

2.2.3 Remodeler Business Model

The remodeler business model focuses on the remodeler's operating environment within the general home improvement market and highlights opportunities for expansion into the residential energy efficiency market.

OPPORTUNITY STATEMENT: Remodelers are uniquely positioned to capture a share of the residential energy efficiency market. Because remodelers offer a range of services, they operate a model that seeks long-term relationships and multiple projects over a number of years. When they are in the home to discuss or provide remodeling services, they can also discuss potential home energy upgrades with the homeowner. Having already overcome a key barrier—access to the home—they have a significant opportunity to “upsell” their existing services. Conversely, remodelers can use home energy assessments as an entry point to perform both energy efficiency upgrade services and other remodeling work. The home energy assessment can help generate a list of improvements to tackle over time.

2.2.3.1 Governance

Remodeler governance structures include stakeholder-owned entities, franchises, and sole proprietorships. The vast majority of the firms in the market consist of sole proprietorships. A sole proprietorship has little internal bureaucracy, and its employees typically include the owner and a few other staff members. Consequently, the remodeler's management is typically free to form partnerships, set prices, and enter and exit new markets.

The remodeler's management is often directly engaged in the day-to-day work. Management may, in fact, be more focused on completing remodel jobs than managing the strategic direction of the business. The addition of energy efficiency service offerings is feasible if it does not cause a company to expand beyond the owner's capacity and desires. Traditionally, most remodeling firms continue to grow until they reach a point at which the owner's capacity and desire to expand precludes further growth. This tipping point can occur in the early stage of a company's growth or when it reaches a more established point in its life cycle where the owner may be content to stay at a fixed size (see 2.1.1, “Contractor Comparison”).

The leap from sole proprietorship to taking on additional investors, partners, or franchises is difficult for most remodelers, which is why so few have done so to date. Program administrators hoping to entice remodelers into moving into the residential energy efficiency market may need to provide them with technical and business guidance. Such guidance includes how to perform new work as well as how to expand their business into new areas without over-taxing existing management structures.

As firms move into the larger stakeholder-owned and stakeholder-controlled structure and generate more revenue, their strategic decisions tend to be more focused on their product and service mix, which is affected by equity, shareholder interests, and community needs. Determination of a clear demand for services or potential profit from the sale of a product is the most influential factor in the evaluation of expansion options.

Key Insights

Remodeler Insights		
	Observations	Impact on Potential Expansion into Residential Energy Efficiency 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 upgrade services) depend both on the owners' willingness to grow their businesses on a broader scale and on homeowner demand trends.

2.2.3.2 Financial Model or Structure

As noted in the introductory section to the contractor market, there may be multiple places in a company's life cycle where growth demands additional investment. Many remodelers operate sustainably below \$1 million in annual revenues and are content to remain at this level in their local markets. The average sustainable remodeler operates at around 45 percent gross profit (10 percent net of costs).¹² However, the low barrier to entry into the market facilitates high levels of competition, putting many businesses at risk of closure while the demand for their services fluctuates from year to year. Firms in this segment of the market are generally concerned with establishing their businesses and generating job revenue quickly to keep their business afloat. Firms with established customer bases operating above approximately \$1 million in annual revenues may have sufficient resources in place to consider longer-term growth strategies, such as adding energy efficiency service offerings (see Section 2.1.1, "Contractor Comparison").

The financial benefit to the general remodeler considering home energy upgrades is in the differentiation in the market, potential for significant growth in sales, and by extension, revenues and profits. Home energy upgrade services offer new revenue opportunities to assist businesses operating between the start-up and growth phases of the business life cycle in generating work that can sustain them over the long term.

Key Insights

Remodeler Insights		
	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
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.

¹² Source: Industry interviews during Better Buildings "Business of Energy Efficiency" workshop, October 24–26, 2011.

