THE SUPER GOOD CENTS© MANUFACTURED HOUSING VENTURE

BASELINE MARKET ASSESSMENT AND MARKET CHARACTERIZATION

Final Report

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The Northwest Energy Efficiency Alliance

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August 14, 1998
ACKNOWLEDGMENTS

This report was prepared by Pacific Energy Associates, Inc. under contract to the Northwest Energy Efficiency Alliance (the "Alliance"). The development of the contents of this report would not have been possible without the information and assistance provided by Ken Eklund of the Idaho Department of Water Resources, Energy Division. Additionally, we wish to thank the following persons who provided invaluable insight and context to the market and the program:

Bob Minter - Idaho Department of Water Resources
Jim Russell - D&R International
Mike Lubliner - Washington State University
Don Miner - Oregon Manufactured Housing Association
Joan Brown - Washington Manufactured Housing Association
Tom Hewes - Oregon Office of Energy
Don Stevens - Stevens and Associates
Don Davey - Bonneville Power Administration
Mike Frizzetti - InterActive Marketing Group
Tom Eckman - Northwest Energy Efficiency Alliance
Allen Lee - Xenergy
Dave Baylon - Ecotope, Inc.
Tim Eckstrom - Northwest Research Group

We would also like to thank Ben Bronfman of the Alliance for providing project guidance.

The views and opinions of the authors expressed herein do not necessarily reflect those of the Northwest Energy Efficiency Alliance, its board, its members, or its staff.
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Executive Summary

This report discusses the manufactured housing market in the Northwest, with a particular focus on energy efficiency features. This report is designed to establish a baseline of the sale of energy-efficient Super GOOD Cents® (SGC) manufactured homes and to assess and characterize additional, relevant market conditions. Future reports will discuss program and market progress to increase the penetration of SGC in the market and to develop a market-based, self-supporting SGC certification program, the general goals of the SGC Manufactured Housing Venture (Venture), an initiative funded by the Northwest Energy Efficiency Alliance.

To determine the current status of the market, Pacific Energy Associates, Inc. (PEA) interviewed a variety of key market and program actors, including all of the manufacturers located in the Northwest. PEA also reviewed existing literature about the market, particularly including detailed and current market data prepared from multiple sources by the Northwest Research Group. Key findings from the research include:

- **The presence of SGC continues to have a positive effect on the energy efficiency of the manufactured home industry.** Almost all manufactured homes sold in the Northwest have significant energy efficiency features above what would be required by Federal standards.

- **SGC helps position the industry to better compete with site-built homes, a primary opportunity for market growth.** SGC is also profitable to the industry, as well as being an asset in the in-fill (existing urban/suburban lots) market.

- **Sales of SGC houses are eroding.** Combined production of SGC and gas-heated Natural Choice (NC) homes dropped from 67% in 1996, to 49% in 1997. The market-share based on sales of SGC/NC houses, which lags production figures by several months, has slipped slightly each quarter of 1997, going from 63% in the first quarter to 58% in the fourth quarter. Preliminary 1998 first quarter sales numbers show a substantial drop to 45% of the market.

- **There are additional indications in the market that regaining/retaining market-share for SGC will be difficult.** These include the presence of price-competitive alternatives to SGC, the...
sales/consolidation of manufacturers who had previously supported SGC, and high turnover in the retail sales force.

- While consumer awareness of SGC is still a positive factor in the marketplace, manufacturers believe it is being eroded over time as new buyers enter the market. Many consumers are exposed to SGC during the shopping experience, but some of the retailers are marketing against SGC.

- While the price of SGC features varies by manufacturer, the average upgrade retail price over base construction is approximately $1,700. This is about 3% of the typical sales price for the average home: a double-wide unit costing $53,500.

**Key Issues and Opportunities**

PEA’s review of the market indicates that some changes to the Venture’s goals and strategies should be considered. Key among the implications for the program are the following:

- The Venture’s goal for SGC market share (25% points above baseline) over roughly the next two years is likely to prove unrealistic. Market share has eroded faster and deeper than the Venture planners had anticipated, and the barriers to increasing the market penetration of SGC are substantial. Regaining that lost ground is probably not possible with the current resource constraints. The base SGC production dropped to 50% before the Venture was operational, implying a SGC marketshare goal of 75%.

- In developing their business plan, the Venture should consider two models, a minimal scenario that simply maintains a significant presence of SGC in the marketplace, and an enhanced scenario that attempts to significantly increase market share (as originally planned). The minimal scenario would need to be very low cost, probably planned and operated in conjunction with existing industry associations. Because the presence of SGC in the market raises the bar against which all manufacturers must compete, the savings generated by the minimal scenario may be substantial.
Executive Summary

- Marketing support for SGC will need to hit all levels of the market: manufacturers, retailers, consumers, and the potentially important independent developers. With the consolidation of some retailers under manufacturers, manufacturers may be the most key audience for marketing support given current marketing resources.

- To help maintain the long-term sustainability of SGC, the Alliance and the Venture should work with the EPA to redefine the ENERGY STAR® specification for manufactured housing in the Northwest and consider development of a co-marketing campaign. Over time, the ENERGY STAR® branding will likely need less market support than will SGC to maintain market share. A strong case can be made that the market in the Northwest is regionally confined and that the SGC standard has technical merit.

- The best and most profitable expansions to the market are at the upper end of the manufactured housing price range, where manufactured housing competes with site-built. The move away from SGC and the quality it represents is not in the manufactured housing industry’s best long-term interest. Whether the industry can convene around some key themes, including energy efficiency, in an effort to expand their market is yet to be seen, and represents a challenge both to the Venture and the industry itself.
Executive Summary
I. Introduction

Background and Purpose

The Northwest Energy Efficiency Alliance has funded the SGC Manufactured Housing Venture (Venture) to induce lasting structural and behavioral changes in the manufactured housing market in order to increase and sustain the market penetration of Super GOOD Cents® (SGC) Manufactured Homes.

This report presents an initial look at the manufactured home market in the Northwest, the progress and trends in that market, and the influence of the SGC program to date, including the lasting influence of the Manufactured Housing Acquisition Program (MAP). This initial report is designed to provide information and data that will help inform program design direction and serve as a base for measuring indicators of program-induced market effects.

A Program and Market Progress Report will be published in the fourth quarter of 1998 to document program and market status in terms of key market indicators and program accomplishments. This report will include a retailer survey to be conducted in the late summer of 1998. Follow-up interviews with program implementation personnel, manufactured housing retailers, and representatives of the regional manufacturers and their industry associations will also be conducted in the late summer/early fall of 1998.

