



5 WAYS TO KILL YOUR HOME SERVICE BUSINESS



RYAN REDDING
DP MARKETING SERVICES



RYAN REDDING

SERVICE INDUSTRY MARKETING VETERAN

BA, MBA, CTC





**FOR FULL REPORT WITH CITATIONS, GO TO:
WWW.DPMMARKETING.SERVICES/MEPO**

**LET'S FACE IT.
YOUR JOB IS TOUGH.**

460,000

WORST FAILURE RATE

AFTER 5 YEARS

HVAC

480,000

PLUMBERS



NOT ALL SURPRISING

**MANY OWNERS START OFF AS EITHER
TECHNICIANS THEMSELVES,
OR HAVE THE COMPANY PASSED TO THEM.**



LET'S TALK ABOUT THE TOP 5.

#1 CAUSE OF DEATH

**DON'T PAY
YOUR TAXES.**

Name _____ Employer identification number _____

Note: Generally, the corporation is not required to file Form 2220 (see Part II below for exceptions) because the IRS will figure any penalty owed and bill the corporation. However, the corporation may still use Form 2220 to figure the penalty. If so, enter the amount from page 2, line 38 on the estimated tax penalty line of the corporation's income tax return, but **do not** attach Form 2220.

Part I Required Annual Payment

1	Total tax (see instructions)		1
2a	Personal holding company tax (Schedule PH (Form 1120), line 25) included on line 1	2a	
2b	Look-back interest included on line 1 under section 460(b)(2) for completed long-term contracts or section 167(g) for depreciation under the income forecast method	2b	
2c	Credit for federal tax paid on fuels (see instructions)	2c	
2d	Total. Add lines 2a through 2c	2d	
3	Subtract line 2d from line 1. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty	3	
4	Enter the tax shown on the corporation's 2010 income tax return (see instructions). Caution: If the tax is zero or the tax year was for less than 12 months, skip this line and enter the amount from line 3 on line 5.	4	
5	Required annual payment. Enter the smaller of line 3 or line 4. If the corporation is required to skip line 4, enter the amount from line 3	5	

Part II Reasons for Filing—Check the boxes below that apply. If any boxes are checked, the corporation must file Form 2220 even if it does not owe a penalty (see instructions).

- 6 The corporation is using the adjusted seasonal installment method.
- 7 The corporation is using the annualized income installment method.
- 8 The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.

Part III Figuring the Underpayment

	(a)	(b)	(c)	(d)
9 Installment due dates. Enter in columns (a) through (d) the 15th day of the 4th (Form 990-PF filers: Use 5th month), 6th, 8th, and 12th months of the corporation's tax year	9			
10 Required installments. If the box on line 6 and/or line 7 above is checked, enter the amounts from Schedule A, line 38. If the box on line 8 (but not 6 or 7) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% of line 5 above in each column	10			
11 Estimated tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 11 on line 15	11			
Complete lines 12 through 18 of one column before going to the next column.				
12 Enter amount, if any, from line 18 of the preceding column	12			
13 Add lines 11 and 12	13			
14 Add amounts on lines 16 and 17 of the preceding column	14			
15 Subtract line 14 from line 13. If zero or less, enter -0-	15			
16 If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-	16			
17 Underpayment. If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18	17			
18 Overpayment. If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next column	18			

Go to Part IV on page 2 to figure the penalty. Do not go to Part IV if there are no entries on line 17—no penalty is owed.

DON'T PAY YOUR TAXES

MORE THAN JUST MISTAKES.
THE IRS LOOKS FOR
ANYTHING THAT IS
"VOLUNTARY, CONSCIOUS,
AND INTENTIONAL"

DON'T PAY YOUR TAXES

- **UNDER REPORT YOUR INCOME.**
- **OVER REPORT YOUR EXPENSES.**
- **DO NOT REPORT YOUR TAXES.**

UNDER REPORT YOUR INCOME

REPORT **ALL** TRANSACTIONS (INCLUDING BARTER AND CASH).

