



## Recovering Your Environmental Costs

BY RYAN L. KISCADEN

What would you do with extra profit? This article explains how to upsell to homeowners the value that you provide as an expert in retrofitting homes with products needing special disposal, such as refrigerant and mercury thermostats. As contractors, you are responsible for charging a fair price for your services and, in the United States, profitability is the number one concern for small business owners. How will these businesses outlast the economy? A simple solution is to look for innovative ways to do the same installation services but add on services to sell to the homeowner.

A *Harvard Business Review* article I recently read, titled “Blue Ocean Strategy,” had this very premise in it. All business industries compete. Most use the “red ocean strategy” where they compete in existing “bloody” marketplaces and benchmark off of each other to the point where businesses are all the same. In contrast, blue ocean strategy states that “they make the competition irrelevant” by creating stronger differentiators.

As seasoned veterans of the HVACR industry know, many of the waste routinely generated requires special handling. We’re all familiar with state and federal requirements for dealing with refrigerant. But did you know that all mercury thermostats removed from commercial structures need to be recycled, and that more than 12 states now require all mercury thermostats to be recycled? Even where it’s not required, it’s common sense, as mercury thermostats contain at least 1,000 times more mercury than a CFL bulb.

When you consider this, why not take a proactive approach and earn some money while doing it? You can distinguish your business from competitors through a new value-added service with minimal cost to implement. This will require the contracting business owner to train his/her staff on how to evaluate a job that generates waste needing special disposal, create a billable invoice line item, and be transparent to the homeowner on the charge.

One way to do this is to first determine what to charge for the service. ROI is an important tool for making decisions regarding a job’s profitability. This is no different than selecting jobs you want to quote. The basic ROI percentage calculation is:  $ROI \% = \text{net profit (before taxes)} / \text{investment} * 100$ .

Let’s say the job you are quoting has a mercury thermostat and a condensing unit needing disposal and your net profit is \$1,000, whereas the total investment cost (such as materials, labor, direct costs and possibly sales) to do the job equaled \$10,000. Your ROI % on this particular job would be 10% or  $(\$1,000/\$10,000)*100$ . You could charge \$100 extra on the job as an add-on to your quote because they had materials which required your disposal expertise such as refrigerants, scrap materials from the condensing unit or a mercury thermostat. Your ROI percentage on this particular job would be 11% or  $(\$1,100/\$10,000)*100$ , with the extra \$100 contributing directly to your investment costs to perform the job. Contractors charge add-ons for financing, extended labor coverage, maintenance agreements and current promotions from the equipment provider. Here is your chance to build in the opportunity for more profit.

Training your sales staff can provide an easy differentiator, especially when competing against a low-cost competitor. If the homeowner doesn’t want to pay the fee then you have the choice to waive it. The fact that you sell this service demonstrates your commitment to your local community to do the right thing and you ease the homeowner’s fear by proving your HVAC expertise and protecting the environment.

Explicitly dealing with the disposal of special waste can benefit your business’s reputation, credibility and, most importantly, profit. Mercury thermostats and R-22 will eventually be a thing of the past. But until they are all gone, make sure to help your business earn more profit by charging for your service. What would you do if you could make \$150 more on every job that includes replacing a mercury thermostat? ☺

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