

Report: 1 in 4 U.S. Commercial Service Contractors Are Implementing AI

ServiceTitan study shows uncertainty about business outlook in 2023, support for digital transformation

ServiceTitan, a cloud-based software platform built to power trades businesses, in late June released its first Commercial Service Report, providing data on the commercial services industry's on their business performance in 2022 and their expectations for 2023.

The results, gleaned from more than 1,000 commercial service contractors around the U.S., including HVAC contractors, show three things:

- ❖ 2022 was a challenging year. 70% of contractors did not see an increase in revenue, and in terms of profitability, only 37% saw an increase in their margins.
- ❖ With a mixed outlook this year, their 2023 business goals will focus on customer retention and business growth.
- ❖ Contractors are ready to modernize to meet those goals.

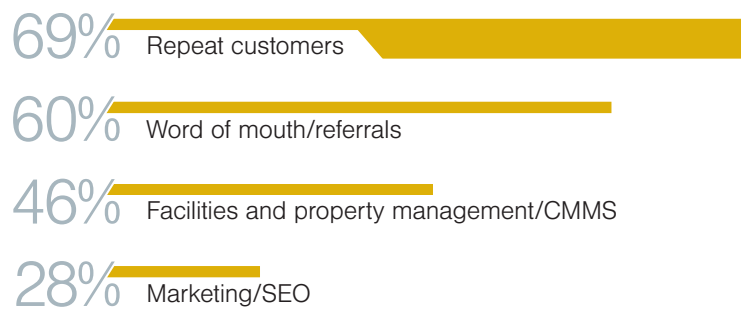
"Results indicate that during these trying times, businesses are finding a continued source of stability in repeat customers and view technology as an important tool for staying ahead of the competition," the report states.

Here is what the data predicts is top of mind for commercial contractors this year – and where AI can be leveraged to help business growth.

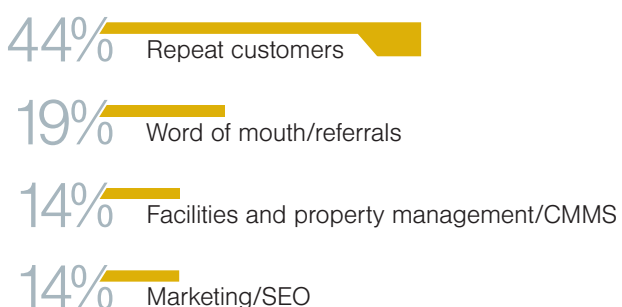
BUSINESS: BY THE NUMBERS

Consistent with economic downturns, repeat customers were the biggest source of income for contractors during 2022, topping the charts for highest volume of business (69%) and highest revenue (44%).

HIGHEST VOLUME OF BUSINESS



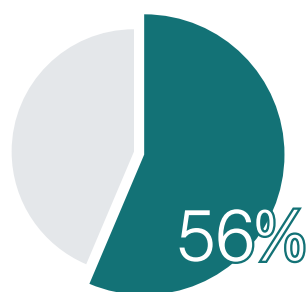
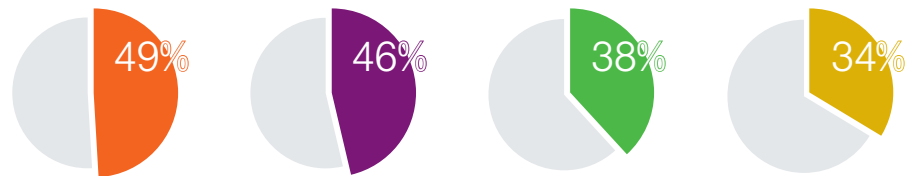
MOST REVENUE



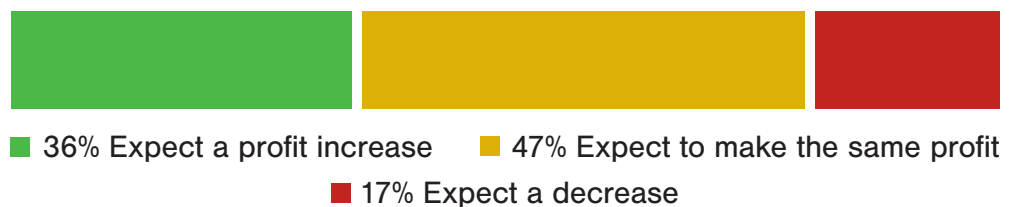
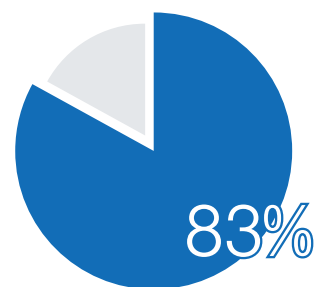
SHOP SIZE MATTERS

However, the outlook for 2023 varies depending on respondent income level, and a lot of the optimism is coming from the folks up top. "The greater the revenue, the more positive the outcome for the contractor," the survey noted.

