



MASS CUSTOMIZERS: Robert Kleiman (above, left) and Mark Shapiro (above, right) of Structure Development have created a unique home building niche based on the concept of predictability.

NO SURPRISES: Although Structure will build nearly any home design (such as the one at left), it has eliminated sticker shock for its clients by creating a database with every possible home feature priced to the dollar.

HYBRID BUILDER

Halfway House

This California builder stakes a claim midway between custom and production home building by using the best elements of both. **BY CHARLES WARDELL**

WHAT WOULD YOU GET IF YOU could blend the consistency and control of a production home building operation with the flexibility and customer focus of a custom builder? Structure Development Group in Woodland Hills, Calif., claims to have done just that—and, like any true innovator, it has succeeded in carving a new market niche. Its hybrid business model is not quite custom and not quite production. But it's custom enough to make clients feel like they've designed their own home and production enough to eliminate most surprises.

The company offers a menu of standard designs, but allows what seems to clients

like unlimited customization, including the ability to change floor plans and elevations. Its design process ensures that everyone knows exactly how much each piece of the house will cost. This has fueled demand for new homes among people who normally wouldn't have wanted one. As a result, the company says it will face practically no competition for the 21 homes it will build this year.

UNFORESEEN TURNS

Structure Development founders Mark Shapiro and Robert Kleiman worked for The Braemar Group, a Los Angeles-area production builder, for over 12 years. When

they first teamed up to start their own business in 1996, they took on a variety of projects, from mid-rise apartment buildings to one-of-a-kind luxury homes. The process of building them was less efficient than they were used to. "We had to reinvent the wheel on every job," recalls Shapiro. "There were enormous amounts of management experience specific to each project that couldn't get used again." Then they switched to building spec houses on infill lots. Because most lots in their area are 50 feet wide by 150 to 200 feet deep, they were able to develop a standard house that they could replicate on any lot. That put them back on familiar ground.

(see page 78)



THE PAYOFF: Structure's system means that the \$700,000 to \$800,000 homes it builds can be customized as much as clients want.

But not for long. Opportunity soon came knocking in the form of a young couple who had outgrown their home but didn't want to move. They had considered adding on, but they liked Structure's designs enough that they were willing to tear down their existing home and start over. Other families followed. The advantages of working for such people was that the company no longer had to buy land and could earn fees as it went through a project, rather than waiting until after the sale. The tradeoff was that these people wanted a lot of say in what kind of house got built for them. After all, it was their lot.

TAKING CONTROL

Kleiman and Shapiro decided that if they were going to build custom homes, they would do it on their terms. "We wanted to eliminate surprises," says Shapiro, "so we decided to apply the systems of a production builder to custom home building."

Those systems start with the process of designing and pricing a home. In a typical custom project, the client hires an architect to create a design and then puts the design out to bid. The result is often sticker shock, with bids coming in much higher than expected.

By contrast, Structure's staff has relentlessly priced every possible feature that might go into a home and put all of the numbers into a database. Clients "assemble" their homes from a portfolio of carefully priced elements—sort of like going online and customizing a computer. Costs for appliances and finishes are organized into three levels: classic, select, and limited (a classic range might be a GE Profile, while a limited one might be a Viking), and clients immediately know what each choice will cost them. If they exceed their budget, they



can go back and quickly make changes. In the case of allowances, the system automatically adds a factor for extras. For example, when clients walk the house before the electrical rough-in, they almost always add lights, outlets, and other fixtures. "So we add a line item to the budget in anticipation," says Kleiman.

They also try to make the experience consistent from house to house for everyone involved. They drew on their years of experience with Braemar to identify every action required of themselves, their clients, and their subs, including the "hundreds of steps" needed to get from the first client meeting to an approved set of plans and a construction schedule with about 100 milestones. "We took the process of getting to the finish line and articulated it to the nth detail," says Shapiro. "We put those details in a critical path schedule for every project."

One thing that makes this consistency possible is that Structure controls the process from start to finish. And its longstanding subcontractors and vendors know how the company works, including an architect who does most of his work for Structure. "By using consultants and subs that perform to our standards, we make the client's experience more predictable. Predictable is the key to the whole business plan," says Kleiman.

The company's time and cost projections have become accurate enough that it can even offer a fixed price for unique projects. While most clients start with Structure's in-

ventory of plans and change the look or layout, others actually work with Structure's architect to design a home from scratch. Either way, clients are involved in all decisions, as on any custom home project. "They really expect to get what they want, and they're involved in every decision about their new home," says Kleiman.

That involvement is the foundation of Structure's marketing program. The company gets nearly all its work from customer referrals, and it brings all potential clients on tours of completed, and occupied, homes. This, of course, means the owners have to cooperate. "Every house we build is a model home, so we're extremely motivated to take good care of our customers," says Shapiro. It seems to be working: Volume jumped from 15 homes two years ago to 21 homes this year, and the pair attribute almost all of the increase to word of mouth.

Kleiman and Shapiro are so confident in their business model that they now want to replicate it in other markets. The possibilities include offering franchises to other builders, but they're not yet ready to talk further about their plans. If past experience is any guide, however, the result will be one that eliminates surprises for themselves and their business partners. **B**

GOT A GROUNDBREAKING IDEA?

E-MAIL DENISE DERSIN AT:
ddersin@hanleywood.com