pulse° today Extra!
intelligence from every angle
Issue 10 June 2009

Building consumers continued to be highly satisfied and the number of major disputes remained low in 2008

Consumer Survey 2008

Consumers told us about their building experience.

The Building Commission's sixth annual pulse° practitioner and consumer survey results are now available. For information on the practitioner survey see the *Practitioner Survey 2008* report.

Building consumers continue to report high levels of confidence and satisfaction

The consumer survey randomly selected 600 consumers who had building work completed from 2007 to 2008, and interviewed them about their building experience.

Consumer satisfaction

The survey results showed high confidence and satisfaction levels, as reported in previous years.

Consumers with high satisfaction

Consumer satisfaction levels continued to be high with 81 per cent reporting high satisfaction with the overall building experience (the same as 2007).

81 per cent of consumers were highly satisfied with their overall building experience

Furthermore, 91 per cent were highly satisfied with the quality of the built product and 84 per cent highly satisfied with their builder's management of the project. These levels are slightly down on 2007 which recorded 92 and 86 per cent respectively.

91 per cent of consumers were highly satisfied with the quality of their building project

There were more highly satisfied (overall) commercial consumers than domestic with 85 per cent compared to 76 per cent. This follows a trend reported in every survey.

Overall satisfaction levels did not vary much between New Buildings, Extensions and Alterations or other types of building work. However, consumers commissioning a project above $500,000 were more likely to be highly satisfied, with 87 per cent reporting high overall satisfaction.

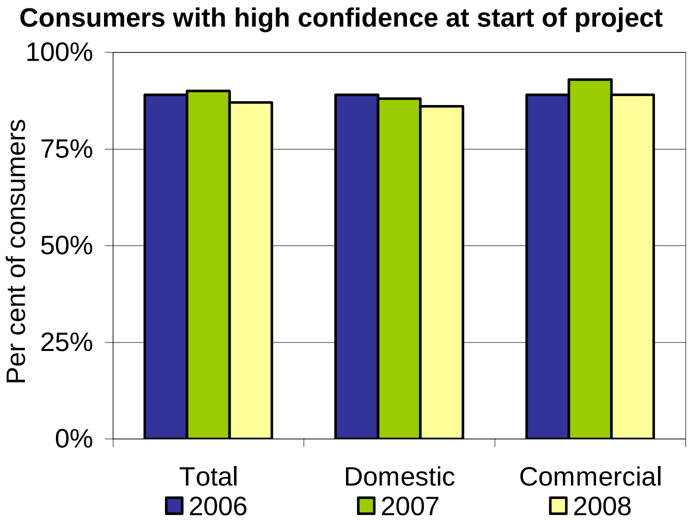
Not surprisingly there was a correlation between consumers who had a serious dispute or conflict with their builder and their satisfaction level. All other consumer types rated similarly high.

Consumers in Rural Victoria were more satisfied than their metro counterparts. Eighty-four per cent of consumers from Rural Victoria reported high satisfaction, compared to 80 per cent in both Inner and Outer Melbourne.

Consumers continue to be confident

Consumers continued to have high expectations of a positive result before commencement of their project. Pre-building confidence eased slightly in 2008, but remained high with most consumers reporting high to very high confidence.

Eighty-seven per cent of consumers expected to be satisfied before building commencement. Commercial consumers were more likely to be highly confident with 89 per cent compared to 86 per cent for domestic consumers.



87 per cent of consumers expected to be highly satisfied

Interestingly 81 per cent of consumers beginning a project valued between $100,000 and $200,000 were less likely to be highly confident of positive outcomes than other consumers.

Furthermore, 86 per cent of consumers reported high confidence with any future building projects they commissioned.

Interestingly more commercial consumers expect to be highly satisfied with any future building projects with 90 per cent, compared to 80 per cent of domestic consumers.

These are good signs for the building industry since it is likely that consumers would expect to be satisfied if they have a good perception of builders and the building industry.

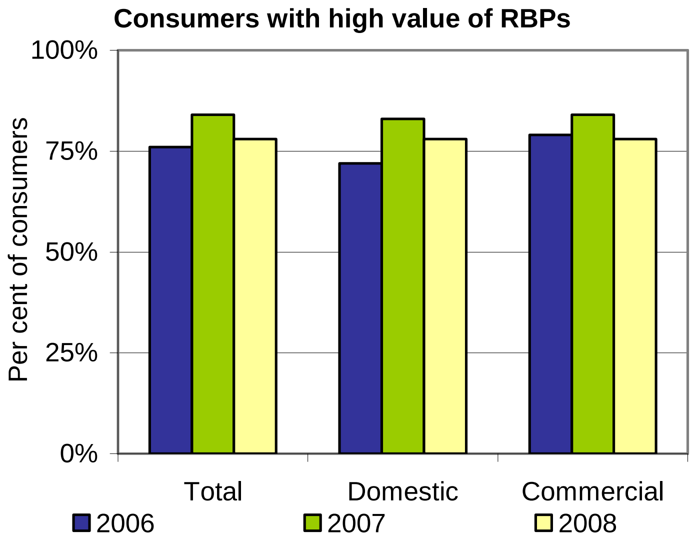
The difference between the number of consumers expecting to be highly satisfied and the number who actually were highly satisfied perhaps lies with problems encountered during the project. These issues are explored in the disputes section of this report.

Awareness of RBPs remains high

Consumers' value and awareness of Registered Building Practitioners (RBPs) eased in 2008, but continued to be high.

