

## After Sales Marketing Strategies of Real Estate Companies: An Empirical Study

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### Abstract

The Lehmann bankruptcy, the debt crisis in Greece and the on-going problems of the Euro brought about a situation in Germany, in which people started to shift their assets into properties. While there is an undersupply of properties in the major cities, this situation is getting increasingly severe, because owners of housing stock in these locations tend to stick to their properties, because they see a lack of other highly secure options to reinvest their money, and because they see properties as a safe haven in uncertain times. Over the last three years it therefore became more and more difficult for real estate companies to acquire new properties in the major cities for selling, and letting. In contrast to this there is still a substantial oversupply of housing stock in the countryside.

In this situation the purpose of this paper is to examine the application of after sales marketing, and customer relationship management (CRM) by real estate companies as a means to acquire properties. This paper is based on a new survey from spring 2013. This study will provide a greater understanding of the attitudes and strategies of real estate companies in relation to after sales marketing issues.

### Keywords

real estate companies - relationship marketing - customer relationship management  
CRM - customer demands - after sales marketing - business by referrals

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## 1. Overview

For a long period of time marketing was focused on the exchange situation between a company and its customer, at the time of a certain transaction, which ended promptly when a contract was completed. In the marketing literature the exchange-relationship-approach, and relationship marketing (Bruhn, 2009) heralded a then new way of looking at things.

According to this paradigm the focus was shifted from initiating a certain transaction to a long-term relationship, which includes the time frame before, during and after a transaction (Hansen/Jeschke, 1995). Relationship marketing is "not only concerned with the initiation of relationships, but also with the stabilization, strengthening and recovery, if a customer, the company intends to keep, ended the relationship. In the last two decades the marketing literature more and more focused on the post-purchase phase and developed strategies for an efficient after-sales marketing." (Bruhn, 2009)

There is a wide range of different perceptions of CRM (e.g. Galbreath/Rogers, 1999, Bull 2003, Greenberg, 2010, Nurdilek et al., 2011). This raises the question regarding the relation between Relationship Marketing and Customer Relationship Management (CRM), here the view is taken analogous to Bruhn (Bruhn, 2009), that CRM is predominantly an information technology or a technical tool with the mission to support the use of a strategically orientated relationship marketing.

The real estate industry, and especially real estate companies and agents were traditionally transaction orientated, and focused on bringing about certain deals, i.e. the sale of a certain property or letting it (Kippes, 2001, idem, 2012). The "customer-focused relationship marketing in the real estate industry has not arrived yet in the full width and depth, with which it has influenced the development of other sectors." (Pfnür, 2011). Therefore this paper analyses an important part of the relationship marketing of real estate companies, the after-sale marketing, i.e. the marketing in the post-purchase phase.

In general it can be stated, that the importance of after-sale marketing for the real estate industry has increased rapidly for several reasons: The Lehmann bankruptcy, the debt crisis in Greece and the on-going problems of the Euro brought about a situation in Germany, in which people started to shift their assets into properties. While there is an undersupply of properties in the big cities, this situation is getting increasingly severe, because owners of housing stock in these locations tend to stick to their properties, because they see a lack of other highly secure options to reinvest their money, and because they see properties as a safe haven in uncertain times.

In many real estate markets in Germany, there is therefore an excess demand. The housing stock on the market is limited. This situation affects not only home seekers, but also real estate agents. Over the last three years it therefore became more and more difficult for property companies to acquire new properties in the major cities for selling, and letting. In contrast to this there is still a substantial oversupply of housing stock, and a growing vacancy rate in the countryside.

An important marketing tool is therefore customer loyalty; the starting point is an existing contact via a successful deal. The aim is to maintain this contact in order to generate future business. Customer loyalty activities are part of the after-sales mar-

keting. In this situation the purpose of this paper is to examine the use of after sales marketing, and customer relationship management (CRM) by real estate companies as a means to acquire properties. This paper is based on a new survey from spring 2013. This study will provide a greater understanding of the attitudes and strategies of real estate companies in relation to after sales marketing issues.

This paper examines the activities in the aftermarket marketing of real estate professionals. After sales marketing is marketing in the post-purchase phase; that means those activities, which bind a customer after a deal is closed, in order to generate future business with this customer or generate business via recommendations.

