

What Really Matters in Real Estate: A White Paper

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Overview

When Keller Williams Realty announced in February of 2009 that its associates had made it the third-largest real estate company in the United States, it sparked a rash of marketing responses from other international real estate firms, asserting their dominance as “brands.” While there are many measures for ranking a real estate company, becoming the most recognized “brand” has never been Keller Williams Realty’s goal.

Indeed, Keller Williams Realty’s business model is based on its conviction that real estate is a local, service business, and that an international brand identity has very little importance or impact on a locally driven business such as real estate. As such, Keller Williams Realty has never invested in national, consumer advertising, and instead provides agents with the training, resources, support, and the freedom to build their own local brand.

Whose Brand Matters?

While the most prominent international real estate companies often tout the importance of their advertising presence in creating “brand recognition,” industry research has long shown that awareness of the company’s brand is actually not a factor customers take into consideration when selecting their real estate agent.

The National Association of REALTORS® *2008 Profile of Home Buyers and Sellers* underscores Keller Williams Realty’s longstanding contention that consumers choose agents, not companies. When asked how they found their real estate agent, the referral of a friend, neighbor, or relative topped the list. As the following chart indicates, only 3 percent of the time did consumers choose their agent by walking into or calling a specific real estate office.

Nevertheless, the largest real estate firms continue to hold to their position that brand will influence the customer “at the kitchen table.” That is, when presented with the choice between one agent or another, the customer will choose the agent representing the better-known company. NAR’s research directly contradicts this claim.

How Buyers Found Their Real Estate Agent (Percentage distribution)	
Referred by (or is) a friend, neighbor, or relative	43%
Used agent previously to buy or sell a home	11
Internet website	9
Visited an open house and met agent	7
Saw contact information on For Sale/Open House sign	7
Referred through employer or relocation company	5
Referred by another real estate agent or broker	4
Personal contact by agent (telephone, email, etc.)	3
Walked into or called office	3
Newspaper, Yellow Pages, or home book ad	1
Direct mail (newsletter, flier, postcard, etc.)	*
Advertising specialty (calendar, magnet, etc.)	*
Other	6
<i>*Less than 1 percent</i> Source: 2008 Profile of Home Buyers and Sellers National Association of REALTORS®	

According to the same NAR study, the majority of sellers (67 percent), as well as the majority of buyers (67 percent), only meet with one agent before choosing with whom to work. Thus, it is the first to the table, not the one with the biggest company behind them, who wins the business. And in those less frequent instances where sellers and buyers do interview more than one agent, only 5 percent of sellers and 4 percent of buyers said that the agent's association with a particular firm was a deciding factor in which agent they chose. The goal for agents, therefore, is to gain mindshare through their own branding initiatives, so that they are the first person who potential clients think about when they think about real estate.

Many prominent real estate franchises spend significant advertising dollars, on the premise that they are capturing customers for their agents. Some of these companies choose to fund their consumer advertising through additional referral fees on the transaction, while others choose to fund their companies' multimillion dollar ad budgets through monthly marketing fees. As a grassroots company, this is a point of departure in philosophies for Keller Williams Realty, which instead encourages agents to spend their marketing dollars toward building their own brand and reputation locally.

Growth Trajectory

Founded by Gary Keller and Joe Williams in Austin, Texas, in 1983, Keller Williams Realty is an inherently agent-centric organization. The philosophy that the company's role is to help its agents to become as successful as possible has fueled a track record marked by agents moving their careers forward during even the most challenging market conditions.

Keller Williams Realty stood as No. 10 in Austin, Texas, at the onset of the steep downturn in the Texas real estate market in 1987. Two years later, following a period of rampant foreclosures, record high inventory levels, and the eventual dissolution of the savings and loan business, Keller Williams Realty emerged as the No. 1 real estate company in the Austin market.

In 2005, when the runaway real estate market that characterized the first half of this decade started to shift, Keller Williams Realty stood as the fifth-largest real estate company in North America. By January of 2007, Keller Williams officially claimed the No. 4 spot. At the company's annual convention, in February of 2009, Mark Willis, CEO, announced that Keller Williams Realty had climbed to the third-largest real estate company in the United States. Having outpaced some of the most prominent and well-known real estate brands in the industry, Willis said "This is solid evidence that the company's economic model, operating model, and profit share model work."

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MARK WILLIS, CEO,
KELLER WILLIAMS REALTY,
INC.

The Top Ranked Real Estate Franchises by Agent Count				
Rank	Company	2008	2007	%
#1	Coldwell Banker	101,170	109,167	-7.3
#2	Century 21	95,390	105,461	-9.5
#3	Keller Williams Realty	72,794	78,441	-7.2
#4	RE/MAX	69,108	85,737	-19.4
#5	Prudential	62,000	68,000	-8.8

Source: REAL Trends 2009

Rise in Annual Rankings

Willis's observation was reinforced the following month with the release of two of the most respected annual brokerage reports in the industry: 1) the 2009 RISMedia Power Broker Report and 2) the REAL *Trends* 500 Report—both annual rankings of the real estate industry's top brokers based on transaction sides and sales volume. Key among these reports' findings:

- Keller Williams Realty has more brokerages on both lists than any other real estate franchise, and Keller Williams brokers surpassed all others in terms of number of agents, number of offices, and total number of closed transactions.
- With 208 Keller Williams brokers ranking among RISMedia's Power Brokers, Keller Williams Realty accounts for 36 percent of the 2009 list—57 percent more than the next closest company.
- 143 Keller Williams brokers appeared on the REAL *Trends* 500 Report, which is 53 more than the previous year and accounts for more than 25 percent of the entire list.

