

## Good to Great – Using Energy Services to Enhance the Linc Service Model

# Airco Commercial Services Case Study

by the Building Advisor™

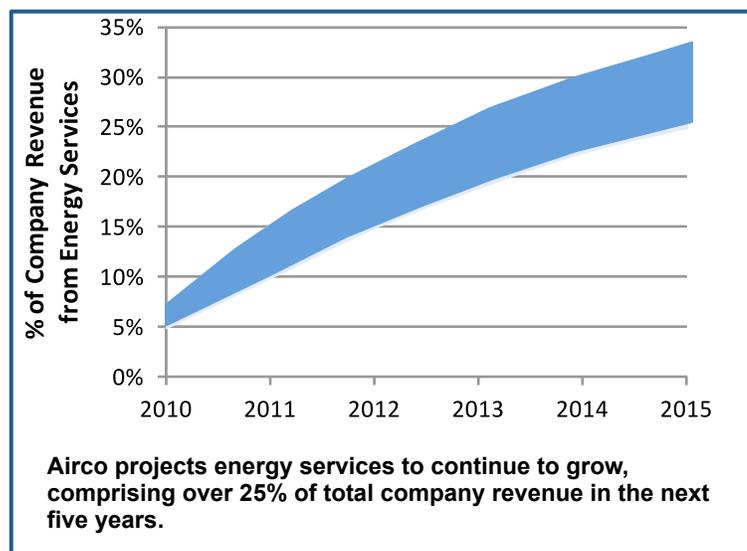


### The Impact of Energy Services on the Business

The impact of energy services on Airco's financial performance has been significant, adding an estimated \$3 million of incremental revenue in just the past 18 months, according to Bruce Wright, Airco's Bay Area Vice President and General Manager. To put in perspective, energy services accounted for approximately 5 to 7% of Airco's annual revenue in 2010, their first full year with an energy services program. In 2011 revenue from energy services doubled to comprise 10 to 15% of total company revenue. Wright says, "I see our energy services revenues very easily becoming 25% of our total revenue in the next five years. Within that, there are two aspects: the tangible proof of project retrofits, as well as the intangible value-add of providing energy services as part of our preventative maintenance agreements. Already, we are seeing a substantial uptick in business that we can link directly back to our decision to aggressively pursue an energy services approach."

### Call Them Clairvoyant

With a combined 50+ years in the industry, Airco Commercial Services' two Vice Presidents, Rick Cooke and Bruce Wright had seen it before. In 2008, they recognized the turn the industry was taking, projecting a significant downturn in commercial construction. While Airco had never had a significant focus on new construction market, from past experience Cooke and Wright knew that a soft construction market inevitably leads to increased competition for service as contractors scramble to keep technicians busy and trucks on the road. The leadership at Airco recognized that they would have to continue to innovate in order to maintain meaningful differentiation of their service offering amid increased competition. They felt that due to operating pressures in the commercial real



estate market, along with market dynamics driven by energy benchmarking legislation both locally in San Francisco and statewide across California, that energy services would begin to play a larger role in the coming years.

Cooke put together an Energy Services Committee, unique in that it involved Airco employees from all areas of the business – management, sales, operations, and trades – to discuss from diverse points of view how each would play a role in shifting their business to stay on the cutting edge of the industry. Part of the research the team conducted included networking in the industry to see what other contractors were doing. Wright recalls, “In 2009 I was on an MSCA roundtable panel with Thom Brazel, MSCA Board Vice-Chairman, who was buying his third AirAdvice energy services platform kit for Hill York. I invited AirAdvice to present to our committee, and we began to focus on how we could accelerate the launch of an energy services offering using their BuildingAdvice program. We didn’t feel we could justify the investment in time and money to build our own program when something as complete as this was immediately available.”

### Implementing an Energy Services Program at Airco

Much of the entire company at Airco, not just the Energy Services Committee, participated in the BuildingAdvice webinars offered through the MSCA. This proved to be an important first step to familiarize ourselves with the sales approach and the technical elements of an energy services offering. This was followed by bringing AirAdvice in to meet with Airco’s management team to develop a business plan and conduct training for Airco’s sales and technical teams on the specific steps to implement the program. Wright says, “The best fit for us as a Linc contractor is using BuildingAdvice to solidify the financially-based decision. Their energy services approach is the most complete and easiest to use program we’ve seen to provide substantiated information that quantifies cost savings from reducing energy waste and doesn’t require us to put a team of engineers on the project. Providing measurable savings changes what was before a qualitative decision into justifiable proof for moving forward with specific projects or services. Using BuildingAdvice, energy savings is no longer conceptual.”



