



Upgraded Closet Rental Impact Survey Analysis

Prepared for ClosetMaid LLC.

April 2017

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Introduction and Methodology

- **Introduction:** In this report, Hanover Research presents the results of a survey conducted on behalf of ClosetMaid LLC. ClosetMaid is interested in examining whether upgraded closets drive rental interest and higher rental prices.
- **Methodology:** In order to address ClosetMaid's research questions, Hanover conducted a choice-based conjoint (CBC) study. Hanover tested the different apartment features to understand whether upgraded features are preferred, how different features interact, and how different feature combinations influence rental prices. To qualify for the survey, respondents had to be 18 or older, reside in the US, not work for market research or advertising companies, currently be renting their home for \$800 or more, and have some decision making authority over household purchases.
- **Sample Size:** After data cleaning, Hanover analyzed 826 complete survey responses.
- **Segmentations:** This report presents aggregate and select segmented results.
 - Segmented results are presented when meaningful, statistically significant differences exist between two or more groups at the 95% confidence level.
 - Statistically significant differences between segments are noted with a column letters next to the corresponding data labels.
 - Full aggregate and segmented data are available in the online data supplement.

Summary

Upgraded closets appeal to potential renters, but they are not the primary consideration for apartment rental decisions. Appliances, apart from the monthly rent amount, were the most important apartment feature potential customers would consider when deciding an apartment rental. While potential customers are willing to pay slightly more rental fees with just upgraded closets (+1.73 percent), offering it in combination of upgraded closets and appliances leads them to be willing to pay substantially more additional rental fees (+6.35 percent), which is comparable to the amount they are willing to pay for all upgraded apartment rental (+7.1 percent). This considerable preference and willingness to pay additional rental fees for upgraded appliances (vs. closets) could be partly due to the higher price tag and visibility of appliances.

Many potential customers consider upgrading their closet spaces, despite closets not being the most influential feature. Among one in three potential customers who are looking to purchase home improvement products, closet spaces are one of most considered home spaces they are looking to upgrade.

Key Findings

- **On average, respondents are willing to pay 1.73% above their current rental price for upgraded closets. This translates to an upgrade value of \$28 when the base rent price is \$1,600.** When upgraded appliances are included along with upgraded closets, the amount potential customers are willing to pay jumps to 6.35% (\$51 to \$286 additional fee in the current sample) – this is comparable to the amount they are willing to pay for an apartment rental with all upgraded features (7.1% higher rental fees).
- **A review of upgraded closet configuration costs may help pinpoint the closet system/rental price band combination that is most appealing to builders.** Additionally, a willingness to pay a slightly higher rent is indicative of a preference for upgraded closets generally, which could be useful for property management companies and developers in highly competitive rental markets to more quickly lease units.

Current Monthly Rental	Price Lift with Upgraded Closets (+1.73%)
\$800	\$14
\$1,000	\$17
\$1,200	\$21
\$1,400	\$24
\$1,600	\$28
\$1,800	\$31
\$2,000	\$35
\$2,200	\$38
\$2,400	\$42
\$2,600	\$45
\$2,800	\$48
\$3,000	\$52

Key Findings

- **Apart from monthly rent, appliances are the most important upgraded apartment feature that potential customers consider when selecting an apartment rental, followed by closets.** When offered options of upgraded closets, appliances, and lighting at the same rental fees, potential customers prefer the upgraded appliances option the most, followed by the upgraded closets option. Moreover, potential customers are most willing to pay an additional fee in their monthly rent for upgraded kitchen option that includes upgraded appliance finishes (45 percent), followed by better utilized storage spaces with better closet spaces (42 percent).
- **Upgraded closet preferences tend to differ by age, current rental fees, gender, marital status, and area of residence.** Younger, female, married, or rural customers tend to prefer upgraded closets more than older, male, non-married, or suburban customers. Potential customers who pay mid-range rental fees are less likely to be influenced by upgraded closets in their rental decisions. This may be because those who pay higher rental fees tend to already live in an apartment rental with upgraded closets.

Key Findings

- **Potential customers prefer to upgrade their closets to make a better use of their closet spaces over personalizing them.** Forty-two percent of potential customers are willing to pay an additional amount of monthly rental for better utilized storage spaces, while 32 percent are willing to pay extra for personalized storage spaces.
- **The majority of potential customers interested in home improvement are looking to better organize their closet spaces.** One in three potential customers (37 percent) are currently interested improving their homes. Apart from bedroom spaces, these potential customers are interested in organizing their closet spaces (56 percent) and purchasing home organization products (63 percent).

UPGRADED FEATURE PREFERENCES

Conjoint Methodology

- Hanover Research tests the influence of attributes shown here and preference for attribute levels by using a choice-based conjoint study.
- Respondents are shown four hypothetical options at a time, each made up of a randomized combination of attribute levels. They are then asked to participate in a choice task, where they have to choose which option they would be most likely to purchase, if any. Each respondent was shown eight different hypothetical choice tasks.
- This approach allows Hanover to model consumer behavior in real-life purchasing scenarios.

Attributes	Levels
Closets	Standard
	Upgraded
Appliances	Standard
	Upgraded
Lighting	Standard
	Upgraded
Monthly Rent*	- 15%
	- 10%
	- 5%
	0%
	+ 5%
	+ 10%
	+ 15%

* Levels of the monthly rent attribute were calculated and displayed based on each respondent's self-reported current monthly rent amount.

Conjoint Methodology

- This is an example from the conjoint exercise.



**If these were your only options for a home or apartment rental the same size and location as your current one, which would you choose?
Choose by clicking one of the buttons below:**

(1 of 8)

Closets	Standard: Master Walk-in and bedroom closets have a single row of shelf and hang space. Pantry and linen closets have 4 shelves.	Upgraded: Better utilized closet or storage spaces <i>i.e. Walk-in closet with double shelves and hang space and tower of shelves. Pantry and linen closets have deeper shelves, laundry area.</i>	Standard: Master Walk-in and bedroom closets have a single row of shelf and hang space. Pantry and linen closets have 4 shelves.	Upgraded: Better utilized closet or storage spaces <i>i.e. Walk-in closet with double shelves and hang space and tower of shelves. Pantry and linen closets have deeper shelves, laundry area.</i>	NONE: I wouldn't choose any of these.
Appliances (Kitchen refrigerator, oven, dishwasher/Laundry washer/dryer)	Standard: Basic white on white appliances	Upgraded: State of the art stainless steel appliances	Standard: Basic white on white appliances	Upgraded: State of the art stainless steel appliances	
Lighting	Upgraded: Designer style, on-trend ceiling light fixtures	Standard: Ceiling fan with integrated lights, basic	Standard: Ceiling fan with integrated lights, basic	Upgraded: Designer style, on-trend ceiling light fixtures	
Monthly Rent	\$1020	\$1140	\$1380	\$1380	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Interpreting Conjoint Results

Based on respondents' selections, Hanover analyzes the data in three ways:

- **Importance of Features**

- Based on respondent preferences, Hanover calculates the relative importance of the overall attributes. Each attribute has an importance score that denotes its level of influence on what choices respondents make. These scores sum to 100%.

- **Feature Preferences**

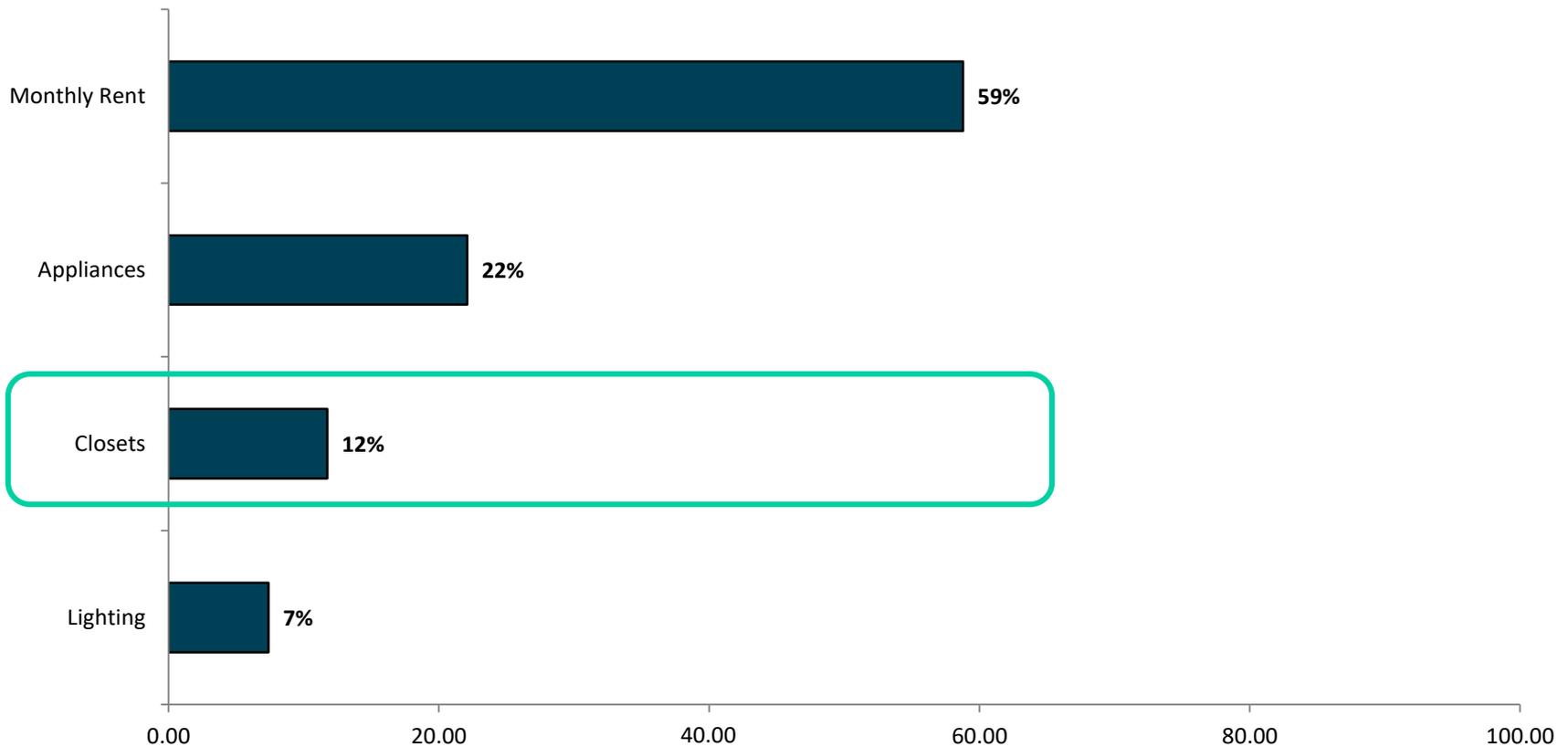
- Hanover calculates preference scores for each attribute level, which show us which levels respondents prefer within each individual attribute. Higher scores denote higher respondent preference, while lower scores denote lower respondent preference.

- **Product Testing**

- While the analyses described above show the relative importance and influence of the various attributes and their levels, it is also pertinent to understand how those attributes interact. Product testing addresses that question by using market simulations to test various hypothetical combinations against each other. In doing so, we can see how attributes interact to affect respondent preferences.

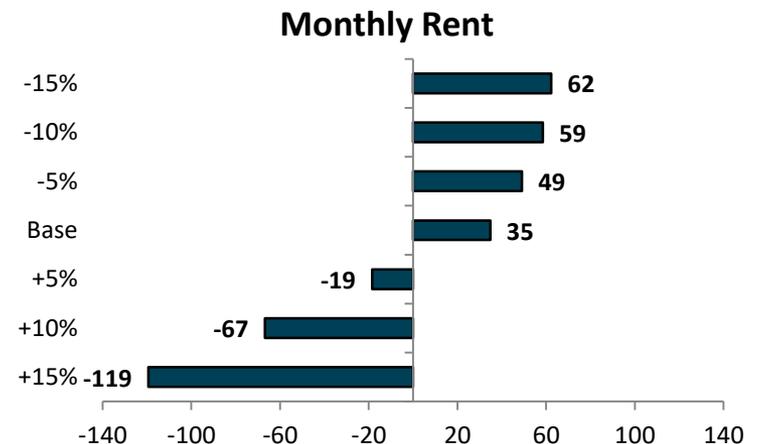
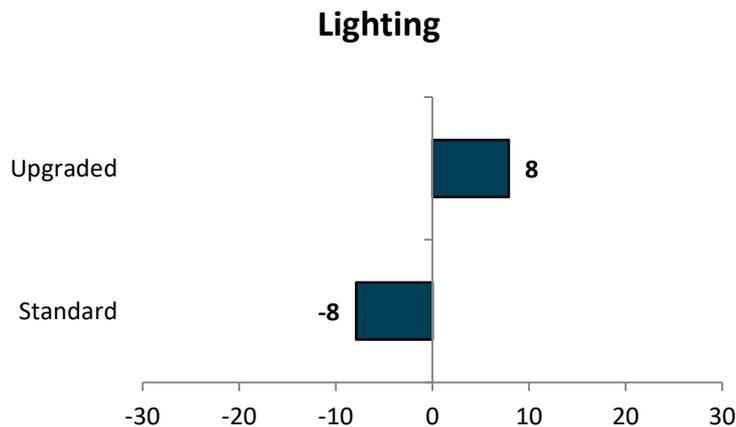
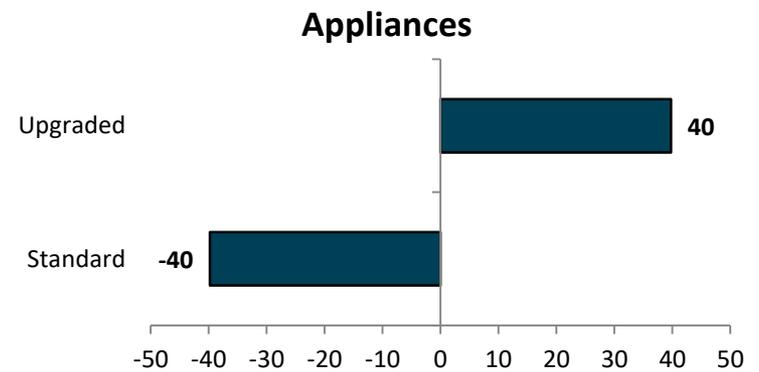
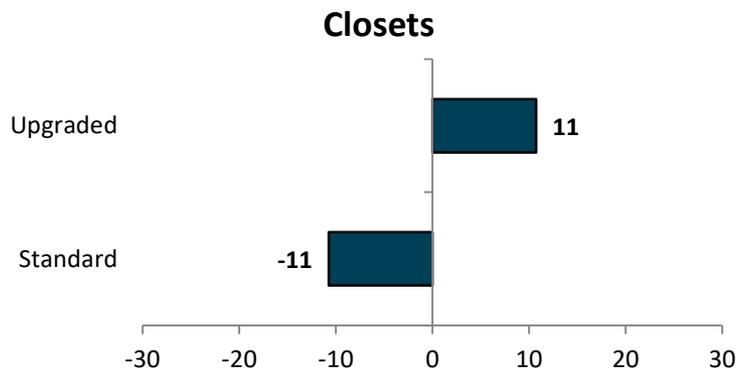
Importance of Features

- Monthly rent is the most important attribute, accounting for over half of respondents' decision making.
- Appliances are the second most important feature, followed by closets.
- Lighting has the lowest relative importance in the rental decision-making process.



