

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

**Intro:** Welcome to Profiles In Prosperity. The leading podcast for residential service contractors, sponsored by Service Roundtable and hosted by David Heimer.

**David Heimer:** Hi, this is David Heimer, welcome to Profiles In Prosperity. I'm not easily impressed, but Ken Goodrich always impresses me. Like many in our industry, he started working for his dad as a young boy. He struggled as a young, small business owner. He suffered the common problems of many in our industry, and he grew his business into a hundred million dollar territory. And he's done that multiple times. He's an expert on acquiring, integrating and selling businesses in our industry. He probably knows that better than anyone else. I first met Ken at a Service Roundtable party years ago. I was impressed that despite the size of his company, he was eager to talk to any other contractor, irrespective of how big they were, or weren't.

Eager to learn from them and happy to share whatever he knew, that's how Ken operates. Ken's been a great speaker at several Service Nation events. He's a co-author with Michael Gerber on the E-Myth for HVAC contractors. Next week in Las Vegas, he's going to share the stage with Michael Gerber at the Service World Expo. Ken's experience and knowledge are amazing. At the end of this podcast, we're going to ask him what the top three things every contractor should know or be doing in his or her business. I can't wait to hear what he's got for us. So, Ken Goodrich, welcome to Profiles In Prosperity. I'd like to start at the beginning. How did you get started in HVAC?

**Ken Goodrich:** Well, probably like many of us in the industry. I started out holding the flashlight for my dad. My dad would moonlight fixing air conditioners and he recruited

## Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]

me as the official flashlight holder.

**David Heimer:** That's part of your advertising, isn't it? I mean, I've seen that on the Gettel ads. I started, I was holding the flashlight for my dad and I think you've even got a graphic of that. Don't you?

**Ken Goodrich:** Yes. So when I purchased Goettl Air Conditioning, I went to {inaudible 01:49} Ellie at KickCharge Creative. And I said, I want to restore the heritage of this brand because at the time it was 75 years old. And then I also partnered with Roy Williams of Williams Marketing, the wizard of ads. And three of us came up with a concept based on my history in the business. And what we really want to combine is my experience as a boy, holding the flashlight and the father teaching the son. And the challenges that I endured, learning the trade coupled with the legacy of Gettel Air Conditioning, who over the years has been recognized as one of the icons of the industry certainly back in the sixties, where they invented an air conditioner that would actually work in the Southwest in the high ambient temperatures. So we tied it together so that we could describe the brand and I'm the new guy leading the company. And here's what I'm about, here's what Goettl's about. And we moved forward with that campaign. It's been very effective.

**David Heimer:** Yeah. And if I remember correctly, the nice-looking young man, that's in your picture, that's your son now, right?

**Ken Goodrich:** It is. So the heritage commercial that we use is, I was a ten-year-old boy holding a flashlight for my dad while he worked on an air conditioner for a customer. We took a picture of my son who looks much like me when I was 10 years old. And Dan

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

and his team digitized his face like Norman Rockwell did, if you will, and put a little hat that would be applicable in those times on his head. So yeah, he's very proud to be the face of Goettl. Matter of fact, one time he asked me, when would he start receiving royalty payments.

**David Heimer:** Well, I see that the apple doesn't fall far from the tree. So if I remember correctly, you got an undergraduate in finance. But from what I remember of your story, you were working part-time on your own as an air conditioning contractor, at that point you were making more money as a contractor, working for yourself than you were going to make in any job offers that you were getting. And so you decided just to proceed as a contractor. Isn't that right?

**Ken Goodrich:** That's correct and the actual number was about three times what I was getting offered as an entry-level position out of college in some sort of finance related career. And so I decided I didn't want to take the pay cut, and I would just start working on building my business. Unfortunately, shortly after that time, my father passed away. And so I purchased my first business then at 25, which I purchased his business from my mother. And I began growing that company. It was called Racee Air Conditioning RACEE.

**David Heimer:** As I recall from the story, it wasn't just a straight line to the top. Your journey contained quite a few pitfalls and ups and downs. Would you care to share some of those?

**Ken Goodrich:** Certainly. So I got started out in business like everybody else, and I was out running calls and selling air conditioners and very excited to get up every day

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

and do the work. And I got to the point where I needed some help. So I hired my first couple of guys and kept moving forward and I've always had a knack for selling. So I went out and sold a lot of work and we hired some more people and we kept doing the work and we hired some more people we kept doing the work and I was constantly striving to grow my sales every single month.

