

One-stop shopping: An analysis

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Read the following article.



Real Life

BUSINESS MODELS

Source: Realtor magazine, June 2008
One-stop shopping, Consumer Preferences, February 2008, NAR and Harris Interactive

One-stop Shopping

Home buyers say convenience is what they want

A lot of home buyers don't know that at some real estate brokerages they can get their mortgage, title insurance, home warranty, and other settlement services under one roof. But when they learn of the option, they want it, a survey of recent and future home buyers conducted in February by the NATIONAL ASSOCIATION OF REALTORS® and Harris Interactive found.

Whether the service providers are affiliated with the brokerage or not is less important than whether the services can be packaged together to make the process as convenient as possible, the survey found.

More than 70 percent said the attraction of one-stop shopping, at least as they perceive it, is the chance to close the transaction more quickly and conveniently, at less cost and with fewer missteps, than if all the services had to be cobbled together by the sales associate or someone else. Almost 80 percent say the biggest perceived benefit is the chance to save money. Just over 70 percent say they expect to see reduced likelihood of the transaction falling apart because of the ability of service providers to work together.

Despite giving the idea high marks, less than a third of home buyers, 29 percent, had actually used one-stop shopping and 70 percent had not heard of the concept prior to the survey.

The one-stop approach would have been even more foreign to them had the survey been conducted half a dozen years ago, in 2002, when only a fifth reported using one-stop shopping in a RealTrends survey, 45 percent fewer than today.

The survey suggests home buyers who've used one-stop shopping have a higher rate of satisfaction with their transaction experience, an 8.3 on a scale of 1 to 10, than those who haven't. Their satisfaction rate is 7.6.

The survey is based on online responses from 1,446 households who either bought within the last two years or plan to buy within the next two years. *By Robert Freedman*

When home buyers learn of the option, they want it.

WOULD ONE-STOP SHOPPING MAKE THINGS EASIER?

| | |
|--------------------|-----|
| Yes, a great deal | 27% |
| Yes, a fair amount | 37% |
| Yes, somewhat | 31% |
| No, not at all | 4% |

WOULD YOU CONSIDER USING ONE-STOP SHOPPING?

| | |
|----------------|-----|
| Yes, strongly | 37% |
| Yes, somewhat | 40% |
| Yes, a little | 17% |
| No, not at all | 4% |
| Not sure | 2% |

I find the article interesting for several reasons.

First, convenience and one-stop shopping have been around since at least the 10th century A.D. in the Middle East. The Oxford Covered Market in England opened in 1774, and the first shopping mall in the United States was The Arcade in Providence, Rhode Island, which opened in 1828. Once the automobile came into the picture, shopping centers took on a different design and a different function. One of the oldest that accommodated vehicles is Market Square in Lake Forest, Illinois. So we know that convenience and one-stop shopping works.

Second, surveys regularly find that people buying and selling homes rely on their Realtors to help them with various functions related to the transaction. In many cases, the actual transaction papers will specify the escrow company, the title company, and the pest control company. In some cases, other companies, such as the home inspector, are also specified, or special requirements are required of certain individuals involved in the transaction, such as requiring that the home inspector is a member of a certain trade association or has a certain type of insurance.

Third, while many might consider certain referrals by Realtors to be a conflict of interest, the great majority of buyers and sellers apparently don't see it that way. Take, for instance, the home inspector. The home inspector's job is to document the condition of the property at a specific point in time and to help his Clients, most often buyers, understand what that condition means—nothing more, nothing less. However, if the buyers have a mental block against certain documented conditions, they can opt out of the purchase contract. Additionally, if the buyer wants certain things repaired but the seller refuses to do them, the buyer can also opt out. In many cases, the sellers and buyers are not able to find a win-win middle ground. Quite often the problem of not being able to find a middle ground is due to lack of negotiating skills of the Realtors involved, usually new Realtors. Negotiations that can be worth tens of thousands of dollars are not easy to deal with, and Realtors acting as a buffer between sellers and buyers is one of their main functions.

While some real estate brokers have gone full speed ahead in creating one-stop shopping networks for their Clients, the great majority have not. I find that perplexing, at best, particularly in light of the survey results noted in the article. Since Realtor magazine is the publication of the

National Association of Realtors, which claims 1.2 million members (February 2008), it will be interesting to see how many brokers take action because of this article. After all, 95% of those surveyed would consider using one-stop shopping and think that it would make things easier. That's a huge and significant number. Why would one not want to meet the wants of such a large segment of their market?

