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About the research
With 2020 finally behind us, there is plenty to be excited about for the home improvement industry. Professional contractors can look to capitalize on low-interest rates, a growing housing market, and increase demand for home remodels. Certainly, the pandemic impacted most businesses in some shape or form, but for many home improvement companies, 2020 was their best year yet.

According to Porch.com (a BBB Accredited Business), 76% of homeowners in the United States have carried out at least one home improvement project since the start of the COVID pandemic.

Without question, the need for home improvement projects remains strong, from maintenance touch-ups and new roofs to massive remodels and full-on reconstruction. IBISWorld research indicates steady growth over the next five years, driven mainly by a continued rise in per capita disposable income. Some homeowners are riding the economic wave, capitalizing on low-interest rates and increased housing prices, upping the demand for industry services and loans to fund remodeling projects.

But with new opportunities come new challenges. The COVID pandemic temporarily shut down worksites, led to massive material shortages, increased unemployment, and impacted consumer confidence. Despite the hardships, many successful companies persevered by embracing trust, integrity, and transparency. And it showed.

The Better Business Bureau surveyed consumers in 2021 to gauge the importance of trust and integrity when hiring a company. Of the people familiar with the BBB Accreditation seal, 80% consider a business that displays its BBB Accreditation to be honest, and ethical.

In this report, BBB examines consumer and business data related to the home improvement industry and reveals how successful companies meet new buyer demands.

We’ll uncover the latest industry trends, hear from home improvement pros, provide tools for understanding your customer better, and show you how to take actionable steps to improve your business and instill trust with your customers.

80% consider a business that displays its BBB Accreditation to be honest and ethical.

* Source: BBB* 2021 Consumer Survey
LATEST HOME IMPROVEMENT INDUSTRY TRENDS

LOW INTEREST RATES
As challenging as 2020 was on the economy, the U.S. and Canada could be looking at a fiery comeback this year with increased COVID-19 vaccinations, government stimulus packages, and low-interest rates. According to IBISWorld, low rates enable consumers to secure accommodative mortgage financing and potentially help pay for repairs or home renovations.

IMPROVING JOB MARKET
Higher employment levels are expected to boost per capita disposable income, enabling homeowners to spend more money on home improvement projects. Over the next five years, global per capita spending is forecasted to increase 1.2% amid low unemployment levels.

PRICE COMPETITION
With increasing remodeling demand, prices may lower and become more competitive for homeowners over the next five years. Competitive pricing remains the most significant basis of competition in the industry. While this may seem to favor the homeowner, BBB warns of shoddy work by unvetted contractors. This spring, BBB is committing significant resources to urge consumers to research businesses first at BBB.org to ensure a safe and wise purchase.

ECO-FRIENDLY AND ENERGY EFFICIENT HOMES
Demand for environmentally friendly homes and renovations may soon become the new standard for remodelers. Some states and provinces are requiring energy-efficient materials and products to be used over traditional lumber. This move could encourage the use of alternatives to woods, including plastics, polyurethane, and concrete products.

People see the cheap interest rates, and consumers are more inclined than ever to borrow. The real estate market is driving it.

Craig Hardy, Owner Covenant Construction (BBB Accredited)

Source: IBISWorld
# HOME IMPROVEMENT INDUSTRY AT A GLANCE

## % Annual Growth 2015–2020

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeownership Rate</td>
<td>3.1%</td>
</tr>
<tr>
<td>House Price Index</td>
<td>4.9%</td>
</tr>
<tr>
<td>Private Spending on Home Improvements</td>
<td>1.5%</td>
</tr>
<tr>
<td>Households Earning More Than $100K</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

## Revenue

| 2020 Industry Revenue                        | $96.6 Billion |
| 2015–2020 Annual Growth                      | 1.7%          |
| 2020–2025 Annual Growth                      | 1.9%          |

## Profit

| 2020 Industry Profit                        | $6.6 Billion |
| 2015–2020 Annual Growth                     | 3.0%         |
| 2020–2025 Annual Growth                     | 3.0%         |

## Profit Margin

| 2020 Industry Profit Margin                | 6.8%         |
| 2015–2020 Annual Growth                    | 0.4%         |
| 2020–2025 Annual Growth                    | 2.5%         |

## Businesses

| 2020 Industry Businesses                   | 454 Thousand |
| 2015–2020 Annual Growth                    | 3.0%         |
| 2020–2025 Annual Growth                    | 2.5%         |

Source: IBISWorld
A good reputation is good business. As customer needs and demands increase, successful home improvement-related businesses must embrace words like trust, credibility, and honesty. The following success factors can help your business gain an edge.

**REPUTATION**

With more than 10 million home improvement-related BBB business profile views in 2020 and more than 8 million online views for roofers, consumers continue to rely on BBB.org to find and research reputable companies. Having a spotless reputation and a trusted portfolio could be the difference in securing new customers.

