2016 Real Estate Brokerage Priorities

Where Brokers Are Investing To Support Their Agents

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Overview

Between October and December 2015, Contactually interviewed over 120 broker-owners and senior leaders at many of the leading brokerages in the US and Canada to understand their business priorities and how they plan to support their agents in 2016.

Recruitment and retention is an evergreen priority for virtually all the broker-owners we interviewed: 96% of brokerages are expending considerable time and energy toward attracting new and experienced agents to their firms. Agent productivity is the second most common priority among broker-owners: 60% of the broker-owners view increasing the production levels of their existing agents as a key driver of business growth.

Despite their desire to increase transaction levels and sales volume through higher agent productivity, our research suggests that the majority of brokerages are underinvesting in technologies and trainings that help agents sell more homes. Brokerages are providing agents with compliance and risk management services in a centralized manner (e.g, document management, transaction management, e-contracts). However, only a minority of brokerages are providing agents with sales enablement tools such as client relationship management (CRM) software or training agents in sales effectiveness. Ironically, agents who share their brokerage's goals and wish to increase their production levels must purchase sales enablement tools and trainings on their own.

Given that two-thirds or more of a typical agent's revenue is derived from referrals and repeat business, brokerages that want to support agent productivity have an opportunity to reevaluate their investment decisions. Although risk management and compliance-related investments are necessary to the running of a healthy business, investing in ways that help agents generate more revenue from their existing relationships is the surest way to realize explosive growth in the year ahead.
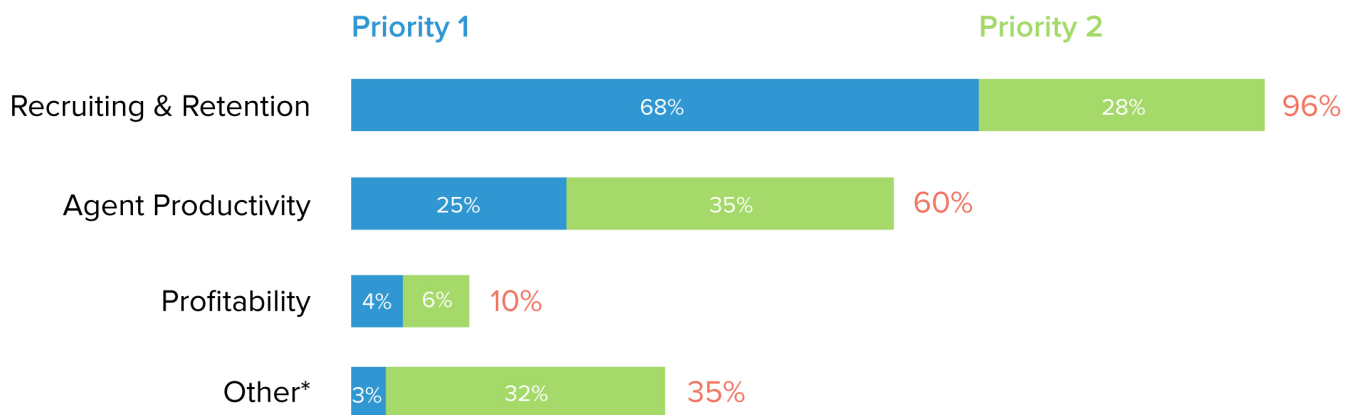
Brokerages have two primary levers available to them to grow their business:
1. Increase their quantity of productive agents, and
2. Improve the productivity of their existing agents.

Priority 1: Recruiting and Retention

By near unanimous consent (96% of the brokers interviews), "recruiting and retention" was ranked as either the first or second priority. Most brokers consider recruiting and retention an evergreen priority, according to most brokers, particularly when real estate market conditions are healthy. One broker commented, *"I've never met a problem that recruiting can't solve."*

"What are your top priorities for 2016?"

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	Priority 1	Priority 2	
Recruiting & Retention	68%	28%	96%
Agent Productivity	25%	35%	60%
Profitability	4%	6%	10%
Other*	3%	32%	35%

n=72
*Other includes branding, marketing, forecasting, etc.

How are brokerages planning to achieve their 2016 goals?

According to our research, recruiting as many agents as possible is the preferred method of growth for most brokerages for two reasons. First, recruiting is an initiative that broker-owners directly influence. It is completely within the broker-owner's span of control to target new agents and incentivize them to join their brokerage. Second, recruiting is an initiative that brokers can directly measure. Although the activities associated with recruiting new agents are distinctly different from those required to retain existing agents, the more progressive broker-owners we spoke with view recruiting and retention as two sides of the same coin. Because brokerages are always competing for the same top talent in their respective geographies, brokers are effectively "recruiting [their] existing agents every day of the year and need to be demonstrating that [their] brokerage is the best firm to work for."

