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**2014 NATIONAL HOUSING
QUALITY AWARDS:**

**French
Brothers**

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Brand Builder

NHQ Bronze Award elevates French Brothers as the company aims for market expansion and total quality management

By Kyle Clapham, Managing Editor

Tom French recalls his frank assessment of the family business after he mingled with some award-winning home builders at the Benchmark Conference in Las Vegas on Jan. 21, the day before the 2013 International Builders' Show.

"There was no question in my mind that every other builder in the room was better than we were," says Tom, who accompanied his brother, Jim, and Corrine Bachman to the event. The three owners of French Brothers, a firm based in Alamogordo, N.M., jumped at the opportunity to meet some of the nation's best builders and hear about their successful approaches to operational excellence.

The conference highlighted recipients of the 2013 National Housing Quality Award, the industry's top recognition for accomplishments in quality management. Candidates for the distinction answer a lengthy questionnaire about their business practices and financial results. A panel of experts then evaluates the applications and selects builders who demonstrate an exceptional level of performance. Examiners then visit the finalists to review and validate the information they submitted and, ultimately, confer gold, silver, bronze, or honorable mention awards on the winners.

Following the conference, the French brothers and Bachman discussed applying for the NHQ Awards. "At that point in time we felt like we weren't completely sure we were ready for it, but we thought that at least we were ready for the application process," Tom says. The company's triumvirate carved the task into more manageable parts and reviewed each completed section of the application as a team before submitting the document.

French Brothers merely hoped to receive a site visit and learn as much as possible from the examiners, Tom says. NHQ judges traveled to Alamogordo in the spring of 2013 and a few months later presented the firm with a Bronze Award, which NHQ says reflects a builder who has "a sound systematic approach" and "fact-based improvement processes with no major gaps and above-average performance in most areas."

The accolade affirms French Brothers' overriding commitment to customer satisfaction and its eagerness to improve as the company strives to expand its footprint and become a midsize, production home builder. French Brothers has boosted its bottom line each of the last three years—the best three years financially for the firm—and expects to bring in \$19.2 million for 2013 on 85 closings. Winning NHQ Bronze might breed complacency in some other builders, but for French Brothers the award represents a stepping stone in the company's path to total quality management.

Desert origins

Tom and Jim founded French Brothers in 1996 and emphasized the firm's land development business until 2003, when they decided to focus on building custom and semi-custom homes. French Brothers erected on average 22 to 25 houses a year prior to 2008, Tom says, but the economic downturn hit especially hard, and the builder had to absorb losses on a number of high-end specs. The market in Alamogordo for new homes priced above \$300,000 dried up, forcing French Brothers to reconsider its business strategy or join the 65 percent of

The French Brothers ownership team (left to right): Tom French, Corrine Bachman, and Jim French



PHOTO: ASHLEY PALMER

builders in the area who had to close shop, Bachman says.

The company initially elected to abandon its commercial activity and concentrate on residential construction. "We felt at the time that we hadn't been doing it long enough, and we simply weren't as good as other commercial builders in the market," Tom says. The first home French Brothers sold after the housing crash employed a floor plan of \$99 per square foot for a total of 2,000 square feet, and started the firm down the path of production building, says Bachman, who heads up the sales, marketing, and design teams.

"Once we designed two additional plans, we realized this is how we need to move forward and really grow our business," she adds. After consulting consumer research and market analysis, French Brothers trimmed down many of the amenities that came standard in the company's previous offerings to make its new product more affordable.

The builder also reviewed the multiple listing service for homes sold in Alamogordo in the last five years to discern the luxuries buyers desired most. "We were including a lot

French Brothers Alamogordo, N.M.

Founded: 1996

Markets: Alamogordo and Roswell, N.M.

2013 revenue: \$19.2 million

2013 closings: 85

Quality Best Practices:

- **Managing customer expectations** — The builder shares a "road map" with clients that guides them through the entire home-buying process. Superintendents check in with customers once a week during construction.
- **Focus on value** — Clients select a base floor plan and then choose upgrades from a list of options. Each year the market improves, the firm adds some of those features to its base homes.
- **Emphasis on technology** — The company recently instituted a new open-book management system that ensures employees are on the same page. All superintendents and field personnel carry iPads.

Construction manager Justin Palmer (left) consults with superintendent Elias Nieto via tablet. "We're in the middle of nowhere, but from a touch of a button we know everything that's going to happen on that house," Palmer says.



of features in our homes and not really knowing for sure whether our customers wanted those features," Tom says.

In many cases, the company's decision makers argued about whether consumers expected the inclusion of a specific feature before removing that item from its house plans, Bachman says; for example, after much debate French Brothers eliminated fireplaces from its base homes.

"In our market, fireplaces were a given—everybody had a fireplace," Bachman says. "But when you're trying to figure out how to come in at a lower price point so that more people can afford it, you have to look at everything." The firm offered a fireplace as one of many upgrades available to customers after selecting a base model, and found few of them were willing to pay for the amenity.

The opportunity for clients to choose options they truly want allows French Brothers to hold down the cost of their new home and give them the best deal possible; in other words, the company has become a value builder, Tom says.

