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MAY 2015 NEWSLETTER

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COMMENTARY

ARE YOU TEMPTED?

Applying Lencioni's five temptations of a CEO to real estate brokers - *By Steve Murray, publisher*

The wisdom of "The Five Temptations of a CEO," a book by Patrick Lencioni, is not evident at first. The proscriptions for leadership seem too simple. Surely there is more mystery, more magic, to being effective as the leader of an organization.

But this is not the case. First, we will list them; then, we will apply them to the real estate industry.

Lencioni lists the five temptations as follows:

- Choosing status over results
- Choosing popularity over accountability
- Choosing certainty over clarity
- Choosing harmony over conflict
- Choosing invulnerability over trust

Let's examine them as far as how they may apply to some of the practices in our industry.

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STATUS AND RESULTS

When you look at various lists of the most powerful or most influential, although they are fun and interesting, they don't tell us how well that leader performs in growing the results of their realty firm. Since most of the leading realty firms are privately held, have no outside boards of directors (hence little responsibility other than to themselves,) we only have such things as industry and network rankings, by transactions, by volume and other metrics.

When you look at the REAL Trends 500 and Up-and-Comers, you can see that 2014 wasn't a great year for most large brokerage firms. At best, they tracked the market, a little better or a little worse. So, few can feel extraordinarily proud of 2014 results. Therefore, when too many people talk about the status of being recognized as being influential or powerful, it has little to do with results. This is just one example.

POPULARITY OVER ACCOUNTABILITY

This is a relationship business. Not only do leaders know this instinctively, but they also know it factually. The strength of a realty firm is the relationships between leaders and managers and managers and agents and agents and their clients. There is no question about it.

However, as is well known to leaders, far too many office managers get away with subpar performance because they are popular with their agents. Too many agents are nice without being effective in growing their sales. Too many agents are mediocre in customer service, but they are kind and popular. Too often, leaders expect the popular person to be a manager and neglect the accountability. Too often, they stress the relationship over any meaningful accountability.

CERTAINTY OVER CLARITY

Fortunately, the realty industry does not seem to fall victim in this area. Leaders have access to huge amounts of performance data about their companies and the market. Rarely do you find an outstanding broker/owner who focuses too much on being precise about their data. Rarely do brokers use this data solely as the means to make decisions about where to invest time and effort.

Often, the certainty manifests itself in decisions based on gut feelings and experience. There is nothing wrong with that as long as it is balanced by changes in the business and new performance results. For instance, in the past, it was said that Brand X was only growing when they cut commission rates, when the data proved otherwise. Leaders often mention that fast-growing, lower-cost firms are only growing because they recruit and retain only low producers, even when the evidence says otherwise. It is bad enough when the deflections of leaders are based on bad data; it is worse when they allow these incorrect declarations to affect their decisions or to loosen accountability.

HARMONY OVER CONFLICT

Too often, leadership meetings are vertical in nature. The owner of the firm talks to the management and visa versa. As we have recorded in past research, the best realty firms establish meetings where horizontal communication gets equal treatment. The leader encourages others to offer ideas to the leadership/management team and allows the team to hash out those ideas and thoughts.

One danger is that the leader and the team seek consensus for the sake of expediency or for the sake of calmness. Rather, key meetings should be focused on getting a wide variety of ideas and positions and allow team members to disagree and debate vigorously. A related danger of seeking early consensus is that meetings can become rote presentations and unimportant.

INVULNERABILITY OVER TRUST

Admitting that one does not have all the answers is terribly hard for any leader. A leader who admits that he or she made a mistake in the direction of the business, or the selection of management or policies is equally difficult. Showing vulnerability is not easy for many in the realty business.

Yet, since all leaders are fallible, as are members of any leadership team, it is important to establish a trusting relationship among the members of your team. Fortunately, our view is that most leaders in realty organizations are very open to the thought that mistakes are made, that they can trust their teams and that such openness improves the strength of a team. They respect each other in doing so.

WHAT'S UP WITH THE LIQUIDITY?

A look at today's housing market. - By Steve Murray, publisher

If you're thinking that you've seen this story before, it's because you likely have. The Federal Reserve has kept interest rates at record lows for the past five years and pumped trillions (many trillions) of dollars into the economy, creating an excess of liquidity. At the same time, the economy has grown only sluggishly for that period, such that business investment, outside of a few sectors, has also been sluggish.

That excess liquidity has to go somewhere. Much has gone into the U.S. equity market (Dow at 18,000 and NASDAQ at 5,000), much has gone into housing (cash deals) and a big portion has gone into private equity (hence, the record levels of deals). Meanwhile, household incomes have risen little on an inflation-adjusted basis.

