

SMALL TICKET SALES LEAD TO BIG DOLLAR BUSINESS

**WHY YOU NEED NEW CUSTOMERS
TO ACCELERATE GROWTH**

A white paper for contractors from Tracy Paul, Principal

CORNERSTONE ADVERTISING & MARKETING

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TELL ME QUICK!

Ask a contractor whether they're better off spending their marketing dollars on promoting equipment sales or a cheap clean and check offer, and 99 out of 100 will answer "equipment."

But they're all wrong. If you want your contracting business to grow and become more profitable, those cheap offers will be your secret weapon. That and reorganizing and retraining your team.

We know this all works because we have a deep understanding of both the HVAC market and the human psyche. For example, we know why contractors who are extremely proud of their customers' loyalty rarely grow all that much.

THE IMPORTANCE OF **NEW CUSTOMERS** IN ACCELERATING **GROWTH**

WHAT MOST HVAC CONTRACTORS GET WRONG

Erv Eastland liked his business, though he wished he did more of it. Eastland Heating & Air has held steady at three techs for the past couple of years. Well, two techs and Darryl, who was more of a superhero when it came to big jobs like installations. Nobody was more dedicated to getting the work done than Darryl, even if he'd never be the warm and fuzzy guy around the shop. Or around customers. He wasn't like Marcus or Brady, whose smiles made customers ask for them by name when they'd schedule a call.

Darryl was best for the big stuff, but there was never enough of it to keep him busy more than half the time, so Erv sent him out on tune-up calls when business got slow. Darryl grumbled that the simple calls were annoying and frustrating (plus, the homeowners always wanted to talk). He concentrated on getting the simple tune-up done and getting out the door as quickly as he could.

One evening, just on a hunch, Erv put together a simple spreadsheet listing all the sales to new customers for the last quarter, broken down by the tech who handled the initial \$69 tune-up call. Both Marcus and Brady had been able to generate quite a bit of additional business and several sales of equipment. Darryl had some parts sales and little more. Yet he paid Darryl a lot more than the other two because of his skills. Erv fiddled some more with the numbers and discovered that when he added in travel time and overhead, he was actually losing money on every tune-up Darryl handled.



AN INCORRECT ASSUMPTION

Many HVAC contractors are in Erv's shoes. Don't get us wrong: he's a successful business owner and a great guy. He's just not looking at his business logically. Like every contractor, he wants the big-ticket equipment sales and sees those as the key to landing more long-term customers. So most of his advertising focuses on the replacement market (although he hates having to give up a portion of margin on those sales).

What Erv doesn't realize is those equipment sales aren't the key to creating a sustainable and growing contractor business.

KNOW WHAT IT IS?

Those \$69 tune-ups. We know, there's no margin there and you're thinking we've lost our minds. That's only because you're looking at them all wrong. You need to understand consumer behavior. You need to think like your future customer. We'll have more on that in a little while.

But first, let's discuss the new customer funnel. Every contractor wants new customers because they're full of opportunities to make money. No matter the reason for their initial call, you have the chance to sell them products and create revenue streams.

(And yes, we recognize you charge something other than \$69, but you have some kind of get-in-the-home offer, so when we refer to the tune-up, mentally replace it with your deal.)

FILLING THE FUNNEL

Your ultimate goal is selling a piece of equipment, so you've always focused your efforts there. But that's nowhere as effective as investing your marketing dollars in keeping your new customer

funnel full, and adjusting the roles of your technicians and other employees to make the most of the folks in that funnel.

With the right structure in place, more of the homeowners who enter your funnel will become customers ... and you'll find your equipment sales growing more than you imagine. It will happen more quickly than you expect.

Why should you **stop aggressive promotion** of equipment and **focus instead** on what looks like a small-dollar sale?

LOYAL CUSTOMERS AREN'T AS IMPORTANT AS NEW ONES

We've seen multiple studies on lifetime customer value for HVAC contractors, and most conclude you'll earn nearly all your income from a homeowner within the first 18 months of your business relationship with them.

Every HVAC contractor strives to have those loyal, long-term customers ... but after a year and a half, they just don't contribute much in the way of revenue. That shouldn't come as a surprise if you sell top-quality equipment that will provide many years of comfort. Nobody calls to say, "Hey, thanks for that great heat pump you installed three years ago. Could you replace it with a newer, shiner one?"

Is it possible your customer will remain in the home long enough to need another replacement? Sure. People are moving less frequently, so they're staying in their homes longer. Back in 2008, the median length of owning a home was 10 years, according to the National Association of Realtors. By 2018, it had grown to 13 years. Given the typical service life of HVAC equipment, that suggests you may get another bite at the apple -- if they remember you when the time comes. The best way to make that happen is some kind of maintenance plan.

