

CASE STUDY: **BUFFINGTON HOMES**



FOR BUFFINGTON HOMES' PROFITABILITY, IT'S ABOUT OPTION PRICING AND VARIANCE CONTROL

Buffington Homes' Goal is Just 1% Variance of Budget, And They're Practically There Already!

Buffington Homes builds in the greater Austin area, including Austin, Cedar Park, and Leander. With 250 starts in 2014 – up 15% over last year – there's plenty to keep the staff of 48 employees busy. Of those 48, nine are supervising in the field, including two area construction managers, six community construction managers, and a vice president of construction. That team is more than enough for Buffington to keep projects on track for their widely admired company. For land, the Company is well-positioned with lots and land options. That's because Buffington Homes has a sister company, Buffington Capital Holdings, that does much of the community development.

The result of Buffington's collective efforts?

A sterling reputation for homes that are known for their high quality and professional finishes. That's essential in the highly competitive, demanding Austin home building market, as the company thrives while building homes costing \$280,000 on average, and running 2,400 square feet, or around \$117 sq/ft.

Options: The Key to Profit

"We easily have 10,000 option configurations," said Nedda Brown, Buffington's VP of Operations, "and we offer them through 73 base plans. Each plan has up to five elevations – some have nine elevations – so you could safely say that we offer 400 plans," Brown explains. "It's a massive amount to keep track of." But Nedda Brown is exactly the kind of person you want managing your home building operations. She has 30 years in the business, including many with the multi-state builder Capital Pacific Homes.

For software to help out Brown and her team, Buffington Homes runs top-of-the-line software, including BuilderMT Workflow Management System (WMS) for its workflow management, Sales Simplicity for its sale automation and CRM, and Sage 300 CRE for accounting. All of these software systems were put in place when Buffington Homes started operations in its current corporate incarnation, back in 2007. "We didn't even think about using other systems, and we couldn't be happier with our choice of software."

Within the BuilderMT WMS, Buffington Homes uses the core WMS product, along with BuilderMT's Superintendent Portal, BuilderMT's Model and Options Manager (MoM), and – soon – the BuilderMT Trade Portal. “We just implemented the Superintendent Portal, after we made sure all of our supers had tablets, and we all love it. With Superintendent Portal, we can see so much about a job status at a glance. It's remarkable software for worker productivity.”

With all the award-winning computing power in the world at her finger tips, Nedda Brown brings much of it to bear on her management of Buffington Homes margin pricing strategies.

“Maintaining accurate pricing of options is essential to our profitability,” Brown explains. “What's more, those prices have to be maintained universally across all our operations, including synced pricing between sales and purchasing. So, the integration between BuilderMT and Sales Simplicity is crucial to our success. It works very well, and it saves us hours and hours of data entry and possible errors. With BuilderMT as the core driving force, we can ensure that we are making the profits we want out of each and every one. That integration alone increases our option profitability by 20% over other systems, which I know is true because I've worked with other systems at other home building companies.”

“Specifically, when we look into BuilderMT MoM tool,” Brown says, “we can see the material cost, the labor cost, the sales price, and the margin of every option. We have a target percent margin that we are aiming for on every item, and with MoM, we can track what we achieved on each and every margin by tying the option to our actual costs. If we have margin slippage or variances that we need to account for, we can adjust them at a micro level, option by option with BuilderMT. Or, we can apply universal rules to every one of our options. For instance, if we have an outdoor fireplace priced at \$1,000, but we track our labor through BuilderMT and see that we didn't achieve our margin, or even lost money on the installation, we can adjust that margin by charging a premium for that item in the future to make sure we hit the right number.”



With BuilderMT as the core driving force, we can ensure that we are making the profits we want out of each and every one. That integration alone increases our option profitability by 20% over other systems, which I know is true because I've worked with other systems at other home building companies.

- Nedda Brown, Buffington Homes

Buffington Homes also uses the MoM to make sure that it doesn't look like Buffington is price-gouging customers. "For items like appliances, ceiling fans, or items that our home buyers can shop for on their own, they might find them at prices that are less than our offering. So, for these types of items, we might charge less of a margin, just to make sure the buyer feels as though they are being treated fairly," Brown explains. "There too, that's easy to do in BuilderMT's MoM."

VPOs and a Target of <1%

Buffington Homes also uses BuilderMT for managing and controlling variances. Variance approvals on Buffington Homes' projects are tiered. If the variance is under a certain dollar figure, it can be approved at a low level, but as the variance rises in cost, the approval escalates up the chain of command. With BuilderMT, we can tie each and every variance to a job with a very precise variance report. When there is a variance, we can see what percent of it was in site costs, or construction costs, or labor, or material costs," Brown says. "For instance, many of the lots we build in in Austin are on terrain, so we may have to add in variances for high grade, steps, or rails. But with BuilderMT, we have a clear view of them, their cause, and their cost allocation. We are constantly tweaking our budgets accordingly within BuilderMT. We believe a 1% variance for budget is just about the best that you can be, and that 1% is usually due to losses from damage or theft, things truly beyond your control. We are very close to 1% variance now, and we believe we can maintain that, even for homes we have never built before."

Is BuilderMT Responsive?

"We have found that BuilderMT's staff is a pleasure to work with; they are very responsive and thoughtful," said Brown. "As with any software, we always want what we don't have, but BuilderMT is eager to work to develop software for us, even custom reports. For instance, we are working with them now on a custom report to give us visibility to our pricing on all of our homes, by community. This will show our margins on a timely basis, so we know how material costs are affecting us on day-by-day. If lumber goes up 3% this week, that means we would be losing \$700 per home if we didn't adjust pricing. With this custom report, we will be able to break out those costs by elevation, so that if one elevation was \$50,000 one month and \$51,000 the next, we can raise our pricing in response and protect our profitability."

Would you switch from BuilderMT? "No way," said Brown with a laugh. "We're hooked. It's a large part of what's made us successful today."

About Buffington Homes

Generations of Texans have chosen Buffington Homes for their homebuilder. An Austin homebuilder with over forty years of experience, Buffington Homes is responsible for building thousands of homes throughout Central Texas. Our dedication to providing the American Dream is only one of the reasons we have grown to be Austin's leading homebuilder.

About BuilderMT

For the home building industry at large, BuilderMT provides highly-customizable workflow and building-process-management software that works in tandem with leading accounting systems and other wireless and jobsite productivity tools, such as CRM and warranty management. For 15 years, BuilderMT systems have been purchased by nearly 900 home builders and cumulatively used as a desktop workflow tool by upwards of ten thousand home building professionals. BuilderMT is widely recognized as a leader in process-driven, best-building-practices for builders, as well as customer service, warranty applications, online training and innovative wireless applications. To learn more, visit www.BuilderMT.com, or call (888) 757-1991 ext. 271.

Media Contact (for BuilderMT):

John D. Wagner
jdwagner@wagnerpr.com
www.WagnerPR.com
919-796-9984