WATCH YOUR \$10,000 DEPOSIT LIMIT.

DO NOT AVOID PAYROLL TAXES BY PAYING CASH.

OVER REPORT YOUR EXPENSES

**DON'T OVER-ESTIMATE TRAVEL
(ESPECIALLY FOR A SPOUSE).**

**DON'T CLAIM PERSONAL MILES AS
BUSINESS MILES.**

DO NOT REPORT YOUR TAXES

**THIS INCLUDES SALES TAX AND
PAYROLL TAX.**

**USING TAX DOLLARS TO FUND YOUR
BUSINESS IS CONSIDERED TAX
FRAUD.**



**BUT I'VE ALWAYS DONE IT THIS WAY,
WHY SHOULD I CHANGE?**

IRS CAN COMPLICATE THINGS QUICKLY.

- **25%** EXTRA LATE FEES
- SOCIAL SECURITY EARNINGS **SEIZED**
- **REPO** BUILDINGS, VEHICLES, AND HOMES
- THINK YOU'RE STRESSED NOW? JUST WAIT.





HIRE A QUALIFIED CPA.
IT'S THE BEST INVESTMENT
YOU CAN MAKE.



HIRE A QUALIFIED CPA.
ASK HOW THE NEW TAX LAW
WILL IMPACT YOUR BUSINESS.

#2 CAUSE OF DEATH

**DON'T
MANAGE YOUR
FINANCIALS.**

A DOCTOR'S VISIT

- CHECK YOUR TEMPERATURE
- TAKE YOUR WEIGHT
- MEASURE YOUR HEIGHT
- TAKE YOUR PULSE
- TAKE YOUR RESPIRATORY RATE
- TAKE BLOOD PRESSURE
- MEDICATION HISTORY
- FAMILY MEDICAL HISTORY



...**WHY?**

A DOCTOR'S VISIT

- DETERMINE TREATMENT PROTOCOLS
- CONFIRM FEEDBACK ON TREATMENT
- INFORM LIFE-SAVING DECISIONS
- VALUABLE IN-THE-MOMENT, BUT ALSO OVER TIME



FINANCIALS ARE SIMILAR.





IMPORTANT KPIs

PROFITABILITY

EFFICIENCY

SOLVENCY

PERFORMANCE INDICATORS

IMPORTANT KPIs

PROFITABILITY

RETURN ON SALES (AKA: NET PROFIT MARGIN)

MEASURES THE BEFORE TAX PROFITS ON THE YEAR' SALES. MY RECOMMENDATION IS 5% OR GREATER.

(NET PROFIT BEFORE TAXES / NET SALES) X 100

RETURN ON OWNER' EQUITY (AKA: RETURN ON INVESTMENT)

MEASURES THE ABILITY TO REALIZE AN ADEQUATE RETURN ON THE CAPITAL INVESTED BY THE OWNERS. MY RECOMMENDATION IS 25% OR GREATER.

(NET PROFIT BEFORE TAXES / NET WORTH) X 100

RETURN ON ASSETS

MATCHES NET PROFITS AFTER TAXES WITH THE ASSETS USED TO EARN SUCH PROFITS. A HIGH PERCENTAGE RATE CAN TELL YOU THE COMPANY IS WELL MANAGED AND HAS A HEALTHY RETURN ON ASSETS. MY RECOMMENDATION IS 15% OR GREATER.

(NET PROFIT AFTER TAXES / TOTAL ASSETS) X 100

IMPORTANT KPIs

EFFICIENCY

SALES TO TOTAL ASSETS

MEASURES THE PERCENTAGE OF INVESTMENT IN ASSETS THAT IS REQUIRED TO GENERATE THE CURRENT ANNUAL SALES LEVEL. INDICATES HOW AGGRESSIVELY A COMPANY SHOULD SELL. MY RECOMMENDATION IS GENERALLY 5 TO 7.

