

The Lifecycle of Today's Home Buyer: What Every Brokerage CEO Must Know to Survive

The Winning Real Estate Brokerage: A VHT White Paper Series
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The industry's tectonic shift

Since 2008, when the real estate bubble burst, I've been intently studying how the Internet has transformed the way consumers buy homes. Most people in the industry realize things have changed but few have seemed to react to the impending consequences.

Today's consumers are empowered by the web to be more self-directed. It's changed every aspect of how buyers behave, the information sources they trust, how they view the roles of agents and brokers, and even how and when they make key decisions in the buying process, such as choosing an agent/brokerage.

While brokerages stand by on the sidelines, a wave of competition – including listing aggregators, virtual brokers and various marketing tool providers – is taking advantage of the situation, using the Internet to siphon away revenues.

The implications are so critical that unless brokers truly grasp how this new buyer behavior differs from buying behavior of the last 40 years, they won't survive. Brokerages that are failing to adapt their businesses to the realities of the new buying-process lifecycle are being quickly and quietly eclipsed by competitors that do.

Today's typical homebuyer

To illustrate the behavior changes I'm talking about, let me share the story of a typical young home buyer named Tim, whom I met recently. When Tim and his wife, Sarah, decided to purchase their first home in Cedar Falls, Iowa, they started their search where most buyers begin these days: on the web.

"In the evenings, my wife and I spent hours on our laptop computers, side by side, cruising different websites, looking at real estate listings and talking about our dream home," Tim told me. "It was exciting. We had so much fun looking at pictures of houses online and sharing the ones we liked and discussing what we could afford."

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For four months, the couple spent more than 10 hours a week on the Internet learning about the Cedar Falls real estate market, viewing hundreds of listings, property photos, prices and neighborhoods. With so much information at their fingertips, the couple didn't feel any need to consult with an agent. But here's the real shocker: they also didn't bother browsing brokerage sites.

Their early research was broad in nature so they started virtually each and every search query on Google, trying out dozens of different search terms / key words to help them zero in on properties they liked.

From there, their web surfing took them to listings on Zillow, Trulia, Realtor.com and other industry sites. When they did sometimes wind up on brokerage sites, they didn't like that they were required to refine their searches to specific attributes and price ranges.

A ton of Google searches...and still no agent

"We did just a ton of Google searches," Tim explained. "It's our default search site. And we didn't have a preference in terms of brokers. We didn't want to get boxed in. We were looking at everything at that point."

The couple selected an agent after they were well down the home-buying path, when they had already nailed down their price range and whittled the list of properties they were looking at to just a handful.

Notably, none of the many agents/brokers they were exposed to during their web surfing managed to make enough of an impression to get the couple's business. Nothing about their websites or their online marketing was memorable or engaging enough to win over Tim and Sarah.

Instead, the couple defaulted to a family friend to represent them. The fact they chose an agent from within their personal network may sound like old news. It may even appear to contradict everything I've said about the vast impact of the web: these digitally sophisticated buyers wound up going offline to find an agent.

Brokers' No. 1 Challenge

But that's missing the point of the story – and the No. 1 challenge facing the industry today. The problem is that brokers' online efforts are having virtually no impact on buyers' choice of agents. It's a sad fact that buyers no longer view brokerage firms as necessary or even relevant to their property searches.

Meanwhile, every other consumer industry – from travel to retail to electronics and beyond – has figured out that web marketing is the most cost-efficient way to find customers and grow market share. Yet, brokerage firms are still relying on the very expensive (and old-fashioned) strategy of building an army of agents just to reach buyers (agents who, ironically, would prefer that someone else find the leads for them).

Via the Internet, there are many creative, affordable and even automated ways for a broker to establish itself as the undisputed expert in its market, providing helpful information to online buyers when and how they want it. If brokerages would concentrate on becoming the brand of choice with buyers, rather than the brand of choice with agents, they could cost-effectively increase their consumer market share **and** provide more value to their agent networks.

However, in order to take advantage of those strategies, brokers first need to grasp the new mindset and behavior of today's buyers. My home buyer research project continues, but let me summarize what I've found to date: All consumers, regardless of their age or lifestyle, basically engage in the same four behavioral phases during the process of buying a new home. I'll refer to these phases as follows: Discovery, Research, Selection and Closing. Here are descriptions of the four phases:

The Buyer Life Cycle

Phase One – Discovery

The Discovery phase starts the day a buyer first thinks about purchasing a new home. It can be motivated by the simple desire for a property more to their liking (“We’d love more space” or “a quieter neighborhood”) or by a pressing event, such as job relocation, a new baby or retirement. During this phase, consumers acquaint (or reacquaint) themselves with the buying process itself, the tools available to assist with their search and, of course, the market landscape.

Phase Two – Research

The Research phase begins when the buyer starts to actively seek out more specific information about neighborhoods or property attributes, such as square footage, number of bedrooms/baths, taxes, local schools, transportation, community services, culture, nightlife, crime and so forth. As in the Discovery phase, buyers continue using the web to find information.

