

Cutting commissions is not the answer

It's a bold new reality out there and many real estate brokers are searching for new approaches, strategies and business practices that will keep them competitive and profitable

Modifying Commission Strategies

When was the last time your organization took a hard look at your existing commission strategies? Introducing a new commission analysis service (CaaS) that can breakdown what's working, what's not and possible strategies that can increase revenue opportunities.

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WHAT'S NEW AT LANTRAX?

Welcome two new members to the Lantrax team. Introducing Austin Smith and Trevor Taylor.



Austin is a developer for Profit Power and its accompanying products. He assists in new development and maintenance of current products and maintains and develops our web-based applications. Austin is a highly skilled software professional who has been developing software solutions since 2016. He joined LanTrax in 2024.



Trevor is our new account manager who will be working with our marketing team to develop new opportunities for real estate brokerages of all sizes.

Trevor is relatively new to the world of real estate software solutions, but his enthusiasm and desire to assist brokerages achieve their goals makes Trevor a perfect fit for our organization.

Introducing Commission Analysis as a Service (CaaS)

In our last newsletter, we unveiled a groundbreaking application, CAP (Commission Analysis and Prediction). Based on the invaluable feedback we received from you, our valued customers, it became evident that CAP needed the support of advanced data analytics expertise to navigate the complexities of commission strategies. The goal? To help brokerage firms unlock new revenue opportunities while maintaining harmony within their sales force.

To address this need, we explored the real estate consulting industry for a firm with the expertise to empower CAP and deliver tailored compensation strategies that align with the unique challenges faced by each brokerage.

We are thrilled to introduce WAV Group as our strategic partner. WAV Group brings unparalleled expertise in technology, strategic planning, research, business development, public relations, marketing, sales, and product development within the real estate industry.

By acting as virtual data analytics department, WAV Group collaborates with your organization to achieve your business objectives more effectively, efficiently, and affordably.

With a proven track record of launching over 25 businesses and leading hundreds of business process evaluations and system implementations across North America, Europe, and Asia, WAV Group has delivered measurable increases in sales and profitability for organizations ranging from Fortune 100 companies to startups.

We're excited to combine the capabilities of CAP with the exceptional expertise of WAV Group to provide you with actionable insights and customized compensation strategies that drive success.

The New Reality

What a difference a few years can make. It wasn't that long ago when the real estate industry was booming, and everyone was thriving, and profits were through the roof!

Yes, times have changed! So, what's the right approach to the many challenges the real estate industry is facing.

THE NEW REALITY IN REAL ESTATE - CUTTING COMMISSION IS NOT THE ANSWER

In October 2023, the real estate industry experienced a seismic shift when a Missouri court ruled against longstanding practices. This decision has left many wondering about the future. While opinions on the matter vary, multiple recent surveys indicate that cutting commissions is not the solution.

So, what is the answer?

The solution lies in developing, maintaining, monitoring, and adjusting a well-thought-out associate compensation strategy. This strategy should ensure the broker owner achieves the desired revenue and profitability while considering the well-being of the sales force.

In a market where all boats rise and fall with the tide, the compensation strategy one broker employs will likely mirror that of the competition. Agents can no longer demand higher compensation agreements by threatening to leave, as alternative opportunities are becoming scarce.

The right compensation strategy begins with a comprehensive financial audit of the broker's revenue and expenses. This audit provides an in-depth analysis of the broker owner's current financial position, laying the groundwork for balancing revenue, expenses, and profits. Informed decisions, rather than guesses, are crucial, especially when they significantly impact the broker owner's financial future. The break-even performance amount should not only cover costs but include a reasonable profit too.

While it might be challenging to conduct a financial audit when revenues are already stretched, it's essential. This audit should be performed by a qualified financial analyst, often an external forensic accounting specialist.

Another popular decision is to replace expensive administrative staff with more affordable virtual assistants. Offshore virtual assistants are often highly skilled and can handle marketing and administrative tasks efficiently. Eliminating even one highly paid administrative employee can significantly boost the bottom line.

As the financial audit progresses, clear communication becomes vital. Broker owners and their executive teams must interact transparently with their sales force, explaining the necessity of changes to remain in business. Agents need to understand the consequences of the Missouri decision and its fallout.

Reasonable agents will accept the new reality in real estate. Those insisting on maintaining the status quo may need to find another broker, who may not survive in the current market. Attempting to satisfy agents by keeping their current compensation is a path to bankruptcy.



Finally, employing specialized consultants, like the WavGroup with a proven success record is crucial. These consultants can create and test new compensation strategies using historical closed transactions and, if possible, pending transactions. They can develop "what if" scenarios to find strategies that benefit both the broker owner and the sales force. Broker owners often find that simple, non-drastring changes to their compensation plans can be effective.