NET SALES / TOTAL ASSETS

SALES TO INVENTORY (AKA: INVENTORY TURNOVER)

TYPICALLY APPLIES TO COMPANIES THAT RELY ON INVENTORY TO HELP CREATE SALES. IT INDICATES IF YOU'RE LOSING SALES, OR WASTING MONEY ON INVENTORY. MY RECOMMENDATION IS GENERALLY 6 TO 8.

ANNUAL NET SALES / INVENTORY

COLLECTION PERIOD (AKA: AVERAGE AGE OF ACCOUNTS RECEIVABLE) IS

HELPFUL IN MEASURING HOW FAST A BUSINESS CAN INCREASE ITS CASH SUPPLY. MORE THAN 10 TO 15 DAYS OVER TERMS SHOULD BE OF CONCERN. MY RECOMMENDATION IS 40 OR LESS.

(ACCOUNTS RECEIVABLE / SALES) X DAYS IN PERIOD

IMPORTANT KPIs

EFFICIENCY

SALES TO TOTAL LABOR EXPENSE

INDICATES HOW MUCH OF YOUR TOTAL SALES REVENUE IS CONSUMED BY ALL PAYROLL AND LABOR RELATED EXPENSES. THE LOWER THE NUMBER THE BETTER, BECAUSE IT SUGGESTS THAT YOU ARE EFFICIENTLY USING EMPLOYEES TO CREATE AND MANAGE SALES. MY RECOMMENDATION IS .3 OR LESS.

PAYROLL / SALES

SALES TO TECHNICIAN (FIELD) LABOR

INDICATES HOW MUCH OF YOUR TOTAL SALES REVENUE (INCOME) IS CONSUMED BY PAYROLL AND LABOR EXPENSES RELATED TO THE FIELD (USUALLY SALES, TECHNICIANS AND INSTALLERS). THE LOWER THE NUMBER THE BETTER, BECAUSE IT SUGGESTS THAT EMPLOYEES TO CREATING SALES. OUR RECOMMENDATION IS .2 OR LESS.

FIELD LABOR COGS / SALES

IMPORTANT KPIs

SOLVENCY

ACID TEST (AKA: QUICK OR LIQUID RATIO)

MEASURES THE EXTENT TO WHICH A BUSINESS CAN COVER ITS CURRENT LIABILITIES WITH THOSE CURRENT ASSETS READILY CONVERTIBLE TO CASH. MY RECOMMENDATION IS 1.35 OR GREATER.

(CASH + ACCOUNTS RECEIVABLE) / CURRENT LIABILITIES

CASH TO CURRENT LIABILITIES

MEASURES THE COMPANY'S ABILITY TO HANDLE AN ABSOLUTE WORST CASE SCENARIO WHERE LIABILITIES MUST BE SATISFIED IMMEDIATELY. I GENERALLY RECOMMEND A RATIO OF 1. IN OTHER WORDS, YOU HAVE \$1.00 IN CASH TO PAY OFF \$1.00 OF LIABILITIES.

CASH / CURRENT LIABILITIES

IMPORTANT KPIs

PERFORMANCE INDICATORS

UN-BILLABLE TIME

THIS IS THE AMOUNT OF HOURS THAT WERE PAID BUT NOT BILLED TO A JOB. A SERVICE DEPARTMENT SHOULD BILL OUT AT LEAST 40% OF ITS TOTAL LABOR HOURS WHILE CONSTRUCTION SHOULD BE 90% HIGHER.

AVERAGE AMOUNT PER INVOICE

OBVIOUSLY YOUR GOAL DEPENDS LARGELY ON THE TYPE OF WORK YOU ARE DOING AND THE INDUSTRY YOU ARE IN. BE SURE TO SET STANDARDS FOR YOUR SERVICE AND INSTALLATION DEPARTMENT.

