

COMPANY DEEP-DIVE

Sales Manager at Basement Waterproofing of Michigan Believes Foundation Repair Services Set Them Apart in the Industry

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EXPERT PERSPECTIVE

Customer

ANALYST PERSPECTIVE

Business-Led

PRIMARY COMPANY

ANGI

OTHER COMPANIES

SIREN LTD

Summary

The client spoke with a Sales Manager at Basement Waterproofing of Michigan to gain insight into offering sales qualified leads to contractors in the home renovation industry, specifically in kitchen remodeling, basement remodeling, roofing, and siding. The Sales Manager explained that their business is 60% basement and 40% crawl space, and they did just over \$6 million in sales last year. They offer services such as basement waterproofing, crawl space repair, and sump pumps. The Sales Manager recommended using terms like encapsulation, insulation, dewatering, waterproofing, damp control, and mold control to attract homeowners looking for crawl space repair services. The Sales Manager also noted that the company offers foundation repair services, which not all contractors in the basement waterproofing industry can provide. The Sales Manager estimated that only 5-10% of waterproofing companies can offer foundation repair services, and those that cannot must outsource to companies like theirs. The Sales Manager also explained that the company offers a lifetime warranty for basements and a 25-year warranty for crawl spaces, which is transferable and covers any water damage. The Sales Manager also mentioned that the company works with HomeAdvisor and Angi for lead generation and tracks the performance of these leads separately.

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EXPERT BIO

INTERVIEW TRANSCRIPT

Client ⏪ 00:00:00

Hello, thanks for speaking with us today. We're looking to learn more about offering sales qualified leads to contractors in things like kitchen remodeling, basement remodeling, roofing siding. And we are looking to understand the nature of the business, what's important to them and also what kind of experience you have had so far with lead-generating companies. So, just to start, if you could give me an idea of how large of the operations you have and maybe what percentage of your business comes from basements as opposed to crawl spaces.

Expert ⏪ 00:00:26

As far as basements and crawl spaces, it's actually not that much of a difference, which is surprising to a lot of people, but we're probably 60% basement, 40% crawl.

Client ⏪ 00:00:36

And the ballpark of your sales, I don't need exact numbers, just to get an idea, if it's like less than \$5 million, \$5 million to \$10 million or \$10 million to \$50 million, just approximately?

Expert ⏪ 00:00:48

Last year, I think we did just over \$6 million.

Client ◎ 00:00:52

Great. And I noticed that your structure of services is basement waterproofing, crawl space repair and then sump pumps. I would like to understand the logic behind that. Is that the language that the customer understands? I was surprised to see sump pump as a separate business because I thought it was actually part of the solution for both.

Expert ◎ 00:01:09

It is a very large part of the solution for both, a lot of communities especially in the State of Michigan require sump pumps when we do any kind of waterproofing other than outside new construction waterproofing. And even with that, the new codes even for new builds, say that you have to have exterior and interior waterproofing or drain tile connected to a sump pump.

They don't want it going into the storm sewer which eventually ends up in the regular sewer, which costs money to have that water treated. They would rather have rainwater, which is groundwater, just discharged out into the lawn and let that perk away naturally. So, a big part of our business is not only installing the sump pump with our system, but also servicing sump pumps.

Client ◎ 00:01:50

So, when the customer is looking for a service, they actually look for sump pump service or for sump pump specifically instead of looking for basement waterproofing solutions in general?

Expert ◎ 00:01:59

Right. Because your average plumber is going to tell a homeowner, "Oh, you need sump pump." So, they'll google sump pumps. They don't realize that in order for a sump pump to work, the water has to be able to get to it. So, you need to drain it.

Client ◎ 00:02:14

So, if I understand you correctly, the customer might be looking for a sump pump, but actually, he needs to install internal drainage system and waterproof the basement.

Expert ◎ 00:02:22

Exactly, what we have to do is educate the homeowner around what's happening, why it's happening and how to fix it correctly, so they don't have to deal with it again.

Client ◎ 00:02:31

Interesting. And I'm kind of struggling to understand why do we talk about basement waterproofing, but instead of talking about crawl space waterproofing, mostly contractors highlight crawl space repair as a service.

