Builders vs. Buyers:
What’s real, what’s imagined, and what’s the way forward?

SEBC • 8/2/19
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The company we keep
We start here...

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ecopulse™
b2bpulse™
...and we end with marketing strategies and plans that build brands, shift perceptions and drive sales...
..and communications 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® data, which explored what consumers *actually think* and what they’re *willing to pay for.*
Let’s dig into what’s real, what’s imagined, and what your homes should feature and what your stories should say so you can sell sustainable, beautiful homes.
First, why does sustainability matter?
82% of Millennials are anxious about how climate change will affect their children’s quality of life.

Source: Millennial Pulse 2017
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.

Source: Eco Pulse 2018
Would you like to be seen as someone who buys eco-friendly products?

- 2013: 33%
- 2014: 38%
- 2015: 37%
- 2016: 46%
- 2017: 40%

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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...

- More likely to live in the West
- Predominantly Millennials and significantly more likely to be 25-44 years old
- Predominantly 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
- More likely to be well-educated, with a graduate or professional degree
...with one significant difference: green home buyers are more likely to have a higher HHI.

- More likely to live in the West
- More likely to have an annual income of $100,000 or more
- More likely to have kids in the household
- 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
- Predominantly Millennials and significantly more likely to be 25-44 years old
- More likely to be male
- More likely to be well-educated, with a graduate or professional degree
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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”

VS

Their top reason to participate in energy conservation activities or buy energy-efficient products or services was “to save money”
Today we’ll focus on the Energy Savvies, the future homebuyers that align most with current owners of Green homes. These future buyers represent the ripest target for builders selling green homes.

A nationally representative sample of 100% of Americans

- 20% of Americans say they are planning to buy a home in the next 2 years
- 45% of those in the market for a new home don’t think about energy efficiency when purchasing
- Just over half (55%) of those in the market for a new home say that energy efficiency would very/strongly impact their new home purchase decision.

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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...

- Garage: 34%
- Granite countertops: 27%
- A Wi-Fi enabled sound system with speakers throughout: 24%
- A pool: 24%
- Hardwood floors: 23%
- A HEPA air purification system: 23%
- All-LED fixtures/bulbs: 23%
- High-efficiency heating and air conditioning system: 22%
- An electric generator: 21%
- Smart (connected to a mobile app) appliances: 21%
- Water-efficient showerheads: 21%
- Granite countertops: 20%
- ENERGY STAR® certification: 20%
- Water-efficient toilets: 19%
- ENERGY STAR® certified appliances: 19%
- Garages, granite countertops, sound systems and pools: 19%
- A smart thermostat that learns my preferences and...: 19%
- Solar panels: 19%

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... yet ENERGY STAR® 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.

Q24 - Which of the following features do you want your new home to have?

- Garage: 34%
- ENERGY STAR® certified appliances: 32%
- High-efficiency heating and air conditioning system: 32%
- Water-efficient toilets: 31%
- ENERGY STAR® certification: 30%
- Granite countertops: 27%
- A smart thermostat that learns my preferences and...: 27%
- Water-efficient showerheads: 27%
- Solar panels: 26%
- Smart (connected to a mobile app) appliances: 26%
- An electric generator: 25%
- A Wi-Fi enabled sound system with speakers throughout: 24%
- A pool: 24%
- Hardwood floors: 20%

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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

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**Q25** - What features do you consider to be must-haves in any home you call “sustainable?” (Consumer survey)

**Q8** - Please check the features you consider to be must-haves in any home you call “sustainable?” (Builder survey)
And the list of features Builders consider “must-haves” is extensive...

- Higher efficiency (or SEER) HVAC, furnace, or air conditioning equipment (91%)
- Higher efficiency (ENERGY STAR®) appliances (87%)
- Higher R-value (or extra) insulation and superior air sealing (84%)
- Low-E/High efficiency windows (82%)
- Water conserving features like low-flow showerheads, toilets and/or rain water collection systems (82%)
- Longer lasting components - building materials and construction details that increase the useful life of the individual components and the whole house (80%)
- Lower maintenance components - e.g., building elements such as rock or brick that require less maintenance (73%)
- Constructed with materials that produce less off-gasses or VOC's (indoor air pollution) (64%)

Q25 - What features do you consider to be must-haves in any home you call “sustainable?” (Consumer survey)
Q8 - Please check the features you consider to be must-haves in any home you call “sustainable?” (Builder survey)

n=223
n=55
The majority of Energy Savvies, however, don’t give these as much weight