## **2. Methodology and research design**

### **2.1. Basis of research and methodology**

The basis of the research is the "MARKTMONITOR IMMOBILIEN 2013", a recent survey carried out in spring 2013 (Kippes, 2013). The survey uses the organization Immowelt. The real estate platform, Immowelt, originated from Data Concept Company, and later on became a joint venture between the Holtzbrink, WAZ, and Münchener Zeitungs-Verlag, three of Germany's leading publishing companies. The platform Immowelt is quite similar to the American real estate sites realtor.com, home-store.com or move.com, rightmove.co.uk in the UK or the web page of the Real Estate Institute of Australia (<http://www.reiaustralia.com.au>).

### **2.2 Definitions and Data: Total population of the survey of recent and predicted levels of demand**

#### **2.2.1 Definition of Real Estate Companies used in Survey**

There are 33305 companies who, according to the German Bureau of Statistics, operate in the business of renting, letting or managing, third party properties (WZ 70.3 in the Structure Analysis of Service Companies, the German "Dienstleistungsstrukturhebung").

Of these companies, individual enterprises account for over half of the companies (18779). Real Estate agencies are relatively small, and the average number of employees per company, is 5. Over 94% of the companies have a staff of less than 9 employees.

#### **2.2.2. Database of this survey:**

The data is derived from the participating members of the "Immobilien-Professional-Panel" of Immowelt. The respondents of this panel emanate from the Immowelt address data of companies who are renting, or letting properties, which were either customers of Immowelt, or were listed in the data base of Immowelt. This comprises 25.000 - 30.000 addresses, which is probably equivalent to the "Structure Analysis of

Service Companies", the German "Dienstleistungsstrukturhebung"). Since Immowelt covers all parts of Germany, and all company sizes, there is the same probability for all German real estate companies to become part of the sample.

Each respondent who wanted to become part of the panel had to fill out a comprehensive questionnaire. Random samples based on panels are more accurate than other samples.

To populate the survey, 2303 participants were selected at random from the participant members of the panel. Following the verification of the data there was a sample of 539 real estate agents. The descriptive margins were as follows: margin of error 1.79 % (share value of 5%) und 4.11% (share value of 50%), confidence level 95 %.

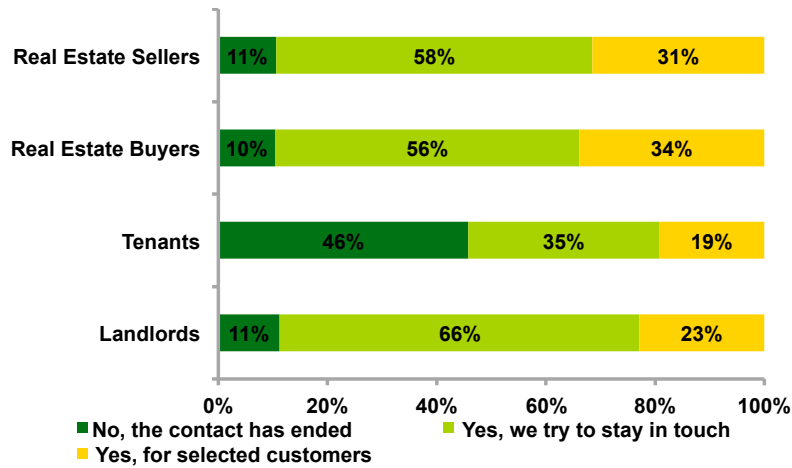
Additionally there is a quota arrangement within the survey representative of both to the German federal states, and zip code areas. This is loaded, according to zip areas, and company sizes (employees working in the company). The sample is randomized, based on the German federal states and regional groups (within the quota arrangement)

Since the maximum deviation was below 1% it was not considered necessary to weight results according to the zip code areas. In addition weighting the data according to the company sizes of the German Bureau of Statistics was also considered pointless, since the deviation would also be minimal.

## **3. Results and Analysis**

Using the research methodology outlined above a series of questions were sent to the Immowelt (real estate agents) panel. According to the survey results, there is only a low level of after sales marketing.

