

Chapter 1

Third-Level Selling

When buying your real estate services, do prospective clients view you as a vendor, a preferred provider, or a strategic partner?

Vendors pitch their capabilities. Preferred providers position against competition. Third-Level providers build a partnership with clients.

Elite real estate service providers, the top 5 percent, have the biggest and most profitable clients. They rarely compete on price, and they do well in good and bad markets. What do these elite providers do differently than the rest of us to win new clients and retain the ones they have?

The short answer is that they engage clients at a deeper personal and professional level, a Third-Level that leads to greater success and career satisfaction and less price competition. In this book we will identify and then show you how to master the attitudes and communication skills these elite providers employ to build strategic partnerships, win new business, and retain committed clients.

VENDOR DIFFERENTIATION VERSUS CLIENT DIFFERENTIATION

From the client's perspective, top competitors pretty much look the same. On the other hand, clients feel that their situation, project, property, people, preferences, and process are unique.

Most professionals who sell real estate services are wasting time trying to force clients to recognize and value increasingly nuanced differences in their capabilities (I call this “vendor differentiation.”) Elite, Third-Level service providers create client preference by finding and aligning to what is unique about the client, the project, client preferences, and process (I call this “client differentiation.”)

Once clients narrow their options to a short list of highly capable alternatives, nuanced differences in capabilities cease to be a factor in their final choice. At this level everybody is qualified. Instead, clients want to work with someone they know and trust, someone who knows *their* industry, *their* market, *their* company, *their* situation, *their* property, *their* preferences, and *their* process better. In other words, instead of wanting to know more about you, they want *you* to know more about them. They don't want to work with a vendor. They want to work with a strategic partner. If you can find and align to that uniqueness, the client will view you as a strategic partner and not just another vendor.

A Tale of Three Landscape Architects

I can demonstrate Third-Level Selling on a small scale with a personal experience. My wife and I decided to remodel our backyard. We had lived in our house in Marin County near San Francisco for 16 years. When we moved there, our first child was two years old, and we initially designed the yard for little children. Now with an 18-year-old and a 13-year-old, we had clearly outgrown the yard.

We wanted a yard that had a pool, a grill area, a sport court, and lots of room for my wife's roses. We were advised to use the services of a landscape architect because otherwise, we were told, there was a risk we would lower the value of our property if we didn't do it right.



Figure 1.1 Old Backyard.



Figure 1.2 Then, Son Mike,
Age 2 with Mom, Amy.



Figure 1.3 My Son, Mike Now.

Since I did not know any landscape architects, we did what most clients do. We got referrals from friends and invited a short list of three top professionals to meet with us. The way these three service providers competed for our business illustrates the major themes in Third-Level Selling. See if you can identify the approach that most closely resembles yours.

The Vendor-Pitched Capabilities

When the first provider came over, we sat at the kitchen table where we looked through his brochure and asked him questions. He showed us some great pictures, gave us some good ideas, and made us feel he was well qualified. Unfortunately, he was also very expensive, which caused us to rethink the whole venture, but we continued.

The Preferred Provider Positioned Against Competition

The next day the second landscape architect came by. Once again we sat at the kitchen table to review her brochure. There were great pictures, good ideas, and solid qualifications. She told us how she was different and better than her competitors. She said her clients liked the way she managed the process and that her way of working would mean less work for my wife and me. She also showed us a chart that indicated that she did more projects than anyone in our area, and she provided some nice testimonial letters.

I preferred her over the first vendor because she could potentially reduce my workload and because she had done more work in our area. However, I could not tell if she was really better than the first guy or just better at presenting her capabilities. But at

least now we had two capable providers, which would give me some price or service leverage. If her price were similar to the first architect's price I reasoned, then I would choose her.

The Third-Level Provider Established a Partnership by Differentiating on Us

Instead of sitting at the kitchen table, the third landscape architect asked if we could walk around the backyard. While doing so, he asked how long we had lived in the house, where we came from, how many kids we had, what ages, boys or girls, what sports they played, how my wife and I liked to entertain, how the neighbors felt about outdoor music, and whether there would be little children in the yard.

