

Service Reboot

The New Science of Selling, Marketing, and Managing Services

By David Selch

WEBSITE PREVIEW EDITION

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Front Cover

AWARD-WINNING MBA WITH 20 YEARS' EXPERIENCE
SELLING SERVICES TO THE WORLD'S BIGGEST COMPANIES
PRESENTS THE NEWEST THEORIES (AND PROVEN APPROACHES)
FROM THE WORLD'S BEST BUSINESS SCHOOLS

SERVICE

**THE NEW SCIENCE
OF SELLING, MARKETING,
& MANAGING SERVICES**

REBOOT

David Selch MBA BSc

Back Cover

Service Reboot is not a book. It's a thought revolution. Presented here are entirely new, scientifically designed, research-based strategies that today's businesses must adopt to compete in a world transformed to a service/information economy.

Understand this: in the New Economy, everything you learned about selling is obsolete. It's time for a major update in your business vision.

A brand new perspective has emerged for business, Unified Services Theory (UST), derived by researchers working in verticals as diverse as Hospitality and Healthcare. David Selch tested UST across dozens of industries, proving revenues dramatically increase when salespeople and marketers reshape their perceptions, and make decisions by a *Service* versus *Product* value model.

David Selch provides the latest approaches needed to redefine your conversation with clients and customers, and create consistent, predictable sales results. Selch delivers startling insights into how services must be presented, mapping your transformation from the inside out. Advertising to drive sales, not awareness. More powerful sales interactions at every point in your pipeline. New metrics informing better decisions. Hiring salespeople for longevity and effectiveness.



With over 25 years' experience selling services and training teams for international business giants, and an MBA from the University of Leicester, UK, Selch has synthesized theories from the Business schools at Yale, University of Stockholm, and Brigham Young University into practical and critical new steps for selling and marketing services.

Wherever you are in your career - Sales Associate or Chief Marketing Officer - Buy this book now to begin radically improving sales.



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For Debbie

Thank you for marrying me 30 years ago

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Chapter One



That can't possibly be right, can it?

Services.

.....

You know. That little niche that makes up 70% of our economy.

This book is about selling, marketing, advertising, and managing Services.

Services drive the local economy...



68% U.S. Gross Domestic Product contributed by Services

**\$1.1
Trillion** Value of Services supplied by U.S. companies abroad
(That's Trillion with a T)

*... but we're not preparing our future leaders
to think about service businesses.*



3,315

Number of courses offered, collectively, at the top 20 business schools

19

Number of those courses that focus on Service businesses:

3

Number of those courses that focus on Services marketing

1

Number that focus on the development of new Services

*The vast majority of us
are employed in Service businesses...*



Percentage of U.S. Jobs in Service industries:
80%

Number of people employed in
Service industries:

112 Million

Number of NEW JOBS
expected to be created in Service industries
over the next decade:

19 Million

*...but most researchers pay no attention
to the Service economy.*



Number of scholarly journals articles discussing
Services marketing *as part of a larger Product/Service discussion:*

86,259

Number of journal papers
solely focused on Services marketing:

76

Number of those that provide
tactical direction to managers on
Services advertising

19

Number that contain content on
selling Services:

1

*We know that Services are
important to global trade...*



Value of Service-based exports
to U.S. economy:
\$606 Billion

Trade deficit (in favor of the U.S.)
resulting from Services exports:
\$179 Billion

*...and yet it seems
nobody really understands much about them.*



Number of pages, collectively, in the
top 20 best-selling college-level
“Introduction to Marketing” textbooks

6,415

Percentage of pages dedicated to Services:
3%

Most common theme:
“Services are different than Products,
and so the lessons in this book
don’t apply to Service businesses”

*And while we may think
we understand Services,
we don't even know
what we don't even know.*



Percentage of corporate sales training manuals, sales methodologies,
textbooks, and journal articles still using the
discredited IHIP model
that wrongly suggests Services are

Intangible,
Heterogeneous,
Inseparable,
and Perishable:

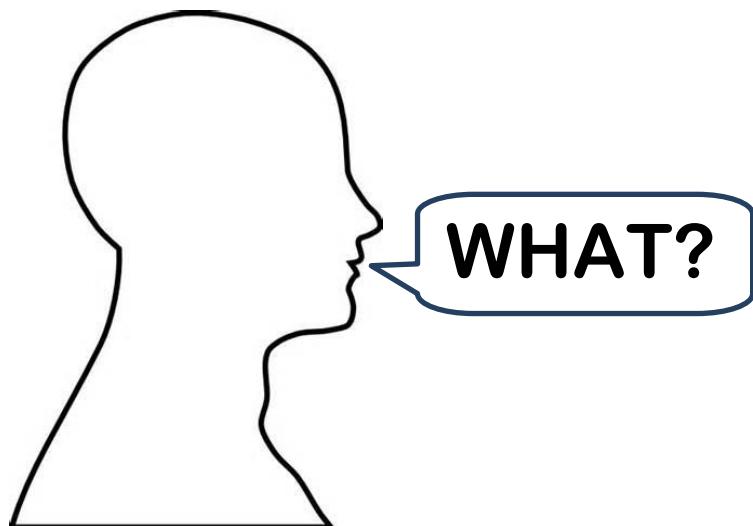
99.99%

WAIT! What do you mean by “discredited”.

I'm studying the IHIP model right now

in my MBA program,

and I go to a VERY good school.



Well, don't take *my* word for it.

Take the word of four of the top minds in the marketing field:

Christopher Lovelock

Everett Gummesson

Stephen Vargo

Robert Lusch

**If you don't recognize their names from your business textbooks,
here's some background on them:**

**Taken as a group, the four are
authors of more than 100 business books
published in 10 languages in 30 countries.**

**Not just *academics* at top business schools, they have won
industry recognition as *marketing practitioners*
in the fields of Banking, Hospitality, IT Services, Publishing,
Telecommunications, Business Services, and Retailing.**

Collectively, their industry awards include:

American Marketing Association (AMA)
Lifetime Achievement (two of these)

Thompson Reuters'
World's Most Influential Minds

Academy of Marketing Sciences
Distinguished Educator

Chartered Institute of Marketing
Top 50 most Influential People

.....
**Here's what they had to say
about IHIP in 2004...**
.....

THE CLAIM THAT SERVICES ARE UNIQUELY DIFFERENT FROM GOODS ON THE FOUR SPECIFIC IHIP CHARACTERISTICS IS NOT SUPPORTED BY THE EVIDENCE

INTANGIBILITY: AT WORST, IT DOES NOT HOLD UP, AT BEST IT HAS LITTLE OR NO RELEVANCE

INTANGIBILITY:
emerges as an ambiguous and surprisingly limited concept

INSEPARABILITY:
A delineation delusion

INSEPARABILITY: There are far too many separable Services to justify the generalization that inseparability is a distinctive characteristic of all Services

INTANGIBILITY:
Not a universally applicable characteristic of all Services

PERISHABILITY:
Some Services output is durable, and may even be irreversible

IHIP is not generalizable to all Services

I: myth.
H: myth.
I: myth.
P: myth.

HETEROGENEITY: It is inappropriate to continue to generalize about heterogeneity as being a distinctive characteristic that sets all Services apart from all Goods

PERISHABILITY: Clearly, tangible Goods are perishable, some of them highly so...
Bananas rot, bread gets stale and moldy, and cars rust.

Numerous exceptions exist to the received wisdom that all Services possess IHIP characteristics



There is still no generally accepted definition of Services.

The IHIP model is inaccurate, misleading, and contradictory.

We are explicitly calling for a new direction.



All quotes excerpted from:

“Whither Services Marketing, In Search of a New Paradigm and Fresh Perspectives,” By Christopher Lovelock and Evert Gummesson, in the *Journal of Service Research*, August 2004

“The Four Service Marketing Myths, Remnants of a Goods-Based Manufacturing Model,” by Stephen Vargo and Robert Lusch in *The Journal of Service Research*, May 2004

Well then. I see.

What these leaders in the field were saying is that the largest economic contributor of jobs, revenues, and profits is something we don't understand and can't even manage to define.

Their edict, "We are explicitly calling for a new direction" ignited an explosion of new research.

This book collects the new approaches since 2004 – theories and practices too new to be in current textbooks. It shares a fresh, powerful definition of Services that explains *why* and *how* selling Services is different from selling manufactured Products.

Those differences affect everybody who has a hand in generating revenue: salespeople, marketing managers, executives with budgets to meet, and the HR professionals who hire and train them. This book has chapters for each of you.

Intrigued? Let's begin.

Chapter Two

YIKES!

The developed world's economy is founded on Service businesses. Not only do Services account for the vast majority of current jobs, but it's expected that 30% of growth will come from increases in the Service industries, and especially new Services — Services that we can't even imagine today.

