

# WHY YOU HAVE **FEWER CUSTOMERS** THAN YOU **THINK YOU DO**

HOW TO KEEP YOUR COMPANY FROM  
BEING BURIED BY THE COMPETITION

A white paper for contractors from Tracy Paul, Principal

**CORNERSTONE ADVERTISING & MARKETING**

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# TELL ME QUICK!

**Do you believe the measure of a successful home services business is the number of customers included in the field management software (FMS, also called a customer relationship management or CRM system)?**

We don't. In fact, we know that the vast majority of customers won't ever turn to you again. The next time they need a service, they'll call your competitor.

Understanding the reality of consumer behavior is the key to achieving market dominance and real growth.

## YOUR FSM/CRM ISN'T TELLING YOU THE TRUTH ABOUT CUSTOMERS

### THEY'RE NOT AS LOYAL AS YOU THINK

Gus Backstrom has spent the bulk of his adult life building a well-respected heating and cooling business. Part of that growth means he has more time to study the numbers these days, and one thing that makes him particularly proud is the number of customers his company serves. According to his field management software (FMS, also called a customer relationship management or CRM system), Backstrom Heat & Cool has thousands of them in his five-county business area. As he moves closer to his eventual exit strategy, Gus knows that a long list of customers will lead someone to write a big check for his company one of these days.

**What Gus doesn't realize is that most of those customers will never use his business again.** In fact, many of the homeowners he claims as loyal have already done business with one of Backstrom Heat & Cool's competitors. It isn't that Gus and his team did something to disappoint them ... it's that **they didn't remember Backstrom when they needed their next repair or other new service.**

Like many home service business owners, Gus assumed his customers were so satisfied with the work his team performed that they'd never dream of doing business with a different company. But time and again, when those "loyal" customers have a need for service (or equipment replacement), they're not sure where to turn. They go online and search for "furnace repair near me," or maybe they call that company with the cute cartoon on the van that just did some work at the Ferguson's home, or that other company with all those billboards around town. In other words, they'll call a name they remember. It's not likely to be yours.

### NOT A WORST-CASE SCENARIO

If you're thinking what I described is just an extreme example involving one unfortunate business owner, think again. Without knowing anything about your company and how you do business, I'm willing to bet you're in the exact same position. If you asked your FMS system to tell you how many customers you currently have, it's going to generate an impressive number. But as with Backstrom Heat & Cool, most of those customers won't ever do business with you again.

## THINK YOU OWN YOUR EXISTING CUSTOMERS?

You don't. That "loyal customer" thing just doesn't stand up to scrutiny. We've spent decades helping companies like yours grow, and one thing that has become clear is that **every owner wildly overestimates the percentage of customers who are likely to return.**

The lone exception is homeowners who have a maintenance agreement with you. But in our experience, that represents only about 10 percent of the average home services company's book of business. Proud of that 10 percent? You shouldn't be.

Why? It means 90 percent of the homeowners you consider to be loyal customers don't have any reason to do business with you or a competitor until they have a need. Typically, a homeowner is likely to need your help just every four or five years.

## YOUR CUSTOMER'S CONVERSATION

You installed equipment or performed a repair for a customer back in 2019, and they gave you a glowing five-star review. They'll be back, right? Well, this month, their system is going to fail in the middle of the night. And the next morning, they'll have some version of the following dialogue over coffee:

**"Who did we call last time we needed help?"**

**"I remember they had heating and cooling in their name, and I think the truck was red."**

**"Wasn't the service guy's name Derek?"**

**"I think it was Darren."**

**"That's right, like on 'Bewitched.' Are you sure the truck was red? I think it might have been green."**

**"That could be. Maybe I'm thinking about the people who helped the neighbors this winter. I think that company had a red truck."**

**"Here, let me Google 'repair near me' and see what comes up."**

**"There we go. The second company's name sounds familiar."**

**"Okay, I'll call them."**

**You can say we're wrong, but we've seen far too much evidence.**

Contractors would love to believe that when a homeowner has a problem with a heat pump or something else, the first thing they do is look for the sticker of whoever last installed or serviced it. **Most homeowners won't even glance at the equipment. Instead, they'll whip out their phones and Google "heat pump repair near me."**

Often, your company's name will pop up and jog their memory, so they'll call you again. Owners and FMSs classify that as the return of an existing customer. Again, we disagree. The homeowner was unable to remember you on their own. When they searched for help, they could have just as easily clicked on your competitor. That's why we view them as a brand-new customer.

Still not convinced? How many times has a homeowner called and insisted they had you out a couple years ago but aren't in your FMS system? It's obvious they were someone else's customer and have mistaken your business for that firm. You're happy to have their business, so you don't attempt to correct their mistake. How many of the customers you believe you "own" are having similar conversations with your competitors?

