20 QUESTIONS

Everything You Always Wanted to Know about Real Estate but Were Afraid to Ask

Matt Jones

e-Book Edition
20 QUESTIONS
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But Were Afraid to Ask

By Matt Jones
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Introduction

I still vividly remember deciding to become a licensed real estate agent -- a REALTOR® -- back in February of 2002. I recall talking to two friends who’d been very successful in the real estate business, and I remember asking them what they thought of my prospects. Both were very encouraging, and both, I believe, were doing their very best to give me good advice. Come on in... the market’s warm! In fact, it’s hot! Smokin’ hot!

Our economy was thriving, real estate booming, and the mortgage industry had, it seemed, invented products that enabled nearly every walking human being with a job to qualify for some sort of mortgage. De-
mand was at an all-time high, and supply appeared to be never-ending as builders were putting houses up as fast and furiously as they could find the lots to build them on. And the boom was occurring all around the country.

Most of the nation was experiencing double-digit real estate appreciation, and it seemed nearly everyone was a real estate investor, buying multiple properties, to either flip or hold as rentals. Prices continued to go up, and there was no end in sight. The nation was drunk, like a sailor on shore leave, with the unfettered opportunity and stories of successes from all quarters. I could no longer resist.

So I registered for my real estate licensing course and began what would be a four-month process of becoming a newly licensed real estate broker. While I was studying for my salesman’s and broker’s licenses I spent hours reading every book or article I could find on the practice of real estate, taking it all in and mapping out my own strategy.

I even borrowed training cassette tapes (remember
those?) and CDs of successful coaches and mentors and immersed myself in this exciting new field. I was ready to become a real estate millionaire! I did research on my marketplace. I built an elaborate business plan. Nothing was going to stop me from becoming the next Donald Trump. I couldn’t wait!

When the day finally came, and I got my newly-minted broker’s license in the mail, I was incredibly excited. I began to systematically implement my new plan. But because I was the sole income producer for my family, I couldn’t take any chances. Instead of using just one of the many strategies I had read about, I employed several of them simultaneously. Here are few of the elements of my business plan.

I had read that consistently working a geographic farm of 500 houses would ensure my success. I thought, if 500 is good, 1500 must be better. So I put together a mailing list of 1500 homes in the best upper-middle priced neighborhoods in my market and began direct mailing to them, while walking through those neighborhoods and meeting and greeting the homeowners and handing out my business cards and refrigerator
Another strategy from my training that I embraced was Sphere of Influence marketing. The experts all seemed to agree that if you had a personal network of only 50 people who liked you and would do business with you, and if you would consistently work that network, you would always have an abundance of business. So I pulled up my personal network in Outlook and was happy to learn that I already had 186 people who fit that category. I began to call and market to them as well.

I took every opportunity to sit in new construction model homes. I fast-talked my way into as much floor duty as I could get, and I spent my extra time out “drumming up” business, like all the other agents in my office. I was ready to become rich! It was summer, the days were long, and I was working from 7AM until about 9PM. But I didn’t mind working hard to get a great start, since I only had savings enough to allow me to survive for six months. This had to work!

And then it happened... absolutely nothing. One day
I realized that I was over halfway through my savings, doing everything I was supposed to do, and I was on my way to making $30,000 a year. In the South, we have an expression that sums up my sentiments exactly: “That ol’ dog ain’t gonna hunt.” So I took a day to get away from it all, turn off my phone, and do some serious soul searching.

Had I made an awful mistake coming into this new career late in life? (I was 47!) Was I just not cut out for the real estate business? I’d never failed at anything I’d set my mind to, but I had to be honest: I was failing at real estate. I thought about the industry and the opportunity, and yes, we were doing more real estate than ever before, but I wasn’t seeing hardly any of it. Something was seriously wrong.

Had I just made a horrible decision? I cried out to God and asked Him for guidance. I was on a path to complete failure if I continued doing what I was doing. But after a day of reflection, I decided that I had made the right decision, but that I was just going about it all wrong. Many of my peers had begun much earlier and were still eating the fruit of a business they’d built
years before.

Even though nearly all the serious agents I knew were using the very same techniques that I had been taught, each year they were having less and less success with them. It just so happened that the combination of the booming real estate market and their large books of business were covering up the increasing failure of their old-school strategies.

I made a decision: I had already invested 7 months of my life and over half of my savings on this new business venture, so I had to see it through. But, I decided that I would throw away everything that I had been taught by the experts and only do what made sense to me. Many of the things I was doing to build my business went against my own common sense, but I did them anyway because I was following the “experts”. (I was new. What did I know?)

I decided to re-think the entire business. I would use a common sense approach. I looked around and noticed that the Internet had revolutionized virtually every other business, and yet our industry was essentially not
realizing any online business at all. Sure, most agents had websites, but nobody did any business from their websites. So I focused on finding that online business. And when I did, it changed everything!

As you read this book, you’ll begin to realize that many of the things I was taught, many of the things that you’re being taught, strategies that have worked for years and years, strategies that have become the “sacred cows” of our industry, simply no longer work. Yet our managing brokers, our real estate coaches, and industry trainers continue to teach them to newcomers because, frankly, they don’t know any better.

That’s the reason I decided to write the following answers to a few basic questions: questions that I asked as a new agent, questions I couldn’t find good answers to, questions that might have saved me hundreds of wasted hours and thousands of wasted dollars had I only known the answers. It began as a series of nationally syndicated blog articles, but the articles were so well received that I knew almost immediately I had to compile them into a book.
So, whether you are a new agent or an experienced agent who simply needs a new direction, I hope this book helps you. It is my sincere desire that this book become a resource that you can use to revolutionize your business. The following twenty chapters are my 20 Questions: Everything You Always Wanted to Know about Real Estate but Were Afraid to Ask. Read it with an open mind, and may you find your practice filled with new possibilities in this the greatest of all businesses: real estate!
Chapter 1

What About Geographic Farming?

It’s a bad idea. Here’s why. It comes down to “cost per lead”. I’ll show you. Let’s take a typical market where the average sale price is $206,500 and the average commission side is 2.6%. That means that the average Gross Commission Income (GCI) is $5,369. According to real estate “experts” an agent should budget 20% of GCI for marketing. I’ve even heard numbers as high as 25%! (Incidentally, the rest of the entire business world budgets less than 10% of revenue for marketing, but what do they know?)
I personally think you should be able to operate on 6-7% and if you spend 10% you should be able to produce more sales leads than you can personally handle, allowing you room to grow. So if we use 10% that means that our budget per closed deal is $537 (10% of GCI). Now, it takes an average of 24 leads to close one deal. That’s the national average. That means your budget per lead should be no more than $22.37. Stay with me. The budget is $22.37 per lead. Now what is your cost of each farming lead?

I know what you’re thinking... “How do I know?!” But you can know. Let’s say you want to make $100,000 this year in real estate. You want to work 50 weeks of 40 hours per week. Do the math. Your time is actually worth $50 per hour. Now let’s look at farming. There are basically two methods of farming: walking neighborhoods or direct-mail. Let’s look at each. As someone who has done about every dumb idea in real estate, I happen to have personal experience using both methods.

First walking neighborhoods. Generally this involves handing out cards, refrigerator magnets, or fliers, or
all of the above. It also involves kissing babies and petting dogs. What it doesn’t involve to any large degree is generating business. I can’t tell you how many times some other agent’s sign appeared in a yard just days after I visited the house! Now let’s say that you farm 500 homes and want to touch them every month. That’s what the “experts” recommend. Given roughly 20 work days a month that means you are walking 25 homes every day. That means canvassing two blocks of houses every day.

If you are really good, you can cover a block in an hour. Two hours a day is $100 in time cost, not counting cards, magnets, calendars, or other material. Remember, your budget of $22.37? Do the math. If you don’t get 4.5 leads for every two hours you invest, you are over budget. Now if your experience is anything like mine, you won’t get anywhere near that. In fact, long term there are never more than about 5% of the population buying or selling at any time. If you talked to all 25 people and they all liked you, only one is a potential lead.

Direct-mail is even worse. Spend a half day doing the
monthly mailing and add a cash cost of 50 cents per piece, including postage and you have $250 in cash, and $200 in time cost. Take the $450 and divide it by $22.37 and that means you need to produce a minimum of 20 leads from each mailing. Don’t forget, there are only 25 potential leads in your entire mailing group (5% of the population). When is the last time any marketing idea you tried produced those kinds of results?! It’s impossible! Can’t happen.

Sorry, farming’s just a bad idea, plain and simple. Pigs will fly before farming is a good investment. I challenge anyone in any market to show me hard numbers where the total cost (time and cash) justified the results. Don’t feel bad. As dumb as it is, I’ve done it too. But that’s my quick answer.
Chapter 2

To List or Not to List?
That Is the Question.

Should I list homes or work with buyers? Do whichever one suits you best. I know, for years the “experts” have said, “You’ve got to list to last.” But I say that just isn’t true! Do whichever you’re best at.

