3.2.3 Non-utility Program Administrator Business Model

The following sections focus on the five core components of a non-utility program administrator's business model. These sections highlight the critical elements of how a program administrator functions within the market and how other organizations within the market can best collaborate with them.

> **OPPORTUNITY STATEMENT: Non-utility program administrators have many advantages in designing and structuring their services to best reach local contractors and customers. A program that understands its local market's needs can form critical partnerships to help local businesses generate new revenue streams and increase demand for home energy upgrades. Ultimately, all non-utility program administrators should seek to move toward a sustainable model not reliant solely on grant funding.**

3.2.3.1 Governance

Program administrators can be public NGOs, or private for-profit third-party implementers, with a range of complexity and chains of command (Figure 3-5). Program administrators are charged with administering funds to implement energy efficiency programs. While government entities typically own and fund efficiency programs, NGOs and/or private company program administrators and implementers often subcontract to these government funders to implement programs on their behalf. Regardless of which organizational model is chosen, program administrators are highly regulated and must meet program goals such as performing a certain number of home energy upgrades or saving kWh produced in a particular area during the grant funding period. Over time, as programs shift away from a government-funded and/or government-run model toward an NGO or even private program model, programs will gain greater flexibility. However, the trade-off for this flexibility will be a greater reliance on revenues generated by the program itself and less reliance on securing grant or other funding from government sources.

Section 3.3 of this guide discusses utilities that administer energy efficiency programs.

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Non-utility Program Administrator Governance Models

Descriptor	Government Entity	Private Company or NGO
Ownership and Implementation	▪ Completely government owned (federal, state or local) ▪ Typically program funder and administrator, may be implementer as well	▪ For-profit or not-for-profit company hired by government and utility entities to administer programs ▪ Privately-funded programs are a future possibility
Key Decision-Makers	Federal, state, or local government representatives	Owner, shareholders (if public), board of directors, executive management
Sources of Financing	Public funds and debt	Public funds, owner's equity, debt, and venture capital
Implications	▪ Products and services limited by government regulations and community needs ▪ Profit motive not as influential as other market actors ▪ Extensive reporting requirements	▪ Set product and service mix based on funder/owner/leadership requirements ▪ May be subject to performance-based metrics that will limit ability to offer lower-return and/or riskier service offerings that still may provide value (e.g., education and outreach) ▪ Fewer reporting requirements

Source: Booz Allen research

Figure 3-5: Non-utility Program Administrator Governance Models

Key Insights

Non-utility Program Administrator Insights		
	Observations	**Impact on Potential Expansion into Residential Energy Efficiency Market**
Governance	▪ Program administrator's governance models include the following: – Government-owned (federal, state, or local government) – Private company or NGO (typically a subcontractor or third-party implementer to a government-funded program) ▪ Regulations associated with grant funding may restrict program design or operations, limit service offering, or increase administrative burdens on potential partners. ▪ The program administrator-owner may be a different entity than the third-party implementer, adding layers of bureaucracy.	▪ Program administrator regulatory reporting requirements can be burdensome and may discourage the private sector from working with a program effectively. ▪ Program design flexibility enables non-utility programs to partner with a wide range of private and public organizations in pursuing their mission of delivering home energy upgrades. ▪ Program administrators can increase market sustainability by enabling private companies. This shifts market activity away from government-funded and -run programs to fully private-funded and -run programs.

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Financial Model or Structure

A program administrator's initial sources of funding may come from multiple entities, depending on the program administrator type. While NGOs may have a strong interest in raising private funding, program administrators primarily secure initial funding through grants and other government programs (Figure 3-6).

Currently, many programs use this initial grant funding to distribute financial incentives directly to homeowners. These financial incentives or rebates drive down the cost of home energy upgrades to homeowners and enable program administrators to quickly drive demand and reach program targets. However, this reliance on grant funding has two unintended side effects. One, it limits program growth because programs that do not generate revenues from sales can only provide services up to the amount of their grant funding. Two, by providing incentives to homeowners under this grant model, programs spend their grant funding much more quickly than they may wish to if they are seeking a longer-term role in the market. This model is not sustainable if grant funding is not maintained; at the present time, it is typical for government and private programs to last only as long as their influx of public funding continues, as shown in Figure 3-7.

> **Pro forma** refers to forecasted financial statements designed to show future revenues. Pro forma may differ from traditional financial statements in the sense that they are not audited and may not be computed according to Generally Accepted Accounting Principles (GAAP).

