Converting Expertise and Experience into Products

Concepts and Methods for Consultants and Professional Services Firms to Consider When Conceptualizing New Products to Grow Their Firms

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Summary

One of the most persistent challenges for all consultants, advisors and providers of professional services is the marketing of what is inherently an intangible thing. Though “expertise” and “experience” may be very real to the person who possesses them, to others they can be quite ethereal. For those who are providing a service that has been commoditized by the market (such as many services provided by CPA firms), differentiating your firm from similar firms can be an even greater challenge.

As a result, service providers can spend an inordinate amount of their time trying to develop and work their personal and professional networks so that they may establish more relationships and create “warm” opportunities for them to make their pitch. While there is nothing wrong with this approach, it can burn valuable time which otherwise could be billable. As a consultant, when you are selling you are not earning and when you are earning you are not selling. In this manner, many consulting firms falter and reach their ceilings well before they should. Capacity is the ultimate limiting factor for a services company. This need not be the case.

> ***"Productization is the process of converting intangible assets, such as experience and expertise, into a tangible product that supports recurring revenue."***

Once a consulting firm (or CPA firm or other service provider) has amassed a collective knowledge base through real work experience, they can consider “productizing” their expertise and experience. Productization is the process of converting intangible assets, such as experience and expertise, into a tangible product.

Why productize? There are a number of good reasons including the following:

1. Productization can ***simplify the purchase decision for your clients*** helping you to achieve real growth faster.
2. Productization can ***create new opportunities*** in markets that have not previously been the target of sales efforts.
3. Productization can help a services firm build lasting value to ***support an exit strategy*** by the partners.
4. Productization can ***diversify a revenue base*** by developing new revenue streams in the form of subscriptions and/or royalties.

This white paper will touch on the various ways that a professional services firm can find new revenues through the productization process. The intent of this paper is to get professional services firms to consider productization as they plan for future growth.

Reasons to Productize

It is important to identify specific objectives when initiating a productization program. This will not only help you stay on track during the effort, but will ultimately provide you with the criteria that you will use to gauge your productization efforts' success or failure. Some of the best reasons to productize are outlined below.

Simplify Your Clients' Purchase Decisions

Your firm's ability to grow is almost entirely a function of how easy it is for your prospects to understand your value proposition and what it translates to for them directly. In other words, nobody cares what you have done for others, but everybody cares what you can do for them. There are three main factors that cause someone to make a purchase decision. They are:

1. You can demonstrate that you can help your clients make more money.
2. You can demonstrate how you can save your clients money.
3. You can demonstrate how you can help your clients mitigate business risk.

Another way to put this is that you and your experience really do not matter much on the surface. What does matter is that you can demonstrate real benefits to your clients. By developing a product, you have created an interactive tool by which prospective customers can realize some value or at least gain insight into how an engagement with you will benefit them directly. They will check your references later so don't focus on the past.

> ***"By developing a product, ... customers can realize some value or at least gain insight into how an engagement with you will benefit them directly."***

Products with the explicit purpose of simplifying purchase decisions may not be revenue generators. We refer to these as "lead generation products." Lead generation products are really decision support platforms that allow potential clients to get a better sense for how an engagement with your firm can help them directly.

A revenue generating product may also simplify your potential customers' purchase decisions simply through its existence. For example, before Adobe Consulting closed up shop, they were very successful in attracting engagements to build rich internet applications. These engagements included Adobe employees to be sure, but also a stable of subcontractors. Part of the reason why these engagements were so easy to attract for Adobe Consulting was that Adobe Inc., the company's parent, was also the creator of Flex (now an open source framework for developing intuitive web applications). In other words, clients needed better client facing web applications and Flex was the right technology. They reduced their perceived business risk by going directly to the source for development expertise.

Ease Your Entrance into New Markets

The size of the market that you sell to is generally based on the size of your firm. Small companies with only one or two resources focused on business development will generally specialize in one industry or geographic location. Alternatively, they may limit their service offerings to what they can handle based on their in-house expertise and bandwidth. But could your firm grow if it had leads coming in without a proactive sales effort? Most people would say yes to that question. As more work comes in you can simply hire more people to handle the additional workload (to a point, of course).

By developing a product you are providing opportunity for firms that you otherwise do not target to experience your value proposition. This empowers them to determine if your product may benefit their business even though you may not have thought about that particular market due to a lack of exposure. This can create passive leads in new markets and open up all kinds of additional opportunities for your services that you may not have considered.

