DISRUPTORPROOF

Compete and Win in Any Marketplace

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INNER CIRCLE BROKER COACHING

Disruptorproof

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Created with:
90-Minute Books
302 Martinique Drive
Winter Haven, FL 33884
www.90minutebooks.com

Published in the United States of America

200204-01536.2

LSID: 2370000816771

For more information on 90-Minute Books including finding out how you
can publish your own book, visit 90minutebooks.com or call (863) 318-0464

Here's What's Inside…

Introduction

Here at ICBC, we have created a business system based on 7 Core Competencies© that are essential for a strong strategic operating and financial outcome in order to effectively run a lucrative brokerage. This system has been successfully executed on a global scale with many of our top brokers. Creating a disruptorproof real estate brokerage requires focusing on several ICBC building blocks. Our focus in this book will be on the building block called “Uniqueness in the Marketplace”. Of course, the background of our conversation is always the building blocks “Optimizing your Business Model” (improving profitability) and “Buying and Selling a Brokerage” (making your business worth more money).

Our mission is to transform brokerages by turning opportunity in strategy, strategy into action, and action into results. In our world, results are measured in dollars delivered to the owners and more free time to drive lifestyle.

Business is an equation. On one side, we have new entrants in the marketplace. They are all trying to invent a better, faster, and cheaper mousetrap while promising high commissions, better leads, retirement options, shared purchase plans and more. Moreover, they have access to seemingly limitless public capital with no accountability to profit and no clear implementation plan to acquire the profit.

On the other side of the equation, we have traditional brokerages that have limited access to capital and are entirely accountable for profit. They have fixed overhead and substantive obligations to produce a return for shareholders. This is the profit used to put roofs over people's heads, pay for college tuition, medical bills, and funding people's lives. They are implementing proven strategies, adopting new technologies as they become established. They have also committed their lives and financial futures to provide value at a price that is less than the cost of the delivery of the services.

In the middle, we have agents, emotional decision-makers who operate primarily as independent business owners. These individuals are attracted ad nauseam to "the magic bullet syndrome" and endlessly searching for the next shiny object. They are enamoured by buzzwords and high-level concepts but not experts at analysis or evaluation of the opportunity in its entirety.

Here is an example of an all-too-familiar story about a multi-million-dollar earner who worked for a very reputable broker for more than 30 years. By all accounts, his career was a success and he was viewed as a role model for others to follow. He attended a presentation by a market disruptor. Once he was captivated by the promise of potential "shiny objects" such as owning shares and being compensated for recruiting others, he was determined to move quickly!

When asked about assumptions that were critical to the new opportunity paying off, the agent admitted that he had not taken any of those questions into consideration. He agreed to delay his decision until he obtained all the facts, which ultimately did not support a change in brokerages.

This is our passion. We help brokers identify disruptors, analyze their uniqueness in the marketplace and create a competitive response. This is accomplished proactively and results in the broker having a better understanding, retaining their agents, and protecting their profits. Our hope is that after reading this book, you will become Disruptorproof.

To a Disruptorproof Future,

Wayne

CHAPTER ONE

The Cost of Market Disruptors

A recent survey established that over the last 20 years, the U.S. market alone has seen the loss of commissions to a market disruption increase between 50 and 60 billion dollars per year. There is a continued downward pressure on commissions levied to consumers which indicates that this loss will continue to grow.

What is a Disruptor?

A disruptor is someone who attempts to come between a consumer and a supplier with an established relationship. In one case, a buyer or seller and a realtor form what we call a B2C (business to consumer) relationship. A second example is the relationship between an agent and their broker. This is called the B2B (business to business) side. They try to get between an established brokerage and the agent population.

The value of the U.S. real estate commission is still roughly $87 billion per year. This represents close to 1% of GDP (the gross domestic product), and worldwide commissions are estimated to exceed $220 billion. That is a considerably large pie that new market entrants are attempting to get in the middle of or disrupt.

Let's look at disruptors in the marketplace today. They are companies such as Redfin who seek to disrupt the business to the consumer marketplace. They have proprietary apps and websites which attempt to capture consumers. Another excellent example everybody would be familiar with is Zillow. Zillow aims to drive the consumer to their website then sell that lead to a realtor essentially getting between the realtor and a customer that would have otherwise called them directly.

On the B2B side, companies like Compass and eXp are attempting to get between traditional brokerages and agents. They are looking to either buy agents, as in Compass' case or in eXp's case, create unique business models to try to recruit agents.

Which Businesses are Susceptible to Disruptors?

Brokerages and agents who are unable to create and communicate a value proposition that resonates with their stakeholders are susceptible to disruptors. Essentially, these are brokerages who have not revamped their value proposition to accommodate the changing marketplace. Being able to relay your value to the client is your secret sauce to differentiate your company from others.

The goal in our business is to develop a value proposition that your customer is satisfied with and to produce that value proposition for less than it costs to deliver. The key is discovering the crux of what the consumer is looking for while addressing the fluctuating cost base. Brokers must be aware of this balance and get ahead of it by remodeling their business to leverage those changes in order to take advantage of them.

As an Individual, How Can I Protect My Company?

We would recommend that you execute a strategy to define and communicate what we at ICBC, call your "Uniqueness in the Marketplace". It is one of our building blocks and your uniqueness in the market is what you are doing differently than your competitor which delivers value to your customer. What you can do is identify what you are doing differently and learn how to communicate that effectively to the customer in such a way that they would want to buy it for more money than it costs to produce.

One topic that we discussed is promoting your product in order to motivate customers to buy it. We often share the story of a dog food company touting high-grade dog food. They had hired leading professionals in the industry to develop dog food with superior nutritional ingredients. The chemist and the nutritionist perfected the formula and hired a top-notch marketing team to advertise the product. They had the best shelf placement in the store, the packaging was flawless, and they had the best people doing everything. However, despite having the best of the best, the company was going bankrupt as a result of nonexistent sales.

