“The Perfect HVAC System” by Bruce Martin

Imagine having the perfect heating and air conditioning system for you, the professional contractor, to sell. Imagine having the perfect system for the homeowner to purchase. A system that will more than <u>DOUBLE</u> your net profit! A system that will guarantee customer comfort, peak efficiency, and peace of mind for at least 10 years. A system that will guarantee you a customer for life. Wouldn’t you also consider that the “Perfect System”? Let us explain why WE (and thus YOU as well) have the perfect system!

<u>First, let’s look at the average contractor.</u>

- Average A.O.R. Job - $7,000
- Average Net Profit at E.O.Y. (End of Year) = approximately 5%
- Average Net Profit per job - $350.00
- Has very few Maintenance Agreements (wants more but doesn’t have an organized consistent effort to sell them). Doesn’t realize that a maintenance agreement is actually their share of market.

What is the “Perfect System”? It is a YORK Heating and Cooling system with a 10 year parts and labor* warranty. (with a $79.00 copay). A required annual visit maintenance agreement visit @ $13.95 / month, required by manufacturer in their warranty documentation.

**Best buy in labor warranty in the industry! Compare competitors’ heat pump system 10 year labor @ $980.00 dealer cost!*

<u>Now Let’s Analyze the “Double Your Profit” Scenario:</u>

- Average sell price of job - $7,730 (Added $730 for 10-year labor warranty)
- 5% Net Profit = $350.00 at (based on $7K original sell price)
- Include YORK 10 Year Labor Warranty - $730.00
- Your cost of YORK 10 Year Labor Warranty - $380.00 (or less)
- Additional Net Profit - $350.00

There is no additional material, labor or overhead associated with the sale of the labor warranty. Therefore, the entire $350.00 goes straight to the bottom line.

Original $350.00 profit + $350.00 warranty profit = $700 net profit. **DOUBLE YOUR NET PROFIT.**

The labor warranty ($730) is always included in the sell price quoted to the customer. It is just as much a part of the job as the thermostat. You are doing your customer an injustice if you do not include the labor warranty. If presented properly, it is an easy sell.

When you include the warranty, you force your competition to include a 10 year warranty that cost them almost three times as much as the YORK warranty. This gives you a competitive edge on the job.

This is just like buying the equipment $500.00 less than your competition. It is the same thing. This means your competition's sell price should be $1,000 + more than yours.

The only thing the customer will ever have to pay is a $79.00 copay for a service call for the 10 year term of the labor warranty. The parts and labor to fix the problem are at no cost to the customer for the ten year period.

The $79.00 charge makes a huge difference in the average income on a warranty service call. People pay a copay at the doctors, a deductible on insurance claims, American Home Shield charges $85.00 per visit for example. Also, the $79.00 **eliminates nuisance calls** such as smells, noise, etc., because the customer now has some "skin in the game".

For those of you that think the YORK labor warranty does not pay enough, here are a couple examples:

- Contractor using flat rate price at $180.00 / Hour
- Contractor with YORK warranty at $85 / Hour

Example 1: Bad Capacitor in Warranty

Flat Rate – No Labor Warr.		YORK 10 Year Labor Warr	
Diagnostic	$79.00	Part Mark-Up	$10.00
½ Hr	$90.00	Copay	$79.00
Total	**$169.00**	1 Hr.	$85.00
		Travel Time	$47.50
		Total	**$221.50**

Note: YORK pays 1 Hr. for Capacitor. All flat rate books bill ½ hour.

Example 2: Bad Condenser Fan Motor in Warranty

Flat Rate – No Labor Warr.		YORK 10 Year Labor Warr	
Diagnostic	$79.00	Part Mark-Up	$40.00
1 Hr	$180.00	Copay	$79.00
Total	**$259.00**	1.5 Hr.	$127.50
		Travel Time	$47.50
		Total	**$294.00**

Note: YORK pays 1.5 hour; flat rate is 1 hour.

As you can see, you collect about as much with the YORK warranty as you would bill on flat rate.

Sell the 10 year maintenance agreement as required by the manufacturer to keep the parts and labor warranty in effect. The maintenance agreement is a one visit Super Clean & Tune for $13.95 per month automatic credit or debit card charge. The customer is only inconvenienced once a year instead of twice a year.   You should consider replacing the one lost "touch" with another less expensive option like a gift, newsletter, happy call, etc….

