

Remodeling

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**Your Complete
Guide to the
Recovery Act**

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BY JIM CORY

Hard or Soft Sell?

Energy tax credits can help bring you new business. But make sure you market and sell them in a way that fits who you are and what you do.

Window companies build marketing strategies around it. HVAC and insulation contractors — usually not the most aggressive marketers — hit the airwaves to promote it. The metal roofing industry wants it all.

“It,” of course, is the increased business resulting from federal tax credits on energy-efficient home improvements; credits equal to 30% of cost, up to \$1,500, for windows, doors, certain kinds of roofing, water heaters, biomass stoves, insulation, and qualifying HVAC units. When all is said and done, experts suggest that such improvements will

add about \$6 billion worth of volume to the total amount of remodeling activity in 2009.

Many products qualify, and already in the first half of this year many types of contractors are using the 2009 ARRA tax credits to generate new business. Tax credits can help produce inquiries, close pending business, shut out competitors, and solidify existing relationships with customers.

To do one or all of those, you need a strategy appropriate to your image. Is your company a closing machine that lives and breathes lead flow? Consider giving tax credits a prominent spot in your marketing message and sales presentation. Are you an up-market design/build remodeler with a portfolio of award-winning projects? If so, you need to know as much as you can about the products that qualify for the credits and why they qualify, to incorporate them when you can into specifications and design plans. You should also be prepared to explain to clients how and why they benefit from using these products.

LONG AND SHORT CYCLE

The approach you take will likely depend on the type of remodeling or home improvements you sell. If your company is set up to sell and install short-cycle jobs of a day to a week in length, jobs that typically sell for less than \$15,000 or \$20,000, having Uncle Sam reward that purchase by knocking \$1,500 off someone's taxes might be an



inducement for some homeowners to get in touch with you.

Of course that also depends on where your prospects are in the buying cycle for windows or a new roof. If small jobs are what your company is about, you have nothing to lose by putting tax credits front and center in your advertising, on your Web page, and in the scripts used by the demonstrators and canvassers representing you in stores, at events, or on doorsteps.

In fact, that's what many home improvement companies are now doing. Windowzards, in Levittown, Pa., for instance, saw mass e-mail blasts to its database produce an immediate sales uptick. Of course, that was in the heady days of March.

The difficulty now may be that with an increasing number of home improvement companies talking tax credits, yours could end up being just another voice in the choir. In fact, if your company *doesn't* offer qualifying windows, it could place you and your product at a competitive disadvantage.

But that doesn't mean that full-service, even design/build, remodelers can't get a piece of the tax credit action. Far from it. Companies that specialize in larger projects, built over weeks and months and often for referred clients, simply need to take a different approach. Here the value of those credits lies in suggesting appropriate upgrades or additions to the scope of work to help homeowners take advantage of a unique opportunity.

In either case, you generate additional revenue, build trust by using your expertise to help clients save money, and come out the hero. Earlier this year, for instance, Andy Ault, owner of Little River Carpentry, in Laurel, Md., had a client who had contracted for a master suite bath. Ault suggested that instead of replacing the existing hot water heater with something similar, the client

should go for a tankless heater that, though it would cost roughly three times as much, would work better with the design and would reduce the \$3,000 price by a third, with the energy tax credits factored in. The client agreed with Ault's recommendation. He also appreciated Ault's guidance.

For the full-service remodeler seeing fewer jobs and jobs with a smaller scope of work, the tax credits are an opportunity to add value to projects that involve HVAC systems, appliances, or weatherization products at a time when luxury items are often viewed with disfavor.

"Granite, heated tile floors, home theaters, all those are getting cut," Ault says. "But clients will find money for these other things because they're more central to the project and they can take advantage of the tax credits."

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THE TIME IS NOW

Many replacement contractors now incorporate tax credits into their marketing.

But is that enough to prompt homeowners to call? And if they call, why shouldn't they offer objections to stall the sale? That's when tax credits become not just a way to prompt inquiries but yet another means to help close.

