#### Reed Business Information. 11.2007 Professional Builder **INSULATE PLANS &** LOWER-**PROJECTS LEVEL LIVING THIS** Downtown 10 construction Protect your dwelling, pitfalls to avoid. products to use

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product: A word about insulation

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## Every New Look Is Worth A Second Look.



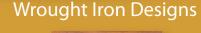
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#### **Satisfaction Power**

It's amazing what happens when you're not watching. From 2001 to 2005, I worked on a business start-up in the housing industry. That kind of activity requires a completely self-absorbed immersion, so I didn't follow much of what was going on in the industry at a wider level. Imagine my surprise when I resurfaced to find that the biggest trend sweeping across builders was customer satisfaction.

Back in the late '90s, when I spoke in front of groups of builders and remodelers, I often used the line, "The only people worse at customer service than remodelers are home builders." Perhaps that was a rash indictment of the whole industry, but it did point to an essential problem.

Why the sea change? One answer: J.D. Power.

Senior Editor Bill Lurz delves into the influence J.D. Power has had on the housing industry since it first began surveying home buyers II years ago. By bringing the religion of customer satisfaction to builders, J.D. Power should get high marks. But what does the industry think?

Builders and others have qualms with the potential conflict of interest between the reporting side of J.D. Power's business and the consulting side. But builders should also have qualms about how some of their colleagues have reacted to the survey. Instead of improving customer satisfaction, many builders have improved

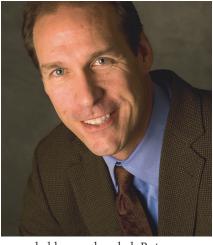


Home builders were so focused on controlling costs, cycle times and land purchases that they forgot when they turned the keys over to a buyer that their responsibilities continued. For many, the only nod to customer service was improved warranty work.

Today, though, we see builders focused on delivering the highest quality customer service beginning at the initial contact and never really ending. They are building customers for life.

how they manage the J.D. Power survey process.

Such is the strength of J.D. Power that many sources would only speak on condition of anonymity. (In journalism speak, they are on the record but not for attribution.) Certainly, J.D. Power competitors we interviewed want to keep their heads down so they are not seen bashing the competition publicly. While the competitors did raise some issues, they were, for the most part,



remarkably even handed. But even builders are reluctant to address the impact of this behemoth.

When people are unwilling to speak openly for fear of some kind of retribution — whether real or not — it creates a kind of Petri dish of anonymity. In such an environment, it's not unusual for rumors to spread faster than bacteria.

In the case of the J.D. Power influence, most of those rumors are about conflicts of interest and strong-arm techniques. In our story, we report only what can be substantiated. What we reported, we learned through multiple, reliable sources.

In the final say, the J.D. Power influence has been enormously positive in the housing industry. No matter what your role in this industry, our shared focus is delivering the highest quality homes with the best home-buying experience to our customers. J.D. Power's survey's of home buyers and their brand awareness have made that focus clear and sharp. **PB** 

#### Sister publication goes digital; Register now

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Have you heard the news? *Professional Builder's* sister publication, *Housing Giants*, is going digital. We're taking the same great content and increasing the frequency and Internet connectivity. If you receive *Housing Giants* or would like to receive the digital version that starts in February, go to www. getfreemag.com/gia and answer YES to the digital question.

Paul Deffenbaugh

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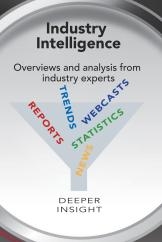
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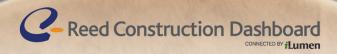
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#### Clarification

In September's design project, "Traditional with a Twist" on pages 79-84, the photography should have been credited to Susan Goddard.



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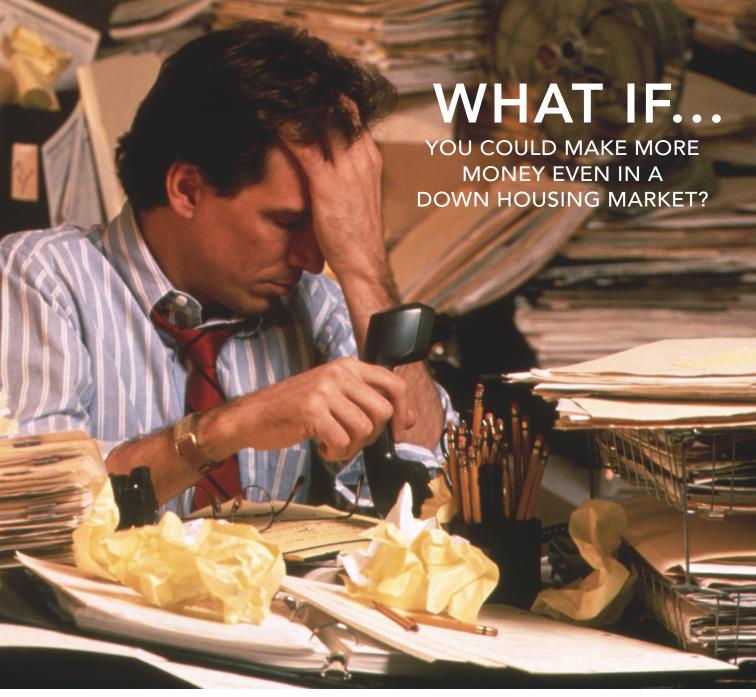
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#### **RIF-Raf**

Tips on implementing a successful reduction in force

**Laying people off is never easy.** If your group has been given that task, there are steps you can take to ease the pain. Here are some things to keep in mind if you are faced with implementing a reduction in force.

#### **Making the Cut**

Deciding who goes and who stays is no simple feat. HR professionals we polled rely on several factors in the evaluation process:

- Consolidation. Which employees can handle more than one role? What positions can be merged or consolidated as a means to gain efficiencies? Don't rely on titles alone.
- Expendability. Which activities or roles are not critical to the business?
- Experience. Besides tenured experience, how versatile are the employees?
- Future fit. Which employees will thrive in the leaner system and continue to grow professionally? Especially important when asking people to take a step backward: will they be content a year from now if not moved back into a bigger role?
- Performance. As you consider each employee, ask, has this person been a consistent top performer? An employee might meet all of the above criteria, but truth be told is not an A-caliber

performer. Once the paring is done, do you want your team to resemble an All Star Team or a second-place finisher? Conversely, can you afford to keep a franchise player who does one thing incredibly well but meets none of the first four factors? This is where you must look at the bigger picture and the blended talents of the team.

#### **For Those Leaving**

Clear and consistent communication is critical to successful downsizing.

- Tell it like it is relative to the economics of the situation. It's about the survival of the company first and foremost.
- Give a departing employee a letter that details what he or she will receive in terms of lump sum compensation, extended benefits and any severance. (Note: Every company we talked with required employees to sign a mutual release as a condition of severance.)
- Some level of outplacement support should be offered.



Recognize that many managers know how to terminate a person for cause but don't have a clue how to handle a downsizing. To that end, one public builder we talked to prepares communication kits that instruct managers how to handle the process. This includes what should be shared with employees, what to steer clear of and how to handle issues that might arise.

#### **For Those Staying**

Sustaining morale can turn into a full-time job immediately after a downsize. Recognize the need for people to grieve the loss of valued co-workers, but be prepared to move on. Lead the team out of the post-downsize funk by sharing the new game plan as soon as possible.

- Prepare a weekly statement from the president that updates everyone on the current state of affairs and reemphasizes the new game plan. Remember, it is impossible to over-communicate in situations like this.
- In addition to the above, one builder we talked to develops a weekly message solely for the salespeople that managers deliver during sales meetings. Because they are the ones on the front line with the customers, they need to have fresh information and ideas to counter the negative perceptions permeating the market.
- Performance will suffer if everyone is sitting on the edges of their seats worrying about additional cutbacks. Communicating what needs to be done to prevent further cut backs will keep everyone focused and alleviate unnecessary worrying, which zaps productivity. ▶B

Rodney Hall is a senior partner with The Talon Group, a leading executive search firm specializing in the real-estate development and home building industries. He can be reached at rodney@thetalongroup.com.

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#### Your No. 1 Sales Tool

Is your sales team confident? If not, it's time to take action.

At *Professional Builder's* Benchmark Conference this year, I chaired a panel of top sales agents on the topic of making sales in today's market. While many familiar themes surfaced, builders unanimously said the main factor in making sales today is the ability to confidently show home buyers they are making a smart decision.

And your sales team — not only home buyers — is the group that might be lacking in confidence.

Think about it from their point of view:

"If the slowdown continues, I can't support myself."

"If the slowdown continues, my company may be out of business."

"If we can't start homes, I won't have anything to sell to the relocation buyers."

So we're finding ourselves in an environment where customers who lack conviction about the state of the market meet sales agents who lack confidence in the future of their careers and the industry. It's easy to see why many customers simply choose to postpone their purchase decisions rather than buy today.

The best tool you can give your sales team today is a clear view of why you have confidence in the outlook for your company, for your sales team and for the industry. I didn't say compromise your standards or bend the truth, but rather provide a clear vision of the future and a road map for success.

#### How Do I Build Confidence?

Begin by acknowledging the market. Yes the industry is depressed and there are too many homes on the market, but what's bad for the market is exceptional for today's home buyer. More choices, better prices, better quality and better attention from your builder.

Second, deal head-on with your value. We expect customers in today's market to act rationally. We expect them to look hard for the best value and not settle for second best. That is why you should be committed to providing the best value in our marketplace. If you have the right home for your customer, you will not lose a deal over value.

Third, deal with timing customers and their sources of wisdom. No one can pre-



#### TIPS TO BUILD YOUR SALES TEAM'S CONFIDENCE

Acknowledge the market.

Provide the best value; be sure your sales team knows what that value is.

Recognize and deal with "timing customers;" the market will rise again.

Identify the flaws in expert opinion. Expect no one to pinpoint the exact rise or fall of a market.

cisely predict housing cycles, but one thing is for sure: every real-estate downturn has come to an end, and those who purchased during the downturn did extremely well when the good times returned.

Also deal with the sources of doom and gloom for realestate's future. What were these wise futurists saying when the real-estate market was at its height? Almost no one accurately predicted the precise top of the market. The talk around the water cooler and in the headlines in October of 2005 was about what a good deal real-estate had become. So expect these same experts to be just as inept at identifying the bottom — until well into the next recovery.

As the familiar saying goes: Confidence: it's contagious. So pass it on. **PB** 

John Rymer is the founder of New Home Knowledge, which offers sales training for new home builders and realestate professionals. He can be reached at john@newhome-knowledge.com.