Create an Exit Strategy for Partners

One of the great disadvantages of running a consulting firm is that a firm's ultimate success is typically based on the relationships and expertise of the founders and partners. In a modest sized firm, that means that when the partners wish to exit the business, they must either have a well developed succession plan already in effect, or they simply sell or shutter the business. In most cases the latter option is more typical. A consulting business is difficult at best to sell and a succession plan only works if you are able to grow someone into the lead role organically over a period of many years.

But what if the business were converted to a product company from a services company? Now selling the business is based on the financial performance of the product, and the involvement of the principals become less relevant to the purchaser as a greater percent of revenues is generated from product sales. Alternatively, the product can generate an annuity into the future for the partners and their estates, allowing the partners to move out of an active management role.

Diversify Your Revenue Base

A professional services firm, whether providing advice and counsel or services such as software development or tax preparation, all have one thing in common – the bulk of their revenue is derived from fees. Excluding rate increases (which also puts a percentage of revenue at risk), fee income can increase only as more fees are earned. So the providers must either work more hours or hire more staff (which increases costs and therefore reduces margins).

By productizing your firm's collective expertise you can increase gross revenues by attracting subscriptions and royalties (depending on the nature of your product). This not only helps your bottom line and improves your own firm's growth potential, but it also reduces business risk through diversification and reduces your dependency on a few large clients. As your product matures in the marketplace and generates more revenue, your firm's risk relative to client dependencies declines proportionately.

How Do I Productize?

Successful service providers apply their hard-earned expertise, knowledge and experience to deliver value to their clients in the form of services. In return for these services, the clients pay the consultant or service provider a fee. By delivering similar services to multiple clients over a long period of time, the consultant begins to develop his/her own methodology. These methodologies not only make it easier for the consultant to provide the same basic services to each successive client, but they also help differentiate the provider from other similar experts operating in the same market. These methodologies are what can be converted into tangible products.

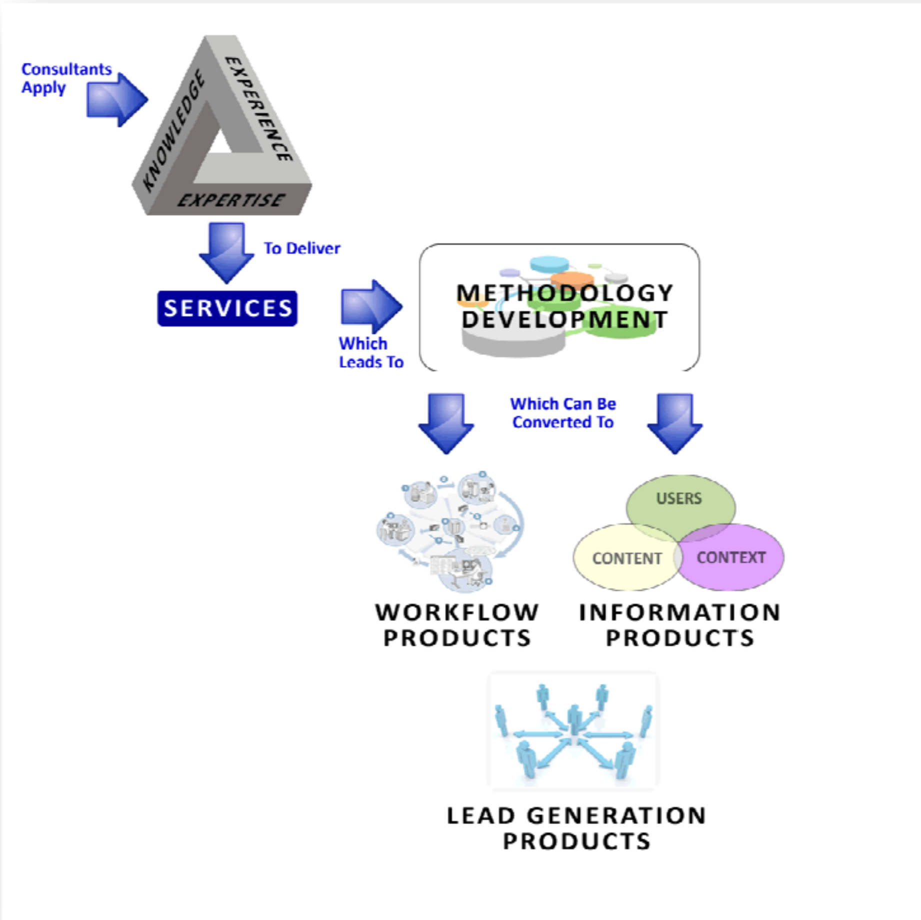
There are three basic types of products that services firms should consider. They include the following:

1. **Information Products** – Content oriented products that educate, inform or guide the subscriber in such a manner as to simplify or improve their workday. One of the main hallmarks of an information product is that the content is updated with some degree of frequency, usually at least daily. Information products can take many forms and include: news platforms, analysis, directories, data aggregators, etc. Today, information products also must include certain features and functionality that the market has come to expect, such as full text searching.

