

## 2.2.2 Remodeler Market

As of 2007, 650,000 firms were in the remodeler industry, but only 30 percent of those generated more than \$100,000 a year in revenues, and only 15 percent generated more than \$1 million.<sup>10</sup> These figures highlight just how strongly the remodeler market is dominated by small companies (i.e., those with 1 to 15 employees and less than \$100,000 in annual revenues). Firms enter and exit the market with ease, leading to a lack of a large number of medium- to large-sized firms. Competition is strong, with new firms attempting to establish themselves and build customer bases by undercutting one another on a price basis. Only 20 percent of remodelers currently offer any type of home energy upgrade services, although an additional 40 percent are considering doing so.<sup>11</sup> It is significant that 60 percent of remodelers are considering development of energy efficiency service offerings to help differentiate within a crowded market characterized by increasing customer interest in efficiency.

Remodelers' entry into the residential energy efficiency market can be characterized by three types of approaches: early adopters, the early majority, and later adopters. To date, early adopters consist of the largest remodelers, those making revenues greater than \$3 million annually. These remodelers are interested in expanding their services to differentiate themselves in a highly competitive market characterized by increasing customer interest. They represent the smallest share of the overall remodeler market. Late adopters consist of many smaller remodelers, or those making annual revenues below \$1 million. They tend to be less well established and lack the resources to add new services or to risk entering a new market. The early majority remodelers, with annual revenues between \$1 million and \$3 million, are currently monitoring the success of the market leaders in selling home energy upgrade services but are well positioned to move into the market, especially those with access to capital that can help them expand.

### Key Insights

Remodeler Insights		
	Observations	Impact on Potential Expansion into Residential Energy Efficiency Market
<b>Market</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The most well-established remodeling firms generate more than \$1 million in annual revenue, representing just 15 percent of the market.</li> <li>Below \$1 million in annual revenue, companies are typically not large enough to consider hiring new staff or adding service offerings.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Smaller firms may have difficulty expanding into the residential energy efficiency market without outside assistance.</li> <li>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.</li> </ul>

<sup>10</sup> Harvard University, The Joint Center for Housing Studies. *A New Decade of Growth for Remodeling*. (2011). <http://www.jchs.harvard.edu/research/publications/new-decade-growth-remodeling>.

<sup>11</sup> Source: Industry interviews. (See "Acknowledgements" for a complete list of industry representatives interviewed.)