

Whether you're ready or not, the small volume builder is going to be facing the 1990's. While the new buyer pool shrinks and the existing owners age, the big guys just seem to be getting bigger ("...they have more consultants than I have employees"). How does a small volume builder (or the contractor trying his hand at spec building) compete in a market that is more and more dependent on sophisticated strategies for targeting and pleasing the buyer?

#### Asking the Questions

The first challenge is to really know your marketplace. Here are ten questions that will test your knowledge:

1. How many new homes (in the product type you build) were sold and closed in the last year in your specific market area?
2. What was the monthly sales absorption rate for the builders and/or projects of those homes?
3. What was the resale home activity by product type and price range in your marketplace last year?
4. What is the perceived annual demand for new housing by product type and price range in your marketplace for the next 12 months? For the next 24 months?
5. In terms of qualified buyers, is there sufficient depth in your marketplace to adequately absorb your proposed product and that of your competitors?
6. Can you accurately identify the predominant age groups and average household incomes of the new home buyers in your marketplace?
7. Do you know the current exterior elevation design and color preferences of your anticipated buyers for your new or proposed project?
8. Do you know which current floor plan layouts and room configurations are preferred by the buyers in your project's price range?
9. What standard features or amenities do the buyers for your product really want and expect?
10. Do you know the average retail price per square foot of your three top competitors' projects?

If you cannot correctly answer at least eight of these questions, you may end up making development decisions about your project and marketplace strength that lead you down a familiar but sad path. But don't give up hope. The answers you need can be gotten—without spending a lot of money—by asking the right people the right questions.

#### Getting the Answers

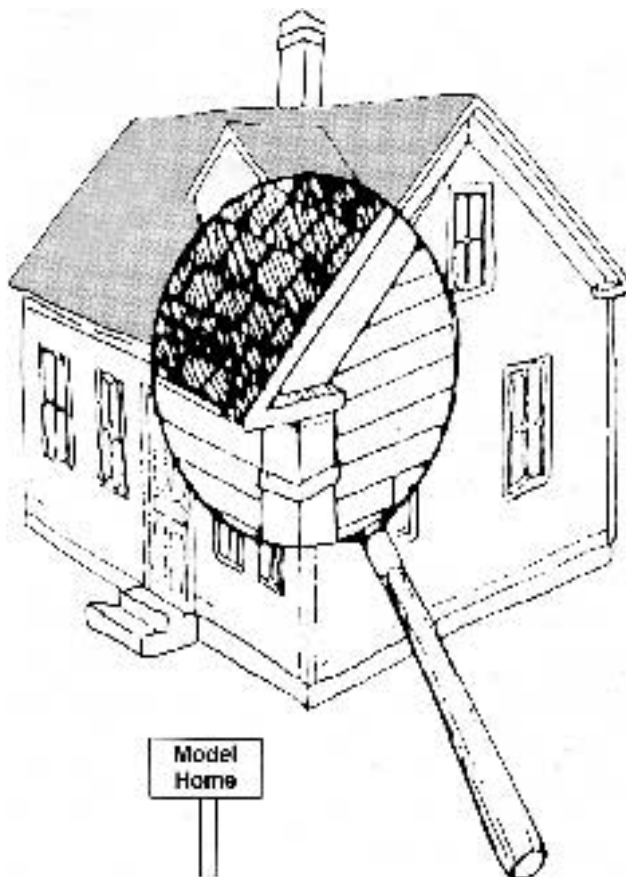
First, identify your specific market area by outlining the boundaries on a map. Note the location of each new home or lot sale project within that market area that offers the type of product you primarily build. Pick normally slow traffic days and visit each project and walk each model available for viewing. Develop your own *competitive analysis form* and note square footages, room configurations, elevation design, standard and optional features, base pricing per home and any lot premiums assigned.

**Sales info.** Spend time with sales agents or brokers discussing the floor plans the buyers favor and the standard features generating the most favorable comments. Ask for general buyer profiles for the project overall and for each

# Marketing for Small-Volume Builders

By John Schleimer

*You can gain the same information big builders use if you're persistent and know where to look*



plan sold. Ask the sales agent what floor plan or plans he or she would like to see the builder offer of the builder already doesn't, and why. Attempt to get the number of sales of each plan offered since opening. Remember your approach and attitude will probably determine how helpful the sales agent will be and how much valuable information you will get.

If you don't have much luck in approaching the sales agent and builder, contact your title company. They should be able to provide you with the number of closings recorded for each competitive project. The only information they'll need is an assessor's parcel number, which is readily available from local and county government. If willing, your title company should be able to give you a specific address, lot number and recorded sales price for each unit sold. Just take this data, drive the project and note which plans have been sold.

