



# XAAS FILES PODCAST, EPISODE 17

## WHAT'S IN YOUR DIGITAL VALUE PROPOSITION?

**Introduction** [00:00:00] Welcome to Accenture is XaaS a service files the podcast for business leaders helping their companies transform using innovative digital business models. Here, you'll learn from some of the industry's leading movers and shakers, senior executives from companies around the globe who are changing the way the world works and plays by delivering all types of compelling subscription services. Join your host Kevin Dobbs Accenture as XaaS service managing director who brings 20 plus years of experience as an entrepreneur, CEO and senior executive to the table. Kevin has led dozens of as a service business transformation for some of the largest technology and industrial companies globally. Now let's get to today's episode.

**Kevin Dobbs** [00:01:03] Welcome back to the X-as-a-Service Files podcast series. And today we're talking to Thomas Lah, who is the executive director and executive vice present at TSIA, about the new book 'Digital Hesitation: Why B2B Companies Aren't Reaching Their Full Digital Transformation Potential' and kind of in this segment, what we want to do is maybe double-click into, you know, digital value propositions and you know, one of the things I really liked about the book is you talked about kind of the role of product line growth or PLG, some people say, as a kind of a key building block in these digital business models, I'd be really interested in kind of your thoughts on that Thomas.

**Thomas Lah** [00:01:46] Yeah, absolutely. You know, productivity growth is a hot topic. But to set this up, we wrote a chapter in the book titled Products Decline the Value Ladder. And in that chapter, we assert that product orgs within tech companies should actually be renamed and they should be called the Value Management Office or the VMO, because that is what they should be. They should be designing products that unlock business value for customers as quickly as possible and drive value to the company by making it easier for customers to try, buy, renew, expand. So, product led growth is a tactic, right, that this VMO should be leveraging by making the product itself a revenue channel for the company. And it's interesting, in the long term, we think that PLG is a big lever for for most companies. They're going to have some component here in the short term. Right now, what I see is that companies are using product cloud growth really to sort of address what I'll call the long tail. Right? The small customers, mid-sized customers. I'll give you the documented example. They're always listed as a PLG type company, which is true. They've got a lot of small mom and pop shops. You know, they basically sign up for the product, use the product and they never have to talk to a salesperson. There's definitely product line growth. But what's interesting is go look at documented, you know, 10K and you'll see that.



I mean, they've been hiring tons of salespeople to basically crack the larger accounts, the enterprise accounts, and they have, because of that, a relatively high cost of sales. So PLG is out there. But, I think pretty much again for the long tail right now.

**Kevin Dobbs [00:03:32]** Yeah. Well and in, in the prior segment, you talk a little bit about kind of going to Amazon and it's three, three steps to get what you want versus let's say 20 plus steps. The interesting thing I remember kind of in the early days of software-as-a-service, you know, Salesforce was competing against Sable, who was, you know, like this giant. And everybody was like, who is the small company going there? And it was like simple product, easy to use, low price point, you know, come in and try it. And the first thing everybody did was, you know, go into a trial, see if you like it. And then, oh, by the way, you know, it's easy to buy. And that became kind of the growth engine for, you know, what's arguably one of the biggest company in the tech space right now, Salesforce. But um, I think as you talk about in the book, it isn't just like a less lead generation strategy. It's really kind of delivering much more on the kind of product value proposition. And in fact, it's, it's almost like the way you do business. Can you elaborate on that a little bit?

**Thomas Lah [00:04:46]** Yeah, it is. Because again, the mentality, right, is about you think about product line growth, but the mentality around the product is that, again, you're trying to accelerate time to value for your customer, right? That is that is your North Star. And so, you want to make it easy to, like you said, to try, you know, learn about this product. I thought if I'm buying it, make it easy to configure it. Right. Another thought here is you think about taking the customer on a journey. Don't say, hey, you know, you've got this product and here's a thousand features you now can access.

And the customers, you know, overwhelmed, just unfold features they should be using now. Right? And then when they've mastered those, then the next one. Right, the next one. And I think I mentioned the previous episode, I think Bill McDermott was completely honest being the CEO of ServiceNow and that simplicity is a compliment to the customer. You're making it easier for them to get to that.

**Kevin Dobbs [00:05:43]** Well, and it's you also talked about in the last episode about the importance of kind of listening to what the customers want to do. And data is really important, as is your thinking through, companies will put something out there and try it and see if customers like it or if they don't buy it or, you know, they don't renew the subscription. But it's very much maybe we put this small number of features out there. Do they like those? Do they use those? Do they activate? So, a component appeal to you, isn't it kind of the watching and listening? You talked about ServiceNow having a listening post, but that's a key part of the strategy as well.

