



## How HVAC Companies Can Unlock Growth

*Marketing Automation for the SMB HVAC Business*

**A Benefits Oriented White Paper for Front Office Innovation**



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## Executive Summary

A revolution is underway in how businesses treat customers. Competitive companies work with customers on an equal footing as coaches, co-creators, nurturers and trusted advisors. This implies a consistency of communication, couched around a message that their satisfaction is first priority. Content management and SEO efforts are widely accepted methods now. CRM and marketing automation exist at relatively few HVAC businesses. Having everything in one affordable, accessible system that is matched with the business methods has a wealth of immediate and long term benefits for a relatively small investment.

## HVAC Market Profile

The HVAC market (USA) is estimated to contain 110,000 dealers/contractors and will produce \$119 billion in gross revenue for 2019 (BCC Research) with a compounded annual growth rate of 5.5% through 2020. The HVAC Contractor business model represents typically small, private companies with clear lines of decision-making authority. The gross profit margin on equipment is approximately 45 percent, but the gross profit margin on labor is much lower. Labor costs are highly variable and can significantly drive down the overall profit margin on a job.

HVAC contractors use a wide range of marketing techniques and channels to reach their customers. Acquiring customers through marketing can represent a significant expense for HVAC contractors. Industry sources estimated that acquiring a single customer costs an HVAC contractor between \$200 and \$300.

Often times more expensive methods than email marketing such as TV or mailers is used as the primary marketing channels. This increases cost up front and the other channels do not lend themselves to in-house automation campaigns relying on e-mail and SMS messaging to connect with the prospect and customer.

For the individual HVAC business, reducing customer defections and increasing incremental (lifetime) revenue and referrals from each customer are extremely important aspects for growth and overall success. The HVAC contractor has a one-to-one business model. One piece of equipment or one hour of labor is billed once (unlike say a record producer that can put out one album and sell it over and over).

Furthermore, they are constrained by geography in that their typical service radius is limited to how far a truck can travel on a tank of gas. This means it is absolutely critical for business success to get the most revenue (and referrals) possible from both a single customer and from the geography they are operating in.

## Contact management and CRM

Before we learn about something new, it's often helpful to know where we came from. ACT! was a software product, introduced in 1987, that heralded the beginning of contact management. Sales people in particular were using index cards to keep track of their contacts and the program became wildly popular. I became an ACT! Certified Consultant in 1989 and was fortunate to catch the wave of what started as contact management and eventually became Customer Relationship Management years later. I went on to certify as a technical business partner with Goldmine (Frontrange) as well as Saleslogix, both higher end products than ACT! that offered relational databases and other features.

ACT! and products like ACT! were typically used by sales, marketing and customer service departments to keep track of contacts in a central database, assign tasks and share information. The core elements in the systems were contacts, accounts and opportunities (aka Deals).

The term 'CRM' or Customer Relationship Management came to encompass accepted front office systems for managing contacts, accounts and opportunities. Holistically, true CRM is the ability to exchange data between Front and Back Office (Accounting) systems, as well as a host of peripheral systems to form a unification of the Enterprise that is customer facing and dedicated to fostering and perpetuating good customer relationships.

Software was installed locally on computers for a long time. This began to change and now Software As A Service (SAAS) systems are the norm. These allow access via web browsers (and in some cases mobile apps) and can be used anywhere. Data is stored in the cloud and the system can interface with your email account to allow you to shuttle contacts in and edit them in your Inbox. These systems are based on a subscription model, allow unlimited users and can operate on any device.

## Marketing Automation

### Basic system definition

Marketing automation systems, until fairly recently, have been associated with e-mail 'blasts'. Blind one shot campaigns with not much segmentation, analysis or automation. Often the CRM user (who worked in a program with contacts) thought his system did marketing because it could 'blast' out emails. This may have proved mildly effective at inception but, not only was this an intrusive and ineffective method, it also was sub served by the current best practices approach to position to 'coach' the prospect/customer and collaborate to form a solution (sales) by marrying up their interests with the material provided them. Nobody wants to be 'sold' any longer. They wish to be coached.

***Today's marketing automation systems provide the CRM component tightly integrated with marketing automation tools*** for matching up the client's interest with engagement and doing it on an automatic or reflexive basis. Specifically, that represents the ability to create automations and the ability to track intent.