## **A FUNNY STORY & A SOBER TRUTH**

**Expecting to build your business on longstanding customer relationships is an amazingly effective way to go broke.**

I have a longtime friend who runs a successful HVAC business (he's not a client). I stopped by his house one day, and pointed to a truck from a key competitor parked in front of his neighbor's home. He walked over to ask his neighbor what was going on. The competitor was installing a new heating and air conditioning system. When my friend asked, "Why didn't you call me first?" his neighbor replied, "Oh, I thought you guys only did service. I didn't know you sold equipment, too."

What about you? How many times have you driven through a neighborhood in your service area and seen a competitor's truck parked in front of a home where you know you've done work? It eats at you a little, doesn't it? Why didn't they bring you back?

**It's simple: you didn't nurture the relationship.** No matter how good your company's work may have been, if you don't make a deliberate effort to keep your name in front of a customer and let them know the many ways you can help them, you're not likely to get their call the next time they have a need. **If you don't market regularly and effectively to your customers, rest assured someone else will be happy to do it.**



## **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.

## DEFINING NEW CUSTOMERS

We think today's FMS systems are impressive, powerful examples of technology that should make it easier to grow your business. But we disagree with those systems on one key point. They consider a new customer to be anyone who's on your books for the first time. We take a different view. We classify new customers as anyone who has been on your books for up to a year. All the revenue you've earned from that customer during that first year is what we call new customer revenue.

Why is that distinction important? Although you may not realize it, roughly 65 percent of the lifetime revenue you'll earn from an "existing" customer will happen during the first year. Your FMS system will lump that revenue in with everything earned from existing customers, which will lead you to believe that you get a bigger share of business from your current customers than you actually do. But if you study your data closely, you'll see exactly what we're saying.





## #1 MORE BUSINESS, MORE OFTEN

**The better you get to know your customers and their homes, the greater your opportunity for additional sales.** No matter what issue sent your team member into the customer's home, their basic observations can open opportunities for a variety of sales opportunity. Noticing everything from the age of equipment to homeowner behaviors that suggest some discomfort can open conversations about what they like and dislike about their homes. And often, you conveniently have the solution to what's bothering them.

One of the most effective strategies you can use may seem old-fashioned. **We recommend establishing a cadence of direct mail postcards to everyone in the FMS system.** One might talk about your HVAC services, the next about plumbing, and another about electrical. By mailing them quarterly, you not only remind the customer that they've been happy with the work you previously did with them, but you also alert them to other services they may want to use. I didn't know you do drain cleaning, but my shower drain is so slow. This kind of approach lets you benefit from pent-up needs you didn't know they had.

## #2 GENTLY ENCOURAGE SPENDING

Getting customers to spend more money with you doesn't require some sort of unethical high-pressure sales approach or misleading marketing gimmicks. It's really all about paying attention.

Your tech did a great job of fixing that minor issue with the customer's heat pump. But did he notice that the customer's thermostat is the original dial model from when the home was built in 1971? How come the homeowner doesn't have a whole-house humidifier? What about an air cleaner? The customer's son has been battling asthma, and his parents would appreciate anything that would make it easier for him to breathe. That brand-new air cleaner is sitting 50 feet away on a shelf in the service van.

**And before he said good-bye, did he even try to interest the homeowner in your maintenance program?** Besides extending the service life of the equipment, protecting the customer's warranty, and dramatically increasing the likelihood they'll think of you first when they need something, that maintenance subscription will provide an effortless stream of extra revenue every month.

Owners tend to believe their technicians do a great job of educating customers about the full range of products and services, but it's human nature to take the easy way out. Think yours are different? Take a look at your service ticket. How many include items that weren't part of the initial call?

### #3 REFERRAL PROGRAMS THAT WORK

The typical customer referral program is pretty crass. Cough up your friends' and neighbors' phone numbers and I'll hand you a few bucks. What if there was a way to give your customers more meaningful rewards ... and make them feel like a hero helping a friend instead of someone who's selling out their neighbors or Aunt Zelda?

There is, and our clients have been enjoying the business it generates for years. In short, the contractor hands a few \$50 coupons to the homeowner to stick in the junk drawer. When a friend or neighbor mentions they need service, the customer can hand the coupon over and say, "We had great service from this company, and here's a way you can save fifty bucks." The coupon's code identifies where it came from, and when a new customer redeems it, the contractor sends a gift card for the same amount to the referral source as a surprise gift.

### #4 OWNING THE HOME

Americans are moving more frequently than ever, with some statistics suggesting that the average length of ownership is about eight years. **Compare that to the service length of the equipment you sell, and it becomes obvious that counting on repeat business at any customer's location is unlikely.**



### ABOUT SHARE OF VOICE

Buying advertising for your business seems simple enough, but it's pretty complex. Sales reps show up with what look like great deals, and far too many business owners jump at the cheapest option.

Smart business owners focus instead on what's known as share of voice. That's a measure of how much of a marketplace your branding "owns" as compared to your competitors. If you're one of four local HVAC businesses



That's true only if you don't make the effort. One way is to mail new homeowner cards to people who have moved into homes where you've done work. It involves buying move-in data and scrubbing it against your FMS's list of customers. A more affordable and easier method involves the regular postcard program we described earlier. Long after a home changes hands, the current owner will continue to receive mail intended for the individual from whom they bought the home, so they can see who that previous owner trusted.

