

Transcript

Krystal Hobbs 0:04

Welcome to Beyond the Tools, the podcast that helps contractors attract more leads, grow their business, and finally get off the tools. In each episode, you'll discover marketing tactics that work. You'll get actionable insights from other successful contractors, and connect with experts to help you grow. I'm your host, Krystal Hobbs, owner of a social media agency that helps contractors attract and convert more leads. Get ready to take your business to the next level so you can finally enjoy the fruits of your hard labor. Ready, let's go!

Krystal Hobbs 0:46

Hey, contractors, welcome back to Beyond the Tools. I'm your host Krystal Hobbs and today we have a guest that is no stranger to the home services industry. Josh Kelly is the owner and operator of an industry-leading growth and consulting firm Clover. He represents small to larger clients in the home service industry, specifically in HVAC and plumbing, working with contractors across the US. And what's really cool about Josh is — he has helped to consistently grow companies from seven-figure to eight-figure businesses, and some all the way up to nine figures over \$100 million a year. Before devoting his work full time to Clover. Josh has an extensive background in marketing and operations. Working with companies like Bonneville International, Dial America, RevuKangaroo, Puls, and Parker & Sons, in particular, we dig into Josh's experience there and how he helped his family business, local heating, cooling, and plumbing company in Phoenix grow from \$7 million in revenue to over 200 million in just 18 years.

So what Josh and I really dig into in this episode is what makes those successful companies grow to the level that they are able to. So what Josh and I really dig into in this episode is what makes those companies grow to the level of success that they're experiencing. Right now we talk about reporting, we talk about how to price yourself appropriately, and some of those hang-ups that you may have when it comes to your pricing. And lastly, we talk about how the peak season is over for most of you, you're finding that your call volume is way down. So how do you make sure that you are having a successful shoulder season that's setting you up for the rest of the year? Josh is the real deal and I am super excited for you to hear this interview. So let's head on over and chat with Josh.

Krystal Hobbs 2:59

Josh, welcome to Beyond the Tools. So excited to have you on the show.

Josh Kelly 3:04

I'm excited to be here.

Krystal Hobbs 3:06

Amazing. So I know that you're very well known in this industry. And I think you have a lot of insight to share. In particular, I know you have experience growing businesses up to seven, eight, or even nine figures. And, with your work with Parker and Sons, you guys grew from 7 million in revenue to over 200 million, which is crazy impressive.

Josh Kelly 3:36

In general, it's hard to wrap your head around. We're on track to do 240 million this year. And we might actually do a little bit more than that. But, just when I think back on like when I got in the business, right? It was like a six-and-a-half-million-dollar shop. And, it wasn't even an impossibility. I remember George Brazil was the big guy in town and was the biggest contractor I knew outside of four seasons, right? And they were like 30 million. I was like, "How are they doing that?" It is physically impossible. It's gonna sound like a good comment. But it's not meant to be it's like 30 million like, "No, I do that every week." Like that's no big deal now, right? But, opportunities have changed. Technology's changed, but it's a different world. It's exciting and really crazy when you really think about it.

Krystal Hobbs 4:26

That's incredible. And I know through all of your experience, as well as the work you do with Clover and the clients you get to work with every day. Obviously, you must know some things that really make a big difference when it comes to a company's growth. So what do you see as being like, I don't know, the major key or levers that somebody needs to pull to get to that next level in their business?

Josh Kelly 4:53

I'm not a big fan of one size fits all. So I'm going to give you a complicated answer to a really simple question. I think every business has different opportunities and different personalities, has different owners, right? Generally, the biggest reason that the business isn't growing (and like people don't like to hear this was just the honest truth), it's because of the person running it or in charge just doesn't think big enough or doesn't think properly or isn't growth oriented, or just as comfortable. And there's nothing wrong with that. But if you're comfortable, you're not going to grow. Every company like a four-

seasons service champion - Parker & Sons, Abacus, Berkeys, ASI, Wellcare, all these companies like they have different even like a HappyHiller or Jenkins, we all have different strategies, we all have different systems, we do things differently, but there are a few things that are pretty consistent.

