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FIRST PERSON

OUR ANNIVERSARY

REAL TRENDS IS CELEBRATING 30 YEARS

The first edition of REAL Trends was released on May 1, 1987. So, this edition is the first edition of our 30th year as the leading trends publication in the residential brokerage industry.

by Steve Murray, publisher

Things have changed—and not changed—since that first edition, which covered the formation of a new network of independent brokerage firms called AmeriNet. That network ultimately morphed through multiple ownership changes into a part of the Leading Real Estate Companies of the World. It's funny to think how the world has stayed remarkably similar over the past 30 years. Independent brokers sought their own network and made it come true.

Continued on pg2

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In 1987, there were over 800,000 Realtors® in the United States and that year, the industry would close 4.1 million new and existing home sales. Essentially, when you look at the numbers, the total number of Realtors has increased about 50 percent in that time, as has the number of closed housing sales. We don't know whether there is something useful in this small piece of data, but we found it curious.

In that same issue, it was announced that Amway was entering the real estate industry. So, crazy new threats were happening even then. The Sales and Marketing Management Institute said that online shopping for homes through television was the hot, new trend. Prudential announced its entry into residential brokerage. The ten least affordable markets in the country included New York and Boston (average prices were $163,900 and $163,600 respectively), but the most expensive market, with an average price of $169,800, was—you guessed it—Salt Lake City, Utah. Amazing.

THE MOST EXPENSIVE MARKET, with an average price of $169,800, was—you guessed it—Salt Lake City, Utah. Amazing.

NAR had commissioned the Arthur D. Little Consulting firm to do a long-term study of the residential brokerage market. Here are a few of their conclusions:

"As much as 80 percent of the volume of residential brokerage business in major metropolitan areas will be controlled by national, regional or local cooperative organizations, including relocation cooperatives, whose names are advertised on the signage of affiliated firms, or national and regional franchise firms or large publicly held real estate firms."

Well, that one didn't quite pan out!

"Electronic advertising almost certainly will be tried and very likely will be economically viable."

They got that one right, although some would argue as to whether they are economically viable. Even in the late 1980s, someone saw the Internet or something like it coming.

It's fun and interesting to take a look back once in a while. Over the next year, our 30th, we will examine some of the hot trends of years' past to see just how much actually came true.

RECRUITING SECRET

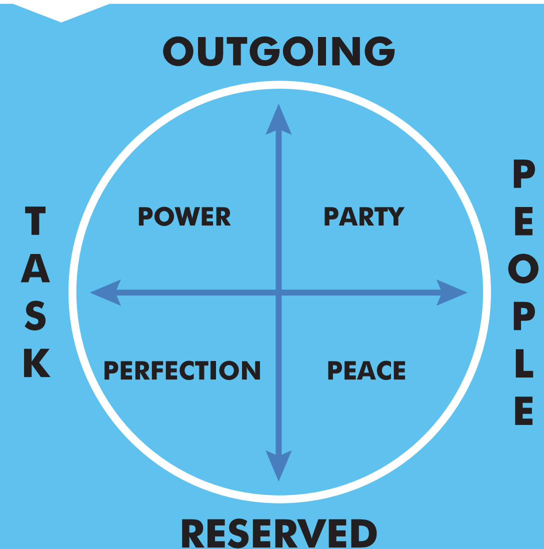
THE PLATINUM RULE

Treat others the way they want to be treated.

By Larry Kendall, chairman of The Group, Inc. and author of Ninja Selling

Top sales people come in all shapes, sizes, and personalities. A *one size fits all* recruiting strategy is doomed. For many managers, their strategy is to recruit the way they want to be recruited. In essence, they are practicing the Golden Rule: treat others the way you want to be treated. We find the most successful recruiting managers practice the Platinum Rule: treat others the way they want to be treated.

You can discover a recruit's personality, motivation, and decision strategy by asking questions and observing his or her behavior and body language. Notice whether he seems to be outgoing or more reserved. Is she more people (relationship) oriented or task (bottom line) oriented? These two dynamics form the four basic personality types as shown below.



Power People are task (goal) driven. They want to know if you have a system to help them achieve their goals. They like staff support and systems. They are bottom-line, results-oriented sales people. They are focused on their future and impatient to get there. They do not like a long, drawn-out, multi-interview process. When they are ready to go, you better be ready to hire them.

Party People are all about the relationship. Do they like you? Do they have friends in your company? Their key driver is fun. Will your company be a fun place to work? They often comment that their old company is no fun anymore. Meet with them at a bar, restaurant, or golf course. Have fun with them. Perhaps bring along their friends who work in your office. Focus on your culture, people, parties and activities. Party people are not detail oriented and will appreciate your staff systems, so focus on your support for them. They love attention. They are impulsive. If it feels right, they do it.

