

Business Case Study

Adopting a Whole-House Approach

AirRite Air Conditioning Co., Inc., Ft. Worth, TX
Larry Taylor, President

Larry Taylor, President of AirRite Air Conditioning, has established himself as an expert in the total systems approach to residential HVAC solutions. He is a recognized leader not only in the local marketplace, but also nationally due to his position as a former president of Air Conditioning Contractors of America (ACCA).

Like many other businesses, AirRite's success with a whole-house approach began as an evolution in Larry's thinking. From day one the company's mission was to provide the best possible service to their customers. However, as Larry began to investigate and learn more about air distribution, he realized that their approach to HVAC installation needed some improvement. "I always believed that we were doing excellent work," he said. "But the more I learned, the more I was embarrassed by how much we didn't know."

Larry purchased his first blower door in 1991 and quickly "saw the light." He learned that the traditional approach to residential HVAC often did not solve homeowners' problems, and in many cases even exacerbated these problems. By changing AirRite's business model to offer a whole-house approach, Larry was able to begin differentiating from other contractors. In time, customers started asking for this comprehensive service and the number of referrals continually increased.

Taking a whole-house approach also opened up new areas of revenue for AirRite. In addition to equipment replacement, they started offering air sealing for the attic and duct systems, installation of humidifiers or dehumidifiers, correcting thermal bypass issues, installing attic insulation and improving attic ventilation. Now, Larry can say, "equipment is one of the ten things we do." Pursuing these new revenue streams provided AirRite with more stable growth, less seasonal fluctuation in work volume, higher revenues and increased profit margins.

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Today, AirRite employs technicians and installers that are highly trained on building science principles and how to effectively communicate with customers. They learn to focus on the energy savings and comfort improvements that AirRite's services can provide, which leads to higher closing rates and increased customer satisfaction. They have also established enormous credibility as a local market leader in the whole-system HVAC approach. "Our success in this area has led us to become known as the problem-solver in this market." They regularly work with insurance adjusters, serve as field experts for judicial cases and even subcontract their services out to other contractors. They look for every opportunity to build genuine and lasting credibility: NATE certification, affiliation with ACCA, participation in local utility programs, and using the ENERGY STAR message to promote their services and products.

While Larry has embraced the whole-house approach, he acknowledges that many HVAC contractors find it difficult to follow this path. Despite being well positioned to move towards whole-house services, contractors are often unable or unwilling to adjust their mindset. Installers who are accustomed to replacing two units each day are typically not ready to spend the extra time to modernize the duct system, which could stretch the job out over two or even three days.

According to Larry, the initial challenge for any contractor is to “get past your own ego and realize how much you don’t know.” There are likely to be similar issues that must be addressed to get buy-in from technicians, installers, and other employees. This is especially true for more experienced technicians, who have established one excellent skill set, but who must now be convinced to acquire a completely different skill set. There is also the considerable investment in specialized diagnostic equipment and the initial and ongoing costs of training.

Another factor preventing HVAC contractors from adopting a whole-house approach, Larry suspects, is the relatively high rate of company mortality in the residential HVAC business. With approximately 30 percent of companies going out of business each year, only the most stable and high-revenue organizations have the resources to offer extra services and invest in training and diagnostic equipment. Larry notes that to stay informed, it is necessary to rely on others, join associations, network and read about your industry.

Larry’s commitment to learn more has helped AirRite overcome the initial hurdles that contractors face when making the transition to a whole-house approach. Perhaps most importantly, as the president and key decision-maker, Larry was able to guide his company in the right direction and ensure that their employees received the necessary support. Support from the company leadership is important as shifting to a whole-house approach will require several changes to a company’s existing business model – pricing programs, marketing concepts, sales presentations and labor-materials ratios must all be adjusted.

Additional challenges that AirRite faced as they adopted a whole-house approach included how to integrate their new services into ongoing service contracts and how to inform customers about these new services without losing their trust. Larry did not want customers who had purchased new equipment in the past to feel that they received a poor quality installation – and that they were now being asked to pay to fix those mistakes. Ultimately Larry decided that honesty was the best approach. He created a “We didn’t know then... but we do now” letter to explain to customers what AirRite had learned, comparing this new knowledge to advances in the medical field, and how a whole-house approach could benefit them. This letter helped assure customers that AirRite was at the cutting edge of the field and would provide the best value. For many customers, this letter was exactly what they needed and continued to choose AirRite above other HVAC contractors.