

HOW TO START YOUR OWN HVAC BUSINESS

BE YOUR OWN BOSS



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INTRODUCTION

DOES THIS SOUND FAMILIAR?

You'll be graduating soon from HVAC training school, or have worked in the HVAC business a few years and would like to start your own HVAC Company.

Or...

When you went to Technical School to study HVAC, you thought you'd be making good money and have job security. But you've been an HVAC service technician for several years and you're tired of working long hours for peanuts while the owner buys a yacht and takes vacations in Hawaii.

Or...

You started your business a few years ago and can't seem to make the kind of money you had hoped.

Or...

Your always-angry boss used to be an HVAC tech, has never had training or experience managing employees and is about to have a heart attack from all the stress. He has a big stack of bills on his desk and is wondering how he is going to pay them on time; a customer has just complained that one of his technicians left mud on their carpet; his teenage daughter just showed up with a boyfriend on a motorcycle; he had a fight with his wife, and he just chewed a mouthful of Tums because his stomach is a raging volcano. His temper is short, which makes him hard to work for. You may go to work one day and find him in such a bad mood that you quit or he fires you.

And job security? Ha! Last March, you were lucky to get in 20 hours per week and



had to borrow money from your mom to keep your car from being repossessed!

But in June you worked six days a week, ten or twelve hours per day just when your kids were out of school and wanted to go on vacation! And still you didn't make enough to get ahead!

You're angry and disillusioned.

You're not alone.

For these and other reasons, many skilled, smart, hard-working HVAC technicians are disillusioned with their career. And many of them break out on their own and start their own business. In fact, your present boss probably started out that way. This book is partly confessional. I have fought in the trenches of HVAC business for over 38 years. I have made mistakes. I have gone bankrupt. I have studied everything I did wrong. And I have studied everything I did right. Writing this book is the culmination of all my years of struggle to make a living in the HVAC business. I truly hope you find it helpful as you try to find your place in this wonderful, difficult business.



CHAPTER

1

IT MIGHT NOT BE AS FUN TO OWN YOUR OWN COMPANY AS YOU THINK

It's easy to start your own company.

But it's hard to run a company. New HVAC business owners start out full of enthusiasm and confidence. They imagine being a well-respected business owner, making great money and owning a fleet of sharp looking trucks.

But, after a couple of years of struggle, they realize that they have made less than if they worked for an employer, only now they have a 2nd mortgage on their house, truck payments and never have a minute's rest from the business. They haven't been fishing since the day they started their own business, have missed their kid's sports games and have stopped attending church because their "business" consumes every minute of every day.

Even when they aren't working on a job, they are thinking and worrying about the business. Their spouse doesn't recognize them when they finally arrive home. If they have employees, their worries and complications multiply!

And vacations in Hawaii, or even the local campground? Ha! Not a chance! No time OR money!

Sadly, most new HVAC company owners fail to make the kind of money they had hoped to make.

In fact most new HVAC companies go bankrupt in less than 5 years.

MY BANKRUPTCY

I struggled with my HVAC business for 15 years before finally declaring bankruptcy. The final thing that forced me to quit was a \$10,000 Workers Comp Insurance bill



that I didn't have enough to pay on time. But that was just the straw that broke the camel's back. There was more. Much more.

I was sick and tired of working long hours, being constantly on call for the business, spending most of my time reading insurance contracts, looking at overdue bills, explaining to creditors why I couldn't pay them on time, hiring and firing employees, fixing mistakes by new employees, buying advertising, and a million other daily chores that made the weeks and years fly by without offering much in the way of satisfaction.

It was like having a tiger by the tail: I couldn't hold on and I couldn't let go.



I had worked for 15 years, each year finding out when my accountant did the taxes that I had either lost money or barely made a 1% profit. Not one single year did I turn more than a 2% net profit! The wages I took home were about the same as my technicians. But they didn't have their house mortgaged to support a business and they got to go home after work every day and relax. I calculated once that I was making about \$6 per hour.

I didn't own a business. I owned a job. I was utterly exhausted physically, mentally and spiritually. I hated my "job" but couldn't quit because I owed so much money. When the Worker's Comp bill hit my desk, I realized I had reached a decision point. I didn't have enough money to pay it on time. But if I didn't pay it and one of my employees got hurt on the job, they might not be covered and I would be personally responsible for their medical bills, and I would be in violation of the law.

My only hope was to see a lawyer about a legal way to postpone my bills till I could find the money to pay them. He asked me one fateful question: "If you could postpone your bills through Chapter 13 bankruptcy, do you think you think that you could earn enough PROFIT to get caught up?" (more about that "P" word later) I thought back over 15 years of making no profit, no matter how hard I worked. I had to admit that if I hadn't made a profit in the past 15 years, it was highly unlikely that I would make any in the next few years. So I had to tell him: "No. I haven't made any profit in the past, I have no reason to think I'll make any in the future."



That's when he recommended Chapter 7 bankruptcy.

I said: "Explain to me how that works."

He said: "It's really simple. You pick a day to close the business, you give me that date, and at the end of the day, you lock the doors and you don't go back. The court takes it from there."

I still remember as if it were yesterday. I felt physically dizzy sitting in the lawyer's leather chair. Had I been standing, I might have fallen. My head literally spun at the idea of losing the business I had devoted my life to for 15 years.

I loved my employees like family. Suppliers were friends that trusted me and whose opinion of me I treasured. And I was concerned that my customers, who I considered friends and neighbors, wouldn't get a fair deal if I closed up. I felt enormous shame that I had failed. To this day, I still feel ashamed of letting everyone down.

But I had no other reasonable choice. And it was all on me, alone, to decide.

I breathed hard, realized that it was the only thing I could do, and told the lawyer: "Ok, let's do it."

A couple weeks later, I turned off the lights, locked the doors, and walked away.

After about 6 months of recovery, I was out of Unemployment Benefits and went back to my original career of teaching school. During that time, I spent a lot of time nursing my wounds and analyzing what went wrong. My HVAC business had thousands of great, loyal customers, the best employees in town, my phones rang constantly, and money was flowing into and out of the bank accounts. ***What had I done wrong?!***

Seven Years Later: Try, Try Again

I loved teaching, but I missed being my own boss. So I re-started my business with new ideas, using the lessons I learned from my first attempt. This time though, I structured the business differently. I began this new business with the **HVAC Business Success** tools, and that made all the difference!



CHAPTER 2 WHY IS IT SO HARD?

**“Experience is a hard teacher: she gives the test first, the lesson afterwards.”
Vern’s law**

Why is it so hard for a hard-working, skilled HVAC technician to start and run his/her own business? Why do so many well-intentioned, hard-working, smart people crash and burn, or, sometimes even worse, barely survive year after year in this business?

The HVAC industry is a growing, thriving business worth billions a year in total sales. Few homes or businesses are without central heating and air conditioning. It is a specialized skill that is in great demand nationwide. The market for HVAC is growing at a rate of 4% per year and shows no sign of slowing down.

The potential for profits should be enormous! How can a simple souvenir T-shirt shop, or a hamburger joint make more profits than a business that is so essential to the American way of life?

There are a few rare HVAC businesses that actually produce good profits for its owners! Why don’t the rest?!

Answer: because running a business requires a totally different set of skills than fixing air conditioners; and it’s a complex business. It’s like the difference between being an airplane pilot and building an airplane. There are licensing and engineering skills to learn. There are tax forms and business licenses to apply for and keep track of. There are accountants to hire and manage and financial reports to learn about. There are insurance policies to shop for. There are laws to learn and to comply with. There are skilled employees to find and hire, train and manage,



inventory and trucks to buy and keep track of, tools to buy and keep track of.....

And while doing all this, you have to find and keep customers and sell your services at rates that will result in a fair profit while your competitors are giving rock bottom prices! It all has to come together smoothly or you will lose money. And let me assure you, there are lots of ways for money to fall through the cracks.


You Know Nothing


You may be the best technician in town, but you have no idea how to run an HVAC business. None! You have to learn on-the-job. There are no classes on “How To Run An HVAC Business” at your local community college. Or if there are, you don’t have time to attend them.


It’s like learning brain surgery on-the-job. The learning curve is so high that few manage to learn enough -quickly enough -to survive the many mistakes they will make while trying to learn OJT. Very few.

Running a business is like skipping through a mine field.

You’re skipping along happily when  you find that you didn’t file a tax form that you didn’t know existed.

You pay your penalties and recover from that oversight and are happily on your way when  a customer accuses you of ripping them off and writes an angry review on Google or the Better Business Bureau;

or  an employee doesn’t show up for work and you discover later he left town with a truck full of YOUR tools;

or  you fall off a ladder and break your leg, and on and on and on...

Every time you think “I’ve got this,” there’s another land mine just waiting to blow off another limb. Some of those can injure or kill your business completely, like a tax audit, lawsuit or huge Workers Comp bill.



If you are lucky enough to survive, you are scarred, limping and bitter from years of struggle. You become the same angry person as the boss you left.

Now you understand why he was so grumpy!

Every lesson you learn costs you dearly.

One of my favorites: "Education is expensive, no matter how you pay for it." Doc's experience.

