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B2B productization for improved sales process efficiency and demand validation

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Sales and marketing competences are often still at a premature stage in many Finnish technology-oriented companies. In this article the concept and basic approach of B2B productization is presented and illustrated with some real-life case examples from a Finnish technology company.

Sales and marketing competences are still at a premature stage in many Finnish technology-oriented companies. More specifically, many R&D intensive technology companies are lack the competence for commercialization. However, the only way for most B2B companies to succeed in often uncertain market conditions is to develop differentiating offerings that add value to customers.

In this article the concept and basic approach of B2B productization is presented and illustrated with some real-life case examples from a Finnish technology company. The basis for productization was built through a segmentation of the target market, packaging of the company's expertise to form a compelling business case for each of the targeted segments, and finally developing specific sales materials and pricing tools iteratively based on this foundation.

In service business, productization stands for turning knowhow into sellable and marketable products

The development of offerings based on a technology, platform or service process is a core function of productization. Productization is defined as work that fosters expertise or knowhow into a product that can be priced, marketed, sold and delivered. Productization is also referred to as the process of analyzing target customer needs, designing the product

and developing the ability to produce it. This article focuses specifically on productization of B2B products and services. In B2C, successful productization is often about packaging a conventional offering in a novel way or offering it through a new channel (like Spotify or Netflix) to awake higher customer interest than in competing offerings. In B2B the buyers are more professional and rational, and this productization is often about being able to capture and illustrate a quantified business case which drives the client to select the offering over competing ones and sometimes even to pay a premium for it. Practical examples of productized B2B offerings are service packages related to virtual lawyers or assistants, or more generally, service packages of which the scope and price are easy to perceive and thus easy to compare with other available options.

Productization is also a key tool for reaching customers outside the domestic market and forms a pre-requisite for successful internationalization in many industries. Productized offerings have a scope, solid supporting marketing material detailing customer value, as well as comprehensive sales and delivery guidelines.

Through productized offerings, B2B companies can build competitive advantage and sales efficiency

For many B2B companies, productization can create advantages both in the customer interface and in internal processes through increased repeatability and enhanced delivery of the offering. The sellability of the offering increases its attractiveness towards the buyer: if it is packaged (either in a physical or service package), it is easier to perceive and purchase by the customer. From the perspective of sales, productization decreases the risk perceived by the buyer through increasing the transparency of the offering. Productization increases the predictability of costs and deliverables and makes the forecasting and demand estimation easier through increased measurability.

The results of a market research and analysis of 600 professional service companies point out three major forces driving companies towards productization: First, globalization and increased competition drive companies to standardize and commoditize their "cash cows" to manage the price pressure of the global markets. A successful productization of the most frequently delivered offerings protects revenue and margins, but can also provide the differentiation to increase them. Second, many buyers are adopting strategic and sophisticated sourcing practices and are thus demanding detailed descriptions and confirmed cost information from the provider. Third, the rapidly changing technology environment introduces more challenges to providers of customized solutions. Despite the increased technological complexity of the customer problems, project durations are reduced to accelerate business value capture**.

In summary, B2B companies can benefit of productization and standardization, which are often applied in consumer business. Productization helps companies in B2B business to close deals and maximize profits in delivering their offering. If the offering has specified contents and scope, it is more easily comparable to competitors' offerings. On the other hand, a unique competitive advantage can be created, if the concrete and differentiating customer value created by the offering can be pointed out.

Productization of B2B services is an iterative process of packaging the company's competence into customer-facing modules based on thorough understanding of the target segments

The first phase of converting expertise into a productized offering is to understand the target customer segments' needs, value drivers and selection criteria. This can be done for instance through case studies, industry interviews, benchmarking and market studies. In parallel, the existing expertise of the company should be structured into offering modules by functionality, client usage or intended purpose. These offering modules are then reflected, adjusted and restructured iteratively against target segment needs for instance by answering the following questions:

• What are the main purposes of our product/services for this segment?
• What are the main functionalities related to these purposes?
• What is the value of these functionalities for the segment?

This analysis enables the building of a segment-specific value proposition. If this value proposition is complemented with a quantification of the value created by the functionalities in scope of the offering, a concrete business case can be built and tested with different possible pricing models. The definition of the target segment needs and quantified underlying business case are a required for constructing the sales collaterals that is a set of materials and content used to support sales, pricing tools and delivery documents in a way that they are relevant and targeted to their intended audience.

