

Ally **Relationships:**

**The Key to Sustaining Success
for Your Service Business**

by

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Chapter 1

The Attack on Your Crown Jewel

First, let's make sure this book is really worth your time.

I wrote this book for a specific audience. If you are part of that audience, three things are almost certainly true about you:

1. You lead a service business that has substantial success in the marketplace. You may lead one of the largest service firms in the world or a one-person practice – the size doesn't matter. The leadership responsibility does.
2. You have excellent services and a solid base of satisfied clients, who acknowledge that you have done valuable work for them.
3. You know the hard truth of today's competitive environment: having excellent services and satisfied clients is just the ante that gets you into the game. It no longer gives you a sustainable advantage in developing new business.

If I have missed you on any of these points, this book may not be of interest to you. But if you recognize your situation in the above, go ahead and read the book. It may be the best time investment you make all year.

My name is Anthony Putman – my friends and clients call me Tony – and I have spent the past 30+ years helping the leaders of service businesses gain competitive advantage in their market. I have worked with literally hundreds of service businesses in just about every industry – accounting, law, corporate banking, health care, consulting, IT, logistics and transportation, entertainment, etc. – ranging from one person practices to the largest services firm in the world. And I have a message for you:

Your crown jewel – your most valuable and hard-earned asset – is at great risk. *And that risk is rapidly increasing!*

The asset I'm referring to doesn't show up on your balance sheet. It's *not* your people, or your technology, or your highly successful service lines. It's *not* your brand, or image, or reputation. All of these are valuable and hard-earned, but none comes close to your actual crown jewel:

Your most valuable asset is *the inclination of your market to buy from you instead of your equally-qualified competitors.*

The old-fashioned term for this crown jewel was “goodwill”. Modern marketers tried to capture it in the concept of “differentiation”. Strategists might call it a “sustainable competitive advantage.” But whatever you call it, the inclination to buy from you instead of your competitors is the single most important factor in sustaining a successful service business – and that inclination is becoming rapidly and increasingly difficult to sustain.

Skeptical? Let me ask you some pointed questions:

1. Do you *routinely and consistently* win business over your equally-qualified competitors?

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2. Do you *consistently* have a big advantage when a current client puts a job out for proposals?
3. Is it a rare, alarming event when a current client gives new business to one of your competitors?

If you answer emphatically “yes” to all three questions, congratulations – you’re protecting your most valuable asset and are in a good position to sustain your successful service business in the future.

But if you’re like the vast majority of service businesses you cannot answer emphatically “yes” to all – or perhaps *any* – of these questions. You lose business you firmly believe you should win. You get your “fair share” of business when past experience says you should have an “unfair advantage.” Your competitors are always chipping away at your client base (just as you are, at theirs.)

Bottom line: unless you can answer emphatically “yes” to these three questions, the future of your service business is at significant risk.

It doesn’t have to be that way. You can – and should – protect and increase your market’s inclination to buy from you instead of your equally-qualified competitors. You can – and should – sustain the successful future of your service business. But you won’t get there by just doing better what you’re already doing. More sales training won’t do the job; a better job of “branding” won’t get you there; a bigger, fancier CRM system isn’t nearly enough. You and your competitors are already doing that – and it isn’t working.

There is an answer to your dilemma. By the time you finish reading this book, you will know that answer – I guarantee it.

But to understand the answer we have to dig deeper into why clients stay clients.

Let’s start digging. Let me take you back to when I first encountered this “crown jewel” dilemma, and began to understand how it really works ...

It was over twenty years ago – the early 1980’s – and I was in Manhattan, sitting in the corner office of Whitman Pratt, a very senior partner in a Big 8 accounting firm (all names have been changed in respect for privacy but the people and firms are quite real). The coffee was pre-Starbucks office coffee – barely drinkable – but the view of Central Park from the office window more than made up for it. Whit was an imposing, thoughtful man with a memorable challenge:

“Tony, we need your help in figuring out how to differentiate our audit. The problem is, to our market, *an audit is an audit is an audit*. Now I know that our audit is in fact the best in the business, and I would defend it to anyone on solid professional grounds. But the problem is, you have to be an auditor to understand the difference! To our clients – and worse yet, to our prospective clients – all audits look alike. *They* can’t tell the difference, so from the outside our audit services are commodities. And by the way I’m not picking on the audit – the same is true of our tax and consulting services.”

