

# Understanding perceptions and finding the way forward for SIPs.

SIPA • 3/5/19

We create a market advantage for organizations that create a sustainable, energy-responsible future.



# The company we keep



We start here...

energypulse™

ecopulse™

b2bpulse™

..and we end with campaigns that build brands, shift perceptions and drive sales



Today we will look at results from  
Professional Builder Magazine's survey of builders  
and compare those to  
Shelton Group's national Energy Pulse<sup>®</sup> data,  
which explored what consumers *actually think* and what  
they're *willing to pay for*.

**First, why does sustainability matter?**





# 82%

of **Millennials** are anxious about how climate change will affect **their children's quality of life**



The average American recognizes that he or she needs to *do* something.





# 85%

of respondents think the average person should be taking concrete **steps to reduce his/her environmental impact**



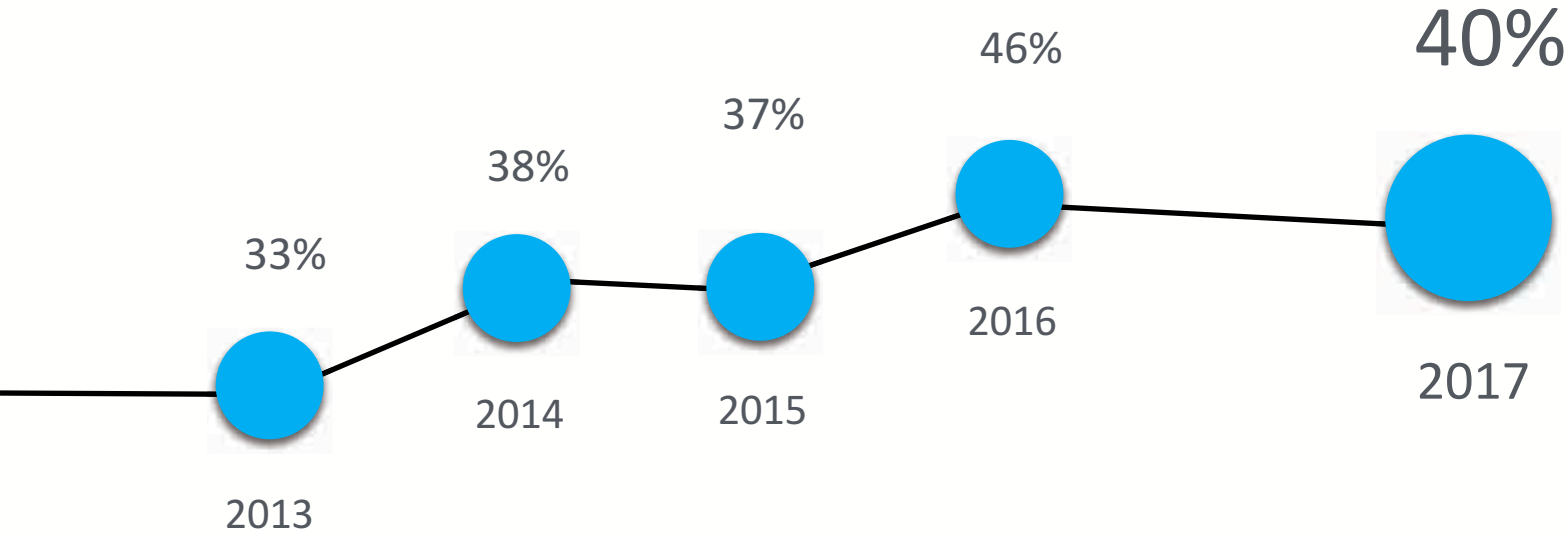
And



83%

of Americans believe that we have a moral duty to leave the earth in as good or better shape than we found it

Would you like to be seen as someone who buys eco-friendly products?



**What major purchase best reflects our values, green or otherwise?**

**So what does this all mean for consumers when they think about buying a home?**

# 89%

of people who expect to buy a new home in the next two years say **higher energy efficiency would cause them to choose** one new home over another



As part of Energy Pulse, we take a look at those who already own a “green home” as well as those who are in the market for a new home *and* say that energy efficiency would very/strongly impact their new home purchase decision.

Let's explore these two groups

## Green Homebuyers

Already purchased a certified green home

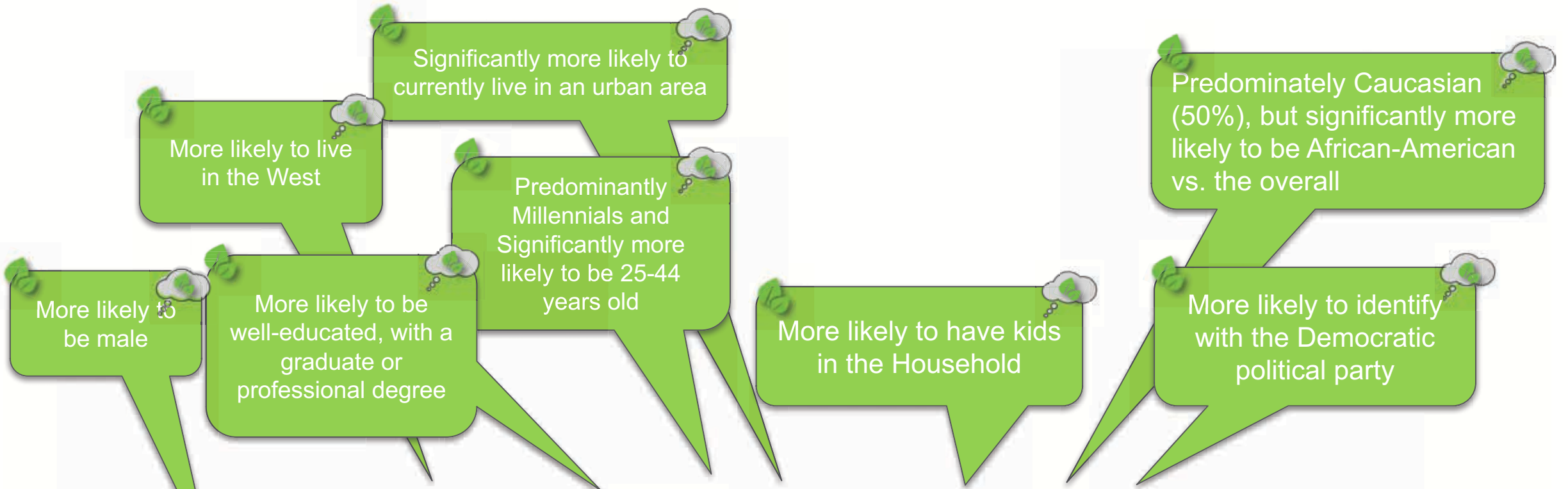


## Energy Savvies

- In the market for a new home
- Say that energy efficiency would very/strongly impact their new home purchase decision



# Green homebuyers (🌱) and Energy Savvies (💡) look a lot alike...



...with **one significant difference**: green home buyers are more likely to **have a higher HHI**.

More likely to live in the West

Significantly more likely to currently live in an urban area

Predominantly Millennials and Significantly more likely to be 25-44 years old

More likely to have an annual income of **\$100,000** or more

More likely to have an annual household income of between **\$75,000-\$99,999**

Predominately Caucasian (50%), but significantly more likely to be African-American vs. the overall

More likely to be male

More likely to be well-educated, with a graduate or professional degree

More likely to have kids in the household

More likely to identify with the Democratic political party



Similarly, while the two groups **share attitudes about the environment** in many areas...

More likely to say “The **environmental impact of our energy use**” is their biggest energy concern

Much more likely to say the **government should pay more attention** to environmental issues

Significantly more likely to say **energy conservation is important** in the way they make decisions and purchases





...**money is more of a motivator** for Energy Savvies, who haven't yet bought a green home.