Source: Booz Allen research

Figure 3-6: Program Administrator Initial Sources of Funding
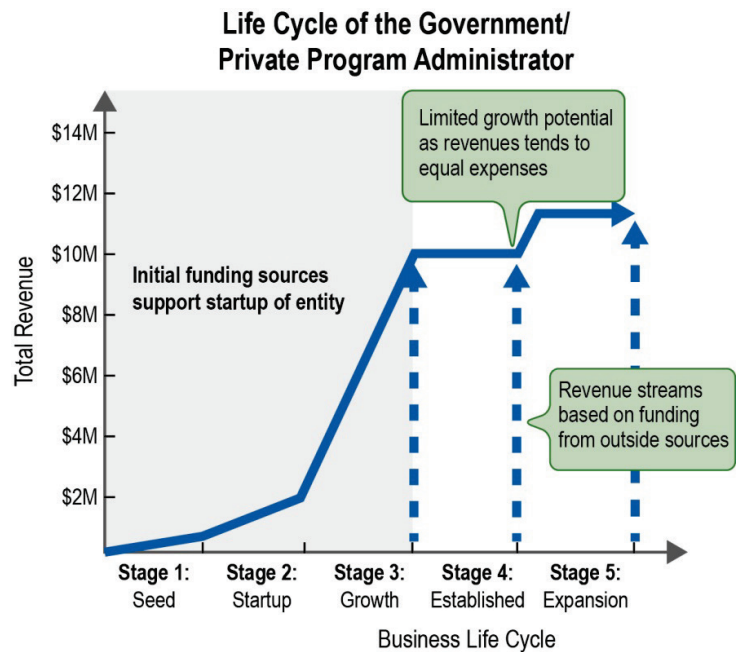
3.2.3.2 Use of Funds

While direct subsidies to consumers drive short-term demand, program administrators (and third-party implementers) should also seek to leverage their initial funding to implement programs that generate sustainable revenue streams. To create a sustainable financial model or structure, a program administrator should evaluate its local market to determine what potential demand for various services could be used to create a basic **pro forma**, and use it to run through high-level scenarios to determine optimal use of funds. This exercise will help the program determine not just what services it should be providing, but also what assets it may need to invest in and what customers it should primarily target (see Figure 3-8).
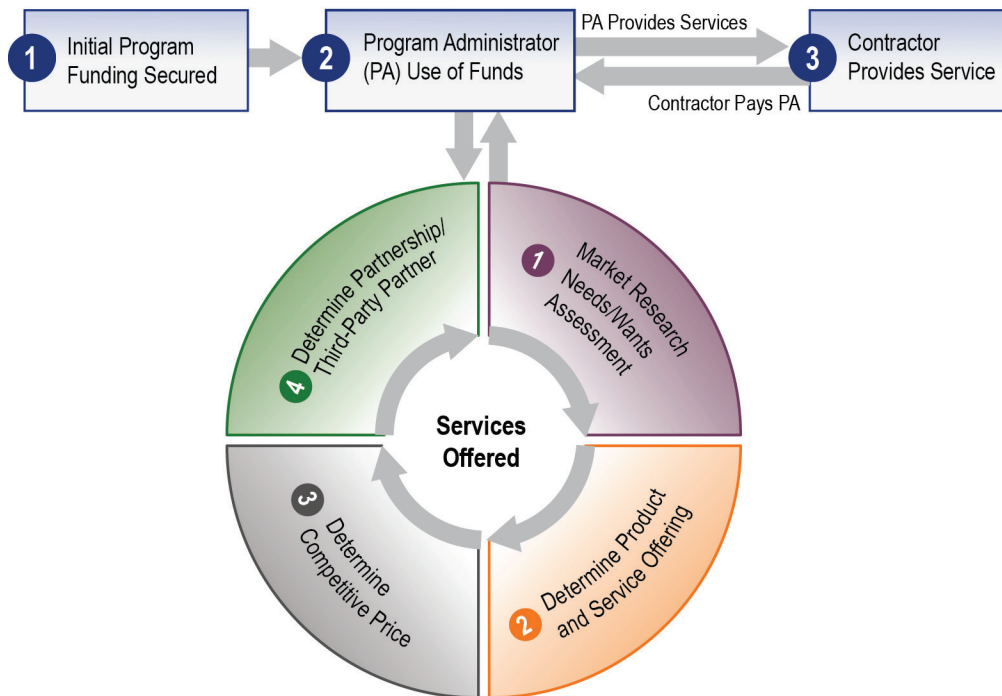

Source: Booz Allen research

Figure 3-7: Life Cycle of the Government/Private Program Administrator

Example of Sustainable Model

Source: Industry interviews

Figure 3-8: Example of Sustainable Model

A program administrator should first conduct market research to evaluate home performance contractor skills and capacity in the area before using funds. Market studies may be available, or the research can be performed by local academia, contractors, or utilities. This market research will enable a program administrator to understand the demand for energy efficiency upgrades among local homeowners and what the local home performance contractor base looks like, as well as the home remodel products and services that are already available.

With this market understanding in mind, a program administrator can then identify service offerings that might provide additional sources of revenue beyond grant funding. These service offerings can either differentiate the organization from other industry players or complement existing products and services. In either case, the service offering should be structured so as not to compete directly with contractors currently operating in, or seeking to enter, the home improvement market.

Once this list of potential services is identified, program administrators should engage with local home performance contractors to determine a competitive price for each. Engaging contractors right from the beginning of the program-design process is critical to ensuring that the program adds value to the local market, rather than providing services that will generate little to no demand. For example, the Better Buildings grant recipient in Charlottesville, an independent entity contracted by the city to manage energy efficiency programs, involved contractors very early in the program-design process through a technical advisory committee composed of local contractors. The contractors advised the program administrator on what services were the most cost-effective. In return, the program imposes quality requirements on contractors, including Building Performance Institute (BPI) certification, a standardized test, and a set of best practices to be followed.

