

The Service Contractor's Software Challenge...and Opportunity

One of your techs is sleeping in his van behind Arby's. Purchasing has no idea where to allocate the \$1,000 invoice they got from Midtown Supply. Meanwhile, you can't figure out if the ACME Corp service contract you negotiated last summer turned out to be profitable.

Hopefully you don't have all of these problems, but many service contractors do. Electrical contractors, mechanical contractors and other service organizations face a unique set of challenges. In addition to managing their large jobs towards profit, they must manage complex planned maintenance contracts, and a high volume of both service calls and small quotes. To be successful, these firms must optimize their dispatch, meticulously track purchasing and ensure that gross margins stay in the black.

Software is the solution, but not just any software. Generic accounting systems won't do it. Nor will construction software designed for general contractors. Service contractors need software designed for their unique needs.

When selecting software, the service contractor needs to focus on four areas where generic solutions may fall short: 1) dispatching; 2) purchasing; 3) contract management; and, 4) financial reporting. We explore each of these areas below.

Dispatching: It's Time to Ditch the White Board

Too many service organizations still rely on spreadsheets, paper and white boards to manage their dispatch. Not only are these firms missing out on the optimization and reporting capabilities in modern dispatching software, they're making costly errors as a result of "best guess" dispatch decisions.

By implementing a dispatch software system, service organizations can:

- Send the right technician to the right job based on location and skill set;
- Know which technicians have capacity for emergency calls;
- Prioritize calls based on urgency, contractual obligations and customer value;
- Track time for each technician and job for accurate billing; and,
- Alert technicians to schedule changes via pager or mobile phone.

At its simplest, a dispatch system will provide an intuitive call management screen which lets dispatchers know which techs are on which jobs at which times. More advanced capabilities will allow the dispatcher to assign "preferred technicians" to customers based on skills, location and customer relationship. While you need to assign a technician that can do the job, you also do not want to assign a \$30/hour tech when a \$20/hour tech can do the job just as well.

Service Dispatch - Task Based - CST GMT - 05:00

Home Today View Date: 11/07/2007

Unassigned: WabingOn Head All Unassigned Work Orders

Work Order Id	Work Order Description	Call Priority	Call Type	Service Type	Customer/ Location	Est. Hrs	Lead Tech Emp Id	Recommended Lead Technician	Technician Needed
116	No Electrical Service	D		W/O	Home Dept - Store #102 - Milwaukee WI				
132	Endon-HP1 PFD			ELECTR	United Bussellng Inc. - Western Division				
8125	Shut Hogging Acreage	PM		COMM	St. William Church - St. William Church		10138 Norman Mickerson		
4245	Night of Way Cleaning			ELECTR	Prince George Electric - Headquarters				
71	Reported loss of power	B		OVERHEAD	FirstEnergy Corp. - Headquarters		10000 John Mc Dermott		
101	No Power			COMM	Home Dept - Store #104 - Milwaukee WI				
83	Wireless Networks			WSTN	Verizon				
84	No Power			COMM	Home Dept - Store #104 - Milwaukee WI				

Rep, Anthony (S)	Carpenter, Chad (S)	Jones, Jefferson (S)	Mc Dermott, John (S)	Conckel, Kevin (S)	Blaine, Mury (S)	Mickerson, Norman (S)	Johnson, Steve (S)
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Leaving the whiteboard behind, a dispatch and time tracking system such as [Penta](#) optimizes the dispatch of reps by location, skillset and urgency, while accurately tracking hours for billing.

With a basic dispatching system in place, you can start to deploy more advanced technologies such as mobile communications and global positioning systems (GPS). Ruggedized mobile devices allow the technician to receive all dispatch information, manage a task list and track both billable and non-billable time on the job. By integrating time tracking, timecards can be maintained in real-time rather than in one Monday morning rush. That way, the contractor can approve and manage payroll much faster and more efficiently.



[Penta Software](#) allows technicians to use ruggedized mobile devices directly from the field. This mobile technology simplifies communication between the service tech and the Penta back office system allowing accurate management of tasks, new work orders and time tracking.