More likely to say "The environmental impact of our energy use" is their biggest energy concern

Much more likely to say the government should pay more attention to environmental issues

Significantly more likely to say energy conservation is important in the way they make decisions and purchases

Their top reason to participate in energy conservation activities or buy energy-efficient products or services was **"to preserve the quality of life for future generations"** and significantly less likely to say it was "to save money"

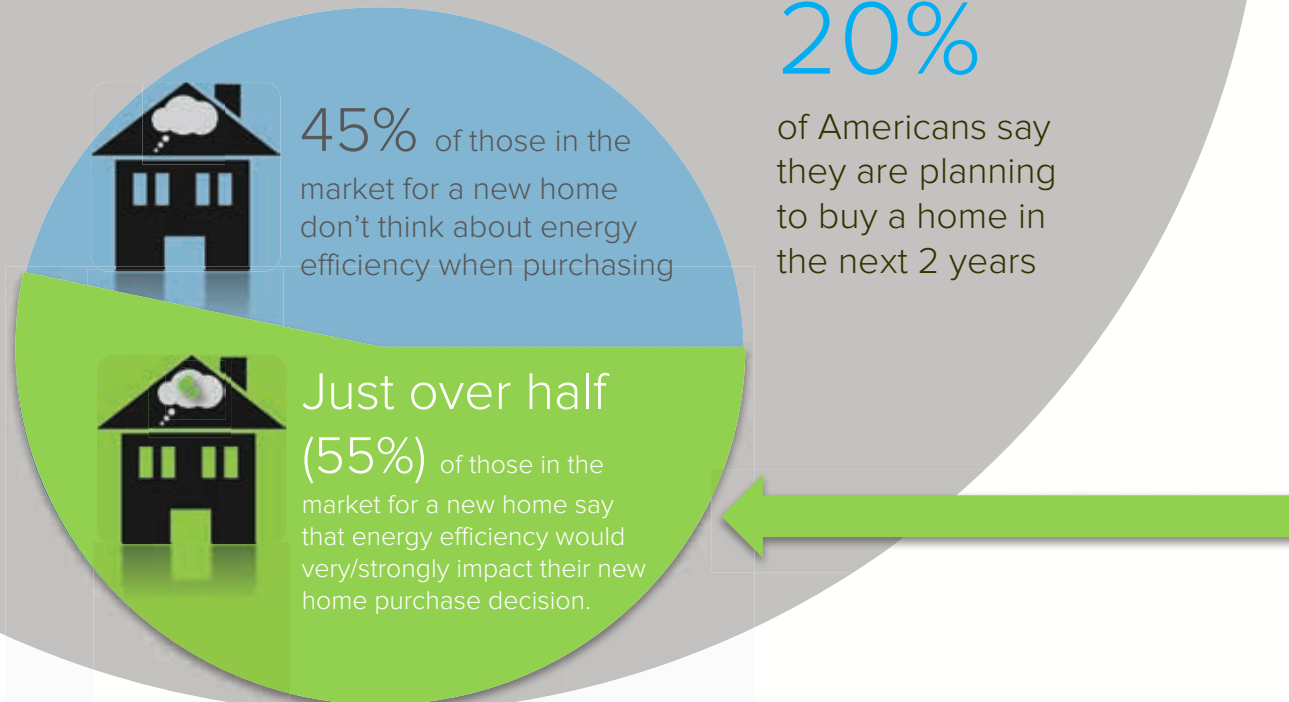


Their top reason to participate in energy conservation activities or buy energy-efficient products or services was **"to save money"**

# energypulse™

nationally representative sample of

100%  
of Americans



20%

of Americans say they are planning to buy a home in the next 2 years

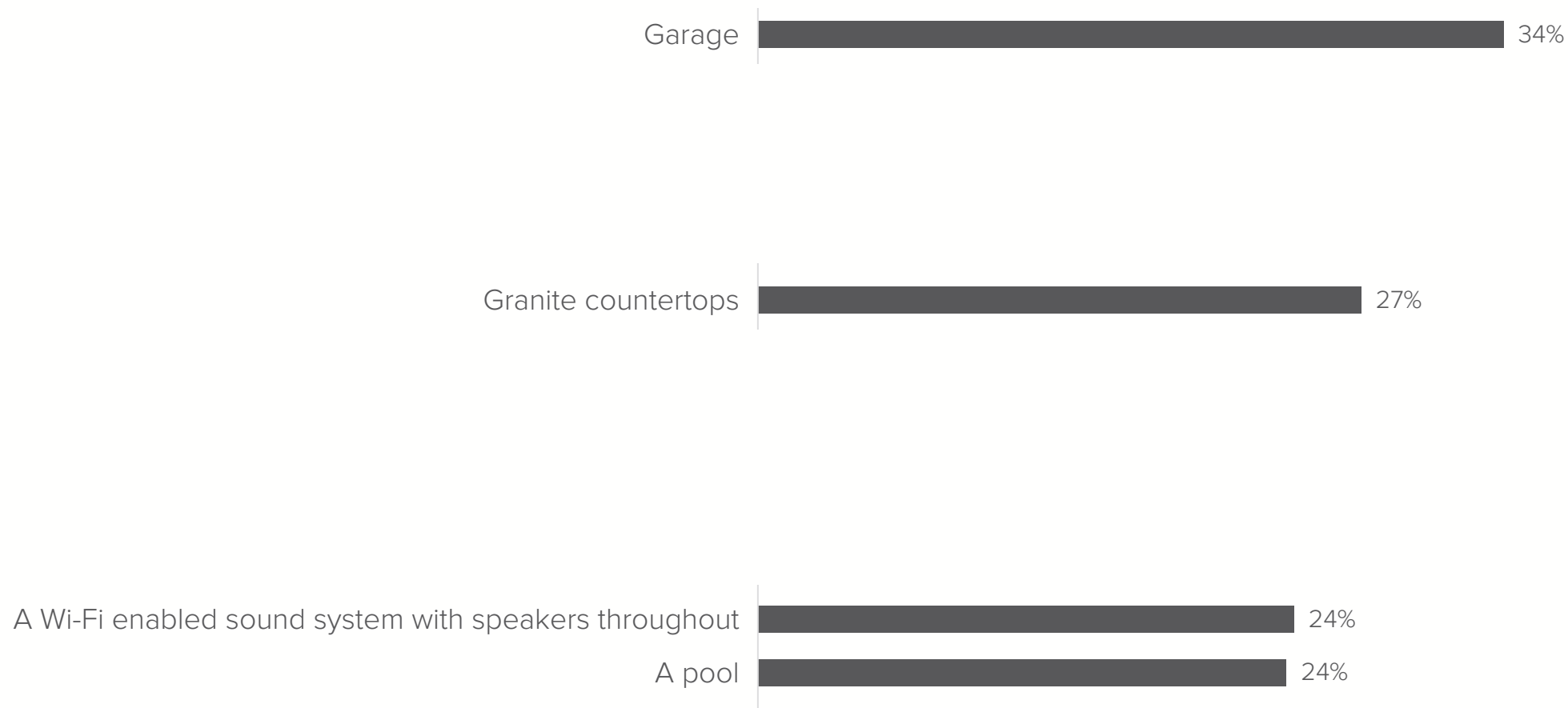


Today we'll focus on the **Energy Savvies**, the future homebuyers that align most with current owners of Green homes. These future buyers represents the ripest target for builders selling green homes.

