How A Midlife Fling with "Trailer Trash" Changed the Market Transformation Strategy for Manufactured Housing in the Northwest

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ABSTRACT

Between 1988 and 1998 over 90,000 (53 percent) of all manufactured homes built in the Northwest were constructed to the Super GOOD CENTS® standards. During this same period of time the manufactured housing industry's share of all new housing starts increased from 11 percent in 1989 to a peak of 20 percent in 1994 when all electrically heated homes were Super GOOD CENTS® homes. However, since the end of the Manufactured Housing Acquisition Program (MAP) the manufactured housing industry has undergone significant restructuring. The industry has become both more concentrated through mergers and acquisitions and increasingly vertically integrated through the purchase of independent retail dealerships. As a result of this, national corporations headquartered in the Midwest, Southeast and Texas now control the features of homes sold in the Northwest. Because these firms were largely unfamiliar with Super GOOD CENTS® and the MAP this restructuring lead to a significant decline in the use of Super GOOD CENTS® and lesser, but nonetheless material loss in manufactured housing's market share. This paper first chronicles the impact that Super GOOD CENTS® has had on the sales and market share of manufactured homes in the Northwest. It then describes how the results of market research on the factors affecting the sales and shipments of manufactured homes in the region were used to alter the course of the Northwest's market transformation strategy. The paper concludes with review of how this new strategy appears to be working in response to the changes created by the dramatic restructuring of the manufactured housing industry.

Introduction

Just over one-fifth of the 1.15 million new dwellings built in the Northwest since 1981 have been manufactured homes.[1] Over 85 percent of these new manufactured homes use electricity for space and water heating. In contrast, approximately 85 percent of new "site built" single family homes constructed in the region use natural gas or propane for space and water heating (Baylon, et al. 2000). As a consequence, manufactured homes have been and are expected to continue to be a significant component of the demand for new power supplies to serve the Northwest's residential market.[2] As shown in Figure 1, despite 1994 changes in the U.S. Department of Housing and Urban Development (HUD) pre-

[1] Dwellings include single family, multi-family and manufactured homes.

[2] The Northwest market referred to throughout this paper includes the states of Idaho, Montana, Oregon and Washington. This area differs from the Northwest Power Act's definition of the Pacific Northwest in that it includes all of the State of Montana, but does not include portions of northern Wyoming, Utah, Nevada and California that are included under the Act.

emptive standards, the state energy codes for homes with electric resistance heat in Oregon and Washington still exceed the present federal standards by 40 percent. Therefore, significant conservation opportunity still exists to be captured.

Northwest utility energy conservation programs have targeted new manufactured homes since the mid-1980s. However, unlike other utility conservation efforts aimed at new construction, these programs, due to federal preemption, could never achieve their goals through the adoption of more energy efficient building codes. Therefore, utility activities aimed at new manufactured housing have sought to secure savings through a wide variety of program designs. These programs consisted initially of only marketing and had only a very limited impact. In their next incarnation utility programs offered significant consumer rebates ($2000 - $3000 per home) in their marketing efforts. Then, in the early 90's the changing structure of both the Northwest's manufactured housing market and its utility industry made it not only desirable but feasible to evolve to a program where savings could be acquired "factory direct" through the Manufactured Housing Acquisition Program (MAP).