"The real tool is in the hands of the astute sales rep," contends Vaughn McCourt, general manager for Penguin Windows, in Mukilteo, Wash. In the minds of some customers, McCourt says, "the difference between a \$4,500 job and a \$6,000 job is huge. People didn't think windows were affordable, and now they become affordable." So big are the savings, relative to the size of the job, that they feel they can afford more windows. Since the tax credits came into play, Penguin Windows' average sale is up by \$2,000 and its close ratio by half a point, not small change if you're running 150 to 160 appointments a day.

The tax credit message lends urgency

SETTING PRIORITIES

The best way, many remodelers and energy auditors say, to determine how a homeowner should use the \$1,500 tax credit for their home, is to first conduct an energy audit.

"You need to look at the whole picture and decide on priorities," says Darren Lombardo of Home Energy Solutions, an auditor in Salisbury, Md. "For example, it does not matter how efficient an HVAC system is — the house still has to retain the heating and cooling it provides."

Remodeler Andrew Shore uses audits to prioritize energy-efficient home improvement options from least to most effective for his clients. "We rank them so homeowners can see what will result in the biggest energy savings. That is critical in providing value. Do not pitch the most expensive things to them, but what is most cost-effective," says the owner of Sea Pointe Construction, in Irvine, Calif.

Last year, Case Design/Remodeling, in Bethesda, Md., began offering a complementary evaluation to its clients. The evaluation, conducted by Case staff, includes a review of existing equipment and conditions and utility bills. "We then use this information during the design stage to suggest places to improve performance," says project designer Matt Dirksen. Often small improvements relating to sealing the building envelope result in a greater savings and increased comfort level. "I recently watched a homeowner receive a 9% drop in air leakage simply due to one hour's worth of caulking and sealing," Dirksen says.

Case Design/Remodeling clients can also choose to pay for a full audit conducted by an outside firm, such as Amicus Green, in Kensington, Md. This company uses custom software to analyze existing conditions. It then suggests improvements and re-tests the house after the updates have been made. In addition, "using the audit as a baseline, we offer strategies for future changes," president Jason Holstein says.

The proof, Lombardo says, is ultimately in the client's utility bills: "When people see a 35% reduction, they know that what I do works."

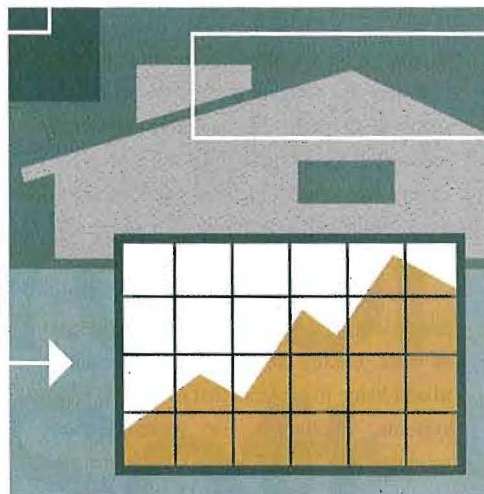
Holstein advises homeowners against basing their improvement decisions solely on the tax credits. "It should be more of a tie-breaker to assist in the decision. Use the stimulus money as an extra tool to prioritize what you will do." —N.P.

both to lead generation and closing by reminding prospects that there's no time like the present to take advantage of a situation that benefits them, is good for a limited time, and won't be repeated. The message in brief: If you're thinking about windows, need a new roof, or would like the house properly insulated, the federal government is giving you an excellent reason to get it done now, since that reason won't exist in two years.

Don't expect homeowners to know any of this on their own. Think they do? Try asking. An April survey by Opinion Research Corp., sponsored by building products manufacturer Johns Manville, has 68% of homeowner respondents saying that they know about energy tax credits. But 72% of respondents were unaware of how to apply for them, and 53% said that they didn't intend to make a purchase that would qualify.

In other words, most understand or have heard about the concept, but they know little or nothing about the particulars, such as the time frame, the products covered, or how the credits work. They may not know the difference between a tax credit and a tax deduction.

