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Back of the Envelope Thinking

**Excuse me, Mr. and Mrs. Homebuyer: Would you like our 5-year home
or one that will last 100 years?**

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There are so many myths about what homebuyers won't pay for. And I'll submit that too many of these myths are based on ineffective sales practices personally observed over the past 25 years working with the housing industry. If you can't sell it, surely that must mean they won't buy it rather than a failure to convey its value. In the absence of sales skills, the housing industry is too often afraid to innovate its product. Not surprisingly, sales is the single biggest need for improvement cited by builder executives at **Retooling the U.S. Housing Industry** Workshops.

The “they won’t buy it” myth may come into play most significantly with regards to the home enclosure. This is because the quality difference with better construction is often invisible or at least not obvious to homebuyers. Yet a high-performance enclosure is a superior business solution for builders. The rest of this article will address two questions: Why is it better business and how can it be sold effectively?

Before I can answer those questions, we need a common understanding of what we mean by a high-performance enclosure. I suggest the following definition. A high-performance enclosure is a sound structure that effectively addresses four key attributes: energy efficiency, weather-protection, health, and disaster resistance. The following paragraphs answer the first ‘better business’ question by showing how each high-performance enclosure attribute is directly correlated to risk reduction and customer satisfaction.

Energy efficiency. Every month there is a crystal clear metric showing homebuyers how well their builder addressed efficiency. It’s called the monthly utility bill. Both high utility bills and ultra-low or no utility bills are highly emotional. It’s just that the high ones are not good for business and the ultra-low or non-existent ones are great for business. Thus, the more quality-installed insulation and air-tight enclosure provided, the lower your risk and the more happy your buyer. This impact is further reinforced by the common connection consumers make between energy efficiency and quality construction.

Weather Protection. Once you’ve made your home energy efficient, you’re now in the danger zone. But make no mistake about it, even today’s minimum-code home is adequately energy efficient to be in the danger zone. That’s because there is extremely low thermal flow through better insulated and air-sealed assemblies which leads to colder surfaces. This adds up to more wetting potential with nearly no drying potential. That’s not a good combination. Absolutely bullet-proof weather protection is no longer extra credit. The link to lower risk and greater customer satisfaction with comprehensive moisture protection is just a by-product of the laws of physics.

Health. In the U.S. nearly 7 million emergency department visits are for respiratory disorders and approximately one-in-ten children use inhalers. In other words, respiratory problems are epidemic. More contaminants bad, less contaminants good. So using construction products that are free of dangerous formaldehyde and other VOC’s should be a no brainer; less risk and much greater satisfaction for a population that is increasingly health conscious.

Disaster Resistance. Once you’ve addressed the other attributes, you have an enclosure that can last hundreds of years. So wouldn’t it be a shame if a regionally prevalent disaster caused destruction that could have been avoided with appropriate disaster resistant construction practices? This includes enhanced wind and impact resistance in hurricane and tornado prone regions, fire protection details and practices in wildfire prone locations, enhanced load capacity roofs with no thermal bypasses in severe cold weather climates, increased structural bracing and hold-downs in earthquake prone regions, raised enclosures in flood risk zones, and termite-resistance construction in vast parts of the country where homeowners experience significant stress and cost attempting to control this invasive pest. The resulting peace-of-mind and potential home insurance savings will enhance risk management and customer satisfaction.

The hard problem for most builders to figure is how much performance to include in their enclosures. Yet the answer is simple if the amount of risk reduction and customer satisfaction is directly proportional to degree of performance: **as much as you can sell.** Which brings us to the second question: how can the invisible benefits of a high-performance enclosure be sold effectively? In some cases the walls are thicker and that is helpful. But what is needed is a truly emotional experience that takes no prisoners. Here’s where I would call on the multitude of product manufacturers and industry associations to collaborate on an industry-approved consumer label (oh no, another label!) that grades the expected lifetime of enclosures. For instance, it might be fair to rate an enclosure

that just meets code as a **5-year enclosure**. That's because it will be functionally obsolete in five or less years as new more rigorous codes are introduced every three years. In fact, they quickly become illegal to build as constructed. Thus, very quickly, minimum-code homes leave generations of owners with substandard efficiency, comfort, health, and durability. In contrast, a 100-year enclosure that will deliver relevant performance for over a century could be a compilation of existing labels. For example, a **100-year enclosure** rating could be assigned to a home that meets all the energy efficiency and water protection requirements of DOE Zero Energy Ready Home or Passive House, chemical-free requirements of EPA Indoor airPLUS, and disaster resistance requirements for the Institute for Business and Home Safety (IBHS) Fortified for Safer Living program.



It would only take a consumer nanoseconds to understand the impressive value difference between a 5- and 100-year home. After all, 'year' is a metric fully understood with no explanation. Add to this a long-term warranty to back up performance and you're ready to effectively close the deal.¹ In other words, you have a highly effective sales message that brings the hidden obsolescence typically ignored by most minimum-code homebuyers to the forefront. "Do you really want your largest purchase of a lifetime to turn its back on future expectations and leave you responsible for the potential burden trying to resell an obsolete home in the future?" It sounds brutal, but change is hard. Nothing less than enforcing true accountability will enable the builders and manufacturers promoting high-performance enclosures to successfully engage mainstream homebuyers.

The added bonus message is that homebuyers get all this excellence at no or minimal extra cost where the monthly energy bill savings can help offset the extra monthly mortgage cost attributed to the high-performance enclosure improvements. And maybe most significantly, this level of excellence gives builders a powerful answer to the all-important 'why do you build' business question²...the reason I'm a builder is to construct homes that will stand the test of time. I'm all emotional again.

This article is part of a series on housing innovation based on the author's book, 'Retooling the U.S. Housing Industry: How It Got Here, Why It's Broken, and How to Fix It.' This book examines opportunities to transform the homebuyer experience relative to five key components: 1) Sustainable Development, 2) Good Design, 3) High-Performance, 4) Quality Construction, and 5) Effective Sales. Each article features one innovation or business principle covered in workshops with builder executives. Find out more at www.SamRashkin.com.

¹ See "Performance Anxiety: What if a Car Came with a 2,000 Mile Warranty," BUILDER Online, August 10, 2015

² check out Simon Sinek's wildly popular TED talk, 'Start With Why'