



Better Buildings Neighborhood Program Sustainability Peer Exchange Call: Revenue from Contractor Fees

November 1, 2012

- **Welcome and Call Purpose**
 - This call was the first in a new series of calls focusing on topics relating to program sustainability.
- **Call Logistics and Participants**
 - The call had 25 participants representing 16 Better Buildings Neighborhood Programs (see next slide).
- **Call participants discussed:**
 - How programs are beginning to devise plans for a contractor revenue stream;
 - Potential fee structures; and
 - Questions and concerns related to establishing contractor-based revenue.

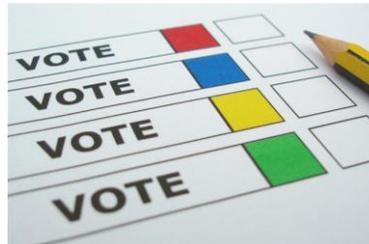
Participating Programs

- Huntsville, AL
- Boulder County, CO
- Connecticut
- Atlanta, GA
- Chicago, IL
- University Park, MD
- Michigan
- Michigan – SEP
- Chapel Hill, NC
- New Hampshire
- Cincinnati, OH
- Portland, OR
- Austin, TX
- Charlottesville, VA
- Virginia – SEP
- Wisconsin

Where are you in the process of developing a contractor revenue stream?

Respondents: 18

- Starting to put a plan into place: 6 (33%)
- Thinking about it: 5 (28%)
- Have not really thought about it: 4 (22%)
- Developed a plan for a contractor revenue stream: 3 (17%)
- In direct communication w/ contractors re: developed plan: 0 (0%)



Program Experience - Alabama

- Alabama was already interacting with customers on audits prior to the grant, so they had a ‘plug-and-play’ model where they started offering rebates for energy upgrades as part of that.
- They wanted to move from a utility-based to contractor-based model since contractors were able to do whole-home testing, so they created a contractor pool.
- The program does a lot of marketing and outreach via events, radio, etc. to get the message out to the community, but the contractors are generating the leads – they are directly getting the contact info from interested homeowners.

Program Experience - Alabama

- Alabama determined that an annual participation fee was more feasible than a per job fee, particularly while the contractor fee program is still under development.
- A program versus per job fee also makes it so they do not have to worry about who is getting the lead for each job.
- Alabama is at the point in the process right now of figuring out the value/cost to maintain or increase services currently provided. The estimate is \$1800/job.
- Incentives are easier to calculate; participation will include 1 sales training and 2 other trainings which equates to about \$5,000/ contractor, so the fee would have to be higher than that; how much higher without being too much and still covering other services such as marketing is the unknown.

Program Experience - Michigan

- There is no fee to participate in the Better Buildings Michigan program, however, since 2010 Michigan Saves has been charging a 1.99% fee to contractors when a contract is issued.
- There has not been pushback from that fee.
- Michigan Saves uses the funds to pay for quality assurance, which they feel provides a lot of value, especially for people taking out loans.
- For a \$10K loan it's a \$200 fee with an average loan of \$7500-8000 so far.
- Billing on a monthly basis was cumbersome; now lenders are taking out the fee for each job and submitting it monthly to Michigan Saves, which has helped reduce costs.

Program Experience - Virginia

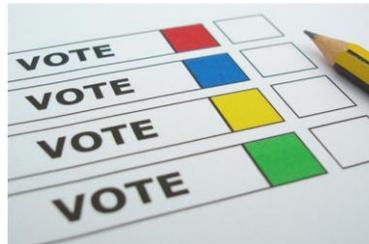
- VA-LEAP is headed towards a two part fee structure – a lower annual fee to be a participating partner which would provide branding, marketing, etc. and a second fee for leads.
- VA-LEAP is Energy Star sponsored and see that as a product they provide; contractors are pre-qualified.
- Other services provided by the program include third party quality assurance and customer service.
- Contractors have said software and training could be good, but what they really want are quality leads for people who are doing more than \$800 worth of work.
- Therefore, the goal of the program is to give contractors value by having a good strategy for generating a lot of leads.

Poll #2:

How much is reasonable to charge a contractor in your opinion for a job lead?

