



A *Harold W. Sams* PHOTOFACT PUBLICATION

TV Service Pricing Manual

by the PF Reporter editorial staff

HOW TO PRICE YOUR SERVICES FOR A PROFIT

- Computing costs, overhead, and profit.
- Need for and use of records.
- Flat-rate pricing guides.

ABC TV SERVICE
623 MAIN STREET

SERVICE INVOICE

12063

Date _____

Work Requested _____

Large ☐ Cash ☐ Check ☐ N.C. ☐

Date _____

Replaced Flyback transformer
706GT tube

12 50

3 70

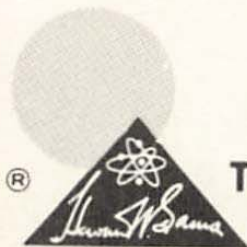
\$1.50

Cat. No. PRM-1

TV SERVICE PRICING MANUAL

by

The PF REPORTER Editorial Staff



HOWARD W. SAMS & CO., INC.

THE BOBBS-MERRILL COMPANY, INC.

Indianapolis • New York

FIRST EDITION
FIRST PRINTING—JULY, 1963

TV SERVICE PRICING MANUAL

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Indiana. Printed in the United
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Library of Congress Catalog
Card Number: 62-21978

PREFACE

"What should my service charge be?"

"Is it advisable to use some of the available pricing charts when it comes to figuring service charges?"

"The big department stores downtown are getting \$6.95 per call; is this the price I should charge?"

"The full-time serviceman I employ is making more than I am—something's wrong!"

Do these comments sound familiar? They probably do because they are typical of the television service business.

Don't think that the electronics servicing industry is the only one ever confronted with such problems. *Every* businessman must figure out how to charge fair and competitive prices and still make a reasonable profit. Failing to do this, he ends up working for someone else—sadder but wiser.

TV Service Pricing Manual shows you how to compute a basic charge from which you can calculate all your servicing prices. An entire chapter is devoted to explaining how and where to obtain the information needed for computing this basic charge. Charts and tables make the text easy to understand, and clarify the important points for those who don't understand accounting.

A full section of charts shows various types of pricing guides, with easy instructions for using them. The text material tells how you can develop accurate, easy-to-use pricing charts for your own business—charts that will assure you a full and fair profit.

As a bonus, an extra chapter shows you how to apply the principles of sound pricing to other fields of electronic servicing.

After you've read this book, examine your own business. Use this information to adjust *your* pricing structure so that it is both fair and profitable. Your business will improve considerably for the effort.

A handwritten signature in dark ink, appearing to read "Howard W. Sams". The signature is fluid and cursive, with the first name "Howard" and last name "Sams" being more prominent than the middle initial "W".

June, 1963

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CHAPTER 1

Pricing for Profit

One of the most puzzling problems for many independent radio-TV service operators is how to establish their service prices. This is a subject of utmost importance, because every successful businessman must determine how to charge fair prices and make a reasonable profit. If prices are too low, the business will eventually fail even though the volume of work is great. If they are too high, the necessary volume of work will not be forthcoming. In either case, the final result will be the same—failure!

Being successful in business is as simple as taking in more money than you pay out.

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If a business is in financial trouble, the management has either forgotten this rule, or has let the scales become seriously unbalanced. Perhaps the outgo has exceeded the income; or, for reasons the management has yet to discover, there is insufficient income to balance a normal outgo. There are many ways to *lose* money or "struggle along" without the monetary reward justified by your investment of time and money. Take, for example, the matter of determining service charges. The problem centers around determining how to establish a selling price for your services.

SOURCES OF INCOME FROM SERVICE

The owner and operator of a TV-radio service business should expect to receive income from several sources:

1. He should receive a fair wage for the actual labor he puts into the business.
2. He should profit from the sale of parts.
3. As a businessman, he is entitled to a fair return for his capital investment

PRICING FOR PROFIT

in the business, and the risk of that capital.

4. If he has any additional employees he is entitled to profit from their work, because of his investment in them.

Any prices he establishes should account for income from all of these sources.

There are four major problem areas in service pricing. The satisfactory solution to the problems within each area will determine the degree of success *your* business enjoys . . . and the amount of profit it will produce. These problem areas are:

1. Estimating your cost of operation.
2. The effect of nonproductive or "lost" time on the profit picture.
3. The problems of hiring additional employees.
4. How to *increase* profits.

ESTIMATING SERVICE COSTS

Before getting down to cases, we must caution you on two things: First, the examples used in this book are intended only to illustrate this discussion. The figures used

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do not represent any attempt to determine actual service charges. Secondly, these examples illustrate how *you* may determine your own charges and *do not*, in any way, represent a recommendation as to specific prices you should establish.

Examine your *own* records and determine what *your* prices should be. Do this at least every six months, preferably oftener. It takes time to maintain good records, but lack of *accurate records* is a major cause of business failure.

Salary

The first item to consider is your own salary. It should be at least equivalent to what you would receive working for someone else. Since you have additional responsibility, you should hope to make more money when working for yourself. For purposes of illustration *only*, assume a salary figure of \$100.00 per week.

If you worked 40 hours a week, this is a rate of \$2.50 per hour. Operating your own

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business, you'll work more hours, so let's assume you put in 50 hours a week. Thus, you plan to pay yourself \$2.00 per hour.

Overhead Costs

Overhead includes all the costs of doing business which are not chargeable to any specific job. Such expenses include rent, utilities, heat, office supplies, advertising, insurance, taxes, accounting services, shop supplies, depreciation of equipment, service-truck operation, office help, telephone answering service, and many other items not billed directly to the service customer. The simplest method of determining the weekly overhead is to itemize every such expense on an annual basis and then divide the total by 52.

For illustration, let's use a total of \$4200 for annual overhead. Dividing by 52, we have \$80.77 in expenses each week. Based on staying open 50 hours per week, this means every hour the store is open costs \$1.61 in overhead.

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Profit

In developing a pricing structure it is possible to consider the desired profit as a return on your investment in the business, or as a "markup" on labor and overhead expense, or as a combination of both.

In the following examples, we will use the combination method; this emphasizes the need for frankly considering profit as your just reward for being the operator of a business. Accordingly, the total of labor (salary) and overhead expenses has been "marked-up" by 10% to yield a profit on these costs of doing business.

Return on Investment

Many shop owners are surprised when they carefully evaluate what they have invested in their business. Let's look at an example:

Test equipment and	
reference data	\$3,000
Outside equipment	
(Trucks, tools, etc.)	3,000

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Working capital	2,000
Specialized training	1,000
Investment (excluding parts inventory)	\$9,000

You could invest this money “safely” in savings accounts or bonds to produce a return of 4% or more. “Risk” capital demands an even higher interest rate—10% to 15% is normal, and 20% is not unusual. A fair assumption, then, is that you should plan for 15% yearly return on your investment.

15% of \$9,000 equals \$1,350. Therefore, each year you should make 15% return on your capital investment. If you are open for business 50 hours a week, 52 weeks a year, each hour should produce 52 cents as return on your investment.

Chart 1-1 shows what it costs simply to open the door every morning. At first glance, it would appear that you could bill your time at \$4.50 per hour and make money, but let's stop to think. These figures are based on 50 income-producing hours each and every week — which you know is a practical impossibility.

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Chart 1-1. Cost of Opening Doors

	Per Hour	Per Week
Salary	\$2.00	\$100.00
Overhead	1.61	80.77
Sub-total	3.61	181.77
Adding 10% of this total	.36	18.08
Return on investment	.52	26.00
Totals	\$4.49	\$224.85

NONPRODUCTIVE OR "LOST" TIME

As the manager of a business, you must plan to work a number of nonchargeable hours each week. Surveys show that production employees, with absolutely no supervisory duties, have only about 85% productive time—coffee-breaks take about 5% ; vacations another 5% ; and items such as sick leave use up still more time.

As a manager, you should expect to have considerably more "lost" time each week. Chart 1-2 shows how quickly such nonproductive time can accumulate.

To equal costs, and make a profit, you need to take in \$224.85 each week. With only 32

PRICING FOR PROFIT

Chart 1-2. Hours Spent for Nonchargeable Items.

Talking to salesmen	1 hour
Record keeping	5 hours
Trips to distributors	2 hours
Call-backs & customer relations	5 hours
Phone calls and other "lost" time	3 hours
Allowance for vacation	2 hours
Total nonchargeable time	18 hours per week.

hours (50 minus 18) of productive or chargeable time, the hourly income required becomes \$7.03 per chargeable hour. Thus, you can readily see the effect of "lost" time.

SALES OF PARTS AND ACCESSORIES

Now let's determine what portion of operating cost can be offset by profit from the sale of parts. If you sell TV's or some other major items, don't count them in on this; just figure those items directly connected with *servicing*.

For an example, assume the *gross profit* on parts sales equal 30% of the total cal-

TV SERVICE PRICING MANUAL

culated operating costs. Once you know your actual profit on parts and accessory sales, you can calculate an *average* weekly figure and subtract that from your total average weekly desired service income as follows:

Total weekly income	
required	\$224.85
Assuming, 30% of this can	
come from profit on parts	
sold, subtract	67.45
Total income required	
from labor	157.40 per wk.

