

*“I’ve always felt that if you could develop an answer to a need, this was the way to make money. Most people are more anxious to make money than they are to find a need. And without the need, you’re working uphill.”*

— Bill Lear

## MANAGING YOUR SERVICE AGREEMENTS

So now you have a collection of service agreements. As with anything else that’s important to your business, this joyful new addition comes with some added work. Once you have agreements you’ll need to keep track of them, make sure they’re renewed on time, and make sure you use them to your company’s best advantage.

This chapter covers a series of administrative chores. We discuss getting agreements signed, keeping your agreements organized, and finding tools to help you actually perform the “managed services.” We finish with some sample cover letters to send out with your agreements.

### EXECUTION

The first step in organizing your contracts is to decide how they will be executed (signed). As few clients have PGP or other means to digitally sign a document, you will probably execute your agreements by wet signature (a real human actually puts ink to paper) or by fax.

Our preference is to print two copies, sign both, and send them to the client with a cover letter. We use little sticky arrows to label the

place where the client is to sign. I usually hand-write a note on stationery that says:

Please sign both copies and return one to me.  
Thank you for your business,  
KarlP

We include a 6” x 9” self-addressed, stamped envelope. This eliminates several excuses for not signing and returning the agreement.

If the agreement is a renewal, your cover letter should state whether changes have been made in some key areas. If no changes are made, you should say that as well. If no changes are made, the client is not likely to delay even a moment in signing.

The key elements that might change are: rate for regular hours, rate for extraordinary hours, and minimum hours to be charged for onsite and remote work.

If a client has asked for a change (e.g., you need to comply with drug-free workplace policies), you should note that you have added a section to address their request.

## **SALES TIPS FOR SERVICE AGREEMENTS**

Whenever we quote any job that we think will fill ten or more hours, we mention the service agreement option. We often get an opportunity to discuss this on an initial visit or sales call.

Whether the client expresses any interest or not, we quote the work based on a signed service agreement and we include two copies of the “proposed” agreement, executed and ready to sign and return.

We make a note on the quotation that these are the special reduced rates that assume a signed agreement. Of course we also note that our standard rate is \$ \_\_\_\_\_. In our case, the contract rate is a nice clean 10% lower than the standard rate.

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As with any setting, the easier you make it to say “yes” the more sales you’ll make.

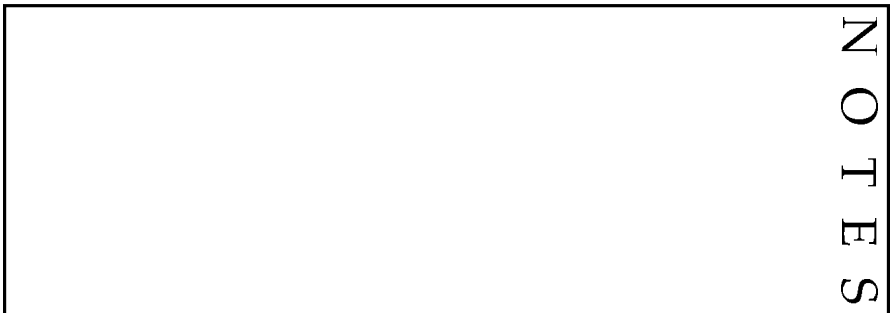
## STAYING ORGANIZED

When you sign your first agreement, all of your attention turns to delivering what you promised. For more information on that, see the next section. But you also need to put some energy into creating a business that manages service agreements. After all, the goal is to sign a second, and a third, and a fourth agreement.

If your agreements expire in, say, one year, then you don’t really have to worry too much about managing your agreements for a year. But, if you’re successful, you’ll have twenty-five agreements when the year is up. And they’ll all expire at different times. Some will require rate increases.

If you don’t keep all this straight, you’ll lose money. Therefore, it’s in your best interest to put some kind of system in place to keep track of these agreements. A bit later we’ll discuss a “real” CRM (customer relationship management) system. For now, we’ll start with a basic tool we all have available – an Excel spreadsheet.

