

SALES AND MARKETING

101

FOR REAL ESTATE
PROFESSIONALS

CHRIS GROVER | SECOND EDITION



Dearborn[™]
Real Estate Education

Sales and Marketing 101 for Real Estate Professionals

Chris Grover

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Salespeople who use marketing tools effectively experience greater sales. When agents have prospects in front of them, they employ their salesmanship skills. However, marketing attracts prospects to agents so they can use their salesmanship skills. For that reason, Part 1 of this text discusses real estate marketing and Part 2 covers real estate sales.

There is no reason to experience only half of your sales potential. This text focuses on the processes involved in professionally marketing and selling real estate. It integrates the four elements of a marketing mix—promotion, place, product, and price—and shows how they are used in the real estate industry to create marketing strategies. These strategies help list the right properties, at the right time, at the right price, and attract prospects that are ready, willing, and able to buy.

There are many real estate salesmanship books and many business marketing books. This textbook melds the two together. Most business marketing books draw their examples from multiple industries but often have few discussions relevant to the real estate industry. Many how-to real estate books stress the topic of salesmanship (in marketing terms, this is called personal selling), a component of the promotional mix, but often fail to discuss, in any depth, the other elements of a comprehensive marketing strategy.

When readers identify market opportunities, market segments, and target markets, their marketing strategies provide better results. When agents recognize consumer behavioral traits and learn to overcome the four reasons that prospects don't buy, their sales increase. Whether the reader is a novice or a veteran real estate agent, they grow to understand the significance and application of topics such as pricing and promotional strategies, marketing and promotional mixes, personal selling, distribution strategies, marketing research and analysis, packaging, branding, and more.

Other features of this book at a glance are as follows:

- It is written in a straightforward, easy-to-understand format.
- The text is divided into two parts: marketing and sales.
- Chapter learning objectives save time by suggesting a purpose to your reading.
- Concise and to-the-point chapter summaries remind you of what is important.
- Multiple-choice and open-ended questions allow you to quiz yourself and apply what you have learned.
- Chapter illustrations help readers visualize the concepts presented.

You will learn how real estate agents use or create the following:

- The marketing mix, which must be balanced to create more sales
- Market research, which shows you how to find your prospects

- Data analysis and market segmentation, which helps define your target market
- Overcoming the four reasons prospects don't buy
- Pricing strategies for both listings and services
- Place strategies, which show the tools needed to get information to prospects
- Development of a promotional strategy
- A comprehensive list of interview questions (included in the text), which encourage profound, complex, and introspective answers from prospects
- A list of the most common objections heard by agents, what they mean, and how to overcome them
- A finance section that shows how the actions of the Federal Reserve System affect the agent's real estate marketing practice

There are many marketing textbooks but few that explain marketing principles from a real estate agent's point of view. You will discover in this text far more than the motivational and salesmanship techniques common to many books that treat the subject of real estate marketing.

a c k n o w l e d g m e n t s

This author wishes to acknowledge and thank those who contributed to or participated in the development of this textbook.

In its manuscript format, this book's chapters were used as handouts to supplement a textbook used in a real estate marketing course at Victor Valley College. Through their classroom participation since 1995, hundreds of students have helped refine and mold the contents of this textbook. Students encouraged the use of analogies that described everyday occurrences to help make the real estate marketing activities more understandable. This textbook is a byproduct of their influence. They encouraged that it be written so that it was understandable to students of real estate and others who may have only a little experience in marketing and sales. To all of them, I wish to express my thanks.

John Kroencke is an economist and retired dean of business and industry at Victor Valley College in California. His support and generosity helped start this project in 1992, and his understanding and contributions helped make its completion possible. The author appreciates the motivation and patience given by Debbie and Shaun Grover during the final stages of completing this text, the editing talents of Lynda Grover, and the almost daily encouragement to press on provided by Greg Grover. The author received invaluable assistance and support from real estate educators, including Barbara Eubanks-Dietrich, retired and a life member of the Texas Real Estate Teachers Association; and John N. Anderson, a real estate educator whose guidance helped organize the content and flow of this textbook.

part

Real Estate Marketing

Real Estate Marketing

Learning Objectives

After the study and review of this chapter, you should be able to

- develop an understanding of sales and how it is a part of a total marketing effort;
- differentiate between the several levels of utility and how they affect real or perceived value and need; and
- identify, define, and compare the four elements of the marketing mix.

