Future Shock Is Here: Information Overload and Today’s Home Buyer  
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Future Shock Is Here: Information Overload and Today’s Home Buyer
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In 1970, Alvin Toffler’s book, *Future Shock*, predicted a challenging 21st century for consumers, where simply too much information would make it difficult, if not impossible, to make decisions. Since the early 1970s, the concept of information overload has become a part of our everyday language (Wikipedia 2013). As we navigate the information overload of 21st century, we dedicate this issue of the Keller Center Research Report to current research that promises new insights for agents and their clients in dealing with “too much information.” Let me share several highlights from this issue.

In “Comparing Apples-to-Apples or Apples-to-Oranges: Choice Difficulty and Home Buying,” scholars from Penn State, Stanford and Yale discuss how the nature of the choice set influences and shapes the difficulty of the decision-making process. Specifically, Professors Cho, Khan and Dhar’s work provides new insight for agents as they frame the decision-making process for their home-buying clients considering apples-to-oranges comparisons (e.g., buying vs. building a home).

In the social sciences, the issue of framing relates to the ways in which we convey and process information (a little different than the framing concept in home construction). Framing the financial aspects of the home-buying process and helping consumers make sense of complex financial information is addressed in the article, “Show Me the Number: Communicating Probabilities and Tradeoffs in Real Estate Transactions.” A team of scholars from Baylor, Washington State, and the University of Massachusetts (Drs. Mirabito, Catlin, and Miller) brings new insights to the use of numbers, visuals and how to discuss the issue of risk when guiding today’s home buyer.

Since buying a home can be a tiring process (for the client and the agent), the agent has a vested interest in streamlining the home-purchasing process and making the process feel less onerous to the buyer. In “The Cost of Choosing: Cognitive Resource Depletion in the Home Buying Process,” Perry and Lee share their work on cognitive resource depletion and recommend a strategy of promoting resource replenishment within the home buying context. Dixon’s article (“Help Me Buy: The Value of a Strong Routine”) recommends that creating stronger routines for updating buying criteria will help the agent create a better buying experience for the client.

Creating a better process for the client should translate into better outcomes for the agent. Dr. Schetzlsle’s research on “Word-of-Mouth Marketing” and our two INSIDERs (*To Sell Is Human* and *Conversations That Sell*) reinforce the agent’s role in streamlining the sales process for his
clients. The result, clients will truly have a reason to “talk about the agent” in social media and generate the word-of-mouth that helps build the agent’s business.

The Keller Center Research Report is dedicated to impact the real estate industry by featuring cutting-edge research from leading scholars around the world. By carefully examining issues related to information processing in this issue, our authors provide the KCRR readers with keen insights and implications to prepare them the changing marketplace.

About the Author

Andrea Dixon, PhD
Editor, Keller Center Research Report
Executive Director, Keller Center for Research and Center for Professional Selling
Frank M. And Floy Smith Holloway Professorship in Marketing, Baylor University

Dr. Andrea Dixon (PhD - Indiana University) has an industrial background in research, planning, and advertising. Her research interests embrace behavioral issues related to sales, service, and client satisfaction. Andrea has published in the Journal of Marketing, Harvard Business Review, Organizational Science, Journal of the Academy of Marketing Science, Leadership Quarterly, the Journal of Personal Selling and Sales Management, the Journal of Satisfaction, Dissatisfaction and Complaining Behavior, and several other journals. In 2002, Dixon's research published in the Journal of Marketing was selected as the award-winning research in the sales area. 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 three editorial review boards and co-chaired the American Marketing Association's 2007 Winter Educator Conference and the Global Sales Science Institute’s 2012 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.
Comparing Apples-to-Apples or Apples-to-Oranges: Choice Difficulty and Home Buying

Eunice Kim Cho, PhD, Uzma Khan, PhD, and Ravi Dhar, PhD

Consumers are faced with choices each day. Marketers try desperately to influence our decision-making process, capturing our attention and appealing to our instincts with pithy ads like Apple’s “Think Different” or Burger King’s “Have it Your Way.” These types of advertisements often work well, helping consumers draw comparisons and make selections between similar products in a noisy marketplace.

Of course, some choices are more difficult to navigate than others. As the number of available alternatives increase so does decision difficulty (e.g., Iyengar and Lepper 2000). Similarly, most consumers (and researchers) would agree that “apples-to-apples” comparisons are generally easier to navigate than “apples-to-oranges” comparisons (Bettman and Sujan 1987; Johnson 1984; Zhang and Markman 2001). Choosing between two competing brands of cars, for example, is assumed to be an easier choice to make than choosing between a new car and a trip to Europe.

In the real estate context, consider a choice between two single-family homes. Perhaps these homes differ on a number of features, including the number of bedrooms, size of yard, year of construction, and proximity to work. This apples-to-apples choice presents home options with features that can be readily compared. Such a choice is assumed to be relatively easier than choosing between an apples-to-oranges choice, or a choice with options that do not share features. An example of a choice with dissimilar features might include a choice between a single-family home (which might have a large back yard, four bedrooms, a quiet cul de sac), and a condo (which might have proximity to great restaurants, a pool, a 24-hour concierge, and a no-hassle cleaning and maintenance services). Another example of an apples-to-oranges choice might include a choice between buying or building a new home.

Can the Difficulty of a Choice Be Influenced, or Even Reversed?

Contrary to popular belief, our research shows that the ease or difficulty of making a choice is not inherent in the choices themselves; rather, choice difficulty has much to do with the state-of-mind of the chooser. We show that an apples-to-oranges choice can in fact be easier than an apples-to-apples choice depending on the decision-maker’s state-of-mind. Decision makers in an abstract state-of-mind take a big picture perspective. They tend to focus on the holistic aspects of
the decision and base their decisions on criteria related to the overall essence of the choice options. Decision makers in a concrete state-of-mind, however, tend to focus on the details of stimuli. Their decisions are based on specific feature-based criteria.

Based on the specific tendencies of different mindsets, we predicted that consumers in an abstract, big-picture state-of-mind would find apple-to-oranges comparisons easier than apples-to-apples comparisons, as big-picture criteria are more suitable for the former. The reverse should be true for consumers in a concrete, narrow state-of-mind, as specific attribute-based criteria are more suitable for apples-to-apples comparisons than for apples-to-oranges comparisons.

**Chess Versus Cheese**

To demonstrate this idea, in one study we asked participants to choose between two different chess sets, and asked others to choose between a chess set and a cheese platter. All other things being equal, choosing between a chess set and a cheese platter should be harder than choosing between two chess sets. Furthermore, we asked half of the participants in each choice-set condition to either make the decision for themselves or to choose for someone else. We know from previous research that thinking of another person puts people in an abstract, big-picture frame-of-mind, whereas thinking about oneself induces a more concrete and narrow mindset. This shift happens because distance from another person makes us less likely to get entangled in distracting details and forces us to address the heart of the issue.

The results of our experiment were illuminating. When choosing for themselves, participants rated the chess-versus-chess choice easier than the cheese-versus-chess decision. But an opposite pattern of results emerged when participants chose for a mere acquaintance. That is, once they were forced to think in abstract, big-picture terms (i.e., about someone else), the cheese-versus-chess decision became easier than the chess-versus-chess choice.

Our research reveals that when choosing for others, people tend to use big-picture, more holistic criteria. When thinking of others, people adopt an abstract frame-of-mind, which helps generate a big-picture criterion (e.g., “What might the other person like more?”) and hence makes an apples-to-oranges choice much easier. But for apples-to-apples comparisons, thinking abstractly makes the choice more difficult since a high-level criterion does not help distinguish between options that share the same features. It may be difficult to say which chess set would be more enjoyable, for example, but it should be easier to tell which is made of higher quality wood.
This reversal happens because choice difficulty is dependent on the criterion used to reach a decision. When choosing between products that share the same features such as size or color, a concrete criterion (e.g., picking the biggest size or the brightest color) is best. However, when alternatives do not share common features it is easier (and oftentimes necessary) to reach a decision by focusing on big-picture criteria (e.g., how much enjoyment will be derived from a particular option).

**What This Means for Agents**

Real estate professionals play a significant role in helping consumers traverse an increasingly difficult decision-making process. Understanding how to help a client make a decision can make a marked difference in his or her home-buying experience. If properly understood, the study results can help real estate professionals make the decision-making process easier, more enjoyable, and ultimately, more satisfying - which can drive repeat business, positive word-of-mouth, and referral opportunities.

