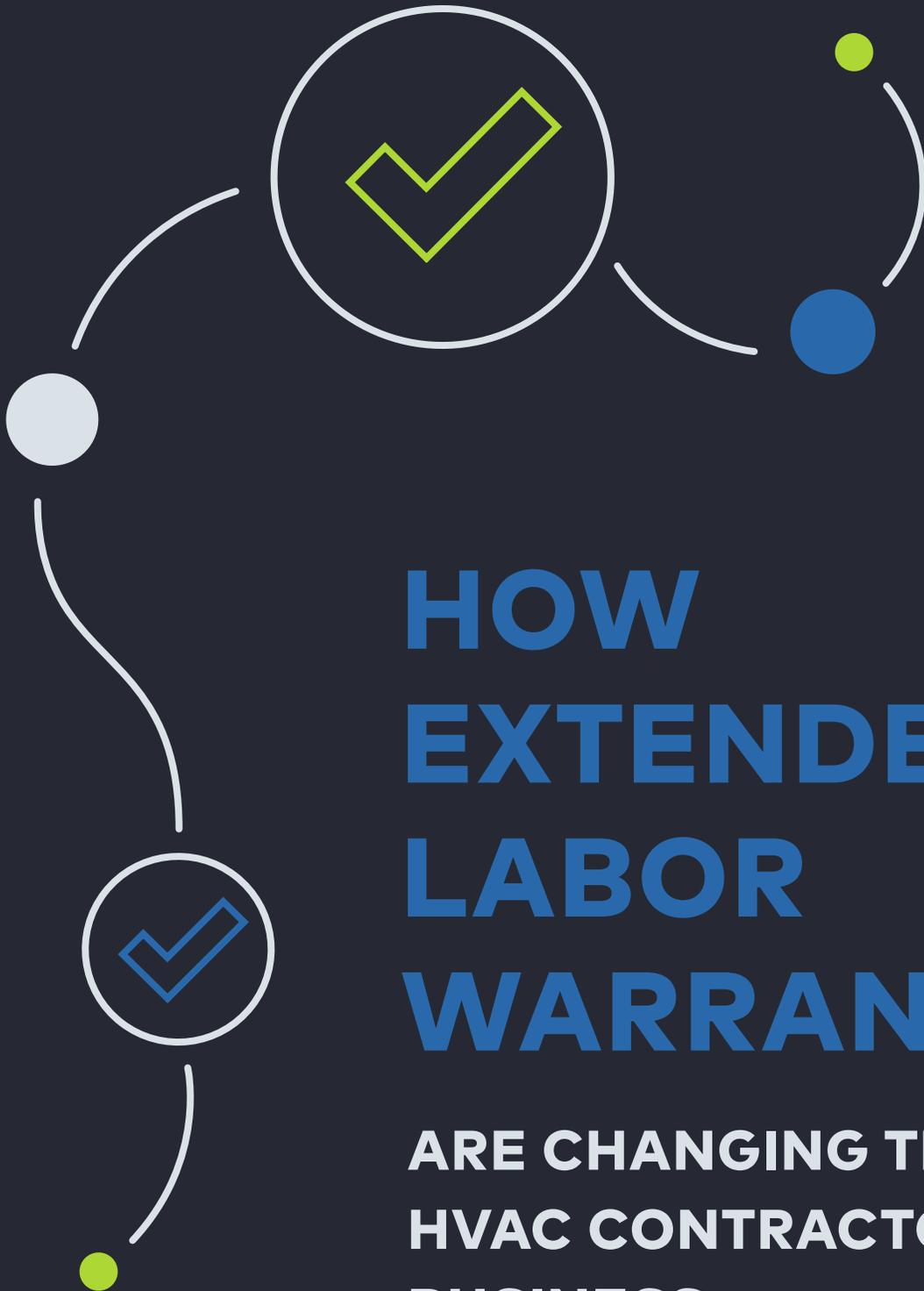




TRINITY



HOW EXTENDED LABOR WARRANTIES

ARE CHANGING THE WAY
HVAC CONTRACTORS DO
BUSINESS

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CONSUMER BEHAVIOR

CONSUMER COMMITMENT EXPECTATIONS

Consumers today are looking at their large purchases differently. When homeowners are considering what they can afford, it is no longer a question of whether they can come up with \$10,000 for a new HVAC system, but rather if they can afford an additional \$135 a month. That monthly payment stays with them for several years; in this example, the purchase price is spread out over 10 years. Now more than ever contractors need to understand that consumers are not buying a new HVAC system, they are buying a home comfort solution that they expect to last for at least as long as they will be making payments for it, and most likely longer. Manufacturers offer a 10 year parts warranty with new systems, whereas contractors typically

70% ↑

OF NEW HVAC PURCHASES ARE FINANCED

offer 30 to 90 days of labor. Manufacturers know that if they do not stand behind their products, contractors won't buy from them. The same can be said about homeowners buying from contractors. Homeowners are looking for contractors they can depend on for at least the duration of their payment plan. In other words, homeowners expect their financial commitment to the contractor to be matched by the contractor's commitment to them.