Now, what does *this* do to the labor figures? It means that on 32 "billable" hours per week, you must have \$4.92 per hr. Therefore, you can charge \$4.92 per hour for productive labor (32 hours each week), obtain \$67.45 each week as profit on sale of parts, pay yourself \$100.00 per week, realize \$1,350 per year on your investment, make 10% profit on labor and overhead, and pay all your bills. This is pricing for a profit. If you're in business, you deserve it!

CHAPTER 2

Cost of Doing Business

In Chapter 1 we established the importance of pricing service for a profit, and laid bare the need for you to know your operating costs. Too many self-employed servicemen just don't know how to determine where they stand.

A large number of these businessmen keep inadequate records, while others have almost no accounting system at all. Certainly one of the most important facts about a business is profit—or lack of it! But how can a shop owner tell whether he is making a profit or not? If he fails to keep adequate records he can't.

TV SERVICE PRICING MANUAL

Consider the example of John Smith TV in Chart 2-1. His *gross income* for the year was \$8,670, and his cost for the *merchandise sold* was \$2,125. Thus, his *gross profit* was \$6,555. From this he had to subtract his business expenses, which came to \$4,947, leaving a net business income of \$1,608. This might sound fine, but don't forget, John Smith has not received any salary yet!

**Chart 2-1. Simplified statement showing
how capital can be lost.**

John Smith TV—Year ending Dec. 31, 19—	
Service and Parts Sales	\$8670
Cost of Parts Sold	2125
	<hr/>
Gross Profit	\$6555
Business Expenses	4947
	<hr/>
Net Income	\$1608
Owner's Withdrawal	3000
	<hr/>
Net Business Loss	\$1392

Now, for his salary: Chart 2-1 shows that he withdrew \$3,000 from the company funds—the minimum he could live on. The bus-

COST OF DOING BUSINESS

iness income was only \$1,608, leaving \$1,392 to come from . . . who knows where? The almost \$1,400 deficit must necessarily reflect as a drain on the operating capital of the business, and represents a genuine business loss. The sad thing is: If John Smith doesn't take the time or trouble to prepare an analysis like that of Chart 2-1 (or have his accountant do it), he has no way of knowing that he is undermining his own security.

Many factors enter into the art of making a profit. The service shop must sell a certain quantity of parts, and perform service for a definite number of customers, or on a certain volume of sets. On the other hand, service performed entails certain costs—technician's salaries, shop rent, telephone, test equipment, lights, and many other seemingly "unseen" costs which are called *overhead*. The shop owner must advertise; he must have insurance; he needs the services of a bookkeeper to help keep track of all this; and by no means last, he needs oper-

ating capital—money to keep the business going through all these operations.

He uses operating capital to pay for the expenses of overhead and wages and, if he fails to get a sufficient return for his services—one which will replace this operating capital and repay him for its use—he cannot make a profit.

THE NEED FOR RECORDS

Surveys have disclosed that few servicemen keep records in a form which readily enables them to determine what it costs them to run a business. As a result, they have no idea how much it actually costs them to stay open, or to make a given number of service calls. It would be difficult for them to find what return, if any, they are getting on the capital they have invested in test equipment, tools, and shop fixtures. Many do not actually know *what* salary they can pay themselves without taking a part of their operating capital.

What type of information would help the serviceman recognize any deficiency in his

business activity? A *profit-loss statement* is probably the most useful. It can be prepared weekly, monthly, quarterly, or on any basis which will provide a regular analysis of costs. From the statement, he can glean figures which will tell him the facts of business life for his shop. And from these facts, he can develop the pricing procedures that allow him to realize a fair and just profit.

DEVELOPING THE P/L STATEMENT

A profit-loss statement can be set up in many ways; your accountant can help you arrange the form which will most benefit your business. Chart 2-2 illustrates a simple statement, and shows the important figures from which you can calculate your progress. Such a monthly statement might show a profit; some months it might reveal a loss. Careful analysis will often indicate the reason for any loss, and perhaps suggest a remedy. If losses continue over an extended period, it is time to change something about your way of doing business.

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Chart 2-2. Profit-loss statement for indicating progress of business.

P/L Statement Month of March		
GROSS SALES:		
Set Sales	\$2759.55	
Parts and Accessories	958.67	
Service Labor	<u>1438.76</u>	
		\$5156.98
COST OF MERCHANDISE:		
Sets	\$1942.87	
Parts and Accessories	<u>587.30</u>	
		\$2530.17
Profit on Sales		<u>\$2626.81</u>
EXPENSES:		
Service Salaries (excluding owner)	\$680.00	
Outside Labor (ant. work)	85.00	
Rent	150.00	
Supplies—Ofc. & Shop	27.35	
Utilities	73.79	
Phone	37.69	
Vehicle Expense	177.65	
Insurance	77.50	
Taxes, Licenses (prorated)	27.54	
Repairs and Maintenance	18.76	
Accounting, Banking, Legal	26.75	

Continued on next page

COST OF DOING BUSINESS

Chart 2-1. Continued

Depreciation	42.00	
Advertising and Promotion	93.85	
Interest on Loans	26.87	
Miscellaneous	173.67	1718.42
	<u> </u>	<u> </u>
Net Income		\$908.39
Owner's Withdrawal		600.00
		<u> </u>
	Net Profit:	\$308.39

Gross sales represents the business income from all sources. If your shop does not sell sets, you would omit that category from the sheet. One business, which specializes in several types of service, prefers to divide the

Chart 2-3. Sales Breakdown by Departments.

	Parts	Service	Both
GROSS SALES:			
Radio-TV	\$675.85	\$ 947.50	\$1623.35
Two-Way Radio	586.90	1312.80	1899.70
Appliances	873.00	757.60	1630.60
	<u> </u>	<u> </u>	<u> </u>
TOTALS:	\$2135.75	\$3017.90	\$5153.65

sales figures among various departments, as in Chart 2-3. From this chart, the manager

TV SERVICE PRICING MANUAL

can see what portion of his gross sales is derived from each department. His overhead expenses can be divided proportionately to show whether or not a department is carrying its own weight.

Returning to Chart 2-1, the *Cost of Merchandise* can be determined in either of two ways. The actual cost of each item sold can be listed on the shop copy of the customer invoice and the totals of these figures combined in the P/L statement. This method, however, can become very time consuming. Also, there is always the chance that some items will not be listed.

The alternate method consists of applying a cost factor to the merchandise sales figures. This factor is derived from the average cost of items held in inventory. To illustrate, suppose the inventory contains \$2,000 worth of items which were purchased at 60% of list price, \$3,000 worth of goods at a 50% discount, and \$1,000 worth of merchandise which was discounted to 70%. The average factor is computed by adding the factors in proportion (per \$1,000) and dividing by the

COST OF DOING BUSINESS

total of proportional factors. Thus:

$$0.6(2) + 0.5(3) + 0.7(1) = 3.4$$

$$3.4 \div 6 = .567.$$

This factor, when applied to the gross merchandise sales, will indicate the approximate costs. Thus, the cost of merchandise for \$1,500 worth of parts and accessories would be about \$850.50 ($\$1,500 \times .567$).

This *cost of merchandise* can be used to compute the gross parts-and-accessories profit described in Chapter 1.

Expenses can be computed from monthly bills as they are paid, or from check stubs. The totals can be added and entered on the profit-loss statement as the monthly expense for each category.

ANALYZING THE INFORMATION

Now you can use this information to compute various cost factors of your business. For example, suppose you are interested in how much it costs you to make a home service call. The costs include salaries, service vehicle expense, and *proportionate parts* of

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all overhead expenses. Chart 2-4 shows a tabulation of these various expenses, some of them *prorated*.

Chart 2-4. Service-Call Costs Determined With Help of P/L Statement.

Service-Call Income—180 calls @ \$4.00 = 720.00 or approx 1/7 of gross	
<hr/>	
EXPENSES (p means prorated)	
Technician's Salary	\$420.00
Rent (p)	21.00
Supplies	5.00
Utilities & Phone (p)	16.00
Vehicle Expenses (one truck)	75.00
Taxes & Licenses (p)	4.00
Repairs & Maintenance (p)	3.00
Acct. Bank, and Legal (p)	4.00
Depreciation (p)	6.00
Adv. & Promotion (p)	14.00
Interest & Misc. (p)	29.00
	<hr/>
	\$597.00
180 calls \$3.32 cost per call	

The relationship for prorating is established by comparing the income from

COST OF DOING BUSINESS

service calls with the total income. Since overall income (in Chart 2-2) was around \$5,000, and service-call income for the month was slightly over \$700, about 1/7 of overhead should be charged to service calls.

To develop the analysis shown in Chart 2-4, each expense item must be considered. Only one technician makes outside calls, so his is the only salary applied. Certain expenses are peculiar only to service calls, such as truck expense. As you can see, certain expenses remain fixed, while others fluctuate with the overhead of the business. The point is, your service-call charge should be sufficient to cover expenses and leave a reasonable profit for the business.

In the example of Chart 2-4, the profit is 68¢ per \$4.00 service call, or 17% of gross; 15% is usually acceptable. If no profit is evident, it is up to you to decide if your service charges are wrong, the volume of calls being handled is too small, or if expenses are too great. In this way, the P/L statement both helps you find a fault and assists in planning a way to eliminate it.