One key insight for the real estate industry is this: since decision difficulty is not a stable property of a choice set, real estate professionals have an important opportunity to promote customer satisfaction and ease choice difficulty by guiding prospective buyers into an ideal state-of-mind throughout the real estate transaction.

This can be achieved by cueing specific criteria in the comparative analysis between prospective homes, creating value for the client and maximizing his satisfaction through the buying process. The challenge, though, is to elicit the right criteria at the right time:

- **When helping clients decide between home options that share the same features (apples-to-apples), focus more on concrete criteria.** Thinking abstractly about such options can actually make a choice more difficult. It is hard to say definitively which of three potential homes will bring a family more joy, for example; however, it will be clear which home is closest to work, has the highest-end kitchen, and has the largest yard. Low-level, feature-based criteria can help a consumer arrive at a clear preference when considering comparable alternatives.

- **As the options become less and less similar, shifting to high-level abstract comparisons may reduce difficulty.** Concrete feature-based comparisons, such as size of the pool or the yard can help a client navigate between homes that share those features but not between homes that do not. For example, choosing based on the size of the pool is irrelevant when one house has a pool and the other does not. In such cases, an agent should encourage a homebuyer to think about an abstract criterion, such as the potential for family enjoyment.
• Manage your client’s state-of-mind to avoid a no-choice option. While this research employed a forced-choice context, there are many instances - like in real estate - when consumers have the option of not choosing any of the options provided. This may not only be a waste of an agent’s time and effort but may also result in regret for the consumer. Managing the client’s state-of-mind by positively influencing the difficulty of his choice can increase agent sales and client satisfaction – a win-win.

References


About the Authors

Eunice Kim Cho, PhD
Assistant Professor of Marketing
Pennsylvania State University, Smeal College of Business
Professor Eunice Kim (PhD – Yale University) is an Assistant Professor of Marketing at the Pennsylvania State University. Professor Kim conducts research in the area of consumer behavior. Her current research interests are in the effects of goals, mindsets, and emotions on consumer decision making and self-regulation. Her research has been published in the *Journal of Consumer Psychology* and the *Journal of Marketing Research*.

Uzma Khan, PhD
Associate Professor of Marketing
Stanford University, Graduate School of Business
Uzma Khan (PhD – Yale University) is an Associate Professor of Marketing at the Graduate School of Business, Stanford University. She teaches MBA and PhD level courses on Strategic Marketing, Services Management and Consumer Behavior. Professor Khan has consulted for clients in Airline, Education and High-tech industries. Her research has won several awards including the prestigious American Marketing Association’s John A. Howard Dissertation.
award, and the SCP-SHETH Doctoral Dissertation Award. In 2011 she was recognized by the Marketing Science Institute as a likely leader of the next generation of marketing academics.

Ravi Dhar, PhD  
**George Rogers Clark Professor of Management and Marketing**  
**Yale University, School of Management**

Ravi Dhar is the George Rogers Clark Professor of Management and Marketing and director of the Center for Customer Insights at the Yale School of Management. He also has an affiliated appointment as professor of psychology in the Department of Psychology, Yale University. He is an expert in consumer behavior and branding, marketing management, and marketing strategy and a leader in bringing psychological insights to the study of consumer decision-making. His research focuses on using psychological principles, such as limited self-control and cognitive limitations in processing information, to investigate fundamental aspects about the formation of consumer preferences and goals in order to understand consumer behavior in the marketplace.
Show Me the Number: Communicating Probabilities and Tradeoffs in Real Estate Transactions
Ann M. Mirabito, PhD, Jesse R. Catlin, PhD, and Elizabeth Gelfand Miller, PhD

Real estate professionals frequently advise homebuyers and sellers on the financial aspects of buying a home. These can be complex. Consider just a few decisions a buyer or seller might be called upon to make:

- **Timing the market.** Your buyer is unsure of whether to buy now or to wait. A quick buy will lock in low mortgage rates but might require a higher purchase price than a protracted negotiation. The question is important: A 1% increase in mortgage rates on a 30-year note effectively wipes out the monthly payment savings from a 10% drop in prices.

- **Staging for sale.** Your seller is weighing the cost of improving her home today against the possibility of a higher sale price and a faster sale.

- **Price it right.** Your seller is torn between the allure of setting a high sales price and the practicality of pricing aggressively to promote a quick sale.

Have you ever watched your clients make bad decisions that cost them tens of thousands of dollars, even though you did your best to steer them to better decisions? Why is it sometimes so hard to get clients to understand the financial information you are giving them?

Clients are hampered in part by inexperience. Most people buy only a few homes during their lifetime, and so they approach each transaction as relative novices, unsure of what to consider as they make decisions. And yet the stakes are high. Real estate investments are often an important part of a family’s financial portfolio. The emotional stakes are also substantial. A new home offers the promise of an exciting new venture, while sellers are selling not just a home, but deep memories.

The uncertainties inherent in real estate transactions present an even bigger obstacle to decision-making. Clients are making important decisions with incomplete information. Absent a crystal ball, no one really knows: *Will the market improve or soften? When? By how much?*

In high-stakes, uncertain transactions, clients often look to their real estate professional for guidance. As a real estate professional, you may have access to trends and other historical...
information that may help your client make a wise decision. But many smart, capable people - your clients included - find statistical information confusing (Schapira, Nattinger, and McHorney 2001); they hear, but they do not understand. And so clients may make suboptimal decisions. You shake your head and go on, knowing that they are probably leaving a lot of money on the table.

Persistent and predictable biases in the ways our brains are wired can make it hard for people to process information dealing with probabilities and uncertainties. For example, in our research, we found that only a small fraction of college-educated people were able to correctly make the trade-off between the risk of rising interest rates and the potential for lower home prices. Our research explores ways of presenting statistical information so that it is easy to comprehend. You cannot eliminate uncertainty for your clients, but there are ways you can package the facts to help your clients make better decisions.

**Can Numbers Be Helpful?**

Our research explores the benefits of conveying information with numbers and with graphs. Specifically, which format helps people make better decisions? We use experiments to help us answer this question. In a typical study, we describe a real world problem that requires interpreting complex data to make good decisions. Some of our research participants see a graphic display of the data, others see numeric, and others see a combination (for example, they might see numeric risk incidence but graphic base rates). All of our research participants answer the same questions. We then compare answers to determine the relative power of the numeric presentations compared to the graphic presentations.

We have found that simply stated, numeric information tends to be more informative. We start by recognizing that there are two kinds of knowledge that are important to decision-making: verbatim knowledge (in other words, being able to recognize important information) and gist knowledge (in other words, understanding the key points). We have found that numeric presentation formats tend to improve verbatim knowledge of the problem. People with better verbatim knowledge are more likely to grasp the gist message. Decisions, in turn, are influenced mainly by people’s understanding of the gist of the information (Catlin, Miller, and Mirabito 2013).

**Formatting the Numbers**

If you’re a “numbers person,” you may favor presenting your clients with numeric information. But an individual’s ability to evaluate numeric information depends on his education, knowledge about the topic, and general fluency with numbers. A few guidelines may help you make your numeric presentations more accessible to your clients.
• **Simplify the fractions.** Imagine that, after culling through your office’s records, you discovered that out of the 570 homebuyers your team has worked with this year, 513 stated that a particular feature in a home is important. Another team may have determined that 399 of their 456 buyers request a different feature. That information can be invaluable to a seller readying his home for the market. You could tell your seller that 513/570 favor one feature and 399/456 seek the other feature, but complex ratios like these are intimidating to most people. If you have a calculator handy, you’ll see that 513/570 is equal to .9 (90%) and 399/456 is equal to 7/8 (87.5%).

Researchers have found that people make better decisions when the information is presented more simply. Even when people are paid a fair amount of money to evaluate fractions accurately, most people are more confused by complex fractions (for example, 399/456) than by easier equivalents (7/8) (Johnson, Payne, and Bettman 1988). Take the extra step to simplify the fractions. However, also inform clients the number of people (e.g. 570; the base rate) the information is based on because statistics from a larger sample are likely to be more reliable than those from a smaller sample.