2.2.3.3 Assets and Infrastructure

Assets and infrastructure include physical assets, software, and training. The up-front investment necessary to become a remodeler in the residential energy efficiency market is similar to the investment required to become a home performance contractor. Remodelers seeking to expand into the market need:

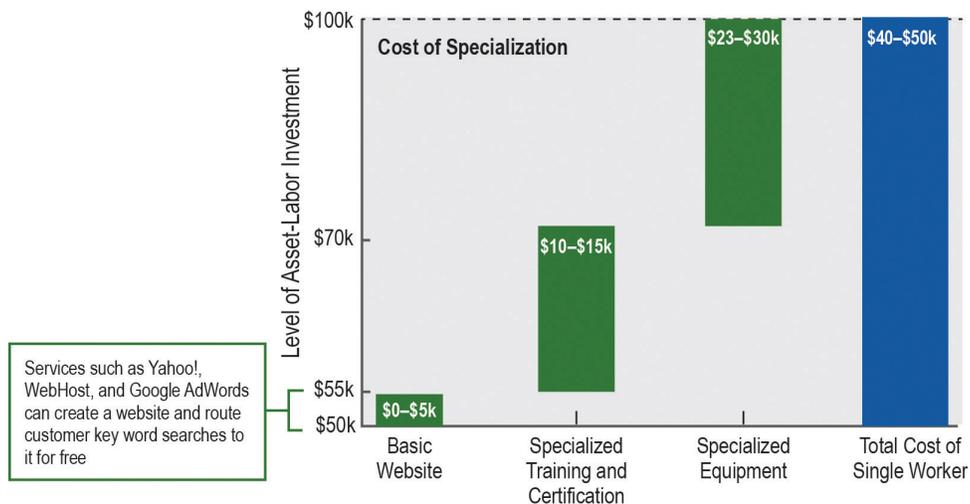
- A basic website to advertise energy efficiency services and communicate with consumers
- Specialized technical training and certification, such as certification by the Building Performance Institute (BPI) or Residential Energy Services Network (RESNET)
- Sales and marketing training
- Specialized equipment, such as an upgraded truck to hold energy efficiency-related equipment and materials, diagnostic equipment, and installation equipment (similar to the equipment listed for HVAC contractor expansion, Section 2.3.3.3).

Figure 2-5 shows the additional costs of these assets. (Note that the marginal cost of an additional worker will be \$10,000 to \$15,000.)

If a remodeler is starting a remodeling business from scratch, making energy efficiency services available in addition to offering traditional remodeling services can almost double the start-up costs. However, there are economies of scale for existing remodelers to expand their service offerings to include energy efficiency services because many of the capital and labor requirements are the same. Many of the basic pieces of equipment necessary to start up or expand the business can be leased as well. This strategy lowers the up-front cost to the business, but requires a steady source of sales to cover annualized costs. It is also worth noting that the assets of a general remodeler are similar to those required to run a home performance contracting business, giving the remodeler an advantage over firms new to the industry.

During the start-up phase, remodelers generally have few employees to complete project work. In addition to investing in a training program (e.g., paying for a certification preparation course), remodelers must invest time and resources in on-the-job training. Companies typically require a new employee to shadow an experienced employee for a specified period of time—ideally three months—to ensure that the employee

Remodeler Expansion Model



Source: Industry interviews and Booz Allen research

Figure 2-5: Remodeler Expansion Model

has a firm grasp of home energy upgrade services.¹³ However, an employee functioning in an observational role, rather than an active role, during this training period will reduce the number of energy efficiency jobs a remodeler can complete during the employee’s training period and, thus, will impact the firm’s revenues. This situation represents an opportunity cost, as measured by the salary paid to the employee during his or her training phase.

