

CSG Advisory™

Culture | Strategy | Growth

Hardware is only half the story

A case for services mindset

McK – “There’s a **gold mine in aftermarket services**. But companies first need to know where to dig—and how hard.”

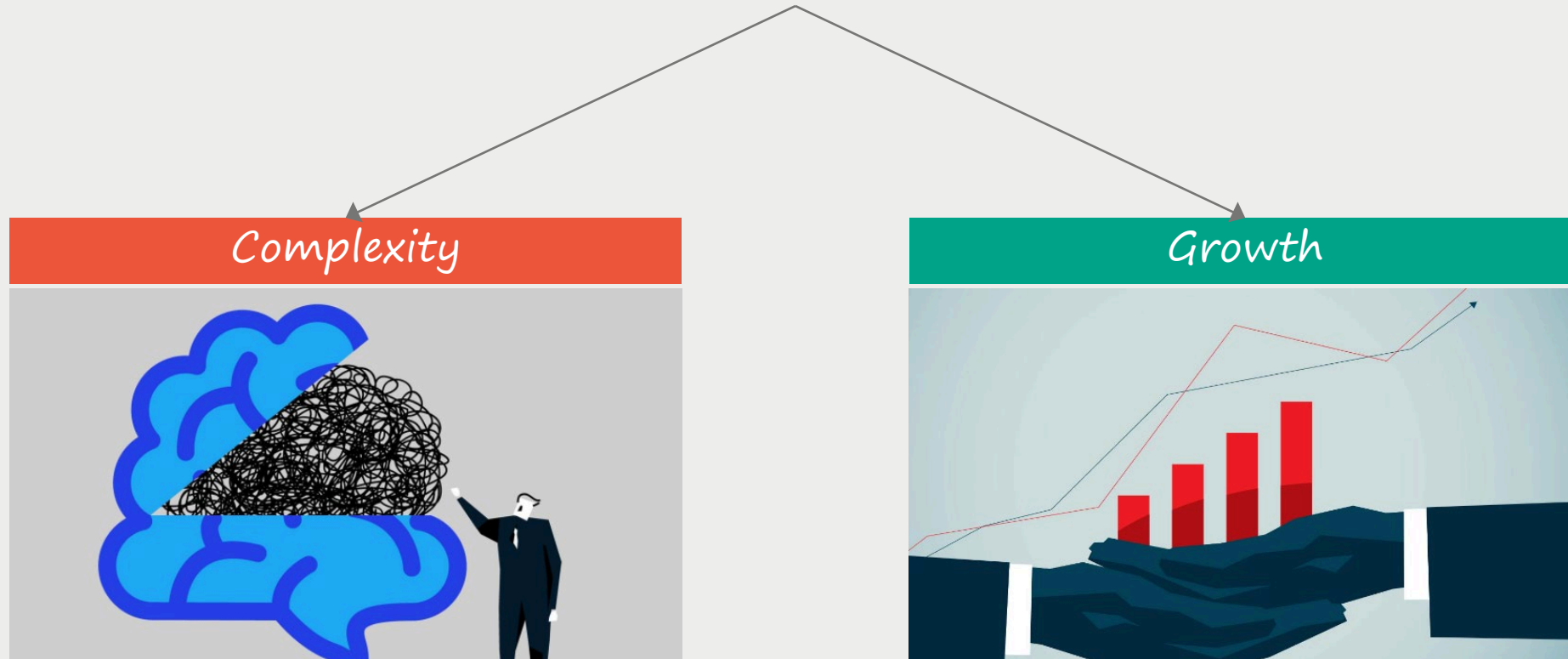


Purpose of this document

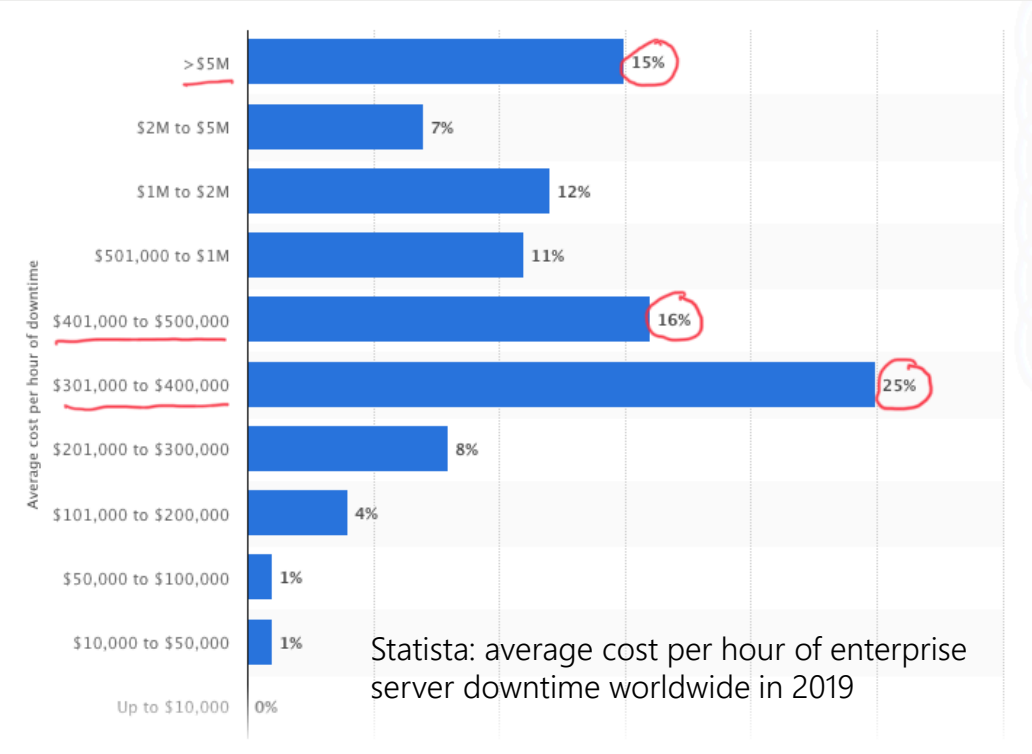
To provide external perspectives on the importance of infrastructure services and how to drive sales acceleration.

Question for the C-suite

How far is your IT Infrastructure taking you?



Downtime – An expensive deterrent to customer success



For companies with frequent outages and brownouts:



Source: IT Outage Impact Study 2019 by LogicMonitor

KEY FINDING

Downtime is Expensive

It is no wonder that IT professionals are so concerned about availability. Downtime is expensive, and it also impacts the business as a whole. The following list shows the top business impacts of downtime, as described by global IT decision makers.

Business Impacts of Downtime

- Lost revenue
- Compliance failure
- Damage to the brand
- Lowered stock price
- Mitigation costs
- Lost productivity
- Costs to mitigate and recover from a brownout
- Career negatively impacted
- Business failed

McK on Services Selling | A Street Fight

McK – “Selling in aftermarket is like a **street fight**: customers often buy services in a piecemeal, transactional way, and **OEMs have to win over and over again**, even with customers they thought were locked in.”

