

# MaGrann Associates

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Taking Care of Business

## **The Management Issues of Running a Successful Rating Business**

Ben Adams

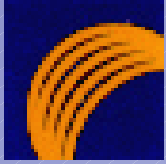
Vice President

Don Swift

Technical Manager/HERS Supervisor

**RESNET**

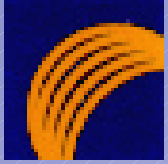
**February 25, 2003**



# Who We Are

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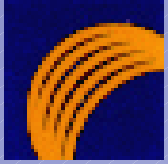
- Energy engineering & consulting company
- Founded 1983
- Mt. Laurel, New Jersey (Philadelphia metro area)
- 45 Employees
- Focus on building science services in residential construction
- HERS provider since 1997, RESNET accredited
- Conform to Northeast HERS Alliance guidelines
- Core competencies applied to utility DSM implementation
  - A progression of new construction programs since 1987
  - Energy Star Homes since 1998 (statewide since 2001)
    - Performance/HERS based with program specific requirements
    - 100% Inspection



# Energy Star Homes Markets

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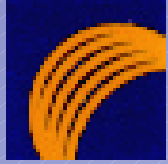
- Single Family
- Multi-Single (Townhomes)
- Multifamily
- Mixed Use
- Production
- Custom
- Spec
- Market rate
- Affordable
- Sustainable
- For sale
- Rental



## Partnerships in the Affordable Market

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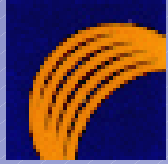
- 650 Affordable units certified in 2002
- 2350 certified to date
- 500+ in the pipeline
- NJ's 10 largest Housing Authorities committed to Energy Star
  - Required in RFPs
- State funders committed to Energy Star
  - Required by NJHMFA, NJDCA Balanced Housing
- Example for recent HUD/DOE/EPA agreement
- Benefits residents least able to afford high housing and energy costs
- Better built housing for low and moderate income population



## Partnerships in the Production Market

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- Market leaders – K. Hovnanian, Toll, Pulte...
- Design professionals – Architects, engineers...
- Realtors and lenders
- Trade organizations – NAHB, HBAs
- Municipal housing, development, planning & code offices
- Housing agencies and redevelopment agencies

