SUCCESS THROUGH QUALITY MANAGEMENT

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Advanced ENERGY

Who are we

- Your name
- Position in the company
- Number of years in this field of work

System Thinking

A system is a whole that derives its characteristics (good or bad) from the interactions of its essential parts…..and none taken separately.

All are essential, none are sufficient

A House Is a System

A house is system that derives its characteristics (good or bad) from the interactions of its essential parts…..and none taken separately.

All are essential, none are sufficient

Quality Is a System

Quality is system that derives its characteristics (good or bad) from the interactions of its essential parts…..and none taken separately.

Quality Management Plan (QMP)

Quality Improvement

Quality Control

Quality Assurance

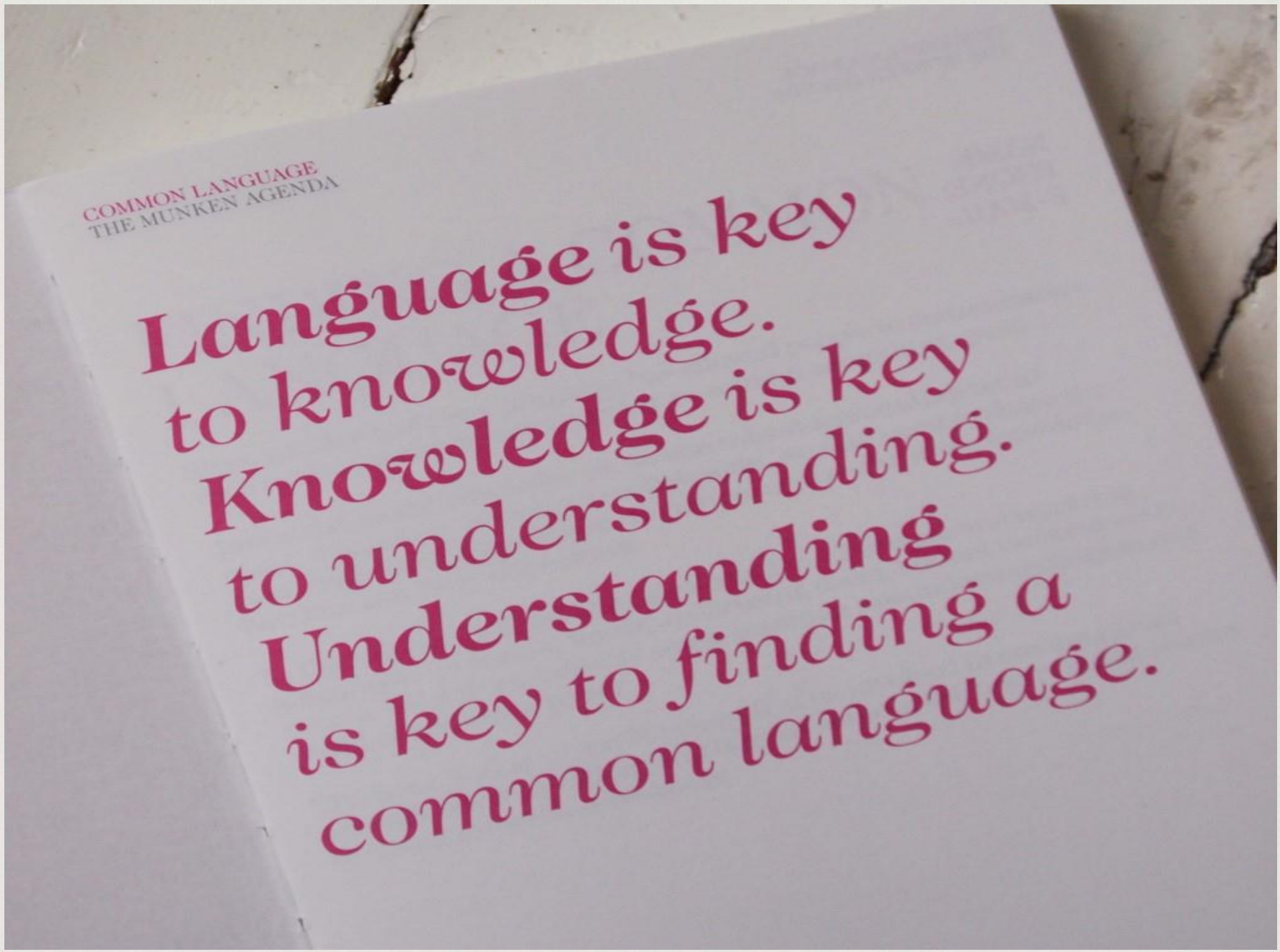
All are essential, none are sufficient

“QMP is a ballet, not hockey. A ballet is deliberately designed, discussed, planned, examined, and programmed in detail before it is performed.”

Philip Crosby, Quality is Free

The DNA of Success

- ✓ DNA of maximizing profits
  1) Cost control
  2) Value creation investment
  3) Advocate production


COMMON LANGUAGE
THE MUNKEN AGENDA
Language is key
to knowledge.
Knowledge is key
to understanding.
Understanding
is key to finding a
common language.

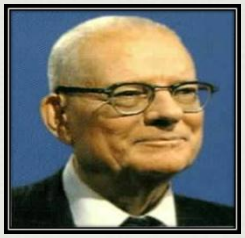

Common Language

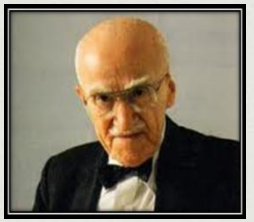
What is quality?

- 3X5 Cards – what is quality?
- Quality is doing agreed upon requirements and standards
  - Either you did or your did not
- Not high quality, not low quality, not good quality, not bad quality

The only meaningful definition for quality is that which the customer defines

Deming



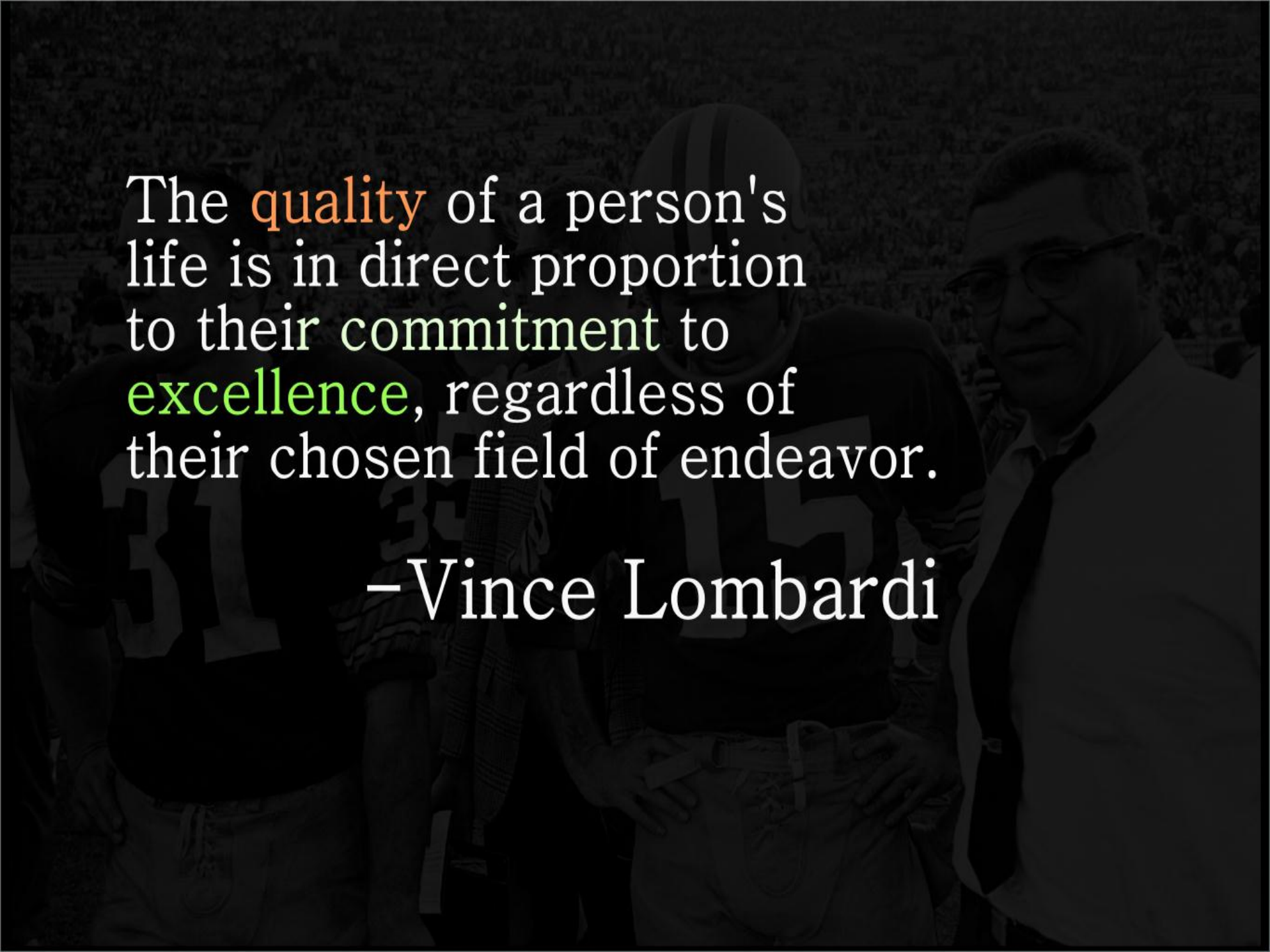


Crosby

Juran

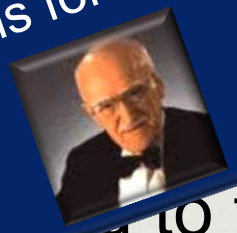
The definition of quality is "Conformance to requirements"

The definition of quality is products and services that are "Fit for Use"


The quality of a person's
life is in direct proportion
to their commitment to
excellence, regardless of
their chosen field of endeavor.
-Vince Lombardi

- **Quality:** Doing work to agreed-upon standards and requirements.
- **Quality Control (QC):** A…aintaining standards and req…hat prevents an…e output mee…d expectations.
- **Qual…**…cess that provides confid…ndards and requirements have been fu…d to the extent that customers' wants, needs and expectations are being met.

" Without a standard there is no logical basis for making a decision or taking action."
— Joseph Juran



Creating A Quality Culture- Common Language

Sincerity Is Never Enough

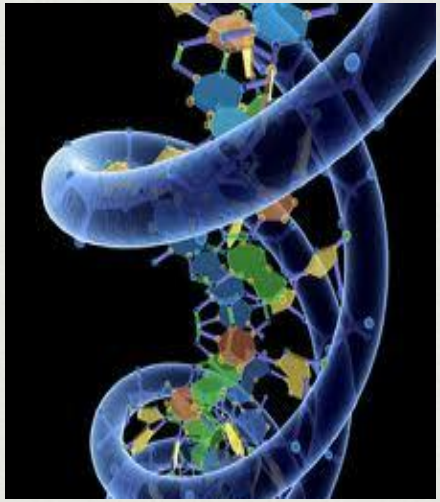
Winning

“Winning is not a sometime thing; it’s an all time thing. You don’t win once in a while, you don’t do things right once in a while, you do them right all the time. Winning is a habit. Unfortunately, so is losing.”

Vince Lombardi

The DNA of Success

- ✓ DNA of maximizing profits
  1) Cost control (80/20)
  2) Value investment
  3) Advocate production

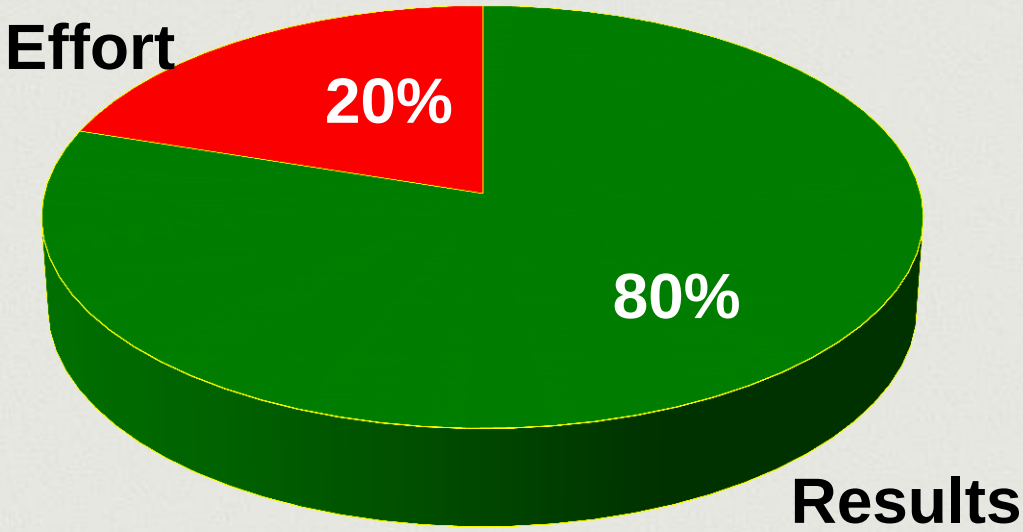


80/20 Rule

The 80/20 rule was discovered 115 years ago, by Italian economist Vilfredo Pareto (1848–1923). His discovery has since been called many names, including the Pareto Principle, the Pareto Law, the 80/20 Rule, the Principle of Least Effort and the Principle of Imbalance.

80/20 Thinking

- 80% of results come from 20% of effort
- 80% of outputs result from 20% of inputs
- 80% of consequences flow from 20% of causes
- 80% of value is produced with 20% of resources
- 80% of defects can be eliminated by correcting 20% of causes



Quality Improvement Path to The Bottom Line

E.W. Deming

Name Cost Areas of Doing Business

COST AREAS OF DOING BUSINESS

Cost Area	Billing Rate	Cost to Business		
	$/Hour	$/Month	$/Day	$/Hour
Labor – Management				
Labor – Office				
Labor – Scheduling				
Labor – Crew Leader				
Labor – Crew Member				
Office Rent or Mortgage				
Warehouse Rent				
Truck Payment				
Truck Maintenance				
Truck Insurance				
Gas				
Tools and Equipment				
Tool Maintenance				
Office Supplies				
Software and Computers				
Legal Fees				
Accounting				
Payroll				
Materials				
Licensing & Certifications				
Health Insurance				
Workers Comp Insurance				
Lost Production				
Marketing & Advertising				

Prep Sheet for COPQ 7/22/13

What is the level of our quality?

- The level of quality in any company is its acceptance to non-conformance to its own standards.
- What is the Cost of Poor Quality (COPQ)?

ACTIVITY – CACULATION Cost of Poor Quality (**COPQ)**

The obvious and “visible” costs are a small portion of the overall cost

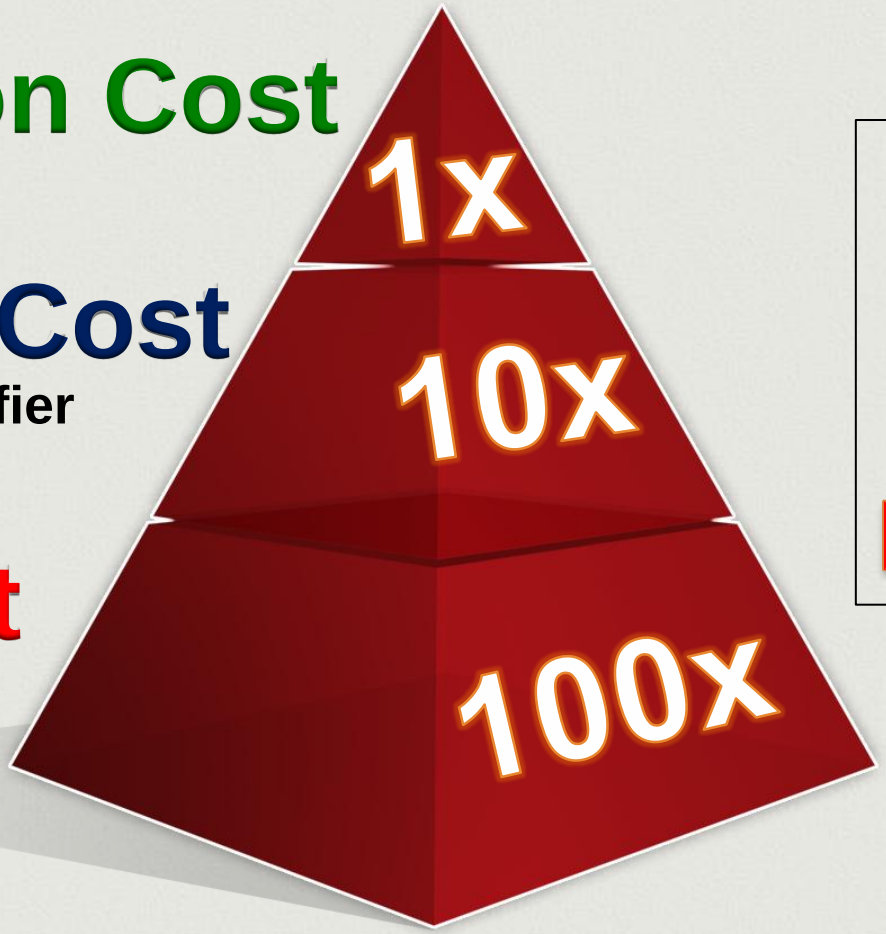
The bottom of the iceberg represents the majority of the cost and are not easily identified and measured.

