

Episode 51 - Merv Blank [00:18:36]

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 everybody this is David Heimer, welcome to Profiles In Prosperity. I'm really happy today to talk with Merv Blank. Merv is the president, owner and founder of Air Professional Associates in North Salem, New York. He is a 40 years-plus veteran of our industry. A guy that is known for the highest business values, great quality and on top of that, he's a genuinely nice guy and really interesting to talk to. So Merv, welcome to Profiles In Prosperity.

Merv Blank: Thank you for that fine introduction.

David Heimer: I want to start at the beginning, take you back a little bit in time. How did you get into our industry?

Merv Blank: Well, let's see, I graduated from a small college in upstate New York in 1956 and went to work for a family friend, Wone Mechanical Contracting Company. doing plumbing, heating, air conditioning, sprinklers, a little of everything. And after one year decided that was too broad for me. And I went on to a small company that specialized just in heating and air conditioning, basically residential and light commercial design bills.

David Heimer: And at some point, you decided to start your own company. Is that right?

Merv Blank: Well, it was funny because remember now we're back in the mid-fifties here. And when I went to work for this company when I was hired the man asked me,

Episode 51 - Merv Blank [00:18:36]

he said, "what would you like to be one year from now, three years from now and five years from now?" And my response was that "in three years, I would like to be making three times my salary. And in five years I'll be a partner here or in my own business." Now in four years, I became a partner and that's how I started making a company grow. And we did grow considerably and I stayed there until 1968 when I actually left and started Merv Blank Incorporated. That was basically a residential specialty company with, again, design-build and with a high-end service clientele. So that's where I started.

David Heimer: Tell me a brief history of Merv Blank Incorporated. Because I know that's not the name of your current company.

Merv Blank: Well, I started that in 1968 from scratch, built that company and had a very successful run with it. And in the nineties, when rollups were in fashion, I was romanced by quite a few of them and ultimately wound up with ARS, which at that time was a subsidiary of Service Master, a \$13 billion a year, New York stock exchange company. We were probably about a \$4 million a year company at that point. And Interestingly enough, Service Master bought the corporation. It wasn't done as an asset purchase. So they maintained the name of Merv Blank Incorporated. And we were highly regarded in our, probably a 30, 40-mile radius of where we had our base of operation.

The bad news was they tried to run it remotely from Nashville, Tennessee, and because they kept the name and as they proceeded to run it in the ground for the next five years before they ultimately sold it, people were calling me with complaints and I said, well, why are you calling me? Well, it's your name on the trucks? And it's your name when they answered the phone? And I said, well, I've been out of there for five or six years now, I'm sorry, I can't help you.

Episode 51 - Merv Blank [00:18:36]

David Heimer: That's got to hurt. That did not make you feel good did it?

Merv Blank: No, it certainly didn't. But I got my sweet revenge because I had leased them my building and I had signed a 50-mile restrictive covenant. And when I walked out the door, I said, look, I want that restrictive covenant reduced. And they said, nope, sorry. Well, about six months later, the lease was up for renewal and they didn't renew by accident. So I proceeded for eviction and they brought in these big, high-powered lawyers from New York City and from Nashville. And as we approached the bench for the judge, the judge said, "hi, Merv, what can I do for you today?" At which point we all exited the courtroom and settled up the issue of removing my restrictive covenant. And two days later, I closed on the sale of the building. So, revenge was sweet, but then I started from scratch back in the business again. The sale took place in the year 2000 and by 2007, I was back in business again.

David Heimer: And this time you didn't put your name in the company name, did you?

Merv Blank: No I couldn't because they owned it. I started from scratch and all I can tell you is the rest is history. 10 years later, we're a \$10 million a year company with 45 employees and I'm surrounded by four key people. The average age of my company right now is about 36. I think you've met some of my people. I have a chief operating officer who is Justin Pfeiffer, he's 38. I have a CFO Carlo who was very active with your AB nine group, highly regarded. He is actually a CPA and was part of the old MBI group. I used to say to him, "Carlo, when are you coming with me?" He says, "you're too small." Now he's afraid. I'm too big. So it's been a good relationship. Ryan Kelly, who is my vice president of service and Bill Marta Banner runs my residential operation as vice

Episode 51 - Merv Blank [00:18:36]

president of that group. So it's a great team effort and I'm very proud of it.

David Heimer: Merv, you're 85 years old. Is that right?

Merv Blank: Not yet, December.

David Heimer: Wow. Honestly, I took you for 70 something. You're doing really well, man. That's fantastic.

Merv Blank: I don't look, 85. That's all I get all the time. But I still work 60 hours a week and I've got a great team here and a great group of young people. We're all in here by 6:30 in the morning and we don't leave until after five. And we work half a day on Saturday, just the management team.

David Heimer: So is that the secret to longevity, just keep working hard and staying interested?