Respondents: 20

- Sliding scale based on job size: 9 (45%)
- \$0-250: 5 (25%)
- \$251-500: 5 (25%)
- \$751-1000: 1 (5%)
- \$501-\$750: 0 (0%)



- Currently contractors are getting for free lead generations through marketing, subsidized training, IT system use, and low interest financing to homeowners that is contractor fee-free.
- Another service programs do/could provide is that of a call center. Programs know the energy efficiency speak that a generic call center would not know, which would lead to a higher conversion rate than anyone else.
- It is hard to know if homeowners will still participate without the rebate once the grant ends.

- One idea would be to vary the fee based on the contractor, however, the incentives are the same for every contractor; the assistance is equal so it makes sense to treat them equally. For many programs, there is not much variation between large and small contractors.
- There are organizations like Angie's list that provide larger marketing schemes and referrals that seem to be successful; perhaps there is value in providing a more local concentrated effort similar to these larger organizations.
- For a couple years, Cincinnati charged a flat percentage of 5% for every upgrade performed, maxed out at \$500 so any upgrade over \$10K was capped; they stopped due to grant requirements (revenue had to be spent before grant \$).

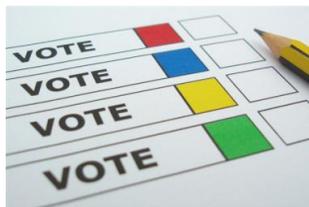
Poll #3:

What items would you be interested in charging contractors a fee for to generate revenue streams?

*Respondents: 15**

- Job leads: 13 (87%)
- Marketing: 12 (80%)
- Training: 12 (80%)
- Back office support: 11 (73%)
- Other (Write-in): 3 (20%)

**The total count/percentage is greater than 15/100% because respondents were asked to pick all that apply.*



“Other” Responses to Poll #3

- Scheduling; job completion (not just lead);
- Quality assurance/ quality control (QAQC); Certificate of completion to homeowner; Residential Energy Services Network (RESNET) Energy Smart Contractor certification; and
- Quality assurance; third party independent trusted source to the homeowners.

Comment

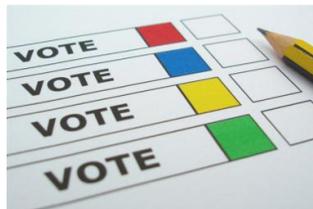
- Even the best programs/contractors have issues with back-office activities.

How much is reasonable to charge in your opinion for back office* support?

Respondents: 10

- Sliding Scale based on size of contractor: 9 (90%)
- \$0-250: 1 (10%)
- \$251-500: 0 (0%)
- \$501-\$750: 0 (0%)
- \$751-1000: 0 (0%)

*For the purposes of this poll, back office support refers to the paperwork and processing needed to complete an upgrade. Price is per contractor (not per job).



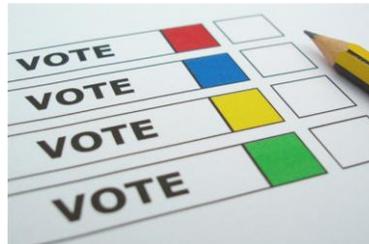
- It really depends on how much back office support is used.
- The amount of back office work is significantly different when the contractor has to provide all the information required under the grant versus when the grant ends .
- Caution is needed to ensure that if the contractor's back office leaks into the program's it doesn't cause the contractor to push off all record keeping. The program taking on too much isn't a viable revenue stream.
- Tracking and collection systems need to be in place before thinking about revenue collected by offering those systems.
- Ranking contractors via a score card helped to determine where the process wasn't running smoothly, as well as to determine who gets leads.

Poll #5:

How much time do you anticipate needing to set up a contractor revenue stream?

Respondents: 7

- 9 months: 2 (29%)
- 6 months: 2 (29%)
- 3 months: 2 (29%)
- Less than 3 months: 1 (13%)

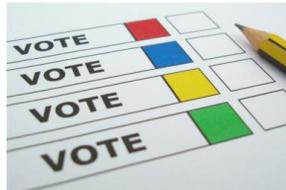


What is holding you back from taking the next step to develop a contractor revenue stream?

*Respondents: 8**

- Unsure what price to charge for services: 4 (50%)
- Unsure how contractors will react to paying a fee: 4 (50%)
- Nothing/ have already started down the path: 2 (25%)
- Unsure what services to develop as revenue streams: 1 (13%)
- Other (Write-in): 1 (13%)

**The total count/percentage is greater than 8/100% because respondents were asked to pick all that apply.*



Thank you for participating!