Peace People are risk avoiders who don't like change. As a result, they are the most difficult to recruit. In your office, they are also your most loyal team members. They want everyone to get along and are a stabilizing influence as they work hard to keep the peace. They want stability and a manager/owner they can trust. They are very slow decision makers and move away from their existing company rather than moving toward a new company. They leave their current company because of instability or their loss of trust. Be their choice (stability and trust) when they are ready to move.

Perfection People are seeking the perfect company. The space where you interview them needs to be neat and perfect. Any printed material needs to be perfect. Your emails with them need to be perfect. They will ask a lot of questions about your numbers and systems. They are slow decision makers and may build a spreadsheet comparing various companies. They love data and want to be the source of real estate knowledge for their clients. If you can help them do this, they will want to join you.

As you can see, one strategy does not fit all the personality types. Practice the Platinum Rule, and you will experience greater success in your recruiting and managing of your team members.

ASSESSING YOUR BUSINESS PLAN

IS YOUR BROKERAGE SUCCESS SUSTAINABLE?

By Maggie Hall, Communications Manager at Lone Wolf Real Estate Technologies

When you started your business, you likely had a business plan, a vision for growth, a goal you would work to achieve through the success of your real estate brokerage. As the years have gone by, your business plan has been your guideline. You may not keep it on your desk for daily, weekly, or even monthly review, but your business plan is a living, evolving document that needs your attention—reviewed, evaluated and tweaked as you grow.

Evaluating the core components of your business will provide insight into how your business is performing and how you can modify your plan to stay on track and continue your success. Consider how your brokerage performed last year. Was it a record year with your brokerage's highest sales volume to date? Did your agents surpass their goals for units sold? Were you able to recruit those agents you've been eyeing? Maybe this past year was not as successful as you had planned. Regardless of how your business performed last year, you need to consider if your business plan is still sustainable. Evaluating your business's success will provide insight into how you can tweak your business plan for future sustainability.

Here's a look at some key areas of your business that you can review, evaluate and tweak to help you stay on track for success and sustainability.

Brokerage Technology – The Backbone of Your Operations
The technology you use in your office determines how your brokerage operates, which greatly influences the sustainability of your business. Your brokerage technology likely consists of accounting, communication, document management and website solutions, among others. Each of these technologies needs to demonstrate its value to your business through the ability to streamline processes and improve operational efficiency.

If you don't have visibility into the effectiveness of your brokerage technology through reports, quantitative and qualitative data, how do you know if it works for your business's needs? If your agents are more productive since the implementation of a document management platform, if your office staff are more effectively communicating with your agents through your front office platform, if your agents are getting more leads since you purchased your new website, chances are your technology is doing exactly what it should be doing—working for your business!

AGENT RESOURCES – TOOLS TO DO THEIR JOB BETTER

The success of your agents plays a huge role in the success of your brokerage. This means that you need to ensure your agents are happy and motivated to work for you. After all, your agents chose to work for your brokerage above your competition. Maybe they trust your brand; they like you as a leader, or they like the commission split you have in place. You need to support your agents' business just as much as you support your own.

What else can you do to keep your agents working hard for your business? Give them access to the tools they need most when they're not in the office. The majority of your agents are working from a home office or in the car between showings. If you work hard for your agents by giving them access to all the resources they need to close a deal, they'll be more likely to work hard for you.

PARTNERSHIPS – SUPPORTING OTHER BUSINESSES TO GROW YOUR OWN

The real estate industry doesn't offer the same type of repeat customers on which other industries thrive. The sales cycle is simply too long when it comes to how often consumers buy and sell their homes. This means that to remain sustainable, you need to maintain relevance.

Industry partnerships are a great way to maintain relevance in your community and the industry. Many of your agents would refer a home inspector or mortgage broker; why not feature those companies on your website? Not only are you making it easy for your agents to refer their clients to helpful resources, but you'll increase your brand presence in the community and build relationships that can lead to more referral business.

DECISION-MAKING – PROACTIVE VS. REACTIVE

Often decision-making is done reactively, the situation has already presented itself and now requires a decision for the next step. As a proactive decision-maker, you can foresee the situations that will arise through your planning and make decisions based on the information you have. When the situation arises, you've already made the decision and can tweak it as needed to fit the exact scenario.

Decision-making is vital to the sustainability of your business. Proactive decision-making is even more crucial. Planning ahead, foreseeing your projected growth and

If you're using resources that aren't working for your business, if your agents aren't as productive as you know they can be, if you do not see a return on your investments in technology, maybe it's time to reconsider your business resources and your sustainability plan.

working to achieve your business plan will help you build a sustainable business.

These are just a few key factors that contribute to the success of your business. Keep each of these in mind as you evaluate and tweak your business plan. And remember, Albert Einstein once said, "Insanity is doing the same thing and expecting different results." If what you're doing in your business is working, then, great, keep the momentum going! But if you're using resources that aren't working for your business, if your agents aren't as productive as you know they can be, if you do not see a return on your investments in technology, maybe it's time to reconsider your business resources and your sustainability plan.