Feature Preferences

- Unsurprisingly, respondents prefer upgraded features in an apartment rental over standard.
- Respondents are more sensitive to the rental price increase than decrease - the drop in purchase decisions as the rental price increases is sharper than the increase in purchase decisions with the rental price decrease.



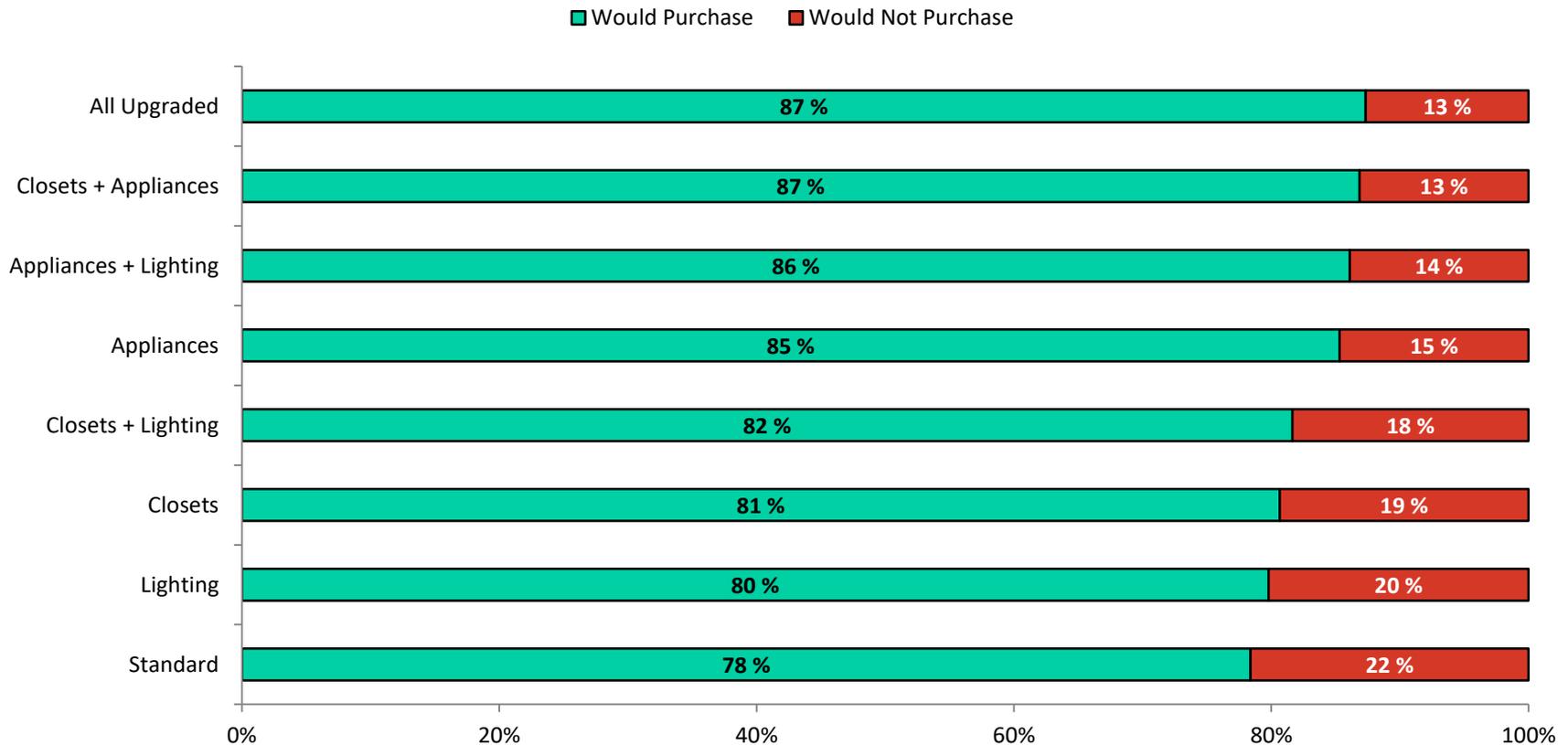
Q: Conjoint Exercise; n=826

* This analysis shows which levels respondents prefer within **each individual attribute**. Although these scores are scaled, they are **not** relative and can't be compared as ratios across different attributes.



Product Testing – Effect of Feature Upgrades on Purchase Decisions

- A closet upgrade increases the percentage of respondents who would rent the apartment rental by 3 percentage points from the standard apartment rental.
- An upgrade in appliances substantially increases the percentage of respondents who would rent the apartment rental.

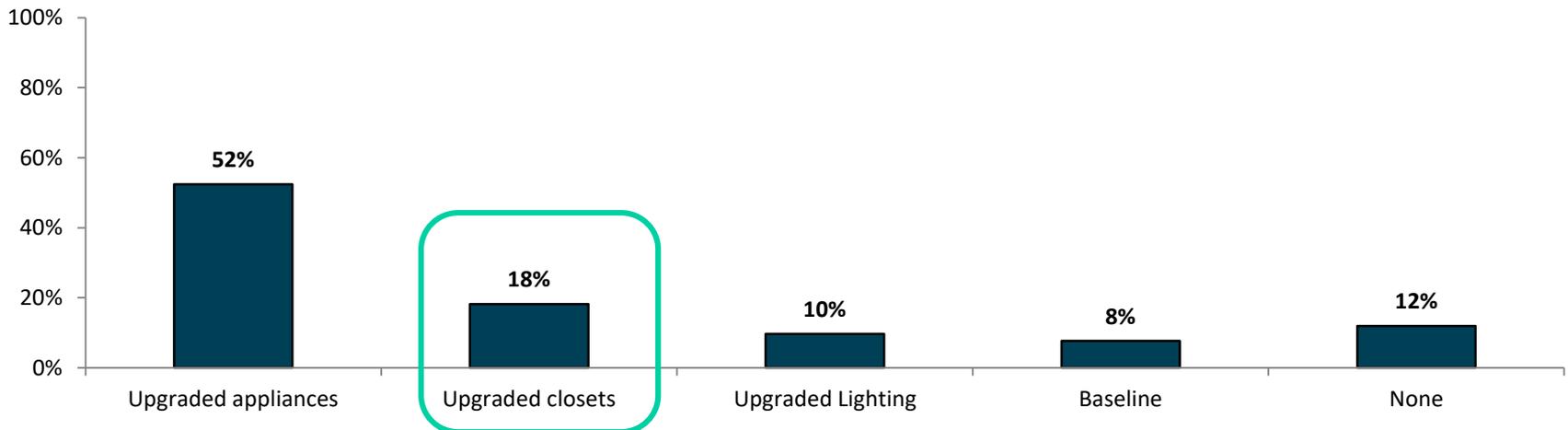


Note: The monthly rent is held constant at the current rent amount.
Q: Conjoint Exercise; n=826

Product Testing – Preference Share by Upgraded Feature Combinations

- When offered the options below, respondents prefer the upgraded appliances rental option. The upgraded closets option is the second most preferred.

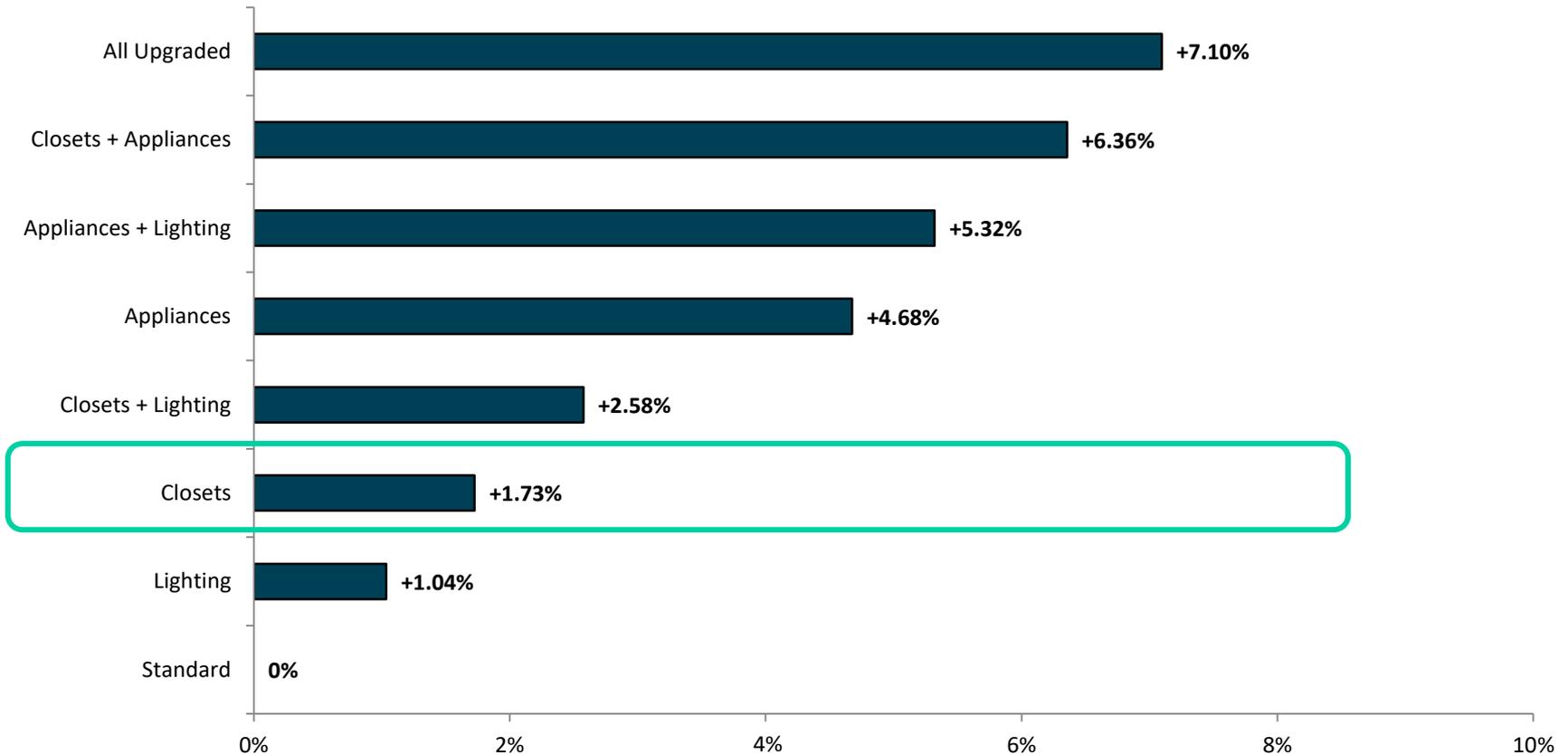
	Baseline	Upgraded Closets	Upgraded Appliances	Upgraded Lighting
Closets	Standard	Upgraded	Standard	Standard
Appliances	Standard	Standard	Upgraded	Standard
Lighting	Standard	Standard	Standard	Upgraded
Monthly Rent	Base	Base	Base	Base



Product Testing – Price Lift

- When upgraded closets are included in the rental apartment, respondents are willing to pay 1.73 percent more than what they currently pay.* However, when upgraded appliances are included along with upgraded closets, the amount willing to pay more jump by almost 5 percent (6.35 percent).