Given the level of additional training and re-organization that goes into expanding an existing business, the best time for remodelers to develop energy efficiency service offerings may be before they have firmly established themselves in the market. Programs seeking to enable smaller remodeler firms’ moves into the residential energy efficiency market should help them build energy efficiency into their core service line early in the life cycle and work with them to build their initial brands as home performance contractors. This approach provides an opportunity for remodelers to take training into account and to design a sound business plan before becoming fully absorbed in the day-to-day aspects of running a business. Reaching remodelers after they establish a business strategy may require re-branding and updates to business models, as well as additional time, labor, and funding—all of which are assets smaller firms generally do not have to spare.

2.2.3.3.1 Software

As a remodeler enters the growth stage of business development, it typically requires additional funding to cover the increased costs of overhead associated with the growth of the firm. Those overhead costs typically consist of costs associated with increased administrative staff to manage job reporting and tracking, as well as paperwork related to financial incentives, staff training, and marketing efforts. As a firm grows, the need for more efficient and sophisticated back-office functions will, in turn, create the need for additional support infrastructure, such as additional space and office equipment.

Many back-office functions can be streamlined through the use of customer relationship management (CRM) software and job-reporting software that lessen the need for dedicated administrative staff. Implementation of such software can be costly up front, but it can reduce costs in the long run and end up paying for itself. Figure 2-6 lists the software suites that are available and the implications associated with each software package.

¹³ Source: Industry interviews. (See “Acknowledgements” for a complete list of industry representatives interviewed.)

Software Options		
Firm Size/Sophistication	Standard Software Types	Implications
Small/Unsophisticated (Generally \$<500K in Revenues/Year)	Basic accounting software and basic website (optional)	Many of these firms do not use software at all, and must be forced to automate externally (e.g., via manufacturer requirements)
Medium/Growing (Generally \$500K-4M in Revenues/Year)	Basic accounting software, established website, customer relationship management software, job estimation software	Firms at this stage have realized the value of streamlining back office and job functions, and may be open to using program software services
Large/Sophisticated (Generally >\$4M in Revenues/Year)	Advanced accounting software, established website (although no customer interface), customer relationship management software, job estimation software	Firms at this stage are not only capable of expanding into new lines of business, but would be open to purchasing software that would allow customers to track jobs online; to date, few firms have taken this step in areas where programs have not developed this solution for them

Source: Booz Allen research

Figure 2-6: Software Options

Contractors value a program administrator’s understanding of their information technology and data needs. Efficiency programs can centralize sophisticated software capabilities for home energy upgrades, thus reducing the need for a remodeler to invest in these tools up front. Examples of these capabilities include providing an interface for remodelers and customers to track job status, creating a website where consumers can learn about energy efficiency and program incentives, developing a system to input energy modeling results and/or the results of quality assurance tests, and creating a portal to manage incentive requirements.

2.2.3.3.2 Training

Remodelers can access training courses and achieve certification through various programs, including industry and manufacturer training programs, as shown in Figure 2-7.

Remodeler Training Options	
Industry Certifications	Manufacturer Training
<ul style="list-style-type: none"> ▪ Advantages <ul style="list-style-type: none"> – Neutral third-party service provider – Established standards in energy efficiency industry ▪ Disadvantages <ul style="list-style-type: none"> – High cost to contractor makes it relatively uncompetitive vs. manufacturers – Not well known in renovation industry 	<ul style="list-style-type: none"> ▪ Advantages <ul style="list-style-type: none"> – Free to contractors – Sustainable in nature (e.g., established part of manufacturer business plan) – Highly used in industry ▪ Disadvantages <ul style="list-style-type: none"> – May not always train to most energy efficient standards – Not technology-neutral – May push to sell “units” over providing optimal energy solution

Source: Industry interviews

Figure 2-7: Remodeler Training Options

While industry certification programs have established standards for performing energy efficiency services, manufacturer and distributor training is the most prevalent form of training in the remodeling industry.

Manufacturers typically visit the remodeler’s headquarters to deliver such training, which is often provided free of charge. This free training makes manufacturers particularly valuable to smaller firms that do not have the funding to devote to training and certification for their employees.

