

# RESIDENTIAL

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## REPORT

news and views from SMACNA's National Residential Council

### Philly Makes a Bold Move into Residential

Starting with a couple of residential contractors and little market share, the SMCA of Philadelphia and Vicinity contractors are defying the odds and boldly grabbing their piece of the residential market.

Using tried and true marketing tactics, the Philadelphia labor-management partnership is experiencing a small, yet measurable market growth. What makes this story different from typical market endeavors is how their labor-management partnership enabled them to leverage their buying power and produce a win-win situation for the contractors, local union members and their new residential customers.

"When you have nothing, everything is a major gain," explained Bill Reardon, executive director of the SMCA Chapter in Philadelphia who credits last year's SMACNA/SMWIA Partnership Conference in Orlando, Fla., for sparking his group's interest in growing their almost non-existent residential market share.

See **Philly Makes a Bold Move** on page 3

### Giving Homeowners the "Total Comfort System Story"

Looking for customer-friendly content for your firm's Web site? Or maybe you need an informative, professional brochure to give to customers. The "Total Comfort System Story," developed by the National Residential Council Steering Committee, provides members with an ideal tool that's easy to customize to meet your firm's specific needs.

The Web-based document, originally published by the SMACNA Metropolitan Detroit Chapter and its Better Heating and Cooling Bureau in the late 1960s, is intended as a promotional vehicle to help gain residential market share. This updated document includes a checklist to assist homeowners identify a "Total Comfort System" contractor, plus a link to SMACNA's online member directory.

"Placing the Total Comfort System Story on our firm's Web site was so simple," commented Randy Novak, of Novak Heating and Air Conditioning, in Cedar Rapids,


See **"Total Comfort System Story"** on page 2

### June Partners In Progress — Thriving in the Residential Market

For a candid look at how SMACNA Contractors are capitalizing on their residential market opportunities, pick up the June 2003 issue of the Partners in Progress magazine.



In this issue your fellow SMACNA contractors generously offer tips on how to go after the most profitable areas of the residential market sector. They also share 30-plus years of proven image-building that can set your company apart from the competition.


The article on rebates do's and don'ts serves as further testimony that teamwork between management and labor can create residential opportunities. Plus, SMACNA President Jack Desmond and SMWIA General President Mike Sullivan offer up the exciting details of this industry's market expansion efforts. 



## Best Practices Lead to Customer Satisfaction

Recently, owners of several family-owned, long-established union contractor firms had the opportunity to share reasons why they believed their companies had success in the residential market. Here's a sampling of what they say works.

- Following up with customer surveys reinforces dedication to customer satisfaction
- Allowing office employees to attend out of town factory training for sales, service and Dale Carnegie courses
- Offering very flexible employee time off for sick kids, parent-teacher conferences, etc.
- Scheduling informal quarterly division meetings to discuss how management can help employees do a better job. It's usually held in the evening at a pizza place. Time to discuss management concerns and idea-sharing are also on the agenda
- Getting both management and labor involved in the community via The Homebuilders Association, Chamber of Commerce and Better Business Bureau. Many firms participate in home shows and sponsor soccer or softball tournaments

Not only do these best practices benefit the customer but also the contractor's workforce as well as the community. Watch for more best practices in the next issue of Residential Report. 

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## “Total Comfort System Story” continued from page 1

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Iowa. “It’s a great tool for educating homeowners. A large part of our job is to provide valuable information to the customer. It goes along with being a true professional.”

The Novak Web site, [www.novakheating.com](http://www.novakheating.com), features an easy-to-find link from the company’s homepage. Visitors then view the complete seven-page document. Usage reports generated by the firm’s Webmaster indicate that visitors are reading the complete document start to finish.

“We encourage our technicians to send homeowners to the Web site,” Mr. Novak explained. “Customers frequently comment about reading the ‘Total Comfort System Story’ online and then have additional questions for us.”

Novak staff also use portions of the document as printed pieces to leave with customers. “The ‘Characteristics of a Quality Total Comfort System Contractor’ section is a great way to show a customer how our firm is different from the competition,” Mr. Novak said.

