

PRECURSIVE PLAYBOOK

# THE SAASIFICATION OF CONSULTING

HOW TO PACKAGE SERVICES FOR RECURRING REVENUE

PRECURSIVE



# Contents

- 03 WELCOME TO THE MODERN CONSULTANCY**
- 04 PILLARS OF CONSULTING EXCELLENCE**
- 05 MEET SERVICES RECURRING REVENUE**
- 11 SERVICE PACKAGING TOOLKIT**
- 18 PRICING AND CONSUMPTION METHODS**
- 21 THE METRICS THAT MATTER**
- 22 HOW PRECURSIVE HELPS**



# Welcome To The Modern Consultancy Economy

Consulting is an industry that has long been resistant to change, due to the nature of the work, which historically was highly customised and relied on specific domain knowledge. Traditional consultancies have tried to maintain their status quo by charging high hourly rates on a T&M basis. In this traditional model the company can not see much further beyond three months worth of backlog. Distributed working, technology advancements and SaaS business models have all contributed to a rapid evolution of the consultancy landscape.

The traditional method of charging high hourly rates has been challenged by a fixed-fee or value-based pricing model, typically a more favourable option in the eye of the client. Additionally, the increasing presence of online resources and tools has made it much easier to conduct research business challenges vs bringing in external experts for guidance. Further, an increasing number of new competitors (including freelance consultants and independent experts) has helped to develop a much more dynamic and decentralised marketplace for consulting services.

All of these changes mean that the consulting industry is seeing significant changes at an organisational level. The next years will show which consultancies can embrace this changing landscape and win in this world. The result is that many consulting firms are focused on how to create repeatability across their business from sales through delivery and into financial operations.

**The mission of the modern consultancy: DON'T START FROM ZERO**





# How to build a successful consulting business

So what are the key components for a modern consultancy that can achieve scalable and profitable growth? There are several drivers that play an important role in a consulting business that is valuable to employees, owners, investors and future acquirers. The anatomy of a world class consultancy includes:



## **STRATEGY & VISION**

A clear plan that motivates your team and your clients as well as defining/redefining your market position.

## **TALENT & PEOPLE**

An effective 'supply chain' that attracts, retains & develops the best people.

## **DELIVERY EXCELLENCE**

Visibility and control over delivery that drives speed to value for clients and a high client NPS.

## **REVENUE & PROFIT**

Repeatable sales motion that delivers profitable growth underpinned by a diverse mix of service offerings.

The best consultancies have learned the importance and value of recurring revenue: high quality, durable and repeatable. This predictability helps operators to better manage their business and grow the value of the company over time. As a result the best consultancies are architecting solutions to bottle the expertise and IP that can be sold and delivered on a recurring basis. We like to call this *Services Recurring Revenue*.

On the other hand, consultancies that start from zero and can only see three months ahead face a much more challenging path to growth.

# The Pillars of Consulting Excellence

# What is Services Recurring Revenue (SRR)?

Whilst the challenges for the tech industry - with layoffs, the implosion of Silicon Valley Bank, and valuations plummeting - the fundamentals of the SaaS model continue to shape how operators and investors think about value creation in consultancies.

The influence of SaaS commercial models has made consultancies consider how to deliver more predictable revenue.

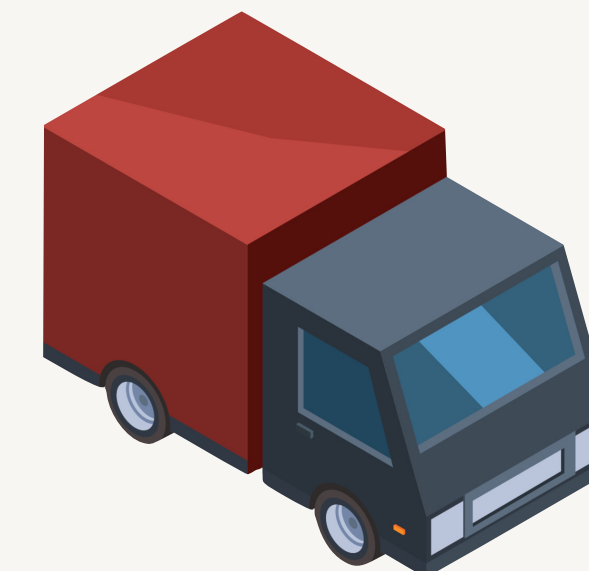
The route to predictability is services recurring revenue or SRR where clients purchase ongoing services ideally paid for upfront, on an annual basis.