And one day my bookkeeper came to me and said, "Hey, we don't have enough money for payroll". I said, "well, how can that be? We have this, this and this". And he said, "we don't have enough money. You got to go find it." And so it became this constant job of finding payroll for my people. And I was on this giant treadmill. So one day, a guy showed up at the office and gave me his business card and he was from the IRS. And he said, "Son, you haven't been paying your payroll taxes." And I was so young and green. I said, "what's payroll taxes?" And so he quickly showed me what payroll taxes are. And he said, "I owed them about \$77,000". And he quickly showed me how important it was to start paying those payroll taxes, which led me to try to figure out how to make this business work.

I had my struggles and I had my mask quitting and I couldn't make payroll and couldn't pay my vendors. And I had some very heroine times until I found this book. A friend of mine gave me the book, the E-Myth revisited by Michael Gerber and I sat down one evening and I couldn't put it down. I just wondered how Michael Gerber had been following me around because he wrote a book entirely about me. He knew exactly the struggles I went through, all the stupid mistakes I made, taught me the things I didn't know. And I kept that book with me as my guide. And I started implementing the processes that he describes in the book for my business. And over time I started building momentum and I started to put my business in place. And I started to

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

understand what cash flow was and profit was and started paying the IRS and paying my vendors and not sweating payroll. And I dug out of a giant hole. That \$77,000 debt with the IRS with penalties, interest and more penalties and interest was \$300,000 back in the late eighties.

**David Heimer:** Wow.

**Ken Goodrich:** So it was quite a hole, but I used the book. I kept it in my back pocket. Every time I was at an impasse, I looked at the book again, I figured it out and I kept moving forward. I read the book over 39 times. So after a lot of struggles, but key disciplines centered around Michael Gerber's teaching, I was able to put together a business, a true HVAC service replacement business that operated without my day-to-day involvement, continue to grow, continue to delight customers. And eventually within a few years, I became the market leader in Las Vegas for service replacement. After that, I was able to buy my second and third companies from guys who wanted to retire in Las Vegas.

And I operate them independently for my other business because I know how to fix them. I had broken mine so badly and with the teachings of Michael Gerber, I knew what not to do and I knew exactly what to do. I began buying these broken companies and fixing them just like I fixed my own. Then in 1997, the age of consolidators came out. And so, because we were a big brand in Las Vegas, the consolidators all came knocking on our doors. And I sold the three companies to a company called ARS American Residential Services. Which I stayed there for a few years, I became an area vice-president. And of which I ran a similar footprint that I run today, which is Arizona,

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

Nevada, and some of Southern California for ARS. So I did that for a while.

So those three companies, and I decided I was going to take a few years off. I was in my early thirties and taking retirement really isn't that fun. So, I went to the gym and I took my daughter to school and I found other things to do, but I've found early on retirement didn't suit me. So within nine months, I was itching for something else to do. And within a year later I'd lived out my non compete. And so I bought another company in Las Vegas called MNS Air Conditioning. And this time we did it right from the beginning, put the plans together, put the people together, and added the capital. And we took a previous \$ 300,000-year business. I closed on June 1st, 2000 from June 1st to December 31st that business did 3.7 million. Same customer base. I just put the team in place, put the systems in place, and the benefit to that business was, the owner just never had time to discuss the benefits of a high-efficiency air conditioner upgrade to their customers.

So we were able to discuss that with them because we had the time and the systems and we just blew the company up, grew it. And so then I started acquiring some more businesses and putting them together into that M&S business. And we decided that we needed to come up with a new brand name, a more advertisable, a more marketable brand name. So we came up with a brand named Yes, Yes Air Conditioning and Plumbing. And our tagline was, "Yes Man Can." Now, pull that journey there. We had three locations in Las Vegas and I had two locations in Phoenix, Arizona, and that spanned out over a seven-year period. And in the seventh year, the ARS came back to me and said, we'd like to buy those businesses. So we packaged them up in a very opportune time, which was the end of 2007. If you remember, 2008 became a

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

challenging period in our country's financial history, economic history.