2. **Workflow Products** – Products that guide or control the activities of multiple parties in order to simplify or reduce the cost associated with completing a specific task. Workflow products generally take a repeatable task and embed decision support, data validations and communications such as alerts, and codify it so that the effort of employees becomes more predictable, more controlled and more productive.

3. **Lead Generation Products** – A product that blends workflow and/or Q&A with information to deliver partial value to the user at limited cost. Lead generation products can be an effective means to begin the discovery process for a prospective client while gathering warm lead information. They can often take the form of an intelligent survey that will question the user and guide them to a brief auto-generated analysis based on the

responses selected. Lead generation products should offer value at no cost and they should always provide an immediate benefit to the user. The main purpose of these products is to expose the value of an engagement with your firm.



Any firm that has been in operation for a long enough period of time that they have developed a consistent method for delivering services, even if it is only as a means of training staff or easing tasks with each engagement, should be thinking about productization.

While the services economy has consistently provided revenue opportunities over the years, the businesses that most often get to the next level and achieve a degree of financial independence tend to also offer products. Product revenue is more stable, more predictable and more likely to be repeated. The cost of sales and length of the sales cycle for a product company also tend to be much lower than that of a pure services company.

The Productization Process

There are a variety of ways to conceive of and build a product. The first challenge is to outline the focus of the product. This can generally be broken down into a few key steps:

Identify the Problem Your Product will Solve or the Value Your Product Will Deliver

All products solve a problem. This is true whether you are analyzing a consumer product such as a razor, or a software product such as Salesforce.com. The key is making sure that you have a clear and concise understanding of the value your product delivers to your customers.

A great example of a simple value proposition for a traditional information product is the motto of the New York Times – *All the News That's Fit to Print*. When you read their motto, you understand immediately what the paper does and how you will benefit by purchasing it. You should be able to describe your product in a similar manner.

Of course, products of today are infinitely more complex than a newspaper. They must be interactive and dynamically updated. Today's products must provide features and functionality that simplify their use and help users get the most out of the product. As such, your product will most likely provide more benefits than simply keeping people informed. Creating a grid to identify, rank and track the benefits of your productized service or product functionality is important not only from a planning perspective, but it will make it easier to bring other people up to speed as you progress in your efforts.

	What	How
Service A	Deliver what value...	...by doing the following
Service B	Deliver what value...	...by doing the following

The easiest way to get started is to ask yourself a few basic questions designed to help you define the parameters of your product. For example:

1. What is your target market?
2. What kind of company are you targeting in that market?
3. Why are you targeting those companies?

It is very important to have a target market and a clearly defined profile of the type of company you wish to do business with. The deeper your understanding of their business, the more likely your product will be well received.

Just because you think your idea is a great idea doesn't mean that someone else hasn't had it already. It is critically important for you to know what other products are in this space. Your product will be compared to direct competitors and even indirect competitors that your prospective clients may already use. In other words, gain a detailed understanding of the product mix of your competitors. This includes not only categories of products, but also the features offered by products. Product features may be indicative of how your market uses technology, for example.

The easiest way to take a snapshot of an industry's product mix is through the use of a simple matrix that compares the features of all the products being offered. These are your direct and indirect competitors. Although you may never get this perfect, the effort will generally help you determine what features are must-haves for your product and which ones are going to be the differentiators. This effort will also tell you who your real competitors will be.

Product/Functionality	Company 1	Company 2	Company 3	Company 4
Feature A	X		X	
Feature B	X	X	X	X
Feature C	X		X	X
Feature D			X	X

This matrix will also enable you to see who in the market has the most complete product mix (whether or not the most complete product mix is the "best" product mix is a subject for another paper). An example of a real world (partial) product mix matrix used in our own business can be found below.

