



Spotlight on Portland, Oregon: Making the Program Work for Contractors

Key Takeaways

- Solicit ongoing feedback from contractors and participants and use information to guide program improvements
- Encourage formal contractor networks that are able to represent contractors' needs
- Design contractor incentives that align with program goals
- Reward high-performing contractors and support new professionals with skills training and mentoring



The Better Buildings Neighborhood Program is a U.S. Energy Department program that is improving lives and communities across the country through energy efficiency.

To learn how the Better Buildings Neighborhood Program is making homes more comfortable and businesses more successful and to read more from this Spotlight series, visit betterbuildings.energy.gov/neighborhoods.

As a program charged with saving energy and supporting economic growth, Clean Energy Works Oregon (CEWO) balances contractors' work priorities with the program's need to enforce quality standards, track results, and ensure good customer service. From the outset, CEWO leadership knew that actively engaging contractors would be critical to the program's success, but figuring out how to do so has been a learning process.

As of May 2012, CEWO had 50 home performance contracting firms in its network, had completed 1,600 upgrades since the pilot launched in summer 2009, and received extremely positive feedback on their contractors' performance in customer surveys. Additionally, 40% of projects completed under the program are the result of contractor marketing.

CEWO has achieved this success with ongoing feedback from contractors and participants, as well as data analysis that led CEWO leadership to use incentives to better align contractor goals with program goals. By working with a unified group of contractors, CEWO staff have been able to identify problems quickly and find solutions acceptable to both the contractors and the program. And after observing contractors' varying levels of technical experience and business savvy, CEWO created numerous business development classes as well as mentoring opportunities for new contractors.

Ensure Contractors Take the High Road

CEWO started as a pilot in Portland, Oregon, in summer 2009 with a mission to eliminate the cost barriers that hinder consumers from undertaking deep energy upgrades, save energy, and transform the energy efficiency market. The program wanted to accomplish this mission in a way that equitably employed a diverse set of contractors, including minority-owned, women-owned, and emerging small business contractors. To both ensure high-quality work and spread this economic opportunity to workers from disadvantaged communities, CEWO selected top performing home performance firms that follow best practice quality assurance protocols and meet High Road Standards.¹ The program also tracks results across a range of metrics.

These requirements encouraged local contracting firms to change and improve their business practices, which was a challenge for some of them.



¹ High Road Standards require the program's participating contractors to pay their employees Family-Supporting Wages (at least 180% of Oregon state minimum wage), provide health care, hire new staff from designated community training programs, and employ a diverse workforce. CEWO has a High Road Committee, which includes contractors, that created these standards and updates them in response to program experience.

Encourage Development of a Local Contractor Network

CEWO started holding monthly evening meetings with contractors to gather feedback early in the program's development process to smooth the transition, but the meetings did not always have agendas or all the relevant decision-makers in the room. As a result, problems frequently could not be fully addressed during these meetings. New decisions were sometimes announced, instead of discussed and improved with feedback from contractors. Contractors were not always able to give feedback early enough in the process to make a difference.

To enable more meaningful feedback, CEWO staff began holding meetings every two weeks with a rotating group of contractors at a more convenient time, 7:30 a.m. The meetings have agendas and include representatives from partner groups such as the Energy Trust of Oregon—the state's administrator of utility ratepayer funds for efficiency—and CEWO's quality assurance firm. Having all the players in the room has meant that issues can be worked out more efficiently.



While being open to feedback and holding regular contractor meetings are an important start, CEWO has also realized how important it is for contracting firms to be organized enough to express unified opinions and provide representation at the many program meetings and forums that no single contractor would be able to attend. In the early days of the program, contractors provided a range of feedback—sometimes conflicting—on a broad array of issues. Because most home performance firms are small businesses, contractors who could not come to every meeting felt that decisions were often made without their input. A few politically savvy contractors decided that they needed an organization to represent contractor business interests across the state and created the Home Performance Contractors Guild of Oregon. Through the Guild, contractors are able to organize their opinions into a unified voice and have a more formal role in program and policy discussions.

To build the Guild's capacity to organize the contractor community and give clear guidance to program staff, CEWO worked with early

Guild members to secure funding for its first staff person, Executive Director Don MacOdrum. Many of the local contractors joined the Guild, and the contracting community began to speak with a unified voice. As of May 2012, the Guild had 37 home performance contractor members across Oregon, including more than two-thirds of CEWO's contractors. With the Guild's board and executive director representing and providing them with relevant information, the contractors are able to focus more on running their companies.

Having one coordinated group of stakeholders also helped CEWO staff get timely, constructive feedback from contractors. For example, when CEWO was considering business development support to help contractors improve their performance, the Guild was able to survey its members and provide guidance, which informed the services described below.