Understanding the range of manufacturer training is critical to the success of programs seeking to offer training to remodelers, either directly or in conjunction with third-party industry specialists. Manufacturer training is free and often convenient to remodelers in that it does not require much diversion of staff hours away from job sites as manufacturers frequently conduct their trainings at remodeler sites. As the cost to the business posed by the revenues lost through diversion of staff resources often exceeds the cost of the training itself, programs offering trainings in markets with strong manufacturer presence will need to be sure that such service offerings are no- to low-cost, and are convenient in how they are deployed to their local remodeler base.

Key Insights

Remodeler Insights		
	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
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.

2.2.3.4 Service Offering

Remodelers typically offer design and implementation of home improvement jobs. They may offer a range of services, including job design, home repairs, single room or single feature remodeling, whole-home remodel, and, more rarely, energy efficiency services, as illustrated in Figure 2-8.

Remodeler Service Offerings					
	Job Design	Single Home Repair	Single Room/ Feature Remodel	Whole-Home Improvement/ Addition	Potential Expansion Residential Energy Efficiency Services
Service Definition	<ul style="list-style-type: none"> Architectural analysis and design work for a remodeling or a whole-home improvement/addition job 	<ul style="list-style-type: none"> A small, one-time job to repair a single feature of a house, such as a window or a plumbing fixture, or to patch a leak in the envelope 	<ul style="list-style-type: none"> Remodeling includes items such as upgrading all the windows, faucets, or light fixtures in a house This can also be a job focused on a specific room in the house, such as a kitchen or bathroom 	<ul style="list-style-type: none"> The rebuilding of a building's interior while keeping the building shell intact Additions onto existing buildings 	<ul style="list-style-type: none"> Whole-home energy upgrades Partial home energy upgrades conducted by specialized service providers (e.g., insulation, air sealing, windows)
Implications to the Business Model	<ul style="list-style-type: none"> Offer the remodeler the opportunity to influence energy performance at the design level as well as through a direct appliance or product swap-out 	<ul style="list-style-type: none"> Do not offer a significant opportunity to implement energy efficiency measures for remodeler, as homeowners often call utility companies or vendors to deal with most energy-intensive equipment 	<ul style="list-style-type: none"> Offer a sales platform for future energy efficiency sales 	<ul style="list-style-type: none"> Offer the best opportunity for energy efficiency, as a holistic strategy can be employed Also the most costly option 	<ul style="list-style-type: none"> Offer a potentially excellent source of revenue for remodelers during new construction bust Many remodelers would not consider doing this if new construction jobs were available
Total Share of Renovator Business	<ul style="list-style-type: none"> A growing trend in the marketplace, particularly among the more sophisticated, well-established firms 	<ul style="list-style-type: none"> The majority of remodeler jobs (~50%) are single home repairs 	<ul style="list-style-type: none"> The vast majority of the remaining jobs done by the average remodeler are single room or feature renovations (~49%) 	<ul style="list-style-type: none"> Only a tiny fraction of the total jobs done by remodelers are either a whole-home improvement or an addition (~1%) 	<ul style="list-style-type: none"> Only 20% of remodelers currently are performing these service offerings Another 40% are currently considering offering these services

Source: Industry interviews

Figure 2-8: Remodeler Service Offerings

Approximately 50 percent of remodeler jobs are single “one-off” jobs or simple repairs. The vast majority of remaining jobs (approximately 49 percent of the total) consist of either single-room or feature remodels. Only 1 percent of total jobs are whole-home remodels.

Firms in the remodeler industry tend to be highly responsive to customer demand at the point of sale, because most jobs are customized for the end user’s home. Thus, the level of local homeowner awareness of the value of energy efficiency is critical to a remodeler’s decision on whether to enter the energy efficiency market. Increasing homeowner awareness will lead to greater demand and greater market participation by remodelers.

