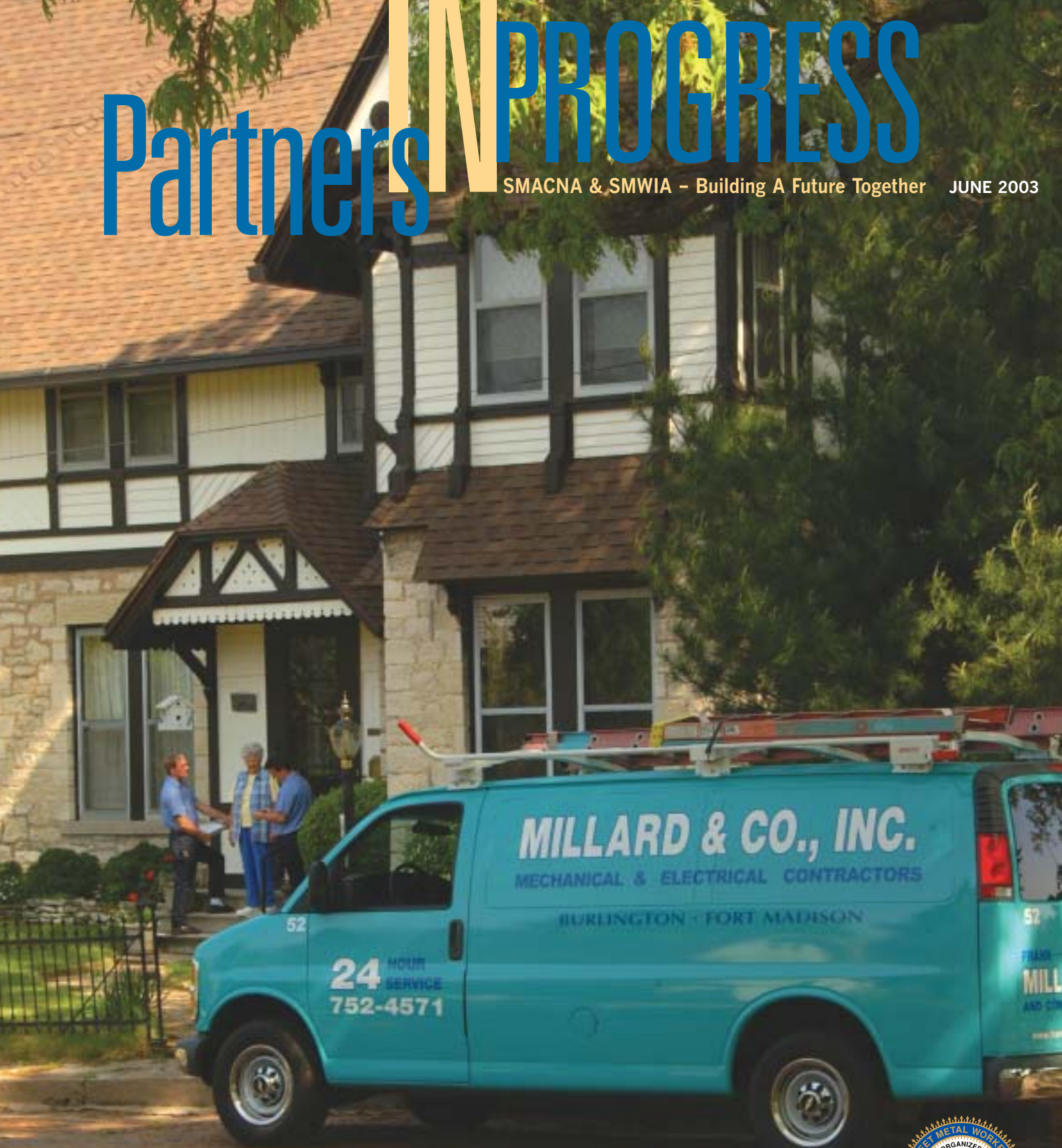


Partners **IN** PROGRESS

SMACNA & SMWIA - Building A Future Together JUNE 2003



Gaining Market Share in Residential Work
...Are You?



CONTENTS

NEWS AND SHORTS2

PRESIDENTS' LETTER3

MARKET SHARE TARGET:
RESIDENTIAL5

HOW-TO REBATE GUIDE:
GETTING STARTED8

TOTAL COMMITMENT
DRIVES SERVICE SUCCESS . . .10

PROFILE SERVICE:
SEVEN KEYS13

RESIDENTIAL ROADMAP:
PART ONE14

MARKETS & TRENDS16

PARTNERS IN PROGRESS
JUNE 2003 VOL.2/NO.1

MICHAEL J. SULLIVAN

JACK DESMOND
CO-PUBLISHERS

JOE SALIMANDO

JSALI@CRIS.COM
EDITOR

DEBORAH APPEL

CREATIVE SERVICES

IMAGES AND MORE

COVER PHOTO

FOR SUBSCRIPTIONS AND ADDRESS CHANGES,
VISIT WWW.SHEETMETALPARTNERS.ORG

CANADA PUBLICATIONS AGREEMENT No. 40725004
STATION A, PO Box 54, WINDSOR, ON, N9A 6J5

PRINTED IN THE U.S.A.



NEWS AND SHORTS

INDUSTRY MOVES ON MANY FRONTS

Early 2003 developments you might have missed include:

- U.S. government backing was won for the National Center for Energy Management and Building Technologies, a project originally suggested to President Bill Clinton by SMWIA President Mike Sullivan. NCEMBT is sponsored by the National Energy Management Institute; NEMI's parents are SMWIA and SMACNA.



- January's issue of *SNIPS*, the magazine for sheet metal contractors, carried an eight-page insert from the Testing, Adjusting, and Balancing Bureau, another SMWIA-SMACNA venture. A 16-page TABB insert ran in the May 2003 issue of *Engineered Systems*, which reaches more than 57,000 HVAC engineers.

- Technical staff from SMACNA took a seat on the new Homeland Security Standards Panel, which is an industry-wide coordinating body for the establishment of emergency preparedness standards.

'UNSATISFACTORY DUCTWORK DELIVERY SYSTEMS ARE COMMON'

That statement comes from the 12/02 issue of *Professional Remodeler* magazine, in a long feature about HVAC systems. Included: A quote from scientists at the Lawrence Berkeley National Laboratory (a U.S.



Henrik Sorensen/Getty Images

Department of Energy unit): "A California duct system wastes about 40% of the power it consumers on a hot day."