Gather Feedback to Address Problems Early

CEWO engages the Home Performance Contractors Guild of Oregon regularly to understand contractors' views early in decision-making processes and to avoid creating problems. For example, when CEWO engaged a new financing partner, the Guild was able to examine the loan product and approval process. Because contractors are the ones who explain and promote the program's financing options to customers, it was important that the product be something they could market. In this case, Guild leadership identified an issue that the loan signings would occur too late in the contractors' sales process for the product to be useful to them. As initially designed, contractors would not know if a customer would accept the loan and be able to pay for the upgrade work until after the contractor had invested considerable effort into a project. As a result, CEWO changed its agreement with the financing partner, and the loan signing now happens earlier in the process.

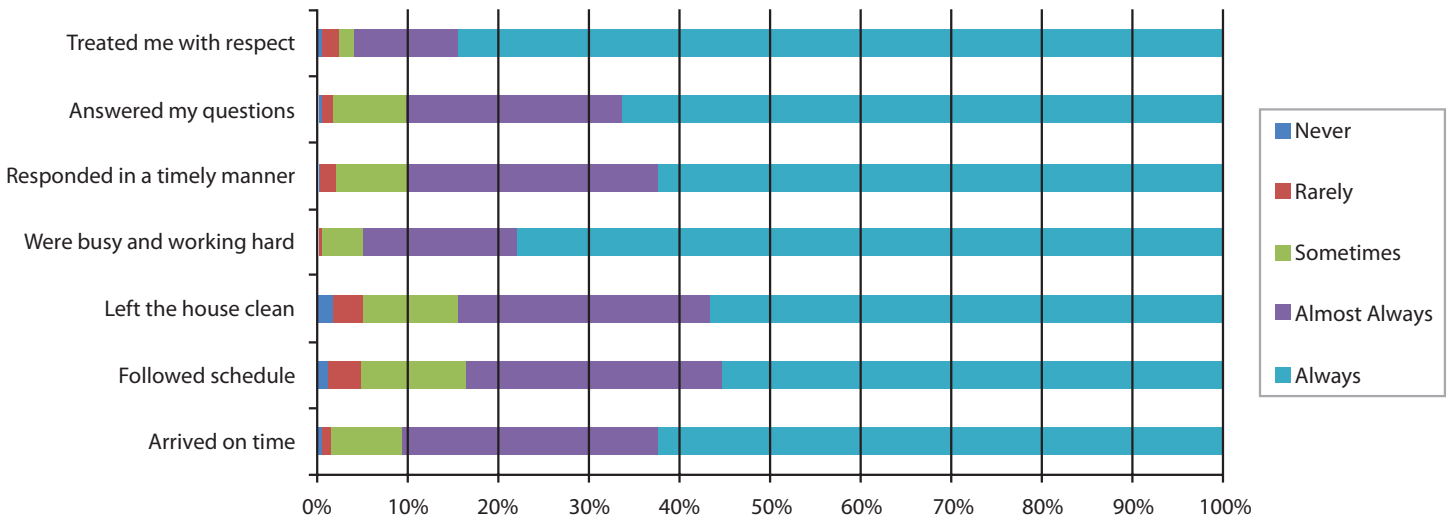
Use Data to Align Contractor Incentives to Meet Program Goals

In addition to contractor and participant feedback, CEWO collects both quantitative and qualitative data to identify areas for improvement and to determine how to better align contractor incentives with the program goals. The program's data collection efforts initially met resistance from contractors, and a turning point occurred when the contractor firms and CEWO agreed that improvements to the program's business systems were vital to achieving shared goals and reach scale. These efforts were possible due to shared values and trust between both parties.

The program regularly requests feedback from customers to see how contractors can improve their customer service. Quarterly customer surveys of participants who have completed assessments

Figure 1: Customer Feedback on their Experience with Contractors

(Responses from program participants April 2011 through March 2012)



and upgrades include questions about customer satisfaction with the contracting firm’s work. This feedback enables the program to track what is working and what is not, and to respond with improvements quickly.

Figure 1 demonstrates that contractors are highly regarded; most participants perceived the program’s contractors as hard-working and respectful. Based on the survey results, the program also has urged contractors to improve scheduling and do a better job of cleaning up after they complete their work.

Further, in tracking customers’ progress through the program, CEWO found that contractors were performing as many assessments as they could to claim projects but were slow to follow up with the upgrades, which resulted in frustrated customers and fewer upgrades than anticipated. CEWO leadership examined their incentive structure, which was paying contractors \$400 for every assessment they completed (the assessment is free to the customer). Realizing that CEWO had incentivized the assessment over the upgrade, the program modified its process to give contractors \$100 after the assessment and \$300 when they complete the upgrade. This approach encourages contractors to move customers through the process more quickly and rewards contractors for energy savings and assessments, which better aligned the program’s interests with those of the contractors.

