

A background image of a man and a woman in business attire having a conversation. The man is wearing a light blue suit and glasses, and the woman is wearing a light blue shirt. They are both smiling and gesturing with their hands. A laptop is visible on a desk in the foreground. Overlaid on the image are several abstract, flowing lines in shades of purple, blue, and yellow.

WAV GROUP 2024

Commission Analysis as a Service

By Victor Lund and David Gumpfer

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KEY POINTS: COMMISSION ANALYSIS as a SERVICE

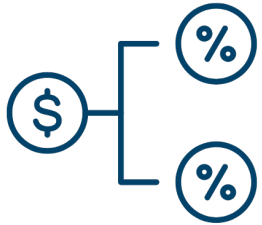
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- Brokers offer a variety of commission plans to attract and retain agents in a competitive market.
- Commission plans are rarely adjusted downwards, leading to “Compensation Complexity Syndrome” and reduced brokerage profitability.
- “Commission Analysis as a Service” (CAAS) helps brokers analyze and optimize commission plans using data-driven insights.
- CAAS is valuable in scenarios like mergers and acquisitions, accounting system conversions, recruiting and retention efforts, new market expansion, and brokerage turnarounds.
- Through case studies, the document demonstrates how CAAS can be applied to recruit new agents, retain high-performing teams, and gain insights on current pay plans and production.
- The service utilizes the Commission Analysis Prediction (CAP) program to model and compare different commission structures.
- By analyzing factors like agent production, market conditions, and brokerage costs, CAAS helps brokers make informed decisions about commission plan adjustments.
- The ultimate goal is to strike a balance between agent earnings and company profitability, ensuring a sustainable and competitive business model.





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WHY DO BROKERS HAVE SO MANY COMMISSION PLANS?

The dynamics of operating a real estate brokerage in today's competitive environment are as complex as ever. Across the landscape of 85,000 real estate brokers in America, brokers have been incredibly creative in the construction of commission plans.

In some cases, the creativity of commission plans has been the competitive factor that has led to impressive growth. Significant commission programs that come to mind were the catalysts that launched RE/MAX, Keller Williams, eXp, and many others.

The commission plan that launched RE/MAX in 1973 was revolutionary for the real estate industry. It was designed by RE/MAX co-founder Dave Liniger to give real estate agents more control over their earnings. At the time, the traditional brokerage company split commissions with agents 50/50.

Here's a breakdown of the key aspects:

RE/MAX introduced a **100% commission model**. However, RE/MAX charged agents a fixed monthly desk fee each month to cover the operational costs of the office such as marketing, administrative support, and other services provided by the brokerage.

Another breakthrough commission plan that launched a brand was created by Gary Keller called **Cap and Profit Share**. In this creative plan, Keller Williams agents would not have any desk fees, but would split their commission plans up to a certain Cap amount. After that, the agents would receive 100% commission on their transactions. The additional incentive was to allow the agent to share in the profits of the office (which they call a market center). In this system, agents were rewarded for recruiting other agents to join Keller Williams. A portion of the office's profits was distributed to agents who helped grow the office through recruitment and support of other agents' success.

Homesmart and United Real Estate created other commission innovations by offering agents 100% commission, but charging them for **transaction management fees**. National brokerage eXp blends many of these elements together through an 80/20 split with a cap, plus transaction fees, plus profit sharing, an incentive for creating tiers of recruiting, and a company stock incentive. REAL Broker is quite similar to eXp.

As these companies and others launched powerfully, RE/MAX, Keller Williams, and eXp impacted brokerages in every MLS market area we know of. Homesmart and United are broadly represented and continue to grow their coverage nationally. These powerful offerings required existing brokers to react to retain and recruit producing agents when these new commission programs came to town.





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DEVELOPING COMPETITIVE COMMISSION PLANS

To combat the ever-evolving competitive market for retaining and recruiting agents, brokers in each market have had to offer a variety of different or matching commission structures to their agents. The result has been a massive explosion of commission structures that reach as high as 35 different plans per office. Commission calculation has become a burden to firms due to its complexity, and often, brokers or agents lose money by not evaluating and modifying commission plans to remain competitive.

Commission alignment is always risky across real estate brokerages if not managed successfully. We have learned that the commission structure that an agent agrees to when joining the firm will often remain the same forever. The only times the commission rate for an agent changes is when they begin producing higher transaction volumes and they either ask for more, or a competitor tries to recruit them away. In an effort to retain the agent, the broker improves the commission plan. Generally, commission plans get better for agents as they produce more.

Brokers often fail to reduce agent commission structures. The commission structure that is created to recruit or retain an agent based upon their transaction volume or market conditions at a point in time the agent signed with the firm or renegotiated. They are rarely reduced when that agent sees a reduction in transaction volume.