Chart 1: Efforts after successful deals to build up a long term relationship

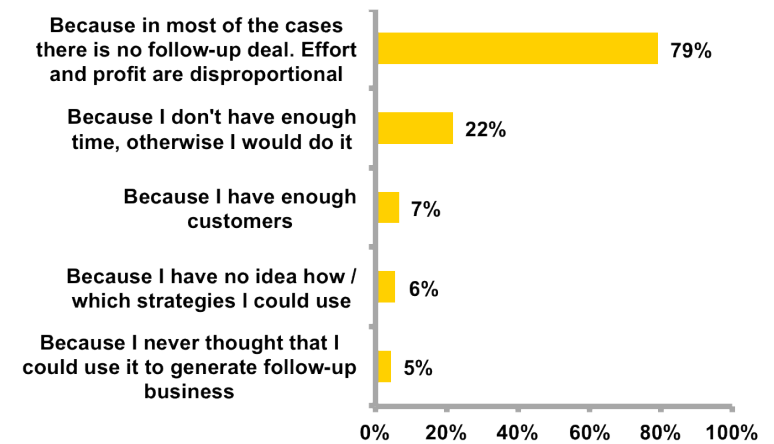


After a successful deal there is only a restricted interest of real estate companies to create a long-lasting relationship with their customers (chart 1). Depending on the type of customer between 10% and 46% of the real estate companies did not try to keep up the contact to their former customers, and between 19% and 34% responded they would only stay in touch with selected customers.

Especially in relation to tenants 46% of the real estate agents stated that they were not trying to build up some sort of a long-lasting contact. This may be due to the fact that some companies consider tenants not as real customers and see no or only a low potential for follow up business.

Since in many cases real estate companies are doing no after sales marketing it is worthwhile to analyse the reasons. Therefore the companies without after sales marketing were asked about the reason for this attitude.

Chart 2: Why real estate companies are not you trying to stay in touch



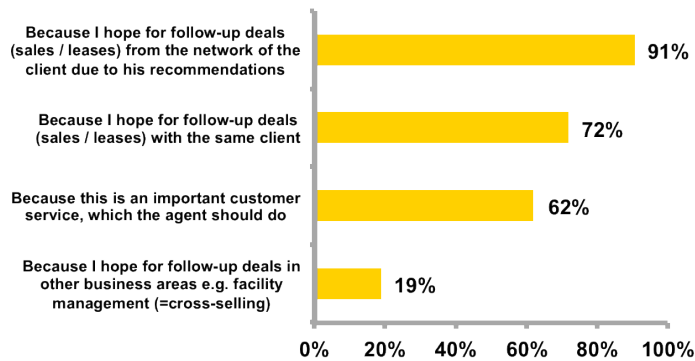
The main reason for the lack of an after sales marketing (chart 2) is because the real estate companies see no potential for a follow-up deal or they consider effort and profit to be disproportional (79%). In 22% of the cases there is no marketing after a deal is closed because of a lack of time. Beside this 7% of the real estate companies state that they have enough customers.

6% of the companies did not do after sales marketing because they did not know how it could be done and which strategies they could use. In times when real estate companies are struggling hard to acquire properties it is remarkable that 5% of the respondents had never thought that they could use such marketing strategies to generate follow-up business.

So brokers expect more by recommending people or more multiplication operations than by returning customers. Against this background it is amazing, why tenants and other customer groups are devoting so much attention differently.

The respondents who stated that they were using after sales marketing where asked for which reason they are staying in touch with former customers.

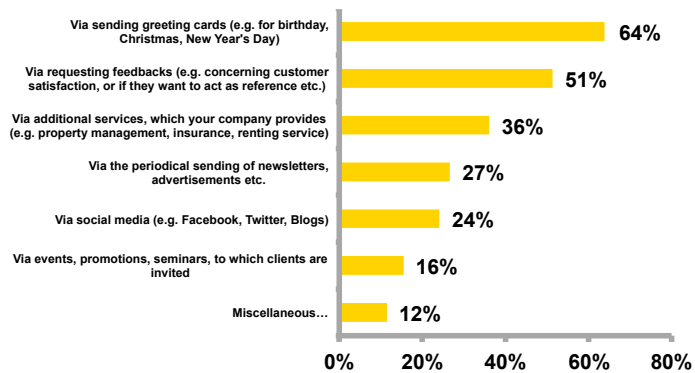
Chart 3: Why real estate companies opt to stay in touch with their former customers



Most of these companies (chart 3) were staying in contact after closing the deal because they were hoping for follow-up deals (sales/leases) from the client's network due to his recommendations (91%). Another important reason (72%) was the hope for follow-up deals (sales/leases) with the same client, while 62% of the respondents considered it as an important customer service, which the agent should provide. Only 19% answered that they wanted to do cross selling (follow-up deals in other business areas e.g. facility management).