One of the advantages of having your CRM integrated so tightly with your marketing automation solution is that you can use the same marketing automation tools to streamline and power your sales processes. You can also seamlessly transition marketing leads to your sales processes as they are qualified.

Most large businesses have adopted marketing automation tools. It is estimated that within 3 years all will have be using the technology. The adoption rate of small to medium size businesses significantly lags behind. The ease-of-use factor and affordability are aggressively contributing to easing the barrier to entry for small to medium sized businesses.

Many of the HVAC owners feel they are very successful, do not concede they are not innovative, are working in rather than on their business and are wary of business advisors touting software. There is at present no default solution for marketing automation. The fragmented nature of the HVAC business and low awareness has prevented a default solution to adopting marketing automation in house.

While SEO is now universally understood and acknowledged as having positive implications for the HVAC business, marketing automation, due to low adoption rates and interest, is not universally sought or perceived to be a time sensitive benefit that needs immediate acquisition and activation by most owners. HVAC businesses that move to adopt a system we are describing can get a big jump on the competition.

In general, applying technology tools to a 'low tech' (or less progressive) business (in the sense of the front office) provides superior results than applying technology tools to a high tech business. The businesses using the technology will feel different to the customer than the old school businesses. They have more extended engagement with the customers, collect valuable data longer and end up with more loyal customers that are resistant to defection offers and provide referrals.

Keep in mind that there are two parts to the system best adopted; the *software* that is THE marketing automation system and the *customizations* that make the system YOUR marketing automation system. The system designed for you is the result of knowing your business requirements. Business process and data requirements are evaluated for the business and ActiveCampaign is then implemented to facilitate how the business operates. This approach is the cornerstone of a long range strategy for success.

## Making a Marketing Stack to Amplify Results

In the past it was often necessary to write/code programs that would provide middleware between the accounting system or other systems and the front office system. These days the standardizations that have evolved and the acknowledged needs for and amplification from integrated systems (also called a 'marketing stack') means that there is often hundreds of plug-and-play, best-of-breed point solutions for bundling programs together to serve the business objectives and conditions as defined.

One advantage for the HVAC Contractor in having their back office/accounting data, which is often QuickBooks, synched is that a technician on site can look on his cell phone to see all the work orders and history of the customer he is at. This drastically cuts down on phone calls for assistance to the (over worked) administrator at the home office. It also heads off the worst possible situation which is when the technician asks the customer what work was done by their company at his location.

## ROI and probability of success

Applying high tech tools to a low tech business in which competition has not implemented said tools represents a clear, affordable path that maximizes payback by early adoption. The marketing automation system, like a sponge, soaks in all the contacts your business encounters from all sales channels. It then uses sorting and segmenting to allow us a clear distinction between how we serve the needs and interests of these different groups.

Automation matches the right events to the right group. Deals (or opportunities for sales) are recorded in the system as forecasted sales or as orders (which can be fed in from the accounting system). A single overarching view of the prospects and customers is available from anywhere, anytime on any device.

The propensity for success for a marketing automation system project is much greater now than it was in the past for a pure CRM project. The reason for this is that, while both projects rest on four pins (people, process, data and technology), the people component of the marketing automation system is less necessary to have the system be successful (i.e. provide substantial ROI).

Many of the tasks the system will perform operate without human intervention. However, it is not a 'set it and forget it' system. Some human touches are necessary at certain stages to facilitate goals. The key is designing in your objective and then automating it to need a modicum of necessary human touch.

The tool is used to extend and automate business processes. A design and system review meeting help in the initial stage to identify and detail business processes step by step. This is then mapped back to the system and implemented. Implementation may include creating new content or reexamining processes while defining the ideal customer we need to cultivate. Once the system is framed in we can continue optimizing to streamline and automate the processes with the security of a good foundation.

The system can not only enhance current business but it can also provide a low cost, low risk way to test market niches for expansion. The success of a proposed synergistic expansion to the existing business can be ascertained by the interest generated and received from marketing campaigns. In other words, contact acquisition and campaigns into the projected valuable niche can provide feedback on the viability of the market without much cost. The decision support criteria can be crucial in deciding the probability of success before committing capital to new market capture.

