
7.3 SPECIFIC BUSINESS GROWTH STRATEGIES

This section covers some examples of specific strategies that take advantage of one of the three main strategies we listed:

1. Increase the number of customers.
2. Increase your fee.
3. Sell more services to each client.

More strategies will be covered in the sales and advertising discussion in Section II.

7.3.1 FOLLOW-UP MARKETING

*Maintain
Existing
Customers*

This strategy is a subset of getting more clients, but with a twist. **Follow-up marketing** relies on the business concept that it's cheaper to maintain a customer than it is to find a new one. For example, the cost to acquire a new agent to refer business to you is significant. The cost to maintain a relationship is less, but there is a cost. Many home inspectors fail to see this, and, as a result, relationships fail. Agents drift away often from sheer neglect. Many inspectors spend no time nurturing the relationship. This nurturing may be as simple as saying, Thank you for the referral.



Hard to Fill Leaky Bucket It may be helpful to look at business relationships this way. If you are adding new relationships into the top of the bucket, while neglected relationships are leaking out the bottom, you are working hard to maintain a half-full bucket. We have said it takes more money and time to develop a new relationship than to maintain an existing one, so doesn't it make sense to spend some time maintaining relationships?

Many inspectors proudly point out the ten new relationships they have developed, but fail to notice the 15 agents who have stopped referring them. This is no way to grow a business. And that's why follow-up marketing is so important.

Follow-Up Letter to Agents One follow-up strategy is to write a letter to the agent. The inspector collects the agent's business card at the beginning of the inspection. If the inspector has not met the agent before, the inspector sends a quick letter to the agent after the inspection. You might develop some postcards for this purpose. It takes the inspector about a minute at the end of the inspection to fill out and mail a postcard to the agent. The postcard may say something like, "It was a pleasure to meet you at 123 Any Street yesterday. Please call me to help your next clients (or, I look forward to working with you again soon). Sincerely, Inspector." This strategy is cheap, quick, and has an impact.

Follow-Up Call to Agents You can also follow up by phone. Follow-up calls to agents fall into two categories: (1) agents who refer you business and, (2) agents who used to refer you business but no longer do. Let's look at each case.

Agents Who Refer Business to You Call the agent periodically to find out if your services continue to be satisfactory. You don't have to call them after every inspection, just periodically. You can start by saying, "Thanks very much for referring Mr. Jones to us." Then you can ask the following:

- "Are you happy with the home inspection service?"
- "Are you happy with my answering service?"
- "What kind of feedback do you get from your clients about the home inspection?"

If you are brave, you can also ask what you could do to serve them better, although you always risk having to deal with an unreasonable request. You can make this decision on a case-by-case basis.

Initiative as Important as Content Most inspectors don't like to phone agents for fear that the agent may have some thing negative to say about how the inspector handled the inspection. This fear is understandable because we often have to take a stand on unpopular issues. The fear may be well founded, but the logic is not. You should phone regardless of how you think the agent will respond because the gesture is at least as important as the content of the call. The agent will recognize that you made an effort.

In order to put your fears to rest, think of it this way—there are only two possibilities:

1. The agent has good things to say, and your call reinforces your relationship.



2. The agent has negative things to say, and you now have an opportunity to mend the relationship. If you are unsuccessful, you will be no further behind. So it's a win-win decision. And even if you can't salvage the relationship, you can learn something from the experience that can be applied in future situations.

*Agents Who
Used to
Refer Business*

At Carson Dunlop we keep track of agents by using a database. The database tells us who refers business to us and who does not.

*Answers Are
a Phone
Call Away*

What do we do with this information? We identify agents who send us less business than they used to. This allows us to follow up with them. If you are an independent inspector, you may not have the benefit of a database. How else can you find out this information? There is a great low-tech way to gather information—make a phone call to the agent.

We call agents who have stopped sending us business and ask them why. Most of you are now thinking, "That's not a call I want to make." None of us likes making that call. But do it anyway. Why? Because there is no downside. You can't get any worse than an agent not sending you any business. You should look at this call as an opportunity.

You can start the call with, "I'm calling because we have not heard from you lately and we were concerned. Are you all right? (You may find out that they in fact have had to step away from their business for some reason.) If they say they are alright, you can say, "I hope we have not done anything to lose your confidence in us." If not, they will say why they have not referred as many clients to you. They may be concentrating on getting listings, for example.

If they have had a problem with you, it is great to find out about it so you can clear it up or fix the problem. We have found that often it is something as simple as another home inspector seemed to value their relationship more than we did. The agent felt neglected and unappreciated. Or perhaps the agent feels you caused a client to back away from a deal unnecessarily. No matter what, this is a chance to set things right.

