Marketing and Selling High Performance Homes

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Architectural Energy Corporation

SWEEP Workshop on Zero Energy Homes
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Selling Energy Efficient Homes

AGENDA:

- Why Build Energy Efficient Homes?
- Why Sell Energy Efficient Homes with ENERGY STAR?
- Real Examples of Selling with ENERGY STAR
- New Opportunities with ENERGY STAR
Why Build Energy Efficient Homes?

JD Power Associates Customer Satisfaction Study
• 14 of 21 Markets Included in JD Power Associates Study had an ENERGY STAR Partner Ranked at Either #1, #2, or Both
Selling Energy Efficient Homes
JD POWER ASSOCIATES STUDY

- Las Vegas - 2nd Highest Consumer Satisfaction Scores
- Approximately 40% of All New Homes in Las Vegas are ENERGY STAR Qualified
- Pulte Homes, Las Vegas has Highest Satisfaction Score - Partner Since 1997
- 9 of the top 10 Scores in Las Vegas were by an ENERGY STAR Partner.

Why Sell Energy Efficient with ENERGY STAR?
LABELED HOMES ACTUAL GROWTH

![Home Energy Efficiency Growth Chart](chart.png)
Why Sell Energy Efficient with ENERGY STAR?

**Labeled Homes Actual Growth**

- 200,000+ Labeled Homes (cumulative)
- 10 - 50% Penetration in Major Markets
- Large Corporate Builder Commitments
  - 100% of 10 Largest Builders
  - Nearly 90% of 25 Largest Builders
  - Nearly 50% of Top 100
- 80+ Man. Housing Plants Certified (out of total 185 plants!)
ENERGY STAR LABELED HOMES
Program Summary 2003

- 2,400+ Active Partners
  - 2,100 Builders
  - 250 Providers & Raters
  - 59 Utilities
  - 27 Lenders

ENERGY STAR LABELED HOMES
RESULTS: REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual MTCE</td>
<td>~100,000</td>
<td>~1.5 million</td>
</tr>
<tr>
<td>Partners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Builders and Lenders</td>
<td>$350 million</td>
<td>$7 billion</td>
</tr>
</tbody>
</table>
  (increased sales not including $millions service center savings)
| HERS Raters          | $30 million | $600 million |
  (rating revenue, not including $millions in other services)
| Utilities            | 150 MW     | 3,000 MW   |
  (Peak Demand Reduction)
| Communities          | $4 million | $75 million |
  (Increased annual property tax revenue)
Why Build Energy Efficient Homes?

COMPARATIVE BUSINESS MODELS

Builder Business Model:
Wait for consumers to ask for new technology

Other Industries Business Model:
Exploit new technology to improve performance and cost advantage

EXPLOITING TECHNOLOGY EXAMPLE

Audio Cassette to CD:
- Easier to use
- Better Sound
- More Durable
- Fraction of Cost to Produce
- Twice the price!
Why Build Energy Efficient Homes?

VALUE PROPOSITION

Energy efficient homes apply **advanced technology** for **performance** and **cost advantages**.

- Renders old technology obsolete
- Increases revenues
- Increases consumer satisfaction
- Reduces liability/complaints

...in other words, more profit!
Tried and true technologies requiring no design changes!

- **Efficient Envelope**
  Insulation, Tight Construction, Adv. Windows

- **Efficient Distribution**
  Tight/Insulated Ducts or Internal Ducts

- **Efficient Equipment**
  Heating, Cooling, Hot Water, Appliances, Lighting

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**The Energy Efficient Cost Advantage**
### Breaking News:

**Price ≠ Cost**

#### Why Energy Efficient is Better Technology

#### COST ADVANTAGE

- **Energy Eff. Home**

<table>
<thead>
<tr>
<th></th>
<th>Monthly</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utility Savings</strong></td>
<td>$35 *</td>
<td>$420</td>
</tr>
<tr>
<td><strong>Added Mortgage Costs</strong></td>
<td>$15**</td>
<td>$180</td>
</tr>
<tr>
<td><strong>Cost Savings</strong></td>
<td>$25</td>
<td>$240</td>
</tr>
</tbody>
</table>

* Likely to increase while mortgage remains fixed
** Based on $2,000 additional revenue
### ADDITIONAL COST ADVANTAGES

- **Investment Return**
  - Example: $2,500 cash purchase for additional energy features yields 25%+ IRR (after taxes) over average 8 years of ownership

- **Lower Maintenance Cost**
  - Low-E windows reduced damage to furnishings
  - Avoided moisture damage
  - Longer-lived equipment

- **Higher Resale Value**
  - Track record of low bills
  - Reduced obsolescence
  - Government-backed label for high-performance

### SUMMARY

Energy Efficient Technologies are to Homes...
What CD’s are to the Music Industry...