CONVERSION RATE TO REPAIR

THIS KPI INDICATES HOW MANY SERVICE CALLS (TRIP CHARGES) WERE MADE VERSUS HOW MANY OF THOSE TRIPS RESULTED IN AN ACTUAL BILLABLE REPAIR.

IMPORTANT KPIs

PERFORMANCE INDICATORS

CONVERSION RATE TO SERVICE AGREEMENT

INDICATES HOW MANY SERVICE CALLS WERE MADE VERSUS HOW MANY OF THOSE RESULTED IN THE SALE OF A SERVICE AGREEMENT. IF YOU'RE IN THE SERVICE BUSINESS, YOU SHOULD HAVE APPROXIMATELY 300 SAS PER BILLABLE EMPLOYEE.

GROSS PROFIT NET SALES MINUS THE COST OF GOODS AND SERVICES SOLD (DIRECT EXPENSES)

SERVICE WORK SHOULD YIELD A GP OF 70% OR HIGHER WHILE HEAVY CONSTRUCTION CAN BE 20%. ONE OF YOUR MANAGER'S MOST IMPORTANT RESPONSIBILITIES IS TO PROTECT PROFIT MARGINS ON LABOR AND MATERIALS.

CALLBACK PERCENTAGE

A "CALLBACK" CAN BE DEFINED AS RETURN VISIT TO CORRECT AN IMPROPER REPAIR THAT CANNOT BE BILLED. A GOOD SERVICE DEPARTMENT SHOULD HAVE LESS THAN 2% OF ITS SERVICE CALLS RESULT IN A CALLBACK.



SOUND COMPLICATED?
QUICKBOOKS MAKES IT EASY.



SOUND COMPLICATED?
MANAGE THESE.
CONTROL YOUR FUTURE.

#3 CAUSE OF DEATH

**DON'T USE A
SMART PRICING
STRATEGY.**

PRICING STRATEGY

A man in a blue polo shirt is shaking hands with a man in a grey polo shirt who is holding a basketball. A woman in a red top is smiling in the background. The scene is set outdoors in front of a building with horizontal siding.

"THAT'S TOO MUCH."

"I WANT A FAIR PRICE."

"I WANT IT FIXED RIGHT THE FIRST TIME."

"YOUR COMPETITOR QUOTED IT FOR LESS."

PRICING STRATEGY

YOU HAVE **CUSTOMERS** WHO ARE PRICE CONSCIOUS.

YOU WANT TO MAKE AS MUCH **MONEY** AS POSSIBLE.



HERE'S THE SECRET:
IT'S NOT ACTUALLY
ABOUT THE MONEY.





**PRICE IS NOT THE SAME
AS VALUE.**



PRICING STRATEGY

COMMON OPTIONS

COST PLUS

(TIME & MATERIAL)

PRICE MATCHING

A man in a blue polo shirt is talking to a woman and a young boy on a basketball court. The man is on the left, the woman is in the middle, and the boy is on the right holding a basketball. The background is a wooden wall.

PRICING STRATEGY

ANOTHER OPTION

FLAT RATE

KEY FINANCIAL RATIOS
LABOR
MATERIALS
CUSTOMER EXPERIENCE
OVERHEAD
PROJECTED INFLATION

PRICING STRATEGY

YOUR **CUSTOMERS** PREFER FLAT RATE OVER HOURLY.

YOU COULD MAKE 20% MORE **MONEY**.

