

FINGERPRINT

The Long Road Ahead

Understanding who will buy real estate in 2009 – 2012 and why mainstream America is not coming back

Who is this paper for?

Developers, financiers, marketers and investors that find themselves with projects under construction or with finished inventory standing unsold.

Why do you need help?

To paraphrase *I Claudius*, the US real estate industry is sick and the global financial crisis is just the rash it broke out in. The International Monetary Fund says that the US housing slump was at the epicenter of the global economic slowdown and will continue to struggle "as labor markets soften for an extended period, mortgage financing is significantly more conservative and the foreclosures and 'negative equity' act as an anchor on a market recovery."

The financial strains that emerged in August 2007 stemmed from the US subprime mortgage crisis and boiled over in September 2008 with the collapse of Wall Street investment bank Lehman Brothers.

Housing starts have fallen to a level not seen in over 50 years. By the time housing prices stop falling, around the majority of metropolitan areas across the USA will experience double-digit price declines and values in parts of California and Florida may well be halved.

Developers and financiers face the deepest crisis in generations with the tried and true no longer working.

In a transforming market, power comes only to those who successfully recognize who is charting the new path; to those who take a forensic approach to the consumer market. The market has changed and an influential band that, as the price-slide bottoms, will be first back into the market is leading the change. A new breed that are five times more likely to be considering buying and renting out an apartment condominium in the next 12 months.

So what should you expect?

The purpose of this paper is to put forward a new and, for some, empowering viewpoint of the market for new homes in North America; beyond hoping for a recovery that will be tepid and slow.

We will challenge your assumptions about consumers and what motivates them. Crucially we will explore how you can become one of the few to emerge from this market stronger. It is evident that those who cannot or who fail to adapt to the new realities and psychology of real estate will struggle to survive. We do not plan to be one of them. We assume you don't either!

As we said, this paper is for developers, financiers, marketers and investors that find themselves with projects under construction or with finished inventory standing unsold.

The lessons can easily be applied to the general real estate market as well, but we will not be focusing on re-sales of individual homes. We will show you that you have more choices than you think; that if your product has the right attributes there is a way of elevating above the "vice of price" that consumes the industry today.

This is not just another marketing theory or book of the month. This is an innovative and comprehensive, evidence-based approach underpinned by one of the largest and most scientific market studies ever conducted. The goal of the research was simple: to identify and understand the consumers with the greatest propensity to spend and invest; those who, even in tough economic times will buy for reasons beyond the lowest price.

The result of talking to 800,000 purchasers proves comprehensively that "all consumers are not the same" and, if your project is a fit, that there is a significant number of resilient consumers who you can sell to. If only you stop doing following the failing strategies of the past and adapt to the new realities.

The ideas we present are new to the real estate field in North America, but they are already proven with global brands like Sony, Qantas, Moët-Hennessy, Lexus and international banks and media companies.

During the 'long boom' there were few incentives to change in our industry and as a direct consequence it stagnated. But the world is now a changed place.

So rather than grasping for magic wands or price-slashing ourselves to death, we have developed a completely new approach to sales and marketing based upon a scientifically researched and forensically proven research, backed by real world examples from other consumer sectors, that gives us a new consumer compass to map the path of success. Why, for example, is it that Apple is able to keep selling

iPods at full price but Microsoft is unable to gain market share with the Zune, despite huge marketing expenditures? How is Subaru increasing the number of cars it sells while even Toyota is seeing drops of 30% plus and its first company loss since 1950? Or how come Bennigans have closed their doors despite offering “reasonably priced food” while we can’t get a reservation for weeks at the local bistro with a community table in the back?

The answer goes beyond rich and poor, Generation X, Baby Boomers, Empty Nesters or any of the limited models of consumers that are widely in use today. Rather it demonstrates how to understand people through a new, scientifically proven lens that once understood will change the way you think; will give you a new understanding of how different types of people think, see value and most crucially, how they buy.

Why are we telling you this?

In the past decade and a half we have sold billions of dollars of new homes across North America, in both up and down markets. We have lined them up in the streets when times were good and fought it out in the trenches when it didn’t feel like you could buy a deal. Launches, reservation programs, Founder’s clubs, membership programs, quarter share, eighth shares, twelfth shares, online sales events and of course tempo: we have done it all. High rise, low rise, penthouses, private residences, hotel rooms, lots, town homes, country clubs, ski lodges, casitas, cottages, LEED Certified, ocean front and even on top of an auto dealership!

We have marketed and sold the lot. And it worked. We made our clients fortunes, saved them from cutting their own throats and built one of the longest running and most respected sales and marketing companies in the industry.

Two years ago we got the strong feeling that things were changing. The market was still holding up, but we could see that the industry had effectively become homogenous in its approach. Every ad, every sales center, every sales pitch just seemed the same to us. Our own included! We knew we had to find a new way or when the market softened we would be washed away with it.

What started initially as a search for a way to differentiate our existing business from a sea of competitors, has ultimately led us to a completely different understanding of how the market works and more importantly how to design, build, market and sell new homes to it.