Maggie Hall is the Communications Manager at Lone Wolf Real Estate Technologies. With a background in Public Relations, Maggie has worked in the real estate industry for more than eight years, including roles with the REALTORS® Association of Edmonton and the REB4 Group.

For more information on Lone Wolf Real Estate Technologies visit www.lwolf.com or call 1.866.CRY.WOLF(279.9653).

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REBECCA ROSE, CEO,
STUDEO, TORONTO CANADA

FOCUSED ON GROWING HER BUSINESS

Learn from leaders where tomorrow's opportunities and threats lie.

By Steve Murray, publisher

"Even when I was young, I was interested in two things—classic, elegant design and the future. While others my age were interested in the things of their youth, I was thinking about the future—what I could do, where I could go, what the next horizon held," says Rebecca Rose, CEO of Studeo in Toronto, Canada.

"The first taste of my creative side was work in developing documentary films. In a funny way, this has translated into my work in residential real estate marketing. [It taught me] how to help an agent tell the story of a home," she says.

Rose doesn't waste much time in her life. At one point, she was finishing a master's degree, launching her new company and settling into a new marriage. She said her first exposure to housing was when she and husband Nir found a condo to purchase. Given her design and creative background, she found the marketing efforts and presentations for homes for sale to be bland. Out of that, and other experiences interacting with homes for sale, came the idea of her online design firm, Studeo.

We asked her about the challenges of launching a real estate marketing/technology firm. "When you start a firm, of course, you are doing everything from product development, marketing and sales to accounting, overseeing design and delivering on customer service. You have to be a jack of all trades. Fortunately, my husband is a bright guy and is someone with whom I can share ideas. Having someone to talk to about how to build a company and how to design a business is extremely helpful."

Rose says that she is now up to several hundred agents using her online marketing tools and has a team of nearly a dozen people helping her. "Once you start growing, you have to be selective about bringing in talent, integrating them into your organization, and letting go of those areas. While my passion is designing beautiful marketing concepts, I now find I am focused more on marketing and selling our services and growing the business. As the leader of our company, that is the highest and best use of my time. After all, if I can't sell our services and products, then who else can? It's fun to focus on one role rather than do everything.

Rose doesn't waste much time in her life. At one point, she was finishing a master's degree, launching her new company and settling into a new marriage.

She said that finding talent is now one of her biggest challenges. "We're not interested in finding just a salesperson; we want to find someone who really gets what we are doing, shares our passion and fits with our culture. I think that once you reach our stage, where we are set to grow substantially in the next few years, you constantly have to re-prioritize your time into building the organization and spend less time selling, designing products or in other areas."

When asked about how she sees the opportunities unfolding for her and her firm, she said that more agents are looking for an edge in how they present themselves and their properties. She believes that great design with a focus on telling a story about a house is a great way to do that.

INDUSTRY NEWS

THE EARLY 2016 HOUSING MARKET

Housing is strong for the first quarter 2016

By Steve Murray, publisher

Results from the January through March quarter show that housing sales are far stronger than had been expected when forecasts were released in 2015. The first quarter saw double-digit unit sales increases when low single-digit rates were predicted. This is, of course, great news for the business.

Even better, from our point of view, is that price increases across the country remain muted. In the first quarter, the average price of homes sold was up about 2.4 percent from the same time a year before. We think these muted price hikes indicate that, while there is a shortness of inventory in many markets and reports of bidding wars persist, for the most part, buyers, lenders and appraisers are keeping a lid on the increase in prices. Along with the 2.5 to 3.0 percent increases in household incomes, it bodes well for the industry in the months and years ahead.




THE SECRET LIVES of Real Estate Professionals

Spill the Beans and Win a 4-Night Vacation!

REAL Trends knows that real estate professionals have lives that are about more than contracts, open houses and virtual tours. There's a whole secret world that we want to uncover!

Perhaps you moonlight as a guitarist in an AC/DC cover band (Angus Young, anyone?), or you were a guitarist in a top band. Perhaps you have a coveted spot in the Guinness Book of World Records for the longest motorcycle ride by a team. Yes, a real estate professional really does hold that record!

If you've got an interesting, dangerous, funny, compassionate or crazy passion or hobby outside of real estate, REAL Trends wants to know all about it. Real estate is about connections, and we want to connect with you on a personal level. Submit your story by June 30, 2016. The winner will receive an all-expenses paid vacation to beautiful mile-high Denver, Colorado (home of the corporate office of REAL Trends), including up to four round-trip coach airfare, one hotel room for up to four nights, four tickets to some of Denver's top tourist attractions (winner will choose two attractions from our list), a gift card to a premier local restaurant and four Denver Broncos NFL jerseys.