• **Choose common denominators.** Your clients are likely to be stumped if they learn that, in the last 30 days, “2-in-7” houses sold in Neighborhood A whereas “5-in-35” houses sold in Neighborhood B. The comparison becomes clear when common denominators are used. It’s easy to see the advantages of Neighborhood A when the information is presented as “10-in-35” for Neighborhood A compared to “5-in-35” houses sold in Neighborhood B (Ancker et al. 2006).

**Relative Risk and Absolute Risk**

In the mid-1990s, British women were alarmed by the results of a new study into the risks of taking the then-popular birth control pill containing desogestrel and gestodene. British newspapers reported that women taking the third generation pill faced a 100% increase in the risk of thromboembolism, a condition that involves clotting in the arteries that can lead to fatal strokes. Not surprisingly, many women stopped taking the pill in response to the media reports. Women who had more information about the study, however, might have made a different decision.

Indeed, the study found that for every 14,000 women who did not take the pill, one would suffer from thromboembolism, whereas for every 14,000 women who did take the pill, two would contract thromboembolism. In other words, women who did not take the pill faced a .007% chance of disease while those who took the pill faced a .014% chance of disease. Yes, the relative increase in risk was 100%. But the absolute increase risk was just .007%. The consequences of the incomplete information were grim. Unwanted pregnancies soared and an estimated 10,000 British women had abortions as a result of the news (Kurz-Milcke, Gigerenzer, and Martignon 2008).
People need information about both the risk incidence (e.g., two women who took the pill) and the base rate (e.g., 14,000 women) to make informed decisions. Generally, people who are given only the relative risk information (in this case, the 100% increase in blood clots) are more likely to be alarmed than people who look at the absolute risk change (in this case, .007%). In our research, we have found that most people do not realize that base rate information is missing. You can help your clients make better decisions by arming them with both the relative risk and the absolute risk.

**Draw a Picture**

Rare events, or “long shots,” are particularly hard for people to grasp. Sometimes people overweight the likelihood that a long shot will come true. Powerball players, for example, frequently overestimate the odds of holding a winning ticket (Kahneman and Tversky 1979). Other times, small chances are mentally written off as “no chance.”

Similarly, complex information, such as percents of percents, can be difficult to understand. So how can you make a rare event or a complex event understandable to a client? Graphs are frequently easier to grasp and are more memorable than numeric presentations (Ancker et al. 2006). Graphical formats include bar graphs, stacked bar graphs (which use two bars on top of each other to depict both the numerator and denominator of the risk probability), pie charts, line graphs, icon arrays (which we discuss below) among others. Of these, bar graphs are often liked better by individuals due to their simplicity and clarity (Fortin et al. 2001). It’s not clear which of these formats is most effective, although bar graphs and icon arrays generally outperform other formats.

Dot graphs, also known as icon arrays, can help people understand rare or complex events. A client may be considering making aggressive offers for multiple properties in two neighborhoods. From your research, you may know that 17.5% of the offers in Neighborhood A are “lowball” offers, and of those, 35.7% are accepted. For Neighborhood B, 49% of the offers are “lowball” offers and 7.7% are accepted. In which neighborhood are sellers more likely to accept your client’s aggressive offers? People often have trouble reasoning through percentages or proportions like these. A better solution may be to present the data visually. In a dot array graph, the offer information is presented as individual icons, such as dots, houses, or stick figures, as shown in Figure 1. Research shows that this type of presentation helps people focus on the core information, rather than extraneous details (Ancker et al. 2006).
Graphs are also better than tables for showing trends in data. Stone et al. (2003) found that for numerator (incidence) and denominator (base rate) relationships, when one is presented graphically and the other is provided in numbers, the graphically represented information tends to be more salient and therefore has a greater influence on behavioral intentions.

**Illuminating Clients' Decision-Making**

Real estate decisions are inherently risky in that clients are uncertain of the magnitude and direction of financial returns. Buyers and sellers are frequently confronted with complex statistical information as they seek to manage that risk. Real estate professionals can help clients make wise decisions by presenting the information in a way that maximizes the chances that the client will understand it. Both numeric and graphic presentations can be helpful; the key is to present the information plainly.

**References**


**About the Authors**

**Ann M. Mirabito, PhD**  
**Assistant Professor of Marketing,**  
**Hankamer School of Business, Baylor University**  
Ann M. Mirabito is Assistant Professor of Marketing in the Hankamer School of Business at Baylor University. Ann’s research focuses on how consumers make complex decisions related to value (quality evaluations, price fairness, risk management) and the role of biases and heuristics in those decisions. Her service marketing research is in the context of health care, where she has explored ways stakeholders can act to improve outcomes and value. Her work has appeared in *Harvard Business Review, MIT Sloan Management Review, Journal of Business Research,* and *Journal of Public Policy and Marketing* as well as in medical journals including *Annals of Internal Medicine* and *Mayo Clinic Proceedings,* and she has been interviewed by Voice of America and National Public Radio. In 2008, she was named the Rachel Hunter Moore Outstanding Woman Faculty Member at Baylor University. Ann holds a PhD from Texas A&M University, MBA from Stanford University, and BA in Economics from Duke University. She has 15 years executive responsibility in large (Frito-Lay, Time Warner) and small organizations; in consumer and B2B; and nonprofit (Chamber of Commerce) and government (Federal Reserve Board).

**Jesse R. Catlin**  
**Assistant Professor of Marketing**  
**Washington State University Tri-Cities**  
Jesse R. Catlin is Assistant Professor of Marketing at the College of Business at Washington State University Tri-Cities. His general area of research is consumer behavior, with a frequent emphasis on how consumers make tradeoffs and arrive at decisions, especially when faced with complicated information and/or uncertainty. Substantively, his research often focuses on issues related to sustainability and health. Jesse’s work has appeared in the *Journal of Consumer Psychology, Journal of Public Policy & Marketing, Journal of Business Research, Health Communication,* among other outlets. Jesse holds a PhD from the University of California, Irvine as well as BA and MA degrees in Economics from California State University, Sacramento. Prior to his academic career, Jesse worked as an economic and market research consultant.
Elizabeth Gelfand Miller, PhD
Associate Professor of Marketing
Isenberg School of Management
University of Massachusetts Amherst

Elizabeth G. Miller is Associate Professor of Marketing at the Isenberg School at the University of Massachusetts Amherst. Her research focuses on understanding how emotions (especially stress) influence how consumers process information, as well as how the way information is presented changes whether consumers use it. She frequently studies these issues within the context of consumers’ health-related decisions, examining ways to reduce stress during negative service events and strategies for improving consumers’ food choices. Her work has appeared in the *Journal of Consumer Research, Journal of Marketing Research, Journal of Public Policy & Marketing, Journal of Service Research,* and the *Journal of Business Research,* among other places. Elizabeth holds a PhD and MA from the Wharton School at the University of Pennsylvania and a BA in Psychology and Chemistry from Cornell University.
Help Me Buy: The Value of a Strong Routine
Andrea L. Dixon, PhD – Editor, Keller Center Research Report

In the residential real estate arena, some home buyers are quite inexperienced while others are knowledgeable and experienced in the home-buying process. Most residential real estate agents help novice and experienced clients with home purchases. Yet, even the most experienced client is likely to have less home-buying experience and knowledge than the professional real estate agent. Consequently, as the Keller Center Research Report audience knows, the agent plays a crucial role in framing and shaping the home-buying experience for the client.

How clients make sense of the plethora of information in the home-buying process takes us into an area of research called information processing, a cornerstone of consumer behavior. Consumer behaviorists have been hard-at-work studying how consumers attend to, process, and use information sources, because scholars need to understand how consumers process information in order to understand consumers (Hoyer and MacInnis 2010). The outcome of the information processing process – making a decision, buying a product or service – is of keen interest to scholars and practitioners.

Researchers have been working in this area for well over 100 years. The classic five-stage consumer behavior model (problem recognition, search, evaluation, purchase decision, and post-purchase evaluation) underpins thinking in business and the academy (Solomon 2013). In addition, the consumer’s buying process intersects with a salesperson’s or agent’s selling process. Processes or routines play an important role in guiding and directing the behavior of both parties.