I nodded in sympathy. The dreaded “C” word in business – commodity – which means that just about the only way to compete is by offering the lowest price. And while “low-cost provider” is a perfectly

reasonable strategy for commodity products like steel or pork-bellies, in a service business it's usually a quick route to bankruptcy. The theoretical solution to the commodity dilemma was well known in marketing circles: differentiation, which simply means causing your service to stand out positively from the crowd. Marketing books were full of examples of successfully differentiated products: beer, cigarettes, deodorants, even chickens! Problem was, as Whit and I knew, nobody had yet succeeded in applying that differentiation theory to a professional service like the audit.

Whit wanted his firm to be the first to succeed and I agreed to help. Service marketing was a very new field then – just a few years prior it had been illegal to market professional services – so we undertook an intensive six-month study to see if we could crack the code. We investigated dozens of successfully differentiated products and figured out exactly how it was done: through advertising, packaging, slogans, promotion, PR, features-and-benefits (methods we today call “branding”). We talked with everybody we could think of: satisfied audit clients and clients who had just fired us as auditors; people who had just hired us as the auditor and people who had just hired a competitor. We did focus groups and individual interviews, structured and open-ended, and we talked endlessly with audit partners from the newest all the way to the top of the firm. We kept probing: What is positively different about our audit? What can we use to make it stand out from the crowd? And there was no lack of ideas; indeed, everyone had an opinion and some were very strongly held.

The results of the study were fascinating and complex, but in the end the key finding can be summarized in one simple statement:

It is impossible to differentiate a professional service.

Can't be done. None of the methods used to differentiate products work when applied to services: not advertising, not promotion, not packaging or PR or slogans or features-and-benefits. As we boiled down the stacks and stacks of data it became clear that, to succeed at differentiating a service, you must have two things simultaneously:

1. You must offer a service that is distinctively and positively different from the services of your competitors.
2. That difference must be visible to your market.

Now in the ideal universe, you offer services that nobody else offers, and everyone knows it. But in the real universe we live in, your competitors hire from the same gene pool you do. They are smart, too – in fact, increasingly these days some of *them* may have once worked for you. If you offer a service, you can be sure your competitors do too. You fail the first test.

But here's the killer: suppose you *do* pass the first test. You have a distinctively valuable service. What happens? Well, you have great success for a while, and then your competitors begin offering the same service (or at least *claiming* they do) and (remember? they can't tell the difference from the outside?) you fail the second test. No differentiation.

(By the way, just because we have known for over twenty years that you can't differentiate a service doesn't mean people have stopped trying. Every year you see expensive “branding” campaigns that involve multi-million dollar TV advertising. None of them work. If we ever have lunch ask me why they don't work – it's too long to get into here.)

Back to Whit's study. This is not a tale of despair; in fact as we really looked at the data we realized that we had found an answer – not where Whit was looking for it, but in a place we had not thought to look. There is an obvious difference between a product and a service. When you buy a service you are simultaneously buying two things: the service itself, and a relationship between the client and the service provider. And while you cannot differentiate a service, for all the reasons mentioned above, as it turns out,

You *can* differentiate a relationship!

We realized that the real question – a question to which we had discovered an answer – was: How can you differentiate a service *Firm*? The answer is: by creating distinctive and valued business relationships with your clients. When you do that, your market is inclined to buy from you instead of your equally-qualified competitors. We called this the relationship differentiation strategy and when Whit's firm applied it, it worked almost like magic. They routinely and consistently won business over equally-qualified competitors; they consistently had a big advantage in developing new business with clients; and it became a rare and alarming event when a client gave new business to a competitor. The services remained commodities and always will be, but the *Firm* was differentiated in the marketplace and that's what counts.

We need to fast-forward here, because this is just the start of the story. Whit's firm worked hard to apply this strategy and had good success with it; I went on to help hundreds of service firms in the 1980's develop competitive advantage; in 1990 I published a book in which I told the full story I've outlined above. (*Marketing Your Services: A Step-by-Step Guide for Small Businesses and Professionals* by Anthony O. Putman, published by John Wiley and Sons.)

