Integrated Pro Forma Project
Modeling the impact of program marketing on contractor revenues

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National Home Performance Council
The National Home Performance Council

- National, non-profit organization
- Supports whole-house upgrade programs through research and convening projects
- Addresses problems that limit growth and development of whole-house programs
NHPC Stakeholders

- Federal agencies (DOE)
- State energy offices (NASEO, MD, NY, TX)
- Program implementers (CSG, ICF)
- Utility sector (EEI, LIPA)
- Industry (NAIMA, ABM)
- Real estate (Eco-Brokers / AEEREP)
- Non-profit stakeholders (ACEEE, ASE, EPC)
NHPC Current Projects

• Cost-effectiveness testing
• Data collection and transfer standards
• Smart grid and whole house energy efficiency upgrades
• Incorporating energy efficiency data in MLS systems and appraisals
“Pro Forma Project:” Two Goals

• The project is designed to help program administrators:
  • Understand contractor financials
    • Making a profit is challenging
    • Understanding key drivers of profit is important
  • Understand the impact of program decisions on contractor revenues
Ideal Model

- Full integration of program and contractor finances

- Contractor side of the pro forma represents multiple contractors
Initial Project

- Integration of program marketing efforts and contractor pro forma
- Look at program marketing expenditures on a per channel basis
- Model how those expenditures will impact a contractor’s financial situation
Quantifying Program Marketing

• What assumptions are made when a program implements marketing efforts?

• What efforts are made to quantify impacts?

• How are impacts conceptualized?
Brought to you by…

- NHPC as sponsor (and contributor)
- Sustainable Spaces / efficiency.org as prime contractor
- LEAP as participating program
- Funding from U.S. Department of Energy

– thank you, DOE!!!
Presentation Overview

- Review of contractor model
- Review of program marketing model
- Review of program marketing data collection and revenue generation issues
- Review of full integrated pro forma
Program Marketing Actuals

• For data entry on a per-channel basis
  • Number of leads, audits and retrofits
  • Average job size (or total revenue)

• Question: Could you generate this data from your existing systems, and, if so, how much effort would it take?
Program Marketing Costs

- For entering data regarding costs on a per-channel basis
  - Direct costs
  - HR costs
  - G&A costs

- Important note: The period for the costs must match the period in which the lead/audit/retrofit totals were generated
Program Marketing Costs

- Program marketing costs combine with data from “Marketing Actuals” tab to create key metrics
  - Average cost / lead by channel
  - Average cost / audit by channel
  - Average cost / retrofit by channel
  - Lead-audit conversion rate by channel
  - Audit-retrofit conversion rate by channel
  - Average job size per channel
Program Marketing Assumptions

- Take key metrics from Marketing Costs tab
- Project key metrics out into the future on the basis of assumptions about how each channel will perform in the future
- The past does not always predict the future!
- Writing out logic underlying the assumptions may be very useful
Program Marketing Pro Forma

• Shows implications of program marketing spend in terms of actuals leads / audits / retrofits
  • Leads, audits, and/or retrofits
  • And/or conversion rates
  • Average job size (weighted)
• Only point of contact between marketing and contractor model
• Costs not in original model, but built into integrated pro forma
Contractor Pro Forma

- Drivers derived off-spreadsheet
  - Lead to audit conversion rate
  - Close rate
  - Average project size
  - Revenue per hour per crew member
  - Crew utilization
  - Base wage
Contractor Pro Forma

- Drivers derived off-spreadsheet, cont’d
  - Lead to audit conversion rate
  - Close rate
  - Average project size
  - Revenue per hour per crew member
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Thank you!