

# Agent Ratings – to play or not to play? *That is the question!*

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A *White Paper* presentation of the issues and dynamics surrounding the topic of Real Estate Agent Ratings.

The expressed interests of consumers and service providers are not always congruent – coinciding on all points. When as a result, the services offered and their actuality of delivery vary widely from consumer needs and expectations, an invitation for change and innovation is created.

What are the business implications, opportunities and threats related to the gaps and respective differences between consumers' interest in Realtor® Ratings and those potentially being rated? How pervasive and how deep is consumer interest in service performance, service satisfaction, transparency and accountability? Who are the beneficiaries of a Realtor Rating process and what if any are the risks?

Can or should Realtor® Associations or MLS's play a role in delivering or facilitating the rating of Realtor service and customer satisfaction? To play or not to play...

# Agent Ratings – to play or not to play? *That is the question!*

By Larry D. Romito

**Agent ratings are coming. They are part of the decision making process. *Why?***

The answer, like with most important marketing questions and most effective business strategies lies with consumer wants, needs and perspectives.

Consumers want to make better, more informed decisions related to the selection of products and services. Products and services of greater importance, of higher cost and of increased risk potential, accentuate consumer appetite for objective information and actual past user experiences. The more important the decision, the more information and facts they crave.

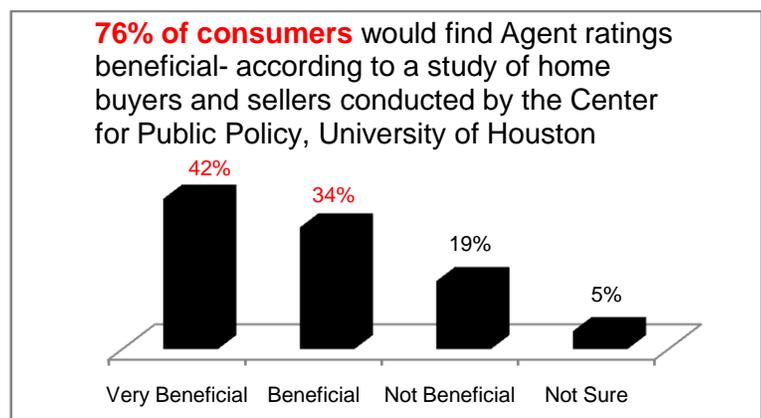
The Internet has both *facilitated* (speed, ease of access, convenience, depth of information) and *complicated* the process of gathering information and making decisions. Ease of access, absence of filters, and for some - too much information, raise questions of reliability and have created a new generation of decision making challenges.

Social networking channels have elevated information distribution/access to previously unimagined levels and are replacing or at least challenging traditional media as primary sources of information and news. During a recent International news event, Twitter was not only a primary source of news and details, it was the only source because of foreign government-controlled reporting.

Virtually all demographic groups today, not just the young and tech savvy, use the Internet as the primary source of information and research. According to a Google study, the once Internet lagging elderly have discovered the convenience and the vastness of Internet information to be highly attractive, especially for health related issues; they use it today with as much frequency as most other groups.

The case for the Internet as a primary consumer source for information is hard to dispute. Studies by Realtor® Associations, consumer research organizations, and Internet search and Web service companies deliver a consistent picture of data and findings: 90+% of consumers interested in buying or selling a home use the Internet as a primary source of information; they use the Internet early in the process and they use it often. When it comes to agent selection, word of mouth remains the most frequent means by which consumers learn about agents. A Yahoo agent selection study indicates that while 94% of interested consumers conferred with “word of mouth sources”, 77% consulted the Internet relative to the agent selection process (spending an average of 12 hours researching agent selection information; 73% choosing their agent in one week or less).

Both a Harris study and a similar study by the Houston Association of Realtors® discovered that 75% of consumers would consider information *rating Realtors* beneficial or very beneficial (important or very important) in finding and selecting their agent.



## Consumers Seek Transparency

Dr. Philip Kotler, distinguished professor of international marketing at Northwestern University's Kellogg School of Management (widely considered the world's foremost expert on the strategic practice of marketing) maintains, "those who understand what consumers want and deliver it, win!" Whether a neighborhood strategy or a global one, the stakes may change, but the rules are the same, according to Kotler: *Understand and deliver*.

Consumers want more information about the real estate agent being considered. They want more than just marketing spin and million dollar sales claims. For most consumers a real estate transaction involves a home, living, and a neighborhood to raise a family or enjoy life. The experience of buying or selling a home is complex, emotional, stressful and uncertain. And, it's not an everyday experience.

Selecting the right real estate professional for expertise, counsel, guidance and the management of all the details is an important decision. The agent's past performance relative to professional accountability, reliability, consistency, responsiveness and overall service satisfaction is seen as very valuable information to consumers but difficult to find or assemble. *Why is that?*

Larry Page, co-founder of Google, arguably one of the most success business enterprise ever launched, made this comment regarding Google's success, "We recognized what people wanted, access to more information and the convenience of a single source or location, and focused on a solution... not on what we could do but what we should do."

