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Free, Abridged Version



# Income from Outcomes

TAP INTO UNREALISED INCOME THROUGH A  
CUSTOMER OUTCOME PROGRAM

WRITTEN BY

Paul Henderson, The Outcomes Guy

FOREWORD BY

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## Prithwi Dasgupta

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Host, *Customer Success  
Intelligence Podcast*



It gives me great pleasure to introduce Paul Henderson and this free abridged version of his book, *Income from Outcomes*. Paul is a very successful and tenured business executive, consultant, and author. He has been a proponent of the outcome philosophy being a driver of organization growth for years now.

Incidentally, I met Paul as part of his research material for the book. I have had a long stint in successfully managing a large B2B book of businesses and am currently CEO of SmartKarrot – an intelligent growth platform that customer success, account management, sales and revenue enablement teams use globally.

I connected with Paul on both a professional and a personal level due to a shared passion and a common belief that the new world of successful businesses will thrive on growth revenue. SmartKarrot is also very proud to have Paul as part of our advisory group.

Paul lays out very practical and structured approaches on how organizations can incrementally adopt this philosophy and gain from it. From laying out types of outcomes to the reasons for adopting a program and then to the nuances of unrealised income, Paul creates a very compelling case for the outcome program.

I hope this synopsis gives you enough food for thought and encourages you to be a part of this philosophy.

Enjoy!

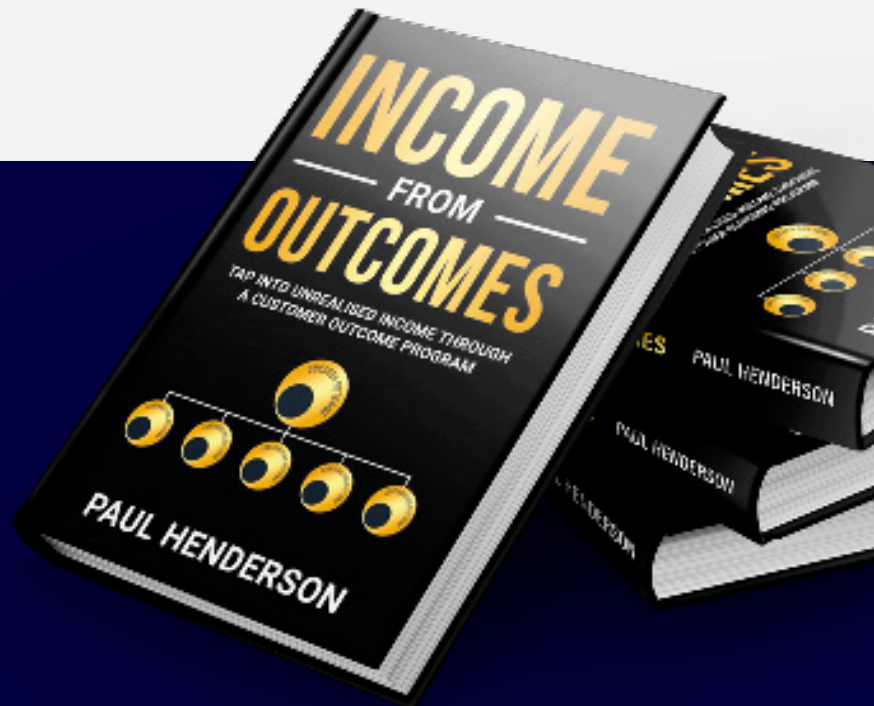
Prithwi Dasgupta



## Paul Henderson

The Outcomes Guy. Speaker & Author  
Consultant on creating Income from Outcomes

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# What are Outcomes?

## There's Always an Outcome

Whenever there is a commercial transaction of any type, there's an outcome. For example, if you buy a hamburger, you want to be full. That's an outcome. If you buy a cinema ticket, you want to be entertained. If you buy a sports car, you probably want to be noticed.

