

RESIDENTIAL



news and views from SMACNA's National Residential Council

IAQ to Headline 2003 Forum

Plan now to attend the 2003 Residential Contractor's Forum at SMACNA's 60th annual convention, Sept. 28 - Oct. 1, 2003, in Washington, D.C. The keynote speaker will address indoor air quality issues. (See related article on page 7.)

HVAC Service Technician Training Classes Offered By ITI

The International Training Institute (ITI) has nearly completed a successful year of service industry training classes for sheet metal contractors and plans to include an advanced class next year. The classes provide the trainer, material and basic knowledge of service work and emphasize a practical, hands-on approach to learning.

The HVAC Service Technician Training Classes program was created under the direction of SMACNA's Service Contractors Council Steering Committee. It began as a NEMI (National Energy Manage-

See **Training Classes** on page 2

Seven Characteristics of Profitable Service Departments

By David M. Holt

Over the past 18 years, I have visited and consulted with literally hundreds of HVAC contractors from coast to coast. In that time I have been privileged to witness first-hand the operation of several very profitable service departments and, unfortunately, a significant number of unprofitable ones. This article highlights seven of the most common characteristics that I have observed in profitable service departments across the country.

Maintenance Agreements

The number one common characteristic of profitable service departments in our industry is a solid maintenance agreement program. These agreement programs

See **Characteristics of Profitable Service Departments** on page 3

Satisfying Customers Leads To Better Profits

Customer satisfaction plays a large role in the profitability of a company and should be a key focus of company culture. Customer satisfaction is not just about a customer shaking hands with the contractor as he leaves the home and paying the bill on time. It is also about the disgruntled, angry customer.

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ment Institute) pilot program, and positive feedback from contractors and students prompted the decision to have the ITI continue the program.

Since then four classes with a combined total of 41 participants have been held. Another class is scheduled for November in Seattle. Each class is limited to 12 participants to allow for good instructor interaction and to ensure hands-on access to lab equipment.

"When problem solving was complete with one piece of equipment, the student would move on to the next problem. This eliminated any down time with all participants being very active in the lab format," said Bernard Merkel, director of HVAC service training for the ITI.

The classes consist of one week each of theory and hands-on work in electrical, air conditioning and heating, for a total of three weeks.

"Changes are consistently being made to increase the percentage of hands-on (time), and the curriculum is being updated to keep up with EPA guidelines and industry changes in the equipment," said Merkel.

"I would consider this program very successful for the sheet metal industry for both the contractors and the technicians," noted Merkel. He added that follow-up phone conversations showed that the number of students performing part- or full-time service work or instructors using their new skills was more than 70 percent.

Next year's program schedule has yet to be announced. Additional one-week classes at the advanced level are being considered for either rooftop units, oil units, chillers or hydronics. A survey to assess interest in these areas is planned for SMACNA Contractors and SMWIA members. 📌

Leads to Better Profits continued from page 1

A dissatisfied customer is a triple threat: they will avoid paying their bill, they may not use your company in the future and they will tell anyone who will listen about how you "did them wrong." Customer satisfaction is about doing whatever it takes to change that customer's mind about your company, which may include addressing unreasonable demands.

"The most important person in our business is the one many businesses today seem to be forgetting about — the customer," said SMACNA Contractor Butch Welsch, of Welsch Heating and Cooling, in St. Louis, Mo.

"A happy customer will tell maybe four or five people that he or she was satisfied. A dissatisfied customer will tell 20 people that he or she is unhappy. Can you afford to have many dissatisfied customers out there? We don't think so. So, basically we do whatever it takes to satisfy them," Welsch continued.

"I encourage you to empower your employees — any and all of them — to satisfy the customer," Welsch said.

"The important thing is that you must make all of your employees aware of the fact that your customer policy is to satisfy every customer. You must make it the responsibility of the individuals who come in contact with the customers to satisfy the customers.

"When I get letters complimenting our company on our performance, the customers never compliment me. They always compliment the effort that one or more of our employees made to make sure they were satisfied," Welsch said.

Welsch Heating and Cooling takes every opportunity to provide excellent customer service. One example is the company's annual Christmas gifts. "Make a list today of your best customers," Welsch said. "Then purchase a set of glassware for each customer. And here is the key: Have the customer's initial put on the glasses.

