



## EXECUTIVE INSIGHTS

# Beyond the Pipeline: Optimizing Customer Acquisition in Residential Services

Homeowners have a diverse array of service needs, whether it be an urgent plumbing issue or a long-deliberated decision to look for professional lawn care. While homeowners may have a preferred provider for some services, they typically seek advice for new provider needs. Historically, referrals from friends have been important, but digital sources are increasingly critical in this search.

This search process highlights the crucial role of customer acquisition: ensuring that when emergencies or other home services needs arise, your business is the first one customers turn to. For scaled providers, especially those that have expanded by acquiring local firms, mastering customer acquisition is even more vital as there may not be an immediate source of referrals. Effective strategies not only enhance the value of these acquisitions but also ensure a steady stream of new customers, solidifying the company's reputation and reach.

In this edition of L.E.K. Consulting's *Executive Insights*, we explore the vital importance of customer acquisition for home service providers and offer practical strategies for achieving it.

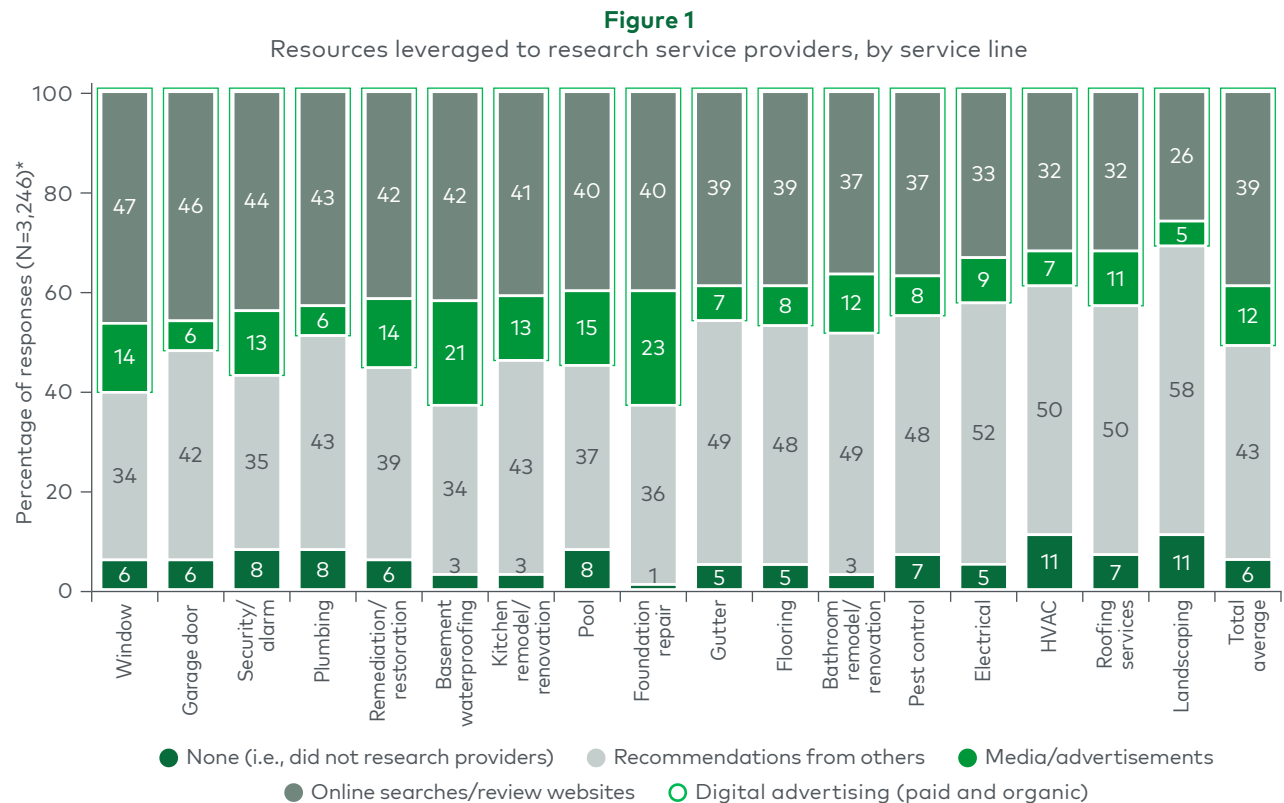
## The importance of customer acquisition

Customer acquisition drives the success of residential service providers, particularly for scaled providers that have purchased local providers for a premium. These scaled providers need to add value to the local assets they acquire, and a more effective and efficient customer acquisition process is one way to achieve that.

