



Live together or die alone

How real estate agents can take back
control of their costs and their future



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This paper considers the future of the residential real estate sales industry. Real estate franchises, associations and industry web sites have the size needed to attract consumers online. Do agents? If agents continue to present themselves as a mass of individuals, they will continue to pay others to attract consumers and generate sales leads.

We believe that real estate agents should present their qualifications together on one web site. This will allow buyers and sellers to review and compare all agents in one place, reduce the agents' cost to attract clients online, present agents as specialized professionals, and give agents a greater influence over the future of our industry.

Our goal is to provide the best single place for consumers to research and reach out to agents, to do this with high quality and at the lowest possible cost to the member agents.

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December 2009



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1

The way we were

*TO BETTER UNDERSTAND WHERE WE ARE GOING,
LET'S QUICKLY REVIEW OUR PAST.*

In the beginning, people who needed to buy or sell real estate knocked on the door of a broker's office to get advice and guidance.

As the industry grew, national, state/provincial and local associations were formed. Hand-written notes, and later, index cards and MLS books, were produced to describe properties. A new industry was born.

FAST FORWARD

Franchises sprouted in the early 1970s to bring independent brokers shared advertising, training and marketing. Independent brokers were introduced to the cost savings and marketing advantages of cooperation within a larger group. They would benefit from the shared "brand" and the successes of the others in the franchise.

The typical broker paid for all of the advertising and administrative costs and split the commissions earned 50/50 with the agents.

A SHOCK TO THE SYSTEM

In 1973, RE/MAX introduced a disruptive new concept. They would pay their agents 100% of the commission (which has since been reduced slightly) to attract top agents. The other brokers were forced to pay their agents more than the traditional 50% to compete.

The brokers took much less commission from each transaction, but charged their agents for advertising and for the services they provided. When agents became independent contractors, the relationship between the agent and the broker became much less close than it had been in the past.

Each new agent brought welcome fees and little additional cost, so brokers simply hired lots of agents. It became less important for any one agent to become successful, because every agent paid a fee regardless. An industry grew around selling advertising, marketing collateral, promotional items, coaching and other services to agents.

The MLS data stayed within the industry, so consumers understood that they needed to work with a Realtor® to get access to the MLS. The commission charged to consumers stayed the same.

Eventually, everyone adapted to this new way to share the revenue and got back to business.

A BIGGER SHOCK TO THE SYSTEM – THE INTERNET

In the late 90s, the internet became consumer friendly. Real estate associations at every level, franchises, brokers and agents put listings on the internet as quickly as they could. Listings were available

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THE WAY WE WERE

everywhere and that fueled the notion that real estate data was easy to access and free.

New companies found they could publish information helpful to the real estate consumer, attract consumer interest, and make money selling access to these prospective clients to agents. The lead sellers were born.

THE "USUAL" COMMISSION IS THREATENED

Some brokers thought they should help consumers get their listing information on the MLS for a low fee and sell other services on a fee-for-service basis. Other brokers thought they should offer a reduced level of service for less than the "usual" percentage commission.

The industry resisted these new ideas. The Department of Justice in the U.S. and the Competition Bureau in Canada became involved. After years of legal challenges, they resolved that commissions must be negotiable everywhere, and that access to the MLS cannot be restricted among association members.

The industry revenue model has been successfully challenged.

Now there is no practical way to restrict access to data and to support the "usual" commission model. In Canada, there is even some discussion of allowing the seller's contact information to appear on a listing, so that any prospective purchasers can deal directly with the property owners and bypass the agent entirely.

EVERYONE IS IN "REAL ESTATE" – THEY FIND LEADS, WE BUY THEM

Some retail web sites refer consumers to real estate agents who will rebate a portion of their commission if you buy or sell a home with them.

For example, on the [Sears Canada site](#), it says, "You'll work with a top real estate professional from a national real estate company or brokerage such as RE/MAX, Royal LePage, Sutton Group, Coldwell Banker, Prudential, Homelife or Century 21." It also says the agent must be getting the "standard" commission for his or her brokerage for Sears to facilitate a .06% rebate or discount.

These are well-known, full-service brokerages. The question consumers might ask is if Sears can sell a lead for enough to offer a discount or rebate and still make money, and if the agent with a well-known brokerage can deliver the service profitably after paying Sears, then is their "standard" commission higher than it should be?

The message this sends is that one agent is as good as any other, and that agents can work for much less than the "standard" charge. Companies like this use their size and influence to draw consumer interest and sell leads to agents.

