

HVACR **HARDI**

Supplement to Penton Publications

August 2011

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7300



ClimateMaster

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THE NORTH AMERICAN KING OF GEOTHERMAL

The Official Magazine
of HARDI

Nobody Does Geothermal Like ClimateMaster

If you've been hearing more about geothermal heat pump systems, if contractors have been dropping by to ask about an advertisement they saw about geothermal installations or if your neighbors have stopped by to ask what you know about that 30 percent tax credit on geothermal systems, then you might want to thank ClimateMaster.

As the largest geothermal manufacturer in North America, ClimateMaster has been spreading the good news about geothermal systems to distributors, contractors and consumers. And ClimateMaster is doing it in different ways: National advertising to attract new customers, education and training for dealers and contractors and its successful lobbying that resulted in the 30 percent federal tax credits on the installation of geothermal systems are among some of the methods. Regardless of how it's done, this is one company that proudly puts its money where its mouth is.

ClimateMaster has been doing geothermal since the late 1950s, longer than anyone else in the industry, and the business has played a role in the evolution of the geothermal industry. Its roots go back to Florida, where it first hooked systems into shallow sand water wells along the beach to provide heating and cooling. The company later moved to New York after being purchased by Friedrich, a larger company, where it manufactured water loop heat pump systems. In 1985, the business was bought by LSB Industries, and it moved to its current home

Left: John Bailey and Dan Ellis in front of the ClimateMaster factory in Oklahoma City.

in Oklahoma City, where its focus remained on the water loop and commercial geothermal systems.

In the mid-1990s, ClimateMaster began to grow its residential geothermal systems business. In many respects, this wasn't necessarily a good economic climate for geothermal. Energy costs were low and electric utility companies, which once pushed geothermal through its demand-side programs, were dropping these programs as a new wave of deregulation swept the industry. Still, ClimateMaster brought in two executives with extensive experience in geothermal to help chart its growth in residential: Dan Ellis and John Bailey.

Today, Ellis is ClimateMaster's president and CEO, and Bailey is senior

vice president of sales and marketing. They are more enthusiastic than ever about their company and the future of geothermal systems as an efficient, effective and popular choice for homeowners. ClimateMaster has played a role in shaping this bright future and bringing geothermal into the national consciousness.

Ellis and Bailey have plenty of reasons for their optimism. Geothermal is the fastest-growing segment of the HVACR industry. With energy prices continuing to rise, ongoing instability in the Middle East and a sustained movement toward "green" and energy-efficient systems, geothermal is becoming increasingly accepted by homeowners as a viable option when they make decisions about choosing a heating and cooling system.

As the largest and most well-known manufacturer of geothermal heat pump systems, ClimateMaster has been reaping the results of its work to drive the popularity of geothermal. During the past five years, sales of its geothermal heat pump systems have tripled, and the company has doubled its work force and doubled the size of its manufactur-

ClimateMaster at a Glance

President:	Dan Ellis
Employees:	Approximately 600
Headquarters:	Oklahoma City, OK
Major Product Lines:	The world's largest and most progressive manufacturer of geothermal heat pumps and the most extensive product line of water source heat pumps for use in a wide variety of applications
Website:	www.climatemaster.com



ing facility in Oklahoma City (where it manufactures units and components) to 610,000 square feet. “We’ve grown and we grew throughout the whole recession,” Ellis says. “What makes us stand out is our focus. This is all that we do, and we’re committed to this industry.”

For those who may be unfamiliar with geothermal systems, here’s a quick lesson, courtesy of ClimateMaster: While traditional systems use the air to heat and cool a home, a ClimateMaster geothermal system circulates water through

a system of sealed, underground piping loops that carry heat to and from the earth to the system. During winter, the system uses the heat from the water to warm air that circulates throughout the house. During warm months, the system reverses the process and takes heat out and circulates the resulting cool, dehumidified air.

The biggest selling point of a geothermal system is its efficiency. While many consider fossil fuel furnaces to be highly efficient when they are at least

92 percent efficient, a geothermal heat pump is 450 percent efficient. Homeowners can realize their return on their investment in just five years. “It’s truly a no-brainer,” Ellis says.

Bailey says the average cost of a geothermal system is equivalent to a good gas furnace. The costs come in the installation of the ground loop system. However, the 30 percent federal tax credit can play a big role in eliminating that cost and allaying a homeowner’s economic worries.

The biggest hurdle, Ellis says, is the lack of readily available consumer financing. “That’s the real issue: the economics of doing geothermal. If there was access to reasonable-cost credit, it would be a decision that consumers would make,” he says. The 30 percent tax credit has been a big selling point, and almost every state has its own incentive programs for homeowners who install geothermal systems.

Among HVACR distributors, the concept that they can sell geothermal systems is taking root. Understanding that distributors may be reluctant to move into a new area of business, ClimateMaster’s sales teams have spent a great deal of effort on education at both the distributor and consumer level to build business from the ground up.

“Within the HVAC industry, as a whole, there is a great reluctance to change,” Ellis says. While some distributors may think that geothermal systems are complex and that selling them may require a lot of effort on their part with

Best Practice

Proudly Made in the USA

ClimateMaster produces its units and components from its 610,000-square-foot facility in Oklahoma City. The “Made in the USA” label is a point of distinction for ClimateMaster, but it also allows the business the flexibility to produce what it needs, which saves on inventory costs, and it gives it an extra measure of quality control. “That’s one of the things that sets us apart,” Ellis says. “We are extremely vertically integrated.”

