

So You Want to Be a Salesman . . .

There is some tendency of computer resellers to want to be rid of hardware problems; so they farm the service out to a "third party". While this may (or may not) actually get rid of the problem, it also gets rid of a profit opportunity. We think there are a couple of good reasons to re-examine this area.

1. Profitability - there is gold in them there service problems.
2. Upgrade sales - should the reseller or the hardware support company get the sale of expansion hardware?

Profitability

There are some very simple logical facts that would lead me to believe that much revenue should be derived from service related enterprises. One of the strongest involves the price curves of computers and the high value that a business places on the system. One of the first systems Altos sold in pretty decent numbers was the Altos 586 (typically with three tubes and printer). The CPU had a suggested retail of \$10,990, while the terminals and printers went for \$995 each. After you added in \$3,600 for software, the typical package came to around \$18,570.

When the CPU board went dead after a couple of years, the repair bill usually ran about \$1,000. The users we service offered few complaints as they knew (we reminded them) that they had saved almost \$1,000 from the service contract price. They could pat themselves on the back, because they had made the wise decision to be self-insured. We have dealers who are still doing this repair every day. It occurs to me that I would not buy the 586 for that amount (probably not even close to that amount), but to the user it must be acceptable. They are repairing a \$20,000 investment that is still working as good as the day it was new. Maybe a repair bill of 5% isn't as bad as we tend to think.

Sometimes we forget that users are not always in tune with the latest and greatest. An 80386 based system is fast and powerful, but if their old system is doing the job it was intended to do, they may be perfectly happy with it. The comparison is not always to current replacement cost or even to the value of the system today. It is most often made to the original purchase cost of the system, and this comparison can make the repair costs seem pretty reasonable.

Service can and must be a profitable enterprise for a computer business. Sometimes I feel some sympathy for a user that doesn't win the "no service contract" gamble, but they elected to go that way. I always know that I didn't design the system, the customer could have bought a service contract and elected not to; and, that to survive, I must subscribe to the capitalist system of "those that consume have to foot the bill". The time spent on a system must be billed just as surely as the parts that are replaced have to be added to the cost. Computer people, more than any other group I encounter, seem to want to assume their clients' problems as their own. My car dealer never feels guilty enough about repair bills to do some of the work for free, but computer resellers sometimes do.

Upgrade Sales

When a customer has any problems with his system, the person most likely to hear about it is the service man. If it runs real slow (because it needs memory), they call the service guy. If they get a hard disk error (no room on dev hd(0,2)), they call the service guy. It has always struck me as a difficult situation to have them solve the problem if the system is broke; but then be expected to call the reseller back in if it just needs expansion.

It is within the realm of possibility that there could be more profit made on a computer system after it is installed than was made during the initial sale. The initial sale is very competitive and filled with unknowns, while an upgrade is a much more predictable situation. All of our customers are free to purchase upgrades any where they like. We, on the other hand, are free to refuse service to anyone (kind of like No Shoes, No Shirt, No Service).

If our clients elect to purchase based upon price alone, they are no longer clients of ours. We simply will not support a mixed bag system, because it leads to disagreements as to whose problem it really is. On the other side of the coin are those customers who want to move to us as a supplier. If we cannot provide total support for the system (through the OS), we will pass on the sale of an expansion item.

We feel that these expansion sales are only ours if we are providing ongoing support, which means that we are providing day-to-day value by keeping the system up and running. Some sources have placed the value of service and expansion items on a system at 2.5 times the initial purchase price. Whether you accept this rate or not, you must prepare a customer for substantial outlays, and then be in a position to provide a value in the form of responsiveness, knowledge, and ability.

UNIX "Opportunities" Seminar

Friday, February 23, 1990 & Saturday, February 24, 1990

Topics to Be Covered:

- Selling UNIX in a non-UNIX world
- Profiting from service in the 90's.
- Adding value with basic software functionality.
- Software productivity tools.
- Things you would ask your banker but are afraid to.
- Integrating 80386 Industry Standard Architectures.
- Using database solutions to produce new opportunities.
- Practical problem solving for small businesses.
- The administrative side of CSSC.
- VP/IX or Getting DOS and UNIX together.
- Introduction to UNIX based networking.
- Fundamental Ethernet.
- The Altos network solution.
- SCO network solutions.

Location	Computer Support 4200 Gordon Drive Sioux City, IA 51109
Cost	None
Contact	Anita Lewis (712) 277-0095

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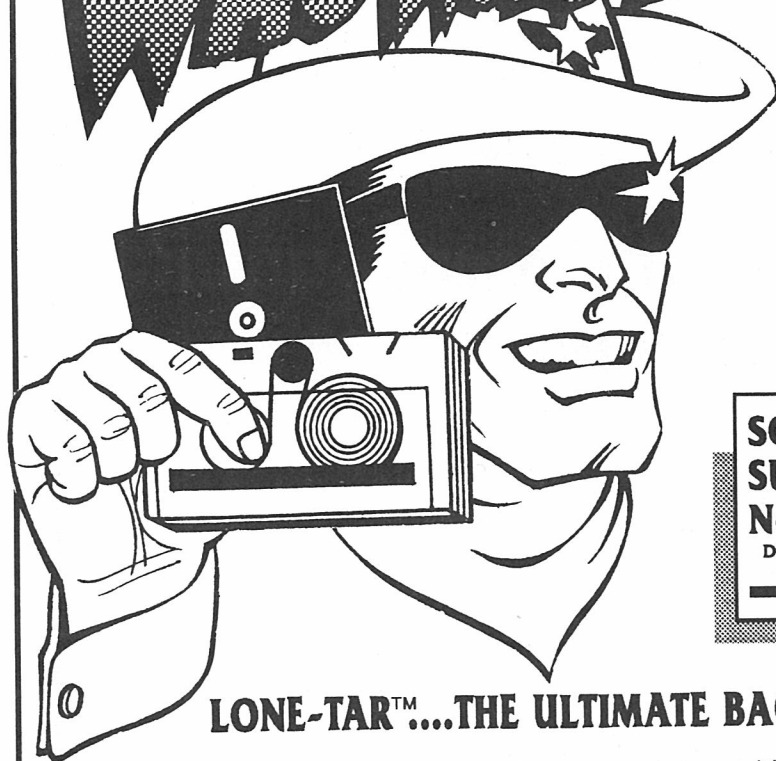
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