



White Paper Series

The Digital Age Comes Home

In the new home warranty and customer-service game, internet-based services can make the difference in homebuyer satisfaction

Introduction

Maintaining customer satisfaction may be the most challenging task facing today's residential builder. Home ownership is highly emotional, sometimes risky undertaking and most are naturally nervous about the length and weight of that investment. And of all the concerns that come with new home ownership, none carry more weight than warranty/customer service. In fact, a recent study by J.D. Powers highlighted that "of the 10 factors driving overall satisfaction with homebuilders, the builder's **warranty/customer service ranked highest.**"

So it is no surprise that when the buyer perceives their new residence as more headache than home, questions and confrontations over home warranty and buyer satisfaction land on the builder's doorstep.

Just how important is it to deliver quality service beyond the home sale? A good builder today spends a significant amount of time and resource on gaining and retaining the buyer's trust – an effort that today's buyers expect to an ever-growing degree. Manuals, check lists, surveys, customer reps, newsletters – are traditional tools aplenty for today's builder to establish trust and set expectations. But everyone benefits when homeowners can more readily access information to properly manage and maintain the value of their home. New evidence suggests that well planned internet-based tools can elevate a good customer service program into a great one – **if** the builder can be convinced of the advantages of going digital.

The Digital Age Comes Home

"According to homebuyers surveyed, those who rely on internet-based information services are more satisfied with all portions of the home buyer process than those who rely on traditional forms of information."

"New Home Buyer and Home Builder Report"
NAHB's Institute for Residential Marketing (IRM) 2006

Computer-based information tools abound for today's homebuilder -- search and visualization tools, interactive planners and checklists, online help desks, email notifications, CD/DVD ROM-based

multimedia presentations, and more. Builders are beginning to invest in such tools to assist homebuyers in the presale and construction phases — data shows that these investments pay off. One study shows that homebuyers using internet-based information services are more satisfied with the overall buying process, while homebuyers using traditional forms of information tend to be less satisfied. Clearly, homebuilders benefit when

they offer internet-based information tools to their buyers throughout the home buying process. Surprisingly though, builders are slow to invest in similar tools and services for the most important phase of the home buying process: warranty/customer service. Why?

Satisfaction in Home Buying Process (by segment)

% Total Satisfied Summary Table	Technology	Traditional	Mixed
Overall process of finding home	51%	37%	92%
General understanding of home buying process	57%	32%	90%
Information on the neighborhood	47%	36%	83%
Overall satisfaction with my new home builder	51%	32%	91%
How well builder kept me informed on their progress	39%	24%	84%

Rate Satisfaction with each of following aspects (% Satisfied).
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For one, it's a big investment. Setting up an internet-based warranty/customer service system means converting traditional print-based tools into digital media. Builders unfamiliar with digital media often view such efforts as an extravagant, if not unnecessary effort. While understandable from the point of view of a homebuilder focused on controlling costs, we submit that today's media-savvy homebuyer welcomes digital and online tools. And this investment shows returns in a dramatic reduction in warranty/customer service complaints and confrontations.

The Driving Factors

Several factors can drive speedy acceptance of internet-based information services:

1. Digital Acceptance

A December 2006 Pew Internet Research report finds that more and more Americans head to the computer to research home purchase. Nearly 51 percent of all internet users have taken a virtual tour of a home, up from 45 percent in 2004. And as their online experience increases, Americans are much more likely to use the internet to search for detailed information about homeownership – and home builder customer services.

2. Better Applications and Services

Every day, a new product or service advertises its capability to help consumers to better handle the demands of their daily lives. From automatic shower cleaners to TiVO — people seek ever-easier ways to manage their overscheduled day. The growing consumer acceptance of internet-based information services like iTunes has implications for the building industry. PC-enabled access to information services is more popular because the design and software employed is much better.

3. Measurable Results

Simply put, builders can better protect their business and manage risk if they understand how home buyers use -- or don't use -- information. Measuring response rates to online services can provide insight into effective communication channels to the buyer. Collecting data to modify sales, construction and customer service strategies allows builders to improve and quickly adapt their programs around the home buyers needs. Tracking usage data allows homebuilders to identify who has or has not received important notices during and after sale – critical information in case of a later dispute.

4. Enhanced Internet Connectivity

According to a recent study, almost 60 percent of home purchases have access to internet connectivity with about 30 percent of those opting for high-speed connectivity. This widespread adoption of wireless and broadband connectivity enables much easier access and use of internet-based information service from virtually any location.

This increased access also allows Field sales team to easily demonstrate products and services during sales, construction management and customer service presentations. Training homebuyers on such tools goes a long way to meeting customer service demands.

These advances -- and quick consumer acceptance -- means that media-savvy homebuyers are more inclined to adopt and adapt reliable and robust digital tools to access relevant information regarding their homes.