Merv Blank: Well, I don't think it's a matter of working hard. I'm a typical type A, okay. So when I sold the business in 2000, I became a snowbird and that just didn't work for me. I mean, I played cards, I played golf. I had no challenges.

David Heimer: It's like Ken Goodrich. He said retirement is not all it's cracked up to be.

Merv Blank: There you go, well, you know what they say? You retire, you die because if you don't keep active and keep your mind going. We're doing new, bigger and better things all the time. We're a very profitable company. I've had opportunities to sell the company. And I went to each one of these four guys and I said, what do you want to

Episode 51 - Merv Blank [00:18:36]

do? I can either sell this company and write you a six-figure check, or I can sell you guys to the company. And they turned around and they all want the legacy. So that's the kind of loyalty program that I have here. So it works. But I think I've put together a very creative program for it. And it bears some interest.

David Heimer: So you grew from zero to \$10 million and you started in 2007. So just 12 years ago, right?

Merv Blank: Basically just about 12 years.

David Heimer: Congratulations. That's awesome.

Merv Blank: We've recently acquired an old-line heating and air conditioning company, which has been around since 1937 as a second-generation wood family utilizing the old air temp name. I don't know if you remember the Chrysler Air Temp, that's an operation that Chrysler Motors had and then ultimately closed it down. And we've taken on 580 customers of theirs, telephone numbers, service records in an asset purchase.

David Heimer: This is what I wanted to talk to you about because when you and I were at Service World Expo a few weeks ago, you were telling me about this acquisition. So this is the one, right? There were three people in the company when you bought it. Right?

Merv Blank: Right. The president of the company, it was his father that started the company. The vice president and his partner is his brother-in-law because his sister who has also been in the family operation all these years is the vice president's wife. So those are the three people. At one time, there were up to 10 people, but they're old,

Episode 51 - Merv Blank [00:18:36]

there's 68, 65 and they just retired. They just wanted out and we were highly recommended and we had good chemistry and all I wanted was an asset purchase. I want your customer list, I want your customer records, I want your phone number. Anything else you can keep. The end little nit flit there was that they had some installs that they had done within the last year. Would I cover their warranties as far as a one-year warranty? So I said, sure. So in turn, they turned over the oldest inventory you ever want to see in your life, right? There is actually a manometer, Dave from 1977, still has the original box and package that it came in.

David Heimer: Open up a museum.

Merv Blank: I'm going to frame it actually. Actually, I'm going to put it in a frame and mount it. It's quite interesting, but it's been very successful for us. The sister came here for the first two weeks. We did the transaction and we sent out a letter under their name that they signed introducing us and telling us that they were unable to proceed with the kind of service that they were used to giving their customers. And we followed that up with a letter saying, we're happy to have them enjoy their retirement. And we're looking forward to them putting their trust in us and bringing us to where we are.

So it worked out very well. We've actually booked their customers into December, even for maintenance. They've been very welcome to receive us, even though they're used to some low pricing, we assured them that we would charge them the same price as they paid last year. And we've been selling them service contracts. We've run into two cases, one where there was a furnace that was installed in 1956 that's still running.

David Heimer: That's great. You do need that museum.

Episode 51 - Merv Blank [00:18:36]

Merv Blank: And another one from 1977. Oh, they work perfectly, we don't need to change these, I don't care about the efficiency. So, it's been good. I'm counting on us, recouping our investment in something like 12 to 14 months. So it's been a very successful addition to our family.

David Heimer: So there were a couple of other things that I remember, and I may not remember this, right. So correct me if I'm wrong. The two guys were like 65 and 68 and they're about 500 customers in the company, is that right?

Merv Blank: 580 customers.

David Heimer: 580 and then they didn't have any computers at all. Right. Everything was handwritten or typed on a typewriter.

Merv Blank: Absolutely. First of all, this was their normal procedure. They did not answer their phone. They had a recording and at the end of the day, the girl in the office would write down all the calls that came in, and then they would proceed to answer them. When they went out on a service call, they wrote up a ticket by hand, brought it back to the girl in the office. She typed it manually on a typewriter and sent the bill out for collection.

David Heimer: She types it up on the typewriter, folds it up, puts it in an envelope, probably with the prepaid return envelope, possibly just mailed it out and then the homeowner's going to get it. And then they didn't take credit cards either. Did they?

Merv Blank: Nope.

Episode 51 - Merv Blank [00:18:36]

David Heimer: So then the homeowner's going to take it, write a check, put the check in the invoice, back in the envelope, and mail it back in. Right? It feels like a fond memory to me almost. I'm old enough to remember those kinds of processes. But it's been a long time.

Merv Blank: Well, everything was manually done. They actually had a book, a loose-leaf handwritten by the town of every account in those towns. Handwritten to the extent of what was done there, what equipment was there, and what the last bills were all hand manually done.

David Heimer: But here's the thing. And you didn't really say this, but I can kind of tell this was the case. The owners and the people in this company took really good care of their customers. Didn't they?