Expert ◎ 00:02:42

Basements in this area and throughout the United States are part of the footprint of the home. And it can be a very useable place. We refinish our basements. We put bedrooms down there. We put extra kitchens down there. Some people actually put apartments down there. And so that needs to be waterproofed.

Crawl spaces, you're talking anywhere from two foot, 24 inches to 36 inches, there's not much room down there for anything, and there's no cement slab. It's a dirty floor. So that's why we talk about encapsulation. And your crawl spaces. the support posts that hold up floor joists and whatnot will sink if they're not done right when the house is built.

Most of the homes with crawl spaces are going to be from the 40s, the 50s, even the 30s, so there's been a lot of time, a lot of age and a lot of wear. And we go in and we can repair all that and fix that, encapsulate it, make it a clean, healthy area, so that we're not getting what we call home sick. We don't want mold growing from the bottom of the crawl space up into the home itself.

Client ◎ 00:03:43

So, what you're calling crawl space repair is actually all the cleaning and making it suitable.

Expert ◎ 00:03:47

We're cleaning them, we're encapsulating them, we're waterproofing. We put drain tile in and sump pumps that go underneath the encapsulation. And then we also repair floor joists support post, support beams. We can repair crawl space walls if they're crumbling or falling apart, we can rebuild them.

Client ◎ 00:04:05

Okay. And what do you think would be the best and the most comprehensible terminology for the homeowner when we talk about the crawl space? And I'm thinking literally you have to advertise this service to get the leads.

Expert ◎ 00:04:16

If you're trying to attract homeowners or get a homeowner to click on you in particular, you're going to want to use words like encapsulation. That's very big in the industry, and very big around homeowners, that they know what encapsulation is.

Also, insulation, because we insulate the crawl spaces when we do the encapsulation. Dewatering, waterproofing, damp control, mold control. These are all things that people attribute to crawl space. And when they go online like to, HomeAdvisor and Angie's List, which is now just called Angi.

And when people go to Angi's, they would type in crawl space, or they would type in crawl space

insulation or crawl space waterproofing, and it would come up with the foundation repair companies that offer that service like what we do.

Client ◎ 00:04:58

So, would you say that a typical homeowner would rather kind of react to crawl space encapsulation or crawl space waterproofing as a term in identifying their problem?

Expert ◎ 00:05:07

The problems are one and the same. You can't waterproof a crawl space without encapsulating it. But you don't always need waterproofing when you encapsulate. If the area is dry and you just want to prevent soil gases and snails, insects, rodents and whatnot from getting into a crawl space, but it's dry, you don't ever have a water problem, we can just encapsulate it. And when we encapsulate, we also insulate it. But if you waterproof a crawl space, you have to encapsulate. You don't have to waterproof when you just encapsulate.

Client ◎ 00:05:37

Thank you so much of the insight because I understood actually the other way around. I thought that waterproofing comes first. And then once you waterproofing it, you encapsulate it, but it's actually the other way around.

Expert ◎ 00:05:48

Right. If you're living in the part of Michigan and you're up on top of the hill and you live on sand, no reason for me to waterproof that because it never gets wet, but it's still cold. And it's cold in the winter and hot in the summer, and it's still going to get critters in there, so we can encapsulate to prevent all of that.

Client ◎ 00:06:05

Got you. Out of every 10 houses that actually need to do something with their wet basement, how many do you think actually call the contractors into a project as opposed to doing nothing or doing a quick fix?

Expert ◎ 00:06:14

90% of all your customers are going to try a quick fix. They're going to try putting dry lock on the walls. They're going to try putting dirt around the house. They're going to extend their down spouts from their gutters.

They're going to do all of these type of fixes, but they're all band-aids. They all help to prevent water from coming in when the foundation is brand new. But once you get water infiltration, it's broken, and it needs to be fixed the right way.

So yes, if you're talking about customers that try to do the easy thing, of course, they do. And

there's a product called Flex Paint. And one of the commercials is a guy's got an aluminum fishing boat with a screen door in the bottom that he covers with this Flex Paint and water doesn't come in.

And it looks really good until you watch the full commercial online and you see that 10 minutes after that, the boat sinks. And I wish I had \$1 for every time I went into a basement, and I see this Flex Paint painted on the walls. And it's like, okay, well, you guys just spent \$4,000 on paint. Now I'm going to charge you \$14,000 to take all that off and fix it the right way.