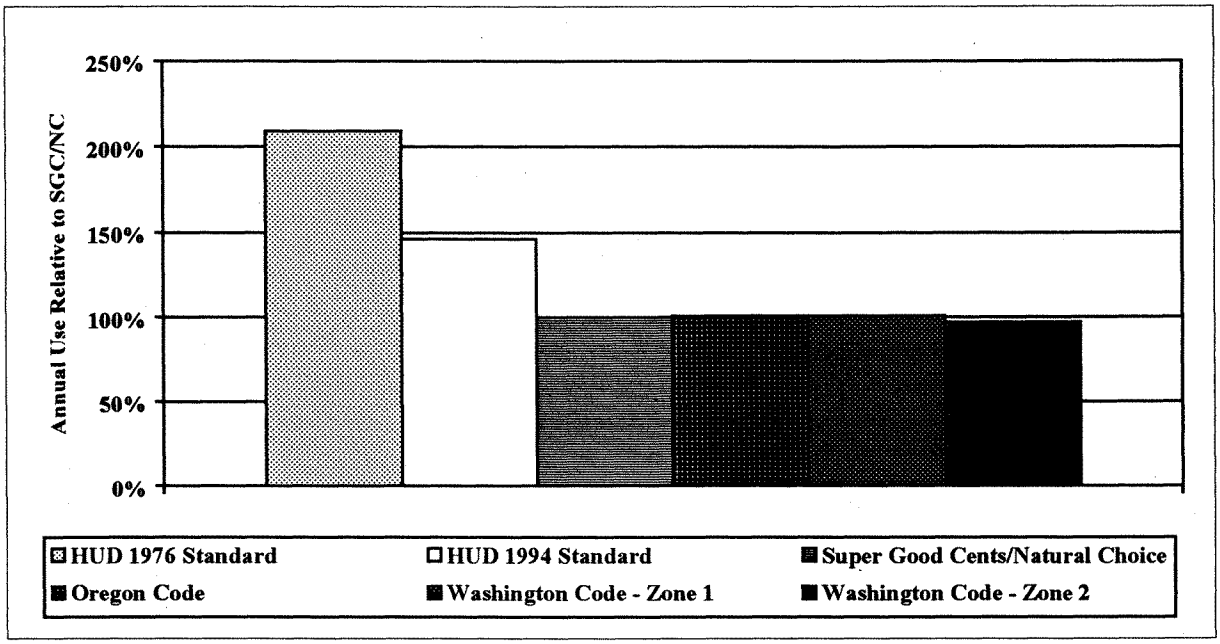

Figure 1. Annual Space Heating Energy Use Home Built to Comply with State Energy Codes, HUD Thermal Standards and the Super GOOD CENTS® Manufactured Housing Program's Specifications[3]

The origin, design and impact of the MAP has been extensively described in prior publications (Eckman, et al. 1992, Nadel and Geller 1995, Baylon et al. 1998, Gilbertson et al. 1993, Lee, et al. 1995, and Sandahl and Odell 1998). The cumulative effect of all of these utility programs and investments has been that the majority (53 percent) of new electrically

[3] Figure 1 compares the relative annual space heating energy use for identical manufactured homes built to five different levels of efficiency. These include the 1976 HUD standards, the 1994 HUD standards, the Super GOOD CENTS® program standards and the Oregon and Washington state energy codes for electric resistance heat in Zone 1 (Z1) less than 6000 heating degree days and Zone 2 (Z2) more than 6000 heating degree days. As can be seen from a review of Figure 1, new manufactured homes built to the Super GOOD CENTS® program standards are equivalent to site built energy codes.

heated manufactured homes built between 1988 and 1998 in the Northwest were constructed to the Super GOOD CENTS® or Natural Choice™ thermal standards.[4]

The End of MAP

The MAP prematurely ended in August of 1995 because a major investor-owned utility abruptly terminated its participation.[5] In late June and July of 1995 the Oregon Office of Energy with industry involvement quickly crafted a "transition" plan. This program was supported by a $30 per home fee paid by the manufacturers for each Super GOOD CENTS® and Natural Choice™ they produced. This program design was replicated in Washington and Idaho.[6] However, because the manufactured housing production in these two states is substantially less than in Oregon the fees collected in these states were not sufficient to fully support program activities.[7] This meant that supplemental funding from Bonneville and the region's investor-owned utilities was needed to maintain Super GOOD CENTS® and Natural Choice™ operations in these states. After some quick negotiations funding for an additional year was secured.

The Alliance Arrives on the Scene

Following the formation of the Northwest Energy Efficiency Alliance in late1996 the States of Idaho and Washington secured a contract with the Alliance to support their operations through June of 2000 (Baylon, et al. 1998). The goal of the Alliance's market transformation venture in Idaho and Washington was to establish their programs as self-sustaining by increasing fee revenues through either expanding the market share of Super GOOD CENTS® and Natural Choice™ homes or by charging the manufacturers higher fees per home. A secondary, but also critical goal to the success of this venture, was to find a mechanism to "share" fees collected in the largest "producer" state (Oregon) with the largest "consumer" state (Washington).

At the time the Alliance's venture was approved in late 1997, the market share of Super GOOD CENTS® and Natural Choice™ stood at over 65 percent of total in-region production. While this was substantially below the nearly 90 percent market share held by Super GOOD CENTS® during the MAP, it was still viewed as a reasonably solid base on which to build a self-sustaining program. Indeed, there was some reason to believe that with additional marketing it would be possible to increase the market share of Super GOOD CENTS® and Natural Choice™ homes to about 75 percent of production before the

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[4] Super GOOD CENTS© and Natural Choice™ are the brand names used to refer to homes meeting the electric and natural gas efficiency requirements.

[5] PacifiCorp notified the Bonneville Power Administration that it would no longer pay for MAP homes sited in its service area built after August 31, 1995. Contrary to some accounts, this was done to reduce its total conservation expenditures in preparation for "restructuring" and not due to concerns over the program's cost-effectiveness (Graham, March, 1994).

[6] The Energy Division of the Idaho Department of Water Resources and the Energy Program of the Washington State University Cooperative Extension Program provide the Super GOOD CENTS© and Natural Choice™ certification, quality assurance and technical assistance services in their respective states.

[7] Oregon produces just over 60 percent of the region's manufactured homes, Idaho just under 30 percent and Washington just over 10 percent.

Alliance's contract expired. If this could be achieved, the program would be able to sustain itself at the $30 per home fee, provided that fees collected in Oregon could be used to support marketing in Idaho, Washington and Western Montana.[8]

With Alliance's contract in hand and funding secured for at least three years, the venture staff could now focus on the real task of developing and implementing a marketing campaign for Super GOOD CENTS® and Natural Choice.™ When they turned back to manufacturers they had worked with since 1989 they found an industry in what one association director called "chaos."

