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PLANS & PROJECTS

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Recipe for Success

NRS winners share
best practices for
customer satisfaction
success.



Larry Webb, left, president of John Laing
Homes stands beside Rich Staky,
president of the Denver division.

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BY SUSAN GODDARD

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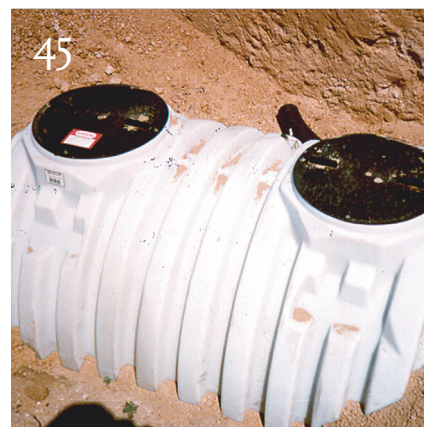
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STAFF VOL 70 NO 11

PERSPECTIVE

by Paul Deffenbaugh

It's About People

I'm new here. I joined the magazine about three weeks ago but I've been in the residential construction industry for more than 20 years. A long time ago, I used to swing a hammer for a living, doing historic restoration in Fredericksburg, Va. I also built custom homes and did some light commercial work.

Before I took my first magazine job, I debated about how difficult it would be to move from the jobsite to the office. Jobsites are such social places, and the people I worked with had become my friends. I worried that I would be walled away from others and end up working in isolation. It



Home building is a people business.

Don't get me wrong. I love a razor-sharp miter joint and the smell of a freshly excavated foundation as much as the next guy. But what gets me up in the morning is the chance to be around people.

Over the next few years, I look forward to meeting and speaking to as many of you as I can. I want to sit in your design centers, prowl your construction sites and meet your office staff. My job is to make this magazine an essential tool in the operation of your business. Believe me when I say that as in home building, editorial work is also a people business because



Take some time with this month's issue. Read the articles, look at the projects, then drop me an email and let me know what you think. Bop over to HousingZone.com and look around. How are we doing?

was a curious fact to recognize about myself. I had always thought I was a bit of a loner. Instead, I discovered how much I enjoyed social interaction.

In the intervening years, I came to understand that I was not unique in that regard in the building community. In fact, I would hazard that being a social person is one of the keys to success for builders. You see, I don't believe building homes is really about either the homes or the building. It's about people.

To succeed, we need to establish relationships with our employees, our trade partners, our vendors, our community leaders, our bankers, our accountants and our marketing advisors. Without those relationships, no builder could succeed. And at the heart of each of those business relationships lives a direct, one-to-one, person-to-person interaction. Keep the other person happy, and that person will help you succeed.

for me to succeed, I have to keep you happy.

So do me a favor. Take some time with this month's issue. Read the articles, look at the projects, then drop me an email and let me know what you think. Bop over to HousingZone.com and look around. How are we doing?

Evaluate us like you would a new saw. Are we being straight and true? Are we sharp? Do we have a handle on it? In exchange, I promise to keep the puns and silly tool analogies to a minimum.

I look forward to meeting you. **PB**

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The Heights of Expectation

In century-old Houston Heights, Allegro Builders grows a modern business one period home at a time.

Lambert Arceneaux is thriving on the “unofficial design revitalization” he sees taking place in Houston’s historic neighborhoods. Following success as a remodeler on historic jobs, he formed Allegro Builders in 1997 and has delighted mostly upscale couples in neighborhoods like his current favorite, Houston Heights, a century-old planned community.

“We don’t build big houses; we build fairly interesting houses, and we pay attention to the details,” an Arceneaux says in describing his houses, which range from \$700,000 to \$2 million. His attention to detail has gained him recognition to mine his period-home niche.

Opportunities

When homeowners Christine and Jan Spin set out to find their “own little Shangri-La,” they set their sights on Houston Heights and contacted Allegro Builders.

The Spins wanted enough space to accommodate a possible family as well as out-of-town visitors. Arceneaux was happy to oblige and the building process began.

Challenges Met

In a real sense, the opportunity in this project was the challenge of serving clients with high expectations. Christine Spin quit her full-time job to take the lead on design decisions. Spin wanted her new home to have the “same kind of character, but with all the modern

amenities” as her former residence, a 175-year-old Maine farmhouse.

Arceneaux is similarly demanding. He admits to making trades tear out and re-do “more of their work than you could ever imagine,” from porches to a wall of glass block whose bottom row was improperly aligned. “Those who bear with us and do things right know we’ll have 20 more houses coming for them.”

As the Spins reviewed Allegro’s projects in Houston Heights, the houses designed by Creole Design, a Houston firm, caught their attention the most. Arceneaux brought Creole Design architect-president Sam Gianukos into the project. Poring through architectural books, Christine Spin pinned her hopes for a dream home on the photo of an 1850s Greek Revival mansion that she found in the book “Southern Comfort: The Garden District of New Orleans.”

The old mansion’s front elevation featured prominent columns supporting upper and lower galleries. Gianukos faithfully included the columns in the Spins’ floor plan which Allegro Builders recreated. The end result fits two floors and a small 218 square-foot third floor

LIGHTWEIGHT AND WEATHER-RESISTANT, structural fiberglass columns support the double gallery of a home that pays homage to an historic New Orleans mansion (opposite page). Pine dominates the front elevation while fiber-cement planking protects the sides and rear. Inside, (this page) a three-story spiral stairway wows guests as well as the homeowner.



VITAL STATS

The Spin Residence

Location: Houston, Texas
Builder/Developer: Allegro Builders, Houston
Architect: Creole Design, Houston
House Completed: July 2005
Home type: custom single-family
Lot size: 60 x 200 feet
Square Footage: 4478 plus 972 in outbuilding
Buyer profile: Young professional couple



FORMAL AND INFORMAL ELEMENTS FLOW from a formal dining room (below), through a butler's pantry with custom wine station, and into an open kitchen/family area (above) whose breakfast nook opens to an outdoor "summer kitchen."

into 4478 square feet; and 972 more square feet of interior space in an out-building that also hosts a three-car garage.

Materials & Products

Despite its 1850s design roots, the Spin residence uses modern choices to enhance the traditional style. Structural fiberglass columns replace wood, which has proven inferior in weathering the Houston humidity. The rest of the front elevation, however, is primarily wood primed on all sides and tucked away from the elements. This includes the pine 105-profile siding, trim and corbel brackets, which were designed by Gianukos and hand-carved by a local craftsman whose shop "looks like Geppetto's workshop," says Dan Bedwell, project manager for Allegro and hands-on supervisor through most of the Spin job.

Fiber cement siding was used on side



and rear exterior elevations where the siding profile is less critical. Windows are wood inside and out, but needed to be insulated to meet Houston's energy code. Allegro used JELD-WEN's Pozzi Custom Collection as an alternative to true divided light windows, which were impractical, cost-wise, to specify.

Several specialists were brought into the project, including a lighting designer; a contractor to install a Niles Audio multimedia entertainment system with distributed touchpad controls; and a

landscape architect who handled the grounds and a built-in pool.

People & Processes

"We have to operate efficiently and effectively, and we always have to know exactly what it costs us to build a house," Arceneaux says. To meet these goals, Allegro outsources its estimating and purchasing to The Builders Club, a Houston company that serves as an outside estimating and purchasing arm to Houston builders.

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■ PLANS & PROJECTS ■

LIGHT SHINES FROM A SECOND-STORY BALCONY into the master suite (right and below). Rich woodwork and a custom, stained glass complete a relaxing retreat.

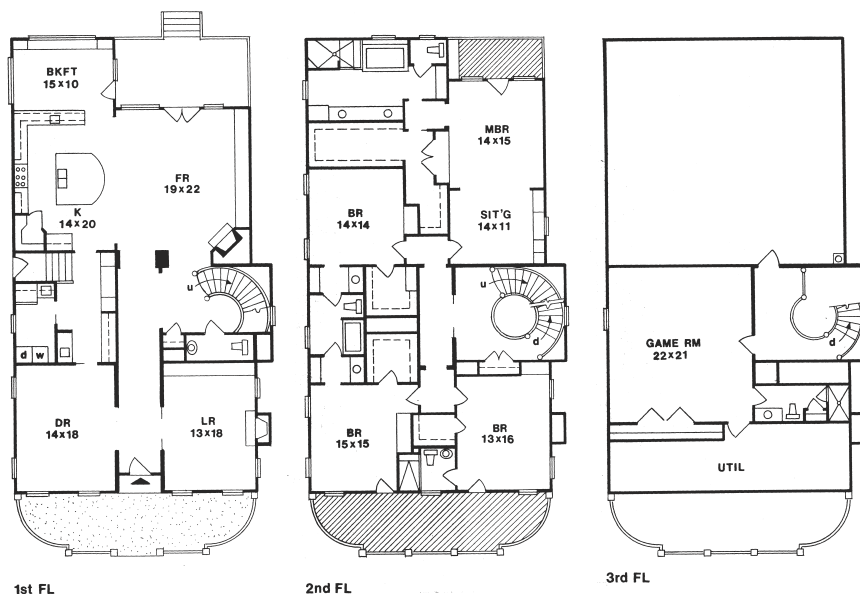


Serving Allegro and 21 other local builders, The Builders Club owner James Dong operates a remote purchase order system using CAD and product data management software from Argos Systems for detailed take-downs of major building components. That information, along with general invoicing, is then processed through the FAST accounting system from Constellation HomeBuilder Systems.

Arceneaux prefers this service to packaged systems for up-front cost efficiency and for its head-to-head competition between vendors. He says it has uncovered price variances that have translated into savings as high as \$10,000 for a frame package. Arceneaux believes this system helps set the stage for Allegro, with only eight employees, to grow.

Executing on-plan and on-schedule in large part hinges on the "client relationship and setting expectations," says Karen Travelstead, Allegro's general manager. "What sets us apart is the way we set expectations and educate buyers." She says custom building is rife with change orders, but "we tell them there will be 'surprises,' and we tell them how we will handle them."

Key, scheduled meetings include a virtual, 3D CAD pre-start walk-through and a pre-drywall walk-through. In the Spins' case, the latter helped confirm changes to accommodate lighted artwork niches. Additionally, Allegro Homes works with lenders to coordinate the home's value and completion date. "It was such an emotional investment for [the Spins]," Travelstead says. "By communicating with them each step of



the way, we took a good deal of stress out of the process."

Outcomes

The Spin house took 13 months to complete from groundbreaking to walk-through, longer than average but "without any major hiccups," Christine Spin says. "We love the area and we love the house," she adds. "It turned out so much more beautiful than I could have imagined."

Arceneaux declined to report hard construction costs and the price tag on the house, but the house's craftsmanship appears on a par with that of homes slightly above \$1 million.

The small, custom and spec-home building business has seen its revenues double for three years running to reach \$8.1 million in 2004. Arceneaux expects

to top \$12 million for 2005 in an estimate has been adjusted slightly downward following Hurricane Rita.

While profits are undisclosed, Arceneaux credits Allegro's success to tight estimating, constant client contact and a steadfast focus on "building period homes that fit in with the homes around them in historic neighborhoods." **PB**

To purchase a copy of "Southern Comfort: The Garden District of New Orleans," visit the HousingZone bookstore at www.housingzone.com/bookstore

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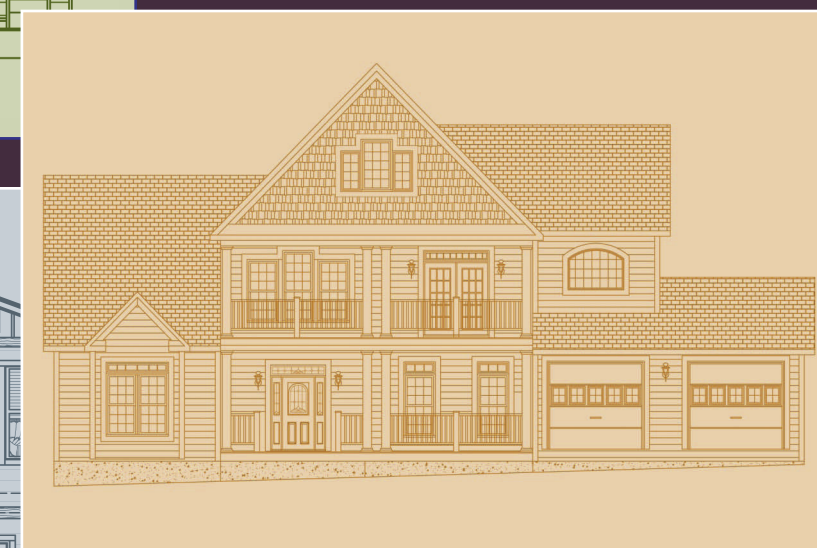
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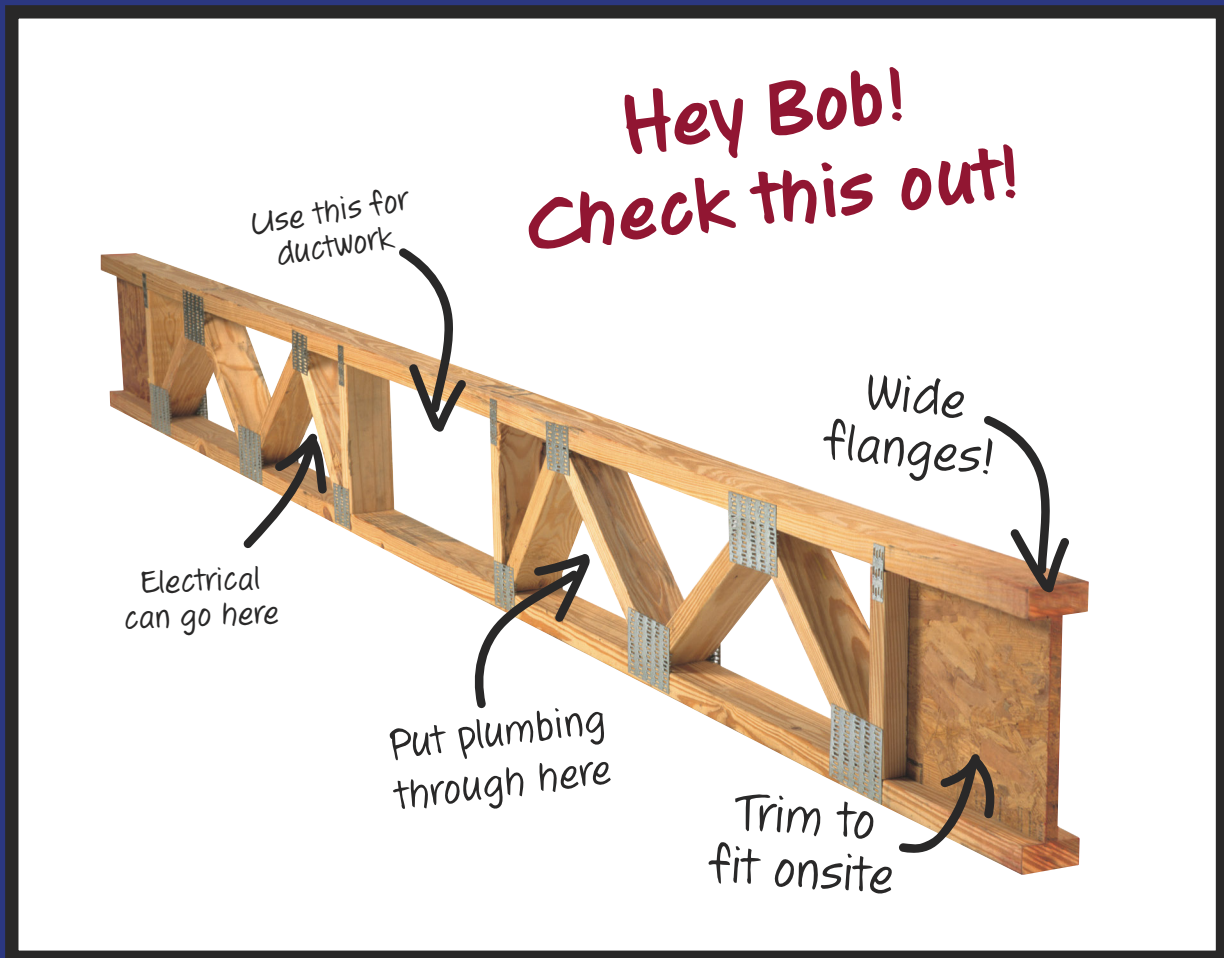
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H.R. DEPT.

