

Jerry Howard: Welcome to Housing Developments. I'm Jerry Howard.

Jim Tobin: I'm Jim Tobin. Hey, Jerry. How're you doing?

Jerry Howard: I'm doing okay, Jim. How are you after spending 10 days in Orlando? You have had some time to recover now.

Jim Tobin: It's good to be back. It's good to hear the [inaudible] of how great a show it was, and already accelerating, into next year, in IBS 2023 in Las Vegas.

Jerry Howard: Yeah. I hear you on that, and we've got a ways to go before we get there. What's catching your eye at the moment?

Jim Tobin: Recording this, what? 48 hours into what has become the largest land war in Europe since World War II. Vladimir Putin and the Russian army have invaded Ukraine. I know you've been following this closely. Give us your take on what the heck's going on.

Jerry Howard: I think, we don't know what the impact's going to be on our economy or housing, Jim. I had a very interesting, albeit short, conversation with our economist, Rob Dietz, today. Rob and his team are going to start looking at what impacts wars of various sizes have put on housing. Are we going to need to shift our manufacturing into the manufacturer of war materials? Will we be called upon to feed Europe? Given the fact that the Ukraine, which is known as the bread basket of Europe, may not be producing food at the rate it has in the past? Will we have to fill that void? Will our supply chain issues be able to be recovered depending on what we do need to manufacture/produce and where we need to ship it? What does this do to housing demand? All kinds of questions that, thank God, we haven't had to answer in my lifetime before, but we may have to now

Jim Tobin: I agree with you. It's uncharted territory, certainly in my lifetime. Thanks for the snapshot. I look forward to digging deeper on it. But before we welcome our guest, I want make sure we give a nod to our sponsor, Wells Fargo Home Mortgage, once again. A great partner for the podcast, a great partner of NAHB. Jerry, as always say, we encourage our members to do business with Wells Fargo.

Jerry Howard: Yeah, Jim. Let's bring in our guest at this point in time. We're happy to have with us Phil Worland, the co-founder and EVP for Cecilian Partners. He's got a decade of experience, or more, from Accenture's Strategy practice and has been advising Fortune 500 companies on growth and strategy throughout his career. He's a real pioneer in some of the human centered and design, combining both strategy rigor with design creativity. Real cutting edge stuff that's just now really coming into the real estate sector. Phil, welcome to our show.

Phil Worland: Thanks very much. Excited to be here.

Jerry Howard: Phil, you worked with our past podcast guest, Alaina Money-Garman, on the American at home study and the Barnaby concept home. Tell us what you did there, and tell us about that project.

Phil Worland: Yeah. Yeah, Jerry. Thanks. Pretty exciting thing. It actually evolved, organically, in a couple of stages. In order to get there, we got to go back. It seems wild that 2020 was two years ago, but in 2020, a survey led by Teri Slavik-Tsuyuki and Dahlin Architecture primarily focused on how people's preferences around where they live were changing, given everything that was going on with COVID. As we went through the survey process, we were starting to generate lots of unique insights about what people were looking for in a home. [Elena] was involved, and her whole thesis was, "Hey, why don't we take those learnings and make it real by building a house?" Which I thought was amazing. Then we got involved, as we were thinking about, "Okay. Elena's going to build the house. It's going to be informed by all these learnings."

One of the things we were also learning at the same time was how quickly things were shifting from physical to digital. As a company, Cecilian Partners is focused on customer experience within home building and community creation, and how digital technology moves that forward. And so, we came on as part of the team that was going to tell that story of that house in a digital way and give people a totally different way to experience it. That project went from early 2020 all the way through into 2021, and it's been a real success. I think we've learned some really interesting things around: What are people looking for in a house? How are they thinking about the house becoming their retreat, right? That study was done in the middle of lockdowns and quarantines, and people were spending lots of time in their house. They weren't sure if they could have people over.

I think what Teri, and the Dahlin team and Elena, did a brilliant job of was synthesizing these insights around people's uncertainty, around their need for security, around their need for adaptability in the home, and then building that into a design of a home that's remarkably adaptable. That makes great use of space. Takes into account how people are using their homes. Homeschooling in some cases, when kids aren't in school. Home office. Lots of kitchen space. Indoor/outdoor malleability. Then I think what we did really effectively, that was different and pretty neat for Garman, was we told that story in a digital way. You don't have to go to Chatham Park in North Carolina to see the concept home.

