

## Research Brief

# New Sales and Marketing Models Required to Sell Business Process Services

**Abstract:** *Numerous internal and external catalysts of change are forcing service providers to continuously reassess their business models. This document will address a critical aspect of how IT service providers are doing business differently to address the challenges posed by managing in an environment of rapid and continuous change.*

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### Key Business Issue

What are the forces driving change in the IT services industry, and what business model changes should result?

### Recommendations

- Service providers that market and sell BPO services must be aware that they are facing multiple decision makers and adapt their sales and marketing strategies accordingly.
- Define specific and measurable performance metrics (both operational and business metrics) and link those metrics to the promised benefits because it is critical to establishing credibility.
- To sell BPO services, service providers should have a dedicated sales organization with consultative skills, process and industry expertise.
- To become true business partners with their clients, service providers should be prepared to undertake value-based contracts and risk sharing.

## Business Force: Aligning IT and Business Strategies

Over the past few years, growing recognition of the imperatives to align IT and business strategy has been a significant driver for the adoption of a business-focused approach to IT and, thus, to outsourcing strategies. Once perceived strictly as a technical tool used by organizations to manage/optimize IT assets and infrastructure, outsourcing has gained a broader foothold in some organizations to encompass responsibility for the underlying IT-enabled business processes and even business outcome. At the same time, budgets for specific service solutions increasingly come out of a combination of corporate, line of business and IT budgets. Business process outsourcing (BPO) is a characteristic example of how service providers can link IT to business goals.

### Multiple Decision Makers

This Research Brief focuses on the imperative shift in the sales and marketing model for IT service providers wishing to address the BPO space or, more broadly, to sell services to functional business units, because they need to sell to multiple decision makers. Other considerations for selling, marketing, contracting and delivering BPO services are included in "The Rise of BPO in 2000" (BPOT-WW-MT-0001).

Many IT service providers attempt to sell BPO like any other IT professional service (consulting, systems integration, IT outsourcing). However, when selling a holistic "business" solution, they need to manage the expectations of multiple decision makers, as indicated in Figure 1.

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#### Multiple Decision Makers

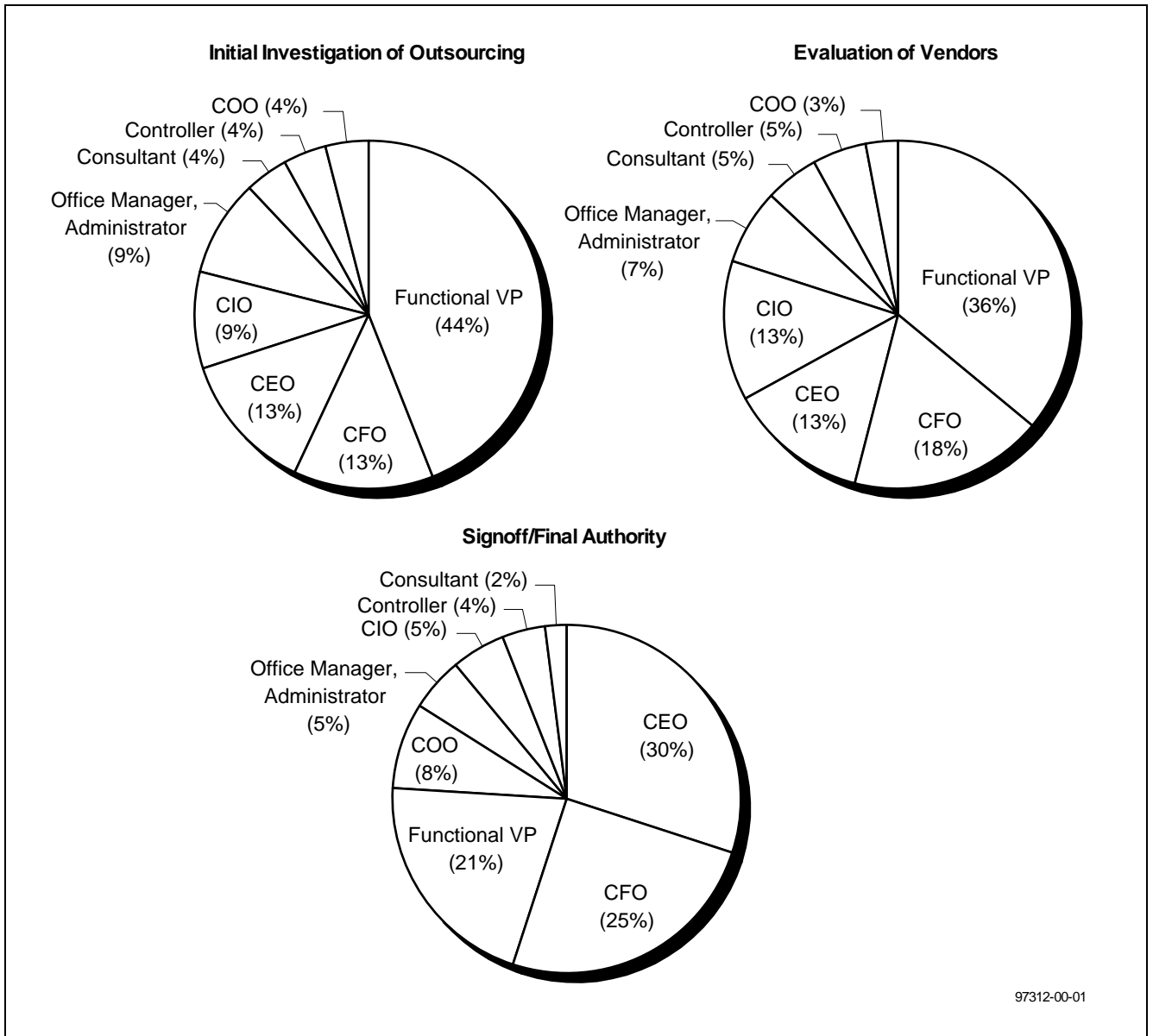
Although a significant portion of the BPO solution entails IT services, such as systems development, systems integration and IT outsourcing, the CIO is not the primary decision maker in buying BPO.

