

# A PICTURE IS WORTH A THOUSAND NUMBERS

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Presented by:

EMMA S. SHINN

Lee Evans Group / Shinn Consulting

[www.leeevansgroup.com](http://www.leeevansgroup.com)

# Lots of numbers

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- Why so many?
- What do they mean?
- What are they telling me?
- Should I even bother?
- Is it even my job to know all the numbers?
- Could they help me be a better manager?
- It got to be EASIER!

# Organization

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- How they are organized will make a difference
- The accuracy and trustworthiness of the numbers will make a difference
- The structure will make a difference
- The source will make a difference

# Simplification

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- Make it simple
- Make it standard
- Make it consistent
- Make it reliable
- Make it timely
- Make someone accountable

# Structure

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- Follow the NAHB Chart of Accounts
  - Revenues
  - Lot cost
  - Direct cost
  - Indirect construction cost
  - Financing expenses
  - Sales and marketing expenses
  - General and administrative expenses

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- For cost variances
    - Set up a standard list of reasons
  
  - For schedule variances
    - Set up a standard list of reasons
  
  - For warranty expenses
    - Set up a standard list of reasons

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- For sales traffic
    - Define a unit of traffic
  - For sales contracts
    - Define execution
  - For contract cancellations
    - Set up a standard list of reasons

# Key numbers

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- Gross Profit – first line of defense
  - Sales – lot cost – direct construction cost
    - By unit
    - By month
    - By plan / model
    - By community