Priority 2: Agent Productivity

While recruiting and retention is a top priority for virtually every brokerage firm we interviewed, increasing agent productivity is a top priority for 60% of brokers. Broker-owners identified two primary strategies they are pursuing to improve agent productivity: **1.** investments in training and **2.** investments in technology.

According to the more progressive broker-owners we spoke with, investing in training and technology serves two purposes: First, training helps generate more revenue through increased agent productivity. Second, investments in training and technology support recruiting and retention efforts by creating a compelling reason to join and remain at the brokerage.

The vast majority of the brokerages that did not rank agent productivity as a priority have 100% commission operating models, meaning the broker earns no commission on the sale of a house. These brokerages profit primarily through agents' monthly fees, and therefore grow from recruiting more agents rather than focusing on increasing agent productivity.

How are brokerages planning to achieve their 2016 goals?

According to our research, the vast majority of brokerages provide training using in-house resources *(see Figure 2)*. The largest brokerages invest in full-time trainers and productivity coaches and have distinct training budgets. Small to mid-sized brokerages, however, view training as a responsibility that is shared by a number of senior leaders and agents at the office. As such, the amount of money they allocate to training is not clearly identifiable.

When it comes to training content, risk management and compliance training are the most common topics covered *(see Figure 3)*. Brokerages are understandably concerned about the legal liabilities associated with their brokerage license and invest a significant amount of time and resources to ensure their agents understand and adhere to standard operating practices.

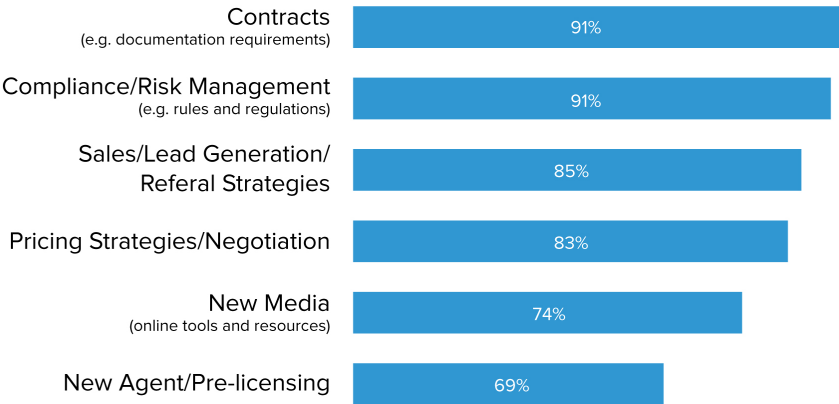## Figure 2: "What Percentage of your training needs do you insource vs. outsource"

"What percentage of your training needs do you insource vs. outsource?"

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Outsourced

Insourced*
Using exsiting resources

n = 39
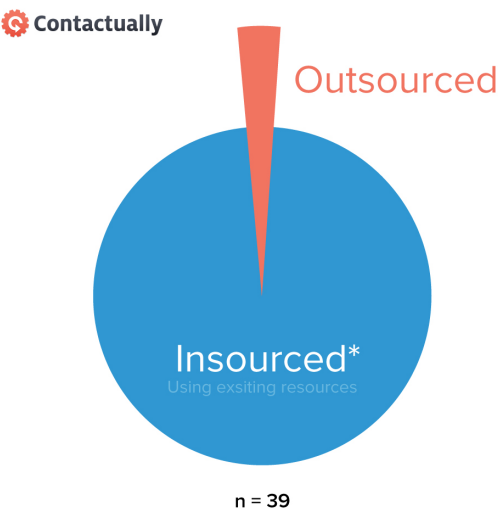
*1 out of 4 brokerages who insource do outsource sales training, but require their agents to pay for training themselves