Product	Praura	Google Docs	Central Desktop	Egnyte	WorkZone	KnowledgeTree	Project Spaces	Xythos
Price per month	1st seat $17.95/mo	$50	$25	$15	$500.00	$485	$129	$287
Users	all additional $1.50	1	50	1	25	50	Unlimited	50
Document Management								
Single Document Upload	✓	✓	✓	✓	✓	✓	✓	✓
Multi Document Upload	✓	✓	✓		✓	✓	✓	✓
Customisable Directory Structure	✓	✓	✓	✓	✓	✓	✓	✓
Version Control	✓	✓	✓	✓	✓	✓	✓	✓
In-Network Document Assignment	✓	✓	✓	✓	✓	✓	✓	✓
Out-of-Network Document Distribution	✓		✓	✓	✓	✓	✓	✓
Check In/Check Out	✓	✓	✓	✓				✓
Edit/View Document Properties	✓	✓	✓	✓	✓	✓	✓	✓
Collaborative Social Network	✓	✓	✓	✓			Limited	✓
Business Process Management	✓	✓	✓		✓	✓	✓	✓
No Data Limits	✓							
Search								
Basic Search	✓	✓	✓	✓	✓	✓	✓	✓
Advanced Search	✓	✓	✓	✓	✓	✓	✓	✓
Document Content Search	✓	✓	✓	✓	✓	✓	✓	✓
Business Continuity								
FTP and Secure File Transfer	✓	✓	✓	✓	✓	✓	✓	✓
Auto-Back-up Capabilities	✓	✓		✓	✓	✓	✓	✓
Administration Simplicity	✓	✓	✓	✓	✓	✓	✓	✓
Version Control	✓	✓	✓	✓	✓	✓	✓	✓
Track Changes	✓	✓	✓	✓	✓	✓	✓	✓
Document Libraray	✓	✓	✓	✓	✓	✓	✓	✓
Collaboration								
Ability to Create Multi-Layered Network	✓	✓			✓	✓	✓	✓
Client/Vendor Portal	✓	✓	✓	✓	✓	✓	✓	✓
Workspace	✓	✓	✓	✓	✓	✓	✓	✓
Centralized Collaboration Center	✓	✓	✓	✓	✓	✓	✓	✓
Create Workflow	✓	✓			✓	✓	✓	✓
Managed Web Access	✓	✓	✓	✓	✓	✓	✓	✓
Desktop Integration								
Calendar	✓	✓	✓	✓	✓	✓	✓	✓
Email	✓	✓	✓	✓	✓	✓	✓	✓
Assign Tasks	✓	✓	✓	✓	✓	✓	✓	✓
In-Network Communications								
Alerts	✓	✓	✓	✓	✓	✓	✓	✓
Announcements	✓	✓	✓	✓	✓	✓	✓	✓
Events	✓	✓	✓	✓	✓	✓	✓	✓
Notifications	✓	✓	✓	✓	✓	✓	✓	✓
Scheduling	✓	✓	✓	✓	✓	✓	✓	✓
Help/Support								
Email	✓	✓	✓	✓	✓	✓	✓	✓
800 Help Line	✓	✓	✓	✓	✓	✓	✓	✓

Document Your Methodology

All consulting and professional services firms offer some sort of advice, counsel, guidance, direction, support, suggestions or recommendations about how to do this or how to do that. The objective of any engagement is to help your clients make money, save money or reduce operating risk. If you can't do these things for your client, then they cannot generally justify the relationship with you for very long and you will be out of business.

The longer you have been in business the easier it will be for you to outline your methodology. Your experience working in your field will have helped you identify the "perfect model" for your clients. This is true whether you are a lawyer or accountant, marketing or IT consultant.

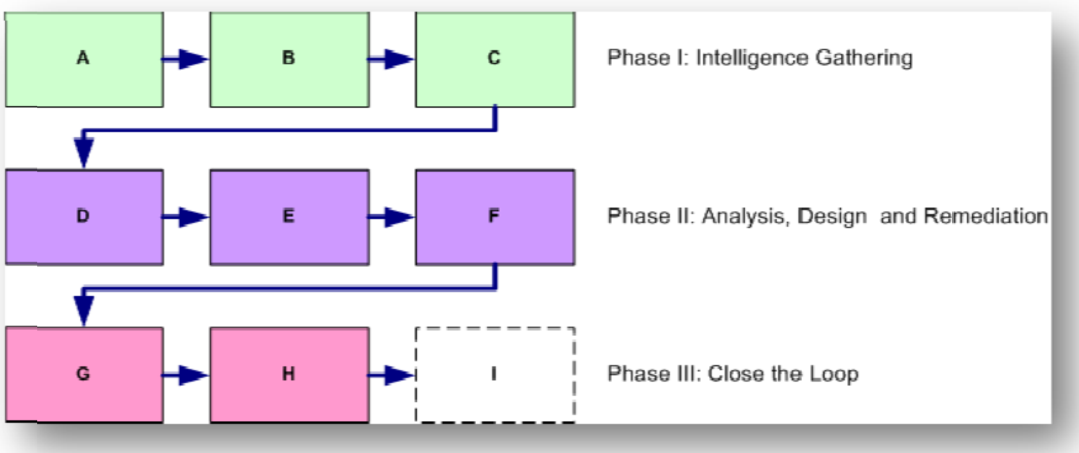
That is not to say that start-ups and younger companies should not try to productize their services. To the contrary, younger firms and start-ups can go through this exercise as a way to establish a set of offerings for their intended core markets. The effort simply may be easier for established companies.