Earlier this year, for instance, demonstrators working a local event for Larmco Windows and Siding, in Ohio, asked visitors if



Most homeowners have heard about the tax credits but know little about the particulars.

they were familiar with how energy tax credits could save money on a home improvement purchase. Almost uniformly, according to vice president Joe Talmon, the answer was No. Talmon points out that this provides an opportunity to get the conversation started, especially in face-to-face marketing.

"If you're going to wait for people to know before they respond, it's not going to happen," he says. Larmco Windows and Siding put tax credits front and center in TV and radio ads, as well as on its website, which not only notes that just 20% of replacement windows currently qualify for tax credits, but also explains the company's discount offer and features an energy savings calculator that visitors can use.

One other thing that Larmco found out was that tax credits alone usually don't get the phone to ring. "We had a few commercials where tax credits were the thrust of the message, and they underperformed," Talmon says. Instead, talking about tax credits lets you talk about the value of your company's product and service and how those distinguish you from competitors.

DOLLAR FOR DOLLAR

The more aggressive home improvement companies didn't stop at simply calling attention to tax credits. They sweetened the pot with a discount. The most popular promotions offer customers who buy qualifying windows or insulation a dollar-for-dollar match on their tax

OFFER ENDS SOON

Window replacement companies are among the home improvement industry's most skilled and aggressive marketers. No sooner was the ARRA signed into law than many window companies revamped their marketing to call attention to the tax credits as well as to whatever offers they had crafted around the stimulus.

Vaughn McCourt, director of operations for Penguin Windows, in the Pacific Northwest, says that the legislation's passage and provisions caught his company off-guard. "We scrambled big-time" to research the act's language and its implications, he says, then to "get it into our advertising, onto our website, and into our salesroom training."

Nor was Penguin Windows alone. "What's interesting to me is how quickly the right people can put something out there in just under 24 hours," says Joe Talmon, vice president of Larmco Windows and Siding, in Ohio.

Not all companies were prepared to go as far as Larmco or Weather Tight Corp., in Milwaukee, both of which match whatever tax credit consumers earn with a discount of their own.

But many were. And by the end of May, window replacement companies with products that qualified, even if they weren't heavily marketing or discounting those products, found that tax credits were helping them to close sales. "Everybody seems to ask about it," notes Bill Clifford, a

sales rep for Windows and Doors of Indianapolis Today.

Brien Murphy, of EZ Home Exteriors, in Pittsburgh, who sells two window lines, both of which qualify, guesses that tax credits could boost product sales in the region anywhere from 10% to 15%. "If they need windows, they need windows," he says. The message: Now's the time to buy them.

Murphy suggests that the size of the tax credit, relative to the average cost of a window replacement job, "will enable some homeowners to do a whole job instead of half a job."

That the time is right to buy windows is a message that resonates through all parts of the country. Dale Brenke, president

of Schmidt Siding & Window Co., in Mankato, Minn., reports a 10% increase in sales of the company's Renewal by Andersen replacement windows. After a slow fall and winter, the ARRA credits gave the firm the boost it needed. "Without the stimulus plan, I don't know where we'd be," Brenke says.

With the credits set to expire at the end of 2010, companies know that time is limited and they want to make the most of their opportunity. McCourt says that Penguin Windows is preparing a fall campaign that will urge homeowners to act now so they can claim tax credits on their 2009 returns. On the Weather Tight website, a button reads, "Click for details; offer ends soon." —J.C.

credit. Say, for instance, you bought \$10,000 worth of windows from Weather Tight Corp., a Milwaukee company. Even minus the 20% installation cost (\$2,000) you, the customer, qualify for the full \$1,500 tax credit as applied to the \$8,000 materials cost of that purchase. But while the tax credit shows up next year, Weather Tight will discount your cost today by exactly the amount you qualify for in tax credits. Not only do all the company's windows qualify, but that easily comprehensible discount provides a strong incentive to buy.

