

# Expansion for Leadership

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*Leading the Next Real Estate Evolution*

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# Introduction

## **Expansion for Leadership Overview**

Mega Agent Expansion is the opportunity for Keller Williams Realty agents to grow their business to unprecedented levels. It is the chance for an agent to transition from real estate agent to business owner, following a clearly defined model toward sustainable income growth. Expansion opens up new ceilings of achievement.

So what is expansion, and how will it benefit Market Center leadership?

Expansion will help OPs, TL, and MCAs in three main ways. It will:

1. Create a new opportunity for Mega Agents, leading to increased growth and a lower risk of retention issues.
2. Provide you with a new Value Proposition for Megs outside of Keller Williams who might be interested in starting their own expansion empire
3. Allow you to recruit agents to serve as the local partner for an expanding agent, providing additional capping agents.

The Mega Agent Expansion team has committed to developing tools to help you with all three of these goals. The first step is introducing you to the terminology, and showing how you can get connected.

Contact [expansion@kw.com](mailto:expansion@kw.com) with any questions about memberships, policies, or procedures.

# Expansion Terminology

## ex·pan·sion

According to Keller Williams, Expansion occurs when an (1) Expansion Agent carefully selects an (2) Expansion Partner to lead a new (3) Expansion Team in an additional Market Center. This Expansion Team is powered by and supported by the (4) Expansion Hub, overseen by the (5) Expansion Director.

Term	Definition
1. Expansion Agent	The Expansion Agent owns the business. He or she is the businessperson with the vision to create a real estate empire across multiple Market Centers. An Expansion Agent has a sales team in at least one additional Market Center.
2. Expansion Partner	The Expansion Partner is the agent who runs the local Expansion Team. The Expansion Partner may or may not have an ownership interest; the optimal compensation model is selected by the Expansion Agent.
3. Expansion Team	The Expansion Team is the local sales team, generally consisting of at least a listing assistant and buyer agent that the Expansion Agent sets up in an additional Market Center. The focus is solely on lead generation and sales.
4. Expansion Hub	The Expansion Hub is the administrative center of the expansion empire. The Hub, usually located at the Expansion Agent's first Market Center, performs administrative, marketing, and transaction coordination that services multiple sales teams. Large empires might require multiple Hubs.
5. Expansion Director	The Expansion Director oversees a) the Hub as it services Expansion Teams, b) the recruiting and selection of Expansion Partners, and c) the ongoing success of Expansion Teams. Until an expansion empire is earning enough income to justify a separate Expansion Director, the Expansion Agent serves this role.

# The Myths and Truths of Expansion

As a leader in the Market Center, it is vital that you understand what expansion is and what it isn't. The myths and truths presented here are designed to shed light on the reality of expansion from the perspective of an Expansion Agent. Notice whether any of your agents or leaders believe any of these myths.

**Note:** These myths and truths are explored in greater depth in *Expansion Systems Orientation*.

Myths		Truths
Myth 1	The opportunity of expansion is only for Mega Agents.	Any agent can grow to take advantage of expansion.
Myth 2	I'm an agent, not a businessperson.	Agents can become businesspeople by intentional focus, and they have the potential to grow a business that is as large as any "traditional" business, especially through expansion.
Myth 3	Expansion is duplication of your team in an additional location.	Expansion is the pursuit of a higher level of efficiency by creating economies of scale at a central Hub that can service multiple sales teams.
Myth 4	Licensing is expansion.	While there is nothing wrong with licensing your name or systems in the right circumstance, it does not meet the definition of expansion.

Myths		Truths
Myth 5	Companies expand, not real estate agents.	As a business owner leveraging the systems of Keller Williams Realty, expansion is easier for you, not harder.
Myth 6	I can make more money through my current team.	There is a natural sweet spot in the growth of any team. Expansion allows you to take advantage of that sweet spot for multiple teams.
Myth 7	My plate is so full with my current business that I don't have the bandwidth or resources to expand.	Done correctly, expansion saves you time and allows you to utilize leverage at a high level.
Myth 8	I will find talent for my expansion empire in the Market Center I'm expanding into.	You add talent to the Market Center from other sources. Expansion is a win-win because you will bring talent into the Market Center.
Myth 9	Expansion Teams are a drain on Market Center resources.	Expansion Teams require fewer resources than other teams because their Hub is located elsewhere.
Myth 10	Expansions require farflung geographic growth.	An expansion could be on the other side of the country, or the other side of your current city.
Myth 11	Success in expansion is about the number of teams I form.	Success in expansion is about growing your business strategically and smoothly.

# Mega Agent Expansion Transaction Model

The Mega Agent Expansion Transaction Model provides a guide for how to process expansion-related transactions.

