

Commission Wars? Come On!!

By

Rich Casto

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There is a movement out there trying to pass a law stating minimum services a listing broker should provide, thus trying to eliminate line item and discount brokers. I am amazed every time someone has a perceived success with a model in our industry people tend to act out of fear not abundance. This is the same rhetoric I have heard when banks started rattling around. Hmm, can't wait for American Airlines to try and get a law passed that Southwest Airlines has to serve more than peanuts.

Here is a tip for full service brokers. GET BETTER. PERIOD. I come from an extensive background in real estate...all full service brokers. Agents that are educated trained and truly serve their clients get fabulous results and can charge accordingly. Higher skill equals higher commission. What is leadership doing in full service companies to ensure their agents are the best? If you are feeling pricing pressures, look in the mirror. Obviously there is a market for the discount broker. The basic business model says value = quality over price. Every year the public as a profession ranks our industry close to last. Our customers brought the discount commission model to our business and we are responsible. Passing a law that prohibits that service does not help the consumer, it hurts the consumer and the quality of service they deserve.

If you want to limit the effectiveness of the discount model, do it within the spirit of competition. How good are your agents at negotiating? Are they trained? Do they have a specific strategy? Do they include new construction as a comparable in their market analysis? Are your agents offering attached, fixed mortgage rates to their listings to help attract buyers if interest rates go up? Do they really know how to make a listing competitive besides pricing the property properly? Really? If you can answer with a resounding, "YES!" to these questions...then...you're not to worry about the discount commission company.

Bring on the discount model. Bring on the banks. We need them to get better. The customer tells us every year that we are just not good enough. Our quality is not representative of our price. Until the full service brokerage maps their quality to price, discount brokers will have a place in our industry. And they should.

Rich Casto is the Co Founder of The Real Estate Recruiters, a Recruiting and Management Solutions Company that supports brokers, owners and managers in the management and recruiting solutions arena. Copyright© 2004, Rich Casto. All rights reserved.