

When Your Utility is Behaving Badly...

By Matt Michel



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For decades contractors have complained about unfair utility competition, which waxes and wanes. Here's how you can handle it when it's on the rise.

Why Utility Competition is a Problem...

The latest utility villain is Florida Power & Light (FPL), which has begun competing with residential contractors. Someone unfamiliar with utility competition might wonder what the problem is. After all, competition is generally good for consumers.

The problem is utilities, like FPL have been granted monopoly status for the provision of household energy in the form of gas and/or electricity. Typically, the utility is allowed to mark-up costs related to the delivery of the monopoly product. When a utility's costs increase, the cost increase with a mark-up is passed along to ratepayers. Regulators practically guarantee a profit, but they also limit the amount of the profit.

Because executive compensation is often tied to stock performance and stock performance is a function of earnings, it becomes very tempting for utility executives to seek additional lines of business that are unregulated. As part of their stewardship for the public good it is up to public utility commissioners to restrain the darker nature of utility executives.

On paper, the utility creates a separate business. However, it might share the brand, which is often a trusted brand due to the utility's monopoly status and often justifiably heroic role helping communities recover from natural disasters. Inevitably, the utility begins to help the subsidiary in other ways.

The utility will claim things like, "No data is shared without the customer's consent." A myriad of ways exist to

entice the customer to consent. And while costs are supposed to be separate, there are also numerous instances where costs are shared and thus, subsidized by ratepayers.

It is especially debatable whether utilities should be allowed to operate in the HVAC and plumbing arenas. Utilities make guaranteed money by selling energy. It is not in their interest to sell products that reduce energy usage. Keep the 10 SEER system operating and paint it as a consumer benefit, when it's really a utility benefit.

How You Should Fight...

If you face utility competition in your market, like the Florida contractors are facing, by all means support the resistance. Start with your local and state trade associations. They have the best contacts at the state level to influence utility regulators. Join and support organizations like MEP Coalition (MEPCoalition.org) that Florida contractors formed to resist utility competition. In fact, you should join even if you are not affected because you can count on the fact your utility is watching what happens in Florida. Stop them there and you may not have to fight them in your statehouse.

But while you should support the resistance financially and perform any personal lobbying associations might request, it is important that you do not become so obsessed with utility competition that it affects your performance. King Canute could not stop the tide by royal command and you may not be able to stop utility competition. If you cannot, make sure this does not stop you.

How You Should Respond...

When the utility is your competitor, it is coming for your customers and your

technicians. If you are going to keep both, you must... MUST up your game.

Start by out benefitting the utility. You are more nimble and creative. Offer benefits they cannot and build the cost into your pricing. Consider eliminating the employee contribution and covering 100%. Calculate how much more that would cost. It's often not that significant and will cause you to stand out.

Find benefits the utility can't offer. Buy vacations from the vacation bundlers (e.g., Destination Motivation) and give them to your team. The perceived value is far higher than the cost and makes it harder to leave.

Utilities tend to amass a lot of customers through cheap or subsidized service, then trip when there's a hot or cold spell, resulting in calls because the utility is overwhelmed. Charge a premium for same day service and let the customers who are willing to pay more for a better level of service than the utility provides identify themselves. Then market to them like crazy.

Partner with local charities to make donations when a patron mentions the charity on a service call (reach out to the Service Roundtable for a complimentary Guide to Affinity Marketing). Get involved in local community organizations like service clubs, network groups, and chambers of commerce.

Finally, match the utility offering. If they bill monthly for maintenance, you should as well. In fact, don't just match, do one step better by flexing some prices up and others down.

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