

Example Income Statements

(Showing the Value of Selling High Efficiency)



Standard Efficiency Dealer

Sales		<u>\$2,767</u>	100%	(TDC / .60)	<i>Step 2</i>
Direct Costs					
Labor		<u>\$360</u>	*		
Material	+	<u>\$200</u>			
Equipment	+	<u>\$1,100</u>			
Total Direct Costs (TDC)	=	<u>\$1,660</u>	60%	(Add Dir Costs)	<i>Step 1</i>
Gross Margin (GM)		<u>\$1,107</u>	40%	(Sales - TDC)	<i>Step 3</i>
Overhead (OH)		<u>\$968</u>	35%	(Sales * .35)	<i>Step 4</i>
Net Profit Before Taxes		<u>\$138</u>	5%	(GM - OH)	<i>Step 5</i>



High Efficiency Dealer

Sales		<u>\$5,600</u>	100%	(TDC / .60)	
Direct Costs					
Labor		<u>\$360</u>		(No Change)	
Material		<u>\$200</u>		(No Change)	
Equipment		<u>\$2,800</u>	*	(New Amount)	
Total Direct Costs (TDC)		<u>\$3,360</u>	60%	(Add Dir Costs)	
Gross Margin (GM)		<u>\$2,240</u>	40%	(Sales - TDC)	
Overhead (OH)		<u>\$1,011</u>	18%	** (No Change Except Liability Insurance)	
Net Profit Before Taxes		<u>\$1,229</u>	22%	(GM - OH)	

* Dealer Inputs

** Consider Liability Insurance - Approx. 1%-2% of Increase in Sales Price

Typical HVAC Dealer

Typical HVAC Dealer

After Changing Mix To:
20% = High Efficiency

	Standard Equipment		High Efficiency	Standard Equipment	Total
Number of Jobs Per Year	250	*	50	200	250
Net Profit Per Job (Previous Sheet)	\$138		\$1,229	\$138	\$357
Total Annual Profit (from Replacements)	\$34,583		\$61,458	+ \$27,667 =	\$89,125

Effects on: Employee Morale? Marketing? Referrals? Warranty Work? Employee Turnover?
 Ability to Hire the Best People? Owner's Motivation? Company Culture?

* Dealer Inputs

Typical HVAC Dealer

	Standard Equipment
Number of Jobs Per Year	250
Net Profit Per Job (Previous Sheet)	<u>\$138</u>
Total Annual Profit (from Replacements)	<u><u>\$34,583</u></u>

Smart HVAC Dealer

After Changing Mix To: 20% = High Efficiency AND Raising Price 5%

High Efficiency	Standard Equipment	Total Jobs
50	180	230
<u>\$1,229</u>	<u>\$277</u>	<u>\$484</u>
\$61,458	+ \$49,800	= <u><u>\$111,258</u></u>

Effects on: Employee Morale? Marketing? Referrals? Warranty Work? Employee Turnover?
 Ability to Hire the Best People? Owner's Motivation? Company Culture?

Effects of Raising Price

Typical HVAC Dealer

Sales	<u>\$2,767</u>	100%
Direct Costs		
Labor	\$360	
Material	+ \$200	
Equipment	+ \$1,100	
Total Direct Costs (TDC)	<u>\$1,660</u>	60%
Gross Margin (GM)	<u>\$1,107</u>	40%
Overhead (OH)	<u>\$968</u>	35%
Net Profit Before Taxes	<u>\$138</u>	5%

Smart HVAC Dealer

Percent Price Increase =

5%

Percentage of Jobs Lost =

10%

Sales	<u>\$2,905</u>	100%
Direct Costs		
Labor	\$360	
Material	+ \$200	
Equipment	+ \$1,100	
Total Direct Costs (TDC)	<u>\$1,660</u>	57%
Gross Margin (GM)	<u>\$1,245</u>	43%
Overhead (OH)	<u>\$968</u>	33%
Net Profit Before Taxes	<u>\$277</u>	10%

Typical HVAC Dealer

Smart HVAC Dealer

After Changing Mix To: **50%** High Efficiency
AND Raising Price **5%**
AND Getting Referrals (GREAT WORK)
AND Marketing Aggressively

	Standard Equipment	High Efficiency Percentage	Number of Standard Equipmt. Jobs	Percent Increase in Total Jobs
Number of Jobs Per Year	250	50%	* 50%	20%
Net Profit Per Job (Previous Sheet)	\$138	\$1,229	\$277	\$753
Total Annual Profit (from Replacements)	<u><u>\$34,583</u></u>	\$184,375	+ \$41,500 =	<u><u>\$225,875</u></u>

Effects on: Employee Morale? Marketing? Referrals? Warranty Work? Employee Turnover?
 Ability to Hire the Best People? Owner's Motivation? Company Culture?

* Dealer Inputs