This excess of liquidity seeking higher returns was a precipitating cause of the stock market crashes of 2000-2001 and 2008-2009. The rise in equity values in excess of rising actual incomes was another imbalance that added to the problem. That is what is going on again.

While home prices are not back to record levels in all markets, they are in more than a few. Inventory in many markets is at record lows, and prices are moving up briskly, even as income increases remain muted. Sooner or later, affordability will be affected across the market. With fewer and fewer moderate- and low-income families able to afford to buy homes, the market will slow. Don't neglect the rental market as rents have also risen faster than household incomes.

The challenge the Fed faces is twofold. A rise in interest rates will not be positive for the overall economy and given the strong dollar, will only put more pressure on export markets and the jobs that go along with them. Secondly, the excess liquidity created by the Fed and the Treasury will have to be reduced in the future. Yet, with the economy already not growing like it could and should, any change in interest rates could worsen the situation.

With the new tight regulations in place, a repeat of the 2006-2010 housing downturn is not in the cards. But, it does mean that, at some point in the next two to four years, the mismatch between household incomes and asset valuations (homes) will cause a slowdown. It probably won't be this year and likely not next year, but it may be sometime thereafter.

A SNAPSHOT OF THE TOP BROKERAGES IN THE COUNTRY

2015 REAL TRENDS 500

What you need to know about the nation's top brokerages. - By Steve Murray, publisher

The 2015 REAL Trends 500 (released in April 2015) revealed a few important trends among the nation's leading realty firms. Here are a few:

• The REAL Trends 500 firms saw an increase of 0.1 percent in closed transaction sides compared to the National Association of Realtors' (NAR) reported decline of 2.95 percent. The large firms grew their share of the overall business in 2014, but not by a lot.

• Sotheby's International Realty was third with an increase of 12.2 percent in closed sides.

• Keller Williams Realty International firms gained the most in total closed sides with an increase of 65,673 closed sides among their firms ranked in the REAL Trends 500.

• Firms affiliated with Leading Real Estate Companies of the World were next with an increase of 37,196 closed sides.

THE REALTRENDS FIVE HUNDRED

• When looking at brand and independents in the REAL Trends 500 we observed the following:

• Better Homes and Gardens affiliates had the largest percentage increase in closed sides with an increase of 26.9 percent in closed sides from 2013 to 2014.

• Keller Williams had the second-largest increase among firms ranked in the top 500 firms, with an increase of 17.4 percent.

• Coldwell Banker Kappel Gateway Realty, in Vacaville, California, had the highest increase in closed sides from 2013 to 2014 with an increase of 185 percent.

• The Herman Group, with operations in California, Colorado, and Florida, had the largest increase in closed sales volume from 2013 to 2014 with an increase of 250 percent.

• Over the past five years, Keller Williams Ballantyne Area has increased closed sides by 889 percent. And, had an increase of 1,259 percent in closed volume—the No. 1 firm in both categories of growth over the past five years.

TALENT SEARCH

STEP NO. 1 ON THE NEW ORGANIZATIONAL JOURNEY

Success today is about surviving digital disruption, adopting responsive business models and finding new talent that is relevant to the mission. - *By Jeremy Conaway, contributing editor*

After years of denial regarding change and transition, there is now a universal agreement regarding the fact that virtually every aspect of the residential real estate industry is set to transition over the next 19 to 24 months. Having crossed this bridge of consciousness, the industry can now determine what manner of internal and external relationships will be necessary for success in this new environment.

NEW INDUSTRY INFRASTRUCTURE

While debate continues with respect to when these new elements will have to be in place, it is likely that many of these decisions will be determined by when the new industry infrastructure is completed. Across the industry, franchises, brokerages, portals, associations, MLSs and even agent groups are developing new technical and management structures. Project Upstream, the Broker Public Portal Project, Flanker, and Property Management are just a few of these new functionalities.

FINDING TALENT

With all of these trends, forces and dynamics occurring within such a limited operational time, decisions relative to prioritization are likely to be especially difficult. Recruiting the appropriate talent to manage and inspire the new business model ought to be job one. A strong argument supports the proposition that the single most important word in the industry vocabulary is going to be T-A-L-E-N-T.

The talent-centered drumbeat is not unique to the real estate industry. This theme is currently constant and compelling across every industry, in the North American economy. Success in today's business world has become about surviving digital disruption (It is now being carried out at epidemic levels within the real estate space), adopting responsive business models and finding new talent that is relevant to the mission, appropriate to the challenge and up to the new standards. Whether the center of attention is Madison Avenue, the securities exchange, the automotive giants, the commodities market or the Silicon Valley, the buzz is the same. New talent and competencies are an absolute.