This takes us to the early 1990's. Some things had changed. Whit had retired years ago; his firm's new leaders lost sight of differentiation and his firm slowly but surely dropped back into the crowd. Many of my clients had used the relationship differentiation strategy with great results, and were working hard to keep ahead of the pack. More and more I was being asked to help firms sustain their success, to protect their "crown jewel" asset or to regain it once it began to erode. I began to wonder if *maintaining* the market's inclination to buy from you over your equally qualified competitors might be harder than building it in the first place! One day I was reflecting on what seemed to be happening to the services market and I experienced a massive BGO (Blinding Glimpse of the Obvious):

Distinctive and valued business relationships had become "table stakes." Everybody had them. They no longer gave you the advantage in developing new business they once did.

In other words, my clients' "crown jewel" asset – the inclination of their clients to buy from them instead of their equally qualified competitors – was at risk. And that threat was growing rapidly, to the point where today very few services firms – even the most successful – can have solid confidence of sustaining their future success.

I'm not sure we completely understood why this was happening. Some factors were obvious: the massive increase in available information made it far easier for clients and service providers to find each other. Business productivity tools made issuing RFP's and responding to them far cheaper and easier. Worldwide networks and instantaneous communication eroded geographical advantage and made it

possible to put together virtual teams. And for all I know it could just be that everyone has raised their game – what used to be a distinctive and valuable relationship is just the norm now.

But whatever the reasons, the threat was real and growing and I was determined to find a way to counter it.

I took another, deeper dive into business relationships. Reflecting on the experience of thousands of service providers I had worked with, I began to realize that there were some hidden patterns. Everybody knows that all valuable business relationships are *not* created equal; in fact, some are significantly more highly valued than others. But how do you get there? What makes the difference? One hot summer afternoon I was sitting at my PC, drinking iced tea, when I suddenly saw the pattern. In two minutes I jotted down four bullet points that cracked the code. As I looked at what I had written, I was both excited and almost embarrassed by how obvious it was, now that I had seen it.

Here are the four insights:

1. There are only *three possible business relationships* that can exist between a service provider and a client.
2. Depending on which business relationship you have, *everything else follows*, importantly including how you develop new business with your client.
3. *Which* business relationship you have depends on *one factor only*.
4. That factor is *entirely* within your control!

So what is the factor? As it turns out, that was the master key that unlocked the whole puzzle. Let me give you the key right now:

The business relationship you have depends on one factor only: the context of conversation between you and your client.

In other words, your business relationship is determined by what you and your client routinely and consistently *talk about* and *interact around*. Depending on what that is, the business relationship is built and everything else follows.

We need to fast forward again. I took these insights and fleshed them out into a specific developmental curriculum, combining some training with a lot of hands-on coaching. By 2004 I have worked with health care providers, lawyers, consultants, IT professionals, sustainability change agents and many others, including one of the Big 6 (then 5, now 4) accounting firms. I have helped them learn how to reach the top level – the most highly valued business relationship of all. The results have been consistently astonishing.

Along the way I fleshed out answers to some key questions: What are the three business relationships? What context of conversation creates each one? How do you develop business at each level? How do you move from one level to the next? What is the top level? What difference does it make to be at the top level? And – most important – what do service providers need to do to reach the top level and stay there?

Here are quick answers to some of those questions:

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The top level – the most highly valued and valuable business relationship of all – is the Ally Relationship.

The Ally Relationship is not something Tony Putman invented. People have been building Ally Relationships in business for as long as business has been around. I estimate that 3-5% of service providers naturally build Ally Relationships (when I run into one of them, I love to elevate my coaching game to help them get even better at it.) I named the Ally Relationship and figured out how it works; more importantly, I figured out how to make it available to top-notch service providers who want to make the effort.

One last key point:

The Ally Relationship is the answer to the dilemma you currently face. When you build Ally Relationships your market's inclination to buy from you instead of equally-qualified competitors is strong and sustainable.

In short, Ally Relationships build and protect your “crown jewel” asset, and make it possible for you to sustain the future success of your business.

So what exactly is an Ally Relationship? And how do you build one?

That's in Chapter 2, where we flesh out the answers to all those key questions above. It also reveals what it takes to make Ally Relationships the standard in an organization like yours.

Read on.