## Principle Benefits

### Establishes a solid start to the relationship (onboarding)

Relatively few HVAC businesses have an onboarding process for new customers that is outlined and applied. Customer onboarding relates to all activities involved in introducing a new customer to your company/product/service. Other than randomly throwing information at your newly acquired customers, customer onboarding refers to the process of gradually and effectively showing the customer everything you have to offer. It's about teaching them how to make the best out of your product/service.

Onboarding for new customers involves listening to your customer's questions and concerns and answering them. It's about making their experience as smooth as possible. If you fail to do so you'll be leaving your customers with a negative impression. That's one of the main reasons why customers will leave and never come back.

The marketing automation system can apply a 'welcome mat' automation when a customer is created. Based on their nature (residential, industrial, commercial) or other agreed on segmentation, specific automations can be attached on creation to facilitate the new customer transition to a loyal legacy customer.

### Helps the HVAC business become customer centric

Surveys are a natural extension of the marketing automation system. These surveys can be sent after every service visit, as well as when the new customer is engaged. Initially, a customer's preferences, motives, hot buttons and other valuable information can be obtained in order to 'score' the customer and match their needs and wants with the business offerings.

Even more importantly, surveys can be used to identify problems and trigger management action before the pain becomes suffering and the customer defects, often with a negative story to tell. The key is responding quickly to fix issues. Customer retention improves and the issue becomes an opportunity to change or optimize processes to prevent reoccurrence.

The propensity is for humans not to complain;

- It Requires Too Much Effort
- Customers Believe There's No Point
- They will be perceived as troublesome or get an employee fired
- Personality
- You never asked
- They have made up their minds not to do business with you anymore

I had a personal experience with the third point. A service technician came out to diagnose my faulty furnace on a Friday night. He noticed I had quite a few tattoos and remarked 'You seem cool, don't tell (bosses name) but I smoked a joint on the way here from downtown'. I did not report him but, had I gotten a survey where my identity would be hidden, I may have chosen to relay the situation. This is an extreme example and there is no suggestion this particular problem would plague a particular company. The rhetorical questions is 'how do you know what happened during a customer interaction'?

Surveys are the easiest way to keep in touch with the customer, obtain feedback and demonstrate that your organization takes continual improvement seriously. The customer wants to maintain the relationship as you are the trusted incumbent allowed into the privacy of their home or office. A quick call from management showing concern or a coupon toward future work can easily assuage an irate customer by showing you care.

Your business can use the system to show you appreciate every aspect of the customer experience; affordability, security, loyalty, and trust. When a technician is on the way the customer will receive an email or text with the photo of the technician coming to their site. When the technician leaves they will receive an email or text requesting a referral. Keeping them aware of what is happening and acknowledging their opinion counts are good examples of being customer centric.

The natural tendency for a business owner is to begin sentences with 'we'. We deliver great service. We offer only the finest equipment. We surpass the competition. The more customer centric businesses tend to begin their sentences with 'our customers'. Our customers tell us that our products hold up. Our customers tell us our service goes beyond our competition. Looking at the world through the customers eyes creates an entirely different environment that will promote success from many aspects. Asking them what they think on a regular basis is important.