He asked how we liked the large willow tree that covered the yard, and did we know how much its leaves and roots would impact the pool. He told us that he was able to look up our property at the county office before coming over. He said we had a drainage easement that would require a 10-foot setback, which would change the preferred location of the pool.

When we told him there would occasionally be little children in the yard, he suggested putting an automatic cover on the pool for safety. That would also dictate the shape of the pool.

He asked us about budget and time frame. He continued this for about 45 minutes. We then worked together to draft a rough plan of the yard, and he gave us a range of prices and alternatives.

Whom do you think we chose?

Interestingly, the last provider never showed us a brochure. Nor did he discuss his capabilities. He didn't have to. We could tell by his questions that he was quite capable. He spent all of his time finding out about and then aligning to what was unique about

us. That gave us a sense of commitment and trust, the emotional differentiators. Without even realizing it, this professional was modeling Third-Level Selling.

Whether you're a broker, lender, designer, builder, or property manager, differentiating on the client is the key to winning in competition. Instead of trying to show a client what is different about you, identify and align to what is different about your client and then watch your competition wither away.

As an aside, I am frequently asked if my backyard parable is a true story. As the say in the movies, it was based upon a true story. We did proceed with the project (see Figures 1.4 and 1.5).



Figure 1.4 Goodbye Old Backyard.



Figure 1.5 Hello New Backyard.

LEVEL 1: VENDORS PITCH (AIRBAGS)

The vast majority of real estate service providers I observe compete with a selling style that I characterize as Level I - The Pitch. A pitch is a vendor-centric statement of capabilities: “I am a broker, a lender, an architect, a manager, and so on.” If the client does not have an alternative provider, your vendor-centric pitch will win the business.

But in most cases the client does have a choice—lots of them. That choice lets the client get more selective. In fact, the more choices the client has, the less difference there is between the winner and the first loser.

When clients have choices, they are no longer asking if you can do it. Now they are asking if you can do it better. Your pitch tells the client that you can do it, but it doesn't explain why or how you can do it better. If you can't clearly and succinctly communicate how you are different and better, how does the client choose you?

The Vendor-centric Assumption

Vendors make the very reasonable assumption that their value is in their capabilities and in their experience. Further, if you are vendor-centric, you believe that the more the potential client knows about you, the vendor, the more likely the client will choose you. Don't you feel that way? I know I did.

If you are a vendor, you do most of the talking in client meetings because your objective is to impress with your capabilities and expertise. In your calls, proposals, and presentations, you tell the client who you are, what you do, how you do it, for whom you have done it, and so on. Sound familiar? If so, you are not alone. Eighty percent of the sales calls, presentations, and proposals I witness are vendor-centric pitches.

Early in our careers we are vendor-centric because we are learning the business. For example, commercial real estate brokers will typically go through a three- to seven-year apprenticeship before they branch out on their own. During their apprenticeship, they will learn the basic brokerage capabilities: how to structure a lease, how to value cash flows, or how to create a marketing brochure. In other words they learn how to cook the meal that someone else hunted. After years of executing the business, it is no wonder that we assume that our value is in our capabilities. However, once we become the hunters, strong capabilities are no longer enough to win.

The truth is that your capabilities get you invited to the competition, but they don't win the business unless there are no competitors. At the end of a competitive decision process the only thing that matters is that the client perceives that you will take better care of them than your best competitors would. How do they acquire that perception? Not with more information about you.

LEVEL 2: PREFERRED PROVIDERS POSITION THEIR OFFERING AGAINST THE COMPETITION'S

When the client has a choice, they want to know which service provider is better. Think about a property owner looking for a third-party manager. If there is only one property manager, the choice is obvious. On the other hand, if the client has five property managers from which to choose, how does that client pick the winner?

The choice is made even more difficult when the property managers competing for the business use similar language (Airbags) to describe their services: "We are experienced. We customize our services. We have been in the business for 25 years. We have offices in more places, etc." If the client can't see a difference among alternatives, is it any wonder that they choose based on the one difference they can clearly see—price? But price is almost always a self-inflicted wound.

Your inability to clearly see or articulate why you are different and better than competitors makes winning critical business that much harder. When a client has choice, they want you to answer three simple questions:

1. How are you different?
2. Why should I prefer that difference?
3. Why should I believe you?

In Chapter 3 we will show you how to accelerate your positioning message by communicating your Difference, Preference, and Proof. That will help you progress from vendor (Level 1) to preferred provider (Level 2).