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You'll quickly recognize that here is simply another method of checking your profits. If profit is too small, or lacking, the profit-loss statement will help you analyze the cause. If careful analysis indicates that service-charge pricing is at fault, the statement will provide the figures that Chapter 1 indicated are necessary to determine a fair rate. Thus, if you keep proper records, setting your service charges (on an hourly basis) will be simple and easy.

CHAPTER 3

Pricing Practices

There are many ways of setting charges for service work, although all of them must have a similar basis—they must allow for a profit. As a result, most of these pricing methods can be traced back, one way or another, to the hourly rate. Now that you know how to compute a fair and profitable hourly rate for your service business, let's examine a few variations in pricing practices of various shops.

In service charges all over the country, several distinct tendencies have been noted. For example, some areas show a preference for flat-rate charges, while others prefer straight hourly rates. Many shops combine

the two, charging a flat rate for certain key servicing steps and adding an hourly charge for all time beyond a fixed minimum. We'll examine each of these arrangements in greater detail. But first—why do pricing practices vary? Why don't all shops charge the same, or nearly so?

WHAT IS COMPETITIVE?

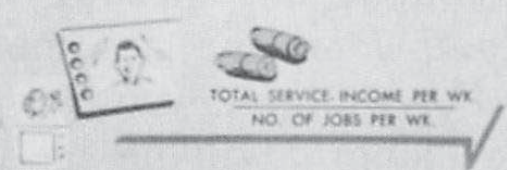
Competition is one of the chief regulators of prices in any field. Competitive prices vary in different parts of the United States. The cost of living is higher in the West and Northwest than anyplace else. Take the example of Jake, Jack, and John Doe—service technicians in New Orleans, Chicago, and Los Angeles. Jack makes \$5 service calls, Jack gets \$6.50, and John charges \$7.95. These are only hypothetical people and prices, of course. However, it illustrates the point. The important thing is that each of these fellows followed a procedure similar to the one given in Chapter 1 when determining his charges.

PRICING PRACTICES

HOW TO CHARGE

There's a big difference in knowing *what* to charge (you have just learned) and knowing *how* to charge. There is a growing trend toward a flat-rate pricing system wherein the labor is itemized according to the specific work done. The other common pricing technique is based purely on an hourly basis, and charges are made in accordance with hours and parts-of-hours spent on the job. The latter has met with opposition from consumers in some areas, since labor charges normally exceed parts charges; this lump fee looks larger than a series of itemized flat-

TO DETERMINE AVERAGE CHARGE
Per JOB



$$\frac{\text{TOTAL SERVICE INCOME PER WK.}}{\text{NO. OF JOBS PER WK.}} = \text{AVERAGE SERVICE BILL}$$

FURTHER, THE "LABOR" AND "PARTS" INCOME CAN BE AVERAGED IN THE SAME MANNER.

- AN AVERAGE LABOR FIGURE MAY HELP IN DETERMINING BILLING ON UNEXPECTED "TOUGH" JOBS.
- AVERAGE DATA BECOMES A "YARDSTICK" FOR PERIODIC REVIEW OF ENTIRE SERVICE OPERATION.
- AVERAGE DATA ON A REGIONAL OR NATIONAL BASIS IS OFTEN AVAILABLE—YOUR OWN DATA CAN BE COMPARED WITH SUCH INFORMATION.

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rate labor charges, and consequently has an adverse psychological effect upon the customer.

Flat-rate pricing—sometimes called *fee pricing* — has an advantage over the “straight time” lump fee (even though the total labor charge is the same), for it pinpoints all of the charges to show exactly what work was done.

Being able to quote definite fees *in advance* is an asset, because it serves as some basis for estimating repair costs. You don’t eliminate the hazard of running into trouble not foreseen in a preliminary diagnosis, but you are better able to say that a bill will probably run within a specified price range.

The flat-rate technique has already been accepted by the public in the automotive and medical fields. For example, you can find out how much the “labor” will be to have Susie’s tonsils removed or the wheels balanced on your car.

While flat-rate pricing has the advantage we’ve just listed, it also has a disadvantage—no provision for extra charges on “dogs.”

PRICING PRACTICES

These are supposedly offset by the number of easy jobs encountered. If you operate in an area where the big percentage of your service jobs fall into the "dog" class, you'll have to increase "conventional" flat rates in order to achieve the service charges you've found to be correct for your operation.

FLAT RATE DEFINED

What do we mean by a flat-rate service charge (also called a minimum charge)? A flat rate is a fixed amount charged by the shop to cover the first 15 or 30 minutes the technician spends in the home repairing a product. It is for labor only; parts are extra. Any time spent on the job over and above the initial period is usually charged for at an hourly rate. Existing flat-rate service charges vary with geographic location, but most of them fall within the range of \$3.95 to \$6.95 for black-and-white TV sets. A chart comparing color-service charges with those for monochrome sets appears in Chapter 4.

MAKING IT WORK

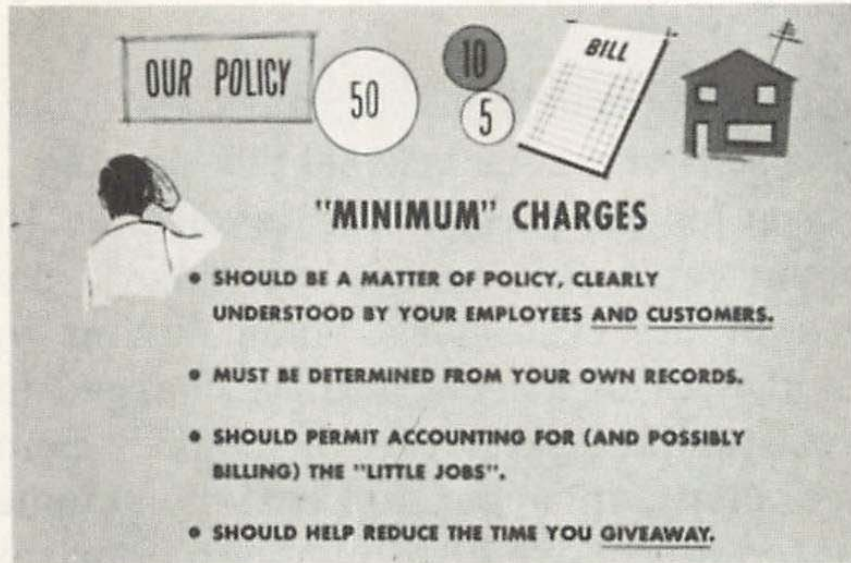
One thing you will have to overcome, when you first start using a flat-rate charge, is customer resistance. The customer objection most frequently encountered in conjunction with the flat rate is raised when the trouble appears minor and the technician spends only a few minutes on the job.

Take the Bull By the Horns

The best way to avoid misunderstandings is to make your terms clear to the customer from the beginning. When a customer phones in for service, you might say this:

“Thank you for calling, Mr. Jones. We’ll schedule your call right away. Meanwhile, I’d like to point out that we charge a flat service fee of \$5.95 for the first half-hour of work, in addition to any parts your set may need. Except in cases of more serious trouble, most of our service calls are completed in less than a half-hour. However, if we find that we must remove the chassis and bring it to our shop, we then charge our shop rate

PRICING PRACTICES



"MINIMUM" CHARGES

- SHOULD BE A MATTER OF POLICY, CLEARLY UNDERSTOOD BY YOUR EMPLOYEES AND CUSTOMERS.
- MUST BE DETERMINED FROM YOUR OWN RECORDS.
- SHOULD PERMIT ACCOUNTING FOR (AND POSSIBLY BILLING) THE "LITTLE JOBS".
- SHOULD HELP REDUCE THE TIME YOU GIVEAWAY.

of \$4.50 an hour. The \$5.95 charge then applies as a service-call, pickup, and delivery charge. What time today will you be home so our serviceman can make the call?"

This approach, although it may seem that it would discourage the customer, actually smoothes the way—sidestepping any future misunderstandings. If the message is conveyed in a friendly cheerful tone, the customer will not be likely to object. The use of a flat-rate charge is not new to him by any means, and if he approves, he will be less apt to object if the call is brief.

Print It on Your Invoice

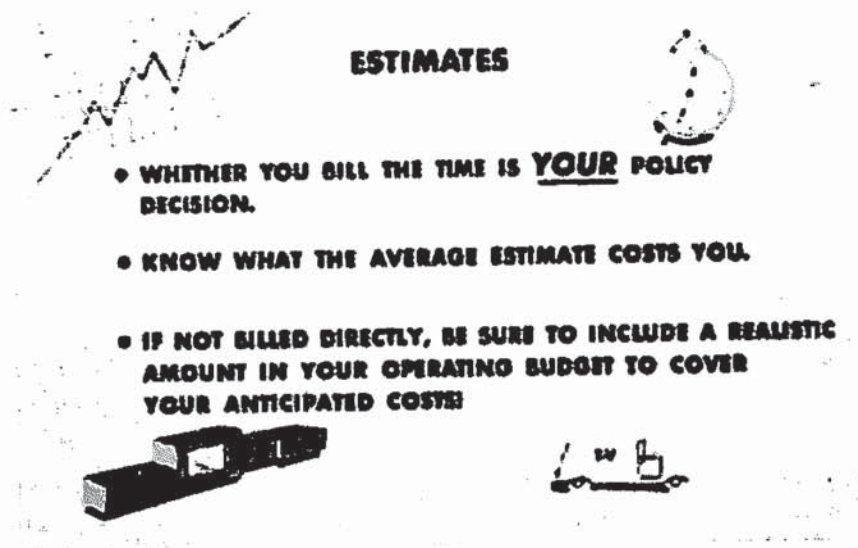
Another approach is a bit more defensive, but it also works. A statement is printed in bold type on the face of the invoice, so the customer can't fail to see it: "Work performed in the customer's home during the first half-hour of a service call is charged for at our standard flat rate of \$5.95." Some service shops, in a bid for better customer understanding, have also printed a short explanation of the reasons for the flat charge, citing some of the expenses entailed in getting the technician to the home. However, this kind of explanation usually appears on the back of the customers copy of the invoice.

The drawback to this approach is, of course, that the customer doesn't get to see it until the work is already done. Then it's too late to avoid an objection and too late to do much about it. But the information on the invoice at least proves to the customer it's a standard practice of the shop and he isn't being "taken."

PRICING PRACTICES

ESTIMATES

Another objection to the flat-rate service charge may come from customers who decide not to go ahead with repairs when they are told the possible cost. The best answer to this dilemma is to develop a policy on estimates, and then stick to it. Here are some of the possibilities:



ESTIMATES

- WHETHER YOU BILL THE TIME IS YOUR POLICY DECISION.
- KNOW WHAT THE AVERAGE ESTIMATE COSTS YOU.
- IF NOT BILLED DIRECTLY, BE SURE TO INCLUDE A REALISTIC AMOUNT IN YOUR OPERATING BUDGET TO COVER YOUR ANTICIPATED COSTS.

No charge for estimates—This is much more costly than you may think. The profit margin—even on profitable calls—is too nar-

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row, the individual sale is too small, and costs too high for the average service shop to be able to provide free estimates. Some charge must be made.

Nominal estimate charge (deductible)—This is the most popular course. A special reduced flat-rate charge is made for estimates. Then, if the customer decides later to go ahead with the repair, the estimate is deducted from the final bill.

Full flat-rate charge—This might be the toughest course to pursue, since it is the hardest charge for the customer to swallow. No one likes to pay for intangibles, and nothing could be much more intangible than an estimate. However, if the charge is carefully explained when the customer asks for an estimate, there is little room left for argument.

SHOP JOBS

How does all this affect the shop job? A flat-rate service charge is usually applied to a call made at the customer's house. Bench

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work at the shop is billed at an hourly rate, since bench jobs are presumably more complex than calls that can be completed in the home. With today's television sets being constructed as they are, pulling a chassis is often only a few minutes' work, and again you may run into a price objection:

"You charged me \$5.95 for 15 minutes' work," says the customer. "That figures out to \$23.80 an hour. I don't even pay my psychiatrist that much!"

If you must pull a chassis, and are using the flat-rate service charge, explain it this way:

"Mr. Jones, I'm going to remove the chassis of your set and take it to our shop so we can service it with the benefit of our bench equipment. This is more economical for you in the long run, because I might have to spend hours trying to repair it in your home. The additional charges, over and above that for the first half-hour, would be wasteful, when we could fix it much faster in the shop. The flat-rate charge includes the time and expense of delivering and reinstalling the

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chassis. Thus, your overall bill will be less than if we tried to make such a complex repair in your home.”

If this doesn't pacify your customer, then he probably *should* spend the money with his psychiatrist!

CHAPTER 4

Service Pricing Guides

You've seen how pricing methods vary, and have probably chosen one to suit your particular business. You have determined a proper and profitable hourly rate on which to base your pricing schedule. Now it is time to put these facts and figures into concrete form.

The guides in this chapter are intended to serve merely as their name implies—as guides to help you plan prices that suit your business volume, overhead, locality, and desire for profit. Where figures are given, don't

attempt to use them as actual prices, for they are not intended as such. They will prove too expensive to be competitive in some areas, and too low-priced to permit a profit in other localities. Use the guidelines established by these charts and tables to help you set up pricing schedules of your own, and to compare your pricing practices with those used by other successful service businesses.

FLATE-RATE TIME GUIDE¹

Charts 4-1 and 4-2 and Tables 4-1 through 4-5 list the estimated time required to locate almost any form of defect, in almost any television part. In addition, a time estimate is indicated for replacement of the defective component. This time guide can be used with your hourly rate (as computed in Chapter 1) to develop a charge schedule for almost any conceivable repair job. Of course, the times indicated are averages, and assume that you have the necessary equipment and are a competent technician.

¹Courtesy of Reed Radio & Supply, Springfield, Mo.

SERVICE PRICING GUIDES

Basic Service Fee

Chart 4-1 lists the services you should expect to perform for your minimum service fee—the charge you have determined will be your home-call service charge, or your minimum shop charge (on carry-ins). This covers ordinary service procedures which are normally carried out in simple home servicing. The time usually allotted for this procedure is 30 minutes. However, a price of one-half the hourly rate is hardly proper, for there are driving time and truck expense to be considered. Nevertheless, a service-call charge is simple to calculate, since you have the information at hand (Chapters 1 and 2).

Estimate the total travel time per day and divide it by the average number of calls. Also divide the total mileage per day by the number of calls. Assume you spend two hours on the streets, making eight home-service calls, and drive a total of 40 miles. Figuring your time, you would allow 15 minutes travel time for each call—making a total time (for your basic service-call fee) of 45 minutes. At an

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hourly rate of \$6.00 per hour, this amounts to \$4.50. Add to this your average mileage of 5 miles at 10¢ per mile (cost from your P/L sheet plus a profit margin) and you have a *minimum* service-call charge of \$5.00.

Major Labor

Note that the services performed under the “minimum-fee” list (Chart 4-1) do not include removing the chassis, or any major servicing. Chart 4-2 takes these additional duties into consideration. If “basic service” fails to complete the repair, additional time is allowed (and charged for) to perform these duties. In some instances, they are performed in the home; some service technicians prefer to remove the set to the shop for some of these operations. In either case, the additional time is added to the total “time bill.”

Shop Diagnosis and Repair

Once the set is brought into the shop, the primary concern is to find and replace the defective part or parts. By the time the set has

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Chart 4-1. Items Included in Basic Service Fee

1. Check and replace defective tubes.
2. Check and replace defective fuses.
3. Check interlock connections.
4. Check picture tube.
5. Check plate caps and anode leads for good connections.
6. Remove dust from chassis and cabinet.
7. Clean picture tube (add 30 min. if chassis must be pulled).
8. Adjust horizontal width, drive, centering where applicable.
9. Adjust vertical height, linearity, centering.
10. Check for proper operation and correct adjustment of focus, contrast, and brightness controls.
11. Check channel switch for positive contact.
12. Check for distorted, noisy, weak, or intermittent sound.
13. Check picture for flicker, snow, noise, proper interlace, brightness, etc.
14. Check picture tube centering in cabinet.
15. 30-minute final check (in shop only).

been brought in by an outside serviceman, the basic service has already been performed. Therefore, all additional time spent comes

Chart 4-2. Major Labor

	MINUTES
Pull chassis and replace	30
Add to checking and analysis time if set has picture tube in cabinet and harness must be used to complete analysis or repair	30
Add if set is a portable and diagnosis can not be made without removing chassis	30
Add to replace time of part if circuit is printed (open type)	15
Add to replace time of part if circuit is printed (concealed type)	30
Add if analysis time is slowed down by the fact that component failure is in an overall feedback circuit	30
Add for aligning synchroguides	30
Complete IF & RF alignment	150

Add for finding open printed circuit (open type)	30
Add for finding open printed circuit (concealed type)	60
Add for work on tuner	60
Add for repairing burnt wiring (nominal)	30
Add if brackets must be removed to gain access to part (nominal)	15
Add if intermittent unless specified	double time
CHANGE PICTURE TUBES	
10"-14" 16"-17" 20"-21" 24" 27"	
Mounted in cabinet or by springs,	
wires, etc, or if no guides	45
Mounted on chassis with guides	30
	75
	90
	105
	75
	90

Note: Obvious trouble should have only 15 minutes analysis time regardless of chart. If detector is inside can which must be taken apart—add 45 minutes.

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under the head of "major labor" (Chart 4-2) or "diagnosis and repair" (Tables 4-1 through 4-5). Let's explain these latter tables.

Several defects can happen to various components. The nature of the defect often complicates the troubleshooting necessary to definitely "pin down" the fault. Therefore, in Tables 4-1 through 4-7, each component is categorized further under the headings *shorted*, *open*, *intermittent*, *value change*, *poor connection*, *noisy*, and *leaky*. The minutes indicated under each heading represent the average length of time required for a competent technician, with proper equipment, to *locate* the defect. Obviously, some circuits are more difficult to troubleshoot than others, but the averages will prove out over a normal servicing week. The first seven columns in Tables 4-1 through 4-5 indicate only the troubleshooting time (time required to locate the defect), so time must be added for the repair. The final column in the tables indicates the average time required to actually replace the defective component.

Table 4-1. Capacitor Location and Replacement

Type	Shorted	Open	Inter- mittent	Change Value	Poor Con- nection	Noisy	Leaky	Re- place Time
Coupling	30	30	60	60	30	30	60	15
Bypass	15	15	30	30	30	30	15	15
Input Doubler	30	15	30	30	15	30		30
Input B Plus	15	15	30	30	15	15		30
Output B Plus	15	15	30	30	15	15		30
Bootstrap	30	30	60	30	30	60	45	30
High Voltage	15	60	120		15	30	60	60

Table 4-2. Coil Location and Replacement

Type	Shorted	Open	Inter- mittent	Change Value	Poor Con- nection	Noisy	Leaky	Re- place Time
IF	30	15	60	45	45	30	60	30
Horiz. Osc.	30	15	60	45	45	30		30
Focus	30	15	60	60	30			45
Width	60	30	60	60	30			15
Linearity	30	15	30	60	30			15
Yoke	30	30	60	60	30			60
Heater Choke (Series Set)	60	30	90		90			15

Heater Choke (Parallel Set)	15	15	60		30			15
Ant. Wave Trap	90	30	90		30	30		30
RF Choke	60	15	60	120	30	60		30
Oscillator	120	15	120	30	60	60		30
RF	120	15	120	30	60	30		30
Conv. Grid	120	120	120	120	120	60		30
Antenna (Standard Coil)	30	15	30	120	45	30		15
Antenna (Regular)	120	15	120	120	30			60
Antenna Balun (2 coils)	60	15	30	120	30	30		30

Notes: For repair any coil, add 30 minutes; For cleaning contacts, add 30 minutes;
if width coil has AGC winding, add 15 minutes.

Computing the Bill

Let's take a sample repair job from beginning to end, using Charts 4-1 and 4-2 and Tables 4-1 through 4-5. The initial service call (Chart 4-1) we'll consider to take 45 minutes, including travel. The technician was unable to repair the chassis, so he removed it to the shop; the time charged for chassis removal (Chart 4-2) is 30 minutes.

In the shop, the multiple trouble was traced to an open screen resistor in the video-output stage, and a leaky *Synchroguide* capacitor. From Table 4-1, a leaky coupling capacitor counts 60 minutes, plus 15 minutes to install a new one. From Table 4-3, an open screen resistor calls for a total of 30 minutes to locate and replace. Our total time is now:

Initial service call	45 minutes
Chassis removal	30 minutes
Locating defective capacitor	60 minutes
Replacing defective capacitor	15 minutes
Locating defective resistor	15 minutes
Replacing defective resistor	15 minutes
Total	<u>180</u> minutes or 3 hours

Table 4-3. Control and Resistor Location and Replacement

Type	Shorted	Open	Inter-mittent	Change Value	Poor Con-nection	Noisy	Leaky	Re-place Time
Any Control	15	15	30	30	15	30 ¹		15 ²
RESISTORS								
Plate Load	30	15	60	30	30	30		15
Grid	30	30	60	30	30	30		15
Cathode	15	15	60	30	30	30		15
Screen	30	15	60	30	30	30		15
Other	30	15	60	30	30	30		15

¹For noisy volume control, 15 minutes.

²Add 15 minutes if dual control.

Table 4-4. Transformer Location and Replacement

Type	Shorted	Open	Inter- mittent	Change Value	Poor Con- nection	Noisy	Leaky	Re- place Time
Discrim. or Ratio Det.	30	15	60	30	30	15		30
Horiz. Output	60	15	60	60	30			45
Synchroguide	15	30	60	60	30			45
Power	15	15	30		30	60		60
Vert. Osc. or Output	15	15	30	60	30			30
Audio	15	15	30	60	15	30		30

Table 4-5. Miscellaneous Component Location and Replacement

Component	Shorted	Open	Intermittent	Change Value	Poor Connection	Noisy	Leaky	place Re-Time
Filter Choke	60	15	60	60	30			30
Selenium	15	15	30	15	15			ea. 15
Video Det.	15	15	60	60	30			15
Phase Det.								
Diodes	15	15	60	60	30			15
Speaker	15	15	15	15	15	15		30
Pix Tube Socket	15	15	60					30
High Volt. Lead	15	15	30					30

Since the *Synchroguide* circuit needs re-alignment with a scope, we add 30 more minutes (Chart 4-2), bringing the total time to 3½ hours. If our hourly rate is \$6.00 the bill will be \$21.00. To this we add our mileage charge, and the total bill is \$21.50 plus parts.

The Flat-Rate Time Guide is an excellent way to standardize your service rates, while holding firmly to the hourly rate you know is necessary to your profitable operation.

CONDENSED-RATE CHARTS

There are other forms of Flat-Rate Charts that are easier to use than the group just discussed. However, condensed charts do not cover as many possibilities as the comprehensive tables; therefore, they have to be used more judiciously. A typical condensed flat-rate chart is given in Chart 4-3.

Using the repair job described previously and the condensed flat-rate chart in Chart 4-3, the charges would be computed as follows:

Up to bringing the set to the shop, the charges would be similar to the previous ex-

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ample, since the service-call charge would be determined in the way described earlier. Therefore, we'll assume a service-call charge of \$5.00, ignoring the service-call charge of the shop that used this particular rate card. To the home-call charge, this technician adds the pickup-and-delivery charge of \$3.50. His basic bench fee is \$10.00, since this is a monochrome receiver. The charge for locating and replacing the bad capacitor is \$1.00, and for the resistor, \$1.00. Horizontal alignment adds another \$1.50 to the service bill. Thus our total is:

Service call charge	\$ 5.00
Pickup and delivery	3.50
Bench fee	10.00
Capacitor location and replacement	1.00
Resistor location and replacement	1.00
Horizontal alignment	1.50
TOTAL	<u>\$22.00</u>

In this case, there was very little difference in the charges. You'll find this to be true generally. Therefore, the comprehensive time guides of Charts 4-1 and 4-2 and Tables 4-1

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through 4-5 can serve as a guide to you in preparing a simplified chart like that in Chart 4-3, using your own hourly rate and your own service-call charge as a guide.

Chart 4-3. Typical TV Flat-Rate Labor Chart.

Home Call	
Black & White	\$ 6.25
Color	8.25
Pick-Up & Delivery	3.50
Callbacks (Other Trouble)	6.25
Bench Fee	
Black & White	10.00
Color	15.00
Estimates	8.50
AC Input	.80
Antenna (Built-in)	1.00
Alignment	
Horizontal	1.50
Sound	6.00
Tuner (Osc.)	1.50
Video	10.00
Capacitor	
Bypass	1.00
Filter	3.50
Coils	2.75
Controls	
Single	2.00

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Chart 4-3—Continued

Multiple	3.50
Card (Drive)	3.00
Modifications (Hourly Rate)	6.25
Open Circuit (Printed Board)	7.00
Picture Tube	9.00
Rectifiers	6.75
Resistor	1.00
Shorted Wiring	5.50
Transformer	
Audio	3.00
Horizontal	8.50
Power	8.50
Vertical	4.50
Tuner Cleaning	5.00
Tuner (Repair or Replace)	
Turret	12.50
Wafer	15.75
Yoke	3.75

COLOR-TV CHARGES

Service shops are in business to make money. Some that service color sets, succeed in making a reasonable profit, while others don't. An investigation of current color-TV service charges throughout the country dis-

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closed some facts and figures which should interest all service technicians.

Color-TV servicing, like other types, is priced in one of several ways: by the hour, on a flat rate per job, at a rate based on parts which are replaced, service contract, and a service-call charge plus any bench service needed. In addition, prices vary among individual shops, and differ in various areas of the country.

Color-TV calls and service are usually priced higher than for monochrome receivers. There are two reasons for the higher charges. First, special test equipment is needed and service charges must reflect its added cost. In addition, increased training and ability are required of a good color service technician; thus, their salary is higher.

Hourly rates are usually the basis for deciding "by-the-part" prices, although this method is used less than in former years. The time normally required to test and locate a defective part, plus the time needed to replace it, is determined; then the rate is computed from that. To these basic rates, most

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shops add a charge to cover disassembly, general cleaning, and adjustment.

Service calls usually cover the first half hour of time in the home. Most shops then charge by the hour for extra time needed. Some have come up with flat charges for standard jobs, such as a complete setup, where the time required is fairly well known in advance.

Table 4-6. National Average Color-TV Service Charges

	Color TV	B-W TV
Hourly Rate	\$ 5.25	\$ 4.50
Home Service Call	6.25	4.25
Bench Charge—Min.	15.00	10.25
Bench Charge—Max.	27.50	21.50
Yearly Contract 1st yr. (incl. parts & CRT.)	72.00	55.00
2nd yr.	120.00	75.00

Note: The lowest prices charged centered around the northeastern section of the country, and are about 25% lower than the averages shown above. The highest prices, about 25% above the averages, are concentrated in the West Coast area.

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Table 4-6 reflects various methods of charging for color service. The prices shown are based on national averages, and may be more in some areas, or less in others. Your own service charges should be based on a realistic scale which takes into consideration your labor costs, overhead, and investment in special test instruments. With the chart as a guide, you can determine whether your charges are in line with the average.

FINAL STEP

Now you know what your service charge must be to pay your way in the TV business, and make you some profit besides. However, is it a workable figure? Is it above or below the prices of your competition? If it's above "the going price of TV service" in your area, can you justify this higher charge? Here are some thoughts for you to consider if you think your charge sounds too high.

Are your overhead expenses and wages too high for your volume of business? Does any part of your overhead seem excessively high?

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Do you need to revise your operating policy in order to improve efficiency and reduce overhead? Unless there is a very positive indication of too much expense, your computed service charge is probably correct.

One thing more to be considered is competition. If your computed charges are considerably higher than those of your competitors, why are they? Are they more efficient than you? Are their overhead costs lower? Are their services as good? The answers to these questions will help you meet and beat competition.

Many have indicated a desire to learn whether their service charges were in line with those of other service shops. We surveyed a representative cross-section of independent servicers throughout the nation. This survey covered all the major areas of the United States, including Alaska and Hawaii.

We tried to procure information which would help determine what prices are being charged for radio and TV service. Naturally, prices vary from one area to another, from

Table 4-7. Replies Tabulated by Sections of Country

SECTION	% Hrly. Rate	% Flat Rate	% Both	Avg. Hrly.	Avg. Home Call		Avg. Flat Bench			Avg. P/U & Del.
					B&W	Color	Rad.	B&W	Color	
1. New England	9%	58%	33%	3.75	3.75	4.00	3.50	9.50	12.50	3.00
2. Mid. Atlantic	61%	32%	7%	4.00	3.60	4.85	3.50	10.65	15.25	3.40
3. E. No. Central	36%	45%	19%	3.75	3.50	5.25	2.70	6.70	12.50	3.75
4. W. No. Central	34%	62%	4%	4.00	3.75	5.50	2.20	6.25	14.50	3.50
5. So. Atlantic	11%	77%	12%	3.75	3.50	5.25	3.50	7.30	10.25	3.50
6. E. So. Central	32%	60%	8%	3.50	3.35	5.40	3.00	5.20	10.00	2.50
7. W. So. Central	11%	80%	9%	4.25	4.25	6.40	3.35	9.60	12.75	2.70
8. Mountain*	45%	49%	6%	5.00	4.35	7.50	2.40	7.50	10.00	4.00
9. Pacific	50%	22%	38%	5.50	4.75	7.75	3.95	9.00	16.00	4.25
Nationwide	32%	54%	14%	Hi 8.00	6.50	12.50	6.00	15.50	25.00	6.00
				Avg. 4.20	3.90	5.75	3.10	7.95	12.65	3.40
				Lo 1.50	2.00	4.00	1.00	3.00	5.00	free

*Returns unusually light

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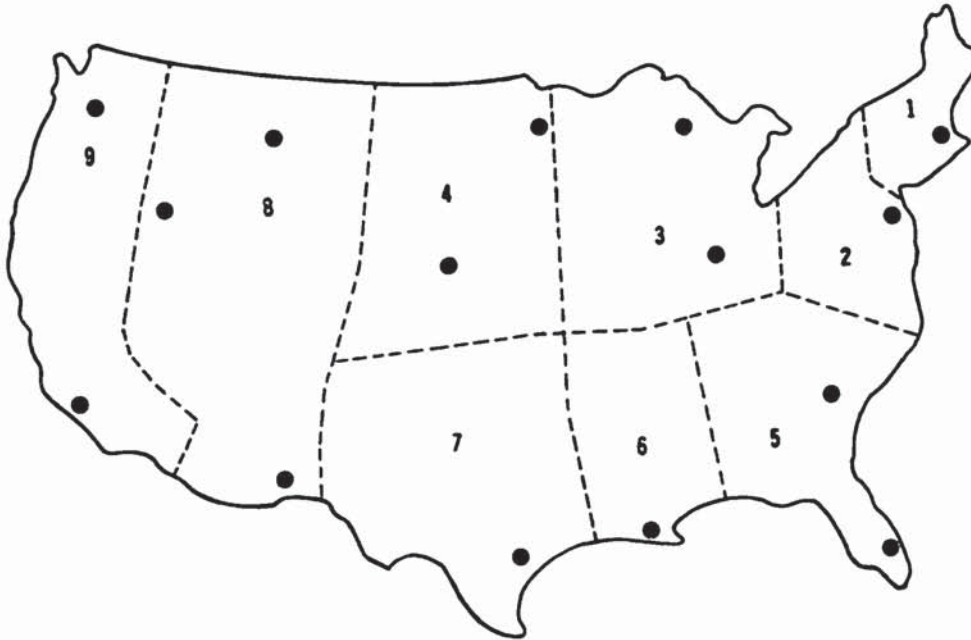


Fig. 4-1. Map showing geographical areas.

large city to small town, and from east coast to west coast. For this reason, the results of the survey have been tabulated by areas, so that comparisons can be readily made by the reader.

Table 4-7 shows the survey results by geographical areas (see map in Fig. 4-1). The information provided in the first three tabular columns indicates the percentages of service shops which use hourly rates, flat-

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rates, or both methods of computing charges. Several different means of computing service rates were recorded during the survey. Most shops preferred some type of flat-rate system, although a large number reported use of hourly-rate figures for much of their work. A few systems were quite unusual. One even followed a formula derived from the original selling price of the equipment.

Average hourly charges in different sections of the country are given in column 4. These rates vary considerably within each area, but the predominant number are below the mean level. Compared with hourly service rates in other industries, TV service seems to be somewhat toward the low end of the totem pole.

The next two columns of Table 4-7 list average charges for home calls on both black-and-white and color television sets. Notice the trend of consistency in the Eastern and Midwest sections, and the relatively higher hourly rates in the West and Southwest. Reasons for this stem from a number of factors. The cost-of-living index seems to be the

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greatest influence, although the availability of qualified technicians for a given population density is also a strong factor.

Flat-rate charges, given in the next three columns of the table, are a compilation of average minimum fees for bench-servicing radio, black-and-white television, and color television sets. A number of different practices are used in setting and applying minimum bench charges. Some shops figure on the basis of a certain amount for the first hour, and so much for each succeeding hour or fraction thereof. Most of these shops set a maximum figure beyond which they cease to charge. Other shops use a flat-rate minimum to which they add a service charge for each specific job.

A surprising number of service people make use of printed pricing charts (like Chart 4-3) which list suggested charges related to the replacement of specific components. The figures are based on the complexity involved in diagnosing and replacing a defective component, and do not include the price of the component itself. A user of such

Table 4-8. Comparison of Metropolitan and Small-Town Area Charges.

	Metropolitan Area			Small-Town Area		
	Low	Avg.	High	Low	Avg.	High
Hourly Rates	4.50	6.25	8.00	6.00	12.00	19.00
Home-Service Call—B&W TV	2.50	3.95	6.00			
Home-Service Call—Color TV	3.95	5.95	8.00	1.00	3.00	6.00
Minimum Bench Charge— B&W TV	5.00	9.95	14.00	1.50	4.25	7.50
Minimum Bench Charge— Color TV	5.00	14.50	25.00	2.00	3.75	6.50
Minimum Bench Charge— Radio	2.00	3.50	6.00	2.00	5.95	12.50
				3.00	8.00	15.50

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charts will do well to remember that, unless prepared for his specific use, they do not reflect his particular overhead expenses.

When queried about pickup and delivery charges, those who took part in this survey offered a wide choice of opinions. Comments ranged from "We refuse to charge for this" to "Pickup and delivery free." The last column in the Table 4-7 was compiled from the prices given by those who do charge for pickup and delivery. As you can see, the averages are pretty much in line with the home-call rates, although almost invariably 10 to 25% less.

The figures at the bottom of Table 4-7 represent countrywide averages, along with the highest and lowest prices for a given service. These summaries can be used to equate the overall picture of service charges by area.

Population density is another factor which enters the picture in trying to determine the average service charge for a particular locality. Table 4-8 shows that average prices in metropolitan districts are higher than the average in rural or small-town areas. How-

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ever, some of the record "highs" were found in small towns, and some of the shops in metropolitan areas charged much less than the nationwide average. For purposes of this tabulation, a metropolitan area is considered to be a concentration of more than 50,000 people.

Of course, your own service prices must reflect the conditions in your locality, as well as your own particular circumstances. They must pay your wages and business overhead, provide for keeping test equipment up to date, and furnish a profit as well. Perhaps the results of this survey will help determine if *your* charges are just about what they should be.

CHAPTER 5

Sidelights to Pricing

There are other fields of electronic servicing besides television. Many of these are just as profitable—or more so—if they are priced correctly. Correct pricing means (1) competitive pricing and (2) profitable pricing. Here are some quick samples of pricing practices in fields other than TV.

NO-PROFIT PRICING?

Having a hard time keeping busy during the summer months? If so, you might take a hint from the garages that advertise a special flat-rate charge for some combination of

standard maintenance jobs such as brake adjustment and wheel balancing. Applying this idea to the TV field, you could offer to clean a TV chassis and safety glass and check all service adjustments for a fixed fee of \$5.95 or \$6.95. At this price, you obviously won't be hauling in big profits; but you'll be building good will and bringing in some cash instead of sitting around waiting for the phone to ring.

FREE TUBE TESTING

The do-it-yourself tube tester in the hardware store, drug store, and gasoline station has, without question, dug deeply into the profits of television and radio service shops. In several areas of the country, however, machines have been installed to the point of saturation, and retailers report declining tube sales. An energetic, determined service-shop owner can combat the competition from these machines, and stand a chance to win.

Never before has it been so true that, if you can't fight it, you should join it. Now

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that the idea of self-service testing has gone full cycle, service shops have a golden moment in which to turn the tide and win back most, if not all, of the tube sales that have been lost to the testing stations.

If you want to fight competition, you first need to learn all you can about it, just as the general in battle tries to fathom his opponent's next move. There appear to be two plans in competition with the service technician—the ownership plan and the franchise plan.

Ownership Plan

In the ownership plan, the retailer actually purchases the tube tester, the stock cabinet, and an initial stock of tubes. The tester and cabinet cost about \$130, not a large investment for a moderate-sized retailer.

Most of the tube-testing stations sold to retailers under the ownership plan are made by manufacturers who market the instruments under their own brand names. Selling

is handled by the manufacturer's regular distributor organization, who have the responsibility for selling, installing, maintaining, and stocking the testers.

Franchise Plan

In the franchise plan, the retailer does not buy the instrument; it is owned and serviced by a franchised agent. The machines used in this type of plan are usually, but not always, made by small manufacturers who, in the absence of a regular distributor organization, turn to individuals for help in marketing the machine and the tubes.

The successful franchise agent can make a very comfortable living, indeed. A "string" of 20 or 30 machines in fair locations can gross as much as \$12,000 to \$15,000 annually. All the agent has to do is call on each of his stores once every week or two, replenishing the stock and checking the performance of the instrument. Occasionally, it becomes necessary to dispatch a technician to repair it.

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For his part, the retailer must provide four square feet of floor space somewhere near the entrance to his store, where customers can't fail to see the machine. He pays only for the initial stock of tubes—and these are sometimes provided on a guaranteed-sale basis, so the retailer risks nothing but the floor space.

Where “name-brand” tubes are stocked, and the tester is in good condition, the do-it-yourself system is good business for the franchise operator, the distributor, the retailer, and the customer. The only one left out in the cold in this operation is the serv-iceshop—you!

Like anything else, the competition has some flaws and weaknesses, and these can be exploited by the alert servicer. Weakness number one, of course, involves the limitations of the self-service tube tester. The do-it-yourself type of machine isn't built to detect some of the intermittent failures to which tubes are addicted. And some tubes, while inoperative in certain circuits, are usable in others.

In addition, some retailers have taken to stocking off-brand tubes, many of which are nearly impossible to trace to any well-known source. These tubes generally fail earlier than others (sometimes as soon as they are installed), leading many formerly enthusiastic users of testers to have some doubts.

Part of the reason self-service tube testers have enjoyed such great success can be traced back to the black eye suffered by the service business in the early days of television service. Exaggerated stories about the malpractices of unscrupulous operators certainly contributed to the tendency to avoid a service call whenever possible. The present-day revival of confidence in the service business should definitely help restore the technician as the man best qualified to judge the condition of a tube.

The best way to fight the competition of the do-it-yourself tester is to join it. Free tube testing is here to stay—and *you* might as well be the one to offer it. Customers can bring their tubes into your shop as easily as they can to the drugstore around the corner.

WHILE-YOU-WAIT SERVICE

Is it good business for you to encourage your customers to bring in their own TV sets and other electronic equipment for repairs on a "While-U-Wait" basis? Most servicemen don't seriously consider trying this venture, being daunted (or should we say haunted?) by the image of a customer pacing back and forth across the shop floor. However, the advantages of carry-in service are too great to be passed off lightly, and a "While-U-Wait" approach can help to make carry-in service very attractive to your customers.

The increasing popularity of portable TV sets is increasing the potential market for carry-in service, and offers an antidote for the injurious idea that professional TV service is pricing itself out of the market. In our present economy, it's reasonable to ask, "*Why would* a consumer call a serviceman to his home, at extra expense, to repair an item that he could just as easily bring to the service shop himself" and save money at the same time?

Will They Wait?

Previous experience of shop owners who have tried W-U-W service has shown that 30 minutes is generally the longest period of time a customer should be expected to wait for results. Actually, it should be possible for a competent technician to find a rather high percentage of troubles within that time limit. Remember—carry-in sets, on the whole, will be less difficult to service than conventional “bench-job” sets, because a fair number of those in the carry-in category will contain simple troubles such as bad tubes or broken antenna leads. Even when the trouble is a component failure requiring bench troubleshooting, rapid isolation of the fault is often possible; once this has been accomplished, the customer will be in a better mood to wait awhile longer for actual replacement of the part.

Well within the 30-minute period, you should have a pretty clear notion of whether you’re going to find the trouble soon. If it looks as if you’re in for a fairly long session of troubleshooting, the best policy is to make

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whatever tests are necessary to get an estimate of the set's condition, and then present the problem frankly to the customer. You can explain that his trouble is somewhat complex, and that you will handle it like a conventional "bench job"; although the only charges will be for bench servicing and parts, these might run somewhat higher than for a simple tube or part replacement. Make a point of saying that you thought you'd better consult with him before proceeding.

A reasonable customer, although he'll be disappointed will probably agree to come back later to pick up the set—he can understand the human limitations on the "While-U-Wait" promise. If a set owner thinks he's being taken, he's welcome to pick up the set and leave; he's out no more money than a modest charge for an estimate, or you may prefer to make no charge at all if that's your policy. The chance of damage to your reputation is no worse than if you'd made a home call at this same character's house, and he'd refused to let you take the set into the shop for service.

When a customer has brought in an old, decrepit set, and learns he has a fairly serious trouble in it, you can be in an excellent position to offer him a choice between a repair and an on-the-spot trade-in on a new set. Again, the key to handling this situation is to discuss it with him before he has sunk any service-charge money into the old television receiver.

Proper Pricing

Elimination of delays—nominally the main reason for W-U-W service—is actually less important to most customers than the cash saving they obtain by doing their own pickup and delivery work. The fact is self-evident that the repair work itself would cost just about the same wherever it is performed; and it logically follows that eliminating the serviceman's travel costs must reduce overhead. So, if carry-in service is to be popular, customers must clearly understand that the basic price for this service is well under that for a service call in the home.

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Shops now providing W-U-W service have reported using basic repair charges averaging \$3 to \$4 for simple jobs that take a half hour or less. Additional work is priced at prevailing bench rates, after the customer has been given an estimate of the probable cost. As in any other phase of service work, it's extremely important to make a realistic estimate, to avoid misunderstandings that grow out of underestimating. Also, if you find you're going over your estimate, consult the customer (by phone, if necessary) before continuing.

As stated above, W-U-W service should be fast, but not so fast the customer might think he isn't getting his money's worth. The public has proved itself quite reluctant to pay a service charge of several dollars when the only "service" is to give the set a quick once over, and change a small plug-in part or tube.

It's doubtful if you could overcome this attitude even by cutting your charges to the bone (from *your* point of view). A more successful strategy is to charge a fee that will return a decent profit, and perform

enough small extra services to better justify this fee. Just as on home calls, you can clean the safety glass, touch up the service controls, inject fluid into the tuner to clean the contacts, and otherwise put the set in "ship-shape" condition.

Since you're in the shop when you're dealing with a W-U-W customer, you're well situated to carry this final touch-up a step further. Your theme in impressing this customer: "While the set's right here in the shop, I'll be able to make some special tests (included in my regular service, of course) that will help guard against further trouble." "Your best tube tester is right at hand, so you can accurately check the remainder of the tubes in his set after finding the original trouble. If he can watch, he probably won't even think of the time it takes, and you'll often sell additional tubes as preventive maintenance. You might even land a CRT-replacement job, either by using a tester or by making a demonstration with a check tube. Voltage and waveform checks at certain key points (B+, sync input and output,

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horizontal drive, etc.) can help you forewarn him of troubles just beginning, so you can let him make the decision of catching them immediately or waiting for further developments.

Shop Facilities

Setting up for W-U-W service imposes no great demands for elaborate shop arrangements, but there are a few particular features that will notably improve your handling of this service.

There should be a comfortable waiting area for as many customers as you expect to have in the shop at one time. To keep them occupied during bench work on their sets, it's a good idea to have an operating TV set located where they can watch it. (If you sell sets, this is a good chance to demonstrate what the latest models can do!)

The front counter should have somewhat more elaborate facilities than in the usual shop for "checking in" receivers that are carried in. It should be convenient to disas-

semble the set at least partially in this spot. (A vacuum cleaner is extremely useful here.) A tube tester should be within easy reach, as should an extensive stock of tubes and other often-needed replacements. Time can be saved on many jobs by having basic test instruments for diagnosing typical troubles—VTVM, scope, and DC power supply, in particular—permanently located at the counter. Quite a few simple component troubles can be intercepted and repaired here without hauling the receiver back to the regular bench, thus creating less disturbance to the more complicated work being done there.

Much of the preliminary disassembly and testing work can be done while the technician remains in conversation with the customer, and this period can be used to advantage to learn more about the trouble. The kind of customer who has enough “savvy” to bring the set in for service is likely to have made some worthwhile observations of the set’s behavior, and will probably be highly pleased that you give consideration to his judgment.

If routine testing fails to locate the trouble, the set may then be moved back to the regular bench. A type of bench construction using roll-out sections can expedite W-U-W service by making it easier to transport partially disassembled sets around the shop.

The main parts stock for a W-U-W shop should be somewhat more extensive than for the usual shop, unless delivery service by the local distributor is exceptionally fast. Precious minutes can be saved, and more customers better pleased, by having a good selection of the rarer tubes and fuses; also, it may pay to keep an assortment of such parts as vertical output transformers and built-in antennas for portable TV's.

Promoting While-U Wait

When you decide to encourage W-U-W work, promote it by featuring it prominently in all your advertising. Besides the usual ads, why not try an informational leaflet (for direct mail, handbill, or counter-display distribution) giving pointers to customers about bringing in their sets for service?

For example, you could include a list of simple conditions to check before hauling in the set; this could relieve many people of the exasperation of making an unnecessary trip because they failed to notice a blown house fuse, network or station trouble, or other outside causes of trouble. Another helpful hint would be to caution owners of portable sets against resting the CRT safety shield on the seat of the car during the trip to the shop: (Unless a protective cover is provided, some types of plastic or fiber seat covers can badly mar the soft plastic shields used on many portables.) To summarize the contents of the leaflet, it should convey the message, "You can save money by bringing your TV and radio sets to *us* for service; here's how you can bring them safely."

If you've been hunting for ways to strengthen your competitive advantage in the TV service business (and who hasn't?), stop and ask yourself: Do you have what it takes to furnish the attentive, efficient service that qualifies as "While-U-Wait"? If you feel you do, try it—it's unbeatable.

SERVICE CONTRACTS

Here's an idea for taking care of those jobs you can't repair in the home, but hate to pull in for shop service. Rather than saying the set needs a shop repair which will run from \$20 to \$30, suggest a general overhaul. For a set in reasonably good shape, you can offer the required service work with a 1-year guarantee and come out all right. Giving the customer three options helps overcome resistance to the high cost of his immediate service requirements. If one of the service-contract options is taken, you'll have sufficient leeway to put the set into really good shape, and lessen the possibilities of having to service it again during the contract period.

An additional benefit is the possibility you have of renewing the contract, allowing you to further build customer good will and plan for growth of your loyal customer list.

SOUND RENTALS

Service-shop owners who are looking for a way to enter the commercial-sound business

should investigate the potential in renting sound equipment. There are two distinct markets for sound-equipment rental. The larger and more profitable category includes business and industrial firms who rent complete sound systems on a long-term (usually 10-year) leasing basis. The other consists of individuals and groups who have only an occasional need for equipment.

Leased Equipment

After completing plans for the system, the dealer must decide on a rental fee. The rate should be set high enough to provide an early return on his investment, yet low enough to be attractive to the customer.

The first step in determining a fee is to compute the total investment in the system. To do this, the dealer figures his net cost of equipment; then he adds a normal mark-up, the expenses for installation, and the estimated maintenance cost for a period of 10 years. This total is divided into suitable monthly payments, which are typically large

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enough so that the dealer can recover his entire investment in one to three years.

An advantage of leasing complete systems is the built-in opportunity for selling extra equipment. It's easy to show users the desirability of expanding their systems to cover new areas and offer new services, for only a slight increase in the existing rental fee.

Don't forget the rental fee is based upon both the sale price and the maintenance cost. Therefore, each month's rent includes income for the service department. Since the contract continues for several years, the actual maintenance cost of the equipment is automatically paid for by the renter.

Occasional Renters

There is always a demand for sound equipment by the occasional renter. The Jaycees may be sponsoring a swimming meet, the Elks a dance, and the Tri Kappa a bingo party. All have a need for a complete sound system for a one-night stand. Naturally, none of them can afford to spend \$250 for a

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system and then use it only once or twice a year. However, they can set aside \$25 from an evening's receipts in order to rent equipment each time it is needed. Considering that a dealer may be able to rent a \$250 system ten times in a month, each time for \$25, it becomes obvious that there is good money in renting to the occasional user.

"One-time" rental charges can be computed in much the same manner as discussed under leasing. The biggest differences occur in considering the size of the system, and in recovering the investment in ten rentals rather than over a period of years. Obviously there will be some maintenance costs to figure into the rental fee. However, experience has shown there is amazingly little damage to the equipment.

COMMUNICATIONS SERVICE PRICING

Many newcomers to the communications service business are curious as to pricing practices followed by other businesses around the country.

Table 5-1. Average Communications Service Prices.

Type of unit	General Contract		Plus-parts (8-hr.)	Inspection type (per quarter)
	8-hr.	24-hr.		
Mobiles				
Up to 30-watt	\$ 7.00	\$10.00	\$ 5.00	\$12.50
60-watt	8.00	11.00	6.00	15.00
100-watt	9.00	12.00	7.00	17.50
Base Stations				
60-watt	15.00	22.00	12.00	30.00
AC Utility	12.00	16.00	9.00	22.50
100-watt	22.00	28.00	18.00	45.00
250-watt	27.50	35.00	22.00	55.00
Remote Controls	3.50	6.00	2.00	5.00

Hourly rates: \$5.00 to \$6.50 per hour for service during normal business hours; time-and-one-half usually charged for nights and weekends.
Overhaul flat-rate price: generally between double and triple the monthly rate shown in the Plus-parts column. Parts are extra.

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The most prevalent of these is the *monthly maintenance contract*. There are variations of this practice, but it generally takes the form of a fixed price per unit, paid by the system licensee, in return for which the communications technician provides all necessary service, adjustments, tests, *and parts*, on a monthly basis. The periodic tests required by the FCC are included in this plan.

As indicated in Table 5-1, monthly service contracts are usually divided into two types—the 8-hour and the 24-hour plan. Under the 8-hour plan, emergency service is provided during regular working hours; with the 24-hour plan, the technician is on call for emergency service at any time of the day or night. Naturally, the 24-hour plan is priced somewhat higher. In practice, system owners often place the base station on the 24-hour plan, and split the mobile units between the two plans, paying extra for only those units which are used day and night.

The *plus-parts* contract is a variation of the monthly maintenance contract. Under this arrangement, the technician provides

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service exactly as under the usual plan, but the system licensee is billed extra for any parts used in maintaining the equipment. Since the technician isn't taking a chance on

Chart 5-1. Typical Sample Contract.

Licensee: ABC Taxi Service

Address: Anytown, USA

Contractor: Two-Way Service Shop

Address: Anytown, USA

Contract Date: June 1, 1961

Expires May 31, 1962

Description		Monthly Payment	Total
1	XYZ-1 Base Station	22.50	22.50
10	XY-12 Mobile Units	9.00	90.00
5	YZ-2 Mobile Units	10.00	50.00
1	Remote-Control Console	3.00	3.00
4	Standby Units (spares, at half-price)	4.50	18.00
		Contract Total	\$183.50

To be paid 1st day of each month, in advance

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the number of defective parts that may develop, the monthly price is correspondingly less than for the ordinary plan. Even so, the plus-parts contract is generally less popular.

Contracts usually are signed for a term of one year, and are paid in monthly installments. The pricing section of a typical contract, based on the prices in Table 5-1, is shown in Chart 5-1. Prices over the country vary widely. In fact, there is considerable variation even among communication technicians within a given area; however, the prices in Table 5-1 are representative, and show relationships between prices charged for differing types of units under the various plans.

Another type of contract which has found some acceptance is the *inspection* contract. This contract merely stipulates that for a specified amount (paid either quarterly or monthly) the technician will inspect, repair, and adjust the equipment four times yearly, and perform the FCC checks when required. This contract includes no parts, but provides the licensee with a certain amount of periodic

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maintenance which will help to prevent breakdown of equipment. Emergency maintenance between inspections is provided at a predetermined rate—sometimes a flat rate per unit, and sometimes an hourly rate. All parts, of course, are billed as usual.

For systems not on contract, most communications service shops have a flat-rate labor charge for overhauling a unit. This price applies to a unit brought to them for service, and they overhaul the unit completely—including the FCC checks. They also have a price for performing the FCC checks separately. A charge for travel time and mileage is added to the basic charge for servicing equipment which is not brought to the shop by the customer.

While the prices stated in the charts are merely representative, they will serve as a guide to the technician just entering the field of communications. Specific charges should be set by the individual for the area in which he is located.

TV Service Pricing Manual

by the PF Reporter editorial staff

ARE YOU GETTING YOUR FAIR SHARE OF PROFIT FROM YOUR DAILY WORK?

One of the biggest questions confronting anyone operating a TV service business is, "How much should I charge?" In order to stay in business, charges must be both fair and competitive, as well as profitable. No business can exist for long if expenses exceed the income. This book is designed to aid the service shop owner or manager in determining just what his profit should be and how to make periodic checks to determine if he is making that profit.

TV Service Pricing Manual is not just a list of prices used by others. Prices charged by others are given, but only as examples. Instead, this book serves as a complete guide for computing just what **you** should charge **your** customers, based on the operation of your shop. All the factors that must be considered for computing what your hourly rate should be are given. Included are examples of the various pricing plans—hourly rate, flat-rate, home calls, and bench work—and the methods of arriving at the figures as they apply to your business. Thus, this book is designed for the TV service shop owner who wants to develop and maintain a better profit picture.



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