**MARKETING**

Developing a robust marketing strategy can help you grow your business and target your potential customers. With many remodelers relying on referrals, the right marketing strategy can help introduce you to additional customers.

**COST CONTROLS**

By identifying and reducing business expenses, contractors can increase profits and maintain growth. Having access to low-cost input products can ensure competitive pricing.

**CONTACTS**

Having the right connections with trusted developers, industry suppliers, and general contractors can provide your business a boost and generate repeat business.

**MULTISKILLED AND FLEXIBLE WORKFORCE**

Companies with a vast network of subcontractors, tradespeople, and reliable operators may have the upper hand when securing materials and completing projects.

Source: IBISWorld
For more than 25 years, Covenant Construction has served customers across the London, Ontario area with quality craftsmanship, commitment, and creativity. Craig and Bonnie Hayward started their home improvement company with a passion for bringing renovation dreams to life.

“We are all are passionate about building quality, business transparency, and as our name suggested, we take our contracts seriously,” Craig said.

BBB Accredited since 2003, Covenant Construction quickly adapted to the COVID pandemic challenges, including finding a new way of doing business. The biggest struggle, Craig says, was meeting the demand for supplies.

“The supply chain has been an absolute roller coaster – either we can’t get material, or it takes a few months, and it goes up 40%,” Craig explains.

Regardless of the challenges, Covenant Construction enjoyed one of its best years. With year-over-year growth of around 20%, Craig credits much of his success to his core principles, which align closely with the BBB Standards for Trust. He acknowledges the pandemic took its toll on many industries and cost people their jobs, but he remains optimistic that 2021 could be the turnaround year everyone is counting on.

“There’s been a huge shift there. We’ve had to get creative in how we source material.”

Craig expects prices on supplies and materials to continue to go up before evening out and worries that consumers vying for the lowest bid may not get the best quality or service. He credits BBB for helping customers make better purchasing decisions when they need it most.

“At the BBB, everyone is vetted, and I think that is huge – both from a consumer and contractor’s perspective. It’s a big deal for both of us,” Craig observed.

There still is enough confidence in the market. Also, the real estate market in our area has gone off the charts.

Craig Hayward, Owner
Covenant Construction
Owner Keith Santora says Handyworks Remodeling and Design prides itself on innovation, inspiration, and education.

In business and BBB Accredited for more than 13 years, Keith expects sales to continue to grow well into 2021 before eventually leveling off.

“We can’t speak for other construction firms, but at Handyworks Remodeling and Design, we noted a dramatic upsurge in our design work and general remodeling,” Keith explained. “It started in early spring of 2020 and continued through the entire year. In fact, we had more design projects in 2020 than in the past 4 or 5 years combined!”

Handyworks Remodeling and Design offers a wide range of home improvement and remodeling services. With 2020 on the books, Keith says the focus will be on improving customer service and growth and expanding office and warehouse space for inventory.

“BBB Accreditation, he says, helps instill trust with customers – especially during a pandemic.

“We noted a dramatic upsurge in our design work and general remodeling. It started in early spring of 2020 and continued through the entire year.”

Keith Santora, Owner
Handyworks Remodeling and Design

“To the homeowner, a company’s accreditation is just like a recommendation because, in many ways, it is. The homeowner can instantly see which businesses are BBB Accredited and which ones are not,” Keith shared.
When the pandemic first hit, American Dream Design Build owner Jim Burbridge says it initially put his business in a tailspin. He had to lay off most of his design and management staff and only had one person coming into the office to answer phones and keep the lights on.

“My business partner (Scott) and I worked every day to ensure that we did everything possible to keep our clients’ best interest at heart as well as our employees feeling safe and secure,” Jim said. “We had a few jobs that were deemed ‘essential’ so this was a blessing for us to continue some revenue stream.”

Over the next few months, American Dream Design Build quickly adapted to a new normal – running the business remotely and working with customers virtually. Jim says once the state COVID mandates eased up, jobs begin rolling in.

“The later part of 2020, it became very evident that 2021 could be a record year for our company. The only answer I have to this is that most people spent so much time in their homes, all they could do was think about how they could improve it!”

Besides another record-breaking year, Jim says 2021 comes with its own set of challenges. He says it’s difficult to find good help and that the cost of building materials is at an all-time high. Specializing in custom homes, remodels, and additions, American Dream Design Build is a BBB Accredited Business.

“I believe in the BBB and what it stands for. I feel people, in general, need to be educated or enlightened on the benefits the BBB can bring to the consumer as well as the business,” Jim explained.

Jim says he’s excited about the future and working with the customer to help build their dream home.
Understanding what customers expect from their home improvement professional will help you better understand what’s important to them. Building a positive customer experience is key to repeat business and an ongoing supply of referrals.

