Three Client Acquisition Lunacies Many Consulting Boutiques And Solo Consultants Fall For Commando Consulting Newsletter, Nov 2015

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Dynamic Innovations Squad
http://www.di-squad.com
Blog entry

In case you don’t know, I can tell you that Sergiy Putyatov holds the official Guinness Record title of the world’s fastest guitarist in the world at 27 notes per second.

And since he set this record in 2012, it’s only fair to assume that today he’s even faster. Yes, he’s fast, but his sound storm is not exactly a song. It’s not even a pleasant riff to listen to. And while I’m sure he can play the guitar very well, and this was just an exercise of speed, I don’t think this is what the audience wants to hear in the long run. And his speed record definitely doesn’t place him in the rock guitarist hall of fame whose members can demand pretty hefty ticket prices at their concerts.

It’s like a drum solo at a rock concert.

A short drum solo is part of most rock concerts, but you can’t just send Neil Peart (Rush), Nicko McBrain (Iron Maiden) or Samantha Maloney (Shift, Hole, Mötley Crüe, Eagles of Death Metal, etc.) on stage and tell them to beat the skins for two hours.

No matter how skilled those drummers are, the show would be a tad boring. And this is the exact problem I see in client acquisition for consulting boutique firms and solo consultants.

Many of them are obsessed with how fast they land new clients regardless of the quality of those clients and the match between clients’ opportunities and their firms’ capabilities. It reminds me of many doctors who don’t give their patients the medicine they need but the medicine whose manufacturers pay them the highest sales commissions. Of course, although they don’t call that money commission, we all know what the score it.

And now back to consultants and their client acquisition problems. Since they find systematic brain-based client acquisition too finicky, they resort to brutal brawn-based client acquisition, like cold-calling, trade shows or networking.

One word about networking...

Networking is good if it’s done for the purpose of opening new relationships not attempting to close sales.

Sadly, many consultants’ interpretation of networking is “getting clients”.

So, in today’s article, we’ll take a closer look at some commonly made erroneous assumptions about client acquisition.
Let’s start with this idea that...

**Lunacy #1: Client Acquisition Is A Numbers Game**

Well, it depends.

For high-volume low-margin consulting factories, it is really a numbers game. The whole idea is to bring in as many clients as humanly possible and sell them as much subject matter-based manual labour as possible. For an MS Excel expert, it’s all about selling as many hours of Excel-related manual labour (programming too) as possible.

So, for these low-end firms, client acquisition is all about quantity almost regardless of quality and speed. Speed’s meaning to turn every new enquiry into a new client and churning out as many billable hours as quickly as humanly possible.

As long as clients have pulse beats and credit cards, everyone in the consulting firm, especially the higher-ups, are as happy as a rat with a gold tooth.

I could even compare this high-volume low-margin method to a gunslinger. Shooting from the hip and any hit is a good hit.

Since the service these firms offer are not differentiated in any way, there is no point in having a proper client acquisition process.

But for low-volume, high-margin firms with a boutique mentality, client acquisition is a drastically different game.

They have a sniper-like approach. They carefully plan who they want to “hit” and how they want to hit them.

Low-volume, high-margin firms base their client acquisitions on their perfect client profile and sophisticated onboarding system.

This approach gives prospects plenty of time to consider whether or not they want to work with the firm and gives the firm plenty of time to evaluate buyers.

So, client acquisition is not so much of a numbers game, but rather a mindset and a sequence of certain methodologies.

**Lunacy #2: All Prospects And Clients Are The Same**

For high-headcount volume-based consulting factories this is true. They take on a broad range of clients and then hire armies of people whose skills and characters are more diverse than hogs feed.

Since there is no differentiation either in their offered services or the target market it’s offered to, any client is a good client.

Yes, acquiring clients is a bit harder due to the “nothing unique, nothing distinct” nature of the business, but it eliminates thinking about who to serve and what services to offer.

And let’s remember what Henry Ford said many years ago...
“Thinking is the hardest work there is, which is probably the reason why so few engage in it.”

