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HELPING HVACR MANAGERS RUN BETTER BUSINESSES SINCE 1944

**Hobaica
Services, Inc.**
Phoenix, AZ

2011 Residential
CONTRACTOR
OF THE YEAR

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Now in its second generation of ownership, and looking forward to a third, Hobaica Services, Phoenix, AZ, is everything an HVAC company can be, by following the highest standards of service, ethics, and business management.

Walking the Walk *in Phoenix*

Although he's now in his late 80s, the memories are vivid for Paul Hobaica: memories of growing up in hard economic times, of helping his immigrant parents make ends meet; of striking out on his own in business; and, best of all, of building a life as a husband, father, and business owner.

Paul Hobaica founded Hobaica Refrigeration in 1952, working out of a three-car garage in Glendale, AZ. He soon moved to Phoenix, where there were greater opportunities in commercial refrigeration.



Residential air conditioning became the company's main business during the 1960s, when air conditioning was fast becoming a "must have" service, especially in the blistering heat of Arizona summers.

Hobaica Services is an HVAC industry leader. It always has been a leader, even during its formative years, when profits were more elusive. Paul Hobaica's quiet tenacity and belief in what he could do to help people live better and feel better set the bar for others to attain. Nowadays, Hobaica's shows a profit in every year, and it continues to serve as a model of excellence, in business management, marketing, dedicated customer service, generous employee incentivizing, training and certification, and ongoing service to the HVAC industry and the community.

From Very Little to Very Much

Paul Hobaica arrived in the U.S. from Cuba with his Syrian parents in 1924, at the age of three. They did the best they could to make a living, and Paul worked a variety of jobs while growing up to help support the family. After high school, he served in World War II. Back at home after the war, he studied refrigeration and business on the GI Bill at Phoenix Tech School. After four years of training, he worked for a short time for a refrigeration contractor, then

in a supermarket, and performed various electrical side jobs.

As air conditioning's popularity grew, the company experienced slow but steady growth. The senior Hobaica did his best to provide for his family of seven children, and put them all through college. He was also committed to helping those less fortunate than himself.

"My father founded the business on two basic principles: the more you give, the more the good Lord will provide; and,



PHOTO BY JENNY SPIRES PHOTOGRAPHY

The Hobaica brothers (from left, Paul, Louis, and Mike) don't just talk about excellent service, they deliver it. They'll walk a million miles under the desert sun to guarantee every customer has 'No Worries.'

always treat others as you would want to be treated,” Louis Hobaica explains.

“He provided free service, repair and installations for non-profit organizations, churches and families in need. We’ve continued that tradition by helping the needy, churches and organizations.”

New Era Begins

The company gradually worked into a new era of leadership. In 1978, Paul joined the company as an estimator. He had earned a degree in construction management, and was now ready to take up a larger role in managing and growing the business.

Louis went on to earn a degree in business management, and joined full time in 1983. He and Paul began to apply modern marketing and business strategies for greater growth.

The brothers bought the company in 1989, and grew it by about 15% in the following two years. Their brother Mike Hobaica, a mechanical engineer, returned to the company in 1995. He had been working as an engineer for Hughes Missile Systems, but changed his plans with the decline of the defense industry. Today, Louis is president, Paul is vice president, and Mike is secretary/treasurer.

Despite a recession in 1992, and a drop in business following the attacks of 9/11, Hobaica Services grew through 2007.

Then came 2008, a tough year, for Hobaica’s, and the industry at-large. Wages at Hobaica were frozen, and some

employees were laid off. The business has since rebounded. It enjoyed 32% growth in 2010, and is looking at a record year for 2011. The company’s ideal goal is 15% growth per year, with 10% net profit, which they hit or exceed 60% of the time. The company has never suffered a year-end net loss at any-time in its history.

Its gross dollar volume breakdown is:

- installation retrofit: 65%
- service: 30%
- wine cellars: 5%.

Winning ‘Raving Fans’

Employee incentives help fuel the Hobaica engine. Cash incentives, “Raving Fan” awards (inspired by Ken Blanchard’s book, “Raving Fans”), and “Hobaica Bucks” are bestowed on employees for anything that brings in new business, or by contributing ideas or inspiration to weekly meetings. “Hobaica Bucks,” which are budgeted as a marketing expense, can be used for tools, uniforms, or for personal items such as gift cards, or gas cards.

Radio and TV advertising are part of the presence. The bouncy Hobaica jingle — “You’ll lika... Hobaica” — is recognized throughout the community.