Residential services companies have a variety of customer acquisition approaches, each of which can benefit from scale:

**Referrals:** Referrals from former customers or other professionals (e.g., a plumber referring a homeowner to a remediation contractor) are crucial. Digital referrals, amplified through social media and review sites, have become increasingly important. Scale provides benefits in referral program design and online reputation management. For example, a scaled provider may have more resources and a better understanding of best practices for referrals in services like window installation or kitchen remodeling. Structured referral programs can incentivize customers to refer friends and family by offering discounts or rewards, further expanding the customer base.

**Advertising:** Traditional advertising methods, such as billboards and local magazines, remain valuable, but online advertising through search engines, paid digital advertisements, review sites and social media is increasingly crucial. On average, online searches and news websites account for 39% of homeowner activity when they are faced with a residential service need, with media and advertisements accounting for another 12%. The importance of online channels varies by service, ranging from 26% for landscaping to 47% for window replacement. Heating, ventilation and air conditioning (HVAC) services are below the average at 32% due to the greater adoption of service plans, which discourage "shopping around" (see Figure 1).



\*Survey question: What resource(s) did you use to identify/research service providers? (multiple choice)  
Note: Columns may not total 100 due to rounding; HVAC=heating, ventilation and air conditioning; digital advertising (paid and organic) represents ~30%-60% of resources leveraged  
Source: L.E.K. Homeowner Residential Services 2024 Survey

A landscaping company, for example, might use a combination of search engine optimization strategies, Google Ads and social media campaigns to reach potential customers, ensuring a broad online presence that captures various search behaviors.

**No-bid agreements:** Maintenance and service plans encourage homeowners to work with a service provider (e.g., having regular inspections of a piece of equipment). For example, an HVAC company might offer a comprehensive maintenance plan that includes biannual checkups, priority service and discounts on repairs. This not only builds customer loyalty but also provides a steady revenue stream for the service provider and generally leads to homeowners not seeking bids from others when they have a major repair/service need. There are few inherent economies of scale in service plan design; even small players can and do design service plans.

Applying customer acquisition scale within the competitive landscape

Across residential services we tend to see some common patterns among competitor types. Understanding the competitive landscape is key to formulating effective customer acquisition strategies. The residential services market is diverse, with players ranging from small local businesses to large national chains. Here’s an overview of the main competitor types:

**National:** These companies typically invest more in digital marketing due to their scale and maturity, which often allows them to leverage more-sophisticated strategies and higher budgets. However, they can sometimes be slow to adapt to changes in the local market due to their size and hence may not always capture all the benefits of scale that they can apply.

**Scaled local:** These players exhibit varying levels of digital marketing investment. While some are market leaders with advanced digital strategies, others lag due to limited resources or expertise. Effective deployment of digital marketing budgets in this group can lead to significant competitive advantages.

**Local “mom and pop”:** These smaller providers typically invest less in digital marketing. Their local knowledge can sometimes enable effective spending, but they often lack the resources and sophistication to compete with larger players on a digital front and drive a meaningful level of leads from digital customer acquisition.

