GENERATION 3

Growth Planning

GEN3CS

SUCCESS OUTCOMES

Enabling customers' success outcomes lies at the heart of Generation 3 Customer Success. If this concept isn't familiar, please read the white paper entitled 'Introduction to Generation 3 Customer Success'. It will give context to this paper.

GROWTH

Geoffrey Moore introduced the technology sector to the Technology Adoption Life-Cycle [(1)]. He documented the stages every product or service goes through. He explained how growth varies at each stage. It's slow during the early adopter phase, speeds up during the early majority then slows and declines in the late majority and laggard phases. Vendors with products in the early majority phase don't have a problem with growth. For everyone else, growth presents a challenge.

Generation 3 vendors understand this lifecycle applies to them. So, they constantly plan for new sources of growth. And they use a new lens to plan that growth – the success outcome they serve.

[(1)] *'Crossing the Chasm; Moore, Geoffrey A. 1991 Harper Business'*

BEND GROWTH MODEL

Baseline

Extension

New Market

Disruptive

Generation 3 growth planning uses four different types of growth – **Baseline, Extension, New-Market and Disruptive**. They form a somewhat fortuitous acronym – BEND. It's fortuitous as vendors need a flexible growth planning framework. The industry changes quickly. Vendors need a growth planning process that can adapt or bend to suit the changing environment.

GENERATING GROWTH IDEAS

Smart, competent people lead most IT vendors. These leaders don't find it difficult to generate growth ideas. Often, the challenge isn't in generating ideas, but in choosing which ones to pursue.

Generation 3 Growth offers a few advantages as a growth planning approach. First, it provides a simple context for idea generation – the success outcome. The success outcome helps align everyone's thinking around how to increase revenue by better serving the customer.

Second, Generation 3 Growth provides a step-by-step method for generating ideas. Everyone can follow the process, and it helps everyone stay focused.

Third, it offers a method for prioritising and choosing the ideas to pursue. Capability Circles helps everyone understand why some ideas move forward, while others don't.

Finally, Generation 3 Growth helps generate a practical plan of action.

THE FIRST STEP IN GROWTH IS TO RETAIN EXISTING REVENUE

It's hard to grow if the existing base of revenue isn't stable. Cloud and as-a-service have made that base far less stable. Loss of revenue can take two forms. First, the customer can switch vendors. Because license fees aren't paid upfront anymore, it's financially easier to switch vendors.

The second loss of revenue comes from lower than expected usage. In the days of perpetual licenses, the customer bought the licenses needed upfront. When customers buy Cloud licenses, they pay only for the number of users needed immediately. If they don't achieve success, usage will not increase and may even decline. Even if the customer doesn't switch vendors, the vendor's revenue will be much lower than expected.

Through a customer success program, vendors aim to protect existing revenue and then increase usage for additional revenue. They want attrition or churn to be as low as possible. An effective customer success program provides the best way to minimise attrition and increase usage.

Let's now consider the positive side of growth - Generation 3 Growth.

