

# Recession is Temporary, SERVICE SALES MODEL IS PE

By Joe Siderowicz

The majority of fire alarm, security, and sprinkler distributors continue to feel the impact of the struggling economy. Those that have recently gained project work still remain cautious when forecasting revenue goals. Over the past few years many installation and upgrade projects have been cancelled or postponed. Projects that do go out for bid attract aggressive pricing by desperate competition. Some companies have chosen to walk away rather than submit bids below acceptable margins. Although there are signs of recovery, the overall systems integration environment is full of uncertainty.

## Service as a Recession Solution

During the recession many companies looked to service sales as the source for much needed revenue. Some firms already had service sales programs in place, while others invested in the needed sales aids, training, and manpower to implement their programs. Over the past few years I've had the opportunity to work with over fifty systems integrators. Some were looking to improve their current service sales efforts, while others were starting from scratch. The common thread between them is the realization they could do a better job selling service agreements. Also common was a lack of understanding of how big an opportunity was available for those launching new programs. At the same time, companies with service sales efforts were not aware of current best practices and were operating in a mode in need of upgrading.

It's not surprising that most companies in the systems integration business struggle when seeking knowledge and support on service marketing. Manufacturers don't provide service sales training for their dealers because they are focused on shipping and installing more products. Many integrators rely on a small peer group of trusted industry savvy friends to stay abreast of trends. Most owner/operators are members of industry organizations made up of like firms that distribute similar products. While these groups provide great resources, none that I'm aware of offer service sales training to their members.

The service market is thriving at record levels. Aggressive companies are growing their service agreement revenue at double-digit rates. They are also gaining market share that is currently available due to a lack of performance by distressed service providers. Polling my clients at the end of 2010, I was happy to hear the average growth in service agreement revenue was over 30 percent. Additionally, leads for new system installations and upgrades generated while pursuing service customers exceeded their expectations. These customers were the source of new revenue at preferred margin levels. This business was gained outside the bid mill, negotiated directly with end users.



# PERMANENT

## How to Make Service Succeed

A service sales program is exactly that, a program. It is not a part-time effort utilizing outdated materials and sales strategies from days gone by. In today's market environment, communicating value is critical to success. Those companies that can't communicate their value are left to differentiate themselves on price. This is typically the case for companies that continue to package their service offerings as commodities centered on code required inspections. A recent survey of building owner/operators confirmed most were well aware of code requirements but were more concerned about response times, interrupted operations, and tenant satisfaction. The majority were open to or actively seeking new service providers.

The *service market* is **THRIVING** at record levels. Aggressive companies are *growing* their **SERVICE** agreement **REVENUE** at double-digit rates.

Bundling multiple systems and services into one seamless service agreement is becoming a major differentiator in the marketplace. End users are seeking one source for fire alarms, sprinklers, security, etc. Some companies have taken aggressive positions by adding additional skills to their workforce. Others have partnered with subcontractors to package their services. Strategies vary by company and market. What doesn't vary is the need to craft a service agreement that the building owner/operator is receptive

to. Gone are the days when every agreement was basically a test or inspection. Packaging an agreement that may include fire alarms, access control, or sprinkler systems requires different service offerings for each system combined into one agreement that meets the client's individual needs. Service providers that aren't moving in that direction may be faced with losing their clients to more creative and responsive companies.

Hopefully the economy will rebound soon and companies will once again be in a position to win installation work at acceptable margins. For those firms that have implemented a service

sales program, the outlook is excellent. They will continue to improve their company's financial position and value at the cost of those who continue to sell, rather than market, service. ❖

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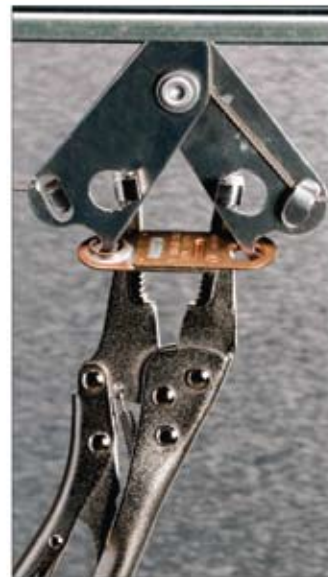
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