Rick Cooke  
Vice President & General Manager  
Sacramento  
Airco Commercial Services, Inc.



Bruce Wright  
Vice President & General Manager  
Bay Area  
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As with any new program, implementing an energy services program required some adjustments. But the management team at Airco was convinced that changes were necessary to effectively compete in a challenging economy. Wright says, “The biggest hurdle we faced was creating a culture shift in how we execute a sale.” Airco found the support that AirAdvice provided in helping to make this shift invaluable. “Even if technical tools are available, we would have struggled to implement them

without the sales training and ongoing coaching that comes with the BuildingAdvice program,” says Wright.

Wright explains the transition in the sales strategy, “With the old sales strategy, a project salesperson might come into a building, identify an old chiller, and quote a replacement at \$325,000. Under current financial conditions, building owners and managers are feeling the pinch of tight capital budgets and wonder whether spending money is now is a good idea.” Airco found that a better approach is to partner with that building owner/manager to look at what the building is currently spending on energy and why it is more than it needs to be. “Then you take that information and develop a strategy of how you, working as partners, can reduce the energy consumption together. It’s about changing the focus of the conversation from the price of the project or service to an apples-to-apples comparison of what they’re spending now to what they will spend in the future if they move forward with our recommendations. You’ve changed

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the whole discussion. Now the way we approach problems and how we articulate those solutions is as an energy services provider, rather than as a mechanical contractor. If you’re not looking at energy as a major driver of your business, then you’re not paying attention.” Wright says.

## A Seamless Integration with the Linc Proactive Sales Cycle

One of the best features of the BuildingAdvice energy services platform is its seamless integration with the Linc sales process. Wright says, “There’s no conflict whatsoever. We don’t have to change anything in our basic sales approach. Rather, the BuildingAdvice program enhances each step of the Linc sales process by giving us tools to actually prove what we’ve always promised and hoped was true about reducing our customers’ owning and operating costs.”

The chart below highlights some key areas where an energy services approach strengthens the Linc sales process:

| Sales Process Step  | Energy Services Linkage   | Benefit   |
|---------------------|---|---|
| Appointment Selling | Repositions company as an energy services provider rather than just another mechanical contractor | Increases differentiation, helping to get the appointment                     |
| First Appointment   | Makes energy relevant to customers’ financial issues and uses key questions to qualify customer   | Creates customer doubt in current service provider and gets to an early “yes” |
| Survey              | Stronger emphasis is placed on ensuring utility bills are provided as part of survey              | Better qualification of prospects. Is your competition asking for this?       |

|                      |  |   |
|----------------------|--|---|
| Financial Analysis   | Energy benchmark analysis is included as part of the financial analysis                    | Strengthens financial analysis by showing true financial impact of energy performance in relation to customers' competitors |
| Verification Meeting | Energy services scope is included in discussion about G agreements                         | Adds value to help cost justify the price premium and increase proportion of G agreements sold                              |
| Proposal Meeting     | If customer backs out at the final step, an Energy Services Agreement can still be pursued | Creates additional opportunity to start a business relationship that can later be expanded                                  |
| Start-Up Meeting     | Energy services-related tasks immediately show differences from standard PM agreement      | Increases differentiation and reinforces that decision to buy was the correct one   |
| C.A.R.E.             | Verification and reporting of energy savings impact reinforces C.A.R.E. program philosophy | "Cancellation-proofs" agreement by demonstrating actual savings   |

AirAdvice provides extensive sales training and marketing support that simplifies the process of integrating energy services into all aspects of the business. "AirAdvice has enough Linc contractors already in their program that they understand how we do business, how we're organized, and what we're trying to accomplish. For example, they can see the differences in how maintenance and projects are sold and have developed sales strategies that target both areas equally well. This provides value across the entire organization and makes this a low-risk, high-return investment for anyone considering adding the program," says Wright.

Currently there are eight Linc contractors that have implemented the BuildingAdvice program, including:

- Airco Commercial Services, Inc.
- Campbell, Inc.
- InterCon Automation, Inc.
- Mikkelson-Coward & Co. Ltd.
- R.M. Thornton, Inc.
- Stroh Corporation
- Superior Mechanical Service
- Temp-Control Mechanical Service

AirAdvice is working with this group to build a Linc-only peer group of BuildingAdvice partners. This will provide a forum for continuous improvement of overall execution of business plans and sharing best practices with fellow Linc contractors that work within a common system for sales and operations. Soon, Linc-only BuildingAdvice sales training classes will be offered to ensure that instruction and role playing for energy service sales teams can be optimized for Linc companies.