GENERATION 3 GROWTH

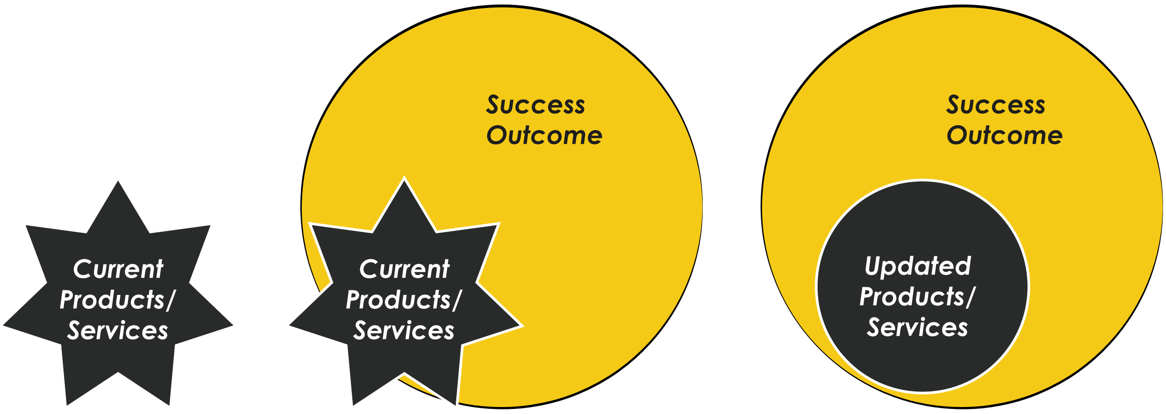
GROWTH CATEGORY 1

BASELINE GROWTH

Most vendors want to sell more of their existing products. Defining a success outcome provides a new perspective on the vendor's products and services. Do the products and services enable the success outcome? It's possible some features are missing, in which case the vendor will need to plug the gaps. It's also possible there are features or elements which aren't important to the success outcome. Removing unnecessary features may simplify implementation and reduce costs.

Defining a success outcome provides a new perspective on the vendor's products and services.

The following diagram illustrates the concept. The vendor had a set of products and services (on the left). When they added the perspective of the success outcome, they realised the shape of their products and services needed to change. They could drop some products and services and add others. They ended up with a set of products and services well-shaped for the success outcome they'd chosen.



Baseline Growth isn't only about ensuring the vendor's products and services fit the success outcome. The success outcome can generate demand for existing products and services. If we again learn from The Challenger Customer[2], Generation 3 vendors want to provide Commercial Insight to their customers. The success outcome provides a vehicle for doing so.

Introducing success outcomes to a customer can help them see their business in a new light. To use Challenger thinking, a success outcome can provide new Commercial Insight. The Generation 3 vendor can then help them develop a plan to achieve the success outcome. That planning process will generate new projects from which the vendor can derive revenue. Everyone wins.

The lens of a success outcome also assists ongoing decisions about improvements in core products. Generation 3 vendors give priority to new features that best enable or improve the success outcome.

Success outcomes drive increased sales for existing products and services.

[2] Adamson, Brent, Dixon, Matthew, Spenner, Pat and Toman, Nick. (2015). The Challenger Customer. Penguin Group.

GROWTH CATEGORY 2

EXTENSION GROWTH

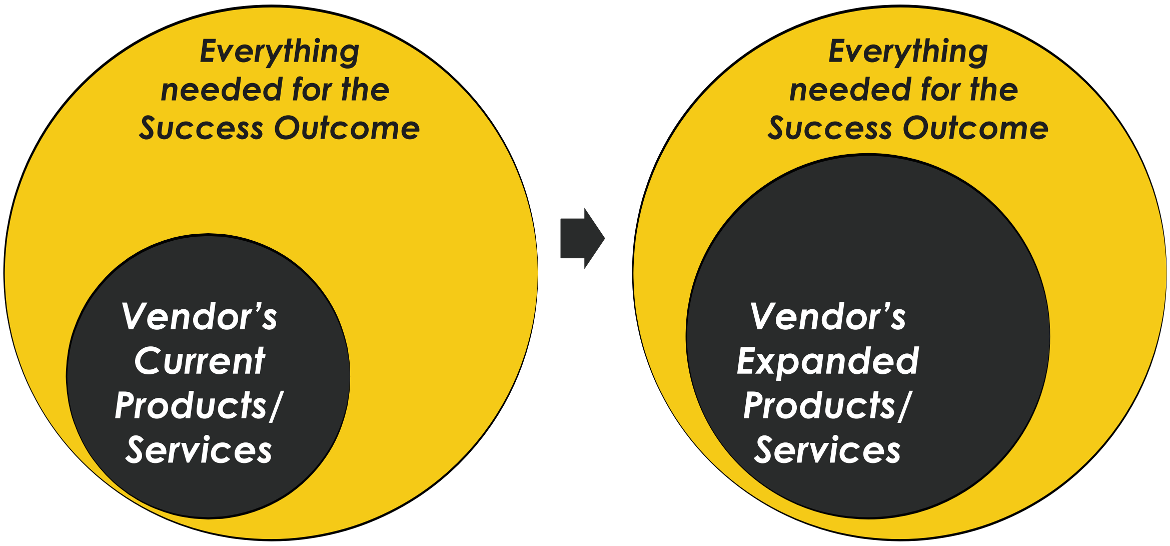
Baseline Growth focuses on increasing sales of existing products and services. Extension Growth identifies new products and services the vendor might offer. There are four types of extension growth – bridging the outcome gap, end-consumer outcomes, higher-level outcomes and secondary outcomes.

