

# Insulation Contractors Report

A PUBLICATION OF THE INSULATION CONTRACTORS ASSOCIATION OF AMERICA

JULY/AUGUST 2021

## Join Us at the 2021 ICAA Convention & Trade Show SEPTEMBER 23-25 | SAN ANTONIO, TX

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### ICAA 2021 Schedule Highlights

#### Wednesday, September 22

- ★ ICAA 2021 Golf Outing
- ★ Welcome Reception


#### Thursday, September 23

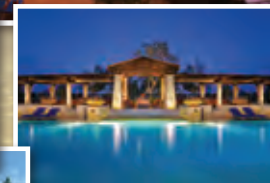
- ★ Trade Show Floor Open
- ★ Tomorrow's Markets: Getting Ready for 2022
- ★ Tips & Tactics: Proven Ways to Recruit & Retain Employees
- ★ ICAA Happy Hour

#### Friday, September 24

- ★ Trade Show Floor Open
- ★ Contracts: Negotiating from a Position of Strength
- ★ Top 10 Labor Law Issues Keeping Insulators Up at Night

#### Saturday, September 25

- ★ SPF Applications: When, Where, How 





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## Moving Positively into the Future

**Terry Burnham, ICAA President**  
**Email: [terry.burnham@insulate.org](mailto:terry.burnham@insulate.org)**

There is a perfect word that describes the last 18 months in both the history of our businesses and in our country. That word is VOLATILE. It will be very interesting to see how the historians frame this extremely volatile time in the life of our country. It will be equally interesting to see how we remember the things we had to do to cope with this pandemic. We have been pushed, pulled, and sometimes prodded into doing things to keep our doors open. I don't know about you, but personally, I don't really appreciate being told what I have to do. My wife thinks it's a personality flaw, but I understand that sometimes the best solutions are right underneath the surface and are not the obvious choices.

Volatility leads to stress. If you look up some of the causes of stress you will find the following: facing big changes; worrying about something; being under lots of pressure, and uncertainty. These situations are all bad enough, but when you couple them with health and safety concerns that can literally kill you, your employees, or your family members, the stress is magnified. Labor and materials shortages during a time of strong demand also check most of those boxes of causes of stress for us. In my opinion, we are currently passing through the most unique time frame in our careers. We need to make sure that we are taking care of ourselves and that we are addressing ways to relieve some of the pressure. As for COVID, I can only hope and pray that it was a once in a lifetime event and that it is truly in our rear view mirror.

My own mental health has been called into question on many occasions. What works for me is actively doing things to reduce my stress and anxiety. It is in that vein that I suggest you book your ticket to the ICAA Convention & Trade Show at the JW Marriott in San Antonio.

Where have you been able to go over the last two years, where you can meet with your industry friends and suppliers and get educated on topics that will help to make your business thrive? At ICAA 2021, you will be able to sit in on educational

sessions that range from business operations to building science and listen to Dr. Peter Andersen, a world class economist. Dr. Andersen's predictions about the opportunities and threats in our future economy will assist you in steering your company through some potentially turbulent times. To do all of this in the comfort of one of the finest JW Marriott properties in the country is the perfect tonic for re-emerging from this pandemic.

We have purposefully created some time on Wednesday, September 22 for a golf outing on the Marriott's Canyons Course for more face-to-face time for our suppliers and contractors. There have been six professional tournaments on this course over the years and it is supposed to be spectacular. We hope this time will allow more contact with your industry peers – something that has been difficult to do over the last year and a half. We want our contractors and suppliers to look forward to this potentially very fun event in the beauty of the Texas Hill Country.

I promised you in my first newsletter that I would give you one idea in each issue that makes sense (cents). This one idea is actually going to be multiple ideas as I am going to ask you to read Gary Leasor's article in this newsletter about "The ABCs of Overhead." For those of you who don't know Gary, he is a financial guy that has been on both the supplier and contracting side of our industry for over 40 years. I have always found his insights and suggestions to be spot on and I urge you to read his article.

You are one of the biggest assets in your organizations and you need to make sure that you are moving positively into the future by continuing to grow as a businessperson and leader. I am very excited to personally invite each of you to our ICAA Convention & Trade Show. I hope that you will take advantage of this wonderful opportunity to renew and rekindle your insulation industry relationships.

Take good care of yourself and I look forward to seeing you at the Convention in September. 



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# ICAA Heat Illness Prevention Resources



OSHA's general duty clause mandates employers to provide a work environment free of known safety hazards. Contractors can be cited under this clause for failing to implement the necessary practices to reduce the risk of heat illness. To assist our member contractors in meeting OSHA's enforcement criteria, ICAA has worked with legal counsel to create a Model Heat Illness Prevention Program and sample work/rest and heat acclimatization schedules.

ICAA is proud to offer several resources (listed on page 12) that can be adapted to fit individual company needs on the ICAA Member Site. Please note that your program must adhere to NIOSH criteria (see introduction of ICAA Model Heat Illness Prevention Program) and be followed by company employees.