CONSUMERS EXPECT SERVICE PROVIDERS TO PROVIDE SOLUTIONS NOT PRODUCTS

THINK DIFFERENTLY –
“CONTRACTORS ARE HOME COMFORT MANUFACTURERS”

Contractors are a manufacturer of sorts - they “manufacture” home comfort solutions. Manufacturers research, develop, buy materials, and assemble/manufacture an HVAC system, while contractors take HVAC systems, thermostats, accessories, & qualified technicians to assemble a home comfort solution for their customers. Would you ever buy an HVAC system that has a 1-year parts warranty? Why should a homeowner buy a

home comfort solution that has a 1-year labor warranty? Contractors need to understand that homeowners are expecting a home comfort solution from them and not a new A/C, Furnace, etc. Homeowners will typically be paying for that solution in monthly installments for 5 to 10 years and expect the contractor to stand by their solution during that time.

CONTRACTOR'S VALUE PROPOSITION

Homeowners typically get 2-3 bids when looking for a new HVAC system. A homeowner may choose 3 contractors to provide them with estimates, and all of them may be knowledgeable and professional, with good reviews, and several years in the HVAC industry. The question every contractor should ask is why the homeowner should select their bid over others. What will set a contractor apart when the homeowner is looking through the 3 proposals? Here is an example: Which do you think the homeowner would choose? It will come down to which contractor they feel they can trust,



\$118

**MONTHLY
PAYMENT (\$9,000)**

with a 1-year labor guarantee
(Low price leader)



\$125

**MONTHLY
PAYMENT (\$9,500)**

with a 5-year labor guarantee
(Good Value & More Reliable)



\$132

**MONTHLY PAYMENT
(\$10,000)**

with a 10-year labor guarantee
(Best Value & Greatest Reliability)

and who provides the best value. Contractors that offer a 10-year labor guarantee signal to the homeowner that they have a more reliable solution and are willing to guarantee it. They also position themselves as a contractor who considers the long term well-being of the homeowner, and not the short term profit of the install. Contractors that make better commitments to their customers and are prepared to make good on their commitments have a better value proposition.

WHAT EFFECT DOES WARRANTY HAVE ON SALES?

The importance of warranty coverage on consumer demand is evident for new automobiles. A few examples of how expanding a warranty offering affects sales is shown with Hyundai and Dodge. In 1999, Hyundai Motors changed their powertrain warranty from 5 years / 60,000 miles to 10 years / 100,000 miles. Hyundai's U.S. market share grew from 1.1% to 4% as a result of extending their warranty.