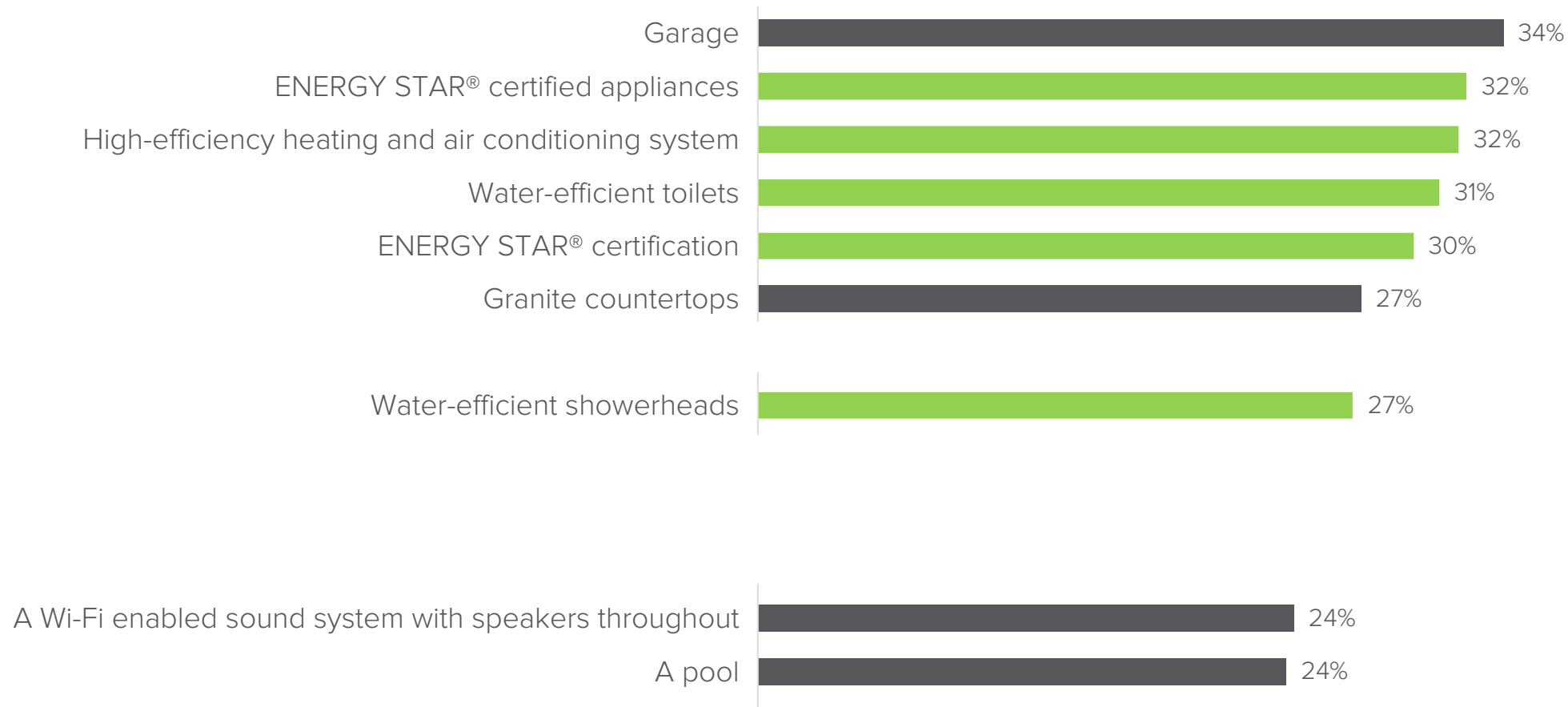


# What do these home buyers want in a new home?

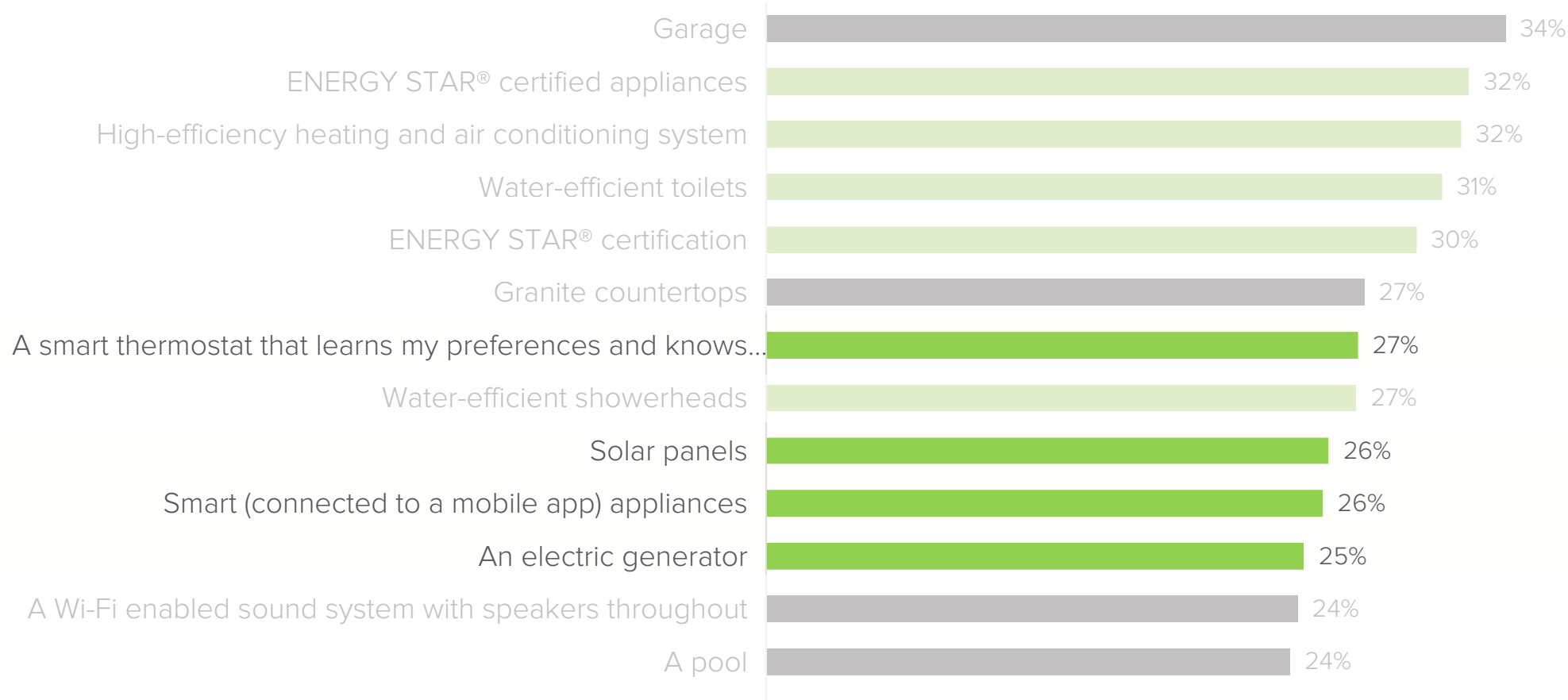
Garages, granite countertops, sound systems and pools still make the top 15 list for features these buyers want...



... yet ENERGY STAR<sup>®</sup> appliances and certification, as well as efficient HVACs and toilets, make up the bulk of the top tier.



... and smart thermostats and appliances, along with solar panels and generators, are wanted more than Wi-Fi speakers and pools.



**So what are the must-haves in a  
green home?**

**Builders have some strong opinions.**

Builders know that higher efficiency (or SEER) HVAC, higher efficiency appliances, and insulation with higher R-values matter a lot in a green home.



