

## **Necessary Condition #10 – The Right Commitment**

By Charles Fifield, MBA

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

### **Customer Service and Customer Retention**

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

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

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

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

# KELLER CENTER RESEARCH REPORT

## Think Long-Term

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

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

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

## The Value Of A Life-Long Customer

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

# KELLER CENTER RESEARCH REPORT

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

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

The lifetime value of a client (CLV) is difficult to measure, but important for real estate agents to consider. An agent who uses a CLV-measuring process to manage client relationship efforts is better equipped to direct her time, marketing dollars and resources more strategically.

Specifically, the agent can focus her efforts on clients with the greatest long-term potential. For more on using/measuring CLV and on developing a strategic “Personal Touch Portfolio” for your clients, see the June 2010 Keller Center Research Report article, [“Personal 'Touch' Portfolio \(PTP\): Connecting with the Right Clients to Grow Your Business”](#) (Dixon 2010).

## The Right Commitment

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

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

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

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

# KELLER CENTER RESEARCH REPORT

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

## Summary

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

## References

Amartin (2010), "Fastest Way To Lose Customers," Get Satisfaction, (accessed June 25, 2012), [available at <http://blog.getsatisfaction.com/2010/10/04/fastest-way-to-lose-customers/?view=socialstudies>].

Anonymous (2011), "Current Population Survey Data on Geographical Mobility/Migration," US Census Bureau, (accessed June 25, 2012), [available at <http://www.census.gov/hhes/migration/data/cps.html>].

# KELLER CENTER RESEARCH REPORT

Anonymous (2011), “2011 NAR Profile of Home Buyers and Sellers,” National Association of Realtors, (accessed June 25, 2012), [available at <http://www.realtor.org/prodser.nsf/products/186-45-11?opendocument>].

Dixon, Andrea L. (2010), “[Personal ‘Touch’ Portfolio \(PTP\): Connecting with the Right Clients to Grow Your Business](#),” *Keller Center Research Report*, 3 (June).

Weintraub, Elizabeth (n.d.), “15 Reasons Why Home Owners Sell & Move,” *About Home Buying & Selling*, (accessed June 25, 2012), [available at <http://homebuying.about.com/od/sellingahouse/qt/0207WhyMove.htm>].

## About The Author

**Charles Fifield, MBA**

**Senior Lecturer and Sales Coach, Baylor University’s Center for Professional Selling**

Chuck Fifield is a Senior Lecturer for Baylor University’s Hankamer School of Business, Marketing Department and serves as the faculty coach to Baylor’s Sales Team and Uproar Music and Entertainment Group, a student-managed business. He joined the faculty at Baylor University in 2001, teaching in the Graduate Business School (Operations Management), the Management Department (Negotiations and Conflict Resolution) and the Economics Department (Principles of Macroeconomics). Chuck has taught or guest lectured at other Texas-based Universities in the fields of sales, international business, money and banking and finance/investments. Professor Fifield has conducted sales research and training for several organizations, including most recently State Farm Insurance. Prior to joining Baylor, Chuck was a financial consultant for nearly thirty years to businesses located throughout the U.S. He owned and operated several financial service businesses in the fields of securities, real estate, oil and gas and insurance.