Bridging the Outcome Gap

The vendor's current products and services help enable a success outcome. But the vendor doesn't do everything required. Growth can occur by doing more of what the customer needs to achieve their success outcome.

The outer circle represents all the products, services and activities needed by the customer to achieve the success outcome. The inner circle represents the products and services the vendor provides. Other suppliers also provide products and services. And the customer carries out activities themselves.

The vendor can grow by doing more of what the customer needs to achieve the success outcome.



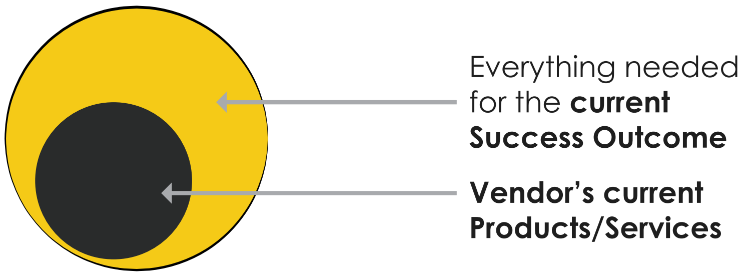
End Consumer Outcomes

The IT vendor enables their customer's outcome. The relationship is almost always a B2B relationship. The vendor and their customer form part of a supply chain. The supply chain eventually serves end consumers. The vendor can generate ideas for new products and services by considering the outcome the end consumers want to achieve.

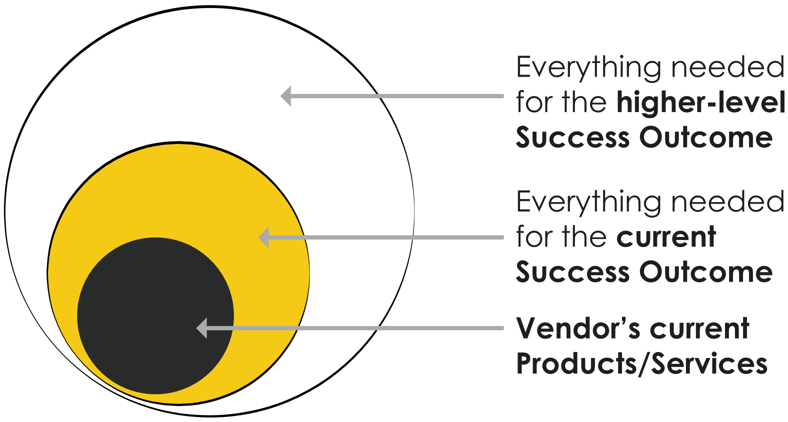
Higher Level Success Outcome

Success outcomes nest. The highest success outcome (financial results) has smaller success outcomes that contribute. And these might have smaller success outcomes. Vendors choose a success outcome for which they are the most significant external supplier. But this success outcome is a subset of a bigger success outcome. The vendor can grow by adding new products and services to become the most significant vendor for that bigger success outcome.

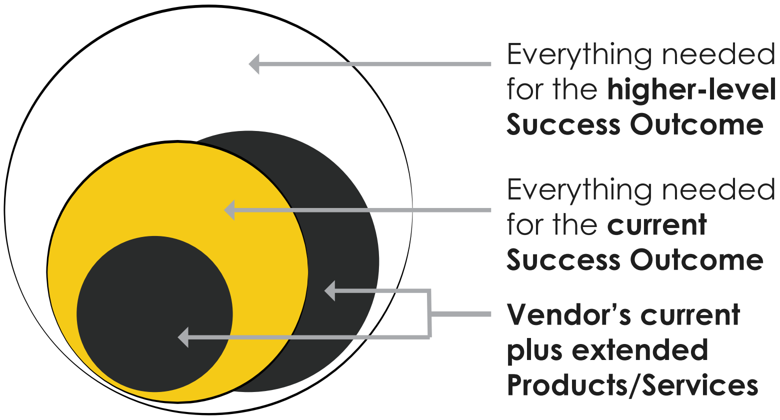
The vendor serves a success outcome for which they are significant.



This success outcome may itself be a subset of a bigger success outcome the customer wants to achieve.



