

Plumbing Service 101



Plumbing Service Business Basics

Module 1 of 5

LEARNING OBJECTIVES

At the end of this module, you will be able to:

1. Understand why HVACR companies should consider adding plumbing services to their offerings.
2. List ways in which plumbing service is complementary to and different from an HVACR company's existing business.
3. Identify opportunities available to HVACR contractors and important factors to consider when entering the plumbing service business.
4. List resources required to get started.



The Mechanical Service Contractors of America (MSCA) presents this module on “Plumbing Service Business Basics.” The module reviews the pros and cons of plumbing service, how to make a sound business decision regarding starting plumbing services, and types of services that can be offered based on commitment level. It is the first of five (5) Plumbing Service 101 modules designed to review all aspects of adding plumbing service to an existing HVACR service operation, including ways plumbing service can complement an existing business, recognizing and understanding markets for plumbing services, identifying possible recruiting sources for finding quality service plumbers, identifying costs and expenses associated with the start up of a new plumbing service division, and highlighting a workable organizational structure and key roles needed to create a successful plumbing service operation.

! IMPORTANT

MSCA provides member contractors with management and marketing skills, training and educational programs, and government and labor relations.

The modules are designed to include fundamental industry concepts, presented in a thorough, real-world way that will help you to better understand the plumbing service business.

MSCA PLUMBING SERVICE 101 MODULES

- | | |
|--|--------------------------------------|
| #1 Plumbing Service Business Basics | #4 Financial Tools and Profitability |
| #2 Markets for Plumbing Services | #5 Operations |
| #3 Finding and Developing Great Plumbing Technicians | |

INTRODUCTION

Most companies are constantly on the lookout for ways to find new customers, identify new market opportunities, and increase their business. This is essential because in a dynamic business environment, management must continually be on the search for new customers to replace those lost through attrition, mergers, or competition just to maintain status quo with their existing operation. Solid business growth demands much more than just staying even; it requires continually expanding the customer and revenue base.



! IMPORTANT

Adding plumbing services is a significant new business and growth opportunity for existing HVACR companies.

When you consider that the cost of adding a new customer typically ranges from hundreds to thousands of dollars, it is important to find the most effective ways to identify new accounts, add incremental revenue, and grow the business in market areas that might be available to the company.

For an HVACR company, a significant opportunity for new business and growth can be right under your nose. Finding it requires only that you are listening to your customers, asking the right questions, and thinking a little out of the box. That opportunity comes from adding plumbing services to the existing range of conventional HVACR services. For HVACR companies that have the right types of customers and application requirements, this can be one of the most effective, low-risk ways to grow business while also providing greater value and a more complete service offering to customers.

BORESCOPE INSPECTION



RIDGID®

COMPLEMENTARY TO HVACR

One might ask, “Why plumbing?” since the operation, policies, and skills needed in this type of business can be quite different from those required for HVACR services. It is certainly true that running a plumbing services business can require different resources and tactics than running an HVACR business.

Managers should have no misconceptions about the effort required to be successful when adding plumbing to their primary business. But the rewards for successfully doing so can be great.

Even though different skill sets are required, in many cases there is a significant overlap between requirements for the two service areas. Most importantly, there is generally a high level of demand from commercial HVACR customers for plumbing services, which is not always served well by some vendors in the market. Almost any commercial HVACR application that already involves fluid or gas flow also requires some level of plumbing service to address these functional areas. This can include installations that utilize chillers, boilers, commercial water heaters, circulating pumps, piping, backflow systems, and other fluid or gas handling functions.

In many cases, you may already be addressing the plumbing side of the business by using subcontractors or by referral to third parties because of this overlapping service need. With limited quality control over third parties, the results may have been lower levels of customer satisfaction than your accounts normally expect from your company.

! **IMPORTANT**

Often, customers are seeking a single-source contractor to serve both HVACR and related plumbing service needs.

For most customers, reliable plumbing contractors are not easy to find, and the low level of skills and training typical of contractors serving this area leaves customers dissatisfied, especially when it comes to servicing more sophisticated electronic systems or specialized OEM equipment.