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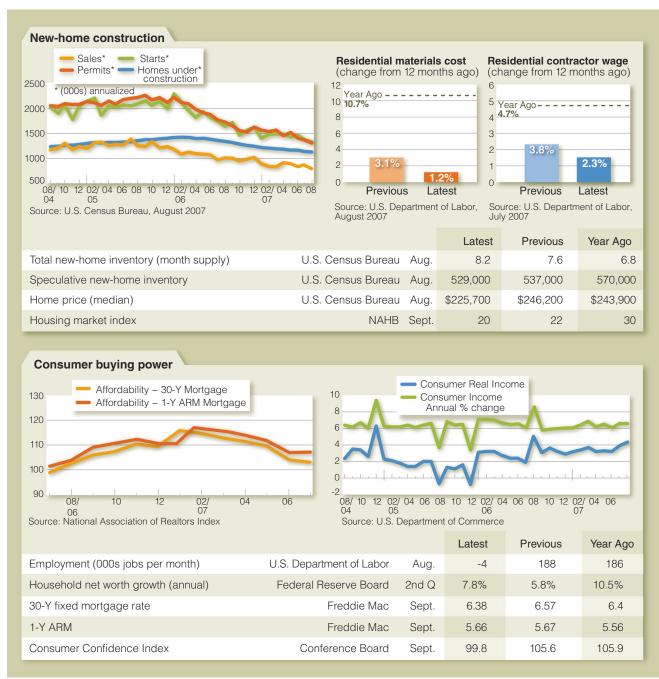
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### **Industry Analysis**

>> BY JAMES HAUGHEY, REED CONSTRUCTION DATA

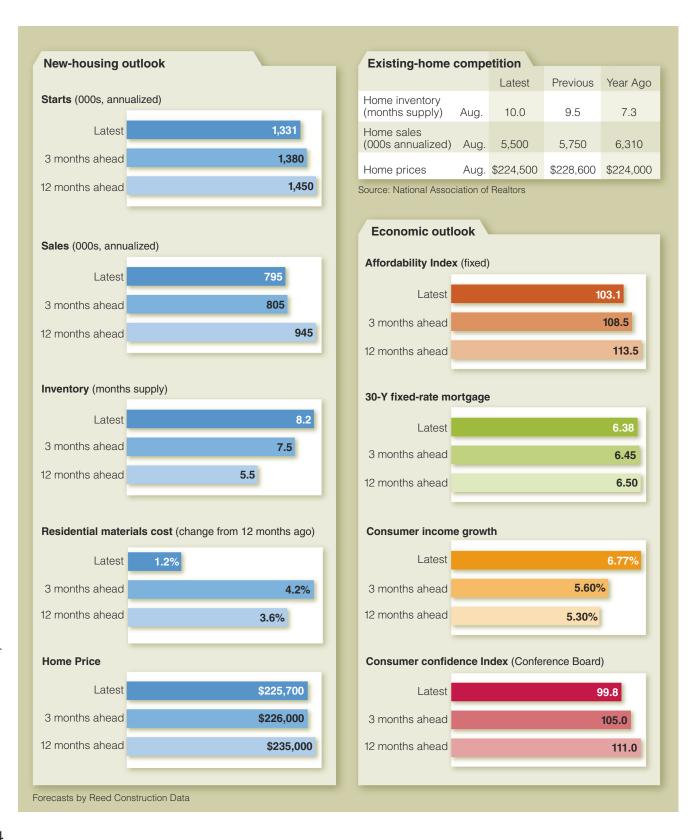
#### **Mortgage Mess Pushes Starts Lower**

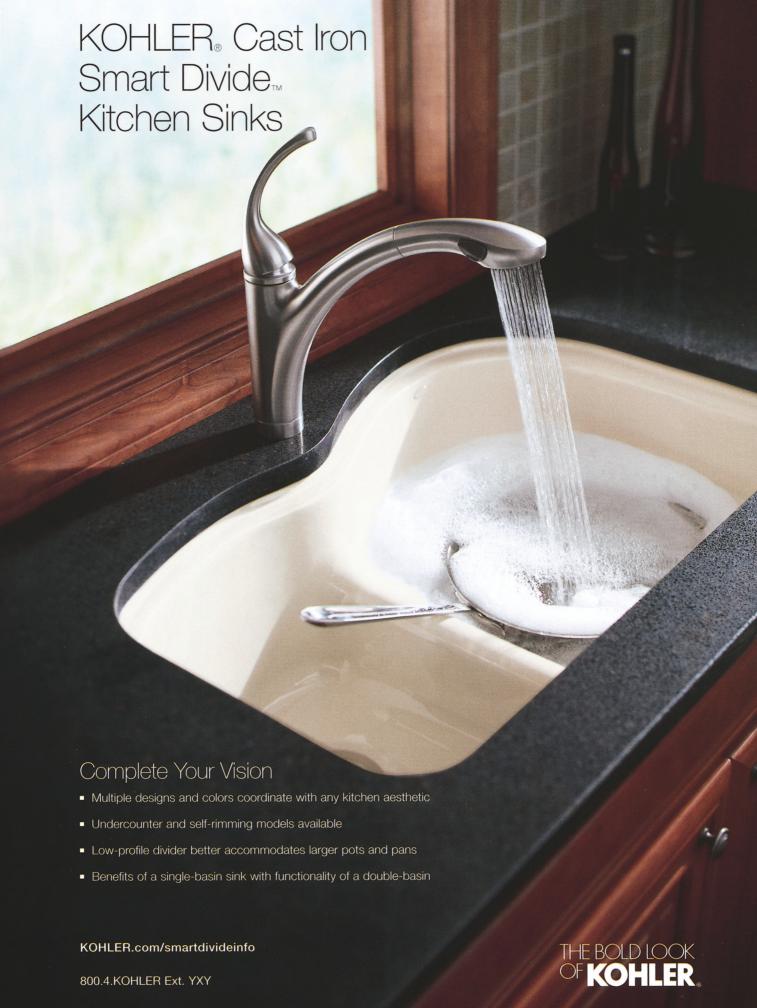
New home starts lost to deeply discounted auction, foreclosure and inventory clearance sales, as well as buyers of expensive homes who are waiting for lenders to return to the jumbo mortgage market.



# PROFESSIONAL BUILDER II.2007 WWW.PROBUILDER.COM

#### Industry Analysis







K-5838-7U-96 Deerfield Smart Divide undercounter kitchen sink in Biscuit. Shown with Coralais, faucet.



K-6625-33 Iron/Tones Smart Divide undercounter kitchen sink in Mexican Sand<sub>TM</sub>. Shown with Vinnata<sub>B</sub> faucet.

#### KOHLER, Smart Divide, Kitchen Sinks.

Bridging the gap between form and function, and proof that sometimes less is, indeed, more, Smart Divide kitchen sinks feature innovative, patent-pending low-profile dividers. Because the top of the divider is situated deeper inside the basin area, KOHLER Smart Divide kitchen sinks are better able to accommodate larger pots, and also make it easier to keep water where it belongs – in the sink. Available in four different models including Langlade, Deerfield, Woodfield, and Iron/Tones, Smart Divide kitchen sinks come in both self-rimming and undercounter applications and multiple colors. Complete your vision with KOHLER Cast Iron Smart Divide kitchen sinks.



K-6626-2-96 Langlade Smart Divide self-rimming kitchen sink in Biscuit. Shown with Vinnata faucet.



Optimal clearance between faucet spout and divider



Added benefits of a single-basin sink for soaking cookie sheets and baking pans



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Shown on front K-5839-5U-96 Woodfield Smart Divide undercounter kitchen sink in Biscuit. Shown with Forté, faucet.

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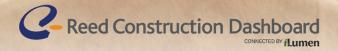




Industry

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Overviews and analysis from



>> BY PAUL CARDIS, AVID RATINGS CO.

# The Value of Loyalty – and tracking customer satisfaction – affects market share.

Each year the Avid Awards Presented by *Professional Builder* recognizes select home builders that deliver the best customer experience, as measured through comprehensive surveys of actual home buyers. Many home builders vie for the honor, but only a few earn the award. Those that are chosen share an important characteristic: a desire to delight customers so much the clients enthusiastically recommend the builder to others.

Most recently, leaders such as Toyota and Southwest Airlines have been elevated to No. 1 in their respective industries thanks to customer loyalty. The same thing is happening in the home-building industry, which has come a long way in understanding the important role customer loyalty plays in generating future business. Builders who ignore their customers' experience will eventually lose market share to savvy companies that earn their customers' loyalty by providing the best overall home buying experience.

But customer loyalty requires more than just delivering a well-built home and servicing problems at warranty. In fact, our extensive research shows that companies who score higher only in warranty tend not to receive as much loyalty as companies with lower warranty scores. The key difference is the number of issues being handled by warranty in the first place, and less in how well they fixed broken items. Customer

loyalty isn't garnered when a builder services warranty items that should have been done right the first time.

Never has the ability to delight customers been more important than right now, when so many home builders are experiencing record inventories and diminishing sales. Consider one of this year's Avid Award winners, The Green Company, which generates more than half of its business from referrals. While many other builders are forced to spend more marketing dollars to lure prospects, The Green Company has legions of delighted customers doing much of its marketing for free.

Avid Award winner Engle Homes Orlando has been able to leverage its reputation for outstanding service during the current market slump, closing more than 200 homes this February. And instead of feeling forced to slash prices or offer huge cash incentives, John Wieland Homes & Neighborhoods, another Avid Award winner, has been able to keep prices steady and protect its margins thanks to its reputation for customer delight.

As builders become increasingly cognizant of the impact that customer experience has on the bottom line, more are soliciting feedback from their home buyers and using that data to improve their overall operations.

Today, roughly 95 percent of home builders survey customers. This year's Avid Award winners illustrate what can happen when you put solid data to good use.

**THE AVID AWARDS** Presented by *Professional Builder*, formerly the NRS Awards, got its new name when NRS Corp. changed its name to Avid Ratings Co. this year. The new corporate identity more closely reflects the company's focus on helping clients create avid customers who are so loyal they generate high levels of referrals, are cooperative throughout the home-building process and strengthen the company's brand. For more information on the Avid Awards, visit www.avidratings.com.

### Better than the Warranty

The Green Company Avid Diamond Award Winner

losing on a home should signal the continuation of a customer relationship, not the end — especially if you hope to garner future referrals. That's why The Green Company's customer care group focuses so much attention on customer satisfaction during the warranty period. "We recognize how people feel at the end of that process is more important than how they feel at the closing," says President Daniel Green. It's no surprise, with this philaterial at the closing, with this philaterial and the closing.

losophy, that this high-performance home builder is the first company to win the Avid Diamond Award for Best Customer Experience in the United States two years in a row.

The Green Company has developed a customer communications system based on 45 points of contact throughout the home buying and post move-in experience. This ensures continuous communication with buyers from the time they first visit a model home through closing and beyond. Whereas some builders might find such a defined communications strategy restricting, it actually positions the company to deliver personalized service. By having an overall system in place,

"it allows our team to rely on routine customer communications, freeing up more time for us to adjust and respond to individual needs," says CEO David Caligaris.

In addition, the company follows up most service requests with a phone call to confirm proper execution and delivery. Home buyers are asked whether the repair personnel arrived on time, whether it was a positive experience and whether the home buyer was delighted

with the team's performance. If the home buyer is not happy about something, changes are made to rectify the issue and prevent the problem from recurring. "The key is that we really care about our homeowners," says Lois MacIsaac, customer care manager.

This commitment to long-term customer delight is why The Green Company is this year's repeat winner of the Avid Diamond Award, with 100 percent of its customers willing to recommend the company. More importantly, this unprecedented level of customer delight produces more than 50 percent of the builder's sales from direct referrals. Customer



#### THE GREEN COMPANY

**Avid Diamond Award Winner** 

Best Customer Experience in United States

Headquarters: Newton, Mass.

Chief Executives: Alan Green, chairman; David Caligaris, CEO; Daniel Green, president

Number of Employees: 60

**Product:** Luxury empty-nester market **Average Square Footage:** 2,000

Average Price: \$500,000

**2006 Closings:** 80

2006 Revenue: \$40 million

Avid Index Score: 280

Home Buyers Willing to Recommend: 100% Home Buyers Making Actual Referrals:

81.1% (11.3% making 6 or more)

**THE GREEN COMPANY** President Dan Green, standing at left, chats with homeowners at the annual picnic, one of many events held for customers.

loyalty is the key to success in all market conditions, and The Green Company capitalizes on this asset the best.

In today's market, every delighted customer means real earnings potential in the form of active referrals. "If you get two or three home buyers a year who are unhappy, they talk with other potential buyers and it has a real impact, especially since we actively try to connect our homeowners with prospective purchasers," says Dominique Sampson, marketing director.

#### Top 5 Areas for Customer Satisfaction

Topic	Difference in Score Above	Industry Averege
торіс	Difference in Score Above	illuusiry Average
Landscaping and Grading		18.6
Time Until Closing		17.0
Available and Informative		15.5
Home Was Clean and Ready		15.5
Number of Orientation Problems Corrected		

#### WINNING STRATEGIES

- Offer residential services. The Green Company provides home improvement services at reasonable rates to home buyers who need an extra level of customer care after closing. The company even offers a weekly home-watch service for homeowners while they are away.
- Use homeowners as salespeople. The Green Company enlists the help of home buyers who volunteer to be ambassadors, networking with potential home buyers either by phone or at many special events every year. Only companies with legions of loyalists sell homes by connecting prospects with homeowners.
- Create communities. By encouraging homeowner-sponsored special events such as game nights, Kentucky Derby parties and barbecues, The Green Company works with homeowners to provide social opportunities, which help build a real sense of community. A social calendar is posted on the company's Web site.

## A Three-Builder

**Approach** 

quality home is often the result of workers who take pride in a job well done. Getting employees to adopt high standards for their work, however, is easier said than done. Ruiz Homes, which builds houses along the Texas/Mexico border, has figured out a way that ensures quality workmanship along with a delightful home buying process, earning it a 2007 Avid Award for Best Customer Experience, 100-499 closings.

