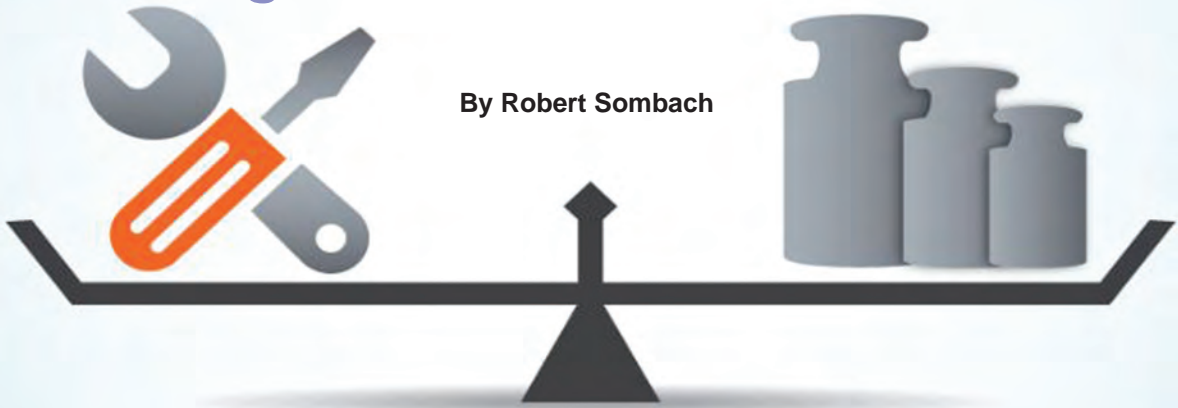


PAY ONE PRICE SERVICE PROGRAM—

Balancing Your Break/Fix With Your Testing and Calibration Services

By Robert Sombach



In many respects, scale industry professionals have two roles. On one hand, there is the periodic and recurring business of recalibrating, testing and re-certifying your customer's commercial devices. In addition, these devices require break fix service and often that repair is required immediately, as the business cannot function when that device is central to the overall day-to-day operations. We often may not consider it but both business functions are closely related – measuring your effectiveness for calibration will help reduce the expenses on your break-fix service as well.

Many service companies today have a program to combine their calibration and certification services into one annual maintenance bill. In doing so, customers, in effect, pay an “insurance” that covers them if a device breaks down and needs repair. These programs can increase your profitability. They can also reduce it, if device service costs exceed what they are charging customers. When customers opt to pay for service on an event-by-event basis, profit is almost ensured because it is based on time and materials, which should have

you are charging the customer). Then measure how frequently these devices need periodic repair. If you have 500 devices and you performed 125 repairs last year, then the breakdown rate is 25 percent. If your average cost of each repair is (for example) \$200, then multiply \$200 (repair cost) x 125 (devices) divided by 500 devices. This means that your incremental repair cost per customer is \$50. If you add this cost to your calibration and certification cost (assuming it is annual) of \$100, then you have a cost of \$150.

In order to sell this program, you can simply add together the average cost of a repair and a calibration/certification a customer would be charged each year. In this example, \$300 for a repair and \$300 for a calibration equal \$600. You can provide this as a “pay one price” service for much less, for example, \$450. This is viewed as a great value and cost savings for a customer. It also provides an excellent gross profit of \$250 for every client you sign up. If we compare the traditional model of break-fix with the “pay one price” approach, a 500 device model would look like this:

Model	Revenue	Cost	Gross Profit
Pay One Price	\$250,000	\$125,000	\$125,000
Break/Fix	C&C: \$150,000	\$75,000	93,750
Calibration & Certification	BF: \$37,500	18,750	
	Total: \$187,500	\$93,750	
Benefit of Pay One Price	\$62,500 more revenue		\$31,250 more profit

profit factored into the model. When you provide service for a fixed cost over a term then the model becomes the exact opposite. The lower the number of service calls, the higher your profit.

Setting up a “pay one price” service program is a fairly straightforward exercise. If you specialize in servicing a few select models, review the cost of repair and the cost of calibration over the past year. (Note: these are your costs, not what

Managing a Pay One Price system is also much different than one that charges customers per event. In the “per event” service model, the longer the service call, the higher the revenue and profit. In a Pay One Price model, you become much more focused on the efficiency of your service technicians. Technicians that are able to spend less time per call, and use fewer parts to service, produce a higher gross margin. Technicians

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that average a longer time between equipment failures are also better for your bottom line. Service technicians that have a higher first call success rate (FCSR) are beneficial to your business. Not only does a high FCSR translate to higher profits,



customers are more satisfied when devices are fixed right the first time.

The Pay One Price model is not unique to the scale and certification business. Everywhere you look, from home appliances, to office equipment, mobile phones, and computer repair is changing over to a Pay One Price/all covered business model. Another example of the model is lawn maintenance. Weeding and feeding your lawn is likely paid monthly and not per event. Even though the customer may pay more in the long run, they tend to accept the trade off between higher costs and cost certainty. Selling this model to your clients will be easier than you think. Since they have likely already moved to that model for other aspects of their business, this will be a natural progression. In this model, you are assured

of the break-fix service revenue and profit. In a transactional model there is always a danger that customers may look elsewhere when a device breaks down. Some see device failure as the fault of the service provider. The Pay One Price model is much “stickier” with clients rolling the business over to you every year, which makes your business revenue and profit much more predictable.

Blending in service, calibration, and certification can create other efficiencies as well. Combining break-fix service calls with annual certifications means service technicians can increase their productivity by doing multiple calls within a given geography. Having a service management software that can database clients and cross reference upcoming maintenance geographically is paramount in creating these efficiencies.

The model also aligns your business goals with your customer's needs better. In a break-fix world, you only make money when the client has a problem: if they do not fail, you would not have any break fix revenue. In a Pay One Price model, you and your customer are both happier when there is a lower frequency of repairs. It's a win-win scenario. Tracking the success of the program requires companies to track their service costs much more closely. Identifying costs by service technician, part, and service event is best done via a service management software system (Miracle Service for example). Adding this new service model to your product offering can lead to more satisfied customers and a more profitable business.

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