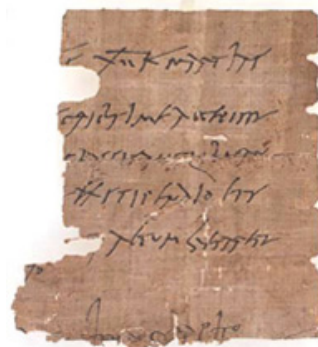




## Tenus Terminatio Cuspis?

Have we Reached the Termination Point?



Donald S. Teel - Founder

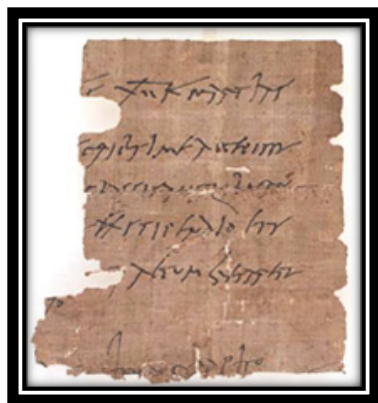
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## Tenus Terminatio Cuspis?

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Ours is an industry with legacy. The brokerage business has seen many booms and endured many busts.

Many have come and most have gone.

Road kill has always been a part of the mix; the strong eat the weak and the weak find refuge in other endeavors.

The real estate industry has always been a town occupied by heralded gun slingers whose reputations have become the stuff of legends. Sometimes these are brands, other times they are movements, fads or personalities that come and go with the

wind.

We have always been a tad reckless; that's why we are a business model willing to predicate its economic viability on the unpredictable and unenforceable productivity of independent contractors. Let's admit it, the business cultures we have created have typically been less than IBM-ish.

Nonetheless, we have moved from era-to-era, cycle-to-cycle and shifted from mode-to-mode, surviving the financial droughts of summer and living through the long, frigid economic nights of our many winters. We are an industry that could legitimately lay claim to squeezing blood from turnips.

We have historically endured and outlasted our most caustic critics who have mocked us at every turn and likened us to dishonest snake-oil salesmen.

Yes, we've been brought back from the dead a number of times. We are a cat with nine lives and most of them have been used up.

Are we now reaching the termination point? Are we, *Terminatio Cuspis*?

### An Industry on Life Support

e-Partner believes we are an industry on life support. Our traditional business models are being depleted of their potency because they only work effectively within controlled economic environments backed by cycles where predictability is a guarantee.

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Broker/Owners are reaching a desperation point as they face the decision to remain on life support or, turn off the apparatus that sustains them. In essence, they are losing the will to sustain the battle.

We have built our business models on the sands of predictable turnarounds that always came if we just waited long enough. Our economic foundation was never “rock solid” (a phrase once used by my former franchisor) but rather, a roll-of-the-dice at a table where we knew the odds would eventually turn against us.

The money is running out and the sand in the hour glass is reaching its last few grains. The water line that once flowed with abundance has slowed from its gush of 2002-2006 to droplets we must now try to ration.

Our rank and file is wearied and worried about sustainability. We are nervous and fearful about what might be waiting for us around the next corner. With few exceptions, there doesn't seem to be a coherent national call-to-arms to address our crisis.

This is no way to run a business or an industry.

### **While We have Faint Pulse**

During a recent two-hour protracted conversation with a Broker/Owner, I realized the deep hunger that exists within our industry for one-on-one support. In fact, I was told in no uncertain terms that the personal conversation itself had more meaning than the business concepts being exchanged. I'm feeling more like a therapist than a business consultant.

This and many other conversations like it indicate that we have a faint pulse but that we may be losing some patients very soon if we do not shore up the ranks by means of a national support network for Broker/Owners.

Our productivity numbers indicate that we are on the cusp, facing what could become a pandemic situation. Many Broker/Owners are reaching the termination point.

The 64,000 dollar question begging to be asked is, “Is our industry as a whole reaching a collective termination point?” How much more trauma can we endure?

e-Partner has not seen nor have we heard of any national industry initiative dedicated to addressing the survivability of ourselves.

While we may have a pulse today, tomorrow is coming. While many are hunkered down waiting and hoping for some sort of market rebound, the demands and characteristics of a new real estate economy are passing us by.

