

## **On a Crash Course? How Two Programs Avoid a Market Collision and Work Together**

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### **ABSTRACT**

Since the late 1990's, Wisconsin's Focus on Energy has included residential homes programs, taking the initiative to educate and promote the building and remodeling of single-family homes that exceed national ENERGY STAR standards. This work has all been couched in a building-science, "house-as-a-system" context that also stresses comfort, safety, and building durability. During the same time period, the Green Built Home™ program sprouted in Wisconsin, promoting green design by reviewing and certifying new homes projects that incorporate sustainable building practices, energy and resource efficiency standards, improved indoor air quality and more. Both programs have been built by encouraging home builders and remodelers to voluntarily improve their construction practices.

These two programs historically marketed themselves independently of each other, and unfortunately have sometimes have competed for the same marketplace. However, as of late, a joint effort to cross-promote these two programs as the "perfect partners" has been underway. This paper, and subsequent presentation, is designed to provide descriptive information on how to design and implement effective cross-program marketing schemes to residential consumers in the single-family homes market. The paper will include a discussion of the challenges faced in the Wisconsin market, particularly where more than one program is promoting "green" and/or energy efficiency, and how these two programs are working together to achieve the ultimate goals of providing safe, durable, comfortable, energy efficient homes.

### **Opportunities**

Over the past year, Green Built Home (GBH) and Wisconsin's Focus on Energy (Focus) Single Family Homes Programs (Wisconsin ENERGY STAR® Homes and Home Performance with ENERGY STAR®) have come to realize that it behooves both programs to work closer together. There is growing interest and need in the marketplace for "green" building and, rather than competing in the Wisconsin marketplace, these programs have become keenly aware that now is the time to combine efforts and cross-promote.

Both GBH and the Focus Single Family Homes Programs have been involved in many elements of green building throughout the state of Wisconsin for a number of years. Between the two programs, they cover areas such as energy efficiency, indoor air quality, water conservation, recycled content, construction and demolition debris, non-point source water pollution, and other environmentally preferable building products. Similarly, both programs target diverse audiences such as residential builders, developers, homeowners, and contractors. Since their inception, these programs have covered a wide range of environmental design topics and audiences, but have never coordinated to offer a comprehensive path for those interested in a green building program or standard in Wisconsin.

Although both programs are the only ones with clear ties to Wisconsin, there are also a number of regional/national programs promoting green practices that reach into the State including American Lung Association's Health House and Green Advantage.

No matter where you go, green building is a hot topic with muddy waters and an increasingly competitive environment. Any program tackling green issues must find ways to embrace localized/statewide images that will relate closely to consumers' interpretation of green, as well as address consumer indifference and their concerns over greenwashing.<sup>1</sup> In fact, the Green Homeowner SmartMarket Report, released in December 2007, noted the following major findings of the report:

- The market for true<sup>2</sup> green homes is expected to rise from \$2 billion to up to \$20 billion over the next five years.
- Standard homes are becoming increasingly green, with homeowners using green products for 40 percent of their remodeling work.
- Most Americans find out about green homes through word-of-mouth, followed by television and the Internet.
- Green homeowners are happy with their homes and are recommending them at rates significantly higher than recommendation levels of other industries.
- Homeowners are buying green homes because they are concerned about the health of their families, as well as to reduce energy and other home operating costs.
- Education and awareness of green ranks as the most important obstacles, slightly higher even than the additional first costs associated with building green.

Recognizing the need for a comprehensive and consistent approach to incorporating green requirements into Wisconsin's new construction and existing homes market, these two programs have teamed up to provide a unified green construction front throughout the State by self-promoting the relationship between the programs as the "perfect partners." By working cooperatively, they can keep Wisconsin programs as the standards within Wisconsin, which will ultimately resonate stronger with State residents.

