

2026

Home Services Customer Acquisition Outlook

How rising media costs, changing consumer behavior, and evolving advertising channels are reshaping growth strategies

Insights from industry research and analysis across Modernize and HomeBuddy home services advertising programs.



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Why We Created This Report

**If there's one question we hear consistently from contractors today, it's this:
"Why is customer acquisition getting more expensive?"**

Over the past several years, businesses across the home services industry have faced growing competition for consumer attention. Media costs have increased, buying journeys have become more fragmented, and new technologies are changing how homeowners research and choose service providers.

At the same time, we've seen many contractors continue to grow successfully. The difference is rarely about spending more alone. More often, it comes down to how effectively businesses adapt: improving conversion rates, diversifying acquisition channels, focusing on profitability, and making smarter marketing decisions. That is why we created this report.

Drawing on industry research and insights from the Modernize and HomeBuddy platforms, this white paper explores the forces reshaping customer acquisition today and highlights the strategies to navigate them.

My hope is that the data and insights in these pages help you better understand the changing landscape and identify opportunities to strengthen your own growth strategy. The market is evolving, but so are the tools, technologies, and strategies available to help businesses succeed.



Jeff Barnes
CEO
Modernize Home Services



Executive Summary

Key Finding #1:

Media inflation is the new baseline

Media costs in the US aren't just rising, they're rising faster than the industry predicts. US inflation hit ~4% in 2025 (well above the 2.3% originally forecast) and is forecast to stay there through 2026.



Why it matters:

Maintaining the same market visibility and lead volume increasingly requires greater investment year over year. But this blended market figure understates what home services advertisers are actually facing.

Key Finding #2:

Search is experiencing the greatest inflation pressure

Paid search is inflating faster than any other advertising channel, as AI-generated results and retail platforms reduce available commercial inventory while demand remains strong. Home services sits at the sharper end of this trend, with search cost inflation outpacing the broader paid search market.



Why it matters:

High-intent search traffic remains one of the most valuable acquisition channels for home services, but also one of the most competitive and cost-sensitive.

Key Finding #3:

Efficiency held despite rising costs

Despite those cost increases, many large home services advertisers kept Cost of Marketing within a stable range. Those who held efficiency did it by optimizing conversion, channel mix, and by growing project value, which offset a meaningful share of higher lead costs.



Why it matters:

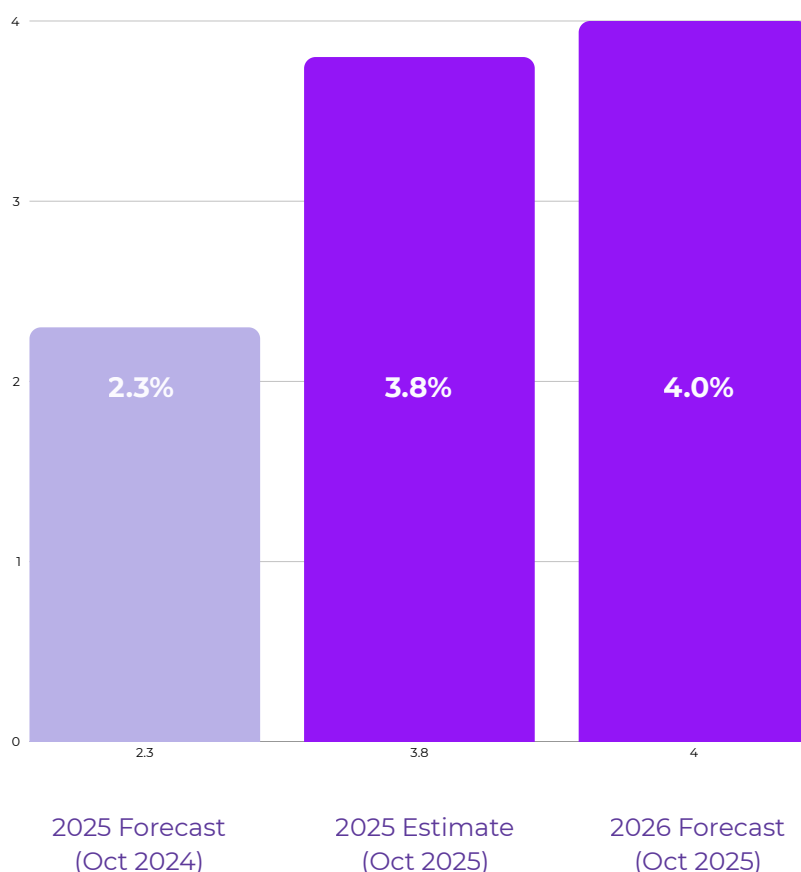
Rising costs do not automatically translate into declining performance. Strategy, conversion efficiency, channel mix and project value determine outcomes, not media inflation alone.