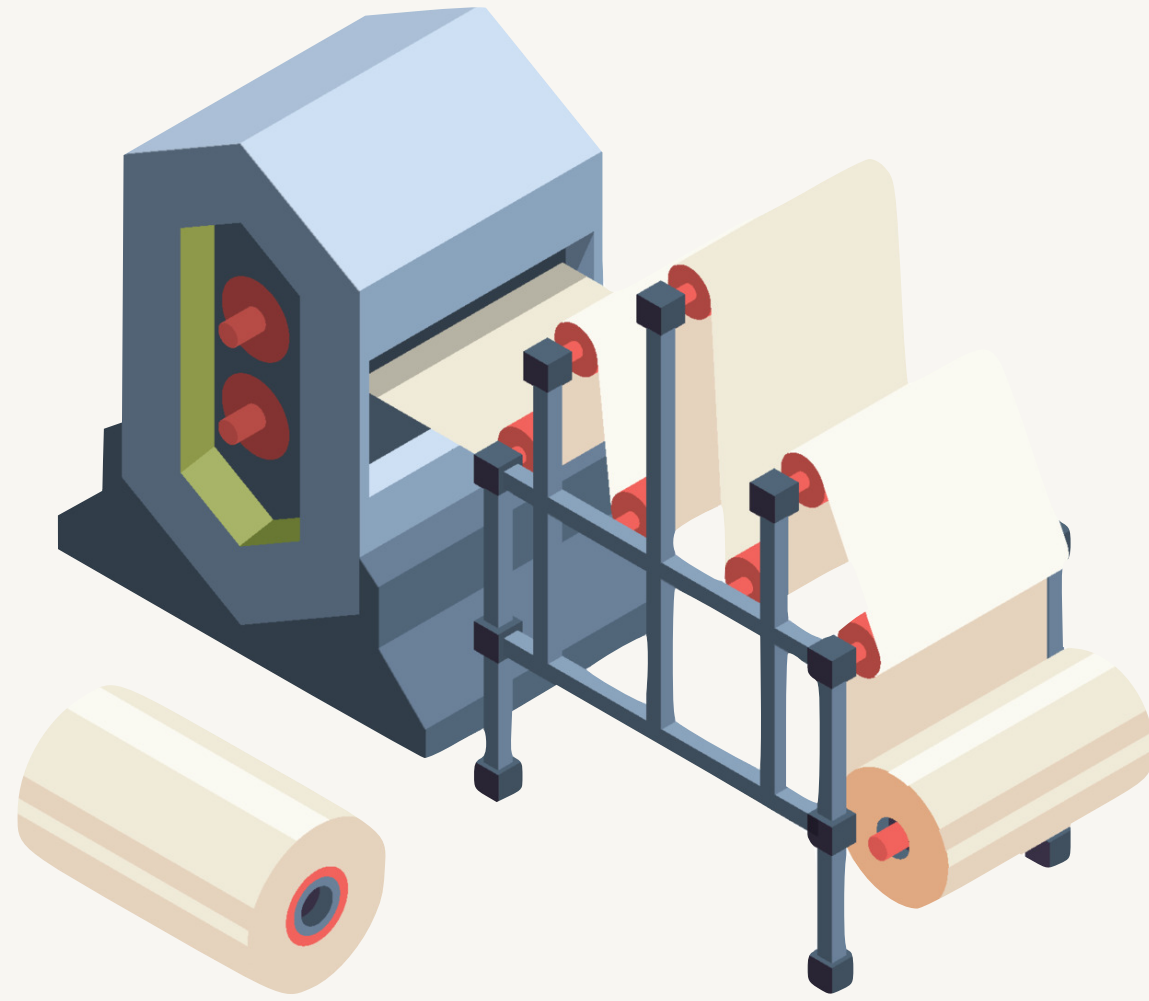
However the best companies recognise that whilst recurring revenues may be the nirvana, the first step is to identify opportunities for re-occurring sales is to map the outcomes that our clients often want to achieve.

A Service Package helps your client to achieve a business outcome. These packages are designed to be sold and delivered in a standardised way. Packages or Offers can include professional services, training, consulting, value engineering, and/or support.

*"Predictability is impossible without recurrence. It is important to choreograph the client value journey through your service architecture. In this way we are delivering a discrete set of outcomes for our clients meaning predictable revenue with accurate forecasting, bookings and revenue."*

**Augusto Negrillo,**  
Managing Director  
Vivero Ltd.





# Why you should productise your service offerings?

*"The productisation of consulting services is a much more viable and smarter route to driving value.*

*For us this represents a great opportunity to deliver outcomes for our clients and profitable growth for us."*

**Adam Maze**

Head of Operations  
MMT Digital

## **Industrialising your expertise will help increase enterprise value**

Productisation is the process of creating packages using a company's core IP and expertise, repurposing ad-hoc offerings into a consistent package anchored around outcomes that clients want to achieve.

Forward-thinking consultancies want to have repeatable ways of working that can be scaled efficiently.

The end-to-end framework for designing, building, selling and delivering services can be approached the same way as rolling out a new product, using many of the same principles popular in product design and product management.

Ultimately the most advanced approaches see companies turning these offerings into products that are sold on a recurring basis.



**When do you know it is...**

# TIME TO PRODUCTISE?

This question is commonly asked by consultancies as they look to drive services recurring revenue. There are several triggers to be aware of that indicate it may be time to standardise and package your service offerings.

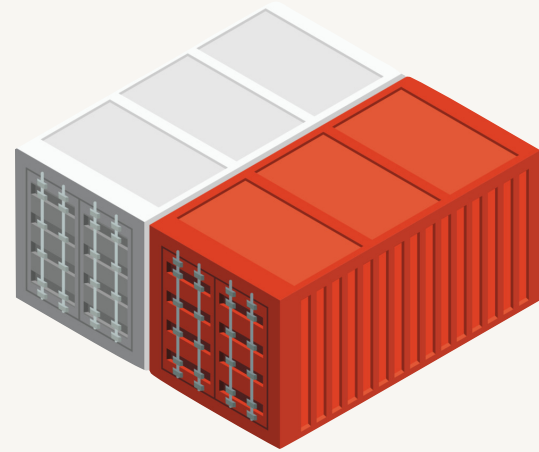
**You know it's time to productise when you want to achieve the following...**



*"Clients expect more from the consulting firms regarding the subject matter expertise that they expect you to bring."*

**Chris Bunch**  
Managing Director  
CTS

# WHY CONSULTANCIES PACKAGE SERVICE OFFERINGS



## **Better Client Experience.**

Get famous for being predictable. By orientating your clients around a prescriptive set of outcomes, you can develop reusable methodologies across the quote to cash lifecycle. This repeatable motion will manifest in consistent processes for client acquisition, quoting, delivery, documentation and value capture. Packaging your IP and expertise will enhance your reputation and drive higher client NPS.



## **Improve Delivery Quality.**

The client value bar is higher meaning they want more value, more quickly. A repeatable delivery methodology enables your client to execute on their agenda. This execution playbook can help you onboard consultants more quickly as you scale by showing them a well defined process for project delivery vs custom work which can't be replicated and carries more risk.



## **Increase gross margin.**

Gross profit margins above 60% are possible for consulting firms with real-time visibility of project margins, standardised processes and service packages featuring standardised delivery. Managed services helps to boost the utilisation of your teams and reduce bench time between project work. Low consulting margins can be the result of a network of failures across the value chain and need to be addressed strategically to create sustainable margin improvement.



