

Georgia Association of REALTORS®

**EXPEDITION:
EXCELLENCE**

2012 Inaugural Meeting
Grand Hotel Marriott Resort, Golf Club & Spa
Point Clear, Alabama • February 8-11



Education Session D

The Art of Negotiating Great Contracts

David Collins

Wednesday, February 8, 2012

You must attend three (3) mini-sessions in order to earn three (3) hours Georgia C.E. credit, six (6) sessions for six (6) hours credit. Partial credit is not available. The mini-session course codes are 62153 and/or 62154.

Due to seating capacities dictated by local fire code ordinances, seating for all education sessions will be based on a first come-first serve basis. GAR will not be allowed to have attendees sitting on the floor or standing up once the room's seating is full.

In order to foster a spirit of camaraderie and to avoid the appearance of recruitment, no nametags or clothing with a company logo will be allowed in the education courses. Should an attendee have one on at the time of entering an education course, the facilitators will kindly ask you to remove the name badge or place a blank nametag over the company logo. We appreciate your cooperation in regards to this matter!

Art of Negotiating

By David Collins

Areas of Critical Concern

- Students will learn the steps in overcoming objections in buying
- Students will be able to list four motives for buying
- Students will be able to apply the benefits of the tax credit to first time home buyers
- Students will understand the process in persuasive story telling

I. INTRODUCTION

The job description of the sales agent is to create and keep customers. The measure of effectiveness of a sales person is how many new customers he or she creates, or re-sales he or she generates, in any given time period. Everything else that a sales agent does is secondary to creating and keeping customers. Therefore, the only time a sales agent is working is when he or she is face-to-face, head-to-head, and knee-to-knee with a prospect or customer.

Apply the 80/20 rule to all of your selling activities. In selling, this means that you spend 80% of your time being in front of potential buyers and sellers until you have so much business that you don't have time for anymore business. You spend the other 20% of your time on everything else, including planning, organizing, doing paperwork, studying your sales material, socializing, and engaging in any other activity that does not require you to be face to face with a customer.

II. SKILLS REQUIRED IN NEGOTIATING

A. Develop a script: It will be important for you to develop an outlined presentation. This will allow you to stay on point and address the important issues in your presentation. This is not to say you are supposed to read your presentation. To the contrary. The more you know about your product and the more you present the product, the easier the presentation will be.

A power point presentation is recommended because it is easy to use and looks professional. If you do not have a computer with power point, then develop a presentation book. A visual presentation is important in the selling process.

B. Attach Benefits: The benefits of home ownership may include pride of ownership, tax benefits and equity build-up (investment). When buying a home the benefits may also include selecting a specific floor plan, color scheme, location, family security, and warranties.

C. Ask a question to get the order: Always be closing. Throughout your contact with your customers, you should be trail closing and leading them to a final close in such a way that they are unaware of what you are doing. From the very beginning ask questions that will result in a "YES" answer. For example, if the customer likes the kitchen you should reconfirm this by saying, "the kitchen has a lot of great features, don't you agree?" Never ask questions (deliberately) that results in a "NO" answer.

D. Overcome Buyer Reluctance: When people have a good reason to buy, they do just that. In the current market many buyers believe prices will go lower. But if prices have already dropped significantly then the best homes may not go much lower. In fact many experts believe we are at the bottom. So unless the buyer is psychic or a gambler, it's time to buy.

Many reluctant buyers will show their reluctance by posing objections. There are three steps in overcoming objections:

1. Agree: The customer is always right. Simply agree with the objection.
2. Ask: Confirm the objection by asking "Is this the only objection?" This may also flush out any other objection.
3. Answer: Overcome the objection by appealing to their emotions. Show how the objection can be sufficiently overcome or how its importance pales in comparison with the positives.

Here is a good way to overcome reluctance and ask for the sale:

Ask them, "Do you think that prices have dropped?"

They should answer. "Yes."

Then ask, "Do you think they will ever go up again?"

Again, they should say "Yes, eventually."

Now you should ask, "So, aren't you they saying that it's actually okay to be out buying again?"

