

A Reprint from *Tierra Grande*, the Real Estate Center Journal

Four Cornerstones

Building Great Service

By Leonard L. Berry

Real estate professionals provide an intangible service to market a tangible good. Unlike simple products such as soap or cereal, which consumers buy with little or no sales assistance, complex products such as real estate require significant sales support.

Real estate is the classic example of a complex product category for which *selling* really means *service*. In the real estate industry, the most successful salespeople are those who are most service-minded.

A service is a performance. It is a series of actions that bring value to the customer. Customers have the choice of performing the service themselves—being their own doctor, preparing their tax return, selling their home—or hiring someone to perform the service. Service providers who bring expertise, care and integrity to their performance create a valuable service and give customers less reason to perform the service themselves—or to shop around for an alternative supplier.

Real estate transactions are inherently risky for customers. Considerable money is involved in the transaction; the customer frequently is inexperienced in real estate matters and usually lives with the consequences of the transaction for a long time. Thus, real estate agents and brokers who perform well for their clients and instill confidence create strong client loyalties and benefit from favorable word-of-mouth communications.

Cornerstones of Great Service

Service quality in America has been studied at Texas A&M for more than 12 years. Studies have been conducted in more than a dozen industries, including insurance, banking, securities brokerage, automobile repair, truck leasing and hotels. This research journey revealed the four cornerstones for great service: reliability, pleasant surprise, recovery and fairness. Regardless of the type of service, superlative service quality derives from these basic principles.

Reliability, the core of service excellence, means performing the service dependably, accurately and consistently. The essence of service is keeping promises, and reliability means keeping promises.

Superior real estate providers do what they say they will do. For example, they follow up and report to owners the number of times a home has been shown each month. They also do what customers can reasonably expect them to do even if not overtly promised. For example, they check and double-check a contract for accuracy. Superior providers are conscientious, detail-minded and competent. They know what they are doing, and they care about doing it excellently.

Performing service reliably is part attitude and part design. Accu-Pay, a company that checks hospital bills for accuracy, did not find even one totally accurate bill in its first year of operation. The average overcharge was 11 percent, and many of the mistakes were from sheer carelessness—a patient charged for 32 hours of oxygen during a 24-hour period, for example.

Performing the real estate service dependably, accurately and consistently requires a blend of desire and systems. Just as airline pilots, no matter how experienced, use checklists prior to each takeoff, so too should real estate providers use such tools, that is, a house inspection checklist or a closing checklist. Providers also should seek continually to improve those aspects of the real estate service system most prone to failure. Redesigning or simplifying the service, better training and additional evaluation are among the possibilities. In a high-risk service like real estate, the client's confidence is a precious asset. Service reliability builds this confidence.

Pleasant surprise combines with reliability to establish a powerful one-two impression of service excellence. Although reliability is the most important dimension for meeting customers' service expectations, crucial to exceeding them are the interactive dimensions of service, such as responsiveness, courtesy and empathy.

Service providers noted for superior service go beyond reliability to create memorable, pleasant

service experiences. Although an unreliable service creates a negative memory, a reliable service does not necessarily create a memorable positive experience. After all, service providers are supposed to know what they are doing and do not ordinarily receive extra credit from customers for performing competently. But customers notice when providers surprise them with uncommon caring, exceptional professionalism and determination to find just the right solution to their needs.

Exceeding customers' expectations requires the element of pleasant surprise, and the best opportunity for surprise is during provider-customer interaction. Most goods are manufactured in a factory far from the customers' observation, but services commonly are performed in the customers' presence. When this condition applies, as it does in real estate service, how the provider delivers service becomes integral to the customer's perception of quality.

The most effective real estate professional questions customers specifically about their objectives and needs—and listens carefully—before developing a plan of action. They value their customers' time, planning the service experience to minimize wasted time and effort. They communicate with their customers respectfully, using language such as "I will be happy to do this" and "It will be my pleasure." They stay in touch when customers are waiting to hear some news, even when there is no news yet to report. They attend to the little courtesies and extras, such as gathering information on school districts for out-of-town homebuyers with children.

Customers are so used to routine, passion-less service that they are surprised by providers who go to extraordinary lengths to please. Although extra-effort service is by definition hard work, it also is more fun to provide. Being a star with the customer is fun.

Recovery is necessary when a service fails. If the first tenet of services marketing is to earn the customer's confidence, then the second is to restore it when the service fails. Customer expectations intensify rather than decline after a service mistake. Customers become more sensitive to a subsequent failure.

Customers expect amends after experiencing a service breakdown. One study of positive-negative experience recall shows that 43 percent of the recalled negative experiences were poorly handled recovery situations. The best strategy for any provider is to prevent the mistake in the first place. However, service failures require a proactive response when they do occur.

Some companies follow up with customers immediately after the service encounter: by taking the initiative to make contact and find out the

customer's level of satisfaction, the company communicates continuing interest and care and identifies service failures that customers would not otherwise have reported. The largest U.S. retail automobile dealership, Longo Toyota and Lexus, telephones every car buyer and service customer following the transaction. If the customer is dissatisfied, the company initiates immediate corrective action.