*continued on page 12*



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## SPOTLIGHT: TOMMY KNAPPICH VP & General Manager – Building Insulation, Johns Manville



Tommy Knappich

**Tommy Knappich** has been the VP & General Manager of Building Insulation at Johns Manville since 2017. He joined the company in 2004 as the Vice President of Sales in Roofing Systems, where he led the contractor, distributor, architectural, and owner services sales teams.

Prior to joining JM, Tommy held various managerial positions with Ingersoll Rand and Halliburton. He earned a bachelor's degree in Petroleum Engineering from Mississippi State University and an MBA from George Fox University.

Tommy and his wife Carol live in Highlands Ranch, CO.

### **ICAA: Businesses are facing shortages and delays in products/SKUs. What's behind these challenges, what's in store for the next 6–12 months, and what can insulation contractors do to be in the best position to receive material in today's environment?**

TK: Demand is exceeding supply and the industry is experiencing shortages and inflation on raw materials. We do not expect these conditions to change much between now and the end of the year. Contractors should continue to place their orders in advance and plan on current conditions to persist for the foreseeable future.

### **ICAA: What are you most looking forward to at this year's ICAA Convention & Trade Show?**

TK: Everyone is looking forward to connecting with their customers and suppliers and discussing what's new in the industry. With industry tradeshows and travel limitations this past year, the 2021 ICAA Convention & Trade Show allows the opportunity to reestablish existing relationships and meet new customers and suppliers. Also, there are some great speakers this year, including Dr. Andersen who will provide insight into the economic and housing outlook.

Everyone at JM is very excited for the upcoming Convention.

### **ICAA: Is there a particular industry trend that JM is keeping their eye on, and what impact do you see it having?**

TK: Labor remains tight in the market and there is a need for products that are easier to install and have a thermal, air, and vapor barrier incorporated. There is also a trend around pre-manufacturing of certain assemblies and components, as well as modular building methods. Overall, we are keeping an eye on trends, products and assemblies that reduce installation time and are easier to install onsite.

### **ICAA: ICAA would like to thank you for assigning Tom Calzavara, Head of Field Technical Operations at Johns Manville, as Co-Chair of the ICAA Technical/Marketing Committee. JM has a deep technical staff that is ready to provide our industry with needed information. Can you share with us what resources are available and what makes your technical group unique?**

TK: Contractors need fast and accurate technical assistance when dealing with builders, architects, and general contractors, and to ensure their employees properly install insulation products. In 2015, JM created TechConnect<sup>SM</sup> specifically to help our customers understand and navigate changing building codes, insulation technology, building science, and the most efficient and accurate ways to install fiberglass, mineral wool, continuous insulation, and spray foam insulation products. Architectural and specifier service specialists, inside technical support specialists, and field technical services representatives comprise the TechConnect

Labor remains tight in the market and there is a need for products that are easier to install and have a thermal, air, and vapor barrier incorporated.

*continued on page 15*



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# The ABCs of Overhead



**Gary Leasor**  
Leasor & Associates, LLC

One of the most important things to understand in operating your business is how your overhead costs relate to your sales activity. Often, when a business owner is trying to understand overhead costs, they relate these costs to a flat dollar amount (i.e., \$25,000 a

month) or a percentage of sales (i.e., 25% of sales). But in actuality, when we review their monthly financial statements, the real overhead costs are not \$25,000 a month or 25% of sales, but instead can vary dramatically. The problem with these fluctuations is that their pricing strategies are based on these overhead assumptions.

After many years of analyzing this situation, I have determined the root cause is accountants learning their ABCs at a very early age. Meaning, if you review the overhead on your income statement, you'll see that your accountant has done an incredible job of aligning each cost category in alphabetic order. But the reality is there are two types of overhead costs, one generated when a sale occurs, and the second type, which occurs regardless of whether the company generates any

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sales. It is critical that these different overhead costs be separated on your monthly income statements for the owner to have a complete understanding of how costs are generated based on the various sales levels.

Any overhead costs made when a sale occurs is called *variable overhead*, since it varies with sales volume. Key costs, classified as variable, include direct labor-related costs (payroll taxes, workers compensation, benefits, etc.); vehicle related costs (fuel, repair/maintenance, etc.); and direct job costs (supplies, tools, etc.). Not surprisingly, the direct labor-related costs often make up the biggest portion of the variable overhead costs.