The need for greater expertise and better trained, more highly skilled service technicians is a major driver of demand for quality plumbing services by many customers. By simply asking, you may find that your existing, long-standing HVACR customers would consider it a major benefit to have you also provide plumbing service capabilities, giving them a single-source contractor that can handle both their HVACR and related plumbing service needs.



ADVANTAGES FOR CUSTOMERS AND CONTRACTORS

The advantage for the customer is to build on the relationship, reliability, and service excellence they have come to depend on from their HVACR provider as that provider can now act as a single source for both HVACR and

plumbing service. On the other side, the advantages for HVACR contractors can be numerous, including the following:

- Increased revenue and higher profits from these added, high-demand services
- Minimal incremental acquisition costs for the added business
- Better customer retention with natural barriers to competitors that do not provide similar full services
- Increased new account development from the wider reach of a broader services offering
- Opportunity for frequent crossover sales between the two application areas
- More diversified and stable revenue base from the expanded and better-distributed service demands of the two different service areas



IMPORTANT

Plumbing service is not a seasonal business and emergency repairs are recession proof. Consequently, the addition of plumbing services can add significant cost to a company's bottom line.

MARKET OPPORTUNITIES

The opportunities available for plumbing business extend across a variety of markets available in your service area. This can include a range of commercial applications, such as industrial, hospital, pharmaceutical, hotel, casino, manufacturing, governmental, educational, and others located in your area.

BACKFLOW PREVENTER





IMPORTANT

Adding plumbing services can offer extra services to your existing customers to grow your business organically and maximize overall company potential.

Obviously, the best opportunities and markets for your company to start with are your existing customers and the business areas where they are operating. However, once you start offering plumbing services, there is no reason why effective salespeople cannot leverage your HVACR presence to expand business to other new customers in those same markets and to additional markets outside those traditionally served.

Plumbing services may open doors to new customers that were difficult to access before, but which can quickly become full-service HVACR customers once you have a ready opportunity to start doing business and building relationships with them.

OPTIONS FOR TYPES OF PLUMBING SERVICES PROVIDED

Within the plumbing business arena, the types of services that offer great potential in various markets may include PM, install, and repair services for tasks or functions listed in the “Complexity, Profitability, and Investment Comparisons” table below. The table shows possible services that could be offered. Services are prioritized according to level of complexity. In addition, indicators are also provided for profitability potential and relative capital investment required to implement each service.

COMPLEXITY, PROFITABILITY, AND INVESTMENT COMPARISONS		
EASE OF ENTRY WITH #1 THE LEAST COMPLEX TO IMPLEMENT AND #16 THE MOST COMPLEX	PROFITABILITY POTENTIAL	INVESTMENT REQUIRED
1. Plumbing repairs	High	Low
2. Water line repairs	High	Low
3. Drain line cleaning/repairs/replacement	High	Medium
4. Backflow maintenance and certification	High	Low
5. Commercial water heater service	Medium	Low
6. Gas piping and installation	Medium	Low
7. Digital camera inspection services	High	High
8. Hydrojetting	High	High
9. 24/7 emergency repair service	High	Medium
10. Ejector pump installations and service	High	Medium
11. Grease trap pumping and maintenance	Medium	Medium
12. Fire line flushing	Medium	Medium
13. Medical gas station	High	High
14. Storm water harvesting system maintenance	High	Medium
15. Sewage and storm pit pumping and cleaning	High	High
16. Storm water retention and filtering system maintenance	High	High

It is important to stress that various services require different levels of resource and investment commitment, from entry-level through the most advanced full-service capabilities. For this reason, HVACR companies contemplating adding plumbing business should consider which plumbing services they can realistically offer initially. Later, based on initial success and demand, they may provide a fully equipped and staffed plumbing services capability.

IMPORTANT DECISION FACTORS

Adding plumbing services to an HVACR operation may appear compelling and even a “no brainer” for many HVACR businesses, but the commitment to enter this segment is not trivial. As is the case with any major business decision, this choice demands a thorough analysis before deciding to jump into what will be a new operating area for most service providers.

