Operational Software for Production Home Builders

Tom Gebes
President
BuilderMT, Inc.

CEOCFO: *Mr. Gebes, what is the concept at BuilderMT?*
Mr. Gebes: We design operational software for production home builders--builders that build one hundred to over three thousand homes a year, single and multifamily in the US, Canada and Australia.

CEOCFO: *What does the software cover?*
Mr. Gebes: Our approach is simple: We focus intensely on the main areas that builders need when they first design the product that they are going to build and sell to the buyers. This includes estimating, soliciting bids from their trades and suppliers, generating purchase orders and getting budgets over to an accounting system. It also includes scheduling the job and managing the project out in the field with mobile technology such as iPads and tablets. Our software also offers the ability to approve schedules, thus approving corresponding purchase orders.

We partner with other software companies to round out what we call our WMS solution. WMS stands for Workflow Management Suite. We partner with a company called Sales Simplicity, for example, that has a front end CRM and sales system designed strictly for the home building industry. We partner with another company called CG Visions that allows us to integrate with AutoCAD and other products that can do BIM, which is a new term in the industry. BIM, or *Building Information Modeling*, is where you can design the house and then be able to turn that design from a CAD drawing into purchase orders and budgets directly into the accounting system. There are other companies that we partner with, as well and these companies allow us to completely create a total solution for the home builder and collaborate together in deploying, training and installing with these builders throughout those three countries.

CEOCFO: *In the areas that you specifically have developed at BuilderMT, what are some of the bigger challenges that you are able to mitigate? What shines and stands out?*
Mr. Gebes: Builders are really good at structuring vendors relations, buying the land and negotiating contracts. However, oftentimes they are not focused in on trying to improve the way they actually run the business, which requires a focus on workflow process improvement. Therefore, our software has improved these workflow processes. For example, by integrating scheduling with purchasing, and enabling our users to "walk the job" in the field with mobile technology that connect to full back office data, we have optimized our customer's scheduling processes, including very sophisticated purchase order tracking and approvals, all linked to the schedules. We have improved that process by up to 80% for many of our builders. We have seen cycle time reductions (days to complete the construction of a home) by up to 30% through use of the WMS scheduling, which tracks their jobs and ensures that trades and suppliers are on-site on time and on schedule. We have seen that through efficiency gains of using our technology and improving their internal processes, we have seen net margin increases of a minimum of two percent in eighteen months with these builders. We are looking at their processes from the time that they buy the land or negotiate a sale with a buyer through the life cycle of the construction and up to one year warranty after the sale. We look at the different parts that these builders go through and we try to find efficiency gains using the WMS technology verses their old way of doing things. An example would be that a builder would solicit bids from trade contractors or suppliers and this process of soliciting bids, having the bids being able to be entered into their system, being able to establish a budget or who their default supplier or vendor is going to be; that could take days and sometimes even a week or more. With our software we can get that down to hours. Also, for the generation of purchase orders, with some builders' job starts that can take a day and a half. With our software it takes a half an hour. These are huge time reductions. As I said before, it improves the efficiency gain and lowers wasted staff time. Our builders have reported they can grow two to three times their size without adding an additional staff, because they are using the software efficiently.

CEOCFO: *Substantial! Are builders coming to you from a different technology that has not worked or are more of them coming from almost no technology and jumping in? What do you find?*
Mr. Gebes: We started this over fifteen years ago. Back then, builders were using some software but it was sophisticated and / or it was poorly optimized. Some of these builders were startups, because that was the hay day of home building, fifteen or sixteen years ago. Now what we are finding is that these builders are coming to us after abandoning software that let them down and they are discovering a very sophisticated solution in BuilderMT that is light years ahead of anything else on the market. The software vendors were not well supported. They do not enhance their software very often. The industry has gone through some dramatic changes because of the housing downturn where some technology companies have come together and been acquired by one company. They are not really advancing their technology that well. Therefore, builders are always trying to find a way to improve the way they run their business. They are aware of that because many of them are now being run or they have new kids that are coming out of universities and colleges that teach construction technology, so they are looking for solutions that can better fit their needs. Therefore, many of our leads and the companies that we talk to are coming off of our competitor systems. However, because of the housing downturn you also have many professionals in the marketplace that were let go by their respective home building companies. You now have a surge of these people coming back into the market and starting up their own homebuilding companies from scratch. Therefore, we are seeing people coming off of QuickBooks™, for instance. They just say, "I have got to get something set up to manage my projects better, so I will come off of QuickBooks." Therefore, we might find twenty to thirty percent of our clients coming off of QuickBooks and the other ones are coming off of competitive systems.

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CEOCFO: *Do many of your clients take advantage of the full range of services, the full range of software? Are there areas that you are surprised that people do not use more?*
Mr. Gebes: They really do not and we really try to educate them the best we can about taking advantage of the full suite of the applications that we offer, not only from us, but also from our strategic technology partners. They end up in kind of the needs and wants. They need to do certain functions. These are their pain points as we call them within their organization. Once they have solved their pain or fulfilled their needs they do not have a tendency to examine the rest of the capabilities of the software, so they kind of say, "Okay, we are fine now." Therefore, our challenge all of the time is to make sure that we introduce other portions of the software to allow them to continue to go down those efficiency gains that we really promote within their processes. The area that I think that they are starting to gravitate to is really the field project management. More and more of the builders are starting to realize that their superintendents and project managers in the field are managing millions of dollars of assets and they need to provide them with the tools to effectively manage those projects. Therefore, we find that our portal technologies are really starting to take off. However, it is a constant effort to educate our builders about them. This way, they would have their construction documents at their fingertips, purchase orders schedules, to be able to collaborate or communicate back and forth between the home office and all the trades and suppliers using these mobile technologies, such as iPads and tablets. The other area is in scheduling. Many of our builders, maybe a third or a little bit more, do not use any type of scheduling other than maybe like Excel, which Excel is not a scheduling system. Therefore, I think that they need to continue to be educated. We have webinars that we hold every spring and fall detailing what other builders are doing. We show builders that their peers are doing this, and they are cutting their cycle time down and they are improving their efficiency. However, you need to be aware of these things, because you could be tapping into this as well.