**91%**

Higher efficiency (ENERGY STAR®) appliances



**87%**

Higher efficiency (or SEER) HVAC, furnace, or air conditioning equipment

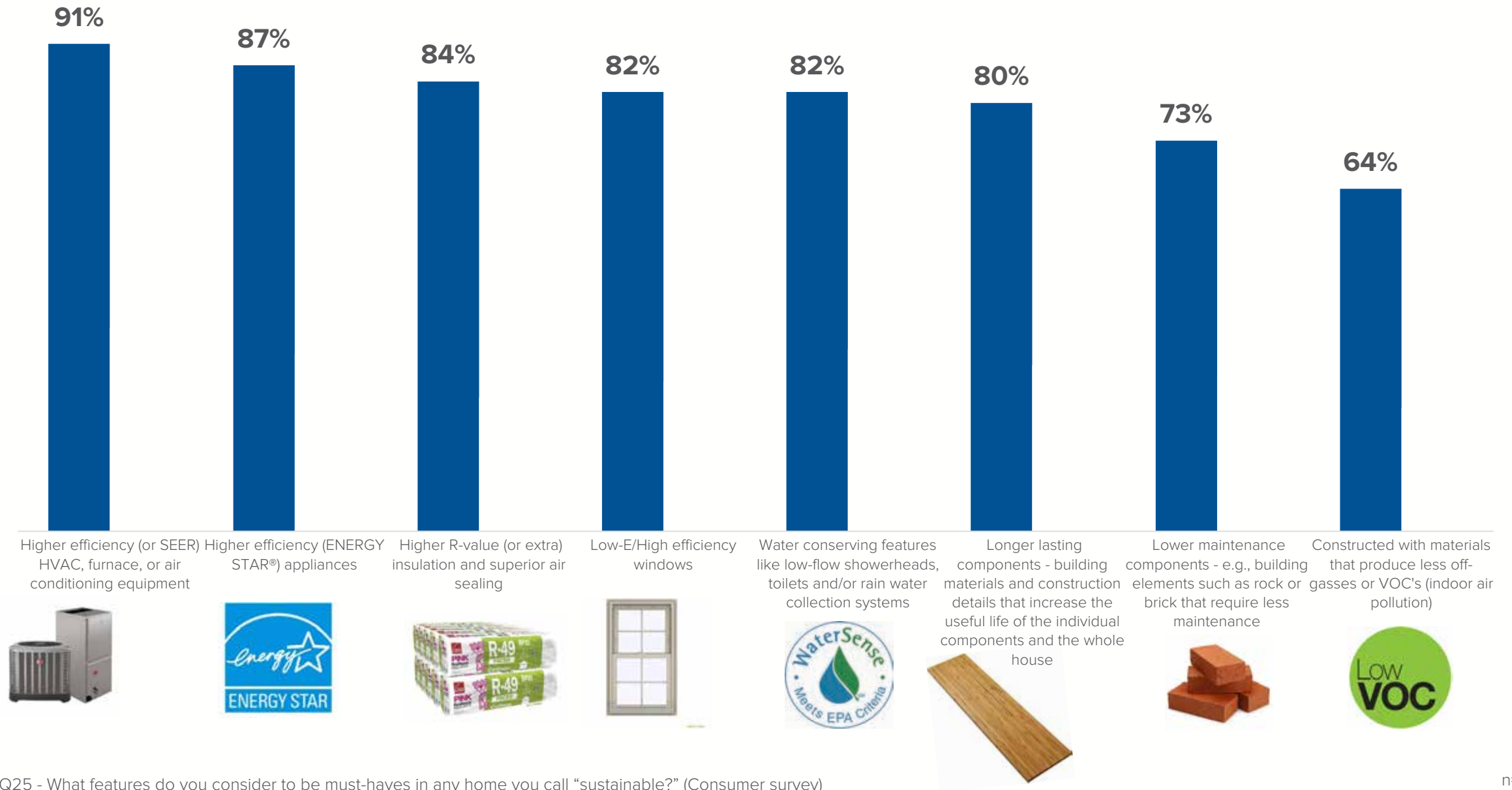


**84%**

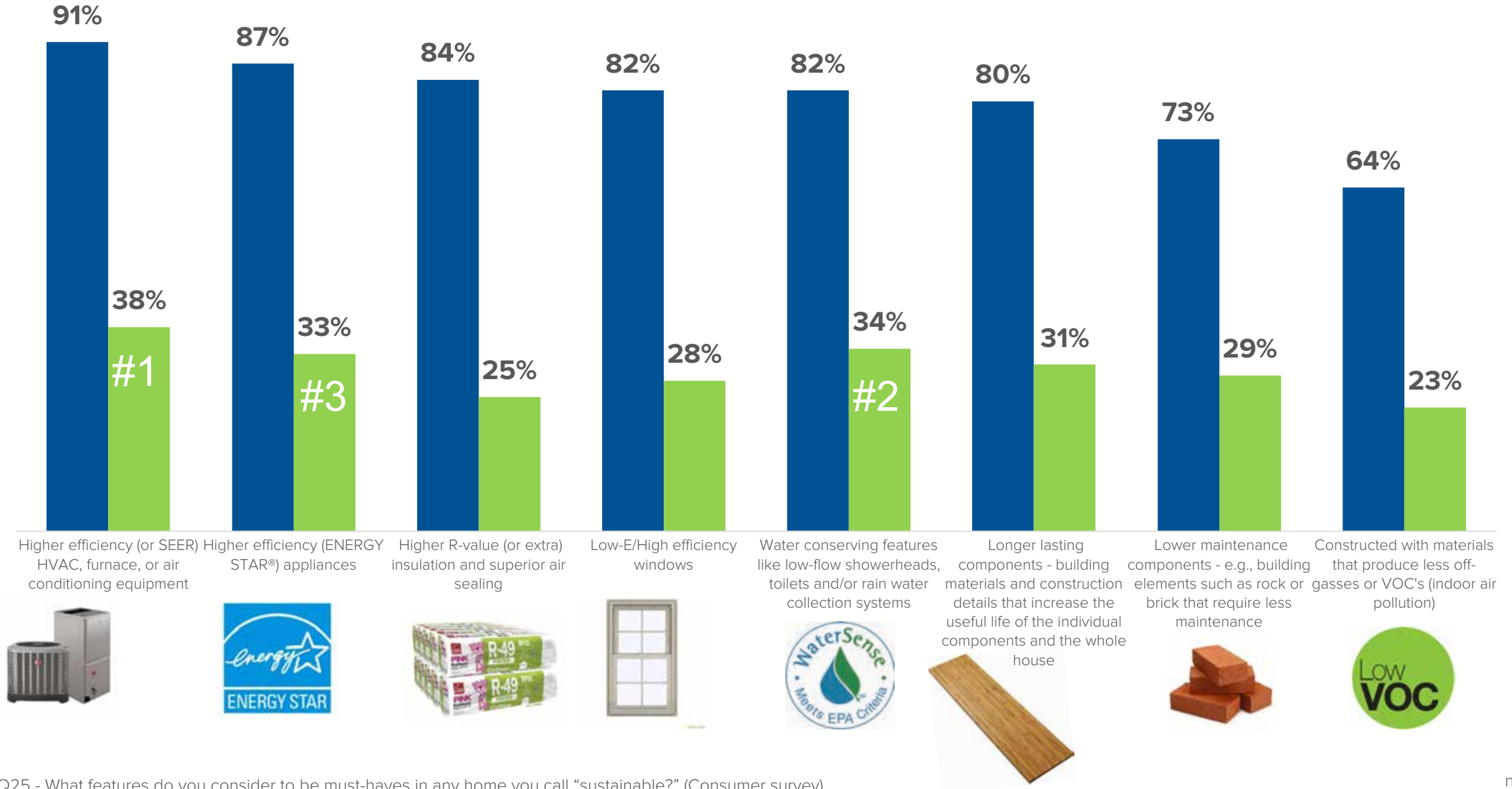
Higher R-value (or extra) insulation and superior air sealing