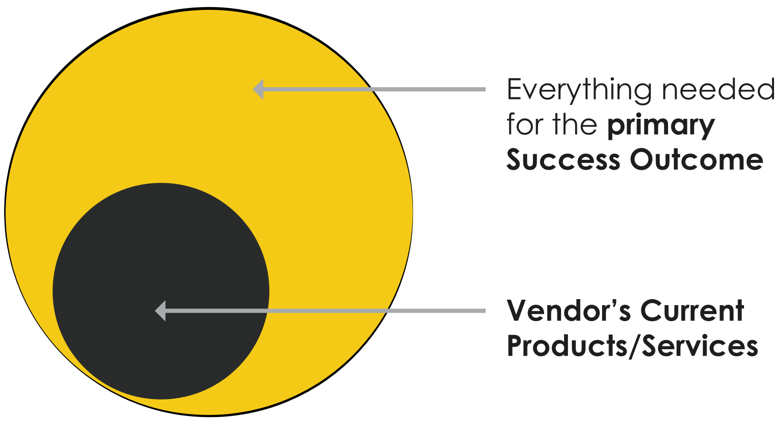
The vendor can grow by offering products and services that enable the higher-level outcome i.e. the outer circle.



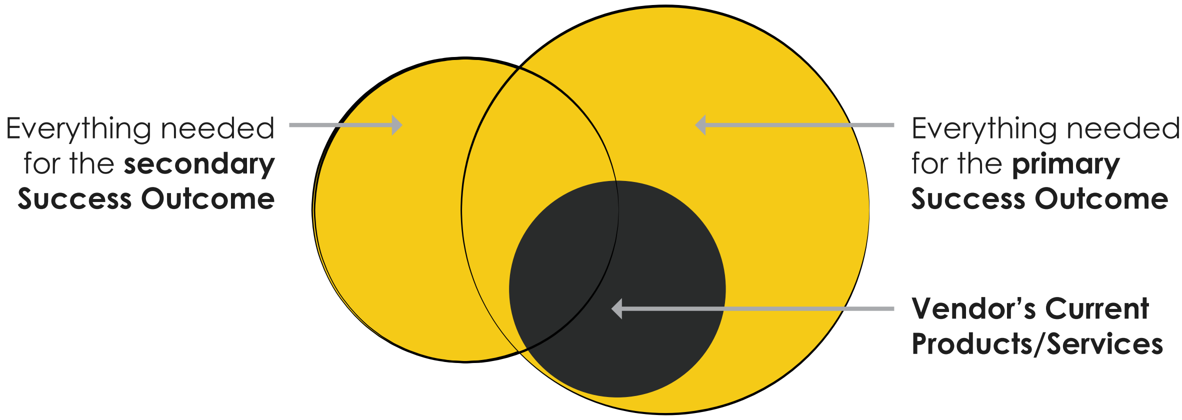
Secondary Success Outcomes

It's possible for a vendor to serve more than one success outcome. They have a primary success outcome. This may overlap with another, secondary outcome. The vendor can increase sales by offering more products and services for the secondary outcome.

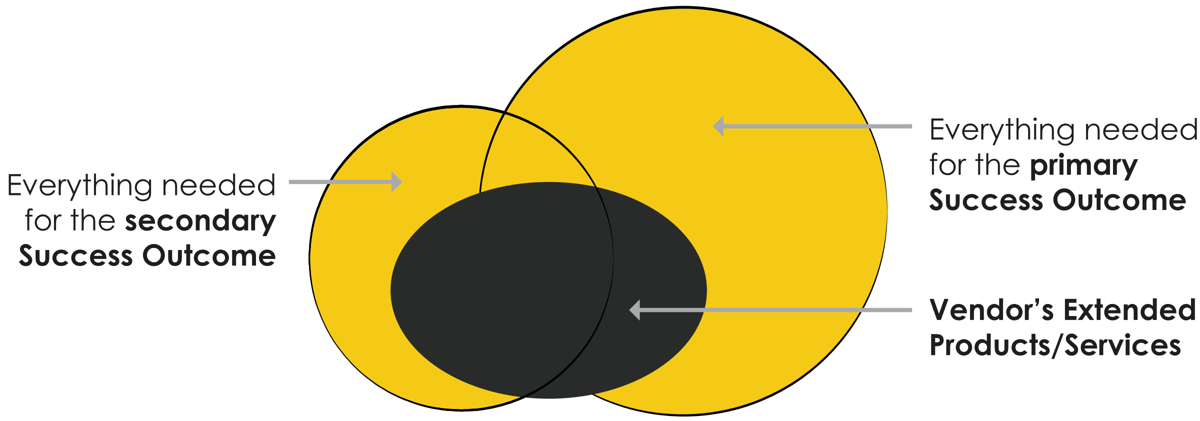
The vendor serves a success outcome –



But the vendor's products serve a secondary success outcome –



The vendor can grow by extending their range of products and services into the secondary outcome i.e. to do more to help the customer achieve this secondary success outcome.