At the heart of Ruiz Homes' success is a three-builder system by which each company builder essentially "buys" a home from the previous builder. Here's how this innovative model works:

The structural builder oversees the house through the drywall stage and "sells" it to the finishing builder, who then completes the home, including floor coverings, trim and paint. The finishing builder then "sells" the home to the warranty builder, who also will not take ownership if there are any problems with





the home. Although no one technically "buys" the home except for the home buyer, the concept of accepting the home at these three levels is quite powerful.

At each stage, the home goes through close inspection because the new builder is also buying any problems that remain with the home. In the end, the warranty builder is the one who delivers the home to the home buver.

Some might argue that this is just a game of semantics — that other builders have just as much quality assurance by performing a pre-drywall walk-through and a pre-orientation inspection. However, Ruiz ≸ employees have increased account- ≥ ability using their approach. When  $\mbox{$\buildref{theta}$}$ Ruiz employees take ownership of a home, it becomes the sole responsibility of one manager who must get it accepted by another manager \(\frac{1}{2}\) before the buyer ever sees the house.  $\ddagger$ Quality of workmanship is elevated at each level, hence delivering a very well-built home.



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**ACOUSTICS** 

#### **RUIZ HOMES**

#### **Avid Award Winner**

Best Customer Experience 100-499 Closings

Headquarters: Laredo, Texas

Number of Employees: 26

Chief Executives: Jesus J. Ruiz, president; Eduardo Ruiz, vice president of sales; Mercedes Navarro, vice president of

operations; and Jaime Garcia, builder manager

Product: Single-family detached Average Square Footage: 1,400 Average Price: \$139,600 2006 Closings: 212 2006 Revenue: \$30 million

Avid Index: 277 points (out of 300)

Home Buyers Willing to Recommend: 97.2%

Home Buyers Making Actual Referrals: 93.3% (25.7%

making 6 or more)

#### Top 5 Areas for Customer Satisfaction

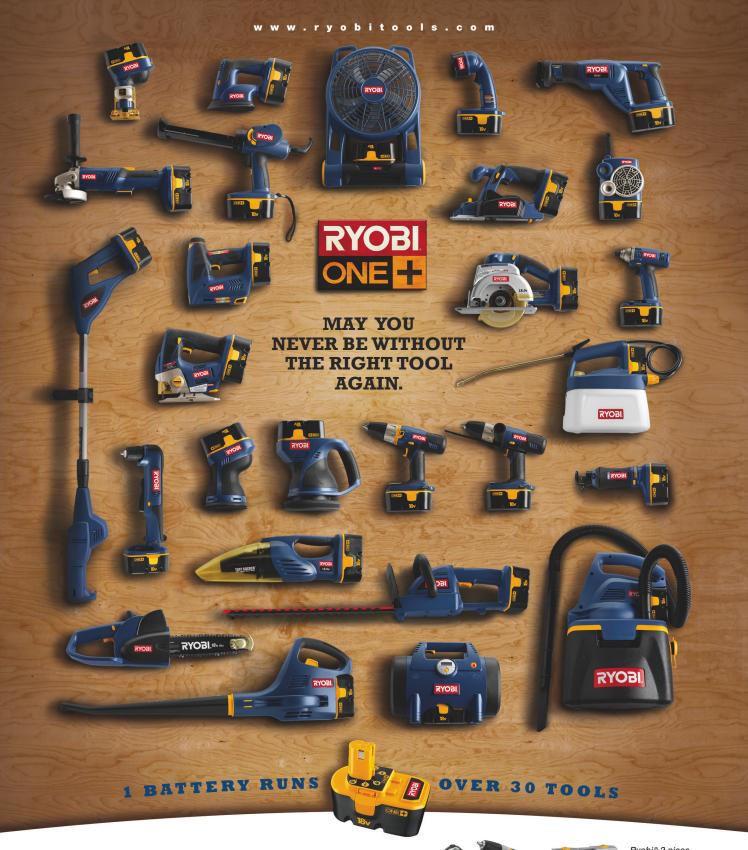
Topic	Difference in Score Above	Industry Average
Landscaping and Grading		17.9
Costs of Upgrades Reasonable		16.9
Quality of Walls		11.1
Quality of Workmanship		10.6
Recommend to a Friend		9.9

#### **WINNING STRATEGIES**

- Personalize the experience. Ruiz Homes has two designers with different specialties, so the company matches home buyers to a specific designer based on the style and materials that appeal to each customer. For example, one designer is especially good with tile work, so she is assigned to home buyers who are thinking about custom tile designs in their home.
- If you are a family business, use it as an advantage. At Ruiz Homes, a half dozen key employees are family members, including the two designers. By emphasizing family connections, the company appeals to customers who are drawn to the warmth and sincerity that is harder to achieve in a more corporate operation.
- Haul out the top brass. Ruiz Homes always has one of the top executives at each closing, which makes home buyers feel special and instills a sense of customer caring that can't be achieved any other way.
- Help with lending. Ruiz Homes caters to a lot of first-time home buyers, many who are confused by the whole process - especially the financing piece. The builder, which has its own mortgage division, offers a lot of education to first-time home buyers to help them qualify for the most affordable financing available. The company handles 70 percent of its customers' loans, but rather than profit from these loans, the company aims to offer clients a more affordable mortgage.

PAINTERS MIGUEL BRAVO AND JOSE BRAVO, on page 40, do touchups for Ruiz Homes' customer service. Below, Saul Macias shows homeowners Fay and Hector Elizondo how to program their thermostat.





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# 100% Ready to Go

Engle Homes Orlando, Avid Award Winner

he only way to get referrals is to deliver an outstanding customer experience. Many builders seemed to forget this basic tenet of business in recent years when they couldn't build homes fast enough to meet demand. But Engle Homes

Orlando has never undervalued the importance of customer loyalty, which is why the Florida builder has been able to hold sales steady while many builders are reporting dramatic declines.

In fact, 93 percent of the division's home buyers say they would recommend the builder to a friend. This high degree of customer loyalty is just one reason Engle Homes Orlando is this year's winner of the Avid Award for Best Customer Experience, 500-plus Closings.

A division of Technical Olympic USA, Engle's mission is to deliver a home that is 100 percent ready at the time of closing. That means no outstanding defects. It's an ambitious goal, yet 70 percent of the company's homes are zero-defect during

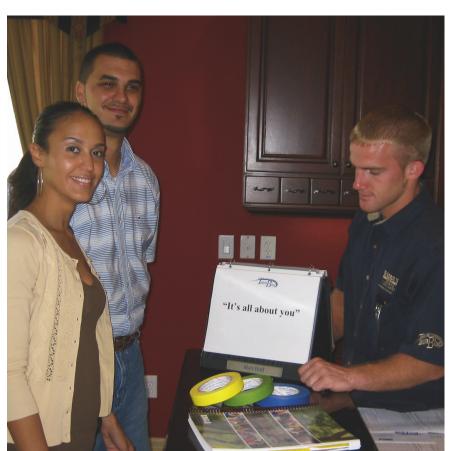
the first inspection, says Ashley Burleson, division president.

A week before closing, a quality assurance team, which is separate from the construction and warranty staffs, inspects the home again and flags any problems to be fixed before the walk-

through with the home buyer. "That way, we're not making a punch list at walk-through," Burleson says.

Employees are rewarded with cash incentives, prizes and public recognition for zero-defect homes. Weekly reports track every home closing that week, listing how many items were found on initial inspection, orientation and closing. When no items are found, everyone working on the home receives a ticket that is entered into a lottery for cash prizes up to \$10,000. The more tickets an employee earns, the more chances he or she has of winning the big prize. In addition, pendants are awarded to staff during company ceremonies for homes that have no repair items at closing.

Engle Homes continues to care about home quality well



#### **ENGLE HOMES ORLANDO**

**Avid Award Winner** 

Best Customer Experience 500-plus Closings

**Headquarters:** Hollywood, Fla. **Chief Executives:** Antonio B. Mon, CEO; Ashley Burleson, division

president

Number of Employees: 200

Product: Single-family, condomini-

ums, townhouses

Average Square Footage: 2,600

Average Price: \$379,000 **2006 Closings:** 1,000-plus **2006 Revenue:** \$413,812,000 **Avid Index:** 258 points (out of 300)

Home Buyers Willing to Recom-

mend: 93.4%

Home Buyers Making Actual Refer-

rals: 74.3% (15.2% making 6 or more)

#### AT THE PRE-CLOSING ORIENTATION, an

Engle Homes Orlando representative reviews the features of the home, maintenance guidelines and other documents with homeowners.



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after closing. The builder surveys home buyers 30 days after closing using Avid Ratings to assess their experience and levels of loyalty. Between 60 and 90 days after closing, the warranty department conducts a 200-point inspection and educates the home buyer on routine home maintenance, flagging things that could cause long-term damage.

This level of caring has paid off for Engle Homes, which hasn't had to offer some of the deep discounts some other builders are offering to attract home buyers. "Customer satisfaction and referrals pay off, especially in a market like this," Burleson says. "When everyone is out there giving \$20,000 or \$30,000 incentives to buy, we're focusing on the quality of our homes."



#### **WINNING STRATEGIES**

- Build customer relationships that generate referrals. In today's market, referrals are worth twice what they were a year or two ago, says Ashley Burleson, division president.
- Actively solicit referrals. At Engle Homes Orlando, sales associates are responsible for making 10 home buyer calls each week to ask for referrals easy to do when you know you're delivering quality homes and your customers are delighted.
- Show vendors and subcontractors that you value them as part of the team. This has helped Engle Homes meet closing deadlines even when problems arise with product shipments or inclement weather.
- Personalize the experience for home buyers whenever possible. For example, Engle Homes offers a 100 percent sod lawn with irrigation as part of its standard landscaping package, but home buyers can choose between a tropical design with palm trees and a northern look with hardwood trees.
- Review the warranty early and often. Engle Homes includes the warranty as part of the customer orientation and the closing. "When we set up closing, we tell them to bring their orientation guidebook, which includes the warranty, with them," Burleson says. "We make sure they have it, read it and understand it."

#### Top 5 Areas for Customer Satisfaction

Topic	Difference in Score Above Indus	stry Average
Time Until Closing		9.8
Landscaping/Grading		8.7
Number of Pre-Closing Items Corrected		7.0
Warranty Policy Received/Explained		5.8
Recommend to a Friend		5.2

#### **ENGLE HOMES ORLANDO'S**

quality assurance representative demonstrates to a homeowner how to replace the air-conditioning filter and maintain the condensation line



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## 2007 Market Focus:

# **Atlanta**



Home building has always been a local business. Even national home builders realize what works in one community doesn't necessarily work in another. That's why the Avid Awards Presented by *Professional Builder* are now given at both a national and local level. Last year, the Phoenix market was highlighted. This year, Avid Ratings Co. surveyed the entire Atlanta home buying market to reveal home builders delivering the best customer experience.

Avid Ratings sent surveys to all 65,000 Atlanta-area home buyers who closed on their homes in 2006. Roughly 10 percent of the entire market responded to the survey, providing feedback on 31 production home builders.

Though there are several finalists, there is only one winner. This year, the Avid Award for the Atlanta market goes to John Wieland Homes & Neighborhoods. Profiles of this outstanding builder and the three finalists appear on the following pages. The table below shows how each of these customer-centric home builders excels in comparison to the rest of the Atlanta market.

ohn Wieland Homes & Neighborhoods has been delighting home buyers in Nashville, Tenn.; Raleigh, N.C.; Charlotte, N.C.; and Charleston, S.C. But it is the Atlanta region where the company has really wowed home buyers, earning it the 2007 Avid Award for Best Customer Experience in the Atlanta market.

At the center of the company's success is its customer touch point program, which continues to catalog hundreds of formal and informal opportunities for the company to interact with home buyers, from online experiences that do not involve employees to scheduled meetings

with sales reps, design staff and building supervisors. The program emphasizes how to make each of these touch points a delightful experience for customers.