IS THERE HELP FOR STRUGGLING CONTRACTORS?

- There are some local small-business support groups and programs by organizations like the Chamber of Commerce. I tried them. But they have no idea about the complexity of running an HVAC contracting business and are of very limited help.
- There are excellent consultants that specialize in helping HVAC owners make their businesses profitable. But they cost thousands of dollars in fees and all they offer is good advice. It's still up to the contractor to implement their advice while dodging land mines, getting customers, and making payroll.
- There are trade groups that can help make your business successful, but they cost thousands up front and on-going, and they don't go home with you and fix the things that are wrong with your company.
- There are training courses offered by suppliers, utility companies and trade associations, but they don't help you implement their ideas.
- There are excellent books available. And you should definitely read them! But who has time to read, understand and implement what you learn from a book when you are marketing, paying the bills, ordering parts, fixing trucks, answering the phone, and generally putting out fires day after day after.....?
- The only thing the books and training classes did was add more things to my to-do list that I felt I had to do but had no time to do.



I used to berate myself for not getting control of inventory, for not starting that training program for the technicians, for not doing job costing, being a better manager of my company. But after many years went by in a blur, I realized why I didn't get all those important things done:

I was too busy just keeping up with the daily challenges to have time or energy left for developing systems that would make the company better.



There are some organizations and franchises that you can join that will guide you toward being a profitable company. But they sell that guidance for a lot of money. One reputable and effective organization charges \$10,000 up front and a monthly fee of several hundred dollars. Franchise fees can start at \$50,000, plus a percentage of your gross sales. That's a lot for a small HVAC company to fork out. The costs continue to mount if you attend their out of town training and conferences.

And for what? Lots of good advice. And it is absolutely good advice! I learned a lot from being a member of one of them. But I still went bankrupt. And part of the reason is that I was spending too much money on being a member of that organization.

So, to answer the question: No, There is no help, or very little.

The book you are reading and the HVAC Business Success Kit I have developed are designed to be the solid foundation on which you can successfully start and run an HVAC company. And it won't cause you to go bankrupt with membership fees and on-going costs!

You wouldn't go out to fix an air conditioner without taking your toolbox.

Don't start your business without the right pricing and presentation tools.



Now understand please, my **HVAC Business Success** Kit is not all you need to start and successfully run an HVAC business. You'll need to be a skilled HVAC technician with all the necessary tools and licenses for your county and city. You'll need some money to live on while you get started. You'll need a good bookkeeper/accountant. And most of all, you'll need to be a self-motivated, life-long learner.

I've been in the HVAC business for over 38 years. Before that, my father was self-employed doing refrigeration and appliance service and I rode in the service truck with him as a boy. I learned a lot from my amazing father, and have learned from many, many mistakes on my own. Now that I am older, I want to help you learn from some of my mistakes and to avoid some of the "land mines" that I have stepped on. I look around at my competitors and find that most of them are making the exact same mistakes I did when I started and my heart truly goes out to them. I know their frustration and disappointment and how it affects their family. I want to give you some of the basic knowledge and tools that will get you started and improve your chances of success. Tools that took me many years to develop in answer to challenges I experienced and mistakes I made.

BUSINESS PLANS? WASTE OF TIME!

There are folks who will tell you that before you start a business, you need a "Business Plan". In this plan they say you need to write a complete description of your future business, Including things like: executive summary, management summary, market research, how much capital do you need, where do you register your business, business insurance, what licenses, what tools and equipment do you need to start off with, how will you market, what should you charge, how are you going to hire help, blah, blah, blah, etc.

Don't waste your time! It will be obsolete the day after you finish it.

Worse, it might give you the feeling you've actually done something! Better to spend that time fixing somebody's air conditioner, or passing out flyers.

In my humble opinion, a detailed business plan is only necessary if you want to borrow money for your business and need to convince someone that you are a



good risk for them to invest in your business. But if you are starting your business on borrowed money, you are setting yourself up for failure.

Don't borrow a penny more than you absolutely have to. You don't need much. Start with what you have. You have a car instead of a van? Use the car. Pull a trailer. Don't hire a printer to print 1000 invoices, go to the office supply and buy a tablet to write invoices on for \$5.00. Don't have a full complement of tools? Use the tools you have and buy the tools you need as you need them and pay for them with the money you made on the job you needed them for.

If you're inclined to write something down, do it in your own words, in whatever format you find suits you. Keep it simple and don't spend a lot of time on it. It's for your use only and it will be obsolete the day after you write it. But you might find it fun to read in a few years.

“If it's that awful, why should I even try?”

Good question. And before you go out on your own, you would be doing your family and yourself a favor to seriously consider whether this is what you really want. Sure, things aren't great sometimes working for a cantankerous owner for less money than you want; but it's still a better job than working in the local MacDonald's, Walmart or factory.

You are meeting new people every day, facing new challenges and out in the fresh air all day. It's satisfying work when you get to be the hero by fixing things others can't. The pay may not be what you want, but it's enough. You get to go home every day, sit down to dinner with your family and watch TV while your boss is still at his desk, making plans for the next day or studying his finances to see why he can't pay his bills, or running a late service call.

Actually, it's a pretty good job when you think about it. And if you don't like your boss, your HVAC skills guarantee you a good paying job somewhere else.

But...there are good reasons to take the risk and start your own business.



CHAPTER

3

IT'S GOOD TO BE
THE BOSS!

If I had had the tools and business skills I needed from the beginning, it would have been a different story the first time. Now that I am running a profitable business, there is NOTHING I would rather be doing. I love being self employed! I love the HVAC business!

My family doctor and I were talking after my yearly examination and he told me that his wife had to demand that he take off for a vacation occasionally because he worked six and seven days a week, ten and twelve hours a day. Imagine! Every day, 10 hours a day, having a line of sick people waiting to see you and expecting you to heal their illness! There's no way I would trade places with him, no matter how much he makes!

Here are some of the reasons I love to be the boss.

- First and foremost : **Freedom**. You have the **freedom** to schedule your work around your personal life. You can take off in the afternoon to attend your kid's ball game, you don't have to "ask off" work to go. You just go.
- There's the **pride** of seeing your company grow and prosper and in being your own boss.
- There's the **self respect** of knowing you don't have to obey somebody else's orders.
- Your spouse and kids will see you as **The Boss**, instead of an employee taking orders from, and at the mercy of, the Boss.
- You determine your own salary and never have to go to a boss, hat-in-hand, asking the boss for a raise.
- You **can't be fired** if your boss is having a bad day, because instead of one boss that has total power over you, you have thousands of "bosses"- your customers.



- As the owner of a business, you have many **financial choices** that aren't available to wage-earners.
- IF you are successful, you can make more money. Maybe even **LOTS** more money!
- IF you are successful, when you are ready to retire you have a **valuable business** you can sell instead of the boss giving you a gold watch and putting you out to pasture.
- When you own your own business, your income can continue after you have retired and can be passed down to your children and grandchildren. Your family cannot inherit your job, salary or benefits because you do not own your job. Your boss owns it. And he can pass the benefits of your job to HIS family because he OWNS it.
- If you're working for another man, then you're not the man of the house, **your boss is.**

A SHORT STORY ABOUT ENVY

I was having dinner with some friends some years ago. One of those friends was a respected engineer that worked for a local industry. He lived in a much nicer house than I, and drove a nicer car. I just assumed that he had a life that I would envy. I was struggling with my business every day, trying to find a way to make a better income from it so I could have that nicer house and car like him.

But I had misjudged him. He turned to me at one point during dinner and said: "Doc, I'd give anything to own my own business like you. I hate my life." A couple years later, I heard that he had quit his job, left his wife and moved far away. I guess he wasn't kidding!

It rocked my world to find that someone envied ME! I was just an air conditioning man with a few employees, struggling to make it. But I found that my little air conditioning business was something that many people would love to have! Because being your own boss has rewards that far exceed the difficulties you face- IF, that is, you are making money.



CHAPTER

4

STEP 1, WHAT ARE YOU GOING TO SELL?

Before you get your first customer, you must decide what services you will offer for sale and how to price those services. If this is done right, it will make up for many other mistakes. Done wrong, it will ensure failure.

- Will you go after the new construction market?
- Will you do refrigeration?
If you do refrigeration, will you do ice machines, exhaust duct cleaning and frying equipment?
- Will you do commercial/institutional HVAC?
- Will you do residential Heating and Cooling?
- Perhaps you're pretty good at a couple of these and think you'll go for all of them, figuring you can fake it till you make it.

My advice? Only **you** know what you do best. **Do that.** If you get outside of your comfort zone, you will have to give away large chunks of your time trying to figure out how to fix equipment you are not familiar with. McDonalds does hamburgers. KFC does chicken. That's how they make a profit: doing a few things very well.

Be like McDonalds and KFC: focus on what you do best and spend your time getting those customers. If you have to start off doing work that isn't where you plan to focus on because that work will pay the bills for a while, don't let it stop you from going after the thing you do best.

I've known some good contractors that do well in new construction; others are good at commercial refrigeration, plan and spec, or institutional work like hospitals or schools. I tried them all at one time or other, and lost a lot of money and time in



the process. I found that my skills were best at residential service and replacement. When I restarted my company, I focused on what I was good at. That's when I started making money and enjoying my work more.

