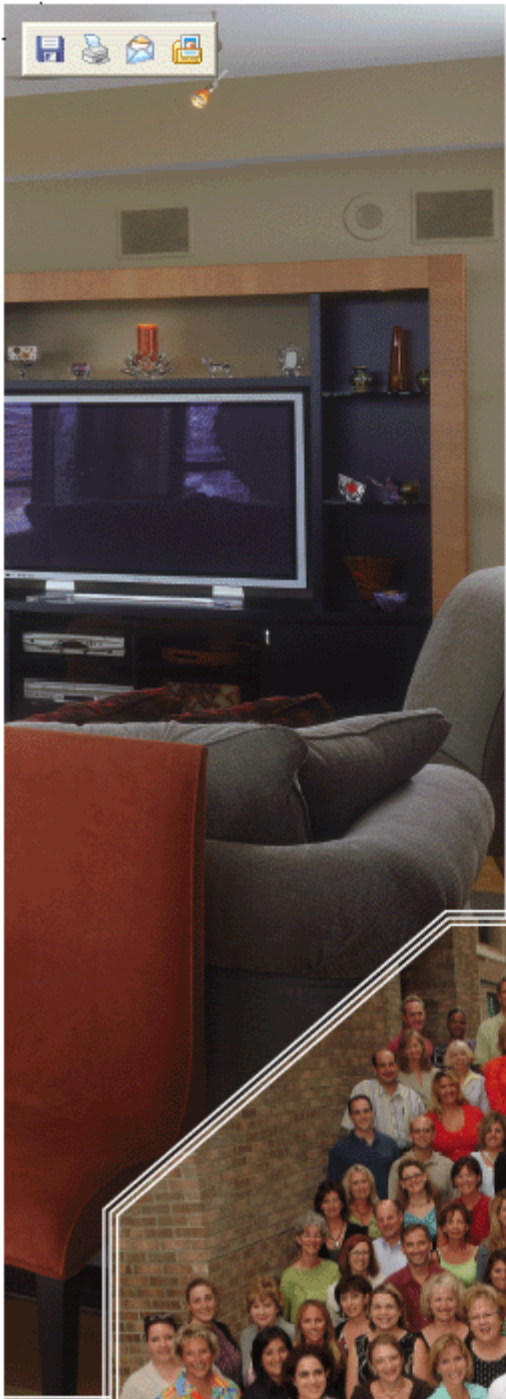




**ABOVE:** As the urban movement sweeps the country, popular options with homebuyers include wood floors, custom lighting and AV systems. Renaissance Towers in Downtown San Diego. Design by ARTISAN DESIGN GROUP.

**RIGHT:** Design Center professionals traveled from Arizona, California, Colorado, Georgia, Illinois, Indiana, Maryland, Minnesota, New Jersey, North Carolina, Ohio, South Carolina, Texas, Virginia, Washington and Canada for the Design Center Forum 2006 hosted by Artisan Design Group.



# Design Centers in a Buyer's Market

## Lead, Leverage, Win!

By Jaimi Julian Thompson

During a market slowdown, the design center will be instrumental in both raising customer satisfaction levels and restoring consumer confidence.

### Part I of III

In early August, design center managers, consultants and executives from throughout the United States met in San Diego, Calif., for the Design Center Forum 2006. In record attendance, they traveled from Arizona, California, Colorado, Georgia, Illinois, Indiana, Maryland, Minnesota, New Jersey, North Carolina, Ohio, South Carolina, Texas, Virginia, Washington and Canada to network, share and learn about the latest innovations in the new-home design center industry.

#### A changing market

As the new-home market slows, concern over the role and position of design centers in the current climate was at the forefront of the attendees' minds. Sherman D. Hamer Jr., a well-known building industry spokesman and president of Urban Housing Partners, tackled this concern head on in his keynote presentation, "Can Design Centers Be Used as a Competitive Edge?"

"We work in a cyclical business, and it always will be," Hamer says. "When interest rates go from five percent to seven percent, the consumer loses 16 percent purchasing power per percentage point, so that two percent change

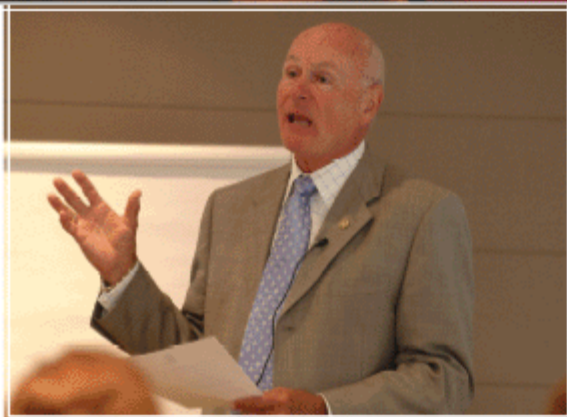


**LEFT:** Feature lighting, custom architectural glass countertop and partition options are big hits this year. Renaissance Towers in Downtown San Diego. Design by ARTISAN DESIGN GROUP.



