

RESIDENTIAL

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REPORT

news and views from SMACNA's National Residential Council

Forum Preview

Residential Service Departments — Issues and Answers



David Holt

Many SMACNA residential contractors have built successful businesses by working primarily in the new construction market. Others have seized the opportunity to significantly

grow their already thriving businesses by expanding into the residential service add-on/replacement business.

Featuring a panel discussion among SMACNA residential contractors, the Residential Contractors Forum, "Residential Service Departments – Issues and Answers," will focus on how to develop a strong residential service department. Among the topics that will be covered are using service to develop a strong add-on/replacement business, service technicians as salespeople, dispatching, inventory control (both in-house and on trucks), service agreements, flat-rate pricing versus time and materials pricing and billing procedures.

David Holt, president of Ultimate Service Systems, will lead the discussion on Monday, Oct. 21, during the annual convention

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SMACNA Financial Survey — Residential Contractors' Report Card

As the only source of financial information customized for the sheet metal industry, the annual SMACNA Financial Report is the most useful tool available to compare your firm to other SMACNA firms around the country – that is if enough residential contractors participate.

Approximately 200 companies complete the SMACNA Financial Survey annually, but last year only eight residential contractors responded. From a market research standpoint, that is not an adequate sample size to use as a comparison against your firm's results.

Why is it important that more residential contractors participate? Your business profile is significantly different from other SMACNA market sectors. By completing the survey you can help both yourself and others to see how well the residential market sector is performing.

Contractors that complete the financial survey receive a copy of the final report at no charge. SMACNA Contractors not participating in the survey may purchase the report for \$150.

For additional information on the SMACNA Financial Survey contact Bridgette Bienacker, SMACNA business management and member services, at (703) 803-2987 or bbienacker@smacna.org. 

A Competitive Edge in Minnesota

Achieving a stronghold in the residential market requires taking advantage of every edge. In the cities of Minneapolis and St. Paul, Minn. their competitive edge is the city code that recognizes the Metro Area Joint Apprenticeship Training Center (JATC) as an authorized training source.

Required by city codes to perform residential/commercial work, a competency card certifies that training was completed in an approved program. The three-year residential training program offered at the Metro Area JATC provides more than the necessary training to receive the mandatory competency card.

See Competitive Edge in Minnesota on page 2



"We are very proud of the curriculum developed for the training program," commented James Bigham, CEO of SMARCA of Minnesota. "As a registered apprentice, the students begin working in the field in their first year and upon completion receive their competency card."

The program encompasses course work in safety, refrigeration, mathematics, equipment installation, electricity and troubleshooting. Upon completion of the 584-hour curriculum, students have successfully mastered the full range of skills to be an effective residential technician.

"What really matters is providing the apprentices with the best picture of what to expect on the job," explained Buck Paulsrud, training coordinator of the Metro Area JATC. "A model of a two-story home in the training center is used by each class. The apprentices perform a complete system installation."

"We currently have close to 65 apprentices in the program," continued Mr. Paulsrud. "The majority of the students are recent high school graduates or workers with some sheet metal skills leaving the non-union sector. Our contractors are very involved in setting the curriculum and offering suggestions."

"We are very encouraged by what the JATC is providing in new training for residential apprentices," commented Mark Sims, of Suburban Air Conditioning in Minneapolis. "The program has added more training in customer service and system design/layout. These are the skills that will produce a well-rounded journeyman able to handle the challenges of the job." ▲

Each apprentice class performs "hands-on" installations of the HVAC system in the center's model of a two-story home.



Strengthen Your Firm, Join a Peer Group

By Russ Kimball, Evergreen State Heat and A/C, Everett, Wash.

Almost two years ago, approximately ten SMACNA residential contractors formed a residential peer group. The goal was to find ways to improve how we do business.

Since that time, we have evaluated firms in several regions and have future peer group meetings planned in Michigan and San Francisco.