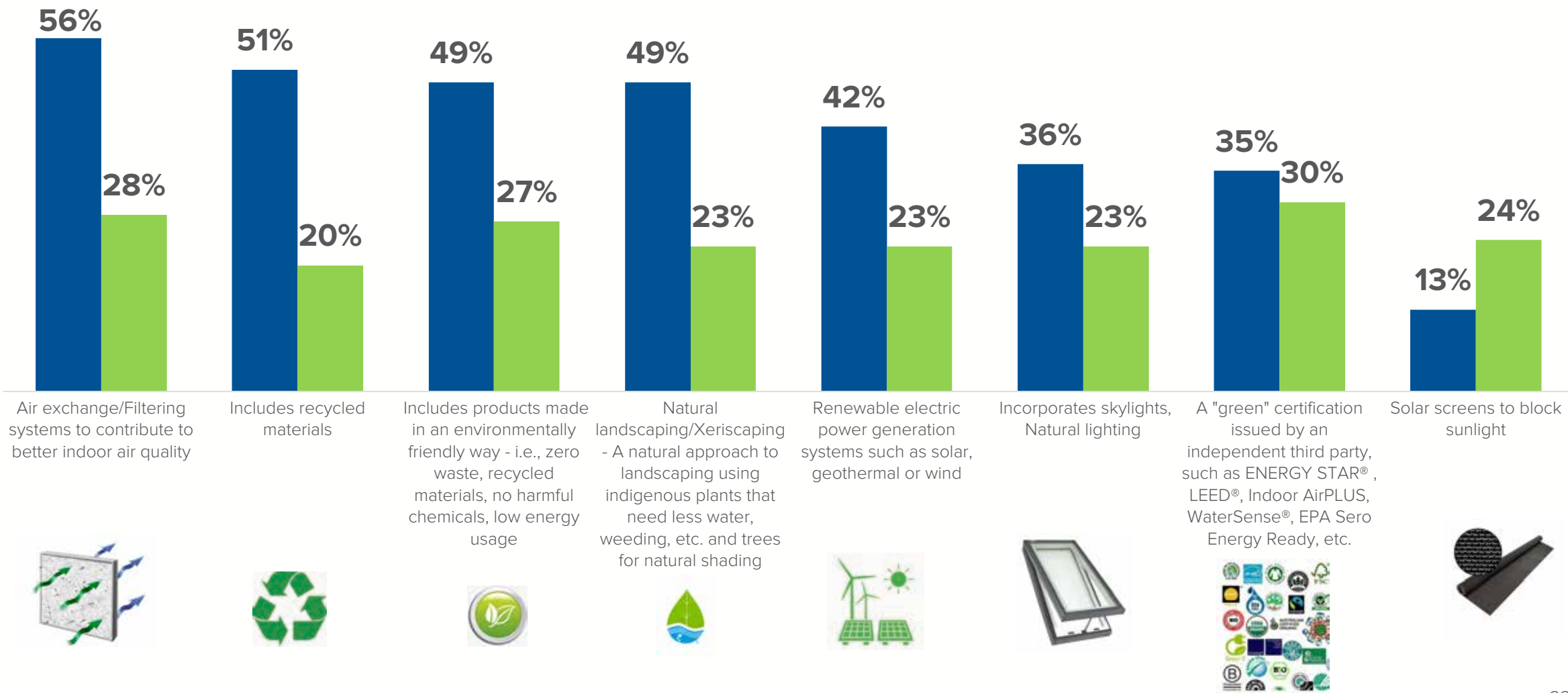


# And the list of features Builders consider “must-haves” is extensive...



The majority of Energy Savvies, however, don't give these as much weight





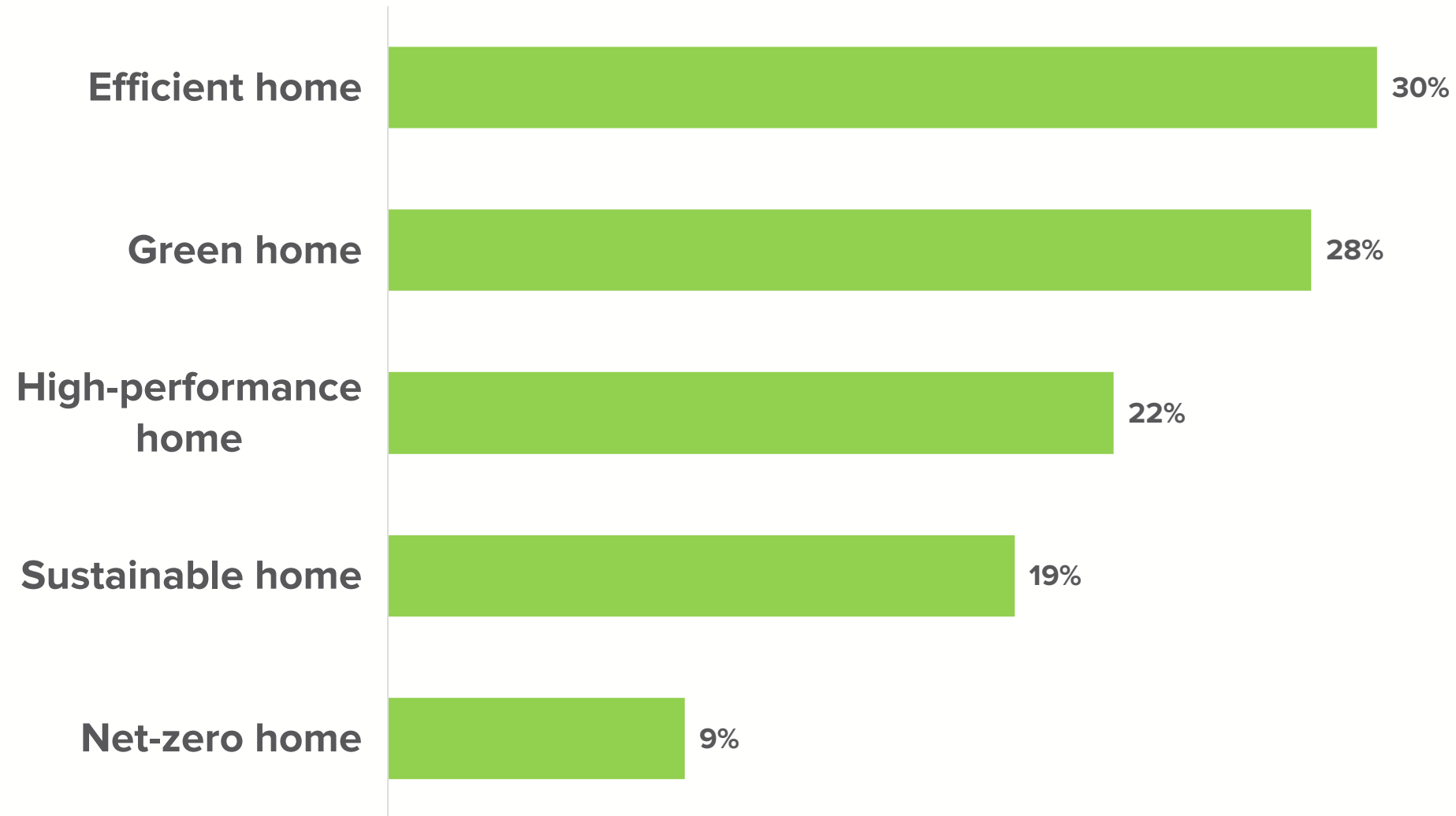
## Why the disconnect?

**Energy Savvies don't understand what truly makes a difference in this kind of construction.**

(This is why builders will likely tell you it's not worth the extra work and money to go with SIPs)

**This confusion is also seen in their lack of confidence with terms and phrases.**

Most Energy Savvies aren't confident about what you mean when you use any of these terms.

