

# ACHIEVING **TRUE EFFICIENCY** IN YOUR **MARKETING BUDGET**

**MARKETING & ADVERTISING 101  
FOR CONTRACTORS**

A white paper for contractors from Tracy Paul, Principal

**CORNERSTONE ADVERTISING & MARKETING**

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ADVERTISING 



## **TELL ME QUICK!**

**Your marketing and advertising spend shouldn't feel like gambling.**

When you understand how to measure and create efficiency in your marketing budget, you'll be able to optimize your investment and maximize your ROI.

And the entire process begins with what you want your company to become.

# ACHIEVING TRUE EFFICIENCY IN YOUR MARKETING BUDGET

## UNDERSTANDING THE 4 ELEMENTS OF EFFICIENCY & HOW THEY INTERACT

When an HVAC contractor installs a furnace in a consumer's home, the contractor knows exactly what kind of efficiency the homeowner can expect. The furnace carries the familiar AFUE rating, based in science and backed by extensive testing. The furnace will make use of 85%, 92%, or 95% of the fuel it burns – whatever the AFUE rating says – so the contractor can compute how much lower the homeowner's heating bills should be.

When that same HVAC contractor spends money on a website, social media ad, or co-op direct mail piece, there's no standard measure for its impact on revenues. Put another way, the contractor probably has no idea how efficiently the chosen medium or channel will use the money he's put into it. For most contractors, that makes their marketing spend something of a gamble. They hope they've made the choice that will generate the most business for each dollar. Is it any wonder so many business owners find marketing and advertising frustrating and wasteful?

## THERE'S A BETTER WAY

Believe it or not, it is possible to have a solid understanding of the efficiency of your company's marketing and advertising program. **With the right data and insight, you can determine exactly how much you need to spend to get the right number of leads to generate the right number of sales to meet the goals you've established for your business.**

That's exactly what the Cornerstone Advertising team has been doing for companies like yours for decades. We replace guesswork and wishful thinking with our proven expertise. Whether you're a \$3 million contractor trying to gain traction or a \$10 million operator looking to scale, we can help you determine how much you should invest in marketing and advertising ... show you the most efficient way to spend it ... and back up that plan with reporting that measures how well it's working.

When you understand how to achieve true efficiency in marketing, you'll invest that money with the complete confidence you'll achieve the results you want.

# THE FOUR ELEMENTS OF EFFICIENCY

Before you can accurately determine the efficiency of your advertising and marketing efforts, you must have these four elements in place:

## CLEAR SALES GOALS

Vague aspirations like “we’d like more sales and a higher close rate” aren’t enough. You need to define clear and measurable objectives, such as specific revenue targets and conversion metrics. Otherwise, you can only guess at how many leads you’ll need to hit your targets.

## WELL-ALIGNED STRATEGY

Your marketing strategy must be aligned with your business objectives. That involves studying each stage of the customer funnel and aligning the media mix accordingly. You also need to identify the ideal combination of lead generation and branding based upon the size of your company and its growth stage.

## ROI-FOCUSED BUDGETING

When you know your revenue targets and the ideal number of leads, you can determine the most efficient allocation based on your business size. The right balance of spending between new and existing customers changes as your business grows. Handled correctly, your ROI will increase over time.

## A STRAIGHTFORWARD SCORECARD

Accountability is crucial, and the right scorecard will give you continued visibility into the key performance indicators (KPIs) that will identify trends, spot issues before they become problems, and make decisions based on data instead of your gut. Well-structured scorecards also assign ownership of metrics to specific team members, so everyone understands their expectations and their performance.

## DEVELOPING AN EFFICIENT MARKETING BUDGET

In this document, we're focusing on the third element. We'll take a deeper dive into how you can develop a budget that's designed to achieve the highest ROI possible. Why is that so important? **While many business owners view marketing and advertising as expenses, the reality is that they are investments in the future of your business.** Some will contribute in the short term, while others will generate longer-term results – but the most important thing is being able to identify the ROI for each. Otherwise, how do you know whether what you're doing is really working?

One of the biggest misconceptions about marketing budgets is that they represent strategy. Never confuse the two, because the role of your budget is to provide the best business opportunities based upon the goals and needs you've established as part of your strategy. If you fail to align your budget with your strategy, you'll receive the wrong opportunities at the wrong times – when you lack the right resources to maximize your ROI.