Surprisingly often, clients who use this strategy will receive calls from new owners letting them know of their purchase so they can update their records. We'd call those pretty good prospects.

## #5 ALWAYS, ALWAYS CROSS-SELL

**Remember that figure I quoted earlier: that 65 percent of the lifetime revenue you'll earn from a customer comes in the first year? That's what makes cross-selling so important.**

The better you understand the homeowner and their challenges, the more you'll be able to do business with them. That isn't greedy -- it's addressing their needs. Let the parents of the child with asthma know that not only do you have an air cleaner on your van, but if you install it while you're there, you can waive the regular service fee, and you'll make a sale while convincing them you put their family's well-being ahead of business.

You never know what a homeowner might be interested in buying from you. Asking them basic and friendly questions about their home provides powerful intelligence you can use to strengthen your relationship with them.

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that's using TV and the other three are outspending you, you have a comparatively tiny share of voice. When your prospective customers watch TV, they'll see far more of your competitors' brands than yours. That's important, because experts contend each of us sees as many as 10,000 marketing messages each day, and our brain filters the vast majority of them out.

When your customers are overwhelmed by marketing messages of all sorts, understanding and leveraging your

share of voice allows you to make strategic choices that magnify the power of your budget. If everyone else is battling for TV viewers, maybe your brand belongs on the radio or in digital channels. And if your marketing partner isn't thinking this way, maybe it's time to look for a new one.

# 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

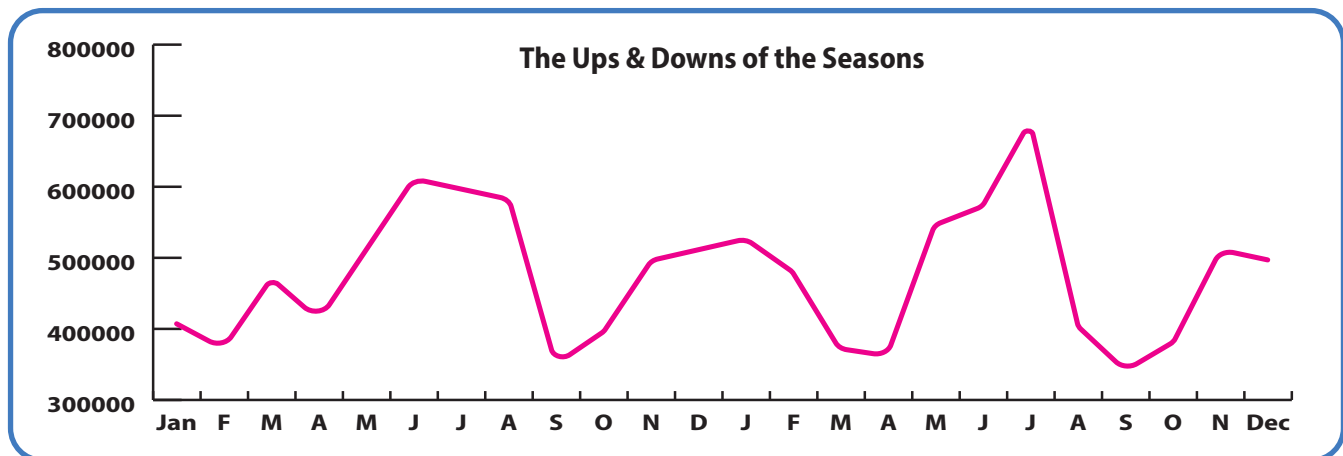
## TRADITIONAL ADVERTISING

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

## UNDERSTANDING SEASONALITY'S IMPACT

There are two more things every HVAC business owner must understand. First, you're in a need-based business and customers don't plan for their big purchases. Second, the need for what you sell is seasonal. When do systems break down? Usually, it's when the weather is at extremes.

Look at the calendar. In most parts of the country, heating season runs from late October to mid-March and air conditioning from late May through August. The rest of the year is what's often referred to as the shoulder seasons. You can manage your seasonality by focusing on selling to new customers during the peak seasons ... and concentrating on maintenance or other existing customers during the shoulder seasons.



## ARE YOU IN THE WRONG BUSINESS?

One last thought: when I ask your fellow owners what business they're in, they'll often tell me they're in the service business. If that's how you view your business, you're not likely to survive. **If you want to grow, you need to recognize that you're really in the replacement business, because that's where the money is.** Even if you have a robust service department that's profitable, your top-line growth is going to come from equipment sales. Today's average HVAC service call generates around \$500, while an equipment sale averages roughly \$15,000. That means you need to make at least 30 service calls to generate as much revenue as a single equipment sale.

## WE CAN HELP YOU

If what you've read here has you looking at your business and your customers in a new way, we'd be happy to show you how to turn that new knowledge into more profitable growth.

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

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YOUR OUTSOURCED MARKETING & ADVERTISING TEAM FOR  
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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)**