

The Absolutely Unbreakable Rules of Service

How to Manage Your Business to Maximize Customer Service,
Profit, and Employee Culture

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11. The Competition is Irrelevant



Let's do an exercise: Bring to mind your largest or most successful competitor. Got it? Make sure you know exactly who you have in mind before you proceed.

Okay, now answer these questions:

- What do they charge per hour? _____
- How many hours does their average client pay them for? _____
- What is the cost of their core service offering? _____
- How many clients do they have? _____
- What's their profit margin? _____
- What's the average length of their contract? _____
- How much do they pay their technicians (key employees)? _____

You might know that last one, but the rest of it doesn't matter. I have never paid any attention to my competition for any financial decisions I've ever made in my company.

Here's one reason why.

When I was in junior high, I thought, “You know what I should do? I should go mow lawns on the nice side of town,” but I didn't want to drag my lawnmower all the way to the other side of town. So I put an ad in the newspaper that said,

“I will do all your yardwork but you have to supply all the equipment, \$5 an hour.”

I'm old, so this was 1972. I didn't know that there was such a thing as a minimum wage. I have since looked it up: It was \$1.60.

It didn't matter. I wanted to work and \$5 would get me off my butt and across town to work on yards. I was paid \$5 an hour and I was busy all the time. I always had work because the people who were willing to pay \$5 an hour also didn't know what the minimum wage was – and they didn't care.

Here was this kid who was energetic, and he was going to come and mow the lawn, or whatever. Let me tell you: I did some horrible, horrible jobs at \$5 an hour. But they paid me in cash and I didn't know about taxes back then either!

You are worth (Your products and services are worth) **exactly what someone is willing to pay right now**, today. And there's always someone willing to pay top dollar. You just have to find them!

When I started my first “real” business in 1995, I did basically the same thing. When I first got started as a consultant, I charged \$100 an hour. Why? Well, that number sounded big enough to be taken seriously. And I didn't know that in 1995 in Sacramento, California, nobody was charging \$100 an hour, except me.

I have always maintained that I want to be more expensive than my competition. Not a lot, but I want to be the most expensive person that you're likely to pick up the phone and call for tech support. This has never affected my ability to get clients.

Important note: It *has* affected who those clients are. I had a lot of attorneys, accountants, and other people who relied on their technology to make good money. For most of the time I did tech support, I had a number of medical-related clients who were very dependent on technology and were willing to pay to keep it going.

When I sold my last IT company, in 2017, we were charging \$165 per hour while almost everyone else in town was still around \$125.

I'm not saying you need to charge a lot or place yourself at the top of a heap. But *charge what you want to charge* and then find people willing to pay it. But whatever you do, ignore your competition. They don't run their business exactly like you. They don't have the same employees, the same clients, the same business model, etc.

Note: I have definitely not been able to serve clients who fit outside my model. I don't do home networks, for example. So that market never comes to me. And I don't sell used equipment or discounted labor. So those people don't come to me. I don't fix cell phones or deal with high end security systems, drones, audio-video, or "Internet of Things." It's not that I couldn't. I just didn't.

I put together a few simple bundles that made sense to me, that were guaranteed profitable, and I sold them to people who found value in what I offered.

It really is that simple.

Remember the story of two electricians in Chapter Four. One differentiated himself by being cheap. The other by being professional. One was ten times more expensive – and got the job. I wanted peace of mind, and I got that.

Let me tell you one other story about why your competition is irrelevant.

It's about Sally, who managed the business side of a construction contractor. I used to put on educational luncheons, and she attended several. She never asked me about my prices, but she always asked about software and hardware. She made it clear that she had someone taking care of her technology, so she just wanted the education. Cool.

Then one day she asked me to review a proposal and tell her what I thought. I gave her some advice. When she asked what I would charge, she was shocked. It was significantly higher. She asked me how I could get away with that. I just told her that I don't know anything about the details of her business or the skillset of her IT guy. But I know I'm a Microsoft Certified Systems Engineer and we never cut corners.

She didn't hire me that day. But she continued to come to my classes. She actually relied on me for lots of information, which she took back to her IT guy to implement. Then one day, she called me and asked if I provided ongoing services on a contract. I said yes. She asked me to come over and sign one so they could get started.

Here's the funny thing: In that conversation, she didn't ask what my rates were, what the minimums were, or what service we provided every month for our fee. She basically bought the idea of having me take care of her network.

When you make decisions about how you put together your offers, what your bundle looks like, what your core offering looks like, what your pricing looks like, etc. – Please ignore your competition!

If they choose to compete with you, the only thing they can really do is charge less. So, your competition will be making less than you while trying to figure out exactly what you do for the money.

Alternatively, they could do lots of research and create a comparison point by point of your businesses. Then they become a copy. But again, without the details, it's not a good copy.

And when you change (add a new product line, incorporate new services, create a new bundle), then you move their target. When you evolve with the times, your so-called competition is now actually in a different business.

As you can see, this whole book is wrapped around an overarching philosophy:

- Do what you want to do
- Do it the way you want to do it
- Do it with the people you want to work with
- Charge what you want to charge

In other words, do business *your way* and find people who want to do business with you.