



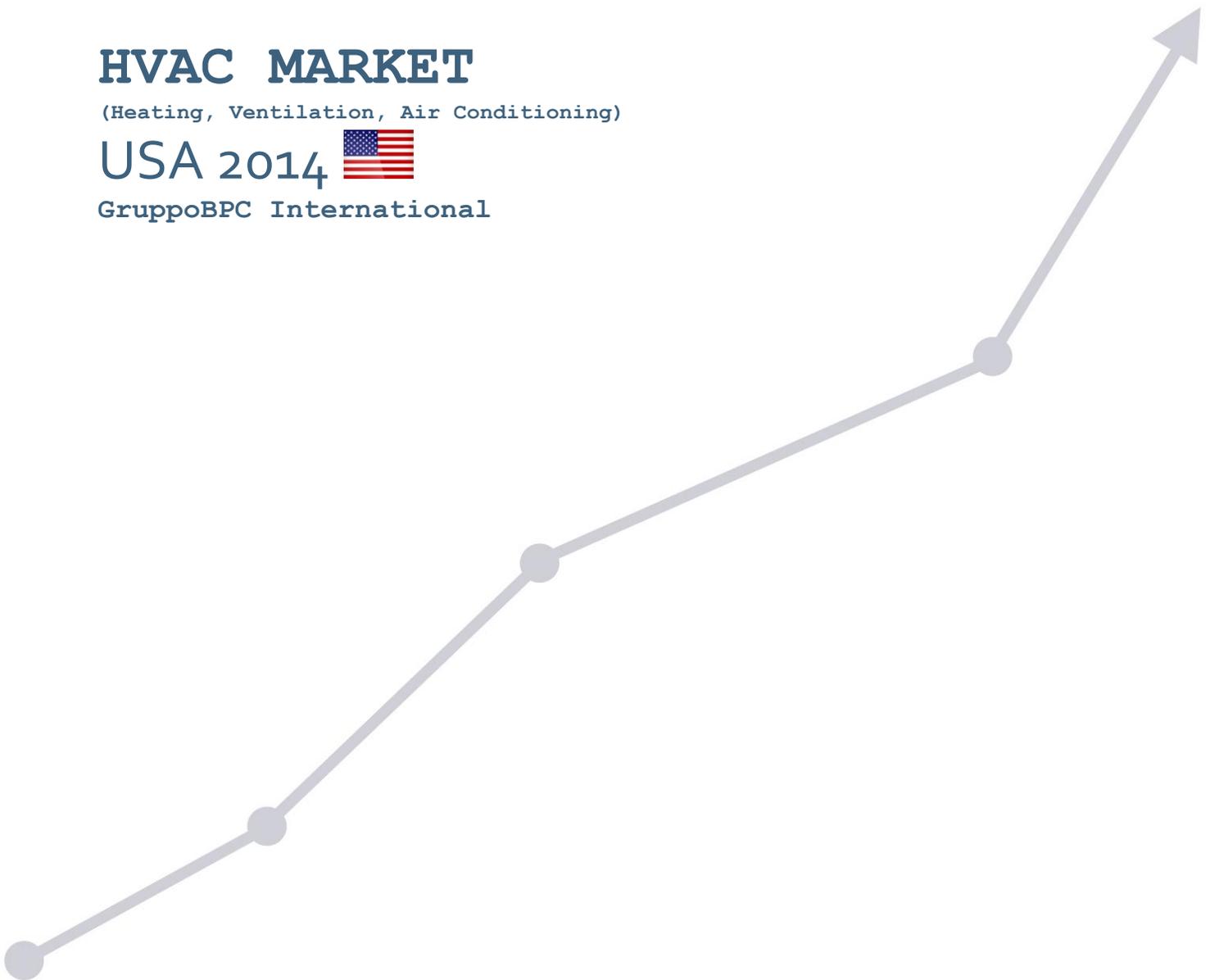
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# HVAC MARKET

(Heating, Ventilation, Air Conditioning)

USA 2014 

GruppoBPC International



## 1. GLOBAL AND US MARKETS

Throughout the world, **HVAC or HVACR (Heating, Ventilation, Air-Conditioning, and Refrigeration)** is a booming industry as it is projected to grow by approximately **6% annually to 113 billion USD by 2018**. The growth of this market is due in part to the recovery after the global economic crisis. After a slump in consumption in the HVACR market in 2008-2009, the industry started to regain momentum with the introduction of new construction projects worldwide both in remodeling and with the creation of new projects. These construction projects span **commercial, residential, and infrastructure** projects that all require the addition of HVAC systems or the renovation of existing systems. Moreover, the advent of investing in new HVAC systems in developing countries adds a new element for this industry. During 2014, this industry has experienced 77 billion USD in revenue as well as about **3.7% growth annually from 2009 to 2014**. Additionally, this industry employs more than **half a million workers worldwide** via 98,508 businesses. Furthermore, with economic recovery, wages and disposable income rise, thus enabling consumers to indulge in upgrading or installing comforts such as central air systems for those living in warmer climates.