Yet only 4 of the top 20 business schools teach courses dedicated to Services Management; only one of these is focused on innovating *new* Services. Even if instructors wanted to focus on Services in their curriculum, less than 3% of the pages in introductory marketing texts with copyright dates after 2012 are dedicated to Services.

And 100% of that 3% is delivering outdated and incorrect material that has been wrong since the 1960s.

I researched and wrote this book in self-defense over a 25-year career selling and marketing Services. As my average sale size increased from \$16 a month for health-club memberships to \$1.6 million for project management, I've never sold anything that you could take a picture of or drop on the floor.

Like any ambitious salesperson, I took my craft seriously, and was always on the lookout for that needle in the haystack: *sales training that applied to Service offerings*.

As a young salesman, trying to support my family by representing a consumer service, every day began with me asking myself the same question: How can I sell more? *This is the book I needed to read*.

After they promoted me to sales manager, I didn't get to ask that question anymore; I was expected to have answers. Every member of my staff asked me what they could do to sell more. Worse, my regional manager asked me what I was doing to help them. *This is the book I wanted to show them*.

The old question took new forms as my career path bounced me into the marketing department of an international B2B services company. What is our marketing department doing to help us sell more? What should our advertising look like? How can we differentiate ourselves from the 100 other talented firms offering a similar suite of services? *This is the book that answers our questions*.

I thought it would get easier as I moved up the company ladder. But as a Vice President of Sales, my CEO asked me *harder* questions. "Our Marketing budget just became seven figures. How do we measure ROI on that?" and "How does 'thought leadership' translate to 'net revenue'?" In other words, "Are we doing the right things to sell more?" *This is the book to guide C-Suite decisions*.

I was smart enough to know I didn't know the answers, and so I read voraciously, from Brian Tracy's 24 *Techniques for Closing the Sale* to Michael Porter's *Five Forces*. Along the way I got an MBA focusing on Marketing.

And what I learned was... nothing.

It seemed that everything covered in my business classes applied to Products, Goods, and Manufacturing: how to reduce the amount of raw stock; how to strategically discount prices to empty warehouses; how to efficiently transport merchandise to a suitable place of sale; and so on. The advertising course taught me the importance of visual hierarchy, stressing that the images in my ad should reinforce my Product's benefits, so that the ad would resonate in the subconscious mind of my buyers.

All good lessons, but none of them applied to *my* world. I sold Services, specifically: Access; Research; Design; Security; Education; Healthcare. I had no raw stock, no warehouses, and could not transport my offerings. My products had no form! (Try using Google Image Search to find an appropriate graphic illustrating *research design*.)

At first I thought *I* was the problem... that I hadn't looked hard enough. So I kept reading.

Zig Ziglar and Brian Tracy and Og Mandino and... Well, you get the picture. And since the practitioners didn't have answers for me, I turned to the theoreticians.

What I found wasn't promising. I found peer-reviewed journal papers that sagely told me:

“A Service is what you have when you don't have a Product.”

“A Service business can be defined as a business that delivers Services as its primary offering, and a Product business can be defined as a business that delivers Goods as its primary offering.”

There were even articles, published in respected journals, insisting there was no difference between Goods and Services... That it was just an ontological trick that made it *seem* like there was a difference. For example, you could portray automobile manufacturing as being a service that filled a need for personal transportation, and dry cleaning as being a manufacturing process that took dirty shirts as its raw materials, produced clean shirts as its finished product, with sweat and grime being waste materials discarded during the manufacture.

I couldn't accept that. It seemed to me that there was, fundamentally, something very different between the two charcoal-gray suits hanging in my closet. Virtually identical, one had been purchased at a men's clothing store downtown, and one had been made for me by a tailor on the same block.

To confirm my intuition, I noted that although they were both of equally fine cloth and both tailored to fit me well, *different terms were used to describe them*. One was “off the rack,” the other “bespoke,” and if nothing else pointed to them being different in character, their respective price tags insisted there was a difference. One business provided me with a Product, the other with a Service.

As a career salesperson, I knew instinctively that there was a difference between selling Products and selling Services. And even if that difference couldn't be quantified, or even defined, others agreed with me, from Lynn Shostack's 1977 paper “Breaking Free from Product Marketing” (the first paper I was able to find that said that marketing Services was different from marketing Products) to Kathleen Mortimer's 2008 paper “Identifying the Components of Effective Service Advertisements.”