In this article, we focus on how the real estate professional creates and manages a home-purchasing routine that works well for the buyer, whether novice or experienced. Research suggests that routines result from the interactions of those involved in the exchange. That’s not surprising. However, consider this. When the interactions between individuals (buyer and agent) and the information transmitted (buying criteria, for example) are clear and intentional, a strong routine can emerge (cf., Bapuji, Hora, and Saeed 2012). Strong routines are more likely to evoke expected responses than are weak routines.

Real estate agents who create strong buying routines help clients move toward successful purchases.

And, we propose that the changing nature of information sources in residential real estate may be weakening routines in ways that are not necessarily obvious to the real estate professional.
Setting the Buying Criteria: Old Routine

To effectively assist a prospective home buyer, the agent needs to understand the buyer’s needs. In the home search process -- pre-Internet -- the agent sat down with the prospective home owners, engaged in a discovery process, and developed a list of buying criteria. At the close of the discussion, the agent would summarize for the home owners what she heard and gain agreement that these criteria would drive the buying process. As the prospective home owners and their agent visited homes, both parties would “update” their criteria based on the prospective home owners’ feedback on each house.

Since there were fewer other information sources available to the home buyer prior to the Internet, the routine that emerged surrounding the buying criteria was most likely strong and consistent. The agent had direct interaction and engagement in the buyers’ process. The result: the strong routine became an integral part of the process, making information processing easier (i.e., reduced cognitive complexity), decreasing uncertainty, and improving the overall buying experience for both parties (Becker and Knudsen 2005).

Today, after buyers spend a house-hunting day with their agent, they may return to their residence or hotel, and spend time using on-line sources to “look further.” Buyers may identify new criteria and discuss the elements that they, perhaps as a couple, are willing to “trade off.” The challenge for the real estate professional is that this conversation happens off-line…at a time when the real estate agent is not present or privy to the unfolding conversation. The buying criteria may be changing. The historical approach or routine for understanding the prospective home owners’ buying criteria is weakened.

Setting the Buying Criteria: New Routine

Today, real estate professionals might consider a new routine for keeping abreast of a client’s changing buying criteria. Every time the agent is in contact with the home buyers, the agent might ask:

“What additional information have you [and your spouse] considered? [THEN], As a result, in what ways have your home-buying criteria changed?”

It is crucial for the real estate professional to establish a new routine for learning about, updating, and confirming the client’s buying criteria. The new routine, first and foremost, acknowledges that the buying criteria are fluid. In fairness, the buying criteria have always been fluid for the home buyer but, in the advent of additional information sources, the buying criteria are less transparent to the agent.

Secondly, the new routine must embrace the fact that the buyer is engaged in the buying process outside the presence of the real estate agent. As a result, the buyer is “different” each time s/he meets with his/her agent. By engaging with other information resources outside the presence of the real estate agent, the buyer is updating and changing his/her buying criteria and, in essence, changing who s/he is as a buyer.
Third, by incorporating a new routine or process whereby the agent asks the buyers about the new information and changed buying criteria, this explicit approach makes the invisible visible to the agent. Additionally, by driving the conversation about the changing buying criteria, the real estate agent stays in the center of the buying process with the prospective home owners.

Academic research on routines in the area of hotel services provides some additional perspective on how agents can drive stronger routines (Bapuji, Hora, and Saeed 2012). In their research on routines, they explored the opportunity to use physical cues (non-human actors) to reinforce the verbal messaging surrounding a hotel service. As we extrapolate from their work and consider the implication for the residential real estate industry, we propose that a physical cue surrounding the updating of buying criteria will strengthen the routine even further.

Each time the real estate professional engages face-to-face with his/her clients, the agent can hand the client a buying criteria status report (on a paper or digital format). That form would summarize the current buying criteria (to the best of the agent’s knowledge) and be easily updated by the prospective home owners. The updating of the form would be completed in concert with the conversation resulting from the questions: “What additional information have you and your spouse considered? In what ways have your home-buying criteria changed?”

**Implications of Routines for Real Estate Professionals**

How information is managed in the home-buying process is important. We have dedicated this entire issue of the *Keller Center Research Report* to the subject of information processing. Routines are an important part of how we, as human beings, make sense of and manage our complex world. The home-purchasing process is complex for the novice and experienced home buyers. Professional real estate agents who develop a strong routine surrounding the process of understanding the home buyers’ changing buying criteria will stay in the sweet spot of the process with the buyers. Encouraging the buyers to discuss and update their buying criteria with each interaction will also assist the buyers in managing the complexity surrounding the home-buying experience.
Help Me Buy: The Value of a Strong Routine

References


About the Author

Andrea Dixon, PhD
Editor, Keller Center Research Report
Executive Director, Keller Center for Research and Center for Professional Selling
Frank M. And Floy Smith Holloway Professorship in Marketing, Baylor University

Dr. Andrea Dixon (PhD - Indiana University) has an industrial background in research, planning and advertising. Her research interests embrace behavioral issues related to sales, service and client satisfaction. Andrea has published in the *Journal of Marketing, Harvard Business Review, Organizational Science, Journal of the Academy of Marketing Science, Leadership Quarterly, the Journal of Personal Selling and Sales Management, the Journal of Satisfaction, Dissatisfaction and Complaining Behavior*, and several other journals. In 2002, Dixon's research published in the *Journal of Marketing* was selected as the award-winning research in the sales area. 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 three editorial review boards and co-chaired the American Marketing Association's 2007 Winter Educator Conference and the Global Sales Science Institute’s 2012 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.
Imagine three different consumers are each looking for a new house. Consumer #1 is a quick decision maker and cares most that her home has high ceilings and a big, fancy kitchen. Consumer #2 is a “smart shopper” who thoroughly evaluates all relevant information available about a prospective home, including the price, neighborhood, number of bedrooms and bathrooms, closet space, quality of amenities (e.g., flooring, countertops, bathtubs, etc.), proximity to public services, school quality, crime rates, etc. She tries to see all properties on the market, in a number of different areas, multiple times because she is afraid that she might later regret her decision. Consumer #3 focuses on only a few aesthetic factors in a prospective house, such as the square footage and landscaping.

When a house is selected, each consumer must decide how to finance her new home. Which of these consumers is most likely to choose the best mortgage loan product, given their financial needs? After all, Consumer #2, the thorough shopper, is most likely to utilize a careful, rational decision-making process, while Consumers #1 and #3 appear to be the least focused on full information.

In a recent study of home shopping and mortgage choice behaviors, we question the intuitive assumption that Consumer #2 will make better decisions based on the effort she puts into decisions and the rationality of her decision-making process. This is an important consideration for real estate professionals, as agents often have an opportunity to influence consumers’ mortgage decision-making process. So we ask: Does expending more effort make consumers smarter?

Does More Effort Make a Smarter Consumer?

According to a recent study published in the International Journal of Consumer Studies (Perry and Lee 2012), the process of shopping for a home and choosing between alternative property features is a mentally-taxing set of exercise that wear on an individual’s cognitive resources. Shopping for a home requires both willpower and high-effort decision-making. For example, this process can require complex tradeoffs (e.g., design features or price) and brand comparisons (e.g., particular houses or neighborhoods). As a result, following the home shopping process,
mentally-tired individuals may make sub-optimal home financing decisions. Previous studies have identified a principle, known as “ego depletion” or “cognitive resource depletion,” that suggests that acts requiring cognitive effort, such as exercising willpower, may deplete limited cognitive resources (Baumeister et al. 1998; Twenge et al. 2008; Muraven et al. 1999).

Homebuyers often consider house- or property-related options before choosing a mortgage loan. The mortgage choice can be complex and risky because the terms of different mortgage loan products can vary widely (Kwon and Lee 2009). Homebuyers often consult with one or more professionals for help with the mortgage loan process, such as a real estate agent or broker, or a lender representative at a bank or mortgage company. Due to distractions posed through the home-shopping process, though, consumers may end up devoting less attention to choosing a mortgage, resulting in a higher propensity to select higher-risk mortgage products.

Our Study

The results of two controlled experiments demonstrate how the process of shopping for a home can result in cognitive resource depletion, which in-turn can affect the effort a consumer devotes to the mortgage process as well as the consumer’s choice of mortgage financing. In Study 1, participants in the “depletion” treatment group were asked to complete an online shopping simulation involving 14 different choices about housing characteristics. These participants were given a hypothetical budget, and were asked to view pictures of several different properties. After selecting a house, they were asked to choose among several options (e.g., “What color do you want in your bedroom?”), and asked to make tradeoffs (e.g., “This feature is too expensive for your budget. Please select a different option.”).