$1.00 Spent on Prevention Saves

Prevention Cost
Installer

Correction Cost
Work Quality Verifier

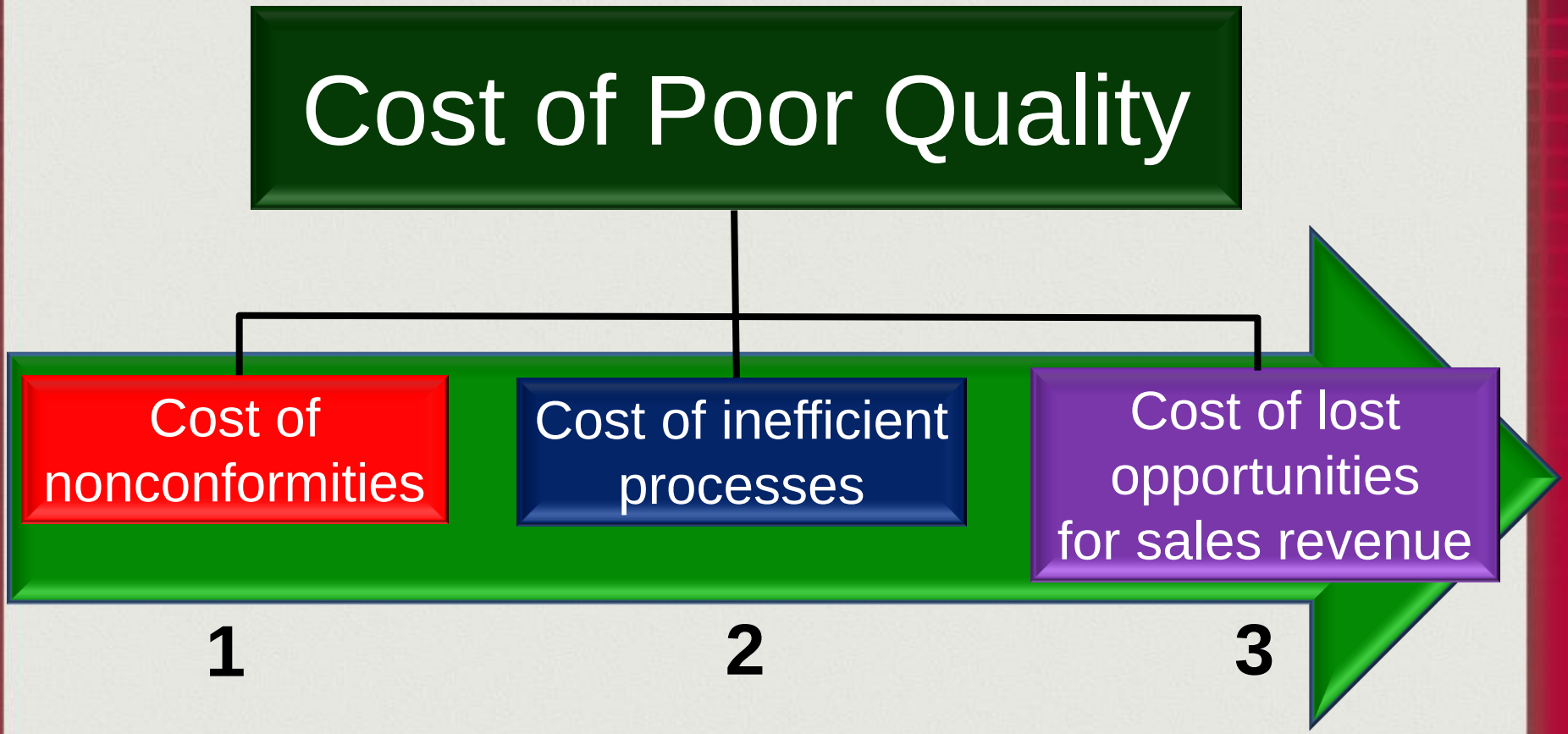
Failure Cost
Homeowner



1
10
100
RULE

Source: Total Quality Management, Joel E. Ross

80/20 Rule


Cost of Poor Quality
Cost of nonconformities
Cost of inefficient processes
Cost of lost opportunities for sales revenue
1
2
3

Advantages to Cost Control

- Improves profits
- Improves financial position
- Improves competitive capabilities
- Serves as an index of efficiency
- Company serves as a trend setter for other companies
- Efficient utilization of scarce resources

House of cards

Areas of Waste

Waste: Anything that consumes resources and does not add direct value to the end product

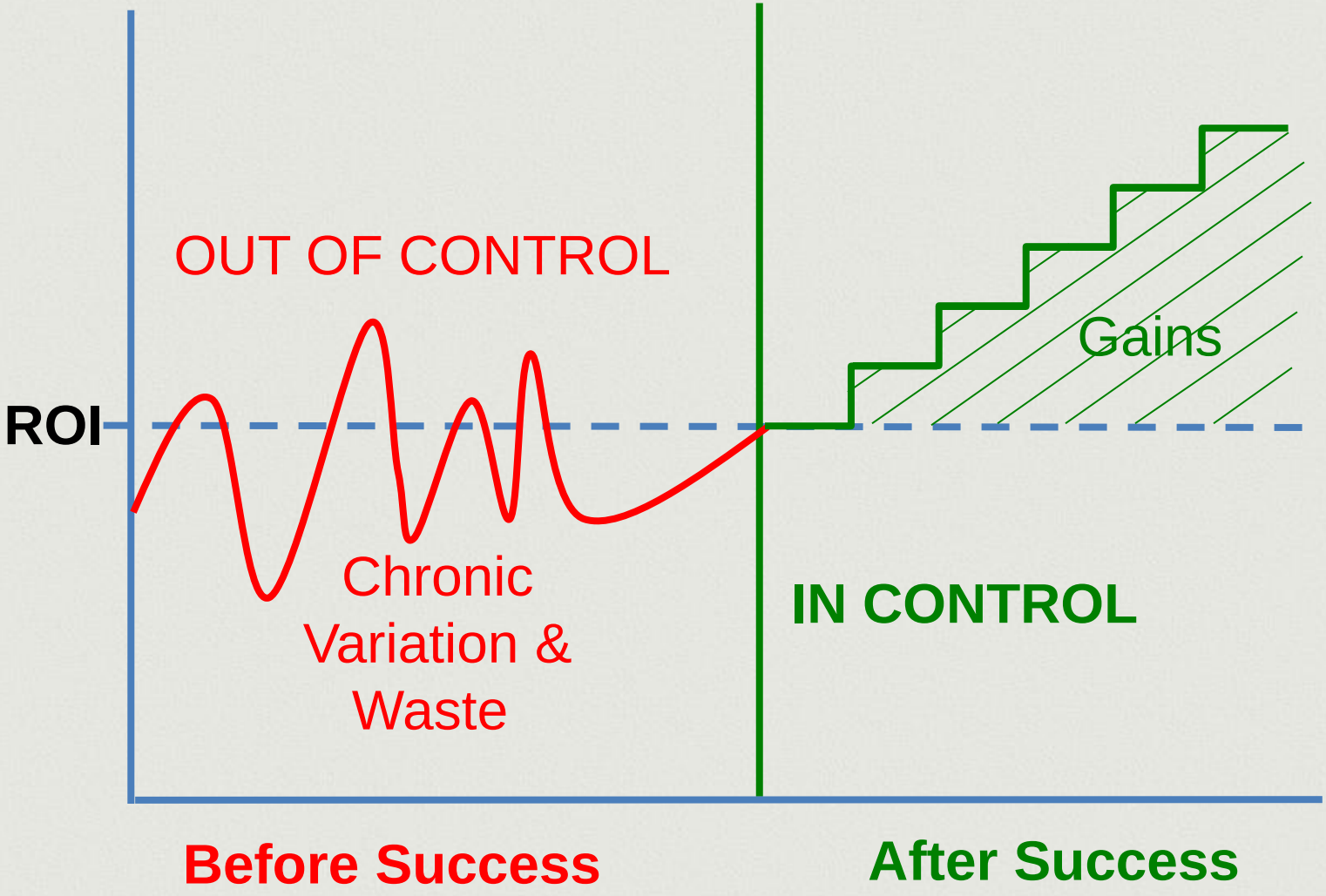
1. *Processing* - Process *variation*
2. *Rework* - Any repair
3. Transport – People, ma
4. *Waiting* - Waiting on mater people
5. *Intellect* - Failure to fully utilize the time and talents of people

"If I had to reduce my message for management to just a few words, I'd say it all had to do with reducing variation."

- W. E. Deming

VARIATION

Building a Successful Future



Controlled Variation
Must Equal Profit

Let's Invest

$10,000

Variability

Airline Industry Data

Higher, Faster, Farther
Network Carrier
Hub & Spoke Networks
Wide Body Planes

Better, Faster, Cheaper
Low-Fare Carrier
Point to Point
Networks
Narrow Body Planes

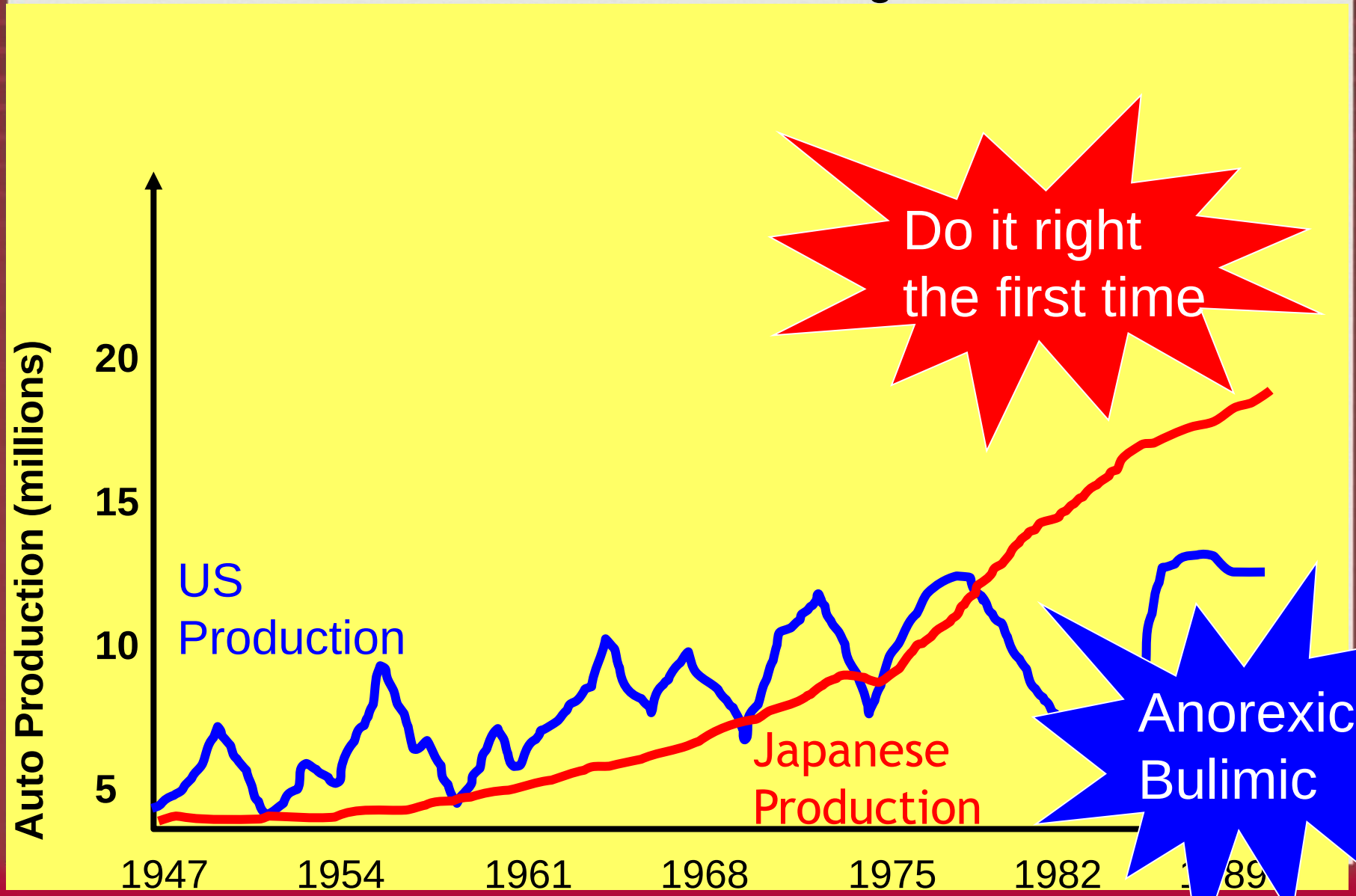
Let’s Invest another

$10,000

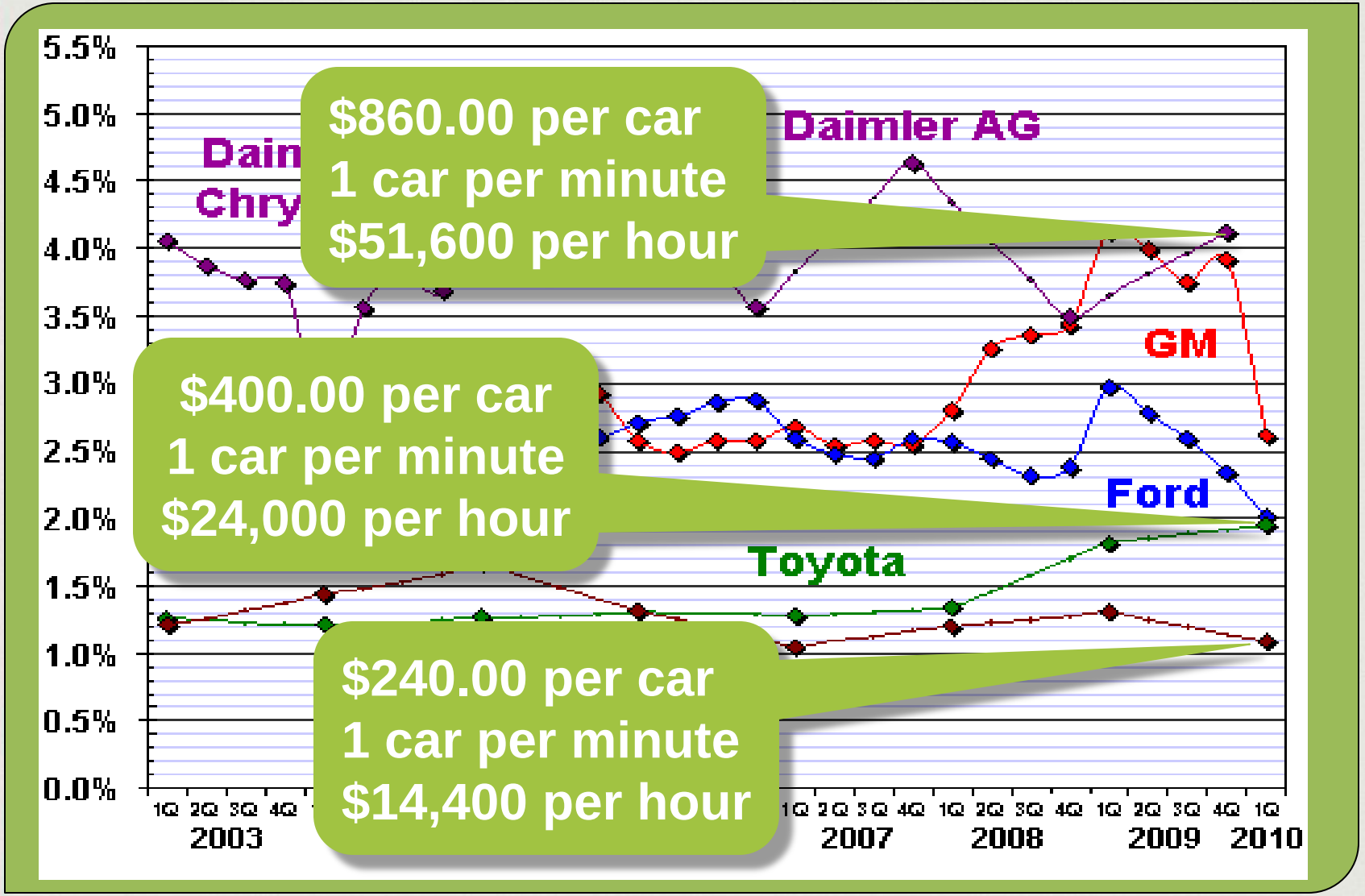
Variability

Auto Industry Data

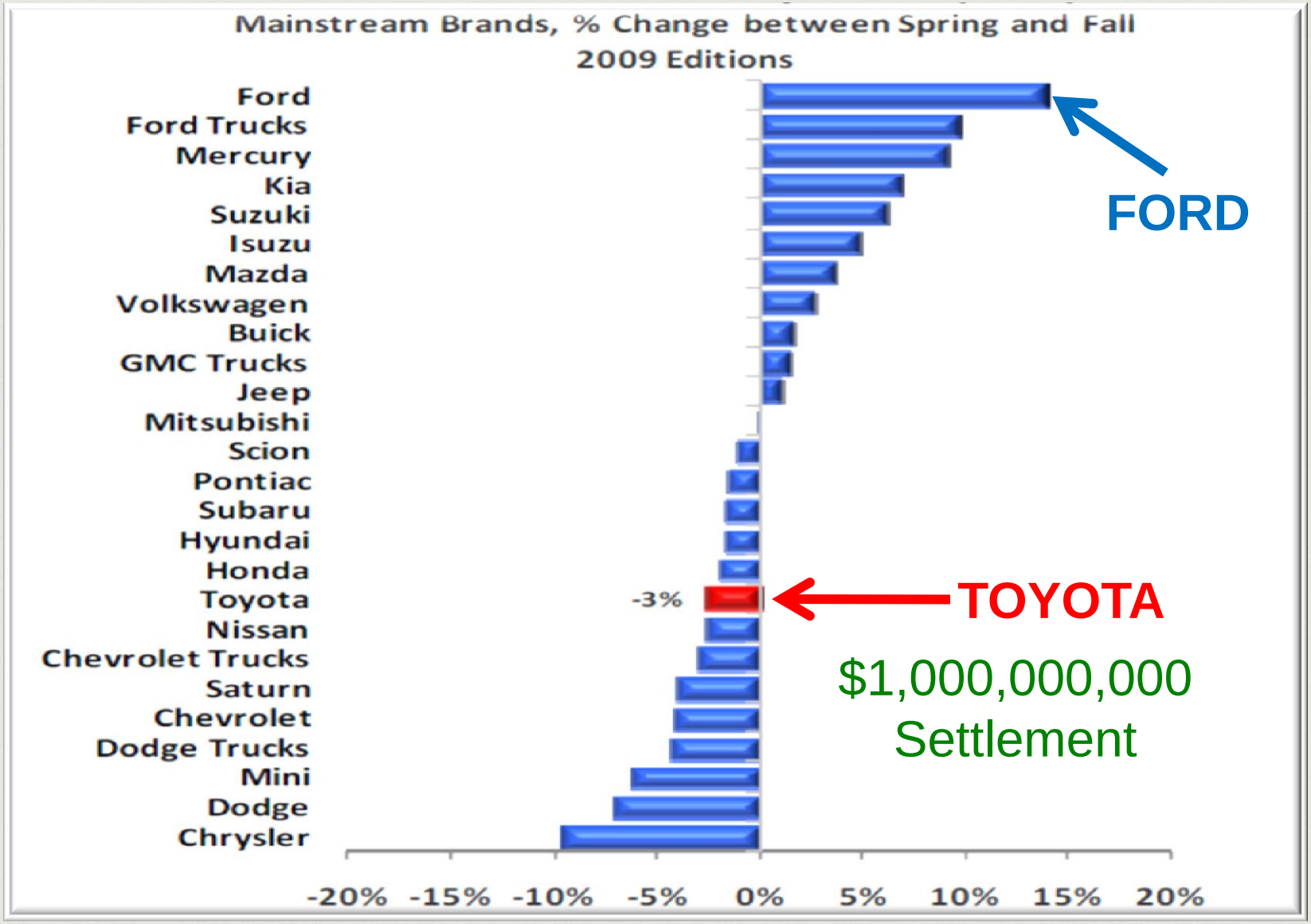
Source: The Machine That Changed The World