**ABOVE:** Jaimi Julian Thompson, president of Artisan Design Group and founder of the Design Center Forum presents "Bullish on a Bear Market ... The Design Center's Turn."

**BELOW LEFT:** Sherman D. Harmer, Jr., president of Urban Housing Partners and keynote speaker at the Forum predicts "The Year of the Consumer."



represents a 32 percent reduction in purchasing power. We are coming out of an era of huge speculation. In Miami, there are 70,000 condominium units under construction that are not sold. Out of 17 projected towers in Las Vegas, only four have begun construction. We currently have a national inventory of 118,000 new homes that are not sold. According to the recent NAHB report, consumer confidence is at the lowest it has been since 1991. Typically, after periods like this when they know they are in control, consumers spend a lot of time getting revenge."

**The year of the consumer**

Harmer predicts the remainder of this year and the next will be "The Year of the Consumer." Their attitudes and motivations have changed as this is their time, and they want what they want. To win this consumer, builders will have to provide choices, modifications, incentives and customization. If you look at the incentives builders currently offer, those at the design center are the only ones that add value to the home but do not cost the builder the full amount. In recent interviews with local

division presidents, Harmer heard repeatedly, "Added value versus price reduction, value-added options always win," "People are always more excited with value-added incentives; you are improving the quality of their home and community," and, "Designer services add value."

"When the market is strong, it's easy to give up your standards," Harmer says. "Even when you're great, you must always think, 'What's my encore?' Your focus must be on innovation, new products and better service. The design center is a huge competitive advantage in 'The Year of the Consumer.'"

#### The design centers' turn

Artisan Design Group, presenting "Bullish on a Bear Market: The Design Centers' Turn," outlined some key differences between a booming building market and a buyer's market. During a booming market, we experience the "next" mentality. If a buyer wants something the builder is not willing to provide, they simply say, "Next," and go to the next builder. In the design center, we frequently find that staffs are overworked, seeing too many appointments per day, and rather than fully educate the consumer, they simply take their order and say, "Next."

Due to schedules, sheer production volume and stress on labor and personnel resources, you also see a decrease in quality. In the design center, upgrades are typically less than what they could be as there is simply not the time — nor energy — to spend with each homebuyer. Complaints also increase during "the rush," as the buyer's expectations are not managed as well either. Intentionally or not, a booming market frequently breeds bad habits.

During the more discerning buyer's market, builder flexibility increases, quality increases, the amount of options offered increases and the designers are more thorough with each customer. With a more educated consumer, both customer satisfaction and the level of upgrades increase. Design centers also report that since the slowdown, the average sale per home has increased 30 percent.

#### Look to the lessons of the past

To really understand the design center's role in the current market, one must remember the evolution of the design center model as we know it today. After the building boom during the 1980s, the home-building market in California came to a screeching halt. Enter the



**LEFT:** Jaimi Julian Thompson presents the Silver Keynote Award to Sherman D. Harmer, Jr. "Sherm's presentation was one of the most popular and relevant sessions of the Forum".

**BELOW LEFT:** Julie Madigan, design center manager for McStain Communities in Colorado, shares insights on design center space planning. For her, the Forum provided "real solutions to common problems."

**BELOW:** According to Danny Garcia of Ennis Homes in central California, which is preparing to launch their first Design Studio, "this symposium is really going to help us not make common mistakes by giving us a ton of best practice ideas."



"era of choice," with companies from Burger King to Starbucks saying, "Have it your way." In the 1990s, builders had to look for ways to differentiate themselves and their product to compete. The full-service design center was not originally started as the profit center it is known as today, but rather to create a competitive advantage and customer satisfaction tool — essentially, to win the buyer and sell homes. And today's market is a reincarnation of the market that gave birth to design centers as we now know them.

#### Market influences

Other factors influencing today's consumer are the prevalence of technology and the era of information overload. As consumers, it has been said we are bombarded with more than 5,000 marketing messages a day. We have thus become experts at blocking and filtering, and we often only hear things in sound bites. The more noise there is, the less we hear. Technology puts so many options at our fingertips that it is virtually impossible to understand them all, so we increasingly choose the most trustworthy and competent person to buy from — or we choose nothing at all. This makes the training of the design consultant more important than ever. If they cannot establish trust and convey information in a way that is simple, visual, unique and credible, the buyer will choose nothing.

#### The good news

The good news in a buyers' market is that those who buy are more discerning, and they will usually purchase what they want, within their means and when they see value. They are willing to invest in quality and are not consumed by the short-term "flip it" return on investment mentality. In the "Year of the Consumer," personalization, customization, choice and quality will carry the day. The design center will be able to enhance both marketing efforts and the bottom line. Says Bob Olender, design center manager for Drees Homes in North Carolina, "I left the Design Center Forum feeling confident that in a period of homebuilding slowing, the design center will be instrumental in raising the level of customer satisfaction and will help restore consumer confidence."



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