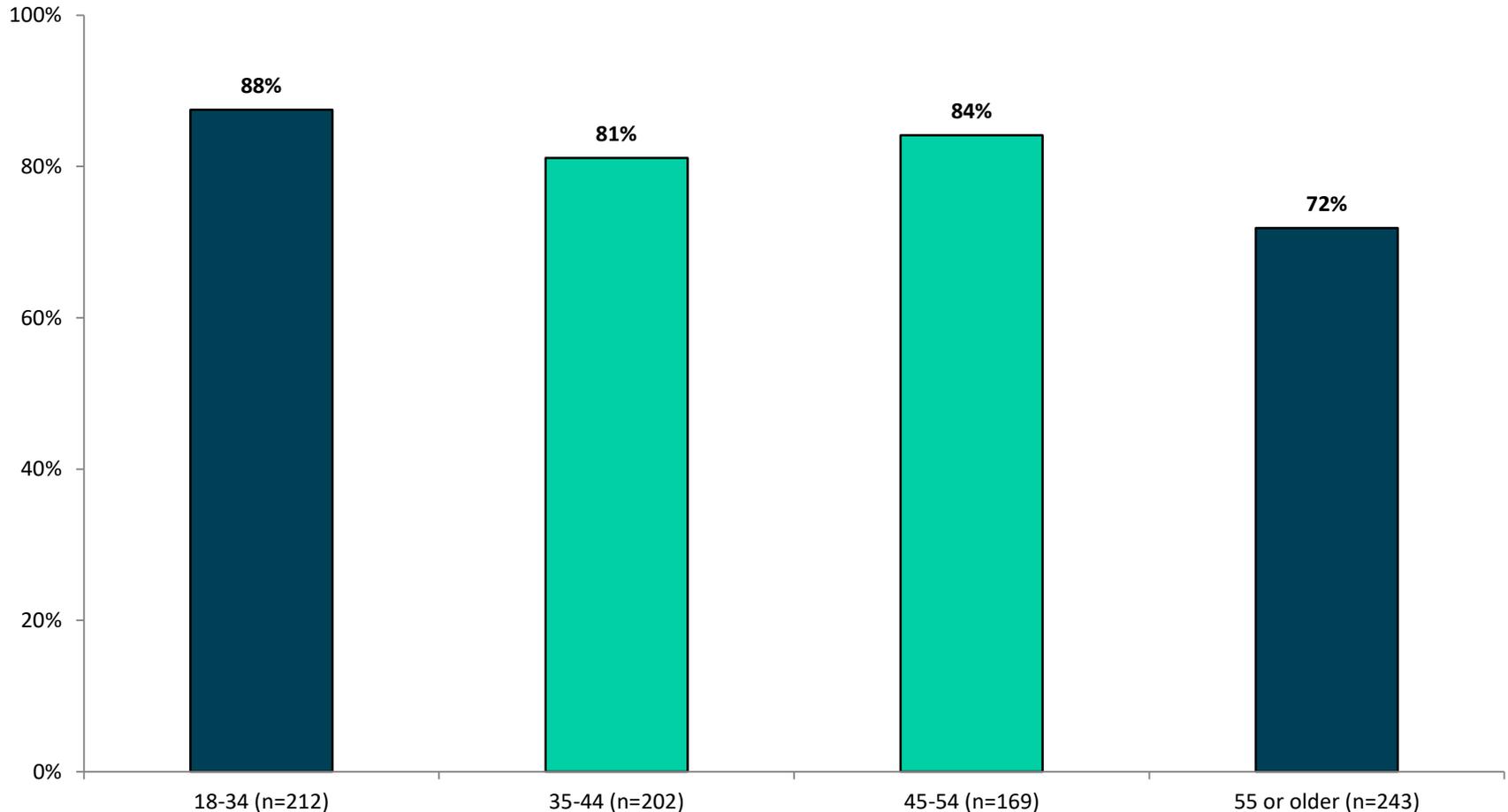
Price Lift



Product Testing – Effect of Upgraded Closet on Decision to Purchase

Segmented by Age

- Upgraded closets are more influential to younger respondents (age of 18 to 34) than older respondents (age of 55 or older).

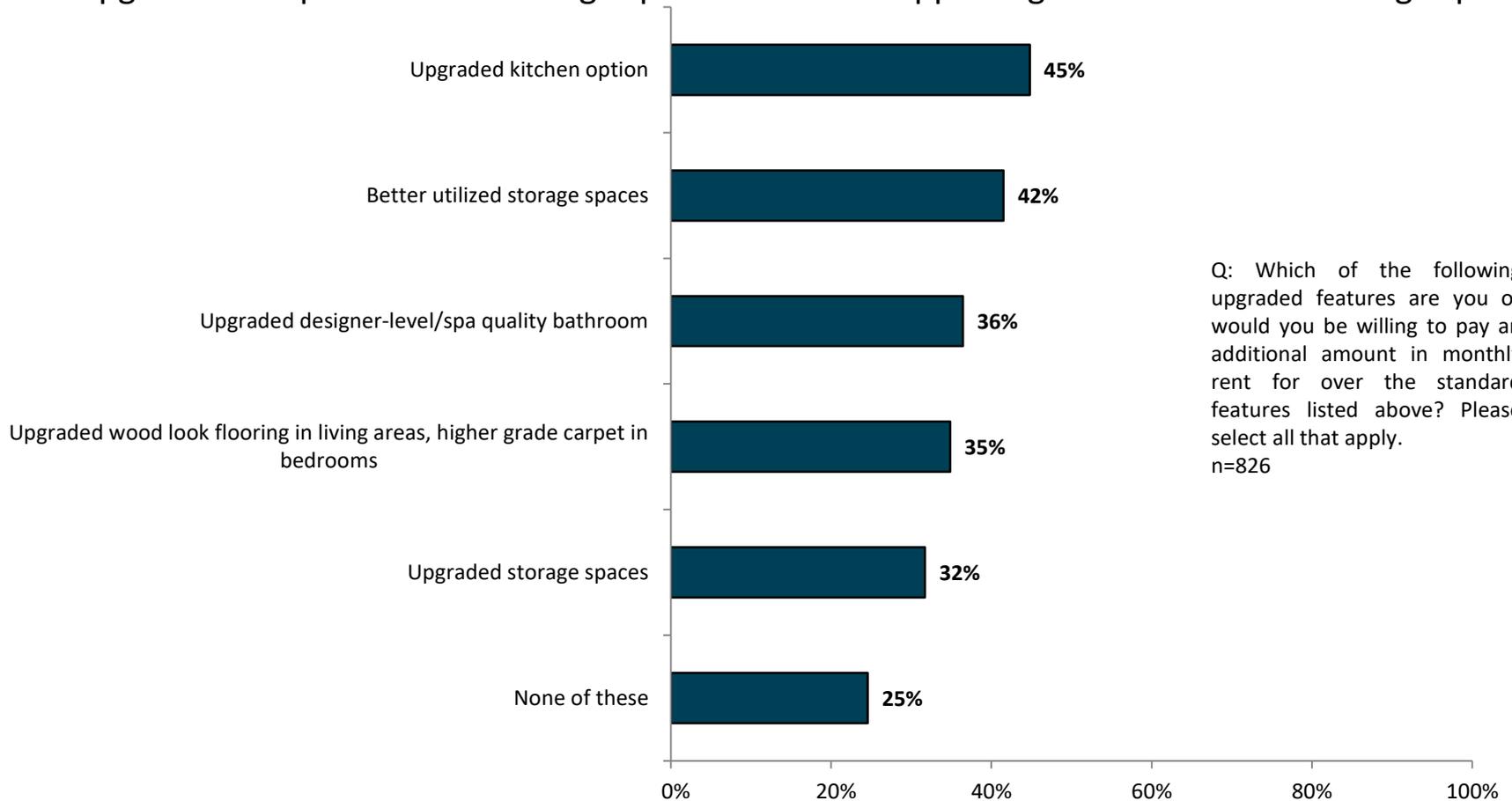


Note: The monthly rent is held constant at the current rent amount.
Q: Conjoint Exercise; n=826



Upgraded Feature Preferences

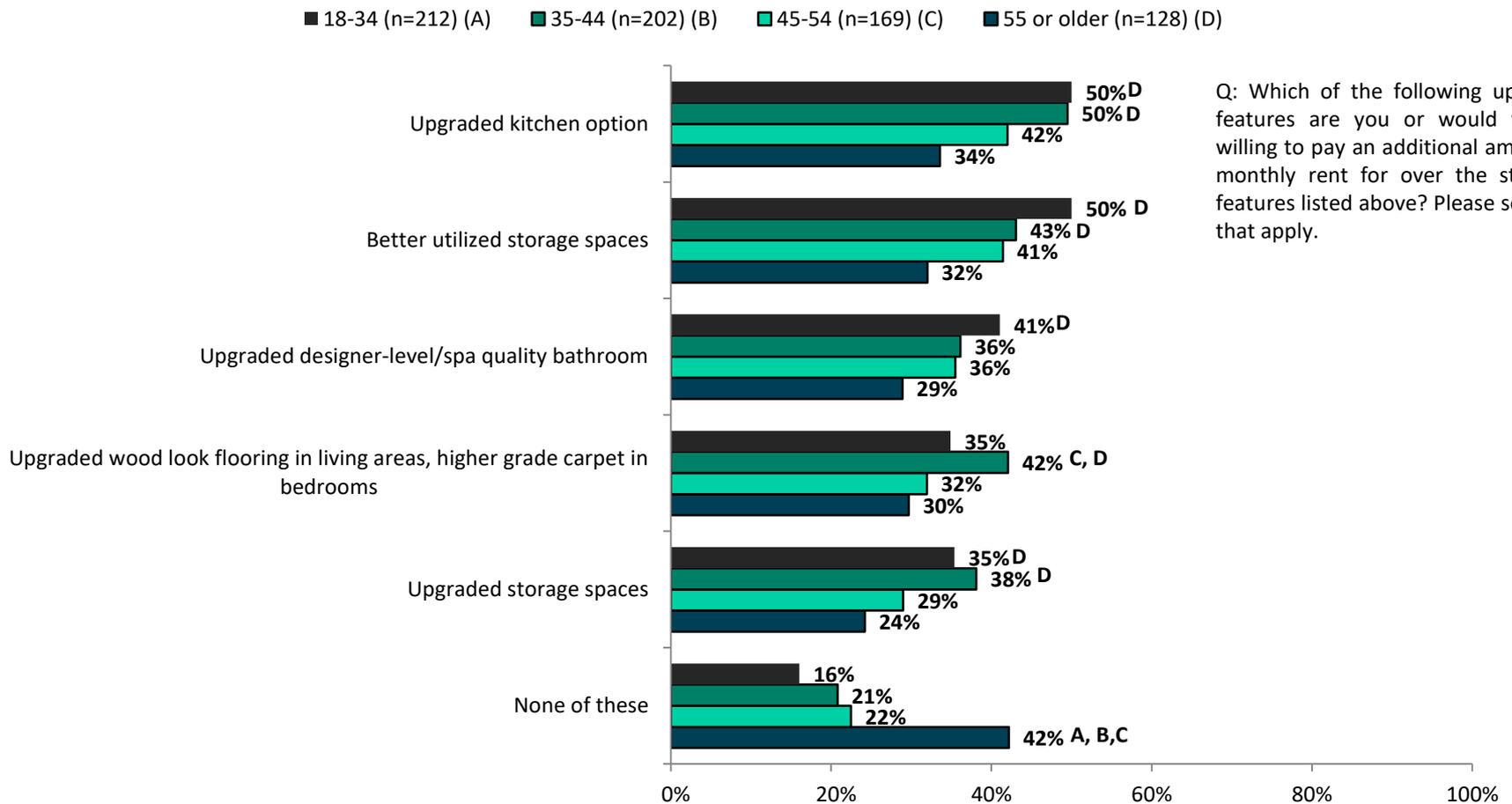
- Respondents are most willing to pay additional monthly rent for upgraded kitchens with upgraded appliances, and better utilized storage spaces including walk-in closets.
- Upgraded and personalized storage spaces are not as appealing as better utilized storage spaces.



Upgraded Feature Preferences

Segmented by Age

- Younger respondents are more likely to be interested in upgraded apartment rental features than older respondents are. Respondents in the age of 55 or older tend not to be interested in any upgraded apartment rental features.

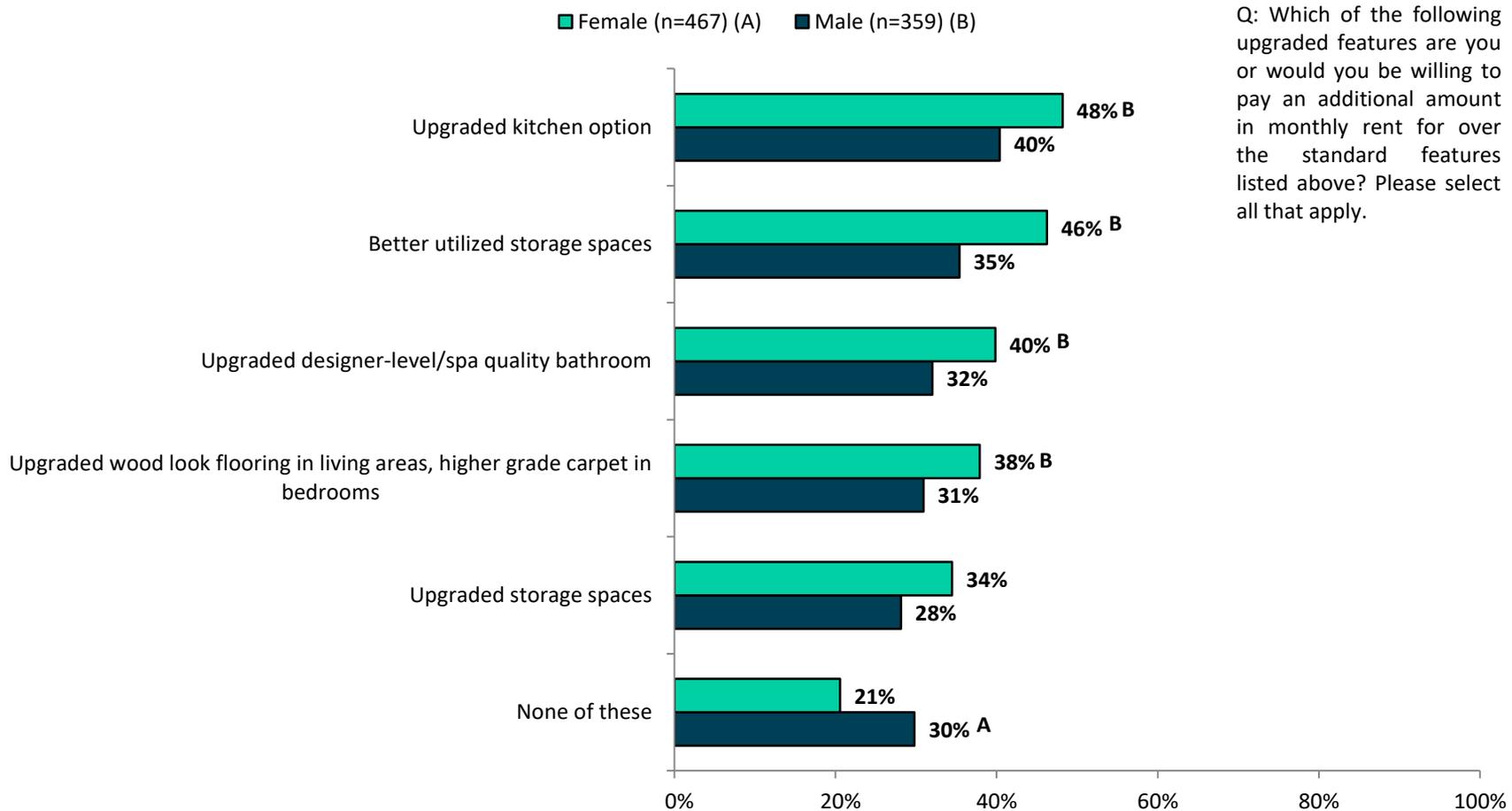


Q: Which of the following upgraded features are you or would you be willing to pay an additional amount in monthly rent for over the standard features listed above? Please select all that apply.