GENERATING NEW CUSTOMERS

That's why you need a strong new customer funnel, fed by a steady flow of leads generated by smart marketing strategies. I'm not suggesting you should give up on those loyal folks -- they are very friendly and always say hi when they see you at the grocery store -- but if new customers are responsible for nearly all your revenue, you need to make sure more of them are coming your way ... especially if you want your business to grow.

The whole point of having new customers is to get your people in homes you don't already service, so they can spot opportunities. It's that simple.

PEOPLE ARE FUNNY

So if you're making new customers your first priority, why pursue them with a low-dollar service like that \$69 tune-up? The answer involves developing a deeper understanding of human nature.

All of us are the product of genetics, our upbringing, those around us, and our communities. While we take pride in calling ourselves unique, we're really united around a number of emotions that have been wired into our brains over generations. Like the universal way our hearts skip when the furnace makes a noise we've never heard. Or even worse, we recognize the noise as something bad.

We should call our heating and cooling contractor right away, but we don't. Maybe it's a temporary thing. Maybe we just thought we heard that screeching sound. Could just be one of "those" things. Inside, we're worried something major is wrong and the contractor is going to want a lot of money to fix it. As long as we don't call them, we won't have to pay.

But it gets worse. Who should we call? Here's a local place that will perform a complete tune-up for \$69! They'll make sure it's operating safely and adjust things. Maybe that will fix whatever's causing that noise. Maybe things aren't so bad and \$69 will fix the problem.

ABOUT THAT \$69 TUNE-UP

What's the main advantage of your low-priced deal? I can tell you what it's not:

- a source of positive cash flow
- a way to keep your service techs from getting bored
- a nice way for customers to remember you, nor
- your other reason for offering it, whatever that may be.

The amazing thing about that \$69 tune-up is it gives you permission to enter and explore a new customer's home. In fact, your tune-up team will be welcomed and encouraged to look over every inch of the place. Like that room that just never gets warm enough, so the kids need extra blankets. They'll ask the owners about their greatest worries. All while identifying the age and condition of their HVAC system.

The second best thing about your offer is it gives your team an opportunity to earn the homeowner's trust. Maybe you'll be lucky to break even on the \$69 tab. It's hard to give a number for the value your business will gain by earning their trust. Make sure they're trained to keep the homeowner engaged by explaining what they're doing to the system and why that's important. When it comes time to make a recommendation for repair or replacement, the homeowner will have seen that the tech knows their stuff. From there, it's just a matter of making the numbers work out.

The \$69 tune-up is a service with a low barrier to entry. It's a price that appeals to homeowners in every kind of community. They can afford it. For some, \$69 is nothing. And all want the same reassurance: that their furnace isn't about to give up or explode. By putting a low price on something capable of creating peace of mind, you've made the offer attractive to all.

Best of all, we find it's the lowest-cost way to get your toe in a homeowner's door. It's also why we emphasize the importance of keeping your new customer funnel full.

WHO NEEDS YOUR SERVICES?

Every home has HVAC equipment that needs regular maintenance to ensure safe, efficient operation. But that equipment needs work more often than you'd think. A 2018 Harris poll reported that one in five homeowners needed a heating or air conditioning repair within the past year. Better than two in five said their home heating systems were more than a decade old, and almost a third said the same about their air conditioning. (In addition, 14 percent needed repairs to toilets, 13 percent faced leaky pipes, and 11 percent had to buy a new water heater.)

Put another way, that means more than 1 in 3 of the homeowners in your community are going to need to make a major equipment purchase in the near future. Getting your technicians in their homes -- through that \$69 tune-up and your maintenance plan -- dramatically increases the likelihood you'll have the first shot at that sale.





WHO SHOULD HANDLE THAT \$69 CALL?

Not Darryl. First, you pay him too much for this type of work. Second, he has no interest in interacting with the homeowner to identify other opportunities for business. But far too many contractors use their \$69 tune-ups primarily to keep their best (and most expensive) technicians busy during the slow times.

Savvy contractors take a different approach. They create a tune-up "team" of eager, outgoing employees who may not be certified or licensed. They're paid a substantially lower hourly rate than guys like Darryl, although they have sales commissions as an incentive. This tune-up team doesn't need to know more than what to check to make sure the system is operating safely and efficiently. When they spot something that doesn't seem right, they can connect with the service techs to explain what they're seeing.