Supplied to the magazine by the Energy Efficient Building Association (www.eeba.org), the article claims that "regions with ductwork located in basements tend to have the leakiest ducts, while those with ducts in crawl spaces and attics typically pay the largest energy penalties."

Noted in the article: Results of a 2001 survey, "What Consumers Want," from *Contracting Business* magazine. While 55% of respondents said they were very satisfied with their HVAC systems

that number was about the same as 1994. "But only 40% of respondents said all their rooms were comfortable, down from 51% in 1994."

Here's the key: "Once consumers are educated, the survey reported, they are willing to spend significantly more (as much as 30% to 50% of total system cost) to have comfortable, healthy, and safe indoor environments."

WHAT YORK TELLS HOMEOWNERS ABOUT CONTRACTORS

"Choosing a heating, ventilating, and air conditioning contractor to help a homeowner [prepare an HVAC system for spring] is important, probably just as important as selecting the equipment the contractor will install, inspect, repair, and/or maintain."

CONTINUED ON PAGE 13

THE DIRECTION WE'VE CHOSEN

SMWIA and SMACNA have, through a national joint task force, been actively addressing one of the most crucial issues facing both organizations—**Market Expansion**. In the very simplest of terms, without a solid, creditable partnership between SMACNA and the SMWIA, we cannot grow. Without vision about where we want to go and a willingness to take risks and embrace change, both the SMWIA and SMACNA will falter and become observers as the industry transitions to meet the needs of today's customers.

For now, consider that the SMACNA/SMWIA joint effort to date has produced some remarkable results. First and foremost, we have learned to agree on what our collective position is in the marketplace. From that experience we studied both successful and challenged areas of the country to get a better grip on what works and what doesn't work or if you prefer what are "**Best Practices**." We have, using union and management representatives from the national level, shared best practices in 16 areas with local union and management representatives.

The most significant best practice is that labor/management cooperation guarantees increased market share.

We discovered by way of our joint activities more about customers and that decision makers (those who select contractors) in the construction industry really do not know who we are and what we do.

In response to reality, we have mapped out an approach so that in the future, building owners, general contractors and all other decision makers will know that we deliver:

- Quality commercial and residential HVAC systems, including design, fabrication, construction, maintenance and service using a trained, skilled workforce;
- Sophisticated architectural metal applications to, in and on buildings using a trained, skilled workforce;
- Industrial sheet metal work based on standards accepted world wide and using a trained, skilled workforce; and
- Unique and custom metal fabrication and installation such as kitchen equipment and interim metal applications, again based on widely accepted standards using a trained, skilled workforce.

We will soon launch our first effort with a focus on **HVAC Expertise** with an emphasis on other markets to follow. We will start by having a large internet presence. We believe based on today's realities that the internet will be the best way to appeal to customers. Soon we will have a resource

that will have an appeal to consumers seeking HVAC Expertise. If a consumer from any market area is looking for quality commercial or residential HVAC systems, we will tell them what they should know and ask before making a decision. We will take them to a contractor in their area capable of providing the products and services they need. We will seek to make www.hvacexpertise.com the most popular point of reference in the HVAC industry.

We also understand that we have a joint and on-going responsibility to do a better job at communicating with you. To that end, we jointly published two editions of *Partners in Progress* in 2002 and plan on publishing four editions this year. We believe that *Partners in Progress* is the best way to tell you about your organizations and the resources available to you. We will also share with you what is happening in other areas of the country.

In time, we see *Partners in Progress* as a tool to tell our customers who we are and what we do. When you think about it, the tools, resources, policies, programs we develop says volumes about what we do to ultimately meet customer needs. **We develop world wide construction industry performance standards to permit and promote quality installation and service using a well paid, trained, skilled union workforce.**

MARKET EXPANSION PREVIEW

In the coming months, you will be informed about the results of decisions made over the last 18 months. For example, you will:

- See more about market expansion efforts based on two pilot projects currently underway. The pilot projects program



MICHAEL J. SULLIVAN



JACK DESMOND

CONTINUED ON PAGE 4



DIRECTION CONTINUED FROM PAGE 3

will provide us and you with the model and tools, as well as an understanding of the environment , necessary to regain market where it has been lost, to grow and expand in areas were we are stagnant and to avoid the mistakes that result in a decreasing market share.

- See existing SMACNA and SMWIA market expertise defined in terms of existing standards, resources and programs already available though the SMWIA and SMACNA and our partnering organizations, ITI, SMOHIT and NEMI.
- See the development of the most comprehensive source of HVAC and sheet metal information via another joint project, an existing internet site, www.sheetmetalpartners.org.

The site will become the opportunity for the industry to share local best practices as well as become a massive index of existing services and products available from all organizations participating in this joint effort.

- Hear about an ambitious and worthwhile joint effort to sponsor a Sheet Metal Industry Week Program in May of 2004.

When we first embarked on this joint effort we cast it in terms of marketing but over time, we recognized that what we really were talking about is market expansion.

There are significant contracting and employment opportunities in today's market place. We need to capitalize on existing resources to enter or enhance our position in those markets and the Market Expansion Program can do just that.

In other instances and certain parts of this great country, we need to do better. Our Joint Market Expansion Program will direct our efforts at making SMACNA contractors and SMWIA members a vital part of the construction industry everywhere.

**WE DISCOVERED THAT
DECISION MAKERS—
THOSE WHO SELECT
CONTRACTORS—
IN THE CONSTRUCTION
INDUSTRY,
REALLY DO NOT KNOW
WHO WE ARE AND
WHAT WE DO.**

Fraternally yours,

Sincerely,

Mike Sullivan
President
SMWIA

Jack Desmond
President
SMACNA

John K. Humble/Getty Images

MARKET SHARE TARGET: RESIDENTIAL

ORGANIZED SHEET METAL INDUSTRY CONTRACTORS AND WORKERS ARE THRIVING IN RESIDENTIAL WORK—BUT WE DON'T YET HAVE AN OVERWHELMING FLOOD OF SUCCESS STORIES. OUR IDEA: LET'S WORK TOGETHER TO CREATE EVEN MORE!

BY A. LEE CHICHESTER

Most construction workers and contractors would agree that the residential market is a different animal from commercial—different needs, skill requirements, and ebbs and flows. *But it's not another planet!* Relationships count and should be cultivated; the customer still seeks quality from a skilled workforce; diversification is a good idea; and cooperation and teamwork between labor and management will be keys to success.

Most importantly, sheet metal contractors and union members with residential experience say this market represents an opportunity for the organized sheet metal industry. Further, this opportunity won't evaporate in the next few years, they say.

