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Achieving Service Excellence in Real Estate: The Fundamental Tenets

By Lance A. Bettencourt, PhD

*Adapted from article published by *Marketing Management* (forthcoming)

Service is a critical factor to business success now more than ever (Bettencourt forthcoming). Research shows that improved service drives customer loyalty and willingness to pay, which, in turn, drive improved sales and profitability (Homburg et al. 2009). On the flip side, poor service leads to customer defections and loss of market share (Keaveney 1995). Despite its importance, some companies seem to perpetually struggle with providing exceptional service.

So what is it that sets the likes of Southwest Airlines, USAA, and, more recently, Zappos apart for their exceptional service? Companies that excel at service recognize that excellence is not achieved by a particular tool or technique. When it comes to exceptional service, there are no quick fixes or magical tools. Rather, it requires a disciplined focus on the fundamentals of service excellence.

As real estate professionals navigate the journey of establishing and maintaining exceptional service in their business, this article reviews five fundamental tenets to consider for achieving service excellence. Taking each tenet in turn, we'll focus on understanding the key principles at work and illustrating how some companies have put them into practice.

Tenet 1: Know What Your Customer Needs

Companies that excel at service know where to focus their resources. They focus on improving what matters most to their target customers and accept lower performance on what does not. Though there is no shortage of approaches to measuring customer needs for service, there is a shortage of approaches to doing this well. To be an effective guide to service improvement, a company must understand how its customers judge value based on what they are trying to get done independent of how service is delivered today. This is a common failure point.

In real estate, for example, it is common to measure service quality using attributes of how service is delivered such as hours of availability, use of up-to-date technology, and agent professionalism. The problem is that a focus on attributes such as these constrains thinking because it fails to understand why these features are valuable to customers in terms of their

functional and emotional needs. Features are not needs and a failure to properly distinguish them causes confusion (Bettencourt 2009).

A focus on customers' functional and emotional needs across the series of steps they must get done to obtain a service provides the actionable insight a company requires (Bettencourt 2010). In buying a home using a real estate agent, for example, common steps involving the agency include contacting the agency, sharing goals and desires, viewing properties, evaluating properties, making an offer, getting questions answered, and so on. At each step, the home buyer has functional (e.g., limiting the number of irrelevant properties that are viewed, only offering as much as necessary to make a purchase) and emotional (e.g., feel confident, reassured, excited) needs that are independent of – though affected by – how service is delivered today.

Tenet 2: Orient Your Company toward the Customer

Great service companies appreciate the value of people to their business – not only their customers, but also their employees. Starting with the executive suite, they create a shared belief throughout the organization that exceptional service is expected and valued (Schneider et al. 2005). These companies communicate the value of customer satisfaction and loyalty throughout the organization, ensure that all employees understand what the ideal experience looks like from a customer perspective, and make decisions concerning systems, standards, processes, policies, and management practices that exemplify the value of customer and employee satisfaction.

Consider how Zappos has ensured that there is a shared belief around the importance of its number one core value – "Deliver WOW Through Service" – by making some unconventional choices that reinforce the importance of this value (Hsieh 2010). For one thing, Zappos provides its customer service number at the top of every Zappos web page rather than burying it on some obscure page. The company is willing to take on the extra cost of telephone service for the goodwill it creates. In a similar way, Zappos runs its warehouse 24/7, a decision that CEO Tony Hsieh indicates "actually isn't the most efficient way to run a warehouse" (Hsieh 2010:144). True. But the decision speaks volumes of the priority that Zappos places on customer service over efficiency.

In real estate, consider the following questions to assess how well oriented a brokerage is toward the customer:

- *Is the brokerage focused on satisfying specific customers and needs (vs. being everything to everyone)?*
- *Does the brokerage have clearly established values that align with service excellence?*
- *Does the brokerage have specific standards in place to guide service excellence?*
- *Does the brokerage give priority to customer and employee needs when making decisions?*

- *Is there a shared belief throughout the brokerage in the importance of customer and employee satisfaction and loyalty?*

Tenet 3: Align Your Organization for Service Excellence

To excel at serving customers, a company must also align its organizational structure, systems, processes, and offerings to deliver the experience that customers are seeking (Bettencourt 2013, forthcoming). The Mayo Clinic, for example, enhances the patient experience with a team approach to medical care. A team will be assembled to provide care for one individual and then disbanded and reconfigured to care for other patients. In a similar manner, Cleveland Clinic ensures accountability on the frontline by using care teams that are headed by a nurse who is responsible for the overall patient experience.

Organizational structures, systems, and processes must also be designed with specific customer and company needs in mind. This is critical because design choices such as customization vs. standardization, team vs. individual service, and company vs. customer production inevitably involve choosing not only what the company will do well but also what the company will not do well relative to the competition. Different design choices are sure to appeal to distinct customer segments or distinct occasions (Bettencourt 2010). This is why WebMD, JustAnswer, MinuteClinic, the family physician, and the hospital emergency room can all successfully co-exist.

In real estate, consider the following questions to assess how well aligned a brokerage is with customer needs:

- *Is it clear who is responsible for overall satisfaction and loyalty of brokerage customers?*
- *Does the brokerage ensure a seamless customer experience across various interaction opportunities (e.g., purchasing a home, listing a home and/or initiating a sales transaction)?*
- *Do the brokerage's structure, processes, and policies give priority to customer satisfaction?*
- *Do the brokerage's structure, processes, and policies enable customers to be served with excellence in terms of speed, accuracy, and customization?*
- *Has the brokerage removed all system, process, and resource barriers to delivering superior service?*

Tenet 4: Manage Your People to Deliver What Matters

A company's service orientation is implemented on the frontline of the business in each and every customer interaction. This is why management practices are so critical to success. To

ensure that your employees are prepared to deliver superior service, your company must answer three critical employee questions: What is expected of me? What's in it for me? Do I have what it takes to succeed?

Whether through selection, training, job design, coaching, reward systems, or (preferably) all of the above, service leaders ensure that all of their employees are ready, willing, and able to do their part in delivering exceptional service. At Zappos, for example, every new employee – lawyers, accountants, and other staff included – goes through the exact same 4-week training program on the importance of service and the vision and philosophy of the company. Recognizing that it is inherently difficult to train someone to be a people person, great service companies such as Southwest Airlines spend well above the average amount of time and money to find people with the right attitudes and interpersonal skills to serve customers.

In a parallel manner to employee management, companies that excel at service give equal consideration to helping their customers to be ready, willing, and able to perform their role. Charles Schwab, for example, offers various types of education to its customers to ensure that they possess the knowledge and skills required to make good investment decisions. Schwab offers seminars in its branch offices that are focused on investing basics as well as self-paced educational materials to build customer knowledge and skills related to specific investment topics.

In real estate, consider the following questions to assess how well a brokerage has built capabilities to deliver superior service:

- *Have all management practices at the brokerage (selection, training, rewards, and so on) been carefully designed with customers' service needs in mind?*
- *Do all brokerage employees have an in-depth understanding of what is expected of them in delivering superior service?*
- *Are brokerage employees sufficiently motivated to improve customer satisfaction and loyalty?*
- *Do brokerage employees have the necessary interpersonal skills and latitude to deliver superior service?*
- *Has the brokerage put in place practices to ensure that customers are ready, able, and willing to do what is expected of them?*

Tenet 5: Coordinate Your Resources to Stay Ahead

There are several characteristics of service that demand effective resource coordination. As processes, many services require multiple individuals to do their part at the right point in time. In addition, service is often provided across geographically far-flung locations. Finally, service

excellence demands consistency with thousands (or perhaps millions) of customers, and consistency from a nearly equal number of employees. When it comes to addressing these coordination challenges, information management is critical.