Summary of Research Activities

To develop this report, Pacific Energy Associates, Inc. (PEA) reviewed secondary market research sources and conducted additional market investigation. The primary source of existing market information is the series of reports developed by Northwest Research Group (NRG) that tracks sales of manufactured homes in the Northwest in great detail. Additional data is available from the Venture implementers and, throughout the years, a number of papers and reports have been developed by various authors that discuss issues and document market progress. A listing of these reports is included in Section 7: References.
1. Introduction

The market research specifically conducted for this project included the following:

- Preliminary, in-person, informal interviews with seven retailers to gain familiarity with market issues;
- Telephone or in-person interviews with program representatives from Idaho, Washington, and Oregon, and other people familiar with the MAP/SGC program history, including manufacturers’ associations. A total of twelve interviews were conducted; and,
- A detailed telephone survey of qualified representatives of twenty manufacturers representing nearly all of the manufactured housing made and sold in the Northwest.

Structure of This Report

The main body of this report is divided into six sections. Section 2 discusses the program history and the goals of the current Venture. Section 3 provides an overview of the current market structure and features, while Section 4 focuses on the current market penetration of SGC. Section 5 specifically reports on information gathered in the primary research conducted by PEA that involves the level of energy efficiency present in the current market, including non-SGC choices. Section 6 presents PEA’s analysis of issues and opportunities from this initial review of the manufactured housing market, including recommendations to improve the sustainability of the effort.

The main body is followed by Section 7, the report reference list.
2. Market and Program Background

History of Super GOOD Cents® in the Northwest

The Northwest’s experience with the manufactured housing industry to increase energy efficiency is well documented. (See, for example Eklund et al., 1996 or Lee et al., 1994 in the reference list.) Below is an extremely brief summary that indicates the major changes.

Initial technical demonstrations of the feasibility of dramatically improving the energy efficiency of manufactured housing took place in the mid-1980s through the Residential Conservation Demonstration Program funded by BPA. This evolved into the first utility rebate programs through a SGC effort that paid customer incentives of $2,000 to $3,000 per home in 1988. This version of SGC reached, at best, 20% of the manufactured home market.

In an effort to dramatically improve the market penetration of SGC manufactured homes, a program that worked directly with manufacturers was developed. In April of 1992, all of the region’s manufacturers agreed to build to the SGC standards in return for a payment to the manufacturers of $2,500 per home. Efforts were also undertaken to improve the federal standards that covered manufactured homes and, in 1994, the HUD standard was raised. Payments to MAP manufacturers subsequently dropped to $1,500. The MAP effort reached nearly all of the homes manufactured for the Northwest market.

The MAP effort ended earlier than planned (July 1995) because two of its utility sponsors were no longer interested in paying the program costs. Their withdrawal from the program forced the closure of the program within a few months. A plan to transition the program away from full utility funding had not been developed and the state energy offices scrambled to find ways of continuing the SGC effort.

Following the end of the MAP effort, the Oregon Department of Energy acquired the rights to the SGC trademark and sub-licensed rights to the Idaho Department of Water Resources and the Washington State Energy Office. In each state, the manufacturers pay $30 per SGC home to the state, which is used to support quality control, technical assistance, and limited marketing. Only in Oregon, which has the strongest manufacturing base, is the program self-sufficient, based on fees received.
2. Market and Program Background

The MAP effort not only delivered very high levels of energy efficiency from nearly every manufacturer, it also delivered more total market to manufactured housing. It appears from some references and interviews that the manufactured housing made inroads against the site-built market. PEA postulates that there are three reasons for the sales gains of manufactured housing coincident with the MAP effort:

- First, the improved quality and energy efficiency of manufactured homes appealed to price-sensitive buyers who might otherwise have purchased a site-built or existing home.

- Second, there was increased marketing for SGC, which also translated into increased marketing for manufactured housing. In essence, more money and attention was paid to manufactured housing marketing during MAP than either before or after.

- Third, some manufacturers turned their rebates into payments to the customer, even allowing the customer to use the rebate amount to offset down payment requirements. This allowed additional customers to enter the housing market.

Increased sales supported by the first two reasons can still be at least partially captured without the large MAP payments. If the manufactured home industry joins together to promote quality housing to consumers, they may be able to recapture some of the broader housing market. Some existing tools do this to some degree, i.e., the continuation of SGC (although with limited marketing) and the development and funding of Northwest Pride, which generally promotes manufactured housing. The third element, of simply making housing more affordable, cannot be replaced except by cash or special financing. Financing tools have been investigated, but no long-term solutions have been developed.

In the first five months after MAP (1995), the production of the SGC and (gas-heated) Natural Choice (NC) homes averaged 74% of the region’s production (Eklund et al., 1996). Production data indicated that SGC/NC homes continued to experience annual drops as part of the manufacturing mix. In 1996, approximately 69% of the region’s manufactured housing was built to the SGC/NC specifications and, in 1997, that number dropped to 49%.

A multi-year look at total production and SGC/NC production is provided in Figure 1.
2. Market and Program Background

Figure 1

PEA reviewed data regarding general housing starts, interest rates and the manufactured housing industry. Some earlier studies had indicated that manufactured housing may be counter-cyclical to general economic trends – that is, increasing when housing costs rise or the economy stumbles – resulting in reduced single-family housing starts but gains for the manufactured housing industry. This does not appear to be the case for the Northwest in the 1990s. The Northwest economy, and in particular the housing market, was strong through most of the 1990s, fueled by population growth and low interest rates. In the Northwest, 1992 to 1994 were extremely strong years for the housing industry overall and for manufactured housing, which increased both in absolute terms and as a percentage of the single-family housing market. The single-family home market has continued at close to record levels over the last three years, and the manufactured home market has also dropped slightly, but remained at high levels. Figure 2 shows site-built single family and manufactured housing sales (based on shipment data) for the Northwest.

Figure 2
2. Market and Program Background

Venture Funding

While Oregon has developed an inexpensive, but self-sustaining, SGC/NC certification program based on manufacturer fees, the other states in the region have not been able to duplicate that accomplishment. The primary reason for the disparity is that most of the manufactured homes in the region are built in Oregon, which gives Oregon a stronger base for funding a program. While all states with manufacturing facilities collect funds for SGC/NC, the concentration of production in Oregon limits the ability of this mechanism to support the other states.

*Table 1* indicates the expected revenues from SGC/NC units produced that support the efforts in the four states for fiscal year 1998. The Alliance funds supplement these monies for all states except Oregon. Idaho also receives a small amount of money ($9,000) from the Northwest Gas Association.