In response to this trend, owners are focusing business goals on **customer retention**, **revenue growth**, **increasing margins**, and **modernizing** the customer experience.



Looking ahead, 56% of contractors said they feel **neutral** about the market in 2023. However, "while overall business conditions remain in flux, profit expectations remain fairly positive," the survey continued: 83% of businesses **don't expect a decrease**.



OVER \$25 MILLION

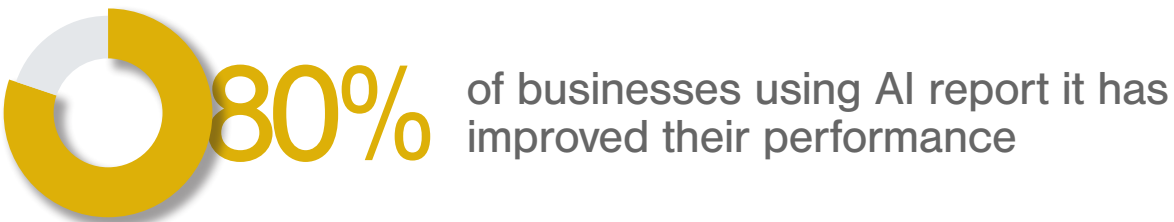
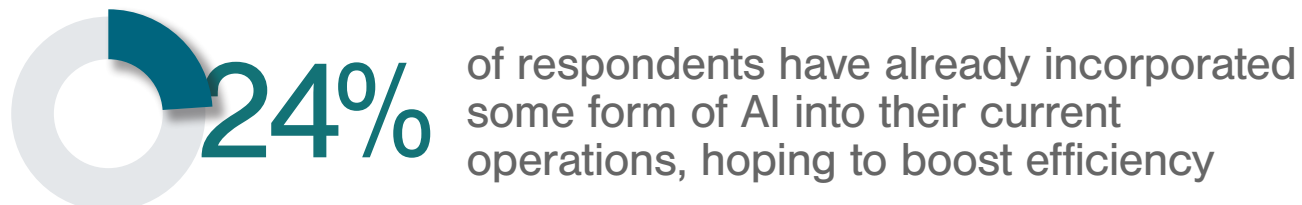
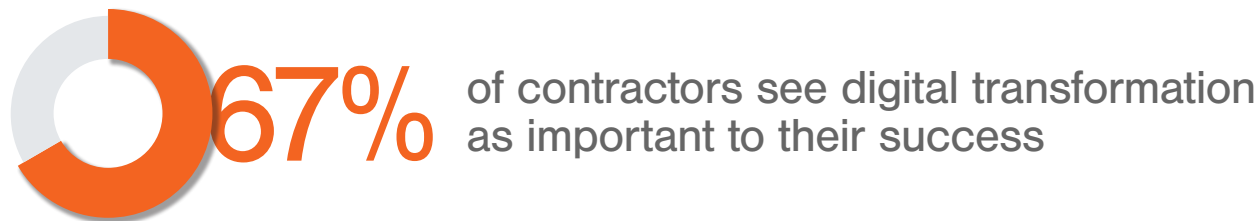
39% expect a revenue decrease

UNDER \$5 MILLION

51% expect a decrease

AI AND THE HVAC CONTRACTOR

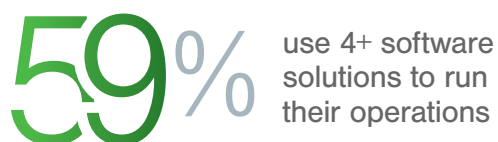
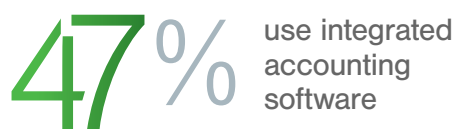
In the face of rapidly changing economic climates, many businesses see modernizing the customer and operational experience as answers to evolving challenges.



The industry is well on its way to adapting AI for streamlining operations and enhancing the customer experience.

TAPPING INTO TECHNOLOGY

“Current use of software is high for contractors across the board,” the ServiceTitan survey reports. According to the survey data:



This last number, ServiceTitan suggests, represents a potential pitfall: application overload or redundant software.

“Instead of looking to multiple disjointed software solutions, commercial providers need tools that can adapt and grow with their needs. By embracing digital transformation, commercial businesses can stay competitive by leveraging software to become more efficient and reduce costs, increase revenue, and provide a meaningfully better customer experience.”

- Vahe Kuzoyan
president and co-founder
ServiceTitan

16%

Despite the clear trend toward digital transformation, there is still a group of contractors who hesitate to adopt technology. These 16% of contractors say they don't use any software solutions whatsoever.

Areas where respondents expect AI to have the most impact:

