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Why Real Estate Agents Should Care about Buyer Usage Intent
Aaron R. Brough, PhD and Mathew S. Isaac, MBA, PhD

When selling a home or other product to which they feel emotionally attached, are sellers more likely to demand above-market prices or accept discounted offers? You might guess that they would charge premiums as compensation for parting with a beloved possession that has come to be a part of themselves. Yet, we find that emotionally-attached sellers may in fact accept lower offers than unattached sellers. Why? Simply put, attached sellers want to find a good home for their most cherished possessions and may be willing to sacrifice personal profit to ensure that this objective is met. Ultimately, their willingness to accept an offer can depend on whether they agree or disagree with how the buyer plans to use the product.

When choosing between two offers, sellers are generally expected to choose the higher offer. Of course, exceptions may occur when the lower offer presents transactional advantages (e.g., all-cash), when accepting the lower offer seems more fair (e.g., because it came in first), or when the seller has an ongoing relationship with one of the buyers. These things being equal, though, it is difficult for most people to imagine why a seller might accept a lower offer over a higher one. However, this is what our research set out to do. Specifically, we proposed that sellers may not accept the highest offer because they are sensitive to how prospective buyers plan to use the product—something we refer to as buyer usage intent.

What We Discovered About Buyer Usage Intent

The idea motivating our research was that owners who feel emotionally attached to the products they are selling may continue to care about how those products are used even after the transaction is complete. In contrast to prior research suggesting that emotional attachment would lead sellers to demand premiums (Ariely, Huber, and Weternbroch 2005), we speculated that emotional attachment could also make sellers sensitive to a buyer’s usage intent. This sensitivity, in turn, could lead to acceptance of relatively low offers from buyers who communicate an appealing usage intent.

In a series of four experiments, we tested whether emotionally-attached sellers’ pricing decisions were sensitive to a buyer’s usage intent. Consistent with our hypotheses, we found that buyer usage intent can motivate attached sellers to sacrifice profit and accept a lower offer than unattached sellers. We further discovered that although most sellers anticipate being influenced
by transactional factors, fairness norms, and buyer-seller relationships, they underestimate the extent to which their selling decisions may be influenced by knowing how the buyer plans to use a product.

In one experiment, we e-mailed 179 personal and professional sellers who had listed a used car on a popular e-commerce website and asked them whether they would consider providing a 15% discount on the posted price of their car. In our e-mail to half of the sellers, we stated that we were interested in restoring used cars to their original condition. In our e-mail to the remaining sellers, we stated that we were interested in disassembling used cars for parts. As expected, personal sellers were more likely to refuse the requested discount when the communicated usage intent was to disassemble rather than restore the car. However, professional sellers, who are less likely to be emotionally attached to the vehicle, were unaffected by the communicated usage intent.

Three additional studies found similar results using products such as a piano, a rare book, and children’s toys. For example, consistent with the idea that attached sellers care how a product is used by a potential buyer, participants in our study were willing to sacrifice an average of $680 to ensure that a piano which was a family heirloom would be sold to a buyer who intended to play it regularly rather than to a buyer who intended to use it merely for decoration.

Although prospective buyers may not always reveal their product usage intentions to sellers, they do so more often than one might expect. A survey we conducted revealed that almost 25% of consumers who had sold a product online recalled potential buyers who had communicated usage intentions to them. For example, one seller remembered a potential buyer saying he planned to use exercise equipment “to lose weight and tone [his] body.” Another seller recalled a sofa buyer who had revealed her plans to “lay on it and watch movies all day.” Even when buyers did not explicitly communicate usage intent, nearly two in three sellers inferred it anyway.

Together, these research findings suggest that real estate agents should care about buyer usage intent, irrespective of whether they are representing a seller or a potential buyer in a transaction. Sellers’ agents can attract new clients by touting their ability to help homeowners resist the emotional pull of buyer usage intent and instead focus on the financial terms of a bid. Meanwhile, buyers’ agents can strategically communicate buyer usage intent to increase the chance of a client’s offer being accepted, even in the face of a higher competitive bid. Each of these implications is discussed in more detail below.

**Sellers’ Agents Can Help Sellers Stay Focused on Profit**

Sometimes sellers are reluctant to enlist an agent because they are not confident that the agent will generate enough of a price premium over a for-sale-by-owner transaction to offset the
agent’s commission. Real estate agents can use the findings of our research to highlight the value they provide to potential clients.