Weather Tight's discount offer, and a strategy for marketing around the ARRA tax credits, was in place within days of the legislation being signed into law. Before the company crafted its offer, says director of marketing Michelle Vincent, canvassers and demonstrators were given an information packet and were coached in a new script explaining how homeowners could use the tax credits to buy energy-efficient windows. Sales reps "practiced and practiced" incorporating tax credits and the dollar-for-dollar discount into their presentation, sales manager Eric Folsom says.

Weather Tight, Penguin Windows, Larmco Windows and Siding, Cardinal Builders in Columbus, Ohio, and Power Windows & Siding in the Philadelphia area are five of many home improvement companies now offering a dollar-for-dollar discount on windows or other products such as insulation.

But mostly windows. It's been a while since anything stirred the window replacement industry like the 2009 ARRA. Even the low-price dealer network Window World scrambled to get qualified product into place.

All this is leaving some people wondering if we're not suffering from a case of "stim fatigue." "Everybody's talking about tax credits," says Ken Moeslein, CEO of Legacy Remodeling, in Pittsburgh. "We quickly make it known that we have windows that qualify, then we move on."

Rather than run the risk of getting lost in the shuffle, Legacy Remodeling decided to steer clear of tax credits in its marketing. On their laptops, the company's salespeople take prospects to the National Fenestration Rating

Council website to show them which of the windows they're considering from various manufacturers qualify. Since Legacy Remodeling counts about 20 products in the Pittsburgh market that do qualify, Moeslein says he prefers to market and sell around other strengths.

NIMBLE ON THE WEB

The marketing around tax credits shows just how fast messages must change in an online world. For instance, no sooner was the ink dry on the ARRA than Cardinal Builders had a red banner at the top of its home page announcing that the composite windows it carries qualify for tax credits. As interest developed, the company was able to change site content overnight to add its dollar-for-dollar discount to the educational material and site links.

Vice president of operations Michael Lelasher says that he chose the Web as his focus — "Our website is our pitch book" — because that's where anyone in Central Ohio

other window companies on the first page of search results when Central Ohio residents go online and search on "energy tax credits."

While individual window replacement companies look for ways to get public attention, the Metal Roofing Alliance, an industry group of manufacturers and contractors, put together an integrated vertical marketing campaign using TV and radio commercials, plus Facebook and Twitter pages, to drive traffic to the group's site, www.metalroofing.com. Besides links to the Energy Star page on qualifying metal roofs and to an IRS page, visitors can type in their ZIP code to connect with a roofing contractor in their area. "Anybody chasing that \$1,500 is a competitor," says Ryan Katz, of Congruent Media, which planned the site and the marketing campaign.

LOW-KEY APPROACH

Among those doing the chasing are more than a few full-service and design/build compa-

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who is curious about energy tax credits would go to get information. "They may not even know they need windows or that they can get a tax credit for them," he says. "I want them to go into Google, type in 'tax credit,' and we show up."

Cardinal Builders' heavily optimized site appears on the first page of Google's organic search results. This March, unique visitors more than tripled: from 518 a year ago to 1,780 this year. The caveat: There are four

nies. Since a lot of the work for such companies comes from past customers or referrals, opportunities to market and sell around the tax credits may not be as obvious.

But they certainly exist. In a relationship-driven sale, an effective approach tends to be more about quality and service and less about price, though clients definitely appreciate being able to save money or upgrade components at a savings.

There are two reasons why full-service

remodelers might not want to wave the price flag. One is the size of the tax credits relative to the project. Twenty-five percent savings or more may well prompt an inquiry or close a sale; 1% or 2% is unlikely to do so. In other words, no one's going to contract for an addition or a whole-house remodel because of the \$1,500 they can save on their taxes. But if they're already interested in those projects, your ability to talk about energy tax credits and green remodeling could be persuasive.

"It's tough to close a deal right now," says John Sperath of Blue Ribbon Remodeling, in Raleigh, N.C. Which is why, he feels, "It's important to let people know we have our ear to the ground, that we're the professionals. It gives consumers a sense that these guys

credits but rebates available through states and local utilities.