### Case study

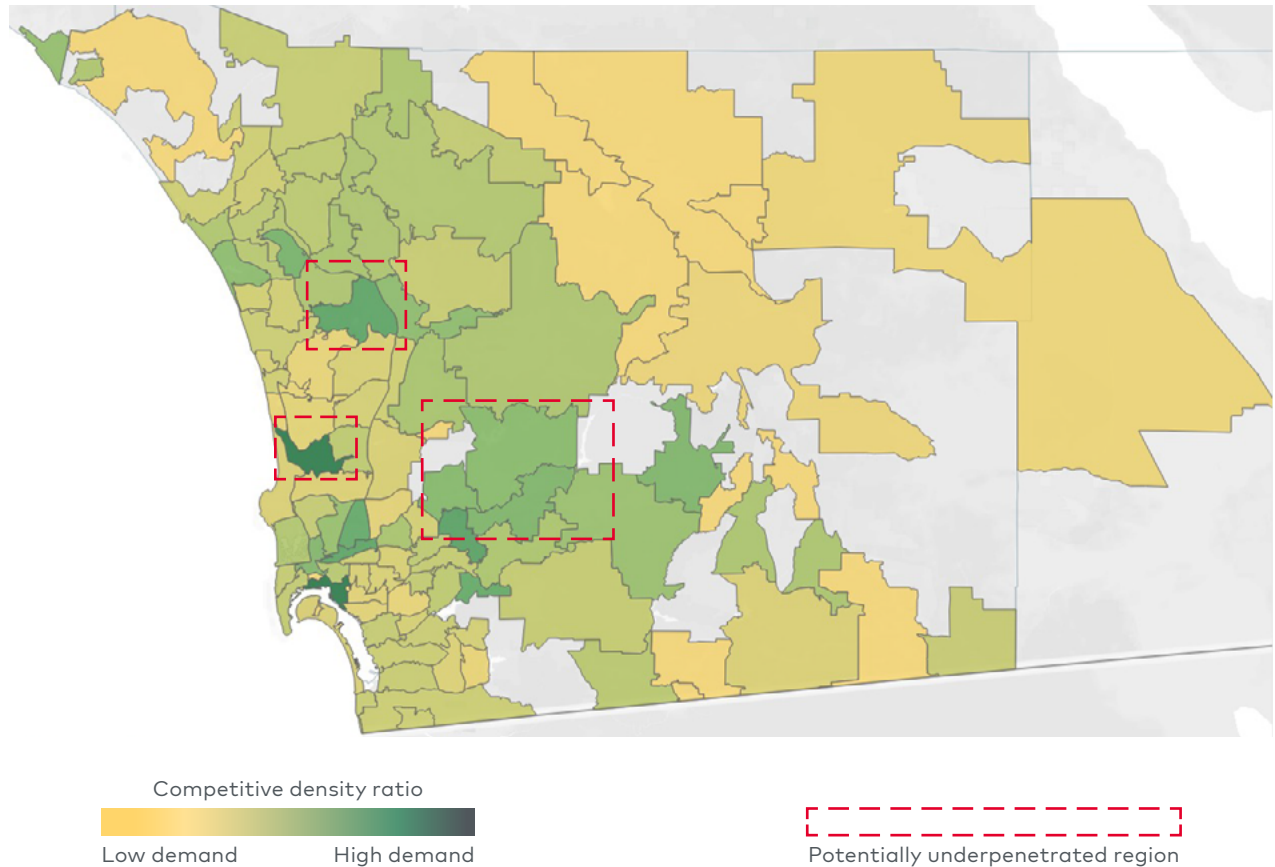
We recently worked with a multiregional residential services platform that successfully maximized traffic volumes within the building envelope (e.g., garage doors, gutters, roofing, siding, windows) installation and repair category. This company prioritized digital within its overall strategic priorities, investing in talent, centralizing digital marketing efforts and developing a proprietary digital marketing platform. This approach enabled the client to balance marketing spend and efficiency, driving sustainable revenue growth and establishing a competitive edge in its market.

### Customer acquisition: A critical component of geographic growth

Understanding differences in customer acquisition costs is fundamental when companies are seeking to move into new geographic markets through greenfield expansion or M&A. Successful residential service providers need to focus on two key areas: driving customer wins in existing geographies where they are established and building brand reputation and customer acquisition in new territories. Marketing plays a crucial role in new territories and may justify higher spend to gain initial traction and awareness.

Geospatial analysis<sup>1</sup> can identify underserved areas for new branches or determine where to target acquisitions by pinpointing areas with relatively higher spend and lower competitive density, using a ratio of spend/competitive density (see Figure 2).

