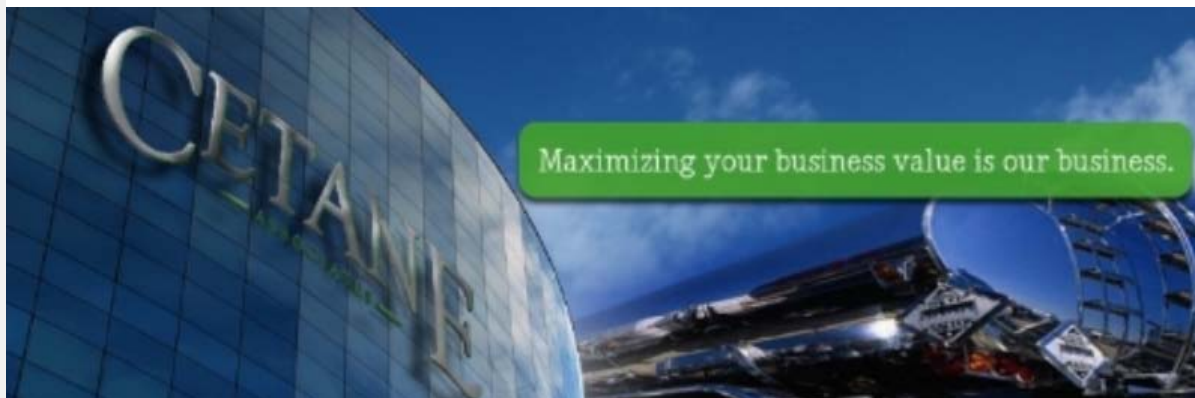


# CETANE

ASSOCIATES



*M&A Advisors • Business Valuations • Strategic Planning*

## Service Plans: Hidden cash and value for your company

**Service Plans turn your service department in to a profit center.**

Many companies don't realize how to turn their service department from a breakeven or losing operation into a profit center that adds to your company value. The key tool used to accomplish this in the heating industry is service plans. Service plans change your service costs, your cash flow, and level out the seasonal work load to a more manageable task. In this newsletter, we will share some of our experience and insights.



### What is a service plan?



A service plan or service contract is an agreement between the heating company in their consumer which guarantees that services will be provided for a fixed amount. Most commonly these plans cover labor, although the more intelligent plans also include parts, and in some cases even heating system replacements. They should be on an annual renewal basis, with an automatic renewal.

### The labor saving and logistical advantages of service plans:

Given normal behavior without service plans, customers will always want their systems serviced just before the heating season or in the case of air-conditioning, when the cooling season begins.

What this means for the service dispatcher, is that your customers delay making their servicing decisions until a year has gone by or the weather has changed. This creates an exaggerated peak in service work at one of your worst times of the year. As any mechanical system is started for the first time in the season, this is the point that it is most likely to fail, and require a service call. If routine maintenance is done at the same time, normal labor profits become consumed by overtime and special orders.

With an annual service plan, you can decouple the service from the billing. This gives the ability to do maintenance service for your customers when it's slowest. Your service dispatcher scheduling communication changes when they explain to your



customers that it's already paid. This makes off peak season scheduling become easy. They can tell your customers what they already know without guilt. Their techs do a better job when were they are not pushed to handle emergencies at the same time as a periodic servicing. This reduces the volume of overtime at the peak periods at the beginning of the heating or the cooling season. Morale generally improves, as technicians are not exhausted before the season even starts in earnest.

## How to construct your service plan:

### Build your service plans:

To build a successful service plan, first determine the service related to the appliance. Estimate your costs and markup for your service plan based on an amount that is higher than your service experience. Consumers hate to have exclusions from the plan, so be careful to be inclusive of their needs enough, and that you are charging enough for them.



### Control your costs:

Make sure your plan allows you to control how you make repairs. Repair in a way that makes sense for your service department. Make repairs in a way that reduces your future cost. If systems are under warranty, make sure your manage to warranty recovery to reduce your costs.

Schedule your periodic maintenance for the need not habit. A 300 gallon account with modern equipment doesn't need annual maintenance. A 5000 gallon account may need it more than once a year. Be smart in allocating your precious labor to the need.

### Use as a way to reinforce your other products.

Link your plans to other services. If the customer is not a fuel account where you are the exclusive seller, void the agreement. If they use a fuel source other than what you sell, increase the service plan price for the appliance to make up the lost gross profit of the fuel you would have sold.

Include your service plan as part of a new installation. Give a discount if there are multiple appliances at the same location that can be handled by the same technician (your going to save on labor anyway).

Don't refund for service plans if the customer cancels. If a new customer takes over for a location that you serviced with a service plan, extend the unused portion to the new buyer. It will help you to get the sale.