Self-Development Orientation

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I recently returned from **Professional Builder's Benchmark Conference** where I feasted on a cornucopia of educational seminars served up by some of the best minds inside and outside our industry. One of those was Ram Charan, an acclaimed adviser, author and teacher to some of the world's most successful companies.

Charan has a keen ability when it comes to understanding why great companies are more successful than others. Great companies have more than good leaders; they have *growing* leaders. Charan elaborated on this, noting three habits he usually sees in top leaders:

- They are voracious readers of diverse materials and have an insatiable appetite to find new ideas.
- They are very performance oriented.
- They are very conscious of the unconscious.

While each of these bullet points are worthy topics, I would like to focus this month's column on the first bullet, something we call Self Development Orientation (SDO).

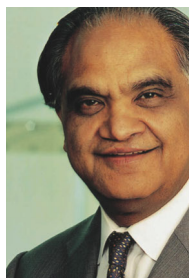
I did a quick Google search on Self Development Orientation and found no shortage of definitions. In its simplest terms, SDO means to initiate actions to further improve skills and performance proficiency. And, as Charan suggested, continuously learning and improving,

usually without being prompted to do so.

Lets face it, most of us have more on our plates today than we can deal with and are in no hurry to add more. When times are good, it is normal for us to focus on *doing* rather than *growing*. Unfortunately, that is the reason so many people hit the career ceiling. People are so busy excelling in their current jobs that they see no need to broaden their horizons. After all, success in their current role will surely follow them into their next role, right? Not altogether untrue, but it is like betting on 36 red at the roulette table... just how lucky do you feel?

Whether you are a hiring manager or a potential candidate, SDO separates the great people from the occasionally lucky ones. And a complete lack of SDO can curtail, or worse, derail a person's career (depending on how fast your industry is changing). Open any interview how-to book and a variation of the following two questions can always be found:

- What are your career



Great companies have more than good leaders; they have growing leaders."

aspirations... your plans for the future?

- What steps have you taken to prepare yourself and what steps are you planning to take?

The first answer is self-explanatory, but the second reveals a host of dimensions about the person including their initiative, problem analysis and judgment, planning and organization, etc. Before I lose you on this, let's look at a real-life example.

A vice president of construction for a Top 10 builder aspired to become a division president. For the first seven years of his career, his experience was all about construction. Recognizing his lack of sales and marketing experience — showing problem analysis and judgment — he signed up for and completed all Member, Institute of Residential Marketing courses offered by the National Association of Home Builders — showing initiative. Because his company did not advocate such action, he paid for it himself and used personal vacation days over four years — showing drive, planning and organization — to pull it off. Starting to make sense now?

The bottom line is that individual development starts with you — the individual. **PB**



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NEW HOME KNOWLEDGE

New Prospects vs. 'Be Backs'

Interviews with America's best new home sales professionals.

Statistics show that "Be back" customers — those returning for a second or third visit — are almost four times as likely as new prospects to purchase a home. What is the goal with "Be back" customers? Does the approach change for a first time customer? This month, we sit down with new home sales professionals Stacy Hair, Jeff Kaizer and Debra Dunaway to discuss "Be backs" versus new prospects.

Stacy Hair: When I have a returning customer I believe it is because I did my job the first time getting them to come back to the community. My goal with "Be back" customers is to focus on what is important to them. Whether the important thing is the home, the home site, the financing, etc., I make sure to narrow in on that important element. At this stage, I will either close on a sale or set up a second appointment.

Jeff Kaizer: For a new prospect, my closing ratio is 1:11. When I have a "Be back," that ratio narrows down to almost 1:2. I take a different approach when I recognize a customer as a "Be Back" prospect. I categorize my "Be Backs" into two different categories: did they just show up or is this a planned visit that I have initiated? In the latter case, I know what we are trying to achieve and how much further I am trying

to take them down the critical path to closure.

Debra Dunaway: It is great when a customer walks back in the door for the second or third time because you treat them like an old friend rather than someone that you are meeting for the first time.

When I have customers that have returned more than three times, I believe it is important to zero in what the hesitancy is to close. I like to ask the customer why she is having difficulty making this decision when she has found a community that has answered all of her needs.

I am straightforward with "Be backs." At this point in the sale, if you can't treat them like an old friend, then they are not going to open up to you. You need to just go straight to the point and find out is there something standing in their way of making this decision. And once they have opened up and tell you that, you will probably solve that and move forward. **PB**



“

I am straightforward with 'Be backs.' At this point in the sale, if you can't treat them like an old friend, then they are not going to open up to you."



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LESSONS LEARNED

It's Sprawl or Nothing

The real issue behind the no-growth movement.



A mid-August poll published in *USA Today* indicated 71 percent of respondents would accept a tax hike to keep developers away from their property. I don't know who asked the survey question, nor do I know how it was asked, but I'd like to see the details. I know I could blow huge holes in it.

Most Americans won't tolerate tax increases for schools, roads and bridges. What makes us believe our fellow citizens will subsidize the protection of land from housing developments out of their own pockets? In *USA Today's* survey, it was obvious that

someone was looking for a response, and they got what they wanted. The response indicates there is a problem. Normal, tax-paying Americans claim they would rather spend more money in taxes than let a developer set up shop right next door.

I confess that I am generally supportive with the principle of protecting green space, wildlife habitats, forests, prairie, wetlands, etc. It's just a basic responsibility of being a human — or at least it should be. Similar to the old maxim that few companies ever got a union they didn't deserve, few industries have ever generated environmental regulations they didn't earn.

Most industries worked very hard for decades at messing up the environment before the government was pushed to enact legislation. Sure, they may get

punished because of the sins of the few, but the damage the few did is mind-boggling. Industries, including home building, have no one to blame but themselves for what sometimes becomes unreasonable and even illogical regulation.

go to any suburban airport in America, buy a plane ride and tell the pilot to aim it directly away from downtown. By the time you get to 2000 feet and look out the window you will see nothing but land.

I have observed this phenomenon this year alone in the “hot” metro areas

sprawl (sprôl)

Haphazard growth or extension outward, esp. that resulting from new housing on the outskirts of a city.

Websters II New College Dictionary, (Houghton Mifflin Company), 2001: 1069.



This industry has to be **much more proactive** in making it **easy for the citizens** and members of city councils, planning commissions and zoning boards **to love what we do** rather than fear what we do, which is the current **default standard**.

Nobody is home

We now deal with what has become the ultimate bogeyman — urban sprawl. The words are so loaded that to say you are pro-growth is tantamount to saying you are “for pollution” or “soft on crime.” But growth is not the real problem for most of these people. They *think* that it is — and they are indeed against something — but the real problem is something else, indeed.

You see, I have determined beyond a shadow of a doubt that there is no such thing as sprawl as it is classically defined — the careless consumption of our farmland and open spaces. How do I know? One of the best things about my job is that I get to fly around the country a lot. I am lucky to get to see the American landscape in a small plane, usually no more than a couple of miles up and at speeds that let you get a feel for the land.

As I write this, I am in the middle of a journey from Detroit to the West Coast, then back via Arizona and Texas, with stops in nine major cities. I have also been back and forth to the East Coast twice and to Florida three times this year. And one thing that I, and everyone who flies with me, is amazed about is that *nobody is home!* That’s right. There is no one out there. What you see virtually everywhere in America is vacant land. If you don’t believe me,

of Atlanta, Chicago, Charlotte, Phoenix, Dallas, Minneapolis, Baltimore, Las Vegas, Dallas and Sacramento, just to name a few. There is so much open land in this country that it defies comprehension. Yeah, it’s getting kind of far out for commuting to the traditional work centers, but the bottom line is, there is no such thing as sprawl as *it is usually understood*. We have an incredible abundance of farmland and open space and will have for centuries. Most of the statistics produced on the so-called “problem” are based on nonsensical growth models.

Good development versus bad development

Despite the complaints of builders and developers, most people are not anti-growth per se, although those that are take up a disproportionate share of newsprint and airtime. Most people accept that growth has to happen.

What a lot of people hate are many of the outcomes from suburban development as it is currently practiced. Despite notable exceptions here and there, so much of what our industry has built qualifies as ugly, and that’s being kind. Our march to the hinterlands has produced a lot of ugly product arranged in ugly ways, with little regard for how people want to work, play and *live*.

Let me be clear. There is a big issue here and it is aggravating, time consuming and expensive. But the target has become sprawl because that’s a handy wrap-up term for people who are legitimately angry, but can’t quite articulate what is bothering them.

The real issue is good development versus bad development. But doing things right so often requires money, which requires density. The basic relationship between density and house prices is something, the public does not understand.

Despite that obstacle, this industry has to be much more proactive in making it easy for the citizens and members of city councils, planning commissions and zoning boards to love what we do rather than fear what we do, which is the current default standard. Don’t tell me it can’t be done because I have seen so many of you do it. There are incredible, wonderful examples of great development. We need to get to where the trophy-winning projects are the rule, not the exception.

The industry too often behaves as if doing things the way we’ve always been doing them is the *only* way to do things. But remember before your next township council meeting, that it is not our growth that is causing people to scream “Sprawl!” Rather, it is the way we have been growing — the look, the impact, the outcomes that detract from, rather than enhance the quality of life. But it doesn’t have to be that way. There is still plenty of land, and it doesn’t have to be *sprawl or nothing*. **PB**



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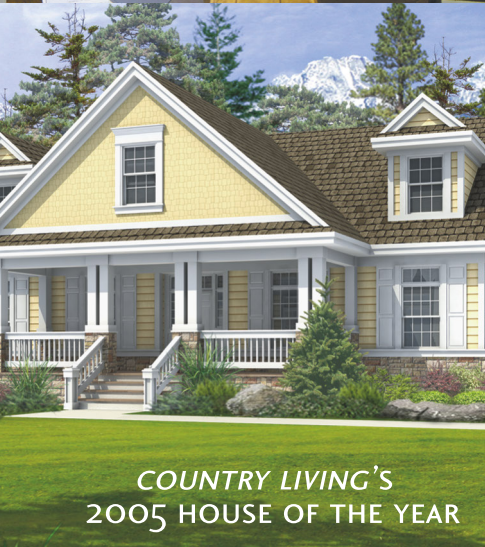
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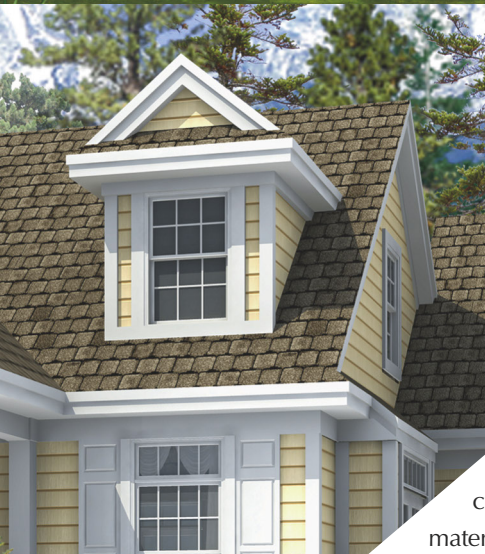
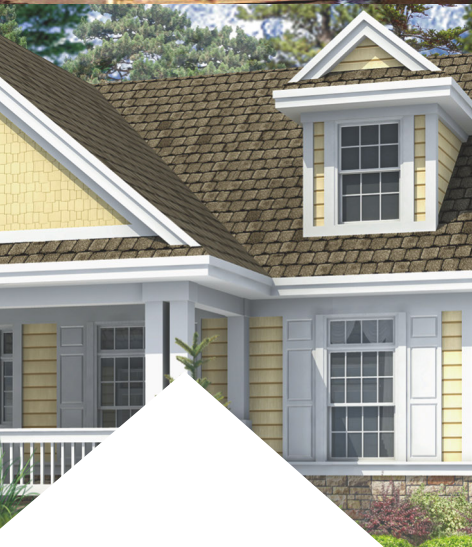
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Land Acquisition and Development Finance Part 4

Financing can be a risky business so weigh your options carefully.

The majority of real estate developers look to increase their potential investment return by using other people's money. Assuming that the rate of return for the project is greater than the interest rate for the debt, the more debt placed on a property, the higher the potential return.

The use of borrowed capital to make an investment, called leveraging, does not always guarantee a return. Negative leverage is a situation in which the project experiences losses or is earning profits at a lower rate than the mortgage interest rate. Consequently, the developer receives less of a return than he would have had he been able to finance the project with no loan. This is because the developer must pay the lender a

greater rate of return for the use of the borrowed money than that earned.

Also relevant to the debt and equity balance is the risk related to recourse lending. A recourse loan is a loan in which the borrower is personally liable for the debt in the event of a default. A non-recourse loan is one in which the borrower is not personally liable for the debt. A non-recourse loan is more risky for lenders because they must look only to their collateral, or any other signer on the loan, for repayment in the event of a default.

Generally a smaller developer will be required to personally guarantee the loan. As in all investments, builders must balance risk with return. Debt financing has the lowest cost, but the highest risk. With

debt financing, if the payments are not made in accordance with the agreements, the lender may choose to foreclose on its collateral. The borrower can lose the property, all its equity and may be liable for any deficiency to the lender. Equity financing has a much higher cost, but a lower risk.

