

Lost Service Profits for Dummies

Business Operators Are Smart, Not Maximizing Service Profits is Dumb

For Dummies reference books have been written on a vast array of subjects. They are written for those frustrated and hard-working souls who know they're not dumb, but find the complexities of some subjects difficult to understand. These books are light hearted, straight forward, and help dispel fears and inspire confidence in a subject. A *Dummies* book has not yet been written on why *fire, security, suppression, and sprinkler* equipment manufacturers and independent dealers continue to, reject, postpone, ignore, or invest in growing their after installation service revenue. If a book were written it would include chapters on the following subjects.

Too Busy – Now is Not the Time! – All too often business leaders acknowledge they could do a better job growing their service business, but are challenged keeping up with current activity. We're "all out", "having a great year", "orders are strong", etc. Business is good in many life safety market segments. New construction, retrofits, system integration, and growth in the security market are all driving business. But like all cycles, it will end. Things could slow down this year, maybe next, for sure the year after. Some companies have already learned the hard way. It's often too late to start growing service when sales slow down.

Service Department Already Overburdened – Installing new projects can consume a lot of service labor. Managing projects and coordinating installations with other vendors isn't easy. Meeting installation deadlines has gotten worse as construction schedules have accelerated. Companies have to do everything possible to ensure schools are ready for opening at summers end, hotels get their certificates on time, and health care facilities don't miss processing patients. All this effort would make perfect sense if margins were up, renewable service agreement revenues were thriving, and if there was a labor shortage. What doesn't make sense, is not investing in service to insure that current or future revenues are not jeopardized.

Service Revenue is Growing! - Service revenue should always be growing. The questions that should be asked are how much, how fast, at what margin? At many companies incoming calls requesting service are growing. In some cases more hourly work is being generated on projects for moves, ads, and changes. Some business operators are happy to receive basic service agreements sold in conjunction with new system installations. In the majority of cases, service is growing. In reality it's unplanned, the fall in your lap, bluebird variety. Too many managers have the false impression that "they" are driving service growth. In reality the majority of their new service revenue is the result of business activities that present themselves. One could only wonder what would happen if some of these companies actually pursued new service accounts in the current economic environment.

Already Have Effective Service Sales Program – Many service providers believe they are already doing a great job selling service. Some even become defensive when asked probing questions to gain an understanding of current strategies and methods. Almost all who think they are doing a great job honestly believe it. They think service growth rates of 15-25% are fantastic. The questions they never are able to provide a concise answer to are, how do you know you're doing a great job selling service? What or who are you comparing yourself to? In truth, most comparisons rely on in-house evaluations of their own performance and comparisons to previous results. Most have no clue what others have accomplished or what opportunities they are overlooking. These situations are extremely frustrating when you know what results could be realized.

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