

# Sharpen Your Axe: The Value of Preparation

The critical questions to ask before entering the commercial water market

By Michael Thompson & Perry Salvadorini

**T**his article is the first in a series that will examine the commercial water treatment marketplace from a business/financial perspective. This first installment will cover the internal Critical Assessment audit. The second article will use that information to look at various commercial markets and the skill sets needed to penetrate them. The third article will look at ways to generate ongoing revenue after the sale.

As advancing technologies allow for more specialized systems and new regulations demand greater efficiencies, opportunities are opening up within the commercial and industrial (C&I) market. Understanding what those markets are, the opportunities available within them and the ability of your business to address those needs is critical for success.

Abraham Lincoln said, "If I had eight hours to chop down a tree, I'd spend six hours sharpening my axe." Before our clients enter the C&I market at any level, we complete a business-specific C&I Critical Assessment with them. The assessment provides a comprehensive evaluation of four distinct areas within a business: operations, administration, sales and processes. The information garnered from the assessment reveals the strengths and

weaknesses within the business. Using that information, the company can begin to determine which C&I markets it is prepared to penetrate. The C&I Critical Assessment can be revisited time and again to be used as a blueprint to develop additional markets.

The following is a summary of the C&I Critical Assessment questions.

## Operations

There are specific items that need to be reviewed when looking at the overall operations of your business, such as how to capitalize on the talents and skills of your technicians while knowing the limitations of your facility and fleet.

What level of training have your service technicians received on servicing and installing commercial-sized equipment? Can they troubleshoot commercial systems? Do they have the certifications, licensing and tools needed to complete the work?

Inventory controls your response time and whether you are able to offer emergency service. Do you stock the proper inventory—either in your warehouse or on your trucks—to be able to service commercial accounts quickly, with minimal customer downtime?

What level of vendor support is available to you? Is it design and application, onsite assistance, phone assistance, training and certification, or electronic? What level of support can you count on before you are in trouble? What costs are involved in that support? All of these factors could affect your profitability.

In regard to your facility: Do you have the capabilities to store, preassemble, stage and test equipment 2 in. or larger? Is your electrical service capable of energizing 208- or 240-V pumps? Does your water service have enough flow to run these systems? If not, you will have to prep the system on site, and any issues that arise will happen in front of the end user and could cause delays.

Your fleet of vehicles can be a limiting factor. Do your trucks have power lift gates? Are they capable of protecting equipment from the elements? Can you carry skids? Can skids be unloaded by a forklift in a truck bay? Are they designed to carry portable exchange tanks securely?

Tools and equipment should be considered before a job is quoted. What size piping can you sweat or thread without renting equipment? What specialized tools or testing equipment do you have or need for more technical jobs?

Do you require the use of subcontractors to complete larger jobs? Is your contract with them time and materials or bid work? What is the quality of their work and reputation? Remember that they are representing you when they are on your jobsite.

### Administration

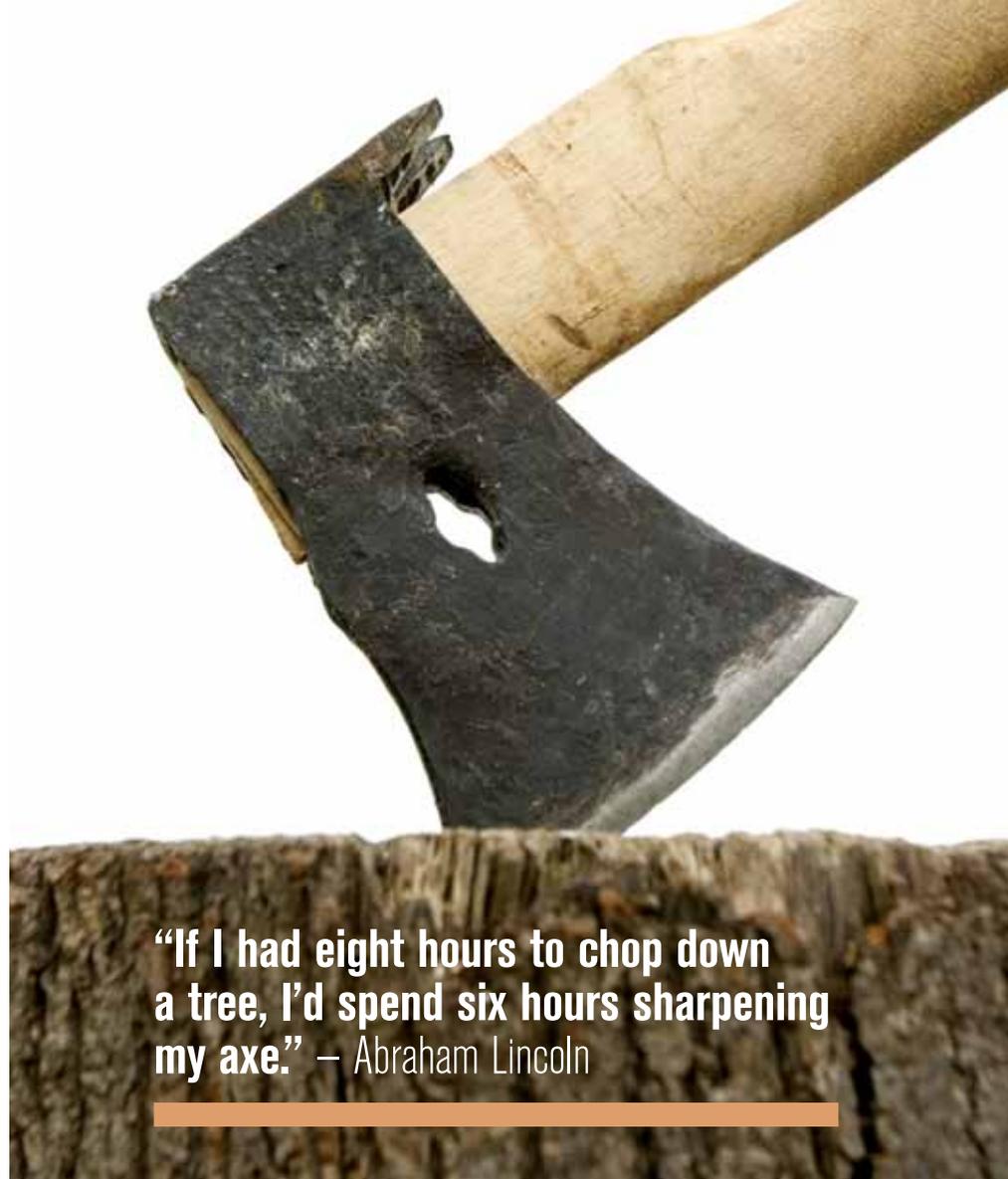
Due to the highly competitive nature of the C&I market, knowing your costs is critical. Having written administrative processes along with proper pricing structures for both labor and products will provide greater net profitability.