Media Inflation Is the New Baseline

US media inflation isn't just elevated, it keeps coming in above forecast. What was projected at 2.3% for 2025 landed near 3.8%, and 2026 is forecast at 4.0%.

2025 costs outran the forecast, and the baseline keeps climbing



² US media inflation was forecast at 2.3% for 2025, came in around 3.8%, and is set at 4.0% for 2026.

What this changes

Acquisition costs can rise even when nothing about your strategy changes. Holding the same lead volume year over year takes more budget than it did the year before, and the gap compounds. This is the baseline every advertiser now plans against.

For context: US ad spend reached an estimated \$456 billion in 2025 (+7.1% YoY), with digital at ~77%. More dollars are competing for valuable media inventory.

So what's actually pushing costs up?

Sources: WFA Outlook, US figures. 2025 forecast from the Oct 2024 wave (2.3%); 2025 estimate and 2026 forecast from the Oct 2025 wave (3.8% and 4.0%). Statista Market Insights (via DataReportal / We Are Social, Oct 2025). Estimated full-year 2025.

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What's Driving Advertising Cost Inflation?



Driver #1

Audience Fragmentation

Consumers now divide their attention across more channels, devices, and content formats than ever before. Reaching the same audience often requires more touchpoints and greater investment, reducing overall media efficiency and increasing acquisition costs.



Driver #2

Streaming Migration

As audiences shift away from traditional TV and toward streaming platforms, advertisers are following. This migration is increasing demand for Connected TV (CTV) and premium video inventory, creating additional pricing pressure in these channels.



Driver #3

AI-Powered Search Experiences

AI-generated search results are changing how consumers discover information online. As more queries are answered directly within search experiences, fewer traditional commercial impressions are available, increasing competition for the remaining high-intent search inventory.

These forces do not affect every channel equally. Some are experiencing much greater pricing pressure than others.



Channel-by-Channel Cost Trends

Not every channel is inflating at the same rate. Understanding where the pressure concentrates is the first step to planning around it.



Paid Search

Under the sharpest pricing pressure, as AI-driven results and retail platforms reduce commercial inventory while demand remains high.



Social & Social Video

Costs are rising as advertiser demand for short-form video and commerce formats grows faster than supply.



CTV / Streaming

Budgets continue shifting from linear TV to CTV. Expanding supply is moderating inflation in some markets, though premium inventory remains competitive.



Linear TV

Inflation is running at approximately 5%, while declining viewership continues to push cost per viewer higher.



Retail Media

Retail media continues to grow rapidly, with Amazon and Walmart capturing more than 89% of incremental spend.



Programmatic Display / OLV

As search becomes more expensive, advertisers are expanding into programmatic display and video to build demand and diversify acquisition.

Key takeaway:

Cost pressure is concentrated, with paid search seeing the steepest increases. As search gets more expensive, a broader channel mix becomes increasingly important.

Sources:

Paid Search: WFA Outlook, Apr 2025 wave (US paid search inflation 6.3%, highest of any channel globally).

Social, CTV, Linear TV: WFA Outlook, Oct 2025 wave.

Retail Media: eMarketer, Retail Media Ad Spending Forecast H2 2025 (89%+ figure refers to incremental spend in 2026).

Programmatic: eMarketer, March 2025 (worldwide).



Search Costs: The Market and Home Services

Recent Google Ads benchmark data shows that search cost inflation remains widespread:

Average CPC increased by 12.9% year over year in 2025.

CPC increased in 87% of industries.

Average CPL increased by 5.1%

Conversion rates improved in 65% of industries, suggesting that many advertisers are adapting through better targeting, optimization, and measurement.

Key takeaway:

Search acquisition is becoming more expensive across most industries, but improving conversion rates are helping many advertisers offset part of that pressure.

In home services specifically, the pressure is sharper

Metric	Home services	All industries
Avg CPC	\$7.85	\$5.26
Avg CPL	\$90.92	\$70.11
CPL YoY	+10.5%	+5.1%
CTR YoY	+14.0%	+3.7%

Key takeaway:

Home services isn't just following the cost-inflation trend, it's running ahead of it. Clicks cost ~50% more than the cross-industry average, and cost per lead is rising at nearly double the market rate. But industry benchmarks only tell part of the story — the pressure looks very different from one category to the next.

