So Why Don't You Want My Added Value?

So Why Don’t you Want my Added Value?

The second of three articles on adding value to client relationships

Many professionals are either suspicious or cynical about the notion of providing added value to clients. Their views are not usually based on assumption or prejudice. They are based on experience. They have seen attempts at providing added value either rejected by clients or scooped up and taken for granted as part of the client’s ‘rightful entitlement’. Conversely every firm has clients who are raving fans. These clients not only think that the advice and service they receive are first class but they also testify to receiving other benefits that could be labeled ‘added value’.

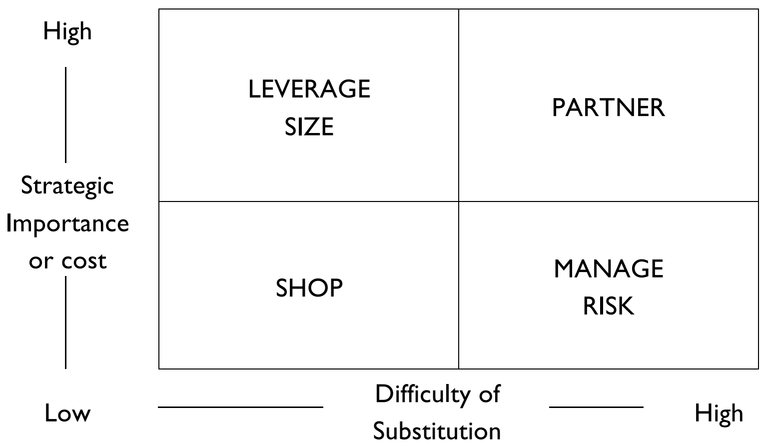
As we wrote in our first article on this subject, added value from a client’s perspective is individual and personal – and sometimes the factors that make up added value are intensely personal.

Having said that what constitutes added value is very individual, there are some guidelines that can be used to work out which clients are likely to be most receptive to our attempts to build the strength of the relationship through delivering added value. These guidelines will also help us to decide where providing ‘added value’ will be seen by the client not just as irrelevant but as expensive, wasteful and harmful to the relationship. The Supplier Segmentation Matrix provides us with a useful analysis model

We first saw this model in Re-thinking the Salesforce, a book written by Neil Rackham and John de Vincentis. It works in this way. Firstly we have to put ourselves completely in a client’s shoes – a client where we would like to build the relationship by bringing some form of added value. We have to think how they think – not how we would like them to think.

There are two axes. The horizontal axis represents how difficult it would be for the client to replicate the services and relationship that they receive from us today. If the client places us at the far right of this axis then they believe that we are almost unique. However if the client places us to the far left then she sees our overall offering as a commodity.

The vertical axis can represent two factors. One is the strategic importance of the services that we offer to the client. The second is the significance of the spend in the client’s eyes. The higher we are positioned on the vertical axis the more significant our services are to the client in terms of either overall expenditure, strategic importance or both of these factors.



Again we stress that we must use this tool viewed from the client's perspective. This was brought home to us recently when interviewing a client of one of our law firm clients. The person we were speaking with was the Company Secretary and at one point he said, referring to our client, "I think that they see us as important as we probably spend around £200,000 a year with them. However, in the context of our business this is not a large sum. It is insignificant compared to the amount that we spend on actuarial services."

The matrix provides us with an overview of how our clients are likely to behave in relation to their purchasing of expertise – and an insight into their likely views on added value.

Shop

Clients that position the capabilities that we provide to them in the bottom left hand quadrant are likely to shop. What did this mean? As Rackham and de Vincentis explain, when a client perceives a firm's service in this quadrant (not particularly significant and easily obtained elsewhere) their typical behaviour is to shop around. The client usually has little loyalty. Even if a firm did great work the last time it handled a piece of work, this is no guarantee that they will even be asked to pitch for the same work next time round. If, for any reason, the client believes that she can get a better deal elsewhere then the business is likely to move.

Mostly the people within these clients will not be receptive to attempts by firms to provide added value. They don't want service review meetings and they don't want to attend technical seminars to expand their knowledge or horizons. They may take up offers of free hospitality but it won't buy much in the way of loyalty. In their minds added value equates to a discount.

Leverage size

Clients that see us in the top left quadrant consider that they spend a lot of money on our type of capabilities but those services can be obtained from numerous firms. Hence they leverage this buying power. We can observe this behaviour clearly in recent times with banks, insurers and other corporates reducing their panels, placing more business with less firms but dictating terms, pricing, standards of performance and compliance to protocols.

In our experience most firms that make it onto these panels spend most of their planning time working out how they can comply with the client's demands with least change to previous custom and practice. They seek to do the minimum to fall within the client's 'ridiculous' parameters, hoping that one day sanity will return.

Yet these clients are shouting out loud what kind of added value they are looking for. "Help us be more efficient." "Provide us with better controls and information." "Assist us in reducing our overall spend." Instead of seeing the client's goals as a threat, firms would be better advised to embrace the challenge. Instead of being dragged along unwillingly, the firm should be asking the client, "How can we get close enough to you really understand your situation and be able to add value by figuring ways to reduce your costs?"

Manage Risk

In this quadrant our work is not seen by the client as particularly mission critical to the business and the money spent will not be viewed as seriously significant. However, the client recognises that there are not many firms that can provide the type of capability that we bring. A lack of choice means that it is very important that the client chooses her advisers well. It will not be easy to change horses if the relationship does not work or the chosen team is found not to be up to the task. The client has some degree of risk and the wise client will manage and minimize that risk.

The obvious first target for adding value is in the area of reassurance. More regular meetings and reviews, scheduled telephone updates, internal briefings for the client's people and evidence that our team is tightly knit and communicates well internally will demonstrate value beyond technical excellence.

Partner

This is the 'dream' quadrant. However there are few services in most firms that clients position thus. Here it is easy to add value as what we do and the way that we do it are recognised by the client as providing intrinsic added value – to the point where they want to behave as partners. This means that they will be proactive in seeking ways to work more closely with their chosen advisers and will be open to suggestions as to how this could work better for both sides. However, in this fortunate situation a firm must not become complacent. As a well known 50 year old partner told me recently, "A lot of what was leading edge when I was starting out in this field is routine work done in-house now." So even in this quadrant we still need to be seeking ways of differentiating ourselves through providing added value.

Once again, the key to delivering added value is our ability to look through the client's eyes at the world. By taking account of the two axes described above we can already see that what is added value for one would be added expense for another.

> Next issue
>
> In the third and final article in this series we look at the ways that firms can identify and deliver added value to their clients.

PACE®

The PACE Partners
PACE House
Churchfield Road
Walton-on-Thames
Surrey KT12 2TZ

t +44 (0)1932 260062
f +44 (0)1932 260011
e tpp@thepacepartners.com

www.thepacepartners.com