How One Market Changed Another Market - What the Stock Market Did

Between 1989 and 1996 the national manufactured housing industry's total annual production grew from just over 198,000 to more than 360,000 homes -- an 83 percent increase. Its share of all new single family housing starts increased from 23.4 percent in 1989 to 32.4 percent in 1996 (Manufactured Housing Institute, 2000). In the Northwest, manufactured home production experienced a similar growth trend, expanding by over 70 percent from roughly 11,700 homes in 1989 to over 20,000 in 1995. During this same time period manufactured housing grew from 19 percent of all Northwest new single family housing starts in 1989 to a peak of 27 percent in 1995 -- the same year all electrically heated homes were Super GOOD CENTS® homes built under the utilities' Manufactured Housing Acquisition Program (MAP).

This impressive growth did not go unnoticed by Wall Street. Figure 2 shows an index of the average stock value of the major publicly traded manufactured home producers from January 1989 to December of 1999. Between January of 1989 and September of 1996 the average value of stock in publicly traded producers appreciated by 1000 percent. After a brief dip in late 1996 and early 1997 the industry's stock values reached an all time high that was nearly 12 times their value in 1989. What these major corporations did with all this new wealth created a shock wave that blasted the Super GOOD CENTS® market transformation strategy apart.

When the MAP ended in the late summer of 1995 manufactured housing corporations stocks were trading at more than 230 percent above where they had been when the first MAP home rolled off the production line in April of 1992. Flush with money, these corporations began a series of mergers and acquisitions that saw the industry consolidate from 120 firms in 1989 to only 98 in 1996. Over this same time period the number of manufacturing facilities increased from 273 to 313. By the end of 1999, there were just 71 corporations operating 323 production facilities nationwide. In 1998, the top 25 manufactured home producers accounted for 92 percent of total industry (Manufactured Housing Institute, 2000).

These mergers and acquisitions dramatically altered the structure of the Northwest's manufactured housing market. When the MAP ended there were 19 manufacturing plants located in the region. Of these, only five were owned by one of the ten largest firms with headquarters outside the region. By the end of 1998, twelve of the region's plants where owned by these firms, all of which have headquarters outside of the Northwest. Smaller

[8] The Montana Department of Environmental Quality provides marketing and consumer technical assistance in Western Montana under the Alliance contract.

national firms with headquarters outside the region that had not participated in the MAP also purchased two additional plants.

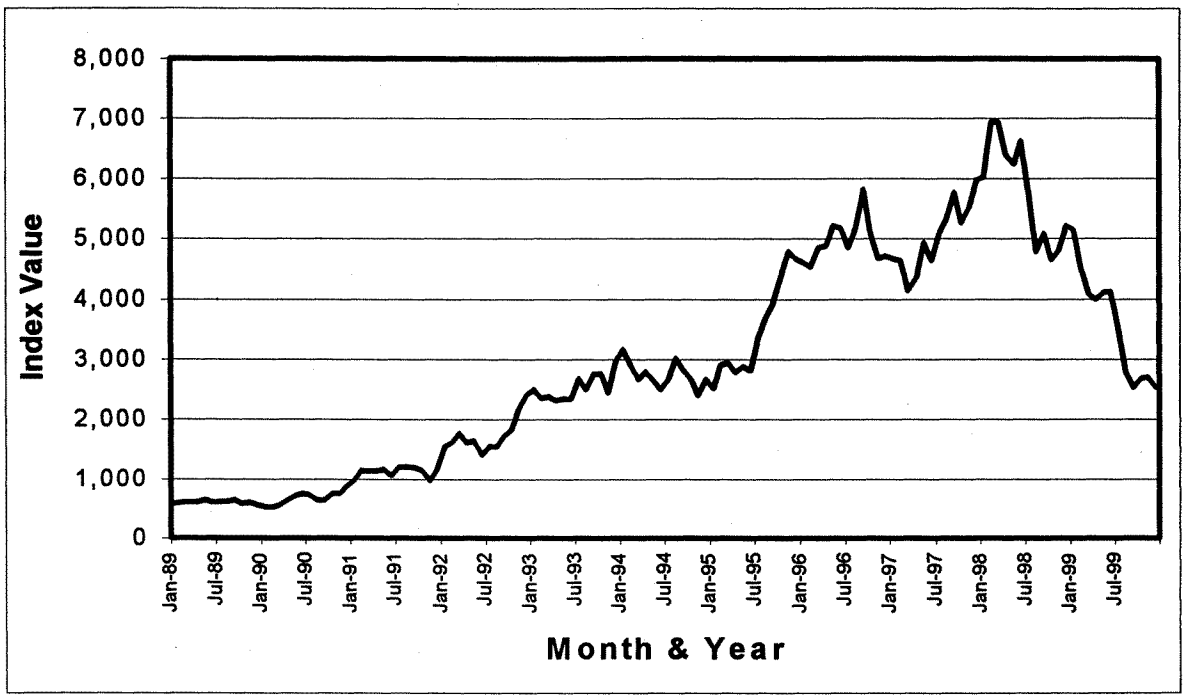

Figure 2 - Industry Stock Index Value for Manufactured Housing January 1989 – December 1999 (Media General, 2000)

