

**Driving Outstanding Customer Experience to the Bottom Line
at Hewlett-Packard**

By Marilyn Martiny, Bo McBee and Bob Sadler
Foreword by Alan Weiss

June, 2006

Foreword: A Consulting View of Hewlett-Packard's Beachhead Initiative

**Alan Weiss
President
Summit Consulting Group, Inc.**

Overview

What you are about to read is a detailed description, “from the inside,” of a Hewlett-Packard initiative to dramatically improve a customer interface with the intent of providing more real and perceived value in return for larger and longer-lived customer relationships.

I've been asked, as a Fortune 500 organization development consultant, and as an external consultant to Hewlett-Packard for over a decade, to comment on the process that you are about to read. I did not work on nor contribute to this endeavor, my role here is unpaid, and I haven't worked with HP for several years. In other words, I've been asked to provide an objective, expert view of their approach as someone who knows the organization but doesn't work there.

My expectation was to write an epilogue, providing my reactions. But the authors have asked me to write this prologue so that readers can appreciate the narrative not only from a content basis but also from a process basis.

Strategic Approach

HP's desired approach to their customers was a fundamental strategic reorientation of the relationship. Management realized that the customers' perceptions of and reactions to HP had to be changed, so that HP's very value was a key change consideration. That is, HP was to metamorphose (not evolve or migrate) from a vender to a collaborator—a “trusted advisor” in their terms.

Moreover, HP was to provide options for its clients, on the intelligent assumption that not all clients would require or view the relationship in the same way. Hence, you'll find a quite deliberate pyramid representation which clearly depicts the “trusted advisor” relationship as the most compelling, effective, and unique. (A classic customer dialogue starts with, “Well, here's what our most successful customers have chosen to do....”)

It's important to note that I believe HP's expectation was that the mere act of acquiring Compaq would transition it from a vender to a partner in the eyes of its customers. When this did not happen, which was a weak assumption, HP was smart enough to pursue additional strategies.

Most customers were viewing their HP experience as transactional and commodity-based.

Tactical Approach

Avoiding a deadly pitfall of most major organizational change efforts, HP chose to establish a metaphorical beachhead, and not try to conquer the entire countryside. Since conditions are never perfect and 100% collaboration and support are chimeras, most organizations waste time or enter into total paralysis by waiting for perfect and complete readiness.

HP chose to move as soon as it reasonably could, intelligently calculating that more support could be moved to expand the beachheads in proper time and proper sequence. In addition, the company involved its customers in early testing and feedback, so that it wasn't merely listening to the echoes of its own press releases.

This approach also allows for concentration on the highest priority customers, thereby ensuring the greatest and earliest return for resources invested. Across-the-board implementation cannot ensure this and, in fact, usually endangers it.

A realistic, long-term time frame was established, and clear accountabilities were established in terms of leadership and support.

Key Factors

Here are the key factors that should be considered as you read through the plan. Some are classic, and some are unique to HP and its focus:

- The use of metaphor.

HP is famous for analogy and metaphor as rallying points in order to engage its own people. The original initiative here became TCE: Total Customer Experience. (Subsets such as "touch points" were included freely, and visual representations are used in abundance, as you'll see, to bring everyone together in space and time.)

- Distinguishing among relationships.

To fully understand the power of any one relationship, it helps enormously to contrast it to others (one of the most powerful influence factors in a sales process, by the way). HP's "relationship hierarchy" provided contrast and comparison in relationship possibilities.

- Focus on value.

The customer outcome, business result, and commensurate value were considered as paramount. This replaces the usual task and input mentality which focuses on commodities: product, service, deliverable, time. Customer was to reduce commodity price, but are happy to invest in value where a return on investment is easily calculated.

- Champion leadership.

A beachhead leader ensured proper sponsorship and organizational clout. This provided for both a "point on the arrow" (rather than a flying barn) and effective peer interaction with the necessary support and peripheral functions. It also legitimized the initiative organizationally.

- Targets of opportunity.

The company chose those clients whom they knew would favor a more comprehensive, results-based relationship. They were able to co-opt the sales and support intelligence already in existence and improve those capabilities rather than start from “square zero.” This actually accelerated whatever existing momentum was in place.

- Internal rules of engagement.

HP didn’t want to trip over its own feet, so it established clear guidelines for how these important clients would be approached, and practiced not only the nature of the interaction but also the actual dialogue to be employed.

- Embracing the buyer.

There was early involvement in design sessions (of course called “Wow” in keeping with focused icons) which both gleaned customer knowledge and provided high value and impact.

- Metrics of success.

An economic value analysis (EVA) was used to validate the power of the solutions and relationship. Higher fees can be justified by higher value, and HP was proactive in demonstrating this.

- Ongoing learning and correction.

The company incorporated, organically, the results of its early work to improve the process, adjust its own expectations (upwards), and enlarge the beachhead. HP has long been one of the most deliberate and open learning environments I’ve ever observed.

Summary Analysis

As you read this, I think you’ll find that HP is exceptional in creating and leading change. It’s values emphasize inclusion of employees and customers; building on talent and momentum already in place; and insisting on clear metrics to assess progress.

These approaches require a certain environment and aren’t for everyone. HP is so consensual that many more meetings than necessary (in my experience with peer-firms) are required to generate commitment. Disagreements are not easily entertained at meetings. Also, acronyms, metaphors, and cultural icons sometimes cloud the issue, forcing focus on “magical” language rather than scientific language. (My favorite example: “We’re getting *pushback* on our *straw man* and he’s on a *burning platform*.” Translation: Our example isn’t well received and time is running out.)

Nonetheless, you’ll find a rare, documented example herein of an elephant that not only learns to dance, but wins dance competitions.

Alan Weiss
East Greenwich, RI

Table of Contents

In the Beginning: A Crisis Looms	2
Building the Business Imperative	2
Customer Pressures	3
External Pressures	5
The Decision: Launch a Beachhead Initiative	5
Program Governance	6
Preparation for Taking the Beach	6
Account Selection Criteria	6
Preparing Account Teams	7
Capabilities Assessment	8
Rehearsing for a Successful TCE	8
Rules of Engagement	9
Taking the Beach: Design Customer Sessions	10
Best Practice Sharing	10
Vision and Roadmap	11
Economic Value Analysis	12
Project Management Office	13
Outcomes and Learning	13
Leveraging Success: Repeatable Process	13
Translating Customer Experience into Sales Strategy	15
Translating Customer Experience into New Sales Competencies	15
Tracking and Reporting Results	16
Trusted Advisor Metric	16
Revenue Metric	16
Voice of the Customer: Knowledge Sharing Eco-System	17
New Market Opportunities	17
New Training Opportunities	17
Contribution to Solutions Strategy	18
Reflections	18
Case Studies	19-22
Authors biographies	23-25

This paper tells the story of HP's Beachhead Initiative and how it captured the hearts and minds of top customers and increased HP sales and service revenues by 10X.

