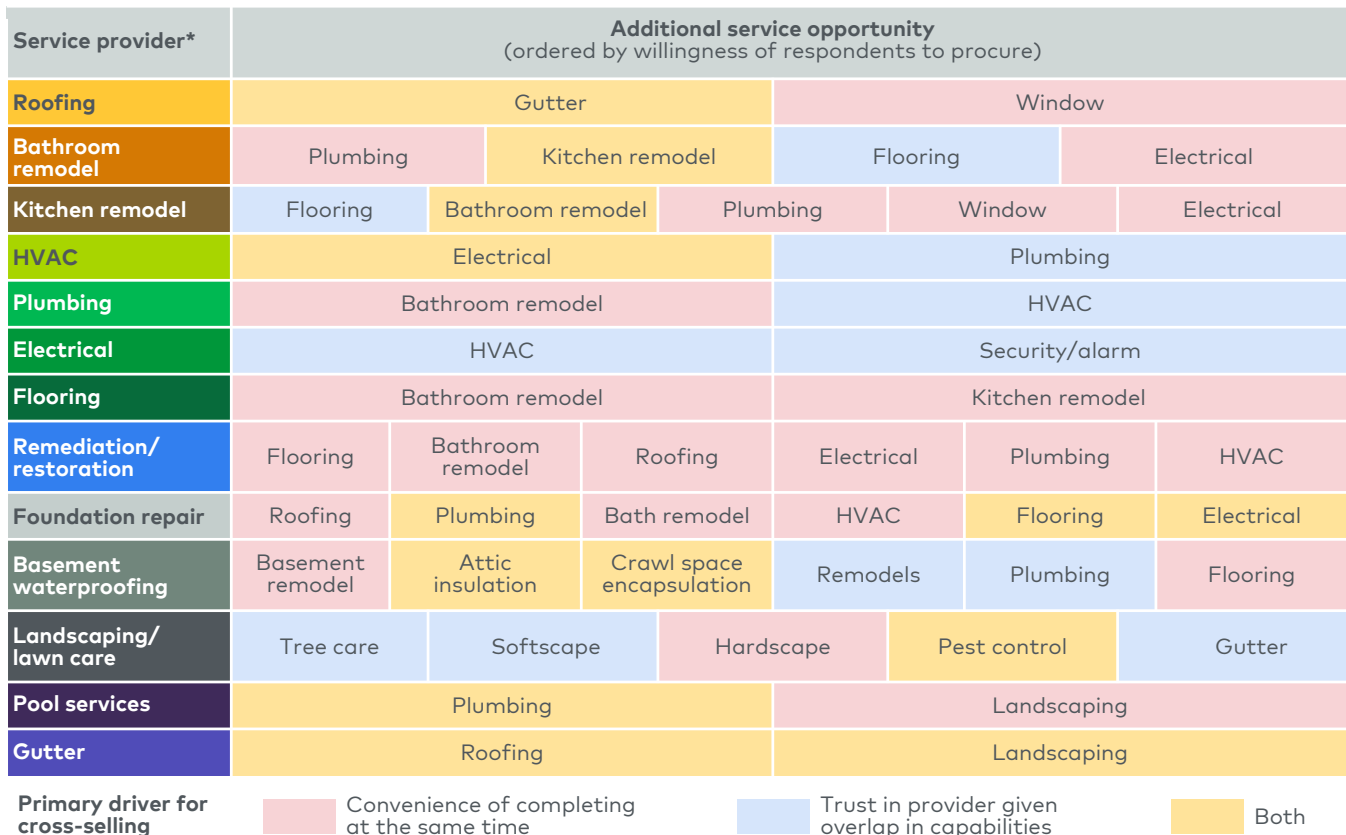


It generally comes down to understanding homeowner needs. That may be why basement waterproofing, foundation repair, and remediation or restoration services seem to offer the widest opportunity for cross-selling and expansion into adjacent areas (see Figure 1). These are complex services that require trust and coordination with multiple parts of the home.

Figure 1
Opportunity to cross-sell additional services



Note: HVAC=heating, ventilation and air conditioning
 *Survey questions: Which of the following services, if any, would you procure from your preferred service provider if they offered it? Why would you procure those additional services from your existing service provider?
 Source: L.E.K. Homeowner Residential Services 2024 Survey

Another interesting finding is that the opportunity to cross-sell can vary depending on which services you start with. For instance, homeowners are more likely to consider HVAC services from their plumber than plumbing services from their HVAC provider (although there are solid cross-selling opportunities for both). The challenge with plumbing is that it doesn't have as many scaled platforms (larger players made up of multiple local service brands) on which to build an adjacent services business. Still, it's a perfectly defensible strategy to use plumbing as a starting point for cross-selling.