SMACNA members are encouraged to use “The Total Comfort System Story” to promote their residential service business. Detailed instructions for customizing the document, printing it as a hard copy for distribution and displaying it on a company Web site are available on SMACNA’s Members Only Web site.

If you have questions about how your firm can incorporate “The Total Comfort System Story” on your Web site, contact Jim Pierzynski at (703) 995-4035 or [jpierzynski@smacna.org](mailto:jpierzynski@smacna.org). 

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## Forum Preview

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### Residential IAQ Issues — Challenges And Opportunities

A hot-button topic for consumers and contractors, indoor air quality (IAQ) encompasses a wide-variety of issues. SMACNA members in the residential market need to be prepared to provide customers with informative answers to their questions as well as offer new IAQ-related products and services.

This year’s Residential Forum, “Residential IAQ Issues — Challenges and Opportunities,” on Tuesday, Sept. 30 during SMACNA’s annual convention in Washington, D.C., will examine the issues connected with indoor air quality.

Residential contractors will learn how to help homeowners improve the quality of air in their home by offering new products and services. The session’s host, Terry Brennan, of Camroden Associates, will also discuss specific products and services contractors can offer homeowners to address air quality needs.

The forum will conclude with a one-hour roundtable discussion examining efforts to gain residential HVAC market share by SMACNA and the SWMIA including the activities of the SMACNA/SWIA Best Practices Marketing Task Force.

For additional information on the annual convention visit [www.smacna.org](http://www.smacna.org) or contact Mary Lou Taylor, director of meetings and convention, at (703) 803-2998 or [mtaylor@smacna.org](mailto:mtaylor@smacna.org). 

## Philly Makes a Bold Move continued from page 1

Several contractors and their labor counterparts attended the “Building a Residential Market” seminar that encouraged more SMACNA contractors to consider expanding into HVAC sales and service. The Philadelphia delegation took seriously what former SMACNA President George “Butch” Welsch and Local 36 Business Agent Henry Spitzmiller had to say.

Many contractors are not aware just how lucrative the residential market can be, Messrs. Welsch and Spitzmiller explained. Mr. Welsch, president of Welsch, Heating and Cooling in St. Louis, expanded into the service-replacement market in 1988. Today, up to 35 percent of the company’s annual sales come from the service and add-on market and his 16 residential technicians handle more than 100 calls a day, plus he employs six add-on/replacement crews.

Back home after the conference, Philadelphia’s market advancement committee seriously discussed how to best assist their contractors and labor partners. Mr. Welsch and Local 36 Business Manager David Zimmerman were the featured speakers at a lunch held at Local 19’s catering hall. An audience of 50 people representing 25 contracting firms turned out to hear the St. Louis business manager talk about accommodating the special needs of a residential service contractor. Mr. Welsch shared effective advertising tips and strategies based on his experience.

Spurred on by the encouragement and enthusiasm from Messrs. Welsch and Zimmerman, the Philadelphia market advancement committee did some serious brainstorming to devise the best way they could make their contractors more competitive in the marketplace.

They did their homework on rebates by calling other chapters and locals for advice and learned that most manufacturers require the contractor to put up one half of the rebate. In reality, a \$300 manufacturer rebate is actually a \$150 rebate. In order for the contractor to offer a \$300 rebate, he must increase the customer’s cost by \$150 or else the additional \$150 comes directly out of his pocket.

With this knowledge in hand, the market advancement committee approached York, Carrier, Lennox, Trane and Rheem requesting a better rebate deal. They justified this request based on the number of union contractors they represented. York, Carrier, Lennox and Trane quickly dismissed their offer.

The Local Rheem distributor (P&I), however, was interested in creating a lasting alliance. Rheem’s \$300 rebate required no financial contribution from the contractor and offered an extended warranty. In addition, Rheem provided complete

customer financing arrangements allowing the SMCA contractors to go into a home, make the deal and get financing on the spot with one phone call — critical elements in closing a residential sale. The miscalculation was that the offer applied only to high efficiency units.

Fortunately, Rheem and P&I stuck to their initial goal, they were willing to pay the rebate directly to the union. Local 19, in turn, wrote a check to customer, thus creating goodwill between the union and the customer.