The few things that are really consistent across the board to be really successful are the consistency on the basics. That's like the most why would tell you as a lot of people look for this, like haymaker, hey, if I just did this, I'm gonna grow 20 to 40% every single year, and there is no that thing. It's the blocking and tackling. It's the simple things. It's having solid reporting and metrics, right? It's holding your team accountable. It's consistency in training and effort. It's consistency in marketing. It's being proactive about the business instead of reactive or passive, which are all common sense and super simple things. But people don't do them. Some of them don't do it all that most don't do them at all. And then there are others that just don't do at the level that's required. So, it's the basics. I don't know how else to describe that. And that's a lot of things, right? We talk about technicians, I talk a lot about 51%. What's the difference between a yes and no, it's not 90%. It's 51%. They just have to wind your business than you ever so slightly more than they don't. And everything you do, whether that's wearing shoe covers, how you walk up to the door, where you park your car, or how you greet them, they all add or remove a percentage or two. There's nothing in that process that's 40%. Like the big ones are four to 5%. Most of them are one to two. And you're just trying to add up to that 51% And businesses the same way.

Krystal Hobbs 7:16

So it's all about the little things.

Josh Kelly 7:18

Over and over consistently done every single time.

Krystal Hobbs 7:22

And I know you mentioned before that reporting has made a huge difference with the work you were doing with Parker & Sons. So tell me about that. What did that look like?

Josh Kelly 7:32

First, we run the DP report. And now most large companies run DP reports small companies don't DP, like daily progress. It's your revenue compared to your goal, which by the way forces you to have a goal. You have to recruit goals and call volume goals, which is important. And revenue goals like, most contractors really judge whether their business is successful or not by Hey, is my bank account going up? And that's a terrible

way to do business. And we don't have to go into the like, the details of finances and everything. But if you're not paying attention to it, and you're waiting until the 28th of the month to react, you're too late. There's nothing to be done about that month, you've wasted the whole month. So creating that consistent relevant reporting where you're tracking your most important metrics like there are really good sized companies, not big companies, but 10-15, even \$20 million companies that like, how's your salesperson doing? He's awesome. He's gonna sell 2 million this year. What's his closing percentage? Well, I don't know. Well, okay. Can we pull that up? And we go through, he's close to 38%. Is he a good salesman? You're just loading them up with calls. That's if you don't know that number, then you can't make a decision whether he's good or not, but doesn't mean that you let him go. But certainly, you need to train or make an adjustment. There's something going on there. You're losing more calls than you win. That can't be a recipe for success.

Krystal Hobbs 9:03

And especially when it comes to KPIs, I think, as you say, a lot of contractors do become more reactive and they don't know what they should be measuring and what they should be looking at all the time.

Josh Kelly 9:15

100% and like most contractors, not all but like there's things they pay attention to sales, they tend to pay attention to service they semi pay attention to that you'd be amazed how many contractors don't pay attention to the actual marketing. What's my cost per acquisition per client? What's my actual conversion rate over the phone not like the made-up one where we mark everyone that we can't close is not a lead, what's the actual conversion rate? Because so many people I need more calls. And sometimes they need more calls. I'm not disagreeing that's not part of the solution. Well, it turns out if you really look at your closing 60% of your calls. You're losing what's realistically three out of 10 calls. Do we really have a marketing problem? Or do we have a call center problem, because if I pour more water, more gas onto that fire, it's just gonna get out of control, right? It doesn't actually solve the problem, I'm wasting so much. So having those metrics, it's like unbelievable. People don't track the most basic things. They don't track, even having a digital install board, and they don't really know how full they are. And we all conceptually know that, hey, if I keep the install board full, I'll probably be okay. Well, they don't track it. There's like, "we're busy." Are we? Do we actually know that? We can tell on ServiceTitan that's not really an install port, that's dispatching software. Among other things, going into a business and really starting with that, that's

almost always the first place I look when I go and consult. I look at the reporting, and I look at the pricing. Overwhelmingly, people are underpriced and they don't even understand how to set price or margin. Why are you so much less valuable than them? You're not. And then the other side is, I asked for reporting, and when they don't provide reporting, I know exactly what's going on here. Because if you can't see what's going on, you can't really make effective decisions on what's gonna change or what should change.