Many businesses rely on customer insights through online reviews. But capturing accurate reviews can be especially difficult for small companies who may have trouble receiving positive reviews, responding to negative ones, and marketing reviews to help their business grow.

Check out our Better Business Briefing: The power of customer reviews on small businesses

BBB interviewed Dr. Evans Baiya, a growth strategist and business coach, on how companies need to develop innovative ways to create new value and attract different customers. Relying on just data and surveys doesn’t always cut it anymore, Dr. Baiya says.

“We have to think about small, targeted segments,” Dr. Baiya advises. “You need to have a good understanding of the ‘what’ and the ‘how’ of your customer. When you talk about new value – what is it that you are going to take to your customers this year that they instantly will find value in?”

To watch the full interview with Dr. Baiya, check out BBB Business Leaders Unplugged

According to the Home Improvement Research Institute (HIRI), the home improvement landscape is as complex as consumer attitudes and expectations evolve. HIRI identifies three key growth strategies for your home improvement business.

3 KEY GROWTH STRATEGIES FOR YOUR HOME IMPROVEMENT BUSINESS

- **Humanize growth**
  Understand the customer’s lifestyle, including financial health, career planning, and family dynamic.

- **Invest in the human experience**
  Meeting brand expectations go beyond just closing the deal. Providing a positive customer experience from start to finish can boost buyer confidence and increase repeat business.

- **Perfect the customer journey**
  Take the idea of an ideal customer journey and elevate it to the next level. Understand how your customer interacts with your business and look for opportunities to build upon it.

Source: HIRI
CREATE A CUSTOMER-FIRST MENTALITY
With limited face-to-face interactions, it’s important to step up your customer service game. Make time for your customers by maintaining transparency, communicating consistently, and answering questions.

PERSONALIZE YOUR COMMUNICATION
A first step in creating a memorable customer experience is personalization. A Segment survey found that 71 percent of consumers get frustrated by impersonal encounters by companies. Earn your customer loyalty by building and delivering an authentic experience.

START A COMMUNITY
With social media abundant, Entrepreneur recommends creating an online community that encourages customer engagement and user-generated content. Have your customers take pictures of the final product and encourage them to share it on social media.

RESPOND TO REVIEWS AND COMPLAINTS
Review sites make it easy for customers to sound off. Whether it’s a one-star rant or a five-star cheer, it’s up to the business to respond positively and openly. Choosing to answer each review promptly and kindly can increase trust in your brand.

HONOR PROMISES
Whether there are supply issues, price quotes, or unforeseen mistakes, work to keep the line of communication open with customers. Over-promising a client can break trust and cost you a future project. By honoring promises and operating with transparency, you’re building trust.

As more and more homeowners embark on home improvement projects, millions of consumers continue to rely on BBB to search and research businesses before purchasing a product or service. Finding the right contractor for a project can be as daunting as finding the right customer.

And while many businesses rely solely on referrals, creating customer loyalty can ensure your customers return and tell their friends.

Check out BBB Business Tip: 7 ways to market your business on a small budget.
Customers expect the best when paying top dollar for a home improvement project. Still, each year, thousands of consumers fall victim to costly scams and rip-offs. In the 2020 BBB Scam Tracker™ Risk Report, home improvement scams ranked in the top five by overall risk, exposure, monetary loss, and susceptibility.

Creating trust with customers is paramount to a business’s success. With a new customer emerging — one who is more aware and intentional about how they spend their money and who gets their business — home improvement professionals can’t afford to miss out.

In a 2021 BBB consumer survey, 88% of consumers familiar with the BBB letter grade said they are more likely to purchase from a business with an A rating or higher. In the same survey, 81% of consumers familiar with the BBB Accreditation seal say they are more likely to trust that the business is honest and ethical.

Source: BBB 2021 Consumer Survey
“Trust, integrity, and knowing the company has been vetted – I think we as an industry need to grab on to that and share it,” Craig Hardy says about the home improvement industry. “We need to explain what the BBB is, what it means to not only us as business owners, but also for the homeowner. It buys them confidence, and I think that is going to be huge in the coming months.”

The BBB Standards for Trust remain at the core for BBB and its partners. Today, it presents an even greater opportunity for home improvement professionals to elevate their brand, build trust, and commit to excellence.

Since 1912, BBB has been supporting businesses and consumers in its mission of advancing marketplace trust. Today nearly 400,000 Accredited Businesses across North America support that mission. The need for trust has never been greater. BBB is committed to guiding all businesses and helping consumers make wiser purchasing decisions.

Consider adding the BBB Accreditation seal next to your company’s good name and joining a community of trustworthy businesses.

**Take the next step by adding trust. Become BBB Accredited.**
This report’s data includes responses from BBB Accredited Businesses, research from the International Association of Better Business Bureaus, and multiple online business and marketing sources cited throughout the report.

For more information on the report findings, please email marketing@iabbb.org.

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