"Some companies give glassware with a company logo. Would your wife use that if you had a dinner party? Now consider that the glassware has your initial. You would use it proudly, and won't you remember who gave you the initialed glassware? Of course you will."

Welsch continued, "We have been doing this for over 30 years, and I can't overestimate how our customers look forward to receiving each new set of glasses. Many brag about the fact that their bar is stocked with glasses I've given them through the years with their initial."

Word of mouth advertising from a satisfied customer is the most powerful endorsement a company can receive. If you go out of your way to provide excellent service, you will ensure loyal, happy customers who are eager to recommend you to others. 📌

New Residential Resource

Visit the SMACNA Web site and check out "The Total Comfort System Story" at www.smacna.org/total-comfort. SMACNA Contractors can direct customers to this online brochure through a link from their Web sites, or customize the brochure for distribution. (See related article on page 7.) 📌

typically include routine maintenance visits and discounts on additional repairs. Most companies require payment in advance for their maintenance program, and they allow the customer to take advantage of repair discounts as soon as they sign up for the agreement. The majority of contractors use computers to track their maintenance agreement obligations, providing customers with automatic service reminders and renewal notices. Many companies are shipping an annual supply of replacement filters to the customer's home and are using entry-level maintenance technicians to perform the work. The maintenance agreement customer base is communicated with regularly through direct mail and they account for the largest percentage of replacement system sales and referrals. Maintenance agreements are definitely the lifeblood of the very best service departments in the country.

Flat Rate Pricing

Most customers start off the service call with “*how much will it cost to fix my...?*” And how many times have you been asked “*how much would it cost to replace my...*” right over the phone? When you price your work using time-and-material billing for service or “estimates” for replacements, the real answer is “I don't know.” The most profitable service businesses in our industry have solved this problem by adopting a flat rate pricing strategy. All customers prefer to get a fixed price quote in advance of doing the work. Technicians love to be able to quote

“Maintenance agreements are definitely the lifeblood of the very best service departments in the country.”

a price in advance and not be so worried about watching the clock. Flat rate pricing systems also help sell maintenance agreements and replacement systems — on the spot. When properly implemented, flat rate pricing systems can be the single most important profit-building business decision that you can make for your service business. (See *related article on page 7.*)

Inventory Control

You can't fix broken heating and cooling equipment without the proper parts on your service trucks. While you certainly can't carry every part you may need to fix all problems, the most successful service departments have identified the common items that they use on a seasonal basis and have imple-



David Holt

mented systems to make sure that those parts are always in stock on their trucks. Progressive distributors are springing up throughout the country that support the contractor's efforts to keep the trucks properly stocked by offering barcode-based systems that automatically create purchase orders each time a “truck stock” item is used. Since the best service departments are always focused on fixing it right the first time, having the necessary parts on the truck on the first visit is an important part of that equation and one of the most common characteristics of a profitable service department.

Prompt Payment for Services Rendered

You would think that getting paid for the work you performed is an “automatic” function, but we have seen several companies where many of their customers were never asked to pay for service. Needless to say, profitable service departments don't operate that way. The value of services rendered diminishes rapidly once services have been rendered, so it is critical that you bill the customer at the completion of the job. Most successful service departments also make it easy for their customers to pay via cash, check or credit card right on the spot, which eliminates accounts receivables and bad debt write-offs. Typically, profitable service departments get paid in advance for service agreements, and that money provides a “cash cushion” for the off season when it is properly managed. In addition, deposits on replacement jobs can lead to “negative receivables” (having more money on deposit than you have invoiced your customers for) and makes cash management much easier. Good cash flow in your business is like good blood flow in your body — it makes you feel better, and everything seems work better, too. Proper money management skills are a must for a profitable service operation.

See Characteristics of Profitable Service Departments on page 6

Apprentice Training

Illinois Training Center Goes For the Gold

The joint apprentice training center in Carol Stream, Ill., conducts a concentrated training program in which apprentices receive 200 hours of training five weeks a year for five years. There are 320 apprentices in the program this year.

The program received the Gold Level Accreditation from the International Training Institute (ITI) in March 2002. "That means that SMACNA certifies it for five years instead of the normal two years," said Doug Johnson, executive director of Joliet Area of SMACNA Inc., and Northeastern Illinois Sheet Metal Contractors Association, Elgin, Ill.