They may or may not answer, but that's fine. The final question should be, "Given how you feel, if we found the home today that met all your needs and your most important wants, is there any reason why you wouldn't make an offer to purchase that home today?" Continue by saying, "Sellers understand the market also. They know prices will be going up soon and are reluctant in selling."

III. HOW TO CLOSE

A. What is closing?: As mentioned earlier, the term "closing" refers to decision-making. By continually closing and using the different closing techniques, you help buyers make up their minds on a previous indecision. You are taking them through the decision-making process without their necessarily knowing it.

B. Why is closing necessary?: The most important factor in closing is one you should remember: **fear**. Most people have difficulty making decisions, and buying a house is a tremendous decision to make. They fear it; they will procrastinate. A home is the largest single purchase a person will make, and the decision is a big one.

C. When do you close?: Anywhere and everywhere. You should always be closing. Throughout your contact with your customers, you should be trial closing and leading them to the final close in such a way that they are unaware of what you are doing.

Remember, you are leading buyers through the decision-making process, and by using trail closes from the beginning, you are establishing agreement leading to a final decision

D. Where do you close?: Anywhere. The customer usually set the stage. You'll close when prospecting, when on the phone with ad and sign calls, and while showing properties.

E. Basic Steps of a closing: There are four action steps that are required in a successful closing.

1. Understand the need for closing: People do not like to make decisions.
2. Recognize the buying signs: A verbal sign might be when the customers make a statement about something they like. A visual sign is one manifested by a customer's body language. He or she might become quite involved in looking around. This could indicate an interest in this particular home as compared with other homes.
3. Make the decision for your buyers and start closing in that direction: "Will this be a cash purchase or will you want to obtain a loan to close?"
4. Ask for the order. There are a number of closing questions or statements, but one of the most direct and successful method is to simply say, "Let's buy it." If they are ready, they are ready, but it will take your taking control of the decision to make it happen. Ask the question, then wait for an answer.

F. Psychology of the Close: Before attempting to go through the closing process you should first understand the psychology that drives it. The following are 5 points that will help you close successfully.

1. Lead the buyers so they are unaware that you are closing.
2. Avoid causing fear in your clients when they are thinking of buying.
3. Avoid any negative or fear-producing words or phrases. For example:
 - Use **investment** rather than cost
 - Use **initial investment** rather than down payment
 - Use **agreement** rather than contract
 - Use **approve** rather than sign
 - Use **opportunity** rather than deal
4. Work against building insecurity in your buyers.
 - Select words and phrases that your customers are familiar with; avoid using trade jargon.
 - Ask questions that the customers can answer; this makes them feel secure and relaxed.
 - Don't ask unanswerable questions; this makes them feel insecure.
 - Don't make a statement of fact you can't back up. This will damage your credibility with the customer.
 - Try to get the customer to state the facts. Then he or she will believe it.
5. Whenever you ask a closing question, close your mouth. The first one to talk loses. There is no pressure you will ever exert that will remotely resemble that of silence. If you close your mouth, one of two things can happen:
 - your customers will go along with you, or
 - they will give you a reason for not going along.

G. Closing Question Techniques: A closing question is one for which the answer confirms that the customer has bought. Remember, ask for the order, then wait for an answer.

Here are several types of closing questions:

- Alternative of Choice will give you customers positive choices about their assumed purchase:
 - “Will 9 A.M. be okay, or will 6:00 this evening be better?”
 - “Will you be taking title in your own name or will take title with another?”

H. Handling Objections: Objection can be an opportunity for you. By overcoming the objections, you can lead into a final close. Very often, hearing an objection clarifies the fact the customers are getting ready to decide and want your help. Most objections are created through FEAR. Whether it is listing a home for sale or making an offer to purchase a home, the real estate professional must understand the concept of fear. Here are some of their fears:

1. Fear of making the wrong decision. They may say:

"I'd really love to sell my home, but what if I wait to put it on the market in 6 months and we're able to sell for a little more?"

OR

"I really love that house, but what if I wait 2 months and the price comes down a little?"

Here is how you can overcome these objections:

- Do a CMA
- Show them the mortgage payment difference of now and then
- Provide historical data on appreciation and depreciation in that market

2. Fear of change. Here are some examples:

"I've had my house on the market for over 2 years and it has not sold. Along comes a Realtor saying they can sell it in 45 days.....what then? I will have to move."