First, service excellence hinges on systematic information capture from customers, employees, and operations to monitor, control, and improve service delivery. A typical day at a Charles Schwab branch, for example, begins with the branch manager pulling up a customer feedback report based on surveys sent to clients the prior day. The verbatim responses from customers are used to identify patterns in customer frustrations, follow-up with specific customers, engage employees in suggesting service improvements, celebrate successes, and counsel employees on individual struggles. Schwab credits its customer feedback approach with helping it to stay connected to customers' service needs which has led to significant improvement in both its customer ratings and sales (Markey et al. 2009).

Second, service excellence often demands that service employees have ready access to relevant customer information to support coordination of service activities. At Mayo Clinic, for example, when a physician enters an order for a patient to receive a particular medication at particular time intervals, the system automatically notifies physicians, pharmacists, and other medical staff when a particular treatment should be given. The system also highlights new test results in the patient file so that other nurses and doctors do not overlook critical patient information (Virzi 2006).

In real estate, consider the following questions to assess how well a brokerage coordinates service excellence:

- *Does the brokerage track the quality of service that customers receive (e.g. pre-/post-transaction customer evaluations)?*
- *Do brokerage employees have an up-to-date understanding of how well they are serving customers?*
- *Are brokerage employees actively encouraged to contribute ideas for improving service?*
- *Is detailed information about individual customers readily available to brokerage employees to support superior service?*
- *Has the brokerage done everything needed to ensure coordination of service activities across individuals and locations?*

Service excellence is not easy to achieve, but the success of companies featured in this article – and many others – demonstrates that it is both possible and worthwhile. However, success is not be achieved by simply adopting a particular tool or technology. Nor will it be achieved simply by reading examples of service excellence.

To excel at service, real estate professionals must understand the fundamental principles that underlie the value of particular tools or the success of individual companies. As such, real estate professionals that give careful consideration to the five fundamental tenets reviewed in this article won't find a quick fix, but will manage to create lasting value for their customers and their business.

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Has Cold Calling Gone Cold?

By Dale Lampertz

Deeply embedded in real estate agent training and development literature is the directive to be constantly engaged in lead-generation activities. Lead-generation is an essential function for all salespeople, and is a particularly proactive approach real estate agents can use to build a strong network of prospective business relationships.

Based on experience and personal preference, each agent will have his/her opinion on which lead-generating mechanisms work most effectively. Some will argue that investing in direct mail advertising is more effective than Internet-based advertising. Some will argue that holding open houses has a greater impact than calling on expired listings. Most will argue that a mix of a number of activities will produce the strongest lead-generating outcomes. While most agents will defend the effectiveness of each these activities at some level, though, the value and effectiveness of cold calling might spark the most heated debate among lead-generation-active agents.

Although some agents swear by the effectiveness and legitimacy of the cold call, others have a much more negative view of this traditional approach. A lack of empirical data on the efficacy of cold calling only promotes the continual back-and-forth debate, as most arguments for or against the practice lean solely on unsupported, anecdotal data.

In the fall of 2011, Baylor University's Keller Center for Research and a team of Baylor MBA students partnered with the research and development department at Keller Williams Realty International (KWRI) to begin to quantify the importance and effectiveness of cold calling as a prospecting tool. Specifically, the study sought to measure the effectiveness of the toughest, true cold call – a totally unqualified list. The study reveals that agents willing to invest the time, energy and resources into cold calling may reap the available prospecting benefits that many agents have written-off.

The Study

Cold calling, for the purpose of this study, is defined as *calling a random set of numbers from a region not previously marketed to by the agent*. Ten KWRI "Team Leaders" (local KWRI agency leaders, focused on growing their agents' businesses and market centers through

coaching, consulting and training) were recruited to the study and represented each of the four contiguous U.S. time zones (EDT, CDT, MDT, PDT). Each of the ten Team Leaders were asked to commit 16 agents from his/her region to participate in the study, yielding a target participation of 160 agents from across the country.

Each recruited agent was provided with a standardized cold calling script and committed to set aside an hour each day for seven days over a two-week period to make cold calls in his/her respective geographic region. The script was developed with the assistance of the KWRI training department and though a focus group conducted with some of Texas' most productive KWRI agents.

Agents were asked to call a generic, random list of numbers *from a region not previously marketed to* that either they provided or that was supplied to them by their KWRI regional office. Calls were to be placed for an hour at a time, and were to be completed at a different hour on each day of the study (e.g., an agent would call for one hour beginning at 10:00 AM one day, then for one hour beginning at 11:00 am the next, at 12:00 PM the next day, and so forth). Of the 160 agents recruited, 50 completed the full seven hours of telephoning required.

What We Learned – By The Numbers

Over the course of a two-week period in November 2011, 50 participating agents made 6,264 phone-based cold calls, collectively. Of the 6,264 cold calls placed, 28% were answered, 55% were not answered, and 17% were non-working numbers.

While 6,264 calls were placed over the seven-day period, 72% were very quick calls due to non-answers and non-working phone numbers. Accounting for non-answers and non-working numbers becomes the tedious part of working true cold calling lists. However, the 28% of calls that were completed (1,774) were productive calls.

Out of the 1,774 calls that were answered, agents were able to set a total of 19 appointments with prospective clients, and 11 referrals were received. Agents were asked to call back at a later time by 132 prospective clients, and 1,612 of the callees were not interested in the offering or refused additional information.

What Is My Potential ROI? A Baseline for Comparison

Realistically, the average agent will not be willing to make 6,264 cold calls to achieve outcomes similar to this study. So, the question becomes, "What must I do to achieve a positive return from my cold calling efforts?" If we assume that the goal of cold calling is to either *set an appointment* or *receive a referral*, then the data help to tell a story of what Return on Investment (ROI) agents might realistically expect to achieve from cold calling.

The study reveals that for every 330 calls made, approximately one appointment was set (a 330:1 call-to-appointment ratio). More relevant to our desired cold calling goal, for every 209 calls

made, one appointment was set or referral was received (a 209:1 call-to-appointment-or-referral ratio).

If we consider that the study indicated 72% of calls made were *bad* (non-answers or non-working numbers), then approximately 150 of every 209 calls will be bad. Assuming that placing a bad call takes about 1 minute per call (on average), then 150 minutes (or 2.5 hours) will be spent handling bad calls.

Consider also that the study indicated 28% of calls made were *answered*. Consequently, 59 of every 209 calls will be answered. If we assume that an answered call takes approximately 5 minutes to complete (on average), then 5 hours will be spent handling answered calls.

Collectively, we see that it will take an investment of approximately 7.5 hours to complete 209 calls, leading to a return of one appointment or referral. If calls are broken-out across one work-week, agents can expect to make 1.5 hours worth of calls each day for 5 days to secure one appointment or receive one referral – a positive cold calling outcome. 7.5 hours invested to achieve 1 qualified appointment or referral is a relatively strong ROI.

What This Means for Agents

So, is cold calling effective? Unfortunately, the answer to this question may still remain unanswered. However, this first attempt to quantify the results of cold calling has very positive implications for agents.

The data from the study reveal that with enough time and effort, cold calling can lead to a set of qualified appointments with prospective clients. The most tedious and undesirable aspects of telephone cold calling, though, include sifting through the no-answers and non-working numbers that exist on unqualified lists, and experiencing rejections from callees not interested in the offering or refusing additional information. To be effective at cold calling, agents must be aware of these realities – many calls placed to unqualified numbers will likely be quick contacts that yield no results.

Additionally, we found that agents would often continue making calls when their efforts were more productive, and stopped calling when their efforts became less productive. Not all agents in our study completed the full number of cold calling hours requested each day. Maintaining motivation while cold calling, especially in anticipation of unsuccessful outcomes, is a challenge many agents are unwilling to face.