■ Key Terms

effective marketing	possession utility	real estate marketing
form utility	price	sales era
marketing era	product	services utility
place	promotion	time utility
place utility		

People have come to think that the real estate industry is mostly sales oriented. As we will see in this chapter and those that follow, real estate marketing involves more than sales, advertising, salesmanship techniques, telephone canvassing, and the like.

Real estate agents—in this textbook, licensees and salespeople are referred to as agents¹—are responsible for creating and applying marketing strategies that attract prospects to them so they can use their salesmanship skills. Most marketing

¹ To avoid confusion, this text uses the common term *agent* to mean licensee, salesman, saleswoman, or salesperson. The owner of an agency is referred to as the broker or the broker/owner.

activities do not require an agent's in-person contact with prospects. Part One of the text discusses marketing.

When agents come in personal contact with prospects, they use their salesmanship or personal selling skills. *Personal selling* is a marketing term meaning that two or more parties interact directly. These interactions are usually face to face; however, other methods are possible. Real estate sales and salesmanship are discussed in Part 2 of the text, although there will be some overlap between the two parts.

■ What Is Real Estate Marketing?

Today, **real estate marketing** balances a mix of activities that serves two functions. The first, and more common, function results in both attracting prospects to agents and creating a sale that meets the personal needs of prospects. The second function may not necessarily result in a sale, but it increases the reputation of the agent or agency. Professional marketers carefully research their environment. After analyzing the research data, marketers balance the issues of property selection with service and product pricing. Marketers must consider the strategies that distribute information to the public, as well as coordinate their promotional efforts. The promotional strategy provides a mix of communication efforts that include advertising, public relations, and sales promotion, which are forms of non-personal selling. The best-known element in a promotional strategy is personal selling, or salesmanship. The result of a successful marketing strategy is customers sitting in front of agents who can then apply their salesmanship skills. The sale is the result of a successful marketing campaign.

American manufacturers and retailers experienced greater inventory surpluses during the 1930s and even into the 1950s. After the tumultuous Great Depression, consumers rebuilt their savings and weighed their discretionary purchase decisions carefully. Selling the excess inventory proved difficult during this period, in what was called the **sales era** of marketing. To counteract the slow sales, salespeople were taught that, unlike the period before the Great Depression, products could no longer sell themselves. They were trained to assume that customers would avoid buying their goods and services. Consequently, it was their job to overcome this reluctance by using a battery of selling techniques. This was a time when personal selling and advertising were used to overcome stubborn, resistant buyers.

Perhaps because of this past, the insurance, auto, and real estate industries have had a reputation for "selling" people products or services they could not use, did not want, or could ill afford. Some agents might have heard brokers declare, "I don't care what they want. Sell them one of our listings." These industry reputations may have been well deserved. Even today, we see salespeople of this type in all three industries. Confined by education, experience, or interest, they have only one car or one insurance policy to sell. Or, as real estate agents, they take a listing without a marketing strategy to sell it. Fortunately, real estate sales have changed. After World War II, a buyer's market arose, which meant that buyers had a variety of choices, making it much easier to say no to a salesperson. Most industries moved beyond the sales era and into what's called the **marketing era**.

Agents in the marketing era look at the customers' needs and either match them to existing listings in the marketplace or list properties that match the customers' needs. They understand that these needs are constantly changing and modify their marketing efforts accordingly. It does the marketer little good, for example, to overprice a home best suited for a golfing enthusiast and then promote it in a

magazine read by fantasy football players. Not only was the price out of balance, but the distribution channel used to promote the property was inappropriate for the target market.

Effective Marketing

An effective marketing plan brings a property to market with the right mix of promotion, pricing, and distribution strategies.

Agents should note that the seller's motivation to do something differs from the buyer's. Consequently, the marketing strategy may need to be different for each. When agents work with sellers, they market only their services as competent, well-informed real estate professionals. When agents work with buyers, they market their services and a seller's property. In both situations, the agent is responsible for delivering what the customer wants.

How to Go Out of Business Fast

When the real estate agent no longer delivers what the customer wants, that agent will cease to be in business.

