



RECRUITING PLAYBOOK

A data-informed report with practical steps for recruiting the best agents from brokers like you



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OVERVIEW

Contactually surveyed and spoke with 150+ top-tier brokerages to identify their priorities for brokerage growth.

An overwhelming majority identified recruiting (and retention) as not only the most immediate need but a continually evergreen priority.

Understanding that despite its central role in brokerage activities, recruiting is often stressful and challenging, Contactually created a guide to help brokers better set, tackle, and achieve recruiting goals. These recommendations are complemented by direct insights from brokers themselves as well as innovative ideas and effective curated content.

The playbook is organized by strategy and theme and is not meant to apply as a whole to any one brokerage. Different brokers will find different chapters more valuable than others depending on the size, profile, and growth targets of their brokerages. You may find it helpful to first determine which of the strategies we've identified that you most closely align with and refer to the suggested chapters accordingly.

What You'll Find Inside:

Contactually's Recruiting Playbook is designed to help brokerages recruit more effectively. Pulling best practices from top brokers from across the US, the playbook addresses common challenges such as



Brokerage growth planning, including three major strategies and a tactical planning worksheet



Identifying and leveraging a value proposition, with detailed insight into four of the most high-requested brokerage services



Sourcing and qualifying tactics for signing the right agents, as well as tips for establishing trust and achieving credibility



A special chapter on changes in recruiting and the industry outlook moving forward

Apart from the Recruiting Playbook, brokers may also find helpful Contactually's comprehensive [2016 Brokerage Priorities report](#), which provides benchmarking insight into areas where brokerages are investing, as well as Contactually's curated library of market-proven recruiting email templates.

CONFIRM YOUR STRATEGY



We found that how brokerages determine recruiting goals depends on the desired brokerage size and revenue growth targets. Read through the strategies below and the examples given, to determine how you are setting and measuring recruiting goals and which of the subsequent chapters will best apply to you. Remember that not all brokerages fall into just one category, so you may find it helpful to refer to multiple strategies.

1 Recruiting with a Headcount Goal in Mind:

Brokerages looking to grow significantly are most likely to recruit with specific number-based goals. These brokerages set goals based on the gap between their existing and desired market share and recruit accordingly.

Brokerages with headcount-based recruiting goals also take into great consideration national industry attrition trends as well as their own average attrition rates.



Two recruiting models surface here. The first model employs a full-time recruiter to assist in generating the volume of interest that the brokerage growth goal requires. The second model involves extensive operational and administrative support to managers, understanding that otherwise the recruiting goals would be impossible to achieve.

Both models demand measurable actions and accountability.

A broker-owner who transformed a haphazard recruiting process into a very measured one emphasized the importance of accountability metrics:

“If you don’t track [the number of conversations held] on a monthly or, for some office leaders, a weekly basis, there is no recruiting. There’s no consistency. It’s a disaster.”

But for all their need for fast growth, headcount-focused brokerages also recognize the financial role played by retention: *“You could just add numbers and spin people out, but it takes too much time and is too costly,”* remarked the broker quoted above. *Brokerage growth depends on both “upgrading and growing the team.”*

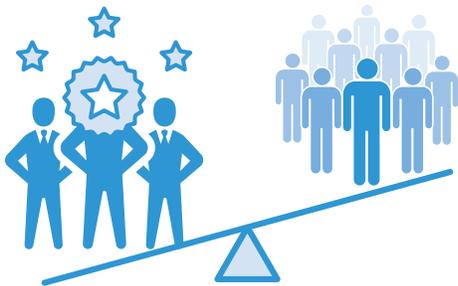
2 Recruiting with a Production Goal in Mind:

Many brokerages are quick to reiterate their desire to gauge brokerage success by quality of agents rather than sheer number of agents. **Many of these brokerages passionately insist they would prefer a smaller roster filled with the right people, than a roster augmented by agents who don't fit with the brokerage culture.** This philosophy dominates heavily among independent brokerages, although that isn't to say those brokerages don't track headcount in addition to production; they often do, albeit secondarily.

