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Consumer Pulse Survey

RESIDENTIAL SERVICES | FEBRUARY 2024



No Place Like Home

Despite generating an already massive total addressable market (TAM) nearing \$650 billion, the residential services industry continues to be poised for development. Over the past several years, services associated with the improvement, maintenance, and repair of our homes have repeatedly attained double-digit revenue growth. This market consists of an attractive mix of large national and mid-size regional service providers, as well as a plethora of local “mom-and-pop” shops. Within this mix, franchising tenders a unique lever for these industry players and entrepreneurs to create exciting growth platforms. Such a fragmented, platform-ready competitive landscape lends itself to significant private equity (PE) interest and strategic mergers and acquisitions opportunities, as has been experienced within HVAC (heating, ventilation, and air conditioning). All of this has been amplified by trends driving consumers toward residential services including record home values, rising interest rates, increasing homeownership rates, and aging infrastructure. However, continued economic uncertainty, general lack of consumer confidence, and increased interest in DIY (do-it-yourself) could create pause for consumers’ continued spending in the DIFM (do-it-for-me)-driven service sector. To better understand consumer intent, the latest Lazard / CH Consulting Advisors Consumer Pulse Survey focuses on the residential services spending drivers and interest to form a sound view of the current prospects.

We surveyed 1,200 U.S. consumers on how they identify, select, and spend on residential services. For this survey, we focused on consumers’ interest and experience in seven service areas that appear primed for continued investment: home repair; major home projects; structure; lawn & garden maintenance; indoor; and pool & spa.

Our research shows resiliency and opportunity across all these service areas even as other consumer sectors face headwinds constraining consumer spending. The home is still a worthy and important investment priority for consumers across the board as working remotely has become commonplace, and economic challenges have encouraged consumers to conserve money by spending more time at home. For instance, products related to major bath remodels (e.g., bathroom cabinets, shower walls, etc.) enjoyed a double-digit gain in 2022 with subcategory revenue gains ranging from around 10% to about 40%. Regular maintenance and repair also remain buoyant as illustrated by Chemed, parent company of Roto-Rooter, which recently reporting robust revenue performance in their drain cleaning, plumbing, excavation, and water restoration offerings. Yet, as many industry participants and companies are asking: *what is the shape of future demand? How resilient is the overall sector?*

For this survey, we focused on consumers’ interest and experience in seven residential service areas

Home Repair	HVAC, plumbing, electrical garage door, etc.
Appliance Repair	Washer, dryer, dishwasher, etc.
Major Home Projects	Hardscape, trench, well/waste-water, fencing, landscaping
Structure	Roof repair / maintenance, painting, design services, etc.
Lawn & Garden Maintenance	Mowing, weeding, planting, tree trimming, etc.
Indoor	Home cleaning, etc.
Pool & Spa	Pool / spa cleaning, etc.

Tackling the To-Do List: DIY vs. DIFM

Given the range of to-dos to cross off in the home—from house cleaning and gardening to major efforts like roof repair and HVAC—consumers conduct an expected blend of DIY and DIFM across this entire service spectrum. How a consumer in any given household chooses to do such improvement, repair, and maintenance is driven by limiting factors like knowledge, time, discretionary spend, having the right tools, and the perceived complexity of the task (Exhibit 1). Unsurprisingly, the higher their income, the more likely a consumer is to leverage DIFM services across all categories. Additionally, the older the consumer, the more DIFM they use (Exhibit 2).

Exhibit 1 – When you think of home maintenance or repair, what statement best describes you or the person responsible for those tasks?

Percent of people agreeing with the following statements

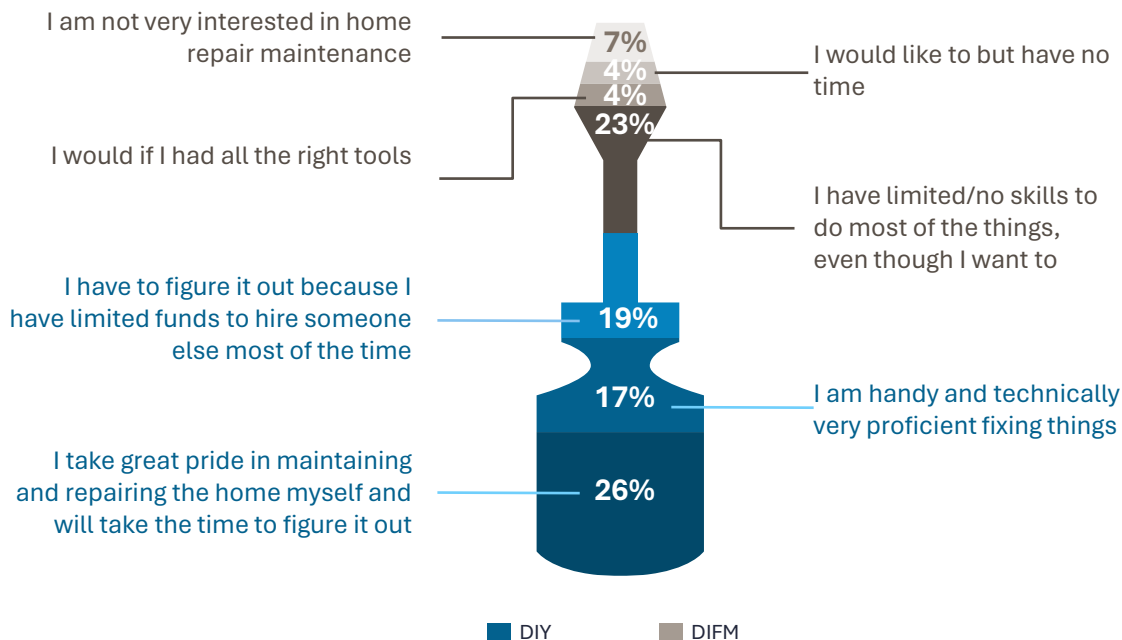
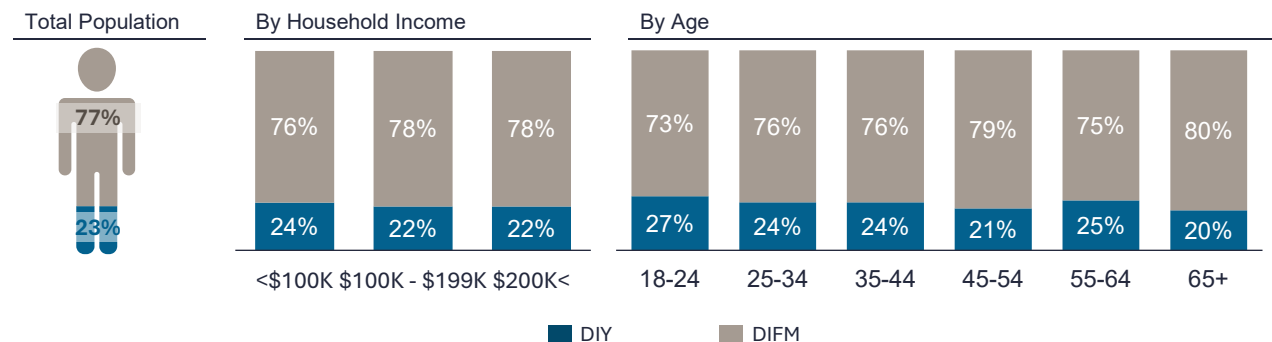


