



Case Study:

Neil Kelly

PORTLAND, OREGON

Neil Kelly's certified staff perform combustion safety testing as part of the home performance checkup.

Company sees home performance division's annualized revenues increase by 109% per year since 2006

CONTRACTOR PROFILE

Contractor:

Neil Kelly
(866) 691-2719
www.neilkelly.com

Location: Portland, Oregon
(offices in Portland, Eugene,
and Bend, OR, and Seattle, WA)

Home Performance Division Founded:
2006

Employees: 28 in the home performance
division, 145 total

Certifications of HP Staff:

12 BPI certified, 3 LEED certified, 1 Master
Builder, 1 Passive House Consultant

By all accounts Neil Kelly's move into home performance contracting has been a highly successful venture for the well-established Portland, Oregon, remodeling company. The home performance division has grown from \$73,000 in sales in 2006 to \$3 million in sales in 2011, while the average job size has grown from about \$1,300 per home to more than \$14,000 and the division's staff has grown from 3 employees to 28.

Neil Kelly began as a small, family-owned remodeling company in Portland in 1947. It has grown steadily to become one of the city's most well-known full-service remodeling companies, offering comprehensive design, whole-house remodeling, new construction, window replacement, and home improvement services, with sales peaking at \$25.7 million in 2008. In the 1970s, Neil Kelly worked as a weatherization contractor upgrading Portland homes involved in the U.S. Department of Energy-sponsored Weatherization Assistance Program (WAP). Although it stopped participating in WAP in the 1980s, Neil Kelly picked up home performance again in 2006. The company worked with the U.S. Department of Energy's Building America Program to outline the home performance business model and practices that are presented in this case study.

In addition to remodeling, Neil Kelly offers a full range of energy-efficiency home performance contracting services, including home energy checkups, insulation, air sealing, window replacement, HVAC installation, and indoor air quality.



Neil Kelly's Home Performance division has grown from 3 employees in 2006 to 28 in 2011, while the division's revenues have grown from \$73,000 to almost \$3 million.

“We are a recession-challenged company. Adding home performance has helped us recover some of our losses.”

Tom Kelly, President, Neil Kelly

Home Performance Services:

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

In 2011, Neil Kelly's home performance division completed over 200 energy-efficiency upgrades in homes around Oregon. Tom Kelly, president of Neil Kelly, points to their experience as a weatherization contractor and the company's strong family and corporate commitment to sustainability as motivators for entering the home performance market in 2006. As just one example of this commitment, Tom Kelly points to the Neil Kelly showroom, which according to Tom, was the first LEED-certified building on the West Coast when it was built in 2001.

Business Metrics

Like most remodelers around the country, the current recession has impacted Neil Kelly significantly; it had seen a drop of almost 40% in total revenues since 2008. But, in 2011 alone, revenues in all divisions grew by 29% over 2010, a feat nearly impossible without the influx of home performance upgrades, which grew by 118% in 2011 over 2010.

Although Neil Kelly's overall business volume has declined since 2007, its home performance division has seen continuous revenue growth. Tom Kelly notes “We are a recession-challenged company. Adding home performance has helped us recover some of our losses.” In 2011, 22.5% of Neil Kelly's total business revenues came from its home performance division, up from approximately 8% in 2010.

Because Neil Kelly was already a well-established remodeling company, initial costs to enter the home performance market were relatively modest. Costs for equipment, training, and marketing totaled approximately \$20,000-\$25,000. Since that initial investment in 2006, Neil Kelly's home performance division has continued to grow (see Table 1 below).

Table 1. Neil Kelly Home Performance Division: Company Size and Business Volume by Year

| Year | Employees | Average Project Size (\$) | Revenue (\$) | Total Number of Projects | Revenue per Employee (\$) |
|-------|-----------|---------------------------|----------------|--------------------------|---------------------------|
| 2006 | 3 | \$1,277 | \$72,764 | 57 | \$24,255 |
| 2007 | 3 | \$2,837 | \$252,532 | 89 | \$84,177 |
| 2008 | 3 | \$4,196 | \$276,925 | 66 | \$92,308 |
| 2009 | 4 | \$5,154 | \$484,500 | 94 | \$121,125 |
| 2010 | 8 | \$6,817 | \$1,336,078 | 198 | \$167,010 |
| 2011* | 28** | \$14,173 | \$2,913,222*** | 206 | \$104,044 |

* Data as of Oct. 15, 2011. / ** 31 projected by the end of the calendar year. / *** \$3.2 million projected by the end of the calendar year.
Data Courtesy of Neil Kelly Company.

Public Programs

Neil Kelly has benefitted greatly from its participation in Clean Energy Works Oregon, a nonprofit program started by the City of Portland and expanded with DOE funding in 2010 to communities throughout Oregon. Clean Energy Works has partnered with Home Performance with ENERGY STAR and the Energy Trust of Oregon to offer homeowners energy assessments, no-money-down on-bill financing, information about local and federal rebates, and access to home performance contractors who are trained and qualified to participate in the program. Through its participation, Neil Kelly has received more than 625 leads from Clean Energy Works since early 2010.