Now before you brand me as a buyer’s agent, you should know that I am actually a listing agent. In fact, I listed 114 individual homes my first year in the business, one at a time. I typically carried a listing inventory of 50-60 homes at any given time. And I listed them all at 8%
or more in a market that typically listed for 6% or less. I am a listing agent, and a pretty good one.

I believe that old adage about listing to last is just not good advice anymore. There was a time when it was good advice, but that time has passed. Why? Because at one time, the vast majority of leads came from sign calls. Today, sign calls amount to a very small percentage of new customer leads. Why? According to the National Association of REALTORS® 2008 Profile of Home Buyers and Sellers, 87% of the time customers begin their search online.

If you are waiting for that sign call, don’t. By the time he calls, the customer will already be committed to some other agent who’s figured out how to market online. And besides that, today’s customer is calling less and less. Think about your last few times at the duty desk.

Another reason that many agents prefer listing to working with buyers is that they can work on their own schedule. That’s true, but when you factor in the national average that only 55% of all listings sell, while
over 80% of all accepted offers ultimately close, the work load is higher for the listing agent than the agent who works with buyers only.

Another reason to consider is that listing is like putting money in a savings account. Working with buyers is like putting it in a checking account. Sure, eventually many of your listings will sell and you will get paid, but many won’t and you won’t. The buyer’s agent gets paid nearly every time.

At the end of the day, it’s a trade-off. I would simply recommend the one you prefer. If you prefer working with buyers, don’t be “guilted” into believing that you are doing something wrong. Just plan on working weekends and find another source for your new customer leads. If you prefer to take off weekends, then be a listing agent. But if you do, don’t allow yourself to get frustrated when nearly half the listings don’t sell. It’s just the nature of the business.

As for me, I prefer to list and refer buyers to my team so I get the best of both worlds. But that’s just me. You do what fits you best. And that’s my quick answer.
I’m often asked, “Matt, what do you think of SEO?”. The short answer is not very much! First, most of what is known as SEO (or Search Engine Optimization) is really a misnomer. When companies call you to sell you their SEO service, they are not really talking about optimizing your website for search engines, but rather they are talking about trying to fool search engines. But I’m getting ahead of myself. Let me back up a minute.

Last year, according to the National Association of REALTORS® 2008 Profile of Home Buyers and Sellers,
87% of our customers began their home search online. Most of us are trying desperately to improve our online presence.

Because today’s REALTOR® is now focusing on web marketing, we’ve created a market for a variety of online services ranging from template-based websites, to fully customized websites, to websites bundled with web traffic, to websites optimized for traffic, to just selling us the traffic, to search engine optimization, and many more.

Some of these services are good, while some are dubious at best. At the very bottom of the list, are many of today’s search engine optimization scams. If you’ve ever been scammed by one of them, don’t feel like the Lone Ranger... so have I. That’s how we learn.

Let’s face it: Most agents don’t have the technical background to fully understand Internet marketing. Sure, we know we need to bring our businesses online, and so we’re gullible to anyone who offers what sounds like a simple solution to meet our complex need. Enter the world of SEO.
Now before I take a broad brush and paint all search engine optimization as “bad”, let me be more specific. There is good SEO (also known as “white hat SEO”) that involves simply making your website search engine friendly, and well-designed. These techniques are typically done once, when designing and building the website. But since most agents don’t design their own websites, a discussion of white hat SEO techniques here is moot.

On the other hand, bad SEO (also known as “black hat SEO”) is predicated on the idea that you can “deceive” search engines into thinking that your site is more relevant than it truly is, resulting in higher organic (or free) search rankings in the major search engines. If Abe Lincoln had been doing SEO, he’d say “You may fool all the search engines some of the time, you can even fool some of the search engines all of the time, but you cannot fool all of the search engines all the time.”

Think about it this way — for this type of search engine optimization to work, the techniques must deceive the search engines into believing your website is bet-
ter than it really is. At the same time, the search engine’s very existence is dependent upon returning relevant search results to its users, or in bringing users the most valuable websites for their search requests. That means that the SEO industry is at odds with the search engines. It is a win-lose. For one to win, the other must lose.

Many of these companies can deliver short-term results (like my experience with the now infamous Traffic Power) but ultimately they will have your website “sand boxed” (banned) from the search engines so that nobody can find you. If you are still thinking about taking the risk and using an SEO company, think about the irony of this: SEO companies generate most of their online business by using Pay-per-Click advertising and links from other websites, and not by optimizing their search engine results (the very techniques they’d like to sell you on). What would you think of your local Ford dealer if he was driving a Chevy?

So, I am very much in favor of online marketing, but please don’t waste your money on SEO. The money you spend chasing the search engines could be much better
invested in legitimate online marketing yielding much better and much more predictable results. Don’t fight the search engines. You’ll lose. And that’s my quick answer.
Chapter 4

What About “Sphere of Influence” Marketing?

It’s a great supplement to your regular marketing so long as it’s free. As a stand-alone marketing technique, it is destined to fail, and if executed perfectly will yield you maybe a deal a month. Statistically, it can never make you a top producing agent, and here’s why.

Hundreds of studies have been conducted on social networks. One of the most popular was by famous author and columnist, Malcolm Gladwell. In his best selling book, The Tipping Point, he explains that our social
networks increase in size as we age, and that the average number of acquaintances at age 40-50 is 39.

Now let’s imagine that in your typical network of 39 people who know you, love you, and would do business with you, that 5% of them will either buy or sell a home this year. That’s the national average. That means that if you were to get all of their business, it would amount to only 2 deals per year.

“But,” you may be thinking, “what about the people they know?” If all of them know 39 people, and they trusted their mutual friends enough to get you all that business, we are talking about a total potential of 76 transactions. But let’s be honest here. Of the total of 1520 people in this network, there are 5 other agents. Now divide the total potential business by all six of you and there is a statistical maximum potential business of only 12.6 transactions in a year.

Now the tough question: Just how much of that business do you really expect to get? All of it?! Get real! You’d be doing well to get just the first level business. Anything beyond that should be considered gravy. OK.
So now that we’ve determined the size of the pie, now let’s look at getting your slice of it.

The most popular methods of staying in touch with your sphere of influence is by direct-mailing them a newsletter, and by calling them monthly. If the mailing costs you $1 per piece (very conservative considering the postage, and the cost of the newsletter), that’s $39. Suppose you plan on making $100,000 this year. Your time cost is $50 per hour. Now if you are very efficient, you can produce the newsletter and do the mailing in one day. That’s another $400.

Now suppose you were to get all 12.6 potential deals this year. Your cost is $439 times 12 or $5,268, divided by 12.6 for a cost of $418 per lead. The reality is you can never really hope to get all that first and second level business. It just can’t happen! It’s not possible.

“OK, but what if I save the money and just call them?” Good question. An average call of 20 minutes staying in touch, times 39 people in your first level network, let’s see... that’s 13 hours per month assuming everyone is home the first call, and you are never interrupt-
ed. Do the math. That’s right -- $7,800 a year divided by 12.6 for a cost of a staggering $619 a lead!

Come on! It would probably be cheaper to just write your name and phone number on $20 bills and hand them out! All I’m saying is don’t stand by your mailbox waiting for my newsletter. It’s not coming. And that’s my quick answer.
As the President of a company who specializes in helping agents capture customers online, one of the things that troubles me is hearing agents say, “Internet leads are ‘bad leads’.” In fact, it bothered me so much that we commissioned our customer service department to actually conduct a survey. Here’s how it went.

First we looked at the statistical buying cycle for the real estate customer. The average search time is 8 weeks. In other words, 50% search longer than 56 days and 50% search 56 days or less. Now based on a “normal”
distribution, that means that 99.9% of all real estate customers search less than 170 days. So why does that matter? Here’s why.

Our company helps our agents capture roughly 30,000 leads every month so we thought we would take a large sample of those leads that were 6 months old (in other words, old enough to be statistically finished searching) and we would call them back to find out whether they had ultimately purchased a home. The results are going to amaze you.

Here is what we learned from our survey:

• 18.4% of all the leads produced were either bogus or duplicate.
• 9.1% gave fictitious information like Mickey Mouse, mickey@disneyland.com, 555-555-5555 (bogus leads).
• 9.4% had registered previously on our website (duplicate leads).
• 74% of all the leads had closed on or were pending closing on their new homes!
We were astounded! The problem wasn’t the leads. It was the agents. So why the huge disconnect between perception and reality? Here is what we ultimately determined.

Internet leads typically come across our radar screens during Phase 1 of the buying cycle, where traditional marketing brings customers to us much later in the cycle, during Phase 2. So it’s crucial for an agent to understand that the techniques used in Phase 1 are vastly different than those you would use during Phase 2.