An important thing to know: what work to walk away from.

Not all work is profitable.

Not all work is in your skill set.

Not all work is enjoyable.

Choosing the work that will let you make a profit, that you enjoy, and is what you are good at is the most important decision you will make in business.

Profit is not a bad word.

It should go without saying, but the reason you are in business is to MAKE A PROFIT! After you decide what kind of work you want to offer, the most important thing to focus on is how you will earn a PROFIT from your work. It is all too easy to be very busy and go broke. I know because that's what I did for 15 years! Never forget the importance of Profit. And never apologize for wanting to make a profit!

There are those out there who will do their best to shame you: "You're charging too much!"

Let them go to your honorable, but struggling competitor.

People may say: "I could buy that part from the internet for only \$15."

If they can diagnose the problem, buy the part and install it cheaper, let them do it.

But don't apologize for charging enough to make a Profit!

My biggest regret in my first business is that I didn't raise my prices. It was such a simple solution. If I had only raised my prices by 10%, it would have solved nearly all of my financial problems and prevented my bankruptcy. A 10% increase is all it



would have taken to save my business. Inexplicably, I didn't think to raise them. My accountants didn't tell me to raise prices.

My suppliers didn't tell me to raise prices.

My banker didn't tell me to raise my prices.

That won't happen again.

PROFIT IS NOT A BAD WORD

- Profit is the money left after all the bills are paid that you can put in your pocket.
- Profit is what you will pay yourself and what you re-invest in your company.
- Profit is what will see you through the inevitable slow times.
- Profit is what buyers look for when you are ready to sell your business.
- Profit is what you will use to grow your business.
- YOU NEED PROFIT!

Here are the basics of what you need to know to make a Profit in HVAC:

1. How to market your services to your potential customers.
2. How to price your service and repair work at a profit.
3. How to accurately build prices from material and labor costs.
4. How to price your equipment replacement work at a profit.
5. How to pay your future employees.



CHAPTER

5

HOW TO MARKET YOUR SERVICES TO YOUR POTENTIAL CUSTOMERS

This chapter is about getting customers. It is going to take some time to get enough customers calling you to make a living. Have some income or savings to pay the bills and feed the kids while you build your customer base.

- Most customers aren't concerned with their HVAC in the mild weather months. Early summer is best in the South. You know what the best season is in your area, start marketing then.
- Important! Have someone answering the phone that cares about your customers! That will usually be you at first. That first impression is the most important one. Don't blow it by letting your calls go to voice-mail or to an answering service.

Your customers HATE that!

During busy times, this will drive you crazy, but suck it up and answer your customers' calls until you can afford to hire a customer service representative to give your customers the courtesy of answering their calls personally. When a customer needs service, they are looking at a page full of your competitors on the internet search page or the yellow pages. When they don't get a real person who commits to fixing their problem, they keep calling till they get someone.

I have taken calls while working in hot attics and cramped crawl spaces and while sitting on the toilet. The caller had no idea where I was when I took the call; and when they hung up, they could relax, knowing that I cared about their problem and was on the way.



And they closed their Yellow Pages or Internet Search

- Look professional: Clean uniform, clean truck, etc. If you have facial hair (not recommended), trim it neatly. Few things are more frightening than a big, hairy stranger in raggedy clothes, getting out of an unmarked, dirty truck walking up your driveway.
- A sharp looking service truck is nice, but not essential. The surest way to fail is to start out with a big truck payment. But once you have a truck, have it lettered with your company name on it in large lettering. It's the cheapest and most effective advertising you will ever do. Your local instant sign company can do the whole job for very little cost. If you have some profit build up, consider getting a truck wrap.

Advertising Is An investment, Not An Expense - But It's Expensive.

When you run out of friends and family to service, you'll need customers who need your services. It's time to advertise. "Word-of-Mouth advertising is great, but it won't keep the phone ringing at first.

First of all, Marketing and Advertising are not the same thing. I think of Marketing as everything you do to get and keep customers. That includes having a live person answering the phone, the colors of your trucks and uniforms, your logo, your letterhead and the way your field personnel are trained to talk to the customer. Advertising is a part of Marketing.

Advertising is how you try to get potential customer's attention to get them to call you instead of your competitor. You're saying: "HEY! OVER HERE! STOP WHAT YOU'RE DOING AND READ MY AD!" This is normally where you spend money to buy postcards, business cards, truck lettering, radio and TV ads, newspaper ads, etc.

The thing to remember is that, unless you came from a sales and marketing background, you know NOTHING about marketing OR advertising. Nothing. Don't kid yourself. If you think, like I did, that you'll do radio and TV and Newspaper advertising and customers will flock to your phone number, you'll be disappointed – and broke. There are books, seminars, and all kinds of advice on marketing, and



they all tell you that you should spend a certain percentage of your total sales on advertising. But nobody tells you which advertising works and which doesn't.

I didn't know this and I followed the advice of my advertising sales people to spend 5% of my sales on Radio and TV ads. That was \$50,000 in the year that I was doing one million in sales (more than my salary). I did this for several years and spent hundreds of thousands of dollars making my radio and TV sales people some good commissions. No wonder they loved me and bought me lunch! My business did grow though and I kept on spending.

My BUSINESS grew, but NOT my PROFIT.

One day, I said to myself: "Doc, with all this money you've spent on advertising, I'll bet everyone in town knows you by now." And with that, I assigned my secretary to get a telephone book (we used to have paper books with everybody's name and phone number listed) and had her call 100 random citizens of our little town of about 90,000 and ask them one simple question:

"Can you name any air conditioning company?"

The results were very disappointing. Out of 100 calls, only two people could name the company I had spent a small fortune advertising! Two! Out of 100! I know that's not a statistically valid sample, but it was enough to convince me that I wasn't the celebrity I thought I was.

No more will I believe: "If you spend \$500 dollars on this ad, twenty thousand people will see or hear your ad every weekday morning from 8 am to 10 am."

I would do better to get the same amount in one dollar bills and blow them into the street with a big fan. At least somebody would remember me that way! (Hmm, that's not a bad idea...)

That informal survey changed my whole outlook on advertising. Ever since then, I have bought very little Radio, TV, Newspaper, Billboards, or any kind of "exposure" advertising. Instead, I have focused a much smaller ad budget on "direct response"



internet and direct mail marketing. These give me direct contact with the specific customers that are interested in what I sell.

With direct mail, I mail to my customer list and directly to targeted neighborhoods using the Every Door Direct Mail (EDDM) program by the US Postal Service. I advertise almost exclusively with “direct response” ads. That means I am asking the customer to make a decision to buy from me based on the offer in the marketing piece they received. I can track each marketing piece to see if it brought in enough sales to be worth the investment. I never spend money to send out a message that just says: “Hi! I’m here if you need anything.”

There are many types of customers and many ways to let them know that you are the dealer to do business with. I will throw out a couple things I have found effective and a few things to avoid. My experience is marketing to residential and small commercial customers, so that is the kind of marketing I will talk about here. This is by all means not the only way to get customers, but it’s a start.

In the beginning, I printed up a couple hundred letters on my home printer that introduced my new company to my nearby neighbors. Something simple and honest like: “Hi, I’m Doc Garner, your neighbor. I have started a new heating and Air Conditioning Company and I’d like to offer my services to you.” I gave a few details about my expertise, qualifications and how I was close by to serve them and a reason to call, such as a free “good neighbor” service call, special tune-up price or safety inspection. Then I drove through the neighborhood slowly while my wife or kids (free labor) taped them to the mailboxes. (The US Postal Service frowns on putting anything in a mailbox.) I did a few hundred of these and immediately started getting calls. (It was May or June.) I included a couple sample letters in my HVAC Business Success Kit.

Next level of advertising: Direct Mail, or Junk Mail as we usually call it.

The least expensive and most effective mass marketing I have used is the Postal Service’s Every Door Direct Mail program. You’ll need a few hundred dollars to print and deliver your postcards, but you can reach very specific neighborhoods with your message at pennies per house. The postal service people are eager to help



you get started, so call them for help.

There are many local printers and internet printing companies that specialize in direct mail postcards. They will help you from start to finish. The postcard companies will design, print and mail your postcards to your target neighborhoods and all you have to provide are the postal routes and a check. You can write up your basic offer and have the postcard people design your card, use software like Microsoft Publisher to design your own, or use the marketing pieces in my HVAC Business Success Kit. Don't worry about being too fancy. Just make your offer compelling. Low cost tune-ups are a good way to get in the door. A single mailing may not get much response, so plan on several mailings to the same addresses over a few weeks. My HVAC Business Success Kit includes some of the postcards I have used successfully so you won't have to start from scratch.

A web page is very important! It doesn't have to be a fancy site, just make it informative. You can do your own website design on services like Square Space and Weebly, or shop around for a local web designer. I have used an online service successfully. Check out www.fiverr.com.

Equipment suppliers sometimes offer sites for dealers, but they advertise their brand more than your company, so I don't like to use them for my main site. When you have the money, pay for a reputable company to build your web site and optimize it for search engines so that when people go to Google, Bing or other search engines looking for HVAC repairs or replacements, they will see your web site.

