

2.3 HVAC CONTRACTOR BUSINESS MODEL

2.3.1 Introduction

The HVAC contractor is a specialized contractor whose core business is to install and maintain heating, ventilation, and air-conditioning equipment. HVAC contractors typically offer at least some energy-efficient equipment, because HVAC equipment is the largest energy user in a residential setting. HVAC equipment accounts for 54 percent of total residential site electricity use.¹⁵ The following table provides a brief overview of the characteristics of an HVAC contractor.

| Summary of HVAC Contractor Characteristics | |
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| Size | Typically small, with 1 to 15 employees, but can range upwards of 1,000 employees |
| Market Role | Provide specialized services, such as: <ul style="list-style-type: none"> ■ Installing heating and cooling equipment, such as central air conditioning units, furnaces, and hot water heaters ■ Equipment maintenance and repairs ■ Duct cleaning ■ Plumbing and electrical work associated with cooling and heating equipment ■ Energy efficiency audits and retrofits, including thermostat installation |
| Operating Environment | Operate in a market impacted by: <ul style="list-style-type: none"> ■ Regional and seasonal nature of industry (e.g., 80 percent of homes in the southern United States have air conditioning but only 30 percent in the Northeast have air conditioning) ■ Technically complex equipment in the home requiring specialized training ■ Relationships with equipment providers as authorized dealers, which helps marketing and revenue for smaller contractors ■ Some exposure to energy efficiency through their products ■ Ongoing relationships with customers for maintenance, which can be key to generating additional revenue |
| Competitive Landscape | <ul style="list-style-type: none"> ■ They are often subcontracted by general remodelers and retailers due to the specialized nature of equipment ■ There are two types of HVAC contractors: <ul style="list-style-type: none"> - HVAC contractors that only provide HVAC services, and are not in competition with other types of contractors - HVAC contractors that have expanded into the energy efficiency market, which compete with home performance contractors, remodelers, utility program administrators, and retailers, primarily in the area of system installation |
| Collaborative Landscape | Collaborate with the following firms in the market: <ul style="list-style-type: none"> ■ Retailers (through retailer service networks) ■ Efficiency program administrators (both utility and non-utility), as qualified contractors |

¹⁵ U.S. Department of Energy. "Residential Sector Energy Consumption." In *Buildings Energy Data Book*. (2011). <http://buildingsdatabook.eere.energy.gov/TableView.aspx?table=2.1.5>.