Your budget should spell out the specific tactics you'll use to put your resources to work to achieve your strategy. For example, your goal may be to increase revenues by 20% this year. Once you've made that determination, the next step is identifying the strategy you'll need to achieve the metrics that will make that growth possible and predictable. Then comes the conversation about the tactics you'll use and what level of investment they'll require.

## COMMON BUDGET CONSIDERATIONS

For decades, we've helped home services contractors of all sizes create realistic budgets focused on their strategic goals. That has allowed us to recognize common patterns and identify the best practices accordingly. Some of the points you'll want to consider when developing that budget include:

- **LIFETIME CUSTOMER VALUE**

Despite what most contractors believe about the value of repeat business, we consistently see that between 65% and 70% of the revenue you'll receive from customers happens during the first 18 months. That's why new customer acquisition is so important.

- **NORMAL ATTRITION**

You can safely assume that only 80% of the prior year's revenue will return on its own without any targeted marketing. That means you need to budget enough to replace the lost 20% through new customer acquisition and more aggressive sales goals.

- **NEW VS. EXISTING**

Typically, 80% of revenue for an established contractor will come from your existing customers, with the remaining 20% from new business. Your media mix and budget should reflect that.

- **BASELINE INVESTMENT**

There's no magic number for what you should spend on marketing, but the average we see for HVAC and Plumbing companies is 6% to 10% of

their annual revenue. If your goals are aggressive or you do business in an unusually competitive market, 12% to 15% of revenue is more realistic.

- **SEASONALITY**

Like it or not, you're in an industry in which demand is seasonal. That's why you should allocate 20 to 30% more of your budget for peak seasons by reducing your investment during the shoulder seasons.

- **CONSOLIDATE PURCHASING**

Too many business owners take a shotgun approach to their media mix, trying to do a little bit of everything. Instead, consolidate your investments into fewer channels. Not only will that maximize efficiency, but it will enhance your negotiating leverage.

- **INVEST IN RETENTION**

Boost customer loyalty by allocating 20% to 30% of your marketing investment in loyalty programs, re-engagement efforts, and reminders targeting existing customers.

## ALIGNING BUDGET AND STRATEGY

To maximize the efficiency of your marketing and advertising budget, it's important to align your choice of strategies to target specific goals. Again, our experience with businesses like yours have helped us identify the best practices we implement for our clients. Here are several of the most common goals we hear from businesses and specific strategies we use to achieve them:

- **BOOST TOTAL LEADS**

Balancing the use of strategies targeted toward new customers with strategies for existing and maintenance customers can generate 2,000 opportunities per month.

- **REDUCE COST PER LEAD**

The most effective way to reduce what you pay for leads over time is to invest 15% to 20% of your budget in efforts focused on building your brand.

- **ACQUIRE MORE CUSTOMERS**

Smarter lead generation efforts can help to grow the customer base by 20% annually.

- **MORE REFERRALS AND REVIEWS**

One of the most effective ways to expand organic growth is to incentivize customer referrals and increase online reviews.

- **SELL MORE MAINTENANCE PLANS**

Converting 30% of service customers into maintenance plan members drives long-term revenue stability.

- **INCREASE OFF-SEASON REVENUE**

Capitalizing on maintenance and marketing to existing customers in the off-season will reduce revenue dips.

- **SELL MORE EQUIPMENT**

Focusing your ad spend on homeowners with aging systems and offering financing and rebates drives higher-value installations.

- **BOOST BOOKING RATE**

Customer service training can increase booking rates from the typical 40% to 55% and more.

- **TUNE-UPS**

Using tune-ups as a tool to attract new customers can keep your workload and revenues more consistent.

## WHY A MIX OF MEDIA IS IMPORTANT

Business owners appreciate simplicity, which is why many will try to limit the number of media channels they use in their marketing and advertising. That's shortsighted, because your current and future customers consume content differently – more so today than ever before. By diversifying the channels you use, you broaden your reach and maximize effectiveness.

**In addition, don't make the common mistake of what's called "me-marketing," in which you make your media decisions based upon your personal tastes.** For example, don't buy advertising on a country music radio station just because you like country. Always make your choices based on the numbers.



# THE MIX CHANGES ACROSS THE FUNNEL

As you align your marketing and advertising strategies to target your business objectives, it's critical to remember that the tactics you choose match up with different stages of the customer funnel.