Exhibit 2 – Older and wealthier consumers are more likely to hire DIFM service providers than DIY

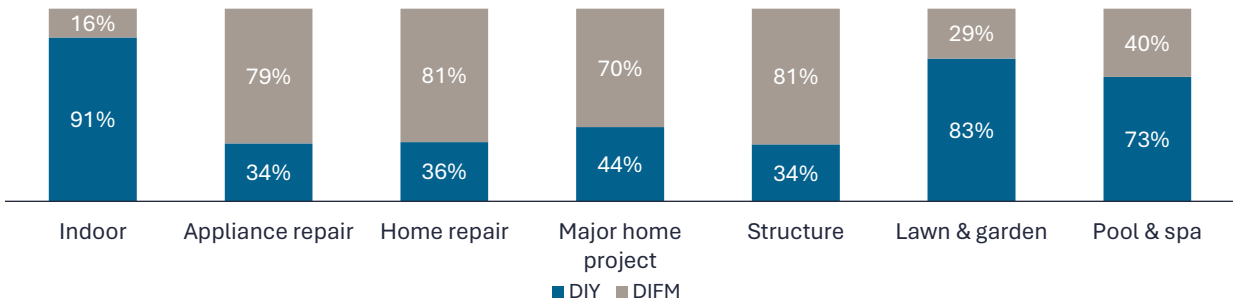
Percent of people identifying as DIY or DIFM, by total survey population, household income, and age



Current homeowners reach out to service providers most often in four of the six main areas: home repair; structure; appliance repair; and major home projects. 70-80% of consumers of those categories seek an outside service provider to fulfill their needs (Exhibit 3).

Exhibit 3 – When you think of home maintenance or repair, what statement best describes you or the person responsible for those tasks?

Percent of people identifying with the following statements, not mutually exclusive



For those who hired a DIFM service provider for the first time, their decisions were prompted by emergent or urgent situations in several categories (e.g., home repair and appliance repair). However, the main driver for repeat care and maintenance service for both lawn & garden and pool & spa was general maintenance (Exhibit 4). When asked why they chose a DIFM solution as their first option, lack of skill/expertise/knowledge lead as the top reason, followed by their belief that the service provider would do the job right and well (Exhibit 5). For indoor services like house cleaning, personal time constraints and trusting that the professional will do a thorough job are the key drivers for reaching out for help.

Exhibit 4 – For those areas where you hired someone, what was the nature of the situation?

Percent of people, who have outsourced for given area, identifying with the following statements

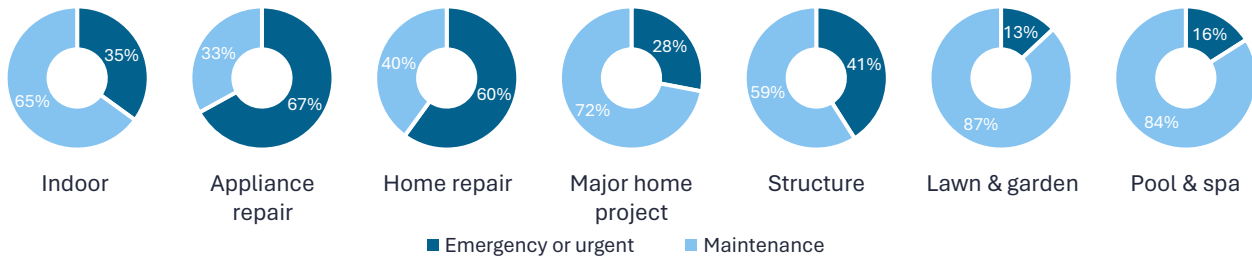
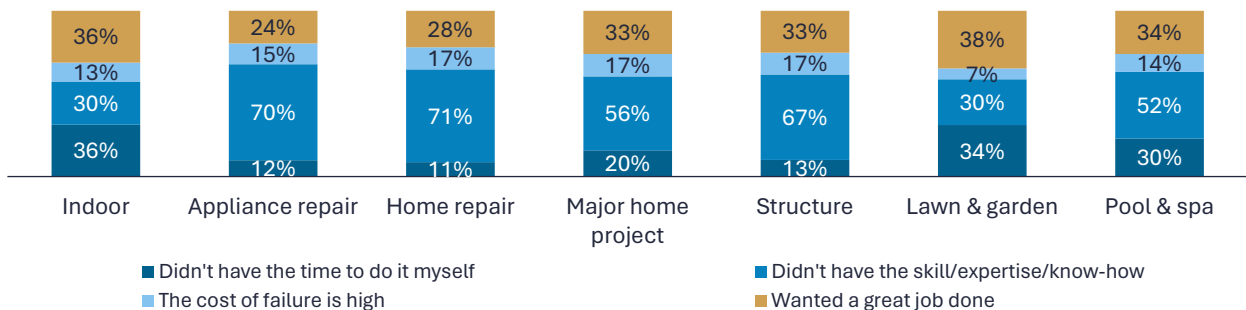


Exhibit 5 – Why did you decide on DIFM?