Krystal Hobbs 11:32

Absolutely. So let's dig into the pricing side of things. Because I know this is a huge struggle for a lot of contractors. How do you go about properly pricing your services?

Josh Kelly 11:46

So there are a few ways to do it that people do and there's a right way. So the few ways are like, "Hey, I asked my comfort consultant" - that's a terrible idea. You're always gonna be too expensive, right? "Hey, I go purely off competitors. It's my competitive charge." That's a terrible idea, too, because of not the same business. And then some people do it based on the purely gross margin. The truth is, you really have to use both competition and gross margin as your metric. Gross margin is the strongest one, and you have to set your pricing properly. Like on installs, I want to end up at 51-52% of gross margin, right? Now, we can go into the calculations, but I think people get that. If you have questions about that hit me up afterward and we can send you a bunch of sheets and content. But I want to end up with 51-52%, which means my book price can't be 51%. Because I know I'm gonna have finance fees. By the way, I know my guys are gonna discount and give stuff away to get jobs sometimes. So I have to set my book price at 58-61%. Right? And to be clear, you don't put margin in the bank, you put money in the bank, right? If I'm talking about only selling for a while longer, but 14 SEER systems, then I want to 61-62% because I can afford to do it without losing customers, right? There's a system of this. And obviously, you've got to have your pay structure proper. You got to make sure you negotiate. You got to take care of what you're not being unrealistic. If your contractors telling me I couldn't sell jobs, if there were 60% margins, like, number one, you either have a cost problem, which can be fixed pretty easily, which is a little bit of knowledge and effort. Or you have a sales problem, because, if you have to be the lowest price then you're an order taker, you're not a sales organization. Then just for reference two, we got that's for install. For service, I really expect a 65% margin, I expect to get it actually. And then plumbing kind of similar above 60. If you're doing plumbing, or electrical, same thing.

Krystal Hobbs 13:49

So how do you actually address that though, if you feel like you're already priced pretty high, or you talk to your competitors, where your competitor's pricing are at and you're like, "I couldn't possibly go above that level?"

Josh Kelly 14:05

Of course, it could. It's mentality mainly. Now, what I would tell you is that there are companies that do it and are very successful at and they accept a lower closing percentage and they are significantly higher than anyone else like Ken Goodrich with Goettl. He's gonna be 10 to 15,000 more than Parker & Son's and he expects accepts a lower closing percentage. That's not necessarily the way I want to do business, but certainly, an effective way to make money. There's no argument that is successful and can be successful right? So I don't want to be the highest price guy. I don't think most contractors want to or feel comfortable with that. But what I would say is, if you feel like you can't charge that, a charge a realistic rate, a few things, number one, you have a mentality issue, number two, maybe you're not delivering as good a service as you could meaning, are you not including things that really should be included? Are we doing a second battery drain pan, are we replacing the disconnect? Are we doing all the stuff that you would want to do? Because if I build that it increases my margin and I take care of customers better. No one wants to be a low-price leader. I would heavily recommend you not try to be the low price, you want to be that quality guy or that speed guy. One of those two things, right? Those are the three things that sell our industry.

So you have a mentality problem, you're maybe not delivering as much value as you can, and you may have a cost problem. I mean, some people are like, Hey, I only sell trains that's like, that's cool. When's the last time you negotiate train and shop them around? Like, it's been 10 years? Like, you have terrible pricing, which affects what you can charge, right? So I mean, I know this isn't the most popular thing in the world to say, but, distributors, most of them are exceptions, but most of them aren't loyal to the contractor, "Why do we feel the need to be super loyal to them?" And the truth is your train guy and you love trains. And that's what you want to do. And you want to sell that your whole career, there is nothing wrong with going and talking to other people, and just saying, hey, train, I'd love to sell you, but this guy's 40% less, right? So it could be a cost structure. And then really, another big piece that happens with it is it's not necessarily the owner, the GM that has trouble mentally thinking about that, but the sales team and the technicians struggle with it. So for that, you just do like a P&L exercise, which we give details on that. But you help them wrap their head around why

things are priced where they are, and why they have to be priced that way. And it's actually really simple to do. It has a lot of benefits beyond just getting them to accept price increases or your current pricing. So I mean, there's a lot to it. But it ultimately stems from the very basics of it. I think it's too expensive if you don't know what you should actually charge or what's fair, what's realistic, or you're not delivering enough value. Overwhelming.