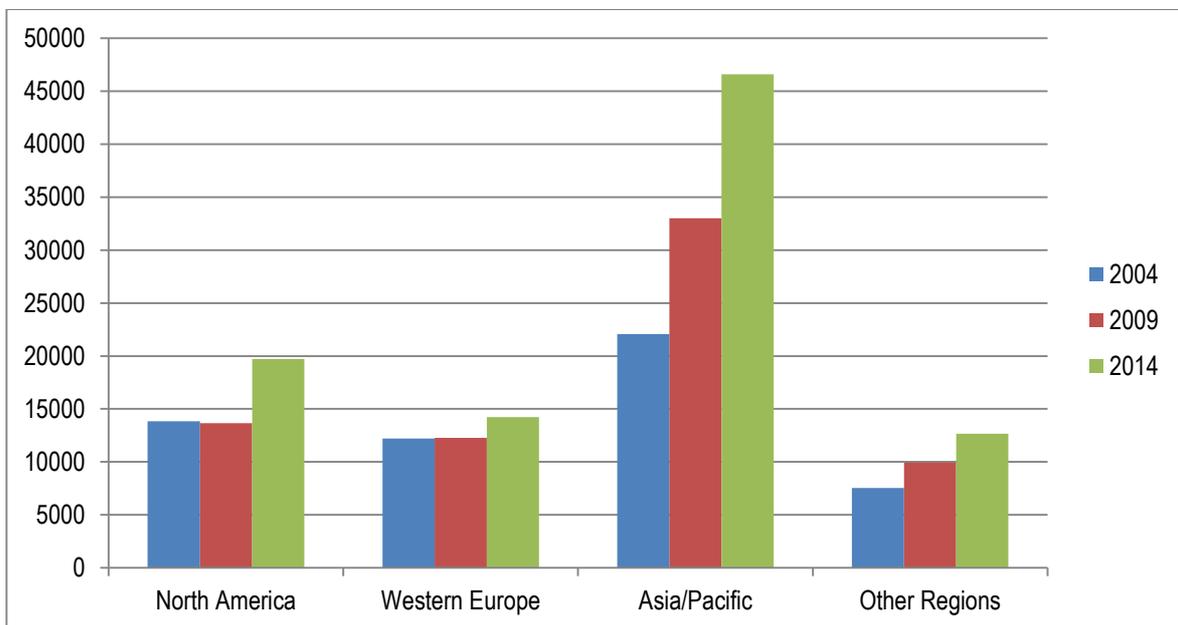


Image 1. World HVAC Equipment Demand (USD millions). Source: Freedonia

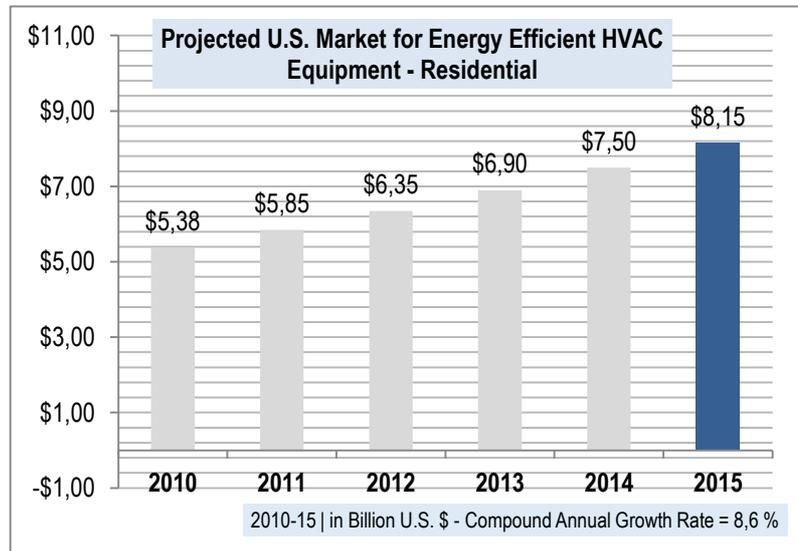
The **HVAC Industry in the United States** has exhibited similar trends in response to the economic crisis and recovery. Freedonia reports that in 2013, the United States was the **second largest domestic market** for the HVAC industry with **16% of global demand**. This is attributed to the high level of technology as well as the large size of the economy and huge number of consumers. The US market, just like the global market, suffered during the economic crisis as there was a lack of disposable income to replace or to install HVACR systems regarding both commercial and residential sectors. During the recovery period, the US market bounced back, and it has experienced consistent growth since 2009, and the market is projected to grow at **2.4% annually to reach 42 billion USD by 2017**. It is evident that the growth in the US market parallels that of the international market in its ability to rebound and to prosper after the downturn of the global economy in 2008/2009.