Throughout this process, it is important to keep in mind that government regulation or program owner criteria may dictate what services non-utility program administrators can offer.

Key Insights

Non-utility Program Administrator Insights		
	Observations	**Impact on Potential Expansion into Residential Energy Efficiency Market**
Financial Model or Structure	■ Program administrators often rely heavily on public funding and do not have a comprehensive business plan for generating sustainable revenues. ■ Program administrators can identify sustainable revenue streams through engaging contractors to determine potential demand and pricing for these services. ■ Once pricing and services are determined, a program administrator can forecast potential revenues by integrating data from contractors, and market research into a simple income statement model.	■ At the present time, program administrators typically only last as long as their influx of public funding. ■ Program administrators must leverage their initial funding to implement programs that generate sustainable revenue streams. ■ Program administrators can partner with utilities, contractors, and financial institutions to leverage the expertise of established firms to deliver services that the program cannot provide directly.

3.2.3.3 Assets and Infrastructure

Business management software can be the primary asset of a program administrator, enabling the program to control implementation costs and enhance its service offerings. As the program administrator's organization grows, the administrative burden of managing program data and funding source reporting requirements also increases. As a result, program administrators must invest in an asset to manage this increased administrative burden. This may include hiring and training a new staff member to manage additional reporting requirements, leasing a software program, or building custom software (Figure 3-9).

Software Options

Option	Cost	Benefit	Risk	Conclusions
Hire Additional Staff (No Software)	■ Multiple full-time staff required for reporting requirements ■ Average salary is $50,000 plus benefits	■ Potentially cheapest option for small or limited duration programs	■ Limits growth capability ■ Quality of data may be compromised by human error	■ A tradeoff analysis should be conducted to determine the value of hiring ~2 additional staff or leasing a software package
Lease Commercial Off the Shelf (COTS) Software	■ Ranges from $100,000 to $250,000 per year based on customization ■ Cost normally decrease after the first year of service	■ No significant upfront costs to build software ■ Promotes growth ■ More reliable tracking and monitoring than no software	■ Software is not owned and may become obsolete ■ Limited competition may result in greater cost of leased software	■ Most sustainable alternative for small to medium-size programs ■ Soliciting a "Request for Proposals" from multiple vendors may reduce costs
Build Custom Software	■ Depending on size, could be $5M to $10M+ ■ Additional upgrade and operations and maintenance costs required	■ Supports potentially unlimited growth of program ■ Software can be leased to other programs to support costs ■ Supports large-scale database of client records	■ The large cost of software build will require significant revenue generation to break even ■ Not sustainable unless program is large-scale	■ Only suitable for large-scale programs, as large up-front cost creates a significant barrier

Source: Industry interviews

Figure 3-9: Software Options

Hiring and training an additional administrative staff member is often attractive because the initial investment is low and it often appears to be the cheapest option. However, this option limits the long-term growth of the organization and will require hiring further staff in the future. Investing in a software system, on the other hand, enables program administrators to streamline administrative functions regardless of program growth moving forward.

A program administrator should analyze the costs and benefits of each option when selecting a software system, as shown in Figure 3-10. Leasing a software system is typically the best option for a program administrator: custom-built software has a high cost and is a better fit for large, established organizations that are seeking to sell software services as a primary service offering. Steps a program administrator must follow if he/she selects a lease option include identifying partners, initiating a request for proposals, and then selecting the provider.
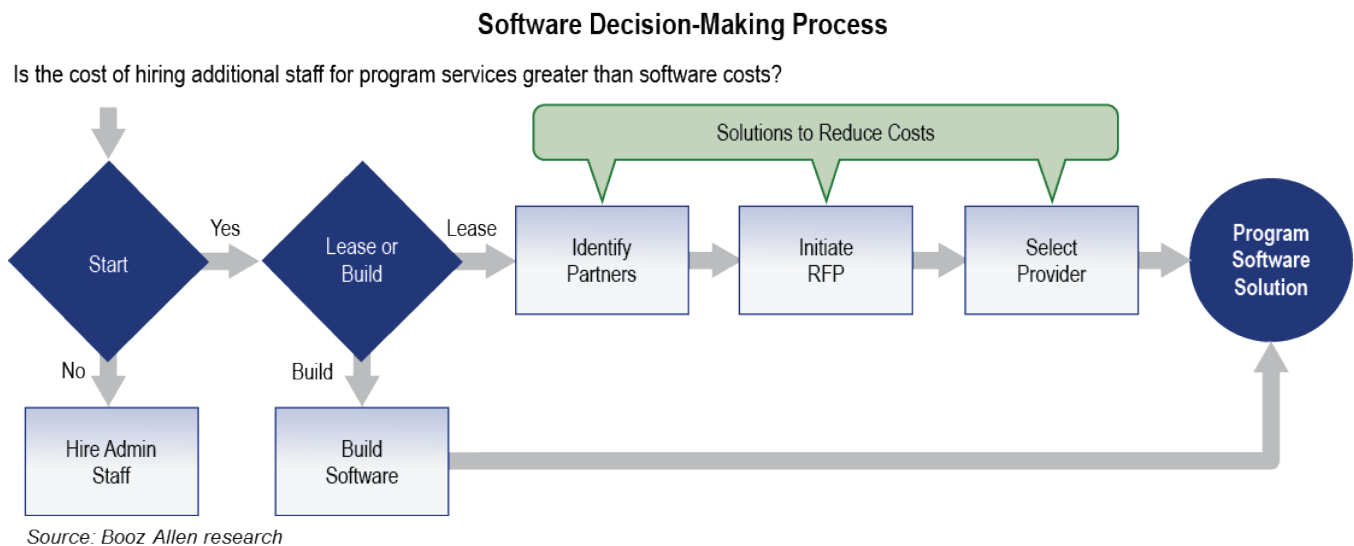