A big part of the Wieland experience is the relationship home buyers have with their Signature Builder, who updates

## Signature Service

John Wieland Homes & Neighborhoods, Avid Award Winner



them on the progress of their home at least once a week. Even if there isn't much to report, the Signature Builder uses this as an opportunity to elicit concerns, review the next milestone or just relay a piece of news about the neighborhood. "Everything is geared to connecting with that buyer," says Jack Wieland, senior vice president of customer experience.

No level of communication, however, can make up for a home that isn't ready at the time of closing. "One of our basics is delivering a 100 percent complete home," says Kelly Rulis, vice president of customer relations. The company

accomplishes this by building individual accountability into the construction process and by having standards that typically exceed what most home buyers expect.

"We have a good process in place with the building team," says Eric Price, president and COO. Using a 500-point check-

## Quality Measured

Centex Homes — Atlanta, Avid Award Finalist

t Centex Homes, the quest for customer satisfaction starts at the top and is reinforced nearly every day. "It's part of our culture," says Atlanta Division President Todd Jones.

The company's primary focus, Jones says, is on delivering a home that is truly complete. "When you give somebody a complete home, the amount of calls coming in for service are greatly reduced, and you can really focus on that customer once they're in the home."

Construction and sales teams at each Centex community are rated on how they treat customers. To foster a healthy competition, quarterly awards are given to the teams earning the highest scores.

There's also a quality assurance walk-through prior to delivery. A third-party inspection firm rates superintendents on the completeness of the home. If anything is left undone, superintendents are rated on how quickly those items are finished.

The builder is particularly adept at keeping customers informed of their home's progress. Passing the buck is frowned on.

Salespeople are highly rated for their product knowledge and efforts to make the buying process pleasant. Jones says constant training is the key. Area sales managers visit communities several times a week to ensure agents are following up on a timely basis with prospects and customers. "You've got to put in place tools that measure set requirements for communicating with customers and completeness of the home before delivery," says Jones. "Then you need to act on non-compliance. That's the hard part."

#### **CENTEX HOMES — ATLANTA**

**Avid Award Finalist** 

Finalist in Atlanta Market **Headquarters:** Alpharetta, Ga.

Chief Executives: Todd Jones, division president; Marv

McDaris, vice president of operations

Number of Employees: 83

Product: Single-family detached and semi-attached; multi-

family attached

**Average Square Footage:** 2,310 **Average Sales Price:** \$303,000

**2006 Closings:** 785

**2006 Housing Revenues:** \$209 Million **Avid Index:** 241 points (out of 300)

Home Buyers Willing to Recommend: 78.9%

**Home Buyers Making Actual Referrals:** 78.1% (28.2%

have made 6 or more referrals)

list, each home is certified internally at least one week before closing to make sure there are no defects when the home buyer does the orientation walk-through.

"We've made a really big, philosophical point that we're not going to close unless the home is 100 percent ready," Price says. "It's better to delay the closing, because you can never go back and rebuild that confidence." Of course, a zero-defect home is an advantage only if the customer sees it as such. So John Wieland Homes continually solicits customer feedback to make sure there are no latent concerns before and after closing.

Service after the sale is an integral part of Wieland Homes' success. Each customer is assigned a Signature Quality Manager who addresses any warranty issues, says Rulis. Home buyers have 24/7 access via a dedicated customer service phone number, as well as the ability to submit requests online. "There are a lot of touch points after ownership," adds Wieland. "It doesn't end at the closing phase."

#### JOHN WIELAND HOMES & NEIGHBORHOODS

**Avid Award Winner** 

Best Customer Experience in Atlanta Market

Headquarters: Atlanta

**Chief Executives:** John Wieland, chairman and CEO; Eric Price, president and COO; Jack Wieland, senior vice president of customer experience; Kelly Rulis, vice president of customer relations

Number of Employees: 947 full time, 67 part time

Product: Single-family, mixed-use townhouses and condo-

miniums

Average Square Footage: 3,200 for single family homes and

2,600 for townhouses

Average Price: \$500,000

2006 Closings: 1,500

2006 Revenue: \$735 million

Avid Index: 243 points (out of 300)

Home Buyers Willing to Recommend: 91.6%

Home Buyers Making Actual Referrals: 83.3% (25% have

made six or more referrals)

## 'It's Included' Goes A Long Way

Meridian Homes, Avid Award Finalist

eridian Homes' "It's included" philosophy has gone a long way toward ensuring happy customers. Items that would normally be upgrades such as custom cabinetry, architectural shingles, fiberglass front doors and pre-installed security systems come with the base price.

Meridian's quality assurance manager checks each house after construction to make sure it's ready to show, sell or close, enabling the builder to uncover problems before they become issues for the customer, says Joel Gregory, vice president of sales and marketing.

The builder surveys customers 30 to 60 days after move-in and sometimes after one year as well. "We find out what they see and feel; how they felt they were treated; and what they think their home is like," Gregory says.

Meridian keeps warranty calls to a minimum by doing everything possible to deliver houses that are 100 percent complete — no punch list items. If something does need to be fixed, warranty-service technicians handle the small jobs and call in trade contractors for bigger repairs. Homeowners

#### **MERIDIAN HOMES**

**Avid Award Finalist** 

Finalist in Atlanta Market **Headquarters:** Loganville, Ga.

Chief Executive: Darrell McWaters, president and founder

Number of Employees: 45 Product: Single-family

Average Square Footage: 2,800 Average Price: \$205,000 2006 Closings: 567

**2006 Revenue:** \$112.2 million **Avid Index:** 235 points (out of 300)

Home Buyers Willing to Recommend: 91.3%

Home Buyers Making Actual Referrals: 72.7% (22.7%

have made 6 or more referrals)

get a response within 24 hours and often have their problems resolved the next day.

## Project Partnership

Touchstone Homes, Avid Award Finalist

ome builders talk about exceeding customer expectations, but Touchstone Homes delivers on that promise. "We spend a lot of time with home buyers to make sure we know what our customers are thinking," says Sales Manager Mike Zambri. That way, the company can customize the buying experience to emphasize what's important to individual home buyers. "We tell them, 'We want to be your partner in this process,'" Zambri says. "We go the extra mile in the areas that are important to them."

This approach to customer service has home buyers raving about Touchstone Homes, which has more than two-thirds of its customers making actual referrals. "We make sure it's not a process of us against home buyers," Zambri says. "We're there to be their consultant, to make sure the customer is satisfied."

To that end, inspections are done by a separate quality assurance inspector, whose fresh set of eyes often catches things missed by those working so closely with the homes. This inspection process also guarantees that home buyers encounter the same quality regardless of the Touchstone community they are shopping. "We have a lot of home buyers who visit multiple communities," Zambri says. "You don't want them seeing different levels of quality."

#### **TOUCHSTONE HOMES**

**Avid Award Finalist** 

Finalist in Atlanta Market **Headquarters:** Suwanee, Ga.

Chief Executive: Bryan Cohen, president

Number of Employees: 77
Product: Single-family detached
Average Square Footage: 2,800
Average Price: \$305,000
2006 Closings: 273
2006 Revenue: \$84 million

Avid Index: 232 points (out of 300)

Home Buyers Willing to Recommend: 88.3%

Home Buyers Making Actual Referrals: 70.6% (29.4%

making 6 or more)

Home Buyers Willing to Recommend: 91.3%

Home Buyers Making Actual Referrals: 72.7% (22.7%

have made 6 or more referrals)

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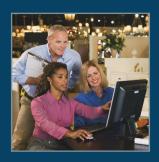
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>> BY BILL LURZ, SENIOR EDITOR, BUSINESS

# Too Much Pover?

They got home builders to start thinking about customer satisfaction. But who is listening to J.D. Power now?

J.D. Power and Associates has become a fixture in the housing industry; it's been II years since the global market research titan's first syndicated customer satisfaction study on American home builders made headlines in Southern California. J.D. Power's well-oiled publicity machine now churns out ratings of who's best—and not so hot—in 34 housing markets across America.

It should be a noble venture that raises the bar on customer satisfaction to the ultimate benefit of both builders and housing consumers. Why, then, do critics and seething builder resentment seem to follow wherever J.D. Power goes?

This is not a new phenomenon. Stop in at any watering hole where housing types gather at happy hour and just mention J.D. Power. Chances are, you'll get an earful questioning the survey itself and how builders use it. The only segment of the industry embracing J.D. Power's builder rankings in most markets are the largest national builders. They've learned how to play in this game, and they've got the chips to stay in.

#### **Pros**

Even critics acknowledge that the housing industry is probably better today than II years ago because of J.D. Power's presence in the marketplace. "There's no question they've changed the industry," says a competitor in the customer satisfaction measurement and consulting business. "The public builders especially weren't very interested in customer satisfaction before J.D. Power came along. They've been embarrassed into working at it, and a lot of them have gotten much, much better."

The largest builders were able to see the marketing potential of J.D. Power's awards,





The full study allows builders to make decisions and prioritize their investments."

— Paula Sonkin,

especially if they could win them in multiple markets. After all, a local builder can only win one; a national can win 34. First Pulte, then more recently Centex, became dominant leaders in this competitive arena.

"They've been good for the industry," says the chairman of a large, Texas-based builder with operations in several other states. "We bitch with the rest of the builders about some of the things they do, but the entire industry is better off for the focus on the customer that J.D. Power brings."

While firms such as Madison, Wis.-based Avid Ratings (which has a contractual relationship with J.D. Power Professional Builder that includes a monthly magazine column by Avid and co-sponsorship of the Avid Awards); St. Paul, Minn.'s Woodland, O'Brien & Associates; and Eliant of Irvine, Calif., all measure customer satisfaction and sponsor award programs, none can match the marketing clout of J.D. Power, which carried huge consumer brand recognition from other industries — particularly auto — when it entered the housing arena.

J.D. Power also benefits from the moral high ground it claims as an unbiased advocate of the consumer, even though its entire revenue stream is generated from builders who buy its syndicated reports and consulting services and pay licensing fees. It charges those who win its awards for the privilege of using the J.D. Power name, logo and award image in their advertising.

"We survey all home buyers in every market," says Paula Sonkin, the J.D. Power vice president who has led the housing industry program from its inception. "We get their names from independent sources in the public record. We do that because those sources are unbiased. If we got names from builders, we could never be sure that people critical of the builder were not being removed from the list."

Every person who closes on the purchase of a home in one of the 34 surveyed metropolitan markets receives a J.D. Power survey questionnaire

#### WHY YOU KNOW THE NAME

The beginnings of J.D. Power and Associates

J.D. Power and Associates has never paid for an ad of its own in its entire history, and yet its brand is recognized worldwide, mostly due to a succession of car commercials that began on the 1982

Super Bowl broadcast.

Founded by James David Power III in 1968. J.D. Power was a car creature from day one. "We worked with Toyota when it first started to import cars in the late '60s," says Tom Gauer, J.D. Power's senior director of automotive retail research.

J.D. Power started

doing syndicated studies in the '70s. "It was a way to find a broader market," Gauer says. "We'd do a study of people buying a new car model, something of interest to the entire industry - buy the registration names, send

out questionnaires, gather data, then

generate a report and sell it to everyone."

Hot-sellers included one on the Chevrolet Vega, the first small domestic car to compete with Japanese imports, and another on the Mazda rotary engine.



J.D. POWER AND ASSOCIATES' syndicated studies began in the '70s and focused on cars, including the Chevrolet Vega.

Later, Power developed a point system to rate car dealers. "Dave decided to try using it on the manufacturers' products rather than dealers'," Gauer recalls. "So in 1981, we surveyed a couple thousand car owners, using a ranking to identify which were best at satisfying customers. It wasn't really an award. But Subaru came in second to Mercedes

> Benz, and they launched an ad campaign with a commercial on the Super Bowl bragging about being second only to Mercedes in customer satisfaction. That got everyone's attention, including Dave's. We made it an award to broaden the appeal and control claims being made in the ads."

J.D. Power now has dozens of awards in the auto industry. Expect the same kind of proliferation soon in housina.

This year, Power added awards for home quality (modeled after the auto industry's landmark Initial Quality Award), home design and mortgage origination services.

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between March and May of the following year. Sonkin reports the survey this year expanded from four to eight pages, which respondents had until the end of July to complete. "For the most part," she says, "we ask a lot of the same questions each year, so we can track performance year over year and trends as they emerge. But we always add a few questions to address hot topics in the industry."