To sweeten the pot, Local 19 agreed to offer additional customer rebates. Joe Sellers Jr., Philadelphia’s new president/business manager, stepped up to the plate and offered two more customer rebates — \$125 for replacing a unit and \$25 for a cleaning and service checkup.

Now with rebates from Local 19 and Rheem totaling up to \$425, new residential customers could hardly say no to hiring a union SMCA contractor. Yet, the fall promotion got off to a somewhat slow start. Only six Rheem rebates and 25 from Local 19 were issued.

Undaunted by this initial response, the Rheem distributor sweetened the deal by making some standard efficiency units eligible for the rebates during the spring promotion. Cool, rainy weather has kept business slow so far this season. However, one recent weekend of typical steamy, Philadelphia weather resulted in more calls than during the entire fall program.

What’s even more interesting is that the other manufacturers who turned down the opportunity to work with the Philly market advancement committee now want to work with the partnership. According to Mr. Reardon, they’re committed to Rheem for this season, but more than likely will work with other manufacturers in the future. Rheem, however, will get the first opportunity in subsequent promotions.

Throughout this initiative, the role of the advancement committee was primarily to get the ball rolling. The co-op advertising program funded by Rheem and the Sheet Metal Industry Advancement Committee was merely seed money. The committee hopes that as the union residential market share takes off, individual contractors will begin doing their own co-op advertising to build brand awareness for their company’s residential expertise.

The advancement committee will continue to negotiate a master agreement with manufacturers — a relationship built on leveraging the power and unity of the unionized sheet metal industry. 

# Residential Training Available at Five Bay Area Centers

With five training centers in the San Francisco area, Sheet Metal Worker's International Association (SMWIA) Local 104 and their SMACNA contractor counterparts are hard at work supplying high-quality training for its 6,500 members.

Created in 1982, the two-year residential specialist program trains apprentices to perform residential and light commercial work. Upon completion of the program, an apprentice is recognized as an "AC Specialist" with journeyman status under a residential addendum to the local contract.

"This year we have 65 apprentices in the residential specialist program," commented Mike Longeuay, Bay Area JATC administrator. "They are in classes one night a week and receive

more than 200 hours of training."

As the model for the International Training Institute's (ITI) "Residential Sheet Metal: Textbooks 1 and 2," the program's curriculum focuses on all the essential areas of residential work. Apprentices receive instruction on a wide variety of topics including the tools of the trade, safety procedures, system features, customer relations, HVAC component installation, troubleshooting and system testing.

In addition, the residential specialist program is registered with the California Division of Apprenticeship Standards (DAS) and students receive a state certificate at the end of their apprenticeship. 🏠



The Bay Area's five training centers are equipped with model furnaces and condenser units for lab training sessions.



Apprentice Mike Common makes soldering a gutter look easy. Installing residential sheet metal elements and soldering are taught during the second year of the program.



Working within a confined attic, Tom Heise, journeyman, is performing a furnace installation.


## Forecasting Experts Remain Confident in Residential Construction Market

While a large percentage of the construction industry is experiencing a drop in activity, a review of construction activity in the second quarter of 2003 by industry forecasters contains good news for residential contractors.

The Construction Outlook from FMI states that “the residential construction market has been crucial to the construction industry and to the U.S. economy as a whole during the last two years. Plainly, there has been ample demand driven by underlying demographic and lifestyle preferences. The good news is that these should remain in place for most of this decade.

“Residential construction has continued at 2002’s strong pace primarily because personal incomes remain strong, home prices are moderating and mortgage rates remain huge bargains.”

The monthly stats from McGraw-Hill report that “although down slightly in April, single family housing remains at a high level, with contracting during the first four months of 2003 up 2 percent over the same period a year ago. Low mortgage rates continue to support demand for single-family homes — the 30-year fixed mortgage rates averaged 5.8 percent in April and subsequently fell to 5.3 percent during May.

“Over the past couple of years, multi-family housing has been basically stable, but higher rental vacancy rates are generating some concern about near term prospects for apartment construction. By geography, residential building in April showed this pattern — the Midwest, unchanged; the South Central, down 2 percent; the South Atlantic, down 3 percent; the Northeast, down 5 percent and the West, down 5 percent.” 

## Surviving in Uncertain Economic Times

In uncertain economic times most residential customers are concentrating on ways to save money. They want to decrease costs. So, your message to them must be how they can save money by using your services.

