

Despite Housing Crunch, Some Builders Ignore Prospective Buyers

Contributed by Marc Lumpkin
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Denver-area study reveals builders spend millions to attract prospects then fail to follow up.

--Housing developers are spending millions of dollars in advertising. The result? They end up ignoring the prospective homebuyers that walk in the door. That is the finding of a recent study conducted by Denver marketing services companies Red Tree Marketing Resultants and Qgenesis, Inc. In a self-funded survey, they sent secret shoppers to visit 50 new-home sales centers representing 31 builders in the greater-Denver area, which currently ranks among the ten worst U.S. markets for home sales.

"What we found shocked us," said Peter Kowalchuk, president of Qgenesis. "With falling home sales and a nationwide decline in new home prices amidst high inventories, we thought home builders would become more aggressive marketers. However, we found that builders are failing to take the simple steps necessary to follow up with prospects, even after identifying themselves as qualified buyers ready to purchase a home."

Kowalchuk was one of the prospective home shoppers who visited sales offices and toured model homes. He found that often no one was home. And when a salesperson was present, they were either on the phone, talking with a co-worker or only said "Hi." Elsewhere, Kowalchuk was greeted by someone who explained that they were just a temp. He was told, "Feel free to walk around and someone will get back to you."

"But they didn't," Kowalchuk said. "One woman told me she wanted to follow up with me, but she never took down my contact information."

The secret shoppers explained up front that they were qualified and ready to purchase a house. This should have attracted sales agents like bees on honey. The survey yielded some frightening results, said Red Tree Marketing Resultants co-founder Bob Mazerov, whose firm originated the idea behind the study.

- 16% of the shoppers (one in 7) were not greeted when they walked into the model home sales center.

"Some agents would look up and say 'Hi.' Most didn't offer any greeting at all nor did they introduce themselves. In some cases, they didn't even speak to us," Mazerov said.

- Only 56% of the agents requested a registration card and permission to follow up with the prospective buyer.

"That means only about half the customers were sought for follow up, a dismal number when the goal is to sell homes to every prospect," Mazerov explained.

- Only 36% of the visits resulted in an agent actually following up.

"That's right, only one in three qualified buyers were contacted after the initial visit," reports Mazerov. "That leaves two thirds who were never invited back for the opportunity to buy."

- Agents followed up with relevant information for prospects only 14% of the time.

Mazerov explains, "If I came in and said, 'I'm looking for a ranch-style home,' we analyzed whether the agent followed up with relevant information about ranch plans rather than an email about the builder's warranty or upcoming sale. Our survey shows only one in seven times did somebody follow up with relevant information. In some cases they sent us nothing but a postcard of the development."

Most of the follow-up collateral sent to the potential buyers was done via direct mail with some emails and even fewer phone calls. Another surprising gem uncovered by the study: spam filters.

"Almost two thirds of the follow up emails went into some kind of junk mail because they weren't personalized," said Mazerov. "If the email was restricted to something like 'Thank you for seeing our homes,' spam filters catch it and throw it into a junk mail folder. Personalizing an email by a qualified sales agent takes only a few minutes."

So with the current, home-building market competing for fewer qualified home buyers, why aren't builders beefing up their sales force?

Mazerov said that researchers talked with companies who maintained that they intended to increase sales training, but their observations led those involved in the study to believe otherwise.

"They've already had sales training, so I don't think that's really the answer. I think that the culture of an organization enforces how well its programs and processes are going to be embraced," Mazerov said. Another issue is that marketing professionals for the industry need to craft messages that work to get people in the door.

“The next part of this chain is that we need to ensure that the sales force has the appropriate skills to greet, qualify, -explain, and so on,” Mazerov continued. “Finally, we have to have a process in place to ensure that there’s follow up. The big question for us was, ‘Will there be follow up?’ As it turns out, there -wasn’t.”

Fix the problem

America has more than four million homes that are sitting as unsold inventory. According to Red Tree Marketing Resultants co-founder Brendan Miller, a former corporate marketing executive in the home-building industry, this inventory might stagnate for a long time if homebuilders continue to ignore the fundamental principals of marketing.

Miller suggests that homebuilders already have skilled salespeople and proper tools. But these need honing. Home builders need to ensure their CRM systems are used regularly to track buyer visits and builders should use their marketing departments and ad agencies to do more than just place and create a promotional material, Miller -explained.

“The marketing departments and ad agencies need to dedicate the same attention to developing customer follow-up programs as they do in their sales-center designs and advertising campaigns,” said Miller. “They should think of the follow-up program just like another creative advertising campaign.”

Mazerov recommends his clients take a strategic, three-legged stool approach: marketing, advertising and sales. Together, they provide the support to get the buyers in the door, allow them to leave with a coordinated follow up and get them to return for the closing.

“There needs to be an overall process that starts with understanding the consumer, building a strategy, crafting creative, then ensuring that the experience is absolutely, extraordinarily, unexpectedly good; and then, following up,” says Mazerov. “The follow up has to be every bit as good as the initial advertising. If builders aren’t comfortable with that process, they will lose business to competitors who are.”

Mazerov cites the success of a Texas home-building client who followed this advice and recently experienced an 18 times return on profit.

“We insisted up front that before any creative runs, the sales force is prepared to systematically follow up,” he said. “Ultimately, this creates a positive experience for buyers and a successful sales method for home builders.”

“The result of our 18-page study is that Colorado home builders are losing millions on their advertising investments and in lost sales,” said Mazerov. “Essentially, the builders are diminishing the number of qualified leads and reducing their ability to close a sale. This is certainly not an ideal process given the current state of the housing market.” SLDT