Purchasing: Who Bought 1,000 Bucks of CAT5 Cable?

While their trucks may be full of spare parts, many service contractors try to avoid the challenge of managing inventory. Instead, they seek to procure

materials on a “just-in-time” basis based on the requirements of each job. This, of course, comes with its own set of problems; most critically, how to match purchases to the right work order.

At a minimum, contractors should be standardizing and enforcing their purchase order processes using an accounting system with purchase order controls. The more disciplined organization will require techs to call in and report a purchase at the time of procurement. This will allow the purchasing department to record a liability at the time the materials are received and match that liability to the appropriate work order. It is critical to have a purchasing module that is capable of efficiently matching a high volume of purchases and rigidly enforce the company’s purchasing workflow.

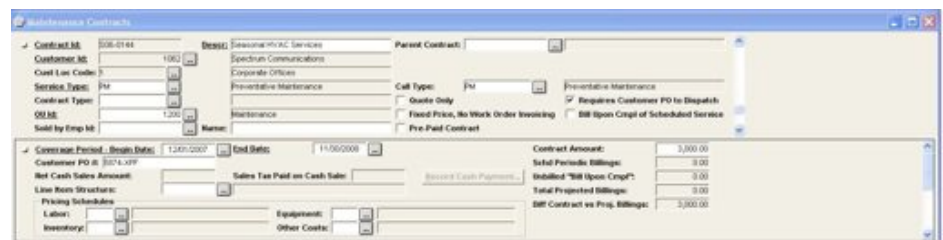
The more advanced organization will issue procurement cards (AKA “P-Cards”) to their techs. Similar to credit cards or debit cards, p-cards allow a tech to purchase materials wherever necessary and authorized. Service-specific accounting systems will efficiently integrate p-card transaction data into the purchasing system and assign the transaction to a work order. This essentially eliminates the need for purchase orders and keeps costs up-to-date.

Contract Management: Profit on Planned Maintenance

A service contractor needs an accounting system that can simultaneously manage planned maintenance, time and materials (T&M) jobs and small quotes. However, of all of these, managing planned maintenance contracts and billing is the biggest challenge.

First, the system must help you bid effectively through a library of the hours, costs and pricing for common service tasks. This way you can start off by pricing the contract for profit. Next, the system should track the terms of the contract to identify what work is billable or non-billable. This way you can meet your obligations, but maximize your profit by billing for work that’s outside the contract. The system should also offer the flexibility to manage a wide range of service offerings, billing models and contract types simultaneously.

More advanced systems will integrate contract management with the dispatch systems so that planned maintenance is scheduled automatically. When the dispatch system shows the work is complete, the contract and accounting modules are automatically updated.



Advanced service contract management systems such as [PENTA Service Management](#) track key contract statistics such as term, amounts and scheduled maintenance. Managers can then track actual work performed against contracted work.

Reporting: Bringing it All Together

Most service contractors are fixated on one critical metric: gross margin. Unfortunately, few of them can tell you what theirs is at any given point in time. With a wide range of job types and a high volume of billings, it’s tough to match costs with revenues to truly understand profitability on a daily or even monthly basis.

Sophisticated reporting that analyzes data from all modules within the system is critical to answer questions such as:

- What is our gross margin on each contract?
- What is our gross margin by line of business?
- What were my expected versus actual hours and costs for each job?
- What contracts have a gross margin under 20%?
- What is causing us to lose money on this particular contract?

To achieve this type of sophisticated reporting, you need to have all of your financial and operational data in a single repository. That won't be easy if your dispatch info is on a white board, your purchasing data is on paper and your accounting system is designed for a general contractor. A system designed exclusively for service contractors will provide reports that answer the questions service contractors need answered.

Conclusion

You know your business is tough to manage. You know your business is unique. What you also now know is that there are software systems designed exclusively for your service business.

If you are currently getting by on paper, spreadsheets and white boards, it's time to explore the benefits of automation. If you are automated, but you're running a generic accounting system, compare its capabilities against the service oriented capabilities outlined in this article. You can probably make life a lot easier by deploying a system designed exclusively for your type of business.

About Software Advice

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