

## Buffett on Real Estate

by John Tucillo, PhD

Buffett's Rule for Baby Boomers: Invest like Warren, live like Jimmy

The richest man in the world and the most laid-back man in the Western hemisphere share the same last name and each in his own way is a fountain of wisdom. So let's take some of their wisdom and apply it to the current state of the real estate business. Of course, you have to guess which Buffett is the source of the wisdom, but that shouldn't be too hard.

All ducks on the pond get wet when it rains. We could paraphrase this to talk about the rooster thinking the sun rises because it crows. Don't be deluded by the fact that you're successful in a booming market. In good times, everyone makes money; in bad times only good people make money. Don't think that because things are going well you don't have to change, learn and grow. The business you are in different from what it was five years ago and from what it will be next year. If you don't understand change, you will fail.

Changes in latitudes, changes in attitudes; nothing remains quite the same. Yes, the business is changing and the only constant for a while will be that change. Take communications, for example. Before the telephone was enough to keep consumers in touch and satisfied. Now the speed of e-mail rules. In addition, physical proximity is no longer necessary for a deal to be done. Anywhere, anytime, anyhow is the way of the world. Are you ready to do business on that kind of schedule?

Stick with what you understand. Too often we try to absorb technologies when we can as easily buy them. You don't need to know what the new tools are, just what they do and what they can do for you. Similarly, we try to become experts on new techniques and lose sight of what really counts in making our businesses successful. So don't get a transaction management system if you don't answer your e-mail at least three times a day. And delegate. Your expertise in counseling customers and negotiating deals is lost if you wind up toting paper work from vendor to vendor trying to get the transaction done.

You've got sharks on your left, sharks on your right and you're the only bait in town. There are any number of gadgets out there that are being pitched at you on a daily basis. To avoid becoming chum, remember this: The best technology is the one that works for you. If it feels uncomfortable and wrong, it is. In technology, the deep pockets always win, and the start-ups are just labs for them. If you stick with a known company, you'll usually be OK. And there are no workable transaction management systems out there...yet. Watch the market, but don't jump in, especially when someone else's blood is in the water.

Share of market follows share of mind. Build a moat around your business so no one can penetrate it and consumers will pay you to let down the drawbridge. You do this by providing excellent customer service. Yes, despite all the technology that has invaded the business, customer service will still win. The winning firm in this new economy will be the one that takes the time to understand the needs of the consumer and meets them before the consumer expects them to be met.

Things are better off than I had feared. Here's the good news. With all the changes in the real estate business generated by information technology, it's still the real estate professional's market to lose. When the public thinks of buying and selling a home, the first person to pop into their heads is the real estate professional. This is share of mind that can't be bought or enticed by any dot-com, by any mortgage company or by any bank. So you start ahead. But the consumer still expects things to come faster, cheaper and better. Other companies in other industries have trained her to do so. If you do not meet the rising service expectations of the consuming public, then mind share will drift away. If you want to see how, think of railroads and airplanes as carriers of passengers now and fifty years ago.

The wisdom of the Buffetts says to combine modern techniques with old-fashioned values to succeed in the new economy. How does this happen? Well, let's reference another modern philosopher, Satchel Paige, who advises, "Work like you don't need the money, love like you've never been hurt, and dance like nobody's watching