2008–2009 Comparative Performances Among Brokerages on the REAL *Trends* 500 Report

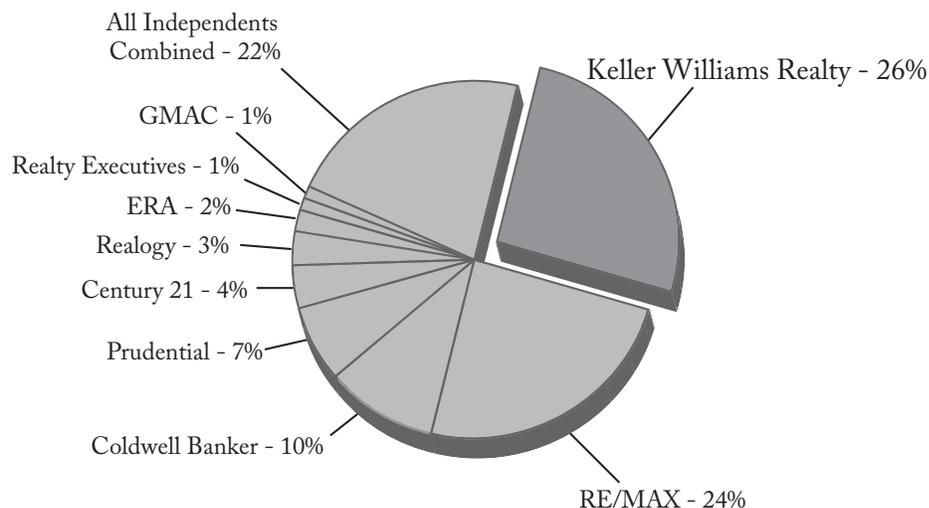
	Change in Total # of Sides	Change in Total # of Offices	Change in Total # of Agents
Keller Williams Realty	+6%	+35%	+19%
RE/MAX	-24%	-23%	-25%
Century 21	-34%	-39%	-45%
Coldwell Banker	-32%	-18%	-25%
Prudential	-26%	-18%	-16%
ERA	-39%	-14%	-27%
Realty Executives	-32%	-35%	-32%
GMAC	-31%	-9%	-21%

Source: REAL Trends 2009

Among brokerages that made the REAL *Trends* 500, Keller Williams brokers have the largest share of the market of transaction sides.

Keller Williams Realty is the only major real estate company on the 2009 REAL Trends 500 Report with brokerages that reported increases in the total number of sides, offices, and agents between 2008 and 2009.

2009 REAL Trends 500 Broker Representation by Transaction Sides



Source: REAL Trends 2009

What Sets Keller Williams Realty Apart

A philosophy of putting the agent first translates into a supportive culture and market-leading education, training, coaching, and technology that provides agents with an edge in the marketplace. Evidence that Keller Williams Realty is gaining ground during one of the most pronounced market corrections in history underscores the models upon which the company was founded. To an increasing degree, agents are realizing the importance of promoting their own brand, rather than the brand of their company. It is the enterprising agents within Keller Williams Realty who are driving the growth by drawing in a steady stream of new talent.

In a recent blog post, Mark Zawaideh, an associate who recently joined Keller Williams Realty's Northville Market Center outside of Detroit, noted what it means to his business to be able to build his own brand.

I am a salesman, and it's my job to be an expert at marketing to my clients, right? So how can you honestly say you're an expert at marketing your clients' properties if you can't even market yourself? So a couple of years ago, I decided to create the MARK Z brand. My clients all love the signs because you can't help but notice them. This creates more exposure for my clients and in turn more exposure for me. It's a win-win for everybody. I thought it was great exposure (for my former

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MARK ZAWAIDEH, ASSOCIATE,
KELLER WILLIAMS REALTY,
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broker). They didn't agree, and in November of last year, said the signs must come down! I was devastated. They said it looks like it's my own company and not a part of the franchise ... I wanted a company that would stand behind me and my success, and not try to interfere with it ... It's not my duty to brand the company I work for, since last time I checked, we are independent contractors. And when was the last time someone called your company and said, "I want to list with your company; I just need you to send out an agent." It doesn't happen.

Conclusion

In every market, real estate agents have a wide range of companies with which they can join forces. An industry that is as diverse and dynamic as residential real estate allows for a wide range of approaches and business models. It is up to individual agents to determine the models and perspectives that fit with their own objectives and then to move forward in building their careers. As the recent shifts in market share indicate, however, the trend is clearly toward an agent-centric culture and an environment that encourages and educates individual agents to build their own brands. Noted industry experts are reinforcing this trend.

According to Jeremy Conaway, president and CEO of RECON Intelligence Services, Inc., Traverse City, Michigan, a leading source of strategic ideas for the real estate industry:

Within the industry there is a race on to capture the hearts and minds of this new marketplace. Many of yesterday's greatest drivers are entering five-year-old cars that are powered by conventional engines. Time will demonstrate that these entries will simply not work in this new environment. The Keller Williams systems entry is powered by a 'Porsche' level quality engine that is in its tenth or eleventh iteration. It has been engineered for today's marketplace, and if driven correctly, will perform to the highest profitability and productivity standards. Very few industry participants have the human, financial, or intellectual resources to engage in this level of engineering. It's that simple.

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