Client ◎ 00:07:19

Right. So, I'm more interested in knowing what percentage of people do you think ultimately do a proper job. Because for example, the houses with basements and all the houses that have problems with basements, my biggest doubt is like what percentage of the houses that have real problem actually call contractors?

Expert ◎ 00:07:34

Houses are built to leak. Especially here in Michigan because the basements are built to leak. Drainage is put in when the homes are built, but when that drainage fails, because of the soil system that we have here, which is a heavy-duty blue clay, and the expansion and contraction we get in the very high-water tables that we have, we get hydrostatic pressure that pushes on the walls.

If the basements didn't leak, it could push the walls right in. You can get upwards of 32,000 pounds per square inch of water pressure on the walls itself, which would push a basement wall right in. So, basements are made to leak. Every house needs waterproofing. Any house more than 20 years old is going to have a problem if it isn't addressed already.

Client ◎ 00:08:15

I didn't see foundation repair services mentioned on your website. Do you offer them or not?

Expert ◎ 00:08:19

Oh yes. We do wall pushbacks. We'll do wall rebuilds. We do piercing, which we can raise the foundation up, if it's syncing. We use steel I-beams. We use carbon fiber straps. We use wall anchors. We do floor dresses, beams, support post, anything and everything. The only thing we don't work on is new foundations. We work strictly on existing foundations. But yes, we can do any kind of repair that a foundation needs to have done.

Client ◎ 00:08:49

And correct me if I'm wrong, but I got an impression that not all of the contractors that offer basement waterproofing are able to offer foundation repair.

Expert ◎ 00:08:56

Right. They're not.

Client ◎ 00:08:58

So, just your gut feeling, what percentage do you think can offer foundation services and what percentage can't?

Expert ◎ 00:09:03

Here in Michigan, I would say probably 5% to 10% can do the full gamut of everything that needs to be done. People get into waterproofing because it's very lucrative. And they don't have the knowledge to do foundation repair. So, they want to just do the waterproofing because they can make a lot of money really quickly.

Client ◎ 00:09:21

Right. So, what if the company cannot do foundation repair and you need to do certain repairs for foundations instead of waterproof. What do they do?

Expert ◎ 00:09:29

They then have to call a company like us. Because everything here is permitted, and everything has to be engineered for foundation repair. And so, if you're not licensed and you're not trained to do the foundation repair, then you'll never get a permit. The city won't allow you to do the work.

Client ◎ 00:09:44

But what are other types of foundation repair that are not so complex and mostly waterproof contractors can do?

Expert ◎ 00:09:49

A vast majority of our newer homes, and by newer homes, I mean built in the last 20, 25 years have poured basement walls, the older homes have block walls. And so almost every company would be attracted there on a poured wall, which is a foundation repair.

Client ◎ 00:10:04

Do you find simple things like cracks this year can be done?

Expert ◎ 00:10:07

A crack repair can be done by just about anybody. Generally, we do injection, so we drill into the crack and inject it with an epoxy or polyurethane. And you can do that on a poured basement, you can't do that on a block basement.

Client ◎ 00:10:20

Right. And then there are certain types of foundation repairs that companies have to outsource to players like you.

Expert ◎ 00:10:26

Right. If you've got a wall that's falling in or bowed really bad, your average contractor can't do that.

Client ◎ 00:10:32

Yes. I would like to focus on basement waterproofing first. I understand that there are two types of basement waterproofing, internal and external. Would you give me a sense of out of every 10 customers, how many opt for internal versus external?

Expert ◎ 00:10:45

99.99% go for internal. The reason being is doing the exterior work involves digging up all the way around the house, all the way down to the bottom of the foundation. And it's so cost prohibitive. And there's also no way to maintain that where with an interior system, it can be maintained. So very few homes leave exterior on.

The only reason we would really do an exterior is if a homeowner has a completely finished basement with ceramic tile, a full kitchen. They've got \$50,000, \$60,000 worth of renovations in the basement. They don't want us coming in and breaking the floor up.

But it's on an average, an average-sized house, \$15,000 to do an interior waterproofing and give you a lifetime warranty, compared to doing it from the exterior, which is going to be \$35,000 to \$40,000 to \$50,000 and you're going to get a 10-year warranty is all.

