

MORE LEADS WON'T GROW YOUR BOTTOM LINE

WHAT YOU DO WITH THEM WILL

A white paper for contractors from Tracy Paul, Principal

CORNERSTONE ADVERTISING & MARKETING

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TELL ME QUICK!

**Too many of your peers are convinced the secret to success in the home service industry is to acquire as many leads as you possibly can.
We respectfully disagree.**

The success of our clients rests largely in their ability to determine which leads are worth pursuing -- namely, those with the greatest propensity to be profitable -- and let their competitors settle for the unprofitable business.

It's a simple, practical concept -- and we can prove it works because we've been helping our clients do just that for years.

MORE LEADS WON'T SAVE YOUR BUSINESS

THE SECRET TO SUCCESS IN YOUR INDUSTRY IS NO SECRET

Long ago, George Shepherd and Tommy Bright both worked for the same HVAC contractor in their suburban community. Several years later, their relationship switched to competitors as both launched their own heating and cooling businesses.

About the same age, the two men hail from similar backgrounds, but their approaches to growing their businesses couldn't be more different. Most people assume George has a much bigger business because they see his face, ads, and trucks everywhere. He has become obsessed with leads, reasoning that more of them automatically translates to more sales. Tommy has a smaller staff and spends a small fraction of George's budget on advertising.

So why is it Tommy's revenue, profit margins, and customer reviews consistently track well above George's? Analyze the numbers and you'll spot one important clue: Tommy's average revenue per call is significantly higher than what George's techs rack up.

IT ISN'T HOW MANY LEADS ...

No matter how many leads George receives every month, he craves more. He constantly studies the numbers. When a particular channel becomes more productive, he quickly shifts more money there to build on the success. Like many contractors, George created a \$39 inspection special to turn more of those leads into service calls. He knows most people call because they know their furnace or AC needs work, and even though \$39 doesn't cover the cost of sending the tech to a customer's home, it gets his team in the door.

George sets benchmarks for the numbers and types of calls he expects each of his techs to handle each week. If a tech beats that week's expected number of calls, George makes a big deal about it because he knows employees crave praise. Handle five calls in a day, and you can count on a public pat on the back.

... IT'S WHAT YOU DO WITH THEM

George's business model is based on a sound idea, but while we'll give him an A for concept, his company's execution of that concept earns a D at best. Why do we say that?

The best way to answer that is to look at his competitor's approach. In an average week, Tommy's techs handle far fewer calls. Part of the reason is that they tend to spend more time on each call, so Tommy doesn't need to generate as many leads to keep them busy. **Tommy is also laser-focused on what happens to the leads his company generates.** While his team has its own tune-up special to generate calls -- at a \$79 price point, by the way -- their average ticket is significantly higher than George's. That's because Tommy has a solid understanding of the three fundamental pillars of growing a home services business. Continue to throw good money after bad ... or you could shift to the approach our clients have consistently used to achieve higher growth and profitability than their competition.

KNOW THE THREE PILLARS?

Times change, technology changes, pricing changes, but one thing about the home services industry has long remained the same: consistent success in every market and economic environment is built upon those three pillars:

MARKETING. In simple terms, marketing is what drives people to contact you in the first place. Everything involved in how they learn about your business, how well the services and capability you offer match their needs, and what you do to make sure they call your company instead of your competitor. It's about things like branding, pricing, and yes, lead generation.

CUSTOMER SERVICE. Customer service is everything that transpires starting with the moment a prospective customer reaches out, especially the first few seconds of the initial conversation with whoever answers your phone or responds to an email or text. It continues through determining exactly who should handle the home visit, the appointment confirmation and alert that the tech is on the way, how that tech interacts with the customer, the follow-up to verify that the customer was happy (and the resolution if not), and the next booking. In other words, customer service isn't just one step -- it's woven through everything your team does.