## **Recognise more revenue.**

Services purchased through upfront contracts help to even out revenue recognition making you less reliant on project based services. Consulting companies who sell and deliver packaged services get better at client acquisition and delivering outcomes to clients. This helps to reduce time to revenue and boosts the financial performance of the company over time.



# Optimise the service mix for multiple revenue streams

Developing new service offerings helps to diversify your mix of revenue. Here are some examples:



**Strategy Consulting:** Project based expertise to clients centred on digital, technology or core IP of the consultancy. The core offering will articulate how you drive transformation and change for clients effectively along with your competitive differentiation.

**Implementation:** Packages are orientated around customer outcomes using a standardised implementation methodology that delivers faster time-to-value. Consider orienting packaging around specific outcomes or the appropriate timelines.

**Technical Support:** Providing faster responses and resolutions to clients through a framework with SLAs and calls outs for specific types of support that you offer. Important to differentiate between support cases and 'how to queries' that should fall under a managed services engagement.

**Managed Services:** Non project based, hygiene services that are consumed by the client to help drive continuous improvement of their usage of your product or alternatively reducing the effort for their internal staff on activities that can be performed better by your team and at a lower cost.

**Training & Enablement:** Designed to drive adoption and accelerate the consumption of products or services. Clients with staff attrition means 'user churn' and therefore being able to mobilise learning in a scalable way is necessary to reach and support those new users.

**Augmentation:** Solving capability gaps by providing clients and extension of their team which may be too time consuming or costly to assemble internally. These offers can range from commodity driven where you plug holes for clients quickly through to fully outsourcing business processes for core business functions.

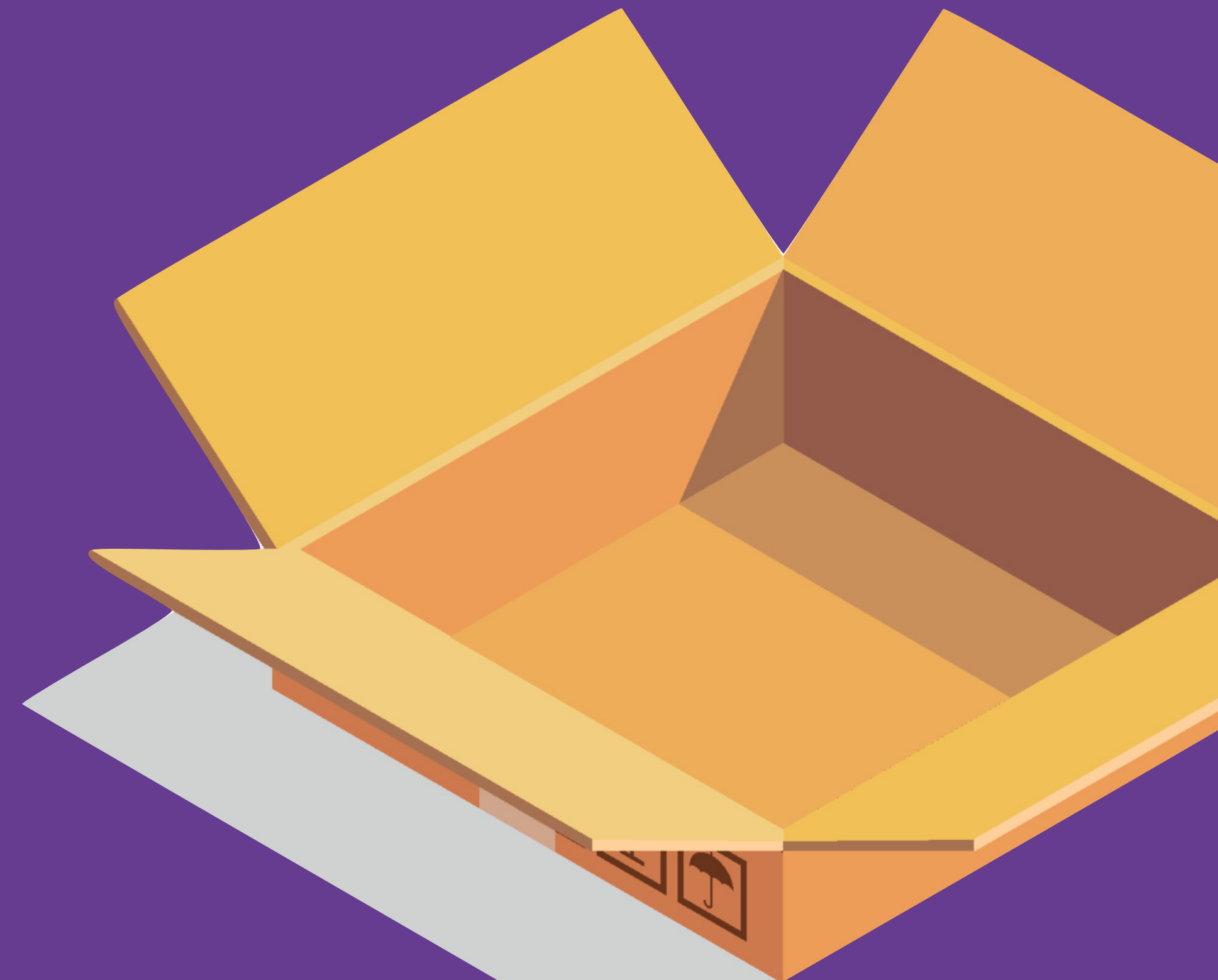
# Packaging value for CLIENTS

- ◉ Packaged services are easier to understand, purchase and consume
- ◉ Get more value from your service, faster and then continuously over time
- ◉ Reduce operating costs by augmenting with a reliable partner
- ◉ Accelerate digital transformation efforts with a better choreographed journey
- ◉ Well defined effort for client stakeholders on projects allows them to best allocate internal resources