With equity money, equity investors assume more risk. They often lend without requiring collateral to secure the loan and offer more timeline flexibility for receiving a return. The more equity in a deal, the less risk of an unsuccessful project due to cash flow needs. There is less return because the equity investor requires a higher rate of return than a lender. The more debt financing (the greater the leverage), the higher the total return to the developer because the lender's interest cost is significantly below the rate of return that would be paid to an equity investor. There is higher risk because if the lender is not paid in time, the entire project can be lost. Thus, the combination of

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over leveraging and a cash shortage is a common cause of project failure. To maximize your return on a project, use a strategic mix of equity and lender capital.

Public Financing

The public sector offers a wide variety of land development financing alternatives to the real estate developer. These alternatives are covered below and on page 36.

CONSIDER THESE TIPS TO APPROPRIATELY BALANCE THE MIX OF EQUITY AND LENDER CAPITAL.

- **Leverage Low Risk.** If you feel comfortable with the risk, then leverage is the appropriate strategy to maximize returns.
- **Use Equity for the Gap.** Use equity financing to cover the difference between what you can borrow and the total amount you require to do the project. The equity investors' return often takes the form of a share of the profits paid after the lenders are repaid their loan and interest. Consequently, the equity financing involves more risk and equity investors require a higher rate of return than the interest rate that lenders chose. To the extent that lower rate lender debt can be substituted for higher cost equity money, the developer benefits from the increase in total profits resulting from the lower overall cost of the project financing.
- **Replace Equity Financing.** Replace equity financing with bank financing as quickly as possible. This will lower your initial cost of financing to increase your project return.
- **Interest and Fees Over Profits.** Pay a fixed rate of return to investors rather than a share of profits whenever possible. This limits the potential payout to investors and maximizes your return.

Tax Increment Financing

Tax increment financing (TIF) is most frequently used with larger mixed-use projects involving commercial property. TIF is based on the assumption that redevelopment increases property values. Following this assumption, the increase in property values leads to the "increment" component of tax increment financing. The increment in revenues is the difference between the municipality's income from property and sales taxes in the area prior to redevelopment as compared to after redevelopment.

Incremental funding is typically used in two ways: to pay directly for development improvements or pledged to the retirement of bonds issues by the municipality at the onset of the redevelopment program. For a developer who

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anticipates large expenditures for land acquisition and/or infrastructure, and who can present convincing evidence that the redevelopment will generate significant increases in land values (and

the corresponding increase in tax revenues), TIF offers a potentially significant source of funds.

Tax Abatement Financing

Tax abatement programs encourage

developers to undertake development projects because they offer relief from taxes. Through these programs, developers are relieved of all or part of the taxes on certain property during a specific time block. This serves as an incentive for development. Tax abatement financing frees developers from ordinary financing restrictions and thereby makes other improvements affordable or additional financing obtainable.

Special Districts

"Special district" is a general term that can include any of a number of geographically based jurisdictions created to carry out a specific function or functions.

Special districts are often used to finance land development where public purpose can be demonstrated. Public improvement districts are established within the boundaries of an existing municipality, or occasionally a county, while a metropolitan service district is established in an unincorporated area. Because of the special characteristics of service districts, developers use them more frequently to finance infrastructure than the other types of special districts.

Equity Financing

This type of financing can be used for land acquisition, land development and project construction. In relation to land acquisition financing, equity financing often makes up a large part of the total financing package. Equity is the funds contributed by the owners and/or investors, which together with debt provide the capital needed to acquire and/or develop the asset. Because equity is typically subordinated (junior) to debt, it is considered riskier. Typically, all operating costs and all debts for the project must be paid before the equity investor realizes any return. However, equity providers are often allowed to receive partial distributions even before debt has been fully repaid. Listed on the following pages are five methods of securing equity capital, in addition to that contributed by the developer/owner.

1. Joint Ventures

A joint venture involves you and one or more outside parties who join forces to provide capital and/or expertise for a

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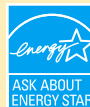
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project. You provide the expertise, and, in some cases, also make a capital contribution.

Landowners selling to developers also frequently become equity participants in joint venture activities. The landowner typically contributes land to the project in return for a proportionate ownership interest in the project. The land may also be entered into the deal at a negotiated price, which usually covers in full the equity needed to obtain development financing. The landowner may hold a mortgage that is subordinated to the development loan. Cash flows can be distributed on a priority basis.

An equity investor's confidence in you as the developer, the perceived risk of the project, the amount of equity required and your commitment all help to determine how much control they want over the project and the rate of return they will require for their investment.

2. Builder Cooperative Agreements

In a builder cooperative agreement, you and other builders share the risk and combine their equity and borrowing power to acquire and develop a larger project than they could take on individually. The co-op can be organized in various ways, such as:

- Each co-op party can assume differ-

ent responsibilities within the project.

- Parties may prepare written agreements on architectural standards, types of building materials, number of speculative houses, quality of construction, and amount of advertising. Consensus around these considerations becomes important if co-op parties will build in the same subdivision.

- Parties can contribute service for a fee.

- After development, parties can share lots by lot draws or sales of the lots to themselves at determined prices.

3. Syndications

Syndication involves raising cash by selling ownership shares in a project through either a private or a public offering subject to the very strict regulations of the Securities and Exchange Commission. The cash is used to acquire land and develop the project. Because of their complexity and large amount of capital involved, developers often use a professional agency, called a syndicator, to arrange the syndication while assuming the role of information liaison between the lender and the investors.

Syndicators act as middlemen who market the ownership shares to prospective investors. Syndicators can also purchase the ownership shares

COMMON COMPONENTS OF JOINT VENTURE AGREEMENTS

Goals of the partners	Individual goals should be aligned with each other.
Amount of capital	The agreement records what is to be contributed, by whom, and when.
Return distribution	The agreement specifies the returns to each of the partners, including any preferred return, as well as the distribution of the cash flow, tax benefits, and reversion.
Loss distribution	The distribution of responsibility for any losses must be designated.
Additional capital sources	The agreement details the agreed upon method for raising additional funds, as needed.
Dispute resolution	The agreement outlines a dispute settling method, as well as provisions for withdrawal or death of a partner.
Risk allocation	All partners must identify and agree on the amount of risk each is willing to take.



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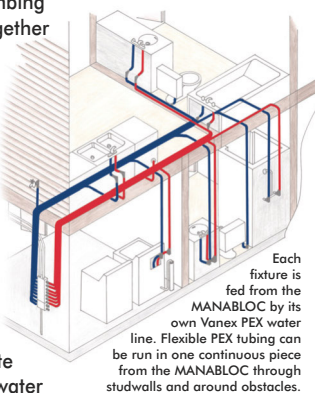
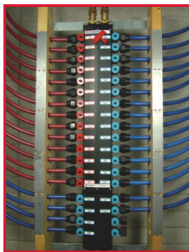
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from the developer and resell them. They receive a fee, usually up front, for their services but they can also receive a percentage of the profits based on performance as all or a part of their fee.

If the syndicator acts as a middleman, developers often remain as general partners in the project. If the syndicator actually purchases the ownership shares and resells them, the syndicator becomes the general partner and developers remain to provide expertise on a fee basis.

There are advantages and disadvantages to each arrangement. From a developer's perspective, the trade-off is between liability and control. The amount of liability you incur depends on whether you are a general partner or not. If the syndicator becomes the general partner, you lose control over the project. However, in exchange for loss of control, you receive a guaranteed fee and incur no liability.

4. Mezzanine Lender

A mezzanine lender provides a second loan, subordinate to a first lender, for the balance of the equity portion needed to complete the financing of a project that is not provided by the first lender. The mezzanine lender can be used to finance land acquisition, improvements and unit construction. These loans may be secured or unsecured, but are generally secured and can be made for up to 100 percent of cost not to exceed 75 percent of the loan-to-value. The term of this loan type is generally 12 to 36 months with personal guarantees. The loan can be structured with an interest reserve for the first lender and a project overhead draw. The interest is paid from the loan instead of the cash flow. The overhead draw finances your indirect expenses to run the project. Lenders generally charge 1 to 3 percent above the prime rate. You pay the lender monthly interest, unless funded in the loan, and upfront fees of usually 3 percent. When each unit is sold and title is transferred to the purchaser, you pay an additional release price fee of up to 10 percent of the loan amount being paid off or "released" at the time of closing, along with both principal and any outstanding interests.

5. Management Agreements

As an indirect method of equity financing, you can enter into a management agreement with an investor. These are also known fee-development agreements. A typical management agreement might provide for an investor to acquire an identified parcel of land and hold it in its own name. You would agree to perform the entitlements process, the development and the ultimate sale of the property. The investor pays for the out-of-pocket costs. When the property is sold, both you and the investor are reimbursed any out of pocket costs, the investor receives an agreed return on his investment, and you are then paid a fee based on a percentage of the profit of the project.

Management agreement arrangements present no or low-risk advantages. They provide equity financing without personal risk. Conversely, these agreements offer lower returns. The investor typically retains a substantial portion of the profits resulting in a higher total development cost than commonly realized through bank financing. **PB**

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contains leaders from the roof downspouts on the right and an overflow pipe on the left.



It's Raining Profits

Using rainwater to harvest new customers.

Mother Nature is ironic. As one part of the country was being saturated by rain and flood waters, the rest of the country was suffering one of the longest droughts on record. Lush lawns baked to a golden straw; blooming buds dried as quickly as they grew. Home builders and owners alike were desperate to conserve any water Mother Nature delivered.

Enter rainwater harvesting.

Profiting from Rain

Rainwater harvesting is an easy and cost-effective way to conserve water. How? Because it allows homeowners to water their lawns and gardens with collected rainwater instead of using water from a private well or municipal reserves.

Most rainwater collection systems include five components:

- A catchment area
- A conveyance system
- Roof washing

- A holding system
- Distribution

Benefits for the Builder

The greatest benefit rainwater harvesting offers builders is increased ability to get building permits in areas that have water-related moratoriums. In areas throughout the desert Southwest, for example, it is very difficult to get the necessary permits without including substantial water-saving measures in the project.

"Through the use of graywater, stormwater and rainwater harvesting, builders are able to meet a portion of the water usage reduction standards required for some municipalities," says Heather Kinkade-Levario, president of American Rainwater Catchment Systems Association.

"For example, Cochise County, Ariz., requires all builders to go through a project approval process," Kinkade-Levario says. "If builders can show they are not using more water than a stan-

dard subdivision on well water, they can get a density bonus to allow additional units. These standards may also require that low-flow fixtures and native landscapes are installed to meet the total water usage reductions."

Builders may also benefit from reduced stormwater management costs.

"Rainwater harvesting is a great way to control a lot of on-site drainage," says Mike Chapman, a home builder in Santa Fe, N.M. "We don't have to deal with runoff from roof water because it gets siphoned-off into the holding tank."

By lowering the amount of peak runoff, a smaller, and potentially less costly, stormwater management system can be put in place.

Although Chapman is a fan of these cost savings, he installs rainwater catchment systems because of the high consumer demand. Eighty percent of his customers upgrade to a rainwater harvesting system.

"We offer these systems completely

in response to the marketplace,” he says. “We are in an area where water is a huge issue. And we can offer our customers the option of increasing the amount of water they can use for landscaping at an affordable price.”

Success in Simplicity

Chapman typically installs a 1200-gallon cistern with downspouts plumbed into the tank. The water is removed from the tank by a submersible pump. Homeowners can hook a hose up to the tank just like a regular faucet and water their lawn or garden or wash their car. The installed cost varies between \$3000-\$4000, based on the terrain and layout of the roof.

This is Chapman's least expensive option, and one that appeals to those customers who are simply going to water trees and plants with it.

“Most builders ought to keep it simple,” he says. “When you complicate how you feed water into the sprinkler system, you have more to maintain. My recommendation is the simpler the better.”

Maximize the Benefits

Rainwater harvesting is popular in the desert Southwest, where there is limited rainfall and droughts are a serious issue. In these conditions, it is easy for builders and homeowners to see why collecting and storing the rainwater makes sense. But builders in areas with average and even above-average rainfall are including rainwater collection systems in their projects.

Dana Bres, a senior research engineer for the Partnership for Advancing Technology in Housing explains that rainwater harvesting is very practical in climates where rain is more frequent and is evenly dispersed throughout the year. Harvesting is practical, Bres says, because less water needs to be stored at any one time, lowering installation costs. Because the most expensive component of rainwater harvesting is buying and installing the cistern, reducing the amount of water the homeowner needs to store will reduce the size of the cistern and the size of the hole that the cistern is buried in. This lowers installation costs,



INSTALLING A RAINWATER HARVESTING SYSTEM

1. Assess the situation. Because all houses have roofs and most have gutters, the only thing a builder needs to add to harvest rainwater is a holding tank. Most builders install a cistern below ground. Although rain barrels work fine, they hold a small amount of water, which offers limited benefit to the homeowner.

2. Plumb away. Once the holding system is complete, plumb the gutters to the cistern or barrel. During a rainstorm, the downspouts direct the rainwater into the storage facility, rather than allowing it to run off into the ground. Be sure to place submersible pumps as close to cisterns as possible.

which makes it easier to sell to customers.

Design and Installation

Designing a system with appropriate storage is one of the most important aspects of installing a rainwater catchment system, Bres says. Installing a cistern that is too small minimizes the benefits, while installing a cistern that is too large is needlessly expensive.

“This is where the 80-20 rule comes into place,” he says. “It takes 20 percent of the effort and money to get 80 percent of the water, and 80 percent of the

BE SURE TO PLACE SUBMERSIBLE PUMPS

as close to cisterns as possible. Ground-level access hatches are required for both the pump and the tank.

money to get the remaining 20 percent of the rainwater. So, it may be appropriate for the builder to size the system to be successful 80 percent of the time.”

How can a builder determine what size cistern to install? The general rule of thumb is that every inch of rain will produce about 623 gallons of water for every 1000 square feet of roof area. Based on the rainfall for the local area and the desired use of the water, you can approximate how much water needs to be stored.

Sell this upgrade to your customers

Rainwater harvesting allows homeowners to keep their landscape green while minimizing their water bills or the demand on their well. The following list demonstrates benefits that builders can highlight when speaking with homeowners:

■ **Reduced water and sewer costs.** In most urban communities, sewer costs are based on water usage. By capturing rainwater and reducing water purchased for landscaping, homeowners can also save money on their sewer bills. In Arlington, Va., for example, homeowners will save about \$3 on water fees and \$4 on sewer fees for every 1000 gallons of water captured and used for landscaping. This can save the average homeowner \$600 per year.

■ **Extra water.** In many drought-stricken areas, homeowners are only allowed to water their plants once or twice a week, if at all. With their own rainwater reserves, they can water more frequently.

■ **Healthier lawns and plants.** Plants respond better to rainwater than tap water, Kinkade-Levario says. Rainwater is naturally soft water without chlorine, fluoride, and other chemicals that are harmful to the environment. **PB**

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[**Special Report**]

➤ BY PAUL CARDIS WITH ADDITIONAL REPORTING BY JACK REVELLE

Recipe for Success

The 2005 NRS Award winners share best practices for improving customer satisfaction ratings.



f successful home building was a recipe, the ingredient list might look something like this: one part skilled builder and trades; one part good land and floor plans; two parts satisfied customers.