Highlighted in the discussion below are the programs that are working together to develop this Perfect Partnership, elements that make them unique, and the common goals that have brought them together. Additionally, past barriers that had historically stalled this partnership, how the programs worked to overcome those barriers, and how the changing market conditions—in some cases—forced the programs to move beyond those historic barriers are presented. Finally, there is discussion of the common goals and opportunities that have lead the programs to work together to develop this partnership, the lessons learned moving through this process, and the next steps to be taken.

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<sup>1</sup> Greenwashing is a term that is used to describe a company's environmental practices or the environmental benefits of a product or service a company has to offer, which may be misleading to consumers. Often companies say they are adopting practices beneficial to the environment, but in reality have done very little to help the environment. Companies largely make these exaggerated claims to profit from the popularity of environmentalism.

<sup>2</sup> The study's definition of a true green home: True green homes are defined more narrowly as homes that contain elements in three of five environmental building categories: energy efficiency, indoor air quality, water efficiency, resource efficiency, and site management.

## **About the Programs**

The Wisconsin ENERGY STAR Homes and Home Performance with ENERGY STAR Programs are part of Wisconsin's Focus on Energy. Focus works with eligible Wisconsin residents and businesses to install cost effective energy efficiency and renewable energy projects. Focus information, resources, and financial incentives help to implement projects that otherwise would not be completed, or to complete projects sooner than scheduled. Its efforts help Wisconsin residents and businesses manage rising energy costs, promote in-state economic development, protect our environment, and control the state's growing demand for electricity and natural gas.

GBH is a program born of the Wisconsin Environmental Initiative (WEI) and is implemented in partnership with the Madison Area Builders Association (MABA). There is a 10-member steering committee, half appointed by WEI and the other half by MABA. This group approves all checklist and program administration changes.

### **Wisconsin ENERGY STAR Homes**

The Wisconsin ENERGY STAR Homes Program provides unbiased, third party building verification, consulting, and testing services to the Building Industry on the construction of safe, comfortable, durable, and energy efficient new homes.

Building performance is verified through a certification process (for fee) that includes plan review, construction site visits, and final testing addressing building performance beyond energy efficiency and in the best interest of the industry, occupant, and environment.

Wisconsin Energy Conservation Corporation (WECC) launched Wisconsin ENERGY STAR Homes in February 1999 and the program went statewide in June 2001. The main objective for Wisconsin ENERGY STAR Homes is two-fold: to increase consumer demand of energy efficient homes that are comfortable, safe and durable; and to educate and train builders to effectively deliver such homes. In addition to facilitating consumer demand, Wisconsin ENERGY STAR Homes works to educate builders and contractors on best practices for energy efficient construction. Built on the Environmental Protection Agency's (EPA) national ENERGY STAR Qualified New Homes program, the Wisconsin ENERGY STAR Homes Program adds building standards that are more specific to Wisconsin's extreme weather, while emphasizing comfort, safety, durability, and energy efficiency.

The Program is designed, developed, and administered by WECC and delivered by private accredited consultants (advanced raters) with the partial support of funds collected through utility rater payers. The intent of the program is to set participants up for success and empower them through the sharing of building performance information and the development of marketing tools to create market awareness and differentiation.

### **Home Performance with ENERGY STAR**

Akin to the Wisconsin ENERGY STAR Homes Program, Home Performance with ENERGY STAR provides unbiased, third party building verification, consulting, and testing services. However, the target for these services is homeowners—rather than the Building Industry—on the construction of safe, comfortable, durable, and energy efficient existing homes.

Also delivered by private accredited consultants, the overall scope of work and the evaluation process (all for a fee) can vary widely from home to home, depending on the customer's primary concerns. Homeowners become interested in the Program for a variety of reasons including concerns about indoor air quality, energy savings, comfort, combustion safety, or house durability.

The main objective of the Home Performance with ENERGY STAR Program is to make existing homes more energy efficient, with a byproduct being that homes are made more comfortable, safe, and durable. Additionally, Home Performance with ENERGY STAR works to educate contractors on best practices for energy efficient retrofitting. Built on the EPA's Home Performance with ENERGY STAR program, the Wisconsin Program encompasses both consultant and qualified contractor models (versus other states with similar programs that only embrace one or the other model type).