# Parallel benefits for YOU

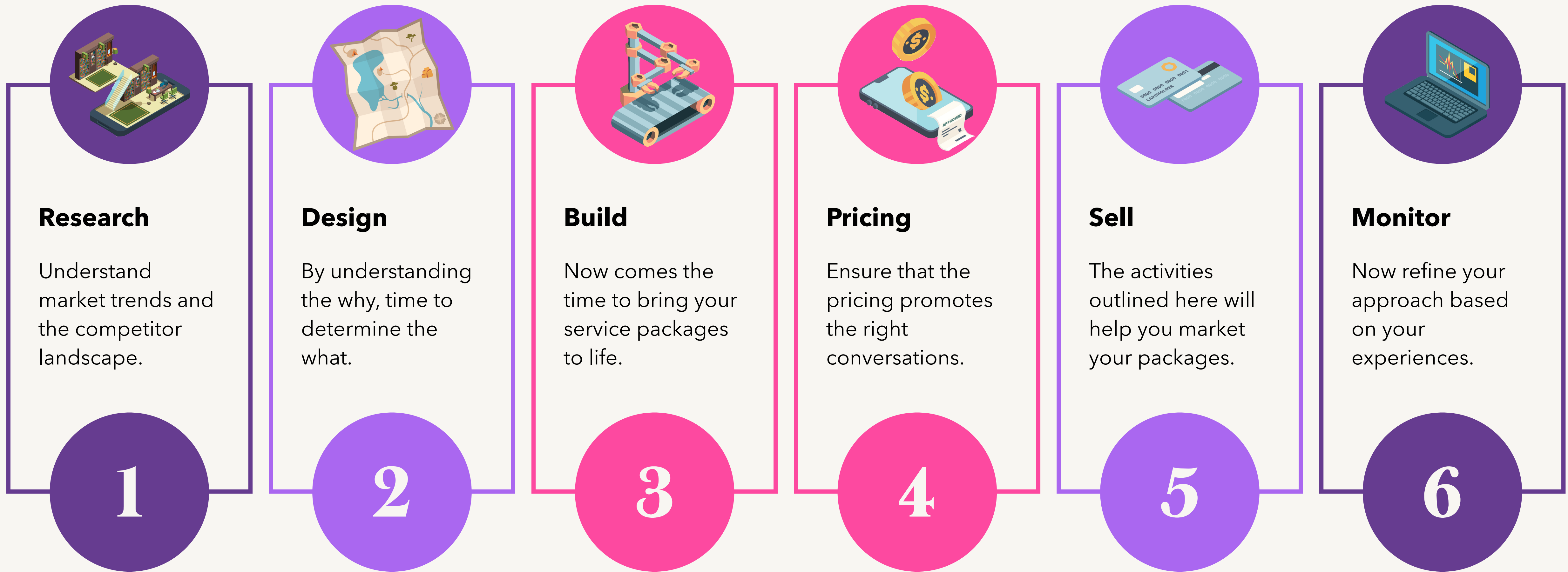
- ◉ Clearly-defined offerings are easier to sell and help you build demand and pipeline
- ◉ Consistent value delivery helps to improve client satisfaction and rebook rates
- ◉ Opportunity to drive more predictable company performance and valuation with recurring revenue streams
- ◉ Meet the needs of a rapidly-evolving and increasingly demanding larger clients
- ◉ Improve project margin by enhancing your delivery methodology and tooling to support delivery

# PRECURSIVE SERVICE PACKAGING TOOLKIT





# Precursive Service Packaging Toolkit



# Step One: Research

The initial research process provides a stable and informed foundation for your service packages to be built on.

The work done at this stage includes a rigorous analysis of the market and past engagements, with the goal of revealing which services will deliver outcomes for clients and profitable revenue for your consultancy.



**Market Research:** The only thing worse than a bad service is one no one wants. Clear analysis of the market needs to uncover the current and future trends that align with your company expertise and knowledge to help you architect your offerings to solve for those trends. Understanding market challenges and client pain points enables you to build packages that provide much-needed solutions. For example, are clients in a particular sector under pressure to reduce costs but in parallel boost productivity with their existing headcount? Would they benefit from your team doing work for them via your managed service or augmentation offering?

**Competitor Analysis:** It is crucial to understand not only what your competitors offer but their delivery methods. For example, does your competition have a reputation high fees but suboptimal delivery experience. These competitor behaviours should inform how and where you build service packages that differentiate your brand from your competition.

**Client Research:** Client interviews, informal conversations and those early adopters of your more innovative offerings are great places to start. Understanding the value that your engagements drove in the client's language is not always straightforward to capture. Just because you delivered on what was in a contract doesn't always equate to client satisfaction.

**Review Customer Inputs:** Only 61.2% of companies consider collecting feedback directly from client when creating new service offers, according to Technology Services Industry Association (TSIA) Research.

Data inputs can include feedback on engagements, client success stories, transcripts from advisory councils and interviews, and impact data that reveals how they leveraged your services to meet their objectives.

**Map Client Outcomes:** One of the simplest ways to guarantee your processes are client-centric is to structure them around your clients' desired outcomes.

Working backwards from their desired outcomes is the best way to reveal possible solutions. Outcomes mapping follows a simple framework:

- Examine the current business challenges customers face. What are their pain points?
- Transform the identified challenges into positive outcomes for the client. What would a good solution look like to them?
- Consider what changes would need to be made to the client journey to address these challenges. Do you need to add services, adapt them or remove things completely?
- Map these out based on the impact they will have for the client and the frequency that they occur.

## Step Two: Design

Now that we understand the why, it's time to determine the what. During the Design stage, you will construct your service packages by selecting which services to bundle together, creating the value proposition, and setting the pricing. The goal is to create the best offer-market fit.





## Step Two: Design

**Internal Stakeholder Alignment:** Bring together the right mix of stakeholders early in the design process which will include Partners, Practice Leads, Delivery Managers, Pricing Experts, Product, Finance, Sales, and Client Managers.

**Select Packaged Services:** Based on your research and needs analysis, you select what expertise, IP and skills are to be folded into a service offering. As a part of this process, you must decide what to exclude and the best companies look to keep things as simple as possible on the first iteration.

