

COMPANY DEEP-DIVE

# President at SmartCrawl Believes Basement Waterproofing and Foundation Repair Will Outpace General Remodeling Jobs

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SIREN LTD	ANGI

## Summary

The client spoke with the President at SmartCrawl, a company that specializes in crawl space encapsulation, waterproofing, and foundation repair. The President explained that basement specialists typically do refinishing, while general contractors only do refinishing. Panel systems are growing in popularity for basement refinishing, especially for companies like SmartCrawl that also do waterproofing. SmartCrawl purchased 840 leads in 2022, with basements making up about 40% of their work. The client was interested in learning more about the 500 leads purchased for basement-related projects. The President explained that the leads are classified as crawl space, basement, foundation, radon, and mold, with an average job size of \$8,000. The President is happy with the ratio of spending on leads to revenue, which is \$50,000 spent on leads and over \$1 million in sales. The President also discussed disqualifying factors for leads, such as commercial jobs or certain types of foundation. The President predicted a slow first quarter of the year but expected to pick back up based on real estate trends. They also believed that basement waterproofing and foundation repair would be stronger than general remodeling jobs, as they are more of a necessity.

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# INTERVIEW TRANSCRIPT

Client ▶ 00:00:00

Hello. Thank you so much for taking the time to speak with me today. So we are doing market research on a company that's in a kind of similar line of business as HomeAdvisor, Houzz, Angi. The main difference is they are much smaller, and they only provide exclusive leads to the home remodeling contractors. So they are currently active in several trades, such as kitchen remodeling, bathroom remodeling, roofing, siding, and most recently, they are looking at basement-related projects to see if it could be something also interesting to launch.

So I've been talking to basement remodeling companies and basement refinishing companies. And in your case, I also wanted to see the perspective from the company that is more sort of specialized in basement and foundations and maybe does remodeling, maybe doesn't. I saw you like a little bit different from other contractors I've talk to. So maybe we would start with you telling me a little bit about Smartcrawl. So I would just like to get a general idea how large you are in terms of sales or employees, how many projects you do, what kind of projects you do in the basement area.

Expert ▶ 00:00:56

Absolutely. So I started the business about seven years ago, started it pretty organically, didn't really have any upfront capital or anything like that, just kind of started from scratch. Last year, we did about \$2 million in revenue just under. We ran about 840 leads. We close about 30% to 35% of those leads. Average job size is around 8,000 for us.

And so our services, we do crawl space encapsulation and waterproofing. We do basement waterproofing and repair. And we do foundation repair. We do, do some mold remediation and some radon mitigation. As far as the basements go, generally, what we're doing with those is, a, we're waterproofing them. And then typically, if they're being waterproofed, they do have some sort of foundation issues.

And we'll also do like egress windows, so if someone's wanting to take an unfinished basement and turn it into a bedroom or remodel it or turn it into a living space, in our area, you have to have an egress window to get out in case of a fire. So there's a few different things we do with the basements. We do a little bit of refinishing, not a whole lot.

Our company is more geared towards the foundation and waterproofing. But every once in a while, we'll have a client that wants us to waterproof it and then kind of turn it into a living space as well. So that's kind of us in a nutshell, a quick rundown.

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Client ▶ 00:02:19

I find it interesting that you do sort of waterproofing and foundation-related work. And then you also sometimes do refinishing when the client asks. Do you know how common that is for other similar contractors as yourselves? Because I had an impression that if a company takes sort of basement space, then the contractors that work with basements kind of fall into two categories. They either do refinishing or remodeling after like all the waterproofing and sort of basement cleaning work has been completed by someone else. Or they're like you and just do waterproofing and foundation repair but don't go into remodeling or basement refinishing or remodeling.

Expert ▶ 00:02:51

Correct. I would say, especially in our area, it's about 50-50. Some of our other contractors, they will refinish in conjunction with waterproofing. But then there are other contractors that all they want to do is just the foundation repair and the basement waterproofing side. There's a lot of products out in the market, too, that are related to basement finishing that work in conjunction with our waterproofing systems.

So some contractors, like ourselves, will opt in to use those refinishing products as an up-sell as their waterproofing on basement. But if you're talking to just a normal contractor, like a remodeling contractor or a general contractor, they typically won't do any foundation or basement waterproofing.

They would just want to do the refinishing. And then usually, they will hire a company like us that will waterproof the basement for them if they have any issues with water intrusion or foundation repair. So I'd say you are correct. But there are companies like ourselves that do refinishing as well.

