

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

Intro: Welcome to Profiles In Prosperity. The leading podcast for residential service contractors, sponsored by Service Roundtable and hosted by David Heimer.

David Heimer: Hi, this is David Heimer welcome to Profiles In Prosperity. Today I'm joined by Jose Moreira who is president of Profit Rhino, a company he founded. I think Jose is a fun and fascinating guy to talk to. He's a very successful entrepreneur. In addition to Profit Rhino, he's founded and grown several companies from marketing services to restaurants, quite a diverse portfolio. Also another interesting item, Profit Rhino recently acquired Callahan Roach. So I'm interested to hear about that. And I should point out that Profit Rhino is a vendor partner of Service Nations. So clearly I'm biased in their favor. But I'm mostly biased because Profit Rhino is a really great system. The people of Profit Rhino are wonderful people, and you can tell when you work with them, they're dedicated to making contractor's businesses more successful. So Jose Moreira, welcome to Profiles In Prosperity.

Jose Moreira: Thank you, David. Thank you for such a great introduction.

David Heimer: All true. Let's start at the beginning. How did you end up joining our industry?

Jose Moreira: I was in corporate America for 12, 13 years and I was the COO of a large distributor. But there was really no next step for me since the owner was the president. And I always wanted to get some experience, I wanted to start my own business. So I left and as you said, I started doing some consulting, started some other things. But my mentor, Debbie Fry, she had retired and her husband was an electrician and always started these electrical contracting businesses that never did really well. But

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

when she retired, they went to Myrtle Beach and her dream was to retire there by the beach. And I went to her house and wanted to do the art of contracting business. And she agreed to it, but she said, I'm going to run the backend to make sure it's successful.

And one of the big pain points she was seeing was pricing. The Technician, not knowing how to price, called the office for parts, markup, and parts pricing and she had to figure out a better way. So she researched and looked at flat rates. So she implemented the mail flat-rate pricing, which was a buck and you had the software and it was very klugey. But by implementing that in the business, she was able to get her net margin from 3% to 6%, over 20%. So she saw how powerful that was for small businesses and allowed her to scale. And they bought into a plumbing company and got into the pool and sold it and was very successful.

But she had an idea which was, why is this a printed book? Why can't we make this hosted online with a platform and we charge a subscription and they use that app for a price. And that's when she reached out to me, she had the knowledge. She experienced that and I had a technology and execution background. So she pitched the idea, I did some research. I thought it had some legs and we came up with the name Profit Rhino and started the company, a flat rate company. And that was in 2014 that we started. And we took a product to market around 2015.

David Heimer: Very cool. You guys kind of came from out of nowhere, I remember vaguely hearing about you and then suddenly hearing a lot about you guys. So great progress in a short period of time. So tell me about Profit Rhino now.

Jose Moreira: So, as we've obviously grown and understood a lot more our business

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

with our customers. The flat rate grew a little bit more into, hey, we have this digital flat rate, but we're going to be great to be able to kind of build options or have a sales tool. So we converted that into a quoting and sales tool that said the flat rate, which makes it much easier to create these option packages. And we've grown the platform to have a lot of integrations with some of the field service software where you can use this to feed that content in there, or use this as a price book and sales tool. So we've grown. We can talk a little bit more about Callahan Roach. We have an office in Dallas, upstate New York, and continue to really try to help contractors be more successful and more profitable, which is our mission to implement flat rates and sales processes and help them understand their numbers. So they know what to price and how to price.

David Heimer: I think the story from your mentor was a really valuable story. And it's a lesson that a lot of contractors learn sometimes painfully. But it always surprises me that some contractors are still using time and materials as their pricing mechanism. And so while this has been discussed a lot, it's still not across people that are using time and materials. So I feel like I owe it to them to ask you what you see as the advantage of flat rate pricing over time and material pricing.

Jose Moreira: Absolutely. First of all, 90% of all homeowners prefer flat rates and less than 30% of home service contracts offer it. So if the customer wants it, if the homeowners want to, why not give them that experience that they want and they're used to it because that's what they see every day in the car, carwash, in the movies, all at a flat rate. So that's the first of all overarching reasons that I think that if you want to give the homeowners what they ask. But there's a lot of other advantages. I know the timing, the material creates conflict.

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

The first thing, if you look at the experience of the homeowner with time materials, you're walking into their house and saying it's \$150 an hour, \$200 an hour, plus materials. The first thing they're going to say, they don't understand your business. And they're thinking to themselves, I don't make that much. Why am I paying that much? So they are going to watch you. They're going to haggle over that labor rate. And not only that, it's not a great experience. They've called you in there and they want three things. I want to know how good you are, how much and how long it's going to take. They probably know you're good because they called you. So you did well on that, but now you show up and you can tell them how much and how long it's just a bad user experience. They're unhappy, there's conflict with a lot of pressure on the technician.

