



MARKET RESEARCH ON BUILDER'S SELLING PRACTICES AND STRATEGIES FOR ENERGY EFFICIENCY HOMES

Prepared for:
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Executive Summary

Introduction

In April 2012, Southern California Edison (SCE), serving as the contract agent for the state’s Investor Owned Utilities (IOUs) (a group including Pacific Gas and Electric Company (PG&E), SCE, Southern California Gas Company (SCG) and San Diego Gas and Electric Company (SDG&E)), contracted with Navigant Consulting, Inc. (Navigant) to undertake a study to recommend best practices for an energy efficiency “sales training module” that would subsequently be developed by the IOUs and offered statewide to California Advanced Home Program (CAHP) participating builders and their sales staff.

Established by California Public Utilities Commission (CPUC) Decision 09-09-047¹, the CAHP is a statewide program administered by California’s four IOUs that was created to help the building industry design and develop more environmentally friendly communities. Through a pay-for-performance incentive structure and a whole building approach, the program is designed to increase market demand for energy efficient single- and multifamily² homes and to encourage builders of all production volumes to construct homes that surpass California’s Title 24 energy efficiency standards³ by a minimum of 15 percent. The CAHP is a comprehensive residential new construction (RNC) concept with a crosscutting focus on sustainable design and construction, green building practices, energy efficiency, and emerging technologies.

Recognizing the need of participating builders for additional support in not only building, but also selling CAHP homes, program administrators sought to conduct a research study to understand how builders can be assisted in developing successful sales and marketing strategies to drive demand for energy efficient homes.

Project Scope

This research is intended to support the development of residential builder sales training modules and tools to assist builders increase their understanding of what green purchase decision drivers are and how they can apply this knowledge to improve their sales of energy efficient homes. With these tools program administrators aim to not only help drive market penetration, but also, thereby, facilitate an increase in builder participation in the CAHP, creating a virtuous cycle in support of market transformation of the residential new construction market. The project’s fundamental goal is to assist the CAHP builder community to increase effectiveness of builder sales efforts, thereby increasing demand for energy efficient homes that also receive incentives from the CAHP. More specifically, Navigant was to research California builder and national best practices in the field of energy efficient home sales and provide the California IOUs with recommendations for tools, best practice approaches, materials, and strategies to incorporate into a new IOU-sponsored builder sales training module and course for CAHP

¹ CPUC Decision 09-09-047. <http://www.cpuc.ca.gov/NR/rdonlyres/A08D84B0-ECE4-463E-85F5-8C9E289340A7/0/D0909047.pdf>

² Multi-family projects built in PG&E’s service area are administered by a third-party program and are eligible for separate incentives.

³ California Code of Regulations, Title 24, Part 6, 2008 Building Energy Efficiency Standards for Residential and Nonresidential Buildings. <http://www.energy.ca.gov/title24/>

participating homebuilders. It should be noted that the study focused on the issue of how best to implement sales training, not specifically on the question of if sales training would be the most cost-effective use of program resources compared to other activities.