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Client ▶ 00:03:48

So is that more common for sort of basement specialist to do refinishing or for a general contractor to occasionally do waterproofing?

Expert ▶ 00:03:54

It's more common for a general contractor to just do the refinishing.

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Client ▶ 00:03:58

Okay. Is it because these are like totally different skill sets and trades?



Expert ▶ 00:04:02

Absolutely. So from a foundation repair and basement waterproofing standpoint, it's almost kind of like a specialty thing. It does take a certain amount of knowledge to be able to do that. It's just kind of a different trade, I guess, would be the proper term for it.

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Client ▶ 00:04:17

Yes. You mentioned that sometimes on the clients' request, you can also do refinishing. And you said you do it with a certain system. Are you referring to these sort of panels similar to Owens Corning's solution that you just install without having to do drywall? What would you describe it?

Expert ▶ 00:04:31

Both. So as you probably know, there are quite a few different products on the market for basement refinishing. There's like prefab panels, probably kind of like what you're talking about. There's just putting the basement back with wood studs or metal studs framing and then doing drywall. Typically, you're going to see like a prefab wall panel or you're going to see a contractor just frame up the basement and do drywall, like you normally would do like a house, if you're building a house, or doing a room addition or something.

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Client ▶ 00:05:00

And have you noticed whether, for example, panels are growing in popularity or drywalling is more common for the people to request? Any trends that you've observed?

Expert ▶ 00:05:08

The panels are growing in popularity, in my opinion, with companies like ourselves, where we do the basement waterproofing. If you're talking to just a general contractor or a remodeler, they're probably going to lean toward framing the walls and doing drywall. But the paneling I'd say, especially in our area in the last five to 10 years, have really grown in popularity. We're starting to see it a lot more than we used to.

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Client ▶ 00:05:32

Interesting. Because I talked to a couple of general contractors, and they weren't even much aware of the paneling system. Why is that happening, just in your opinion, just because panels are just like easier to install? Like why do companies like yours lean towards paneling systems instead of drywalls?

Expert ▶ 00:05:48

It's because the panel systems work better in conjunction with our waterproofing systems. For example, say, you're just a remodeler or a general contractor and you don't have to waterproof the basement, you're probably going to go with just framing it in and using drywall. But if you have a wet basement you're trying to finish, the panels, in my opinion, are a better option because

you're going to have to waterproof the basement and then use this certain material in conjunction with that waterproofing system.

So you don't have issues down the road like mold growth or wood rotting out or drywall being damaged from water intrusion or moisture. A lot of the paneling systems are, I don't want to say they're water-resistant, but they're much more water-resistant than your typical wood framing and drywall.

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Client ▶ 00:06:30

That's great. And when you say that the panels work better in conjunction with your waterproofing system, is there like some particular know-how that your company is using or in general with waterproofing technologies that are generally used for the basement?

Expert ▶ 00:06:42

Just in general with the waterproofing technology. And a lot of the paneling systems were actually created kind of for the waterproofing companies. If you look, like they kind of started from a waterproofing standpoint.

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Client ▶ 00:06:54

Interesting. And if I were to ask you to give me like three top brands or companies that provide this waterproofing system, what would these be?

Expert ▶ 00:07:01

Maybe I shouldn't say that. Because those companies that I know of, they're like franchises and dealers. Owens Corning that you mentioned, I know they do have one that's similar. And then there is another one.

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Client ▶ 00:07:12

There's one company that's called Total Basement Systems or something like that. Does it ring a bell?

Expert ▶ 00:07:17

Yes. So they're kind of like a dealership, not really a franchise but a dealership. And they use similar products with wall paneling and whatnot.

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Client ▶ 00:07:26

May I ask which brand or which solutions do you like best?

Expert ▶ 00:07:29

I think they're really pretty close. I've never used the one that you referred to, Total Basement Finishing. But I have seen it all. And they're all pretty close to the same thing. I don't really have a preference for one or the other, which would be better, which would be worse.

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Client ▶ 00:07:43

So you don't recall which one do you use most often? Or are they like unbranded, like generic solutions?

Expert ▶ 00:07:49

Yes, absolutely.

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Client ▶ 00:07:51

The reason I'm asking is because I'm just trying to learn what are the sort of big names out there that can provide solutions.