"Do a little research. Pull the information together. Include all the links where they could fill out applications or get more detail." Let your circle of influence know, he advises. But, Alpert cautions, don't let discussion of energy tax credits overshadow your brand message. For instance, if your website is full of before and after pictures of award-winning projects, would you really want to steer visitors to a landing page informing them about energy tax credits and qualifying products? Tax credit information belongs "off to the side," he says.

Newsletters, both print and electronic, are also a great way to get the message out. In April, for instance, Creative Contracting used its e-newsletter to inform its database of mostly

ship with potential and existing clients."

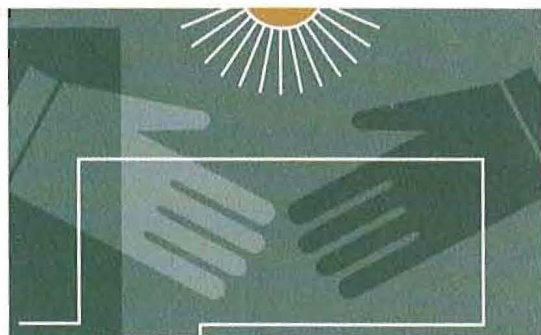
Adams says that the response to his letter was not necessarily what he expected. It included a customer who wanted a screened porch built and another who upped a \$2,000 job to \$25,000 worth of work.

UPGRADES AND EXPERTISE

Another approach is to explain to homeowners how they can take advantage of tax credits as part of a larger remodel. Before moving to draw attention to the tax credits as part of a project, know which type of products that you might install are covered under the ARRA (see chart on page 74) and familiarize yourself with rebate programs available from the state you live in and from local utilities.

Recently, for instance, a homeowner in the Seattle area wanted a complete renovation of a 1914 house that had never had any energy upgrades. Paul Kocharhook, owner of Pathway Design & Construction, in Seattle, asked the HVAC trade contractor he works with for a list of heating units that qualify for both energy tax credits and a \$350 rebate from the local utility. He incorporated these, along with windows and full insulation, into the design plan. Then Pathway Design & Construction's HVAC contractor presented a plan to the client showing exactly how new windows and new insulation values would maximize the efficiency of their new heater, and just how much money they would save in one-, five-, and 10-year time frames. The company got the job, which four other remodeling firms were also competing for.

In addition, tax credits can be a great way to open a conversation about upgrading components or expanding the scope of work. For instance, many of the Raleigh, N.C., houses that Sperath works on are anywhere from 15 to 30 years old. Fifteen years is the typical life of the original HVAC system. Sperath's suggestion for kitchen, bath, and addition clients is that now is a great time to put in a qualifying HVAC system so that they can take advantage of the energy tax credits. Or, "if you're discussing an addition," says the owner of Blue Ribbon Residential Construction, "you can talk about upgraded windows." **R**



Let your circle of influence know, but don't let discussion of energy tax credits overshadow your brand message.

know what they're doing."

The other reason is that while, like anyone, affluent customers thinking about a large remodel want to save money, their first concern is finding a contractor who will design and build to their satisfaction. So price promotions may not only fail to connect, they may even damage your brand among the demographic you seek and service.

"In design/build, [price marketing] is kind of hokey," says Bob DuBree, owner of Creative Contracting, in North Wales, Pa. "We're going for higher-income people who are savvier than that."

Marketing expert David Alpert, of Continuum Marketing, in Great Falls, Va., whose clients are primarily design/build contractors, suggests that the company website is an excellent place for full-service contractors to talk about not only federal energy tax

past customers about energy tax credits. The message: Now's a great time to change out old windows to new ones that qualify.

DuBree says that, as a result, his company has sold replacement windows as an add-on for a porch project and a master suite.

Recently, Ken Adams, owner of Adams Design Construction, in Madison, Wis., sent a letter to "a few hundred" clients and potential clients, talking about tax credits. Because these are people who may be doing one project after another with his company, Adams sought to position himself as an expert while at the same time avoiding anything like a hard sell. "If your goal is to try to get as many contacts as possible, you go out and beat the drums," he says. "But if you want to be seen as a high-end service organization, you have to be more careful how you target people, and try to develop a deeper relation-