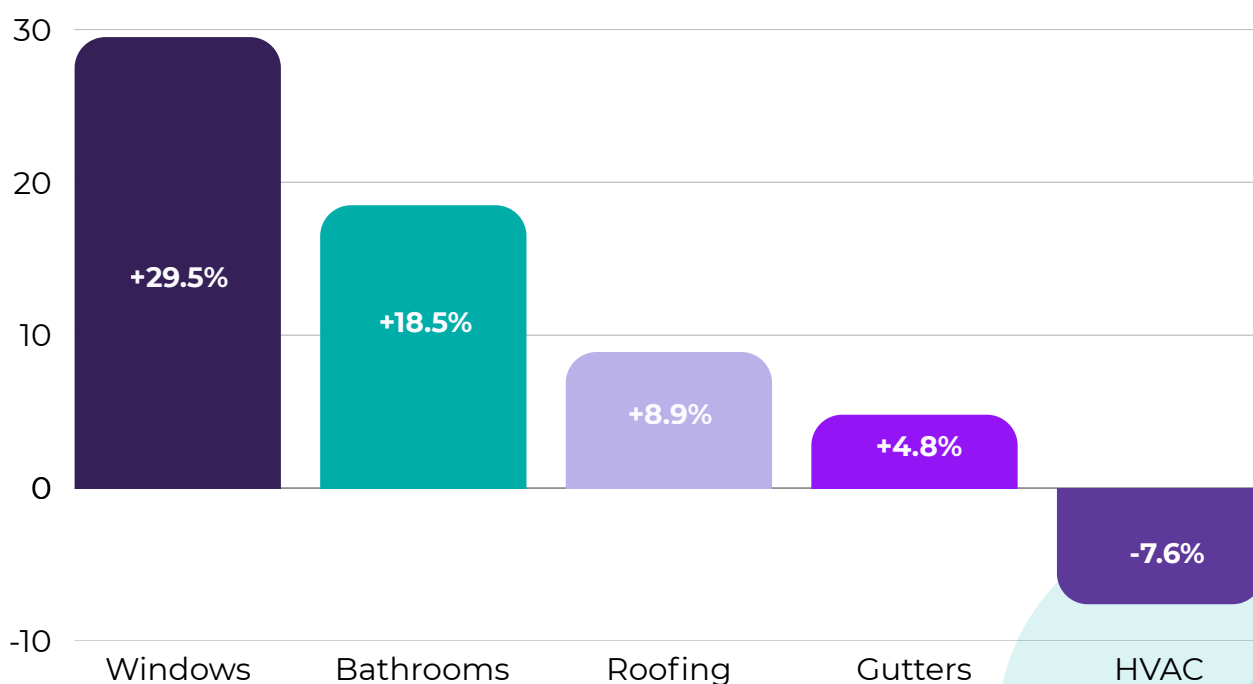


Category-Level Cost Pressure

Cost inflation varies significantly by trade

Industry benchmarks show home services running above the broader market, but even those figures are averages across the whole category. Because Modernize and HomeBuddy operate across multiple major home services categories, we can go a level deeper into what cost pressure looks like trade by trade. The picture varies significantly across categories.

YTD change in paid search cost per lead, 2026 vs. 2025



Two things stand out: pressure in high-intent search is far sharper than blended inflation suggests, and it's nowhere near uniform. A windows advertiser and an HVAC advertiser are operating in completely different cost environments.

Your category's cost environment matters as much as your overall budget.

Source: Google O&O DMA Master Lead Cost Data, YTD January-July 2026 vs 2025. Analysis across Modernize and HomeBuddy platforms.

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Market-Level Cost Pressure

Where you compete matters as much as what you sell

National averages hide as much as they reveal. The same trade can face completely different cost environments depending on the market, and the same market can look very different depending on the trade.

Year-over-year change in search cost per lead, by market

Market	Windows	Bathrooms	Roofing	Gutters	HVAC
Atlanta	+43.9%	+21%	+0.1%	+6.1%	+1.1%
Boston	+46.3%	+38.2%	+31.6%	+10.0%	-7%
New York	+31.2%	+23.2%	+12.3%	+2.2%	-12.7%
Philadelphia	+36.4%	+22.4%	+5.5%	+5.8%	-4.3%

Among the markets analyzed, Boston shows the broadest cost pressure: windows, bathrooms and roofing all climbed sharply there. Atlanta shows the opposite pattern, where windows advertisers saw costs rise more than 40% while roofing and HVAC in the same market stayed essentially flat. In New York the pattern flips again: windows up sharply, HVAC down nearly 13%.

