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Reed Business Information

It's About the Process

Your customers expect more than a great house; they want a great design and building experience, too.

By Susan Bady, Senior Editor, Design

After closing on his \$4 million-plus home in an exclusive Charlotte, N.C., neighborhood, a client had credit coming to him for \$20,000 in allowances. He was so pleased with his experience that he told the builder, Arcadia Homes, to give the money to the construction manager.

"Of course the construction manager was completely blown away, though he deserved every cent of it," says Michael Salomone, president of Arcadia Homes in Pineville, N.C. "The house took 14 months to build and it went right on schedule."

Most custom-home builders couldn't top that. But if they're successful, their clients remain loyal for life, bringing them repeat business for years after their homes are completed. That's largely because of the intensive nature of the design and building process and the trust the builder has to establish with customers over a long period of time. It's not unusual to hear

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GuildQuality's Geoff Graham can prove high customer satisfaction ratings translate into business success.

custom builders say that after the home is finished, the client becomes a friend or even part of the builder's "family."

Charlie Scott, a partner with Woodland, O'Brien & Scott, a customer satisfaction surveying firm in Indianapolis, says custom builders need to recognize that they're not just building a home; they're building a relationship. "They have to take as much time to design a customer experience as they would to design a home," says Scott.

It's a sentiment that Wayne Harbin Builder of Yorktown, Va.,

Arcadia Homes Construction Schedule

Contractor	Activity	Notes	Duration
Griffin	Dig footer		3
Inspections	Footing		1
Griffin	Pour footing		5
Arcadia	Order frame materials		0
Arcadia	Order steel beams		0
Carolina Survey	Pin footer		1

Source: Arcadia Homes

This is a portion of the construction schedule Arcadia Homes circulates via e-mail to clients and trade partners. The schedule is updated after each activity is completed and reviewed at weekly meetings with the builder and client.

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RYAN D. BERRY

The Magleby Cos. staff prides itself on building heirlooms. "We want to be their builder for life," says Chad Magleby.

has taken to heart. The company was started in 1985 by Wayne Harbin, who runs it with sons Brad and Doug. "We believe that the customer is No. 1 and instill that in all of our employees," says Brad. "A lot of [builders] treat custom building like a production business and end up pushing customers away. We've got to pull them in."

To ensure a top-notch customer experience, builders first need to determine if a potential client is the right fit. "Part of it is

a gut feeling that comes from the many preliminary meetings we set up," says Salamone. "They may not realize it, but we're interviewing them as much as they're interviewing us."

During these meetings, Salamone and Managing Partner Jeff Ecleberry ask such questions as:

- Have you ever built a custom home before?
- How would you describe your experience with that builder?



Magleby Cos.' brochures explain the design/build process from start to finish.

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STEPHEN YOUNG

"We invest so much of our lives in these clients that they almost hate for their houses to be done," says Michael Salomone of Arpadia Homes.

- Did any legal issues arise during the project?
- What is most important to you: quality or price?

"The more you listen, the more things that come out," Salomone says. "Even today, as hard as it would be to turn down jobs, we realize we still need to do that from time to time when we think it's just not going to be worth our while, or even detrimental."

Brothers Jeff and Lyndl Hill of Hill's Land & Construction in Tuttle, Okla., agree. "If prospective clients are focused on price first and quality second, we're not the builder for them, and we tell them that up front," says Lyndl. "There are certain people you're never going to please no matter what you do. You want to let that customer go because they'll eat up too much of your time, effort and profits."

Some clients have been so badly burned by a previous experience that the first order of business is to get them past it. "We



HILL'S LAND & CONSTRUCTION

Jeff and Lyndl Hill's two key ingredients to keeping Hill's Land & Construction customers happy are managing the expectations and communicating with them consistently.

have a whole book full of written testimonials to contradict that nightmare perception, and we urge them to talk to our past customers," Lyndl says.