Source: Booz Allen research

Figure 3-10: Software Decision-Making Process

For those programs that choose a leasing option for software, it may be best to identify other local programs that may be interested in purchasing a bulk license to help control costs. A software system enables program administrators to collect valuable data such as information on potential customers, job progress, and building performance data. This data enables a program to meets its basic reporting requirements and justify its use of grant funding. Additionally, the software enables program administrators to capture qualitative and quantitative data that can be used to educate contractors and customers on the value of home performance, communicate job progress, and capture incentives data in a cost-effective way. Also, in looking forward to a sustainable program model, the building and program performance data captured by a software system can help program administrators raise additional funds from potential investors.

The next step in determining what software option is right for your program is to initiate a request for proposals. This allows multiple software providers to send price quotes and software service specifications to the program administrator for evaluation, promotes competition in the software market, and may drive down the overall cost of purchasing or licensing a software package for the program.

Program administrators should select the software provider that provides the greatest return for the products offered—not always cheapest option, but always one with a proper blend of services and cost effectiveness.

The chosen provider must support the full range of future services the program wishes to generate revenue from, such as providing a field tool for contractors or a homeowner energy tracking tool for quality assurance.

3.2.3.3.1 Brand

A recognizable brand can drive the sales of goods and services well into the future, making it valuable for an extended period. A strong, reputable brand could lead to additional sources of revenue. For example, contractors are willing to pay for cooperative advertising with a well-branded program. However, building a consumer-recognized brand is very expensive and time-consuming, and requires tremendous diligence. For this reason, leveraging existing brands or organizations (such as ENERGY STAR) could be an attractive option.

Key Insights

Non-utility Program Administrator Insights		
	Observations	**Impact on Potential Expansion into Residential Energy Efficiency Market**
Assets and Infrastructure	■ Perhaps the most critical program administrator asset is its reputation, which is critical to marketing energy-efficient goods and services both to customers and potential program partners. ■ A major program administrator asset is program management software, which can be costly if not optimized to program needs. ■ Program administrators can leverage software to streamline administrative functions. They can also generate revenue by providing data services to home performance contractors and other programs. ■ Program administrators may be able to purchase a multiple-license agreement at a bulk discount and/or sub-license additional licenses to neighboring programs at a discount. ■ Program administrations wishing to sell software to other programs or contractors as their primary service will need to build their own customer software package.	■ A well-developed program brand image can help a program not only sell its own services to customers but can also serve as a new offering to potential partners. The program could leverage its credibility with the consumer to endorse services offered by partner contractors or utility programs. ■ Investment in software enables a program administrator to be more sustainable in the energy efficiency market by reducing costs and creating additional revenue streams. ■ Software packages that can collect data on customer demand, job progress, and building performance can also enable program administrators to streamline reporting requirements and illustrate program value and growth potential to future investors.

3.2.3.4 Service Offering

Program administrators offer a wide range of services in an array of markets, but perhaps the most important service that a program can offer its local market is the creation of demand for home energy upgrade services.

Contractors, in particular, may benefit from program administrators' efforts to create demand. However, many program administrators may generate a large number of energy assessment leads that do not generate sales, due to the fact that many homeowners are willing to accept an energy assessment for free even if they have no intention of paying for follow-on work. By charging the customer a token fee for the assessment, rather than providing it for free, the program ensures that only customers with a real interest in energy efficiency upgrades are taking advantage of the assessment service. Depending on the market, the program administrator may conduct the assessment itself, assign sales leads to pre-qualified contractors, or

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allow the customer to choose which contractor will do the work from a pre-qualified contractor list. Each of these approaches has various implications for the residential energy efficiency market. While small home performance contractors may benefit from having leads assigned to them, as they have relatively small marketing budgets and/or less of a proven track record, larger home performance contractors may find that assigned leads direct business away from them and toward their smaller competitors. In cases in which the program performs the work itself, no contractor that does not supply in-house support for the contractor can benefit from an assigned lead. This approach has significant implications for the long-term sustainability of a private market because the program tends to squeeze out private competition.

3.2.3.4.1 Training

Program administrators should target training service offerings where they will do the most good for the market. This requires targeting established contractors rather than the general workforce, which may not be fully committed to future careers in home remodeling. Established contractors will use the training to implement home remodels because they have established customer bases and industry knowledge. The general workforce, on the other hand, may find the education and certifications interesting, but they may not actually use the skills or possess the industry knowledge necessary to meet program goals or contractor hiring needs.

