

Lighting Times

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Fast-growing Energy Management Collaborative Has a Brighter Idea

By Neal St. Anthony
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Somebody has really turned on the LED lights at Energy Management Collaborative (EMC).

It has been quite a dazzling run, particularly the past five years, for a low-profile firm that has emerged from the shadows.

Corporate veteran Jerry Johnson and several partners in 2003 formed EMC, which uses proprietary software and highly efficient LED lighting to overhaul lighting systems for dozens of commercial customers nationally every year.

Johnson — who recently stepped away as CEO to focus on long-term strategy and governance as chairman of the board — has been gratified by 36 percent compounded annual growth over the last five years. The momentum should push the company to \$145 million-plus in revenue this year and 200 employees.

"I thought the tipping point would come around 2008," Johnson said, as LED lighting started to drop in cost as demand and production started to increase. "It really didn't happen until about 2014."

The business model is pretty simple.

EMC lighting and energy auditors swarm a company, such as hundreds of Best Buy stores that the company has overhauled twice over the last decade. They count the lights, tabulate usage, location and more, and feed it into a software program. A design team comes up with a lighting plan that enables the buyer to typically pay for the investment within three years, including local utility rebates.

In essence, EMC last year created \$122 million in revenue and customer value from energy and financial savings.

The clients essentially get an annuity stream through the energy savings after the payback point.

EMC forecast a couple of years ago to Jon Namyst, a facilities director with Allina Hospitals and Clinics, that it would recover the \$200,000 cost of a lighting overhaul of its Cambridge, Minn., campus within 3½ years.

"It's not easy because hospitals have to keep the lights on all the time," Namyst said. "But it's exceeding the savings that was projected. The payback will be under three years."



EMC Headquarters

Photo Credit: Brandon Stengel

In addition, the lighting has improved the "patient and employee experience," and can be adjusted from bright to soft.

Similarly, Namyst said a recent \$250,000 renovation of the Courage-Kenny rehabilitation center in Golden Valley should be paid off through energy dollar savings within three years.

New CEO Howard Heckes, a former Valspar executive, said the 2018 plan for EMC is to accelerate growth.

Not bad for a company whose first idea was centered on moisture control in buildings. That was before Johnson started to focus on the ability of once-hot fluorescent lights to conserve energy as they emerged as replacements for traditional incandescent lighting.

Johnson recruited Heckes to succeed him as CEO last year, after Valspar was acquired by its rival, Sherman-Williams. Heckes was running Valspar's \$2.5 billion coatings business, which he had done for 10 years, meaning he knows something about building organizations and revenue.

"I love leading organizations through change," said Heckes, 53. "And what we are doing is about sustainability. Doing well and doing good. And this is the hardest-working team with which I've ever been involved."

EMC is independent, as opposed to manufacturers who offer solution packages centered on their own product.

Government incentives and green-oriented mandates by states helped to stimulate economies of scale for LED. The modest fixture array that cost \$900 in 2011 today costs less than a third of that and requires less than half the energy for the same illumination. That has increased the green payback to business customers in terms of faster returns

on investment. And it helps meet corporate sustainability plans, important to a growing legion of consumers and clients.

The key, the company says, is its "Energy Maxx" software, which guides EMC's customized "turnkey lighting, controls and internet of things solutions."

"Our customers give us a budget and we start with whatever gives them the biggest bang for the buck," Heckes said. "We send in the internal auditors who cover 35 data points."

The process can take a few hours for a drugstore or four days for a commercial or industrial client, he said.

EMC passes all rebates to customers. Its revenue comes from its analysis, labor and materials, plus a markup. It uses local contractors for installation.

Tony Johnson, an architectural engineer who is EMC's lead customer-solutions specialist, said lighting systems are customized to allow clients to make adjustments to different spaces and offices to fit schedules and preferences.

Heckes is running a fast-growing company in a hot industry, 140 years after Thomas Edison invented an inexpensive electric light to replace the gaslight, which scientists had grappled with for 50 years.

"I believe EMC has built a better mousetrap," Heckes said. "We're growing faster than our market."

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