Source: Total manufactured housing production from Housing and Building Technology Division of NCSBCS. Single-family statistics from the U.S. Bureau of the Census.
Table 1

<table>
<thead>
<tr>
<th>State</th>
<th>SGC/NC Production Expected - Fiscal 1998</th>
<th>Revenues from Current $30 Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oregon</td>
<td>6,206</td>
<td>$186,180</td>
</tr>
<tr>
<td>Washington</td>
<td>1,450</td>
<td>$43,500</td>
</tr>
<tr>
<td>Idaho</td>
<td>604</td>
<td>$18,120</td>
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<tr>
<td>Montana</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>8,260</td>
<td>$247,800</td>
</tr>
</tbody>
</table>

Source: State Energy Offices

The Idaho Department of Water Resources (IDRW), in conjunction with the Washington State University Energy Extension Service and the Montana Department of Environmental Quality, received funding from the Alliance to help create a self-sustaining, market-supported SGC certification and quality assurance program for the rest of the region. The goal of the Venture is to increase energy efficiency in the construction and installation of manufactured homes in the Pacific Northwest. The four objectives of the program are:

1. **Increased production of SGC Homes.** The Venture objective is a 25 percentage-point increase above benchmark penetration in the percentage of electrically-heated manufactured homes built and sited or stocked in the Pacific Northwest which are certified and constructed to the SGC standard.

2. **Continue to provide SGC quality control.** The Venture objective is to continue to provide SGC quality assurance that SGC manufactured homes continue to be designed and constructed to the SGC specifications.

3. **Transition to a market-supported program.** The Venture objective is to transition from partial utility funding to a fully market-supported SGC certification and quality assurance program by the end of the third Venture year (June 30, 2000).
4. **Increased installation efficiency.** The Venture objective is to improve the quality of energy efficiency of manufactured home installations and to measure the effect of action by targeted samples. Improvements in marriage-line seal, structural support for marriage lines and perimeters, and crossover duct installation will be investigated and changes in practice tracked.

An analysis of production data by IDWR indicated that SGC production had dropped to 50% of the market for the second six months of 1997. Given that the project was not fully funded until November of 1997, the benchmark used for the first objective should be set to reflect these market conditions. Acceptance of this change by the Alliance would mean that the target for SGC production is 75% of the electrically-heated market.
3. Market Structure and Characteristics

Market Overview and Structure

The Northwest is a largely self-contained market for manufactured homes; that is, the vast majority of the manufactured homes made in the Northwest are sited here, and similarly, most of the homes sited in the Northwest have been manufactured regionally. There are currently 18 manufacturing facilities located in the Northwest, and a few manufacturers from outside the Northwest send a relatively modest amount of housing product into the region. Idaho manufacturers ship a portion of their product, historically about 25%, out of the Northwest.

Figure 3

The structure of the manufactured housing market in the Northwest is characterized as a three-level structure: manufacturer, retailer and customer. This structure is shown in Figure 3 with some details about the various types of manufacturers and retailers.

Manufacturers

Most of the manufacturing facilities in the Northwest are located in...
3. Market Structure and Characteristics

Oregon (10 of 18 plants) where more than 60% of the region’s manufactured homes are made, but there are manufacturers in Washington and Idaho as well. While nearly all of the manufactured homes sold in the region are also made here, most of the manufacturers are part of a national chain or group. Only four manufacturers are locally owned in the Northwest, and these manufacturers are small in terms of units sold (about 8% of 1997 sales). Manufacturers who are part of larger national chains may have significant less autonomy in making decisions about product mix or amenity levels than do locally controlled firms. All of the national manufacturers currently in the Northwest were participants in the MAP program.

**Figure 4**

![MARKETSHARE BY MANUFACTURER](image)

*Figure 4 shows the marketshare of sales by manufacturer. Manufacturers owning several plants operating under the same or different brand name are combined, for example Champion Homes owns Moduline, Redman and Silvercrest, and Oakwood owns Marlette.*

Although there are 18 plants in the Northwest, there are only 12 owners. The four smaller regionally-owned firms are combined in *Figure 4.*
3. Market Structure and Characteristics

Retailers

There are a large number of retailers of manufactured housing in the Northwest, and the numbers have increased in recent years. There are three general types of retailers: independent retailers who carry multiple product lines, independent retailers who carry only the products of a single manufacturer, and factory-owned retailers (who carry only the products of that manufacturer). Most manufacturers distribute their products through all types of retailers.

While there are at least 556 listed retailers, a surprisingly small number of retailers complete more than just a few sales each year. An analysis of sales data from the first quarter of 1998 indicates that only 245 retailers (44% of the total number) sold more than five manufactured homes over this three-month period. Almost one-third (175 dealers) had only one recorded sale.

The top retailers account for a significant percentage of sales, although there are a large number of retailers with low or moderate sales levels. In 1997, the top 25 retailers in Oregon accounted for nearly 50% of the sales. In Washington, sales are less concentrated, with 42 retailers accounting for 50% of sales. In Idaho, 18 retailers accounted for over half of sales (1998). However, median sales per retailer, not including very small retailers who sell fewer than four homes per year, is only about 18 homes per year.

A recent trend in the Northwest has been the vertical integration of the marketplace, that is, the purchase of retailers or retail chains by manufacturers. The large national chains have been acquiring retailer outlets, with Oakwood, Palm Harbor, Fleetwood, Champion and Guerdon now owning at least some of their retail outlets.

Developers – An Emerging Option

A different type of three-level structure has begun to emerge where developers replace retailers in the market structure, buying homes directly from manufacturers and selling directly to customers. The developers also purchase land, develop infrastructure such as roads and utility services, add amenities such as garages and landscaping, and then sell this total package to customers. At this point, this aspect of the market is small, but as land
3. Market Structure and Characteristics

for placement of individual homes becomes scarcer, this type of market structure is expected to increase.

Customers

Detailed data regarding characteristics of Northwest customers were not available.

Key Trends

There are several different trends in the industry that impact the manufacturing base. The first is industry consolidation. Several national chains are buying existing manufacturers. While the manufacturing facility is still in the Northwest, the business plans and models manufactured represent outside thinking. In particular, the manufacturers expanding within the Northwest market tend to promote lower-cost manufactured housing, and may be less interested in SGC.

The second is a refocusing on price competition. Currently, the market is very price competitive, which is a primary reason for the erosion of SGC sales, as manufacturers look for ways to cut costs further. Although manufactured housing is traditionally a price-sensitive industry, there are several reasons for current increased emphases on price:

- With the reduction in sales after the end of MAP, manufacturers felt the need to reduce prices to spur sales of their products versus other manufacturers.

- There has been an increase in the number of retailers, which also increased the attention paid to price as customers can shop for price more readily.

- Firms from outside the region are expanding in the market. These firms tend to specialize in low-to-middle-cost housing, which increased competition in this more price sensitive aspects of the market.