**Thomas Lah [00:06:24]** Oh, yeah, yeah, absolutely. If you think about, you know, how the world of product management, development is changing so dramatically in these new models because, you know, you I've been in tech for a while. Right? And it was a sort of traditional lifecycle words like, hey, we've got this product idea. You know, we've talked to a bunch of customers. They want these features or capabilities. Okay, let's go off. Let's go build that, right, and then let's come back and throw it out into the wild. Right? And that's what we had to sell. And this is a much more iterative model. Right? And incredibly data driven because you are getting telemetry immediately around. Is your customer using this or not getting value or not? And if they're not, if the answer is not, then what are we doing to adjust?



**Kevin Dobbs** [00:07:15] And so another thing we hear a lot and you talk about it in the book is this concept of, you know, delivering a better experience. Talk to us a little bit about kind of why that's important. And again, why is that a key component of not only PLG, but possibly your digital transformation as well?

**Thomas Lah** [00:07:36] Well, you know, last episode we talked about the statement, the complexity, you know, and so into in the simplifying your offers, it's simplifying your business model. Those are those are going to create, you know, better customer experience. And the reality is, if you think about it, who wants to navigate your complexity? Right. I mean, a customer wakes up in the morning and says, you know, I can't wait to do business with this really complex, you know, provider. And, you know, I get into this debate with executives around the coverage models. And, you know, the one thing that they'll often say is, you know, our customers our customers tell us they want one throat to choke. And that's why we have to have this, you know, experiences in and sales executive. And that's their key point and that's you know, we have to do that because that's what the customer wants. And my reaction to that is the customer is telling you that because you are so hard to do business with. And they're saying, you know, if I could get the support I need without talking to the sales rep, I would. If I could do this without talking to the sales rep, I would. But you're so freakin' hard to do business with. Give me one throat to choke. So, if you're hearing that from your customers, I'm telling you, you are, too complex.

**Kevin Dobbs** [00:08:56] Yeah. You would think throat to choke doesn't sound like good customer experience.

**Thomas Lah** [00:08:059] No, no, absolutely. And so we propagated that, you know, the complexity in that in that model, we think we're doing the customer service by providing that one point of contact when we're really not, you know, solving the problem. I'll give you another example of, you know, helping with complexity. We look at some of these tech companies right now is as they have proliferated their service portfolios and their service capabilities. Right. So no longer you just have professional service and and, you know, support. Now you have education. Now you have managed service offerings, now you have customer success offers. And often those are all organizations that are firing up all new types of services. Sometimes they overlap, sometimes they do the same thing. And we're throwing that out there, you know, on the website or throwing that out there into the marketplace in the customer and asking the customer to figure out what they should be buying, what org they should be dealing with. It's insane.

**Kevin Dobbs** [00:09:52] You read my mind, I was just going to ask you, isn't part of maybe the simplification process is maybe a rationalization of, you know, the roles of different groups and we spend a lot of time talking to companies. And again, I don't I don't think companies start out wanting to be siloed and be completely different organizations that aren't interconnected. It's just I think as they get large over time, it's just a better way to organize your business. But what we find is the companies who tend to be a lot more attuned to what the customer wants and deliver more value to them tends to have kind of a more streamlined operating model.



Groups tend to there seems to be more blurring of the lines between different groups as opposed to is marketing and sales working together to create, you know, kind of a joint value proposition or is it, you know, sales and customer success or kind of working together with support to make sure that, you know, the things that you need around adopting a solution are easier to do. Are you seeing that, or are companies, is that part of their journey as well?

**Thomas Lah** [00:11:08] Absolutely. You know, we talked about this this thread of service convergence with our with our members. And we actually see two moves on the chessboard for for a lot of technology providers because of this stovepipe model. And this proliferation of the portfolio is untenable ultimately. And it's really not good for the customer. So the first move is portfolio rationalization, which is what you were on there. And that is, you know, put one team who's in charge of defining the complete end-to-end service portfolio from the, you know, from the onboarding and stuff to the support stops and all that stuff is there should just be one team defining that and rationalizing that portfolio. And then ultimately, you're going to see a true blurring of those stovepiped organizations in terms of resource management and everything else. Right? Those stovepipe ideas we think will fall. Right? But that's going to take longer. But the first step is to really rationalizes and you know, as I was listening to you, I was thinking about one of the previous conversations on here where they were talking about auto manufacturers and how auto manufacturers are optimized to track SKUs. Right? They don't really understand the customer experience. They're making stuff and shipping stuff. Right? I'm going to argue that, unfortunately, many enterprise tech providers could be classified the same way.