Percent of people, who have outsourced for given area, identifying with the following statements

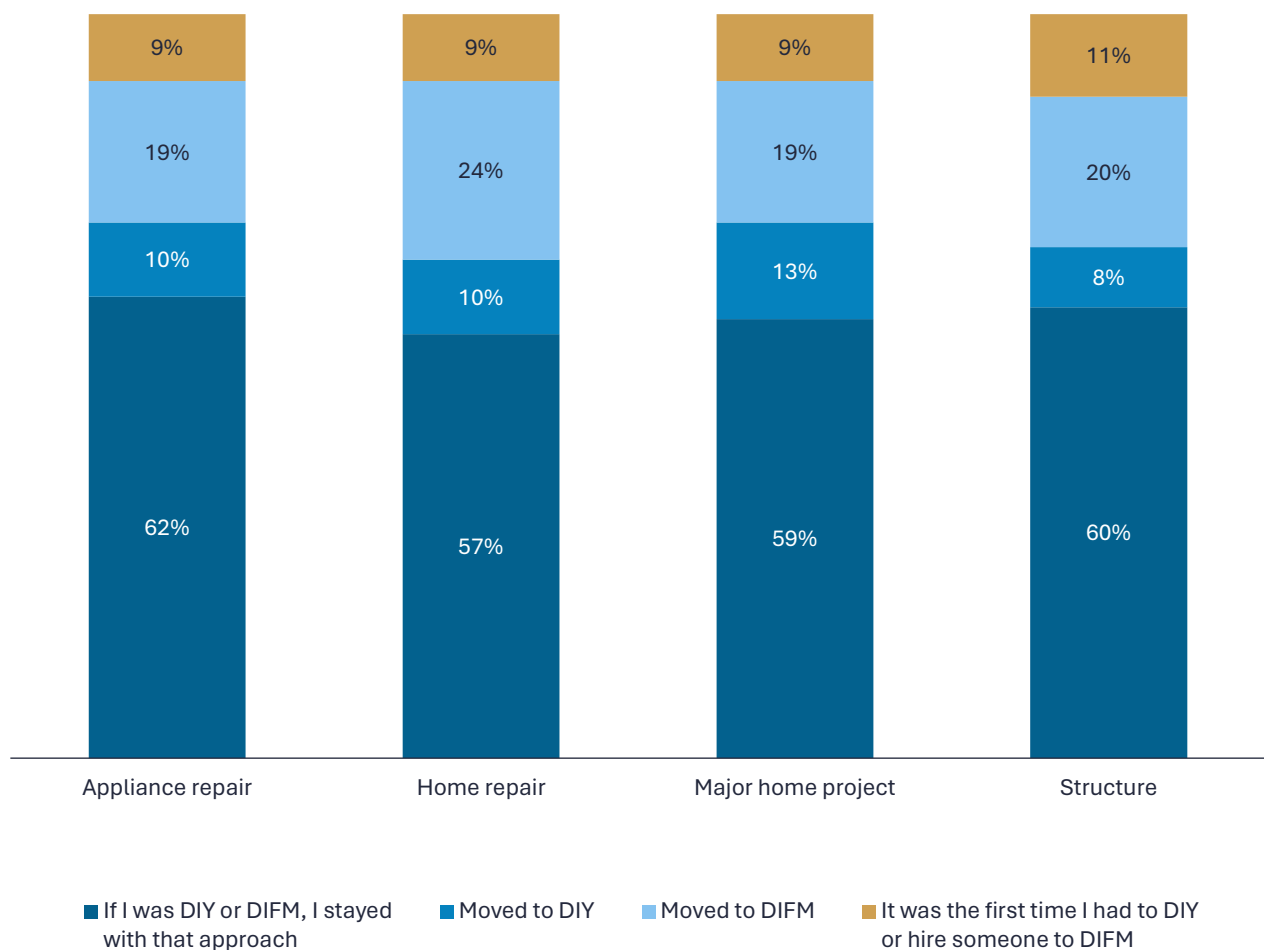


From DIY to DIFM...

Since converting DIYers into DIFMers is a large opportunity to fuel residential services market growth across the U.S., we wanted to know DIYers' level of interest in DIFM services. About 15-25% of respondents would use a DIFM provider if a big enough, emergent issue came up, especially within home repair. Another ~15% have seriously considered using DIFM having gone so far as to get an estimate. The two groups combined (30-45% of DIYers) represent a ready market for DIFM providers. This aligns well to historical trends. Exemplified by our survey: about 20 percent of consumers noted they have moved from DIY to DIFM services in the last three years for home repair, structural repair & maintenance, major home projects, and appliance repair (Exhibit 6).

Exhibit 6 – Have you switched how you handle household maintenance for any of these areas in the last three years?

