

Does Brand Matter to the Real Estate Consumer?

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Overview

When Keller Williams Realty announced in February of 2011 that it had become the second-largest real estate company in the United States, it sparked a rash of marketing responses from other international real estate firms, asserting their own dominance as “brands.” The company’s growth trajectory in the year that followed only fueled the debate further. 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, the Keller Williams business model is based on the conviction that real estate is a local, service business, and that an international brand identity has very little importance or impact on that business. In fact, research shows that when choosing their real estate professional, consumers relied very little on the company’s brand.

However, many prominent real estate franchisors spend significant advertising dollars on the premise that they are capturing customers for their real estate professionals. 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 philosophical departure for Keller Williams Realty, which instead encourages real estate professionals to spend their marketing dollars toward building their own brand and reputation locally.

Whose Brand Matters?

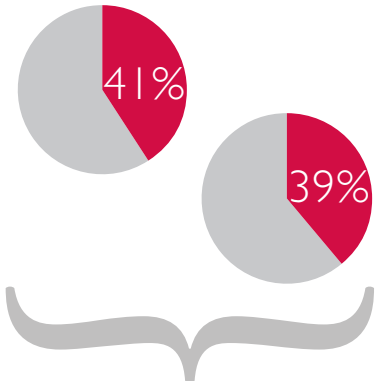
While the most prominent international real estate companies often tout the importance and impact of their advertising presence in creating “brand recognition,” industry research has long shown that awareness of the company’s brand is actually not a factor customers take into consideration when selecting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

The National Association of REALTORS’® *2011 Profile of Home Buyers and Sellers* underscores Keller Williams Realty’s longstanding contention that consumers choose real estate professionals, not companies. When asked how they found their real estate professional, **41 percent of buyers** and **39 percent of sellers** said that the referral of a friend, neighbor, or relative influenced their choice. Only 4 percent of the time did buyers choose their real estate professional by walking into or calling a specific real estate office. Nevertheless, the real estate firms who spend their money on international advertising continue to hold to their position that the company’s brand will influence the customer “at the kitchen table.” That is, when presented with the choice between one real estate professional and another, the customer will choose the real estate professional representing the better-known company. NAR’s research directly contradicts this claim.

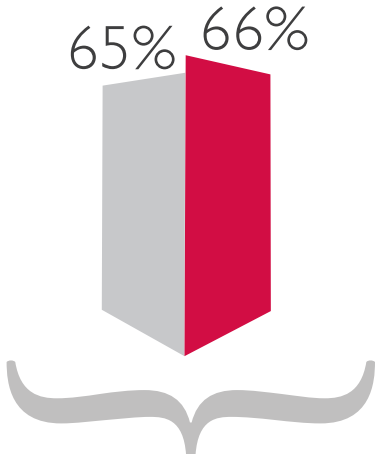
“If you look at the reasons that ARE considered the ‘most important’ when choosing a REALTOR®, 97 percent have absolutely NOTHING to do with brand or company. They are ALL ‘individual agent characteristic’ in nature.”

MICHAEL McCLURE,
PRESIDENT AND CEO OF PROFESSIONAL ONE REAL ESTATE AND PROFESSIONAL ONE FRANCHISING, LLC

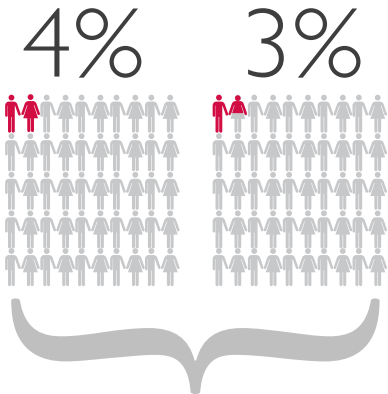
According to the same NAR study, the majority of sellers (66 percent), as well as the majority of buyers (65 percent), only meet with one real estate professional before choosing with whom to work. Thus, it is the first to the table, not the one with the biggest company behind them, who wins the business. And, in those less frequent instances where sellers and buyers do interview more than one agent, only 3 percent of sellers and 4 percent of buyers said that the real estate professional's association with a particular firm was a deciding factor in which real estate professional they chose. The goal for real estate professionals, 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.



41 percent of buyers and 39 percent of sellers found their agent through a referral or personal contact with a friend, neighbor, or relative, NOT through advertising or the Internet.



65 percent of buyers and 66 percent of sellers only contacted one real estate agent before deciding who to work with.



Only 4 percent of buyers and 3 percent of sellers cited an agent's affiliation with a particular firm as the most important factor when choosing their agent.