Client ◎ 00:11:38

Perfect. And there's a certain type of services that I saw on the website of some companies, and I'm just curious how common they are. For example, if there's a water management problem and the customer needs to change the gutters or downspouts or do the yard drainage.

Expert ◎ 00:11:52

Again, that helps. So once you get water coming in, you have to waterproof. But you still want the gutters extended. You still want the proper drainage away from the home. That solves surface water, doesn't solve groundwater.

Client ◎ 00:12:05

Correct. So, is that solution necessary? Do all the waterproofing contractors have capacity to do that? Or do they outsource?

Expert ◎ 00:12:13

You would hope they do, but not all of them do. Some will tell a homeowner, call a landscaper or call a gutter company. We will do downspout extensions. We will add soil around the house to get the right grade, but only if we're doing basic waterproofing only. I'm not going to sell downspout extensions and grade enhancement to a homeowner and they're still going to have a leak in their basement.

Client ◎ 00:12:35

I see. And you mentioned that waterproofing would cost \$15,000. Is that an average job size for basement waterproofing?

Expert ◎ 00:12:42

Yes. Your average price here in the state of Michigan is anywhere from \$12,000 to \$16,000.

Client ◎ 00:12:49

On a typical job for like an average contractor, what percentage of that amount, let's take an average of \$14,000 for example, would be material, labor and then gross margin?

Expert ◎ 00:12:58

Well, your profit margins, you want to try to stay at about 30%. If you want to stay in business and stay viable, you have to be at least 30%. Labor on that on every job, we pay our laborers a percentage of the job. So, if it's a \$12,000 job, our labor force, the guys that do the work are going to get like \$2,000, \$2,500 to split between three guys. The foreman gets a little bit more and then the labor gets a little bit less, but it's good.

It equals somewhere around \$35, \$40 an hour. So yes, as far as the materials and what not, that's really hard to tell because it changes so often. But on every job that we sell, we try to maintain at least a 30% profit margin, if not more, for the simple reason, we want to be in business 10 years from now if there's ever a problem to be able to warranty that work.

Client ◎ 00:13:49

So, let's say 30% margin, 20%, 25% labor and 10%.

Expert ◎ 00:13:54

The labor is usually 4% to 5% of the cost of the job.

Client ◎ 00:13:58

You said it's \$2,500?

Expert ◎ 00:14:00

\$2,500, right? On a \$12,000 job, we would pay the contractors and workers like \$2,500.

Client ◎ 00:14:09

Exactly. So that will be like 20%, more or less.

Expert ◎ 00:14:13

Right.

Client ◎ 00:14:13

So, labor would be 20% margin and that leaves maybe 10% for the sales.

Expert ◎ 00:14:18

Yes. Salesman always gets 10%. So, if you break it down, your 30% profit margin, you take that right off the top. And then 10% of that job goes to the inspector. Now your company has made money, your inspector has been paid who works for the company, but that's his commission. And then the rest goes to labor and labor material. The 30% that goes to the company out of that comes advertising cost and vehicle cost and equipment and all that.

If I've got \$100 and 30% of that is profit, there's \$70 left over. So out of that \$70, you also take the 10%. So that would be another \$7. So now you're down to \$63. If you take that, you split that to where, I'm going to guess, 2/3 of that is going to go towards material, 1/3 to labor.

Client ◎ 00:15:06

Makes sense. And advertising and marketing costs for a typical contractor, if we measured as a percentage of sales, how much do you think that would be?

Expert ◎ 00:15:14

We spend a lot on advertising, at least in my mind, we do. But the more you advertise, the more business you get. So, we average somewhere \$2,000 to \$3,000 a month in advertising, which is actually quite a bit for a company our size.

Client ◎ 00:15:30

Does that include the leads like total marketing budget?

Expert ◎ 00:15:32

That's our marketing budget as far as buying leads from HomeAdvisor or a place like that. That's not going to include whether we do radio, TV or home shows. That would just be what it cost us for Google click words and your basic advertising, which is like what we call Angi's.

Client ◎ 00:15:48

And I'm more interested in industry average. If you take all the marketing budget, including radio and billboards and vans, what percentage of sales would be just for that scenario? I think some other contractors, some spend 10% on marketing as a kind of sales and numbers as low as 6%. Where do you think is a reasonable or typical advertising or marketing spend for basement specialists?