Internet marketing is where it's at today. It is possible to send advertising directly to people who have shown an interest in your product. If radio and TV are "big net" advertising, Internet marketing is small hook. But it can be a complicated way to advertise if you aren't very informed on that type advertising. Ask around for references for someone who specializes in internet marketing and hire them to help you. Remember: you know nothing. Hire someone who knows.

But beware of telemarketers that will promise great results. Better to use someone local unless you have a good recommendation from someone who has used a



service successfully.

Small commercial customers can be added to your customer base by visiting likely places such as convenience stores, groceries, restaurants, and strip malls and leaving your card. It is also easy to get their addresses from the internet or library and send them mailings.

This will be plenty to get you started. Just know that when it comes to marketing, you know nothing. So be careful and seek advice from someone who knows more than you before you spend precious dollars on a park bench ad or telemarketing sales person.



CHAPTER

6

WHAT ADVERTISING
TO AVOID

This is nearly as important as what to spend your advertising money on.

As soon as the advertising salespeople learn that you are a small businessman, they think: “Easy Mark.” They know you are a nice guy and want to be seen as a good citizen and they count on that to sell their ads. You will get calls almost daily to buy advertising in special editions of the newspaper, signage on fences, radio or cable TV spots, high school yearbooks and various associations, causes and events. Some of it is what I call “vanity” advertising. For example:

For only \$250.00 you'll get to see your picture in the newspaper or on a billboard.

Resist the urge to spend precious ad dollars to flatter yourself. I assure you, NO-ONE besides you and your mother are interested. Oh, the money I have wasted that I didn't have to waste!! Practice saying: “No thank you. My advertising budget is committed for the rest of the year.” Or just: “No thanks.” And: “Please take me off your call list.”

I will say though, it is a good idea to use your picture in all advertising and even on your trucks. This is a very personality centered business and people want to feel like they know who is doing their work. But only as a deliberate, planned marketing strategy, not a one-time ad purchase.

Charities: Many of those calls will be from charities asking for donations. Some are honorable causes, some are dishonest crooks. One day, when you are making 20% net profit after paying yourself a good wage, and you want to support your local high school or charity, go for it. But until you are financially secure, “Just Say No.” Even then, don't contribute to telemarketers, no matter how convincing their sales pitch is or how noble their cause sounds. Get their contact information and research the charity to see if they are legitimate before you agree to a dime.



1. Don't spend much, if any, on Yellow Pages in most markets. They used to be 80% of our advertising budget, but the internet has made them virtually obsolete.
2. Ignore all the calls that will come in to advertise on billboards, park benches, high school fences, bowling alley boards, etc.
3. Unless you have a very small-market, local radio station that has a good loyal base of listeners who are home-owning adults, you can't afford radio or TV.
4. Important! Don't fall for the old line: "you will get exposure" followed by a pitch to buy an on-going ad on radio or newspaper or wherever. If a marketing method doesn't bring in tangible, measurable sales, avoid it. You don't have enough money to spend it on "exposure" that no one will remember. When your marketing budget is as big as Coca-Cola, you can consider some "exposure" advertising. I pissed away hundreds of thousands of dollars on "exposure" only to find that no one could remember my company's name when they needed their air conditioner fixed.
5. Focus a lot of your advertising on keeping the customers you have from drifting away from lack of attention. It is said that most customers leave, not because of anything the business did wrong, but because the company was indifferent.

That's all the advice I have for marketing your new business. I have marketing pieces I have used successfully and the best ones are included in my **HVAC Business Success Kit**. All you have to do is find one that you like, modify it to your needs and save yourself the pain of trying to re-invent the wheel.

Sample postcards included in HVAC Business Success Kit

CENTRAL HEAT & AIR
Your Healthy Home Company!

Hurry! Call to schedule your appointment today
See special offer on other side!

If you're not absolutely sure your heating system will work all winter long, please don't take this offer from the Gander. It guarantees your central heating system won't break down this winter no matter how old it is! See offer for details.

Fast Service • Low Up-Front Prices
100% Guarantee • Financing Available
We Service ALL Brands & Offer FREE
Estimates on Replacement Equipment

423-478-7778
www.dccover.com

Need Help Now?
Emergency Services Available
(423) 478-7778

"I guarantee your central heating system won't break down this winter—no matter how old it is!" the Gander

Here's my 100% Guarantee:

Try my **Provision Tune-up and Safety Check** before the end of October for only \$49.
If your system breaks down this winter, we'll come back to your house to diagnose the problem **ABSOLUTELY FREE** (\$49 value). Plus, we will refund your \$49.

Why would we offer YOUR MONEY BACK, PLUS FREE SERVICE?
You see, in the winter, we're swamped with emergency breakdown calls from people who haven't had their system tuned-up. But now, while the weather is still mild, we have time to give your system the attention it deserves.

- You can because for a VERY SMALL FEE and NO RISK, you can reduce your chances of having your heating system breakdown on a cold winter day AND save energy with a heating system that is in top condition.



CHAPTER 7 YOUR PRICING STRATEGY

***“To know what you know and what you don’t know, that is true knowledge.”
Confucius***

Once you know what you are going to sell and how you are going to get customers, it is vital that you have a plan for how you will price your services to make a Profit. Please don’t think: “I’ll figure that out when I get customers.”

Your first impulse may be to price your services low to get new customers. So you call around to see what competitors are charging so you can offer new customers a bargain price. Or you figure that you need to make \$50 per hour or some other similar pricing strategy. How do you know that the company you are low balling is not slowly going bankrupt with his pricing? If you have a business degree, this might not be a problem, but chances are you, once again, know very little about pricing and profit.

There are at least three problems with the low pricing strategy:

1. You are going to attract the worst customers out there with low prices: the customers who are looking to get something for nothing. They are also the customers that will be the hardest to please and quickest to sue you if you don’t do things perfectly. **AVOID THESE PEOPLE** by raising your prices. They will find some other poor technician to abuse.
2. Since you are just starting out, you are not getting the low prices for your materials that your competitors are getting. That means you have to charge more just to break even.
3. Even if the customers are fine, **AND** you finish a thousand jobs at these low rates, **AND** if nothing goes wrong on any of them to lose you money (get real), you will not make enough profit to make it through the slow



times or to replace or repair a worn-out service truck, or to grow your company.

But how do you know the right way to price everything from adding a new vent or capacitor, to replacing an entire HVAC system with an all new duct system?

How To Price Your Service and Repair Work

On a hot summer day, a skilled technician can make good money by repairing broken air conditioners for desperate customers. They don't check the Better Business Bureau or ask how much it costs. They just want it cool again. A simple ad in a phone book or newspaper, or a flyer taped to mailboxes will get your phone ringing when people are desperate to get cool. You can charge almost anything and they won't complain.

But if you plan on building a solid business that you are proud of, you need to see these service calls as opportunities to make customers for life. That means not only doing a good job with the repair, that means leaving them feeling like they were treated right by someone with integrity who didn't rip them off.

A big factor in their satisfaction is how you left them feeling about your price. A loyal service customer will tell their neighbors and will buy a new heat pump or furnace from you when the time comes because they trust you. Having been in business for about 15 years this second time, apx 75% of our business is repeat business that costs us nothing in marketing expense.

Most new companies start out by charging a low hourly labor rate, plus parts with mark up. This is called Time and Material billing. I started out with this method and used it for years. The problem I kept running into was price complaints about my labor rate. "What? You're charging me \$60 per hour for labor? That's crazy! My doctor doesn't charge that much!" My service work wasn't making me much money, but I couldn't raise my rates because I thought my customers felt cheated if I raised them.

In retrospect, I was probably just hyper sensitive to price objections. If one tightwad thought I charged too much, I forgot all about the hundreds of customers that had not complained.



But then I discovered Flat Rate Pricing

Flat Rate Service Pricing

As the HVAC industry matured, most successful residential companies switched to Flat Rate pricing. With Flat Rate Pricing, the service tech carries a book with a flat price for all repairs. When he finishes his diagnosis, he shows the customer what the repair cost is in the book and gets his/her approval before doing the work. The customer sees the price in the book, sees that the price is fair and says "OK." They base their decision on how much it's worth to them to have their A/C working, not on the cost of the capacitor or motor.

When I switched to flat rate billing, my customer complaints dropped to zero, even though I had raised my labor rate to over \$100 per hour! Gradually, I raised my labor rates to over \$200 per hour and still no complaints. A compressor contactor that costs me \$15 went from costing a customer \$100 to \$197 including labor, plus a \$79 service call. At that rate, my service work finally started making money and I could afford to offer top grade service.

Do I lose some customers to high price? I'm sure that happens occasionally. But I have thousands of customers who are willing to pay what it takes to deliver the service they demand.

And wouldn't you rather work less for more money, than vice-versa?

Time and Material billing might work if you could bill out 8 hours per day. But that's difficult because of travel time, picking up parts, vacations and holidays and slow seasons. In order to stay in business to serve your customers in the summer, you have to charge enough to survive the slow times and cover all the time that isn't billable, but essential.