Source: 2011 Profile of Home Buyers and Sellers National Association of REALTORS®

Internet Levels Playing Field

The Internet has opened up a whole new world for real estate professionals looking to brand themselves among a vast audience of consumers who begin their search process online. According to the same NAR report, 88 percent of home buyers used the Internet as one of the information sources in their home search process.

The second most-used information source and the one that was most useful to survey respondents was the real estate professional. Of the information sources used in the home search by first-time and repeat buyers, as well as buyers of new and previously owned homes, the Internet, a real estate professional, and a yard sign were among the most frequently used—not a franchisor’s logo, billboard, TV, or print advertisement.

Information Sources Used in Home Search					
	Type of Buyers				
	All buyers	First-time buyers	Repeat buyers	New home	Previously owned
Internet	88%	92%	86%	81%	90%
Real estate agent	87	88	87	79	89
Yard sign	55	53	56	49	56
Open house	45	40	47	54	43
Print newspaper advertisement	30	28	31	30	30
Home book or magazine	19	17	20	20	19
Home builder	16	12	19	62	7
Relocation company	4	3	4	6	3
Television	4	5	4	7	4
Billboard	4	5	3	12	2

Source: 2011 Profile of Home Buyers and Sellers
National Association of REALTORS®

Real estate professionals who understand this fact are quickly learning how to take their offline brand online through blogs, video, photo sharing, and search engine optimization. Furthermore, social networking sites such as Facebook, Twitter, YouTube, and Pinterest are increasing the likelihood that a consumer will interact with the real estate professional—not the company where they hang their license. These sites provide new channels for consumers to find these professionals online, and real estate professionals are able to directly connect with their clients in a way that promotes their brand and their business long after they leave the closing table.

It has taken years for the real estate industry to prove this, yet most real estate companies ignore it. Real estate is a local industry. It is also a people industry, and the fact is, most people do business with people—not companies.

Thus, it will be the real estate professional providing the most relevant information and the highest level of service to their local market who will win the most business.

“Brand plays a significant role in consumer decisions involving frequent uniform product and service purchases; such as food, hospitality, and technology. However, in the instance of distinctive products and infrequent transactions such as residential homes, brand is trumped by personal referrals and the experience and overall awareness of the local salesperson.”

STEFAN SWANEPOEL,
NEW YORK TIMES BEST-SELLING AUTHOR OF MORE THAN 20 BOOKS

The Support You Need for the Brand You Want

To an increasing degree, real estate professionals are realizing the importance of promoting their own brand rather than the brand of their company. At the same time, they highly value franchising companies for models and systems to support their businesses.

In a blog post, Mark Zawaideh, an associate with the Keller Williams Northville Market Center outside of Detroit, Michigan 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 broker). They didn't agree, and 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.

“It's not my duty to brand the company I work for, since last time I checked, we are independent contractors.”

MARK ZAWAIDEH, ASSOCIATE, KELLER WILLIAMS REALTY, NORTHVILLE, MICHIGAN

The Company You Keep

About Keller Williams Realty

Co-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 real estate professionals to become as successful as possible has fueled a track record of growth during even the most challenging market conditions.

Locally, Keller Williams was in the No. 10 position 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.

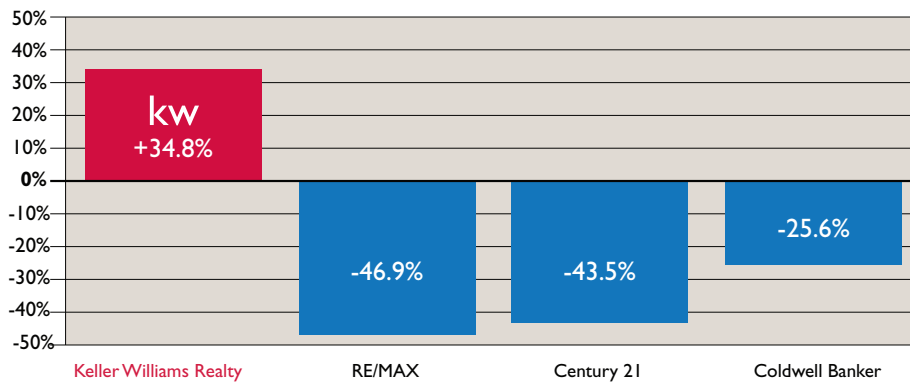
By 2005, Keller Williams stood as the fifth-largest real estate company in North America. Though the next six years would cause the industry to retract as a whole, Keller Williams climbed to the second-largest real estate company in the United States, outpacing some of the most prominent and well-known brands in the real estate industry, including Century 21, according to research conducted by REAL *Trends*. Of the accomplishment, Keller Williams CEO, Mark Willis remarked, "This is solid evidence that the company's economic model, operating model, and profit share model work."