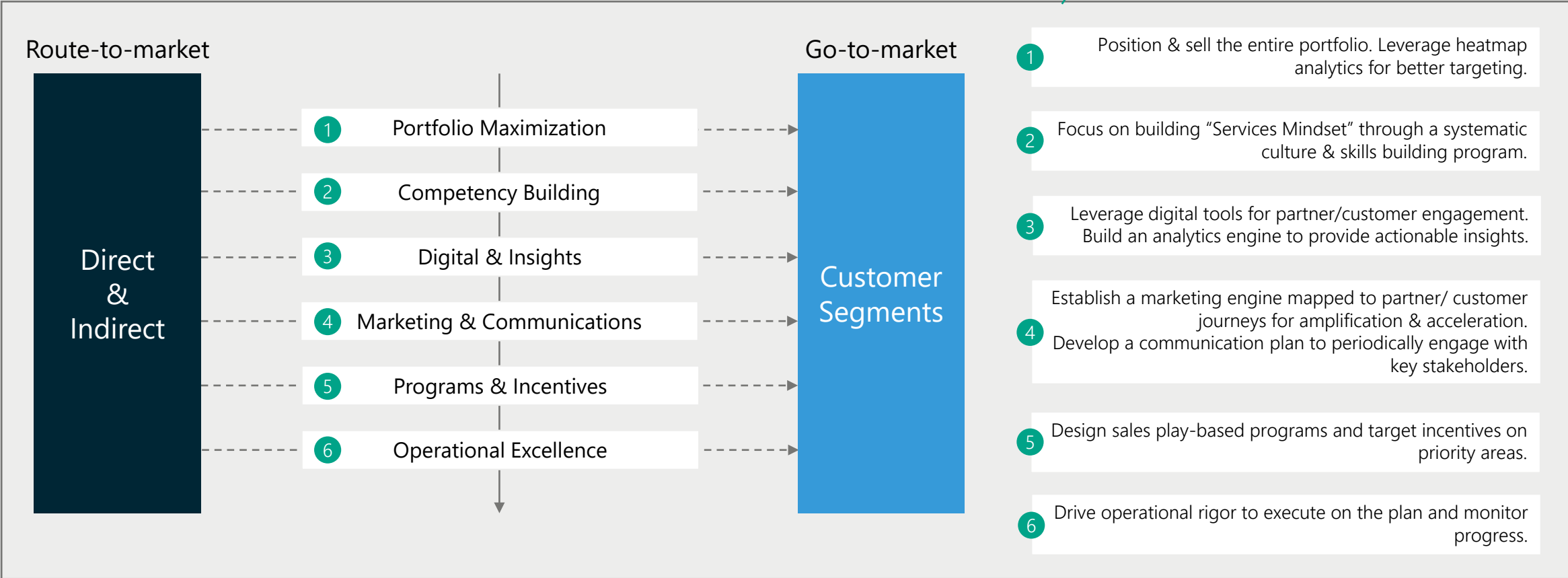
1. Recognize that aftermarket is unique and create a **separate salesforce**;
2. Develop **Sales Operating Plans** for each sales person, with detailed quarterly, monthly and weekly activities to exceed the sales target. Each plan incorporates sales leads generated through a scientific approach (see below);
3. Use a **gap-to-entitlement algorithm** to **identify customers with whom market share is low and/or declining** to feed the Sales Operating Plan pipeline and facilitate management weekly meetings;
4. Use **predictive algorithms** to determine **what to sell** to each customer, and **when to sell it**;
5. Define an **OEM-only Value Proposition**—to combat the low price offered by independent parts brokers or repair shops, the **OEM value proposition must be different**. In some industries, the mere OEM brand carries enough value to justify a price premium. In others, OEMs can compete through non-price levers (e.g., longer warranty, higher parts availability). In a few industries or for some customer segments, price is all that matters, and the most effective players have developed separate arms to source parts at cheaper cost (e.g., through secondary / used channels) and to sell them with lower overhead. In any case, **having a clear view of what value each individual customer derives from doing business with the OEM is essential**;
6. **Continuously train and mentor sales teams**—from our experience, **sales teams are too often under-trained** on how to effectively sell in aftermarket environments. In particular, sales teams are typically reluctant to use data to inform Sales Operating Plans. They rely too much on relationships. Training can help overcome this;
7. **Obsessively manage performance**—aftermarket sales teams are often dispersed geographically and are reluctant to undergo scrutiny from their leaders. Yet there is no shortcut: **in the context of the street fight, sales activities must be measured and reviewed on a very frequent basis**. Developing a live **Sales Cube** (that tracks sales-to-date vs. budget and vs. last year in **three cuts: by product, by sales person, and by customer segment**) is the first step in ensuring all white space is covered. On a weekly (and sometimes daily) basis, sales leaders review the cube with their teams to redirect their energy appropriately.

Services Sales Acceleration Framework

Guiding Principles

- Gather "Outside-in" and "Inside-out" perspectives
- Align to your sales strategy
- Ensure Speed and Agility in value creation
- Design to reduce seller burden
- Drive buyer enablement to enhance sales experience
- Steer cross-functional collaboration for faster time to market

Package this into a **sales playbook** for your direct & indirect salesforce



“At high-growth industrial companies, services aren’t just an optional add-on, but an essential revenue driver deserving thoughtful investment...**The growth of services is a key driver of both the top line and bottom line for any product-based organization.**”

McKinsey & Company (McK)

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Thank you

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www.csgadvisory.com

Connecting the dots | Building a narrative | Developing a point of view