## **Assumptions:**

- Flow of commissions between Agents in different Market Centers must still follow the rules of money paid between brokerages and must go through the broker.
- When multiple Market Centers are involved the split of commissions must take place first so that each Market Center receives their proportional share of company dollar.
- Each local team will operate as a team like all other teams in the Market Center and may be eligible for team awards in the Market Center and/or Region based on the regional awards criteria.
- Transactions with the Expansion Rainmaker and team member in different Market Centers will be booked using the current referral models.
- Transactions with the Expansion Rainmaker and team members in the same Market Center will be booked using the current team split models.
- The Expansion Rainmaker must agree to the specific economic models and team policies of the host Market Center in regards to all caps and any guarantees of said caps.

**NOTE:** We recommend that you get with your CPA and the rules of your Real Estate Commission before starting a new process for booking expansion transactions. Different states have different rules, and this becomes more complicated when transactions go across state lines. Do due diligence to ensure that you are following all applicable rules.



### **Split Commissions Model:**

In the split commissions model the commission is divided by the Market Center and booked to each individual using the appropriate method outlined below. In these cases each Market Center is responsible for tracking and issuing the proper year-end tax notifications for each member receiving commissions. This model appears to have the fewest legal complications. The exact method of booking the transaction is outlined below depending upon if the Expansion Rainmaker is a member of the Market Center where the transaction originated.

### **Recommended Transaction Methods:**

For all examples below we will use the purchase of a \$250,000 home at 3% commission (\$7,500) with the Expansion Rainmaker receiving 25% of the GCI. Neither agent is capped, and both are paying 30% company dollar.

**Split Commission Method 1: Team Member (MC1) and Expansion Rainmaker (MC2) in separate Market Centers:**

- The MCA in MC1 would book a DA with an outside referral amount of \$1,875 paid to MC2.
- The MCA in MC2 would book a DA as a referral received in the amount of \$1,875.
- The team member would then receive \$5,625 less royalty and company dollar per his cap structure in MC1. The transaction amounts from MC1 would be credited to the team in MC1.
- The Expansion Rainmaker would then receive \$1,875 less royalty and company dollar per his cap structure in MC2. The transaction amounts from MC2 would be credited to the team in MC2.

*Example:*

	Team Member MC1	Expansion Rainmaker MC2
Gross GCI	7500	1875
Less Referral	-1875	1875
Net GCI	<u>5625</u>	<u>1875</u>
Company Dollar	-1687.5	-562.5
Royalties	<u>-337.5</u>	<u>-112.5</u>
Net Agent Commissions	<u>3600</u>	<u>1200</u>

In this model both Market Centers receive company dollar based on the amount of GCI kept in each Market Center.

Booking of the full amount of the GCI as a referral fee to the Expansion Rainmaker is not allowed. This would result in the team members' Market Center not receiving any company dollar on the transaction.

**Split Commission Method 2: Team Member and Expansion Rainmaker are in the same Market Center (MC1):**

- The MCA in MC1 books a DA and adds the Team Member receiving the appropriate amount of the commission. On that same DA the MCA in MC1 also adds the Expansion Rainmaker to the DA receiving the remainder of the commissions.
- The associates would then receive their commission less royalty and company dollar per his cap structure in MC1. The transaction amounts from MC1 would be credited to the team.

	Team Member MC1	Expansion Rainmaker MC1
Gross GCI	5625	1875
Less Referral	0	
Net GCI	<u>5625</u>	<u>1875</u>
Company Dollar	-1687.5	-562.5
Royalties	<u>-337.5</u>	<u>-112.5</u>
Net Agent Commissions	<u>3600</u>	<u>1200</u>

## 100% Commissions Model:

The 100% Commissions Model is where 100% of the commission is booked to the Expansion Rainmaker and they in turn pay a portion back to their team members. In these cases each Market Center is responsible for tracking and issuing the proper year-end tax notifications only to the Expansion Rainmaker. The Expansion Rainmaker is then responsible for tracking and issuing the proper year-end tax notifications for each member receiving commissions.

*The exact method of booking the transaction is outlined below and is only recommended if the Expansion Rainmaker is a member of the Market Center where the transaction originated, and where allowed by state law.*

For all examples below we will use the purchase of a \$250,000 home at 3% commission (\$7,500). The Market Center is using a stacked cap model so the Expansion Rainmaker is receiving 100% of the GCI. The Expansion Rainmaker is not capped, and is paying 30% company dollar.

### Team Member (MC1) and Expansion Rainmaker (MC2) in separate Market Centers:

- The MCA in MC1 books a DA and adds only the Expansion Rainmaker as receiving 100% of the commission.
- The Expansion Rainmaker would then receive the commission less royalty and company dollar per his cap structure in MC1. The transaction amounts from MC1 would be credited to the team.
- The Expansion Rainmaker would then pay the Team Members based on their team agreement.

Example:

	Expansion Rainmaker MC1
Gross GCI	7500
Less Referral	0
Net GCI	<u>7500</u>
Company Dollar	-2250
Royalties	<u>-450</u>
Net Agent Commissions	<u>4800</u>

# Expansion Team Formation Checklist for an Expansion Agent

The following checklist shows what an Expansion Agent needs to do to form a new team. Note that MCAs are involved in steps 1, 3, and 4.