Upgraded Feature Preferences

Segmented by Gender

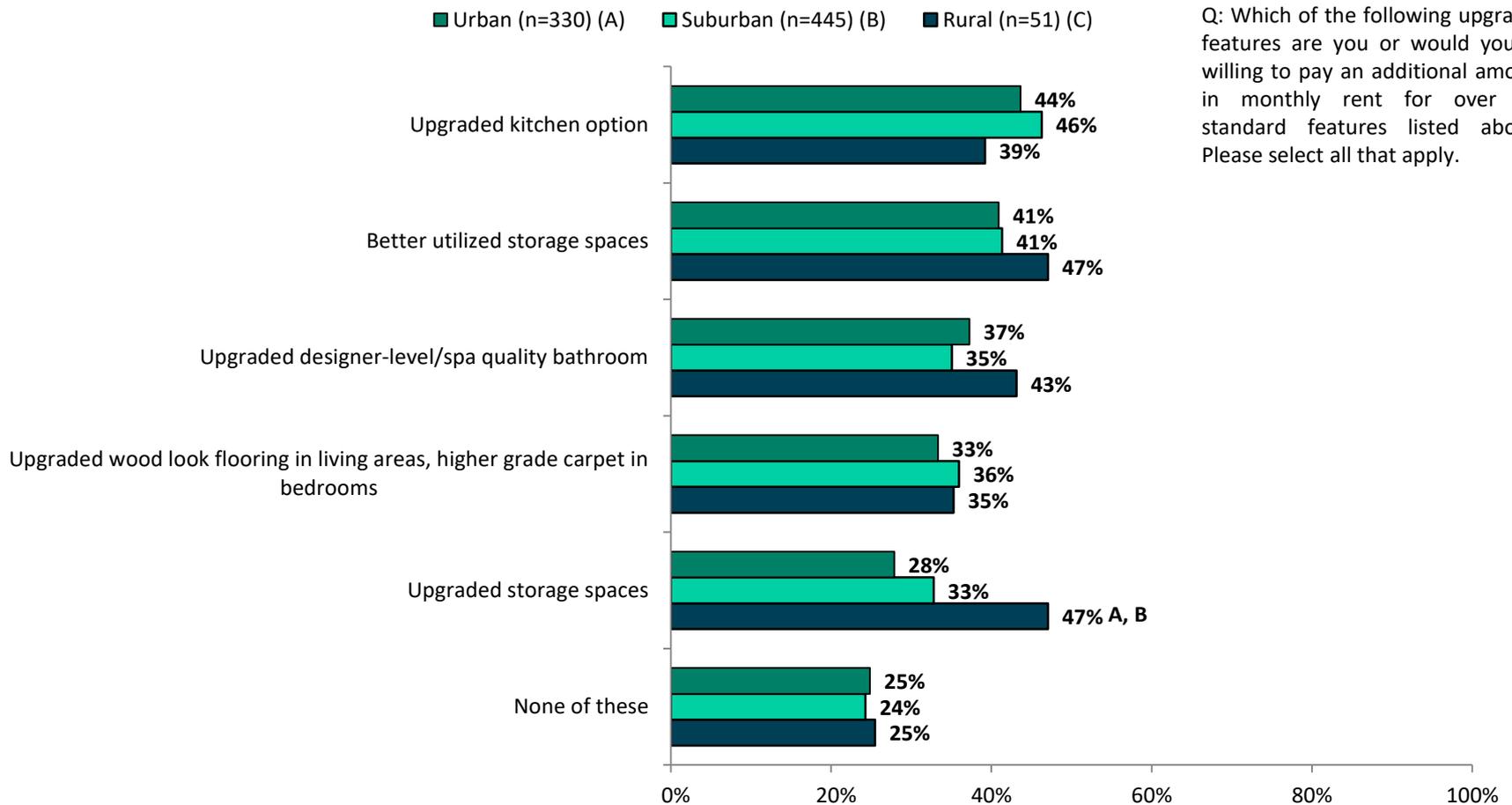
- Compared to males, females are more likely be interested in upgraded features in general.



Upgraded Feature Preferences

Segmented by Area of Residence

- Respondents residing in rural areas tend to prefer upgraded storage spaces more than those residing in urban or suburban areas.

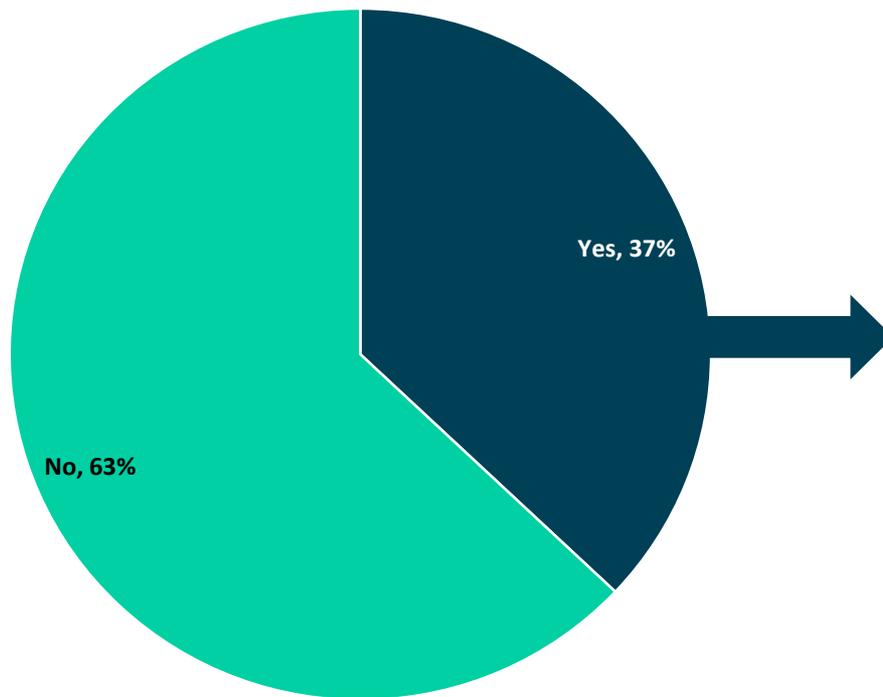


HOME IMPROVEMENT INTEREST

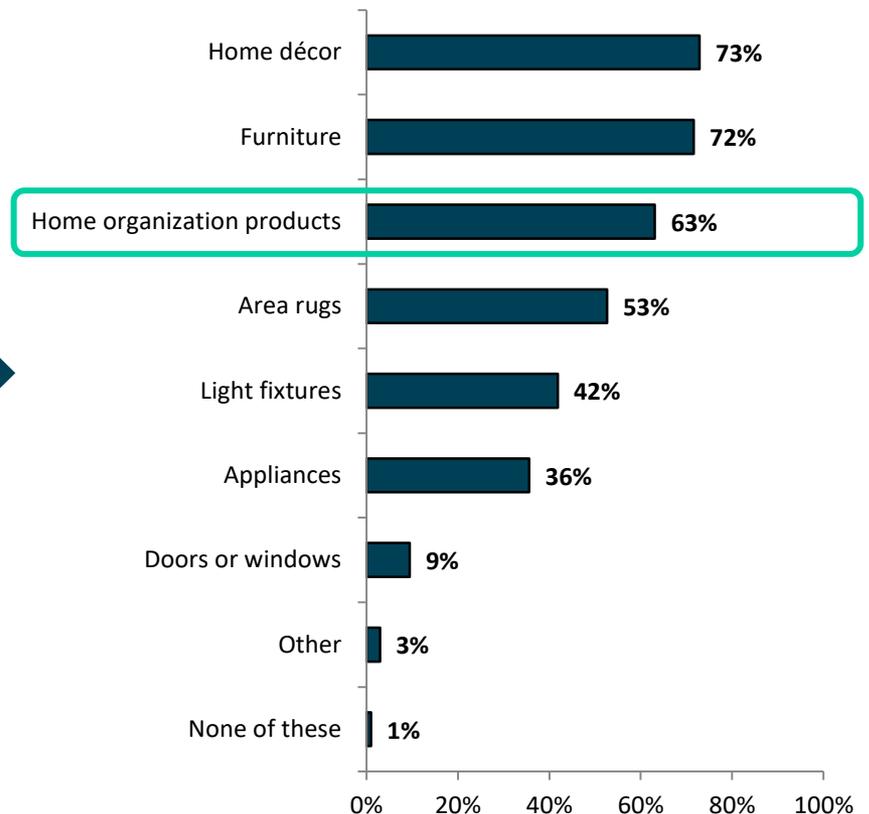
Home Improvement Interest

- Over one-third of respondents are interested in home improvement products. These respondents are most interested in purchasing home décor, furniture products, and home organization products including closets for their home improvement projects.

Currently in the Market for Home Improvement



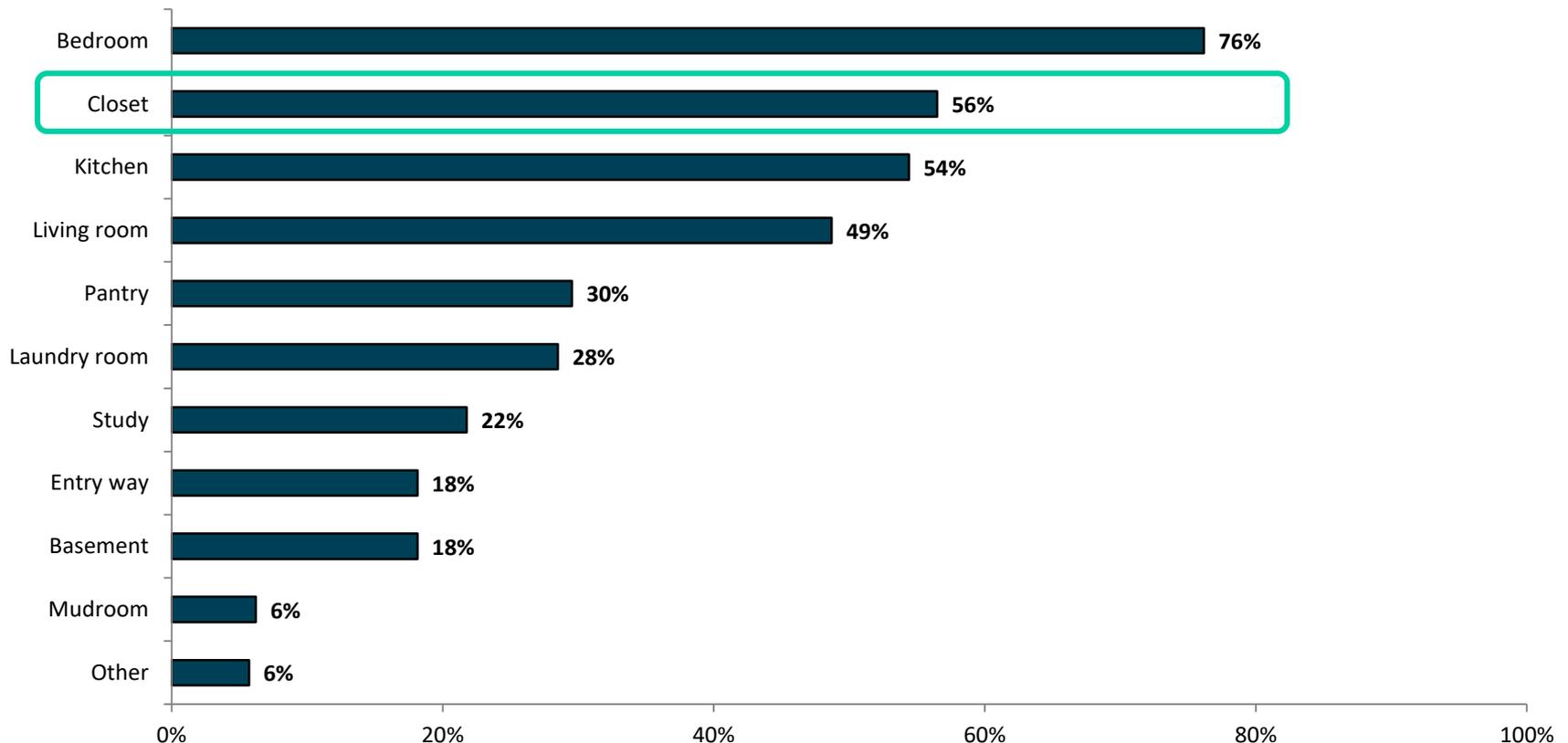
Current Home Improvement Purchase Interest Among respondents currently in the market for home improvement



Organization Needs

- Closet spaces are the second most considered home space respondents are currently interested in purchasing home organization products for, following after bedroom spaces.