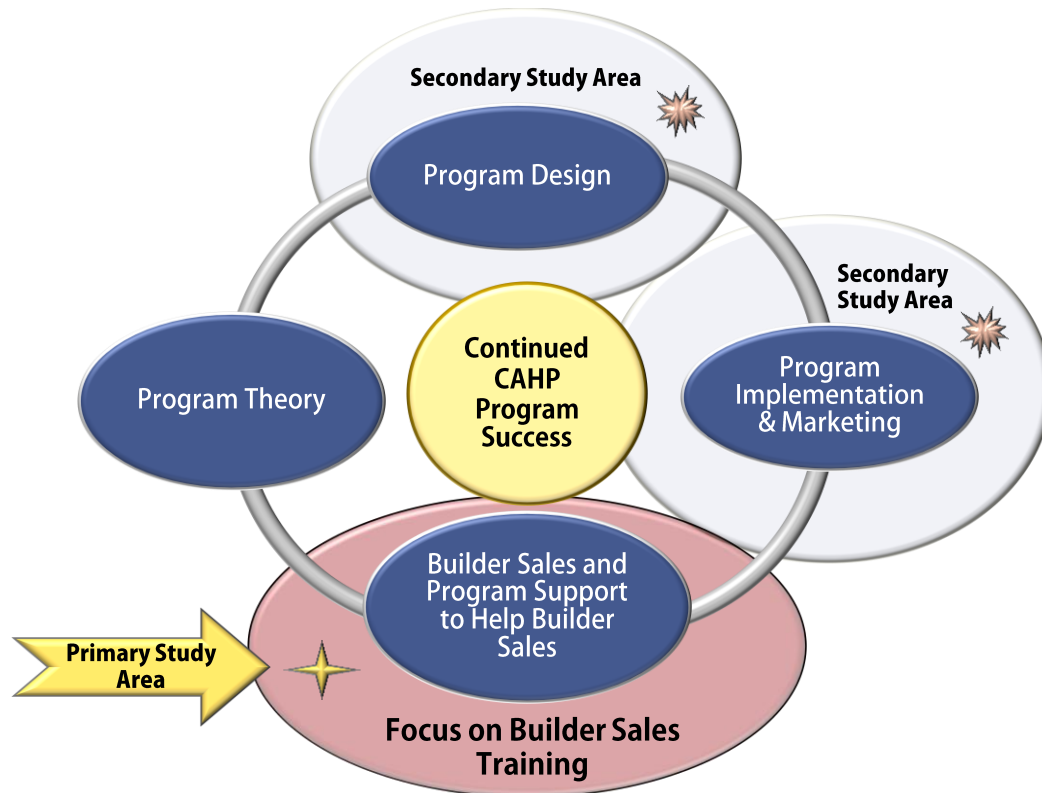
While the areas of consumer marketing practices and RNC program design were not initially a focus of the study, it quickly became apparent that marketing and related program design issues were integrally tied to best practice sales efforts with marketing being a key element supporting builder's selling processes and "best practice" program design helping create long-term, stable and successful relations with program builders. Because of this, Navigant included into the project's research and discussions its findings on successful marketing of energy efficient program homes⁴ as well as findings related to program design.⁵ Navigant designated two levels of study effort within the scope of the project: A Primary Study Area, focusing on research leading to direct recommendations to the IOUs for development of a sales training module; and a Secondary Study Area, focusing on marketing and program design insights and findings gathered as part of primary study activities.

The interrelationship of the various elements of successful RNC program delivery is shown in Figure ES-1, which points not only to the primary areas of study focus, but to the secondary areas as well.

⁴For purposes of our research and this report, we generally define consumer marketing as that which drives demand for the product -- in this case, an energy efficient or CAHP home, and brings prospective homebuyers "to the door." In this regard, "sales" relates to the part of the RNC builder process that convinces potential buyers to "close the deal" once a consumer is "in the door." It should also be noted that consumer marketing, which focuses on driving demand for efficient homes by homebuyers, is something quite distinct from program marketing, which focuses on enticing builders to participate in the program.

⁵ While marketing issues were the primary focus of the Secondary Study Area, excellence in program design inevitably came to the fore as a major issue for successful RNC programs. The area of program design is addressed throughout the document. However, our summarized conclusions on the subject are presented in Section 5.2.1 of the study's Conclusions and Recommendations Section. Further valuable information on excellence in program design can be found in literature review articles that address this issue. A simple "find" search for "program design" within the literature review will point to several excellent presentations and articles on the subject.

Figure ES-1. Interrelationship of Project Primary Sales Focus to Other Areas of RNC



Approach

Between the spring of 2012 and early December 2012, the Navigant team undertook the following project activities to arrive at the team conclusions and recommendations:

- **RNC Program Manager Interviews** -- In-depth RNC program manager interviews in both California and other states with successful programs
- **RNC Builder Interviews** -- In-depth RNC program builder interviews from both California and other states with successful programs
- **Literature Review** -- Comprehensive literature review of available information, and sales and marketing materials
- **Focused Sales Staff Interviews** -- Focused interviews with builder sales staff to receive feedback on Navigant’s draft recommendations

This type of approach allowed the team to gain an understanding of the often-complex relationship between program theory, design, marketing and, eventually, the sales process, necessary to fully appreciate the context for and needs of a successful sales training module.

Key Study Principles and Findings

While the study generated numerous findings (which are presented in both the main body and appendices of this report), two of the most important key findings -- based on program staff interviews-- that informed our recommendations were that:

- Sales training is a key component of overall program design; and
- A relationship appears to exist between RNC program sales training, building science training, marketing support and long-term relationship building, and a program’s overall success in market penetration of program homes.