Your methodology will be a discreet series of steps that you generally will try to use as a guide when helping your clients resolve a specific challenge. It may be a migration to a particular architecture if you are an IT consultant or it can be the institution of a series of policies and programs to mitigate risk if you are a lawyer. Either way, there are probably a series of things that you recommend or do for your clients. This is your methodology.

It is generally helpful to think in terms of a linear workflow chart when describing a methodology or process for the first time. This is true for processes and methodologies that are not linear too. Thinking in this fashion exposes all of the possible branches in your methodology's decision tree.

It can also be helpful to break any process down into "digestible chunks" so that it is easier to identify discreet units of work included in each. In this way, most decent methodologies can be divided into phases. Dividing your methodology into logical phases may also result in the establishment of multiple products if each phase in and of itself delivers demonstrable value to the clients.

Most services processes include three distinct phases: intelligence gathering or discovery, analysis, design and remediation, and delivery or "closing the loop."



Most consultants and professional services firms will agree that it is impossible to provide any service to any client without first being educated as to their culture, objectives and operating characteristics. This is referred to as "Intelligence Gathering" or "Discovery" and can take many forms.

Intelligence gathering can be simple or complex depending on your industry and the market you serve. It can be a single step process that can be completed in a day or a compound exercise that could take months to complete. Either way, all intelligence gathering leads into where the actual services live, or phase II.

Phase II is where most of you earn your money. Here is where you apply your expertise to: analyze a process, problem, business or market; design a solution; provide a service; or eliminate some issue or challenge for your client.

Phase II is also where your value proposition will develop because it is where your expertise is leveraged the most. Each discreet step you take in phase II you will take for a reason. You will take it simply because it adds some degree of value to your client or mitigates engagement risk for yourself.

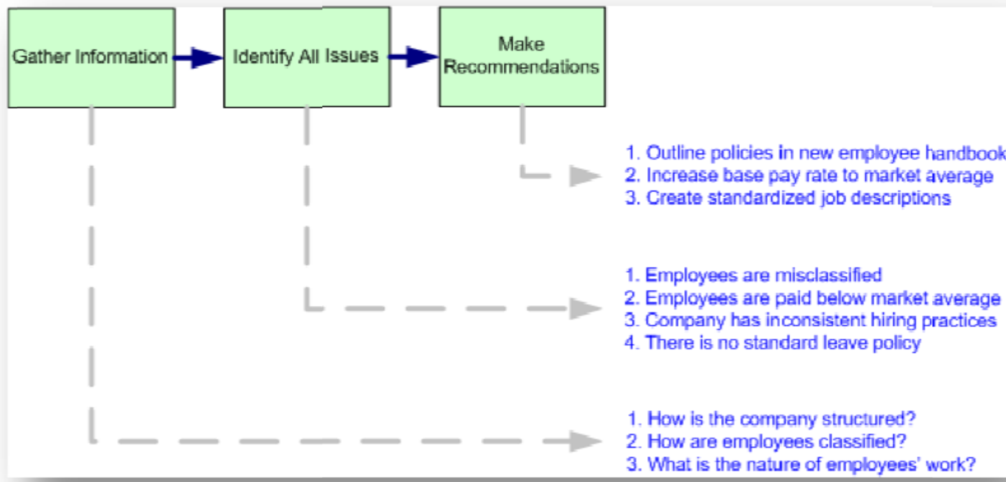
Phase III, or “Closing the Loop” is where you often will deliver output and is your opportunity to explain how you added value. Up until this point, you may have been working hard but you have not actually delivered much. In phase III all your work is out there and how you deliver it to your clients will have a huge impact on how you are perceived by your clients for future engagements.

While developing your methodology it is important to take your time and think carefully about which steps in your process add the most value. These are the steps in the process that you will highlight. In fact, the lesser steps will most likely be folded under a series of primary steps in order to simplify your message to your client. You can always elaborate more for those prospects who express interest in your final product.

Identify All of the Units of Work Required to Deliver Value

Units of work are the discreet things that you will do in each step of your methodology. For example, these may be a series of questions that you typically seek answers to during intelligence gathering or discovery. Identifying each unit of work helps you outline the value that your process or methodology delivers.

For example, during the intelligence gathering phase an HR consultant determines that all the employees at their client are paid a salary and classified as “administratively exempt”. This allows the company to avoid paying overtime for workers during peak periods. However, the HR consultant determines that some of the employees should actually be classified as “non-exempt” due to the nature of the work they perform. This means that the employer is exposed to certain business risks and could possibly be liable for back pay for all employees past and present.



