

***Selling
Service
Agreements***

***“If You Don’t Ask,
You Don’t Get!”***

Why Sell Service Contracts?

Why Not Just Through T&M?

Service: Why Is It Important?

Power of Recurring Revenue

- Predictable
- Calm in a Sea of Turbulence
- Flexibility



Why Don't Companies Sell Service Contracts?

The Most Common Reasons...

Biggest Reason

Client: “Do you provide service after the installation?”

Your Firm: “Yes”

What’s Wrong with This Exchange?



Commodity

Your Services

Designing the Right Package

Designing the Right Package

My Role Models for Service...

DEC

IBM

Client Needs

What Do They *Really* Want?

**Clients want any and
all features that**

Minimizes...

Risk!

Risk Management

Primary Focus of Corporate Manager

Job Security

Achieve Job Security by:

- **Maintaining Budget**
- **Risk Avoidance** (Not Rocking the Boat)
Integrated Systems are real-time, tech solutions

**What Features
Should It Include?**

Feature Summary



Simplicity



One Fixed Price for All



Priority Response



Fast Response



Instant Loaner

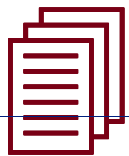


Guaranteed Resolution

**How Important
is a Name?**

Selling Service Agreements

Two Markets



Prospects



Existing Clients

Prospects - 3 Legs



Presentation



Adding Value



**Sales Force
Motivation**

The Presentation

The 'Ask For It' Principle

- **Seamless Integration into Installation Proposal**



Place Price Below Install Price



Avoid Looking Like an Option








Make It Easy To Sign (one T&C)

How to Add Value

Adding Value

Differentiate Service From Warranty

-  **Limit Warranty Services**
-  **7-24 Availability**
-  **Priority Response**
-  **Instant Loaner**
-  **10% Discount on Add-Ons**
-  **Reduce First Year Price**

Selling The Sales Force

Eat Well, Sleep Well

Selling The Sales Force

Increases

Your

Cash

Flow



Annuities

Selling The Sales Force

Increases Sales

 **Add-ons**

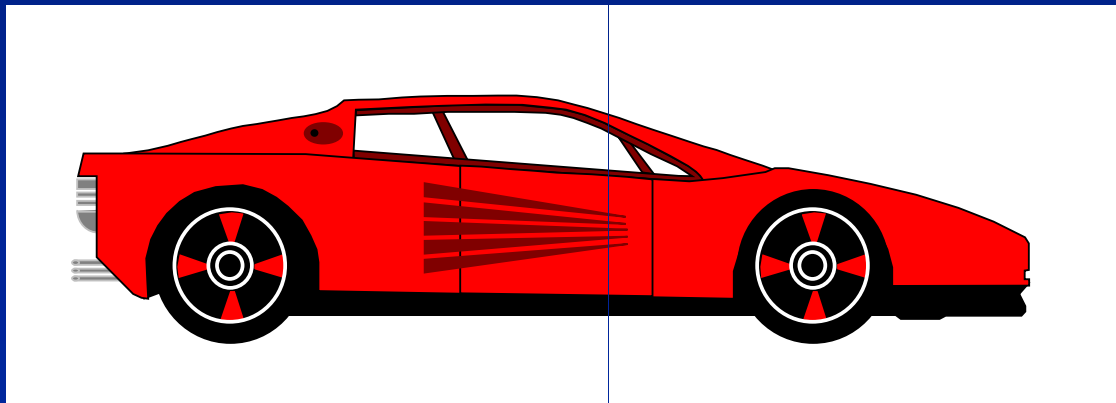
 **Referrals**

Selling The Sales Force

**Increases Client
Satisfaction!**

Compensation Plan


Drives Sales



Sales Commissions

- **Compensation Plan Drives Sales**

 **Reward Sales**

 **Longer the Term, the Larger the Commission**

 **Renewals**

Overcoming Objections

Reasons Not to Buy a Service Agreement

#1

Indifference

Why should I pay for a Service Agreement? Aren't you going to provide service anyway?

Reasons Not to Buy a Service Agreement

#2

Warranty Expectations

Aren't I covered under warranty? Isn't that the same thing as service?

Reasons Not to Buy a Service Agreement

#3

Alternative Shopping

**Do you have a less
expensive plan?**

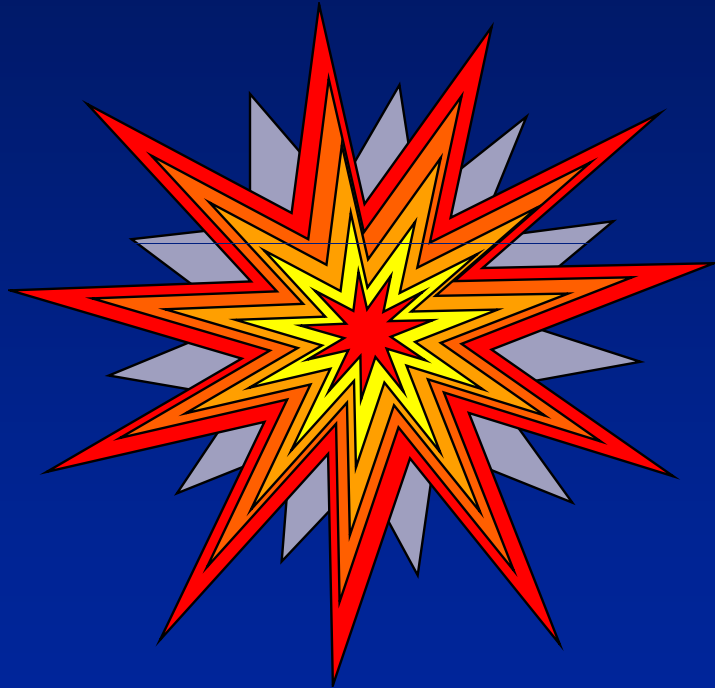
Reasons Not to Buy a Service Agreement

#4

You're Too Expensive

These prices are pretty sporty, aren't they?