One of the first things a company cuts during hard times is advertising and marketing. Not the Hobaica’s.

“We increased it during the downturn, and we ramped incentives up in 2008,” Paul recalls. “We put a wage freeze

Hobaica Services, Inc.

Founder: Paul J. Hobaica

Years in business: 59

Services: Residential HVAC replacement and service; residential wine cellars.

2010 revenue: \$5.4 million.

Total employees: 32, with 18 service technicians, seven installation technicians, and two comfort specialists.

Management team: Louis Hobaica, president/service manager; Paul Hobaica, Jr., vice president/installation manager; Mike Hobaica, secretary/treasurer, sales manager.

Motto: “No Worries”

Management Support Team: Wendy Elam, customer service/dispatch manager; Cindy Will, controller.

Community Service: St. Vincent de Paul Society; Business Entities Getting Involved in Our Neighborhoods (BEGIN); and many others.

Memberships: Air Conditioning Contractors of America (ACCA); National Comfort Institute (NCI); Building Performance Institute (BPI); Arizona Heat Pump Council.

Recognitions: ACCA Contractor of the Year, 2008; The Best of Arizona Business, 2009; Phoenix Business Journal ‘Book of Lists’ recognition, 2009; Better Business Bureau Ethics Award, 2008. Lennox Centurion Award, multiple years; Lennox Award for Outstanding Performance, 2007; Arizona Heat Pump Council Customer Service Award, multiple years.

Certifications: North American Technician Excellence (NATE); National Comfort Institute; Building Performance Institute; and various manufacturer and local utility certifications.



on in May of 2008, and we basically couldn't afford any more overhead. However, if sales allowed for it, we could afford the incentives. In 2010 our employees earned \$140,000 in bonus incentives and over \$23,000 in vacation incentives."

'Hobaica's attention to detail is second to none.' — Sal Farina, president, Empire Metal Products

Strategic Planning Maps the Future

Louis Hobaica would agree that Hobaica Services would be only half the company it is today without strategic planning.

"I'm a type-A person. Everything has structure, place, and process," he says. "That includes having standard operation procedures complete job descriptions, and planning for the future, next year and the next five years, and how we're going to get there."

This includes one- and five-year financial plans, company and departmental budgets, and more. Managers participate in monthly budgeting and financial meetings, a monthly business operations meeting, weekly marketing planning meetings, and a monthly owners meeting.

Goal Setting & Follow-up

Six key performance indicators are tracked and updated twice each month: new residential maintenance agreements; new commercial maintenance agreements; equipment leads; units sold; Raving Fan testimonials; and total revenue.

The service department tracks activity per department and per technician, and provides reports on: service revenue; new residential and commercial maintenance agreements; sold equipment leads/equipment revenue; warranty service percentage; Raving Fan testimonials; comfort enhancement sales; and new customers.

"Every employee of Hobaica Services is a sales person. Growth is driven by all employees, as they all participate in very generous bonus, spiff, and vacation programs, where they earn monthly bonuses and free vacations by providing our customers with our products and services," Louis says.

Time Devoted to Training

Training sessions are held every two weeks, customized for service technicians, installers, and comfort specialists. A company-wide meeting is held every two weeks, followed by the installation meeting and service meeting.

Training topics are determined by current issues.

"Because they're held so often, our training meetings most often include topics that have come up in the last month or



PHOTO BY KEVIN NUTT

Paul Hobaica (center), the patriarch of this HVAC-leading company, with his sons, (from far right) Paul, Mike, and Louis. From far left are his grandsons, who will someday run the show, Jimmy, Richard, and Andy.

so," Mike says. "I also spend time with the installers to talk about issues they're having in the field. The salesmen will be in those meetings, and that's helped us tremendously; the comfort consultants who are selling the equipment are in the meeting with the technicians who are installing them, and they're able to talk through issues that come up in the field."

Rick Hutcherson of RHI Training provides sales training twice each year. He devotes an entire week to review sales and communications for all employees, with a specific focus on field employee sales and communication.

Peer Group, Association Activity

In 1998, the brothers joined an Air Conditioning Contractors of America (ACCA) Management Information Xchange (MIX®) Group, known as the Excellence MIX Group, which provides opportunities to share ideas and management problems with other contractors who operate in a different geographical area.

"Membership in an ACCA MIX® Group is the single greatest proponent of our growth and success," Louis says. "Our group consists of 12 of the finest HVACR and plumbing companies in the country."

"The group took us to a different level," Paul adds. "It gave us ideas we never had before. In a MIX Group, you're not reinventing the wheel. You take proven methods that others have found to be successful, and use them in your company."