In this example, the unit of work in phase one resulted in the delivery of a valuable piece of information. Theoretically, the HR consultant could package phase one work as a separate product called "HR Assessment" and sell it broadly across many industries. Anyone purchasing the assessment would likely purchase a remediation package to eliminate any business risks that were uncovered during the assessment. The consultant could also codify the Q&A process and by referencing a database of state employment laws, provide this kind of service to a broad range of companies in a particular market in a self-serve manner via a subscription or lead generation product that exposes potential risk and up-sells an engagement.

In the above example the HR consultant outlined a series of questions that he would try to answer during the information gathering phase. These questions help him uncover potential problems for his client. He answers these questions for each and every similar engagement when providing services. If the consultant has a product, this can be used to reduce costs for the engagement while producing the same report or create new sources of revenue or generate new leads.

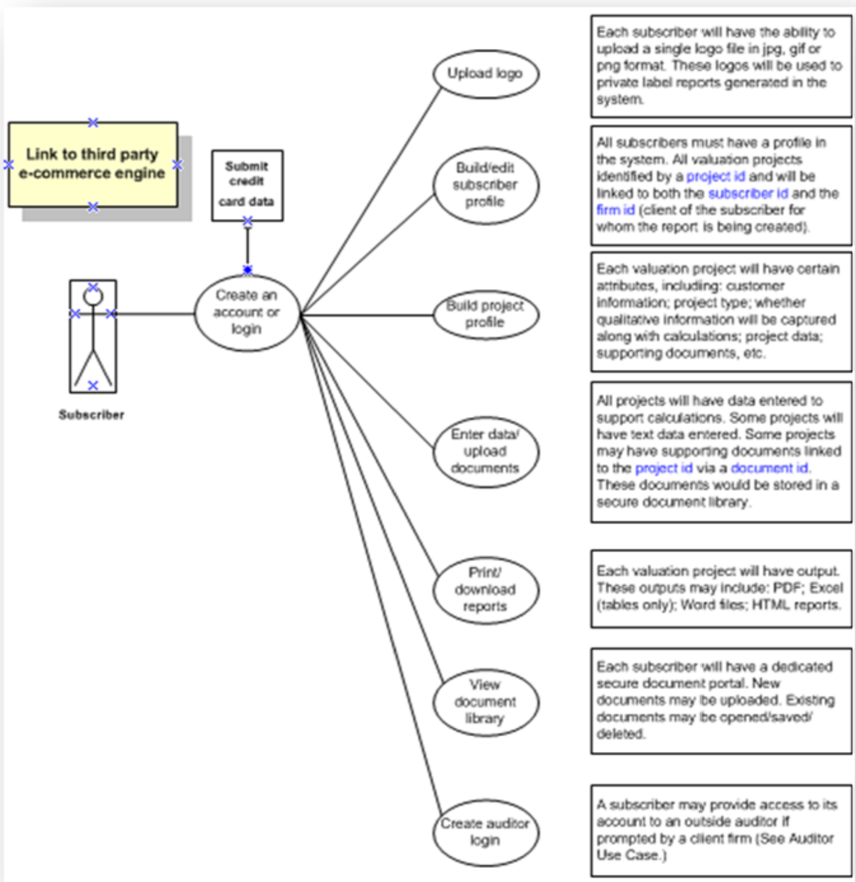
Remove Yourself from the Process

Up until now, all the steps you have taken have been geared towards helping you identify the nature of your product in terms of the value it delivers to the marketplace. Now, you must figure out how to remove yourself from the process entirely.

This may sound funny, but the entire point of developing the product is to deliver value without you actually needing to be in the room. This is true if your product is a lead generation product that is designed to up-sell and engagement with your firm or an information product designed to inform and educate your subscribers. Your product must be able to deliver value with or without active support from yourself or your team. This is where you begin to actually design your product and its features.

