

Value-based Approach to Overcoming Buyer Fears



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What is there to be afraid of?



Plus:

- Interest rates
- Purchasing power
- Consumer debt
- Wildfires
- Layoffs
- Online News Act

BC Housing Research Centre

A dark, atmospheric photograph of a person standing in the center of a narrow, foggy forest path. The path is flanked by dense trees and foliage, creating a sense of being lost or isolated. A bright, full moon is visible in the sky at the end of the path, casting a soft glow. The overall mood is mysterious and slightly scary.

The homebuying process can be scary



Financial



Emotional



Physical

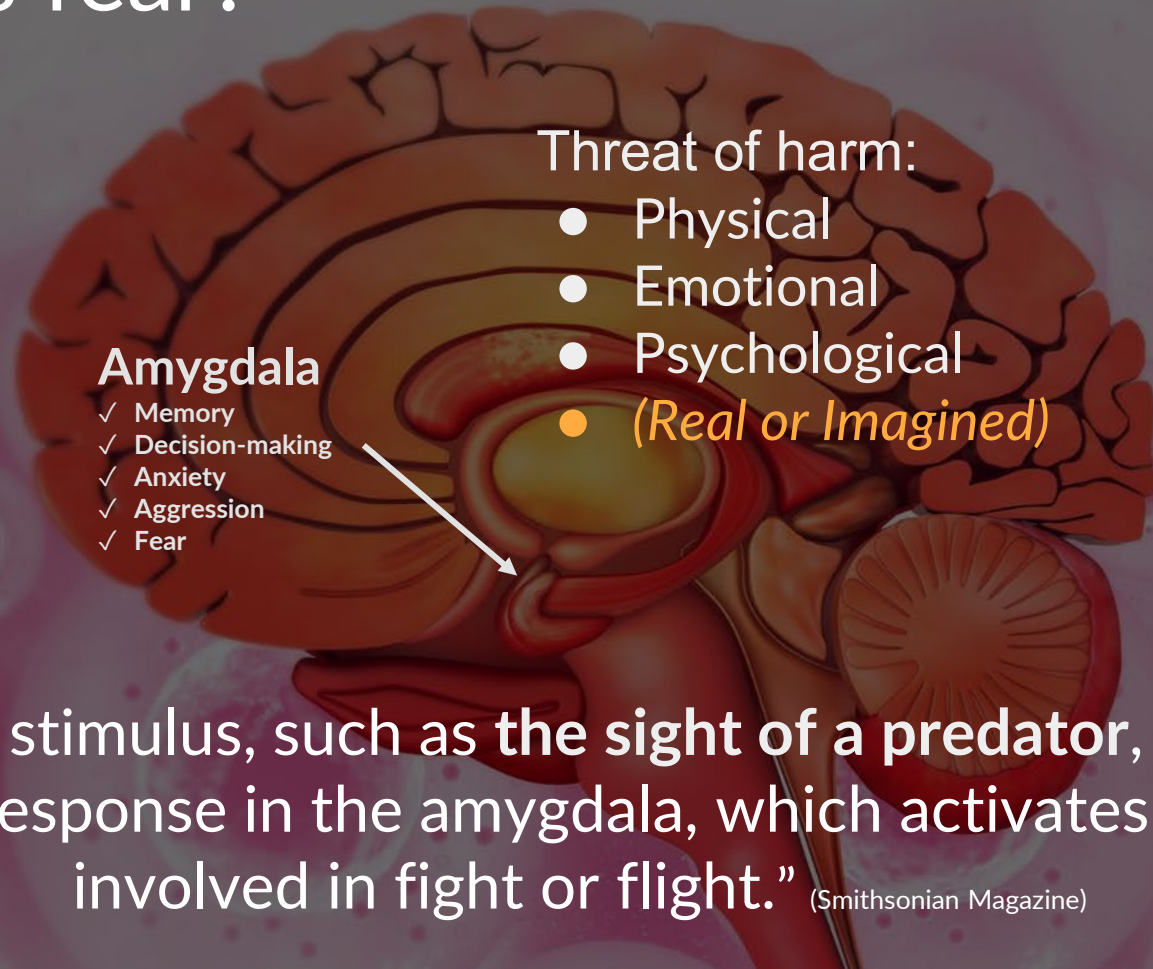


Logistical



Life Events

What is fear?