Figure 3: Training Topics

Training Topics   Contactually

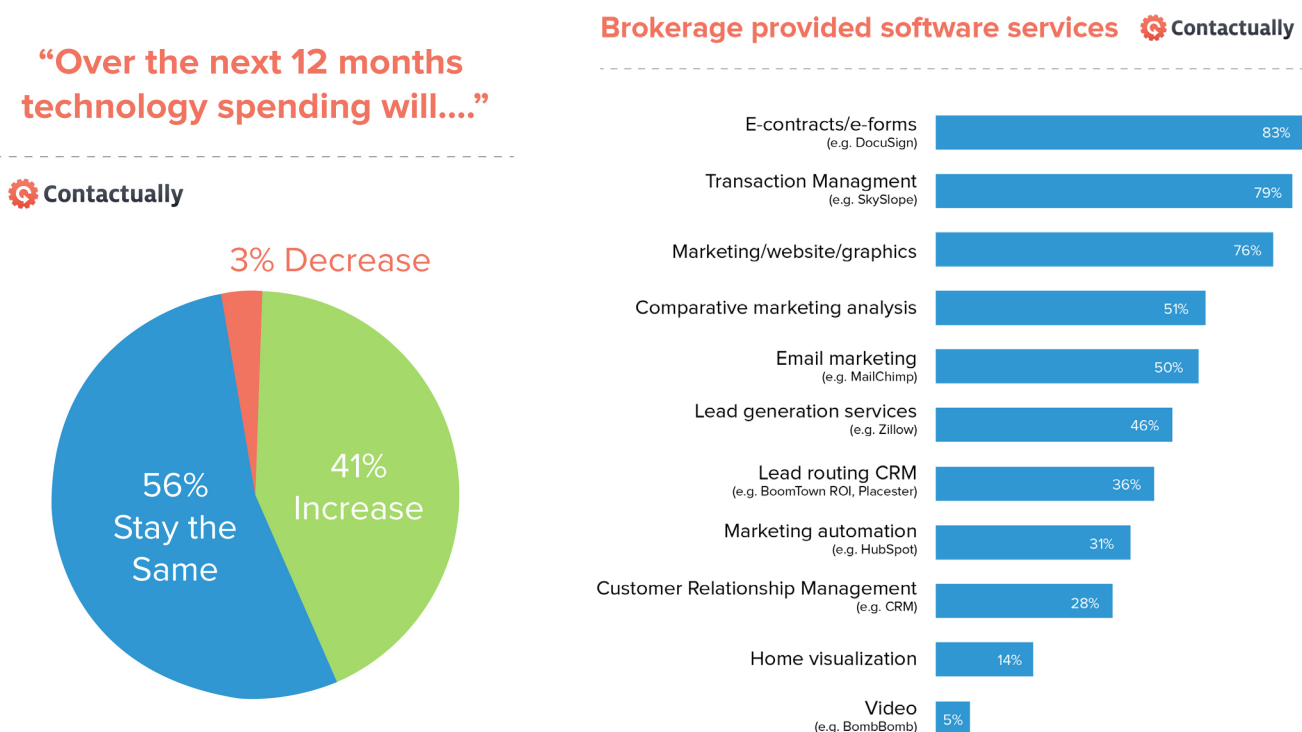| Topic	Percentage
Contracts (e.g. documentation requirements)	91%
Compliance/Risk Management (e.g. rules and regulations)	91%
Sales/Lead Generation/ Referal Strategies	85%
Pricing Strategies/Negotiation	83%
New Media (online tools and resources)	74%
New Agent/Pre-licensing	69%

85% of the brokerages we interviewed provide access to training in sales, lead generation, and referral strategies. Anecdotally, a significant percent of the individuals we spoke with said that sales training is paid for on an opt-in basis by the agent — not the broker.

As illustrated in Figure 4, technology spend is expected to increase for a number of brokerages in 2016. According to our research, 41% of brokerages are planning to increase their investments in technology, while 56% state that they will hold their investments flat to last year.

Figure 4: Investments in Software Technology

"Over the next 12 months technology spending will...."

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3% Decrease

56% Stay the Same

41% Increase

Brokerage provided software services Contactually

Service	%
E-contracts/e-forms (e.g. DocuSign)	83%
Transaction Managment (e.g. SkySlope)	79%
Marketing/website/graphics	76%
Comparative marketing analysis	51%
Email marketing (e.g. MailChimp)	50%
Lead generation services (e.g. Zillow)	46%
Lead routing CRM (e.g. BoomTown ROI, Placester)	36%
Marketing automation (e.g. HubSpot)	31%
Customer Relationship Management (e.g. CRM)	28%
Home visualization	14%
Video (e.g. BombBomb)	5%

On the whole, brokerage investments in technology mirror their investment priorities in training. Approximately 8 out of 10 brokerages state they are providing their agents with compliance and risk management-related software. Although agents are independent contractors, brokerages can mandate that their agents utilize common document management and transaction management platforms.