Although most sellers recognize that agents are incentivized to maximize a property’s selling price in order to increase their commission, they may nevertheless feel that they could achieve a similar selling price without an agent’s involvement. Our research suggests that sellers do not anticipate their susceptibility to accepting low offers as a result of emotional attachment. However, due to the memories associated with living in a particular home, emotionally-attached owners are likely to care how a potential buyer plans to use the home. As a result, information about a buyer’s usage intent may unexpectedly increase owners’ willingness to accept a low offer (relative to the initial listing price or another offer) even if they initially set out to maximize profit.

Unlike owners, however, real estate agents are much less sensitive to the usage intentions communicated by potential buyers. This emotional neutrality can allow the agent to discourage sellers from unnecessarily accepting offers that are too low. By explaining the risk that attached owners undertake in a for-sale-by-owner listing, agents can further justify their commission and discourage potential clients from attempting to sell on their own.

Buyers’ Agents Can Help Buyers Win Without Increasing Their Offer

In many cases, buyers cannot or will not raise the amount of their offer and risk losing the home as a result. Our findings challenge the assumption that home buyers compete exclusively on the basis of price. Instead, we propose that buyers may differentiate themselves from higher bidders by explicitly communicating how they intend to use the home. This information may be part of the personal cover letter that some savvy agents recommend their clients include as part of their offer.

The increasingly prevalent practice of writing a personal cover letter has been shown to improve an offer’s likelihood of success by nearly 10% (Musiker 2014). However, existing advice to buyers rarely encourages them focus on usage intent in the letter. Instead, buyers are commonly advised to focus on establishing a personal connection with the seller based on commonalities, to write a “love letter” that fawns over aspects of the property (e.g., the immaculate landscaping), or to tug at the heartstrings of the owner with a personal anecdote (Davidson 2014; Desimone 2014).

In contrast, our research suggests that specific details about a buyer’s usage intent should also be an essential component of a strong cover letter, even if these intentions seem rather obvious.
For example, agents could encourage a potential buyer to write a letter to the owner explaining how each room of the house would be used and how the décor of the house would be preserved. Cover letters that explicitly communicate usage intent can dramatically improve an offer’s likelihood of being accepted. To illustrate, one family who saved $11,000 and beat out four competitive bids wrote: “we have a baby boy who is about to turn 1 year old… we can already see him playing in that big back yard with our dog!” (Davidson 2014). To the extent that buyers communicate a usage intent that appeals to the owner, the owner may accept the buyer’s offer even if it is lower than the listing price or lower than other offers.

Conclusion

In conclusion, our research suggests that the emotional attachment homeowners feel towards their home can impact their decisions about the home’s listing price as well as its final selling price. Although one might expect stronger feelings of emotional attachment to lead homeowners to demand a higher price for their home, our research suggests that it may instead lead them to accept lower offers.

This research has two important implications for real estate agents. First, it can help them articulate an additional source of value to homeowners who are considering the use of an agent in the sale of their home. Because agents are not emotionally-attached, they can help clients recognize their susceptibility to be unsuspectingly influenced by buyer usage intent and their resulting need for the help of an agent to stay focused on profit. Second, our research can help agents assist home buyers who are competing with higher offers to negotiate with a non-financial bargaining chip. By encouraging their clients to express to the seller how the home will be used, agents can help home buyers gain an advantage over higher bidders. Both of these implications present real estate agents with tools that can be leveraged to create a strategic advantage in the marketplace.

Recommended Reading


References


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Aaron R. Brough, PhD, is an assistant professor of marketing in the Jon M. Huntsman School of Business at Utah State University. He received a bachelor's degree in Business Management from the Marriott School of Management at Brigham Young University and a PhD from the Kellogg School of Management at Northwestern University. Dr. Brough's research, which examines consumer behavior and decision-making, has been selected for publication in leading marketing journals, including the Journal of Consumer Research and the Journal of Marketing. His work has also been featured in popular outlets such as TIME, TODAY, Forbes, and the Harvard Business Review. In addition, he has conducted corporate training seminars in marketing research and has served as an expert witness in trademark litigation. Prior to joining USU, Dr. Brough was a faculty member at Pepperdine University. Before pursuing his doctoral studies, he gained management experience as a senior consultant for a Boston-based strategic marketing research and consulting firm serving Fortune 500 companies from various industries. His clients included American Express, Coca-Cola, Disney, IBM, Microsoft, and Novartis.

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