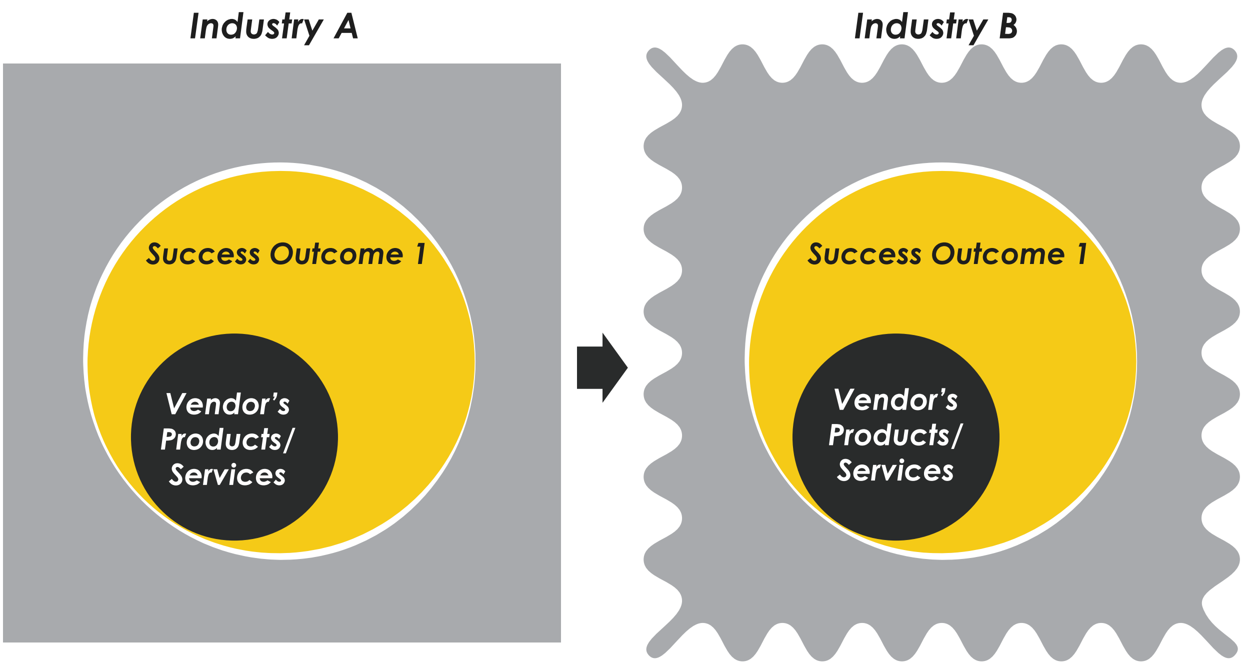
GROWTH CATEGORY 3

NEW MARKET GROWTH

For most vendors, it's tough to break into a new market. If the new market is a new geography, it's easiest for vendors to set up in locations where their customers already have operations.

Breaking into new industries is much tougher. A lack of reference accounts in a new industry often proves the biggest challenge. It's hard to win customers in a new industry without references in that industry. And without customers you can't have references.

Generation 3 customer success provides a new way to overcome this challenge. The vendor serves a success outcome in one industry. They look for other industries with a similar success outcome. Instead of industry references, they use outcome references. The vendor shows prospects how they enable the success outcome in the other industry.



GROWTH CATEGORY 4

DISRUPTIVE GROWTH

Most vendors would love to grow by disrupting the market they serve. We see more and more disruptive products and services, some producing spectacular results for the disruptor.

Lots of different external factors can result in disruption of an industry. Regulatory changes, economic changes, wars, terrorism and much more can disrupt an industry. In the IT world, the most common disruptor is technology. In the creation of positive disruption for a vendor, technology will be the most common tool used.