## 2. US MARKET CHARACTERISTICS AND CONSUMER TRENDS

The US HVAC market is considered a **mature market** as it is growing at the same rate as the economy. When wages and disposable income increased after the economic recession, consequently the demand for HVAC systems grew. This demand is demonstrated mostly in the **residential and commercial sectors** as seen in the **construction, food**

**service and warehousing industries.** The increase in construction projects in these industries country-wide in turn increased the demand for the implementation of these systems. This is illustrated in the construction of commercial buildings like restaurants, hotels, and gas stations as well as in the construction of residential buildings such as new apartment complexes and remodeling projects.

**Success** for a company in the US HVAC market overall can be defined by **reducing costs** while addressing **environmental concerns**. Therefore, this aforementioned demand increase also stimulated **product innovation** as new technologies are continuously being invented in order to sustain the demands of the market. Additionally, the product innovation is a direct result of increasing environmental concerns resulting in **“greener technology”** with a greater focus on lessening energy costs and usage while addressing the important factor of **sustainability**. Furthermore,



environmental regulations are becoming more stringent when it comes to HVAC technology, thus creating a larger market for such product innovation as the products must meet all regulations before being implemented and installed. The market for this type of “green” and energy efficient HVAC equipment is prospering, as illustrated by the above graph.

Examples of this new technology include **smart thermostats** and **geothermal heating systems** with Wi-Fi connected thermostats. These enable energy efficiency as well as consumer-friendly products making them more attractive to buy and to install in a residential setting. Not only are these new products user-friendly, but they are also environmentally-conscious, an extremely important aspect surrounding this industry in the development of technology in the last years. Commercial-based innovations include **solar paneling** and **geothermal heating** whose technology is very expensive at the moment, but effective. The goal is to be **energy efficient** while retaining a **high level of comfort** and **ease of consumer-use**.

This market is unique in that much of the **consumption** is based on **regional climate**. For instance, consumers in Southern US states install air-conditioning systems due to the more consistent warmer weather conditions while in the North, more heating systems are put in place as a result of the colder temperatures during the fall and winter months. This provides the HVAC market **more flexibility** as there is a greater span of consumers all over the country. Moreover, companies that focus on producing or selling air-conditioning systems or heating systems can target a specific regional area and appropriate customer base.

Another aspect of this market is **international trade**. **Exports** from the US are **rising** due to the global distribution of US brand names. Additionally, **imports** are also **increasing** because of the continual increase of **domestic demand**. Import consumption to increase due to cheaper products manufactured abroad. The majority of the products imported at air-conditioning and warm-air heating equipment in addition to industrial and commercial fans.

**Overall**, according to IBISWorld, the **key factors** driving the US HVAC market are: **diverse clientele, resource availability, environmental regulation, varying services for specific needs, the distribution arrangements, and brand names**.

### 3. PRODUCTS

The **four main product segments** of this industry include:

- 1) Air-conditioning, refrigeration, and forced-air heating equipment
- 2) Heating equipment without warm-air furnaces
- 3) Air-purification equipment
- 4) Industrial and commercial fans and blowers

A great focus of the **manufacturing** of these products is **environmental regulation and energy efficiency**. It is clear the environmental forces are driving the manufacturing as companies must create products and systems that are environmentally-conscious and abide by standards set forth by the **Environmental Protection Agency**, or the EPA. For example, the EPA promotes lower Global-warmth Potential (GWP) refrigeration units that would be added to HVACR systems. These units would be more energy-efficient, and thus produce less harmful emissions like carbon dioxide.

There are **several main players** in this market between those who are **selling** and those who are **buying**. The

players that are targeted in this market include the commercial building construction, municipal building construction, the residential housing market, and the wholesaling market. The majority of those who sell in this market include metal and pipe industries, screw, nut, and bolt industry, and electrical equipment. Overall, these industries provide the foundation of the entire HVACR market, whose systems are installed in the major segments explained in the adjacent chart.