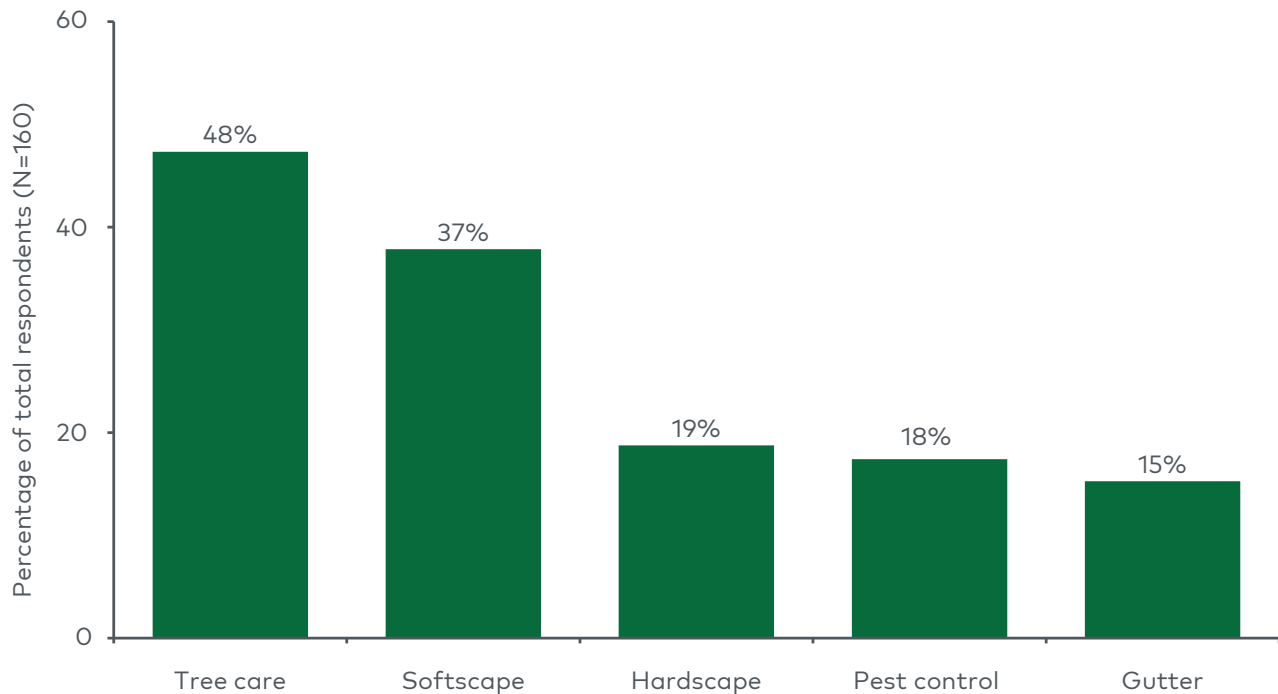
In addition, homeowners see:

- Electrical service providers as trusted sources of HVAC and security/alarm services
- Flooring remodelers as potentially convenient sources of other remodeling services
- Gutter service providers as trusted, convenient sources for roofing and landscaping
- Kitchen and bathroom remodelers as convenient and/or trusted sources of multiple services

Significant opportunities also exist within service categories. For instance, 48% of homeowners would get tree care and 37% would get softscaping from their landscaper since these services require many of the same technical skills. Homeowners see less of a connection between landscape and hardscape services because the latter involves different products (e.g., stones, fountains) and is more design focused. Even so, 19% of homeowners are open to getting hardscaping from their landscaper, which would expose landscapers to project-based revenue (see Figure 2).

Figure 2

Additional services homeowners would procure from their landscaper



Source: L.E.K. Homeowner Residential Services 2024 Survey

The key lesson is that homeowners are willing to consider a variety of services from their residential services provider — even ones that may not seem closely related at first. It’s up to the provider to determine where they have the trust and positioning to offer those additional services.

Implications of bundling

Bundling does have several go-to-market implications for service providers that take this route.

Branding

More than half (53%) of homeowners say strong brand recognition is very important to them. It's especially important for roofing (60%), windows (61%), restoration (61%) and foundation repair (59%), although branding has above-average importance for many other services as well. This is partly because homeowners find reassurance in a leading brand when dealing with high-ticket services.

Bundled services don't necessarily require a common brand. Local service companies that are part of a platform can adopt additional services while retaining their local brands. And in general, homeowners say they prefer local brands to national brands.