Whether the benefits are imagined by the prospect or specifically expressed to the agent during the initial consultation, a purchase is less probable if the benefits from the purchase are not apparent in the properties shown or the services provided. It doesn't matter what industry you are in; when you stop delivering what the employer wants, you need to find a new career. However, if an agent can market and promote the property's features in a way that solves an underlying problem, thereby satisfying the customer's perceived needs, then the sale has a better chance of taking place.

Effective marketing addresses the multiple needs of the prospect. For a buyer, it provides a useful property

- in the right location,
- at the right price, and
- at the right time.

Effective marketing also addresses the seller's needs. It combines an understanding of economic utility, the marketing mix, and the total product (more on total product in Chapter 6) to create a marketing strategy that results in the sale of the property in the most efficient manner.

What's the Utility?

The word *utility* describes the usefulness of products or services. Matching the usefulness to a need requires a little practice. No matter what we say, sometimes our customers cannot see the usefulness of our product or service.

However, if a product or service satisfies the perceived needs of buyers or sellers better than a competitor's, then it has greater value for them. It is more useful to them. Nevertheless, as described in the following paragraphs and as shown in Figure 1.1, there are varying degrees of usefulness in any product.

Figure 1.1 | Utilities

How useful is the product or service to the customer?	
<p>PLACE UTILITY</p> <p>Is the property located where I want it?</p> <p>Do I have access to the main road?</p> <p>Is shopping and recreation convenient?</p> <p>What are the locations of the local schools?</p>	<p>TIME UTILITY</p> <p>Can I receive transfer within 30 days?</p> <p>Can I find the property I want within the next few days?</p> <p>How quickly can I get through the permit process?</p> <p>When can I break ground?</p> <p>How long must I wait before I am qualified for a loan?</p> <p>Can my new construction home be available within 150 days?</p>
<p>FORM UTILITY</p> <p>Are the materials available to build my home?</p> <p>Is the supply of concrete and lumber affected by overseas demand?</p> <p>Am I able to get the acreage I need to create my custom home development?</p>	<p>POSSESSION UTILITY</p> <p>How do I know the seller really owns this property?</p> <p>Do I qualify for a loan of this size?</p> <p>What is the Fed going to do to interest rates?</p>
	<p>SERVICES UTILITY</p> <p>Can I trust this agent to give me the information I need?</p> <p>Can I trust the information the agent gives me?</p> <p>How experienced is this office in satisfying the needs of its customers?</p> <p>Will the agent be able to help me or will the agent hurt me in the long run?</p>

Place utility. Marketing textbooks define place utility as making product available in convenient locations. People want property located where it suits their needs. In real estate, agents interpret this as having more to do with a property's proximity to facilities such as shopping centers, schools, religious facilities, transportation routes, and cultural centers. However, agents should not be too quick to judge how their customers interpret place utility. Agents might rightfully assume that commuters want quick access to major highways, but market research may discover that after a long day at work and a hectic commute, most commuters want peace and quiet when they get home. They may be willing to drive five more miles to get it. The marketing strategy should reflect the realities within the agent's market area.

Form utility. Form utility measures the usefulness of the product. When people buy real estate they want something that is useful to them—a home, an investment property, a bigger garage, or a fenced backyard. Others may want something less than the finished product in order to create their own environment, retain control, or gain status or prestige. This is better known as form utility. For example, which is more useful, a home that is already built or a stack of wood?

If you said the built home was more useful, you may be right. Of course, that implies that you are not interested in constructing your own home. As agents, we sometimes assume the customer's thoughts are the same as ours.

Generally, it's not a good practice to make assumptions when it concerns customers. After all, customers may have a need to control things. Perhaps they want to know how the construction process works or they have an interest in building a new home. For them, the stack of wood has more value.

Time utility. Time utility calls for an adequate number of listings in inventory that are attractive to the largest market segments. Like most people, buyers want what they want when they want it, usually right now. In general, customers lack the knowledge or experience in how real estate transactions work, which is a big problem for agents.

Some prospects assume they can move right in after signing the purchase agreement. Others believe that it may take a whole week before they can move in. Part of the agent's job is to understand prospects' perceptions and to "instruct" or "educate" customers about time utility.

Some buyers may have a greater need for getting into a home quickly. It takes time for loan processing, appraisals, inspections, or title transfer. It may make more sense for the agent to propose a tract home over a custom-built home, but then, as we said before, some people like the stack of wood.

