

HVAC and Plumbing Add-On Revenue

Maintenance agreements and inspection plans look like easy recurring revenue until the visit cost, materials, and admin overhead are actually totaled up. A \$220 HVAC agreement clears only a 14.77% margin, below a 20% target, once the real annual cost is counted.

A maintenance agreement or an inspection plan reads as clean recurring revenue on a sales sheet: a flat annual price, paid up front, for a fixed number of visits. What that framing skips is that the visits still cost labor, materials, and administrative overhead every single time, and a price set without totaling those costs honestly can quietly run at a thinner margin than the rest of the business.

A worked example: pricing an HVAC maintenance agreement honestly

Two visits a year at 1.5 labor hours each, a \$32.50 loaded rate, \$35 in materials per visit, and \$20 in admin overhead per agreement totals \$187.50 in real annual cost to deliver. Against a current price of \$220, that works out to a 14.77% margin, below a 20% target, a "marginal" verdict. The minimum price needed to actually clear the 20% target is \$234.38, meaningfully above the \$220 currently being charged.

Why agreement pricing drifts low without anyone noticing

Agreement prices tend to get set once, early, and then held flat for renewal after renewal even as labor rates and material costs rise around them. A price that cleared a healthy margin when it was set can quietly erode toward marginal or unprofitable purely through inflation on the cost side, never revisited because the agreement "already exists" rather than getting re-priced like a new job would be.

Callback and warranty cost allocation is the same honesty check, in reverse

Where maintenance-agreement pricing asks "does this recurring price cover its real delivery cost," Callback and Warranty Cost Allocation asks "is the business setting aside enough per job to cover the callbacks and warranty work that job type statistically generates." Both engines share the same underlying discipline: treating a statistically predictable but individually unscheduled cost (a maintenance visit, a callback) as a real line item to price against, not an afterthought absorbed into whatever margin is left.

Plumbing runs the identical logic on a different service

Plumbing Maintenance & Inspection Plan Pricing applies the exact same visits-times-cost-plus-admin structure to a plumbing inspection plan instead of an HVAC tune-up. The specific numbers differ by trade and visit type, but the underlying question, and the risk of a stale price quietly slipping below target margin, is identical across both trades.

Key takeaway. A recurring agreement price set once and never revisited is a margin risk, not a stable revenue line. Re-check the real annual cost to deliver against the current price on a regular cadence, the same way a one-off job would be re-priced.

Assumptions

- The HVAC worked example uses 2 visits a year at 1.5 labor hours each, a \$32.50 loaded rate, \$35 materials per visit, \$20 admin overhead per agreement, and a 20% target margin.

Frequently asked questions

How often should a maintenance agreement price be reviewed?

At minimum annually, alongside a labor rate or materials cost review, since both inputs move the real annual cost to deliver directly. A price that was healthy two years ago can be marginal today purely from wage and materials inflation on the cost side.

Does admin overhead per agreement really matter at \$20?

On a single agreement it looks small, but across a book of hundreds of agreements it is a real, recurring cost of managing scheduling, billing, and renewals for each one. Leaving it out of the cost side is a common way agreement pricing looks more profitable on paper than it actually runs.

What should happen when an agreement price comes out marginal or worse?

Either raise the price to the calculated minimum profitable price at the next renewal, or reduce the cost to deliver (fewer visits, tighter labor time per visit) if the market will not bear a price increase. Continuing to sell an agreement below its real cost to deliver is a slow, hard-to-notice margin leak across the whole recurring book.

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