A typical peer group meeting takes about three days. The group looks into every aspect of the host business including


sales and marketing, service, installation, office operations and accounting. On the final day, the group reviews common issues facing residential contractors and how to resolve them. These meetings have been extremely beneficial for all members of the peer group, not just the host firm.

If you would like to become a part of the peer group, contact Russ Kimball, of Evergreen State Heat and A/C, at (425) 252-3114 or e-mail russ@essmwa.com. ▲

ITI to Launch Service Work Technician Training Classes

Providing training options for contractors considering entering the service work field continues as a priority for the International Training Institute (ITI).


The HVAC Service Work Technician Training Class will be offered in each ITI region this year. Designed for sheet metal workers working for firms with a service division or considering a transition to this sector, the program will combine instruction in essential technical skills as well as customer relations.

Each class is limited to 12 students. The complete class schedule will be issued by the ITI. Contractors should contact their local training center to find out when a class is scheduled in their region. 

Comfortech Announces 2002 Program

Sponsored by Contracting Business magazine, HVAC Comfortech, Sept. 11-14, in Baltimore, M.D., is the industry's premier residential and light commercial tradeshow.

This year's opening session features the officers of leading HVAC manufacturing companies sharing their views and answering questions about critical industry issues that include IAQ litigation, mold remediation and carbon monoxide safety. The business development sessions will provide information on applying new technologies, products and services. A two-day tradeshow will feature a variety of industry suppliers and vendors.

For more information, visit www.contractingbusiness.com or call 1-800-467-0997. 

Service Agreements Provide Peace Of Mind for Customers

Excerpted from Contractor Cents newsletter by Ruth King

Service agreements are essential for success in most HVAC companies. It is a win-win situation for the customer and the service department. Proper maintenance (which your company provides) is a good benefit for the customer. It helps him decrease his utility bills and increase the life of his system. In addition, he will have the peace of mind that a competent company is taking care of his heating and air conditioning system.

Service agreements also provide many benefits for your service department. They help smooth out the seasonality of your business. Residential maintenance checks are done in the slower season which keeps the service technicians busy. In addition, you have a customer who will call you if his system has problems. By taking care of a customer for many years, you build up a trust level. When it is time to replace his system, your company will probably get the sale. The customer may get another bid to "keep you honest," but he knows the quality level and service you have given him over the years and is likely to trust your quote. In addition, some dealers have customers who simply tell the company to "put the system in and send me the bill." Those are the loyal customers that you'd like to have. You have to earn their trust by taking care of them year after year.


Residential service agreements should be two part forms, which list the features and the benefits of owning a service agreement.

There are two major types of service agreements for residential customers. The first is a full maintenance agreement where you take care of their entire system for a flat fee each year.

The safer type of agreement is one that covers maintenance checks. All repairs are extra. Most companies give a discount on the repairs for service agreement customers. When pricing these agreements, make sure that you are at least covering your overhead and breaking even on the agreement price. There is no sense giving a customer an extremely low price because you think that you will get the repair work...you may not!

Your service agreements should be perpetual service agreements. This means that they are automatically renewable unless canceled in writing with 30 days notice. At the end of the first year you send the customer an invoice for the renewal. If there is an increase in the price of the agreement, you send a letter telling them about the agreement price increase with the invoice.

Obviously, if they don't pay the invoice within 30 to 60 days then you cancel the agreement. However, a telephone call to the customer is important to see if he wants to continue his agreement. Or, you assume the renewal and call to set up the next maintenance check and tell the customer you will renew the agreement while the technician is at the customer's home.

Perpetual agreements save money on printing costs. In addition, your computer system should be able to print out renewal invoices automatically saving you time and money. The most significant reason for perpetual agreements is that you don't have to resell the customer each year. They don't have to question their reasons for buying. They've committed to a service agreement and are simply renewing their commitment. 

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SMACNA's Residential Sheet Metal Guidelines Published

Contractors, design professionals and builders in need of a reference manual on the proper fabrication and installation of exterior sheet metal in residential buildings will find SMACNA's new "Residential Sheet Metal Guidelines," first edition, a valuable resource.

