

Succeeding with Solutions

Customers want solutions —

But what's a solution, and how to make the effort worthwhile?

A Shirman Group White Paper

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Companies- especially those serving other businesses - are looking for ways to combat commoditization, raise their average deal size, and engage more senior, business-focused decision makers. Many such vendors see solution offerings as the answer. Unfortunately, many begin to stall almost immediately, with internal disagreements about what solutions are, and how much to invest in creating them. Here's a simple guide to help you move from mere marketing talk and solution selling to creating greater value for customers and revenue growth for your company.

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What's a Solution?

In their enthusiasm to show value to customers, marketers often use the words “solution” and “product” interchangeably. This obscures a very real distinction. A product addresses a specific requirement, or the need to perform a particular task: Automate a business process, personalize on-line campaigns, communicate with mobile employees.

A solution, on the other hand, addresses the driver that causes the customer to allocate budget. Such drivers are often strategic imperatives such as improving customer retention through more differentiated and intimate relationships, or scaling to handle a higher volume of business while maintaining service levels and controlling cost.

To illustrate the difference between products and solutions, let's use mice. Not computer mice. Live mice. Let's say you walked into the kitchen last night for your 1:00am snack, and as you stared indecisively into the open refrigerator, you noticed the shuffling of tiny feet along the wall and glimpsed a quick-moving shadow as the invader scrambled behind the dishwasher. “Mousetrap!” you say to yourself, and make plans to purchase one tomorrow. Placing mousetraps in every corner and sprinkling poison behind the refrigerator will probably kill the mouse. Unfortunately, it will not keep new ones from showing up. You need a solution, not just a couple of products.

Permanently eliminating rodent infestations may require a visit by a pest control service. But that's just the beginning. To prevent future invasions, you may need to adopt a cat, sprinkle the right (cat-friendly) mouse repellent around the house, change the way you dispose of garbage, and adopt more stringent cleaning habits. You may need to hire a cleaning service. It will be ideal if a trusted friend shares with you their proven methods, and recommendations for their favorite cleaning service.

The solution is not one product or even a combination of products. It is a proven, integrated combination of products, services, and expertise. Most importantly, its success requires real commitment to substantial changes in behavior by you - the customer.

A solution is a proven, integrated combination of products, services, and expertise, and requires changes in customer behavior.

An example from the business-to-business arena is the need to build more intimate customer relationships. To that end, many companies have been purchasing web applications to improve customer's on-line experiences. An on-line campaign management application that includes personalization capabilities is sufficient to add product recommendations and user profile-based content to an e-commerce site. But these capabilities alone are unlikely to significantly impact customer retention. To build stickier

relationships, a company must invest in analytics software and integrate the campaign management application to dozens of other product and CRM-related applications.

Chances are, the company will need the assistance of a system integrator (SI). The company then has to educate and empower its employees to use information about customers to build stronger relationships. The IT and Sales executives in charge of the project may well turn to trusted colleagues to share their experience about similar projects.

The table below summarizes the differences between solutions and products in terms of common business challenges that technology vendors address. Products and solutions differ in the scope of the problems they address and components they provide. The resources and skill-sets required to sell them successfully are also widely different. Moving from a product focus to the development and sales of solutions requires significant financial investment, and the cultivation of new skill-sets within the organization.

Table 1: Differentiating Solutions from Products

	Product	Solution
Composition	One or more products or services	Integrated blend of products, services, and expertise
Type of Need Addressed	Specific requirement - the need to perform a particular task	Strategic imperative – the driver that causes the customer to allocate budget
Example Needs	<ul style="list-style-type: none"> • Automate a business process • Personalize on-line campaigns • Communicate with mobile employees. 	<ul style="list-style-type: none"> • Improve customer retention through more differentiated and intimate relationships • Scale to handle higher sales volume while maintaining service levels and controlling cost • Collaborate in real-time across a global organization
Success Factors to Achieving Benefits	<ul style="list-style-type: none"> • Rich feature set • Reliable performance • Rapid deployment • Simple, low-cost maintenance 	<ul style="list-style-type: none"> • Integration among components • Clear roles among solution participants • Adaptability of solution to evolving needs • Broad changes in buyer organizations' behavior

Notice that the exact contents of a solution is less important than what it does for your customers.

Roles in the Solution Stack

To assess realistically the required investment and likely returns of offering a solution, companies must first understand what role they would play. The role a company plays within the solution stack will determine key decisions, including product development investment, required sales capabilities, and alliance strategy. There are four participants in a complete solution:

- **Orchestrators** provide the thought leadership on what comprises the solution, and typically own the intellectual property to a substantial portion of the functionality or capabilities that are core to addressing the customers' needs. In enterprise software, SIs traditionally took on the role of orchestrators. In recent years, the larger vendors have been creating solutions around their software platforms, not coincidentally expanding their own consulting capabilities. These vendors have recognized that developing an ecosystem of completing and complementary technologies makes their products more attractive for SIs to adapt and recommend.
- **Completers** offer niche products with a narrow scope of functionality that is critical to the success of the overall solution. Completers ensure their position in a solution stack by making the use of their product simple or better yet, effortless, along-side the orchestrator's offering. They are likely to participate in the orchestrator's sales process, or follow closely behind the primary deal.
- **Complementors** provide products or services that enhance the effectiveness, efficiency, or attractiveness of the solution, but are not critical. Complementors have a tougher sell than Completers, as their offerings lie on the periphery of the solution. Orchestrators will favor customer choice over any particular complementary vendor. That means Complementors can expect to encounter competitors' products as alternatives within the same solution. To leverage solution selling, Complementors must enhance both their product and the customers' mindset to transform their core offering into an essential part of the solution. Another words, they must transform themselves (or the customers' perception of them) into completers.
- **Delivery experts** are the companies who make the solution usable and easier to adopt for the end-customers. In construction, they are the general contractors. In event marketing, the event management companies play this role. Delivery experts have relationships with all solution participants and the experience to know how best to assemble them into the best possible solution. Not surprisingly, delivery experts and orchestrators are often the same company.

Orchestration is the most desired role, but also the most risky.

Until a vendor formally creates and begins to sell a solution, the customer orchestrates the solutions they need for their business. They collect and assemble the needed components and develop expertise internally or via consultants. By taking over the work

and complexity, the orchestrator creates significant value for the customer that reaches far beyond the vendor's own products.

The position of orchestrator is often the most tempting. Orchestrators exercise greater control over the evolution of the solution. Creating a solution positions the company for a more strategic role with their customers and create closer relationships with top decision makers. To orchestrate solutions successfully, however, requires significant investment and a broad set of competencies within the organization, making orchestration the most risky of all roles.

It is common for a single company to play more than one role. Even so, solution delivery invariably involves inter-company collaboration. From the customer's point of view, a successful solution will be one where the collaboration is so well-planned that the boundaries between the participants are invisible.

Two Examples of Solutions in Business-to-Business Markets

Communication Service Providers (CSPs) offer a comprehensive package of entertainment, data exchange, and person-to-person communication to form a solution that meets people's need to connect to the world around them. The solution includes complementary optional services, billing and account management convenience, and assistance in the installation and operation of the services. While functions such as digital video recorders, call forwarding, and collaboration applications are currently considered complementary to the overall solution, there is not doubt that just like voice mail or text messaging, they will soon become completers, or must-haves. As these solutions emerge, so do delivery experts – companies who specialize in designing, implementing, and even operating communication solutions for business customers.

Enterprise software platform vendors such as IBM and Oracle all offer industry and use-case-specific solutions based on their completely horizontal (e.g. industry-neutral) software. To create the solutions, they partner with other software vendors for key capabilities such as content management, application performance management, and analytics. Over time, they acquire completing offerings to be able to offer more of the solution footprint on their own. As orchestrators of the solution, the platform vendors also assemble ecosystems of complementary technologies that include industry-specific applications such as billing for telecommunications or risk management for financial services. Finally, they rely on both internal resources and third party SIs to play the role of delivery expert. Delivery experts are attracted by the complexity and breadth of these solutions because of the vast revenue opportunity they present.

Selecting Solutions

It's likely your products or services can contribute to multiple solutions and use-cases. Once you've determined which role you are prepared to play within the solution ecosystem, identify and prioritize the first solution to create and sell. The most obvious candidates are the solutions for which your customers have been using your products already. Before you size the addressable market and start forecasting revenue for these, consider some other factors.

To assess the real size of the opportunity, look at the trends and developments that are affecting your customers, and their need for your products. What significance do customers assign to your products in the context of the problems they are trying to solve? Is there an opportunity to increase the importance of your products, or would it be better to address a different set of needs? Are new technology or business models making the customers' existing solutions obsolete? Other external considerations that impact the size of the opportunity are competitor behavior, regulatory changes, and emerging business or technology standards. Internally, assess the potential for expansion that the new solutions would allow within existing accounts.

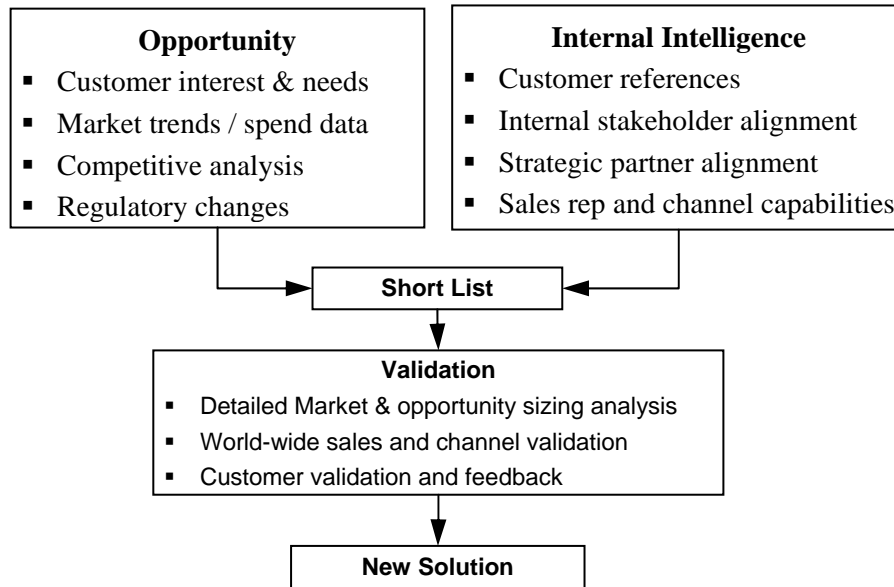
*Balance enthusiasm
about market size
with a realistic
assessment of your
ability to execute*

