

Financing options and low-ball pricing

How do I go about setting up financing options or monthly payments for my customers?

Frank S., Barrie, ON

Customers have many financing options available to them today – banks and other financial institutions are only too eager to lend your customers money. Ensuring the right fit for your customers is a whole other issue. If you are a dealer, your equipment supplier likely has a financing vehicle you can easily sign up to use. My only caveat is you are typically restricted to financing

only their products.

If your customer buys a furnace and a fireplace and your supplier will only permit you to finance the furnace, you're faced with the unpleasant task of asking your customer to use cash or a credit card to complete their purchase.

Cutting a deal directly with a finance company allows you to set your own rules and provides much more flexibility to your customer.

However, remember there is a very real cost of having to administer and process financing agreements.

Don't underestimate the importance of credit cards in today's economy, or their convenience. Almost everyone has a credit card that accumulates points for travel, merchandise or even cash refunds, and contractors need to accommodate their use.

Preauthorized payments (PAP) are another way to provide customers with a financing option. We set up a monthly program through our bank for our service agreement customers. We built the cost of administering the program into our pricing model, which takes the worry out of it. It's easy to do and you would be surprised how small a volume it takes to make it work for you. Keep in mind, preauthorized payments on credit cards are another convenient option, however, they are more costly and come with the added complication of card expiry dates.

Financing options to consider:

- Financing packages offered by your equipment supplier.
- Arranging directly with a finance company.
- Credit cards are a convenience that most customers have at their disposal.
- A preauthorized payment (PAP) structure can be arranged with your bank.

Every time I turn around there is another retailer advertising cheap air conditioners. I can't match their prices. How do I compete?

Bob C., Moncton, NB

If everyone made purchases based only on price, we would all be driving Yugos and Mercedes and every other car company would be out of business. People buy for all sorts of reasons and price rarely ranks higher than fourth place on any consumer survey. What's the real issue? Most homeowners make purchases with some assessment of value. They intuitively know every contractor is different. The problem is contractors think we are much more alike than we really are. Nothing could be further from the truth. I have met hundreds of contractors in my career and have yet to meet two who are the same. Yet we base our prices to "beat" our competitors based on criteria that are the same across the board. Instead, we should be setting prices based on the unique advantages and value we bring to our customers. Establish the price that's right for you and then build the value proposition that supports it. You bring different advantages, expertise, quality of service and care, warranties, and more to your customers to differentiate you from your competitors. Make it real by writing it down if necessary. Provide your customers with the ammunition to ask you, or anyone else, the right questions when they're considering your services. Perhaps the most difficult advice to follow is this: Stand by your prices. Customers may object to your price and may use another quote to get you to lower your estimate. I first determine the price difference to help customers understand the value of what we bring to the table. If you are \$500 apart on a \$5,000 quote, focus on what that amount means to the customer. Don't try to justify the whole \$5,000. You can't win. \$500 is a whole lot easier to justify than \$5,000.

Is cost really the issue?

Customers will often use cost as a reason to discontinue a professional relationship. We give up too easily and let them off the hook. There is almost always another reason the relationship ended: you just have to dig deep enough to learn what is really going on. When you do, it's invaluable information.



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