

# **How the New Home Buyer Lifecycle Is Impacting The Broker-Agent Relationship**

*The Winning Real Estate Brokerage: A VHT White Paper Series*  
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## ***Home buyers' business up for grabs***

Technology has changed how home buyers behave, how they search for properties, the kind of information sources they utilize, and ultimately who they choose to represent them. In today's wired world, consumers have grown accustomed to shopping for everything on the web, including real estate, and they are reluctant to contact a sales agent until they're getting closer to buying.

This raises a thorny question for agents and brokers: During the early "research and discovery" phases of the buy cycle, the homebuyer's business is up for grabs, but who is responsible for finding these online buyers and capturing their business? Agents or brokers?

As VHT pointed out in the first white paper in this series, *The Lifecycle of Today's Home Buyer*, consumers are relying on the Internet and sites like Google, rather than agents, to educate themselves about the real estate market. This shift means that millions of potential brokerage customers are spending months – and in the current environment, as much as 18 months or more – without representation by an agent while they explore neighborhoods, prices and property listings on the web.

This creates the challenge of how to build a relationship and keep the buyers engaged while they continue to explore and until they're ready for an agent to help them complete the selection process and negotiate a deal.

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### *Time for a new business model*

Traditionally, agents have been the source of clients for most brokerages, so brokerages focused their marketing efforts on recruiting more agents. In light of the new consumer dynamic, however, this business model appears to be less and less profitable.

Most agents simply lack the resources and marketing skills that would provide the kind of visibility required for attracting customers on the web, much less the ability to maintain a relationship for such a long time before the prospects of a deal closing. Brokers have the marketing muscle to take on the job but they're still focused on competing with each other for agents.

If they want to thrive, let alone survive, brokers and agents need to find a new model in which they become business partners in finding buyers and closing deals. What exactly does that mean? First, let us look at the current state of agents and their relationships with brokers.

### *Current state of agent marketing*

Like consumers, local agents supposedly have been empowered by the Internet. But the reality doesn't measure up. Most agents are doing business the same way they've done it for decades – pounding signs, printing brochures, mailing out postcards and scheduling open houses. They're still dependent on past clients and referrals for business.

Keep in mind that all the while, well over 22 million people a month are researching real estate information online (MRI, Doublebase) usually without the help of an agent. And that 3 out of 4 “homes for sale” searches and 2 out of 3 searches for “realtor” are conducted on Google (Hitwise),

Keyword	Global Monthly Searches
real estate	55,600,000
homes for sale	20,400,000
houses for sale	16,600,000
properties for sale	13,600,000
realtors	11,100,000
real estate for sale	5,000,000
foreclosures	3,350,000
real estate homes for sale	3,350,000
real estate agents	2,740,000
real estate agent	1,500,000

Source: Google AdWords Keyword finder 11/1/11

Great agents are excellent sales people with well-developed social skills and a wealth of knowledge about their local market. Because their expertise is sales, rather than marketing, they're all about "now." They're focused on closing deals, which requires a steady flow of potential buyers/clients.

### *Lost in a sea of technology*

Every agent would like higher visibility on the Web. But to date, their digital marketing efforts are like raindrops in the ocean. According to the National Association of REALTORS® Annual Member survey (2011), 38 percent of agents have no website. Those who do have sites spent an average of \$250 on them. So perhaps it's no surprise that two-thirds of agent sites generated a paltry 0-5 consumer inquiries a year.