Those real estate companies who are practicing after sales marketing were asked how they are trying to stay in touch with their customers.

Chart 4: How real estate companies are trying to stay in touch with their customers

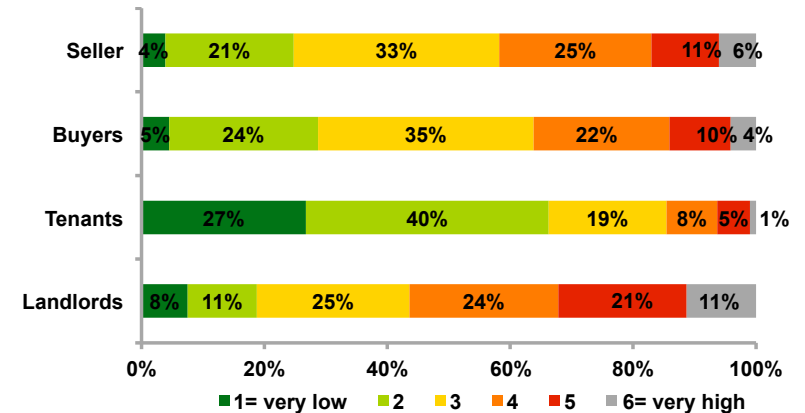


Roughly two thirds of the companies (chart 4) who practice after sales marketing are using greeting cards (for birthday, Christmas or New Year's day). These are relatively cheap and low level marketing measures. More than half of these real estate companies (51%) are requesting some sort of a feedback or are asking them to act as a referee. Those references can be an important source for new business for real estate companies.

Another way of keeping in contact with a customer are additional services, which the company provides (e.g. property management, insurance, renting service); 36% are using this method, while 27% try to keep in contact via the periodical sending of newsletters, advertisements etc., and 24% are using social media (e.g. Facebook, Twitter, Blogs) in this context. Event marketing is used by 16% of the real estate companies, and miscellaneous measures by 12%.

Furthermore the study compared the intensity of after-sales marketing activities between the different customer groups of real estate companies.

Chart 5: The intensity of after-sales marketing activities varies between the customer groups sellers, buyers, tenants, and landlords.



The respondents rated the intensity of their marketing activities (chart 5) between 1 (very low) and 6 (very high). It is evident that tenants are ranking very low within these marketing activities; only 6% of the real estate companies considered the intensity of their activities concerning this target group as "high" or "very high", compared to 14% in the case of buyers, 17% when it comes to sellers and even 32% in the case of landlords.

It may surprise that the intensity concerning landlords is higher than concerning sellers, because the sale of property generates a much higher income for property companies. The reason behind this is that a good cooperation with landlords generates a steady supply of properties.

Table 1: The intensity of after-sales marketing activities by region and size of town or city

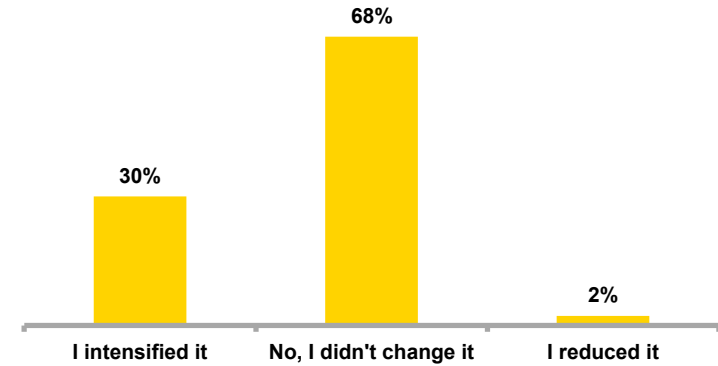
	Vendour	Buyer	Landlord	Tenant
<b>Total</b>	3,36	3,22	3,74	2,29
<b>North</b>	3,63	3,41	3,84	2,46
<b>South</b>	3,20	3,14	3,62	2,20
<b>West</b>	3,51	3,21	3,74	2,37
<b>East</b>	3,30	3,26	3,92	2,23
<b>Metropolis</b>	3,46	3,41	3,95	2,32
<b>Town</b>	3,19	3,14	3,49	2,18
<b>Countryside</b>	3,32	3,21	3,63	2,29

The intensity of customer retention measures is lowest in the south, and in the north at the top. For landlords, the intensity is highest in the east. These results are surprising: In the south, the housing markets are very competitive. Therefore it might be assumed that agents are using after sales marketing especially in the south because they are interested to retain customers or generate follow-up business.