Because customer satisfaction is such an integral part of the home building recipe, builders are focusing more than ever on improving their customer satisfaction ratings. High satisfaction ratings translate into lucrative referral business that can sometimes feed more than half of all future sales.

Now in its third year, the NRS customer satisfaction award goes to seven builders that represent customer satisfaction at its finest.

On the following pages, each award winner will share best practices for improving customer satisfaction ratings. Sit down and find out what it takes to be the best from those companies setting the bar in customer satisfaction.

Winning Ingredients

Each of the companies that won an NRS Award provided a truly delightful experience to their buyers. To measure the degree to which they accomplished this, NRS included a series of key questions to shed light on each company's level of performance. Three of the key questions highlighted in this article include:

- Would you recommend your builder to family and friends?
- How many actual recommendations have you made for your builder?
- To what degree did your builder care about you and building you a quality home?

This year's study dug in deep to find out what it takes to be the best in customer satisfaction by conducting a series of regression analyses to figure out what really matters to buy-

Methodology

The NRS Award program is conducted annually to measure homebuyer satisfaction among builders in the United States and Canada. This year's study was comprised of 241 building companies in 37 U.S. states and one Canadian province. The survey measured customer satisfaction levels with a 105-question mailer and an online survey administered to 59,684 homebuyers who closed on their homes in 2004. Winners were determined by adding their total homebuyer satisfaction score with their recommend score to calculate the NRS Index score. The NRS Award program announces only the winners in the award categories, and it holds in confidence the results for builders that subscribed to the study but did not win.

ers when it comes to making them happy about their home building experience.

A Heaping Spoonful of Care

NRS discovered the magnitude to which buyers are influenced by one particular key factor — a “genuine caring for the buyer and building them a quality home.” The genuine caring question on the NRS survey predicted recommendation levels better than any other indicator, including the product satisfaction average, service satisfaction average and all other individual questions on the survey. This kind of predictive performance on a satisfaction survey was never so strong. Prior to adding the genuine caring question, the best predictor of recommendation levels was service satisfaction average. With the caring question added, NRS was able to have nearly three times the predictive power of the service satisfaction average and six times the predictive power of the product satisfaction average.

Larry Webb, chief executive officer of John Laing Homes notes, “It makes a lot of sense, but most builders don't realize how important it is to buyers.”

Genuine Caring Difference

The Results of the 2005 study reveal significant differences between the top and bottom five companies on genuine caring. High performers averaged 90.8 percent of customers indicating genuine caring from employees. Low performers averaged 32.8 percent of customers indicating genuine caring from employees.

As you can see in Chart 1 (page 52), if a builder raises its genuine caring by 1 point, it would see an increase in its recommend levels by .64 of a point. This is compared to an increase of only .24 on recommend for a 1 point increase in overall service and even less than .10 on recommend for a 1 point increase in overall product.

And the Winner is...

John Laing Homes Denver division received the 2005 NRS Diamond Award. This builder had the highest rating among all other builders, 50 closings or greater, on customer satisfaction. Profiles of each winning company are provided on pages 52-61.

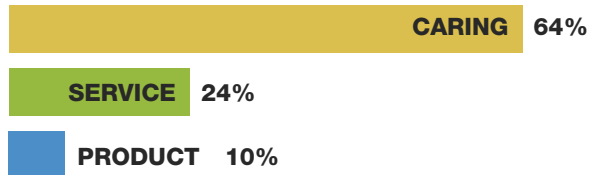
The power of genuine caring can also be found in the ratings of each of our winners. The top 2.5 percent compared to the bottom 2.5 percent in the study revealed startling differences in the amount of caring.

John Laing Homes Denver, this year's NRS Diamond Award winner, No. 1 Production Builder in Customer Satisfaction, had 100 percent of its customers stating that they felt John Laing's staff cared about its customers and building a quality home.

Caring obviously doesn't exist in a vacuum relative to the

REGRESSION ANALYSIS COEFFICIENTS

(degree to which key questions impact recommended levels)



NRS Diamond Award Best Builder in North America in Customer Satisfaction presented by *Professional Builder*
NRS Best in Class Award 100-499 Closings

Establishing relationships first

Winning the NRS Diamond award, as well as Best in Class award, John Laing Homes Denver believes in building a strong relationship with each homebuyer.

According to Larry Webb, John Laing Homes president, "creating the best new home buying experience in the business" is exactly what the entire company strives for as its fundamental moral core, which, of course, includes Denver division's president Rich Staky's team. So, establishing a relationship with each homebuyer falls right into the moral core.

"I think, above all, we are very good at establishing relationships with our homeowners," says Staky. "From the moment they come into a John Laing sales office until the day we walk their home and turn the keys over to them."

To start the relationship process, John Laing hosts community events for potential homebuyers. "We get them together before they ever make a decision to buy one of our homes, and they get a chance to see what other people are living in their neighborhoods," says Staky. "It's a pretty neat process because they will create friendships many times before they've actually signed a purchasing agreement."

John Laing continues those relationships by arranging touch points, appointments throughout the building process with the customer and the builder. "Those five touch points are a preconstruction meeting, pre-drywall meeting, a homeowner orientation meeting, house to home orientation and a warranty orientation after the customer closes," explains Rich Larson, vice president of operations at John Laing Homes Denver. "It just reassures the relationship with the customer, and I truly believe every one of those touches adds trust to our trust bucket."

Leading with your heart is a major best practice John Laing Homes Denver instills, which helps to establish that relationship to another level of caring. "We empower our people to also lead with their heart and soul," says Larson. "If something's wrong, fix it. If your heart told you to do that, then let's do it and we'll worry about how it's going to get paid for later."

This heart-leading process starts at the top of the chain with Larry Webb. "Caring is something that cannot be faked," states Webb. "Caring has to be consistent over the entire experience of the homebuyer."

Although Bill Probert, executive vice president of sales and marketing for John Laing Homes, refers to caring as "relationship selling and building," which ties back into the Denver division's philosophy of leading with your heart. "That is one of the things John Laing Homes does well as a com-

quality of the homes built; rather, caring is the sum of all that builders do for their buyers. A builder who runs around giving warm fuzzies without building a quality home will ultimately fail in customer satisfaction. However, a builder that builds a great home but fails to convey the level of caring it has toward the buyer will also under-perform. The lesson learned is that builders need a well built home with a lot of caring from its employees to reach No. 1.

Capitalizing on these findings will become more difficult

as time passes. What qualifies as a “Wow” today will eventually become a “want” tomorrow and possibly a “must” in the future. Fortunately, there are strategies that have given builders a tremendous boost in their customer satisfaction ratings. The first step is to understand how “Wows” work with customers in today’s marketplace.

Several Cups of “Wow”

Many building experts insist that customers don’t really know what they want; they have to be told. These experts are

pany,” says Staky. “If there is ever any question in something we have done, we follow our heart.”

Once John Laing has developed the relationship, it “Wows” its new friends with little details that show they care not only about the homebuyer, but also the home itself. “We do not install carpet in a home until it’s 100 percent complete,” explains Larson. “They get fresh carpet that’s only been in for three days. The only traffic that’s been on it is pretty much them.”

Helping the homeowner fill out its warranties on appliances is another little detail that shows John Laing cares. About a week after the homeowner moves in, a customer care representative visits the homeowner for its warranty orientation. “Our folks walk the house thoroughly to explain how everything operates and how everything should be maintained,” says Dana Goodnight, vice president of sales.

— BY LAURA BUTALLA, SENIOR EDITOR



PRESIDENT OF JOHN LAING HOMES, LARRY WEBB, left, stands in stride with award winner Rich Staky, president of the Denver division.

PHOTOGRAPHY: SUSAN GODDARD

wrong. Homebuyers, for example, do know what they want, but unfortunately they're not always proficient at describing their needs. When home builders understand the three types of customer needs and how to reveal them, the builder will be well on his way to understanding his customers' needs as well as, or perhaps better than, they do.

The Kano Model of customer expectations is quite useful in gaining a thorough understanding of a customer's needs. Japanese quality expert Dr. Noriaki Kano has isolated and identified three levels of customer expectations — that is, what it takes to positively impact customer satisfaction. There are three needs: MUSTs, WANTs and WOWs.

The MUSTs

Fully satisfying the homebuyer at this level simply gets a home builder into the market. The entry-level expectations are referred to as the MUST level qualities, properties or attributes. These expectations are also known as the “dissatisfiers,” because by themselves they are unable to satisfy a homebuyer. However, failure to provide these basic expectations will cause dissatisfaction. Examples include features

relative to home safety, latest generation building materials and the use of branded fixtures and components. The MUSTs include customer assumptions, expected qualities and functions, and other “unspoken” expectations, such as plumbing and air conditioning that work as expected every time, and a roof that doesn't leak.

The WANTs

These are the qualities, attributes and characteristics that keep a home builder in the market. These next higher-level expectations are also known as the “satisfiers” because they are the ones that customers will specify as though from a list. They can either satisfy or dissatisfy the customer depending on their presence or absence. The WANTs include any “spoken” homebuyer expectations, such as Energy Star appliances and extra large cabinets and closets, returned phone calls and a house that will be serviced within the first year.

The WOWs

These are features and properties that make a home builder a leader in the market and produce the highest lev-

NRS Excellence Award 50-99 Closings

Setting expectations

The Green Company believes best practices are reached by setting expectations and how you deliver them through communication with the customer.

Dave Caligaris, president of The Green Company, Newton, Mass., says there are two main practices that should be used to reach customer satisfaction. “One is how well you set expectations and obviously deliver them. But, probably a very close second, if not even first, is how well you communicate with the customer.”

Continuity throughout its daily processes helps The Green Company to achieve this communication with the customer. “The thing we do that really helps is the continuity of all our processes,” says Dan Almas, senior project manager at The Green Company. “It starts in sales when they first walk in the door and it ends with our warranty department.”

Working in the “Wow” factor, The Green Company starts a photo album for each homeowner on the stages of the home being built. “It's a really nice photo album with pages inside that are printed of the different stages of their construction,” explains Dominique Sampson, vice president of sales and marketing at The Green Company. “It keeps them informed so they know what's happening with their house.”

Building trust with each customer makes a huge difference too. “You have to build trust, do everything you can to build that trust and then you have to make sure you can perform so you don't let people down,” says Sampson.

— BY LAURA BUTALLA, SENIOR EDITOR



DREW HYMAN, PHOTOGRAPHY BY DREW

els of customer satisfaction. As described by Kano, these expectations are the “delighters” or “exciters” because they go well beyond anything the customer might ask for or imagine. Their absence does nothing to hurt satisfaction levels, but their presence improves the overall experience — sometimes quite significantly.

Examples of WOWs include guaranteed utility bills due to quality construction, same day service, weekend hours, gift baskets, frequent informative communications, thoughtful gifts to the buyer, active listening, lending a helping hand and true caring for the buyer. All of these examples are unspoken ways of knocking the customer’s socks off.

Over time, however, unspoken WOWs can become WANTs and finally may end up as MUSTs. The home builders that get ahead and stay ahead, like many of this year’s NRS award winners, are constantly monitoring their homebuyers to identify the next WOWs. Remember, the best WOWs, plenty of WANTs, and all the MUSTs are needed to become and remain an industry leader in customer satisfaction.



THE GREEN COMPANY TEAM, left to right (front row) Mark MacNeill, Sheila Schimmel, Alan Green, Dan Green and David Caligaris. In the back row, Rick Maranhas, Donald Kurson, Dominique Sampson and Jay O'Reilly.

BEST PRACTICE ADVICE

NRS winners give their advice on what they would recommend to other builders to achieve customer satisfaction.

Communication with customers

“It’s building the trust and making them feel comfortable, not only with their home but with their builder,” says Janet Jackson, vice president of customer relations for the central southeast division of Pulte.

Hiring the right people

“I think it all comes down to the right people,” says George Geiger, president of Shamrock Builders residential division. “Our superintendents are very involved with our clients, they develop relationships with our clients. It’s very rare that we’ll close a house and the superintendent won’t get a gift from the client.”

“Employees buying into all this is very, very important,” states Randy O’Leary, president of Desert View Homes. “Initially, I think it was very difficult for us to have the employees understand what the importance of customer service was.”

Benchmarking

“There has to be a formalized process with identified functions,” says Eric Froelich, COO of Cambridge Isenhour Homes. “We’ll go out there and benchmark the heck out of it with pride, copy, and put in place what other people have done.”

Passion to build

“I think you have to have a love and passion for what you’re doing,” says Bob Schroeder, president and owner of Mayberry Homes. “Then, I think it’s a matter of following through with that and continuing to learn forever. That’s part of the passion.”

Reliability and consistency

“I think reliability and consistency are very important elements,” says Dave Caligaris, president of The Green Company. “In terms of delivering consistent, high levels of customer satisfaction, if you don’t have the operating systems and discipline to do it day in and day out, it’s just not going to happen.”

“Develop a systematic approach so that you do the same thing every time,” says Chip Pigman, president of Pigman Builders.

Are you prepared to implement change?

“I think I’d ask a question,” says Rich Staky, president of John Laing Homes Denver. “I wouldn’t tell them anything. I’d ask, ‘are you really prepared to implement these [best practices]?’” There’s a lot of talk about best practices, it’s the follow through that’s the hard part.”

— BY LAURA BUTALLA, SENIOR EDITOR

Mix it all together

It has been long suspected but never before proven with real homebuyer data that homebuyers over time will become less satisfied with their purchasing experiences and with their builders' performance.

In this study, randomly selected homebuyers were asked to evaluate their overall satisfaction with their particular builder at five specific points:

- At the contract signing
- One month before closing

- At closing
- Thirty days after closing
- Today

The good performers are those homebuyers who purchased from a builder ranking in the top 2.5 percent for overall customer satisfaction. The poor performers are those homebuyers who purchased from a builder ranking in the bottom 2.5 percent for overall customer satisfaction.

The performance values are the median scores for the good performers and poor performers at each point. For

NRS Excellence Award 500+ Closings

Neighborhood quality teams

The key element to Desert View Homes best practices required putting together neighborhood quality teams and growing from there.

Although Desert View Homes of El Paso, Texas, has several best practices that led to its customer satisfaction success. The first step was implementing neighborhood quality teams (NQT). "These community teams are meeting and discussing what the problems and issues are in their communities and what needs they have in an effort to improve their customer service ratings," says president of Desert View Homes, Randy O'Leary.

Total customer satisfaction goes along with Desert View's best practices. It accomplishes this by monitoring customer satisfaction through NRS, doing research through focus groups and making improvements through NQT. It will send a customer to another builder if it can't provide the home the customer is looking for.

"Wowing" the customer is also key, but it must be done throughout the entire building process. "The only way a higher level of customer service can be reached, customer after customer, is with consistent processes and procedures," says O'Leary. "An important process is setting the expectation of the customer and making sure that we exceed those expectations."