Response of people responsible for given area

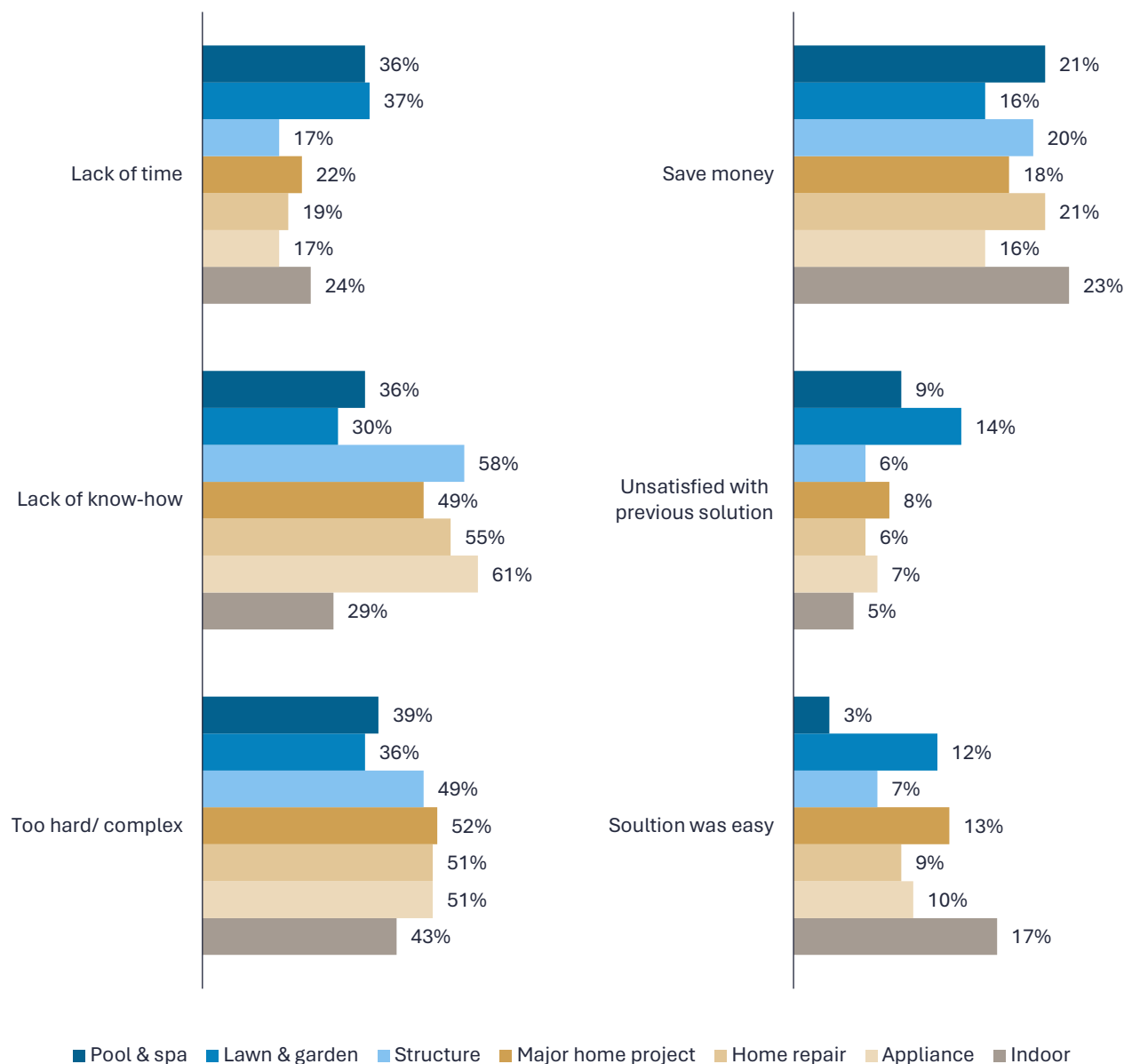


...And Back...Again

Of those consumers who switched from DIFM to DIY, cost savings is their top reason across all services. Having the time, know-how, or perceived ease of repair also factored heavily into their decision. For DIYers who have switched to DIFMers, know-how or complexity of the problem was the key driver. With respect to lawn & garden and pool & spa, lack of time was a key driver, as both areas require regular, extensive maintenance.

Exhibit 7 – Why have you increased DIFM?

Percent of consumers selecting benefit as one of their top three reasons for increasing DIFM

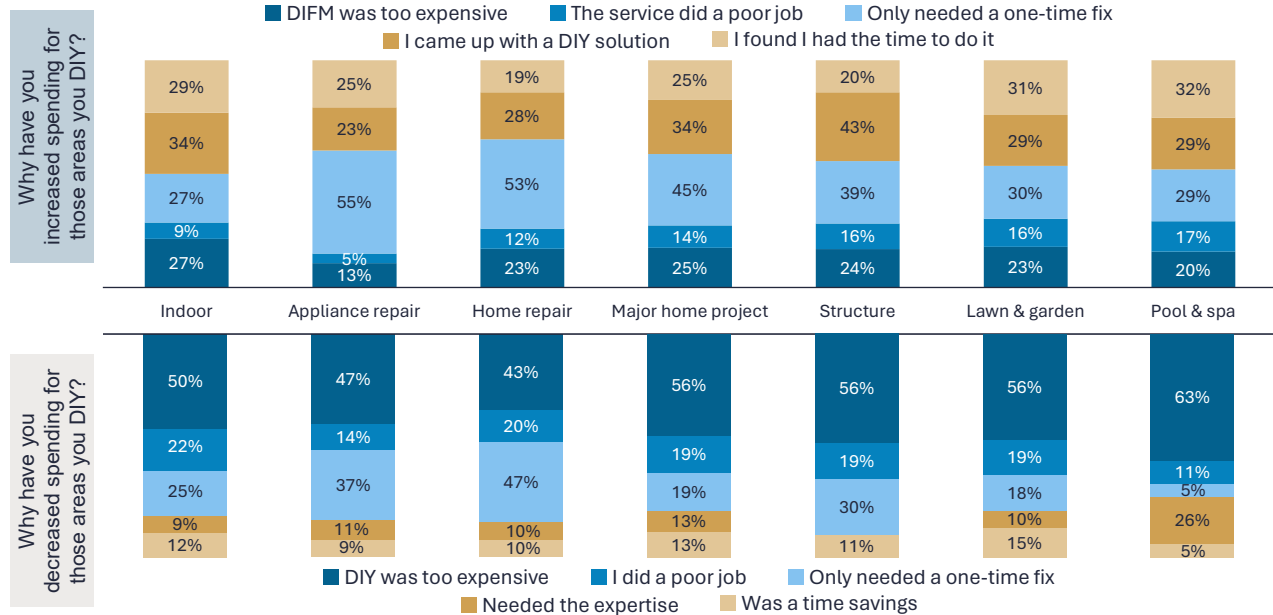


Weathering the Economy at Home

While the majority (63%) of those surveyed said over the last three years their overall spending in DIFM has held steady, the remaining DIFM users have more noticeably increased their spending rather than decreased. The biggest driver for this spending increase is one-time events for DIYers. On the other hand, DIFM users were increasing spending to leverage the expertise of the service provider—a stickier proposition. Those who decreased spending did so because it was too expensive, or they had only needed a one-time fix (Exhibit 8).