In short, right now is a time to “strike while the iron is hot!” It's important to note that those already in the resi market have something to add: *Pursue this work with a full understanding of the different challenges*—and surmount them creatively.

SERVICE OPPORTUNITY

Butch Welsh of Welsh Heating & Cooling (St. Louis) says his service department is what attracts home builders. Does

that sound unusual? Yes, it is. He asserts builders call his company for initial installations *because of the 7 x 24 service!*

“The number of calls we get outside of normal working hours is relatively small,” says Welsh. “But we can say, ‘We're always available.’ That means a lot to builders and their homebuyers.”

CONTINUED ON PAGE 6



PhotoDisc/Getty Images

Likewise, the company's sales team makes every effort to convert install customers into service contracts. "We have more than 4,000 maintenance agreements," says Welsch, "and they are absolutely key to success in this business."

Welsch's experience can be duplicated, says Joe Nigro, assistant to SMWIA General President Mike Sullivan: "If you install a good system, you put your label on it, and eventually they'll need some retrofit or service work. There's plenty of advancement in the retrofit and add-on market in residential. The two areas feed off one another."

EYEING FUTURE SERVICE CALLS

Welsch keeps a sharp eye on home construction. "We began getting heavily into service and replacement in 1989," Welsch reports. "It was a difficult change for me. I've always figured the more installations you do, the higher your margins."

"It was hard to say 'no' to apartments, for example. But we decided not to do unprofitable new work. Because apartments have their own maintenance departments, there's no aftermarket in it for us. "If we do subdivisions, however," he



WHAT ABOUT TRACT HOUSING?

Can the SMACNA-SMWIA team get into production (tract) housing? That's a subject of discussion within the industry. There's no clear answer: Some say yes, the union sheet metal can succeed in this market . . . with a great deal of effort; others feel that such a high level of effort might not produce a comparable return.

Start here: Contractors dislike difficult payment schedules imposed by national builders; workers aren't happy with poor inter-trade scheduling on tract housing sites.

What's the solution? "We have to develop relationships with the national builders," Nigro says. "The contractors who are doing it right will sit down and actually help [the builder] schedule the work."

"We need to educate the national builders and show them we have a group of people—skilled contractors working with highly trained installers—who are willing to work together and who can make money for them."

"With this approach, you become an asset to the builder. As a strategic partner, you will be high on the list when the pay requests start collecting at his office."

Butch Welsch, the St. Louis contractor quoted in the accompanying story, does not necessarily disagree. As noted, however, he targets specific new residential construction (even if his company only breaks even on such projects) *specifically to win the future service work.*

"Where this work has been lost to non-union contractors, from what I've seen, it's because the [union] contractors themselves have not pushed residential," he says. "They've concentrated on commercial. The residential work went non-union [over time] by default."

"A contractor needs his mind-set to be in the place where he *wants* to get into residential," he continues. "Plus, the contractor needs to get involved with the homebuilders association. New construction is like any other business—it's built on relationships, both with the union and with the builders."— *A.L.C.*

George Lepp/Getty Images

continues, “even if we only break even on the installations themselves, we have those homebuyers who are perfect future customers for us. Today, our new construction work is totally focused on those areas that will foster additional business for both the service and replacement departments.”

MARKETING & STANDARDS

Technical standards provide SMACNA-SMWIA team members with a definite edge. SMACNA’s standards are accepted worldwide. Can this edge be a foundation for residential market growth?

Perhaps. An industry-wide push of the importance of these standards—with the development of a recognizable label stating the installation or service meets those standards—is one possibility.

“I see us working with SMACNA to push these standards,” says Nigro. “We need people to understand why it’s important to follow standards. I see it being like having the UL or Better Business Bureau label on a product or business.

“Ultimately, the consumer will feel more secure with that product or company when they see that label and know it means quality.”

‘TOTAL COMFORT’ STORY

When it comes to consumers, education and communication matter. Residential success stories feature companies and local unions in regular contact with their customer base. Newsletters, ads in “shopper” newspapers, door-hangers, and—you name it—are used.

At the national level, SMACNA’s National Residential Contractors Council offers member contractors tools to help educate homeowners on why a SMACNA residential contractor is the best choice. One recently unveiled asset is the Total Comfort Systems story, a Web-based document that assists homeowners in selecting a “total comfort system” . . . as well as a quality contractor to install that system. See www.smacna.org/totalcomfort.

On the local level, SMWIA unions use rebate offers to get the public’s attention and educate homeowners. “Our locals have an equality fund that we use to gain work,” says Nigro. “We offer both service rebates and installation rebates to encourage the consumer to use a union contractor.” Rebates have proven staggeringly successful; see story in this issue.

BEYOND COOPERATION

Teamwork between management and labor creates residential opportunities, according to those already succeeding in this market. “In the St. Louis marketplace, we’ve added a residential specialist category to our contract language,” says

“COOPERATION BETWEEN LABOR AND MANAGEMENT WILL MAKE US SUCCESSFUL”

—JOE NIGRO, SMWIA

Welsch. “We’re allowed one residential specialist for every three journeymen.

“This gives us a way to coax guys away from the non-union shops and have a place to slot them into our workforce,” he explains. “We have them work at the specialist level for three to five years, while we help them prep for the test. When they take their journeymen’s tests, we replace them with new specialists.”

Efforts to gain ground in the St. Louis area have included establishing a fair wage rate among residential and commercial workers. SMWIA members who do resi work argue that a sheet metal worker’s skills and discipline in this work are on a different plane than in commercial.

“The discipline and responsibility of the individual worker is a lot greater in residential work,” says Welsch, “primarily due to the fact that the ‘crew’ is one or at most two guys.”

To equalize the resi/commercial pay scale, St. Louis-area contractors and SMWIA Local 36 used the carpenters’ rate as a reference. “Our aim was to help equalize the pay scale in new residential construction work,” says Welsch. “We decided on a number—the difference between the sheet metal workers’ increase and the carpenters’ increase.

“We get that figure back from the union’s equity fund on every hour worked in new residential construction.”

Why use the carpenters? “If we keep wage increases in the same vicinity as the carpenters,” Welsch explains, “then homebuilders can’t complain about our wages . . . given the fact they were willing to give a similar wage to their own people.”

A MARKET WITH POTENTIAL

“The residential market is a great opportunity for a sheet metal worker,” says Nigro. “The responsibility and demands for quality are actually greater on a guy working alone. It can be a great opportunity. In some cases, this responsibility might grow into ownership of your own business.”

