



BUILDERSOURCING

Improve your competitiveness with a buying group

By Charles Schneider

Gaining new sales in

today's tough environment for home builders is quite the challenge. However, if you could lower your costs and offer a better value to prospective home owners, wouldn't you jump at the chance? That's exactly what some small- to mid-size builders across the country are doing as members of a buying group. Just like the national builders, they are securing preferential supply deals and rebates.

Buying groups in business have been around for a long time, but only recently has the home building industry begun to tap the tremendous power of volume purchasing. Since smaller builders lack the leverage of a company that produces thousands of homes each year, suppliers had rarely seen the advantage of cutting them lucrative deals. With the right kind of buying group, however, suppliers are able to lower their costs of customer acquisition and retention, and they have seen increases in their market share to more than justify their participation.

A buying group can level the playing field by creating relationships with preferred suppliers who offer volume pricing, discounts and rebates to the group's members. Members can choose whether they want to use the group's suppliers or a different supplier for a particular product.

HOW IT WORKS

The buying group creates and manages agreements with suppliers, handling all paperwork associated with negotiating as well as managing volume pricing and rebate and incentive programs. The group's presence raises the stakes for suppliers, ensuring superior supplier attention and delivery. It also serves as a builder's advocate to resolve problems quickly.



From our experience at Builder Sourcing Corporation, we have seen builders save from hundreds to many thousands of dollars per home and sometimes on a single line item. The savings add up quickly to become a significant contributor to the bottom line – important in these challenging times for an industry where costs matter.

WHAT'S NOT TO LIKE?

Builders by nature are independent and that may explain the reluctance of some to get involved quickly with a buying group. Some feel they can negotiate their own deals and get better price breaks. But that may mean investing a lot of energy in the process. The data demonstrates that builders will not save more money than they would have by participating in a buying group. Skepticism often turns to enthusiasm once a builder understands that a group can lower the cost per home without sacrificing quality or taking away the builder's control, individuality and decision-making.

From the suppliers' perspective, a buying group delivers cost-effective access to the highly desirable mid-size builder market. The increased market share goes straight to the suppliers' bottom line and reduces customer acquisition and retention costs, plus delivers access to top-level decision-makers.

"We are dedicated to providing trusted brands and unsurpassed quality and service," says John Webster, director of residential new construction, Lennox Industries. "Our relationship with Builder Sourcing has led us to generating new business and has enabled its builders to offer one of the most recognized, best-performing HVAC systems to its customers at a great value."

In short, a buying group is a collaboration between major suppliers and builders, all aimed at improving results for both groups. Builders will tell you that they joined the buying group to save money. Most did not expect to end up creating stronger relationships with the supply side of the business and, consequently, building better homes. 🏠

Charles Schneider is president of Builder Sourcing Corporation, the largest national buying group of its kind for home builders and a select set of high-quality suppliers. Builder Sourcing is headquartered in Denver and can be found on the Web at www.buildersourcing.com.