Wall Street's perception of the nation's manufactured housing industry also changed the way Northwest plants sell homes. Major corporations, seeking revenue growth to justify even higher stock prices, apparently decided to "capture retailer margins" as well. As a result, not only did the industry rapidly consolidate; it became increasingly vertically integrated. When the MAP ended none of the five largest manufacturers owned or controlled any retail outlets. Since then all of these firms have purchased existing (and usually the most successful) retailers. Nationwide this trend has seen the five largest corporations add nearly 1,400 retail sales centers to their holdings since 1996. While figures specifically for the Northwest are not available, this trend did not miss the region. All of the major national manufacturers located in the Northwest have now purchased and operate retail outlets. In addition to adding retail sales centers to their corporate business line, several of the major firms also added financing and insurance subsidiaries (Hewitt, et al. February 1999).

While these industry changes were taking place, the market share of Super GOOD CENTS® and Natural Choice™ homes began to slide precipitously. In 1996 the market share of Super GOOD CENTS® and Natural Choice™ stood at just over 60 percent. In 1997 it had dropped to just under 50 percent. Despite the Alliance venture's marketing efforts by the end of 1998 the market share of Super GOOD CENTS® and Natural Choice™ barely topped 40 percent. Then, in late 1998, even in the face of robust economic conditions and low mortgage interest rates the sales of all manufactured housing in the Northwest also began to drop.

The Northwest Industry's Fling with "Trailer Trash"

Throughout its evolution, the national manufactured industry has strongly maintained that its products were the "affordable" housing option. This belief translated into a marketing strategy that focuses on "price point" selling. A home's price (actually monthly payment) is its preeminent selling point -- far less important than the home's features and/or its design.

In contrast, the Northwest's manufactured housing industry has historically produced homes with more features and higher quality.[9] This is reflected in the fact that the average sales price of new manufactured homes in the Northwest has been about 25 percent higher than the national norm since at least the early 80's. The higher average sales prices in the Northwest region is due to the fact that it sells very few "trailers," particularly low-end, single section homes.[10]

When late in 1998 the Northwest's manufactured housing market flagged, the immediate response of the national corporations was to implement a strategy that was time honored (although not necessarily tested) elsewhere in the country -- cut prices by eliminating features. Northwest factories began to cut costs by producing units with fewer "amenities" (e.g., the Super GOOD CENTS® and Natural Choice™ option, sheet rock interior walls, vinyl windows, etc.) The newly acquired, corporate-owned retail sales centers where asked to pump up their sales volumes. The price war was on and formerly medium to high-end manufacturers shifted their production to "trailers"(Hewitt, et al. February 1999).

Figure 3 shows how successful this strategy was at building sales for new manufactured homes. Northwest factories produced over 1,800 homes in October of 1998. By January of 1999, production had dropped to about 1,400 homes. After a short rebound during the normal spring peak production season in 1999, production plummeted to only 800 homes in December of 1999 -- a 55 percent drop from the prior October. Clearly, this strategy was not working.

During this same time period the Alliance's Super GOOD CENTS® and Natural Choice™ market transformation venture team was beginning to develop its "business plan." The goal of the plan was to make the venture self-sustaining by July of 2000. However, the "news from the front" regarding Super GOOD CENTS® and Natural Choice™ market share did not generate much optimism. Figure 3 also shows the market share of Super GOOD CENTS® and Natural Choice™ homes from January of 1998 through December of 1999. As manufacturers cut features and prices still further the use of this option dropped from approximately 40 percent of production in the fall of 1998 to just over 25 percent by February of 1999. However, in the spring of 1999 the market share of Super GOOD CENTS® and Natural Choice™ rebounded back to 40 percent, then dropped again in the fall only to rise again to 37 percent in December of 1999.

As the venture team reviewed the market trends it pondered whether there was a connection between manufactured housing sales and the market share of Super GOOD CENTS® and Natural Choice™ Did this higher priced option improve sales or reduce them?

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[9] This is not to say that Northwest manufactured housing retailers do not market their "products" on the basis of a competitive price; but rather, that they were some of the first in the industry to also market value added "features" such as standard residential siding and roofing materials rather than metal siding and roofing.

[10] Less than 8 percent of new manufactured homes sold in the Northwest were single section homes in 1998, whereas over 40 percent of the new manufactured homes sold nationally that year were still single section homes (Manufactured Housing Institute, March 2000).

If the latter was the case, it was highly unlikely that the industry would continue to support the program, let alone increase its financial support. If the former were the case, perhaps the industry would be more enthusiastic in its support for Super GOOD CENTS® and Natural Choice.™ Before the venture team could approach the manufacturers for increased financial support (i.e., higher fees), it needed to be able to make the case that Super GOOD CENTS® and Natural Choice™ either increased home sales and/or generated more profits. Without such information the venture was likely to die a slow death. A decision was made to investigate the type and nature of this potential connection.

