

THE HOME AUTOMATION EXPERIENCE



**SMART BUILDERS
ARE MEETING
THE DEMAND**



by **Jeff Singer**

“Buyers’ remorse” is a new and rapidly growing phenomenon in the luxury home market. But that’s not bad news. In fact, this is very good news for well informed builders who are aware of the trend and are equipped to respond. Nearly one-fourth of all new home buyers regret not purchasing a multi-room audio system, home theater or lighting controls, according to the Consumer Electronics Association (CEA), which conducted a study entitled “What Builders Offer vs. What Buyers Want.”

These home buyers expressing regret represent approximately 360,000 potential customers each year. Ironically, the top reason builders give for not offering these solutions is low consumer demand. Obviously, there is a disconnect between the technology consumers want and the available access to those technologies, and this presents huge sales opportunities for luxury homebuilders.

The CEA study conclusions were also quite clear regarding the solution for homebuilders to bridging this gap. Simply show the technology. “We found that when people see the products in use ... they begin to see that

an integrated system offers much more than what the buyers can do themselves,” says Joe Bates, CEA market research director. Bates adds that builders and systems integrators need to define clearly the advantages of a fully integrated system.

When potential clients see networked media content that can be accessed from touch panels anywhere in the home, they begin to understand the technology and its benefits. This appreciation for the value of integrated home entertainment and control helps bridge another gap, which is the difference between the cost of installed systems and what many homeowners want to spend. Communicating the value proposition by showing customers the technology enables buyers to understand the value and feel good about making the purchase.

Homebuilders Embrace Customer Demands

It is understandable that in the current economic climate builders are conservative and price sensitive. No one wants to drive up home costs and scare off potential buyers. However, the perceived value to buyers is actually much higher than the real cost to builders. Clearly, home



technology is no longer a luxury, especially among high-end home buyers. Similar to high-end upgrades such as granite countertops and Sub-Zero refrigerators, this market segment expects distributed audio, home theater and lighting control. The absence of installed home technology systems now disqualifies a property as a luxury home.

Displaying home technology in model homes is by far the most popular method of showing its features live, and the next most popular method is through design centers. More than 70 percent of builders install home technology in model homes, and more than half showcase technology in design centers. Some installers are uniquely qualified and well-positioned to partner with builders to demonstrate the benefits of the ultimate home automation experience. Homebuilders offer home technology packages for two reasons: to sell homes faster and to increase profits. First, reports indicate nearly half of all builders believe properties that include multi-room audio systems or home theaters will close more quickly.

While security systems and structured wiring systems are more prevalent in new homes, data shows that homebuilders are wary about pushing alarm systems too hard because they don't want to give the potential buyer the negative perception that the home is in a dangerous neighborhood.

Studies also indicate that the demand for structured wiring is actually declining, whereas custom electronics such as distributed audio and home theaters seem to accelerate sales cycles.

The second reason homebuilders offer home technology is to increase profit margins. CEA's "State of the Builder Technology Market Study"

concludes that 46 percent of builders believe multi-room audio offers the highest profit potential of any installed system. Forty percent of builders also identify home theater and lighting control as potentially high profit offerings. Security and structured wiring are viewed as standard systems or commodities, whereas distributed audio and home theaters differentiate properties and are perceived as adding value.

In fact, a majority of builders offer multi-room audio (74 percent) and home theater (69 percent) almost exclusively as options rather than standard systems. Lighting control is gaining with nearly half (45 percent) of homebuilders offering optional lighting control in new construction.

True Integration

It's one thing to offer separate options, but only truly integrated home technology solutions provide the tangible value home buyers seek. While there are many vendors that provide home theaters, whole house audio, lighting control, security systems or programmable thermostats, few combine and controls all these systems together on a single platform from easy-to-use touch panels, keypads and handheld remotes.

Is home automation for high-end homes alone? Perhaps, surprisingly, data from the CEA report indicates that while the luxury home market is experiencing the highest penetration for these installed systems, the full range of new homes including starter homes and "move-up" homes are also including integrated home entertainment and lighting control packages. More than half of all starter homes and three-fourths of "move-up" homes offer distributed audio and home theater systems. Automated lighting control is also gaining popularity. Seventy-five percent of luxury homes and 44 percent of starter homes now offer lighting control options.

Increasingly, builders are partnering with technology integrators to offer these technologies to potential homebuyers. Builders appreciate working with a single vendor who can design, supply, install and support any combination of home technology. Partnering with an experienced professional installer makes sourcing and implementing these upgrade packages simple.

Clearly, consumers want the technology and often regret not purchasing these systems after the homes are completed. The key is to showcase the technology and to demonstrate its value to homebuyers during the decision-making process. Homebuilders have the unique ability to bridge the gap between the home technology customers want and the options they are offered. Installed home technology drives new home sales by increasing perceived value—and real profits. ■

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