Whatever the reason for calling in a consultant, all home performance evaluations include blower door testing to locate air leakage sites, combustion appliance draft and carbon monoxide testing, and ventilation equipment testing (bath fan flows), along with a general inspection of the building shell, insulation levels, and heating, ventilation, and air conditioning (HVAC) equipment. Regardless of the type of work completed in the home, all Home Performance with ENERGY STAR projects also undergo post-testing that includes all of the initial steps plus an inspection of the completed work.

## **Green Built Home**

GBH is a green building initiative that reviews and certifies new homes and remodeling projects meeting sustainable building and energy standards. The program was implemented in 1999 in partnership with WEI and MABA, and in cooperation with other participating builders associations, leading utilities, and organizations that promote green building. The initiative initially started with only a new construction program and added the remodeling program in 2005, followed by a multi-family component in 2006.

There are currently nearly 40 regional green building programs in existence nationwide from Vermont to Florida to Hawaii. GBH is the only such program in the upper Midwest and promotes both green building and energy efficiency. As a product of a non-profit organization, GBH provides neutral third party certification of green building practices that meet meaningful environmental, health, and energy standards.

GBH is administered throughout the state of Wisconsin and reaches thousands of homebuyers and builders through collaborations with builder associations and other affiliated organizations. In 2007, GBH was endorsed by the Wisconsin Builders Association (WBA). Support for GBH comes from builder enrollment and home registration fees as well as organizations promoting green building and energy efficiency for Wisconsin.

Today, people are increasingly aware of environmental issues as they relate to home building. Energy efficiency, resource conservation, and improved indoor air quality are increasingly important considerations in buying a new home or remodeling an existing home. It takes time, however, to research the latest green building design, technology and materials, and to decide which measures are most important. GBH provides this priority ranking of measures to reduce the environmental impact of home building while making homes safer, more comfortable, and more durable.

## Addressing Barriers

Despite similarities between the GBH and Focus Homes Programs, the two programs had historically not been able to come to agreement on a partnership opportunity—in part due to varying views as to what would constitute a “green building standard” for the State. Indeed, defining a green building standard is not a unique issue to Wisconsin’s programs. It is something all green building programs around the country face.

From a national perspective, efforts have been made to help define these types of programs, but flexibility remains key. A regionally appropriate approach is preferable so that local issues, architecture, and climate differences can be taken into consideration. Ultimately, there will very likely not be a one-size-fits-all green building standard at the national level, which means that regional/statewide collaboration among existing green building programs becomes even more important.

A critical component to any green building standard is that both consumers and builders need to understand what is being defined as green. Likewise, green programs need to make it easy for builders to participate—if builders become frustrated because there are too many programs in the market or programs are too complicate to follow, there won’t be a lot of builder participation. This has become very apparent with the recent introduction of the National Association of Home Builders (NAHB) Green Home Certification program. Even this national program recognizes the regionalization of building practices and allows local program partners to regionalize their program.

From the Wisconsin ENERGY STAR Homes Program viewpoint, a key barrier had been the limited on-site verification performed by GBH. Similarly, the GBH program found some of the Wisconsin ENERGY STAR Homes Program requirements to be a barrier in forming a stronger partnership, including but not limited to the exclusion of open hearth fireplaces in homes built through Wisconsin ENERGY STAR Homes. Additionally, because GBH was certifying homes throughout the Midwest—not just Wisconsin—the program had problems with access to consultants in a number of areas where the program was certifying homes.

Today, the number of available Wisconsin ENERGY STAR Homes consultants in Wisconsin has increased, while at the same time GBH has started to focus its certification only within the state of Wisconsin due to an increase in state and national green certification programs in surrounding states. There is also continuing evidence supporting the energy inefficiencies touted with open hearth fireplaces, as well as the national green building movement requiring third party verification. As a result of both these realities and the release of the NAHB Green Building Certification, GBH began exploring potential programmatic changes.