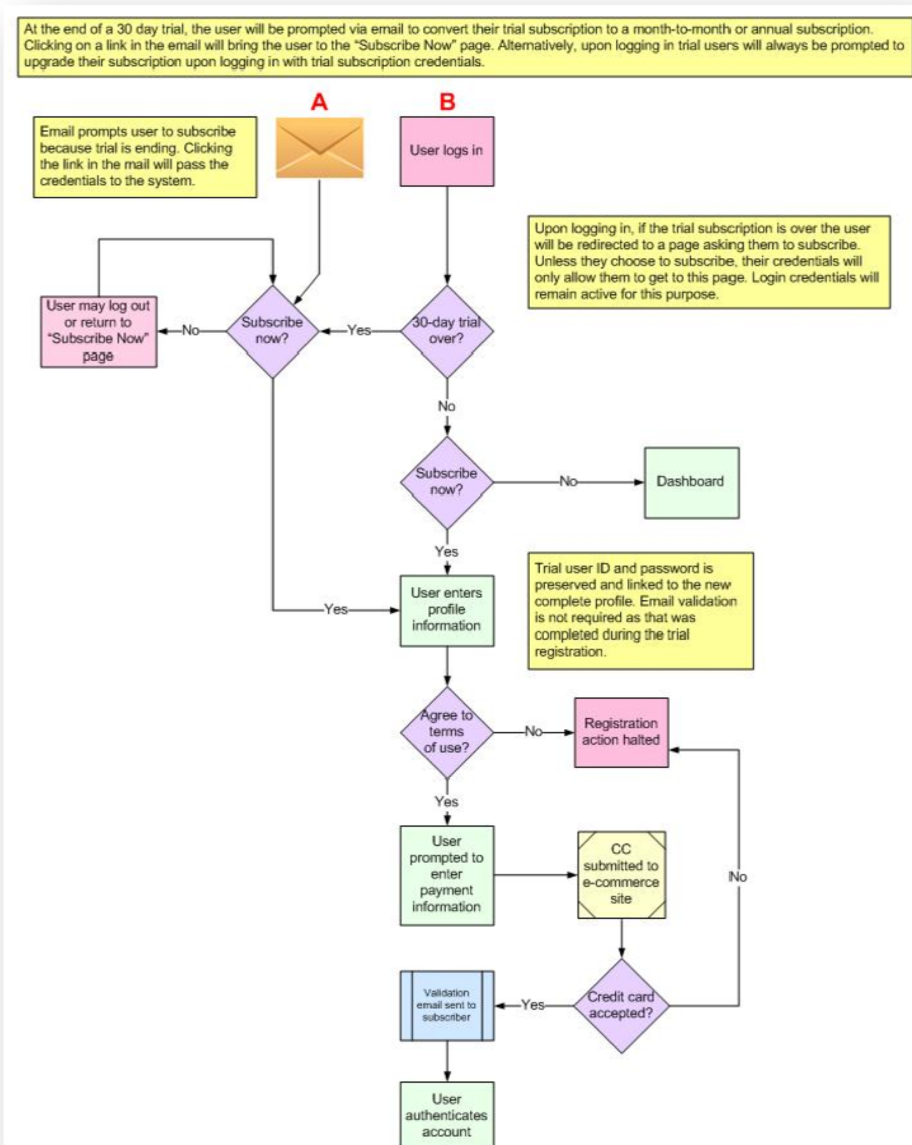
Early Product Design and Conceptualization

It is usually a good idea to begin this process by creating use cases for your product. In a use case, you will identify each potential user (i.e. employee, subscriber, administrator, etc.) and how they will need to interact with the tool.



A good use case will also have a brief description of the module being identified. This will help guide the next step in the process, which is documenting the process flow of someone who might use your product. This will identify areas where real value will be delivered as well as areas where future enhancements will have an impact.

This is type of flow diagram usually starts at a high level and gets more and more detailed as each piece of navigation and or functionality is identified. The process flow will ultimately serve as the foundation upon which the product's functional requirements will be built. For the un-initiated, this process may seem complex. But if you have researched your markets' needs and the value the product will deliver, then this process is really half completed. Now you are simply writing it down in a logical manner so that you can explain it clearly to those who will help you build the product.



Good workflow includes notes that will support the next level of documentation. Product design usually includes months of documentation and design work. The success of the product and your ability to keep costs under control are directly correlated to how much effort you take up front to complete this work. In many cases, the actual development of the product itself takes less time than creating the final design. Once you get through the initial product conceptualization work, your next steps will include quite a bit of work in the following high level categories:

1. Creating a requirements document
2. Creating system architecture and database design based in part on the following:
    a. Number of concurrent users
    b. Basic features and functionality required
    c. Required performance criteria
    d. Technology selected for development
    e. Scalability and flexibility requirements
    f. Future plans
3. Creating wire frames to show functionality and guide front end development
4. Creating choreography to demonstrate and depict navigation
5. Converting business requirements into technical specifications
6. Completing test cases to validate development as units of work get completed

Staffing Up to Build a Product

So you don't have a product team or a deep technology budget? No worries. Today, there are plenty of onshore and offshore solutions out there to assist even the smallest business with the most modest budget with the assembly and management of a truly virtual project team. Utilizing a virtual project team will help you control costs and can allow you to get more done faster with less impact on your core business. You can find project management groups to help you assemble and maintain your project. You can find independent contractors to report directly to you and serve as contract employees.