KEY AREAS OF FOCUS

The talent discussion is collecting around several key areas of focus. Understand that even medium-level changes in the business operations and corporate culture can cause unexplainable losses of balance, equilibrium and profitability. Don't underestimate the ramifications of these changes.

Another delicate subject arises when companies assume that those long-standing senior employees are capable of rising to the new situation. The current wisdom is quite the opposite. Not only are old-style veterans demonstrating that they can't (more likely won't) rise to the occasion, but recent research shows that they are often quick to become ringleaders and decedents willing to sabotage change. It is not a matter of loyalty to existing members of the team; but, rather a new reality that the old dogs generally can't learn new tricks especially if they are in a totally different culture and language.

NEW SKILL SETS

Understanding what new skill sets and competencies are required to engage the new business model is a challenge. Companies often assume that the key-recruiting element will be an extensive knowledge of the real estate space. Early evidence suggests that this may turn out to be a myth. Many companies are discovering that it is easier to cross train a subject matter expert with out-of-industry experience than it is to teach a real estate veteran new competencies and skill sets. This concept becomes much clearer when one understands that the real estate business that emerges from these changes will have more to do with where its going than where it has been. Some 30 years of experience in how it has always been done may not be as valuable as 30 days of training someone who is bringing in the new skill sets.

Within the brokerage sector, re-visioning profitability, re-engineering the brokerage agent relationship and moving to introduce new tools such as standards, accountability, and best practices, are the new keys to success.

These changes will also bring a host of new relationships, many of which are antithetical to those you currently have. A recent edition of Ad Age featured a story about how new professional sales relationships are rendering traditional interaction ineffective. A return of "Death of a Salesman." Individuals who enter into new relationships convinced that old techniques will work are likely to be the source of extensive review when the obvious dysfunctions appear.

Both employers and would-be employees are learning to deal with changing expectations relative to the role of employment. Trial-based employment is a popular option that allows the truth and reality of the proposed employment relationship to be seen while there is still time to reverse the decision. Compensation is also evolving to meet the new environment. The new talent may be less interested in salary and more interested in a career. It can no longer be assumed that both sides will do what they have to do to make things work. Let's try it for six months and see if everyone is committed to doing what has to be done. It is not about finding a super person who can do it all on his or her own because they can't.

NEW APPROACHES

American businesses are developing whole new approaches to performance review and enhancement. The real estate industry is now moving to make agent coaching mandatory. Within a short time, it will be adding executives and managers to those who will benefit from coaching. The world is discovering that reviewing what one did last week is not nearly as important as impacting what they are going to do next week.

Of all the changes that are currently happening, the single defining challenge will be matters regarding talent. Regardless of what big projects firms are working on, they should start by asking; how will this new aspect impact our operations and culture? Who is going to manage it? And, what competencies and skill sets are they going to have to bring to the table on day one? Recruiting the right talent has become job one.

RECRUITING WARS?

BUILD A SECRET WEAPON!

Finding and developing raw talent

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

About five years ago, we made an amazing discovery in our company. We realized that most of our top producers had started with our company as rookies. Sixty-two percent of our top quartile and seven out of our top ten sales associates had started their careers by our company.

This rookie group has the ideal combination of skills, attitude, and commitment. They take great care of their customers, are always looking for ways to get better, and are supportive of each other. They are loyal to the firm and bring great energy and support to our culture. They have been trained "The Group Way." We just wish we had more of them.

With this "Aha!" we decided to focus at least as much time finding and developing raw talent (rookies) as we were spending chasing top producers in the recruiting wars. Here are our results over the past five years:

- Rookies hired: 92 (This represents about 18 per year and about 10 percent of our sales force.)
- Number still with us: 75 (81.52 percent)
- Average income in 2014: $204,845 (gross commission income)
- Average number of transaction sides in 2014: 23.46

This group represents 27 percent of our total closed sides. Our market share would be six percentage points less without them. We didn't realize it at the time, but we were building a secret weapon that, in some ways, was making the recruiting wars obsolete, or at least reducing their importance.

Here are five recommendations and benefits on hiring rookies:

1. THEY ARE YOUNG, SMART, AND TECHY. Most of our rookies are in their 20's and 30's. As a result, the average age of our sales force is 15 years below the industry average.

2. TRAIN THEM YOUR WAY. They are eager to learn, and you can train them your way. You don't have to argue with them about how they've "always done it," as you do with experienced associates.

3. SELECT A TRAINING PLATFORM. Decide on a sales training system that fits your company culture and go all in. We use the Ninja Selling System that was developed at our company.

4. FOCUS ON ACTIVITY AND ACCOUNTABILITY. Activities drive production. Focus on activities more than you worry about production. Make them accountable for all of their activities; then production will follow.