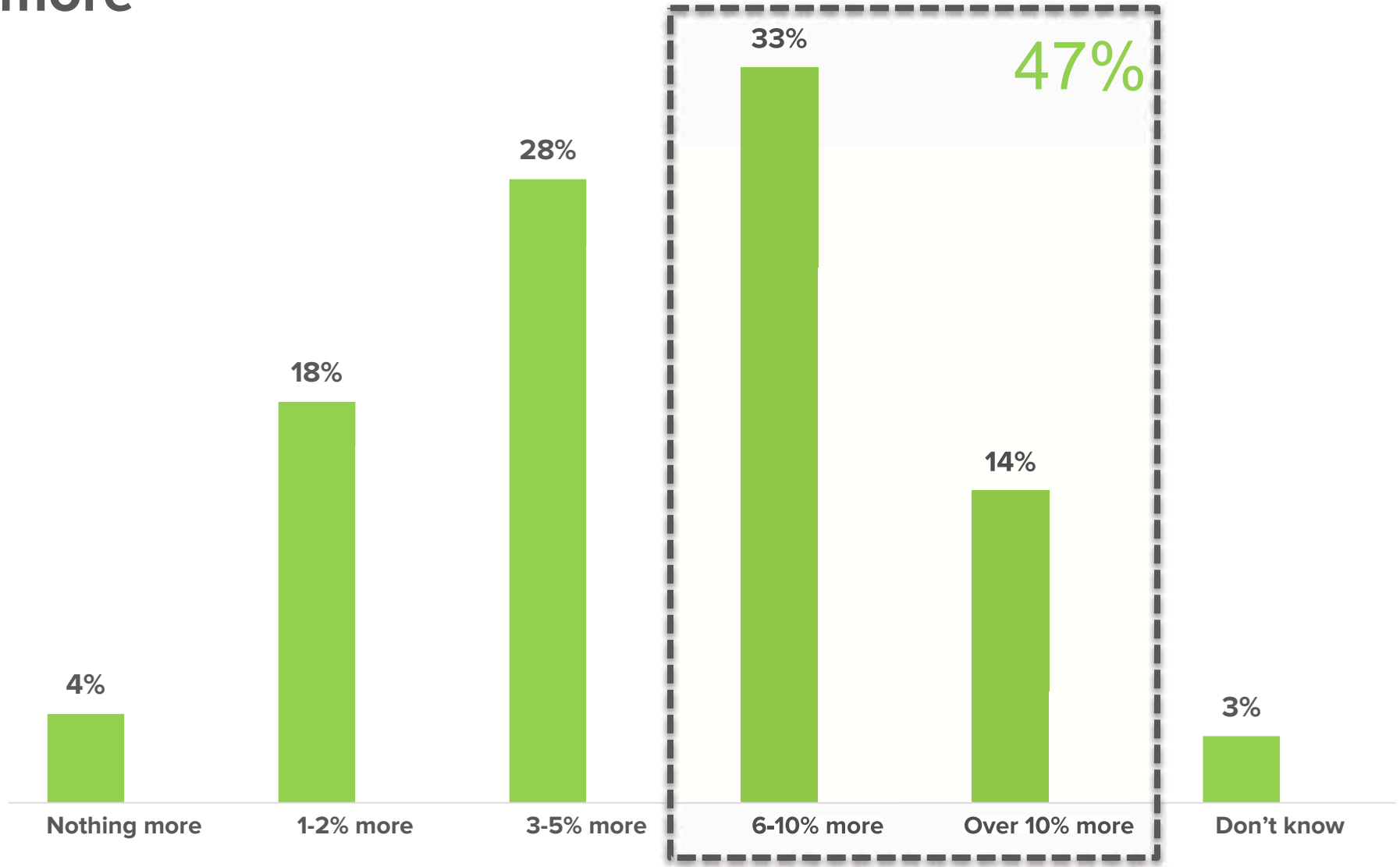




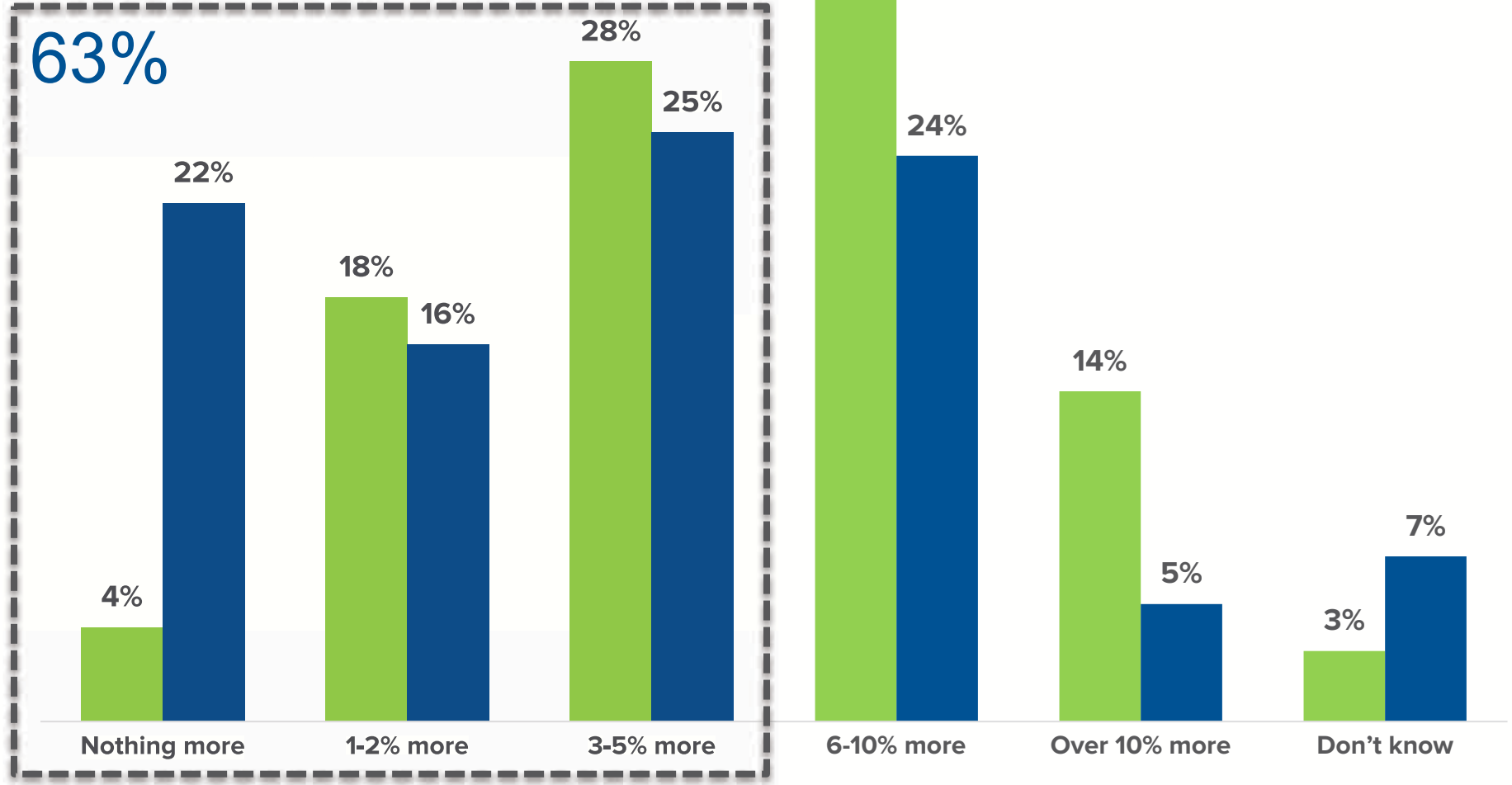
**Regardless of what you call it, they say they're willing to pay more for the *benefits* of this kind of home.**

# How much more?

# Nearly half of Energy Savvies say they'll pay **6%-10% or more**



Yet builders have much less faith in consumers' willingness to pay more, with two thirds of builders **estimating 3-5% or less.**



There's also a disconnect between **the specific features** builders and Energy Savvies themselves believe consumers will pay for.