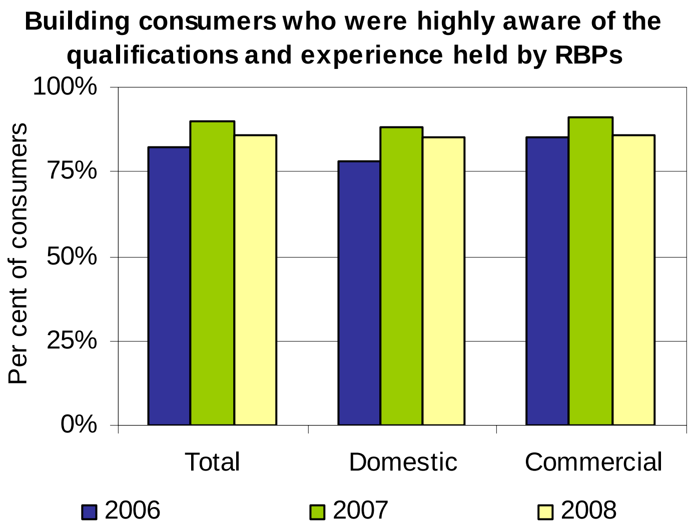
78 per cent of consumers highly value the RBP accreditation

The majority of consumers, 78 per cent, highly value the RBP accreditation. This is down from 84 per cent in 2007, but similar to 76 per cent recorded in 2006.



Consumers were highly aware of what it means to be an RBP. Eighty-six per cent claimed to be well aware of the qualifications, experience and insurance (where necessary) held by an RBP, compared to 90 per cent in 2007.

86 per cent of building consumers are aware of RBP qualifications and experience

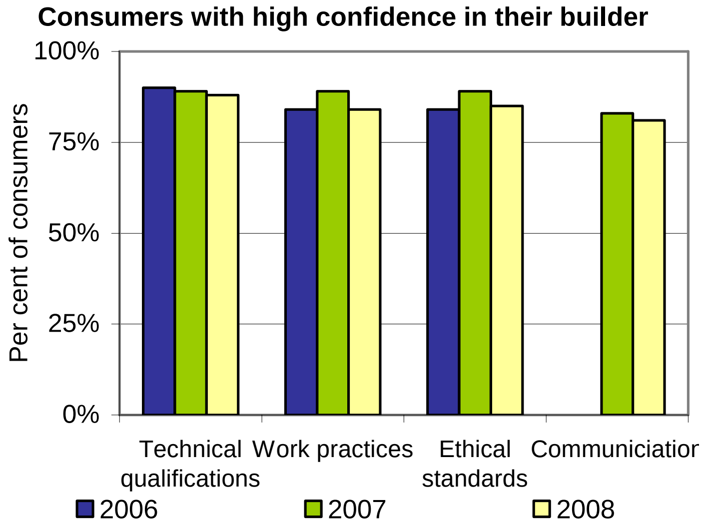


Building Commission

In 2008, 77 per cent of consumers claimed they asked their builder for evidence of registration or were already aware they were registered, compared to 83 per cent in 2007. These results were similar across domestic and commercial, while consumers commissioning projects valued above $500,000 were more likely to ask for evidence, with 92 per cent.

Consumers have high confidence in builders

Building consumers continued to report high confidence in their builders. Over four different areas: technical skills and qualifications, work practices, ethical standards and communication, 85 per cent of consumers rated their builder highly, down on 89 per cent reported in 2007.



In terms of technical skills and qualifications, 88 per cent of consumers had high confidence in their builder, similar to 89 per cent in 2007.

88 per cent of consumers had high confidence in their builder's technical skills and qualifications

Consumers rated their builders' work practices and processes as high with 84 per cent of consumers reporting high confidence, down from 89 per cent in 2007.

Builders' ethical standards rated highly with 85 per cent of consumers having high confidence, down from 89 per cent in 2007.

Builders' communication skills were also rated highly, with 81 per cent of consumers reporting high confidence, down from 83 per cent in 2007.

Interestingly, the overall results showed more commercial building consumers as highly confident, with 89 per cent, while 80 per cent of domestic building consumers rated their builder highly.

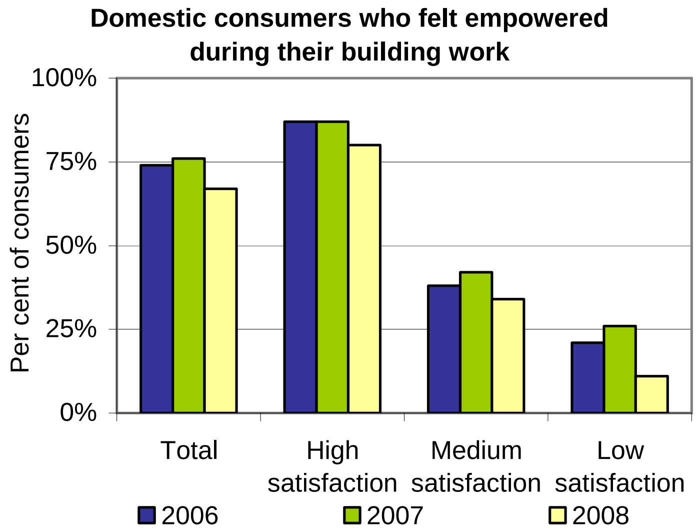
Domestic consumers feel empowered

The proportion of consumers feeling in control was high in 2008, but lower than 2007. In 2008, 67 per cent of consumers rated their overall control of the building process as high, down from 76 per cent in 2007.

The level of control reported by domestic consumers, while lower than 2007, was high. The average score given to the level of control consumers felt they had was 7.1 out of 10 (where 10 is the highest), compared to 7.7 in 2007.

Less domestic consumers felt in control of the building process

Consumers who felt in control had a better chance of being highly satisfied with their overall building experience.