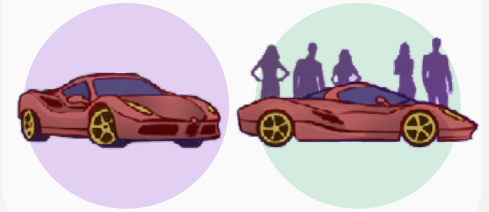
If they buy a **hamburger**, they want to be **full**.



If they buy a **movie ticket**, they want to be **entertained**.



If they buy a **sports car**, they want to be **noticed**.



## Two Types of Outcomes in B2B

We deal with two different types of outcomes in B2B environments.

The first is a Product Outcome, which is the direct benefit of using product or service. The second we call a Success Outcome, which is the bigger outcome the customer is trying to achieve. **Your products are a means to this bigger outcome.**

### Product Outcome

The direct benefit of using your product or service

### Success Outcome

What the customer considers to be a success

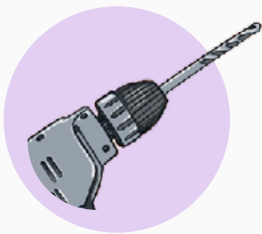
**The Product Outcome plays a part in the customer achieving the Success Outcome, but it's not enough by itself.**

Imagine you go to a hardware store to buy a drill bit. You don't want to own a drill bit for its own sake, you want to drill a hole. If the drill bit works as it should, you will have a hole of a specific diameter. You paid for the drill bit, it worked as it should, and you have a hole. That's a Product Outcome.

But who just wants a hole? What we wanted to do was hang a picture. When we can step back and admire our handiwork, we've had a Success Outcome.

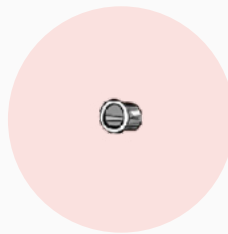
We did not buy a drill bit to get a hole in the wall; the drill bit was a means to an end. We wanted a framed picture hanging on the wall, looking great.

**WHAT THE CUSTOMER BOUGHT**



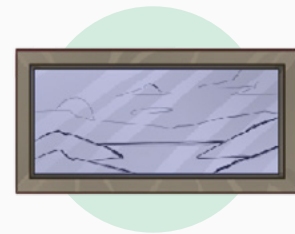
**Drill Bit**

**PRODUCT OUTCOME**



**Hole in the wall**

**SUCCESS OUTCOME**



**Picture on the Wall**

**Making a pie provides another example.**

Imagine you sell the ingredients for the finest pie crust. But people don't buy pie crust ingredients just to make pie crust. They buy the ingredients so they can make a pie. Making a great pie crust is a Product Outcome. But enjoying a delicious pie is the Success Outcome.

**BOUGHT Ingredients**



**PRODUCT OUTCOME Great Pie Crust**



**SUCCESS OUTCOME Delicious Pie**



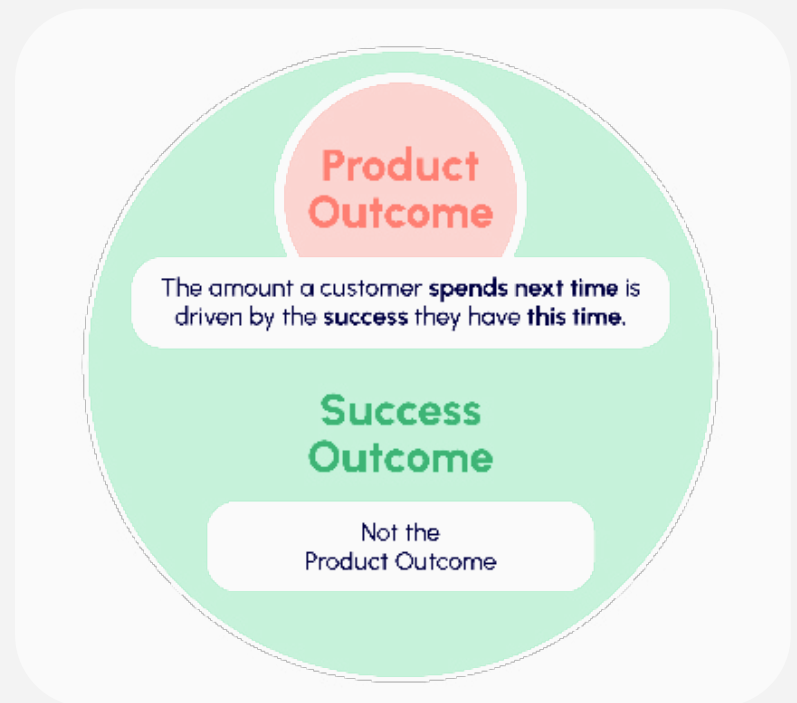
# Why Distinguish Between Product Outcome & Success Outcome