O'Leary says Desert View exceeds those expectations with its Homeowners Manual. "Our homebuyers receive this manual when they purchase our homes as a reference guide and a way to let them know what they can expect from us throughout the entire home buying process," says O'Leary. "This has become a very important tool to use because the majority of our homebuyers are first-time buyers and truly don't know what to expect." — *BY LAURA BUTALLA, SENIOR EDITOR*



PRESIDENT RANDY O'LEARY pulls out a satisfied customer's plans.

PHOTOGRAPH: GARY BISSELL

example, 9.06 is the median response for the good performers regarding their satisfaction level at the time when the sales contract was signed. This is based on a scale of 1 to 10, with 10 being the best score possible.

In this study, the good performers had minimal customer satisfaction decay over time. The median score from this group declined from 9.1 when the contract was signed to 8.7 today. That's a reduction of less than 4 percent.

The poor performers, on the other hand, experienced a much greater loss in customer satisfaction over time. According to the study, the poor performers' median score decayed from 8.4 to 4.5, a reduction of more than 46 percent. More importantly for the poor performers, the drop from 8.4 to 5.4 occurred during the period between initial contract to one month before closing. This level of performance did not turn around throughout the rest of customer experience, rather continued to decrease to the 4.5 level.

The main points we discovered to help builders improve their satisfaction scores include:

- Homebuyers who are most satisfied with their builders at the outset continue to be highly satisfied over time; whereas, homebuyers who are less satisfied with their builders at the outset become even unhappier with their builders as time progresses.

- The key satisfaction turning point during the entire customer experience is during construction to one month prior to closing.

- Customer satisfaction decay occurs more than 10 times faster among the losers (46 percent) as among the winners (4 percent). For builders, this means first impressions really do count, but consistency is even more important to be the best. Builders must design a complete customer experience that maintains and increases the satisfaction levels of its customers.

- Once a builder falls down during any period, it is very difficult to turn things around.

Add Heat

So what are some of the best practices

Passionate about communication

Cambridge Isenhour Homes, Winston-Salem, N.C., believes communication throughout the building process is a key best practice.

Communication comes first in Cambridge Isenhour's building process. "From a best practice standpoint, we are passionate about communication," explains Eric Froelich, chief communications officer of Cambridge Isenhour Homes. This not only applies to the customer, but to its

own employees as well.

Training for the employee is a best practice that has helped to lead Cambridge Isenhour where it is today. "We have put a lot of resources and time into training the sales agents on the education process upfront,"

ERIC FROELICH, LEFT, AND TODD ISENHOUR stand behind communication.

says Froelich. "When they sit down with our homeowners they map out the process and let them know this is a complicated process. It's not one that's going to go perfectly, that's our goal, but as a critical piece upfront, we have that homeowner education in our first meeting."

Going along with communication and training its people is the quality of its people showing they really care.

"We address any issues in a very timely fashion and let them know how important it is to us," says Isenhour. "This is part of our culture and what we create."

Design is also a focus within Cambridge Isenhour's best practices. President and owner Todd Isenhour believes in constantly evolving with design change.

"Todd is our CCO — chief creative officer," says Froelich. "We use our spec homes really as an R&D function to test new ideas and concepts. It's constantly evolving."

— BY LAURA BUTALLA, SENIOR EDITOR



PHOTOGRAPH: DAVIS TURNER/GETTY IMAGES

NRS Excellence Award 100-499 Closings

Adding excitement to home

Only opening for business in 2002, Mayberry Homes, Lansing, Mich., wanted to offer product it would want if the roles were reversed.

Bob and Karen Schroeder began Mayberry Homes three years ago with the vision of creating excitement for homebuyers. “We wanted product that excited us,” states Bob Schroeder, president and owner. “We wanted product that would be what we wanted if we were the customers.”

With the philosophy of adding excitement, Mayberry Homes also follows the best practice of treating each homeowner as a part of the company. “We don’t look at them as a number,” says Karen Schroeder. “I truly believe that the majority of our homeowners believe we really care and that we’re listening to them. They don’t hesitate to call me or e-mail me if there’s a question or concern.”

Staying in communication with the customer is important to Mayberry too. “We’re in communication with them during the building process on a regular basis,” says Bob. This communication includes a thorough walkthrough with the customer at the end of construction, before closing. “We make sure all the items are done.”

Mayberry ends its closing with a last-minute personal touch by presenting the homeowner with a cooler filled with food. “I give them a Mayberry Homes cooler and it’s filled with lunchmeat, cheese, fruit, cookies, chocolate, pop and water,” says Karen. “Anything they need to get through that first day and night to make the transition smooth.” In addition to the cooler, the homeowner will also find a big basket in their home filled with toilet paper, Kleenex, sponges, hand soap, napkins, plates and silverware. — BY LAURA BUTALLA, SENIOR EDITOR



PHOTOGRAPH: MARC BERLOW

KAREN AND BOB SCHROEDER believe in creating excitement for their buyers.

that successful builders have used to ensure the ultimate experience for buyers and long-term customer satisfaction?

The top five best practices include:

■ **Frequent and Informative Communication.** To alleviate the drop in satisfaction levels the poor performers exhibited at one month prior to close, builders need to implement a frequent communication plan with buyers. Ultimately buyers want to know what is going on with their home at any given time. The more buyers have to beg for information, the greater the worry. This results in significant disappointment that may forever lower satisfaction levels. Those who excelled in customer satisfaction communicated with their buyers based on a regular plan and made

sure every buyer knew what was going on with the progress of his home.

■ **Proactive Corrective Programs.** One of the most important strategies used by the best in customer satisfaction is getting in touch with buyers before problems arise. Rather than waiting around for customers to call with complaints, the best builders have created a service model that uses scheduled visits to the home to inspect for problems before and after the buyer has moved in. More importantly, this model of proactive service is geared toward creating a sense of reassurance and bonding between the buyer and the representative.

■ **24-Hour Confirmation Call.** The best in customer satisfaction measure the hours — not days or weeks — it takes

for their representatives to contact a buyer following a request for service. The key is to develop a fast response system that documents incoming requests, enables representatives to contact customers quickly and tracks the success in the form of response time. After all, the longer you make buyers wait, the more they lose confidence in your company's organizational skills and service quality. As Dan Green from The Green Company states, "each service request is an opportunity for our staff to delight our customers."

■ **Fix it on the spot.** The best in customer satisfaction realize that homebuyers want repairs done quickly. That's why the winners have hired or trained service reps that can make minor repairs on the spot during the initial visit and

inspection. Such immediate service assures customers that the home builder is serious about correcting problems quickly. It also makes homebuyers feel a sense of accomplishment for the time they invested waiting for the builder's visit. Another big benefit is that everything the rep fixes during his or her visit is one less thing the trade contractors have to worry about. This doesn't mean you're letting the trades off the hook. It just means you're making sure the buyer is taken care of first, and debates about the quality of the trades' work can take place after the buyer is happy.

■ **"Do the right thing" company culture.** Nothing has a greater long-term impact on satisfaction than the culture of the company and department. Have you ever heard your employees say, "Buyers are liars" or some other derogatory

NRS Best in Class Award 500+ Closings

One customer at a time

Pulte Homes Phoenix division believes in reaching their customers one at a time is a prime example of best practices to follow.

Pulte Homes Phoenix strives to develop one-on-one relationships with each of its customers. Not only do they constantly drop by during the different building stages, but they also make sure to have the superintendent meet with each customer to discuss what to expect during each stage.

When it comes to best practices, Pulte's Phoenix division has them down to a science. It all stems from the customer relations department. First, and foremost, the customer relations department tries to get involved in the preconstruction meeting, when the customer comes in to understand the process.

The department also takes strides to help customers understand their home. "We want to make sure they're comfortable coming to us if there's a problem with their home, or questions they have related to their home," says Janet Jackson, vice president of customer relations for the central southeast division of Pulte.

Pulte also "Wows" its customers by focusing on workable rooms that pack a lot of punch — kitchens master bathrooms. In the kitchen, Pulte works on improving countertop space, cabinets and pantries to meet the customers' demands. With master bathrooms, it's important to the customer to include dual sinks and a shower separate from the tub.

— BY LAURA BUTALLA, SENIOR EDITOR

JANET JACKSON'S CUSTOMER RELATIONS DEPARTMENT stands behind her with pride in what they do.



PHOTOGRAPH: MARC BOISCLAIR

remark? If you have, you may want to examine the culture of your organization. The best in customer satisfaction — every single winner in this year's NRS Awards program — maintains a company culture that supports employees "doing what is right" for buyers and holding the buyers in the highest regard.

Overall, investing in an exceedingly positive experience that satisfies the needs, wants, vows and genuine caring — from contract to close and beyond — is what this year's NRS award results point to as especially important to becoming first in customer satisfaction.

And Serve...

With all of the attention builders are paying to customer satisfaction, the all-important question must be answered.

Does customer satisfaction matter to buyers? The NRS team conducted a study to examine this with homebuyers. We surveyed a random sample of 400 recent homebuyers to determine the level of importance customer satisfaction had in their buying decision. The results were startling.

More than 72 percent of buyers said that customer satisfaction ratings were important in their buying decision, and another 95 percent would seek out the customer satisfaction ratings of builders if they were to buy another home.

The results of this study show that customer satisfaction does matter and it appears that it is an important source for those looking to choose a homebuilder. **PB**



LOG ON For more information on customer satisfaction, visit NRS at www.nrscorp.com or visit us at www.HousingZone.com/1105

NRS Best in Class Small Volume

Happy clients in the end

Indianapolis-based builder, Shamrock Builders depends on developing a strong relationship with each client to reach happiness.

Shamrock focuses on each relationship and meeting each potential customer's needs. Creating this need starts with steering away from the word "salesperson." "We try to stay away from the word salesperson or sales because I don't think it's a good representation of what our people do," says George Geiger, president of Shamrock Builders residential division. "We have seven or eight hostesses that work with us and they will be in our models and in our spec homes. People wander in these homes and they pre-qualify them, then Pamela (vice president of residential construction) meets with qualified leads."

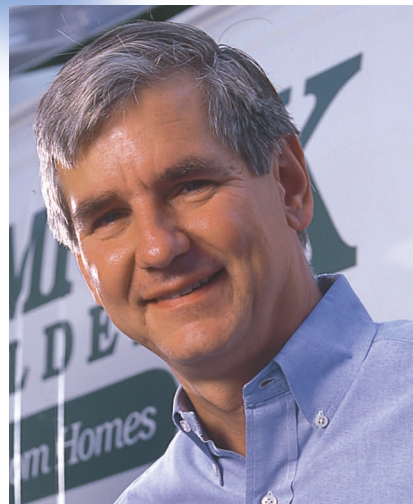
Once the relationship begins, Shamrock must continue to show that it really cares about each customer. Of course, this practice isn't possible without the right staff. "I think it all starts with having the right team of people," says Geiger. "You have to hire people that have the right personality and that truly care about their clients."

Responsiveness must also fall into place with the client. "We've got to respond when people call," states Geiger. "We pride ourselves in not only taking the call right away, but responding, getting out there and looking at the situation and seeing how we can help people."

Being flexible with each customer also makes a difference. "We'll do pretty much anything the client wants," explains Geiger. "We have very high-quality standards, but if there's something that really bothers a client, then we'll try to gauge or understand how big of a deal it is to them. We'll do whatever it takes to make the clients happy."

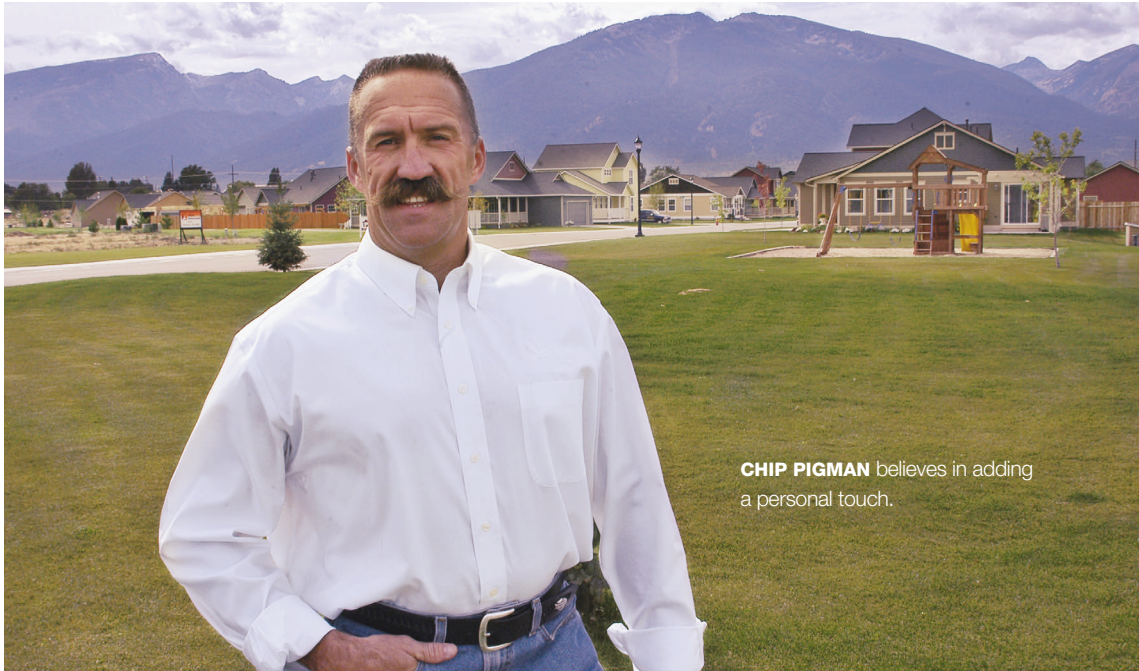
— BY LAURA BUTALLA, SENIOR EDITOR

GEORGE GEIGER believes in strong relationships with the buyer.



PHOTOGRAPH: JOHN BRAGG

PHOTOGRAPH: KELLY GORHAM



CHIP PIGMAN believes in adding a personal touch.

Adding a personal touch

Montana-based builder, Pigman Builders, believes personal touches help “wow” the customers into satisfaction.

For Pigman Builders “Wow” Factors seem to make an impact on its homeowners. “We give each of them a leather bound home book that has all the product, process and warranty information in it,” says Chip Pigman, president of Pigman Builders. “We spend an in-depth period in the homeowner orientation explaining the features and benefits of the home.”

Before each closing Chip’s wife, Corky, manager of customer service and design selection, presents the buyers with a basket and a large bag with the company’s logo on it. “The bag has toilet paper, paper towels, dish soap and all kinds of cleaning supplies in it,” states Pigman. “Each toilet paper dispenser has a roll of toilet paper that has our silver logo on it. It’s a goofy thing, but we have people ask, “do we get Pigman toilet paper?””

