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Market Trends

Contract myths and FaaS

By Martha Entwistle, managing editor - 04.2009 [email](#)

Fire services is a good, stable, recurring business, and for that very simple reason, it's a segment that many fire companies would like to expand. What's the best way to maintain and grow fire services business?

Experts consulted for this story say it's fairly straightforward: Be efficient and flexible, and it's also a good idea to automate as many processes as possible. And what do they say about the multi-year service contract? That big fat guarantee of recurring revenue? It's not the panacea it's cracked up to be, experts say, unless it works for both parties.

Daniel Morrin, supervisor at Necco Security, in Philadelphia, a 130-person company that does electrical contracting, security and fire, said his approach to service is not to actively push contracts.

"I think a lot of times people try to sell service the wrong way," he said. Many of his service customers turn to Necco after being released from a long-term contract with another fire company. If a customer wants a certain length contract he'll work something out, but he never tries to lock them into a long-term contract. "Even our central station monitoring, we have customers renew annually," he said.

Barry Yatzor is vice president of fire alarm and life safety for Convergent Technologies in Chicago, a \$200 million company that derives about 25 percent of its revenue from fire. Convergent divides its fire service into four components: testing and inspection; preventative maintenance; battery load testing; and reporting.

Yatzor said 99 percent of his customers are in multi-year contracts, but that's a matter of choice, and preferable to many customers for budgetary reasons. He has "no qualms about 30-day terminations," however. The days of "forcing customers into long-term contracts are over" he said, because customers are more savvy about conditions of contract and most insist on a 30-day out clause. Delivering more with the contract keeps customers from exercising that clause.

The new darlings of the security world, nicknamed SaaS and VaaS, are "security as a service" and "video as a service." Loosely defined, these involve a security company delivering a browser-based service to customers that doesn't require the installation of software or product purchase. It's not exactly the same, but the reporting component companies are now offering customers comes close to FaaS. (That would be fire as a service.)

Yatzor explains that Convergent, as part of its standard service, offers "Web-based inspection reporting and online document storage." (It uses Building Reports software.) Technicians in the field apply a bar code to a fire device and the system records the date and time the device was tested, if it passed or failed. After an inspection, the information is synched up to the the Web site and the customers receive online reports. Customers can enter a password and see reports for their building for the past five years.

In addition to being a nice service for customers, this reporting function saves time and enables better automation of everything from quotes to work orders. "Every serious service organization looks for ways to enhance its reporting features. It makes everything easier and frankly, taking eight hours to [manually] create a report is of no value to the customer," Yatzor said.

Similarly, Stanley Convergent Solutions offers its customers "FaaS" reporting through its "eServices," said Felix Gonzales, vice president, strategic initiatives for Stanley. Customers "can go online to see when the last inspection occurred, the exact date and time and all the details ... and they can see when the next inspection is scheduled," he said. They can "find out everything about the fire inspection, when an alarm came in, check out a false alarm, update an emergency call list."

This system is helpful with scheduling at the branch level and it's helpful for the centralized management. "We do thousands of inspections across the country every week; [through this system] we can see that every single inspection, coast to coast, was done on time."

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