

Interim Findings

An easier life at home?

‘Selling’ the Green Deal to UK households

(Based on interim findings from the VERD project on home renovation decisions and the Green Deal)

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Key Findings

- A key assumption behind the Green Deal – that market barriers are holding back a flood of demand for energy efficiency in homes – is overly simplistic.
- The biggest motivating factor in the decision to renovate is to improve domestic life, with households facing competing priorities and those needing to extend or adapt space at home, being more likely to consider renovations.
- Up to a third of decisions to renovate are triggered by specific events – the most common being when something in the home needs fixing or replacing – such as a boiler or window.
- For homeowners planning to renovate, the Green Deal is an attractive option. Homeowners planning to spend £5,000 on insulation and a boiler upgrade are more than twice as likely to consider using the Green Deal than not.
- A strong and focused ‘value proposition’ is essential to support renovators. Contractor reliability, and avoiding hassle and disruption to domestic life, are the most important factors. Making it easy to find out and decide about renovating is relevant in some cases, as are warranties, but less so.
- Importantly, the Green Deal may also be used to expand the scope of homeowners’ renovations plans. People who do decide to go ahead with home renovations are willing to consider additional energy efficiency renovations using the Green Deal to pay the upfront costs. Homeowners planning to spend £5,000 on remodelling their kitchen are only half as likely to stick with this option when presented with the

option of adding in £5,000 of energy efficiency measures paid for through the Green Deal.

Targeting attractive Green Deal value propositions at homeowners planning to renovate their kitchens, bathrooms, and living spaces is an important way to improve energy efficiency in homes.

The challenge for service providers and policy makers in the Green Deal market will be to 'sell' or package energy efficiency measures as a solution to the trials and tribulations of domestic life which is what really matters to homeowners.

Introduction

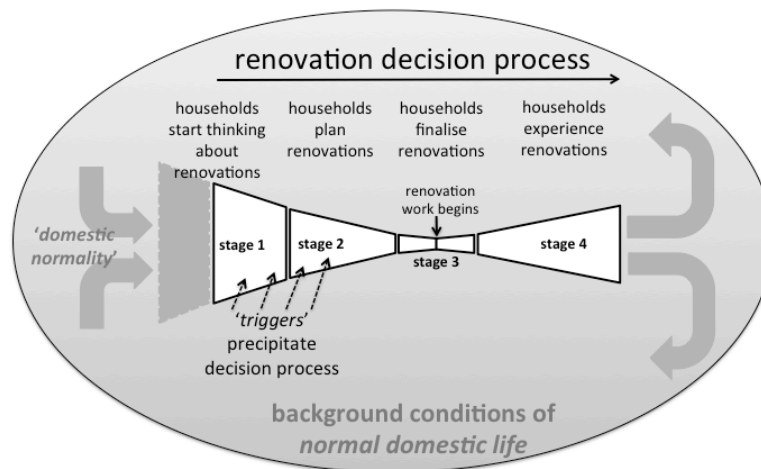
Introduction: the Green Deal & home renovation decisions

The Green Deal is a major government initiative to support energy-efficient home renovations. But will it work? In large part, this will depend on whether homeowners are prepared to consider undertaking energy-efficiency home renovations or whether they might consider energy-efficiency *in addition to* renovations to kitchens, bathrooms or living spaces – what we call amenity renovations.

The conventional wisdom is that barriers – such as upfront costs, lack of trust in contractors, uncertainties about how much energy bills will fall as a result of renovating – prevent people from undertaking energy-efficiency renovations. The Green Deal is designed to remove these barriers and open the floodgates to energy-efficiency renovations.

But interim findings from the VERD project, based at the University of East Anglia and funded by the UK Energy Research Centre casts doubt that this expected flood will come – for one simple reason: **energy efficiency is rarely the main motivating factor for people's decisions to undertake home renovations.**

Figure 1: Renovation Decisions Emerge from the Background Conditions of Normal Domestic Life



What makes people decide to renovate?

The fundamental insight from the research is that home renovations have to be understood through the lens of normal, routine domestic life and that decisions to renovate are rooted in domestic normality. People do not spend their days seeking out opportunities to optimise their energy use, and there is no great pent up demand for efficiency if only market barriers could be removed. Rather, renovations are a solution to domestic needs which can no longer be balanced, domestic space which cannot be adequately stretched, and domestic identities which cannot be sufficiently expressed (see Figure 1).