This year's survey, for example, added a ques-- Pam Sessions, tion about the impact of inventory homes on the Hedgewood market. It also included a question on how many Properties negative recommendations buyers gave for their builder. The firm has now increased its awards fourfold by publishing studies on builder quality, design and mortgage origination processes in addition to customer satisfaction.

> "We added those because, especially for quality and design, these are things many builders tout in their advertising to distinguish themselves from competitors," says Sonkin. "New home shoppers want to hear the unbiased, independent voice

of past customers on these issues. And builders want more data on their points of differentiation so they can improve their businesses. When builders improve, that ultimately benefits consumers as well."

One thing that J.D. Power does to benefit all players in a market is measure against a fixed constant that allows everyone to see how much customer satisfaction is increasing (or not) across each market and the country as a whole from year to year. "We set the index at 100 in 2001," Sonkin reports. "In 2002, scores went up across the country on average one percent, so the index was 101. In 2003, the average jumped to 109. We added new markets every year, so it's not exactly a constant measure, but it went up to 112 in 2004, at the peak of the market, and held that average in 2005. This year, for 2006 sales, it dropped to III."

When we ask Sonkin who J.D. Power's customer is, she names both consumers and builders. "We fund the studies ourselves and sell the

#### TRENDMAKER'S TALE OF WOE

Many builders mutter in private, but few are willing to publicly accuse J.D. Power and Associates of manipulating customer satisfaction survey results. Trendmaker Homes President Will Holder comes pretty close.

The Houston subsidiary of public giant Weyerhaeuser Real Estate will close more than 700 homes this year, at an average price above \$400,000. That should put it among the builders in J.D. Power's Houston market survey, but it's not there. Holder suspects the reason may be that he dropped his subscription to J.D. Power's consulting services several years after refusing to pay a hefty licensing fee to use the J.D. Power name to advertise Trendmaker's win in 2001.

"The year we tied for first, they wanted \$70,000 to allow us to advertise it," he says now. "We didn't see that much value in it.

"We subscribed to their services the first year they came to Houston," Holder says, "for \$30,000. We thought we'd get a different perspective from a survey of all buyers in the market, not just our own. After seeing their presentations a

couple of years, I began to suspect they could use their weighting of questions to manipulate the winner."

Holder says he finally dropped J.D. Power because he believes the survey is not important to buyers: "They don't get much press anymore. Realtors put more stock in their personal experience with builders than in what J.D. Power says. They don't ask us about it."

He admits to being scared of J.D. Power. "There's pressure to subscribe," he says. "It never felt very good. When we decided not to pay them anymore, I was scared."

J.D. Power's Paula Sonkin can't explain Trendmaker's absence from the Houston survey but says she suspects the sales may be registered in a way that makes the builder hard to identify. She also points out that other Weyerhaeuser builders, such as Pardee in California and Winchester in Washington, D.C., are included in J.D. Power surveys. "We include all builders, whether they buy our study or not," she says. "We want as many builders as we can get."

"The year we tied for first, they wanted \$70,000 to allow us to advertise it. We didn't see that much value in it."

Will Holder



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We've had our clients show up in their rankings in the inverse order to the way they should be ranked."

satisfaction

information we gather to builders on a subscription basis. The full study allows builders to make decisions and prioritize their investments where they do the most good in satisfying buyers," she says. "But we publish our rankings for consumers to see on our Web site. Half the builders ranked will always be above the average for the market and half below. That helps shoppers make educated buying decisions."

J.D. Power maintains that its studies turn the voice of the customer into a shout that home shoppers want to hear. It's a unique perspective on the — Customer product, service and buying experience. "We're not Consumer Reports," says a J.D. Power insider from the auto industry, the source of its brand power. "We don't test products and report the results. That's a valuable service to consumers, but different from what we do.

> "We tell shoppers in the market today what an industry's most recent customers think of the

YOUR OPPORTUNITY IS KNOCKING.

CENTEX HOMES IS AN EXAMPLE OF A HOME BUILDER that displays the J.D. Power and Associates logo on its Web site. It shows buyers — who most likely recognize it — the company is considered a customer satisfaction winner.

products and services they bought from the major players in that marketplace. Our brand is almost a Good Housekeeping Seal of Approval. That's what led us into other industries like airlines, banking and home building."

#### Cons

A different picture emerges when we ask builders and other industry insiders what they think of the way the firm conducts business — and the way builders use the survey.

Part of the contention lies with J.D. Power.

Plenty of builders say J.D. Power uses high-pressure tactics to sell its subscriptions at prices many builders regard as exorbitant. What's unsettling is the worry in builders' voices when they talk about J.D. Power. Almost everyone we asked to discuss the company would only do it without being attrib-

Many builders distrust J.D. Power's survey methodology and believe the firm manipulates results to the benefit of large builders who pay the hefty fees the company charges for full access to its data and use of its name by award winners. We find no one with direct evidence of such shenanigans, but no one, including J.D. Power, should be surprised about the claims. It's a natural consequence of being a firm that promotes independent, unbiased surveys of buyers but derives its income from the companies selling the product.

We found no tangible evidence to support the suspicions of unethical behavior by J.D. Power; however criticism of its survey results is rampant. For example, builders must have 150 closings and 50 returned questionnaires to qualify for a J.D. Power survey. One could infer the awards are for production builders only. But nowhere on the Web site, in press releases or in the advertising of winners is the absence of small builders from the survey ever mentioned, even though such firms still build more houses than giants and make up the majority of builders.

"We never make their surveys," reports Atlanta builder Pam Sessions, president of former PB Builder of the Year Hedgewood Properties. "Sometimes we get enough closings, but then we have to get a really high response rate, and we never seem to make it. We get 50 responses on our own customer satisfaction surveys, but I guess they don't."

Sessions says J.D. Power is not a big thing with Atlanta buyers because so many builders are excluded. "This is a small builder-dominated market," she says. "We have a lot more builders that don't make the rankings than those that do. I'm sure consumers just look at it as a list that represents a small portion of the market. That could affect the perception of the validity of the results.

"The presence of J.D. Power in our market is still a positive. It forces all of us to hear that voice of the customer. It makes all of us want to survey our own buyers, even if they don't."

Response rate is another bone of contention with many builders. Those who have their own — or even other third-party — surveys regularly



Below (top): Ventral Park by Bennett Homes Below (bottom): Magnolia Park by Steve Burnstead Construction





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More than simply a financial investment, our homes are the stage upon which we live our lives. Which is why professionals charged with building communities – developers, builders, architects and city officials – are looking at ways to create not only houses but whole neighborhoods that put people first.

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- A sense of place
- Sustainability
- Connectedness
- Interesting architecture

Due to extreme moisture caused by the high rainfall in the Pacific Northwest, successful developers in the state of Washington are embracing innovative building materials. Among those leading the way is Andrew Miller, director of The Dwelling Company.

"We wanted quaint, cute developments, with distinctive colors for the cottages and bungalows. James Hardie siding is a staple for us; it holds paint so well and stands up to all the moisture we get here."



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A lot of the public builders are bonusing their people on J.D. Power scores. There are big bucks at stake."

Industry consultant

get response rates of 50 percent or higher. But our checks show that J.D. Power virtually never gets more than 25 percent and often much less. "We've had our clients show up in their rankings in the inverse order to the way they should be ranked," says one customer satisfaction measurement pro. "Who do you want to believe? Their response rate is 18 percent; ours is 80 percent. That's a variable that can happen, based on who they pick up in county records and how many of them mail back the questionnaire, which is not easy to fill out."

Other reasons for contention with the survey stem from builder abuse, specifically concern of widespread manipulation of survey results by some builders. We found many builders willing to cite examples of builders that have abused the survey system but only one builder willing to share what he knew and also be attributed for this article. "I have a niece who works for a prominent entrylevel builder here in Houston," says Trendmaker

Homes President Will Holder. "[She says] they were calling buyers, asking them how they planned to respond to the J.D. Power survey. If the buyers said they were not happy, they'd have the salespeople run out to the house and give the buyers a garage door opener — and try to talk them into changing their opinion of the builder."

An industry consultant says he knows of a case where a large public builder paid buyers to bring their questionnaires into the model home so salespeople could "help" them fill in the answers. "J.D. Power knows that kind of stuff is happening, but there's not much they can do about it. When the stakes get high, people will do this stuff, and a lot of the public builders are bonusing their people on J.D. Power scores. There are big bucks at stake."

J.D. Power's competitors in customer satisfaction measurement are critical of the way J.D. Power's methodology leads the firm to misinterpret data and give faulty advice to builders. Houses are not manufactured products, and J.D. Power's research methods — as well as the power of its brand — migrated from the auto industry. Customer satisfaction in home building is a complex puzzle. The process from first sales contact through closing and into warranty takes many months, often more than a year. What concerns buyers during sales or at closing can be long forgotten six months into the warranty period. Yet J.D. Power's average survey respondent fills out the

questionnaire nine months after closing.

"They capture a large swath of data from people who have been in their home four to 18 months," says a competitor to J.D. Power. "The result is that J.D. Power believes warranty service is the No. I factor driving customer satisfaction. They lead builders to pump more money into warranty service than they should. Our data shows that quality at closing is more important. If you emphasize building the house right the first time, you maintain better satisfaction deep into warranty without spending nearly as much money on service."

Sonkin confirms J.D. Power's belief that warranty service is the top driver of customer satisfaction. "Our average survey is completed at about nine months after closing," she says, "which does create an emphasis on warranty service. That's the highest driver of customer satisfaction in our studies, followed this year by the role of the construction super. The most important aspect of warranty

is timeliness of service, followed by cleanliness of the work."

The customer satisfaction professional mentioned earlier also disagrees with the emphasis on warranties. "We've done a study of our data base and we find that our best clients — the ones with the highest customer sat scores — spend less on warranty service than all our other clients. And

they're spending less on warranty today than they were when their results were not as good."

One Midwest consultant's big beef against J.D. Power is that the firm allows public builders to advertise their J.D. Power awards in markets where no surveys are taking place. In other words, local private builders have no opportunity to compete for the advertised award, so it's unfair for J.D. Power to allow such advertising.

"It's not an award," responds Sonkin. "We have a certification program for builders to use in markets where we are not doing syndicated studies. In this program, we will survey a year's worth of the builder's home buyers. If the builder performs in the top 20th percentile of our national average for the syndicated studies, it can become a 'J.D. Power certified builder.' It's not a competitive ranking. And any builder can try for it, as long as it has 150 closings in a calendar year and we get a minimum of 50 surveys back."

But perhaps only a national builder anxious to play the J.D. Power card in other divisions in other markets would be interested. **PB** 



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# TOGRAPHY BY MERT CARPENT

## **Downtown Dweller's Dream**

New condos and townhouses in central San Jose bring everything the city has to offer to the buyer's doorstep.

#### The growing number of office jobs in downtown San Jose

has sparked a profusion of new mid-rise and high-rise residential buildings. Classic Communities of Palo Alto, Calif., is standing out in the market by offering a low-rise condominium/townhouse product at Keystone, where all units have garages and some have elevators.

Another selling point is Keystone's proximity to all of the city's amenities: parks, a light rail line, restaurants, clubs, museums, shopping, schools, San Jose Medical Center and the HP Pavilion, home of the San Jose Sharks hockey team. And the freeway is just a few minutes away, ideal for buyers who work in the Silicon Valley.

Classic Communities acquired the 1.4-acre site from the San Jose Redevelopment Agency and developed it through a partnership with Morley Bros. of San Jose. "It was our first redevelopment project," says Scott Ward, vice president of Classic Communities. "The city wanted to see the site put to better use."

John Bigot of Bassenian/Lagoni Architects in Newport Beach, Calif., says city planners took a keen interest in the project. "They wanted us to build 3-D models to demonstrate what the massing was going to look like, and the elevations and colors," Bigot says.

Due to the relatively small size of the parcel, Classic considered higher-density building types that would give them a better yield. "Over the last three years, there's been a kind of hybrid building type emerging that combines elements of condominiums and townhomes in different ways, so we explored those alternatives," says Ward.

Compared to its nearest neighbors — an apartment building to the south (50 dwelling units per acre) and a townhouse project to the north (17 DUA) — Keystone is a medium-density project, with 42 units at 27 DUA. In compliance with redevelopment agency requirements, 20 percent of the units are priced below market rate.