As a result, agents retain very attractive commission plans that are no longer being earned.

Brokers must go back and reassign the right plan to the agent that is commensurate with their market value to the brokerage on a regular basis.

Another common commission issue that brokers face is the one-off commission plan. This happens regularly when an agent is recruited to the firm through commission matching. Effectively, the firm inherits the commission plan from another brokerage based on that agent's production and market value at the time. Depending on the size of the firm, there are often a handful if not hundreds of these one-off plans.

COMPENSATION COMPLEXITY SYNDROME

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The overwhelming volume of commission plans that have created a financial and accounting strain on brokerage is called Compensation Complexity Syndrome. The size of the compensation complexity syndrome at a brokerage becomes worse as a factor of years in business, number of agents, number of markets, and housing price points.

In older brokerages, we notice more commission plans that are represented by business cycles dating back more than a decade. Programs that benefited the brokerage dropped off over time, but the top compensation plans for agents are retained.

As more and more agents join a brokerage firm, brokerage firms inherit a wider variety of commission plans from competing brokerages across that marketplace. If your firm has recruited agents from 20 or more competitors, you may very well have inherited the same number of commission plans.

When brokerage firms enter new markets or acquire companies in new markets, we find that commission plans of the firm are representative of the compensation customs in that market. Many of our clients have different commission plans in rural, suburban, or metropolitan markets across their company. So too are the commission plans variable from state to state.

Housing price points and commission rates to the client also drive commission plans. A market that trades multi-million dollar properties has a lower fee to the client than a market that sells homes for less than \$500k. The net commission and cost of living have an enormous influence on how an agent's compensation is structured as price points are higher or lower.

This brokerage problem has resulted in the creation of Commission Analysis as a Service by WAV Group in cooperation with LanTrax, the creators of ProfitPower. LanTrax worked closely with its customers and WAV Group to create a software application called Commission Analysis Prediction (CAP). Together, we have developed a data-driven service for brokers to analyze every commission plan of the brokerage.



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FIVE BUSINESS TRIGGERS FOR COMMISSION ANALYSIS AS A SERVICE

1

Mergers and Acquisitions

WAV Group is among the leading firms representing brokerages in mergers and acquisitions. A key component of doing the valuation analysis of a brokerage firm is understanding where the bulk of their earnings are derived. WAV Group used the LanTrax CAP program to ingest data to perform our Commission Analysis as a Service to support the merger.

Sometimes there are a handful of agents or teams that bring in a huge measure of the company's income. This puts a lot of risk on a merger because those agents may leave the company unless they are happy with the new leadership.

At other times, brokerages can be valued higher if they do not derive the majority of their income from a small percentage of their agents. There is often some measure of breakage - agent loss - in a merger, but if it is not a top earner for the company, it will have a lesser impact on the company's overall financials.

Another dynamic in a merger is what the company leadership plans for commission changes. Usually, the merger does not have any impact on the commission plans of the agents from either firm because nobody wants to give an agent a reason to leave.

Using Commission Analysis as a Service, WAV Group can project the earnings of the combined firms relative to the commission analysis and create a plan for commission plan consolidation over time. So too can we support the merger by helping retain agents who want different plans in order to remain with the new merged brokerage.

Mergers also often result in one company converting their commission management system to another company.



2

Accounting System Conversions

It is not uncommon for brokerages to occasionally change their commission accounting systems. Commission accounting software is very niche in the real estate industry because of the exotic nature of commission structures.

When WAV Group performs commission system conversions, we use the LanTrax CAP solution to perform regression analysis on the new system to affirm that the commission structure in the new system calculates the commission for each agent correctly by looking back at past transactions.

Many small firms start out by calculating commissions on spreadsheets, and the work is performed by the broker-owner who is probably also a salesperson. When the firm grows to ten or twenty agents, the owner is overwhelmed and either hires an accounting person full-time/part-time or identifies a small brokerage accounting tool.

There are a lot of commission calculation software options available, and WAV Group can help you select the best one for your company. If you are a franchise firm, you are likely to use the solution for reporting sales and commissions that your franchisor prefers because they automate the reporting.

As small firms grow into larger firms with multiple offices operating in multiple regions, or begin to see an emergence of teams or other more complicated commission management needs, beginner software solutions need to be migrated to more advanced commission management solutions.

WAV Group is available to help with these commission migration services.



3

Recruiting and Retention

When brokers are recruiting or retaining agents, commission payment plans are at the top of both the agent and the broker's minds. Too often, brokers do not do the correct analysis to make informed decisions during the compensation negotiations. WAV Group supports this process by using the CAP program to evaluate existing commission plans against a variety of potentially new commission plans. At the heart of the analysis is understanding how much revenue the broker needs to generate from the agent to make a profit.