Phase Three – Selection

Buyers become more discriminating during the Selection phase. At this point, they feel comfortable with their knowledge of the marketplace and have a good idea of what they want and what they can realistically get. The number of home attributes they are considering increases substantially as they shorten their list of target homes.

Phase Four – Closing

The Closing phase is the purview of the professional agent. It’s a sales function as opposed to marketing. The buyer’s search has come to an end and it’s time to seal the deal.

How the Discovery Phase Has Changed

Discovery is an educational process in which the buyer casts a wide net in order to learn as much as possible about what type of property they want, what’s available and what they can afford. Often, they’re not “finding” a place to live as much as they’re “ruling out” places they don’t want to live.

This important initial phase has been transformed by the Internet more than any other part of the buying process. Before the web came along, the Discovery process was very

laborious, limited and inefficient; consumers would scout properties by looking at magazines, driving around neighborhoods, talking to friends and family, and looking in the newspaper.

Once upon a time, this was also the point that they called an agent, mainly to access listing information from the MLS.

But that's no longer the case. Today, 94 percent of all home buyers go online to see homes for sale (National Association of REALTORS, 2009). They typically browse listings on at least 6 to 12 different sites in their research, considering price, location, photos and visual attractiveness. And 90 percent are self-directed at this point, conducting their Discovery without the help of an agent (National Association of REALTORS, 2009).

Like Tim and Sarah, they'll look at hundreds of homes and a multitude of neighborhoods on the Internet, mainly perusing photos and videos. And they'll typically start their searches on a major search engine rather than on real estate-specific sites such as Zillow, Trulia or Realtor.com. Notably, more than 22 million people a month who research real estate information online start at Google. (MRI, Doublebase 2009)

The Discovery phase can last for several weeks or months. Buyers may seek information from agents and brokers during this phase, but they prefer to remain self-directed so they can educate themselves before committing to a relationship.

How the Research Phase Has Changed

Although they still haven't chosen an agent yet, it's important to note that buyers' perceptions of brokerages' brands and agents are definitely being shaped by what they encounter and learn in the Discovery and Research phases.

An agent/brokerage that stands out or is differentiated during these phases is better positioned to get the buyer's business when they're ready to choose a real estate professional. Unfortunately, most research indicates that consumers see very little differences online between brands/brokerages.

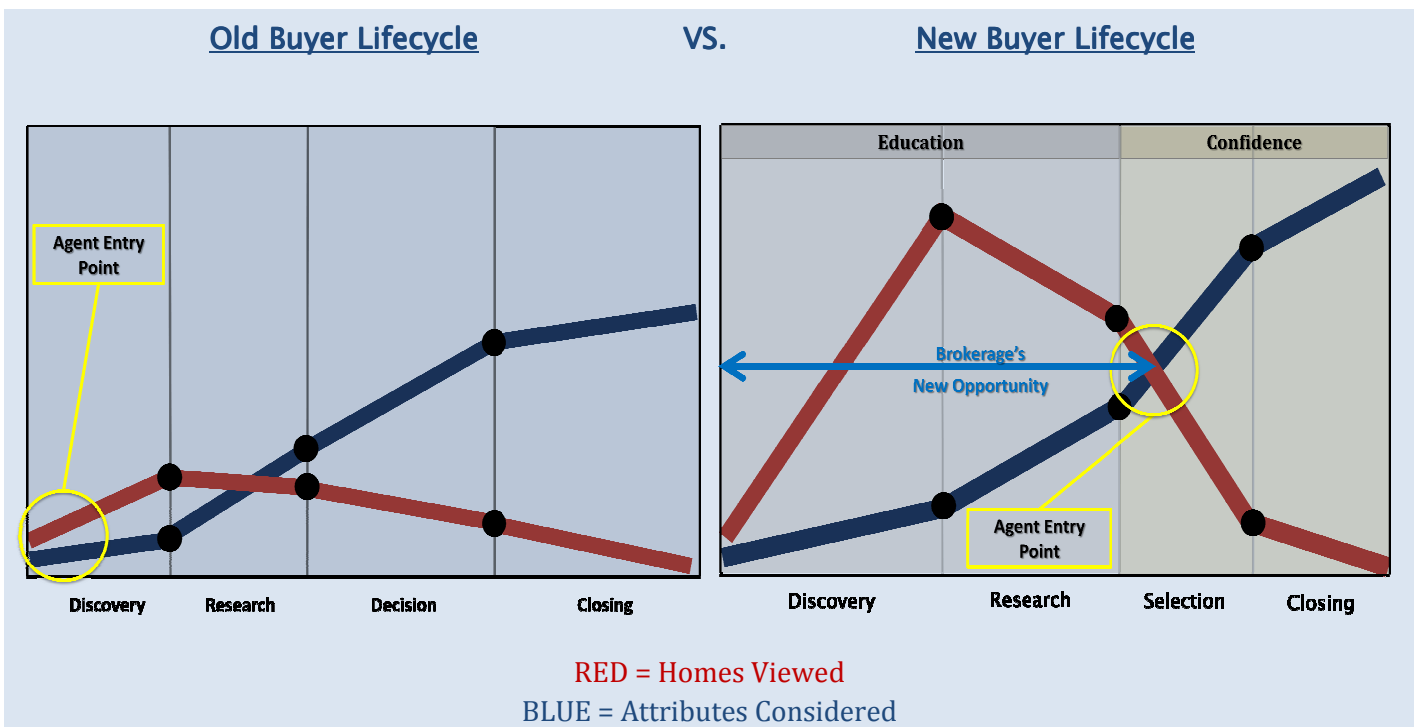
The number of homes they are looking at drops dramatically and the number of home attributes they are looking at increases substantially as they get more selective and narrow