The following sample spreadsheets are included in the downloadable content that accompanies this book. The first one is used to keep track of clients who have only signed the one-page credit agreement and not a “contract” or service agreement. The second one is for keeping track of clients who have signed agreements.



**Diagram 8-1**

<b>Non-Contract Rates</b>											
Updated	5/15/2006										
	Client	Last Billed	Month First Billed	Last Rate Increase	Tech Rate Regular	Tech Rate Extended	Rate Prog.	Min. Onsite	Notes		
1	Zelda, Inc.	1/12/2006	Jan 06	NA	\$120	\$180		1.0 hrs.			
2	Yolanda, Inc.	1/13/2006	Mar 05	Jan 06	\$100	\$150		1.0 hrs.			
3	Xerxes, Inc.	9/22/2005	Feb 05	NA	\$100	\$150		1.0 hrs.			
4	Westley, Inc.	12/31/2005	Jun 04	NA	\$120	\$180		1.0 hrs.			
5	Velma, Inc.	3/9/2006	Feb 04	Jan 05	\$100	\$150		1.0 hrs.			
6	Unity, Inc.	12/30/2005	Apr 05	NA	\$100	\$150		1.0 hrs.			
7	Thomas, Inc.	6/30/2005	Jul 04	NA	\$120	\$180		1.0 hrs.			
8	Stella, Inc.	12/28/2005	Dec 04	NA	\$100	\$150		1.0 hrs.			
9	Raph, Inc.	2/21/2005	Mar 05	NA	\$100	\$150		1.0 hrs.			
10	Quigley, Inc.	3/14/2005	Aug 05	NA	\$120	\$180		1.0 hrs.			
11	Printers, Inc.	5/5/2006	May 06	NA	\$120	\$180		1.0 hrs.			
12											
13											
14											
15											
16											

For the non-contract clients, we keep track of the following fields, in addition to Client Name: Month Last Billed, Month First Billed, Last Rate Increase, Hourly Rates, and Minimum Hours Charged.

The Month First Billed tells us how long these folks have been a client. While the whole process we're going through seems to be about

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money, there's a little something special about a client who has been relying on us for five or six years. If nothing else, an anniversary card might be in order!

Sometimes we are reluctant to raise our rates for people who've been clients for a long time. In fact, these are the people who are least likely to raise a stink when they see a price increase. Look, for example, at the folks who have not seen a rate increase in three years but who are still getting a reduced rate.

One of the main purposes of this spreadsheet is to manage regular increases for these people who are not on a contract. If you've been raising rates and still have people at the old rates, you're making your life more difficult. Remember, these folks need to move to service agreements. Preferred treatment is to be found there, not here!

Note that we do not have a programming rate for clients without a service agreement because we don't offer this service to them. We also do not have a remote service minimum because we do not offer remote service to them. Membership has its privileges.