**Define Package Activities:** What are the steps required to deliver a service package? Activity mapping will include defining the outcomes, deliverables, and effort estimations alongside the resource requirements for you and your client.

**Agree On a Pricing Structure:** When defining a pricing structure, you need to review your financial goals, what competitors are offering, and client expectations. We provide a pricing 101 in a later section of this toolkit.

**Client Feedback During Design Process:** Take your initial offering to your clients and get their feedback, do they see the value in this - if they don't then you are on the wrong path.



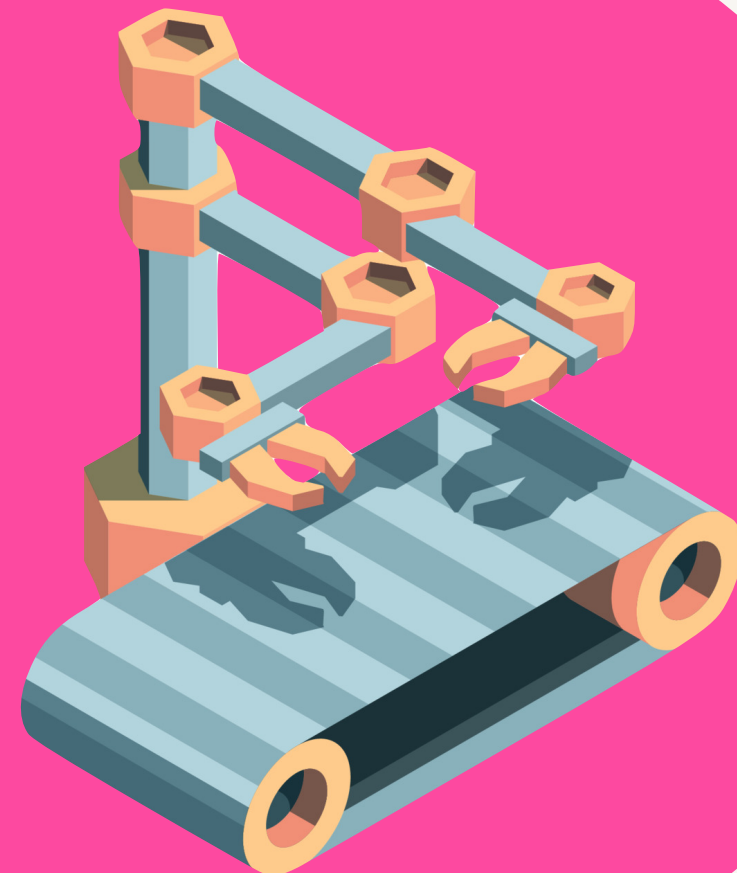
*"We've been using product management methodologies to build our services offering - from customer centricity through interviews and surveying with prospects and existing customers, to prioritizing what we need to include in our offerings"*

**Layla Selick**  
Senior Director,  
Professional Services  
ProductBoard

# Step Three: Build

Now comes the time to bring your service packages to life. During the Build stage, the contents of your service packages will be constructed. This will cover internal documentation, templated project plans and SOWs and the appropriate contracts.

To guarantee operational readiness, make sure to prepare:



**Project Plans:** Depending on the scope of service engagement, you will need to build resource plans, costing sheets including forecast margin and milestone schedules. The importance of accurate time tracking on services delivery provides a key input to refining resource plans. Resourcing can vary in terms of effort and distribution with implementation packages differing to managed services - be aware that resource planning for consumption based models can be very different to project based work. Intelligent automation for staffing and operational processes can drive savings of 25-40% according to Ernst & Young.

**Contracts:** With the support of your legal and finance teams, prepare everything your sales team needs to get deals over the line as quickly and efficiently as possible, including contracts, statements of work, and service-level agreements, outlining what customers can expect from their vendors. Note that if you are selling packaged services, you will need to be clear on inclusions and exclusions in your SOW. Your contracts will need to have explicit language covering the process of dealing with change requests. Overall, your contracts must be reflective of the packaged nature of your service delivery. If they aren't, you risk creating conflicts because they are too vague.

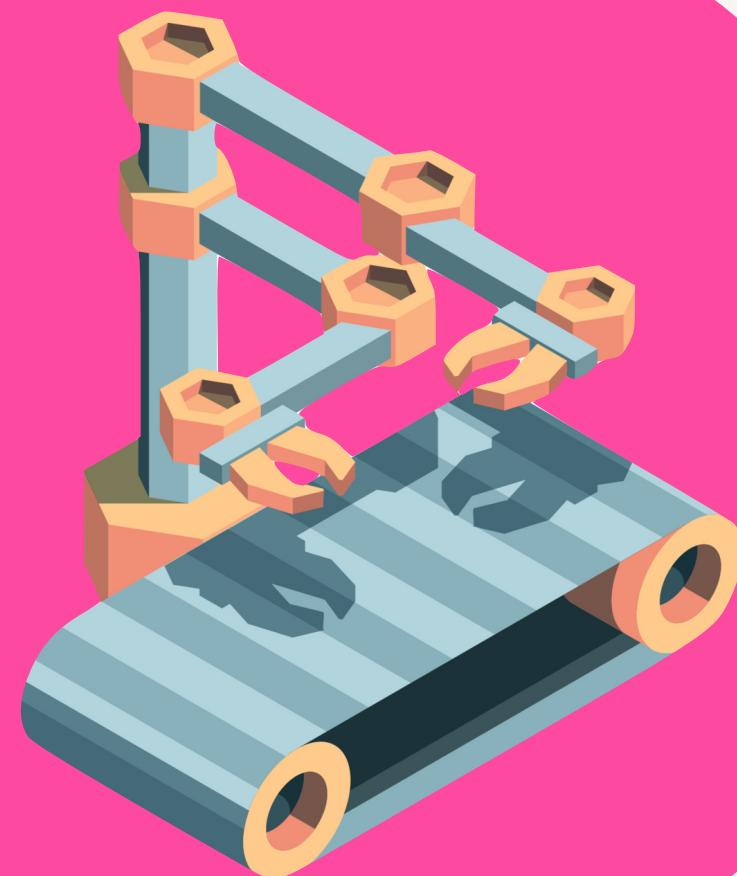
# Step Three: Build

*“Our three consulting frameworks allow clients to easily select based on where they are on their digital transformation journey.*

*Clients understand that we will either direct, accelerate or enable them. These frameworks mean our staff can deepen their knowledge and we enable our people to deliver that framework in a consistent way.”*

## **Adam Maze**

Head of Operations  
MMT Digital



**Documentation:** Ensure your internal teams have everything they need for an effective launch. Internal documentation should include an awareness toolkit, training materials, and standing operating procedures that outline best practices, processes, and cadences. External documentation relates to anything related to your client purchasing and engaging with your service offering including proposals, enablement, data sheets and pricing.

