



**ENERGY CIRCLE GUIDE TO  
GOOGLE LOCAL SERVICES ADS**  
*(Formerly Home Services Ads)*



We have been keeping a close eye on Google's blockbuster new advertising product aimed at HVAC, plumbing, electrical and some insulation contractors: Local Service Ads (or LSAs). Think of this as Google's version of Home Advisor. Google first piloted this program in California two years ago, originally naming it Home Services Ads, and since then we have had an active dialogue with the product team at Google, as well as real world experience with clients that have been in the pilot since its inception. Like many things Google tries, LSAs are still in an experimental phase, with constant tweaking and change. But with more cities being added regularly, it looks like LSAs are here to stay. We will keep you updated here with everything you need to know about how this new paid ad service affects the greater home performance, HVAC, insulation and related industries, how to take advantage of it, the potential pitfalls, and how you can get involved.

## Local Services Ads: The Basics

LSAs are a new type of Google Advertising showing certified HVAC and insulation contractors (as well as some other services) in a specific area. The big difference in LSAs over Google Adwords is that you are paying per actual lead, instead of just paying per click (which may or may not turn into a lead). These ads are placed near the top of a search page, similar to an AdWords paid ad, and allow you to manage leads via incoming phone calls or through an Android or iOS app.

### **Prime Real Estate**

LSAs are expected to have a big impact on our sector for one core reason: they're shown for virtually all relevant searches that matter to us, and their placement is in an incredibly prominent location on a search engine result page (SERP). If you are to search for one of the applicable services in an area where LSAs have been rolled out, you will see a side by side list of three business in that category. It's located in prime real estate and should be taken seriously, since organic click through rates drop significantly after the 3rd to 5th listing. The closer your business is to the top of the page, the better.

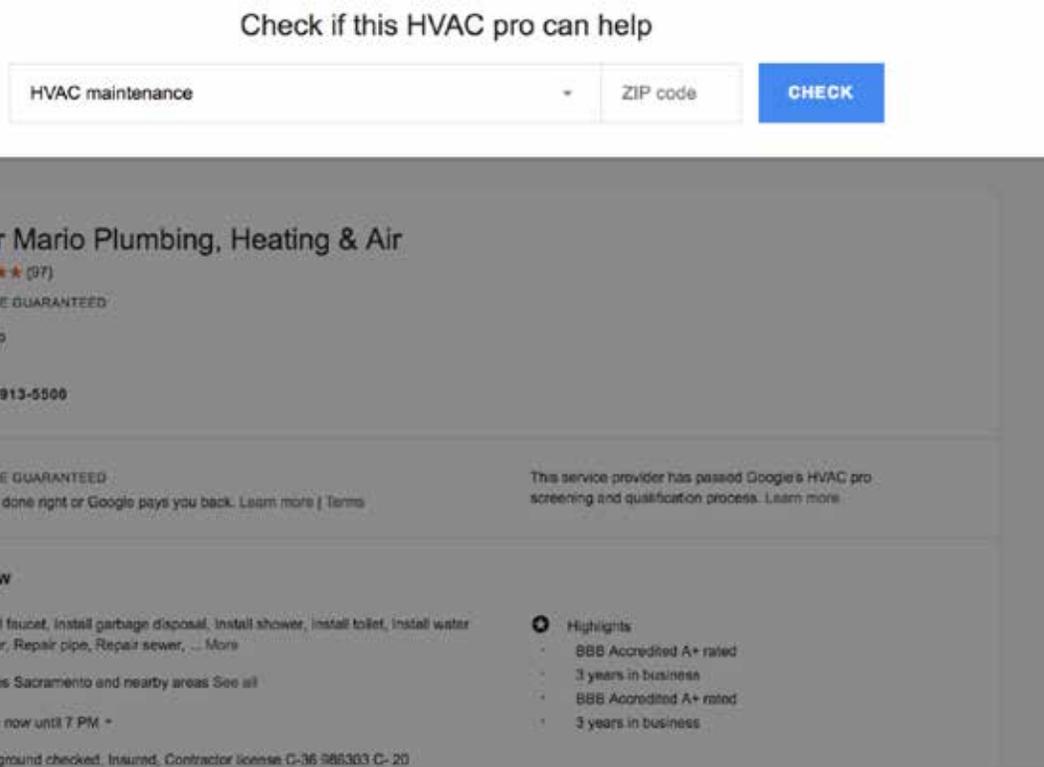


*When LSAs are present, organic traffic is below LSA carousel and Google paid ads.*

### How It Works

In keeping with its recent strategy, Google has designed the LSA system as more of an “app”, taking you (or your potential lead) away from the SERP, and into a completely separate user interface.

