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At Apollo, business heats up, expands

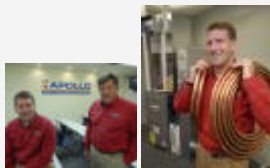
Revenue growth, several acquisitions give company foothold

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by [Jacob Dirr](#)

Courier Contributor

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At the average home heating and air company, the owner is about 15 percent more likely to catch a cold on the way to the office than to be in business after four years.

At Apollo Heating and Cooling, Jim Gerdsen and his son Jamie Gerdsen are handsomely beating the odds.

Since Jim bought Norwood-based Apollo in 1989, company revenue has grown an average of 12 percent per year. Today, it tops out at \$5 million, approximately six times more than the average 350 heating, ventilating and air conditioning (HVAC) companies in Greater Cincinnati.

Before Jim purchased Apollo, it generated just \$750,000 in yearly revenues and lost almost \$250,000 annually.

"When we went shopping for a loan I got turned down by three or four banks," Jim said. "They said, 'This thing doesn't have a track record, what makes you think you can make it happen?'"

Jim, though, has spent nearly his entire adult life in HVAC. After college, he joined his father's heating and air business "until I could get something going," and stayed for 25 years.

"Then I got out of that family business," Jim said. "My brother and I disagreed about business philosophies."

With \$300 and a mortgage on his Mount Lookout home, Jim, 61, set about turning Apollo around. Within nine months, he was making money.

Starting with about 10 employees, Apollo now employs 35-40 and services homes from Dayton, to Walton, to Aurora.

Besides the steady clip of revenue growth, the company has acquired eight other companies in the last 10 years.

"We've done acquisitions when there is an opportunity and the price is right," Jim said. "Basically we are paying for the phone number and customers."

Although he recently succeeded his father as Apollo president, Jamie, 32, never planned to work with Dad. At age 16, he had other things on his mind when Jim bought Apollo.

"All I knew was that all of the sudden my dad's home at three in the afternoon and that is pretty weird," Jamie said. "I kind of worked, cutting the grass if it needed it and throwing around parts."

After college, he moved to Florida, but eventually found his way back to Cincinnati and started at Apollo as a commission-based sales producer.

"My father and I talked about me working here and I had to sell him on the idea," Jamie said. "There was a little risk if it didn't work out, like can you divorce the fact so that at Christmas you can still be friends?"

The HVAC industry, by its nature, could have been risk enough.

Of the 3,375 average heating and air conditioning companies statewide, 675 will be snuffed out by next year, according to the Bureau of Labor Statistics' quarterly census of employment and wages.

About 85 percent of HVAC contractors have a mortgage, while about 40 percent are family-owned, said Rob Falke, president of National Comfort Institute Inc., a national training organization created to help HVAC and plumbing contractors.

"The national average for net profit is about 2 percent," Falke said. "You need about 4 percent to get you into the next year."

Wes Davis, manager of technical services at the Air Conditioning Contractors of America, said companies generally fail because they don't have enough business sense.

Of the 80 percent of businesses that survive their first year, fewer than 70 percent make two years, fewer than 60 percent make three and only about 43 percent make their fourth.

"A lot of people start because they were good technicians and they go out and put a sign on their truck," Davis said. "You have to hunt, scratch and scrap for a long time; it can be tough."

Ask Jim and Jamie how to fix a furnace, though, and they'll call their technicians.

Instead, they are experts in R&D, or what Jamie calls "rob and deploy."

Every year, they attend Comfortech, a national residential and light commercial HVAC seminar and showcase.

The company also belongs to a 10-member management information exchange, or MIX, where HVAC companies share financials, problems, successes and failures.

Though today Apollo tracks technicians with a real-time GPS locator, Jim picked up the initial idea to use pagers to dispatch drivers to service calls in 1991, from the group.

"It's a very open forum, where you don't have to worry about talking about your business because that guy is not in your market," Jim said. "But he knows your business; it is such a powerful human dynamic."

The company also pays a freelance marketing consultant to put together a budget aimed at multimedia advertising.

The average HVAC company puts an ad in the Yellow Pages and spends 1 to 2 percent of its budget on advertising, Jim said. At the center of Apollo's marketing is trust and reliability. The company name has been around since 1910 and the Apollo brand hasn't changed since 1989.

Although they declined to say how much they set aside for advertising, Jamie said "it is a lot more."

Jim relishes going to work, watching the company and its employees grow.

"I have a passion for what I do," he said. "I enjoy the hell out of this business."