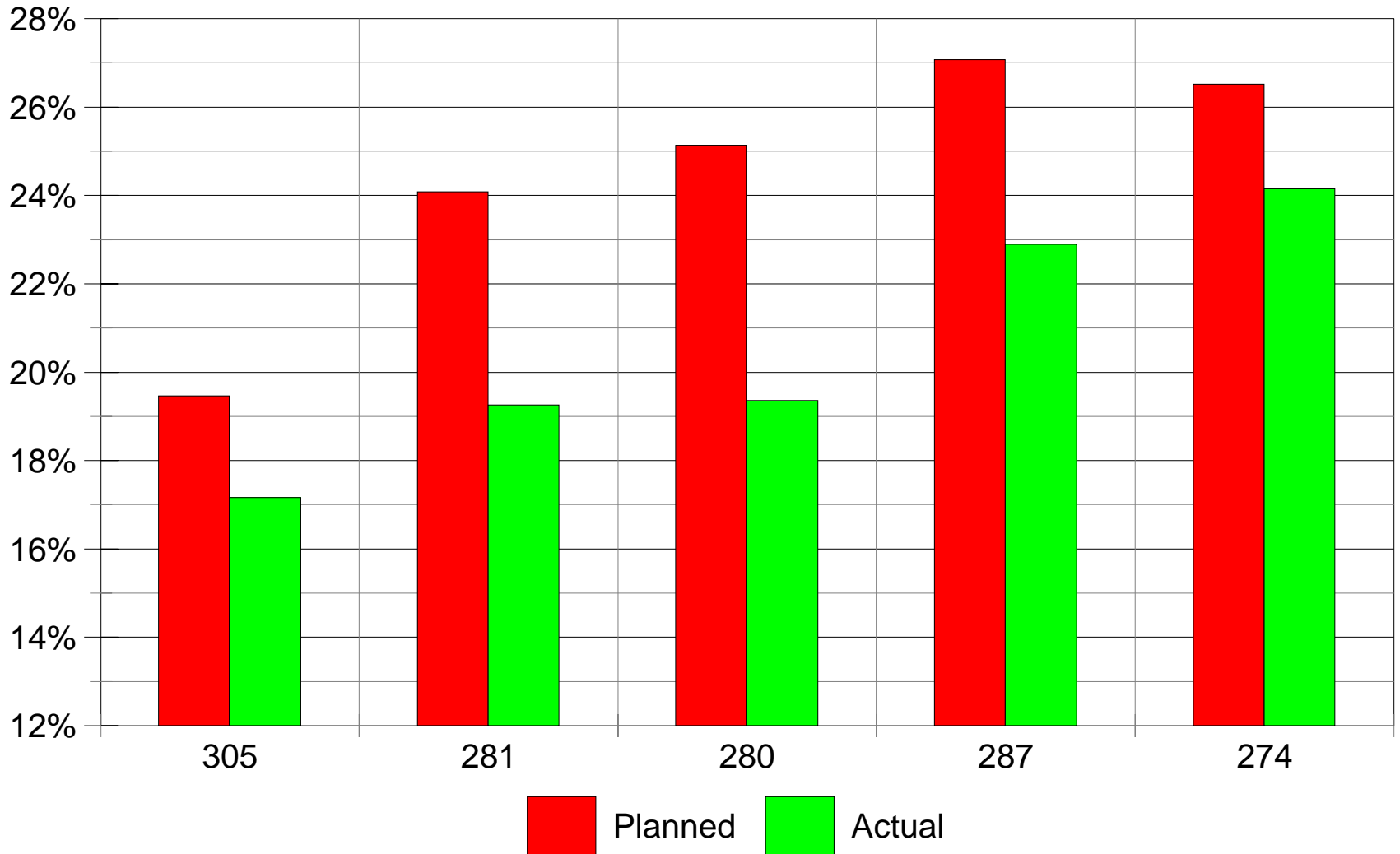


**STAR BUILDER CUSTOM HOMES**

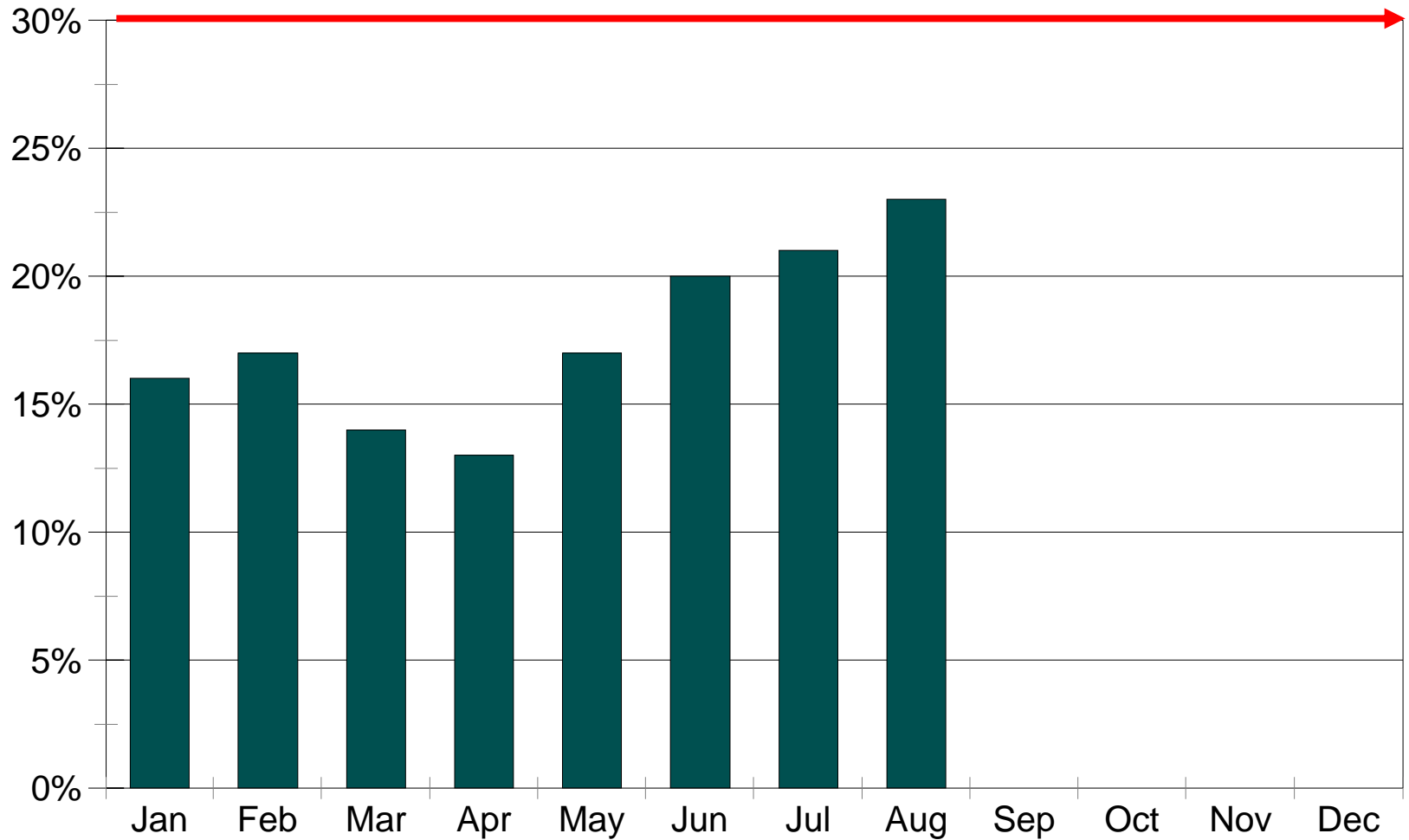
September 30, 2006

	305		281		280		287		274	
Sales	\$365,000	100.00%	\$199,500	100.00%	\$382,643	100.00%	\$379,000	100.00%	\$449,900	100.00%
Land	\$56,000	15.34%	\$26,000	13.03%	\$56,403	14.74%	\$40,122	10.59%	\$69,000	15.34%
Direct Cost	\$277,011	75.89%	\$152,082	76.23%	\$279,729	73.10%	\$280,338	73.97%	\$311,674	69.28%
Total Cost	\$333,011	91.24%	\$178,082	89.26%	\$336,132	87.84%	\$320,460	84.55%	\$380,674	84.61%
Gross Profit	\$31,989	8.76%	\$21,418	10.74%	\$46,511	12.16%	\$58,540	15.45%	\$69,226	15.39%
Operating Expenses:										
Warranty		0.00%	\$1,950	0.98%	\$3,814	1.00%		0.00%	\$4,499	1.00%
HOA	\$246	0.07%	\$29	0.01%	\$9	0.00%	\$41	0.01%	\$1,490	0.33%
Commissions	\$18,725	5.13%	\$9,261	4.64%	\$17,165	4.49%	\$23,243	6.13%	\$22,495	5.00%
Loan Origination		0.00%		0.00%	\$2,850	0.74%		0.00%	\$1,750	0.39%
Loan Discount		0.00%	\$6,500	3.26%		0.00%		0.00%		0.00%
Closing Cost	\$2,886	0.79%	\$554	0.28%	\$1,041	0.27%	\$3,391	0.89%	\$4,275	0.95%
Interim Interest	\$7,735	2.12%		0.00%	\$5,786	1.51%		0.00%	\$7,600	1.69%
Builder's Risk	\$510	0.14%	\$319	0.16%	\$164	0.04%	\$474	0.13%	\$473	0.11%
Property Taxes	\$388	0.11%	\$340	0.17%	\$545	0.14%	\$1,086	0.29%	\$1,324	0.29%
Sales Tax	\$163	0.04%		0.00%		0.00%		0.00%		0.00%
	\$30,653	8.40%	\$17,003	8.52%	\$27,560	7.20%	\$28,235	7.45%	\$39,407	8.76%
True Direct Cost	\$246,358	67.50%	\$135,079	67.71%	\$252,169	65.90%	\$252,103	66.52%	\$272,267	60.52%
True Gross Profit	\$62,642	17.16%	\$38,421	19.26%	\$74,071	19.36%	\$86,775	22.90%	\$108,633	24.15%
Planned Gross Profit	\$71,040	19.46%	\$48,042	24.08%	\$96,199	25.14%	\$102,598	27.07%	\$119,310	26.52%