Remodelers are responsible for a wide variety of service offerings in addition to standard **installations**. Those that focus on energy efficiency in particular include **energy assessments** and **quality assurance**. Although business models built around only providing assessment services have not typically been found viable to date, new models are being explored—in particular, those centered around contractors establishing relationships with known and trusted third-party assessment firms.

Additionally, **customer financing and incentives** are often made available to consumers to encourage their participation in the residential energy efficiency market.

While most remodelers already have the skills that form the basis of the home energy upgrade package, such as the ability to install insulation or replace windows and appliances, a comprehensive home energy upgrade service offering is currently a very small part of the home improvement market. As a general rule, home energy upgrades are a different type of job than standard remodeling projects. Home energy upgrades tend to be smaller and quicker to complete than core remodeler service offerings such as kitchen or bathroom remodels but more complicated than simple repair jobs. As such, adding these service offerings to the remodeler's core skill set requires additional training and assistance. Helping remodelers make the leap toward offering these services should be one of the most critical functions for a program administrator, as general remodelers have a very broad skill set that could allow them to transition into the home energy upgrade market far more easily than someone with limited industry experience.

An **energy assessment** is the evaluation of the energy efficiency of a home used to identify the best ways to improve energy efficiency in heating and cooling.

Customer financing and incentives are financial programs, discounts, rebates, or tax credits that lower the high up-front costs of purchasing home energy upgrades available to the consumer.

Installation is the act of installing a new system or piece of equipment to improve a home's energy efficiency.

Quality assurance is an assessment of home energy upgrades to ensure that equipment has been installed according to standards and is working properly.

Many medium- to large-sized remodeler firms with the resources and ability to make this transition hesitate to do so out of concern for demand sustainability and job profitability. By collaborating with the most successful remodelers in its local market, a program can help mitigate many of these concerns by better targeting home energy upgrade services to the market and generating demand. By effectively demonstrating the local potential of the residential energy efficiency market, programs can help entice many firms in the "early majority" of adopters into providing home energy upgrades, thus building the capacity of the private sector to deliver these services to the market.

Firms that offer home energy upgrades can gain an advantage over their competitors. These firms have a clear means of differentiating themselves from their rivals, an advantage that can often prove critical in the highly competitive remodeler market. Given the low barriers to entry into the remodeler market, having a source of competitive advantage is critical. This is particularly true for firms seeking to grow and move up the life cycle chain to become firmly entrenched in the market.

Key Insights

Remodeler Insights		
	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
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 simple 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 offering 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.

2.2.3.5 Customers and Customer Acquisition

The general remodeler’s target customer base is also the primary target group of the majority of private contractor firms in the market. A customer in this group earns at least \$60,000 per year and owns a home built between 1960 and 1990 that is 1,500 to 3,000 square feet in size. This customer base represents 8 percent of the total home improvement market. These customers are highly sought after because they have high household incomes and own homes that are generally in need of upgrades, but are small enough that remodels are relatively straightforward and not overly complex.

As shown in Figure 2-9, one-off repairs are the most common type of remodeler service offering, as the majority of homeowners lack the disposable income to invest in upgrading a whole room or remodeling an entire system, and prefer to patch up existing systems over time. These jobs tend to be small in scale and do not noticeably alter the appearance or comfort of the home. As such, they tend to be overlooked and generate the lowest amount of loyalty among customers.