Expert ◎ 00:16:08

Well, that's a hard question to answer. So, ideally, we would all like to be on TV and in the media, but that is so expensive in this area. Only big players can do that.

Client ◎ 00:16:19

No problem. I would like to talk a little bit more in details about the crawl space. So, if the average job size for the basement was \$12,000 to \$16,000, what would that be for a typical crawl space project that you do?

Expert ◎ 00:16:32

You're still going to be really close to the same price. We're still putting in drain tile, and it's a little bit different because nine times out of 10, our guys working on their hands and knees. So, you have to charge a little bit more for the labor on something like that.

Client ◎ 00:16:46

Perfect. Would the margins on crawl spaces be similar to basements, like 30% similar?

Expert ◎ 00:16:51

Yes. Because we pay our guys a little bit more on crawl spaces.

Client ◎ 00:16:55

How many days does it take on average to finish crawl space?

Expert ◎ 00:16:58

Depending on the size, depending on how much clutter and cleanout we've got to do, crawl spaces are going to be two to three days just like a basement.

Client ◎ 00:17:06

So, average job size is similar duration.

Expert ◎ 00:17:09

Yes. The nice thing about the crawl space is that when you're done and it's all encapsulated, it looks so nice compared to what they looked like before.

Client ◎ 00:17:17

Yes. So, I have here a range of kind of quick, simple questions just to understand your offering. So, you offer free quotes?

Expert ◎ 00:17:25

Yes. Free estimates.

Client ◎ 00:17:27

And is that typical for the industry?

Expert ◎ 00:17:29

You're not going to get an appointment with the homeowner if you charge them.

Client ◎ 00:17:32

Good. You mentioned that you offered a warranty. Could you elaborate a little bit on what kind of warranty you offer?

Expert ◎ 00:17:38

Anytime we do work, crawl spaces are a 25-year warranty and that's against any groundwater coming in, mold growth, the ripping or anything like that. Basements are a lifetime warranty against any water coming in.

Now with that, it has to be maintained, the sump pump is an electrical appliance. So, we can't warranty that, it comes with the manufacturer warranty of three years. But the actual work we do is usually a lifetime warranty. And that's for life of the home, not the homeowner. And it's also transferable. So, if the homeowner sells the house, the warranty stays with the house.

Client ◎ 00:18:13

Correct. And I wonder how common that is for the industry in general.

Expert ◎ 00:18:16

Everyone does it.

Client ◎ 00:18:17

Everyone does offer lifetime warranty for basements. Or all three.

Expert ◎ 00:18:21

Yes, you're not going to get very many customers if you're not offering a lifetime transferable warranty.

Client ◎ 00:18:27

Interesting. And do you work with insurance cases, and how common it is at all to have basements that are paid by insurance?

Expert ◎ 00:18:33

25 years of doing this work, I've never seen the insurance pay for a job.

Client ◎ 00:18:38

Okay. And in other industries like kitchen remodeling, basement remodeling, that's pretty common and contractors hate them. So, they reject all the leads, that it comes back up with insurance. So that's why I'm asking but every industry is different. So, it not common at all.

Expert ◎ 00:18:54

No.

Client ◎ 00:18:54

What about modular or manufactured homes? How common is it at all for this type of construction to have crawl space for basement?

Expert ◎ 00:19:01

Manufactured homes can have a basement and we can waterproof them. But a lot of your mobile homes sit on concrete black pilings so there's no actual foundation wall. So, there's really no way for us to do anything.

Client ◎ 00:19:14

So, if you received a lead for a manufactured home with a crawl space or a basement, would that be something that you would take or reject?

Expert ◎ 00:19:20

If it makes sense, something that has a basement absolutely, we take it. If it was just a manufactured home and they said crawl space, we would reject that.

Client ◎ 00:19:29

So basically, the rule is either it's a basement or crawl space.

Expert ◎ 00:19:33

It has to have a foundation wall. What I mean by that is you get a mobile home where they built a block wall, three-block high, set the mobile home on top of it, put the axles off and set the mobile home on top of that and secured it to it, okay, now you have a foundation. If it still has the axles on it still has tires or wheels, it's on post, that's not a foundation. There's nothing we can do with that because that building can be moved.