Krystal Hobbs 16:52

That absolutely makes sense. And I know contractors especially in heating and cooling now we're coming into September, peak season is over, and things are slowing down a little bit.

Josh Kelly 17:08

This is where the good companies shine, and where everybody else kind of falls apart.

Krystal Hobbs 17:13

Hmm. So what do you think the good companies do in the shoulder season that the losers don't?

Josh Kelly 17:21

There are companies that don't do as well, there's no doubt about it. And there are companies that do lose. So a complicated answer to a simple question. Number one is that they stopped doing the basics in the middle of summer. So they don't have as many maintenance agreements, they don't have the right tax, they are not trained up, their guys aren't as thorough, and they're loading them up with calls instead of forcing them to be thorough, right? All the most basic stuff, and you can get away with that in the summertime. You shouldn't do it. It's not healthy, you're leaving a lot of money on the table, but you can get away with it and still make money. When things slow down, you can't do that. And you're behind the eight ball. So number one thing is like, if you were doing quality service, do anything right all year round. You automatically are better spot. Number two, and this blows my mind, but like, I mean, I get calls from people I work with and we talk every week, and I've worn them for a month. And we have hundreds of contractors on contractor capital where we help them grow and they get content from us every week and every month and month of coaching. And still, September 18 will roll around here in Phoenix. And I'll get like three or four calls holy, my call volumes gone. What happened? It's perfect outside. You knew this was coming. It happens every year. And what happens is good companies are proactive and have that plan in place now on how they're going to fill that board. The worst companies do nothing and wait for the

weather to turn. Most companies do close to that. But they do they do something but done last minute without as much thought or effort as it could be done is not built as well as it could be done because I need it today. And that's just not a good place to be in that's not only not a good business plan, but it's also just not a good way to live your life. It's it makes the business really unenjoyable if you don't have these protections and systems in place already, right? By the way, if you do it well and you do it once, you could just keep pulling that lever over and over again. So it's a skill of mindset. This becomes a second nature part of how your business works. That was I would say that's the biggest thing is really are they doing the most basic stuff, right? Like the reporting like the training, like doing a health and safety inspection, like selling maintenance agreements, that's a huge differentiator. And then, am I being reactive, passive, or proactive? You're proactive. You're going to do it. Everybody, it's like, it's not rocket science to tell you, by the way, everything. Like, I feel like I'm a pretty smart guy. But I will tell you everything I teach and do is pretty simple like that. It's all common sense shit. I mean, the common sense shits, what works. It's scalable, it's teachable, all the fun stuff.

Krystal Hobbs 20:17

Just because it's simple doesn't mean it's easy.

Josh Kelly 20:22

But the best things are both simple and easy. And where people fall is the consistency, right? Like, you'll find like, I teach this all the time, like the most effective sales system in the industry, by far for the technician is I noticed most of what, right? I noticed your systems over 10 years old, most of our customers consider replacing this time because it just saves them so much money, they don't have to worry about breaking down. Can I ask why? You haven't replaced your system, I noticed most of the why. I noticed that you don't have indoor air quality products. Most of our customers have an air scrubber because it protects the air that they breathe. The truth is you could either be a filter, or you could buy a filter. Or you could be a filter, I prefer you buy a filter. Can I ask why? You don't have an air scrubber, right? And I create a simple system where it's I know most of I literally sell everything in house. So it is easy. It is simple, right? But I've taught that hundreds of times, right? And good companies take it and they run. Average companies they take it and they run with it for a week or a month. I come back two or three months later, I say, give me an idea as to why. And no one knows what I'm talking about anymore, because we stopped talking about two months ago. So it's the

consistency that they miss. So the best ideas are both easy and simple. And the key to making them work is the consistency, like drive it until they die.

Krystal Hobbs 21:50

So how do you make sure that you are staying consistent? What are some of those systems and processes?

