Two Types of Marketing

by Paul Eldrenkamp

When it comes to spending marketing money, there are really only two ways to go: target strangers or target people you know. By now, most contractors have been convinced that in the custom building and remodeling industry, word-of-mouth referrals rule. A contractor's name on a flier or display ad doesn't mean much to most consumers, but hearing that same name from a friend or acquaintance counts for a lot. Hearing the name from two or more reliable sources adds exponentially to the value of the referral, and it affects not only the number of leads you get, but their quality, too. The more positive, word-of-mouth testimonials potential clients hear about your company, the more inclined they will be to call you to do the work rather than just to give them a bid.

So it's not surprising that most successful contractors get the majority of new project leads through referrals from happy past clients. It's the nature of the industry. In fact, if you said most of your leads were coming from advertisements, I would say either you're new to the industry or you provide a mediocre service.

Why, then, does the typical contractor spend the larger proportion of marketing money on the least effective marketing targets — strangers — and the smaller amount of money on the most effective marketing targets — past clients? While this can make sense in specific, limited circumstances that I'll explain later, for most contractors most of the time, this marketing strategy is as dumb as it sounds.

Think about lawyers for a minute. Those who buy the most print advertising are, for the most part, the ambulance chasers. They are not the lawyers we hire to represent our business — they're the lawyers the lumber company delivery truck driver hires to sue us because he slipped on the job-site mud and wrenched his back. How many of you picked your lawyer based on a Yellow Pages ad, a flier, or a six-panel brochure? How about your doctor, dentist, or clergyman? It happens, yes, but chances are much greater that you make these important decisions based on personal referrals.

So do your clients. As a custom remodeler or home builder, you are just as important to clients as any of their other professional advisors. You command at least as much of your clients' trust, you probably control more of their money, and you have an equally great moral and legal responsibility to protect their interests. And if you've been in business for a while, your education has been just as expensive and time-consuming as that of any other professional service provider. Most people know this at some level, and that's why they select their contractor the same way they select their accountant, doctor, and lawyer — through word-of-mouth referrals.

"Warketing" and "Markanty"

Despite the obvious power of referrals, I would be willing to bet that most contractors spent no more than 10% of their marketing money and time on past clients, the people who generate 90% of their leads. What a waste. If 90% of your leads come from referrals, and you're happy with the type of jobs those referrals are sending your way, then 90% of your marketing efforts should go toward referrals. That's where the leverage is; that's where the payback is.

But in addition to changing *who* you market to, you need to change *how* you market. In my experience, newsletters, postcards, and other print media are not the most effective way to market referrals. Instead, you should spend your marketing time and money to increase the amount of personal contact you have with past clients. This could take a variety of forms — an open-house party, a lunch, or a community service project with past-client participation. But I believe the best kind of personal contact is sitting in the clients' kitchen, sipping coffee, and asking them how they and their house are doing.

Of course, you can't just drop in on somebody unannounced — at least not more than once. What you need is an excuse to visit with your past clients, and the most logical reason I've come up with is warranty work. There is no more powerful marketing activity than touch-ups you perform on a past project without being asked.

Long ago, I took my budget for print ads, door hangers, brochures, whatever, and put it into warranty work. I suggest you do the same. Your warranty budget *is* your marketing budget. Call it whatever you want — Warketing? Markanty? — and spend it all. If you're not spending it fast enough, visit some past projects, find something to tweak, and spend some money tweaking it. You will not believe how powerful this is as a marketing strategy (not to mention what you'll learn about how well your work holds up over time). It has proved so effective for me, I had to back off on the program for a time because I was getting more high-quality leads than I could handle without adding more staff.

Core vs. reinforcement marketing. Personal contact with past clients is what I call "core marketing," and it should take up most of your marketing budget. But there is a place in a good marketing plan for more traditional efforts, like advertisements and newsletters. I call this "reinforcement marketing," and it should usually consume just a small portion of your resources. Job signs, print ads, newsletters, and door-hangers are worth some effort, because they help keep your name and phone number handy to people. By themselves, they will generate fewer and lower-quality leads than your core marketing, but they will also reinforce your credibility to the good leads: "They did your bathroom and you loved their work? That's good to hear. I'll give them a call. Actually, I saw their sign just down the street and the job looked nice. I'll call them right now."

Exception Proves the Rule

There is, however, one set of circumstances that calls for a larger dose of traditional marketing methods. Earlier I said that most of your leads ought to come from referrals *if* you're happy with the type of jobs that referrals are sending your way. This might be a big "if." When you're not getting the jobs you want from referrals, you may need to "reposition" your company — and repositioning a company is harder and slower than repositioning a house. To enter new geographic areas or new niches, or to expand your business aggressively in any fashion or direction, you will need to invest heavily in potential lead sources that are not personal referrals.

You'll rapidly discover, however, that referral leads are relatively cheap compared with other kinds of leads — often by an order of magnitude or two. But for legitimate business reasons, you may find yourself spending 90% of your marketing budget on your weakest lead sources. This imbalance should be temporary, however, and should not cause you to stop cultivating referrals. Also, be aware that shifting your niche, size, or service area brings with it hazards above and beyond the increased cost of marketing, and is probably not a sustainable long-term business strategy.

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