Consumers continue to inform themselves

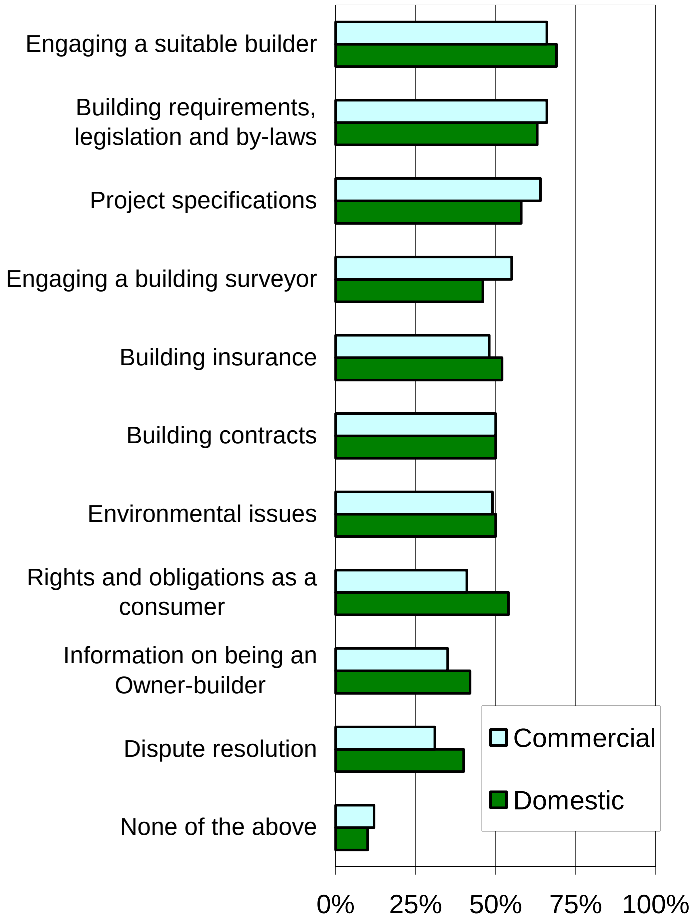
Consumers continued to inform themselves before engaging a builder resulting in increased understanding and satisfaction levels.

A large proportion, 89 per cent of consumers surveyed sought information or advice on some aspect of their project independently of their builder.

89 per cent of consumers researched information on their building project

There were three main areas of information sought by building consumers. Sixty-seven per cent researched information on finding a suitable builder, 64 per cent looked into building requirements, legislation and by-laws and 61 per cent researched project specifications.

Information accessed before the project - 2008



Although there were fewer topics researched than in 2007, 2008 was in-line with previous years.

All types of consumers researched their project, with slightly more domestic consumers, 90 per cent, compared to 88 per cent of commercial consumers. Of domestic consumers, 97 per cent of owner-builders researched, compared to 87 per cent of other domestic consumers.

97 per cent of owner-builders researched information

Domestic consumers commissioning an Extension or Alteration were more likely to research (94 per cent) than those undertaking a New Building project (86 per cent). Commercial consumers, on the other hand, showed more New Building consumers researching with 93 per cent, compared to Extensions or Alterations consumers at 88 per cent.

Interestingly 95 per cent of consumers researched information where their project was valued between $20,000 and $50,000, while projects valued between $200,001 and $500,000 showed 86 per cent researched.

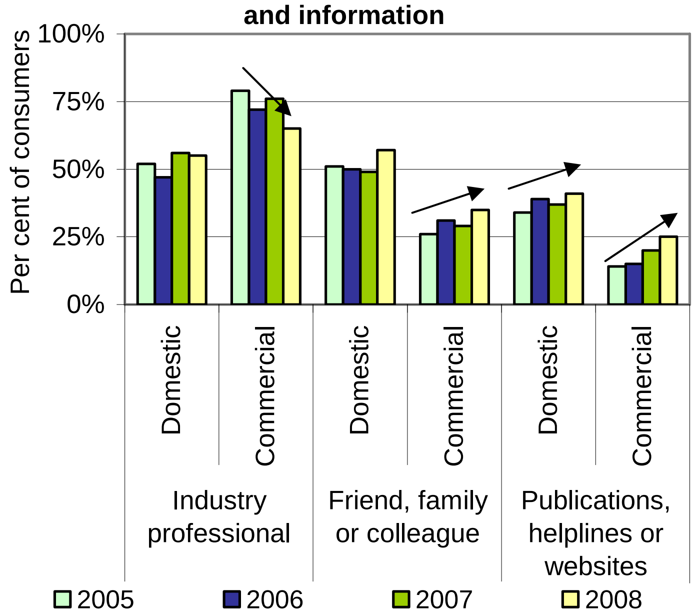
Of the consumers that did not research, 86 per cent said they did not want to, did not need to, or they had confidence in their builder. Two per cent of these consumers said that they did not know where to find such information or advice.

Information sources

Consumers sought advice from a range of sources, including industry professionals, family members, friends, publications, helplines and websites.

The 2008 results showed an increase in the use of family members, friends, publications, helplines and websites and a decrease in the use of industry professionals. However, industry professionals remained the most used information source overall.

Consumers who consult others for advice and information



60 per cent of consumers used industry professionals for their advice and information in 2008

Sixty per cent of consumers used industry professionals for their information. These were a mixture of Engineers (40 per cent), Architects (38 per cent), Building surveyors (37 per cent) and Draftspersons (25 per cent). The proportion of consumers using industry professionals is down from 66 per cent in 2007, but continued to be the highest used information source.

Commercial consumers favoured industry professionals

Commercial consumers were more likely to use industry professionals, with 65 per cent compared to 55 per cent of domestic consumers.

The proportion of consumers that used family and friends for advice increased to 46 per cent in 2008, up from 39 per cent in 2007. Fifty-seven per cent of domestic consumers used family and friends for advice, up from 49 per cent in 2007, while 35 per cent of commercial consumers did the same, up from 29 per cent in 2007.

Domestic consumers used family and friends at a similar rate as industry professionals

The use of publications, helplines or websites has increased each year. The 2008 results showed 33 per cent of consumers used publications, helplines or websites compared to 28 per cent in 2007.

Once again, domestic and commercial consumers differed with 41 per cent of domestic consumers and 25 per cent of commercial consumers that used publications, helplines or websites.