Far too many brokerages are recruiting and retaining agents at a loss today. Be sure to run a commission analysis on every new commission arrangement that you make or inherit from another firm.

4

New Market Expansion

Brokers expanding into new markets often bring their existing agent compensation plan with them at launch. Sometimes, this works out really well. The firm finds itself recruiting plenty of agents only to realize that it is because their pay plan overcompensates agents in that market. By the time the broker recognizes that they need more income from the agents to break even, it may be too late.

Similarly, brokers may tow in their commission plan to a market and have no success recruiting agents because the offer of agent compensation is not competitive.

The right way to enter the market is to research compensation plans for agents that look like and perform like the agents you successfully manage in other markets. If you know what your ideal agent is, meet with them to understand what competitive compensation plans are in that market area.

WAV Group can run their existing commission plans against your cost structure using CAP to forecast brokerage profitability. In developing a growth strategy for a high-end California brokerage, we evaluated brokerages in neighboring states.

One look-alike market in terms of home prices was Scottsdale, AZ. When we analyzed the commission structure there, we found that many brokerages were operating with agent splits at 100% (HomeSmart and others) or they had low CAPs that led to 100% commission. For our client, the path to profitability with their cost structure and traditional commission plans would not have worked for that market.



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Recruiting and Retention

The most common application of CAP by WAV Group today is helping brokers find profitability. In 2023 and 2024, the overall transaction volume in America is down by 20% or more. For most brokerages, it's hard to be profitable today. Firms were so profitable in 2022 that they extended significantly higher commissions to agents, but they did not go back and adjust those commission plans when the market collapsed.

WAV Group can use CAP and Commission Analysis as a Service to review the commission plan of every agent across the company and provide reports to the broker on how to fix their commission plan problems. The playbook for finding profitability requires a lot of analysis to make sure that the brokerage does not create a mutiny when they approach agents with a commission plan adjustment.

At the heart of a commission plan consolidation is removing the one-off commission plans that have been extended over time. Moving these agents into a commission plan that is right-sized for their production will often lead to similar income for the agent and consistent profit for the brokerage.

Our analysis also identifies dozens of commission plans that are really close to each other. For example, the commission plan may be 80-20 but has different caps or cliffs where the agent commission goes up. Sometimes, moving the cap or cliff from a calculation of transaction volume to a calculation of GCI makes it look like the same commission plan to the agent, but the broker finds more brokerage profitability.

ANALYSIS EXAMPLES

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Brokerages today face numerous challenges related to managing and optimizing commission plans. The following examples illustrate various scenarios where Commission Analysis as a Service and CAP can provide valuable insights and support effective data-driven decision-making.

Recruiting A New Agent

Consider a scenario where a brokerage is recruiting a new agent with an impressive sales track record. The agent is currently with another brokerage and has a commission plan that provides an 80/20 split, with no cap. To make an attractive offer, the recruiting brokerage needs to evaluate if matching or exceeding this commission plan is financially viable.

Using the CAP program, we can run a commission analysis to project revenue based on the agent's historical production. This analysis takes into account transaction volume, market conditions, and cost structure to determine if a more competitive split, say a two-level 80% to 85% split without a cap, would still generate a reasonable profit for the brokerage.





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RECRUITING A NEW AGENT

Search/Filter Show Results Delete Transfer Batch Delete

Associate \ Plan

Enter Data for the New Recruit

Process Results Done

Associate Sally Smith

Total Volume \$5,500,000.00

Associate Earnings \$130,000.00

Average Gross Rate 3.00%

Step 1 requires feeding some information into CAP. The following are the items we need to start the process:

1. Recruits total volume over the last 12 months.
2. Recruit's earnings for the last 12 months.
3. The average gross rate of a side in the recruits market area.
4. Recruit is claiming they are at an 80% split with their current broker.
5. The brokerage's cost per agent, which includes some profit.

Level	Start Amt.	End Amt.	In House		Outside Broker	
			List Rate	Sell Rate	List Rate	Sell Rate
1	\$0	\$999,999,999	78.8%	78.8%	78.8%	78.8%

CAP processes this information into a commission pay plan.

Associate Commission Plan

Options Done Save

Name Sally Smith - 80%-85% @\$30k Perf - net 2 company

Comparator Net To Company ☐ Plus OTT

Created By ltrax\David.Gumpper

☒ Blend ☐ Allow all users ☒ Active

Re-Weigh \$30,000

Search Plans

Name

Comparator

Plan ID

Blended

Search Clear

Level	Start Amt.	End Amt.	In House		Outside Broker		Weight
			List Rate	Sell Rate	List Rate	Sell Rate	
1	\$0	\$30,000	80.0%	80.0%	80.0%	80.0%	100.00%
2	\$30,000	\$999,999,999	85.0%	85.0%	85.0%	85.0%	

What we can see from the results of the recruit's information is that the agent averaged a 78.8% split versus what was communicated by the recruit. It doesn't mean the recruit does not have an 80% split, but they were probably on a two-level split and are currently at the second level.