Do unto others

For Magleby Cos., keeping customers happy is a matter of following the golden rule: treat them as you would want to be treated. The Lindon, Utah-based company has been building high-end custom homes for 35 years. Paul Magleby is president and CEO; his son, Chad, is vice president of business development.

"We've set expectations in the marketplace for building a quality home that will last for several lifetimes," says Chad. "We do it right the first time, and sometimes that costs more up front. But as one of our clients said, 'There's nothing more expensive than a cheap builder.'"

Magleby's design and pre-construction phase can take three to 12 months, which gives the builder plenty of time to get acquainted with a client's personality and quirks. "If there are any red flags, they're bound to come up during that period," Chad says.

Clients are given brochures that explain the company's philosophy and processes and describe the different divisions: Estate Homes; Estate Management (post-construction services); Renovations; and Artisan Doors, a custom door shop.

Paul and Chad reach out to clients several times during the course of construction. "I'll quiz the client without any of our



GEORGE CALIFORNER

Wayne Farbin Builder's would-recommend rating of 100 percent earned them a Guildmaster Award in 2009.

production staff around," says Paul. "I'll ask them how it's going, if we're meeting their expectations and if everything seems to be on schedule." This is an opportunity to alleviate any stress clients may be experiencing and keep them apprised of where they are on budget.

'Mind if we drop in?'

Some builders shudder at the prospect of clients' visiting the job site. Magleby requires it. Clients must attend weekly job-site meetings with the superintendent, Chad says: "We want them to be involved, to be part of the experience. It creates an excitement and enthusiasm that they'll pass on to their friends and relatives and neighbors." The site meetings are also an opportunity for him to re-align the client's expectations.

Arcadia Homes encourages clients to get out to the site if not daily, then several times a week. "If your company is set up to handle custom-home clients, it works well," says Salamone. "You can't do all that hand-holding if you don't have a formidable team." Ecleberry adds, "That means our construction team works only on the number of projects they can handle and still give that high level of service."

Jeff Hill believes client site visits are essential to clear two-way communication. "We advise them to be on the job site as much as they can and to ask lots of questions," says Jeff. "Most visit pretty frequently. Once we get to the lockup phase, we go over some safety guidelines and give them a master key."

Issues arise with every custom home, no matter how hard the builder works to anticipate and prevent problems. "Regardless of what the agreement says, regardless of what the specs say, if the client's expectation is different from ours, we always take their side," says Salamone. "Rarely do the little disputes or ambiguities ever get elevated past that."

Salamone recounts an incident with a teardown and rebuild on an infill site that had an existing water and sewer tap, so a new tap wasn't included in the budget. Later on, the city determined that a new tap was needed. "We told the client, 'Look, it's going to be \$3,000 for this new water and sewer tap.' He very nicely said, 'I wasn't expecting that, and I'm not real happy about it.' I decided he was right and told him we would take care of it. He was so happy he wrote me a nice e-mail thanking me

and reiterating why he went with us in the first place."

The Hills impress on their superintendents that mistakes should be addressed immediately, not swept under the rug. If, for example, a super walks into a home and notices the walls are painted white when they should be yellow, "He'd better pick up that phone and call the customer," says Jeff. "By saying, 'There's a mistake and I caught it,' you've built integrity and trust."

If the client is concerned about something that may not actually be a problem, the builders promise to take a look the next time they're on the job. "If it's bad, I tear it out and redo it, and if it's not, I say, 'Our standards are above industry standards, and this fits within our standards. There's nothing we can do about it.' As long as I'm addressing it in a professional manner, we can move on."

Potentially explosive issues require careful handling. Jeff and Lynd's father, who started the company 30 years ago, advised them never to confront an angry customer over the phone. "Body language speaks louder than words," says Jeff. "You want to look that customer in the eye." He'll sometimes squat down during an interview with a disgruntled client: "You can't believe how many times we've defused a potential powder keg by simply kneeling down."