Expert ▶ 00:07:56

There is one, our supplier, called Nash Distribution, and any contractor can purchase from them, they have a wall panel system that we've used before. I just can't remember the name of it.

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Client ▶ 00:08:07

Okay. So you buy it from the distributor and distributor carries probably different. And is that a specialized distributor for basement refinishing systems or just general construction materials distributor, where you can buy different stock?

Expert ▶ 00:08:19

So most of the suppliers that we purchase from, they're only going to carry products for foundation repair, waterproofing and crawl space. They will carry other general products through some general contractors. But most of our distributors and suppliers are just focused on the services that we provide.

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Client ▶ 00:08:36

But they would not be exclusive to the panel systems? You would get different things from them, right?

Expert ▶ 00:08:41

Correct.

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Client ▶ 00:08:41

Okay. So you mentioned before, and also in the questions that Tegos asked you, that you're currently buying leads. Did I hear you correctly that you're buying 840 leads? Or was it wrong?

Expert ▶ 00:08:52

That's correct. Not all of those leads are bought. Some of those are just organic and some of them are referrals. But about 500 of those we bought.

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Client ▶ 00:09:01

And 840 leads per what period?

Expert ▶ 00:09:03

That was for the entire year of 2022.

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Client ▶ 00:09:06

2022, okay, good. So yes, let's talk a little bit more in details about 2022, you bought a total of 840 leads. And these leads were for different types of basement jobs, right?

Expert ▶ 00:09:18

Correct. So those leads were crawl space, basement and foundations. Basements make up about 40% of our work.

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Client ▶ 00:09:26

Okay. So you said out of 840 leads, 500 were purchased and 340 were organic, right, or some other sources. Okay. I would like to talk a little bit more in detail about these 500 leads that you purchased. If you could share what kind of lead providers you worked with and what were the conversion rates of those leads, how happy you were with them, that would be really helpful.

Expert ▶ 00:09:46

The biggest one that we use, it was HomeAdvisor, now it's Angi leads. We use Angi leads quite a bit. And then we also have like a small, I guess, marketing company, call it, that does some SEO and pay-per-click AdWords for us. So about 80% of the leads that we buy come from Angi leads. Those typically have a lower close rate and it's harder to get a hold of them just because I think they go to multiple contractors and multiple people are calling.

Where if you're going with just a smaller marketing company that's going to do lead gen for you, those could come directly from our website. So those are people that have actually gone to our website through pay-per-click or SEO and filled out our online form to request a free estimate. But like I said, Angi leads and the marketing company, that's where most of the leads that we are buying come from.

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Client ▶ 00:10:34

How are they differentiated? Like are we talking about three categories, crawl space, basement and foundations? Or are there like subcategories within these sort of three blocks? Like when you get a lead, what is the lead called, so to say?

Expert ▶ 00:10:48

So if it's coming through our website, it's going to be classified as crawl space, basement or foundation or radon and mold. It's going to have a pretty accurate classification there just because the ads we're running are geared towards for that verbiage. Angi leads is going to be more of like a subcategory of foundation repair or waterproofing. So you're going to see things like typically, for example, we get a lead and it says foundation drainage.

Well, foundation drainage, it could be a crawl space, it could be a basement, it could be yard drainage, it could be multiple things. So when you call, you have to clarify what exactly the client is looking for. So Angi leads isn't as accurate of a description or category, I'd say, as our marketing company we use. But it's still in the general like we'll have of waterproofing or foundation repair, like a more general term though.

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Client ▶ 00:11:37

And how many categories are you buying from Angi? For example, you mentioned foundation drainage. What other jobs?

Expert ▶ 00:11:44

We do buy radon. And so there will be a foundation repair one and then there will be like perimeter drains, which could be multiple things. Sometimes egress windows as well. Egress windows is its own category.

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Client ▶ 00:11:56

So foundation drainage, foundation repair, egress windows, and perimeter drainage.

Expert ▶ 00:12:02

Yes. The perimeter drainage could be exterior drainage, it could be interior drainage, it could be multiple things.

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Client ▶ 00:12:08

Okay. So these are the four categories broadly that you buy from Angi.

Expert ▶ 00:12:12

Those are pretty much it, yes.



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Client ▶ 00:12:14

Okay. And you mentioned that they were not so good as your own leads or leads that come through your website in terms of conversion. Do you recall what percentage of those leads convert to appointments? And what percentage of appointments convert ultimately to sales, more or less, for Angi leads?