Top Automakers: Warranty Claims



Perceived Quality

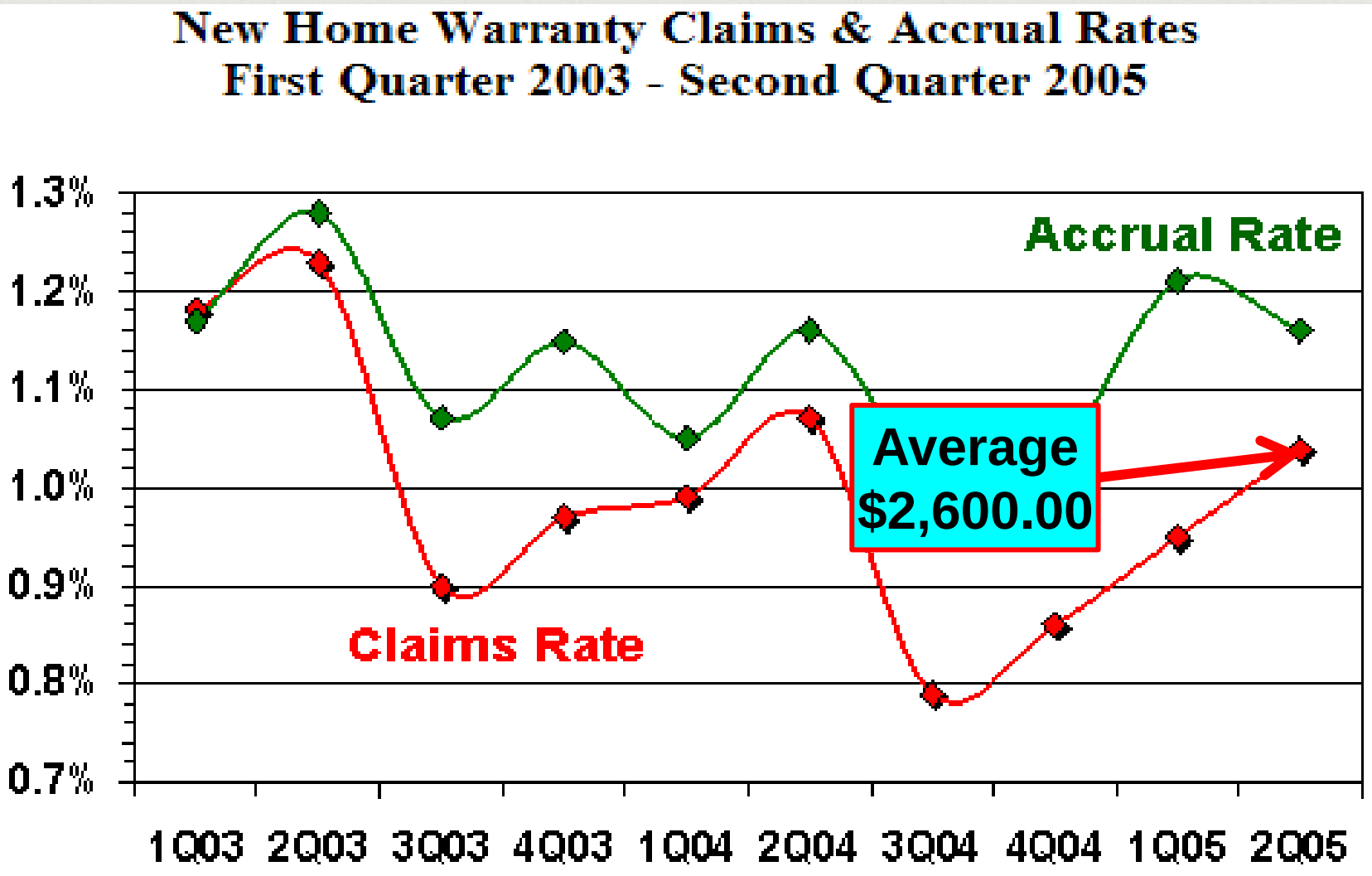


Let’s invest one more time

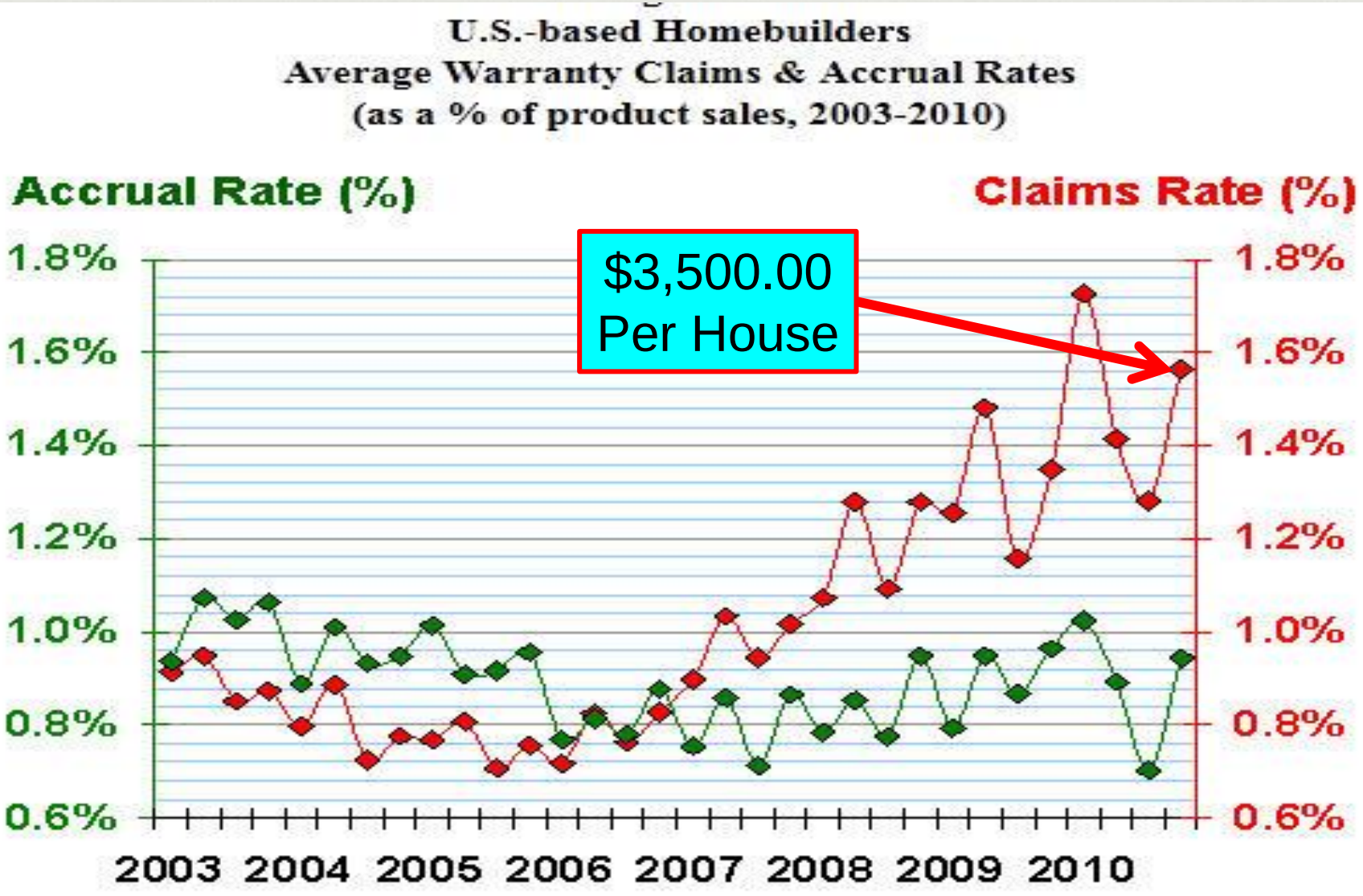
$10,000

Variability

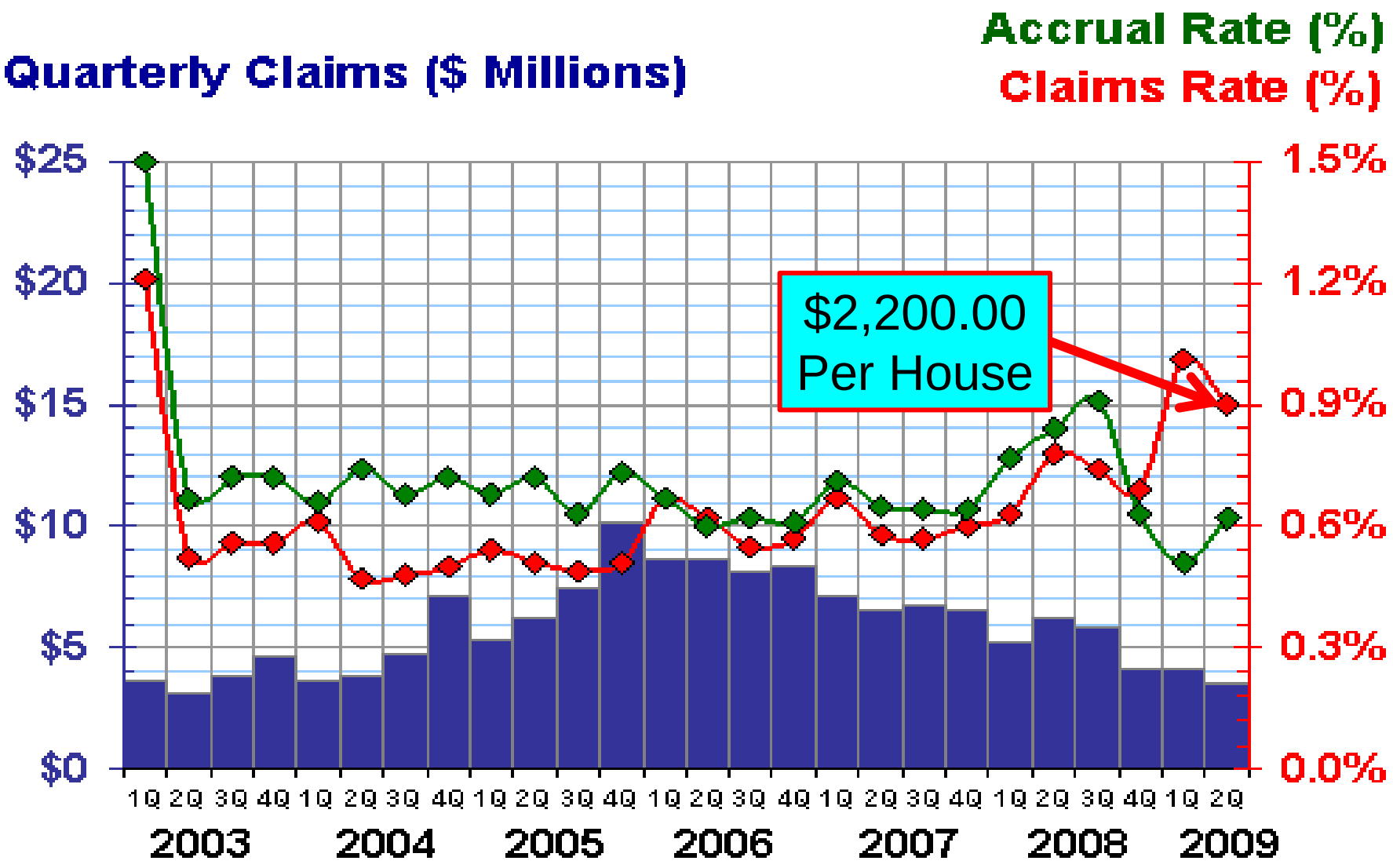
Cost of Poor Quality % of Sale Price



US Based Homebuilders
Average Warranty Claims & Accrual Rates

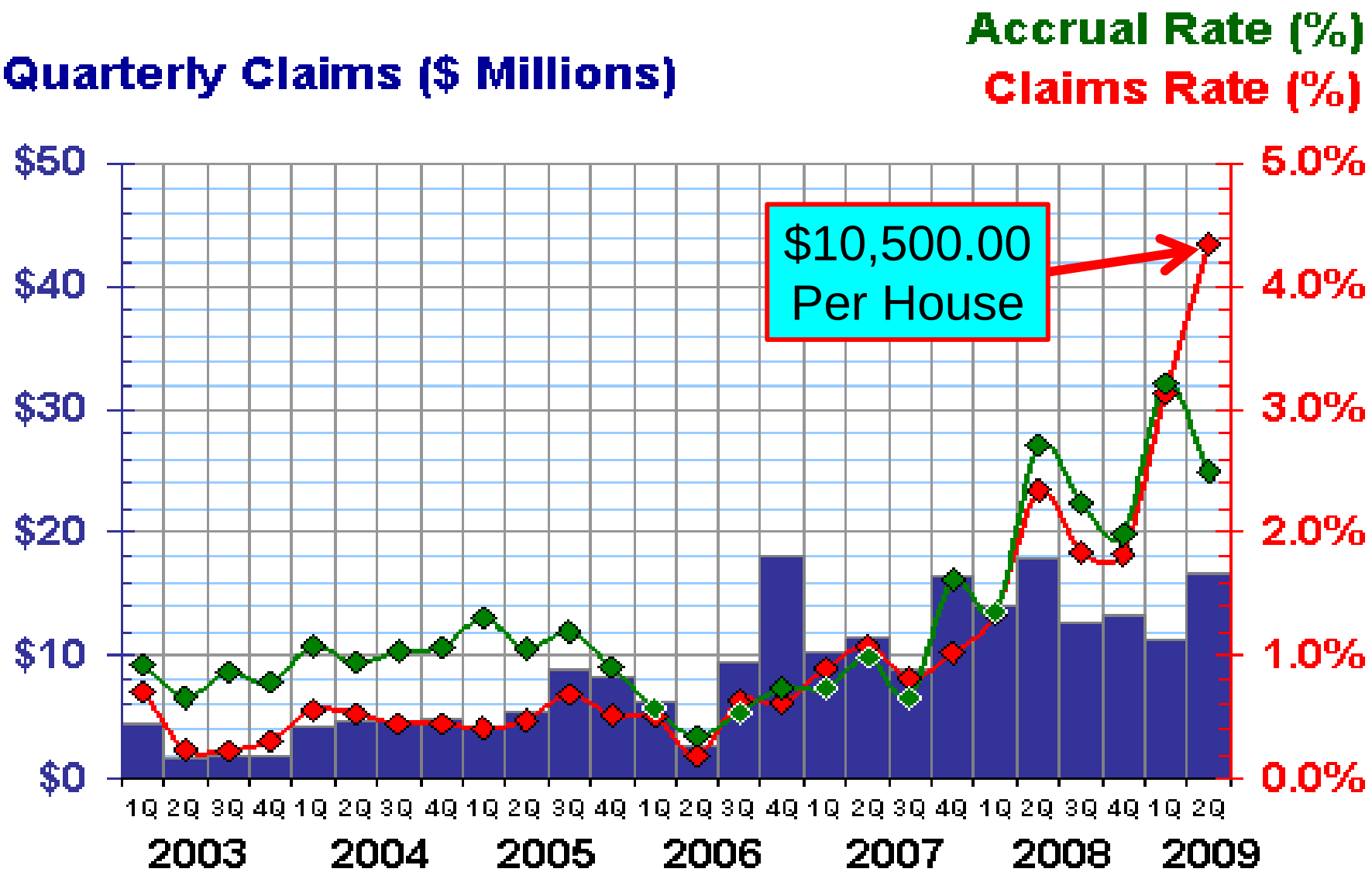


Cost of an Inadequate Process



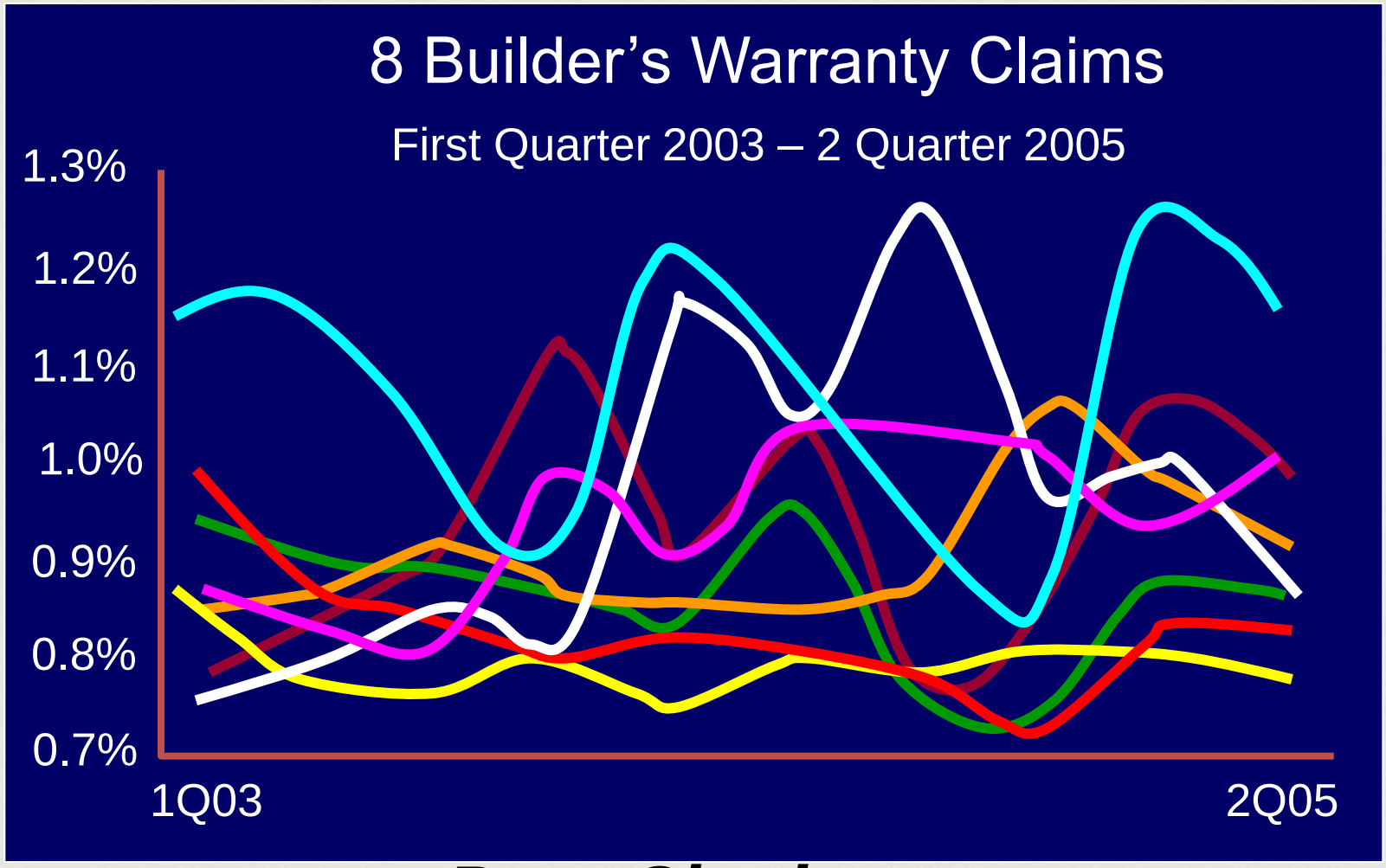
Security Exchange Data

Cost of an Inadequate Process



Security Exchange Data

Security Exchange Data



Post Closing

Security Exchange Data

2 Lowest Builder's Warranty Claims

First Quarter 2003 – 2 Quarter 2005

1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%

1Q03

2Q05

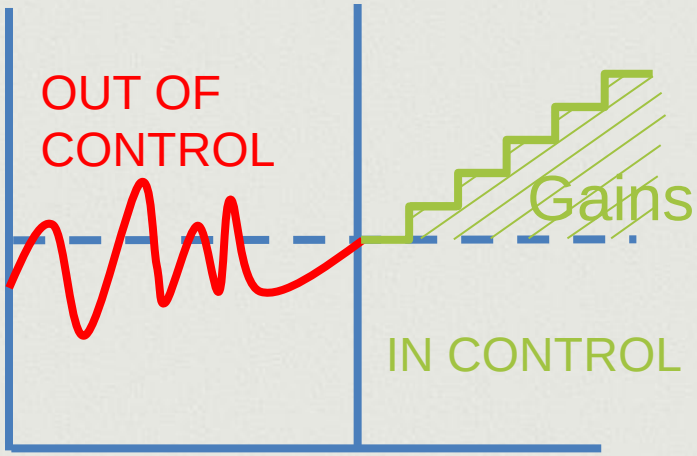
Two Types of Variation

- **Common cause variation:**
  - Always occurs and cannot be traced to a specific cause (e.g., location, time of day, day of week)
  - Reduction requires fundamental change in the process
- **Special cause variation:**
  - Assignable cause is outside of common variation. It can easily be traced to a specific cause, usually relating to the six key elements: people, environment, material, method, machinery, and measurement

Count the "Es"

How Do We Control Variation?

- **Through a capable process**



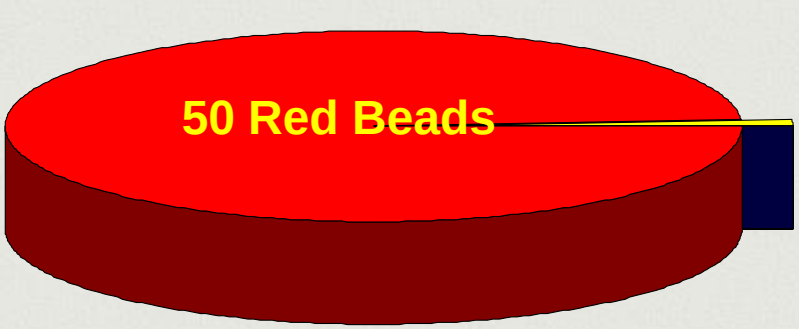
Let's Improve a Home!

- 1,840 white beads = basic home components, including combustion appliances, air sealing, insulation, etc.
- 50 red beads = retrofit processes or subsystems that have complex relationships with the home and can cause failure.
- Filling the scoop represents the retrofit of a home. The components, processes, and subsystems mix together for the final result.

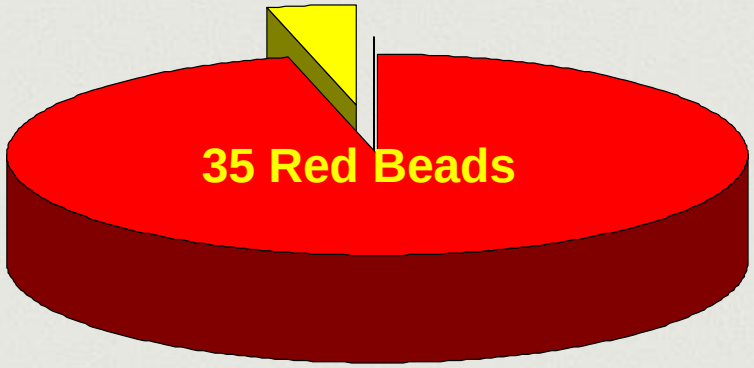
Scope of Work

- Scoop all the way to the bottom of the bucket.
- Use only one hand and the scoop to remove beads.
- Fill the scoop completely.
- There cannot be any red beads in 3 consecutive scoops.

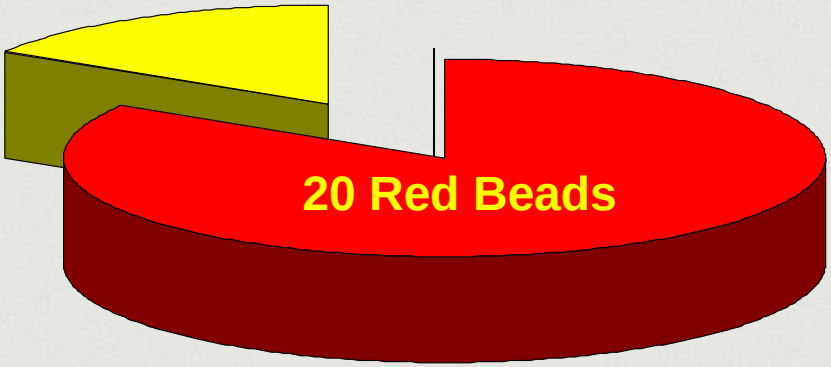
Probability of Scooping One Red Bead



99%



96%



84%

What Did They Rely On?

- *Luck!*

4 Acts of Futility

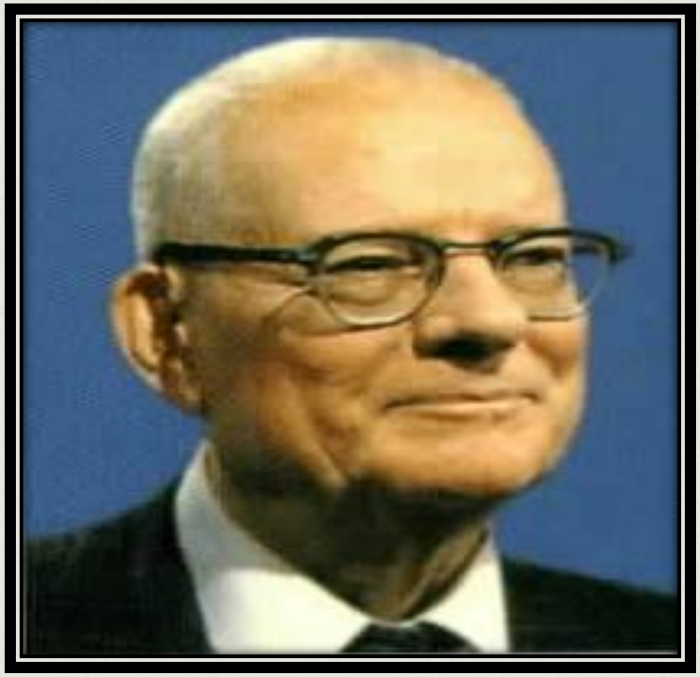
All work is a process.

ATTANTION!