Ironically, the intense focus on price competition may have actually reduced market share versus site-built housing. As several interviewees noted, the consumers at the low-end of the market really have nowhere else
3. Market Structure and Characteristics

to go – they will likely buy a manufactured home as they attempt to enter the home-buying market because it is all they can afford. However, the focus on cost-cutting by manufacturers may well be eroding the upper end of the market, a market that has additional options such as condos or site-built single-family homes. Without a consistent message of quality to the upper market consumers, and with the re-emergence of features such as two-by-four construction and metal frame windows, confidence in the manufactured home industry may have dropped in a key market segment that is potentially quite profitable. Also, questionable sales tactics are being reported which undercuts the credibility of the industry. It appears that attempts to maximize short-term sales and market share might be contributing to a long-term decline in the total market for manufactured housing.

The manufacturers’ relationship with retailers is another area where some changes are occurring. The relationships with retailers cover all of the major structural options, and most manufacturers rely on more than one type of relationship with retailers. A recent trend is the purchase of independent retailers by large manufacturers. With factory-owner retailers, the marketing message to consumers can be more closely controlled by the manufacturer, as can marketing costs. The implications of this change for the market are not yet clear.

Land availability is also an issue. While Oregon has an in-fill law that allows manufactured housing on city lots if certain conditions (including energy efficiency) are met, similar laws have not been passed statewide in Washington and Idaho. One trend noted in Washington and Idaho is the emergence of a new generation of manufactured housing “parks,” whereby an independent developer buys land and manufactured housing, setting up an instant sub-division. Some manufacturers evidently also are entering this development market.

Market Profile

In reviewing the market information assembled by the Northwest Research Group for 1997 and the first quarter of 1998, PEA was able to develop a profile of the current market.
3. Market Structure and Characteristics

The manufactured housing market in the Northwest is dominated by two-section homes. More than 80% of the units sold are double-wides, while only about 5% of sales are singles, and 12% are triple-wides.

Based on data from Washington and Idaho, where pricing information is available, the majority of single-wides (58%) sold so far in 1998 were priced between $30,000 and $39,999, with an average price of about $32,500. Double-wides were usually priced between $40,000 and $59,999 (59%), and averaged about $53,500. Triples were usually between $70,000 and $89,999 (47%), and averaged about $83,000.

PEA reviewed data available from NRG to determine how the market spread over price points and the number of sections used in the house, a rough indicator of size. It appears that the low end of the market reaches up to about $40,000, and includes almost all single-wides, and a few lower cost double-wides. Doubles-wides are the heart of the market, and most are sold between $40,000 and $70,000, a range that defines the middle of the market and includes a few single-wides and the least-expensive triple-wides. This mid-market slice accounted for about two-thirds of all sales in the first quarter of 1998. The high-end of the market is predominately triple wides, with the most expensive double-wides also included.

Table 2

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<td>&lt;$30K</td>
<td>$30-40K</td>
<td>$40-50K</td>
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<tr>
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<tr>
<td>Double-Wide</td>
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<td>427</td>
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<td>154</td>
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<tr>
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<td>39</td>
<td>61</td>
<td>28</td>
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<td></td>
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<tr>
<td>% of Total</td>
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<td>13%</td>
<td>24%</td>
<td>25%</td>
<td>18%</td>
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<td>Mid-Market Equals 68%</td>
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Source: Northwest Research Group.

The average cost of a one-section home is $35 per square foot. Two-section homes cost $40 per square foot and three-section homes averaged $36 (Washington and Idaho data for 1998). The average size for single-
3. Market Structure and Characteristics

Wide homes is slightly over 900 square feet, while double-wides are nearly 1,500 square feet, and triple-wides are about 2,400 square feet.

Only about one-third of manufactured homes are sold as real property. However, more than this number of homes are likely placed on owned property; it is simply easier for the retailer to handle personal property transactions than real estate transactions. (Note: When financing is used, interest rates will typically be higher for personal property loans.)

From interviews with manufacturers, PEA estimates that about 20% of homes are sold from existing inventory (i.e., off the retailer’s lot), with the remaining 80% being manufactured on a custom basis for a specific buyer. What the retailer chooses to stock is an issue both in terms of what potential buyers see while shopping and, for 20% of buyers, what they actually purchase.

Market Power

There is an oft-repeated phrase in the housing industry that the industry simply responds to customer demands. While this may be true over the longer run, in the short-term, decisions made at the manufacturing and retail sales level have considerable influence in what the customer buys.

Manufactured housing is largely a three-level industry: manufacturers, retailers, and consumers. In some cases, the manufacturer now sells to the consumer through factory-owned retailers and it is only a two-level industry, which reduces some of the retail channel’s power. Each of these levels has power over some aspects of the sales transaction. Understanding what power is at each market level can help determine where the key leverage points in the industry are.

The manufacturers control the product and its positioning in the market. In particular for SGC, manufacturers control the packaging and pricing of various options.

The power of the manufacturers in making SGC-related market decisions is quite apparent from two examples. The first is the MAP/SGC program. With the package of incentives, marketing, and support available through MAP, the manufacturers all participated and the region was virtually 100% SGC in a very brief period. A second, more recent, example is the change in product positioning by the parent company of a manufacturer with a
3. Market Structure and Characteristics

strong SGC program. Sales of SGC by that manufacturer dropped significantly soon after the repositioning.

The manufacturer’s survey indicated that the retail price of SGC above HUD standard construction ranged from $695 to $3,200, a more than four-fold difference. While there may be a variety of reasons that can partially explain such a range from a cost perspective, some of the difference is undoubtedly product positioning. To the extent that SGC works with the overall product positioning of a manufacturer (e.g., largely upscale with many standard features), or can be included at a modest up-charge from the base house, SGC’s overall position and sales can be enhanced.

The retailers have considerable power during the sales process. They can promote, downplay/ignore, or sell against various product attributes. Some sales are sold from inventory, so what they choose to have on the sales lot can have considerable influence on sales. For SGC, it is important to remember that the primary goal of the retailer is to make a sale. If SGC helps make a sale, then SGC will be discussed; if SGC is considered to be a detriment to making a sale, then it either will not be brought up by the retailer, or will be noted as an expensive option. Preliminary discussions with retailers indicate that some do not consider SGC (at least as positioned by some manufacturers) to be a good consumer value. Others are simply not familiar with SGC in detail, due to high turnover in the industry.

The consumers have the power of choice. They can select the retailer, the manufacturer, and the product that appeals to them the most. While this is the ultimate power of the market, they are also subjected to a variety of influences, including marketing, sales, and product positioning. A consumer who has decided that they want a SGC home (or simply an energy-efficient home) can find one fairly easily. A consumer who is undecided or lacks information about SGC and energy efficiency could be sold any of a variety of products.

