

# IMPORTANCE OF OUTSOURCING

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By: Mark Henderson  
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With the addition of 10 Builder clients this year representing over 2800 homes, is the market starting to rebound or are builders starting to change their business model to improve operations? According to this increase in business, the answer is both. By outsourcing the important functions of purchasing, warranty and manufacturer rebates within their firms, they are not only lowering their overhead and increasing their ROI; they have improved the quality of the operation. How? You might ask. From better communication with their Trades via Purchase Orders and automated VPO processes to improved customer relations via third party warranty.

What is the importance of outsourcing purchasing? First, you no longer have the overhead internally of administration personnel, purchasing and maintaining systems or the interruptions in your operations having to train new employees. Having a Professional Third Party firm that performs this service for the builder eliminates this overhead as well as any internal interruptions in operations. And since purchasing administration is their main focus, they probably do it better. What is the importance of automating the purchase order/VPO process versus invoicing? For the Trades, they no longer have to spend valuable time processing invoices. They have their purchase orders approved based on 100% completion of their activity. For the Builder, they are no longer wasting valuable time matching invoices to a contracted schedule of values and with the automated VPO process, they no longer have Trades working without authorization. They also eliminate partial pays, saving valuable time for their accounting department. And since the VPO process is automated, they no longer get surprised by the submittal of late invoices or have to guess what their costs are on a project. They know in RealTime. In summary, they both save time thus saving money, allowing both to be more focused on their project instead of paperwork.

More Focus=Better Quality=Improved Homebuyer Satisfaction

What is important about outsourcing your warranty? The benefits are as numerous as outsourcing purchasing. Cost savings and liability protection, via accurate third party documentation are in the top two for importance. Having third party professional administrate a builders warranty allows expectations to be set and managed with the home owner. It also provides a neutral party to educate the buyer on their home, their maintenance duties and what the industry standards are. In many cases a third party administrator can do and say things the builder never could, like "what a great builder you chose."

What is the importance of outsourcing your manufacturer's rebates? To start, by partnering with a large group you increase the volume of the group, thus bringing rebates that were not available to you as a singular entity. And by partnering with a Third Party source that will track and administer this process, you will receive your rebates regularly. I say this because, as a purchasing manager for years with various builders, this process was very time consuming. And as an owner previously in a company that offered National Manufacturer's Rebates, I came across several builders that had programs but had failed to process their rebates. This resulted in losses up to \$250,000.00 for just one builder.

By utilizing this type of outsourcing, you will save time, increase you ROI, improve customer satisfaction and become a better builder!

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