All work is a Process

- Process fails more than people
- Blame should fall on the process not people
- All defects are caused, all causes can be prevented

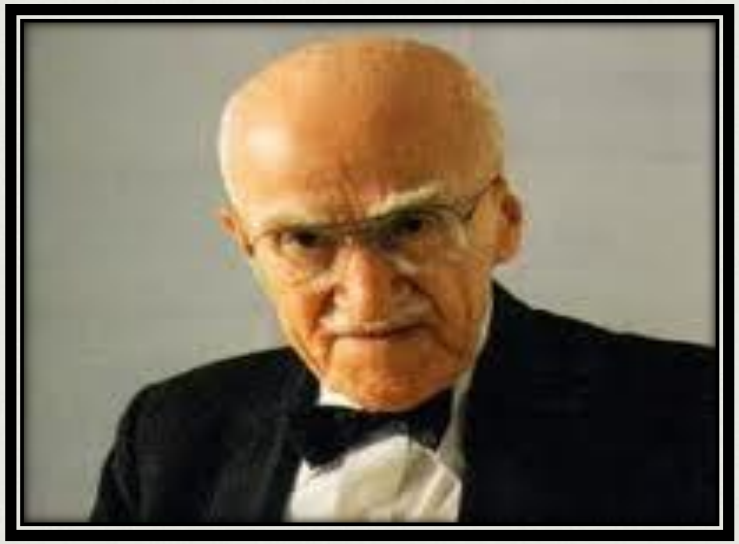
A Quality Culture Must Be Blame Free



W. Edwards Deming

“We must drive fear out of the workplace.”

Fourteen Obligations of Management, point 8



Joseph Juran

“Creating a strategic plan that is customer-focused requires that leaders become coaches and teachers, personally involved, consistent, **eliminate the atmosphere of blame**, and make their decisions on the best available data.” Juran (1988)

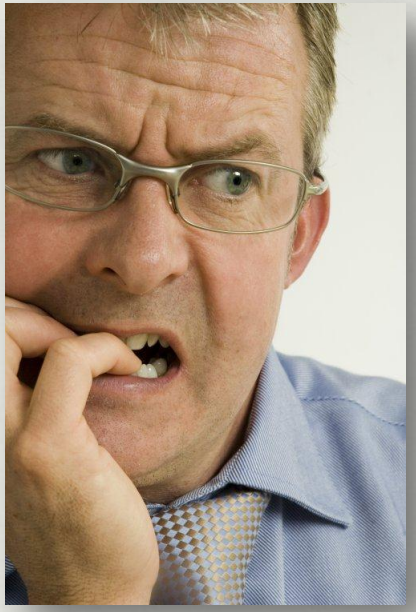
Juran’s Quality Handbook, Freedom From Fear, pg., 15.5

Philip Crosby

“To blame another for a nonconformance problem is naive at best.”

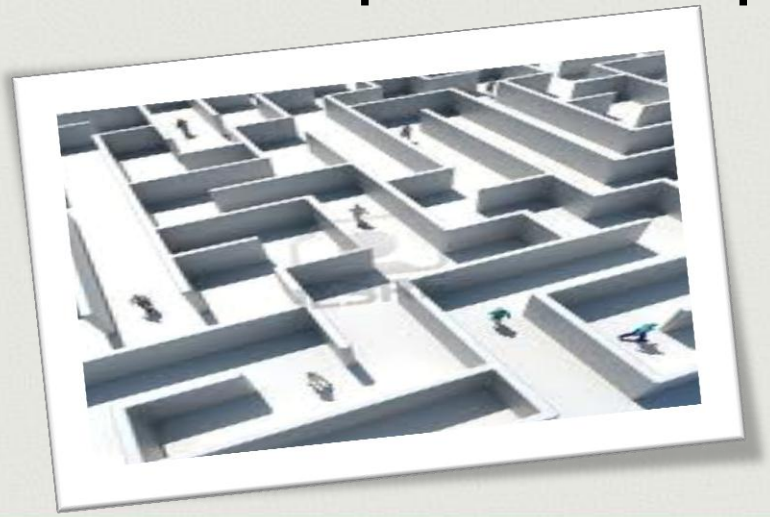
A Workplace With Blame

- Drives out honesty
- Drives out improvement
- Stifles learning
- Drives out innovation



Accountability and Responsibility

- A blame free workplace ***never*** dismisses assignment of accountability and responsibility.
- We need both at the table in order to solve the problem and improve the process.



How do most inefficiencies and defects happen?

1. Process

2. Mistakes

Distribution of Defect Cause

Examples of Mistakes at Home

- To run out of gas
- Locking your keys in your car
- Failing to stop at a stop sign
- Forgetting to turn off the coffee pot or sprinklers
- Forgetting to unplug the iron

Mistakes are inevitable, we all make them

We make mistakes because of.....

- Forgetfulness
- Lack of experience/skills
- Laziness
- Taking short cuts
- Lack of Training
- Misunderstanding
- Lack of concentration
- Lack of standards
- Busy-ness/Rushing

Mistakes

- The majority of workers do not come to work with the intention of doing work wrong

Understanding Mistakes and Error

- **Intentional Wrong Doing:** The issue of volition is fundamental to the notion of doing wrong; therefore, **the term error can only be applied to intentional actions**.
- **Unintentional Wrong Doing:** Failure of work to go as intended (slips or lapses of attention) or failure of work to achieve its desired objective (mistakes) are action with no intent to do wrong.