Additionally, program administrators can provide even more value in the home improvement market by offering business and sales training rather than technical training. Many contractors have no formal training on how to strategically run their business or sell home energy upgrades to customers. These skills are invaluable for driving demand and sales. Technical training, on the other hand, is available to contractors through many other avenues (e.g., BPI, manufacturers/distributors, and government agencies).

Due to the increasing complexity of reporting requirements, programs can greatly benefit from including program reporting training with its typical technical and business-related training. Before designing program data requirements (e.g., for the claiming of incentives), the program can determine the data local contractors are already collecting and tie program reporting requirements to existing metrics rather than with new data sources. This helps minimize the need for additional training.

3.2.3.4.2 Service Offering Revenues

In addition to adjusting service offerings to enable other market players and increase home energy upgrades, program administrators must adjust their service offerings to generate revenues beyond grant funding. Program design and implementation budgets represent less than one-third of total costs for successful programs that provide direct incentives to consumers (Figure 3-11). This ratio may vary in a move toward a more sustainable model.

Service Offering Cost Drivers

		Percentage of Cost: Program Design and Implementation	
		Cost Type	% of design and implementation cost
		Marketing/Outreach	35%
		General and Admin	20%
		Program Oversight/ Quality Assurance	15%
		Technical Assistance to Customer	20%
		Software	10%

Pie chart segments: Event 12%, Internet Search 24%, Energy Assessments 2%, Direct Customer Incentives 24%, Program Design and Implementation 33%, Other 5%
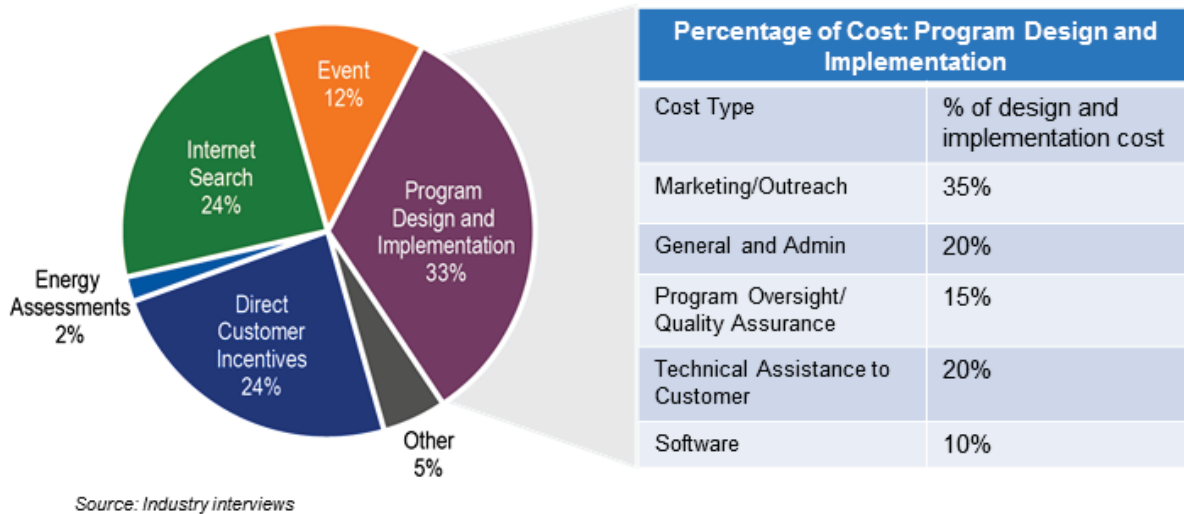
Source: Industry interviews

**Figure 3-11: Service Offering Cost Drivers**

While all programs offer direct incentives to consumers as a service offering, market studies demonstrate that when homeowners are offered the choice between direct incentives and other discounted financing options, they will take the direct incentives the vast majority of the time.

As seen in the sample program funding analysis in Figure 3-12, as a program begins to offer direct incentives, homeowners demand incentives over other service offerings. This service offering drains program budgets quickly. While direct incentives are useful for driving market demand, they must be carefully targeted to maintain program sustainability. Therefore, program administrators need to be careful to limit their distribution of direct incentives, possibly through limited-time offers or contests. Additionally, program administrators should be transparent about the limited availability of direct incentives. They should communicate clearly with customers and contractors to ensure that they do not generate confusion in the marketplace or create an over-reliance on their program incentives and undermine their program's long-term market sustainability. Additionally, the process of validating specific performance standards required to claim an incentive can be long and costly, both to the program (conducting project review and quality assurance) and to the contractor seeking to claim an incentive on behalf of a homeowner (long delays in project payment put strain on their cash flows). As a general rule, a simpler incentive structure benefits all associated parties.

Program administrators can also employ numerous revenue generation options to support a sustainable business model (see Figure 3-13).