They were having trouble selling the product. The president gathered a group of the employees at the plant and stated, “We need to figure out why people are not buying the best dog food on the market. I can’t understand why they are not buying it?”. After posing the question to the group, an employee from the loading dock raised his hand and said, “Well, I think I have the answer, sir. It turns out the dogs won’t eat it!”

This anecdote demonstrates why we must identify our uniqueness in the marketplace and create a product that consumers will want to buy.

In another instance, we had a client with an established and successful business in the market for over 20 years. A disruptor entered the market and within six months, they had lost 45 agents, which was about 25% of their staff.

When we came on board, we calculated the lifetime value of an agent at $127,000. That is what the agent contributed times the average life they were at the company, which meant the disruptor cost the business $5.71 million in actual cash. Now they have an entrenched disruptor in the market and must compete with them.

The critical point of this chapter is market disruptors. From a market standpoint, they cost tens of billions of dollars but we get to see the story of how that affects Main Street. It impacts people who have started their businesses, who have accountability to their families and have their whole lives on the line. The tens of billions is a monetary cost, but the price to people’s lives is even higher.

They need to embrace how to compete and win and look at their uniqueness in the marketplace as a way to not only defend against disruptors but move forward or improve their market position and profitability. They need to understand how to compete with the end client but they are also protecting the end client from losing value in this proposition. What is happening in the industry is we are losing billions of dollars of commissions as well as the perceived value of the consumer from the offering we are providing. The rest of this book will help you understand how you can rectify that.

CHAPTER TWO

Avoidable Mistakes Cost You Profit

There are five mistakes that are costing brokers millions of dollars.

One is overestimating what your competitor offers. The reality is that learning about or competing with disruptors is hard work. The avoidable mistakes can be boiled down to not doing the work. Misconstruing what your competitors present usually results from listening to agents recount the story of what their competitors are offering. In other words, it is not based on facts.

There is an old story of an agent who came into his broker's office and announced, "Boss, we've got to change our commission splits here. Our competitors are now paying 105% commission." The broker stated, "Wow, 105% commission! If we did that, how would we make any money?" The agent said, "Well, Sir, the key is volume!" That is how agents, brokers, and consumers think. They have an exaggerated concept of what competitors or disruptors are offering. The first mistake is simply overestimating that element and not doing the work of obtaining the facts.

The Danger of De-Legitimizing Competitors

Sometimes, brokers and agents might be of the mindset that if someone is doing it differently, it will not work. A good example is eXp. They have a cloud-based system; no bricks and mortar. When they first entered the market, many brokers discounted their ability to compete because of this atypical model. They have grown to 28,000 agents in a brief period. They taught us that many agents were not as concerned about bricks and mortar as we thought they were. It is crucial not to legitimize it but to look at their proposition and understand how your customer perceives that offer.

Keeping Poor or Nonexistent Records on Your Competitors

Rarely do we get a new client who can give us detailed information on competitors. Commonly, they have neglected to invest any time in meaningful research. Furthermore, that information is seldomly consolidated in a detailed manner for simple dissemination. If you went to Proctor and Gamble, Apple or Google and said, “Hey, give us the lowdown on your competitors,” they would certainly have reams of well-organized data on precisely what their competitors are up to. For some reason, in the real estate industry, we do not do that or we do not think it is important enough to invest the necessary resources.

It is like being the owner of Walmart, a franchise owner, and someone tells you, “Oh, well, at Whole Foods down the street, their produce is much fresher and much better than yours.” You, as an owner, take that, “Yeah. Yeah. You know what? I’ve heard that, too, and I’ve seen it, it looks good.” However, doing the proper research would involve walking over to Whole Foods, grabbing a few of their oranges and then comparing them and wondering, “Where are they buying their produce? Where are we buying? What kind of oranges are they selling? What are the price point differences?” Now you are investigating with facts.

A Whole Foods operator might overhear, “Walmart has better products. We should reduce our prices.” Instead of going down the street and doing the research, the Whole Foods operator says, “Oh geez. Okay. I guess we’ll reduce our pricing.” The danger in that mentality is not considering all the factors and comparing oranges to oranges! The danger in this approach is that discounting the price does not take into account all of the things Whole Foods invests in that drive a higher cost base providing higher value for their customer. Most companies that ignorantly "price chop" end up sinking themselves right out of business.

You must have an understanding that, "Hey, we've sourced our oranges from here. This is the product. This is the freshness. This is the sweetness compared to the sample we've taken from Walmart, and therefore, we can communicate value to customers that they will pay for. We only keep our inventory on the shelf for a day or two, not a week or two. We ship it in by air, so it's fresh." You need to consider all the differentiators and learn to communicate them effectively to your agents.

Communication and Timing are Key: Getting in Front of the Story

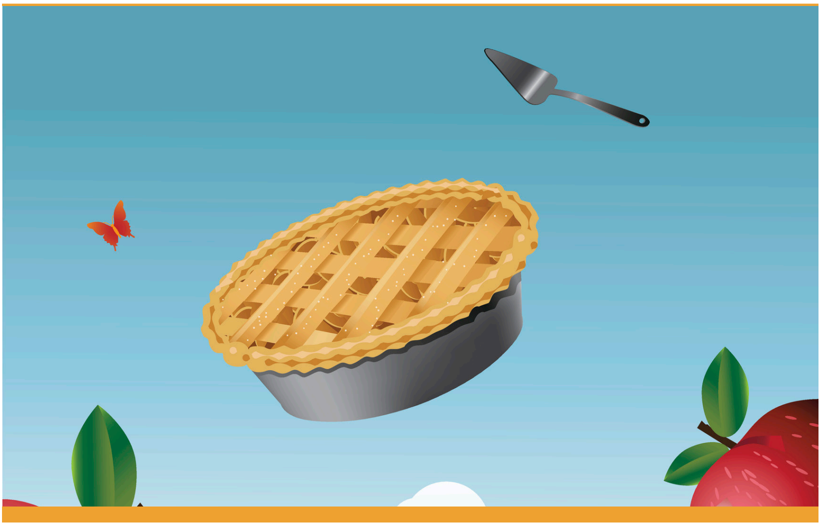
This will resonate with every broker who has had an agent sold on a disruptor's shiny object or their new idea. Once they are sold on it, it is almost impossible to convert them back. If you do not buy into the idea, you are viewed as having sour grapes or someone who has checked out of a relationship. If you have ever had that experience, the way they chew their corn flakes or the way they brush their teeth becomes bothersome to you.

