

## Special: Feature

# GMAC Home Services: Making Waves, Making News, And Making Money

By Frank Cook

In a world full of red, white, blue and gold real estate companies, how do you make your company stand out? And more importantly, how do you get your sales associates to buy into the concept? It seems that those in the drivers' seats at GMAC Home Services have the answers.

If home sales have never been higher, then why aren't real estate companies making more money? If there are more than 900,000 Realtor members out there, then why is recruiting still such a problem? If the notion of one-stop-shopping is so popular, then why are capture rates so dismal?

If the real estate business isn't broke, then why is every broker-owner in the country trying to fix it? Suggests one industry leader, it's time for changes — big changes.



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“We need to build a business format that will outperform the traditional form that's been utilized for the last 30 years, and I believe we can do it,” says John Bearden, president and CEO of GMAC Home Services, which is based in Oak Brook, Illinois.

“You do that by putting into place a business model based on what the consumer wants. You do it by creating partnerships with your sales associates that will help them expand their business. And you don't make your managers and brokers spend time being *Deal Doctors* on transactions that are going to close anyhow.”

### CHALLENGING MYTHS

In the past several months, Bearden and company have been sparking headlines by challenging some of real estate's most

common myths, including:

- **Myth #1:** That agents control the business and that it needs to be taken back from them in order to be successful.
- **Myth #2:** That the only way to grow the company dollar is to broker more deals.
- **Myth #3:** That it's not necessary to have quality, service-oriented agents to have a quality, service-oriented brand image.

“That's the thinking that has put this business where it is today,” says Bearden. “We

need to get beyond that.” He points out that in this era of record-high home sales, the net profit per transaction has dropped to an average of \$137 per transaction. Real estate can't stand much more of this prosperity.

Bearden is out to transform his corner of the industry into a model that will survive in the years ahead — thriving in good times and proving resilient in bad. He is in the midst of a multi-part initiative that will:

- Expand the number of company-owned offices which, in turn, will act as both profit center and laboratory to bolster the franchise side of the company.
- Train sales associates to a service matrix — “Premier Service” — that will improve their chances for long-term success.

***“That’s one of the things we’re focusing on now,’ he (Morris) says. ‘We’re training managers. It’s very specific, very intense and it has a very high level of accountability.”***

- Transform GMAC Home Services into a true home services company that will provide brokerage, highly competitive mortgages, title and closing services, insurance and home warranties.

“The industry standard right now is what, about 20 percent capture rate? I believe we’ll see capture rates of 40 and 50 percent. Maybe more,” states Bearden.

**KEY ELEMENTS**

Ironically, two key elements are likely to help clear Bearden’s path: First, and most obviously, he has the full confidence and long-term backing of the company’s multi-billion dollar parent, General Motors.

“Our net operating income is up more than \$100 million in a little more than a year and a half. We’re one of the largest turnarounds in GM history. Given the fact that we have the right people in the right leadership positions, and have expansion plans that are going to make us even better, our parent company is very supportive in allocating capital for us. They really do understand our approach and they like it,” said Bearden. “Right now we’re in an aggressive pre-expansion mode.”

And the second and less obvious boost is that GMAC is No. 6 among the Top 6 franchises. Therefore, it is free to innovate.

**MORE COMPANY-OWNED STORES**

A key part of the company’s renovation

is the expansion of the number of company-owned offices. Terry Morris, formerly president at Northside Realty in Atlanta and now president of the 92 owned stores, says these operations will be incubators for initiatives that will be exported to the franchises.

“Our goal is to be one of the top five

metropolitan New Jersey area; Carlson GMAC Real Estate in Massachusetts; Hammond GMAC Real Estate in Boston; and Kinlin Grover GMAC Real Estate on Cape Cod — as proving grounds, Morris says, “we are modeling what a brokerage and home services company will look like. We are adding

a common sense, sound business discipline to what otherwise has been an undisciplined industry.”

A major point of friction in the industry today is the sales associate’s reluctance to guide home buyers to affiliated service providers.

**ANCILLARY TRANSACTIONS**

“Because of the struggle between the independent contractors and the brokers, most companies are getting very few (ancillary) transactions,” says Morris. A 20 percent capture rate is fairly typical. “But that struggle has been created by the brokers. They put the independent contractors on a pedestal, and the independent contractors started doing just as they pleased.