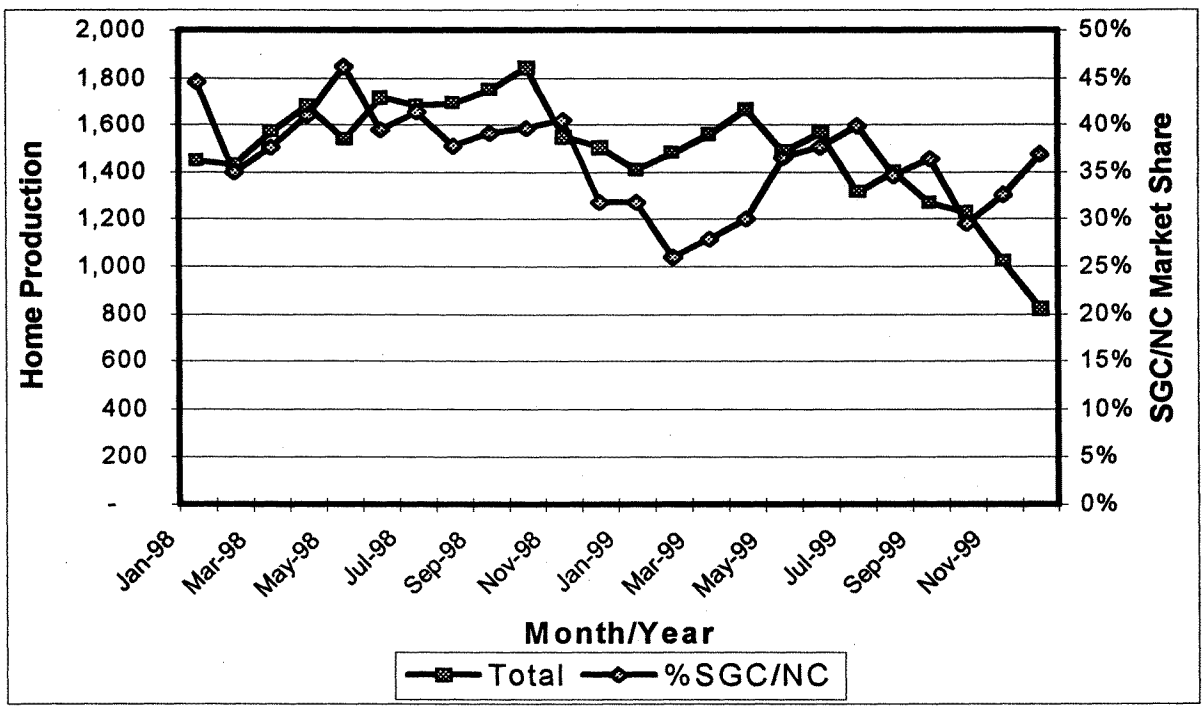

Figure 3. Northwest Manufactured Housing Monthly Production and Monthly Market Share of Super GOOD CENTS® and Natural Choice™ Homes January 1998 - December 1999

The Spouse Retains A "Private Eye"

Because of the Alliance venture team's long association with the Northwest's manufactured housing industry much of the industry specific data needed for the market research was readily available. The remaining data was quickly collected from public data sources available over the Internet. Once the data was assembled, the analysis of the factors that drive manufactured housing sales in the Northwest proceeded with vigor.

The primary objective of this research was to isolate the factors impacting new manufactured housing sales in the Northwest. As Meeks (Meeks, 1999) notes the demand for new manufactured housing is dependent upon a variety of factors. Historically, the two most important have been price and income. According to economic theory, the higher the price the lower the demand for a particular good or service. Also according to economic theory, the higher incomes are the greater the demand for goods and services. Unfortunately,

a model that considers only these two factors ignores the fact that the purchase of housing is also influenced by other factors beyond a consumer's ability to pay.

One of the most significant of these other factors is the number and closeness or comparability of substitutes available to meet the same demand. Grist (1995) noted that multi-section manufactured homes are in direct competition with conventional homes. Site-built single-family homes, modular homes, multi-family rental units and existing manufactured housing homes are substitutes for new manufactured homes. This means that when consumers are shopping for a new manufactured home they are comparing its price and features to those of other competing housing options. In some cases these features are more important than price. For example, Meek (1999) found that for multi-section homes there was no statistically significant relationship between sales price and shipments, whereas there was a statistically significant relationship between an increase in the size of the homes and increased shipments. Dr. Meek's explanation for this is that size is a surrogate for quality, and consumers appear to be buying as high a quality home as they can afford.

Since new manufactured homes may be viewed by some homebuyers as substitutes for other forms on new housing, the price and quality (features) of these competing products were viewed as possible factors impacting sales. Historical data on the price of new manufactured and site built single-family homes sold in the Northwest was available. Unfortunately, data on home size, the factor used by Meeks as an indicator of quality, was not available at the regional level. Therefore, in order to compare "features" across these competing housing types some other proxy for quality had to be identified.