As you click on the desired company via the displayed carousel, you are taken in to this LSA verification page, where you can confirm the exact service you are looking for, as well as the zip code you are needing the service. This verifies that the company someone is looking to contact can serve the exact area they are in.



## Pricing per Lead

In the HVAC category, current pricing is \$22 to \$25 a lead. At a weekly budget of \$50, which is the minimum, it's \$25 each. Above \$50, the lead cost goes to \$22 each. Even if you decide to roll the dice and spend a lot more, there is no change in the \$22-per-lead price, at least in the HVAC category. Currently, the pricing is fixed rather than on a bid basis, but we will not be surprised if this changes over time.

From what we have heard, Google has been very helpful on "bad" leads--out of territory, for example. It requires a simple phone call, and clients in the program report that Google has been very easy to offer refunds on incorrect leads.

## Exclusive Leads, or Not?

Like most aspects of the LSAs, this has been an evolving process. Originally, leads were sent to three contractors at once, and the user could choose if it was a phone call or a form. The "app" made it very easy--almost required-- to send a bid request to multiple companies.

But the most recent iteration of the system is semi-exclusive, only sending the lead to one contractor via phone. This does not, however, prevent the customer from contacting multiple contractors themselves, one at a time. Our view is that this will probably return to its non-exclusive approach over time, as Google tries to maximize revenue by charging for the lead three times instead of one.

## Affected Categories

Business categories affected by the program are changing frequently, and cover a rather bizarre list including Tutors, Junk Removal Providers and even Pet Groomers. The categories that are most closely related to the overall Better Buildings/Home Performance world are:

- Air Duct Cleaner
- Electrician
- HVAC Pro
- Handyman
- Home Improvement Pro
- Plumber
- Water Damage Service Provider
- Window Service Provider

We're keeping a close eye and will update this as new categories are added.

## Locations

LSA's have been rolled out in these areas:

- Albuquerque
- Atlanta
- Austin
- Baltimore
- Birmingham, AL
- Boston
- Charleston, SC
- Charlotte
- Chattanooga
- Chicago
- Cincinnati
- Cleveland-Akron
- Columbia, SC
- Columbus
- Dallas
- Dayton
- Denver
- Des Moines
- Detroit
- Fresno
- Ft. Myers-Naples
- Grand Rapids / Kalamazoo
- Greensboro
- Greenville-Spartanburg
- Harrisburg
- Hartford-New Haven
- Houston
- Indianapolis
- Jacksonville
- Kansas City
- Knoxville
- Las Vegas
- Los Angeles
- Louisville
- Madison
- Memphis
- Miami
- Milwaukee
- Minneapolis-St. Paul
- Nashville
- New York
- New York City Area / NJ
- Norfolk, VA
- Oklahoma City
- Omaha
- Orlando
- Palm Springs
- Philadelphia
- Philadelphia Area / NJ
- Phoenix
- Pittsburgh
- Portland
- Raleigh-Durham
- Richmond
- Rochester
- Sacramento
- Salt Lake City
- San Antonio
- San Bernardino
- San Diego
- San Francisco Bay Area
- Savannah
- Seattle
- Spokane
- Springfield, MO
- St. Louis
- Syracuse
- Tampa
- Toledo
- Tucson
- Tulsa
- Washington, DC
- Wichita