Expert ▶ 00:12:29

About 80% of them convert to an appointment. And then our close rate is anywhere from 20% to 30%.

---

Client ▶ 00:12:36

Okay. It's pretty high conversion rate. But of course, it depends also on how much you pay for those leads. You mentioned that your average job size is 8,000, right? So how much do they charge for these kind of leads more or less, if you can share this information?

Expert ▶ 00:12:50

It varies per lead, like it varies per category. Typically, you're going to see anywhere from \$30 to \$200. And I know that's a wide range. But I've used other smaller like lead generation companies. And everybody is kind of around that same price range. So if you're getting like a radon lead, that's going to be much lower cost.

If you're getting a foundation lead, that's going to be \$100 to \$200. So maybe to clarify, your foundation lead is going to be your most expensive. Then basement waterproofing obviously would be your second most expensive, crawl spaces. And then things like radon or mold or egress windows would be the least expensive.

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Client ▶ 00:13:30

Well, I would imagine because the job sizes would be different, right, for these categories, like if an average is basement, then foundation job would be somewhat higher.

Expert ▶ 00:13:39

Correct.

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Client ▶ 00:13:40

So would 8,000 be more or less an average for the waterproofing job?

Expert ▶ 00:13:43

8,000 is just the average. So if you take our total job sales and divide them by how much as we did, that's the average. If you're doing a basement waterproofing job, you're anywhere from probably 10,000 to 12,000. But foundation, as you know, foundation leads, you could be anywhere from 5,000 to 50,000, just depending on the needs of the client.

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Client ▶ 00:14:05

Okay. So there's a certain correlation between the price of the leads and the job size.

Expert ▶ 00:14:09

Correct.

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Client ▶ 00:14:10

Right. On average, did you ever do a calculation on what percentage of the ultimate revenue from a project you end up paying for getting this project with Angi leads? Let's say, like on every \$1,000 you spend with Angi, you get back x amount of revenue.

Expert ▶ 00:14:24

I have actually not done that calculation. But I can give you an idea if you give me just a minute here. So we've spent with Angi probably close to \$50,000. And in return, we got a little over \$1 million in sales.

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Client ▶ 00:14:38

And is that, in your opinion, a good ratio that you're happy with? And if not, what should it be ideally?

Expert ▶ 00:14:44

I'm pretty happy with that. I mean, as a business owner, you're always trying to increase your conversion rates. So I think I mentioned we close about 20% to 30% of those. I would love to be more about 40% close rate with those types of leads. But those types of leads are very highly competitive. You're going to be going against other contractors versus a website lead, where they're probably not calling too many other contractors.

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Client ▶ 00:15:08

Right. What is the average marketing spend for the companies like yours overall? Like what percentage of sales do you think that is difficult for basement and foundation contractors to spend on marketing?

Expert ▶ 00:15:18

Last year, we spent about \$115,000 in marketing. 90% of that was some sort of lead generation. The other 10% would have just been like print, sponsoring things in the local community, et cetera. But we're pretty heavy on lead generation and using the Internet as leverage, social media and all that stuff.

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Client ▶ 00:15:37

Is that typical for other companies? Do you happen to know?

Expert ▶ 00:15:41

Most companies, they try to stay around 10% or lower on their marketing budget. I'll say our size of the company. If you're bigger, you're probably spending more than that. But generally, the size of the company we are, you're trying to stay between 10% or lower of your gross revenue.

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Client ▶ 00:15:57

Okay. And do you happen to know how typical it is for basement and foundation companies to purchase leads?

Expert ▶ 00:16:02

Very typical. Most companies like myself are purchasing leads.

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Client ▶ 00:16:06

It's really interesting. Because I have made an observation and I talk to several general contractors or companies that specialize in basement remodeling and other types of remodeling. And none of them was buying leads and not even typical, most people get leads organically. And I wonder why there is such a difference between basement specialists and general contractors in terms of interest in buying leads? Do you have any idea?

Expert ▶ 00:16:27

I have an opinion. I'm not sure how accurate it is. When you're talking to just a general contractor, oftentimes that general contractor is either working by himself and subbing out a lot of his work or has a very small crew, so one to four people. And I don't know why that is typical, but it seems like the general contractors stay smaller. If you look at like the national numbers for remodelers, there's very few remodeling companies that are in the millions.