You collect $167.40 (12 months x $13.95 per month) for one visit instead of $90.00 per visit for the normal two visit contract.   Now you are making a good net profit of $65.00 on your M.A. instead of barely breaking even on a two visit maintenance agreement.

As another option you may wish to charge approximately $1200-$1500 (possibly less due to the time value of money) for the ten years of maintenance in advance on the initial sale – while this might inflate your initial price it's surprising how many people might want to take advantage of this option, especially if you're using financing!

You will make approximately $65.00 <u>net profit</u> on each maintenance agreement per year. You never have to send out renewals when your customers are on an automated monthly charge. Most contractors send out three renewal letters and make a couple of phone calls before giving up on the renewal. This is a huge cost that you eliminated.

The cancellations that you used to experienced (min of 20%) when you send out renewals are reduced to 5%! There are no renewals; the contracts go on forever!

Ask your service dispatcher how much trouble they have scheduling the second visit on a two visit maintenance agreement.   Many never get a second visit anyway.   These are already one visit maintenance agreements due to customer choice.

Along with priority service, your maintenance agreement customers will receive a customer loyalty savings account which will accumulate $50 per year up to $500, which can be used toward the purchase of a replacement system <u>only</u>.

Think about why all the charities you use on TV are asking for $19.00 per month automatic credit card payments. **They know once a person is signed up, they stay signed up!**

With YORK's **STANDARD** 1st year labor warranty on **ALL** residential equipment you have no 1st year equipment warranty cost. This will save you $60.00 to $100.00 average per system on your first year warranty. This savings will also show up on your bottom line.

Remember, it is all about net profit and you must always keep this in front of mind. $100.00 added to a job can easily translate into a 20% increase in net profit.

The attached spreadsheet will show you the ADDITIONAL net profit you can expect when you implement the system and stick to it.   You will also create 100's of lifetime customers and increase your share of market.

I've attached a spreadsheet that shows what happens over a 10 year period (income projection).

These numbers show net profit you would <u>add</u> to your bottom line when selling the “Perfect System”. To get the full profit picture, you must add the profit you would normally make.

I have not added profit that would be generated by your normal service on all of your 10 year labor plans.   This is not smoke and mirrors, this is just good solid math.

This is also not an all or nothing proposition, you can selectively use the individual ideas as you feel comfortable.

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The Perfect System

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100 SYSTEMS ANNUALLY

		1	2	3	4	5	6	7	8	9	10
	Year / **M.A.s**	**100**	**200**	**300**	**400**	**500**	**600**	**700**	**800**	**900**	**1000**
Net Profit from sale of each 10 year labor warranty	Net Profit = $350.00	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000	$ 35,000
Net Profit from each Maintenance Agreement	Net Profit = $65.00	$ 6,500	$ 13,000	$ 19,500	$ 26,000	$ 32,500	$ 39,000	$ 45,500	$ 52,000	$ 58,500	$ 65,000
Net Profit from Contractor 1st Year Warranty Savings	Net Profit = $100.00	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Total Additional Net Profit Each year		$ 51,500	$ 58,000	$ 64,500	$ 71,000	$ 77,500	$ 84,000	$ 90,500	$ 97,000	$ 103,500	$ 110,000
Cumulative Total		$ 51,500	$ 109,500	$ 174,000	$ 245,000	$ 322,500	$ 406,500	$ 497,000	$ 594,000	$ 697,500	$ 807,500

At the end of 10-years you will also have 1000 maintenance agreements!

200 SYSTEMS ANNUALLY

		1	2	3	4	5	6	7	8	9	10
	Year / **M.A.s**	**200**	**400**	**600**	**800**	**1000**	**1200**	**1400**	**1600**	**1800**	**2000**
Total Additional Net Profit Each year		$ 103,000	$ 116,000	$ 129,000	$ 142,000	$ 155,000	$ 168,000	$ 181,000	$ 194,000	$ 207,000	$ 220,000
Cumulative Total		$ 103,000	$ 219,000	$ 348,000	$ 490,000	$ 645,000	$ 813,000	$ 994,000	$ 1,188,000	$ 1,395,000	$ 1,615,000

At the end of 10-years you will also have 2000 maintenance agreements!