Our research and analysis resulted in the development of three general principles that formed the base of our recommendations for an IOU-developed CAHP Builder Sales Training Module and which Navigant believes will help ensure project success. These principles include:

- *Focus on Long-term Commitment to Market Transformation of the CAHP Builder Sales Market*
- *Focus on the Training Approaches and Tools Relevant to the Work of Builder Sales Staff*
- *Use Multiple Formats and Approaches to Learning to Ensure Uptake and Use of the Materials*

Conclusions and Recommendations

Following the principles noted above, Navigant developed its study recommendations for IOU development of a CAHP Builder Sales Training Module. These are based on using a five-prong approach to developing a successful CAHP sales training module that includes recommended instructional formats and approaches, and ancillary tools in support of the training. Table ES-1 provides a high-level overview of our recommendations related to training, program design, and consumer marketing, along with key supporting findings. Additional recommendations are provided for consideration in Section 5.

Table ES-1. Navigant Recommendations for CAHP Builder Sales Training Module and Related Program Design and Consumer Marketing Features

Recommendations	Supporting Findings
Training	
<p>Develop a builder sales training component, incorporating the conclusions and recommendations found herein</p>	<ul style="list-style-type: none"> ▪ “Lack of sales skills” is among the key barriers to the adoption of energy efficiency technologies in the home building industry • Well-trained sales agents support increased market penetration of efficient homes • Offering training as a program benefit supports increased long-term program participation • Program staff interviews from successful programs showed that sales training was a key component of overall program design
<p>Use Adult Learning principles and techniques</p>	<ul style="list-style-type: none"> • Trainings targeting adult professionals are more successful when: <ul style="list-style-type: none"> ○ Designed to ensure that the learning process is experiential, and acknowledges and respects participant knowledge and life experience – adult learners should understand why something is important to know or do. ○ To the extent practicable, participants have the freedom to learn in their own way – and on their own schedule,

Recommendations	Supporting Findings
	<p>but with specific objectives to achieve.</p> <ul style="list-style-type: none"> ○ Approaches incorporated case studies, role-playing, simulations, training exercises that incorporate multiple styles of learning, and self-evaluation. ○ Applied in online trainings as well, which can provide unique ways to meet the needs of adult learners, particularly by providing a sense of control over their own learning. ○ Regular short “refresher” courses are offered as a follow-on to an initial longer and more detailed training.
<p>Translate building science “Features” to “Benefits”</p>	<ul style="list-style-type: none"> ● Maintaining a keen focus on training builder sales staff to identify and understand buyers and buyer attitudes as related to “green” or energy efficiency will help the sales staff best use the benefits of energy efficiency in their sales presentations ● Because there are as many such definitions of “home” as there are home buyers, sellers have to quickly recognize which features will best resonate with different buyers, as well as which approaches and sales tools will best demonstrate them and speak to the buyer ● As sales agents typically will have had some training in “reading” or identifying buyer types, trainings structured in an interactive way to take advantage of existing sales staff knowledge as a base for then incorporating “best practice” training and role-playing on energy efficiency buyer “typologies” and approaches to each are more likely to be successful ● Successful sales agents will be adept at applying industry approaches that focus on energy efficiency as a “Better Than” option to a competing home with lesser energy efficiency features and benefits, as well as those that focus on emphasizing energy efficiency as a key deciding point after a buyer’s decisions related to price, location and floor plan are taken into account ● Being up-to-date on relevant current market trends and demographics (e.g., how “greenwashing” has affected the market, what home features are selling well in the current economic state, and the prevalence of female home-purchase decision-makers) will also aid a well-informed seller ● Successful sales agents tend also to be well-versed in sales tools that work to convey the benefits of efficient features and how best to use them with various homebuyer types (e.g., wall placards and deconstructed homes)