Merv Blank: Absolutely. Everybody that we talked to loved their customers. A couple of people actually got annoyed with us when we called to make an appointment, they had no right to walk away from this business without asking me first. Some of these customers were second and third generation that they were taking care of. He did my father's and he did my grandfather's. That's the way they had their relationship and that's what they did. And it's a beautiful thing.

David Heimer: You should be sort of honored that they were willing to sell it to you. Because if I know these people, I don't know them personally. But I know the kind of people they are. They're not willing to sell this to just anybody, are they?

Merv Blank: No, absolutely not. We were very highly recommended by some people

Episode 51 - Merv Blank [00:18:36]

that knew us and knew them. And I just read you quickly, the letter that we sent out under their signature, all right. It says "after proudly being in business since 1937, we're excited to announce. We have been acquired by Air Professional Associates, a leader in the HVAC industry. After much deliberation, we decided that we are no longer able to maintain the day-to-day operations as effectively and thoroughly as we have in the past. We have always prided ourselves on excellent service. And this change is to ensure that you continue to receive the best service. We want to take this opportunity to thank each and every one of you for putting your trust in us over the last 90 years and bringing us to where we are today. The owner of Air Professional Associates, Merv Blank has been a veteran in the HVAC business for more than 40 years. His staff of professionals offers a vast range of knowledge and experience in design installation and service and heating and air conditioning and ventilation for both residential and commercial projects. Air Professional Associates is located in North Salem in New York and is licensed in Westchester, Putnam, Dutchess, Rockland, Counties and Connecticut. Customer service will reach out to schedule your annual maintenance and discuss enrolling you in our maintenance quiz". And they both signed all right.

A week later, we sent our own letter out saying "we are excited to welcome our new Air Temp customers to the APA family. We also send our best wishes to Greg and Robert on their well-deserved retirement. Air Professionals is owned by Merv Blank, who's the active CEO and has been in the business for more than 40 years. Our company has always taken pride in providing excellent service to all of our customers. Our staff of professionals offer a vast range of knowledge and experience in the design, installation and service of air conditioning, heating, and ventilation. Air Professional Associates is licensed in the various areas I said, and you can learn more about Air Professional

Episode 51 - Merv Blank [00:18:36]

Associates by visiting our website, www.airprofs.com. Customer service will reach out to schedule your annual maintenance program and discuss, enrolling you in our maintenance plans. We also offer 24/7 emergency service, if any occurs. We welcome you to our APA family. Please feel free to reach out to us with any questions or concerns you have. We may be reached via phone at 914-276-0100 or email at apa.airprofs.com." It's been a nice transition. We wrote those letters by the way.

David Heimer: And they're very nice. So you don't have to answer this question, but I am curious and feel free to just say no. But how much did you pay for them?

Merv Blank: \$150,000.

David Heimer: Wow, that's good. And you think you'll recoup that? I think you're going to recruit it in under a year, but you're thinking around a year. That's a good acquisition. It's a great story too. That's really interesting.

Merv Blank: It's doing well, it's very smooth and you get some resistance because their customers are older than they are. They feel betrayed, some of them say, how could they do this to me? I give the guy a break. And I have to tell you that Greg, who is the president of the company, is probably about six, seven and all gray beard, gray hair. Big guy must go about 250 to 260. When I met with him the first time he could hardly get up off the chair, to get me some papers. And he and his brother-in-law are out there doing these service calls. They just couldn't wait to close because the phones were ringing.

David Heimer: They just wanted out.

Merv Blank: They just had enough. And the chemistry was good because they were

Episode 51 - Merv Blank [00:18:36]

aware of me. They knew of my reputation. They were comfortable in the whole transaction and it went very smoothly. We did it in a week.

David Heimer: Wow. That's fantastic. You know what I'd like to, like a year from now, check back with you and see if you got anything else, lessons learned that kind of stuff. But the reality is this is the most straightforward acquisition that I think I've ever heard of. This is great.

Merv Blank: Well, I've taken on no liabilities, none. I have no liabilities. As far as accounts payable accounts receivable, it's just a straight asset purchase. And it's a very defined agreement. It's very simple and it worked very well. No slippery, legal matters here in a massive contract, I didn't even have the lawyers at the closing. They were anxious to take the money and run. They just wanted no more to do with this.

David Heimer: They need to retire, go on to other things.

Merv Blank: So it went well. I'm very pleased with it.

David Heimer: Well, Merv, thank you so much for doing this man this is great.

Merv Blank: Thank you, David, alright.

Outro: We're always looking for good ideas and interviews for our podcast. If you have an idea or maybe you think you should be interviewed, just shoot an email to profiles Prosperity@serviceroundtable.com. That's profiles Prosperity@serviceroundtable.com. If you think what we're doing has any

Episode 51 - Merv Blank [00:18:36]

value, it would be very helpful if you'd give us a great rating on iTunes. Thanks for your support. Hope to see you again soon. Bye.