An analysis of the intensity of after-sales marketing activities by the size of town or city shows the marketing-activity is highest in the major cities. This makes sense due to the fact that at the moment in the overheated property markets it is much harder to acquire a property in a metropolis than in the countryside.

Another important question is whether property companies were gearing up their after-sales marketing.

Chart 6: The change of after-sales marketing activities within the last year



In 2% of the cases companies reduced their after-sales marketing, in 68% it was unchanged, while only 30% of the respondents intensified it.

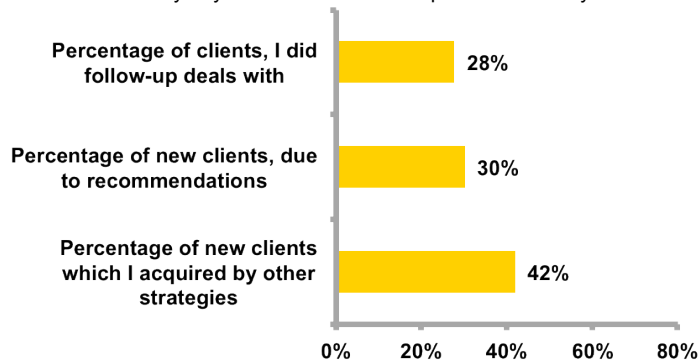
Table 2: The change of after-sales marketing activities within the last year by region and size of town or city

	I intensified it	No, I didn't change it	I reduced it
<b>Total</b>	30%	68%	2%
<b>North</b>	35%	65%	0%
<b>South</b>	30%	68%	2%
<b>West</b>	29%	68%	3%
<b>East</b>	30%	67%	3%
<b>Metropolis</b>	37%	62%	1%
<b>Town</b>	28%	69%	3%
<b>Countryside</b>	26%	71%	3%

A breakdown of this topic shows that a change of after-sales marketing activities within the last year especially took place in the North and in the metropolises. The reason why properties companies in the major cities were more likely to intensify their after-sales marketing activities than those in towns or in the countryside is due to the fact that it is especially difficult to acquire residential properties in the major cities, where there are only few properties on the market and where the owners try to use their strong position and the bull markets to sell without an agent.

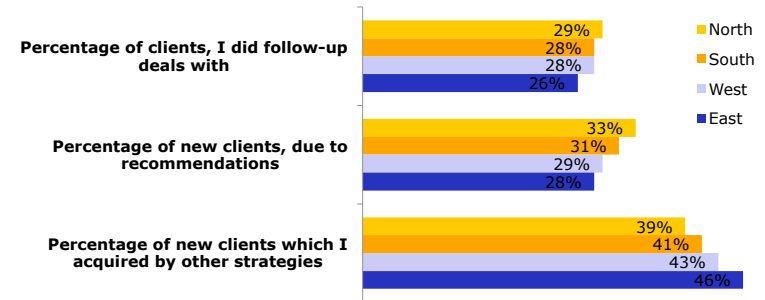
The potential of after-sales marketing for real estate companies becomes evident when one analyses how agents generate their business.

Chart 7: How many of your clients did follow-up business with you



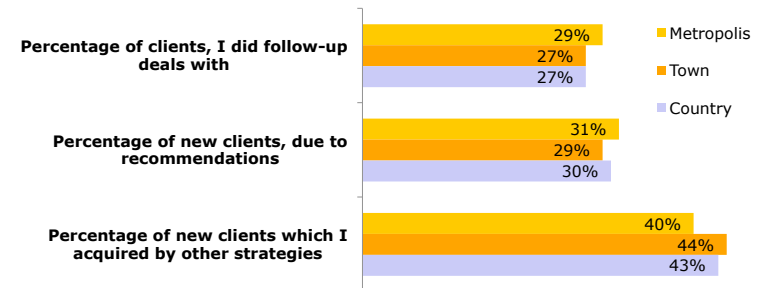
In 28% of the cases the real estate company did follow-up deals with their former clients, and in 30% of the cases they were able to generate new clients, due to recommendations. In contrast to this only 42% of the clients were acquired by other marketing strategies. This shows that in 58% of the cases after sales marketing was pivotal to create business. It is worthwhile to break this data up according to regions.

