



# The Future of HVAC Contractors in the United States

## Introduction

The heating, ventilation, and air conditioning (HVAC) industry is crucial in maintaining comfortable indoor environments for residential, commercial, and industrial applications. As energy efficiency and environmental concerns continue to gain prominence, the demand for sustainable HVAC solutions has been on the rise. This report aims to provide an overview of the HVAC industry in the United States, highlighting the industry's growth, key drivers, and outlook for the coming years.

## The current state of the HVAC industry

The HVAC industry in the United States experienced growth from 2018 to 2023, with revenue increasing from \$90.3 billion in 2018 to a projected \$123.2 billion in 2023<sup>1</sup>. The number of establishments also increased during this period, from 119,635 in 2018 to an estimated 146,075 in 2023. This growth can be attributed to various factors, including increased construction activity, a rebound in nonresidential construction, and rising demand for energy-efficient systems.

The industry was impacted by the COVID-19 pandemic in 2020, with a slight drop in revenue compared to 2019<sup>1</sup>. The market quickly recovered in 2021, and revenue is projected to continue increasing to \$123.2 billion in 2023. In line with this growth, the number of established companies is also expected to rise to 146,075 by the end of 2023.

**Table 1:** HVAC industry market growth (2018 - 2023)<sup>1</sup>

YEAR	ESTABLISHED COMPANIES	REVENUE (\$ BILLION)
2018	119,635	90.3
2019	120,875	92.1
2020	121,084	91.9
2021	121,367	93.5
2022	123,175*	N/A
2023	146,075*	123.2

\* Projected values

## HVAC industry outlook over the next decade

Over the next five years, heating and air-conditioning contractors' revenue is expected to fall at a Compounded Annual Growth Rate (CAGR) of 0.4%, reaching \$120.4 billion in 2028, where profit will make up 5.1% of revenue<sup>1</sup>. The Federal Reserve's plans to maintain higher nominal interest rates may lead to a lagging residential sector, causing consumers to wait longer to purchase new homes, resulting in falling housing starts and residential construction<sup>1</sup>. This decline in HVAC installation in new homes will negatively affect heating and air-conditioning contractors.

<sup>1</sup> U.S. INDUSTRY (NAICS) REPORT 23822A / CONSTRUCTION Heating & Air-Conditioning Contractors in the U.S. Report by: Brendan McLaine | January 2023

**Table 2:** HVAC industry revenue projections (2023 - 2029)<sup>1</sup>

YEAR	REVENUE (\$ BILLION)
2023	123,175
2024	125,854
2025	120,773
2026	120,855
2027	121,217
2028	120,435
2029	118,897

However, good economic growth and a resurgence in nonresidential construction will benefit HVAC contractors<sup>1</sup>. As gross domestic product (GDP) growth rises steadily after inflation falls, it is expected to benefit profit and revenue for the corporate sector. More revenue and a modest rise in the return to offices will spur investment in plants, offices, and warehouses, reversing the yearslong decline in the value of nonresidential construction<sup>1</sup>. HVAC installations from nonresidential structures will surge, partially counteracting the weak residential sector.

Increased concerns over future pandemics will spur investment in better heating and air-conditioning systems<sup>1</sup>. As effective HVAC systems can be integral in reducing the spread of viruses like COVID-19, consumers have become more concerned about public health. This concern is predicted to drive a surge of investment in new HVAC systems to guard against future viruses, raising demand and revenue for many heating and air-conditioning contractors<sup>1</sup>.

Lastly, investment in environmentally sustainable technologies provides opportunities for the industry. Newer generations are concerned about climate change, pushing heating, air-conditioning, and refrigeration companies to invent environmentally-sustainable products to appeal to younger people<sup>1</sup>. Contractors are increasingly learning how to apply these new products to the structures they work on, as they will provide a new stream of revenue.

