

HVAC to Home Performance

The Next Evolution
in the HVAC Industry

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Thumbnail Bio: Mike Rogers

- Grew up in a residential contracting family – swearing that I'd never do this!
- Got degrees in engineering and business
- Led development and implementation of Home Performance with Energy Star for EPA (and DOE)
- Helped launch GreenHomes America

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Agenda

- The Market Opportunity for Home Performance
- The Business Opportunity
 - Increasing Revenue
 - Increasing Profit Margins
 - Managing Seasonality
 - Winning with Marketing and Sales
- HVAC Contractor Advantages in Home Performance

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Home Performance with Energy Star



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If the program disappeared tomorrow, we would keep doing it. Home performance makes sense for our business.

**-Jerry Unruh
ABC Cooling**

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The Market Opportunity

- Market is huge and largely untapped
- ~90 Million single family homes—and almost every one needs our services
- Increasing demand on our energy infrastructure means need for EE
- I didn't mention climate change (and beyond this, I'm not going to)

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Leaders aren't waiting



Carrier 360°

The Carrier® 360° Whole Home Energy Audit



Why are leading HVAC contractors looking at Home Performance now?

- Home Performance is a game changer
- Higher revenue, higher margins, higher profits!
- Clearly differentiates your business
- Reduced seasonality & callbacks
- Higher customer satisfaction
- Ground floor opportunity – 1st to market will win

It's time to move beyond the box

- Start using your strengths
 - Your customer base
 - Your customer service skills
 - Your technical skills
- Solve you customers' problems
- Win bigger than you thought possible!

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Jerry Unruh again, from an ACHR News webinar*

Let's put some real numbers on this:



- **Marketing Costs** are less than half
- **Close Rate** is equal to or higher than our other work
- **Average Job** is more than double
- **Gross Margins** average 13% higher

2 ½ times the Gross Margin Dollars for each job installed

*September 19, 2012

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YMMV, but Home Performance Means Bigger Jobs and Higher Margins

HVAC

HVAC + HPC

Average Ticket Size

\$5,500-7,500

\$8,000 - \$15,000

Gross Margins

38% - 45%

45% - 50+%

Close Rates

35%??

As good or better!

Higher Revenue, Margins and Close Rates

This quickly boils down to higher profitability!

“And that’s not all!”

How do You Differentiate?

- | | |
|--------------------------|---------------------------------|
| • Fully Insured? | <i>So is your competition</i> |
| • Bonded? | <i>So is your competition</i> |
| • Licensed? | <i>So is your competition</i> |
| • Experienced Techs? | <i>So does your competition</i> |
| • Free estimates? | <i>So does your competition</i> |
| • Emergency service? | <i>So does your competition</i> |
| • Guaranteed low prices? | <i>So does your competition</i> |
| • Better Business Bureau | <i>So does your competition</i> |

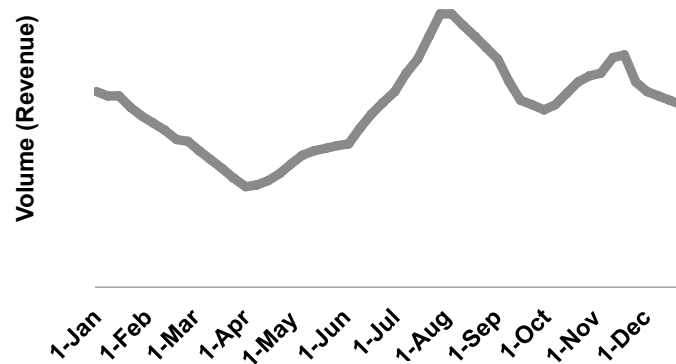
Home Performance Lets You Stand Apart

- Diagnostics to find root problems
- Solutions that deliver
- **And customer satisfaction taken to a whole new level**

***“Finally our family room is comfortable.
It’s like I have a completely different
home.”***

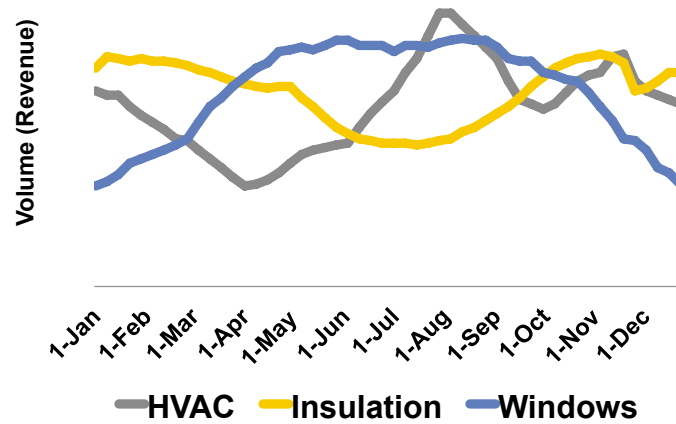
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HVAC Seasonality