There are many fine Flat Rate books available. Some are affordable, some not so much. I spent a few slow winter days when I first started back in business the second time to write my own flat rate book on an Excel spreadsheet, and I find that it is more than adequate for the Residential Repair work that we do. If you are skilled with Excel you can do the same. But if you don't want to write your own, I



urge you to find a Flat Rate book and buy it. It will pay for itself many times over and make your customers happy in the process. Speaking of which...

My **HVAC Business Success Kit** includes ***Doc's Repair Price Guide*** that I wrote and have used for about 15 years. It isn't fancy or complicated and you can make changes to it easily. Using ***Doc's Repair Price Guide***, you can charge labor rates that you would find difficult using a time and material pricing system. I recommend you start at a higher rate than you think you need, over \$150/hr. You might think that's outrageous and a rip-off of your neighbors. But please, take it from someone who has been in the trenches for years, you need to charge a high labor rate as well as get mark-up on your parts if you are to survive and thrive.

Having been in the residential repair business for many years, I've found that my 9-page Flat Rate price book is more than adequate for the vast majority of residential service calls. If you want to add or delete repairs or update prices, it's as easy as typing them into the sheet.

Enter your local parts prices, enter your labor rate and markup you want to charge, then print your book on your home printer. Put the pages in a five-dollar 3 ring binder and you're ready to make money with repairs. The Guide comes with detailed instructions on how to customize it to your business.

We recently installed this flat rate book on our \$79 Android tablets and it works great!

 A screenshot of a spreadsheet titled "Doc's Repair Price Guide". The spreadsheet has multiple columns and rows, with a large "Page 4" watermark in the center. The columns appear to include descriptions of repairs, labor rates, and other pricing details. The rows are organized into sections, likely corresponding to different types of HVAC services.

I have looked at several other flat rate books for sale. They are all very expensive, very complicated, or both. There are books you can use for less, but they keep their books on the "cloud" and charge you on-going fees to keep serving you. That means you are locked into them and if you stop paying their monthly fee, you don't have a price book.

Doc's Repair Price Guide is yours forever, for as many books or tablets that you need it for. It's easy to modify and make it your own, and it's a fraction the cost of others.



CHAPTER

8

**HOW TO PRICE NEW CONSTRUCTION,
REPLACEMENT INSTALLATIONS AND
RETRO-FIT WORK****NEW CONSTRUCTION**

There are two basic types of residential new construction work that you will encounter: Spec builders and Custom Home Builders. (“Spec” is short for “Speculation”)

Spec builders are building a house using their own (and the bank’s) money. They must build every house for as little cost as possible, and as quickly as possible, to maximize their profits. The house must look good to prospective home buyers so that they will be able to sell the house quickly. They will spend \$5000 on a chandelier in the dining room to impress buyers.

But HVAC is virtually invisible to a home buyer; so the main thing that’s important to a spec contractor is that it costs him as little as possible. If the installation process doesn’t slow down construction, and if the system doesn’t cost him anything during his first year warranty, he’s a happy man. If it only lasts 5 years instead of 20, that’s outside his area of concern. He’s made his money and is using the profits from that house to start another house next door. Don’t even try to up-sell him or make much profit.

As an HVAC company wanting to do spec work, you are competing with other dealers who have found the right combination of low material cost and low labor costs to make a profit doing that kind of work, or at least to survive for a while. To successfully compete in this arena, you must have substantial financial reserves to make up for the cost overruns and payment delays you will almost certainly encounter until you learn how to compete. You will also be at a disadvantage because as a new dealer, you will be paying more for all your materials and finding



qualified labor will be nearly impossible. It's a tough way to start out.

It is especially important that you have a consistent, accurate method of costing and pricing out your bids so that you will be assured of a fighting chance of making a profit. Without this, you will almost certainly under-estimate what your costs are, and the contractor will get a great deal on his HVAC – at your expense.

CUSTOM HOME NEW CONSTRUCTION

A custom home builder has different motivations. His reputation is the reason the higher-end buyers will hire him to build their house. He is more interested in overall quality than a spec home builder because he is using the buyer's money and the buyer has direct input on how he spends his money.

This can be a profitable area to specialize in IF you have a high level of technical and design skill and IF you can convince the General Contractor that you have the skills to design and install a superior HVAC system that the end user will be willing to pay more for. But you must be willing and able to provide a superior level of service to earn this kind of business.

The Custom builder only gets these high-end home building projects by having a reputation for quality. He will not tolerate a sub-contractor who delivers low quality or who causes delays in construction. But he does not ordinarily shop for the lowest bid if he has a sub-contractor he trusts. That means you can price your jobs for a slightly better profit margin with custom home construction.

HOW TO PRICE SPEC AND CUSTOM NEW CONSTRUCTION JOBS

Both new construction jobs as well as other jobs require you to estimate your costs with extreme accuracy. It's easy to overlook hundreds of dollars in costs on a job like this and it won't take very many mistakes in estimating before you go broke.

But it takes hours and hours to estimate what materials will be required to complete the job, the cost of those materials, the labor, the permits and miscellaneous costs. Then you must add up all your estimated costs and add overhead and profit. When



you consider that you have to provide these estimates for FREE and that you probably won't win even 25% of the jobs you quote, you will soon be begrudging every bid.

The best way I have found to do these estimates quickly and with a high degree of accuracy is with an Estimating Tool like the one that is part of my **HVAC Business Success Kit**. This tool is designed using MS Excel spreadsheet with a list of most of the common materials used in the installation of duct systems, along with my cost of those materials.

Using *Doc's Installation Estimating System*, all I do is scroll down my list of materials and enter in the quantity of each part that I will need for the job. Then I enter how many man-hours it will cost me. *Doc's Installation Estimating System* automatically totals up the costs of all the parts and labor, adds overhead percentage and gives me my breakeven cost.

This eliminates all the probable errors in math that I will make in my hurry finish the bid and get it delivered.

*Breakeven:
The total cost of a job,
including all materials, labor
and overhead.*

The final step is to decide how much profit margin to add to my costs. You should add at least 10%, more if you can, to the breakeven cost. But with a good estimating system, you know with a great deal of accuracy what your breakeven cost is, so you will never sell below that price.

Doing estimates for retrofit work

One of the things you will do often is to work up estimates for customers. This could be giving a customer a price who needs some new ducts installed, or replacing the duct system as part of replacing their A/C system. The situation you find yourself in is that you really want the job and, just looking at it, it looks like it will be an easy one.



So you pull out a pad of paper and guess at how much material you will need and use your memory to remember how much that material costs you. In a few minutes, you have your estimate and hand it to the customer. They look at the price and, if they trust you, they give you the go-ahead.

That's when the problems start.

You don't know it, but you underestimated your material costs by a few hundred dollars! You also under-estimated the labor and you didn't get enough mark-up to cover your overhead. The end result is that you are paying this customer out of your pocket to do his work. I know this is how it's done, because it's how I did it at first. And it's how I lost money many times.

A well-designed system for estimating jobs will lower the risk of under-estimating. With my Estimating System, I have all the current prices of my most common materials listed right on the sheet. All I have to do to work up an accurate estimate is to pull out my handy \$79 tablet computer and enter the quantity of each item (I still have to accurately estimate what material and labor I need). My estimating system automatically totals up all the costs, adds the overhead percentage that I previously entered, and gives me a breakeven price.

Since I know what my breakeven cost is, I NEVER sell below that. (Unless I need to do work for my mother). From the breakeven cost, I add a percentage of profit that I desire or think I can get. The total bid price is totaled up automatically and I know exactly how much to charge for my work and how much profit I will make.

If a competitor under-bids you on a job that you have calculated on this sheet, let them have it!

Don't drop your price. You aren't in business to give your time and skills away.

You can set up your own spreadsheet to organize your estimates, or you could get it ready-made and field tested in my ***HVAC Business Success Kit***. There are two estimating sheets in my kit. The one I just described is ***Doc's Installation Estimating System***, and includes most of the common materials you will use in



residential hvac installations. I have a shorter version of that sheet that is designed to estimate smaller jobs, such as the installation of a UV light, or Humidifier, or an extra duct run. Whatever method you use, don't guess at it. With my systems, it's easy to find the time to do accurate estimates. Your success depends on it.

