



>> BY PAUL DEFFENBAUGH, EDITORIAL DIRECTOR

Group Service

Builder Sourcing hopes to capitalize on increased interest in builder buyer groups.

Builder Sourcing touts itself as the "Next New National Home Builder." For a business that is not strictly a home builder and is confined primarily to the Front Range of Colorado, that boast may seem broad. Builder Sourcing is a buyers group of 16 small to mid-sized builders closing approximately 2,000 homes a year. The group is served by 20 suppliers. The timing may be right for achieving such an ambitious goal.

Because the national builders have begun to achieve success in their relationships with vendors, interest in buyers groups has risen. Barry Rutenberg, owner of Barry Rutenberg Homes, Gainesville, Fla., chaired the National Association of Home Builders building materials subcommittee from 1994 to 2000. According to him, "The nationals are getting better and better at purchasing and starting to get significant cost advantages over local builders." One of the results is that smaller suppliers are more interested in selling to small and medium builders because they have more profit potential. "The dynamics in the industry are changing," he says.

Charles Schneider, founder and CEO of Builder Sourcing, is trying to capture the wave of those changing dynamics. His company leverages the strength of many builders, providing benefits which include

- Material cost reductions
- More expertise in negotiating with suppliers
- Ability to control material cost increases
- Strong communication between builders and suppliers
- Access to decision-makers for suppliers

Small and medium builders can tend to feel ignored by their suppliers, but

Schneider quickly learned suppliers were very interested in reaching this segment. "People had interest for four reasons," he says. It's a bigger segment; those builders tend to specify a higher grade product; it's a lower risk for suppliers who can afford to lose a client without losing all the business; and the supplier has direct access to the decision-maker.

For builder clients, the advantages are obvious — cost savings which allow them to compete more effectively against the nationals. Talk to the builder clients, though, and they dismiss the cost savings fairly quickly. What gets their attention is the level of service they get. Michael New, president of InVision Homes in Parker, Colo., says, "I have a bigger voice with my supplier than I could alone.... I can call someone if there is an issue and talk to someone who can help."

George Hess agrees. Hess is president of Vantage Homes in Colorado Springs, which serves the move-up buyer. Vantage Homes will close about 180 homes next year. "I want my people focused on process, procedure, and manufacturing. If they're focusing only on the bottom line, something's going to get dropped." For Hess, Builder



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Sourcing serves the role of a consultant that will negotiate better rebate programs and better buying processes, working hand-in-hand with his purchasing department.

Currently, Builder Sourcing's 20 suppliers cover almost all the major product categories. Atrium Windows & Doors-Colorado is the window supplier, and general manager Jimmy Sisco expects 75 percent of his growth from Builders Sourcing to be with new customers. He can talk to the decision-makers at a time when they are evaluating their product selections.

For Sisco, it is also the service quotient that he finds most appealing. "I want to know how we can partner between builder and supplier to better serve the end user," he says. "The goals are more aligning with this group. We want the end user to be delighted

with the product."

In an environment of increasing competition and rising material costs, small to mid-sized builders will continue to evaluate their vendor options. As Rutenberg says, "It's not the time to be overconfident. It's the time to be respectful. It's also the time to push new ideas." Buyers groups, such as Builder Sourcing, may be one of the new ideas that stick.