Ironing Out The Wrinkles On Your Service Agreement

Every dealership has a service/maintenance agreement (MA) that generates a nice chunk of income for the business, right? Think again! Outdated, poorly worded or downright technologically old-fashioned maintenance agreements are costing many companies more money than they are generating. In many areas your old maintenance agreement may be your customers' best friend. It may be providing them with all sorts of services and supplies at your expense. Whose side is your maintenance agreement on??

UNCOVERING PROFIT OPPORTUNITIES

Be careful of what is included as "covered" by your maintenance agreement. Most dealerships are now selling digital equipment but have never adjusted their maintenance agreement to accommodate this new technology.

Take, for example, that there are no "click-counts" on a scanner. You have no idea of the mileage on that machine when you receive that call for service. Is that rebuild going to be at the customers' expense or yours? Exclude accessories such as sorters, feeders, and scanners from your MA. Do a rebuild on any one of those items and it will cost you the entire profit you have made off of that machine over the last two years.

Think of the number of accessories on your machine population. Take that number and multiply it by $150. That total is the average net profit your dealership is losing by not charging for maintenance on those accessories. That is Net-Per-Year. Think about it.

What about network connections and software? What about controllers? Unless you have an excellent computer programmer on your service staff, be sure your MA specifies that network software and controller problems are NOT covered. If you service any of these items, be sure to specify that those problems are billed separately. Disagreements over software issues have parted many bedfellows.

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Does your annual maintenance agreement still include an unlimited amount of supplies? Many digital machines also use a lot more supplies than analogue equipment ever did. Try keeping track of the volume of supplies you send to each account. Many dealers are finding that they have used all of the profit in a prepaid maintenance agreement in as little as six months.

The best way to solve this problem is to put a limit on the amount of toner and developer included in the annual MA. If, and when, the customer reaches their allotted supply amount, they can then purchase additional supplies. Thus, supplies can generate more revenue, rather than eat into the profit the MA was supposed to create in the first place.

Keep in mind that it is against the law to state that the customer MUST buy their supplies from you. This can be worded many ways so that the customer will get the message and you will stay out of a legal mess. Make it clear that your company will not be held responsible for "service required due to use of inferior or incompatible supplies, broken cassettes or damaged exit trays."

Lightning may be an "Act of God," but it can cost you money. Require the purchase of an "approved" surge protector or line conditioner as a part of your maintenance agreement. You gain the revenue from selling the product and save the expense of countless service calls resulting from dirty electricity.

Who covers manufacturers' retrofits? While the manufacturers are always in a rush to get the "latest and greatest" out in the marketplace, what happens when you have placed 200 or more of their latest dream machines in the field only to find the model is a real lemon? The factory admits that there is a design flaw, but the expense of the retrofitting or re-engineering is now your problem. You are left to eat the cost or deal with angry customers. If you have been in the business long enough, you have seen this one. Perform preventative maintenance on your MA and be sure retrofits are clearly excluded.

ADDING AND SUBTRACTING SERVICE

Routine maintenance is one thing, but a major or even minor overhaul is quite another. Thirty to sixty percent of most machine populations are 3.5 to 4 years old or older. These machines are in need of replacement or overhauling.

Traditionally the focus has been on selling a new unit. Overhauling a machine is a source of revenue that most dealers have never tapped. We know dealerships that are averaging over $20,000 net profit per month from overhauls with two service people. For an additional fee, offer the option of a machine overhaul in your maintenance agreement.

Do not make the mistake of putting a written estimate for the overhaul in the MA. Over the term of the MA, if the customer requires an overhaul, provide a verbal quote at that time. This way questions and objections like, "Why isn't this covered under my maintenance agreement?" can be handled on the spot. You will have the opportunity to explain that a MA is priced to keep the machine running, not to rebuild it from the mainframe up on each and every service call. Offering overhauls is an option that is not available from most of your competitors. For many of your customers, an overhaul could well be a viable and welcome alternative to buying a new machine. The customers love it, and when offered this choice will purchase an overhaul 50 percent of the time.