Step 2 leverages the knowledge gained from Step 1 to craft a few different commission pay plans. We will create three plans where the pay plan provides two levels. The first level is a split of 80/20%, and level two at an 85/15% split.

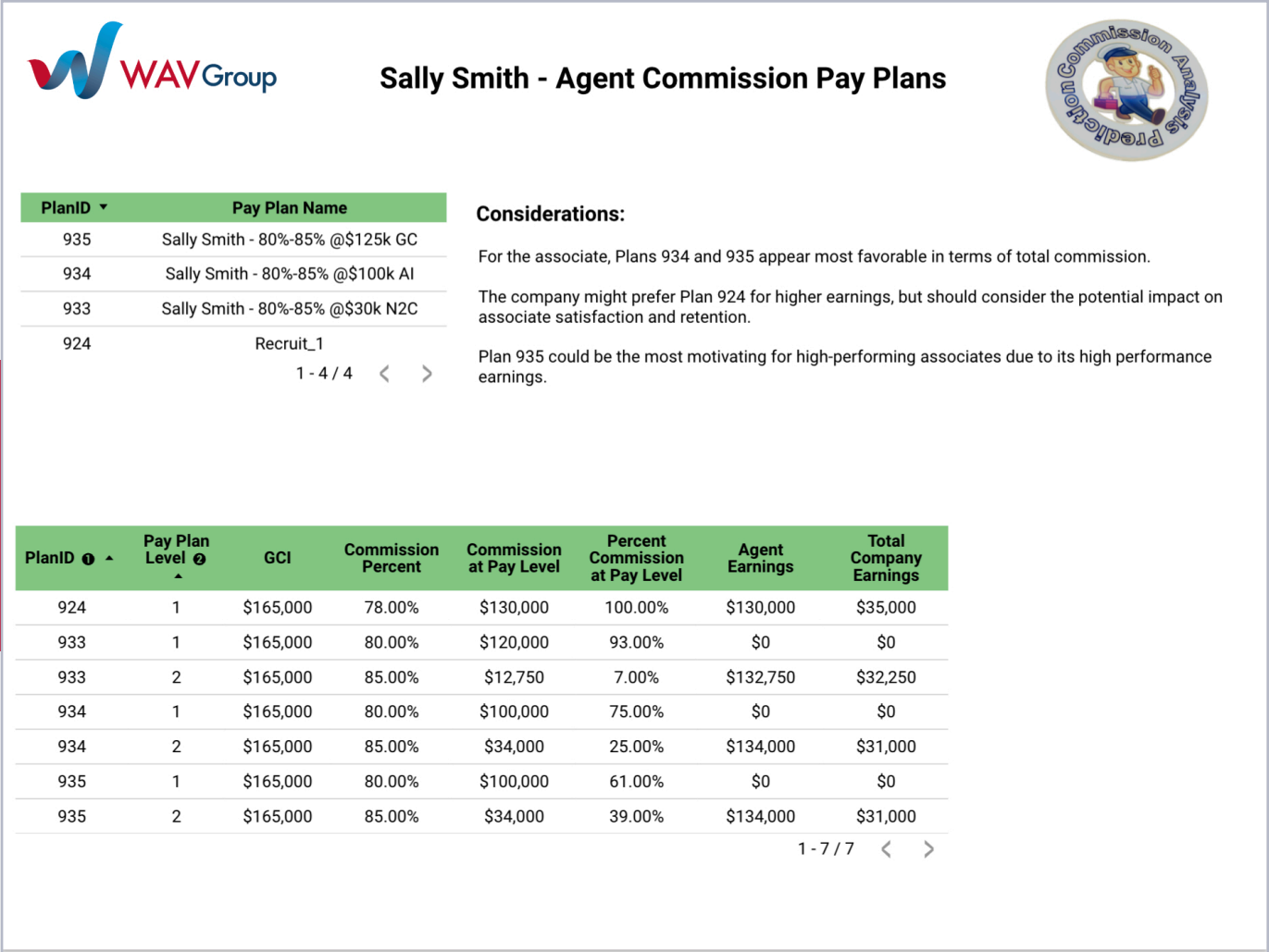
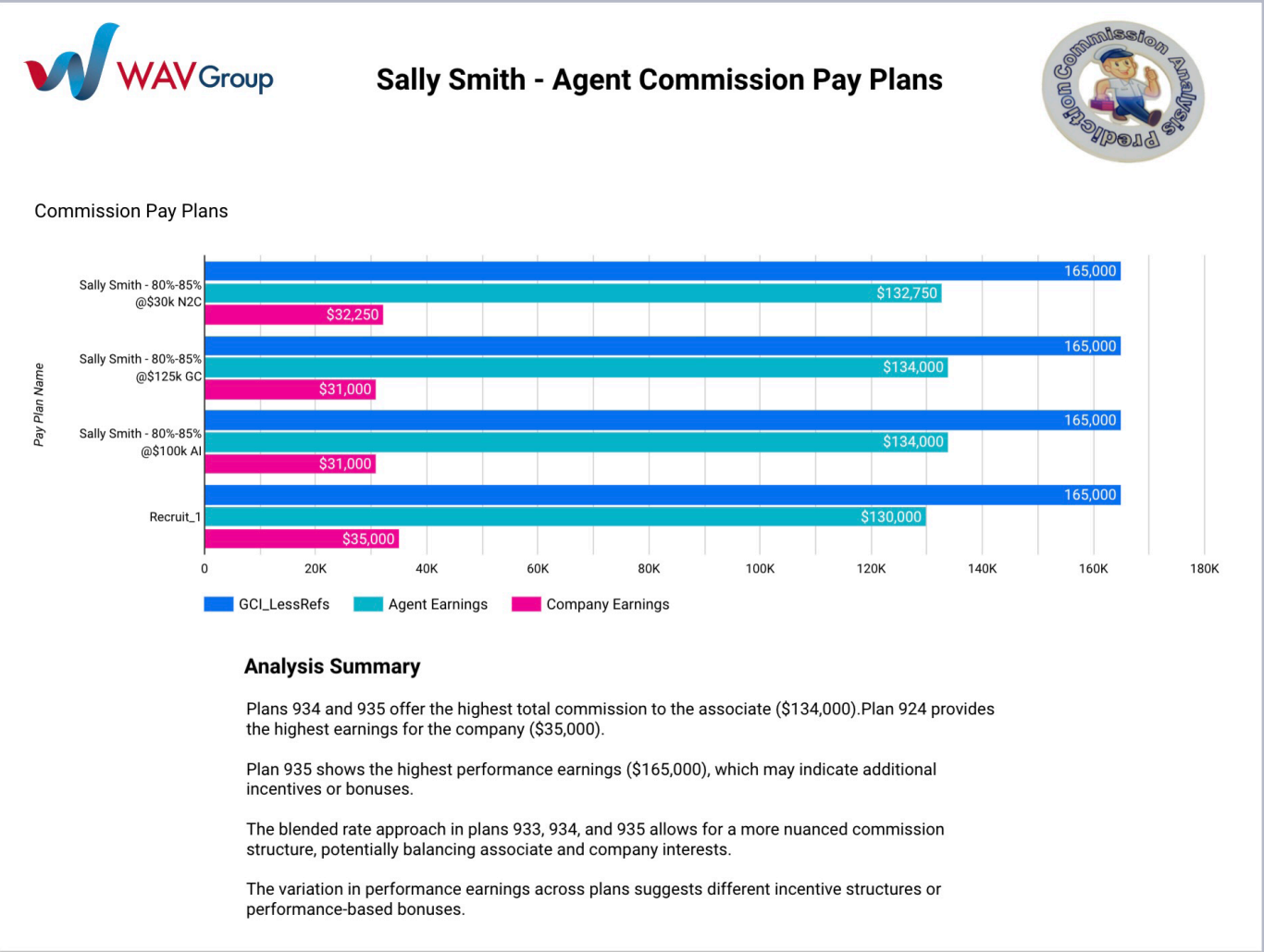
This analysis leverages different performance levels of "net to company", "agent income", and "gross income" to determine when the recruit moves from level 1 to level 2.