Think of golfing. You wouldn’t even consider using the same club to putt with that you used to drive the fairway. In the same way, the techniques you use in working with your Internet clients had better be vastly different than those you use working customers coming through traditional marketing.

Over the last four years I’ve written extensively on the subject so check out my blog and read some of those articles if you’d like to dig a little deeper.

Working Internet Leads
Working Internet Leads: Revisited
Turning Leads into Closings

But for now, when you find yourself having difficulty working with customers that come from your website, don’t think for an instant that the problem is the lead quality. It’s not. Our coaching staff has found that it is almost always the approach the agent is taking.

Here is the good news: It’s pretty easy to learn how to work this new type of lead. So take the time to master a new skill and you will have a huge advantage over most of the other “old-school” agents in your market. Internet leads are NOT bad leads! And that’s my quick answer.
Chapter 6

What About Advertising in Home Magazines?

I think advertising in home magazines can be a good investment, or it can be a total waste of money. If done properly, home magazine ads can be a very affordable source of new business while making your listing clients happy at the same time. Done incorrectly, it can put you in the poor house with next to nothing to show for the expense.

When I had about 60 active listings, I personally experimented and tested various ads in several magazines.
At one point, I was running 8 full pages each month divided between 3 different publications. I tried lots of different ad formats, and I constantly experimented until I got it dialed in. In the process, I spent a ton of money and learned a lot about magazine advertising. Here are the basics that I learned.

First, what not to do. The typical “bad” home magazine ad, much like the typical “bad” real estate website, is all about the agent. Trust me, customers don’t care about you. They are looking at the magazine for one reason: to look at houses. They don’t care about your company either. So don’t waste a lot of ad space with your photo, your company logo, your personal philosophy, or anything except what that customer wants to see. Homes.

Another big mistake many agents make is including only a small number of homes on the page. That’s generally because they only have a small number of listings. If you are advertising in the magazine to get phone calls, then you need to put as many listings as possible in the ad, even if you have to borrow them from your broker or from other agents. The more homes the better.
Still, probably the biggest mistake you can make when it comes to magazine ads is giving the home price. I know many top coaches and speakers preach to always include the price. But I’ve tested it, and that’s just plain bad advice. Typically, the only reason shoppers will even consider calling in is to get the price of a home they like. If you give them the price up front, there is no reason to call, and they probably won’t. Don’t forget why you’re advertising -- to get leads.

Now, let’s talk about how to create the ultimate magazine ad. In real estate there are three things that are important -- location, location, location. In magazine ads the same is true. Studies have been done and about 50% of the population are front flippers. (In other words, they start at the beginning of the magazine and flip from front to back.) The other half are back flippers. (They start at the back of the magazine and flip forward.) To maximize visibility, you want to be as close to either cover as possible. You also want to be on the right hand side, because ads on the right side, studies show, typically pull 50% better.

Next, you absolutely need to have an IVR system (call
capture hotline) in place. There are three reasons for this. First, by offering “free recorded information” instead of the threat of a live REALTOR® on the other end of the call, you will see that you increase your call volume by a factor of 10. Why? Because 90% of home shoppers will typically be in Phase 1 of the buying cycle and won’t want to talk to an agent yet. Only about 10% will be willing to actually talk to you.

The second reason for using an IVR system is that you can measure your results. I happen to know that my cost per lead in one magazine was nearly twice the cost per lead of another magazine, running essentially identical ads. If you can’t know where your various calls are coming from you can’t determine which ads are the most effective, nor your cost per lead.

The third reason is that a hotline phone number works 24 hours a day, 7 days a week, while you may turn your phone off when you go home at night. Trust me when I tell you that you’ll get calls on your hotline in the middle of the night! (And you thought bats lived in caves, not houses!) The best part is that you don’t have to answer the call in order to capture the lead. I looked
at a number of hotlines, and ultimately chose Proquest Technologies’ Provantage System. I’ve found it to be very good, reliable, and low-priced, and have personally used it for seven years.

Now for the ad itself. Put as many pictures of houses as the page will allow. Don’t waste valuable ad space with your picture, or a big brokerage logo. I typically put 20 homes on a small page (like The Real Estate Book) and 30 homes on a large page (like Homes & Land). The more homes, the more calls. The better the photos, the more calls. Don’t list the price! Here is a typical blurb I might use:

Remington
3BR, 2BA Only 2 minutes
from Fort Bragg!
Extension 1003

Using that format, I have produced as many as 2300 leads in one month using only 8 pages. That’s an average of 288 calls per page! Most agents are lucky to receive 10-15 phone calls using typical ads without a hotline. Ouch!
Here’s my bottom line: If you choose to advertise in home magazines, get a hotline, and put lots of pictures and very little information on the page. That way customers will call in to hear your recording and you will capture their phone number. If you don’t do it that way, you will rapidly go broke advertising in magazines. And that’s my quick answer.
Chapter 7

What About Running Classified Ads?

I think it’s a total waste of money! As bad as it gets! Even with a call capture hotline, the price paid for the few leads captured makes it a poor investment. Here’s why it’s such a bad investment.

The newspaper industry has finally reached the point of failure. Don’t believe me? Google “newspaper failure” and check out the results. Sure there are still a few on life support, but the newspaper industry is going the way of the buggy whip business. Maybe it’s not their fault. Maybe it is. That’s a topic for another article.
Either way, as newspaper readership dries up, the industry’s answer to declining revenues is to... get this... raise prices on those few poor agents who’ll still advertise there. And because our industry is filled with practitioners who are, shall we say, “mature”, many of them still enjoy the daily ritual of walking out into their yard, picking up their morning paper, coming in, and reading it with breakfast.

I’m looking for a nice way to say “out of touch with the mainstream”, but I can’t think of one. So because many of us like to read the paper, we assume everyone else does. So we throw our advertising dollars at a broken and over-the-hill industry because somebody once told us about a time when they got a client from an ad in the paper. Know what they call agents who get all their business from classifieds? Retired. If you find yourself in a hole, the first rule is to stop digging!

But I want you to see it for yourself, so let’s crunch the numbers. I am not aware of a newspaper where you can run a classified in the real estate section for less than $50. Many are much higher. Add to that your time cost
of a minimum of an hour of your time. Don’t forget, if you want to make $100K this year, your time is worth $50 per hour. So we have a total cost of $100 for the ad.

Now what is your budget? Assuming your market has an average sale price of $200,000 and an average commission side of 2.5%, then your average GCI or gross commission income is $5,000. Your budget per closed deal is 10% or $500. Now take the $500 and divide it by the 24 average leads you need to close one deal, and you have a maximum budget of $20.83 per lead.

So all I’m saying is do the math. If the classified costs you $100, you better get 5 leads or you’re going backwards. And I’ve never seen a classified perform like that. You want to make your phone ring, place an ad on Craig’sList for free. And that’s my quick answer.
Chapter 8

What Is a “Bad Listing”?

One of my pet peeves is the notion of “bad listings”. I’ve heard agents talk about certain properties being bad listings, either because the home was not pristine, or because they assumed it was over-priced. I believe that the majority of those comments are simply sour grapes, because the agent lost the listing.

Maybe I’m wrong. If you are reading this and you think you have a bad listing, please feel free to refer it to me immediately. You see, I don’t think there are any bad listings, just bad agents. I’ll tell you why.
Listings are only considered bad because they are difficult to sell. After all, we get paid to sell homes, and not to simply list them. So let’s explore some of the typical hard-to-sell scenarios and see if they are really bad listings.

The “dog house” listing. You know what I mean -- the listing that looks like a bomb went off inside. No maintenance for years. Pet stains and odors. Outdated. Landscaping is a wreck. The seller won’t pick up his junk so it looks like it’s in shambles. Many times the owner doesn’t want to do any repairs prior to selling, or it might even be tenant occupied (one of my personal favorites). Is this a bad listing? No!

The “over-priced” listing. This one is generally the polar opposite of the dog house listing. This is one of those sellers who has the best looking home on the block, and so he mistakenly believes that translates into a higher sale price. Maybe he’s spent lots of money on upgrades, a swimming pool, an in-ground hot tub, landscaping, an out building, and so on. He naturally assumes that since the money was spent on his home, it is a good
investment. So he insists on pricing the home outside the reasonable range of value. Is this a bad listing? No!

The “invisible” listing. This one is essentially unavailable for showing. Maybe it’s tenant occupied, and maybe it’s a client who never seems to be available to show the home. Maybe they refuse a lockbox. Often invisible listings are what we consider to be un-motivated sellers. Maybe it’s just difficult to find. So does this make it a bad listing? No!

I think you’ll agree that almost all of what we call “bad listings” fall into one or more of those categories. Now let me explain why you should still want them, and why you should still take them. Here are just four good reasons. Feel free to add more in your comments.

1. Market presence. Your sign in the yard tells all the neighbors, and those driving by, who you are. You are branding yourself in that area. It’s like geographic farming only free and much easier.