Deadline for Entries: 6/30/16
Winner Announced: 7/14/16

See Official Contest Rules at www.realtrends.com

CRAIG OWEN, GRI, CRS, ABR

VICE PRESIDENT AND BROKER
KELLER WILLIAMS HERITAGE
SAN ANTONIO, TEXAS

Craig Owen has been ranked as one of the top brokers and team leaders in the Keller Williams Realty system for the last five years, with sales tallying over $1 billion in 2007. Before moving into a leadership position over six years ago, Owen sold more than 1,200 homes and was publicized as one of the top agents in the city by the *San Antonio Business Journal,* not to mention Keller Williams National ranked him has one of the top mega-agents in the country.

REAL Trends interviewed Owen about his brokerage.

RT: Tell us about your path to real estate.

Owen: My mom was a real estate agent. I started when I was 19 years old, straight out of high school. I took a couple of semesters of college, but my mom encouraged me to try real estate. It took me a year to sell my first home. I have a passion for helping others and that has been helpful. I joined Keller Williams in 1996 and one of my mentors was Mark Willis.

My mom adopted me as a baby, but I met my birth mother when I was 30 years old. She was also in real estate and a top agent in Memphis. That both of them were in real estate was a fortunate coincidence. I guess it's my calling. My [adoptive] mother had an unconditional love for people, and that had a profound effect on me.

RT: Tell me one lesson learned when building your brokerage.

Owen: Every time I have to be right, I have to make someone wrong, and when that happens, it's hard. We are emotional beings, so I have to teach myself and my agents to be careful not to let pride and ego get in the way of making decisions. I have to remember always to be a servant leader and try not to make other people wrong.

RT: What was the biggest professional challenge you faced when building your brokerage?

Owen: It's always a challenge to continue to add value so that the agent never has to leave your brokerage. That's a big thing for me. I want to do as much as I can to make this an office that no top producer will ever have to leave and you do that by collaborating with the agents and teams.

RT: Based on your experience, what is the one thing you did with your brokerage that changed the trajectory of your business? What was the turning point from success to major success?

Owen: Our turning point was when we truly recognized that all of our effort and focus should be on hiring top producers and building systems and models for those top producers. It's important to have the right people in the right positions. I need people who can help get our agents what they need. I need them to care.

I want to do as much as I can to make this an office that no top producer will ever have to leave and you do that by collaborating with the agents and teams.

Fun Facts About Craig

Three things he can't live without (other than family and friends):
A good glass of wine, laughter with my buddies and a weekly golf game

Family:
Craig and his wife Isabel have five children: Cameron, Caitlin, Chandler, Cary and Callyn

Inspiration:
Servant leadership is my life-long goal. To help others be the very best they can be gives me the most satisfaction in life.

Helping Hand:
Craig believes in giving back to the community and has served in different capacities for KW Cares, Methodist Mission Home, Hearts and Hands, Agents Helping Agents, American Red Cross and SAMS Shelter.

PHH CORP. VS. CFPB CASE

RULING COULD SHAPE CFPB ENFORCEMENT AUTHORITY

In 2016, a U.S. Court of Appeals will rule on an appeal of a controversial Consumer Financial Protection Bureau (CFPB) administrative decision under RESPA.

By Sue Johnson, strategic alliance consultant

The case, *PHH Corp. vs. CFPB,* started in 2014, when the CFPB filed an administrative action before an Administrative Law Judge (ALJ) claiming that PHH violated RESPA by receiving kickbacks from mortgage insurers to its captive reinsurance subsidiary, Atrium. A ruling on this case potentially could shape CFPB enforcement authority under RESPA and the Dodd-Frank Act for the foreseeable future.

PHH argued that Section 8(c)(2) of RESPA exempts payments in exchange for the fair market value of services actually performed, and cited a 1997 letter by HUD (RESPA's previous regulator) saying that captive reinsurance arrangements are permissible under RESPA as long as the payments fall under the Section 8(c)(2) exemption.

The ALJ held that PHH *could* claim Section 8(c)(2) as a defense, but ruled that many of the premiums received by PHH were illegal kickbacks and did not qualify for the RESPA exemption. It granted injunctive relief and ordered PHH to disgorge more than $6 million in damages.

PHH and the CFPB enforcement division both appealed this ruling to CFPB Director Richard Cordray. On June 4, 2015, Cordray affirmed the ALJ's findings that certain premiums were illegal kickbacks. But, in a dramatic departure from longstanding RESPA interpretations, he also ruled that Section (8)c)(2) is not a RESPA exemption and that a RESPA violation occurs if a payment is made with an understanding that referrals

will follow—*even if the payment is for the fair market value of the service*. He disregarded the contrary 1997 HUD letter as being inconsistent with RESPA, ruled that the three-year statute of limitations does not apply in administrative proceedings, and raised the disgorgement penalty from $6.4 million to $109 million.