Expansion Team Checklist	
1)	Discuss desire to expand with the leadership of the Market Center you wish to expand to. Obtain approval to expand to their Market Center.
2)	Apply for new Expansion Team with Mega Agent Expansion.
3)	Identify Expansion Partner and communicate identity to Market Center. Submit Expansion Partner Agreement to the TL and MCA. This agreement outlines commission splits and how to handle new/changed team members.
4)	Request the MCA of the Market Center of the new Expansion Team to set up team and add any team members from that Market Center to the team. <b>Note:</b> A team needs to be set up even if there is only one individual on the Expansion Team from that Market Center.
5)	Notify <a href="mailto:Expansion@kw.com">Expansion@kw.com</a> that the team has been created.
6)	KW will add the new team to your expansion network, to be added on expansion reports.

Sample Request (Step 4 above):

From: <Expansion Team Name>  
<Expansion Agent>

As we have discussed we have expanded our expansion network to your market center. The following associates have joined as a local expansion team. Please create a team in your market center and place the below associates on that team.

MORE ID	Associate Name	Role
1*1234	John Doe	Expansion Partner

Please notify me once this is complete so we can request KWRI connect this team to our network.

# Suggested Step One for Market Center Leadership: Join the Explorer Level of Expansion

**\$1,000 per year or \$99 per month with a one year commitment**

This is the foundational level of expansion. This level is open to both leadership and agents. Contact [expansion@kw.com](mailto:expansion@kw.com) with any questions!

**Note:** The leadership of each Market Center is able to share one membership, so the OP, TL, and MCA can each access the training materials.

## Benefits of the Explorer Level

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- Access to a monthly training call featuring topics that will teach agents how to expand—and teach you areas to consult with them
- Exclusive Explorer Level breakout sessions at Family Reunion, Mega Camp and Masterminds\*
- Access to a special webinar presentation of the *6 Business Disciplines* presented by Gary Keller
- Access to leadership-focused webinars
- Exclusive Explorer Level Facebook group

## Becoming an Explorer Member

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- All levels of production are welcome
- Fill out your application
- Commit to take ESO within six months
- Agree to be a cultural ambassador for Mega Agent Expansion

\*ESO, Family Reunion, Mega Camp and Masterminds are not included in membership fees.

# Suggested Step Two for Market Center Leadership: Take ESO

Expansion Systems Orientation (ESO) is designed to equip OPs, TL, and MCAs to:

1. Understand the mechanics of expansion and how it will work in their Market Center
2. Help them connect current agents to the opportunity of becoming an Expansion Agent
3. Help them recruit new Expansion Agents from outside Keller Williams
4. Help them recruit new Expansion Partners

The class is held several times a year in Austin, Texas, and is open to all leadership, KW agents, and recruits. Contact [expansion@kw.com](mailto:expansion@kw.com) with any questions!

## What Is Covered in ESO

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- The Expansion Model including Prelaunch, Launch, Growth, Achievement, and Empire.
- Expanded discussion of the Myths and Truths of Expansion
- The reasons to expand
- How Expansion Agents can solidify their central Hub
- How agents can prepare to expand
- How to incorporate Gary Keller's Business Snapshot into planning and training
- And many more topics

# Suggested Step Three: Develop Your Expansion Success Plan

Once you have the foundational knowledge from ESO and the Explorer Level, you are ready to create your Expansion Success Plan.

Suggested steps include:

1. Meet as a leadership team to discuss your approach to expansion.
2. Ensure the MCA feels comfortable with the Transaction Model.
3. Identify any changes that need to be made to your Teams/Group Policy.
4. Understand the impact expansion has on Awards.
5. Develop your expansion recruiting packet.\*
6. Develop your expansion First 100 Days and consulting packet.\*
7. Create a transition plan for agents joining Keller Williams.\*

\* Examples are being created and will be uploaded to the Explorer Community page on MyKW.



# Suggested Step Four for Market Center Leadership: Understand Expansion Level Membership

## **\$3,000 annual investment per expansion location**

When it is time for agents to actually launch into a new market, they'll apply to the Expansion Level. They will need to apply for each additional location you wish to expand.

**Note:** This is for agents expanding. Market Centers are not charged if agents expand from or into their location.

## **Benefits of the Expansion Level:**

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- All benefits of the Explorer Level
- KWU's brand-new *Expansion Systems Manual* with cutting-edge models and systems for expansion teams
- Two, two-day Mastermind sessions with Gary Keller and Kristan Cole (dates available upon membership approval)\*
- Exclusive Expansion Level breakout sessions at Family Reunion, Mega Camp and Masterminds\*
- A private, Expansion Level Facebook group

## **Becoming an Expansion Member:**

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- \$6 million in volume/30 units in the last 12 months
- Acquire and maintain membership in the Explorer group
- Fill out and have your OP sign an Expansion Application for each Market Center you wish to expand to (If you are the OP, your RD must sign.)
- Agree to be a cultural ambassador for Mega Agent Expansion

\*ESO, Family Reunion, Mega Camp and Masterminds are not included in membership fees.