**Kevin Dobbs** [00:12:28] Right. I agree.

**Thomas Lah** [00:12:29] They're making a bunch of SKUs, whether they're service SKUs, product SKUs, you know, and then they're throwing it out there and not really thinking about the customer experience around that.

**Kevin Dobbs** [00:12:39] Yeah. And that's a that's a hard transition. We've even run into a number of companies who, uh, you know, it's the SKU proliferation so bad, you know, it's choking off the creativity because just we need budget to manage all these SKUs, you know, as opposed to innovating. And, you know, I think that's another opportunity and kind of this transformation is putting more of your investment dollars not into infrastructure and bureaucracy, but more into, you know, listening to what the customers want and coming out with new, new products and services that deliver more value.

**Thomas Lah** [00:13:19] Well, if you think if you think about this litmus test, right? So, if you told every department, search organization, every product team and say, look, before you can put a new SKU, you know, a new thing out there, you have to basically connect it to how is that adding value to the customer, right. You know, that lifecycle to you know, to them, you know, time to do that, etc.. If you can connect those dots, then this thing makes sense. If you can't connect those dots, then why are we doing this?

**Kevin Dobbs** [00:13:48] Yeah. And I think there too, if we're being really simplistic about it, there are probably two ways to build products. There's one that's very product centric, which may be based on, you know, years of doing it our way.



And then there's customer centric where, you know, you're listening, you're getting signals from the market usage, other things that are helping inform kind of the products and services you develop. And, Thomas, does they evolve over time? I mean, it's not like we just stamp this out and here's the product forever. Isn't the idea that these things change over time, hopefully get better over time.

**Thomas Lah** [00:14:29] Absolutely. And you know, if you think about changing my proposition for the customer, first of all, around being customer centric, I think, again, one of the really powerful things about being in these more digital connected business models is, you know, the old world. You were constantly begging the customer to give some feedback, right? And that probably fueled some of the misses we had. Right. I did a survey, I did a user's group, I'm pulling teeth. Now you can be customer centric and you don't I don't say bypass the customer, but you're going to it's not what the customer's telling you. You're actually witnessing what they're doing. As we all know, there's a big difference between we say what we're doing, what we're actually doing sometimes, right? So that telemetry is what's fueling your ability to continually address, you know, the value proposition in in there's sort of two lenses that we have here. When you think about this customer relationship as a technology provider, you know you're in this lifecycle of the customer and LAER model too. You land them, you get them on your platform, then you're going to drive adoption, which hopefully leads to expansion and ultimately you know. And so, you're constantly thinking about how you get the customer through that, through that lifecycle. You cannot just land and then take your check and walk away.

But if you flip that around the customer review, you don't come to a customer and say, Hey, man, I'm so excited, I just landed you and I'm just going to adopt the heck out of you. We're going to, you know, that's not so that lens we call that PMO, which is you're in a relationship where you plan, hey, what's the value we're going to deliver here, is it then implement your solution. But then, you know, the last two steps are you monitor and then optimize, monitor and optimize and that and then and then based on what you're seeing, you update the plan. And so that's a never-ending lifecycle that is focused on value realization opportunities. And again, what's the customer care? I care about revenue, I care about cost, I care about risk, I care about compliance. And so, you're in this PMO relationship with the customer, you know that it's constantly getting updated.

**Kevin Dobbs** [00:16:36] And I think as you were talking about the two waves of transformation, I mean, I would assume that's part of wave two is really this.

**Thomas Lah** [00:16:44] Yes, exactly.

**Kevin Dobbs** [00:16:45] Different ways of working in different ways of organizing, being very data driven. So, Thomas, great. Like in the last segment, great insights. I really loved talking about product like growth. I know that's a hot topic right now and we'll look forward to talking to you in the next segment. So, thank you.

**Closure** [00:17:07] Thank you for listening to Accenture XaaS Service files. Please be sure to visit our podcast Web site at [Accenture.com slash XaaS service files](https://www.accenture.com/xaas-service-files) that's Accenture dot com slash x a a s dash f i l e s. Where you can listen to more conversations with other industry leaders about their vision and perspectives on innovative digital business models.



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