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Tune Up Your Service Department: Part 3

This is part 3 of a 3 part series on how to increase profits and customer satisfaction for service departments

BY DAVID VISAGGI

In part 1, we discussed how to improve operational performance and thus greater customer satisfaction. The topics covered were:

- Callback reduction
- Service call response time – exceeding expectations
- Faster and more accurate estimating

In part 2, we discussed how to get paid well for your great service. Topics covered were:

- Increasing service margins
- Increasing service contract profitability
- Getting paid faster

This month we will discuss how to ensure your service department is continuously improving.

MEASURE YOUR PERFORMANCE

Despite being the last item of this article series, this is really the place to start when upgrading your service department. If you don't measure your performance, it's hard to decide what to improve first. Once you've implemented your improvements, it can be difficult to tell whether they are working without measuring. Even if you're not aware of any changes, sometimes performance drops when you are least expecting it. Consider the following:

- Now that you've implemented that inventory system, are you spending less on parts per service revenue dollar?
- Now that you've hired that new technician, how does his callback rate compare to the rest of your staff?
- Is that flat rate system you subscribed to truly increasing your profitability?
- Are your new service contracts more profitable than your old ones?
- Now that you've added GPS to the vans, are you seeing fewer miles driven between calls?
- Why are you suddenly installing a lot of fuel pumps?
- Sometimes a change in performance means your staff is measuring things differently. Perhaps they are using the codes incorrectly or getting sloppy in their data input.

Your gut feel is worth a lot, but it is not fool proof. Nearly every time I measure something, there are surprises. One time I replaced a service supervisor and I found a significant reduction in parts expense per service revenue with the new guy. This was good a thing. However, I found out that the previous supervisor had been over purchasing and left our stockroom filled with many expensive items that are hardly ever used. If I had been tracking parts expense per service revenue prior to hiring the previous supervisor, I could have nipped the problem in the bud instead of finding out after the damage was done.

Here are some metrics that should be watched by service departments:

- Service department profitability – It's not always practical to run a full P & L on the service department. If office salaries straddle more than one functional area, they may be hard to allocate accurately. However, some broad revenue to expense ratios can be informative indicators. (parts to revenue, labor to revenue, etc.) Additionally, within the service department these three profit centers are worth watching:
  - Service contracts
  - Billable repair service
  - Installations
- Callback rate – You need to keep this in check and be aware of sudden changes.
- Service billing lag – you need to know if your invoicing is falling behind. This is a common problem for smaller businesses.

- Customer satisfaction – random calls should be placed to monitor customer's perception of the last experience. Inquire about every step of the process from the initial phone call that places the service call to the performance on the job to the quality of the invoice. It's the whole experience that matters.

Due to the seasonal nature of the industry, most comparisons should not be made between one period and the next, but instead between the same period, one year apart. For example, instead of comparing the 3rd quarter to the 4th quarter, compare the 3rd quarter this year to the 3rd quarter last year. That will give a more realistic indication of change.

Lastly, pay close attention to your software codes. Garbage in, Garbage out. In order to create informative reports for the service department, the input codes (reason for call, transaction type, work performed, parts codes, etc.) that feed your work orders and invoices must be carefully designed. Your staff must be trained to use them correctly. Most fuel retailers are great at repairing heating equipment, but they struggle with setting up computer codes. This is understandable. It's something that's done only once or twice a decade, so how will they ever become good at it? Additionally, most software companies, even those with extensive industry experience, have limited understanding of service equipment and service operations. As a result, their "out of the box" service codes are frequently inadequate. Hire an expert with service knowledge and experience implementing software and you will not only reduce your management time, but you will also increase the utility of your software. Most software providers would agree on the benefits of hiring a specialist to set up your service codes. Ask them if they can connect you with someone experienced in the process.

CONCLUSION

The best way to avoid competing on price is to offer better service. Customers will pay more for the same product if it is accompanied by better service. What better way for a full service fuel company to stand out from the competition than by improving the capabilities of its service department? But this won't happen automatically. It's up to you elevate your capabilities and to increase your service margins accordingly. Don't be satisfied with the status quo. The suggestions in this three-part article have all been accomplished at existing fuel retailers. If they can do it, so can you. | **FON**

David Visaggi, president of Inside Oil Consulting, is an operational specialist for fuel retailers and mechanical service companies. In addition to other management roles, David was a service manager for many years with Almeida Oil/Halstead Quinn Propane, in Mount Kisco, NY.