Grow the Program by Rewarding Top Contractors and Helping New Ones

When CEWO started, there were a few experienced home performance contractors in the region, but many more would be needed to meet the demand created by the program. CEWO actively recruited new contractors, but in the first year

of the program, CEWO’s quality assurance team found issues with the quality of some contractors’ work and also received customer complaints about the responsiveness of others. CEWO determined that it needed to do a better job protecting its brand and ensuring high-quality work to sustain the program into the future, while also growing its contractor base.

Initially, the program referred projects to participating contractors on a rotating basis; as leads came in, they were assigned to the next contractor in line for work. CEWO leadership realized that this approach did not fully account for the fact that it was not easy for contractors to jump into the home performance industry. As a result, CEWO ultimately created two categories of contractors: “full” contractors, who have a proven track record with the program, and “basic” contractors, who are either new to the program or have had initial performance issues.

Both groups of contractors are expected to bring their own projects into the program. Each contractor is given a unique “instant rebate” code, which assigns the new program participants to their chosen contractors in the program’s data tracking system. When customers enter the program through non-contractor marketing channels, CEWO now only refers these leads to full contractors. To advance from basic to full contractor status, basic contractors must obtain the program’s required certifications, follow the High Road Standards, and bring a minimum of six assessment customers into the program, as tracked by the contractor’s instant rebate code. At least one of the six assessments must result in an upgrade, and all work must pass muster with CEWO’s quality assurance team. Because this system was largely implemented in late 2011 and is relatively new, no contractors had advanced from basic to full status by May 2012, but several were expected to do so later in 2012.

Spur Strong Business Practices With Support Services

Approximately 40% of the program's upgrades are initiated by contractor marketing efforts, and most of these upgrades are brought in by full contractors. This system favors high-performing contractors but also leaves the door open for new contractors to sell their own projects and gain the experience needed to meet the program's full contractor qualifications.

CEWO has learned that quality projects require a wide range of skills and significant hands-on experience. Running an efficient business and developing sales skills, in addition to technical skills, are vital to contractor success. Improving business practices and gaining the experience needed to do quality work takes time. CEWO has developed a range of business support services to help newer contractors create strong business infrastructure that can reach profitability quickly and grow to meet market demand, allowing the program to expand.

In partnership with local business development groups such as Construction Programs & Results and the Metropolitan Contractor Improvement Partnership, CEWO began offering numerous business support services in late 2011 to help grow its contractor base. The selection of offerings was influenced by the Home Performance Contractors Guild of Oregon, and contractor response has been positive. CEWO will be watching for the impact of these service offerings throughout 2012 and 2013.

CEWO Offers Business Support to Contractors

- **Business skills classes** provide instruction in: business and money management; estimating, marketing, and sales; bidding; and production and project management.
- **Business consulting** of up to 10 hours is provided by a coach with experience in construction and expertise in business management and systems. Contractors are given resumes and attend presentations from individual coaches so they can choose the coach with whom they want to work.
- **Peer mentoring** includes focused guidance and shadowing a professional mentor in the field and office. A handful of CEWO's top-performing contractors are just beginning the process of working with newer contractors to demonstrate best practices in home performance, talk about program requirements, and share business ideas. The mentors are compensated with additional project leads from CEWO.
- **A scholarship fund** provides supplemental funds to help cover or offset costs of technical trainings.
- **Working capital** is available through partial payments. CEWO offers contractors partial payments before an upgrade is complete, which eases cash flow challenges that are inherent with small businesses. The contractor can receive advance payments for multiple projects, up to \$100,000.
- **Recruitment events** bring interested new contractors and subcontractors together with existing CEWO contractors to help develop the number of minority, women, and emerging small business contractors in the home performance industry.
- **A business support working group** includes representatives from various home performance organizations, which CEWO coordinates to explore new initiatives, including regional mini-conferences and quarterly workshops on topics of interest to business owners, technicians, and administrative staff.



Portland, Oregon

Program Accomplishments

From summer 2010 through March 2012

Home energy upgrades completed: 1,600

Average cost of a home energy upgrade: \$14,300

Contractor's participating in the program: 50 companies

For More Information

Clean Energy Works Oregon

www.cleanenergyworksoregon.org/

Additional Links

Energy Trust of Oregon
energytrust.org/

Home Performance Contractors Guild of Oregon
www.oregonhpcg.org/

Construction Programs & Results (CPR)
www.markupandprofit.com/

Metropolitan Contractor Improvement Partnership
www.mcip-pdx.org/

Clean Energy Works Oregon Contact

Andria Jacob, Clean Energy Program Manager
City of Portland, Oregon

andria.jacob@portlandoregon.gov, 503-823-7616