Hobaica's is also a founding member of The Service Roundtable, a leading online source for "best practice" tools and information, such as sales letters, brochures, and pricing calculators. Service Roundtable membership has been a source of valuable support for the company.

"The Service Roundtable has been an awesome resource for information we can't find in other places," Paul says, "with



PHOTO BY TERRY MCIVER

Hector Gonzales, left, and Raud Hampton are Hobaica comfort specialists. Their comfort system suggestions are based on thorough questioning.

an entire library of documents, and ready-made advertising pieces. Service Roundtable CEO Matt Michel has some awesome ideas.”

When the brothers took over the business in 1989, they became more active in the local ACCA chapter. Louis and Paul are both past presidents. Paul is chairman of the ACCA Public Policy Committee and served on a national subcommittee looking at new technologies. Mike is a chairman of activities, and Louis just finished a term on the board of directors.

Answering the Call to Customer Service

When asked to comment on the biggest challenge now facing HVAC contractors, Louis Hobaica has a two-word response: “customer service.”

“The economy will go up and down, and we have to roll with it. What’s more important is touching customers and creating such a relationship that they wouldn’t even think about calling someone other than us,” he says.

“When you build that relationship and trust, and you provide incentives to employees to market those services, you’re helping to create ‘raving fan’ customers; the kind who will tell others in the grocery store line to call Hobaica.”

That customer service mandate is amplified by the realization that today’s customers

are doing their homework.

“We have an ‘aware’ consumer base. They’ve heard about SEER ratings, zoning, indoor air quality, and energy efficiency,” Mike says. “So we take the entire system approach, we do what’s in the homeowners best interest, exceed their expectations, and be the expert they rely on,” Mike says.

100% NATE-certified

Hobaica’s commitment to customer-first quality and excellence is evident in its commitment to technician training and certification. Training includes timely updates on technology and equipment, such as the Trane and Lennox systems it installs, and other components, such as Arzel zoning, Emerson, Copeland, and Honeywell.

Its field technicians are all certified by North American Technician Excellence (NATE). Hobaica’s is among the elite few companies that have reached 100% NATE certification.

“NATE gives us a step up on our competition, and provides our employees with additional knowledge,” Paul says. “We’re always training in new techniques, increasing their knowledge. It’s been very positive in terms of getting them onboard. NATE is becoming more and more accepted. To have 100% of our field employees NATE certified is a big deal for us.”

Best-of-the-Best

Hobaica Services, Inc. represents the best-of-the-best in residential HVAC contracting. It’s a company whose leaders are in tune with industry changes and improvements. They seek advice from other experts and peer groups. They know what makes employees tick, and provide employees with what they need to improve. On the customer front, they’re grateful for devoted customers, and strive to be worthy of the trust their customers place in them each and every day.

For all of the company’s contributions to the industry, the community, customers, and employees, and for an unwavering commitment to building a successful business, we’re pleased to name Hobaica Services the

ContractingBusiness.com
2011 Residential HVAC
Contractor of the Year.

‘Hobaica’s has always maintained a level of professionalism.’

— Tony Nolan, vp,
Johnstone Supply, Phoenix



PHOTO BY KEVIN NUTT

Mike Hobaica visits with an installation team, as they complete a two-system home project. “These guys are fabulous,” the homeowner exclaimed.

WHAT IS THE CONTRACTOR OF THE YEAR?

The ***ContractingBusiness.com*** Contractor of the Year represents an elite group: a forward-thinking class of HVAC contractors who are dynamic and professional in every aspect of their business. They constantly seek new ways to improve their businesses through quality contracting, and they strive to maintain the highest levels of customer service. These contractors maintain superior treatment of their employees, customers, and suppliers. They establish a reputation as providers of superior products and services. They have an eye on the future, and are aware of changing market conditions as they respond quickly to opportunities in their niche. The high-quality management of their companies parallels that of many top corporations in the U.S. today. These contractors follow strategic plans and maximize their returns on investment, and are always exploring new ways to improve their operations. They maintain high levels of communication within their organizations, are aware of changing market conditions, and respond quickly to opportunities. They’re the leaders of our industry. They’re committed to their businesses and the industry, and aren’t afraid to take calculated risks, and explore new market areas.

We welcome nominations for 2012. Visit: <http://bit.ly/CBHVACCOY> for the entire list of our nomination criteria. Then, nominate your company or a colleague. Send nominations to Terry McIver, executive editor, at terence.mciver@penton.com.