> ***"Utilizing a virtual project team will help you control project costs and can allow you to get more done faster with less impact to your core business."***

What is most important is that you find someone with experience to help guide your efforts. This will help keep your costs down. You should also make sure that you have identified a web-based collaboration tool, even if it is simply using Google Docs, to manage all your materials. This will allow you to manage your requirements and any changes to them that (will) arise as you move through the development process. Making the development process as transparent as possible will ensure that you end up with the product you designed and not something else.

Case Studies and Examples from IFConnect

Productizing a CPA Firm's Experience

A CPA firm generates revenue by providing valuation services to investment companies and business owners. These professionals have learned how to provide these services through years of experience and by blending output from a variety of calculators and pricing models. Over the years, they have developed some internal tools using Excel macros and other means to reduce the time (i.e. cost) associated with producing a valuation report. The company is quite successful, but can only generate as much money in a given year as they have internal capacity to produce reports. Basically, their revenue growth is linked to headcount. The larger the staff the more their costs increase and the burden on maintaining deal flow increases dramatically.

By productizing the methodologies used to produce business and securities valuations and standardizing the reports, the company is constructing a workflow tool that guides users and produces consistent output suitable for delivery to clients. Now, this firm still produces valuation reports, but it also generates revenue by allowing other firms to utilize its tools to produce their own reports. In other words, they make money on valuation without actively participating in the process simply by licensing their tools and methodologies to others.

Does this undermine their revenue? It will not because the company has authored a valuation tool being used by other professionals in the industry thereby increasing the stature of the firm. Additionally, the business benefits by establishing a persistent revenue stream provided by subscribers to supplement their own fee-based revenue generated from valuation engagements.

Building an Information Product from a Consultant's Expertise

An investor relations (IR) consultant has been practicing for many years. Over the years, he has written countless newsletters, articles, white papers and has finally started to establish a rough draft of a book. Getting a book published has become easier with all the self-publishing options available today, but creating sufficient buzz around the book to generate enough sales to replace his consulting income over the long haul is a pipe dream at best.

The consultant assembles and formats his materials into a coherent collection of knowledge that would be useful to anyone requiring the services of an IR professional. By publishing the collection as a book the IR consultant creates value by educating his readers. But by publishing his collection online, the IR consultant has created an interactive and dynamically updated information product that is truly useful to subscribers.

Instead of generating revenue through one-off sales of his book or using his book as a giveaway or loss leader to attract new clients, the consultant will generate new revenue from a potentially wider customer base. His information product has ultimately replaced the one-off sales of the book with recurring revenue from subscribers who actually use the information to help them manage their day-to-day IR challenges. The product can be seamlessly updated with new content and third party information to keep its content fresh. Supplemental revenue is also being earned through content licensing and through banner ads from third parties. Ultimately, the company is sold to a larger player in the investor relations space.

This approach to developing an information product is a cost effective way to expand the reach of a consulting firm and establish the firm as a thought leader in its market.

Conclusion

Productizing the collective knowledge, expertise and experience of a firm can be an effective way to find new growth and diversify a revenue base. Any professional services or consulting firm that has developed a consistent methodology for delivering services to customers is well positioned to develop a product.

Developing a product does not have to be an expensive proposition. While it’s true that any product development initiative will include some costs (i.e. development, hosting, marketing, etc.), there are plenty of ways to keep costs under control. Some ways to manage costs and reduce risk include:

1. Utilize virtual project resources to expand your firm’s bandwidth.
2. Ensure project transparency through the use of online collaboration tools.
3. Be sure to spend enough up-front time documenting your methodology and creating detailed requirements.
4. Make sure that you understand how your product will be different from other offerings.
5. Be clear on how your product will deliver value to your customers (i.e. will it make them money, reduce their expenses or mitigate business risk).

About IFConnect

IFConnect provides project outsourcing services and product management expertise to companies of all sizes. IFConnect supports clients through the entire product development lifecycle from conceptualization and design through development and production support. With offices outside Boston, Washington, DC and several major markets in India, IFConnect provides the best blend of onshore and offshore resources to serve clients with any budget.

About Jeff Roy

Jeff Roy is co-founder and CEO of IFConnect with more than 20 years of experience in the technology and information industry. Jeff is also the founder of a diverse portfolio of other technology, manufacturing and services businesses. Prior to founding IFConnect, Jeff served in several senior management positions with global responsibilities for Thomson Financial (now part of Thomson Reuters).

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Additional information about Jeff Roy's background can be found by visiting www.jlroy.com. More information about IFConnect can be found online by visiting www.ifconnect.com.