THE KITCHEN TABLE. Here's where the magic really happens. Your tech has listened to the customer's concerns and examined their home's equipment. They've gleaned some basic information about their needs and lifestyle. Now they're ready to educate the customer about the state of their system. **It includes an honest conversation about the options available to the customer and the likely result of each, from doing nothing, to making a repair, to considering whether a replacement is the most sensible choice -- and the right financing for each choice.** It all culminates in guiding the customer to the option that's right for them and their budget.

GEORGE'S WEEK

It's a steamy Monday morning, and George grins as he sees his lead generation efforts working like a well-tuned condensing unit. The weekend's scorching heat strained ACs throughout the region, and the office phone is ringing off the hook. He knows his techs are going to be beyond busy and he can't wait to see the sales numbers they'll generate.

George doesn't realize how much higher those numbers could be. For starters, he doesn't have enough CSRs to handle the day's call volume. Callers are being put on long holds or bounced into voicemail, leading many to hang up. Some may call back, but more will call one of his competitors.

While his CSRs are nice people, they're a bit rattled this morning and are becoming short with some of the callers, especially the ones who learn they won't be able to see a tech for a few days. (Will George notice that 22 percent of the appointments his CSRs made this morning will be canceled because the caller opted for a competitor who could show up sooner?)

His technicians are as busy as he anticipated. They know the number of calls they'll handle is a key performance metric, so they work quickly and efficiently. When they see the customer's AC or heat pump is nearing replacement age, they ask if the customer is interested in an update and offer a ballpark estimate. Nearly all say no, so the techs smile, wish them a great day, and break a traffic law or two to get to the next call more quickly.

TOMMY'S WEEK

It's a steamy Monday morning, and Tommy knows the call volume is going to be high, so he asks Beth if she'd mind helping the CSRs for a little while. She did that work before he moved her to accounts receivable, and she's happy to help.

Only a few calls fall into voicemail, and nobody gets put on hold. The CSRs manage to be both friendly and businesslike, engaging the callers and learning more about the reason for their calls. They ask a few questions to give the service techs a clearer sense of what they'll walk into and leave every caller feeling like the most important that day.



THE CLOVERLEAF MARKETING MYTH

You land a big sale in a nice neighborhood, and your customer couldn't be happier. Their neighbors should be primed to call you for their needs, right? So you saturate the immediate area by sending postcards to 250 homes. Keep in mind yours is a need-based business. It may be a decade before those neighbors have a need ... and will they still remember your name?

You're better off investing the time and money in targeting a larger audience with repeat messages than taking a more expensive, far more limited effort with a smaller audience. And instead of a mass mailing, put door hangers on the dozen closest homes. They're more likely to know the owner, so the referral will be far more effective.

The answers to those questions help them decide which of the company's techs will handle the lead. For example, if it's a customer with a three-year-old AC who seems to have a minor thermostat problem, one of the more inexperienced techs will do a fine job. **But if the customer describes the existing AC as a teenager that needed repairs twice in the last five years, a tech who's especially effective at selling replacement units will take the call.** No matter what the situation, the tech chosen to handle the call will get all the information the CSR gathered to better prepare them for what they're likely to encounter.

The techs show up when promised. As the customer shows them where the equipment and thermostat can be found, the techs engage them in conversation to get a better sense of how well the home's systems are meeting their needs. Instead of racing to get to the next call, the technician takes time to get to know the customer and their needs.

WHERE THEY FOCUSED

Both Tommy and George invest quite a bit into growing their business. Like many home service contractors, George chooses to invest the bulk of it in lead generation tactics like digital advertising. Makes sense when you consider he has six techs who need to receive three leads a day to meet basic goals. That's a total of 18 leads per day or 90 a week.

One thing George finds frustrating is how many of those leads generate no revenue beyond the special's \$39 price tag. In our experience, even the most successful home services dealers come away from half of customer appointments with zero revenue. George would be thrilled to do that well -- but he can't, because his team lacks the insight and skills to turn what he calls his "loss leader" into bigger-ticket business.

Tommy also puts some of his investment into lead generation (as part of a marketing mix that also includes brand awareness and other goals), but he made his biggest investment in his people. Callers enjoy talking to the CSRs, who are warm, polite, efficient, and know how to listen. They're also good at gathering information to help the tech be more efficient. It's a combination of careful hiring and professional customer service training. Not cheap, but it's hard to argue with the results.