Client ◎ 00:19:57

Is there a possibility to figure out in advance if the house has a foundation? I'm just imaging in a situation where we can we get a lead, get a customer.

Expert ◎ 00:20:05

Absolutely. And one of the questions you should have is what type of foundation you have, block, poured, sand or slab. So, if it's a block or poured or stone, we can work on it. If it's a pillar or slide, we can't do anything.

Because that's something that you definitely want on there, what kind of foundation, what listing, block or poured or stone. Because there are some houses that have wooden foundations, believe it on that. We can't do anything with those either.

Client ◎ 00:20:32

Is stone foundation also sometimes called masonry? Or is that something different?

Expert ◎ 00:20:37

No, masonry would be poured concrete.

Client ◎ 00:20:39

Poured concrete, okay. So, block, poured concrete and stone. And out of those three, which one should you reject?

Expert ◎ 00:20:47

If they have any one of those three, they can be worked on. If they say slab or post, than we can't do anything.

Client ◎ 00:20:53

That's helpful. And so, slab and post, it would be like a poured block that doesn't have any space inside.

Expert ◎ 00:20:59

Right. And with the crawl space, you often want to ask the question of what's the height of your crawl space? Because anything under 24 inches high, a person can get in and work.

Client ◎ 00:21:09

And do people also know what kind of foundations they have? If I were to read this terminology you have just mentioned, I would have no idea what I have in my basement.

Expert ◎ 00:21:16

Right. But if your basement walls aren't finished, most people are going to be able to determine if it's a block wall or a poured wall. But if it's a basement wall, set the appointment, we would take that appointment. If it's a basement, we're going to take that appointment. Crawl space is where you get the questions because if it's a slab and not a crawl space, that means the house is built on just a slab of concrete sitting on the ground, really nothing we can do.

Client ◎ 00:21:41

Right, then it doesn't have a basement by definition right?

Expert ◎ 00:21:44

Yes, it doesn't have a crawl space, but people will still get water in their houses. That's what we call a grade issue. There's nothing we can do about that. Unfortunately, they don't build them very much anymore on slabs. But there was a time where it was a really cheap way, like way after the second World War, was a very cheap way to build homes and they're terrible.

Client ◎ 00:22:04

But technically, that wouldn't be a basement for a proofing job. That would be something else waterproofing, like your house.

Expert ◎ 00:22:10

Right. That would be a landscaping issue.

Client ◎ 00:22:13

Exactly. So, wouldn't it be easier to ask like do you have a proper basement or a proper growth base?

Expert ◎ 00:22:18

Yes. That's why you want to ask what type of basement do you have? Is it a basement or crawl space? If a person is on a slab, they're going to know that they're on a slab. And if there is no way check that, they can't go any further.

Client ◎ 00:22:32

Very good. So, do you work with multifamily buildings or high-rise buildings?

Expert ◎ 00:22:36

No, that's commercial. That's a whole different ball game. And you have to be a \$60 million-, \$70 million-a-year company to work on those.

Client ◎ 00:22:45

Are there any other types of buildings or situations that you would recommend to disqualify or reject as a lead in order to improve quality?

Expert ◎ 00:22:52

Not really. There's a couple of different types of foundation, they're called superior wall systems or Styrofoam reinforced wall systems, very few of them. They're not real common. I've run across maybe four or five of them in the last 25 years.

It's a continuous pour basement. There's like a big cement bathtub, and there's really no way to work on those. That's why they don't have them. So that's just one of those things that sometimes a person won't know that, if that's the kind of foundation they have, and it takes an expert to come out and say sorry folks, this is what you have and there's nothing we can do.

Client ◎ 00:23:26

Great. Let's switch gears and talk about the leads. So, you mentioned that you're working now with HomeAdvisor and Angi, now it's all the same company. Is that the only partners that you have worked with?

Expert ◎ 00:23:37

As far as computer lead generating, yes, that's pretty much all that we actually have available to us. There's not a whole lot of choices. We do some canvassing where we have people out knocking on doors. Those aren't really reliable.

But yes, the biggest thing that we have, though, is billboards are really big for us. And Google word search, the pay-per-click, where you pay for certain words. Because the better you are at that, the higher you're going to end up on the Google search page when someone types in basement waterproofing.