Josh Kelly 21:58

We're going down the nitty gritty here, like, there's, there's a lot you do, right? Number one, I mean from like that, I know, I'll use that as the example but this applies to lots of things, right? I mean, you'll never be great. I noticed most of why unless you've pre-set up your meetings and you have a plan. And you're going to follow up with it and you're running an accessory program and you have a PowerPoint and presentation, it's not just a dude in front of the room talking about what he feels like talking about, right? And if you do it with thought and being proactive, you'll naturally do better. Number two, if you're watching the numbers, you will see an uptick when you start using I notice most of why and when it starts going down, something's wrong, we got to figure out what it is. Most of the time it's because we lost our consistency, right? You're doing ride alongs, we should make sure on every single call without exception they need to do I noticed most of why, right? These are all simple processes and systems but ride-along is one of the most effective ways to train your team you could possibly ever. And I've never talked to a contractor is like doesn't understand the value of ride-along. But I can't tell you how many contractors I've talked to that don't do them. Because hey, we're busy, I've got to take care of this customer complaint, instead of solving the problem that causes the customer complaints. You know what I mean? So it's just a bunch of really basic stuff and like making a purposeful plan, and making sure you're staying on top of it. And then we could get fancy and say, "Hey, we use like Trello as our initiative programming platform. We keep a schedule of everything, we use the calendar for everything." Well, you get like real sexy and detailed if we want but feel like that's like a lot of information.

Krystal Hobbs 23:40

That's fair. Now, that's super helpful. And I guess going back to not having the call board filled and feeling like the phones aren't ringing as much as they should be, with your experience at Clover Marketing, like what are you seeing that's working in marketing for the industry right now.

Josh Kelly 24:05

So, there are three things that work in marketing, and they work without exception. It's

actually the secret to marketing. It's consistency, longevity, and frequency. Now, the problem with that is all three of those things are expensive. So most contractors don't do it. Now what I would tell you is I don't care if you're doing direct mail. You do direct mail consistently with enough frequency over a long period of time. Direct Mail does work. So as PPC. So is SEO. So as radio. So is television. So is billboards, like, they all work, right? Now the flaw to that is, it's just very expensive to do that, right? Now there are things that are inexpensive, like emails and text messages and ringless voicemails and we all should be pulling those levers that are the easiest in the world. It's free money. But those larger scale marketing things, all those things work. But to make them work really depends on your size and where you're at. Like, if you have a \$100,000 budget, you're not doing SEO or at least I hope you're not, right? Somebody who says, "Hey, we'll do your SEO for \$500,000 a month." They just can't win. It's not real, right? You have to play in things that you could dominate. So if that means I'm doing direct mail, it probably means if I have a \$100,000 budget, it doesn't mean, Phoenix is a huge city, a lot of people don't realize it's like the fourth or fifth biggest city in the United States. I can't send all of Phoenix. Not real, not if I want to dominate.

Now if I want to be consistent, frequent, and longevity, I can do it for a long time. I just can't do that and all of Phoenix. But what I can do is pick some key neighborhoods that I know are eight to 10 years old, and I'm gonna have a bunch of AC units coming up to term and water heaters and now the only water softeners and there's just money in those neighborhoods. I could mail those people. And by the way, I can also do some geofencing around that neighborhood and do some social media campaigns. I can have my trucks drive around that area. I can have them hanging out in front of that neighborhood and the gas station. That's where we get our gas. We can hire techs specifically in that area. We could talk to the HOA and we could be part of their actual community, right? We could, there's so much you could do to try to own that neighborhood and have that consistency, longevity frequency, right? That's how you have success. Now, I would say is, Parker & Son's is got like an FU budget, like, our strategy is entirely changed. Like, there was a time at one point when our cost per acquisition was all the way down to \$12. And we drove the shit out of that, like, it was amazing, right? I can tell you, it's nowhere near that now. It doesn't have to be because Parker & Sons are like, "This company is buying this radio station. And sounds like they're doing well. All right, by three times as much as them, flush them out. And then we'll cut the budget after they're gone." Most companies can't do that. So smaller companies just have to pick some of them. A good example is to and I think

neighborhoods are a good example. But another is like, here in Phoenix. I mean, I don't vote like this recently, but it is an overwhelmingly conservative or republican city. And there are literally five major radio stations that are conservative formats. And regardless of what your political belief says, I don't care if your money is green, it's fine with me. And I think there are good people on both sides, right? There's one democratic or progressive station. And it's not that big. But I could own that. No one else is on there. Those people are incredibly loyal listeners because there's nowhere else to go. Like, that's an opportunity, like, you have to go where other people aren't, and places that you could dominate. By the way, if that radio station is already dominated by Parker & Sons, which it is here in Phoenix, then, maybe it's not the best place for you to go. There are other opportunities. As a smaller company, there are things that you're willing to do and able to do that big companies could never do. You have to take advantage of that.