You can go right to the concept home website and actually see how this house comes together, see how it can be changed, see how it's flexible, and why it was built the way it was built. That's enabled us to have a much greater impact, I think, than just a model home in one spot. It's become a national thing. 35,000 people have seen it online. It's really, I think, expanded the impact, and also demonstrated a little bit how you can tell stories about a place and a home in a digital way that's almost as effective as being there.

Jim Tobin: As you went through the pandemic, with the research and analytics, what did you find changed through the course of the project, or was it constant all the way through?

Phil Worland: Yeah. There's a great stat that [McKinsey] did in the middle of 2020. We had 10 years of growth in adoption of e-commerce in three months in 2020. If you look at the growth rates and how quick people were to start doing things online that they were doing in person before. What it really emphasized to me, and I think some of this in home building is a little bit tough to parse. We don't want to get too far ahead of ourselves, in that everyone's going to buy homes digitally and never come see anything, because I just don't think that that's true. But, what was remarkable to us was seeing the level of engagement that everybody...

It doesn't matter. Demographically, this is not that differentiated. Baby Boomers are doing things largely the same as Gen X, largely the same as Millennials. Who knows what Gen Y is doing? But broadly, there's not much differentiation in terms of: Everyone wants to go see something digitally online first and be able to have transparency to the most important elements of the information they're trying to get.

I think, for me, what it emphasized, and I think what we saw, was for home builders and community developers especially, there's an imperative around meeting the needs of consumers with the design and the build and the actual execution of the house. But just as importantly, everyone is starting that journey online today. If you're not telling a compelling story that's getting people interested in what you're doing, and then setting the stage for everything that comes afterwards around the awareness and sales process, then you're missing a huge chunk of how people are engaging and you're going to be behind where your competitors are.

Jerry Howard: I have a couple of questions as follow ups, Bill. The first is: As you created this design of this house that is very adaptable to the pandemic and immediate post-pandemic world, did you also try to anticipate what if the changes that have resulted in home usage because of the pandemic? What if it's only a short-term situation and people go back to the other way? Is the house reverse adaptable, if you will?

Phil Worland: Yeah. That's a great question, Jerry. I think that was one of the core things. As we got the insight from the survey and we started trying to translate into design of the house and the experience, the biggest question was: What of this is going to fall away? Because someday, hopefully, we're back in something more resembling previous normal. But it was all about, what do we think is just acceleration of trends that were already happening, and what do we think is going to stick for the long term? Then, how do we make sure that the house is built in a way that is good for that? The other idea that we had is that, "Hey, people aren't static." No matter what's happening with the pandemic, right? People's lives aren't static. A couple moves into the house, they have an infant,

then they have a second kid. Then those kids are in elementary school, then maybe they're in middle school.

People live in houses for a long time and their lives change, and so the design of the house should be adaptable to that. I think, Jerry, a couple of cool examples from the design. Dahlin Architecture did an unbelievable job putting it together. One of the interesting things we decided, and this always gets a reaction in any builder context, there are no closets in the kids' bedrooms. It's just a room; there's no closets. The reason for that was that we wanted those rooms to be adaptable, and you get the full use of the space. In that there's great furniture-based closet stuff for kids, for young children, but what if you don't have kids? Or, what if you want to convert one of those bedrooms into an office? Are you wasting that space with the closet?

It was an intentional decision around making the space as adaptable as possible. Similar concept, guys, with some of the office spaces that were built in. There's some really cool adaptable office spaces, and the whole idea was there's an upstairs office space that can easily be converted into a laundry room. If you don't need the work from home space, make it an upstairs laundry. If you want that office space, use it as an office. I think that every single piece of the design was thought of in that way, that, "Hey, there's maybe a primary use case for this that we were thinking of, but how can we make sure that those rooms are designed in a way, that if someone wants to use it for something else, it can be easily adapted to that?"

Jim Tobin: You're not talking "adaptability". When we think of adaptability, we think about aging in place and things along those lines. You're talking about the younger life cycle of the occupants.

Phil Worland: Yeah. That has some to do with the specific focus of the house. That when we built it, the thought was, "Hey, we're going to take a range of younger people, younger couples that have children or families, up to middle age." That was the idea behind the house, because that had been a specific focus of parts of the study. But I think it was kind of the idea that, "Hey, can we structurally create something in the house?" The story around the house that meets needs, people understand, but is also built in a way that when those needs change or people have different responses to those needs, this house can adapt and be useful for all of those folks.

Jerry Howard: That's very cool. Let me ask another question. For our average builder who builds fewer than 10 homes a year to work with this technology, what's the return on investment? I mean, it seems like this is applicable to maybe some of the bigger firms, but explain to our listeners how a small business person can use this and make it worth his while.