PHH asked the D.C. Circuit Court of Appeals to stay the CFPB's action, which it did in August 2015. The Court is expected to rule by the end of 2016.

IN A DRAMATIC DEPARTURE from longstanding RESPA interpretations, Cordray ruled that Section (8)c)(2) is not a RESPA exemption.

WHAT'S AT STAKE

The legal and constitutional issues in *PHH Corp. vs. CFPB* are plentiful, but here are just two questions which the Court has been asked to address on appeal.

CAN THE CFPB GUT RESPA'S "FAIR MARKET VALUE" EXEMPTION?

Cordray's ruling that Section 8(c)(2) of RESPA is not an exemption flies in the face of the RESPA statute, regulations and case law. But it is consistent with the position taken in recent CFPB enforcement actions and with its October 2015 Bulletin on Marketing Services Agreements (MSAs) *(see March 2016 issue of REAL Trends)*. If the Court does not reject the CFPB's interpretation, the CFPB likely would feel free to continue subjectively to scrutinize MSAs, office leases and joint advertising agreements based on whether or not it believes payments are tied in any way to a referral of business.

Moreover, the Section 8(c)(2) exemption is only one of several exemptions that Congress provided under Section 8(c) of RESPA, provided certain conditions are met. Others include "payments pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and brokers" and returns on ownership interest in an affiliated business arrangement. If the Court allows Cordray's interpretation of Section 8(c)(2) to stand, one can legitimately wonder whether the CFPB will feel free in the future to retroactively limit other Section 8(c) exemptions that have been consistently applied by HUD and the courts and extensively relied upon by the industry.

CAN THE CFPB BYPASS RESPA'S THREE-YEAR STATUTE OF LIMITATIONS?

The Dodd-Frank Act allowed the CFPB to bring actions in court or by an administrative proceeding, and set a three-year statute of limitations for the CFPB for "actions brought by the Bureau." Both the ALJ and Cordray ruled that the term "actions brought by the Bureau" mean civil actions, not administrative proceedings. Cordray used this interpretation to expand the time period of the alleged violations, which helped him to justify the dramatically increased disgorgement penalty against PHH.

If this ruling is not overturned, the CFPB could avoid the three-year statute of limitations simply by bringing its enforcement actions through administrative proceedings, subjecting the industry to extended look-back periods for alleged violations and corresponding higher penalties—not only under RESPA, but under any of the 19 statutes it enforces or under its powers to enforce against "unfair, abusive or deceptive acts or practices."

OUTLOOK

The D.C. Circuit Court of Appeals ruling in *PHH Corp. vs. CFPB* has the potential to further encourage the CFPB in its aggressive and retroactive RESPA rulings or to temper its actions. When it is announced, this first-ever appellate decision involving a CFPB enforcement action definitely will be worth a read.

MERGERS AND ACQUISITIONS

UNDERSTANDING DEAL TERMS

We explain the terms most often used in a merger or acquisition.

By Steve Murray, publisher

Most brokerage owners don't routinely use deal terms when buying or selling a brokerage firm. While they understand negotiating deals and pricing, they haven't dealt with things like the difference between an asset purchase and a stock purchase, or what non-competition and non-solicitation agreements mean. It's important to understand some basic concepts in these two areas.

A warning: We are not attorneys nor are we tax experts. However, having participated as an advisor on nearly 700 sales or purchases of realty firms, we have some familiarity with these issues. In each case, someone buying or selling a brokerage firm should always consult his or her corporate attorney and get tax advice.

ASSET PURCHASE VS. STOCK PURCHASE

First, almost all brokerage firm buyers will only buy another brokerage firm through an asset purchase. They are buying specific assets of the seller, normally including listings and pendings as of the close date, furniture, fixtures and equipment pertaining to the brokerage firm being purchased, trade names and electronic addresses, independent contractor agreements and a reasonable non-compete, non-solicitation agreement. Purchasers may also assume certain liabilities, such as office leases and equipment leases.

Purchasers desire to use an asset purchase for two main reasons. First, in not buying the stock of a firm, they are limiting their future liability from claims that may arise after the purchase. They are only buying specific assets, not the company, and the seller retains the ownership of the legal entity and must deal with any residual issues. Secondly, there are some tax advantages available to purchasers when buying assets instead of stock. These vary significantly, so it is only sufficient to know that this is the case.

For Sellers, the sale of stock seems more advantageous from a tax point of view and many times it does result in a lower tax rate on the proceeds from the sale. However, when purchasers are compelled to purchase stock, losing their own tax advantages and having to assume more liability, they will generally also lower the price they are willing to pay. Further, a purchaser may require much stronger indemnification, representations and warranties when choosing a stock purchase versus an asset purchase.