If we are not in front of the education that our agents receive about our competitors or disruptors, we are at a disadvantage. By pioneering and overseeing that education, we allow them to see the whole picture, not just the sales pitch.

Now we can teach them. When they look at the disruptor's value proposition, they can look at it in a balanced way as opposed to listening to the sales pitch about the shiny objects. After they have been lured in by the shiny object, it is unlikely to bring them back.

> *Mark Twain said, "It's easier to fool someone than it is to convince someone they've been fooled."*

The key takeaway from this chapter is the fact that these are avoidable mistakes. It is heartbreaking to see people make mistakes, which could have been avoided with some effort and knowledge. We work in an industry where building relationships is key and because of that, there is a lot of emotion. Even though these are avoidable missteps, people fall into being deluded by the disruptors. That is why it is so important to lead the discussion with your agents.



CHAPTER THREE

Why We Fall for Disruptors: Pie-in-the-Sky Promises

Why People Fall for Shiny Objects

When people find a shiny object and are enticed by the promise of how they can get rich quick or make money with seemingly little or no work, they dive right in. Unfortunately, shiny objects never work out as well as promised, if at all.

There are three principles at work here that are unique in other industries but not unique to the real estate industry. In fact, they are more prevalent in the real estate business than any other business we have been associated with. The myth occurs when agents see a "shiny object" which they think can generate more business or income with little or no work. We often call this the magic bullet syndrome.

The next principle is called the herd principle. If one agent thinks it is a good idea, the rest of the agents will buy into that concept as well. All of that drives why we fall for disruptors "pie in the sky" promises. There will always be the lure of a shiny object, once the hook is set with one agent, others follow suit, like a herd of lemmings headed for a cliff or excited children running after the ice cream truck for overpriced, low grade, overpriced product.

The shiny object could be a new app, software or a new and exciting product that can increase revenue. In other words, it is not new; it's shiny. The shiny object is what sets the hook. We go to the magic bullet which promises a faster and easier way to solve a problem, to kill a competitor and land the customer. In reality, real estate is a relationship business. The fundamentals of how people buy and sell real estate have not changed in the last 60 years. As Dean Jackson says, "You can't commoditize the last 100 yards of any real estate transaction," or any relationship sale, for that matter.

It is a high-trust, high-risk sale that the consumers only undertake, on average, every seven or eight years. That is why relationships are so important. It involves the largest asset that most people own and they trade it infrequently. Therefore, they cannot develop expertise or experience in this space and need trusted help.

For agents, the relationship they have with their broker is perhaps the most important relationship they have in their business. Think about it; the broker makes decisions daily that have the ability to directly impact the agent's ability to generate income. These decisions include who to hire and what information to train agents on. How we present ourselves as a company all have a direct and immediate impact on our agent's ability to generate income.

However, you have realtors who understand the hook that is being set with the shiny object, and they do pause to question value. The magic bullet says, "Well, I don't have to do the work. There's a faster way," in other words, "I don't have to work." Which brings us to the herd principle; if we are exposed to the shiny object, and we are interested in the magic bullet rather than doing the research ourselves, we will turn to our colleague and ask, "Well, what do you think?" If they say, "Wow, I'm going to do it," then we do it.

We are in an environment where we have strong salespeople and that is why they are successful. The characteristics of a strong salesperson include the ability to sell a glass of water to the ocean. The other technique that great salespeople possess is a fantastic ability to find the path of least resistance and getting it done. Unfortunately, because that is a strength, it is also a weakness because they are relying on the referral of another salesperson who might not have done the research themselves. That individual is now going to sell them on the shiny object and they trust and believe it. It is the path of least resistance as they jump on board because this is going to get it done faster and cheaper.

We used to own a company that sold event tickets to realtors. In our business model, we had 14 salespeople that provided office presentations where we would sell tickets. We would attend and observe the salespeople presenting in real estate offices as part of our job, to ensure they were delivering quality information. Here is the amazing part; the speaker would get up in front of 50 to 100 realtors, give a phenomenal speech, and illustrate the incredible value of why the realtors should attend this event. When he was done, almost without exception, the purchasing decision was sealed if they could get the “herding” started. You could see the audience turn to their neighbour and ask, “Are you going?” There was little attention paid to the reasons why one should attend the event. The greatest consideration was given to the question, “Are you going?”. We knew that if we could convince a few key realtors to attend the event, the rest would jump on board.

On some occasions, if you could get a few influential people to buy ahead of time, then you could sell the whole group, but if you did not have the buy-in of the key people, you could not.

Our disruptors know that. They know that if they get the buy-in of a few key players, the herd principle will take over. Our job is to head them off at the pass.

Pie-in-the-Sky Promises

The pie in the sky is about making excessive or outlandish promises regarding what a disruptor’s value proposition can deliver. If the potential is impressive and ostentatious enough, people will not feel the need to do the research. They will not question it and ask, “Hey, is that even possible?”

The overstated promises could be tied to their personal recruiting. We observed a disruptor pitching a proposal from a company to an influential agent in the business. They had the ability to recruit a considerable number of agents in theory. The proposal came back, and the agent would earn a $1M a year in passive income. Sounds great, doesn’t it? What the proposal depended on was that they had to recruit 700 agents who grossed over $80,000 per year. We honestly do not know of any one broker who has recruited 700 agents in their company earning over 80K. We know brokers who have 700, but not 700, who earn over $80,000. This was a pie-in-the-sky promise.