Your category's national number is a starting point, not a plan. Two contractors in the same trade, operating in different markets, are facing different economics.

Source: Google O&O DMA Master Lead Cost Data, YTD January-July 2026 vs 2025. Analysis across Modernize and HomeBuddy platforms.



Marketing Efficiency Trends

To understand whether rising acquisition costs were eroding performance, we tracked Cost of Marketing across a selection of large windows and roofing advertisers over a period of up to three years.

We focused on advertisers with the most complete multi-year data available. Across this group, CoM fluctuated with seasonal demand but remained broadly stable, without the sustained upward trend seen in media costs.

CoM Trend Across Selected Home Services Advertisers

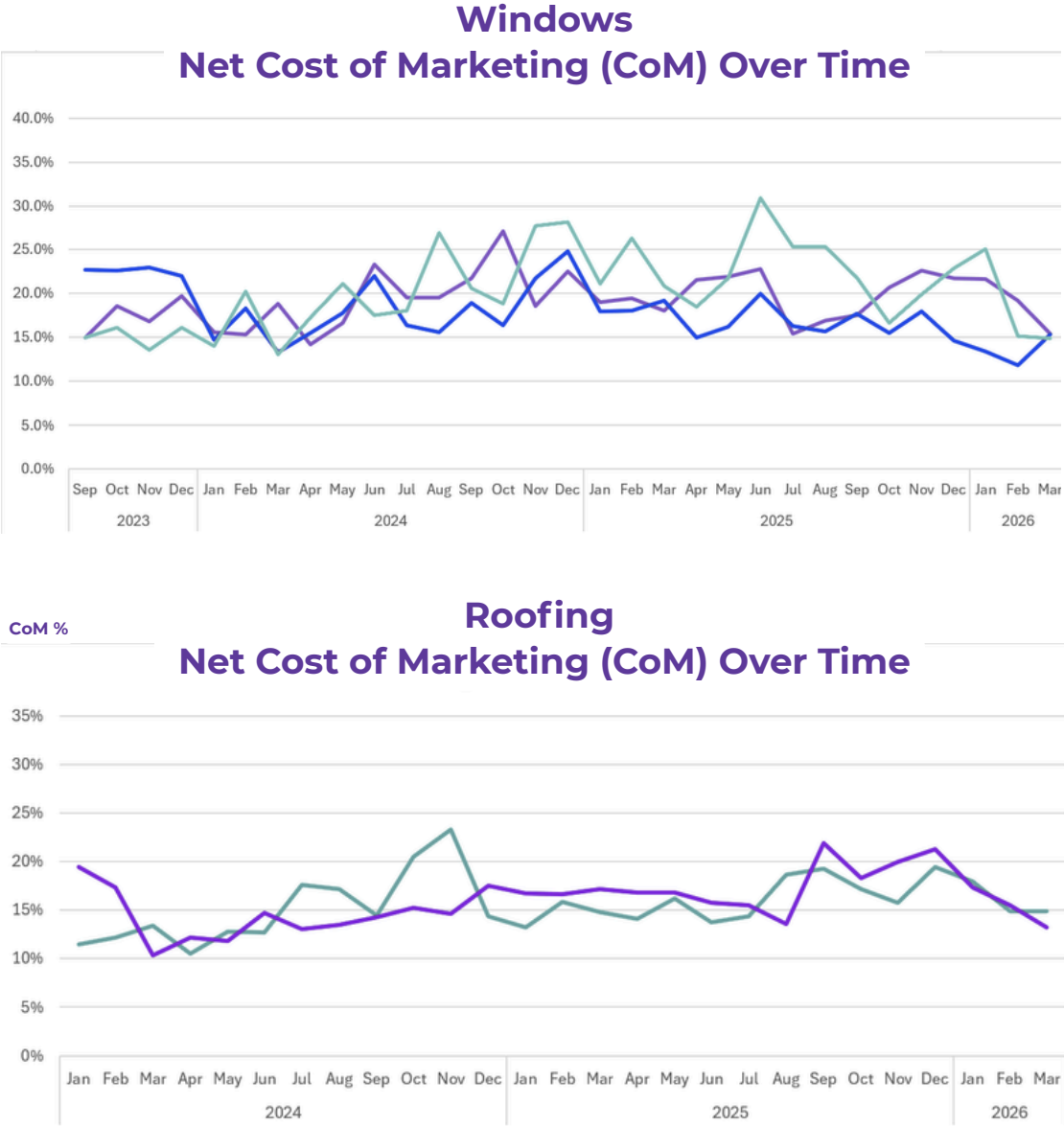


Chart caption: Net Cost of Marketing (CoM) over time for a selection of large home services advertisers. Each line represents an individual advertiser; figures are anonymized and illustrative, not representative of all advertisers or categories. Windows: Sep 2023–Mar 2026. Roofing: Jan 2024–Mar 2026. Month-to-month movement reflects seasonal demand.



The project value cushion

To understand why efficiency held, we looked at how project values changed alongside lead costs. One pattern stood out: higher average job sizes provided a cushion in the categories facing the greatest cost pressure.

This was especially evident in windows and bathrooms, where project values rose alongside some of the fastest lead cost increases. HVAC followed a different pattern: lead costs eased while project values remained flat, so efficiency held without the same cushion.

Lead cost and project value trends by category

The table below compares directional multi-year trends in lead cost and average job size across five home services categories.

Category	Lead Cost	Job Size	Cushion
Windows	↑	↑	✓
Bathrooms	↑	↑	✓
Roofing	↑	↑	✓
Gutters	↑	↑	✓
HVAC	↓	→	—

Key takeaway:

Higher project value can help absorb rising acquisition costs and protect marketing efficiency. But when CPL rises and project value stays flat, that protection weakens.



When Budgets Stay Flat

Holding efficiency steady is one thing. Holding volume is another. A budget that doesn't change looks stable on paper, but it buys less every year, and in home services the erosion is much faster than market averages suggest.

What the same budget buys you in search, one year later

Category	Windows	Bathrooms	Roofing	Gutters
Cost per lead change	+29.5%	+18.5%	+8.9%	+4.8%
Leads a flat budget buys	-23%	-16%	-8%	-5%