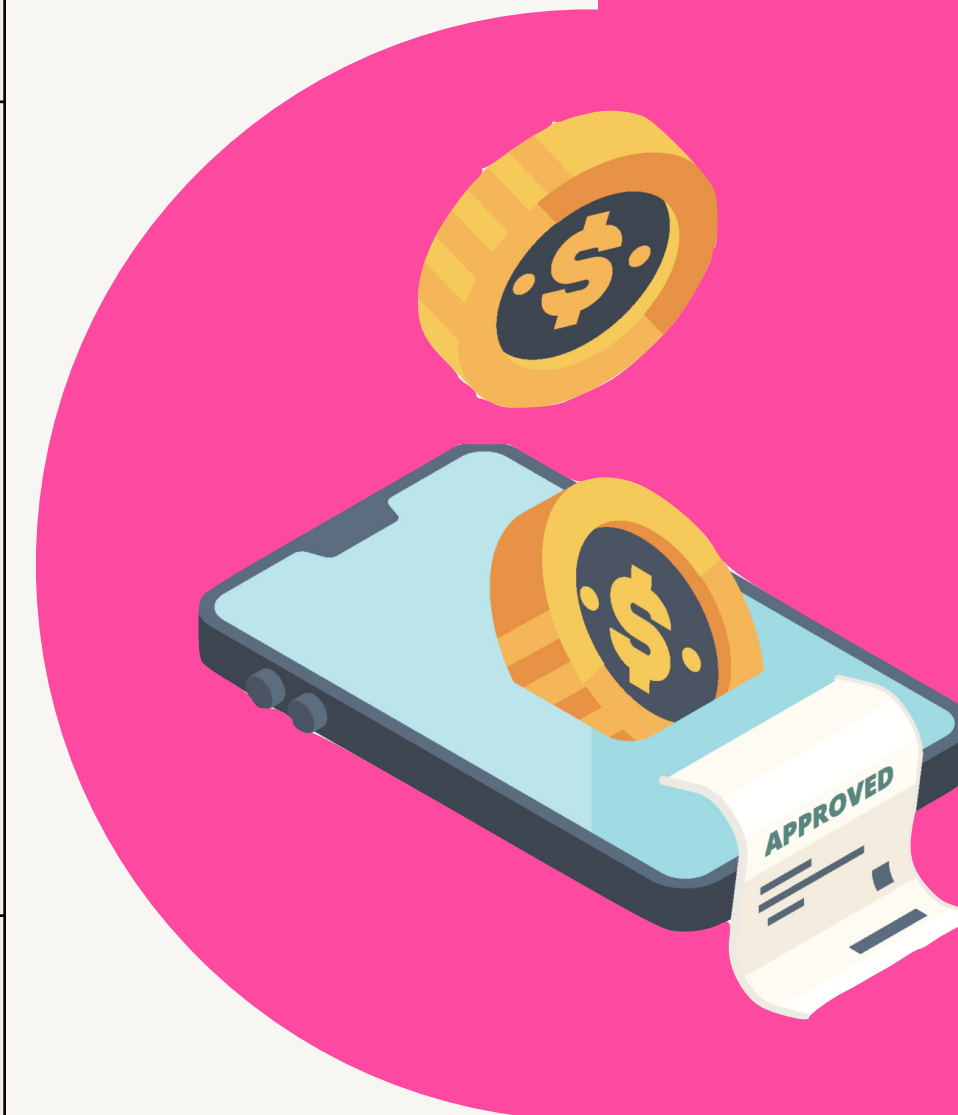
**Digital Materials:** In addition to arming your internal teams with what they need to succeed, now is a fantastic time to produce evergreen digital content to support the sale of your service packages. Online content, such as blogs on best practices, serves a dual purpose of driving traffic and educating prospective clients. Landing pages provide in-depth detail on your specific service offerings and get your ideal customer excited to find out more. Lastly, downloadable assets can support lead generation, and a success hub filled with educational content can be invaluable to nurturing relationships in the long term.



Delivery Model	Pricing	Benefits	Challenges
Project Based work which can have a variety of pricing approaches.	<ul style="list-style-type: none"> <li>- Fixed Fee</li> <li>- T&amp;M</li> <li>-Delivery Milestone</li> <li>-Value based</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed: Simpler to position and sell</li> <li>• T&amp;M: Easier to forecast and recognise revenue</li> <li>• Milestone: Clear deliverables for team</li> <li>• Value: Skin in the game for you and brand differentiator</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed: Need to manage scope creep carefully</li> <li>• T&amp;M: Aligning agreement on what is 'billable' internally and with client</li> <li>• Milestone: Slow delivery delays billing</li> <li>• Value: Do customers agree on a fair exchange of value</li> </ul>
Consumption based where clients drawdown on services within a given period of time.	<ul style="list-style-type: none"> <li>- Fixed Fee</li> <li>- Usage Based</li> </ul>	<ul style="list-style-type: none"> <li>• Flexibility for customers</li> <li>• Can be more profitable depending on level of consumption</li> <li>• Boosts utilisation of teams if you can deploy staff between projects to reduce bench time.</li> </ul>	<ul style="list-style-type: none"> <li>• Pushback if there are low levels of consumption - "what am I paying for?"</li> <li>• Managing capacity if there are surges in demand.</li> <li>• Understanding which client prefers flat fee or pay-per-use</li> </ul>
Subscription based where the client has an on-going contract which renews and is paid upfront.	<ul style="list-style-type: none"> <li>- Annual</li> <li>- Quarterly / Monthly</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to maximize services recurring revenues</li> <li>• Easier to recognise revenue</li> <li>• Helps to deepen relationships with clients</li> </ul>	<ul style="list-style-type: none"> <li>• Challenge to clearly define the scope of what is included</li> <li>• Over-servicing eats margin if not properly controlled</li> </ul>

## Step Four: Pricing

Pricing your offerings correctly and in a dynamic way acts as an enabler of your growth strategy. Building strong internal pricing capability at the intersection between sales, marketing and finance will help you evolve from a solely project based to multi-service line consulting company .