The technician doesn't have the pricing of all the parts calling the office. They're watching you and it's just not the best experience for the homeowner. So, that's one fact, when you take a flat rate, you walk up, you introduce yourself, there's a diagnosis fee. I'm going to see what's wrong, inspect the trouble area, I'll come back with a pricing, If you agree, we'll proceed. If not, I click diagnosis. It just changes the whole interaction and becomes a lot more concentrated and you're not creating that conflict of how long or why are you charging me so much? So in terms of that, you're going to get a lot more jobs. You'll learn what you're going to be up to as a company, a lot more professional. Another part of {inaudible 06:17} material's also not fair to the homeowner or the contractor because the slower tech will take longer to do the work.

So you're charging a homeowner less right. So they're paying more for work that could be done faster because you have a newer tech. And your more experienced tech that you usually pay more money, is billing less. So you're making less margin on them. So, not having flat rate time materials, your margins are all over the place. And I have a

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

story of one of our customers that came up to me at one of the trade shows and said, "Hey, I love your system. No flat rate was a big difference for me because when I started my business, I was still going on jobs. And I had two other techs with me and I couldn't understand why all my customers always wanted me. When they called, they wanted me to go. Man, I couldn't scale the business."

"I couldn't work in a business because I was going to all these calls. And then suddenly it dawned. Because I had the experience and I can do it faster. So I'm billing them less. So that's why they want me. Once I switched to a flat rate, they didn't care who went because it was the same price. I could pass her on that. If it was me or one of my other two techs, it's the same price. So as soon as I did that, I was able to, instead of working in the business, I could work on the business. I've been able to increase my margins. I've been able to hire more and now we have seven trucks." And that was a big difference for him. So this is a prime example of the differences between time material and having flat rates.

David Heimer: That is a great story.

Jose Moreira: In summary, time with too kind of limits your ability to bill, since you can only actually bill how many hours a tech can work. Plus the entire benefit of that user experience and not haggling over price. And using flat rates really differentiates you as a company. It helps your contractor's bottom line and we see that with our customers every day. Every day, we help them to either improve their process or switch from time material to a flat rate.

David Heimer: So speaking of differentiation, what makes Profit Rhino different from

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

other flat-rate software companies?

Jose Moreira: Great question. Number one, I know we are a true platform. So when you get our flat rate, you get a management web tool that you can build on. So we have our trades that we offer, but however, I know some contracts are starting to sell grills. You can add a business type for grills and put pricing in there. So it grows with you. So you have control over that and we continue to add new trades. We just launched this year, a light commercial and light refrigeration.

So it's a platform that expands with your business needs, and we continue to push new content to make it better. We also have a big focus on ease of use and the user experience. We try to make it really intuitive. We focus on our pricing and our presentation. We really focus on the tech experience. We know that techs are under tons of pressure. We always say that the techs serve two bosses, two masters, their boss, and the homeowner and they need to make both of them happy. And sometimes it's very difficult, but if we can focus on the entire pricing side of offering the price and making it really easy for them to find a price. And have that conversation with the homeowner where the homeowner is happy and it's driving their average ticket and the owner is also happier. It also makes it really easy to use. We focus a lot on that.

Our content is managed content. So we have a team that updates our average parts costs, obsolete parts and adds no repairs. We also have a steering committee that we meet to discuss content needs. I provide feedback for different regions. And we continue to expand here in the Northeast, the hydronic side, no pumps, anything that comes, we try to make it better and improve it. So the customers can focus on running their business, not pricing. Let us take care of that. We also have some special

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

relationships with manufacturers, distributors that provide pricing data. So we can have industry parts, averages that get updated quarterly. So you're always doing well and getting the margins you want. And last, like you said, in the intro, our people and our success program. We really truly have an amazing group of people with values that are authentic and have as their mission to help home service contractors become more profitable and be more successful.

So we've implemented a success program that everyone that purchases our software grows through. Through this program, we help them reach through their bill out rate breakeven, help them calculate that if they don't have a goal or best practice. We teach them how to transition from time materials to flat rates. {Inaudible 10:31} or how to put a better process with their flat rate and to tweak their bill out rates and tweak the whole system to really, make it so they're hitting the margins that they want. Ultimately, our goal is to make these companies successful. We know, based on experience and based on the experience with the co-founder that {inaudible 10:47}. This makes a real impact in the business and in their lives. And if we can make their business better, more profitable, they will be able to pay the employees better. They're going to be happier. Their families are going to be happy with what I call trickle-down happiness. Right? You start with that everything is good. So we're really proud and really have that mission to help contractors be more successful.

David Heimer: We touched briefly on the Callahan Roach merger and you acquired them. They're one of the long-time well-respected flat-rate systems. So how has the merger been and what advantages do you get out of that?