**Diagram 8-2**

Contracts Schedule												
Update: 5/15/2006												
	Client	Monthly Maint.	Monitoring	Month First Billed	Current Contract Dates	Last Rate Increase	Tech Rate Regular	Tech Rate Extended	Rate Prog.	Min. Onsite	Min. Remote	Notes
1	ABC, Inc.	X	X	July 2003	1/2/2005 - ...	NA	\$120	\$180.00	\$150	1.0 hrs.	.25 hrs	
2	Def, Inc.	X		April 1, 2005	4/2006 - ...	NA	\$120	\$180.00	\$150	1.0 hrs.	.5 hrs	
3	GHI, Inc.			August 1998	1/2/2005 - ...	5-Dec	\$120	\$180.00	\$150	4.0 hrs.	.5 hrs	
4	JKL, Inc.	X		October 1, 2003	09/2005 - 09/30/2006	NA	\$95	\$150.00	\$150	1.0 hrs.	.25 hrs	
5	MNO, Inc.	X		October 1, 2000	08/2005 - 05/31/2006	May-05	\$95	\$150.00	\$150	1.0 hrs.	.25 hrs	
6	PQR, Inc.	X	X	August 1, 1999	03/2005 - 02/28/2006	Mar-03	\$85	\$150	\$150	1.0 hrs.	.25 hrs	
7	STU, Inc.	X	X	April 18, 2006	4/2006 - ...	NA	\$100	\$150.00	150	3.0 hrs.	.5 hrs	
8	VWX, Inc.	X	X	April 1, 2000	4/2006 - ...	Apr-06	\$120	\$180.00	\$150	1.0 hrs.	.5 hrs	
9	YZ, Inc.			February 1, 2005	06/2005 - 5/31/2006	NA	\$100	\$150.00	150	1.0 hrs.	.25 hrs	5/2/6 Renewal mailed
10	ABC, LLC	X	X	April 1, 2006	4/2006 - ...	NA	\$120	\$180.00	150	1.0 hrs.	.5 hrs	
11	Def, LLC	X	X	August 1, 2001	4/2006 - ...	Apr-06	\$120	\$180.00	150	1.0 hrs.	.5 hrs	
12	GHI, LLC			September 1, 2005	9/2005 - 8/31/2006	NA	\$100	\$150.00	150	1.0 hrs.	.25 hrs	
13	JKL, LLC	X		January 1, 2002	1/2/2005 - ...	Dec-06	\$120	\$180.00	150	1.0 hrs.	.25 hrs	
14	MNO, LLC	X		May 1, 2005	06/2005 - 7/31/2006	NA	\$100	\$150.00	150	1.0 hrs.	.25 hrs	
15	PQR, LLC	X		June 1, 2002	9/2005 - ...	May-06	\$120	\$180.00	150	1.0 hrs.	.5 hrs	
16	STU, LLC	X	X	April 1, 1999	1/2006 - ...	Jan-06	\$120	\$180.00	150	1.0 hrs.	.25 hrs	
17	VWX, LLC			August 1, 2005	8/15/2005 - 8/31/2006	na	\$100	\$150.00	150	1.0 hrs.	.25 hrs	
18	YZ, LLC	X		July 1, 1999	1/2/2005 - ...	5-Dec	\$120	\$180.00	150	1.0 hrs.	.25 hrs	
19	ABC Company			November 1, 2005	11/2005 - 11/30/2006	NA	\$100	\$150.00	150	1.0 hrs.	.25 hrs	
20	Def Company	X		February 1, 2001	6/1/2005 - 5/31/2006	Feb-01	\$85	\$150	\$150	1.0 hrs.	.25 hrs	5/2/6 Renewal mailed

On the spreadsheet for Contracts, we see similar fields, but we also have the following fields: Client gets monthly maintenance, Client

gets remote monitoring, and the contract end dates. You can see that some of these agreements have end dates and some do not. Clients without a contract end date have agreed to an agreement that renews automatically until cancelled.

The highlighted rows represent clients whose service agreements are going to expire and who need to sign a new agreement. Jennifer, my excellent assistant, goes through these every month and highlights the agreements that need attention. We then draft a cover letter. At the end of this chapter we have several sample cover letters for service agreement renewals.

In addition to giving you a quick glance of how your business is doing, these spreadsheets also give you a more objective view of your rate structure. We all find it difficult to raise rates, especially with clients who've been with us for a long time.

But when you look at these spreadsheets and see that Client A is on a signed agreement, paying \$100 per hour while Client B is without an agreement and also pays \$100 per hour, it just doesn't look as fair. This is particularly true since Client A, with the signed agreement, is probably buying many more hours per year than Client B.

While I don't post these numbers on our internal SharePoint site, I do make them available to the Service Manager. After all, he has to have some idea what he's managing. If clients ask what it will cost for a given job, he can give them a ballpark estimate. These numbers are also available to the folks who do the billing, of course.

The result of having other people see this picture of billing practices at a glance is that they keep me honest and help me to make more money. Because they don't have the emotional connection I do to long-term clients, these folks look at the spreadsheets and say things like "Well, She's going to see an increase this year." I then have to justify why we would not bring one client in line with our current rates.

Keeping track of these agreements can also be done with more sophisticated software, which pops up reminders and may even send you an

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