



Proactive Service Agreements

A solutions white paper for selling profitable service

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The philosophy of Service Agreements that your company should adopt is one of being "Proactive". The term *proactive* has been closely associated with sales in recent years but very seldom, if ever, associated with service. In fact, service is often completely ignored by many ProAV companies. Of course everyone says they are "service oriented" but practicing this beyond a simple warranty service is seldom practiced. However, with a proactive service agreement, the rewards will be numerous and the payoff guaranteed.

Selling Job Security: An extremely important concept to understand is that, in selling service contract, you are selling "job security". Think about it. If the company's network goes down, who gets blamed? 3Com; Linksys for building a defective router? Belden, for building sub-standard Cat5 cable? No, the network guy – your network guy. Face it, you all joke about the network being down, again, and you universally blame the guy who runs it – your own IT guy. So, if a company spends 100K or even 25K on a boardroom or conference room AV system and it goes down, who's going to get blamed? Sony? Christie? No, the AV guy. He's the one who is singled out for all the ProAV system performance and failures. So, with that in mind, you are selling him JOB SECURITY.

So, find a creative way of positioning it as job security. It's an easy sell. He/She gets to spend \$625 a month (for a \$100,000 install) of the company's money to save HIS job! Wow. Not too hard of a decision there. Want to know how we come up with that \$625 figure? Read on.

Here's how it works:

The Proactive Service Agreement

Philosophy: The philosophy behind the proactive service agreement is that, in buying a service agreement, the customer is entitled not only to a guarantee of a limited time period between the customer's call of a problem with the system to a repair but also to regular service intervals by your company. Of course, anytime the customer has a problem with a system your company will immediately (based on a time guarantee depending on how mission-critical the installation or the customer is) fix the problem. However, in addition to that, your company will send system representatives out regularly (bi-monthly or quarterly) to simply inspect the installation, adjust the projector's set-up parameters, review the control system operation and interview the customer for any dissatisfaction levels. These visits typically only take between 30-45

minutes; however, your company will be the ONLY vendor that this customer has that actually does this as part of a service agreement.

Who does the Proactive visits?: The proactive service calls are actually performed by either the sales engineer that sold the system or by an installation tech that happens to be in the area on another job. In most cases (if not all) the amount of time and technical work that needs to be spent on a system that is proactively being serviced is minimal and will only require the technical level of a system designer or a sales engineer (i.e. test system, reset control system, adjust projector ,etc.)

Finally, if a service contract is proactive, then make it proactive. The objective of a proactive service contract is simple: make them WANT to sign up for another year. In a typical extended warranty, when you get the "sign up for another year" letter in the mail, what goes through your mind? Well, you think: "I haven't had a problem and I have always been told if it doesn't break in the first 90-days, it isn't going to break". But, if you are going out to the customer site regularly, at the end of the year when the renewal letter arrives, he will think: It isn't breaking down BECAUSE you have been coming regularly to keep it working.

Win/Win: The customer is afforded the opportunity to know that there will be someone with your company there to help him regularly look good. Ultimately, if the customer looks good, your company looks good. However, in addition to that, the customer will most likely tell you about potential upgrades to the system well in advance of any other AV dealer knowing about them and even purchase small accessories every now and then without going through the complete purchasing process (more profitable accessories). Finally, basically the customer is paying you (your company) to make a sales or service call to them. Each and every time you go out there, the customer will keep you informed to the issues with the system as they arise and you can recommend solutions on the spot. For example, a customer may say that recently he/she had a user that wanted to connect the new iMAC to the system but when the system was designed, the iMAC wasn't around so it wasn't considered as a connection option. The client will ask you how to do that, and you can recommend an interfacing solution on the spot and possibly take an order for it then and there. However, if there was no service agreement, human nature for the person in charge of the room is to blame (openly) the AV company who designed the system (as they certainly are not at fault) for not considering an Apple computer. So, the client bashes you, the client's client thinks you made the mistake and it's easy for the client to do that as you are a company to them, not a person/individual and certainly not a relationship. With a proactive service agreement, you are a relationship.

Keep in mind that this must be perceived as a positive experience by all those involved. For example, if something needs fixing, it needs to be fixed. It can't be perceived like the typical circuit city-style extended warranty. If the

customer calls and says it's broken, assume it is and go there to fix it. Don't send it over to a person who, via the phone, is going to send the client through system-detox-hell to convince you it is, in fact broken.

Finally, keep in mind that if you ONLY offer a reactive service contract, you are ONLY associated with a negative experience. In other words, if the network breaks down, everyone expects to eventually see the network guy there fixing it. It almost becomes a joke. If the copier guy is in the lobby when you leave for lunch, you automatically assume that the copier is broken. So, if you, as an AV company, only come when the AV system is broken, you are associated with something negative – the AV system is broken, thus, you must be coming or there. But, if you are coming bi-monthly or quarterly to keep the system running, you are, in fact, associated with something that is positive. You are there keeping the system running.

If there is a problem...: If there is a problem with the system and you find it while on a proactive service visit, the customer wouldn't expect you (in most cases) to fix it on the spot but if you simply make a commitment when it will be fixed and do it in that time frame, he/she will be satisfied.

Clients Change: Your contact person will eventually change. Invariably, the new contact or the new person in charge of the room you designed last year with the old client contact person who was either promoted, fired or hired by someone else, will hate the system. Now, they won't really hate the system but they will act as though all the problems they have running the system are your fault (the AV company's fault) since they didn't design the room themselves – this is known as NIH (Not Invented Here syndrome). So, with a proactive service agreement, you can offer FREE training any time they want it and specify that you always do it when there has been a job change. This will insure you have made contact with the new employee, you train them on the system and you can offer modifications to fit their needs, likes and desires BEFORE they have the opportunity to "bash" the system.

