

Business Case Study

Adopting a Whole-House Approach

Energy Coordinating Agency and Smart Energy Solutions, Philadelphia, PA
Liz Robinson, Executive Director

The Energy Coordinating Agency (ECA) has been providing a variety of energy conservation services to low-income residents in Philadelphia since 1984 – performing energy audits, air sealing and insulation, reflective roof coatings, and heating and cooling jobs in thousands of homes each year. Over the years, the ECA increasingly recognized that its services were both needed and demanded across all income levels and launched Smart Energy Solutions (SES) in late 2003 to capitalize on this opportunity.

SES was not without its fair share of initial problems. Liz Robinson, Executive Director of the ECA, noted that “one of the biggest issues has been balancing the mission of the non-profit with projects that don’t entirely match that mission.” While the goal of energy conservation remained the same, the market each company served was not. It was important to reconcile those differences and ensure that the new for-profit business would complement, rather than conflict, with the non-profit.

Another significant issue that had to be addressed concerned staffing. Should ECA and SES use the same staff and compensation structure? Should they have the same expectations for their staff? Liz wanted to be sure to reconcile any business ethics issues. Ultimately, SES decided to use the same staff and compensation as the ECA until it was big enough to support itself.

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After overcoming these and other initial hurdles, Liz believes that “SES finally has a business plan in place that works and is ready for steady growth.” In fact, she expects the biggest challenge for SES in the future to be whether it can grow fast enough to keep pace with demand in the market. Especially in the face of rising energy prices, people are very interested in improving the energy efficiency of their homes. SES must anticipate this changing demand for home energy efficiency and be positioned to make the right choices at the right times.

Taking a whole-house approach has become a primary line of business for SES. The majority of their work involves installing new insulation, and they perform air sealing with every job. This air sealing is typically limited to a home’s attic due to interest in maximizing cost-effectiveness; however, SES does perform complete sealing jobs when comfort problems motivate customers to seek out their services.

SES hopes to grow its business primarily through word-of-mouth and referrals from happy customers, but has found some other marketing methods to be effective as well. “We need to keep marketing costs low and thus must use opportunities strategically,” Liz says. Public

education efforts, for example, especially relating to reflective roof coatings, have been very successful in attracting customers. The ECA and SES focus on teaching people how their homes work and how to cool them down during Philadelphia's hot summers. This has led to high sales of reflective roof coatings, air sealing and insulation.

Liz has found that "ENERGY STAR is great for consumer education as it is easy for people to understand the ENERGY STAR logo as a standard of energy efficiency and cost savings." SES is currently updating all of its promotional and marketing materials to incorporate both the ENERGY STAR logo and the upcoming federal tax credits. Liz anticipates that this strategy will lead people to associate both ENERGY STAR and the tax credit with the ability to save money, which will help encourage them to seek out energy improvement services.

Other marketing efforts include distributing door hangers near sites where the ECA and SES are working and placing yard signs in front of customer residences to advertise their services. These have been particularly effective strategies for cross-marketing SES's for-profit services in transitioning neighborhoods where ECA is already active with low-income work. While many new, higher-income residents purchase homes that have already been renovated, these improvements typically do not include new heating and cooling equipment or additional insulation. As a result, these homeowners are eager to improve both the comfort and efficiency of their homes and know they can turn to SES for solutions.

A new employee incentive program is also promising to serve as an effective marketing strategy for SES. This program allows any employee to earn a bonus equal to 5% of the cost of jobs they bring in to the company. Liz noted that, "the incentive program just started at the beginning of June, but employees are already responding well and are excited about it." With over 75 employees, the ECA has a large potential for creating new business by incentivizing employee word-of-mouth advertising. In addition to recruiting more business for SES, this program also allows employees to see future growth potential for themselves and feel a part of the company's mission.

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Besides achieving success in its own right, SES has strengthened the skills and abilities of the ECA. First, starting the fee-for-service company sharpened the ECA staff's customer service skills. It made them much more alert to quality in terms of phone service, cleanliness, and how their services look as well as perform. Second, SES forced the ECA staff to learn more about marketing. Gaining a better sense and understanding of marketing their for-profit services has elevated the ECA's ability to market their non-profit work.

By identifying the business opportunity, ensuring staff commitment, working hard, and being creative, the ECA, a weatherization non-profit, is achieving remarkable success with SES in fee-for-service work. And, while SES plans to complete its corporate separation from the ECA by the end of this year, the benefits of their relationship are only expected to grow.