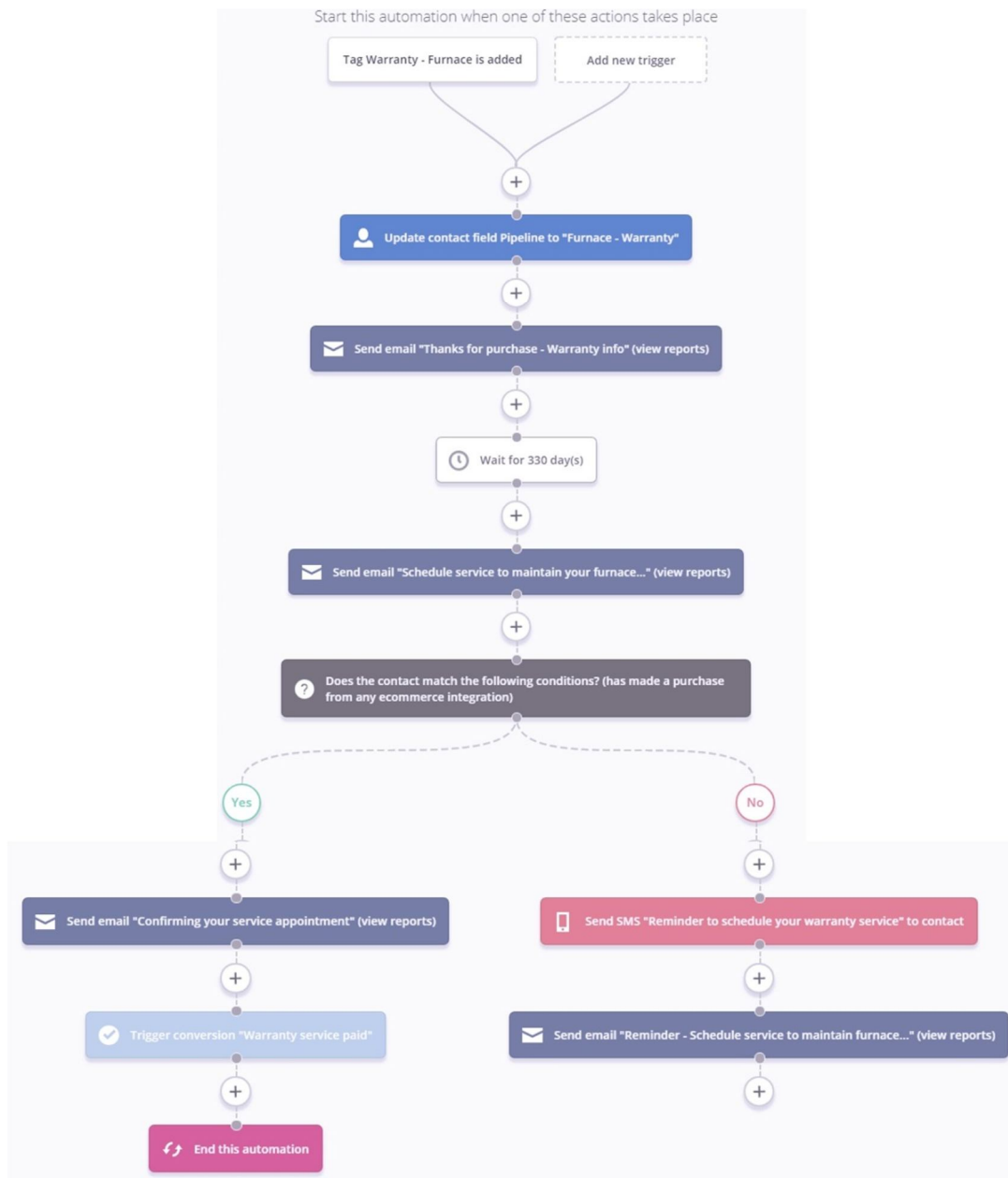
### **Increases 'predictable' revenue**

Service agreements and warranty maintenance checks are a good source of revenue but are often overlooked after a verbal offer to the customer or a periodic phone call from the home office. The marketing automation system is very effective in communicating the offer/contract, easily accepting payment right from the notification and alerting management if there was no payment or the payment was refused.

An additional benefit is that the HVAC business can use the annual service and maintenance checks as a primary means to drive follow-on sales, particularly for residential. These routine visits to customers give HVAC contractors a key competitive advantage over general remodelers or specialized home performance contractors. HVAC contractors can build on the existing trust of their customers to offer additional home energy upgrade services.



A basic automation for warranty service follow up and e-Commerce sale:



### Reduces customer defections

Let's take customer defections. Usually the owner or upper management of the business are made aware of a customer situation because there is a problem. They are immediately in reactive/trouble mode as they move to isolate the complaint and placate the customer. Unfortunately, there will be many more times when there is a problem but the customer will not complain. They will simply move on to another vendor. Like many businesses, most contractors do not have a mechanism to survey the customers on a regular basis to get input, make adjustments and keep in touch.

With the marketing automation system in place, surveys are sent as routine after each service visit and the responses associated with the contact in their history. Future activity, including heading off bad reviews or sending a loyalty reward, can be construed from the data returned in the survey. Trouble signs indicated in the survey can automatically trigger management attention.

