

Promises to Keep

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Have you enjoyed the summer? Played a little golf? Made a trip to the beach? Caught up on yardwork? Reintroduced yourself to your family? That's great.

The weather this summer has been unpredictable and turbulent. Can you imagine carrying that into the upcoming winter? Twenty inches of rain in May and June would be 200 inches of snow in January and February!

Despite the fact that it is still August, it is time to get back into heating season mode. I'm not telling you anything you don't know. It takes a ton of preparation to get ready for the season. Hopefully, you've done some of the work by now. If you have not established your margin (see our margin calculator at www.gggcpas.com), made your first contract purchases and signed a goodly number of customers to price protection and budget payment contracts, you are already running behind.

But today I want you to take a few minutes out of your busy summer schedule to think about the coming winter. The only thing we know for certain is that it will not be easy to steer your oilheat business through ups and downs of a market that remains unpredictable and turbulent. Unless you own a hidden oilfield, or have secretly stashed away a few million gallons of distillate you purchased in 1982, you face the prospect of managing product cost, delivery logistics and customer expectations.

The secret to surviving – even thriving – in a difficult market is to have something steady and solid to cling to when times get tough. A “rock” that you can count on through thick and thin. Guess what? For your employees, your customers and your family, you are that rock.

I don't mean to get all mushy and sappy. But, for the sake of your business, you had better make some decisions right now that you stick with until next spring. Here are some promises that you should make to yourself – and keep.

“I will not chase phantom price points.” So the guy down the street delivering oil in the rusted Mack with the bumper hanging off is undercutting your retail price by ten cents. Is that a good enough reason to drop your price across the board and give away thousands of dollars each week? Set your margin at a point where you will cover your costs and make a decent profit, then stick to it. “Turnstyle” customers who

switch dealers over a few pennies are, in the long term, not worth the effort.

“I will accept credit card payments – happily.” If you do not already take credit cards, start this year. Not only are credit cards a great convenience for your customers, they greatly improve your cash flow and virtually eliminate the need to chase bad debts. If you are worried about giving up a few points to service fees, you should consider reformulating your target profit margin to cover them.

“I will have my pricing program customers sign an enforceable contract.” The biggest worry about fixed price programs is that a customer will “jump ship” if rack prices drop, leaving you holding onto oil at a higher price. Make your customers understand that you are acting as their agent in purchasing oil at a fixed price, and that they must assume equal risk for the protection. Some dealers charge an up front fee that is only returned at the end of the contract period (or applied to the final month’s invoice) in order to commit customers to the program. Talk to a lawyer with consumer contract experience for help in writing up the legal documents.

“I will not give away service.” As a full service dealer, your service department sets you apart from discounters, and should be a profit center for your business. Offering free service to entice new customers not only gives away valuable hours of your technicians’ time, it makes it almost impossible to charge a proper price at a later date. The same goes for service contracts that are underpriced. It is difficult enough to make a good profit on oil, don’t throw it out the back door through free service.

“I will listen to my customers.” If the only conversations you have with customers are fielding complaints over the telephone, you are not getting an accurate picture. Make a commitment to pick up the phone and call ten customers each week, starting this week. Talk about market conditions, let them know what you are doing to keep them safe and warm, and ask them what you can do to help. Make sure they know about your budget payment and price protection plans, and your service department. Become more than just a faceless guy driving a big truck. It will pay dividends for a long time to come.

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