

SHIFTING TO THE EXPERIENCE SECTOR

As we discussed in "The Commoditization Trap," real estate agents and brokers are subject to the downward forces of commoditization resulting in lower ROI and a "race to the bottom" in commissions.

SHIFTING INTO THE 4TH SECTOR

We believe that agents and brokers have the opportunity to distinguish themselves from the pool of agents providing commoditized services to buyer and seller clients in the market by stepping into "The Experience Sector."

First, a little background.

1. THE COMMODITY SECTOR – In our earliest markets, commodities were traded for other commodities. One person traded their lumber for another's iron. People would purchase the commodities being sold or exchanged at the lowest price.

2. THE GOODS SECTOR – The process of specialization turned these commodities into goods, so instead of lumber and iron, tables and pots were traded and sold in the marketplace. The Goods Sector also became saturated (with table and pot makers) and the goods increasingly commoditized. Consumers would purchase the tables and pots being sold or exchanged at the lowest price. The Goods Sector had also become commoditized.

3. THE SERVICE SECTOR – Today, many companies provide services that trade neither commodities nor goods, but rather help facilitate trade. Think insurance, travel agents, or...REALTORS®. But, over time, the systematic forces of commoditization have impacted the service sector as well. So in the real estate market, many consumers are inclined to view all agents as essentially offering the same service. In many cases, buyers and sellers do business with an agent willing to provide their service at the lowest price. The Service Sector (and real estate agents in particular) have also become commoditized.

4. THE EXPERIENCE SECTOR – Today's commoditized marketplace, does however offer an opportunity for real estate agents and brokers to compete outside of the commoditized "race to the bottom," by stepping into the fourth sector which we call the Experience Sector. In this sector of the market, consumers of goods and services gladly pay a premium for whatever they are consuming because of the unique experience afforded them by the product or service.



Sound too good to be true?

Let's look at a couple of examples of this.

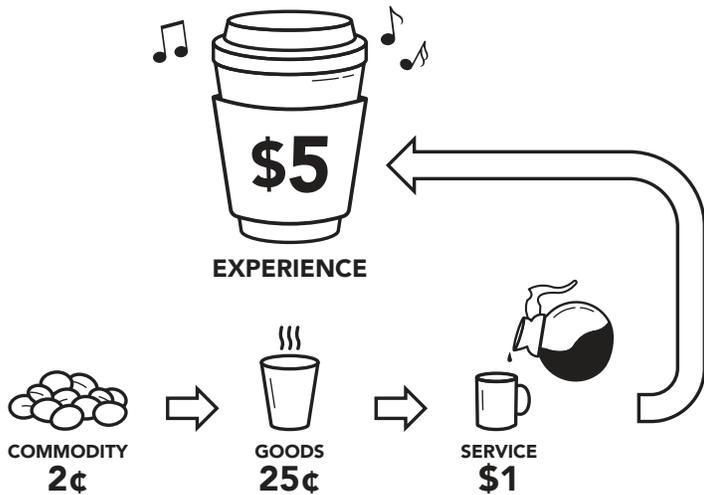
Starbucks® – Consider the cost of a cup of coffee.

- (Commodity) The raw materials required to make a good cup of coffee (beans) is around 2 cents.
- (Good) The roasted & ground coffee in a cardboard cup with water is worth around 25 cents.
- (Service) For someone to grind, brew, pour, and serve the coffee increases the cost of the cup of coffee to around \$1.

continued on page 2

SHIFTING TO THE EXPERIENCE SECTOR

- (Experience) But we gladly pay upwards of \$4 for our Starbucks® experience, including the latest Jazz music, Java Jackets, and Baristas to serve our Venti drinks. The Starbucks® experience is a classic example of the Experience Sector at work; people buy their \$5 Grande Coconut-Milk Vanilla Latte with a smile.



Four Seasons Hotel – Consider the cost of a night’s sleep at a hotel

Let’s compare a night at the Holiday Inn and the Four Seasons. The rooms are equivalent size. The mattress at the Four Seasons is a slightly higher quality. Perhaps the sheets have a higher thread count. The bathrooms are similar in size. Perhaps the soaps are more luxurious and the shower has a glass door.

At a glance, the Four Seasons Hotel room is more valuable. How much more? The average cost of a night at a Holiday Inn is around \$100. The starting price for a comparably-sized room in the Four Seasons is four times that. Why? The answer is not in the thread count of the sheets. When you arrive at a Four Seasons Hotel, the Guest Services Team that opens your car door and collects your luggage checks for name tags, radios your name to the front desk, where the Guest Services Team greets you by name and welcomes you back (because they looked up your last visit). When you arrive at your room you might be met with a bottle of the particular brand

of wine you had requested at your last visit. You are greeted by all staff, and offered orange water, aloe vera lotion, and complimentary sunglass cleaning poolside. The room might cost twice as much. So might the service. But you are paying 4 times as much for the experience. And consumers do so every day...with a smile.

**“CUSTOMERS GLADLY PAY A PREMIUM”
UNIQUE EXPERIENCE**

**COMMODITY PRODUCT/SERVICE
“CUSTOMERS BUY CHEAPEST”**

We refer to this additional value, in the form of a remarkable and unique experience as “the mint on the pillow.” You know, the small touches and gestures that make all the difference, and turn a stay at a hotel into an experience that keeps certain clients coming back, even at a premium.

Our goal as agents in an increasingly commoditized industry is to provide a “Unique Experience” for our buyer and seller clients. Simple but meaningful touches, remarkable acts of service, “mints on the pillow,” that transform and differentiate our service from the commoditized offerings of our competition.

The first step in this transition, is **shifting from a transactional mindset to a relational approach** in real estate sales.