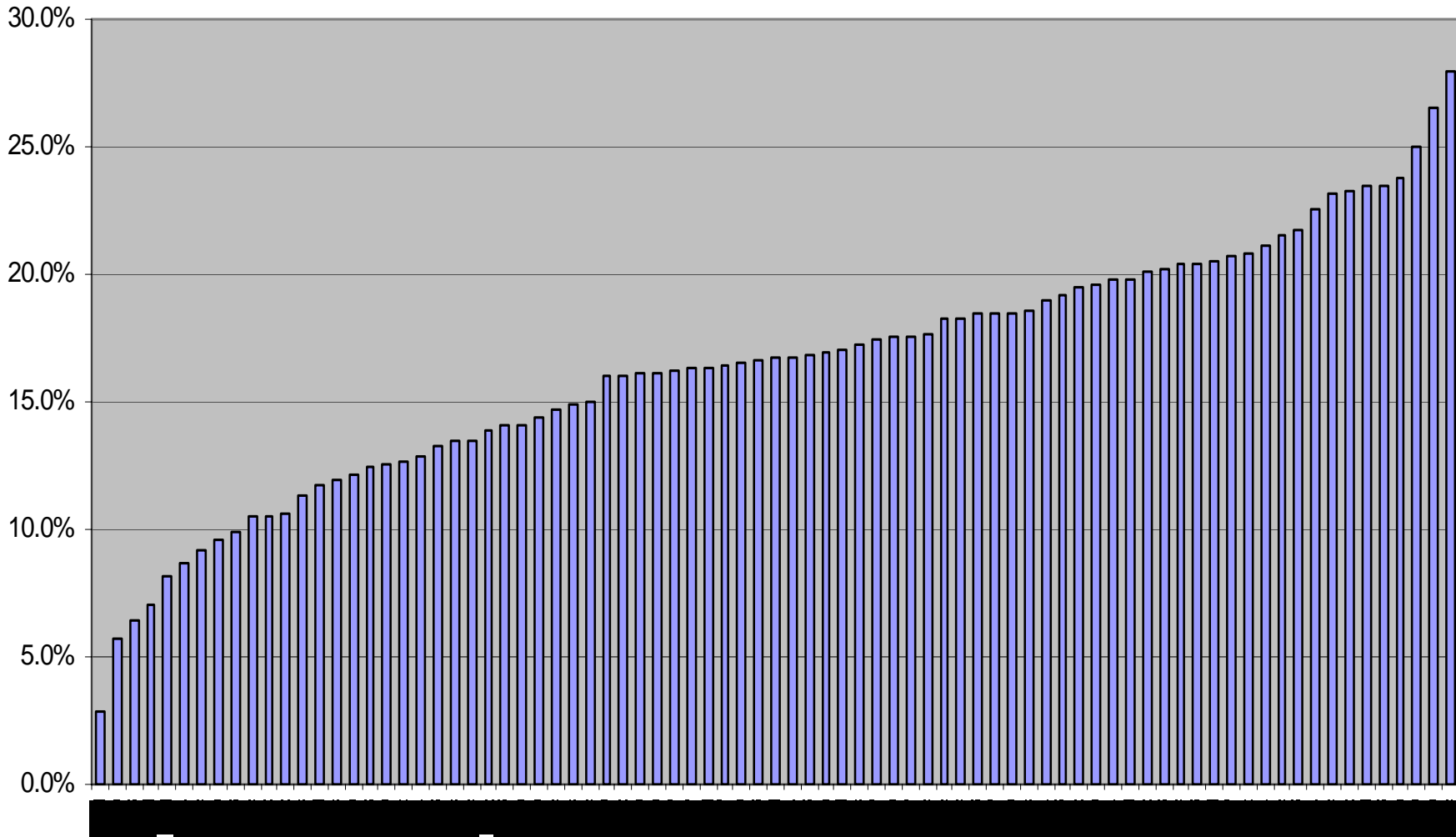
# GROSS PROFIT PER UNIT



# GROSS PROFIT

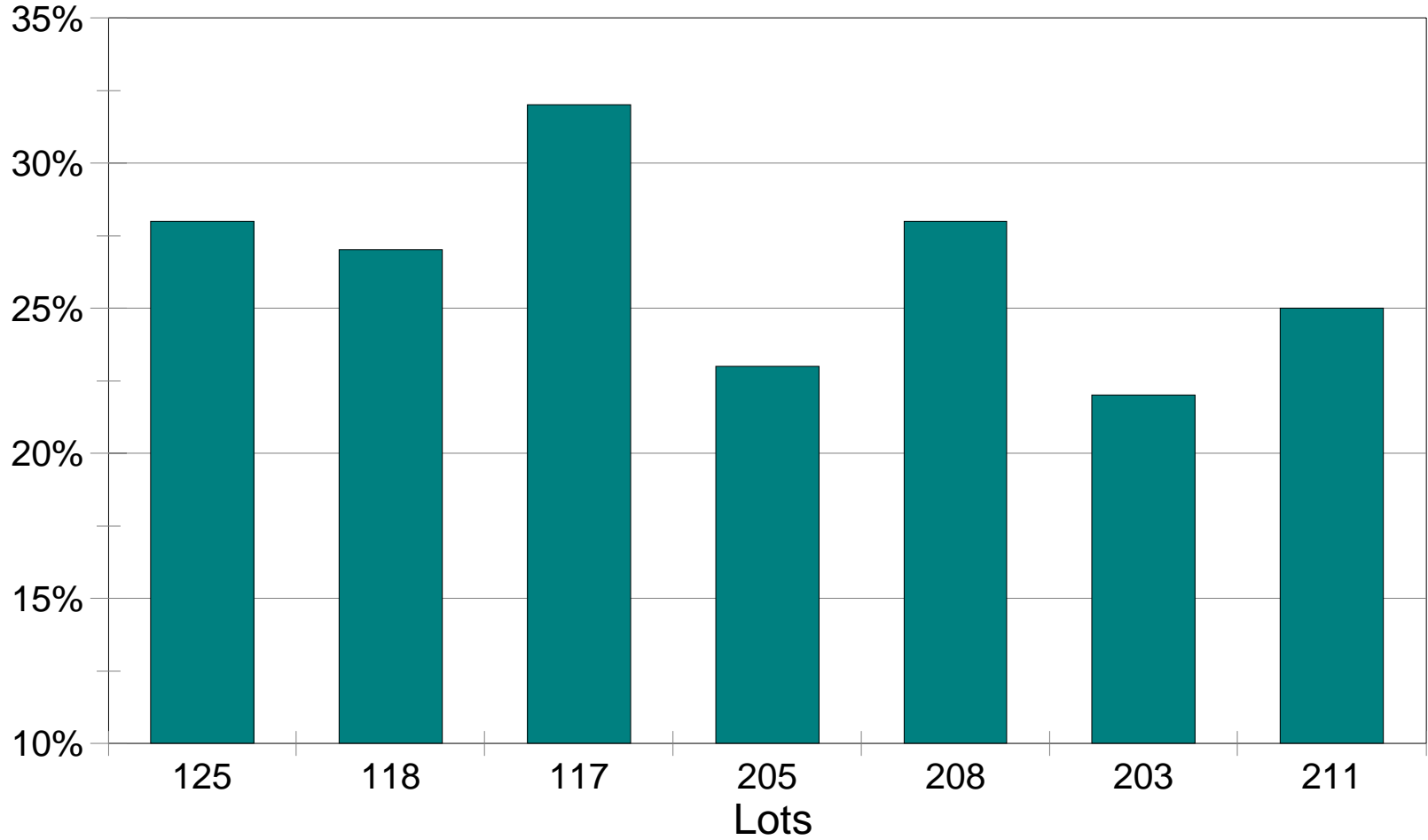


# Gross Profit per Plan



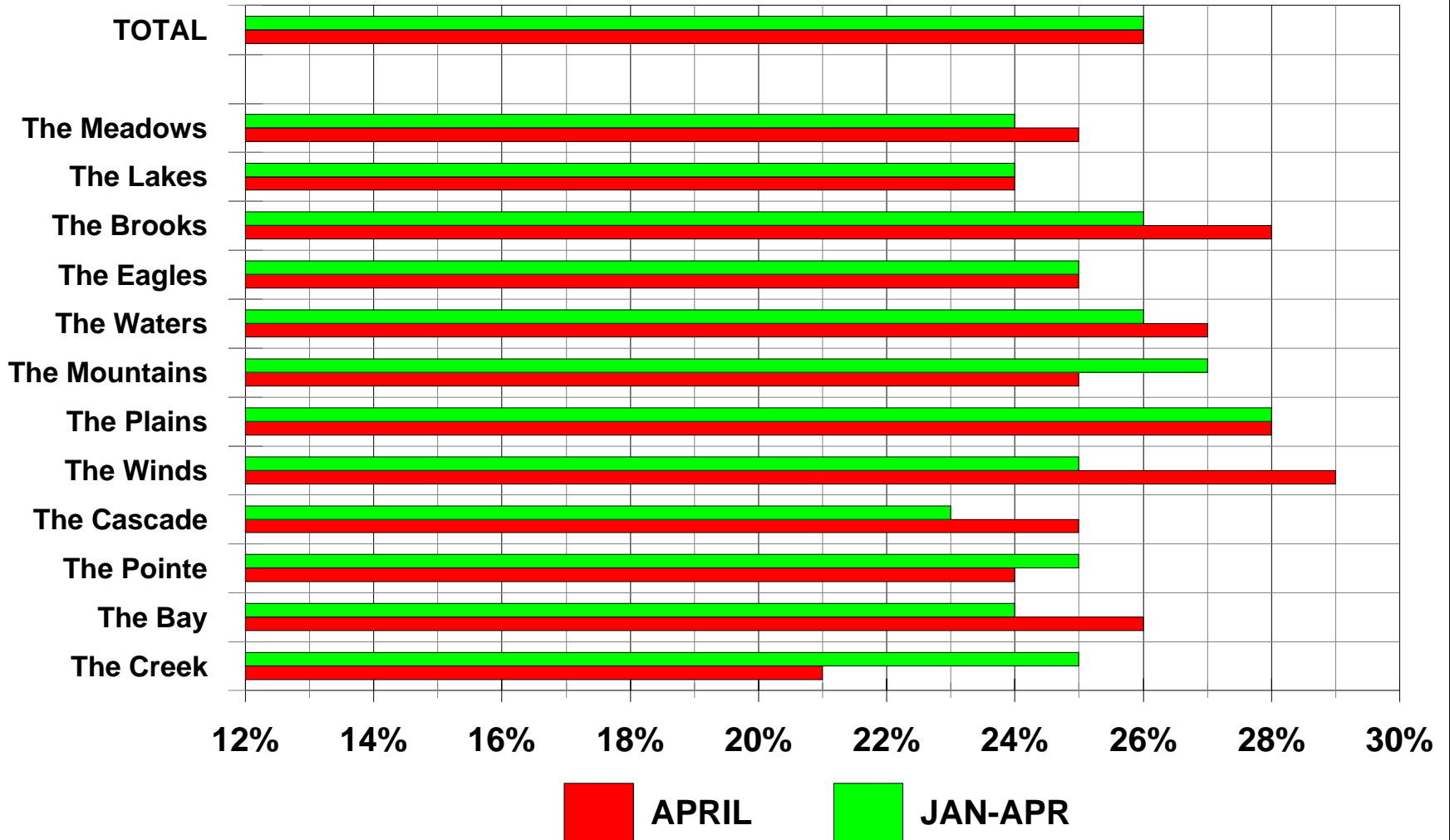
# Gross Profit

Plan 1875



# GROSS PROFIT ANALYSIS

January - April

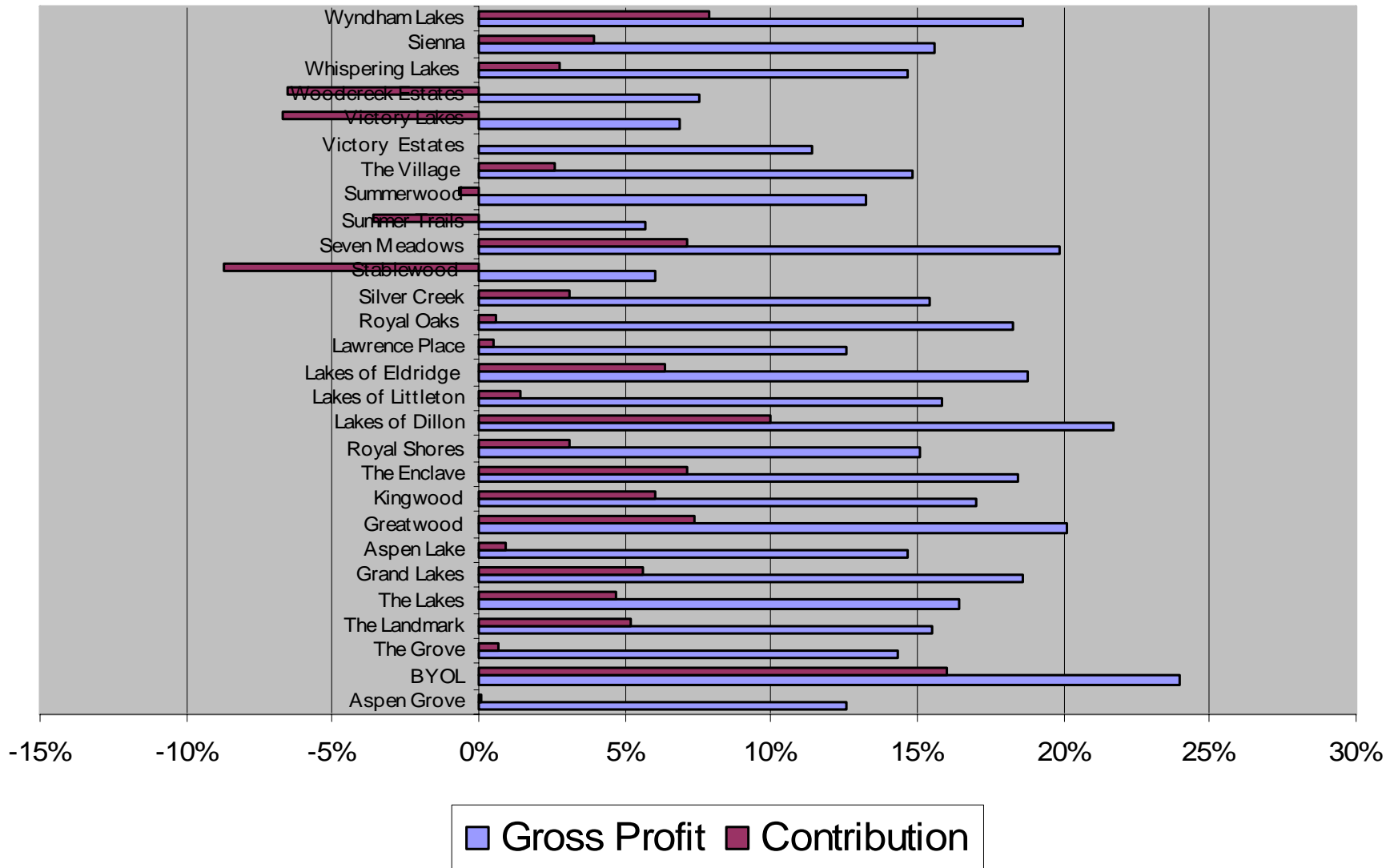


# Key numbers

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- Contribution margin by community
  - Gross Profit
  - Fixed costs of running the community
    - Models
    - Superintendents, laborers, punch out
    - Construction trailers, etc., etc.
  - Variable costs of the community
    - Sales commissions
    - Construction financing