The ongoing touches from the automation system sustain the relationship through nurture campaigns. It is 7 times harder to get a new customer than to keep an existing one. When we help them through education and communication it tends to dissuade outright defection without advisement. If they do defect we detect that (by exception) and can initiate a win back automation to try and recapture them.

### Provides ongoing sales support to the field technician

The system can send an email or text to the customer with an ETA and a photo of the technician that will be showing up at their door before the service technician arrives. The customer is more prepared and they know who their service technician will be.

Face-to-face interactions that educate customers are therefore the most effective marketing technique for HVAC contractors. However, the typical service technician has little time on site for selling/educating and may not be very proficient in doing that component of the visit.

The field technician needs support. He has a complex task facing him once he sets foot on site. The more the customer knows the less he has to assume or teach during his appointment. So for example he has arrived to find, as usual, trouble mode and a replacement required immediately. If the customer has received information ahead of the visit about the latest models, it will help the field person and the customer. If the customer had been associated with an automation that anticipated the water heater failure based on the life cycle prediction that would also be of benefit.

Another key benefit of allowing the system to educate the customer is they will be more likely to agree to upsells of better or smarter equipment than that which is being replaced. Your business will have been in touch with the customer on a regular basis. The customer is more aware of options and has a lower 'trust gap', which tends to develop when there is scarce communication between two parties.

### Increases referral business

An additional key element to business success is maximizing referrals. An important new breed of this has risen to present referrals through social media such as Yelp and Google reviews. "Conformity bias" is our human tendency to do what other humans are doing. Thus, giving evidence that others have selected your company makes choosing you seem like a smart selection. The goal is to make their using

another company a non-normal decision. This has become known as social proof. There is no such thing as too much evidence of your expertise. To be competitive, your business should be focused and concerned about garnering reviews and high ratings, and institute processes and procedures to achieve this end.

Enter the review automation solution. The goal of the resource is to help get more referrals while amplifying local SEO value.

Let's describe the second goal of amplifying SEO first. The phone in the service techs hand is a computer. The phone has a camera and they can snap a photo of the job or shoot a short video and click 'check in'. This data is formatted correctly and handed over to Google who places a physical hot pin locator in the local map. This amplifies local SEO (the best type) considerably because Google weights the check in as the highest possible because it is a physical confirmed input.

Google estimates there are as many as 3.5 million HVAC-related internet searches each month across the nation. Scoring the best possible local ranking is critical to getting new business through these searches.

When a prospect goes to search for help, the local SEO value is the highest weight determining factor for search returns. The HVAC owner can achieve a multiplier effect from the site check in by piping the site notes, photos and video immediately to a running list of jobs shown on the website. Because the information is fresh, Google treats it as most important. The continuous refresh on the website helps amplify results.

Now let's look at getting more customer reviews. As the service tech leaves the site the system sends the customer an SMS or email with a review request link and easy review steps to Google, Yelp, etc.. On average 40% will submit a review. Four trucks with 4 calls a day is 16 conservatively and that is about 4-500 for a month which translates to 200 reviews. These endorsements are the most powerful proof you can offer that your company is the right choice to do business with.

### Maximizes efficiency of every site visit

While gross profit margin on labor is relatively low, the labor on a site represents a golden opportunity to maximize the site visit. Each on site visit needs to extract the most potential value from that field call. This is a highly complex endeavor for the field technician. It is vitally important to get every bit of efficiency and payback from each site visit.

The marketing automation system can assist the field service person by supplying him with all the customer history and presenting to him a customer that has been 'warmed up' with information about the equipment, services and benefits of working the HVAC contractor. This increases the propensity for an upsell and the customer feels like the solution was co-created.

Having all the customer history on the service technician's cell phone provides a good resource and cuts down on time calling into the office to get information at the risk of appearing ill informed in front of a customer.

A big benefit to having a technician on site is his ability to gather data. With a small incremental effort the technician can survey the equipment and note the equipment detail and production date. This data can be turned into information pertaining to the expected failure date and then automation can easily be applied to start getting in touch prior to projected end of equipment life.

