



Presents

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Database Marketing

Analysis Team:

Jason Schlackl
Robyn Smith
Sunny Leung

Alison Roberts
Carly Handel
Sandra Cindric

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Introduction

Polygon Homes is a Vancouver based real estate development company. They specialize in modern condominium complexes, and have established properties all over the lower mainland. Started in 1980, Polygon has built over 10,000 homes, with phenomenal success and projections for continued growth.

The real estate and housing development industries have been experiencing an unprecedented boom in the last year in British Columbia. Polygon has surpassed their competition in terms of desirable locations, modern architectural design, and marketing that creates the imagery that sells high priced real estate.

Due to the nature of this product, there are certain assumptions to be made about their main customers:

- They purchase only once every few years at most,
- Emotional appeals combined with rational features sell real estate best
- There is more than one target audience: residence buyers and investors, who have different motives for purchase and buying habits
- High involvement product that requires long term relationship building

Based on this information, Polygon should have a marketing database in place in order to communicate with:

- prospective customers that have requested more information,
- current customers that want additional features or information on other properties, and
- investors who may be willing to purchase other properties.

Database

Polygon should make use of a marketing database that profiles their customers based on lifetime value and RFM segmentation. This will allow them to identify their best customers, as well as “fire” those who inquired about properties more than 24 months ago.

Due to the nature of this product, the frequency and recency aspects of the purchasing index are not as easy to relay into future sales as other goods and services. Real estate is a capital product that has a low turnover rate. However, if Polygon was to integrate information on all inquiries made about all their properties, they would be able to track who:

- asked for information, but did not purchase
- asked for information and bought a unit
- asked for information about one property, but ended up buying in another property from Polygon.

They would also be able to know:

- how the prospect found out about the property (source code)
- what type of people inquired about certain properties
- if these people would be interested in learning about other Polygon developments

A transactional database would be very easy to implement, as it would consist of actual buyers. Polygon would already have all the necessary information on hand to create the database, as they require the buyers to fill out paperwork regarding finances, sources of information, and their satisfaction with Polygon's sales representatives. Polygon would be able to see who bought what, when and where, and under what circumstances.

In addition to this information, Polygon would benefit from developing a marketing database. The relationship selling aspect of real estate is very important, as the decision to buy real estate is a very high involvement choice. This would be especially true concerning investors, as they will buy many properties over their lifetime, and loyalty is key to Polygon's strategy. Also, those who buy for residence purposes could be targeted in the future for other properties, increasing their lifetime value. Polygon must strive to meet all their current customer's needs, as well as attract new customers on a continuous basis. Using a marketing database to offer further products, other properties, or incorporate other companies in special promotions will increase the likelihood of superior customer relationship marketing.

Types of Data

Currently, Polygon is using Lasso, a locally developed database program that is used to collect the inquiries from their website. Basically, it is used as a data capture point for basic contact information, with little effort directed towards increasing sales through segmentation and further product offerings. Polygon should expand the capabilities of this database to include information such as:

- geographic location currently (where they live now) and preferably (where they would like to live in future)
- income
- occupation
- number of people to be living in the household
- absence or presence of children and/or pets
- real estate purchase history – first time, second time, etc.
- how they heard about Polygon's property
- when and how they wanted to find out more information

Once the prospect has actually purchased a piece of Polygon's property, they enter into a whole new database for purchasers. This database will contain information such as:

- Purchase date
- Purchase history
- Category of unit purchased
- Location of property
- Number of people living in the unit
- Source code
- Salesperson code
- Referrals of friends
- Record of complaints/compliments

This record of purchasers will allow Polygon to better target those prospects who match the profiles of buyers, increasing profitability and efficiency.

Profiling Polygon’s Customers

With all this information contained in the transactional database, Polygon could then begin to profile their customers to identify commonalities and characteristics. These could be matched against prospects to determine similarities between the groups. The result would be an accurate profile of the type of person that purchases or is interested in purchasing a Polygon home. This will allow for better targeting of potential prospects.

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Data Supplements

With a rudimentary customer profile developed, Polygon could look towards external data sources to overlay with their transactional database. The PSYTE database could be incorporated to further develop an idea of who Polygon’s customers are in terms of lifestyle, aspirations, and behavior.