5. 10 PERCENT OR LESS OF YOUR SALES FORCE. Training, coaching, and accountability take time, so we have found that we can't handle more than 10 percent of our sales force being rookies at one time.

THE RESULTS: A young, highly productive team of sales associates who are motivated, loyal, and proud to be a part of your organization. It's a dream come true for most any owner or manager.

Want to build a secret weapon? In the next issue, we help you find these rookies and give you tips for conducting the interview.

BROKERAGE

TIPS TO MANAGE YOUR ONLINE REPUTATION

THEY SAID WHAT ABOUT ME?

Successful businesses make it a priority to build, manage and maintain a positive reputation for their brand

Studies show that 90 percent of homebuyers begin a search for their dream home online. That means that nine out of every 10 prospects learn about you through your online presence before they even consider working with you. If they aren't searching your website, perhaps they've come across your listings on an IDX site or viewed your profile on LinkedIn, Facebook, Twitter or your blog.

Here are some tips to help you manage your online reputation:

1. DON'T SKIMP ON YOUR WEBSITE BUDGET. Your business is being found first online so make sure your online presence attracts new clients. Your website is one of the most important investments you'll make and will help you grow your business.

Remember, you are your own business and a positive brand reputation can help you grow even further to achieve your goals. How are your online and social pages showcasing your reputation?

2. UPDATE YOUR WEBSITE CONTENT REGULARLY TO SHOW ENGAGEMENT AND YOUR KNOWLEDGE OF INDUSTRY AND TRENDING TOPICS. Listen to the questions your prospects and clients are asking most often; provide Q&As on your website covering these common questions and highlight these topics through your website, social and blog content.

Think of any popular brand: Apple, Pepsi, Coca-Cola, McDonald's, etc., they all spend millions to manage and maintain a positive brand reputation. As a real estate professional, you can do the same, without spending millions!

3. PROVIDE INFORMATION ON YOUR WEBSITE AND YOUR SOCIAL FEEDS THAT YOUR PROSPECTS AND CLIENTS CAN PUT TO GOOD USE. This can also include sharing blog and social content from other trusted sources. This is an effective way of providing useful information without taking up a lot of your time.

4. MAINTAIN YOUR SOCIAL MEDIA PRESENCE. Update your Facebook, Twitter and LinkedIn frequently. While you're at it, interact on blogs and with your followers on social channels. This encourages a positive, two-way conversation and shows your engagement with your audience.

5. STAY POSITIVE ON YOUR WEBSITE, SOCIAL AND BLOG. Your social presence is an introduction to your brand for prospective clients. Be optimistic and supportive in order to win over skeptics and attract new clients.

If you're unsure of how your online reputation ranks, evaluate it. Search your name and your company's name on the top search engines to see the results and where you rank on the page. Review your website and your social media profiles to see how up-to-date the information is, how active you've been on your social feeds and how consistent your profiles are across your online and social channels. You may find that you need to spruce things up a little.

The best part is that there are website and social media support services available to real estate professionals. They range from website providers who will manage your entire website, with updates and SEO management to ensure your website is found online first, to social media support that will post to your social channels so you can focus on serving your clients and selling houses.

Take a look at the new Agent Marketing Platform (AMP) from Lone Wolf Real Estate Technologies. It offers a variety of agent services including simple and effective online marketing strategies and coaching, as well as websites and support to get your website up and running. If you need help keeping your social presence active, there are services for that too.

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IMPORTANT STATISTICS:

53 TIMES

Websites with video are 53 times more likely to appear on the first page of organic Google search results than those without video.

50%

Video accounts for more than 50 percent of all Internet activity.

1.8 MILLION

A one-minute video is the equivalent of 1.8 million words, according to Dr. James McQuivery of Forrester Research. That's a lot of reading.

65%

100 million Internet users watch online video each day

100 MILLION

100 million Internet users watch online video each day

FRAN BROUDE, PRESIDENT

Coldwell Banker Residential Brokerage-Chicago/Milwaukee

Fran Broude, president of Coldwell Banker Residential Brokerage in Chicago, has worked for the same company, with five different name changes, since she started in real estate in 1999. REAL Trends spoke to Broude about her real estate career. Here's what she said:

REAL TRENDS: Tell us about your path to real estate.

BROUDE: I had small children and was running my own catering business. It was a hobby that turned into a business. I was working a lot of holidays and special events. After having my third child, I decided I wanted to explore other careers. I decided on real estate because I enjoy networking and business planning. I loved the entrepreneurial spirit of this industry and the self-determining income limits. It worked for my life. That was at the end of 1999.