It was an overstated claim. Anyone who has experience with Microsoft Excel knows if you change a couple of assumptions on a spreadsheet, it will show that you are either phenomenally wealthy or completely broke. If you change the $80,000 to $40,000 in the assumptions, their upside went from a million down to $160,000.

CHAPTER FOUR

Disruptors in B2C (Business to Consumer) Relationships

B2C disruptors like Zillow have successfully positioned themselves between the realtor and consumer. In the hotel business, Hilton and Marriott are competitors in the Starwood group. We are Hilton customers. Several years ago, aggregators like Expedia or Travelocity or even Hotels.com offered a cheaper and more convenient way to book hotel rooms.

But, in the last two years, Hilton has been prompting us to click on the Hilton app as opposed to going to Expedia, Travelocity, Trivago or a third party app. Third-party apps had done a great job of getting between the consumer and hotel vendors. In the last couple of years, the Hotel companies have done a remarkable job with customer retention. Today, it is much more beneficial for me to click on the Hilton app. They honour price matching and offer many conveniences, including the ability to select your room, something that third-party apps do not offer. The reality is, the new app provides such a plethoric level of convenience that we never check the price anymore.

If you think about Zillow, their market valuation is $9 billion. Think about the billions they have usurped from the industry to drive that valuation. It is billions and billions of dollars every single year. The number of disruptors is also growing every year. A recent investment banking study conducted in 2019 revealed that 7,000 start-ups emerged with a focus on disrupting the real estate industry. During the same period, there was over 9B in capital raised for the same purpose. These were deals of $25 million and more being funded on the public markets. Think about it; 9B invested in one year focused on “eating your lunch”!

B2C disruptors are using technology to insert themselves between the realtor and consumer. This is still a business relationship and it is the most meaningful transaction most people undertake in their lives. The transaction landscape varies between transactions and the complexity and variance does not allow the consumer to develop expertise.

It is a high-risk investment, relatively complex, while the landscape habitually changes in a real estate transaction with new processes, regulations, and disclosures. It lends itself to continuing to be a relationship-driven business. The way you preserve is by fostering relationships. If a consumer has a close relationship with their realtor, when they are searching for a house they will not go to Zillow, they will call their entrusted realtor.

Hilton has done a great job of fostering a mutually beneficial relationship with us. We no longer use Expedia solely because Hilton has done an excellent job of creating a seamless process with the room booking experience that is advantageous for the consumer. When you arrive in a foreign city at 10:00 at night, the last thing you need are unexpected surprises with your hotel room. The Hilton allows you to select the room of your choice on their app by two o’clock in the afternoon. An electronic key is provided, thus circumventing the need to see the front desk. This approach has used convenience as a value proposition to win back customers and cut disruptors out of the relationship with the consumer.

They have done an exceptional job cultivating relationships with their consumers by ensuring that distinct preferences are looked after. Furthermore, the Hilton offers immeasurable value to the point where we will overlook an extra $20 or $30 in the overall cost.

One of the goals of the disruptors has been to minimize the risk of doing business with them in the marketplace. Attaining value for your dollar on either side of the transaction can be attributed to negotiation, knowledge of the market as well as having that service and experience. Many disruptors have curtailed that risk by reducing the commission cost or price of providing the service to the point where many owners believe they are able to do it independently by contracting these disruptors. There are potentially tens of thousands of dollars in that oversight to the inexperienced consumer.

Take a Survey

In some markets, we have implemented our consumer survey to consumers. Some of our customers do not realize what a small sample group you actually need in order to understand what consumers are thinking. It was interesting as we surveyed consumers about a potential disruptor and found that the disruptor was not as entrenched in the market as we thought. That was one discovery. The second discovery revealed that people had paid attention to the disruptor's value proposition. Our survey had five simple questions that facilitated our understanding of their value proposition. It allowed us to go back into the market and have our agents communicate with their customers in order to win back that market share we had lost.

The key takeaway of this chapter is that we have two specific tiers of value where disruptors have been inserting themselves. We have discussed the B2C relationship. In the next chapter, we are going to dive into the business to business (B2B) relationship. That speaks to the broker's relationship with their independent contractor agents.

Remember, investing in a strategy to compete and win against disruptors in B2C has two benefits. One is the increase in revenue for your existing agents. Also, it is going to allow you to attract more agents and compete with disruptors in the B2B space. As your agents learn how to compete in the consumer space, they will do so in a more efficacious approach, consequently winning their clients over.

If you are deemed to be an expert at dealing with the B2C disruption, then you will be a soughtafter commodity for the business relationship with the agent. Essentially, this demonstrates your ability to compete more effectively with B2B disruptors.

CHAPTER FIVE

Disruptors in B2B Relationships

The Cost of Disruptors in B2B

B2B disruptors have caused upset in the industry. The per-person margin has fallen by 39% in the last 15 years forcing brokers to increase the size of their offices and the number of agents they have in each office, in order to pay the overhead. Brokers are managing a significantly larger staff with greater risks to generate the same amount of profits. It also has and will continue to force them to focus on transactional driven revenue. Ancillary revenue income is other income that is driven by the transaction in vertically integrated offerings like mortgage and common title income. However, instead of pocketing the extra profit from an ancillary income, brokers have been forced to use it to replace lost brokerage income.

The first B2B example involves a company called eXp, which has expanded to 28,000 agents in a short period of time. In fact, in the last 18 months, they have added 17,000 agents, almost a thousand agents per month, with a market cap of a billion dollars. Publicly traded on the NASDAQ, eXp has a market cap of a billion, despite never having earned a profit.

The second example is Compass, which has grown to 13,000 agents. The company's approach has mainly been an acquisition strategy funded by raising money in the public markets. In under ten years with an increase of 13,000 agents, their valuation in Q4 of 2019 was $6.4 billion, again, in spite of not being profitable. Compare that to RE/MAX, a more traditional, established, and profitable real estate brokerage, publicly traded on the New York Exchange. During the same period, their market cap was just under 1B despite having over 135,000 agents, generating profits and regularly paying dividends.

