

# A Builder That Believes

This builder installs hot water baseboard heating as a standard feature in every home it constructs.

by Lisa M. Murton, contributing editor

Monogram Homes has an admirable philosophy: "The customer's perception is our reality."

Founded by two college friends with a background in business in 1994, Monogram Homes has grown to be a \$10 million company building 25-30 custom homes per year. The Coopersburg, PA company exclusively installs a three-zone hot-water baseboard heating system as a standard feature on every home it builds. Other standard features include granite countertops, central vacuum systems, Jenn Air appliances, Pella tilting windows, whole house audio systems, and more.

President Tony Caciolo, and his partner Lewis "Chip" Shupe, are dedicated to complete customer satisfaction. One way they achieve that is to offer the "absolute best."

"We focus on things that add a lot of value but don't add a lot of cost," says Caciolo. "We've formed unique relationships with manufacturers that allow us to purchase direct, allowing us to avoid passing on extra costs to customers."

While hydronics is a 100-yr.-old technology, it's still innovative to use it in \$300,000+ homes.

A real key to success, says Caciolo, is the ability of Monogram Homes to *differentiate*. "The standard features that customers get most excited about are the hydronic heating systems and the kitchens featuring granite countertops."

## Creating Excitement About Benefits, Comfort

How did Caciolo become such a big believer in hydronic heating? "It began with the first home I built, which was for myself. It was always cold, never comfortable.

So when I built my second home I asked myself – if cost were no object – what system would provide the best comfort? My research pointed to hydronics, so that's the system I chose. Once I saw how efficient it was and how much comfort it provided, I was sold."

Monogram Homes draws on that personal experience to educate customers. "In my opinion, hydronic systems are the best. Hot water baseboard gets heat to each room in the most efficient manner, and because the system is zoned, heat only goes where it's called

for,” says Caciolo.

“We spend a lot of time educating our customers about the comfort, health, and efficiency benefits of hydronic systems. Part of that process involves reviewing an impressive 10-page brochure with them. The brochure, provided by the hot water baseboard manufacturer, contains consumer-friendly explanations and illustrations that really help them understand hydronic systems and their benefits. Customers are particularly impressed that the systems prevent dust circulation and dried out air.

“Customers also appreciate that we install three zones instead of one or even two. Simply adding another zone for another \$300 or \$400 – a small price for us – yields huge benefits. And with hydronics, it’s a simple matter of adding another circulator pump. By the time we’re finished educating our customers, they’re excited about hydronic systems and convinced that they’re the right choice.”

### Energy Efficiency

Other “sales tools” at Monogram’s disposal are the awards and honors it’s won. In addition to awards for excellence in customer service, architectural design, specialty projects, and best model home, the company has won the 1999 and 1998 Lehigh Valley Builders’ Association Award for Professional Excellence in Energy Efficiency.

The 1998 award was based on a study Monogram conducted on one of its 3,600-sq.ft. homes. The home had a gas-fired hydronic baseboard heating system serving three zones and provided domestic hot water. The annual heating bill came in at under \$600/yr.

The 1999 award was for a 16,000-sq.ft., \$1.5 million home with 10 zones. This masterpiece included an oil-fired hydronic baseboard heating and domestic hot water heating system with annual energy costs under \$2,000/yr. – so much for the “additional first cost” objection!

### Innovating for Customers

Why aren’t more builders putting hydronic systems into their homes? “We don’t have that competition in this area,” says Caciolo. “Many of the builders in our area have been doing things the way they’ve always done them. A lot of them have come up through the trades, so they have preconceived notions

## OVERVIEW

### Monogram Homes

**Location:** Coopersburg, PA; serving the Lehigh Valley area

**Founded:** 1994

**Annual Revenues:** Approximately \$10 million

**Offerings:** 25-30 custom-built homes per year, at \$300,000+

**Partners:** Anthony J. “Tony” Caciolo and Lewis R. “Chip” Shupe IV

**Full-Time Employees:** Five

#### *Unique Aspects*

**Philosophy:** “The customer’s perception is our reality.”

**Wording at the end of every contract:** “This contract signed in the spirit of friendliness and neighborliness.”

#### *Differentiators*

● Include items as standard that don’t cost a lot more for the builder or customer, but that add tremendous value.

● The owners created a high-level staff position devoted to customer service. Robert Eugster, who previously worked for a heating company, is Monogram’s vice president, quality assurance and customer service. He is responsible for handling all customer issues. All employees use Palm Pilots. All customer service issues are recorded in the Palm Pilot. Eugster issues weekly auto faxes to all subcontractors regarding all customer issues.

#### *Owner Backgrounds*

Caciolo and Shupe are both in their mid-30s. They met while they were students at Lehigh University, Bethlehem, PA. Caciolo has a B.S. in Business and Economics and an M.B.A. in International Business. His past experience includes stints at General Motors, Xerox, and Bell & Howell.

Shupe has a B.A. in English Literature and attended the National Outdoor Leadership School in Lander, WY. Previously he worked as a Congressional Assistant, in operations and customer service for Lubrication Research, Inc., and for another custom builder.

Caciolo first became interested in the construction business when he built his own home. Because he was a student at the time and had some free time on his hands, he did the trim, electrical, insulation, painting, and kitchen work himself. Although he loved the experience, he continued on in his corporate career, but kept building houses on the side. When his last employer relocated, he decided to stay and devote his full-time efforts to building.

Shupe also worked in the corporate world, but when his last employer went out of business, a friend offered him the opportunity to bid on a retail construction project. After winning and successfully completing the project, Shupe helped Caciolo build his second personal residence. That experience led the two – who were both at career turning points – to continue building homes. They then formed Monogram Homes.

about what works.

“We’re a young, growing company open to new ideas. We have very sophisticated buyers in our market – local companies include Lucent Technologies and AT&T, which also employ people who relocate here. We have to meet our customers’ needs and operate on their level. They’re educated buyers. They

want quality and innovation. While hydronics is a 100-yr.-old technology, it's still innovative to use it in \$300,000+ homes."

#### Getting In On the Act

Caciolo says Monogram is fortunate to have a solid working relationship with its plumbing subcontractor, who installs the copper pipe and baseboard. "We work with our wholesaler who does the heat gain/loss on computer and presents us with the results. We then review and tweak the design, and go over it with the plumbing contractor before he begins the piping and baseboard installation," he comments. Monogram also has a quality working relationship with large local HVAC contractor who installs all the duct-based central air systems.

When asked how HVAC contractors interested in growing their hydronics business can develop relationships with builders, Caciolo refers to the way Monogram Homes conducts its business. "We identify the areas our competitors are not strong in. If your competitor sells *cheap* systems, you should *differentiate* by selling the best.

"So the word *differentiate* gets my attention – and there are other builders out there that will listen," he says. "If an HVAC contractor approaches a builder with a way to help the builder differentiate – especially with something that won't cost much compared to the value it will offer – the builder should listen."

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