2. Leads. I’ve taken thousands of calls --sign calls,
home magazine calls, and website calls and inquiries from the worst possible listings. Often those over-priced homes that look so awesome attract hundreds of calls from other buyers who may never consider buying that listing. And leads are extremely valuable. Ask an agent that has none.

3. Reality Check. Many times, after the home sits on the market for an extended period, the unrealistic seller gets a reality check. There’s nothing like the passage of time and buyers staying away in droves to get their attention. Once you have the seller’s undivided attention, he may very well take your advice and change a few things, making it easier to sell. If you had passed on the listing, where would you be when he came to his senses and really wanted to sell?

5. Bad Listings Sell. This is my favorite reason. Don’t ask me why, but I’ve had some of the nicest listings sit on the market forever, and some of the worst sell immediately. Go figure. There’s one thing I’ve noticed: When you look at the HUD-1s,
they all look the same. I especially like the top line on page 2. How about you?

Let me sum it up. I’ll take every single opportunity to list a home. I realize that some will be easier to sell than others. Some may never sell. But with the right approach, most will eventually sell, and I’ll get paid. That’s why I don’t think there are any bad listings. And that’s my quick answer. (By the way, you might want to read about my approach on my blog. I’ve used this approach to list 114 homes in a single year, all at 8% or more in a market that is 6% and less.)
Chapter 9

Close the Door On Open Houses!

I’m often asked what I think of open houses. Well, I think it’s as good a way to waste a Saturday afternoon as any. My advice is to just take a long nap and catch up on your sleep instead. It will advance your real estate practice a lot faster than an open house! Let me explain.

An open house is simply an advertising idea. Nothing more. Nothing less. As such, it should be evaluated like any other advertising idea. Cost per lead versus budget per lead. So how do we do that? Get out your
calculator, and let’s crunch some numbers.

First, let’s look at cost per lead. Any advertising idea has a cost per lead, and open houses are no exception. I know that you’re probably thinking, “Open houses are free.” That’s simply not true. First there is the cost of the ad to bring people to the open house. Let’s say it’s $50. Then there are balloons, streamers, directionals, refreshments, and such, for let’s say another $25. I’m being very conservative, you’ll have to admit.

Then there is your time cost. If you spend 6 hours counting setup, placing the ad, buying the refreshments, cleaning up, taking down balloons, streamers, and directionals, it will be a miracle. We’ll have to submit you to Guinness Book of World Records!! Now how much is that? If you are planning on making $100,000 this year, your hourly time cost is $50. Now, 6 hours times $50 is $300. Add that to the hard costs and you are $375, and we were being very conservative.

Now we count the leads. If you are really lucky, you’ll get 4 or 5 leads in one afternoon. Now do the math: $375 divided by 5 leads, and you have a cost of $75 per
lead. And odds are that 3 of those “leads” are not leads at all. They are more apt to be curious neighbors. Either way, $75 per leads is just not going to work in most markets. Why? Because it’s over your budget per lead.

How can you know your budget per lead? Simple. Assuming your market has an average sale price of $200,000 and an average commission side of 2.5%, then your average GCI or gross commission income is $5,000. Your budget per closed deal is 10% or $500. Now take the $500 and divide it by the 24 average leads you need to close one deal, and you have a maximum budget of $20.83 per lead.

Now let’s evaluate the marketing idea. Cost per lead is $75. Budget per lead is $20.83. Survey says... ENGH! Now if you’re looking for a good excuse to get out of the house and at the same time feel like you’re being productive, by all means do an open house. Or if you can’t say, “NO!” to your sellers, go ahead. It’s OK. But don’t for a minute think it is the highest and best use of your time or marketing budget. From a business perspective, it’s just plain nuts! Don’t do it! And that’s my quick answer.
Chapter 10

What’s All the Hype About “Short-Sales”? 

Lately, it seems you can’t read anything about real estate and not see somebody selling their unique short-sale technique, their book or system on how you can become the “short-sale king” in your area, or their coaching on how to profit from doing short-sales. It’s become so prevalent now that it seems there is even a Certified Short-Sale Professional (CSP) designation!

Don’t get me wrong -- I’m all in favor of agents handling short sales for their clients when necessary, and
doing so is often a great service to your client that saves them from losing their home to foreclosure. But it’s not the real estate panacea that it’s touted to be. Before I go further, let me explain what a “short-sale” is to those unfamiliar with the term.

Imagine as a listing agent, you have a client that really needs to sell his home. Maybe the family has had a financial hardship-- maybe someone lost a job or lost an income, or maybe somebody has suffered a medical problem. For whatever reason, they have to sell. Normally, it’s a financial reason. Now also imagine that the home, because of the recent economic downturn is only worth $300,000 and their mortgage balance is $325,000.

They have a problem. If the cost of selling the home amounts to 10% of the sale price (for the cost of brokerage), plus any seller concessions, the seller will need to write a check for $55,000 or more at the closing table, just to walk away. But because of their hardship, they don’t have it. Under normal circumstances, the next step is the seller letting their home go into foreclosure. And that’s where a short-sale comes in.
A short-sale is when the mortgage lender agrees to settle for less than the balance due in order to prevent an even bigger loss should they be forced to foreclose, likely have to do repairs, and ultimately settle for an even lower price in a foreclosure sale. The bank is simply doing a cost-benefit analysis and cutting their losses.

Here are a few more things you ought to know on the subject of short-sales. There has to be a reason to justify the lender’s concession. True hardship. Not just a seller that doesn’t want to be upside down on his home. The lender also needs to be convinced that the only true alternative is foreclosure. If the borrower is able to continue paying the mortgage and not sell, the lender likely won’t agree to a short-sale.

OK, so now that you know what a short-sale is, what’s the big deal? Why so much focus in the industry about short-sales? I think there are basically two reasons -- one legitimate and one not so legitimate -- why this topic has become front and center lately.

First, it is important for an agent, especially a listing agent, to know that a short-sale might be an option for
their seller-client. Remember, as a listing agent, our fiduciary duties are to our seller. If we can prevent further hardship and help them make the best of a bad situation, by negotiating a short-sale with their lender, and keep them from having to suffer a foreclosure, that’s good.

Having helped negotiate numerous short sales for listing clients long before it was all the rage, I can tell you this with absolute sincerity: It is really not a niche of the business you want to go after. The asset manager (the person with the bank or lender you will dealing with) is going to make your life miserable. You will be doing much more work than in a typical sale.

If you’re like me and typically list at 8% and keep 4%, you’ll probably be forced to take a cut in your commission as well. Even if you typically keep 3%, the lender will probably want to see a concession or will threaten to walk away. Believe me, the lender won’t hesitate to put you in the middle, forcing you to drop your fee or lose the short-sale for your client. Anyone that says otherwise has never done a short-sale.
So, more work and less money? Hmmmm... Let me think... No, I think I’ll have to pass. I am certainly in favor of helping your client with a short-sale if you can save him from a foreclosure, but it’s certainly not a business segment you want to actively pursue.

Now, the less than legitimate reason this topic has become so popular of late. To the cottage industry of real estate coaching and training, it is simply the flavor-of-the-month. After all, agents are having a hard time of it and sales of coaching and other agent services are down. So they whip together a quick course, booklet, coaching series, or designation, to ring the cash register.

And the way successful marketers have learned to sell to agents is by creating a sense of urgency in the REALTOR community that there is a business opportunity they are somehow missing out on. There might be such an opportunity, but short-sales is certainly not it. So before you get sucked in to spending a thousand dollars to learn all about short-sales, consider this: Short-sales to an agent is much like changing diapers to a parent. It’s all part of the job, but not the part you look forward to. And that’s my quick answer.
Chapter 11

Social Media: The Great Distraction

In answering this question, I realize that many of you who read it will likely never read another thing I write. Nevertheless, I think it’s important that somebody tell the emperor about his new clothes, and I guess I will have to be “that guy”.

I believe that the social media fad, as a marketing tool, is “the great distraction”. What do I mean by that? I mean today agents are spending -- no wasting -- far more time playing on Facebook, MySpace, and Twitter, all the while telling themselves that they are being
productive, than they are at legitimate prospecting activities. And today’s agent production numbers reflect as much.

When I came in the business in 2002, the average agent closed 12 deals a year. Last year, 6 short years later, the average agent closed only 7, or in other words, agent productivity is down by 42% in only 6 years. No, I don’t believe that it’s all Facebook’s fault. But neither do I believe that you can Twitter your way to success as an agent.

Let’s analyze today’s social media. At its very core it is simply Internet empowered networking. Using powerful tools like Facebook and Twitter, you can electronically work your Sphere of Influence. Here is the problem, though. In typical SOI marketing, you are able to limit your activities to your actual sphere.

In today’s social media, there is a pseudo-friendship phenomenon that doesn’t translate into referral business at all. In fact, you really ought to watch the powerful Seth Godin interview on this very subject. In his interview, he makes the following statement that
echoes my feelings well: “Networking is always important when it’s real, and it’s always a useless distraction when it’s fake.” And much of the “networking” going on with social media is fake.