What's the lesson here? No matter how many scenarios you invent for the dreaded call, there is only one that includes the agent never wanting to do business with you again. There are many more possibilities that could result in a relationship that is even stronger than before.

*Make a
Check-Up Call*

It may seem like these calls take a lot of work and time, but they provide great value. It does not take much time, and the opportunity cost is minimal compared to how difficult it is to acquire a new referring agent. It's a competitive market out there. You need to keep your referral base intact.

*Following Up
with Clients*

You may want to follow up with clients as well as agents. You have already done the inspection, why should you stay in touch with previous clients? There are at least three reasons:

1. To capture repeat business when the homeowner buys another house in five years



2. To remind the homeowner to tell their friends to hire you when they buy a house
3. To keep you in the forefront of the client's mind so that they are more receptive when you call to offer follow-up services such as a one-year inspection (an inspection of the home one year after moving in to verify that things have been improved or repaired properly)

7.3.2 ANCILLARY SERVICES

*Sell More
than the
Inspection*

Ancillary services are additional services that you can offer to your client at the time of the inspection. For example, when you get the inspection booked, you can then ask the client if they would like you to test the paint in the home for lead.

Ancillary services fall under the category of “selling more services to each client.” There are two distinct categories of ancillary services:

1. Services to your client at the time of the inspection
2. Services to your client after they move into the house

An excellent example of an ancillary service is McDonalds' classic question, “Would you like fries with that?” The people who serve you at McDonalds understand that once you are in a buying mode, it is very easy to get you to buy more. Most home inspection companies know little about this ancillary service concept.

Once you have made a sale and convinced the prospect to hire you to do a home inspection, it is very easy to sell the client something else.

Here is an example of this psychology in action. Have you ever bought a new car? If you have, there is no doubt that you have been fed through the new-car-buying mill at the dealer. Critical to the car dealer's pitch is to sell you a number of invisible options such as an extended warranty, undercoating to protect the frame from rust, clear coat to protect the paint, upholstery treatment to protect the upholstery, and many other similar options. These options make the dealer lots of money but are harder to sell than the visible options, like a sunroof and electric windows. The dealer's strategy is to sell the invisible options to you *after* you have already agreed to buy the car. Typically, you make the deal with the salesperson, but the owner or manager approves the deal in their office. Once the deal is all wrapped up, they send you to another office to finalize the paperwork for the financing or leasing. It is here that they sell you these options. They know you are in a vulnerable position psychologically because you are committed. To get you to agree to a few other relatively inexpensive options is easy, especially when they can just wrap it into the financing or lease. For \$20 per month more, you can have the extended warranty.

It is universally understood in marketing and sales circles that once you are committed to a purchase, it is easy to sell you a smaller purchase related to the initial purchase. This works for the home inspection business, too. The following example illustrates this point.

A home inspector in San Francisco, California, offers a home inspection that includes a number of ancillary services as part of the standard service.



This inspector feels that these ancillary services should all be wrapped into the price of the home inspection. Sure, his inspection costs a little more, but clients get carbon-monoxide and lead-paint testing included.

A home inspector in Cincinnati, Ohio, offers a standard inspection for \$300. In addition, clients can choose optional packages. One package includes the standard home inspection plus carbon-monoxide testing. Another package includes the inspection, carbon-monoxide testing, and lead-paint testing.

A home inspector in Boston, Massachusetts, offers a standard home inspection. Once the client agrees to hire him and the inspection is booked, he asks if they would like to have a carbon-monoxide test done while he is there. He then asks if the client would like the paint tested for lead while he is there.

Which of the three home inspectors is the most successful? If you say the inspector from Boston, you would be correct.

*Make Sure
It's Profitable*

Many ancillary services can be offered at the time of inspection. Most of these require some additional knowledge, training, and, in some cases, a license. You may also need specialized equipment. Investigate each of these to find out if it is a good fit with your company, personal comfort level, and profitability goals. Some home inspection companies have been very successful offering these ancillary services. They turn a \$300 inspection into a \$600 inspection with very little extra time on site. A service that is not profitable on its own may be profitable if you are already there and you remove the travel component. Look at what other inspectors are offering. Ask clients if there are other services they would value. Pay attention to current issues in the media. Is mold a big issue in your area? Make sure you will be able to perform the service competently.