So I sold those five operations back then to ARS, right at the end of 2007, the executive team of ARS said, "listen, we want you to stick around for a while." And to invite you to do that, we're going to give you seven broken businesses that we run, and we want you and your team to go fix those businesses. And we will pay you the Delta between 2007 profits and 2010 profits. We'll pay you as if you own the businesses but, we'll put up all the money you need." Also, my team and I embarked on that journey and we took the businesses from doing 30 million in revenue during the years 2008, 9, and 10 To a business that did 80 million in revenue during the most challenging economic times we've ever seen.

We also took the income from the 2007 numbers and five X it over that period of time. We grew it from 30 to 80 and five X the bottom. And that was, I put together a great team. We executed on the systems that I had created years ago, we improved the systems and we employed new systems and we ran a complete systemized business and created those sorts of results. So I monetize those seven businesses. I actually bought one in the middle of four ARS. So it is actually eight. So monetize those eight businesses then.

**David Heimer:** So you bought one business and merged with them as well.

**Ken Goodrich:** I did yeah. So after that journey, I had an opportunity to buy Goettl Air Conditioning. Now Goettl Air Conditioning was very important to me because the first air conditioner I ever lit up with a flashlight was a Gettel Air Conditioner. My dad was a Gettel Air Conditioner dealer. They used to manufacture them. The first air conditioner I

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

ever repaired was a Goettl. The first air conditioner I ever saw was a Goettl. The first air conditioner I ever installed was a Goettl. And the first air conditioner I ever sold was a Goettl. Goettl was part of my entire career as a kid growing up. After my dad passed away, I bought the company. I was a Goettl dealer up until 2007 when they stopped manufacturing. Goettl was a big part of my whole career. So when I had an opportunity to buy them, I felt like it was my destiny I had to.

They had fallen on hard times. They were doing at that time, 11 million in sales and losing \$3 million dollars, quarter million a month. So I took my team. We brought in the systems, rallied our people around that. Worked on building the culture and the morale around the company again. Circled around the legacy and history of the company and the innovations they've created and worked on that business from 2013. And we monetized it again in 2018 where we took on some financial partners, bond capital. And so I monetized another eight branches that we had built. So we took Goettl from Phoenix, Arizona doing 11 million in sales, losing 3 million. We moved branches into Tucson, Southern California, Las Vegas. We added a plumbing brand called the Sunny Plumber, we've added that onto there.

**David Heimer:** Let me ask you a quick question about Goettl when you acquired them, they were no longer manufacturing equipment. Is that true?

**Ken Goodrich:** That's correct.

**David Heimer:** Were they a service and replacement business at that point when you acquired them?



## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

**Ken Goodrich:** Yes. And Goettl has always been a service replacement and contracting business. They started out with evaporative coolers and when Louis Carrier invented the air conditioner, he didn't invent one for home application, the Goettl brothers did. So they've invented an air conditioner for home applications, the very first one. And so the discovery channel has actually done a story on Goettl Air Conditioning. It talks about, they are the true catalyst of the growth of Phoenix, Arizona. They've made Phoenix, Arizona habitable by the invention of their air conditioner.

**David Heimer:** I live in Texas and I often wonder how people lived here before air conditioning. I'm convinced that it didn't start to grow the way it did until air conditioning was available for homes.

**Ken Goodrich:** No, I always say air conditioners, a life support system, not a luxury out here in the desert. So I was able to monetize those businesses of those eight companies, July of 2018, my management team, and I still own a significant share of the business. And our plan is to continue to grow the company and monetize them a few more times. We've continued to implement our system strategy and I'm proud to say that this year we will pass the hundred million dollar mark on this company that just six years ago was doing 11 million losing 3.

**David Heimer:** That's very cool. Congratulations.

**Ken Goodrich:** Thank you. We've got a great team here. So that's kind of been my journey. Our mission statement now is Goettlize the nation. And what's really, my goal is to create enough inertia with Goettl and the brand and the people to get it across the US, possibly be there when it happens.

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

**David Heimer:** That's exciting. So currently you're in Nevada, Arizona, Southern California, but your intent is to grow Goettl and make it a nationwide service and replacement brand.

**Ken Goodrich:** It is, so our current locations are Las Vegas, Phoenix, Tucson, Corona California. We just closed on a business in Simi Valley, California called Dutton Plumbing.

**David Heimer:** That's a great company, way to go.

**Ken Goodrich:** Yeah, I'm very excited. So we partnered with Eric Dutton and Eric Falconer, and they're going to lead our plumbing initiatives across the US. Very excited about that one. We have two acquisitions working now in Texas, one in Dallas and one in San Antonio. And so we're just going to keep marching across the Sunbelt, see how far we can go.