Though accurately sizing the opportunity is important, but looking it is not enough. Your company's ability to execute will make or break the success of your solution, and is a critical assessment in allocating solution development resources. Ability to execute includes such factors as:

- Availability of success stories and references from marquis accounts
- Sales interest and acceptance of the new solution
- Appropriate sales skill-set, or your ability to invest in training and specialist resources
- Alignment of the solution with existing partner and SI solutions and plans
- Internal consensus and willingness to allocate resources among service and support, R&D, alliance, fulfillment, and other relevant organizations
- Capabilities of channel partners to sell the solution, especially in channel-dominated geographies

Review these execution capabilities in order to narrow your list of potential solution areas. Only when the top candidates for solution development emerge, take the time and effort to dive into detailed market sizing and revenue forecasting. By doing market sizing and revenue estimates too early, you may overlook a lack of key execution capabilities.

Balance Opportunity and Ability to Execute in Prioritizing Solutions



Solution Success Factors

Many companies underestimate the investment and challenges of launching solution offerings. Initially, some view a solution as simply a different marketing approach to existing products. While this may get some traction initially, customers quickly recognize that there are missing pieces and that the company is overpromising on results. A vendor who marketed a solution while still offering a product will find that previously satisfied customers turn to larger, more horizontally integrated vendors to meet raised expectations. To prevent customer defections, businesses must be ready to complement marketing spend with investment in sales skills, new alliances, and product enhancements,

A company that has made the commitment to orchestrate a solution will balance many internal requirements. Ignoring any one would mean the solution will fail to reach its full potential for revenue and account penetration.

- Select the use-cases where the solution can provide the greatest value, and which customers see as critical to their success.
- Identify all the relevant decision-makers and influences for your solution. They are likely to be different than the people who made decisions about individual product purchases.

- Determine what functionality is critical, and how to make the solution most readily usable by customers. The solution will evolve over time, so for the initial phase, zero in on the core solution components. At the same time, begin to develop a roadmap for the capabilities and partners that you will want to add later.
- Form the required alliances, starting with completers and implementers, and finally complementors. Be sure to explicitly define each partner's expectations from and contributions to the solution. Agree on ownership of the intellectual property surrounding product integration and responsibilities for various levels of customer support. Ensure that you have clear rules of engagement for sales opportunities and that both sales organizations are aware of them.
- Articulate concrete value of the complete solution, and back it up with deployed customers success stories. Talk to customers about the measurable impact they seek from a complete solution. Be sure to closely track the business impact of pilots and early deployments. Test your reasoning about benefit and ROI claims with customers to ensure its believable and credible.
- Align all key solution participants around the value message.
- Assess the capabilities and skills of your existing direct sales reps and channel partners. Be prepared to provide the education and tools to enhance these skills. To drive early sales and continue the transfer of skills and expertise to the sales force, provide specialist with in-depth solution and domain expertise. These specialists must have two objectives: help close solution deals, and educate sales reps to be capable of selling the solution independently.
- Go to market in phases to balance investment and return. Begin with a well-defined, small group of accounts, and expand after a minimal number of these have been sold and deployed. Rushing to a broad market too quickly, and without adequate references, experience, and processes in place can frustrate both your sales organization and customers.
- Expect a learning curve and actively manage the solution's evolution

Conclusion

Solutions are not a panacea for invigorating revenue growth or raising margins. Nonetheless, for many businesses participation in a solution can create significant benefits and opportunities: They are a useful tool in gaining the attention of new, often more powerful, decision-makers. By focusing the discussion on value, solutions command higher average sale price, and raise average deal size. Because they create opportunity for an ecosystem of partners, solutions turn that ecosystem into a virtual expanded sales force. Solutions help gain a foothold with new customers who may not have given attention to a narrower offering. Most importantly, they give companies the opportunity to address the buyer's most essential needs, transforming their relationship with customers from vendor to trusted advisor and thought-leader.

About The Shirman Group

The Shirman Group helps technology companies identify and pursue opportunities for revenue growth. Companies looking to expand into new industries, more deeply engage with new audiences, and leapfrog the competition with new business models turn to us for creative ideas and tangible results. Shirman Group clients include industry leaders like Symantec, BEA Systems (Oracle), Intervice/Convergys, and CA, as well as select new technology ventures. More information about The Shirman Group and our clients is on-line at www.shirmangroup.com

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