Another difference and disadvantage to traditional SOI marketing is that, using a disciplined approach, an agent could methodically and systematically stay in touch with his sphere in a specific window of time each day. Very manageable.

The ability to keep one’s sphere of influence marketing activities focused and systematic doesn’t seem to carry over to this new media. Show me an agent that spends much time with social media, and I will show you an agent who is totally consumed with it, and as a result is also a low producer.

But agents love it because it makes them feel like they are being productive. Let’s be honest: It’s much easier to tell a joke on Twitter than it is to call back an Internet lead and turn them into a prospect. But at the end of the day, one makes you busy and the other makes you money. Since real estate is a business for me, you can
imagine which one I would recommend. And that’s my quick answer.
Chapter 12

How Do I Recruit Agents?

Let’s face it. As a broker, your number one job is recruiting agents. Anyone who says otherwise doesn’t understand this business. Our industry has an agent churn of 40%. In other words, 40% of your agents will change brokerages this year. If it’s less than that, you’re doing well. And if you don’t continue to recruit, it is just a matter of time before you have no agents.

So, as a broker, which agents do you target? Many brokers focus on recruiting top producers. I don’t. I recruit agents at every level, and here’s why. I want my
business to be like McDonald’s. I don’t want to depend on the best agents to produce my income. The fact is that I make a higher gross margin from my lower producing agents.

Think about building a stock portfolio. You want diversification. Why? So no individual stock’s performance will impact your income. As a broker, my thinking is the same. If my income is tied to 70 average agents, I can predict my revenue. On the other hand, if it is tied to a small group of top producers, if one were to leave me, my income might change drastically.

Here is another reason. Who are the most recruited agents in our industry? That’s right. The top producers. On the other hand, who is nobody recruiting? The average producers. I focus on recruiting all the agents in my market. Sure, I love top producers, but I am happy with them all. Medium producers pay me a higher split and are not in high demand, so I love to recruit them.

Now, if you are the broker or owner of a Re/Max franchise, then go for the top producers. After all, your
model needs agents who can afford to pay your rent every month. But if you run a typical brokerage, focus on recruiting regular agents -- average producers -- and you will do well. The key is having lots of average producers and not a few super-stars. That way your business is not in the hands of just a few agents. The diversification will keep your brokerage making consistent money.

Now let’s discuss how to recruit them. I believe that recruiting agents comes down to having a compelling value proposition for agents. I’ve found three things that help me to recruit and retain agents. OK, maybe four. Here they are: money, business, training, and time.

Money. Why do agents work? For their health? Nope. For the fun of it? Nope. To help their fellow man? Nope. Sure, all of us want to do something that’s fun and that has a good value to society, but the bottom line is we all work for money. Pay your agents well, and use the same pay-plan for everyone and you will have no problem recruiting agents. I pay all my agents a minimum commission split of
80%. And any of my agents can make 90% by being either a top-producer (in other words by doing 4 deals a month) or by being a top-recruiter (in other words, by bringing 5 other agents to the company). We don’t charge them any rent, any transaction fees, any office fees, any fax fees, copy fees, phone fees, network fees, paper-clip or stapler fees, admin fees -- no nickle and dime fees, period. Some brokers are so penny wise they are dollar foolish. The bible said it well: “Don’t muzzle an ox while it is threshing your grain.”

Business. Our company recently conducted a survey of nearly a million real estate agents, nationwide. You might have participated. The number one concern facing agents today is not enough business. Help your agents solve that problem and you will have no problem recruiting. If the number one pain point is no customers, ease their pain and agents will be happy to come work with you.

I personally provide all our agents with a technology package that costs $1,100 per month, per agent. It is the single most powerful bundle of lead capture and agent productivity tools available anywhere, at any
price, and my agents get it free. One thing an agent in my company can never say is, “I don’t have any business.” If they don’t have any business, it’s because they choose to use old-school marketing methods instead of using the state-of-the-art tools we provide them.

Training. Remember that old song by Crosby, Stills, Nash, and Young: Teach Your Children Well? The same goes for agents. If you want to recruit and retain agents, it’s important to train them. I can tell you that one of the best tools I’ve found for recruiting agents is training. Today, many agents are struggling, and they want to learn to be successful. Most agents are looking for someone to lead them. So lead them and they will follow.

Time. Think about this: as an agent, the only thing an agent has to sell is his time. Sure, skill is important, but to earn money, an agent has to spend his time with a client. There are only 24 hours in a day. The less hours available to the agent, the less the opportunity to spend with clients, and ultimately, to earn.

Yet I’ve seen many brokers, who are probably trying
to justify their employment, waste between half a day and a full day every week in non-income producing activities for their agents. Sales meetings (which oddly enough are never about sales), caravans, floor duty, open houses, sitting model homes, needless meetings, and many other time-wasters are a staple in today’s real estate brokerages.

It’s no wonder our agents are doing less business than ever before. If you want to recruit and retain agents, quit wasting their valuable time. It’s the only thing they have to sell.

Well, that’s my philosophy on recruiting and retaining agents. If you think about it, it’s really not that hard when you break it down to the basics. Don’t focus on top-producers. Pay them well, help them find business, train them, and don’t waste their time, and you’ll have a large and prosperous brokerage, even while many are closing. And that’s my quick answer.
It sucks! It’s right up there with root canal. OK. So it beats a jab in the eye with a sharp stick, but not by much. It’s horrible! Let me explain why.

As a real estate professional, your revenue is limited only by your time. That means that you need to spend as little of it as possible on each transaction, while maintaining a high level of professionalism and client service. So what does that have to do with investor business? It has everything to do with it.
First, many investors will want you to lower your ethics to accommodate their tactics, in negotiating, in non-disclosure, in loyalty to other clients, and in many other ways. Many are not licensed agents themselves because they couldn’t do some of the things they do if they were. I know of investors who have started to take the real estate pre-licensing course, only to quit midway because they realized that it would prevent their style of real estate practice.

Investors, typically, lack any loyalty to you (or any other agent for that matter). I have personally spent weeks working on investor business, only to have them cut me out and buy a FSBO property without me. I’m quite certain I’m not alone. To most investors, you are an expendable commodity. They want you on demand, and expect you to drop everything to work on their business.

And what business is that? It is typically low-end homes that make good rentals with cashflows. And not only are they looking for low-priced homes, but they are looking for bargains on them, meaning offer, coun-
ter-offer, new offer, counter-offer, oops, we missed that one, start over again. When you can’t work a miracle on some low-ball, they are off to the next agent.

And aside from the lack of loyalty, and the added work involved, investors want you to work wholesale. If you’ve ever worked with an investor, cutting your commission will come up again and again. Eventually, you will be replaced by a desperate agent who will work cheaply.

I guess to me it really comes down to this: Why work harder for less money, and less loyalty if you can work less hard, make more money, and have clients that love and appreciate your hard work. Why work for wholesale when you could work for retail? But that’s just me... and that’s my quick answer.
Chapter 14

Oh No! Another REO!

I’m often asked what I think about REO business. Here’s what I think: It beats no business at all... barely. Now that I have your attention, let me take a minute to explain why.

First, for the uninitiated, let me explain the term REO. REO stands for “Real Estate Owned”. Talk about dumb names! I am not aware of any real estate that is NOT owned. Are you? I digress. Bad name aside, REO has come to mean real estate that is owned by the lender, after a foreclosure. Now why couldn’t they just say
“bank owned” and save us all the confusion!

OK, now that we understand the term, let’s talk about REO business as an “opportunity”. There are really two different ways to make money on REO properties: buyer side, and listing side. (I know, you’re thinking, DUH!) Let’s look at each one.

I liken buyer side REO business to eating ribs. Sounds good. But let’s think about it. Eating ribs is always a let down. Sure, they’re good, but you do a lot of work for a mouthful of food. And it’s messy too. Reminds me of REO business on the buyer side. If you’ve ever had the misfortune of dealing with a large asset manager on behalf of a client, you totally understand.

REO properties are managed by what is known as an asset manager. He or she is called that because the real estate is an asset on the books of the lender. If you were dealing with a small bank that did their own lending, managed their own loans, and then got a house back after foreclosure, it would be much different.

But today, lenders are huge. They typically purchase
traunches (bundles of similar mortgages) in the secondary market (think Wall Street). It is common to see hundreds of millions of dollars in mortgage paper in a single traunch. That’s important because when a mortgage goes into default and the property goes through the foreclosure process, the company managing that asset is also managing hundreds or even thousands of others at the same time.

The asset manager is not commission based, and so he has no direct interest in the sale, and is the very picture of an unmotivated seller. And typically, he is some mid-level manager with little decision making power. Any proposal you make will have to go to a committee. What that means is that if you are negotiating with an asset manager on behalf of your client, you will be working many, many hours to do a single deal, if you ever complete it.