The following interests commonly explain a production-based recruiting model:

Preservation of the brand's reputation

In client-focused models, every transaction brings the brokerage's reputation in play. Consequently, it's of pressing interest to ensure that every agent on the roster upholds high standards. As one broker summarized it, *"We're extremely proud of our agents and what they do on a daily basis. But we know we're not known by our best agents – we're known by our weakest agents."* The threat of lasting negative impressions makes hiring quality agents of utmost importance, not just for a certain percentage of the roster but for all of it. One broker summed it up succinctly:



"We consider production in each and every hire. I want fewer agents doing more business – high caliber. Bigger isn't better. Better is better."

Greater revenue with fewer agents

Intentionally smaller brokerages are vocal in advocating for shorter rosters. According to these brokers, the principal advantage is that smaller rosters encourage managers to

retain only producing agents and then devote more attention to those agents to increase their production, which serves the brokerage both in terms of higher revenue and higher retention numbers.

A broker who formerly recruited based on headcount and has since changed to a production-based recruiting and retention model put it this way:

“I understand the concept that the more oars you have in the water, the faster you’re going to go. However, the more bodies you have in real estate that are non-producing, the more time it takes away from management and the more pressure it puts on everybody else, and the more it takes away from quality. I can have higher production goals, whether it’s units or volume, with a smaller number of people who produce more, which means they make more money, which means they’re more satisfied.”

Another broker made a conscious decision to cap the number of agents on the roster in order to better coach agents and manage brokerage operations. The broker commented, *“I want 100-125 agents where I know their business, I know their clients, and I know where their business is coming from. We don’t hire a lot because then we couldn’t give that level of service [to every agent].”*



Ideological opposition to volume-based recruiting

Some brokers express disdain for numbers-based recruiting models, commenting that they reflect poorly on both the specific brokerage and the direction of the industry as a whole.

Of the brokers spoken with, several emphasized they had chosen managerial roles out of a genuine interest in being of service to agents and that their recruiting process mirrored that desire. One broker explained, *“I don’t want to treat people as numbers.”*

I treat people the way I want to be treated if I am in their shoes. I cut the empty promises that people are fed. I care about people when they're making an investment into real estate, be it a new hire or someone who's looking to switch companies. They're looking to switch companies or they're about to get out of the business because they've been given empty promises or been hired by people who simply want them for their desk fees. I truly want to help them."

Ideological opposition to volume-based recruiting will be discussed in greater detail under Changes in Agent Recruiting.

3 Recruiting Highly Selectively or Only When Necessary

Whether it's because a brokerage has capped at the number of agents it wants on its roster, or because the brokerage is philosophically opposed to the idea of constantly recruiting, some brokerages pride themselves on valuing retention first and foremost and on selectively "accepting" versus recruiting agents. These brokerages are often but not exclusively independent and boutique.

As one broker succinctly put it, *"You always want more production, and we try to put ourselves in a place where we find the right people. But I believe very strongly that if I can get each and every person on our team to be more successful, then the company as a whole will be more successful, too."*



Tactical Recruitment Planning Worksheet:

Use the below worksheet to understand what metrics you'll need to use in order to reach your recruiting goals. Feel free to change the unit of time from monthly to quarterly or yearly. If you choose to do so, remember to do so consistently (everywhere a unit of time is indicated).

CALCULATE THE NUMBER OF AGENTS TO BE ADDED EACH MONTH

If you can hire administrative staff based on recruiting needs

- A1) Desired number of agents: _____
- A2) Desired timeframe (number of months) until (A1) is achieved: _____
- B) Current number of agents: _____
- B2) Monthly attrition rate: _____%
- B3) Multiply (B) by (B2) to reach a more accurate baseline to build your recruiting goal off of: _____
- C) Subtract (B3) from (A1) to reach the number of agents needed: _____
- D) Divide (C) by the number of months indicated in (A2): _____

(D) is the target number of agents to be added each month.

If your recruiting goals are limited by a fixed administrative staff number

- A) Number of agents you can realistically onboard each month: _____
- B) Desired number of agents: _____
- C) Current number of agents: _____
- C2) Monthly attrition rate: _____%
- C3) Multiply (C) by (C2) to reach a more accurate baseline to build your recruiting goal off of: _____
- D) Subtract (C3) from (B) to reach the number of agents needed: _____
- E) Divide (D) by (A) to reach the number of months it will take you to reach the number of agents you want on your roster: _____

(A) is the target number of agents to be added each month and (E) is the target number of months to reach goal.