Possession utility. From a legal standpoint, possession utility requires that

- the property be deliverable,
- the buyer be able to buy, and
- money be available and at reasonable rates.

It wouldn't speak well for the real estate company to sell a property that wasn't transferable. A preliminary title report, issued by a title company, tells the agent whether the seller owns the property and whether there are problems with easements, judgments, or other encumbrances.

Services utility. Agents provide services utility when they deliver the information necessary for customers to make decisions. Agents must have a working knowledge of the inventory, financing, real estate laws, marketing, and more, and be able to convey their knowledge to customers in a format that customers can understand. Customers want to know about the price, the terms, and the neighborhood. They want to know how the purchase meets their goals. When the agent lacks the perceived or anticipated services, the customer may seek an alternative agent. Customers anticipate in different ways the advantage and benefit they'll get from a feature in a property. The qualifying interview helps agents discover the issues that are most important to customers and how customers expect the benefits to affect them personally.

■ The Four Ps and the Marketing Mix

It's difficult to succeed in the long term without marketing skills. To that extent, individual real estate salespeople must act much like corporate marketing managers by controlling the four elements of the marketing mix:

- Product (listings/services)
- Promotion (advertising, personal selling, publicity, and sales promotions)

- Price (for listings/services)
- Place (distribution strategy)

Is it accurate for a property owner to say, “The property didn’t sell because of my agent”? Some agents may be offended to hear such comments from sellers. After all, interest rates may have increased or the number of qualified buyers declined or perhaps a large employer closed down in the area.

Exogenous shocks, such as rising interest rates, declining numbers of qualified buyers, and an approaching inflationary market, are things outside the control of agents. Yet, real estate agents have a responsibility to use their skill and diligence in marketing their clients’ properties. To overcome these seller perceptions, agents combine and adjust the four marketing activities in such a way as to produce the desired result. Products and services, from the creation of a new toy to the development of a hybrid automobile, are subject to elements manufacturers can control (product design and budget) and factors out of their control (inflation). Just as in real estate, if a new toy doesn’t sell, it is partly because of how the marketer chooses to balance the marketing mix.

The four elements of the marketing mix, as shown in Figure 1.2, are product, promotion, price, and place. With a few exceptions, such as personal selling, most elements in the marketing mix are long-term activities to which agents must give careful consideration when developing a marketing strategy.

The Marketing Mix

- Product
 - Promotion
 - Price
 - Place
-

Product

In real estate, the **product** an agent has to market is either property or service.

Property. Agents may want to specialize in one of these specific types of real estate:

- Single-family homes
- Highrises
- Commercial property
- Condominiums
- Multifamily residential units
- Manufactured home parks
- Business opportunities
- Shopping centers

Market research helps agents choose the types of properties that will sell. Continuous research helps them remain flexible enough to change property types when the market changes. When interest rates start to rise, fewer people can afford to buy a home. Is this an opportunity to list for sale multifamily residential units? People must live somewhere, and multifamily residential investors are usually attuned to this market environment.

Services. Agents must decide whether to market their services to buyers, sellers, or both. They must also consider what those services will entail.

Promotion

As shown in Figure 1.2, **promotion** consists of four activities: advertising, publicity, sales promotion, and personal selling. The promotional mix uses both long-term and short-term activities to influence and encourage customers to call or visit real estate offices. Personal selling is considered a short-term activity; publicity, sales promotion, and advertising are considered long-term activities within a promotional strategy.

An agent's research will discover the factors that motivate a certain target market, such as family, comfort, status, friendships, or price; perhaps buyers just want the purchase to make them look good. Buyers may prefer investing in acreage instead of multifamily residential units. They may have sizeable down payments available, or they may need to finance almost 100 percent of the purchase price. Agents use promotion to inform the market about products and pricing and often use promotion to provide the incentive needed to take action on what motivates them.

Price

Price is the value placed on the property or services rendered. As mentioned earlier, part of an agent's job is to educate prospects. Agents may discuss with the seller (and to some extent, the buyer) existing market conditions, interest rates, the regional economy, buyers' demands, and how these affect the price of the property or the service provided. Figure 1.3 represents just some of the many factors that affect price and a pricing strategy. The last box suggests that geographic location affects price. This should be obvious to most. However, one of the ways a property's location affects the pricing strategy is in what it may say about the customer.