How Can a Broker Defend Themselves?

The challenge brokers have is that at some point, these companies must be accountable to profit. You cannot run in the red indefinitely. It becomes disheartening to compete with them as they are not paying attention to traditional profit metrics. Brokers need to follow our recipe to discover the differentiators for companies such as eXp and Compass. They must undertake a written competitive comparison with the purpose of understanding what their unique value proposition is and promote it so that they can profit in the market as well.

We have done everything from hiring analysts to analyze disruptors' value propositions and delivering them to our customers. Part of our job is helping brokers obtain facts about disruptors.

We have a U.S. market that is highly competitive. There are also markets in the U.S. that are not overly competitive; an example of this is in the Midwest. The coastal markets with large urban cities are notably competitive. The Southwest also tends to be a crucible for low cost start-ups.

We had a company in a U.S. market that was highly competitive and they were struggling with recruiting market share and profitability. We did a B2B survey on behalf of the client with five questions that facilitated our knowledge of the industry at large. How new disruptors in the market were perceived and what people liked about their message. Prior to this survey, the company that hired us was struggling with its recruiting and had an attrition rate of about 30%.

Additionally, we surveyed their agents, reviewed the data and amended their value proposition. Over the next 12 months with our newfound knowledge, we bolstered the business with more than a 30 percent net growth within one year. We were able to create a value proposition communicated internally to drive retention and recruiting, and get into the market to gain back that entire market share that had been lost one year earlier.

While that was a success story, remember that it was one year's worth of work to get back to where we started. The good news is we got back to where we had started, but if we had taken the initiative to get in front of the disruptor, then we would not have had to do that. That year's worth of work would have resulted in a substantial allotment of growth and extra profitability. On the one hand, we had a success story by getting the business back, but on the other hand, it was a lot of work to get back to the starting block. The moral of the story is that the owner failed to proactively assess their disruptor risk. We will talk about that in our next chapter.

CHAPTER SIX

Assessing Your Disruptor Risk

Why is it essential to assess your disruptor risk?

There are two reasons. Number one, ultimately, a disruptor's goal is to steal market share. They are out to get between you and your customers and are largely well-funded and well-financed. Once they become deep-rooted in the market, it is more difficult to compete with them. You have a disruptor who wants to steal market share and has, in many cases, a lot of public money with little accountability to profit. They are well financed and it is difficult to get them out.

The second reason would be that they threaten the long term profitability of your business. In many cases, it is a fight for survival. The stakes are exceptionally high to compete in that type of environment. It is important to understand what the risk is and tying that to what the potential loss could be. Only then will it be easier to formulate decisions around what to invest in and not regarding it as a cost but instead, as an investment.

On many occasions at ICBC, we have clients who will come to us after the damage that disruption has caused their business is done and say, "Wow, I wish we had not been so concerned about paying for a consultant because we had no idea of the losses we were going to suffer. Your fees would have been a drop in the bucket. The return we would have received by investing in you would have been five times your cost."

Marketplace Strategy

There are seven steps to a disruption strategy to complete in rendering your marketplace strategy.

1. List the disruptors
2. Get the facts
3. Don't minimize or awfulize

Let's stop here and talk a little about that third step. Do not minimize or awfulize their offering. It depends on the business owner, on the broker, but it is similar to a personality. For example, some individuals minimize as a way of managing situations, "Oh gosh, it shouldn't be a problem." While others tend to awfulize, "Oh my gosh, this is going to kill us." It is important not to do either of these things.

We need to deal with facts. When you complete a disruption assessment, there will be some things your disruptor will do that will have you thinking, "Wow, that's brilliant. That's going to be hard to compete with." There are other things you look at and say, "Hey, wow, we can beat them here." We can confidently say that we have never had a situation where we have gone toe-to-toe with a disruptor and lost. We have always won. Not minimizing or awfulizing means looking at the facts and figuring out how to compete and win.

One of our favourite movies is called *We Were Soldiers*, which documented the first battle of Vietnam, known as The Battle of Ia Drang Valley. The U.S. military deployed 435 American soldiers into the Ia Drang Valley to battle what they thought were approximately 400 Viet Cong troops. Upon their arrival in the Valley after a 90-minute helicopter ride from the safety of the firebase, soldiers discovered there were 4,500 Viet Cong troops ensconced in the mountain above who could easily open fire on them in the Valley.

Now, imagine if the leader of the troops (Lt. Col. Hal Moore) said, "Oh my God, they outnumber us 10 to 1. They have entrenched artillery," "Oh my goodness.

Everybody take their service revolver and shoot themselves." Nor did he minimize; he didn't say, "Hey, you know what? We've got better firepower, we've got air support. This should be no problem". He looked at it and said, "Hey, what are the facts and how are we going to compete and win?"

Lt. Colonel Moore, who was a West Point and Harvard graduate, studied his competitor manically. Before the battle even began, he studied their strengths and weaknesses. He read books and historical accounts of how they fought. On the ground, he gathered data and made real-time decisions. Lt. Colonel Moore's conduct and subsequent victory in this battle is a textbook lesson for us on how we must battle disruptors in our market.

4. Create an ICBC Competitive Comparison

We have a proprietary tool and process that provides the structure to assemble and aggregate their facts in one location. Users can look at the ICBC Competitive Comparison and directly compare what their value proposition looks like against any single competitor. It is a valuable tool our customers use to assess the risk with factual evidence on their value proposition versus a competitor disruptor's proposition.

5. Understand the needs of your customers or your agents

There are a couple of companies in the last 15 or 20 years that have been incredibly successful at recruiting agents by incentivizing them to recruit others. The most successful in that area would be Keller Williams. Back in the day, Keller Williams would have been considered a disruptor. We would also consider eXp a disruptor using a similar approach.