Our industry revenue model has been successfully challenged, and there is no way to go back to the way things were.

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The future

The trend is pretty clear. Agent services will be unbundled and agents will be pressured to charge à la carte, or at least show more flexibility in their fee for “full service.”

The co-brokerage fee will attract increased attention as more brokers routinely rebate a portion of the buyer agent commission. Buyer rebates are legal in most areas now. It is only a matter of time before the co-brokerage fee goes away and the buyer will pay his or her agent, and the seller will pay his or her agent.

Buyers and sellers will also increasingly rely on information they find online to review agents. The internet will host the “word of mouth” referrals we have always relied on.

Recently Google shared its plan to promote property search on Google Maps. Google would index all the listings we put on the internet so consumers can get our data quickly and easily without having to search any of our industry web sites. Is it too big a stretch to think that sellers might soon be able to bypass the MLS entirely and put their own listings on the internet so they can be found in a Google search? Why would consumers go anywhere else?

SURVIVAL AT ANY COST

The revenue available to all levels of the real estate food chain has been seriously threatened - so, what happens now?

Some agents will decide it's not for them anymore and move on. This will help the remaining agents, as there will be fewer agents sharing the business available. However, the industry's bills are paid by agents and there will also be fewer agents working to pay the brokers, franchises and associations. So each agent has to pay more, or costs have to decrease, or there will be a revenue shortfall.

When there is competition in the industry for fewer dollars, everyone will do whatever they need to do to survive. You can be sure that no one will declare their organization unnecessary and go away.

All the organizations will try to improve their ability to attract consumers online. They will try to provide a service that agents will value and pay for. They will sell you leads.

ONE NEW IDEA

HouseLogic is a new consumer-facing web site, which you have paid for, that allows the National Association of Realtors (NAR) to engage consumers directly. NAR will allow Realtors to use some of the content on the site and will allow agents to link to HouseLogic. If the HouseLogic site is successful, it will become the trusted partner the consumer will turn to for advice and guidance, not you.

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THE FUTURE

Today, anyone looking for an agent on the HouseLogic site is referred to realtor.com, where they can search in the white or yellow pages to find an agent. Remember, you pay extra for premium placement here.

HouseLogic is offered as a service built “for the members.” If it wins the trust of consumers (including your clients, prospects and suspects) you’ll be paying for the leads.

NAR, or any organization, will not invest their assets to create value and then give it away for free.

DATA IS FREE

NAR has also announced the Realtors Property Resource (RPR). It is a complete database of residential and commercial properties in the U.S., which you are paying to develop. It is rich with community information and has the data needed to value, compare, and predict property values. RPR will only be available to members, although NAR and their partners can also sell the data. It sounds like a good thing and a great help to agents. But if RPR is a winner, my guess is that consumers will see it as another great free service they can get from any agent.

RPR and HouseLogic are good ideas and helpful to consumers. The RPR could become a very rich national MLS quickly and without much change. We need to put ourselves in the best position for these new services to help, not hurt the individual agent.

Data concerning home sales cannot be locked down. It starts with the consumer. It’s his or her information that we gather and call our own.

OTHER FALLOUT

As money gets tighter, franchises and brokers will change hands, go out of business, charge “junk” fees and increase agent fees (if they have not already) to stay afloat.

Local, state/provincial and national associations, franchises and brokers will all try to “lead” to stay in the game. It is the nature of organizations to get bigger – they do not willingly get smaller.

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Agents must become a more powerful force

The national associations, franchises, large industry web sites, Google and others have enough mass and content to attract consumers. Why would anyone go to an individual broker or salesperson web site when there is more and better content available elsewhere?

Everyone who can attract qualified consumers is in business to sell you access to those consumers.

You are the resource who actually does the work, and all of these groups want you to pay them for their “help.” They can do this because agents are all independent contractors – lone rangers.

We are a force of over one million independent professionals without any significant market influence.

So, what can we do?

FOCUS ON WHAT YOU CAN CONTROL

You cannot really control what NAR (or CREA in Canada) does. It isn't likely you can control your local association, your broker or the franchise your broker works with.

You *can* control:

- ◆ your clients' satisfaction with you and your service
- ◆ your reputation in your community and in the industry
- ◆ your advertising and promotion spend
- ◆ your enthusiasm and outlook (it's a decision).

AGENTS NEED OUR OWN BRIDGE

What if clients approached you, and there were no advertising bills or referral fees to pay?

