



# COLEMAN

Building your construction business

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## Don't Get Sloppy Over Callbacks (923 words)

**While a number of evaluations can tell you what callbacks cost, the first step is to track them.**

Some companies set up a job account and code all callback expenses to it so as to determine what they spend in this area. Others just charge the callback to the original job code while still others—who use flat-rate pricing for their technicians—incur no dollar cost because they force technicians to fix problems at their own expense.

**I recommend building in a percentage for callbacks on each service call—say two per cent of the direct cost of the job—and mark it up for overhead and profit. Include it as you would any other cost.**

Upon job completion, record a debit to the job cost with the two per cent and credit your balance sheet's Callback Provision Account. (The balance on this account will be added to taxable income at year-end. Your accountant can explain this in greater detail). Every time you get a callback, debit the Callback Provision Account with the cost.

At the end of the year, you can see the account's balance. When it is negative, your callbacks are costing you more than two per cent of the cost of sales. When the amount is positive, you know callbacks are costing you less. This information empowers you to make decisions, such as:

**Do you need to provide more training and/or supervision?**

**Do you need to allow more time for jobs?**

**Can you improve your final checklist?**

**Is there a diagnostic problem?**

**Should you provide incentives?**

**Do you need to adjust the two-per cent allowance (up or down)?**

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It is essential to track callbacks by technician, and most will involve only a few of them (the "80/20 Rule"). Make sure you focus on the activities of those technicians and avoid upsetting the ones with little or no callbacks. This way you can either help those who specifically need help or replace the ones who will not learn.

**There are several elements to the cost of the callback:**

**Direct cost** is the easiest figure to establish; you use the same process as you would on your job costs, using the same rule to determine whether costs are 'direct'.

**Impact costs** is where less definitive areas suffer; it takes additional time to get up to speed on the job. Issues arise over reorientation and set up time.

**Overhead**, including supervision, are also incurred at the normal rate on a callback.

**Profit.** You aren't making any because you are not charging anyone for the callback.

**Lost opportunity.** Your productivity goes down because you are doing work you cannot invoice out. This may mean that customers have to wait longer for service. You may even have to hire another technician to cover the hours lost to callbacks.

By building in a percentage for callbacks on each service call, you actually recover your overhead, profit and lost opportunity because you compensated by increasing sales in the first place. And you make even more money when you don't spend the full two per cent. You can also cover your impact costs by increasing the percentage.

The cost that we should never forget, however, is 'perceived indifference'. In fact, people change providers 68 per cent of the time because of it. Callbacks often make customers feel you are indifferent to their needs. So take responsibility and make sure the customer is satisfied and compensated for the inconvenience you have caused by not doing the job properly the first time.

**Your action plan is as follows:**

1. Identify how much direct cost callbacks cost you and determine whether this is an acceptable level.
2. Set up a system using a percentage that reflects reality for you (which may or may not be two per cent).
3. Implement a monitoring procedure and corrective strategy program.

**The market is very competitive.** When you're not on top of your game, people will react accordingly. Your employees, suppliers and customers can all sense when a company is undisciplined. It is then that you lose your best team members and customers. Don't get sloppy over callbacks.

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If you are constantly putting out fires then you can't take time off. What would happen if you were to take three weeks off? Who's going to do the job as well as you?

Sit back, have your favourite beverage and sketch out what life would be like if you were in control of your business. You have the magic touch, you tell your team what their needs are going to be in one, two, three, four, five and even six months in advance. Their confidence in your leadership will soar.

The amazing thing is that you can monitor these Key Performance Indicators from any beachside café with your Blackberry in just a few minutes each day. The big danger is that you might work yourself out of a job and then what would you do with all that free time?

If you had started this process six months ago you would now have that lifestyle. If you don't start it now then in six months time you will be still micro-managing and spending your days putting out fires. This may give you a false sense of importance. The emphasis is on the word false!

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