Initially we looked across the industry, both in North America and around the world, for inspiration. New ideas were in short supply, other than fads promoted by advertising agencies that seemed to mostly be about giving them fees rather than generating sales. We seriously considered closing the business and doing something else.

Then we were introduced to Ross Honeywill of the Social Intelligence Lab in Melbourne, Australia, who had been analyzing consumer behavior for many years with KPMG and the privately funded consumer think tank he led. He was a successful author and had worked privately with some of the biggest companies in his region.

We had never heard of him!

However he had developed a scientific model of consumers that was completely new to us, based upon 800,000 consumer interviews, predominantly in North America, which took into account 2000 consumer variables. There was no arguing with his credentials.

The basis of the Honeywill approach is that there is an influential band of consumers who spend more, more frequently and who are less concerned about price and more concerned with quality in both product and service. He cracked the Holy Grail. Many famous business authors take an observational approach. They observe what's going on and spin a story around it. Honeywill explain WHY it's going on and who's driving it. He identified who the wave makers are and how to build a high margin business around them.

Initially skeptical about the relevance of this approach to real estate, we set about testing it in real life. Practical and measurable results soon showed us that it was intellectually and practically robust and that many of the assumptions we had about "the way to do" real estate marketing and sales were no longer relevant. We recognized they were based on a view of consumers that was not supported by the data. Even though it worked in the past! Over time we realized that much of the way that our industry operated was actively alienating that section of society with the highest propensity to consume.

As the market cratered before our eyes, the urgency to understand Honeywill's work and to apply it to our field grew exponentially.

The Fingerprint Strategy is a combination of our real world experience and the application of Ross Honeywill's exhaustive research. It is a new, unique and proven understanding of how different consumers really operate and how to appeal to them. This new approach challenged everything that we thought had made us successful in the past and more importantly, provides a road map on how to succeed as the market starts to recover and beyond.

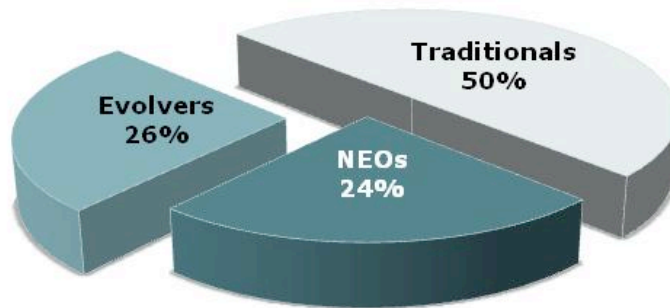
Our purpose now is to bring *The Fingerprint Strategy* into the field of new home real estate. Now more than ever before, it is a matter of economic and business survival to be able to move beyond price and commodity thinking, to be able to sell homes to people who will buy at prices that allow us all to not only survive but flourish.

THE FINGERPRINT STRATEGY

AN INTRODUCTION TO A COMPLETELY NEW VIEW OF CONSUMER BEHAVIOIR

THE NEW ECONOMIC ORDER: A SNAPSHOT

The research behind The Fingerprint Strategy shows us that society is split pretty much in two: the traditional economic order or *Traditionals* and the new economic order or *NEO*. And they are as different as button mushrooms and truffles.



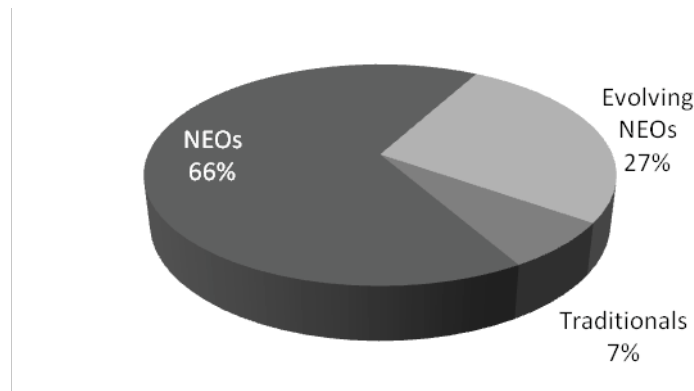
Source: Social Intelligence Lab & Roy Morgan International

Those who populate the half of the population known as Traditionals have decidedly conservative social attitudes; are reluctant spenders; are conservative investors; and exhibit low discretionary-choice behavior. They tend to be very brand and status focused, but the overriding motivator for Traditionals at all levels of wealth (and there are many wealthy Traditionals) is price. This is the “mainstream” and is whom most marketers are appealing to, even if they are unaware that they’re doing so. Whether it is with price discounts and incentives at one extreme or conspicuous symbols of consumption or aspirational lifestyles at the other. For the discount buyer or high status Traditional alike, it is all about the deal!

Traditionals are price-sensitive and more interested in features, functions and the right deal than they are in quality and a premium relationship. As a consequence, only 7 per cent are in the top third of discretionary spenders, but there are an awful lot of them, roughly 130 million in the USA!