**A Better Performing Product at a Better Cost.**
Energy Efficient Homes Deliver Better Performance:

- Lower Utility Bills
- Improved Comfort/Quiet
- Added Durability
- Environmental Protection

Selling Energy Efficiency

Why sell energy efficiency with ENERGY STAR?
Why Sell Energy Efficient with ENERGY STAR?

WHAT IS ENERGY STAR?

- Voluntary
- Credible
  Government-Backed Label
  Third-Party Verified
- Truly Energy Efficient
  30% > MEC, and 15% > State Code
- Third Party Verified

Government-backed Label for Energy Efficiency
A marketing platform home builders can use for recognition they offer truly energy efficient homes.

- Recognized by 40% of U.S. households
- Of households reporting an ENERGY STAR purchase, half were influenced by the label
### Why Sell Energy Efficient with ENERGY STAR?

**ATTRACTING MORE BUYERS**

<table>
<thead>
<tr>
<th>Typical Story</th>
<th>ENERGY STAR</th>
<th>More Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Govt.-Backed Label</td>
<td>Endorsement</td>
</tr>
<tr>
<td>Location</td>
<td>Energy Efficient Building Science</td>
<td>Cost Conscious</td>
</tr>
<tr>
<td>Facade</td>
<td>More Comfort/IAQ</td>
<td>Adv. Technology</td>
</tr>
<tr>
<td>Floor Plan</td>
<td>Improved Durability</td>
<td>Comfort/Health</td>
</tr>
<tr>
<td>Amenities</td>
<td>Reduced Pollution</td>
<td>Low Maintenance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environmental</td>
</tr>
</tbody>
</table>

### Selling Energy Efficient Homes

**ENERGY STAR SELLING TOOLS**
Selling Energy Efficient Homes

ENERGY STAR SELLING TOOLS

- ENERGY STAR Logo/Label
- Partner Recognition
- Consumer Materials
- Advertising Partnership
- Sales Toolkit
ENERGY STAR Selling Tools

ENERGY STAR LABEL

- The Identifying Mark of an ENERGY STAR Qualified Home
- Certificates are optional

ENERGY STAR RECOGNITION: WEB SITE

Partnership Resources
- Partnership agreement
- Partner/Incentives
- Locator Tool
- Regional Web Sites

Marketing Resources
- ENERGY STAR Logos
- Marketing Presentations
- Change PSA Campaign

Technical Resources
- Builder Option Packages
- Sampling Protocol
- Man. Hsg. Guidelines
- Systems-Built Guidelines
ENERGY STAR RECOGNITION: AWARDS

- 100% Builder Commitment
- Achievement Awards
  - Builders/Rater (50/150/300+)
  - Providers/Sponsors (250/500/1000+)
- Partner of the Year
  - Transforming markets
  - Effective marketing w/label

ENERGY STAR CONSUMER MATERIALS

Consumer Fact Sheets
**Partners provide:**

- Participation from at least 3 partners (at least two of which being builders)
- Funds to run an 8-13 week placement of an EPA-developed ad (or equivalent alternate)

**EPA provides:**

- Funds to run a complementary ad
- Customized ad templates for each market (partner names, logos, local web site)
ENERGY STAR SELLING TOOLS
ENERGY STAR AD PARTNERSHIP

Your next new home can be a change for the better.

A select group of builders in Las Vegas offer new homes that have earned the ENERGY STAR.

To learn more about them, visit www.NevadaEnergyStarHomes.com

ENERGY STAR qualified homes not only help protect the environment, they can also provide lower utility bills, increased comfort, and greater durability.