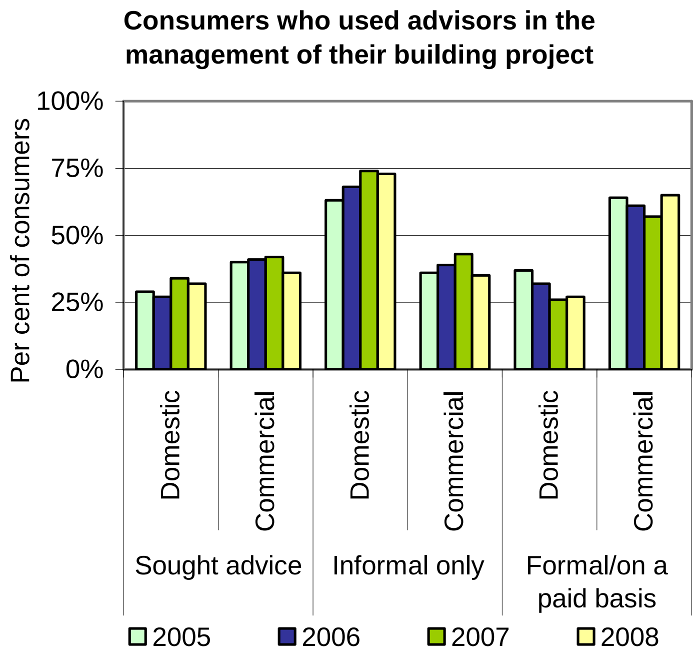
Seventy per cent sourced the information from local governments, 46 per cent from building industry organisations and 31 per cent from state government agencies. A further 25 per cent used information from trade shows and 17 per cent from advisory centres.

Consumer use of advisors

Following commencement of their building project, 34 per cent of building consumers sought advice independently of the builder, 53 per cent on an informal basis and 47 per cent on a more formal basis.

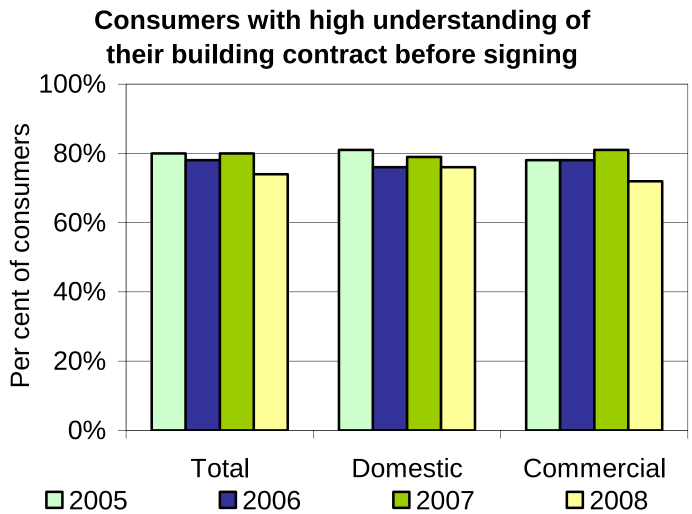
Sightly more commercial consumers sought advice, with 36 per cent compared to 32 per cent of domestic consumers.

Domestic consumers were more likely to utilise informal advice, with 73 per cent compared to 27 per cent who used formal advice. Commercial consumers, however, were more likely to use formal advice, with 65 per cent, compared to 35 per cent that used informal advice.



Contract is better understood with research

Not surprisingly, as a result of this research and advice, 74 per cent of consumers surveyed had a high level of understanding of their contract. While this level is high, it is less than 2007, where 80 per cent of consumers rated their understanding as high.



Interestingly, there is a direct correlation, year-on-year, between the overall consumer satisfaction levels and the level of understanding a consumer has of their building contract.

Support for environmentally sustainable building continues

The use of environmentally sustainable building elements has increased. In 2008, there was an increase in the proportion of consumers and practitioners engaging in discussions on environmentally sustainable building before commencement of the building project.

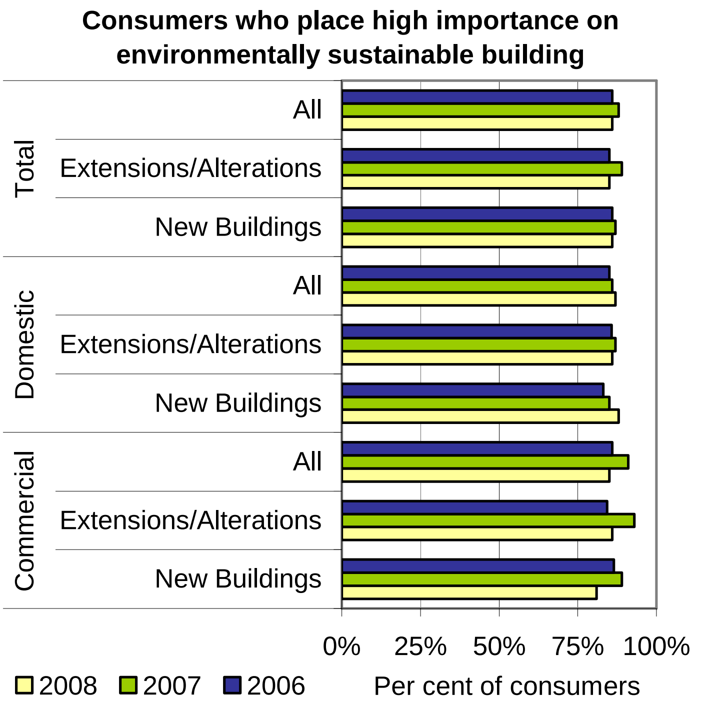
86 per cent of building consumers view environmentally sustainable building as highly important

Building consumers continued to value environmentally sustainable building with 86 per cent reporting its high importance, down from 88 per cent in 2007.