# Top three things Energy Savvies say they'll pay more for

Higher efficiency (ENERGY STAR®) appliances



Renewable electric power generation systems such as solar, geothermal or wind



Higher efficiency (or SEER) HVAC, furnace, or air conditioning



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## Top three things builders say they'll pay more for

Higher efficiency (or SEER) HVAC, furnace, or air conditioning



Higher efficiency (ENERGY STAR®) appliances



Low-E/High efficiency windows





# And remember these “Top 3” builder “must-haves”?



**91%**

Higher efficiency  
(ENERGY STAR®)  
appliances



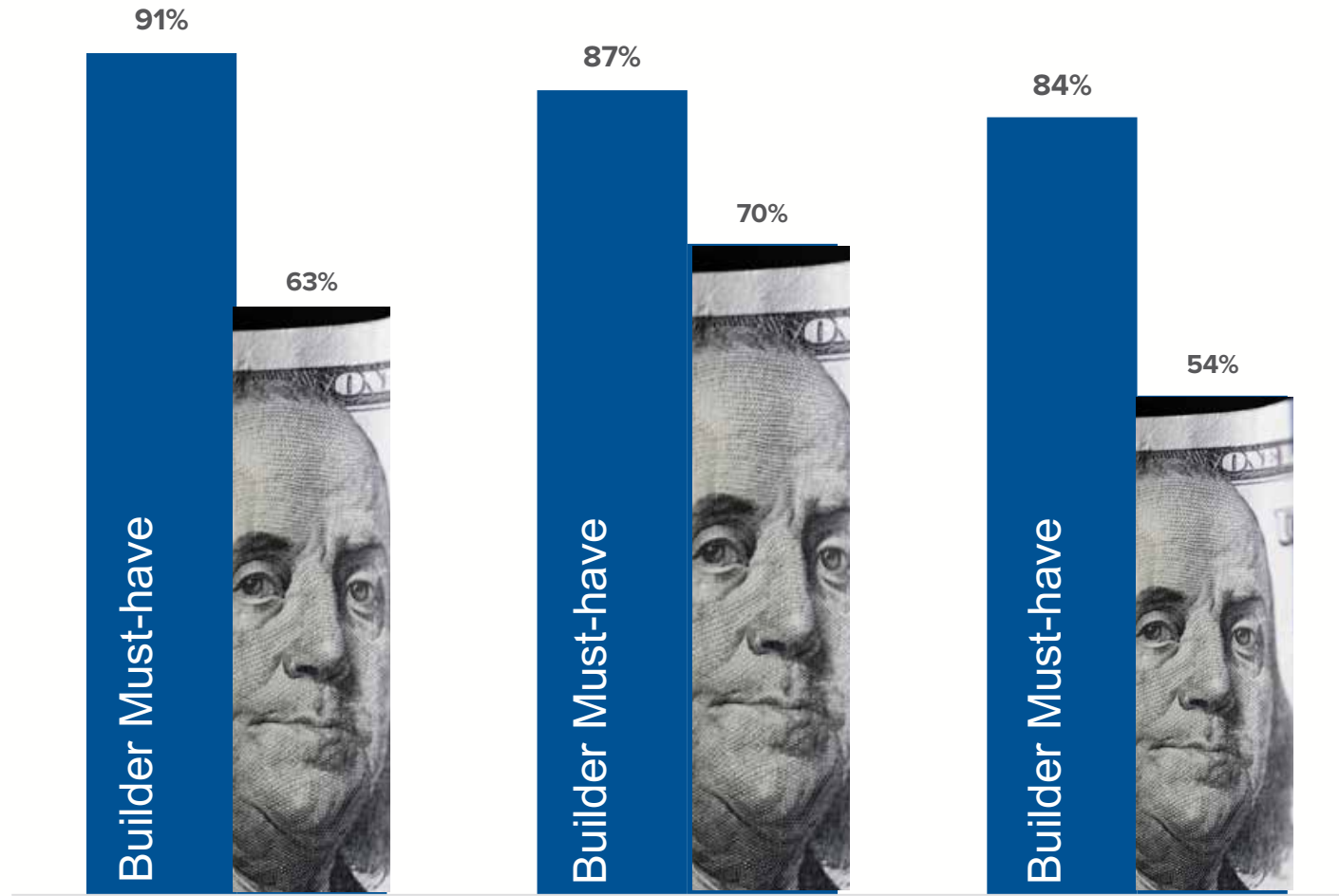
**87%**

Higher efficiency (or SEER)  
HVAC, furnace, or air  
conditioning equipment



**84%**

Higher R-value (or extra)  
insulation and superior air  
sealing



**Builders recognize** that consumers likely won't pay on par with the "must" nature of these items...

Higher efficiency (ENERGY STAR®) appliances

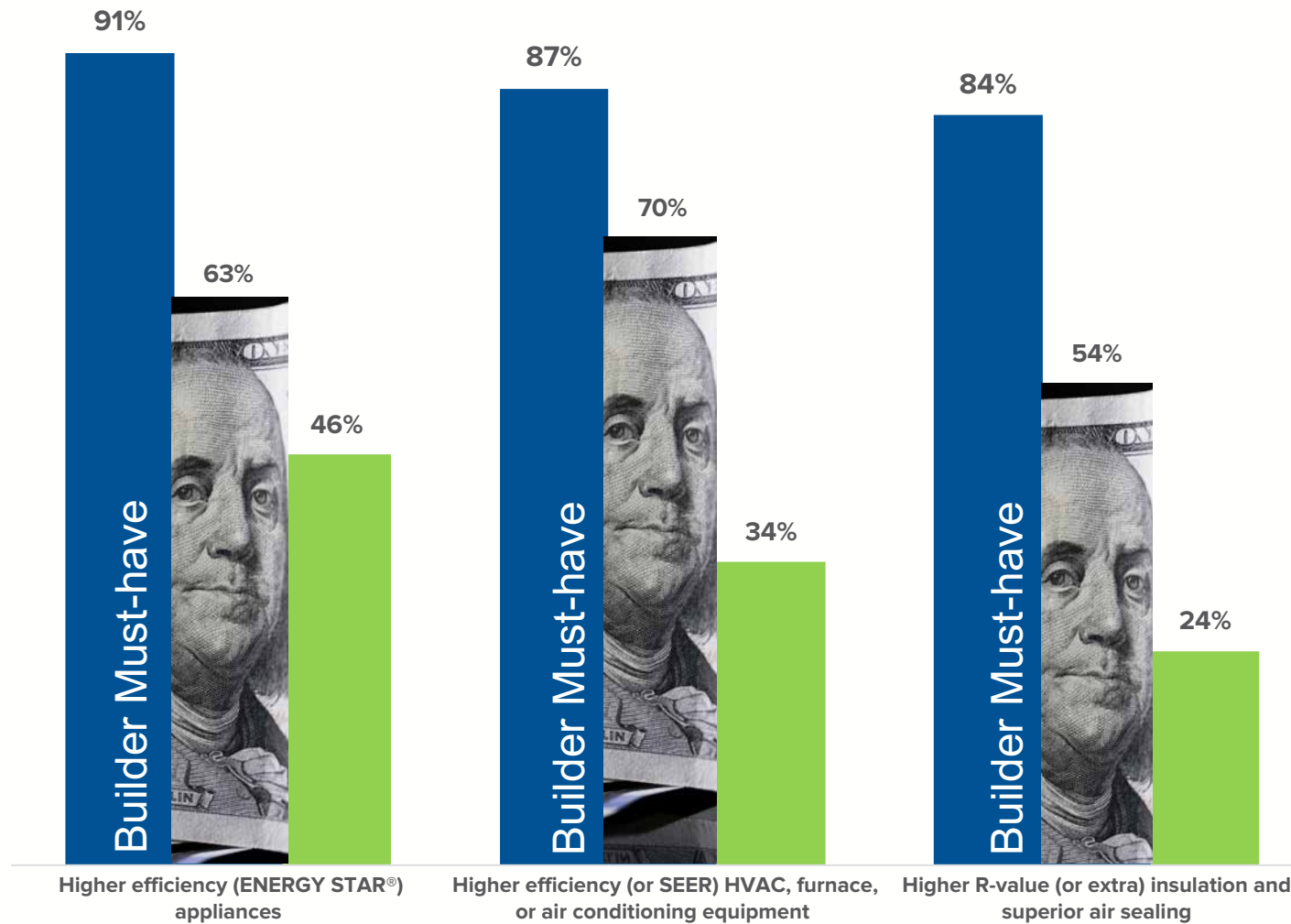


Higher efficiency (or SEER) HVAC, furnace, or air conditioning equipment



Higher R-value (or extra) insulation and superior air sealing





...but Energy Savvies are **even less willing to pay more** than builders think.



Q8 - Please check the features you consider to be must-haves in any home you call "sustainable?" (Builder survey)

Q10 - In your opinion what sustainable features do you think homebuyers would be willing to pay more for? (Builder survey)

Q26 - What sustainable features would you be willing to pay more for? (Consumer survey)

n=223

n=55

n=54

**The disconnect in perception vs. reality makes clear the need to highlight the right things in marketing efforts.**

**The disconnect also makes clear that it isn't about marketing individual features – it's about marketing a comprehensive package of benefits.**

**What people want to hear about in a new home is a mix of luxury, smart and green.**

Conspicuous consumption isn't gone...





...it's just starting to look different.



This is a new kind of conspicuous consumption.





**SIPs go a long  
way towards  
making homes  
truly sustainable**

...



# But they don't pass the "I can see it" test.



**So make them visible**



Imagine a sign in front of the SIPs house that said, “Be comfortable in a new home **faster** with SIPs”



**You can visibly show the speed benefit and comfort benefit during construction, then work with the builder to canvas those neighborhoods to further tell the story.**



**And as you do that, you need to use messaging that communicates the benefits home buyers actually care about in the right way**

Frame “savings” messages about money as “loss avoidance”

66%

believe telling someone that **an energy-efficient home helps you avoid wasting money and natural resources** is an effective way to get people to spend \$1,500 on efficient home features



**Health**

**+**

**Comfort**

68%

believe their house has a moderate to strong impact on their health

65%

are at least somewhat concerned about  
indoor air quality

80%

think energy efficient homes are healthier  
homes

# 60%

believe telling someone that an **energy efficient home** is a **healthier home** is an effective way to get people to spend \$1500 on efficient home features



**Comfort** is also a key driver in the  
EE space



# Ranked 1st

“making my home more **comfortable**” is ranked  
as the number one reason consumers give for  
“spending money on my home”

# 66%

believe telling someone that an energy-efficient home allows you to set your thermostat to a more **comfortable** level without increasing your bill is an effective way to get people to spend \$1,500 on efficient home features

# 64%

believe telling someone that an energy-efficient home is a more **comfortable** home, with fewer drafts and consistent temperatures in all rooms is an effective way to get people to spend \$1,500 on efficient home features

**You've also got to deal with builder perceptions**

**40%** of Builders

**Agree/Strongly Agree that more people will be interested in green homes.**

**89%** of Energy Savvy prospective homebuyers



# Builder perceptions about SIPs gathered in two studies:

## US Department of Housing and Urban Development

- Value seen in SIPs is dependent on output volume
