



SCALING YOUR HVAC BUSINESS IN 2021

**10 THINGS YOU SHOULD
START DOING NOW**

INTRODUCTION

Winning in today's marketplace requires more than powering through your days and providing your customers with the products and services they need to ensure they are comfortable in their homes and businesses. Shifts in consumer behavior and the use of technology have changed the HVAC home services landscape requiring business owners to leverage new opportunities to scale their businesses profitably. In the following pages, we have compiled ten key lessons to help you navigate this new reality in 2021. We hope this guide sparks new ideas and excitement for you and your team on how to take your HVAC business to the next level this year.



KNOW YOUR NUMBERS

As an HVAC business owner, tracking the right data and making decisions based on reliable information is a key component of building a profitable and scalable business. These are some tips to keep in mind when looking at what numbers to track and how:

- ◆ **Manage your business on a daily basis so you can make decisions quickly and effectively**

Departmentalize your P&L statement to simplify the process of identifying and solving problems. As a general rule of thumb, departmentalize any segment of your business that represents at least 10% of your total revenue
- ◆ **Know all costs directly related to each job and your gross margin so you identify and correct issues before the end of the month, quarter, or year**
- ◆ **Know your breakeven point which is the minimum amount of sales needed to cover direct costs, indirect costs, and overhead**
- ◆ **Know your KPIs (key performance indicators) to effectively manage your business**

SET A GOAL AND CREATE A PLAN

Have a goal for the year, a budget to hit, a plan to achieve it, and then go to work! Follow these steps:

1. Set a Goal

A **sales** and **net profit** goal for the year

A **monthly budget** of **calls** and **performance levels** to achieve your goals

A **plan** to **get the calls** and the **performance level** needed to achieve your budget.

2. Go to Work

Put your plan in **action** and continuously **monitor** it through KPIs

Adjust your plan as situations arise to ensure you reach your goals and budget

Get a **plan** together for how to overcome the challenges you have had historically.

3. Set goals for yourself and your team

Learn what your **employees** want to **achieve** personally and **involve** them in a plan for how you can help them achieve it

Set **personal goals** for your business growth and display it somewhere **everyone can see it**

Refer to your goals always in your **staff meetings**.

Quick Tip: Growth is judged differently by different people, some look only at revenue, some look at profit, some look at the number of trucks or employees. Others look at the number of service contracts. All of these are indicators of growth, but what does growth mean to you?

UNDERSTAND THAT PROFIT IS NOT A DIRTY WORD

Most employees think business owners and managers are living the dream and every dollar the company receives goes directly into the owner's pocket. To eradicate this false perception of business "megaprofits" lining owners' pockets, it is imperative to educate your employees on the costs of doing business by involving the management staff in the P&L review, budget process and plan to achieve sales and net profit goals.

How profit can help you grow and invest in your business

Profit does not just benefit the business owners' personal finances. It actually enables him or her to invest the right way in their company by building employee job satisfaction, helping their local community through sponsorships, and building their reputation. Here are some ways to put profit to good use:

- 1. Provide reliable and safe vehicles for your team**
- 2. Have a facility**
- 3. Offer ongoing training and benefits to your employees**
- 4. Cover all liability**
- 5. Get involved in your local community and sponsor activities that inspire you**

BUILD YOUR BUSINESS CULTURE

There are many things that go into the culture of a business, and most of them start with the owner. You need to decide what your businesses' culture is going to be and share that idea, vision and passion with your team. Be mindful that culture is not something you can fake or dictate. It needs to be built, believed, and lived.

4 main components of having a good team culture

- ◆ **1. Vision** - the vision statement is the guide for the values of your company. It's the roadmap for the decision-making process that your employees will make every day. This is the foundation of your company and your culture.
- ◆ **2. Values** - values are the core of your business. While the vision explains who the company is, the values are the guidelines and articulated actions needed to fulfill the vision.
- ◆ **3. Practices** - business culture begins to bloom through practices. Vision and values are useless if practices you have designed are not put in place. This is where the team needs to do the right thing, using the core values they have learned in your business to drive the vision.
- ◆ **4. People** - the culture of the business is dependent on the people who share the core values or have the ability to embrace those values and practices. Build your team with positive attitudes, invest in your people to help them grow, and provide the values they need to practice. Then support them everyday.