When looking at these two value propositions, they have several hundred thousand agents worldwide. What they did successfully was they identified the need and the customer. This essentially revealed that agents are concerned about their financial future. They concluded based on this need that offering agents the possibility of ongoing or a type of royalty increase, would have appeal in the marketplace. Their recruiting success would indicate their conclusion was correct.

Most brokers have never connected the dots on the power of that value proposition. If you look at it and say, "Hey, people go to a company where there are incentives for recruiting because they're concerned about their financial future," then you would look at your value proposition differently. However, if you look at it like, "Imagine that, they compensate agents for recruiting. What a dumb idea! It's never been done in our industry," or, "Oh, we'll match that. We'll give a few hundred dollars or something." It does not meet the agent (who, in this case, is the customer) on their level relative to what their need is.

6. Fix what is broken

We used the example of agents being concerned about their financial future. Whatever we discover is broken in our value proposition, we need to offer solutions. We need to help the agent monetize or understand the monetary value of our solutions. The most compelling value propositions help customers identify a problem and solve the problem. In our case, since we are talking B2B, it is important to help the customer understand and then monetize the value of your solution. That is a tremendous weakness brokers have. It is an important missing link. They might talk about a solution, but they rarely, if ever, monetize it.

In our business, we tend to minimize things. Then suddenly, the agent realizes, "Oh my gosh, what the broker was doing saved me two or three hours a week. I am a $4 or $5 million producer. The two or three hours a week is worth $10,000 or $15,000 a year to me." It's our job as brokers to educate our customers around, "Hey, here's what we're bringing to the table. Here is how we are setting the table for you, and here is the value of that." Discounting is not the solution. When you give someone a discounted rate on an item that they're purchasing, they do not appreciate it unless they know you are lowering it on a one time basis, giving them a sale and then it returns to its normal price.

7. Communicate, Communicate, Communicate

In an earlier chapter, we said that, if an agent gets hooked on a shiny object, is sold on the magic bullet, and the herd principle starts happening, it is too late. You must get in front of the communication. You must be able to illustrate to agents the value you are bringing and continue to communicate that to them because, over time, they take it for granted.

Everybody can identify with the idea of gratitude. If we are feeling unsettled, if we sit down and think about what we are grateful for, it is a pretty long list. This is not necessarily material things. It could be people in our lives, relationships or experiences that we have had. It is the same with our agents. Before we sat down and made that gratitude list or, in this case, a list of value provided, those things all existed, but we had completely discounted them. You could think about how terrible it was that you had a flat tire today. You were stuck on the freeway, and it was 95 degrees Fahrenheit. Your shirt got dirty, and “Ah, geez! That was a crappy part of my day.”

You can apply that concept to every relationship. The longer the relationship is, the more we take each other for granted. Between our B2B relationships and our B2C relationships, it is important to remember that they are all people and, over time, will fall victim to taking even the greatest value for granted.

There is an old adage, “In the absence of water, people will drink the sand.” When you are dying of thirst in the desert, people will drink the sand. If no one is communicating the value you provide; unfortunately, they will accept whatever they are hearing from disruptors or our competitors.

CHAPTER SEVEN

ICBC's Case Studies of Success

Often, we look at real life circumstances to best learn how to deal with unfamiliar situations. In fact, it has been said that "Experience is when you skin your own knees, Wisdom is when you ask someone who has walked down that path before – where am I going to trip and fall?" For decades, top business schools have used business cases to illustrate real life business problems and solutions.

At ICBC, we created the "Profit Labs" series of business cases to do just that. Allow real estate brokers to have insight into real life business problems and solutions. We invite you to read our Business Case "Super Brokerage Advantage" and see if you identify with our broker Florence Andrews. We strongly suspect the similarities with you and Florence will be unsettlingly familiar. Further, her brokerage challenges may sound just like yours. Read through to the solutions and use Florence's "experience" to add to your "wisdom".

Super Brokerage Advantage

Wayne Einhorn, MBA wrote this case solely to provide material for the Profit Labs Workshop discussion. The author does not intend to illustrate either effective or *ineffective handling of a managerial situation. The author has used aliases and other information to protect confidentiality. Any resemblance to any person or persons or company is purely coincidental*

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Florence Andrews was enjoying her usual morning coffee while contemplating some business challenges. Morning reflection over coffee was a ritual she had started 25 years ago when she first started in the real estate business as a salesperson. Florence always enjoyed success professionally and it seemed only natural for her to start a brokerage 15 years ago in her Middle America town consisting of a diverse amalgamation of urban and rural communities.

In the basement of her house, Florence started with three agents and quickly expanded the business. She owned a franchise with great systems and had offices with a total of 478 salespeople. This comprised of large offices in the urban core with about 410 people in each location, a midsize office in town with 53 people and a third office in the surrounding rural area with 15 people.

Florence was known as a diligent worker and the fruits of her labour had paid off. However, something was different in the past year. It was challenging to recruit new talent to come on board. Everyone was searching for some sort of “deal”. She was having trouble getting agents to see the value she offered and had lost a number of agents she was courting to low cost and different business model competitors. The phrase “race to the bottom” came to mind when she thought about those companies. She felt like she was forced to make “deals” with certain agents and it was affecting her profitability.

To add to her stress, existing agents, some of who were long time loyal employees, were starting to talk about new entrants into the marketplace. The agents seemed to talk constantly about the “shiny new objects” at these competitors. They were reported to offer innovations such as training avatars, revenue sharing and ownership, which included opportunities to earn shares. Some entrants touted themselves as “technology companies” rather than real estate brokers, a term that seemed enticing to agents while other companies just offered very low fees. Fees that would not be sustainable for a broker on a long-term basis. It seemed, as far as the low fee models were concerned, that commoditization had finally come to the real estate brokerage business.

