

Pulte homes in homebuilding industry term paper examples

[Business](#), [Marketing](#)



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ANALYSIS AND INTERPRETATION

ANALYSIS OF THE PULTE GROUP

Analysis of the Residential Industry

The assessment of the residential industry has been conducted in the previous section using three tools of Porters five forces model, key Success factor and Futures Trends for the short and near to short term.

The conclusion that can driven from the Porter five forces model refer that industry is highly attractive as four acting forces among five poses low threat. Despite attractiveness from four forces, the rivalry among competitors is high. This distinct result for the rivalry force rose from the fact that housing industry carries two types of market player. First segment accounts the fragmented market players whereas the major pie of the market is dominated by large players. This second section of players drives the market. Also this is in line with Wall Street analysts and industry officials report suggesting that that few large public building companies will drive the 50 percent of total market within 10 years (Koebel, 2008, p. 3). These are

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firms that stock-piled low cost land during recession and are capitalizing it on higher prices and returns in the current scenario of market recovery. Hence, market is centrally attractive for builder with dominant control over the land supplies and access to digitized land records (Koebel, 2008, p. 3).

Importantly, as interest rate rises over period of time the competition along with profitability will further increase among large builders while reduce for small fragmented players. This consolidation will further curtail the threat of new entrant in the market. Furthermore, the concentration of land and building expertise will also reduce the bargaining power of buyers (NAHB, 2013). Big builders have also increased their power against the supplier by developing business relationship against non unionized suppliers.

Low threat of substitute from renting houses is low as research reveals that currently 34 percent of young ones are to own house in 2013 as compared to 38 percent in 2001 (Hoover, 2013). However, the same study reveals that the trend generated due to need of stretching resources in tough economic condition. Hence, as the economy recovers and income rise the trend is expected to move in the other direction as renting houses gets really expensive than buying (Hoover, 2013). Other substitutes such as motor home and pre-manufactured homes etc are expected to pose little pressure in the initial phases of recovery where customers intend to move to low cost home ownerships. Pulte Group being among the one of the leading players of the industry (Plute Group, 2013), is, hence able capitalize on all these forces successfully.

The key success factors identified for the residential industry include an array of options such as upgrades to consumers, increased internet usage

for marketing and land availability in diverse regions. For the first most key success factor, Pulte already serve the move-up market. Moreover, Pulte has also developed iPad application for the customers for electronically building home from their present location for reaching wider market via internet facility. Pulte Group with existence in the six regions, 29 states and 61 markets of the across country has availability with diverse land from west coast to each coast (Plute Group, 2013).

Shedding light on trends, positive relationship of income and construction industry has proved true as economy recovers. One avenue of increased spending in the construction industry has been move-ups that is already addressed by Pulte Group to their customers. Similarly, rising opportunity in terms of increased demand for the single family homes is also a domain where Pulte Group has presence; thereby, will be able to capitalize it. Further, command on an important key success factors such as iPad application also increases opportunity for Pulte Group to reap attractive returns. Finally, all measures predicting demand in the short and near to short term have been positive in generating growth in the residential markets. Growth in industry offers most attractive opportunity in 2013 with 29 percent growth while comparatively low yet attractive growth for five years ahead to 2017. Hence, Plute is in strong position to capitalize the opportunity emerging from recovering market (Ferguson, 2013).

Company Assessment

Assessing the company position in reference to context of the industry provide green outlook for Pulte Group. However, the internal condition

analysis of Pulte Organization is also mandatory. Pulte hold significant control of strengths necessary to capitalize the rising opportunity in the home building market. For instance, large size of the firm is able to facilitate customers in wider regions than competitors. This also provides Pulte command on the various factors affecting house building such as understanding of region's geographical landscape etc. Further, this also increases brand loyalty as customers consider it national organization that is able to transcend to local firms operating in the regions. This national level standing also provides Pulte ease in generating capital from various options such as debt or equity. Moreover, with 24 percent stake in the market in broader region, Pulte ability to satisfy large number of customers of single-family detached homes, townhouses, condominiums, duplexes, retirement homes, and large estate size homes (Reuters, 2013) also adds significant strength. Consistent six years ranking on customer satisfaction and outstanding customer reviews also provide immense muscles to Pulte in current market.

Being capital intensive industry, Pulte in-house banking operations facilitates around 62 percent of its operations. This leaves Pulte less on the mercy of banking terms and condition hampering company growth. Pulte's core business strategy rested on providing customer quality services. The strategy of Pulte Group is built around the goal of focus on quality in the construction processes that brings out high quality end product and hence satisfies homebuyers with services. Therefore, quality focused service has developed wide base of satisfied customers for Pulte Group.

Factors that have added strength to its muscles, Pulte is also facing

weaknesses originating from these factors. For instance, with broad customers' base along with highly satisfied customers, Pulte is also receiving criticism from the dis-satisfied customers. Issues identified in the unpleasant reviews at different websites refer to issues that can be easily dealt with enhancing focus on the quality orientation of Pulte core strategy. Further, the issue hitting weakness of the Pulte is generated from the huge debt of Centex acquisition (The New York Times, 2009). However, the fact remains as the market revives and the Pulte generates attractive returns it would be able to retire this debt.

Core of the opportunities identified in the previous section for Pulte are centrally dependent on the revival of the residential market demand. As anticipated on the revival of demand Pulte can inculcate efficiencies in its operations on a broader scale. For instance, \$350 million a year savings from Centex etc, bulk buying from suppliers, and placing amount of in-house banking at higher rate of return will enable Pulte to retire huge debt of \$1. 8 billion in net debt. Mention worthy fact remains that all are dependent on the economic revival.