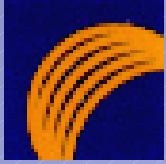


# Defining a High Volume Rating Operation

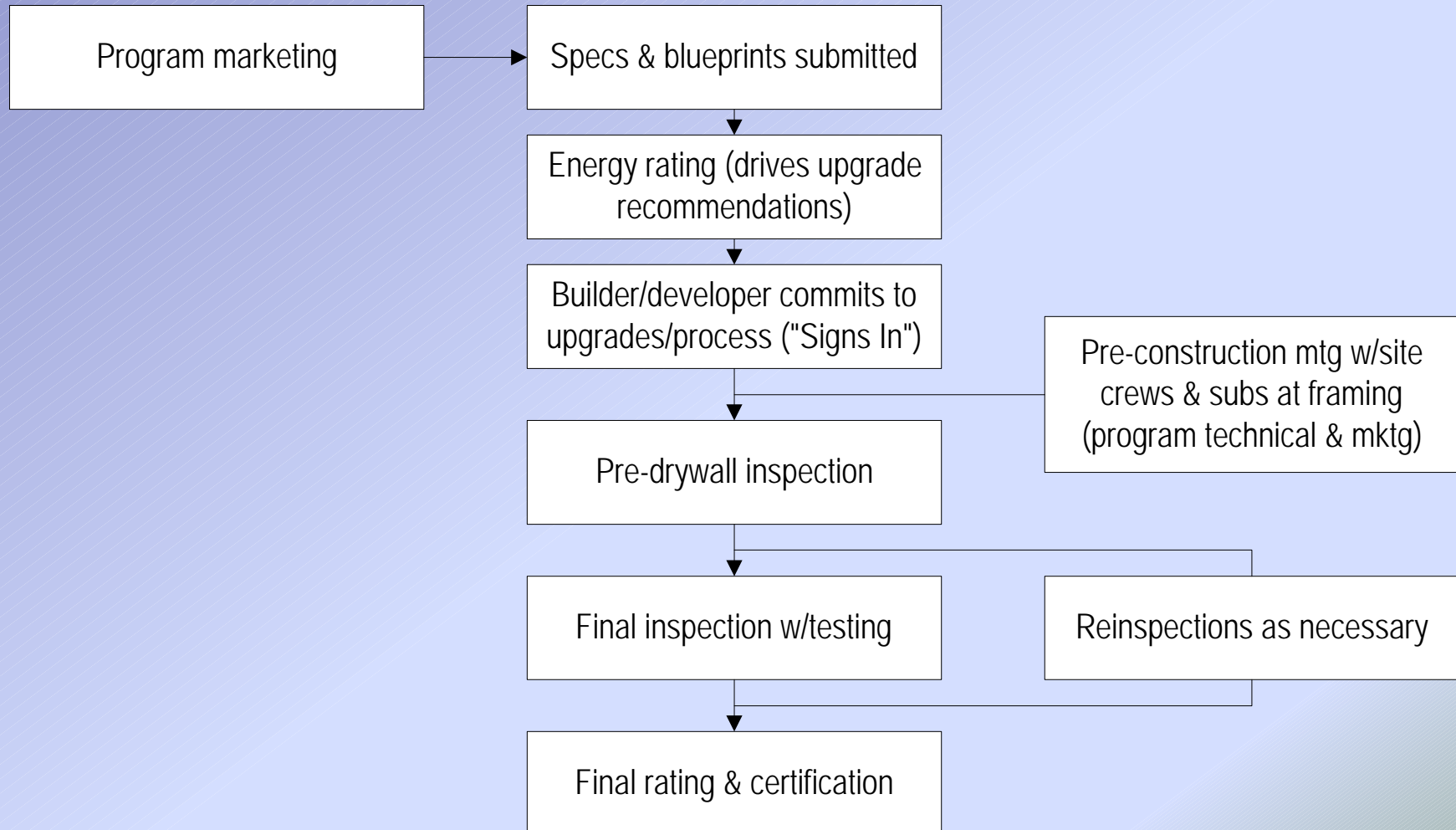
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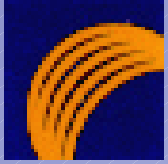
## **2002 NJ Energy Star Homes activity (MaGrann only)**

- 7500 site inspections
- 80 developments
- 2340 completed ratings
- 512 model analyses
- 336 variation analyses



# Process



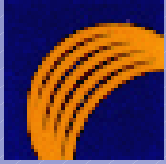


# Organization

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- Separation/specialization of functions
  - Marketing
  - Field inspection (data collection and testing)
  - Initial ratings (plan analysis) and final ratings (certification)
  - Administration
- Improves efficiency
- Allows flexibility
- Adds a level of quality control

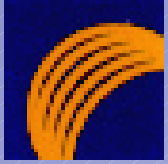




# Resources

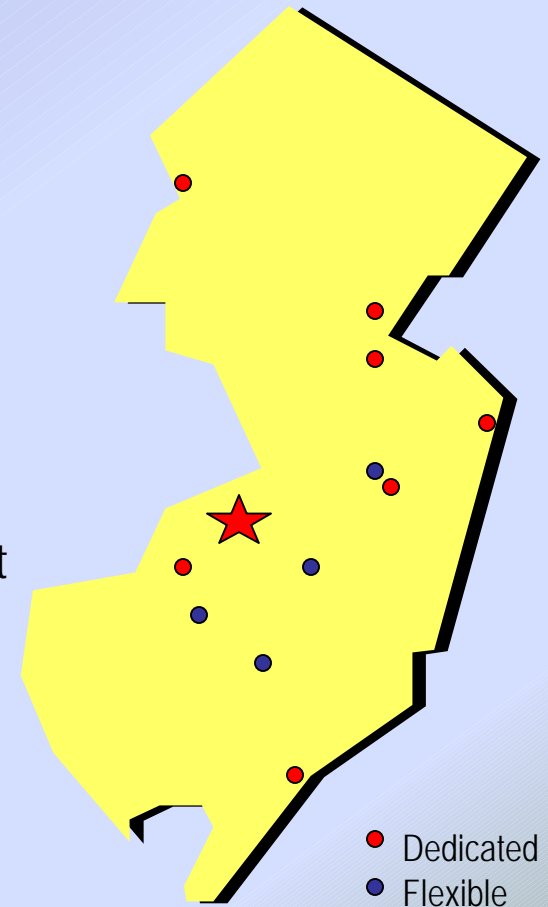
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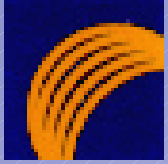
- 2002 Operations Staff (2003)
  - Field inspection..... 7 (10)
  - Initial and final ratings..... 5 (4)
  - Administration..... 3 (4)
  