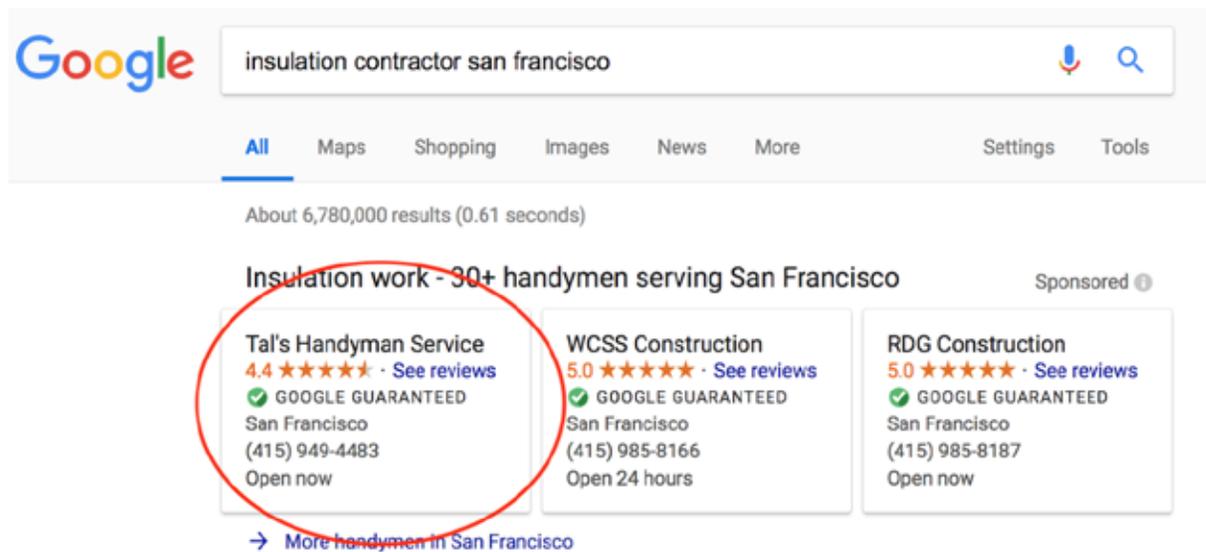
## Reviews

LSAs have their own verified review system that mirrors normal Google Reviews, but also includes an indicator of a verified job as well as what type of job it was.

When review averages appear in LSA, they include regular Google Reviews. But LSA reviews do not appear elsewhere in Google, so they do not impact your star averages in Google My Business, for example.

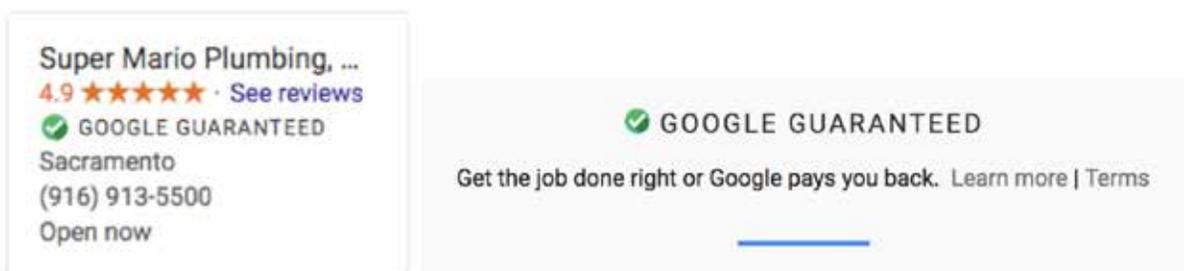
## The Insulation/Handyman Mess

A huge frustration that Google cannot seem to fix (in spite of us having pointed this problem out for almost 2 years), is that for many insulation related search terms, they deliver a handyman and not a professional insulation contractor. Insulation is not a subcategory within the Handyman master category, and Handymen businesses typically are insured only up to \$500. (See example below.) This is frustrating for a couple of reasons: one is that these Handyman businesses have to turn away a bad lead, and the second is that it is bound to leave a bad taste in the customer's mouth. So far, though, this issue has only popped up in Sacramento and San Francisco searches.



## The Google Guarantee

Google's big trust play is their Guarantee. The green Google Guarantee badge shows up prominently on the carousel ads.



