

The Holy Grail of Water Cooler Sales and Service

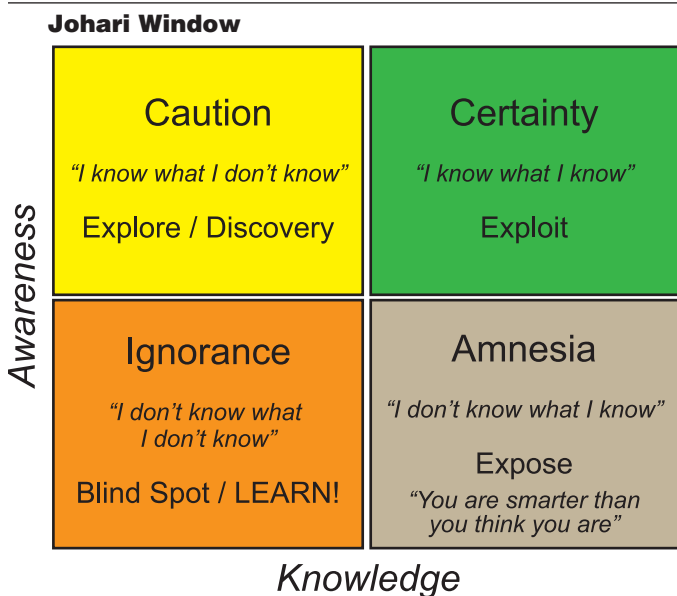
By LaMar Hunt

One of my all-time Top 20 movies is *Monty Python and the Holy Grail*. So, how does it relate to POU coolers? The Holy Grail has become a symbol for strength and power. Is the Holy Grail that big 3,000-unit national account you have been working on for 10 years? Is it the private equity group that keeps calling? Is it the \$85 (USD) UV/RO cooler made in India? Even more down to earth, is it the customer who will sign a \$79/month agreement for 60 months with no line outs? As an industry, do we have a specific Holy Grail?

As with many POU dealers, we wait for the renewal of the agreement before a noticeable profit can be realized. This concept is even more dubious these days as the average initial term of the contract shrinks. Back in the old days, when the industry was young, it was not too difficult to get a 60-month agreement signed. These days, the average length of term is getting much closer to 36 months. Buyers are pushing back because of bad experiences with telecommunication equipment, uniforms, lockers, dumpsters, vending, other random office equipment and yes, plenty of dealers in our industry. Literally, one in five customers have a distinctive dislike for their current POU supplier because of the contract or evergreen clause.

Turning lost revenue into gold

To compound the issue, especially from a visual standpoint, rarely have I been inside a dealer's backroom when I didn't see the elephant graveyard: a hundred units, dirty but in still decent working order. By all reasonable expectations, they should still be in the field, generating \$49 per month. For example, we could



assume there are 100 units. Additionally, it takes 200 square feet to store these units at \$5 per square foot. Ultimately, if these units were in the field, dealers would realize \$75K to the bottom line each year. Now let's suppose this will fund 1.5 decent sales reps. This represents the lost revenue of these units at \$59K per year plus \$312K (eight units per month, \$49/month, 60-month agreement, funded) in potential contract revenue. So dealers, where *do* you find the Holy Grail? It is right in your midst.

Based on the number above, 100 coolers = 63 customers quits (1.6 coolers per customer). As such, each lost customer is worth \$5,889/year, between the sunk cost and opportunity cost (\$59K + \$312K = \$371K/63 customer). Over the course of a year, three percent (assuming normal economic conditions) of your current customer population will go out of business. The average customer retention of a POU cooler dealer is 85 to 90 percent. The very best dealers I have talked to have claimed 95 percent. We could expect those numbers would be worse without the obligations of a long-term, non-cancellable agreement. With a base population of 1,000 systems, you could easily be looking at 100 units per year returning.