Since new manufactured homes built to Super GOOD CENTS® have comparable energy features (or quality) to site-built housing options (See Figure 1), annual data on Super GOOD CENTS® manufactured housing sales was used as a proxy for added value or quality in this analysis. In addition, the use of Super GOOD CENTS® as a proxy for quality offered the opportunity to determine whether it was positively correlated with increases in total sales. Market research conducted by Northwest Pride, the regional manufactured housing industry's marketing and public relations group, revealed that information on energy efficiency had the most influence in increasing potential buyers interest in manufactured homes (Washington Manufactured Housing Association. 2000).

Historical data on potentially significant variables (e.g., per capita income, interest rates, housing prices, etc.) were assembled. Then, a least squares regression was run to determine whether particular variables were statistically significant determinants impacting new manufactured home sales in prior years.[11] Those factors that were found to be statistically significant (at the 90 percent confidence level and above) were then combined into a single equation to test their ability to replicate sales in prior years.

Equation 1 shows the logarithmic model form that best matched historical annual sales of new manufactured homes in the Northwest.[12]

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[11] A complete data set was available for 1981 through 1998.

[12] In order to compare the relative importance of each of these factors as a determinant of new manufactured housing shipments (sales) Equation 1 was developed using a logarithmic form. Use of this form permits direct comparison of these factors' relative importance since, in a logarithmic form, each independent variable's coefficient represents the proportional change in the dependent variable (sales of new manufactured homes), divided by the proportional change in the independent variable.

Equation 1

$Log\ (MH_{ship}) = Log(K) + A * Log\ (PC_{Ninc}) + B * Log\ (MORT_{Nint}) + C * Log(MH_{Nprice}/SF_{Nprice}) + D * Log(SGC_{share})$

Where:

K = Constant determined through regression

MH_{ship} = Annual new manufactured home shipments into Idaho, Montana, Oregon and Washington

PC_{Ninc} = Average Per Capita Income in nominal dollars in Idaho, Montana, Oregon and Washington

$MORT_{Nint}$ = Average Mortgage Interest Rate in nominal terms for new homes sold in Idaho, Montana, Oregon and Washington

MH_{Nprice} = Average Retail Sales Price in nominal dollars for new manufactured homes sold in Idaho, Montana, Oregon and Washington

SF_{Nprice} = Average Sales Price in nominal dollars for site-built single family homes sold in Idaho, Montana, Oregon and Washington

SGC_{share} = Market share of Super GOOD CENTS® as a percent of all new manufactured home sales

A,B,C,D = Coefficients determined through regression

The R^2 statistic for the model indicates how powerful an explanation (or prediction) the model provides. R^2 records the proportion of variation of the dependent variable that is explained or accounted for by the independent variables (Lewis-Beck, 1950). When the R^2 is high, i.e., close to 1.0, it indicates the model is accounting for a large portion of the variance. This equation has an R^2 of 0.95 with a standard error of 0.08.

In addition to understanding the amount of variation being explained by the independent variables, it is important to know whether the equation is significant. That is, do the independent variables as a group have a statistically significant impact on the result (Greene, 1990). This is tested with an F statistic. The F-Statistic for Equation 1 is 56.66.This is significant at the 99 percent confidence level.

The values for each of the coefficients, the standard errors and t-statistics for the variables in Equation 1 are reported in Table 1.[13] The sign of the coefficients for each of the variables shown in Table 1 for Equation 1 are positive. That means that an increase in the value of each of these variables increases the sales of manufactured housing in the Northwest.

The venture team was heartened to find that increases in the market share of Super GOOD CENTS®/Natural Choice™ homes would increase total regional manufactured home sales. The team was also intrigued by the finding that as manufactured homes are priced closer to site-built homes, total sales increase. Since this was so contrary to the industries standard "price-is-the-only-feature" marketing message, these findings had to be shared with industry.

[13] The t-statistic is used to test hypothesis when the number of observations is small, i.e., less than 30. The larger the t-statistic the higher the degree of confidence in rejecting the null hypothesis.

Table 1 - Coefficients for Equation 1 - Manufactured Housing Shipments Forecast for the Northwest[14]

Variable	Coefficient	Standard Error	t - statistic
K (Constant)	5.760	2.00	2.88
A (Nominal Per Capita Income)	0.649	0.26	2.50
B (Nominal Average Mortgage Rate)	0.407	0.23	1.78
C (Ratio of MH Price to SF Price)	1.656	0.26	6.34
D (SGC/NC Market Share of MH Market)	0.112	0.02	5.80

The Private Eye Shows the Spouse "The Pictures"

When results of this research were first shared with representatives of the Northwest's manufactured housing in the early summer of 1999 they responded like spouses whose mates had cheated on them. Some were in denial. Others had suspected it all along. No one disputed the findings regarding the relationships between per capita income and interest rates and the sales of new manufactured homes. All agreed that as incomes grow more people could afford to own their own homes. Most also knew that as interest rates rise, they sell more manufactured homes because their products are "more affordable" than site-built housing -- although some questioned whether this was truly the case in more recent years.[15]

However, when faced with the finding that as their prices rise relative to site-built housing they sell more homes, most of the industry representatives "just couldn't believe it." When this finding was coupled with the fact that it appeared that the greater the market share of the more expensive Super GOOD CENTS®/Natural Choice™ homes the more manufactured homes are sold the results were just too "counter" to conventional industry mythology/wisdom.