As part of their Sheet Metal Partnership, SMACNA and SMWIA have targeted the residential market: “What is going to make this work now, and into the future, is that we’re finally sitting down as a team. We want the contractors to be profitable. This must be the approach across the country—profitable contractors. We also want them to maintain the high level of craftsmanship that we already have,” Nigro adds.

“The one thing I believe will make us successful in the residential market is cooperation between labor and management that I see happening now—and I’m proud of that. We’re all working to make sure all of our people can make a good living for the rest of their lives.” ■

CHICHESTER, A VIRGINIA-BASED WRITER, HAS TWO OTHER BYLINES IN THIS ISSUE.

GETTING STARTED

DOES YOUR AREA OFFER REBATES TO HOMEOWNERS? THERE'S NO 'RIGHT WAY' TO DO IT! SMWIA LOCAL UNIONS AND SMACNA CONTRACTORS HAVE TRIED MANY IDEAS. SOME WERE FOND WANTING; SOME WORKED. HERE'S A START ON YOUR PLAYBOOK!

BY A. LEE CHICHESTER

SMWIA Local Union 36 in St. Louis and Local Union 104 in San Francisco both have winning track records in rebates.

Two keys to the LU 36 program, according to Business Manager David Zimmermann are: (1) clean-and-check of an existing system; and (2) change-out of an old system for a newer, more efficient one.

"The rebate money comes out of our targeting fund," he says, "and the rebates are \$125 for the change-out and \$25 for the clean-and-check. We make them available during March and October—periods of the year when we need to stimulate work."

Slow work periods also are targeted in the Bay Area, according to Business Manager Bruce Word. LU 104 offers a replace-and-add special, but does not have a clean-and-check component. Rebate dollar amounts vary; \$300 for a homeowner replacing a furnace and adding an AC system, and \$125 for those replacing either a furnace or AC (\$125).

What's more, the pot gets a bit sweeter for homeowners at least 55 years of age—as LU 104 adds \$50 to entice these customers.

SMOOTHING WORK FLOW

Rebate programs work best where they are structured to meet a given community's needs. There's nothing "hidden" about these programs. They are marketing tools that always hit the



ABOVE AND ON NEXT PAGE: REBATE TOOLS FROM SMWIA LOCAL 104 IN SAN FRANCISCO.

intended targets: More hours during slow work times for the union; and jobs sold by SMACNA contractors.

"To establish our current system, we went back to our trust fund contribution history," says Word. "Our historical low-hour contribution times were January through May. What we're trying to do is create a constant workforce throughout the year, instead of us experiencing sporadic highs and lows of employment."

In business, there is an old saying that "your best customer is . . . your customer!" Contractors in both rebate areas use these programs to create new customers, hopefully leading to rebate business down the line.

"In our area," says Zimmermann, "the contractors market the rebate program through their sales people. It took a couple of years to get it going, but in 1999, the program snowballed. Once our men get into the house, they put a sticker on the equipment and we're going to get that call next time."

Adds Word: "It's a great sales tool for our contractors. They use our rebates in their advertising to stimulate sales. It also helps them manage their workforce throughout the year."

CONTRACTORS & REBATES

How does it look from the contractor end? "We have a great relationship with LU 36," says Butch Welsch of Welsch Heat-

ing and Cooling in St. Louis. “The rebate period typically lasts two months, but we can’t actually accomplish all the work during that time.

“So we send the local a list of people signed up during the rebate period, and we get to them a little later.”

Similar things happen in San Francisco: “Our contractors sell jobs through May, but work must be completed by June 30. We’ll accept coupons on installations through June 30, but we had to set that cut-off,” Word notes.

“If the contractor, for whatever reason, ends up dropping the ball—say if they don’t fill out the coupon correctly, or they sell a job they really can’t accomplish during the honor period—we’ll give the homeowner the benefit of the doubt.

“But then we take it up with the contractor. If it’s a delay they clearly were responsible for, we’ll get them to reimburse us for the rebate. It’s an incentive for everyone to get the work done on time.”

WHO DOES THE MARKETING?

There’s no “cookie cutter” for creating a residential rebate program. This can be shown in the key question of, “who markets the rebates?” In St. Louis, the contractors have primary responsibility; in San Francisco, the union gets the lion’s share of this effort.

“We’ve done radio and print advertising,” says Word. “But our biggest ‘bang for the buck’ has been in the penny saver circulars, those newspapers delivered to your house that are full of coupons.”

One might add that “marketing” rebates does not sound like a huge problem—and it isn’t, in either area. *Giving money back to customers* is a great tool in and of itself. The key is awareness; once people realize it’s available, they ask for it.

“Everyone is so tied together electronically these days,” points out Word, “you don’t have to do much. Just use an 800 number and have a Web site, and basically, the customer will take it from there.”

FINDING THE MONEY

Funds for the St. Louis program come from the union’s targeting fund, into which members pay \$1.24/hour. Rebates are not the only use for these monies, which are invested to build and maintain market share.

“Since 1991 when we initiated the targeting fund,” Zimmermann says, “we’ve picked up over 600,000 man-hours from the non-union shops. Plus, we’ve been able to maintain our residential rate the same as the commercial rate. That’s a very big deal.”

Beyond market share, there are a lot of happy St. Louis-area homeowners. Zimmermann estimates that LU 36 returned around \$750,000 to the community in rebates in 2002!



San Francisco’s program differs. Rebates are funded as a separate budget item. “We spend approximately \$400,000 each year

for rebates,” Word notes. In 2001, LU 104 issued 1,768 coupons; almost 50% of those homeowners qualified for the \$50 Senior Citizens “bonus.” Numbers for 2002: 1,584 total rebates, with 52% getting the 55+ extra.

“The group we’re trying to reach with the Senior Citizens perk,” explains Word, “are the people who aren’t basing their decisions strictly on equipment failure. They see a coupon and think, ‘My furnace is 25 years old now—maybe with the energy savings of a newer system, now is the time to replace it, rather than waiting until it fails on the coldest night of the year.’

“In most cases, those are homeowners who are 55-plus, so they get that little extra.”