**You have just hung a picture on your wall and step back to admire your handiwork.**

But it looks terrible. You've hung it in the wrong place. The next time you have handiwork to do, you might hire a handy person. And not go back to the hardware store for more equipment to do it yourself.

You won't spend more money at the hardware store. The drill bit you bought worked and delivered the Product Outcome of a hole in the wall. But you did not achieve the Success Outcome because the picture did not look great. The failure to achieve your Success Outcome will cost the hardware store future revenue—through no fault of its own.

Similarly, let's consider the pie. Imagine you have served your friends or family a slice. They have a look of expectation on their faces. They taste the pie, and their faces tell the story. The pie tastes awful. The pastry was great, but something else went wrong. It's a disaster! You were expecting plaudits. Everyone tries to be polite, but you feel terrible.



The next time you're entertaining family or friends and you need a pie; you will probably buy one from the bakery. The seller of the pie crust ingredients will lose future revenue, even though the pie crust was perfect. The Product Outcome was achieved but the Success Outcome wasn't.

**In B2B, these situations occur all the time. Your products or services work as they should. But the customer doesn't get the other elements required to achieve their Success Outcome.**

It's easy for the customer to blame the products or services rather than accept responsibility themselves.

That puts your future revenue at risk. Lack of success means the customer may cancel their subscription. Or reduce the number of seats or licenses. Or just stagnate and not grow their investment with your money. Each will cost you money. It's the Success Outcome, not whether your products or services performed, that determines future revenue.

## It's in Your Interest to Enable the Success Outcome

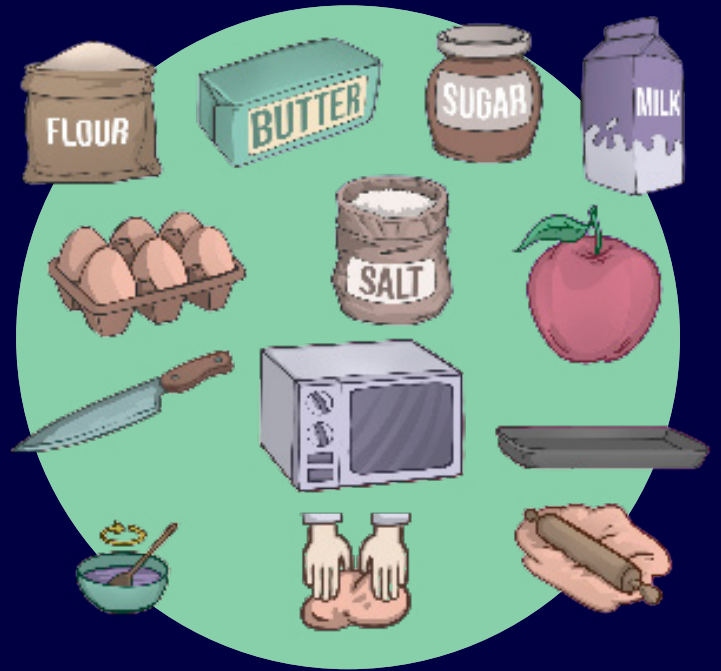
There's a simple message from these examples. You should be crystal clear about the Success Outcome you help customers achieve. And do everything possible to help them achieve that Success Outcome.