Table 1 shows five of the primary reasons why a household may be more likely to be thinking about renovating. Table 2 shows the four 'triggers' that precipitate a decision to undertake a renovation. These factors and triggers explain the differences between UK homeowners *not* currently thinking about renovations (about 55% of a nationally representative sample of over 1000 homeowners surveyed in September 2012) and homeowners either thinking about, planning, or finalising renovations (17%, 13% and 28% of our sample respectively).

Table 1: Factors which make it more likely a household will be thinking about renovating

Households which ...	are more likely to be thinking about renovating than not
... face <i>competing priorities</i> at home due to new things going on in the lives of household members	<i>1.4 times more likely</i>
... are aware of a need to <i>adapt</i> how available <i>physical space</i> at home is used	<i>1.4 times more likely</i>
... have <i>sufficient time</i> available to plan renovations	<i>1.6 times more likely</i>
... think renovating will improve the <i>quality of domestic life</i>	<i>1.9 times more likely</i>
... find the prospects of renovating <i>appealing</i>	<i>1.3 times more likely</i>

Table 2: One in Three Renovation Decisions Are ‘Triggered’ or Precipitated by Something From Outside Normal Domestic Life

Are you renovating because ...	% of yes responses +		
	1*	2*	3*
... something in your home needed <i>fixing or replacing?</i>	22%	28%	30%
... someone local <i>strongly recommended</i> renovations to you?	3%	6%	6%
... a contractor or expert <i>strongly recommended</i> renovations to you?	4%	4%	5%
... a very <i>attractive financial offer</i> for renovations became available?	2%	4%	6%

+ total sample of approximately 800 households

* 1 = households thinking about renovations, 2 = households planning renovations, 3 = households finalising renovations. See Figure 1 for details.

How can service providers help homeowners renovate?

For those homeowners who have decided to carry out energy efficient renovations, a clear and attractive 'value proposition' from service providers is essential. A value proposition is a bundle of product and service attributes. Key attributes for renovating homeowners include:

- costs & how to pay
- trustworthiness & reliability
- hassle & disruption to domestic life
- finding out information to support making a decision
- warranties

As part of the national survey, a series of 'choice experiments' were conducted in which homeowners were asked to state which value proposition they would prefer from a set of alternatives. By varying these alternatives, their preferences for particular value propositions were calculated. Table 3 summarises the results in the case of homeowners deciding about energy efficiency renovations (insulation and a boiler upgrade).

In a nutshell, homeowners place particular importance on managing costs, on having a reliable contractor and a hassle-free renovation process. For example, compared to a renovation which is a major hassle and disruption to domestic life, homeowners are 5.2 times more likely to prefer a renovation which is a manageable hassle and 8.2 times more likely to prefer a renovation which is hassle free (see Table 3). We also tested homeowners' sensitivity cost. As expected, in all our studies, homeowners preferred less expensive renovations, assuming all other attributes of the value proposition were held constant. We do not report

detailed results in the Tables below. Warranties are somewhat relevant, but how easy it is to make a decision about renovating – in terms of easily finding out information and comparing between options, for example – did not appear relevant. This gives some important pointers for service providers for improving their value propositions.

Table 3: Attractive value propositions for homeowners planning to spend around £5000 on energy efficiency renovations (loft & cavity wall insulation, and a boiler upgrade)

Attribute of Value Proposition	<i>assuming everything else is held constant:</i>
Reliability of Contractor compared to contractors of unknown reliability,	<i>homeowners are ...</i> 6.7 times as likely to prefer reliable contractors, 8.0 times as likely to prefer very reliable contractors, 6.2 times as likely to prefer independently certified contractors.
Effort of Deciding compared to decisions which take a lot of effort,	<i>homeowners are ...</i> less likely to prefer decisions which take some effort, 1.3 times as likely to prefer decisions which take no effort.
Hassle Factor compared to renovations which are a major hassle and disruption to domestic life,	<i>homeowners are ...</i> 5.2 times more likely to prefer a manageable hassle, 8.2 times more likely to prefer a hassle free renovation.
Warranty compared to a 1 year warranty covering the work done,	<i>homeowners are ...</i> 1.1 times more likely to prefer a longer warranty (up to 7 years)