Exhibit 8 – Spending Increase / Decrease

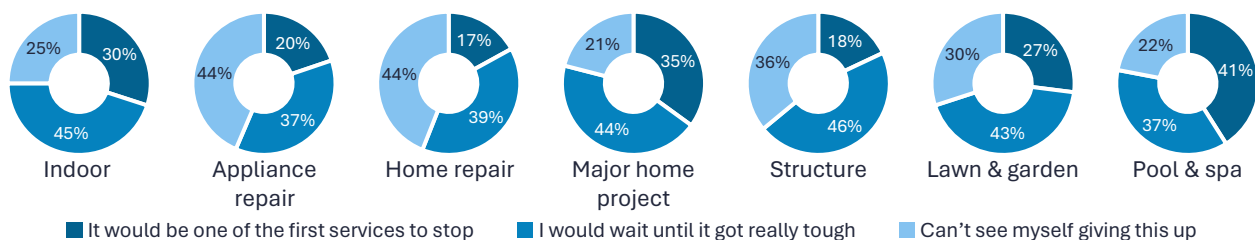
Primary reason for change in spending



As noted earlier, cost is always in the equation when consumers consider any DIFM service. So naturally, how consumers perceive the current economic environment plays a role in their DIFM spending. Over 40% of respondents noted a neutral-to-favorable view of the current economy and supported current-to-increased levels of spending in DIFM services. Unsurprisingly, older and wealthier consumers were notably less impacted by current conditions. When pressed further on whether they would keep the DIFM service if their budget gets tight due to recession, overall, 60-80% of consumers would either wait as long as they could before switching to DIY or would not give up the service at all (Exhibit 9). So while the economy could slow new spending down, the current users of these services feel these are important to maintain. For the industry, these consumer responses suggest sticky, ongoing revenue streams.

Exhibit 9 – Consumer Perception of the Economy

Primary expected course of action of those already contracting DIFM services



Reviews Reign Supreme

The industry has such a wide range of categories and players that it is often difficult to discern what ultimately influences consumer decision-making. Further complicating this discernment, communication to reach consumers fragments over several platforms such as reviews, social media, search, etc. For industry players, it is always a question of where to put limited marketing resources to make the biggest impact.

Our survey found reviews, friends/family recommendations, and Google search were the most influential in choosing a service provider for about 90% of consumers. Investing in reputation management and search optimization would appear to be higher priorities for residential service providers in today’s market. We also asked consumers how important different criteria are when selecting a service provider. The leading criteria were providing clear estimates, price meeting their budget, and ease to do business all which elicited 70%+ top 2 box responses (note: our survey uses a 7-point scale). The next tranche of criteria including reputation, trust, a prework assessment, and reviews were deemed important with +55% selecting top 2 box scores. Ownership, technology, and national brand are the least important top 2 box responses. We also probed reasons for switching service providers. Interestingly, over half of respondents have not changed providers, implying a level of stickiness and advocacy. For those that have switched, price is a leading factor, followed by lack of responsiveness, and quality of the service provider. For those operating in the space or looking to invest, these issues seem imminently fixable, generating increased opportunity for customer acquisition and retention for these DIFM companies.

Exhibit 10 – Choosing the right service provider

Consumers ranking primary factors in their decision-making rationale for selecting a service provider



Influences in finding a service provider (Top 2 Boxes, 1-7 scale)

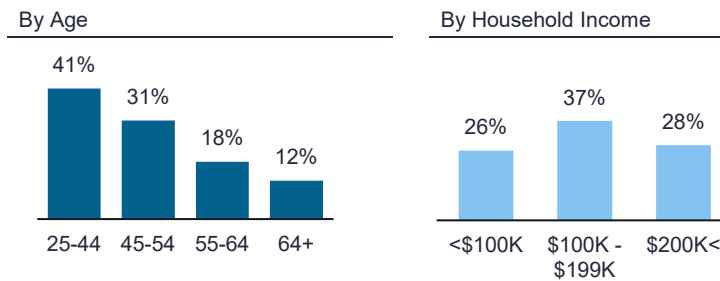


Reasons for selecting a service provider (Top 2 Boxes, 1-7 scale)

Making a House a Home

We probed respondents further on drivers for remodeling, an area that has seen a lot of activity during the last three years. Certainly, the COVID period has been a factor in driving home improvement. Remodeling drives work across many of the categories such as construction, painting, electrical, and plumbing. We wanted to understand the drivers of remodels, such as keeping up with latest trends. We found that 25–44-year-olds had a significantly higher interest in keeping up with the latest style and trends based on top 2 box score of 41% compared to older cohorts who scored 31% and lower (Exhibit 11). Interestingly, those with incomes between \$100k-\$199k also had the highest top 2 box interest of 37%, illustrating that middle-income households could be a continued growth driver in this sector. When asked how often consumers spend significantly on a remodeling project (greater than \$20,000), almost 30% have never done a project of that size. However, 16% undertake a significant remodel every three years or less, which translates to a steady stream of sizeable projects in the near term (Exhibit 12). Other factors such as higher interest rates may discourage moving and could continue to provide remodel interest in the near term.

Exhibit 11 – How important is it to keep your home up-to-date with the latest style and trends?



Ranked importance to stay on-trend, by age / income (Top 2 Boxes, 1-7 scale)

Emerging Services

We wanted to test the interest and usage of several emerging service areas including outdoor kitchen, smart home, holiday & event, and outdoor electronics design & installation. Surprisingly, a good number of respondents have already used these services and found them highly valuable. More notably, outdoor kitchen design & build, and smart home consultation & installation were particularly highly valued by homeowners, both achieving top 2 box scores of 67%. Both outdoor electronics and holiday & event services also had a top 2 box score of greater than 50%, illustrating high satisfaction with those who used them. Looking forward 12 months, there appears to be consistent demand for all services with top 2 box responses of approximately 40% across the board with consumers who have used or considered using the services.

Exhibit 12 – How often do you undertake a significant home remodeling project?

Percentage of total consumers surveyed

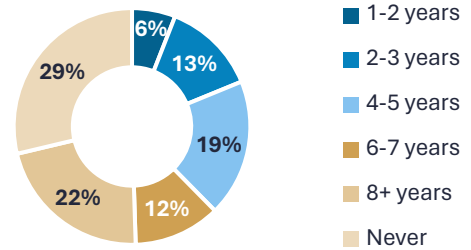
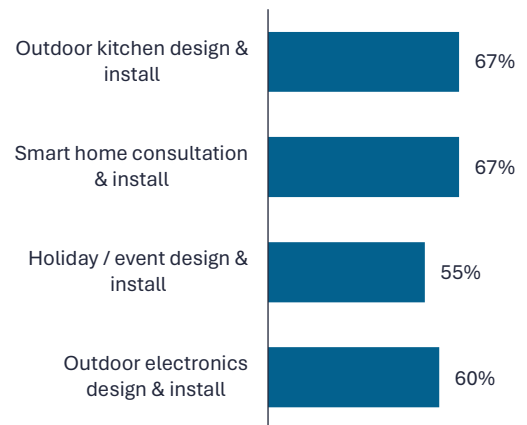


Exhibit 13 – Of those services you have used, how valuable did you find each service outsourced?

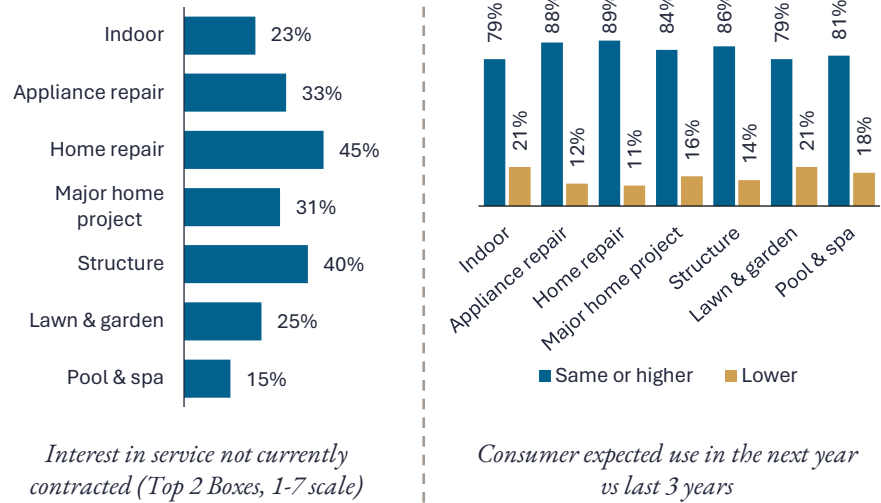


Homeowners' perceived value of contracted service (Top 2 Boxes, 1-7 scale)

Interest Going Forward

Of the DIFM services consumers are not contracting today, home repair and structural services have the highest interest, with 40%+ top 2 box selection (Exhibit 14). Overall, the survey respondents expect their DIFM usage to remain consistent or slightly higher over the next 3 years supported by ~80%+ top 2 box scores, which continues to underscore the resilience of the sector.

Exhibit 14 – Future DIFM service usage



Another driver for industry revenue streams is regular maintenance, membership, or subscription programs. As discussed above, maintenance for lawn & garden or pool & spa is the most common reason for ongoing relationships with DIFM vendors. Even at the low end of usage, categories like appliance repair and home repair have 25-40% of respondents that are using the service, possibly as a monthly or yearly prepaid program. When asked the importance of the service, home repair is the most used and most important by those who use it. While not many contract indoor services, those who do are likely to rank it as highly important (Exhibit 15). Ultimately, respondents seek DIFM services over 40% of the time because they lack the know-how and expertise to do the job, and another 20%+ leverage the services because of the high cost of failure (Exhibit 16). Time and "cost vs my time" only represent a little over 1/3 of responses. The combined responses suggest DIFM services generate distinctive, real value to consumers, underscoring the attractiveness of the sector.

Exhibit 15 – How do the services you outsource rank in importance?

Percent of consumers ranking as "Most important" (Top Box, 1-7 scale)

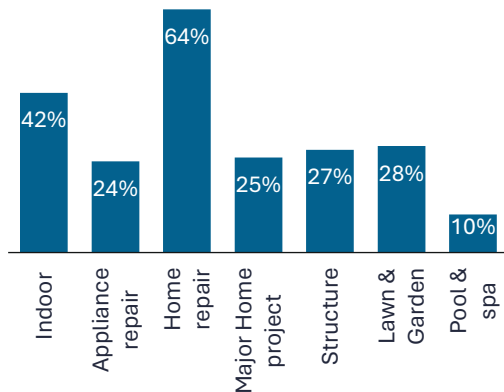
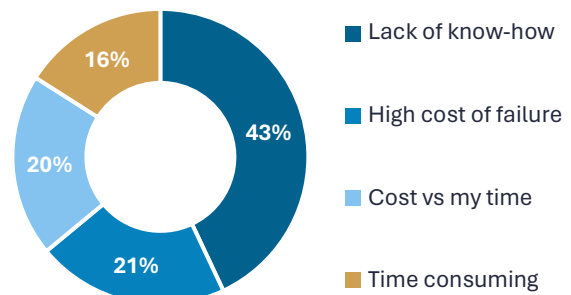


Exhibit 16 – What is the most important reason for you to outsource?

Percent of total consumers identifying as reason for outsource

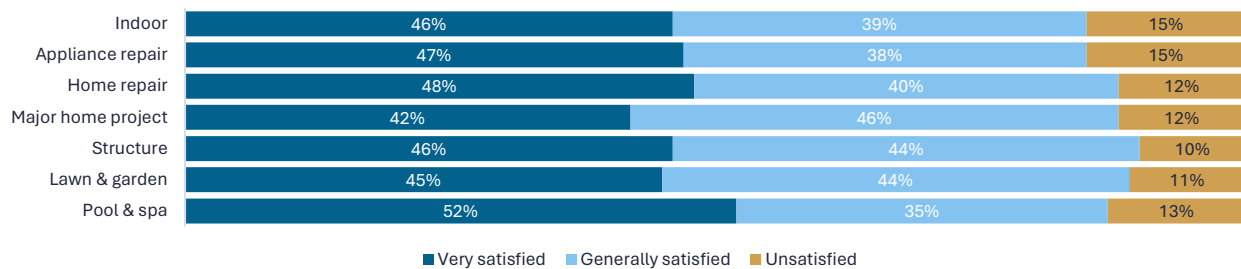


Satisfaction and Awareness

For consumers using regular DIFM services, satisfaction remains moderately high, with top 2 box scores hovering around 45-50% across all categories, with an additional 1/3 of respondents saying they are generally satisfied (Exhibit 17). When asked about continued use, consumers echoed support for their current usage, with less than 12% across the categories voicing significant dissatisfaction that would translate to discontinuing usage. Overall, opportunity remains to increase satisfaction and advocacy given the power of reviews and recommendations in the industry.

Exhibit 17 – What is your experience with regular reoccurring maintenance or membership services?

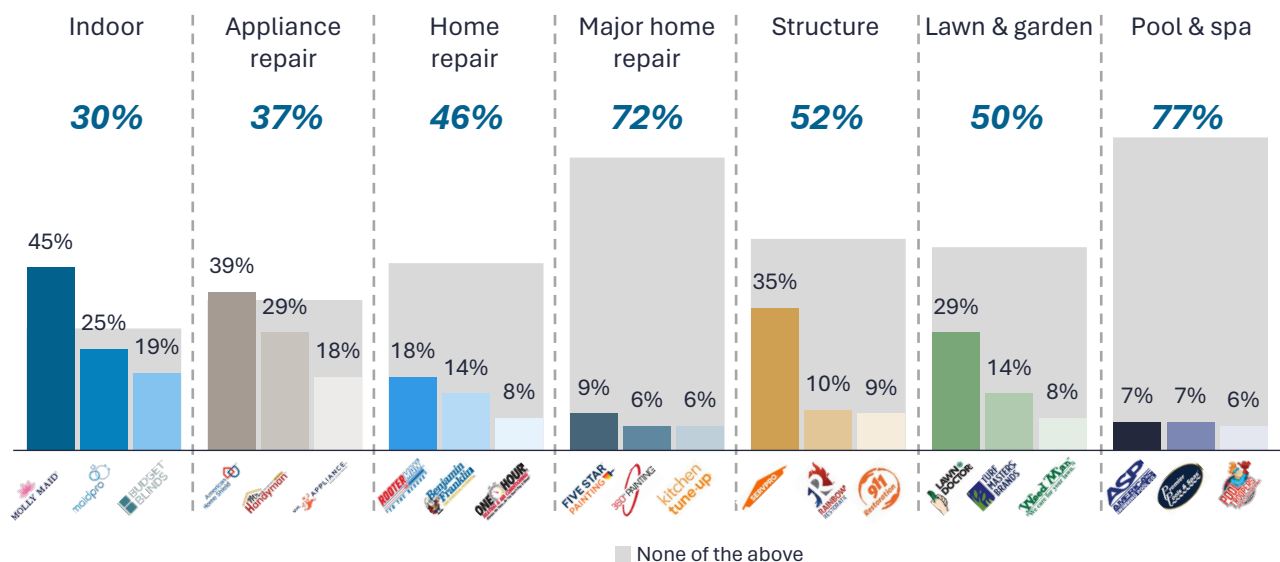
Rated satisfaction of those that use service (1-7 scale)



Because our survey was a national sample, very few brands had outsized awareness, which highlights the opportunity and the challenge (Exhibit 18). When asked who respondents were aware of, a few sector leaders had higher recognition: Indoor – Molly Maid; Appliance repair – American Home Shield; Home repair – RooterMan; Home projects – Five Star painting; Structure – ServPro; Lawn & Garden – Lawn Doctor; Pool & Spa – America’s Swimming Pool. However, awareness of “None of the Above” ranged from 30% in Indoor to 77% for Pool & Spa. For a national audience, the industry remains highly fragmented with regional and local leaders.

Exhibit 18 – Which providers are you aware of?

Percent of people indicating awareness of brand, top 3 results



How to Grow the Residential Services Category

The residential services market has evolved since the days when gaining scale meant growing overhead and creating a lot of operational complexity. At that time, local suppliers were able to compete by increasing service and being nimbler to hold or gain share. Nowadays, market players and investors have more tools at hand, including leveraging technology to market services, manage operations, and even train employees to build competitive platforms. Therein lies some unique opportunities to consider for further growth.