The techs handle the kitchen table portion. **In addition to their technical skills, they've received customer service and basic sales training.** They've learned how to size up each customer's home and adapt their messages. When a customer raises a concern, they address it respectfully, earning the customer's trust. Tommy has given them clearly defined goals and empowered them to make decisions. Any surprise his average ticket amount is substantially higher than George's, or that he suffers fewer cancellations?

NUMBERS TALK

You'd like to send your CSRs and techs to training programs that would make them better, but that involves a lot of money. We understand completely. **But real-world experience with our clients proves there's no more effective way to boost your average ticket and total revenue than investing in your people.** Plus, even small incremental improvements in your team's skills result in large bottom-line increases.

Here's an example that's based on real results our clients have seen. We'll look at a contractor who receives 1,254 leads to service customer equipment and 345 for new equipment. Historically, the contractor's CSRs have been able to turn 65% percent of the service leads into booked calls, with a completed job rate of 95% and an average repair ticket of \$564. That gives us 774 service jobs for \$436,731 in revenue. The CSRs are less successful with equipment leads, booking just 55% with a 75% completion rate producing 142 completed jobs at an average of \$12,874. Total overall revenue is just about \$2.3 million. Not terrible.

But what happens if the CSRs receive some training that bumps their service booking rate up to 70% and equipment up to 65%? Keeping all other variables the same, total revenue jumps to \$2.6 million. In other words, a slight performance increase added \$366,709 to the bottom line. Suppose the techs receive training that allows them to increase the average service job to \$764 and equipment sales to a slightly higher \$13,500. Now total revenue is \$2.9 million, a gain of \$638,777 over the original scenario.

Small performance improvements generate significantly higher revenues.

	MARKETING	CSR/DISPATCH/OPS				KITCHEN TABLE	REVENUE	
	Opportunities	Booking Rate	Booked Calls	Completed Job Rate	Completed Jobs	Average Rev / Job	Total Revenue	
Service	1254	65%	815	95%	774	\$564	\$436,731	
Equipment	345	55%	190	75%	142	\$12,874	\$1,832,131	
							\$2,268,862	
								INCREASE
Service	1254	70%	878	95%	834	\$564	\$470,325	\$33,595
Equipment	345	65%	224	75%	168	\$12,874	\$2,165,246	\$333,115
							\$2,635,571	\$366,709
Service	1254	70%	878	95%	834	\$764	\$637,107	\$200,377
Equipment	345	65%	224	75%	168	\$13,500	\$2,270,531	\$438,400
							\$2,907,638	\$638,777

**INCREASE
REVENUE**



WHY IT DOESN'T PAY TO FOCUS ON YOUNGER HOMEOWNERS

Far too many HVAC dealers base much of their marketing on a flawed assumption: they believe their most promising customers are the younger ones. As the millennials and Gen Z slowly move from rentals to home ownership, they offer a tremendous growth opportunity for your business, right? They're the folks who grew up with digital, so you can count on them to respond to your digital marketing efforts, right?

Well, no. Our team has worked with home services contractors across North America for many years,

and time and time again, the evidence says the most profitable business comes from homeowners who are 45 and older. Don't believe me? If your data includes customers' ages, run a comparison and you'll be stunned.

When you think about it, that shouldn't be a surprise. First, your older customers nearly always have more money to spend than newer homeowners. Second, older homeowners are less likely to see DIY as a sound approach when it comes to key systems like HVAC, electrical, and plumbing. And finally, older folks are experienced enough to be risk-averse. They've lived through the hassles of AC compressor failures and frozen blower motors, so they'd much rather replace things before they have a chance to break.