In a survey of over 1,000 existing POU cooler customers, the top three elements that impact purchasing decisions (make the assumption this is for the re-sign also) are:

- Price and contract terms
- Easy reorder and supply
- Timely service and problem resolution

In a distant fourth place is providing employees with a good beverage. In the category of what program features are most valued, the highest scoring attributes are:

- Great tasting water/beverage
- Simple invoicing
- No leaks, easy, quick repair and reasonable pricing (tied)

Making the company well again

I'm sure we have all seen the payback ratio that for every dollar an employer spends on wellness programs (i.e., water systems) they reap between \$3 and \$6 in benefits. It is the same with a company's wellness program. If you are not reaping the benefits associated with good sales numbers, here are some options that may help stop your company's bleeding:

- Make sure your team knows the goal of your company is not just to place units in the field but to keep them in the field for a minimum of 10 years.
- Start a service retention program. The service tech is the first line of defense against a cancellation. Personalized in-house servicing of every account is necessary one to two times a year. How valuable would it be if they asked the buyer the open-ended question, "How happy are you with us?" The customer might be complaining, just after six months, that

there is not enough cold water. Some POU dealers have actually built a bonus program for the service tech based on customer retention. Another suggestion is to have the service techs use idle road time to call on 10 customers daily in addition to service appointments. Have them check in with their key contacts at your Top 200 accounts, ask about the machine and try to sell cups at the same time.

- Start a dedicated renewal program for the sales department. Either have a dedicated renewal expert or offer some renewals to new account reps. Always set up customer care calls periodically through the contract life and always call the customer 30 days prior to any scheduled service. For the renewal, schedule their renewal presentation with roughly 20 percent of the time remaining on the agreement. This gives you enough time to react to and resolve any potential problems.
- Placing quality units in the field is crucial! You might think you are saving \$100 on the front-end, but suspect units, poor aesthetics, low cold-water volumes, poor materials, broken faceplates and faucets are a direct reflection of your company and how well you treat the customer.
- Go beyond what is expected. Cleaning and replacing the drip tray should be a standard practice. In conducting in-person reviews at the cooler site (as opposed to a form), the number-one complaint is the dirty and scaly drip tray. It may not be your responsibility, but it is a huge goodwill move. Have your service techs say, "We want to be your best long-term vendor, so I'll be happy to change it out this time, and at no charge." Don't let a \$7 drip tray make you vulnerable.

Knowing what you know

Let's look at the classic Johari Window, a technique used to help people better understand their relationship with self and

others. **Caution** is knowing you are aware that some things are not known to you, but you know what they are. **Certainty** is when you are aware of what you know, where you excel and where you might be weak. **Amnesia** is knowing things you didn't even know you knew. Lastly, there is **Ignorance**, when there are a lot of things you do not know and you are unsure what any of them are. For the sake of our business, let's call it a *blind spot*. None of these are going to hurt you except for ignorance, the blind spot. And it can be a business killer. This manifests itself in an account that quits you nine to 12 months before you ever realized there was a problem.

In this blind spot sector, we are essentially saying, "I don't know what I don't know." The vast majority of lost customers, the quits, the cancels—whatever your organization calls them—hit you from the blind spot. By increasing your awareness and knowledge, dealers can positively reduce the size of their blind spot. In doing so, that can reduce the cancellation rate to under five percent and add revenue to the bottom line. The Holy Grail is in your midst, if you can get rid of your blind spot.

About the author

◆ *LaMar Hunt, Vice President of Water Coolers at Pionetics® Corporation, serves clients around the globe, advancing the company's business development efforts in the POU water cooler industry by promoting Pionetic's patented LINX Technology. He has 13 years of experience in the POU water cooler industry. Prior to joining Pionetics, Hunt was Vice President of National Accounts for Waterlogic and National Accounts Manager for PHSI Pure Water Technology®. He has a BA Degree in business administration from Georgia State University and studied electrical engineering at the Georgia Institute of Technology. To read more about this technology or to contact Hunt, go to www.LINXWater.com.*