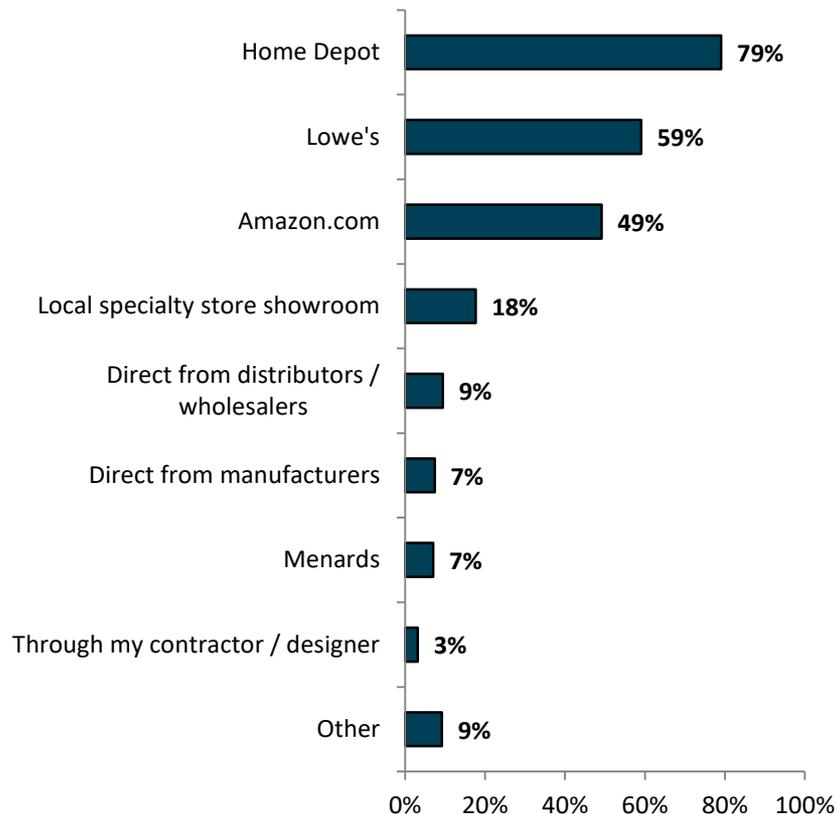
Rooms in Need of Organization
Among respondents currently interested in purchasing home organization products



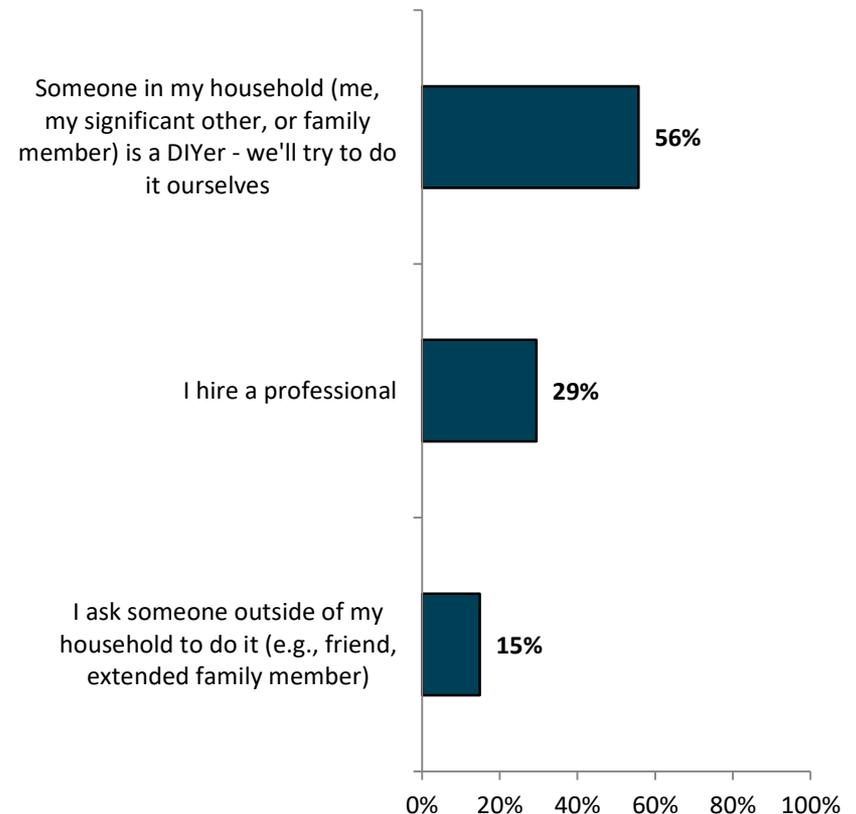
Home Improvement Approach

- Home Depot, Lowe's, and Amazon.com are the most popular source of home improvement product purchase.
- Over half of respondents have someone in the household who can work on home improvement projects.

Home Improvement Product Store



Home Improvement Approach



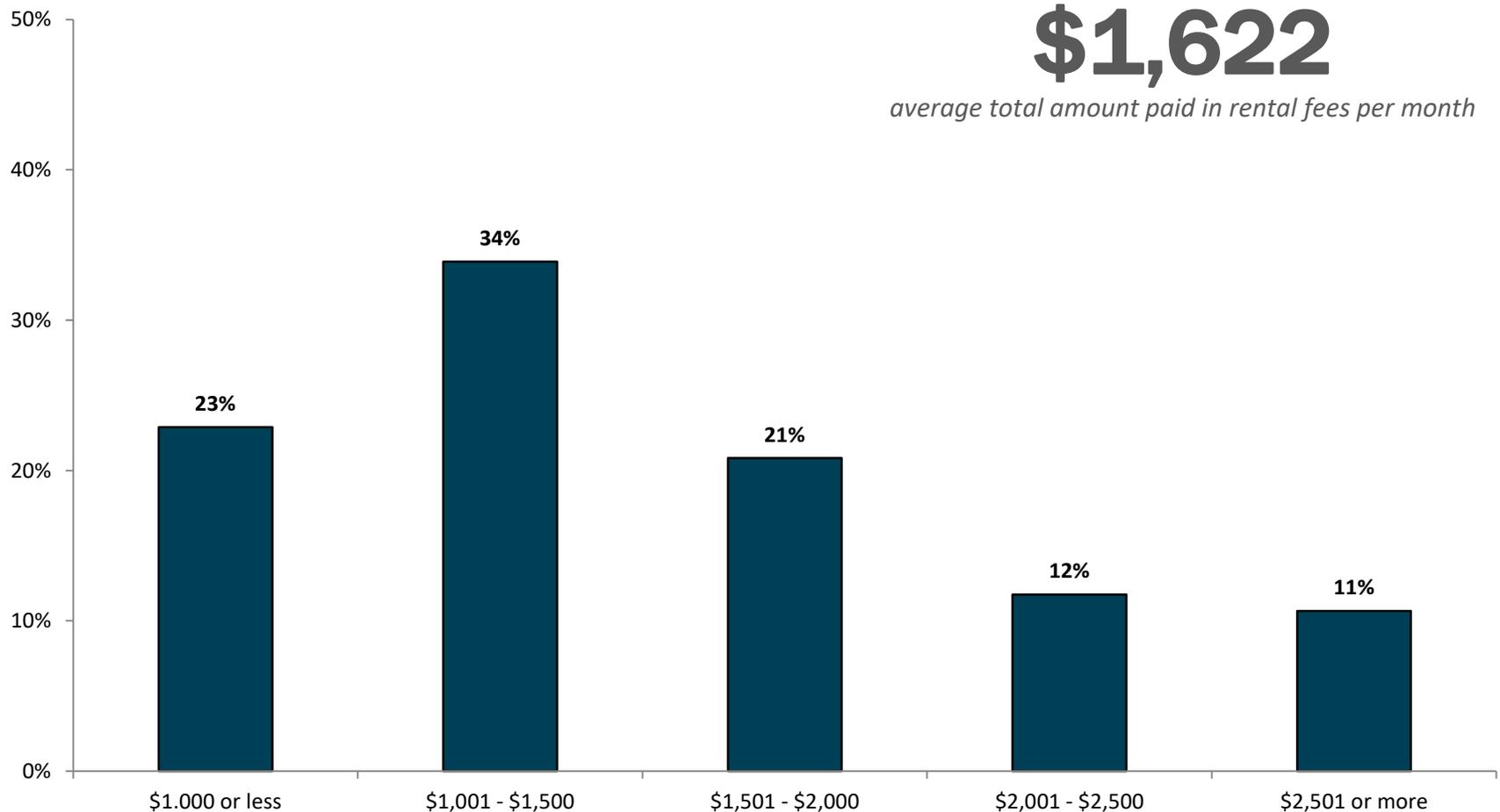
Q: Where do you shop for home improvement products? Please select all that apply.

Q: How do you typically approach home improvement projects?
n=826



Current Rent

- Over half of respondents (57 percent) pay \$1,500 or less for their current monthly rental fees.



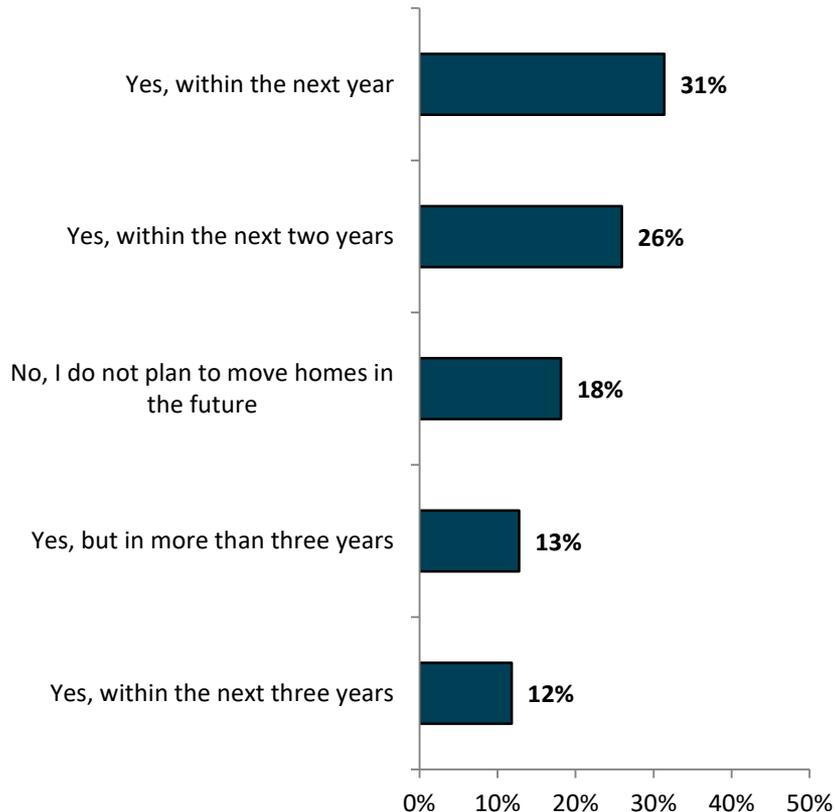
\$1,622

average total amount paid in rental fees per month

Plan to Move in the Future

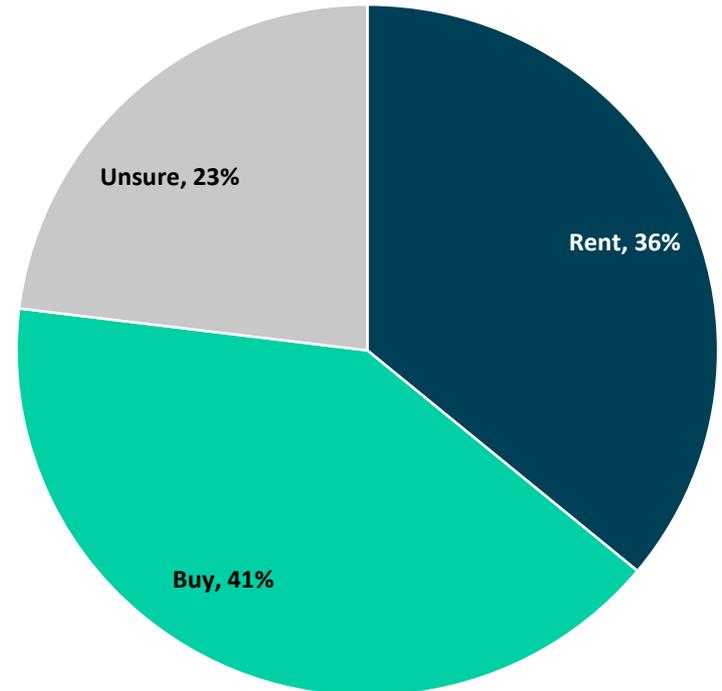
- Over three-quarters of respondents plan to move in the future.
- Among respondents who are interested in moving, about one-third are likely to rent their next home.