As the summer of 1999 wore on and manufactured housing sales continued to fall, the Alliance venture staff visited with individual manufacturers to share the findings of the market research. By early fall, with the support of the state manufactured housing association executives from Idaho, Oregon and Washington a full day meeting for all of the association board members (manufacturers and retailers) was scheduled. At this meeting the Alliance venture staff once again presented market research findings.

By this time, however, the audience was more receptive. Corporate stock values had "tanked," dropping 48 percent from their January 1999 levels, after Wall Street discovered the national downturn in sales. Unsold factory inventories were at record highs - a fact observable to any motorist driving the Interstate highway between Seattle and Eugene. "Repos" were beginning to compete with new sales as consumer loan default rates grew to triple historical Northwest industry norms. These loan defaults were the result of the

[14] The coefficients for the constant and nominal per capita income variables are significant at the 95 percent confidence level. The coefficient for nominal mortgage rates is significant at the 90 percent confidence level. The coefficients for the ratio of manufactured home prices to single family home prices and Super GOOD CENTS® market share are significant at the 99 percent confidence level

[15] This perception was correct. Analysis of data for just the period between 1989 and 1998 produced a negative coefficient for real (adjusted for inflation) mortgage interest rates of -0.405 (Significant at the 95 percent confidence interval). This means that for every 10 percent increase in real mortgage rates sales drop by just over 4 percent. This value is comparable, but slightly lower than the coefficient of -0.55 for real mortgage interest rates reported by Meeks for multi-section homes based on national data (Meeks, 1999).

aggressive lending credit policies offered during the prior year to help sustain sales by corporate-owned finance operations and the competitive response by other lenders (Wolf, 2000).

Figure 4 shows the information that opened the doors to negotiations regarding expanded industry financial support for the Super GOOD CENTS®/Natural Choice™ venture. Equation 1 was used to "backcast" manufactured home sales in the Northwest assuming that Super GOOD CENTS®/Natural Choice™ homes had not been a part of the Northwest's manufactured housing industry's product offerings between 1989 and 1998. When this "backcast" was compared to actual sales (Figure 4) it revealed that there would have been roughly 33,000 fewer manufactured homes sold over this period. When these sales were translated into income it was estimated that the industry had earned $1.4 billion more in retail revenues because Super GOOD CENTS®/Natural Choice™ had been a component of their product offerings.

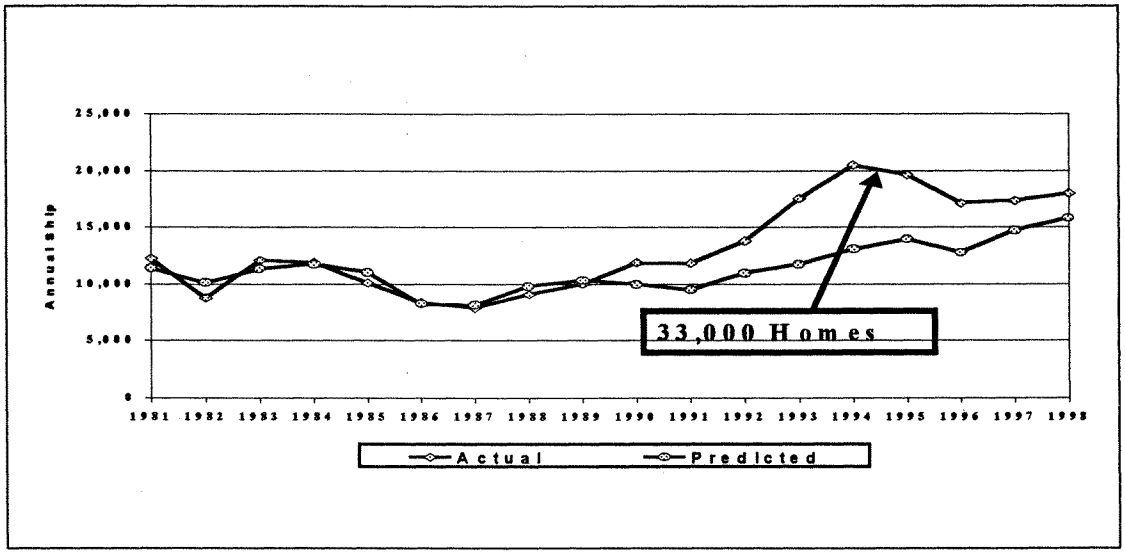

Figure 4. Difference in Actual vs. Predicted Northwest Manufactured Housing Shipments With Super GOOD CENTS®/Natural Choice™ Market Share Set to 0 percent Post-1989

