



Connect!

REAL RELATIONSHIP MARKETING IDEAS



Mover Trends Make Referral Marketing More Important Than Ever

by CHAD RUEFFERT

Relationship marketing consists of two primary segments. The first is repeat business. Your first relationship marketing goal is to make sure that all the work you put into creating a satisfied customer ensures that customer remains yours for life. The second segment is referrals. Referrals from friend or family member is the number one way both home buyers and sellers choose a real estate professional.

For most products and services, repeat business is the more important aspect. If a customer makes a purchase on average of once a month, it's very important to keep them coming back to buy from you. Real estate is a little different. The US Census Bureau tracks how many people move each year and has since 1948. During the 40's and 50's, approximately 1 in 5 people moved each year. On average, people were staying in their homes less than 5 years.

But since then, the trend has been steadily downward. In the 1990s, the mover rate was about 16 percent. In the 2000s it fell to 14%. Today, it's 11.5%—almost half of what it was in 1948. That means that only 1 in 9 people move each year.

The time between purchases is has become so lengthy that building a business based on repeat purchases is impossible.

That's why referrals are so important for real estate professionals, and that fact needs to be reflected in your marketing strategy.

The numbers don't lie. 12% of buyers and 25% of sellers use the same Realtor who helped them with a previous transaction. But 42% of buyers and 39% of sellers find their agent through a referral from a friend, neighbor or family member. That means for every repeat buyer you hope to get, you should be targeting at least 2-3 referrals from that person. And truthfully, if you can get 2-3 referrals from a member of your sphere, there is no reason you can't get significantly more over time.

So what does this mean for the real estate professional trying to build their business? It means you need to look at everyone in your sphere of influence as a referral generating tool rather than just a potential repeat transaction. In practice, that means when you communicate with them, you need to be actively asking for referrals. Stop thinking about marketing TO them, and figure out how to market THROUGH them. They are a medium of communication

between you and your prospects just like TV commercials or bus benches or web ads.

When you begin to look at your SOI primarily as a referral generation tool it changes your goals, your language, and your approach. A buyer who had a smooth transaction and a positive experience but never makes a referral should be considered a sales failure. That buyer had a sales value of thousands of dollars instead of tens of thousands of dollars. What makes them a success is when they send you a referral every year for the next 9 years and then become a repeat customer.

Generating referrals isn't necessarily easy. It takes understanding the process, creating a long-term plan, and tools to help you accomplish your goals. That's why we've been traveling the country presenting our "Breaking Referral Barriers" program that coaches real estate professionals on how to create a work-by-referral business. If you're interested in learning more about relationship and referral marketing, let your sales managers know, and we'll be happy to schedule a seminar!

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

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