Recruit Transfer (Sally Smith) - FROM 10/17/2024 to 10/17/2024				Override/Add		Applied To		Amt\Percent		Current Commission Plan			
No Sales with Off the Top Listing records.				<input type="checkbox"/> \ <input type="checkbox"/> Off the Top List					0.00%	Plan Name: Sally Smith - 80%-85% @\$125k Perf - gross com (Ble			
No Sales with Off the Top Selling records.				<input type="checkbox"/> \ <input type="checkbox"/> Off the Top Sell					0.00%	Comparator: Gross Commission			
No Off the Bottom records.				<input type="checkbox"/> \ <input type="checkbox"/> Off the Bottom					0.00%				
Run	Plan Name	OTT List Amt	OTT Sell Amt	OTB Amt	Performance	Agent Earnings	Co. Earnings	Tot. Co. Earnings					
	Sally Smith - 80%-85% @\$125k Perf - gross com	Original	Original	Original	\$165,000.00	\$134,000.00	\$31,000.00	\$31,000.00					
	3 Sally Smith - 80%-85% @\$100k Perf - agent inc	Original	Original	Original	\$132,000.00	\$132,000.00	\$33,000.00	\$33,000.00					
	2 Sally Smith - 80%-85% @\$30k Perf - net 2 company	Original	Original	Original	\$32,250.00	\$132,750.00	\$32,250.00	\$32,250.00					
	1 Recruit Plan_1	Original	Original	Original	\$130,000.00	\$130,000.00	\$35,000.00	\$35,000.00					

Step 3 leverages the comparison analysis tools in CAP to continue to fine-tune the commission plan that makes sense for the recruit and brokerages. WAV Group can then export the data into its analysis engine and create a report using a business intelligence data visualization tool.