Sample Program Funding Analysis

Market Adoption of Program Incentives as % Program Service Budget (2001–2010)
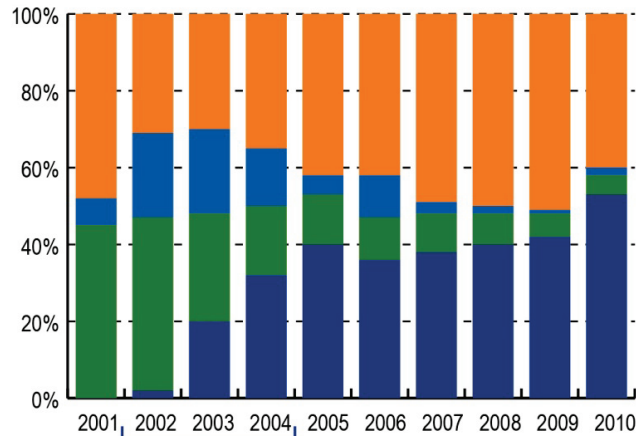
A side effect of direct incentives is that they can cause uncertainty in the marketplace; note three-year window before consumers felt secure in claiming incentives in bulk

Legend:
- Contractor Incentives
- ENERGY STAR Financing Buydown
- Loan Fund Buydown
- Direct Incentive
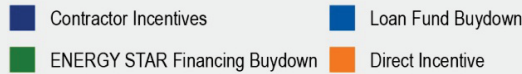
Contractor incentives include advertising incentives, software usage costs, equipment package incentives, training, and certification

Source: Industry interviews

Figure 3-12: Sample Program Funding Analysis

Potential Revenue: Streams and Generation Options

Revenue Drivers (Revenues from Contractors)
- Marketing Fees
- QA Fees
- Equipment Leasing Charges
- Software Access Fees
- Membership/Sponsorship Charges

Revenue Drivers (Revenues from Other Programs)
- Consulting Service Charges
- Software License Sub-leasing
- Sale of Attributes (e.g., RECs)
- DSM Marketing Fees
- Contractor QA and Certification Fees
- Project Management Service Charges

Revenue Drivers (Financial Revenues)
- Interest Income
- Loan Fund Management Fees

Revenue Drivers: (Revenues from Customers)
- Energy Assessment Fees
- Owner's Representative Service Charges

Sustainable Revenues

Source: Booz Allen research

Figure 3-13: Potential Revenue: Streams and Generation Options

The primary source of revenue that is available to all programs is the generation and sale of high-quality leads to local contractors. All contractors interviewed indicated that they already spend a great deal of their marketing budget trying to identify leads and that a quality lead can cost up to $300 ($250 average) in terms of time and effort. Many contractors would be willing to pay a third party (such as an efficiency program) to do this work.

Offering discount loans to customers is another option for programs seeking potential sources of revenue. As the program receives the repayments, they can use these funds to buy down the interest on new loans every year. Revenues from the issuance of loans are highlighted in Figure 3-14, which represents a sample income statement for a program administrator. The main goal of an income statement is to ensure that the annual influx of cash is sufficient to support incentives as well as program administration costs and interest payments if the program received debt financing. Many of the contractors interviewed indicated that these financial services provide significant value by helping them close sales that they might otherwise not have made. As other market-based financing options tend to be expensive, a program offering a lower interest rate on its financing would be highly appealing to both customers (as a means of financing jobs) and contractors (as a means of selling jobs).

Sample Income Statement Program Administrator Year End 2011	
REVENUE	
Repayment from Loans	$500,000
Training	250,000
Total Revenue	750,000
COST OF GOODS SOLD (COGS)	
Loan Subsidies	200,000
Training	100,000
Direct Incentives	20,000
Technical Assistance to Customers	60,000
TOTAL COGS	**380,000**
GROSS PROFIT	**370,000**
OPERATING EXPENSES	
General and Administrative	262,500
Total Operating Expenses	262,500
OPERATING INCOME	**107,500**
OTHER EXPENSES	
Interest Expense	60,000
Total Other Expenses	60,000
NET INCOME BEFORE TAXES	**$47,500**

Source: Booz Allen research

Figure 3-14: Sample Income Statement for Program Administrators

One other potential source of revenue is the acquisition of a software system that enables program administrators to track and manage customers, jobs, and contractors, as well as to collect data centrally and streamline incentive reporting requirements. Revenue can be generated through the purchase and sub-licensing of the software with other programs to generate savings from bulk purchasing. The assets or infrastructure section of this model highlights some potential software options and benefits. One contractor interviewed indicated that the value (in terms of lower cost) of software that could reduce administrative labor would be in the range of $60 to $80 per job.[35]

Program administrators can also generate revenue directly from homeowners. For example, rather than offering rebates to contractors to make energy assessment services free, as is currently the case in many locations, program administrators may choose to charge homeowners a small fee for the service. This generates a revenue stream for the program, and it also ensures that all homeowners enrolling in the program have both the disposable income and the interest to invest in home performance improvements, thus saving the program costs on assessments unlikely to lead to additional work.

Another service that a program administrator may wish to offer to customers is a job-management role known as a "concierge" service. In this role, the program serves as a representative of the customer in overseeing the work done by the contractor, ensuring that the work is quality, all rebates are captured, and the communication lines between the customer and the contractor remain open. To date, many programs

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

have offered this service free of charge, but, based on the high demand for this service in many markets, programs may explore the sale of this service to customers for a small fee.