The bottom line is that virtually all purchasers will choose to purchase another brokerage firm through an Asset Purchase rather than a Stock Purchase. And, if, through some legal issues, they are compelled to acquire through a Stock Purchase, they will lower the price and terms paid versus what they would pay to do an Asset Purchase.

When a seller sells his or her business to a purchaser, accepts payment of the funds, essentially takes the deal, then he or she should always honor the agreement and avoid competing or soliciting agents or employees from the former firm. **YOU TOOK THE DEAL, AND YOU SHOULD LIVE WITH THE TERMS,** in fact and spirit.

NON-COMPETE AND NON-SOLICITATION

I cannot recall at any time where any sellers of brokerage firms didn't have to enter into a non-compete and non-solicitation agreement with the purchaser. These agreements are legal and, in many jurisdictions, binding and will be upheld in most cases. Again, each state and jurisdiction has its own view of these agreements. Your counsel will be better able to describe the situation in your area.

The non-competition usually means a seller cannot invest in, work for, consult with or otherwise aid and assist any similar firms within a certain described geographic area. Frequently, the geographic area covered under a non-compete, non-solicitation agreement is a county or certain counties in a state or may be described by, for instance, "50 miles from any office currently operated by the Seller." Non-solicitation agreements or clauses are usually a part of the non-compete agreement and often more specifically cover the solicitation of agents, employees and/or clients and customers of the firm that they have sold. Again, it will be for a specific geographic area.

Many wonder about the length of time that a non-compete and non-solicitation runs. Most frequently we see purchasers requiring no less than three years from the date of closing or two years after a seller departs the purchased company, whichever is longer. However, it's far more common that these run no less than five years from closing or two years after departure, whichever is longer. Both HomeServices and NRT require five years from closing as a minimum, as do some of the larger, privately-owned buyers.

When we are representing a seller, our clients often ask if these agreements are truly binding. As we said earlier, you should seek counsel for a definitive answer. However, in our experience, the non-solicitation portion of a non-compete agreement is virtually always upheld in the courts where we have been called to testify. Certain portions or all of the non-compete agreements are also upheld frequently, again depending on the jurisdiction where one operates.

To us, what is far more important is that when a seller sells his or her business to a purchaser, accepts payment of the funds, essentially takes the deal, then he or she should always honor the agreement and avoid competing or soliciting agents or employees from the former firm. You took the deal, and you should live with the terms, in fact and spirit. For the most part, in our 29 years of working on these kinds of deals, we have found that the men and women of this industry respect the deals they have made.

IDAHO BROKER MANAGES TEAMS USING CRM TECHNOLOGY

An interview with Charles Nitschke, Chief Marketing Officer, The Tomlinson Group/Tomlinson Sotheby's International Realty in Coeur d'Alene, Idaho

In real estate since the 1990s, Charles Nitschke has managed several successful teams using Top Producer. Now, he's using it on a larger scale.

You've always been a Top Producer user, but you are now using this system in your Sotheby's office. What brought about this change?

Nitschke: I've managed several high-volume teams over the years, and Top Producer has always been a critical component in keeping those businesses running by giving the agents the right information at the right time to perfect more transactions. There is a ceiling where, if the client isn't ready to go today, you run the risk of forgetting about them if you're not using a system.

> **THERE IS A CEILING WHERE,** if the client isn't ready to go today, you run the risk of forgetting about them if you're not using a system.

At Tomlinson Sotheby's, we had been looking at CRMs for the last three years. Many of the agents knew they needed a tool to manage the volume of business they were doing. With the recent integration of Five Street and Top Producer, we suddenly had a tool that provided a huge opportunity for agents who didn't have experience using databases and CRMs to start using one. It also provided the depth and customizability for our agents who had very sophisticated practices and were starting to build teams. It's insanely accessible.

How were things managed previously, and what will change in terms of how consumers are responded to?

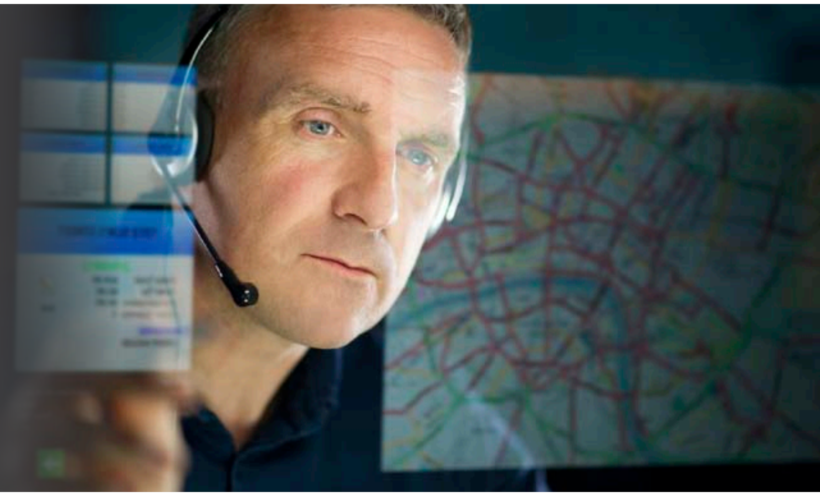
Nitschke: Before the adoption of Top Producer and Five Street, the company had a lead routing system but each of the agents was on their own when it came to implementing a system for follow up. We had half of the problem solved using the lead routing system, so we were able to crack down on the first response, and manage and see from where leads were coming. The lead routing component allowed us to get much better at closing the time-to-first-response gap, but it didn't help with the problem of keeping large numbers of clients at different stages of their home buying or selling process properly engaged over long periods of time.