I started with a small independent brokerage and was rookie of the year. Six months later, they needed a new managing broker, but I had to say no to the offer since I had small children. However, management was determined, and they came back to me to say that they wanted to try it on my terms. It was a successful entrée into the business of management. I never left my brokerage, and it had five different names. That tells you about the consolidation of real estate over the last 20 years.

It's a good story to tell when acquiring another firm. I understand how these agents are feeling, when they haven't elected to join our company, but the owner has chosen to do so.

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

BROUDE: There have been so many challenges, but one that stands out is the last downturn of the market and the economy. We had to work with a lot of distressed families who lost their homes and/or jobs. Add to that the challenges of making day-to-day adjustments and major business decisions and it was hard. I found my daily decisions even became challenging.

REAL TRENDS: Tell me one lesson learned when building your brokerage.

BROUDE: It's easy to get caught up in the business, especially if, like me, you are passionate about it. I am competitive by nature. Balancing the time commitment necessary to strive for excellence in my career while finding a safe balance for family is something I had to work on. Because of that, I realized that I needed to surround myself with talented people. I looked for those who had different talents than I did, which was paramount to my success.

REAL TRENDS: 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?

BROUDE: I'm not sure there is one thing, but I can say I learned early on that no matter what role you play, real estate is all about people and relationships. Maya Angelou said it best, and I'm paraphrasing, but, 'people will forget what you said and did, but they will never forget how you made them feel.'

VALUATIONS OF REALTY FIRMS

New challenges in valuing brokerage firms - by Steve Murray, publisher

With the recovery of housing sales in late 2011, valuations of residential realty firms have risen as well. Both prices and terms have recovered from the recession of 2006-2010 and, while the level of activity is not as high as it was, there is a solid market for residential brokerage firms.

There are new challenges, however, in the valuation of realty firms. First, the industry continues to segment into different business models, with different commission and fee structures. Organizations that grow through acquisition that operate in one segment (for example capped company dollar plans) find it very challenging to acquire firms that operate a different model (such as flat fee or graduated commission model). The combination of firms operating two different business models causes reluctance among purchasers to acquire outside of their model.

CORE SERVICES

Secondly, the landscape has changed with regard to core services. With these changes, valuing a mortgage joint venture (which are becoming less present) or a Marketing Services Agreement (MSA) is also becoming more challenging. The type of mortgage or title operation can influence the sale, whether the purchaser wants to pay for a mortgage/title business operated differently, whether it is compliant, and other issues. There is no straightforward approach that defines the value of these businesses.

MORE EXPERIENCED

Buyers are also more experienced about how to structure deals to minimize the loss of producing agents. Large firms such as Berkshire Hathaway HomeServices and Realogy/NRT now have over 15 years of experience in acquiring and operating brokerage firms. They are selective about who and where they want to acquire for expansion. Certainly, they are more interested, for instance, in realty businesses that overlap their existing owned companies and are contiguous to them. They may pay more for such opportunities for the synergy they can create. Correspondingly, they may have less interest or pay less for those in new markets where they don't own an existing firm.

VALUATION MODELS

Valuation models haven't changed much. Most acquirers use a market/income approach, where they examine the operating income of the firm being sought for the most current 12 months as the basis for applying a multiple against the operating income. They will also examine past years financial performance to determine the consistency of the firm's performance. While it may not factor directly into the valuation, it does influence the price and the terms of the proposed transaction. The examination is much more detailed than in year's past due to some of the issues on commission plan and employment plan differences.

As always, there are two parts to any transaction—price and terms. They still move in opposite directions. The higher the price sought by a seller, the more likely the seller will have to grant better terms for the purchaser. The better the terms (more cash, less earn out) for the seller the lower the price is likely to be. The sharing of the risk of the retention of sales agents is and always has been at the heart of this trade-off.

5 SIMPLE STEPS

BLOW YOUR PRODUCTIVITY THROUGH THE ROOF

No more super lengthy to-do lists. You got this!

by Skip Prichard, Leadership Insights and Tor Refsland, Time Management Chef

It's late, you are sitting with your laptop, and you have had waaaay too many cups of coffee. This is not the way you wanted to spend your evening. However, you know that you don't have a choice. You have procrastinated for so long that neglected tasks formed an evil alliance to bring you down.

You know that if you can't handle the ever-growing to-do list tonight, you will drown. Can you relate? If so, no worries, I've been there, too.

Let me show you the five simple steps to blow your productivity through the roof:

1. LONG-TERM GOAL SETTING

Step No. 1 is to have clarity and know where you want to go. This should be a long-term goal. Many people say that successful people are good at making decisions that will bring them closer to their long-term goal, while people who are not successful make decisions that give them a quick reward.