Technological Disruptors

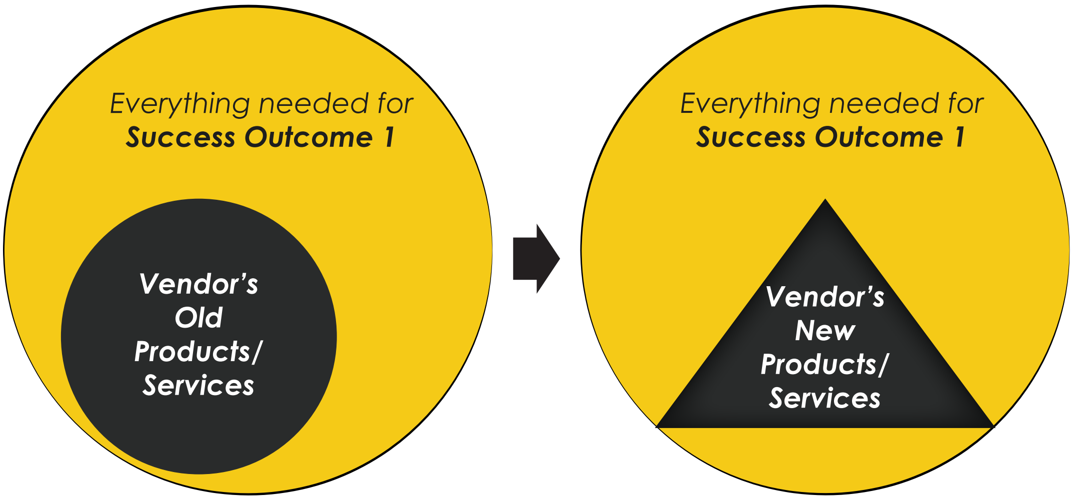
The following examples of technological disruptors can all be used to generate ideas for new products and services.

- Artificial Intelligence
- Robotics
- Big Data
- Internet of Things
- Cloud
- Online Collaboration

These disruptors can help IT vendors create new products and services and grow their business. Generation 3 offers three types of disruptive growth planning – New Delivery, Add-on Outcome and New Outcome. Let's look at each one -.

New Delivery Approach

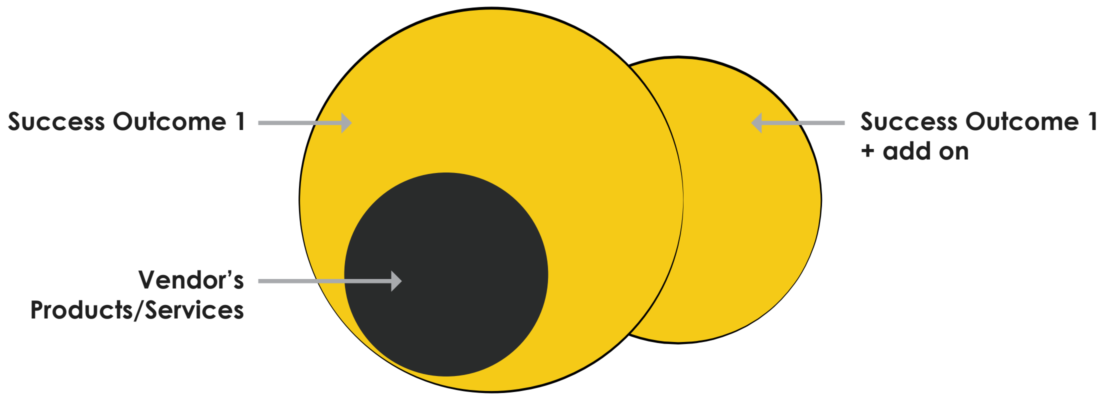
New Delivery involves finding new ways to deliver an existing success outcome. It looks like this –



