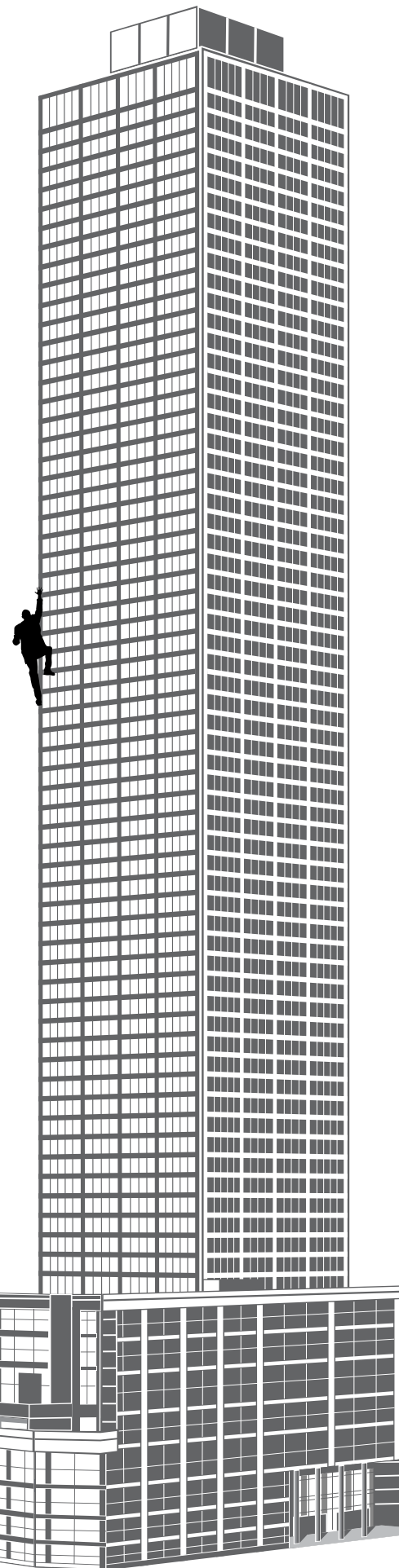


MAIN STREET VS. WALL STREET

THE TALE OF A SMALL BUILDER'S QUEST TO MAINTAIN HIS MARKET SHARE AGAINST THE BIG GUYS



By Charlie Scott, Contributing Editor

For the past few years, Beanstalk Builders, a small, one-market housing company, had been losing market share to its larger competitors, also known as the National Giants. Currently, six of the top 10 National Giants are doing business in Beanstalk Builders' market—double that of five years earlier—with rumors that even more National Giants will be returning there.

Jack, the president of Beanstalk Builders, has spent many sleepless nights worrying about his company's future. Beanstalk Builders survived the market's ups and downs, but its new competitors are formidable. In an effort to learn as much as he can about the Giants, Jack boned up on publicly disclosed information to see if he could better understand their business model and maybe even find a chink in their multi-billion dollar Wall Street-wrapped armor.

First Jack searched numerous publicly traded stock news sources for information that would give him insight into the National Giants' strategies. He started by reading each Giant's annual report and information about all six of the Giants' boards of directors. At first, it was a boring read. That was, until Jack found a significant distinction between Beanstalk Builders and the National Giants.

Jack discovered that the six companies' boards of directors had 59 total members. Once he factored out the board members who were already employees of the company, there remained 41 directors. These 41 directors had various specialties and positions listed that provided a tip-off to their real areas of expertise: 24 were in finance, 7 were in legal, and 10 he classified as "other." The 10 "other" board members came from industries such as insurance, politics, and the airlines—industries not known for great customer service. Jack found it amazing that none of the 59 board members were listed as customer satisfaction experts. None of the 59 directors even acknowledged their home building customer in the multiple pages of information of credentials and expertise. Furthermore, none of the board of directors members were from Beanstalk Builders' home state—let alone its immediate market.

This was, Jack realized, the chink in the Giants' armor: Their national scale and Wall Street focus revealed a local-market weakness. He conceded that the National Giants were better financial wizards, sharper analysts, and skilled masters of negotiation (by effectively leveraging their 5,000-plus national sales with manufacturers). He didn't even want to think about the Giants' average advertising budget of \$50 million, which

exceeded Beanstalk Builders' total annual revenue. Jack knew that if Beanstalk Builders tried to out-finance, out-purchase, or out-advertise the National Giants, it would lose.

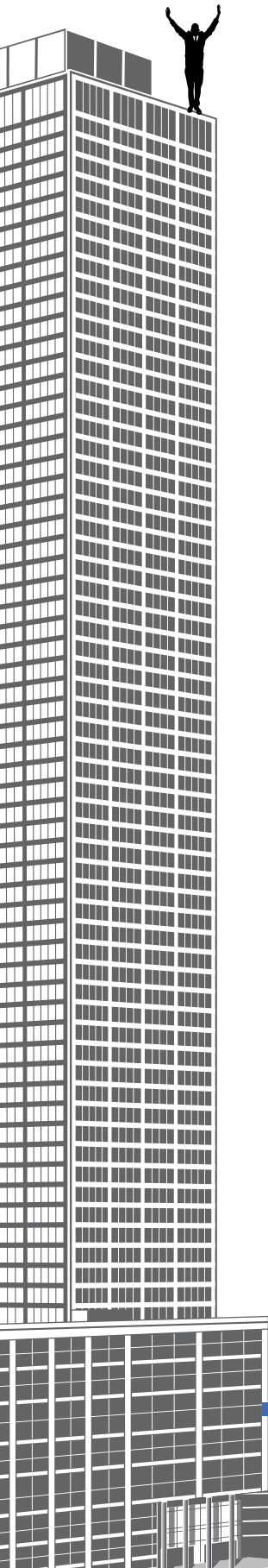
Despite these challenges, Jack breathed a sigh of relief because Beanstalk Builders' main differentiators and unique selling proposition (USP) are its local people, local headquarters, intimate knowledge of the market's design preferences, commitment to the community, and dedication to a customer-centric experience. Jack resolved that these strengths were going to be Beanstalk Builders' rallying cry for future sales.