One of my favorite REO transactions (of course we hadn’t invented the term REO at the time) was a foreclosure property of about 6,000 square feet. It was a magnificent home, but it was also much nicer than the homes around it. I had a client that wanted it badly.
The mortgages balances on the property had the asset manager wanting about $650,000 for the home.

Over what seemed like an eternity, and was actually about a three month period, I eventually made my client’s case that the home, while very nice, was simply over built for the area. We ultimately got the home for only $189,000. The asset manager fought me every step of the way, and we had to go to his committee again and again. At the end of the day, I did both sides of the work and got one side of the money. I worked three months and made $4,536! Woohoo! Fortunately, it was not my only business.

And I’ve heard many other stories just as bad. My point is that working buyer side REO business is way too much work for the money. You’d be better off washing cars or flipping burgers. And it’s thankless, because the client has no idea how much work, comparatively, goes into an REO transaction. They just assume it is a normal transaction and you are doing what agents do.

Now let’s talk about seller side REO business. I have a friend that owns a very large real estate firm in Atlanta.
His company has managed to win the HUD contract for northern Georgia. In other words, he is the listing agent for all FHA foreclosure properties. It makes him lots of money. If you can do REO on that scale it is great business. But let’s get real.

He has ten offices, and is a very large real estate player. Size does matter. Today, most asset managers are not selling one or two properties. They typically have hundreds a month. They require someone to be able to service the entire book of business for an area. That means having a very large, established, brokerage. The business is also put out for competitive bidding, so that if you are even able to qualify to bid on the business, you will likely be doing it for very little in brokerage fees.

I know of another agent who has managed to secure the REO business for a manufactured housing lender. He has been doing that business, exclusively, for many years and making decent money. But again, that’s all he does. It’s his niche and he has spent years building it.
So here is my bottom line: There is opportunity doing REO business. But it’s not the panacea that today’s gurus and coaches would have you believe it is. And at the end of the day, it amounts to wholesale business. There’s nothing wrong with wholesale, but why settle for wholesale when there is plenty of retail business?

I think that REO business is something you want to absolutely avoid whenever possible on the buyer side, and at least seriously consider avoiding on the listing side. And that’s my quick answer.
Chapter 15

What About Direct-Mail Marketing?

I think direct-mail marketing for real estate agents is insane! It’s probably the single dumbest idea agents waste their time and money on! I’ll show you exactly why.

First, you need to understand that I’ve personally done direct-mail and I’ve wasted my own money, so please understand that in condemning this idea as “insane”, I’m also condemning myself. But when it became apparent that it was a bad idea, I quit doing it. As Will Rogers so eloquently put it, “When you find yourself in
a hole, stop digging.”

But I’ve seen agents continue to “invest” (read: ”waste”) their hard-earned commission dollars on one direct-mail campaign after another direct-mail campaign. Maybe it’s the narcissistic tendency in some agents to see their face and name in all the neighbors’ trash cans. I don’t know. But I do know it was Albert Einstein who first said, “Insanity is doing the same thing over and over again and expecting different results.”

But don’t take my rant as reason to stop throwing your money away! Let’s look at the actual numbers. First let’s look at the response rate for direct-mail campaigns. The Direct Marketing Association “claims” to have analyzed 1,122 industry-specific campaigns and determined that the average response rate for direct-mail to be 2.61%. (If you ask me, it sounds like one of those studies conducted by the tobacco industry that claimed smoking was safe, but then again, I’m probably cynical.)

Maybe their numbers are right. Maybe when you send out 1,000 post cards, you get 26 leads, but for most of
us who have tried direct-mail, the results haven’t even been close to that number. My last campaign I sent out 1,500 pieces and got one call, and that was typical for me. My farming list was 1,500 pieces, and the most I ever got was 3 calls.

But, as they say on TV, “past performance is no indication of future results.” For the moment, let’s all imagine a “perfect” direct-mail world where that very rosy 2.61% response rate number is actually true. Let’s use that number and do the math. Let’s analyze the cost-per-lead as a result of that “perfect” direct-mail campaign.

OK. First we’ll start with the mail piece itself. The cheapest mail piece of all is a postcard, so let’s use that. I know of offshore printers who can produce a very nice, glossy, full-color postcard for only about $0.15 each when buying in bulk. The current postage rate for a small postcard is $0.28 per card. Add to that the printing cost and you have a conservative hard cost of $0.50 per-piece.

Now let’s add your labor involved in doing the mail-
ing. I bought a specialized printer for doing postcards, I used my database and mail merged the addressing, and I rented a Pitney Bowes postage meter, so I had it down to a very precise mailing operation. I doubt many agents go to that much trouble, so their time investment is probably much higher.

Nevertheless, we are talking about the “perfect” direct-mail campaign, so let’s use my time investment of 5-6 hours to prepare the copy, print and address the postcards, sort, stack and tray the mailing for the post office, and then deliver it to the post office for mailing. Now suppose your time is as low as mine was. Five hours at $50 per hour is another $250. (That’s what your time is worth if you want to make $100,000 this year.)

Now let’s add it all up: A one-thousand piece mailing costs $500 in hard cost and $250 in time cost, for a total of $750. Now, because this is the “perfect” direct-mail campaign, we will figure you got the magical 2.61% response rate, or 26 leads for that investment. That gives you a cost-per-lead of $28.85 for the “perfect” direct-mail campaign. Now let’s look at your budget per lead.
Nationally, the average sale price for residential real estate is $206,500. The average commission side is 2.6%. That means the average gross commission income (or GCI) is $5,369. If you invest the recommended 10% of GCI for marketing, you can afford to spend $537 per transaction. On average it takes 24 leads to produce a transaction so your budget per lead is $22.37.

That means that in our “perfect” direct-mail campaign, our cost-per-lead is almost 30% over budget. The reality is that I don’t know of a single agent who has received even a 0.5% response rate. If you have a typical response rate, your cost-per-lead is more like $150 or nearly 700% over budget! In other words, it would probably be more effective to just write your name and phone number on $20 bills and hand them out than to do direct-mail. And that’s my quick answer.
Chapter 16

What Makes a Good Website?

As the President and CEO of a real estate website company and who has licensed our website technology to over 20,000 agents world-wide, this is a question that is near and dear to my heart. It’s near and dear to me for two reasons:

First, because there is so much wrong information out there from the so-called “experts” and second, because by doing it right, most agents could go from doing almost no business from the internet to nearly all their business from the net.
To answer the question, “What makes a good website?”, I first need to tell you what makes a bad website. In a word... CONTENT. I know we’ve been told again and again by all the experts that “Content is King.” The fact is, content is not king. How do I know? Because our company surveyed real customers to determine what they wanted in a website. Guess what real customers want? You’ll be amazed, and I’ll tell you in just a minute.

Here’s what they don’t want. They don’t want content. They don’t want free reports. They don’t want to know about how great you are. They don’t want to know how great your company is. Or how many gazillion dollars of production you have. Or what the weather report is. Or most of the things we agents always seem to put on our sites.

The typical real estate website is an I-Love-Me website stuffed full of all the things that the customers don’t want. It’s not the agent’s fault. Agents are just buying what the experts tell them. What do they know about websites?
No, it’s the so-called experts’ fault. The simple fact is that most of the people making real estate websites today, have never studied real estate (or marketing for that matter), they’ve never listed or sold a single home, nor have they surveyed a single homebuyer. It’s no wonder the average agent did very little business from his website last year. Generating business with most of today’s websites would be like building a house with a pocket knife.

Now, here is what your customers actually do want: They want to search the entire available listing inventory. In other words, you need an IDX link on your website. Not your listings or your company’s listings, or featured homes. The entire inventory. The only other thing they want is simplicity.

When we learned that, it prompted our company to rethink our websites, and when we did, our new agent SimpleSite website was a huge hit. Not so much with agents, but with the ones that matter -- the homebuyers and sellers. Think about it: if they like your site, they will bookmark it and return again and again. And
that’s what you want them to do.

When a customer comes to one of our agent’s website, he or she is immediately on the home search page. No weather reports, school reports, I-Love-Me information from the agent -- just the homes. The only other things on the entire site are a free CMA offer and a free Listings by email offer, and one customizable page where agents can put their own content, hopefully keeping simplicity and “what’s in it for them” in mind.

Now that we have discussed the important things for your website, in terms of content, the only thing that remains is your lead capture. Having a good website without good lead capture is like having a store without a cash register. Unlike most websites, we have separated the lead capture from the actual website. When a customer responds to one of our online ads, they are routed to our LCM Web Gateway first, and then after registering, they go on to the website.

It’s much like going to the movies. If you asked people to pay in the middle or after the movie, a lot less people would pay. So instead, we ask them to register before
going to the site. And instead of less than 1% registering, like in the average real estate website, we get between 30-35% of them to register.