Name some times when blame must fall on people

- Stealing from customer(s) or company
- Constant lying
- Intentionally doing work wrong
- Insolence towards customers
- Drinking on the job
- Misrepresenting product or service
- Repeated bullying

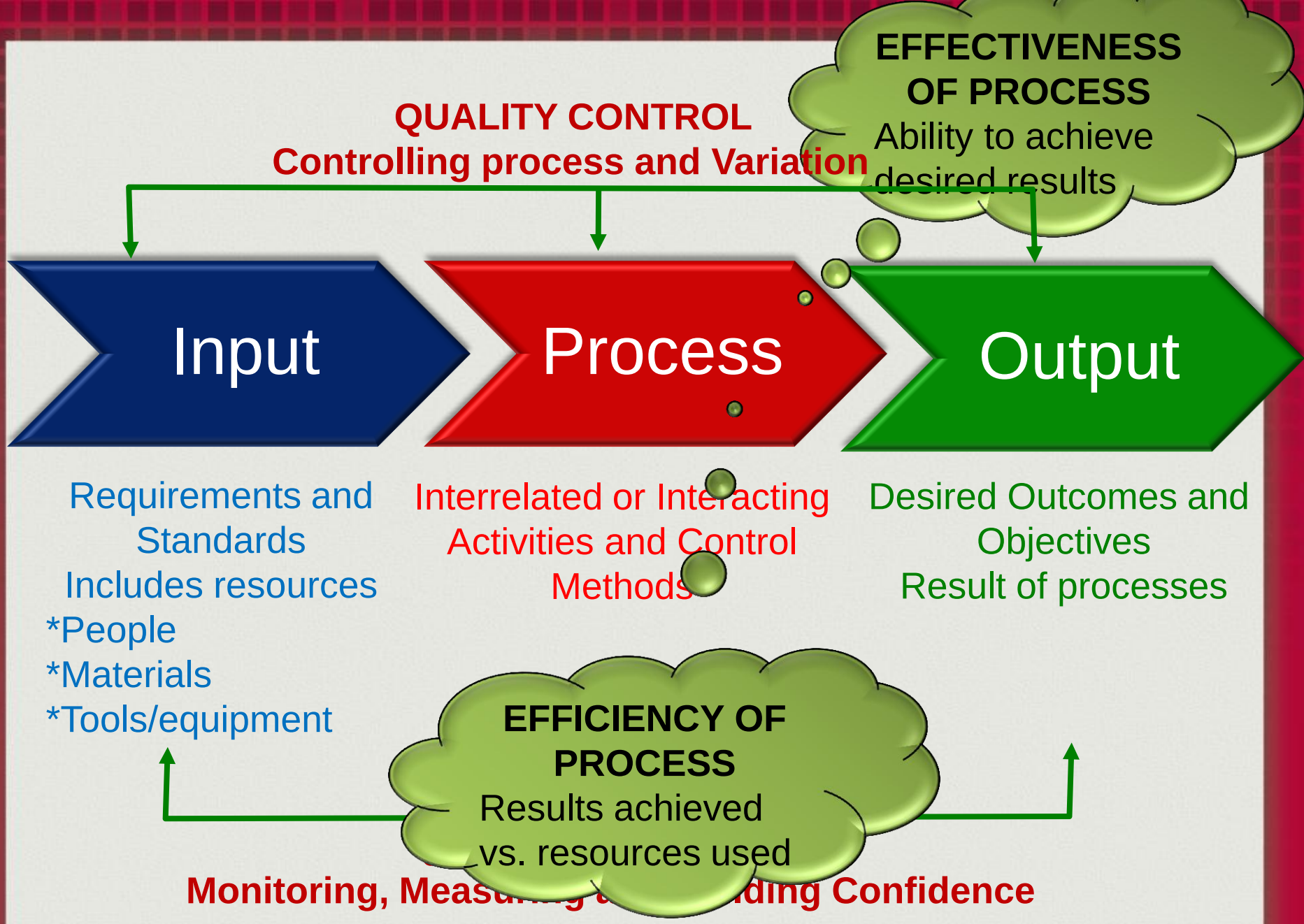
We Must Build Quality In - Not Bolt It On

Maximizing Waste Reduction

Quality Interactions

Process converts input into output

Input → Process → Output


QUALITY CONTROL
Controlling process and Variation
EFFECTIVENESS OF PROCESS
Ability to achieve desired results
Input
Process
Output
Requirements and Standards
Includes resources
*People
*Materials
*Tools/equipment
Interrelated or Interacting Activities and Control Methods
Desired Outcomes and Objectives
Result of processes
EFFICIENCY OF PROCESS
Results achieved
vs. resources used
Monitoring, Measuring
ding Confidence

Input

Process

Output

- High performance standards
- People
  - Trade Ally
  - Non-Trade Ally
  - Air Sealer
  - HVAC Contractor
  - Insulator
  - Electrician
- Material needs
- Tools/equipment

PEOPLE

Input → **Process** → Output

- Training
- Coaching
- Mistake Proofing
- Critical Details
- Quality verification

Input → Process → **Output**

- Increased value
- Reduced cost
- Fewer defects
- Fewer callbacks
- Reduced cycle time
- Satisfied homeowners
- Loyal Customers and employees

PLAN
What is the goal and path to achieve?

DO
What meets the goal.

CHECK
Did it work?

ACT
Standardize and stabilize work and try again.

80/20 Rule

Simple flow plan

1. Identify Wants, Needs, and Expectations of Customer(s)

2. Statement of Specifications, Standards and Requirements needed to satisfy #1. above

3. Work Plan

4. Work

5. Check Work

6. Conforms

Yes

No

7a. Remedial Action and Process Improvement

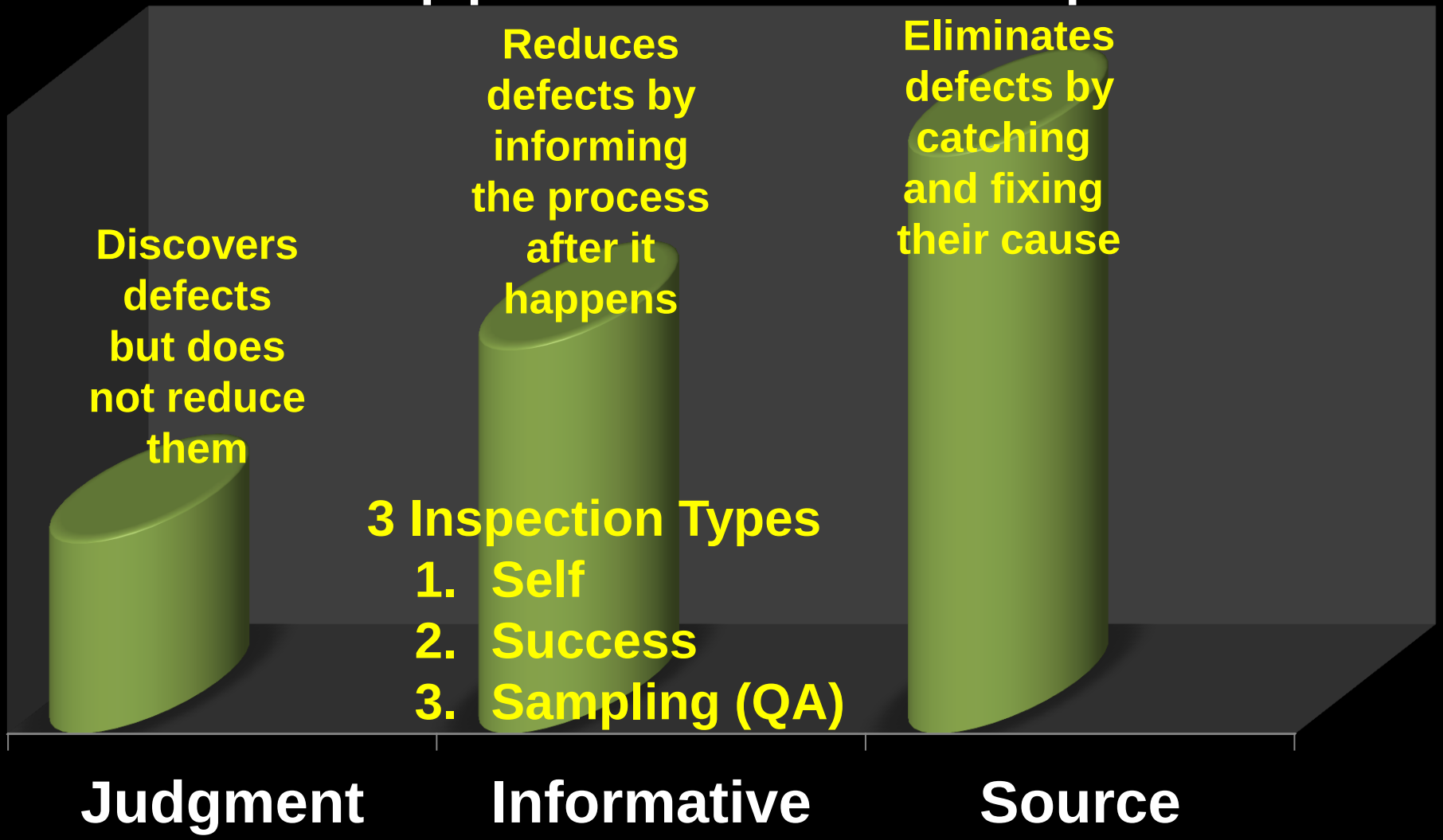
7b. Customer(s) Evaluation

It’s All About the Process

"Inspection with the aim of finding the bad ones and throwing them out is too late, ineffective, costly. Quality comes not from inspection but from improvement of the **process**.”

- Dr. W. E. Deming

Three Approaches To Inspection

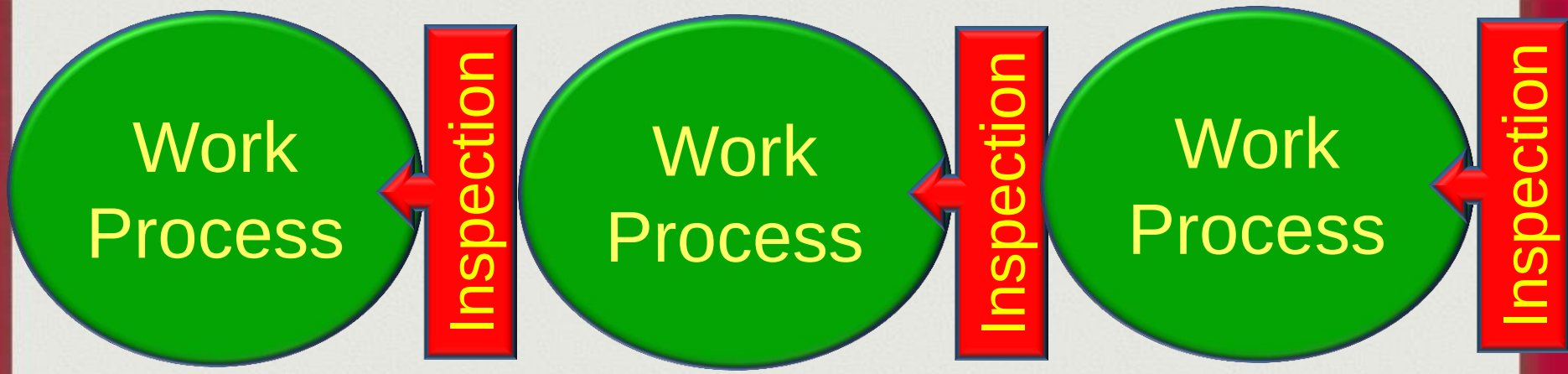


Source: Zero Quality Control: Source Inspection and the Poka-Yoke System, Shigeo Shingo


Quality Verification
PHENOMENOLOGY
ARISTOTLE
EXISTENTIALISM
SAINT AUGUSTINE
KANT AND HUME ON CAUSALITY
STOICISM
NIETZSCHE
SPINOZA'S POLITICAL PHILOSOPHY

Judgment Inspection

Detection

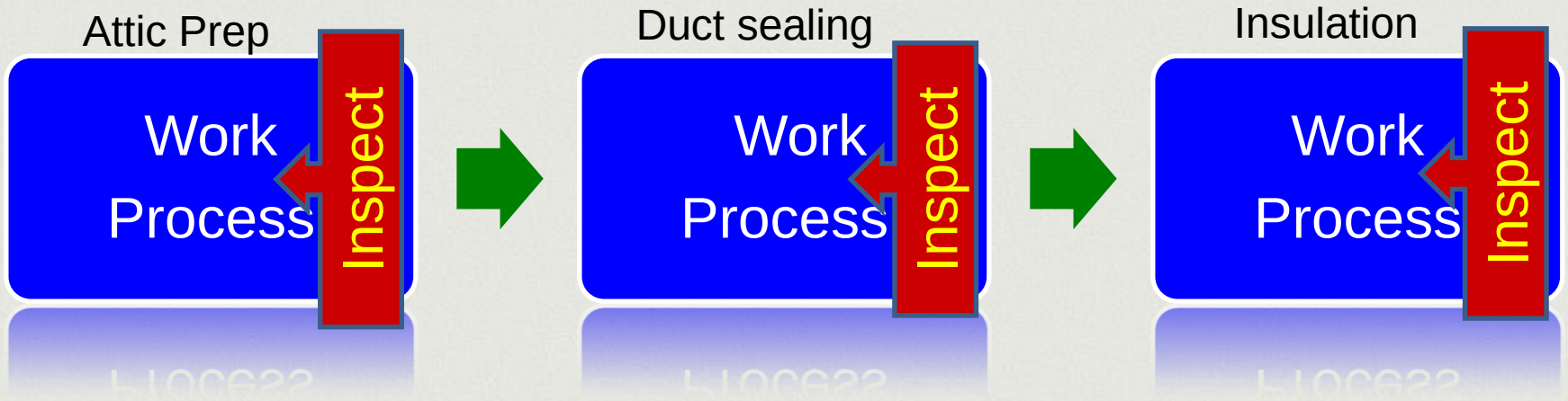


Inspection after the work is done

Costly delays and rework

Self Inspection

Prevention



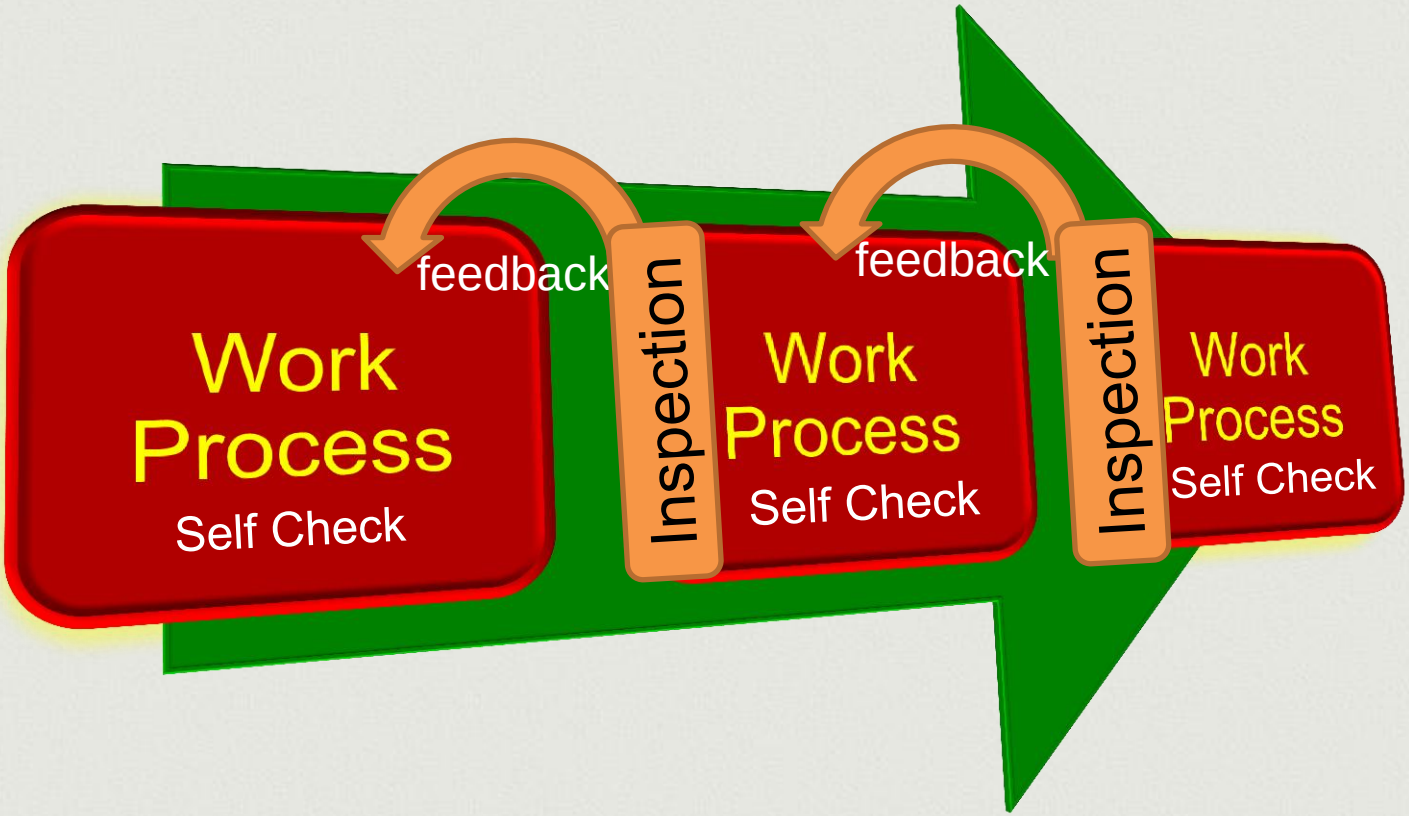
Inspection at the point of work
little to no cost to fix

BENEFITS OF EARLY DETECTION

Defects Found At:	Self Inspection	Successive Inspections	Judgment Inspection	Homeowner Dissatisfaction
Cost To The Company				
Impact To The Company	•Very Minor	•Minor delay	•Significant rework •Reschedule of work •Additional inspection	•Warranty cost •Administrative cost •Reputation loss •Loss of market

Successive Inspection

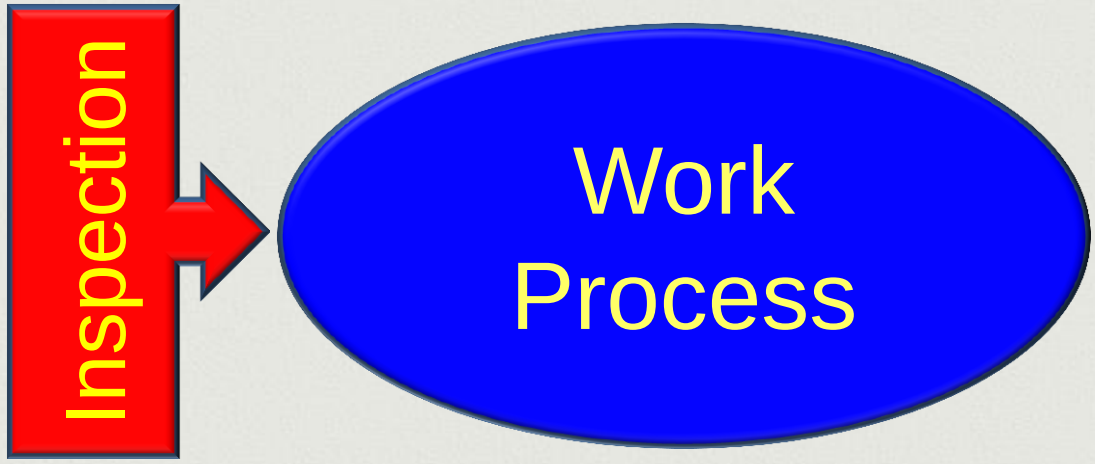
Prevention



Job Ready – Job Complete

Source Inspection

Prevention



Inspection before the work process

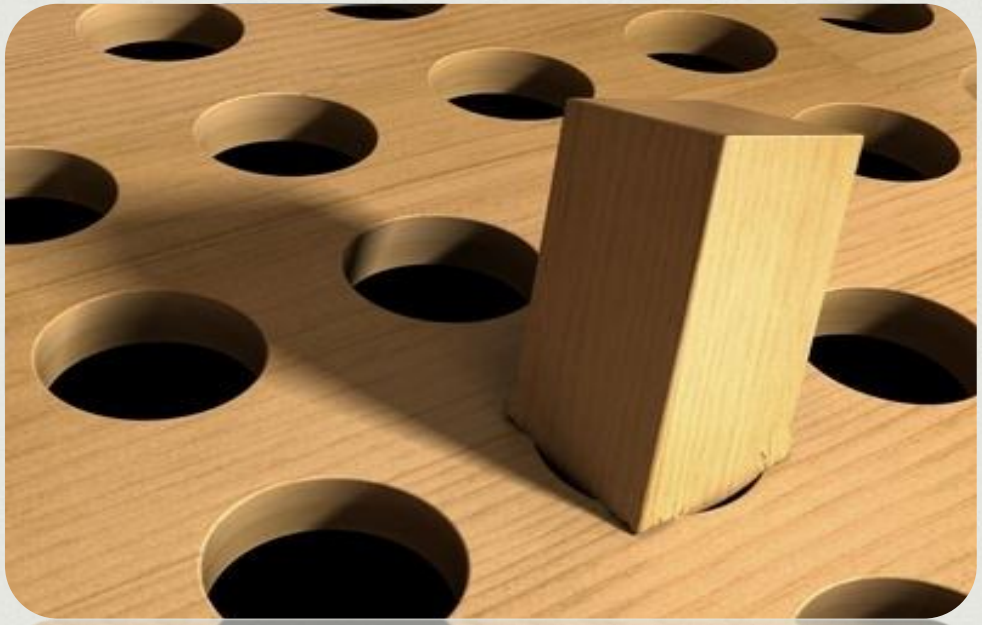
MISTAKE PROOFING

Source Inspection

Fire Fighting Does not Improve a Home

Want to win?