CEOCFO: *Everyone claims to have easy to use systems and very few actually do. How have you made your offering intuitive?*
Mr. Gebes: That is a tough one. There is a fine line between sophisticated software to do the job and ease of use. You have builders that hire the correct staff, they are focused on improving their operations, they are building hundreds of units a year, they are a multi million dollar operations and they have the right people to implement a system. The BuilderMT WMS system is a sophisticated solution. It is not QuickBooks. Therefore, you need a level of education or knowledge to be able to run it. Now, as far as the ease of use, it is all Windows. It is all mouse driven. It has dashboards. However, one of the things that we spend a considerable amount of time on is what is called our advisory groups. Any client that has our software can be on any of these advisory groups. We have several different ones for different applications or disciplines within the home building operation. They provide us with enhancement and feature function requests. For example, we will get a client that will say, "I need this feature within purchasing," or "I need this feature within scheduling". One of the

big areas where it has happened over the past couple of years has been multi unit scheduling, because of all the multifamily projects that have been being built within the US and Canada. Therefore, we have had to enhance this area. This came directly from our clients and our clients are telling us, "This is how we need the workflow to operate." Part of that is usability. Recently, we have had to go back and rewrite many of our screens and our features and functions within our new builder portal. This is a cloud based application we released in January 2015. On a normal browser it worked fine. However, on an iPad or a tablet it was not initially as easy to use. Therefore, we gathered a group of these clients that said, "We love your product, but it needs to work a little bit more efficiently." Therefore, we formed our tablet usability group and these are clients that are sitting on this. We present to them every two weeks and we show them what we are doing to make the products easier to use. They are the ones that basically tell us what we need to do, approve the design and then fine tune it. Then they are testing it for us. I think when you talk about usability; it is not something that the software development company can do on their own. They have to solicit the clients, the people that are actually going to use the software. We are constantly asking our clients to be involved in these groups. We have these advisory group meetings every quarter for the most part unless we break down into a very focused effort such as the usability on our portal technologies. All in all, I think our clients would say that our products are better than most. However, I think there are improvements that can be done and I think that through the advisory groups we continue to focus in on that continuous improvement.

CEOCFO: *Did you realize in the beginning that if would make sense to have user input or over time?*
Mr. Gebes: We did. We started the company in 1999. We were growing at forty to fifty percent per year. That is because the technologies that were out there at the time were not very user friendly. They were old technologies and they are still out there today, which is amazing. The housing market was just in a huge boom. As the US housing market we were building two million units per year. Well, we know what happened in 2007, 2008, 2009 and we went through a very devastating housing downturn. Within the company, we had at that time, twelve developers. We had fifty four employees. Within eighteen months I had to scale back to three developers and sixteen employees. We had huge cutbacks. At the time we were a privately held company. Therefore, we struggled but we survived. We quickly learned that all of the software that we were developing pretty much could have been thrown out. That was because we did not have a focus. We did not have a good leader at the time in the development group. Therefore, what we needed to do was take a step back and then we started realizing, "Why are we doing this in a vacuum?" At that time we had over seven hundred clients using our software in three countries. We should tap into these clients and figure out what their needs are! Therefore, we formed the advisory groups. In the beginning they were still a little rough. My partner Grahame Price brought in technologies to project manage these groups and took the leadership role within development and we became an "Agile Scrum" software company. We have an internal project management system that we track all of the requests that the clients put in via our customer service website. We talk about them in these group meetings. We are much more organized than we were back in the day and because of that we did have an epiphany of sorts and the software had to be created for our users. That was a significant change that we made in about 2010 or 2011. We started seeing dramatic results from that. The clients were saying, "Wow! We are being able to put in requests and you guys will actually come out with these enhancements! We are not used to that. We never heard from our old software company. We would ask for things and never even see them," and things of that nature. Therefore, it was a dramatic shift in our company and obviously we are better for it.

CEOCFO: *What is ahead for BuilderMT?*
Mr. Gebes: In April of this past year we were acquired by MiTek. MiTek is a Berkshire Hathaway company. If you have known anything about Berkshire Hathaway and Warren Buffet, he buys successful companies and lets them continue to run on their own. We are truly excited about this acquisition. MiTek is a company that started out in the manufacturing arena for residential components such as connector plate's, panel systems, roof trusses and things of that nature. For years they were just into manufacturing. Now, they have been starting to acquire technology companies. We are thrilled to be part of that group, because we see where MiTek is going to completely revolutionize supply chains from the manufacturer to the supplier to the trade contractor to the builder and eventually to the homeowner. They have the financial wherewithal and they have the backing of Berkshire Hathaway. This is something that Warren Buffet was very high on during the housing downturn. It was to be involved with residential construction and the technology, because he really believed that this is an area that he personally, and his companies, could make some major strides in. We are having technology summits with MiTek and our goals are to be the company that is going to make the most impact in residential construction for years to come. BuilderMT is thrilled to be part of this and make things happen. Therefore, keep an eye out on us, because in residential construction I think MiTek is going to make some major inroads and some really very powerful technology tools as well as continue to improve the way that builders build.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

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