I am ready to predict that there will be no return to what we once knew and that new operating and economic rules are being devised and implemented that will forever change our relationship with the consumer and thus, our viability.

There will always be time as long as we have a pulse. Like any weakened or wounded entity, the longer we wait to implement decisive corrective action the more difficult becomes the chance of survival. And if we squander our resources on internal battles that do not equip us for the next generation of our industry we will surely succumb.

We can survive but not without a herculean effort to save ourselves. Then, after survival comes the art of rehabilitation and full sustainability. The industry as we know it today is in need not of a stint but of a radical transplant in order to produce the type of organization that is in possession and control of the requisite tools and willful capacity to perform in a new global real estate economy with new rules and new regimens.

There is a set of irreducible minimums that e-Partner sees as industry priorities and this set of principled changes must be considered before we can arrive at protracted sustainability.

1. Redirect key NAR Resources to industry redevelopment and Broker/Owner support.
2. Redefine the meaning of real estate “market” in contemporary terms.
3. Redistribute property information via transparent MLS economic packages.
4. Retool local Realtor Association models and services for tomorrow’s reality.

These four principled changes serve as the nucleus for rehabilitation and sustainability of our industry. Let’s address each of these briefly.

**Redirection of Key NAR Resources.** NAR holds sway over much of the industry. Our money flows from the grassroots members upward to NAR and is used to promote the priorities of our industry.

Promotion is an integral component of the function of NAR but more must be done to create the conversations that will lead to transformation of the industry. This requires a consideration of the redistribution of our capital assets. The motivations behind how NAR prioritizes the allocation of our resources is just as important as where these economic resources are directed.

NAR does a great job defending and promoting the industry. But it does a less than stellar job tending to the needs of Broker/Owners and the demands placed upon them by the massive economic and technology changes taking place within the rank and file. We are not collectively managing the economic and operating changes at a pace commensurate with the consumer nor the profit margins required for survival.

In order to insure survival and sustainability, the industry needs to take a serious and candid look at the economic priorities implemented by NAR and ask the question, “Is this what we should be doing with our money?”

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Redirecting key economic resources toward targeted initiatives designed to re-define the economic model, our relationship with the consumer and how we transact business for profitability should be emergency priorities.

**Redefining our Market.** Second on the list of priority principles is the notion of market definition. All businesses must be predicated upon an accurate definition of their market in order to produce sustained economic success.

We believe that our previous definition of market as a zip code, city name or a set of buildings positioned therein, is now defunct because the customer has changed the definition for us.

Until we understand what the real estate market is we cannot expect to move to a new platform where profitability exists and where the industry can flourish.

Although transactions take place in a fixed geographic location, I do not believe location is the market and furthermore, I believe the market is much more distant, unpredictable and illusive than in previous economic eras.

The market is Jell-O, not dirt. It is water, without concrete. Yet our institutional structures and operating models are still captive to bricks, mortar and steel.

The chemical and behavioral composition of the “new real estate market” is a highly refined set of consumer characteristics finding their origin in the freedom and power granted by technology and the Internet to self-access information and it is therefore in a constant state of uncontrollable flux. Indeed, the new real estate market never gels. Our industry must then be as liquid as possible in order to play effectively.

Learning the components of market definition will lead us to new models. Until we reach an understanding of what constitutes our market and how we fit into this new paradigm, profit will continue to erode and sustainability will continue to place us in peril.

What is a real estate market? Is it my city? Is it my customers in my database? Is it my hot list of prospects? Is it consumers pledging loyalty to my brand?

No, it is none of these anymore. It is a complex set of consumer bents, biases and behaviors that are shifting the center of control away from lead generation, massive corporate models and universal branding to stealth and fluid exchanges that result in trust and conclude with transaction. The Trust = Transaction formula, although not new is, however, comprised of new dynamics that create it and it is precisely these dynamics that we need to capture and shape into models that create what I have been referring to as “new real estate model math.”

Brand loyalty, process control, property information containment, website contact forms, registration requirements and the host of Web 1.0 schemes are dead or dying, being replaced

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by freedom platforms that move the consumer to the center position and us into orbit around a unique set of moving and ever changing requirements.