BUILD A SCHEDULE

- A) Conversion rate of prospects to hires: _____%
- B) Number of target agents to be added each month (from worksheet above): _____
- C) Divide (A) by 100: _____
- D) Multiply (C) by (B): _____
- E) Divide (B) by (D): _____
- F) Multiply (E) by (B): _____
- G) Multiply (F) by (A): _____

Based on your conversion rate, (G) is the number of prospects you'll need to interview each month in order to add the target number of agents desired. To reach the number of prospects you'll need to interview each week or day, divide (G) by the appropriate number.

IDENTIFY YOUR VALUE PROPOSITION: WHAT ARE AGENTS LOOKING FOR?



What types of questions are agents asking during recruiting interviews, and what are they looking for in a brokerage? Keeping in mind that each agent is a specific case and that different value propositions work for different brokerages, the following themes are listed in order of descending demand.

1 Coaching and Training

New and less experienced agents have training at the top of their mind. Many brokerages also prioritize training because they actively seek more junior agents, whom they find more coachable than established agents. As one broker remarked, *“Instead of taking somebody else’s bad habits, I want to start fresh.”*

Training is of particular interest to Millennials, who, in the words of one broker, need “a very solid plan and mentorship program and then ongoing training,” because “they’re getting out of college and have debt, and then they have to go for the first six months [in real estate] without making any money.” This “financial risk” makes it harder to appeal to and retain Millennials than other generations. Recognizing that they are the future lifeblood of the industry, brokerages are using hands-on training programs to attract Millennials. These programs are paid for by what both agents and brokerages see as justifiably lower splits, which allow the brokerage to invest money in agent education and development.

Anecdotally, training and ongoing coaching thereafter are directly correlated; agents who join an education-focused brokerage early in their careers are low attrition risks. Managing brokers of training-heavy brokerages see agent success as their responsibility and are often financially incented to help agents increase their production. One broker described it this way:

“My customers are my agents. I understand that whether they stay or go is determined by their experience in the office, and when they commit to me, I take responsibility to get them into productivity quickly and allow them to leverage their time to get them the highest return on their investment.”



The amount of training demanded will depend on the experience levels of the brokerage’s agents, but coaching and mentoring serves as a consistently-valued offering

across the board. In a comment that was echoed by many others, one broker explained that although it might seem that agents' priorities focus in on commission, that's not generally the case outside of 100% commission models. When asked what agents wanted to know when considering joining the brokerage, the broker responded, *"You would expect the answer to be splits, and that's not to say that's not a question – it is –, but a lot of it has to do with culture and managerial support. We run a shop that aspires to have fewer agents doing more business, and that allows our managers to be more hands on."*



Part of these brokerages' value proposition is that, even once the recruiting process has finished, they continue to communicate frequently and provide value to their agents. *"For every ounce of effort I put into finding new agents, I want to be sure I'm putting just as much time and effort into my existing agents and making sure they're cared for,"* one broker commented.

Brokerages focused on training and coaching always have retention in mind. To ensure agents don't move to a higher split brokerage after having exhausted the initial training resources at a lower split, training-focused brokerage – in other words, to ensure agents don't "ill-use" a brokerage as simply a launching pad before establishing loyalties elsewhere – brokerages are implementing practices and policies to encourage longevity. Most commonly, these feature ongoing professional development and administrative resources so that the traditional model continues to be justified over the long term. At their most extreme, they discourage attrition with policies in which agents with tenures under two years are penalized with a pro-rated charge for the amount invested in them.

2 A Collaborative Culture

A collaborative culture allows agents to succeed without having the stress of a petty environment. This value proposition attracts mid-level agents in particular because they aren't so heavily reliant on the brokerage for training but are looking to move because

they've experienced an undesirable work environment elsewhere. Investing in brokerage culture can be as measured as providing formal opportunities for collaborative discussion or as simple as ensuring agents feel supported and enjoy their colleagues.