# Communities - 2005



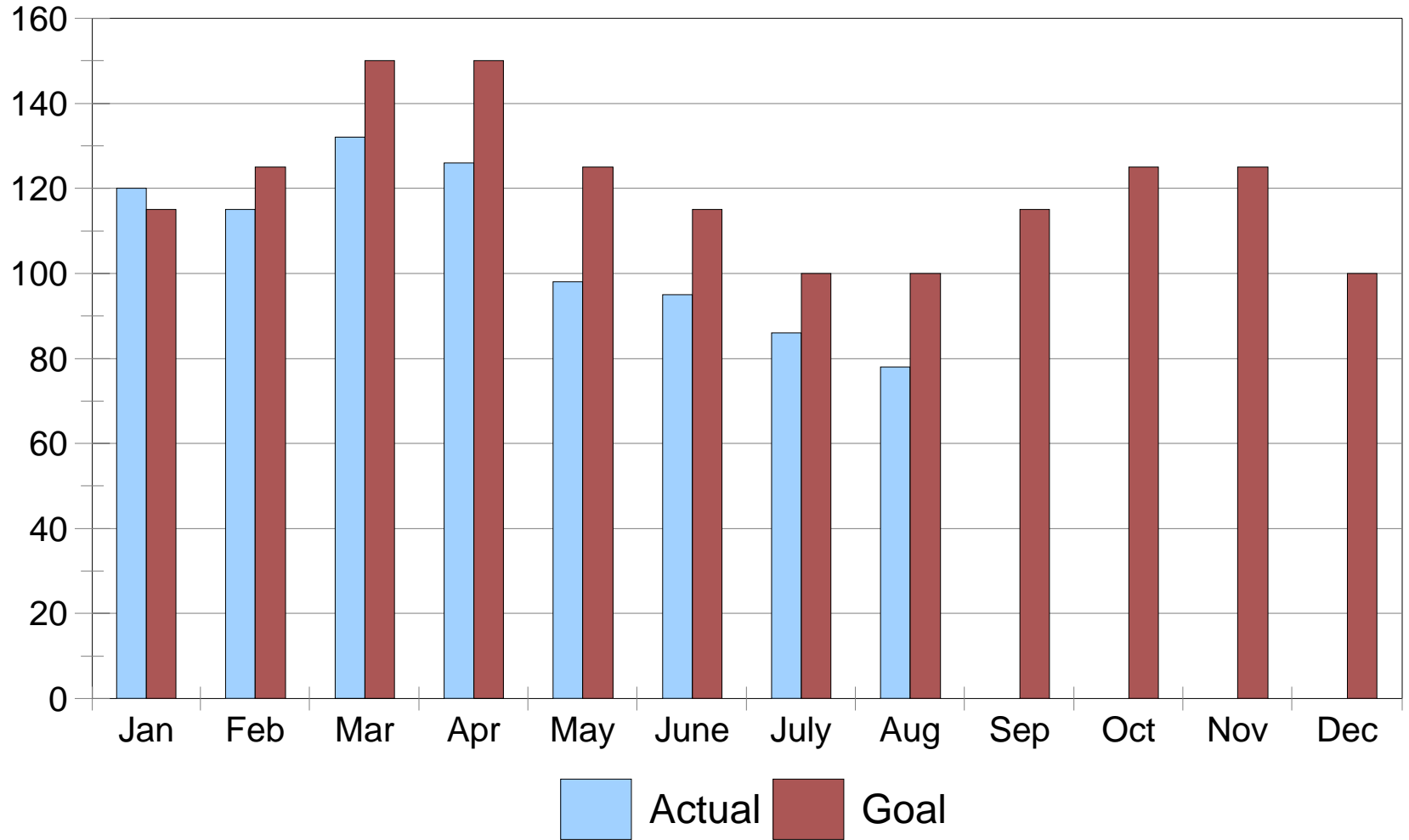


# Key numbers

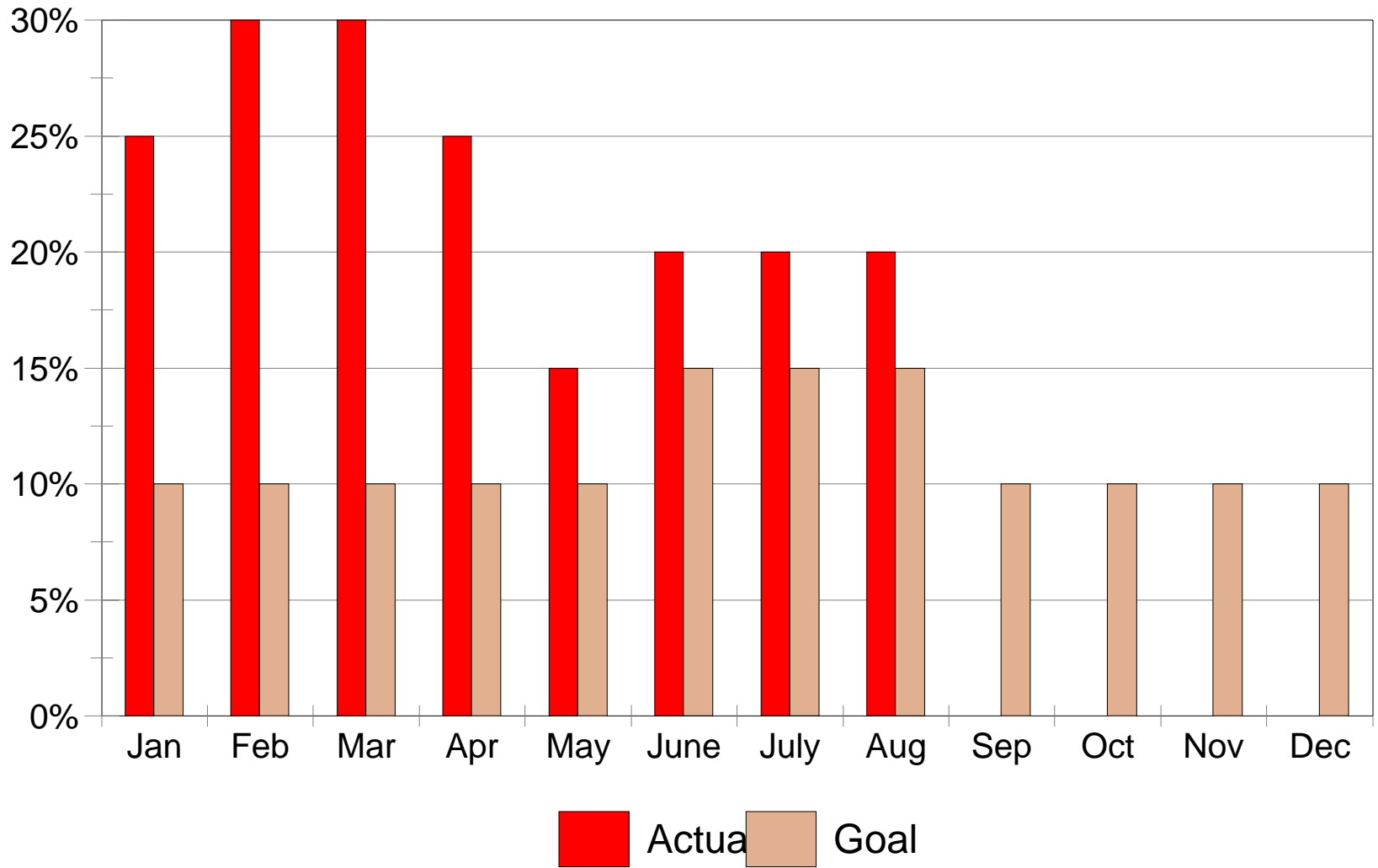
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- Traffic
- Sales contracts
- Cancellations
- Closings
- Sales by plan
- Sales by community

