

Step by Step – Creating More Leads from Demand Service

The service department is the primary lead generation opportunity for any residential HVAC – Plumbing contracting company.

The service department is the single greatest source of leads available to a heating and air conditioning company. It is not always the area that PROVIDES the greatest number of leads, but it should be, and here's why:

1. You have a marketing relationship with this demand service customer. They either called you, or reached you in some way – Preferably a club service agreement client.
2. The company had a moment of truth in working with this customer that was good, bad or indifferent, but some level of interaction happened and the customer now has an opinion about your company. Assuming it was good, this is a great starting point for future leads opportunities.

The key is to understand HOW to create the leads from the service department. If you do between 25-30% of your sales volume (Total Revenues) in demand service (this is the target industry Benchmark), your company already has plenty of opportunity to create more leads out of service than your outside marketing efforts can ever provide you. These leads cost far less money as well. If you believe the average cost per lead is around \$300. (In our own companies it is higher for marketing generated leads not including service), then you have to look at what the costs would be to generate a larger percentage of leads from service, which has the effect of driving down your overall cost per lead figure.

Secondly, we also know the quality of the leads are better from service, because of # 1 & 2 above.

And lastly, the closure rates, and the average sale, and the resulting profit margins are better on service leads.

So why don't we all spend more time working to create more service leads?

Answer – It takes:

1. **A system**
2. **Continual Training and Work with our Personnel**
3. **Disciplines – Staying with it**
4. **Desire – It is less sexy, and harder to execute 1-3 above than to send out a flyer.**

Many contractors want a marketing magic bullet, to create the leads. There is no magic bullet. Certainly there are good marketing practices, yet when it gets down to it, the real secret to success in the HVAC business is to maximize the number of Gross Profit Dollars per Man Hour we have, and service leads create a higher level of margin dollars per man hour than just about any lead except a referral.

Like most companies, we were always looking for more growth and more opportunities. You know, more leads. Like most companies, we thought we should advertise more and do so more effectively.

The more we studied our lead reports, the more that we became intrigued about how many leads were coming from our service department. And, we found that the closing percentages were twice that of the regular lead generated via some form of other marketing. The deeper that we looked into the profitability of the leads generated from the service, we found that we were making about 10% higher gross profit margin on service department leads.

So, we set off on a journey to determine how we could get more leads from service department.

We found many reasons that service technicians determined that it was in the best interest of the customer to receive a quote on some type of service or product. Sometimes, it was as easy as the customer asking for more information on new products and other offerings. Other times, it was the fact that the equipment being serviced was determined to be too old to warrant any additional investment in the system. Or, the equipment wasn't very old, but the size of the repair was large enough to warrant consideration.

There are many reasons to justify when a replacement quote is needed.

The more we thought about it, the more we wondered why we had a system that was based on the individual judgment of each technician.

You see, each technician uses his or her own standard(s) to determine whether a lead needs to be generated or not. **Is that really a system?** It is, just not an effective one!

Could we continue to rely of the judgment of 2 or 3, or 50 very different individuals? What we needed was a system that removed the individual personalities and judgments of each technician, and placed the customers interest first, the company interest second, and the employee interest in total alignment with the first two! This insures a standard applied evenly for lead generation that cares for our customers and our own reputation.

Through our research, we found that the two biggest issues in the decision whether to repair or replace the existing equipment was:

1. Age of the equipment.
2. The Price of the repair needed.

Once we agreed that these two factors were primary in a consumer's decision-making process, with the help of our most influential technicians, we developed a formula using these two pieces of information.

The 4 K Rule:

Take the age of the existing equipment (# of years) and multiply that times the price of the repair needed for that system. The total from that simple calculation will determine whether or not that customer will receive the additional price for a replacement, as well as the repair price. **If that total is greater than 4,000 (Or 4 K for short) then, the SYSTEM requires the technician to call the sales manager to set up an on-sight presentation**, while the service technician is still there.

Here is an example:

1. You have a service technician that has found a bad compressor on a 15-year old system. Your price to repair the system is \$800. Is the technician required to call for assistance?

$$15 (X) 800 = 12,000$$

Obviously, this is an easy one to figure out. No technician in America would disagree that it was in the best interest of that customer to get both options professionally presented to him or her. Let's try a tougher one.