SIMPLIFYING MAINTENANCE AGREEMENTS

How do you bill for your annual maintenance agreements? If you're like most companies, you are sending out a maintenance agreement to the customer to be signed every year. Sounds simple until you take a look at the procedure and the time it takes to actually complete the renewal. Some companies actually call the customer first and ask for the renewal order. Then they write up a MA and an invoice and send it to the customer.

From here, this document ends up on the boss's desk awaiting that big decision. Is he going to sign an expensive legal agreement for maintenance on the machine(s)? Will the boss decide it's just not worth it for an old piece of equipment? Or, maybe the customer will choose to price shop. And, during this entire time, the MA and, consequently your income, have hit a major bottleneck. The waiting game begins. If, and when, they finally decide to continue with the MA and they send in a check, your office still must be sure that the agreement is signed, copied, returned and filed. More work and more time.

Now, for a better solution....

One sentence, strategically placed in your MA, will allow you to save time, money and accounts. By adding, "This agreement is automatically renewable annually at the prevailing price" you now presume the sale. Just send them an invoice at the end of each term. This easily cuts the work in half — no calls, no printing and no filling out a new MA form. When the customer gets the bill, it goes to the accounts payable department, not to the boss and you get paid. The check comes in and there are no hassles getting back a signed agreement for your files. Plus, you have eliminated the chance of losing the MA by not opening the door for the boss to question the value of your service.

Most maintenance agreements do not attempt to include everything. Some exclude consumable supplies. While you may be thinking paper, toner, developer, you also need to consider rubber parts like transport rollers and light bulbs (exposure lamps). Some maintenance agreements exclude a lot more. Exclusions to an agreement need to be coupled with inclusions that will allow your technicians to install the needed parts on the spot. By including wording such as, "This contract authorizes replacement of parts, not covered by the contract, at the time of service if deemed necessary by a (company name) representative," the customer gives permission, in advance, for the job to be done right in one visit. Technicians can install what is truly needed and not have to fight with the customer over the cost of uncovered parts.

> *Every step is an opportunity for profit, from the correct wording to how the MA is sold.*

TAKING (AND GIVING) RESPONSIBILITY

A liability waiver is always nice too. This is a great tool if a maintenance customer refuses any billable parts like a surge suppressor, declines the replacement of a customer damaged drum, or any billable service that is needed. No hard selling. A technician just pulls out a form that may look something like this:

LIABILITY WAIVER

I hereby certify that I have read and understand the ramifications of NOT performing Factory Specified Maintenance Schedules on my equipment.

_______1. That major damage may occur causing a major or minor billable overhaul to be performed at 1/4 of machine life expectancy due to lack of regular replacement of lubricants and consumable parts as specified by the original equipment manufacturer.

_______2. That any Guarantees, Warranties, or Maintenance Agreements that are based on manufacturers specifications for equipment may become null and void.

_______3. That additional equipment malfunctions may occur.

_______4. That any copier yields (toner, developer, drum) NO longer apply due to excess service wear or over volume usage on the unit.

DUE TO LACK OF PROPER MAINTENANCE ADDITIONAL REOCCURRING SERVICE CALLS WILL BE BILLABLE

Service Technician recommended:

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Service Technician:______________ Date:____________

I,__________"Company Representative"_________, hereby refuse the above service recommended by "Your Company Name". Date:____________

Guess what? Nine times out of ten, the secretary or the boss will instruct your technician to, "go ahead and fix it right." If the customer does sign the liability waiver and refuses the work that is needed, this is your documentation for any callbacks related to that specific problem to be chargeable callbacks.

MAINTAINING THE ADVANTAGE

Most dealers bill their customers for maintenance agreements on a monthly basis. Just think of the benefits of converting to billing one