

Sink or Swim: How to Choose the Right Real Estate Team



by Lee Bressan on December 8, 2016

Competition is fierce, the pressure from the portals is real, and business models are experiencing a serious shake up.

So how do get off to a running start and land on your feet?

You need the right support system to get you through those first crucial years of your real estate career. This means the right office, the right team, and the right tools to help you grow.

According to the National Association of Realtors, over 80% of new real estate agents exit the business in their first two years.

It's understandable. Building your business can take a while to pay off. New agents can go months without a commission check and feel like there's no light at the end of the tunnel. In order to be in that 20% that succeed, you must select the right brokerage from the start.

walk-ins) but you're splitting that time between a great number of other new agents, and some feel it doesn't provide much value at all.

A technology system is typically provided to agents in a national franchise too. After all, these organizations franchise all their systems which include marketing, training, technology, and operational procedures in return for an initial fee and ongoing payments.

Joining one of these firms immediately provides access to enterprise-scale technology which can involve everything from lead generation and a CRM to e-signatures and transaction management.

It's worth noting, however, that sometimes these offerings are not well-adopted or suited to the style of each agent, and many have griped that large-scale offerings such as these aren't all they're cracked up to be.

Many also feel that in franchise offices, there are often more technology tools available, but frequently less administrative support.

The overall sentiment on culture, is that the franchises tend to have a more rigid, corporate feel. This can be misleading, however. While there is an organized mission within each franchise, there are significant differences in business practices, structure, and overall culture of each office.

Remember that each office, even offices in the same local market are owned and operated by individuals and can have completely different cultures and practices.

Profiles of Real Estate Franchises

Each real estate franchise boasts its own mission and unique qualities, and if you decide you want to go the national franchise route, you still have a lot more decision-making to do.

From powerhouses like RE/MAX, Century21 and Keller Williams who boast 100,000+ agents worldwide, to smaller companies like Sotheby's and Better Homes and Garden, there are many different routes to choose.

To help you see the differences in some of the larger franchises, and what you should look for in compensation, level of support, and training resources, here's a review from Fit Small Business on 3 of the largest franchises, Re/MAX, Keller Williams, and Century21.

Smart Asset also created a profile guide for what they deem to be the best top 10 choices for agents, and they share their reasoning for each.

Joining an Independent Real Estate Firm

Independent Real Estate firms have been on a steady rise for the last few years.

According to the 2015 National Association of REALTORS® Member Profile, 59% of all REALTORS® are affiliated with an independent, non-franchised company.

The rise is due to a couple of different factors. Many brokers questioned the value proposition of franchisors (and the fees), and the rise in technology that allows companies to streamline operations at a

smaller scale helped spur the resurgence of the independent brokerage model.

Having local control of your company's branding and digital efforts also makes these companies more nimble in today's rapidly changing business climate.

While many of the national franchises have become household names across the country, the independent brokerages often have a different and decidedly more local focus.

This can be a huge win in attracting consumers who are looking for the local expert to help them buy and sell.

Independent firms are in charge of their own branding which means they can get creative on the local scene, adapt quickly to local market conditions, and maintain a strong community presence.

This branding spills over (as it should) into the reality of the consumer's experience. With the smaller size and local control that independent brokerages enjoy, they can create a more customized feel for clients.

Independent firms don't have franchise training programs to rely on, but many have created their own development programs that have seen incredible success onboarding and educating new agents.

They are training for their market, specifically, and can create a very tailored curriculum to set new agents up for success.

Some smaller firms also partner with a local or regional proprietary school for licensing and customized classes.

Most firms have some form of training in place, but it's worth investigating on a case-by-case basis to make sure the type of training suits your learning style and will continue to help you grow and learn.

While teams that aren't part of a national franchise don't have access to the technology systems that are part of the company offering, many prefer it that way.

Brokers of independent firms are able to choose a system that complements their unique business needs and often agent adoption is higher. Independents don't typically receive the referral and relocation business that the franchises afford.

Nor do they often have the network-wide discounts and other perks that have been negotiated with the large real estate portals. But that doesn't seem to affect the overall sentiment:

According to Inman's Independent Brokerage study, 63% of the independent agents felt that they received more leads and support from their broker than those in franchised firms.

Culture is as varied as the size of the teams and brokers who run each independent firm, but there are a few things to note. Independent firms do tend to attract more creative, entrepreneurial agents who contribute to a "less corporate" culture.

