

Turning a Service into a Product

by MICHAEL SIPE, President — CrossPointe Capital

Many businesses I work with offer a service or a product that they attempt to differentiate through offering a higher level of service. Perhaps you do too. If so, you're probably being disproportionately impacted by the economic disruption caused by the pandemic years. Online shopping, staffing shortages, supply chain problems and increasing government regulations all make the service industry more difficult than ever. We can expect this situation to worsen in 2023 as money tightens, buyers become more cost-sensitive and look for maximum value. This will require strategic business innovations like turning services into "products."



turning your service into a product is to identify the services you offer that are Teachable to employees, Valuable to your customers who have a Recurring need for it. I call it your "TVR."

Step 3: Get Clear on Your Quarter Inch Hole:

Harvard Professor Theodore Levitt was famous for saying, "People don't want to buy a quarter-inch drill. They want a quarter-inch hole." Be clear about what problem your product solves for your niche.

Step 4: Brand It:

With a service, you're typically hiring people. With a product, you're buying a *thing*. Unlike people who have *names*, something like the "Emergency Taco Kit" and the "Personalized Music Message" have *brands*.

Step 5: List Your Ingredients:

Service businesses customize their deliverables in a unique proposal for every prospect, but product companies list their ingredients. Pick up any package at a grocery store — whether it's a bottle of dishwasher detergent or a box of cereal — and you'll see an itemized list of what's inside the box, which is why your offering needs to list what customers get when they buy. Don't forget to note (but perhaps not fully disclose) the "secret sauce."

Step 6: Pre-empt Objections:

When selling a service, you have the luxury of hearing your prospect's objections first-hand, and you can dynamically address them on the spot. When selling a product, you don't have the benefit of a person to overcome objections, so consider what potential objections customers might have and pre-empt them in the design and packaging of your "service as a product."

Step 7: Price It:

Services are quoted by the hour, day or project and usually come at the end of a custom proposal. Products publish their price. Consider menu-based pricing to allow for customer choice.

Step 8: Manufacture Scarcity:

One of the benefits of a service business is that you always have sales leverage because your time is scarce. You can't make more hours in the day, so customers know they need to act to get some of your time. With product businesses, you need to give people a reason to act today rather than tomorrow, through things like limited-time offers, limited-access products, etc.

If the concepts you read here are intriguing, contact me to discover ways you can improve your business with our complimentary Value Builder Assessment.

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Service Providers are Transforming their Service into a Product

Many businesses have reacted to these challenges by turning their services into what appears to consumers as if they were tangible "products." Here are a couple of examples:

- A tacobop that typically serves up a lively in-store dining experience, has recently pivoted to offering a product called their "Emergency Taco Kit," a take-out survival kit for the taco lover.
- A talent booking service, as an alternative to in-person individualized performances, now offers its "Personalized Music Message" product, which enables you to commission an artist to create a customized video greeting for a loved one.

Eight Steps to Productize Your Service.

To take advantage of the market gravitation towards buying products, service providers can take the following eight steps to turn their service into a "product" in the eyes of their customers. In the process, they are able to manage workflow and supply issues more effectively. They also create market differentiation and avoid the downward pricing pressure and margin squeeze caused by the commoditization trend challenging most service industries.

Step 1: Niche Down Uncomfortably:

The first step is to narrow your focus to a single type of customer. Niche down further than you're comfortable, then niche down some more. Consider:

- Demographics: (age, gender, income)
- Firmographics (company size, industry)
- Life stage (just married, retirement)
- Company life stage (start-up, mature, etc.)
- Psychographics

Step 2: TVR-Rank Your Services:

Once you've niched down more than feels comfortable, the next step in



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