Among of the threats identified for Pulte, only few pose serious threats while impact of rest is significantly less to Pulte. Threat from mushroom entrants cannot stand the efficiency and expertise of Pulte. Sensitive phase of economy that generates increases bargaining power of buyer has recently been over and economy is being instilled to take off growth. Hence, factors that poses threat centrally originates from the innovative models such as motor home etc. Further, employees bargaining power also increases as employee on learning from company may leave if not given required perks

and enter the market as mushroom competitors. Despite being important and critical both these factors are deal-able for the firm of giant size like Pulte.

Hence, the resource and capability of Pulte that offers competitive advantage centrally originate from size with on the quarter share (24%) in the home building market.

Pulte in order to generate sustained competitive advantage from the product selection by expanding product line with greater customization and cultivating mechanism to pose serious cost disadvantage to its competitors by inculcating inefficiencies.

Finally, In house banking could generate significant competitive advantage to Pulte either by providing finance on terms considerably lesser than market or otherwise placing funds for generating attractive revenues. Enhancing the customer experience with its website ahead of competitors is also important.

Hence, on the yardstick of industry key success factor Pulte still has significant avenue available to capitalize as it already holds the key success factors.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Pulte Group is well reputed organization in home building in US. Currently holding the around 24 percent of the market share, Pulte Group has managed to develops its footing across the US in 6 regions and 61 markets. This expansion has provided Pulte strong dominance over other competitors

in terms of experience and expertise in serving the customer with quality orientations. Pulte has also successfully integrated elements of success in its business model such as vertical integration for the core element of finance. House building industry is highly capital intensive; therefore, Pulte has developed its own in-house financiers to ensure less dependency on external financier that results in resistance to growth. However, to generate the competitive advantage, Pulte is further required to cultivate efficiencies from business unit in terms of higher returns by lending to other avenues of investment or providing Pulte home building excessive concession.

Further, strengthening dominance in areas of its existence, Pulte undertook merger and acquisition of Centex. This value addition expanded its product offerings in existing markets such as independent series priced deal with the competitive pressures from all-in monthly rent payments. Notably this acquisition has also reduced the competitive pressure in the market of Pulte presence. However, the concerns for the significant debt generated from Centex and due efficiencies remains an important aspect to be addressed. Similarly, Del Webb further inculcated new dimensions in its product offering like educational facilities etc. Therefore, Pulte has already expanded for exploiting the due opportunities in different dimensions.

Pulte Group has also been on the front foot dealing with factors that captured the increased market attention. The role of internet has also gained significant attention in the home building industry. Pulte Group's internet connectivity with clients is also referred as most user friendly.

Momentous success reaped from current business model has also brought challenges to be dealt with. Pulte Group has developed vast customer base

across the 61 markets; however, satisfying most of customers is still an area that requires significant attention. These dis-satisfied customers can open up avenue of consideration for potential customers to assess other home builders. Another, critical dimension remains economic revival that will consequently rejuvenate the demand for homes.

Hence, the assessment concludes that though the Pulte Group has strengthened its position in the US home building industry, the continued success requires Pulte Group to still bring efficiencies in the business operations. Moreover, quality focus that has been central theme of the Pulte's strategy must be implemented on grounds to retain the loyalty of customers.

Recommendations

In the light of the above conclusions drawn from in-depth assessment of the Pulte Groups as well as industry, following strategic alternatives based recommendations have been developed for Pulte. These recommendations will ensure Pulte to further strengthen its position in market in addition to capturing the increased share from the opportunities offered by industry growth. The strategic alternatives building for the Pulte has been conducted using strategic tools of TOWS matrix. The matrix proposes strategies based on the SWOT factors as follows:

All the recommendations have been developed using company strengths and available opportunities to the companies. Moreover, efforts to reduce the weakness of Pulte as well as dealing with threats are also recommended in the measures above.

Though each of the recommendation is viable as built considering internal and external environment of the Pulte Group; however, the fact remains that adopting each of the recommended strategies is not possible instantly.

Therefore, company requires prioritizing strategic alternatives that are in most interest of the company.

Hence, following prioritized suggestions are required to be adopted by Pulte Group to generate most beneficial results for the Group. Each alternative mentioned below is also provided with the rationale for the selection on priority basis:

- Generating efficiencies from the grown size of the business. Pulte has acquired the entire Centex that has increased by double the areas of operations of Pulte. Pulte shall consider reduction in redundant operations in organization.
- Reducing level of debt to the house building by the in-house banking division by lending to high return areas.
- Developing partnership with suppliers for the provision of enhanced quality material that reduces the percentage of complaining customers.
- Leverage expert skills from Centex specifically in the areas of operations where current management of Pulte Organization is not able to satisfy customers.

All the above recommended areas must be adopted on the priority basis. As reported in the assessment section that growth in market for home building would be significantly high in the year 2013; therefore, generating efficiencies would also increase the Pulte's returns. This will consequently increase Pulte Group's capability to retire its debt earlier. Additionally,

providing attractive packages to customers would also tighten the competitive landscape for other entrants in the market.

Further, Pulte shall also focus on increasing revenue generation by reassessing the financing setup by in-house banking division and investing it in other avenues offering attractive rates of return. This increased return from other investment options would enable the banking set up to reduce finance charges to Pulte home building section of group. Finally, developing partnerships would spread risk of complaining customers' loss from the Pulte organization alone to the complete group involved in value chain. Moreover, association of supplier with building giant like Pulte will also reduce availability of suppliers to other companies intending to enter the market. This will compliment the barrier to new entrants and will also pressure existing competitors to further consolidation of market.

Hence, once all these strategic measures are taken into account Pulte Group would be in more attractive position to reap the market opportunities.

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