Krystal Hobbs 28:04

I think that's a really important point about choosing one thing that you can really own and dominate. Because what I find is a lot of companies just spread little bits of money everywhere and it doesn't work.

Josh Kelly 28:18

It's doesn't work. I'm not saying you should do one thing necessarily. That's maybe unsafe, too. But if you're small enough, and that's all you have the budget for, you don't really have a choice. I mean, but as you grow, you want to diversify, too, right? You want to be in different areas. But not at the cost of not owning something. By the way, owning something is all relevant, like that radio station, if you can own the morning drive, that's good, too. Like, you got to take viable chunks that you could actually have an influence on.

Krystal Hobbs 28:46

Absolutely. So I know, we've covered a lot here, Josh, in terms of KPIs, reporting or slow season and pricing and all these super key things, I guess, are there any last parting words of wisdom that you would have for any contractor listening?

Josh Kelly 29:05

If I had any thoughts towards the contractor, like just parting words of wisdom, I would, number one, know your numbers, and track everything. Number two, lean towards action, I would rather run in the wrong direction and find out quickly that was wrong in the wrong direction, than stay in a place where I know I'm gonna fail. So have that bias towards action. It's the Marines, right, they always have a bias towards action, which I

think is brilliant. And then the biggest thing is, ultimately, if a business isn't growing, you may not like to hear but it's because of the person in charge and you've gotten comfortable, you've accepted wherever it is. And there are all kinds of strategies and we could go all kinds of details of this but if you want to really have and this is my opinion and this kind of my lifestyle, my life choice too, right. My number one thing in life is growth, the second is contribution. Those are the two drivers I have in my life. If you want to have a successful business, and you want to be successful in life, all you have to do is consistently grow. If I improve today, compared to yesterday, and I do that every single day, success becomes inevitable. So go out, read books, talk to other contractors, visit other shops, hire badass coaches, and consultants, and do whatever you need to do, you don't have to be the expert on everything. But as you grow in your capabilities, your business will naturally grow with you.

Krystal Hobbs 30:34

I love that. Thank you, Josh. I know our listeners are gonna want to learn more about you. So what's the best way that they can connect with you?

Josh Kelly 30:43

Let's make this easy. So I'm pretty good about checking my email. But I'm a busy dude. And I travel a lot. So hit up my team and just hit support at growwithclover.com. If you have any questions on the stuff that we talked about, we'll give away a bunch of stuff. And then I know we're giving away a failure board course, for the slow season, like never not having a full board again, and pretty powerful, to be honest. Just go to growwithclover.com backslash free gifts or just email support@growwithclover.com. And we'll get that stuff out to you. I appreciate you having me on. I feel like this was drinking from a firehose a little bit. It was a lot of information very quickly. But I hope everybody enjoyed that.

Krystal Hobbs 31:22

Absolutely. And I mean, if they pick up a nugget or two, it's an introduction to you, and they know how to find you now. So we'll put all those links in the show notes.

Josh Kelly 31:33

Perfect. Thank you.

Krystal Hobbs 31:35

Thank you so much, Josh.

Krystal Hobbs 31:41

Thank you so much for listening to this episode of Beyond the Tools. If you liked what you heard, please subscribe, rate, and review wherever you get your podcast. I'd love it if you could also share this episode with a fellow contractor who is ready to get off the tools and grow their business. And if you want more leads, sign up for our email list at reflectivemarketing.com where we share weekly marketing insights that you can't get anywhere else. I'm Krystal Hobbs and I hope you'll join me on the next episode of Beyond the Tools. See you next time!