Figure 1.2 | Marketing Consists of Long-Term and Short-Term Activities

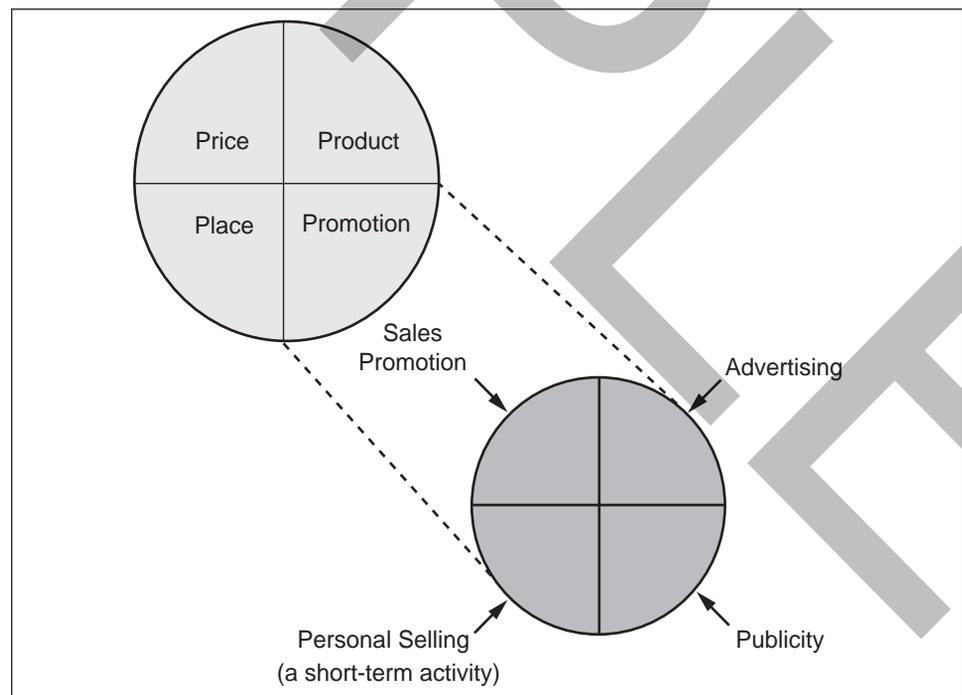
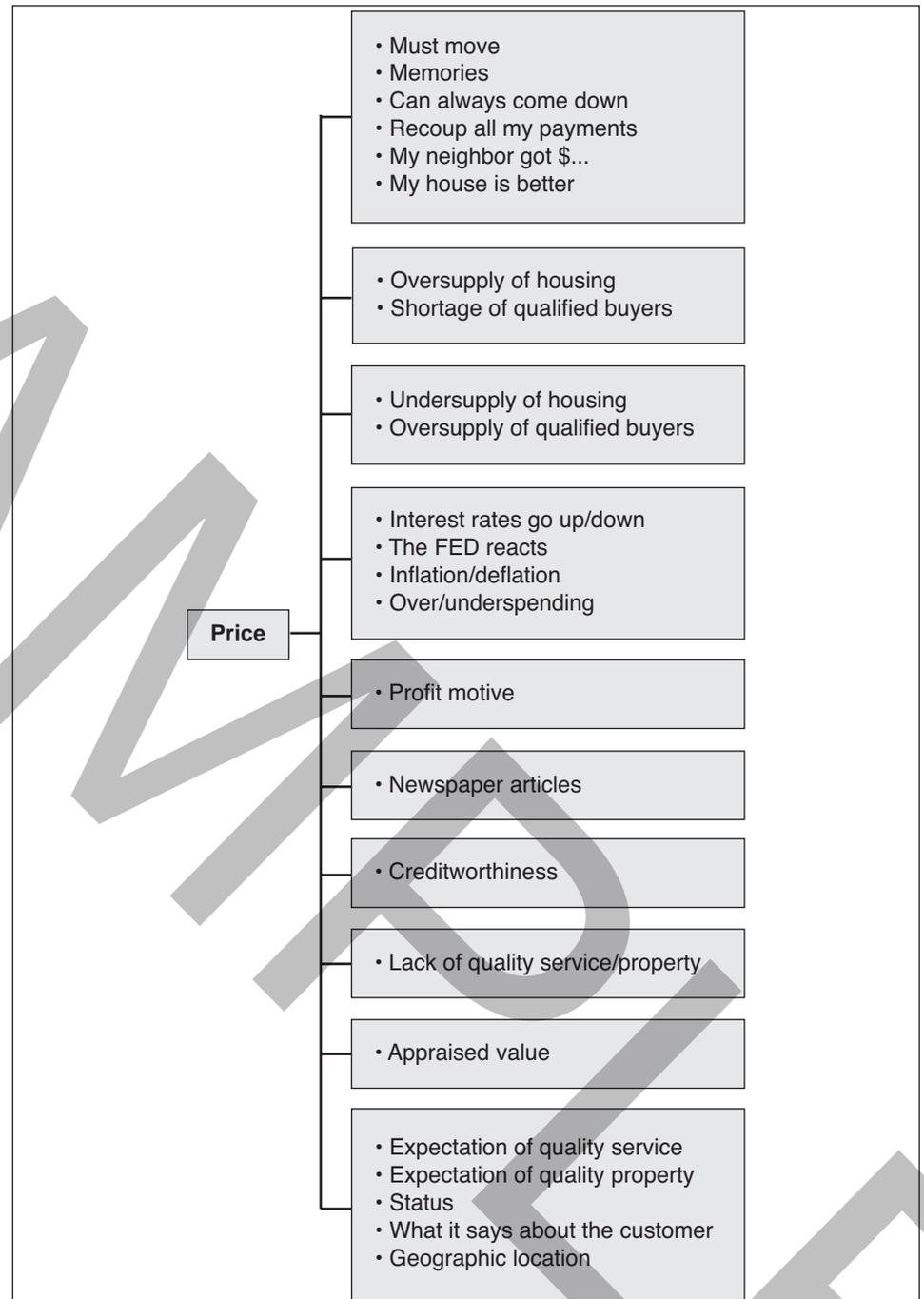