The other half of the economy consists of high-spending, high discretionary-choice NEOs and another group known as Evolvers, who have many NEO characteristics but do not have the capacity to spend or invest enough to qualify them as part of the new economic order. NEOs are the masters of inconspicuous consumption, shunning the mass market and symbols of luxury for things with more personal meaning, authenticity and an individual relationship.

Between them, NEOs and Evolvers account for 93 per cent of 'Big Spenders', i.e. the top third of discretionary spenders in the developed economies of the US, Canada, Britain and Australia. In addition to the 59 million NEOs in the USA, there are 6 million in Canada and 12 million in the UK. The Fingerprint Strategy is fundamentally built to appeal to this group as a basis for faster sales at higher prices.



Top Third of Discretionary Spenders. Source: Social Intelligence Lab & Roy Morgan International

Traditionals suffer the most in times of economic hardship. It drives them back to their core value of low price above all. This is why Wal-Mart and McDonalds, who understand the appeal of low prices, continue to thrive even today. However Traditionals are the slowest to recover in terms of discretionary spending after economic shocks. They typically wait for absolute proof that things have improved before they come out of their shell (and even then they will want a deal!). Consequently it is going to be difficult to tempt the Traditionals into a major purchase any time soon without deeply slashing prices and possibly not even then.

NEOs typically have a stronger sense of personal control over their economic situation and see success as something that comes from planning and taking advantage of opportunities. They are measurably more resilient, recovering their consumption appetite more quickly and with greater vigor after economic setbacks.

Powerful social and economic influence

NEOs are far from some small niche in society — they are a quarter of the population, and have powerful social and economic clout. They will buy new technology — all those 3G cell phones, wireless laptops, wireless Broadband, iPods, iPhones, digital cameras, and wireless scanners — but they'll also spend their hard-won rewards on new home purchases, home extensions and renovations, travel, eating in and out, drinking, investing, and an entire range of services that make their lives easier, more individual, and more controllable. They vote governments in and out, fill our universities, take professional roles and executive positions, and ultimately shape the society we ALL live in.

NEO Profile

To qualify as a NEO, a consumer must be:

- In the top 25% of discretionary spending AND ...
- In the top 40% of the 82 defining attitudes and values that motivate high spending AND...
- In the top 40% of the 100 distinctive behavioral factors that describe and define a NEO

A NEO is born a NEO and will always be either a NEO or an Evolver. A Traditional is born a Traditional and will die a Traditional. This split is the outcome of genetic hard-wiring so there is no migration between one half of the population and the other.

NEOs have a radically different value system for things that are not considered a commodity. The marketing, communication and sales approach to appeal to NEOs therefore needs to be radically different as well.

And yet new home project marketing is universally dominated by positioning, promotion and sales execution for Traditionals – based on mainstream assumptions that used to work when safe haven Traditionals dominated the buoyant market. Conspicuous images of “lifestyle”, aspirational copy, warnings that everyone else was buying and a focus on features and pricing set the template for Traditional buyers. And when the sea is full of fish, the net fills easily.

Today the market is a different place. This is no time for guessing and experimentation. To attract the high-value, high-propensity buyers to our projects we need fresh thinking and an evidence-based approach.

A NEO/TRADITIONAL PERSPECTIVE OF THE REAL ESTATE MARKET - PAST, PRESENT AND FUTURE

Once we come to understand the significant differences in how each of these groups views the world and operates within it, we gain a completely new insight into how the real estate market has operated in the past, what is happening now and how a new road map will show us how to win in the future.

2002 to 2007: Everyone In

During the real estate boom we believed that real estate was a safe and easy path to wealth. Many home prices went up consistently and often significantly, creating a wealth effect to fuel even more consumption and delivering the “American Dream” to many. But it turned out to be unaffordable good fortune. Money was being

generated and recycled through rising asset prices to such an extent that it seemed almost a one-way bet, with new financial instruments and willing central banks creating a flood of cheap and available credit.

Everyone who could was in the game; NEOs for certain, but crucially a high proportion of Traditionals as well. With the latter representing 50 per cent of the population, they swelled demand for housing not only for personal use, but recreational and investment purposes. The differences between the two types of consumer would have been hard to identify, because ultimately price, in this case the prospect of rising prices, was for many not the prime motivator. Everyone was in.

The marketing techniques of this time, with glossy brochures, launch campaigns and sales teams that effectively sold their project as an investment really appealed to Traditional buyers. Many NEOs will have been left cold by it all and if they did purchase it was *despite* the marketing, not because of it.

Today's Market: Rise of the NEO/Evolver

Many would have you believe that nobody is buying in today's market. But even though volume is at multi-year lows, people are buying. For example, a high proportion of the transactions that are taking place today are opportunists vacuuming up deeply discounted units in foreclosure. In some states foreclosures and discounted units represent up to 50% of sales volume.

However, different groups are buying; and for different reasons. It is therefore essential to understand who is taking the plunge.