Magazine subscription lists for Real Estate Weekly or Business in Vancouver could be overlaid with the database to develop a more targeted mailing list. Figure 1 shows some possible lists that might match well with the Polygon customer profile.

Figure 1 – Subscription List Rental Possibilities

List	Size	CPM	Characteristics
BC Business Magazine	13,697	\$110	<ul style="list-style-type: none"> • List of active subscribers to BC Business Magazine read by key professionals and business people throughout British Columbia. <ul style="list-style-type: none"> ○ 43% have net financial assets of (excludes home) \$100,000-\$500,000 ○ 80% are homeowners ○ 35% own a secondary residence
Business in Vancouver	10,790	\$125	<ul style="list-style-type: none"> • Average age between 35 and 49 years and average household income greater than \$75000
Lifestyle Selector Canada: Good Life	367,302	\$75US	<ul style="list-style-type: none"> • Comprehensive database of self-reported consumer information. • Can target based on income and various lifestyle topics, including art and culture

Economist.com North American E-mail opt in list	8,661 Canadian Users	\$75 US	<ul style="list-style-type: none"> • Edited for high income, top executives in business, finance, and government
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In most cases, Polygon has few problems in selling all of their units in a development long before the opening date. However, in order to show need for future building and increase their prospect database, Polygon could make use of some supplemental data. List rentals for magazines such as Real Estate Weekly will target those who are directly in the market for real estate, particularly investors. Also, Vancouver based magazines such as Business in Vancouver will target the type of buyer who wants to live there. Information from the PSYTE database, based on geographic locations, will better determine the areas to target with personalized packages and self-mailers.

Contact Points

Presently, the main contact point for prospective buyers is the Polygon website. They may request more information about a particular property, which puts them on a mailing list for future communications with the company. Also, each property has a sales centre at the building site. This allows anyone to walk in and see for themselves what the property will look like in the units, while enabling them to visit the actual location and imagine living in the area.

For future properties, Polygon may offer prospects a chance to win a trip to Whistler just for inquiring. This may also be a great opportunity to test a “get-a-friend” offer, where three referrals entitles the original prospect to a free weekend pass to Whistler Blackcomb for two people. This will encourage prospects to spread the word about Polygon and their new product offerings. However, it is imperative that Polygon screens the prospect first before offering this, as this will discourage misredemption and cheating.

Lifetime Value

As mentioned above, real estate is a different kind of product. It is capital and permanent in nature, with a relatively low turnover rate. A typical person moves once every few years, and for a variety of reasons. Still, there is large potential for a lifetime value assessment by Polygon.

Investors can be targeted for new properties in similar locations of town. Cross selling using a RFM index would be useful in this case, as smart investors would buy from a company they have already developed a relationship with rather than starting over with a new developer. Frequent, ongoing communication must be exercised by Polygon to ensure customer satisfaction and relationship building.

Those who buy units for residence will not be excluded from the lifetime value analysis. Again, Polygon must do its best to maintain healthy relationships with these customers, as there is large opportunity for upselling. For example, if Polygon had capabilities of knowing how many people were living in the household, and the age and sex of the residents, they could have a “Baby’s Coming” registry in the building. This would provide the expectant parents with a baby package and gift registry. A few months after the baby is born, the couple receives a package from Polygon, offering them a special deal on their latest development, a two-bedroom townhouse in Langley. This corresponds with the buyer’s life cycle, and is a case where timing is everything. Also, a few years

down the road, when the mortgage has been paid down or the buyer has matured and prospered, they may be targeted to purchase a second property for the purpose of renting out to a tenant.

Segmentation

There are three groups of name sources that are usually used in the majority of real estate database marketing lists:

- Past clients – the most important group because they already were in the real estate market and went through a purchase experience.
- Referral sources – the people from the real estate companies expect to receive one or more referrals from each year (friends, associates, family members, business associates, and other professionals.
- Hot prospects – these are qualified buyers who are motivated to move in the next 3 to 6 months.

Polygon may base their database on these areas, or they may wish to slightly alter it based on their particular needs.

This new database will contain a lot of information regarding people that have never purchased, bought once and purchased many times. Most of the products these people buy are low frequency, high monetary value, and varying degrees of recency of purchase. Instead of using a traditional RFM index, Polygon should try to segment their customers based on locations of their properties and the likelihood that they will buy another property with the company.