DUAL OVERHEAD PRICING				
	COST \$	Overhead	break-even	
Material	125	31.25	156.25	
Equipment		0	0	
Equip/material tax	12			
Subcontractors	0	0	0	
other mater	0	0	0	
Labor	40	44	84	
total	177.1875	75.25		
Total Cost (Break-Even)			240.25	
Profit %	PRICE	Gross MS	Gross M%	\$ net
5	\$ 253	\$ 76	30%	13
10	\$ 267	\$ 90	34%	27
15	\$ 283	\$ 105	37%	43
20	\$ 300	\$ 123	41%	60
25	\$ 320	\$ 143	43%	80
30	\$ 343	\$ 166	48%	103
35	\$ 370	\$ 192	52%	129

12 inch 90 ell	1.00	4.00	\$4.00	\$0.00
14 inch 90 ell	10.00	0.00	\$0.00	\$0.00
16 inch 90 ell	10.00	0.00	\$0.00	\$0.00
18 inch 90 ell	10.00	0.00	\$0.00	\$0.00
20 inch 90 ell	10.00	0.00	\$0.00	\$0.00
24 inch Tee	10.00	0.00	\$0.00	\$0.00
30 inch Tee	10.00	0.00	\$0.00	\$0.00
36 inch Tee	10.00	0.00	\$0.00	\$0.00
42 inch Tee	10.00	0.00	\$0.00	\$0.00
48 inch Tee	10.00	0.00	\$0.00	\$0.00
54 inch Tee	10.00	0.00	\$0.00	\$0.00
60 inch Tee	10.00	0.00	\$0.00	\$0.00
66 inch Tee	10.00	0.00	\$0.00	\$0.00
72 inch Tee	10.00	0.00	\$0.00	\$0.00
78 inch Tee	10.00	0.00	\$0.00	\$0.00
84 inch Tee	10.00	0.00	\$0.00	\$0.00
90 inch Tee	10.00	0.00	\$0.00	\$0.00
96 inch Tee	10.00	0.00	\$0.00	\$0.00
102 inch Tee	10.00	0.00	\$0.00	\$0.00
108 inch Tee	10.00	0.00	\$0.00	\$0.00
114 inch Tee	10.00	0.00	\$0.00	\$0.00
120 inch Tee	10.00	0.00	\$0.00	\$0.00
126 inch Tee	10.00	0.00	\$0.00	\$0.00
132 inch Tee	10.00	0.00	\$0.00	\$0.00
138 inch Tee	10.00	0.00	\$0.00	\$0.00
144 inch Tee	10.00	0.00	\$0.00	\$0.00
150 inch Tee	10.00	0.00	\$0.00	\$0.00
156 inch Tee	10.00	0.00	\$0.00	\$0.00
162 inch Tee	10.00	0.00	\$0.00	\$0.00
168 inch Tee	10.00	0.00	\$0.00	\$0.00
174 inch Tee	10.00	0.00	\$0.00	\$0.00
180 inch Tee	10.00	0.00	\$0.00	\$0.00
186 inch Tee	10.00	0.00	\$0.00	\$0.00
192 inch Tee	10.00	0.00	\$0.00	\$0.00
198 inch Tee	10.00	0.00	\$0.00	\$0.00
204 inch Tee	10.00	0.00	\$0.00	\$0.00
210 inch Tee	10.00	0.00	\$0.00	\$0.00
216 inch Tee	10.00	0.00	\$0.00	\$0.00
222 inch Tee	10.00	0.00	\$0.00	\$0.00
228 inch Tee	10.00	0.00	\$0.00	\$0.00
234 inch Tee	10.00	0.00	\$0.00	\$0.00
240 inch Tee	10.00	0.00	\$0.00	\$0.00
246 inch Tee	10.00	0.00	\$0.00	\$0.00
252 inch Tee	10.00	0.00	\$0.00	\$0.00
258 inch Tee	10.00	0.00	\$0.00	\$0.00
264 inch Tee	10.00	0.00	\$0.00	\$0.00
270 inch Tee	10.00	0.00	\$0.00	\$0.00
276 inch Tee	10.00	0.00	\$0.00	\$0.00
282 inch Tee	10.00	0.00	\$0.00	\$0.00
288 inch Tee	10.00	0.00	\$0.00	\$0.00
294 inch Tee	10.00	0.00	\$0.00	\$0.00
300 inch Tee	10.00	0.00	\$0.00	\$0.00
306 inch Tee	10.00	0.00	\$0.00	\$0.00
312 inch Tee	10.00	0.00	\$0.00	\$0.00
318 inch Tee	10.00	0.00	\$0.00	\$0.00
324 inch Tee	10.00	0.00	\$0.00	\$0.00
330 inch Tee	10.00	0.00	\$0.00	\$0.00
336 inch Tee	10.00	0.00	\$0.00	\$0.00
342 inch Tee	10.00	0.00	\$0.00	\$0.00
348 inch Tee	10.00	0.00	\$0.00	\$0.00
354 inch Tee	10.00	0.00	\$0.00	\$0.00
360 inch Tee	10.00	0.00	\$0.00	\$0.00
366 inch Tee	10.00	0.00	\$0.00	\$0.00
372 inch Tee	10.00	0.00	\$0.00	\$0.00
378 inch Tee	10.00	0.00	\$0.00	\$0.00
384 inch Tee	10.00	0.00	\$0.00	\$0.00
390 inch Tee	10.00	0.00	\$0.00	\$0.00
396 inch Tee	10.00	0.00	\$0.00	\$0.00
402 inch Tee	10.00	0.00	\$0.00	\$0.00
408 inch Tee	10.00	0.00	\$0.00	\$0.00
414 inch Tee	10.00	0.00	\$0.00	\$0.00
420 inch Tee	10.00	0.00	\$0.00	\$0.00
426 inch Tee	10.00	0.00	\$0.00	\$0.00
432 inch Tee	10.00	0.00	\$0.00	\$0.00
438 inch Tee	10.00	0.00	\$0.00	\$0.00
444 inch Tee	10.00	0.00	\$0.00	\$0.00
450 inch Tee	10.00	0.00	\$0.00	\$0.00
456 inch Tee	10.00	0.00	\$0.00	\$0.00
462 inch Tee	10.00	0.00	\$0.00	\$0.00
468 inch Tee	10.00	0.00	\$0.00	\$0.00
474 inch Tee	10.00	0.00	\$0.00	\$0.00
480 inch Tee	10.00	0.00	\$0.00	\$0.00
486 inch Tee	10.00	0.00	\$0.00	\$0.00
492 inch Tee	10.00	0.00	\$0.00	\$0.00
498 inch Tee	10.00	0.00	\$0.00	\$0.00
504 inch Tee	10.00	0.00	\$0.00	\$0.00
510 inch Tee	10.00	0.00	\$0.00	\$0.00
516 inch Tee	10.00	0.00	\$0.00	\$0.00
522 inch Tee	10.00	0.00	\$0.00	\$0.00
528 inch Tee	10.00	0.00	\$0.00	\$0.00
534 inch Tee	10.00	0.00	\$0.00	\$0.00
540 inch Tee	10.00	0.00	\$0.00	\$0.00
546 inch Tee	10.00	0.00	\$0.00	\$0.00
552 inch Tee	10.00	0.00	\$0.00	\$0.00
558 inch Tee	10.00	0.00	\$0.00	\$0.00
564 inch Tee	10.00	0.00	\$0.00	\$0.00
570 inch Tee	10.00	0.00	\$0.00	\$0.00
576 inch Tee	10.00	0.00	\$0.00	\$0.00
582 inch Tee	10.00	0.00	\$0.00	\$0.00
588 inch Tee	10.00	0.00	\$0.00	\$0.00
594 inch Tee	10.00	0.00	\$0.00	\$0.00
600 inch Tee	10.00	0.00	\$0.00	\$0.00
606 inch Tee	10.00	0.00	\$0.00	\$0.00
612 inch Tee	10.00	0.00	\$0.00	\$0.00
618 inch Tee	10.00	0.00	\$0.00	\$0.00
624 inch Tee	10.00	0.00	\$0.00	\$0.00
630 inch Tee	10.00	0.00	\$0.00	\$0.00
636 inch Tee	10.00	0.00	\$0.00	\$0.00
642 inch Tee	10.00	0.00	\$0.00	\$0.00
648 inch Tee	10.00	0.00	\$0.00	\$0.00
654 inch Tee	10.00	0.00	\$0.00	\$0.00
660 inch Tee	10.00	0.00	\$0.00	\$0.00
666 inch Tee	10.00	0.00	\$0.00	\$0.00
672 inch Tee	10.00	0.00	\$0.00	\$0.00
678 inch Tee	10.00	0.00	\$0.00	\$0.00
684 inch Tee	10.00	0.00	\$0.00	\$0.00
690 inch Tee	10.00	0.00	\$0.00	\$0.00
696 inch Tee	10.00	0.00	\$0.00	\$0.00
702 inch Tee	10.00	0.00	\$0.00	\$0.00
708 inch Tee	10.00	0.00	\$0.00	\$0.00
714 inch Tee	10.00	0.00	\$0.00	\$0.00
720 inch Tee	10.00	0.00	\$0.00	\$0.00
726 inch Tee	10.00	0.00	\$0.00	\$0.00
732 inch Tee	10.00	0.00	\$0.00	\$0.00
738 inch Tee	10.00	0.00	\$0.00	\$0.00
744 inch Tee	10.00	0.00	\$0.00	\$0.00
750 inch Tee	10.00	0.00	\$0.00	\$0.00
756 inch Tee	10.00	0.00	\$0.00	\$0.00
762 inch Tee	10.00	0.00	\$0.00	\$0.00
768 inch Tee	10.00	0.00	\$0.00	\$0.00
774 inch Tee	10.00	0.00	\$0.00	\$0.00
780 inch Tee	10.00	0.00	\$0.00	\$0.00
786 inch Tee	10.00	0.00	\$0.00	\$0.00
792 inch Tee	10.00	0.00	\$0.00	\$0.00
798 inch Tee	10.00	0.00	\$0.00	\$0.00
804 inch Tee	10.00	0.00	\$0.00	\$0.00
810 inch Tee	10.00	0.00	\$0.00	\$0.00
816 inch Tee	10.00	0.00	\$0.00	\$0.00
822 inch Tee	10.00	0.00	\$0.00	\$0.00
828 inch Tee	10.00	0.00	\$0.00	\$0.00
834 inch Tee	10.00	0.00	\$0.00	\$0.00
840 inch Tee	10.00	0.00	\$0.00	\$0.00
846 inch Tee	10.00	0.00	\$0.00	\$0.00
852 inch Tee	10.00	0.00	\$0.00	\$0.00
858 inch Tee	10.00	0.00	\$0.00	\$0.00
864 inch Tee	10.00	0.00	\$0.00	\$0.00
870 inch Tee	10.00	0.00	\$0.00	\$0.00
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900 inch Tee	10.00	0.00	\$0.00	\$0.00
906 inch Tee	10.00	0.00	\$0.00	\$0.00
912 inch Tee	10.00	0.00	\$0.00	\$0.00
918 inch Tee	10.00	0.00	\$0.00	\$0.00
924 inch Tee	10.00	0.00	\$0.00	\$0.00
930 inch Tee	10.00	0.00	\$0.00	\$0.00
936 inch Tee	10.00	0.00	\$0.00	\$0.00
942 inch Tee	10.00	0.00	\$0.00	\$0.00
948 inch Tee	10.00	0.00	\$0.00	\$0.00
954 inch Tee	10.00	0.00	\$0.00	\$0.00
960 inch Tee	10.00	0.00	\$0.00	\$0.00
966 inch Tee	10.00	0.00	\$0.00	\$0.00
972 inch Tee	10.00	0.00	\$0.00	\$0.00
978 inch Tee	10.00	0.00	\$0.00	\$0.00
984 inch Tee	10.00	0.00	\$0.00	\$0.00
990 inch Tee	10.00	0.00	\$0.00	\$0.00
996 inch Tee	10.00	0.00	\$0.00	\$0.00
1002 inch Tee	10.00	0.00	\$0.00	\$0.00
1008 inch Tee	10.00	0.00	\$0.00	\$0.00
1014 inch Tee	10.00	0.00	\$0.00	\$0.00
1020 inch Tee	10.00	0.00	\$0.00	\$0.00
1026 inch Tee	10.00	0.00	\$0.00	\$0.00
1032 inch Tee	10.00	0.00	\$0.00	\$0.00
1038 inch Tee	10.00	0.00	\$0.00	\$0.00
1044 inch Tee	10.00	0.00	\$0.00	\$0.00
1050 inch Tee	10.00	0.00	\$0.00	\$0.00
1056 inch Tee	10.00	0.00	\$0.00	\$0.00
1062 inch Tee	10.00	0.00	\$0.00	\$0.00
1068 inch Tee	10.00	0.00	\$0.00	\$0.00
1074 inch Tee	10.00	0.00	\$0.00	\$0.00
1080 inch Tee	10.00	0.00	\$0.00	\$0.00
1086 inch Tee	10.00	0.00	\$0.00	\$0.00
1092 inch Tee	10.00	0.00	\$0.00	\$0.00
1098 inch Tee	10.00	0.00	\$0.00	\$0.00
1104 inch Tee	10.00	0.00	\$0.00	\$0.00
1110 inch Tee	10.00	0.00	\$0.00	\$0.00
1116 inch Tee	10.00	0.00	\$0.00	\$0.00
1122 inch Tee	10.00	0.00	\$0.00	\$0.00
1128 inch Tee	10.00	0.00	\$0.00	\$0.00
1134 inch Tee	10.00	0.00	\$0.00	\$0.00
1140 inch Tee	10.00	0.00	\$0.00	\$0.00
1146 inch Tee	10.00	0.00	\$0.00	\$0.00
1152 inch Tee	10.00	0.00	\$0.00	\$0.00
1158 inch Tee	10.00	0.00	\$0.00	\$0.00
1164 inch Tee	10.00	0.00	\$0.00	\$0.00
1170 inch Tee	10.00	0.00	\$0.00	\$0.00
1176 inch Tee	10.00	0.00	\$0.00	\$0.00
1182 inch Tee	10.00	0.00	\$0.00	\$0.00
1188 inch Tee	10.00	0.00	\$0.00	\$0.00
1194 inch Tee	10.00	0.00	\$0.00	\$0.00
1200 inch Tee	10.00	0.00	\$0.00	\$0.00
1206 inch Tee	10.00	0.00	\$0.00	\$0.00
1212 inch Tee	10.00	0.00	\$0.00	\$0.00
1218 inch Tee	10.00	0.00	\$0.00	\$0.00
1224 inch Tee	10.00	0.00	\$0.00	\$0.00
1230 inch Tee	10.00	0.00	\$0.00	\$0.00
1236 inch Tee	10.00	0.00	\$0.00	\$0.00
1242 inch Tee	10.00	0.00	\$0.00	\$0.00
1248 inch Tee	10.00	0.00	\$0.00	\$0.00
1254 inch Tee	10.00	0.00	\$0.00	\$0.00
1260 inch Tee	10.00	0.00	\$0.00	\$0.00
1266 inch Tee	10.00	0.00	\$0.00	\$0.00
1272 inch Tee	10.00	0.00	\$0.00	\$0.00
1278 inch Tee	10.00	0.00	\$0.00	\$0.00
1284 inch Tee</				