Chart 8: How many of your clients did follow-up business with you (by region)



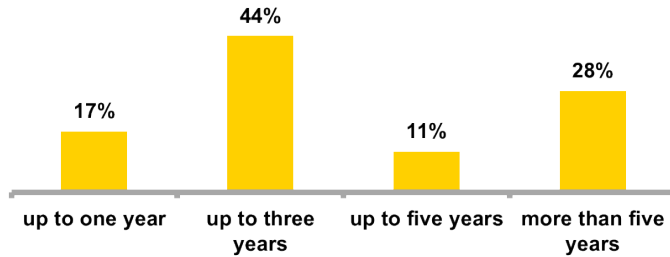
In the East a relatively low level of business was generated by after sales marketing (26% follow-up deals, and 28% new clients due to recommendations); in contrast to this 46% of the new clients were attracted by other marketing strategies. In the North and South the situation is completely different. Only 39% of the real estate companies in the North, and 41% the South attracted new clients by such other strategies. In the North the companies generated 62% of their business by follow-up deals or recommendations; in the South it was 59%.

Chart 9: How many of your clients did follow-up business with you (by size of the town or city)



Matching the intensity of customer loyalty programs in northern Germany (table 1, chart 7-9) and in the large cities the proportion of customers who have completed a second business with their brokers and of brokers who have acquired new customers due to recommendations, is the largest.

Chart 10: The time real estate companies are staying in touch with their clients after a successful deal



As a suitable period for staying in touch with their clients after a successful deal most brokers see the span of three years. After this time most of the property companies terminate the contact, if during this period no further business could be attained. 28% hold the contact, five years or more.

Table 3: The time real estate companies are staying in touch with their clients after a successful deal

	up to one year	up to three years	up to five years	more than five years
<b>Total</b>	17%	44%	11%	28%
<b>North</b>	18%	42%	13%	27%
<b>South</b>	13%	45%	11%	31%
<b>West</b>	23%	42%	11%	23%
<b>East</b>	15%	45%	11%	29%
<b>Metropolis</b>	19%	42%	7%	32%
<b>Town</b>	13%	39%	13%	34%
<b>Countryside</b>	16%	46%	14%	24%

On average 28% of the respondents wanted to keep up the contact with their customers (table 3) more than 5 years. In the south of Germany (31%), and in the major cities (32%) and towns (34%) real estate companies are staying longest in touch with their customers. The reason behind these figures is that the markets in the major cities and in the south are most competitive for real estate companies.

#### 4. Findings and Conclusions

The real estate industry, and especially real estate companies and agents are still predominantly transaction orientated. There is only a very basic level of relationship marketing in the post-purchase phase. Thus there is still a huge potential for after sales marketing strategies in the real estate industry.

For many real estate professionals, after sales marketing is still, a marketing strategy that is applied over a period of one to three years away. In principle the target of after marketing are all four customer groups, but tenants are left in many cases outside. The buyer is often seen as a potential partner for future business, but at the same time tenants as multipliers are ignored.

After a successful deal there is only a restricted interest of real estate companies to create a long-term relationship with their customers. Depending on the type of customer between 10% and 46% of the real estate companies did not try to keep up the contact to their former customers, and between 19% and 34% responded they would only stay in touch with selected customers. Especially in relation to tenants 46% of the real estate agents stated that they were not trying to build up some sort of a long-term contact. This may be due to the fact that some companies consider tenants not as real customers and see no or only a low potential for follow up business with these customers.

The main reason for the lack of after sales marketing is that real estate companies see no potential for a follow-up deal or they consider effort and profit to be disproportional (79%).

Most of the companies who did after sales marketing were staying in contact after closing the deal because they were hoping for follow-up deals (sales/leases) from the network of the client due to his recommendations (91%). Another important reason (72%) was the hope for follow-up deals (sales/leases) with the same client, while 62% of the respondents considered it as an important customer service, which the agent should provide.

It is also evident that the potential of post-sale marketing is huge, when about 20% of the professionals work without any aftersales marketing, and 6% did not know how to implement it.

The intensity of customer retention measures is lowest in the south, and highest in the north. An analysis of the intensity of after-sales marketing activities by the size of town or cities shows the marketing-activity is highest in the major cities. This makes sense due to the fact that at the moment in the overheated property markets it is much harder to acquire a property in a metropolis than in the countryside.

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