The pressure on Florence’s business was starting to show in her growth numbers. For the first time in history, Florence’s company had a growth rate of less than 10 percent. In fact, the growth rate last year was 3.77%, as shown by the recruiting and attrition number by office. Moreover, her managers, two of whom sold real estate as well as managed an office (in Smallville and Middletown), complained that they lacked time to recruit, retain, drive productivity and sell enough real estate to meet their own goals. They asserted that just servicing the agents consumed all of the time that they had.

For the first time ever, Florence truly felt like the “fun” had been taken out of the business and she was more worried than excited about the future of her business. She wished she could return to the good old days of real estate.

Agent Tools and Company Value Proposition

The company provided its agents with a suite of tools to increase productivity and drive retention. These included:

- An inventory of agent tools and technology, applications, and operating aids
- Once a month training - companies had approximately 20% of their agents regularly attend
    - Proprietary in-house training program
    - Outside training from renowned trainers like Brian Buffini
    - Guest speakers and trainers
- Regular sales meetings in the office
    - News in the region
    - Recognition for top sales numbers
    - Office news

    - Guest speakers
- Industry known office parties – End of the year Gala, Awards Gala, Spring Fling
- Lead gen – driving approx. 60 internet leads per agent per year
    - Duty time for leads on a sign-up basis
- Front desk and back office support – roles for each office, value for the agent
- Available management time for questions and issues
- State-of-the-art office space with flexible work environments; private, open area, and group spaces.

Competitors in the Marketplace

- Competitive information:
    - Better Culture Real Estate operates an office down the street and has over 250 agents and is offering better pricing with cap
    - Acquisition Real Estate and Established Real Estate are paying signing bonuses and 15% of our attrition was caused by this
    - A number of agents were lost to a discount independent – accounts for another 25% of our attrition
    - New Kid on the Block Real Estate is providing shares/profit sharing, as part of their value and are attacking our salespeople with regular calls, emails and live events

Solutions

ICBC Core Competency - Optimizing your Business Model and Managing your Money

1. Business has been likened to a game. The way we keep score in the game of business is by using money. Florence obviously wanted to win – but by how much? Any plan starts with a goal. Florence needed to decide on a target overall margin. She then knew, based on her pricing, how much of

her estimated revenue she had to dedicate to her value proposition and other operational expenses.

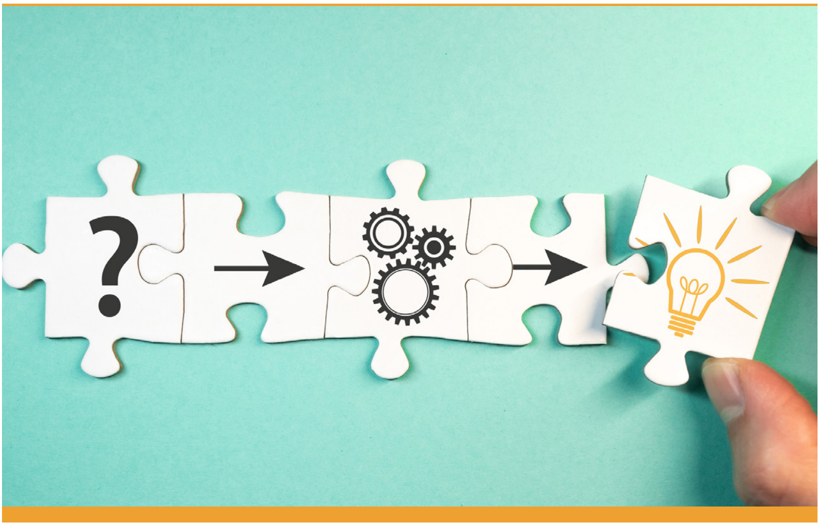
ICBC Core Competency – Uniqueness in the Marketplace

2. Florence needed to do a detailed competitive analysis to understand exactly what her competitors offered. The ICBC Competitive Comparison Tool would be a good way to start. Once she had gathered all of the FACTS on what she was dealing with, it was a lot easier to be a resource for her agents, advising them knowledgeably and also be able to mount a competitive response if necessary.
3. The company's value proposition is what customers (agents) buy in exchange for money. Florence started by listing all her differentiators - products, services or features her company brought to the relationship that were different than her competitors. Some examples included a brand that was particularly and measurably recognizable in the market, documented market share, proprietary training that was uniquely effective based on results, unique sales and marketing tools, and a unique support system.
4. Once Florence had listed her company's differentiators, it was essential that she dollarized the impact that each of these differentiators had on an agent. For example, if, on completion of the proprietary training program, the average agent had completed four extra transactions, then the monetary impact of her training would have been four transactions times the average commission per transaction in her market. Notice the attention to facts and specifics here. Florence also needed to present an actual case study of an agent that had completed her program and experienced this success. Video or print collateral would be necessary to back up the claims made in Florence's supercharged Competitive Comparison.

ICBC Core Competency – Optimizing your Business Model and Managing your Money

5. Once the above exercise was complete, Florence created a monthly forecast of revenue with proposed pricing (including the impact of changes in her value proposition) and expenses. Of course, the expenses had to include the cost of any new initiatives. Finally, the forecast's goal would be to produce the outcome that was the stated goal in point number one.
6. Structured financial forecasting and reporting are absent in most real estate businesses. It is no wonder profit is so elusive. Imagine trying to operate a motor vehicle with no speedometer. It would functionally work, but financially, you would be paying a lot of speeding fines. Financial reporting has the same fundamental function. It allows us to know how we are doing relative to our target. If our goal was 70 miles per hour, our income statement and balance sheet would tell us what our actual speed was. Included in the structured reporting should be the ICBC Standard Package of Financial Reports.

INNER CIRCLE BROKER COACHING



CHAPTER EIGHT

How We Can Help

The ICBC Competitive Comparison

It is important to note that most brokers became real estate brokers after starting off as successful salespeople. Most salespeople are emotional by nature. We are emotionally attached to outcomes and with how things are done. The ICBC Competitive Comparison is so successful because it is a simple way for brokers to factually compare how they measure up to their competitors and any disruptors. It takes all the emotion out of the comparison and it aggregates all the facts in one place.