Beyond the warranty

While a one-year warranty is the norm for custom builders, many say they've gone back to a home well beyond the warranty period to fix a problem. "Our philosophy is that if it's something that's supposed to perform and it didn't, we're going to take care of it, no questions asked," says Salamone.

He's quick to add that Arcadia doesn't close on a home until there's no punchlist. "That gives us a running start. We have the six-month walk and the one-year walk, but we don't just leave them after a year. It's worth it for the goodwill we've gotten."

Hill's Land & Construction offers a one-year warranty through the Central Oklahoma Home Builders Association. Jeff says, "Countless times we've gone above and beyond the warranty. But there are certain things, such as cracks in concrete, that aren't covered. It's essential to reinforce that point with customers right from the beginning. "When that concrete finally cracks, you can say, 'Folks, we told you from day one there's no warranty

THE CUSTOMER SATISFACTION PYRAMID

It's logical to think that a client who is building an expensive custom home would expect more of the builder than a customer buying a moderately priced production home.

But Charlie Scott, a partner with Woodland, O'Brien & Scott in Indianapolis, says all home buyers essentially expect the same things.

Much like Abraham Maslow's hierarchy of needs, Scott's is constructed in ascending order:

- A clean and complete home. "As long as the home is clean and complete, customers will forget a lot of the problems that happened along the way."
- A smooth and enjoyable process. "Now that you have a clean and complete home, customers start evaluating you

on how well you communicated and prepared them for each subsequent step."

- The builder demonstrates emotional care and concern for the customer. "Even if builders are on their 50th home, they still remember what the experience is like for a client and consciously build in communication, steps, meetings and loop-backs, such as the salesperson looping back later in the process to make sure everything's on track."

In the third phase, Scott says, a customer-focused builder keeps in mind that the client is on an emotional roller-coaster and makes sure the transition from each phase — design, purchase, selections, construction and warranty service — is handled smoothly.

against concrete cracking and we cannot honor this."

Hill's will fix anything that is clearly a mistake by a trade contractor, as long as the client submits a request in writing.

"Punchlist is probably every builder's biggest nightmare," says Jeff. "Before we close, we have customers write down everything they see that needs attention, so we have a record in case the same problem comes up years later with a new homeowner."

Customer satisfaction benchmarks

There is some disagreement as to whether custom builders need to get objective, third-party feedback from their customers. Woodland, O'Brien & Scott collects quantitative information for benchmarking purposes as well as emotional, or qualitative, comments that reveal a customer's true thoughts and feelings.

"I'd much rather that custom builders use somebody rather than nobody to measure customer satisfaction," says Scott. "A lot of them believe they're small enough and involved enough with their customers that they don't need a third party to get feedback."

That said, there's a right and a wrong way to do customer surveys. Scott cautions against using them "as a fire tower to identify smoldering customers, because doing so starts to disempower the front-line people. A survey should gather information that will make your company better." He recommends that in

addition to surveys at closing, after 60 days and after a year, custom builders do a survey right before construction begins to evaluate the sales and design selection processes.

Wayne Harbin Builder and Arcadia Homes are staunch supporters of the third-party method. GuildQuality, an Atlanta-based customer satisfaction surveying firm, presented Harbin with a 2009 Guildmaster Award with Highest Distinction. Harbin received a 100 percent would-recommend rating based on a response rate of more than 90 percent. In 2005, NRS (now Avid Ratings) ranked Arcadia second of all custom builders in North America.

Harbin, a first-time recipient of the Guildmaster Award, feels the end justifies the means. "The surveys conducted through GuildQuality provide third-party validation that our systems and process are serving our customers in the best manner possible," says Brad Harbin.

Magleby Cos. and Hill's Land & Construction prefer to do their surveying in-house. Once a home is completed, both builders meet with clients to assess their experience. While admitting this is not a systematic approach, Jeff has irrefutable evidence that his customers are happy. "There have been times when two-thirds of the jobs we have underway are for repeat customers," he says. "That's just phenomenal and unheard of in custom building." ■

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