**Figure 2**  
Market demand and competitive density map



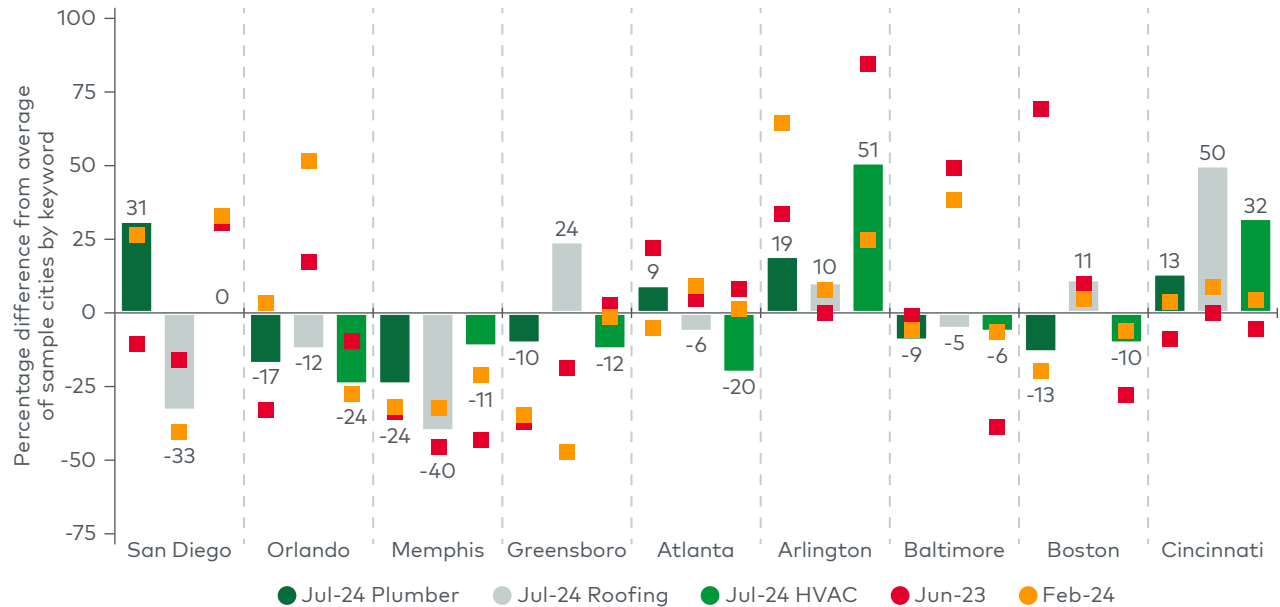
Source: L.E.K. research and analysis

For example, a regional landscaping company might use geospatial analysis to identify neighborhoods with high home values and a lack of competitive services. Targeting these areas with tailored campaigns can attract new customers and expand the service area efficiently. Geospatial tools also help monitor demographic changes and emerging trends, allowing timely adjustments to strategies. For instance, a pest control company might use geospatial tools to identify areas with high pest activity but low competition, allowing them to tailor their marketing efforts to those regions.

Companies should ensure that this analysis considers the cost of digital customer acquisition, especially given the differences in these costs across markets and over time. Digital acquisition costs are dynamic, and active management is key to maximizing return on investment (ROI) (see Figure 3).

**Figure 3**

US cost per click by broad keyword (June 2023, February 2024, July 2024)



Note: HVAC=heating, ventilation and air conditioning  
 Source: SEMRush; L.E.K. research and analysis

