

Georgia's Business # 431

Guest: John Wieland, Founder and Chairman John Wieland Homes and Neighborhoods

Richard Warner: Welcome, I'm Richard Warner, on Georgia's Business this week a true icon in the home building industry, John Wieland's company is one of the south's leading home builders with projects across Atlanta, Charlotte, Nashville, Raleigh and Charleston. Well of course the industry has been pummeled sales down eighty percent so John Wieland decided to hit the road on a promotional tour, the goal, to sell a hundred and one of his homes, camping out in unsold homes in an air mattress?

John Wieland: Actually it's the mattress from my guest room.

Richard Warner: I guess a little bit more comfort there.

John Wieland: It is.

Richard Warner: What are you learning about your homes when you're sleeping in your own unsold homes night after night?

John Wieland: It's an absolutely great experience because it's like I'm the homeowner, I wake up in the morning, I'm right in the home, I'm a little lower than you know the typical people we sell to. But I experience the home, I experience the neighborhood, I get the essence of why we're doing well or not doing well.

Richard Warner: And the goal is to sell a hundred and...

John Wieland: One.

Richard Warner: A hundred and one homes in a down market; okay so John how does this promotional tour if you will, John Wieland on tour, how does that lead to home sales?

John Wieland: Well we sort of look at it as the one hundred and one home educational tour and you know it's housing one o one and I'm telling people what a great time it is to buy a new home. And Richard it really is because interests rates are at historic lows, builders are giving the best pricing you know perhaps ever. Our prices are down five to twenty-five percent and builders aren't building new homes so your choices are coming down. So now is the time to buy.

Richard Warner: So, I mean not to play devil's advocate but the rest, if I'm going to ask you, yeah but, I mean the perception would be that well first of all values of homes are in decline that's certainly the headline and so is now the time to buy if prices are dropping?

John Wieland: Well I think we see a bottom. And certainly the values have come down, foreclosures have created a lot of downward pressure and builders such as John Wieland's homes and neighborhoods are responding to special pricing ourselves. So we've seen the first glimmers of hope in housing that we haven't seen in quite some time.

Richard Warner: We are talking to the guy whose name is on the front door if you will the guy who, this is a family company. You own the company. And you've been through this before, you've been through four recessions, four slow downs before. What did those teach you about this one?

John Wieland: Well the main thought has always been that housing has led the country out of recession. Housing has come back and then the balance of the economy has followed and that can happen again, that housing strengthens, that creates employment and so it trickles down. In fact, figures are there are three full time jobs associated with every new home that's built. So there's a lot of opportunity of housing comes to back to bring the economy back.

Richard Warner: And so you're an economic expert because you own the company and you live it hour by hour. What happened? What caused this?

John Wieland: What caused the current problem?

Richard Warner: Yeah, well as it relates to housing.

John Wieland: Well there was a euphoria that captured the nation about owning homes and it captured lenders about all the money that was to be made in the lending process and home builders over produced and lenders over lent and then all of a sudden it all came together and stopped.

Richard Warner: So John did you see this coming were you wise enough not to overbuild? Or I mean there's profit to be made back then.

John Wieland: No builder is wise enough not to over build. You wouldn't be a builder if you didn't over build.

Richard Warner: Well did you see it coming; I guess that's the other the other question.

John Wieland: Well seeing as though we were getting into unrealistic territory in terms of the cost of land and the cost of land was driving up the cost of housing and people were starting to buy homes for investment purposes or speculative purposes instead of they wanted to live in them. When you get a speculative bubble, bad things happen.

Richard Warner: We were talking about John Rice of GE, a very smart man and ask him the question not too long ago, GE's a hundred plus years old, did you come out of

finance see this coming and he said GE did not. We didn't see the speed or the depth to which this is coming and it forced big changes. What changes do you...?

John Wieland: Well I feel allot better...

Richard Warner: Knowing that John

John Wieland: Knowing that GE and I have great respect for John Rice so if John didn't see it coming, I feel allot better.

Richard Warner: Well and touched, then it did come. You're the owner of the company; you have built a family enterprise with people you are very close to because when you own the company you are. Take me through that, at what point did it hit you that something's got to happen here.

John Wieland: Well hindsight actually housing started down in September of two thousand and five.

Richard Warner: Really.

John Wieland: Yeah, that that was the peak in new home starts and it has been declining ever since so we're into our fourth year of the housing recession and maybe with a little time to go. I think that for most builders though we didn't put it together until probably about a year and a half ago and then we said 'oh my gosh!'