Amygdala

- ✓ Memory
- ✓ Decision-making
- ✓ Anxiety
- ✓ Aggression
- ✓ Fear

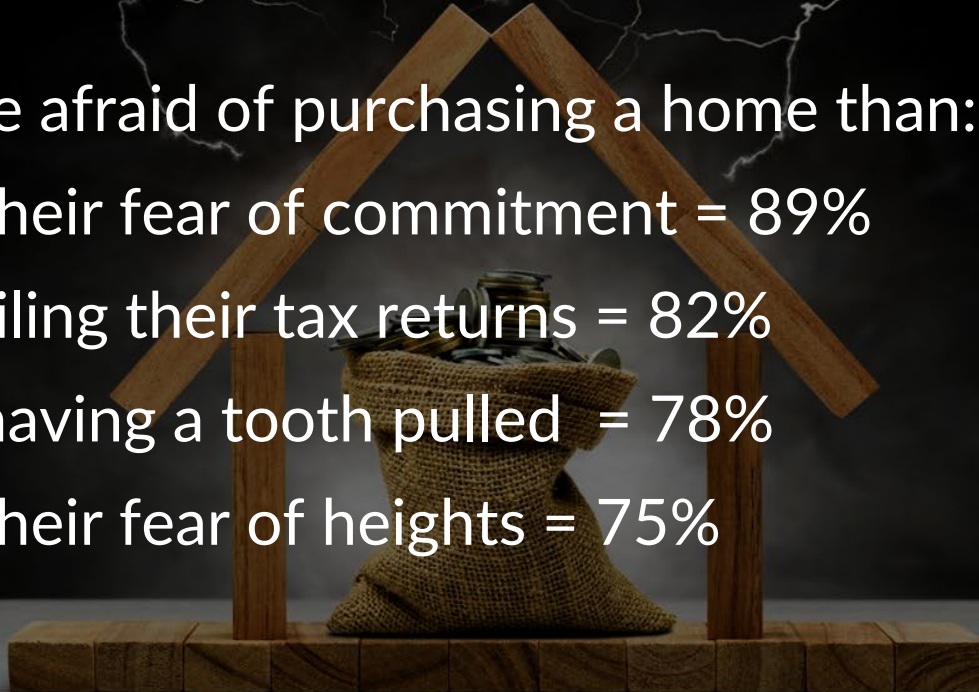
Threat of harm:

- Physical
- Emotional
- Psychological
- *(Real or Imagined)*

“A threat stimulus, such as **the sight of a predator**, triggers a fear response in the amygdala, which activates areas involved in fight or flight.” (Smithsonian Magazine)

51% of buyers feel anxious when it comes to the homebuying process

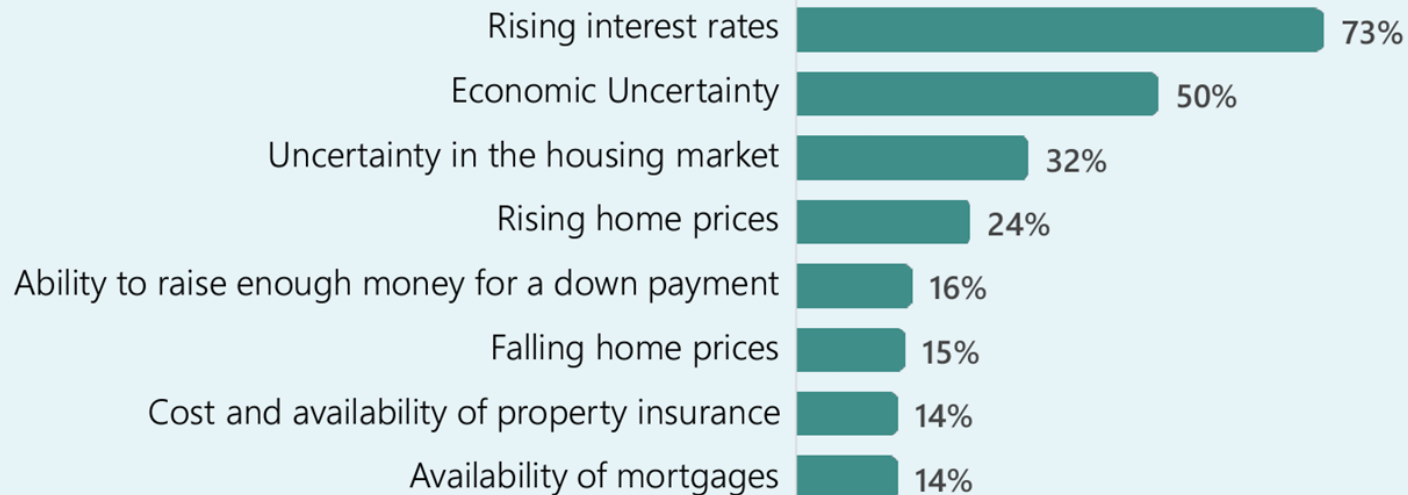
- More afraid of purchasing a home than:
 - their fear of commitment = 89%
 - filing their tax returns = 82%
 - having a tooth pulled = 78%
 - their fear of heights = 75%