Three out of four brokerages are providing top-of-the-funnel technologies, such as website and marketing platforms, to their agents. 64% of brokerages are providing some form of contact database, often attached to the backend of their website. However, only 28% of brokerages are providing a CRM system more specifically built for following up with important contacts. We believe this is a surprisingly low percentage given that the majority of the typical agent's business comes from maintaining and improving existing relationships.
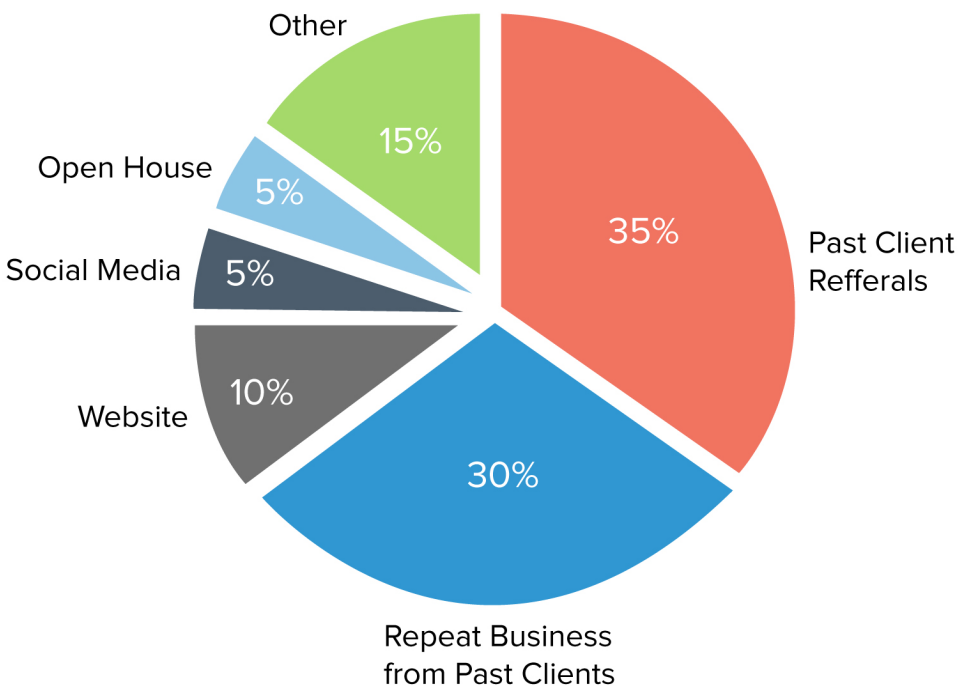
The Contrarian View:
Rethinking Investment Decisions

60% of brokerages state that increasing agent productivity is a top priority, it is curious that the majority of brokerages are not investing in training and technologies to help agents increase their productivity levels.

As shown in Figure 5, at least 65% of a typical real estate agent's business come from an existing network: 35% from client referrals and 30% from repeat business. By way of contrast, just 10% of a typical agent's business comes from website traffic.

Figure 5: Sales Volume Generated By Source Type

Sales Volume Generated by Source Type

The Contrarian View: Rethinking Investment Decisions

Brokers and agents alike understand that an agent's sphere of influence and existing relationships represent the largest source of revenue potential. Yet as illustrated by our research above, the majority of brokers are allocating their investment dollars towards risk and compliance management technologies and training, not growth-oriented technologies such as CRM software, or sales training.

Not all investments are risk and compliance related; 85% of brokerages are investing in top-of-the-funnel technologies such as lead generation activities and their website. However, these investments focus on a significantly smaller source of revenue. As one broker noted, "leads are the bright shiny objects that hold such promise and capture our attention. Yet, we would all be better off focusing our efforts on extracting more value from our existing networks."

Brokerages that lack a CRM platform report major inconsistencies in agent process flows and communication. According to our research, 73% of brokerages express a strong desire for systematic action plans that their agents can follow for common activities such as holding an open house or post-closing follow up communications.

Individual agents can and do pay for sales-related training and CRM technologies out of their own pocket. But only the most progressive brokerages are supporting their agents by prioritizing their investments towards creating more repeat business and referrals.

How Contactually Can Help

Contactually works with over 10,000 real estate agents and the most progressive brokerages to help build more authentic relationships with and generate revenue from the people that matter most: Existing relationships.

Following are three ways that Contactually is working with brokers to help their agents generate more repeat business and referrals.

1. Centralized CRM platform: With an enterprise agreement, all agents are placed on a common instance of Contactually. As the administrator, you can create and share standard brokerage-specific email templates and action plans, and you can view the activity levels of participating agents.

2. Best practice training program: Contactually enables you to "hardwire" the desired behaviors into your agents' daily activities. Working with your training team, we co-create a training program around best practices in relationship management. Contactually will be customized to your specific sales methodology and processes, and we populate the email templates and action plans with your custom material. Agents apply your training using the workflow found in Contactually. You have the option to pay for Contactually centrally or have your agents pay on an opt-in basis.

3. Endorsed offering at a discount: At your request, Contactually conducts an educational webinar on relationship management and demonstrates those practices within Contactually. Any agents who wish to trial and purchase Contactually following the webinar will be offered a 10% discount.

If you are interested in speaking further, please contact Brad Myers at brad@contactually.com or at 202.431.4108

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