

EXECUTIVE SUMMARY

The New Horizons Foundation (NHF) initiated and funded this study to gain a greater understanding of heating, ventilation, and air-conditioning (HVAC) and sheet metal customers' requirements with the intent of discovering specific paths to improving the competitiveness of HVAC and sheet metal contractors. The challenges faced by this industry during recent years have created an imperative to fully and factually understand one of the keys to success of high-performing contracting companies: What is the "voice" of the customer? HVAC and sheet metal contractors must know the forces that drive customers' buying decisions, create customer confidence, and build enduring customer trust and loyalty.

The foundation also launched this study to help determine the need for and direction of more in-depth research and development of services to help contractors gain and retain loyal customers. HVAC and sheet metal contractors must be equipped with leading-edge tools to remain competitive and to build a vital customer base that looks beyond price and bid and to sustain contractor profitability in any economic climate. Without this deep knowledge and understanding, contractors will be far more vulnerable to market shifts and economic downturns.

This research project provides the first industry-wide measure of customers' perceptions of the factors that are most important to purchasing successful HVAC work and of the quality of performance of sheet metal and HVAC contractors.

Key findings of the research include the following:

- Customers have an overall satisfaction rating of 8.2 on a scale of 1 to 10, indicating a "near" loyal but not loyal customer base. Loyal customers consistently rate their suppliers 9 or often the "top box" rating (10).
- Areas that HVAC and sheet metal contractors should address first, as identified by the research, are: Meeting the Schedule, Quality of Work, Price, and Customer Service.
- The "value provided by the main HVAC and sheet metal contractor" received a rating of 8.3, while the customer rated the competition 7.1. (For this study, a difference in ratings of 0.5 or greater is considered statistically significant, so a gap of 1.2 points is very significant.)
- Eighty-one percent of the customers surveyed said they would enthusiastically recommend their main HVAC and sheet metal contractor to others; only 2% said they would not recommend the contractor.
- The lowest satisfaction/loyalty ratings are expressed by design engineers/architects, an important finding because of the role these customers play in contractor selection.
- Of the factors the customer rated as most important to the success of projects, quality of work and safety performance were rated significantly more important than the contractors perceived.

MEASURING CUSTOMER LOYALTY

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- Contractors rated their own performance higher than did their customers in six out of the eight performance factors. The biggest gap was in problem solving.
- Customer loyalty levels do vary with the type of customer with general and mechanical contractors showing the highest levels; and design engineers/architects and government/schools indicating the least loyalty.

To apply this research, industry organizations and individual contractors need to understand the details of these findings, to give feedback to the customers that their voices were heard, and to take action to improve performance in the areas identified as most important to their customers. Individual contractors will realize the most value from this study by using the self-survey kit to do their own satisfaction survey of all their customers. They can benchmark the results with these findings and identify specific actions that meet their own customers' needs and expectations.

This first-ever industry survey points to the need to continue research to monitor customers' changing requirements and perceptions. Future customer loyalty research is essential to maintaining and building a competitive edge for HVAC and sheet metal contractors. Ongoing discovery of emerging patterns of customer perceptions and buying decisions is critical and will permit the following:

- Benchmarking with and learning from customer loyalty leaders in other industries and adaptation of their best practices to the sheet metal industry,

- Building on the capabilities of individual HVAC and sheet metal contractors to easily conduct their own customer satisfaction surveys and studies,
- Greater understanding of those specific contractor actions that build and maintain customer loyalty in any economic climate, and
- The ability to forecast future market trends and customers' possible reactions to market shifts, enabling HVAC and sheet metal contractors to position themselves to remain competitive and profitable during turbulent economic conditions.