In the Beginning: A Crisis Looms

When Hewlett-Packard merged with Compaq, the company promised the marketplace that together the "New HP" would offer an alternative to IBM. It was HP's commitment to customers to lead the industry by delivering an unbeatable experience to every customer while doing business with HP.

The commitment was summarized as follows:

- Be the easiest company to do business with.
- Be a company that customers can trust and count on.
- Ensure that HP employees and partners go the extra mile and put the customer first in everything they do.

In late 2003, HP executive management realized that there was a huge gap in the perception of HP as a strategic partner and trusted advisor to its top customers.

Key customers had been telling HP for years that they wanted HP to evolve from being a transactional vendor selling reliable products, support and services to a strategic partner providing business guidance and consultation on customers' thorniest IT problems. Yet, over the years, little progress had been made by HP to address this customer requirement.

Customer surveys told HP that the fastest way to improve customer loyalty with the top 100 enterprise accounts was to shift the sales force away from vendor product selling to becoming a trusted part of top customers' extended enterprise. An internal study showed that a one point (based on a 100 scale) gain in the customer loyalty index results in a 1.7% gain in revenue and a 1.2% gain in margin. If HP could improve customer loyalty, they could realize billions of dollars to the bottom-line.

Building the Business Imperative

Once the revenue and margin potential from improving customer loyalty was recognized, HP's Executive Committee prioritized and reinforced the importance of the company-wide Total Customer Experience (TCE) operations already in place.

Total Customer Experience is defined by HP as a systemic and flexible, end-to-end approach for developing and improving products, services and solutions from a customer-centric perspective. HP's TCE program involves identifying the desired customer experience in at eleven touch points, then prioritizing and launching programs to deliver the desired experience.

Touch points are areas where HP touches the customer and where the customer experiences satisfaction or dissatisfaction. Touch points are also opportunities to ‘Wow!’ the customer on the plus side or disappoint the customer on the negative side.

As an example, consider the “Order” touch point. To understand how HP can create a satisfied customer, HP asks: “What is it like to order from HP? What is the experience? How could HP create a Wow! experience when a customer places an order?”

Once the experience is defined and prioritized, TCE projects are launched to improve the customer experience. The TCE touch points used by HP are depicted below with a sampling of customer experience requirements.

TCE Touch Points and Customer Experience Requirements

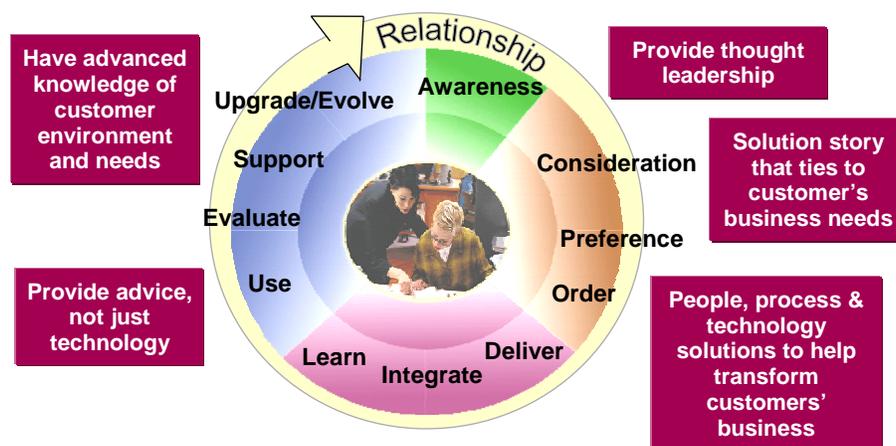


Figure 1. The TCE Model

According to HP, companies must develop a deep understanding of the customer’s requirements across all touch points to offer consistent positive experiences that maintain customer loyalty.

Customer Pressures

TCE customer data was collected on HP’s top Enterprise accounts through a structured feedback mechanism called the Relationship Assessment Process (RAP). RAP explores the customer’s perceptions on many attributes of the business relationship through face-to-face interviews and web-based questionnaires. The process is conducted yearly with key accounts by polling a representative sampling of decision makers, influencers and end-users from across the customer’s business. The results

enable HP and its customers to align priorities and resources to improve TCE and increase the value provided to the customer.

An Interim RAP report clearly demonstrated that the relationship focus was a continuing competitive imperative. The RAP results showed that HP continued to be viewed as a transactional technology vendor by a majority of top customers. Many of these same customers were calling for HP to become a 'trusted advisor' in order to compete effectively in the market which meant leveraging capabilities and providing services beyond hardware products..

The 3 types of relationships that HP measures are reflected Figure 2 below. They are:

- Transactional: Where value is created through providing reliable products, services and support at a low cost.
- Consultative: Where value is created through providing strategic business guidance, advice and problem solving.
- Trusted Advisor: Where value is created through leveraging capabilities beyond products and creating joint presence, joint technology or go to market together.

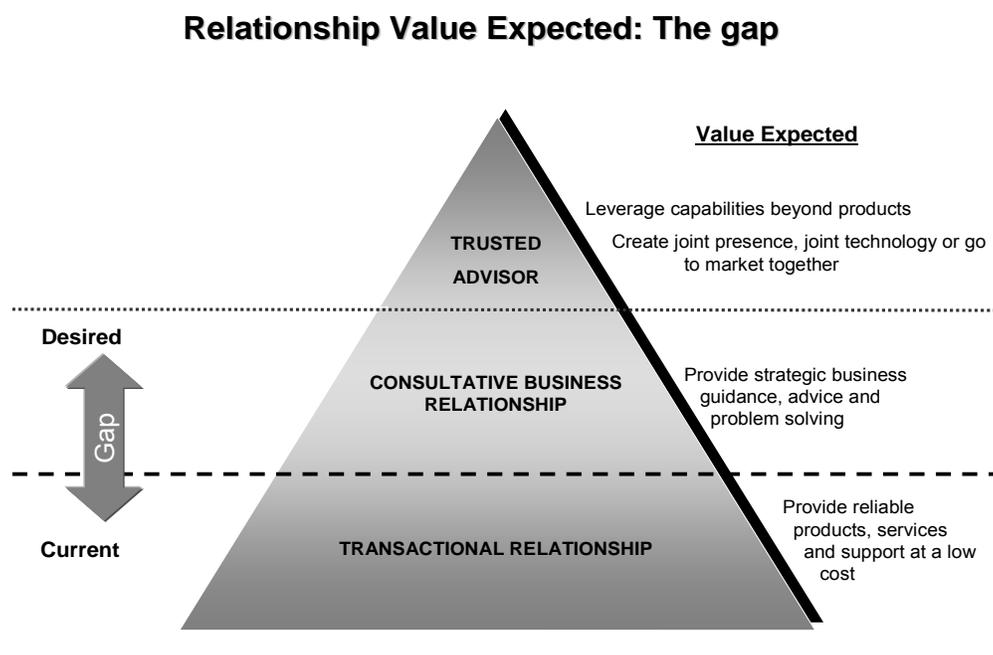


Figure 2. Relationship hierarchy

According to the RAP data, over 60% of the Enterprise customers viewed their relationship with HP as transactional and that same percentage desired a consultative or trusted advisor relationship with HP. This gap between current state and desired state by such a high percentage of HP's top customers needed to be addressed if HP was to achieve its market goals.