## Digital marketing: Critical but costly

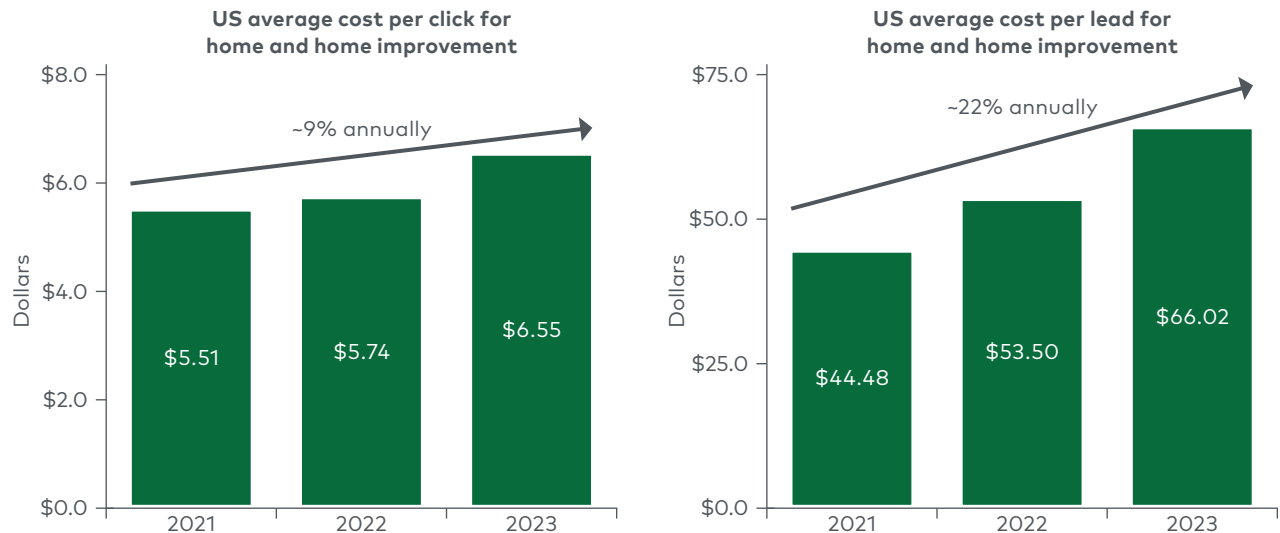
Digital marketing is transforming how residential services connect with potential customers, offering unprecedented opportunities and challenges. With homeowners relying heavily on online searches, social media and review sites — accounting for 39% of homeowner activity — businesses must adapt quickly to stay competitive.

To capture these digital-savvy customers, businesses need tailored strategies. For example, homeowners might use Google for plumbers but turn to Yelp for HVAC reviews. Optimizing across multiple digital channels allows engagement through diverse search behaviors. However, this shift brings challenges like rising costs, increased competition for advertising space and evolving privacy regulations.

## Costs and competition

As more companies recognize the importance of an online presence, the competition for prime advertising space has intensified. This increase has driven up the cost of keywords and ad placements (see Figure 4).

**Figure 4**  
Digital acquisition costs (2021-23)



Source: WordStream; L.E.K. research and analysis

To stay competitive, businesses must spend their digital marketing budgets more wisely. For instance, a local roofing company might focus on high-quality blog content to boost organic search rankings and decrease dependence on paid ads. Additionally, businesses can use data analytics to strategically place ads, identifying the most effective channels and optimal times to reach their target audience. Generative AI also provides additional opportunities as businesses can more cost-effectively design advertisements or generate blog content, potentially opening up digital customer acquisition to a broader range of mom-and-pops but also increasing pressure on more-scaled providers to raise their ground game.