After completing this simulation, participants were asked to choose among a set of mortgage alternatives presented in a format adapted from the website of a major national mortgage lender. In addition to listing seven different mortgage loan options, each was accompanied by a link to additional information about each product. Participants in the control group did not complete the online shopping simulation, but were told to imagine that they have recently selected a new house, and were then given the same mortgage choice task as was provided to the treatment group. Prices were controlled in both conditions in order to avoid confounding the decisions (Seaton and Vogel 1980). We measured the mortgage choice and mortgage decision time as a measure of cognitive effort. In a separate task, participants completed a financial knowledge quiz.

As predicted, participants who had participated in the house shopping exercise were more likely to select higher-risk mortgage products (i.e., adjustable-rate mortgages), even after controlling for individual differences in financial knowledge. Since these products featured lower monthly payments, depleted participants were more likely to rely on this feature as the basis for their decision, while failing to consider other elements of the offer. Also, these resource-depleted participants also spent less time selecting a mortgage, in part because they were more likely to
choose one of the first mortgage offers presented to them. This finding implies that cognitive resource depletion kept consumers from conducting additional research and from making an informed choice.

*Since cognitive resource depletion can have a negative effect on financing decisions, is there a simple remedy that can offset the negative effect? Does knowledge about the negative consequences of ego depletion improve decision-making?* In the same article (Perry and Lee 2012), we examined whether informing consumers that they are vulnerable to resource depletion helps them to mentally prepare for subsequent cognitive tasks (Janssen et al. 2008). Thus, if increasing awareness can help consumers bolster their cognitive resources, this may facilitate better decisions.

In Study 2, participants in the treatment condition were informed about the likely effects of cognitive resource depletion in hopes that an inoculation effect would occur that would prompt them to devote more effort to the mortgage decision. We found, however, that awareness of cognitive resource depletion exacerbated the effects observed in Study 1. Participants who had participated in the online house shopping simulation and had been warned about the effects of cognitive resource depletion were more likely to select higher-risk, adjustable-rate mortgages. Participants in the inoculation condition also spent less time at the choice task than participants in the control condition. This suggests that learning about cognitive resource depletion placed additional demands on participants’ cognitive resources.

In a third study, we investigated the impact of a period of cognitive “rest and relaxation” on the effects of cognitive resource depletion. Previous research suggests that the effects of depletion is temporary and can be restored (Tyler and Burns 2008). In order to create a baseline level of cognitive resource depletion, participants were asked to make a series of decisions within an online car-shopping simulation. Upon completing their car selections, participants watched video clips within one of three ego-replenishing conditions (none, moderate, and high) differed by length of the video clip. These video clips were excerpts from the movie “Finding Nemo.” Watching an entertaining video clip has been used several times in psychology experiments to put participants in a positive mood. According to Tice, Baumeister, Shmueli, and Muraven (2007), positive moods created by watching comedy or receiving surprise gifts can counteract ego depletion.

After watching these “Finding Nemo” clips of varying lengths, participants were then asked to choose the “best” loan option from five alternatives. The initial loan amount for all five choices
was the same but due to varying interest rates, cash back rewards, and loan lengths, the total-payment-due for each option differed. We find that both ‘too much rest’ and ‘no rest’ both result in poor performance on subsequent financial decisions. However, moderate levels of cognitive resource replenishment - when it comes to financial decisions - actually paves the way for increased cognitive effort (Olsen, Lee, and Perry 2012).

What This Means for Real Estate Professionals (and Consumers)

Taken together, these findings have important implications for real estate professionals and consumers. The findings also present an opportunity for real estate professionals to become an important part of the consumer’s mortgage decision-making process.

- **Think Mortgage Options Early.** Encouraging borrowers to think about home financing carefully before shopping for a home could increase decision effort and lower the incidence of high-risk financing options.

- **Promote Resource Replenishment Within the Homebuying Context.** Findings from these studies suggest that consumers need a break between tasks in order to make better decisions. Make the consumer aware of the negative effects related to making several decisions in a short period of time that require high cognitive effort. Encourage him to take additional time to make a decision – not necessarily to acquire more information, but rather to allow for resource replenishment.

It is important to note that cognitive resource depletion and replenishment depend on the context, and could potentially vary based on individual differences as well.

Conclusion

It is clear that more effort does not necessarily make the consumer smarter. Real estate professionals can use these learnings to positively influence consumers’ decision-making processes, promoting smarter homebuying decisions. By providing the consumer with valuable information like this, agents can further establish themselves as information resources, making themselves an even more valuable part of the homebuying process.

References


About the Authors

Vanessa G. Perry, PhD
Associate Professor of Marketing, Department Chair
George Washington University, School of Business
Vanessa Gail Perry (PhD - University of North Carolina, Chapel Hill) is an Associate Professor and Chair of the Marketing Department at the George Washington University School of Business. Her research on consumers in financial and housing markets, public policy, and consumer welfare has appeared in the *Journal of Retailing*, *California Management Review*, the *Journal of Public Policy and Marketing*, and a host of other scholarly publications. Dr. Perry also has worked as a consultant to public and private sector clients, including the Bank of America, the National Association of Realtors, the IRS, and the U.S. Department of Housing and Urban Development. She currently serves as an expert on consumer information for the U.S. Consumer Financial Protection Bureau. Before joining the faculty at GWU, Professor Perry was a Senior Economist at Freddie Mac. Professor Perry holds a BA in Philosophy from The American University, an MBA from Washington University in St. Louis, and a PhD from the University of North Carolina at Chapel Hill.

J.D. Lee, PhD
Assistant Professor of Marketing
Metropolitan State University of Denver
J.D. Lee (PhD – George Washington University) is an Assistant Professor of Marketing at the Metropolitan State University of Denver. His research interests include consumer self-control strategies for food and alcohol consumption, integration of mental accounting and cognitive resource depletion, and the role of narcissism in consumer culture. Dr. Lee’s research has been presented at numerous academic conferences including the American Marketing Association Summer Educators’ Conferences and Marketing and Public Policy Conferences. He teaches Principles of Marketing and Consumer Behavior both online and in traditional classroom settings. Before joining MSU Denver, he was a part-time marketing instructor and a doctoral student at The George Washington University.
Word-of-Mouth Marketing: Talk Up Your Business
Stacey L. Schetzsle, PhD

Real estate professionals leverage various marketing tools to reach prospective customers. The challenge for these professionals is to determine which types of marketing are most effective. Traditional forms of marketing (e.g., print advertisement, direct mailings) appear to be losing effectiveness as homebuyers become more tech-savvy and better-prepared to buy or sell a home. In the new age of emerging technology, homebuyers are turning to social networking sites to seek-out and discuss experiences with friends, family, and peer groups. Over 43% of consumers seek advice from friends and family members before making a purchase (Power Reviews 2013). With the increase in the number of blogs, consumer websites, and word-of-mouth outlets available to homebuyers, consumer-generated media is attracting a great deal of attention due to the amount of influence it presents, providing a lower-cost option with faster delivery. The objective of this article is to compare the effects of word-of-mouth referrals with traditional marketing activities to demonstrate the advantages of a mixed marketing approach for real estate professionals, as well as to provide tips and tools to manage word-of-mouth chatter.

Word-of-Mouth Marketing Via Social Networking

Word-of-mouth (WOM) is being recognized as a viable alternative to traditional marketing. The internet and social media sites provide numerous platforms for consumers to share their experiences and opinions with others. In fact, in 2010 WOM accounted for 41% of online searches (Power Reviews 2013). Social media sites differ from professional websites and other internet sites in that these communities rely on user-generated content. Social and professional networking sites (e.g., Facebook, LinkedIn, Twitter) allow members to create networks of friends for social and professional interaction. There is a direct benefit to members when their network is expanded; as their network grows, the amount of content (e.g., information, exposure) grows.