- Constraints
  - Geography – 8200 square miles
  - 72-hour max turnaround on inspections
  - Regulatory changes



# Recruiting Challenges

- Hiring where the work is (field)
  - Keep time & distance down (= logistics & \$)
- Hiring with experience
  - Construction/HVAC background
  - Adult tech schools
  - Beneficiaries of NJ's long DSM history
- Balancing technical and communications skills
  - Sometimes technical can be the more easily built
- Career development + compensation structure
  - Competing in a tight technical labor market
  - Clear growth path (levels and qualifications)
  - Supported by training

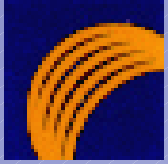




# Training

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- External
  - Northeast HERS
- Internal
  - Structured (inside)
  - Mentoring (in field 4-6 weeks)
  - QC
- Ongoing
  - In-house workshops
  - Affordable Comfort
  - EEBA

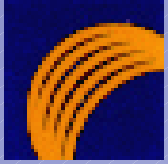


# Quality Control

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## Internal structure

- Designated HERS Supervisor
  - Ownership of the rating process
  - Integrity of delivery
- Defined technical procedures and QC processes
- Application of building science to the rating – and beyond
- QC inspections and rating reviews
- Internal QC is an incremental cost
  - But there is a cost to not doing it right

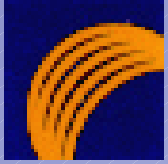


# Quality Assurance

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## **External structure – A good idea!**

- Level playing field
  - Standards and procedures
  - Prevents shopping for the “easiest” path
- Performance feedback
- Impact evaluation



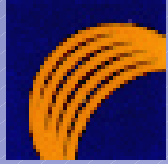
# Operations

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- Defined processes and accountability
- Teams goaled by service, not by numbers
- Auditable tracking, reporting & billing

## **Customer service is everyone's job**

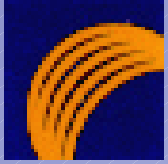
- Who is the customer?
  - They come in many forms
- Responsiveness isn't just timeliness
  - It's being a part of the solution



# Delivering Value Beyond the Rating

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- The rating score is just the beginning
  - Focusing on meeting 86 points alone can miss the big picture
  - The value of 3<sup>rd</sup> party inspection is easily demonstrated
- Applied building science + quality control
  - Quality construction
  - Healthier, more comfortable homes
  - Reduced call-backs
  - Getting what was ordered/paid for
  - Technical and sales training
- Understanding leads to market transformation
  - Helping the builder improve their practices does not have to mean the end of the line for our services...



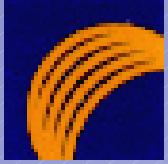
# MaGrann's Business Model

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## **Marriage of a niche engineering company with the core competencies of energy ratings**

- Independent engineering consultant
  - No product alignment
- High performance MEP design
- Energy code analysis
- QC Inspections & troubleshooting
- Existing home diagnostics
- Energy Star Homes
- Other program services
  - Inspections
  - Marketing





# Marketing for Success

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## In each case...

- Define the market and target the decision makers
- Know your value proposition and be sure to deliver it
- Know your customer's value proposition and help *them* deliver it
- The market will only respond in proportion to the perceived value