



Case Study:

Energy Saving Services

KALAMAZOO, MICHIGAN

Air sealing is the most popular energy efficiency upgrade; one-fourth of Energy Saving Services jobs include air sealing. Here, workers are air sealing the joints of a new HVAC duct system with foil tape. In the background you can see the basement rim joist which was just air sealed with spray foam.

CONTRACTOR PROFILE

Contractor:

Energy Saving Services
(269) 341-4338
www.testthishouse.com

Location: Kalamazoo, Michigan
(Serving SE Michigan)

Home Performance Division Founded:
2009

Employees: 13 full-time, 2 part-time

Certifications of HP Staff:

2 BPI certified, 1 RESNET certified,
1 National Comfort Institute Air Master

Home performance division's average project size reaches \$10,000 in 2011

Since moving into the home performance industry in 2002, Bartholomew Heating & Cooling has successfully continued to build the brand, now known as Energy Saving Services, located in Kalamazoo, Michigan. The home performance division has seen average project size triple to just under \$10,000 since the Energy Optimization-Michigan program began in 2009 and the division's staff has grown from 8 employees to 13. Until recently, Energy Saving Services did not keep financial data separate from its parent company, Bartholomew Heating & Cooling, but Brad Bartholomew, owner of Energy Saving Services notes, "We have continued to grow in size and profitability in spite of a down economy (especially in Michigan) because of home performance."

Energy Saving Services was officially founded in 2009 in response to the proposed HomeStar Legislation passed by the U.S. House of Representatives. Although the bill did not go through the Senate, Brad Bartholomew, owner of Energy Saving Services, decided to keep the company regardless of incentives. Brad Bartholomew is also a third generation owner of Bartholomew Heating & Cooling, a successful HVAC contractor that has been serving Kalamazoo, Michigan, since 1955. Since 2002, Bartholomew Heating & Cooling has offered home performance upgrades as a way to increase the efficiency of the HVAC systems it installs and to provide enhanced services to its clientele. In 2009, the home performance division became an autonomous business. Both businesses are run out of the same office and many employees work for both companies. Neither company participates in national weatherization programs, but Bartholomew Heating & Cooling was a weatherization contractor in the 1970s.



Despite the recession, Energy Saving Services has grown steadily, from 8 employees in 2006 to 13 full-time and two part-time employees in 2011.

“You can’t just add an auditor or train one person. The whole company needs to understand the purpose of home performance. From the person answering the phone to the builders.”

Brad Bartholomew, Owner,
Energy Saving Services

Home Performance Services:

- Energy Checkups
- Insulation
- Air Sealing
- Duct Sealing
- Full-Service HVAC
- Equipment Replacement
- Indoor Air Quality
- Health/Safety
- Water Heaters

In 2002, Bartholomew Heating & Cooling began to offer envelope upgrades along with its HVAC services. Adding energy-efficient upgrades to the existing HVAC business made sense from both a financial and business perspective. Selling home efficiency upgrades is a way to up-sell products and services and also ensures better operation of the HVAC equipment Bartholomew installs. Now, Energy Saving Services is a full-service home performance contracting company offering all upgrades in-house. The company does subcontract with a plumber and builder when necessary.

Business Metrics

Startup costs were relatively low for Energy Saving Services since the company was added to its existing HVAC company, Bartholomew Heating & Cooling, which was well established in the area. Total equipment costs equaled approximately \$15,000, second only to training costs, which were more significant since the entire staff was trained on home performance principles. Brad Bartholomew says “You can’t just add an auditor or train one person. The whole company needs to understand the purpose of home performance, from the person answering the phone to the builders.”

Employee numbers have continued to grow since 2006. Brad Bartholomew notes, “One of the things we are most proud of is the fact that we have kept all of our employees through one of the roughest economic times in Michigan. A big part of this is thanks to our home performance work.”

Although Energy Saving Services is a separate division, the owners of Bartholomew Heating & Cooling do not keep separate financial reporting for each division. The revenue numbers in Table 1 include both Energy Saving Services and Bartholomew Heating & Cooling.

Table 1. Bartholomew Heating & Cooling: Company Size and Business Volume by Year

Year	Employees	Average Project Size (\$)	Revenue (\$)	Total Number of Projects	Revenue per Employee (\$)
2006	8		\$1,100,000		\$137,500
2007	9		\$1,200,000		\$133,333
2008	9		\$1,200,000		\$133,333
2009	10		\$1,400,000		\$140,000
2010	11		\$1,500,000		\$136,364
2011	13	\$10,000	\$1,700,000		\$130,769

Data Courtesy of Energy Saving Services.

Public Programs

Energy Saving Services participates in all public programs available in its area. In southeast Michigan, the two primary utility companies, Consumer's Energy and Detroit Energy, both offer incentives for home performance upgrades. Consumer's Energy administers the Home Performance with ENERGY STAR program, which offers varying rebates to customers based on the type or number of efficiency measures they install in their homes. Energy Saving Services helps homeowners obtain the highest amount of rebates, completes all paperwork, and streamlines the process as much as possible for its customers. Currently, Energy Saving Services gets approximately 50% of its leads through these programs.