Manufacturing the units and components themselves also provides an extra measure of quality control. Every sheet-metal component of a ClimateMaster unit is produced in its Fabrication Department, with panels precisely constructed of

galvanized or stainless steel using computerized cutting, punching and forming equipment. Such precise fabrication also means a tighter fit, which creates a more solid unit and reduced vibration, and leads to reduced noise.

Each assembled unit comes under the close supervision of its Integrated Process Control System or Procix. This is a multi-million dollar computer system that monitors each unit as it comes down the assembly line. ClimateMaster’s Quality Department also is stationed along each line and performs random audits not only on the units, but on the component parts. All component parts must pass each and every quality checkpoint before a unit is packaged and shipped.



Far Left: ClimateMaster's press breaks in operation.

Left: Laser cutting of sheet metal parts.

little payoff, Ellis says this is not the case. "Once they start doing it, a lot of them move rapidly into setting up whole businesses focused on geothermal."

ClimateMaster distributors are a diverse group – from small, specialty geothermal-only distributors to large multi-product distributors. What the distributors have in common is the understanding that geothermal is unique and can give them a product that really sets them apart from other HVACR distributors. Ellis characterizes ClimateMaster distributors and dealers as "pioneering and missionary" rather than just in service mode. "Not everybody wants to sell a loaf of white bread," he says. "Those that grasp the concept of geothermal look at its unique market features and the saleability of it. The margins are much greater than in conventional HVAC equipment."

ClimateMaster's distributor and dealer training programs have helped to bridge this gap between what was seemingly complex and what is actually pretty easy. When they set up distributors, ClimateMaster gets at least one product champion within that distribution business who will take on the role of supporting the staff in geothermal sales. ClimateMaster also sponsors about 70 "schools" per year for dealer training. The company has partnered with American Groundwater Trust to do loop training for contractors.

Bailey says contractors that are accustomed to installing water loops can easily learn geothermal loop installa-

tions – and it's less complex. Last year, ClimateMaster trained 750 new drillers in geothermal installations. "Our role is to try to build the infrastructure and put it into place to fulfill the demand," Bailey says.

Having the infrastructure in place also helps to bring down the costs of geothermal installations. It's all about the economies of scale. For example, a vertical loop installation five years ago may have cost about \$1,800 a ton; today, the cost is about \$1,100 a ton, says Bailey, as more drillers move into this market and become more experienced. "Drilling costs always start out too high," Ellis says. "Lack of competition." Drillers can now complete a geothermal loop in one day, rather than two days.

ClimateMaster's biggest growth markets have been in Midwestern states, notes Bailey. However, geothermal's popularity is creating demand throughout North America. "We've more than doubled our business in the Southeast," he says. Ellis adds that because geothermal systems provide both heating and cooling, homeowners in Phoenix can save as much money on their energy costs as those in Minneapolis.

While the geothermal market had generally focused on new construction, Ellis says the majority of geothermal installations are for existing homes. "In 2006, our industry was around 75 percent new construction, and we're now about 75 percent retrofit," he says, acknowledging that this is a positive trend for the industry. It's recognition by con-

sumers that geothermal is about energy efficiency. "With the tax incentives, we can go in and effectively show how this makes sense for the homeowner."

Bailey looks at the big picture – and he sees big numbers for geothermal and ClimateMaster. "There are 110 million residences, and roughly every 10 to 20 years you've got to buy a new heating and cooling system. It really shows where this industry can grow."

The real trick is having the distributors in place to match the consumer demand. ClimateMaster has been aggressively marketing itself – and geothermal – through advertisements. Yet, the company recognizes that it has to have the distribution in place and contractors who can do the work in order for it to be successful. Ellis refers to this as "the chicken and the egg syndrome." How can you create a market for geothermal if there's nobody there to service the demand?

There is pent-up demand out there, Bailey says. He sees and hears it when the company runs an advertisement in a new market. "The phone rings off the hook." With a growing network of distributors and dealers throughout North America, ClimateMaster is better able to follow up on leads generated by its advertising.

Bailey says, however, that it wasn't easy at first to develop its system of lead follow-up. "If I told you what the response rate was at first, you'd laugh. Now, we have almost 100 percent follow-up on leads," Bailey says. "We had to get on our dealers. What it took was getting the dealers to sell their first few systems to realize that it could be done, and it really was pretty easy once they had the right approach."

Once consumers decide to buy ClimateMaster, they usually buy high-end systems. "Give me the best unit possible – that's been the mantra in geothermal," Ellis says. ClimateMaster continues to invest in new technologies



ClimateMaster employee brazing in components.

for contractors, distributors and dealers.

Doing all of this has certainly built ClimateMaster's market share, but it's clear that the company continues to do this because it believes in the products and in geothermal. "We're committed to this industry," Ellis says. "We've taken a long-term view and have a long-term game plan. We have a passion for this industry."



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that will increase the breadth of its product offerings. Ellis talks about a wave of new product technology that is largely based around controls, which improves the functionality and the diagnostic capabilities of current products.

It would be simple to say ClimateMas-

ter is the market leader because it's been in the industry longer than any other geothermal. ClimateMaster is the leader because the company has taken the leadership role through its national advertising campaign, its lobbying efforts and its multifaceted education and training



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You work hard to build your business. ClimateMaster, the leader in geothermal heat pump systems, gives you a clear path to profits. Geothermal systems are one of the fastest growing product lines around, and with ClimateMaster's unmatched dealer training, multimillion-dollar national marketing support and broad array of innovative products, you don't have to dig very deep to make the sale. Call 800-299-9747, or visit climatemaster.com and join other successful dealers today.


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