

DEALER PROFILE

**FLORIDA ENERGY WATER & AIR
EMPLOYS STRATEGIC DIVERSIFICATION
FOR MULTIPLE PRODUCT SUCCESS**

RainSoft®

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FLORIDA ENERGY WATER & AIR

Tim Randolph II has seen many changes since joining this RainSoft water treatment dealership in 1993 and becoming President in 1997. Challenges have escalated during recent years and, while overcoming U.S. consumer and economy-related market issues, he and his colleagues have transformed the firm into a multiple-product enterprise: Florida Energy Water & Air (FEWA).

"It's been a journey, to this point," observes Randolph. "You have to constantly reinvent your business to reflect marketplace realities, building on your strengths in order to best serve customers."

The speed bumps in the road encountered by FEWA will be recognized by many home service providers. How FEWA navigated them reveals considerations worth noting.

Strategy-driven growth from Day One

The firm was founded in 1990 by Timothy V. Randolph I in Lakeland, FL, as Discovery Marketing & Distributing (DM&D). Having spent 10 years helping the Orlando RainSoft dealer become second largest in the country, his new dealership's systems were soon welcomed into thousands of homes.

Just four years after its opening, DM&D was named RainSoft's top distributorship worldwide, a distinction it has been accorded for 19 consecutive years. The company entered the New Millennium as the world's largest RainSoft dealer, and has amassed more than 100,000 water treatment customers.

Even before Tim Randolph II became President, they employed a "think global, act local" philosophy to grow exponentially. "We expanded with full-service operations," he says. "Each location had its own marketing, installation, service and financing."



Florida Energy Water & Air (FEWA) President Tim Randolph II cites description as a key consideration for renaming the 23-year-old RainSoft dealership to reflect its water treatment heritage and ongoing commitment, plus a range of new products.



Key players at Florida Energy Water & Air include in the back row from left to right: dealership founder and CEO Tim Randolph I; Marketing Director Peter Fantino; and Director of Operations Jason Spinney. Front row: Service Manager Scott Seamens; Promotions Director Kimm Seamens; Vice President Bob Hogan; and President Tim Randolph II.

DM&D acquired sales territories southward to the Florida Keys and westward across the lower reaches of Alabama and Mississippi, to Lafayette, Louisiana. "At one point, we had 17 locations," Randolph says. "We sold off the furthest – South Florida, Panama City and points west – to focus on core markets."

Today their territory runs from Tallahassee down most of the state and from Sarasota on the Gulf coast, to Palm Bay on the Atlantic. FEWA operates out of Orlando, Tampa and Altamonte Springs, with 180-190 employees. The journey to this point, however, took a few sharp turns starting around 2005.

As marketing costs rise and home values plummet, financing nearly disappears

"For years, virtually all business we generated started by cold-calling prospect lists," Randolph reveals. "With the 'Do Not Call' movement, that marketing strategy started dissipating late in 2004 and 2005, and became non-existent over the next few years.

"As a result, our marketing costs increased dramatically. Every person we call today has to have requested a call from us. It takes a lot more time

and money to send mailers, attend shows, do retail marketing and canvassing to get people to sign a paper that says it's okay to call, than to buy from list brokers for a few cents a name."

With marketing costs up and cold-calling gone, the economic collapse of 2008-2009 arrived. In terms of housing, Florida was one of two states hardest hit.

"Home values dropped 60-70%," Randolph reports. "Suddenly it became very challenging to sell a water treatment system to people who owe \$200,000 on a house, when a neighbor just sold essentially the same house for \$70,000."

Another problem was getting buyers approved for financing. "Homes were undervalued; actual unemployment in Central Florida was about 17% or 18%. It has improved since, but tighter finance company requirements cost us sales."

Fortunately, the dealership already was pursuing various promotional options, and RainSoft leads the industry in providing materials easily tailored for dealer needs. Although telephone list-gathering was costlier than list brokers, it offered higher per-call potential for success.



A new option came into play. An alliance between RainSoft and The Home Depot (THD) gives dealers access to stores in their area, to generate leads for in-home presentations.