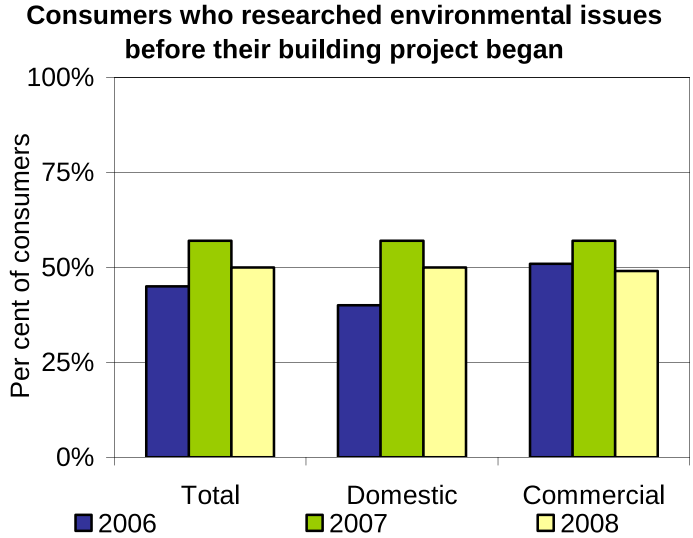
All types of consumers reported a high value of environmentally sustainable building. Domestic and commercial consumers reported similar views with 87 and 85 per cent reporting high value respectively.

Interestingly consumers holding a demolition permit showed higher value on the domestic side with 91 per cent, compared to commercial demolition consumers which reported 72 per cent.

Consumers' building projects valued at $200,000 to $500,000 placed a higher value on environmentally sustainable building with 91 per cent compared to those consumers in the $50,000 to $100,000 and the $100,000 to $200,000 groups who reported 80 and 82 per cent respectively.



The survey showed 50 per cent of consumers in 2008 researched environmental issues, such as energy conservation and recyclable materials before they engaged a builder. This is lower than the 57 per cent of consumers in 2007.



Domestic consumers drive increase in environmentally sustainable building

The research showed a higher proportion of domestic consumers discussing and using environmentally sustainable building elements in their building projects.

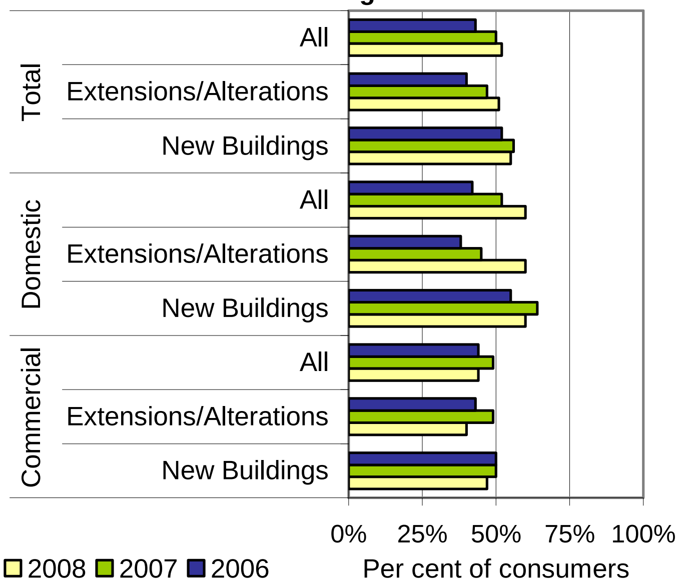
Compared to 50 per cent in 2007, 52 per cent of building consumers engaged in an environmentally sustainable building discussion with their builder in 2008.

On the domestic side, 60 per cent were involved in an environmentally sustainable building discussion with their builder, compared to 52 per cent in 2007. Domestic New Building permits and Extension and Alteration building permits fared the same, both at 60 per cent. The increase was driven from the Domestic Extension and Alteration building consumers which reported 60 per cent had conversations compared 45 per cent in 2007.

60 per cent of domestic consumers engaged in an environmentally sustainable building conversation in 2008

Less commercial consumers engaged in environmentally sustainable building discussions, with 44 per cent, compared to 49 per cent in 2007. The number of conversations held with Commercial New Building and Extension and Alteration building consumers decreased in 2008.

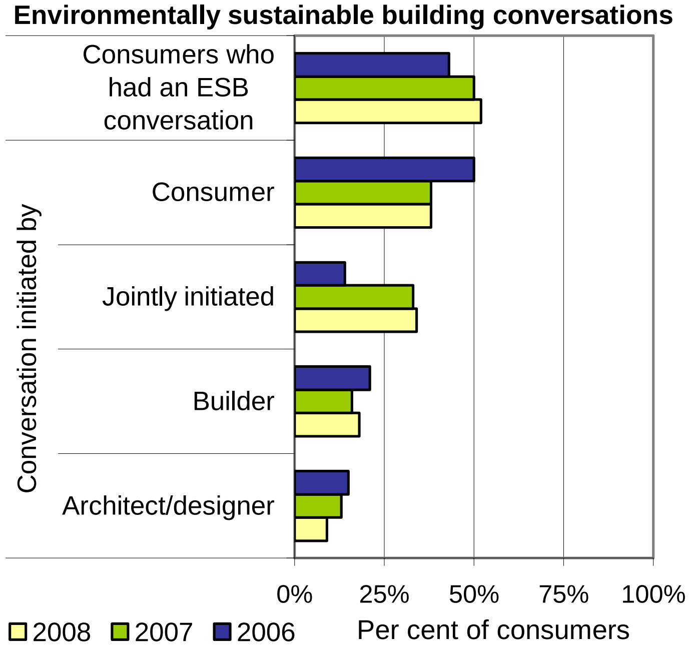
Consumers who had an environmentally sustainable building conversation



Interestingly, the higher the value of the building permit, the more likely the consumer engaged in an environmentally sustainable building conversation. Those projects valued under $10,000 saw 40 per cent engage in a conversation, while 66 per cent of consumers who had a building permit valued over $500,000 did the same.

Thirty-eight per cent of these discussions were initiated by the consumer, 34 per cent were jointly initiated and 27 per cent were initiated by the builder, designer or architect.