The basket contains a number of other goodies including “a one month certificate for the local newspaper and a certificate to a local place to eat or certificates to one of the local gyms,” says Pigman.

Besides “wowing” the customer, Pigman believes that best practices work with specific processes in place. “We have checkpoint inspections where the field superintendent has to check on the framing, the finish, etc,” says Pigman.

Critical path scheduling is another process Pigman strongly believes in. “One process cannot start if it’s linked to another process,” says Pigman. “If we lose a day in framing it’s going to push everything dependent on that back. If we lose a day on cabinets, it may not effect your closet shelving going in. So, by linking the critical events, we’re able to not have a lot of wasted time, which is key to delivering on time to the customer.”

— BY LAURA BUTALLA, SENIOR EDITOR

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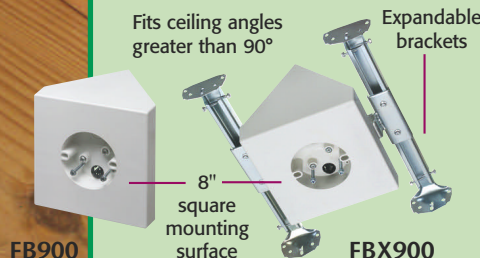
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▼ Toto Washlet Toilets www.totousa.com

Toto was the first to reinvent the humble toilet seat with its line of high-tech personal hygiene systems, called Washlets. In the United States, Toto offers four models: the introductory Washlet C100 (shown here, former marketing name, "Chloe"); the top-of-the-line Washlet S300; and the Portable Washlet. More recently, Toto extended the line by introducing the mid-level Washlet E200. The E200 multi-task functions provide gentle, front- and back-aerated, warm-water spray, with adjustable water pressure and temperature. The unit is controlled by a battery-powered, wireless remote control keypad with a LCD read-out which can be hand-held or wall mounted.



In My Own Words

"I discovered this high-tech toilet while on a recent trip to Japan. It's the most advanced toilet in the world, offering seven different cleaning functions. It looks like a Western-style toilet at first glance, but it offers a number of features, such as a blow dryer, heated seat, heated water and cleansing mechanisms."

"Start building homes with this device, and you're sure to become the talk of the town – literally! Our local Fox News affiliate profiled one of the homes I built, and the Chloe got a big chunk of airtime."

"To date, I've used this model only in master-bath applications, but I'll gladly put it in more 'public' areas if my homeowners are comfortable with all the 'potty talk' from their guests."

▶ Russound A-Bus Amplified Volume Control System www.russound.com

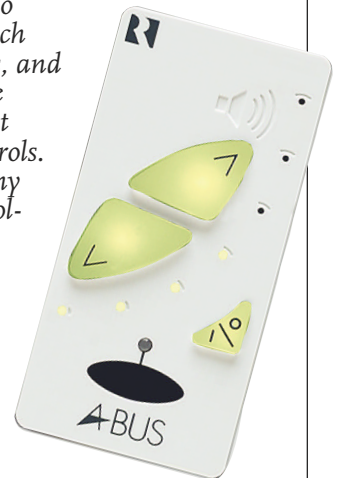
The number of new homeowners requesting distributed audio systems is expected to rise 20 percent annually over the next three years. Russound's A-BUS offers builders a streamlined product to answer that need and make traditional audio distribution obsolete. Whether it's a new or existing home, the simplicity and reliability of an A-BUS multi-room audio system ensures an enjoyable, hassle-free listening experience - all at the touch of a keypad button.

Using standard CAT-5 wire, Russound's A-BUS system transmits power and stereo music to amplified keypads throughout the home. Just add speakers and the A-BUS kits deliver quality sound. A-BUS systems are easily expandable to fit any home or budget. Complete kits are available for a straightforward solution for multi-room installation.

In My Own Words

"I like to include hi-tech materials in all of my homes, and I've found this A-BUS Multi-Zone Audio Control System can't be beat when it comes to home-audio controls. The A-BUS control panel allows my homeowners to customize audio volume levels in each room of their houses. Additionally, they can change stereo audio sources from CD to tuner to satellite receiver – whatever their needs may be – all with the use of a simple remote control. You can also control the wall switch manually, but I find the remote much more efficient."

"I personally have used these switches in my own home the past four years, each time upgrading the product as the opportunity presented itself. I do a lot of entertaining, and these quality switches help me set the mood throughout the entire house."



>> Hale Development, Inc. cont'd

► Creative Building Resources scottshiddenpassages@earthlink.net

The latest innovation from Creative Building Resources is the Hidden Passage Doorway. This concealed doorway was introduced to obscure an entrance into a room, closet or hallway, while appearing as a built-in bookcase. The pre-hung unit has concealed hinges and will fit any standard rough opening. The Hidden Doorway is offered in paint grade and most domestic and imported hardwoods. Latching options include magnetic push catches, positive slide latch and self-closing, keyed lock and electronics devices. Standard options are one fixed shelf and four adjustable shelves. The Hidden Doorway is also available as a kitchen pantry door; linen storage; curio cabinet; and as a CD/DVD Plus Organizer.



In My Own Words

"This product offers a great solution to hiding away unsightly rooms from public view or secretly concealing those rooms needing privacy. Instead of using a standard door on storage or linen closets and HVAC mechanical rooms, I've started using the Hidden Passage Doorway."

"The door easily blends in with the room's décor and appears to the unknowing eye to be a nicely trimmed-out, built-in bookcase. But with a slight press to the wall unit, the bookcase swings open to reveal the hidden closet or room on the other side."

The door is heavily weighted, and I haven't had any problem with its mechanics."

► GE Monogram Collection www.geappliances.com

GE has expanded its Speedcook line with the introduction of the new GE Profile Advantium 120 built-in wall oven. The Advantium 120 plugs into any standard 120-volt, 15-amp outlet, providing the ultimate in design flexibility and ease-of-installation. It is designed to be installed either above a conventional single-wall oven, or a warming drawer, or by itself, offering a great built-in look in both 27-inch or 30-inch cabinet configurations.

A smooth-turn dial and touch-pad controls offer selection of 30 custom recipes and more than 175, pre-programmed, speed-cooking options. Interior halogen lights offer a clear view of the stainless steel interior, making it easy to check on cooking food without opening the oven door. A large rounded interior with 16-inch turntable offers enough room to easily fit and rotate a 9-inch x 13-inch dish.



In My Own Words

"When it comes to appliances, my preference is the Monogram collection offered by General Electric. In my opinion, the collection offers a wide range of products perfect for just about every application imaginable."

"Plus, having used GE appliances in more than 350 homes over the past eight years, I can honestly say that their customer service and warranty are tops in the field."


▼ Bamtex Collection www.bamtex.com

A traditional building material in Oriental design for centuries, bamboo is an excellent alternative to wood flooring. It is truly renewable, growing many times faster than hardwood trees and reaching maturity in only five years. Homeowners like the artistic pattern inherent in bamboo through its unique graining. Bamtex uses advanced technology to create several unique looks of bamboo planks, including vertical, horizontal, and strand styles.

In My Own Words

"I first started using this pre-finished bamboo flooring in my homes several years ago when bamboo was unknown as a flooring material to many of my hardwood subcontractors. What I like about it is the peace of mind bamboo gives me, knowing I'm using a sustainable natural resource. One of the fastest growing 'grasses' on the planet, it is the perfect sustainable resource that helps reduce the need to harvest timber from the world's shrinking forests."

"By using bamboo, I'm also giving my homeowners one of the hardest and most durable flooring surfaces available. From a design perspective, bamboo flooring presents a subtle, yet unique grain pattern. The product is easy to install and comes in pre-finished, tongue-and-groove planks"

A white pickup truck is driving on a concrete bridge that spans a deep, forested valley. The bridge has metal guardrails on both sides. The valley below is filled with dense evergreen trees, and the lighting suggests a late afternoon or early morning setting with long shadows.

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WAC

W.A.C. has a new track light, Precision Modules. These specification-grade, multiple recessed spotlights can be configured for specific lighting effects such as wall washing, accent spot or perimeter lighting. These spotlights are flush mounted to the ceiling or wall. Each lamp is attached to scissor-like suspensions that pull down and lock it into position. This locking feature prevents movement. The Precision Modules are offered in low-and line- voltage systems; with or without flanges. They can be ordered in square or rectangular style with one-, two-, three-, four- and six-light configurations. Lamping options include: halogen MR16, AR111, PAR30, PAR36, PAR38 and HID Metal Halide PAR30, PAR38 and T6. www.waclighting.com



Thomas Lighting

Thomas Lighting has a new family of chandeliers, the Palisades. This nine-light chandelier has a bronze finish with faceted hand-polished drops. The fixture is 30 X 36-inches and 156 inches long. www.thomaslighting.com



Avalanche

Mountain Ranch Lighting has a new arts and crafts light fixture, the Smoky Mountain Ceiling Light-Southview. This ceiling light is offered in two sizes: 10 X 8 inches and 13 X 11 inches. The Smoky Mountain lantern is designed with four Mica panels encased in a steel frame. The steel can be ordered in Almond or Amber. This hardwired fixture is suitable for interior and damp locations only. There are several finishes to choose from: hunter green, rustic brown, antique copper metallic, old world copper, forest green, natural gray and black iron. www.mtnranchlighting.com



Kichler

Cottage Grove is a part of Kichler's new line of chandeliers. The Cottage Grove family has a carré bronze finish. The upturned glass shades are washed with swirls of brown to diffuse the light. The chandelier comes with optional glass teardrops along with a spring-steel mounting clip. The orange splashed teardrops can be added to the light fixture for customization. The Cottage Grove family of lights can be ordered in these standard configurations: 18 light, five tier chandelier; 12 light, three tier chandelier; nine light, two tier chandelier; six light chandelier; four light chandelier; three light; two light; two light wall sconce; one light wall sconce; one light pendant. www.kichler.com



Medusa Three-Light Bath Fixture

Medusa is Bellacor Lighting's new bathroom light fixture. This three-light fixture is designed with curvy fittings/hardware and alabaster glass shades. Medusa is available in brushed steel or oil rubbed bronze finish. The shades measure 6 inches wide. This fixture can be mounted with the glass up or down and measures 22 X 9 inches with an 8-inch extension. www.bellacor.com

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BACI

Baci has two new hand-blown glass lighting fixtures. There are two styles of this hand-blown glass pendant. Model #HP-C-1012 has a white alabaster flared shade and model #HP-C-1016 has a cased opal glass shade accented by a blue-green Italian design. Both styles have Venetian style fixtures and matching sconces. These new pendants are constructed of solid brass with a die-cut canopy and heavy, turned fittings. These Baci Pendants can be installed as spotlights or as a grouping. Offered in choice of brass, chrome, satin nickel or special custom finishes, the pendants are available with a solid 24-inch stem or 48-inch cord. The pendants come with a 40-watt, G-9 halogen lamp. Additional glass shade options include frosted, opal triplex and faux travertine.
www.bacimirrors.com



CoCo Pendant

Stonegate has a new lampshade light fixture, the CoCo Pendant. This pendant is a two-toned fabric lampshade that measures 15 X 14 X 8 1/2 inches. The shade is 18 inches. This hardwired fixture is available in four finishes: brushed nickel, polished nickel, polished brass, bronze. The Dupioni fabric is offered in the following color combinations: red over silver, mocha over ivory, black over ivory, ivory over silver, ivory over orange, chocolate over ivory, lime over chocolate and chocolate over lime. The CoCo Pendant is available in two additional sizes: 20-inch shade that is 19 X 17 X 11 inches with three 75-Watt bulbs; and a 32-inch shade that is 23 X 21 X 11 inches for three 100-Watt bulbs. The stem comes in three sizes - 6, 12 and 18 inches - and can be combined for a variety of lengths.
www.stonegatedesigns.com

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Cheyenne™ Two Panel Plank Smooth

Receiving the BEST IN CLASS award by the readers of *Professional Builder* magazine is a great testament to Masonite's product and service excellence.

Today, Masonite offers its customers

an ever expanding, diverse line of quality doors that make any home more beautiful. In honor of its 80th year, Masonite recently launched a special edition of the Masonite® Molded Panel Series, adding to their winning collection of interior doors.

Masonite's Anniversary Collection is unique, providing the ultimate in wood door authenticity with all of the benefits of a composite wood product. The collection's featured product is the Cheyenne™ Two Panel Plank Smooth interior door. Its striking panel profile and beautiful beaded planks, create the perfect rustic, country or western look.

The Anniversary Collection complements Masonite's tremendously successful Palazzo™ Series. Crafted in the tradition of the finest Italian designers, Masonite's Palazzo™ interior doors add elegance and warmth to any home. Customers

can choose from the curved arches of the Bellagio® design or the crisp lines of the square-paneled Capri®. Every Palazzo door has the weight, feel and richness of solid wood and a smooth surface that is ideal for beautiful finishing. The distinct raised mouldings and unique high-definition panel profiles make these doors the perfect start to any beautiful room.

Masonite doors are carefully designed to add value, style and beauty, making a house a home that everyone will admire. It is easy to see why Masonite is the BEST IN CLASS for interior doors.



Palazzo™ Series – Capri®



Palazzo™ Series – Bellagio®

Masonite®

Masonite. The Beautiful Door.®

Best in Class Winners Offer Competitive Advantage

Product makers strive to give builders what they want, but are they succeeding?

BY **CHERYL CULLEN**, CONTRIBUTING EDITOR

In today's highly competitive marketplace, building product manufacturers have to work hard at establishing relationships with their savvy builder-customers.

Fortunately, hard work doesn't go unnoticed. Builders appreciate the extra mile a product manufacturer is willing to go to ensure customer loyalty. But what product manufacturers *think* sets them apart from the competition isn't necessarily what builders actually value.

What's in a Name?

Virtually every product manufacturer that earned a Best in Class rating from builder-respondents to our recent survey attributed their wins, in part, to the equity in their sterling reputations and to consumer preference for their brand names. Nonetheless, only 3 percent of builders reported that either reputation or customer preference was important in choosing a manufacturer of exterior products. That number rose only slightly — to 4 percent — when it came to specifying interior products.

The perception is that homeowners are most familiar with highly visible consumer products that are touted in the decorating magazines — products like faucets, plumbing fixtures,

doors and kitchen cabinetry. Yet, 12 percent of builders surveyed reported that manufacturer brand and reputation are most important when it comes to behind-the-wall products — or three and four times higher, respectively, than for interior and exterior products.

The fact that name recognition among homeowners ranks low on the list among builders may be an anomaly, since most would agree with manufacturers that brand preference is important to most homeowners. "Georgia-Pacific is a highly respected name in the industry and an innovator in the manufacture of plywood and OSB [oriented strand board]," says Jeff Key, senior communications manager for Georgia-Pacific,



THERMA-TRU DOORS

recognizes the importance of trends. Their new Classic-Craft American Style Collection captures the Arts and Crafts style trend in homes.