If you're over \$10 million and you are a remodeler, like that's a big deal. So I really don't have a good answer. But it goes back to most general contractors are just kind of like working by themselves. They're just being a general contractor and using subcontractors as their labor, where foundation repair and basement waterproofing companies, they have a lot more in-house labor.

They're going to be heavier on employees. And I think that relates to that what we do is kind of a



specialty trade. You can't just go out and hire a subcontractor to do what we do. It would be very rare to find a subcontractor that knows how to install basement waterproofing systems, where I feel like it's probably easier for someone to learn how to frame a wall and put some drywall and installation in the basement. That's just my opinion just from my experience. I don't know how accurate that is, though.

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Client ▶ 00:17:43

Well, I mean, look, your guess in that case is preferred much more than my guess because you're a specialist. Well, what I've also noticed is that you mentioned that your average job size, for example, is 8,000. And depending whether it's foundation or basement, it could be anywhere between 5,000 to 50,000. Very often, the basement remodelers, they're just like start with 30 or 40. And their job size is usually much larger and projects are much longer. By the way, how long is your typical, for example, basement waterproofing job?

Expert ▶ 00:18:14

Basement waterproofing, three to four days. Foundation repair is, I would say, five to seven.

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Client ▶ 00:18:20

So it's like companies like yours seem to have a much more frequent turnover of jobs.

Expert ▶ 00:18:24

Yes, and that might lead back to your question of why are general contractors not purchasing leads, where a company like ours is. We definitely have a higher volume of jobs than a general contractor would.

---

Client ▶ 00:18:36

Okay. So just a small clarification, you don't purchase any refinishing leads or like, let's call it, paneling or whatever comes to the next step after waterproofing. But you still do that, I suppose, customer requests. Is that an area that you would like to grow or it's not as attractive for you as other basement remodeling projects?

Expert ▶ 00:18:54

At this point in time, just where we are as a business, it's not that attractive. As we grow and we increase in size, I could see it becoming more attractive to actually purchase leads for the basement finishing.

And that just goes back to having the labor with the skill in-house to be able to accomplish that in a timely manner. If you can go in and waterproof a basement in two to three days and come out with \$8,000 or more or you can spend potentially two weeks to a month and come out with \$30,000. You could, in theory, do more basement waterproofing jobs in that amount of time and make more money.

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Client ▶ 00:19:27

Well, I guess, it depends on which jobs kind of fit your skill set and which are more profitable. Speaking about profitability, what are the average margins in, and I just would be interested to understand the economics of these two types of basement jobs that take, one, waterproofing, foundation repair. For example, for these two, what percentage on average is materials versus labor and versus the gross margins if there is any difference in these two, for example?

Expert ▶ 00:19:51

You're going to have a little bit different as far as material goes, averages, if you're doing, say, basement waterproofing versus foundation repair. But typically, you're going to have about 20% of your job is going to be materials. You're going to have about 30% to 40% being labor. And then rest would hopefully be net profit. So you're trying to hit 40% or 50% net profit. Does that always happen? No. Because in construction, as you know, there are unforeseen things that pop up and cause the job to take longer, et cetera. But if you can hit a 40% to 50% net profit range is really what we aim for.

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Client ▶ 00:20:29

Okay. Well, there is no like fundamental difference between, like you say waterproofing jobs are much more profitable than foundation repair or than crawl space repair. They're more or less equally profitable for you.

Expert ▶ 00:20:41

Yes, they're pretty close. They're close enough that I wouldn't differentiate too much with them. But the foundation repair, depending on what you're doing, it can be more material. So you'd be heavier on your material cost. And that's just because if we're doing foundational repair, we're using products that are made of steel. And in the last couple of years, the price of steel has risen. Versus the basement waterproofing job, most of your perimeter drains and wall coverings are some sort of plastic or polyethylene material, which is much cheaper.

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Client ▶ 00:21:12

Is there such thing in basement-related jobs as I don't know, I'm trying to make a parallel to the roofing or to the siding, like a small repair that you wouldn't take because of the job size is not attractive or some kind of, I don't know, subprojects that you would exclude from the leads you receive, for example.

Expert ▶ 00:21:27

Some companies would say there may be repairs too small for them. We generally will do any size of repair. Because I do believe that referrals are a great source of leads. So even if you're doing a small repair and you do it well, that client can potentially refer you down the road, which could help with bringing in a bigger job or more income. But generally, if a job is under \$1,000, I would

say most waterproofing companies probably wouldn't mess with it. Or they would just bid high enough to cover their costs for that day or however long that small repair may take.