Done properly in the right markets, the addition of plumbing services can add significantly to a company’s growth and bottom line while at the same time increasing level of service and value to its customers. However, if the level of service is not adequate or cannot meet the high standards that the company’s HVACR customers expect, entry into the plumbing services business could be less than successful, even harming the company’s reputation and damaging longstanding relationships with existing HVACR customers.



IMPORTANT

Many contractors have considered adding plumbing service to their HVACR service organizations. Making the leap can be a difficult decision.

STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS (SWOT) ANALYSIS

To better understand if a good fit exists, a “SWOT” type of analysis that considers a company’s capabilities in relation to its markets and competition is a desired first step in the decision process. A SWOT analysis is a way of looking strategically at a significant business opportunity to make sure it has high potential for success and is a good choice for investment among the various choices a company may have for growth and use of its resources.

Use the “SWOT Analysis Template” on the next page to explore your market and help determine whether the decision to enter plumbing services is the right one for your company.



IMPORTANT

Added plumbing services must be of the same high quality offered throughout the company or it could harm the company’s reputation.



IMPORTANT

SWOT analysis looks at the company's internal strengths and weaknesses along with external opportunities and threats.



CUSTOMER FEEDBACK

Assuming the SWOT analysis outcome is encouraging, an equally important decision qualifier is to survey or talk directly with a range of existing customers to get their feedback about adding plumbing services. Since your existing customer base is the first target for your potential plumbing services and getting those existing customers on board is a major objective, their feedback – positive or negative – and willingness to commit business to you should be a primary factor in your ultimate decision to proceed.

CUSTOMER SURVEY

Customer Satisfaction Survey - AllStar Plumbers, Inc.

Full Name *

E-mail *

Date of Service * Open...

Please answer or rate the following:

How did you find us? *

Overall satisfaction *

Rate our promptness *

Courteous / Friendly *

Technician was knowledgeable *

Work area left clean *

Completed work in timely manner *

Tech explained problem/solution * ☐ Yes ☐ No

GETTING STARTED

Based on the results of your business analysis and feedback from customers, you may decide to add staffing and resources suitable to provide plumbing services at one or several levels, ranging from a basic entry level up to full plumbing service capabilities, including 24/7 emergency service.

For those who may want to start slowly and just “test the waters,” the “Plumbing Service Capability Matrix” below lists basic services that are appropriate at the “Entry Level.” Entry-level plumbing services might include only a few common services that fit well into routine PM agreements with less urgent demands and more scheduling flexibility.

PLUMBING SERVICE CAPABILITY MATRIX			
	ENTRY LEVEL	TYPICAL PLUMBING SERVICES	FULL PLUMBING SERVICES
Plumbing repairs	✓	✓	✓
Commercial water heater service	✓	✓	✓
Drain line cleaning/repairs/replacement	✓	✓	✓
Water line repairs	✓	✓	✓
Backflow maintenance and certification	✓	✓	✓
24/7 emergency repair service	✓	✓	✓
Grease trap pumping and maintenance		✓	✓
Gas piping and installation		✓	✓
Digital camera inspection services		✓	✓
Hydrojetting		✓	✓
Plumbing Maintenance		✓	✓
Ejector pump installations and service			✓
Fire line flushing			✓
Medical gas station			✓
Sewage and storm pit pumping and cleaning			✓
Storm water harvesting system maintenance			✓
Storm water retention and filtering system maintenance			✓

If companies are serious about adding plumbing services that will be ancillary to HVACR, but aren’t ready to go full scale, the items in the “Typical Plumbing Services” column provide recommended options.

Finally, the “Full Plumbing Services” column lists capabilities needed for a plumbing division that can meet the full requirements of its customers. Full-service support would include 24/7 emergency call response and specialized service capability with service people trained across a range of commonly installed sophisticated OEM systems. This allows you to promote advanced capability and even become recognized as authorized service agents for key OEM systems.