A broker whose brokerage advocates for the sharing of best practices explained that *“agents want to work with like-minded people who, even though we're independent contractors, believe in being a team, and that together everybody achieves more. We have a lot of time where people are in groups learning and being encouraged and learning about what somebody else is doing and being able to implement that into their business practices.”*



Many brokers underscored the importance of culture by highlighting their willingness to turn away agents who would likely add to the brokerage from a revenue standpoint but detract from its attractive cultural environment. One broker laid it out point blank, commenting, *“[Our philosophy] is ‘let’s all be committed to being full-time professionals with high standards, both in terms of service and ethics.’ For people whom that resonates with, that’s powerful. And for people whom it doesn’t resonate with, that’s fine because we don’t want those people.”*

3 Marketing and Administrative Support

Agents further along in their careers often have the network to consistently generate business but not the marketing and administrative help to support it. Brokerages that offer this type of help allow agents to keep up the pace without having to hire and manage assistants.

“For an existing agent, we want to give them their life back,” explained one broker. *“Our goal is they spend 95% of their time face-to-face with clients.”*

Another broker had a similar approach, giving the example of the question, *““What are the things you don’t like to do that if we did them for you would make you more successful?” Those are the things that really resonate with top-producing agents. We identify those kinds of things and do it for them and provide it to them at no cost. It truly does help somebody coming from another firm take their business to the next level without them having to change what they do best, which is networking and being face-to-face with buyers and sellers.”*

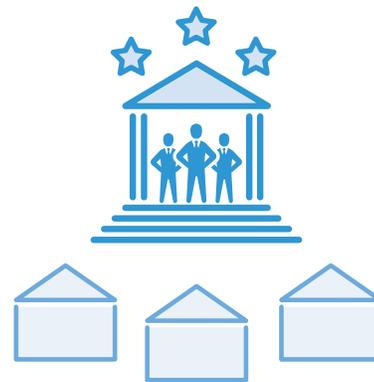


In-house marketing support in particular can also save agents significant amounts of money. Good marketing is a tremendous asset for agents looking to distinguish themselves within specialized markets. Brokerages offering customized approaches to listing marketing allow agents to gain footholds in niche areas, which in turn allows for inbound business via referrals, repeat clients, and reputation. The result, as one broker put it, is *“a sustainable, productive model.”*

4 Brand Positioning

Good agents are successful because of their own networks and efforts, not their brokerages, but the right brand can be a powerful complement. Agents who specialize in a niche market benefit from a brand invested in their same interests, and agents budding up against top producer level see aligning themselves with a top-tier brand as an opportunity to rise in market ranks.

“The agents we attract from competitors come to us because they see the value of the brand in the marketplace,” said one broker. *“They sell against it in a number two or three or four position, and they see the value of being with number one.”*



As one broker details, reputation isn't everything, but it provides a cushion that makes for easier lead generation and client trust: *“It makes it much easier for agents to do business in our market. They don't have to sell the firm. They just have to sell themselves, and that comes with a lot of support behind them.”*

SIGN THE AGENTS YOU WANT



It's easy to look at a list of agent metrics and highlight the agents you want based on production level. But how do you strike up a conversation with them, and how do you ensure they'll be good additions to the brokerage from both a production and a cultural perspective?

This chapter has two sections. The first section highlights innovative and successful sourcing methods. The second section details strategies by which to evaluate and win agents.

1 Sourcing Tactics

There is no one size fits all with recruiting. As one broker put it, *“It’s definitely an art, not a science.”* What works for one brokerage or agent may not work for another brokerage or agent. Highlighted below are several sourcing methods you can try.



Ask your current agents for referrals.

Your current agents’ familiarity with brokerage culture and work standards make them excellent judges of whether or not someone else will be a good addition. Professionally, it’s in agents’ best interest to connect with high-performing agents, and personally, people of similar profile often stick together, so their network should be a goldmine of possible additions to your roster.



“If we find a good person, we’re immediately thinking, whom else does this person know, because most likely they’re hanging out with similar people,” said one broker. One important piece of advice: Have referrers connect you directly with referrals so you have their contact information and can follow up if need be. If you’re serious about growing your roster or filling attrition gaps, ensure you have control over the outreach and follow up process versus leaving it up to referrals to contact you.

Ask current agents to be your eyes and ears during transactions.

Your agents’ direct experience working with agents on the other side of a transaction makes them excellent sources of insight into potential prospects’ personalities and work ethics. Gathering feedback from your agents’ firsthand experience working with prospects is also helpful during the final evaluative stages of the recruiting process to ensure that prospects haven’t misrepresented themselves.

Thank agents on the other side of your brokerages' transactions.

Thank agents for their hard work in helping your clients finalize a purchase or bringing clients to your listings. One broker sends “a showstopping floral arrangement with a handwritten note,” which not only “helps to recruit that particular agent but gets the attention of the other agents at the office.” This display of thanks gives a taste of your office culture as well as ensures your communication with prospects is actually read versus ending up in the inbox or voicemail black hole.

Invite prospects to brokerage training classes.

As one broker noted, *inviting prospects to brokerage-held training sessions and speaker events “gives [prospective] agents a way to experience our culture and what we provide.”* Some brokers also communicate with prospects when they introduce a valuable tool or service to the brokerage, not only to illuminate additions to the brokerage’s value proposition but also to reiterate the brokerage’s and the prospect’s mutual interest in taking business to the next level.

Introduce yourself at prospects' open houses.

Here prospects are captive audiences. But just because agents are “cornered,” so to speak, doesn’t mean that peppering them with questions and value proposition details is appropriate. Remember, open houses are work hours for them. Be respectful of this and also of their contentment at their current brokerage, if that is expressed. One broker finds success in positioning coffee invitations as get-to-know-you meetings with all the high-performing agents in the area because “at some point [they’ll] do business together.”

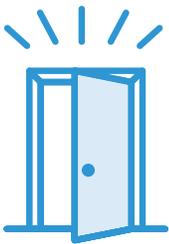


Bring in the big names.

Some agents may respond to ego-boosting actions, such as a meeting with a brokerage VIP that indicates their potential importance to and impact on the brokerage. *“If need be we’ll bring our owner in to talk to the agent,”* said one broker, *“and he is the type of guy who will meet with somebody and spend time with that person and they find that very unique.”* Top producers know from their experience building their own books

of business that relationships are everything. The criticality of personal relationships is as important in brokerage selection as it is in generating business. Just as prospective clients respond to genuine relationships and service from an agent, so do agents respond to personalized attention from a brokerage.

Keep the door open for agents who voluntarily leave.



For agents with whom you enjoyed working, stay in touch. One broker told of how the brokerage has *“had a lot of success with agents coming back within one to three years”* simply by *“leaving the door open for that person to come back and not taking that personally. There’s no shame in coming back and we appreciate them.”*

2 Evaluating and Winning Prospects

Sourcing and following up with prospects is only the first part of the recruiting process. How do you then ensure prospects are not only solid producers but also great cultural fits who have a long-term interest in the brokerage? And how do you win agents to your roster when there is high competition in your market? There are two pieces to success here. One is asking the right questions to thoroughly vet and get to know agents being considered. The second is adhering to one broker called a

“three-pronged mantra:” “Build rapport with people, gain credibility with people, and show people [you] care about them.”

Achieving an understanding of interpersonal integrity is key to building the relationships that result in signed recruits.



3 Ask the Right Questions

Do your pre-appointment homework.

Research prospects ahead of time by searching their names online to uncover personal websites, affiliations and press appearances, and social media profiles. By doing research before meeting, you'll be able to ask more tailored and pointed questions, which in turn will provide you with a more thorough understanding of prospects' work habits, interests, and personalities.



Look for competitive qualities.



Being competitive doesn't necessarily equate to being cutthroat, which has a negative connotation. Identify characteristics such as perseverance and initiative. Many brokers look for people who seek achievement and are self-starters. One broker looks for

“any predictor that will help you see if they have a fear or unfounded fears,” because having “no fear and a boldness factor” is an indicator of surefire potential.

Another broker specifically asks prospects to detail situations in which they were successful, both as a way to learn more about prospects and as a knock out question.

The broker explained, *“I’ve had people kind of intimate that they were successful, but then if you push them, they’ll say, “Well, I don’t know if I’d call it successful.” Then I’ve had other people who come right out and say, “I hate to lose.” And I say “I’ll sign you right now.” You have to have a drive to win to be successful.”*

Allow prospects to talk uninterrupted.