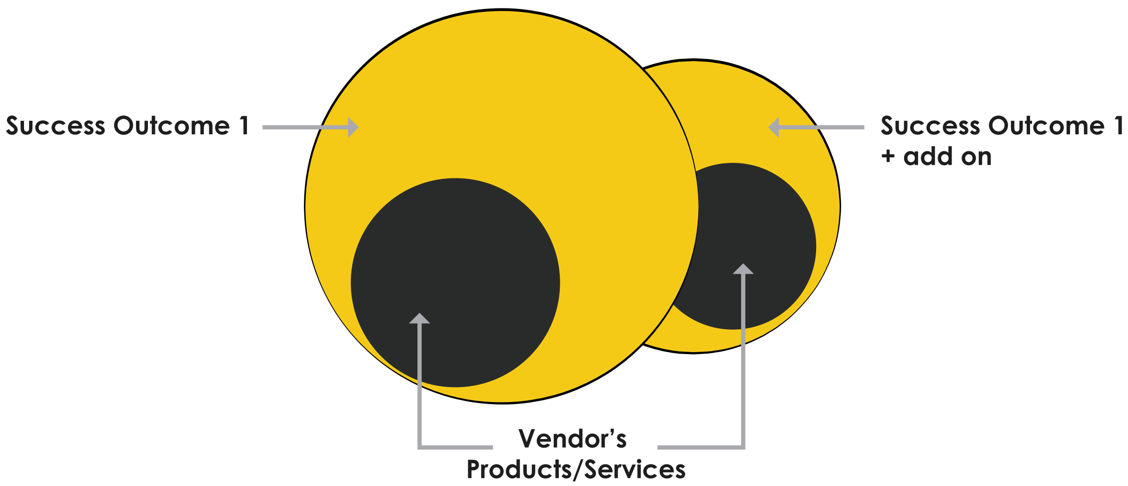
Netflix provides a recent example. They disrupted the video-store industry. The video-stores success outcome might have been 'entertained at home'. The first disruption by Netflix overcame the need to go to a store to rent a video. Netflix customers could order online, and Netflix would deliver. They enabled the same success outcome of 'entertained at home' but used a new delivery method. Netflix then went a step further and provided video streaming. And that really was the death-knell for video stores (and their own video business, by the way). Again, the same success outcome but a new delivery method.

Add-on Outcome

Creating an add-on outcome involves taking an existing success outcome and adding a new and innovative element to it.



The vendor provides new products and services that enable the current outcome plus the add-on. Note that the new products and services may be completely different to those offered to enable the previous success outcome.



To illustrate, let's consider personal productivity and companies that once thrived but then plummeted. In the past, business people used paper-based daily planners. These were often leather folders. They contained pages for contacts, calendars, to-do lists and information such as public holidays et cetera. But if someone lost their daily planner, they lost everything. It was a nightmare.

And then the PalmPilot came along. It put all this business information on a handheld device and backed the information up. Palm added a new success outcome – 'business information captured and backed-up'. It was a breakthrough and Palm took off as a company.

Some years later, BlackBerry added push email on the mobile device. They changed the success outcome for mobile devices to something like 'business connected'. Another breakthrough and BlackBerry took off.

Then the iPhone came along. The iPhone added personal apps, social media, music. Apple had added something further to the success outcome. Their success outcome became 'personal and business connected'. iPhone sales went crazy. Android followed a year later.

These are all examples of add-on outcomes. A company took an existing success outcome, added a new element and created a new outcome. And in so doing, disrupted all other competitors.

New Success Outcome

The third approach to disruptive growth involves creating an entirely new success outcome. The disruptive technology discussed earlier can help create success outcomes not previously imagined.

Driverless cars, voice control of mobile devices (e.g. Siri), remote access and control of heating or cooling in a house, fridges and cupboards that automatically replenish contents all provide examples of technology creating new success outcomes.

Generation 3 vendors monitor these and other technological disruptors. They consider whether these disruptors can create new success outcomes they can serve. They know that if they can make a breakthrough in creating a new success outcome and then enable that outcome, their revenue can explode.

