

Chris's Corner: The Case of Supply and Demand

I remember back in the day at WVU sitting through Economics 54 and 55 which were basic prerequisites for a business degree. If a person was mildly paying attention they will remember the intersecting graphs showing the relationship between supply, demand and market pricing; pretty basic stuff.

I don't think I have intentionally focused on the concept in the last 25 years; it's always been a matter of fact, lying dormant in my subconscious.

In recent months, here at Hefner Food Equipment we have been crazy busy. I am not complaining, what business doesn't want to have customers knocking on the door? However there are limits as to what we can do reasonably without pushing ourselves to the limit and perhaps creating a decline in workmanship and, just as important, a decline in the quality of life of our staff. (Happy employees are productive and loyal employees.)

This increase in demand has me questioning some basic assumptions as to what exactly is the root cause. Is the economy, locally rebounding and we have a release of pent up demand? People are confident in spending and investing? Did a competitor go out of business or suffer a catastrophic event affecting their ability to serve their market share? Are we just getting better at what we do and we are continuing to get new and repeat business? I really can't put my finger on it.

Despite this sudden boom in demand, supply in the service business is not as elastic as demand. I can't instantly create a service technician or find one sitting around looking for a job. It takes several months to get a super qualified person moderately productive. It takes years to get a technician fully cross trained. Additionally training is ongoing, so production availability will occasionally suffer as you invest in additional training for current employees. Plus you have to be able to afford making a hire. Volume doesn't equal profit; you have to be able to pay for increasing the supply to meet the demand.

So while trying to gear up for increased demand, we have to do additional things to moderate demand as well. One thing we are being forced to do is maintaining focus on who brought us to the dance. We are Hobart Sales & Service. We are, by contractual arrangement with Hobart, to first and foremost take care of the products manufactured by them and the sister companies of the Illinois Tool Works Food Equipment Group. Brands like Hobart, Vulcan, Berkel and Wolf, where we are the sole factory authorized warranty service company and parts seller in our territory. We have to give preference to our brands. People invest in these brands because they know the level of service they can expect after the sale.

Over the years, as a natural evolution, this business and virtually all of our Hobart corporate and independent service contractors have transitioned to working on ALL brands of equipment. However in times of extreme demand our availability to service non-ITWFEG brands is given a lower priority, out of necessity.

Is this fair? In my mind it is. The equipment owner purchased brand x for whatever reason. Maybe it was price. Maybe it was features and benefits. For whatever reason, they didn't buy an ITWFEG brand. So when it comes time for repairs and the purchaser doesn't want to use the authorized service company for brand x but want to use us, who aren't authorized on that brand, you have to ask yourself, why? Are we cheaper? Are we faster, better, nicer, whatever?

So we have rapidly increasing demand and slowly increasing availability in service capability; be it hours in a day or qualified personnel. To deal with the situation we have to prioritize our work load and be upfront as far as response times.

Sometimes it is difficult to be straight with potential customers, but I think the biggest mistake a business can make it is to try to be all things to all people and pretend you can it pull it off and have it all.

We are who we are and we have to stay true to that. If having to tell people the truth costs us some business. then unfortunately we may have to do that. By being honest, perhaps, we have moderated demand.

This all could be basic economics, as far as I remember.