Google states this guarantee as “If your customers aren’t satisfied with work quality, Google may refund up to the amount paid for jobs booked through Local Services ads, with a lifetime cap for coverage of \$2,000.”

We don’t have any firsthand accounts of how this guarantee has played out. But we do believe that the prominence of their Guarantee will increase homeowner awareness of the concept of a Guarantee and, we hope, some astute questioning. Most companies in HVAC have a vastly better guarantee in place than \$2,000 lifetime, but in our experience have not promoted those guarantees aggressively. With Google elevating it like this, we think it’s time to start trumpeting yours.

### **Background Checks**

In order to qualify for LSAs, you must submit one authorized employee, as well as each employee that will be potentially entering a home for a [background check](#) (at no cost to you). This is also required to become Google Guaranteed. This process can be cumbersome and difficult for larger companies with lots of employees, so you can expect the “little guys” to have an advantage at getting to the starting line a little quicker, purely on the basis of having to put fewer people through the checks.

## So, Should I Do This?

Since these ads affect virtually every search that matters to our industry, and Google is the obvious search engine leader and owns this prime real estate, it is easy to conclude that you have no choice but to participate. This is your chance to get your business on the Internet’s equivalent of “Boardwalk” in Monopoly.

LSAs are having a major impact on all of HVAC, and it obviously is siphoning traffic, but it is less than was expected. There is an absolute small company bias, and we are less than impressed with the economics. The feedback we have been getting is that most of the clicks or leads that people are paying for and receiving are for service jobs, rather than installations. Depending on what your conversion rate is, \$25 could be a high cost lead for a service contract, relative to a larger job.

Of course, you will ultimately need to make a decision on your own, since you know your business and its economics better than anyone else. For certain, more effort and attention is required to maintain both your organic and paid search; but it has not been the apocalypse that some have feared, especially for those who don’t participate. One contractor whom we work closely with withdrew from the pilot program and has absolutely no regrets. That contractor has continued to focus on other channels like their social and display ads, as well as their SEO. (That said, they are very strong digital marketers who are on their game.)

Without a doubt the background checks are cumbersome and time consuming, but our perspective is that it is worth the effort, even if only for risk mitigation. Once you're in, you have ultimate flexibility about how much to spend and whether to turn them on or off. Keep in mind that there are only a handful of marketing tactics like this where you can flip a switch and immediately generate leads. Contractor has continued to focus on other channels like their social and display ads, as well as their SEO. (That said, they are very strong digital marketers who are on their game.)

### The Impact of LSAs on Organic Clicks

Recently, Bright Local did an internet survey of 5,500 people. It was an eye tracking and click track study to determine where the participants clicked depending on whether the LSAs were present or not. The first thing we noticed is that when the Local Services Ads were showing, 14% of the clicks went to those three ads, with 7.4% of those going to the first ad.



Bright Local LSA Click Study 10/18. n=5500

It's worth noting that when you combine the LSAs with those two traditional Google Ads and Google AdWords, Google has now boosted what was in the right hand side, 14% of the traffic, going to paid clicks. They boosted that to 26%, which is not surprising. Google is not taking action that is reducing their revenue.



Bright Local LSA Click Study 10/18. n=5500

The points to take away are that the paid products—the products on this page that result in revenue going to Google—jumped in this particular case from 14% to 26% when the LSAs were present. Moreover, in spite of all that, the number one organic position continues to get the dominant clicks — 26% and 27% in each of these cases.



**26%**  
#1 Organic

**27%**  
#1 Organic

Bright Local LSA Click Study 10/18. n=5500



# How to Take Advantage & PRO Tips

## Signing Up

Even if LSAs aren't available in your areas yet, you can still sign up to get notified when it becomes available. Stay in the know, so you can get in early.

## Getting Your Business Ready

The background checks will include Identity and criminal history check, including national sex offender and terrorist/sanction registries. If these aren't a part of your normal screening, it may be wise to alert your crew that this is coming.

Click [here](#) to sign up for Google's Local Services Ads

Outside of that, Google is directing any additional questions about the background check process to [Pinkerton](#).

