City HVAC Marketing Plan

November, 2013, Update 1.2

EXECUTIVE SUMMARY

The following executive summary shows how City HVAC serves the San Diego community in a capacity different among other HVAC contractors. We provide a unique selling proposition to consumers with our services, products and commitment to excellence.

Mission Statement

Our mission is to provide the San Diego community with the highest quality service and HVAC products at affordable prices for homeowners, establishing City HVAC as the leading residential HVAC contractor in the County.

Services

City HVAC installs and services heating and air conditioning systems in residential units only. We install and clean air ducts, set up custom climate control and thermostat controls, provide ductless mini-split systems and inspect for indoor air quality. Our goal is to save our clients money by replacing old, energy-wasting systems with highly efficient, ENERGY STAR compliant units.

Products

City HVAC installs only the highest quality name brand products such as Rheem, Trane, Lennox, Fujitsu, American Standard and Carrier heating and air systems. We service all makes and models.

Unique Selling Proposition

While most HVAC contractors are also plumbers, general contractors and even property manages, at City HVAC, heating and air is all we do. Our technicians are certified and work alongside seasoned professionals until they meet the high standards of City HVAC. Therefore, no company in San Diego has higher quality or finer craftsmanship than City HVAC.

City HVAC guarantees satisfaction for every customer. We never complete any job until the customer is 100% satisfied with our work. If it’s not done right, then we’ll keep at it until it is. If anything goes wrong afterword, we will send a technician at no charge to correct the problem.

GOALS

The primary objective for City HVAC is to become the top producing HVAC contractor in San Diego county within 5 years as determined by the City's independent contractor rating system. City HVAC will be the most recognizable HVAC company in the area with a reputation for the highest quality of service and products in the business. Reliability and accountability has been our strength for 15 years so we can continue to build on this reputation as we further develop our brand.

The following goals are consistent with the City HVAC Marketing Strategy:

Long-Term Goals

1. To become the top-rated, most recognizable HVAC contractor in San Diego County within 5 years.
2. Obtain a minimum of $1 million annually in sales volume with 5 years.
3. Have a minimum of 8 installation teams within 5 years.
4. 20% of all sales to come from inbound calls or internet web forms within 2 years.
5. Increase gross profit margin by 6% within 1 year, 12% within 2 years and 15% within 3 years.

Mid-Term Goals

1. To be consistently growing by $100,000 in annual sales revenue within 2 years.
2. Achieve $700,000 in annual sales volume within 2 years.
3. Have 2 new installation teams within 2 years.
4. Phase out low-revenue ($50) service calls completely within 6 months, allowing more resources for higher end sales.

Short-Term Goals

1. Increase sales by 20% within 6 months.
2. Increase sales of Rheem units by 10% within 2 months in order to be eligible for Rheem manufacturer's discounts.
3. Rheem manufacturer discounts and rebates.
4. Immediately expand service area to county-wide.
5. Increase inbound calls by 20% within 6 months.
6. Increase web traffic by 75% within 1 year.

PERSONNEL

The following is a breakdown of City HVAC's personnel structure. All employees are W-2 and receive their compensation on a bi-monthly basis. They are also given a generous benefits plan that includes health, dental and retirement. These expenses area accounted for in all planning budgets.

Installation Crews

City HVAC currently consists of two installation crews, each with two technicians and one service van. Technicians are required to keep current on all licenses and qualifications and are sent for new product and remedial training each year. They receive a base salary, plus a 5% commission on all upsells. They also receive a quarterly bonus based on their efficiency and customer satisfaction rating.

Sales

Currently there is only one sales Rep who is in charge of outbound sales and new accounts. The sales Rep is compensated with a small base salary and generous commission on all new accounts. The sales Rep meets weekly with the sales manager to review tactics, goals and production.

Administration

The administrative assistant is in charge of accounts receivable, accounts payable, office management and vendors such as suppliers and consultants. The administrative assistant is compensated with a base salary and a small 3% quarterly bonus based on company-wide production.

Management

The company owner is in charge of running the business, visiting job sites and customer interaction (along with the sales Rep). The company owner also acts as sales manager and reviews production numbers, goals and procedures with staff. The company owner also assists with installations.