An important outcome we found, though, is that once a contact is made the results are encouraging. One out of every 59 calls *answered* (30 out of 1774) resulted in either an appointment or referral. And, if we take into consideration those who requested the agents call back later (considered an interested response) we find one out of every 10-11 calls answered

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resulted in some type of interest. This figure is promising, particularly for a totally unqualified list.

The data also reveal that there was clearly a significant difference in the time of day that calls were most productive. Mornings to early afternoon (10am - 2pm) were the most effective times of day to place the calls. During this time period, 31% of the calls were placed and resulted in 53% of all appointments/referrals generated. The least effective time for making calls was during the evening hours (after 5pm). During the study, this time period accounted for 42% of all calls made but resulted in only 21% of all appointments/referrals.

Depending on how agents perceive this information will lead to differing conclusions as to the validity of cold calling as a prospecting tool. What this research does uncover, though, is a set of questions each agent can ask himself when it comes to whether or not he wants to engage in cold calling as a lead generation activity:

1. ***How many calls can I realistically make in one hour?***
   This is an important consideration for an agent to make – and the figure will vary from agent to agent. Cold calling can be tedious (both mentally and physically), but can lead to potentially fruitful outcomes. The quality of the cold calling list may also have an impact on how successful a set of cold calling activities will be.

2. ***How many calls am I willing to make before securing an appointment or referral?***
   The study reveals it took 330 calls to secure one appointment, and 209 calls to yield one appointment/referral. While the ROI story our data told was encouraging, the return each agent achieves will be different (depending on a number of factors). The ROI story serves as a baseline and a comparison that agents can begin to work with to shape cold calling practices. Are you willing to make 200-300 calls before securing an appointment or referral?

3. ***How hard am I willing (and able) to work to reap the rewards of cold calling?***
   Assuming a median home price of $154,700 (National Association of Realtors 2011) and an average commission rate of 3%, an agent can make an average of $4,641 on each sale of a home. An agent's hourly rate as a result of cold calling, then, is only determined by how many hours it takes to secure the sale.

The cold calling debate is still contentious. Simply Googling "real estate cold calling" reveals a number of competing individual assessments on the effectiveness of the cold call. However, if enough agents have given up on the effectiveness of cold calling (as many agents suggest), agents willing to invest the time, energy and resources into cold calling have the potential to reap the benefits made available by other agents unwilling to do the same.

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Final Notes

Further research is necessary to validate the results of this study and to draw meaningful conclusions on the effectiveness of cold calling. Specifically, further studies should include agents from multiple agencies, and should include a representative sample of agents from across the U.S. and/or globally. A longitudinal study will also help researchers validate outcomes of further research, and will also help determine whether a number of variables (time of year, time of day, etc.) plays into the outcome and/or effectiveness of cold calling efforts.

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Necessary Condition #10 – The Right Commitment

By Charles Fifield, MBA

As the sales process has gradually evolved from a transaction-driven model to a relationship-driven and collaborative approach, the underlying methods driving salesperson success must be modified. Today's buyers are more inclined to purchase an *experience*, rather than just a generic product or service. Businesses and sales leaders should be asking, *"How do we turn our one-time, transaction buyer into a lifetime-loyal and profitable customer?"* Answering this question correctly will likely prove to be a turning point for a sales-driven enterprise, and can help secure a long-term customer commitment.

Customer Service and Customer Retention

Customers defect from one company to another for myriad reasons. Understanding even some of these reasons can help salespeople adapt activities to provide excellent customer service and promote customer retention. The Get Satisfaction group (2010), for example, reports that the number one reason customers defect is due to the treatment they receive (or lack thereof) during the sales exchange. In its entirety, Get Satisfaction reports that customers often leave because:

1. Of the (perceived) treatment they received (68%)
2. They are dissatisfied with the products or service (14%)
3. They begin doing business with the competition (9%)
4. They seek alternatives (5%)
5. They move away (3%)
6. They die (1%)

In addition to understanding why customers may defect, it is also important to consider how a customer's impression of the company during different stages of the exchange might contribute to why s/he might leave the relationship.

We know that first impressions in business are critically important, especially in the early stages of a relationship. In the long-run, though, last impressions may define the heart and soul of a business. Sam Walton, founder of Wal-Mart, said, "There is only one boss - the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else." Customer service begins with first impressions, but the decision whether or not to return is based on the last impression. Maintaining a strong customer service-orientation can help prevent defection and promote retention.

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Think Long-Term

Customer *satisfaction* is a strong short-term measure of sales success, but in the long-term, achieving customer *loyalty* is paramount. Loyalty easily equates into "harvested" or "organic" productivity because a series of transactions with the same customer will likely yield exponentially higher commissions, superior word-of-mouth prospects, and significantly reduced sales organization waste. This way of doing business is self-perpetuating: if you are good to your customers, they keep coming back because they enjoy working with you and trust you. If they enjoy working with you and trust you, they will likely spend more money with you. If they spend more money with you, you naturally want to do more business with those customers. As customers' expectations are met (or exceeded) and they feel appreciated and satisfied with the exchange, they will likely become repeat customers – and the cycle begins again.

According to About.com Home Buying and Selling, "American home owners sell and move, on average, every five to seven years" (Weintraub). The US Census Bureau on Geographic Mobility indicates that the average American moves 11.7 times in a lifetime (US Census Bureau 2011). In today's highly-mobile world, this should not be a surprise. The reasons for selling and moving are quite diverse. About.com Home Buying and Selling cites the top 15 reasons for people selling and moving:

1. Home is too small
2. Upgrade
3. Fix a purchase error
4. Job transfer
5. Personal relationships
6. Neighborhood changes
7. Empty nest
8. See family more often
9. See family less often
10. Retirement
11. Health problems
12. Deferred maintenance
13. Home was a "fix-up-and-sell" project
14. Cash in equity
15. Lifestyle change

The Value Of A Life-Long Customer

How much will the average person generate in commissionable residential real estate transactions over the course of a lifetime? While the answer to this will vary, we can look to many examples of the lifetime value of a customer, particularly in the commission-based residential real estate industry. Given what we know from the US Census Bureau, one example that conservatively reflects the potential of one customer over an extended period can be shown through a highly regarded Houston, TX-based real estate agent.

Buyers and sellers have consummated real estate transactions for over 35 years with this agent, many in higher-priced, Houston residential communities such as Tanglewood, River Oaks, Memorial and Rice University – Medical Center. One relatively modest buyer made an initial $140,000 home purchase near Rice University through this broker in the early 90's. Twenty years later, that same customer had made seven additional buying or selling transactions with this broker before moving away from Houston. The total sum of all of this customer's transactions was in excess of $4,000,000, which represents roughly $240,000 (or an average of $20,000 per year) in earned commissions for the broker.

This outcome may be the product of an exceptional working relationship; however, when you consider that the average person will execute buyer-seller residential transactions roughly 12 times in a lifetime, and that the national median home price today is roughly $150,000, the opportunity for long-term productivity is obvious (National Association of Realtors 2011).

The lifetime value of a client (CLV) is difficult to measure, but important for real estate agents to consider. An agent who uses a CLV-measuring process to manage client relationship efforts is better equipped to direct her time, marketing dollars and resources more strategically. Specifically, the agent can focus her efforts on clients with the greatest long-term potential. For more on using/measuring CLV and on developing a strategic "Personal Touch Portfolio" for your clients, see the June 2010 Keller Center Research Report article, "Personal 'Touch' Portfolio (PTP): Connecting with the Right Clients to Grow Your Business" (Dixon 2010).