## Which Categories Should I Choose for My Business?

We recommend trying most categories that are relevant to your business. But if you are concerned about lead economics, you might consider limiting it to only the higher ticket value installation categories — versus repair and service. With that being said, our experience so far is that most leads are for maintenance jobs.

## Ranking Factors

A big question, once you are in the program, is how to rank. Obviously, it is highly desirable to be amongst the three companies initially shown in the Carousel view, though you can still succeed if your rank is fourth or lower. As we said earlier, the program is not bid based so currently you can't buy your way to the top. As of this writing, the ranking order is driven by the following:

1. Companies that have passed through the Background checks and achieved the Google Guarantee
2. Proximity to searcher
3. Review volume
4. Responsiveness to requests within the LSA system

As is the case in the Local Pack, the Proximity to Searcher issue is problematic for service area businesses. Once again, Google values the physical location of your business just as it would a coffee shop, which isn't particular relevant for companies serving a territory. Sadly, not much to be done about that at least for now.

Review volume is definitely something within your control, however, and ranking in the LSA environment is just one of many reasons to be focusing on Google Reviews.

## Implications

### **Get There First**

There are definite advantages to getting in the program early and learning the dynamics within your market.

### **Pricing/Lead Economics**

Given the nature of the leads, these are not customers with any kind of brand loyalty. By the nature of searching for this service, they are inherently thinking of your service as a commodity, so you can expect that LSA's will generate lower quality leads. If your conversion rate on these types of leads is only 1 in 5, then the actual cost of each conversion to job (at \$22 per lead) is \$110. Spending \$110 to get a \$250/year service contract is not very attractive, unless you are projecting a much larger lifetime value for that customer. \$110 for a new install or larger whole house job, on the other hand, is awesome.

### **Impact on PPC**

From looking at the data in the areas where LSAs have been implemented, we have seen an initial spike in Cost Per Click in order to maintain Adwords traffic volume. This makes sense in that LSAs inherently siphon off some traffic, and create a more competitive environment overall. However, our PPC team, with diligence and constant optimization, have been able to stabilize paid traffic within a few months after LSAs came into play.

### **Impact on Organic**

So far we have not seen any significant impact in organic traffic. If you put effort towards maintaining organic by focusing on your SEO and creating good content, you can maintain that channel's quality traffic.

## Do You Have a Better Guarantee?

Like we mentioned earlier, we know our clients well enough to know that many of them already guarantee their own work and equipment better than Google's offering. We would recommend being bold and proactive about this, and more aggressively communicating your Guarantee. We'll buy the beer for the first bold company that goes with "Better Than Google Guarantee." Showcase the fact that you stand behind your work, and maybe even create your own Guarantee logo or badge to display in all your communications.

## Local Services Ads for Solar?

Currently, no. At least not yet. But since Google is no longer monetizing leads generated through the Project Sunroof System, many of us think that there is a very good chance that solar will get added as a service.

## Importance of Building your Brand

At the end of the day, Google — just like Home Advisor, Angie's List and all the others — is trying to get between you and your customer. Their strategy is built on the premise that contractors are weak at customer acquisition and customer service, and that a middleman can do it better. It should be the objective of every contractor to prove these people wrong.

Fundamentally, that points to having a strong brand. How well is your company known? Have you spent time developing relationships with your current customers and making your local presence known? Are you sponsoring a little league and doing things beyond the digital realm to build up your brand? In a perfect world, people should know to go to you for their HVAC needs, before they go to their phone or computer for these commoditized searches.

## Watch your Economics Closely

You can expect that the real cost is going to be upwards of \$100 per acquisition depending on how well you convert leads to sales. That means, based on typical customer acquisition cost math, that each job booked through these LSAs would have to be at least \$1,500 to \$1,600 to justify the cost. So keep an eye on what types of jobs you are getting as you start using this new product.

### ZERO-OBLIGATION MARKETING EVALUATION

We are committed to providing the latest in lead generating tactics for your digital marketing efforts.

**Contact us** today to find out how we can help you grow your business.

 [sales@energycircle.com](mailto:sales@energycircle.com)

 207.847.3644