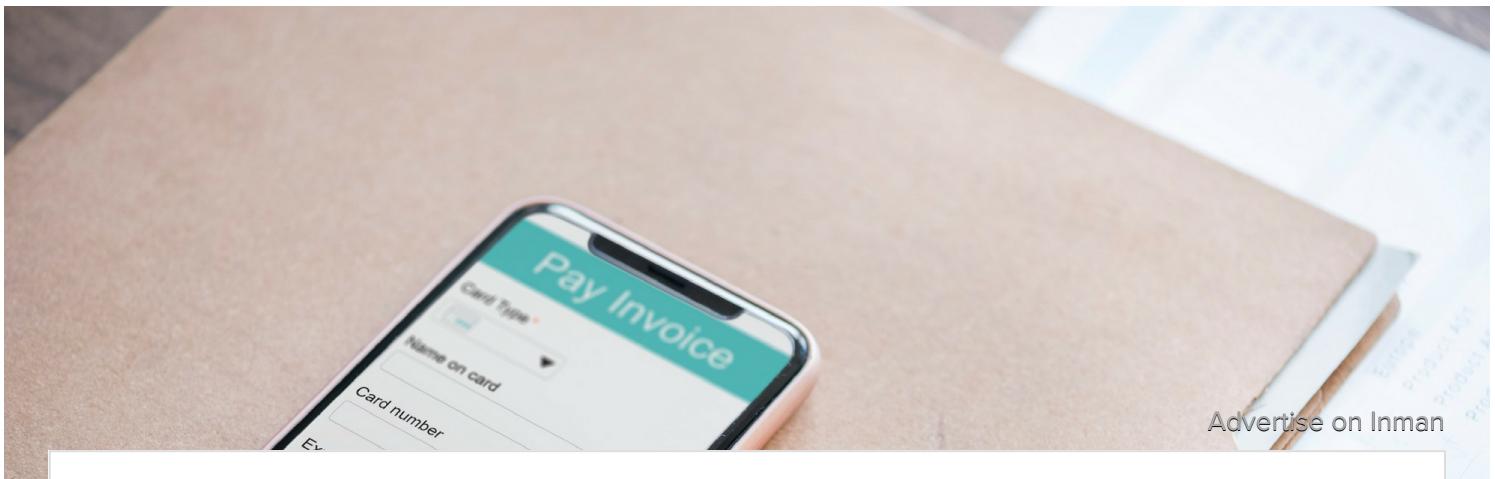


MENU

Melanie



Parker Principle 1: How fees will help real estate go from sales to service

Incentivize real estate agents to focus on quality and service over volume and sales

BY CARA AMEER

TODAY 3:00 A.M.

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The real estate industry has poured enormous sums of money into the improvement of predictive analytics, blockchain tech, virtual reality, artificial intelligence (AI) and countless other technologies — all this, of course, in an effort to enhance our ability to anticipate and meet consumer demands.

Despite the advancements made, the reality of our contingency-based industry is this: agents and brokers put everything on the line every day with no guaranteed

eliminate these uncertainties is to completely transform the industry — to focus on service rather than sales and quality over quantity.

As written in the [Parker Principles](#) — the real estate manifesto established at [Inman Disconnect](#) — we must “transform our industry from a sales profession to a service business.” We must incentivize real estate agents to focus on quality and service over volume and sales by obsessing over the needs of the consumer to drive innovation and best practices.

But how?

Change the compensation structure

We can discuss ad nauseam about incorporating additional training, support and mentorship programs to help agents elevate the customer experience, but when our time equates to money and we’ve been trained to focus on income-producing activities first, we must consider the rarely-discussed payment structure in real estate.

It’s time to get motivated. It’s time to feel valued. It’s time to change the way the industry is compensated.



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Think about it. We sell a home and we get paid. And by that I mean we get paid *someday*, which could be anywhere from a month to several months later *if* the transaction successfully closes, and we all know what happens from contract to closing — a bunch of twists and turns and ups and downs managing the buyer, seller and everything that could possibly go wrong in between.

We don our problem-solving hats trying to course correct as we attempt to keep all parties on track. And I haven’t even gotten into the lead generation and incubation process that brought the customer in the first place — it could be months or years of advising the buyer or seller with monthly market analyses, multiple trips to look at numerous homes off and on over the years, writing offer after offer, especially in overheated markets with no inventory and insane asking prices. (You know ... the ones where offering \$100,000 over asking isn’t quite enough to win the home.)

After experiencing the chaos of buying and selling a home in Atlanta, a close family friend said to me, “Cara, your job is really like a fire drill — every day it is something else — I don’t know how you do it.”

I'm not talking about becoming a salary-based business. Most of us enjoy our independent contractor status along with the freedom and flexibility that comes with this profession — it allows us to work our own hours from virtually anywhere, and as any driven agent knows, electing this career means committing to a lifestyle where the job follows you wherever you go; whether you're at home, in a dentist chair, on a plane, climbing a mountain or on a cruise, there will always be someone trying to get a hold of you. And we can all attest to the limits we've pushed to respond to those people. The out-of-office autoreply on emails or voicemails is simply not realistic in a business like ours.

