

Evolving Dynamics of the HVAC Industry

HVAC Services

Fall 2023

I've written before on how essential service industries like HVAC fared better during the pandemic than other industries. Many companies offering essential services were able to maintain financial performance and, when owners were interested, made a company attractive for sale. Now, new factors such as the recent extreme temperatures are creating greater demand for HVAC services. Once again, for well-managed businesses in many service industries, higher demand leads to higher profits which, in turn, lead to higher valuations of these companies.

The Heatwave Effect: Surge in HVAC Demand

Bob Tita of the Wall Street Journal (WSJ) noted that during the summer, service providers in the southern US had their technicians working extensive 80-hour weeks to meet the rising demand.

It's a simple equation: the more frequently air conditioning units run, the quicker they wear out. Lennox has estimated that increased usage can reduce the lifespan of these units by up to 20%. And, as HVAC units become more energy-efficient, they often incorporate lighter components, which may wear out faster. This translates to more regular maintenance for commercial units and more frequent replacements in residential settings. To put it in perspective, last year, 7.6% of existing residential air conditioners were replaced, a significant increase from 5.9% in 2017, as reported by the WSJ.

Strategies for Success:

From Employee Engagement to Tech Integration

However, higher temperatures don't ensure business prosperity for HVAC companies. While they can boost demand, the real challenge lies in optimizing financial performance and enhancing company value. Recent industry conferences have shifted their focus from mere profitability to navigating external challenges that impact business growth. In addition to topics on managing profitability, the focus has changed to



how to handle the effects of outside factors on a growing business

For example, addressing the current scarcity of skilled technicians, experts emphasize the significance of cultivating a positive company culture and offering benefits that retain and motivate employees. I firmly believe that contented technicians reduce turnover, streamlining operations.

Another pivotal strategy is broadening relationships with suppliers to build resilient supply chains and minimize the lead time on acquiring certain equipment. Additionally, the integration of technology is no longer just about business development. It's about enhancing sales, customer service, and technical support, and even proactively diagnosing HVAC systems to preempt potential issues.

Maximizing Value: Strategic Management in the HVAC Sector

It's not enough to sit back and experience better profits simply from outside effects on your business such as increased service repairs from higher temperatures. Managing strategically and financially improves a service business which then increases value, making it easier to sell the company when the time is right.

Let's Talk

Contact me at the email address below with your comments and questions. I'd enjoy hearing from you.

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