THE CUSTOMER

Customers are residential home owners that live within the San Diego county area. They have typically owned their home for 5 years or longer. Those owning single family residence homes as opposed to condominiums typically require larger, more profitable installations. These people tend to be between the ages of 35 and 55 and often have children living at home; however, research indicates that a growing number of elderly, ages 55-70 are requiring more air conditioning installations than they did 5 years ago. This may be due to the increasing age of

baby boomers in our community. Of those still working, up to 71% of home owners have been in their current job for at least 2 years and work in both professional and nonprofessional occupations.

Our research has shown that 65% of our customers live in ranch-style homes that are between the ages of 15 and 25 years old. A typical furnace or air conditioning system built during that time period has an average 22.1 year lifespan.

Gender and ethnic considerations are inconsequential.

THE MARKET AREA

The San Diego market presents a lot of opportunity due to its sheer size and sprawling suburban population. Homes tend to be single family residences rather than apartments or condominiums as in other large cities such as New York and San Francisco.

Residents living along the coastline communities such as Coronado, Point Loma, La Jolla, Del Mar and Oceanside are less likely to need HVAC services than those living in more extreme weather communities such as Poway, Ramona, Santee, Lakeside, El Cajon and La Mesa. Furthermore, these communities tend to have older homes and are in greater need of new air conditioning and heating units.

San Diego has a large military and elderly population that may present some opportunities for an expanding HVAC contractor. A marketing strategy should include tactics to capture some of this market.

Other considerations include the size of San Diego County. As one of the largest counties in the country, it is necessary to take into account the rising prices of fuel in bidding projects. Completing jobs sooner may help save on gas if jobs are located across town.

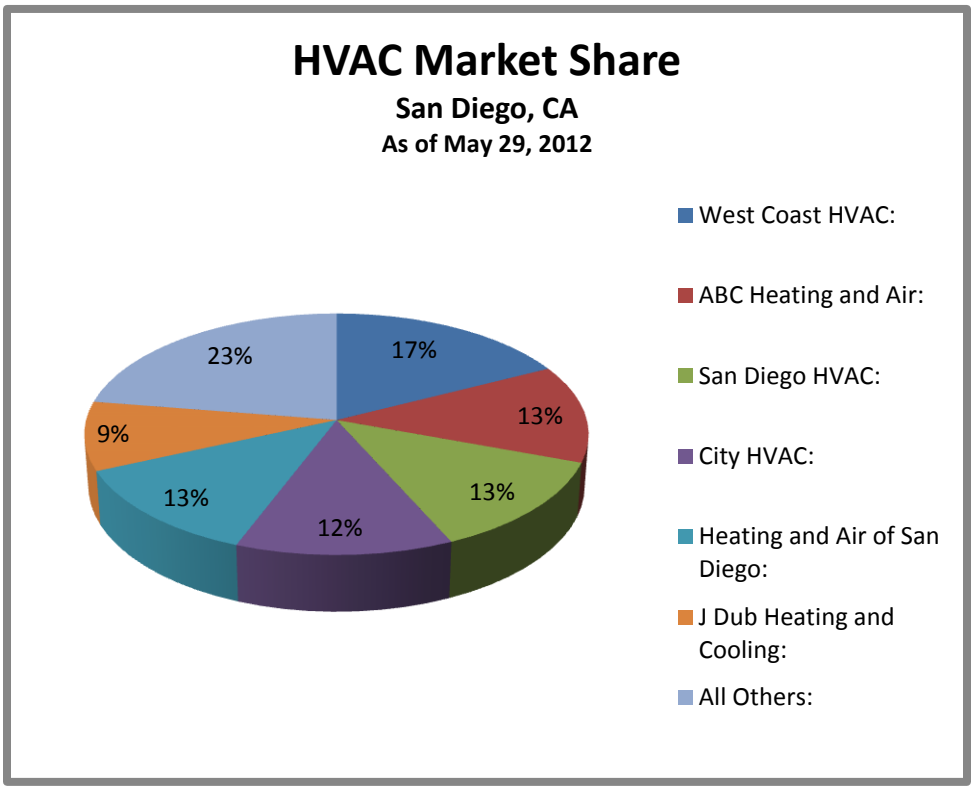
COMPETITION

There are roughly 27 HVAC contractors in the San Diego area that provide installation and servicing to residential units. About half are small contractors that operate from their home and seem to make no effort to expand beyond this level.

The current market share is broken down as follows:

West Coast HVAC:	17.5%

ABC Heating and Air:	13.1%
San Diego HVAC:	12.7%
City HVAC:	12.5%
Heating and Air of San Diego:	12.5%
J Dub Heating and Cooling:	9.2%
All Others:	22.5%



Only 5 HVAC contractors have engaged in advertising or large promotion to San Diego residents. None have a strong internet presence and focus much of their promotion on television advertisements, telephone book ads, newspaper coupons and radio promotions. Three purchase Adwords, but clearly do not have a good understanding of ads in this medium.