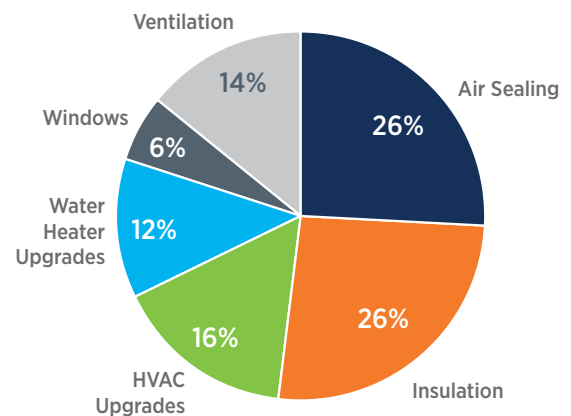
In addition to receiving leads from homeowners who apply through the Clean Energy Works website, Neil Kelly is also allowed to offer the program's financing package to customers it markets to independently. Clean Energy Works has negotiated with Oregon utilities to offer homeowners the option to pay for the home efficiency improvements via their utility bills at low interest rates and with no money down. Because the financing options are so attractive to homeowners, Kelly said "the closing rate in our home performance division is a lot higher than for any other service we offer."

Marketing

Currently, Neil Kelly gets 70% of its home performance leads from the Clean Energy Works program. Neil Kelly markets to its extensive database of prior remodeling customers with emails and newsletters, directing them to the Clean Energy Works Oregon program. Every current remodeling and design customer is offered a free home energy assessment. Radio and newspaper ads, website coupons, and participation in trade and home shows are other avenues for marketing. Neil Kelly monitors the effectiveness of its marketing techniques by asking homeowners to fill out an initial consultation request form, where they are asked how they heard about the company. Information is gathered and used to analyze marketing activities, ensuring that marketing dollars are spent in the most beneficial ways.

Neil Kelly is also active in the local community. Tom Kelly sits on the board for the Habitat for Humanity Capital Campaign Committee and Loaves and Fishes. He is also the co-convenor of the Oregon Solutions Vernonia Schools Project, and is on the advisory board for the University of Oregon Business School's Center for Sustainable Business Practices.

Figure 1. Neil Kelly Home Performance Division: Distribution of Home Performance Upgrade Measures in Typical Projects



The pie chart shows which upgrade measures are the most often performed on a typical project. Air sealing and insulation make up the bulk of Neil Kelly's upgrade projects followed by HVAC, ventilation, and water heater upgrades.



Neil Kelly capitalizes on its brand name recognition and client base as an established remodeling and design company in Portland, Oregon, to attract customers to its home performance division.



www.cleanenergyworksoregon.org



energytrust.org



www.energystar.gov/homeimprovement

Marketing Strategies:

- Word-of-Mouth
- Previous Remodel Clientele
- Search Engine Optimization
- Blogs
- Website
- Local Programs
- Newspaper
- Newsletters
- Trade Shows
- Home Shows
- Community Involvement
- Magazines
- Radio
- Television

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Tom Kelly, President, Neil Kelly

Neil Kelly has found that the primary motivation for its home performance customers is comfort. Other important considerations are indoor air quality, health, noise reduction, moisture issues, and utility bill savings. Environmental issues are a popular topic in eco-conscious Portland and many homeowners have cited “being green” as a motivator for energy-efficiency improvements.

Once the homeowner agrees to a home energy checkup (or audit), Neil Kelly assigns two staff people to the customer – a sales person and the home energy assessor. All of Neil Kelly’s sales staff and assessors have received building analyst certifications with the Building Performance Institute. Several have received other industry certifications as well. The sales person acts as an educator and helps the homeowner understand the assessment process and how upgrades can help meet their goals. The assessor conducts the checkup and prepares a comprehensive report of findings. The report is concise, easy to understand, and does not focus on the energy savings or payback of the proposed work. Instead, it is tailored to address the specific concerns of the homeowner. Tom Kelly notes that having both staff involved in each assessment (one focused on the technical aspects and one focused on the needs of the customer) is “part of the key to why we are so successful.”

Neil Kelly is developing opportunities to reach both upper income and lower income households. The remodeling division’s traditional target market has been higher income homeowners, but now, due to the exceptional financing available for its home performance services, the company can reach out to homeowners with more modest incomes. This allows Neil Kelly to diversify its target market and opens up the possibility of the home performance division becoming a source of referrals for future remodeling work.

Typically, \$395 is charged for home energy checkups (with a \$100 coupon available online), but Neil Kelly also offers free energy checkups to current customers who are using its remodel and design services. According to Tom Kelly, 1 in 3 of these checkups is resulting in additional home performance upgrades. “This can add \$20,000 to an \$80,000 remodeling job, and providing the additional financing through Clean Energy Works Oregon can make the deal sweeter.”

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For information on Building America visit www.buildingamerica.gov. The website contains expanded case studies, technical reports, and best practices guides.

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