In order for the detailed account of your value proposition to have merit, three things must occur and often, one or more are missing. First, it is an accurate representation of the value proposition item. In other words, "We've got the best training. We have a 12-module training program, two hours each module, for 24 hours of classroom time," along with a listing of everything you get, as opposed to, "Hey, it's great training."

The second piece is the actual financial impact that that value proposition will have for the agent. For example, in our training program, people, on average, executed six transactions and earned an extra $42,120. We have the factual representation of the value proposition, the actual financial outcome against actual performance.

Lastly is a testimonial, an actual example of someone who implemented or utilized that tool or value proposition and what their outcome was. Even with the facts, a lot of people look at it and muse, “I don’t know if I believe that.” However, if you see a testimonial from your colleague, you will look at it and think, “Wow, yeah, he’s like me. If he could do it, I could probably do it, too.”

Assessing the facts and your competitors is crucial and the keyword being FACTS. People always ask us, “Well, how do you do that?” It is not difficult to do, but it does take work. You must commit the time, energy and effort to review the facts about your competitors and compile those facts into one place. The next part is to aggregate that information in an easy-to-read format and keep it updated.

Between the two of us, we have worked in the brokerage industry for more than 50 years. When we were in the brokerage industry, you could ask us about our competitors and we would be able to tell you anything you wanted to know because we knew our competitors’ businesses better than our competitors. We could tell you their business models almost better than they could. That is the level of knowledge people must have. The only way they are going to have that, is to gather the facts and amalgamate the data in one place.

Once we have that, it is easy for us to identify competitive differentiators and resolve any predicaments that may surface or anything the customer believes our competitor has is better. Rarely do we have trouble finding differentiators. It is to the point where we could say with confidence that we have not been able to find significant differentiators. If a situation existed where there were no differentiators, that would be a showstopper causing us to stop in our track and profess, “Oh, my! I can’t compete with that.” That is a sign that we have to go back to the drawing board and look quickly and aggressively at our ICBC Core Competency – Optimizing Your Business Model, along with a plan to add more value. In turn, we would have to share that information with our agents and what our plan is.

Communicate, communicate, communicate. We need a communication strategy that includes the number of times we are going to communicate throughout the year and the medium of choice for that communication. Will it be in-office meetings, which now occur on Zoom? If it cannot be by video email, will it be in a private Facebook group that we've created for our office? These are areas that we must educate our agents about with respect to our competitors' approach. If we give them the information, they are not going to look for it.

If our competitor calls and says, "Hey, I'd like to talk to you," they go, "Thank you, I already know about your shtick. My boss has done all the research for me." The broker needs to be the source of information on competitors for the agents. They need to have a reputation for being well-informed about their competitors. If an agent inquiries about a competitor, they should feel comfortable going to their broker and asking, "Hey, boss, what do we do with this disruptor?" The broker has a factual account of what that disruptor or competitor is offering. If the broker becomes the source of information, then the agent, if they have the water, never has to go out looking for a well and never gets tempted to "drink sand".

Real estate brokers and agents are amongst the finest people who walk the earth. They would give you the shirt off their backs to help you. These individuals have arduously worked their entire professional lives to put everything into their sales business or their brokerage. They mortgage their houses to start companies, miss their kid's soccer games on Saturdays to help agents or consumers. They will sacrifice it all to be successful. There is nothing more disheartening than being contacted by someone who is in trouble because they failed to pay attention to disruptors in the marketplace early on in the disruption curve.

The essence of our book is to teach you the importance of paying attention to the disruption curve, how to insert yourselves early on, the execution of key strategies and lastly, to compete and win in any marketplace.

Make Yourself DisruptorProof!

CHAPTER NINE

Compete and Win in any Marketplace

Business is an equation: On one side, we have new entrants in the marketplace, disruptors who are all trying to invent a better, faster and cheaper mousetrap while promising high commissions, better leads, retirement options, shared purchase plans and more.

On the other side of the equation, we have traditional brokerages that have limited access to capital and are entirely accountable for profit. They have fixed overhead and substantive obligations to produce for shareholders.

In the middle of the equation, we have agents, emotional decision-makers who operate primarily as independent business owners. These individuals are attracted *ad nauseam* to “the magic bullet syndrome” and endlessly searching for the next shiny object. They are enamoured by buzzwords and high-level concepts but not adept at analysis or evaluation.

This is our passion.

We help brokers identify disruptors, analyze their uniqueness in the marketplace, and create a competitive response. We have developed a program to help brokers retain their agents and protect their profits. After reading this book, our hope is for you to become Disruptorproof.

If you are interested in our program and would like to learn more about how you and your company can become Disruptorproof, here are your next steps.

Step 1: Complete your Disruptorproof scorecard at **www.disruptorproof.com**

Step 2: Sign up for a Free Consultation with Wayne - https://realestatebrokercoaching.com/free-consultation/

Work with us one on one Wayne Einhorn

Compete and Win in any Marketplace

Business is an equation: On one side of the equation, we have new entrants in the marketplace, disruptors who are all trying to invent a better mousetrap, better, faster, cheaper, all the while, promising high commissions, better leads, retirement options, share purchase plans and more.

On the other side of the equation, we have traditional brokerages that have limited access to capital and are completely accountable to profit. They have real overhead and real responsibilities to produce for shareholders.

In the middle of the equation, we have agents, emotional decision-makers who operate largely as independent business owners, people who are attracted ad nauseum to "the magic bullet syndrome" and following the next shiny object. They are enamoured by buzzwords and high-level concepts and are not good at analysis or evaluation.

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If you are interested in our program and would like to learn more about how you and your company can become DisruptorProof here's what you do next.

Visit www.distruptorproof.com download our DisruptorProof Scorecard.

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