#### **Animated Design**

When Classic Communities approached Bassenian/Lagoni about a design for the narrow, urban site, Bigot's reaction was, "We wanted to do something fun with some animation to it."

To achieve the required density, the firm designed three- and four-story buildings made up of a series of sixplexes running the length of the site. "We limited the number of four-story units to bring the scale of the building down and make it a little more human," says Bigot.

The garages face each other to form

**AT KEYSTONE, THE NARROW END OF EACH BUILDING** faces the sidewalk. "You don't have this large profile toward the street," says architect John Bigot. The roofline is stepped back at its highest point, achieving a more human scale.

an alley of driveways, while at the opposite ends of the building, entry courtyards lead to front doors. This separates the vehicular traffic from the pedestrian traffic.

"The challenge of going to four stories is where to place the [four-story] unit," he says. In this case, the four-story unit is the largest: the 2,008-square-foot Plan Three. Homeowners enter from the garage or street at ground level and take a private elevator to the main living areas on the third floor (living room, dining room, kitchen and master suite).

#### VITAL STATS

#### Keystone

Location: San Jose, Calif.

Model: Plan Three

Builder: Classic Communities, Palo

Alto, Calif.

Architect: Bassenian/Lagoni Architects,

Newport Beach, Calif.

**Interior designer:** Creative Design Consultants, Costa Mesa, Calif.

**Developers:** Classic Communities, Palo Alto, Calif., and Morley Bros., San Jose

Model opened: March 2007

Home type: Condominiums and town-

homes

Sales to date: 20 Community size: 42 units

**Square footage:** 1,284 to 2,008 square

feet

Price: \$574,950 to \$759,950

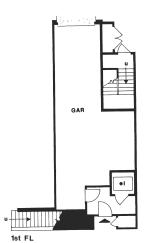
Hard cost: \$175 per square foot

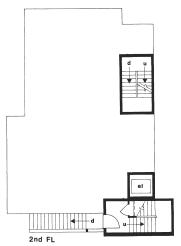
Buyer profile: Young professionals;

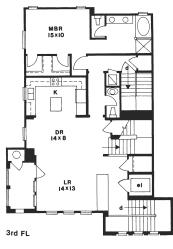
some empty nesters













#### A SLOPED CEILING

adds volume to the living room of Plan Three. The room has access to a covered balcony, ideal for watching activity on the street below. The private elevator, above, carries homeowners from street level to the main living areas on the third floor.

The fourth floor consists of two secondary bedrooms, a full bathroom and a laundry room. The home can also be reached by a flight of stairs to a second-floor entrance. "You really live on the third and fourth floors," Bigot says. "It feels like a two-story townhome once you're up there."

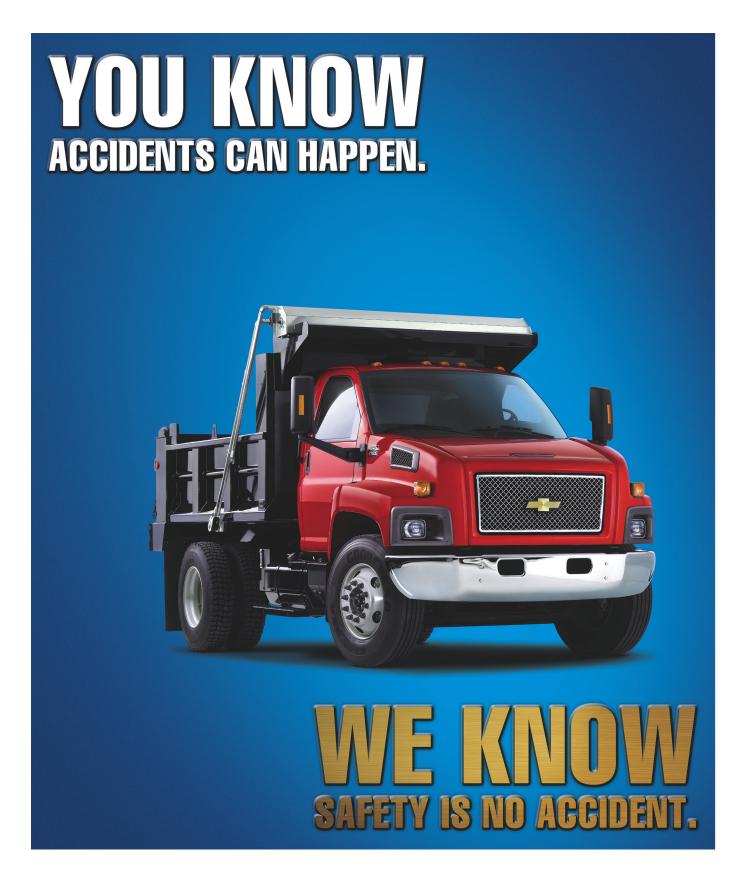
The buildings' exteriors have a classic Spanish look that's distinctly non-fussy. Arch-top windows and wrought-iron details create visual interest. Recessed into the stucco walls are balconies or patios, perfect for watching the activity in the streets while offering shelter from rain and sun.

Bigot introduced an element often seen in apartment and condo buildings in Los Angeles: exterior stairways. These add character to the outside of the building and the pedestrian courtyards. "When you have to walk up one or two flights of

stairs to get to your living area and it's all enclosed, it feels like a fire stair," he says. "With Plan Three, for example, an exterior stair takes you to a door into a stair hall, and an interior flight of stairs leads to the living area. It helps make that journey a little more interesting."

#### A Plan for Every Buyer

The variety of plan types is designed to appeal to a broad spectrum of buyers. For empty nesters who don't want to climb stairs or for couples with a small child, there's Plan One, which has living areas all on one level. Plan Two is a three-story home with secondary bedrooms and baths on the first and second floors and the master suite on the third floor (living areas are on the second floor). The configuration allows for several scenarios,



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#### THE ISLAND KITCHEN OF PLAN

THREE comes standard with such upscale finishes as wood floors, granite countertops, natural maple cabinetry and stainless steel appliances. such as single roommates and couples with older children. Because there are no neighbors above or below the unit, it lives more like a standard townhome, Bigot says.

"Then, of course, the Plan Three takes you all the way to the top two floors and begins to feel like a penthouse unit, because it's the largest," he says. "There's nobody above you, so you're king of the castle." This plan's secondary bedrooms are on the fourth floor, a good location for a home office as well as older kids.

At Keystone, homes come with either a onecar or two-car garage — unusual for a project of this density, Bigot says. Plan Three has a two-car tandem garage with a generous amount of storage space. Storage areas are included off the living room of Plan One and on the porch of Plan Two.

Classic Communities is including such standard features as double-glazed windows and patio

doors, water-saving toilets and shower heads and 90 percent efficient natural gas water heaters. The elevator in Plan Three is also a standard feature. All units are Smart Home pre-wired for data, phone and TV.

Ward points out that one segment of the San Jose market is interested in a smaller condominium in a mid-rise building downtown, while another prefers a larger townhome downtown. Keystone satisfies both.

The quality of the architecture is also contributing to Keystone's success, he says. "These are relatively high-income [buyers] and I think they appreciate that quality," Ward says. "They can feel it and touch it when they tour the models." **PB** 

LOG ON To read 'Condo/Townhouse Hybrid Tempts City Lovers in San Jose' online, visit www.ProBuilder. com/plansandprojects

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## A Fix to Lower-Level Pitfalls

10 obstacles to basement construction and how to avoid them

**Builders can attest to basements'** rise as living spaces.
Jonathan Smith of Buckeye Basements in Ohio has clients who spend tens of thousands on elaborate lower levels.
And Josh Baker of Arlington, Va.-based BOWA Builders notices his clients outfit their basements as a destination — an escape with elaborate finishes that matches the rest of the house.

Lower-level living is a lifestyle builders are charged with creating. But what happens when that lower level throws obstacles your way? We've identified 10 pitfalls to basement construction and finished them off with building best practices we're confident will ease your building process.

#### 1. Lack of Planning

The Pitfall: A basement built only as a foundation for upper-level living space

The Cure: A plan for a basement that functions as the foundation for an above-ground structure is different from a plan for a refinished basement to function as usable living space. With the former, soil conditions, the water table and the slope of the ground come into play. For the latter, finding a design solution that works with the existing foundation can be trickier.

#### 2. Poorly Located Utilities

The Pitfall: The utilities were placed for convenience rather than aesthetics.

The Cure: There are a number of things that unavoidably end up in the basement: the furnace, the hot-water heater, ductwork and plumbing runs, to name a few. Rerouting some of the lines can improve aesthetics when finishing the space; however, certain structural elements are fixed. Finding the balance between economy and design aesthetics can be a fine line.

Nick Kerzner knows about playing the hand you're dealt. His firm, Kerzner Remodeling and Construction in Oconomowoc, Wis., has done its fair share of basement finish-outs. Kerzner says the end goal is creating space that doesn't look and feel like a basement.

Chaden Halfill, owner of Silent Rivers Design + Build in Des Moines, Iowa, says thinking about how the space will be used helps him devise a working solution. "Be proactive about your ideas and what outcome you want," Halfill says. "Factor in the ductwork; think about all the utilities. Some of that helps dictate how you lay out the spaces."

## 3. Cavernous, Cramped Quarters

The Pitfall: Few or no windows mean the lower level lacks light.

The Cure: Lower levels typically consist of a four-sided, below-ground structure. Windows are limited unless a slope exposes one side or daylight windows are factored in from the start. In most of these spaces, however, it seems the further you move toward the center of the space, the less light. Certain rooms such as bathrooms, wine cellars and saunas don't require windows, so they can be located toward the middle ground or in corners where adding windows would be unfeasible.

"I look at ways to gain natural light," says Halfill, "sometimes building a retaining wall to allow a shaft of natural light to enter the space. Interior windows also make rooms feel more open and transmit light throughout the space."

#### 4. Water, Water Everywhere

The Pitfall: Water intrusion, a top reason basements go unfinished

The Cure: According to ToolBase Services, a division of the NAHB Research Center, several steps can help you create a



#### Meyda Lighting

For customers who want a funky, modern look, Meyda Lighting's three new fused glass pendants and wall sconces from its Metro Fusion Collection can be coordinated with home theatres and offbeat décor. The Muro Verde Wall Sconce, for example, features amber glass that's hot-fused together and then reheated into the shape and suspended by nickel-finished hardware. For FREE information, visit http://pb.ims.ca/5339-125



#### ▲ L&M Construction Chemicals

The ultra-low-VOC Vivid Dye Concrete Coloring System by L&M Construction Chemicals is a post-hardening concrete coloration system for projects that specify a color scheme. The concrete coloring also complements the company's sustainable FGS/PermaShine polished concrete floor system. For FREE information, visit http://pb.ims.ca/5329-126



#### ▲ Boral Bricks

With the look and feel of a large handmade brick, the Thin Bricks from Boral Bricks are flat pieces with matching corner pieces to complete the look of an installed brick wall—at only <sup>3</sup>/<sub>4</sub> inch thick. Colors include gray-taupe, traditional red, rustic brown and caramel gray. For FREE information, visit http://pb.ims.ca/5339-127



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dry foundation. First, manage rainwater and below-grade moisture by installing proper drainage devices and a means for preventing the wicking (or capillary action) of moisture into concrete.

Examples of best practices include: using gutters and downspouts that direct rainwater away from the foundation; damp-proofing and installing a vapor barrier applied to the foundation wall; applying a vapor barrier beneath the concrete slab (above a gravel drainage layer); and using a capillary break beneath footers to reduce the wicking of moisture.

Drainage tiles, especially on the exterior perimeter beneath the lowest level of the basement floor slab and surrounded by gravel, help relieve hydrostatic pressure from surface and table water. Both should be connected to a sump pump.

Waterproofing on Baker's crew

involves trench drains attached to a pump with a back-up generator to keep the pumps working in case of a power outage. "It's also best to be sure you have the right gravity fall for sewer lines, — that the angle of the sewer line runs downhill," Baker says. "You use ejector pumps and design accordingly."

#### 5. No Way Out

The Pitfall: Below-grade space that can't serve as a bedroom because codes require escape openings in case of fire, flood or other hazards

The Cure: Solve this dilemma by adding egress windows as prefab units or newly dug out and landscaped areas. Check code requirements for total square footage openings and the maximum floor-to-window-opening distances.