The customer demands were best summed up by the following quotes:

"The sale is made on the idea of transforming your customer's company....raise the game by focusing on value and relationship."

"We value business solutions, not technology components."

"We want a different level of value from the HP relationship."

External Pressures

Additional pressure was being exerted by business analysts who had high expectations for HP to deliver IT solutions on par or better than IBM. HP's market had shifted from customers' perceiving uniqueness in HP's products and services a few years back to products and services that looked similar to offerings from competitors. This created the need to differentiate through new products and value-added services and support.

The Decision: Launch a Beachhead Initiative

The Executive Committee was concerned that market share would be lost in top accounts while months passed as the businesses addressed these demands. Current efforts to improve the TCE, train and hire new talent into the sales force, and meet with analysts were necessary but not sufficient.

Rather than lose valuable time, the Executive Committee launched a 'Beachhead Initiative' designed to produce quick wins in key accounts across the computer and services organization. Building on the military analogy of establishing a beachhead on foreign soil and then expanding that beachhead success was used.

The goal of the HP Beachhead Initiative was to work with a few Corporate accounts and position HP as a trusted member of the customer's extended enterprise, a status that would achieve becoming a 'trusted advisor'. If the initiative was successful, it would be expanded across more of the enterprise accounts who desired a consultative, value added relationship with HP. The Beachhead initiative initially focused on 2 accounts starting in November of '03, scaled to 15 accounts in '04, and was expanded to focus on 50 accounts in '05.

To realize this transformation, HP devoted resources and committed to a multi-year initiative. The Executive Committee carved out a mission and budget and set up program governance.

Program Governance

The Beachhead Steering Team consisted of Vice Presidents of functions such as Marketing Vertical Industry Groups, Enterprise Sales and Marketing, and TCE. The steering team appointed a full-time, dedicated Beachhead leader. The leader brought in experienced external consultants as well as people from across HP who had the TCE know-how and business acumen required to drive the transformation.

The Beachhead leader developed a project plan and met every two weeks with the Steering Team who reported progress on a quarterly basis to the Executive Committee.

Preparation for Taking the Beach

Once the Beachhead core team was formed, they identified the steps necessary to get started:

- Beachhead account selection criteria
- Preparing the HP account teams to take a leadership role
- Assessing account team capabilities
- Rehearsing for a successful TCE
- Establishing Rules of Engagement

Each of these steps is discussed below.

Beachhead Account Selection Criteria: It was decided to initially focus on corporate accounts that were ready to move to a trusted advisor relationship (per RAP data) and where HP had an opportunity to work at a strategic level with the customer. Not all of these customers were at the same level of readiness, so further criteria was developed to determine which customers to work with.

Account Selection Criteria

Criteria	Evaluation
Relationship: Customer in high readiness to move to trusted advisor relationship with HP	√
Competition/Partners: HP has opportunity to work at strategic level with customer	√
Business Case: There is a strong business case for incremental revenue	√
Operating Environment: Customer committed to build roadmap with HP	√
Industry business issues: CIO has compelling reason to pursue IT transformational play	√
Specialist Support: SHP Sales, Consulting and Support organizations are aligned and have resources in place	√
Account Team: Strong HP team	√

Copyright © 2003 HP corporate presentation. All rights reserved.

3

Figure 3. Account Selection Criteria

To be considered as a candidate for the Beachhead program, an account had to meet the majority of the above criteria. Those accounts that met the most criteria were then prioritized by the Regional Sales Manager and the Beachhead team began to work with those sales and consulting account teams.

Preparing the Account Teams: Based on the TCE data, the Beachhead team knew that these customers wanted a more valuable, deeper relationship with HP. They wanted HP to take time to understand their industry and business challenges. They wanted to engage with HP in problem solving sessions, not product selling presentations. They wanted an IT transformation roadmap that dealt with technology as well as the people and process transformation required.

Beachhead planning sessions were conducted with the account teams. Although each account team was already required to complete a disciplined account planning process each year, many customer sales opportunities were overlooked because there was no outside voice on the team. Having the same people on the sales team over a span of years tended toward tunnel vision and people on the account teams were not inclined to challenge themselves to the degree necessary to meet the higher expectations of their customers. The Beachhead team added value by bringing an outside perspective that challenged long held assumptions and raising the conversation from tactical to strategic.

The Beachhead account planning sessions included 3 steps:

Step 1: With the sales and services managers' sponsorship, the Beachhead team met with key members of the account team to understand the untapped opportunities in the account. These planning sessions included a review of the 'big deal' proposals. It gave the account team members time to absorb the idea that their customers expected and wanted something different and more challenging than what the account teams were accustomed to. Moving the sales team from being perceived as a transactional vendor to a trusted advisor was not going to be easy. Buy-in and commitment to the Beachhead approach by the account teams was tested at these sessions.

Step 2: The account team identified the most important customer issues. The Beachhead facilitator helped the account teams brainstorm these issues and agree on sales strategies that would provide value to the customer.

Step 3: A series of steps was identified to build HP's credibility as a trusted advisor with the customer. These steps leveraged HP's experience as a world class global enterprise that had dealt with many of the same issues that customers' were struggling with. This provided the opportunity for HP to share experiences with the customer as to how HP was addressing or had addressed these issues. HP was willing to share what had worked and what hadn't and what HP had learned through experience.

Assessing account team capabilities.: Leveraging an assessment tool that HP had used during the merger, the Beachhead team evaluated the capabilities of the account team members and provided coaching that resulted in taking better advantage of the talent on the teams. Individual coaching sessions were held to determine which team members were performing roles inconsistent with their strengths. Account team members were reassigned to roles better aligned with their interests and skills. This was followed by a teambuilding workshop that was conducted to remind the team of the strengths of each individual as well as the strength of the newly organized account team. The result was that the team members had renewed energy and felt they were positioned for success.

