

Price Duct Renovation For What It's Worth

By Rob "Doc" Falke, President, National Comfort Institute

Duct renovation work is increasing at a steady clip across the country. Our industry is embracing the idea that just replacing the equipment isn't that great of a service to our customers without taking the time to get the duct system right at the same time.

■ What's it worth?

At some point in nearly every conversation about pricing duct renovation work, the discussion leads to pricing the job for what it was worth, more than just getting a typical markup on labor and material. The price of air conditioning and heating systems has been driven for the last two decades based on the efficiency of the equipment. We're all realizing that installing a high-efficient box is no guarantee of an efficient system. But if we renovate the ducting and test, adjust, and balance the installed system, we're able to document and verify that we have delivered what the customer agreed to pay us for ... a top-performing system that delivers the comfort we promised.

The cost difference between a typical 13 SEER equipment replacement and an 18 SEER equipment replacement averages about \$4,000. If the system works as well as the equipment does, that will save less than 20% of the cost of electricity to cool the house.

But unfortunately, sticking new equipment on an existing duct system typically delivers a system that performs less than 60% of the rated equipment efficiency. Or 18 SEER x 60% = less than 12 SEER system performance. So the net savings we have promised our customers may never materialize.

NCI research reveals the typical duct renovation with air balancing increases system performance just over 35%. That's nearly twice the improvement available from equipment replacement alone. Are you beginning to see what duct renovations can be worth?

The truth is that equipment replacement offers no verified savings, because the performance of the duct system is



unknown. To measure the system performance after the system has been renovated is the only way to be certain we have delivered the promised performance to our customers and reached the goal of the system performing at 90% or better of the rated equipment efficiency.

■ Gross Profit

Across the country, the gross profit for duct renovation work is reported at gross profit margins of 65% to 80%. That's pretty sweet compared to the industry averages of 30% to 40% gross profit for equipment replacement. An average 70% gross margin with a 35% overhead yields a 35% net profit. You do the math based on your overhead. No matter how you slice it, this cake is tasty.

■ Individual Methods

Here are some cool duct renovation pricing methods we've heard about. Of course you must price your duct renovation jobs based on your cost and experience of labor and your company's overhead and profit needs. But these ideas are pretty entertaining.

One salesperson quotes nearly every typical duct renovation at \$4,220.00. That's just his new favorite number he claims. He earns an average gross profit of 72%. That sounds like a great way to price duct renovations. I like that number too.

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A contractor in the southern U.S. adds on just under 50% of the equipment replacement price to repair and balance the duct system. He figures the values based on increased performance, and has learned through his experience that the prices he charges yield an average 65% gross profit, and that suits him just fine.

One California contractor adds on less than \$2,000 for a quickie duct renovation. His prices sound a little low, but his company's net profit has been in the high teens for the last four years. Who can argue with that?

A Washington, D.C. area contractor uses the freeway pricing method we have talked about in our seminars for years. He eyeballs the value of the work, and rounds up to the nearest \$1,000.00. Finally he completes the price using the number of the nearest freeway for the last three numbers of his price. Who lives by highway 990? Lucky.

■ **Category Pricing**

The most common method used in determining duct renovation pricing is to review the tonnage, access to the ducting and the operating condition of the work and price the work from one of three or more fixed categories. These prices are determined by your company's experience and costs previously incurred on similar projects.

Rarely does the salesperson crawl the duct system, and is able to estimate actual labor and material. This is done by the duct renovator as the work is completed.

Another example of duct renovation pricing is a West Coast salesperson who offers this method of pricing.

The typical residential job in his part of the country is a 3.5 ton system, flexible ducting, sheet metal used for all plenums, wyes and boots. Most jobs have average access to ducting. In addition to fixing the ducts, his price includes air balance and a written report, with a refrigerant charge and combustion adjustment. His pricing is based on the rated performance of the system when he tests-in during his sales call.

If the system is performing at 75% or better his price to renovate and test the duct system is \$1,950.00. If the

system tests-in between 74% to 55%, the price is \$2,920.00. Should the system performance test-in below 54% he sells the duct renovation for \$3,980.00. I like this one.

Equipment change out price is additional as is construction work provided by any other subcontractors.

■ **What's Your Method?**

As you can see, there are many ways to price your duct renovation work.

When it comes to pricing your duct renovation, testing and balancing work, charge what it's worth. Charge a price that you will be delighted with and then deliver the results that your customers will be thrilled with. It's that simple. And it's worth every penny.

Duct renovation is a new industry forming inside the HVAC industry. We need a high profit product and service that's worth what we charge for it. Can you really offer your customer an equipment replacement alone without verifying the performance of the duct system?

Rob "Doc" Falke co-founded National Comfort Institute with Dominick Guarino in the early 1990's and leads the technical training and curriculum development teams of the company. NCI's training mission is driven by Rob's vision that the performance of an HVAC system can be effectively measured and diagnosed under live operating conditions in the field. Rob's continuing role is to set the direction for the company's technical training programs, continually improve NCI's measurement methods, forms and procedures, and explore new technologies to help improve the quality, speed and effectiveness of our methods and training technologies.



To contact Rob, email him at robfb@ncihvac.com or call 800-633-7058.