Since early 2007, GBH has been actively working to become an affiliated NAHB certified program for Wisconsin. With this affiliation comes the requirement for third party on-site verification. In addition, GBH has been working to customize the NAHB program, accounting for regional differences in construction practices. Along these lines, GBH plans to require Wisconsin ENERGY STAR Homes certification, including closed combustion wood and gas burning fireplaces for all homes. A summary of the barriers is found in the table below.

**Table 1. Addressing Partnering Barriers**

<b>Barrier</b>	<b>Potential Solution</b>
Limited on-site verification performed by GBH	GBH is working to adopt on-site verification requirements
Stringent Wisconsin ENERGY STAR Homes standards and guidelines	Green Building Standard changed to incorporate latest energy research
Separate organizational oversight—GBH follows separate program guidelines and Focus on Energy is overseen by the Public Service Commission of Wisconsin, though its Homes Programs follow EPA guidelines. This also means that program goals do not directly align	Work together to define “Wisconsin industry standard practice” guidelines
Availability of Energy Star Consultants	GBH program now focuses exclusively on Wisconsin, the same territory served by Energy Star consultants

Reporting metrics present another barrier to co-mingling between these two programs. The GBH program utilizes a checklist that outlines a series of basic requirements which every certified home or remodeling project must meet. Each new home must earn a minimum of 60 points while remodeling projects must earn 10-60 points depending on the extent of the renovations. Items on this checklist include:

- Erosion control
- Stormwater management
- Materials selection
- Water and energy conservation
- Indoor air quality
- Waste reduction

The Focus Single Family Homes Programs work strictly with safety and energy saving measures. Wisconsin ENERGY STAR® Homes Program uses a Home Performance Rating to determine the energy rating score of each home. Homes eligible for Wisconsin ENERGY STAR Homes certification will receive a minimum Home Performance Rating score of 86 in addition to meeting specific building standards. These include, but are not limited to:

- Site visits and performance tests
- Full coverage foundation insulation
- Sealed sump pit
- Air barrier
- Overall house ventilation
- Spot ventilation for electric kitchen range
- Spot ventilation for gas kitchen range
- Spot ventilation for bathrooms
- No unvented combustion appliances
- Sealed, power-vented, or direct-vented heating and water heating systems
- Carbon monoxide detector

Home Performance with ENERGY STAR works primarily with insulation measures. Once measures have been installed, each home is tested and some—upon homeowner request—receive a Home Performance Rating to determine the energy rating score of a home. Unlike Wisconsin ENERGY STAR Homes, there is no minimum Home Performance Rating score. Home Performance with ENERGY STAR measures typically include, but are not limited to:

- Attic insulation
- Sidewall cavity insulation
- Interior foundation insulation
- Exterior foundation insulation
- Floor insulation
- Sillbox insulation
- Air sealing
- Exhaust fan
- Chimney liner
- Power vented hot water heater

## **Seizing Opportunities—Perfect Partners**

With the upsurge in the market for green and the development of a Green Building Certification by the NAHB, it finally seemed the moment had arrived for both GBH and Focus Homes Programs to align and collaborate. More and more homeowners want to pursue sustainable, healthy home options that incorporate energy efficiency when either building a new home or remodeling an existing home. By forming a strategic partnership, these two programs are able to cover the various shades of “green,” and help homeowners achieve their goals. And, as trusted and well-established entities in the State, the two programs can do so without having to worry about greenwashing.

The programs believe there are a number of areas that provide an opportunity for collaboration. The table below outlines the areas for collaboration as well as a tentative implementation timeline.

Once implemented, the Perfect Partners will seek to increase collaboration awareness through a limited marketing campaign. Because both programs have built a track record of building performance and have builders in almost every market around the State, this campaign would largely consist of reaching out to these builders, as well as attempting to extend the reach to consumers and contractors. A desirable side effect of this partnership would be the delivery of new builders and customers to both programs.