Segmentation would be ideal for the secondary target market of investors. This segmentation process could be based on a traditional RFM model to ensure there is appropriate communication with investors. These buyers may purchase only once in order to gain extra monthly revenue, or they may purchase frequently, making real estate their main area of business. These groups may also be broken down into loyal customers, who buy consistently from Polygon, infrequent or occasional buyers, and first time investors. Also, the average purchase price per unit being sold to these people should be taken into consideration, as this, combined with the other considerations, could help to determine the customer's lifetime value.

Loyalty Program

At present, Polygon does not make use of a customer loyalty program. This is mainly due to the large purchase price of the properties, and the propensity of consumers to stay in the same residence for a number of years. A traditional discount or points program might not be well suited to real estate. However, preferred purchase on new residences might appeal to investors, as well as those residents who wish to move within the next few years.

Promotional loyalty programs with benefits offered by strategic partner companies may be a great way to reward those customers that have recently purchased a property. For example, they may think of co-operating with local furniture companies, grocery stores or specialty retailers to offer their buyers discounts and special offers, such as increased customer service and preferred treatment.

In this case, constant communication with customers is the best way to increase likelihood of loyalty. Polygon cannot realistically offer a traditional program, and therefore would be more successful in using an adapted continuity program.

Strategies

Polygon must use a variety of strategies in order to maximize their efforts in acquiring, retaining and reactivating customers.

Prospecting

The website is a great way to have prospects “raise their hands” to show they are interested in a particular property. Currently, this is the main source of prospect information Polygon has been collecting. Suggesting potential customers pre-register before buying also allows Polygon to evaluate the prospect’s intentions, if they are serious about buying or are merely inquiring for curiosity.

Further prospecting can be done through the use of the on-site sales center, allowing people visiting the area to stop in and see for themselves what the company is offering. This also allows the salesperson the chance to build a relationship from the very start of the prospect expressing interest.

Polygon may also consider a list rental service to access potential buyers they might not have been able to reach before.

No matter which methods Polygon chooses, it is imperative they use smart segmenting of their early prospects, to avoid wasting time and resources on those who are less likely to buy.

Retention

Retaining customers in this stage will require a lot of communication between Polygon and the customer. Frequent events, such as meetings, gatherings and seasonal parties are a fun way to show customer appreciation. Also, it is very important for Polygon to take their customers complaints and concerns seriously. These matters must be dealt with in a timely and appropriate manner.

Other forms of communication, such as direct mail campaigns outlining new properties and ideas will allow Polygon to build relationships with their customers on another level. The “get-a-friend” offers will also help to retain customers. However, all of this effort will be worthless to Polygon if they do not start communicating with their buyers as soon as they have purchased. They must effectively reduce cognitive dissonance immediately after the sale in order to convince those people to buy again in the future, or to encourage their friends to buy now.

Reactivation

For those prospects that have inquired in the past but have not purchased, Polygon should try to send out some “cheap and cheery” packages about their new developments. As mentioned above, people decide whether to buy or sell real estate for a multitude of reasons, so it is hard to say why that prospect did not buy. Polygon should send information infrequently to these people, highlighting similar types of properties that they originally inquired about.

Those customers that purchased once, moved, and never bought from Polygon again could be handled the same way. Offers for new properties similar to the one they purchased in the past will likely invoke some kind of response from this group.

Datamining

Information analysis and integration plays a more important role than before in the real estate market. Datamining is an effective analysis tool in the real estate to pick up the valuable information from the continually increasing data, especially in its customer information research.

Presently, Polygon knows when they have done a good job of marketing their properties: they sell out. If they wanted to save time and money in their campaigns, datamining could be used to discover who exactly is interested in and buying a certain type of property in a certain part of town, based on inquiries, sales center visitors, and actual customer information. All the prospects should be given a unique and identifiable client number that will track their progression through all the various contact points.

Various Polygon departments should have access to this database, such as:

- Marketing – for source codes and direct marketing efforts
- Sales – to track which sales representative has dealt with each customer
- Accounting – information regarding income, credit history, and previous real estate purchases
- Architectural Planning – determine the most sought after type of housing for future plans
- Customer service – track after purchase communications

If all these areas were to have access to the database, an extensive record could be kept for every customer or prospect that Polygon has dealt with. At any given time, anyone of these departments could access these records for complete, detailed information, which would lead to accurate and consistent communication across the company.