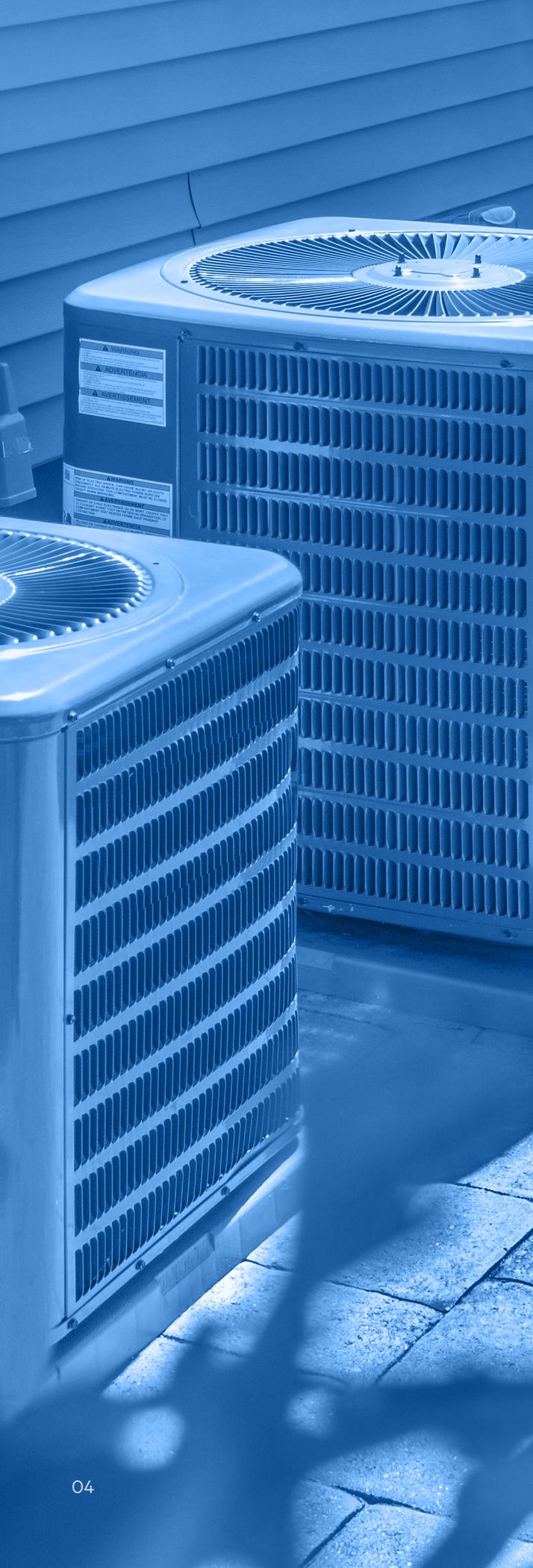


Between November 2001 and July 2002, Dodge saw a 5% increase in sales, as of result of extending their powertrain warranty from 3 to 7 years. An example of the consequence of reducing the duration of a warranty can also be seen with Volkswagen. In 2002, Volkswagen reduced their powertrain warranty from 10 years / 100,000 to 5 years / 60,000 miles. As a result, U.S. sales of Volkswagen cars declined by 30% in the 3 years to follow.



DODGE SAW A 5% INCREASE IN SALES WHEN THEY EXTENDED WARRANTY FROM 3 TO 7 YEARS.

US SALES OF VOLKSWAGEN DECLINED BY 30% WHEN CHANGING WARRANTY FROM 10 YEARS TO 5 YEARS.



HVAC CONTRACTOR EXTENDED WARRANTY CASE STUDY

A growing number of HVAC contractors have picked up on these trends and offer some type of extended labor warranty. Just as popularity of extended warranties have grown, so have the regulations surrounding them. Each state has its own requirements to which contractors must adhere. As a result, contractors are restricted on what labor guarantees they can make, and are required to adhere to state and federal regulatory requirements when offering labor guarantees. Trinity Warranty is an extended warranty solutions provider that helps contractors incorporate extended labor coverage for the HVAC solutions they install.

SHORT CASE STUDY

In 2017 a HVAC contractor reached out to us in need of a few solutions. First, the contractor was offering a 1-year labor guarantee with their standard installs, and a 2-year guarantee for their premium systems. They were looking for a way to **remove the liability from their balance sheet arising from the labor guarantee they offered.** Second, the contractor wanted to provide a better standard warranty on all installations. They wanted to offer custom 5year labor coverage with reimbursement and conditions that met their requirements.

THERE WERE 4 REASONS FOR INCLUDING THE 5-YEAR LABOR COVERAGE:



BELIEF THAT A BETTER LABOR GUARANTEE WOULD LEAD TO MORE SALES



MINIMIZE THE LOSSES THEY INCUR WHEN REDUCING THEIR LABOR COSTS TO KEEP CUSTOMERS HAPPY



REDUCE CUSTOMER COMPLAINTS CENTERED AROUND LABOR NOT BEING COVERED UNDER MANUFACTURER'S WARRANTY



MARKETING DEPARTMENT FELT OFFERING A BETTER LABOR GUARANTEE WOULD BETTER POSITION THEIR BRAND AND INCREASE ROI ON ADVERTISING.

The contractor also wanted a premium 10-year labor coverage option for their customers. In 2018 the contractor incorporated a 5-year labor guarantee with all the systems they sold, and saw a significant decrease in their liability from self-guaranteeing, an increase in customer satisfaction, and better conversions from their marketing efforts. In 2019 the contractor decided to offer 10-year labor guarantees on everything they sold. The company experienced year over year growth of

by including an extended labor warranty on every install as part of their home comfort solution.

As part of their initiative, the contractor offered the homeowner the option of opting out of the warranty by acknowledging that they would be responsible for any labor related repairs. This protected the contractor from the homeowner's labor coverage expectations and gave the contractor the ability to offer a cheaper "new system only" solution for consumers that were extremely price sensitive. In the midst of the COVID-19 crisis, the company is still on pace for significant growth in 2020.

297% ↑

FROM 2018 TO 2019



SO WHAT NOW?

Convinced that offering an extended labor guarantee is something to consider, and curious about how to start? Trinity Warranty Solutions is a leading warranty solutions provider and is here to listen to your needs and build a solution that gets results. We will help you with pricing, marketing, implementation, and execution.

LET'S TALK:

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