Plan to Move Home



Next Home Type

Among respondents who plan to move in the future



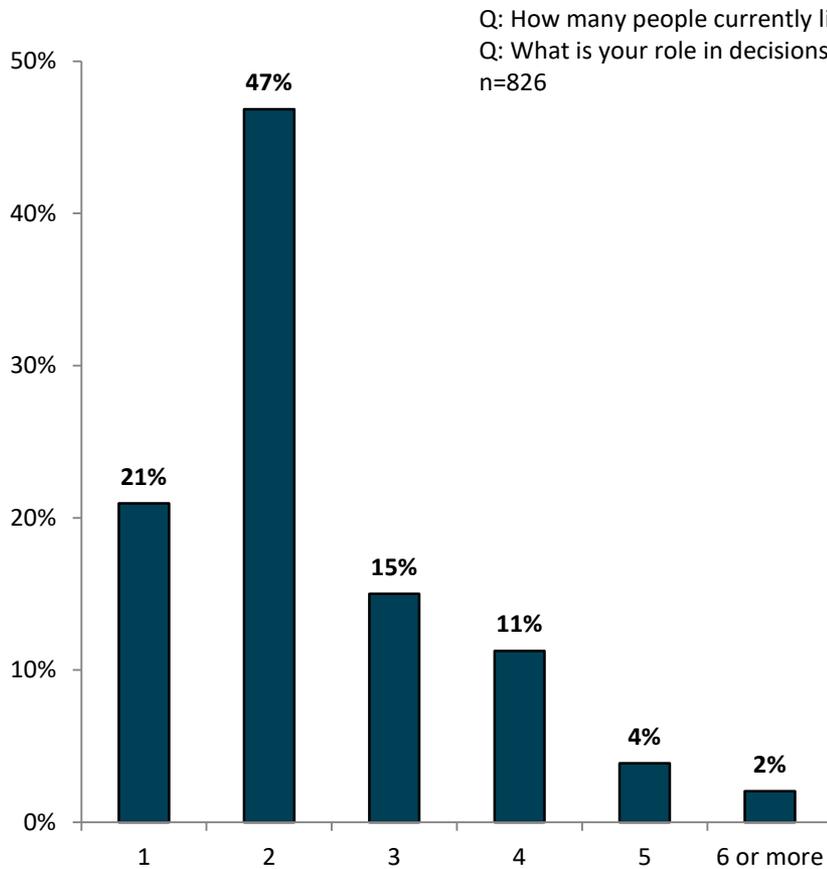
Q: Are you planning to move homes in the future? n=822