Assuming direct labor costs make up 20% of sales, then the payroll taxes are 1.6% of sales (20% x 7.65% plus unemployment); workers compensation are 2.8% of sales (20% x 14% comp. rate); and direct labor benefits of 1% (varies by company). Based on this information, the direct labor variable

*continued on page 11*

## XYZ CONTRACTOR (EXAMPLE ONLY)

### VARIABLE OVERHEAD:

Payroll Taxes	1.6%
Workers Compensation	2.8%
Direct Labor Benefits	1.0%
Vehicle – fuel	2.5%
Vehicle – Repair/Maint.	2.0%
Direct Job Costs	1.0%
<b>Total Variable Cost</b>	<b>10.9%</b>
(Percentage of Sales)	

**Total Fixed Costs – \$25,000/month**

## XYZ CONTRACTOR (EXAMPLE ONLY)

### BREAK-EVEN ANALYSIS:

Sales	100.0%
Less: Material Cost	(45.0%)
Labor Cost	(20.0%)
Variable Overhead	(10.9%)
<b>Gross Profit</b>	<b>24.1%</b>
<b>Total Fixed Overhead</b>	<b>\$25,000.00</b>
Divide by Gross Profit %	24.1%

**Break Even Sales Level – \$103,734.44**

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## The ABCs of Overhead

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cost is 5.4% for each sales dollar. After reviewing hundreds of insulation contractor financial statements, I found the average vehicle related cost is 2.5% for fuel (going up quickly) and 2% for repair and/or maintenance. This means vehicle-related costs are 4.5% of sales. Finally, direct costs vary dramatically based on your individual businesses; in this case, we are assuming 1% of sales account for those costs. Overall, for each dollar of sales, the variable costs are 10.9%, which falls in the middle of the industry average of 10% to 12%.


Overhead costs incurred regardless of whether the company generates any sales are called *fixed overhead*. The typical fixed overhead costs may be rent, office/officer salaries, utilities, insurance, and all other costs that are paid on a regular basis. It should be noted if sales salaries are based on a commission structure only, then they also should be included in variable costs.

After determining your two groups of overhead costs, you can easily determine the break-even

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After determining your two groups of overhead costs, you can easily determine the break-even sales level for your business. It's also important to review your pricing now that you have a more complete understanding of your overall costs.

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sales level for your business (see the example). It's also important to review your pricing now that you have a more complete understanding of your overall costs. And in the next article, I will share some ideas on how you can reduce your businesses' variable overhead costs. 

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## ICAA Heat Illness Prevention Resources

continued from page 9

Members can login to the ICAA Member Site to access.

- ◆ ICAA Model Heat Illness Prevention Program
- ◆ ICAA Supplemental Schedules (Work/ Rest Regimens and Acclimatization)
- ◆ ICAA Webinar – Health & Safety Series | Heat Illness Prevention (May 2019)
- ◆ ICAA Webinar – Heat Illness Prevention Programs: A Step-by-Step Guide
- ◆ Cal/OSHA Heat Illness Prevention Training Guide
- ◆ OSHA Heat Safety Tool  
OSHA's Heat Safety Tool can tell you the heat index and risk level for your location, as well as the minimum precautions you should take to prevent heat illness. 



## ICAA Member News

**Aeroseal, LLC** has raised \$22 million in a Series A round of funding led by Breakthrough Energy Ventures (BEV) with participation from Energy Impact Partners and Building Ventures.

Aeroseal's goal is to speed up plans about reducing carbon emissions from homes and buildings. Funding and resources from venture capital firms will help them grow and support their dealer network, as well as focus on making their technology more efficient, easier to use, and more cost-effective.

More information is available at [www.aeroseal.com](http://www.aeroseal.com). 

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**Spotlight: Tommy Knappich, VP & General Manager – Building Insulation, Johns Manville**

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team that blankets the USA and Canada. They also work hand-in-glove with Research and Development, analyzing insulation products to understand how to improve them to meet code changes along with determining the most efficient installation methods that maximize product yields.

**ICAA: Now more than ever in the history of the U.S. appears to be the ideal time for our industry. With climate change predictions and the federal government leaning toward boosting incentives for energy efficiency investments, would you agree?**


TK: We are forecasting strong insulation growth in the US and globally over the next few years. We expect new home construction to remain robust and continued strength in multi-family projects. On the commercial side of the business, we are seeing a slowdown in office and retail construction, but this is being offset by growth in warehouses and data centers. At the federal, state, and local level, we are seeing an increase in incentives and rebates for projects requiring insulation to lower energy costs. There is an increase in retrofit insulation projects as consumers and companies lower their carbon footprint through insulation upgrades. We believe

the next few years are going to be a great time to be in the insulation business.

**ICAA: Could you share a bit about your background and what led you to your present role at JM?**

TK: I have been at JM for 17 years working in our Commercial Roofing and Insulation Business. I was with JM through the housing boom in 2006–2007 and the housing bust in 2008–2010. It’s exciting to be in the insulation business at this time and through the next few years. As I mentioned previously, with pent up demand in housing and the coming boom in the retrofit market, the insulation industry over the next few years has some great strength ahead of it.

**ICAA: What do you like to do outside of work?**

TK: I am an avid hunter and fisherman but what I am most looking forward to is reconnecting with people, something we have not had much of an opportunity to do over the past year. I’m excited to reestablish in-person relationships and meet new people in the industry, as I’m sure most people agree. The ICAA Convention & Trade Show will provide the perfect opportunity to do that! 

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