Focus on Prevention of Mistakes More Than Detecting Them



Understanding Mistakes and Error

Unintentional Wrong Doing: Failure of work to go as intended (slips or lapses of attention) or failure of work to achieve its desired objective (mistakes) are action with no intent to do wrong

Prevention Costs Less Than Detection

Mistake Proofing

Mistake-proofing for tailgaters

Which dial turns on the burner?

Stove A

Stove B

Fins inside that prevent the glass from nesting all the way down

Check Lists are Essential

Pilot Check List

BEFORE START

+ CUSTOMS/CANPASS ---------- UPDATED
PREFLIGHT ---------- COMPLETE
LOG BOOK / NAV PUBS ---------- ON BOARD
OXYGEN SYSTEM ------ PLUGGED & CHECKED
OXYGEN CONTROL VALVES ---------- NORMAL
+ CB'S IN
+ ALL SWITCHES ---------- OFF / NORM / AUTO
+ STANDBY ATT ---------- CHECKED & ON
+ GENERATORS ------ GEN (OFF IF GPU START)
+ FOOT WARMERS ---------- OPEN
THROTTLES ---------- OFF
BATT EMER ---------- CHECKED
+ BATTERY ON ---------- CHECKED
GEAR HANDLE ------ DOWN & 3 GREEN/NO RED
+ PARKING BRAKE ---------- SET
GPU ---------- CONNECTED
AVIONICS ---------- ON
WARNING SYS ---------- CHECKED
CROSSFEED ---------- CHECKED
INVERTERS ---------- CHECK SYNC
+ PRESS / ENVIRO ---------- CHECK & SET
+ TRIM / FLAPS ---------- CHECK & SET
CVR ---------- TESTED
AUTOPILOT ---------- TESTED
+ ATIS & CLEARANCE ---------- OBTAINED
+ GPS CHECKED/SET
+ DATA/T.O. BRIEF ---------- COMPLETED
CLOCKS/BUGS ---------- SET
+ PAX ADVISORY ---------- ON
COFFEE ---------- ON
+ FUEL ---------- SUFF / BAL

DOORS ---------- CLOSED
BEACON ---------- ON
AVIONICS/INVERTER ---------- OFF
FREON AIR ---------- OFF
ENG INST ---------- CHECK
START ---------- 1 OR 2
SPEED BRAKES ---------- CHECK
START ---------- 1 OR 2

+ = THROUGH FLIGHT ITEMS

AFTER START

GPU ---------- DISCONNECT
GENERATORS ---------- ON & CHECKED
AVIONICS POWER/INVERTER ---------- ON
GPS ---------- ON
ANTI-ICE & W/S BLEED ---------- SET
EXT LIGHTS ---------- AS REQ'D
STANDBY ATT ---------- ON
PRESS SOURCE / FREON ---------- AS REQ'D
AVIONICS COOLING FAN ---------- CHECK
AUTOPILOT ---------- CHECK
GYRO PRESSURE ---------- CHECK
BELTS&HARNESSES ---------- FASTENED

TAXI

BRAKES / NWS ---------- CHECKED
ANTI-SKID ---------- ON
CONTROLS ---------- CHECKED
TRIMS ---------- SET 3 WAYS
FLAPS ---------- SET
STANDBY ATT. ---------- UNCAGED
THRUST REVERSERS ---------- TEST&STOWED
FLT INST'S / AVIONICS ---------- SET
FLIGHT DIRECTOR ..... GA / HDG / ALT SELECT
ENGINE INST ---------- CHECK
FUEL ---------- SUFF / BAL
DATA / T.O. BRIEF ---------- COMPLETE
ANTI-ICE & W/S BLEED ---------- CHECK
2 FANS / EMER PRESS ---------- CHECK
TCAS ---------- TA

BEFORE TAKEOFF

EXT LIGHTS ---------- ON
ANTI-ICE/WS BLEED ---------- AS REQ'D
RADAR ---------- ON
TRANSPONDER ---------- TA/RA
PRESS SOURCE ---------- NORM

IGNITION ---------- ON
PITOT HEAT ---------- ON
ANNUNCIATORS ---------- CLEAR

SIMPLIFIED T/O DATA

RUNWAY AVAILABLE > or = 5000 feet

WT.	<13300	<12500
PRESS ALT	<3000'	<5000'
TEMP.	-7C - +25C	-7C - +25C
V1	106	103
VR	106	103
V2	114	111
VENR	149	143

TAKE-OFF N1 97.3%
CLIMB S.E. 95.1%

FLAPS 15
ANTI-ICE OFF
NO TAILWIND
DRY RUNWAY / NO GRADIENT
NO OBSTACLES

AFTER TAKEOFF (@ 10,000 FT)

IGNITION ---------- NORM
A/S BUGS AND VREF ---------- SET
CLIMB POWER ---------- SET
PAX ADVISORY ---------- AS REQ'D
LIGHTS ---------- OFF
GEAR LIGHTS ---------- UP & NO RED
PRESSURIZATION / TEMP ---------- CHECK
FLAPS ---------- UP
YAW DAMPER ---------- ON
T/O TIME ---------- RECORD

TRANSITION

ALTIMETERS ---------- SET
AIR CONDITIONER ---------- OFF OR FAN
OXYGEN MASKS ---------- PLUGGED/ CHECKED
OXYGEN CONTROL VALVES ---------- NORMAL
BEACON ---------- BEACON
RECOG LIGHTS ---------- OFF

CRUISE

ANNUNCIATOR PANEL ---------- MONITOR
ENGINE INSTRUMENTS ---------- MONITOR
FUEL ---------- MONITOR
PRESSURIZATION/OXYGEN ---------- CHECK
PASSENGER COMFORT ---------- CHECK
TRIMS ---------- CHECK
ENGINE TREND ----- RECORD IN JOURNEY LOG

DESCENT

FOOT WARMERS ---------- CLOSE
DEFOG FAN ---------- ON
AIRFLOW ---------- COCKPIT
PRESSURIZATION / TEMP ---------- SET
ANTI-ICE & W/S BLEED ---------- AS REQ'D
FUEL ---------- CHECK
CB'S ---------- IN
STANDBY ALTIMETER ---------- SET
ATIS / DATA / BRIEF ---------- COMPLETE
FBO / TAXI / CUSTOMS ---- CALL AND CONFIRM

TRANSITION

ALTIMETERS L / R ---------- SET
RECOG LIGHTS ---------- ON
BEACON ---------- ON/TAIL

APPROACH

COFFEE ---------- OFF
ALTIMETERS L / R ---------- SET
ENGINE SYNC ---------- OFF
BELTS & HARNESSES ---------- FASTENED
PAX ADVISORY ---------- ON
AVIONICS / FLT INST / BUGS ---------- SET
RADAR ALTIMETER ---------- SET
FUEL CROSSFEED ---------- OFF

LANDING DATA

WT	14,000	13,000	12,000	11,000	10,000	9,000	8,000
VREF	114	110	106	101	97	92	87

IN ICING CONDITIONS INCREASE VREF BY
30 KTS CLEAN
20 KTS FLAPS APPROACH
10 KTS FLAPS FULL

BEFORE LANDING

FLAPS ---------- APPROACH
GEAR ---------- DOWN / 3 GREEN / NO RED
LIGHTS ---------- ON
ANNUNCIATORS ---------- CHECKED
IGNITIONS ---------- ON

FLAPS ---------- LAND
AUTO-PILOT / YAW DAMP ---------- OFF

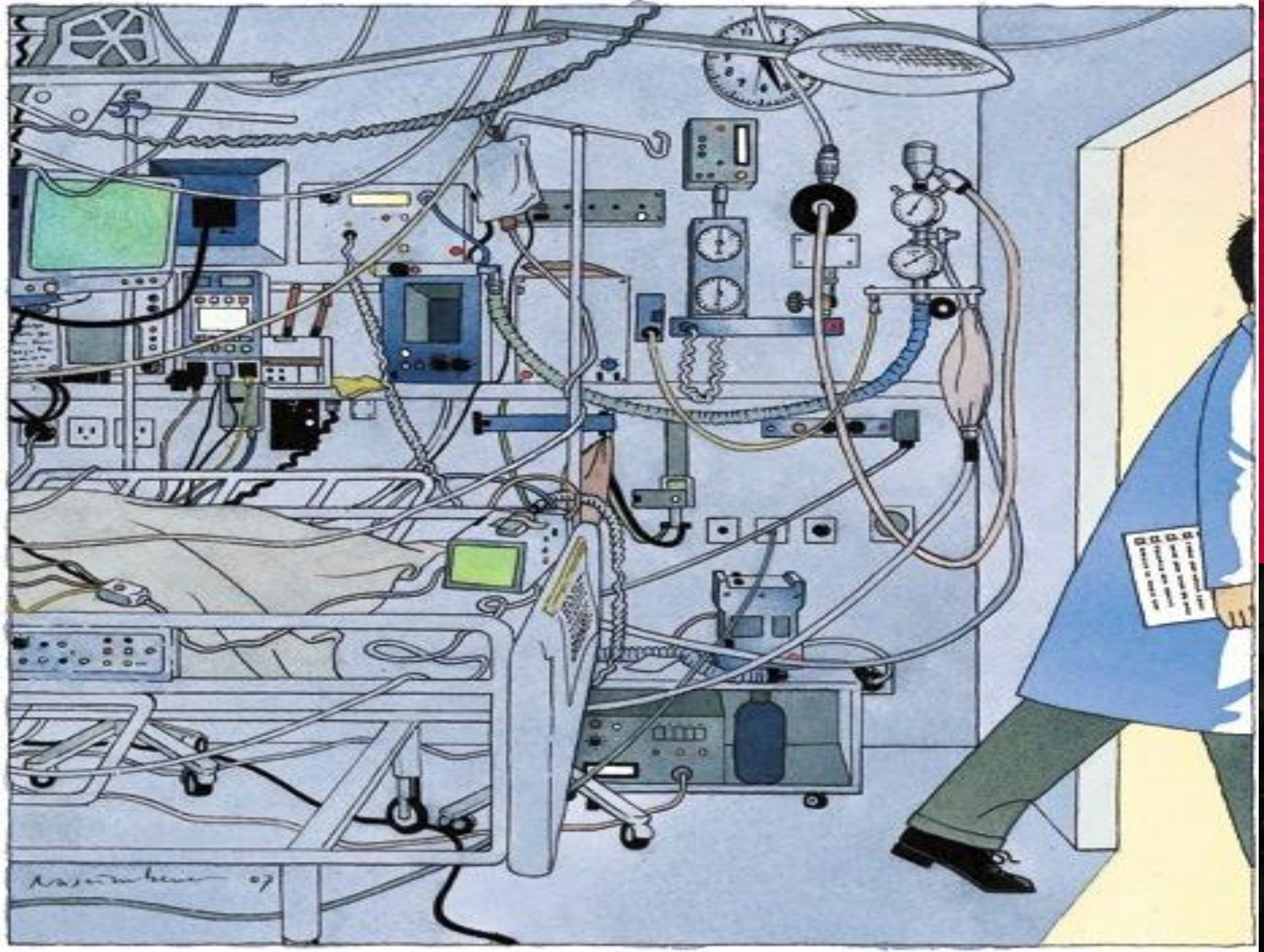
AFTER LANDING

THRUST REVERSERS ---------- STOWED
FLAPS ---------- UP
TRIMS ---------- SET FOR TAKEOFF
SPEEDBRAKES ---------- RETRACT
IGNITION ---------- NORM
PITOT HEAT ---------- OFF
ANTI-ICE & W/S BLEED ---------- OFF
EXT. LIGHTS ---------- AS REQ'D
TRANSPONDER ---------- STANDBY
RADAR ---------- STANDBY
TIME / FUEL ---------- RECORD

SHUT DOWN

RADAR ---------- OFF
FREON AIR ---------- OFF
2 FANS ---------- OFF
STBY ATT ---------- CAGED/OFF
LEFT THROTTLE ---------- OFF
AVIONICS/INVERTERS ---------- OFF
RIGHT THROTTLE ---------- OFF
CHOCKS / BRAKES ---------- AS REQ'D
GENERATORS ---------- OFF
EXT. LIGHTS ---------- OFF
PAX ADVISORY ---------- OFF
BATTERY ---------- OFF

CONTROLS SECURE ---------- AS REQ'D
HEADSETS ---------- OFF
OXYGEN MASKS ---------- UNPLUGGED



2013 WEATHERIZATION SPECIFICATIONS MANUAL

Existing Homes

Attic Insulation Complete Measure Checklist

EXISTING HOMES

ATTIC INSULAT… …E MEASURE CHECKLIST

Check step or work was done defect free

All work shall meet Energy Trust of Oregon… …checklist may serve as a reference guide only. Please refer to the … …clarification.	
Determine ventilation strategy and requirements … …Verify adequate… Free Area of ventilation. *AT 1.2 and AT 1.3*	X
Determine if storage or human contact areas are present. *IN 1.8*	X
Install baffles at eave vents, heat-producing fixtures, flues and chimneys. *AT 1.3 and 1.5*	X
Dams shall be installed at interior accesses and where insulation is at different levels to prevent loose-fill falling out of attic. *AT 1.4 and AT 1.10*	X
Interior ceiling accesses shall be insulated to a minimum of R-30 and Knee wall access doors shall be insulated to a minimum of R-15. Interior accesses shall have permanent weatherstripping. *AT 1.10 and AT 2.6*	X
Verify all exhaust fans are vented completely to the exterior with no gaps. *AT 1,6, 1.7, and 1.8* *Washington customers shall insulate all exhaust fan ducts in unconditioned spaces to a minimum of R-4*	X
Insulate water lines in attic space. *AT 1.9*	X
Insulate and weatherstrip access panel or pull-down stairs. *AT 1.10, 1.11, and 1.12*	X
Insulate vertical walls and cover with air barrier, install blocking in floor under Knee wall. *AT 2.6*	X
Verify R-value and condition of installation of insulation. *Appendix B*	X

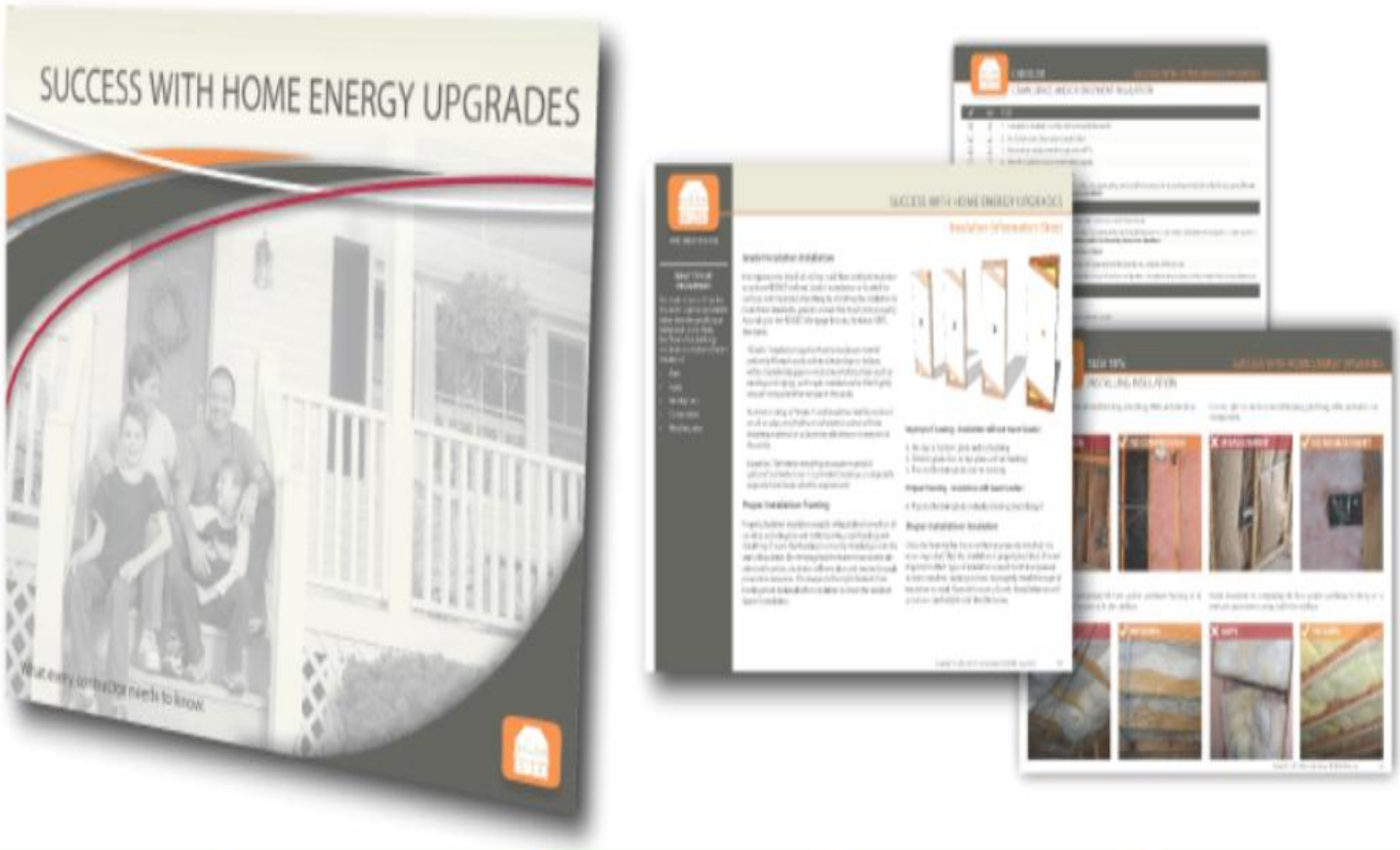
Quality Check: All work was quality checked to ensure it was completed and defect free.