Rehearsing for a successful TCE: Before customer interactions took place, there were preparation and rehearsal sessions with the aim to bring out the best HP had to offer during the client engagement. Account team members were coached to change their communication style from 'vendor with a quota' to 'trusted advisor with problem solving skills to understand and address the customer's challenges'.

The account team was encouraged to predict 'defining moments' that would likely occur with the customer during the workshop. Defining moments are challenging interactions with the customer that are important to the success of the customer's business. The account team identified these moments and provided the Beachhead team with the context. The Beachhead team helped the account team members to rehearse these moments so they would be ready when they occurred. Many times it was these defining

moments that changed the perception of the value HP had to offer to the client. As an example, when engaging with one client, the presenting problem was to consolidate 16 data centers as quickly as possible. The defining moment was when the client recognized that consolidating the data centers alone would not achieve the end goal. There were other critical elements that had not been on the customer's radar. This 'aha' provided the opportunity to help the customer see what they had not seen before and added significant value to the success of their IT consolidation. HP ended up helping the client manage the consolidation saving the client over \$1M a week and ensuring a smooth transition from a distributed environment to a centralized environment. In a more typical scenario prior to the Beachhead, HP may have been prone to just do what the client asked.

Establishing Rules of Engagement: Rules of engagement emerged that served as reminders of the new behaviors.

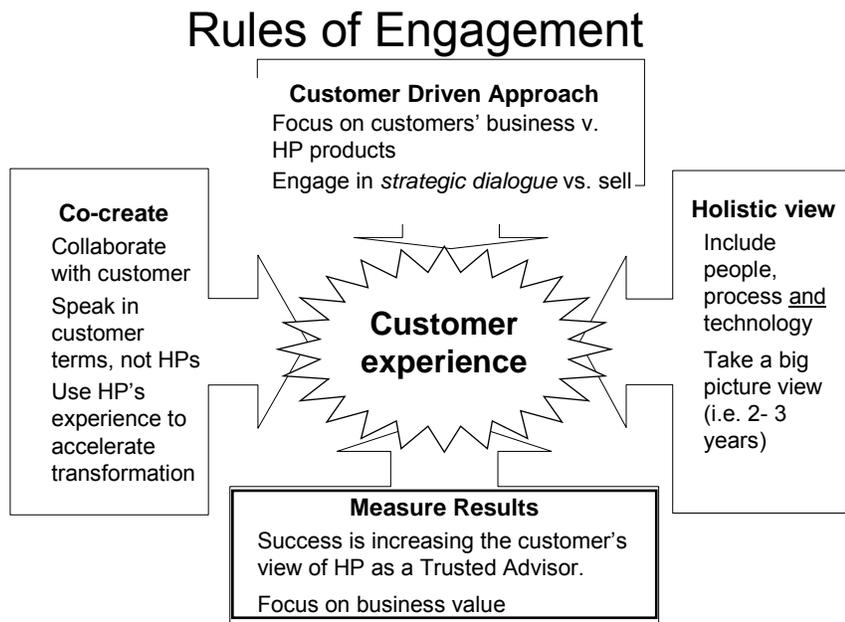


Figure 4. Rules of Engagement

HP found that becoming a trusted advisor starts with a customer-driven approach, and requires a big picture view of the customers business and challenges, including not only technology, but also the people and process issues. It also requires a collaborative approach with the customer to discover solutions to accelerate the transformation. These rules of engagement translated into specific behaviors that are discussed later in the paper.

Taking the Beach: Design Customer Sessions

The Beachhead team developed a plan to ensure that each interaction with the customer provided a compelling and memorable customer experience which the team called “Wow!” experiences. The Beachhead team believed that by providing thought leadership from within HP and challenging the account teams to stretch beyond their traditional customer interactions, HP would bring unique value to customers and position the account teams as value added partners to help customers navigate their IT and business transformations. .

To accomplish this, the Beachhead team designed a number of workshops and deliverables that became known as the “Wow!” repeatable customer experiences. These workshops were where the primary interaction would happen between HP and the customer and would begin to change the customers’ perception of HP.

The workshop engagements were documented and positioned at different stages where the customer was ready to interact with HP and are depicted in the graphic below.

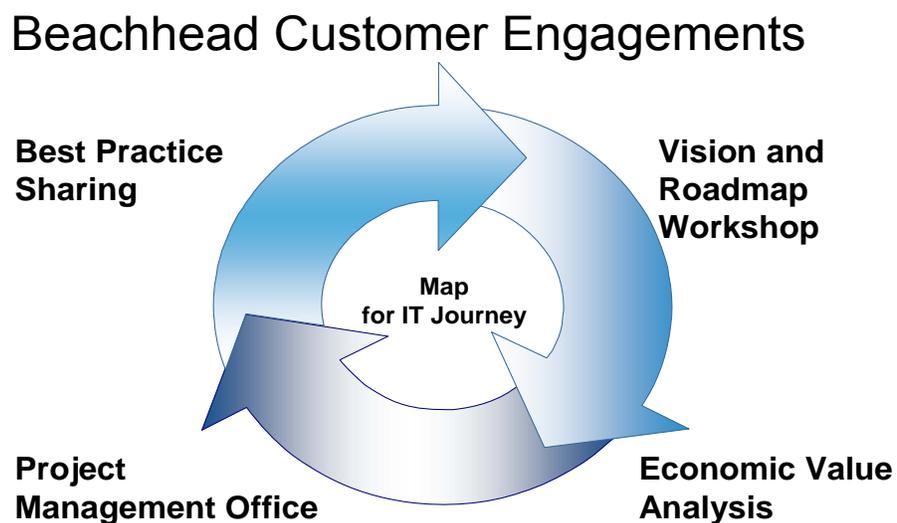


Figure 5. Type of Beachhead engagements

Best Practice Sharing: The purpose of this ½ day session was to reveal HP’s IT transformation journey to stimulate customer’s thinking. This was done through sharing best practices from HP’s internal IT group and from HP’s own experience in the marketplace regarding IT challenges such as consolidation, architecture and governance. Many of the workshops also included more leading edge topics such as

computerless computing and innovations that were still in the R&D lab.

Prior to the Beachhead, best practice sessions involved viewing about 160 slides over the same time period. Although the information shared was of interest, this marathon of slides was not viewed by most customers as a stimulating customer experience. It was more of a show-and-tell with limited time built in for deep customer interaction.

Having knowledge of the TCE input from customers, the Beachhead team knew that less slides and more discussion was desirable. The Beachhead team designed the new and improved sessions to not show any slides at all. Instead, the Beachhead team working closely with Corporate IT and the account teams, turned the 160 slides into a half day story telling workshop that brought together thought leaders from across HP to share HP's IT transformation journey and challenges. An artist illustrated the story on a wall-sized piece of paper as it unfolded. Built into the experience was inviting the customer to also share their journey.