So, you are factoring conversion rates into a bigger evaluation of your online marketing? What is your goal for conversion?

Nitschke: Over the last few years, the price of acquiring leads has skyrocketed. At the same time, the quality of the leads has diminished, primarily due to the plethora of vendors that have oversold the market. If you look at the charts, the total number of transactions has remained fairly steady, but the volume of leads has gone nearly vertical.

Having Five Street and Top Producer gives us a way to measure where the leads are coming from and what the return on investment is for each vendor so that we can make better decisions about where we spend our marketing dollars. With the implementation of Top Producer and its follow-up systems, giving our agents

I DON'T THINK ANY REAL ESTATE PRACTICE can afford to miss too many opportunities before it starts having a profound effect on the bottom line.



the ability to stay in regular communication with the client over long time frames, I believe that we should see a significant increase in conversion. I don't think doubling our conversion rate would be out of line.

Looking at the other side, how much can you stand to lose with a missed opportunity, particularly in the luxury market you serve? In your opinion, are these buyers and sellers more patient or less patient when they don't get immediate attention?

Nitschke: I don't think any real estate practice can afford to miss too many opportunities before it starts having a profound effect on the bottom line. The difference when you get into the luxury market is that a single transaction can have a profound effect on an agent's annual income.

Clients in the luxury market tend to have high expectations for service and time is one of their most valuable assets. While we were in the process of implementing our last lead routing system, I was able to witness a high-net–worth international buyer call the listing agent about a property while she was in a listing appointment. In the 15 minutes it took the agent to get back to him, the client had already called the next number on the ad, which thankfully was the office number, and had started a relationship with the floor agent. This client bought two properties in excess of $1 million with our firm, one property that was listed with the agent who missed the first call. Had the second agent not been available and attentive, the buyer may have purchased the same properties, but our office most certainly would not have gotten the opportunity to represent the buy side.

Do you lead with your strong follow-up systems when you are recruiting new agents?

Nitschke: As a Sotheby's office, we have access to some of the best marketing tools in the world. In the past, we couldn't promote follow-up systems as a competitive advantage when recruiting. Now that we've implemented Top Producer and Five Street, we have access to some of the best training and support in the world for those two products. That support and training, combined with our existing marketing assets and strong brand recognition, will definitely be a compelling offering to agents who are looking to either break into the luxury market or have a support team to help them grow their business.

Once you have lead capture and conversion under control – what's next? What other challenges are you preparing for in 2016?

Nitschke: With a solid infrastructure in place and a platform for managing growth, the rest of 2016 will be focused on delivering better ways to showcase our clients' homes and engage buyers coming in from all over the world. The last few years, we've focused on photography and fantastic copy. In 2016, the next step is video and computational photography, such as using Matterport virtual tours.

We want our clients to get the best follow up, our sellers to have their homes showcased using the best technologies available and our agents to be able to manage these opportunities and grow their practices. I think we now have the right partners and tools to get this accomplished.

IMPORTANT UPDATE

THE IMPACT OF ONLINE DIRECTORIES IN REAL ESTATE

Early successes from updating online directories.

by Travis Saxton, vice president of technology

In the January issue of the REAL Trends newsletter, I wrote an article about the impact of online directories in real estate. (Read it: The Impact of Online Directories). If you haven't read the first article, we encourage you to do so.

We were in the early stages of implementing our new platform when we wrote this article. While it takes a few weeks to get reporting on updating online directories, we've seen some early successes.

One of our clients went from an average of 260 weekly Bing searches to nearly 900 weekly Bing searches in a few months. Imagine the impact you can have on your real estate business if you perfectly optimize more than 75 different sites, including Google.

Based on our findings, we ranked several popular areas in order of importance to your online presence. While this is our opinion, it's backed by some credible evidence and research.