How do your service agreements save them money? How do they lessen the fuel cost increases that most everyone has experienced this past winter? All of the information that you give to your customers must focus on things that they are interested in right now. And, that includes writing smaller checks to utility companies.

Your service technicians must focus on saving your customers money. Sure, the other benefits of replacing systems and service agreements still apply. However, the customer is likely to discount them now and not use them as a reason to buy simply because they are focused on decreasing costs.

A few suggestions for selling to a cost-conscious residential customer include:

*Focus on replacement sales.* If a technician comes across an old system that really should be replaced, the decrease in energy costs should be prominent in his discussions with the customer. Marketing pieces should focus on saving energy.

*Use a letter that offers to buy back last year’s repair bill, up to a certain dollar amount, when the client purchases a new, high-efficiency system.* They probably aren’t aware of how much they spent last year in repairs. If it is several hundred dollars, they probably don’t want to spend that much again this year. This is a method that you can use to get their attention since most people are focused on saving money. A huge surprise repair bill is not what they are looking for!

*Put a referral program in place.* It can be subtle or overt. However, let customers know that you appreciate referrals to their friends and business colleagues. Some will refer you simply because they want to do it. Others will give referrals because you give them an incentive (i.e., what’s in it for me?). One contractor mentioned to everyone whose system he replaced, that if that homeowner gave him referrals he would send that person a check for \$50 when he got an appointment to meet that referral. Please note, he did not require the system be sold — only that he got the appointment. Within a month, simply mentioning this to customers resulted in four additional system sales. One client referred eight customers to him within six months. One of the systems that he sold was a much higher price than other bids. He got the sale because it was a referral and the customer trusted the referral source, even though his price was higher. Fifty dollars is a cheap lead cost and it is the best source of referrals. If you don’t want to use cash incentives, use incentives for your business. These can be an

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See **Surviving in Uncertain Times** continued on page 7

## NATE Certification — Coming Soon to a JATC Near You

North American Technician Excellence (NATE) exams reflect a consensus opinion of what technicians need to know to effectively service and install today's sophisticated HVAC systems.

The International Training Institute (ITI) is planning to offer training centers the opportunity to become a NATE testing site. Once approved as a testing site, a training center will offer core and discipline exams. Exams will be scheduled on an as needed basis.

Contact your local training center or the ITI, [www.sheetmetal-iti.org](http://www.sheetmetal-iti.org), for more information on participation in the NATE program. Information on NATE exams is available at [www.natex.org](http://www.natex.org). 🏠

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## New Task Force to Generate Retrofit and Service Stats

Watch for residential retrofit and service market research information from the newly created National Energy Management Institute (NEMI) Residential Service and Retrofit Market Task Force. The collected data will focus on the market as a whole as well as smaller per job stats.

Created by a recommendation from the SMACNA/SMWIA Best Practices Market Expansion Task Force, the new task force is comprised of members and staff of the SMWIA, NEMI and SMACNA.

National Residential Council Chairman MacArthur Coffin, of Frank Millard and Company and Anthony Mello, of Comfort Heating and Air Conditioning are representing SMACNA.

The task force met for the first time in early July. 🏠

## Frequently Asked Questions

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### FAQ on Heat Pumps

**Q:** Do heat pumps benefit from special consideration in duct design and construction?

**A:** The heating performance of electric heat pumps is affected by the temperature of the return air. The cooler the return air the more efficiently the heat pump will operate and the greater capacity it can develop.

For example when the outdoor temperature is 32 degrees, the impact on the performance of a typical three-ton, air-source heat pump improves when supplied from a low return providing 70-degree air versus a high return with 75-degree air. Using the cooler air supplied by the low return, the system capacity increases approximately 3 percent — from 23,800 BTUH to 24,500 BTUH — while reducing the total power requirements approximately 2 percent — from 3.21 kW to 3.15 kW. The end result is nearly a 5 percent overall efficiency improvement.

Two factors amplify this overall benefit. First, the slight increase in capacity delays the call for resistance heat, leveraging the heat pump's coefficient of performance. Second, the cooler air is removed from the floor which improves the occupant's comfort.