ADMINISTRATION

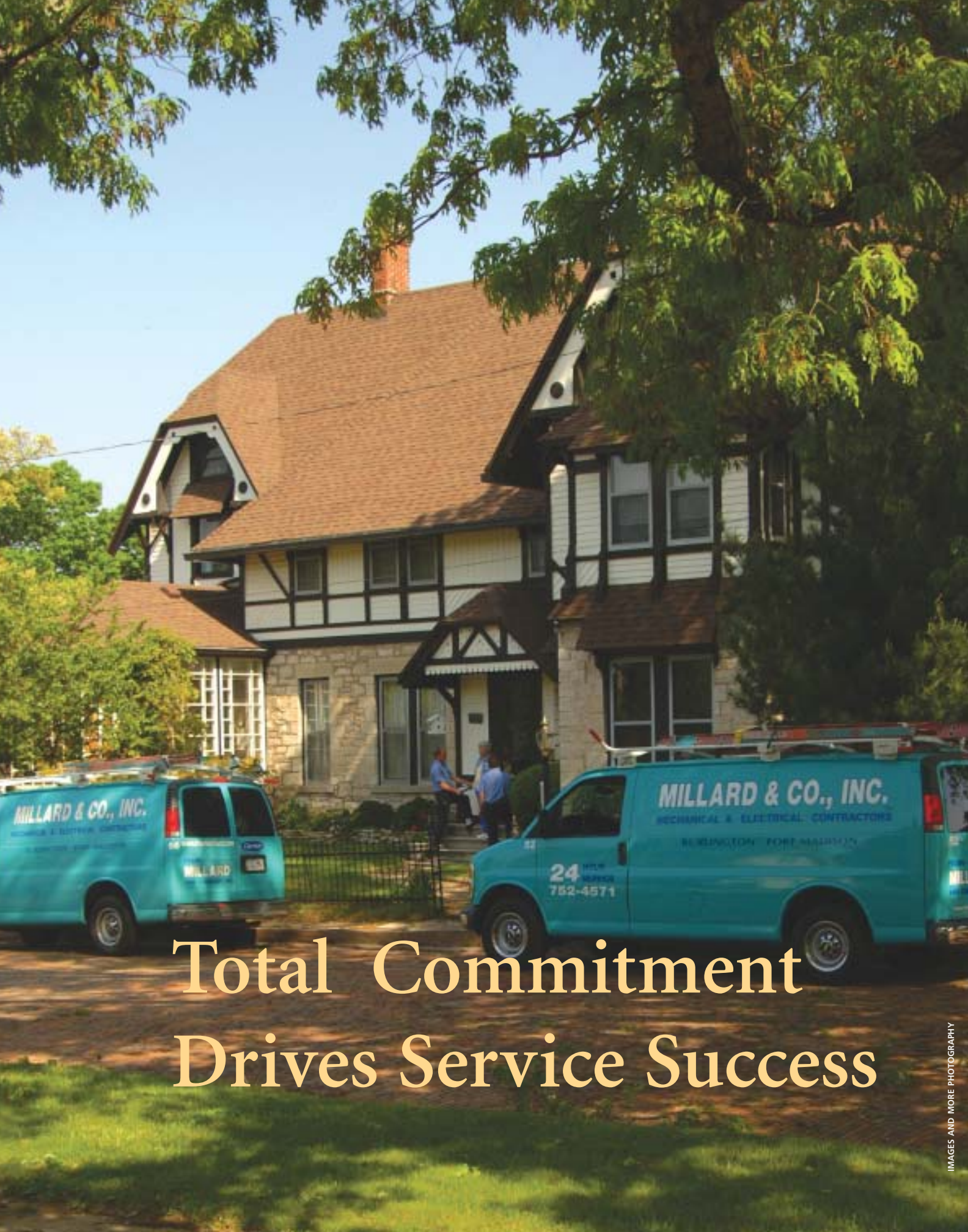
According to Zimmermann, offering rebates couldn’t be easier. “We’re able to keep up with the paperwork. This is a team effort for gaining work hours, so everyone pitches in.” Word agrees: “We haven’t had any negative administrative issues with offering rebates.”

Additionally, LU 104 does a bit of follow-up: “We offer a place where the customer can fill out a quick little survey, and we’ve received numerous positive comments. The contractors get a bit of publicity, the membership digs it, and the customers love the rebates. It’s a great tool!”

In St. Louis and San Francisco, rebates have been mastered. They are seen as an enormously effective tool to increase residential market share (and keep it!). These programs work thanks to customer education and cooperation between labor and management. But don’t forget those stickers SMWIA members leave on the equipment! There are unquantifiable but no doubt significant future sales gained for the SMACNA-SMWIA team . . . thanks to the simple effort of helping the customer remember and find us when service work is needed in the future.

“Rebates are an excellent tool to sell union work,” Zimmermann says. “You wouldn’t believe the incentive it is for people to choose union. It gets us into the door instead of the competition, and once we’re there, we’ve got them.” ■

CHICHESTER, A VIRGINIA-BASED WRITER, HAS WRITTEN PREVIOUSLY FOR PARTNERS—AND HAS SEVERAL OTHER BYLINES IN THIS ISSUE.



Total Commitment Drives Service Success

Driven by image advertising and promotion, and keyed by SMWIA members cross-trained for resi and commercial work, SMACNA member Frank Millard & Co. builds today on 50 years of residential HVAC service work

By A. Lee Chichester

Can the public come to see a contracting company as being as professional, skilled, customer-oriented, and neighborly as the local bank?

Yes—but it's something that takes time and effort. This effort has keyed Frank Millard & Co., Inc.'s success in south-east Iowa. "We've been doing residential HVAC installations and service for 50 years," says MacArthur "Mac" Coffin II, president of Frank Millard & Co.

"Ours is a small area, in terms of population centers. The four areas we serve might have a total of about 100,000 to 150,000 people. To get into residential and hold the work, you've got to have total commitment," explains Coffin.

"You can't do it halfway and make it successful. Service is one of the key elements. You build your add-on and replacement work around your service work."

UNION ADVANTAGE

Frank Millard & Co. started life 139 years ago as a lumber and supply business on the banks of the Mississippi. Today, there are company divisions in HVAC, sheet metal fabrication, plumbing, pipefitting, electrical contracting, painting, roofing, and general contracting.

"In a declining area like ours," says Coffin, "we really can't be too picky—we have to work where we can find it. But that's how we've grown our company." It helps that the company's culture focuses on delivering high levels of service. Iowa is a right-to-work state—but Millard is signatory to SMWIA and six other unions.

"Being union has always been an advantage to us because we are committed to offering great service from a highly trained employee pool. We sell our company, its efficiencies, our organization, and our capabilities—what we can do for the customer," Coffin says.

"We just don't look at it as union versus non-union. We simply sell the best and we employ the best. We're proud to have union employees."

MAINTAINING AN IMAGE

Nearly everyone in the region is aware of Frank Millard & Co.—and not because it's a Carrier dealer. Millard has invest-

ed in 30-plus years of targeted image-building. It starts, believe it or not, with a color!