CHOOSING WHAT TO DO

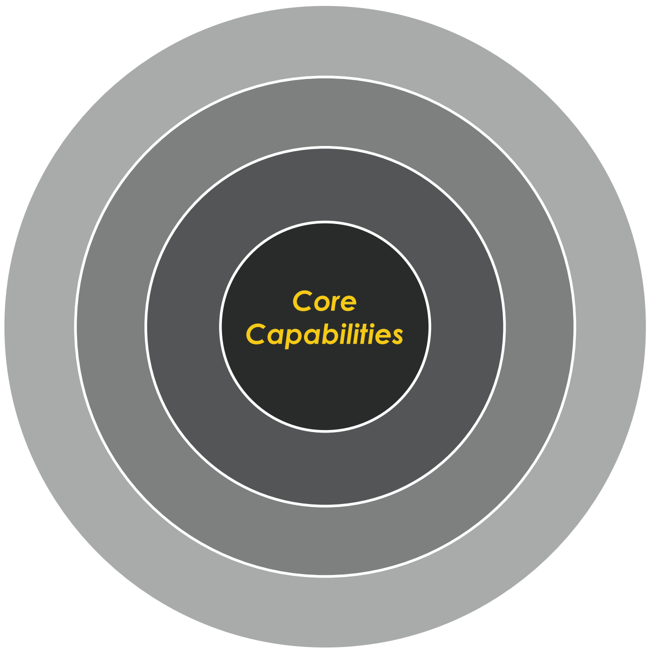
Generation 3 vendors plan for growth regularly. They create lots of innovative ideas. They'll almost always have too many to implement them all. Their next step is to sort and prioritise the ideas then generate a practical action plan.

Core Capabilities

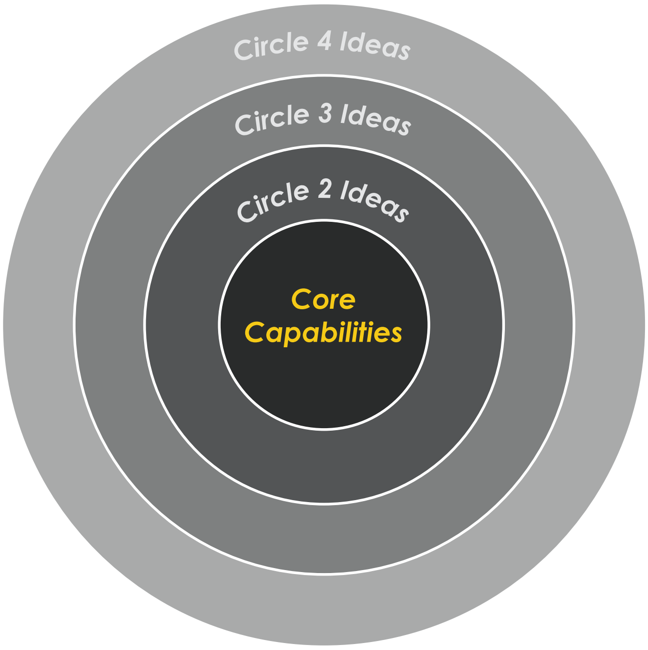
In choosing ideas to progress, Generation 3 vendors first consider proximity to the vendor's core capabilities. Core capabilities are the things the vendor does consistently well. A new idea will be easier to implement if it's close to core capabilities. The vendor is likely to have much of the skill needed. And customers are more likely to accept the new product or service if it's close to the vendor's core capabilities.

Capability Circles

Capability circles provide a simple vehicle to visualise the ranking of ideas. Generation 3 vendors place core capabilities in circle one, the centre circle.



The vendor then rates each growth idea on proximity to core capabilities. To visualise this proximity, they place each idea in a circle. Ideas close to core capabilities go in circle two, the first ring out from the centre. Ideas further away go in circle three and ideas furthest from core capabilities go in circle four. This provides the first cut prioritisation of ideas.



However, rating ideas solely on proximity to core capabilities isn't enough. A second step takes account of other factors such as

- cost
- potential revenue
- ease of implementation
- return on investment
- cultural fit
- the competitors for a new product or service.

Each vendor will decide these secondary factors themselves. The cycle assigned to each idea may change based on these secondary factors.
The circles will show priority and timing. The vendor will implement ideas in circle two, probably in the current year or next year. The vendor is likely to implement ideas in circle three but commencing in one to two years' time. Ideas in circle four need further analysis before the vendor decides whether to proceed.

A Practical Action Plan

Once the vendor has prioritised the ideas, they need an action plan. The ideas will all sound appealing. The temptation to launch many of them will be difficult to resist. Most organisations have experience of over-ambitious plans.

Adept Generation 3 vendors become ruthless at this stage. They appraise the resources they can apply to development of new products and services. They make sensible decisions about a limited number of projects they can sustain. And then they execute.

SUMMARY

Generation 3 vendors use the lens of success outcomes to generate innovative growth ideas. They employ the BEND Growth model, which offers four categories of growth –

Baseline

Extension

New Market

Disruptive

With lots of great ideas generated, they then use Capability Circles to prioritise the ideas. And then develop a practical action plan.

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