THE TAKEAWAY: *Never underestimate the value of teamwork with the right culture*

BUILD A GREAT SUPPORT TEAM

It's no secret that skilled labor is one of the largest challenges we have in our industry. The old saying goes: "The only thing worse than training your employees and having them leave is not training them and having them stay." This is why identifying employees with high potential is extremely important to drive your business forward. Here are some best practices for hiring, training and investing in your team

1. **Hire on attitude and aptitude, train for skill**
2. **Be the mentor you always wanted**
3. **Don't be afraid of an employee leaving to start their own business**
4. **Give your employees the tools they need to be successful, but also make them want to invest in themselves**

Powerful actions to empower your employees to be successful

- ◆ **Educate your employees on all aspects of the business** – provide training and support to your employees in all areas that will help them be more efficient and successful at their job: from HVAC software to process and procedures.
- ◆ **Set high expectations** - Track employees' performance and show them what level they are performing at vs the level you expect them to perform. Consider posting weekly reports on the wall so it is highly visible to everyone.
- ◆ **Drive employees' sense of competitiveness** - Compare and share your employees' performance to other companies and industry averages.
- ◆ **Set individual goals for employees** - Encourage collaboration between manager and employee to create individual plans and achieve them together.

DO THE RIGHT THING



In order to have long-term success in the HVAC industry, you need to establish an indelibly good and trustworthy reputation. It is therefore imperative that your businesses' core values are always ethical and that the actions you take always have the customers' best interests at heart. Here are some guidelines to manage your customer relations

- ◆ **Treat your customers like family** - Provide the same level of service you would provide a close one. The only difference is that customers will pay for your services and expertise.

- ◆ **Do what you say you are going to do and do it well** - Pride and workmanship are traits that can't be taught. Make sure your employees buy into your culture and let this and your core values shine through.

- ◆ **Stand behind your work** - What image do you want to leave with your client? Details matter. The extra effort is what separates your company from the competition.

- ◆ **Go above and beyond what anyone else would do** - When a difficult situation occurs, like a tech installing a system improperly, take care of it. Your employees will make mistakes and accidents will happen. But it is how you respond to them that makes all the difference to the customer.

- ◆ **Ask the customer if there is anything else you can do** - During the call, customers have elevated anxiety levels. On every call, your team should have a clear objective of reducing the customers' anxiety level and increase their comfort and openness to the business at hand. Once they're open to the experience, asking them if there is anything else you can do is a great segue into additional services and items that they may have been afraid to talk to you about in the beginning.

STAND OUT FROM YOUR COMPETITION

The image your company displays will be what the customer remembers. Become a leader in the HVAC industry by setting a golden standard for professionalism and implementing the following suggestions.

Look like an HVAC professional

- ◆ First impressions happen in 7 seconds. What kind of first impression does your onsite appearance currently make? Quality company uniforms, clean work vans, organized work areas, tool bags, and professional equipment can all help you make a great first impression on customers.

Use technology to give you a competitive edge and wow customers

- ◆ Tech tools, like digital proposal software, financing apps, and online booking and communication systems, can make you stand out from your competition while providing a higher level of service and convenience to your customer.
- ◆ Your sales process needs to wow the customer, while educating and addressing their needs. Multiple options—easily created by certain digital proposal software—allows the customer to choose to buy instead of being sold. Technology can be used to set your sales process apart from others in your market place.

Provide warranties, guarantees and great service

- ◆ Give customers peace of mind and be sure to stand behind your work. Strive for excellence and offer them a higher level of service with more benefits. Don't forget to leverage additional guarantees from your distributor or OEM.