## BBB and the HVAC industry

The **Heating, Ventilation and Air Conditioning (HVAC)** industry is BBB's second-most popular type of business (TOB) behind roofing contractors. The business category also receives more customer reviews annually than any other TOB on BBB.org.

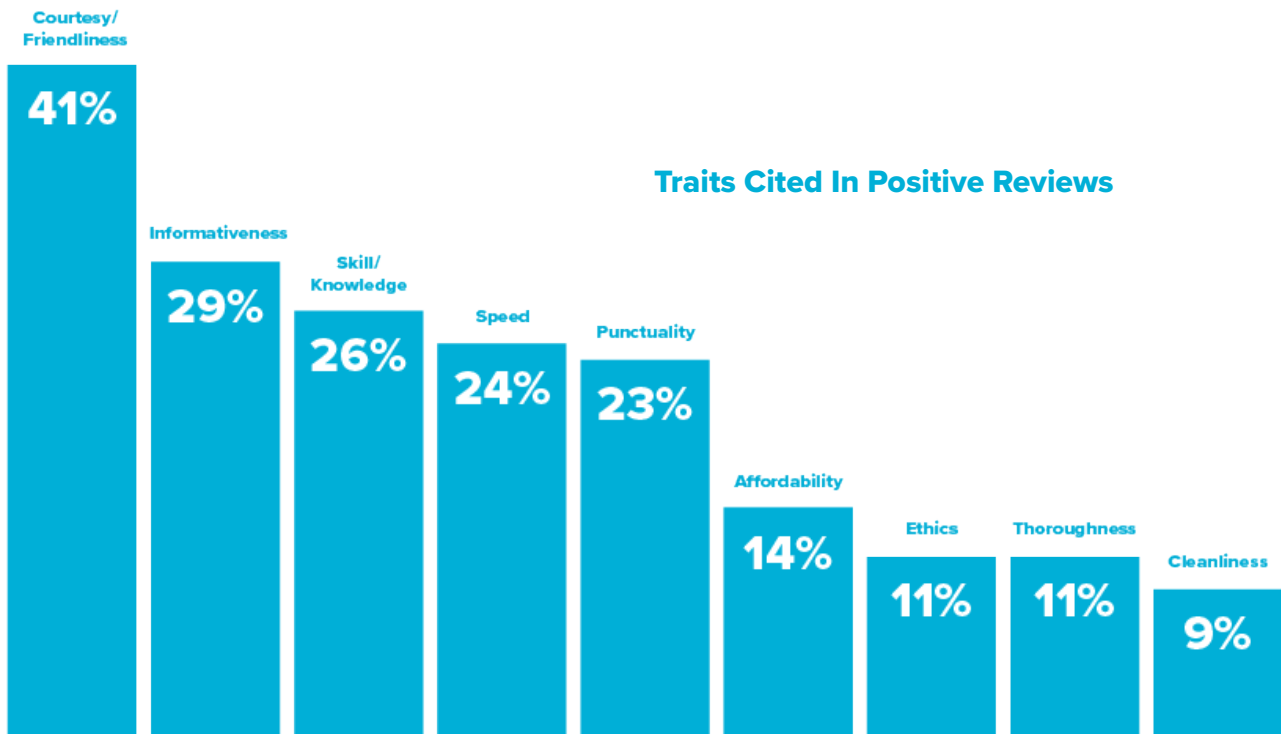
BBB's research team looked at the vast amount of data collected for the HVAC industry to shed some light on **what skills are most important to customers and the triggers that can cause negative customer reviews**.

### Several factors make this industry unique:

- There is **no dominant nationwide provider**, so the industry is comprised of small, locally-owned firms.
- The **underlying technology** is constantly changing.
- There are **regional climate-based differences** in consumer needs.
- The **installation and maintenance processes** are labor-intensive.
- Most **HVAC contractors are mobile**, and their workplaces are the customer's sites.

HVAC customers are primarily concerned with trust, information, and reputation.