THIRD-LEVEL SELLING: STRATEGIC PARTNERS DIFFERENTIATE ON THE CLIENT

Pitching your capabilities gets you invited. Positioning those capabilities effectively against competition gets you to the “short list” of preferred providers, but that still is not enough to win the business.

In fact choosing a service provider among quality alternatives is a complex process with many factors or differentiators that influence client preference. As we will explore further in Chapter 2, once clients narrow their choices to their short list of top choices, they tend to choose providers who are client-centric instead of vendor-centric.

The Client-centric Assumption

Unlike the vendor and preferred provider, Third-Level providers work from the client-centric assumption that the more they know about their clients, the more likely they are to win the business.

Third-Level providers find out more (and care more) about their client's personal lives, their careers, and professional challenges above and beyond just the problems the service provider can solve. They know more about the unique characteristics of the property or project, the client's preferences, and decision process. They find and align to what is different about the client instead of forcing the client to find out what is different about them (see Figure 1.6).

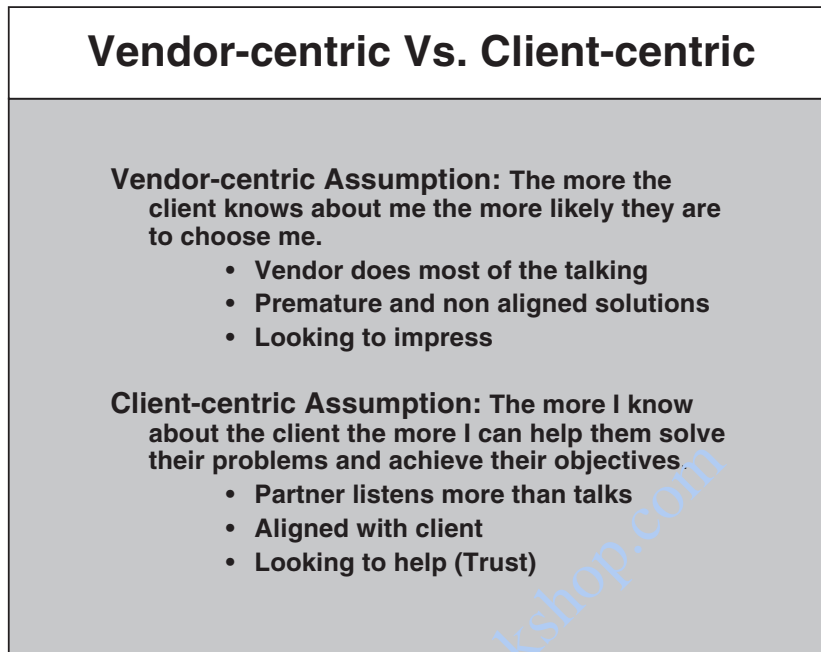


Figure 1.6 Enough About You.

Now think back to your last client meeting or presentation. Did the client do most of the talking? Was the content of your presentation or proposal mostly about the client's unique property, situation, concerns, and objectives? Were you a vendor, a preferred provider, or a strategic partner? If you acted as a strategic partner, you don't need to read this book, although you will certainly see yourself in it and may learn some ways to further enhance what you're already doing well. If, however, you're a vendor or a preferred provider, keep reading and you will learn to do the following:

- Identify and master the communication skills that elite providers employ to build strategic partnerships, win business, and retain committed clients

- Recognize why and how clients choose one real estate service provider over another
- Recognize that price decisions are frequently self-inflicted because price is the last of 10 choice factors
- Understand and align to predictable client decision patterns in order to reduce friction and enable faster choices
- Accelerate business relationships by learning how to engage clients in a strategic and client-centric level
- Accelerate client understanding, agreement, and commitment to your recommendations
- Position and present solutions that fit the client and beat the competition
- Build client preference for your solutions through a more differentiated rational and emotional value proposition
- Consistently get first and last look
- Get chosen away from price
- Win more and sell less

DELIBERATE PRACTICE: ARE GREAT SALES PEOPLE BORN OR MADE?