These sessions were staged in an auditorium-like environment and facilitated by a Beachhead team member. Thought leaders were brought from across HP who had dealt with similar issues as the customer was challenged with. The Beachhead team rehearsed with the story tellers so they were comfortable telling the story without slides.

These sessions were a hit! The customers enjoyed the opportunity to talk to their peers from HP that was dealing with similar issues and to have the opportunity to share and compare approaches. The COO/CIO of one of HP's top accounts who was thought to believe their company was ahead of the curve paused the session after about 90 minutes and turned to her team of Senior VP's and said, "My heavens, compared to HP, we're in kindergarten!" The result was the COO/CIO and her team identified six previously unidentified IT projects where the COO/CIO and her team felt confident HP could add value. Other customers had similar reactions.

Vision and Roadmap Workshops: The purpose of the Vision and Roadmap workshops was to set up a collaborative environment with the customer to create the customer's IT vision and roadmap. An important goal of the 1 to 1 ½ day workshop was to engage the customer in an inherently personal way and provide an experience that was memorable and engaging. The approach and the resulting customer value are reflected in the case study contained in this paper.

The Vision and Roadmap workshops were positioned as 'pre-sales', which means that the customer was not charged. Key constituents from both HP and the customer were brought together to understand or help create the customers IT strategy and to begin to find ways to address the challenges to implementing a successful strategy. The workshop that developed typically included the following activities:

- Gain new insights into HP's value add by first understanding the customer's business, strategy and challenges.
- Co-create the customers' vision in a collaborative and compelling manner.

- Co-design a roadmap that identifies the milestones and metrics to achieve the vision.
- Bring thought leadership from across HP to help the customer accelerate the journey to an adaptive IT enterprise.

These workshops were hugely successful. Instead of starting with an HP product slide show, the sessions started with asking the customer to share their IT strategy and vision of the future. As the customer shared, HP had an artist draw their words, their vision, up on a blank sheet of wall-sized paper. As their vision began to take shape and come to life, HP participants asked clarifying questions, but they never brought up HP products. This customer-oriented approach shifted the conversation from product selling to a focus on the customers' strategy, vision and business needs.

The vision was then complemented by a road map that was created by the joint HP-customer team. The roadmap included people, process and technology enablers required to achieve the vision and clearly outlined the steps and deliverables that were needed to achieve the vision as well as owners and timeframes. The roadmap provided the customer with a step by step guide to what needed to happen post-workshop and provided HP transparency into the projects that would be undertaken by the customer for the next 2 to 3 years. A competitive advantage for any company!

The experience that was created during the vision and roadmap workshop resulted in changing the relationship with customers and led to HP becoming a trusted part of the customers' extended enterprise. Customer feedback from these sessions is reflected below.

"You hit a homerun with this session." COO

"HP really gets what we're trying to do – better than my own people!" CIO

"HP's collaboration will be the most critical contribution to our ability to achieve our vision." CTO

Economic Value Analysis (EVA): The goal of an EVA was to provide insight to help the customer identify opportunities for greater business and shareholder value by reducing IT spend and increasing innovation. HP's analysis estimated that many customers allocate less than 12% of their IT spend to innovation. Leading corporations are shifting their IT innovation spend to between 30% to 50% of their total IT spend (source, *Good to Great*, Jerry Porrus).

The insights gained through the Economic Value Analysis put HP in a unique position to provide estimates to the customer, based on publicly available data, of how their current spend was allotted and how they could shift it for greater business and shareholder value. This data captured the imagination of customer executives and many then hired HP to do a deeper EVA using their internal data.

Project Management Office: Accelerating the execution of the customer's vision and roadmap was enhanced through a function called a Project Management Office (PMO). The PMO is a concept that HP introduced as a way for customers to manage their IT transformation. An effective PMO coordinates and drives the implementation and ensures the overall quality of the IT transformation by tracking and reporting progress to plan and the health of the overall change to senior stakeholders.

The PMO was viewed as a value added service from HP that, if supported appropriately by the customer, would accelerate the pace and speed of the work to be done. Obviously, if HP were chosen to manage the PMO, it would put HP in a strategic position to help the customer achieve their IT transformation, create credibility and provide an inside track for HP to maintain and nourish the role of trusted advisor.

Outcomes and Learning

In most cases, over just a few short months, HP was repositioned in the eyes of key customer decision makers which led to HP being introduced to technology and business opportunities where HP had previously not had visibility.

The Beachhead initiative enabled HP to escape the commodity pricing trap, enter into a collaborative interchange of knowledge and ideas, and provide innovative technology solutions that truly met the clients' business needs.

An important learning was that with the right focus and resources, HP could Wow! its' enterprise customers, become a trusted advisor to CXO levels, and accelerate the customers IT journey

Leveraging Success: Repeatable Process

With success, the next step was for the Beachhead team to develop a framework and document a repeatable process so that the Beachhead approach could be replicated across more accounts. The repeatable process is reflected in Figure 6.

Beachhead Process

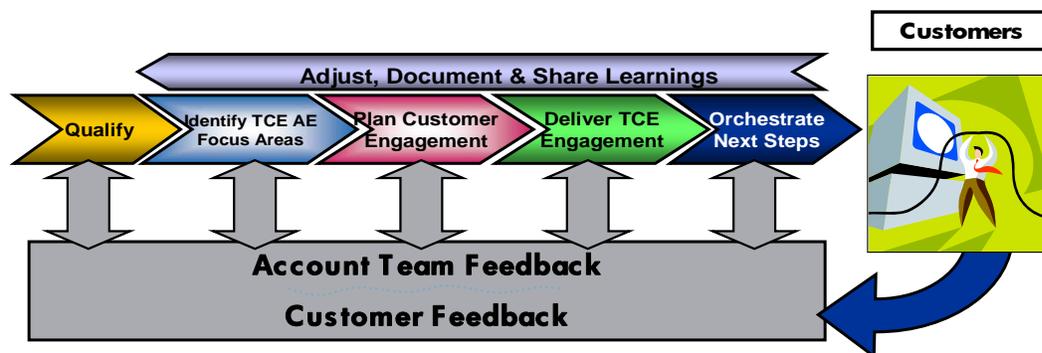


Figure 6. Beachhead process

The Beachhead engagement process included the following:

- **Qualify:** Does the account meet the Beachhead selection criteria?
- **Identify high priority TCE requirements:** What are the customer requirements that are either TCE gaps or opportunities?
- **Plan customer engagement:** Prep account team, review rules of engagement and rehearse for customer workshop and interaction.
- **Deliver Beachhead engagement:** Deliver an exceptional customer experience that changes the customer's view of HP and uncovers or creates IT transformation opportunities.
- **Orchestrate next steps:** Beachhead team partners with the account team to provide guidance to grow and cement the trusted advisor relationship.
- **Adjust, document and share learning:** Make adjustments to the repeatable process based on account team and customer feedback.