Financial fears typically top the list for homebuyers



8 Biggest **Housing Market Concerns** Over the Next 12 Months



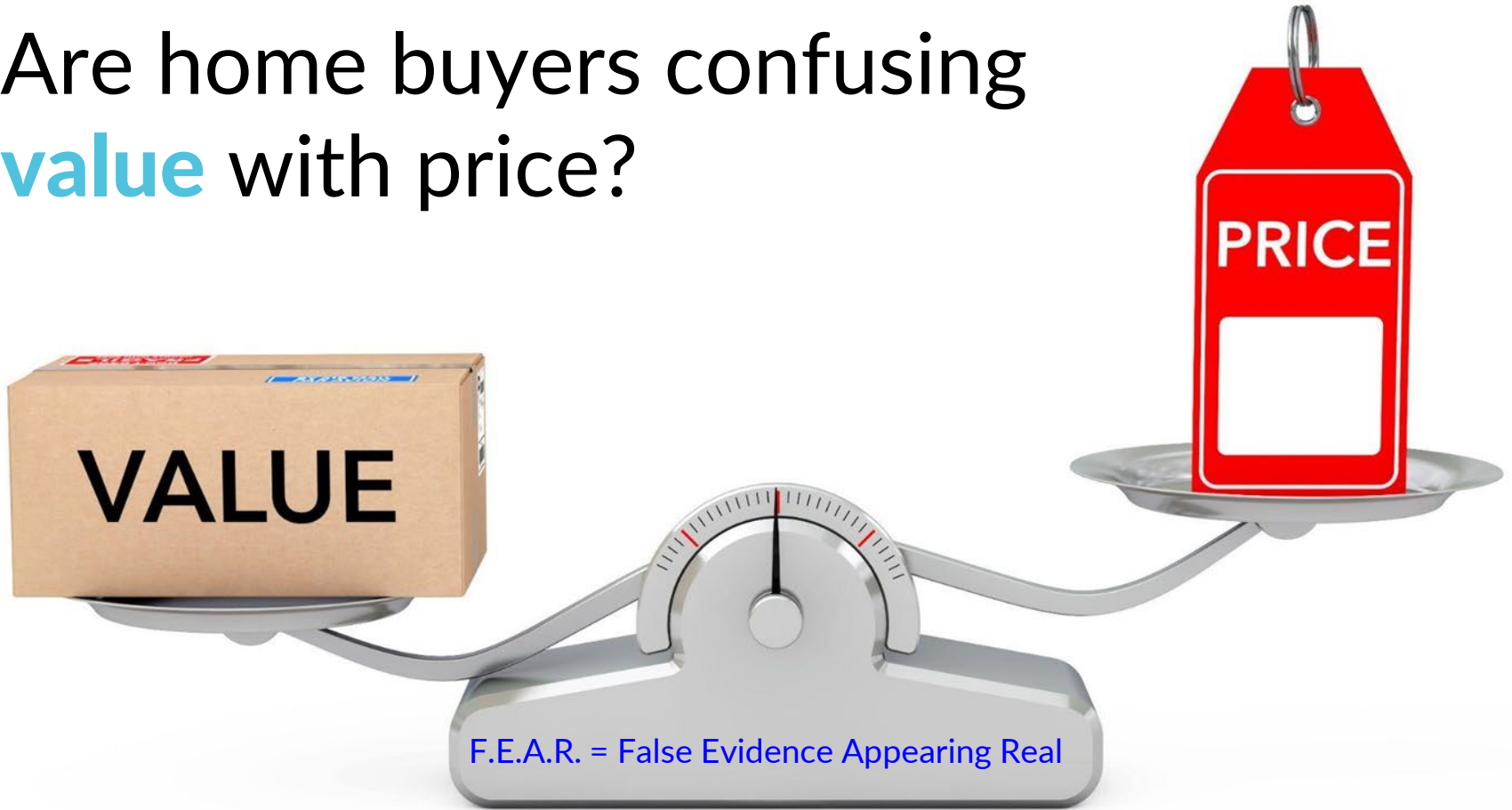
31% of first-time buyers fear experiencing a house
value drop



45% of recent homebuyers fear the **value** of their home declining



Are home buyers confusing
value with price?



F.E.A.R. = False Evidence Appearing Real

BASIS FOR COMPARISON	PRICE	COST	VALUE
Meaning	Price is the amount paid for acquiring any product or service.	Cost is the amount incurred in producing and maintaining the product.	Value is the utility of a good or service for a customer.
Figure			
Determines	What a company charges?	What a company incurs or spend?	What product pays to the customers i.e. worth.
Ascertainment	Price is ascertained from the customer's or marketer's perspective.	Cost is ascertained from the producer's perspective.	Value is ascertained from the consumer's perspective.
Estimation	Through Pricing policy	Through computation of expenditure	Through usefulness
Impact of variations in market	Prices of product increase or decrease.	Cost of inputs rises or fall.	Value remains unchanged.
Monetary Measurement	Yes	Yes	No

Price, cost, and **value** are not the same

- **Value** is not a monetary measurement
- **Value** is what a product or service “gives back” to a customer
- **Value** doesn't change with market variations



A **Value** story...