The study also tested whether homeowners deciding to conduct energy-saving renovations might consider using the Green Deal. As before, we found that homeowners place particular importance on managing costs, on trustworthy contractors, and minimising the hassle and disruption to domestic life. *The Green Deal was also attractive to homeowners who were 2.1 times more likely to prefer their £5000 energy efficiency renovations to be financed using the Green Deal than through conventional means.*

Table 4: Attractive Value Propositions for Homeowners Planning to Spend Around £5000 on Energy Efficiency Renovations ... Potentially Using the Green Deal

Attribute of Value Proposition	<i>assuming everything else is held constant:</i>
Reliability of Contractor compared to contractors of unknown reliability,	<i>homeowners are ...</i> 5.3 times as likely to prefer reliable contractors, 6.1 times as likely to prefer very reliable contractors, 3.4 times as likely to prefer independently certified contractors.
Effort of Deciding compared to decisions which take a lot of effort,	<i>homeowners are ...</i> 1.4 times as likely to prefer decisions which take some effort, 1.6 times as likely to prefer decisions which take no effort.
Hassle Factor compared to renovations which are a major hassle and disruption to domestic life,	<i>homeowners are ...</i> 2.3 times more likely to prefer a manageable hassle, 3.3 times more likely to prefer a hassle free renovation.
Warranty compared to a 1 year	<i>homeowners are ...</i> 1.1 times more likely to prefer a longer

warranty covering the work done,	warranty (up to 7 years).
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Might the Green Deal also be attractive to homeowners deciding on kitchen renovations?

The Green Deal brings an additional opportunity. Imagine that a homeowner is planning to renovate their kitchen, bathroom or living spaces, and so are going through the process of deciding with all the effort and involvement that this implies. What if a service provider could offer an additional set of energy efficiency measures to be installed at the same time as the other disruption to the home? And at no additional upfront cost, as these can be paid for through the Green Deal. This opens up the potential Green Deal market to the far more common type of amenity renovator (rather than just the committed energy efficiency renovator).

The study further tested whether homeowners deciding to renovate anyway might also consider additional energy-saving renovations paid for using the Green Deal. As before, we found that homeowners place particular importance on managing costs, on having a certified reliable contractor, and minimising the hassle and disruption to domestic life (see Table 5 for details).

Overall however, homeowners were only half as likely to stick to their £5000 kitchen remodelling only when offered the option of adding in £5000 of energy efficiency measures paid for through the Green Deal.

Table 5: Attractive Value Propositions for Homeowners Planning to Spend Around £5000 on Kitchen Renovations ...

with a Possible *Additional* £5000 Energy Efficiency Renovation Using the Green Deal

Attribute of Value Proposition	<i>assuming everything else is held constant:</i>
Effort of Deciding compared to decisions which take a lot of effort,	<i>homeowners are ...</i> no more likely to prefer decisions which take some effort or which take no effort.
Hassle Factor compared to renovations which are a major hassle and disruption to domestic life,	<i>homeowners are ...</i> 2.1 times more likely to prefer a manageable hassle, 3.0 times more likely to prefer a hassle free renovation.
Warranty compared to a 1 year warranty covering the work done,	<i>homeowners are ...</i> 1.1 times more likely to prefer a longer warranty (up to 7 years).

We also tested the same using higher costs' (£10000) scenarios and results overall are consistent. Obviously, each individual household's energy reduction needs have to be assessed separately to warrant eligibility for the Green Deal'.

Notes:

The arguments and evidence in this note are based on an extensive review of renovation and energy efficiency studies (including those on which the Green Deal is based), on a lengthy series of interviews with both renovating and non-renovating households (Feb – May 2012), and on a nationally representative survey of over 1000 UK homeowners (Sep 2012). These are preliminary findings and need to be interpreted within the context of the study and the methods used; caution should be used in generalising the findings. For example, the 'more likely' ratios (odds' ratios) reported are not directly comparable across experiments or other studies.

Further details of all the methods, findings and the VERD–HOME project are available at by contacting the research team at:

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