Phil Worland: Yeah. Well, let me answer that in two parts, Jerry, because I think there's two things that we're talking about. One is the concepts around home design that

came out of the study. The other is the specific technology stuff that we did. On the first one, I think some of these concepts are relevant no matter how many homes you buy, right? As you go through the design process, you're trying to create a home for somebody. And so some of these things, depending on how custom you are versus how much you're doing repeated four floor plans, these are things that I think every builder can learn from, understand what their customers are looking for, and then apply. None of this is overly complex. None of it is requiring crazy technology investments and manufacturing. It was none of that stuff. It was more about trying to figure out what the modern customer really wants in a house, and how can we design something that's adaptable to those different variations?

Jerry, on the other side of the technology, I think... I would think about it in two ways, because I think you're bringing up a good point of like, "Hey, if I build 10 houses a year, am I really in the market for spending a fair amount of money on a digital representation or storytelling aspect of a home?" I think the answer is probably that that instinct is right on that. It's like, "Hey, if that's the scale and the size of what I'm doing." Those sales are probably being generated outside of a big investment in showing a sweet 3D model that scrolls and shows different configurations of the house. The counter to that is that: Even if you just sell 10 homes, way more folks are looking at your digital presence. And so, having a digital presence that is effective at giving those people some idea of what you do, the values you represent as an organization, and acting as an effective sales funnel generator for you as a builder of that size is an imperative. There's just no other.

If the local dog food store can have a good website that allows you to schedule delivery, you, as a builder, can have a website that communicates your values. I think that's one of the big things, as I've seen smaller builders... One of the great things about smaller builders is that there is a real value, right? If you build 10 houses a year, the guy whose name is on the door is probably helping build those houses. That's because he believes in the importance of building home and delivering a great customer experience, and that should come through in the website and how you digitally engage with folks around showing some of the things that you've done, being clear with what you represent as an organization. Jerry, you alluded to it a little bit earlier in the podcast, that home building is a little bit behind. I use "a little bit" in a generous way on the technology front.

Of course, the bigger scale guys are going to be where you get some of the initial returns. But ultimately I think one of the beauties of how technology and data exist today is that it's really scalable down to smaller folks. And so, I think we'll see that more and more as we move forward, that it gets cheaper and cheaper to do innovative stuff online. It's a great way for a small home builder, who maybe doesn't have a dedicated sales team, to get that message out. It becomes a very effective way for customers to engage at the top level of the funnel, and then come in and actually end up buying a house.

Jim Tobin: Phil, you were presenter at IBS. A couple questions. What was your experience at IBS? Jerry and I were there, as you know, and obviously, the energy was great. But as a presenter, I'd be curious what your audience looked like. We talk a lot about technology. I automatically default to the younger generation of builders out there. What was your experience at IBS?

Phil Worland: It was great. It was actually the first time I've attended IBS. I have historically been very involved with Urban Land Institute and ULI stuff, but it was my first time at IBS. I will tell you, it is a genuinely huge, awesome event. The two halls. It was great. I mean, part of it was cool to see people back in person again, right? Being able to speak and feel relatively normal. The scale of the booths and the information being presented was awesome. So many different sessions focused on so many different parts. There was great energy, like you said, to the conference. It's interesting. In the session, you asked about our audience. It was a good cross section of, I think, builders, designers, construction folks, and a few marketing, branding, and strategy people focused on what are consumers wanting. I think we probably had probably 50 people in the session.

I will say, when the Dahlin folks talked about not having any closets, there was an audible gasp, and there were three separate questions about the closet issue, which I find hilarious every time that we go through that. But I think people are hungry to learn, right? I think the market is in such a unique position, where people are almost selling whatever they can produce as soon as they can produce it, but everybody knows that's not a forever condition of the housing market. And so, trying to understand: What does the future look like? How should we be thinking about evolving design? Ultimately, I think everybody within this industry cares about some of the great challenges that we have around housing attainability and what that looks like moving forward. And so, trying to understand what is the leading perspective on what that looks like, and where are we seeing that brought to life in the industry? I think that's where people were pretty excited about the session.

Jerry Howard: That's terrific, Phil. I have one last question for you, and I'm going to try and get some of our members some free advice. You've being given advice to some of the biggest, most successful corporate heads in America, so now give it to some of us. Tell us, where do you see technology and housing are going in the future? Where do we go from here?