1983 Kawasaki GPz motorcycle

MSRP in 1983: \$5,599

Manufacturer's Cost: ~\$3,400*

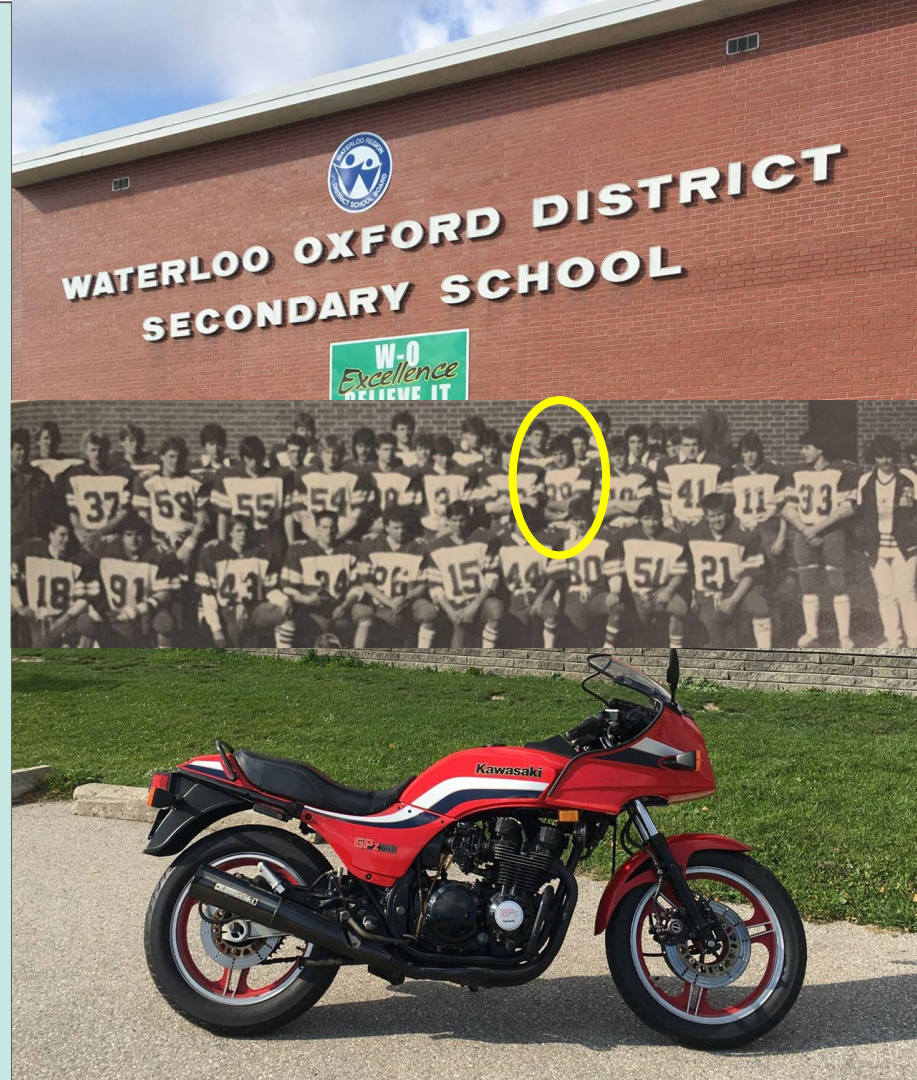
My Purchase Price in 2017: \$1,800
(for a 34 yr. old bike)

Estimated Market Price in 2023: \$1,800

Value to My Wife: <\$0

Value to Me: **Priceless**

*estimate for parts & labor=60% of MSRP



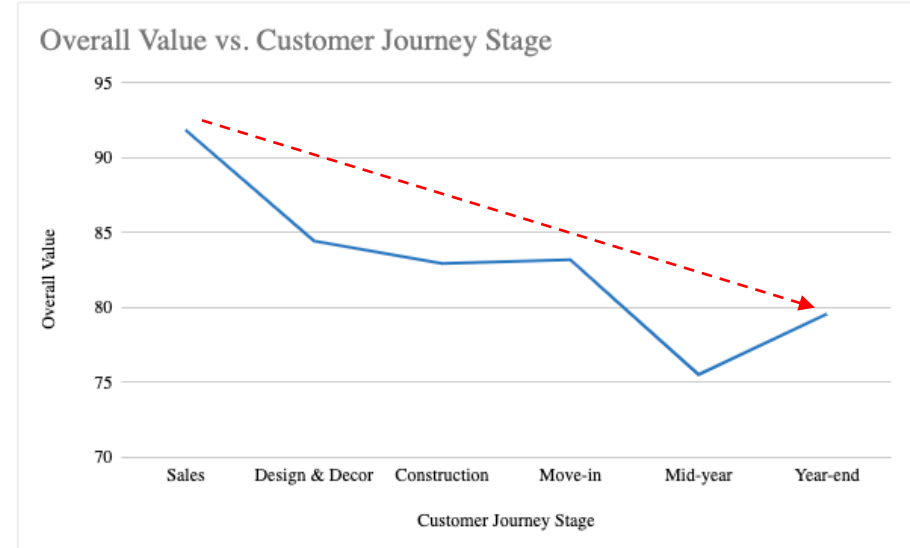
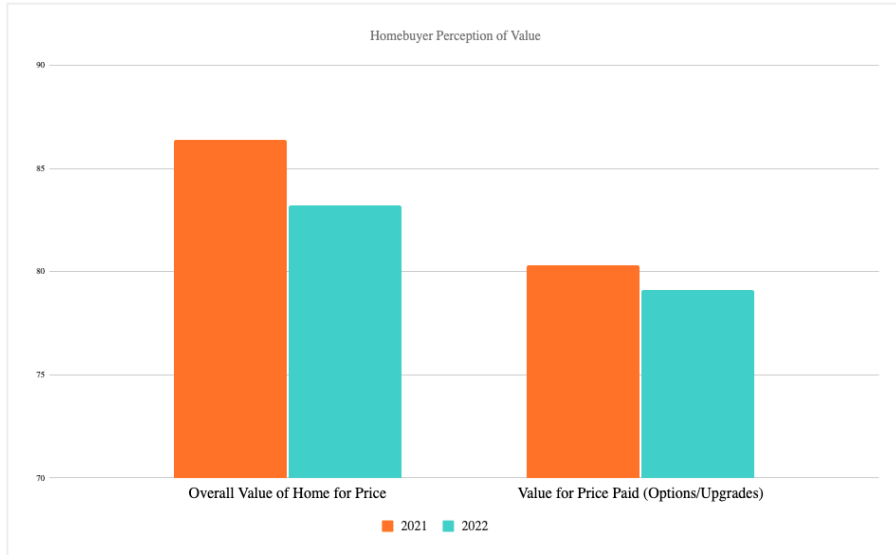
What is the **Value** of a home?