At current cost levels, a windows advertiser holding budget flat would buy roughly 23% fewer leads than a year earlier. Not because anything went wrong, but because the same money doesn't go as far.

Estimated lead-volume impact assumes a fixed budget and is calculated as $1 - 1/(1 + \text{CPL increase})$.

What This Means for Home Services Advertisers

A flat budget does not hold your position; it gradually reduces the volume of demand you can capture. For home services businesses, that can mean fewer leads, fewer jobs, and lost ground in markets where competitors continue to invest.

Maintaining performance therefore requires more than keeping spend unchanged. Customer acquisition strategy needs to evolve as costs, competition, and market conditions change.

The next section outlines the four priorities we recommend focusing on.

Source: Google O&O DMA Master Lead Cost Data, YTD January-July 2026 vs 2025. Analysis across Modernize and HomeBuddy platforms.



What We Recommend to Advertisers

As acquisition costs diverge by category and market, strategy has to become more responsive. Based on what we see across home services, four priorities stand out.



1. Align budgets with actual cost pressure

A blended market figure such as 4% does not reflect every trade or market. Plan against the cost trend in your own category and geography, and expect flat budgets to buy fewer leads wherever acquisition costs are rising.



2. Protect efficiency, not just volume

When acquisition costs rise, getting more value from every lead matters as much as buying more of them. Improve conversion, speed up follow-up, strengthen close rates, and manage performance to revenue and ROI, not CPL alone.



3. Build a more diversified demand mix

High-intent search is where cost pressure is most concentrated and competition for ready-to-buy homeowners is strongest. Building demand earlier in the journey through a broader channel mix can reduce reliance on the most competitive inventory.



4. Treat project value as an acquisition lever

Higher average project value can offset part of the impact of rising lead costs and help protect marketing efficiency. Pricing, project mix, and upsell strategy also shape the economics of customer acquisition.

The through-line: Rising costs do not have to mean falling returns. The strongest acquisition strategies evolve with the market rather than treating media inflation as a fixed condition to absorb.



Turning Insight Into Growth

Media inflation is not affecting every trade or market equally. Sustainable growth now depends on aligning investment with the cost pressure in your category, improving conversion efficiency, diversifying demand, and increasing the value of every project.