Figure 1.3 | Many Factors Impact Price

In other words, a customer may be willing to pay more for a location that reflects the status and prestige that the buyer seeks. The same phenomenon can be seen in the automobile industry. Some customers are willing to pay more for an automobile because of its perceived status or prestige, even though any car can take them from one place to another. The point is that price is more easily supported when all the factors that affect price are taken into account.

As most agents know, property prices and even the commissions charged can change quickly in a market that is rapidly expanding or contracting. As was just demonstrated, prices hold different meanings for different people. When you have a thorough knowledge of your target market, the message conveyed by your pricing strategy could be significant.

Place

Place involves the easy transfer of the property from the seller to the buyer. Earlier in the chapter, we defined place utility as having listings when and where customers want them. However, place in the context of a marketing strategy holds a slightly different meaning and centers on two main points.

First, it describes the vendors involved in taking the property from the listing stage and delivering it to the point where it transfers to the buyer. Listing and selling agencies, title insurance companies, lenders, appraisers, escrow companies, attorneys, and others are involved in delivering the property to the customer. In most states, agents are the contact point for both buyers and sellers. They are responsible for monitoring the activities of the vendors involved.

Second, a place strategy describes how, through channels of distribution, the potential consumer receives the promotional message. These channels of distribution (e.g., radio, television, newspapers, and others), along with the development of the promotional message, provide a creative outlet for real estate agents.

Media selection should center on the most effective way to reach your target market. Media influences different target markets in different ways. With research, agents discover the medium or combination of media needed to attract different groups within the total market. Keep in mind that place has less to do with the promotional message and more to do with how customers receive that message. The kinds of delivery systems used to get the promotional message to prospects include (but are certainly not limited to) letters, e-mails, radio, television, open houses, billboards, and newspapers.

Agents must be aware of how changes in the real estate market affect their local area. Some state or local laws may outlaw some forms of delivery, such as recorded messages, the Internet, or For Sale signs. Each would affect the place strategy of the marketing mix. Agents may go out of business if they get into the rut of depending on things that worked ten years ago but are not working today.

The successful sale of a property depends on the proper mix of the four Ps. The faster that product, promotion, price, and place are in balance, the sooner the potential sale.

Almost every task of a real estate marketer is included in the balanced mix of product, promotion, price, and place.