Example:

2. The technician finds a board that is bad on a 10-year-old system. The price to replace the board is \$400. What should the technician do? Without a SYSTEM, it would depend on which technician was doing the service. Some would suggest both options without thought. Others wouldn't even think of offering both options. It would be left to personal judgment. A constant variable that produces varying results, with no protection for integrity. However, with a system:

$$10 (X) 400 = 4000$$

Although this example is debatable whether or not to a replacement quote should be given, the system guides the decision to offer the homeowner the option, and makes the technicians life easier not having to worry about the should I have, maybe I should, or even having others question the accountability of certain situations.

It is not an inherit personality trait of a typical technician to ask questions and guide decisions for the customer.

We have found that most of the time, a technician will do anything not to have confrontation with the homeowner. Nobody wants to be the barer of bad news, especially not a service technician. But, we owe it to the homeowner to give them professional options.

And so we created the 4K rule for our service technicians. We allowed them to actually create the rule. We started by thinking on our own, that 3K was the right place, being profit motivated, this seemed like the right figure to generate more leads. The influential technicians couldn't buy-in at 3K; there were too many exceptions that made the rule uncomfortable for them. 4K became the number.

We then began a compensation system that rewarded leads, and rewarded additionally if the Comfort Advisor closed a sale off the same lead. While there are many ways to accomplish this, it is simply important to do so.

And finally, we trained on the concepts of:

1. How to approach customers about repair versus replace.
2. How to guide their choices and present options in 5-10 Minutes.
3. How to be customer friendly and customer focused.

4. The Perfect Service call – Operational practices to support service quality.

Each week, every month, from now on, for as long as we are leading a company (read desire)!

What happened?

Well, our service leads have gone up dramatically as a percent of our total leads. Upwards of 50%. This of course has also increased our margin percentage of our company, in our replacement division. In addition, our technicians appreciate the fact they now have a process that takes them off the hook at having to make one more judgment, since we already ask so much of them.

Our marketing expenditures have declined as well, to well below 3% of sales. And though we still believe very deeply in marketing and will continue to do so, we also believe there is a happy, profitable model, that says service and referrals can and should provide 80% of our leads for replacement. That is our goal.

Really, when you get down to it, it also is just the right thing to do for the customer to educate them about options anyway, and this is one step in an overall process of saying as a business – we are going to allow our customers to make the most informed choice, and the technicians need to be bought into how to do this well!

Step by step for creating more leads from Demand Service

1. Establish a financial set of goals and a basic budget for sales for each month.
2. Determine the number of replacement and accessory leads you need for your company to meet this budgeted sales plan.
3. Determine how many of those leads need to come from service and maintenance yearly, monthly and weekly based on the monthly sales break downs from your budget.
4. Now that you have established some goals, for the numbers of leads, you need to establish a lead generation system for service (and maintenance). This system needs to be written out and defined, such as the examples earlier in the article.
5. This policy needs developed with involvement and buy-in from the technicians that are the most influential in your company, as they must be accountable for carrying out the standards.
 - a. Once the policy is in place, you need to train your service technicians on “HOW” to talk to customers, and “HOW” to interact on the discussion about options, and possible solutions involving newer equipment.
 - b. Be sure the policy includes rewards, or compensation, that ties back into how your company chooses to manage the lead coordination and sales process. A reward should be given to any technician that creates a viable lead within the system, and some greater reward if the lead becomes a sale.
6. This training is conducted daily for a period of time; it may take 90 days, and then continually reinforce this training once a month, to keep focus on the need to work through the system.

7. Use measurements to assign accountability to the service department (service manager – Individual technicians) to establish who is supposed to generate what, and track this with a lead source report, and sales tracking reports that shows where the lead came from, and what happened to it.

Why is this Critical to Your Success?

- Leads from Service and maintenance are a key point for a company to understand not only that they should be getting most of their leads from Service, but how to get the most out of those leads.
- Their needs to be a process, well defined, for how leads are to be created from the service department, which allows accountability, and also focus on that process.
- The process above should be in the best interest of the customer, and all employees should be rewarded for the execution of the process, because the company wins, the customer wins, and the employees should also win.
- Training your company personnel is a critical process in creating replacement and accessory leads from service properly (meaning with integrity, and respect for the customer's needs).
- **Lead generation from Service and Maintenance conducted properly will help you make more Profits!**