It is likely that all three levels of the market will need attention for the Venture to meet its goals. Given the current resource constraints, it is not clear that an effective consumer marketing campaign can be established (outside of reliance on retailers to supply information and materials to consumers). Low-cost options, such as utility bill-stuffers or small classified ads, should be used to the extent possible to keep name recognition and awareness as high as possible among consumers. While
3. Market Structure and Characteristics

Retailers are very important to the marketing mix, their numbers, competitiveness, and high staff turnover will make it difficult to sustain a marketing message that only focuses on that channel. The position of SGC needs to be solidified through communications and development of productive relationships with the manufacturers.
3. *Market Structure and Characteristics*
4. Regional Production and Sales

Manufacture and Sales of SGC/NC Manufactured Homes

Data on SGC and NC homes are tracked in several ways. Some data tracking is based on production reports at the time of manufacture. Manufacturer data obviously does not include some useful information, such as where the house is being placed, or whether the house will go into inventory at a retailer or has been sold to a customer. These reports also must be corrected for out-of-region sales, which for Idaho-based manufacturers is considerable. Additionally, homes may enter the region from other states, and not be counted if production data is relied on exclusively.

Sales data can track when a home is sold, where it is delivered, and a fair amount of detail about the property (liens, price). Sales data may lag behind production data, but PEA interviews with manufacturers indicated that 80% of homes are custom-made for a buyer. There are some concerns within the industry that sales data may be under-reported.

However, while production numbers may differ from sales data in significant ways, the basic story of the information is the same. The manufacture and sales of SGC manufactured homes has dropped each year since the end of the MAP program. Even within years the trends are evident, corrected production data for the first half of 1997 indicated a SGC market share of 58%, while in the last half of 1997, the manufacture of SGC homes dropped to 50% of the total electrically-heated market.

*Table 3* indicates production for the last six months of 1997, corrected for out-of-region sales. These numbers represent the most accurate estimation of baseline activity of SGC housing as a percentage of all electrically-heated homes. The number of electrically-heated homes is estimated, as actual data are not available.
### Table 3

<table>
<thead>
<tr>
<th>State</th>
<th>Total Units Produced</th>
<th>Percent Sent Out of Region</th>
<th>Number of Elec. Heat in Region</th>
<th>Number of SGC</th>
<th>Percent SGC</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDAHO</td>
<td>2107</td>
<td>25%</td>
<td>1095</td>
<td>212</td>
<td>19%</td>
</tr>
<tr>
<td>OREGON</td>
<td>6279</td>
<td>1.5%</td>
<td>5568</td>
<td>2938</td>
<td>53%</td>
</tr>
<tr>
<td>WASHINGTON</td>
<td>1161</td>
<td>1.0%</td>
<td>1043</td>
<td>725</td>
<td>70%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9547</td>
<td></td>
<td>7706</td>
<td>3875</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: IDWR – using estimates of electric heat sales.

### Figure 5

During 1997 the percentage of SGC/NC homes sold in Oregon dropped slightly each quarter, from 71% in the first quarter to 61% in the final quarter. Idaho has shown a similar pattern of steady decline, from 47% of the market in the first quarter of 1997 to 32% of the market in the first quarter of 1998. The Washington SGC/NC market stayed flat through 1997, at about a 63% market share, but dropped precipitously in
4. Regional Production and Sales

the first quarter of 1998 (to 36%), based largely on changes at a major manufacturer.

PEA analyzed production data for the last half of 1997 to determine the contributions of manufacturers to production of SGC homes and to the market in general. Table 4 below indicates that the five manufacturers who produce SGC units almost exclusively were smaller manufacturers whose total production was only 16% of the region’s total manufactured housing production. The data also indicate that the nine manufacturers who make at least half of their production to SGC levels produced about three-quarters of all SGC units.

Table 4

<table>
<thead>
<tr>
<th>Percent of Electric Heat Production that is SGC</th>
<th>Number of Manufacturers</th>
<th>Percent of Total Produced</th>
<th>Percent of SGC Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>90+% SGC</td>
<td>5</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>50% TO 89% SGC</td>
<td>4</td>
<td>27%</td>
<td>40%</td>
</tr>
<tr>
<td>25% TO 49% SGC</td>
<td>6</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>LESS THAN 24%</td>
<td>4</td>
<td>29%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Idaho Department of Water Resources.
4. Regional Production and Sales
5. Energy Features and Market Choices

PEA interviewed all current manufacturers in the Northwest to determine their perceptions regarding the current market, and their opinions about SGC and its impact on the market. Additionally, PEA used this opportunity to further characterize the market in terms of energy efficiency elements included in non-SGC manufactured housing, which is also reported in this section of the report. A total of 20 interviews were conducted with General Managers and Sales Managers: 18 with Northwest-based manufacturers, and 2 from California who sell some product in the Northwest market.

Manufacturers’ Opinions Regarding SGC

Although all of the manufacturers recognized the benefits of MAP/SGC to their market in the past, their assessment of the importance of SGC currently and in the future is not so rosy. Nearly all of the manufacturers felt that SGC had a reduced impact in the marketplace at the current time. The manufacturers are currently split in their opinions, with six of twenty believing that SGC is very important to their market currently, while eight feel SGC is somewhat important, and six believe that it is not important.

Nine manufacturers feel that the market for SGC homes will decline in the next few years, while 5 thought the market would be maintained, and only three expect the market for SGC to increase. Three manufacturers did not speculate on future market conditions. It was noted that SGC was more likely to maintain or increase in the more expensive housing.

A total of twelve manufacturers felt that SGC was a good value for customers, while seven did not agree. Only eight of the manufacturers promoted SGC to their retailers, while ten did not. One manufacturer noted that he actively promoted against SGC. Of the manufacturers who promoted SGC to their retailers, two manufacturers offered training or seminars, two “encouraged” retailers to explain energy efficiency to their customers, one offered plant tours to retailers and customers, and one sponsored retailer days to talk to retailers.

Only three manufacturers considered energy efficiency to be very important to customers in the current market, while six manufacturers felt that energy efficiency was important or somewhat important. Ten manufacturers characterized energy efficiency as not very important to customers. Some
5. Energy Features and Market Choices

Retailers noted that customers would rather pay for cosmetics, or that they talk about energy efficiency, but don’t buy it. One noted that first-time buyers are unaware of the benefits of energy efficiency.

On a more positive note, sixteen of the manufacturers believed that SGC was profitable for their business. Ten manufacturers felt that SGC improved their competitiveness, while nine did not consider SGC to help their competitiveness.

When asked what changes or improvements they would suggest for the SGC program, the most common response (ten) was to advertise the program and educate customers. Six manufacturers suggested showing customers their return-on-investment in energy efficiency. Only three manufacturers suggested rebates, which may indicate that the writing on the wall has indeed been read. Several manufacturers noted complaints about specific program requirements (ventilation, calculations, and certification sheets), and one comment suggested that the total technical package be revisited. One manufacturer suggested getting the heads of the companies together to discuss energy efficiency and SGC (also suggested by the manufacturers’ associations in separate discussions).