The Right Commitment

The right commitment is about earning a customer for life by providing high-quality service and consistent value-adding experiences to the profitable customers who keep you in business. Carl Sewell, Chairman of Sewell Automotive Companies and former director of Neiman Marcus Group, Inc., offers a strong perspective that affirms this message. Sewell says, "Our only source of competitive advantage is our people and the service they provide."

Real estate agents, too, must think through this customer-centered lens. An agent's access to information and his/her general services are going to be similar from one agent to another. Therefore, an agent's competitive advantage is in his/her ability to build long-term relationships and provide high quality customer service.

Sewell expands on his ideas of the importance of service in the retention of lifelong customers in his highly regarded book, *Customers for Life.* The book has particular application for agents as Sewell and co-author Paul Brown describe "The Ten Commandments (of effective) Customer Service:"

1. *Bring 'em back alive* – Ask customers what they want and give it to them again and again.

2. *Systems, not smiles* – Saying please and thank you doesn't insure you'll do the job right the first time, every time. Only systems guarantee you that.
3. *Under-promise, over-deliver* – Customers expect you to keep your word. Exceed it.
4. *When the customer asks, the answer is always yes.* Period.
5. *Fire your inspectors and consumer relations department* – Every employee who deals with clients must have the authority to handle complaints.
6. *No complaints? Something's wrong* – Encourage your customers to tell you what you're doing wrong.
7. *Measure everything* – Baseball teams do it. Football teams do it. Basketball teams do it. You should, too.
8. *Salaries are unfair* – Pay people like partners.
9. *Your mother was right* – Show people respect. Be polite. It works.
10. *Japanese them* – Learn how the best really do it; make their system your own. Then improve them.

Summary

By emphasizing strong customer service practices (which promotes customer retention), thinking with a long-term perspective, and understanding the lifetime value of a customer, agents can help customers make an enduring commitment to the buyer-seller relationship. Specifically, an agent's long-term sales success will largely be determined by how well a salesperson can develop loyal customers. Loyal customers become repeat buyers and enable salespeople to leverage short-term sales success into both new purchases and new customer relationships. A customer's loyalty can have a multiplier effect on an agent's personal selling success and contributes to promote the buyer-seller relationship.

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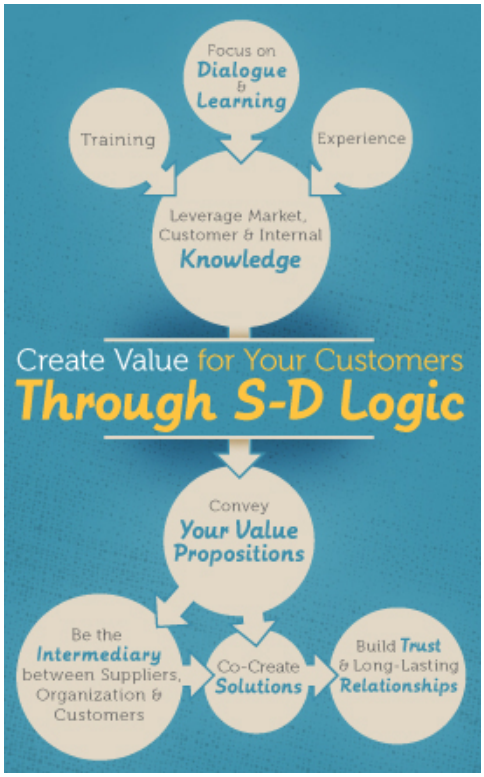
Service-Dominant Logic – How Does This Impact Today's Agent?

By Kenneth Le Meunier-FitzHugh, PhD



The sales environment is rapidly changing. The real estate sales environment is also becoming more complex and competitive, and is being driven by a rising number of home options, increasingly demanding customers and a shift in what customers' value in the home-buying process. The emerging sales environment demands that agents improve their skills, develop an understanding of integrated solutions and focus on relationship-building, particularly for high value goods and services like real estate (e.g. Sheth and Sharma 2008).

Traditionally, real estate sales people focus customer attention to new features of a property. However, to cultivate long-term customer relationships, agents must engage in a more tailored sales approach, focusing on providing multiple, coherent solutions for their clients (e.g. Piercy, Cravens and Lane 2007), especially with new property purchases.

Service-dominant (S-D) logic, which focuses on services and/or intangibles as the key interest in an exchange, can dramatically alter an organization's operations, culture and overall strategic outlook to create mutual benefits for buyer and seller groups (Vargo and Lusch 2004). An organization with S-D logic orientation achieves these advantages by placing the customer at the heart of all business activities. In S-D logic exchange, service is exchanged between the buyer and seller via the goods/services being purchased (Lusch and Vargo 2006). Customer value and satisfaction is co-created between buyers and sellers throughout the sales interaction.

A S-D logic sales orientation can have great impact for a real estate agent. Data from the recent study of a UK-based homebuilder reveal significant findings that can support and help agents develop a customer-focused orientation, which can ultimately lead to increased sales and customer satisfaction.

Customer-Focused Orientation – A Case Study

Recently, our research team studied the homebuilding branch of a UK-headquartered construction firm. The homebuilder, who is active in the UK and the US, specializes in building new homes for a broad range of customers, including first-time buyers and seasoned homeowners. The company sought to shift their focus toward S-D logic, putting the customer at

the center of their sales and marketing efforts. To support this transition, they hired a Sales and Marketing Director to drive new operational activities. In an effort to analyze the effectiveness and impact of this orientation-shift, data from the organization was collected through nine semi-structured, face-to-face interviews with numerous company representatives spanning the roles of Group Sales and Marketing Director to the Regional Salesperson. Data was also collected from a review of company assets, including presentations, sales literature, press advertisements and website pages. Two members of our research team also made visits to a number of the homebuilder's construction sites over a period of several months. All interviews lasted between 30 minutes and one hour, were tape-recorded and transcribed for analysis.

The organization rolled out the new, customer-oriented philosophy through a series of staff conferences, discussion groups and workshops. The company's new stated mission is, *"To share our customers' passion and to work with them to create and deliver with pride the home they want. Put simply, 'Inspired by You!'"* The ultimate goal was to shift all staff to this new paradigm so that they could deliver the customer's "dream home."

The elements of the company's presentation to the sales personnel included five key imperatives:

- *Look through eyes of customer*
- *Improve communication within regional businesses*
- *Plan better*
- *Deliver customer journey in line with research findings so that there are no surprises*
- *Build rapport*

Customer-facing sales personnel were enthusiastic about the new marketing initiatives, which promised to facilitate more and better quality customer contacts.

The homebuilder developed the model of the "customer journey" to help salespeople guide the customer from initial contact with the organization through the occupation of the property, and beyond to post-sale service. This journey was described along six stages of the customer's relationship with the firm: *Stranger, Acquaintance, Friend, Know, Like, Love*. Presenting the stages in this way allowed the organization to provide a framework for the dialogue that takes place between sales personnel and the customer, and encourages them to interact, convey value and engage in co-creation. Both the customer and the salesperson go on this journey together to encourage open dialogue, negotiation and decision-making. As the process unfolds, "home" not "house" ownership is co-created through the revealing and refinement of the customer's true values. Appropriate marketing collateral and knowledge of the homebuilding processes/time frames were also necessary to support this effort.

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Developing and Refining Sales Skills – Implications for Real Estate Agents and Sales Staff

Analysis of the interviews and the case materials revealed six important implications for real estate agents and sales staff:

1. ***Don't Overlook the Importance of Dialogue Leading to Learning about Customers' Needs.***
   When customers are unclear of their needs (and even unwilling to invest time to understand them), the salesperson must be able to quickly and insightfully elicit the customers' priorities and create joint learning (Kalaignanam and Varadarajan 2006; Rust and Thomson 2006). This skill can be refined through training and experience, helping agents learn to uncover and understand what their customers value in the sales exchange.