The extensive Yahoo! study on "agent selection" concluded that agents can influence their selection by both maximizing their Internet presence and maximizing an online strategy:

- Be easy to find
- Communicate rational benefits that matter
- Convey trustworthiness

## Must Be Objective and "Legitimate"

In delivering agent rating content, independence and integrity are essential for credibility.

Consumers will visit the homepage of a service or product provider to learn about the offering, its features and their philosophy, but consumers have a strong preference for visiting an independent website for critical assessment e.g. Zagat, Trip Advisor, AAA, Frommer's etc.

## Ratings are Key Factor in Agent Selection Process

Agent ratings are coming. They are, according to consumers, an important element of the decision making process. Denial of consumer interest or an unwillingness to participate will not change what's happening or even slow it down. Failure by some *to understand and deliver* will provide early adopters and participants with an accelerated competitive advantage.

Real estate professionals, managers and business owners, trade associations, and businesses that support real estate professionals, as well as consumers, all benefit from higher standards, transparency and the improvement in quality and satisfaction that comes from measuring and publishing results (Realtor Ratings).

## Increases Agent Performance and Satisfaction Levels

Below is a comparative analysis of the finding of a recent NAR study and the ongoing research of Leading Research Corp. (San Juan Capistrano, CA) and Quality Service Certification, Inc. regarding service satisfaction. In total more than 30,000 consumers responded to service satisfaction assessment surveys (July 1, 2007 – June 30, 2008).

While 55% of the responding sellers in the NAR survey were *Very Satisfied* with their service experience, in another study during the same time frame 83% of the sellers (a 52% increase) responded that they were Very Satisfied with their service experience. The difference between the two groups was that the second group of consumers worked with Realtors® who had elected to voluntarily embrace higher standards of service, employ a written service guarantee, participate in ongoing customer service assessment and authorize the publication of their customer satisfaction results as part of an *Excellence Strategy* (Realtor Ratings). Also worthy of notice is that the second group of sellers indicated 2/3 fewer experiences of overall service dissatisfaction.

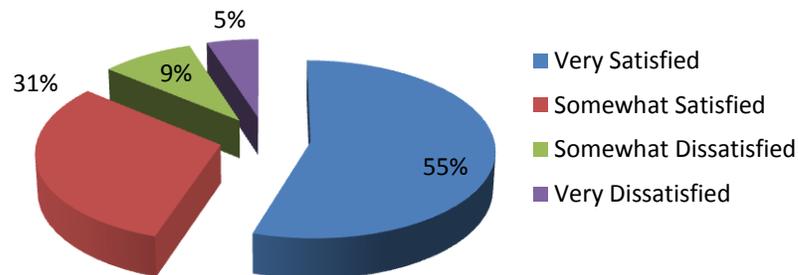
## Research Findings

### Comparative Analysis – Customer Satisfaction Surveys

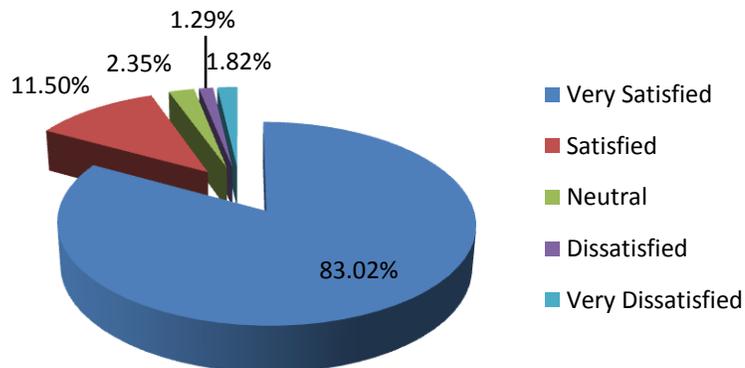
The results of both surveys reflect overall seller service satisfaction during the same period of time July 1, 2007 – June 30, 2008

(National Association of Realtors® survey results are based upon more than 10,000 survey responses; QSC survey results are based upon more than 20,000 survey responses)