Phil Worland: Yeah. That's a great question, Jerry. I'm not sure how much of an Oracle I am, but I will share a little perspective. One thing that I think is a misnomer or a misperception in our industry, and this happens to everybody who's a little bit behind the curve and trying to catch up or emulate other industries, is we get distracted by shiny toys. The example I would give is, I saw a post earlier today by one of my former colleagues at Accenture about how the Metaverse was going to transform banking. The example he gave was how cool it would be if you could enter your virtual pin in a virtual ATM machine and get virtual cash out in the Metaverse. I was like, "Ah, not cool at all." I actually don't like that. I

don't like that in the real world, and I've been trying to get away from that in the real world. That doesn't solve any problems for me.

It's like, "Man, what would be great about the Metaverse is if we could start sending faxes, virtual faxes." It's like, "I don't want to send virtual faxes." The relation back to home building that I take is that I think we get overly focused on, "Oh, I'm going to do VR," or, "I'm going to create great renderings that people can come in and do things." Or, I hear this narrative of, "We want to be the Tesla of home buying." We focus on the superficial aspects of that, whether it's video or configurators or whatever that is. We don't focus on the real, most important parts of technology, which is about making the process as frictionless and simple for consumers to navigate as possible. You can have the most beautiful renderings in the world, but if it takes you four weeks to tell a consumer that what they selected is available and guaranteed for them, and then it takes you a year and a half to deliver it, that's really where things start to fall down.

I think where you've seen in the broader real estate market technology have the great impact is when you're using technology to solve real customer pain points that are making people less likely to buy or less capable of buying. I spent a lot of time walking around the technology section of IBS, and the thing that I noticed was it's like... If I was a builder, I'd be like, "What is happening?" There's so many different solutions. There's so many different attempts to solve things. Some of them are 30 years old and they've been updated for today. Some of them hit everything. Some of them are for supply chain. Some of them are for project management. Some of them are maps, right? There's a lot of different solutions out there. Where we've seen a lot of success, especially with developers, is around this laser focus on, "What are the customer pain points? How can we deploy technology and change how you do business in order to make those customer pain points less painful?"

I think that's the focus that I would have as a builder. Is, where are customers really unhappy with this process? Or, where are people ejecting themselves from the funnel, because they're just like, "I can't. It's too complicated, I can't do it anymore." How do we address those head on? Probably through using technology to make ourselves more efficient and more responsive versus "the next big thing". For our builder listeners, the thing that should always be out there when you're thinking about technology is, "What customer pain point is this really solving for us?" And, "What are the implications, then, of how I have to operate?" I think there is, again, a little bit of a misconception with digital technology, that it makes you more impersonal. I've heard lots of folks say like, "Well, hey. I'm not sure about tech, because we really make our money through the personal interactions." Right? Getting people in to do the sales. "Once we get them in, then we got them."

Being the real technology frontier is so important. That data used in the right way makes your sales people better. It makes customers feel more confident

about what they're going through. It enables you to be more transparent at every step of the process with those customers in a way that's highly personalized, and that personalization often is delivered by real people with those tools being given to them. I think that's a very important piece of what everybody is learning in this transition driven by COVID and this rapid digitalization of interactions. That you have to be great at digital interactions, but you also have to be great at the in-person interactions when it comes time to do that. No matter how good you are at digital, if you drop the ball in person, that's a disaster all the way around.

Jerry Howard: Phil, this has been incredibly interesting. I think you've giving our members and listeners a great deal to think about. We're going to tell them in advance that they'll be able to reach you again. If not before, certainly at next years IBS.

Phil Worland: Awesome.

Jerry Howard: If you thought this one was big, bold, and beautiful, just wait till next year. Thanks for taking the time to come to IBS. Thanks for taking the time with us today, and we look forward to working with you, and our members working with you, going forward.

Phil Worland: Jerry and Jim, I really appreciate the time. Thanks very much.

Jim Tobin: Thank you.

Phil Worland: I'm excited for next year's IBS.

Jerry Howard: Man, Jim. Phil certainly brings some new ideas and really advanced thinking to his products and what he believes he can do for our members. It's very impressive.

Jim Tobin: Yeah. That is the way with the future, as he said, and I certainly encourage all our members to embrace it and keep moving forward with their businesses and selling homes.

Jerry Howard: With that, let me once again echo your remarks earlier. Thanking Wells Fargo Home Mortgage for their sponsorship. Let me also encourage all of our listeners. If you listen to the show and like our show, please go online, rate us/rank us. Let people know what you think of the content that Jim and I try to provide each week. With that, I'll simply say, thanks for listening. God bless America.