Once the industry had an opportunity to discuss and absorb these findings, they were shown Figure 5. This figure shows the market share of Super GOOD CENTS®/Natural Choice™ homes for the period between June 1998 and June 1999. What was observed from Figure 5 was the fact that when the market share of Super GOOD CENTS®/Natural Choice™ homes plummeted between November of 1998 and February of 1999 the manufacturers were building homes on "spec." That is, they were keeping their factories running by producing homes for which they had no buyer. By March of 1999 many of these homes still had not sold. However, as the spring of 1999 progressed, an increasing share of production were "pre-sold" homes. More of these homes were being ordered with the Super GOOD CENT®/Natural Choice™ option while there was an ample supply of less expensive homes in "stock." This drove home the point to the industry that consumers were willing to pay for the energy efficient features (and very likely other "upgrades", such as fully sheet-

rocked interior walls) rather than the cheap "trailers trash" models that had been built on "spec."

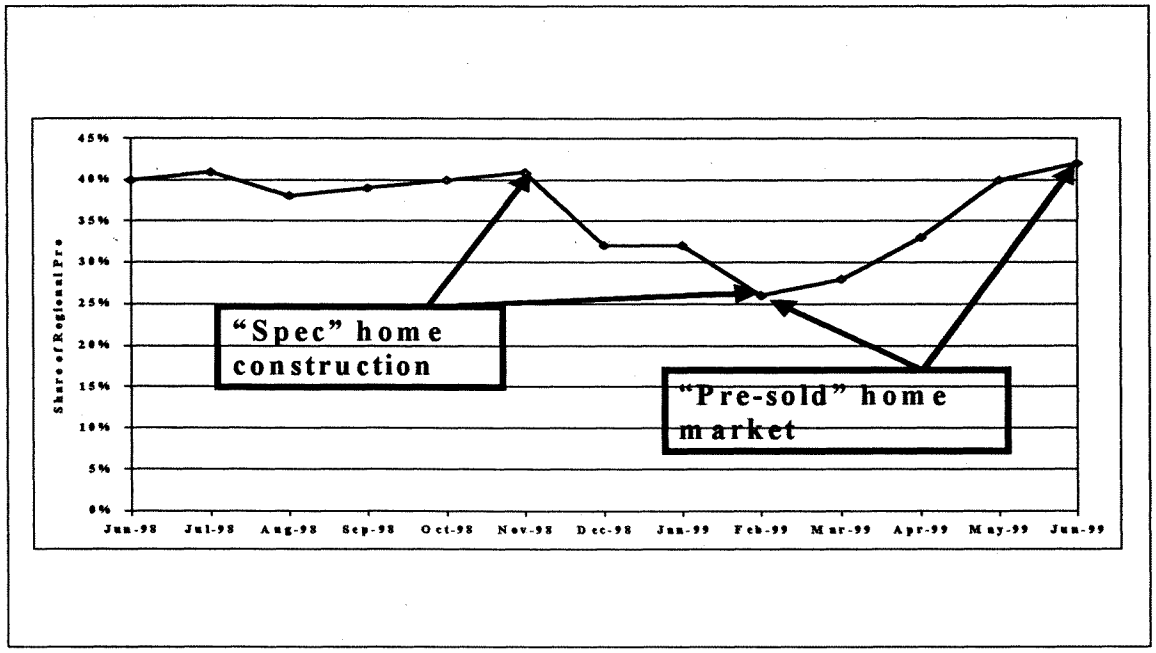

Figure 5. Super GOOD CENTS®/Natural Choice™ Market Share by Month from June 1998 through June 1999.

Reform and Redemption?

It appears that the Northwest's manufactured housing industry's fling with "trailer trash" maybe over for now -- it's too soon to tell whether they will revert back to the old ways should the market remain weak. As part of the industry's (potential) reform a new strategy for making the Super GOOD CENTS®/Natural Choice program self-sustaining is evolving. This past winter the state association boards from Idaho, Oregon and Washington all unanimously adopted resolutions supporting both the continuation of the program along with an increased level of industry financial support. Then in late February, the industry took on the charge of making the Super GOOD CENTS®/Natural Choice program self-sustaining based on what it perceives is its own vested economic self-interest. An industry board representing both manufacturers and retailers was assembled to direct the management and marketing of the future Super GOOD CENTS®/Natural Choice program. This Board voted unanimously to increase the manufacturer's fees from $30 to $100 per home to support the program. In April of 2000, the Northwest Energy Efficiency Alliance agreed to provide marketing support, but the bulk of future program operations and marketing cost will be borne by industry.

As of the beginning of June all but one of the region's manufacturers had agreed to sign contracts based on the new fee structure. As the late Milt Miner, General Manager of Fleetwood of Washington and the individual from industry most responsible for getting the MAP to happen told the author, "once again the manufactured housing industry has shown it can be dragged kicking and screaming into success."

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