5. **New Market Dynamics**

Despite some dire predictions, the housing market has not crashed but rather transitioned to a more mature buyer-driven market. Such a shift makes retaining market position critical to the builder's continuing success. One way to maintain a competitive advantage is investing in new technology.

The Changing Landscape

With a growing population of internet comfortable buyers, builders can reap the benefits internet services provide which complement such traditional information tools as printed brochures, manuals, personal contact and homebuyer orientations.

The home purchase transaction has traditionally been a paper-driven process. Increasing burdens from new legal documentation requirements in a new home purchase render paper documents and homebuyer manual systems unwieldy and less practical. As builders transition from single-channel to multi-channel modes of managing homebuyer relationships, digital and online information resources increase interactivity and can strengthen relationships with homebuyers.

The Delivery

Making these tools available doesn't guarantee that they'll be used. How does the builder ensure that homebuyers know about and can access these tools?

Options abound, including kiosks, CD/DVD-ROM presentations, search tools, and basic training that demonstrate the proper use and advantages of internet-based services.

Internet-Based Tool Applications

As important as choosing the right tools and the right delivery, so is determining where in the four main areas of the buying experience to implement the tools. Builders who view their corporate websites as rich lead generation tools see the advantage in making their sites highly interactive.

1. Pre-sale

- a. *Community search, comparison and selection tools*
Prospective homebuyers may subscribe to and personalize "My Account" with email notices and updates based on detailed buying requirements.
- b. *Virtual home and floor plan tours*
Homebuyers with multimedia visualization tools can view floor plans and take virtual tours.
- c. *Web-based design gallery options for communities*
Preference-based "MyBuilder" accounts and email notifications allow homeowners to create detailed checklists of design preferences.
- d. *Mortgage and financial calculators*
Builders can help pre-qualify prospects based on their financial needs and requirements.

2. Construction - Sales Contract to Closing

- a. *Online design studio optioning*
Homebuyers expect to use visualization tools for kitchens, living and master bedrooms to help determine the best mix of products and materials for their homes. Virtual showrooms augment the actual showroom experience.
- b. *Scheduled notifications by email*
From the point-of-sale to closing escrow and through the limited warranty period, technology-savvy builders may send up to 25 scheduled emails to homebuyers. Not a replacement for important homebuyer meetings or phone contacts, regular email contact can ease homebuyers' anxiety with visual guides, progress updates, milestones and activity reminders.
- c. *Interactive construction steps and process presentations*
Customized video presentations educate homebuyers about each step of the construction process. Available in CD, DVD, Kiosk and internet.
- d. *Interactive checklists, FAQs, dictionaries*
Interactive checklists lead homebuyers through customer service procedures via home maintenance tips, FAQs and glossaries that clarify the home buying and homeownership experience.

3. Homeowner Orientation through Warranty Completion

Digital tools that include homeowner documents may reduce the paper load and documentation burden experienced by most new homebuyers.

- a. *Internet access to builder's maintenance guide.*
This service could be introduced as a courtesy on the corporate website or through a private homeowner or community specific gateway. Builders should be prepared to manage document versions as the maintenance manual evolves.
- b. *Interactive on-demand presentations about preventative maintenance tips*
The increasing bandwidth of internet connections enables the presentation of rich media and graphics. While the traditional realm of DVDs and VHS tapes limit distribution of information, home maintenance tips presentations can now easily be streamed and presented on a laptop or desktop PC. Using visuals and graphics overcomes language barriers in increasingly multi-lingual homebuyers.
- c. *Internet service request submissions*
Sometimes considered a double-edged sword... making it too easy for homeowners to submit a service request (via the internet) may create extra work for warranty service departments. Some builders have gone back to allowing fax only submissions. However, internet service request submissions can be more easily managed by requiring data input that helps homeowners to clearly define the needed tasks. Adding site links associated with the service request forms - such as access to the limited warranty to clarify responsibilities - may reduce superfluous service requests.

- d. *Online chat services*
Homeowners increasingly express preferences for chat services that enable quick answers to routine questions. A well-designed chat service directs customers to online resources and documentation that address frequently asked questions.
- e. *Email notification of warranty and maintenance tasks*
E-newsletter service informs homeowners about seasonal and annual maintenance tasks based on the close of escrow date. These notices may be customized based on the project and community.
- f. *Internet access to manufacturer and trade warranty and care documents*
Enable internet access to subcontractor and manufacturer warranty and care guides; used in conjunction with the builder's corporate website or through a private gateway. More than 85 percent of manufacturers provide a downloadable PDF version of their warranty and maintenance guide. Builders can manage and track document versions for each community or project.
- g. *Compliance with federal Magnuson-Moss Act disclosure requirements*
Use of document libraries provides prospective buyers, particularly in the optioning process with details about product warranties that can help builders striving to meet federal disclosure requirements. These systems also help builders comply with the requirements of the federal Magnuson-Moss Warranty Act.