"The 17,600-square-foot training center has a computer lab, welding lab, sheet metal shop, air and hydronic test and

balance lab, service lab, drafting room, lecture rooms and the residential installation lab," said Joe Remes, director of training for Local 265. "The residential lab contains 10 complete gas furnace and central air conditioning systems that the students remove and replace during their training.

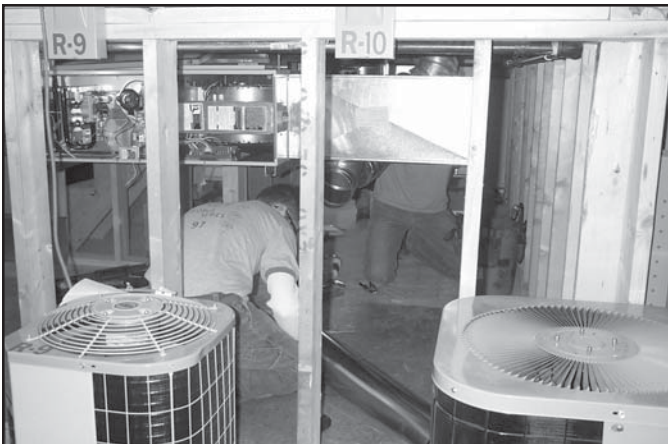
"The students install the furnace and the evaporator coil and air conditioner," Remes continued. "They also install the ductwork, refrigeration piping, electrical wiring, gas pipe and thermostat a complete working system. The students will also learn how to charge the air conditioner and start up the furnace following the recommended manufacturer's installation start-up and check out procedures." ▲



This apprentice is installing a supply plenum on a horizontal gas furnace in the crawl space mock-up. The apprentices are broken up into two-man teams that will install a complete heating and air conditioning system.



Above: Apprentices learn how to completely install a system from the air conditioner to the gas furnace during their 72-hour residential installation program, which is part of their sheet metal apprentice training. Here, an apprentice is installing a supply duct.



Left: The Residential mock-up simulates basement and crawl space installations. Here apprentices at Local 265 are installing one of the gas horizontal furnace systems during the residential part of their 5-year apprentice-training program.



This apprentice is installing ductwork on the mock-up of a simulated basement and crawl space during training on residential installation work. Apprentices also learn sheet metal fabrication and layout, welding, AutoCAD drawing, manual J load calculation and design.



An apprentice is installing a furnace supply plenum on one of the 10 systems used for residential installation work training.

Frequently Asked Questions

FAQs on Mold

Are all molds considered unhealthy?

Molds are a part of the natural environment. It is impossible to get rid of all mold and mold spores indoors; some mold spores will be found floating through the air and in house dust. Outdoors, molds play a part in nature by breaking down organic matter such as fallen leaves and dead trees, but indoors mold growth should be held to a minimum. Molds are usually not a health problem indoors but they do have the potential to cause health problems. Molds produce substances that can cause allergic reactions called allergens, irritants, and in some cases, potentially toxic substances called mycotoxins.

What types of areas are ideal for mold growth?

There are many types of mold, and none of them will grow without the required nutrients such as moisture other nutrients that are typically found in dust that includes human skin flakes and other dead or decaying biological materials. Places that are often or always damp can be hard to maintain completely free of mold. In the shower or elsewhere in the bathroom is a place that is common for mold growth. In absorbent or porous materials, such as ceiling tiles, drywall, and carpet, mold can grow on or fill in the empty spaces and crevices of porous materials.

What types of areas in HVAC systems are ideal for mold growth?

Mold will grow in areas where the environment supports the spores with moisture and nutrition. Amplification areas include the immediate vicinity of cooling coils and drain pans. Ductwork downstream from these components, especially if the air-flow rate is sufficient to carry moisture from the coil may foster mold growth. Equipment rooms and mechanical rooms that are not kept dry also are amplification areas for mold.

How does the air temperature and humidity level influence mold growth?

Mold will grow in temperatures ranging from 40°F to 100°F. Controlling the air humidity between 40 percent and 60 percent humidity is ideal for preventing mold growth. Mold thrives at humidity levels of 70 percent and above.

What are some other types of biological contaminants that might be found in the air?