"Back in the late sixties or early seventies," recalls Coffin, "we began painting our vehicles turquoise. That was when we had maybe six or eight trucks. Now we've got more than 100—all painted the same, no matter the division. We paint *all* our equipment that color; cranes, backhoes, even tools."

As a result, in a certain part of Iowa, turquoise is identified (especially by the company's competitors) as "Millard Blue."

Residential success stems from image-building advertising. Millard ads appear in print, radio, and cable TV ads. The company creates its own material (forsaking factory-developed, "customizable" ads). Millard's ads speak directly to customers about 24/7/360 availability, quality installations and service, and professional technicians coming to homes.

And in those materials, Millard workers are uniformed—something homeowners expect to see. "Our residential workers all wear uniforms, although our commercial guys don't. They're taught that you don't track mud into someone's living room," Coffin says. "You don't drip oil in their driveway."

"The superintendent manages their training, points out things, reminds people. He's not going to send someone into a customer's home with a cut-off T-shirt. As we hire people, we have in mind the image we wish to convey to the public."

CROSS-TRAINED WORKFORCE

While residential makes up about half of the company's sheet metal business, all SMWIA members working for Millard are cross-trained to handle resi and light commercial. "Cross-training is part of our company culture—it's what we require of our sheet metal workers," says Coffin.

"The big difference between residential and commercial is the people skills you must have on the residential side. It's a lot different when you're going into someone's home than when you're heading into a plant.

"Cross-training for residential and commercial is a key to our success in the sheet metal industry," points out Coffin. "Nearly all of our regular journeymen have been trained on

CONTINUED ON PAGE 12

residential. When we get busy in residential, we pull them from a slower commercial end, and have leaders to man crews—leaders who have those people skills and know how to approach that very different marketplace.”

As they obtain Millard-provided grounding in residential as apprentices or pre-apprentices, workers move on in JATC training. “One of our strongest tools is our JATC,” says John Churuvia, business manager of SMWIA Local 91. Located in the Quad Cities area, Local 91 serves part of Iowa and Illinois.

STAYING COMPETITIVE IN RESI

“The training of our apprentices and journeymen is one of our strongest marketing points,” Churuvia notes, “and our people get into both residential and light commercial. We do what we can to help our contractors on the residential side be competitive. We adjust agreements, crew sizes and costs, whatever we can do.”

This works, Coffin notes: “We’re able to have pre-apprentices and apprentices starting in residential—I’m able to keep my blended costs down,” says Coffin. “We don’t have a separate residential scale here.

“On a typical residential job we might have an apprentice and a journeyman crew. We’re competitive with anyone out there.”

Other assistance from the local could run the gamut, Churuvia notes: “Anything that we can do to help create a better environment for the consumer, we want to help with. Training inspectors, licensing and regulation—we’re pursuing all angles to help gain work in the residential market.”

And this effort isn’t done. Working with SMACNA contractors, Local 91 is developing a rebate program—another residential marketing tool. It should debut this fall.

“It’s tough out there right now,” says Churuvia. “We’ve all got to do whatever we must to make it work for everyone, and we’re teaming up to help make that happen.”



MACARTHUR COFFIN II

CHICHESTER, A VIRGINIA-BASED WRITER, HAS WRITTEN PREVIOUSLY FOR PARTNERS IN PROGRESS—AND CONTRIBUTED SEVERAL OTHER ARTICLES IN THIS ISSUE.

MILLARD'S IMAGE: MORE THAN TURQUOISE TRUCKS!

Building an image as a good corporate neighbor has been critical in allowing Frank Millard & Co. to grow its residential HVAC service operations. Face-to-face immersion in local communities—image activities—are the lintel stone of the company’s success.

Homeowners will have a good opinion of Millard—even if they don’t yet do business with it—because it gets out front and stays there. “Millard Blue” trucks and clean-cut service technicians in their living rooms aren’t the only ways people identify the company.

In the Burlington area, two sports teams obtain regular Frank Millard & Co. donations and sponsorships: A junior college basketball team and a single-A minor league baseball team. In the past year, the basketball team took Millard’s name with it to the national championships. This spring and summer, the baseball team’s entertainments include a “Frank Millard & Co. Rooftop” gathering area—modeled after Chicago’s baseball rooftops.

“We built the rooftop as a donation to the ball club,” says Coffin.

There’s more than sports. Regular community Friday night musical events, which draw names such as Glen Campbell and Wayne Newton, also draw Millard sponsorship funds. “These are the level of events we’re interested in having our name attached to,” Coffin notes.

In addition, the local Chamber of Commerce sponsors periodic “Business After Hours” events—where business leaders gather to enjoy beverages and appetizers at a local company’s facility. “We cleaned up the shop to begin hosting some of these events,” remembers Coffin. “Today, we’ll get 700 to 800 people through here from 5 to 8 on our night.

“It increases the business community’s awareness of Frank Millard as a contributing business entity. We’ve actually had the best attendance of any participating member in the After Hours events.”

With its name constantly present, Millard gets a few phone calls—and responds. If a girl scout troop or other organization needs a flatbed for a parade, Millard donates one; and, no surprise, it’s “Millard Blue.”

And when Southeast Iowa host a huge summer music festival, *Burlington Steamboat Days*, “we’re a major sponsor,” Coffin says. “They use our trucks and trailers [“Millard Blue!”] for dressing rooms, stages, whatever. There are probably 150,000 people a week in attendance.

“Practically anything that goes on in our community, we’re represented in some way.”

How does a union contractor become a significant and very visible corporate citizen in a right-to-work state? Frank Millard & Co. has drawn up one very successful game plan, and seems dedicated to running the plays. —A.L.C.

PROFILE SERVICE: 7 KEYS

The latest issue of the *Residential Report* newsletter from SMACNA's National Residential Contractors Council includes a feature by former contractor David Holt, president of Ultimate Service Systems, titled, "Seven Characteristics Of Profitable Service Departments."

Holt's article is based on a presentation at the Residential Contractors Forum, held at SMACNA's 2002 national convention. Here are the seven keys, with snippets of Holt's specific advice:

Maintenance agreements—"Many companies are shipping an annual supply of replacement filters to the customer's home and are using entry-level maintenance technicians to perform the work."

Flat rate pricing—"Technicians love to be able to quote a price in advance and not be so worried about watching the clock. Flat rate pricing systems also help sell maintenance agreements and replacement systems—on the spot."