Q: Do you think you are more likely to rent or buy your next home? n=672

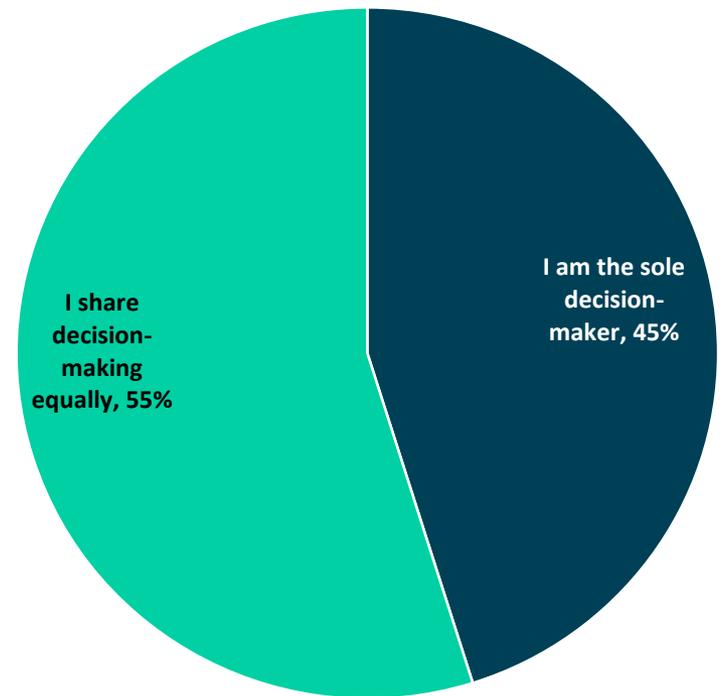
RESPONDENT CHARACTERISTICS

Respondent Characteristics

Number of Residents



Decision-making Role

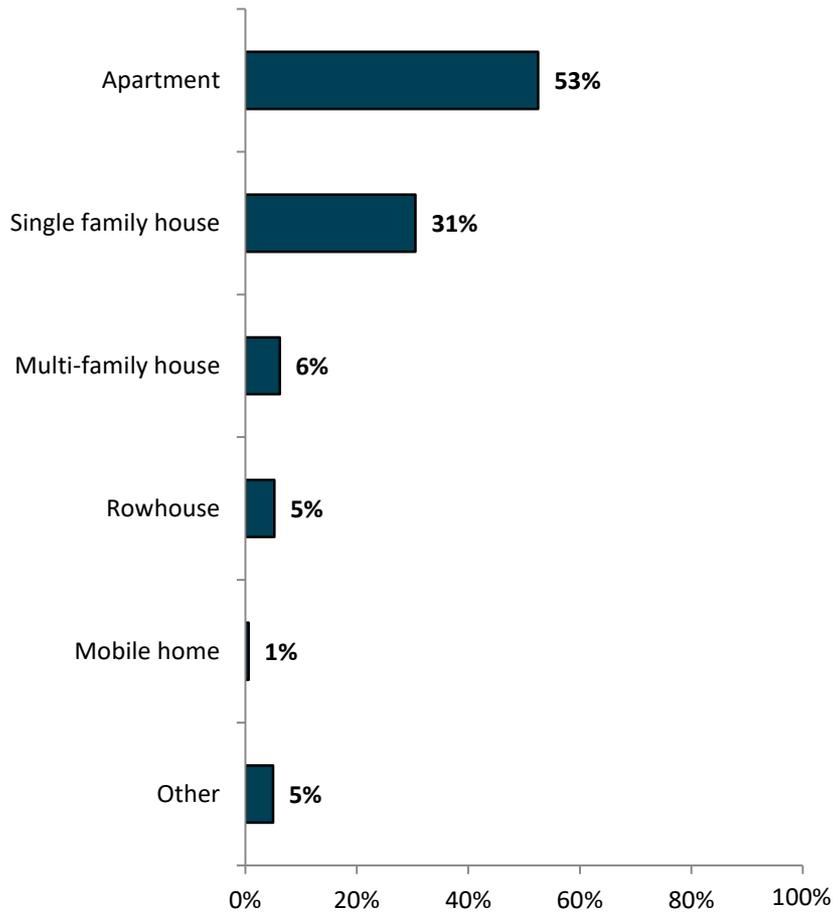


Home Information

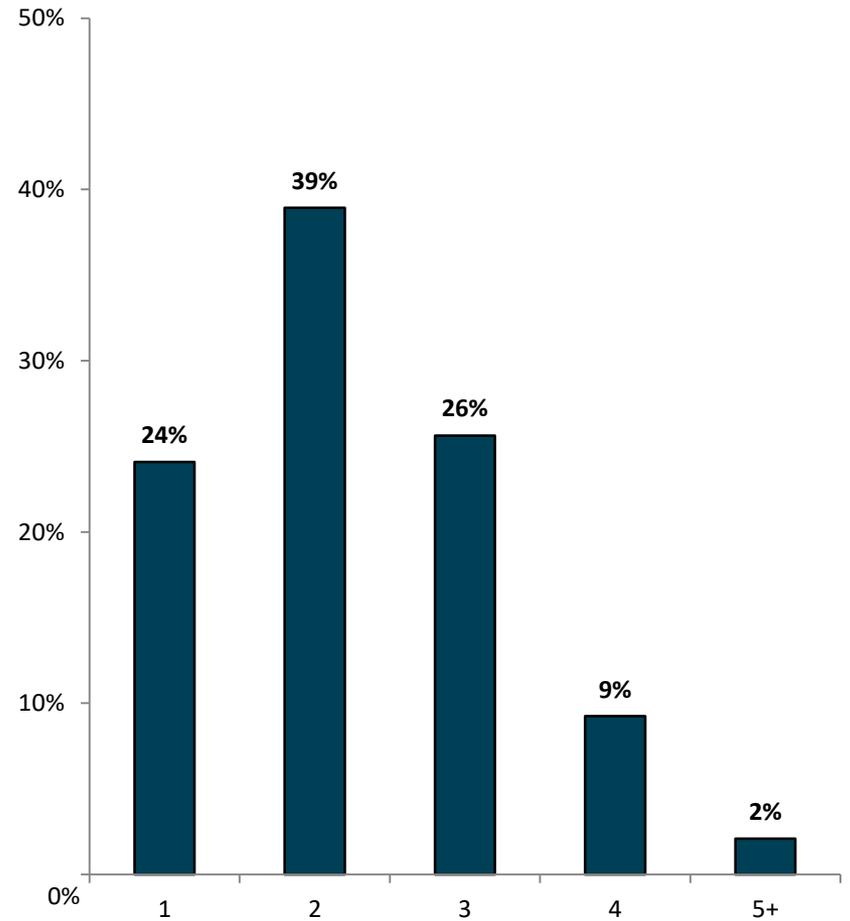
Home Type

Q: Which of the following best describes your home? n=826

Q: How many total bedrooms are in the home that you currently rent? n=714

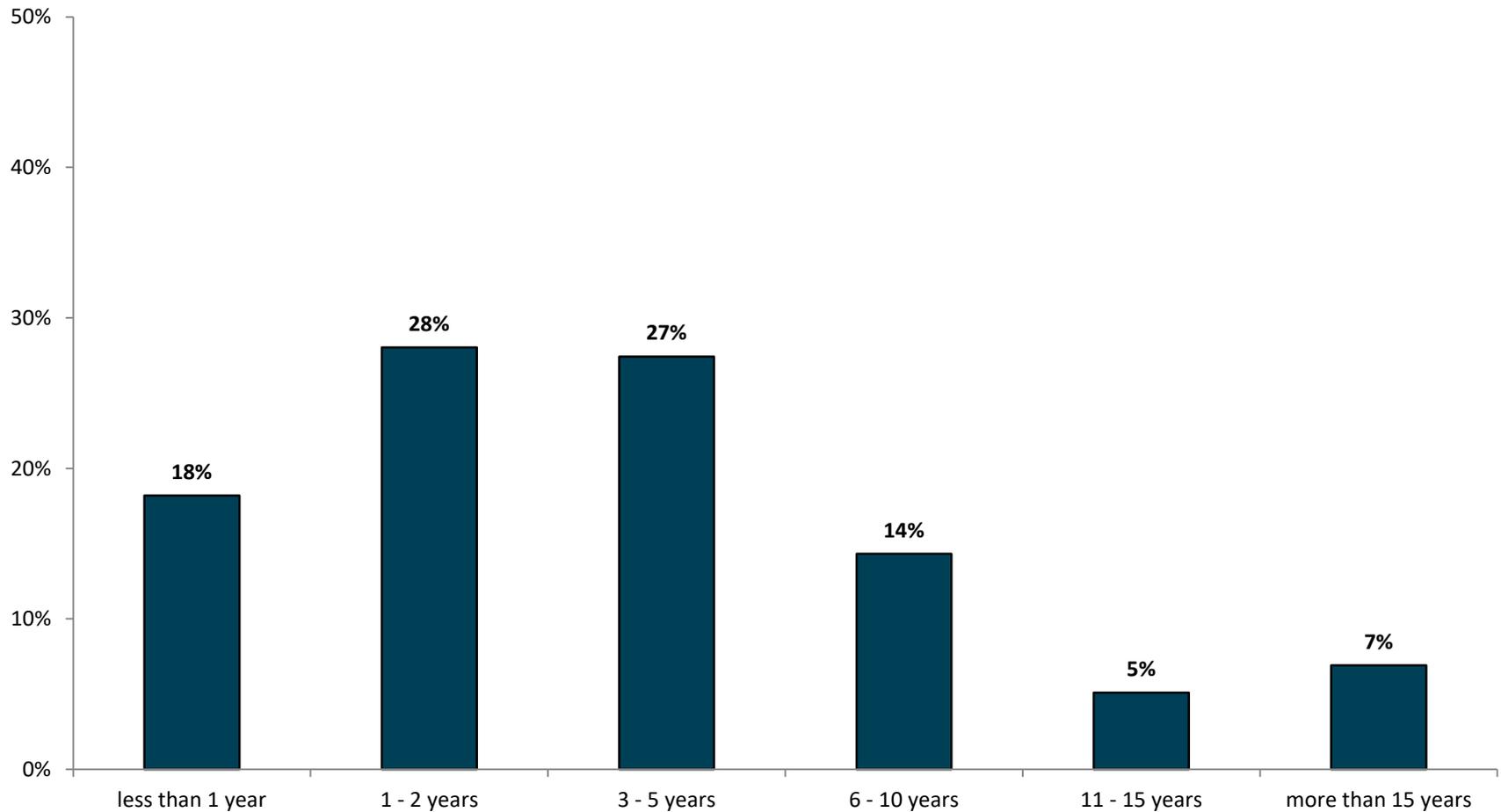


Number of Bedrooms



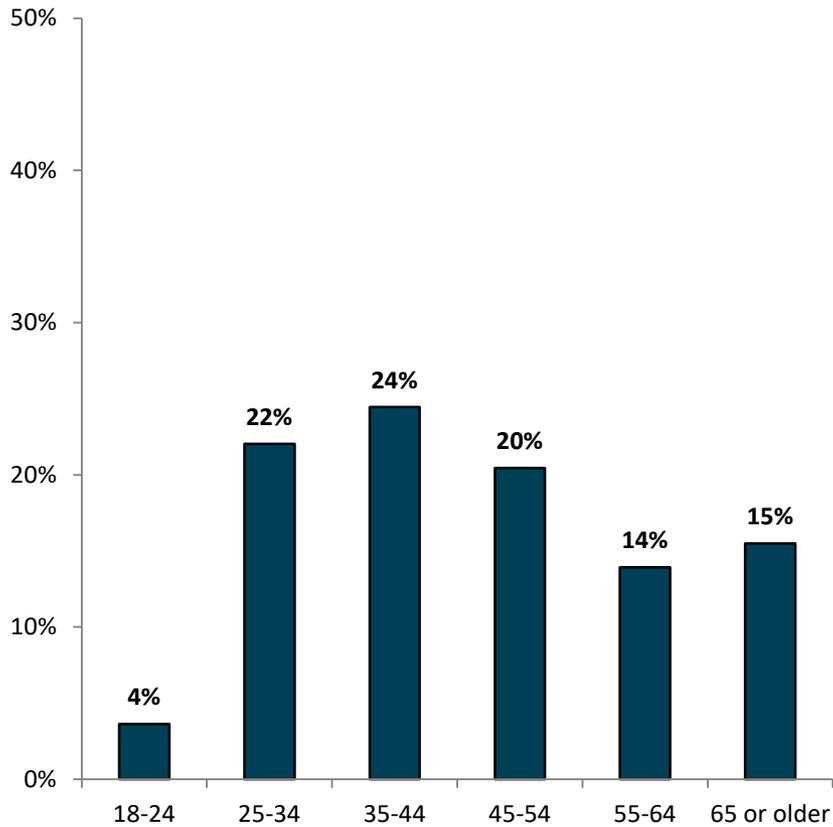
Length of Residence in Current Home

Q: How long have you lived in your current home? n=824



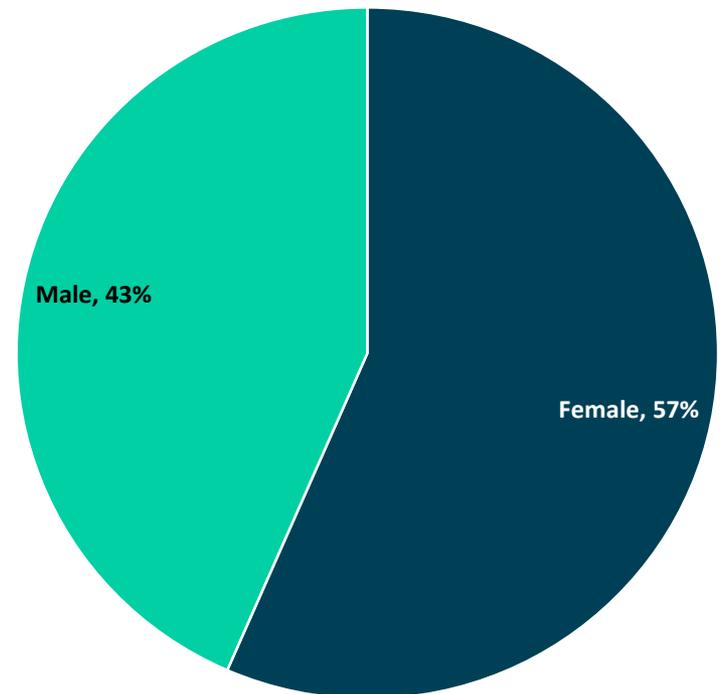
Respondent Characteristics

Age



Q: How old are you?
Q: What is your gender?
n=826

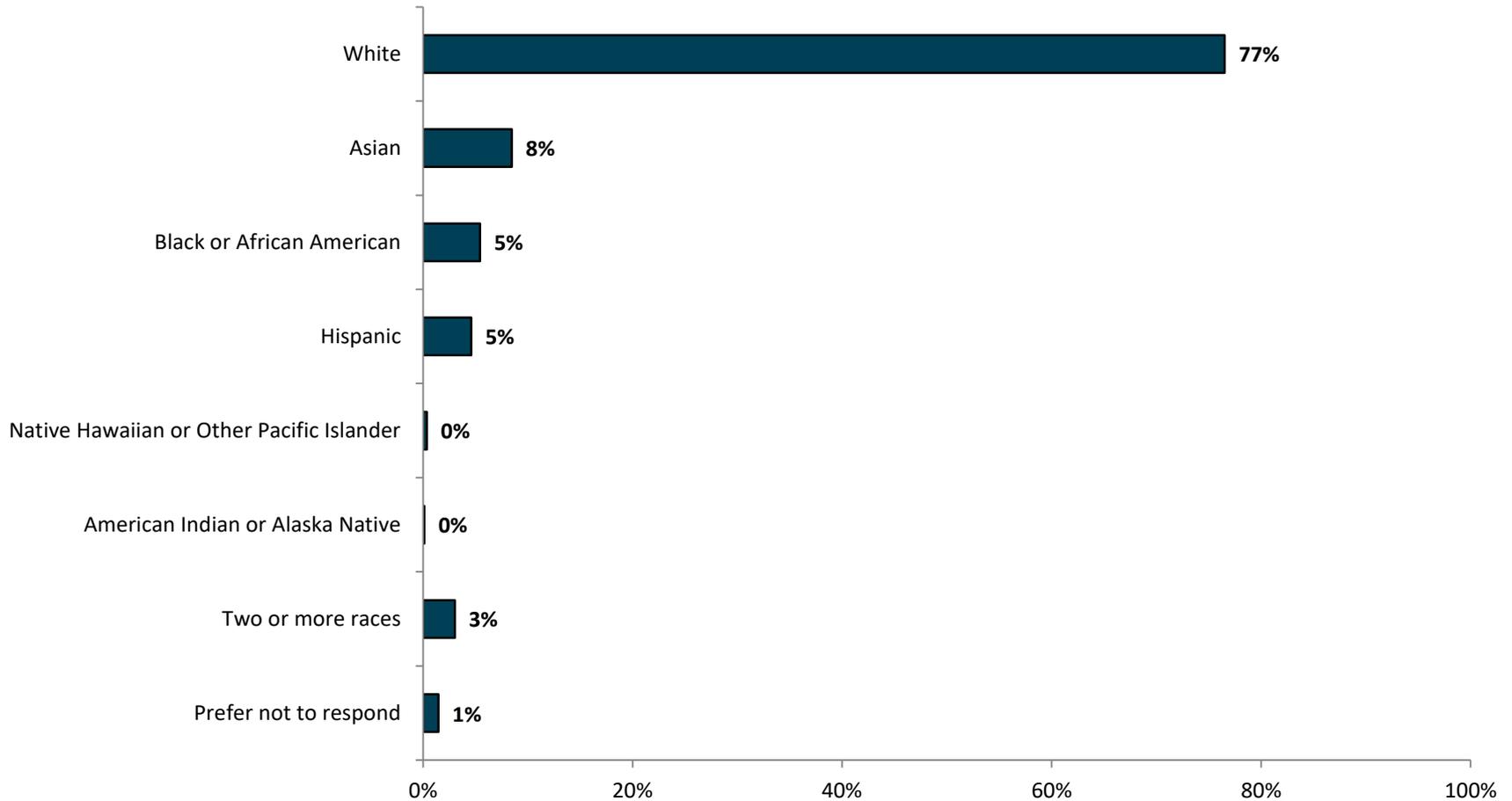
Gender



Respondent Characteristics

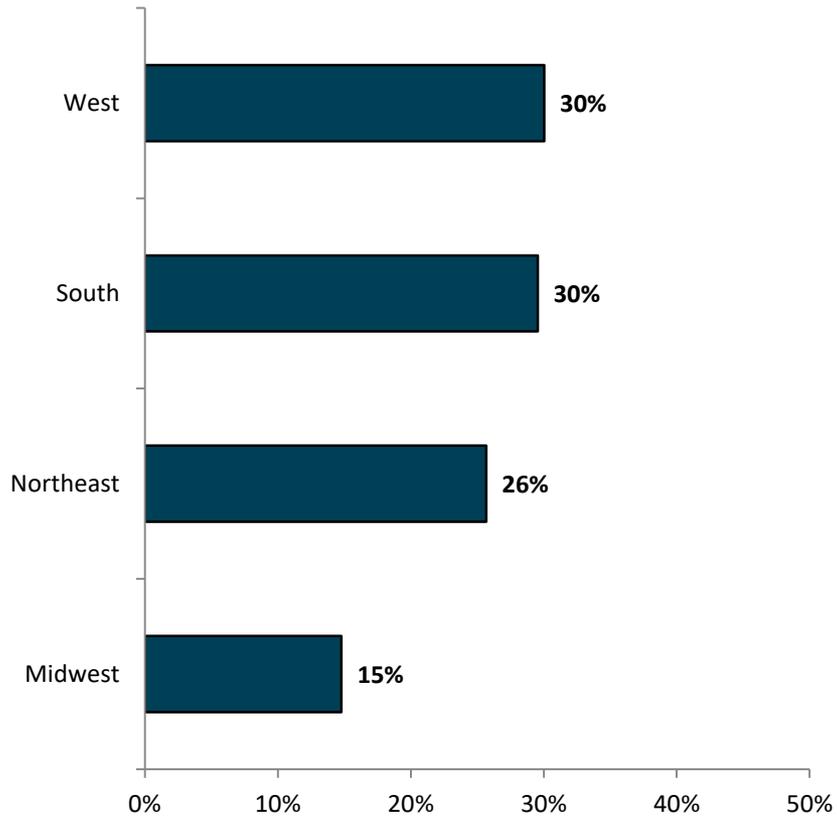
Race

Q: Which of the following best describes your race?
n=826

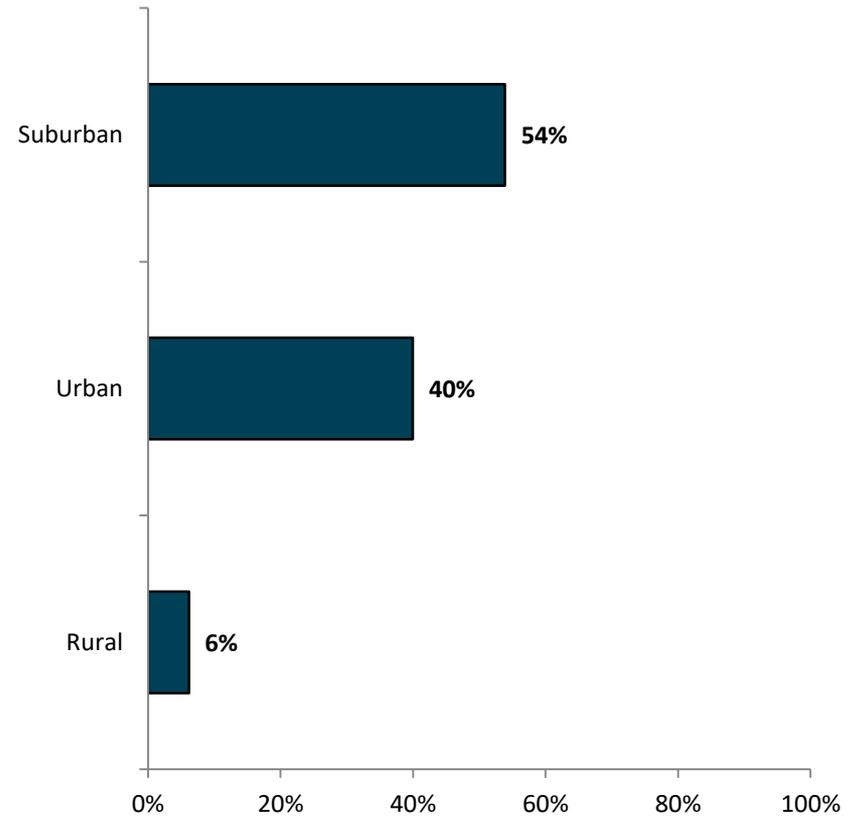


Respondent Characteristics

Region



Area of Residence



Q: In what state do you currently reside? – Recoded into regions

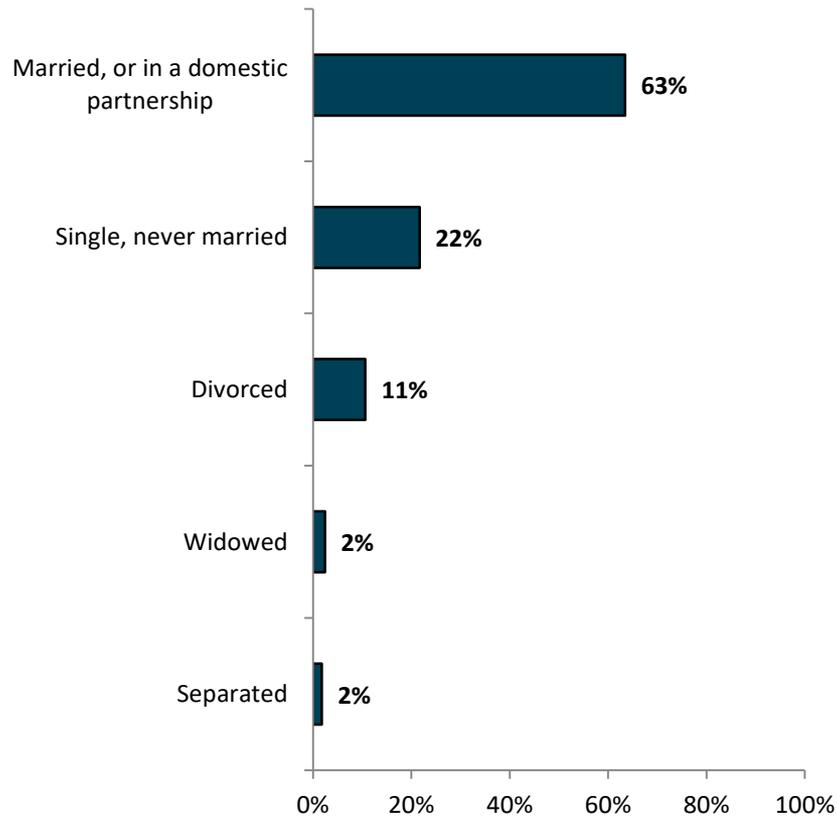
Q: Which of the following best describes the area where you currently live?

n=826

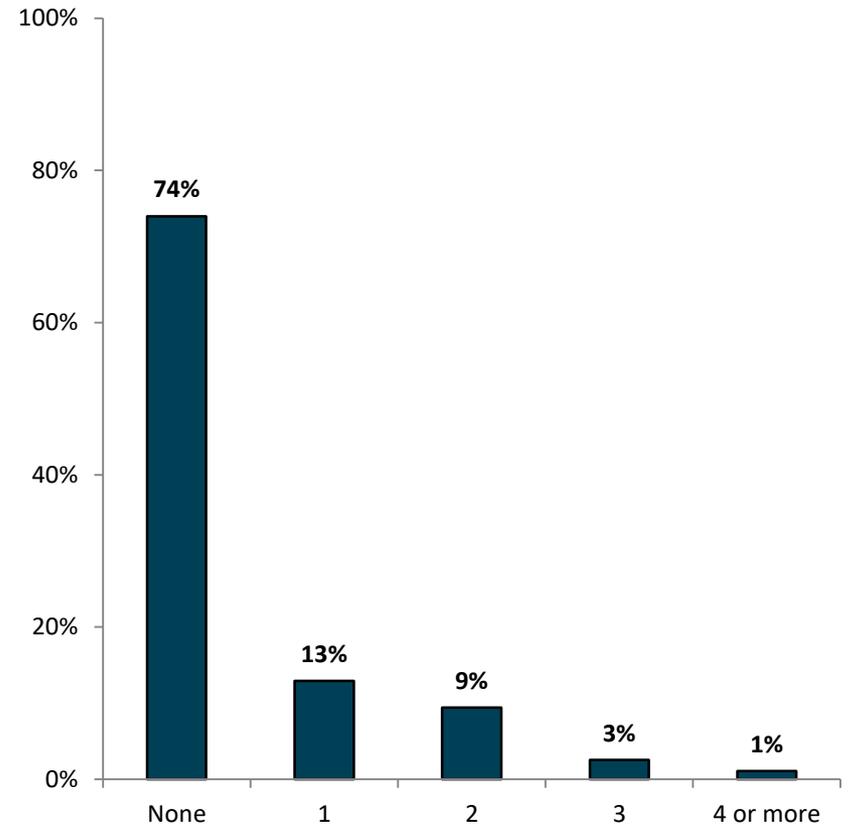


Respondent Characteristics

Marital Status



Children Under 18 in the Household



Q: Which of the following best describes your marital status?