“From the very beginning, brokers should have said: ‘This business about independent contractors is really just about how we pay taxes to the government. As a sales associate, your success will lie in your interdependence on the other people in this office, in this company, our mortgage partner and our other service representatives, and our ability



**Pictured from Left to Right: Terry Morris, President, Company-Owned Real Estate Operations; John Bearden, President and CEO, GMAC Home Services; and Lane Barnett, Executive Vice-President of Marketing and Communications.**

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real estate brokers in the nation within the next couple of years,” said Bearden. “And just as important, our goal is to be number one in agent productivity.”

Using the company’s “keystone” offices — Pacific Union GMAC Real Estate in San Francisco; Koenig & Strey GMAC Real Estate in Chicago; Gloria Nilson GMAC Real Estate in the met-

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to provide a world-class experience at the customer level.”

Beginning now, adds Morris, “We’re going to work with our sales associates to help them create that experience. Because when they do, they have a more efficient experience, the consumer has a more positive experience, and that means more repeat business and more referrals — and that’s a big win for all of us.”

While that kind of fraternity might be buildable in a single office, or maybe even in a handful of scattered offices, GMAC Home Service’s challenge is to install the concept in every company-owned office coast-to-coast, and then offer it up to franchises. Morris believes that may not be as daunting a task as it sounds.

“We are focused on our ‘Premier Service’ concept,” Morris said. “And we are the only company that, coast-to-coast, has a unified business plan and a philosophy on how we’re going to implement it. The truth is, I’ve talked to a lot of agents who are successful. They’re not looking for independence, they’re looking for leadership.

“And of the new people coming into

the business, most are coming out of a structured world and they want to step into an organization that tells them what to do, when to do it, and helps them stay on track with a business plan that will help them achieve their goals,” he adds.

Morris concedes, however, the first obstacle is not at the sales associate level — it’s at the management level.

“That’s one of the things we’re focusing on now,” he says. “We’re training managers. It’s very specific, very intense and it has a very high level of accountability. Everyone in the system is going through this transformation.”

## GETTING WITH THE PROGRAM

One of the cornerstones of the transformation is the “Premier Service” business philosophy the company recently rolled out. Premier Service was created following extensive marketing research that revealed what customers really want from a real estate transaction: to trust their agent, receive value and have control.

The program provides sales associates with new tools to help differentiate and demonstrate their commitment

to providing the best customer service available.

The three-part marketing process includes the following:

**1.) The Premier Service Commitment:** A certificate which GMAC Real Estate sales associates give to their customers defining the service they are going to provide, as well as their role as the customer’s Trusted Advisor, Skilled Negotiator and Expert Facilitator.

**2.) Value-Added Customer Programs:** Through GMAC Real Estate’s expansive and growing Home Rewards Program and partnerships with other home-related services companies, sales associates further demonstrate the value they offer their customers.

**3.) Customer Satisfaction Survey:** Through the Premier Service program, GMAC Real Estate customers are asked to complete a survey from an independent firm that evaluates the service they received.

## CONSISTENT AND RELIABLE SERVICE

“In the real estate business today,” says GMAC Home Services’ Executive Vice President of Marketing and Communications Lane Barnett, “service is bio-rhythmic. If the agent is having a good day, the consumer gets good service. If the agent is having a bad day, the consumer gets bad service. That’s the way this industry has been for 30 years. Consumers have never received consistent, reliable and predictable service.”

Under Premier Service, sales associates sit down with their clients and understand the clients’ needs. At the same time, the agent also makes sure the client understands the agent’s role. The client also is advised that at the end of the transaction he will be asked to grade the performance of the sales associate and the company and that — to assure candor — the tabulation will be done by an independent third-party company.

Referrals to affiliated companies are part of the Premier Service philosophy. “The sales associates are coming to the realization that these referrals enhance their role in the transaction. Research

## Hey Mister ... Wanna Car With That House?

While GMAC Home Services offers up a new image to consumers, and simultaneously renovates its business model in the industry, it also has opened a third business front to attract the attention of one of the world’s largest affinity groups: The 19 million employees, suppliers and retirees of the worldwide General Motors conglomerate.

By most accounts, before the Bearden era, the real estate operation was just another line of business in a corporate giant with lots of lines of business.

Today, however, synergy is building.

GM assembly line workers who need mortgages have attractive packages available from GMAC. GMAC Home Services brokers and agents have discounts available on cars. Since January of 2002, GM has sold an average of 172 cars per month to GMAC Real Estate sales associates — some 3,000 cars in 18 months — saving brokers and sales associates nearly \$15 million. Bearden believes brokers and sales associates are now handling more than 10,000 leads per year generated from within the GM family.