#### 2008 NAR Seller Satisfaction Response



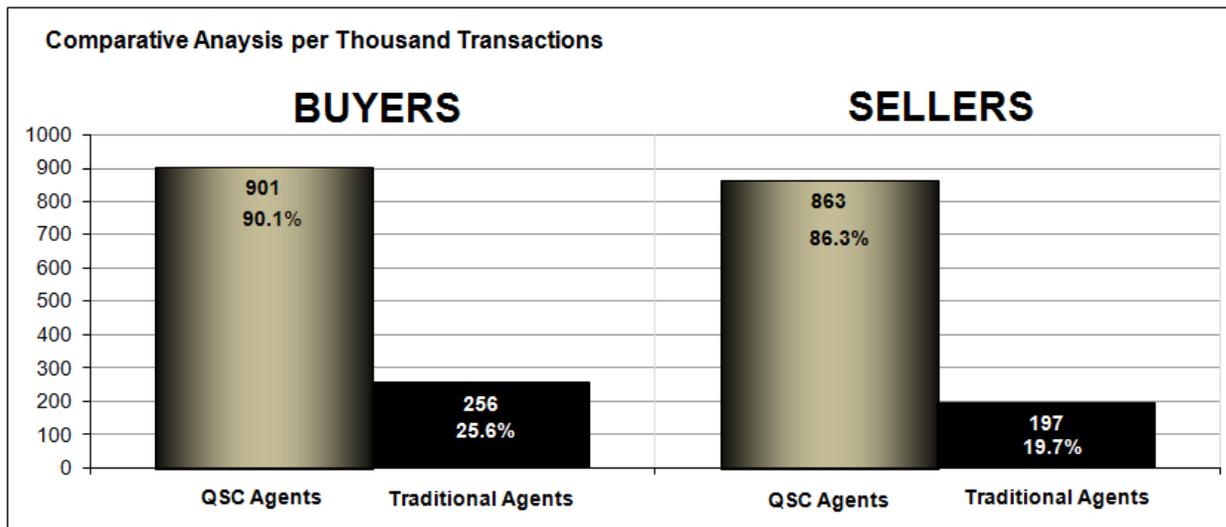
#### 2008 Excellence Strategy Seller Satisfaction Response



## Significantly Improves Post-Closing Follow-ups

In another study the evidence supports an even more dramatic change in service behavior related to post closing service follow-up.

Consumers and brokerage owners believe it is very desirable, if not essential, that a real estate professional contact his/her buyer or seller following closing to make sure no remaining details, issues or service expectations remain unmet. The reality, unfortunately, is that post closing service follow-up only occurs 19.7% of the times with sellers (197 instances per 1,000) and 25.6% (256 times per 1,000) with buyers\*. Post sale follow-up is part of the complete service process that most buyers and sellers expect.



\*Findings reflect a survey conducted by Leading Research Corp and the comparative analysis of over 2,000,000 participating home buyers and home sellers following the closing of their residential properties

Real estate professionals who have voluntarily embraced a system of higher standards of service and accountability, according to independently validated feedback from sellers and buyers, engage in post closing service follow-up 86.3% and 90.1% of the time, respectively. By any standard that represents a remarkable change in service behavior.

Given the importance and value consumers place on this element of service, access to actual individual agent performance history in this regard would be valued by consumers and help them make better more informed decisions.

## MLS/Association Role

For the MLS or Association that sees its role as not only to deliver tools and resources for the business success of its members, but is also interested in improving the consumer image of REALTORS® and the quality and value of services rendered to consumers – promoting professional accountability, encouraging the voluntary adoption of consumer-centric performance standards, and offering access to specialized quality management resources are natural areas for MLS or Association leadership.

The realities of the MLS and Association membership environment require that in leading its members in new ways of thinking, such as in the area of answering consumer interest in Agent Ratings, organizational leaders must also adopt more effective means to both encourage early adoption and to move the entire membership body forward. To paraphrase George Washington, truly effective leadership requires being out in front of the troops, but not so far that when you turn around nobody is there.

To bring about the shift in thinking that is necessary to adopt higher professional standards, offer performance transparency and participate in service ratings, more is required than new ideas, enthusiasm, and the promise of opportunity. The lessons of experience teach us that to maximize participation in a voluntary environment the availability of options, choices and alternatives must be available to accommodate everyone - from the most willing early adopters to the careful and cautious and on through to the unwilling and disinterested.

## **Strategy from Lessons of Experience**

Provide those most ready and willing with systems, tools and resources to reap the benefits and rewards of early adoption; for those who are more cautious or have doubts about how opening themselves up to ratings and transparency will impact their day to day business, provide them with an opportunity to ease in at their own pace (e.g. let them see, review and benefit from customer feedback and results before committing to publishing or sharing their rating or other feedback); offer the unwilling the opportunity to learn and hear from the experiences of others empowering them with options of complete control of the *if, when* and *how* they would like to participate. Offering each member the option of adopting new tools, strategies and technology at his/her own pace, satisfies the distinct needs and appetites of individual members of a heterogeneous group while also serving to move the membership body forward.

## **Conclusion**

The adoption of a more disciplined service delivery process and the continuous measurement and assessment of service quality and customer satisfaction clearly and measurably impact agent behavior, service quality and customer satisfaction. Just as clearly, measurable customer satisfaction results and the data and customer comments generated from such a process, are highly desired and valued by consumers.

The intersect of consumer demand for service performance information with the need for transparency, higher standards and better service defines a grand business opportunity.

Agent Ratings – to play or not to play? Take the ball or give it to someone else.  
*The game will go on!*

*Larry D. Romito is founder and CEO of Quality Service Certification, Inc., an organization focused on providing resources, systems and technology to assess, manage and measurably improve service quality. Independently validated service results and performance transparency benefit consumers, business owners and managers, those interested in raising standards and professional accountability, and the individuals who actually serve consumers. Romito holds an MBA from the University of Chicago Graduate School of Business and benefits from thirty–five years of business experience as a working professional, business owner and senior executive. His passion, innovation, dedication and significant experience make him considered by many to be the voice of service excellence in the real estate industry.*