To discuss his findings and pitch a new customer-centric approach for Beanstalk Builders, Jack called a meeting of his management team. He knew it wasn't really a new strategy—just a better definition of Beanstalk Builders' USP.

Over the past few years, many of the company's management team members had lobbied to change Beanstalk to be more like the National Giants, with lower-cost homes, different specifications, and so on. But once the management team heard Jack's findings, they became more receptive to differentiating their company from the National Giants. In fact, they felt more company pride once they had all agreed on Beanstalk Builders' core strengths. The team then set to working on a list of tasks and goals for the company to solidify its USP.

1 ATTRACT, TRAIN, AND MAINTAIN THE BEST TALENT IN THE MARKET. This goes for both employees and trades. The team agreed that Beanstalk Builders should invest more time in defining scopes of work and teaching trade partners the company's quality assurance standards, and to paying these trade partners fairly. (The National Giants had a reputation for squeezing local trades and also for paying them less promptly.) Beanstalk even started specifying the crews it wanted to work on its homes, which got a positive response from trade partners because it indicated that Beanstalk Builders recognizes and values its trades' good crews and their work. The trades, in turn, vowed to meet Beanstalk's new quality standards. Beanstalk's management team was responsible for creating employee onboarding and training plans for each position.

2 USE THE CUSTOMER'S VOICE AS A GUIDE. Knowing what customers are experiencing and saying provides real-time, actionable feedback, so the team resolved to listen more closely to suggestions on products, design, service, and warranty work. Beanstalk Builders hired a



third-party firm to gather unbiased feedback and to identify and eliminate customer satisfaction variances. Jack found it surprising that although all the National Giants did third-party audits of finances and appraisals, they rarely did so with customers. The management team realized that Beanstalk Builders' impressive reputation comes from excellent homeowner service from pre-purchase all the way through warranty. Beanstalk Builders counts on this reputation as a source of referral sales. (Beanstalk's rates of more than 40 percent are more than twice the national average.)

3 ACHIEVE BEST-OF-CLASS QUALITY ASSURANCE. Making customers aware of Beanstalk Builders' quality commitment from the get-go is essential. This means focusing on clear job scopes and specifications, excellent trade communications, thorough quality reviews, and multiple interactions with customers during the construction process. Beanstalk Builders even overhauled its internal nomenclature. "Pre-Con" and "Pre-Drywall" meetings changed from "show and tells" to "opportunities to teach" customers Beanstalk Builders' process, quality standards, and communication protocol.

4 DEFINE, CREATE, AND TEACH A STELLAR HOMEBUYING EXPERIENCE. The management team worked together to define and create Beanstalk Builders' "Best Imaginable Homebuying Experience," so they could train staff and give them the tools needed to make the building process transparent to customers.

5 KEEP IT LOCAL. In the rare event of a problem, Beanstalk Builders wanted its customers to know that company owners live in the same area, and that if any problem or warranty issue ever needs to be resolved, they're right around the corner—and that Beanstalk Builders doesn't plan to pull up stakes and leave town as the real estate market ebbs and flows. The company also realized that it could separate itself from the competition by launching a locally oriented Web page instead of a national click-down map. A more homespun, locally oriented website and customer portal would both

sell Beanstalk's added value and provide an ongoing post-move-in relationship with customers.

6 CRAFT AUTHENTIC DESIGN. Local matters here, too: Design that reflects the flavor of the area feels more genuine and appealing. The National Giants had value-engineered for the sake of lower costs per square foot, but they did so at the expense of attractive architectural design. Beanstalk Builders had taken for granted that home shoppers could perceive these cut corners and therefore value the design of Beanstalk's homes, which had more features (windows, landscape, trim, etc.) and foundation corners (allowing for more attractive architectural texture, depth, and roof lines). This assumption was incorrect. The consumer had to be taught to see and appreciate these design elements, and the company had to toot its own horn a little.

7 CELEBRATE INDIVIDUAL EFFORTS TO BEGET MORE GREAT INDIVIDUAL EFFORTS. Beanstalk's management team created objective measurements and standards to identify customer service champions in all areas: superintendents, salespeople, and warranty technicians. They wanted to make sure that they were fully utilizing the Voice of the Customer for both potential improvement opportunities and to celebrate great individual efforts.

At the end of the day, Jack felt good about Beanstalk Builders' customer-centric approach and hard-earned referral sales rates. He felt that his team had come to understand its unique selling proposition. They were going to work hard to reframe the National Giants' price-per-foot sales propositions into a story of quality lifestyles, great designs, local goods and people, trust, and sincere customer-for-life care.

Beanstalk Builders' ultimate goal was not to slay the National Giants, but to secure the company's future and market share. **PB**

Charlie Scott is an owner of Woodland, O'Brien & Scott, which helps North American home builders grow customer-centric cultures, pursue operational excellence, and increase referral sales. Reach him at charlies@woodlandobrien.com.