

How to see what your clients see. The Services Lifecycle.

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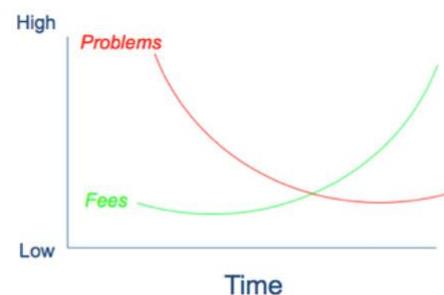
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One of the most dangerous occurrences in any relationship, including a B2B outsourcing services contract, is when parties see the same situation in a fundamentally different way.

As you may or may not know, services have a lifecycle, just like products. As soon as you are well under way in solving the problems you were hired to solve, clients will start to experience a value gap. They pay the same (sometimes even more), to solve problems they no longer experience. This is shown in the graph.



Viewed through the eyes of the service provider, you're doing a great job. You've successfully solved / reduced the client's problems and you are getting a fair return to your firm. This is exactly what you were trying to achieve, right?



"The wheel was great.

What have you done for me lately?"

It looks different, however, from a client's vantage point. Once the lines have crossed, clients see high fees for a smoothly functioning / low problem operation that doesn't require a lot of work. When time passes, it is easy to forget the hard work you have put in at the start and the massive value you created to make operations run so smoothly. It's natural for clients, who are always looking to trim costs, to begin to wonder, "*What have they done for me lately?*"

Worse yet, as time passes you become increasingly vulnerable to competitors. They look at your smoothly functioning operation, where the big problems have already been solved, and begin saying to your client – "*We can do this for less – perhaps a lot less.*" And guess what – they probably can. It's a lot easier when there are few, if any, problems left to solve.

This fundamentally different way of looking at the same situation costs service companies



"I would praise you, but your value is beyond words."

billions of dollars in lost contracts every single year.

The service lifecycle reminds us of a fundamental truth about key account management. At its core, it is a disciplined process of communication – not an operational one. Mature service providers in any business are already great operators – fully capable, experienced and credentialed in managing the services entrusted to them. But increasingly, that is not sufficient to achieve breakthrough levels of client retention and contract renewal.

Contracts get lost because clients see value different than you do.

It is not your performance that determines the perceived value, it is your performance relative to your client's expectations.

A minor difference in semantics you would say? Definitely not! It is a fundamental difference in your operating model. Most operating models are focused on the status quo. They are designed to deliver on what is contracted, with minimum effort and costs. And just take a look at the services lifecycle to see where that gets you.

If you want to remain a relevant business partner during the course of a contract and renew the contract based on value instead of price, your operating model should focus on relevant value. It should be designed to manage and deliver on the ever changing expectations of your clients. When you start on this path, you will learn that the expectations of the decision makers in your clients' organization go well beyond what is agreed upon in the contract. They are much different from the basic operational kpi's in the contract, more on a business level.

Managing expectations is the only way to deliver 'relevant value', value in the eyes of your client. Not just once, but throughout the entire partnership.



**"What if we don't change at all ...
and something magical just happens."**

Have you ever heard a client ask for innovation? That's actually a client saying that you are not performing up to their expectations. Bringing innovation is a basic expectation in any service contract once the main problems are solved. And doing so proactively is the best strategy for when you are at the end of the service lifecycle in a contract. It will help you set new goals together with your client and therefore influence your relevance as a business partner.

To see what the focus of your current operating model is, just take a look at your management reporting. Does it show how you are doing against your client's expectations? Does it show your relevant value, or does it show how well you are doing on what was contracted a long time ago?

That's where [Tenacity's Clients for Life process](#) comes in. Clients for Life reshapes the way you communicate with your clients, in both directions, to achieve full collaboration, transparency and partnership. It creates the bridge that great operators seek between high levels of client satisfaction and great client retention.

We'd be pleased to talk further with you about the service lifecycle. See our website for more contact details:

