

## STOP THE GIVEAWAY MADNESS!

*by*

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Here's an idea: what if my accounting firm was to give away—absolutely free of charge—a complete audit with every tax return we prepare? What a deal! But wait, there's more! With every tank truck body you purchase, let's throw in a free truck frame—your choice of GMC or Ford. At absolutely no cost to you! And—for first time customers only—your local bank is offering a free bag of cash when you open a checking account.

“Preposterous,” you say? Of course it is. No company can stay in business by giving away its products and services. Yet this is exactly what is happening every day in the oilheat business. In a desperate effort to win over new customers, dealers of all sizes are holding out the carrot of free oil and free service. As a result, the oilheat industry is being dragged down into the mud.

This madness must stop. Not only does this frenzy of freebies make no economic sense, it devalues individual oilheat companies and our entire industry.

One of the most valuable assets of an oilheat company is its customer list. But those dealers who dangle the offer of free giveaways to attract customers may find that their customer lists are valued below market rates. This is because, instead of developing stable, long term customers, dealers who offer free oil and free service are creating “turnstile” buyers who are being conditioned to look for deeper discounts and more giveaways.

An oil company's best marketing tool is service. The entire image of the oilheat industry is built around good, quality, reliable service. Still, many oilheat dealers feel compelled to give away their service. Why do dealers take the best they have to offer and give it away? The annual FuelTrack study conducted by Gray, Gray & Gray has shown that free service erodes a dealer's margin by \$.09 – \$.11 per gallon.

If you doubt the value of service, just look at the growth of service-only businesses. Sears is expanding a tremendously profitable business segment by servicing appliances purchased from other retailers. Local HVAC companies are encroaching on traditional oilheat territory by providing quality, comprehensive equipment maintenance and service.

This free oil and free service technique of marketing will eventually kill off those dealers who practice it. Once hooked into giving away product and service, a dealer is no longer the master of his own destiny. Heightened customer expectations commit the dealer to continue doling out free oil and service or slashing prices to retain those customers taken in by the original deal. To try to shift these customers back to full price is to risk losing them to the next dealer with a giveaway offer. It is a death spiral of diminishing profits.

Such practices will also put unbearable pricing pressure on all oilheat dealers and lower the public's perception of oil. We have worked hard as an industry to bring added value to the commodity we sell. Giving away our lifeblood negates all of the good will and the positive image of professionalism that has been so carefully cultivated in the past.

Let's get back to the honest effort of marketing our oilheat companies on the merits of solid service, dependability and competitive pricing.

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