

Making the Connection: Automation, Integration & Specialty Contractors

BY LARRY GODDARD

Specialty contractors deal with both installation and service work. So, their software systems must be able to handle a variety of job assignments, in addition to the requisite internal accounting that results from technicians working on both installation jobs and service-related work orders.

How to automate these business needs and processes, and tie service management and accounting data together quickly and seamlessly, is a major concern among subcontractors.

The Ideal System

Modular Design & Integrated Functions

The ideal system is comprised of integrated module-based software that allows a specialty contractor to purchase only those functions it immediately needs; subsequent applications can be easily tied into the system as the business expands or additional capabilities are desired.

This saves money in upfront software costs; and, integrated software modules avoid the unpopular scenario in which the entire service management/accounting system would need to be replaced when business growth outpaces the system's current capabilities.

Service Management Capabilities

For contractors with a service component, the dispatch board functions as the heart of the service management system. The dispatch board is particularly vital for service-only operations, which handle emergency repairs in addition to scheduling maintenance work and routine repairs.

A number of factors drive the need for automation in this area. First, having the right materials in advance and avoiding slack time in work-order schedules increases technician efficiency. Second, maximized communication with both

customers and technicians helps keep operations running smoothly. Third, quick, effective work is essential for customer satisfaction, resulting in increased customer retention and referrals.

With service management software, dispatchers can access multiple dispatch boards to track all technicians and their assignments. At a glance, the dispatcher can view the reason for the service call, the work-order description, the call status and any notes, and the customer's location.

Specific information about the customer is also available in a drill-down view that details the customer's service history, billing account, credit limit, warranty details, and service agreement information, as well as a list of installed equipment and parts, including model numbers.

This information is particularly helpful for maintenance work, because parts and materials can be ordered in advance, thus limiting delays when such parts are needed.

Work Order Features

Another desired system feature is the automatic carryover of unfinished work orders to the next business day. And, because specialty service schedules can expand or contract with service request volume, the software should be able to scale to meet periods of peak demand and to handle the full capacity of a company's technicians and work orders.

Also, a system that records time stamps on each work order can improve customer communications. For example, customers can be told exactly when the technician was dispatched. In addition, time stamps can create an audit trail of actual hours worked, with crosschecks against technician time cards.



Service Call Scheduling

Aside from daily schedules, the system should be able to schedule technician workloads several weeks in advance. This allows customers to select the date and time of a service call. It also provides a clear view of future workloads and enables immediate demands (such as emergencies and short-notice calls) to be slipped into available time slots.

Preventive Maintenance Scheduling

The ideal system provides reminders for service-maintenance renewal dates. Such automated scheduling is vital for ongoing maintenance agreements. The ability to properly forecast preventive maintenance schedules months in advance helps to control last-minute schedule corrections. And, again, with quick access to customer history, contractors can make sure technicians have the correct materials when dispatched.

Wireless Communication Capabilities

A growing trend for field service technicians is wireless communication via pagers or other types of sophisticated handheld devices that allow two-way communication. With such a system, the dispatcher transmits work-order details directly to the field technician who is equipped with an alpha-numeric, paging-enabled device. Messages can provide details on required equipment, warranty information, a customer's account history, added directions to the worksite, and more.

With two-way communication capabilities, the technician in the field can transmit information (such as notes to a work order or payroll data) to the service management software back in the home office, saving time and paperwork when sent in real time. The system should log each message for historical reporting, tracking, and later reference if and when a problem develops or if additional information is required.

Some software vendors have developed proprietary handheld devices that integrate with their service management software systems. Eventually, all such systems will have a communications component that interfaces with various handheld devices, allowing specialty contractors to combine the software system and handheld devices that are most appropriate to their needs – and their budgets.

Billing Options

For specialty contractors, a ready menu of billing options is a must, including the ability to bill jobs by a small-job fixed rate, a flat rate, or by markups and discounts. And, the system should be able to price parts based on either an item or markup file, thus simplifying pricing updates.

Other options should include the ability to establish rate tables for labor, materials, equipment, and other costs, as well as to customize the billing for unique labor rates. This is particularly helpful in regions where workers are unionized and have varied layers of compensation programs. And, to factor in technician travel, the system should provide the option to charge by trip or mileage.

Purchasing Features

Specialty contractors can better manage their purchasing process by tracking the material list from the time of the initial estimate. Software can automate this process by compiling and transferring material costs directly to the accounting system to handle the purchases.

With an integrated system, parts purchases can be linked to work orders and purchases orders. Assurances of accuracy (as well as job cost tracking) can be also gained by matching vendor invoices to purchase orders and attaching purchase orders to work orders, invoices, and fixed-price jobs.

Volume purchases, repeat purchases, and high-volume inventories are typical for installation contractors. Here, an automated process will help ensure a balance between having enough of the right type of material available and avoiding an excessive outlay of cash for inventory.