Manufacturers listed a variety of non-energy-specific issues and trends that would impact the manufactured housing industry. The key issues are briefly noted below.

- Most frequently mentioned (7 of 20) was competition with stick-built housing.
- Also important (6 of 20) were issues regarding land cost and availability, including zoning problems. In some areas, the manufactured home placed on a large rural parcel of land is now unaffordable.
- Also frequently mentioned (5 of 20) was the vertical integration of the manufactured housing industry. Manufacturers are buying retailers, which gives them increased control over the sales chain and the ability to present their product.
- A trend towards smaller, less expensive homes (i.e., housing affordability) was noted by five respondents as well.
5. Energy Features and Market Choices

- Also noted were new players in the regional market and consolidation of the industry.

Manufacturers were also asked whether they offered energy-efficient appliance packages such as E-rated or ENERGY STAR®. Only two manufacturers currently offer such packages, although one other previously had offered a package. Their experience was not positive, as they sold only a minimal amount.

Energy Efficiency Features

The number of SGC-manufactured homes built in the region is documented, with data tracking available from multiple sources. However, interviews with retailers and people knowledgeable regarding the market indicated that many manufacturers offer an energy-efficiency package, whether named or unnamed, that is fairly close to the SGC levels of insulation, or at least a significant increase over HUD required levels. PEA requested information on these “Sort-of Good Cents” houses in interviews with manufacturers, including: insulation levels, window type, cost, and marketshare. PEA also requested information on the houses that were sold as “HUD minimum” houses, as it appeared that many manufacturers kept some additional, non-required efficiency elements in this housing as well.

Thirteen of the eighteen manufacturers (the two California-based manufacturers were not included in this analysis) made a “Sort-of Good Cents” unit. Several of the manufacturers who did not make such a unit built almost exclusively to the SGC level for all houses. While the construction details vary according to the manufacturer, PEA developed a prototype unit that represents a blended average unit for a non-SGC energy-saving package.

Based on interviews with manufacturers, and weighted by sales data from 1997, the SGC units represent 52% of the market, the non-SGC energy package represents 29% of the market, and the minimum/standard insulation package represents about 19% of the market. From field observations, there are indications that some less efficient packages are being manufactured, but these units were not captured through the interviewing process.

The approximate thermal characteristics of these units are compared to the HUD standard and the SGC specifications in Table 5 below. In comparing
5. Energy Features and Market Choices

the non-SGC package to the SGC package, it appears that the largest changes are in floor insulation, the attention paid to infiltration, and the ventilation system. All manufacturers maintained R-19 or better wall systems in their typical non-SGC energy packages.

Table 5

<table>
<thead>
<tr>
<th></th>
<th>ESTIMATED PERCENT OF MARKET</th>
<th>Average NW “Base” Unit</th>
<th>Average NW Non-SGC Energy Package</th>
<th>Typical SGC Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD Minimums*</td>
<td>NA</td>
<td>19%</td>
<td>29%</td>
<td>52%</td>
</tr>
<tr>
<td>CEILING</td>
<td>R-19</td>
<td>R-26</td>
<td>R-34</td>
<td>R-38 TO 49</td>
</tr>
<tr>
<td>WALLS</td>
<td>R-11</td>
<td>R-15</td>
<td>R-19</td>
<td>R-21</td>
</tr>
<tr>
<td>FLOOR</td>
<td>R-11</td>
<td>R-19</td>
<td>R-22</td>
<td>R-33</td>
</tr>
<tr>
<td>WINDOW</td>
<td>Aluminum single w/ storm</td>
<td>Vinyl double glazed</td>
<td>Vinyl, double glazed low-e</td>
<td>Vinyl, double glazed low-e</td>
</tr>
<tr>
<td>DOORS</td>
<td>Standard</td>
<td>Insulated</td>
<td>Insulated</td>
<td>Insulated</td>
</tr>
<tr>
<td>AIR SEALING</td>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
<td>SGC Specs</td>
</tr>
<tr>
<td>VENTILATION</td>
<td>Standard</td>
<td>Standard</td>
<td>Standard</td>
<td>SGC Specs</td>
</tr>
</tbody>
</table>

Source: PEA interviews with manufacturers.

* It appears, based on observations by state energy offices, that units configured as noted apparently meet the HUD specifications; that is, units are being produced in the Northwest with these nominal R-values. It is not clear that units configured in this way should meet the HUD specifications; there may be some incorrect algorithms being used.

Also included in Table 5 is a prototype unit that represents a typical base insulation package. This package represents the average of the minimum insulation levels that are included in a home manufactured in the Northwest. The average of the “base” units is significantly lower than either of the energy-efficiency packages, however, the base units built in the Northwest appear to exceed the requirements placed on them by the HUD standards. Generally, the average Northwest minimum package includes better windows and slightly higher ceiling insulation levels than
5. Energy Features and Market Choices

HUD requires. About half of the manufacturers continue to build six-inch walls (R-19), while the others build four-inch (R-11) wall systems.

Importantly, a survey of this type cannot address the quality of installation and attention to detail; the SGC Program offers a level of quality assurance that is not captured in the survey results. To the extent that some manufacturers believe in and understand the SGC approach, these details may be carried out throughout all units produced by that manufacturer. However, it is very likely that SGC represents a level of quality assurance – particularly with respect to infiltration, proper installation of insulation, and duct system integrity – that the non-SGC units simply do not attain. Thus, the SGC units likely offer increased performance regarding energy efficiency and comfort that is not captured in this table.

While the findings reported in Table 4 are estimates based on interviews, they provide a clear indicator that non-SGC manufactured homes contain substantial energy-efficiency features. Even the base homes of many manufacturers contain significant efficiency features. PEA’s conclusion is that the presence of SGC in the marketplace has fostered the development of competitive packages, and thereby raised the overall energy efficiency of the industry.

The pricing of the options was also reviewed with the manufacturers. The average price increase of SGC compared to the non-SGC energy efficiency package was $843. (One manufacturer positioned their package above SGC; in all other cases the SGC option cost more.) The average price increase of SGC versus the “base” house was $1,724. The manufacturers’ survey indicated that the retail price of SGC above “base” efficiency levels ranged from $695 to $3,200, a more than four-fold difference. Despite this wide range, of the twelve manufacturers that offered both a SGC package and a near-HUD base package, eight were within a range of $1,175 to $1,760.

Counter-Selling SGC

There is significant anecdotal and other evidence in the market that some manufacturers and retailers are actively selling against SGC. As the manufacturer survey indicated, most manufacturers have another common package of energy efficiency features which is priced lower than SGC.
Evidence from “mystery shoppers” and preliminary interviews with retailers indicates that selling against SGC is fairly common.