<sup>1</sup> U.S. INDUSTRY (NAICS) REPORT 23822A / CONSTRUCTION Heating & Air-Conditioning Contractors in the U.S. Report by: Brendan McErlaine | January 2023



**Positive reviews:** People skills are as important as technical skills

As the chart above shows, **41% of BBB's positive customer reviews on HVAC companies mention courtesy/friendliness.** This characteristic was the #1 trait mentioned, far above things like skill (26%), speed (24%), affordability (14%), and thoroughness (11%).

With small firms, customers don't have a go-to brand they consider first from a lifetime of exposure to its mass advertising. That means a contractor must build a personal relationship based on caring, sensitivity, and trust. Repeat business depends on this.

For a technician, it may seem like just another work site, but for a homeowner, they're receiving a guest inside their home. HVAC services are, therefore, more than transactional, and consumers want to feel that the contractor truly cares about their needs. Good HVAC contractors know people skills are critical, and positive reviews and referrals depend on positive customer interactions.

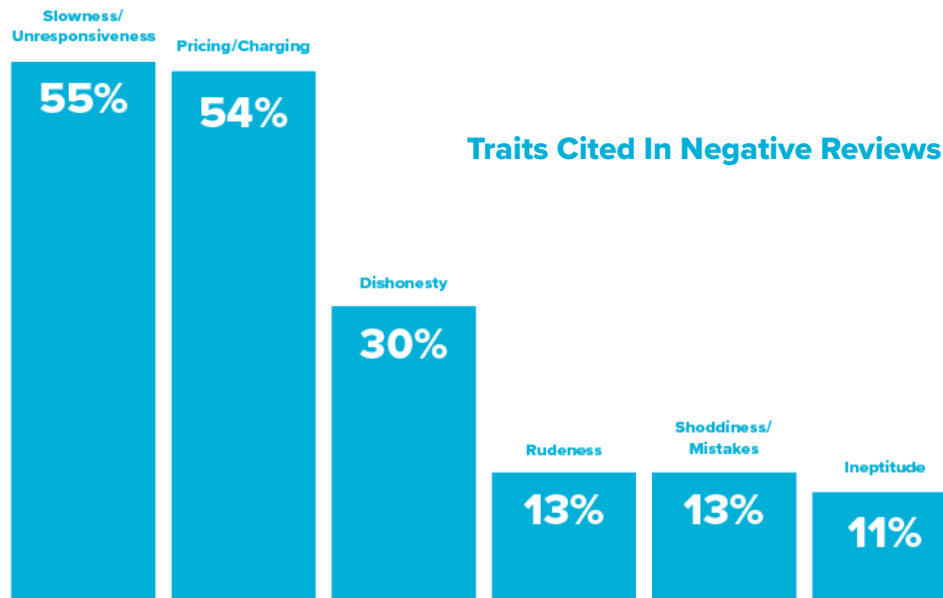
The second trait mentioned in positive reviews was informativeness. This trait is also related to people skills – consumers want to know what is happening. A good HVAC technician is more than just technically adept; they must also be good at communicating with customers.

**Some of the experiences mentioned in positive customer narratives about technicians include (what TO do):**

- Greeting homeowners with a smile
- Taking the time to introduce themselves and build a friendly rapport
- Offering to cover or remove their shoes before entering the home
- Asking for permission before going into new parts of the home
- Showing affection to customers' pets
- Stopping whatever they are doing to answer questions from the homeowner
- Taking the time to explain what they are doing
- Giving helpful tips on how to maintain systems for the best performance
- Offering different solutions at different price points, with pros and cons for each

**Here's an example of what contractors should NOT do:**

*"The technician was very unprofessional during the initial service call. No introductions, didn't ask what problem I was having, wouldn't answer my questions, and left a trail of dirt, sweat, and insulation."*



**Negative reviews:** Time management is as important as pricing

HVAC is often a very time-sensitive service. As the chart above shows, “time is money,” especially when the homeowner is too hot or too cold. Slowness/unresponsiveness is mentioned in 55% of negative customer reviews, more than any other trait.