The following report was created with Google Looker Studio.

Plans 934 and 935 seem to be the best fit for both parties. Based on the production from the last 12 months, the new recruit would have earned an extra \$4,000. Additionally, the brokerage would have made an additional \$1,000 from the company's earnings. If the agent increases their business by 10%, the recruit will receive an 85/15% split on any business beyond the \$5.5 million mark.





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INCREASE REVENUE WITHOUT CAUSING AGENT CHAOS

Leveraging a dynamic commission structure can benefit a brokerage by modeling different strategies to increase revenue without infringing on the agent commission contract. By implementing various off-the-top and off-the-bottom strategies, the models exemplify how the brokerage can increase its revenue by \$80,000 - \$1mil depending on the agent's productivity and business growth.

Gather Insights on Current Pay Plan Production

We can gather some intel on the current pay plan based on the historical closed sales transaction, agent roster, and commission pay plans.

By Pay Plan - FROM 1/1/2024 to 10/31/2024 1114 Results
Professional 80
No Sales with Off the Top Listing records.
No Sales with Off the Top Selling records.
808 Off the Bottom Records / \$283 Average

[Starting Performance](#)

CAP reveals that this commission pay plan includes 1,112 closed sales transactions and involves 134 agents. The structure of the plan is a two-tier system, offering commission rates of 80% and 100%. To move to the next performance level, agents must achieve a net revenue of \$17,900 for the company.

CAP reports agent earnings of \$8.23 million and brokerage earnings of \$1.36 million.

Level	Start Amt.	End Amt.	In House		Outside Broker	
			List Rate	Sell Rate	List Rate	Sell Rate
1	\$0	\$17,900	80.0%	80.0%	80.0%	80.0%
2	\$17,900	\$999,999,999	100.0%	100.0%	100.0%	100.0%

Run	Plan Name	OTT List Amt	OTT Sell Amt	OTB Amt	Performance	Agent Earnings	Co. Earnings	Tot. Co. Earnings
1	Professional 80	Original	Original	Original	\$1,114,899.50	\$8,255,806.82	\$1,114,899.50	\$1,361,091.71

Strategy Number One - Increase Performance Level Requirement

During discussions on commission strategies with the brokerage's leadership team, they inquired about the potential impact on the company's revenue if they raised the performance level from \$17,900 to \$19,900.

After duplicating the current plan, we had to modify the performance level.

Level	Start Amt.	End Amt.	In House		Outside Broker		Weight
			List Rate	Sell Rate	List Rate	Sell Rate	
1	\$0	\$19,900	80.0%	80.0%	80.0%	80.0%	100.00%
2	\$19,900	\$999,999,999	100.0%	100.0%	100.0%	100.0%	0.00%

After creating this new plan, CAP recalculates the earnings by re-closing the sales transactions from the current pay plan.

Run 2 - Professional 80 - \$19,900 net to company (Blended)			
Run 1 - Professional 80 (Blended)			
	Run #2 Totals	Run #1 Totals	Net Difference
Total Earnings	\$1,412,848.66	\$1,361,091.71	\$51,756.95
Co. Earnings	\$1,172,533.69	\$1,114,899.50	\$57,634.19
Performance	\$1,172,533.69	\$1,114,899.50	\$57,634.19
Pay to Agent	\$8,198,172.62	\$8,255,806.82	(\$57,634.19)
OTT List Internal	\$0.00	\$0.00	\$0.00
OTT List External	\$0.00	\$0.00	\$0.00
OTT Sell Internal	\$0.00	\$0.00	\$0.00
OTT Sell External	\$0.00	\$0.00	\$0.00
OTB Amt	\$240,314.97	\$246,192.21	(\$5,877.24)
Number of Results - 1114			

The analysis of 1,114 deals indicates that this simple adjustment could have increased the brokerage’s revenue by \$51,756.95. In contrast, individual agents would have faced reduced earnings, ranging from \$0 to \$7,123. Agents who did not reach their original performance targets would not experience a decrease, while those who did would see their earnings reduced by \$2,000 to \$7,123.