Recommendations	Supporting Findings
<p>Understand buyer types and preferences for energy efficiency</p>	<ul style="list-style-type: none"> • A keen focus on training builder sales staff to identify and understand buyers and buyer attitudes as related to “green” or energy efficiency, including providing tools and approaches (e.g., appropriate language for different “types” of buyers), can help the sales staff best use the benefits of energy efficiency in their sales presentations
<p>Use multiple training formats</p>	<ul style="list-style-type: none"> • Incorporating training formats that builders’ sales agents can use to “stay in touch” with the information learned will help ensure the long-term use and market retention of the learning. This includes a variety of approaches to keep the sales audience informed and interested (we have provided detailed examples of four recommended formats in this report) • Beyond the offering of classroom face-to-face training opportunities, the IOUs should also consider building into the module continued learning opportunities. Incorporating these opportunities will help ensure that the training becomes rapidly integrated into CAHP core program design as an important benefit of the program offered by the IOUs and the CPUC
<p>Provide tools, “rewards” and “benefits” that support ongoing trainee interest</p>	<ul style="list-style-type: none"> • Providing supportive “Rewards” and “Benefits” for attending the training can help both sustain the knowledge gathered in the training and support continued builder sales staff interest • Supportive tools help build confidence within the trainee community that they can successfully use the knowledge gathered in the CAHP trainings on a day-to-day basis to help them sell more program homes. <ul style="list-style-type: none"> ○ Tools such as sales “playbooks” provide support for long-term retention and use of training ○ “Takeaway” Story / Poster Boards of CAHP Energy Efficiency Features can be used by sales agents in their model homes to educate buyers ○ “Rewards” such as framed certificate of completion/attendance provide on-site confidence building support and program recognition
<p>Program Design</p>	
<p>Align program theory and design to focus on: (1) long-term builder relationships, (2) relationship building and training with other parts of the industry (i.e., appraisers, real estate agencies, mortgage lenders), (3) consumer</p>	<ul style="list-style-type: none"> • There appears to be a relationship between sales training, building science training, marketing support and long-term relationship building and a program’s overall success in terms of percentage of market penetration of program homes • IOU efforts will be far more successful with a focus on developing training approaches and materials that can provide a long-term horizon for ensuring that the builder

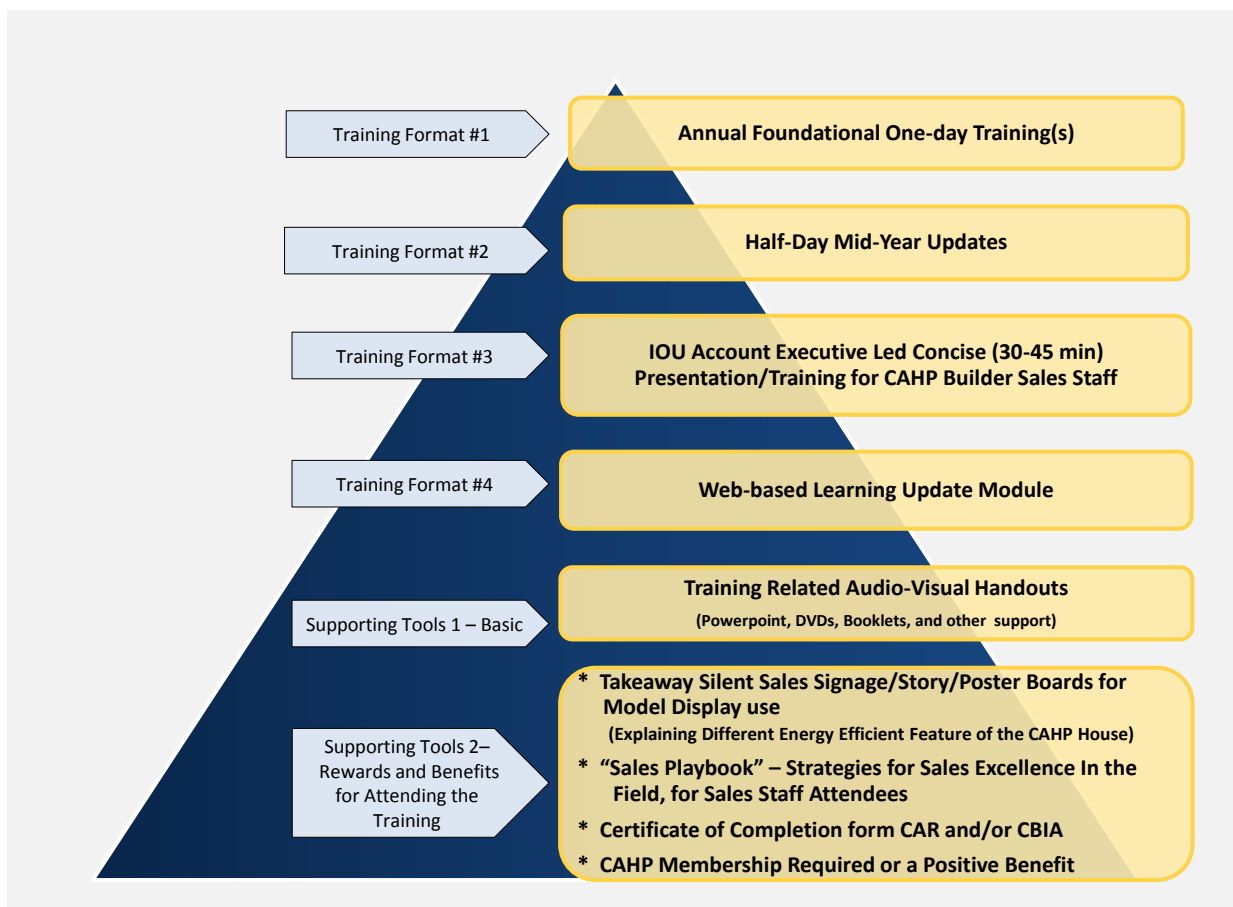
Recommendations	Supporting Findings
marketing advertising, (4) building science training, (4) sales training and (5) story-board/silent sales signs and other consumer marketing support	sales’ staff is: a) kept up-to-date on energy efficiency and b) transformed as market related to excellence in sales of CAHP efficient homes
Offer the sales training as a benefit of program participation	<ul style="list-style-type: none"> • Program-supplied trainings serve to ensure energy savings goals are achieved by helping to ensure real performance in the field. As a benefit to builders, these program offerings work to both recruit and retain participants, as well as position the utility as a valuable trade ally and energy efficiency expert. • Successful programs offer some sort of "sales" training to participating builders – typically building science. More successful program offer both building science and <u>how to sell</u> trainings. The most successful programs offer both types by “<u>handholding</u>” <u>builders through the educational process to build both builder sales staff confidence, and program loyalty.</u> • When builders feel they are receiving a benefit exclusive to program participants (and therefore a perceived competitive edge), it helps build program loyalty, as well as drive participation. This will likely be increasingly important as building codes become more stringent.
Consumer Marketing	
Develop and offer consumer marketing support to participating builders, as ENERGY STAR does, by providing such tools as templates and logos for print and electronic collateral materials	<ul style="list-style-type: none"> • Offering marketing support as a benefit can help to build program participation and loyalty • Providing builders with pre-designed templates and logos will help: <ul style="list-style-type: none"> ○ Build and ensure the integrity of the CAHP brand ○ Ensure accurate and enticing information about the benefits of energy efficiency are being released to the consumer market