This is the new market.

**Redistribution of Packaged Property Information.** Once the new real estate market has been defined we can then create new property information models that can become economic products and marketable services to the consumer.

It's not the house, it's the information. It's not the brand anymore, it's the information. It's not the broker, agent or NAR, it's the information. Any semblance of control techniques, tactics and models will be loathed.

Grouped informational products designed by the consumer, then defined and deployed by us can provide the new profit stream for the industry.

As a whole, we as an industry have spent inordinate time, money and effort sweating over the loss of our precious MLS data that we have failed to understand the economic power that exists in packaging this information as a product for consumer distribution.

It is not just property information the consumer wants packaged up, made accessible and delivered via the portals of cyberspace. In the real estate and relocation process there exist a myriad of ancillary information data sets that are marketable, including health care, community lifestyles and much more.

Old MLS control models are largely defunct, too expensive and more importantly, they are inoperable as economic tools. They are increasingly failing to perform for Broker/Owners.

**Retooling Realtor Association Models.** This leads me to my final dribble.

Heretofore, our local Associations (formerly "Boards") served a valuable function in supporting local real estate businesses in a non-technical, disconnected world where real estate transactions were virtually all initiated on site and in a building owned and/or operated by a Broker/Owner. (See the post "**The Four Bs**" at [Realonomics.net](http://Realonomics.net)).

The localized value proposition for Associations has changed. The importance of the traditional functions of Associations is diminished from its pre-Internet apex in the early 1990s where Associations were controlled by local Brokers, printed MLS books and hosted MLS meetings where agents shared wants and needs. A total control model.

Yet, despite the transition away from the centralized control wielded by the Brokers, Boards, Books and Buildings (the "**The Four Bs**") geographic model, we have been largely unwilling to break our addiction to the false and unsustainable notion of property information control through Associations.

Can and do Associations have value? Yes, no and maybe. Yes they can and many do, if they are functioning and providing the types of services necessary to the new real estate economy.

No, Associations are not valuable if they are simply self-serving paternalistic job banks at the expense of Broker/Owners and local agents.

Maybe Associations can bring new value to the industry if they equip themselves to provide the types of cutting-edge business services related to the creation and sustainability of Broker/Owner profit.

Translation: If an Association can justify its existence (and they should be required to do so at regular intervals) and its functional costs to Members when measured against productivity standards and market conditions, then maybe they can deliver value.

Retooling Realtor Association models is a tall order because of historic entrenchment and a perception of need that is probably misplaced.

Almost all functions currently executed by Associations could be centralized and even made more effective through consolidation of services, marketing and training. Small is good, agility is the first of the **Ten Commandments of the New Real Estate Economy**. Generally, the refinement and redirection of general and administrative costs is good for business and profit.

In my own geographic area in northern Arizona there are Associations in Flagstaff, Sedona and Prescott, just to name one small geographic area. Remarkably, the distance between these locations is less than an hour.

Each of these Associations has its own Executive Officer, staff, facilities, operating costs and Board of Directors. What are we protecting?

The reality of the situation is that agents in central and northern Arizona are now servicing all three markets because that is what the consumer wants them to do AND that is what they must do in the prevailing market to produce income.

However, despite the needs and wants of the consumer and the dictates of market realities these Associations are an impediment to change and Broker/Owner profit because their membership structures are prohibitive rather than inclusive. Some legal minds even view these structural impediments as economic and therefore potentially subject to anti-trust law.

Associations were largely constructed upon the old definition of the real estate market being purely a localized function driven by sign calls, newspaper ads and up-desk lead generation.

Why have we not adapted our administrative model so that it matches consumer reality and Broker/Owner needs in a market defined by bits and bytes? The layers of bureaucracy inherent in the Association structures and their relationship to NAR would make a career bureaucrat blush.

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Simply said, our administrative models are labor intensive, bloated and we are spending too much money on infrastructure and organizational maintenance at the expense of profitability.

We are spending approximately the same amount of money per transaction per Association as we were in 2002-07, money that could be used to redevelop the industry. Why?

In conclusion I can only ask, "*Tenus terminatio cuspis?*"

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