### **Provides one central and accessible place for contact history**

Because marketing automation systems have incorporated the CRM component so effectively, it means that all contact and order information can be handled in one central place. Not only the marketing tools exist but they are married with the capacity to manage contact and deal (order) information - all in one place. Information can be accessed from anywhere by unlimited users on all devices without worrying about data and storage.

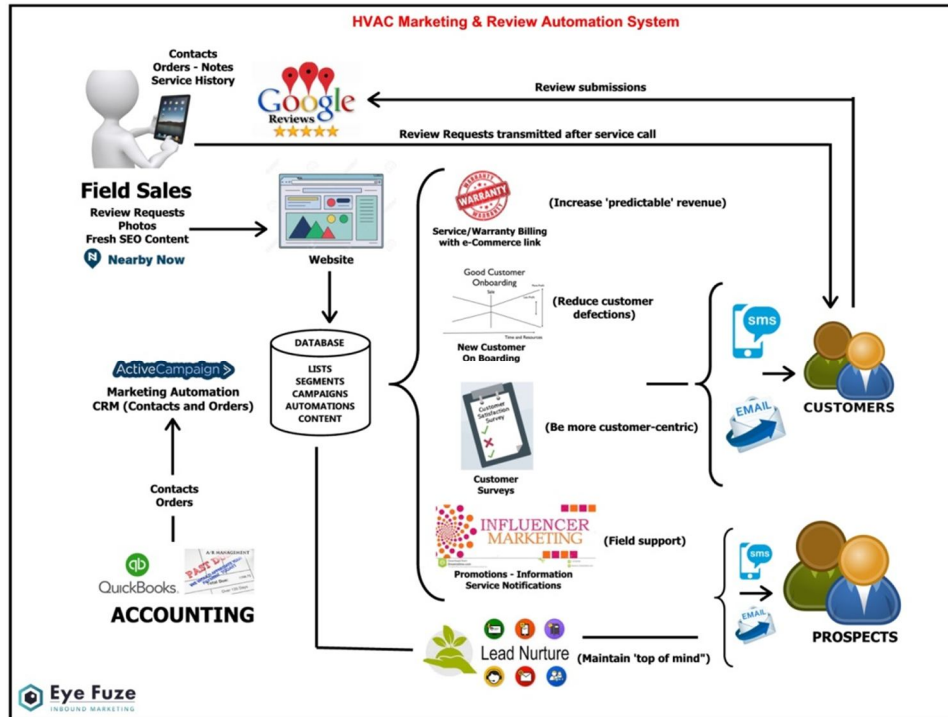
### **Low cost of customer acquisition and high ROI**

No matter how many other innovative digital marketing tactics emerge, email marketing remains one of the best ways to reach and engage your target audience. Email marketing's power lies in its ability to provide businesses of all sizes an attractive return on investment. In fact, according to an eMarketer study, the median email marketing ROI is 122%. That's four times higher than any other digital marketing channel.

- Email Purchase Conversions Surpass Those of Social Media
- Consumer Prefer Brand Interaction via Email
- More Than 90 Percent of Consumers Check Their Email Every Day
- ROI for Email Marketing Towers Above the Rest

## System Definition and Components

### A turnkey Marketing Automation/CRM solution for HVAC businesses



Marketing automation should be considered an investment, not a cost. But the options for marketing automation systems for a SMB HVAC company can appear daunting both in price and complexity. This assumes the innovative business owner is actually looking at a system for marketing automation and does not believe that a simple contact management system combined with some social marketing constitutes true marketing automation. As stated in the beginning, marketing automation is **not** the same as an e-mail 'blast'.

What is required is a flexible, powerful, affordable marketing automation tool, continually enhanced and built on an industry standard platform that can be customized to fit the needs of the HVAC business owner. These customizations would result in a system that takes into account conditions, circumstances and events surrounding management and development of both prospects and customers.

The key factors that make our system a wise choice is our approach. We take the best off the shelf 'engine' (ActiveCampaign) and apply our services in a methodical, proven way to cost effectively produce a platform for sustained success. We get it right the first time so that you have the basis for an increasingly valuable, evolutionary asset.

