

Is Bigger Better?

I started in real estate 19 years ago with a very small, specialized boutique brokerage. Two years later, I moved to a “big boutique” local company that later merged with a large national company, then split away, only to be acquired by the largest real estate company, one that is part of a huge real estate holding company. That’s where I remain today, and that’s my company perspective.

First, remember that real estate is a personal service occupation. The one-on-one relationship between real estate agent and client is most important. What real estate companies offer is an underlying level of agent/client support that ranges from company ethos, management oversight, marketing strength and possibly amenities such as legal assistance and relocation, escrow, title, mortgage and other ancillary services. Does any of this matter? Let’s see.

Big companies

In our market area, a few companies are national household names. They dominate the local real estate market. Their offices on Hillhurst Avenue each house between 50 and 100 full-time agents. Each has a different company culture and management style. Some managers are parachicks who, for better or worse, let their agents do what they choose. Others actively oversee the performance of their agents and nurture their agents’ talents. Some big companies have clearly-defined rules that are universally understood and strictly enforced. Some don’t. Some companies and/or offices have charismatic leaders and a team spirit; some don’t. Big companies offer their agents errors and omissions insurance usually at a lower cost than smaller companies. Most seriously, some companies put client service first, while others put the company/agent bottom line first. Remember that there ARE big company differences. Find out these differences by asking agents about HOW their company implements their company culture.

As a seller, big companies offer impressive marketing opportunities IF the agent uses these opportunities to advantage. For example, big companies have many prime pages of advertising in the Sunday Los Angeles Times real estate section, which remains an effective and important marketing tool. If an agent fails to place ads in these pages, usually at their own expense, this big company advantage is lost. Moral: don’t list your house with a cheapskate agent.

Big companies are full-service companies. Cost aside, not using the company “team” of escrow, title, mortgage and the like can mean lost opportunities to smooth out the inevitable bumps in a transaction. Big companies also have resources that can help them weather market downturns. One local big company has endured over 100 years!

Boutiques

Boutiques are small, often one-office, brokerages that may have just the broker alone working in real estate, or there may be a few other agents and assistants. The level of service is solely dependent upon the talents of the broker or agent. Boutiques often specialize in a market niche such as a neighborhood or a type or style of property—or a service like property management. Boutiques usually do not have affiliated service companies such as escrow or title, though some brokerages may also arrange financing. Their marketing tends to be minimal. They are most vulnerable to market downturns.

Franchises

Some companies with nationally-known names are broker-owned franchises. They function much like boutiques. The franchise advantage is that the local office may share marketing visibility with other franchise offices—at a cost. Sometimes, nationally-known companies may have both company-owned and franchised offices co-existing in the same market area—causing consumer confusion.

“100% Offices”

Some boutiques, as well as nationally-known company franchises, operate “100% offices”. These brokerages attract agents (a sales agent must, by state law, work under the supervision of a licensed real estate broker) by allowing the agents to keep 100% of the commissions they earn. (Usually a real estate company and agent split commissions according to the agent’s past earnings.) To cover operating costs and company profit, 100% offices charge agents a la carte for everything including desk space, copies, forms, ads, franchise fees and errors and omissions insurance. Company culture and managerial oversight tend to be minimal. Most agents are pretty much on their own.

Other Companies

Among the above are a few smaller companies. They tend to be newer, or at least new to our market area. One such company relies on a strong ethos and profit sharing as a recruitment tool.

Future market changes will put stress on companies unequally. The well-founded business models will survive over the long term. The weaker companies will merge with the stronger—or fail—and agents will keep the business card printers working forever.