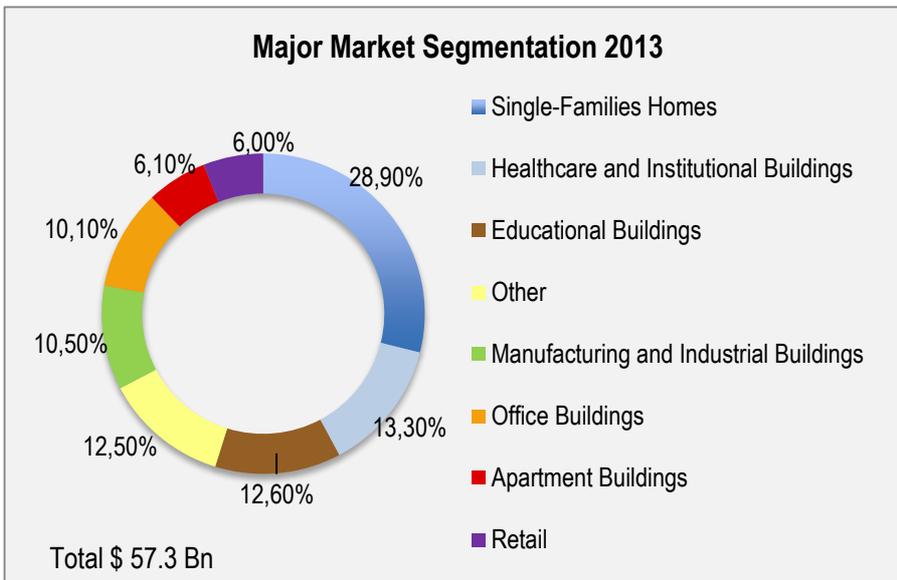


Image 3. Target locations for the installation of HVACR systems

Although there is a **low market concentration** regarding the US market, there is **medium-level competition** in the market becoming increasingly **more competitive**. The competition is based on **price, new product development, location, and investment in addition to reliability of the product, performance, and customer service**. Overall, this competition indicates the **emphasis on and the importance of green technology**.

### 4. MAIN PLAYERS AND DISTRIBUTOR CHANNELS IN THE US MARKET

#### COMPANIES AND THEIR ASSOCIATED BRANDS:

**United Technologies Corporation (UTC):** A large multinational corporation that boasts many prominent “building and industrial systems” businesses



- CARRIER CORP.: The world's top manufacturer and innovator of the modern HVAC systems
- BRYANT: A member of UTC's Climate, Control & Security sector, a large manufacturer of heating and cooling systems
- TOTALINE: Largest HVAC supplies organization worldwide with 700 stores
- PAYNE: Another subsidiary of UTC with a long history of producing heating and cooling products

**Johnson Controls, Inc.:** A massive corporation that serves the building and automotive industries through "Building Efficiency, Global WorkPlace Solutions, Power Solutions, and Automotive Experience"

- YORK: An independent manufacturer and supplier of HVACR equipment and systems for both the residential and commercial sectors
- METASYS: Specializes in building management systems, allowing the different HVAC, lighting, security, and fire systems to work harmoniously

**Ingersoll-Rand:** A global manufacturer with brands in the industrial, commercial, and residential sectors

- THERMO-KING: Specializing in transport control systems for truck, trailer, transit, marine, and rail customers
- TRANE: Specializing in energy efficient HVAC systems for indoor necessities

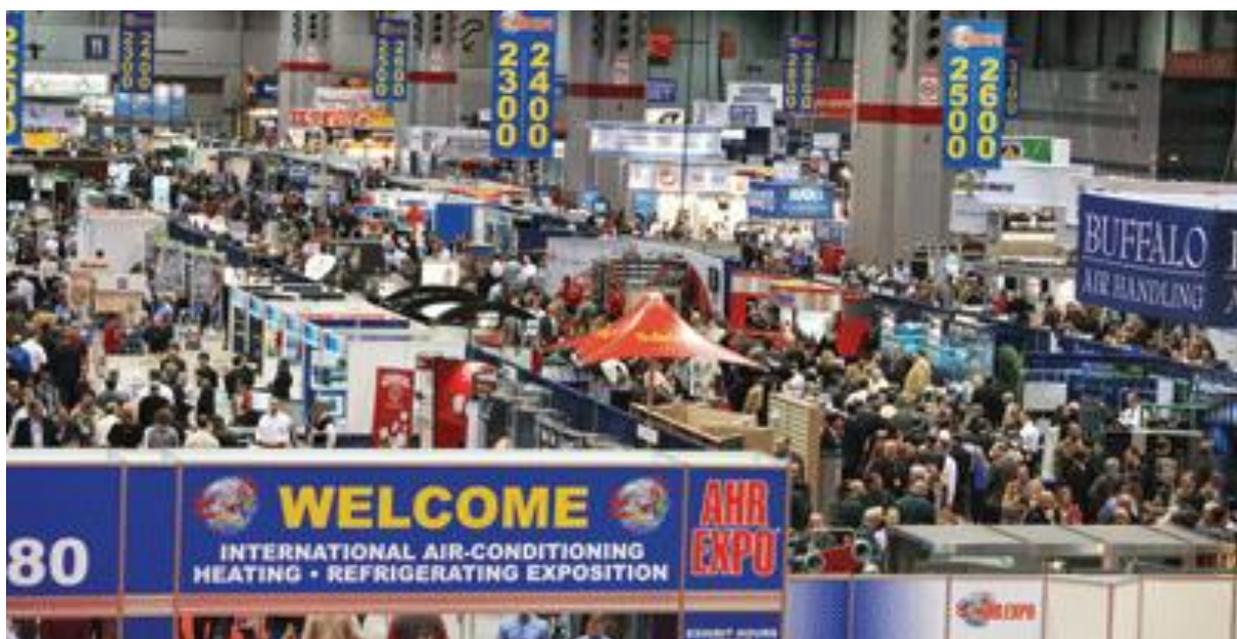
**Goodman-Manufacturing:** A manufacturer of residential and light commercial HVAC systems