**David Heimer:** Eric Dutton has been on our podcast twice. He's a great interviewee and he's built a great company. So I'm excited to see you guys partner together. I think that's going to be very fruitful for both of you guys. That's great.

**Ken Goodrich:** He's a great guy and we compliment each other. We both have different strengths, but we both have the same ambition. So I think we're going to really accelerate our performance together. I'm excited.

**David Heimer:** You are releasing a book as co-author with Michael Gerber. I interviewed Michael Gerber not too long ago as well. And by the way, he was incredibly

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

complimentary about you. So how did this come about?

**Ken Goodrich:** Back in the late eighties? I literally carried his words in my back pocket for years, and I just religiously did everything I could to implement the practices that he described in his books and it worked. I didn't second guess it. I just did it and it worked. I've had some very interesting results over the years from implementing the practices in the E-Myth Revisited. So I happened to be at a convention one time and he was the keynote speaker. So I got there a little early and I sat in the front row and I listened attentively and I took some more notes and I'd never met him before. He was more dynamic than I ever thought. And then after his keynote, he went and signed books and I waited to be the last guy in line.

And I get to him, the last guy in line, he says, "I'm sorry, I'm out of books." I said, "oh, that's okay. I have your book." But I told him the story that I just told you, and he was very proud about it. And he said, "a lot of guys have read this book." He is the best-selling small business author of all time. He said, "a lot of people have read it. Not so many have implemented as well as you have." And so he said, "would you like to co-author a book with me about the HVAC business?" And how could I resist? How could I say no?

**David Heimer:** How long would you have to think about that?

**Ken Goodrich:** I said, "where do I sign?" And so we became friends and we started working on the book together, the E-Myth HVAC contractor where we co-authored it. Michael has a chapter and then I have a chapter that is more specific to the industry. I'm proud to say, we're going to release the book onstage with Michael Gerber at the

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

Service World Expo in Las Vegas on October 15th. I'm so proud I get to go full circle, be on stage with him and show everybody what can happen when you discipline yourself to the teachings of others and you implement things, right.

**David Heimer:** What an incredible journey this has been. And congratulations, this is fantastic.

**Ken Goodrich:** By the way, I'll just go ahead and make the announcement now. Before the end of the year, I've co-authored another book with Michael Gerber, the E-Myth Plumber, and that'll be coming out in December.

**David Heimer:** Look forward to that one as well. So what can readers expect from this book?

**Ken Goodrich:** You're going to get the wisdom of the E-Myth book. The original E-Myth Revisited modern-day verbiage. Michael's chapters are brilliant and you'll get a hold of the meat that taught me what I know. And then each time he talks, I talk about how I applied those things, how I looked at them, how I go about implementing what Michael talks about? He's talking to every business in the world, I'm talking to HVAC service replacement businesses. And so I try to tell stories that relate to each of the chapters, from my experiences. Some are funny and some are sad. And then I also try to give you some meat on how to approach this. And so how you too can implement an E-Myth systemized business.

**David Heimer:** The theory and the practice of it all.

**Ken Goodrich:** The practice, a way to think about it, the things to do first and how to

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

bring it all together into a business enterprise. Inside the book too, I want to say I referenced Matt Michelle's book, The Power Positive Pricing, Service Roundtable. Both of those two tools have been key building blocks to our success as well.

**David Heimer:** Thank you very much. Matt's book is a great book and I certainly appreciate the kind comments about the Service Roundtable. You've got a lot of experience at this point in time, amazing growth, amazing background. You've been through the highs and lows of contractors and your own contracting businesses. If you had to just think of all the things that contractors could know or be doing in their business today, if you picked out the top three, what would those top three be?

Okay. So I've been asked this question a lot, so I'm going to answer it, first by saying, I think there's four. I think there's four key building blocks. If you make those, your foundational building blocks, you'll be poised for success. So the first one is you have to learn the price. You have to learn the mathematics of pricing. When I first started out in business, how I priced our repairs, I'd asked a supply house guy that I bought the part from. What are the other guys charging for this? Which was completely ludicrous. So I'm asking the lowest-paid guy who has no real perspective on how to run a business, what should I charge? And I charged it. And I think that happens a lot actually. And then a lot of guys survey their competition and see what they charge. I mean, nothing is applicable here. So you have to learn the mathematics behind pricing. There's a lot of resources, but the best resource I've found is Matt Michelle's book The Power of Positive Pricing. That is the most succinct, clear textbook if you will, on how to understand the mathematics of our business. There's lots of resources out there too that you can grab onto, by the way, when you systemize a business, you don't have to make up every system, right?