To continue the pie example. You sell the ingredients for great pie crust:



The difference between the Product Outcome and the Success Outcome are all those other elements the customer needs to get right.

It's in your interest to ensure the customer gets them right.



# Characteristics of a Success Outcome



## A New To-Be State

Whenever a customer achieves an outcome, they create a new to-be state or end-state. Your Success Outcome describes this to-be state. It's a new level of performance for the customer.



## Ongoing

The new level of performance is not a one-off. The customer will want to maintain and even improve the new level of performance you helped them reach.



## Travel Poster

Imagine a travel website's photos of great holidays perhaps a pristine ski field; or a golden beach with a lucky couple sipping piña coladas; or an exotic city with people exploring the sights. You think, 'I want to be in that picture!' Your Success Outcome should create the same reaction for customers or prospects: 'I want to be in that picture!'



## A Phrase or Tagline

Describe the to-be state you help your customers achieve using a single phrase of 10 syllables or fewer. It will invoke the travel poster idea and create a mental image. It will act much like a tagline. And it will convey the core outcome you create for your customers.



## No Jargon or Product

A Success Outcome should have no jargon, no abbreviations, and no industry terms. It does not include words or a phrase that represent a current fad. It also has no reference to product. A Success Outcome describes a to-be state, a needed business result. It does not say how you will enable the outcome.



## Enduring

A Success Outcome describes an ongoing business result customer's higher management would regard as a success. If you choose this business result well, in 20 years your customers will still want to achieve and improve that ongoing business result. The way you help customers will change, but the Success Outcome will be the same



## Promise

Your Success Outcome makes a promise to prospects and customers: 'If you work with us, this is what we will help you achieve.' It sets an expectation your competitors will find challenging to match.



## Insight

The phrase you use provides insight by itself. It describes a to-be state. And many people will not have thought of what they need to achieve in those terms.

## Examples of Success Outcomes

There's no right answer for the Success Outcome you serve. Two companies with a similar offering may choose different Success Outcomes.

### These factors may influence your choice of Success Outcome:

- Your current skills and expertise
- The capability of your current products
- Which problems you believe are most significant to customers
- Your place in the competitive landscape
- Your strategic direction





Consider these possible Success Outcomes for different vendors:

### Enterprise Resource Planning (ERP) Software

Companies buy ERP software to help them run their operations effectively. A Success Outcome for an ERP vendor could be 'Effective Operations'.

This passes the test for a Success Outcome in the following ways:

- ✓ **Ten syllables or fewer.**
- ✓ **A New To-Be State:** The phrase creates a mental image any senior executive could relate to and would want to achieve.
- ✓ **Significant:** An ERP vendor would be the most significant vendor for the outcome of Effective Operations. So, a customer needing to improve their operations would seek help from their ERP vendor.
- ✓ **Enduring:** ERP customers will always need effective operations. The way the ERP vendor enables this will change over time. But the Success Outcome won't change.
- ✓ **No jargon:** Effective Operations are business words any executive could understand.

## Marketing Automation Vendor

Marketing departments understand they should create pipeline. So, they would subscribe to a marketing automation service to increase their pipeline. But a marketing automation vendor who understood the concept of Success Outcomes would have a different idea.

When CEOs approve marketing automation systems, they don't want more pipeline they want more sales. If the pipeline increases but sales revenue doesn't, the CEO will consider the marketing automation system a failure. And may decide to cancel the subscription.

A clever marketing automation vendor would not focus on pipeline alone. They would focus on pipeline that sales could convert to deals. So, the Success Outcome would not be pipeline, it would be 'Closable Pipeline'.

They would work with customers' marketing departments to create Closable Pipeline. For example, they would help marketing and sales define the ideal prospect. They may then broker a service level agreement. Perhaps they will define what's required before marketing hands a lead to sales. And then what sales will do once they receive the lead.