A new home that has earned the ENERGY STAR meets EPA’s strict guidelines for energy efficiency. This exemplary performance is verified by an independent third party. To learn more, visit www.energystar.gov
Target Market Successes

Las Vegas
- 2002 Campaign
  - Extensive Industry Participation
  - Breakfast Club
    o Marketing Solutions
    o Marketing VP, Pulte Homes
    o Marketing VP, Astoria Homes
    o Marketing VP, Pardee Homes

- Created Nevada Energy Star Web Site
- Ads in LV Review Journal
- Ads in Southern NV Home Magazine
  o Won National Awards
- Before/After Studies Showed 10% Improvement in Consumer Awareness (40% to 50%)
Target Market Successes

Las Vegas
- 2003 Campaign
  - Nearly 70% Awareness
  - ENERGY STAR Homes Sell for 8% more than Non-ENERGY STAR Homes
  - 40% of New Starts by Years End
  - Projected 2003 Homes: 8,000+

ENERGY STAR Selling Tools
ENERGY STAR SALES TOOLKIT

Create Customized Materials to Enhance ENERGY STAR Sales

Welcome to the ENERGY STAR Selling Toolkit. This toolkit can help you communicate the benefits of ENERGY STAR, a system of ratings and labels for energy-efficient products and buildings. The Toolkit features:

- The Toolkit is designed to be user-friendly and easy to use.
- The Toolkit includes templates and guidelines for creating promotional materials.
- The Toolkit is regularly updated with new information and resources.
- The Toolkit is available in multiple languages.
- The Toolkit is free and open-source, allowing you to customize and distribute it as you see fit.

To get started, please review the Toolkit guide and instructions carefully. Then, click here to start creating your customized materials.
Selling Energy Efficient Homes

Selling with ENERGY STAR

“People buy on emotion and justify with the facts.”

any experienced salesperson
Which Features/Benefits to Sell
WHAT’S YOUR STORY?

Features:
- Properly Installed Insul.
- Tight Construction
- Advanced Windows
- Sealed Ducts
- State-of-the-art Equip.
- Engineered System Sizing
- Value Engineered Framing
- Whole-House Ventilation
- Pressure Balancing
- Combustion Safety

Benefits - Performance:
- Low Utility Bills
- Improved Comfort
- Improved IAQ
- Improved Durability
- Advanced Technology
- Environmental Protection

Benefits - Cost:
- Annual Savings
- Cash-flow
- Investment Return
- Maintenance
- Resale Value

Choosing Preferred Sales Techniques
ADVANCED SELLING W/ENERGY STAR

- **Before Sale Marketing:**
  - Advertising
  - Signage
  - Web Site

- **Point-of-Sale Techniques**
  - Testimonials
  - Silent Salesmen
  - Eye Candy Displays
  - Commitment to Message
  - ‘Back Room’ Close

- **Own Customer for Life**
  - After-Sale ‘Feel Good’ Meetings
  - Owners Manuals
Before Sale Marketing
SIGNAGE

Before Sale Marketing
Web site
Welcome to Nevada Energy Star Homes

- Lower utility bills
- Better Indoor Air Quality
- Faster Maintenance Problems
- Improved Comfort
- Resale Value
- 

An ENERGY STAR labeled home saves energy and money, in addition to offering:

- Lower utility bills
- Enhanced home performance and indoor comfort
- Higher resale value
- Peace of mind knowing your home is energy efficient, well built, and constructed to last
- Environmental benefits

The efficient, ENERGY STAR labeled homes are shown here. More details on the linked page. You'll find Bandet's list of Nevada Energy Star labeled homes below to learn more about the benefits of living in a green home.
Before Sale Marketing
Web site

Point-of-sale Techniques
SILENT SALESMAN: BROCHURES
Point-of-sale Techniques
SILENT SALESMAN: SIGNAGE

THE ASTORIA DIFFERENCE
Energy Star® homes are proven to increase energy efficiency and lower your energy bills. Ask your sales consultant for more information.
www.ASTORIAHOMES.com

Point-of-sale Techniques
EYE CANDY DISPLAYS
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Point-of-sale Techniques
EYE CANDY DISPLAYS

"Low E" Windows Featured
with "Low E" Windows
without "Low E" Windows

SEAlS AND INSULATION Ductwork Ventilation System

Energy Star
Value Introduction:

- Instead of asking - Can I help you?
- There is so much we’ve done to improve the quality of our homes that you can see.