2. ***Leverage Market, Customer and Internal Knowledge***
   S-D logic requires a change of emphasis from the knowledge of *product-based features and benefits and solutions*, to the management of *sales personnel knowledge* to create a competitive advantage for the organization. The customer should be able to identify benefits based on the salesperson's knowledge of markets and the capacity of the organization. Sharing differentiated knowledge and offering a range of choices and services also allows the agent to understand customer preferences and manage his/her expectations.

3. ***Convey Your Value Propositions***.
   A customers' perception of value is influenced by the organization's activities, yet also relies on sales personnel acting as the communicator of the value proposition (Kalaignanam and Varadarajan 2006). We observed that the solution sought by the customer must include not just the agency's services but, equally importantly, the communication of those processes and a clear understanding of their value to the customer.

4. ***Co-Create Solutions.***
   The process of co-creation is dependent upon meaningful and mutual engagement (Prahalad and Ramaswamy 2004). Systems and processes to help bring the customer along the journey to the solution are important in a customer-oriented sales exchange. The homebuilder, for example, offers an interactive IT home-modeling system to help sales staff and customers understand the variety of home options available. This was greatly valued by the customers. What systematic mechanisms do you have in place to co-create a solution with your customers?

5. ***Be the Intermediary between Suppliers, Organization and Customers***.
   S-D logic will increasingly require coordination across the organization and through the supply chain (Matsuo 2006). In many cases, as in the sale of a newly built home, sales

staff will communicate with a network of outsourced functions to obtain the optimum solution for the customer through the integration of multiple resources. As such, it is important for sales personnel to understand the capabilities and limitations of each player in the network. An agent's understanding of the product/service, the sales organization, relevant suppliers, and the customer's expectations need to be managed through a systematic process (e.g., the customer's "journey") and supported by appropriate resources.

6. ***Build Trust and Long-Lasting Relationships***.
   In the case study, the homebuilder was focused on one-time, individual sales rather than an ongoing relationship with its customers. To address this, they developed the "customer journey" model and future profit opportunities by offering post-home-sale services, such as landscaping, renovations or add-ons, and the opportunity to build community facilities. Further, data indicate satisfied customers frequently return to purchase larger properties as their family expands, and/or recommend the company to their relatives and friends. The development of long-term relationships is essential, as the opportunity for additional sales is revealed over time.

Conclusion

This case study demonstrates that S-D logic can influence the sales function by moving the customer to "center stage," which makes experienced salespeople essential assets to the organization. Customer satisfaction will be primarily achieved through the dual application of senior management support and cross-functional training with other player(s) in the network (e.g. site managers, architects and surveyors in a new-build scenario). Sales staff require specific training on the importance of conveying value propositions and in the co-creation of solutions with customers. This training can help sales representatives enhance listening skills, diagnostic capabilities, problem-solving techniques, and the ability to use their knowledge in dialogue and developing individualistic value propositions.

In the case of this homebuilder, sales personnel must understand how the new home is likely to be used by the customer – for example, they may need extra facilities to accommodate frequent visitors, or they may value office space, or additional storage. Agencies need to develop a clear process that assists the agents in "accompanying" the customer through a journey towards a long-term relationship. Customers begin to value the actual process of interacting with the agency, specifically through its agents. They feel listened to and appreciate the sales team's feedback as the current sale and the long-term relationship is developed.

The new roles and skills that sales personnel were asked to perform were not yet fully developed during the case study period. More needs to be done to help the management and sales staff understand a customer-oriented philosophy, which will help agents to the have the confidence to make adjustments in the sales approach in response to customer input. Salespeople may also

need flexibility in what they can offer to the customer so that they can adjust to each individual's needs. This may be facilitated through the employment of interactive IT packages and communications. Co-creation of value requires a feedback mechanism in terms of product development and marketing, and sales personnel have to be trained to manage this customer information to ensure the continuous adjustment of the organization's offerings. To monitor the sales process, this organization introduced the concept of the "customer journey," which encourages the sales person to travel along with the customer. Such a framework provides criteria by which marketing decisions can be made. S-D provides an integrative logic and each marketing tactic is designed for a specific part of the customer journey. The value of such tactics can be validated and their effectiveness can and should be measured. Gaining the sale is now only a part of the sales process rather than its ultimate goal. The competitive advantage of this process lies in the provision of the service, which creates the real value for the customer.

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First Impressions Matter: Initiating Trustful Service Relationships

By Anja Geigenmüller, PhD

Long-term customer relationships are the building blocks of a firm's success. Practitioners and researchers have long recognized the positive effects of close customer relationships in terms of a firm's costs, sales and, hence, financial performance. Throughout the last decades, the management of customer relationships has been the focus of numerous academic studies. Notwithstanding, little is known on how these relationships actually begin. Only a limited amount of research has been conducted to explore mechanisms that enhance the initiation of customer relationships.

Imagine prospective business partners who meet for the first time. During this initial encounter, they share information and convey their interests and expectations with little or no prior knowledge of or experience with each other. Instead, individuals make inferences about each other, considering the other party's motivation and ability to serve as a feasible exchange partner. In these situations, decisions to contract with each other often rely on the perceived *trustworthiness* of the prospective exchange partner.

This view holds true especially for service-dominant settings. From the customer's perspective, the intangibility of services leads to uncertainty about service attributes and benefits (Zeithaml 1981), causing difficulties in assessing service quality (Parasuraman, Zeithaml, and Berry 1985). Especially in the case of high-contact, solution-providing services, such as real estate services, corporate legal services, consulting, marketing research, IT, or engineering services, perceptions of whether the service provider is trustworthy are pivotal to customers' willingness to select a service provider.

Consider an example in the real estate context. Due to the high intangibility and complexity of real estate services, customers must trust the provider's ability to deliver high-quality services. Beside the agency's name and reputation, evaluations of the initial encounter (that is the initial interaction between the customer and the real estate firm) may serve as relevant sources of trust. In other words, customers base their decision to select a real estate service on judgments of the agency, the agents and the agency's willingness to deliver on its service promises.

Attributing Trustworthiness

Trustworthiness refers to a customer's perception of a supplier's potential to act in the customer's interest (Hardin 2002). Perceived trustworthiness facilitates the initiation of a business relationship: the more positive a customer's perception is about a provider's ability and willingness to advance the customer's interests, the more apt customers are to engage in a relationship with that provider.

Previous research on existing relationships suggests that trust between organizations is established at both an individual and an institutional level (Doney and Cannon 1997). Perceived *individual* trustworthiness pertains to the individual service professional (i.e. the real estate agent). Perceived *institutional* trustworthiness pertains to the service firm (i.e. the agency). The perception of an agency and its sales professionals to be trustworthy facilitates the begininng of a potentially fruitful business relationship.

To discover how individuals attribute trustworthiness to a supplier, attribution theory provides a fruitful framework (Weiner 1986). Attribution theory explains how people make sense of the actions of others by assessing those people's individual decisions and behaviors. By cognitively assessing individual-level cues such as *appearance*, *methods of communication*, and/or *context*, one makes inferences about a person's or an object's characteristics and derives expectations about the future behaviors of the individuals in question under similar circumstances (Hastie 1984; Kelley 1973).

As our research reveals, during initial encounters customers employ attributions regarding the service provider's characteristics in order to evaluate its trustworthiness. Noteworthy, customers assess a service provider's trustworthiness on both an individual and an institutional level. On an individual level, service professionals' ability to *understand customer needs* and to *communicate with prospective customers* are important precursors of perceived trustworthiness. On an institutional level, the service firm's *reputation* has a significant impact on perceived trustworthiness.