Translating Customer Experience into Sales Strategy

The first account engagements provided the proof of concept to enable the initiative to scale to 15 accounts by mid-2004 and then to expand the focus to 50 accounts worldwide in 2005. This rapid adoption was promoted when HP managers and executives saw the stunning gains in customer loyalty and related revenue that occurred with each successive Beachhead engagement.

The results are overviewed in more detail later in this paper. In summary, the Beachhead resulted in wildly surpassing the goals set by the Executive Committee at the start of the initiative.

It became clear that selling strategically is about understanding the customer's strategy and vision and providing innovative value beyond technology. The Beachhead resulted in closing the relationship gap that had been looming for years with the participating accounts and provided an opportunity for members of the HP sales and consulting teams to be viewed as business partners by customers. It changed the perception of both HP and customers as to what was possible.

The Beachhead confirmed that a TCE driven approach with a focus on the customer's business in concert with creating new value by engaging in a strategic dialogue is critical to developing a valued relationship.

Translating Customer Experience Into New Sales Competencies

Changes were evident in the HP sales and consulting teams that participated in this program and were reflected by the account teams visible transition from a product focus to a relationship focus and from a march of slides as the focal point of customer interactions to an energetic, customer driven conversation. Some of the behavioral changes were:

- Conversations were more often initiated at the top levels of the customer organization.
- Look, learn, and listen to what the customer is saying became the mantra.
- Collaboration and engaging in open-ended questions and authentic dialogue became the mode of interaction.
- A focus on the 'how' versus the 'what' made HP solutions more valuable to the customers.
- Intimacy was created through the sharing of experiences and thought leadership.

These teams became role models within HP for consultative selling and many team members were asked to speak at sales training sessions, executive sales meetings and even to customers that were interested in adopting a similar approach.

Tracking and Reporting Results

Success was measured through improved trusted advisor ratings and increasing HP's IT solutions presence in these top accounts as reflected by increased share of wallet.

The Corporate account sales teams already used the customer survey, RAP, to formally monitor and improve the overall health of the business relationships with their customers and the sales organization had processes in place to measure revenue. The Beachhead team decided to use the existing processes; RAP to measure progress in Trusted Advisor ratings and to work closely with the Controller of the HP sales organization to measure and validate increased revenue. Using these already established and credible processes made it easier to report progress, share learning, and drive action by HP leadership and account teams.

Trusted Advisor Metric

The average trusted advisor score in Beachhead accounts increased more than 2 points (on a scale of 10) over one year. Prior to the Beachhead, an improvement of .2 (2 tenths) of a point was considered good. This significant increase becomes even more important when we look at the correlation to profit and understand that the profit margins were higher in the accounts where HP was seen as a Trusted Advisor. Loyalty scores also increased in Beachhead accounts by almost 10%.

HP used an index in RAP called the Trusted Partner Index (TPI) which is a reflection of the relationship value the customer perceives from HP. Not only did the TPI go up 14% year-over-year in Beachhead accounts, but it went up at the same time as other corporate accounts TPI scores were trending down. The spread got bigger between Beachhead and non-Beachhead accounts as time passed.

It is also notable that the Beachhead customers perceived that HP solutions offered a greater return on investment than non-Beachhead customers (source: RAP, June '05). The improvements in perceived ROI range anywhere from 10-13%. The interpretation of this data is that as the relationship value improved, the customer felt better about the solutions and discerned a better ROI.

Revenue Metric

The Beachhead resulted in revenues increasing well beyond the goals set by the Executive Committee. The Executive Committee had set a goal of 2X improvement in computer and services sales. The Beachhead accounts beat this goal handily by increasing sales revenue average of 10X over a 2 year period. This is attributed to the larger space that the Beachhead selling approach opened to explore strategy and IT transformation opportunities with top customers.

HP's management team had feared that moving to a consultative strategic selling approach would erode the current base of transactional sales. However, as the

products and services orders resulting from the Beachhead approach were analyzed, it was found that a healthy percentage of the sales were not necessarily strategic, but transactional sales. Transactional sales are defined as products and services that are viewed as the 'bread and butter' of HP and, typically, in the process of becoming commoditized. This was an important finding. As the Beachhead created value for customers, it dragged along the transactional, lower margin products and services together with the higher margin strategic products and services. The core of HP's business was not being sacrificed, but was increased by the change in approach.

These revenue and trusted advisor results proved that taking a customer-oriented approach and shifting the conversation from product selling to a focus on the customers' thorniest business and IT issues led to HP becoming a trusted part of the customers' extended enterprise and that trust resulted in increased loyalty and revenue.

Voice of the Customer: Knowledge Sharing Eco-System

The knowledge sharing eco-system was stimulated when relevant HP players from across the value chain sat in the same room with customers to share best practices, engage in visioning the future and participated in problem solving sessions. This collaborative customer + HP environment provided simultaneous feedback to the critical functions of HP as to customers' strategic plans and requirements and resulted in the opportunity for HP to prepare a unified response back to the customer. The unified response drove behaviors such as portfolio pricing, influenced HP's R&D roadmaps and was a forcing function for the business silos across HP to work together on strategic customer opportunities. To extend the new understandings of customer requirements beyond those present in the workshops, communication processes were put in place to share the customer knowledge with R&D, product development, sales training and software development.

New Market Opportunities

Several of the Beachhead workshops led to new market opportunities for innovative HP solutions. As an example, during one customer strategy session, the opportunity arose to replace 300,000 desktop PC's with more secure technology that would better control the data on these devices and avoid regulatory and legal liabilities. This was a huge opportunity for HP to bring technology that was working in the R&D labs to market sooner with a willing client to beta test these solutions. This innovation proved to be a market opportunity worth hundreds of millions of dollars to HP and a reduction in cost and complexity for the client.

New Training Opportunities

Beachhead stories and best practices were featured at the newly launched corporate account training program called License to Practice. The Beachhead stories were used as proof points that a well-delivered consultative selling process provides value to both customers and HP. The integration of the Beachhead approach and resulting success stories by corporate sales training created a reinforcing loop that raised awareness,

increased credibility, and contributed to solidifying consultative selling skills with HP's sales and services organization.