Life and business are like chess. A good chess player can think many moves ahead. What is the best destination for your business and life? Do you know what you want to achieve? Find out and then set the correct goals.

2. PLANNING

Author and motivational speaker Brian Tracy says that every minute you spend in planning saves you ten minutes in execution. You should put all of your tasks in your master to-do list.

What does that mean? It means that you should have one to-do list. How many? One.

There are three methods when it comes to handling your to-do list.

A. Plan your list one week in advance

B. Review your to-do list the night before

C. Review your list first thing in the morning

You probably think that method A will take some time, and it does. However, it will make you crazy productive. This is for the hardcore people who want big results.

The big difference between successful people and people who are not is how they spend their time. Needless to say, if you don't already use a to-do list, you should start now. If you have many to-do lists, start using one.

3. 80/20 RULE

Since we only have 24 hours in our day, it's crucial that we spend them wisely.

The Pareto Principle tells us that 20 percent of the tasks on your to-do list will count for 80 percent of the total production value.

What does that really mean?
If you have 10 tasks on your list, two of them should result in 80 percent of the total production value. So, if you were only able to perform those two tasks, you would still have been able to deliver 80 percent of the total value.

Using the 80/20 rule to identify the most important tasks is key.

If you are implementing the steps mentioned above, the next step will multiply your productivity.

4. FOCUS

A person who can focus his or her mind on one single thought for two minutes has the ability to accomplish everything they want.

Having the self-discipline to focus on doing one single task until it's done will increase your productivity more than any other ability.

Focus is about removing all other distractions and being present.

5. WORK WHEN YOU ARE MOST PRODUCTIVE

Studies have shown that most people are most productive the first two hours after they get out of bed in the morning.

Some people are night owls and are most productive in the evening or at night.

Find out when you are most productive and block out that period of time for your most important tasks.

I'm most productive from 8 to 11:30 a.m., so all of my important tasks are at that time each day.

Now you have the recipe for becoming more productive. Go out there and make every hour count!

THE FIVE SIMPLE STEPS

1. LONG-TERM GOAL SETTING
2. PLANNING
3. 80/20 RULE
4. FOCUS
5. WORK WHEN YOU ARE MOST PRODUCTIVE

WHAT WILL YOU LEARN?

THE 5 TEMPTATIONS OF REAL ESTATE TECHNOLOGY

Based on the book, "The Five Temptations of a CEO," by Patrick Lencioni, we vreated technology's greatest issues. - By Travis Saxton, vice president of technology

The team at REAL Trends is going through leadership training. We recently read "The Five Temptations of a CEO," by Patrick Lencioni. What about temptations with real estate technology? Here is a short list:

1. COMPLACENCY. Vendors and brokers can easily fall into this trap. Some examples are vendors that don't proactively innovate or brokers that don't actively market the technology they already have. Just because you have great technology, doesn't mean your sales associates understand that it exists or how to use it. In cases of perception vs. reality, perception usually wins.