Given the increased business costs, expectations, complexities and liabilities of this profession, it's time for the industry to consider charging a professional service fee from buyers and sellers upfront. (Also consider that the continuously rising cost of living and increasing home prices affect us too.)

So how much would this service fee cost your customers? When would it be collected? What if people don't want to pay? The list of questions and what-if scenarios are endless ...

Why we deserve it

Knowledge and time. Those are the two most valuable commodities agents have, and they give of them freely. Gather a group of agents together, and you will hear bonafide war stories of the countless hours spent giving both with nothing to show for it.

It's the listing they worked on for years that never sold; the buyer whom they showed 100 homes to that ended up using another agent; and the buyer they helped who went with the for sale by owner (FSBO). Lamenting customer and deal failures isn't the point here — failure is part of the business, part of the growth process — however, I submit that the system could be better. I propose a solution that deservedly empowers and incentivizes agents to raise the bar in terms of the customer experience.

While an initial consultation (for a predetermined allotment of time) comes at no charge in many professions, consumers do pay attorneys, accountants, general contractors and even interior designers once work begins. Advertising and public relations professionals do not work on marketing campaigns for free — they do not shoot a commercial and *then* get compensated after the fact. And they get paid whether or not the campaign succeeds.

Private tutors are another example. People pay for private tutoring sessions upfront with no guarantee they'll be effective. A friend of mine forked over a hefty sum for her high school-aged child's SAT tutor, who promised favorable results and demanded the entire

Yet here we sit, handling what is likely to be the largest transaction our clients will ever make, for free. All we do is gratis with hope everything works out in the end. And no matter how diligent and resourceful we are, no matter how amazing our tools and tactics are, problems still arise, things happen out of our control and deals flop.

If we want to raise the bar in real estate, gain respect and attract and retain high quality agents, we need to stop letting ourselves be taken advantage of.

How to raise the bar

It all starts with our value proposition: if we want to raise the bar, we have to start by educating the customers — not only about their real estate transaction in general, but about the exceptional service you bring to the table. Explain that yours is a value unsurpassed, that you're there to close the best deal so they don't have to. Your clients sometimes don't know what you do — so how can they appreciate it?

As housing market activity waxes and wanes, so too does the number of practicing real estate agents. A 100-percent commission-based career isn't feasible for everyone, any many soon discover that this business is a constant battle between our schedules and consumer demands. Those who survive the fray should do their best to get clients vested early on — it's not only about raising the bar for your client, it's about raising the bar for yourself too.

The real estate transaction has become so much about instant gratification for clients: we are living in a world where apps handle everything on the fly, leaving us no reason to keep clients waiting; we are an on-demand car service, shuttling from appointment to appointment; and we are a 24/7 customer service call center, being contacted around the clock.

We have done this to ourselves as a profession. We give customers an all-access pass that unequivocally tells them our time costs nothing. "I'd be thrilled to spend tons of money and time taking on your property with no guarantee I'll get paid!"

And we say it with a gleaming smile.

Never mind that the sellers won't follow any advice or recommendations. We'll have to let them list at the unrealistic price they want, but it'll be our fault when the home doesn't sell, and we are left with what seems to be a hole in our pocket.

We must stop doing this to ourselves. We serve, and we should be compensated for our professional services upfront. Charging a service fee would prevent homebuyers and sellers from switching agents mid-search ([like Taylor Swift's company did](#)). It would prevent prospects from hopping from agent to agent depending when one doesn't answer.

In many states, brokerages collect an advertising and marketing fee from sellers. This money is placed into a special account with oversight, accountability and reports generated for the seller illustrating how the money was spent. Although this tool exists, usage is limited, and to suggest this to a seller in the current real estate climate may cause some scrutiny.

Instead, like other professions, we could establish an initial consultation at no charge. What constitutes a consultation would be decided by the individual brokerage and/or agent, but generally speaking it would be a mutually beneficial interview where both parties would decide if they could work together to achieve the consumer's goals. If the buyer or seller wanted to engage further, a professional services/retainer fee would be charged.

Brokerages and their agents would have to decide what fee amount works best for them, taking into consideration their area, market dynamics and efforts. Legalities would need to be fleshed out of course, and appropriate disclosures would need to be included in every professional services/retainer agreement provided.

Another idea: The fee could be deducted from the listing side commission when the property went to closing and if the seller decided not to sell, at least the agent and brokerage would receive something for their efforts.

The benefits

A fee separates serious buyers and sellers from the ones who'll waste our time, and it creates a more vested and cooperative client. Also, the agent and brokerage may feel more motivated to make a significant financial investment upfront if they had some financial backing, and sellers may be less likely to complain that "their home wasn't really advertised enough."

Having an upfront fee paid to the brokerage on listings may also preclude sellers from shopping agents. Sellers with expired listings and multiple relists will be less likely to pit agents against each other or casually withdraw the home from the market for no good reason.

Although we may not see immediate change, implementing a fee will shift the mindset of the consumer and ultimately garner more respect for the profession. Agents will, in turn, elevate their level of service to prove they've earned that fee.

There will always be someone willing to charge less than you or continue working without charging a fee — that is the beauty of free enterprise. Fees may work out well for some clients, but they may scare others off.

better equipped to prepare a home for the market.

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