So let's translate that now into other industries. One doesn't have to have a large building to offer one-stop shopping, especially for people in a global economy that are increasingly turning to the Internet to find products and services to meet their needs and wants.

Let's take home inspections as an example, since I've owned a home inspection company since August 2001. Typically home inspectors nationwide offer a home inspection and that's it. Even though some offer ancillary services—such as radon tests, pest inspections, pool/spa inspections, and septic and water well tests, among others—they believe that one product or service fits all needs. Nothing could be further from the truth. In actuality, there is room in the home inspection industry for many different types of services, a fact that I determined in April 2005.

After analyzing comment cards that I had received from my Clients during the previous 3½ years, I saw an opportunity to meet the differing needs, wants, and goals of my Clients and developed specific services for them. For example, the goals of someone selling a home and ordering a pre-listing inspection are far different from someone buying a home and ordering a typical buyer's inspection. In many cases, the seller wants to know that screen windows have holes in them, that cabinets and drawers don't close, that stoppers are missing in sinks. Those, however, are general wear and tear and typically are not expensive to take care of, so those are not what the seller is interested in. Rather, sellers, for example, need to know if there are any roofing problems, structural issues, or electrical or plumbing issues, items that could cost many hundreds or thousands of dollars to repair. With a pre-listing inspection, they can disclose the issues or even have them repaired.

The needs, wants, and goals of renters, property investors, the very wealthy, absentee buyers, and others can be significantly different from a buyer wanting a standard home inspection.

With that knowledge, I was able to develop several different inspection types to meet differing needs of different people under different circumstances. For sellers, I have a LIST inspection; for property investors, I have a DRIVE inspection; for renters, I have a RENT inspection. Even buyers can choose between my BASIC, STANDARD, PREMIUM, and TECH inspections. I've found that price shoppers are quite satisfied with my BASIC inspection; owners of newly built properties prefer my STANDARD inspection; the wealthy (such as sports, movie, and recording stars) prefer my PREMIUM inspection; and people relocating to San Diego from states that license the home inspection industry prefer my TECH inspection. They provide a different level of service at different prices.

So for someone believing that "you get what you pay for," I can offer a \$2,000 inspection on a typical home with 1,750 square feet. For the property investor who is going to rip everything out and put in new appliances, new windows, new flooring, etc., I can offer a DRIVE inspection that will ignore those things. For the seller, I can offer a LIST inspection that just looks at the major items in the home. For the price shopper who is short on money, I can offer a BASIC inspection. In other words, I created a one-stop shop for people needing home inspections. Previously, if my price was too high for my one-and-only inspection type, I lost that Client. If my price was too low for those believing that "you get what you pay for," I lost that Client. By developing services that meet the needs, wants, and goals of every possible player in the home inspection industry, the only prospective Clients I lose now are those who are not prospective Clients to begin with but, rather, my competition checking out my services and prices.

Such one-stop shopping can be applied to virtually any industry. Wal-Mart, perhaps, has taken the concept to an

all-time high with their Super Centers, megastores offering groceries, tires, electronics, books, music, almost anything you could need. Sometimes their selection is lacking, but considering the cost of gasoline, time driving around and finding parking places, etc., they have proven that a smaller selection can still result in significant sales.

Home inspections are the same because of the time involved in calling around to several home inspectors to try to find what they need. I offer what they need, regardless of what it is, so why would they need to call someone else? Subsequently, I book the inspection.

I've found it interesting but not surprising when I see a specialty store open in a mall. The mall is a good location, but specialty stores sell only a few items, items that often can be found less expensively in department stores. Eventually those specialty stores go out of business from lack of sales. I won't debate the good or bad from the loss of smaller stores to the super stores, but it does illustrate again the convenience factor of one-stop shopping.

What other industries can you think of that could offer one-stop shopping, or do? How about McDonald's? They started off selling burgers, fries, and a drink. Now they open for breakfast with croissants, eggs, bacon, pancakes, etc., and compete successfully with the 24-hour restaurants such as Denny's and IHOP. I'm sure there are many others that you can think of.

Summary

In summary, then, you can do at least three things that will help create a successful business:

1. Meet the needs, wants, and desires of your Clients.
2. Offer choices in a one-stop shopping and convenience form so that you're the best, perhaps only, choice.
3. Different yourself from your competition by offering more than your competition does.