Richard Warner: You came out; I was looking at the history, recent history of the company and things that you did. Two thousand and eight you came out with the value protection program. This is before the title wave of bad press hit banks and home builders and credit card companies and all that. So you clearly saw something coming you had to respond to before the wave hit.

John Wieland: well that's exactly right, I mean we knew that people were starting to get nervous and they were starting to wonder is this the right time to buy. And so that is why we implemented our value protection plan, which means that five years after you purchase you may get your house appraised and if it doesn't appraise for what we sold you the home for we write you a check.

Richard Warner: Are you worried about that?

John Wieland: No

Richard Warner: What you got four years...

John Wieland: My homes always appreciate! Well it may be a little a couple of years taking off but they always do.

Richard Warner: I mean that's a big gamble, I presume you had to get some sort of insurance for that because the exposure would be significant conceivable.

John Wieland: Well actually it's a no cost plan. Rather than an insured plan where people pay a premium, it's a very simple program, you hand to everybody in writing you get it automatically and people are really enthusiastic about it because it takes the worry away.

Richard Warner: Okay so go back three and half years though, we're back in two thousand five, the pinnacle is there you don't really know it's going to go down and then back up again or what. At what point as you as the head of the company decide and I'm talking internal operations, head count, overhead all that. When did it hit you that something had to be done?

John Wieland: Well we've actually been through seven downsizings.

Richard Warner: Since then?

John Wieland: Yes since then. Since then.

Richard Warner: And you still have hair!

John Wieland: Well you, more than you..

Richard Warner: Yes this is true.

John Wieland: You know we kept thinking we're close to end.

Richard Warner: Sure.

John Wieland: You know so we'll get a little smaller, we'll get a little tighter, we'll you know have fewer parties after work or whatever and then we're not there and so then we tightened it up again and we're not there. But we're actually. last week was an exciting week, we rehired three people.

Richard Warner: Awesome! Tremendous.

John Wieland: So we're so excited!

Richard Warner: That's tremendous. Well in the scheme of things, let's put this in perspective, the head count in two thousand five was?

John Wieland: eleven hundred.

Richard Warner: The head count now?

John Wieland: Two eighty plus the three.

Richard Warner: Okay again, there are so many people who are watching this now living the same dream, nightmare, what was the lesson you learned from down sizing seven times?

John Wieland: I think the lesson is that optimism gets in your way. It gets in the way of reality. And you want things to be true but if you looked at things with a little clearer eye you know we probably would have seen that the prize would have been bigger and we should have taken more action sooner.

Richard Warner: You're an entrepreneur and that is probably one of the hallmarks of an entrepreneur is that you have to be optimistic.

John Wieland: I am definitely optimistic.

Richard Warner: Was there a trusted advisor or advisors to you that forced you to confront reality?

John Wieland: My son works for the company ..

Richard Warner: Dad!

John Wieland: ..and he is not an optimistic.

Richard Warner: You trained him well. What's his role?

John Wieland: So well and your banks that's the other group that is not into optimism.

Richard Warner: Because they are trained to look at the numbers don't lie.

John Wieland: Well they're trained to think about not getting their money back and you know they don't like that.

Richard Warner: Yeah. Yeah Let's go back even further. Nineteen seventy. **John Wieland** homes is of course you know about to appear out of thin air out of a Volkswagen, what was the story at the very beginning? How did you get it going?

John Wieland: Well the story of the very beginning was that I was unemployed and..

Richard Warner: An unemployed builder would that be true?

John Wieland: No, an unemployed I was in the building materials business with my business school roommate and we decided to split up and so he stayed with the building materials company and I became unemployed.

Richard Warner: The CEO of your own company...

John Wieland: Well you can only have one person you know. But it doesn't give your wife all of good feelings.

Richard Warner: Actually you have two employees and she's the boss.

John Wieland: She was the treasurer.

Richard Warner: So did you get a glimmer that this is hey you know this is an opportunity?

John Wieland: Well what was interesting to me anyway that when I left my building materials company I spoke to people that I had all of respect for in Atlanta. And as you said it was nineteen seventy and they all said 'Atlanta is the place to be,' And I had moved here from Connecticut, I worked for General Foods Cooperation and he said don't go back to Connecticut, stay in Atlanta, Atlanta is about ready to boom.

Richard Warner: Really?

John Wieland: Yeah.

Richard Warner: And this is nineteen seventy so this is..

John Wieland: They had just built the Hyatt Regency with the you know the blue dome on top going around.

Richard Warner: Which we have the signature building, the tallest building in the city that defines downtown Atlanta. And so you decided that home building because you were in a cousin industry, you were kind of understood a little bit about it. Did you know what was involved in building homes in south Atlanta?