Jose Moreira: It's been a great merger, really happy. And I think, there's two major

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

advantages. First, what I just talked about, the managed content, the whole content team that came from the Callahan acquisition. They have a team that just works on that and came with 30 years of empirical data on the task times. A lot of the relationships with the manufacturer supply houses and distributors to get that pricing. We got access to a lot more pricing, so we can have updates of contents. And we were really able to really improve the quality of our product with that reach and also the quality of the content. So it's been a win-win in that aspect. And then as we all know, Karen Roach pretty much brought flat rate to the HVAC industry. So the industry knowledge that came with acquisition is priceless.

In Callahan Roach, they really understand how the techs think. If I add up all the industry knowledge of all their staff, that we acquire this probably over 200 years. So us as being a newer company and bringing that industry experience has helped us become better at every functional area, specifically supporting customer success, product development, really that insight that they have as helped us become a better company. So those are two things that have been really successful, acquiring them and rolling them into our product and our operations.

David Heimer: Now you guys are in New York. Callahan Roach is in Arlington, Texas. You are a New York Giants fan. Callahan Roach is right next to the Cowboys Stadium, essentially. How's it going to impact you when the Cowboys kick the Giant's ass every year?

Jose Moreira: At least it's not the Eagles. That's all that I have to say. So the staff over there, when I went there to do an all hands meeting, they got me a gift and it was a Dallas Cowboys shirt. I brought it home. My wife, when he said, "get going into the

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

shed, don't even bring it in the house." So, it's a fun rivalry, we pick on each other, but it is what it is. Let's hope that the Giants have some better years ahead of here.

David Heimer: So as you mentioned Profit Rhino has thousands of contractors. And one of the things I really respect about you guys, your system works with really small companies and it works with those that have hundreds of trucks. And so you see flat rate implemented in a lot of different businesses. What kind of across the board or two or three things that the successful contractors do differently that help them grow, use the system scale and end up being profitable?

Jose Moreira: This is something that we spend a lot with our customers. And we've seen customers come with us like with two, three trucks and two, three years, be 10 trucks and grow and hit their goals. And I think there's a couple of traits that I see in these successful companies that really are able to grow and implement. I think number one is to have a great team. They have a management team that cares about the people and focuses on the development of people, and they have a vision for the company. Even one truck shows when they come, I want to implement this in two years, you're going to be talking to me. I'm going to have 10 trucks, and this is what I want to do. So they have a vision and they usually have a servant leadership mentality where they understand the importance of people in the business. And if you don't have the right people and take care of people, your business is not going to grow in scale. So that's number one.

Number two, they know their numbers. They understand breakeven {inaudible 14:46} allocation overhead, dual overhead pricing. They know the sales, each tech has per

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

week, average ticket, and they know how to price. They know what they need to price to get the margins they need. Three I'd say is they have processes and they understand the importance of processes. And especially they put in a lot of work and have a proven field process. And that's the process that allows them to scale and provide the same experience to each homeowner, every time, no matter what technician is sent to the job. And that's really how they scale. And that process is really well-documented, it's ingrained. And everyone talks about it, everyone knows and always improving where it goes. From arriving, appearance, setting expectations, diagnosis, pricing, service agreements, collecting a signature, asking for a review, leaving a little small gift, a follow up and, and that's really important.

They're very process-oriented not only in the field, but I see a lot of folks in the field, but even in the office. And lastly they're always the ones that I see that grow. They're always willing to learn. They want to learn, and they are part of a best practice group and sometimes more than one, Service Roundtable, SNA all are there. And they're eager to learn from their peers and they're eager to share their learnings. They attend webinars, conferences, and they're always looking to be better and to improve. So those are the things that I see with the companies. Usually those four things that I see in companies that are really pushed forward and are very successful and are able to reach their goals and grow.

David Heimer: So this has been great. If our listeners wanted to learn more about Profit Rhino, what would be a good way for them to do that?

Jose Moreira: So our website is very informative, www.profitrhino.com. We have a watch demo. That's a quick demo right there that you can see the product you have as

Episode 66 - Jose Moreira - The Rhino of Profit [00:17:47]

a quick overview. Right there you can also schedule a live demo if you're interested. And then we also have a chat right there with any questions that our teams are responsive and you can always, the number and the emails right on the side. If you want to call and talk to someone or email and get more information, that's always available. But I would start at the website because there is a lot of information there. And from there, if there is more interest, you can engage with us and our team can't wait to chat with anyone that's interested.

David Heimer: Well, Jose Moreira, thank you so much for doing this with us. I really appreciate it. It's been interesting hearing about Profit Rhino. So thanks for your time today.

Jose Moreira: Hey, thank you, David. Always a pleasure.

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