The structures and formats in which the training will be delivered represent a key component of the overall training module. Navigant recommends a multi-tiered approach to training that includes four basic training formats. Beyond these, we recommend related “tools” or non-classroom support elements that the project team believes will benefit the overall learning objectives of the CAHP Builder Sales Training package -- which Navigant understands to be significantly influencing the market as related to energy efficiency excellence in the sales process.⁶ Figure ES-2 presents an overview of the Navigant-recommended training formats and related tools for the CAHP Sales Training Module to be developed

⁶ This stated goal is Navigant’s best understanding of the direction of this project. It supports other California initiatives on the horizon based on residential Zero Net Energy construction practices.

by the IOUs. Detailed examples of each are provided in the Conclusions and Recommendations section of the report.

Figure ES-2. Recommended Training Formats and Tools



These recommendations focus on the Primary Study Area. Detailed discussion on each recommendation is provided in the body of the document. Additionally, discussion and findings related to RNC best practice program design and marketing approaches provide rich territory for those interested in reviewing successful program design and delivery, including examples of successful marketing program collateral and approaches used to both “soften the consumer market” for RNC home sales and build participant loyalty and long-term program success.

Study Organization

The study is organized to facilitate ease of access to key high-level study findings and recommendations in its main body, while providing more detailed discussion and resources in its appendices. Report sections are as follows:

- Executive Summary
- Section 1 – Introduction: Background, Scope and Approach

- Section 2 – Direct Interviews: California and Non-California RNC Program Managers, Builders and SME
- Section 3 – Literature Review
- Section 4 – Focused Sales Staff Interviews
- Section 5 – Conclusions and Recommendations
- Appendix A - Annotated Bibliography
- Appendix B– Non-California “Best Practice” Program Selection Methodology
- Appendix C – Market Actor and Focused Sales Staff Interview Instruments
- Appendix D - Interview Summaries
- Appendix E – Literature Review
- Appendix F - Successful Best Practice Program Marketing and Sales Materials Examples
- Appendix G – Highlights of Phase I Interim Report-out