

2.2.4 Conclusion: Summary of Remodeler Insights

Remodelers have a unique opportunity to capture a significant share of the overall energy efficiency market. The summary below details important observations on remodelers and those observations' impact on potential expansion into the residential energy efficiency market. Understanding these impacts can help remodelers, program administrators, and other actors create and/or sustain a business that promotes energy efficiency.

| Summary of Remodeler Insights | | |
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| | Observations | Impact on Potential Expansion into Residential Energy Efficiency Market |
| Market | <ul style="list-style-type: none"> As of 2007, there were 650,000 firms in the remodeler industry, but only 30 percent generated more than \$100,000 per year in revenue. The most well-established remodeling firms generate more than \$1 million in annual revenue, representing just 15 percent of the market. Below \$1 million in annual revenue, companies are typically not large enough to consider hiring new staff or adding service offerings. | <ul style="list-style-type: none"> Established firms generating more than \$1 million in annual revenue are most likely to have the capacity to incorporate energy efficiency products and services into their businesses. Smaller firms may have difficulty expanding into the residential energy efficiency market without outside assistance. The largest firms (over \$3 million per year in annual revenue) could help serve as early adopters and help demonstrate the profitability of home energy upgrades to the rest of the home improvement market. |
| Governance | <ul style="list-style-type: none"> Firms in the remodeling industry tend to have a lean decision-making structure and are highly responsive to customer demand at the point of sale. While remodeling firms can be sustainable at varying sizes, there are critical decision points in the growth of a company where management must decide to reinvest in growth or remain static. | <ul style="list-style-type: none"> Small companies, such as remodelers, have the decision-making ability to expand into new service offerings relatively quickly. However, they may require assistance in conducting long-term strategic planning to do so. Investment decisions regarding expansion of services (such as into home energy upgrades) depend both on the owners' willingness to grow their businesses on a broader scale and on homeowner demand trends. |
| Financial Model or Structure | <ul style="list-style-type: none"> To grow beyond the \$1 million revenue per year level, firms may need to seek out additional sources of sales, either through expansion to different regions or through additional service offerings. | <ul style="list-style-type: none"> Firms with annual revenue below \$1 million typically do not generate enough cash flow to cover the cost of expanding their service offerings. Firms seeking to establish themselves in the market over the long term can use home energy upgrades as a potential source of differentiation, additional sales, and, by extension, profits. |
| Assets and Infrastructure | <ul style="list-style-type: none"> Approximately \$40,000 to \$50,000 in equipment and training costs are required to expand from a typical remodeling contractor model to a home performance contractor model offering home energy upgrades. As a remodeler's business enters the growth stage, overhead costs typically increase due to additional administrative staff needed to manage job reporting and tracking, incentive paperwork, staff training, and marketing efforts. It is often difficult for smaller remodelers to reinvent their brand or re-train their staff once they are up and running. | <ul style="list-style-type: none"> Technical training costs may be mitigated through leveraging existing manufacturer or program administrator trainings. Many overhead functions can be streamlined through the use of software, such as CRM and job reporting software that lowers the need to have dedicated administrative staff. Implementing this software can be costly up front, but can reduce costs over the long term. Smaller remodeler firms that are still trying to establish their firm's value to the market could build home energy upgrades into their core service line right from the beginning and brand the company as a home performance firm. This is one of the keys to success for the home performance contractor. |

Summary of Remodeler Insights

| | Observations | Impact on Potential Expansion into Residential Energy Efficiency Market |
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| Service Offering | <ul style="list-style-type: none"> Remodelers provide general home improvement services that can span many different types of measures. Most jobs are customized to the home. Approximately 50 percent of remodeler jobs are of the one-off variety or are simple repairs. Nearly 50 percent of jobs are for single rooms or feature remodels. Whole-home remodels account for only 1 percent of total jobs. Home energy upgrade jobs tend to be larger and more complex than single repairs, but smaller and easier to navigate than standard room remodel jobs. | <ul style="list-style-type: none"> Most remodelers already have skills—such as insulation installation, window replacement, and appliance installation—that could be readily modified to improve energy efficiency. Remodelers may be more comfortable expanding their service offerings to provide a series of energy efficiency measures that can be completed over time, rather than trying to sell the whole-home package in one transaction. To generate revenues from home energy upgrades, remodelers may need to adjust their service offerings strategy from longer, larger projects to shorter, higher-volume efficiency jobs. To expand their offerings, it is critical for remodelers to help homeowners understand the energy efficiency opportunities for their homes. Because remodelers have access to homes and homeowners, they can be important partners for programs in demonstrating demand and helping the market expand. |
| Customers and Customer Acquisition | <ul style="list-style-type: none"> The general remodeler's target customer base is homeowners with at least \$60,000/year in income, in homes built between 1960 and 1990 of 1,500 to 3,000 square feet in size. This target group represents only 8 percent of the total home improvement market. The primary drivers of sales for most remodelers are referrals from existing customers or repeat business. Remodelers could be excellent partners for energy efficiency programs due to their established customer base and sales capabilities. Interviewed remodelers indicated that they have about a 70 to 80 percent close rate on small jobs and only a 20 percent close rate on large jobs. Home energy upgrades are estimated to have about a 50 percent close rate when marketed by experienced home performance companies. The average cost of a lead for a standard remodeler is estimated to be approximately \$200. | <ul style="list-style-type: none"> Customers requesting whole-home remodel and single room/feature services are demographically similar to those inclined to complete energy efficiency projects. Both customer types have upper middle incomes, smaller to medium-sized homes, and, typically, higher levels of education. This illustrates the strategic opportunity for remodelers to expand their services to include home energy upgrades. Referrals from program administrators could be a new source of leads for firms trying to establish themselves in the residential energy efficiency market. In times of slow economic growth, general remodelers must develop customer loyalty and continually drive repeat sales among customers to be successful. Expanding their services into home energy upgrades could provide an opportunity for additional sales. |