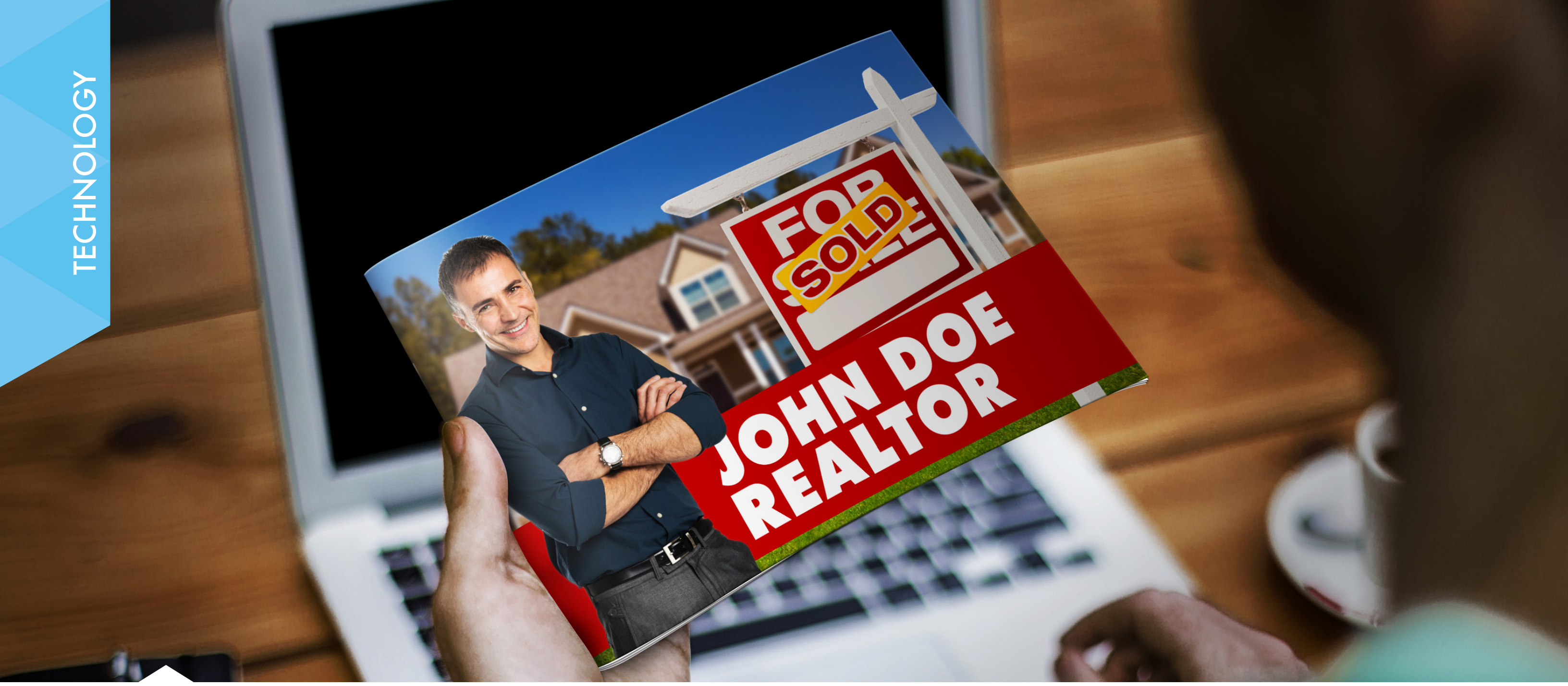
2. THE SHINY PENNY. Chasing the next best thing and not perfecting what you have can lead to struggling agent adoption and long-term issues. Oh, and do we even need to mention the stress on your budget and system inefficiencies?

3. OVER ATTACHMENT. Some brokers are overly attached to one aspect of their technology system, such as a lead routing component. When that aspect is a small piece of the overall technology landscape, this attitude can trigger a trickle-down effect that impacts all other systems.

4. THE UNACCOUNTABILITY FACTOR. Not knowing what is or isn't working should be a thing of the past. You must understand conversion, closing, and adoption. This is an important conversation to have with your team.

5. THE OVERTRAINING PHENOMENA. Offering training that confuses more than trains is common in technology training. Stick to the 1-3-5 rule. First, have one goal in each training session. For example, if you are teaching about a transaction management system, focus on the goal. Don't call it transaction management training; instead, call it the key to increased transaction productivity. Then, focus on three specific strategies, like how to upload forms, how to eSign and more. Then, break those down into no more than five tactics or processes.

If you need help in any of these areas, please let us know. We are here to help. Contact the REAL Trends Technology Team at tech@realtrends.com



THE TECH CONVERSATION

PRINT ADVERTISING IN REAL ESTATE

A look at how much you're spending on print vs. digital advertising. - *By Travis Saxton, vice president of technology*

Recently, REAL Trends shared ideas with some of the brightest brokers in the residential real estate space. Specifically, we discussed print marketing. There are different levels of print marketing. In one corner, you have postcards, direct mail, listing brochures, just listed/just sold fliers, coming-soon brochures and items related to this type of marketing. In the other corner, print advertising refers to the use of newspapers and printed magazines.

THE CLASSIFIEDS

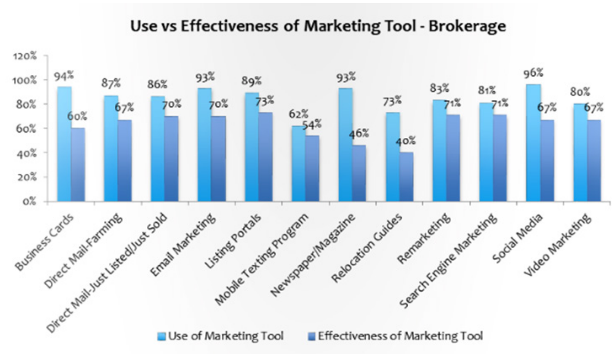
In my days as a newspaper technology consultant, real estate firms and car dealerships were the top two industries targeted by newspapers both from a print and digital standpoint. With the advent of Craigslist in 1995, newspaper classifieds saw a dramatic hit. It nearly crippled the industry. Thus, placing pressures on the display and specialty sections of most print publications. Magazines were not impacted in the same way, although they did see some changes. Most publications increased prices, which caused real estate firms to evaluate whether it was worth it. Without a truly accurate way to track this form of advertising, some real estate firms continued while others pulled back.