That’s why these quantity-focused firms don’t bother to do diagnoses, because regardless of the prospects’ problems, firms try to shove their unique solutions down their throats.

At this level, the focus is not on improving clients’ businesses but to make the sale... even at heavily discounted rates. After all, the firm has to earn money to pay all those people back in the office.

Yes, I admit, in this scenario, the sales cycle can be a lot shorter than in the life of margin-focused firms.

And this is not even good or bad. Different people prefer different business models.

Nevertheless, the evidence is out there that margin-focused boutique-type firms have better clients and get paid better than volume-focused factory-type firms. Case in point, McKinsey, the world’s #1 strategy consulting firm has an annual productivity less than $500,000 per employee. Lots of solo consultants working from their homes earn more than that. The difference is that at McKinsey, the associated glitz and the glamour eats up most of the margins, whereas for solo consultants, the cost of doing business is relatively low.

Where does this difference come from?

For solo/boutique consultants, it’s better client selection and higher leverage on clients’ staff.

Large consulting forms go for large projects with large gross billing.

Solo consultants go for projects – regardless of size - with large net margins.

For large consulting factories, gross revenue (what they make) is the basis of evaluation; for solo consultants, it is net profit (what they keep).

Then why do so many consulting firms focus on gross revenue? Well, one reason may well be that your firm can get on the Inc. 500 list by growing fast enough in terms of gross revenue, office square footage and headcount, regardless of profit. Actually, you can get on the Inc 500 list even if you lose money at a steady pace.

Profit is not even an evaluation factor for the Inc 500 list.

Lunacy #3: The Positioning Thing Is Only For The Big Firms

The reality is that every business is positioned in the marketplace. Some consulting firms make a conscious effort of doing this proactively, while most of them just let positioning slide.

What they seem to fail to realise that positioning, coupled with the firm’s culture, and two major contributors to the firm’s brand.

Let’s take a closer look...

Culture is the inside reality of the firm. Brand is the outside perception of that very inside reality.

Culture manifests brand. Culture is the cause and brand is the effect.

If you run a “minimum-wage” culture, you can’t create a premium brand. You can pretend for a
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while, but rather sooner than later, the bubble bursts.

Culture is the firm leaders’ beliefs and behaviours which rub off on all associates.

The brand is people’s attitude, beliefs and behaviours towards their work, their communities, their industries, their colleagues, their clients and suppliers.

Virgin is a drastically different brand from Monsanto. Tesla is a different brand from General Motors.

Why?

Because they are drastically different cultures.

On Summary

The sad reality is that many consulting boutiques pursue the same or very similar client acquisition practices as the large “Big Box” firms. You know the proverbial consulting Wal-Marts.

Many of them are not even consulting firms, but huge subcontracting factories with a few senior people at the frontlines landing clients and armies of freshly minted MBA’s back in the sweatshops churning out tonnage of deliverables at grossly inflated hourly rates.

The good news is that clients are getting smarter and realise that just because they engage McKinsey, they don’t necessarily get a seasoned strategy experts to work with, but twenty-something juniors who’ve never seen strategy outside the safe confines of their MBA classrooms.

As a result, more and more solo strategy consultants get work with large companies that used to use only McKinsey and some other strategy big guns.

But in today’s agile and fast economy, those big guns have lost their key firing components and they are just large lumps of metal now living on reputation that was created in an age that no longer exists.

This is why consulting boutiques have better chances to get great clients than before. Clients no longer get dazzled with the traditional MBA smokes and mirrors. They want street-smart expertise not merely an impressive sheepskin.

And the better you get at client acquisition, the better you can position your firm and the better clients you can get.

With victory on high...

Tom “Bald Dog” Varjan
http://www.di-squad.com/
Additional Knowledge Products to Build Your Consulting Firm

Consulting Retainer Engagement Toolkit
It's All About Your Value.
Mastering the Proposal Process

Dynamic Duo Mentor Programme.

Also, in your work you may use various PowerPoint presentations. Here are some templates from Valeria Woffl, a friend and partner in crime. You may find some of the valuable.