PROFESSIONAL BUILDER BEST-IN-CLASS SURVEY METHODOLOGY

The survey for the Professional Builder Best-in-Class Study was conducted among 300 recipients of *Professional Builder* magazine.

The sample was drawn at random from the circulation of *Professional Builder* and is thus representative of the entire circulation.

All interviews were conducted by telephone during the late winter and early spring of 2005.

The research was conducted, tabulated and reported by the Qume Group, Ltd., an independent market research company.

which was voted Best in Class by builders for both its OSB and plywood products.

“It is the ultimate compliment to be voted Best in Class by building and remodeling professionals,” says Peter Dackowski, president and chief executive officer of CertainTeed Corporation, named the overall best manufacturer in exterior products as well as the winner in the vinyl siding category.

Ralph Howard, vice president of sales for Kohler, which builders voted Best in Class for its toilets and plumbing fixtures, agrees that a trusted name is key. “First and foremost, Kohler is an aspirational brand: Consumers want Kohler. This has resulted from a strong commitment to bringing innovative, fresh designs to the market, and supporting that commitment with years of significant consumer advertising to create pull-through demand. Kohler has, far and away, the highest brand recognition of anyone in our industry. Builders don’t have to sell their customers on why Kohler is in a home. Instead, Kohler helps sell the home or the project.”

But are product manufacturers overestimating the weight their name brands carry? Why would only 3 or 4 percent of builders rank reputation and consumer preference as important in the decision-making process? This finding was just one of many intriguing aspects in the Best in Class survey. Let’s get into the specifics.

Quality is #1

Product quality and its subsets, dependability and performance, consistently ranked as the most important attributes, with 71 percent of builders reporting that quality is important in choosing an interior product; 68 percent, an exterior product; and 64 percent, a behind-the-wall item.

Service

Conventional wisdom says that customer service isn’t what it used to be. That could be why it is so highly valued among builders. It came in second, behind quality, with 43 percent of builders rating it as important in an exterior product; and 39 percent, in an interior product. In the behind-the-wall category, service was mentioned as important by 23 percent of builders polled.

Service also includes product support, knowledgeable sales reps, a good warranty and timely delivery. All are key to product choice, say builder-respondents. This is a category where the winning product manufacturers feel they really excel.

Merillat, which took top honors for cabinetry, has adopted a proactive approach to understanding what consumers want. To that end, the company recently conducted a research study, *Model Behavior: How people act, think and shop in a model home*. “This study is the first-ever to gain insights into the motivations and preferences of new home shoppers,” explains Clay Kiefaber, Merillat president.

The study examined shoppers’ behaviors in model

BEST IN CLASS: EXTERIOR PRODUCTS

Top finisher in each product category

OVERALL WINNER

CertainTeed

PRODUCT CATEGORY	FIRST PLACE WINNER
Decking	Trex
Exterior Doors	Therma-Tru
Exterior Trim	Fypon
Garage Doors	Clopay
Housewrap	DuPont Tyvek
Manufactured Stone	Owens Corning Cultured Stone
Patio Doors	Pella
Roofing	GAF
Siding: Fiber Cement	James Hardie
Siding: Vinyl	CertainTeed
Skylights	Velux
Windows: Composite	Andersen
Windows: Vinyl	Andersen
Windows: Wood	Andersen

BEST IN CLASS: INTERIOR PRODUCTS

Top finisher in each product category

OVERALL WINNER

Kohler

PRODUCT CATEGORY	FIRST PLACE WINNER
Appliances, Kitchen	General Electric
Appliances, Laundry	General Electric
Cabinets	Merillat
Faucets, Bathroom	Moen
Faucets, Kitchen	Moen
Fireplaces	Heatilator
Glass Block	PPG
Interior Doors	Masonite
Interior Molding	Brasco
Lighting	Thomas Lighting
Locksets and Hardware	Schlage
Paints, Stains, Finishes	Sherwin-Williams
Plumbing Fixtures: Bath Tubs and Sinks	Kohler
Plumbing Fixtures: Toilets	Kohler

BEST IN CLASS: BEHIND-THE-WALL PRODUCTS

Top finisher in each product category

OVERALL WINNER

Owens Corning

PRODUCT CATEGORY	FIRST PLACE WINNER
Caulks and Sealants	DAP
HVAC Systems	Carrier
Insulation, Fiberglass	Owens Corning
Insulation, Foam	Owens Corning
Insulation, Rigid	Owens Corning
Nails	Paslode
Oriented Strand Board (OSB)	Georgia-Pacific
Piping and Tubing	PEX
Plywood	Georgia-Pacific
Radiant Floor Heating	Uponor Wirsbo
Wallboard, Gypsum	U.S. Gypsum
Wallboard, Wet Area	U.S. Gypsum
Water Heaters	A.O. Smith

BEST IN CLASS: MISCELLANEOUS PRODUCTS & SERVICES

Top finisher in each product category

PRODUCT CATEGORY	FIRST PLACE WINNER
Financing	Wells Fargo
Hand Tools	Stanley
Power Tools	DeWalt
Trucks	Ford
Vans	Ford

LEFT The Classic Portrait Cherry and Estero Accent Collections shown here are the result of Merillat's proactive consumer research. **BELOW** Andersen Windows built its reputations on delivering quality. Shown here are the Bow and Bay casement windows from its 400 Series.



initiative, called HomeTalk, which allows builders to market their homes through a virtual tour on Andersen's hometalktour.com Web site. "It is a huge thing for builders," Matchey comments. "Their models are not only part of a Web site, but the site also connects to the main Andersen Web site that gets a lot of traffic. Helping them market their products is big."

"All our programs are about a balance approach and adding value to the builder-customer's business," Matchey adds. "We want to help them get to places they can't reach on their own."

Therma-Tru's President and CEO Carl Hedlund takes the same approach: "We are very proud of our strong and enduring relationship with the professional builder. The products and programs we offer to builders are intended to help them grow their businesses by helping their customers add value to their homes. We are committed to continue to lead in the innovation, quality and beauty of the door systems we provide the builder."

Similar sentiments were voiced by John Pagano, vice president of builder

homes, as well as their likes and dislikes — especially as they relate to the kitchen. "Merillat discovered many interesting and helpful insights for builders, such as the percentage of shoppers ready to buy, overall time shoppers spend in the model, and the most-shopped cabinets within the home," says Kiefaber, who adds that Merillat plans to conduct ongoing research that will continue to give their builders a competitive advantage.

Builders cited product support as an important part of service. Service, as defined by product manufacturers, comes in all forms. The most common, however, is getting answers and technical help when needed.

"We've gotten nothing but positive feedback on that group," says Patti Rowland, director of building solutions and the sales support group. "Builders can be on a job site, yet get a question answered immediately."

Another component of product support would be training, although builders did not specifically use that word in their responses. Nevertheless, product manufacturers offer a diverse

range of educational tools: hands-on classes, online seminars and sales-training CDs. Not surprisingly, they cite the quality of their training as one of their advantages.

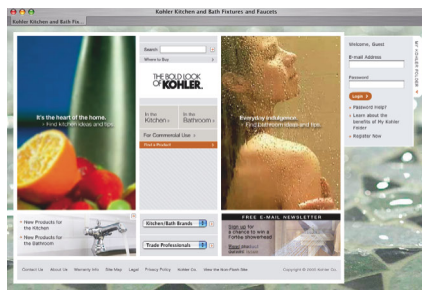
Good warranties are yet another component of the service equation, and many manufacturers tout them as their strong suit.

Cited by builders as the most important considerations after service were breadth of product line, product availability, pricing, durability, minimal complaints, frequency of use, and brand reputation/customer preference.

Business Partnering

Interestingly, builders did not mention partnering as a reason for doing business with a manufacturer. Yet time and again, product makers cited this as a primary strength. "We continually strive to bring products, programs and initiatives that help builders grow their businesses," says Nancy Matchey, new construction manager for Andersen Windows and Doors.

Andersen, for example, has a new



KOHLER registered 8 million unique visitors on its Web site in 2004. These visitors viewed 25 percent more content than those who visited the site of its closest competitor.

strategy at Owens Corning, named Best in Class for insulation: “Our role and focus as a company is to meet the needs of our builder customers and make them more successful, because we know that we will grow and prosper only when our customers grow and prosper. But the bar is constantly rising, with our nationwide builder team, we’re committed to continuing to dive deeply into their businesses to uncover our builder-customer’s needs and deliver the systems and solutions of value they’re looking for from us with one, simple goal: We want to be the indispensable partner of every builder in America.”

Marketing Support

Another no-show among builders’ preferences was marketing support. Still, manufacturers can be very generous, as well as creative, in this area. For example, Georgia-Pacific has an extensive trade and consumer marketing campaign for its Plytanium Plywood that includes television, radio and direct mail, as well as print and online advertising.

Online advertising is a hot button with manufacturers, and many tout it among their key advantages. Like Andersen Windows, Kohler feels that linking to its Web site gives builders a competitive edge. “Being identified on Kohler.com is a tremendous marketing advantage,” says Howard. “It’s truly a high-traffic, destination site for consumers looking for product and availability information.”

WHAT MAKES A MANUFACTURER “BEST IN CLASS”?

Percentage of builder-respondents who rated various manufacturer-performance factors as important to their choice of Best In Class

Attribute	Exterior Products	Interior Products	Behind-the-wall Products
Product Quality	68%	71%	64%
- Quality Products	63%	65%	57%
- Dependable	4%	7%	6%
- Product Performs Well	2%	2%	7%
Service	43%	39%	23%
- Service	29%	28%	19%
- Product Support	5%	9%	2%
- Knowledgeable Sales Reps	5%	2%	0
- Good Warranty Service	4%	4%	0
- Timely Delivery	1%	4%	0
Broad Product Line	24%	24%	14%
Product Availability	18%	10%	22%
Good Pricing	15%	10%	19%
Durable Products	10%	8%	10%
No Complaints or Problems	10%	8%	7%
One We Use a Lot	4%	2%	7%
Reputation/Customer Preference	3%	4%	12%
Appearance/Design	0	4%	0
Easy to Work With	0	1%	7%

According to Howard, 8 million unique visitors registered on Kohler’s Web site in 2004, and these visitors spend more time and view 25 percent more content than those who visit the site of its closest competitor. “Being linked to that kind of marketing muscle is a wonderful advantage for home builders,” he says.

Incentives

Manufacturers go a long way to provide incentives, another consideration that did not appear among builders’ top 10 reasons for choosing a product. Many of these programs cross-sell products or help pull through other items by providing builders a cash or travel incentive for volume purchases or mixing and matching product lines.

Only a few product manufacturers, however, mentioned such incentives. Most prefer offering marketing incentives via Web links or marketing materials, in lieu of financial rewards.

Wants vs. Needs

Builders and manufacturers agree that quality and service are important. Beyond that, their opinions diverge. Are product manufacturers really giving builders what they want — or what the manufacturers think builders need? Do builders simply take the many programs manufacturers offer for granted?

The answer may lie somewhere in between. While training, incentive and marketing support programs are nice to have, they may be just the icing on the cake. At the end of the day, if product quality and service aren’t there, the builder won’t buy — even from the most recognized names in the business. **PB**

LOG ON For more information about product manufacturers and building materials log on to www.HousingZone.com/buildingmaterials

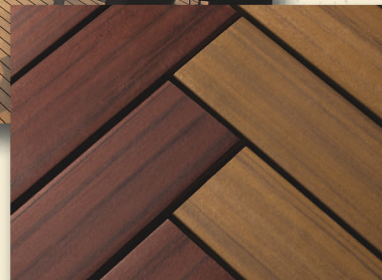
VOTED Best Decking

"Best in Class" Award from Professional Builder

Trex Company has the widest range of composite decking and railing products, offering you and your clients unlimited design possibilities. It's just one way Trex Company helps you create the deck of their dreams. When asked who delivers the quality products and services to help sell and satisfy clients, more readers chose Trex Company over any other composite brand. We're proud to be recognized as "Best in Class" in the decking category.

Help create your clients' space with a choice of three unique finishes in six rich colors. Choose Trex Brasilia™ for the distinctive beauty of tropical hardwoods, Trex Accents® for a rich, woodgrain appearance, or Trex Origins™ for a smooth, contemporary look. For the ultimate finishing touch, new Trex Artisan Series Railing™ comes in Classic White, capturing the elegant look of painted wood.

Trex® decking and railing is known for its ease of installation and unparalleled workability. There's no need for pre-drilling, and Trex decking cuts and routs beautifully, curving where other decking can't. What's more, Trex products won't rot, splinter, crack or warp like wood, reducing call-back issues.



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Trex Company doesn't stop at building superior composite products. We also work hard to make your business more successful through extensive training and contractor programs. The Trex home builder program supports you with showroom merchandising, model home benefits and other features. We also train and certify installers to become TrexPros®, ensuring the best possible workmanship. As a TrexPro, you'll receive quality referrals and leads from our extensive, national marketing campaign. Whatever your business focus, you'll be supported by the largest network of dealers and dedicated sales representatives in the country.

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To get the job done right, you need the right tools. The National Builder Division of Wells Fargo Home Mortgage partners with builders to provide the right financing tools. Every product has the client's needs in mind and the Wells Fargo reputation behind it; a reputation built on the strength of business integrity and market knowledge. With their wide range of products, programs and services they will create custom-fit solutions for you and your customers. Innovative sales and marketing programs, market research information, and database management systems help you build a comprehensive business approach — to attract and retain customers.

Wells Fargo offers the nation's largest retail network dedicated to financing new construction homes. Their Regional Builder Sales Managers are supported by specialized new construction teams in your communities, ready to work with you and your customers onsite, anytime with products to help you sell more homes more profitably such as:

- **Builders Best® or Market Option PlusSM** — Offers extended rate protection* for new construction loans.



- **Spec Lock-in** — Protects the builder against rising interest rates, while they advertise for homebuyers.
- **Construction-to-Perm Loan** — Features an interim construction loan paired with a permanent loan.
- **Forward Commitment Option** — Establishes an attractive interest-rate range on selected permanent loans, and guarantee interest rates for up to two years.
- **Model Home Program and Model Home Loan Financing** — Two programs that provide financing options for a builders model.

According to Stuart Tyrie, vice president of Wells Fargo Home Mortgage's National Builder Division, "The National



Stuart Tyrie
National Builder Division
Vice President
Wells Fargo Home Mortgage

testament to our talented people and our innovative products and programs. But while we enjoy the top spot, we make sure to never lose sight of the one-on-one relationships with our builders that have allowed us to achieve this."

And now, even greater opportunity is yours, as two of the country's most influential housing industry players — Wells Fargo Home Mortgage and the National Association

Builder Division of Wells Fargo Home Mortgage has experienced incredible growth over the past few years. This growth has enabled us to maintain our position as the number one new construction lender, a position we have held since 1995.** Consistently holding this position is a true



of Home Builders — have come together in an unprecedented business-building alliance. Wells Fargo supports NAHB's many initiatives aimed at enhancing business opportunities for its members and is the exclusive NAHB Leadership sponsor.