In a year that saw the construction market go from boom to bust, green building was one of the industry’s few bright spots. The green market, building for years, began soaring in 2007. Indeed, green building will likely become less the exception than the norm, and both GBH and Focus Homes Programs have positioned themselves to be ready to embrace this transforming market with a united offering. By combining forces, GBH and Focus Homes Programs will be able to offer builders, contractors, and homeowners:

**Table 2. Perfect Partners Collaboration and Implementation Plan**

Activity	Strategy	Timeline
On-site verification requirements passed by GBH	GBH is working to adopt on-site verification requirements.	In process. Expect to have requirements in place by April 1, 2008.
Web links in place	Easily identified web links on both the Focus on Energy and GBH web sites.	Within two weeks of GBH passing on-site verification requirements.
Program staff notified of partnership	Both Focus and GBH staff will need to notify appropriate Program staff of the partnership, and how it will affect them. Focus on Energy's Single Family Homes Program Manager will utilize tactics such as teleconferences, an announcement in the Programs quarterly newsletter, email updates, etc. to notify them.	Within two weeks of GBH passing on-site verification requirements.
Press release	A press release will be prepared announcing the partnership and the opportunities it provides both State residents and the building industry.	Within a month of GBH passing on-site verification requirements.
Training of current Focus on Energy consultants	GBH on-site verification will require a network of consultants across Wisconsin to both carry the GBH message and to perform program verification. Focus on Energy already has this type of network in place. Focus consultants will be given the opportunity to become GBH certified.	Energy Center of Wisconsin will hold a two-day GBH certification class in the early fall of 2008.
Cross-promotion and marketing exposure at conferences and events	Booth or booth share at as-yet-to-be-determined conferences, with the purpose of creating exposure for the new partnership model.	To be determined.
Coordinate builder outreach and marketing	Both programs conduct ongoing builder recruitment and retention. Throughout this process, the programs will market the partnership (e.g. a Wisconsin ENERGY STAR Homes builder could offer GBH through their existing consultant and vice versa)	Ongoing.
Check-in	Program Managers for both programs will need to periodically touch base to make sure things are moving along as planned.	Once a month.

- One point of contact for all of their green building needs
- Local, responsive customer service
- Dual-accreditation
- Access to well-trained, quality consultants and contractors



## Next Steps

The Focus on Energy team has acquired tentative approval from the Public Service Commission of Wisconsin to move forward with this collaboration, including some level of sponsorship on the GBH Energy Efficiency page of GBH's web site. The next steps can then include:

- Development of a Memorandum of Understanding outlining the partnership between the two programs.
- Information sharing during consultant meetings and/or at a special session during annual industry conferences—such as the “Better Buildings: Better Business” conference held each year in Wisconsin which attracts over 600 participants—that would introduce consultants and builders/remodelers to the partnership and provide them the opportunity to become trained as GBH raters per the new national standard.
- Integrate/infiltrate local home building associations to help carry the message of the partnership and its benefits.
- Leverage public relations campaigns, local industry champions, collateral marketing, and training event opportunities.

## Lessons Learned

- Keep at it. You often find common ground after you have hashed through all the differences: it's work, but it will probably be worth it in the end.
- Make common goals the core of your partnership and accept that there will be divergences and parts of your programs that don't align. But don't let that keep you from taking advantage of the opportunity a partnership might offer.
- Leverage resources. You can go farther together than you can if you are competing for the limited attention of customers in today's market.
- Take advantage of your programs' good name(s). People are concerned about greenwashing and many are getting tired of the green message: if two trusted programs work together to spread the word, consumers and allies are more likely to believe it, buy it, and invest it.
- Working against each other rather than together limits both programs' ability to grow. Most people are going to do at least one or the other: by working together you can bring in all those who are currently doing one program into the other program, and keep future participants from feeling like they have to choose.

## References

McGraw-Hill Construction, National Association of Home Builders. 2007. *The Green Homeowner SmartMarket Report*. McGraw-Hill Construction.

Focus on Energy: <http://www.focusonenergy.com>.

Green Built Home: <http://greenbulthome.org>.