



HERMAN

PRODUCTS. PROCUREMENT. PEOPLE.

By Chris Bianchet

Are you Charging Enough for Your Most Limited Resource: AV Labor?

Having been around the AV integration industry for some time I have witnessed a lot of change. From rapidly eroding product margins to CRT becoming Plasma becoming LCD becoming LED and so much more. We are, without question, in a time of constant change and with that constant change comes both opportunity and challenges for integration businesses.

Back in the day when profit margins on hardware were a little more lucrative, our industry made a decision to grow by utilizing labor as a way to sell more products. When smart rooms began to take off, we couldn't deploy resources fast enough to hang the projectors, because we were seeing 5 figure profits on every new project. However, when we entered the labor business, we made one fatal mistake and as an industry it has been causing us problems ever since...

We used labor to sell hardware instead of hardware to sell labor.

Inevitably, the margin on hardware started to come down and the profitability of selling projectors and smart rooms became less and less per room (We all remember when spiffs became larger than profit margin on some of the equipment we sold). However, as this happened, we found ourselves in a predicament where we couldn't (or didn't) raise the rates of our labor nearly enough to offset these decreasing margins. So what wound up happening is our overall margin eroded, but in many cases we made up for it with growth in product sales. Essentially, this was a side effect of the growth of rooms

from a few pieces of hardware, to many pieces of hardware. However, it wasn't a permanent fix, but rather a temporary solution to eroding project margins.

If there is one thing I learned in my experience as an integrator and as the leader of a labor solutions company for integration companies, it's that labor is a precious resource. In our business it's hard to recruit and train labor and retain talent. In fact, I'm sure many of you would agree that this may be one of the hardest parts of our work. It's a lack of great labor resources that often scare the heck out of us when it comes to growth. Before we begin to panic about where the next revenue and labor is coming from, perhaps we need to take a reflective moment to ask, what can we do better with the labor that we have?

Here is one suggestion...

Start charging appropriately for your labor resources!

Earlier in this article, I mentioned how I came to find out what a precious resource labor is. So knowing this, why do we as an industry continue to undercharge for these resources. Whether it's engineering, project management, installation or programming, these resources aren't only scarce, but they're invaluable. This is why it's so hard to find quality help. When you have it, you need to charge appropriately for it.

Somewhere along the line, we became stuck in our belief that our value as an integrator is the products we sell. This is why we always pursued margin in hardware and treated labor as an enabler to sell more of it. Had we known that in the future our services would be our golden goose, we would've probably done things differently. In today's economy, people aren't only used to paying a premium for good service, but they also demand it. With the scarcity and critical nature of labor for systems installations, there's room to edge up

those rates just a little bit (if not more). This increase will improve overall profitability and will free us from the need to focus on always finding more revenue. After all, there is nothing wrong with better revenue.

Scary as it may be, we're going to have to get better at selling and charging the right amount for intangibles if we want to thrive in this economy. Why not start with the one service we not only know, but need to sell and make sure we charge correctly for the value they provide. I believe now is a great time for integrators to start believing in their value and more importantly start charging accordingly; our business's future may just depend on it.