Still another source is your real estate broker. Typically he or she will be a member of the local multiple listing service (MLS). Have your broker run an MLS competitive analysis of your competitor's project. The MLS report should give you all the essential information you need including the number of days each home was on the market.

From these three sources you should be able to determine the answers to Questions #1 and #2. The answer to Question #3 on resale activity also lies with your real estate broker and his connection with the local real estate board/multiple listing service.

What are you looking for in resale activity? Price and size trends that indicate a demand area not being satisfied by new home development. Also, when you see strong resale home activity with favorable equity amounts being generated, it often indicates good move-up market potential—particularly if your market area has excellent schools.

**Demand and its profile.** For marketplace depth, contact government agencies that forecast population growth and new job growth for your area. Take the forecasted growth for the next one to two year period and divide that figure by the average household size for the area to determine *housing unit demand*. Household make-up estimates can also be gotten from governmental sources or data retrieval firms such as CACI, Inc. (3040 Williams Drive, Fairfax, VA 22031).

To "qualify" that demand depth, and quantify it by age and household income level, you can again turn to retrieval firms. They can provide you with demographic printouts for specific market areas for costs ranging usually from \$100 to \$200. In larger metropolitan areas, there are also private or quasi-governmental agencies such as chambers of commerce or trade development associations that have most of the essential demographic information you'll need. Just ask.

**The right package.** To determine exterior elevation design and color preferences for your anticipated buyers, again use your in-field survey work of primary competitors. Unless an existing project is selling rapidly because of pricing advantage or a superior location, those projects with higher sales absorption rates generally have the elevation designs and exterior colors that are preferred by the buyers. You can also contact local paint stores to ask what exterior colors are in demand.

Now for what I consider the key for the smaller volume builder—offering a better product. The main components are offering the right floor plan designs, including the standard features expected by the buyers, and correctly pricing the product to create *perceived value*.

Go back to the information you compiled from surveying your competitors and talking to their sales representatives. Those on-site salespeople normally tell you what their buyers love in terms of plans and features offered, and what buyers have been asking for that they don't have. This is an excellent starting point for determining your product design and floor plan mix (as well as pricing structure). Next, check with your local building department and take a look at what future competing projects will be offering in their floor plan mix. Remember, once a builder has submitted his plans for review and approval they become public documents that you have a right to view.

After looking at existing and future projects offered by your competitors, you may find one or two plans that buyers have been asking for but that aren't being offered. However, don't end up "reinventing the wheel;" if there are several existing floor plans that are selling faster than others, make sure to include them in your mix. Buyer preference trends take at least 18 months to change, so a mix of popular existing plans with one or two new ones should be well received once built if they are competitively priced.

#### Other Information Sources

In-field research is not the only answer to your product determination needs. You must also *read* and *attend* anything that even remotely addresses these subjects.

Magazines and newsletters that deal with current and future buyer profile preferences are often excellent sources. Publications such as *Builder* and *Professional Builder* magazines have numerous articles every year from market researchers, product development specialists, and architects, which discuss both existing and future housing trends. And these publications are also filled with successful projects where the marketing approach is analyzed. Look for projects from your area that have been written up and go to school on

their product lines, floor plans, and buyer profiles.

Seminars and courses that deal with market housing trends can also be very helpful. This is particularly true if these seminars/courses feature local market area experts or industry professionals.

You will also want to attend regional and national industry conventions such as the builders' show that NAHB sponsors. From their extensive menu of

**Your competitors' on-site salespeople can tell you what plans and features their buyers love and what they have been asking for. Next check with your local building department to look at what future projects will be offering in their floor-plan mix.**

seminars, choose programs dealing with buyer product and feature preferences, new product design concepts, and how to conduct your own research or analysis. If there are experts from your local market featured, so much the better.

Another excellent source of help at industry gatherings is "workshop programs." These usually allow attendees to sit down and informally discuss special situations or problems dealing with research, product design, marketing strategies, advertising, etc. They often feature very prominent names in these respective fields. In a limited sense, you're getting the expensive consultants the bug guys are *paying* for.

Still, there are no easy answers or solutions to predicting demand for any given market area or buyer profile preferences. However, if you use some of these suggestions, you should know more about your market area and buyer profiles than most of your competition. Although it's a shopworn and hackneyed dictum, *knowledge is power*, particularly in gaining a competitive advantage in your market. ■

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