

It's Tune-Up Time!

What do most successful contractors have in common? When I was struggling on the path to success I often wondered what top contractors knew that I didn't know. After fretting about it, I finally decided to call Jim Norris, the then Executive Director of ACCA in Washington, D.C. Since my company was located just outside the District of Columbia, I often visited ACCA headquarters and got to know Jim and others at National. In the call to Jim I asked him to give me the names and phone numbers of what he considered to be the 5 most successful residential replacement contractors in the United States. There were no other criteria. I just wanted to talk to the guys that did the same kind of work I did, but made a lot more money than me.



After securing the names and phone numbers I began making calls and without getting into all the details, these owners were kind enough to share what they felt were the keys to their success. The one thing they all had in common was that they were all great believers in maintenance agreements. (Thank you Ron Smith) Firing one question after another I quickly learned that they all had goals to grow the number of maintenance agreements in their database.

They shared that their technicians were selling maintenance agreements while running regular service calls and also by generating large numbers of paying tune-ups and then converting these new customers into maintenance agreement holders. While I was sitting in my office with fewer than 100 service agreements, these successful companies had thousands of customers under agreement.

Okay, I thought... but, so what, and who cares?

They showed why this was so critically important by explaining that if they had 2,000 maintenance agreements that it would put their technicians in the homes and in front of these customers 4,000 times (heating and cooling season) each and every year. It was almost like having 4,000 sales appointments prescheduled at the beginning of each year. It didn't mean that they expected their technicians to go into their customers homes to try and sell everything under the sun, but it did mean that the technician was obligated to...

1. Perform maintenance to the best of his/her ability.
2. Provide the customer with a laundry list of products and services available that could improve the comfort in the home, the health and well being of the occupants and/or the efficiency of the comfort system.

And the best part of all of this is that it allows you to accurately estimate the amount of revenue resulting from these maintenance agreements. Here's an example of what you might expect: (Based on actual annual results as reported by contractors with successful maintenance departments.)

- 2,000 Maintenance Agreements @ \$219 = \$438,000
- Estimated number of replacement leads (1 per 20 calls) from 4,000 maintenance calls = 200
- Estimated number replacement sales (@ 70% closing rate) = 140
- Estimated sales revenue (140 sales @ \$7,500 average sale) = \$ 1,050,000
- Service repair (\$65 x 4,000 maintenance calls) = \$260,000
- Estimated # IAQ sales (1 per 10 calls = 400 @ \$600 average) = \$240,000
- Other accessory sales (1 per 20 calls = 200 @ \$750 average) = \$150,000

Anticipated Annual Revenue = \$ 2,138,000

- Based on these assumptions... 200 maintenance agreements would yield \$213,800
- 500 maintenance agreements would yield = \$534,500

As a result of this eye opening experience I later suggested to Jim Norris the concept of ACCA Mixed Groups where contractors from different parts of the country could gather together to learn from one another and share both the good and bad about their businesses. Perhaps you are a member yourself of an ACCA Mixed Group.

Is it really this simple?

Well, yes and no. It is a simple step by step process... here's what I recommend.

1. Employees must support the maintenance concept. The company as a whole must believe in the value of maintenance for both the company and the customer. Technicians must have a sincere desire to provide the customer with outstanding maintenance and service. Employees not understanding the value of maintenance should be offered training to give them an appreciation of this valuable service. Employees having direct customer contact who reject the maintenance concept should be considered for reassignment. Employee support is critical to the success of this project. **(Excellent training is available.)**
2. Start with a goal of converting existing customers over during service calls. Set a goal of converting a **minimum** of 50% of these calls into maintenance agreements. **(Sales training is available to give your people the skills needed to be successful.)**
3. Market to existing customers to generate paying tune-up calls during the spring and fall seasons. Maintain the goal of converting a minimum of 50% of these calls into maintenance agreements. **(Mail Concepts can assist you with this marketing.)**

4. Market to homeowner prospects (not existing customers) in your area to generate paying tune-up calls during the spring and fall seasons of the year maintaining the same conversion rate goal. (**Mail Concepts can assist you with this marketing.**)
5. You'll find that the pay tune-up calls will generate additional revenue in much the same way (maintenance agreement, accessory and replacement sales) as shown in the above chart.
6. How quickly you grow your maintenance department and number of agreements is dependent on how aggressive you are in generating tune-ups during the spring and fall seasons.
7. Technicians that are capable of performing maintenance do not require the same degree of technical skills as do repair and diagnostic technicians. Therefore, their wage would be appropriate to their skill level, but keep in mind that this is where your next crop of seasoned technicians will come from. Also, don't underestimate the value of a good maintenance tech. One that meets their goal of converting tune-ups to agreements, generates replacement leads, sells IAQ products and services as well as other accessories is making a significant contribution to the success of your company.

I did it in my company and you can too!

Dick

Richard Osgood
Mail Concepts, Inc.

1-888-251-2778

rvosgood@mailconcepts.com