To find space for an egress window, look for an outside wall that allows such an addition. The design solution should

take into consideration what the exterior looks like as well.

#### **6. Limited Space Overhead**

The Pitfall: Ceilings in lower-level spaces are low and dropped to hide pipes, heating ducts and other essentials.

The Cure: In new construction, excavating for 9-foot basement walls allows space for ductwork and other utilities while still accommodating a finished 8-foot ceiling. According to the Concrete Foundations Association, the additional cost of extending the foundation to 9 feet is less expensive than building above-ground space.

#### 7. Air Quality Concerns

The Pitfall: The space is seldom used, so the air quality below-grade is typically poorer.

The Cure: Before accepting a job, Kerzner's company requires inspections



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for both water intrusion and radon. If there are any pre-existing problems, he requires a disclaimer. Framing is done from top to bottom with a header and floor plate, so walls are never penetrated. "Ventilation is important," he says. "Many times the solution is a fan hooked up to the sump system that draws the moist air outside, venting to the exterior."

#### 8. Let It Dry

The Pitfall: Temptation to cut corners with dry times

The Cure: Because poured concrete wall foundations dry slowly and can carry thousands of pounds of water, it is important to let the concrete of a new home foundation fully dry for several months before finishing a basement.

Below-grade walls need to dry in both directions and a vapor barrier

should not be used nor impede drying.

"Waterproofing technology has come a long way in the past decade, and poured walls are best for keeping water out. If you have a block foundation, you need a back-up sump system that's battery operated or install a hydrostatic system that runs off the water pressure from the municipality. It's more expensive, but you're protected forever."

#### 9. No Sound Barrier

The Pitfall: Noise problems for the rest of the home

The Cure: "Consider sound insulation and isolation," Baker says. "Insulate to dampen, isolate to deaden sound. When kids are going down to play loud music and watch TV, you need that buffer."

Insulating between the ceiling and first floor helps deaden sound. Laying

carpeting with padding beneath helps give an upper-end look and cushions sound as well.

### 10. Extra Space, but No Access

The Pitfall: The lower level is the perfect place for visiting in-laws, but it's difficult for them to reach.

The Cure: Smith admits to doing plenty of lower-level in-law suites where the spaces need to include private areas, plus full kitchens. However he suggests new construction may be the time to plan for the future. If an elevator needs to go in, he says, the ideal situation is for the builder to install a shaft during the framing stage. **PB** 

LOG ON You can read '10 building o'ostacles to finished basements and how to avoid them' online at www.ProBuilder.com/ innovations







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## Paving the Way

Permeable paving is another option for home builders who want to be green.

One of the fastest growing approaches to green site development is permeable paving. There are a variety of options: block, stone, brick, permeable asphalt, permeable concrete and structural grids. All operate on the same principle: to allow rainwater to seep through a paved surface, which naturally cleanses pollutants and recharges aquifers instead of having the stormwater run onto other properties and into storm drains.

Because engineered curb and gut-

ter storm drainage systems are costly to design and build, permeable pavement systems can often reduce overall construction costs for home builders.

I initially thought that permeable pavement was significantly more expensive and that the benefits wouldn't justify the cost. But after doing a little research and experimentation, I've been proven wrong. Permeable paving systems typically cost more than conventional pavement, but any additional paving cost is offset, at least in part, because there is

less need for stormwater management infrastructure. Catch basins, stormwater ponds, curbs, gutters and storm drains can be eliminated or downsized. As a result, permeable paving has become a standard part of our company's repertoire.

As with so many green building features, doing the right thing for the environment also has some nice benefits for the builder and the homeowner.

Builders can benefit because:

■ Minimizing storm water management

issues simplifies planning

- Permeable paving puts money in the developer's pocket because there's no need to install costly water collection and detention areas
- Eliminating collection and detention areas increases the effective developable area, which also saves the developer money
- Builders can receive points on green certification programs
   Benefits to the homeowner include:
- A safer surface that's easier to grip and is less likely to ice over
- Less chance of erosion and water seeping into basements
- A better appearance because permeable pavement eliminates the need for ugly surface runoff measures
- Lower maintenance costs because permeable surfaces require fewer repairs and need to be resurfaced less often
- More water to the root systems of plants and trees in the vicinity, resulting in healthier vegetation

The primary downsides of permeable paving are the higher initial cost of the paving itself and the need for regular cleaning to prevent clogging. A secondary consideration is that most permeable asphalts and concretes are not approved for heavy traffic loads.

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**Choosing a Surface** 

There are generally four options for permeable pavement: permeable pavers; permeable asphalt; permeable concrete; and permeable plastic or metal grids that hold grass or gravel in place.

- Permeable Pavers. For most residential applications, we tend to use pavers. These include block, brick, stone and other interlocking paving materials. Compared to conventional concrete and asphalt, they're less likely to crack over time, can be installed more quickly and are less expensive to repair if they do crack or move.
- Permeable Asphalt. The same mixing and application equipment is used for porous bituminous (permeable) asphalt as for impervious asphalt; only the formula for the paving material changes. Another promising asphalt product is Firestone's Flexi-Pave, a permeable asphalt made largely from recycled tires. It retains the elasticity of rubber, which means it will be more shock absorbent, crack less, clog less and provide better grip than conventional asphalt.
- Permeable Concrete. This type of concrete requires larger pea gravel and a lower water-to-cement ratio, resulting in a pebbled, open surface that is roller compacted. Maintenance for both permeable concrete and permeable asphalt is generally the same regular clearing of debris from the surface to prevent clogging of the "pores."
- Grids. The grid system achieves a more durable gravel or grass surface that allows water to pass through easily. The high-strength plastic grid provides a structural framework that holds gravel or grass in place and prevents compaction and erosion. As with all green features, making permeable pavement work requires educating the home buyer on the benefits and the importance of proper maintenance.

Installation is similar for permeable pavement as for conventional paving. First, crews excavate to the design depth of the pavement/gravel reservoir system. Then, the uncompacted base soil is covered with a geotextile fabric to reduce migration of soil fines into the gravel base. The permeable paving — be it pavers, asphalt, concrete or grid — is then placed. A word of caution: monitor the installer to ensure proper installation of the base rock, which can greatly affect the performance of the paving. **PB** 

Rick Hunter is Managing Principal of Sage Homebuilders, a green builder in St. Louis. He writes on behalf of the Partnership for Advancing Technology in Housing (PATH), which is administered by the U.S. Department of Housing and Urban Development. Learn more about PATH at www.pathnet.org; learn more about Sage Homebuilders and green building at www.sagestl.com.



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#### **PRODUCT FEATURE**

## Warm All Over

There's a lot of information and, unfortunately, misinformation about innovations in insulation. Should you stick with traditional methods or try something new?

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and the end result is lower energy costs passed onto our customers. But when it comes to the insulation your company is using, does it pay to stick with tried-and-true fiberglass batts or chase higher R-values and go with a spray or blown-in system? Luckily the industry has moved on from the days of nogging, so builders have a wide selection of insulation products to investigate.

The first measure of insulation performance is the Rvalue, which is derived from standardized tests that determine how well the materials resist heat flow and air infiltration. Current standards in most parts of the U.S. call for at least R-13 exterior walls and R-38 ceilings. It's no coincidence that R-values are the first numbers a manufacturer will trot out to the public. But depending on the climate, quality of work and the rest of the building envelope, an Rvalue can become quite relative. Prices have come down with some alternate insulation products, but there's a bit of a trade-off: as the R-value goes up, so does the cost.

A majority of home builders still uses fiberglass batts as the first line of defense against air infiltration, but it's not necessarily known as being green — what your home buyers might be asking for. Increasingly, the materials we put inside our walls and ceilings can be cat-

egorized as "green"; recycled newsprint, soybean-based blown-in insulation and other sustainable methods and materials are much more commonplace than they were even five years ago.

It was the housing boom and successive green movement that gave the insulation industry a kick in the pants. And sometimes it wasn't what the manufacturers put into their products so much as what came out. New formulas removed or replaced environmentally harmful or hazardous ingredients. On a smaller but no less important scale are natural products that form the basis of insulation like cotton, wool and soybeans.

Although there is no perfect insulation method yet, there's a range of products that can meet your company's needs and budget. Use the chart on the following pages to get a quick run-down of the major choices the industry has to offer.



IOTOGRAPH COURTESY OF BASF

#### **Know Your Insulation**

	Closed Cell	Open Cell	Fiberglass batts	
Properties:	Cells inside the insulation resemble inflated balloons	Open-cell spray foam is found in densities ranging from 0.4 to 1.2 lbs./ft3.	Composed of Silica spun into fibers	
	Made from Isocyanate and a resin compound	R-values of about 3.5 per inch	Facing material acts as an air barrier	
	Inherent moisture vapor retarder (0.1 perm-in. per ASTM E-96 or better)	Softer, sponge-like appearance	Newer "green" fiberglass insulations made with recycled content	
Installation Method:	Spray-in system, usually installed by manufacturer-certified installers	Can be applied as a liquid or sprayed by certified installers	Batts fit into building cavities and come in rolls or can be blown-in	
	A foam machine mixes Isocyanate and resin and the two compounds are heated and mix together when sprayed	The flexible foam expands to many times its size to fill in space	Installers require protective clothing and respirators	
Benefits:	Uses non-ozone-depleting hydrochlorofluorocarbons (HCFCs) as opposed to CFCs	Excellent insulating, sound resistance and air barrier properties	Least expensive, quick installation times when compared to other methods	
	Ideal for preventing condensation buildup and an excellent thermal barrier with a long life expectancy	More permeable to moisture vapor, with ratings of about 10.0 per 4-5 inch thickness	High-density batts offer high R-values	
			Fire- and moisture-resistant	

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Note: In moderate climates, the minimum recommended R-value is R-30 for an attic, R-11 for walls, R-19 for raised floors and R-4.2 for ductwork.

Cellulose	Mineral Fiber	Soybean-Based
Made from recycled paper and paper waste with up to 20% of the material composed of ammonium sulfate or boric acid	Has the look and feel of fiberglass	Rigid or flexible soy-based polyurethane plastic created from isocyanate and soybean oil-based polyol
Come in both loose and damp forms	Made from steel slag spun into fibers	Various mixtures available for different spraying methods
Excellent acoustic performance	Treated with binders and oil	
	Can be woven into batts	
Must be blown-in to predicted settled density to achieve its rated R-value	Like fiberglass, the materials used in mineral fiber can be spun into batts manufactured to fit the standard spaces between studs	Applied as a liquid sprayed-in with a water- based delivery system to expand to 100 times its size
Can be damp-sprayed into open wall cavities before drywall is installed		
Most cellulose is made from about 80% recycled materials	Mineral fibers made from waste materials	Contains none of the formaldehyde found in some fiberglass batts
Provides a general R-value of 4 as it seals all cavity spaces	Mineral fibers are inherently stable	Unaffected by time or moisture, highly resistant to mold and mildew
Greatly reduces sound transmission	Non-combustible, fire retardant and can create 1- and 2-hour rated fire walls	Most are Class-1 fire rated
Can be composted/recycled at the end of its life cycle		
Stabilizers reduce settling over time		

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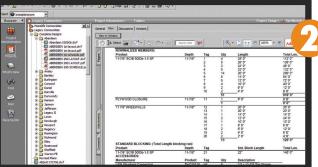


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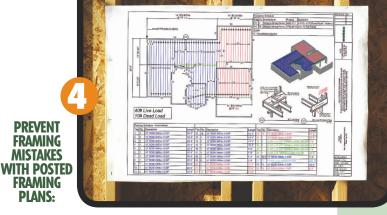
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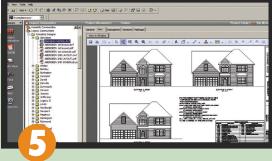


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# ProBuilder Product Report:

# **New Products**





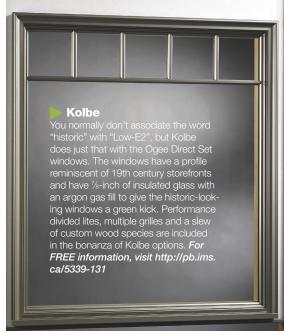
#### Georgia-Pacific

Your HVAC crews have some dirty, hard work to do; make their lives easier with Georgia-Pacific's XJ85 wood I-joists. The pre-cut openings are cavernously huge, fit closer together and go all the way to the end of the beam. Although lightweight, the XJ85 joists are as stiff and strong. For FREE information, visit http://pb.ims.ca/5339-130