Other biological contaminants include mites, dander from cats, and pollen. From that list, it may be obvious that cleaning plays a major part in remediation of these allergens or irritants. Cleaning before the biological growth becomes excessive or before it begins is the best solution. 🏠

Sources: SMACNA - "Indoor Air Quality: A Systems Approach," 1998 - 3rd Edition. EPA - "A Brief Guide to Mold, Moisture, and Your Home," www.epa.gov/iaq/molds.

Effective Leadership

Every ship must have a captain and every service department must have a strong leader. Depending on the size of your service department, it may be a lead service tech, a dispatcher, a service manager or a company owner. In any case, the most profitable service departments have one person that everyone can count on for motivation, information and coordination. This “service cheerleader” keeps everything in line and focused on achieving goals that have been set for the department. They continuously monitor the satisfaction of their customers, their vendors, and their coworkers, fully understanding that without everyone’s full cooperation the department will not be as successful as it could be. An effective leader is a “must have” to achieve a profitable service department.


Service Technicians as Salespeople

No one is more credible in the customer’s eyes than a professional service technician. Therefore, a properly trained service technician can be your very best salesperson. However, the most successful service companies recognize that if the tech wanted to be a salesperson, he would have applied for a sales job instead of a service job. You cannot force a service tech to sell if they don’t want to be a salesperson. Most of the time, successful service companies train their techs to recognize sales opportunities and reward them financially for turning a lead over to the sales staff. The best “bird dog” service techs are adept at asking the right questions and knowing what solutions are required to solve customer problems. Many service technicians are equipped with the training and tools necessary to give the customer a replacement system price immediately on the service call. These technicians are the envy of every salesperson because they are standing in front of a hot (or cold) prospect at just the right time with all the right answers. Utilizing the credibility of the service technician to improve sales is a valuable characteristic of a profitable service department.

Continuous Education

Continuous education of employees and customers is the last of the top seven characteristics of a profitable residential service department. Employees must be taught how to fix the technical problems that they face as well as the “people problems” when they are dealing with customers, vendors and office staff. Proper communication skills are critical, and a well-defined career path must be implemented. Customers must also be educated on a continuous basis. Profitable service departments have a plan in place designed to keep customers well versed in the benefits provided by the products and services available from the company.

There are literally hundreds of other things that make service departments profitable, but if you embrace these seven characteristics, you are well on your way to having a profitable residential service department as well. Good luck!

David Holt is president of Ultimate Service Systems, a small-business consulting firm specializing in the HVAC industry. Holt led a panel discussion among SMACNA residential contractors at the Residential Contractors Forum on Oct. 21 during SMACNA’s annual convention. 

Loyalty or Partnership?

**Making Supplier
And Contractor
Relationships
Win-Win**

*Excerpted from Contractor Cents
by Ruth King*

Manufacturers and distributors are always asking contractors to be loyal. They tell us: buy our equipment. Be loyal to us. Don’t buy from a competitor. As a rule, we expect something in return...loyalty from the manufacturer or distributor.

So, what’s the problem? Loyalty is ONE WAY. The dictionary cites the examples of loyalty to a king; loyalty to a vow; being faithful to an oath or obligations. There is NOTHING that says loyalty is, has to be or should be, reciprocated. I was shocked.

So, what should we be talking about? PARTNERSHIP. Our manufacturers and suppliers should be our partners. They should have an interest in seeing that we succeed in business and give us the help we need...assuming that we are willing to listen with an open ear and take action. If we succeed, they succeed. The better our sales, business and communications skills are, the better we can purchase more equipment, install and maintain it properly and pay our bills.

A supplier I know requires a business plan, maintenance agreement sales, and other reasonable items before he will sell equipment to a contractor. He expects the contractors to pay their bills on time. What does he give in return? No competing contractors in a reasonable trade area, train-

**See Making Supplier
And Contractor Relationships
Win-Win on page 8**

Forum Session Sparks Lively Discussion on Residential Service Issues

SMACNA's 2002 Residential Contractors Forum, recently held in Las Vegas during SMACNA's annual convention, featured a facilitated panel discussion on maintaining a successful residential service/add-on replacement business.



Left to right: Jim Klopfenstein, Roger Zahn, Bob Tuck and David Holt.