## AWARENESS STAGE

What's known as the top of the funnel is the point at which potential customers are becoming aware of your company. Your goal at this stage is to build brand recognition through a mix of tactics such as these:

### BROADCAST TV

Local news spots or 15-second bookend commercials introduce your brand with a memorable hook.

### NEWS/TALK RADIO

Targeting homeowners who listen to radio, highlighting seasonal needs.

### SOCIAL MEDIA

Facebook and Instagram video ads educating about home comfort, energy savings, or plumbing risks.

### LOCAL EVENTS

Sponsoring charity events, golf tournaments, or home and garden expos to create community goodwill.

### BILLBOARDS

Strategic placements near affluent neighborhoods featuring a simple, high-impact message.

### STREAMING TV (OTT/CTV)

Short, engaging spots on platforms like Hulu or YouTube to reach cord-cutters.

### DIRECT MAIL

The regular and consistent use of mailing branded postcards to prospects and lapsed customers keeps your name in front of customers in your hyper-local service area.

## CONSIDERATION STAGE

This part of the funnel addresses customers who are becoming aware of the need for your services, so it involves a mix of tactics to build your brand and others to motivate a response, such as:

### GOOGLE & YOUTUBE ADS

Retargeting homeowners who search for HVAC or Plumbing services.

### EMAIL NEWSLETTERS

Sending educational content like seasonal maintenance tips, financing options, and limited-time offers.

### DIRECT MAIL (EDDM/ POSTCARDS)

Targeted mailers to high-value homeowners featuring testimonials, promotions, and service benefits.

### SEO-OPTIMIZED BLOG CONTENT

Articles on topics like "When to Replace Your HVAC System" or "How to Prevent Costly Plumbing Repairs."

### SOCIAL PROOF ON FACEBOOK/GOOGLE

Paid ads featuring customer reviews, case studies, or comparison charts.

### NEWSPAPER & COOP DIRECT MAIL

Combines direct response and branding, which drives both some immediate conversions and branding.

## DECISION STAGE

Also known as the bottom of the funnel, tactics at this stage focus on capturing potential customers at the moment they need help with a need. They typically include:

### GOOGLE SEARCH/LSA

Bidding on high-intent searches like "Best HVAC Repair near me" or "Emergency Plumber now."

### CALL-ONLY PPC ADS

Mobile-optimized ads driving immediate phone calls for urgent services.

### OUTBOUND TEXTS & CALLS

Proactively reaching out to leads who requested estimates or service quotes.

### AGGREGATORS.

Capture high-intent leads by connecting homeowners with vetted providers.

### STRATEGIC RETAIL PARTNERSHIPS.

Generate high-intent leads through in-store partnerships and promotions.

### CUSTOMER REFERRAL PROGRAM

Incentivizing existing clients to refer friends and neighbors.

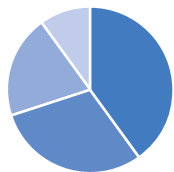
## CHANGING BUDGET AS COMPANIES GROW

What's the ideal mix of media for your business? One of the most important things we've learned – and proven again and again across the nation – is that the right mix of media has more to do with the size of your business than any other factor. That makes sense when you think about it, because a contractor who's earning less than \$1.5 million is nothing like their \$20 million competitor across town.

That's important for two reasons. The first is that you want to ensure your company's media mix makes the best use of your investment. The second? If you're reading this, it's clear you want your business to grow. As your annual revenue increases, your media mix will change. To show you how, we'll provide examples of how typical businesses at different revenue levels allocate their marketing and advertising investment.

### BELOW \$1.5 MILLION

For a startup or a small existing business that's eager to grow, the focus is on lead generation through digital visibility among high-intent consumers, establishing local trust in your brand, and making the most of referral opportunities. Expect to budget between 7% and 10% of revenue (\$105K-\$150K annually).