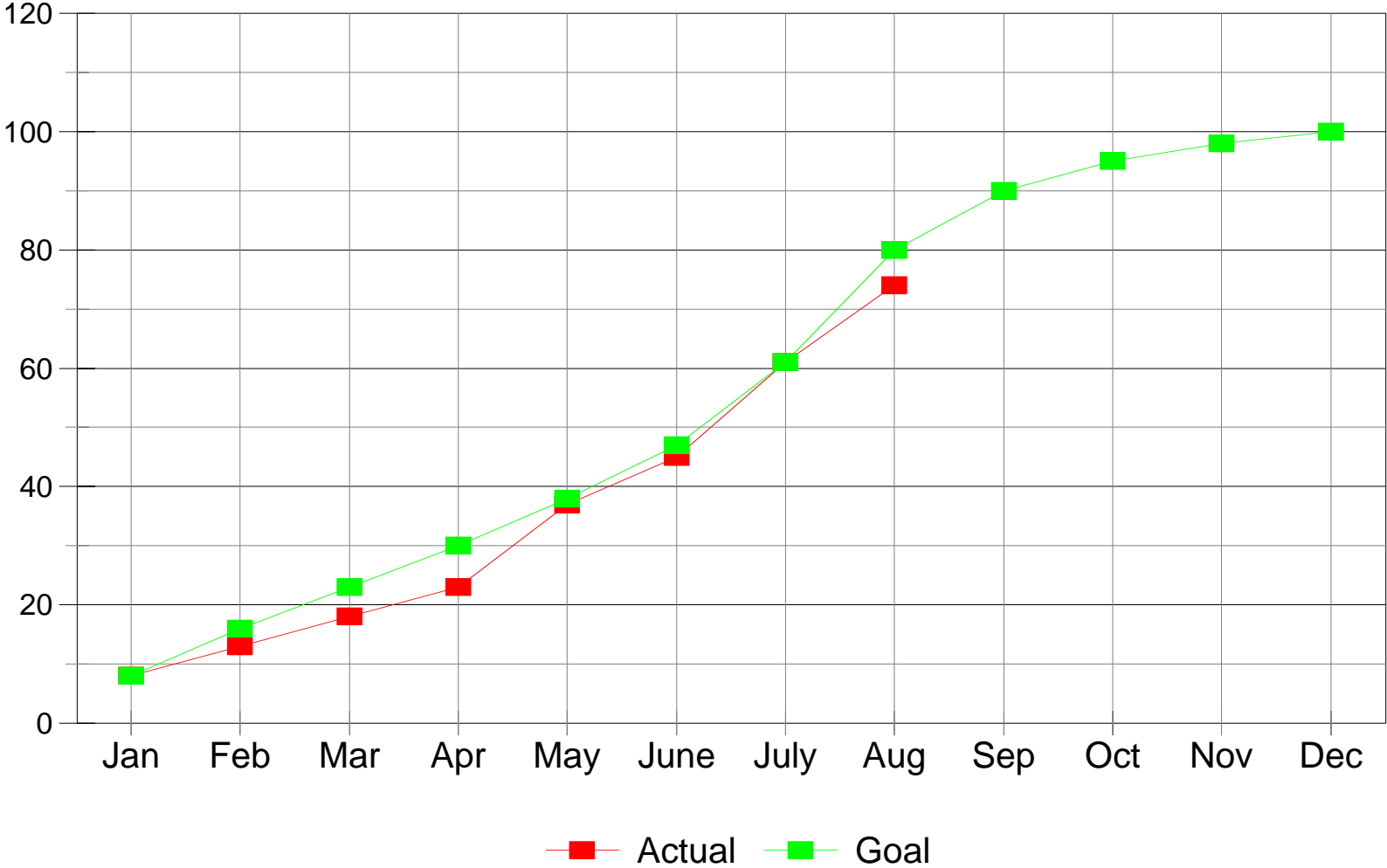
# Traffic Units



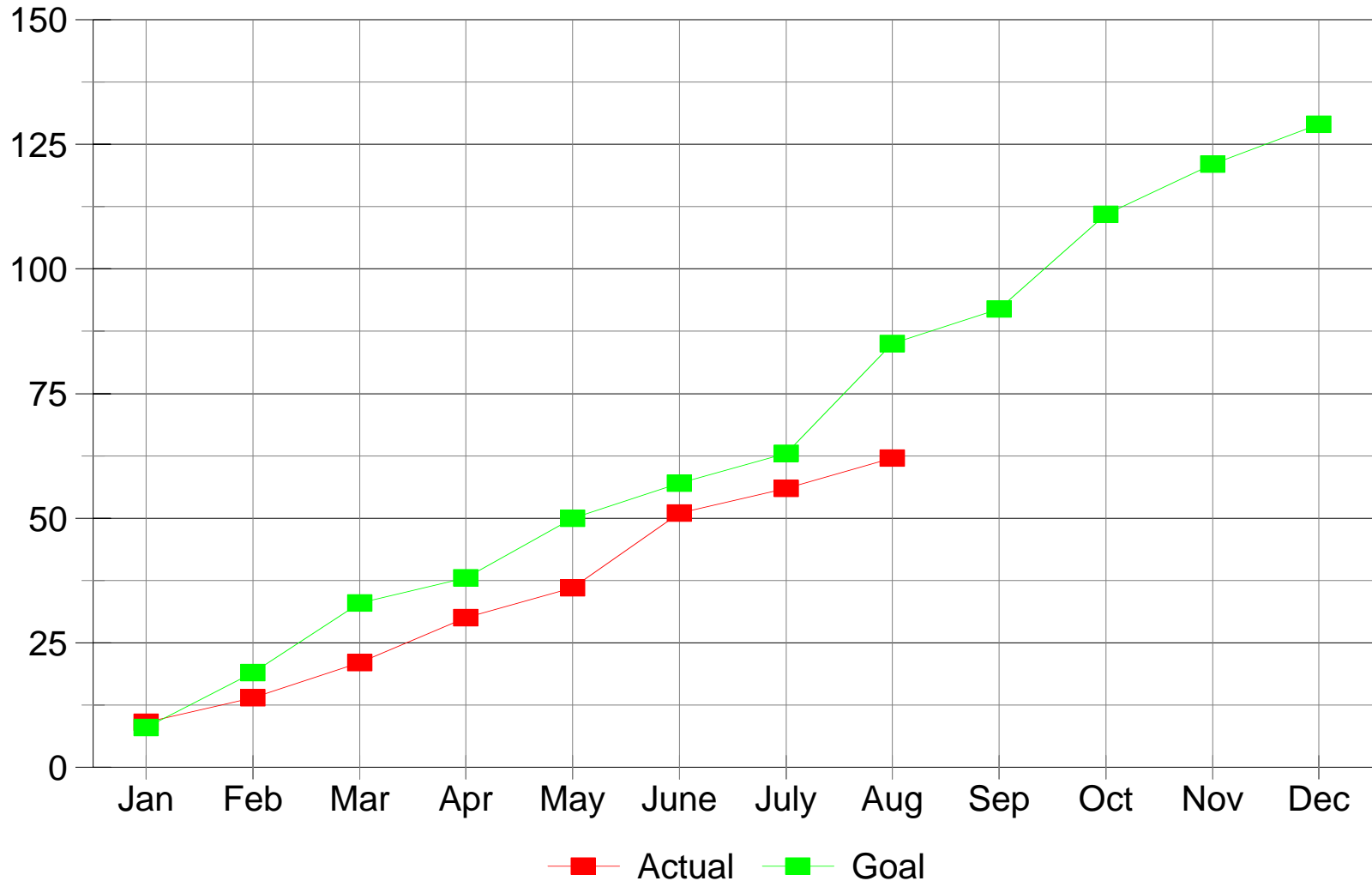
# Cancellations



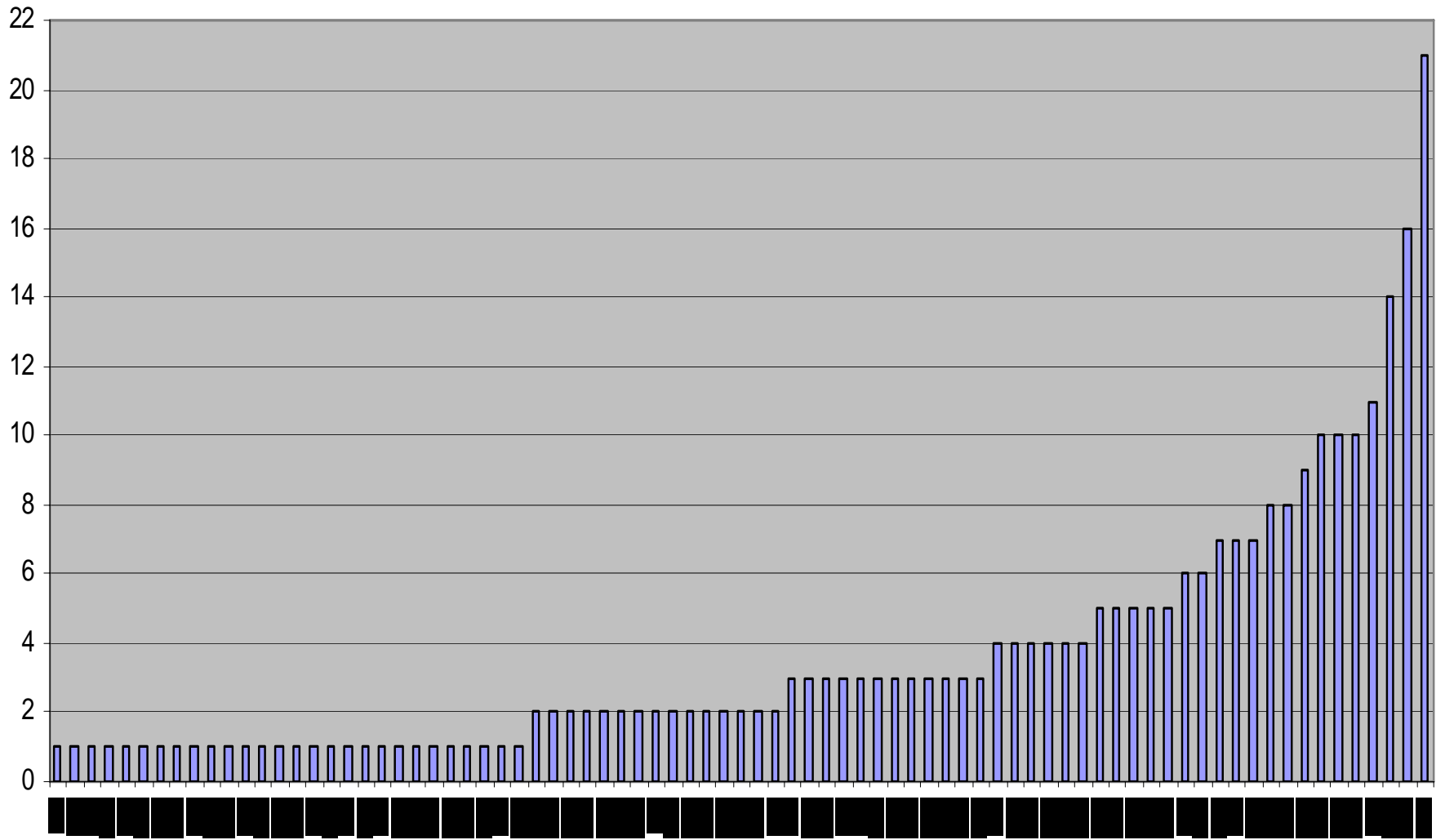
# 20xx Cumulative Sales



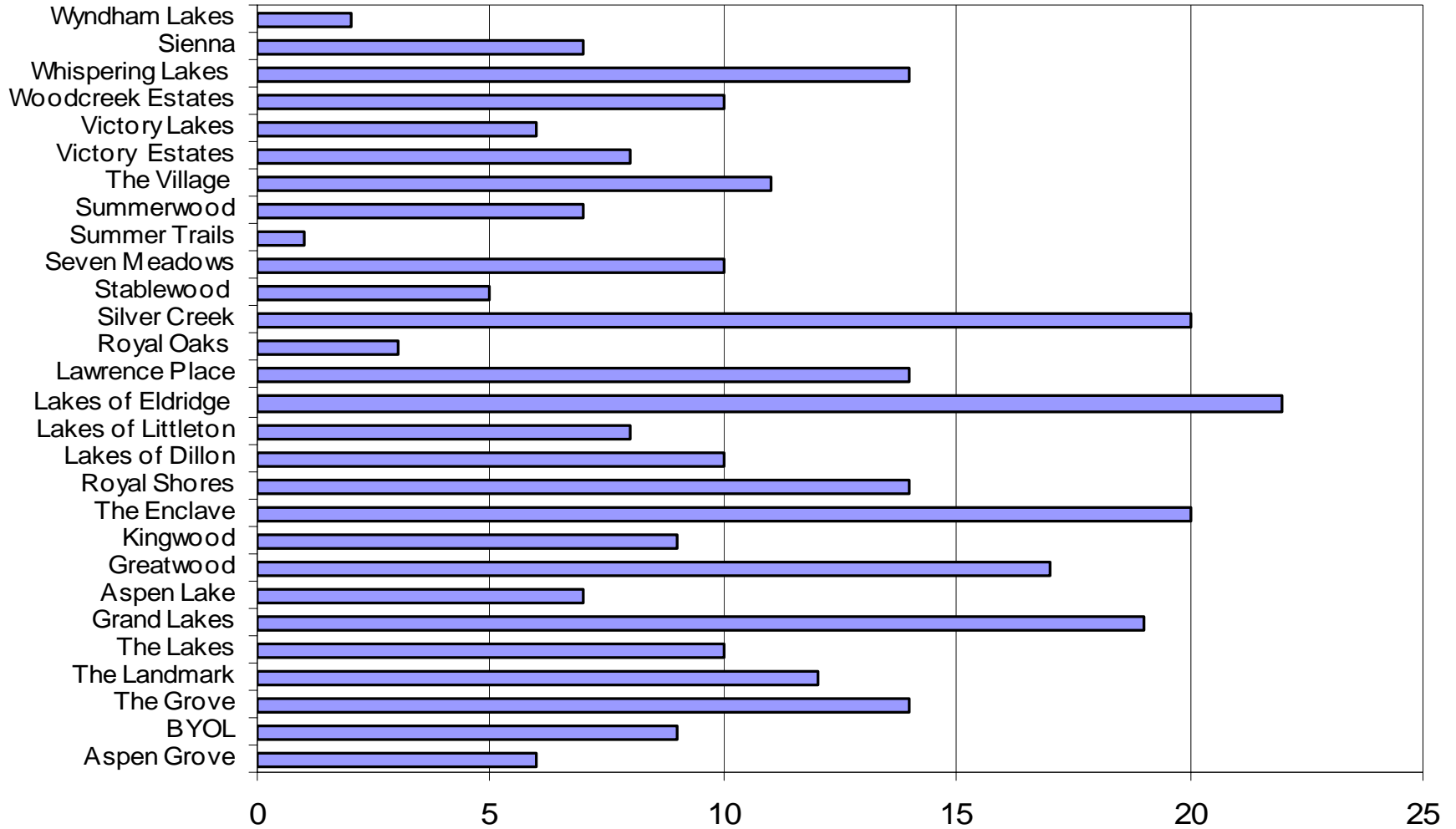
# 20xx Cumulative Closings



# Sales by Plan - 2005



# Sales per Community



# Key numbers

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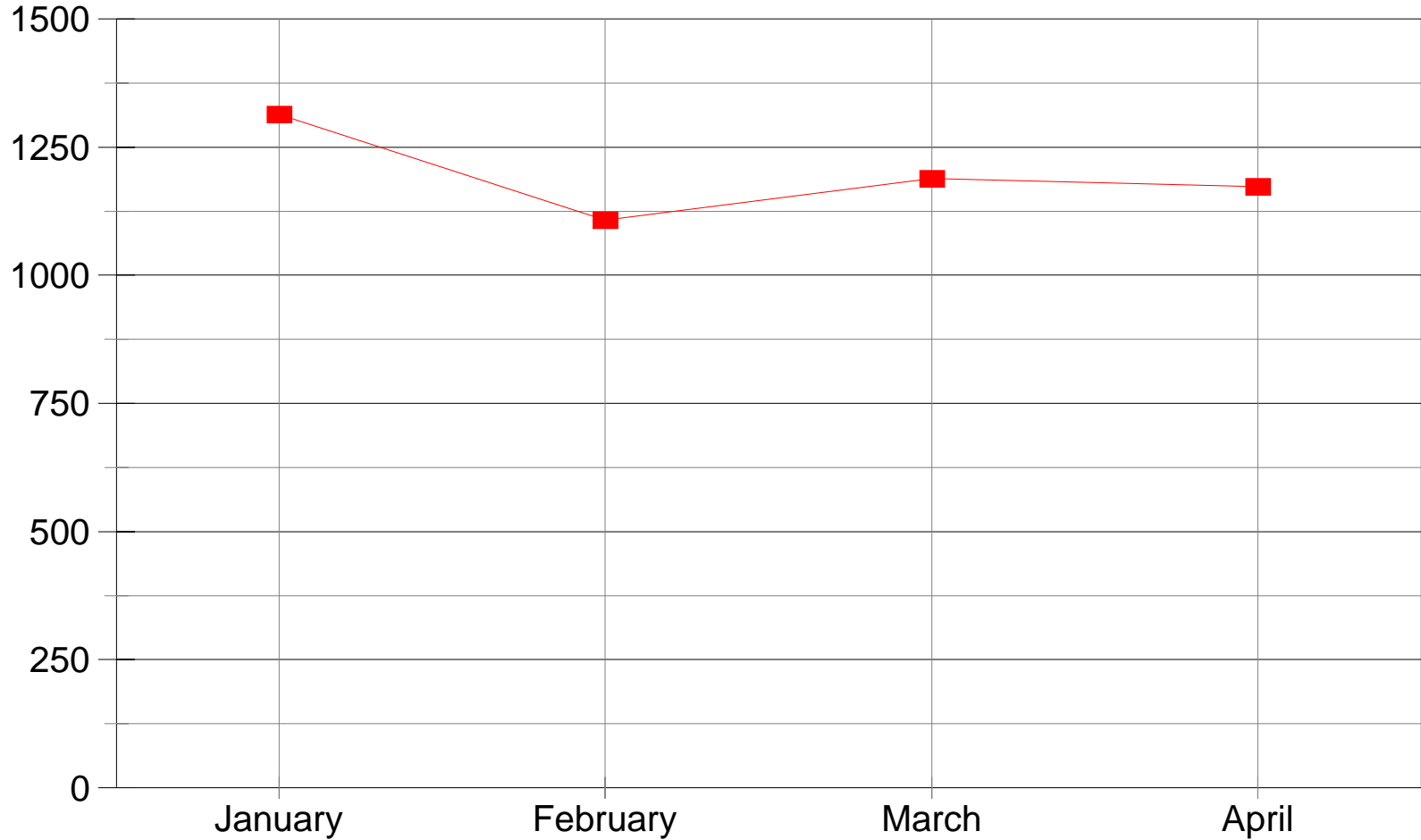
- Variances
  - Cost
    - By month / period
    - By community
    - By reason
    - By builder
  - Schedule
  - Warranty / customer service



	January				February				March				April				YEAR	
01 Design Error	8	1%	\$939	0%	5	0%	\$331	0%	16	1%	\$11,916	5%	4	0%	\$1,710	1%	33	1%
02 Estimate Change/Error	20	2%	\$1,780	1%	40	4%	\$5,312	3%	27	2%	\$2,609	1%	59	5%	\$10,620	6%	146	3%
03 Site Condition	175	13%	\$45,123	23%	168	15%	\$35,150	20%	145	12%	\$29,662	12%	168	14%	\$49,781	27%	656	14%
04 Equipment Rental	6	0%	\$664	0%	6	1%	\$325	0%	1	0%	\$214	0%	2	0%	\$662	0%	15	0%