Adjusting the break-even point to reflect new costs is justifiable when properly communicated. Strategies like modifying multi-level commission plans' weighting can require higher year-to-date performance before advancing to the next level.

New compensation strategies for the new era in real estate.

Another option is to index commissions based upon the shifting market values. In this strategy, if market values go down by 20%, then commission rates are adjusted downward to reflect the current reality.

Varying the commission rates for the role the agent played is another simple yet effective way to increase revenues. For example, when market conditions make obtaining the listing agreement is more challenging than actually selling of the property, then the listing rate could be higher and the selling rate would be lower. This approach rewards agents who excel in specific roles, regardless of market conditions.

Gross commission rates can also be scaled in a multi-level approach, especially in high-end properties. This strategy divides the sale price into multiple values.

Each value will have its own commission rate assigned to it. For example, a property that sells for \$500,000 could be distributed into three segments. The first portion could be \$200,000 with a commission rate of 3%, the next segment could be \$150,000 at 2.5% and the final portion would have a commission rate of 2%.

Traditionally, off-the-top deductions collected franchise fees, but they can also serve as marketing or administrative fees, significantly impacting revenues.



Adjusting off-the-bottom deductions to lower performance thresholds can make it harder for agents to reach the next commission level.



CAN TECHNOLOGY HELP?

Tougher markets require different approaches. All too often, the broker owner loses focus on the administrative technology they are using.

This is understandable as a brokerage operation, by its very nature, is a marketing enterprise. Antiquated administrative software can create costly and inefficient work arounds. This usually requires more administrators and increases administrative costs.

Excel worksheets might work reasonably well for smaller brokerage operations with a smaller sales force within a single office. However, even brokerages with 20 agents, should be using modern back-office software to process sales, calculate commissions and perhaps most importantly, provide real time business intelligence reports that empower their decision making.

While it is true that acquiring new administrative solutions will involve an up-front investment, the cost can often be offset by the savings achieved with a smaller, more efficient administrative staff.

What about Data Analytics?

Data analytic technology, that incorporates AI, also exists that can allow broker owners to analyze their own commission strategies using their own historical data from their back-office software.

The ability to instantly create, modify, analyze, test and compare multiple compensation strategies against historical data is a game changer. Equipped with the right technology, broker owners can create a variety of commission plans and within minutes compare each hypothetical plan with their own existing plans.

Combining the right analytical technology with a qualified consultant can be a great one two punch, when reviewing existing practices and making well informed adjustments. The WavGroup, www.wavgroup.com are a well-established real estate consulting firm, with a stellar track record in the marketplace.

Consider this. As a real estate professional, you advise buyers and sellers that using a real estate expert can remove the hassle, make the experience less stressful and in many cases, be cost neutral. The same applies when hiring a consultant to assist you in your new approach to achieving your goals.

These are just a few examples of how broker owners can adjust their compensation strategies to increase revenue without causing unrest among their sales force.

CAN TECHNOLOGY HELP?

Without question, new technology arrives at just the right time, to solve the new challenges all real estate brokerage firms face, regardless of size or location.

FOCUS ON QUICKBOOKS



Are you using or planning to use QuickBooks as your accounting solution?

Great news! Lantrax, has joined forces with Fourlane (www.fourlane.com), a leading QuickBooks specialist, to create an advanced integration feature that will automatically transfer financial data from Profit Power or SMARTS into the QuickBooks application. [Click here for more information.](#)



Key Events

Here's a quick list of events that are worthy of your attendance in 2025.

Stay in touch and stay informed.

Upcoming Events

- **Triple Play**

When: December 9th -12th, 2024

Where: Atlantic City, NJ

Who should attend? Attendees should be anyone involved in the real estate industry

Why attend? With so many changes happening in the real estate industry, attending events like the NAR Convention can educate and inform you of the latest news

Registration: <https://www.realtorstripleplay.com/registration/>

- **Leading Real Estate Companies of the World (LRE)**

When: February 24th – 27th, 2025

Where: Las Vegas

Who should attend? Attendees should be anyone involved in the real estate industry

Why attend? This is a key event for real estate brokers, executives and corporate relocation administrators

Registration: Visit the LRE website for registration and pricing – [click here](#)

- **SMARTS Webinar**

When: December 4th, 1 pm EST | 10 am PT

Where: Zoom

Who should attend? Attendees should be broker owners or senior management looking for a comprehensive solution to meeting the challenges brokerage firms are facing in today's dynamic marketplace

Why attend? This is a key event for real estate brokers, executives and corporate relocation administrators

Registration: To register for this amazing free event – [click here](#).

Interesting Reading

Here's an interesting article that you might find of value.

[Click Here](#)

Interesting New Service

Capturing activity on your website and turning visitors into leads is always a challenge. Here's a new concept in lead capture that offers a new approach with advanced AI technology. Take a look!



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