Home Services has “a long way to go to achieve the level of recognition inside General Motors that we’d like to see, but we’re working on the foundations. The programs and incentives are there now, and we’re getting tremendous co-operation from GMAC and more and more from GM itself.”

Home Service also is moving those affinity programs down to the consumer level. A home purchased through a GMAC Home Services agent, with a GMAC mortgage, can get the buyer a GM credit card that earns discounts on new GM cars.

— Frank Cook

***“Ultimately,” says Barnett, “once the whole package is in place and working at full capacity, the goal of bringing more business through the front door will be achieved.”***

shows customers are demanding this kind of help and the agents are realizing they need to be part of it.”

### **IMPORTANCE OF COMPANY-OWNED OFFICES**

Nevertheless, Barnett calls the concept “missionary work.” “We can’t wave a wand and make it happen. That’s why the company-owned offices are so important. We can try these things there because we own the companies. Then we can take it to the franchises and show them that it increases agent productivity, and the capture rate (for affiliate businesses) goes up.”

“Ultimately,” says Barnett, “once the whole package is in place and working at full capacity, the goal of bringing more business through the front door will be achieved.

“When you take an honest look at the industry today, the consumer sees no difference between real estate companies,” Barnett says. “If you look around at the big companies, they have a ‘one-size-fits-all’ philosophy. They’re comfortable with that.”

### **National Trainers: Adapt Or Be Left Out**

Especially in the company-owned operations, GMAC Real Estate is going to be run by the book — Terry Morris’ book.

New sales associates will come in, they will go through specific training, they will operate according to specific procedures and be held to specific standards.

So where does that leave national trainers who tour the country teaching at mass Realtor meetings and franchise conventions? Says Morris, it’s going to leave a lot of them on the sidelines.

“When a company goes down the path we are going to go down, we have to have a high level of consistency. We’re not going to let anyone in the company unless we know his/her training is going to be compatible with the processes we have in place.

“We’re always open to new ideas,” Morris emphasizes. “But we’re not going to be open to just any national trainer who wants to come in and do his or her own thing. We’re not interested in some short-term motivator, someone who tells cute stories or some entertainer.

“We want to modify the way (the real estate) business is practiced. We are going to train agents to work in a consistent, predictable, understandable fashion. We’re going to do things as a company.”

**– Frank Cook**

If it intends to gain market share, says Barnett, GMAC Home Services has to

be different.

“If you look at NAR’s statistics, 79 percent of buyers say they are ‘highly satisfied’ with their transaction and 69 percent of sellers rate themselves as ‘highly satisfied.’ But despite those ratings, only 4 percent of buyers actually used an agent or company they had used in the past, and only 21 percent of sellers used an agent or company they’ve worked with before.

“There is no affinity building here. That’s a terrible indictment of this business.

“Premier Service won’t just mean that the consumer gets a good experience. It means that the consumer has graded the experience and the sales associate is going to be able to market that.

“As more consumers hear about Premier Service, some are going to be curious enough to check it out. That’s what we want. We want the opportunity to talk to the consumer. Over time, with aggressive promotion, more consumers will come to us, and that’s going to mean more opportunities for sales associates.” ■

**– Frank Cook**

### **Making Sure The Consumer Sees The Value**

Although GMAC Home Services believes the industry’s traditional model is slowly going the way of the typewriter, the company is shrugging off the more exotic alternatives — discounting or putting agents on salaries — and is only somewhat warmer to the idea of fee for service.

Says Executive Vice President for Marketing and Communications Lane Barnett, “The problem for the consumer is, first, the size of the transaction; second, the infrequency of the transaction; third, the complexity of the transaction; and fourth, the overwhelming amount of housing data available primarily through the Internet.”

Those four issues drive the consumer down a path of needing more service, not less, he says.

“There is always going to be that 15 percent of the population that buys for price only. They are willing to dismiss service as a differentiator. But there are a lot more people out there who, if they know what’s available to them and know what the difference is, will pay for a good service experience.”

The fact that many of today’s consumers have little respect for the real estate process, and little enthusiasm for full real estate commissions, is a problem the industry has created for itself, he says.

“Because we, as an industry, have been unable to communicate the value of what we do, the only way we have been able to change the value proposition for the consumer is lower the price. That’s continuing today, and that’s why brokerage is in the shape it’s in. That can’t continue.

“That’s why we (GMAC) intend to be out showing consumers how we’re different.”

**– Frank Cook**