Environmentally sustainable building conversations



38 per cent of environmentally sustainable building conversations were consumer initiated

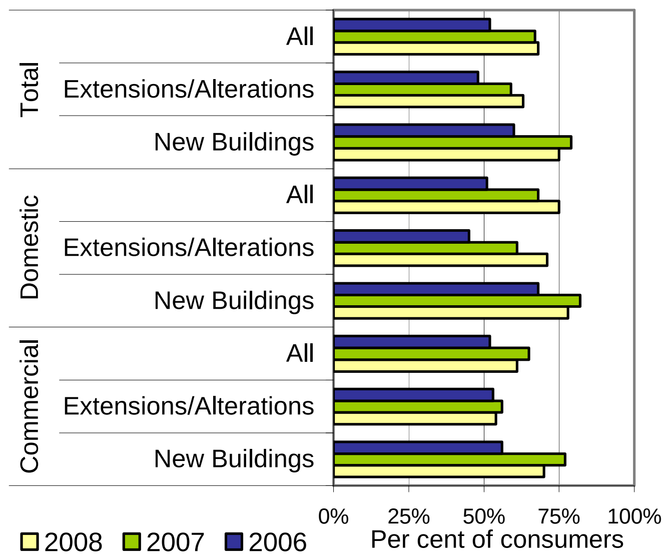
Previously, consumers initiated the bulk of the conversations. However, since 2007, there have been an increasing number of jointly initiated conversations meaning these conversations are becoming a normal part of building projects.

Environmentally sustainable building conversations are a normal part of building

There were no barriers to using more environmentally sustainable building features for 38 per cent of consumers, while cost priorities were cited as a barrier for 24 per cent of consumers.

Sixty-eight per cent of consumers claimed to have used some environmentally sustainable building elements in their building project, similar to 67 per cent recorded in 2007.

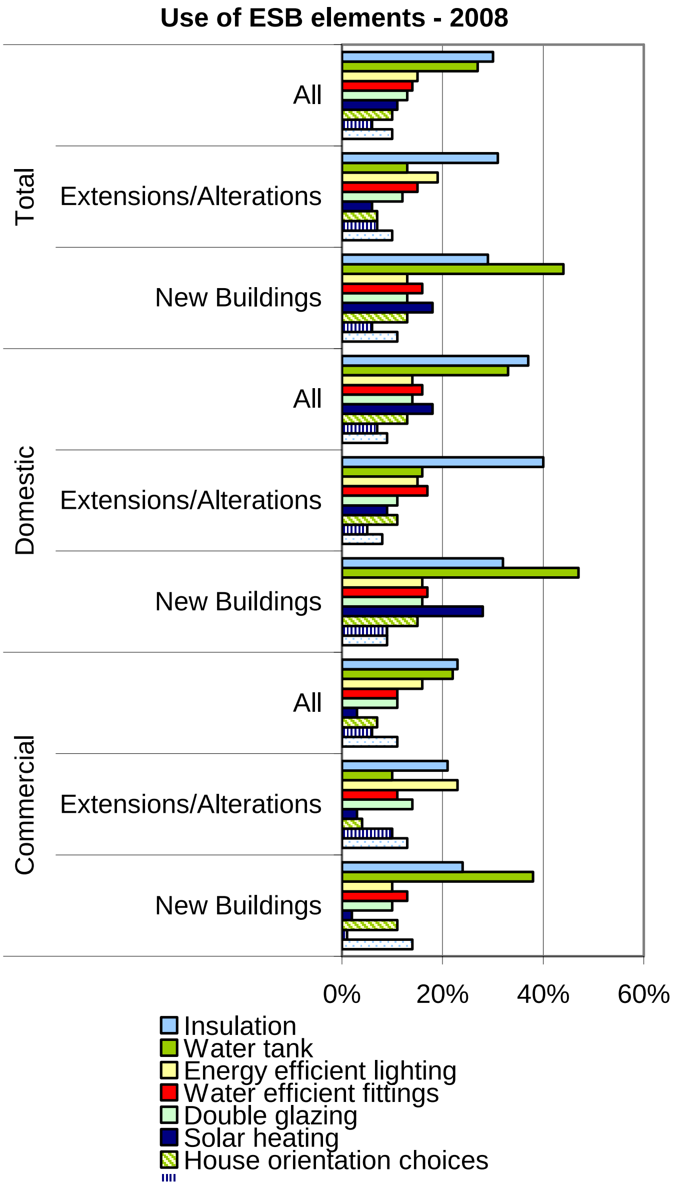
Consumers who used environmentally sustainable building elements



The main environmentally sustainable building features used were insulation, water tanks, energy efficient lighting, water efficient fittings, double glazing and solar heating

The penetration of environmentally sustainable building elements was highest among domestic consumers building new buildings, with 78 per cent of all projects. (It should be noted that domestic new buildings include all new building work for domestic use, including dwellings, where regulations make environmentally sustainable building inclusion mandatory, but also includes fences, swimming pools and garages.)

68 per cent of building projects used environmentally sustainable building elements

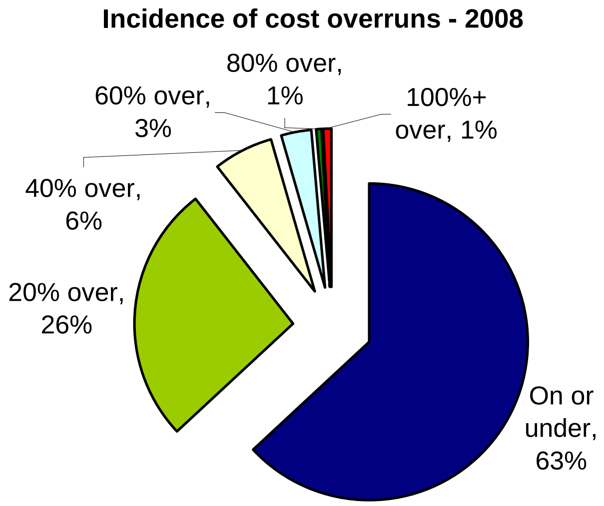


For information on practitioner experiences and knowledge of environmentally sustainable building see the Practitioner Survey 2008 report.

Estimated time and cost versus actual

Factors that can contribute to consumer dissatisfaction are cost and time delays.

Overall, there was a high level of satisfaction with the manner in which these variations were justified and communicated, similar to previous years.