- **40%** to SEO/website for long-term lead generation
- **30%** to paid search for immediate conversions
- **20%** to social media and email marketing for engagement
- **10%** to community sponsorships to strengthen local credibility

### BETWEEN \$1.5 AND 4 MILLION

At this level, the focus shifts to a strategic digital and brand-focused approach designed to drive sustainable growth. You need to step up reputation management efforts and improve your digital elements. Keep the budget between 7% and 10% (\$150K-\$400K annually)



- **30%** to SEO/website for organic visibility
- **30%** to paid search for immediate leads
- **20%** for mid-funnel efforts, such as cooperative direct mail and community sponsorships
- **10%** to email automation for customer retention

### BETWEEN \$4 AND \$8 MILLION

When a company has reached this point, a balanced growth strategy combining digital, traditional, and brand-building efforts will sustain healthy growth. Targeted digital and direct mail see a big boost and it's



## SMALL TRAINING EFFORTS GENERATE BIG DOLLARS

Want to spend some money that's guaranteed to boost your average ticket and total revenue? We can't think of a better way than investing in your people. Even small, incremental improvements in your team's skills will generate significant bottom-line increases.

Let's show you how, using real results we've documented with our clients. Take an HVAC contractor who receives 1,254 leads to service customer equipment and 345 for new equipment.

time to give serious thought to OTT, TV, and radio. That calls for increasing the budget to between 8% and 11% (\$320K to \$880K annually).



- 25% in SEO/website for sustained organic visibility
- 25% in paid search for immediate leads
- 20% in traditional ads to reinforce market presence
- 20% in top-of-funnel branding support for long-term awareness
- 10% in reputation management and community to strengthen trust and conversions

### **BETWEEN \$8 AND \$15 MILLION**

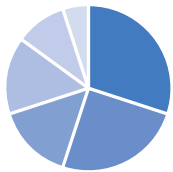
Here again, a well-rounded omnichannel marketing strategy using a layered approach ensures continued growth and market dominance. The company is moving to a full digital funnel fueled by AI and automation and is eyeing strategic acquisition targets. The budget remains between 8% and 11% (\$640K to \$1.8M annually).



- 25% to top-of-funnel branding support for long-term positioning
- 25% to paid search for high-intent leads
- 20% to SEO/website for sustained online visibility
- 15% to traditional ads for broad reach
- 10% to digital ads for targeted campaigns
- 5% in reputation management and community to strengthen trust and conversions

### **ABOVE \$15 MILLION**

As an established market leader, the company shifts its focus to digital visibility for high-intent consumers and strengthening local trust in the brand. In addition to across-the-board increases in marketing, mergers and acquisitions have become strategic tools for growing revenue, expanding the physical and digital footprints, and increasing headcount. The budget increases slightly to 8% to 12% (\$1.2M-\$1.8M+ annually).



- 30% to top-of-funnel branding support for long-term positioning
- 25% to paid search for high-intent leads
- 15% to SEO/website for sustained online visibility
- 15% to traditional layered advertising to dominate local print media
- 10% to digital ads for targeted campaigns
- 5% in reputation management and community to strengthen trust and conversions

Historically, the contractor's CSRs have been able to turn 65% 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.

What happens if the CSRs receive 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 also 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.

# WHAT CAN OUR MARKETING TEAM DO FOR YOUR BUSINESS?

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 marketing 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:

## MARKETING 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

## THE HOMEOWNER PLANNING MYTH

There's a big myth too many home service contractors believe. It's the idea that most homeowners put extensive preparation and thought into making big-dollar home projects like a new heat pump, a bigger electrical panel, or shiny new sewer line. Contrary to what some "experts" will tell you, few homeowners perform even minimal advance research into brands, products, and the local sources for both. Their calendars don't include reminders to replace old or obsolete home systems. Nobody wakes up and thinks, "This is a good day to replace my water heater."

They're not interested in establishing a long-term relationship with your company. They just want you to solve their problem right now. You're in a need-based business ... and you have zero control over generating that need. You're unable to manufacture opportunities that don't exist. So the key to success is positioning your business to be the one they call, and doing all the right things to turn that initial call into a home visit and a sale.



## SO DOES THIS ALL REALLY WORK?

Yes, we've seen it work again and again. The Cornerstone Advertising team has helped companies in all those ranges make the most of their marketing ROI. We've also guided companies through multiple steps in the growth cycle. We understand where your business is today, we know what your budget should be at this step and the next, and we implement the most efficient strategies at every stage.

The only thing we do is 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 ... and start your journey to the larger company you've dreamed of becoming.

# 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 your business like it was their own.

Learn more at:

**[www.cornerstonead.com](http://www.cornerstonead.com)**