



by **CHAD RUEFFERT**

Chad Rueffert is the president of Braintree Marketing, Inc. and the creator of the From Your Friends Relationship Marketing program.

Not All Customers Are Created Equal



A question I was asked at a recent presentation ended up dominating the whole conversation: “Why should I spend money marketing to my past customers? They already have a house. I have limited marketing money and I need NEW buyers and sellers.” What started out as a discussion about building trust, ended up in a debate about relationship marketing versus prospecting, working by referral, and the best ways for generating new buyers and sellers.

Though I’m a huge proponent of relationship marketing and referral generation, I’m always surprised when people tell me the work “exclusively” by referral. I’m a firm believer that you always need to be generating new, fresh customers into your pipeline through farming and traditional advertising. The NRA 2011 *Profile of Home Buyers and Sellers* says forty-one percent of buyers found their agent through a referral and 9 percent used an agent they had used before to buy or sell a home. That means that 50% of the people found their agent through some other form of

marketing. Unless you are willing to give up 50% of the potential business out there, even long-term veterans of the industry need a new prospect marketing plan to go along with their referral and relationship marketing.

However, I firmly believe that the key to long-term success as a real estate professional is a solid relationship marketing strategy. Repeat business is a big part of it. Without an ongoing relationship you will lose out on all that customer loyalty and the future income that comes with it.

But there's another reason that generating new customers by referral is so important: not all customers are created equal. Some customers are better than others. Good customers are easier to work with, easier to satisfy, more likely to leave with a positive experience, more likely to become lifetime customers, and more likely to refer you to friends and

A Shorter Sales Cycle

It's easier to close a referred prospect into a customer than it is a prospect generated through other means. They already have the endorsement of the person who referred them, a positive impression of your abilities and service, and a pre-disposition to believe your sales pitch. They are often calling you BEFORE they call

between unknown providers, pricing is almost always one of the key decision points. However, they are more likely to accept a higher cost from a referred vendor as they have less concern over your ability to fulfill your promises. Most people are willing to spend more for good service if they are certain they will receive it.

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family. Bad customers question your advice and your pricing, are more likely to jump to a competitor if things don't move quickly, and less likely to be completely satisfied no matter what the outcome.

Customers who are referred to you tend to be the "good customers." The *Journal of Marketing* published a report recently that said the average value of a referred customer is 35% higher than that of a non-referred customer because they cost less to obtain, have a higher level of long-term loyalty, and have a higher opinion of your products and services.

Here's a few key reasons why referred prospects are of a much higher value than the rest:

any of your competition, giving you the first shot at earning their business.

A Higher Level of Trust

Neilson market research reports that 90% of consumers said they are most likely to trust the recommendations of the people they know. That's much, much higher than the level of trust they put in traditional advertising.

A Responsibility to the Referrer

When someone contacts you from a personal reference, they are likely going to have to report back to that friend or family member who made the referral. It makes it much harder for that prospect to do business with someone else and explain why they chose not to work with you.

Acceptance of Premium Pricing

When a prospect is making a selection

Realistic Expectations

Prospects who have talked with a previous customer are likely to have at least a basic grasp on the process, the costs, and the results. They therefore have realistic expectations and are more easily satisfied. Prospects who are responding to advertising may have unrealistic expectations from outlandish claims or success guarantees from aggressive competitors.

Not all customers are created equal, but long-term success likely requires an ability to satisfy the good, the bad AND the ugly. But the more GOOD customers you can acquire through relationship marketing and referrals, the easier it is to create long-term success.