CEOs, CFOs and, increasingly, functional VPs represent an active part in the investigation of outsourcing and in the service provider selection process. Most often, it is the CEO or CFO who gives final approval and signs off on the deal.

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Certainly, this decision-making structure can complicate and delay the sale: CEOs, CFOs and functional VPs all have significantly different agendas and priorities. Meeting each while keeping all parties involved in each step of the sale requires time and sophisticated selling skills. However, the participation of upper management can help service providers better understand the organization's expectations and goals and can provide critical support to enable implementation (scope change management is nearly impossible without it). The service provider's role is to create a convergence in priorities for senior and middle management, based on defined and measurable metrics for business impact.

**Figure 1**  
**Typical End-User Decision Makers (N = 35)**



Source: Gartner Dataquest (April 2001)

## Gartner Dataquest Perspective — Selling to a Business Unit

Based upon research with both demand- and supply-side markets, Gartner Dataquest identified two key success factors for a business sale of IT services.

### Benchmarking

Because of the buyers' lack of familiarity with BPO, lack of consistent baselining and benchmarking of preoutsourced process cost and performance, and the customized nature of BPO deals, many BPO vendors find themselves approaching buyers with only vague definitions of performance metrics and measures. Defining specific and measurable performance metrics and linking those metrics to the promised benefits are critical to establishing credibility, particularly in the context of an economic downturn.

There are two critical types of metrics that services buyers and vendors should define and deliver against: operational metrics and business metrics. Operational metrics measure the performance of a certain aspect of the process operations. They measure how well a process is performing (efficiency), but do not necessarily measure how well a process contributes to bottom-line business results (business effectiveness). In contrast, business metrics refer to the performance of the business (business effectiveness) as manifested by key business performance indicators.

### Dedicated Sales Organization

If service providers must be able to sell BPO services on both a process and an industry basis, then they will require salespeople who are, by nature, consultative and, by training and experience, experts in certain industry or process areas, with an emphasis on process expertise. An effective BPO sales strategy will provide access to the CEO and key process owners, and, based upon benchmarking, enable service providers to contract for their services using measurable business improvements in cost and productivity, which will then return to them their own upfront investment in the form of an annuity and theoretically ceiling-less profit stream. In addition, the sales force should demonstrate value-based contracting skills, including risk sharing and business benefit-based contracting. To make value-based contracts a broadly accepted form of pricing, service providers may require a relationship paradigm that extends beyond process-focused offerings to integrated business process offerings.

## List of References

References used in preparing this document included the following:

- "The 10 Most Frequently Asked Questions About a Booming Market: Business Process Outsourcing" (BPOT-WW-DP-0103)
- "The Evolving Multichannel Contact Center: Potential Service Opportunities" (CARE-WW-DP-0005)

■ "CRM ASPs Are Still Waiting for Potential Demand to be Realized"  
(CARE-WW-DP-0009)

This research is part of a broader article consisting of a number of contemporaneously produced pieces. See ITSV-WW-DP-0031 for an overview of the article and links to related pieces.

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