OR

"I've looked at 20 houses I don't like or I've written an offer and had it rejected or I wrote an offer only to be outbid...if I actually find a house and have an offer accepted, I will have to move."

These may not be real motivated buyers and/or sellers.

3. Fear of being taken advantage of. Someone may have had a bad experience working with a Realtor before and that bad experience taints them for life. This could result in an unrealistic listing price just to test the Realtor or an unconcerned attitude to mask a really high interest in finding a property. Here is how you can overcome this objection:

- Make sure the customer/client is aware of what your role in the transaction is, as well as your required duties.
- Talk to them in a way that shows them that you have their best interest at heart (be cognizant of your agency relationship).
- Give them testimonials from past clients, if you have them.

4. Fear of looking bad to other. Over paying or under selling is a huge fear. With sufficient data this fear can be dealt with sufficiently if they are really motivated.

5. Fear of acting without sufficient thought or knowledge. Here is what it may sound like:
“We need to think about it.”

If you leave a listing appointment and don't get the listing agreement signed, how often do you end up getting that listing at a later date? Or when presenting an offer to a seller and they want to think about it, how often does real contract ever materialize?

6. Fear of Commitment. Some buyers feel that buying a house will tie them down even more than it will bring them happiness and stability. Here is how you can overcome this objection:

- Explain the benefits of home ownership
- Explain the difference between renting vs. buying.

Here how minor objections can be handled:

- Hear the customers out, then feed it back. Restate what they object to. So you don't like the wall paper, is that correct?”
- Question their objection(s) by saying, “Just to clarify my thinking, what about the wallpaper is unacceptable?”
- Answer their objection by appealing to their emotions. “Is the cost of replacing the wallpaper worth you and your family losing the chance of living in this exceptional home?”
- Confirm “Besides the wallpaper, this home is exactly what you are looking for. Don't you agree?”

I. The Closing Checklist:

1. Closing is a “decision-making” process.
2. Always be closing.
3. Fear is the customer's greatest obstacle in buying.
4. Use positive words to counter customer's fear.
5. Ask for the order, then shut up.
6. Use tie-down techniques often.
7. Start giving your customer a purchase agreement at start of your relationship. You are eliminating fear.
8. When the decision is made, close on it immediately.

V. SUMMARY TO SUCCESSFUL SELLING (I SELL)

A. **I Identify qualified prospects:** The first step to persuasive selling remains: Be relevant. You must first identify those people who have a need and are a good fit for your product. If you cannot qualify prospects as being a good fit for you before you start talking to them, you had better be able to in a very short period of time or you will waste huge amounts of your profitable time. Time is money. Here are key questions:

- Does the person have an immediate need I can solve?
- Is this person have the authority to make the decision to buy?
- Will I be able to interact to the decision maker?
- Is the person financially able to make this purchase?
- Are there any other conditions that cannot be met that will disqualify the person from buying today?

B. **S Start your story:** Once you have qualified the prospects, it is time to start your story. Make sure they are ready to listen when you start. A prepared listener is a listener preconditioned to buy. It's good to use testimonials in your story.

C. **E Educate, answer, and encourage:** As you tell the story, build insatiable curiosity. Make your prospects have to ask questions that take them deeper into the story as a result. Through the process of educating, answering, and encouraging, you prompt them to give you more and more pieces of information that you use to layer on the persuasion and set their buying criteria. Quality of information wins this portion of the process as well.

D. **L Lead them to their best decision:** This is where your money is earned. As you continue telling your story, you begin to get your prospect to make small decisions and to agree to things with little consequences. The more small decisions you can get the prospect to commit to at this stage, the easier their decision to eventually buy.

E. **L Let them buy:** When your prospects are ready to buy, SELL! They will have at this point convinced themselves they are making absolutely the right decision. Get them deeply involved in the process of the mechanics of buying right away. If that means drawing up a contract, then get it done immediately and get them started on some project that will have them taking the first steps of implementation, such as obtaining financing.

When you start thinking of selling in the proper context it really is a lot of fun and you begin to realize that selling is really the part of your business that gives your customers the most and best information they can get. Selling is where people are served. The rest is delivery.