



BY ROB HONEYCOMBE

# THREE STEPS TO TAKE BEFORE YOU DROP YOUR PRICES...

**When the market tightens and sales dry up it's easy to panic, and slicing prices off your unsold stock seems the simplest way to liven up the sales matrix. But – before you give away some hard-won margin – are you convinced you've exhausted all other options?**

One Brisbane apartment project recently made price reductions totalling more than \$1 million. With the building nearing its first birthday, the developer (one of the big end of town, by the way) ripped up prices to force a result. And while it might have only been 1% or 1.5% of the gross realisation, you can guess what a whopping impact that has made on their bottom line. Has it worked? Yes and no. They've made some sales, but they've also well and truly ticked off their current buyers who've all seen their equity shredded. They won't be front of the queue for this developer's next project release.

We don't have a silver bullet for a tough market, but we do have three steps we think should be taken before price reductions are rolled out.

## MYSTERY SHOP YOUR SALES TEAM

Imagine for a moment that you've been onsite at the project display six days a week for months on end, hearing buyers tell you every reason under the sun why this land/apartment/house is a dog. Your sales reps have (mostly)

MAKING 'LOOKERS' FEEL WELCOME IS IMPORTANT IF YOU'RE TO CONVERT THOSE FRAGILE EARLY INQUIRIES INTO SALES.



had five to six years of positive buyer interest and rising values, but are now enduring their first few months of being beaten senseless by negativity. And buyers can be brutal with their comments.

Are they staying positive and persevering? How are your agents handling those precious few inquiries? Are you sure all buyers are getting an enthusiastic reception, careful handling and a thorough follow-up?

We went to a display apartment recently where the rep pretty much pointed out all the project shortcomings before we'd even made it to the kitchen. By the time we got to the pool he'd given away 5% of the price, and when we drove away I felt physically drained. Talking to this guy was like driving pins in your eyes. And I'm betting he's on a developer-funded salary and at each sales meeting he begs for price reductions.

In a slower market we would also caution against over-qualifying a buyer. When you're flat out with inquiries buyers expect the "When are you looking to buy?" and "Do you have to sell first?" questions. Right now they might find these a bit affronting, and your sales team needs to tread a little more carefully. I'm not suggesting they shouldn't ask questions – that's essential for good salespersonship – but, making "lookers" feel welcome is important if you're to convert those fragile early inquiries into sales.

Mystery shopping is a simple process and needn't be seen as a witch hunt. You should tell the team you're doing it and explain it's an exercise in working out what training and support you can provide. Be genuine with that. Just announcing that you're doing it will stir things up with their level of service to buyers.

## FOCUS ON VALUE

Why do buyers generally expect to pay full price for a new product in your project, but negotiate like crazy when it comes to established real estate? Have you ever stopped to think about the process and why we rarely get asked the price question when we sell apartments, land and



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new homes? Because in project marketing we focus on value. I worked in a firm that had separate sales teams for real estate, apartment projects and new homes. We

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used to joke that if a buyer said "I don't like the kitchen", the responses would all differ. The new home rep would say, "Tell me what kitchen you want and we'll build it for you". The real estate rep: "No problem. Knock \$10k off the price and you can choose your own." The apartment team would be quick with, "So you don't love the kitchen, but what about this beautiful view!?" Good project marketers focus on value, not price.

Our buyers today have accountants, advisors and dinner-party-attending-property-expert friends all telling them not to buy. They should wait, they should discount and they should find a bargain. But here's the truth that you need to remind yourself: they wouldn't be talking to you unless they had some interest in buying. They want to buy, but they're as nervous as hell. So – spend the time with prospects, show them you're worthy of trust and give them a bloody good reason to buy your project – and now.

It's also a good time to revisit why your product has the price tag you set. Why is it better and different? What does it have that's relevant to the individual prospect that makes the asking price value for money? You and your sales team need to believe in the product or you're dead in the water. If you have current buyers in the project spend 15 minutes asking them what they love about the place – they'll still have the passion for it even if you don't.

#### GET OFF YOUR CHAIR AND GO FIND A BUYER

Gone are the days when buyers just rocked up and said, "Sign me up!" In most Australian markets since 2002 that's been a big part of the truth. If your sales team still thinks that ads in the paper, a sign on the property and a website are going to give them a steady supply of buyer inquiry then sack them now. The sums are simple: if you want five sales per month and you're converting 20% (a healthy number right now) you need 25 good leads. One a day.

Ask yourself these questions: When did we last go looking for a buyer? Have we kept in touch with current buyers in the project (our biggest fans and supporters) and tried to sell to their friends and family? Can we easily define our target market or markets? Spending a quick meeting



with your team reviewing who your likely buyer really is will help focus them on where to look. Are your buyers investors? Go talk to accountants, financial planners, solicitors and others who deal with the same clients you do. Promote your product to them and encourage/pay them to recommend it. (You can afford to pay a healthy fee to them before you go discounting your price. As long as it's disclosed buyers don't usually care.) The non-bank lenders are especially worth collaborating with – they're usually franchisees who need to lend money to survive, and money gets lent when people buy. They're on the same mission you are. A lot of Australians are earning big incomes in industries like mining and construction, and these are people who often like new property. Maybe put together a seminar – make it interesting with information people really value. Many of us shy away from this sort of promotion fearing the negative connotations and history of seminar selling. But it works because investors especially like trustworthy, solid information before they buy.

Are your buyers owner-residents? If they're moving from certain areas, and they usually are, then do some targeted marketing. Direct mail them – send a testimonial of somebody else who made the move. Knock on their doors

with a brochure – shock horror! – but, this is how plenty of people sell stuff (from vacuum cleaners and phone services to God) and we shouldn't be above doing it.

And finally – do all the local real estate agents support your project (read: get a full commission if they introduce a buyer)? If you don't have them on side they'll often bag the project to sell their own listings. The reality is they'll rarely make a sale for you, but at least offering them commissions keeps them supportive. The Brisbane apartment project referred to at the beginning of this article that recently made price reductions totalling more than \$1 million? They don't pay or encourage local agents.

Price reductions may well be the only way to wrap up your project. But before you take that step it's got to be worth the time pushing that bit harder for sales. And, at worst, you might meet some lovely Mormons while out door-knocking! +

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