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Client ▶ 00:21:58

Are there any characteristics of the job or of the customer that would disqualify a lead for you? And I maybe should give you a little bit of an explanation. For example, like when we generate kitchen remodel leads, we disqualify commercial space. And we disqualify the leads which come from the people who don't own their house.

And we, for example, disqualify leads that imply layout changes because our contractors don't want them. Are there any kind of characteristics that come to mind in the basement kind of space that you would say, "You know what, if you want to provide me a really good lead, don't give me that"?

Expert ▶ 00:22:29

Yes. And this would be more from a foundation repair side. Some commercial is going to disqualify. So there would be some contractors that would not want to take on commercial jobs. If a foundation has caved in or a wall has fallen down, most foundation repair companies probably won't want that lead. That would be more of like a masonry repair-type lead. Exterior drainage sometimes would disqualify a lead.

So a lot of the companies like myself, we like to do the interior drainage versus exterior drainage. So if there was a situation where you could not do the interior drainage system, that may be a disqualification. And then the type of foundation for a house. Say, your house is built on just a concrete slab versus a crawl space or basement.

And you're trying to waterproof that house, generally like a concrete slab house would probably disqualify a lead. But outside of that, not really. If it's a residential basement and you're trying to sell leads for basement waterproofing or basement refinishing, there's not too many factors that would disqualify a lead.

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Client ▶ 00:23:31

Oh I thought that the house is built on a slab. They don't have a basement. Or can a house be built on a slab.

Expert ▶ 00:23:37

Correct. It would just be the concrete slab on the ground.

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Client ▶ 00:23:41

So then you don't need to waterproof it, right? There is no waterproofing projects if the house is based on a slab?



Expert ▶ 00:23:47

There are situations where people will get groundwater into their home and it's built on a slab. But there's not a whole lot you can do to remedy the situation. There are a few things that's very dependent on how the house is constructed. But typically, it's not really anything you can do.

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Client ▶ 00:24:02

Okay. And for example, when you are getting leads from Angi, do they disqualify or indicate any of those conditions that you have mentioned?

Expert ▶ 00:24:09

Not to my knowledge.

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Client ▶ 00:24:11

Okay. So you basically ask certain questions to identify that when you call to set up an appointment?

Expert ▶ 00:24:16

Correct. With that lead source, it's usually the person searching for a contractor is inputting the information. And a lot of times, the homeowners really don't understand what they're trying to convey or the problem or issue they have. So when we get that type of lead, yes, we are asking a lot of questions. When we answer the phone or call that lead, we're asking a lot of questions to qualify the lead ourselves.

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Client ▶ 00:24:40

Yes, because that's something that you need, or probably a homeowner would know it. So you have to actually go and check out the site. So do you offer free quotes?

Expert ▶ 00:24:48

We do.

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Client ▶ 00:24:48

Okay. And do you offer any warranty on your work?

Expert ▶ 00:24:51

We do.

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Client ▶ 00:24:52

May I ask what kind of warranty do you offer?

Expert ▶ 00:24:54

If it's a crawl space encapsulation or a foundation or a basement, we offer a 25-year warranty on the system we've installed. If you're putting in a pump in a basement, the pump itself would come with a three-year warranty. And if you're installing a dehumidifier to control moisture level, like high humidity, those would come with a five-year warranty.

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Client ▶ 00:25:14

So that's an equipment, right? That's the warranty for the equipment, right?

Expert ▶ 00:25:18

Right. But any system we install generally comes with a 25-year warranty.

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Client ▶ 00:25:23

Okay. Do you offer financing through a third-party?

Expert ▶ 00:25:26

We do.

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Client ▶ 00:25:27

Is it a high percentage of the customers in your case that decide to take advantage of your offer of financing?

Expert ▶ 00:25:32

About 40%. Some companies are higher than that. Some companies, their sales reps are trained to push the financing harder than we do. So there are some businesses that are going to have a higher percentage of financing than us. Our company, we don't try to hard close when we go out on a lead, more like a soft close. We try to keep it as relaxed as possible.

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Client ▶ 00:25:52

Okay, makes sense. But it's still a very high percentage compared to other companies. It's kind of interesting. So if I were to ask you what is your typical customer, what's your target customer profile, how would you answer?