Further, our survey in the context of consulting services supports the notion that positive assessments of individual and institutional trustworthiness will lead to relationship initiation. Having said this, it is important to note that institutional trustworthiness was found to be more influential than the professional's level of trustworthiness. Whereas previous studies suggest that institutional trustworthiness reinforces the service professional's trustworthiness, we again find the opposite: in the case of consulting services, prospective customers' trust in the consultancy has a stronger effect on their willingness to initiate a business relationship. The trustworthiness of the professional, though, enhances the agency's trustworthiness and has therefore an indirect effect on relationship initiation.

Customer Understanding and Individual Trustworthiness

The marketing and services literature repeatedly emphasizes the critical role of service professionals' attentiveness and responsiveness towards clients' wishes and needs. Service employees' ability to understand customer needs as well as the standards and requirements customers set for service production and delivery is critical for successful service encounters (Parasuraman, Zeithaml, and Berry 1985). In initial service encounters, attributions about a professional's ability to understand a client's needs and problems relates positively to the assignment of the service provider. Beyond individual capabilities and experience, the agent's

demonstration that s/he thoroughly understands the client's aims and ambitions relates positively to the agent's perceived trustworthiness and the client's intention to select that real estate agency for a given project. Thus, during initial service encounters, a service professional's attempts to accurately identify customer needs and requirements will enhance positive inferences about the professional's ability to provide client-specific solutions. Perceiving a service professional's ability to understand the customer nurtures expectations that s/he is able to act in the customer's best interests. Hence, customer understanding enhances individual trustworthiness.

Individual Communication and Individual Trustworthiness

Communication is described as the formal and informal sharing of meaningful and timely information between a firm and its customers (Mohr and Nevin 1990). Through communication, individuals gather information about each other's intentions and align their perceptions and expectations. From a customer's perspective, interpersonal communication reveals the extent to which employees are interested in the customer and their willingness to serve. Therefore, interpersonal communication has been identified as an important facilitator regarding the choice of a service provider. In initial service encounters, perceptions of interpersonal communication lead to inferences about an employee's trustworthiness by reflecting his or her willingness to serve the customer. The way sales professionals communicate with prospective customers during initial encounters may be decisive with regard to the customer's willingness to contract with that agency.

Reputation and Institutional Trustworthiness

There is rich empirical evidence of the positive relation between the reputation and perceived trustworthiness of a company. Reputation represents an outsider's estimation of a company's consistent performance over time (Herbig and Milewicz 1995). The more favorable the reputation of a company is, the more customers perceive the company as able to continuously fulfill its promises and deliver excellent products or services (Kirmani and Rao 2000). Especially in the initial stages of a service relationship, a provider's reputation plays a valuable role for prospective customers. Real estate agencies with a strong reputation and a well-known brand may therefore have the edge over competitors with a rather weak reputation or a brand image.

On the Dubious Role of Service Communication

Although empirical findings are lacking, prior research encourages the assumption that service communication influences initial attributions about a service provider. Academic literature acknowledges that "service previews" provided by means of advertising, sales promotion, direct marketing, or public relations permit an evaluation of a service provider's attributes prior to a purchase (Bitner et al. 1997). Taking the argument this way, one may conclude that service communication helps customers to mentally grasp the service and to understand elements of and procedures associated with service delivery. Consequently, service communication is assumed to

strengthen a provider's perceived trustworthiness and, thus, a customer's willingness to initiate a relationship with that provider.

Our research, however, comes to an opposite conclusion: our study does not provide evidence on the effectiveness of a service firm's marketing communications in enhancing trustworthiness. This is surprising given the numerous papers that emphasize the importance of service communication in making services tangible and, thus, fostering provider trustworthiness. We interpret this result as an important hint to the fact that professional services providers should design their communication "with grace and dignity" (Hite, Fraser, and Bellizzi 1990, p. 29) in order to credibly signal their trustworthiness.

Implications for Professional Service Providers

The trustworthiness of a service provider depends on how trustworthy the service professional appears. As "ambassadors" of their firms, real estate agents play a vital role in initiating customer relationships. Decisions to continue negotiations with a potential contract partner often refer to the extent to which the agent's skills (e.g. his/her ability to actively listen to the client) relate to customer expectations. An agent's ability to understand customers and their perspectives is awarded increasing importance in the beginning of the relationship. Moreover, customers judge not only the professional excellence of service professionals but also their social and communication skills. Real estate managers should therefore create opportunities for sales professionals to learn and develop abilities for initiating valuable customer relations.

Furthermore, these results reinforce the importance of reputation and brand management in influencing institutional trustworthiness. Companies that are able to improve their reputation may be in a better position to demonstrate their trustworthiness and attract new customers. A firm's reputation results from it continuously proving its credibility. Constant investments in the quality of service products and customer service are valuable for strengthening an agency's reputation and brand name in order to build trustworthiness and to initiate potentially profitable customer relationships.

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INSIDER: Make Your Voice Heard – Make Your Marketing Relevant

By Curtis Schroeder, MBA Candidate

Imagine the 60-foot-long boat of the U.S. women's national rowing team cutting across a crystal-clear lake in a heated 2,000-meter race. As the team synchronously rows their oars back and forth, they look forward and eagerly await direction from the coxswain, the competitor/coach seated in the stern of the boat in front of them. The coxswain calls out commands to influence the behavior of her team: *Let it glide! Hold starboard! Power 10!* Competing with the coxswain's messages are the noises the boats and oars make in the water, the voices of the other competitors, and the roars of the crowd cheering their teams on to victory.

For the coxswain to be most effective in her role, she knows that her team must establish a strong game plan before the race begins. To win, she must understand the makeup of her team, establish clear and concise signals that her team can recognize and respond to during the race, and communicate those signals quickly and at exactly the right times. Otherwise, the coxswain's messages will be lost in the competing noise of the race and her team will fail to reach their potential.

Sandra Zoratti and Lee Gallagher's principles of precision marketing in their new book, *Precision Marketing: Maximizing Revenue Through Relevance*, parallel the roles of the coxswain. To win the race – or to generate the highest potential Return on Investment (ROI) in today's marketplace – Zoratti and Gallagher argue that marketers must become increasingly relevant. Specifically, they must leverage what they know (or what they can find out) about their customers, what messages they are trying to communicate, and when/how the messages will have the greatest impact. Through a clear and deliberate game plan, informed marketing efforts can most effectively accomplish the specific goals marketers seek to achieve.

Like any marketer, real estate agents can also learn to harness the power of relevancy to make marketing efforts count. By exercising the six steps in Zoratti and Gallagher's Precision Marketing framework, agents can refocus marketing efforts to access the right markets with the right messages at the right times through the right channels – which will help drive awareness, sales and ultimately lead to increased income.

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THINK POINT #1: Relevant Marketing Cuts Through the Noise

Before implementing the Precision Marketing Framework, marketers must understand what they are up against.

Like the coxswain, as marketers in all industries plan and implement marketing campaigns, they must deal with "noise," or the overabundance of marketing messages that compete for consumers' attention. Decision makers often cast the net wide, sending email blasts and purchasing radio time in an effort to reach whomever might be listening. As Zoratti and Gallagher describe, many marketers employ the *1 percent solution*, meaning that efforts are deemed successful if they are relevant for at least 1 percent of the audience they reach. What these marketers may not think about, though, is that they are unashamedly crowding marketing airwaves with messages that are irrelevant to 99 percent of the audience. Not only do extraneous messages create unnecessary noise, they actually have the potential to hurt a company's brand.