# Step Five: Sell

The activities outlined here will help you market your packages, sell them, and maximise the value gained through enablement.



**Sales Enablement:** When launching new packages, you must prepare your sales team with the right tools and information to have productive conversations with prospective clients. You will need to arm your sales teams with the appropriate materials, including talk tracks for your packages.

**Documentation:** Selling services will require detailed documentation including process overviews, SOWs, contracts and any necessary compliance information. Remember that your documentation should help you sell but also coach the client on how to buy and make sense of the information they have.

**Incentives:** Consider how to compensate your team for selling the right type of revenue. Incentivise to drive the right behaviours with comp plans rewarding selling recurring services and higher margin projects on completion. Sales teams should earn accelerators if achieve rates, actual margin and rebooking occurs.

**Iterate:** Throughout the process, keep an open dialogue with clients and take on board any feedback from early adopters. This will help strengthen your offerings and value proposition going forward and will boost client satisfaction by making them feel heard and appreciated.

**Processes:** Standardised delivery lends itself to process improvement. The best companies review their approach to service delivery to find opportunities for refinement.

**KPIs:** Track the performance of packages by measuring key performance metrics such as implementation NPS, project margin, achieve rates, billable utilisation and projects delivered on time.

**Your Customer KPIs:** Measure the impact of your offers for customers based around the value that you drive, for example revenue growth metrics, increased margin, customer experience scores, employee engagement. For example at Precursive, we track the average improvement operational efficiency is 20% which manifests in utilisation, improved team productivity, reduced revenue leakage and higher project margins.

**Automation:** Packaged services offerings provide an ideal opportunity to leverage technology to automate setup and administration activities. If you aren't having to build project plans from scratch, but follow a consistent approach, build this into your PSA solution.

## Step Six: Monitor

Creating service packages is not a one-and-done exercise. Ideally, you are able to design and build offerings quickly and get them into the market to test their effectiveness.

Over time you can refine your approach based on your experiences, telemetry data, reporting and customer feedback.





# THE METRICS THAT MATTER

METRIC	HOW IT IS MEASURED
REVENUE	Total revenue within a given period
GROSS MARGIN	$(\text{Total Services Revenue} - \text{Cost of Services}) / \text{Total Services Revenue}$
CLIENT NPS	Client scores how likely to recommend between 0 - 10
BILLABLE UTILISATION	$(\text{No. of billable hours} / \text{No. of available hours}) \times 100$
RECURRING SERVICE REVENUE	Total recurring service contract value / # of years contracted
PROJECT MARGIN	$(\text{Total Project Revenue} - \text{Total Project Cost including expenses}) / \text{Total Project Revenue}$
EMPLOYEE NPS	The employee Net Promoter Score is the number of promoters minus the number of detractors divided by the total number of respondents multiplied by 100.
RECOVERY RATE	% of work completed that is billed and paid by client
BID:CLOSE RATIO	Total bids / # of won opportunities