The large stakeholders in our industry have built bridges between consumers and agents. They attract consumers, and when the consumer is ready to cross over and work with an agent, they ask you to pay for an introduction. They can do this because they are better able to attract clients than any one agent, and they have spent the money (often your money) to build the bridge.

Agents need to be able to address consumers widely, directly, easily, and at a low cost. We need our own, better bridge that delivers clients to us for free.

Why not? What if agents could cooperate with each other enough to promote a place where consumers can search to find the best agent for their particular needs and contact that agent directly?

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AGENTS MUST BECOME A MORE POWERFUL FORCE

The current thinking is that if you show consumers lots of listings and data that will draw their attention, they will somehow find an agent there. That really presents agents as a commodity.

I think consumers want to know how and where they can find a good agent. That's what they have always wanted to know, and if we can show them they will respond.

Together we can attract consumers by contributing good information that is not available anywhere else. You could tell consumers directly what you are better at than any other agent; show them how well you know the communities you serve, and how happy your clients are. You could tell them everything important to know about you.

The consumer and the agent are the important parties. Consumers know that the value is in the agent, not in the agents' affiliations.

Let's look at this simply - what do consumers and agents want?

CONSUMERS WANT:

- ◆ to find a skilled real estate agent
- ◆ to find an agent they can trust
- ◆ to pay fairly for the service
- ◆ an agent who knows the market
- ◆ one place to look for an agent.

AGENTS WANT:

- ◆ to find a serious client
- ◆ to find a client who trusts them
- ◆ to find a client who will pay fairly
- ◆ to be "the" agent for a market
- ◆ to be found easily and inexpensively.

ISN'T THAT IT? *Agents are the stars of the show. The associations, franchises and brokers provide important infrastructure, but they should be the supporting cast.*

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Our bridge

Agent Invitation is version 1.0 of the bridge that delivers clients to us.

Our goal is to provide the best single place for consumers to research and reach out to agents, and to do this at the lowest possible cost to the member agents.

AGENT INVITATION

Agent Invitation is a web site where agents like you invite consumers to review information that you post to help them find the right agent for their needs. The service is simple and straightforward:

- ◆ We do not use complicated algorithms and scoring systems to rate agents – your clients tell us how satisfied they are with you and your services; that’s the only rating that matters.
- ◆ Great client satisfaction will help you build your referral practice online much more quickly than you can do it offline.
- ◆ You can include links to your web site or blog for further information.
- ◆ There is no paid “preferred agent” status.
- ◆ You can post material about the communities you serve to help consumers understand new areas anywhere in the U.S. and Canada and to show off your knowledge of the local market.
- ◆ A buyer moving to your area can research your information and client referrals, and contact you directly.
- ◆ You can differentiate your services and tell everyone why working with you is their best option.
- ◆ We outline how commissions work (as many of your competitors will or already do) so consumers know that you are open, up-front, and trustworthy.
- ◆ Consumers can outline their needs and ask for proposals from agents before they interview agents face to face.

Agent Invitation is built for you. It relies on the collective power of agents. It costs you no part of your commission, and if everyone pays a small monthly fee, we can easily operate, support and improve the service as needed.

If enough agents join in, we will have the mass needed to attract consumers and become a valuable resource for consumers and agents.

We can generate our own market influence.

JOIN IN AND BOOST YOUR ONLINE PRESENCE

Increasingly, buyers and sellers are looking online to find an agent. Many agents have a web site, some blog and “tweet,” but may not be certain if or how this helps build their business. Agent Invitation will help you attract new business just like word of mouth does today, only faster and with many more people receiving your message.

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OUR BRIDGE

Agent Invitation is an attempt to return to the things that are important and seem to have been lost – to build respect and trust through professional conduct and superior job performance, not your search engine ranking or the amount you are willing to spend on leads or advertising and promotion. It reflects that agents are not all the same, and that we all have unique abilities and interests that consumers need to know about.

I hope that you will have a look and let me know what you think, including how you think the site can be improved.

We need a significant number of agent members to have some influence over our future, reduce our advertising and promotion cost, keep more of our commissions, and attract clients that like and trust us. Make Agent Invitation part of your marketing mix now, and with your support it will quickly become very valuable to us all.

I encourage you to sign up today at [Agent Invitation Inc.](#), and please tell a friend.

Respectfully,

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December 2009
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ABOUT DON STEWART

Don Stewart is a licensed real estate agent and the founder of Agent Invitation. Prior to his real estate sales career, Don was in the computer industry where he led sales, marketing and technical organizations in Canada, the U.S. and Asia Pacific.

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