Expert ▶ 00:26:04

Baby boomers, ages 50 and up, who have an older home. When I say older home, generally the home was built in the '60s, '70s, '80s, '90s. Middle income really is the baby boomers who have a

house that's paid for or they've lived in the house for a long time and they are going to stay in that house for a while and average income, that's generally what our best client looks like.

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Client  00:26:26

Do you have any kind of benchmark or limitations on the home value that you usually consider good for that?

Expert  00:26:30

Yes. \$180,000 to \$300,000 is the typical range we're working in. But not every job is like that. There are some homes that are really low cost that haven't been updated in years. And we work on them because they have a very specific need for us. Or vice versa, we worked on homes that are a lot more expensive than that. But generally, between that \$180,000 to \$300,000, that's still kind of like the middle-income client is going to be in the house for a while. Right. Oh, by the way, there was something I forgot to ask you. When you do, for example, basement waterproofing or foundation repair, do you see any sort of percentage of basements that are already refinished? Or is it almost always unfinished basements?

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Expert  00:27:16

That's a great question. Generally, if the basement is already finished and they have a water intrusion problem, like we have to waterproof it, the basement was finished either close to when the house was built originally or shortly after. It's pretty rare to go into a basement that was finished within the last five to 10 years that has a water intrusion problem. But it can happen. So about 40% of the basements that we deal with are already finished. But they've been finished like 20, 30, 40 years ago.

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Client  00:27:44

So I'm sorry. You say about 40% of the basements are finished but long time ago and then the 60% are not finished?

Expert  00:27:50

Correct.

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Client  00:27:51

Interesting. I thought it was like mostly unfinished space. But still, 60% are the finished basements. And I'm sorry, in your area, is it more common for the house to have a basement or like built on a slab or a crawl space?



Expert ▶ 00:28:04

Basement and crawl space are the most common. If it's a newer home, it's most likely built on a slab. I don't have a good percentage breakdown, but typically in this area, it's a basement or crawl space.

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Client ▶ 00:28:16

Okay. The reason I'm asking this is if you go to a house that has a crawl space, you fix the crawl space, but you can't do much more there. But if you go to a house that has a basement and the basement is unfinished, then you can kind of waterproof it and then there is another job that could come out of that. Let me just quickly see if I have any questions, important questions here that I forgot to ask.

Time is running. Yes, last question is what is your expectation of 2023 in the context of possible recession or slowing down of the remodeling market? How do you think the basement-related projects would be affected? Do you expect growth, moderate growth? Do you think that basements would suffer more than other remodeling jobs? Just your outlook for the next year.

Expert ▶ 00:28:55

The first quarter of this year, I think, is going to be slow. And I think we're going to pick back up. I'm basing that off the real estate trends. I do believe that the basement waterproofing side of things and crawl space and foundation repair will be stronger than like a general contractor or a remodeler who's just refinishing the basement. And I say that because if you're just refinishing the basement, it's more of a luxury item or more of a luxury ticket item.

Where if you're calling us out, it's more of a necessity, where our basement is flooding. You can't just leave your basement flooded for a long period of time. But you could wait a year or two to have your basement refinished. So generally, our line of work is usually going to be stronger. We're going to have more jobs than your typical remodeler. But we're also weather-dependent as well. So say, we get into a drought situation, we're probably going to suffer for a quarter or so.

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Client ▶ 00:29:48

Otherwise, what is the seasonality of your business? Are there highs and lows throughout a year typically?

Expert ▶ 00:29:53

In our area, March through October is our busy season. And then November through February is our slower season. And that correlates with spring, spring rains, snow melting, things like that.

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Client ▶ 00:30:05

I'm sorry, you said November to? I didn't hear you well.

Expert ▶ 00:30:08

The reason that it picks up in March is when spring hits, that's when the snow is starting to melt. We're getting the spring rain. So you have a lot more water issues during that time. So it is seasonal to that respect.

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Client ▶ 00:30:20

And when you buy leads, do you sort of regulate the amount of leads that come in between the seasons or you just get everything you want?

Expert ▶ 00:30:26

We regulate our leads just by our budget. But typically, in the slower season, we'll have a monthly budget in place. And then in our slower season, we don't even hit that budget. But when we get into our busy season, we'll be hitting the budget every month and possibly even exceeding that budget a little bit.

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Client ▶ 00:30:43

Okay. Well, thank you so much. It was a very, very interesting conversation and I have learned a lot from you today. Have a good day.