Print Name _____ Signature _____ Date _____

Mistake Proofing Check List

- Increases accountability
- Is a strategy for preventing mistakes
- Makes it impossible for defects to pass unnoticed
- Corrects problems as soon as they are detected
- Prevents defects from being covered up
- Stabilizes our processes
- Escalates effectiveness and efficiency
- Eliminates waste
- Creates a safer work environment
- Makes quality problems more visible
- Produces pride of work
- Increases profit

Quality Tool Kit
Infield Training Tools



INTRODUCTION | DUCT REPAIR | VENTILATION | AIR SEALING | PREP+INSULATION

How are products and services priced?

The DNA of Success

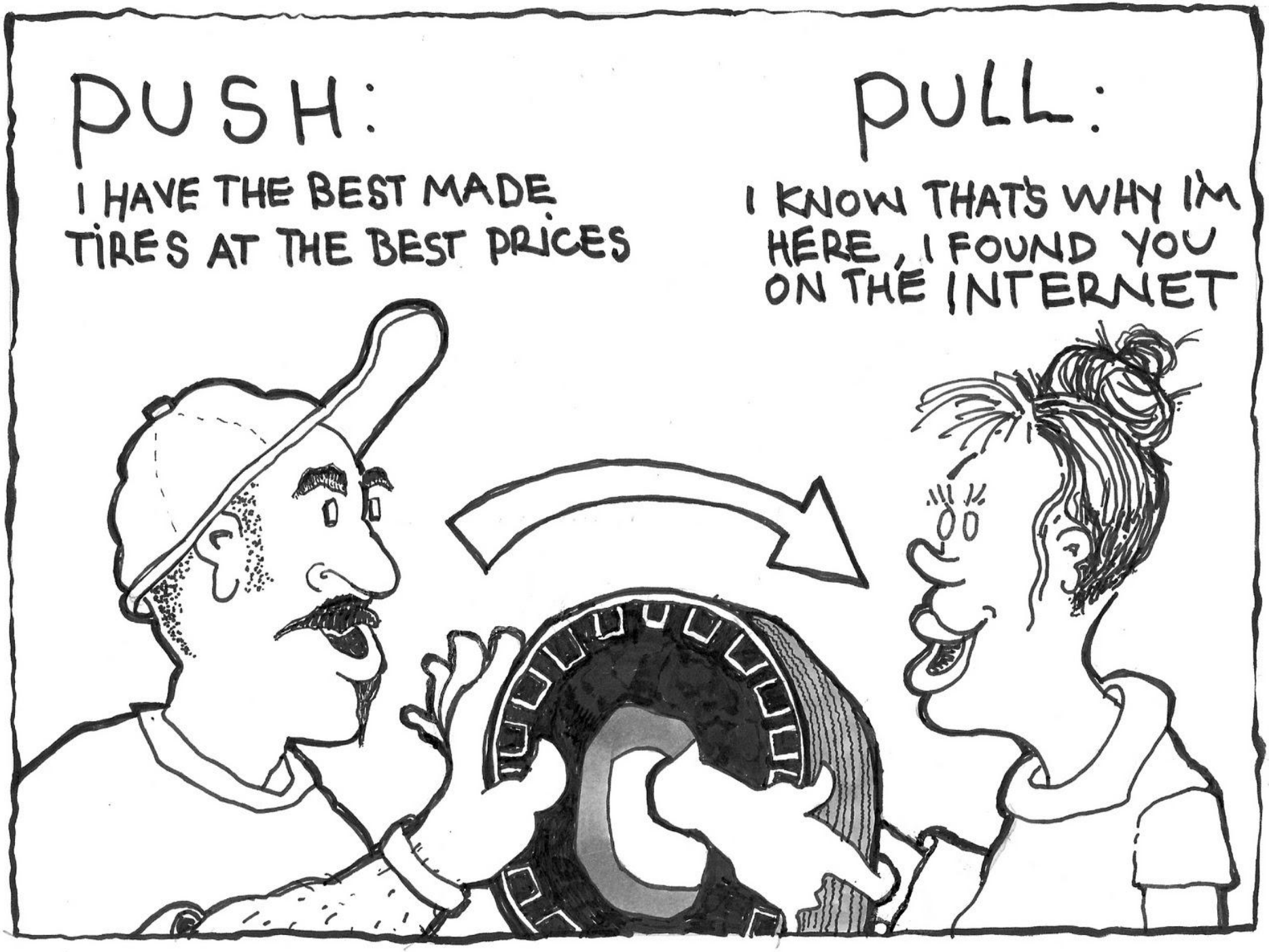
- ✓ DNA of maximizing profits
  1) Cost control
  2) Value creation investment
  3) Advocate production

What is 

- Value is what the customer(s) wants and will pay for.

- Sell them what they want not what they need, causing no harm to the customer or home.

How Do You Define Customer Success?


PUSH:
I HAVE THE BEST MADE TIRES AT THE BEST PRICES
PULL:
I KNOW THAT'S WHY I'M HERE, I FOUND YOU ON THE INTERNET

What are we selling?

Solutions

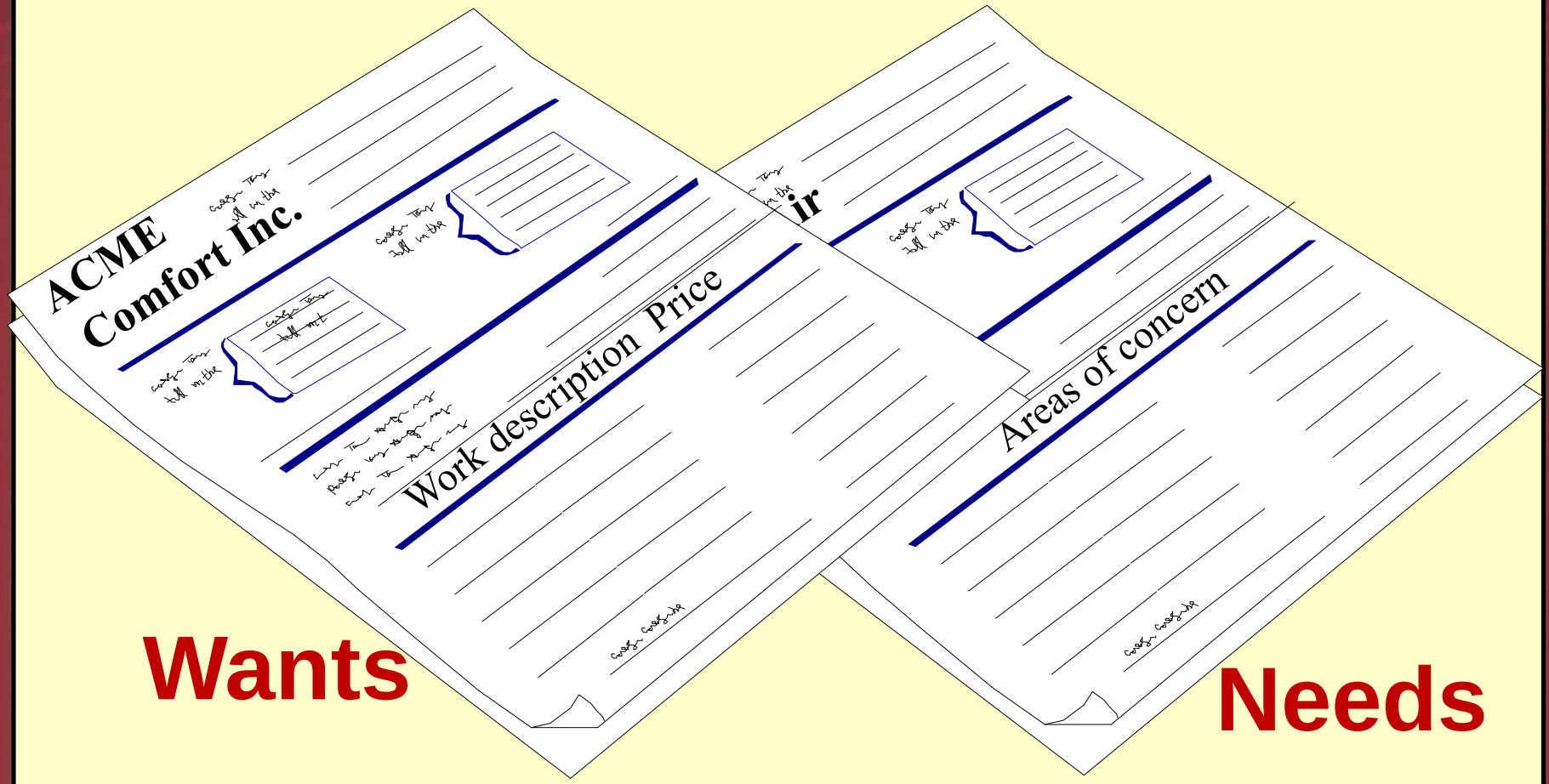
Solutions

Solutions

Value - Is what the customer wants and is willing to pay for

Repeat Sales

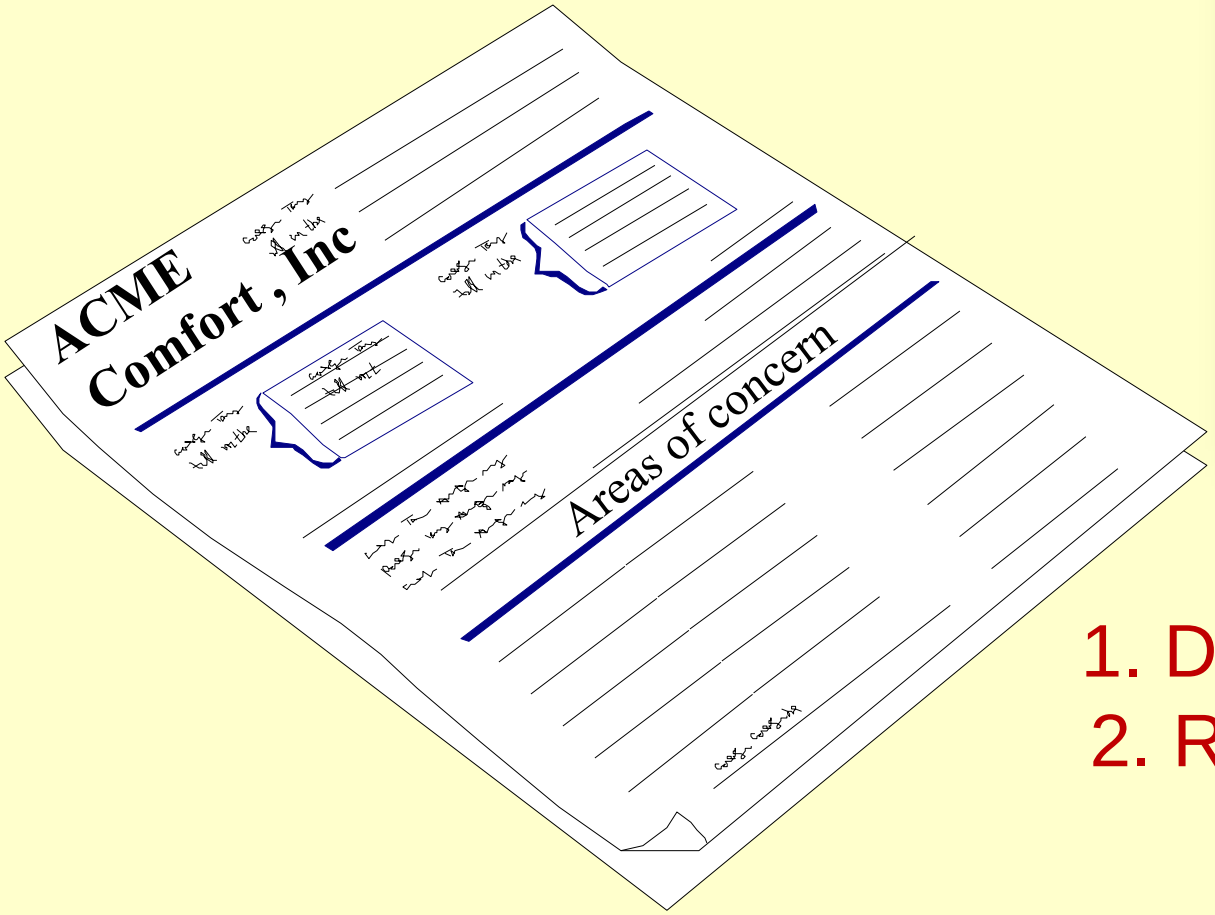
Sales contract and document of concerns...



Wants

Needs

Document of concern...
Repeat Sales



Generates

1. Diagnostic needs
2. Relationships

3 Things People Buy

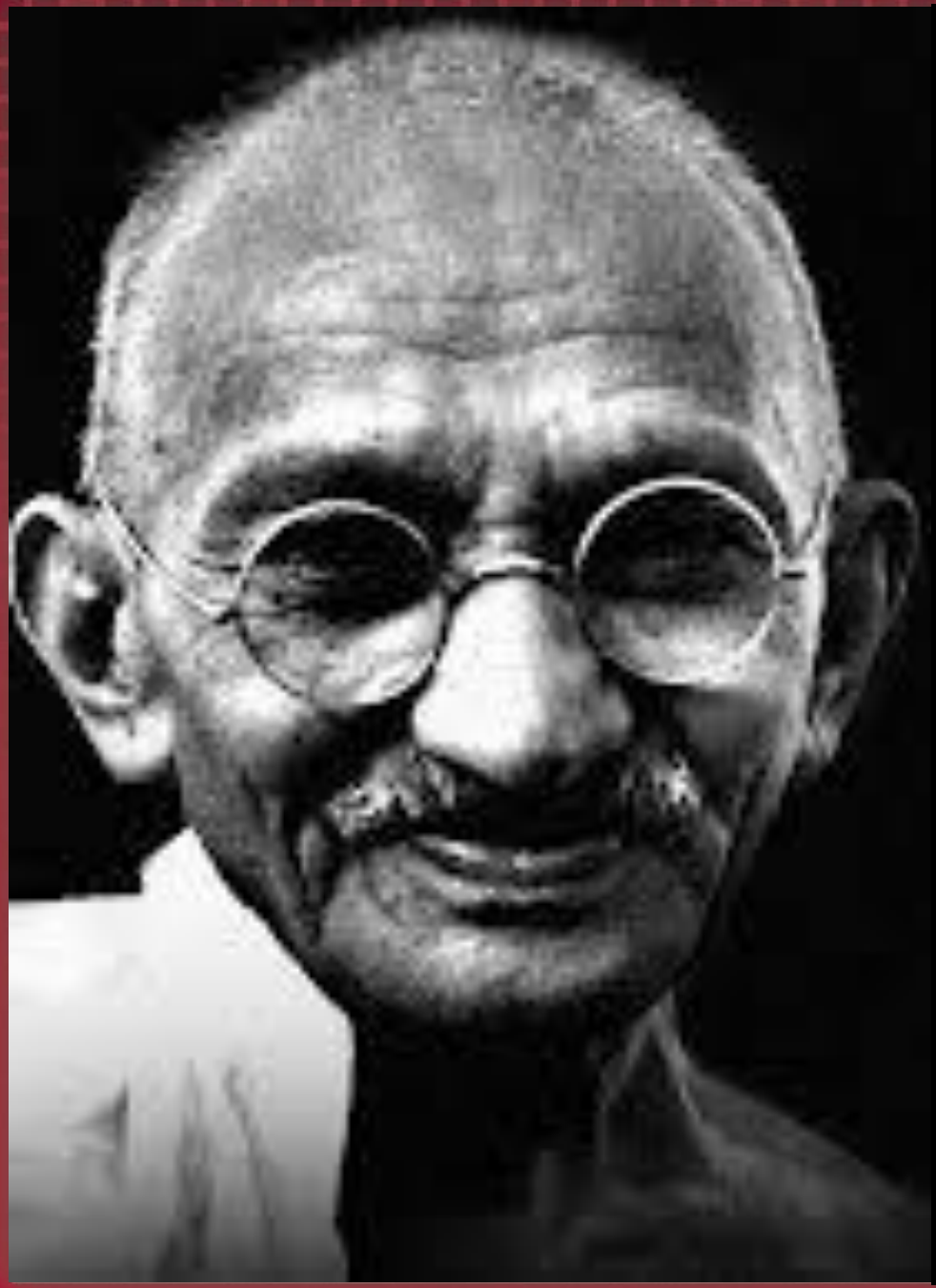
1. Good Feelings
2. Solutions to Problems
3. What They Value

The DNA of Success

- ✓ DNA of maximizing profits
  1) Cost control
  2) Value creation - investment
  3) Advocate production

ADVOCATE

A quality culture must produce loyalty



CUSTOMER

A customer is the most important visitor on our premises.

