementing a series of measures to evaluate the success of services. Having these and other metrics in place will allow Hagen to react quickly to any modifications that need to be made.

#### *Measuring Ability to Deliver*

Follow Up Survey—survey at least 25% of delivery jobs, customer satisfaction rating

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### *Measuring Sales Effectiveness*

Win/Loss Reports—Measure the number of wins and losses, evaluate reasons for wins and reasons for losses

### *Measuring Effectiveness of Planning and Delivery*

Utilization Rate and Job Margin—Looking at resource utilization and ability to complete tasks on time

### *Measuring Overall Success*

Bottom Line Revenue and Profit—Look at the following—Are more services being sold?; What services are selling?; Is the company generating a profit with services?

Hagen is still in the early stages of services development and launch. But because of his test and tweak plan, he is progressing rapidly and will have results and measures to act upon soon.

## **Things to Keep in Mind**

### *Visibility*

The rapid deployment and tweak approach has an added benefit—it allows management to see that you are doing something and moving forward. With a new line of business, the worst thing you can do is disappear for long periods of time with nothing to show. You need to evangelize with the company and especially with the senior management, highlighting your thoughts, plans and progress. People will see the value that you bring and also provide you with insight and thoughts around company direction as well as give you updates on the marketplace and customer requests.

### *Recognize Roadblocks*

When you encounter resistance to something, don't just present all the benefits around your idea. While you want to support and evangelize

your strategy and plan, you should also try to understand the reasons why someone is resistant. Addressing the ideas that are counter to your own can often lead to rich insights. Additionally, when you remove someone's concerns or work with them to make changes that make sense, you build buy-in and gain another champion for your efforts.

### *Profitability*

When launching a new product or service, you want to be innovative and creative and generate excitement, but you also never want to lose sight of the need to run a profitable business. Remember, you are doing this to make money! ■

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## **Want to Share Your Story?**

If you want to share your success or challenges with other AIPMM members, contact Therese Padilla at [therese@aipmm.com](mailto:therese@aipmm.com).

*Interview and article by Noël Adams, President, Phase Forward—[www.phaseforward.net](http://www.phaseforward.net). Phase Forward is a product management and product marketing firm in San Francisco that helps companies build and launch new products. Projects range from new product research and market analysis to writing product requirements to outbound product marketing and product launch. Phase Forward team members also deliver workshops on a variety of new product topics like innovation and process mapping for product launch.*

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