Figure 11.14a. PROCESS IMPROVEMENT STRATEGIES: Delighting the Customer

EM9027: The Toronto Star, March 3, 1990, pages E1 and E4

Customer satisfaction is a continuing process

Home builders are increasingly placing greater emphasis on after-sales customer service

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SPECIAL TO THE STAR

The building bonanza ground to a halt last year, ending three years of frantic home construction.

During that time builders struggled to keep up with the demand for new housing, but in the rush to complete homes and meet deadlines, after-sales service often suffered. There were countless complaints about workmanship and lengthy delays in fixing up defects.

Builders were criticized by the public, media and government for their tardiness as thousands of frustrated home buyers angrily complained about after-sales service.

But the flood of complaints is now a tiny trickle as the construction slowdown has given builders time to concentrate on customer service. Many have learned from their past mistakes and have set up trouble-shooting systems designed to look after a purchaser's complaints promptly and efficiently.

Builders contend that when another housing boom arrives they will be better equipped and not caught napping.

In these increasingly competitive days of residential construction, sophisticated, well-informed purchasers and a strong warranty protection program, builders say quality after-sales service will only increase in importance.

Under the Ontario New Home Warranty Program (ONHWP) builders are required to warrant their product, a protection for the home owner which is guaranteed by the ONHWP. By adapting and expanding the program, builders have developed after-sales service into its own mini-industry. They recognize that good after-sales service is simply good business.

"If you don't provide good after-sales service to purchasers today, I don't think you're going to be around long," says Sam Wilson, vice-president and manager of operations for Coscan Development Corporation. "We have very sophisticated buyers today. They do recognize the importance of after-sales service."

Buyers also know that their rights are protected. All builders constructing a new home or condominium with the intention of selling it must register the home with ONHWP. The program requires the builder to offer a one-year warranty protection against defects in workmanship or materials, a two-year basement protection warranty and a five-year major structural defect guarantee.

Buyers are guaranteed a maximum of $20,000 deposit protection in case their builder can't or won't complete the sale. Purchasers are also protected against delayed closings or substitutions made without their agreement. As well, an allowance for incomplete work can compensate buyers for unfinished items for up to two per cent of the home's value or $5,000, whichever is greater.

Further, ONHWP now publishes an annual Home Buyer's Guide To After Sales Service, a guide which rates the after-sales service a builder gives to purchasers. The second edition, for 1989, has expanded to list builders with average and below-average ratings as well as excellent and above-average ratings. As a judgement of the builder's record of after-sales service for 1986, 1987 and 1988, the guide also tells purchasers how long the builder has been registered with the warranty program and the total number of possessions (closings) the builder has had in three years.

Also listed in the 1989 guide is the number of chargeable conciliations (if any) a builder has had for the last three years. Conciliations are held when the home owner and builder cannot agree on whether a disputed item is covered by the program. If the builder is found responsible, it becomes a chargeable conciliation and is recorded by the guide.

The guide averages a builder's after-sales service over a three-year period to give a builder a fairer rating and to give the consumer a better over-all picture of a builder's performance.

"Using the three-year average is good because it gives the builder an opportunity to improve upon his record over time," says Barry Rose, president of ONHWP. "But it's not too short, so that if he slips he's back in the soup again."

The year that revealed a glaring need for the guide, as well as additions and improvements to ONHWP coverage, was 1986, an unprecedented boom year. Toronto builders sold 41,000 new homes and were caught unprepared by a labor shortage which could only construct 25,000 homes. The result was delayed closings, an inability to complete work within a reaonable time and difficulties correcting deficiencies because of the dire shortage of manpower.

"The demand for housing had been down and all of a sudden it exploded. The industry couldn't get trades and it couldn't get those trades back to fix deficiencies," says Rose. "The numbers of claims we were getting for conciliations were just going crazy."

As a result, in 1987 ONHWP added to its program coverage the incomplete work allowance and the two-year basement protection warranty against water seepage through the foundation walls. In 1988 it added protection against delayed closings as well as the protection against substitutions made without the agreement of the purchaser.

Builders reacted positively to the problems of 1986, implementing changes to ensure the same problems did not resurface again.

To meet the requirements of buyers, many builders have implemented a distinct self-functioning after-sales service department. Many have their own service managers, service people and equipped vans, special complaints forms and even lists which coach purchasers on not only what to look for when completing complaint forms, but how to maintain the products in the home to ensure their efficiency and lifespan.

Tribute Corporation, now seven-and-a-half years old, grew rapidly in the 1980s from constructlng 15 houses in its first year to 170 homes by its third year. Howard Sokolowski, chief executive officer of Tribute Corp. – which he operates with partner and president Al Libfield – believes that any company building more than 50 homes per year "clearly needs a service department."