### Privacy regulations

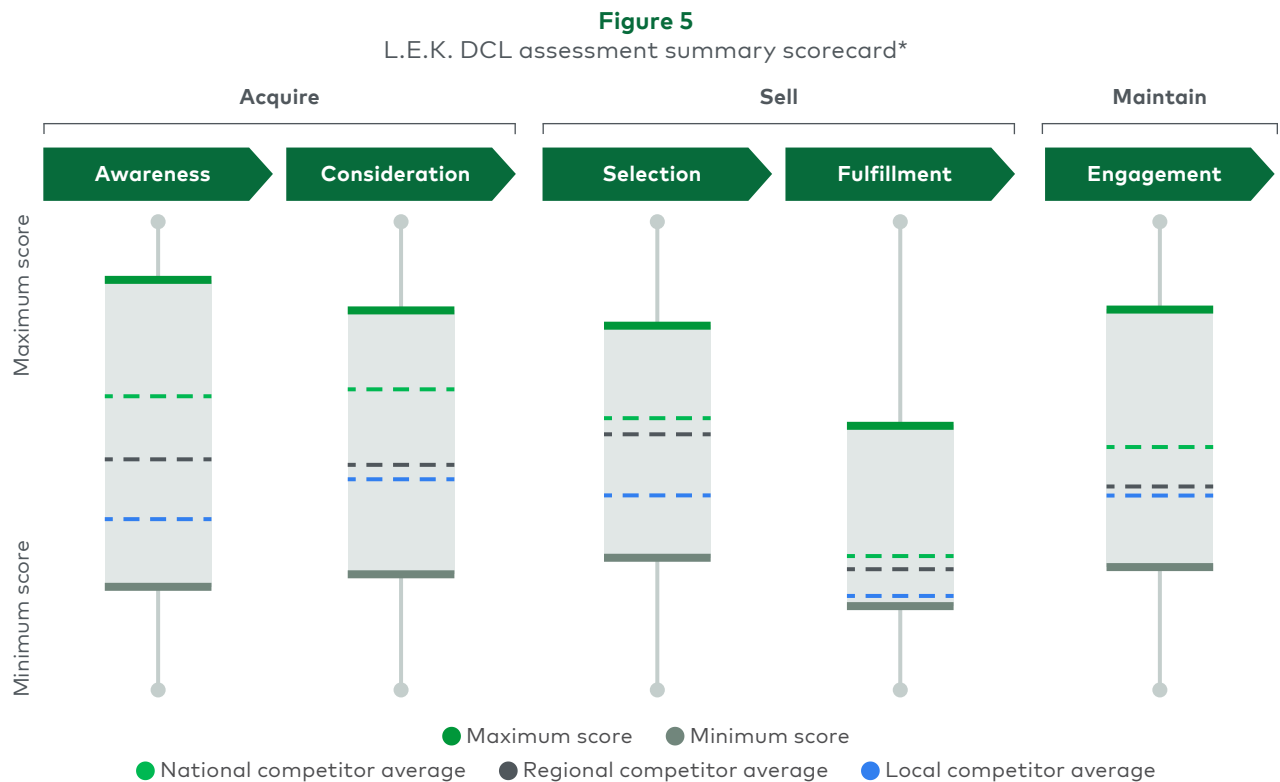
Regulations like Apple's App Tracking Transparency (ATT) have forced shifts in digital marketing strategies. Companies must now prioritize gathering first-party data and adopting privacy-compliant tracking technologies to personalize marketing efforts and measure effectiveness. With the decline of third-party cookies (including Google Chrome's latest stance on allowing consumers to opt out of them), businesses need innovative methods to track user behavior and target ads. Contextual advertising, where ads are placed based on the content of a webpage rather than user behavior, is becoming increasingly important.

## Optimizing online marketing for residential services

To effectively manage and optimize online marketing in residential services, we recommend three core tactics.

### Track and benchmark performance

Continuously monitor and benchmark performance against competitors. This includes setting clear key performance indicators for each stage of the customer journey and comparing traffic growth, conversion rates and customer lifetime value. Regular A/B testing and using advanced analytics tools help identify the most effective tactics and drive improvements. Figure 5 illustrates sample benchmarking at each stage of the customer acquisition journey.



\*In process of rollout

Note: Competitors assessed include a broad sample across markets; DCL=digital customer lifestyle