He is not dependent upon us. We are dependent on him.

He is not an interruption in our work. He is the purpose of it.

He is not an outsider in our business. He is part of it.

We are not doing him a favor by serving him.

He is doing us a favor by giving us an opportunity to do so.

-Gandhi

Loyalty Based Business System

- Loyal customers are critical, however, they are not the first step

- **Loyal employees are**

Loyalty

Employees who are not loyal are not likely to build an inventory of customers that are

We need to build employee loyalty and use it to improve customer retention

Loyal customers are advocates for your company (Sales Staff)

=

REAL FINANCIAL CONSEQUENCES!

“Profit in business comes from repeat customers, customers that boast about your project or service, and that bring friends with them.”

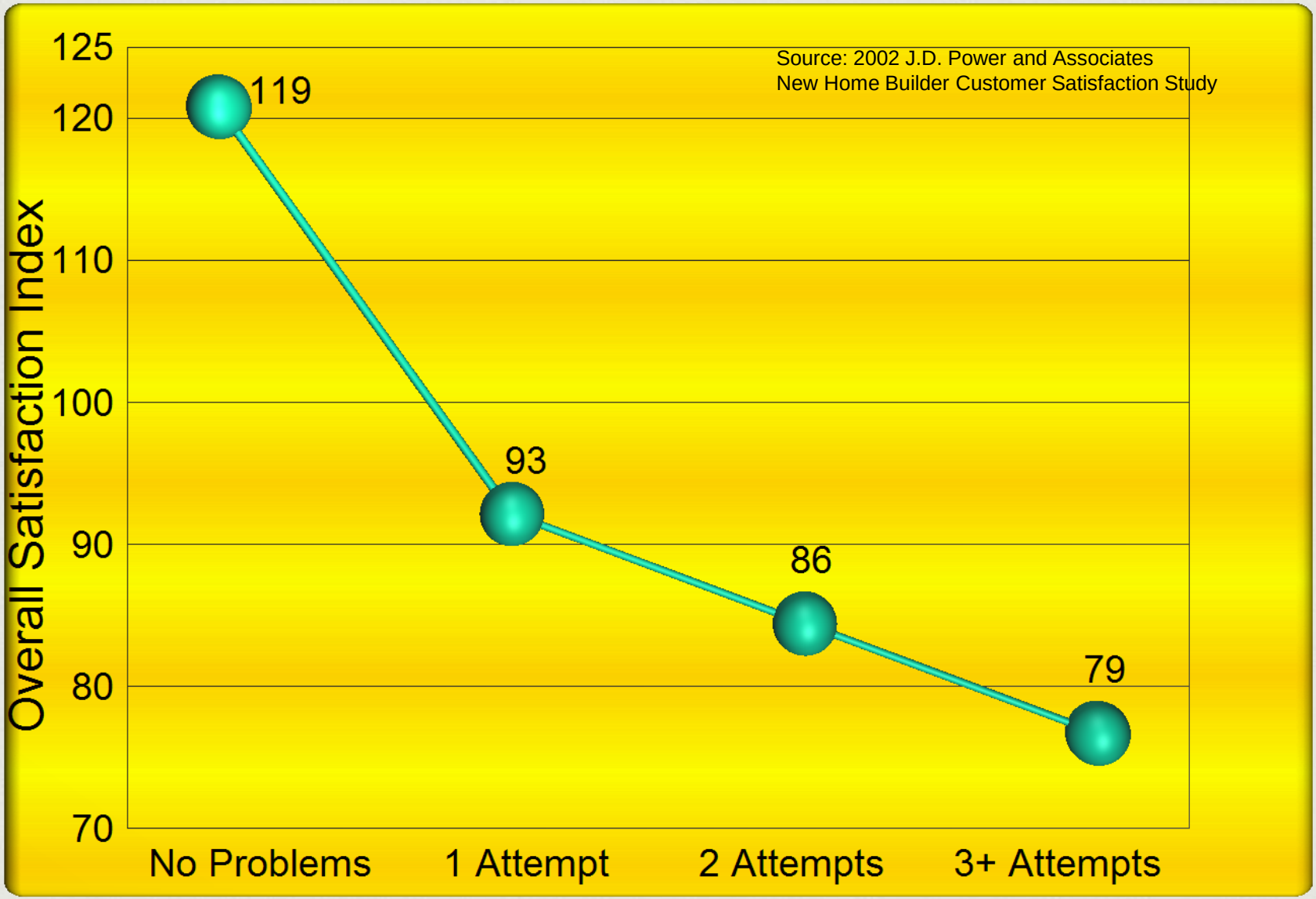
-W. Edwards Deming

Advocate Production

- Customer satisfaction is a feeling
- Customer loyalty is a behavior

One call back can cause other call backs

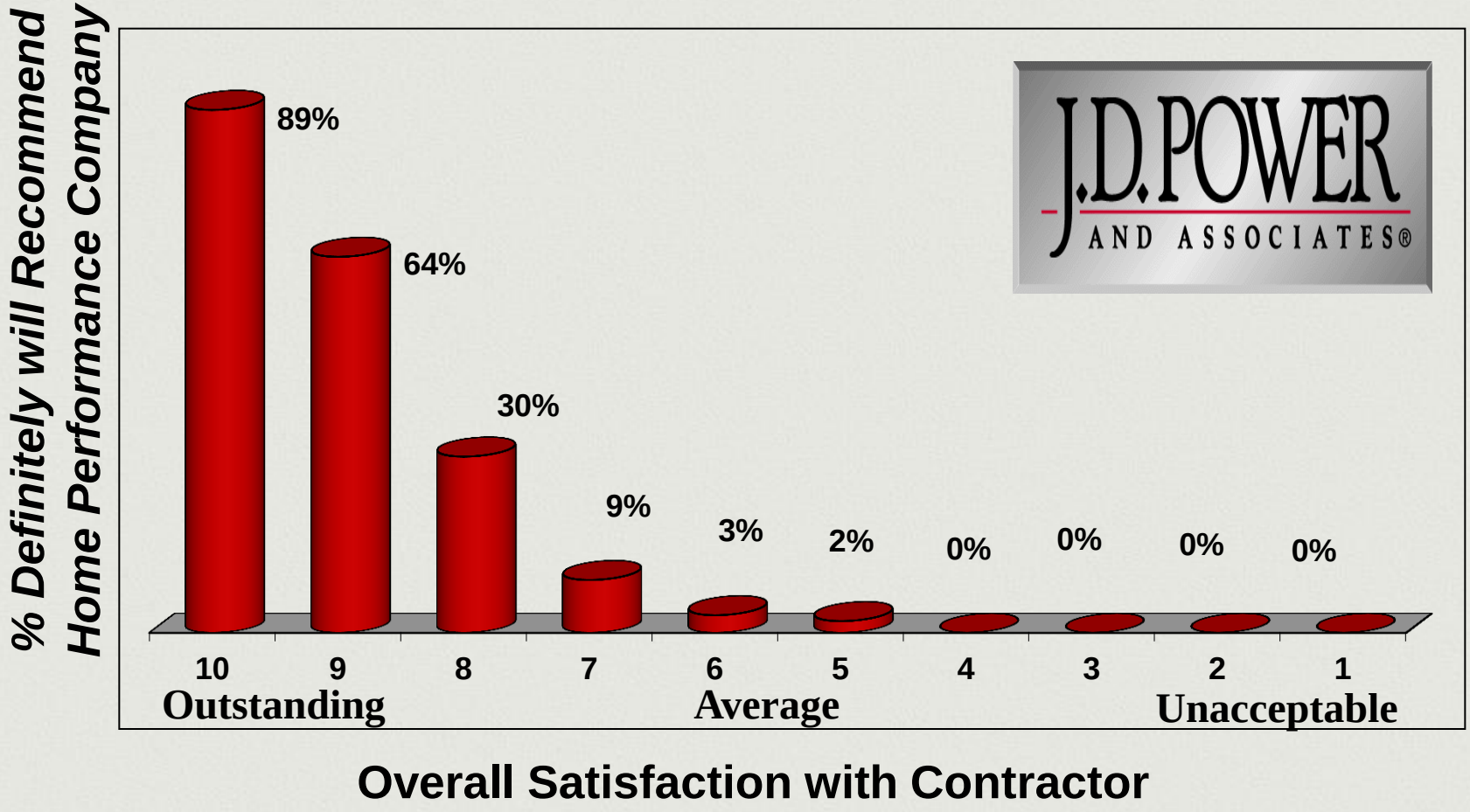
Overall Satisfaction Declines Dramatically When Problems Require Repeated Attempts To Fix



ANGRY HOMEOWNERS = LOSS

Increased Word of Mouth

Decline in Word of Mouth Based on Decline in Customer Satisfaction

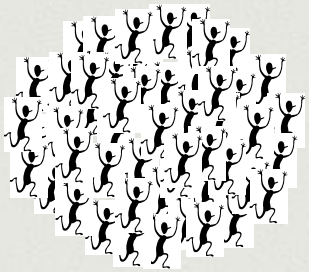


With an increase in positive recommendations, Home Performance Contractors have the potential to significantly increase retrofit sales.

$

+ .56 Additional Recommendations per satisfied customer

X 100 Average Homes per Contractor = 56



X 1/8 = 7 Additional Sales

X $5,000 Average Sale Price

= $3,500 Additional Revenue

Per advocate

Loyal Customer

J.D. POWER AND ASSOCIATES®

Loyal customers are advocates for your company

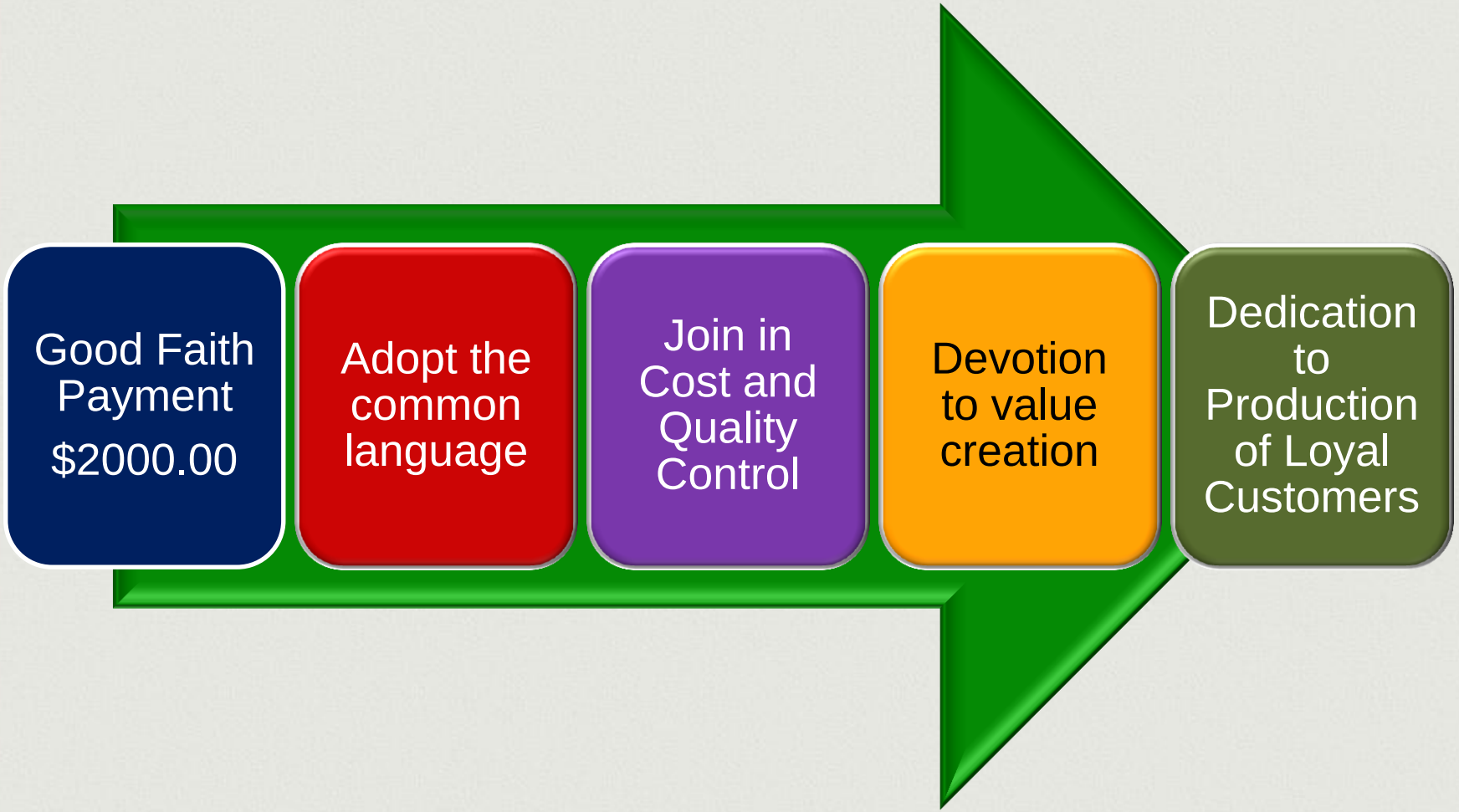
REAL FINANCIAL CONSEQUENCES!

Review

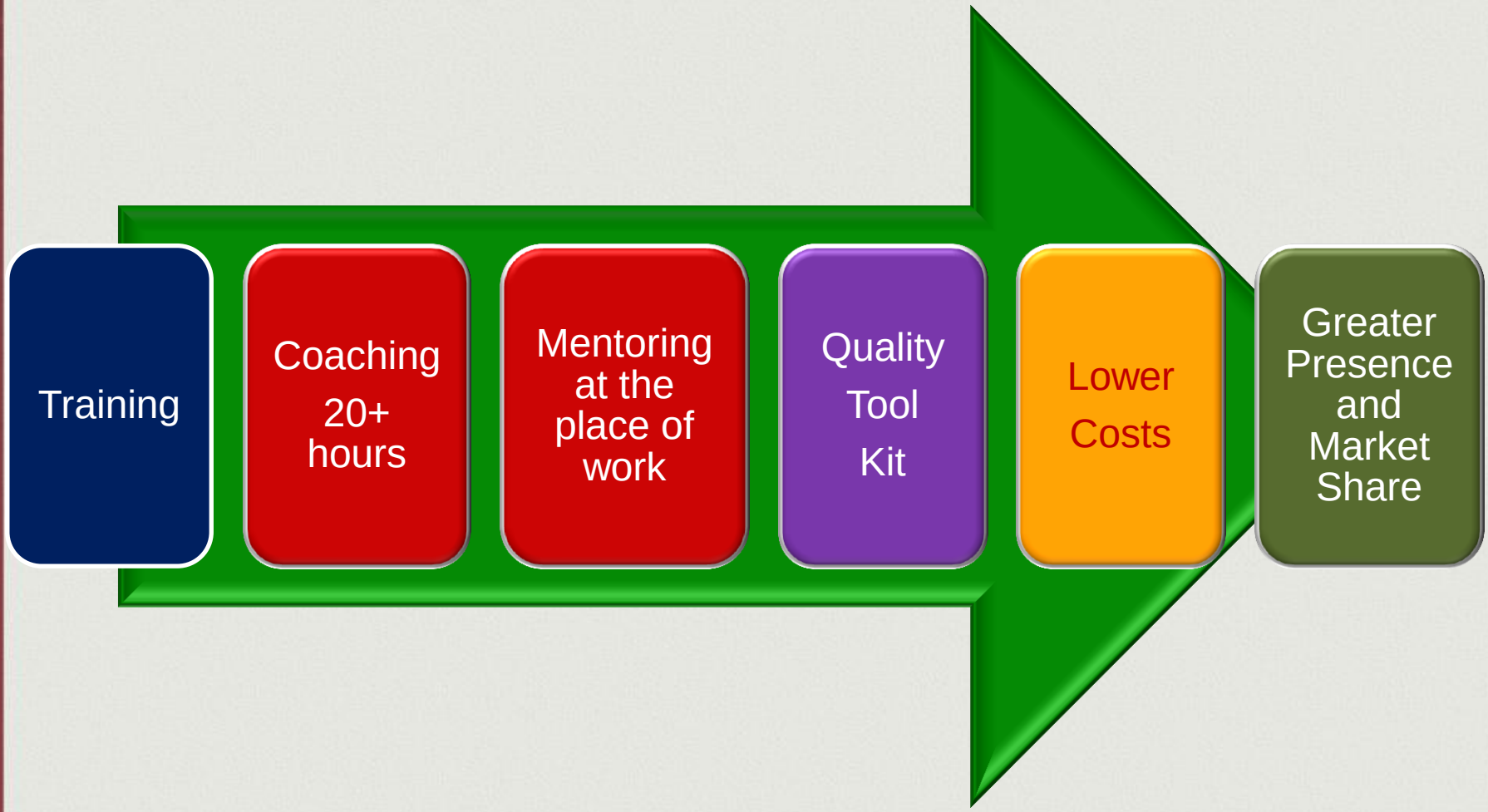
3 Major areas we will master together

1. Cost control
2. Value Creation
3. Advocate production

What must I do to join the pilot?



What's in it for me?



Is the view worth the climb?


QUESTIONS ?