NEOs are the buyers and potential buyers in this decimated market. They are for example buying up homes as part of a longer-term investment play, typically calculated on the use of rental income to service debt or achieve a return on investment. For a NEO, a bargain *is something that is cheaper today than it is going to be tomorrow.*

Additionally the US research shows us that NEOs are significantly more active participants in the real estate market under any market conditions. They are more than twice as likely as Traditionals to have a current home loan, and more than five times more likely to have an investment-property loan. They are also five times more likely to be considering buying and renting out an investment apartment condominium in the next 12 months.

Undoubtedly there are Traditionals buying up properties; remember there are 130 million of them in the US. However their price sensitivity will be even higher than normal and the deteriorating economic picture will be affecting them at their very core. Traditionals typically flee to security in times of economic uncertainty. Their

natural instinct is to save more, reduce expenditures and keep both their hands firmly locked on their wallets – unless they see a SAFE deal that is just too good to pass up. In these drastic times they are VERY reluctant buyers.

So, NEOs dominate the phalanx of consumers buying or planning to buy.

For example, a very specific sub-set influencing today's market is the *First Time Buyer*, who in many markets, represents over 40% of purchasers in the early stages of a rebound. They are being attracted by radically lower prices and interest rates that bring previously unaffordable homes into their price bracket. However an interesting question is, "why aren't all First Time Buyers taking advantage of these opportunities, particularly with US government incentives such as tax breaks?" The answer is simple: those who are purchasing new housing are predominantly NEO and Evolver First Time Buyers. Remember, this combined group is responsible for 93% of the "big spender" category of discretionary spending. In this economy, housing is discretionary spending!

The fact that NEO and Evolver First Time Buyers are buying now demonstrates that for this group, price although important, is not everything. The same applies to NEOs buying at higher price points. Once they have found something that truly appeals to them, they will make timely purchase decisions based upon a far wider range of personal criteria.

Their Traditional cousins are however still sitting on the sidelines until they get a clear sign that prices are rising in a stable and secure market. Traditionals have been driven into their shell and will be feeling high anxiety for some time to come.

NEOs are more aggressive in their investment behavior and in their use of leverage, and the economic shock has been so great, on both a global and personal scale, that it was entirely rational for many of them to press the pause button until the worst of the storm clouds passed. However as signs of the end of the downward spiral of the economy emerge and home prices declines start to be perceived to have ended, NEOs will be the first back into the market.

The purchase-reluctance of 130 million Traditionals and the purchase-propensity of 130 million NEOs & Evolvers provide a clear indication of who will be the first back into the market; and who will drive the market recovery.

2009 to 2012 (at least): Few Winners, Many Losers

Unless prices are deeply discounted in a secure market, the Traditional buyers that represent the mainstream will not be significant participants for some time. The perception of prices having bottomed will not be sufficient to tempt them back. They will need solid proof that it is not a temporary bounce and months of solid growth before they gain enough confidence to venture back into the market. If your project

is targeting Traditionals, you need to cut your prices to the bone AND offer guarantees of returns. It will not be pretty.

NEOs however have their own measure of recovery. They are significantly more optimistic about the world than Traditionals; and are confident about their own personal economies. In other words they know they will come through this and already have their radar out for quality purchases at the right price. In any health, military or economic disaster, these are historically the people willing to pay a premium price for the right homes, whether they are for primary use, recreation or investment. They aren't going to pay yesterday's price (they are NEOs not morons), but for a home that appeals to them, price will be just be the cost of falling in love.

It is clear therefore that there will be a handful of projects destined to be winners and many more that will struggle over the next few years. If you own Traditional targeted real estate, such as suburban track homes, unremarkable high rises or projects that are high on status and low on individuality, such as golf course or gated communities, we can give you nothing but our best wishes. Similarly if you have projects that could be attractive and appealing to NEO buyers, but you continue to market and sell them in a manner that turns them off, you will fail as well.

The NEO buyer will be the dominant force in delivering sales values and velocity to owners of properties, enabling them to win for at least the next 3 years and beyond. But only if radical changes are made in the understanding of how this powerful consumer group thinks and buys.

UNDERSTANDING THE OPTIONS OPEN TO DEVELOPERS TODAY

Currently if you find yourself with homes under construction or completed your options can briefly be summed up as:

1. ***The "Hold On" Strategy*** – This is based on the hope that the market is going to turn around soon and buyers will come flooding back. Essentially for many this is a belief that Traditional buyers will return to the market in time to save the project. They will not. This could also be called the “getting eaten alive by my carrying costs” strategy.
2. ***The Carry Option*** – Rent out your properties until the market recovers, whenever that may be. This could also be called the “denial option”, based as it is on a fundamental assumption that the old price was the real price and today's market is just a temporary scourge that will eventually disappear. As with the “*Hold On*” Strategy this often relies upon Traditional buyers returning to the market. They won't. Additionally, this plan turns new homes into second hand ones and owners have the joy of becoming a landlord.