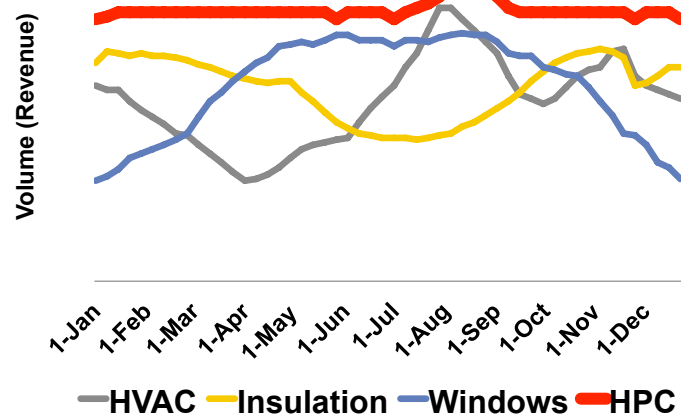
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Seasonality hits other trades, too



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Home Performance Reduces Seasonality

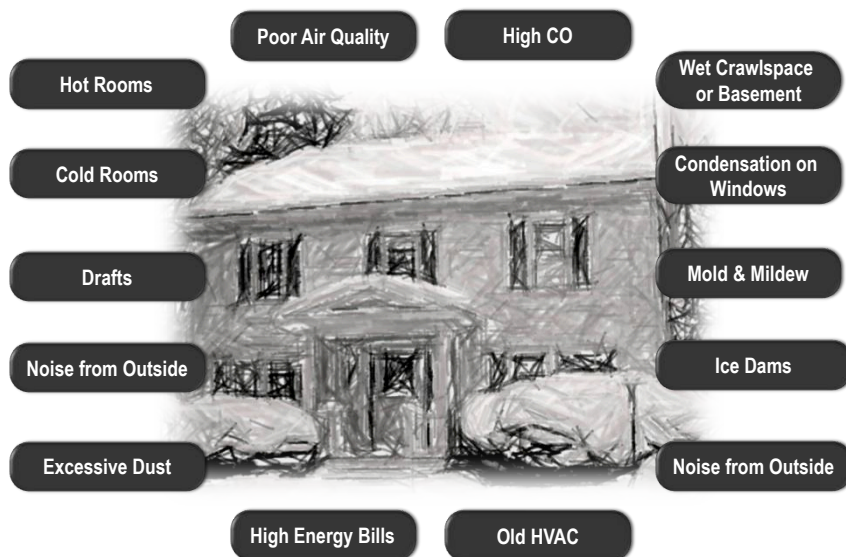


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A quick view of the mechanics of a home...

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Homeowners' have problems



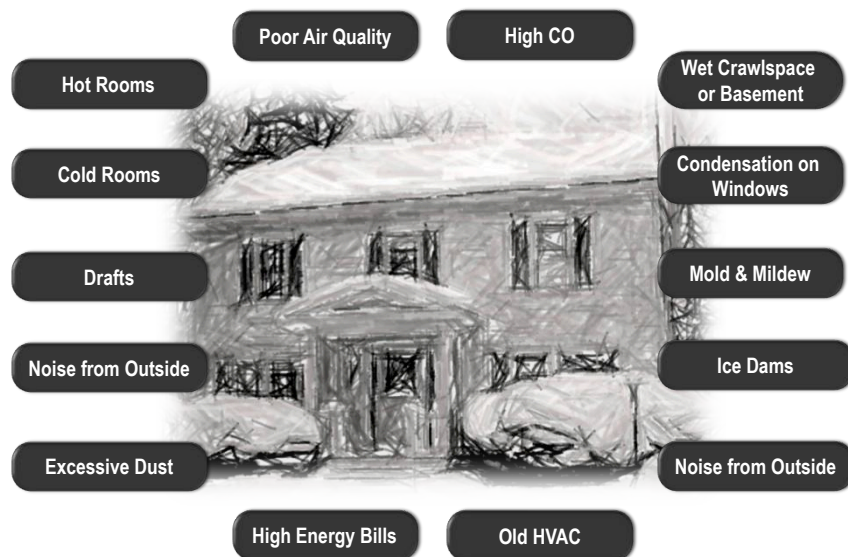
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If you understand the problems,

And if you can offer real solutions,

You have a real opportunity!

So what causes these problems?