**Daikin:** Japanese global multinational manufacturing air conditioning systems and fluorochemicals

**Lennox-International, Inc.:** Global HVAC company with affiliates focusing on commercial and residential heating and cooling systems as well as refrigeration systems

**Lg Electronics, Inc.:** A huge multinational whose products span many different industries including the HVAC industry focusing on creating innovative products

## 5. TRADE FAIRS



### AHR EXPO CHICAGO — International Air-Conditioning, Heating, And Refrigeration Exposition - **January**

The largest annual international HVACR exposition with over 2,000 participating companies.

<http://www.ahrexpo.com/>

### HARDI ANNUAL CONFERENCE — San Antonio, Texas - **December**

Annual conference designed to assist distributors in increasing their profitability.

<http://www.hardinet.org/>

## 6. OPPORTUNITIES IN THE US MARKET

As competition rises, the market opens up to **unique and innovative products** with an emphasis on “**green technology**” and environmental awareness. The US market presents an opportunity for the HVAC industry with the diversification and innovation of products coming to market. Additionally, this market has the customer base with the means to consume **products at competitive prices** with the promise of **energy efficiency, sustainability, and environmental consciousness**.

The product and system diversification of the HVACR market allows for market penetration as there is no true monopoly or dominant company indicating the variety and choice the consumer has in choosing from the various products. Furthermore, the key to success in this market is product innovation concentrating on energy efficient technologies, quality, and cost efficiency.

**GruppoBPC International** is the ideal partner for the development of your company and your products in the US market, knowing the market and operating directly through our local team. Thanks to an organizational structure, a working methodology and proven effectiveness, we are able to create business opportunities with all of the above sales channels, in order to start successful business relationships.

#### We offer you:

**EXHIBITION** – complete assistance in visiting the main fairs of the sector, organizing one-on-one meetings to know the main players of the market.

**EXPORT**- full support to successfully enter a new market, identifying and developing winning strategies to sell your products in the targeted market and to prepare your company for subsequent business expansion.

**JOINT VENTURE** - thorough assistance in the search and evaluation of an international partner with whom to establish a commercial or industrial joint venture.

*Do not hesitate to contact us for any information:*

#### HEADQUARTER GRUPPOBPC IRELAND

Marina House, Adelphi Quay  
Waterford, Ireland

T +353 51 879 120  
F +353 51 879 140

 [info@gruppobpc.com](mailto:info@gruppobpc.com)  
 [gruppobpc](#)

#### GRUPPOBPC ITALY

Via De Amicis, 40  
20123 Milan - Italy

Skype : gruppobpc.it

#### GRUPPOBPC USA

301 Congress Avenue  
Suite 1700  
78701 Austin, Texas - USA

Skype: gruppobpc.us

#### Antonio Borello

*Email* [antonio.borello@gruppobpc.com](mailto:antonio.borello@gruppobpc.com)  
Tel. +39 393.933.17.17

#### Luca Mazzetta

*Email* [luca.mazzetta@gruppobpc.com](mailto:luca.mazzetta@gruppobpc.com)  
Tel. +39 347.63.56.463

## 8. SOURCES

- IBIS World
- Freedonia
- ACHR News
- Environmental Protection Agency (EPA)
- Environmental Leader
- PR Newswire

## 9. CREDITS

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