To understand why it is so important to get it right in the beginning, liken the journey to a voyage by boat. If you are a few degrees off course when you set sail, but go only a short distance, it is not much of a problem. But if you intend to go a long way, those same degrees of error in the beginning can spell big trouble and leave you hundreds of miles from your final destination. Creating the most favorable conditions in the beginning is the key to getting the most return on your investment of time, money and energy for the long run.

Summarily, taking this 'off the shelf' best of breed motor and integrating it with a system design that matches the business methods of the HVAC business is the most cost effective way of achieving sustainable success with manifold immediate benefits as outlined in this document.

### **Implementation services**

Knowing your business requirements is the first step in designing the system. The software is a tool that supports your methods. Designed around the business processes and data it helps facilitate how you operate your business.

We perform an event based Requirements Assessment and develop your system together with your prospects and customers in mind. The important business events (the essential business conditions, states, circumstances, situations or requirements that exist) which the target system must respond to or deal with in order to carry on operations to successfully support its key business objectives, goals, mission, direction and vision are documented and implemented into the system. Requirements elicitation, specification and system design, configuration, deployment and quality control will typically cost \$3,000 - \$6,000.

### **ActiveCampaign – Marketing Automation**

A typical SMB HVAC owner may have 10,000 contacts in their database. They wish to have 4 field personnel, 3 office staff and two owners use the system from anywhere, any device and anytime. ActiveCampaign will cost \$200 per month to provide the basis of the system as described in this scenario.

### **Referral Automation**

The system enables your field personnel to take advantage of their mobile phone to maximize the value of a site visit. Perform 'check-ins' with photos and videos on entrance to the site. Site check-ins send a pre-formatted data packet to Google so they know it is a physical pin of the highest value and put it on the local map. This amplifies your local SEO footprint.

It makes it easy for customers to review and gets a 40% response rate from them by sending a request as the field technician departs the site. Reviews integrate with your website to provide fresh content. Receive immediate alerts on a negative review so you can move to address it. The cost is \$200 per month to provide the basis of the system as described

## Strategic additions

### Content

Content creation (copywriting of material touching the prospect or customer) can range greatly. It is a necessary part of a complete system or marketing ecosystem but often an owner, employee or someone knowledgeable about the operation can produce this element. If not, many qualified copywriters are available for hire. Some of copy need only be created once as Forms, e-mails and templates. Other content must be produced regularly to insure better SEO and keep visitors up to date. Content creation costs vary greatly.

### Website

The website is an element of the entire strategy and part of the data flow where we attempt to engage visitors and convert them into contacts. Often times, a 'lead magnet' can be created. A lead magnet is something that appears to be of value that we can swap them for registering their email address and, sometimes their names or filling out a brief survey to help sort them coming in. The website can be tweaked to add a lead magnet to capture more emails or replaced entirely if it is dated with one that is more fully formed to integrate with the marketing system. Website replacements can range from \$1,500 - \$3,000 typically.

## System enhancements/add-ons

System enhancements are focused single purpose software products that integrate seamlessly with ActiveCampaign and can boost the overall system effectiveness through the synergy they create and the contribution they deliver in a particular aspect of the customer journey or relationship. The ability to easily join these with the core system are key to realizing the full system potential and represent a 'marketing stack'. Some of these that may be of initial or subsequent interest in development follow;

### ConvertFlow

Showing personalized, targeted messages to the right people is the best way to increase engagement and drive more conversions. ConvertFlow does that and more. It allows you to make a personalized way to guide people on your website to become leads, customers and repeat buyers, with targeted calls-to-action and on-site messages. Multi-part forms and surveys become part of the natural extension for engagement. The sorting up front, known as retargeting, makes the contact later more valuable by matching up their interests with your products and services.

### Enhanced SMS Text Messaging

Although email is an effective channel, everybody's inbox is becoming more and more crowded. ActiveCampaign integrates with two way SMS and (soon) voicemail functionality. Text messaging provides a great addition to the email capability to double the channels you are reaching out on.

### E-Commerce

Many e-commerce systems integrate with ActiveCampaign. Notably Shopify, BigCommerce and WooCommerce have existing deep data integrations that automatically display product and service transactions in an ActiveCampaign view. This makes it easy to take automatic payments for maintenance agreements, deposits, etc. and see all the customer history in one place, anytime and on any device.