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Most Houses Don't Work



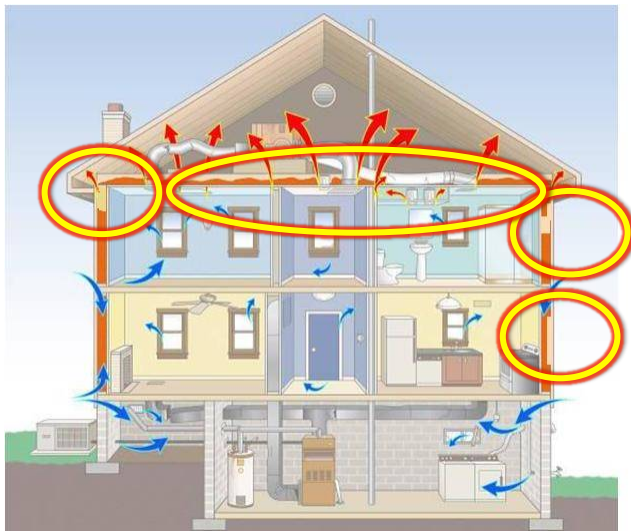
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Air leakage Robs You



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Poor Insulation Doesn't Maintain



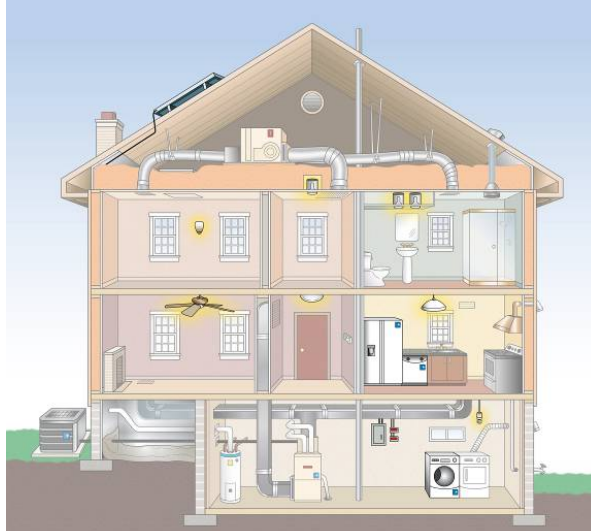
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Leaky Ducts Don't Deliver



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Inefficient Lighting and Appliances Fight HVAC and Raise Bills



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You can try to fix every problem in the home with an HVAC solution, BUT...

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**Have you ever installed
really good equipment as
well as possible...**

**but still not fixed the
problem...**

**nor made the customer
happy?**

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**And in the customer's eyes,
you become the problem?**

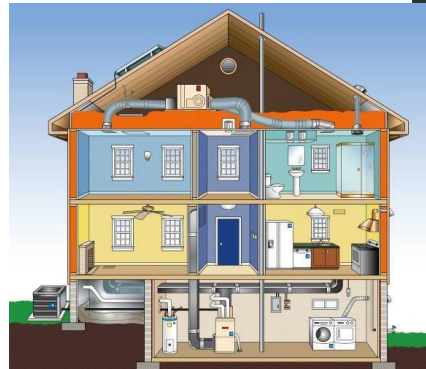
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Taking control of the home means you don't rely on luck

- Tight, well-insulated enclosure
- Tight ducts
- Efficient lighting & appliances
- High-performing windows

and

- Efficient, well-installed, and properly-maintained HVAC equipment



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Recessed Light Fixtures, trouble spot



GreenHomes America
<http://www.youtube.com/watch?v=N24fvXgXBjc>



<http://www.greenhomelogic.com/air-sealing-gallery.shtml>

*Once you get in the home,
the opportunities abound!*

**Diagnostics Involve
the Homeowner**



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HVAC Contractor Advantages

- Large active **customer base**, especially Maintenance Agreement base – and the systems to track them
- **Service techs** - the perfect lead source
- Mechanical equipment expertise
- In-home **sales experts**
- A head start in licensing, permitting, and rebate processing

Caveat: Home Performance is NOT Magic

Get HVAC fundamentals right first, before HP

1. Build service/maintenance agreement base first – active customer base is critical
2. Home performance adds complexity – you need a solid CRM platform in place
3. An regular, active, and ongoing in-house training program is essential
4. Know your numbers!

***Do I bring Home Performance
in-house, or do it with subs?***

In-House v. Subs

IN-HOUSE

- Adds Complexity
- Ramp up time
- Control customer experience
- Bigger revenue
- Bigger \$ margins

SUBBED OUT

- Simpler
- Faster to market
- Someone else impacts customer
- Status quo revenue
- Status quo margins

One guy's opinion:

**Not just in-house,
but fully integrated**

(Your mileage may vary)

Why Home Performance Now?

- Ⓢ Higher revenue, higher margins, and...
- Ⓢ ***Higher profits!***
- Ⓢ Opportunity to capture the flag
- Ⓢ Separate yourself from competition
- Ⓢ Higher customer satisfaction
- Ⓢ Lower seasonality & fewer callbacks
- Ⓢ [And in some areas: exclusive cash rebates and financing options]

Thank you.

*When Opportunity Knocks,
Open the Door!*



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