Michigan Saves is a nonprofit organization that provides financing for residential and commercial customers who perform energy-efficiency upgrades. Energy Saving Services is part of the Michigan Saves contractor's network and can provide financing to homeowners through the program.

Training

One way Energy Saving Services is able to effectively sell its services is by providing the best training possible to all of its employees. "There needs to be a culture change within the company—from the person that answers the phone to the subcontractors," notes Brad Bartholomew. Training employees is the most effective way to ensure that homeowners are properly educated about home performance and employees are able to identify, recommend, and implement the best solutions to remedy customer complaints.

Energy Saving Services takes training very seriously; all employees from administrative staff to technicians are trained on the importance of home performance. That ethic has resulted in very little turnover for the company—many employees have been with Energy Saving Services from the day it opened.

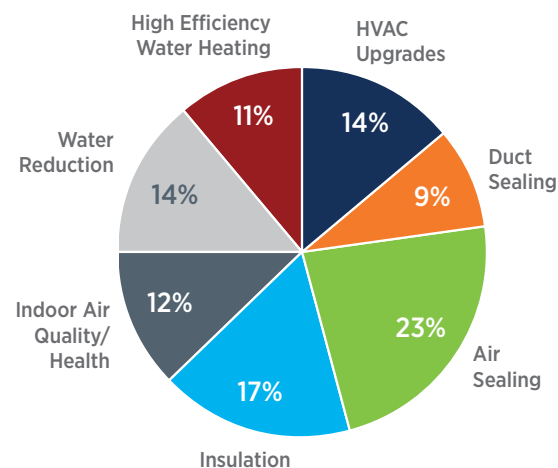
Marketing

Energy Saving Services is in a good position to acquire customers because it is closely aligned with its parent HVAC company. "I believe existing HVAC companies make the most successful home performance companies," notes Bartholomew. This is because HVAC companies already have a solid customer base they can upsell home performance services to or market to directly.



Signage on company cars and trucks is one way Energy Saving Services markets its services. The company also uses radio and newspaper ads, home and trade shows, websites, and direct mailing of newsletters and fliers to new homes and existing HVAC customers. Brad Bartholomew also gives presentations to utilities and at community events.

Figure 1. Energy Saving Services: Distribution of Home Performance Upgrade Measures in Typical Projects



Typical home energy upgrades for Energy Saving Services are relatively balanced and usually include a combination of air sealing, insulation, HVAC upgrades, and water reduction. This includes installing low-flow faucets and showerheads. In Michigan, public programs require contractors to include water-saving methods so upgrade projects that qualify for rebates must include these measures.



www.consumersenergy.com/eeprograms/HPHome.aspx?id=4129&linkidentifier=id&itemid=4129



www.dteenergy.com/residentialCustomers/saveEnergy/homeAudit/resEnergyAudit.html



www.michigansaves.org



www.energystar.gov/homeimprovement

Marketing Strategies:

- Existing HVAC Clientele
- Radio
- Newspaper
- Newsletters
- Direct Mailing
- Websites
- Community Involvement
- Home Shows
- Trade Shows
- Seminars
- Word-of-Mouth
- Networking

“Contractors have to be careful not to make assumptions about the homes. I’ve been in 100-year-old homes that are extremely efficient, and homes built in the ‘90s that have serious problems.”

Brad Bartholomew, Energy Saving Services

Marketing efforts at Energy Saving Services include radio spots, newsletters, newspaper ads, direct mailing, websites, and community involvement. Brad Bartholomew gives presentations to local utility companies and co-ops to enhance awareness of residential energy efficiency. He also participates in home shows, tradeshow, and other local events. Energy Saving Solutions monitors its advertising closely; approximately 50% of all customer leads come from direct marketing programs.

Initial home assessments cost \$495 (with an online coupon worth \$100). This has become a marketing tool for Energy Saving Services along with a way they can help their business stand out against their competitors. “We played around a lot with the price of audits and found that if we don’t value the home checkups, then our customers won’t either,” said Bartholomew. Valuing the initial checkup helps the assessor build rapport with the homeowner and begin to effectively sell their services and educate homeowners. The result has been a 55% closing rate for completed checkups that then book jobs. The assessor and sales person can learn about their clients’ comfort issues and provide the best possible solutions to alleviate those issues.

In general, a roadmap is laid out for the customer based on checkup results, homeowner motivations, and goals of the project. This process allows assessors and sales people the opportunity to get work now, but also to lay out potential future options. Although return on investment, utility bill savings, and simple payback are included in the final checkup report, Energy Saving Services doesn’t focus on these aspects because they don’t end up selling home performance upgrades.

“My job is to educate homeowners to the point where they can make the best decisions for work that they will be most happy with,” says Brad Bartholomew. Thus far, it has been a successful business model for the Kalamazoo, Michigan-based company.