<table>
<thead>
<tr>
<th>Feature</th>
<th>Energy Savvies</th>
<th>Builders</th>
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<tbody>
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**Q25** - What features do you consider to be must-haves in any home you call “sustainable?” (Consumer survey)

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

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<thead>
<tr>
<th>Feature</th>
<th>Consumer Survey</th>
<th>Builder Survey</th>
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<tbody>
<tr>
<td>Air exchange/Filtering systems to contribute to better indoor air quality</td>
<td>56%</td>
<td>28%</td>
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<td>Includes recycled materials</td>
<td>51%</td>
<td>20%</td>
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<td>49%</td>
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<td>36%</td>
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<td>Renewable electric power generation systems such as solar, geothermal or wind</td>
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<td>30%</td>
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<td>Solar screens to block sunlight</td>
<td>13%</td>
<td>24%</td>
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*Note: Percentages may not total 100% due to rounding.*
Why the disconnect?
Energy Savvies don’t understand what truly makes a difference in this kind of construction.
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.

- **Efficient home**: 30%
- **Green home**: 28%
- **High-performance home**: 22%
- **Sustainable home**: 19%
- **Net-zero home**: 9%
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

- 4% Nothing more
- 18% 1-2% more
- 28% 3-5% more
- 33% 6-10% more
- 14% Over 10% more
- 3% Don’t know

Q27 - How much more would you be willing to pay for a "sustainable home?" (Consumer survey)
Q12 - How much more do you think customers are willing to pay for a "sustainable" home? (Builder survey)
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
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

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

- Higher efficiency (ENERGY STAR®) appliances: 91%
- Higher efficiency (or SEER) HVAC, furnace, or air conditioning equipment: 87%
- Higher R-value (or extra) insulation and superior air sealing: 84%

Builders recognize that consumers likely won’t pay on par with the “must” nature of these items...

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

- Builder Must-have

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

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

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

63% - Builder Must-have
70% - Builder Must-have
54% - Builder Must-have

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

46% - But Energy Savvies are even less willing to pay more than builders think.

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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 individual features – it’s about a comprehensive package.
What people want to hear about in a new home is a mix of luxury, smart and green.
This is a new kind of conspicuous consumption.
Conspicuous consumption isn’t gone...
...it’s just starting to look different.
So do the right things to make homes truly sustainable ...
... and highlight what consumers can touch and feel.
Fully commit and wrap your brand in a green blanket.
“Consumers want to act green, but they expect businesses to lead the way.”
86% of Americans believe that companies should take a stand for something beyond just making money.
40% of Builders

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

89% of Energy Savvy prospective homebuyers

Q28 (consumer) - To what extent do you agree or disagree with the following statement: “Within the next five years, more and more people will be interested in owning ‘sustainable homes’.”

Q11 (builder) - To what extent do you agree or disagree with the following statement: “Among homebuyers in my market, I’m seeing more and more interest in ‘sustainable’ homes.”

n=223  
n=55
You need both to have a believable, comprehensive story folks will pay more for

1. The features that say “green”
2. The branding that says you’re committed to it
As you communicate, connect emotionally
“We are feeling machines that think, not thinking machines that sometimes feel.”

- Alex Batchelor
The real, underlying benefits of green homes that they actually care about
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

Source: Energy Pulse 2018  n=2,009

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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.

Source: Energy Pulse 2018
n=2,009

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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.

Source: Energy Pulse 2018  
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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.
And engage people in your story
Pure information campaigns simply don’t work.
To recap

- Americans are worried about the environment – and they increasingly want to be seen doing something about it.
- 55% of people in the market for a new home say energy efficiency matters. A lot.
- They want some of the same features that builders believe should be in a green home – but seeing and being seen is critical, so visible features take priority.
- They’ll pay a little more for those features.
- But you have to communicate the benefits of those features in an emotionally engaging way.
- And you have to position your company as standing for sustainability.
Questions
Thank you!