■ Summary

Real estate marketing is more than advertising, door knocking, and sales. It involves organized activities that, when balanced, help the consumer satisfy personal real estate needs. To have value, real estate must be useful to the consumer. If a property is in the wrong location or can't be delivered in a timely manner, then the property may have no value to the consumer. Agents are responsible for

discovering the utility needs of prospects and incorporating those needs into their property and service presentations.

Agents use the four marketing activities—product, promotion, price, and place—to develop marketing mix strategies. When balanced, these strategies help market property and services more effectively. Agents decide what inventory to list or services to provide, given the needs of the client base. With a goal of attracting large consumer segments from the total market, agents also develop their pricing strategy, promotional mix, and strategies to distribute information to consumers.

SAMPLE

■ Multiple-Choice Questions

1. Marketing is made up of four activities that when balanced lead to a successful sale. Which of the following describes these balanced activities?
 - a. The product mix
 - b. The promotional mix
 - c. The marketing mix
 - d. The pricing strategy
2. Which of the following is *NOT* a part of a promotional strategy?
 - a. Personal selling
 - b. Advertising
 - c. Product selection
 - d. Publicity
3. In real estate, what is one of the fastest ways to go out of business?
 - a. Sell only low-income housing
 - b. Don't deliver what the customer wants
 - c. Don't attend office agent tours
 - d. Fail to submit a listing to the multiple listing service
4. To have value, something must be useful or have utility. If a married couple wants the usefulness of a fenced backyard or a productive garden, this is known as
 - a. form utility.
 - b. place utility.
 - c. services utility.
 - d. possession utility.
5. Which utility concerns itself with the availability of money at reasonable rates?
 - a. Services utility
 - b. Interest utility
 - c. Possession utility
 - d. Time utility

■ Exercises

Research Question 1—Real estate agencies contract for different types of listings, including commercial, residential, multifamily residential, acreage, and lots. Identify and describe the number and types of listings in a real estate office—your real estate office or a competitor’s office. What is the rationale for having the number of listings of any given type? In what way would the inventory be affected by each of these: an increase in interest rates, a decline in the value of the dollar, a decrease in the affordability index, a deflationary cycle, and an increase in population?

Research Question 2—All real estate companies offer services to their buyers and sellers yet sometimes have a difficult time articulating exactly what those services are. These services include small things, such as offering a buyer a fresh hot cup of coffee, to following the paperwork through the transfer process. What services are offered to buyers in a local real estate office— your office or a competitor’s? What services are offered to sellers? Why?

Research Question 3—The economy affects interest rates, wages, employment rates, and more. All of these, in turn, affect national, regional, and local real estate markets. Consequently, when agents develop a marketing plan, they take into account these and other elements in the economy. Evaluate and describe existing market conditions in your area. In your opinion, what effect will the current direction of interest rates and the regional economy have on home prices and buyer demand?

Research Question 4—After taking a listing, agents must decide how the promotional message reaches the public. Often, the target market that the agents are trying to reach determines the delivery method. Suppose you have just listed a property. Decide on three specific target markets. How or where will you distribute your promotional message so that it reaches the target market?

Successful real estate professionals know that when it comes to sales and marketing, you need a plan. This book will improve your sales results by teaching you how to employ a complete, professional marketing strategy. Using real-life examples and a friendly, easy-to-follow tone, ***Sales and Marketing 101 for Real Estate Professionals*** gives you the tools you need to list the right properties at the right price and attract prospects who are ready, willing, and able to buy.

- Comprehensive coverage of **marketing strategies** that draw the right clients to you, from the theories of product, promotion, price, and place to practical advice on how to segment a market and implement a marketing plan.
- Complete coverage of the **selling skills** you need to close the sale, including time management, ethics, professionalism, and closing techniques.
- Most current coverage of **Internet marketing tactics** to help improve sales, featuring personal Web sites, social media, and e-mail.
- **Multiple-choice questions** in every chapter test your knowledge, with answers and rationales provided so you can check your work, while open-ended research exercises allow you to apply what you've learned to real-world scenarios.

Chris Grover has a diverse background in real estate, marketing, and finance that began in 1970 as a real estate investor. Just after earning his real estate broker's license in 1976, he opened a brokerage firm that eventually employed over 30 licensees. He is a non-practicing Certified Financial Planner™ who also holds a bachelor's degree in finance and a master's degree in business administration. He currently acts as the Department Chairman for Business-Real Estate at Victor Valley College in Victorville, California.

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