Inventory Control—"Progressive distributors . . . support the contractor's efforts to keep [residential service] trucks properly stocked, by offering barcode-based systems that automatically create purchase orders each time a 'truck stock' item is used."

Prompt Payment—"Typically, profitable service departments get paid in advance for service agreements, and that money provides a 'cash cushion' for the off-season."

Effective Leadership—one per department, a person who "continuously monitor(s) the satisfaction of their customers, their vendors, and their coworkers."

Technicians As Salespeople—"The best 'bird dog' service techs are adept at asking the right questions and knowing what solutions are required to solve customer problems . . . These technicians are the envy of every salesperson, because they are standing in front of a hot (or cold) prospect at just the right time with all the right answers."

Continuous Education—residential service workers "must be taught how to fix the technical problems that they face as well as the 'people problems' when they are dealing with customers, vendors, and office staff." Access to back issues of *Residential Report* (in PDF) at www.smacna.org/council/rc/. ■



NEWS AND SHORTS CONTINUED FROM PAGE 2

That's what the folks at manufacturer York said this spring. How should homeowners go about the job:

- "read manuals, visit home improvement stores," and read magazine articles and online materials;
- get recommendations from "friends, coworkers, home improvement professionals, and real estate agents," which are "as helpful as are advertisements;" and
- check contractor references and make sure he/she/it has state and local licenses, liability insurance, and workers' compensation.

York recommended checking on whether the contractor is a member of NATE. It said a homeowner "should expect a contractor to do an on-site inspection, including a load calculation and a discussion of expectations and concerns for the cooling system. Only after the inspection

should the contractor make a recommendation for equipment in the form of a detailed quotation."

KEYS TO 'AGING IN PLACE'

What's the key to "aging in place"—the idea that retirees might not want to leave their long-time homes as they get older? The National Association of Home Builders Research Center and the Joint Center for Housing Studies at Harvard University sought answers with the "National Older Adult Housing Survey 2002."

Results, as reported in March 2003 by *Professional Builder* magazine: "In terms of features necessary to aging at home, survey respondents cited first-floor bedrooms, central HVAC, low-maintenance exterior finishes, and minimal/low-step entrances as being among the most important." ■

RESIDENTIAL ROADMAP

PART ONE

WHAT ARE THE RIGHT ROADS TO RECAPTURE RESIDENTIAL MARKETS? THIS, THE FIRST OF TWO ARTICLES, PROVIDES HIGHLIGHTS OF A MARKET EXPANSION TASK FORCE FOCUS GROUP. PARTICIPANTS: SMACNA CONTRACTORS WHO SPECIALIZE IN RESI WORK.

BY DAN SKLAIRE

On Dec. 10, 2002, nine executives from union sheet metal contracting companies participated in a four-hour focus group on the residential construction market. Participants were owners of established contracting firms in Missouri, California, Ohio, Michigan, Oregon, Illinois, Washington, and Iowa.

Contractors specialized in several residential HVAC markets, especially new construction, retrofit, service, and replacement.

SUMMARY: WHERE WE STAND

While new housing construction was up in various U.S. markets, contractors indicated they were losing construction jobs to non-union competitors. Most agreed that non-union shops were getting stronger.

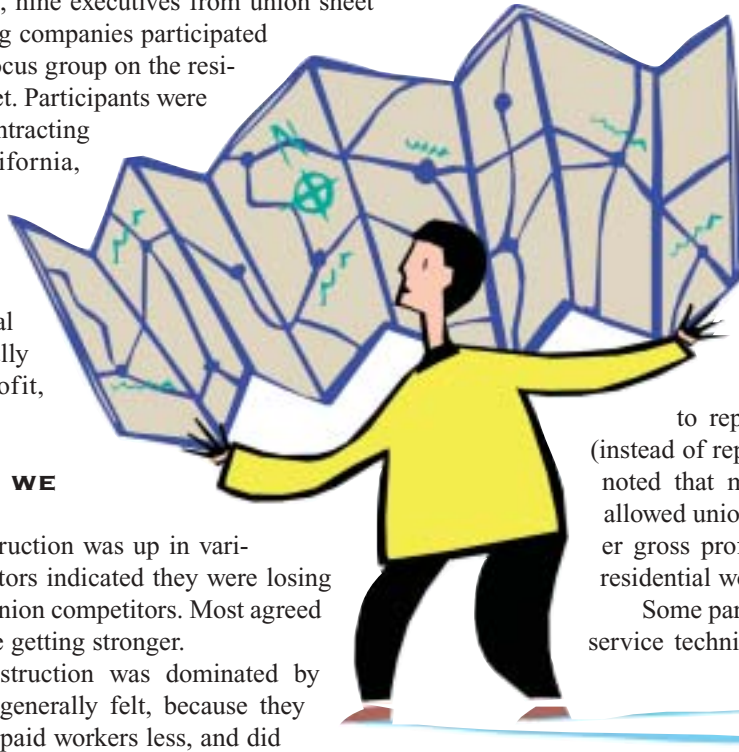
New residential construction was dominated by non-union shops, it was generally felt, because they worked at lower margins, paid workers less, and did not provide health and pension benefits. Non-union shops were said to have little, if any, overhead. They bought everything they needed from a local supply shop, had no office, and worked out of the back of a truck.

Union contractors would continue to lose ground because homebuilders were unwilling to afford them. Contractors said they were unable to retain workers in the residential market; skilled union tradesmen preferred to work in the higher-paying commercial market.

Homebuilders paid slower than other customers, contractors said; local and regional builders were losing share to national homebuilders, like Centex, that seemed to prefer non-union shops. Markups were low in residential new construction, they added—and workers made less money—because non-union tradesmen could easily enter the market.

PRIME TARGET: RETROFIT

As a result of these factors, union contractors said they had shifted their focus to new areas of opportunity—especially



including the add-on, retrofit, and service markets. These were their new “sweet spots,” because they enabled contractors to pay workers over scale—and pass this cost on, along with a markup, to the customer.

Service business was steadier in a bad economy, the participants noted, because people tended to repair equipment in such times (instead of replacing it). Importantly, it was noted that markups available in retrofits allowed union contractors to generate larger gross profits relative to other types of residential work.

Some participants said that they trained service technicians to look for sales leads.

When they developed, these leads were turned over to an estimator for follow-up. Other contractors said their competitors were more likely to have service technicians get sales training (rather than technical). That approach might generate new service opportunities.

KEY RESIDENTIAL ISSUES

Key issues faced in the residential marketplace were identified as:

- competition from non-union shops;
- lack of good residential union workers;
- increased labor costs and benefits; and
- increased insurance costs.