OR



Homebuyers perception of **value** is declining



On a year-over-year basis and along the customer journey stages

Understanding the **value** equation

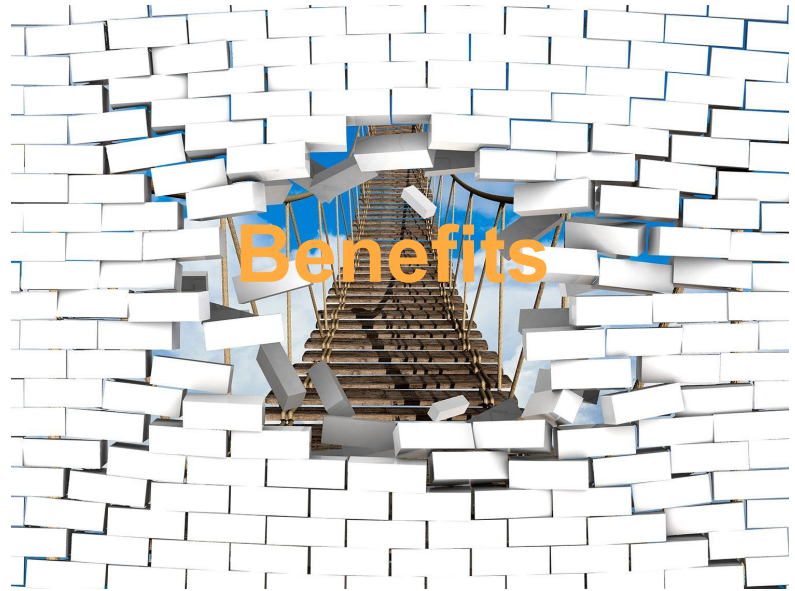
$$\text{Value} = \frac{\text{Benefit}}{\text{Price}}$$

2 options to increase a homebuyer's perception of **value**:

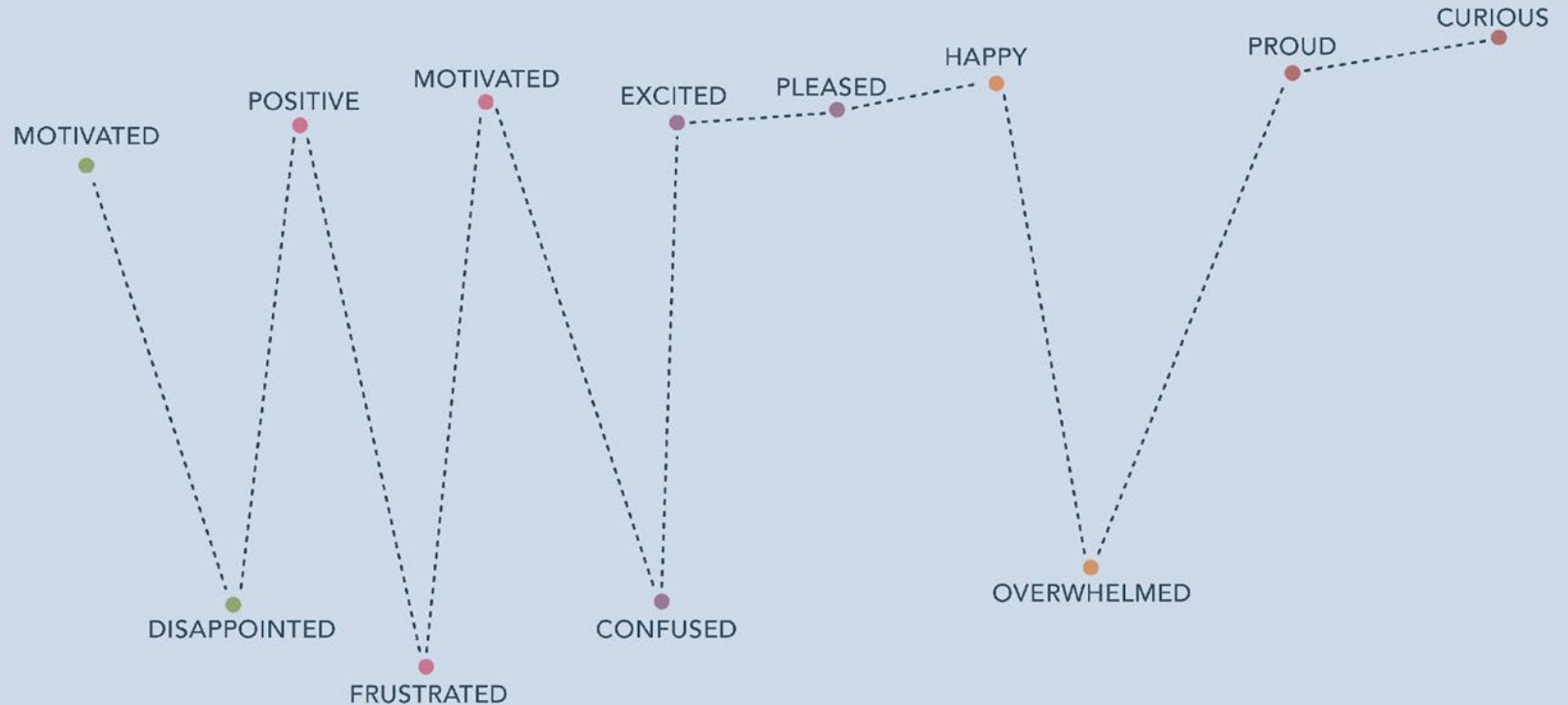
1. Increase the **benefit**
2. Decrease the **price**

