

Growth

by Donald Teel



Growth of your real estate business is not automatic. Growing your company to a larger size has many interesting points of discussion, among them, the idea of how to create growth, measure it and sustain it. Vertical growth models (the idea of getting big in one market place) have all but failed, mostly due to the chosen modus of growth used by brokerage firms for decades.

Real estate company growth has a stupefying element because what you see is not always reality, much less good business. Is the best real estate company the largest or the one with the most agents, offices, highest number of listings, most sales, highest gross commission income or the biggest name brand in town? An even more penetrating question is

“How does a real estate company expand and what is expansion, anyway?”

In the old real estate economy, the primary expression of presence was an office, hopefully well located for easy access by consumers and elegant enough to persuade agents to affiliate and in so doing be labeled “BIG.” How a company got big was by spending a lot of money on bricks-and-mortar operations and a lot of agents. When the building was full, open another office, equip it, staff it and hire a manager to run it. This was growth, in the old days.

When we dissect the old growth paradigm (I call it old, not because it is rejected, hardly. It is still the number one model used in the US today) we see a set of characteristics that are incompatible with the *New Real Estate Economy*¹, which is increasingly characterized by fluid models operating in open environments that empower consumers with information attainable in cyberspace, a.k.a. the Internet. The old real estate company growth model is characterized largely by the following ten business traits:

1. Market presence expressed by bricks-and-mortar operations (the offices).
2. Internal agent services designed to pamper and retain agents in fixed offices.
3. Ego mechanisms designed to divide agents into classes, exemplified by awards.
4. Commission scale tensions that are the primary equation of the business.
5. Print advertisement at the owner’s expense designed to placate sellers and agents.
6. MLS property information control through local Realtor® Associations and NAR.
7. Single geographic market focus, i.e., the Effective or Market Service Area.
8. Defining a Company by its agent count and annual gross commission income.
9. Competing for agents, in the same limited market(s) for the same income.
10. Operating the business through the feast-and-famine market cycles.

Each of these ten operating traits could be parsed for hours but for now, let me simply say that when taken as a whole this business paradigm is now destined for doom. How many of these apply to your company today? Owners know this is an exhausting bump-n-grind model.

¹ The Founder of e-Partner®, Donald Teel, first coined the phrase “New Real Estate Economy” in 1996 and coupled it with what is now referred to as “The Third Economic Wave” of the real estate industry which began in 1994 and continues to the present. This is the “Consumer-Centric Era.”

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Years ago, I started espousing a new growth mentality that owners ought to embrace, one that emphasizes how the real estate industry was going to become a total market game and that we should *Get Big by Being Small all Over*². In essence, redefining what success is and what it looks like.

Growth in the *New Real Estate Economy* means not just doing more but doing more with less with a higher profit yield per agent/per transaction/per market. However, for many of my fellow colleagues, it has always been easier to simply create band aid solutions that keep agents fat, happy and at the office by throwing more money at the increasingly saturated vertical markets. Luckily for all of us, the market has bailed us out for more than a decade. But the gravy train is now coming to an end forcing us to ask ourselves, “what happens when markets plummet, innovators arrive and non-brokers enter the game armed with entirely new business models that offer agents more money but fewer services?” Oh, in case there are any skeptics, this is already your new reality show.

Get Big by Being Small all Over (GBBBSAO) is not a trite, radical idiom. Rather, it is a way of thinking, a mental script...our paradigm for new market sensibility. It becomes a way of addressing the consumer demand for total accessibility to all markets, all the time. At the risk of offending some owners, let me say categorically, the consumer is not impressed by our buildings, doesn't want to visit them and increasingly doesn't need them to engage in buying and selling real estate.

GBBBSAO is actually a kind of “decentralization”, “de-merger” or “de-acquisition” of our real estate businesses so that they can operate with ease and profitability in open freedom markets anywhere and everywhere without the shackles of our former labor-intensive industrial models.

GBBBSAO thinking stands in contrast to the manner in which we owners have been previously educated. I am talking about the school of thought that urges us to get bigger and bigger and bigger in our territorial market, which is the assigned, static, community slot in which we have our office(s) and where we have traditionally defined our business.

Until recently, we have not had much of a problem despite the fact that owners have had no sustainable and replacatable business model platform because the markets bailed us out. Do we have the will power to *GBBBSAO*. We are now faced with huge overheads in the midst of a sliding market. As a result owners are now ready to take a look at alternative growth and profitability models. Networks like e-Partner provide owners with the market penetration platform that empowers them with the tools and market model to *GBBBSAO* and reposition themselves for sustainable and higher ROI.

² This is the second of the original *Ten Commandments of the New Real Estate Economy*, written by Donald Teel and highlights the need for real estate companies to redefine success as a mixture of multiple market penetration and presence, coupled with streamlined high-tech operations that yield higher profits with less overhead and a lower agent count.