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

There's resources out there, Service Nation Alliance has thousands of business systems you grab, you make them yours, you implement them. And so don't think that you've got to reinvent the wheel every time, get a system, put it in place, hold your people accountable to it, quantify it. Okay. So pricing is the first one. And then the next three are kind of the three legs of the stool for any business. One lead generation. You have to figure out how to get the most economical leads. You got to get customers and there's multiple different ways to do that, but you've got to make it a mission. I got to have so many leads today. I got to convert so many on the phone and I got to sell a portion of those leads for a certain price. So you've got to be able to figure out lead flow.

The next thing is, you've got to learn how to sell something. Now that doesn't mean you got to get all go to the fancy sales classes, this and that. There's a lot of help out there on the sales side of the business. But I always found a very simple three or four step sales process that you duplicate every day, you practice and you refine every day and you document it so you can train other people to sell for you wins the day. So a clear, concise, transparent sales system. And then the final thing that will release you from all the problems of being a contractor is a client fulfillment system. The easiest part is to say, here's a picture book of how we install an air conditioner here. It has to look like this when you're done every which way, every piece and part here's how it has to look. This is our standard. This is our way.

If you teach your people how to do it, they have to have the books in their truck. They have to pull the books out when they install the system and then they have to send you pictures back. Now, technology has really helped us in terms of quality control. They

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

have to send you the pictures back and somebody of authority in your business needs to say, yep, it's done our way now you can leave. That way you have confidence that every job's put in properly, you're not having callbacks, customer complaints. And by the way, that's a great selling tool to say, every job is installed my way. So those are the four things, price it, lead generation, lead conversion, client fulfillment. If you can get those four things solid in your business, you'll never look back.

**David Heimer:** Well, Ken, thank you so much for doing this with us. This has been instructive. I think back to, I think it was 2008 and we had our first Service Roundtable, national meeting. We had it in New Orleans and we asked you to speak and you were so gracious. You're still a pretty young organization at that point in time. And you came out, you gave this presentation and we just didn't have that many people there. And they came and it was a great presentation actually and the people saw it. But I remember thinking, I just wish we'd had more people here. It was such a good presentation. And so the next year we had our meeting we had it in Las Vegas and we had a lot more people there. And so called you up. Ken, would you give the exact same presentation again? And you're so nice, you did it. And again, it was a great presentation. So you're the only person I've ever asked to give the same presentation twice. It will never happen again in my life as a matter of fact.

**Ken Goodrich:** I'm happy to do it again. I learned a long time ago that we're all in this business together. I've learned so much from so many of my fellow contractors. It doesn't matter how big they are, how long they've been in business, I can always pick up a Gem. And that's why I really enjoy being part of the Service Nation Alliance because I can always pick up a Gem. I can always pick up the phone and say, hey, how are you handling this? What are you doing? And so, I think that a big part of my success

## **Episode 49 - Ken Goodrich - Builder of Empires [00:26:49]**

has just been the fellowship of keeping myself involved with my fellow contractors and organizations like Service Nation Alliance.

**David Heimer:** Well thank you for saying that. That's very kind and you've been a great contributor to the organization as well.

**Ken Goodrich:** I'm happy to give back and help anyone I can.

**David Heimer:** It feels like we've gone full circle again. We're back in Las Vegas, you're going to be on stage doing a presentation this time with Michael Gerber. It's going to be fantastic. I'm really looking forward to it. Thanks for doing this again. And I look forward to seeing you in Las Vegas.

**Ken Goodrich:** See you then. Thank you.

**Outro:** We're always looking for good ideas and interviews for our podcasts. If you have an idea or maybe you think you should be interviewed, just shoot an email to [profiles Prosperity@serviceroundtable.com](mailto:profiles Prosperity@serviceroundtable.com) that's [profiles Prosperity@serviceroundtable.com](mailto:profiles Prosperity@serviceroundtable.com). If you think what we're doing has any value, it would be very helpful if you gave us a great rating on iTunes. Thanks for your support. Hope to see you again soon. Bye.