



Case Study:

ISAAC Home Energy Performance

ROCHESTER, NEW YORK

ISAAC Home Energy Performance started in 2009 as a new division of an HVAC company and has grown to 12 employees providing a full range of home energy services with in-house staff. Revenues jumped from \$200,000 in 2009 to \$4 million in 2010.

CONTRACTOR PROFILE

Contractor:

ISAAC Home Energy Performance
(585) 546-1400
www.isaachomeenergy.com

Location: Rochester, New York

Home Performance Division Founded:
2009

Employees: 12 in the home performance division, 200 total

Certifications of HP Staff:

8 BPI Certified, 8 NATE Certified

Home Performance division revenue per project increases by 41% between 2009-2011

ISAAC Home Energy Performance (IHEP) of Rochester, New York, entered the residential energy efficiency market in 2009 as a division of ISAAC's already well-established heating and air conditioning company. By the end of its second year, IHEP saw annual revenues increase from \$200,000 to \$4 million and average project size rise from \$4,000 to \$10,000, compared to its initial year. ISAAC attributes this phenomenal growth to encouragement from state programs, a well-trained staff, attractive financing options, and the established customer base of its parent company, ISAAC Heating & Cooling.

ISAAC Heating & Cooling originated as a small, family-owned heating company in 1945. The company expanded into cooling technologies in the 1960s and gradually added insulation and other services as it grew to more than 200 employees.

In 2009, ISAAC Heating & Cooling opened a separate division devoted to energy efficiency called ISAAC Home Energy Performance. IHEP offers full-service home performance contracting services ranging from home energy checkups, insulation, and air sealing to water heating and window replacement. All services except for window replacement are conducted by in-house employees. According to Division Manager Dominic DeLeo, the division focuses on the "whole-house approach to energy performance." The two divisions of ISAAC are closely intertwined; many administrative services, facilities, and work crews are shared.



Comfort issues and high utility bills are primary reasons homeowners call home performance contractors. Companies reach out to existing clients of their parent companies, and also connect with potential customers through community involvement, tradeshow, seminars, websites, and networking. Renewal System Solutions uses marketing literature to educate homeowners. (Photo source: Renewal System Solutions)

Home Performance Services:

- Insulation
- Air Sealing
- Duct Sealing
- Full-Service HVAC
- Energy Checkups
- Equipment Replacement
- Windows
- Indoor Air Quality
- Health/Safety
- Water Heaters
- Solar Hot Water
- Photovoltaic
- Geothermal

Since starting in 2009, the IHEP Division has grown from 2 employees to 12 and now includes full-time administrative staff, home assessors, and a contracting crew. IHEP also borrows crews from ISAAC Heating & Cooling for equipment installation.

Business Metrics

Startup costs have been reduced for IHEP because it shares office space, computer networks, phone services, accounting, human resources and other administrative services with its parent company. Specific startup costs for the division, including equipment, training, management, and marketing, totaled approximately \$100,000. In addition IHEP purchased seven new vehicles and each work vehicle was outfitted with approximately \$7,000 of equipment that included a blower door, thermal imager, combustion analyzer, manometers, lap top computer, ladder, and gas leak detector. Additionally, DeLeo notes there are costs associated with participating in federal, state, and utility energy-efficiency programs that were components of overall startup costs. In New York, these fees primarily include BPI training and certification.

First-year company increases for IHEP are impressive. The number of home performance projects conducted by IHEP in 2010 was 668% higher than in 2009 and revenues increased by almost 2,000%. Additionally, the average project size grew from \$4,000 to \$10,000, representing a 150% increase in just one year. Revenue grew at an annual rate of 261% between 2009 and 2011. IHEP continues to grow. In 2011, IHEP completed 300 jobs, averaging \$6,000 per job, and earned total revenues of \$2.6 million (see Table 1). The data for 2011 is lower than 2010 and reflects decreases in equipment rebates provided by state programs. Additionally, the decrease in the number of projects reflects only HPwES programs.