What do we mean by benefit?

- Something that produces good results or promotes well-being
- The bridge between where we are and where we would like to be
- State #1 vs. State #2

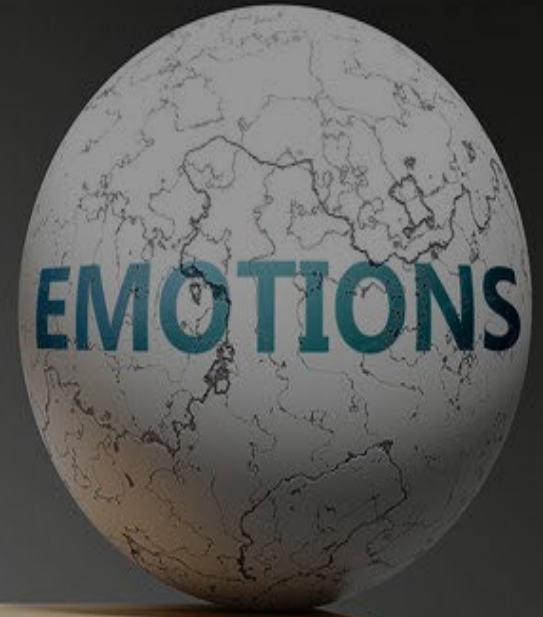


EMOTIONAL JOURNEY





44% of buyers paid
more for a property
because they
“really liked it”



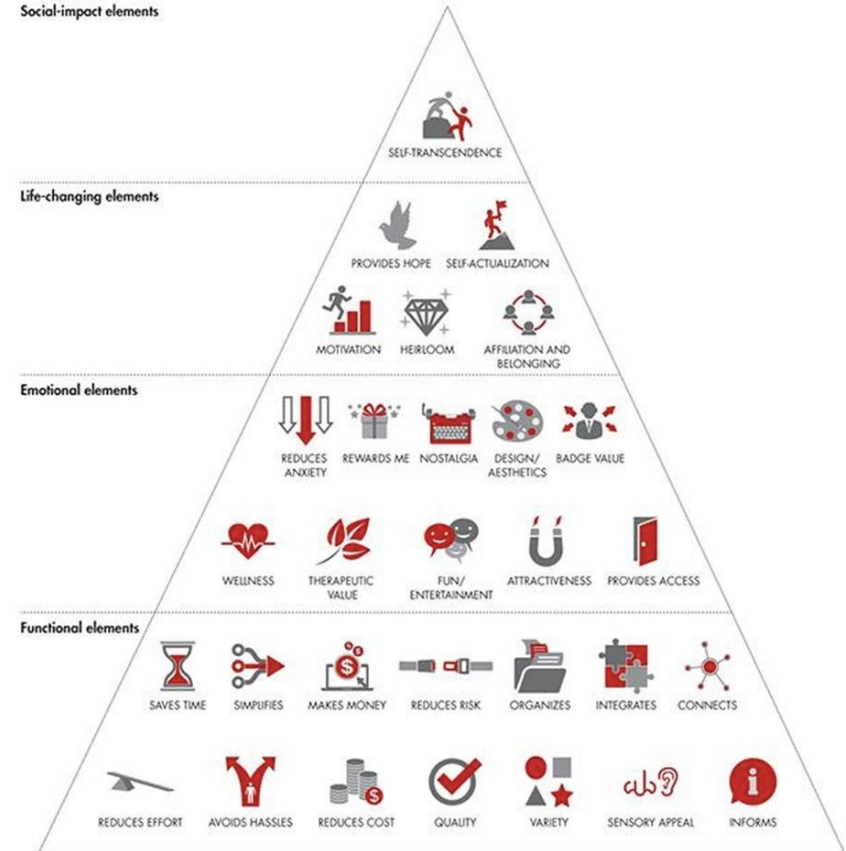
Binary considerations

- Emotional vs. logical
- Trust vs. doubt
- Qualify vs. disqualify
- Feelings vs. features



Today's consumers want value

- Functional
- Emotional
- Life-changing
- Social-impact



Source: 2015 Bain & Company, The Elements of

Creating value means building trust



If you lose a buyer's confidence, you will lose the buyer

Edelman Trust Barometer

- Distrust is now consumers “default”
- 81% of shoppers say that trust impacts buying decisions
- 71% of consumers state “it is more important to trust the brands I buy or use today than in the past”

