

Negotiating Strategies for a Cooling Market

by Bob Schultz



So many builders are offering discounts and incentives today that buyers have not only come to expect them; they've elevated them to a position of utmost importance. Instead of focusing on what they *want* and looking at overall value in a home, they walk into sales offices fishing for the best discount they can find, looking to make a "deal."

These customers can be tough to handle, but we have the ability to help them re-focus on what is really important. When a customer walks through the door and asks about discounts and incentives first thing, we need to diffuse the question, shelve their concern, and cause them to experience our homes first.

Purchasing a home is an emotional process, and the emotion is ultimately justified or dismissed based on some logical premise. It is especially critical now to make customers experience your homes in an emotional way, because customers come into your office in an extremely logical frame of mind. They are stuck on the thought that, since other builders are offering incentives, you should be willing to offer competitive incentives, and, if you aren't, they can simply go somewhere else.

By presenting a home to customers before you discuss pricing and incentives, you can cause them to emotionally own it. Then you can use any incentives you may have to give them the logical justification they need to buy.

I cannot overstate the importance of getting customers

to have an emotional reaction to your homes before you give them a logical reason to include or exclude you from their buying process. Let me give you a familiar example of this principle.

Anyone who has ever been on a “voluntarily imposed restricted caloric intake program” (otherwise known as a diet) knows what it’s like to go to a restaurant with a predetermination that you will not order dessert. When your server asks you at the end of the meal if you want dessert, it’s not very difficult to say no. But sometimes the server clears the plates off of your table, brings out a tray of desserts, and *puts them in front of you*. You see the mounds of chocolate and caramel and whipped cream and you look at the person sitting across from you and say, “Want to split one?”

It’s not so easy to say no when you have the opportunity to have an emotional reaction to something. Once the server put the dessert in front of you, you began to own it. The same thing happens when you show a customer a new home. You need to diffuse the discussion of incentives until you have caused the customer to own the home.

Here’s a script you can use to accomplish that:

SCENARIO

When a customer asks, perhaps before even seeing the models, *“What incentives are you giving?”* (-or-) *“What kind of deals do you have?”* (-or-) *“What’s the best interest rate you have?”*

STRATEGY

To have them sort through their priorities. Incentives, lowest price or interest rates alone do not necessarily mean the best value.

SST-SMART SELLINGSM TECHNIQUE

“That’s a great question. May I ask, in your search for a brand new home, is the reputation of the builder, the quality of construction, convenient location, warranty, (etc.) somewhat important to you, or are you looking for your new home based solely on incentives (-or-) the cheapest possible

price (-or-) the lowest interest rate?"

The customer might say WTTE: *"No, not the cheapest price, but we want the best price (-or-) the best deal."*

Proceed with:

"Oh, what you're saying is that you want the best value, is that right?"

The customer will probably say, *"Yes."* Then say:

"Good, let me show you what we have to offer here at (name of community), and then you can decide if it is the value that you are looking for. Then, I'll be happy to go over in detail any special incentives (or limited promotional opportunities) that we may have, o.k.?"

*This technique is a form of "shelving" - from here you move back into your presentation, continuing to present benefits and build value.

Some customers will argue that you should be giving incentives (or bigger incentives than you're giving) because other builders are offering them.

Here's a script you can use in that situation:

SCENARIO

Customer says, *"It's a buyer's market and (ABC Homes) is giving discounts."*

STRATEGY

To get them to see that someone else's "deal" might not be to their advantage.

SST-SMART SELLINGSM TECHNIQUE

"Really, why do you think they are doing that?"

The customer will reply with WTTE: *"Well, they are doing it to sell homes." (-or-) "They are having a*

difficult time selling homes.” (-or-) “They were overpriced to begin with.”

“Unfortunately that might be true for some builders, but (COMPANY NAME) is certainly not in that position. Are you saying though, that you would consider buying a new home from someone who you feel is indicating to you that they might be having a difficult time selling homes?”

The customer will probably respond, *“Oh, no.”*

“I didn’t think so. You know, there are a lot of ways to cut corners when building a home to lower the price, or to offer variable incentives. I don’t know what other builders might be doing, but I can tell you about our commitment to customer satisfaction and how our homes are designed and constructed. Our value is in the total package. Please let me explain.”

At this point you would proceed to present the concept of “checkerboard pricing” to let the client know that it is important to you and your builder to operate in a way that is ethical and fair to buyers.

Just because other builders are reacting to the cooling market by offering steep incentives doesn’t mean you have to. Offering big incentives up front is *not* the best way to sell. If you want to sell in this market, you must take control of the situation and get customers emotionally invested in your homes before they make a decision based on price alone.

These topics and more will be discussed in-depth at New Home Sales Boot Camp & Serious Sales Management in Delray Beach, Florida in November, 2006. Visit www.newhomespecialist.com for more information and to register. [Sign up by October 2](#) and receive a \$100 registration incentive.