Do you know your burdened labor costs (loaded labor)? Have you set your labor pricing based on your burdened labor costs and labor production efficiencies? Are you taking into consideration the skill sets of your technicians when assigning them work orders?

Are you covering all expenses associated with your equipment pricing? Have you calculated any additional expenses, like advertising, shipping and freight, or shop and prep times beyond equipment costs?

Have you created a written process or checklist for setting installation pricing that takes into account any additional materials, tools or rental equipment needed to complete an installation? Will you need a subcontractor for transportation or installation of equipment?

Have you created a separate department for your financials to track revenue and costs? This will give you the accurate information needed to make management decisions based on facts and not assumptions. Understanding



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the true profitability of a commercial job will allow you to make adjustments and stay competitive.

Do you have the proper insurance, or are you using your company as insurance? Do you understand the liabilities involved?

### Sales

C&I sales incorporate applications, chemistry, administration and presentation skills. Focused project management is critical to success.

Do you have a written job-costing process in place to ensure all costs are covered? How will you know if all of your costs have been included?

Are you focusing on markets with shorter or longer sales processes? Are you prepared to endure a 12- or even 18-month sales process to close the deal?

Have you taken the time to analyze your contract terms and policies? What is your written process for extending credit to a prospective customer? Do you have a commercial leasing program in place?

Do you have a written implementation schedule for each project? Do you review this schedule with the customer?

Do you understand the difference between a preventive maintenance contract and a service contract? What services do your preventive maintenance contracts or service contracts address?

Do you have a proper written site survey and findings summary (with pictures when

permitted)? Do you use the site survey and proposal to create your preventive maintenance or service contracts?

Do you have the ability to provide quotes, bids, proposals and presentations? Do you have an established written format for each? How do you decide which format to use?

## Processes

Considering which water treatment processes you are familiar with, have access to and can service easily will determine where you start and where you need to develop a strategy.

Do you have portable exchange capabilities? Can you deliver, install, regenerate and rebed softening units quickly? Do you have vendor support for knowledge of types and qualities of resins needed for different applications?

Do you understand the different filtration media and flow rate parameters needed to design the proper systems? Are you familiar with multimedia backwashable systems?

Are you knowledgeable about system requirements, including pre- and post-components for reverse osmosis systems? Do you have the tools, specialized testing equipment and knowledge needed to install, service and troubleshoot them?

For deionization, do you have the capability to determine system design, such as weak- or strong-based systems? Are you regenerating the resin or outsourcing it to a third party? What size portable exchange tanks are you capable of handling? Do you have the capital and storage capability to handle the float (replacement tanks)?

Do you have a market for chemical treatment for boilers? Do you have the water testing capabilities, both on site and laboratory? Do you have the facility space to accommodate the chemical storage requirements?

As stated above, this is a brief summary of the C&I Critical Assessment questions. There are no right or wrong answers; there is only visibility as to how prepared your business is to enter various C&I markets.

For more in-depth information on these questions and why we ask them, attend the webinar being presented by WQP and Applied Management Group Inc. on March 25. For more information on the webinar series, visit [www.wqpmag.com](http://www.wqpmag.com). The second article in this series will appear in the June issue of WQP. **WQP**

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