3. ***The Tinkering Option*** – This really is a variation of option 1. In different guises this is an attempt to incentivize people to buy your homes through either: (a) adding value to the property (free upgrades, etc.); or (b) bribing the buyer to act against his or her own best interests (free car, vacation, etc.). This will meet with very limited success: it will likely turn off NEOs and be insufficient to drag Traditionals out of their shell. Many developers will have already tried this and although they may have got a few sales it will not have solved the problem. At least they now know why!
4. ***The Vulture Option*** – Slash your prices to such a point that you tempt the vulture buyers back into the market because they just can't turn down the deal. This is also known as the "Detroit Option" because, like US carmakers, when you have nothing other than price you are going to have to sell at a really low one to make a sale in this economy. Your realtor will love this option (he has probably already recommended it) as it may be his only chance to make any commission out of your listing this year. The truth is that for many of you this may be the only option as ugly as that seems. It will probably wipe you, your investors and most of your friendships out; but you may, just may, live to fight another day. A word of warning though...whatever amount you think you need to discount your prices, you are unlikely to be anywhere close. Results will vary from one market to another, but it isn't called the "Vulture" Option for nothing! You need to entice the Traditional buyer out of their shell and price it so it makes economic sense to NEOs, probably somewhere around its rental carrying value. There is no tomorrow with this strategy.
5. ***The Fingerprint Strategy*** – This strategy will not work for everyone. However if you have a property that is not commoditized, in a market that has not been decimated; and have the intelligence to throw out the manual on what worked in the past, then you may have a hopeful option. If your project will appeal to the NEO buyer, handled appropriately they may just fall in love with it and buy sooner than anyone else. And at a price you can live with.

SO WHO ARE THESE NEOs AND HOW WILL THEY SAVE YOU?

All is far from lost. Just as markets have different outlooks so do consumers. And while the financial tsunami of recent times will weigh heavily on many, there will be significant proportion of the 59 million who still exhibit a *high locus of control* over their own personal economic outlook and will be the first to return to the market. In other words, those who consider success in life is a matter of planning and control rather than a consequence of luck (good or bad). Understanding who these NEOs are

and how to connect with them is singularly the most important task of anyone in the real estate field who wishes to emerge intact from the current meltdown.

More than ever it is time to move beyond pre-crash thinking about who “should” buy your project, and time to learn who “will” step up and buy it. Wealth, age, profession and marital status have for too long been used as proxies to describe prospective buyers. NEOs are not Yuppies, Baby Boomers, Generation X’ers or any other of the demographic categories in general parlance. They are statistically proven to be the people who, if correctly reached and motivated, have the highest propensity to buy and the lowest price sensitivity. In short, they are the people who can save your project.

These NEO buyers treat the commodities of life as mandatory and spend very little time on them. Instead they focus their real spending and investing on what is known as elective consumption. So, for example, they’re buying less traditional housing and spending more on unique places that align with their values and expectations of life. They’re paying for yoga classes and private trainers; they’re drinking fewer glasses of wine but buying better quality; they’re travelling to places that enrich their spirit; and they’re escalating their use of the Internet because it’s where they control life’s levers.

Because NEOs define themselves by whom they are and what they stand for, they don’t need to surround themselves with overt luxury or symbols of belonging, such as ostentatious brands. They do however want beauty, design, quality, rich information, authenticity, flexibility and choice. Those of you who are able to deliver this will be richly rewarded with highly loyal, high-value buyers who will enable you to thrive even in these uncertain times.

A number of companies around the globe have already clued into focusing on NEOs and are profiting and outperforming their competitors as a result. They may not even know the term; but most are likely to be run by a NEO who acts intuitively in reaching people just like them. Steve Jobs at Apple is the perfect NEO poster boy. By focusing on design and making products beautiful, Apple increased profitability and revenue in the last quarter of 2008 while most technology companies and retailers were in full-fledged retreat. Apple stores continue buzzing with excitement achieving full premium prices without the need for a single sales event. Subaru posted year on year sales growth in 2008 when the sales of almost every other automaker were down between 30 and 50 per cent. Under Armour experienced exponential, high margin sales growth while Nike, Reebok and Adidas were all struggling to maintain prices and market share; and still struggling to pay all those high priced celebrity athletes.

Amazon, Banana Republic and Williams-Sonoma are other examples of brands that have understood the economic power of NEOs and continue to grow even when traditional thinking says all consumers are pulling back. Chipotle Mexican Grill is another great NEO brand. Its hormone- and antibiotic-free meat is humanely raised,

the food is handmade to order, it tastes great, and the food is wrapped in a socially responsible message. Chipotle was described by Fast Company, the Uber NEO magazine, as “the Bono of the fast-food business”. Bono, from the legendary rock band U2, is an example of the NEO person-brand in stark contrast to the Traditional brand-celebrity.