The discussion, moderated by David Holt, president of Ultimate Service Systems, was led by three SMACNA residential contractors with significant experience in the residential service market: Bob Tuck, Atlas Heating and Air Conditioning, Oakland, Calif.; Roger Zahn, Welsch Heating and Cooling, St. Louis, Mo.; and Jim Klopfenstein, Day Heating Company, Salem Ore.

Among the topics discussed were profitable service agreements, using service technicians as salespeople, flat-rate versus time and material billing, increased add-on replacement business and improved dispatching performance.

This session included extensive audience participation, with much discussion on different methods used by SMACNA residential contractors related to the areas above. The discussion on flat rate versus time and material billing provided an opportunity for attendees to discuss the benefits and disadvantages to each of these billing methods. While flat rate pricing has gained popularity in recent years, approximately half of the attendees are still using the time and material method, with many

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Forum Attendees Encouraged To Customize "The Total Comfort System Story"

During the 2002 Residential Contractors Forum, recently held at SMACNA's annual convention in Las Vegas, attendees received instructions on how to customize "The Total Comfort System Story."


This 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 tool in helping to regain the residential market. This revised document includes a checklist to help homeowners identify a "Total Comfort System" contractor, plus a link to SMACNA's online member directory.

During the forum, attendees learned how easy it is to customize "The Total Comfort System Story," including company logo and contact information, linking it to a company Web site, producing a printed document, or both.

To customize the document, go to: <http://www.smacna.org/totalcomfort/members> on SMACNA's Members Only Web site.* The members only version includes detailed instructions for customizing the document, printing it as a hard copy for distribution and displaying it on a company Web site.

In addition to making "The Total Comfort System Story" available

to chapters and members locally, SMACNA will also use the document to educate the general public about how to go about choosing a home comfort system. This will be accomplished through the SMACNA Web site, search engines, industry trade press, and any other vehicles that will direct users to the site.

If you have any questions about customizing "The Total Comfort System Story" contact Jim Pierzynski at (703) 995-4035 or e-mail jpierzynski@smacna.org. 

*Note: To access this page, you must be registered for the SMACNA Members Only site. You may register at www.smacna.org/members_welcome_reg.cfm.

Visit www.smacna.org/totalcomfort/members

SMACNA
An international trade association dedicated to providing products, services, and representation to enhance members' businesses, markets, and profitability.

THE TOTAL COMFORT SYSTEM STORY

Choosing a home heating and cooling system is one of the most important decisions a homeowner can make.

Choosing a good system will lead to complete indoor comfort year round, as well as contribute to family health and energy efficiency. Choosing the wrong system can lead to an uncomfortable home environment, which can have an adverse effect on the family's happiness.

However, because the heating and cooling system is unseen, this important decision is often overlooked. This document will help you understand the major types of heating and cooling systems in common use today, it will also help identify a quality Total Comfort System contractor, and ensure that you and your family are provided the comfort you deserve.

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ing (which most contractors take advantage of), on-time equipment delivery and great technical and warranty help. Both the supplier and the contractor have an interest in helping each other succeed. It's not loyalty. It's not one way. It's two way. It's a partnership. And, both the distributor and the contractors who buy from him have grown profitably and dramatically...even in slower times.

Partnerships work. The successful suppliers, manufacturers and distributors with whom I have worked really try to be partners. I encourage all manufacturers, distributors and suppliers to think about it this way...become partners (not necessarily in the legal form) with the contractors to whom you sell. Expect things from the contractors. And, the contractors should expect things from you. For everyone to succeed it has to be win-win. 📌

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reporting that this method continues to prove successful in their businesses. *(Please see related article by David Holt on page 1.)*

Residential Forum Discussion Session

The open discussion portion of the forum covered the impact of manufacturers offering extended warranties on products and selling equipment directly to consumers, primarily through department and home stores. Attendees acknowledged that not only is this limiting their profit opportunities, but it is also having a negative impact on quality control of home comfort systems.

Also discussed were issues related to marketing residential contractors, using global positioning systems (GPS) in vehicle fleets, and residential indoor air quality issues — the topic for next year's keynote session in Washington, D.C. The 2003 session will focus on technical issues related to residential IAQ, as well as marketing opportunities. More details on next year's forum will be provided in the next issue of Residential Report. 📌

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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