Table 1. ISAAC Home Energy Performance Division: Company Size and Sales Volume by Year

Year	Employees	Average Project Size (\$)	Revenue (\$)	Total Number of Projects	Revenue per Employee (\$)
2009	2	\$4,000	\$200,000	50	\$100,000
2010	8	\$10,000	\$4,000,000	384	\$500,000
2011	13	\$6,000	\$2,600,000	300	\$200,000

Data courtesy of ISAAC Home Energy Performance

Public Programs

One of the motivating factors prompting ISAAC to open its Home Energy Performance Division was passage of the “Green Jobs-Green New York” bill by the New York State Legislature in October 2009. The legislation funds low-interest loans of up to \$25,000 to homeowners wishing to make energy-efficiency improvements. Free and low-cost energy checkups are also funded through the legislation. The checkups are offered through the Home Performance with ENERGY STAR program, which is conducted by the New York State Energy Research and Development Authority (NYSERDA). IHEP is a participating contractor in the Home Performance with ENERGY STAR program. Although ISAAC has not participated in the federal Weatherization Assistance Program in New York, it would consider doing so if there was an opportunity.

IHEP promotes the Green Jobs-Green New York checkup and financing program to its customers and completes all of the necessary paperwork for its customers. There are also utility and federal rebate programs available to New York customers. Although these programs are continually changing, IHEP invests the administrative time to adequately understand these programs and to fill out the necessary paperwork to ensure that each homeowner gets the largest rebate available to them from all sources. This is a valuable benefit to homeowners and one that IHEP can market to differentiate its offerings from those of other energy performance and HVAC contractors.

Training

IHEP takes pride in its highly qualified technicians. The company has a training program called ISAAC University, which provides over 340 hours, or 4 years, of training to each employee, including HVAC training, installation, safety, and other topics. Students who pass the program will also receive certification through NATE, the North American Technician Excellence certification program for HVAC technicians sponsored by the Air Conditioning Contractors of America (ACCA). In addition to ISAAC University, home performance employees go through a six-week field training program and BPI certification if they are not already certified. DeLeo notes “Training is important to us because we stand behind our work. We offer a 1-year warranty on everything we do.”



ISAAC uses the checkup, or audit, to educate homeowners on home performance and energy usage. Most customer leads come from its existing HVAC customer base. ISAAC also employs TV, newspaper and radio advertising and direct mail such as newsletters.

“We use education to help sell home performance to our customers.”

Dominic DeLeo, Department Manager,
ISAAC Home Energy Performance



<http://nyserda.ny.gov>

www.nyserda.org/GreenNY



www.energystar.gov/homeimprovement

Marketing Strategies:

- Existing HVAC Customers
- Television
- Newspaper
- Radio
- Tradeshows
- Direct Mailing
- Newsletters
- Websites
- Search Engine Optimization

“We get the homeowner involved throughout the entire process, this is the difference between what we do and a sales pitch.”

Dominic DeLeo, Department Manager,
ISAAC Home Energy Performance

Marketing

About 5% of ISAAC's home performance project leads originate from the energy-efficiency programs ISAAC participates in such as Home Performance with ENERGY STAR and Green Jobs-Green New York. Most of ISAAC's home performance work comes from existing HVAC customers and the HVAC company's well-established reputation in the community. When homeowners call with comfort problems, ISAAC Heating & Cooling usually recommends a home performance assessment. “Comfort is the number one reason homeowners decide to get home performance upgrades,” said DeLeo.

Other marketing methods used by IHEP include television ads, newspaper ads, direct mailing, exhibits at tradeshows, and newsletters.

Once a customer expresses interest in a home performance upgrade, an interview between the assessor and customer is conducted to determine the customer's objectives, and then an initial checkup or audit of the home is conducted. The interview may be conducted by a sales person and the checkup by a technician or one checkup technician. Either way, IHEP seeks to get the homeowner involved throughout the entire process. “This is the difference between what we do and a sales pitch. Our goal is to educate the homeowner,” said DeLeo. IHEP does incentivize by offering its staff a commission for each sale. On average, the closing rate for home performance upgrades is 30%.

IHEP offers a variety of financing options for home performance upgrades, including the \$25,000 low-interest loan program offered through Green Jobs-Green New York and the one-year same-as-cash option, which is a deferred interest financing program offered by ISAAC. Consumers pay monthly for one year. As long as the balance is paid off within 12 months, there is no interest charge. If payments move into the 13th month, then interest is charged on a retroactive basis. Financing can also be obtained through Wells Fargo's partnership program with IHEP. Regardless of the financing option chosen by the homeowner, IHEP streamlines the process, making it easier for homeowners. “We are a conduit for customers to get financing,” said DeLeo. In general, approximately 50% of customers opt for financing through one of these options. The rest obtain independent financing or pay out-of-pocket for their upgrades.

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