“We were one of four dealers to pilot the program,” Randolph says. “It took several years and we tried lots of things in (about 45) area stores. Now we have four or five programs that work well; probably 20% - 25% of our water treatment leads come from THD.”

Selling RainSoft systems via THD Home Services also helps alleviate homeowner financing issues, because buyers can use their Home Depot credit card. Nevertheless, “we decided to make more-dramatic changes, and expand beyond water treatment,” Randolph says. With its strong base, FEWA was positioned to succeed with virtually any home service line, and “our search focused on three factors”:

- Energy efficiency. “Energy-efficient products save money and buyers often get energy credits or tax breaks.”
- Need-based products. “Even if a home is underwater, when the air conditioner breaks in this area, they’ll probably replace it.”
- Cross-marketable products. “Having generated phone lists through more expensive methods, we wanted to use them to sell more than water conditioning systems.”

Products meeting one or more criteria quickly emerged, to be vetted by the dealership.



Efficient, renewable energy options take hold; water treatment push pays off

FEWA’s first expansion was into solar-powered water heaters, one reason being that “the sales process is similar to water softeners,” says Randolph. This helped them utilize in-place business assets and years of staff experience with RainSoft systems. They then added solar pool heaters, and now offer several renewable energy solar power options, ideal for the Sunshine State.

In 2011, they tapped into “need-based” products: residential air conditioning systems, then added insulation to its portfolio, another environmentally friendly energy saver. All product lines are benefitting from slow but gradual improvement in the economy.

One indication: higher water treatment system first-call closing rates.

"We're at 37% - 39%," Randolph says. "After dropping to the low 30s, we may soon be back to closing over 40%."

Results are encouraging on all fronts. After just a few years, energy products account for about 15% of total sales and HVAC adds 10%, while RainSoft systems deliver 50+%. A healthy portion of annual income, about 25%, comes from recurring service revenue.

"The vast majority is from RainSoft customers," says Randolph, noting that after mining their customer base and cross-selling prospect lists, "We've driven the cost of marketing way down."

Randolph credits FEWA's strong core of employees with making it all happen, including about 15 managers in various departments who have been with the company for 10-plus years. Networking with other RainSoft dealers helped, too.

"The dealer organization is as strong as ever," Randolph observes. Besides exchanging ideas at conventions and other events, "we're in a smaller group; five of us regularly discuss marketing strategies, products and other issues. It's helped us become the businesses we are."

That means working smarter, says Randolph. Employing remote training and other methods ensures top-level customer service, with less infrastructure. It also means new lines that complement environmental and family-friendly advantages of RainSoft water treatment. The official company name remains Discovery Marketing & Distributing, "but now everyone knows us as Florida Energy Water & Air."

Water treatment poured the foundation. Now FEWA'S "journey to this point" has paved the way for even greater success.

BOLT-ON BUSINESS CHECKLIST

Things to look for when Evaluating Home Service Product Line Manufacturers

YES NO

- Exclusive Territory
- Sales Leads: portfolio of proven low-cost (and low Cost-Per-Lead) lead-gen materials
- Public venue lead-gen (home shows, etc.)
- Phone Room lead-gen – scripts & tips
- Appointment setting & follow-up ideas
- Sales Presentation: methods, training
- Sales Closing: consumer-friendly techniques
- Consumer Credit: any additional options?
- Cash turn – payment period
- Recurring Revenue Stream (service, etc.)
- Product Warranty
- New products (frequency and significance)
- Business management and financial assistance
- Startup help/dealer-experienced specialists
- Dealer network activity, assistance
- Startup Cost
- Franchise fee
- Royalties



About RainSoft

Headquartered in Elk Grove Village, Illinois, RainSoft, a division of Aquion, Inc., is an international company with over 150 authorized and independently owned dealerships in the U.S. and 20 other countries. The company is dedicated to producing the world's finest water treatment systems, all of them manufactured in the U.S.A. and backed with the industry's strongest lifetime warranties. For more information, visit RainSoftDealer.com or call 1-866-4RAINSOFT (866) 472-4676.