Studies on advertising messages over the last 30+ years also reveal an alarming insight into the battle for consumers' attention. In 1978, a researcher found that consumers were confronted with more than 2,000 advertising messages each day. The same researcher found that in 2007, this number had grown to more than 5,000 ad messages a day. A 2010 study suggests that the figure has increased by over 300%, and that consumers are now confronted with over 16,000 advertisements each day.

In addition to the competing noise that increased marketing creates for all goods and services in the marketplace, this escalation in marketing activity suggests that marketers have truly lost touch with the consumer. The accessibility afforded by many of today's mass marketing tools (e.g., the Internet, Twitter/social media, digital/direct mailing mechanisms, etc.) enables marketers to push messages to a large audience for a minimal cost. For agents to achieve relevance in their markets, though, their messages must cut through the noise. Relevancy is one of the main ways that messages gain traction in high-traffic marketing environments. Zoratti and Gallagher argue that the key to being relevant is establishing a deliberate and precise marketing game plan.

How deliberate and precise are your current marketing efforts? How have your messages created "noise" in the marketing airwaves? How might an informed marketing scheme impact your brand and effectiveness in the area you work?

THINK POINT #2: The Precision Marketing Framework – Six Steps To Relevance

Zoratti and Gallagher's book outlines the six steps to relevant marketing. These steps make up the Precision Marketing framework:

1. **Step One: *Determine Your Objective***

   Establishing the specific objective(s) for any marketing effort creates parameters and clarity for the rest of the process. Four popular objectives that Zoratti and Gallagher describe include *customer retention* (keeping current customers), *customer growth* (growing current customers), *customer reactivation* (re-engaging dormant customers) and *customer acquisition* (acquiring new customers). Objectives should be specific, time-based, measurable, relevant and achievable.

   Whether an agent is looking to increase his brand awareness in a specific community or reaching out to prospective sellers, defining the objectives of his campaign at the outset is the most critical component of a successful Precision Marketing framework.

2. **Step Two: *Gather Data***

   Data are the lifeblood of marketing efforts – data lead to insights, insights help establish relevance, and relevance leads to customer loyalty. Data can be difficult to attain, though, for a number of reasons. The information that is most necessary may be inaccessible, incomprehensible, inaccurate, or unavailable. To gather relevant information, real estate marketers have many options.

   Personal/company data sources are typically the best place for agents to begin. If historical customer information is tracked (transactions, communications, outcomes, etc.), this data may provide keen insights on current customers. If this information is not as robust as you would like or if you are looking to understand a broader pool of consumers, a number of third-party options are available. The U.S. Department of Housing and Urban Development (HUD), the U.S. Census Bureau, and local housing authorities are all strong options for uncovering information about the communities you work in.

   Focusing on the necessity of data in all business efforts can lead to important long-term outcomes. As you collect data in the future, ask questions like *how can this data improve our knowledge of our existing and/or prospective customers? How can this data enable us to be more relevant to our customers?* Understanding your customers is an important component to being relevant to your customers.

3. **Step Three: *Analyze and Model***

   With the right data, agents can uncover actionable customer insights through analysis and modeling. Understanding the demographic makeup of a given community (gender, age, income, etc.), for example, can help focus marketing efforts to reach a very specific customer group. Suppose you want to share a message about purchasing a first home with young adults in your community. Accessing data on adults between the ages of 20-35

with a household income of >$80,000 might help you target the group that would have the greatest potential return on your campaign. Data segmented by historical responses and outcomes can also help to predict and influence future success rates of marketing campaigns.

Data analysis and modeling moves marketers closer to the fundamental tenets of Precision Marketing – getting the right message to the right person at the right time through the right channel. By understanding your customers more thoroughly and focusing messages more precisely, marketing efforts can reach the 1 percent of consumers most likely to respond to your message while avoiding the cost, time and inconvenience of sending it to the other 99 percent.

4. **Step Four: *Strategize***

Conventional marketing knowledge suggests that an effective marketing strategy includes a combination of strategic objectives, including *segmenting the audience*, *positioning the product*, *selecting a channel*, and *developing content/creative*, among others. While these components have been ideals for marketers to strive for, they are not able to truly target a specific audience on their own.

Zoratti and Gallagher affirm that these objectives are still relevant, however they suggest that the real value in today's strategic planning processes is marketers' access to and use of data. Incorporating data into the strategic planning stage breathes new life into these "traditional" objectives and represent the new contribution that Precision Marketing can make to the strategic planning phase of a marketing campaign.

Understanding more about a particular neighborhood or which channels are most effective for specific types of communications, for example, can move real estate professionals from practicing marketing 1.0 into the more relevant practice of Precision Marketing. Even with traditional, cold, unqualified lists, agents can use data to draw new insights about customers that can strategically reshape their marketing efforts.

Remember that the right messages engage customers and lead to behaviors that benefit both the customer and the company. An effective, data-driven strategy brings all previous steps of the Precision Marketing framework together to create the most effective campaign.

5. **Step Five: *Deploy***

After the objectives have been determined, data has been collected, analysis/modeling completed and the strategy is set, the marketing campaign is ready to be executed. Depending on the size and scope of the campaign, testing may be appropriate to gain a preliminary understanding of how it will perform when executed at full-scale. The main

objective of the Deploy stage, though, is to focus on managing and analyzing the execution of the campaign to maximize effectiveness and to optimize ROI.

6. **Step Six: *Measure***

   The goal of the Measurement step is to move from the "Deploy" stage back to the "Objective" stage through objective, factual measurement. Measurements help marketers learn about the effectiveness of their campaigns and what might need to be adjusted in future efforts. Zoratti and Gallagher affirm that the effectiveness of any marketing campaign is typically defined by bottom line, revenue and ROI – no matter how creative the campaign might be.

   Consider how measurements can help a real estate agent understand the effectiveness of her marketing efforts. By simply tracking how/where clients heard about her services, for example, she can begin to measure the effectiveness of her marketing efforts as a lead generation tool. Using Quick Response (QR) codes on brochures and signage can also serve as a measurement technique. The codes drive customers to a website via a QR-enabled mobile phone application, and many free QR code-creating services (like Delivr) can provide marketers with information on how many people accessed the site, when they accessed the site, where they were located, etc. Strong measurement mechanisms can lead to a larger and more qualified client database, which can have a strong impact on her annual home sales, referrals and other measurable outcomes.

Conclusion

Achieving relevancy requires more than just a shotgun approach to marketing. Blasting a message to an audience of anyone that will listen is not an effective way to accomplish your marketing goals and can actually hurt your brand image in the long-run. Like the coxswain in the boat race, finding the most effective way to deliver your message through the competing noise gives you the best chance to communicate your message to the right audience.

The ongoing and cyclical Precision Marketing process will help make you even more relevant, which can lead to more effective marketing outcomes and long-term success.

Recommended Reading

Zoratti, Sandra and Lee Gallagher (2012), *Precision Marketing: Maximizing Revenue Through Relevance*, Philadelphia: Kogan Page Limited.

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INSIDER: Rules of Engagement – Focused Internet Marketing for Real Estate

By Jacob Christie, MBA Candidate

In his book *100MPH Marketing for Real Estate*, author and real estate veteran, Mitch Ribak, details the formula for Internet marketing success in a no-frills approach that is sure to generate quality leads, efficient lead conversion, and, ultimately, greater closed sales per marketing dollar. By setting a fixed but flexible advertising budget and monitoring key metrics, Ribak advocates for a system that will garner predictable returns based simply on the number of an agent's website hits. Scaling up and down, then, becomes only a matter of capacity.

The key performance metrics Ribak outlines are the *clicks-to-leads ratio* and *leads-to-sales ratio*. If an agent can increase his clicks-to-leads, then sales naturally increases in the raw aggregate. However, if the agent can further refine his leads-to-sales relationship concurrently, the marketing program can really take off and leverage more sales for each marketing dollar spent. These two goals take very different efforts to control, but by employing a scientific approach to understanding the factors that affect them, agents can drive value to the bottom line.