Compared to Traditionals, NEOs buy twice as many books, fly three times more frequently, eat out at a restaurant five times more often, utilize phone and internet banking five times more often, and dominate credit card use, risk insurance, investment lending and high interest online savings accounts. The research behind The Fingerprint Strategy enables us, for the first time to comprehensively map the impact of these consumers; where they are spending their money and how to connect with them. From this research we now have a 360 degree picture of every element of their lives, what appeals to them and crucially what leaves them cold.

For real estate developers and financiers, understanding and adapting to the Fingerprint Strategy creates the opportunity to separate from the downward sucking sound of the mainstream and provides tangible, executable solutions to attract purchasers who will buy into their projects sooner and at better prices.

A NEO Snapshot

NEOs are socially intelligent, hungry for new sensations and on the march for memorable experiences. They crave authenticity and the unique, so not for them theme bars and chain stores. The NEO credo is perhaps best summed up by American poet Robert Frost, who wrote:

*Two roads diverged in a wood, and I
— I took the one less traveled by,
And that has made all the difference.*

NEOs are largely metropolitan dwellers, with more of them living in inner urban areas than anywhere else, although many of them will inhabit extraordinary places that offer unique communities and lifestyles. Resort towns (but rarely artificial resort towns), waterfront communities, college towns and artistic communities act as magnets for NEOs.

NEOs spend more ... and more frequently ... than anyone else. Forty-five per cent of NEOs are women and 55 per cent are men; and while NEOs range over all age groups, they tend to be younger than Traditionals. NEOs exceed the national average in every profile between age 20 and age 50, while Traditionals exceed the national average in every profile above age 50. This does not mean however that there are not a good number of 65-year-old NEOs just as there are plenty of 30-year-old Traditionals.

Half of all people with a university degree are NEOs and they are four times more likely than Traditionals to have degrees. They are as committed to learning a living as they are to earning a living. NEOs dominate professional or management occupations, and earn more than the rest of society. Specifically, they lead in every income category above \$60,000 pa, and are five times more likely than anyone else to earn in excess of \$100,000 pa. But, remember, they earn more because they are NEOs; they are not NEOs because they earn more. It is crucial to remember that how much someone earns is *not* an automatic determinant of how much they spend. After all, how fat a wallet is tells us nothing about its owner's attitudes to politics or religion or yoga.

Indeed, income, age, gender, and other dull demographics are useless in determining how we think, what we believe in and how we likely we are to spend. NEOs are every age. Steve Jobs was a teenager when he invented the first Apple computer; architect Frank Gehry was 68 when he designed the Guggenheim Museum of Contemporary Art in Bilbao, Spain; Al Gore was 58 when he started a small wave of climate change advocates that grew into one of the most spectacular waves of social activism in the past century; Germaine Greer was in her thirties when she published *The Female Eunuch*, launching a wave of feminism that swept the developed world.

HOW DO WE REACH AND INFLUENCE NEOs?

Clear communication of relevant information and the values of a product or service are valued by NEOs. But they hate to be 'sold to' without a context for personal relevance. They dislike the simplistic messages of mass communication typical of almost all real estate marketing. Many developers, marketers and brokers think they are the exceptions here – in truth they just haven't read their brochures or websites recently!

Complexity, discovery, engagement and authenticity are all paramount promotional considerations for NEOs and underpin The Fingerprint Strategy. NEOs want to be in control of their purchase decisions, and want to make well-informed decisions: they could be called the 'informed choice group'. Simple, direct, transparent communications with a clear call to action that gives a NEO options and puts them in control are recommended for communications – "tell the truth simply" and "show the beauty" are the NEO mantras.

THE FINGERPRINT STRATEGY REVOLUTIONIZES COMMUNICATIONS

Remember there are 59 million NEOs in the US and a further 6 million in Canada; but they operate as 65 million "markets of one" and need to be treated as individuals. As a result, communicating with NEOs is the equivalent of communicating with a friend – that is ONE friend at a time. The language is individualised and cliché-free; personal and non-corporate; relaxed and informal;

emotional rather than functional. It needs to talk of discovery, desire and personal growth rather than function, process and transaction. Stories being told by real customers are more effective than corporate promotion. To NEOs, the corporate voice is just you shouting! And they can't hear you!

Advertising

With the huge database behind The Fingerprint Strategy it is straightforward to identify which media channels appeal to NEOs. It is not, however, in media decisions that we find the greatest potential for creating different *journeys* for different customers—it is in creative execution. NEOs find the corporate positioning or a price/urgency approach to advertising used in most real estate promotions either invisible or insulting.

NEO characteristics and aspirations need to be acknowledged in the creative execution of advertising or direct marketing with personally relevant, emotionally touching executions. Traditionals, on the other hand, respond well to brand / image / price advertising. It is vital to be able to tell the difference or advertising dollars will be frittered away with ease.

The Online Mindset

NEOs are information junkies – the Internet is their tool of choice to discover the world of opportunities. Web designs need to be highly functional and deep in content and quality to attract and engage the NEO consumer. The glossy images and slick language so favoured by real estate web designers are more than likely to see the NEO clicking away, never to return.