*Keep Client
Relationship
Going*

Consider ancillary services to offer after the client moves in. The philosophy behind this strategy suggests that during the inspection, you spend 2 to 3 hours with the client, developing a rapport. At the end of the inspection, you have become the trusted advisor. Most home inspectors just throw that rapport away at the end of the inspection. It's possible the inspector will get some referral business out of it. But it's more likely the inspector will get business if he or she keeps the relationship going.

*Watch Back-
End Business*

In fact, the most neglected part of the home inspection business is the **back-end business strategy**. What is a back end? A back end to a business is the ability to sell to a client over and over again. Your business should have a back end because the cost to acquire the client is fairly high in the first place. At first glance, the home inspection business appears to have no back end. You acquire a client who is unlikely to call you back for another inspection in the near future. If you are lucky, you may get one more inspection in a lifetime out of that client. From a back-end point of view, this repeat rate is simply not good enough.

To summarize, offering ancillary services to your client after they move in makes sense on two fronts:

1. Your clients already know and trust you, so they are more likely to be receptive to your ancillary services.



2. From a business perspective, it's important to have a back end to the business.

What kind of services can you offer as a follow-up? Here are suggestions:

- **Improvement Checks:** Inspections to verify that all improvements that you suggested in your inspection report have been carried out properly.
- **Seasonal Inspections:** For example, you could offer to inspect seasonally relevant components of the home every year. You could have a checklist you go through in the spring and fall, for example.
- **Periodic Inspections:** Some clients have expressed an interest in having their home inspected periodically to help avoid costly repairs. Maybe you could develop the *Year Five Inspection*, for example.
- **Indoor Air-Quality Inspections:** Indoor air quality is a hot topic and will get more and more press over the next few years. Because indoor air quality is usually related to how the occupants use the home, the inspection is best offered as a follow-up service rather than at the point of inspection.
- **Energy Efficiency Study:** You can inspect the home and make recommendations relative to the energy efficiency of the home. You can project the payback relative to the cost of energy improvements.

7.3.3 DIVERSIFICATION

*Think
Outside Box*

Diversification falls under the general category of getting more customers. Here's an avenue to explore that's a natural for home inspectors—brand new homes. Inspecting new homes falls into the following three categories:

1. Construction management and progress monitoring
2. Inspecting the new home prior to taking possession
3. Inspecting the new home prior to the expiration of the builder's warranty

All three categories of new home inspection require some knowledge and skill beyond the standard home inspection. Inspecting a new home is very different from inspecting resale homes. The main difference is resale homes are inspected using a performance-based inspection strategy, while new homes are inspected primarily against applicable codes.

A performance-based inspection means you are looking for evidence of nonperformance. You are looking for things that don't work. You have some code and construction knowledge that may help you predict nonperformance down the road, or point out safety concern issues, such as a reverse polarity outlet.

A new home does not have any history. You cannot evaluate its performance. All you have to go on is the codes and an understanding of construction errors that can lead to nonperformance.



Know Building Because of this basic difference, the inspection and the report are very different.
Code Cold You are not likely to run across a worn-out roof surface, but you are likely to see a roof/wall flashing that is not done properly. You have to know your code and reference your findings. You will be up against the builder!

We have found inspecting the home prior to the expiration of the warranty to be the most interesting from a profitability and a “good fit” standpoint. Here are six reasons why it’s a winner:

1. There is some history to the home. It will have been through all the seasons, and the homeowner will have operated all the fixtures. You can use some of your performance-based inspection savvy here. You still have to be code proficient.
2. The inspection is a quick, checklist type inspection.
3. Because your client already owns the home, your inspection report will not be used to make a buying decision.
4. There are no real estate agents involved.
5. You can go after the business rather than waiting for a referral. You can aggressively pursue this business in your slow periods and ignore it when you are busy. It’s like a faucet you can turn on and off.
6. The inspection is not time-sensitive. It can be done any time over a period of several weeks.

Reasons 2 to 5 apply to all three types of new home inspections.

We solicit this business in two ways:

- We supply a list broker with a geographic area, and they send us a monthly mailing list of homes that are ten months old.
- We send a mailer to each homeowner with a compelling reason to have us inspect the home prior to the warranty expiring.

This strategy has been successful and is a natural extension to what we already do.

Commercial inspections are another diversification opportunity. Again these inspections require a different skill set and reporting system than home inspections.

We hope this discussion on the three ways to grow a business has given you some food for thought and broadened your horizons. The key is to start thinking outside of the confines of the standard home inspection. We will be looking at many other ways to build your business in Section II.

Key Terms

- **Ancillary services**
- **Back-end business**
- **Strategy**
- **Inflation**
- **Business growth**
- **Diversification**
- **Follow-up marketing**

