

STRUCTURAL BUILDING COMPONENTS MAGAZINE

August 2003

Becoming & Staying My Value-Added Supplier by SBC Staff

"...focusing on the satisfaction and retention of a current customer is more effective and efficient than focusing on only reaching new customers because the cost to attract a new customer is significantly more than the cost to retain a current customer."

The Sales Management track at BCMC 2002 included a presentation on effective relationship management that explored the issues that arise in a component manufacturer's day-to-day interactions with their builder customers. Pulte Homes' Director of Construction Joe Murphy and then Purchasing Manager David Wilkie kicked off the first session of the track by presenting the perspective of a big builder in today's fast-paced housing market. In 1950, Pulte Homes was founded in Detroit, MI, by Bill Pulte. Today, Pulte Homes has a presence in 25 states and 42 markets as well as developments in Mexico and Puerto Rico. Last year witnessed 25,000 domestic closings for Pulte, but the thrust of the presentation focused more on the fact that, in the next three years, Pulte plans to double the size of their business, closing 50,000 properties in 2005.

After providing a snapshot of the housing market at that point in time, as well as providing some perspective on the state of consolidation in the housing industry, Murphy and Wilkie dug into the meat (and potatoes) of their presentation: the role of good relationships with both customers and suppliers as the key to meeting their company's short- and long-term goals.

"Value in relationships comes from interaction at every level," stated Wilkie, who works with contractors and suppliers in the Ohio market every day. "Building relationships with contractors and suppliers is one of the most important things you can do and still be profitable."

This idea flows directly from Pulte's "Homeowner for Life" philosophy. Basically, the company strives to make sure that their customers are so pleased with their first Pulte home that they will continue with Pulte as their homeownership needs change throughout the course of their lives, moving from one new Pulte home to the next. Ultimately, focusing on the satisfaction and retention of a current customer is more effective and efficient than focusing on only reaching new customers because the cost to attract a new customer is significantly more than the cost to retain a current customer.

Murphy and Wilkie presented that the same holds true for the trade contractors and suppliers with whom Pulte Homes does business. A good supplier for life is less expensive over time than it is to find a new supplier again and again. As a big builder that is looking to get bigger, Pulte has learned that good relationships with suppliers matter just as much as good customer relationships. In a relatively flat, yet robust housing market, the only way to grow is to take market share from the competition. As a component manufacturer that values relationships, this is the perfect opportunity to join forces with your builder customers and become their "Component Manufacturer for Life." In order to do this for your builder customers, you need to

ask a few questions:

What are the challenges builders face and how can component manufacturers help? The manufacturing environment of the structural building components industry in general provides some natural solutions to builders' problems, such as:

- **Labor:** Even in markets where quality framing labor can be found, manufactured roof trusses, floor trusses and wall panels allow for less labor and shorter cycle times on each jobsite, allowing more homes to be built by the same number of workers in any given period of time.
- **Lower Total Cost vs. Initial Price:** Delivering a quality product, on time, within the realm of a well-informed business relationship positively impacts a builder's production efficiencies. Big builders in particular see this as a total package that includes price, rather than solely judging on price. If quality, timeliness and relationship are in place, you won't need to have a lower price than the competition. Your customer will want you to be successful just as much as you want them to be successful.
- **Financing and Deadlines:** The whole building process goes more quickly when timeliness is a priority for suppliers. In addition, the faster each home can be constructed, the faster it can be sold, increasing the builder's return on investment.
- **Stability of Costs:** Because closings are often as much as a year in the future for builders, component manufacturers can provide great help to their builder customers by really knowing their costs and working with the builder to keep end costs as stable as possible.
- **Quality and Uniformity:** A quality product will aid in the overall efficiency of a project. Likewise, the value of uniformity is that it allows the other subcontractors on the project to move efficiently as well.
- **Mold Prevention:** What can component manufacturers do within the manufactured environment to deal with issues of moisture control and air quality that will aid builders in dealing with the mold problems that have racked the construction industry in recent years?

How do component manufacturers develop long-term relationships with builders? Murphy and Wilkie outlined the process as they see it from the customer's perspective:

- **Getting in the Door:** The key ingredients for getting past the first step involve the answers to some basic questions: (1) Who is the decision maker? (don't spend time talking to the wrong person); (2) What are their needs? (be sure to do your homework); (3) How can you meet their needs more effectively than the competition? Once you have these answers nailed down, it is all about persistence. If you are not there at the right time, you'll never get that new customer.
- **Starting off on the Right Foot:** Develop a partnership mentality from square one so that when problems arise there is give and take in the solution process. Spend the time to get takeoffs, details, expectations and contracts right the first time. Don't over-promise—honesty is key to meeting customer expectations. It all comes down to good communication. When things are going really well AND when they're not going so well.
- **Developing Loyalty and Keeping the Business:** Again, as the relationship develops, communication and teamwork is pivotal to continued success. The customer and supplier need to listen to each other and be honest about how problems can be solved and needs met.
- **Expanding the Relationship:** Whether you look at it from the customer's perspective or the supplier's perspective, it is better to grow the relationship you have than it is to have to find

a new relationship. As the business relationship continues to grow, this is where partnership becomes more and more important. Likewise, as the relationship deepens, the supplier needs to consider new and improved ways to solve old problems.

As the customer-supplier relationship continues to grow, continuous improvement and focusing on issues other than lowest price become the most important factors in cementing that "relationship for life." According to Murphy and Wilkie, this final step in the process involves the following key steps:

- **Understand Each Other's Business and Goals:** This step may even involve opening up your books to your customer and vice versa so that you can both have a clearer picture of total costs and goals for the future. Also, make sure you are aware of your customer's plans for growth so that you can be of service to them.
- **Answer Questions Your Customer Doesn't Know They Have:** While overall communication is incredibly important in developing lifetime supplier-customer relationships, sometimes being in tune with what isn't being said or asked aids you in getting to the heart of what your customer really needs.
- **Provide Training:** Continue to provide education about your products to your customers so that efficiency and quality in storage, handling, installation and bracing continues to improve and knowledge about the structural building components industry continues to grow.
- **Provide the Best Solutions:** Introducing new products to your customers to make their business better, even if it doesn't create new sales for you directly, will build respect and credibility with your customer. Don't become lax or your competition may surpass your capabilities. If you don't continue to do the job better, someone else will.

Lee Iacocca once said, "We are continually faced by great opportunities brilliantly disguised as insoluble problems." Great opportunities can only be discovered when the time is taken by both customers and suppliers to build a relationship that is built on communication, respect, loyalty and integrity. When a win-win relationship is established and nurtured the road to a true partnership is easily paved.

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