Managed Services Deals

Pitfalls to avoid to win more business

Having been working in the managed services space for years now, I continue to be struck by the fact that while many issues and opportunities are unprecedented, many times I also see history being repeated. This applies to both the good and the bad.

Often, service providers will repeat some preventable mistakes that can either torpedo deals before they come to fruition, or irreparably harm account relationships after the initial deal has been won. In this brief, I'll detail some of the most pressing pre-sales pitfalls I've seen service providers hit.

Below are a few of the missteps, an account of why they can be so damaging and some steps to take to keep these issues from hurting your business.

Pitfall #1: Pretending to be something you're not

Fake it till you make it. Amplify or fabricate experience that isn't really there. Spout buzzwords rather than knowledge. Repeat the process, until a deal's won and the customer can sponsor the learnings that are required to actually deliver on the service being sold.

There may have been a time and a scenario in which these approaches may have actually worked, but that time has passed. The managed services market has matured, and the people that shop for managed services are too savvy to be easily fooled. Service buyers know what kinds of questions need to be asked to distinguish pretenders from contenders. They know what kinds of answers to look for, and they'll demand the proof points that support the answers provided. Further, even if by some fluke the pretending service provider makes it past this phase and actually wins the deal, it is usually only a matter of time before the truth is uncovered, whether due to missed SLAs or other unmet expectations.

Every service provider needs to start somewhere, and every organization wants to expand. The trick is to accomplish these objectives in a way that builds on real experience and cultivates early success. By doing so, service providers foster a platform from which to expand within accounts and to land new accounts that share characteristics with the existing customer base.

Pitfall #2: Miring negotiations in complexity

Here's the scenario: At some point in the sales process, the formalization needs to happen, so the deal can be inked. The sales representative delivers a lengthy, complex document containing the service provider's equivalent of "War and Peace." Eyes glaze over. Legal teams rack up redlines and hours. Reviews start to run in perpetual loops. Even if through the herculean effort of the sales and executive teams a deal is somehow won, the cost associated with winning the business is untenable.

While the service provider needs to provide the legal framework and details required to protect their business, they need to balance these demands with simplifying the process for the prospect. One common example I've seen that unnecessarily complicates matters is providing a single document that includes everything—quotes, SLAs, master services agreements and service catalogs. When this happens, each individual will need to wade through everything, whether it pertains to their specific domain or not. Consequently, the document will receive more scrutiny.

Breaking these elements into specific documents and review cycles makes it simpler for the prospect. The business manager can focus on the quote. The lawyer can focus on the terms and conditions. Further, this makes it more manageable for the sales team to manage reviews, address changes and gain approval.

Pitfall #3. Trying to start too big

Any sales manual will tell you that you want to focus on customer needs and match proposals to customer requirements. However, it's all too common for sales to get greedy. A prospect will be looking for backup management services, and receive a proposal for end-to-end IT outsourcing. The proposal doesn't map to the prospect's request, delaying, if not permanently derailing the deal.

It is much better to take a "land–and–expand" approach. Start small, establish success and grow from there. Even if your organization can support end-to-end IT outsourcing services, and the client can ultimately benefit from those services, you don't make the initial deal contingent upon the customer signing up for everything. You need to start with a customer-desired engagement so you can win that first deal, and build from there. Over time, it can be easy to expand account penetration.

Pitfall #4. Selling to the wrong stakeholder

One of the best ways to keep a deal from happening is selling to the wrong person. Your sales representatives need to be selling to the executives that ultimately can make the deal happen. Further it is important to recognize that managed service engagements are fundamentally business relationships—so sales should be focused on selling to business leaders, not IT staff.

This isn't always straightforward; sometimes it can be most expedient for sales representatives to establish contact with lower level IT staff. However, to guard against sales representatives wasting their time, it's critical to quickly determine whether the contact has the authority required, and if not, work to get in front of the person that does.

Who's the right contact? That answer will vary by organization, and the titles to target can evolve. For example, in many organizations, the CIO is increasingly not just focused on technology, but on business objectives. Consequently, the CIO may be the right person to target even though they're managing the IT organization. In other organizations, it may be the line-of-business management or a financial executive that's optimal to sell to.

Pitfall #5. Making assumptions about the prospect's basis for cost comparisons

I realize I risk stating the obvious, but here goes: When an executive decides to purchase managed services, economics will play a pivotal role. While this point may be obvious, all too often, sales can start off by assuming that they're speaking the same financial language, when they very well may not be. This is often true when a prospect tries to compare a salary to a service.

Here's how it can play out: After learning about the customer infrastructure and requirements, the account representative will provide a quote for server monitoring and management that comes to $90,000 a year. The decision maker takes a look at the proposal and thinks, "That's way too high, I'm only paying my server administrator $65,000 a year." This simplistic assessment of the numbers may make sense to the prospect, but it belies some fundamental misperceptions. If the rep is to have any chance of closing the deal, they'll have to clear up these misperceptions. This line of reasoning misses two key points:

- Salary isn't the true employee cost. Organizations pay a lot more than a salary to keep an employee. Health care costs, taxes, training, recruiting, paid time off and a range of other costs have to be factored into the equation.
- What the service provider offers is very different than what a single employee can deliver.

This latter point in particular is where the sales team needs to educate the prospect on the true cost and true value of the services being provided. When comparing a managed service to that hypothetical server administrator, here are just a few areas to consider:

- **Coverage.** If that server administrator decides to pursue another opportunity and gives two weeks' notice, what happens? How long will it take to recruit, hire, and train a new server administrator? How long will it be until that new administrator is as productive as the prior individual?

- **Hours.** Will the server administrator be available 24x7? What happens if an urgent issue arises and they don't feel like answering? No organization can legally require an employee to answer their phone outside of business hours, so what happens if 24x7 services are required?
- **Tools.** What tools does the server administrator need to do their job? How much does the company pay to keep those tools current? How much time does the administrator and the rest of the IT organization have to invest in those tools?
- **Hardware.** What kind of hardware does the administrator use to do his or her job? What kind of capital expenditures have already been sunk, and what kind of costs are on the horizon?

Before a prospect can intelligently weigh the economics of a managed service, they have to know what they're really paying currently, what they're really getting and how those realities will map to a managed service. Further, the service provider has to ensure this comparison of costs is done within the context of the added value that is delivered. What's the cost of downtime because servers are only being monitored five days a week, eight hours a day or because no one was available while the administrator was on vacation? For a managed service to make sense, the business has to come out ahead financially. It is the responsibility of the sales team to ensure that story is well articulated.

Conclusion

By eliminating these pitfalls, service providers can increase their closing percentage. Stay tuned for the next strategy brief, where we'll outline some of the key mistakes that are made after an account is signed and how to avoid these mistakes to keep customers happy.

For more information, please visit **ca.com/service-providers**

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