

“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

Chapter Nine – 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). Many clients will not have e-signature programs, but you absolutely should. These are widely available from Adobe, DocuSign, and other services. If you don’t use one of these services, you should get a “wet” signature or exchange scanned document via encrypted email.

My preference is to use DocuSign (www.docuSign.com). My second

preference is to execute via pdf, signed, and emailed as encrypted file.

Electronic signatures are so easy that clients generally execute right away. I had a coaching client who had never signed contracts with clients. I told him to just send them out and see how many came back – then focus his energy on those who actually delayed. Virtually every client just signed the document digitally and quickly.

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 an industry-specific policy), 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 selling, 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.

Note: There is an obvious benefit to a service agreement that automatically renews every 12 months! For the last fifteen years I owned managed service companies, I only signed service agreements that renew every month.

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” PSA (Professional Services Automation) system. For now, we’ll start with a basic tool we all have available – an Excel spreadsheet.

The following sample spreadsheets are included on the downloadable content that comes with this book (register at www.smbbooks.com). 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.

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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 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!

Non-Contract Rates								
Updated 6/6/2018								
Client	Last Billed	Month First Billed	Last Rate Increase	Tech Rate Regular	Tech Rate Extended	Rate Prog.	Min. Onsite	Min. Remote
1	Zelda, Inc.	1/1/2018	Jan 16	NA	\$150	\$300		1.0 hrs.
2	Yolanda, Inc.	1/13/2018	Mar 05	Jan 15	\$150	\$300		1.0 hrs.
3	Xerxes, Inc.	9/22/2017	Feb 17	NA	\$150	\$300		1.0 hrs.
4	Westley, Inc.	12/31/2017	Jun 14	NA	\$120	\$240		1.0 hrs.
5	Velma, Inc.	3/9/2018	Feb 04	Jan 15	\$150	\$300		1.0 hrs.
6	Unity, Inc.	12/30/2017	Apr 15	NA	\$150	\$300		1.0 hrs.
7	Thomas, Inc.	6/30/2017	Jul 16	NA	\$150	\$300		1.0 hrs.
8	Stella, Inc.	12/28/2017	Dec 16	NA	\$150	\$300		1.0 hrs.
9	Raph, Inc.	2/21/2018	Mar 15	NA	\$150	\$300		1.0 hrs.
10	Quigley, Inc.	3/14/2018	Aug 15	NA	\$150	\$300		1.0 hrs.
11	Printers, Inc.	5/5/2018	May 06	NA	\$120	\$240		1.0 hrs.
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Contracts Schedule											
Updated 5/5/2018											
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 2013	1/2013 - ...	NA	\$120	\$180.00	\$150	1.0 hrs.	25 hrs.
2	Def, Inc.	X		April 1, 2015	4/2015 - ...	NA	\$120	\$180.00	\$150	1.0 hrs.	5 hrs.
3	GHI, Inc.			August 2014	1/2014 - ...	5-Dec	\$120	\$180.00	\$150	4.0 hrs.	5 hrs.
4	JKL, Inc.	X		October 1, 2013	09/2013 - 06/30/2018	NA	\$85	\$150.00	\$150	5 hrs.	25 hrs.
5	MNO, Inc.	X		October 1, 2010	06/2017 - 06/31/2018	May-05	\$85	\$150.00	\$150	1.0 hrs.	25 hrs.
6	PQR, Inc.	X	X	August 1, 2017	03/2018 - 02/28/2019	Mar-03	\$85	\$150	\$150	1.0 hrs.	25 hrs.
7	STU, Inc.	X	X	April 18, 2006	4/2016 - ...	NA	\$100	\$150.00	150	3.0 hrs.	5 hrs.
8	VWX, Inc.	X	X	April 1, 2016	1/2016 - ...	Apr-06	\$100	\$180.00	\$150	1.0 hrs.	5 hrs.
9	YZ, Inc.			February 1, 2015	09/2017 - 5/31/2018	NA	\$100	\$150.00	150	1.0 hrs.	25 hrs.
10	ABC, LLC	X	X	April 1, 2014	4/2014 - ...	NA	\$120	\$180.00	150	1.0 hrs.	5 hrs.
11	Def, LLC	X	X	August 1, 2017	4/2018 - ...	Apr-06	\$120	\$180.00	150	1.0 hrs.	5 hrs.
12	GHI, LLC			September 1, 2005	8/2017 - 8/31/2018	NA	\$100	\$150.00	150	1.0 hrs.	25 hrs.
13	JKL, LLC	X		January 1, 2012	1/2015 - ...	Dec-08	\$100	\$180.00	150	1.0 hrs.	25 hrs.
14	MNO, LLC	X		May 1, 2016	06/2017 - 7/31/2018	NA	\$100	\$150.00	150	1.0 hrs.	25 hrs.
15	PQR, LLC	X		June 1, 2011	5/2016 - ...	May-06	\$120	\$180.00	150	1.0 hrs.	5 hrs.
16	STU, LLC	X	X	April 1, 2017	1/2016 - ...	Jan-06	\$120	\$180.00	150	1.0 hrs.	25 hrs.
17	VWX, LLC			August 1, 2015	8/15/2017 - 8/31/2018	na	\$100	\$150.00	150	1.0 hrs.	25 hrs.
18	YZ, LLC	X		July 1, 2014	1/2015 - ...	5-Dec	\$120	\$180.00	150	1.0 hrs.	25 hrs.
19	ABC Company			November 1, 2005	11/2017 - 11/30/2018	NA	\$100	\$150.00	150	1.0 hrs.	25 hrs.
20	Def Company	X		February 1, 2016	6/12017 - 5/31/2018	Feb-01	\$85	\$150	\$150	1.0 hrs.	25 hrs.
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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

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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.

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. I have an administrative assistant go through these every month and highlight 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 \$120 per hour while Client B is without an agreement and also pays \$120 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 where everyone can see them, I do make them available to the Service Manager. After all, he has to

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