WHEN THEY WALK INTO A HOME, THEY HAVE THREE MISSIONS:

- **Check out the existing system and determine whether it's a candidate for replacement.** If it's older than a decade, replacing it might be a more cost-effective approach for the homeowner -- especially if there appears to be a need for repairs. "Mrs. Jones, the noise you've been hearing is from the fan motor, which needs to be replaced. That's going to cost you \$800 ... but here's why that may not be your best option."
- **Spot opportunities to sell products or services to improve the homeowner's comfort.** "Mr. Smith, I noticed you don't have a whole-home humidifier, which will make your home more comfortable during the winter. I can arrange to have it installed today without the normal trip charge and at a 15 percent preferred-customer discount."
- **Enroll the homeowner in your maintenance plan.** "Mrs. Morales, I'm glad you see the value of a tune-up. If you join our plan, we'll come in twice a year to make sure your system is working well and give you a big discount off any work that may be needed."

CREATING THE RIGHT TONE

This approach isn't about aggressive, pushy selling when homeowners really don't need to buy. Instead, it's all about establishing an open and honest dialogue with the customer about the condition of their home's equipment and how well (or poorly) it's meeting their needs at that moment.

The best way to do this is to state the facts and spell out the options. Discuss the pros and cons of each, so the homeowner can make the choice they're most comfortable with. For example, repair may be the most affordable short-term option, but you can point out that repairs are temporary, and the system is nearing the end of its service life. The homeowner can continue to invest money in band-aids, but sooner or later, they're going to have to take a serious look at replacement. The good news is that not only will a new system give them more comfort and better peace of mind, but it's also likely to reduce their utility bills month after month. Providing the economic information will help the customer reach the wisest decision.

Like it or not, homeowners perceive HVAC service and equipment as expensive. Because it's also unpredictable, most haven't been putting money aside for it. So their initial impulse is to look for the most affordable solution ... unless you present a compelling reason for doing more.

That's where building trust and your professional reputation pay off. When your approach convinces customers that you truly have their best interests in mind, they're more receptive to the higher-priced options.

THE VALUE OF BLACKOUT DATES

One of the keys to success with the approach we're describing is to identify what we refer to as "blackout days." Those are time period in which you shouldn't schedule routine maintenance calls. More specifically, you know your peak times of year for service calls. When temperatures are around their annual extremes, equipment is more likely to break down and need fast repairs. You want to ensure your technicians are available on short notice to handle those repairs.

The inverse of blackout dates are the optimal times to perform maintenance -- and that's when business slows down during the shoulder seasons. Homeowners' systems aren't getting a workout, so there aren't likely to be very many service calls.

In other words, you're in control of making your business more predictable. Designating both blackout dates and doing advance scheduling of customers who are on maintenance plans helps you better balance staffing.

WHAT CAN OUR MARKETING TEAM DO FOR YOUR BUSINESS?

Everything, actually. The Cornerstone outsource 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

ONE MORE TIME

So to summarize the points we've made here:

- Focusing on equipment sales isn't the way to grow your business.
- Most of what you earn from a customer comes from the first 18 months.
- What you really need is a steady supply of new customers.
- A simple promotion like the \$69 tune-up is the best way to draw customers.
- Put good salespeople -- not your well-paid techs -- on those tune-up calls.
- Providing information helps customers make the right decisions.
- Establish and enforce blackout days to optimize staffing, workload, and cash flow.

GOOD WORK MATTERS

Of course, none of these strategies will produce the results you're after if you're not performing top-quality work. Prospective customers look for reviews and read the posts their friends and neighbors make on social media. If you're doing good work and customers are treated friendly and with respect, they'll say so. If your technician is sloppy or homeowners feel you're pushing them to buy something they don't want or need, they'll say that, too. In fact, people are more likely to share negative information than the good stuff.

If your team is taking good care of customers, you're going to strengthen your reputation and dramatically increase the likelihood a homeowner will remember your company's name when the furnace makes a scary noise. That's when you'll get the tune-up call that opens the door for more business.

Wonder what would happen if Erv sent Marcus and Brady to some kind of sales training, worked with them to structure how those \$69 tune-ups will go, and set up a generous commission for any repairs or equipment sales resulting from their work. Pretty sure they'd keep Darrell busy, profitable, and maybe a little less crabby.

NEED SOME HELP?

If what you've read here makes sense, but adapting your business seems overwhelming, you don't have to go it alone. We have extensive experience helping companies like yours fine-tune their structure and operations while making their marketing efforts much more effective.

As your outsourced marketing department, the Cornerstone team will be as focused on your success as you are. We'll be happy to show you what we've done for other HVAC, plumbing, and electrical businesses throughout the U.S. and to answer your questions about how our team can help you succeed. Please reach out today!

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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 and plumbing 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 an account manager who treats their business like it was their own.

Learn more at:

www.cornerstonead.com