"We focused on giving people the most for their money," he adds. "It took us a lot of effort, and we made a lot of mistakes along the way, but we went from being one of the highest cost-per-square-foot builders in our market to the lowest cost-per-square-foot builder in our market while still improving the quality of our product."

French Brothers revisits its list of possible upgrades each year the economy and housing market strengthen and re-establishes some of those options in its base plans. In the last few years, the firm has reintroduced features such as crown molding, tall baseboards, and granite vanities to create the refined look many buyers seek. This emphasis on customer satisfaction sets French Brothers apart from its competitors, and NHQ judges said the company's client-centric mindset provides "a foundation for future improvement and success in all other categories."

Consumer context

For years, French Brothers employed a Web-based customer satisfaction survey for small-to-midsize home builders and

remodelers to measure how clients regarded the company's products and services. French Brothers submitted its buyer data to a third-party firm, which then reached out to the builder's patrons through email, phone, and direct mail to gather feedback. After customers completed the survey, the firm stored the results in a software-as-a-service application that the builder could access anytime from anywhere.

This setup made viewing responses to the questionnaire convenient, but the firm presented the results as raw numbers, and French Brothers struggled with translating the data points into practical action. "We weren't interpreting the data correctly," Bachman says. "Therefore we weren't really hearing what our customers were telling us."

In the spring of 2012, the builder changed course and hired Woodland, O'Brien & Scott, a research and management consulting organization that works exclusively with home builders and developers. The firm surveyed French Brothers customers from the last year and a half and reported its findings to the company. "When we received the results, it was like a kick in the gut," Bachman says. "We thought we were much better than we were."

French Brothers learned the questions in its previous survey—written by the builder's staff—failed not only to expose unsatisfied clients but also to explain why they were unhappy. Woodland, O'Brien & Scott called the company's employees together, showed them the results of the new study, and reviewed the customer hierarchy of needs, says Charlie Scott, a principal of the research and consulting firm. Scott and his team identified aspects such as construction quality and on-time delivery in which French Brothers posted disappointing scores, and offered strategies to help the builder improve its performance.

In one instance, the company discovered a few of its buyers responded unfavorably when asked about the condition of their home at the time of occupancy. Some customers wanted

French Brothers offers customers a base home to keep costs down but allows them to choose upgrades from a list of options.



to move into their new home earlier than the projected closing date, and French Brothers often accommodated them even if some items still warranted attention. Both parties signed off on the deal, so the builder recorded the house as finished.

When these clients completed the questionnaire, however, they remembered most prominently the home's deficiencies and the inconvenience they experienced as the builder tied up loose ends. This diagnostic information from Woodland, O'Brien & Scott led the company to change its policy and stand firm on delivery dates, but only after explaining to customers the importance of waiting.

French Brothers also found many of its clients were dissatisfied with the process used to paint the builder's homes, so the company collaborated with its trades and reconsidered methods as well as materials. After hearing about how its bathroom countertops were prone to scratches, French Brothers began specifying 2cm granite for all lavatory vanities, Tom says.

"When we weren't communicating well with our customers, we disappointed them," he adds. "Now we are getting much more thorough, honest feedback from our customers." The builder has developed a 67-point checklist for interacting with clients once they purchase a French Brothers home, from the sale all the way through the 11-month warranty check-in.

The willingness to diagnose shortcomings and correct them quickly allowed French Brothers to enhance contentment among its customers. The builder also needed to apply the same principles to its communication with employees and outside contributors—an aspect of the company NHQ judges said lacked organization and involvement.

Future opportunities

When NHQ judges visited French Brothers in late May, the builder had just instituted a global management system for overseeing and coordinating activities among its people. The company—which is already seeing the benefits of that structure—developed strategic plans for one, three, and 10 years

down the road as demand increases and business grows, says Jim French, who leads the planning and purchasing team. "Now everybody inside our company understands where we're headed and what our focus areas are," he adds.

As part of that application, French Brothers implemented FTQ360, a software program that simplifies inspections and saves time in the field by providing essential checklists and generating punch lists with pictures. The system also gauges and ranks the job quality and schedule adherence of trade partners, says Justin Palmer, construction manager for French Brothers. "That's going to be a great tool with our trade partners to assess their performance and their ability," he adds.

Efficient procedures will be imperative for French Brothers as the company extends its operations into other markets. The builder recently broke ground on its third community in Roswell, N.M.—about two hours northeast of Alamogordo—after moving into the area in January 2012. After a bumpy start there, the company says it has the right people, products, and processes in place to cultivate sales and sustain success.

"Now we believe that we can move into other markets and do a lot better job of moving into those markets," says Tom, who wouldn't divulge any details but did confirm French Brothers will set up shop in another New Mexico locale in the first quarter of 2014.

The builder monitors 10 companywide metrics—including sales, closings, open warranty items, and customer enthusiasm—on a weekly basis to ensure the company continues its drive toward becoming a midsize production builder focused on total quality management. French Brothers has pushed this weekly scorecard concept down to each of its teams and also has tied the firm's profit-sharing plan to its business results, so that employees can see how hitting certain targets will boost their paychecks.

"We've got our eyes set on that Gold Award," Tom says. "It may take us a few years, but we're going to work hard and see if we can earn it because we're convinced that the journey will improve our business." **PB**