Market domination (most agents= most share of the business)

- Name recognition and market position
- Typically have years of success and steady growth behind them.

Cons:

- Agents can get lost in the crowd
- Talent is somewhat expendable
- Lots of competition

Small firms: 20-200 agents

Pros:

- Strong team mentality
- Opportunity for close working relationships and mentoring
- Unique value prop (geographic area, property type, etc.)

Cons:

- Long term vision alignment. Does the firm want to grow or maintain their position
- Competition for resources, support, and leads

Boutique Firm

Pros:

- Usually revolve around a single veteran broker
- Very specialized and niche-oriented

Cons:

- Exclusive
- Less opportunity for upward movement
- Unless you're invited under the broker-in-charge or there is a stellar training program, this is rarely a good fit for a new agent

Top 5 Things to Consider when Interviewing A Potential Real Estate Brokerage

No, you're not the only one who will be interviewed. You need to look at your entire selection process as an interview of each company too.

You want to pay attention to key things that will ensure the company is the right fit for you, and ask yourself questions like if the type of support offered is going to be enough for your personal taste, and if the systems and tools available will suit your unique working style.

1

Money

You'll need to come away with a good idea of what commission/fee structures are in place at each potential company. Some cover expenses and tools in exchange for a larger share of commission. Others let you keep more and charge a "desk fee."

Brokers carry the responsibility for each transaction, so money is spent not only on office, space, marketing and branding, but also on insurance. Many large national brokerages have significant spend on ad campaigns, and local brokerages are paying part of their franchise

fee to cover that cost. While smaller independent offices might not be spending big bucks on national campaigns, they're usually active with spend on a local level. In order to cover all these costs, the broker typically takes a portion of each agent's commission, or a "split."

New agents will typically have a low split, and as you gain success and experience, the split increases. Most brokers set a certain dollar amount of sales to tip you into the next level of splits, and the norm for successful agents is usually around 80/20.

Questions to ask: How much of my commission will I keep?
What is provided in return?

2

Opportunity:

You're looking for a thriving company to join, so pay attention to their talk of leads and listing inventory. Dig a little deeper and inquire about what sort of listing referral and relocation business you might be able to take advantage of. Make sure that you can get a sense for if the inventory is high quality and will set you up for success.

Questions to ask: Are leads provided to agents? What format are they allotted? What type of listing referral and relocation business is available? Is the listing inventory high quality?

3

Technology and Tools:

You need to join a team that is future-oriented and innovative. Technology systems need to be in place to help you get your business off the ground, stay organized, effectively market to your prospects, and help with lead generation efforts.

Take note of what systems are provided, how the office uses them, and if they seem out of date. In today's digital world you can't afford to start somewhere that isn't on the cutting edge, capturing digital business effectively, and streamlining their internal processes with technology.

Questions to ask: What tech tools are provided to agents? Are they out of date? Is there support staff and training? Is their online marketing effective?

4

Training:

From having a strong mentor to enjoying a formal training program, it's critical to have some type of educational support when you're starting your real estate career. Look around each office to see if you can get a sense of how agents work together, and listen for details about their onboarding program, continuing education, meeting style and if they work with any real estate coaches.

Questions to ask: What type of formal training programs are in place? Are there internal mentors to learn from? How are agents held accountable and supported in their goals?

5

Culture:

Much more intangible and personal, the culture of any office may be hard to determine during your interview process. Focus on basic concepts like if you like the people you've interviewed with, do you relate to them and have a similar work style, is the office structure one that you would work well in, and do people tend to work together and support one another, or is there a more siloed approach.

Remember to compare everything with the way you prefer to work and try to find somewhere that aligns with your style.

Questions to ask: What is the broker's vision or plan for this company? What do they stand for? What are their values? Do these align with my own personal goals and values?

Independent firm vs. Franchises: What's the Right Choice to Start Your Real Estate Career?

We've run the gamut on the different type of options to begin your career, but the real key is to take inventory of your personal goals, work style and personality, and find the office that aligns the best.

There is no substitute for careful research, and there are pros and cons to each and every office.

With Independent companies you often enjoy more flexibility, lower costs, more of a voice in the company, and a stronger local brand.

But, you're working in a smaller network with potentially less resources, support, and formal training opportunities.

Large, national franchises have the vast referral networks and inventories, formalized training and a well-established brand.

They provide technology and marketing resources from the get go, but you'll often have less input, less freedom, higher fees, and some pretty strict limitations on how you market and brand your business.

Just remember to do your homework and you'll surely make the right choice.