It really is possible to do a large part of your business from your website. Many of our agents are doing 90% of their business from the web, and having some of their best months in real estate ever. One of my agents was upset because he only closed 11 transactions last month and only earned a little over $63,000. I asked him why he was upset, and he said he had four more deals that should have closed and were pushed into the next month!

Somebody forgot to tell him that we are in a tough time! That’s because if you have the ability to capture today’s business from the web, you’ll be busier than ever before. Even with the recent market meltdown, home sales are only off by 10% and 30% of the agents have left the business. There is actually more business available per agent than ever in the history of real estate! It’s just all gone online.

So here’s the bottom line. Having a great website is
really not that difficult. First, you need to make it easy to search for homes. Then you need very efficient lead capture. Those two components, together, make for the ultimate real estate website. Add to that your willingness to work hard, and you’ll be doing 10+ deals a month from your website. And that’s my quick answer.
I started to name this article, “Drip Campaigns are for Drips!”, which should give you a hint as to what I think of drip campaigns. I changed my mind because I realize that many of us have used drip campaigns or are currently using them. And the reason we do is often because we have been taught that it’s a good idea, and we’re simply following instructions.

Unfortunately, there is no free money in real estate. Real estate is a relational business, and therefore, our marketing should be designed in such a way as to ad-
vance the relational ball down the field. Every time we contact our client, we should be warming up, not cooling down the temperature of that relationship. And that’s exactly why I’m fundamentally against the “drip” mentality.

Let’s face it, all of us would like to create an automatic money machine. Why do you think people are drawn to pyramid schemes and other get-rich-quick ideas? We would all like to receive maximum income with minimum work. The simple fact is that there is no “free lunch” or “easy money”.

Mega-producing agents all share one characteristic — they all work very hard. Don’t think for an instant you can put a lead into an email drip campaign and walk away with a commission check. It doesn’t work that way. You may be wondering, what exactly is an email drip campaign?

A drip campaign is a pre-written series of email messages set on a time-release calendar that you can design ahead of time. When you turn on the campaign, each customer gets the same series of “authentic sounding”
personal emails that are not personal at all. I’m sure that if you think about it, you notice getting those drip campaigns every day in your email inbox.

So let me ask you a question: How long does it take for you to identify an email as being a drip campaign email? About two lines? Yeah, that’s what I thought. Me too. We’ve all seen so many of those campaigns that we can spot them a mile away. Now let me ask you another question: How do you feel the moment you realize that the “personal” email you just got was a canned drip email, and part of somebody’s marketing campaign? Did it make you more or less inclined to like the sender? I thought so. Me too.

Remember, our objective in prospecting is to make the customer like us. If the approach we use has the exact opposite effect, we shouldn’t use it, even if it’s easier. We’d be better off doing nothing than using an approach that moves the relational ball the wrong way down the field. Resist the urge to use the free money machine — it doesn’t work anyway.

How do I know? Because, like many of you reading
this, I’ve tried using drip campaigns. I’ve spent years in quest of the perfect series of letters. Then one day I woke up and realized that it was a bad idea, even if taught by some of the best companies and coaches. There are two simple rules I use in my email marketing: keep it short, and keep it personal.

I have a friend who writes thousand-word epistles to her clients, believing that by being verbose she will win them over. There is an abundance of research on the subject, and according to all those who have researched it, less is definitely more. So keep it short.

You should try to keep your email correspondence to 50 words or so, until and unless it is in response to a specific request from a client or customer. Then make it as long as it needs to be to cover the topic. You have an interested audience, and they will more than likely read it if it is not a waste of their time.

But if it is unsolicited (not in response to a customer’s correspondence to you), keep it short and to the point. Remember, you’re simply staying in touch. And remember to keep it personal and not canned. Personal
is always better than impersonal.

I try to recount some personal reference or anecdote to make my reader know that it is not a canned email. Some experts in the field use lack of capitalization, lack of proper punctuation, or intentionally misspelled words to keep their message looking personal and not automated. Three or four good personal, well-thought-out sentences will do more for advancing your relationship with your customer than thousands of words of cold, impersonal, drip campaign letters will ever do.

If you can’t be bothered to take the time to write a personal note, you really need to rethink your profession. This is a very relational business. So I’m against using impersonal drip campaigns as part of my marketing. And that’s my quick answer.
Chapter 18

When Should I Give Up on a Lead?

This question is one that seems to have two answers. I think the correct answer really depends on your perspective on the business. So first, let me explain, and then I’ll give you my answer.

Today, there are really two opposing mindsets in the real estate community: there is the scarcity mentality, and there is the abundance mentality. For most agents today, there is a critical shortage of good, available business. Most agents work harder than ever and seem to find less business. For those agents, it is clearly a
scarcity mentality.

For example, if you’re new to the business, you’ve probably noticed that most agents won’t show you any tricks or give you any “secrets” to help you. That is because to most of them, you are their competitor and not their colleague. Don’t take it personally -- this is because of their scarcity mentality.

But for a smaller number of agents, these days are some of the best ever. There is an abundance of available business -- more than at any time in the history of the real estate business. Sure, the number of transactions is down as much as 10%. But the number of agents is also down, by as much as 30%! That means the actual number of available transactions, per agent, is higher than ever.

In other words, there truly is an abundance of business. I should tell you that I am one of the agents that has an abundance mentality. (Incidentally, that is why I am not afraid to freely share tips and tricks to other agents.) The fact is, there is more than enough business out there if you simply know how to get it! So
where is the big disconnect? Why does it feel like there is a shortage?

For most agents, there actually is a shortage. That’s because they are using old-school methods to gather customers. And, sadly, the old-school methods are not working any more. If you take the time to study today’s customer, nearly all of them (87%) are starting online. Over 93% of them use the Internet for part of their home search. That’s 9 out of 10 customers are online!

And yet most agents are still doing almost no business from the Internet. How sad! And then they wonder where all the customers went. But instead of embracing the new reality -- the Internet reality -- most are just working the old-school marketing methods that much harder, and getting more frustrated by the day. OK, so that’s the backdrop.

That brings me to the answer to the question: When should I give up on a lead? If you are an old-school agent, using old-school, traditional marketing to gather clients, you’d better hang on to every one you get. On the other hand, if you’ve learned the secret to gath-
ering the seemingly endless number of customers from the Internet, my answer is much different.

In baseball, it’s three strikes and you’re out. In real estate, I teach agents it’s six strikes and you’re out. I will only make six attempts to reach and connect with a customer. My objective is to reach (or speak with) 50% of my leads. Then, to actually “connect” with a third of those, or in other words one in six of the total. If I am consistent in my prospecting, and I approach my leads correctly, those are fairly easy numbers to hit.

Then I know that of those I actually connect with, I’ll close a transaction with about half. That means that I should close a deal with about one in twenty-four leads. I don’t waste a lot of time trying to make chicken salad out of chicken manure, as the saying goes. There are far too many other leads that I will be able to connect with. There are too many other customers out there that will gladly work with me, for me to spend the rest of my life chasing those that won’t.

So to sum it all up: If you’re an agent that’s living in the scarcity reality, I say spend as much time as you need
to make every lead pan out. Or, maybe think about doing real estate the new way and then you can pick and choose your customers. For more on building that kind of a business, read my free seminar: Becoming a Mega-Producer. If you have plenty of leads, then I say “six strikes and they’re out”, and that’s my quick answer.
Chapter 19

How Do I Compete with Today’s Discount Brokers?

You don’t! Discount brokerage is a fact of life in our industry, but it’s not a threat to traditional full-service brokerage and here’s why.

There is a principle that marketing experts understand: In any market, for any good or service, approximately 15% of the customers will gravitate to the lowest-priced option. Oddly enough, almost as many will invariably choose the most expensive option, assuming that high price is synonymous with quality. Now, with that in
mind, let me share with you a couple of current real estate statistics.

According to the National Association of REALTORS®, the percent of FSBO Sellers has steadily decreased over the last 10 years. In 1997, 18 percent of sellers sold their home without using a real estate agent. In 2007, the portion of FSBO sellers decreased to 12 percent. During the same time, the percentage of sellers who sold their home using an agent or broker has steadily increased.

Last year, the average commission side percentage rose from 2.5% to 2.6% nationally, reversing a downward trend over the previous decade. That is significant, particularly when you factor in the high number of short-sales and bank-owned transactions where brokerage commissions are often negotiated in bulk, resulting in significant discounts to the listing side.

Another NAR survey revealed that 18 percent of residential sellers used limited service or minimal service brokerages, while over 81% used full-service brokerages. By limited or minimal service brokerages I mean flat-fee,
fee for service, FSBO assistance, and all other models of discount brokerage. In other words, all of them together don’t amount to 20% of the total sellers today.

The study didn’t indicate whether discount brokerage was on the decline as well, but it would certainly seem reasonable that if the demand for FSBO was declining, the demand for the “next best thing” would be decreasing as well. Certainly one could reasonably infer that demand for discount brokerage is at least not growing.