THINK POINT #1: Create "Landing Pages" For Online Advertisements

If an agent's Internet advertisements are simply linking to his site's homepage, then the agent is likely hemorrhaging leads. To remedy this commonly overlooked mistake, Ribak recommends creating a "landing page" that users will arrive at when clicking on a link. Further, by using an Internet Data Exchange (IDX) system in conjunction with a Multiple Listing Service (MLS), agents can direct clickers straight into a registration form to capture their info and pass it to a database before allowing them access to listings on the MLS. Ribak notes that this strategy may temporarily lose a website some Internet traffic, however the loss in lead *quantity* is more than compensated for with an increase in lead *quality*.

THINK POINT #2: Classify Leads Effectively

After capturing a user's contact info and some basics about what they are shopping for (with quick but informative questions on the registration form), an agent can effectively classify leads and delegate them to categories for follow-up. By including a question to gauge a potential

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buyer's timeline on the registration form, agents can assign leads into more aggressive contact profiles (e.g. someone looking to buy a home in the next three months) or a more steady "drip" campaign (e.g. someone looking to buy a home in 12+ months). By classifying leads deliberately and effectively, agents can devote valuable follow-up time to pursuing the hottest leads first and foremost, while maintaining steady contact with colder leads until they transition from a cold to warm lead.

THINK POINT #3: Assign Follow-Up Accordingly

The warmer the lead, the greater the urgency to follow-up with a prospective customer. The hottest leads should be called within the same day, if at all possible. Call the warm contacts to determine an appropriate time to contact them again if they are not ready to start looking aggressively. Consider sending monthly emails and bi-monthly newsletters to keep your name on the minds of all leads, but be sure to set reminders for when to contact the colder leads (as they get closer to buying). Ribak suggests employing a sliding scale of contact: a) if a lead is looking to buy within 12 months, follow-up monthly until b) the lead is looking to buy within six months, then follow-up every 2-3 weeks until c) the lead is within a month of buying, then follow-up weekly.

THINK POINT #4: Pay-Per-Click Advertising

Ribak advocates for pay-per-click (PPC) advertising with the search engine giants like Google and Yahoo. This is elemental to maintaining a consistent marketing budget because, with programs like AdWords, users literally pay for what they want. If an agent can only budget for 200 clicks per day at $1.50 per click (for a daily budget of $300), then that can be done precisely.

Ribak also devotes some time to describing the bidding process that determines which ads are shown on which results pages for searchers. Essentially, users only pay one cent over what the next bidder's maximum bid. For example, if agent A is in bidding position one with a maximum bid of $2.50, agent B is in position two with a maximum bid of $1.80, and agent C is in position three with a maximum bid of $1.10, then agent A will pay $1.81, agent B will pay $1.11 per click, and agent C will pay $1.10. However, since the top three bidders appear on the first page of search results, there are often monetary efficiencies to be gained from being in the number two or number three positions instead of being the highest bidder on any particular keyword.

The bidding system is turbulent, though. Returning to the example, assume agent C increases her maximum bid to $1.60. This would displace agent B who was previously in the second position and increases the amount agent B pays per click to $1.61. By the same token, agent C could "probe" agent B's maximum bid by slowly increasing her own maximum bid until she's supplanted agent B's $1.80 max bid, pushing agent B into third position. This technique can be especially useful for dislodging advertisers who bid up huge amounts (like $20 per click) just to secure the top position (and are, thus, trying to game the system). If a user gradually raises his maximum bid, the amount he pays (provided the person behind him isn't employing the same

tactic) won't actually change, but he will make it more and more cost prohibitive for the company ahead of him to stay in that position until they have to lower their maximum bid and drop out.

THINK POINT #5: Keyword Management

Advertising through a program like AdWords involves using targeted keywords that will display an ad when someone browses to Google and searches the terms the user selected to pay for. The top three bidders for the keywords a Google searcher has entered will show up as sponsored results on top of the other natural search results. Users are then charged whenever someone clicks on a sponsored link out of this as a result. Since the ad is displayed based on user input, Ribak urges his readers not to ignore the power of misspelled searches, since these are often cheaper than properly spelled search terms. He offers the example of advertising for the search term "Coco Beach" (the cheaper misspelling) in addition (or alternative) to "Cocoa Beach." Misspelled searches are natural low-hanging fruit.

THINK POINT #6: The Impact of a Focused Internet Marketing Initiative

Once the PPC budget is set and an advertisement's "landing page" is established, the clicks-to-leads ratio can be accurately measured. The clicks-to-leads ratio will be the number of people who stay and register on the IDX system (rather than simply navigating away or closing the browser) divided by each paid click. Ribak finds this number to be, in his experience, between 12-25% on any given day (where 20 % is an ideal and not necessarily a figure someone should expect immediately from implementation). From that point, leads tend to end in a transaction about 1 in every 25 times (4%) for him, so users can see quickly about how much they pay for each transaction.

Using the standards Ribek sets forth (a 20% clicks-to-leads ratio and a 4% leads-to-sales ratio), a rational example can be created to show the impact of a focused Internet marketing initiative.

Imagine that an agent sets a $60/month PPC budget, spends $1.50 per click and garners 20% lead conversion. This means that the agent spends $12.00 per lead (20% of $60 = $12.00). If the agent's leads turn into transactions at a 4% rate (it takes 25 leads to make one transaction), then the agent spends $300.00 for each transaction (25 x $12.00) . If the agent's commissions average out to around $3,000, then the agent spent $300 to earn $3,000. This is a no-brainer.

Each of these vital metrics is a degree of leverage on the bottom line. Learning to understand and manipulate the metrics (through selecting the best mix of keywords and paid clicks at each keyword or investing in a quality customer relationship management system to improve the leads-to-sales ratio) can drive greater and greater efficiency in an agent's overall marketing budget. The program outlined in Mitch Ribak's book is not a set-and-forget kind of marketing plan; it requires constant attention and experimentation. Like any worthwhile investment, an agent's efforts in this area will be accordingly rewarded.

Recommended Reading

Ribak, Mitch (2010), *100MPH Marketing for Real Estate: Internet Lead Generation and Sales Success*, Bloomington, IN: Xlibris Corporation.

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His research on services and innovation is published in *Harvard Business Review*, *MIT Sloan Management Review*, *California Management Review*, *Journal of Applied Psychology*, *Journal of Retailing*, *Journal of Personal Selling & Sales Management*, and *Journal of the Academy of Marketing Science*, among others. He is also author of *Service Innovation: How to Go from Customer Needs to Breakthrough Services* (McGraw-Hill 2010).

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Prior to joining Baylor, Dixon was the Executive Director of the MS-Marketing Program and the Ronald J. Dornoff Teaching Fellow at the University of Cincinnati. She has co-authored the book, Strategic Sales Leadership: BREAKthrough Thinking for BREAKthrough Results, and multiple industry-wide research texts. Dixon serves on two editorial review boards and co-chaired the American Marketing Association's 2007 Winter Educator Conference. While serving as a faculty member at the University of Cincinnati (U.C.) and Indiana University-Bloomington (I.U.), Dr. Dixon taught an array of graduate and undergraduate courses. One of U.C.'s MBA EXCEL Teaching Award winners, Dixon was selected for a national teaching award by Irwin Publishing, as a distinguished professor by Indiana University MBA students, and for a university-wide award by her academic colleagues at I.U. In 2008, she was named the Academy of Marketing Science's Marketing Teacher Award winner. Prior to teaching at U.C., Andrea worked closely with GAMA International as the Senior Director of Product Development and Marketing.

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