People reveal all kinds of things when allowed to ramble. Allowing prospects time to talk without interruption could alter your evaluations of them positively or negatively by illuminating qualities or experiences that weren't previously known. Either way, it's important to have as broad an understanding of prospects as possible as well as



a specific understanding of what prospects' needs and goals are. As one broker put it, *"If you do all the talking, you walk away and you still don't know what they want."*

Ask prospects to pitch themselves.

Indirectly or directly, all levels of agents have to market themselves to obtain clients. Building off the idea that neither the brokerage nor the prospect wants to be merely a number on a roster, ask prospects how they'll add value to the brokerage instead of simply expanding the office headcount. One broker asks prospects to give an overview of how they arrived at where they are today, prompting them, *"Let's start back when you were in high school, and tell me about yourself between the ninth grade of high school and today." And I let them talk. Then after that I have pointed questions like "Why should I hire you? What is it you'll be able to do for us?"*

Ask knock out questions.

Look for a reason not to hire prospects. While it is important to listen carefully to prospects and give them the benefit of the doubt, it's also healthy to respectfully challenge unsupported statements or points that don't seem to align with the brokerage's best interest. Don't settle for generic answers, especially with prospects new to the industry. One broker detailed why this is so important, explaining,



"If I get the answers that are typical, they probably aren't going to fit in my environment. "I love houses." "I want to work in real estate so I can have more flexibility." I'm always looking for knock out factors and if they pass that test to my satisfaction."

Trust your interpersonal instincts.

Many brokerages require personality and skills assessments. While these assessments have strong advocates, especially among hands-on managers who use the assessments not so much to weed out agents but rather to coach them in a more tailored manner, remember, too, to consider the overall picture and not rely too heavily on a tool that's meant to supplement, not be the primary source of information about prospects. One broker described it this way: *"Some people are terrible test takers. This business for*

me is all about relationships. You know within 15 minutes of talking with a person whether or not you want to work with that person.” If standard small talk doesn’t allow you to get a good sense of prospects’ personalities and work habits, consider nontraditional conversations. The broker quoted above asks prospects to show him the inside of their cars and uses that situation to prompt questions about organization, communication, and daily habits.

4 Achieve Credibility

Encourage recruiting prospects to ask current agents for direct testimonials.

There is power in direct feedback. One broker summed it up by saying, *“Agents are inundated every single day from every single brokerage, and for the most part, it’s just noise. I think the most effective way to recruit is to have other agents in your company recruiting for you, singing the praises of what you provide.”*



Two ways to do this are inviting prospects to sales meetings to interact with the brokerage’s agents in person and giving prospects the roster of agents and encouraging them to call anyone and ask questions about working at the brokerage.

Demonstrate your expertise as a coach by helping prospects before they’re on your roster.

Ask prospects how their business is going and if there are any areas in which you can help out, and then do so with the same care and thoroughness that you do for your existing agents. One broker has even discovered strong prospects by offering help during transactions to inexperienced agents who simply lack training and have untapped potential.

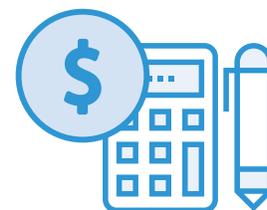


Urge prospects to talk to competitors.

This allows prospects to determine cultural fit and compare value propositions beforehand versus becoming attrition risks. Several brokers also advocated for prospects speaking with many different brokerages in order to expose inconsistencies between rhetoric and practice. One broker detailed giving prospects a specific list of questions to ask other brokers: What is the office turnover? How many people are in the office? What is the broker's availability? Is training personal from someone who has coached previously, or is it outsourced or downloaded from a canned curriculum? Wanting to sign only those agents who are truly dedicated to their particular brokerage, several adamant brokers said they left it up to prospects to reach back out to them with committed interest: *"If you think we're a fit, then give me a call, and if not, let's not waste both of our time."*

Break down the numbers.

One broker commented that *"if you want to have quick results, you go after someone who's been in the business eight months to two years who's had some success, who's probably looking at their numbers saying, you know, my broker's keeping a lot of my commission."*



Be frank in detailing what you *and* the prospect should expect.