John Wieland: No! I actually made up a list of all the different people, plumbers, electricians you know one of my real shocks early was when we did the dry wall in my very first home and there was a big pile of cut up dry wall in the backyard and my drywall contractor told me that he only had two thirds enough to do the house. And I said well look at this pile, go use the pile. And he said I can't use the pile, I don't know the way it works.

Richard Warner: And so did you make money on any of these initial run of houses?

John Wieland: No, I lost money the first year but Richard the really good news was my books were so confused that I didn't know I lost money until September of the second year and then I was sure I was making money.

Richard Warner: That's awesome! And so did this then feed on itself, I mean you branded the company with your own name was that conscious, was that an important part of the success of the company? Putting the guys name on the door?

John Wieland: Yeah because what I found out is that people want to know who their builder is. And they want to have a personal relationship with their builder. And back in 1970 Atlanta was a city of small builders

Richard Warner: Mmm sure.

John Wieland: And so I wanted my name on the company, then they can say their builder was John Wieland. They can say good things or bad things, whatever, you know. And it's worked.

Richard Warner: Our builder in '64 was a guy named Benton Kinney and he was the first adult that I met in Atlanta when we moved down here. And he was a really, "You boys want a Coca-Cola," and you know. This was, if you look at the cycle of the industry, Atlanta, Georgia being an industry of small builders, was there then a shake out where you either had to get big or get out?

John Wieland: Not really, we just sort of gradually grew. But I remember in the early '70's the biggest builder in town did 100 homes. I mean it seemed like this

Richard Warner: That's a lot

John Wieland: Big impossible number. And we debated as to whether we would ever do 100 homes.

Richard Warner: And how many were you doing at the time?

John Wieland: Oh probably 30.

Richard Warner: I mean still, 100 homes is a lot. You had to have, I would imagine, now I've always heard this about your company, that you were very process oriented. And the way that you made money was by getting this process of building a home down to a science.

John Wieland: We're process oriented, but we're not at the science level yet, so, you know, we're still working on that.

Richard Warner: But there is, I mean this is one of the things as you move from 30 homes to hundreds of homes, one of the things that became a Hallmark for your sustainability of a company was knowing exactly how much of that dry wall you needed, what the cost was of that design, in order for you to survive, you had to get process oriented.

John Wieland: We had to get process oriented and the other thing that had to happen was I had to stop asking questions. And so in the early days, I knew everything about everything. And I finally figured out that we were never really going to grow unless I didn't know some things. And, you know, trusted other people to know those things.

Richard Warner: Great answer. And yet, there's always that fear that what you know is more accurate than what they know.

John Wieland: I know, yeah, it's hard to come. It's your own business and it's your own money, you know, and it's your kids education if you mess it up and those kinds of things. But I learned the basic rule, you hire good people and you got to step back and you got to trust them. You got to empower them, got to hold them accountable.

Richard Warner: Did you have trouble finding those good people?

John Wieland: Well we, we've had some turn over along the way

Richard Warner: You figure being in business that long, but what do you look for when you're looking for those good people? How do you tell?

John Wieland: Well one thing we do just to be totally honest is we do a good bit of testing. And for more than 20 years we've had a consulting industrial psychologist.

Richard Warner: Sure, and did that pay off?

John Wieland: And, yeah.

Richard Warner: What do they ask? What kinds of stuff, what kind of information do you get back?

John Wieland: They do tests and then they send me reports as to, you know, is this a guy that's going to fit with the culture or a woman that's going to fit with the culture. And home building's a hard business. It's long hours and it's messy and it use to rain, you use to get wet, you know. But you got to love it, and if you love it it's fantastic.

Richard Warner: You're at how many now out of a hundred and one?

John Wieland: I have 10 more to sell, and I was thinking maybe you would like to buy one...that'll give me 9...

Richard Warner: Ah well I'd need to call my wife first, yeah.

John Wieland: Have you thought about a second home in Canton, Georgia?

Richard Warner: Canton's a wonderful town, my brother lives there, and it's a great place.

John Wieland: It is a wonderful town.

Richard Warner: And so is that where the opportunity is? Now you're pretty much having to go to the places where, when you started, would have been considered 'outer Georgia.'

John Wieland: Yeah and one of the interesting things we're seeing now is people want to move back in.

Richard Warner: Yeah

John Wieland: You know, urban is in and cool and people don't necessarily want to go out and buy a riding mower just as soon as they've bought their house, and that's a good sign.

Richard Warner: Is that then your future market? It's, you know, it's probably us boomers who are not really looking for that big house in Canton, like maybe our kids are going to be looking for, we're looking for some place where we don't need the mower.

