

## **The Revenue Rat Race: A Vicious Cycle in the Services Business**

### **Services Marketing: Are You Caught in the Revenue-Rat-Race?**

*When it comes to ramping up business and sustaining profitable growth, many organizations get trapped in a vicious cycle of inconsistent marketing and billing activities. Sound familiar?*

### **Marketing: "Is it really a bunch of bunk"?**

Over and over again, we meet consulting, professional, and IT service businesses that find themselves trapped in a maddening no-win cycle: Either a concentrated focus on sales (usually lead generation, or alternatively, beating on the same small band of current clients) when sales are lagging or caught in an all-hands focus on delivery while neglecting essential business development efforts. The vicious cycle perpetuates itself causing inconsistent growth and profit results, bleeding lost dollars off the P&L statement. As a result, frustrated non-marketing executives quickly become further convinced that "marketing is a bunch of bunk".

We call this ugly scenario the Revenue-Rat-Race—and we see it too often!

### **The Definition of Insanity: Repeating The Same Useless Behavior**

Since a definition of insanity is the repetition of same useless behavior with the expectation of a different outcome, we can take a leap and classify the Revenue Rat Race as routinely rationalized insane behavior.

How many times have you or your colleagues grudgingly surrendered to the Rat Race with remarks like, *"this is just how it is the services business" and "you can't really market our services because they are too unique, complex, and/or innovative!"*

The Revenue-Rat-Race is a common trap for many service businesses because each time you get busy with client work, you don't put much (if any) effort into developing or maintaining marketing momentum. (After all, it's "fuzzy stuff" anyway) Then, when the client work slows down, you react (panic) and start all over again—often from scratch because your business development efforts from the last "big push" have disappeared.

### **Quit a Race You Are Never Going to Win**

Let's take a look at some key guidelines that can finally eject you from the rat race, stop the insanity, and maybe even change a few minds about the value of effective marketing.

### **Admit You Have Been Trapped in the Revenue-Rat-Race**

The first step in avoiding the problem is to come to grips with its existence and admit the impact it has on your business. Make a management decision to do something else—something more effective. For example, decide to maintain critical marketing momentum by creating a lead generating campaign. Or, resolve to get some external subject matter expertise to help you out of your rut.

### **Commit to Creating a Revenue Engine as Good as Your Service or Technology Engine**

The best role for marketing in Professional Services and IT Service companies is to generate a consistent flow of leads that can drive faster and more consistent revenue production. This can help your business avoid using costly billable resources to intermittently “play sales rep” trying to initiate new business when things are slow.

### **Use Your Billable and Non-Billable Resources to Best Advantage**

Designate a non-billable resource as the marketing leader (full or part-time; inside staff or an outside resource—it doesn't matter!) to drive the revenue engine. Rather than an implementer of ad-hoc tactics, this person is accountable for defining a strategy to drive the revenue engine. Make certain you are very clear about what a “successful marketing leader” is and how to find the right one for your business. If no one wants the job and marketing is not your strength, commit to using outside expertise to show you the way. Use your senior and best billable resources for “cameo appearances” and to encourage good collaboration with the marketing. These billable resources can limit their time with marketing while still making valuable and specific contributions.

### **Invest In and Understand Services Marketing**

Just as you don't have to be a stockbroker to run an investment firm, your marketing leader does not necessarily have to be an expert in your services or technology. It is better to work with someone who understands how to retain your profitable clients and attract the most profitable potential buyers.

### **Provide Top Executive Support and Dedicate Resources**

Marketing support has to come from the “top down.” If the executive team does not actively support you, your revenue engine efforts can quickly degenerate into “hack marketing” and earn the kind of a bad rap typically given to marketing by those who don't understand its value. You really do not need a marketing department whose primary tasks are designing expensive color brochures, ordering monogrammed T-shirts and planning the annual company golf outing—with a few emails to clients thrown in here and there for good measure.

Executives and business owners must set clear goals, decide on realistic progress measures, fund the necessary investments and get involved in the revenue engine. Services firms, in particular, thrive on the energy and efforts of the leadership team and partners. We cannot separate the “people assets” from the core business the way some

other industries can. Without executive management setting the tone, billable staff may not (most likely will not) involve themselves with the revenue engine—after all, it's not in their natural comfort zone. Without clearly defined billable staff involvement, most revenue engines will fall apart or, at minimum, not perform well or consistently. In other words, the old problem will show up again.

### **Recognize, Coach and Reward Business Development Success**

To get your best billable resources involved in marketing efforts, look at the world from their point of view. For example, when professionals are compensated only for their billable time, they are unlikely to help with business development unless forced to do so—and then it produces spotty and Revenue-Rat-Race behavior all over again. Also, these resources may not be inclined to get involved with marketing because they are usually not “naturals” at sales/marketing tasks. They need some guidance and coaching about how best to contribute their expertise. Consider using recognition and compensation that rewards “balanced performance”—delivering business and developing new business simultaneously to even out billings and end the Revenue-Rat-Race syndrome. Consider, too, that consequences are important. It is completely counterproductive if service firm leaders frown every time they see someone who is not billable—even if that person is actively involved in business development. Be consistent in the messages you send to the staff.

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### **Focus on Client Satisfaction, Loyalty, and Retention**

In a recent Harvard Business Review article, authors Fred Reicheld and Earl Sasser, quote from their field research that “for service companies, a 5% increase in customer loyalty can produce profit increases from 25% to 85%.” Customer satisfaction drives customer loyalty. There is little else that is as important to your business as understanding what your clients think about your services, your overall business, and your future directions. Client satisfaction surveys are good to do annually.

A Voice-of-the-Client process is even better (You will learn not just about today’s report card but about the future as well.) By focusing on client satisfaction and loyalty, you are avoiding the Revenue-Rat-Race by staying connected to current and prospective buyers about the things that matter most to them.

### **Conclusion**

The “technology of marketing” is as important as the technology behind your core services and it is critical that your revenue engine continue to function at all times through the guidance of a competent marketing leader. Although implementing the engine takes time, focus, expertise, funding, and organizational accountability, it is key to breaking the vicious no-growth cycle of marketing / billing / marketing / billing that traps far too many Professional Service and IT Service firms. Once business development and marketing efforts are aligned and sustained, you’ll find that success breeds success. Sustained marketing efforts tend to snowball over time—the longer they’re sustained and continuously improved, the

greater the payoff. In this case, that success is measured in consistency of leads, revenue, and the profitable growth of your business.

### **About Marketplace Partners**

For more than a decade we have successfully served B2B Services Business organizations in the greater Chicago area. Our business consulting and marketing services are designed specifically for business owners and executive teams committed to accelerating the profitable growth of their business. Leveraging our proprietary and on-going research with C-level buyers of services, we propel our clients into new services, new markets, more sales, better margins and timely results. We assist our clients in closing the gap between their business plan and the strategic marketing and practical performance required to effectively grow their business.

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