With volume purchases comes the potential for volume discounts, particularly if the same suppliers are used frequently. So, for volume purchases, the software should show which is the best value: purchasing from a single supplier at a quantity discount or dividing a purchase between several suppliers. It should also track negotiated quantity discounts and the contractor's bill of materials.

Inventory Features

At any given time, the specialty contractor must know the number and types of items in stock, where that stock is located (whether on service trucks or in a warehouse), and the rate at which the inventory is being used.

Historical tracking helps keep tabs on inventory turnover, which, in turn, helps with purchase planning. By knowing inventory turnover, and being able to track inventory by work order, contractors can take advantage of quantity discounts when making volume purchases, if that is in their best interest.

Automated software also monitors inventory levels and provides pre-set reminders to avoid depleting inventories. Such reminders also help plan the timing of inventory purchases

by allowing ample time for inventory replenishment (thus avoiding a last minute scramble for parts).

Service-only contractors have low-volume inventory requirements, since they perform only repairs and maintenance work. Nonetheless, automation for service-only contractors should include automatic updates to inventory levels when invoices are created. In addition, the system should track the parts used on a job (broken down by service truck) and the items that need to be restocked.

Report Capabilities

Reports come in a variety of standard formats and some software systems allow for customized reports. The system should be able to produce easy-to-read, professional reports for use by upper management. With the proper reporting capabilities, a specialty contractor can gauge such factors as gross profit by technician, profitability by job, and estimated vs. actual costs (when tied to the estimating system).

Integration: Making the Connection

Many service management systems may claim to be integrated with popular accounting software packages; however, the level of detail that can be transferred varies widely among systems. Without integration, needed detail must be re-entered from one system to the other, wasting time and employee resources.

Single-Entry Benefits

Contractors relying on service management software should look for a true single-entry system that enables the seamless transfer of all data from the service management system to the accounting system.

Automatic data flow should include expenses, payroll time, A/P, A/R, job cost, G/L, inventory, and purchasing.

A/R Features

Service management software should also be able to accurately capture the revenue and cost of each work order. Information entered on the work order should automatically go to A/R, G/L, and payroll without being re-entered.

In this manner, the software can relate the profit or loss on service agreements, equipment, and work orders. Seeing at a glance if a particular job will make or lose money can help keep a company in the black.

At the same time, a fully integrated system also provides up-to-date A/R balances in the customer history window. So, a

dispatcher can determine whether a customer has an outstanding balance and arrange for payment before a technician is dispatched to the call.

Other Benefits

Automation and ease of data flow between the service management and accounting systems can help in other ways. To maximize profitability on annual service maintenance contracts, a specialty contractor should be able to bill service agreements in advance so they can be amortized. This spreads the tax burden throughout the year, rather than requiring tax in the quarter in which the revenue is received.

Some systems will automatically send job cost information created in a bid estimate to the service and purchasing departments, and to accounting for billing purposes. Conversely, the service department should be able to send warranty and equipment information to field technicians.

Service vs. Installation Considerations

Some specialty contractors handle either service-only or installation-only work. Others handle both functions, though each is typically treated as a separate entity in terms of P&L. This can raise questions about how to assign internal accounting costs when technicians cross over between functions.

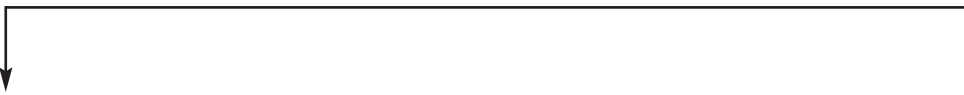
If service technicians are assigned to installation jobs during a slow service-only period, it may make sense to charge just basic costs to the installation side of the business. But, if technicians are being pulled from profitable work on the service side to help an installation project meet a deadline, then a profit margin similar to what they were making on the service job should be considered for the installation job.

Using integrated service management/accounting software can facilitate the internal accounting process by automating the calculations for a technician's crossover work.

One Final Benefit

With some service management software, customer and work-order information flows to a marketing wizard that stores it for later analysis. The analysis can show trends in service work, recurring problem areas, areas with the greatest potential revenue, as well as areas where revenue may trend more toward the break-even point, or even potential loss.

For years, contractors have overlooked this analysis ability because their attention has been focused on running their



day-to-day business operations. Nonetheless, data that is readily available from service management software can be used for short- and long-term projections and trend forecasting, or to create customized mailing lists that target specific customers and their needs.

This underused capability can increase the effectiveness of a contractor's marketing efforts at a tremendous cost savings over purchasing outside lists.

Conclusion

Specialty contractors often have a mix of businesses that involve both installation contracts and service work. A single-entry, fully integrated service management/accounting system can help manage every aspect of the business – from inventory purchasing and control to billing to payroll to marketing – which can lead to increased gross profits on each work order. If you are a specialty contractor, don't settle for anything less! **BP**

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