

THE CUSTOMER
REALLY
WANTS
YOU TO BE RIGHT

Home builders deliver better customer satisfaction when they hold on to the mantle of being the expert

By Charlie Scott, Contributing Editor

In home building, the customer is rarely right. Wow, I bet you didn't think you would see that statement coming from a customer satisfaction expert, but it is true, and here is why.

Home building is one of the most complex and difficult businesses in all of corporate America. With home design, specifications, purchasing, construction standards, supervision, and quality assurance, the complexity is darn near overwhelming. Knowing even a fraction of what a seasoned home building professional understands about the business is practically impossible. An analogy could be purchasing a new car and the dealership expecting the buyer to know all about design, engineering, engine building, performance, and quality management. Few automobile buyers are auto industry professionals, so

they have to defer to the manufacturer and dealership network for product guidance and education.

So why do too many home builders allow customers to make design changes, specify product, and serve as the quasi-project managers? Why do many home building superintendents rely on these neophyte customers to identify the product quality/punch list items that should be fixed prior to closing? It just doesn't make sense.

Too many builders use customer satisfaction—aka “do what the customer wants”—as an excuse, rather than tell a customer, “No, our experience knows better.” Granted, saying no to a client is not easy, but in their heart of hearts customers really do want to hear that word.

Take price negotiations. Customers will continue asking for discounts, concessions, and incentives until they feel they are no longer leaving money on the

table. As long as the builder keeps conceding, the customer wants more and this cycle continues until the builder delivers an ultimatum: “Buy our home as priced or find another builder.” Only then does the customer feel they have the true price. Our industry encourages this behavior by not having firm prices. We build in negotiation allowances and incentives to “spend it your way.”

The same can also be said for the client's custom changes, late change orders, quality assurance, and punch lists. Remember the saying, “A quick ‘no’ is better than a slow ‘maybe.’”

The quality acceptance side also is set up for this negotiation gamesmanship. The worst-case scenario is the builder who, instead of conducting a thorough quality assurance check of the home, invites a customer into the home presentation to identify items that need attention. I have seen builders attempt

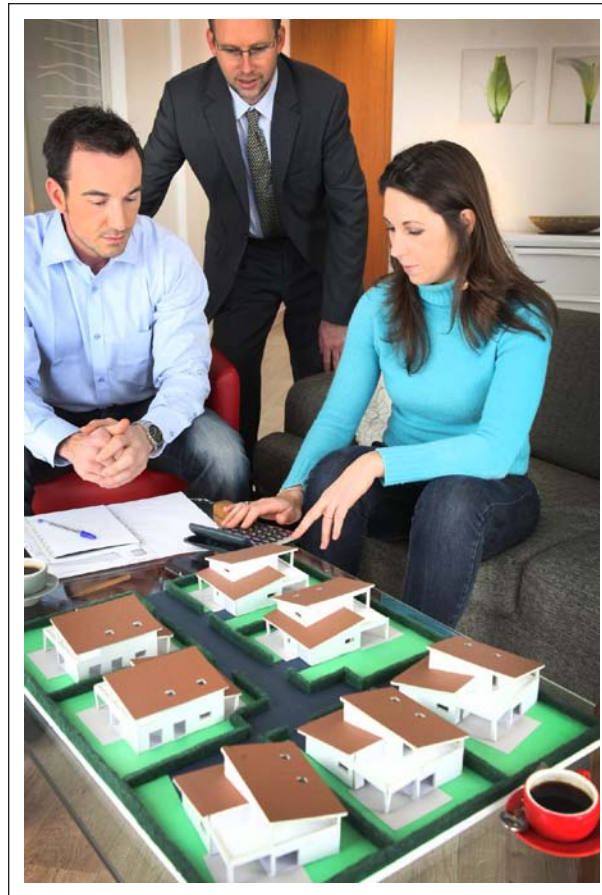
to overlook blatantly obvious construction/workmanship flaws (particularly exterior items and landscaping) unless that customer objects and demands the fix be put on the punch list. Is this practice a smart business model that serves the customer or one that encourages negligence on the part of the home-building team and their trade partners?

Could you imagine a car dealer expecting the buyer to know if the timing belt was incorrect or that the suspension was faulty? Or for Boeing to expect an aircraft buyer to thoroughly test all the turbines? Not being an auto expert or aeronautical engineer, the buyer would accept the vehicle or plane, only to become very upset when the flaws are discovered later. In our industry, these flaws range from missed paint touch ups to non-working outlets, faulty appliances, leaky plumbing fittings, landscape/drainage that does not drain, and improperly balanced HVAC, just to mention some common examples.

So, what is the big message? When a customer pays a builder to build a home, the gross margin they're paying for includes two distinct elements. One element is the pieces, parts, sticks, bricks, and labor. The second, and more important, is they are buying the knowledge and experience of the home builder and staff. The customer expects their builder to apply their expertise and experience to design a properly specified high-performing product. The client wants the builder to aggressively manage construction, perform exemplary quality assurance, deliver a 100-percent clean and complete home, and, in the best of circumstances, educate them about how the home will perform, how to conduct maintenance

duties, and any home-builder warranty performance standards.

Builders who acknowledge that they are the experts and take this responsibility seriously know better than to let customers drive the transaction. In these cases, customers remain confident observers throughout their home construction and warranty process. But



when a builder fails to hold on to the reins, the “confident observer” morphs into a pseudo-project manager and becomes an extremely critical amateur quality-assurance supervisor prone to a perpetual punch-list mentality. This customer is no longer a confident observer. Instead, he or she questions the builder’s credibility and enters the

dreaded inspect-and-suspect mode.

When builders abdicate their responsibilities, they’re creating an uninformed consumer making unrealistic demands. The result is that the least knowledgeable participant in the transaction is calling the shots, which is a recipe for discontent in both parties. If you often find yourself dealing with impossible, out-of-control customers, then maybe the customer isn’t at fault. Maybe you are not giving the customer what they paid for in terms of construction knowledge, experience, leadership, and excellence.

This week’s management meeting question: “What does our customer get for our gross margin?” For the record, I asked dozens of home builders this question and rarely did I receive a customer-acceptable answer. The responses usually were great location, floor plan, our purchase order system, and the like. Most builders do not have exclusive municipality rights or manufacturer agreements, so they’re merely providing the same lot, bricks, sticks, windows, and labor that any other builder can deliver. The correct answer is our customer benefits from the collective resumes of the builder staff, significant home-building experience, knowledge, quality assurance, and project management skills.

Remember: Building is not what is important to customers; it’s how you do it. **PB**

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