Strategy Number Two - Include Administration Fees

Given the rising costs associated with office locations, staffing salaries, and related expenses, the company sought to understand how an off-the-top Admin Fee would affect both the agents and the company’s earnings. To explore this scenario, we decided to run four models, beginning with an Admin Fee of 1% and ending at 4%.

First, let’s look at the Deduction Maintenance module. This module allows the flexibility to craft almost any off-the-top and off-the-bottom deductions imaginable.

Deduction Setup

Options

Done

Deduction
Admin Fee = 1%
Active

Type
Off The Top
Internal Revenue

Side Of Deal
Both

Start Date

End Date

Applied To
Gross Comm
Percent
1.00%

Search

Name
Type
Start
End
Active
All
Reduce Performance
All
Internal Revenue
All

Search
Clear

The Deduction Maintenance module offers the flexibility to create various types of deductions. These deductions can be applied either from off the top or bottom. They can be allocated to one side of a deal, the other, or both. Additionally, deductions can be taken from Gross Income Commission, Sales Price, or as a flat fee. This tool also allows us to categorize deductions as internal revenue or expenses, enhancing our financial management capabilities.

Once we have created our four new models for the Admin Fee, we must let CAP know to re-close the transactions for each new model with the Admin Fees.

Once CAP finishes batch processing the four new models, the Admin Fee will be set at 1%, with a performance level of \$19,900, referred to as RUN 3. The other models will be designated as RUN 4, RUN 5, and RUN 6.

Run	Plan Name	OTT List Amt	OTT Sell Amt	OTB Amt	Performance	Agent Earnings	Co. Earnings	Tot. Co. Earnings
6	Professional 80 - \$19,900 net to compar	Ded. Batch	Ded. Batch	Ded. Batch	\$1,138,379.05	\$7,836,615.79	\$1,592,907.09	\$2,236,892.30
5	Professional 80 - \$19,900 net to compar	Ded. Batch	Ded. Batch	Ded. Batch	\$1,147,022.50	\$7,926,900.21	\$1,486,567.03	\$2,030,350.42
4	Professional 80 - \$19,900 net to compar	Ded. Batch	Ded. Batch	Ded. Batch	\$1,155,649.82	\$8,017,200.75	\$1,381,470.39	\$1,826,288.23
3	Professional 80 - \$19,900 net to compar	Ded. Batch	Ded. Batch	Ded. Batch	\$1,164,106.42	\$8,107,672.02	\$1,276,679.07	\$1,623,339.83
2	Professional 80 - \$19,900 net to compar	Original	Original	Original	\$1,172,533.69	\$8,198,172.62	\$1,172,533.69	\$1,412,848.66
1	Professional 80	Original	Original	Original	\$1,114,899.50	\$8,255,806.82	\$1,114,899.50	\$1,361,091.71

We can then begin comparing each of these to the original model. The first comparison is the Admin Fee of 1% off-the-top and the \$19,900 performance level.

Deduction Batch Setup

Deductons Batch Run

Save Batch

Done

Search Results - 3 Deductions

Deduction Name

Franchise Fee

Errors and Ommissions

Technology Fee

>

>>

<

<<

4 Selected Deductions

Deduction Name

Admin Fee - 1%

Admin Fee - 2%

Admin Fee - 3%

Admin Fee - 4%

Run 3 - Professional 80 - \$19,900 net to company (Blended)			
Run 1 - Professional 80 (Blended)			
	Run #3 Totals	Run #1 Totals	Net Difference
Total Earnings	\$1,525,148.63	\$1,361,091.71	\$164,056.92
Co. Earnings	\$1,276,679.07	\$1,114,899.50	\$161,779.57
Performance	\$1,164,106.42	\$1,114,899.50	\$49,206.92
Pay to Agent	\$8,107,672.02	\$8,255,806.82	(\$148,134.79)
OTT List Internal	\$52,127.18	\$0.00	\$52,127.18
OTT List External	\$0.00	\$0.00	\$0.00
OTT Sell Internal	\$46,064.03	\$0.00	\$46,064.03
OTT Sell External	\$0.00	\$0.00	\$0.00
OTB Amt	\$248,469.56	\$246,192.21	\$2,277.35
Number of Results - 1114			

Run 6 - Professional 80 - \$19,900 net to company (Blended)
Run 1 - Professional 80 (Blended)

	Run #6 Totals	Run #1 Totals	Net Difference
Total Earnings	\$1,841,193.31	\$1,361,091.71	\$480,101.60
Co. Earnings	\$1,592,907.09	\$1,114,899.50	\$478,007.59
Performance	\$1,138,379.05	\$1,114,899.50	\$23,479.55
Pay to Agent	\$7,836,615.79	\$8,255,806.82	(\$419,191.03)
OTT List Internal	\$210,775.50	\$0.00	\$210,775.50
OTT List External	\$0.00	\$0.00	\$0.00
OTT Sell Internal	\$184,923.48	\$0.00	\$184,923.48
OTT Sell External	\$0.00	\$0.00	\$0.00
OTB Amt	\$248,286.22	\$246,192.21	\$2,094.01

Number of Results - 1114

By introducing a modest administrative fee alongside increased performance levels, total company earnings could rise by \$164,056,92. The effect on agent earnings varies significantly, ranging from \$4 to \$7,940. If a commission plan is chosen, we can also provide a detailed list of agents and the corresponding impact on their earnings. This information is invaluable for discussions regarding compensation.