#### Moer

Undermount is where it's at in today's kitchens, and Moen wisely expanded its own undermount offerings to include the Camelot. The rounded lines give the sink a flushed look and the 20-gauge steel provides some wicked durability. Like other Moen sinks, the Camelot uses the company's SoundShield undercoating to dampen the rain-on-a-tin-roof sound. For FREE information, visit http://pb.ims.ca/5339-129



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VT Industries Inc. | Laminate Countertops

Western Red Cedar Lumber Assn. | Decking

# ProBuilder Product Report:

# **Appliances**



The masters of stainless steel at Viking have a hybrid oven to show off: the Built-in Electric Combi Steam/Convect Oven — say *that* five times fast. The unit sports six cooking options: steam, SteamHeat, TruSteam, ReHeat Plus, ProBake and TruConvec. A multi-lingual interface and 27-, 30-, and 36-inch trim kits round out the new features. *For FREE information, visit http://lph.ims.ca/5339-132* 



#### Dacoi

Sometimes the hardest part about buying or specifying appliances is figuring out where the heck you're gonna put 'em. Dacor addresses this problem with its stainless steel Millennia Microwave In-A-Drawer. Billed as a chic alternative to countertop units, it has a novel drawer configuration that increases installation flexibility. Homeowners steering away from stainless can opt for a solid black glass finish. For FREE information, visit http://pb.ims.ca/5339-133

#### Ariston

Italy's Ariston scores big aesthetic points with the Platinum Series Laundry. The series features the market's largest condenser dryer (16 pounds) that uses a ventless system to eliminate ductwork. The roomy washer spins 1400 rpm for better water extraction, and you can also order 14-inch-tall pedestal drawers. For FREE information, visit http://pb.ims.ca/5339-134



#### Gaggenau

If you're building for a serious chef, consider Gaggenau's smart 36-inch wide Cl 491/492 Induction cooktop. It accommodates large pots and pans and provides an extraordinary amount of cooking power. A sweet feature is the maneuverable magnetic knob, which sets cooking zones and temperature. Gaggenau also has a line of equally snazzy wine storage units and ovens. For FREE information, visit http://pb.ims.ca/5339-135





#### Bosch

Someone spent a long time on the drawing board with this one. Bosch's Evolution 700 Series Dual Fuel has the company's Cleartouch oven controls and a European-inspired convection system for master bakers. The easy-to-clean range has two powers and two simmer burners with eight cooking modes. A convection-assisted self-cleaning mode will keep chefs happy, too. For FREE information, visit http://pb.ims.ca/5339-136

#### Liebherr

Straight from Deutschland comes the HC1050 refrigerator from Liebherr. The unit has two separate cooling units that function independently of each other to guarantee temperatures stay where homeowners want. The unit's big advantage lies in its adjustable shelving options. Its satin exterior has a different look compared to its contemporaries to please discerning homeowners. *For FREE information, visit http://pb.ims.ca/5339-137* 



#### **▼** Wolf

Looking like something out of a catering company's kitchen, the E Series oven line from Wolf comes in single and double 30-inch models with an intuitive LCD control panel and 10 different cooking modes, including bake stone, convection roast and dehydration. The E series has a redesigned hinge system on the door and still has the company's distinctive look. For FREE information, visit http://pb.ims.ca/5339-138



#### ▲ Diva de Provence

We normally wouldn't associate the word diva with beefiness, but the Diva 365 from Diva de Provence is a full-on force to be reckoned with. The 36-inch range combines an all-electric convection oven with a five-burner induction cooktop. The company claims its temperature control provides some of the fastest, most energy-efficient cooking around. Test it out. For FREE information, visit http://pb.ims.ca/5339-139

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Jorge Perez



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# ProBuilder Product Report:



#### Ryobi

If you don't love lime green, look at it this way: you'll never lose these latest tools from Ryobi. The company's P813 2-Piece Lithium Power Drill Kit has features that run deeper than the new color scheme, including the company's universal 18-volt lithium battery for twice the run time and a 24-position clutch. For FREE information, visit http://pb.ims.ca/5339-140



#### Channellock

The high-carbon steel construction and electrocoated protective finish makes these tools bona fide heirloom material. Channellock's 369CRFT Lineman's Pliers have an excellent wire stripper, and the cross-hatched teeth and patented spongy blue comfort grips lets you apply some serious torque. For FREE information, visit http://pb.ims.ca/5339-143

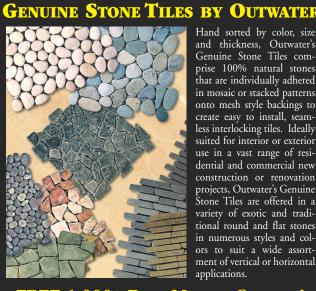
#### ▲ Ridgid

Leave the pencils and rulers in the truck if you're using Ridgid's WTS2000L 10-inch wet tile/stone saw. The saw has a laser guide, LED and a plunge cut feature with pre-set standard depths for precise cutting. The all-aluminum construction and integrated folding stand with wheels allows you to huff it into small bathroom jobs without punching a hole in the drywall. For FREE information, visit http://pb.ims.ca/5339-141

#### Cooper Hand Tools

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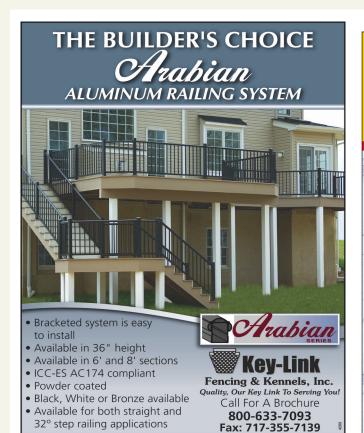


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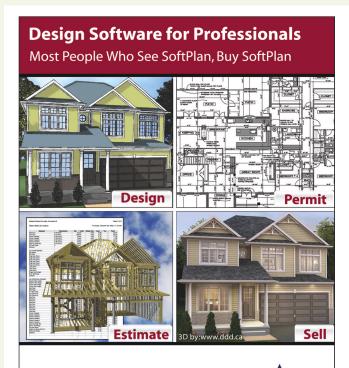
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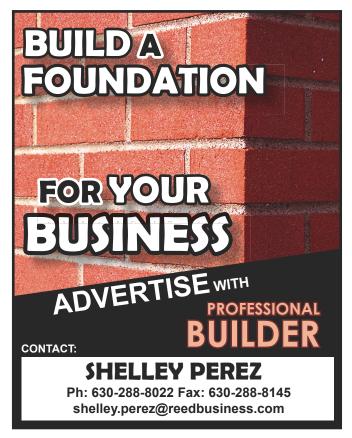
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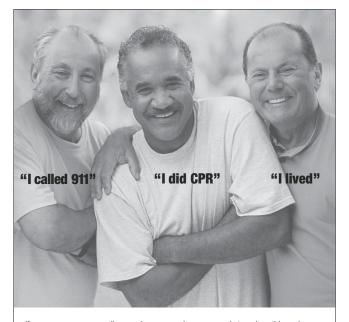




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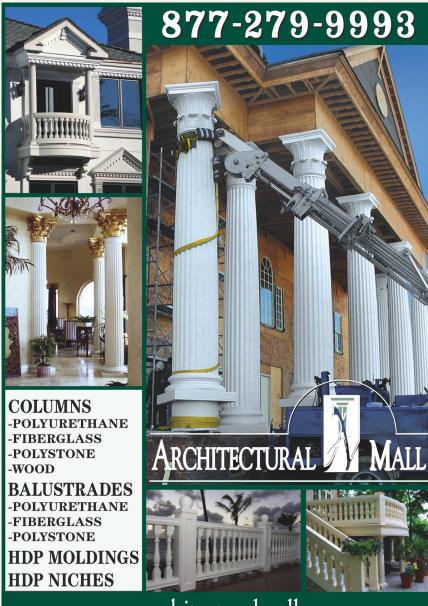


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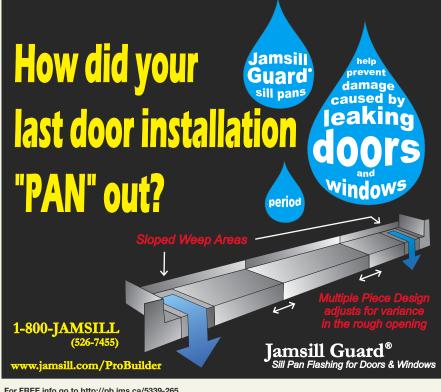
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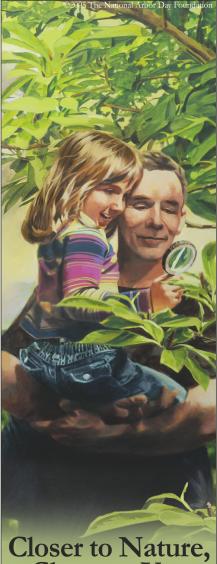


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# **How to Handle Your Fear**

You have to be a survivor during tough times — and that means asking yourself some tough questions.

>> BY CHUCK SHINN, THE SHINN GROUP OF COMPANIES

**As I travel the country,** I see builders lost in this new economic environment with no knowledge or mental map of what to do.

Many continue to operate the same way, thinking they will get different results if they just work harder and hope the problem will go away. All have a high chance of failure during this cycle.

To be a survivor, you need to turn your fear into focus and make a new mental map of where you are and the environment you are in.

There was a critical turning point for almost all crisis survivors when they became convinced they would survive and believed anything would be possible. The faster you reach this point the better your chances of survival.

### Face the Tough Questions

Do you have the right stuff to be a survivor? Two critical things for survival in this recession are cash flow and maintaining your ability to borrow funds. At this point, cash flow is more important than profit, which is a statement of heresy for "the profit doctor" to say, but survival is paramount. You need to get to a break-even cash flow as soon as possible.

Will you have to lay off staff to cut your overhead?

This is one of the hardest decisions, but you need to cut deeper than you think. Will you mothball communities that are not generating sales? If a community doesn't have enough sales to cover the community cost and generate a contribution margin, it might make better sense to close it down.

Will you discount your house spec inventory at break-even or a loss? The spec homes were built under a different economic climate. They are sunk costs that are tying up your cash and bloating your debt. It is best to liquidate them as quick as possible.

Will you walk away from earnest money deposits on land? Don't throw good money after bad. You can pick the land up cheaper later on in the cycle. Will you dispose of your land inventory? This probably should have already been done. The debt service on land has taken more builders into bankruptcy than anything else. Somehow you have to get out of the land debt.

Will you change your product to become more customer-focused? Through

improved customer research you can cater to a smaller target market, which can improve sales and increase revenue.

Will you reduce the standard specification in your home to lower sales prices? During the last five years we have added a lot to our houses; now it is time to take stuff out.

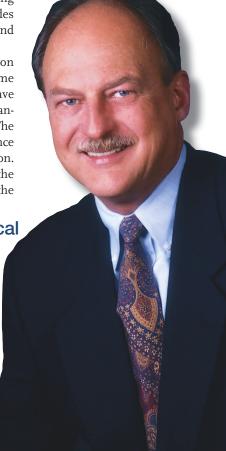
Will you work with your trade partners to become more efficient in your production process or will you send the trade a letter demanding price reductions? The trades know your inefficiencies and can be a great asset.

This housing recession will yield once-in-a-lifetime opportunities, but you have to be a survivor to take advantage of what lies ahead. The industry will be different once we come out of the recession. Builders who recognize the recovery early will reap the benefits. **PB** 

There was a critical turning point for almost all crisis survivors when they became convinced they would survive and believed anything would be possible.

Since 1975, Chuck Shinn Jr., a consultant and industry educator with a doctorate in business management, has improved the management skills of home builders to increase their profits, quality and customer satisfaction. He can be reached at cshinn@shinnconsulting.com.

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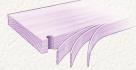


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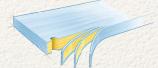


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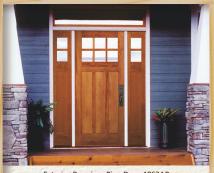


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