Results of Our Approach



90%

**Purchased Service
Agreements from
the Git-Go**

Why 90%?????



Made It Easy (signing mood)



Appear Install & Service
(one and the same, interlinked)



Met Their Needs
(Reduced Risk, Budget)



Pre-programmed Behavior

Selling to Existing Clients

Why is it more difficult?

**Why Buy a SA
From You, and
Not Your
Competition?**

Resolution - Two Prong







Follow Xerox Model
(risks)

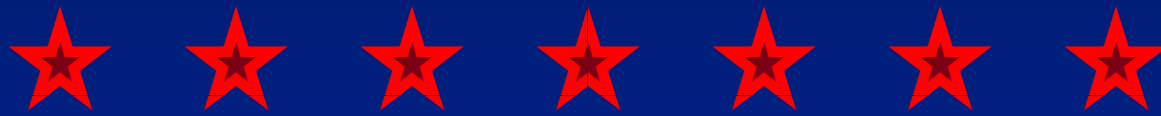


**Differentiate T&M and
Service Contracts**
(budget cycle)

Value Added Comparison Table

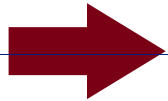
Feature		T&M	FSA
Availability		M-F	24Hr
Response Priority		After FSA	
Response Time		As Available	2 to 4 Hr
Defect Corr. Response Time		N/A	
Loaner		N/A	
One Fixed Price		N/A	

Contracts



Defining the Box

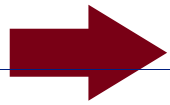
Avoiding Radar



Select a “Win-Win” Name

Avoid Words Like “Contract”

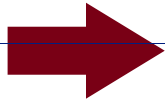
Avoiding Radar



Reduce Your Type-face

Can You Read This?

Avoiding Radar



Combine Install & Service

Print on Single 8.5"x11" Sheet

Cash Flow

- **Billing Cycles** (focus on cash flow)
- **Multi-year Contracts**
- **Renewals**

Standard Part of *Every* Proposal Template

Liability: Defining Your Box

- **We Are Not Responsible for Anything!**
- **OK, We Are Responsible for Up to \$250!**
- **Gross Negligence Versus Negligence**
- **Holding Your Nose**

Limiting Your Liability

- **Increasing Size of Exposure**
- **Unless Solely and Specifically Negligent**

Committing

Your Resources!

Committing Your Resources

Step 1: Standardization - Product Lines

“You can’t afford to be everything to everybody”.

- **Our Products have short technology cycles**
- **New Product Introductions**

Committing Your Resources

Step 2: Standardization - System Designs

“Beware of the artist within”

- Different Ways to install the same equipment
- Eliminate Judgement Calls

Committing Your Resources

Standardization



Goal

- **Make Everything Look Alike**



Benefit

- **Easier to Repair, Troubleshoot**
- **Easier to Train Technicians**
- **Reduce Labor Cost per Service Call**

Committing Your Resources

Standardization - Achieve By Common Sense

- **Managing Sales** (establishing reasonable limits)
- **Careful Review of New Products**
- **Involve Engineering**
 - **Standardize System Designs, issue field drawings**
 - **Cable Color Coding**
- **Pre-assemble** (minimize artistic discretion)
- **Encourage Value Engineering**

Committing Your Resources

Separate Installation & Service Depts

- **Function of Size**
- **Different Disciplines**
- **Eliminate Labor Inefficiencies**

Committing Your Resources

Invest in Service Pool Strategy

- Pool of Common Items (Loaners)
- Central Pool, Satellite Depots
- Well-stocked Service Trucks
- Strategic Use of Driver

Price

Alan's Rules on Pricing

Alan's Rule

#1



Law of Gravity

Alan's Rule #2



Law of Added Value

Alan's Rule #3



**Price Your Product at
What The Market Will Bear**

Alan's Rule







#4



Raise Your Hourly Rates!

**Why
Raise Your
Hourly Rates?**

The 'True' Hourly Costs

 Base Hourly Rate	\$25.00
 Benefits (30%)	\$8.00
 Inefficiency (20%)	\$6.00
 Call-backs (15%)	\$4.00
 Truck and Equipment	\$10.00
 Overhead (35%)	<u>\$18.00</u>

Total Cost <i>(Hourly Rate)</i>	\$71.00
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Alan's Rule

#5



**Raise the Rates of Your
Existing Service Contracts!**

HOW OFTEN????

**How Do You
Price Your
Services?**

Alan's Rule

#6



Law of Price Sensitivity

Glen's Rule



Law of Client Complaints

Service Agreements



7% to 15% of Installed Price



Rule of Nickels and Dimes

Service T&M



Make a Competitive Matrix



Identify Premium Providers



~~**Do Not Exceed \$99 Barrier**~~

Land of Expectations

**Delivering On
Your Promises**

Questions and Answers