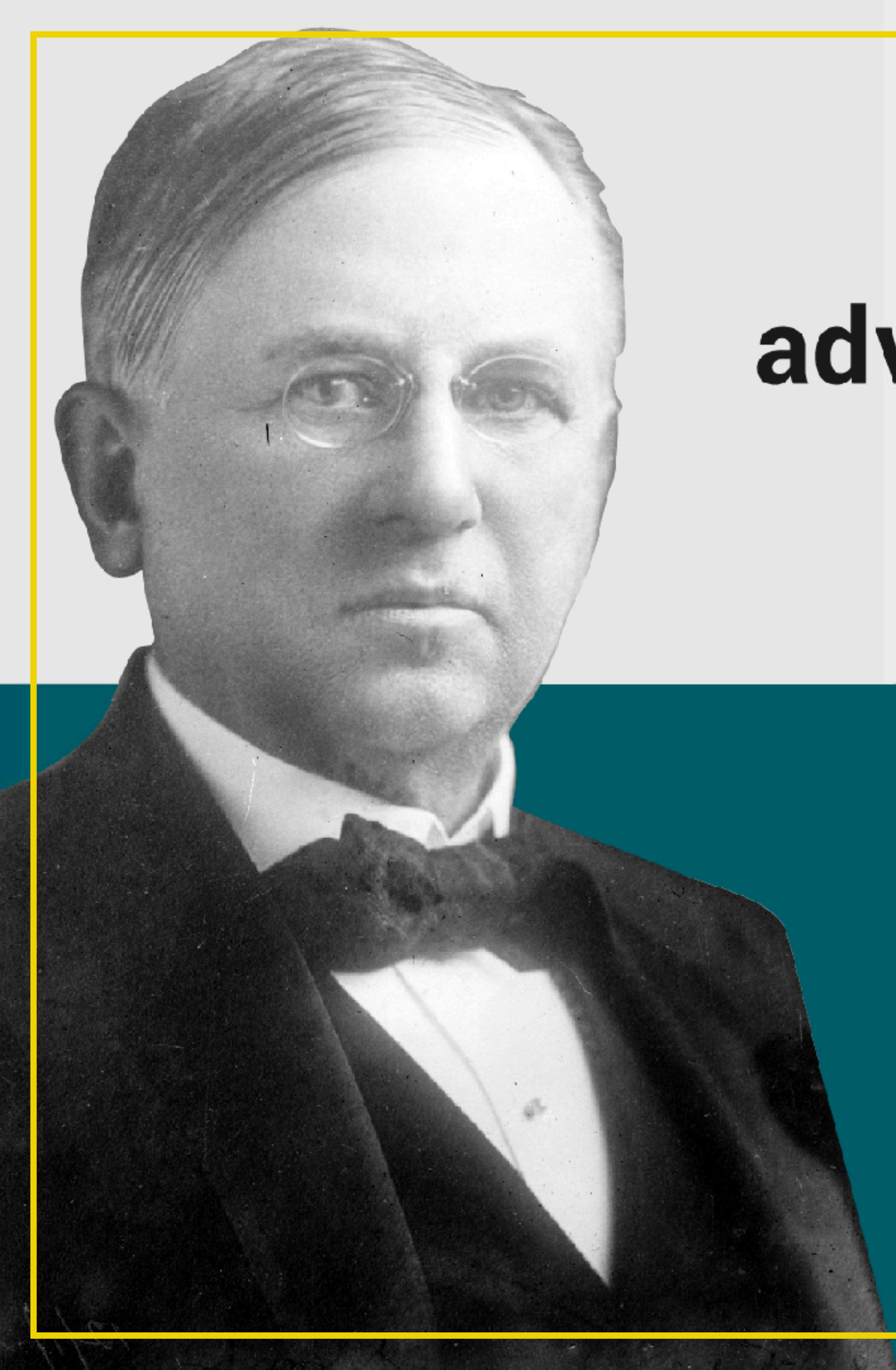
**TO LEARN MORE ABOUT FLAT
RATE, CHECK OUT**



CALLAHAN ROACH

#4 CAUSE OF DEATH

**SPEND MONEY ON
INEFFECTIVE