  - **High volume builders:** price benefits through reduced time, labor, and waste removal costs--makeup for the higher up-front cost of panels
  - **Low volume builders:** quality benefits in regard to the quality of home output
- Issues seen:
  - Major barrier: **lack of crew expertise** on installation
  - SIPs are hard to install wiring and plumbing in
  - **Other builders aren't using SIPs**
  - Local building inspectors often have to be **educated** about SIPs, which creates another hurdle for builders to deal with

## University of Colorado

- Issues seen:
  - **Lack of expertise** in installation
  - SIPs **reduce air flow** and create poor air quality
  - Water damage and fire pose **serious threats to long-term durability**
  - **Very susceptible to mold/mildew**
  - **Optimum environment for insects to live in**, so they have to be treated with insecticides

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[https://scholar.colorado.edu/cgi/viewcontent.cgi?referer=https://r.search.yahoo.com/\\_ylt=AwrJ56tLDSHbGk0AuE4PxQt.;\\_ylu=X3oDMTByNXM5bzY5BGNvbG8DYmYxBHBvcwMzBHZ0aWQDBHNIYwNzcg--/RV=2/RE=1529380299/RO=10/RU=http%3A%2F%2Fscholar.colorado.edu%2Fcgi%2Fviewcontent.cgi%3Farticle%3D2109%26context%3Dhonr\\_theses/RK=2/RS=fWafGxEzXqWHxSpN2Et7KWscYLY-&httpsredir=1&article=2109&context=honr\\_theses](https://scholar.colorado.edu/cgi/viewcontent.cgi?referer=https://r.search.yahoo.com/_ylt=AwrJ56tLDSHbGk0AuE4PxQt.;_ylu=X3oDMTByNXM5bzY5BGNvbG8DYmYxBHBvcwMzBHZ0aWQDBHNIYwNzcg--/RV=2/RE=1529380299/RO=10/RU=http%3A%2F%2Fscholar.colorado.edu%2Fcgi%2Fviewcontent.cgi%3Farticle%3D2109%26context%3Dhonr_theses/RK=2/RS=fWafGxEzXqWHxSpN2Et7KWscYLY-&httpsredir=1&article=2109&context=honr_theses)

# Builder perceptions about SIPs stated in two articles:

## Builder Magazine:

- Builders who have used SIPs see the value
- Issues seen:
  - Large learning curve with the new technology; **lack of expertise**
  - SIPs come with **less flexibility** for changing plans on-site
  - Assemblers do not have to have the same level of carpentry skills, so it represents a **loss of jobs**
  - Price-savings depends on the situation for the specific builder; **not guaranteed**
  - “Want” has to come from the home buyer
  - Buyers typically would rather allocate the extra money to additional square footage rather than to EE

## Architect Magazine

- Issues seen:
  - Long term durability is unknown
  - Difficult to wire and add plumbing
  - Not “**tried and true**” so they are reluctant to use something untested

# What you need to do:

- Aggressively tackle negative health perceptions
  - Fund and publish studies
  - Gain endorsements from noted health organizations and/or practitioners
- Position SIPs as an answer to the labor shortage
  - Create training programs branded to communicate how easy it is to install a SIP
- Follow an “anthill approach”
  - Build up a few key communities at a time where you already have a few builders using SIPs vs. spreading out everywhere.
  - In those communities, train builders, the workforce and the building inspectors
    - Lunch and learns, workshops, signage, home shows, AIA courses

# Summary

## Summary:

- Half of the people in the market for a new home want the benefits of a greener, more efficient home
- But it's about the benefits – and the comprehensive package. It's NOT about features or individual options
- Builders are not aligned – they don't think the market wants efficiency and, if they do, they don't prioritize what home buyers most value (certifications, visible cues)
- You need to reframe the consumer message to be about avoiding waste, being smart/in control, being comfortable and healthy. And you need to leverage the fast, visible nature of SIPs construction
- You need to reframe your positioning with builders, teeing up SIPs as a solution to the labor shortage problem, overcome negative perceptions and work community-by-community to train and empower them to succeed.

# Questions



# Thank you!

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