Client ◎ 00:24:06

Yes. So, the lead that you're getting from HomeAdvisor, I'd like to understand how they classify them. Do you get growth-based lead separately and basement waterproofing separately? Or do you get these two in plus separately.

Expert ◎ 00:24:18

When they come to us, and we did a ding on the computer and we open it up, it will say basement waterproofing, or it will say crawl space encapsulation.

Client ◎ 00:24:26

So, it's crawl space encapsulation or basement. Do you track the performance of these leads separately?

Expert ◎ 00:24:32

No, we track them together.

Client ◎ 00:24:33

But you track HomeAdvisor leads as a category?

Expert ◎ 00:24:36

Yes, we track the Angi leads, and the billboard leads. And there's always a question on how did you hear about us. And when we call to confirm the appointment, if it comes from HomeAdvisor or what we call Angi, we know right away where it came from.

But if it comes through the web page, if it comes through our web page, then we're going to ask them, how did you hear about us? Was it a billboard? Did you see you charts? Were you at the home show? Or was it a Google search? But if it comes from HomeAdvisor, we know that because it's coming right from them.

Client ◎ 00:25:07

Of course. By the way, who's selling the appointments? Do you have a small call center?

Expert ⏴ 00:25:12

We have a call center. And on days that's really raining bad, whoever is in the office. Everyone is trained to set the appointment. When you get a HomeAdvisor or Angie's List lead, very important that you call them back right away because you are going to need to send them out to four or five different contractors.

Client ⏴ 00:25:29

Yes. So, I'd be curious to know what is the performance of the leads, like lead to appointment conversion and appointment to sales, what percentage of this leads you manage?

Expert ⏴ 00:25:38

What we call a lead, a lead is a name and phone number. We convert probably 75% to 80% of those into appointments. We have the appointments, out of the appointments, we are closing 35% to 40% of the appointments that we have.

But the thing is, when I say that we're closing or we're converting into leads, if I get 10 appointments from the Angi's, they're going to come in, out of that 10, I'm not going to pay for them all because I'm going to reject four or five of them. Two or three people aren't going to answer the phone. And you have to physically talk to the homeowner before you can set an appointment.

Client ⏴ 00:26:12

That makes sense. So, let's say, if out of 10, you reject four because you can't even get them on the phone, that would be right on the basis of 60%, which is still a pretty good result, I would say.

Expert ⏴ 00:26:23

It's still pretty good. And then once we get them on the phone, we have to qualify them also. But if you get one that you call and you find out that they're not the homeowner, you're calling Jane Doe and Jane Doe's calling because her sister has a problem in her basement.

And oh, I'm getting the appointments for her, and no, we have to have the homeowner there. So that would be another one I would call Angie's List or HomeAdvisor and say, hey, this is not a qualified lead. It has to be the homeowner.

Client ⏴ 00:26:50

Yes, that makes sense. I know that you don't tag them separately, but do you have a feeling if there is any difference in terms of performance of basement leads versus crawl space leads?

Expert ◎ 00:26:59

I would say depending on the time of year. Spring and fall, we're closing a lot more basements, where winter and summer, because of heating and cooling bills, we're doing a lot more crawl spaces, especially in the wintertime. You wake up, you get out of bed, you put your bare feet down on your wood floor and your feet are freezing, you want the crawl spaces fixed because you want to get some installation down in there.

Or if your heating bill is outrageous because the heat ducts run through the crawl spaces so you're going from 72-degree temperature at your furnace, putting it down on a crawl space, which is 32 degrees, blowing that air all the way across the house.

By the time it comes up in the bedroom, it's 40 degrees. So, you want that crawl space done to make sure that your crawl space should be no more than two to three degrees temperature difference than your house itself.

Client ◎ 00:27:44

Interesting. So, in terms of seasonality, you can work 365 days a year.

Expert ◎ 00:27:49

Oh, yes. We work all year long.

Client ◎ 00:27:52

Right. But there's a seasonality that is kind of customer driven.

Expert ◎ 00:27:56

Yes. We work all year long, but we focus our advertising in crawl spaces in wintertime.

Client ◎ 00:28:01

Interesting. I know that the HomeAdvisor has a fixed pricing and you never know what you would pay for it. But on average, do you know what it ends up costing you?