ADVERTISING**

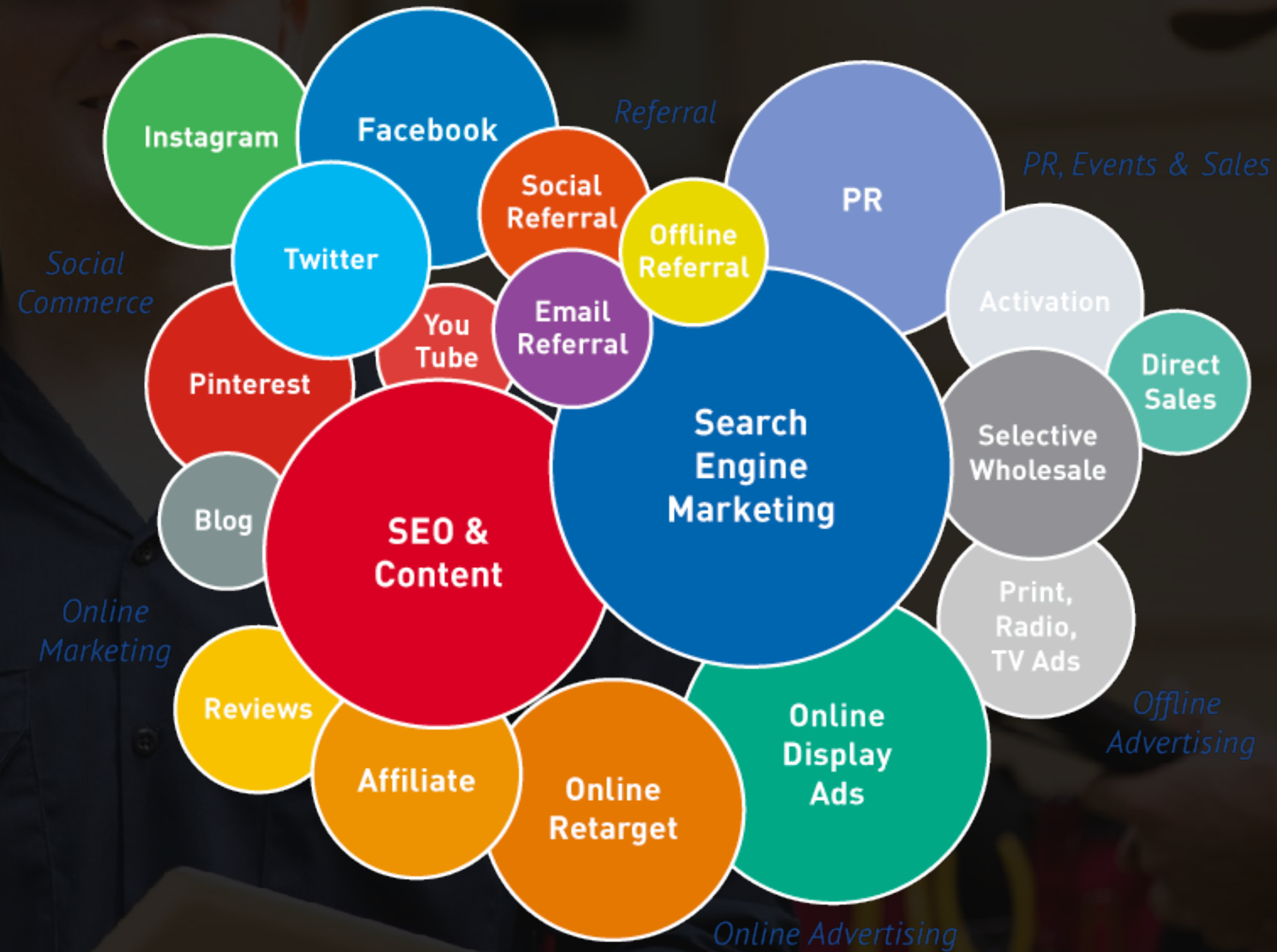


“Half the money I spend on advertising is wasted; the trouble is I don’t know which half.”