"These results are proof that our people and their businesses are thriving. We've provided a strong platform and economic model that supports their productivity and profitability and they are gaining market share in their local markets."

MARK WILLIS, CEO,
KELLER WILLIAMS REALTY, INC.

In 2011, no other major real estate franchisor except Keller Williams released its U.S. associate count numbers, sparking curiosity about competitors' growth trajectory. The following graph indicates the company's ranking among competing real estate franchisors as of 2010, which was the last time these companies reported their respective counts.

Major Franchisors, Growth Trajectory (U.S.) (2005–2010)



	2005	2010	% Change
Keller Williams Realty	57,600	77,672	+34.8%
RE/MAX	103,000	54,640	-46.9%
Century 21	119,200	67,305	-43.5%
Coldwell Banker	111,900	83,230	-25.6%

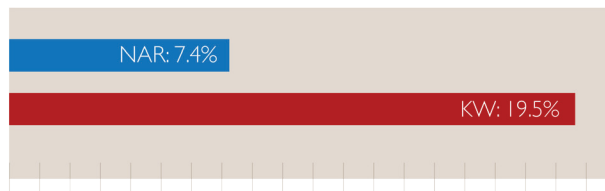
Source: REAL Trends, 2011

A Strategy That Works

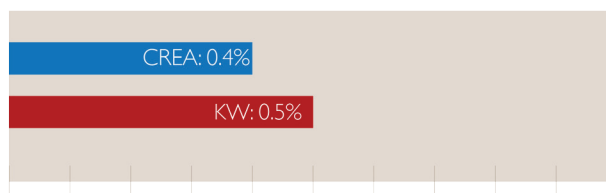
Keller Williams Realty; wholly believing in standing behind its associates; not in front; provides the models and tools to help power its real estate professionals' branding and marketing efforts.

And the strategy is working. In 2011, Keller Williams experienced a 19.5 percent increase in average units sold per real estate professional in the United States, a 0.5 percent increase in Canada, and a 16 percent rise in average Gross Commission Income (GCI) per real estate professional across North America. At the same time, more than \$38 million was shared with associates through the company's profit share program.

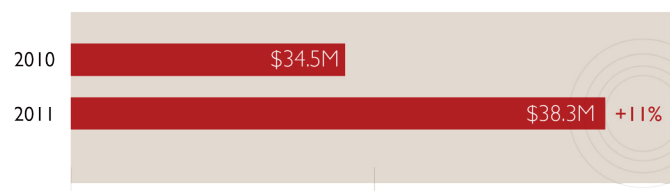
UNITS CLOSED PER AGENT - U.S.
END OF YEAR 2011



UNITS CLOSED PER AGENT - CANADA
END OF YEAR 2011



PROFIT SHARE | END OF YEAR 2011



Source: Real Trends 2011

Third-party industry rankings also serve as a measuring stick for Keller Williams' associates' and brokers' success.

One of the most respected research and media organizations in the industry, REAL Trends publishes the REAL Trends 500 Report as well as the REAL Trends and Wall Street Journal "The Thousand" Report. Key among these reports' findings are the following:

- The number of Keller Williams brokers ranked on the REAL Trends 500 Report surpassed all other major franchise players—with 116 brokers (23 percent) of the top 500 brokerages ranked by closed transactions and 119 offices (24 percent) of the top 500 brokerages ranked by closed volume.
- Keller Williams Realty also holds the No. 1 position among brands in Teams Closed by Sides on the REAL Trends and The Wall Street Journal's "The Thousand" Report.

2012 Comparative Performance Among Brokerages on the REAL Trends 500 Report

		2011 Sides	2011 Volume	Avg. Sides/ Office	No. of Brokers in Top 500
by Volume	Keller Williams Realty	258,443	\$58,118,612,237	949.0	119
	RE/MAX	212,986	\$50,256,001,207	618.7	107
	Coldwell Banker	159,717	\$31,124,421,821	400.8	47
	Prudential	172,526	\$51,342,971,950	358.9	41
	Century 21	73,457	\$16,689,622,389	324.6	32

Source: REAL Trends 2012

Conclusion

In every market, real estate professionals have a wide range of companies with which they can join forces. An industry that is as diverse and dynamic as real estate allows for a wide range of approaches and business models. It is up to individual real estate professionals to determine the models and perspectives that fit with their own objectives and then to choose the best fit for building their careers. As the continued shifts in market share indicate, however, the trend is clearly toward a real estate professional-centric culture and an environment that encourages and educates individual real estate professionals 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 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.”

Download a copy of this White Paper at (<http://bit.ly/youarethebrand>).