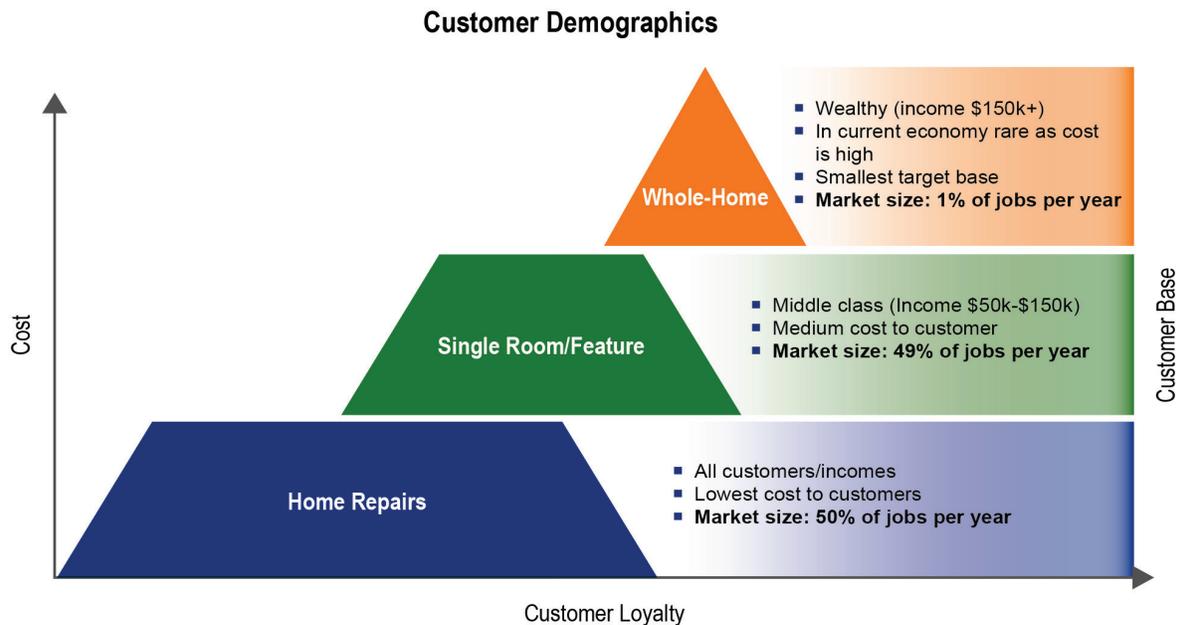


Figure 2-9: Customer Demographics

Single-room and single-feature services tend to have a customer demographic close to the industry target referenced above: mid- to upper incomes, small- to medium-sized homes, and high levels of education. These services tend to be more cost-effective than conducting a whole-home remodel, which results in a much larger volume of work. In numeric terms, the interviewed remodelers indicated 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 (as noted in the “Service Offering” section, these jobs are more complex than simple repairs, but are smaller and more streamlined than an average room remodel). The average cost of a lead for a standard remodeler is estimated to be approximately \$200.¹⁴

Particularly in times of slow economic growth, homeowners will defer major upgrades and look to complete projects in stages to spread the cost over several years. Consequently, general remodelers must develop customer loyalty and continually drive repeat sales among their customers to be successful. Demonstrating excellent work on a particular room or building system creates opportunities for follow-on work. This model is the primary means of driving the sale of home energy upgrade services in the market. Expanding their services into home energy upgrades could provide an opportunity for remodelers to generate additional sales of this type.

In contrast, whole-home remodeling jobs are exceedingly rare, as few customers have the disposable income to implement an overhaul of their home in one sitting. While implementing such a job successfully would generate the maximum possible amount of customer loyalty, these jobs are so rare that it is difficult for a remodeler to base its entire customer sales strategy around this type of job.

¹⁴ Source: Industry interviews during Better Buildings “Business of Energy Efficiency” workshop, October 24–26, 2011.

2.2.3.5.1 Marketing

In terms of initial outreach to customers, remodelers have significant access to the homeowner, and are trusted experts in most matters relating to home upgrades. While their marketing budgets are small, these companies (most of which are sole proprietorships) have sales skills acquired from years of practice and have many solid marketing channels at their disposal. Some of the more effective marketing channels used by remodelers include customer referrals, community outreach, direct mailing, discounts/rebates, customer upselling, and limited duration offers. The marketing techniques deemed critical to the success of a remodeler are highlighted in Figure 2-10.