Offer financing through easy-to-use digital apps

- ◆ Using financing as a sales tool is a great way to stand out from the competition. Crucially, they help ease the customers' financial burden of paying up front for a high-priced item, like a \$10,000 system. Financial digital apps that can provide an immediate approval at the touch of a button, and even provide a second look option for customers with lower credit-scores, can reduce customers' anxiety by providing them with the money they need to make their much needed repair in a quick and easy manner.

Adapt other business finance models that can work in the industry

- ◆ Look outside the industry for personal experiences that may be possible to adapt to your business.

Stay on top of your industry's competitors and innovators, and adapt

- ◆ Educate yourself constantly on what is going on in the HVAC industry and with your competitors. This includes learning about new services that other HVAC companies are not offering and how you can include these into your toolbelt.

GROWTH AND SEASONALITY



Growth is the key to a successful business model and important for stability. In normal conditions, if every year the population increases, the number of homes increases, and your business should as well. If you are maintaining your sales levels from year to year, you are actually losing market share and going backwards. Here are some tips to help you grow:

1. Offer Service Agreements

Service agreements are a great way to grow your business while decreasing your seasonality. Customers who have service agreements are more likely to do repeat business with you and build a longer lasting relationship. Taking care of your customers and building that relationship gives you the opportunity to earn the replacement when the time comes. They are also an indicator of a healthy business. When selling or acquiring a business, the number of service agreements can play a pivotal role in the business' valuation. Finally, using service agreements to offset the seasonality of the HVAC industry is a great way to: a. stabilize your work force, b. increase sales during slower times, and c. offer a premium level of service to your customers.

2. Measure your marketing campaigns

Marketing models can be an important part of the plan to achieve growth. Caution should be used on unknown campaigns and seasons. All marketing needs to be tracked to ensure the return on investment is acceptable. Use performance data to negotiate costs and campaign decisions.

3. Build your team for growth and limit layoffs

Spending the marketing dollars and getting the calls only to not have enough staff to run them is a common problem. You are limited by the staff you have available, and you may sacrifice quality for quantity. Service agreement sales and cash maintenance campaigns during the slower season can help build your team to be better prepared for the season to capitalize on the additional call volume. The key is to be proactive in building your team for growth, having them trained and ready prior to the demand season.

INVEST IN TECHNOLOGY

Technology has changed the way we hail rides, order products and request services. Yet many in the HVAC industry have not leveraged technology to work in their favor and are instead putting themselves in a serious disadvantage to their competitors who are delivering the digital experiences their customers now expect. Now is the time to invest in software that can help you grow your sales, automate your workflow and save time.

Types of HVAC Software

In today's market, there are many cost-effective solutions for businesses of all sizes to adopt HVAC software tools. These two can generally be broken down into 2 categories:

- 1. Software tailored for a specific function** - software designed to accomplish one part of your business. For example, software designed to create digital proposals.
- 2. All-in-one solutions that benefit a company in many areas of business** - software that can cover your entire workflow, from service to scheduling to dispatching, etc.

In order to determine which HVAC solution is best for you, take the following into account:

1. Feature list - you want a software program to have at the minimum the following key features. You can decide whether you want to invest in an all-in-one system equipped that can run all features listed in one software program or choose instead from different tailored pieces of software that offer one or more of these features (but not all of them).

- a) Create quotes, estimates and invoices**
- b) Accomplish scheduling and dispatch**
- c) Enable field communications and location tracking**
- d) Process payment**
- e) Integrate accounts**
- f) Analytics and reporting**

2. Software integration - when you are on the market for a new software tool, you need to consider how well the system can integrate to other software. Take the following into consideration:

- ◆ Whether the software will integrate with the software you are currently using or software you are interested in using in the future
- ◆ Whether you will need additional tools that have features the software you're interested in does not offer
- ◆ Whether there's a way (that's not too difficult!) to create or build a solution that allows you to integrate a software system not equipped with that built-in capacity

3. Ease of use - when you consider how easy-to-use a software program is, you need to consider two different types of users:

a) Your team - your HVAC software should adapt seamlessly to the everyday operations and processes your team is used to running or significantly improve the way they do their jobs.

b) Your customers - the software should enable you to provide an overall better service experience for your customer. The list of services can include using software that helps customers choose the right equipment by providing enough product information, providing customers with an instant and secure financing option or the option of booking an HVAC service online quickly and easily.