### Outsource your service plans:

If you don't have the ability or time to build a service plan system, an alternative way to have service plans is to outsource them. One example of a plan that is tailored to the industry is the New England Fuel Institute's Powerhorn TotalProtect® Home Service Agreements. Going this path takes the complexity and work out of building your own plans, but you will still need to market them as you in order to maintain the customer relationship with your company.

Additionally, you will want to link this program or similar ones to the use of your services.



## This adds value to your company.

Your business is worth the income it generates.  
Service Plans do this.

The more connections you make with your customer, the more likely they are to stay with you. Service plans are one tool to make them stick to you. Consumers tend not to cancel service plans. They are a labor, cost, and profit tool that continues into the future. With a good marketing effort, these plans will build year after year. If you are considering retiring from the business, this profit is both value to your company, and shows a measure of

how good your customer base is. Service profitability and customer stickiness means your company is worth more than a competitor who doesn't provide this customer desired service.

## Help us to help you.

You want to take care of your employees, your company, and your customers. Addservice plans. Do them well. Do them now.

If you need assistance building a successful plan, we are here to help.

Sean Cota



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## We can help. Here are some of the tools.

### Cetane Associates

- *Selling Your Business*

One of the most important decisions an owner will make is the decision to sell their business. The sale of a business is often complicated by variables such as timing, tax implications, partnerships and market conditions to name a few. What we bring to the table is the ability to help guide you to a decision you feel good about in the long term. We have navigated the process many times and we guarantee 100% trust and confidence in the advice we provide. We have built a network of qualified buyers and we know how to keep the transaction confidential. We also provide our clients with a foolproof valuation and our unique marketing strategy delivers higher values. Most importantly we get the deal done. Please contact us for a confidential discussion to learn additional details about our process.

- *Buying a business*

The purchase of a business is an exciting time for an owner and their company. Growth is good! But remember, buyer beware. Exploring the purchase of a business has many facets. How do I find the right business? How do I value the business knowing there are most likely other suitors? How much cash will be needed to complete the purchase? Will my bank support the purchase with a loan? What happens to my working capital needs? How do I protect myself from legal pitfalls?

The Cetane buyers program is tailored to get you through the process and helps you make the right decision, even if the decision is not to buy.

The program can take you from soup to nuts or help with a single aspect of the purchase. We will work with you to show you how to find a company. We will then work with you to value the assets, negotiate an offer, perform due diligence, close the transaction and transition the business successfully.

- *Business Valuations*

Business valuations are required in many instances such as estate planning, acquisition funding, bankruptcies, litigation, divorce, and for other financial reasons. Our detailed valuations examine the entire business and have been used by many owners as budgeting and process improvement tools. Our "Valuation Plus" program will also supply benchmark data to compare your results to other businesses in your industry.

### Sean Cota, Managing Director

Sean Cota

Sean Cota began in the home energy business working for and eventually becoming a co-owner of his family business Cota & Cota in Bellows Falls, Vermont. Sean Cota is a third generation energy marketer and his passion of the industry soon led him toward being an advocate for other home energy marketers throughout the industry. Sean has held several major positions throughout the energy industry including chairman of the Petroleum Marketers Association of America (PMAA) and the President of the New England Fuel Institute (NEFI). Mr. Cota is well known for his work representing the industry for commodity trading transparency and reform where he has testified before the United States Senate and the U.S. House of Representatives.

Since divesting his retail energy business, Mr. Cota has been advising clients on a multitude of related business activities including strategic planning, diversification project planning, market analysis and M&A advisory. Mr. Cota is a hands on expert on retail fuel operations and

transition planning.

Contact Sean at [sean.cota@seancota.com](mailto:sean.cota@seancota.com), or [sean.cota@cetane.net](mailto:sean.cota@cetane.net)

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## SeanCota.com Consulting

- *Business Diversification Planning*

Small businesses often have been built in a geography where they have made a reputation of quality and value for their local community. As your business succeeds, you need to diversify. How do you maintain your growth and continued success, maximizing on your locale, reputation, and skills in new products and services are key. We will help you to build for future success.

- *Acquisition Implementation*

You've successfully acquired a new company. You've paid value for a business you want to grow as part of your expanding business. The transition is key. You new business' employees, and customers will judge you on the transition. Do it well. This will make the difference between success and failure. I can help.

- *Propane Gas Business Startup and Implementation*

In retail energy diversification, propane gas is an excellent addition as part of a long-term business investment. It is a capital-intensive business whose differences with other retail energy services are significant. Implemented well, it will dramatically increase the value of your company. Implemented poorly, and it may be the diversification that causes your business to fail. Do it right.

- *Professional Testimony*

Sometimes you need an expert with legal disputes who is knowledgeable in the industry, and can present to a Judge or Jury well. We can help.

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