The web site is the central part of The Fingerprint Strategy. It must be the place where one can explore the project, find its idiosyncrasies and begin the process of falling in love with a new home above all others. The tone of the language is one of the most crucial aspects of connecting with the highly individualized NEO. For most projects, the simple way to achieve this is to read your current marketing copy and do the exact opposite!

The web site must be relevant and kept up to date, not just with construction photos. It must integrate with emerging media as a function of incremental personal engagement. It is not sufficient to post your project photos on Flickr or add a Facebook link unless you have a real reason for people to engage with you. Execute this part of your digital strategy correctly and you will engage prospects through networks you never knew existed. The future of social networking lies in the creation of *communities of interest*, not *communities of acquaintances*.

Direct Marketing

NEOs are receptive to high quality, personally relevant, well-executed marketing approaches – whether in electronic direct marketing (EDM) or conventional direct marketing (DM). It is when it becomes more sophisticated that it becomes relevant to The Fingerprint Strategy. A well-crafted, beautifully written DM piece, personally addressed and delivered is very attractive to NEOs. As is a personalised, relevant email (EDM). In fact, NEOs are 60% more likely than Traditionals to open and read personally addressed and personally relevant direct mail and electronic direct mail. Our proprietary algorithm actually enables us to extract the NEOs out of any database with sufficient descriptors.

Sales Centers

Most real estate marketing/discovery/presentation centers follow a familiar format. In essence they are designed along the gallery model: somewhere you go to look but not really get involved. As personal engagement is at the core of The Fingerprint Strategy, sales centers have to be brought into the new reality. For example, model kitchens enable you to host cookery events (NEOs are often foodies); and new technology enables prospects to manipulate and play with choices and options without the sales person lurking. The whole process needs to be de-formalized. Get rid of your sales trap! NEOs have seen it coming and are not going to be manipulated by you. Stroll into any high-end mall of America and look at how Apple has created their stores. Open, fun, available, playful; and probably with five times as many customers as anywhere else!

Salespeople

Under The Fingerprint Strategy the role of the sales person changes significantly. This is one of its great benefits! As NEOs like to be in control of their experience and **IF** you have built a comprehensive communication program to allow them to discover the project on their own terms, then the NEO who walks into sales center is likely to be well down the buying path. Consequently the role of the sales person is primarily to “do no harm”. Most of them will fail at this. Ideally they should act as hosts, guiding the prospect through their individual *journey* and allowing their particular interests to determine the experience. This is the antithesis of the sales pitch / test close / ingratiating Realtor model that exists in 99% of projects today. Primarily the sales person is there to “**tell not sell**”. The NEO prospect will buy if they get the right information to help them fall in love; presented in a non-corporate manner, and delivered by a helpful guide.

However this is not a completely utopian world. The key role of the sales person is still to close the prospect. Often NEOs can become so absorbed in their research and exploration that they need to be skilfully closed to move to contract. The highly specific training that forms a significant element of The Fingerprint Strategy on how and when to do this will often be the difference between sale or no-sale. Most new

home sales people close too aggressively too early in the relationship with a prospect and not nearly aggressively enough later on when it matters most.

Social Events

As a general rule, don't do them; they are a waste of money. Fundamentally they appeal to Traditionals and you will spend a fortune pouring wine down the throats of people who will never give you a dime and have forgotten about you by the time they digest your expensive canapés. Events that appeal to NEOs need to be intimate, personal and experiential. For example make a connection with an influential art gallery; and have the gallery director invite their patrons and purchasers to an event on the project site to announce the appointment to the development of an artist-in-residence to direct the use of art in the finished product.

The Launch

It's dead. For now. Anyone telling you otherwise has his or her watch set to 2006 or earlier. The days of being able to manipulate potential buyers with reservation campaigns and launch events in which they are herded like cattle are gone. These typically appeal to NEOs and appeal to Traditionals. Historically Traditionals bought into the idea that, because of the perceived high demand, this is how they got that hot deal. For the traditional launch technique to work there has to be an expectation of rising prices and excess demand. These conditions will not be in place for a considerable time.

Avoiding launches does not mean that you cannot hold one-day sales events if that is the right tactic for your project and the market conditions are appropriate. They do have to be reconsidered however to be the final step in an ongoing and open engagement campaign, where the prospect is given every opportunity to learn about the project. In that instance the sales event can become more of a celebration experience that ties the knot of purchase. Forget to treat people like individuals and you are dead in the water!

CONCLUSION

A HUGE OPPORTUNITY FOR SOME, NOT FOR ALL

There is a future beyond waiting for the old days to come back or continuing to slash prices and fight it out in the trenches of the current real estate market. Selling an aluminum laptop at twice the price of the competitors; or yoga wear at four times the price something similar at Target may seem impossible in today's economy. And even not relevant to real estate. However when you understand The Fingerprint Strategy and NEO typology you can see how Apple, Lululemon, Mini, Whole Foods Markets, Williams-Sonoma and a host of other highly successful brands are doing so,

not by slashing prices but by connecting with people and building value in a totally different manner. Ultimately their buyers are potentially your buyers and you need to understand them in a new way. And you need to do it quickly.