CHAPTER 9 REPLACEMENT EQUIPMENT SALES AND INSTALLATION

A third, and my favorite type of HVAC work, is Residential Replacement. The vast majority of homes consider central heating and air conditioning to be an absolute essential part of their homes. They will sacrifice a lot before they will do without central heat and air. A customer told me recently on a hot day: "I'll do without indoor plumbing before I'll do without air conditioning!"

And when it fails, as it inevitably will, no matter what the brand, they are in a hurry to fix or replace it quickly. If you are lucky enough to be the trusted technician that condemns the compressor or heat exchanger, you are in a good position to make the sale of their new system on-the-spot.

Your best profits will be made by replacing worn-out residential heat and air systems. If you price and present these systems correctly, you can make between two and four thousand dollars per job gross profit in a single day or half-day.

Most companies that I compete with do it like this:

1. They get a call for an estimate (which often goes to their voice mail), or a service tech generates a lead.
2. A sales rep (usually the owner) sets an appointment to visit the house.
3. The sales rep does a survey of the house.
4. The sales rep either works up a quote on the spot and presents it on a business card or a pre-printed form;
 - 4a. OR he goes back to the office, spends an hour or two working up a price, then,



5. The sales rep sets another appointment with the customer,
6. The sales rep presents his price to the customer. Or...
 - 6a. Some contractors mail or simply drop off their estimate at the customer's door
7. The customer says, "Thank you for your time. I'll get back to you."
8. They never hear from the customer again.

All kinds of things are wrong with this way of doing estimates.

1. It takes too much time out of the contractor's day.
2. It takes too much of the customer's time.
3. If a bid is presented on the same visit, it is almost always a bid for the lowest priced system the contractor offers. There is certainly not enough time to work up a Good, Better, Best bid and present it to the customer.
4. During the time between when the customer first realizes h/she needs a new system and step 7 of the process above, the customer has been busy calling other companies and looking for a better price.

It is much better to reduce this to two steps:

- Step 1. Let the customer shop 4 different bids out of your price book to replace their system.
- Step 2. Collect a deposit, sign a contract, fill out the credit application, close the deal, congratulate the customer on making the right decision and pet their dog on the way out.

If they are fortunate enough to call us, we'll be at their home in a few hours in a clean, nicely letter truck, looking sharp in a white shirt with the company logo. We'll look over the job and determine what work needs to be done and, in talking to the customer, we find that they have allergies and want a high efficiency system.

Then we open **Doc's Replacement Pricing Catalog** and show them four choices in the type and size of equipment they need: **Standard, Good, Better, and Best**. For



instance, for a 3 ton split heat pump, prices range from \$4500 on the low end, to \$9500 for the Best. The customer looks at our catalog, looks over the features and benefits, are shocked at the price of our Best, then normally asks about the Better and Good systems. We explain the difference in performance, energy usage, and warranties.

Then we sit back and we SHUT UP.

Remain silent while they look at your price book!

The next one to speak buys it.

That silence gives the customer time to look at his/her options.

The silence implies that it is decision time.

Often, the customer looks a little longer, turns to his/her spouse and says: "What do you think Honey?" S/he points to the "Better" one and says: "I like that one." S/he agrees. We ask if they want to use one of our payment plans, (Don't use the "F" word: Financing), then we all sign the agreement and we collect a deposit.

But we're not finished!

Now that the customer has trusted us for a \$8500 purchase, we present ***Doc's Accessories Catalog*** and offer them the opportunity to make their homes safer and healthier by adding high efficiency air cleaners, UV lights, Humidifiers and other products to improve their home. They rarely fail to buy at least one, and often buy several extras, adding hundreds to the profit of the job- and to the customer's satisfaction!