Accurately describing the brokerage work environment and expectations and outlining what the prospect can expect is arguably the most important step you can take to ensure the hire is in both of your best interests. Learn from one broker who said, *"I want my agents to buy into working with me. I give them education, I explain the expenses, and I paint a realistic picture. The worst thing I can do is convince somebody to come here when they don't know what they're getting into."*

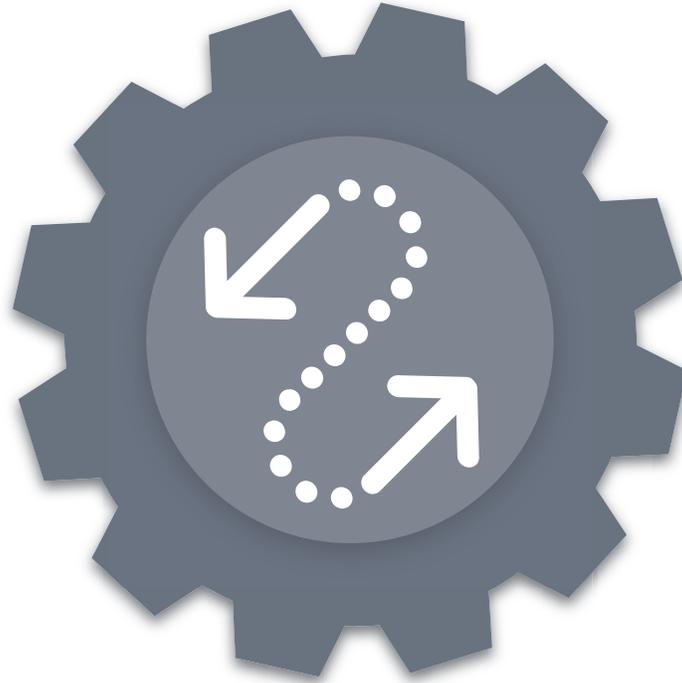
Likewise, Be clear in describing your commitment to prospects' success.

With many agents looking for greater support or at least the comfort of knowing resources are available should a need arise, it's important to reiterate your dedication

to their success. One broker explained, *“I tell [prospects] how I conduct my day and how I think about the office and the business and what that means in terms of my availability to them. I try to give them the comfort of knowing “if you make the decision of starting your business here, I’m going to give you the value of being here. Unless we have a relationship where you feel valued, I know you’re not going to stay here, so that’s what I’m going to be thinking about every day. You’re going to be thinking about your business and I’m going to be thinking about you.”*”



CHANGES IN RECRUITING



As the real estate industry has evolved, so has recruiting.

Communication methods, for instance, reflect the changing mediums through which people are connecting with each other. Social media platforms such as Facebook and Instagram have experienced tremendous user growth, allowing recruiters to, as one broker noted, “be more targeted and intentional” in reaching out to and building relationships with prospects.

A more important change stems from the increased presence of brokerages that are promising dream packages – A full array of services and high splits. Consequently, brokers are finding that “the expectations from the agents have changed. It’s a challenge because they want all of the tools and benefits and coaching, and then they want all the money, too.”

1 An Existential Challenge

Brokers know that *“You have to be flexible. You can have anything you want. You just can’t have everything you want.”* But agents continue to demand comprehensive packages, so although these are profitably impossible for most brokerages, many brokerages are adapting how their offerings are structured to meet agents halfway.

Some brokerages, for instance, are offering agents the option to sign under a traditional model or a capped model versus having them default to one in particular. Agents can choose a capped model but pay for tools and services themselves or choose a traditional model where technologies and services are provided but splits are fixed at a negotiated amount. Which model the financials favor depends on the business the agent does.