Contribution to Solution Strategy

The Beachhead's growing knowledge bank contributed to guiding the development of strategy and projects in HP's Solutions Program Office. The program office consisted of a core group of managers who were charged with accelerating change programs that would result in increased sales of computer, software and services solutions. The program was viewed as the "architect" of the go-to-market strategy for HP's computer and services offerings. The Beachhead findings were valued by this group and contributed to their ability to set strategy and launch solution programs that resonated with HP's enterprise accounts.

Reflections

The Beachhead initiative was well received overall by customers and HP leadership. Accolades were many as were challenges. Along the way there were naysayers within HP, however, the results were hard to argue with. The Beachhead team was inspired by the enthusiasm of the corporate account sales and consulting teams, the rally of these teams to become part of the program and by comments such as one from the VP of HP's Global Operations who said, "This is the best customer work I've seen in my 30 years in high tech."

Through hard work and tenacity, the Beachhead provided tangible results as to the value of creating an exceptional customer experience and testament to how a large cross-functional organization can be motivated to join together to act upon the voice of the customer.

Companies must undergo deep transformation to consistently offer breakthrough experiences that create intimate customer relationships. HP believes that the corporations that bring the customer viewpoint into every internal conversation will be the winners.

Given the success of the Beachhead and plans to continue to transform the sales force, HP will be in the lead for years to come.

Beachhead Case Study: Vision and Roadmap

Below is the story of one of the early Beachhead customer workshops. It is important to read and understand because it reflects the approach and type of customer experience and reaction that the Beachhead team working with the HP account teams sought after and achieved again and again.

The situation

Mary Hopkins (all names have been changed), SVP of a large HP Corporate account, looked over her half glasses at the HP Sales Rep and chided “We’re relatively comfortable that HP can deliver the right technology as we move toward our IT vision, but our biggest challenge is the people and process transformation that goes with it. What does HP know that can help us figure out people, process and technology roadmap?”

HP’s Client Business Manager, Peter Thomas, listened to the question intently and measured his response carefully. He knew he was a trusted advisor in the delivery of technology with the account, but that hard won trust was around delivering technology that worked. This was a different question entirely. He wasn’t sure how much HP could do.

He didn’t say “Yes we can!” because he knew he wasn’t authentic with that response. He knew that it wasn’t enough for HP to be known only as a box seller. This was a defining moment in a customer relationship.

His response was nuanced and sincere. He said, “Well, our companies are a lot alike. We are both California based, we are about the same size, we have both been through major merger activity. Why don’t I get some of HP’s best and brightest and we’ll sit down with your team to develop a roadmap that will work for you.

Mary Hopkin lit up! Yes, I’ll commit to getting my people together with yours as soon as you can arrange it.

This interaction itself was a great customer experience. No nonsense, no bluster, no blah, blah, blah...just straight talk with a workable next step that is low risk for the customer and predisposes a Wow! customer experience. A Wow! customer experience drives a jump in loyalty big enough to lift revenue and margin long after the glow of that Wow! experience wears off.

“Well”, Peter thought walking back to his San Francisco home, “that was good. Now what? Where do I start? Who do I contact? Do we actually have much to say about people and process transformation around our IT solution offerings?”

Peter sprang into action as soon as he crossed the street to his home. He did a speed dial to his team and asked for some quick research.

In the meantime, HP was launching the HP Beachhead. The Executive Committee (EC) wanted to get some breakthrough customer experience proof points... they wanted action and were willing to support whatever it took to get some breakthroughs, learn from them, and replicate those experiences as fast as possible with more accounts.

Peter said that he was half irritated and half intrigued when he got the phone call from the Program Director to inquire if his account would be a good Beachhead account. On the one hand, Peter was trying to close a quarter and had no time for anything that was not essential. On the other hand, he knew he needed help preparing for the meeting he had promised to his customer, Mary.

The more they talked, the more Peter realized that he might get some additional resources if his account was part of the program. Peter accepted. That's how it all started.

The challenge

HP had won a pilot technology server deal along with two other esteemed competitors. The challenge was that to be successful moving 18,000 servers from the businesses to a central location, it would take more than technology. This major change would require a view of people skills, capabilities new processes and measures along with the enabling technology.

The customer challenged the three contenders to share their service offerings beyond technology to help the company make this huge transition.

Good news, bad news

The week before, the customer had visited one of the competitors who had brought the customer in for a 2-day meeting to discuss their systemic (people, process and technology) offerings.

The good news was that the reports the HP team got back was that the meeting had not gone so well. The customer felt that the competition was arrogant and didn't sufficiently enroll the customer in their solution. The customer left feeling unheard and misunderstood. That was the good news.

The bad news was that the very same people from the customer were coming to visit HP the following week.

The HP team knew they had to do something different and that this was a chance to change the conversation from technology to a strategic solution that created value by leveraging capabilities beyond product and to change the perception of the customer about HP from one of a technology vendor to a trusted advisor by helping the customer envision their future and co-developing a roadmap to help the customer achieve their vision. A tall order in a 1 ½ day workshop.

Creating an environment of collaboration

Eight senior customer Vice Presidents came to the workshop HP had set up expecting the worst – a repeat of the week before. Arms folded across chests; customer on one side of the room, HP on the other, the first Beachhead workshop began.

Instead of starting with an HP slideshow (aka pitch), the meeting started with asking the customer to share their vision of their future.

As the customer shared, HP had an artist draw their words, their vision up on a blank sheet of wall-sized paper. Their vision began to take shape, began to come to life. As it did, HP participants asked clarifying questions, but they never brought up HP products.

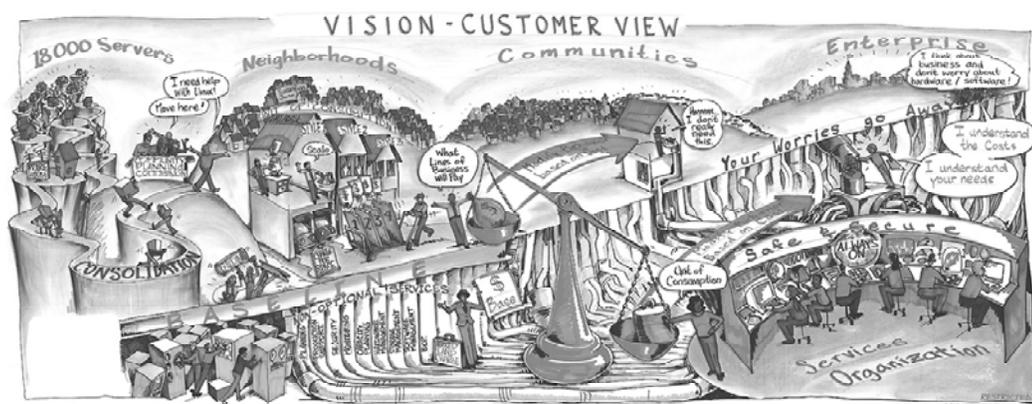
It became clear that, other than the customer Executive Vice President (EVP), the other people from the customer did not have a good understanding of the vision and this was the first time they had a chance to get their fingerprints on it, ask questions about it, to build upon it make it a shared vision.