Neglected areas of our competitors are internet marketing, the elderly and military. Furthermore, with the exception of J Dub Heating and Cooling, all competitors focus their ad spend on the City of San Diego and/or the entire county and do not focus on specific areas. J Dub is primarily an East County contractor and doesn't actively market in other communities.

West Coast HVAC is by far the largest player, but they their internet exposure is marred by negative reviews and unhappy customers. ABC Heating and Air has a fair customer rating while J Dub has the best.

MARKETING TACTICS

The following points should be considered before developing tactics to promote City HVAC:

- Residential home owners that have been living in San Diego County for 5 years or more and are between the ages of 35-55 constitute the largest opportunity.
- Single family residences, ages 15-25 are more profitable than Condos and apartments.
- Local military personnel and the elderly are becoming stronger markets.
- Inland communities with more extreme weather conditions have a greater need for HVAC installation and servicing.
- Internet marketing is a relatively wide open market, though consideration must be given to the elderly, who are less likely to use the Internet to search for local services.
- Most HVAC companies have only a fair to negative customer review rating on most internet review and rating web platforms.

The following are tactical marketing campaigns that are consistent with City HVAC objectives listed in the Goal section of this plan:

1. Implement a plan to post customers reviews in all pertinent review platforms such as Yelp and Google. Obtain a positive review from every customer. Engage consumers who leave negative reviews.
2. Hire an customer review and reputation management consultant to expand our positive online reputation to consumers. The consultant will also be hired for any necessary SEO work.
3. Initiate an Adwords campaign. This can also be facilitated by the SEO consultant.
4. Make sure all internet marketing targets all communities within San Diego County, paying special attention to inland communities.
5. Provide both military and senior discounts on all marketing material and web properties.
6. All minimum charges to be >$75.
7. Promote Rheem products on internet. Provide deals for Rheem that other products might not have.

8. Advertise senior discounts on senior and family radio stations.
9. Follow up radio spots with a targeted monthly mailer to SFRs that fit the criteria listed under Customer and Market sections of this plan.

BUDGET

The follow budget breaks down the max spend for all marketing campaigns for each quarter over the next year.

Campaign	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Pay Per Click	1200	1200	2400	3600
SEO	2600	2600	2600	2600
Networking/Gifts	750	750	500	500
Print Advertising	10,000	10,000	7500	1000
Mailers	5000	3000	1200	1200
Radio Spots	7500	7500	5000	2500
Other	2000	2000	1000	500
Total:	$29,050	$27,050	$20,200	$11,900

From the beginning, we are establishing a hard and fast presence to saturate the market with advertising and branding campaigns to attract new customers. This spend will taper off throughout the year giving way to stable internet marketing and pay-per-click (Adwords) campaigns that will be managed by our SEO consultant. Additionally, our SEO efforts will continue to give us an online presence in all web platforms.

THE MARKETING STRATEGY SUMMARY

Our goal of dominating the San Diego HVAC market is supported by our strategy to increase revenue and installation teams over the course of the next five years. Revenue will be increased by targeting all of San Diego, but focusing more attention on inland SFRs through internet marketing. Research suggests that the Internet is where most consumers go to select HVAC services. The one exception is the senior demographic, which will be targeted with radio and print advertising. The more exposure we face, the more visible and recognizable we will become, giving us more opportunities to engage consumers and promote our services.

In order to establish brand recognition, more advertising money will be spent on direct mail and radio spots during the next two quarters of the fiscal year, tapering off in the third and fourth quarter to give way to internet marketing. An

effective internet marketing campaign will take time to establish, but once City HVAC is prominently positioned at the top of consumer search results, it will result in a much more profitable medium than direct mail and radio.

Hiring an digital marketing consultant is also consistent with the goal of establishing higher inbound calls and internet traffic. Since the consultant will also monitor our online reputation, then we will be effective at establishing ourselves as a top quality brand in San Diego HVAC services. The consultant will target each community independently as research has indicated that more opportunities exist with such an approach.

Finally, since Rheem offers the best products, we will work to increase Rheem sales by offering customer deals and coupons. The higher Rheem volume will give us added manufacturer discounts, thereby increasing our long-term profits.