Please read the following commentary¹.

Managing, growing, and profiting with both product and service businesses are challenging tasks. But the challenges are different from one to the other. Listed below are some of the most common and difficult challenges of growing and managing consulting, professional, or technology service businesses that don’t necessarily apply to product businesses.

1. **Clients can’t see or touch services before they purchase them.** This makes services difficult to conceptualize and evaluate from the client perspective, creating increased uncertainty and perception of risk. From the firm’s perspective, service intangibility can make services difficult to promote, control quality, and set price.

2. **Services are often produced and consumed simultaneously.** This creates special challenges in service quality management that product companies do not even consider. Products are tested before they go out the door. If a product has quality problems while in production, the company can fix them and customers are none the wiser. Service production happens with the customer present, creating a very different and challenging dynamic.

3. **Trust is necessary.** Some level of trust in the service organization and its people must be established before clients will engage services. This is as important, sometimes more important, than the service offerings and their value proposition.

4. **Competition is often not who you think.** Competition for product companies are other product companies. Competition for service companies are often the clients themselves. Sure, sometimes you find yourself in a competitive shootout (some firms more than others), but often the client is asking ‘should we engage this service at all’ and ‘if so, should we just do it in-house’.

5. **Brand extends beyond marketing.** Brand in service businesses is about who you are as much as what you say about yourself. And internal brand management and communications can be equally as vital to marketing success as are external communications.

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¹ SERVICE BUSINESS MANAGEMENT: NINE COMMON AND DIFFICULT CHALLENGES By Mike Schultz and John Doerr
6. **Proactive lead generation is difficult.** Many service companies have tried, and failed, at using lead generation tactics that work wonders for product companies. Implemented correctly, traditional product techniques, such as direct marketing and selling, can work for services, but the special dynamics of how clients buy services must be carefully woven into your strategy.

7. **Service deliverers often do the selling.** Many product companies have dedicated sales forces. For services, the selling is often split between sales, marketing, professional, and management staff.

8. **Marketing and sales lose momentum.** Most product companies have dedicated marketers and sellers. They market and sell continuously, regardless of the revenue levels they generate. In many services companies the marketers and sellers also must manage and deliver. This can often lead to the Services Revenue Rollercoaster—wide swings between revenue and work overflow, and revenue and work drought.

9. **Passion is necessary, yet elusive.** The more passion, spirit, hustle, and desire your staff brings to the organization every day, the more revenue and success you will have. The correlation between staff passion and financial success is direct and measurable (as is the correlation between lack-of-passion and organizational failure). Yet institutionalizing passion, while necessary, is agonizingly elusive.

**Questions:**

1. For issues 1-5, research on companies and identify 2-3 companies that faced identical problems. How did they respond? Did they succeed? If not, what would you advise to them? [Max 5 pages]
2. How would you structure your strategy to address issues 6 thru 8? [Max 3 pages]
3. How would you address issue 9 if you were to launch your own services company? How would you measure your own success? [Max 2 Pages]