One additional benefit of the high/low return approach is that it can extend the compressor's life by reducing head pressure. Especially during mild winter weather when few run cycles are the norm, the higher outdoor air temperatures typically drive the compressor's head pressures to the highest levels of the year and contribute to greater stress on the compressor.

On the supply side, the moderate supply air temperatures require that attention be paid to air distribution. It is preferable to have too many supply registers as that will reduce the terminal velocity at the register and help mitigate the "cold blow" complaint historically associated with heat pumps.

The more air a heat pump moves, the higher its overall efficiency. Most highly-efficient heat pumps move more air than the industry norm of 400 cubic feet per minute per ton. To further compound this issue, air temperature rise through the typical heat pump is only 20 to 25 degrees when the outdoor temperature is 32 degrees. Due to the lower supply air temperatures, registers that produce a fan-shaped pattern close to the wall — such as baseboard-style registers — tend to work best with heat pumps.

To a lesser extent, air conditioning performance is also affected by return air temperature. The warmer the return air — off the ceiling versus the floor area — the more cooling energy that is transferred into the supply air.

A simple way to make high/low returns work is to use two full-sized filter return grilles and change the upper filter in the summer and the lower filter in the winter. 🏠

*Source: SMACNA's "Residential Comfort System Installation Standards Manual," 7<sup>th</sup> edition. Manufacturer's Performance Data.*

extension of a service agreement, money off a service call or a free energy survey. The important thing is to ask.

*Get your technicians ready.* Remind them that whenever they go to a customer's home or office, they should record everything that is wrong with the HVAC system. Spend the time diagnosing the system. Even if you are not on flat rate, it is the technician's responsibility to tell the customer what is going on. What he sees may not be the reason that he went to the customer. However, a good technician always keeps his eyes open for other legitimate work. He should write his findings on the service ticket.

The customer may choose to have all repairs made. Or, repair only the problem that will get the system operational again. However, there won't be any surprises if the recommended repairs aren't made and the system breaks down in a few weeks or months. This may be a budgeting tactic used by the customer.

In addition, if all of the repairs are not approved, you have potential work for the future. A copy is made of all service tickets where work is recommended but not approved. The copy is put in a tickler file. When work slows down, the dispatcher pulls the file and starts making telephone calls. Most customers have forgotten about suggested repairs and may approve the work on the telephone.

*Continue to market in slower economic times.* The worst thing you could do is complain that the telephone is not ringing and sit back to wait for it to ring. Be proactive. It is even more important to keep your name in front of customers and potential customers. Remind them that you can help save them money. This can be accomplished through e-mails, direct mail, or other advertising. This way you have a better chance that they will remember you when they need you for repairs or to help them write smaller checks to their utility company! ▲

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## Maintaining An Image – It's as Simple as Choosing a Color

Nearly everyone in the Burlington, Iowa region is aware of Frank Millard and Co. — and not because they are a Carrier dealer. Millard has invested in more than 30 years of targeted image-building. It starts, believe it or not, with a color!

"Back in the late sixties or early seventies," recalls MacArthur Coffin II, Millard president, "We began painting our vehicles turquoise. That was when we had maybe six or eight trucks. Now we've got more than 100 — all painted the same, no matter the division. We paint *all* our equipment that color; cranes, backhoes, even tools."

As a result, in a certain part of Iowa, turquoise is identified, especially by the company's competitors, as "Millard Blue."

Their residential success also stems from image-building advertising. Millard ads appear in print, on radio and on cable TV. The company creates its own material forsaking factory-developed, "customizable" ads. Millard's ads speak directly to customers about 24/7/360 availability, quality installations and service, and professional technicians coming to homes.

And in those materials, Millard workers are uniformed, something homeowners expect to see. "Our residential workers all wear uniforms, although our commercial guys don't. They're taught that you don't track mud into someone's living room," Coffin says. "You don't drip oil in their driveway."

"The superintendent manages their training, points out things, reminds people. He's not going to send someone into a customer's home with a cut-off T-shirt. As we hire people, we have in mind the image we wish to convey to the public."

*Excerpted from the June 2003 issue of Partners in Progress. For additional information visit [www.sheetmetalpartners.org](http://www.sheetmetalpartners.org). ▲*



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