After I wrote my first book and began my consulting practice, I assumed that my best clients would be those who I could help the most. What surprised me was that the service providers who hired me tended to be those who needed me the least. They were already pretty darn good at acquiring and retaining clients. When I conduct training workshops, it is always the best performers coming in who get the most out of the class.

This taught me that the best professionals get that way because they have always been motivated to improve. Weaker providers

don't improve because they are not aware that their poor skill performance is holding them back or because they lack motivation to go through the pain of improving. The best keep getting better. Tiger Woods is a good example.

A few years back he decided to change his grip, the way he holds his golf club. This is a radical move for a professional golfer. It can take months if not years to remaster your swing after this delicate but fundamental change. As a result, the next season was the worst of his career. Why did he do it? Simple, he thought he could be better. After recently winning six of seven tournaments he said, "One of the reasons I made the changes I made was to get to this point. And the great thing is we have a long way to go."

Over the years I have heard many potential client executives say that good salespeople are born, not made. The implication is that sales training may not be worth it. Either you were born to be an elite player or you weren't.

There is obviously some truth to this. But does that mean training is a waste of time?

According to an article in *Fortune* magazine, "What it takes to be great" (by Geoffrey Colvin, October 19, 2006), research conducted by Dr. Anders Ericsson now shows that the lack of natural talent is irrelevant to great success. Instead, painful and demanding practice and hard work separate the best from the rest. According to the article, people may use their innate characteristics to opt into or out of certain activities. For example, at 5' 8", I chose not to become an NBA star early on. However, once you have chosen a field or profession aligned with your gifts, effort is more important than innate talent.

Most accomplished people need around 10 years of hard work before becoming world class, a pattern so well established researchers call it the 10-year rule. Further, the best people in any

field are those who devote the most hours to what the researchers call “deliberate practice”: “activity that’s explicitly intended to improve performance that reaches for objectives just beyond one’s level of competence, provides feedback on results, and involves high levels of repetition,” according to the article.

Of course understanding something and being able to do it are very different. You may agree with many of the principles of Third-Level Selling but find that you continue with your vendor-centric ways. That is because knowledge is much easier to change than behavior. For example, I read *Golf Digest*. I can describe the proper techniques for improving putting, but I am still a lousy putter. Why? I don’t practice putting. I practice driving.

The bottom line is that you can dramatically improve your game, but you will need to practice each concept until you master it. Even if you believe that you are not a natural in sales, you can still lower your handicap. If you are a natural, deliberate practice could make you the best.

The objective of this book is not just to reveal what the elite providers do to build partnership. Instead I want to give you the tools and the practices that will take you from awareness to mastery. Therefore, each chapter concludes with ideas and tools you can use to develop a deliberate practice of the Third-Level Selling principles.

So I recommend that you do a quick read first. That will give the theory. But to build mastery you will need to treat this more like a workbook. Stop at the end of each chapter and diligently work through the suggested deliberate practice until you have mastered each step. The deliberate practice is the driving range. Keep working on each skill until you have grooved that portion of your game. Then move on to the next chapter and repeat.

If you put in the work, you can shorten your learning curve significantly. And the payoff is that you will win more and enjoy

your career more. You will be chosen more often and work with friendlier and more committed clients who will end up selling for you. Good luck!

DELIBERATE PRACTICE FOR THIRD-LEVEL SELLING

Are You Selling Airbags? Read over your last proposal or listen to a colleague's presentation. Read or listen with client eyes and ears. Would this proposal or presentation convince you? Can or do your best competitors say about the same thing? If so, you are selling airbags: important but undifferentiated characteristics that don't really help clients choose you. What can you do to make your message more compelling?

Are You Vendor-centric or Client-centric? Do your proposals and presentations begin with information about your company, capabilities, experience, and so on (vendor-centric), or do they present unique information about this client's situation, problems, objectives, unique property characteristics, and client preferences (client-centric)? How could you make your message more client-centric?

Do You Have a Client-centric Attitude? Sometimes slight changes in attitude will naturally change behavior and yield better results. In your next client meeting, go in with the attitude that you want to find out everything you can about this person, threats to their company or their career, what is unique about the project, their preferences, and their decision process. Listen as much as possible. Talk as little as possible.

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