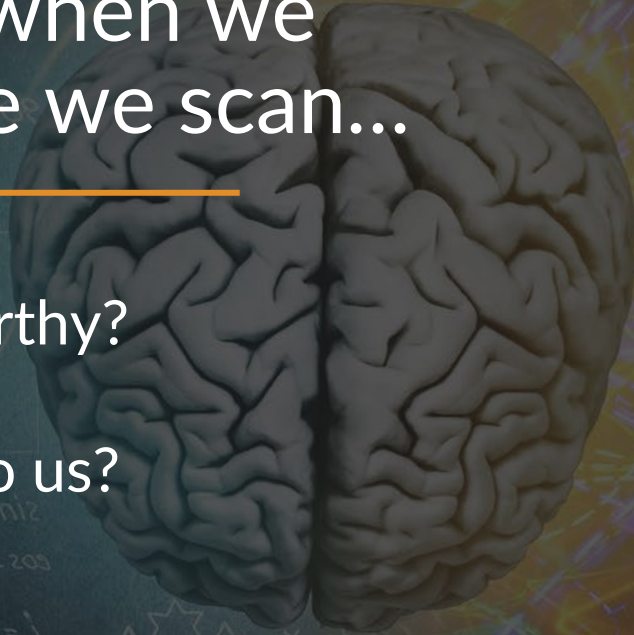
Edelman Trust Institute (2019/2023)



Based on research on the human brain, when we meet someone we scan...

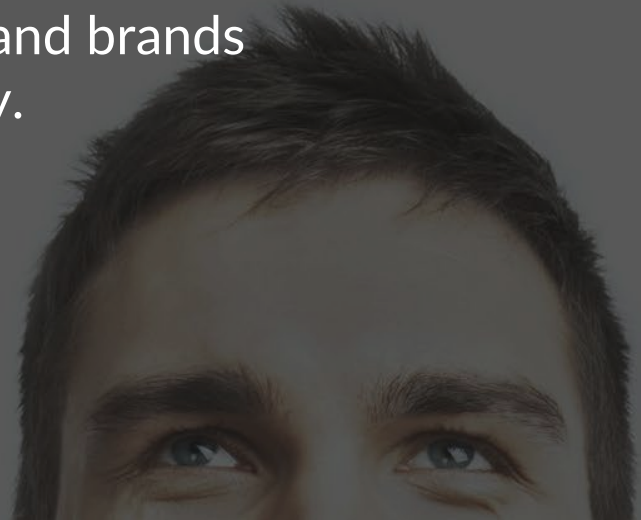
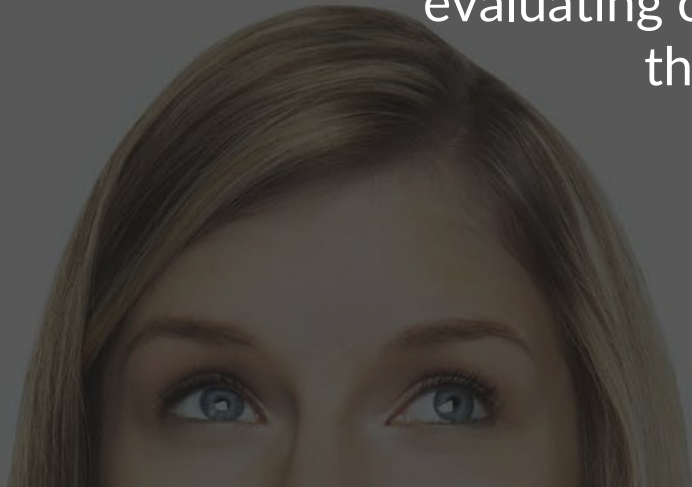
1. Are they trustworthy?

2. Are they useful to us?





Those same human brains are
evaluating companies and brands
the same way.



Buyer fears are real...



...and we need to create more value to overcome those fears

About 10 to 15% of homes sold in Canada are new homes...

Why buy new?

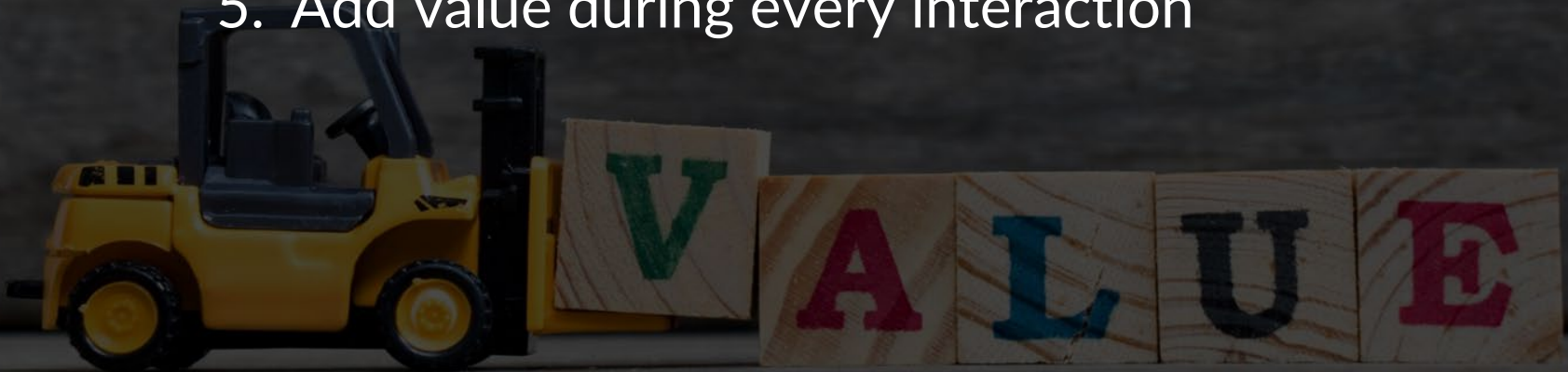
- Attractive = pride of ownership
- Modern features = ease
- Energy-efficient = comfort
- Community amenities = lifestyle
- Warranty = security
- Customization/personalization
 - 55% of buyers care about customizing their house to some degree
 - 35% intend to construct it from scratch