4. Pricing - the price of software available right now varies widely. When considering price, keep in mind that a lower price should never automatically be the best option. Instead, you need to consider a software's price as part of a cost-benefit analysis of how it will benefit your business, and also whether the software you chose will continue to be affordable as your business scales.

Things to consider with software pricing

- a) The yearly cost of the software
- b) Additional costs outside the software and monthly fee, such as a set-up fee
- c) The cost increase of the software as the company grows
- d) The amount of time and the savings software can provide your business versus the cost of the software and time to implement.

THE TAKEAWAY: Finding the right software for your business depends on many factors. The most important thing to keep in mind is which factors matter most to your company. You will make the purchasing decision by keeping in mind both your business's immediate needs and your vision for its future growth.

A. Important Profit and Loss (P&L) KPIs:

Gross Sales = *total sales*

Net Sales = *sales after refunds*

Equipment Costs = *total cost of equipment directly related to the job*

Material Costs = *total cost of material directly related to the job*

Labor Rate = *percentage of labor cost compared to sales*

Direct Costs = *total costs directly related to the job*

Finance Fees = *dealer cost to finance transactions*

Sales Cost = *commissions paid on the job*

Gross Profit = *profit after direct costs*

Gross Profit Margin = *gross profit divided by sales*

Indirect Costs = *costs not directly related to the job itself*

Overhead Costs = *costs of operating a business*

Net Profit = *profit after all direct, indirect, and overhead costs*

Net Profit Margin = *net profit divided by sales*

Marketing Costs = *total costs of marketing*

B. Important Operational KPIs by Department:

Number of Calls = *number of total calls by type*

Number of Calls/Jobs by type = *types of calls/jobs i.e. repair cash customer, no A/C*

Number of Jobs = *number of total jobs, multiple visits on one call*

Average Ticket = *sales divided by jobs*

Close Rate = *jobs sold divided by jobs ran*

Opportunity Rate = *number of jobs with equipment in replacement age*

Tech Leads = *number of tech generated replacement leads*

Tech Lead percentage (%) = *number of tech generated leads divided by calls*

Warranty Calls = *number of warranty calls*

Call Back Calls = *number of calls where customer required another call for the same issue*

Call Back Rate = *number of call backs divided by total calls*

No money/dispatch fee only calls = *number of calls where no money or dispatch fee only was collected*



THINK BIG, DREAM BIGGER

This is your life and your career; have fun and enjoy doing it! As you build your company, and dream about where you want to take it, make sure you have clear goals and consider the present and future of the HVAC world to maximize your chances of success.

- 1. Be a visionary for your company or hire someone who can be.** Part of being a business owner is thinking big and dreaming bigger - Creativity, innovation, and a clear goal fuel success. An idea can become a vision, a vision can become a goal, and a goal can be reached with proper planning and execution. If you are not able to be that visionary, hire someone who can - There is nothing wrong with hiring people to help you. A great leader doesn't have all the answers and skills, but they surround themselves with people that do and work as a team.
- 2. Assess where the HVAC industry is right now.** Our industry is changing, customers purchasing habits have changed, and customers' needs are different today than they have ever been in the past. Contractors need to evolve to provide solutions to these needs while maintaining the profits they need to stay in business.
- 3. Take action.** In this rapidly-changing world, it is imperative that you embrace technology and use it to your advantage. Technology has given us the opportunity to better serve our customers, streamline our operations, grow our businesses, and make more money.

PLAN FOR THE FUTURE

So, what is your 5-year goal? 10 or 20 year? The future starts today, what are you doing to take that first step.

Book a Free Sales Assessment at:

→ www.oncallair.com/freeassessment

