Executive Summary of a White Paper series on the creeping obsolescence of the Remodeler as an Expert Resource and the resulting growth of price as the determining factor in Home Improvement Sales

The recently released J.D. Power & Associates poll identifies the rising importance of “price” as a prime consideration to making home improvement purchase decisions. To some this is news since price used to be further down the ladder of concerns. To most, the new position probably won’t be all that surprising considering the present state of the economy.

However, the poll results deserve closer scrutiny. There is an underlying reason price has risen to the top that could have long-term implications. It is more than just reaction to tough times and it is a stark indication of the deeper problem within home improvement and remodeling sales that even a recovered economy won’t fix: Price may have become all that’s left of the myriad of important information the consumer used to seek from the contractor. Consumers are now getting the bulk of the information needed to make the purchase decision somewhere else. Price may be all that’s left for the contractor to deliver.

What happened to the rest of the “important information”? It’s common for anyone that shops, who knows exactly what they are looking for – brand, model number, etc. – to shop price and delivery. Historically, however, home improvement has been the realm of the “specialty dealer” where he/she has capitalized on the axiom that “whoever controls the information controls the sale” to be the “expert/specialist” who through consultative presentation helps the consumer connect their needs with the solutions being offered by the specialist, often touted as unique and only available through their business.

It wasn’t that long ago, that the information needed to make a decision regarding home improvement was immense – too big for one person to sift through alone. According to a report in late 2005 by QuinStreet, the California based leader in vertical marketing (quinstreet.com) showed the difference between impulse and researched purchases.

“…high-value, differentiated products and services need a different approach. There must be a strong sales pitch and a call-to-action that motivates prospects to take the next step in the sales process, while balancing the need to qualify the prospects' levels of interest and achieve economic conversion into customers.

Why are high-value, differentiated products and services different? People often walk into a bookstore, browse and buy on impulse. They do the same at online bookstores and for many other low-price, widely available products. However, not many people (will …) purchase $10,000 worth of replacement windows without doing significant research into the options, styles and pricing.”

Shopping for the expert (specialty contractor/dealers — in store or in the home) was the preferred method.

The Internet was becoming a force is providing this needed information back then. In the same 2005 study by QuinStreet, they reported 40% of all home improvement projects began with a search on the web (as opposed to the finger walking through the Yellow Pages). Today that number has grown to more than 65%.

In late 2005, 1.2 million Internet searches were made each month on replacement windows alone. Today, according to google®, it’s more than twice that and arguably higher because search as
Executive Summary of a White Paper series on the creeping obsolescence of the Remodeler as an Expert Resource and the resulting growth of price as the determining factor in Home Improvement Sales

gotten more specific, such as “replacement window costs” or “replacement window reviews”. This trend means shoppers often know all they need to know (or worse, think they need to know) to shop for an product/labor source with the best price. Worse yet may be that they have learned the desperately hidden secret that most home improvement products and services are basically the same. Whether that’s true, or not, it’s easy to see why previously uniformed homeowners would get that impression from the Internet search and assume there is a lot of “sameness” when the contractor comes calling. So, price becomes perceived as the differentiator.

The conventional wisdom has always been to get 3 bids before buying any custom work, and it’s good advice. It used to be important because before google®, it was the best way to do due diligence on the information being fed you (now you know why it was so important not to leave without the order). Though still important today, if a customer really need 3 bids, they can get them on the Internet, or certainly think they know enough to focus on price when getting the bids in the home.

Finally, the holy grail of home remodeling – the referral – today is more closely aligned to Angie’s list than to friends, relatives and neighbors. Again, these online recommendations gravitate to price/value comments.

Simply put, the “special” in specialty dealer and the “expert” in expertise has been largely replaced by the results of a google® search. The bottom line? The exalted position of the specialty contractor is special no longer. The matching of solutions to needs is now being done on the Internet and through the explosive growth of social media (facebook, twitter, etc.) and all the viral marketing the web offers. Customers can now get most of the information and answers they need before they ever meet with a dealer or contractor.

This is not good news for specialty dealers and home improvement contractors.