Suzanne Shelton
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865-524-8385
Consumer-facing Data
“Green home,” “sustainable home” and “high-performance home” were terms that were all low on the list of terms that consumers understand, and only 9% of consumers say they could correctly explain the term “net-zero home” to a friend.
33% of consumers would be willing to pay 6-10% more for a sustainable home
Age range:
- 18-24 years: 13%
- 25-34 years: 18%
- 35-44 years: 17%
- 45-54 years: 18%
- 55-64 years: 16%
- 65 years or more: 18%

Ethnicity:
- White/Caucasian: 64%
- Black/African-American: 13%
- Hispanic or Latino: 16%
- Other minorities: 7%

Education:
- High school graduate or less: 10%
- Some college or associate degree: 18%
- Bachelor’s degree: 29%
- Graduate/professional degree: 43%

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Consumer

**Occupation**

- Blue collar (e.g., manual laborer, service or retail worker, etc. – no college degree required) 20%
- White collar (e.g., office worker, technician, etc. – at least some college required) 24%
- Professional (e.g., doctor, lawyer, etc. – advanced degree required) 8%
- Student 6%
- Retired 16%
- Homemaker 11%
- Part-time 7%
- Unemployed 8%

**Income**

- Less than $25,000 19%
- $25,000–$49,999 29%
- $50,000–$74,999 23%
- $75,000–$99,999 13%
- $100,000–$149,999 11%
- $150,000–$199,999 3%
- $200,000 or more 2%

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Professional Builder Data
They seem to consider almost all of these features must-haves

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Q8 - For the rest of this survey, we will be using the term "sustainable." For this study, we are defining a sustainable home as one that uses energy and material more effectively both in production and operation. Please check the features you consider to be must-haves in any home you call "sustainable?"
There are not many differences in what builders consider as must-haves and what they think homebuyers consider must-haves.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Q8 (%)</th>
<th>Q9 (%)</th>
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Q8 - Please check the features you consider to be must-haves in any home you call "sustainable?" (Builder survey)
Q9 - Please check the features you think homebuyers want in a "sustainable" home? (Builder survey)
40% of builders say they are currently seeing more interest in sustainable homes among homebuyers.

Q11 - To what extent do you agree or disagree with the following statement: “Among homebuyers in my market, I’m seeing more and more interest in ‘sustainable’ homes.”

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n=55
Builders do not have very much confidence in consumer familiarity with these terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Not at all familiar</th>
<th>Slightly familiar</th>
<th>Somewhat familiar</th>
<th>Moderately familiar</th>
<th>Extremely familiar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green homes</td>
<td>7%</td>
<td>30%</td>
<td>32%</td>
<td>22%</td>
<td>10%</td>
</tr>
<tr>
<td>Sustainable homes</td>
<td>26%</td>
<td>35%</td>
<td>21%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>High performance homes</td>
<td>17%</td>
<td>38%</td>
<td>25%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Net-zero energy homes</td>
<td>37%</td>
<td>30%</td>
<td>11%</td>
<td>18%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Q5 - How familiar do you believe current/potential home buyers are with the following terms? (Builder survey)
Builders think buyers want higher efficiency appliances and higher efficiency heating and cooling equipment.

Q9 - Please check the features you think homebuyers want in a "sustainable" home?

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Builders believe that consumers would be willing to pay more for most of the sustainable home features.
22% of builders believe that consumers would not be willing to pay anything more for a home that is sustainable.
Builder Firmographics
Builder

Primary Business

- Custom home builder: 39%
- Diversified builder/remodeler: 21%
- Production move-up/move-down buyer: 16%
- Other (please specify): 8%
- Multifamily builder: 6%
- Production first-time buyer: 4%
- Manufactured, modular, log home or systems builder: 3%
- Architect/designer engaged in home building: 3%
- Luxury production: 0%

Number of homes built in 2017

- 1-5: 46%
- 6-10: 11%
- 11-15: 6%
- 16-25: 5%
- 26-50: 3%
- 51-100: 6%
- 101-250: 13%
- 250-1000: 4%
- More than 1,000: 4%

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Builder

Region

East North Central (IL, IN, MI, OH, WI) - 28%
South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV) - 23%
Middle Atlantic (NJ, NY, PA) - 16%
Mountain (AZ, CO, ID, MT, NV, NM, UT, WY) - 15%
New England (CT, MA, ME, NH, RI, VT) - 13%
West South Central (AR, LA, OK, TX) - 12%
West North Central (IA, KS, MN, MO, NE, ND, SD) - 9%
Pacific (AK, CA, HI, OR, WA) - 8%
East South Central (AL, KY, MS, TN) - 7%

State if in Pacific region

California - 78%
Washington - 44%
Oregon - 33%
Hawaii - 22%
Alaska - 0%

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