The company earnings increase significantly compared to the other models with admin fee increases. As shown below, the model with a 4% Admin Fee and increased performance levels would have netted the company an additional \$480,101 over 1,114 transactions.

Strategy Number Three - Add OTB Tech Fee with 1% Admin Fee

This scenario illustrates the flexibility of the commission analysis service in accommodating the diverse models that brokerages may implement. The brokerage, for this example, is launching new agent websites, CRM platform, lead management tools, and a range of AI-driven marketing products for all agents. The leadership team seeks to understand the impact of partially passing these costs onto agents as a technology fee.

In this section, we create a new deduction based on a 0.5% off-the-bottom tech fee from the agent’s income.

Deduction Setup

OptionsDone

DeductionTech Fee - .5%Active

TypeOTB Pre 1099Reduce Performance

Side Of DealBothOn Non-Blended Plans

Start Date

End Date

Applied ToAgent IncomePercent0.50%

Search

Name

Type

Start

End

ActiveAllReduce PerformanceAllInternal RevenueAll

SearchClear



Run 7 - Professional 80 - \$19,900 net to company (Blended)			
Run 1 - Professional 80 (Blended)			
	Run #7 Totals	Run #1 Totals	Net Difference
Total Earnings	\$1,604,981.79	\$1,361,091.71	\$243,890.08
Co. Earnings	\$1,294,870.21	\$1,114,899.50	\$179,970.71
Performance	\$1,140,566.30	\$1,114,899.50	\$25,666.80
Pay to Agent	\$8,043,103.28	\$8,255,806.82	(\$212,703.54)
OTT List Internal	\$54,313.61	\$0.00	\$54,313.61
OTT List External	\$0.00	\$0.00	\$0.00
OTT Sell Internal	\$48,050.24	\$0.00	\$48,050.24
OTT Sell External	\$0.00	\$0.00	\$0.00
OTB Amt	\$310,111.58	\$246,192.21	\$63,919.37
Number of Results - 1114			

The result of this strategy increases the brokerage’s total earnings by \$243,890 on those 1,114 sales transactions. This is an increase of \$40,310 compared to the original model, with a 1% admin fee and no tech fee. However, the impact on agent earnings varies greatly, with some experiencing a decrease in income while others see an increase.

This strategy raises important discussions about the balance between company profits and agent compensation. It also highlights the importance of understanding individual agents’ production levels and how they may be affected by additional fees or deductions.

In addition, this scenario offers insight into potential resistance from agents towards technology fees and how it may affect their motivation to perform at a high level. These are important considerations for brokerage leadership when implementing new technology initiatives.

Furthermore, this strategy showcases the value of commission analysis.



Having information like this is invaluable when making decisions. As evident by both of these examples, we can iterate over many different types of models.

The CAP analysis provides insights into the potential impact on profitability, allowing the brokerage to make a well-informed decision about whether or not they should extend an offer.

One thing we have discovered when working with brokerage firms of all sizes is that the understanding and compensation structures and analyzing potential strategies is often beyond the skill set of any administrator or CFO. Spreadsheets just don't cut it and most real estate administrators are unaware of the software solutions necessary to create, design, modify, test, evaluate and analyze multiple compensation strategies using the broker owner's back office sale transaction data!

Harnessing the power of WAV Group's Commission Analysis as a Service and CAP platform can revolutionize the way you manage and optimize your brokerage firm's commission plans. Our data-driven approach and comprehensive analysis tools empower you to make informed decisions that drive profitability and team retention.

Don't let outdated and inefficient commission structures hold you back. Embrace the opportunity to streamline your operations, attract top talent, and maximize your brokerage's potential. Partner with WAV Group today and unlock the full potential of your commission plans. Together, let's embark on a journey of growth and success.



About the Author

WAV Group, a leading consultancy in real estate, offers comprehensive advisory services tailored to brokerages. Their expertise spans commission management, technology strategy, marketing, recruitment campaigns, and mergers and acquisitions. With a diverse team of experienced brokerage executives and industry leaders, WAV Group leverages cross-functional expertise to help brokerages critically assess opportunities for business growth. Their services aim to enhance lead generation, reduce operational costs, and create pathways for market expansion.

Learn more at www.wavgroup.com.