Fundamental to counter-selling SGC are several key issues:

- Some manufacturers and retailers believe that SGC does not offer a good value. To them, the alternative energy efficiency packages represent a better value to the consumer. Typically, the only items considered are the potential energy savings, based on insulation levels or improved windows, compared to the first cost.

- There is extreme price competition in the market, both among retailers and among manufacturers. Positioning a product a few hundred dollars below a competitor may be sufficient to win a sale, especially if the differences are not readily apparent to the buyer.

- Many retailers, and perhaps some manufacturers, do not understand or do not want to communicate to buyers what SGC really represents. They can compare insulation levels, but do not emphasize third-party certification and quality control, air leakage/comfort or increased resale value. Discussion of these issues would, of course, imply that the manufacturer they are representing (or their own installation crew) doesn’t provide a quality product unless some third party is watching them.

Counter-selling is not necessarily bad news; it reflects the continued dominant position of SGC as a premium product. However, SGC is not well defended in the current marketplace, except for those manufacturers who have chosen to continue promoting SGC and sell the product to nearly 100% of their customers.

**Energy Star®**

*Energy Star®* is a program of the Federal government, supported by the Environmental Protection Agency and the Department of Energy. The approach overall is a branding approach, with a variety of products in the marketplace identified and marketed as *Energy Star®,* and with expectations that consumers will begin to identify the brand and actively seek *Energy Star®* products over time.
5. Energy Features and Market Choices

*Energy Star*® covers a wide variety of products, including HVAC equipment, appliances, lighting fixtures, windows, new residential construction, computers, VCRs, and televisions, with more products being added. While the *Energy Star*® label occasionally pushes into new territory in terms of efficiency, generally it seeks to simply identify the more efficient products already on the market.

Recently, a manufactured housing program has been initiated. While the thermal characteristics of the *Energy Star*-manufactured homes are similar to SGC/NC, a heat pump is required to receive the designation for electrically-heated manufactured homes. In the Northwest, heat pumps are not routinely installed in electrically heated manufactured housing, largely because the costs outweigh the benefits once the thermal shell reaches SGC levels. In some climates in the Northwest, the current generation of air-source heat pumps generally would not function well due to the extreme cold. Manufacturers do not install heat pumps or central air conditioning as part of the manufacturing process, leaving this to retailers to install in the existing ductwork. Preliminary indications are that only about 20% of new electrically heated manufactured houses in the Northwest have heat pumps or central air installed.

*Energy Star*® raises several challenges and opportunities for the regional SGC effort. First, it adds another name to the energy field, and in this case, the *Energy Star*® designation might only apply to some building components, or it could apply to the entire home. Secondly, the *Energy Star*® technical standards do not appear to be directly relevant to the Northwest market. Third, given the range of products covered, *Energy Star*® is likely to become a well-known brand, perhaps displacing the prominence of SGC in the manufactured housing market over time.
6. Analysis of Market Issues and Opportunities

This section presents PEA’s analysis of key barriers and positive market attributes related to improving market penetration and developing a self-supporting SGC program. To help develop information for this section of the report, PEA relied largely on interviews with key market actors, the Venture staff and contractors, and reviews of industry data, as well as PEA’s experience in working with market transformation programs. The issues discussed are the ones that PEA believes are the most important to address in developing a successful market transformation program. They are not ranked in terms of their priority.

Summary of Key Market Barriers to Improving Super GOOD Cents® Penetration

Competing Energy Efficiency Options

Since the MAP program ended, several energy efficiency package options, in addition to the SGC® option, are being offered and promoted. These packages are often compared to SGC® in terms like “almost SGC” or “better than SGC.” The HUD energy efficiency requirements, or the HUD requirements plus a better window or some other energy feature are also promoted as a government-sponsored efficiency level. The U.S. Environmental Protection Agency and other organizations in the Northwest region support ENERGY STAR®-labeled products such as windows, appliances, and lighting. At a minimum, the presence of these many energy efficiency choices adds to the confusion of the consumer. Additionally, there have been documented cases of retailers “counter-selling” against SGC® with these other options, and many supporters of SGC are very concerned with that practice and with competing efficiency options.

Changing Industry Structure and Players

The regional manufactured housing industry is changing. Several mergers and acquisitions have occurred since MAP, with companies from outside the region becoming key market actors. Several have brought with them their corporate energy packages or features that have proven marketable in other areas of the country.
6. Analysis of Market Issues and Opportunities

Retailer Personnel Turnover

The sales personnel at the retail level can be generalized as a less-than-stable work force. Manufactured housing sales personnel are reported to frequently move in and out of the industry and from employer to employer. This presents a challenge for energy efficiency programs that attempt to inform and train sales personnel regarding program details and value. Many of the manufacturers and Venture contractors believe that the current sales force know “of” SGC, but not “about” SGC.

Industry Perceptions of Value

Both retailers and manufacturers are very tuned-in to price in this market. There appears to be a belief on the part of some retailers and some manufactures that the higher price of SGC means fewer sales, especially in the low- and moderate-price range products. Several of the retailers and manufacturers that PEA spoke with did not believe SGC was a good value for the customer, citing the price of the package/upgrade and the modest savings. Few were able to articulate benefits other than energy savings of the SGC package.

Manufactured Housing Production Inequities Across The Region Present A Challenge To Separate Fee-Based Programs

A significant majority of the region’s manufactured housing is produced in Oregon. The Oregon Office of Energy (OOE) is operating a fee-based program with manufacturers that appears to produce sufficient funding from manufacturer fees to provide a base level of services to these manufacturers. The Venture targets jurisdictions that do not have that level of production volume and funding potential from similar manufacturer fees.

Positive Market Attributes

Many Consumers Are Still Familiar With SGC

When consumers are shopping for manufactured housing, they will most likely be exposed to the name and concept.
6. Analysis of Market Issues and Opportunities

SGC Is Recognized In The Resale Market

The *NADA Manufactured Housing Appraisal Guide* lists pre-HUD upgrade SGC houses as a $3,100 to $4,800 addition to the retail value. Post-HUD upgrade houses have additional retail values of $1,700 to $3,000, depending on size and window type. The *Kelley Blue Book Official Manufactured Housing Guide* lists wholesale price increases of $500 to $1,000 for SGC (retail additions of $690 to $1,380), depending on age. However, the *Blue Book* also list similar additions to wholesale price for other, undefined energy packages.

The Presence Of SGC Is Largely Responsible For The Development Of Other Energy Efficiency Increases Beyond The HUD Required Minimums

Most manufacturers offer upgraded insulation packages. Even the estimated 19% of manufactured houses in the Northwest that are sold as minimum energy efficiency packages are, on average, significantly better than required under the HUD standards.

SGC Is Profitable To The Industry

Some manufacturers are still quite supportive of SGC and believe that it helps the industry be competitive and profitable.