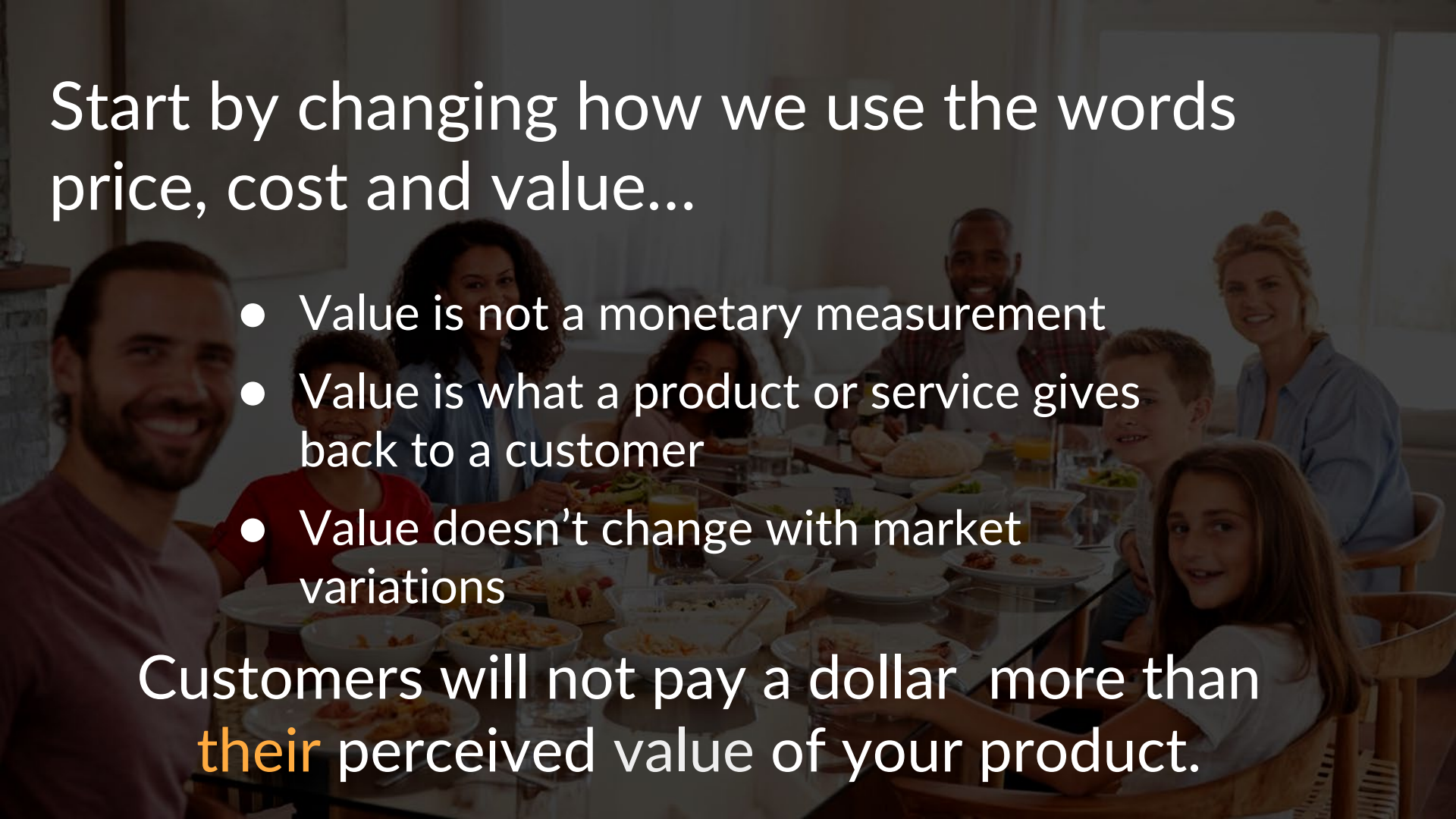
(Zillow Housing Trends Report, 2023)



Principles of Value-based Selling?

1. Know your customers
2. Focus on teaching
3. Guide the customer through the process
4. Make it personal
5. Add value during every interaction





Start by changing how we use the words price, cost and value...

- Value is not a monetary measurement
- Value is what a product or service gives back to a customer
- Value doesn't change with market variations

Customers will not pay a dollar more than **their** perceived value of your product.



Questions?

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