Such network expansion provides an opportunity for real estate professionals to take advantage of WOM. Along with traditional marketing, WOM campaigns have been linked to new customer activity. Recent reports demonstrate that 91% of consumers trust recommendations from people they know and 70% trust recommendations from unknown users, compared to only 14% of those surveyed who trust advertising (Power Reviews 2013). In addition, 77% of consumers say they will buy a product or service based upon the recommendation of a friend or family member.
Utilizing online marketing tools to electronically “spread the word” becomes very natural in this setting, effectively positioning WOM in a social networking situation. Numerous studies have demonstrated that internet and social networking sites can be utilized as powerful marketing tools to prospect, build customer loyalty, and extend the brand or relationship.

Many companies are choosing to save money on expensive traditional marketing tools to focus efforts on cheaper strategies such as blogging and WOM campaigns. A survey of 231 professionals reveal social media is lower in cost per prospect lead than traditional marketing activities, resulting in 60% less per lead. Agencies are using in-bound marketing to generate more leads, which are converting into more customers (e.g., Lilevalja 2010). Social media allows real estate professionals to target an appropriate audience, connect on more of a personal level, and identify touch points to help integrate a personalized message into the daily routine of the prospect.

**Gauging the Impact of WOM and Traditional Marketing**

A study by Trusov and colleagues (2009) examines the immediate and long-term impact of traditional marketing activities and user-generated activities (social media, WOM). WOM is found to have an immediate impact on lead generation, over eight times higher than that of traditional marketing activities. The study also finds a carry-over effect extending the level of impact. Interestingly, traditional marketing activities are found to lose impact just days after the activity, whereas the significance of WOM activities has an effect on new customers continuing up to three weeks after the activity. For instance, the impact of seeing print advertisement is shown to dissipate within days of viewing whereas an online referral may create impact weeks after receiving the message. WOM is found to be an effective communication strategy to reach and retain customers. The long-term responsiveness of WOM referrals is found to be 20 times greater than traditional marketing activities and events. Furthermore, this number increases to over 30 times more impactful when compared to media appearances.

Compared to traditional marketing activities, WOM referrals produce both a larger short-term and long-term effect on new customer response. Due to the fact that WOM is estimated to have larger impact than just traditional advertising alone, it is increasingly important for real estate professionals to find and adjust marketing activities to identify the right marketing mix. One suggestion is to test the effects of WOM in social networking platforms. *Keller Center Research Report* authors have discussed technological tools and social media in the sales process (see “Making Social Media Effective in Real Estate,” “How Technology is Changing the Sales Environment,” and “Listen, Contribute, Connect”).
With the availability of social media analytical tools, organizations can electronically track WOM on social networks. These analytic tools can quantify WOM effects by measuring activity, lead generation, and customer acquisition. Improved metrics for testing the effectiveness of social networking activities allow real estate professionals to adapt communication strategies based upon the activity and success rate of the activity.

Putting WOM to Work

WOM is a strong marketing tool that can have a significant impact on new customer acquisition. Including social networking platforms, online WOM communication is a simple extension of current referral and lead-generating programs. The process is often easy, automatic, and free. To maximize WOM effectiveness, real estate professionals should encourage WOM activities and be involved in generating the chatter.

1. Give people a reason to talk about you. The reason people will talk hasn’t changed; consumers want to share their experiences. To create positive WOM, professionals should focus on quality, seek customer feedback, pay attention to customer service, keep promises, exceed expectations, anticipate and fix problems that might arise. Social media outlets provide real estate professionals opportunities to strengthen these activities. Create a positive experience for home buyers and encourage positive experiences to be shared. Customers can post photos and links on social networking sites as they walk through the home-buying experience, promoting the real estate firm and professional with each post. WOM is spread with every status update, like, photo, and link shared.

2. Provide a platform for people to share. WOM customers are 16% more profitable than those generated by traditional marketing (Power Reviews 2013), so make it easy for friends to refer others. Social media outlets can be utilized to connect with potential customers to share information and events such as announcing open houses, posting home listings, and conducting prospecting research. Social media tools change quickly. The challenge for professionals is keeping current with emerging tools to effectively achieve specific communication goals.

LinkedIn provides tools for members to recommend or endorse your skills, which allows real estate professionals to build up a profile for potential prospects. Facebook has partnered with developers to create tools to enhance marketing activities. Pagemodo allows you to customize the design of your Facebook page. SocialPlugins encourage social engagement from a company website by using Likes, recommendations and other
capabilities to connect back to Facebook. Twitter allows professionals to solicit feedback in the form of questions and comments. Twtpoll can be used to ask for feedback from customers and engage them. TweetChat uses hashtags (#) to allow members to follow a Twitter chat. GroupTweet sends direct and private messages to a group of people at the same time. Other tools such as Flowtown can be used for lead-generating activities. This program captures an email address and provides contact information and social network connections attached to that email.

There are additional ways to provide referral links through social networking platforms, websites, and email. For example, customers can complete a pre-formatted message to refer a new prospect that is sent out by email. Real estate professionals can control the content and format of the message being sent out. Based upon the information obtained by the customer, the agent can target different messages to engage in an appropriate marketing activity.

3. **Spark the engagement and encourage WOM.** The most important thing to remember is not to *push your brand*, but rather *start a conversation*. Encourage conversations that share experiences instead of slogans. Provide relevant and accurate information that can be shared by others. Rotate stimulant messages, events, and topics to keep the conversation fresh and engaging. Provide material on new and trending information that would be of interest. Informational pieces not only demonstrate professional expertise in the industry, but also allow relevant conversations with the audience. Keep the postings short and to the point. Adapt the content based upon the interactions and reactions from the group.

4. **Create a WOM monitoring plan for on-line chatter.** Be aware of what your customers are saying so you can not only respond, but also have a better understanding of your customers and anticipate future problems. There are numerous monitoring tools available to track your name and business online. First, identify keywords that will work best to monitor the chatter, such as company name or real estate professional name. Second, identify where most of your customers will be chatting, for instance Facebook or Twitter. Next, minimize the amount of time spent monitoring WOM by selecting the right tools for your strategy and your market. Such monitoring tools include, Trackur, Google Alerts, Social Mention, Board Tracker, Keotag, Technorati, and Twitter search.

Check WOM on popular chatter sites in less time by setting up an RSS feed for specific searches on your company name, your name, industry terms, or other key words in other social media sites (Twitter, Flickr, and others). This allows professionals to consolidate searches and reduce the activity and time involved in tracking WOM. Update social profiles and monitor social media conversations so that you can address questions and
opportunities quickly. Finally, set up a monitoring schedule to incorporate it into your daily activities.

5. **React, Respond, Repeat.** All professionals should be concerned about what customers are saying. Regardless of if the chatter is positive or negative, ignoring these comments could have significant WOM impacts that impact company image and profit. Positive comments provide opportunities for professionals to attract and retain top customers. The challenge many organizations have is dealing with negative WOM posted on social media. When faced with unflattering chatter, the natural reaction is typically the wrong response. First, listen and observe the messages before you react. Once you have a good understanding of why the comment is being posted, act on the information you uncover and focus on the key points that need to be addressed. It is important to identify the appropriate time to respond, the target group to respond to, and the tone of the message.

Timing is often sensitive in negative WOM situations. Be sure there is a cooling-off period before you respond, as it is difficult to understand the reason for the message with a “hot head.” In some cases, the criticism may not be worth addressing and can be used as an opportunity to improve in the future. In other cases, waiting too long might spark additional chatter. Taking an objective view of the comment can help evaluate the impact level and plan of action. If a response is necessary, decide the audience to respond to. Responding directly to the critic on a public platform may backfire. Responding to a general audience can neutralize the situation without building the momentum of the negative WOM. The tone of the message should always be professional and polite. The message should be calm and concise. The audience will validate your message based upon the tone of your response. Identify the content of the message. If the WOM perceives you as being at fault, apologize. Explain the situation, communicate what you will do and then do it. Thank people for their feedback, positive or negative. Address the issue at hand and then move on to positive areas that reflect your ability. If there is no activity, create a message to spark the engagement.