Sixty-three per cent of building projects were completed within the agreed cost, while 37 per cent said they paid more than initially agreed. One in five consumers reported cost overruns of 20 per cent or less, and approximately one in 10 reported cost overruns of more than 20 per cent of the originally agreed price.

Using the median costs from the survey sample, domestic consumers reported their building project cost 7 per cent more than originally quoted, while commercial consumers reported 9 per cent more.

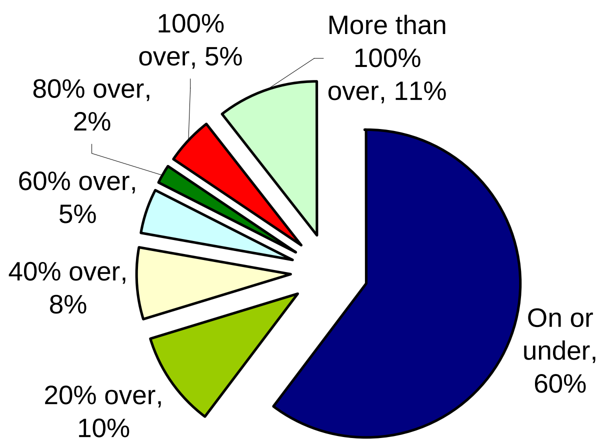
Domestic projects cost 7 per cent more, while commercial cost 9 per cent more.

Sixty per cent of consumers reported their project ran within the time frame set at the beginning of the project.

Using the median project estimated and actual times, domestic projects took four weeks longer to complete than originally agreed. Commercial projects took three weeks longer to complete.

There were a larger proportion of extension and alteration consumers that reported time overruns compared to other types of building work in 2008.

Incidence of time overruns - 2008

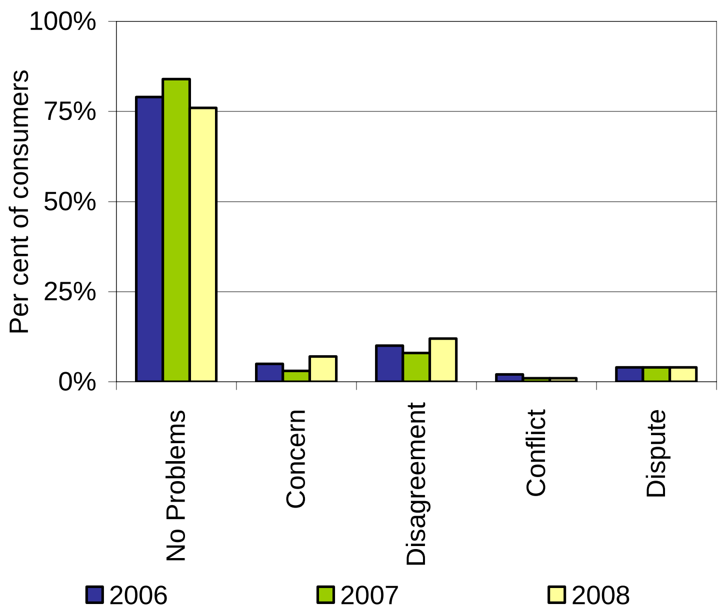


Dispute numbers remained low

Since 2004, the research has also investigated the issues that consumers and builders experienced during their building project.

Problems ranged from a concern, a disagreement, a conflict where third party conciliation was required to resolve, or a dispute where the matter was taken to a binding legal court/tribunal such as the Victorian Civil and Administrative Tribunal (VCAT).

Incidence of problems encountered



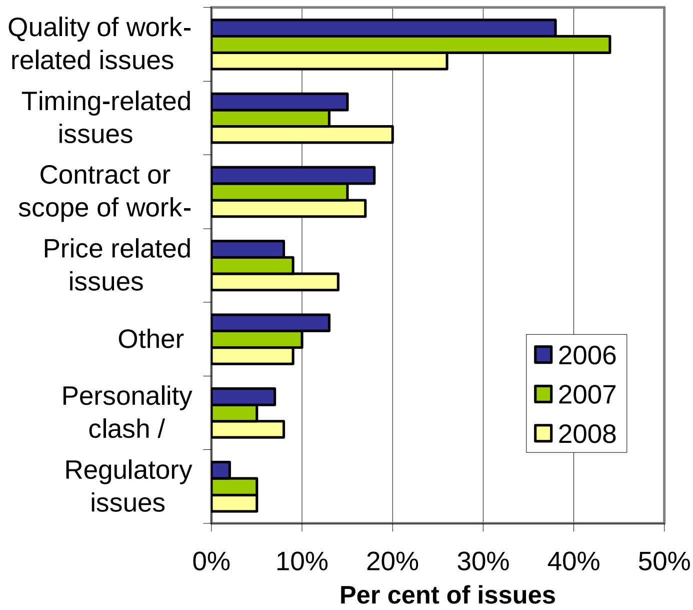
The majority of consumers, 95 per cent, reported having no serious problems during their building project. That is, 4 per cent reported having a dispute and 1 per cent reported having a conflict.

95 per cent of consumers had no serious problems during their building project

Twelve per cent of consumers had a disagreement with their builder, which was resolved before third party intervention. This is up from 7 per cent in 2007.

A further 7 per cent reported having a concern but did not raise it with their builder as it resolved itself or they had little expectation of a better outcome. Seventy-eight per cent of consumers reported having no problems at all in 2008.

Main subject at issue



The main subject of the problems were quality of work, timing issues and contract issues. Together these three issues accounted for 64 per cent of all problems. This is similar to previous years, however issues where the main focus was quality of work dropped to 26 per cent in 2008 from 44 per cent of all issues reported in 2007.