Expert ◎ 00:28:09

The best figure that I have that comes from the owner of the company, is that every lead that we run costs us \$300 to \$600, with advertising, with the cost of pay-per-click, with the cost of someone calling on the phone, all of that involved in every lead cost, we have to make at least \$600 to break even on an appointment. That's why it's so important that we close 40%.

But on an average, if you take all the advertising we do and leads that come in, by the time we get to them, we pay for the advertising, pay for the person to answer the phone, pay for the person to call them back and confirm it, you're between \$300 to \$600. That's what the owner tells me all the time, because I'm the manager and I'm trying to get guys to sell better.

Client ◎ 00:28:51

Got it. Let's just talk a little bit about customer targeting. Do you have specific sort of age home value house income recommendations?

Expert ◎ 00:28:59

Absolutely not. Age doesn't make a big difference. What we would like ideally, if the world we're perfect, is somewhere between 30 to 50 years old, married, been in the house 10 years, has a good job and has decent credit.

That would be ideal. That doesn't happen. Our main requirement is that the homeowners are present. It can't be a rental, it can't be under property management. It can't be bank-owned. You have to have homeowners. Also, if there's any way to do it, it's so important that all the decision-makers be there.

Client ◎ 00:29:30

Yes. Do you offer financing?

Expert ◎ 00:29:32

Yes. We have three different finance companies that we use. We offer everything from 48 months with zero interest to one year same as cash to 15 years at a fixed rate of 9.9%.

Client ◎ 00:29:45

And what percentage of your customers take financing on average through you? More or less.

Expert ◎ 00:29:49

Probably 40%, I'd say. The problem is everyone likes to finance, everyone likes that, and they love this zero interest. Most homeowners don't understand that, for us, it gives them free interest, 48 months with zero interest. We have to pay for that. The finance company charges us 18% to 25%. So, I like my customers. I love my customers. I don't love them that much. So that price is going up 18% to 25%.

Client ◎ 00:30:19

That's very clear. But are you noticing any effect of a tighter credit situation in the country in general?

Expert ◎ 00:30:24

Do we ever. Used to be 580 credit score quarter would get you finance. It may not get you the interest-free, but it would get you finance. Now they've got to be 650 or higher. 650 or higher and less than 40% debt to income.

Client ◎ 00:30:40

So, would you say that if you target certain ZIP codes for lead generation, you should exclude ZIP codes with exceptionally low credit scoring, credit rating?

Expert ◎ 00:30:48

Well, here's the problem, I think, with a lot of advertisers and a lot of companies. Because we get a lot of companies that will not go into Detroit. There's a lot of basement waterproofers, they will not go into Detroit.

Because Detroit's lower income, unfortunately, generally speaking, they have a lower credit rating, and their house value is lower. But at the same time, that's their house, and it has to be fixed. You can't live in a house that's full of mold. So, you can't judge a person's castle by how much money they make.

You'd be surprised how many people in the lower income will come up with the money through mom and dad, an aunt and uncle, through credit union, turning in a retirement plan or something, they may not be able to get the entire basement done at one time, but they can get two walls done, at least that's going to take care of most of the problem.

So, I'd day don't try to target just the higher income. What happens with that is in this country, our higher income are the people that want everything for nothing. We've got a community here where the average income is between \$50,000 to \$60,000, \$70,000, houses are somewhere between \$150,000. Vast majority of the workers here and the people that live here are automobile factory workers, they work for the big three.

I would rather stay down here all day long than going out to an area where the average income is \$200,000 and the houses are \$0.5 million. Because these people have to get their basement fixed, they have to stay in their house. They can't just sell their house and go buy something new.

Client ◎ 00:32:19

Right. So, is basement and crawl space a need job or a want job?

Expert ◎ 00:32:23

It's a need. You have to have it. If you are married, have a partner or a friend, whatever, even parents, you wake up some mornings, you sit down, you're having a cup of coffee, and you say, you know what, let's go look for a new TV or let's go look for a new car.

Nobody ever says, let's look for a basement waterproofer until their feet get wet. Once their feet get wet, then it becomes something that has to be done. So, we're absolutely a need, we are not a want. Nobody wants to pay \$12,000, \$14,000, \$15,000 to have their basement waterproofed.

Client ▶ 00:32:58

Great. Well, thanks again for your time and help today. Take care.