Union labor costs and benefits were keyed more toward commercial rather than residential. Further, some workers were said to be coming out of union training programs with insufficient knowledge of the residential market. Some contractors said they “have to grow our own.”

Unfortunately, as soon as those workers were nurtured, contractors added, they faced losing their residential expertise. Why? The workers often moved up to a better-paying job (generally, in commercial).

Other issues:

- The increase in worker's compensation, liability, and health insurance in 2002 was huge – the largest contractors could recall.
- Banks were getting tough on credit, affecting contractors and customers.
- Some materials prices were said to be going up.
- Layoffs by corporate America were reducing residential opportunities in some areas.
- Retail giants (Home Depot, Sears, and others) were becoming more involved in new residential construction.
- Licensing appeared to be an issue in some residential markets.

Contractors said making non-union residential workers aware of the health, welfare, and benefits available from the SMACNA-SMWIA team might assist in organizing. Attendees said a union job will look better to a non-union worker who comes to realize that he/she must provide health benefits for spouse and children and use a personal vehicle to get to a job site.

Some contractors said that the organized sector should promote what it is doing for the community. SMWIA and SMACNA should tell people more often that their competitors were not providing workers with health and welfare benefits, while they did.

On a related issue: Attendees felt that the union would be hurt if unqualified workers were allowed to jump from resi-

dential to commercial without testing that determined their ability and proper wage level.

SERVICE MARKET

Concerns in the service business centered on the following:

- finding qualified workers;
- keeping steady business; and
- lower-priced competition.

Attendees said service contractors gave customers the right to obtain service but didn't specify the work covered. Generally, they didn't want to sell service contracts—other than on off-months. Rebates were discussed [Note: See article in this issue]. Contractors said that manufacturers were offering longer parts warranties, taking contractors out of the parts selling and markup business—"just using us as a labor pool."

Participants said that service workers had to work the hours they were needed, which could be odd hours (or overtime). More flexible rules were needed in residential service, they added, to enable them to compete more effectively with non-union shops. Specifically, some sought increased apprenticeship ratios, which would enable them to compete with the number of pre-apprentices non-union shops used in tract housing work.

More flexible shifts, contractors said, would enable them to compete dollar-wise with "other guys out there doing 24/7" services. Recommendations included having some people work from 10 a.m. to 6:30 p.m., and others from 8 a.m. to 4:30 p.m. ■

SKLAIRE IS PRESIDENT OF SYSTEMS RESEARCH CORP. (ROCHELLE PARK, N.J.); HE'S FACILITATED SEVERAL SHEET METAL PARTNER EVENTS.

WORK WE'VE ASSIGNED OURSELVES

The Market Expansion Task Force of SMWIA and SMACNA requested the focus group described in the accompanying article. Task Force members viewed the event live or on tape. A 43-page Systems Research Corp. report on the event was distributed.

In discussions that followed, the Task Force took on these assignments:

1. Develop data on current/future residential market opportunities.
2. Use residential contractor expertise to sell SMWIA-SMACNA value.
3. Evaluate a potential mutually advantageous relationship with manufacturers.
4. Educate the homeowner on the merits of proper installation, health issues, and long-term costs.
5. Consider development of a "certified residential contractor" program for utilities that now offer customers installation and service programs.
6. Publish *Residential Best Practices*; develop case studies of local areas that have expanded market share.
7. Promote ITI and NEMI programs that local areas can use to grow in residential.
8. Recognize the differences in approach needed to gain market share in the new tract housing and residential retrofit markets.

At a March meeting, the Market Expansion Task Force assigned specific tasks to its members to help expand the organized sheet metal industry's residential horizons. —*SMP staff report*

Markets & Trends

RESIDENTIAL REHAB: WHAT THE DATA SAY

Harvard University houses the Joint Center for Housing Studies, which may be the best place to get information on home remodeling. According to JCHS data, spending on home remodeling soared from about \$150 billion in 1995 to \$214 billion in 2001.

How much is \$214 billion? It's more than the nation spent in 2001 on commercial construction (\$131 billion), public works construction (\$163 billion), clothing bought in retail stores (\$169 billion), or legal services (\$133 billion). That,

as all data in this report, comes from the 2003 JCHS report, "Measuring The Benefits Of Home Remodeling." It can be downloaded free in PDF format from the Publications page of the JCHS Web site (www.jchs.harvard.edu).

What about that pesky do-it-yourself trend? As has been widely reported, it's losing steam as the "Baby Boom" generation ages. Further, those who spend the most on home improvements are more likely to use professionals. Further, the JCHS researchers found that the professional share of spending topped 80% in all age

groups 55 and older; it's only 68% for those under 35.

MUSTS VS. NICE-TO-HAVES

Table One provides data from JCHS figures on total home improvement expenditures, which are broken down in a variety of ways. We've selected just the HVAC line.

Note that the increase from the 1994-95 data to the 2000-01 figures is 29%—a respectable number. The \$24.8 billion spent in 2000-01 on flooring, paneling, and ceiling was up 184% from 1994-95; roofing's \$22.3 billion in that year was up 48%; and the \$15.3

billion for windows and doors was up 52%.

One conclusion from these data might be that HVAC upgrades and replacements are "must" investments for homeowners, but the late-1990s economic boom increased spending in "nice-to-have" home improvement categories.

Of course, the do-it-yourself trend hasn't had an impact in our market. While 22.4% of all remodeling spending in the 2000-01 period was DIY, the HVAC market remained pretty much isolated. Consistently, roughly 90% of the spending in our area is with contractors. ■

TABLE ONE

HVAC REPLACEMENTS BY HOMEOWNERS, 1994-2001

REPORT YEAR	NUMBER OF HOUSEHOLDS	AVG. SPENT PER HH	% PROFESSIONAL (VS. D-I-Y)	TOTAL VALUE IN BILLIONS	HVAC % OF REMODELING
1994-1995	5,112,000	\$2,469	91.4%	\$12.68	7.13%
1996-1997	5,377,000	\$2,531	90.5%	\$13.61	7.22%
1998-1999	5,888,000	\$2,460	88.6%	\$14.49	6.85%
2000-2001	5,921,000	\$2,763	89%	\$16.36	6.22%

SOURCE: JOINT CENTER FOR HOUSING STATISTICS, HARVARD UNIVERSITY

Partners **PROGRESS**

P.O. Box 221211

CHANTILLY, VA 20153-1211

Presorted Standard
U.S. Postage
PAID
Long Prairie, MN
Permit No. 2