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Royal Treatment Builds Customer Loyalty

By Michael Abelson

What will become of the real estate agent in the future? With all the information on the Internet, will consumers merely seek help with real estate legalities and do the rest themselves? Will the traditional agent survive or eventually disappear?

Real estate is a competitive industry. In head-to-head competition, agents seek ways to conduct business better and faster, and technology allows many to compete. Future competition also will include other industries. For example, mortgage bankers plan to "capture" the consumer first and then refer them to real estate agents for a fee. The computer software industry is working on programs that will provide the consumer services now offered only by the real estate professional.

The key to competing effectively in this intense industry is to always keep an eye on the consumer.

Real estate professionals have always been sensitive to the needs of their clientele, the consumer. In the past, agents have effectively identified **who** wanted to buy or sell, **when** they wanted to buy or sell and **what** their specific needs were in the process.

In the future, more must be done. An Abelson & Company national study of industry trends found that the number one



agent trend (from 35 trends studied) was "successful agents get more successful." In other words, expect even more competition among top agents. To earn and keep a client's business, licensees must **know, understand and serve them better than anyone else.**

Know the Consumer King

The consumer in the year 2000 and beyond will differ in age, culture, ethnicity and socioeconomic characteristics.

Age will have a dramatic affect on home-buying preferences. Those 69 years old or older represent more than 10 percent of the 265 million estimated U.S. population. Most of these almost 30 million people are financially conservative and less likely to spend money on housing. Those 51 to 68 years old account for 16 percent of the population; their primary

interests are comfort and security. This 41 million-person cohort has money to spend; so focus on comfort and security when helping them identify and then enjoy their new surroundings.

Some 33 million Americans are 42 to 50 years old. These baby boomers are interested in meeting or surpassing their parents' lifestyles. They want times at least as good as those they experienced in the 1950s as children in the post-World War II economic expansion. They have the money to spend and are willing to spend it on "creature comforts."

The 20-to-41-year-old cohort (some 90 million U.S. residents) have experienced good economic times most of their lives and are interested in homeownership. Many have the resources and are willing to spend it on housing.

The less-than-20-year-old age group is the largest cohort—some 69 million or 26 percent of U.S. residents. These "children" will want more from life because they have experienced what is sure to be the longest peace time economic expansion in U.S. history. Expect them to want homeownership when they reach home-buying age.

Only one-third of any of these households have children less than 18. One-fourth live alone. These two facts suggest that many future home purchasers will be focused on their individual and personal needs instead of on the more traditional family-with-children dwellings.

Culture and ethnicity also will have an increasing effect on home purchasing needs. Four million people moved to the United States from 1990 to 1995, and more than 50 percent moved to California, Florida or Texas. Florida (with 640,000) and Texas (with 165,000) had the greatest net influx. Of the estimated 200,000 to 300,000 illegal aliens migrating to the United States, 40 percent went to California, 15 percent to Florida and 10 percent to Texas. The remaining 35 percent migrated to the other 47 states.

There is a benefit to these migration patterns. Nearly 50 percent of those migrating to the United States in the last ten years are 25 to 44 years old, prime home-buying age. Eight in ten immigrants believe homeownership symbolizes being integrated into the American culture and values.

The proportion of the entire U.S. population, and some states in particular, is changing culturally and ethnologically. For example, in 1980 one in five U.S. residents was a minority. In 1995, that number was one in four. In 1995, one-third of the children in the United States were African-American, Hispanic or Asian. Some 61 percent of all Hispanics living in the United States call Texas, Florida or California home.

Socioeconomic information also helps us better know the consumer king. More people will obtain college degrees, attend some college or receive equivalent education. This will impact wealth. The median household income of college graduates is \$55,000 a year—76 percent more than the median income for all households. The total purchasing power of the top 20 percent of U.S. households (many being more educated) equals the middle 60 percent of the population's earnings. The high earners will generally be more knowledgeable and have more confidence they can effectively use the information flowing along the Internet. These consumers will in all likelihood be more knowledgeable about the real estate transaction or have the confidence they can master it.

Technology and changing work values also affect homeownership and buying habits. Technology leads to less need for mobility and more virtual offices located in the home. A recent study by Atlas Van Lines found that 75

percent of those who turned down a move did so to be geographically closer to their families. This was the number one reason for refusing relocation—up from the number three (at 55 percent) reason just a few years ago.

This demographic information leads to several conclusions. Age, ethnicity and socioeconomic characteristics will affect homebuying. Different age groups have different needs, desires and values. Their home-buying needs and willingness to spend

earnings on housing differ greatly. Ethnic background proportions will change, especially in California, Florida and Texas. This will affect the importance of homeownership and the specific values used in the home-buying and selling decision.

Socioeconomic status, driven to some extent by education, will affect how willing a person is to use a real estate professional, do it on their own via the Internet or by other means. Technology and cultural values will affect the willingness to move. Increased technology use and the virtual office leads to

a diminished need to relocate. All of these factors point to the need to know the consumer well, to better capture those with home buying and selling interests and to serve them effectively.

Understand Consumer Expectations

In addition to knowing the consumer of the future through demographic data, it is helpful to better understand the consumer's expectations of the real estate professional.

