

SNOW+ICE

GUIDE

When the snow comes, *who's first served?*

Having a priority account system in place is vital to an effective snow and ice removal business.

BY MARK HALL CONTRIBUTOR



A good contractor simply needs a bit of organization to establish an effective priority plan.

ANYONE WORKING in a service industry knows what a struggle it can be to find a good balance serving multiple clients. That struggle can become chaos if every client demands full attention at the same time. In many industries these busy periods can be anticipated and planned for. Not so for contractors in the snow and ice management business, who don't get advance notice of the week's snowfall.

So when a snow event does occur, how do you to decide which customer will receive service first?

Many contractors don't have a structured system in place — and find themselves asking "Who's first?" once the season is already under way. When the snow falls, these contractors could very likely wind up on the phone with angry customers who have a question of their own: "Why aren't you here?"

To be successful, you must establish realistic expectations — both for your customers and yourself — well before winter hits.

Who's on first?

When prospecting new snow and ice management accounts, contractors often talk to potential customers who

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specify they want their snow cleared by a specific time. But it's nearly impossible for you to give such a guarantee, simply because no one knows exactly when it's going to snow. Furthermore, there's no possible way to be everywhere at once. The reality is that some customers will get service more quickly than others.

There are undoubtedly several methodologies and systems subscribed to by industry professionals to determine which customers get service first. One approach that has proved extremely successful is the Retainer and Deposit system, a method that basically allows customers to choose their desired response time.

Priority 1: Retainer customers

Under this system, customers are given the option to pay a monthly retainer to gain priority status during a snow event. The retainer is based on the price of one performed service, along with the average number of plowing events that can be expected in a given market.

As an example, say a city usually experiences about 12 snow events that require plowing per winter, and it's generally recognized that there are four months — December through March — when snowfall is most likely. To calculate the monthly retainer, multiply the price for one service by the expected number of plowing events for the entire season, and then divide that number into each of the likely months for snowfall:

So if the fee for one service is \$100, the total retainer (assuming 12 snow events) for the winter would be \$1,200. Because that covers a four-month period, each month's retainer would be \$300.

As the winter rolls along, the advance retainer money can be applied to cover any services provided for the month in which the service was performed. This includes instances where no plowing is neces-

sary, but de-icing materials are applied. The only way a customer loses retainer money is if it doesn't snow, or if it snows so little the total service fees in a given month don't add up to the retainer amount.

Yes, some of the financial investment may be lost. But what's gained is a guaranteed response time during a snow event.

Of course, the retainer system only truly works if you can deliver on the promise for a timely response. The guarantee is nearly impossible to fulfill if you oversell the work and can't service priority customers in the specified time.

In the process of selling their services, many contractors find retainer customers are usually agreeable to a response time of six hours or less,

If you simply explain your successful service methodology — and compare it to an often-unsuccessful low price/high volume approach — it may be enough to gain a new customer's trust.

and therefore will set up a schedule that offers a total of six hours per truck as priority-one service. Obviously, the intensity and timing of a snow event will have a significant impact on your ability to stick to a six-hour schedule, which is why the six hours should be based on a worst-case scenario.

In most cities, the worst case would be a heavy snowfall that begins during the early-morning commute right before most businesses open for the day. Just about everything is working against you in such a case: Street traffic is heavy. You must also navigate around vehicles arriving in parking lots. Meanwhile, almost any snow — and certainly a heavy snowfall — will dictate at least a second visit to each account for additional service. If you were to encounter a worst-case scenario having oversold the work, response time can quickly become an issue for some soon-to-be-unhappy customers.

Priority 2: Deposit customers

Some customers are leery about paying a retainer and possibly losing out on any money if actual snow events fall below expectations. Additionally, many may not have as urgent a need for plowing and de-icing service. However, these people still prefer to have a contractor in

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Choosing clients located close to one another allows for a more efficient operation by cutting down on excessive travel.

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place. For these customers, a seasonal deposit system might be right.

Like a retainer system, a deposit system uses the service price and expected number of plowing events as starting points. However, while a retainer customer pays a fee to cover specified months, a deposit customer pays a lump sum that applies to snow and ice control services performed any time during the winter. This flexibility to have the payment applied whenever necessary is the one advantage a deposit system holds over a retainer system from a customer's point of view. The drawback, of course, is that these customers receive service second, occasionally more than six hours after the snow begins.

If you are selling six hours of priority-one service, limit the priority-two service you sell to about two or three

timing, you can grow your customer base to a reasonable level — without promising too much to too many.

Furthermore, implementing a retainer and deposit system provides you with the benefit of guaranteed income during the winter season. Most retainer and deposit money will later be applied to portions of monthly service invoices. But for the contractor-friendly, snow-free months, any unused funds are certainly welcome to help cover equipment costs, operating expenses and other overhead.

Timing and value

Keep in mind that first service is not always best service. If a light snow begins to fall at midnight, it might make more sense to begin a route by servicing priority-two accounts so that priority-one accounts can be serviced closer to the time they open in the morning. In

an employee from a truck to shovel sidewalks isn't an efficient use of his time — and actually creates downtime for the plow and material spreader. From the retainer and deposit system perspective, it also limits the number of priority accounts the truck can get to within a given timeframe.

In addition, you should always be on the lookout to discover areas where efficiency can be improved. Knowing a customer's holiday hours is just one example. If it's been pre-determined that some accounts will have their businesses closed for the holidays, their service can be pushed back and another client can get faster service.

Of course, efficiency isn't the only thing that affects profits. The reason the winter maintenance industry even exists is because of the financial liability customers could incur by not dealing with snow and ice in a timely fashion. It's critical you protect yourself from being unnecessarily exposed to liability. No matter what system you employ for your business — and no matter what agreements you have in place — be sure to get contracts in writing.

It's better to deliver great service timing to a small group of satisfied customers than show up late for a large group of angry ones who might just decide to dump you the next day.

hours. Because priority-two customers aren't receiving the benefit of a fast response time, consider offering a seasonal deposit price that is slightly lower than the total amount paid for monthly retainers throughout the winter.

Using the previous example of a city with 12 expected plowing events and a service fee of \$100, perhaps charge 10 times the price of one service, or \$1,000, for a seasonal deposit. Customize the structure of your retainer and deposit system to find what works best for your business and your customers.

The combined approach of a retainer and a deposit system is an ideal way to realistically control and spread out workload during a snow event. By pre-defining customer expectations and establishing priority-one and priority-two

essence, priority-one customers get the best timing, not the first service.

While first service isn't necessarily best service, the cheaper service will almost never be the best. This is especially true considering contractors who undersell on price usually make up the difference by overselling on volume, making it extremely difficult to offer a guaranteed response time.

Maximize profits

Getting customers is one thing. Knowing how to efficiently service them is another. The more efficient you can be, the better chance you have of making money in snow and ice management.

Take the example of contractors whose customers would like them to handle sidewalk work. Removing

Get organized

The weather naturally won't allow anyone to account for every single possibility, but you can make logical assumptions about the number of accounts you can service in a given amount of time. You can also use additional knowledge specific to each account, such as days and times each is open for business.

Most importantly, know your limitations. It's better to deliver great service timing to a small group of satisfied customers than show up late for a large group of angry ones. Establishing a priority plan makes sense for you and your customers — and executing it — should ultimately lead to an arrangement that is more convenient for your customers, and more profitable for you. **LMI**

HALL is director of marketing and sales for SnowEx, Warren, MI. Contact him at mbhall4@comcast.net.