Soon, there was mingling, some people were up at the chart suggesting metaphors, or positioning of pictures in the vision, others were having 'hallway' conversations between HP and the customer in excited low voices.

Driving Outstanding Customer Experience to the Bottom Line

The bond that was created that evening between HP and the customer was exceptional. The EVP from the customer took the HP account sales VP aside at the end of the meeting and said that if she knew this was going to be so powerful a session she would have brought the senior executives that she reports to with her.

At the end of the workshop, the customer received a fully illustrated vision of their journey to their IT future co-created with HP (see graphic below).



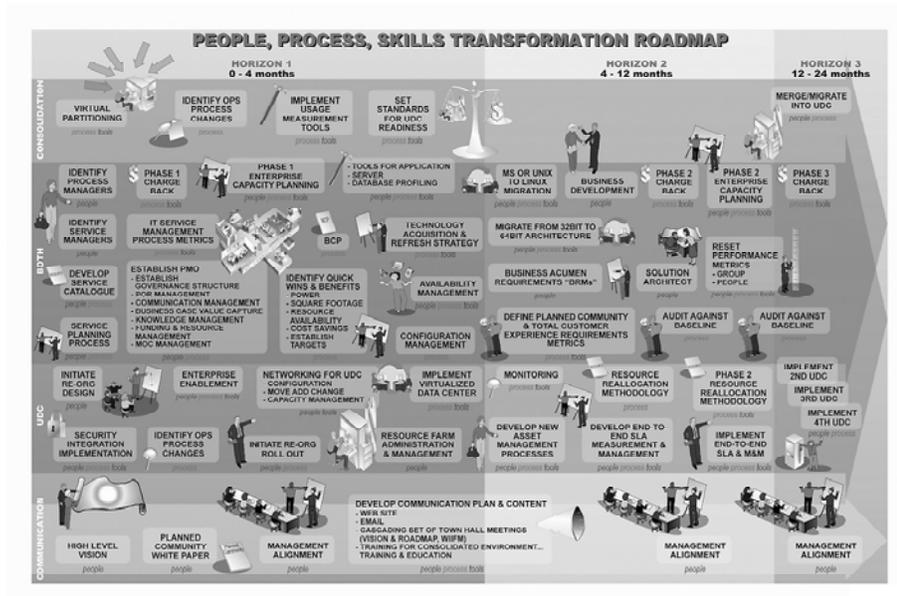
Roadmap to achieve the vision

The vision is complemented by a people, process and technology road map that was created the next day (see Roadmap graphic below) by the joint HP-customer team.

The next morning HP and the Customer clients reconvened and collaboratively developed a roadmap that included people, process and technology enablers required to achieve the vision. The roadmap clearly outlined the key steps and deliverables that needed to happen in order to achieve the vision along with owners and timeframe. Below is a roadmap that was developed in

Driving Outstanding Customer Experience to the Bottom Line

the customer workshop.



The roadmap became the guide for how the customer drove their transformation. The value to HP was the creation of mutual trust and transparency into a broad range of opportunities for products and services that the client needed and valued.

Post-workshop, HP provided the customer with a supporting white paper that the HP team developed based on the roadmap. When other business units within the same account saw this work, they asked for HP's help in figuring out their IT strategies. It opened the account to areas where HP had previously not played.

Biographies of Authors

Marilyn Martiny

Marilyn has over 25 years experience in leading change initiatives to improve organizational and individual performance. She has helped sales and service teams build trusted advisor relationships with strategic accounts resulting in changing the sales thrust from middle management to the CxO level and increasing targeted revenues by 10X. *She* also has successful experience driving operational change programs involving people, process and technology.

Previous experiences include leading Total Customer Experience and Quality for the HP Solutions Organization. In this role, she led an organization-wide customer experience initiative that identified customer requirements for new IT solutions, then collaborated with stakeholders across the value chain to ensure delivery of an exceptional customer experience contributing to improved customer satisfaction and loyalty.

Marilyn was with Hewlett-Packard for 19 years and in November of 2005 she launched Martiny Associates with consulting services in organizational change management and customer loyalty programs to improve overall customer satisfaction.

Prior to HP Marilyn held sales management positions with Xerox Corporation and Wang Laboratories. She has an undergraduate degree from University of California at Santa Barbara, a graduate degree from Pepperdine University and is trained as an Executive Coach.

Bo McBee

As HP's TSG TCE & Quality Vice-President, William B. McBee (Bo) is responsible for developing and managing the strategy for improving the Enterprise & SMB customer's experience and overall satisfaction and loyalty with HP. The scope encompasses all Enterprise solutions, servers, storage and software products as well as the worldwide Enterprise field sales and marketing organizations.

Previous HP experiences include leading the HP/Compaq merger integration team for the Enterprise businesses, and Vice President, Quality and Customer Satisfaction for Compaq Computer Corporation, reporting to the CEO.

Bo joined the Company in 1996, coming from Armstrong World Industries where as Director of Corporate Quality, he led the company in receiving the Malcolm Baldrige National Quality Award.

Bo has been Chairman of the U.S. Quality Council #1, Chairman of the Quality Texas Foundation and he is currently serving on the U.S. Department of Commerce, Panel of Judges for the Malcolm Baldrige National Quality Award.

He earned a B.S. degree in business from the University of North Carolina, Chapel Hill and an MBA from Georgia College.

Bob Sadler

Bob began his management consulting career in 1976. Since then he has worked for dozens of Fortune 500 companies in the US, Europe and Asia. He played a key role in developing change leadership practices for KPMG, Ernst & Young, and Deloitte Consulting. He launched Sadler Consulting 5 years ago.

Bob is uniquely able to facilitate agreement among misaligned businesses, functions, partners, and customers in large ecosystems. For instance, he facilitated agreements between HP and Compaq every day during the year long effort to merge HP and Compaq. He has helped large corporate account teams build trusted advisor relationships with strategic customers. He regularly designs and facilitates workshops of 30-130 participants to build a new vision and roadmap for their organization.

He also helps clients prepare for critical incidents and defining moments in major consolidations, mergers, divestitures, enterprise software implementations, and downsizing efforts. He serves as an executive coach.

Bob has worked equally well with corporations, non-profit organizations, school districts, and government agencies. He holds a BS degree in English from Central Connecticut State University and served with the US Army in Vietnam. Bob started his career as a High School English Teacher.

For more information about this paper, contact Marilyn Martiny at
408.997.7533 or 650.743.3273

