

Raise Recurring Revenue Part 3:

Creating the Right Business Structure

by Julie Bos

By nature, services-centric companies have more internal complexity and very different management needs than traditional product-resale businesses.

If you're struggling to align your sales and services organizations, Dallas-based consulting firm Service Leadership offers the following strategies for success.

Step One | Implement a new sales process.

The fastest way to obtain new service business is to thoroughly understand each customer's needs. Early in the sales cycle, a senior service professional (in the appropriate niche) should meet with the prospective customer to 1) qualify the customer; 2) evaluate whether your company can meet the customer's specific needs; and 3) build trust.

Paul Dippell, CEO of Service Leadership, recommends grooming several of your most experienced service professionals to conduct these initial meetings. Then, once they're seasoned at qualifying sales, have these experts teach the rest of your sales team their winning techniques.

Step Two | Create new business lines for services.

You can develop high-performance services teams by segmenting your services business into large practice areas (e.g., IP/telephony, security, storage) that each support at least six to eight billable service consultants and assigning a senior services professional with savvy business skills to manage each practice area.

The manager should have the experience to come up with profitable service packages that deliver value to your customers, as well as the ability to convince customers of your company's expertise.

Step Three | Modify your compensation plans.

To motivate your sales team, Dippell suggests paying each practice leader a bonus that's determined by the bottom line of their service practice. For example, 70 percent of the bonus could be based on the profitability of the practice, and 30 percent from overall company profitability — thus encouraging leaders to cross-sell each other's services.

For the first year or two, perhaps 10 percent to 20 percent of practice leaders' pay can come from bonuses. But as your company — and confidence — grows, you may be able to increase that percentage to as high as 40 percent.

Step Four | Reevaluate the number of sales people you need, and the role they play.

Research shows existing customers tend to buy new services from the service professionals they know and trust, not from salespeople. Therefore, consider paying sales representatives for what they do best — finding and qualifying new prospects — not for accepting incremental revenue from existing clients.

Then rely more on marketing efforts to provide sales leads from referrals and service seminars.

Change Takes Time

Clearly, transitioning to a services model can be a complex change in roles and responsibilities. Therefore, don't expect these changes to happen overnight.

One business owner in his third year of transition said it took 18 months before he felt like the company had made a material shift towards the new model, and another 18 months before the



new model had become part of the organization's DNA. However, he also said his company's service delivery costs dropped dramatically as the culture change took hold, and profits climbed steadily.

Organizing your business around recurring services may be more complex than your product resale business, but Ingram Micro can help. Continue to read our *Advisor* series (we'll be taking

a break next month for a special feature, but we'll return in December). And ask your Ingram Micro representative about our managed services resources.

Or for individualized education, contact Service Leadership at (972) 798-1288 or info@service-leadership.com. **A**