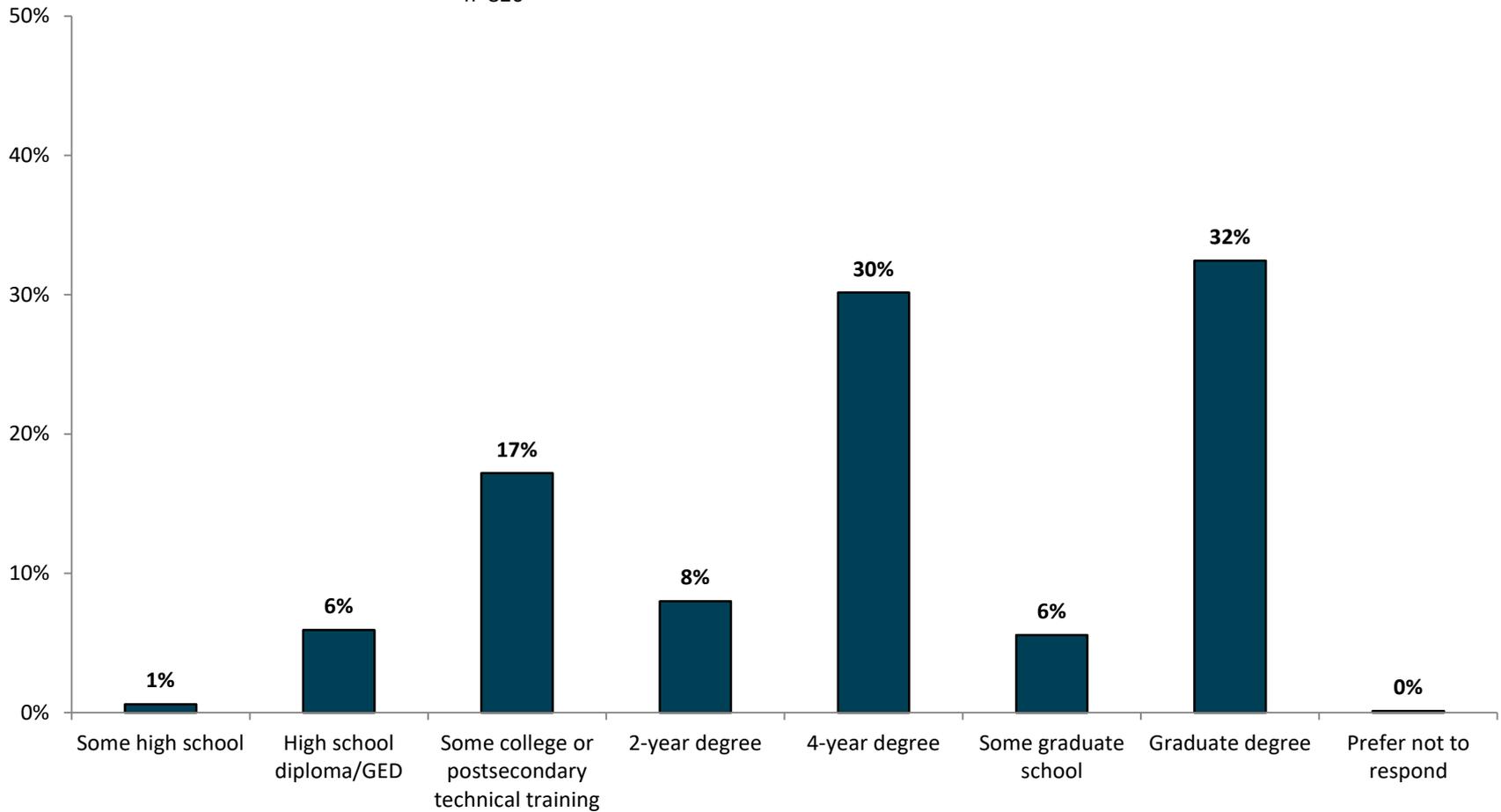
Q: How many children under 18 currently live in your household?

n=826

Respondent Characteristics

Education Level

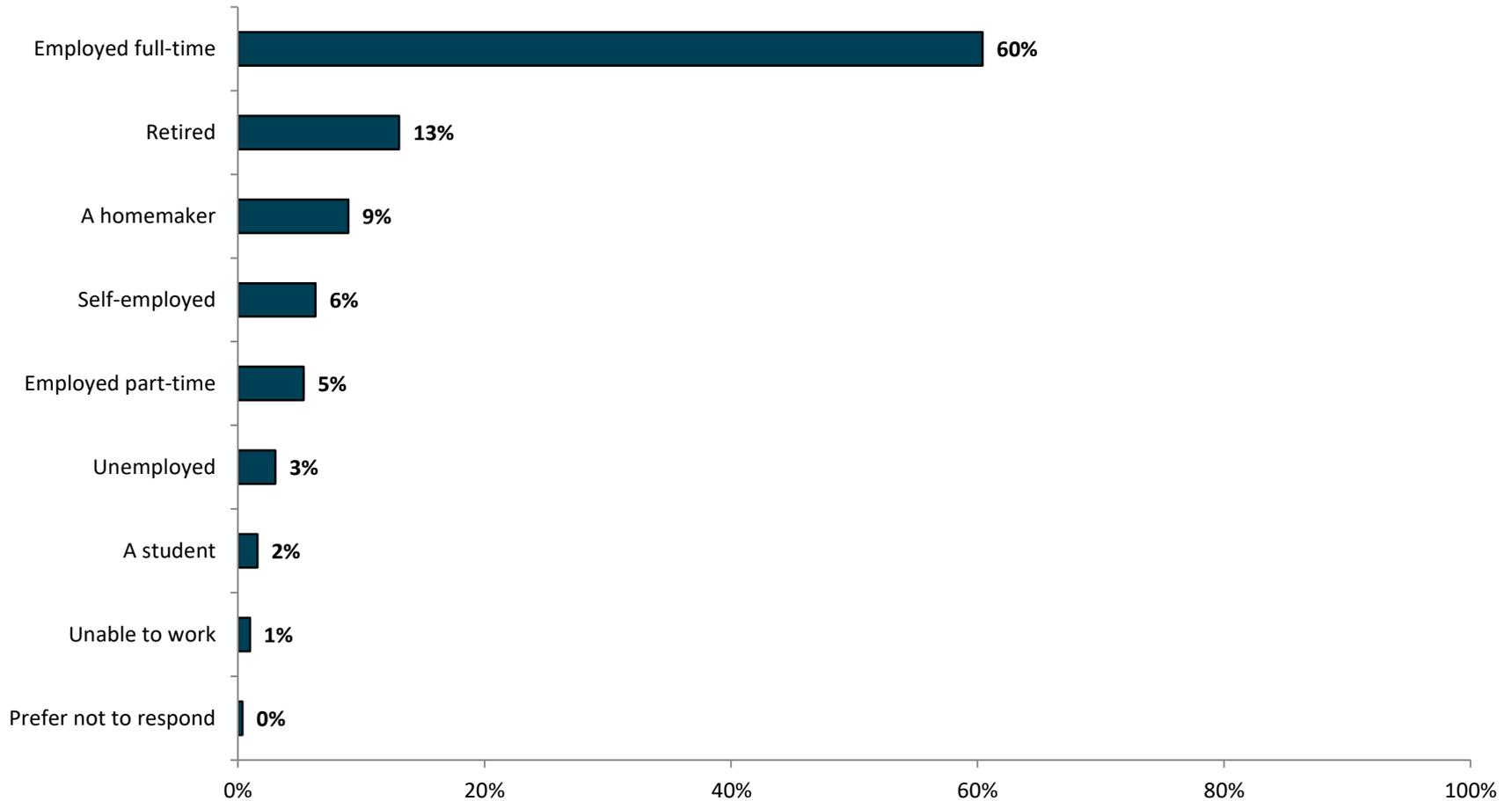
Q: What is the highest level of education you have completed?
n=826



Respondent Characteristics

Employment Status

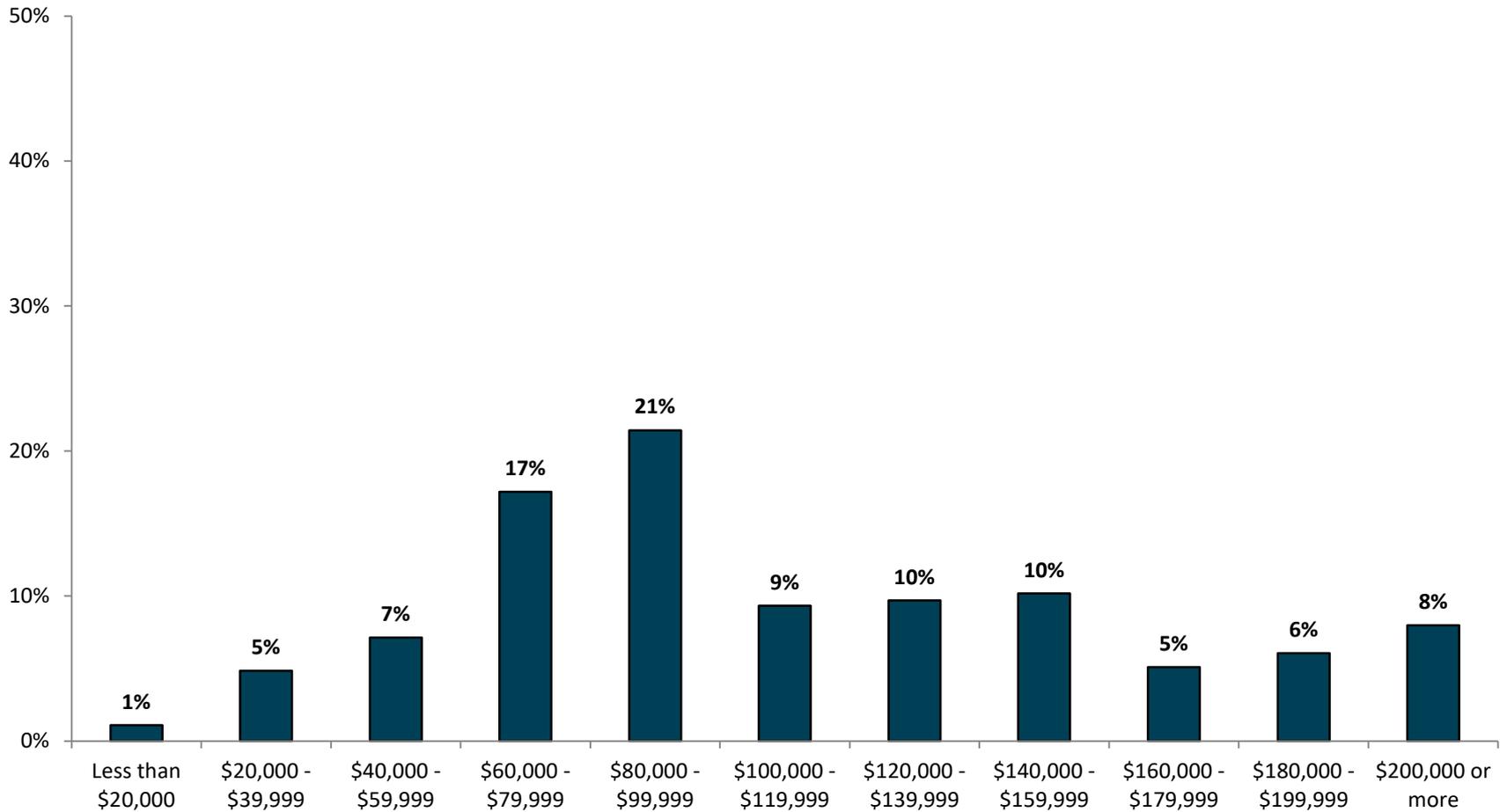
Q: What is your current employment status?
n=826



Respondent Characteristics

Annual Household Income

Q: Which of the following best describes your household income? n=826



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