

# Turn the **Worst** of Times into the **Best** of Times



In 1859, Charles Dickens penned the most famously paradoxical opening of any book ever written in *A Tale of Two Cities*: "It was the best of times, it was the worst of times..."

Dickens had no way of knowing that, nearly a century and a half later, his words could be applied to those of us in residential real estate.

#### The best of times?

##### **You bet. Consider that:**

Over the past five years, the number of homes sold has skyrocketed from a total of 6.2 million units in 2001 to an unprecedented 8 million units in 2005, a 32% increase.

In the same period, the average American home increased in price by 42%, from \$151,000 to more than \$200,000 last year.

The total commission income generated in the real estate industry likewise increased, from \$58 billion in 2001 to \$103 billion in 2005, a 76% hike.

From a personal standpoint, at GMAC Real Estate, we have seen a tremendous growth in the number of new offices. Last year, we licensed more than 100 new offices, a 355% increase over 2001.

#### And the worst of times?

##### **Make no mistake:**

Over the past five years, commission rates have plummeted from 6% to 4.9% nationally, due in part to pressure from agents who discount commissions.

Productivity per agent has declined over the past five years to an average of just 6.49 closed units per person in 2005, a 16% decrease.

From 1995 through 2004, average agent income increased. But in 2005, the industry showed a decline in average agent income and the projections for 2006 indicate an even steeper decline.

The inventory of unsold homes has been on the rise over the past five years, showing a 9% increase from 2001, but a 16% increase from

2004 to 2005. The number of units currently in unsold listing inventory is the highest in 19 years.

Research firm Harris Interactive each year conducts consumer surveys that rate the prestige of various occupations. In the most recent study, an anemic 5% of consumers held real estate agents in "high esteem."

What a travesty.

So, on the one hand, it has been an extraordinary era in our industry's history. On the other, it is a time of unprecedented turbulence, a time that should shake every one of us to the very roots of our business psyches.

#### What's the solution?

More than ever, we must add value to our customers' experiences and exceed their expectations in the process. Doing so is the only way our industry—and our respective careers—will flourish in the years and decades to come.

From this point forward, sellers will search for agents with the skills and know-how to make sales in tougher times. They'll seek and sign with agents with genuine expertise; agents who are trusted advisors in the truest sense of the word and who have the experience and skills necessary to navigate and negotiate stressful situations.

All of which confronts each of us with an exceedingly important choice to make.

We can pursue a low-price, low-service model, like many of our competitors who have chosen to compete solely on price. Or, we can hold on to our commissions by offering value-based, comprehensive services that are made even stronger through the convenience of one-stop shopping that further justifies premium commissions.

If your pitch is price, you are standing flat-footed in the middle of a slippery slope. If you compete on

value, you can stay ahead by innovating the way you work.

Innovation is not the same thing as change. It is about creating new value. Innovation is taking an idea, big or small, and acting on it in a new way that creates more value for the customer.

So how do we connect the dots in a way that stems the tide of commission erosion?

One step in our prescription for innovation calls for the agent and

**More than ever, we  
must add value  
to our customers'  
experiences and  
exceed their expectations  
in the process.  
Doing so is the only  
way our industry—and  
our respective  
careers—will flourish  
in the years and  
decades to come.**

the broker to provide the customer with a true, single-source shopping experience.

To most consumers, the residential real estate process seems inefficient, cumbersome and stressful. These perspectives are compounded by the time compression of today's lifestyles.

It seems, then, that this reality calls for agents and brokers to work together in partnership to explore ways by which the process might be streamlined for the customer.

At GMAC Real Estate, we continue to focus on giving more—specifically,

more value to our customer. Our label for this greater service concept is "Comprehensive Homeownership Services." Beyond just real estate, we believe that it is imperative for our companies to offer mortgage products, title insurance, property insurance, closing services and home warranty programs.

In a national survey of homeowners, more than 70% of respondents said that they would prefer to use a company that provided one-stop shopping. More than 80%, meanwhile, said that such an offering would actually enhance the value of a real estate agent.

Without question, this fundamental improvement in the customer experience will require unprecedented collaboration between agents and brokers. I feel so strongly about this, in fact, that I recently wrote a 6-Point Prescription for Success plan for brokers and agents.

Offering comprehensive homeownership services is the ultimate innovation that is also giving the consumer precisely what they want. If we can connect all the dots on this concept, everyone will win: customer, sales partner, broker.

Those in our industry who put this innovative idea into action will no longer be just another agent, just another real estate firm. Nor will they be paid as though they are just another typical limited-service discounter.

It's up to you. You must now ask and answer the question: In the next five years, will you be simply discounting your services, or giving your customers what they desperately want—outstanding service founded on value? **RE**

*John Bearden is president and CEO of GMAC Home Services. To get a free copy of his "Broker Report: 6-Point Prescription for Success," call 800-274-7661 (franchise sales) or e-mail michael\_eason@gmacs.com.*