Another factor to consider is that discount brokerage typically abounds in areas where there are a disproportionately greater number of agents, like Florida and Arizona, where many retirees pick up real estate as a source of extra part-time income.

I realize that in a time when agents’ number one concern is having enough customers, we tend to be afraid of our own shadows, but I say we shouldn’t be. Discount brokerage is probably here to stay, because of that 15% phenomenon, but when you look at the actual numbers, it would make just about as much sense to be the most expensive agent as it would trying to compete
with the discounters.

So I say, don’t compete with the discount brokers. I sure don’t, and that’s my quick answer.
Chapter 20

How Should I Choose a Real Estate Company?

Joining a real estate company, whether you are considering a move, or joining for your first time, is an important decision and one that you should make carefully and deliberately. So what factors should influence your decision-making process?

To be perfectly honest, my company didn’t know the answer to that question, so we conducted a survey. We queried half a million real estate professionals and discovered that the vast majority of agents choose a bro-
1. Your Company Should Find You Customers. Join the right company and you’ll immediately solve the number one problem facing agents today: not enough customers. Some companies give their agents leads, while others don’t. Our company doesn’t. You’ve probably heard the adage, “Buy a man a fish and feed him for a day. Teach him to fish and you feed him for life.” So instead of giving our agents leads, we teach our agents how to find their own customers.

We provide our agents with our both our telephone and our website lead capture technology, enabling them to produce as many customer leads as they can work. The typical agent who uses our lead capture technology spends about $250 a month in advertising and generates between 80 and 90 customer leads, or enough leads to complete about 3 deals a month.

However your company goes about getting you busi-
ness, make sure and select a company that solves the “no-customer” problem or you likely won’t survive in this business long enough to choose another company.

2. Your Company Should Provide You With Productivity Tools. Today, most agents spend a fortune on various tools and software. You should look for a company that will provide you the tools you need to do your job. When I say tools, I’m not talking about a fax machine and copier. I’m not talking about a computer that the agents can come in and use. What I’m talking about is tools like a website, lead capture technology, and a full-featured client manager application.

Our company’s agents each get their own state-of-the-art LCM Web Gateway, their own LCM Phone Gateway, their own personal Agent SimpleSite website, their own integrated Pipeline Client Manager, and Pipeline Virtual Assistant and mobile applications. They also get access to our productivity calculators, business planning modules and much more.
If your company isn’t providing you these basic tools then I hope they’re providing you with a much better split so you can buy them on your own. Today, real estate is virtual, and not having the basic technology tools to practice in today’s virtual environment is like trying to run a foot race in combat boots: You start out at a huge disadvantage in a highly competitive business. Don’t do it.

3. Your Company Should Train You to Succeed. Many companies talk about training, but few actually provide it. Look for a company that will help you get better at being an agent. Our industry is constantly changing and successful agents are always learning.

Having the best tools and having an endless supply of new inbound customers won’t help you at all if you don’t have the basic skills needed to turn those opportunities into closed transactions. That’s where training comes in. I believe that there are several fundamental things that a REALTOR® must have if he’s to become a mega-producing agent. Just as technology is crucial to success today, so also is
training.

Let’s be honest here: most of us haven’t done a lot of studying since we left school, and the temptation is to try to get by without having to do the work. I know that. But that’s all the more reason to make yourself do it. Average agents won’t. You want to be a top agent!

I’m going to make a confession here. I don’t really like to study either, but that’s what gives me an advantage. My peers never crack a book, while I read about two books a week. Do I do it because I like to read? NO! I do it because I need to continue to push myself to be the best I can be.

If I am to be at the top of my game — if I really want to be the best — then I have to make myself do those things that I don’t necessarily want to do. Remember how your mom used to make you eat spinach? Well, I say eat your spinach.

I realize it’s a hassle to continually take training, but this is your profession. Be a professional. I promise
you that there are agents calling me every day asking for help because they really want to go to the next level and the help they need is not available at their own brokerage! What a shame.

Find a brokerage that encourages a learning environment and find a broker that will help you grow. Frankly, that is part of what you should be getting for your agent split, and if you aren’t, you’d better be getting enough additional money to find your training elsewhere.

4. Your Company Shouldn’t Waste Your Time. At the end of the day, the only thing you have to sell is your time. That’s precisely why our company doesn’t waste our agents’ time with sales meetings, caravans, floor duty, or other non-productive company meetings. Find a company that won’t waste your time. Find a company that empowers the agents to be productive while maintaining the support, community, and structure that many agents crave.

When I was a brand new agent, I was in a very
traditional Century 21 office. We had a company meeting every Tuesday afternoon. We had “sales meeting” on Wednesday morning, followed by a two-hour caravan. We had no less than 2 half days of floor duty, and another 2 half days of sitting in a builder’s model home.

Add to that the wasted time of dealing with the bureaucracy of the office structure, and about one other hour-long meeting a month and we are talking about over 20% of my available time! If you want to make $100,000 this year, and work a forty-hour week, then your time is worth $50 per hour.

And all the wasted time adds up quickly. Those time-wasters would have cost me $400 per week or $20,000 per year! That is like paying over $1,600 a month in rent! Is there any wonder I only stayed for two years? I couldn’t afford to stay! And that brings me to the final concern: money.

5. Your Company Should Pay You Well. Ask most agents what their commission split is, and they
won’t have a clue. It depends on whether it’s a cross-sale or in-house sale. New or existing. January or December. Most company commission plans are a shell game. In my company, our agents keep a minimum of 80% and any agent can make 90% by being a top-producer or a top-recruiter. Period. And that’s 90% with no office rent, no transaction fees, no administrative fees, no nickel and dime fees, no fees period.

If your company split needs an MIT graduate to calculate, you can bet it’s because they don’t want you to know how little you actually make. Find a company that pays you well, that doesn’t have a complicated and elaborate compensation plan, and make sure and factor in any rent or other charges.

For example, if you pay $1,400 a month in rent, in a market with an average commission of $5,000, and you do one deal per month, your effective split needs to be adjusted downward by 28%! So if you think you’re at 100%, you’re really at only 72% before factoring in any copies, faxes, and other fees!
Let me sum it all up like this: When you choose a company to work with, make certain that they solve your customer problem. Make sure they provide you with the basic tools you need to be successful in today’s virtual real estate climate. Make sure they provide training to keep you at the top of your game, and make sure you invest your time to take that training. Finally, make absolutely certain that they don’t waste your valuable time and that they pay you well.

Finally, after looking at all five of those areas, you need to choose the one you like and respect, and that’s my quick answer.
Final Note from Matt Jones

I can’t begin to tell you how much time and effort went into the writing, editing, typesetting, proofing, and publishing of this e-book. I trust that you will enjoy it, and that you might even want to share it with fellow agents or friends. Please encourage them to buy their own copy -- let’s face it: the price is very low considering the information found inside. If they don’t buy it, they won’t value it anyway, so please encourage them to make the tiny investment themselves. It will help us to continue to produce valuable training at affordable prices.
If you received this publication from anyone other than a licensed reseller, or directly from me, you’ve received a pirated copy. Please do the right thing and notify me via e-mail or phone. My email address is Matt.Jones@FavoriteAgent.com and my direct phone number is 910-808-1212. Okay, here is my “official legal notice”:

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Thank you so much for reading. May you have much success in your practice of this the greatest business in the world -- real estate!
About the Author

Author, speaker, syndicated columnist, local broker-owner, and CEO of FavoriteAgent.com, Matt Jones is not your typical real estate guru. Unlike many of today’s “experts” he is actually personally involved in the real estate business on a daily basis. In 2002 Matt listed 114 homes during his first year in the business and did $7 million in production in a market where the average sale price was only $100,000. By his third year, his single-agent practice had grown to become the largest brokerage in his market of Fayetteville, North Carolina.
Jones’ company has been profiled by numerous major media outlets as an innovator and a pioneer in the industry, and CNN’s Pulse on America claimed FavoriteAgent.com is “changing the way real estate is done in America.” Over 20,000 agents throughout the US, Canada, Great Britain, Australia, and New Zealand have licensed his virtual office technology, and over 100,000 agents worldwide have taken his real estate training.

Although Matt keeps an incredibly busy schedule, he invites his readers to contact him online or by phone with any questions or comments. His phone number is (910) 808-1212, and his email address is Matt.Jones@FavoriteAgent.com.
Books By This Author

**LCM:**
*The Secret to Success in the New Age of Real Estate*

**The Ultimate Listing Presentation**

**Traffic:**
*How to Sell Fast and Net More*

**Becoming a Mega-Producer**

**The Science of Online Marketing**

**Ten Steps to Real Estate Success**

**20 Questions:**
*Everything You Always Wanted to Know about Real Estate... but Were Afraid to Ask*

**The Virtual Office Model**
20 Questions: Everything You Always Wanted to Know about Real Estate... but Were Afraid to Ask

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