05 Backcharge	132	10%	\$25	0%	108	10%	-\$4,161	-2%	110	9%	-\$600	-0%	91	8%	-\$5,402	-3%	441	9%
06 Theft/Vandalism	120	9%	\$10,328	5%	66	6%	\$7,663	4%	73	6%	\$5,033	2%	56	5%	\$5,437	3%	315	7%
07 Rework & Repair	138	11%	\$12,115	6%	102	9%	\$12,259	7%	87	7%	\$6,445	3%	89	8%	\$8,119	4%	416	9%
08 Sales Concession	11	1%	\$1,078	1%	10	1%	\$1,840	1%	13	1%	\$5,846	2%	25	2%	\$4,234	2%	59	1%
09 Code Change	21	2%	\$1,479	1%	14	1%	\$702	0%	8	1%	\$476	0%	5	0%	\$408	0%	48	1%
10 Backlog Sub	0	0%	\$0	0%	8	1%	\$2,450	1%	12	1%	\$2,051	1%	1	0%	\$1,620	1%	21	0%
11 Weather Conditions	24	2%	\$1,113	1%	16	1%	\$636	0%	4	0%	\$106	0%	0	0%	\$0	0%	44	1%
12 Vendor Error	2	0%	-\$21	-0%	1	0%	\$253	0%	0	0%	\$0	0%	0	0%	\$0	0%	3	0%
81 Prchsng Change/Error	273	21%	\$45,363	24%	243	22%	\$38,083	21%	317	27%	\$44,218	18%	276	24%	\$33,518	18%	1109	23%
82 PO Not issued	327	25%	\$68,307	35%	237	21%	\$69,359	39%	288	24%	\$125,628	52%	277	24%	\$60,895	33%	1129	24%
TOTAL	1314	96%	\$192,635	98%	1108	92%	\$178,207	96%	1189	93%	\$241,495	97%	1173	90%	\$182,383	94%	4784	93%