4. Post-Warranty Relationship Management

Once homebuyers are beyond the traditional warranty period, builders have at least two motives for ongoing contact with homeowners:

- a. *Referrals of sales prospects*
Customer referrals are an important source of sales leads.
- b. *Implied warranties*
Many states extend warranties for up to 10 years for habitability and other contract issues for new homes. It's good business to maintain strong relationships with homeowners well beyond the limited warranty period.

Providing ongoing updates to homebuyers using email newsletters with helpful home care tips and reminders can build goodwill and reduce post-warranty claims.

The Five Questions

Given these four important areas, here are five questions homebuilders should ask when trying to determine the best internet-based tools for themselves and their customers – and the answers they ought to hear:

1. *How do internet-based tools enhance homebuyer communications compared with traditional tools?* All the research shows that digital and online-tools deliver a better experience for the home buyer and better data for the home builder. Consider the expanding consumer usage of the internet and the impact this will have on your business in three to five years. No one predicts that printed materials will become more popular with home buyers!

2. *Can the benefits from the use of online and digital tools be quantified?* The short answer is yes but the builder must establish the key benchmarks and milestones to measure their progress. Being able to measure results is a distinct advantage of going digital but allow time to learn the new metrics of the internet and how to use them as benchmarks.
3. *Outsource the internet-based tool or support the program in-house?* For the initial start, it can be more cost-effective to outsource internet and web services. Builders can develop internal expertise to manage these programs and services as staff becomes more skilled in their use.
4. *What are the key qualities to look for in a potential outside vendor?* First and foremost, look to see if they understand your business. Then, ask for a demonstration of their capabilities with online and digital tools. Question how they will maintain and upgrade your programs and services. Redundancy and backups are crucial components of a good vendor program. Clear understanding of vendor costs and support considerations will make for a better working relationship.
5. *Do the user-interface and customer interactions with internet-based tools comply with your corporate brand?* The customer experience with digital tools should be consistent throughout all phases of the home buying process. Outside vendors should demonstrate the flexibility to incorporate brand, identity, look and feel into the online experience.

Conclusion

While builders may understandably devote most of their attention on lead generation in the pre-sales and sales process, the fact is that homebuyer expectations for their builders' internet-based information services are rising rapidly. Given most consumers' rapid technology adoption, internet-based tools offer an excellent opportunity to showcase a builder's warranty/customer service program during the limited warranty period and beyond. Builders benefit when homeowners can more readily access information to properly manage and maintain the value of their home. Adopting digital tools improve communications, sparks more referrals, reduces warranty claims and increase homebuyer satisfaction ratings.

About BuildSERV

BuildSERV creates tools that proactively educate homebuyers about warranty programs and home maintenance to help builders reduce insurance expense, alleviate potential litigation, and improve customer service via:

- **Home Care Manager[®] Handbook.** This printed guide provides buyers with a tangible way to quickly reference critical information.
- **Home Care Manager[®] CD-ROM.** The CD-ROM version saves space and gives your buyers an electronic, long-lasting way to reference their home's information.
- **Home Care Manager[®] Online.** This secure, web-based version allows buyers to access and update information right from their desktop.

BuildSERV customers choose the Home Care toolset as the only easy-to-use application delivered in print, on CD-ROM, and via the internet—all of which include regular homeowner email bulletins.

Brad Brickman founded BuildSERV in 2000 with the belief that builders needed a simple way to collect and deliver critical information to their homeowners. In addition to earning his bachelor's degree in economics from Denison University, he recently received his CGA designation from the National Association of Builders (NAHB) and serves as the marketing chair for educational programs for his local Homebuilder Association (HBA).

Brickman spent much of his career leading organizations that supplied the homebuilding industry with product and information. He observed that builders and consumers were often overloaded with information in one-dimensional formats. Buyers experienced significant difficulty sifting through information which prevented them from making the best decisions.

After observing their frustration, Brickman concluded builders, and ultimately homeowners, should receive filtered, targeted information on warranties and home maintenance. Brickman used this passion to become a knowledgeable resource on the complex issues of home warranty and maintenance, which ultimately led to the creation of *Home Care Manager*—the only easy-to-use program delivered in print, on CD-ROM, and via the internet.

As BuildSERV grows, so grows its commitment to proactively meet the needs of its builder clients by reducing their insurance expense, alleviating any potential lawsuits, or by improving customer service programs.

Contact:

Brad Brickman
BuildSERV, Inc.
1421 34th Ave.
Suite 214
Seattle, WA 98122
877.280.0128
www.buildserv.com