The author's national study gives some insight on what the consumer will expect in the year 2000. The top five consumer trends were 1) "Consumers gains access to the MLS," 2) "Access of home purchase information directly to the consumer increases," 3) "Consumers demand a better/more knowledgeable professional agent," 4) Consumers "increase demands further on the agent" and 5) Consumers "will more astutely negotiate fees."

Add to this information the fact that the consumer is becoming more educated, generating more wealth (probably in most cases from time-consuming efforts), and is readily using high technology and information-intensive tools, and numerous conclusions result.

Consumers will:

- increasingly demand more from the real estate professional;
- be more knowledgeable about real estate and the real estate transaction;
- have increasing direct access to real estate related information;
- be more educated and better able to see through real estate sales approaches that are rich in marketing but poor in substance;
- be technologically more sophisticated and able to use technology to save time, effort and increase efficiency;
- have less tolerance for deviations from their expectations because they are being better taken care of by other service industries;
- want the profession to streamline the selling and buying process to be more efficient;
- want "value-added" from the agent and the broker and, if not satisfied, will negotiate payment either in the current or future transaction commensurate with what they receive;
- go somewhere else (such as technology) if their needs in the transaction are not met;

Educate clients in the initial presentation of all the services they should expect.

- be aware of and more likely to use legal remedies to deal with awkward issues; and
- be more used to change and expect others to change more quickly.

Serve the Consumer King

Some believe calling the consumer “king” means giving consumers everything they want. This interpretation leads the real estate professional to do anything to get the sale—not an effective way to do business. After all, the real estate professional is in the business to offer a **high-quality service in exchange for a high-quality fee.**

To meet the consumer-real estate professional relationship objective of offering a high-quality service in exchange for a high-quality fee, agents should consider establishing two goals.

First, offer the consumer a true **value-added quality service.** This quality service requires the real estate professional to be dynamic and flexible enough to change with the market environment. Agents will also have to be more knowledgeable and more sophisticated about technology, techniques and service available to the consumer.

Value-added means offering the client something they either cannot or will not do themselves. Numerous examples or techniques to offer value-added quality service follow.

Consumers can read information on the Internet. This does not necessarily mean they know what they should be reading. **Provide clients with a list of Web sites that supplies the information they need.** Listing and selling clients may need different lists. Make a list of ten to 20 sites that assist the consumer. To stay current with the latest information, change your list every several months. This signals the consumer that you are aware and that you will continue to be up-to-date on the best sites.

Giving the consumer specific sites saves time, and it gives clients the impression that their agent values their time. If clients do not have access to the Web, do not force technology on them.

Agents also need to educate people on what services the real estate professional offers. This way the consumer sees the need for the agent, understands how the agent adds value and becomes aware of the real estate professional's role. Generate a different list for both the listing or buying presentation. Include all services available through the agent and their company. Some services will be available through traditional transaction fees, and some may be offered for an additional fee. Educate the client in the initial presentation of all the services they should expect. Many buyers and sellers underestimate the responsibilities and tasks of the real estate professional.

“Farm” a specific target market. A real estate office or multi-office firm concentrates on many niches within a certain sphere of influence. Serving niches creates better knowledge of the market, creates more marketing synergies (such as more lawn signs) and creates a reputation or image in a market where word-of-mouth marketing is effective.

Provide full and complete disclosure of industry relationships, as well as with related businesses throughout the process. With all the talk about agency relationship, it is important to inform the consumer of the many different scenarios in buying and selling. The consumer needs to know what the agent will be doing to serve them so they have the appropriate expectations. If “cross selling” between the real estate office and a mortgage company is likely, for example, tell the consumer. Clients need to be aware of these relationships so that they do not feel coerced or manipulated into using a specific company. This also helps to prevent conflicts of interest before they arise.

The second goal of **offering high-quality service in exchange for a high-quality fee is to manage information in the real estate relationship.** After all, this is primarily what agents do as quality service providers.

Agents of the consumer are information buffers. They tell the consumer what they need to know and “shelter” them from the rest. Take all the information, and interpret it so it can be used effectively. Demonstrate true insight or “aha's” in the relationship where the consumer's eyes light up and the agent's wisdom shows.

Be high tech and high touch. **Use technology to save the agent's and the consumer's time while offering a more efficient and effective service.** While technology does not sell real estate, people do, this adage may change in the future. Delegate those responsibilities that others can perform, but do not detract from a relationship with the consumer. After all, this is still a relationship business, and whomever the consumer has a relationship with is the one to whom they show more loyalty.

Offering a high-quality service in exchange for a high-quality fee is the only way the real estate professional in the future has an opportunity to survive and potentially thrive. Knowing, understanding, and serving the consumer king is a necessity. ☐

Dr. Abelson is associate professor of management at Texas A&M University and is president of Abelson & Company. This article is based on research published in the Abelson Trends Report™ and comments published in the book Abelson co-authored with Tom Dooley and Stefan Swanepoel entitled Real Estate Confronts Reality. For additional information or to purchase the Abelson Trends Report™ or Real Estate Confronts Reality, contact Dr. Abelson at 888-ABELSON (223-5766).

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