This Old House

According to our respondents, only 15% of them have moved within the past three years. The low rates that such purchasers were able to lock-in within the past three years are no longer available, potentially forcing those who purchased low-rate starter homes into making these houses their “forever homes.” Consumers who did not move within the past three years may also be dissuaded by higher rates and may continue to stay put. Furthermore, nearly 85% of our survey respondents report living in houses that were built over a decade ago. As such, this large, aging housing stock in the U.S. creates a focus on updating existing homes, which allows service providers to gain share and repeat business within a household.

Recurring Services

Given 60-80% of our survey respondents indicating they would either wait as long as they could before switching to DIY or would not give up the service at all, such high customer retention rates can be leveraged to provide revenue stability through contractual or subscription-based offerings when the broader market is volatile.

Emerging Services

Though their houses may be older, consumers are eager to outfit their homes with the latest and greatest in home innovation, but they do not necessarily want to do it themselves. As they reinforce their castles with smart technologies, outdoor kitchens, and holiday/event design, service providers can look to extending these improvements to other areas of the home in order to capture other trends, like the “spathroom,” or the finished garage den that has never seen a drip of oil or a wrench.

Consider Adjacencies

As consumers exhibit a mix of DIFM-contracting across segments, more options exist for adjacent service growth for providers (e.g., electrical to plumbing services, garage door openers to doors, to garage floors and cabinetry).

Brand Management

Recalling that over 80% of survey respondents report being satisfied with their regular reoccurring maintenance or membership subscriptions, and that reviews and family/friend referrals are the top influences in finding a service provider, residential service providers would be wise to leverage these attributes in managing their brands. Acquisition of adjacencies can lead to questions around how to best manage branding going forward, especially in light of the generally low brand awareness across residential service segments.

Opportunities for Partnerships, Investment, and Acquisition

Channel partners offer opportunities for growth locally and nationally, including club, home improvement stores, and insurance companies.

Tried-and-true geographic strategies will continue to bear fruit, with organic or inorganic opportunities fueling growth in the traditionally highly fragmented residential services arena. Continual innovation to provide value-oriented solutions for quick home improvements – such as ADU-in-a-box (accessory dwelling unit) – could stimulate new interest. Such growth levers can create a lower threshold for an initial platform for investors.

As the number of consumers who turn to DIFM residential services continues to grow, several businesses in this sector are in a position to flourish. The industry has experienced significant growth in recent decades and has shown resilience in two out of the three most-recent recessionary periods. Market players and private equity investors have the potential to add value to these businesses by implementing strategies that help build robust industry platforms.

Our research can be leveraged to provide insight into your unique situation. We would be delighted to explore how consumer sentiment may affect your business and what the implications are for financing, valuation, transactions, strategy, and priorities.

About Lazard

Founded in 1848, Lazard is one of the world's preeminent financial advisory and asset management firms, with operations in North and South America, Europe, the Middle East, Asia, and Australia. Lazard provides advice on mergers and acquisitions, capital markets and capital solutions, restructuring and liability management, geopolitics, and other strategic matters, as well as asset management and investment solutions to institutions, corporations, governments, partnerships, family offices, and high net worth individuals. For more information, please visit www.lazard.com.

Lazard's Consumer Services Team

Lazard has financial advisory specialists throughout the world with experience and relationships in the consumer services industry. These bankers have played key advisory roles in some of the most important, complex, and industry-defining transactions. Our transactions are award-winning, strategic, and often, cross-border. We have built our reputation advising firms like yours.

We welcome the opportunity to share our views on consumer services M&A trends, your specific business attributes, and potential strategic alternatives in this dynamic marketplace. We are available to connect at your convenience.



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About CH Consulting Advisors

CH Consulting Advisors is a boutique strategy consulting firm focused on the consumer and retail industry. We advise leading private equity, consumer, and retail companies in corporate and portfolio growth strategy and buy-side and sell-side diligence. CH Consulting Advisors brings deep analytics, extensive industry experience, and flexible approach to working with executive teams, boards, and investment teams. Our senior leaders are deeply involved with every effort.



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Consumer Goods & Retail

Decades of consumer and retail industry specialization and knowledge across every major segment

Private Equity Advisory

Expertise across investment cycle: buy and sell side diligence, portfolio strategy from lower middle market through the bulge bracket

Analytical Toolkit

Proprietary analytic approaches to consumer issues like brand loyalty, digital engagement, and growth vectors

Growth Strategy Expertise

Planning and prioritization process has helped dozens of middle market and global companies ignite growth

Senior Involvement

Our leaders are involved in driving the thinking and delivering seasoned practical insights leveraging 80 years of industry experience

Flexible and Expandable

Customized assessment approach for targeted or expansive scopes that leads to shareholder, board, executive and investor confidence

Consumer Pulse Survey Methodology

A typical Lazard and CH Consulting Advisors Consumer Pulse Survey is designed to capture a snapshot of the current consumer sentiment in the United States related to a certain topic within the consumer industry. Such a survey is designed and implemented to minimize total survey error.

Lazard and CH Consulting Advisors contracted a third-party market research company to conduct the survey online in the United States to a sample of U.S. adults ages 18 and older. Panel members are recruited by the third-party market research company, and survey questionnaires are taken via self-administered online surveys.

Our survey audience is balanced to be representative of the United States Census on gender, age, income, and ethnicity. We screen out panel respondents not residing in the United States or under the age of 18. This survey, No Place Like Home, included 1,200 qualified respondents.

Lazard and CH Consulting Advisors develop the survey questionnaire by leveraging our industry expertise, monitoring what is taking place in the market, and focusing on what we believe may be relevant to entrepreneurs, financial sponsors, and corporations.

Lazard and CH Consulting Advisors retain the questionnaire with all the questions from this survey with the exact question wording and response options as presented to respondents, as well as the results from the survey. This published Consumer Pulse Survey does not represent all of our ultimate findings. Instead, the responses can potentially be reviewed to provide insight into your company's unique or specific concerns. We would be delighted to explore how consumer sentiment may affect your business and the potential implications for financing, valuation, transactions, strategy, and priorities.

Disclaimer

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