

Design Centers in the Year of the Consumer

What Buyers' Want!

By Jaimi Julian Thompson



As builders endure the full force of the housing market slow-down, design centers emerge as a critical tool to entice homebuyers off the sidelines.

Design center professionals from Arizona, California, Colorado, Florida, Georgia, Idaho, Massachusetts, Minnesota, Nevada, North Carolina, Oregon, Pennsylvania, South Carolina, Texas, Washington, Wisconsin and Canada converged on San Diego August 23rd for the fifth annual DESIGN CENTER FORUM 2007. In record attendance despite market conditions, participants shared best practices, consumer buying trends and design center innovations that are creating a competitive advantage during a buyers market. "This was my third trip to this extraordinary forum! I attend this conference because it is completely focused on topics that are important to me. I get more information and inspiration in two days than if I attended every single builder conference available!" observes Jeanne Marie Tutwiler, Manager of Atlanta West's Home Solutions Design Studio.

"The Year of the Consumer"

Focusing on the customer experience of the new home personalization process, key note speaker Martha Baumgarten presented "Delivering the Design Center Dream Ride." As Vice President of Customer Experience Management for Eliant, Inc. Ms. Baumgarten highlighted the continuing evolution of customer expectations, as well as the declining benefits of high quality. "Although quality is generally much better

than 10 years ago, buyers expect more ... more choices, accuracy, attention to detail and timely execution. The result is that although we deliver higher quality, we receive much less credit for it. When we meet customer expectations, we can at most "satisfy" the customer... we cannot delight them". In a market where referrals are more important than ever, delighted buyers provide up to four times as many referrals as satisfied buyers. Referred buyers are also less likely to become discretionary cancellation statistics. As Baumgarten outlined the design centers role in opportunities to exceed homebuyer expectations, attendees took away numerous ideas for improving both their required touch points and their extraordinary touch points.

"What Buyers Want"

Artisan Design Group, presenting "What Buyers Want" shared the economic trend of mainstream consumer spending losing ground to luxury purchases and value purchases. "For every additional dollar that is spent on luxury goods, ten additional dollars are spent on value goods; both coming directly out of mainstream consumer spending" explained Jaimi Julian Thompson. Customers are making trade-offs and decisions on where they want to spend and where they want to save. In addition, an understanding of generational priorities and buying habits of Gen X and Gen Y are more important than ever as they become the larger percentage in home buying. "The approach we use to working with matures and boomers is not as successful when working with the different layers of Gen X and Gen Y. It is also an important consideration when selecting which options to offer in that market segment. Many Gen Y buyers reject traditional luxury items, and even when the funds are available they prefer more urban and non-traditional surfaces."

"Across the board, today's homebuyers want to be inspired. Inspired by the floor plan of the home, inspired by the amenities of the community, and inspired by the design opportunities in the design center. Not only does the personalization process vest them emotionally in the home, which reduces the potential for cancellation, but it gives them the opportunity to create the home of their dreams without having to live through the treacherous ordeal of remodeling their current home" observed Thompson. Melinda Karr, Vice President of Design for Robert Harris Homes now offers prospects personalized tours of the design center before they go to contract. "The results have been amazing ... with four out of five tours converting to contracts!"

"Ask the Experts"

Forum participants had the opportunity to ask a panel of industry experts their views on the current and future industry projections as it relates to the design center segment. Many panelists felt that 2008 would definitely be "the year of the design gallery." With the cost cutting measures reaching a plateau, the push will be on creating additional revenues, where the design center plays an important role. Panelist Sherm Harmer, President of Urban Housing Partners and a well known industry spokesman, agreed that design centers are more important than ever, and carry a tremendous amount of the pressure to try to both create and retain buyers and provide additional profits to builders during the current climate. Sharing the pain that many feel during this downtown, he acknowledged that "I know sometimes it seems more like the year of consumer revenge than the year of the consumer...with buyers resentful of past excesses and willing to walk away if rules and requirements are not flexible to their needs. The design center model done well can provide the builder with added flexibility to meet consumer needs, since some customization can be built into the process."

Panelist Ken Eheart, CEO of Eheart Interior Solutions in Loveland Colorado, recently expanded his offering to provide turn key solutions to builders in his area, with everything from kitchen designers and cabinet offerings, to lighting, plumbing and appliances. "We are able to provide our builders with a tremendous amount of data regarding what their target homebuyer profile is looking for and what options they would like to invest in" Eheart shared. Panelist Martha Baumgarten, looking at the experience from the customers' shoes, reminds us that "To feel good about the process, the customer must trust you and

believe that you are putting their wants and needs first. To delight the customer, however, they must be pleasantly surprised along the way.”

Talent Creates Results

Author Charles Koch, CEO of Koch Industries, called by Forbes Magazine “the world’s largest private company” observed: “Even successful companies strive to keep up because, given human nature, we tend to become complacent, self-protective and less innovative as we become successful. It is often more difficult to overcome success than adversity.” The rules of the housing market have changed, and will continue to change at a rapid pace. Those that succeed will do so because they are able to overcome their past success, and innovate to meet the current market challenges. As design centers, we must do that same thing. We must be able to innovate our offering, innovate our ability to inspire the customer, and improve our talents in communicating with them to meet and exceed their expectations. In the technology era, the skills of the sales professional and design consultant are more important than ever. We can no longer afford “order takers.” As Jean Johnson, Design Center Manager of Renaissance Homes reflects, “In realizing the importance of embracing change, this venue provides the opportunity to learn, rejuvenate and refresh ourselves. This Forum steers us to a better future!” Valerie Forsberg, Design Center Manager of Touchstone Homes agrees. “The Design Center Forum 2007 was more valuable to me than any seminar or class at the Homebuilders Show. I give it a ‘10!’”