down their universe of possibilities to a few potential targets. Many will decide to put their current homes on the market at this point. (Consumers tend to be buyers before they are sellers because buying is fun – selling is tedious).

At this point, more than halfway through the buying process, they're finally ready to choose an agent to guide them through the final selection process and closing a deal. Buyers who have gone through the Discovery and Research phases are typically motivated and more informed. They know what type of property they want and have a realistic handle on the marketplace and a short list of properties to investigate. They're the ideal lead for an agent.

If a buyer was impressed with an agent or a brokerage during their Discovery and Research, they'll call them for an interview.

Studies show that two-thirds of buyers come away from these phases with **no preference of brokerage brands**. Brokerage firms typically have not connected or engaged with online buyers by the time they enter the Selection Phase, so they've lost the opportunity to get their business when buyers are ready to seek help from a real estate professional. Despite all the marketing dollars invested by brokerages, they're doing a poor job of influencing home buyers' brand choices.



Conclusion

So what does all this mean for brokers? The key point that brokers need to see is that a huge, untapped opportunity has opened up for them in the buyer lifecycle:

1. **Buyers are self-directed for more than half of the buy cycle.** They are now spending months – and in the current economic environment, as much as a year or more – scouring the web, looking at properties, unrepresented by an agent, and unaware of any differences among competing brokerages.
2. **In the Internet age, buyers are literally like fish waiting online to be caught.** And a new breed of web competition is fishing upstream in order to catch them. These new rivals have been quicker and more nimble to leverage consumers' new habits. They are taking money out of the pockets of brokerages by extracting fees from agents trying to reach online buyers.
3. **In order to win the battle for buyers, brokers need to drive more buyers to their sites.** They are the ones who need to interact and stay engaged with them in a relevant way during the key Research and Discovery phases of the buy cycle. Few agents have the time or patience to nurture buyers through these time-consuming processes.
4. **It's time to reconsider the role that agents play in the buyer lifecycle.** Recognize that good agents are excellent sales people -- but they're not marketers skilled in generating leads. It's more cost-effective for brokerages to source customers from search engines than through agents.
5. **Brokers can efficiently acquire more buyers by boosting their search engine exposure and visually setting their websites apart.** They should be laser-focused on providing a next-generation experience on their websites in order to meet the higher expectations of today's technologically-advanced consumers.

Brokerages that are waiting for buyers to contact their agents won't have customers for much longer. They're running the very real risk of having customers stolen away by more aggressive, web-savvy competitors.

In order to avoid such an outcome, brokerage firms need to begin focusing on marketing themselves to buyers instead of agents. They have to understand and meet the needs of this new

generation of home buyers better than their competition. Successful brokerages will thrive and grow by regaining control of their property listings, focusing customer acquisition efforts on the web and capturing more than their fair share of online buyers during the all-important Discovery and Research Phases.

At VHT, which has been providing world-class marketing services to the real estate industry since 1999, our business is helping brokers address these issues. We'll discuss these strategies for success in more detail in our forthcoming white papers.



About the Author

[Alex Zoghlin](#) is recognized as one of the Internet's most influential minds, and is well-known and respected throughout the industry for building companies with cutting-edge and easy-to-use Web-based technologies. Alex was a founder of Orbitz, a leading travel website. Alex has fought this war before and has seen first-hand who wins and who loses.

About VHT

VHT is a leading provider of digital marketing technology and services to companies offering unique properties, locations and products who need a comprehensive, cost-effective solution for customer acquisition and driving revenue on the web. VHT Studios provides professional photographers, image optimization specialists and state-of-the-art technology for producing the finest visual imagery. VHT ImageWorks is an integrated and automated platform that includes a comprehensive array of tools that businesses need to increase site traffic, leverage their visual assets and improve sales conversion. The platform requires minimal effort on clients' part, and has delivered measurable results to industry-leading brands by increasing the volume of visitors from search engines and engaging online visitors with alluring visual presentations of their offerings

VHT's team has decades of experience in marketing, technology, search engine optimization and professional production, management and distribution of visual assets – including photographs, video, multimedia tours and Video on Demand television spots for 3,500 client companies. Venture-backed VHT is based in Rosemont, IL.

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