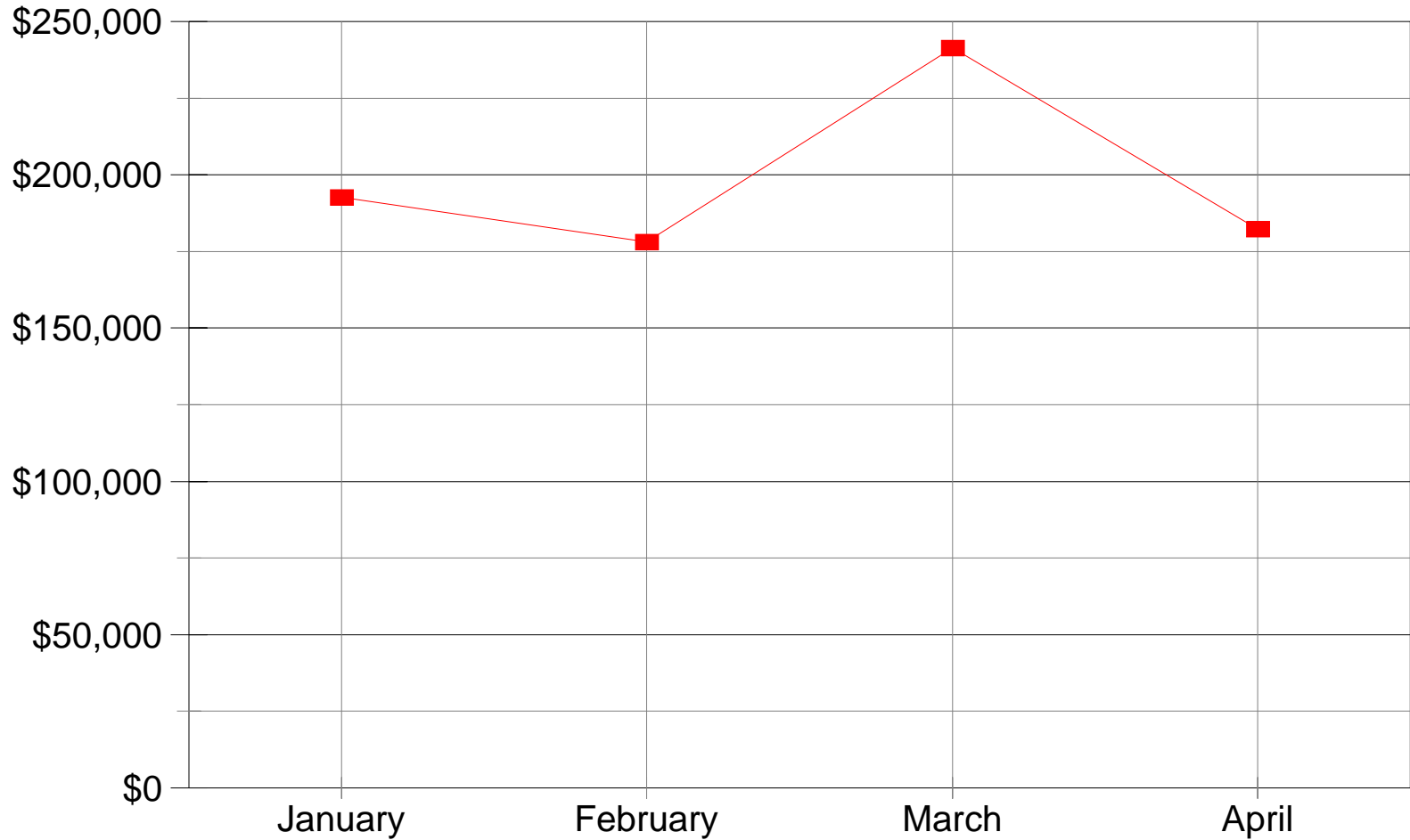
# # Variances per month

**#4784**  
**\$794,720**



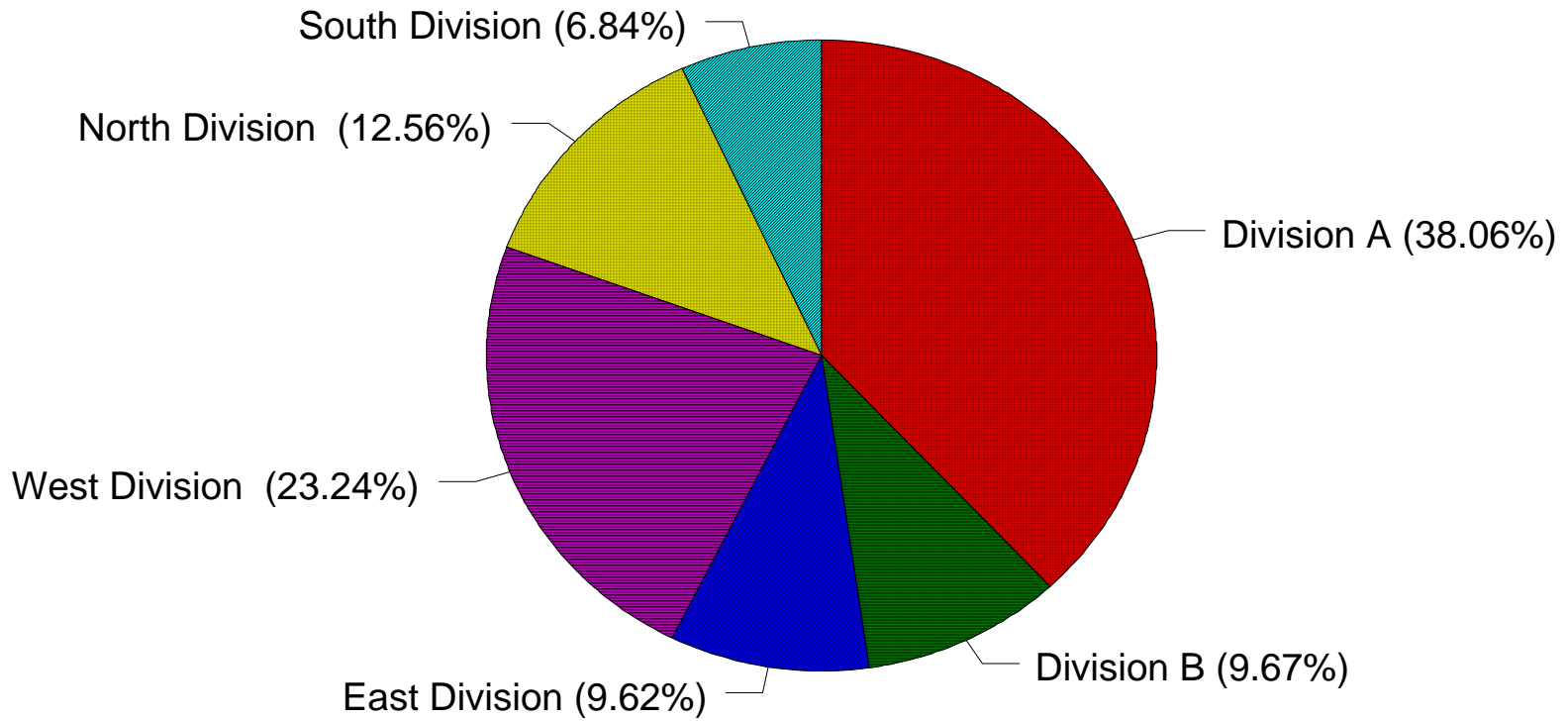
# \$ Variances per month

**#4784**  
**\$794,720**

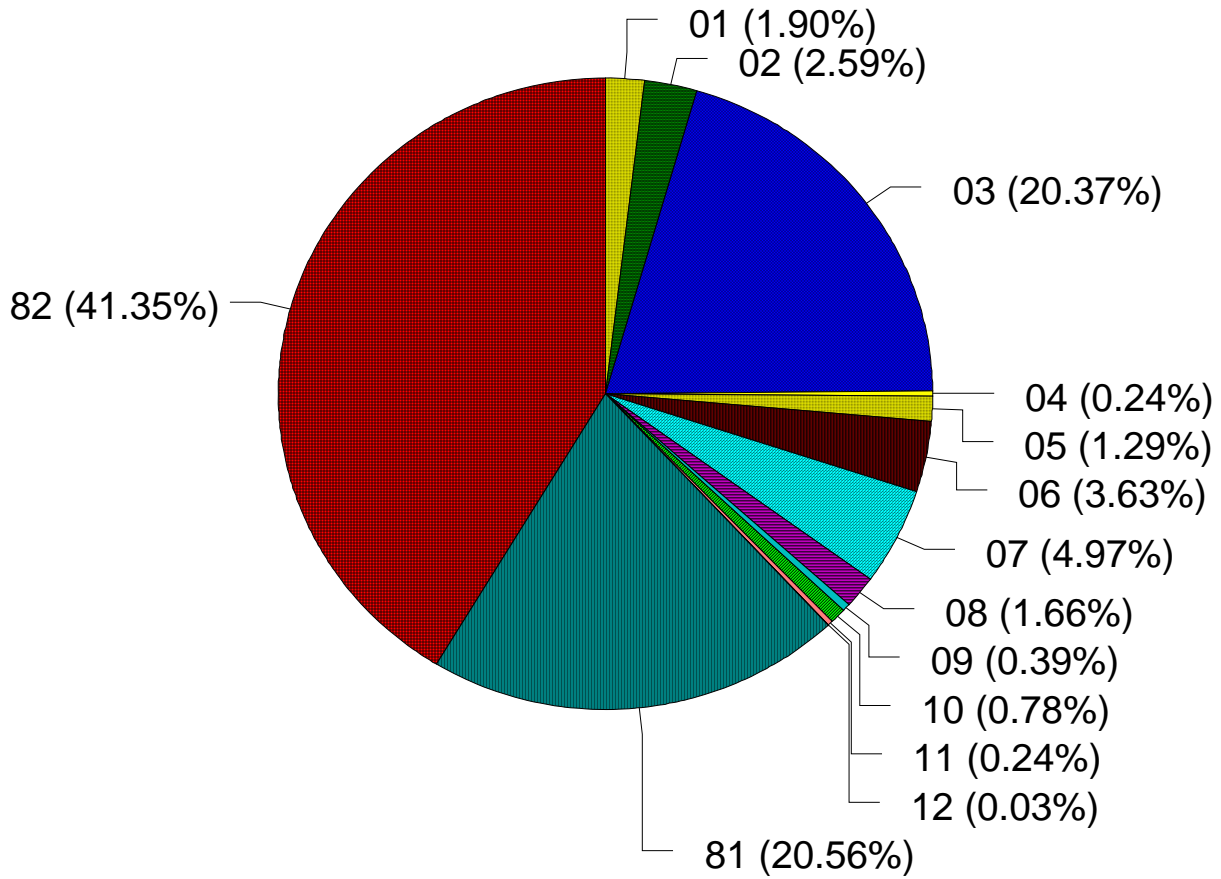


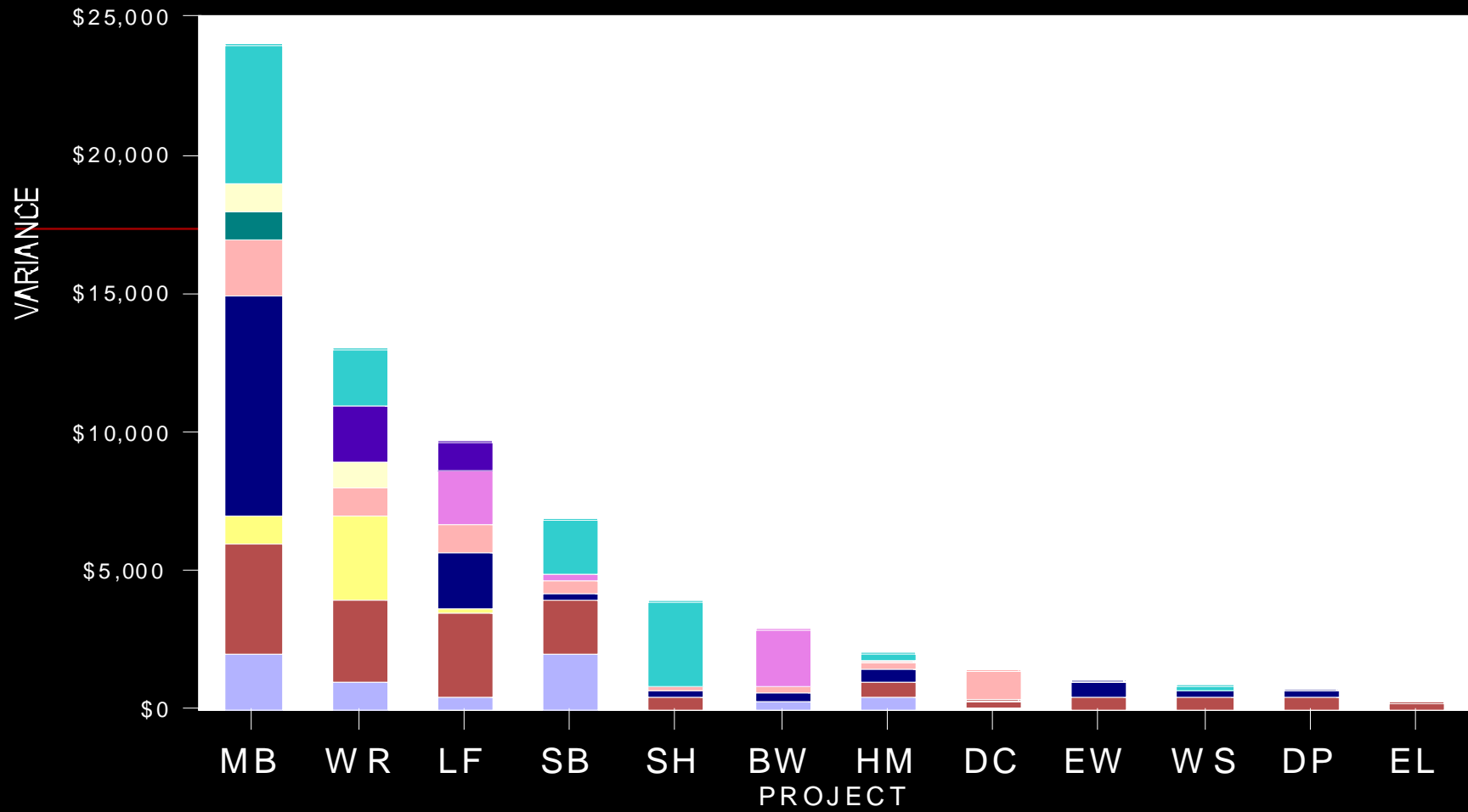
# Company

\$ Variance - 4/30 YTD



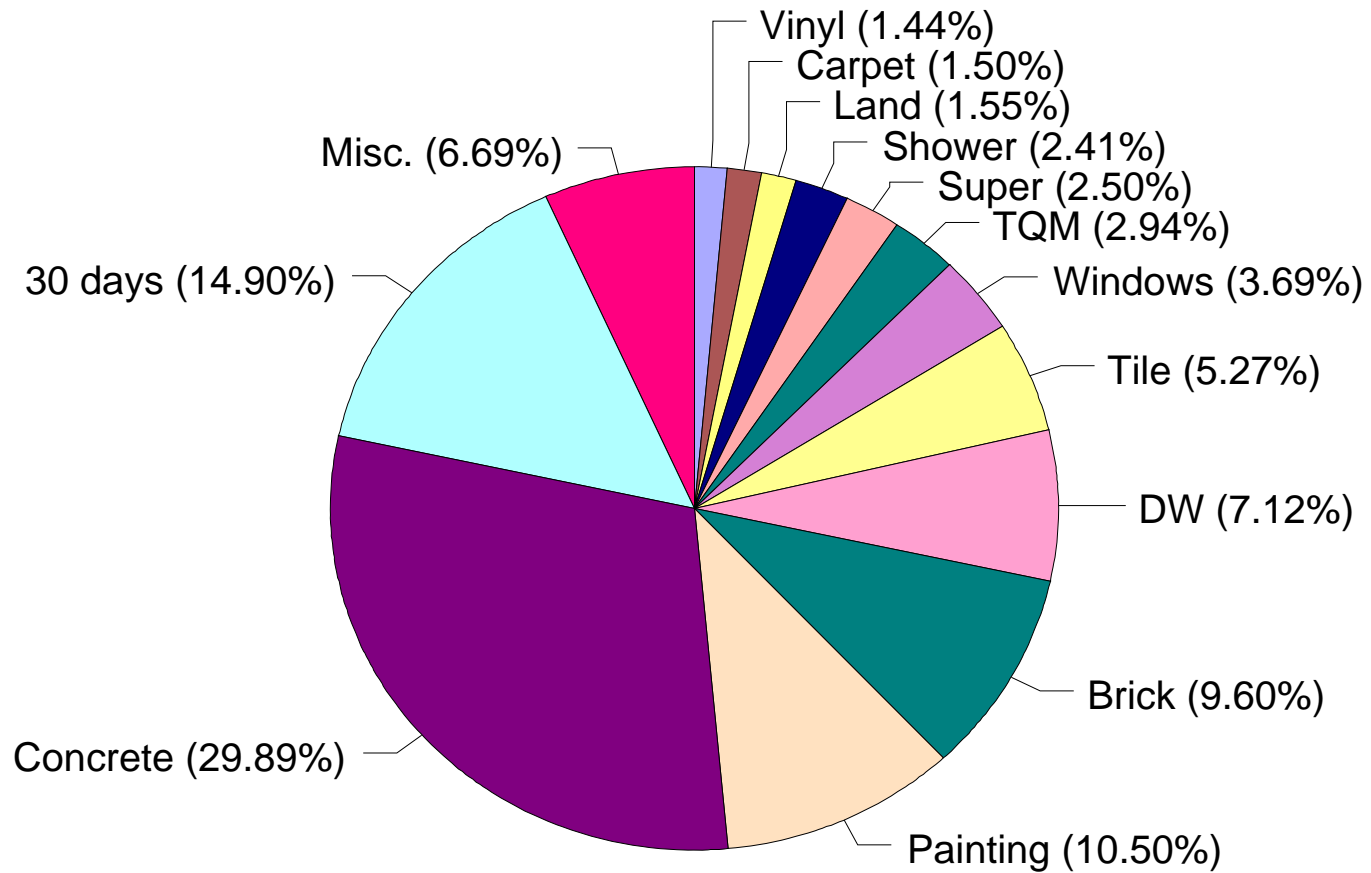
# \$ Variance - 4/30 YTD





- Other
- Weather
- Satisfy Customer
- Site Conditions
- Subcontractor
- Material
- Field
- Design Center
- Estimating
- Architecture

# Customer Service Expense



# How can we do it

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- It is easy
- Select your key measurements
- Establish targets
- Track and measure performance
- Use excel to set up the data
- Create a table
- Let excel do the chart for you



# 20xx Cumulative Sales

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January	8	8
February	13	16
March	18	23
April	23	30
May	37	38
June	45	47
July	61	61
August	74	80
September		90
October		95
November		98
December		100



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ONLY IN TEXAS!



24  
HOUR

FITNESS

PROCEED  
WALKWAY  
WALKWAY  
WALKWAY

WALKWAY

FITNESS

24  
HOUR

POINT OF  
ENTRY  
TO UPPER  
LEVEL  
LOCATED  
24 HOURS

# Shinn Group of Companies

## Shinn Consulting

Our mission is to improve the professionalism of the home building industry.

Our services include:

- Business management and specialized consulting for all aspects of the builder's organization
- Best practice awareness and experience exchange through facilitation of builder groups and in-house seminars
- Ownership transitions and other exit strategies including sale of the business
- Facilitation and guidance of the strategic planning process and development of business plans