So I continued doing my research. I became an expert in the (now discredited) IHIP model that suggested Services were Intangible, Heterogeneous, Inseparable, and Perishable, and in the various approaches to “productize” a service to make it more buyable. Very little of what I read were *answers*. Rather, most authors were still framing the questions and yearning for solutions.

But among the hundreds of papers I read in publications with titles like *The Journal of Service Marketing*, I found these papers:

“*Whither Services Marketing? In Search of a New Paradigm and Fresh Perspective*”

by Christopher Lovelock and Evert Gummesson

and

“*The Four Services Marketing Myths, Remnants of a Goods-Based Marketing Model*”

by Stephen Vargo and Robert Lusch

Do you recognize the authors? If you’ve ever taken a university-level course on Marketing, then these are the people who either wrote your textbooks or were quoted within them.

In other words, *the world’s foremost marketing theoreticians were essentially throwing up their hands and admitting that so little was known about Services marketing, they couldn’t even agree on a basic definition of “Services.”*

I have to admit I felt better. It seemed that it wasn’t just *me* that knew nothing about Services — it was *everybody* that knew nothing about Services.

The light at the end of the tunnel appeared in a tentatively titled paper published in 2006, *Foundations and Implications of a Proposed Unified Services Theory*. In it, the authors, Scott Sampson and Craig Froehle, gave a simple and complete definition of Services and a rule to definitively differentiate between a Product and a Service.

More than just a giving a cogent definition of what a “Service” is, Unified Services Theory (UST) provided the basis for intelligent discussion of management’s challenges. To quote from Sampson’s excellent workbook, *Understanding Services Businesses*:

“Unified Services Theory occurs as a defining principle. It serves to unify, or reveal commonality, among all service businesses. In addition, it forms the basis for a myriad of Service Business Principles — principles which define good business practice in service industries. By understanding what makes a service business a service business, we gain insights into the critical success factors of such a business.”

As a theory, The UST was “unified” in that it applied equally to every Service, from locomotive repair to bicycle-courier delivery to museum design to criminal defense. Therefore, lessons learned in one Service vertical could be applied to other Service verticals.

The UST informs business decisions on the four “Ps” of big-M marketing: Product, Place, Promotion, and Price. That is, the decisions made in the C-suite about what business the company is in, how it will bring its offering to market, and how will it succeed against competitors.

The principles of Sampson and Froehle's Unified Services Theory are revealed in the next chapter. If you take away nothing else from this book, reading his clear differentiation between Products and Services will change the way you look at your business.

This book takes the principles of UST and applies them to the little-M marketing department; that is, to the areas of promotion (advertising) and sales, in order to raise and answer crucial business-development questions such as:

- Can a Service really be “productized”? If so, what changes must be made to the Service, and what does the final Product look like?
- Are there differences in “closing techniques” for Products and Services? What about for cold calling? And the steps in between?
- Is it true that a good salesperson can sell anything? Or are different personality traits needed to sell Products than those that are needed to sell Services?
- Why do *all* successful Service sales presentations *always* require an extra step that is *never* required for *any* Product sales presentation?
- How does one advertise something that has no fixed parameters?
- In what ways must the *call to action* in a Service advertisement differ from a Product advertisement to be effective?

This last question is answered by my own research that formed the basis for my Master's thesis, in which I analyzed the calls to action in 734 business-to-business ads in 83 trade journals for 15 quantifiable characteristics.

This research had two goals: Firstly, to see if the principles of UST were reflected in real-world business activities (they are), and secondly, to assemble a set of best practices for Services advertising (the results will surprise you.)

As with Unified Services Theory, the lessons presented in this book are applicable to all Services and useful to all sales/marketing decision-makers, whether the business repairs heart valves, dry cleans clothing, designs airports, transports hikers to the top of a mountain, drills wells, or audits financial records.

This book is for you if you regularly make decisions for a Service business or a business that offers a mix of Products and Services:

- If you are a salesperson or sales manager, this book details the fundamental differences between selling Services and selling Products. It offers new guiding principles — based on UST — for every point in the sales cycle (from prospecting to closing) and explains how your approach must change depending on whether you are selling Products, Services, or a mix of both.

- If you are in the marketing and promotions department, this will provide direction to advertising content, whether that content is displayed on a banner over a trade-show booth or in your Twitter feed.
- If you are in the C-suite, the principles in this book can be applied to create relevant metrics for evaluating the performance of your marketing department and to operate a more effective sales team.
- If you are in Human Resources, this book gives new insight into predicting who will succeed in sales positions and what special training your sales staff will need, based on whether they are selling products, services, or some combination of both.