PLUMBING MINIMUM STAFFING REQUIREMENT

A minimum staffing resource for any level of service requires bringing on board a plumbing professional who, in many states is required to hold a master plumber’s license.

This person provides oversight and supervision for those plumbing services the company decides to carry. The individual will likely be a plumbing professional, not an existing HVACR manager unless you are fortunate enough to identify that rare individual with extensive experience who happens to be well-qualified in both disciplines.



**MASTER
PLUMBER'S
LICENSE**



IMPORTANT

In many states, a minimum staffing requirement will be a plumbing professional who holds a master plumber’s license.

PLUMBING SALES PROCESS

Once staffed up, it is desirable to outline the sales process that should be followed for selling plumbing services, which may be somewhat different than the process used to pursue HVACR-specific business. To start taking advantage of existing customer cross-over opportunities, plumbing sales or service people should be involved and attend start-up meetings for new HVACR agreements or proposals. For example, it may be easy to include backflow or other routine plumbing maintenance in normal HVACR PM agreements for many customers. Moreover, other less specialized services may be more closely integrated and performed concurrent with HVACR service as a good way to get started in the plumbing services business.

Current customers are the primary candidates for plumbing services, so companies should establish plumbing services business with existing accounts



IMPORTANT

Target current customers as primary candidates for plumbing services before considering how to expand beyond this base.

before considering how to expand beyond this base. In many markets, this demand will be high. Some companies report as high as 75 percent penetration with existing HVACR accounts for the added plumbing services.

TIME AND MATERIAL BIDS

One important difference between HVACR and plumbing business proposals is the opportunity for time and material (T&M) bids. It is nearly impossible to hard bid a job without seeing it. Clients will understand this. There are also special provisions and exclusions with plumbing jobs. Again, this is because the full extent of repair work may be hidden and not easily defined until extensive inspection is done or actual work is under way.

TRAINING

Training for customer service skills can use common resources for both HVACR and plumbing service people, but specialized technical and manufacturer-specific training will most likely be unique to plumbing staff. Industry training has been limited, so this is something that will clearly need to be provided or searched out by your organization. It is desirable to have strong union plumbing service training and a plumbing-specific apprenticeship program for the future, but current union offerings may not be adequate in every area.



Training HVACR staff to recognize and help cross-sell into plumbing opportunities is essential, since they are in front of the customer and have access to the customer's operation on a regular basis.

SETTING YOURSELF UP FOR SUCCESS

There are many potential opportunities for plumbing services, however, the commercial office space market provides a high probability for success. These office spaces typically have one engineer for the site who relies on HVACR and plumbing technicians to make repairs and conduct maintenance. This is an ideal market for an HVACR company that is a single-source HVACR and plumbing services provider.



IMPORTANT

When making a service call, an HVACR technician can use the opportunity to educate existing customers about the new plumbing services.

Regardless of specific market or markets pursued, it is important to be aware of potential problems and red flags that may be critical to making a final decision. Carefully consider the following key factors before jumping in with both feet:

- Skilled plumbing technicians need to be available in the area.
- Smaller customer accounts may not have the budget for commercial plumbing rates.
- Vehicles, tools, and equipment are different for plumbing, so an initial sizable investment is critical to success.
- If you can only offer some minimal services, a customer is likely to find a company that can do it all.

SUMMARY

For existing HVACR companies, adding plumbing services is a significant new business and growth opportunity. This is because often customers are seeking a single-source contractor to serve both HVACR and related plumbing service needs. Consequently, it is best to start with your existing customers.

Adding plumbing services is a significant move, and like any major business decision, the choice demands a thorough analysis before deciding to jump into what will be a new operating area. Initially you may decide to add staffing and resources suitable to provide plumbing services at one or several levels, ranging from a basic entry level up to full plumbing service capabilities including 24/7 emergency service. If done properly, the rewards can be great.

This module covered the basics of adding plumbing services to an existing HVACR company. Modules 2 through 5 are designed to expand your understanding in the areas of identifying potential markets for plumbing services, finding and developing plumbing technicians, establishing financial tools for profitability, and implementing plumbing operations.