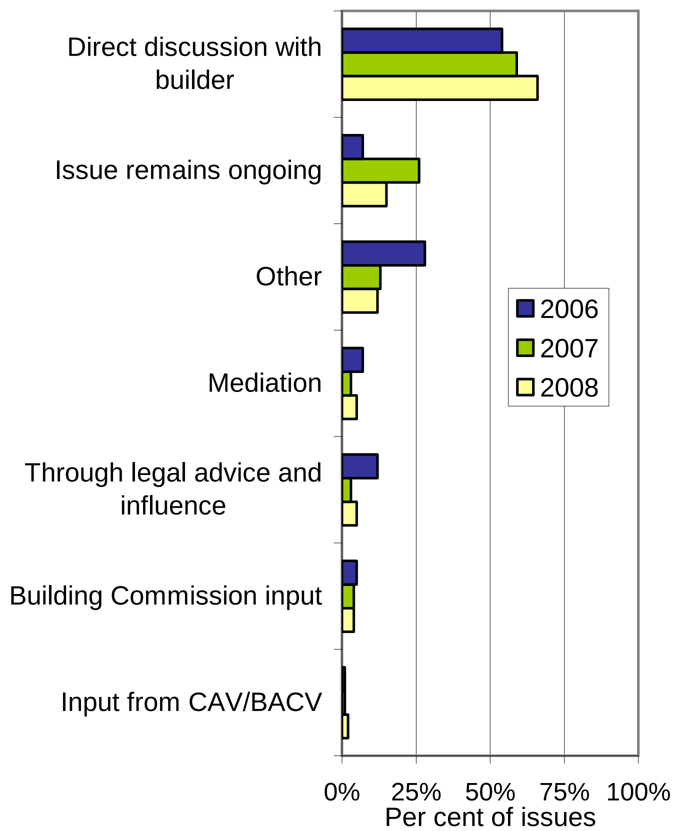
Quality of work issues dropped to 26 per cent from 44 per cent of all issues.

Consumers reported that the parties involved in the problem were domestic builders, commercial builders and sub-contractors. Slightly fewer consumers experienced problems with domestic builders at 47 per cent, while problems with commercial builders remained the same, at 30 per cent. There was a decrease in the incidence of problems reported with subcontractors to 14 per cent down from 23 per cent.

Most problems between builders and consumers were resolved before requiring legal intervention. Eighty-five per cent of the problems had been resolved at the time of the survey. The best method to conclude the issues were by direct discussion with the builder. Sixty-six per cent of consumers reported this was how their issue was concluded.

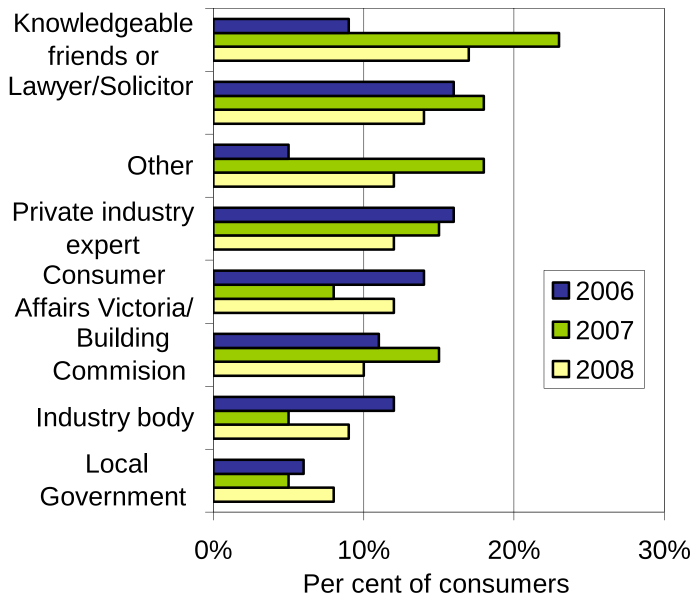
Direct discussion continued to be the best method to resolve

How the issue was concluded (multiple response)



In trying to resolve the problem, 53 per cent of building consumers consulted external parties for advice and information. Consumers reported they found knowledgeable friends/associates, Consumer Affairs Victoria (including Building Advice and Conciliation Victoria), private industry experts and lawyers/solicitors useful in helping to resolve their problem.

Parties consulted to aid resolution



Seventy per cent of domestic consumers and 67 per cent of commercial consumers reported that there was no cost associated with concluding their problem. A further 19 per cent of domestic and 14 per cent of commercial consumers reported the cost was less than $5,000. Four per cent of commercial consumers reported costs in excess of $100,000.

The level of anxiety caused by the problem was higher for domestic consumers compared to commercial consumers. Seventy-one per cent of domestic consumers felt high anxiety compared to 40 per cent of commercial consumers. As might be expected, the anxiety levels varied depending upon the type of problem experienced. The more severe the problem the higher the anxiety level reported.

Most problems lasted about six weeks (compared to seven in 2007). For 37 per cent of consumers, the issue lasted less than 3 weeks and 12 per cent of issues lasted more than one year.

Consumers were generally satisfied with the outcome of their problem with 88 per cent reporting moderate to high levels of satisfaction. Commercial consumers were more satisfied with the outcome than domestic consumers.

On avoiding the issue altogether, consumers stated that improved communication and RBP competency would be the most helpful.

For information on problems that practitioners face during a building project – see the Practitioner Survey 2008 report.

In summary

The 2008 survey results show important trends building upon the previous years' data.

Consumers continue to be highly satisfied with their building projects, and are confident in their builder's technical qualifications, ethical standards, work practices, processes and communication.

Domestic consumers led the way in terms of environmentally sustainable building conversations and use. More domestic consumers had an environmentally sustainable building conversation with their builder, especially those commissioning an Extension and Alteration building project.

Consumers initiated the majority of the environmentally sustainable building conversations. There has been an important shift, however, to joint initiation which indicates these conversations are becoming normal business practice.

Consumers continued to research information before and during their building projects on a range of subjects and sources.

Dispute numbers continued to be low with 95 per cent of consumers reporting no serious problems.

The main problems encountered continued to include the quality of building, contract/scope of work related issues and timing variations. The quality of building issue has improved dramatically to 26 per cent of all issues, down from 44 per cent in 2007.

Consumers are generally satisfied with the outcome of their problem.

For more information and for previous years' survey results visit www.pulse.buildingcommission.com.au.