Wells Fargo Home Mortgage has the people, products, programs and services to help you sell more homes more profitably and take your business to **The Next Stage.®**




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VOTED *Best Lighting*

*Thomas Lighting is
the brand most
preferred by the large
volume builders
surveyed by
Professional Builder.*



Builders know that when they buy Thomas, they will get excellent product, excellent representation and excellent service and support.

"We cover a broad range of lighting styles, original designs and price points," says Terry Fraser, General Manager.

"Builders enjoy that they can get everything from a base selection of product up to high-end fixtures from the same local distributors and sales professionals."



Thomas Lighting works with builders to define individualized lighting style and price point packages. A national network of distributors and dedicated local lighting professionals assist in the product selections, help develop basic lighting packages and

upgrade programs, provide training and marketing assistance, as well as forecast and maintain builders' inventory requirements.

"We don't go to market with a standard program," explains Fraser. "Instead, we develop individualized packages for specific builders and we structure our programs to highlight the services and support that they need." This might



include marketing or advertising support, brochures, literature, special rebate programs, design center or model home assistance.

Thomas' broad product families, such as the elegant Palazzo line shown here, include lighting products for rooms and areas throughout the home. As an additional value to customers, Thomas offers a distinct qualitative benefit as compared to competitive lighting products. Amongst the benefits are higher wattage ratings on many fixtures, more substantial glass, ample wire and chain, extra reinforcement welds on bound glass pieces, and Thomas' patented Easy Hanger feature for outdoor products. Fixtures are basically pre-assembled to speed installation. With products packaged in family groupings, it's easy for consumers to select upgrades and for builders to increase option sales.

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*Ranked #1 in appliance preference by *Professional Builder* and *Professional Remodeler* 2004 Brand Study

***Professional Builder* magazine, February 2003



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brands you
count on*

Stanley Tools offers a broad range of hand tools, laser layout and measuring tools for construction professionals. Professional builders and remodelers choose Stanley for **Best in Class**. Providing innovation and consistently superior products with the latest features makes our brands the right choice for professional construction tools.

As the 'Precision Measuring Division of Stanley', CST/berger, has once again revolutionized the industry with new and innovative laser measuring and layout tools. To be the best in class, you need job experience and quality tools. Stanley Precision Measuring gives you both. Performance, quality and reliability are "built in" to our instruments.

We have the brands you count on — CST/berger, David White®, LaserMark®, Rolatape®, Stanley®, FatMax®.

A New Generation of Professional Laser Tools.

Introducing a family of Stanley Fatmax® Laser Tools. The Stanley FatMax® TLM100™ is the first "true" laser measuring product under \$100 retail. The TLM100 provides +/-1/4" accuracy at 100' by actually measuring the laser light travel distance —



Increase your level of professionalism, with a lightweight, portable measuring device. The uncertainty of measurement is eliminated as the TLM emits a distinct red laser point. It is as simple as point and click with confidence.

unlike sonic measurers. The TLM100 is one of three measurers in the TLM laser family of products. The Stanley FatMax® TLM200™ is a step up for the professional. Quickly calculate distances, area, volume, with an added feature of simple Pythagorean and tracking. If you're a true professional/surveyor, the Stanley FatMax® TLM300™ is designed with more features and accuracy of ±1/16-in at 100' with up to 600' working range. Features include: calculating distances, area, volume, Pythagorean, tracking, trapezoid measuring, memory, and history.

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with
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MOISTURE OUT. | CONFIDENCE IN.™

The TUFF-N-DRI two-part system
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leaks • seepage • condensation

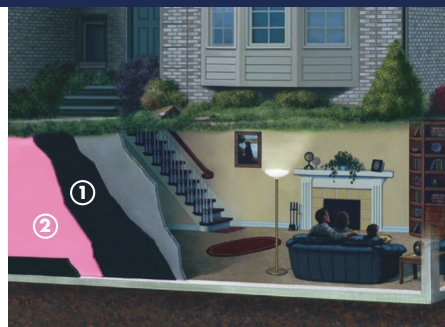
MOISTURE OUT. Excess moisture can be brutal on the homes you build. Moisture can create damp, uncomfortable living environments. Make air conditioners, heaters and dehumidifiers use more energy. Damage drywall, carpeting and furnishings. Even weaken structural materials.

But you can fight back with the one-two punch of TUFF-N-DRI® Basement Waterproofing System. This unique black-and-pink combination defends against three main sources of moisture from basement walls, by preventing leaks, stopping seepage and reducing interior condensation.

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[1] The black, flexible membrane of TUFF-N-DRI is spray-applied to seamlessly seal out water leaks and seepage.

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*Visit TUFF-N-DRI.com for full details on our 30-year performance warranty.

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Are your bathrooms aqua-tough?

Most residential builders back tile in tub and shower surrounds with water-resistant gypsum panels — “green board.” But custom builders, always at the vanguard of industry advances, are using something better. In a recent USG survey, more than 70% said they specify high-performance tile backers such as FIBEROCK® Brand AQUA-TOUGH™ Interior Panels from USG for wet areas. To understand why, consider the many advantages of this versatile, high-strength panel.



Superior mold resistance:

Scores a 10, the highest rating, when tested according to ASTM D 3273.

Reduced tile callbacks:

Will not warp, shrink or swell when exposed to moisture. Features a 20-year transferable manufacturer warranty.

Efficient installation:

Available in large 4'x8' panel sizes. Accepts multiple finishes including tile, paint and wallpaper.

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To learn more about building aqua-tough, contact USG.



Technical support: 800 USG.4YOU

Literature: 888 874.2450

Web: www.usg.com/fiberock

VOTED Best Skylights

VELUX Room in the Roof Program Differentiates Builders

VELUX offers builders a design program that takes maximum advantage of attic space to decrease square footage costs and increase builder profit while providing more natural light and ventilation for homeowners.

The Room in the Roof program uses innovative floor plans to turn underutilized attic space into highly desirable finished square footage that is significantly less costly to build. Builders can realize as much as a nine percent reduction in overall per square foot construction cost while offering customers efficient home designs that maximizes usable square footage — a high priority for homebuyers.

A Charlotte, NC homebuilder uses the program to create added value for his clients and more profit for his company. "Homebuyer reaction has been great," he says. "With one of our plans, the Room in the Roof option is consistently selected. Buyers even switch from one home design to another to get the option. It's a win-win all around since we can offer our buyers additional square footage at a reduced price while making a higher margin on the additional space."

Efficient land use is also a plus. Building up rather than out and getting the absolute most out of small lots can be another key to profitable sales. And finished attics and bonus rooms typically appraise at 100 percent of the value of the rest of the home while basements typically appraise at 40 to 70 percent. You're helping your buyers not just when they move in but also at resale time.

VELUX design staff will work with you, at no charge, to assist in evaluating and modifying plans to incorporate the attic space utilization plans into your projects. For information on how you can incorporate the Room in the Roof program in your plans, contact your local VELUX sales representative or visit www.veluxusa.com.



VELUX GPL top-hinged roof windows open to a 45-degree angle. Installed within reach, they satisfy egress requirements for emergency escape from attics, bonus rooms and loft areas.



VELUX venting skylights are perfect for bonus rooms and loft areas where egress is not required. Blinds, shades, and other accessories are available for skylights and roof windows.

VELUX®
SKYLIGHTS

VOTED *Best Fireplace*



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Designed with a mind toward affordability and an eye toward beauty, Caliber™ gas fireplaces from Heatilator make it easier for builders to turn houses into inviting homes.

Builders rely on Heatilator® fireplaces more than any other brand. And with more than 75 years experience behind the Heatilator name, it's easy to see why:

- Heatilator provides builders a total hearth solution with mantels, surrounds and finishing materials
- Heatilator offers the widest product offering ranging from wood burning and gas fireplaces to electric fireplaces and fireplace inserts
- Heatilator fireplaces have the lowest service call rate in the industry. On average, less than .5% of products have reported warranty claims, a benchmark within the industry
- Heatilator is supported by the world's largest fireplace manufacturer, Hearth & Home Technologies, which provides a nationwide network for on-time installations and professional hearth service

Homeowners Know Heatilator

As the most recognized brand in the industry, homeowners look to Heatilator to make their house a home. Heatilator embraces this role with straightforward and dependable hearth products that provide a secure and comfortable home setting year after year.

By placing Heatilator brand fireplaces in the homes you build, you can confidently offer a comfortable hearth experience that's forged from more than 75 years of American ingenuity, hard work and an appreciation for the simple things in life.



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Uponor Wirsbo — Industry Leader for Reliability, Efficiency and Comfort

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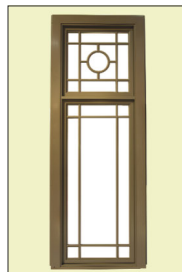
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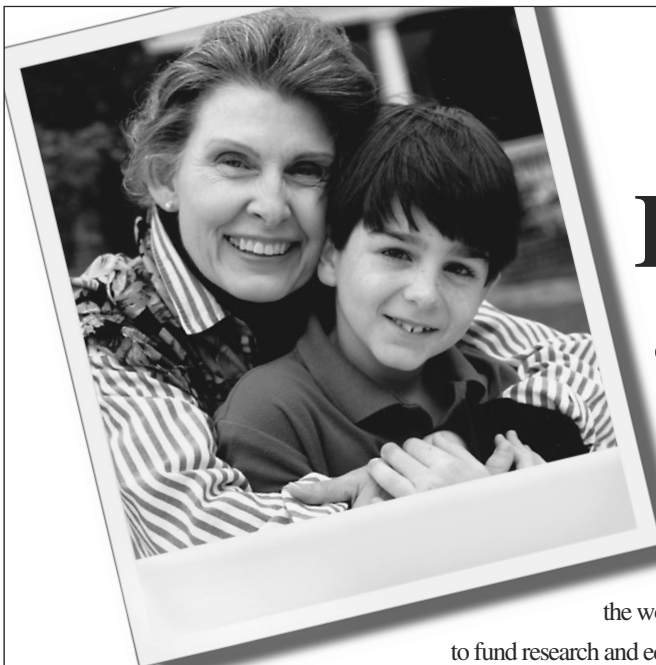
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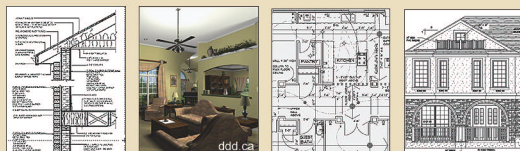
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Original Start: 01/17/2004	Original Complete: 09/09/2004	Current Complete: 09/09/2004	Percent Complete: 22.48%						
Schedule Task	Start Date	End Date	Duration	Predecessors	Subcontractors	Task ID	Task Name	Task Type	Task Status
Foundation	01/17/2004	09/09/2004	168			1	Foundation	Foundation	Complete
Excavating & Graveling	01/17/2004	01/17/2004	1			2	Excavating & Graveling	Excavating & Graveling	Complete
Concrete Slab on Grade	01/17/2004	01/17/2004	1			3	Concrete Slab on Grade	Concrete Slab on Grade	Complete
Foundation Walls	01/17/2004	01/17/2004	1			4	Foundation Walls	Foundation Walls	Complete
Foundation Footings	01/17/2004	01/17/2004	1			5	Foundation Footings	Foundation Footings	Complete
Foundation Bracing	01/17/2004	01/17/2004	1			6	Foundation Bracing	Foundation Bracing	Complete
Foundation Insulation	01/17/2004	01/17/2004	1			7	Foundation Insulation	Foundation Insulation	Complete
Foundation Waterproofing	01/17/2004	01/17/2004	1			8	Foundation Waterproofing	Foundation Waterproofing	Complete
Foundation Grout	01/17/2004	01/17/2004	1			9	Foundation Grout	Foundation Grout	Complete
Foundation Backfill	01/17/2004	01/17/2004	1			10	Foundation Backfill	Foundation Backfill	Complete
Foundation Compaction	01/17/2004	01/17/2004	1			11	Foundation Compaction	Foundation Compaction	Complete
Foundation Inspection	01/17/2004	01/17/2004	1			12	Foundation Inspection	Foundation Inspection	Complete
Foundation Repair	01/17/2004	01/17/2004	1			13	Foundation Repair	Foundation Repair	Complete
Foundation Foundation	01/17/2004	01/17/2004	1			14	Foundation Foundation	Foundation Foundation	Complete
Foundation Foundation	01/17/2004	01/17/2004	1			15	Foundation Foundation	Foundation Foundation	Complete
Foundation Foundation	01/17/2004	01/17/2004	1			16	Foundation Foundation	Foundation Foundation	Complete
Foundation Foundation	01/17/2004	01/17/2004	1			17	Foundation Foundation	Foundation Foundation	Complete
Foundation Foundation	01/17/2004	01/17/2004	1			18	Foundation Foundation	Foundation Foundation	Complete
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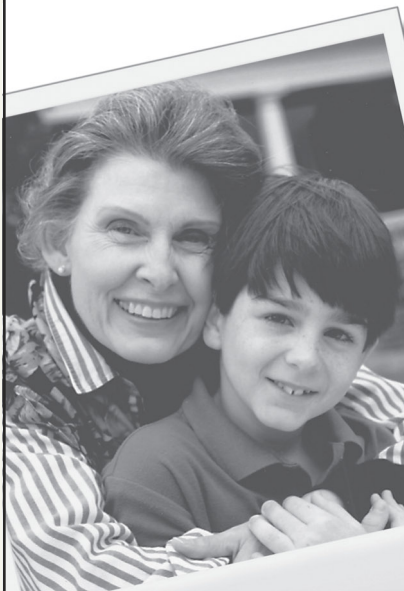
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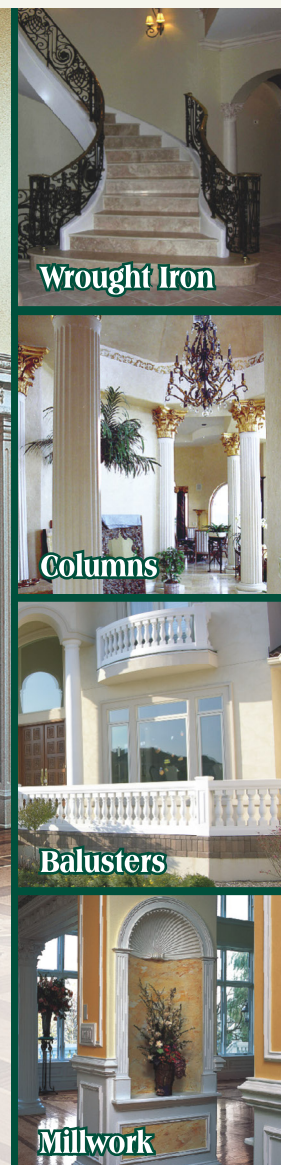
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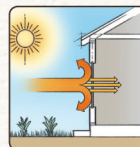
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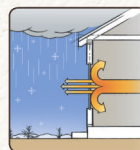
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