

## Getting Down To Basics

Not everyone in the HVAC business is profitable. Some companies consistently lose money even though they are “busy” and “sales are rolling in.” What they have failed to realize is that sales do not necessarily bring in profits. In fact too often, being busy means losing control of sales, personnel and costs. We can’t get our arms around our problems to solve them, so we get more business to try to absorb or overwhelm our problems. Many dealers think their problems would vanish with only a few more customers, a few more sales, etc.

The vision that these dealers are looking for is right in front of their noses. Get back to the basics of running a good, profitable, strong business. These five keys to success involve accounting, pricing, hiring and training personnel, marketing and controlling costs.

Accounting involves both collecting and processing information that allows us to bill customers properly, pay our bills in a timely fashion, process payroll and define our expenditures. Do not skimp on internal or external accounting personnel. Be sure the systems you have in place are easy, require a minimum amount of paperwork and can be done by more than one person. The collecting of data is the responsibility of field personnel while the processing of data is the responsibility

of office personnel.

Pricing your products must not only result in profits from 6-10% in order to survive, but profits that allow you to grow into other areas when the economy shifts or you see other opportunities. Don’t base your pricing on what your competitor charges. You should be better, so charge more, preferably in the mid to upper range of the prevailing market price for service and installation. Parts should be priced according to variable multipliers ranging from 3.5 to 1.75 times the cost of the part. Don’t drop your price, but sell and provide value. Hiring and training personnel are the most difficult tasks of any business. Hiring should be based on many factors from attitudes to communication skills to technical ability. Each applicant should be measured against a job description that was prepared by you and current employees. Once employees are hired, have them develop job tasks for their position, then keep them motivated by offering cash rewards, educational assistance, benefits and profit sharing. Marketing always must occur before selling. If someone does not see a need to buy (some value), it is extremely difficult to sell them anything. Tell customers daily why they should buy from you, offer them information about your products, make them more anxious to buy than you are to sell.

Controlling costs, related to both the examination of your financials and jobs, controls pricing and profitability. Each month examine your payables and overhead and compare them to your accounts receivables and cash. Always have enough cash and accounts receivables to cover your current liabilities. Check your overhead and try to keep it under 35% of sales. Determine what is higher than normal, then try to reduce these costs. Run a lean and mean organization, reducing payroll when sales fall. Any individual overhead item of 5% of sales should be watched carefully. Job cost all jobs to see if you are estimating properly. Focus on these five keys and keep control of your business. If you feel the business is running you instead of you running your business, slow down and focus on your energies. You don’t have to work 12-18 hours a day to make money and become successful in the HVAC industry. You just have to use your time and efforts wisely by getting back to the basics.

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