The other potential alternative to this model would be for a program to sell a concierge service directly to contractors to help them manage their customers and facilitate sales. This model would reduce the potential mixed messaging risk associated with multiple parties advising the customer (assuming that the program and its client contractors coordinate efforts). However, it would also reduce the effectiveness of the program as a neutral third-party advisor. The exact form this service may take will depend on the specific market in which a program seeks to operate in. For example, serving customers directly would require a large enough customer group to make this service profitable and a sophisticated local contractor base to reduce risk in working on their behalf. While these are just a few of the potential revenue-positive services a program can offer to the market directly, there are also potentially valuable services that could be provided via a partnership with other core market participants. For example, a program administrator could partner with a retailer to help drive the purchase of more energy- or water-efficient products post-energy-upgrade by providing coupons for these goods at the retailer's local store. The discount provided by these coupons could be generated through a negotiated bulk purchase of each product selected from the retailer. Such benefits to program enrollment would help generate interest in the community and could lead to additional customers for both program and retailer.

Alternatively, a program with a local contractor base that consists of generally small firms has a number of viable partnership options. These include helping to coordinate across industry silos (for example, serving as a broker to help specialist contractors partner up to do home energy upgrades), aggregating local contractor marketing budgets, and running a cooperative mass-media campaign under the program's brand name. Each of these options represents potential value to the market that the program could capture to help sustain its operations in a non-grant-funded scenario.

Key Insights

Non-utility Program Administrator Insights		
	Observations	**Impact on Potential Expansion into Residential Energy Efficiency Market**
Service Offering	■ The program administrator's services include: – Generating and allocating leads – Serving as enablers of financing or incentives for home performance work – Qualifying and training contractors – Providing installation work and quality assurance work directly in some cases. ■ Aligning program service offerings with other existing market actors' (e.g., utilities) can help reduce customer confusion by lowering the potential for mixed messaging. ■ If given a choice between indirect benefits, such as discount loans, and direct incentives, homeowners will take the direct incentives. It is difficult to find the right balance between direct, non-sustainable subsidies to homeowners to spur demand and indirect service offerings that can extend program life. ■ Programs have flexibility to partner with other actors in the market.	■ Program administrators need to build and maintain relationships with local contractors and customers to effectively drive home energy upgrades in the long run. ■ Program administrators can help smaller home performance contractors generate business by allocating leads, although this may be frowned upon by established home performance contractors who have more established lead generation systems. ■ Program administrators may stunt private sector growth by doing installation work directly, rather than enabling private companies to provide home energy upgrades more effectively. ■ Program administrators must balance customer incentives with other service offerings that can cover program administrative costs. ■ Program administrators can offer a source of leads, low-cost customer financing, training, admin software, energy assessments, and third-party validation to generate sustainable sources of revenue.

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Non-utility Program Administrator Insights		
	Observations	**Impact on Potential Expansion into Residential Energy Efficiency Market**
		■ Program administrators can generate revenue directly from homeowners, for example by charging a small fee for energy assessment services or offering homeowners a "concierge" service. ■ Program administrators can offer valuable business and sales training to companies seeking to become home performance contractors— these companies generally need this type of training at least as much as technical training. ■ Key industry partnerships can help programs expand their potential revenue base through co-branding and referrals.

3.2.3.5 Customers and Customer Acquisition

Program administrators typically target a broader audience than private companies, which may focus on a narrow demographic group they find profitable. For example, publicly funded programs may use neighborhood-specific strategies such as "sweeps" or programs aimed at low-income demographics. These options may be too large-scale or may not be profitable for a standard business. The full range of strategies employed by program administrators is outlined in Figure 3-15. Many of these strategies are successful, cost-effective ways to reach homeowners. However, as program administrators move toward a revenue-driven model, they may find they need to eliminate some of the more costly options or narrow their focus to segments of the market that can drive their sales.