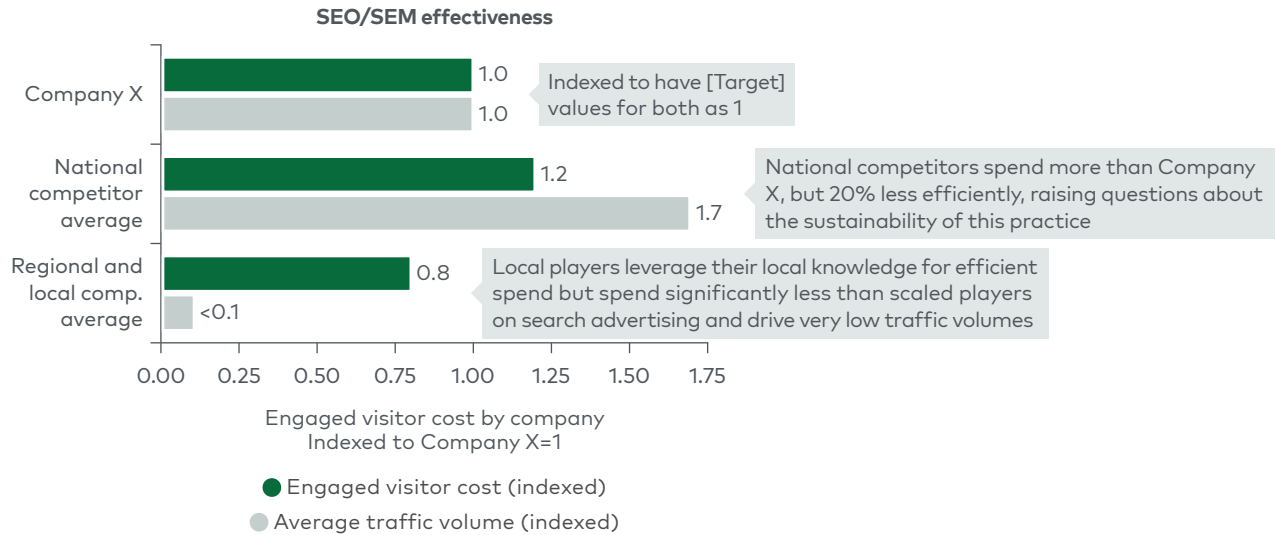
Source: L.E.K. research and analysis

### Deploy resources strategically

Allocate resources based on the competitive landscape and geographic differences. Understanding local competition and spending patterns allows for tailored marketing campaigns that maximize ROI. Figure 6 shows a sample paid marketing spend breakdown, demonstrating how resources can be allocated strategically.



**Figure 6**  
Paid marketing spend example



Note: SEO=search engine optimization; SEM=search engine marketing  
Source: Company websites; L.E.K. research and analysis

## Elevate digital marketing strategy and organization

There are a number of tactics businesses can deploy to elevate their digital marketing effectiveness:

- Enhance digital marketing strategies and structures.
- Invest in first-party data collection and privacy-compliant technologies to navigate evolving regulations (e.g., collect emails in initial clicks for retargeting and collate with third-party data as well as collecting other identifiers to drive personalization, such as when pool companies gather specific homeowner characteristics and data and compare against willingness to purchase additional services).
- Centralize digital marketing capabilities to create consistency while leveraging local insights to ensure relevance.
- Develop acquisition approaches that integrate knowledge of consumer behavior and of the residential service being delivered (e.g., map the customer purchasing journey, shopping habits, and places for targeting and retargeting campaigns). For instance, there are multiple scenarios (e.g., changes in seasons, weather events, homeowner purchase of other services) that are key trigger and intervention points for a homeowner to consider gutter services.
- Develop and share best practices, maintain regular communication, and streamline processes with centralized customer relationship management systems and analytics tools. For example, a national HVAC company might centralize their digital marketing efforts to ensure a consistent brand message while allowing local branches to tailor specific campaigns to their unique markets.

### Uncertain regulatory environment for customer acquisition

There is decreasing conversion/less-targeted advertising given ongoing deprecation of third-party identifiers due to privacy constraints and Apple's ATT implementation in 2021 as part of iOS 14.5:

- iOS 14.5 and later required apps to get user permission before tracking their data across apps and websites owned by other companies
- About 65% of iOS 14.5 users denied tracking after the launch of Apple ATT
- Approximately 25% of ad publishers worldwide saw a 10%-30% drop in iOS ad revenues after the ATT framework rollout
- While Google has walked back its "cookiepocalypse," the company will still give users the choice/a prompt as to whether they wish to retain third-party cookies, likely limiting the effectiveness of cookies
- Residential services marketers face the uncertainty of regulatory change given that Google has stated that the company is "discussing a new path with regulators and will engage with the industry as we roll this out,"<sup>2</sup> so new cookie rules are a possibility
- These higher costs and uncertainty reinforce the need for an effective and efficient customer acquisition strategy

### Leverage scale through effective customer acquisition

Mastering customer acquisition in the residential services industry requires a balanced approach that integrates traditional methods with digital innovations. By leveraging no-bid agreements, referrals, a cohesive advertising strategy and geospatial analysis, service providers can build strong, lasting customer relationships. Adapting to digital marketing challenges and continuously benchmarking performance ensure agility and responsiveness to market changes. Centralizing marketing capabilities while maintaining local insights provides consistency and relevance, and above all enables larger players to leverage scale.

For more information, please [contact us](#).

### Endnotes

<sup>1</sup>LEK.com, "Geospatial Intelligence: The Key to Growth for Residential Services." <https://www.lek.com/insights/ind/us/ei/geospatial-intelligence-key-growth-residential-services>

<sup>2</sup>WSJ.com, "Google Is Keeping Cookies in Chrome After All." <https://www.wsj.com/tech/google-is-keeping-cookies-in-chrome-after-all-89debea8>

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## About L.E.K. Consulting

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