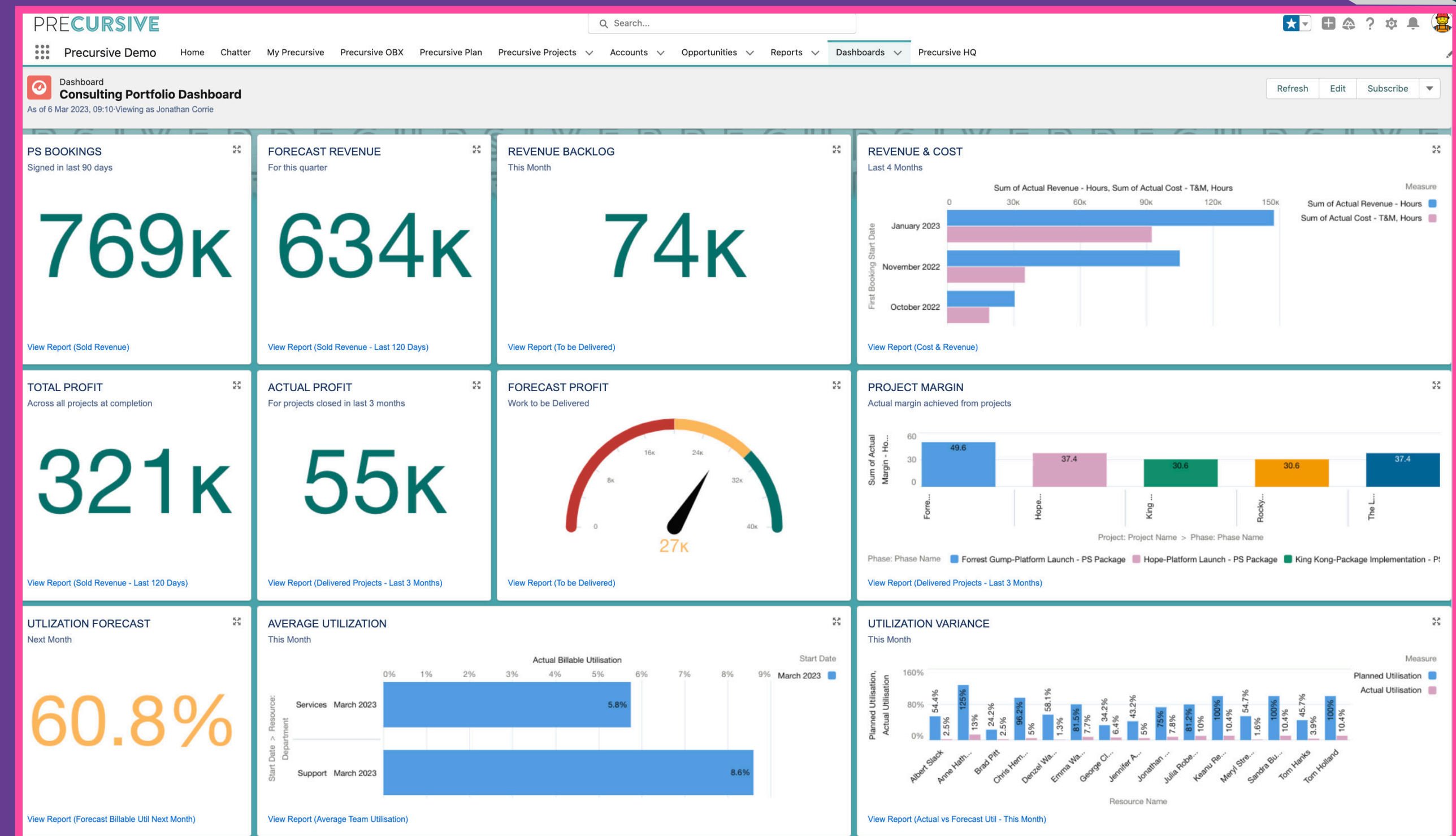


# Precursive PSA helps you to manage and improve performance

Precursive PSA is used by consultancies to track metrics and KPIs.

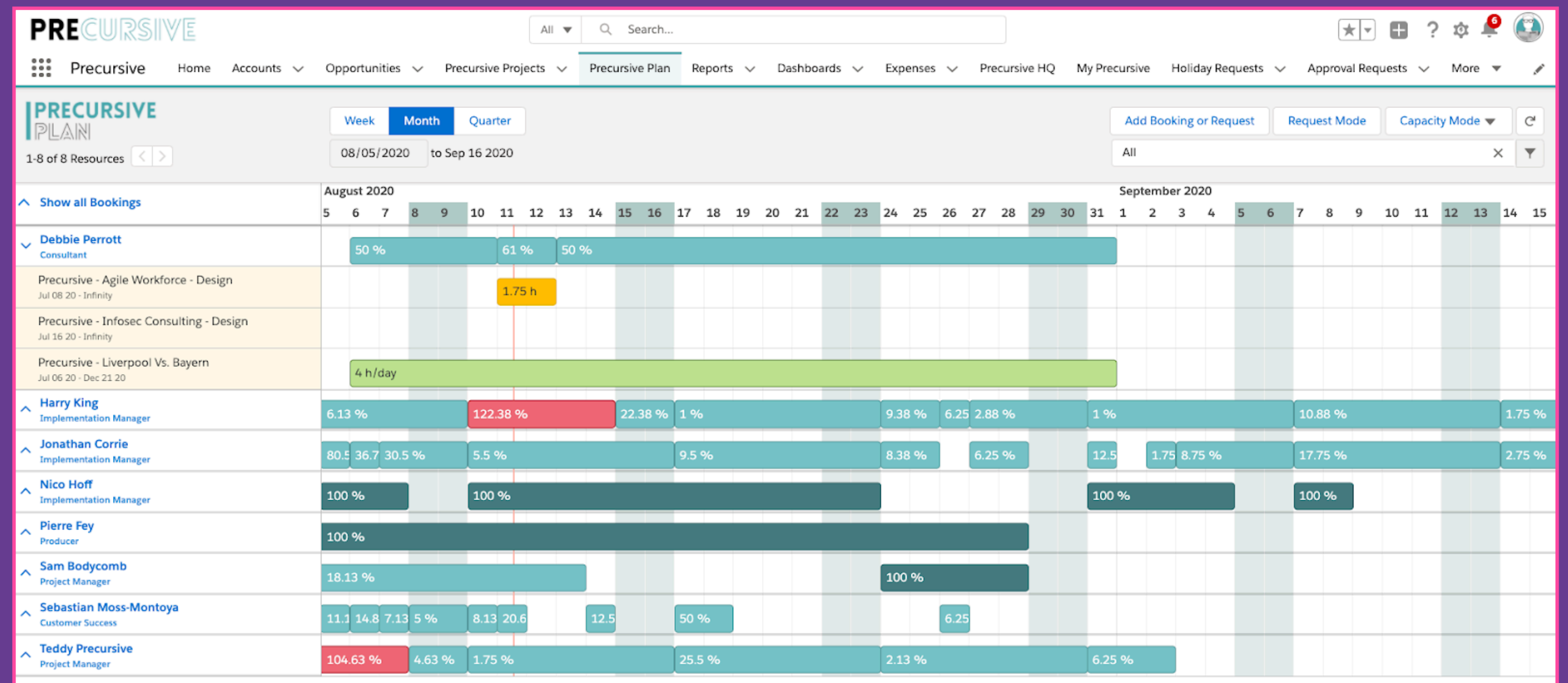
There are a range of activities and processes that Precursive helps you improve.

- Plan and allocate teams to get the right people on project to boost utilisation
- Track project costs, burn-down rates, risks and profitability
- Forecast and recognise revenue and profit on projects and across teams and clients



# Precursive PSA gives you visibility and control over delivery

- Build templated offerings into Salesforce with quotes, projects and resource plans
- Map out all the delivery and billing milestones
- Track effort, costs and margins on projects
- Get the right resource on projects based on their skills and availability to boost utilisation



© Copyright Precursive Ltd. All Rights Reserved





# PRECURSIVE

THE SERVICES DELIVERY CLOUD FOR SALESFORCE

[www.precursive.com](http://www.precursive.com)