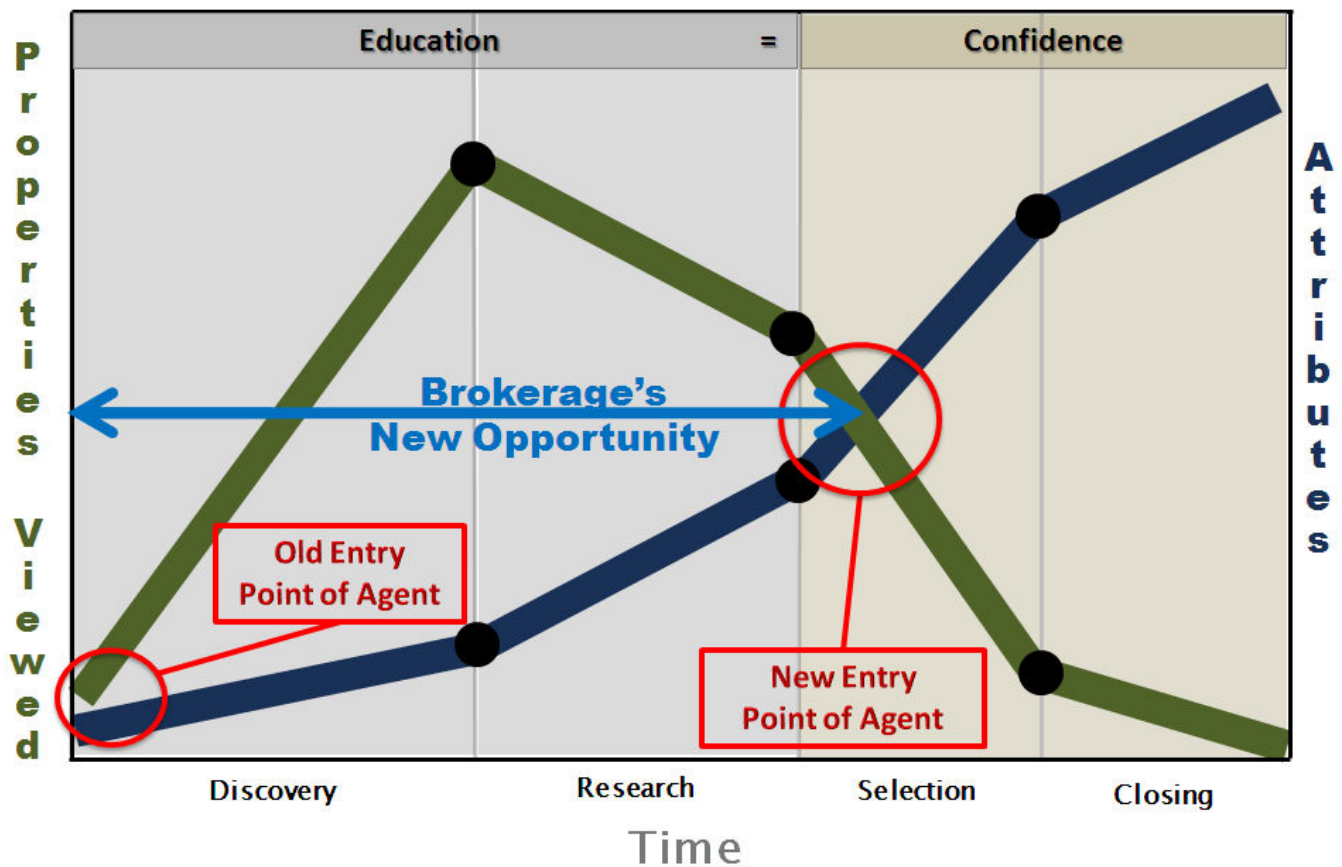
And a whopping 73 percent of agents say they are dissatisfied with Internet leads (REALTOR® Technology Report), either because there aren't enough of them or they consider them poor quality or unlikely to result in a quick sale. Not a surprise since most of those 'leads' are buyers in the early stages of the buyer life-cycle, not people ready to buy a home. An [analysis of recent NAR data by Matthew Ferrara & Co.](#) concluded that agents "spend virtually nothing on their websites, receive virtually no leads from them, yet also close no business at open houses each week."

To be sure, a few entrepreneurial agents have managed to leverage internet marketing, social networks and blogs to their advantage. But as the NAR data shows, the vast majority is struggling to keep up with the constantly rising technology curve. They simply can't compete with big media sites and listings aggregators when it comes to getting exposure at the place most buyers start their buying process - the search engines.

### *The disconnect between agents/brokers and consumers*

Meanwhile, the typical brokerage is more concerned with building or retaining an army of agents than on driving web traffic. Its search engine marketing program is practically non-existent, (usually only getting search traffic from people searching the name of the brokerage firm), leaving an obvious disconnect between the traditional broker-agent model and the new buyer lifecycle.

## New Buyer Lifecycle



This disconnect has opened the door for SEO-savvy, third-party sites to take agent/broker listings data and use it to dominate Google rankings and capture large volumes of consumer traffic. These third parties now control the flow of buyers and determine who gets the leads, putting them first in line for agent marketing dollars.