For the customer of the marketing automation vendor, this results in an increase in sales revenue-delivered through Closable Pipeline.

## IT Service Management Tools

Companies have a digital environment comprising servers, networks, applications, communications, mobile, security and so on.

IT Service Management vendors assist IT departments with digital environments. They offer infrastructure management, application deployment, support desks, security, analytics, IT operations, mobile and more.

For CIOs, the digital environment presents a no-win situation. Everyone expects their IT service to work well. If it does, the CIO gets no credit. If it breaks or is slow, the company will blame the CIO. It's a headache.

## CIOs therefore want a smooth, reliable digital environment.

A vendor of IT Service Management Tools might choose a Success Outcome of 'Digital Environment Humming'. They offer a to-be state in which the digital environment runs smoothly and reliably. That would take away the headache for the CIO, who would pay a lot for that outcome.



# Why Adopt an Outcome Program?

## Let's hear what Boston Consulting Group have to say about customer outcomes:

'Outcomes are the new opportunity. In a connected world, companies across a broad swath of industries are developing strategies to deliver business outcomes to customers. By using digital technologies to create new offerings and complement existing ones, they are shifting from the transactional process of selling products and services to developing deeper relationships and providing outcomes, which is turning into a fast growing and profitable market segment.

'As the focus of creating and capturing value shifts from one-time sales to long-term partnerships, it is driving higher customer retention as well as rapid account expansion. No wonder many CEOs are convinced that deploying outcome-based business models (OBMs, for short) is the best way to win the future.

'Helping to deliver and measure outcomes allows vendors to break free from today's buying centers, such as CTOs and CIOs, and become partners with a company's businesses and functions. As customers grow accustomed to

purchasing outcomes, manufacturing companies and software firms must learn to cash in on the lucrative opportunities that OBMS create if they wish to thrive in the future' (Boston Consulting Group, 2021).

Geoffrey Moore, famous as the author of *Crossing the Chasm* and *Zone to Win*, offers these thoughts on the technology industry: 'That begs the question, however, where do we go from here? The next stage looks to be a transition from competing on features to competing on outcomes. This goes hand in hand with the rise in the Customer Success function...

'...The bigger change, which is only just getting started, is when both the vendor and the customer reframe Customer Success in terms of **business value realization based on achieving business outcomes enabled by the SaaS offering.**'

(Moore, G., 2021)

# Why Asking Your Customers Doesn't Work

Common wisdom would suggest you ask each customer what outcomes they want to achieve. And then show how your products and services deliver those outcomes.

**On the surface, it seems like good advice. But what *actually* happens?**

- The Account Manager (AM) or Customer Success Manager (CSM) asks the **first customer** for their desired outcome. And they work on how to link their offering to that outcome.
- ↳ They go to the **second customer**, who wants a different outcome. So, the AM/CSM tries to link their offering to this second outcome.
- ↳ The **third customer** gives yet another outcome.
- ↳ So does the **fourth, the fifth and the sixth**.
- ↳ And vendors teach their AMs and CSMs to have more than one point of contact in each customer. Each contact also gives a different outcome.

Usually AMs/CSMs don't have the time or knowledge to link their offering to all these different outcomes. So, they don't. They fall back on the one thing each customer has in common- their offering. They talk about the benefits of their offering. And hope the customer can translate those benefits into the outcomes they want to achieve.

**AMs or CSMs are not the only ones affected.**

**Marketing** knows they must focus on outcomes but asks: 'What outcomes do you want me to talk about?'

**Sales executives** ask: 'What outcomes are we selling?'

**Professional services** ask how can they adapt methodologies to deal with so many different outcomes?

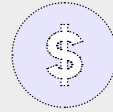
**Product management and product development** throw their hands in the air. 'There's no way we can make products for all these outcomes!'

## You Need a Simpler, More Focused Approach

In practice, asking each customer (or prospect) the outcome they want to achieve **doesn't scale**. It's too time-consuming and requires a level of business knowledge difficult for many AMs and CSMs to achieve.