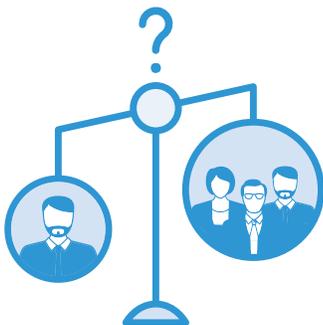


Other brokerages have simply increased their starting splits to better compete when their primary competitors are companies offering attractive commissions. Many brokers commented that agents are far more blatant in their demands than they have traditionally been. *“They want it all and they think they can get it all.”*

That said, a strong subset of brokerages insist they’re “not going to buy anyone.” Sometimes the reason for this is philosophical. Brokerages make the case to both their prospects and existing agents that their *“revenue allows [them] to offer some pretty progressive programs. And if you don’t have the revenue, you can’t have the programs.”* Other times brokerages refuse to dramatically alter their commission models because they realize agents will make more money under their rosters in the long run, so their financial reasons for going elsewhere are miscalculated. This is particularly true for niche and established brokerages, whose “longstanding brand recognition and marketing support” outweigh the short-term incentives of up-and-coming players in the market.

But it's also true more generally speaking because of what many brokers described as "hidden fees." As one broker explained, *"The products that are being sold to the agent ... there's a lot of smoke and mirrors as to how the money really works. You'll find that a lot of companies are offering technology-based stuff and high commissions but they're taking money away in other areas or charging fees that are hidden."* Because the fees are not immediately obvious, brokers are increasingly laying out all the financials for both their brokerage and their competitors' so that prospects can clearly compare.

Brokerages also have to respond to the growing popularity of teams. As one broker described it, *"One of the ways [other brokerages are] recruiting is they're telling [mid-level and experienced] agents, 'Come and bring your license to us. We'll help you build a team, and it'll be all about you.'"* Teams also appeal to newer agents,



because teams offer them "quicker access to transactions and money," albeit at the cost of a reduced split. Despite the increased demand for teams, however, many brokerages continue to focus on individuals, explaining to prospects that collaborations create specialized instead of comprehensive skill sets. As one broker clarifies to prospects, *"we would prefer to train you on how to become the best agent and how to develop your brand from day one."*

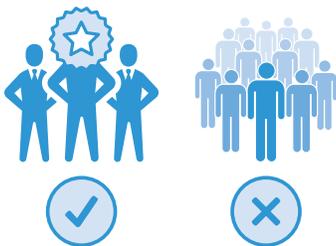
Brokerages that don't offer "shiny objects" such as cutting edge technologies now find themselves spending time justifying why whereas previously it would have been understood as the industry norm. Increasingly, agents expect handholding and free expertise – two things that years ago independent contractors would neither have expected nor wanted. One broker explains to prospects, *"'You're an independent contractor. Why would I force you to use my resources and my vendors when you might be able to get a better deal with another vendor or not need all my features? That's the beauty of being an independent contractor. You get to make all your own decisions, so we're going to structure your pay in a way that you're able to do so.'"* Commission-first brokerages and even traditional model brokerages find it hard to dissuade prospects from the mindset that "they can have it all" – high splits and provided resources.

2 Restoring the Reputation of an Industry

A significant number of brokers expressed dismay at the current state and seemingly future direction of the residential real estate industry, describing a lack of professionalism among agents and what they interpret as an almost inhumane approach to recruiting among brokerages.



One broker commented, *“What I find a threat or a concern is when organizations recruit based on just physical human beings, without concern for the quality of people they’re bringing in or a higher level of respect for why we have this industry. You don’t want people to have a negative experience with the agents they work with – that’s a threat to the industry. Our industry exists to serve the general public, and if we continue on this trajectory, we could lose our entire value.”* Another broker echoed that comment and implored managing brokers to *“educate, inform, and empower agents, and not just get into this business because we can hit them up for \$100/month in fees. I want to see our industry be authentic and really put people in a Realtor seat that have the potential, and then invest in them.”*



In other words, in order for the industry to retain its value and survive in an increasingly digital world, brokerages *“need to do a better job of making it more about the recruit and less about the job of recruiting.”* Agents need to prove their value to potential and existing clients, and brokerages should be responsible for coaching and supporting them in doing so.

That headcount-driven recruiting is a significant threat to the residential real estate industry is still a matter of opinion. That said, the outcry among brokers interviewed was frequent and vocal enough to make it something to watch as time pushes forward. At minimum, the industry will need to continue to evolve to meet the changing needs and demands of clients. It’s very likely that it will also need to evolve to meet the changing profile and demands of agents as well.