Costs: Typically, a proactive service agreement commands charges that range from 10-20% of the *serviceable* equipment cost per year for the service. Let's take an example of a \$60,000 system. Let's assume that \$10,000 of the 60K cost was installation charges and other non-equipment related charges. That leaves us with an equipment balance of \$50,000. Therefore the service agreement would command a \$5-\$10,000 cost depending on the area of the country you are in and the quality of the service offering you are providing. This charge is a yearly charge as well. Therefore, in year two, you can go back and charge the same amount as year one (or even more) for the same service. Or, you can sell an up-front 3-year contract all at one time (at the time the system is installed or sold).

A Note: Keep in mind that it is MUCH easier to sell a service contract BEFORE the client has gone over budget than after they are over budget. For this reason, push the service contract at the time of closing the sales price deal.

In addition, make sure it is something that is figured out with the Project Manager involved as there may be idiosyncrasies that effect system price (like a 20' high ceiling or a secured room at a military base). Anything that will slow down the ability to service the customer should be figured in the system cost and the service cost.

Finding the Right Service Personnel

As mentioned above, service will be performed at a couple of levels: Proactive and Repair/Emergency.

Proactive: In the case of a proactive service agreement, as specified above, most service calls can actually be completed by the original sales engineer. A true sales engineer is technical enough to understand the basic layout and design of a system and can identify and solve many basic problems with systems. In addition, projector adjustment and touch-up should absolutely be able to be done by a sales engineer as this is a basic function of a demo or sales call where there is a shoot-out between two different vendors offering two different projector brands for sale. Typically, because of the similarities between projection systems and technologies, the winner of a specified projector is usually the one that is set-up the best. So, using the same techniques as they used in the demo process should be followed in the "tweaking" process of a system's proactive service.

In some cases, it may be more cost effective to use installation techs to perform proactive service calls or it may be discovered that the installation tech must return to an installation to perform service as the issue is in fact a defect or system problem. In this case, the free time that installation techs have before and after jobs should be filled with service calls. In the case where you find yourself not able to make all the proactive scheduled service calls regularly, this can be used as a guide as to when it is time to hire new techs.

On-Site Repair/Emergency Service: This service must be handled by either the installation techs or by a separate staff of service personnel (depending on how fast you grow and require full-time service techs). Intimate knowledge of analog and digital circuits is required. In addition, the ability to read electrical schematics is required as some service required "backing-out" of the circuit to find the problem.

Requirements of a Tech: The following outlines the minimum requirements of an on-site repair or service tech (not necessarily in a format that can be used to advertise a position):

- ❑ Self motivated, self-starter
- ❑ Car audio "buff" or home theater "buff"
- ❑ 1 year of repair experience of analog or digital circuits (or equivalent)

- ❑ Understanding of serial communications from a PC
- ❑ Can build a PC from parts
- ❑ Can read schematics

Sample Ads for Service Tech:

1. Installation / Service Techs (Beginner)

Description of Position

Rapidly expanding company seeking motivated individuals with experience in installation and service of Pro A/V equipment.

Salary Range

20 - 30 per hour depending on experience

Education

Experienced with installation and service of 70 volt systems as well as analog and digital circuits like those used in TV's, VCRs and PCs.

Experience and Skills

Minimum of 2 years "Field" experience of 70 volt systems or equivalent.

Other Information

Must be available to travel on a national basis. Position requires individual to own required hand tools to perform service / installation work.

2. Installation/ Lead Tech (Advanced level)

Description of Position

Install, tune, and test audio/video/control systems. Rapidly expanding company seeking motivated individuals with experience in installation and service of Pro A/V equipment.

Salary Range

Pay depending on experience

Education

Two year technical degree in electronics. Must be able to lead install team on large and small projects.

Experience and Skills

Minimum 5 years experience installing and troubleshooting audio/video systems. CAD r.14 (and above) helpful.

Identifying Tool Requirements

The following are tools required for service calls:

- ❑ 25' Tape Measure (Short, Convenient Measurements)
- ❑ 100' Tape Measure (Long Room Measurements)
- ❑ Compass (Determining which direction the windows face)
- ❑ Stud Finder (Locate stud and joist center)
- ❑ Powerful Flashlight (Illuminating plenum ceilings, etc.)
- ❑ Pen Light (Illuminating racks, etc.)
- ❑ Digital Camera (Taking photos of equipment, room, etc.)
- ❑ Architectural Ruler (Determining distance from drawings)
- ❑ Flat Blade Screwdrivers (3/16" and 1/4") (Removing wall plates, etc.)
- ❑ Philips Screwdrivers (#1 and #2) (Removing rack panels, etc.)
- ❑ Portable DVD Player (if not one available on site)
- ❑ Kayye Consulting, Inc. DisplayMate Test Pattern Software
<http://store.kayye.com/kayye/disut.html>
- ❑ AVIA DVD set-up and demo software
<http://store.kayye.com/kayye/avia.html>
- ❑ RGB and Video Test Signal Generator (Extron VTG 200)
- ❑ 75 ohm BNC termination plugs
- ❑ Volt-Meter
- ❑ 50' BNC 5 HR cable
- ❑ 3Com Palm-Pilot or PocketPC (for RS 232 and 422 emulation and terminal emulation)
- ❑ Oscilloscope (Fluke or equivalent)