# Unrealised Income

The other challenges addressed by an outcome program help. But tapping into Unrealised Income provides the strongest reason for adopting an outcome program.



## Unrealised Income

[uhn-ree-uh-lahyzd in-kuhm]

Revenue, profit, and company valuation not at level you're capable of achieving: not identified and not captured

- Personal income could always be higher, and
- Customer income can also improve

Few businesses would feel they could not create more revenue, earn more profit, or improve the company's valuation. Perhaps churn is higher than you'd like. Or expansion revenue isn't where you expect. Or New Business (New Logo) revenue isn't what you'd hoped. Or margins aren't at the right level.

These issues point to Unrealised Income. Unrealised Income exists when revenue, profit and valuation are not yet at a level you are capable of achieving. Even businesses performing well feel they could do better.

### A Side Benefit

Maximizing financial performance for your company should benefit your career. That will increase your personal income. For most executives, increasing the share price also creates wealth. And who wouldn't like their personal income to be a bit higher?

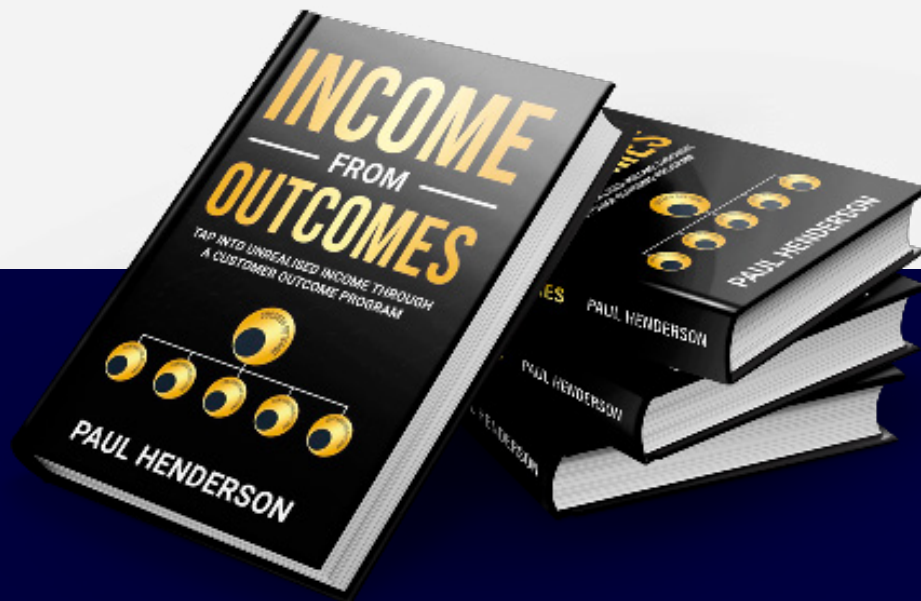
### Customers

You'll enable a core business outcome which your customer's higher management will regard as a success. And that will improve their revenue and profit as well.

So, Unrealised Income applies at the company, personal and customer level.

## Four Types of Unrealised Income

1. **The first is revenue you could go after but haven't yet identified.** It might be new revenue sources from existing customers. Or it might include new markets.
2. **The second lies with revenue you know about but aren't as effective at capturing as you'd like.**
3. **The third lies with reducing costs.**
4. **Finally, company valuation:**
  - Increasing revenue and profit will increase company valuation.
  - For software companies, the move from on-premise to software as a service (SaaS) creates much higher valuation multiples. As discussed earlier, Boston Consulting Group and Geoffrey Moore point to the adoption of outcome programs. An outcome program opens the door to even more effective pricing models. And these may also drive higher valuation multiples.



With that, we come to end of this eBook which was meant to provide a quick preview to all the insights Paul has on the topic. Future modules in the book unfolds how an outcome program addresses Unrealised Income. Hope you enjoyed browsing this as much as we enjoyed putting it together.

**Go ahead and place an order for the book, for yourself or a colleague.**

[Buy the Book](#)



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