

The Mano a Mano Way

Competition for new and resale homes gives new meaning to the term 'hands-on.'

Gap CEO Glenn Murphy was recently quoted in the April 21 *Financial Times*' article, "Stores Prepare to Fight for Every Last Customer," for his hard-nosed view of what U.S. retailers could expect as their customers gradually emerge from 2009's spending slump. "It is going to be mano a mano," Murphy was quoted as saying. The article continued with more from Murphy: "Success will not be 'based on square footage and capital. It will be based on execution, differentiation, knowing your target customer ... and fighting for every one of them.'"

As it pertains to home building, I would only argue with Murphy over the importance of capital—it ranks right next to execution, differentiation, knowing your target customer, and fighting for every customer.

Builders with capital reserves hold an advantage. Yet, since a firm's capital position cannot be quickly changed, it is, in essence, an "uncontrollable or independent" variable.

The "controllable or dependent" variables are execution, differentiation, knowing your customer, and fighting mano a mano for every customer. These variables are in your control and will contribute to topline growth. As soon as the worst is over, companies must turn to growing the topline, improving margins and profitability, and positioning for future market growth. D.R. Horton exemplifies a company aggressively implementing this strategy.

At its core, home building is no different than retail. "Michael Dart, a retail consultant at Kurt Salmon Associates, says, 'A lot of the low-hanging fruit has already been taken ... The focus will be the topline. It will be all about gaining market share, and how you differentiate yourself from the rest of the pack,'" writes Birchall.



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Execution is about outthrusting, outthinking, and building the most talented team. Underperformers have to go as they hinder execution, and executives must aggressively search for the most talented individuals.

Differentiation is about carving out profitable niches. The hard part is to find a niche big enough to scale profitably. There is a niche for green building and sustainability, which serves the "early adopters" willing to pay a premium as

they find value in these features. Yet, it is a rather small niche today. Profitable pursuit needs to occur in a market that's home to enough early adopters with the resources to fund these features as part of their new home purchase.

We often talk about "specification creep" or the continued inclusion of additional items into our homes. We tell ourselves, "We should only include items the customer values greater than their cost." Do we know our customers well enough to ensure this is the case? Those who know their customers best get an edge on their competition.

Murphy hits the target about fighting mano a mano for every customer. Everyone in your organization needs to understand the role they play in winning the war. Customization is a differentiating factor. If your construction team knows you can win a sale if you are willing to make minor custom changes, then why shouldn't they agree to do so?

Home builders can learn from retailers. The key as we move from the bottom is generating topline growth. One does this through execution, differentiation, knowing your customer, and fighting for every sale as if your life depends upon it; and for many home builders, it does. **BB**

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