**References**


About the Author

Stacey L. Schetzsle, PhD
Assistant Professor of Marketing and Management, Ball State University
Stacey L. Schetzsle is an assistant professor in the Department of Marketing and Management at Ball State University. Her concentrations are professional selling and sales management. She has conducted executive training sessions in professional selling, sales management, and leadership. Her primary research interests include salesperson cooperation, salesperson-sales manager relationships, sales technology, and salesperson value.
INSIDER: Conversations That Sell
Jacob Christie, MBA

The information age was supposed to kill-off the role of the salesperson. Any potential buyer could go out and, with sufficient research, discover a solution that best fits her needs and purchase it on the virtual spot. This clearly has not happened. In fact, salespeople are now more important than before, though the focus of their importance has shifted from being knowledgeable experts (which they assuredly still are) to being relationship experts, focusing on how salespeople personally interact with customers. The same holds true for real estate professionals.

In her book Conversations that Sell, author Nancy Bleeke espouses a collaborative approach to the act of selling. Bleeke’s stated goal in penning this book is to help shatter the negative stereotypes that have grown-up around the salesperson and his practices. Bleeke suggests, instead, that salespeople can build better relationships and earn more repeat business with clients by fundamentally altering the sales approach by focusing on building solutions with the buyer rather than simply pitching a potential solution at the buyer.

The collaborative approach is different from the consultative approach. A consultative approach often begins with establishing requirements/information gathering, followed by a retreat to some faraway office to concoct the sales team’s interpretation of a perfect solution, and concluded by the presentation of that solution to the client. In this approach, however, the sales team has already crossed the Rubicon and put all of their energies into one of many possible solutions. Meanwhile, the prospective buyer sits back in a cool, detached position, and is thus more prone to sharp criticism and a marked lack of engagement.

Nancy Bleeke’s proposed method shifts the focus to the buyer and his unique set of Problems, Opportunities, Wants, and Needs. This is an important distinction for real estate professionals. In Conversations that Sell, Bleeke advocates eschewing the consultative step of taking requirements off to work on a solution in a vacuum and, instead, sketching out a solution with the customer as you gather requirements. This shift in the sales approach can empower real estate professionals to demonstrate expertise, tailor an appropriate solution to the client’s needs, and gain buy-in from the client - all in the same action.
THINK POINT #1: What's In It For Them?

Bleeke’s method begins with answering a very important question to consider with every prospective client: What’s in it for them? If I were a homebuyer, what would motivate me to purchase this home? Why does this home fit my needs better than a different solution?

By establishing the answer to this question as the driver of the sales presentation, the agent puts himself in a position to be a genuine problem solver for the prospective buyer rather than merely another agent trying to sell a home that the buyer may not even gain value out from.

THINK POINT #2: Everyone Feels the Pressure

Today’s homebuyers are also under increasing pressure; it is not just salespeople who have goals to reach. Buyers, on the whole, simply have no patience for a salesperson wasting their time on a canned pitch. Throughout her book, Bleeke stresses the importance of maintaining respect for the buyer’s time and focus by advising that salespeople acknowledge and appreciate the buyer’s time and make a pledge not to extend meetings beyond the allotted time.

Additionally, Bleeke also notes that some salespeople may feel pressured to try and push a particular solution, sometimes even when they feel that another solution will fit the client better. This is also true for the sale of a home. No one wins when you try to force a square peg into a round hole. The homebuyer will eventually come to find that the home she has purchased falls short of fulfilling her needs, and she will likely sour on the seller and his other services. By aiming for the short-term, the agent has inevitably sacrificed future business with the buyer.

THINK POINT #3: No Silver Bullet Here

Although we live in an age of widely available information and decision support, it is still important to remember that homebuyers are still as unique (if not more so) than ever before. Bleeke describes and discusses what she calls the four “Tribal Types:” Achiever, Commander, Reflector, and Expresser. These are four general personality types and associated characteristics that buyers will exhibit.

In discussing the collaborative selling process and how to approach and recover from potential pitfalls with each of these types, Bleeke makes observations about what drives each of these Tribal Types so the salesperson can understand what style of communication will best convey his points to the buyer.
<table>
<thead>
<tr>
<th>Tribal Type</th>
<th>Behavioral Cues</th>
<th>Recommended Communication Style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achiever</td>
<td>High energy, confident, independent</td>
<td>Seeks results delivered fast and expects everyone to keep up with her pace</td>
</tr>
<tr>
<td>Commander</td>
<td>Precise, orderly, methodical</td>
<td>Seeks the right answer with detailed, fully-understandable support</td>
</tr>
<tr>
<td>Reflector</td>
<td>Friendly, cooperative, patient</td>
<td>Seeks a logical and consistent approach and is process-oriented</td>
</tr>
<tr>
<td>Expresser</td>
<td>Talkative, highly energetic, unfocused</td>
<td>Seeks to build consensus and works with people she likes</td>
</tr>
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**THINK POINT #4: The Five-Step Sales Approach - WIIFT**

By following the five-step approach that Bleeke outlines, real estate professionals can easily diagnose where any particular sale breaks down and determine next steps to move the sale forward. The five steps are *Wait, Initiate, Investigate, Facilitate, Then Consolidate* (or WIIFT). These steps detail the process from research to close and aid the buyer not only to achieve efficiency through a structured approach but also to make such an approach repeatable.

- **Wait:** The process begins with committing time and effort to researching the prospective buyer by identifying her Tribal Type (if possible from previous communication) and her Problems, Opportunities, Wants, and Needs. This is the step that is easiest to gain an advantage with because it is the one step that the seller completely controls.

- **Initiate:** Every time communication is initiated with a prospective buyer, it is important to craft a greeting that explains who you are, why you are calling, and the value you can provide. Bleeke reminds the reader that salespeople only get one chance to make a first impression, and by structuring a clear greeting that conveys potential value to the buyer, the seller stands a much greater chance of capturing the buyer’s attention to move the conversation along. Preparation and execution applies equally to cold calling an unknown prospect to a sales presentation with a long-time client, as well as every scenario in-between.

- **Investigate:** Once the conversation has moved past initiation and the agent has the buyer’s attention, it is important to begin the process of discovering/confirming her Problems, Opportunities, Wants, and Needs. Often, an agent following this method will uncover Problems and Opportunities the buyer was not even aware.

It is also important to be transparent, honest, and work diligently to discover potential pitfalls of the home-solution you are pitching to the buyer. Early detection of a misfit between your proposed solution and the buyer’s situation is vital to identifying a better
solution, earning future business, and/or earning a referral. It is morally paramount to know when to put the buyer’s needs ahead of your sales goals and to communicate to the buyer when you do not possess an appropriate solution to her unique circumstances. Beyond ethics, treating others with honesty and respect will undoubtedly preserve the relationship and potentially earn future business or referrals.

- **Facilitate.** After identifying the buyer’s primary Problems, Opportunities, Wants, and Needs and selecting appropriate home-solutions, the agent needs to assist the buyer with making a decision. This facilitation comes in the form of educating, recommending, and collaborating with the buyer to explore appropriate options and select the one that addresses all of her pain-points. Bleeke argues that this is, in fact, the most important step in ensuring sales success. Buyers need to know that they have the kind of support for their decision that they can defend to others (e.g., family members, co-workers, etc.). In this way, it is important to remember that buyers and agents are on the same side rather than struggling in opposition.

- **Then Consolidate.** An important and oft-overlooked step is the effective closing of a conversation. Not every conversation with a prospective buyer will end with a sale, and it is important to have a goal for each communication. If the goal is to secure a sales presentation, then the close of the conversation should involve scheduling the presentation, and if the goal is to secure a sale, then the close of the conversation should be to ask the buyer if he is ready to make a decision. At all times, however, the conversation should end with identification of action items to follow up on and report to the buyer. This ensures a focus in the sales process, holds the salesperson accountable for deliverables, and schedules another interaction with the buyer.

**THINK POINT #5: Prepare and Prove**

Underlying Bleeke’s five-step sales process are two fundamentals actions that need to be performed constantly. The first action, *prepare*, involves doing appropriate research to know what Tribal Type the buyer embodies and what the Problems, Opportunities, Wants, and Needs the client has that your solution can address. The second action, *prove*, is providing a constant value proposition to the client. From start to finish, the agent needs to demonstrate how he and his solution can provide value to the buyer.

**Conclusion**

By following Bleeke’s five-step process and adapting your value proposition to each client’s personal (Tribal Type) and business needs (Problems, Opportunities, Wants, Needs), the well-informed real estate professional can reach his clients more effectively. These are just mechanical means to an end, though. The goal for a real estate professional is to set the stage with these techniques so that the agent and the buyer can speak a common language and
collaborate on the final solution. In removing the “us-versus-them” mental barrier and seeking solutions that are co-produced by both parties, sales will transform from “pitch-and-pray” to value-laden buy-in and repeat business.