RANKING TOP ONLINE OR DIGITAL MARKETING AREAS

1. **Your Website.** Obviously, it's hard to do business without one.
2. **Your Online Directories.** Think about this, according to the REAL Trends Online Performance Study, nearly 51 percent of your web traffic comes from search. While search includes many of the big-name sites, such as Google, Yahoo, and Bing, it likely doesn't include all of the sites that are lesser traveled but still important like Tom Tom, Mapquest, Yellowpages and Local.com. So, nearly 60 percent of your traffic likely comes from this area.
3. **Listing Portal Presence and Marketing**
4. **Digital Advertising Like SEM, Remarketing and more**
5. **Social Media Presence and Marketing**

The last three categories are interchangeable as it depends on your preference. Some people who are good at social could rank that third and listing portal presence last. Listing portals are a must for some; while digital marketing is a must for others. It all depends on how you are structured. What is not up for debate is Nos. 1 and 2 on this list. They are immensely important.

The original article eluded to a growing problem with online directories. We have a quick, powerful, inexpensive solution that can impact your business. REAL Trends Online Reputation Management Tool will lock in, via a direct API connection, the perfect online business citations for all of your offices, which is great for SEO. We can also monitor reviews from popular sites, such as Yelp, Facebook and more—all in one dashboard.

Interested in learning more? Contact us at tech@realtrends.com.

NEARLY 51 PERCENT of your web traffic comes from Online Directory Seaches.

TURNING YOUR LEADS FUNNEL UPSIDE DOWN

The ability to target a specific audience with a message equips marketers with an effective approach to pinpoint marketing.

By Paul Salley, marketing strategist

Many real estate professionals are familiar with a farming technique or lead generation technique that relates to a funnel or pipeline. The idea is to blanket as many people as possible with your advertising message and nurture those that respond into qualified leads. Or, to organize those that respond into categories of readiness and nurture them accordingly. This has been a proven safe, but often slow, classical approach to selling and maintain-ing a pipeline. Strategic, targeted digital marketing makes this classical method look archaic in comparison.

Thanks to advancements in marketing technologies, real estate professionals can start the prospecting process in reverse. The ability to target a specific audience with a personalized message equips marketers with an effective and proven approach to pinpoint marketing.

Audiences are classified and defined by demographic and behavioral filters that online platforms provide. A sample of a few of these platforms is Facebook and private display networks that act as a stock exchange for ad space across the Internet. The way Facebook provides targeted audiences is simple, advertisers can simply pull from the detailed profile information Facebook users readily provide when they create and maintain a Facebook Profile. Display networks are able to determine user information based on their geographic location provided by their IP addresses and information gathered from their browsers in regards to what their interests are and other information that has been collected. The power of this information allows marketing to take on a sophistication and proven ROI that has never before been possible. The days of targeting the masses and hoping your message will be relevant to a portion of the population that will respond to that message are over. Marketing now should be going directly to those who you know will respond to your messaging. This allows real estate professionals the ability to target a specific audience with the appropriate messaging with the advanced knowledge and assurance that the message they are approaching the target with is relevant and will elicit a response. Becoming accustomed to this new way of marketing, real estate professionals are able to turn their sales funnels upside down and start immediately connecting only with those who are proven to have an interest in buying or selling a home. This refined process is more cost effective and drastically reduces the time it traditionally takes to nurture a lead along until they are ready to take action.

LOOKING BACK; LOOKING FORWARD

This month's REAL Trends marks the start of our 30th year. One of the goals we have is to select a few trends that seemed important over the past 30 years and examine whether or not those predictions panned out. We want to know whether or not they came true and did they have the impact that con-ventional wisdom assumed back then? In addition to being entertaining, we may get some clues as to what was less critical than we thought at the time. You'll see some examples in our First Person department this month.

Looking Back at 1987

Gallon of Gas: 89 cents
1 lb. of Bacon: $1.80
U.S. Postage Stamp: 24 cents
Dozen Eggs: 65 cents

1987:

"Mr. Gorbachev, tear down this wall." - President Ronald Reagan requesting the elimination of the Berlin Wall.

Roland Blunck/iStock

"This is your brain... This is drugs...This is your brain on drugs."

Best Film Oscar Winner: The Little Emperor

SPECIAL REPORTS FROM REAL TRENDS

We've released the 2016 REAL Trends Brokerage Compensation Study that covers average compensation for several different job areas within a brokerage firm. Among the jobs covered are president, general manager, regional manager, directors of technology, marketing and relocation, chief financial officers or related and office or sales managers.

The report also breaks down the data by regions, three different-sized categories and between those affiliated with national franchise companies and independent brokerage firms.

Call REAL Trends at 303-741-1000 or email to Rchapla@realtrends.com for more information, or to purchase your copy.

Later this summer, we will also be releasing our updated Online Performance Report, we will repeat our research leading to the best real estate brokerage websites and produce an entirely new special study on the future of teams.

We will announce more about these reports and their release dates soon.