Market Growth Is Most Likely In Higher-End Manufactured Homes That Are In Competition With Site-Built Housing

The market for higher-end homes appears to be more stable for SGC than is the lower-end home market. The new generation of manufactured home parks that are more like typical single-family sub-divisions is an example of a growing niche market where SGC would have value.

Implications and Recommendations for Long-Term Sustainability of Efficient Manufactured Homes

Because SGC is profitable to the industry, and is a clear asset in the in-fill market in urban/suburban areas, the industry is likely to continue to support
6. Analysis of Market Issues and Opportunities

SGC at some level. The presence of SGC raises the bar, and because of SGC, the entire market is more efficient. Given that SGC also enables manufactured homes to better compete with site-built construction, SGC represents a “win” for energy efficiency and a “win” for the industry. Despite significant market erosion, there continue to be clear benefits to maintaining a market presence for SGC. This would be true, both to the industry and energy efficiency advocates, even if the SGC market erodes further.

Any marketing support approach for SGC will probably need to hit all levels of the market: manufacturers, retailers, and consumers. To the extent that independent developers become important marketers, they also will require marketing support. With the consolidation of some retailers under manufacturers, manufacturers may be better able to control marketing messages over time and may be the most key audience for marketing support. Given the current resource constraints, it is not clear that an effective consumer marketing campaign can be established (outside of reliance on retailers to supply information and materials to consumers). Low-cost options should be used to the extent possible to keep name recognition and awareness high among consumers. While retailers are very important to the marketing mix, their numbers, competitiveness, and high staff turnover will make it difficult to sustain a marketing message that only focuses on that channel.

For business planning development, it may be beneficial to develop two business scenarios. One scenario would be a minimal scenario, designed primarily to provide sufficient technical/quality assurance and marketing support, targeted primarily at the manufacturer level, to simply maintain a reasonable market share (35% to 50%). There are multiple benefits to maintaining a market presence for SGC over the longer term, even if at a low level. It may be that the only cost-effective way to maintain this lower level of market presence is with very close association with the industry.

This minimal scenario may require making some choices that might seem counter to “recapturing” MAP levels of penetration. For example, perhaps the minimal level only works with manufacturers in the mid-to-high-end market, or manufacturers whose business plan for the future targets competing against site-built (nine builders, whose total production is only 43% of the market, currently make 74% of all SGC houses). Limiting the number of manufacturers in the plan could reduce the levels of quality assurance and technical support needed, making the project more
affordable. Positioning SGC more clearly in the marketplace as a desirable, high-end option could continue to drive other manufacturers to offer near-SGC levels of efficiency. Another place where attention is warranted in the minimal scenario is developers of manufactured home sub-divisions or other markets where competition with site-built is obvious (e.g., public housing markets, and in-fill regulations).

The other business scenario would be an enhanced scenario, which would be similar to that envisioned by the Venture proposers. The goal of the enhanced scenario would be to maintain a significantly larger market share (60% to 75%) with more aggressive marketing, business support (e.g., training, certification), and technical/quality assurance services.

There are two primary reasons to develop and discuss both scenarios with the industry. First, given current market trends, there is a risk that the “enhanced” package of services (e.g., production and on-site inspections similar to that envisioned by the Venture) may not be sustainable. Given the multiple benefits of operating a SGC program (even if at a lower level), development of an alternative, minimal business scenario reduces risk. Second, the ability for the industry to compare two scenarios may more clearly indicate the value of SGC to the industry. If SGC can help the manufactured home industry compete better against site-built housing, they may be more willing to support a more aggressive program.

Implicit in the above discussion is the clear and open involvement of the manufactured home industry in the discussion of the future of the SGC Venture. We believe that their active participation is essential in plotting a sustainable business path. Given the multiple benefits and the continued importance of SGC to the industry, they would likely be willing participants in such a discussion, despite some frayed relationships.

The emergence of Energy Star®-labeled products, branded through a national joint Environmental Protection agency and Department of Energy program, creates both problems and opportunities for the manufactured housing industry. There are Energy Star® windows, lighting fixtures, appliances, HVAC equipment, and recently, Energy Star® Manufactured Homes. Since policy makers frequently look at the manufactured housing industry as a consolidated housing industry where a few decision-makers can impact a large number of houses, there will be a push to include these products in manufactured housing.
6. Analysis of Market Issues and Opportunities

As noted earlier, there is a fragmented approach to marketing energy efficiency in the manufactured housing industry, and this creates problems for consumers. Marketing of additional branding programs could increase this difficulty. However, SGC could still be positioned as the best package of energy efficiency design, with the majority of **Energy Star**® products seen as additions to that package.

A different issue exists with the **Energy Star**® Manufactured Homes Program. This program could be a clear competitor to SGC, although there are significant questions about whether the current qualifying package for **Energy Star**® makes good economic sense in the Northwest, primarily due to the inclusion of heat pumps as a required measure for electrically-heated homes. Additionally, **Energy Star**® is a branding and public information campaign without real marketing dollars from the federal level, so its ability to make a strong market presence is muted unless local manufacturers, utilities, or other supporters develop marketing campaigns around **Energy Star**® Manufactured Homes.

However, **Energy Star**® Manufactured Homes also represents an opportunity to strengthen the marketing appeal of SGC. Because **Energy Star**® crosses so many product lines, its presence in the broad consumer market is likely to be substantial over time. If the technical differences can be resolved in some key technical specifications, **Energy Star**® and SGC could be co-branded, which would strengthen and consolidate the marketing effort for energy efficiency manufactured housing. Typically, EPA (or DOE) develops their specifications in consultation with industry, more so than with states or utilities (i.e., they work directly with the market). However, they have shown an openness to work with utilities and regional market transformation entities, largely because of the marketing support that these entities can provide.

The Alliance, the Oregon Office of Energy, the SGC Venture, and the regional industry should work with EPA to adapt the **Energy Star**® specifications for manufactured homes to regional market conditions. It appears that the primary arguments for fully-compatible specifications are substantial: first, manufactured housing in the Northwest is a clearly defined regional market; second, it does not appear that the current **Energy Star**® specifications are economic for Northwest consumers; third, the SGC program is well established with consumers and manufacturers, even to the point of being recognized in the resale market; and fourth, co-branding will further the marketing goals of both SGC and **Energy Star**®.
6. Analysis of Market Issues and Opportunities

The improved quality control associated with SGC also is an important factor in determining the energy efficiency of the manufactured houses – a factor which ENERGY STAR® does not currently consider.

Whether or not the Northwest embraces ENERGY STAR® (or ENERGY STAR® embraces the Northwest), defining common goals for energy-efficient manufactured housing should still be a priority for the region’s manufactured housing industry. The development of a common message on energy efficiency would will help the manufactured housing industry compete in its most profitable market segment, that is, against site-built housing.
6. Analysis of Market Issues and Opportunities
7. References