You need to be there in the beginning.
Lebhar-Friedman, the publishers of Home Channel News™ and other business magazine, presented a study in 2006 detailing how Consumers Start Home Improvement Projects and their conclusion was that: “…Influencing consumers is always easiest at the start of their purchase decisions. Once they've locked into ideas, it is much harder to have an effect on them than it is to start them in the proper direction.” The conclusion is a no-brainer: you need to be there when they start the process.

In our seminar and book where we detail the Path To Purchase™, we identify 5 stages all consumers go through: Unaware (don’t know they need/want it); Aware/Curious (event or problem raises the issue); Investigator (trying to match needs with product and/or service solutions); Customer/Prospect (just needs source and finance information); Buyer (ready to exchange money for the product of his choosing). As the Home Channel News™ study indicates, the closer to the beginning you get, the more influence you have. Specialty Dealer used to be able to step in at position 2 (and very often at position 1 – think boiler rooms). Today, the Internet takes care of 1-4, and when a customer is a Buyer it’s hard to influence their decision or change their mind. Therefore, the strong tendency is for it to become all about price.
Executive Summary of a White Paper series on the creeping obsolescence of the Remodeler as an Expert Resource and the resulting growth of price as the determining factor in Home Improvement Sales

Another Lebhar-Friedman study, observing the effect of brand versus source, concluded that most home improvement products and services were “source specific” rather than “brand specific”. This would explain why American Craftsman is regarded as the most popular brand of vinyl window. It is Home Depot’s brand, and it is the popularity of Home Depot that drives their position. People and contractors frequent the store, and buy the “brand” sold there.

If the effort for a contractor/dealer was to be considered the “source” in the mind of the customer, then the current loss of his importance clouds the whole process. Without the help of a few strong brands that may supercede their new second-class position, the remodeler is left with, at best, a weakened if not a totally lost position of the source for the needed information for the homeowner to make their purchase decision.

The solution? Find a New Special
Today’s Remodeler and Specialty Contractor/Dealer must add more pieces of information and additional considerations needed by their customers where they again are the primary source of that needed information. Expand also on the effect that some well respected brands, and brand preferences can have in defying this paradigm shift and that can also contribute to the path forward to re-establish the “special” in specialty dealer. For example-

- Create, identify, embellish additional information and purchase considerations not easily found on the Internet and elsewhere and make it know your can provide it.
- Redefining What your company is and What it does and How that service will impact your customers’ lives and the performance of the home improvement
- Credentials (third party branding like Consumer Reports)
- RRP, HomeStar, etc. (Government Certified)
- Promote quantifiable service benefits, not product benefits (such as R-5 installations to match R-5 Windows)

Now you’re Selling to customers who “know more than you do”.
Today’s marketing efforts for Home Improvement Contractors, remodelers and Specialty Dealers must contend with a customer base that probably has at least made the beginning efforts to research on the Internet. However, they more than likely have become product literate, and process savvy. With their access to global information,, they probably know more than you do about the available products and services that might be able to help them solve their real or perceived problems. And this is happening in all retail.

I read Travel Weekly Magazine, a tabloid catching up the Travel Industry on what’s new and a recent issue had an insightful editorial on: Customer acquired knowledge rather than agency imparted knowledge.

XXXX, the editor, expounds on the changes in social marketing. He recalls his chance to invest in a travel site years ago where travelers would post their experiences. He asked how they would be compensated for reporting, and the idea guys looked blank. Of course, today everyone wants to share
opinions now and travel info is everywhere. Search and ye shall find. That’s how far the paradigm has shifted.

His point? This new proliferation of facts and opinions leaves little to seek from an expert. Your customer now knows more than you do.

Travel agencies existed and prospered years ago was because they were the portal to information, and the portal to travel arrangements. A traveler couldn’t do much of any of it without their access. No longer. You can find it, and you can book it.

My Brother-in-law’s agency prospers in this age of the Internet, but his unique selling proposition has shifted from vital information to offering deep discounts off others tours. His clients have already chosen and priced. They need the paperwork and the discount. He attracts them through price.

This brings us back to the recent JD Powers study for Pella where “Price” was identified as the major decision ingredient. It’s obvious there’s a deeper shift in the business than just economic pressures.

###