John Wieland: And we have just the place for you!

Richard Warner: Great!

John Wieland: How lucky I'm here today!

Richard Warner: Well let's see we've got 6 minutes left, do you have a contract? We'll pull it out. You know, go back to the marketing side of the business cuz we got John Wieland, I mean the crew was impressed that John Wieland was going to be here today. There was clout; there was value to the name. When it came to establishing what the company's brand stands for is that something that just evolved over time or was the something that John Wieland sat down and said, "This is the market, and this is the product?"

John Wieland: As a business school graduate, I should probably say that I sat down and I figured it all out. But the real truth is that we're really a business that's evolved over time. We've tried to think ahead, think about what are the core things that you want when you buy a home, and we tried to deliver those to the customer.

Richard Warner: Those core things are?

John Wieland: Well, you know, really number one is confidence and quality, you know. We're proud to say that we have won all J.D. Power awards for home building for the last 2 years. And so our customers recognize the quality of what we do. And then I think one of the things that a lot of people miss is what I call architectural values. I mean we try to create a place, a special place, you know, so when you come home you, you know, you're

separating yourself from the rest of the world. And the home is something special. And we, we don't try to get overly philosophical about it, but and that's why we're John Wieland homes and neighborhoods. Because we want compelling neighborhoods, and we want compelling homes. And we want happy customers.

Richard Warner: It's kind of, and I mean this in a positive way, it's kind of what Post did with apartments. In terms of developing a neighborhood feel to an apartment, you figure, what's the cost of all those flowers? It's very small compared to the value the people see in them. I would imagine that the things, when I think of your homes, are going to be the nooks and the cut out windows where you sit and all that. The things that you didn't get with a mass produced home in the '60's and the '70's, are what people remember but don't cost that much more.

John Wieland: You know we try to have a philosophy that improvement's always possible, you know. And we listen to the customers and, you know, like one of the little things we've done for like 35 of the 39 years we've been in business is we have shampoo inserts. So in your tile bath, there's a little insert and you can put your shampoo and your soap. You know, it's a small thought, it doesn't cost much money, most people don't do it. But you know, you aren't going to pay us anymore because we have it, but when you live in your home you're going to say, "You know, these guys thought ahead."

Richard Warner: It's kind of like the cup holders in the car.

John Wieland: There we go

Richard Warner: We are hopefully at the bottom, and I'm wondering now as you begin to go back up, as we're pushing the boulder back up the hill. How are you going to run your company differently based on what you've learned here, now?

John Wieland: One of the interesting things about a recession is that you learn about what you can do without. And you know you never thought that you could possibly do without this many people in finance, or you know five layers in construction management, or whatever. But as things get tighter, uh you are forced to get learned and you think, "Oh my gosh, you know, this is working and we only have half the number of people we use to have." And so one of the things we're resolving to do on the way back up is to stay learned, you know, stay close to that customer, provide the value and the confidence and the quality that they're looking for. And do it more efficiently.

Richard Warner: Do it flatter. Are you going to be a flatter organization?

John Wieland: Flatter, flatter, yes. Yeah we've learned a lot about being flatter. We've also learned that times are changing. What people are going to want in their home in the future is going to be different, and how much home they're going to want. And I think people are realizing that the real thing about a home is you buy it to live in it, and to enjoy it and raise your family and those sorts of things.

Richard Warner: Not as a primary cash investment that you can use as an ATM.

John Wieland: Not, yeah, the ATM thing is gone. And so the whole thought of, "Buy the biggest house I possibly can, so that I can make the biggest profit when I flip it," is gone. And, you know, from my stand point, from a person who values the way we look at it as a company, that's great. Let's get back to basics. Let's meet the needs of people. Let's get out of the ATM thing.

Richard Warner: Family company. Going to stay a family company?

John Wieland: Well we don't really look at ourselves as a family company, I mean it's owned by the family, but we're a professional company. And the people who great with us are rewarded that way, and no one knows that the future's going to be like.

Richard Warner: John Wieland is CEO of John Wieland Homes and Neighborhoods, awesome, thank you so much for being with us.

John Wieland: My pleasure, Richard.

Richard Warner: And thank you for watching, you can catch a replay of our show in Atlanta on WCFO Radio, that's 1160 AM. You can listen to us on iTunes, just do a search on the term "Georgia's Business," and you can also sound off to me directly on my site which is RichardWarner.com. Now for all of us here at Georgia Public Broadcasting, I'm Richard Warner, and until we meet again, don't sell yourself short.