When you are done looking, I’d love to tell you about 10 technology innovations you can’t see that save you thousands of dollars while improving the comfort, air quality and durability of our homes.
Salesperson Accountability
Ideal Homes; Norman, OK
- Professional Sales Consultant Training (Real Estate and Energy Efficiency)
- Role Playing (Continuous Improvement)
- 'Mystery' Shopper (Accountability)
- Salesperson Performance Reviews

Artistic Homes
Albuquerque, NM
- Committed Buyers Ready to Listen to Whole Story
- Reduce Buyer Remorse
- Increase Customer Satisfaction
- Use Survey to Get Leads/Testimonials
Selling a System Example: Pardee Homes
Before Sale Marketing: SIGNAGE

What a combo! Pardee Homes & Energy
www.pardeehomes.com

Selling a System Example: Pardee Homes
Before Sale Marketing: WEB SITE

As part of our corporate commitment to the environment and to building earth-friendly homes, Pardee Homes recently became the first large builder in the country to make the commitment to build all of its new homes compliant with the ENERGY STAR program. According to the EPA, ENERGY STAR homes operate about 30% more efficiently than standard homes. This commitment also demonstrates our corporate mission to build homes for the way people really want to live.
Selling a System Example: Pardee Homes
Point-of-sale: BENEFIT LABELS

This special glass helps make your new home even more energy efficient. Ask our sales counselors for a demonstration.

Selling a System Example: Pardee Homes
Point-of-sale: CHECKLISTS

INCLUDED ENERGY FEATURES CHECKLIST
Pardee Homes Invites You to Compare!

- Spectrally selective glaze
- Engineered stack design
- Right ducts: parts retained
- Inspections & Discrepancies
- Home Energy Rating
- ERM Loan Stages

*Note: For new construction, please contact your sales counselor for additional information.*
Selling Energy Efficient Homes

New Opportunities with ENERGY STAR

Advanced Lighting Package
New Opportunities with ENERGY STAR
ADVANCED LIGHTING PACKAGE

- Marketing tool accompanied by a technical specification.

<table>
<thead>
<tr>
<th>Category</th>
<th>% ENERGY STAR Fixtures</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-Use Rooms</td>
<td>50%</td>
</tr>
<tr>
<td>Kitchen, Dining Room, Living Room, Family Room, Bathrooms, Halls, Stairways</td>
<td></td>
</tr>
<tr>
<td>Medium-Use Rooms</td>
<td>25%</td>
</tr>
<tr>
<td>Bedrooms, Den, Office, Basement, Laundry Room, Garage, Closets, and all other rooms</td>
<td></td>
</tr>
<tr>
<td>Outdoor Lighting</td>
<td>50%</td>
</tr>
<tr>
<td>Affixed to Home, Free-standing Poles excluding landscape and solar lighting</td>
<td></td>
</tr>
<tr>
<td>Ceiling Fans</td>
<td>100%</td>
</tr>
<tr>
<td>[Where Provided]</td>
<td></td>
</tr>
</tbody>
</table>

- ENERGY STAR Advanced Lighting Package Partners have access to technical and marketing tools at no cost:
  - ENERGY STAR Advanced Lighting Package Calculator Tools.
  - Consumer Brochure
  - Listing on the ENERGY STAR Web Site
  - Technical Assistance

Photo courtesy of Deb Quinn, Ravenswood Homes, CT
Indoor Air Quality Label

New Opportunities with ENERGY STAR
INDOOR AIR QUALITY LABEL

- In partnership with ALA, draft spec for comprehensive IAQ strategy developed
- Designed to be meaningful, but compatible with production builders
- ENERGY STAR will be prerequisite
- Draft currently being vetted (builders, raters, utilities, financing, environmentalists)
- Combination builder accountability checklists and some additional rater diagnostics
New Opportunities with ENERGY STAR

**INDOOR AIR QUALITY LABEL**

- Moisture Control
- Radon Control
- Pest Control
- Heating, Ventilation and Air Conditioning
- Combustion Safety
- Materials
- Commissioning

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New Opportunities with ENERGY STAR

**INDOOR AIR QUALITY LABEL**

- Home must qualify as ENERGY STAR
- Brand IAQ with EPA, not ENERGY STAR
- Get IAQ in the value proposition
- Educate builders on 'Best Practices'
SUMMARY

Build Energy Efficient
Sell Energy Efficiency with ENERGY STAR

Action Plan
Current Partners

Potential Items for Consideration:
- Develop new sales materials/displays
- Initiate or Participate in Ad Partnership
- Explore Advanced Lighting Package
- Look for Launch of Indoor Air Label - Projected for May 2004
Action Plan
New to ENERGY STAR?

Potential Items for Consideration:
• Visit ENERGY STAR Web site
• Sign Partnership Agreement
• Work with a Rater to Find Energy Efficient Features
• Contact ENERGY STAR for Assistance

HOW TO REACH ENERGY STAR

On the Web at:
http://www.energystar.gov/homes