

# Choosing Value, Cutting Cost

by Rick Blumenthal

**Rick Blumenthal is one of those rare practitioners in the housing industry who actually HAS done it all—he's a renaissance man who has worked as a trades person, a business person, a researcher, a materials vendor, and an educator. It's a broad view of the industry that gives him a lot of credibility. So when we asked Rick to tell us about his next big initiative, we expected to hear something substantial. And that's what we got in this article, in which he tells us how he's working to shift an entire industry's perception of value, cost, and their relationship to one another.**

**It's a discussion we think is very topical. Because the construction industry's built-in tendency to race towards the cheapest solutions is one of the biggest impediments to high performance construction that we face today. This is an important initiative, and we'll do everything we can to move it forward.**

We've all made purchasing decisions in our lives based solely on the (initial) cost of goods or services, and without considering their long-term cost. The housing industry is a full of such short-sighted examples. I believe that to continue down such a path—to put greater significance on front-end costs than on opportunities for long-term gain and sustainability—is a mistake. It's an approach that's in direct conflict with both ecological and economic systems that individuals and businesses must respect in order to remain successful and survive.

In today's increasingly competitive marketplace, savvy business professionals are required to find an edge to differentiate themselves from the rest of the pack. Though building and energy codes have become more rigorous, for example, these provide only a baseline of minimum quality. The codes themselves do not provide any incentive increased performance—those

are left is up to the individual or business to adopt as they wish. But because the baseline is so low, there is opportunity here for forward-looking professionals.

The power of adding value to construction projects—by incorporating sustainable materials, methods, and systems— is substantial. It's been proven in many markets. There are great benefits to incorporating practices that deliver sustainability, energy conservation, comfort, health, safety, and other long-term benefits to the owners and occupants of buildings. It's up to industry professionals to show the merit of favoring long-term returns over up-front cost.

## The Current Landscape

Value can be added to any construction project, but the pressures to do otherwise are great. The common approach among builders is to produce the lowest estimate or bid possible to assure that a project can be won. This knee-jerk reaction has permeated the construction industry since day one (I shouldn't really say this since I wasn't here for day one.) Still, the winning quote is usually greater than even the owner's or architect's estimate. So, the next step is to “value-engineer” the guts out of the project to bring it into alignment with the intended budget. From my experience, this is nothing more than an excuse to cut initial costs without ever investigating the long-term opportunities that may, in fact, provide greater benefit than did the initial savings.

Building scientists, energy geeks and home performance professionals have struggled for years to convince the construction industry to move in the direction of greater performance and sustainability. Uptake has been slow, and industry hesitant to incorporate these concepts into actions. But if we follow the paths developed by industry in recent years, I see only these next steps:

- Increasing the mandates of building and energy codes.
- Creating more incentive programs through utility companies.
- Expanding the influence of programs like ENERGY STAR, Building America, and Living Building Challenge.
- Waiting for crisis to force us into a shift towards a more sustainable path.

## A Better Example: Advanced Framing

My goal as an industry trainer and visionary is to show builders and contractors how sustainable, high performance homes can add to the bottom line for themselves and their subcontractors. A good example is advanced framing, a set of simple design adaptations to wood-framing practices that has great advantages, but which has never caught on to the extent that it could.

### The Advantages.

- Less material cost on framing package — approximately a 23% savings on material = real dollars, (up front, mind you) right out of the gate.
- Lower bid price, (go figure). Less timber used = reduced timber harvesting in the long run.
- Eight additional inches of insulation within the same height of stud cavities—more money for insulator, more money for builder, more comfort for homeowner, and greater durability.
- More working room for trade work—electrical, mechanical, plumbing, and communication.
- All framing members line up from roof to floor joist creating a straight shot for all these systems—less material, less labor, fewer bends and fittings.
- Reduced thermal bridging—less framing conductance between the conditioned spaces and the exterior environment.
- More efficient thermal enclosure—lower utility bills for the occupant.
- Glowing referrals from owners boasting how well their home performs.

This is just one example that demonstrates how valuable performance upgrades are to both the construction team AND the owners and occupants. I think the key to encouraging practices like this is to educate builders, showing that implementing this type of construction is nothing more than a learning-curve investment. And that it differentiates them in the market, giving them a leg up on the competition before they are forced to adapt by mandate.

## How We Can Make Progress

The persistent challenge of connecting home performance with traditional construction practice remains frustrating for all who hope to meld the two. We struggle to create a single practice in which when we speak of construction, it will be understood that high-performance and sustainability are included.

Persuading builders to focus on the bottom line is a no-brainer; it's a natural characteristic of the profession, and for mostly good reasons. What's missing is the link showing how the cost of optional front-end investments are added to the value of the building many times over.

What I propose for our industry is a far-sighted approach: developing proactive, systematic, and long-term programs, implemented through industry partners, that educate both professionals and property owners about the real long-term value of choosing value rather than cutting cost.

*“Someone’s sitting in the shade today because someone planted a tree a long time ago.”* —Warren Buffett



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