## Lee Evans Group

The Lee Evans Group has been the premier organization in management education for the home building industry since 1954. Our seminars focus on management techniques to improve profitability, assist in controlled growth, survive during tough economic times and provide construction controls.

All of our seminars are designed to help the builder:

- Satisfy customers by building the house right the first time, then giving superior customer service
- Manage capital and financial operations to achieve high profitability
- Build strong and integrated systems to make the management job easier and less stressful
- Train and educate personnel to work as a team to produce superior results

## Builder Partnerships

Operating as an agent for over 35 builders constructing more than 10,000 units annually, Builder Partnerships fosters communication and cooperation between builders and manufacturers. Our focus is to create win-win relationships for both builder and manufacturer.

Our program:

- Improves communication and interaction between builder and manufacturer
- Manages a comprehensive specification agreement and rebate program
- Streamlines the purchasing decision
- AND, much more



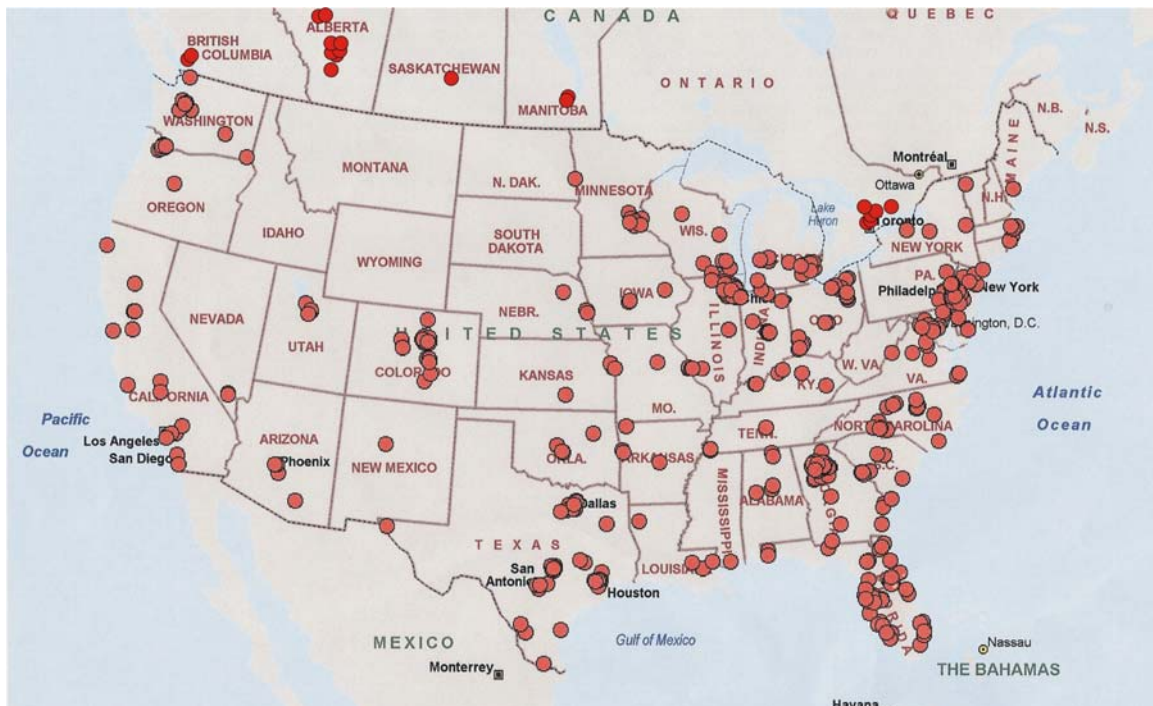


# Our Clients

Our primary clients include:

- Medium to large volume regional builders seeking to increase their profitability
- Other players in the home building industry, including manufacturers, financial entities, software companies and other suppliers

Our builder clients, located across the United States and Canada, include top performers among regional homebuilders. Many of these companies have been recognized by home building professional magazines and local Home Builder Associations (HBAs) for their successful management styles; and are considered spheres of influence within their communities.



Shinn Group of Companies  
6793 W. Canyon Ave., Suite 13A  
Littleton, CO 80128  
303.972.7666  
1.877.332.1069  
Fax: 303.972.7667  
[www.shinnconsulting.com](http://www.shinnconsulting.com)