When a homeowner in Minnesota has a furnace failure in December, or a homeowner in Tampa has an AC failure in July, the need for service is immediate. Every day that passes with a broken system may mean a day spent in a hotel. Every day scheduled for a repair may mean a day the homeowner must take off work. Homeowners can get angry when a contractor doesn’t show up for a scheduled appointment.

The pressure is compounded because HVAC is a very seasonal industry. The busiest times of the year are also the most critical times for consumers. HVAC contractors must develop good skills and practices for scheduling and managing customer expectations and sensitivities about time. Overbooking can be a costly risk.

Practices that can help in this area include using scheduling software systems that provide real-time text/email updates to customers or hiring dispatchers or dispatching services.

**Here’s an example of what contractors should NOT do:**

*“At 5 pm, I called their office. The owner answered. I explained that I had been waiting since 1 pm. He said that he was on a job since 10 am and had no time to deal with anything else. I suggested that it would have taken only a minute to call me and let me know the status. He said that he wasn’t going to interrupt another job, even for a minute. Anyways, he did not have my number nor a smart phone nor anyone in the office to convey such a message.”*

The third negative trait (30%) was dishonesty, showing up even more frequently than shoddiness/mistakes (13%) and allegations of general ineptitude (11%). This result indicates that consumers may be willing to tolerate mistakes much more than dishonesty, demanding transparency more than perfection.

- **The Bait and Switch:** The consumer sees a flyer or advertisement for a free or inexpensive cleaning/tune-up for their HVAC system. The company comes out to their home, seems to do little cleaning or tuning, and spends most of its time trying to sell the consumer on much more expensive products and services.
- **The Big Scare:** The contractor says the unit is cracked and may be leaking poisonous carbon monoxide into the home. The homeowner is terrified, but a second company looks at the unit and says it is fine.

- **The Upsell:** The customer calls a company for service. The company examines the unit and says it's on its last legs and needs to be replaced. The estimate is for thousands or tens of thousands of dollars. The consumer calls another company that comes to check the unit and fixes it for a few hundred dollars.
- **The Big Markup:** The company fixes a unit and charges \$200 to replace a part. The consumer looks up the cost of the part on the internet and finds that it costs only \$20. The consumer asks the company about this huge price markup, but the company doesn't have an explanation.
- **The "Quick Fix":** The company examines an AC unit and says it is low on coolant (ex. Freon). The company offers to add coolant for a couple of hundred dollars, noting that doing so would fix the problem "for a while." The customer agrees to it, but the unit stops working again within a matter of days.
- **The Bad-To-Worse:** The consumer calls for service on a working unit, but somewhat inconsistently or inefficiently. A technician comes out, diagnoses it, provides an expensive quote, and leaves. The homeowner notices that the unit now doesn't work at all. The homeowner calls the company asking them to put the unit back the way it was before they arrived, but the company refuses.

**Here's an example of what contractors should NOT do:**

*"I requested a routine Freon recharge for my air conditioner and the technician tried to sell me repairs that I felt I didn't need. Instead of fulfilling my request to add Freon due to a slight leak which requires an occasional recharge. The technician demanded to see my inside unit and proceeded to tell me about a problem with the unit that I felt didn't even exist. When I questioned his opinion and stated I just wanted to add Freon, he then told me I needed 7 pounds for the price of over \$700. My AC still cools but it takes longer, which is how I know I don't need 7 lbs of Freon."*



## Be a top business in your industry

We asked businesses how BBB Accreditation impacts them. Here are their responses...

- 1 Accreditation increases the **credibility** of my business
- 2 Accreditation shows **integrity** in our business practices
- 3 Accreditation builds consumers **trust**
- 4 Accreditation increases my **visibility** as a reputable business
- 5 Accreditation shows **we care** about our customers

Find out how BBB can help you. Visit [BBB.org/get-accredited](https://www.bbb.org/get-accredited)



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