"We made our fair share of mistakes in the beginning, but we learned quickly that to survive it meant servicing the customer," says Sokolowski. "We have a moral obligation to satisfy the customer and they are entitled to proper care and service."

Tribute Corp. now has a full-time staff of 12 people in its service department, including nine service people with their own fully-equipped vans. At the time of issuance of a Certificate of Completion and Possession, as required by ONHWP, the builder and the purchaser walk through the home and list any complaints or concerns. Any deficiencies are rectified within 30 days. Following the first inspection, Tribute's service department solicits a list of concerns and deficiencies at two four-month intervals and again at

(*continued overleaf*)

the end of a one-year period.

A number of other companies also operate after-sales service in a similar, organized manner. Many, like Mason Homes, install service people on the various job sites so that their purchasers can report problems directly. Herity Corporation uses computers to record problems, which are then discussed in weekly meetings between the service department and the president of corporate affairs, Hugh Heron, or his partner. Some companies offer their own guarantees which exceed ONHWP standards and still others incorporate after-sales service into an over-all customer care package which begins the moment a purchase is made.

Daniels Development Corporation and Camrost Development Corporation are two firms that go to great lengths to inform their purchasers of the status of their home or condominium and of the processes involved – from times to select flooring and wall coverings, to deficiency reporting and rectification. Sam Reiss calls it a "teaching component to minimize anxiety."

Both Daniels and Camrost, as well as other large companies, give their purchasers a home owner's manual or kit upon occupancy, which gives detailed information about warranties, maintenance of materials and finishes, and even maps of the neighbourhood complete with data regarding shopping, banking and the offices of local politicians.

"The emphasis is not just on repairing cracks in the drywall. We take it much more seriously," says Bob Daniels of Daniels Development Corporation. "The home-buying decision is so important and so complex that you have to be concerned with other matters as well."

The development of after-sales service to its current sophistication, both by the industry and ONHWP, is not only to the benefit of the purchaser but to the builders as well. Those builders that do ensure good after-sales service are vindicated by the guide, which in turn acts as an incentive. ONHWP president Rose believes that the guide is fast becoming an important component to after-sales service and that it works.

Rating system

More than 11 per cent of Ontario builders have achieved the excellent or above-average rating in the 1989 guide, while the companies with excellent ratings across the province have increased to 839 in 1989 compared to 532 in 1988. In Toronto 8.75 per cent – or 255 of 2,911 builders – have achieved an excellent or above-average rating.

Slightly more difficult for judgment is the ratio of conciliations to possessions, which has increased on an over-all basis in the latter half of the 1980s. At the publishing of the first guide, for the years 1985, 1986 and 1987, there was a conciliation rate of 8.11 per cent. That conciliation rate rose to 8.31 per cent for the 1989 guide.

The reason for the increase is not that builders are not improving after-sales service, says Rose; it is because builders are still carrying problems of the past on their records.

A builder, for example, who constructed an unusually high number of homes during the boom year of 1986, will have had any problems of that year recorded in the 1987 conciliations which take place following the first year of possession. Those conciliations won't be eliminated from his record until the 1991 guide is published, with its rating for the years 1988, 1989 and 1990.

"A lot of builders are carrying their record for 1986 and 1987, but eventually the conciliations will go down," says Rose.

While it is only at its second year of publication, Rose says that there is a good awareness of it by consumers. He estimates that 40 to 60 per cent of potential new-home buyers now refer to the guide when considering the purchase of a home.

Probably the people who take the most interest in the guide are the builders themselves. Those with excellent and above-average ratings want the public to know about it. One builder even bought 1,000 copies of the guide so that potential buyers can't possibly miss his company's rating, says Rose. Other builders, like Tribute, use their excellent rating in their advertising.

"It's a marketing factor now," he adds.

Anyone interested in a free copy of the 1989 guide to after-sales service should call any of the nine regional offices – in Toronto, Brampton, Hamilton, Kitchener, Newmarket, Whitby, Ottawa, Sudbury and Thunder Bay, or call the toll-free number 1-800-668-7504.

Guides are also available for perusal (or soon will be) at all major libraries, and at local government levels.

1 The article EM9027 reprinted overleaf and above lists a number of specific actions taken by builders to provide after-sales service to purchasers of their homes. List these actions in order of what you consider to be *de*creasing importance to new home purchasers; identify the paragraph of the article from which you take each action you list.

- Which actions on your list would you classify as *delighting the customer*, as distinct from actions you regard as the normal obligations of *any* builder of new homes for purchase? Justify briefly the actions you choose, or your reasons for not choosing *any* actions from your list.

2 Suppose that ONHWP has accumulated a computer file of information on all the chargeable conciliations it dealt with over a period of several years. On the basis of Ishikawa's seven problem-solving tools (which are discussed in Figures 11.19 to 11.22 of these Course Materials), outline how such data could be used to improve the satisfaction of customers of new home builders in Ontario.