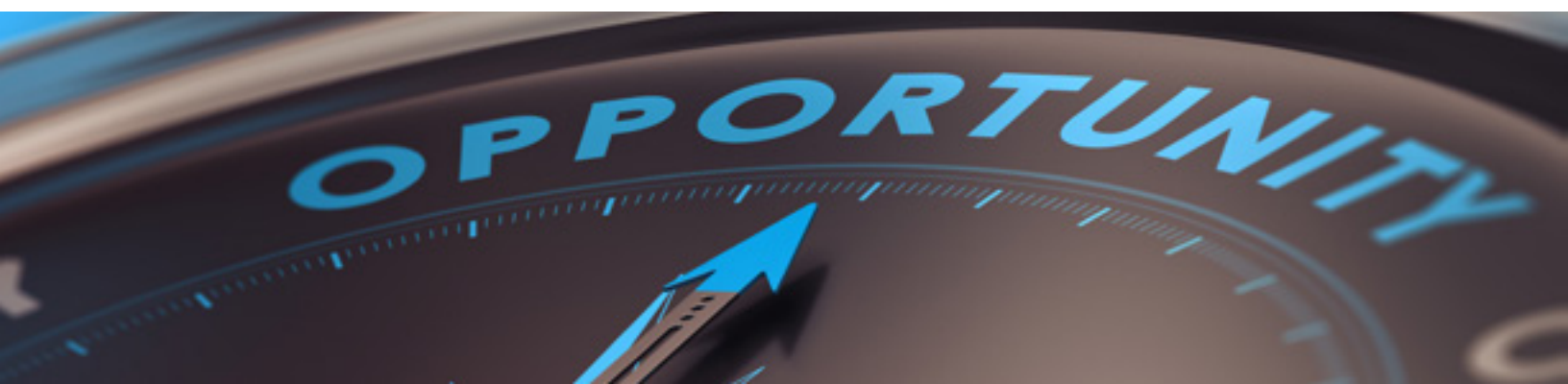
BOOKING BY OPPORTUNITY

If your staff is at the ideal size for the business you're doing -- in other words, if you're getting enough leads and work to keep them relatively busy -- **the next step is to put more thought into how you choose the opportunities you'll pursue.**

Remember our statement that even the most successful home services dealers come away from half of customer appointments with zero revenue? There are ways you can dramatically increase the number of revenue-producing calls your techs hire. It goes back to the skills of your CSRs.

You may see all leads as offering the same opportunities to capture profitable business. Contractors who think that way tend to book every lead they can without considering the likelihood the call will generate sufficient revenue. When their tech pulls up to the Smith home, they don't know whether they'll find a year-old heat pump that's still under warranty or a 20-year-old furnace that won't make it through another season.

The simple truth is that the older the customer's equipment is, the more likely it will present a true opportunity for revenue. That's why part of the CSR's normal process should involve asking callers about the age and condition of their home's equipment and listening for clues that provide insight into the call's opportunity.



In addition, you're in a need-based business. People don't buy replacement heat pumps for fun. If it's a subzero day and your furnace has died, you need someone to fix or replace it immediately. Given all those factors, you want to focus your marketing spend in ways that will make you available to homeowners who need your help and are able to pay for it. That doesn't mean you should ignore the under-45 crowd. But if you make that your primary (or sole) emphasis, you're going to miss out on the bulk of the available business.



IT'S BASIC ECONOMICS

Your technicians have the capacity to handle a set number of calls each week, so it's to your advantage to fill those slots with customers offering the greatest potential for revenue. If a caller is having an issue with equipment that's less than five years old, it's not as likely to generate as much revenue as equipment that's over a decade old. That's why you want to fill your appointment schedules with calls involving older equipment. Those are the customers who should receive first priority, so they're the ones you try to fit in today or tomorrow.

What about the callers with new equipment? If you happen to have extra spaces in your appointment calendar, you can slot them in. It might take a little longer to get to their homes, but that's okay, because it's less likely to be worth your tech's limited time. And if a caller with minimal opportunities for profitability decides to turn to a competitor who can get to them more quickly, you don't have to be upset, because the competitor probably isn't going to make anything.