To achieve a successful outcome requires adequate identification of the client’s needs and sufficient pointed questions to uncover the resolution he envisions. The salesperson’s role then is to augment that vision, either by offering input the buyer may not have considered or by helping to facilitate the transition from current state to future state. As salespeople, we are called upon to solve our clients’ problems, not to forcibly insert ourselves and become additional problems for our clients.

**Recommended Reading**


**About the Author**

**Jacob Christie, MBA**  
**Baylor University**  
Jacob Christie is from Portland, OR and received an MBA in May 2013. He has four years of experience producing creative solutions to unique problems and communicating technical concepts to nontechnical users. Jacob utilizes his education and experience in a technology consulting role.
INSIDER: To Sell is Human

Dennis Thé, MBA

The United States Bureau of Labor Statistics reports that approximately 1-in-9 workers earns a living through sales (U.S. Bureau of Labor Statistics 2011). Real estate professionals certainly fall into this category, but one would be mistaken to think that the other 8-of-9 workers are not engaged in some form of selling. While the majority of this group may not be employed in an explicit sales role, they are likely engaged in a non-sales selling role which involves persuading, convincing, and influencing others. MBA graduates sell employers on their potential, physicians sell patients on treatment options, entrepreneurs sell investors on their ideas, and managers sell direct reports on new company initiatives. Additionally, social media sites like Facebook, Twitter and LinkedIn are used as platforms for individuals to sell themselves. All of these non-sales selling activities occur through myriad forms of presentations and pitches.

The concept of selling has changed more drastically over the last decade than over the previous century. Traditionally, sales transactions have been based on the guiding principle of caveat emptor – buyer beware. Due to the growing parity of buyer and seller information, though, this guiding principle has changed to caveat venditor – seller beware. This transformation can most easily be explained through the used-car sales example: buyers (traditionally lacking information) used to be at the mercy of the used-car salesperson for information on a car. Access to information has transformed this sales opportunity into a situation where the buyer is often more informed on a specific car than the car salesperson.

In To Sell is Human, Daniel Pink urges readers to rethink the idea of sales. Pink provides insight on how selling applies to everyone in a traditional sales role and those in non-sales selling roles. Pink focuses on the new ABC’s of selling - attunement, buoyancy and clarity - which are the new requirements for influencing consumers in the 21st century. While the new ABC’s have direct implications for real estate agents and their customers, the following ideas are applicable at every level of the sales organization.

THINK POINT #1: Attunement

The principle of attunement involves customizing or adjusting one’s actions or viewpoints to that of another person. Attunement is all about perspective: does the salesperson examine the situation from her own perspective or does the salesperson have the capability to step outside her own experience to consider the motivations or perceptions of another individual?
Consider the three laws of attunement to enhance your ability to influence others. The first law is to *increase your power by reducing it*. The ability to understand and adopt another’s perspective mattered less when information was only available to the salesperson and consumers had limited buying options. As access to information has become available to consumers, salespeople must recognize that they are not necessarily the ones with power in the sales transaction.

Beginning a sales transaction under the assumption that the salesperson holds less power than the buyer can help the salesperson see the buyer’s perspective more accurately. In turn, this will help the seller influence the buyer more effectively.

The second law of attunement is to *use your head as much as your heart*. This law introduces the idea of social cartography – identifying the key players in the sales transaction and working to understand each person’s biases and preferences. Using your head will not only ensure that salespeople do not exclude a key player from the conversation, but also that time, energy and effort will be allocated appropriately in the relationship.

The last law of attunement calls for *mimicking strategically*. Studies have shown that negotiators who mimic their opponents’ mannerisms were more likely to negotiate a deal that benefited both parties. This idea stems from the fact that individuals subconsciously look for cues in the environment to determine who they can trust, including matching behavioral patterns to get in-sync with others. Mimicry must be subtle and strategic and can include the crossing of arms, leaning back, taking a sip of water or the mimicking of an expression.

*How are you working to customize and/or adjust your perspectives to those of your clients? Are you maximizing your ability to influence key players in the sales process?*

**THINK POINT #2: Buoyancy**

Real estate professionals know that they must be able to contend with the throng of rejections, rebuffs, and refusals that come with a sales role. Effective agents must be able to stay afloat and effectively manage negativity - agents must be *buoyant*.

Many successful sales and motivational strategies encourage a period of personal reflection before a sales encounter to think positively and envision success in the transaction. This is called positive self-talk. On the other end of the spectrum, salespeople work to minimize negative self-talk that emphasizes weaknesses and insecurities. While it may seem obvious to engage in positive self-talk versus negative self-talk, studies have actually shown that the most effective form of self-talk includes asking interrogative questions about one’s ability.

Examples of interrogative self-talk might include questions like, “Will I be able to successfully conduct this meeting?” or “How can I clearly present the benefits of using a realtor versus engaging in a FSBO transaction?” Research shows that such interrogative questions have longer-
lasting effects than the temporary emotional boost of positive self-talk. The key to leveraging interrogative self-talk is to take the questioning one step further by answering the question immediately in writing.

If a real estate professional asks, “Can I convince my client that I can find a home-solution that will work for her?”, the agent might respond by reiterating that he has done so successfully in the past, or that he has unique industry-specific knowledge about the real estate market that will surely help in the home-buying process.

Additionally, salespeople must actively seek out positive interactions to boost their positivity ratios. Studies have shown that sellers exposed to a positivity ratio of 3-to-1, meaning that the seller encounters three positive interactions for every negative interaction, are significantly more productive than sellers with lower positivity ratios. However, it is important to note that there is such a thing as too much positivity. Sellers who were exposed to positivity ratios that were higher than 3-to-1, experienced a decline in productivity.

THINK POINT # 3 – Clarity

Because information is abundant and readily accessible for clients and salespeople, the ability to influence or persuade a prospective client may depend less on problem solving and more on problem finding.

Skilled salespeople are skilled problem-solvers and can accurately assess a potential client’s needs and work towards amicable solutions. In order to become better problem-solvers, real estate professionals must be adept at clarifying – or the capacity to help others see their situations in a different light. Ultimately, the salesperson’s goal is to help the client identify problems that she may not have known she possessed.

Consider a client who tells you he wants “more room” in his next house. He may believe that adding an additional bedroom or a formal dining room to his home search requirements will help fulfill his goal of having more room for storage, entertaining, etc. What the client may not be considering, though, is that configuration rather than total square footage may have more of an impact on his perception of the amount of room available in the house. Being able to clarify and identify the root of a customer’s problems can lead a skilled salesperson to help the customer find the most appropriate solution available. A house with a more open-concept layout may actually fit his needs better, even though his perception of space may have been previously dictated solely by the number of rooms or total square footage available in the house. A consumer will be more likely to buy (and buy again) from a salesperson who is able to truly uncover and help clarify his main needs.

Bringing clarity to a sales encounter depends largely on the salesperson’s ability to ask the right questions. Prior to a sales encounter, real estate agents may consider generating a list of
questions for a prospective buyer. Categorize the list into open-ended and close-ended questions and consider the advantages and disadvantages of each. Finally, re-work and prioritize the list of questions based on these advantages and disadvantage and make sure they will help bring clarity to the buyer’s situation. Through this process, the agent will ensure that she is able to gain the most valuable information about the client in order to most effectively help meet his needs.

**Conclusion**

Whether or not “sales” is officially in our title or job description, each of us engages in some type of sales role through our work and personal lives. With Daniel Pink’s insights on the changing sales environment, real estate agents can leverage the concepts of *attunement*, *buoyancy*, and *clarity* to maximize sales results and effectiveness.

**References**


**Recommended Reading**


**About the Author**

**Dennis Thé, MBA**

**Consultant, FTI Healthcare Solutions**

Dennis is from Boston, Massachusetts and received an MBA in Health Care Administration from Baylor University. Dennis' professional experience includes over 6 years of marketing and project management experience in IT, an administrative residency at Vanguard Health Systems, and over 7 years of community service. Dennis works as a consultant within FTI’s Healthcare Solutions group, focusing on productivity, performance improvement and population health models.