Unfortunately, the industry has made it ridiculously easy for these new online entities to profit from the brokers'/agents' hard work and listings. Agents (and brokers) are quickly becoming dependent on third-party sites for their marketing, paying them fees for lead generation, featured listings and even to get their names on their own listings. It reminds me of the handcuffs that newspapers used to have on brokerages when it came to marketing.

### ***Shrinking commission splits for brokers***

Not only are agents having to pay third parties to find buyers, there are further changes muddying their relationship with brokers. While agents once depended on brokerages for office space, advertising, training, promotional collateral and other support, those services are much less vital these days – and readily available elsewhere at less cost.

No wonder agents are questioning the value of traditional brokers and demanding a larger share of commissions.

Almost every broker I talk to these days mentions that they're getting less and less of the commission split as agents get more and more, putting pressure on the brokers to find new sources of revenue besides sales transactions.

The irony here is that agents aren't the true source of the brokers' revenue problem. What's really siphoning money out of their pockets are the third-party sites that are winning the SEO game. And it's only going to get worse as these sites pursue new revenue streams, such as selling ad space next to listings.

## ***Conclusion - Plugging the revenue drain***

At VHT, we've always been a business partner to brokers, designing our products and services to help them provide more value to agents. And I'm convinced that it's time for brokers to reclaim their position in the market and plug the revenue drain.

In order to succeed, however, they have to rethink both their marketing priorities and their value proposition to agents. Here's how:

1. **Brokers must recognize that consumers start the buying process on the Internet rather than by contacting agents/brokers.** Buyers are focusing their initial research on search engines such as Google, where they can readily be directed to an abundance of property listings, photos, videos and other data.
2. **Brokerages need to reassert themselves on the Internet and aim their marketing resources at capturing these online consumers early in the buying process, before competitors do.** With millions of unrepresented buyers online, the web has replaced agents as the most efficient and cost-effective source for brokers to acquire new customers.
3. **Brokers need to take on the role of directly engaging, assisting, tracking and nurturing potential clients during the early stages of the buying process- a task most agents don't have the patience for anyway.** Consumers who've used the web to explore and compare their options are likely to be a quicker sale once they (and their search histories) are connected with an agent.
4. **Brokers should be providing their agents with more than they are getting from third parties that simply use the broker's the listings to attract buyers.** They must refocus their value proposition to lead-hungry agents by providing them with a steady stream of potential clients so they can close more sales. The more prospective clients a brokerage can bring to its sales agents, the less money

they'll spend buying leads from third parties, the more transactions the company will close, the more clients it will have and more loyal its agents will be.

Nowadays, it's not so clear that having more agents is the best business model for brokerages. Brokers are more likely to win the battle for buyers if they spend less time trying to recruit agents and more time using their resources to find clients for the agents they have. The key to solving the revenue issue is a strong broker-agent relationship in which the broker takes more responsibility for online customer acquisition and agents concentrate on closing transactions.

In Part 3 of this white paper series, we'll look at specific solutions to help brokerages take back control of their listings and client flow and strengthen their relationship with agents.

### About the Author



Brian Balduf is an industry veteran who has worked with hundreds of brokerage firms in the last fifteen years. Brian is an experienced marketer and technologist who was involved in the early days of wireless data and Internet marketing. Today, the founder of VHT spends most of his time helping brokerages understand and take advantage of Search Engine Optimization and other digital marketing technologies.

### About VHT

VHT is a leading provider of digital marketing technology and services to companies offering unique properties, locations and products who need a comprehensive, cost-effective solution for customer acquisition and driving revenue on the web. VHT Studios provides professional photographers, image optimization specialists and state-of-the-art technology for producing the finest visual imagery. VHT ImageWorks is an integrated and automated platform that includes a comprehensive array of tools that businesses need to increase site traffic, leverage their visual assets and improve sales conversion. The platform requires minimal effort on clients' part, and has delivered measurable results to industry-leading brands by increasing the volume of visitors from search engines and engaging online visitors with alluring visual presentations of their offerings

VHT's team has decades of experience in marketing, technology, search engine optimization and professional production, management and distribution of visual assets – including photographs, video, multimedia tours and Video on Demand television spots for 3,500 client companies. Venture-backed VHT is based in Rosemont, IL.