John Wanamaker

*father of modern advertising and
a pioneer in marketing.*

MARKETING



MARKETING

WHERE DO YOU START?

AWARENESS

INTEREST

PREFERENCE

CONVERSION

\$

MASS MARKETING

**BILLBOARD
TV
RADIO**

10,000:1

**WEBSITE
NEWSPAPER
CONTENT MARKETING
PR**

1,000:1

**SOCIAL MEDIA
SEO**

250:1

NARROWCASTING

1:1

**REFERRAL MARKETING
WORD OF MOUTH
ADWORDS
LOYALTY PROGRAMS**

MARKETING

FOCUS YOUR DOLLARS
WHERE YOU CAN
MEASURE **RESULTS.**

MARKETING

COST OF ACQUISITION

TOTAL SPEND ON MARKETING

NUMBER OF CUSTOMERS SERVED

PHONE BOOK
BILLBOARD
RADIO
SCHOOL SPONSORSHIPS

WEBSITE
ADWORDS
COUPONS
DOOR HANGERS



MARKETING

COST OF ACQUISITION

WE JUST DETERMINED AVERAGE COA.

CAN ALSO BE DONE FOR EACH CHANNEL.

MARKETING

HOW MUCH SHOULD YOU SPEND?

ACCORDING TO THE SMALL
BUSINESS ADMINISTRATION,
YOU SHOULD TARGET TO SPEND
7-8% OF REVENUE ON
MARKETING.





**DON'T COPY YOUR
COMPETITION.
LEARN FROM THEM.**



MARKETING

PLANNING YOUR EFFORTS

EVALUATE YOUR CUSTOMERS

EVALUATE YOUR COMPETITION


WHAT'S YOUR NICHE?

**WHAT ARE THE BEST PATHS TO YOUR
CUSTOMER?**

MEASURE RESULTS.

#5 CAUSE OF DEATH

**DON'T PLAN
YOUR BUSINESS**



**THERE IS A WORLD OF
DIFFERENCE BETWEEN
WORKING **IN** YOUR BUSINESS
AND WORKING **ON** YOUR
BUSINESS.**

- **HOW WILL I HIRE GOOD EMPLOYEES?**
- **HOW WILL I FIRE EMPLOYEES?**
- **WHAT CHALLENGES WILL WE FACE AS WE GROW?**
- **WHAT'S THE EXIT PLAN?**
- **HOW CAN WE DIVERSIFY AS WE GROW?**
- **WHAT ARE OUR RISKS, AND HOW CAN WE MANAGE THEM?**
- **HOW MUCH CASH WILL I ALWAYS NEED ON HAND?**

**THESE ARE NOT
LUXURY DECISIONS.**





**THERE IS NO SUCH THING AS
ACCIDENTAL GROWTH.**

BUSINESS ADVICE THAT WORKS.

OKLAHOMA'S TEAM OF TRUSTED BUSINESS ADVISORS. WE ARE ALWAYS READY, ALWAYS-ACCOUNTABLE, ALWAYS HELPFUL.

NEW BUSINESS EXISTING BUSINESS GET TRAINING ONLINE TOOLS

HAVE A QUESTION?

ASK HERE!



HELPING BUSINESSES GROW & SUCCEED

OKSBDC assists small business owners and new entrepreneurs by providing no charge, one-on-one business management advising, business management workshops and business technical assistance. OKSBDC advises business owners in many areas including

NEED HELP?

**SBDC HAS OFFICES
ACROSS THE STATE,
AND COMPLETELY
CONFIDENTIAL &
FREE.**

WWW.OKSBDC.ORG



CONGRATS!



**FOR FULL REPORT WITH CITATIONS, GO TO:
WWW.DPMMARKETING.SERVICES/MEPO**



THANKS!



RYAN REDDING

SERVICE INDUSTRY MARKETING VETERAN

QUESTIONS?

EMAIL

RYAN@DPMARKETING.SERVICES