As an industry we are obsessed with the product and the market, as if that is all that matters. The truth is that while these are necessary, they are not sufficient. The people who buy the properties we finance and construct are not all the same, or fit into the labels we give them for convenience. For the right developments The Fingerprint Strategy is without question the best way to achieve sales at prices and volumes that still allow those in the project to win. Frankly we don't like any of the other options remotely as much!

We've given you a little taste of the NEO world and the application of the unique Fingerprint Strategy. We have exclusive rights to apply the NEO typology to the real estate industry in North America. We understand this new market dynamic, so if you have a major real estate project that fits the bill and you need to make as many sales as possible over the next one to three years, we may just have the solution for you.

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APPENDIX A

NEO QUESTIONS AND ANSWERS

1. Does targeting NEOs exclude Traditional buyers?

Research and real world evidence indicates that Traditional buyers tend to actually follow NEO buying patterns but with a time delay and often when prices have dropped. Notice all those accountants with Blackberrys today!

Marketing programs that appeal to NEOs still attract Traditionals, but the more typical Traditional type program, with the focus upon price, value and features, actively repels NEO buyers. As a result a NEO strategy actually broadens the market of purchasers by attracting the big spending NEOs rather than narrowing it by repelling them.

2. Are NEOs a new phenomenon?

Not in the slightest. They have always been a vital part of the economic picture, but have generally been hard to model. Fingerprint and The Social intelligence Lab are now able to more fully understand their desires and motivations as never before.

The growth of the web has empowered NEOs to access the information they crave in unprecedented volumes and speed, and only enhances their economic importance. The Traditional model of marketing so predominant in real estate is effectively a one size fits all program. The developer or marketer is telling the prospect what to think, where as in the NEO model it is a process of individual discovery, which the web completely lends itself to if used correctly.

3. Are there certain markets that have a higher concentration of NEOs?

Yes. Statistically NEO are concentrated in the major urban centers, particularly those with a wide variety of employment and social opportunities. In addition there are smaller markets that act as a magnet to NEOs, such as Boulder, Austin, San Jose and Portland. However there are NEOs everywhere and appealing to those individuals in your market will give you the best chance of success in the post-crash climate.

4. Are you claiming that this strategy can work in any market?

No. There are certain markets in the USA where the supply and market dynamics are so poor that the cycle has a long down way to go yet. We are facing tough times and when we start to emerge from them, whenever that happens, not all markets, projects and people will recover in the same way. Some markets have been blasted

and will suffer from the overhang of excess supply for years to come. However it is clear those cities that haven't been decimated, such as Boston, Denver, Portland, Dallas, Houston and Atlanta have fewer people who have been ravaged by falling prices. In fact even some NEO cities that have poor overall market statistics may have sub-markets that have held up much better, New York being a classic example. In many of these cities or markets, prices are back down to 2004 levels, meaning that most people who bought before that date are still sitting on equity. In addition some of them did not experience the huge run up in prices of the other cities, meaning the fall back to earth was somewhat gentler. In some neighborhoods, the seeds of recovery are already germinating.

5. How can you tell if a project is attractive to NEOs?

The NEO marketing approach will be useless unless it has an authentic link to the actual property. This is one of the reasons why we choose to work with very few properties. There must be a genuine sense of place, with a strong and tangible sense of design as well as a story to the project that makes it unique. However while this sounds simple, it is frequently more complex. In the world of hotel related Private Residences for example, the data shows that NEOs are 4 times more likely than Traditionals to be attracted to Four Seasons and W Hotels, which makes the way that most of the Private Residence properties are being marketed almost criminal.

6. How can you tell if someone is a NEO, Evolver or Traditional?

In determining whether someone is a NEO or Traditional, it's easy to become confused by apparent conflicts or contrasts in their behavior and attitudes that seem to cross over from one type to the other. We often hear comments such as, *'I think I'm a NEO, but I behave like a Traditional when it comes to getting the best deal from a telephone company or from a bank on a credit card.'*

Determining whether you are a NEO or a Traditional requires a detailed assessment, so guessing can be counter-productive. That said, people will begin to form a generalized view of where their behaviors and attitudes lie. So, as apparent contradictions arise, remember they may well be just that: *apparent*. To take the example given above, a NEO behaves in exactly the same way as a Traditional when price is the only factor in a brand or product's value proposition. Most telephone companies, credit-card providers and even marketers in the real estate field have allowed their products to be viewed simply as commodities offered at a price. And given that typically there is no emotion or involvement in a commodity purchase, both NEOs and Traditionals will behave in ways that are very similar. It's only when desire or emotion, involvement or participation enters the transactional process that the stark differences between NEOs and Traditionals surface. Remember, price for a NEO is just the cost of falling in love.