Covering such topics as roof drainage systems, decks, chimneys, windows, doors and ledges, the new 130-page manual presents details and explanations based on and designed for low-rise residential buildings, up to three stories, that are used as single-family and multi-family dwellings. This publication highlights details commonly used in residential sheet metal work throughout the industry and is intended as a guide for contractors, designers, builders and homeowners.

In addition to generic detail drawings, design data located in certain sections and the appendixes will help users adapt the drawings to local climate and project conditions. Carefully examining the information along with the local climate conditions will enable manual users to select the proper details for practically any residential architectural sheet metal application.

SMACNA members may purchase "Residential Sheet Metal Guidelines" for \$21. The price for IFUS contributors is \$56. The discounted price for architects, designers and engineers is \$75. The non-member list price is \$108. Purchases may be made online at www.smacna.org by selecting "publications" or by calling the SMACNA Publications Department at (703) 803-2989. 🏠



The roof of this private residence was constructed by Morrell Sheet Metal, of Tampa, Fla., and designed by Griffin Design Associates, of Clearwater, Fla., according to specifications in SMACNA's new "Residential Sheet Metal Guidelines."

Building a Residential Market – A Partnership Effort

"The loss of work in the residential market can be attributed to contractors that have walked away from the opportunities in the market," commented George "Butch" Welsch, of Welsch Heating and Cooling, in St. Louis, Mo., during a special breakout session at the 2002 Labor Management Partnership Conference in Orlando, Fla. "The union has the desire to work with employers."

"Building a Residential Market" focused on the efforts of contractors and union officials in St. Louis and Minnesota. Both areas have developed a strong presence in the residential market sector. (See related article on page 1.)

Describing the program in St. Louis, Mr. Welsch explained, "Making sure there was not a differential in pay for residential and commercial employees was an essential step in making a success in this market. We needed to attract journeymen to the market who enjoy working independently and having more responsibility when dealing directly with customers. We also created a residential specialist category to attract workers from non-union firms."

Developed jointly with SMWIA Local 36, the St. Louis contractors also promote a yearly rebate program on HVAC system maintenance and installation. Offered for a limited time each year, the rebate program provides homeowners with a \$25 rebate on air conditioner or furnace cleaning services and a \$125 rebate on installation of a replacement air conditioner or furnace. The work must be performed by a SMACNA member, of course.

"The rebate program is advertised in local newspapers and on billboards in the area," Mr. Welsch commented. "In the last five years, since the program was instituted, we estimate that the rebates have totaled over \$1,000,000." 🏠

Share Your Rebate Program Success

Does your region offer a residential rebate program? Tell us about it for an upcoming issue of Residential Report. Contact Danielle Dobiesz, SMACNA communications manager, at (703) 995-4036 or ddobiesz@smacna.org. 🏠

in Las Vegas. With more than 20 years experience in the HVAC industry, Mr. Holt founded Ultimate Service Systems to assist contractors expand their service businesses.

While Mr. Holt and the panel of contractors will take the lead in this session, contractors attending the forum should come prepared to participate in the discussion resulting in a more interactive session.

For more information or to register for SMACNA's 59th annual convention, Oct. 20-23, visit www.smacna.org or contact the meetings and convention department at (703) 803-2980. ▲

Reviewing the General Rule Of Duct Design

General rules to follow in basic duct design:

- a. It is not necessary to change the size of the duct main at every take off or branch run out. Change in the size of the duct main should be made only when the change in air quantity is enough to justify the change. In general, a change less than 2 inches in either side dimension of a section of rectangular duct is not justified. When the main trunk duct is of round configuration and exceeds 10 inches in diameter, a change in diameter of less than 2 inches is not justified.
- b. Whenever duct size changes are made, the slope angle of the side of duct transitioning to the changed dimension shall be held as gentle as practical, less than 30 degrees if possible and never more than 45 degrees. The transition length shall be more than one but less than three times the maximum side dimension.
- c. Branch takeoffs composed of simple transitional taps are preferred.
- d. Radius elbows shall have an inside radius of at least one-third the duct width. If this is not possible, elbows with single thickness turning vanes shall be used.
- e. Turning vanes, while not required, when used should be applied equally to return air duct systems.
- f. Ducts should be insulated, however, fibrous glass ducts or duct lining will increase the duct friction loss.
- g. Branch duct takeoffs should be located at least 4 feet down stream from any fan or transition, if possible.
- h. Flexible connectors should isolate the air moving equipment from the duct system.

Source: "Residential Comfort System Installation Standards Manual," 7th edition, 1998, page 6-3. The manual's cost is \$15 for SMACNA members and \$44 for IFUS contributors. The discounted price for engineering and architectural firms is \$58 and the list price is \$83. To order the manual, select "publications" from the SMACNA homepage at www.smacna.org or call the SMACNA publications department at (703) 803-2989. ▲

Energy Efficiency Legislation May Provide Boost to HVAC Firms

Congress at long last has started to focus real financial resources and tax incentives on the issue of energy and energy efficiency in buildings and industrial facilities. The bill before the U.S. House and Senate Conference Committee is an energy bill with billions of dollars in energy efficiency incentives for every type of structure. Without question, if properly negotiated and passed, it would be the most important energy legislation for HVAC firms in decades.

The National Energy Policy Act, if signed into law as predicted, will increase the incentives for energy efficiency technology in most every building sector of the HVAC market. When added to the recently enacted tax bill's leasehold depreciation bonus incentive for energy upgrades and other improvements, the generous tax incentives for appliances as well as commercial, residential and industrial energy efficiency should spark substantial new and retrofit activity for HVAC contractors. This will especially be true for the single and multi-unit residential marketplace.

Incentives to increase the efficiency of available cooling and heating technology in existing residential units should stimulate purchases and installations by developers, builders and homeowners. While many years late, the legislation should be welcomed by HVAC contractors and building owners for recognizing the value of efficiency in helping solve our national environment and energy dilemma. ▲

Meet the Newest Steering Committee Member

Russ Kimball, Evergreen State Heat and A/C, Everett, Wash.

"I came to this industry as a complete rookie," explained Russ Kimball, general manager of Evergreen State Heat and A/C. "Being a member of SMACNA has helped me meet many colleagues who have shared some practical knowledge with me."

Purchasing the firm in 1998, Mr. Kimball is a newcomer to the sheet metal industry. Prior to entering the HVAC industry, he worked as an independent consultant specializing in efficiency. With an undergraduate degree in mechanical engineering that included a limited introduction to HVAC, he saw an opportunity to take on a new challenge.

"The biggest challenge we're facing now is surviving a prolonged recession in the Pacific Northwest," commented Mr. Kimball. "Last year, we had to make some painful changes, but all our employees have come together to make the firm more competitive." 🟩

"Total Comfort System Story" Available This Summer

Promoting the merits of local SMACNA residential contractors to consumers is the focus of the updated "Total Comfort System Story," an educational brochure first developed by Michigan area SMACNA Contractors to educate homeowners as to what a total comfort system should include.

The revised document will be available on the SMACNA Web site, www.smacna.org, for all local chapters and contractors to promote the merits of SMACNA residential contractors. In addition to informing consumers of the benefits of having a total comfort system, the updated promotional piece will include a section to help homeowners identify a quality total comfort system contractor.

A unique feature of this document will enable SMACNA members and chapters to add local information for posting on Web sites or distributing printed copies.

Scheduled for completion this summer, a residential bulletin will be sent in a future SMACNA membership update providing additional details about the document. 🟩

The Residential Report is a biannual newsletter published by SMACNA's National Residential Council Steering Committee. Its goal is to provide a sounding board for SMACNA residential contractors to share their experiences and learn more about the residential business.

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