An effective productization process yields in a comprehensive sales toolkit and enables more efficient pricing, marketing and sales

This approach was applied in an industrial software company of which the objective was to build customer-facing entities of its existing software modules. The company aimed to approach other player's in their industry's value chain aside their traditional target segment. The value chain was studied through interviews with salespersons, benchmarking of competitor's offerings and a desk study of the segments. Initial entities of the modules were built, reflected against target segments' needs and then adjusted further.

The first-cut solution was four offering levels with different scope, but this was later pruned to two product offerings with different configurations for different value chain players. The first offering level, aimed at designers, manufacturers and authorities has a more narrow scope, including the functionalities of performance tracking and evaluation. The second broader offering level includes additionally performance optimization and modeling tools and is targeted for operator parties. The business case was calculated for each of these segments and configurations to enable accurate pricing and a solid base for sales arguments proving and demonstrating the user value. For the former segments value was created through feedback to product design as well as ensuring compliance with standards. The latter segment benefited from operational savings of higher magnitude, and thus a higher pricing and a different scope was justified.

The concrete outcome of a productization process was a comprehensive set of sales collaterals, in other words the sales toolkit. To define the accurate toolkit scope and content, the needs for specific materials were mapped against the different sales process phases and their characteristics.

The lead generation phase needed support materials in form of a general brochure representing the concept and value proposition of the product family in general and product-specific one-pagers stating the key functionalities and factors of user value. Further, demo videos for key functionalities, whitepapers and case studies were collected, created and packaged for the products to provide visual material for lead generation.

For the meeting and negotiation phase more detailed presentation materials and product demos were consolidated. Target-specific use cases were built to demonstrate and visualize the usage and benefits of the different functionalities to potential clients. From the productization process perspective, these use cases illustrated how software modules, which previously were described on a technical level, were converted into user-facing functionalities with a visible and measurable value.

Once the product scope was defined against the target segment needs, the process for generating offer and contract templates as well as delivery documents and detailed technical specifications to support the contracting and delivery phases was quite smooth. A robust pricing tool was built to enable quick price definition for different segments and product configurations. The sales support organization was assigned to maintain and update sales collaterals and the pricing tool in a shared drive, ensuring that the salespersons had the latest material packages available when traveling to meetings.

The productization process and outcomes should be evaluated through feedback from sales, marketing and customer interface

The impact on sales process effectiveness and efficiency is a tangible metric for productization. The productization process should be evaluated to quantify the return on investment and on the other hand to be able to adjust the product concepts into a more attractive and clear form from customer point of view. Both quantitative and qualitative metrics should be applied.

The change of sales process effectiveness, that is the volume and hit rate of the sales funnel, is one concrete metric for productization. Well packaged and targeted offerings attract increased responses and are easier to sell. This is reflected in the conversion rate at different stages of the sales funnel, from lead generation to negotiations and deal closing. If the value proposition for the potential client is defined, quantified and presented illustratively, obtaining a go-decision from the client organization is faster. Further, qualitative elements such as customer feedback and the nature of questions posed during sales meetings reflect on how easy the value proposition is to understand.

Further, successful and comprehensive productization affects the sales process efficiency. Quantitative metrics can be extracted from salespersons' time usage on different tasks: well-

structured and ready-to-use sales materials containing the segment specific value propositions as well as offer templates and pricing tools reduce the time needed for repetitive work in sales meeting preparation, offer generation and pricing, freeing up time for prospecting and relationship building. Qualitative feedback can be collected from salespersons in terms of how they perceive the materials provided through productization as tools in lead generation, sales presentations, offer generation and delivery. In the case company, draft versions of the presentation materials and use cases were tested with new and existing clients and feedback was collected from salespersons immediately after the meetings.

In conclusion, the background work of defining and understanding the target segments' needs as well as building the business case are the foundations for credible and successful B2B productization. Productization initiatives should be planned and implemented as collaborative efforts with the top management setting the strategic priorities of products and segments in focus, product management providing the substance for positioning, value quantification and sales collaterals, marketing aligning the productized offerings with the company brand and identity and finally sales in delivering the feedback from client interface both for the business case building as well as acid testing the sales collaterals.

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