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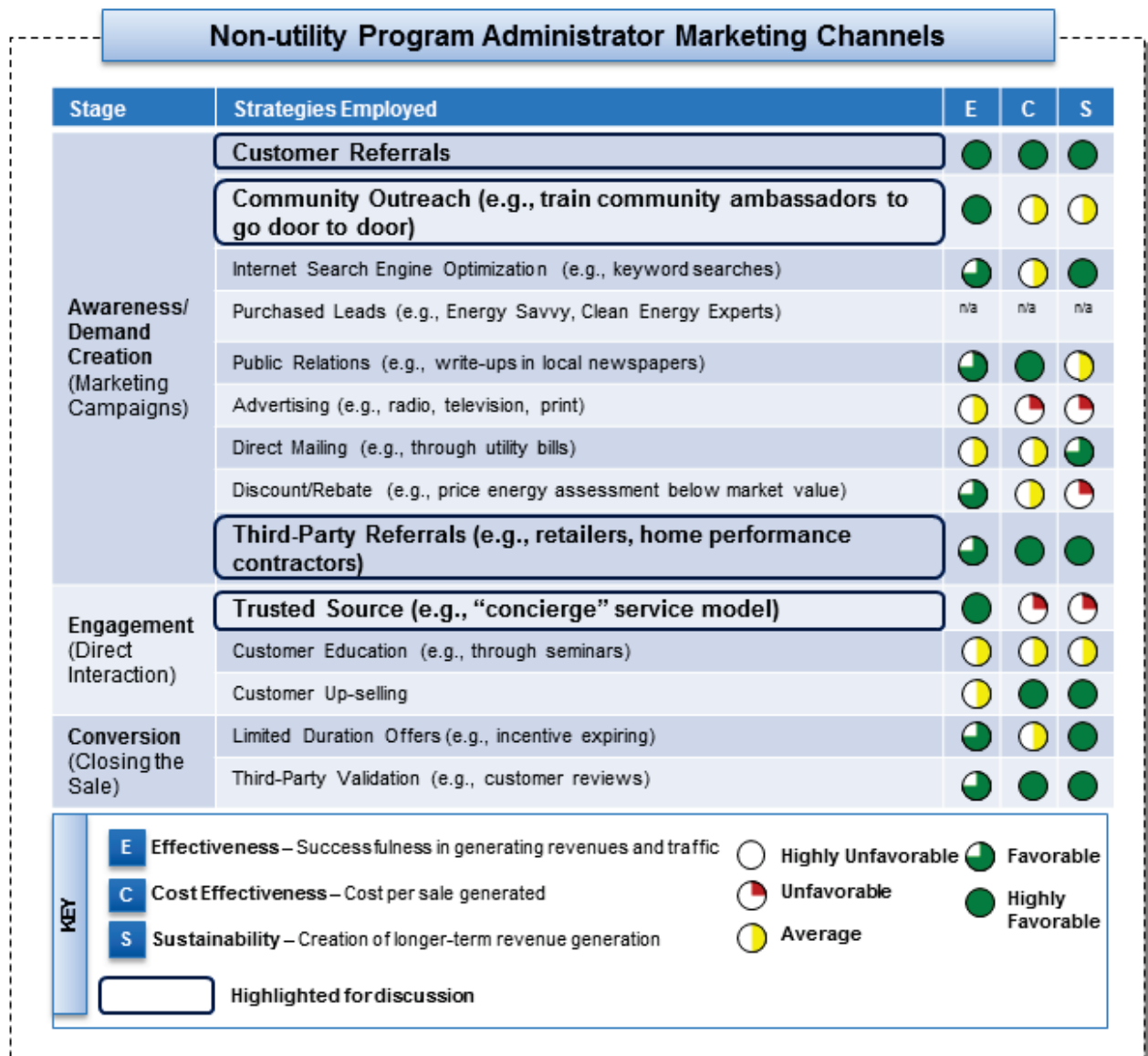
Figure 3-15: Non-utility Program Administrator Marketing Channels

Building public awareness through **community outreach** is a key program administrator role, but the high cost of long-term education and outreach programs is an issue for program sustainability. To this end, program administrators should consider partnering with outside stakeholders such as neighborhood groups, churches, and other public programs to help spread their educational materials at a lower cost to the program. Training a group of local, influential leaders to teach others about the benefits of energy efficiency is a way to build widespread marketing initiatives without significant spending on advertising. These strategies are critical, as the private sector does not tend to invest in large-scale education and outreach programs to move the market.

Additionally, investment in a program's brand (as outlined in the assets and infrastructure section of this model) is critical to driving both **customer referrals** and **third-party (contractor) referrals** to program services. These referrals are critical drivers of program success, and they are highly cost-effective ways to

generate new leads for home energy upgrade services. A strong brand associated with customer service and quality work can help build customer (and by extension, contractor) confidence in the program and help spread a program's reach through word of mouth.

Finally, a strategy that has been adopted by many programs and been highly effective to date is the **"trusted source (concierge)"** model. The concierge service essentially puts the program in the role of a project manager, coordinating the efforts of the homeowner, contractor, and other associated parties in a home energy upgrade to ensure that the work is done correctly, financed appropriately, and completed in a timely manner. While programs have seen a large uptake of this service, it has proven costly to sustain.[36] A potential opportunity that is currently being evaluated is to begin charging "concierge fees" to homeowners to help mitigate the cost of providing such a labor-intensive service. Another model under consideration is the sale of the concierge service to contractors as a means of providing the customer with a knowledgeable, dedicated customer service representative. Both options have value (e.g., customers obtain a neutral third-party job manager and contractors obtain assistance with customer service and sales). However, the optimal solution for a program considering this service offering will likely depend on the local market they are serving. Key questions the program should consider in assessing its market include the customer's willingness to pay for third-party oversight and the quality of contractors influencing the strength of the program's brand.

Key Insights

Non-utility Program Administrator Insights		
	Observations	**Impact on Potential Expansion into Residential Energy Efficiency Market**
Customers and Customer Acquisition	■ Program administrator marketing efforts are essential to the development of the market but can be costly to maintain if outside stakeholders are not properly leveraged. ■ Program administrators can train local "champions" to promote program goals. This is a cost-effective way to promote education on efficiency. ■ There are two basic concierge models that a program could provide: customer representative to the contractor or contractor representative to the customer.	■ The program administrator can play a key role in generating awareness of energy efficiency and driving demand for home energy upgrades. ■ Collaborating with other actors and market "champions" is an effective way to develop market demand. ■ The type of concierge model chosen by the program should be structured based on the attributes of their local market including the relative sophistication of the customer and the contractors.

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[36] Source: Industry interviews. (See "Acknowledgements" for a complete list of industry representatives interviewed.)

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