HEAVY ADOPTERS

According to a recent study REAL Trends conducted in conjunction with Merrill Corp., brokers and agents are still heavy adopters of the first group of print advertising. According to both groups, these print fliers and postcards are still some of the best forms of real estate marketing. They also ranked this group of printed marketing as highly effective when compared to all other forms of marketing.

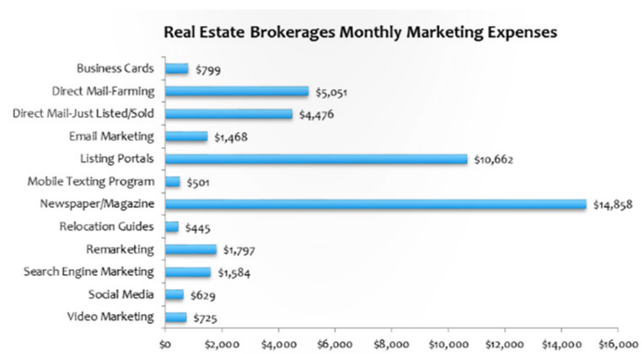
In our recent marketing study, some 93 percent of brokerages still use print marketing in the newspaper/magazine/relocation guide areas. However, this category ranked the absolute lowest in terms of overall effectiveness. For the real estate sales professional, they used print marketing much like brokerages did, and their effective rates were about the same.

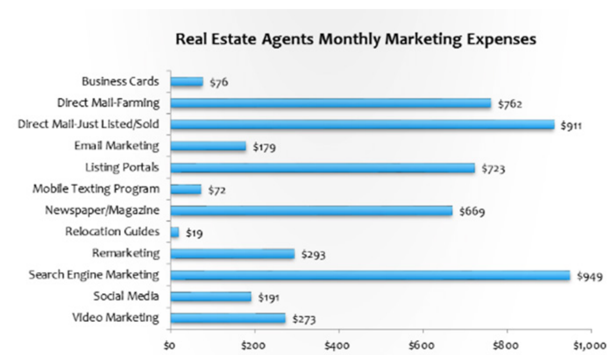
Refer to the chart below for the full breakdown of areas studied:



COSTS

Expenditures in these areas were also indicative of a continued commitment from brokers, but not agents. The average brokerage in our survey spent $14,858 per month (which was the top marketing expenditure category for brokers) and the average real estate sales professional spent $669 on newspaper/magazine advertising, which was fifth. Refer to the graphs below to see where these numbers fall in comparison to other popular forms of marketing:





As you can see, a few things are not adding up. Traditional print advertising is not that effective according to the study, however, brokers and agents are still spending money on newspapers and magazines. Why?

THE CONVERSATION OF PRINT ADVERTISING

It's no secret that brokers and agents see the writing on the wall, but it seems we have an impasse in the industry amongst the perception of some agents and consumers. The common sentiment amongst most agents and brokers is that sellers want to see their homes in the newspaper. While this may be true, REAL Trends thinks that the slightest bit of education about the effectiveness of this form of advertising could overcome that objection. This same budget could be used to accomplish massive amounts of quality lead generation for the seller and your agents.

Training on this topic is critical. While the emotional attachment is there, the financial benefit is not. We understand that all markets are not created equal. Obviously, in some high-end markets, this type of advertising works well. However, the general real estate industry would be better off reallocating their money to new-age tools that reach the consumers.

PUBLISHER'S NOTE

NEW BROKERAGE STUDIES COMING SOON

REAL Trends will be launching numerous studies this summer. Watch for:

A review of compensation practices, ranges, and benchmarks.

A review of online real estate practices and results.

A review of the state of technology platforms.

A series of research into the best practices for getting new young sales agents into production faster and more efficiently.

REAL TRENDS AMERICAS BEST REAL ESTATE AGENTS AND THE THOUSAND

In late June, we will release the 2015 rankings of the most productive real estate agents and teams under America's Best Real Estate Agents and, at the very top of these rankings, REAL Trends The Thousand.

We are pleased once again to have Trulia partner with us so these top-producing agents and teams may gain more recognition. Last year, with Trulia's assistance, we increased consumer use of the rankings six-fold.

Last year, we enhanced the rankings by adding the ability to search by company name, city, first and last name and metropolitan area. This year, to further consumers' ability to use these rankings, we added the ability for agents and teams to add up to 30 cities to their service coverage area so that consumers can more accurately target the agent they are seeking.

Our goal is to make sure that we are doing all possible to gain recognition for these top producing sales agents and teams.

Look for the reports on Realtrends.com.