Proactive recovery clearly applies to the real estate business, given the sense of urgency clients are likely to feel when a problem occurs. David Weekley Homes, a Houston-based homebuilding company, contacts every homebuyer after 30 days, 90 days and ten months to determine if any problems need correction.

Service-minded real estate providers "run to the problem." They stand behind their service and work hard to satisfy each client. They emphasize fair solutions, recover quickly, minimize the hassle factor, keep the client informed until the problem is resolved and use the power of a sincere apology.

Such providers also monitor the types of service failures that are occurring so that they can reduce or eliminate their recurrence. A service recovery strategy that focuses on solving the individual client's problem but ignores the opportu-

nity for systemic improvement is incomplete. An excellent service recovery strategy produces both immediate and long-term benefits.

Basic also to the service relationship is the provider's **fairness**. To customers, fairness and service quality are inseparable issues. If customers consider a company to be unfair, they also will rate it low in service quality. Unfair service is bad service.

The intangibility of services heightens customers' sensitivity to fairness. Because services are difficult for customers to judge prior to experiencing them, customers have little choice but to trust the provider.

In the case of real estate services, intangibility adds risk to an already risky purchase. How should a homebuyer or homeseller select an agent? A prospective customer has no tires to kick. Buying a performance means buying a promise—explicit perhaps, implicit always—of competence and fair play. When a provider breaks this promise, customers will remember for a long time.

Performing real estate services ethically means honest representation in selling and advertising, disclosure of pertinent information and protecting the customer's interests rather than preying on vulnerabilities. Fairness becomes extremely important when providing services that are performed out of the customer's presence. An investor, for example, trusts the broker to handle transactions appropriately and honestly.

Service fairness tends to be a latent issue with customers until a company's actions—or inaction—

Create memorable, pleasant service experiences . . . little courtesies and extras.

brings the issue to center stage. It also can become a positive issue when a company surprises customers with an unusual act of fair play. In either case, when fairness becomes a central issue with customers, it has a strong impact. Indeed, one perceived act of unfairness can destroy a relationship with a valuable customer. Thus, service providers should never make the mistake of equating fairness with legality.

Legality and fairness are separate standards. A real estate provider can act within the boundaries of law and lose a client forever. In real estate, and in every other service industry, the provider must learn to ask not only "Is it legal?" but also "Is it fair?"

Winning at Real Estate

When the product is a performance and the quality of the performance can materially affect the customer's well-being, the customer's confidence in the provider is everything; it is the provider's most precious asset. Real estate services fit both conditions: they are intangible **and** consequential. Client

confidence and loyalty are generated by a real estate provider's artful integration of the values embodied in the four cornerstones of great service: reliability, pleasant surprise, recovery and fairness.

A winning real estate company competes with more than adequacy, more even than competency. It competes with the commitment to creating true value for clients, to establishing such a strong bond with clients that they would not think of doing business with anyone else.

Longo Toyota and Lexus President Greg Penske teaches his salesforce: "Don't sell customers a car, help them buy a car. Then you make a friend." This maxim applies perfectly to the real estate business, also. To residential real estate professionals, for example, competing through service quality means helping clients buy a home rather than selling them a house. ■

Dr. Berry holds the JCPenney Chair of Retailing Studies, is professor of marketing and is director of the Center for Retailing Studies at Texas A&M University.

REAL ESTATE CENTER

©1996, Real Estate Center. All rights reserved.

Director, Dr. R. Malcolm Richards; **Associate Director**, Gary Maler; **Chief Economist**, Dr. Ted C. Jones; **Senior Editor**, David S. Jones; **Associate Editor**, Dr. Shirley E. Bovey; **Assistant Editor**, Kammy Senter; **Art Director**, Robert P. Beals II; **Circulation Manager**, Gary Earle; **Production Assistant**, Emma Kubin; **Typography**, Real Estate Center; **Lithography**, Williamson Printing Corporation, Dallas.

Advisory Committee: Conrad Bering, Jr., Houston, interim chairman; Michael M. Beal, College Station; Melissa C. Cigarroa, Laredo; Dr. Donald S. Longworth, Lubbock; Carlos Madrid, Jr., San Antonio; Andrea Lopes Moore, Houston; Marjory Kay Moore, Big Spring; John P. Schneider, Jr., Austin; Gloria Van Zandt, Arlington; and Pete Cantu, Sr., San Antonio, ex-officio representing the Texas Real Estate Commission.

Tierra Grande (ISSN 1070-0234), formerly *Real Estate Center Journal*, is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115.

Subscriptions are free to real estate brokers who provide their name, address, telephone, and license numbers to Department JS at the address given. Other subscribers, \$25 per year. **Views expressed** are those of the authors and do not imply endorsement by the Real Estate Center, the College of Business Administration and Graduate School of Business, or Texas A&M University.