That's how much difference a well designed Replacement Pricing Catalog makes! You can price the job on-the-spot, get a decision, close the sale and have it installed in a day or two while your competitor is working up his bid. Even better, you can offer them four different systems with every bid. That satisfies many customers' need to "price around first." Very few of our customers buy our lowest priced Standard grade system.



I have searched for a presentation system that does what mine does and have found a couple. But they are so expensive and complicated that I can't recommend them as useful for a small contractor. If you are skilled with MS Excel, you can design your own book. But my book took me hundreds of hours to perfect. If you aren't up to doing your own, **Doc's Presentation Book System** is included in the **HVAC Business Success Kit**. In fact, it's the product I am most proud of and the one that has made my company the most profit.

Doc's Presentation Book System gives you total control of the equipment brands you offer, the installation costs you want to include in each replacement, and the profits you want to include in each price. The professional-looking presentation pages offer the customer 4 choices of Standard, Good, Better and Best systems and make you look like a pro to your customer.

They are priced so that you will make a fair **profit!** (Remember the "P" word?) You can print the retail sheets and put them into a 3-ring binder, or upload them to your tablet computer. When prices change, or you change brands of equipment, just enter the new information on the worksheet and it will automatically update the prices on your retail presentation sheets.

Using **Doc's Presentation Book System**, we find that the customers who have trusted us for their repairs or maintenance rarely bother to shop other companies for a lower price; they just pick from one of the choices in our book—usually one of the higher priced systems. We collect a deposit and have the system installed in a few days. Bada bing, two to five thousand dollars profit or more! And even more if they buy accessories.

Best of all, it allows you to skip the very expensive steps of bidding jobs wrong for years! You can start off from day-one pricing your installations profitably. This alone will vastly improve your odds of success!

I would be a much richer man if I'd had this presentation catalog system to start off with.

I counted over 1500 formulas in just one of the cost sheets. It took me many



Customers will buy high efficiency air cleaners, expensive humidifiers, UV lights, duct cleaning and many other accessories for their home FROM US if we make it easy for them to buy from us.

Customers HATE being up-sold by their service technician.

But they LOVE to shop!

Yes You Can!

Kill Germs, Virus, and Odors In Your Home

Our homes are tighter and more energy efficient than ever before.

A tight home saves energy, but it has a side-effect: unhealthy air. You see, a leaky house continually "breathes" by leaking air in from outdoors and leaking stale air outside. But since a tight, energy efficient house doesn't "breathe," your home's air can become stale from cooking odors, pets, molds, VOC's, and household chemicals. This not only causes the home to not smell fresh, it can actually become more polluted than downtown LA!

Ultraviolet



UltraMAX™ Whole House Ultraviolet (UV) Air and Surface Treatment

Natural ultraviolet (UV) light from the sun keeps airborne microorganisms under control outdoors. CO/UV Signature Series kills airborne viruses, bacteria and allergens and keeps the interior surfaces of your HVAC system free of mold and other pollutants. Retail Price: \$1013.00

Ultraviolet



UV Photomax Commercial UV

Kills airborne bacteria and viruses as they pass through your HVAC ductwork. All air is re-circulated through your HVAC system, airborne microorganisms are killed as they pass through the UV-C light emitted by the Photomax.

Microorganisms that are destroyed by the Photomax: Bacteria, Viruses, Molds, Mites, Fleas, Ticks, Dust Mites, Sick Building Syndrome, and many more.

Refresh™ patented Advanced Oxidation System www.ultaviolet.com non-hazardous odors. Such as household cleaners, pets, outgassing from furniture and flooring, cooking odors, trash, and many others. Retail Price: \$600.

Ultraviolet



Add a UV light to the Photomax for coil purification. It plugs into the Photomax with no additional wiring required. only \$199.00

Doc's Accessories Catalog comes with full color pictures and an explanation of the benefits of each product, along with the current installed price of each item. You simply leave the catalog with the customer while you are doing your repair or maintenance and let them shop. When you return to them at the end of the call, simply answer any questions and take the orders.

Or, after you have sold them a new system with **Doc's Presentation Book**, you present your **Doc's Accessories Catalog** and give them an opportunity to purify their air, humidify their home, etc. with products that actually do what they promise to do!

You don't have to be a fast talking salesman to make it easy for the customer to spend thousands of dollars to make their home healthier.

Thousands spent with YOU, not Home Depot or the Internet!

As with the other products, you can add, delete and change descriptions and pricing on any product in the catalog. It is produced in Microsoft Publisher.



CHAPTER 10 NOW YOUR BUSINESS HAS GROWN AND YOU NEED HELP

Doc's Performance Pay System–

Service Technician Pay--“You get what you pay for.”

If you pay your technicians and installers by the hour, that's what you will get: their time. But if you pay for Performance, that's also what you will get: Their Performance.

Using ***Doc's Performance Pay System***, service techs get paid for the repair hours they bill to customers, not by the hours they work. The hourly rate they make is often triple what I would pay hourly, but I only pay that if they are actually billing a customer at my \$200+ per hour rate. If they make \$45/hour, I make \$155/hour. The more they make, the more the company makes.

Everybody Wins:

- The customer wins by having a fixed price for each repair or install and being saved from having another failure in the near future.
- The company wins by only paying for billable labor and knowing what the labor costs are before giving a price to the customer.
- The Techs and Installers win by being rewarded generously for efficiency and quality. If the service tech finds something the customer needs in addition to the original problem, he informs the customer, increasing the invoice amount, making more money for himself and the company.

My high performing techs LOVE this system and wouldn't work for anyone else. They love the freedom of not being “on-the-clock”. If they get a break in their calls,



they can meet their wife for lunch. If their wife works outside the home, they can take the kids to school and schedule their calls later. It's almost like being self-employed!

They're making more than they could make anywhere else, but costing me less! My low performing techs leave me and go to my worthy, but struggling, competitors. I rarely have to fire them.

INSTALLER PAY

My installers are also paid for performance. I have a fixed labor amount figured into every price in my Replacement Price book. This amount is based on my experience and updated if my installers advise me that the labor allowance needs adjustments. My installers get paid that amount whether they take 2 days or 2 hours.

Before I started paying for performance, an average package heat pump replacement job would take 8 hours for three men. Now they can often finish that same job in a half day with only two men. They sometimes volunteer to work Saturdays because they make so much in a day, it's worth it to them to work over.

How do I control quality? They agree to return to fix anything that does not meet my high standard of quality on their own time. So they turn out better quality than they did when I just paid for their time. I make my quality standards very clear. I don't treat them as sub-contractors. They still get all the benefits of a full time employee because I want them to be proud to work for my company, and treat my customers with the care only a loyal full time employee will provide.

Again, as with the service techs, the productive installers wouldn't work any other way. The less productive or lower quality installers leave because returning for free to fix their mistakes costs them too much, so they tend to look for work with my worthy competitors. I rarely have to fire them.

Extra Benefits of Performance Pay:

- I have a fixed labor cost that I can use for my estimates!
- The more money they make, the more money I make.
- The best part for me? I don't have to follow them around and treat them like children, like I did when I paid hourly.



Both of these flat rate pay systems simply do to my employees what the marketplace does to me: I get paid a flat price to install a system. If I do it quickly at high quality, I make more money. If I do it slowly or and make mistakes, I make less.

Before implementing any Performance Pay system, I recommend that you run it by an expert in labor laws to be sure you are compliant. That's one of those "Land Mines" that could blow up on you when you least expect it. In my **HVAC Business Success Kit**, I have included **Doc's Performance Pay System** to get you started so you don't have to re-invent the wheel. It includes a suggested pay scale for Installers that includes a rate for all types of replacement installations and for full duct system installations for new construction.

But wait there's more!

Other Paperwork and Systems You Need to get started:

1. A professional multi-purpose service/installation/maintenance invoice form. Our service invoice serves all three purposes.
2. A proposal form for your technician or salesperson to make it easy to show the customer the various options to improve their home. Our proposal form has been tested for years for selling effectiveness and simplicity and to make it easy to up-sell accessories and higher grade systems.
3. An installation contract to specify exactly what the customer is buying from you and on what terms payment will be made. On back is all the fine print that will protect you in the event of the eventual misunderstanding. Our form has been tested for years in the field and found to be good legal coverage as well as a selling tool. Of course, have your lawyer review it.

That's it! You have my advice and you can buy **Doc's HVAC Success Kit** at HVACKIT.COM.

The rest is up to you. With the right tools, you are ready to follow your dream of owning your own HVAC business.



I sincerely wish you the best!

Larry "Doc" Garner

PS Owing your own business means you must commit to lifelong learning. I have listed some reading material below to get you started.

Recommended reading: (Notice that none of these teach you how to fix HVAC equipment. They are for showing you how to Make A Profit in the HVAC business.)

HVAC Spells Wealth by Ron Smith - The best "how to" book you'll ever find for making money in HVAC!

More and New HVAC Spells Wealth by Ron Smith – After you've read the first book numerous times, you'll want more Ron Smith.

HVAC Mechanic, Start and Run a Money-Making Business by R. Dodge Woodson

Guerrilla Marketing by Jay Levinson