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Succeeding with Service Agreements

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Studies show that 96% of service contract customers will not switch companies even if offered a better price by the competition. Service agreements solidify customer retention, promote higher equipment sales closing rates, support higher gross margins on service and installations, help your cash flow during slow times, and raise the purchase price of companies.

Then why is it rare for even a large company to have more than 500-800 agreements?

One answer is that contractors have been reluctant to embrace service agreements wholeheartedly. The other is that contractors haven't done a very good job of marketing them, even when they've wanted to. They aren't approaching it with a system that integrates sales, marketing and operations.

Now, as the utilities, mega-contractors and lowballers are turning up the heat, we have almost no choice but to focus our attention on these agreements. We know that it can be really challenging to put it all together.

Hopefully, our extensive experience can help you supercharge your sales.

1 If you are relying primarily on your techs to increase agreement sales, you are fighting with one hand tied behind your back. Techs and dispatchers play a key role in selling agreements, but they speak to a limited audience—those customers who get tune-ups or need repairs. In reality, the group you need to reach the most is everyone else in your data base. It's the ones who aren't using you now that are most at risk to leave you, and can add brand new money to your revenue stream.

Also, no matter how much you train them, some techs just won't do a good job of selling an agreement. And the more profitably you price your agreements, the more challenging the selling job.

The most effective approaches combine tech and dispatcher selling with direct mail and promotional materials that stimulate demand and communicate value.

2 Most companies don't think of their service agreement as marketing documents; their design reflects operations needs. This may be great for you, but it does little to sell a customer.

3 Most companies market their agreements as a strict economic equation. You pay this up front, you avoid paying that later. Then it's up to the customer to decide whether the risk/reward is worth it. It works much better to market your agreement as the way they access your superior service, save money and obtain peace of mind.

4 Quality of marketing matters. People don't buy things out of logic. They buy from emotion and justify it with logic. Your service contract marketing materials should hit both angles. You don't need to give more coverage to charge more. But your customer must feel like he's getting more.

5 The effective marketing of tune-ups feeds the successful sale of service agreements (see "Maximize Your Tune-up Opportunities," page 5).

6 You can gain a competitive advantage by offering parts coverage as well as a maintenance agreement. The key is to price, promote and sell them properly. ♦