

BUILDER Online – May 18, 2015

Chipotle Design

What can home builders learn from a quick-serve restaurant business model?

Sam Rashkin – Founder, Retooling the U.S. Housing Industry



Innovative new business solutions often come from outside an industry. This article suggests such an opportunity exists for housing, based on of all things, the profoundly successful Chipotle business model for fast food. By all metrics Chipotle is an industry leader including sales-per-store and overall revenue growth while having a paltry advertising budget compared to other fast-food businesses. One of the keys to their success is their product design. Yes, fast-food also employs design. The Chipotle secret formula is based on:

- **Simple Menu** that doesn't overwhelm the consumer, plus
- **Limited Core Ingredients** that are high-quality and healthy, plus
- **Choice Toppings** to meet each buyer's tastes.

A more edgy architectural design theme superior to typical fast-food restaurants further enhances the consumer experience. This simple formula leads to:

- extensive customization opportunities;
- optimum use of assets;
- minimum waste;
- high margins with a fair price; and
- outstanding customer satisfaction.

Sounds simple. Not so much for production builders. The menu of choices couldn't be more complex with far too many stock plans. Some large national builders have thousands of plans. Moreover, the core ingredients don't reflect a strong builder commitment to quality, health, and durability: construction assemblies and windows are not selected for maximum thermal and moisture protection; materials are not carefully selected to minimize dangerous chemicals; HVAC systems are based on lowest cost rather than engineered for optimum comfort; and base-level hardware, appliances, lighting, and trim are usually minimum quality. Customization relies on a variety of plan configurations and options that entail significant costs. The resulting product doesn't leverage assets, has too much waste, imposes routine upselling, and leaves buyers frustrated with an overwhelming process and price point far above that advertised.

We can do better. In particular, I'm suggesting production home building should be more like Chipotle. By example, a highly innovative builder is doing just that with an impressive start in the Chicago market. The company is StreetScape USA, LLC. Their signature project called School Street, is a small infill development in Libertyville north of Chicago. It was completed during the housing crisis and still sold out in just a few weeks at a premium price-point. Their '*Simple Menu*' featured a space-efficient, but highly comfortable core plan for narrow lots. The '*Limited Core Ingredients*' leverage an optimized bundle of room modules constructed with advanced building science, quality details, and engineered comfort systems. As the construction crews built these modules over and over, Streetscape measured productivity and worked with its subcontractors to ensure minimum waste and defects. Lastly, there were a curated palette of '*Choice Toppings*' for customizing the exterior and interior including bold colors, lighting, architectural trim, and details.

Even with this much more efficient design strategy, Streetscape is able asks each buyer, "How Do You Live," and provide a highly customized product. The images below show the architectural variety possible with this much more cost-efficient "mass customization" design strategy. Currently, StreetScape is creating a new neighborhood in Skokie, an inner ring suburb of Chicago and another in Nashotah, WI. StreetScape plans to scale its business by way of creating joint venture partnerships with other forward thinking builders to leverage its innovative project delivery approach. Watch

out for this small, upstart builder as the company continues to exceed expectations for both the community partners it works with and it's home buying customers. Then consider how to apply this design innovation to your company.



*This article is part of a series on housing innovation based on the author's book, **'Retooling the U.S. Housing Industry: How It Got Here, Why It's Broken, and How to Fix It.'** This book examines opportunities to transform the homebuyer experience relative to five key components: 1) Sustainable Development, 2) Good Design, 3) High-Performance, 4) Quality Construction, and 5) Effective Sales. Each article features one innovation opportunity and sample builder application. Find out more at www.SamRashkin.com.*