Remodeler Marketing Channels				
Stage	Strategies Employed	E	C	S
Awareness/ Demand Creation (Marketing Campaigns)	Customer Referrals	●	●	●
	Community Outreach (e.g., hold events with local community groups)	●	●	●
	Internet Search Engine Optimization (e.g., keyword searches)	●	●	●
	Public Relations (e.g., write-ups in local newspapers)	●	●	●
	Advertising (e.g., radio, television, print)	●	●	●
	Direct Mailing (e.g., through utility bills)	●	●	●
	Discount/Rebate (e.g., price energy assessment below market value)	●	●	●
Engagement (Direct Interaction)	Third-Party Referrals/Leads (e.g., retailers and program administrator referrals)	●	●	●
	Trusted Source (e.g., establish customer relationship during energy audit)	●	●	●
	Customer Education (e.g., seminars)	●	●	●
Conversion (Closing the Sale)	Customer Follow-on Sales	●	●	●
	Limited Duration Offers (e.g., incentive expiring)	●	●	●
	Third-Party Validation (e.g., customer reviews)	●	●	●

KEY	E Effectiveness – Successfulness in generating revenues and traffic	○ Highly Unfavorable	● Favorable
	C Cost Effectiveness – Cost per sale generated	◐ Unfavorable	● Highly Favorable
	S Sustainability – Creation of longer-term revenue generation	◑ Average	
	 Highlighted for discussion		

Source: Booz Allen research

Figure 2-10: Remodeler Marketing Channels

Customer referrals and word of mouth generate new and follow-on business for remodelers. As a general rule, these lead generation techniques represent the majority of the remodeler’s business, with many remodelers using home shows and other innovative ideas to help recent customers showcase their home upgrades to their neighbors. However, **third-party leads** from retailers and program administrators have become popular new sources of revenue where such partnerships and programs exist, as they shift much of

the demand generation burden away from the remodeler and let them spend more time doing the installation work itself.

Customer engagement is critical to remodelers' being able to achieve repeat sales each year. Direct interaction with customers through such **customer educational** activities as home assessments or educational seminars enables the remodeler to build relationships with homeowners outside of impersonal advertising channels. Additionally, these activities give remodelers the chance to demonstrate their flexibility by offering standard repair and remodel work in addition to energy efficiency services (which is the primary service offering of home performance contractors). This approach requires little in the way of marketing budget, but does require some of the personal attention of the firm's management.

In some cases, more technically focused remodelers are not comfortable acting in a sales role in front of customers. To credibly sell new services or products with which they are not intimately familiar, such as home energy upgrades, remodelers may need to change how they approach sales calls; they may also need additional training and educational materials to help validate their skills in conducting home energy upgrades. Program administrators are uniquely positioned to provide both sales training and independent validation for remodelers within their local markets. For their part, program administrators can benefit greatly from collaborating with remodelers, using their credibility with established customer bases and wide array of general remodeling skills to drive the sale of additional home energy upgrades.

Remodelers can come to be seen as **trusted sources** by walking their customers through the energy assessment process, which allows the customer to see firsthand the inefficiencies present in their homes and foster belief in the cost and energy savings that can result from implementation of energy efficiency measures. For example, thermal camera pictures can be used to show homeowners leaks in window seals and roofing, illustrating the real potential for savings available around their homes. As a general rule, companies that include the customer in the energy assessment process experience greater sales over time than companies that conduct assessments outside of the homeowner's immediate sight. The presence of a dedicated salesperson who is trained in residential energy efficiency as part of the assessment walkthrough process can help contribute to **customer follow-on sales**, or "upsells," which occur when a customer decides to purchase a larger piece of work than originally anticipated. General remodeler management will likely experience a swift learning curve in this sales role, given their flexible skill set and prior sales experience.

Key Insights

Remodeler Insights		
	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
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. 	<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



Remodeler Insights

	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
	<ul style="list-style-type: none">■ 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">■ 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.