Modernize is the growth platform for residential remodeling companies, bringing leads, calls, exclusive opportunities, marketing services, and financing together across the full customer journey from inquiry to install. We partner with each business to engineer the right mix of services for its goals, then optimize that mix to support more resilient, sustainable growth.

Whether you need to maintain lead volume, improve conversion, reduce reliance on a single channel, or generate more value from every opportunity, our team can help you put these insights into action.

Build a stronger customer acquisition strategy with Modernize.

Talk to our team



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Accelerate your growth from inquiry to install.

9

Products

10M+

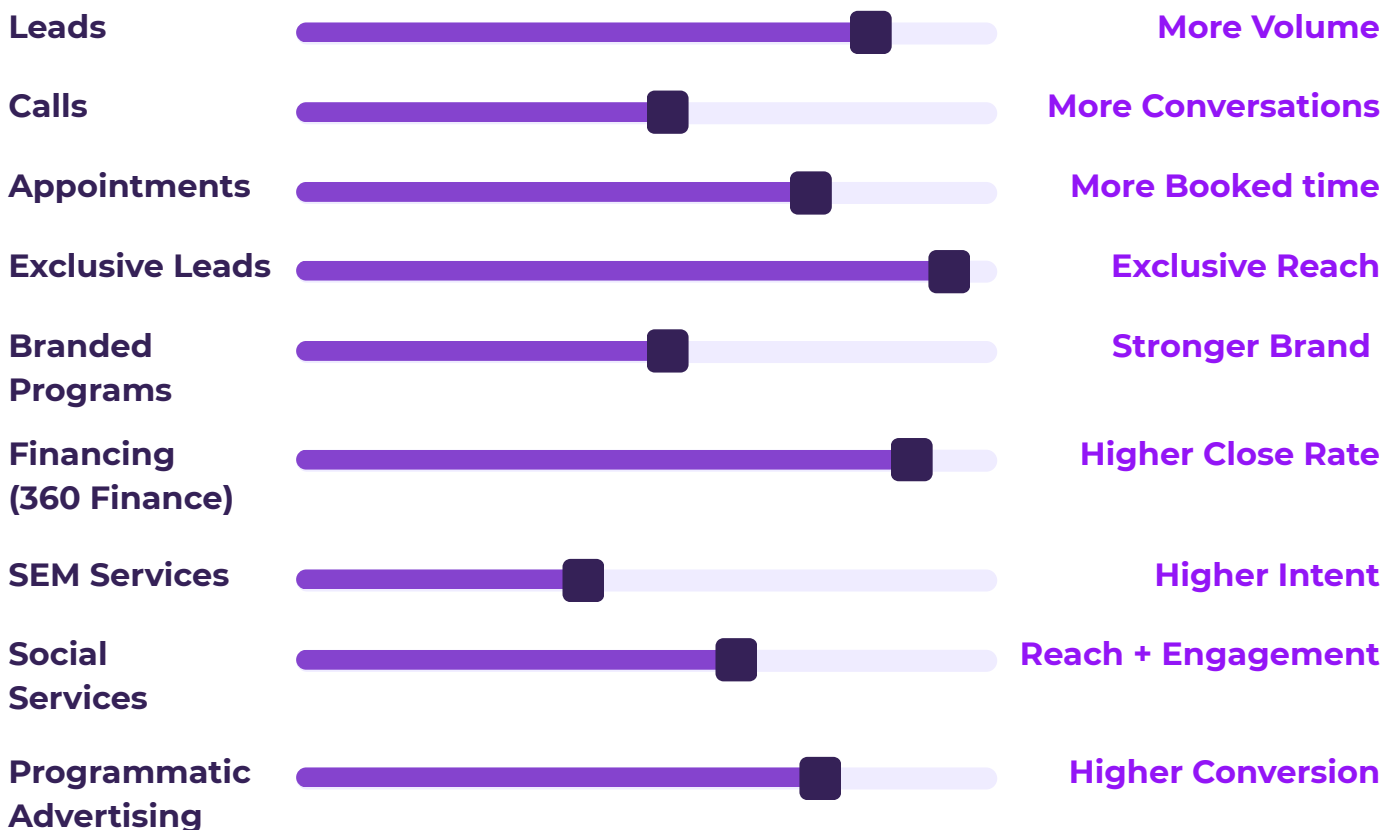
Homeowner Leads/Year

\$3B+

Partner Revenue

Dial in the growth you need.

Choose the right mix of services for your business:

**ONE GROWTH
PLATFORM****MORE
REVENUE**