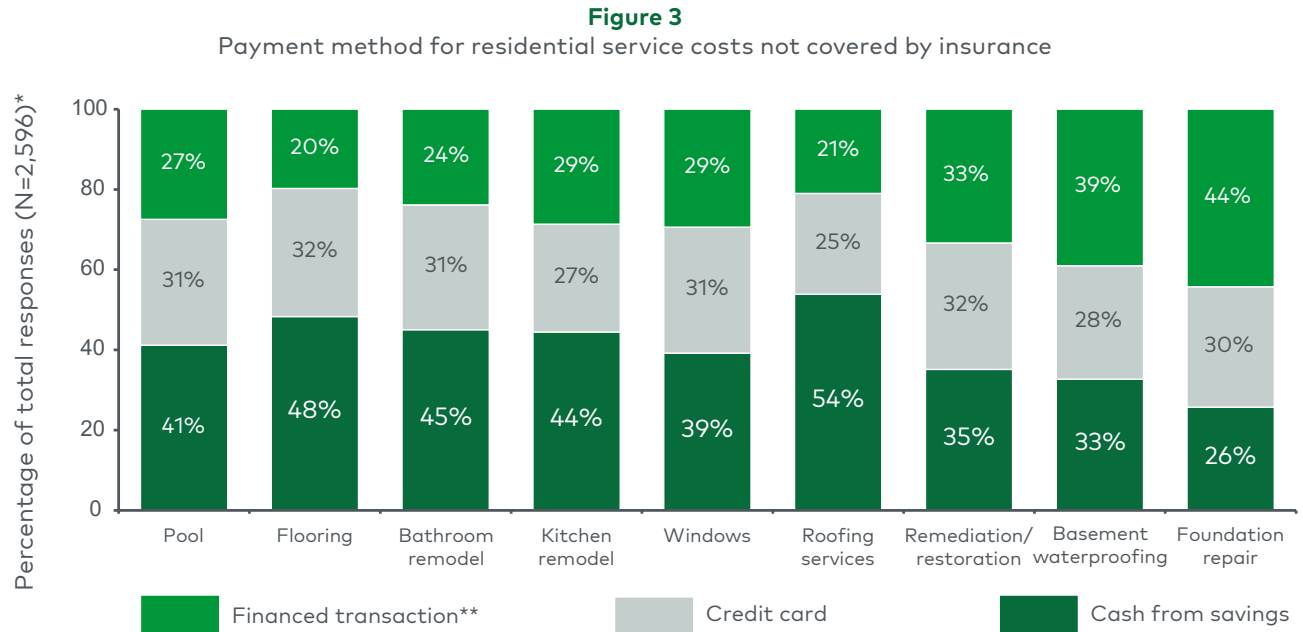
Still, there's room for both. Homeowners are most open to national brands in basement waterproofing and security/alarm services. Other services with greater opportunities for national branding include:

- Bathroom remodeling
- Kitchen remodeling
- Windows
- Remediation and restoration
- Pool maintenance
- Foundation repair

That's not to say a national branding strategy wouldn't work for other services. Beyond that, national and common brands may help facilitate cross-selling and provide an overall consistent experience. Considerations like these underscore the wisdom of thinking through a branding strategy for bundled residential services, including when to leverage local versus national brands.

Financing

Contractor-arranged financing can help with service bundling, especially since at least 20% of out-of-pocket payments for residential services are financed transactions (see Figure 3). It may even be necessary for larger-ticket projects like remediation and restoration, which may include multiple remodeling services.



*Survey questions: Did insurance cover any portion of the cost incurred? What method did you use to cover any costs not paid for by insurance? (Multiple select question leading to +1 method selected for each respondent in many cases)

**Includes contractor-arranged financing, bank-arranged financing, home equity loans and cash from refinancing home

Source: L.E.K. Homeowner Residential Services 2024 Survey

But financing rates vary significantly from one service to another. Some services, such as roofing and flooring, have relatively underdeveloped financing models. Financial aggregators may be able to bridge the gap. Certainly, if a scaled service business has invested in finance marketing and training materials, it makes sense to leverage those assets and apply them to other services businesses. The same goes for investments like digital marketing.

Service plans

Then there are service plans and maintenance contracts. These are agreements in which the service provider periodically does an inspection and tune-up of something in the home (e.g., the HVAC system). Homeowners get a discount on this work. Meanwhile, the service provider gets an early opportunity to identify other issues to be addressed (which may or may not be within the provider's own scope of services).

Maintenance-driven services like lawn care and gutter cleaning offer the same opportunities, even without a formal agreement in place. The implication here is that besides convenience and trust, service providers should find ways to create regular touchpoints so they stay top of mind and abreast of any new service needs the homeowner may have.

Preparing for the moment of truth

If cross-selling is the opportunity, delivery is the moment of truth. Successful delivery gives providers the credibility and access they need to extend their services further.

To get ready for that moment, service providers will need to build additional in-house capabilities, establish new vendor relationships, and add or reassign service personnel. If the approach is to merge or acquire an adjacent service company instead, preparation will require integration of the new company into the existing sales and delivery model. Either way, cross-training of service personnel may be necessary in some markets to work around labor attraction and retention challenges.

Bundling may not be a universal practice in the residential services industry, but it's not unheard of either. The surprise isn't so much homeowners' willingness to consider other services from their preferred provider as it is the variety of services they're open to. As it turns out, trust and convenience go a long way toward homeowners' ability to give providers a chance in adjacent service areas. Build on those advantages by carefully managing the implications of bundling, and new streams of revenue may be the much-welcomed result.

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

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