If George looked at the week's 90 opportunities that way, he'd likely conclude that maybe 40 of those calls were unlikely to produce any revenue. Based on his company's history, he knows that somewhere around 30 will have equipment that's 5-10 years old and can each be expected to generate an average sale of \$1,000. **What about the remaining 20? Those are the folks whose equipment is older than 10 years, generating sales of \$5,000 or so each. That's \$130,000 in expected revenue right there.**

In other words, if George focused on scheduling calls to maximize revenue instead of simply trying to handle as many calls as possible, his business becomes significantly more profitable. What would it mean to your bottom line if you could shrink your percentage of zero-revenue calls by half or more?

WHAT CAN OUR MARKETING TEAM DO FOR YOUR BUSINESS?

Everything, actually. The Cornerstone outsourced marketing team handles all the traditional and digital marketing and promotional services you need, from SEO to direct mail to truck design, all delivered through one account manager who treats your business as though it's theirs. Even better, we have a lot of practice with all of them. We know what works and what doesn't. We'll provide all this and more:

ACCOUNT SERVICES

- ▶ Strategy
- ▶ Research
- ▶ Planning
- ▶ List Acquisition
- ▶ Direct Mail Purchasing
- ▶ Budgeting
- ▶ Analytics
- ▶ Resource Management & Execution

BRANDING & MARKETING MATERIALS

- ▶ Logos
- ▶ Brand Style Guides
- ▶ Business Cards
- ▶ Brochures
- ▶ Sales Collateral
- ▶ Forms
- ▶ Vehicle Wraps
- ▶ Banners
- ▶ Packaging
- ▶ Posters & Illustrations

DIGITAL PROMOTION

- ▶ PPC Advertising/Google LSA
- ▶ Website Design & Hosting
- ▶ SEO
- ▶ Blogs
- ▶ Email & Text Marketing
- ▶ Social Media Content & Advertising
- ▶ Online Reputation Management
- ▶ Online Directories
- ▶ Online Publications

TRADITIONAL ADVERTISING

- ▶ TV
- ▶ OTT
- ▶ Cable
- ▶ Radio
- ▶ Direct Mail
- ▶ Magazines
- ▶ Newspaper
- ▶ Billboards
- ▶ Printed Directories
- ▶ Video
- ▶ Media Planning & Buying

DON'T THROW MONEY AT IT

Ask most marketing firms about what you can do to increase revenue, and they're likely to tell you that you need to spend more money. We believe it makes far more sense to help our clients spend money more effectively and profitably -- and our clients' experiences prove that investing in the right kind of staff training is one of the best ways to do that.

To make it work, you not only need access to good data. You also have to know how to analyze that data in meaningful ways that can help you make the smartest choices for your business. For example, you should know each technician's ratio of basic service calls that turned into sales, based on the age of the customer's home and equipment.

Sure, you can let your gut drive your decisions, but we've found that serious analysis beats even the most experienced gut every time.



NEED SOME HELP?

As the owner of a home service business, you juggle so many different responsibilities and never seem to have as much knowledge as you'd like. That's where we can step in and help you refine what you're already doing to make it more profitable and successful.

The Cornerstone Advertising team does one thing ... and we do it well: market home HVAC, plumbing, and electrical services to consumers. We have decades of experience helping companies like yours fine-tune their structure and operations while making their marketing efforts much more effective. A brief conversation with us might be the first step to transforming your business into the envy of your competition.

CORNERSTONE ADVERTISING

PROVEN DIRECTION • PROVEN EXECUTION • PROVEN LEAD FLOW

YOUR OUTSOURCED MARKETING & ADVERTISING TEAM FOR
GROWING YOUR BUSINESS

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ABOUT THE AUTHOR

Tracy Paul is principal owner and founder of Cornerstone Advertising Inc., where he has helped HVAC, plumbing, and electrical contractors of all sizes grow and become market-dominant companies in cities throughout North America for more than 25 years. Cornerstone is a full-service marketing firm that includes both traditional and digital advertising for the home service industry and gives contractors access to a complete marketing department for less than it costs to hire a full-time marketing director, using proven strategies delivered through a marketing manager who treats their business like it was their own.

Learn more at:

www.cornerstonead.com