

If You Can't Beat 'Em, Join 'Em

By improving your skill in constructing compensation plans, you can provide a valuable service to teams within your brokerage and beat the competition. By David Cocks, CRB

Sometimes trends we don't like overtake us. We can complain about them, fight them (usually futilely) or give in. Giving in doesn't have to be a painful surrender. Instead, it can be an effective response to market realities.

Two market realities I see my clients dealing with today are the growth of teams and how to match or beat the competition's compensation structure.

Compensating Teams

One of the hottest topics in compensation right now is how to compensate teams effectively.

More and more agents are forming teams. The problem with teams, from the broker's perspective, is that when agents combine their revenue, the team reaches a higher split faster. The company dollar drops, but expenses stay the same.

The solution is to offer separate commission schedules for teams, and design those schedules to recover the costs associated with supporting each member of the team, such as office space, administrative expense, mana-

gerial support and utilities.

Some brokers are afraid of losing market share if they don't keep teams on the same commission schedule as individual agents. They are willing to give up company dollar for the sake of keeping the peace. But that puts the long-term profitability and stability of the company at risk.

The way to get a more positive response from agents is to provide support to those agents who want to form teams, helping them structure the teams more effectively. This kind of support can be highly valued; most agents don't know how to design team compensation effectively.

What tends to happen is that one of your top agents, who is currently receiving 80%, will talk to an agent who might be getting 50%. She'll offer him 70% of what she gets if he joins her team. That's a good deal for him, as 70% of 80% is 56%. He's now getting an extra 6% on every deal.

She keeps 24% of what he makes. That's good, but it may not be enough to compensate her for the overhead and additional expenses she carries for him, plus the loss of the time it takes to manage him. She may end up making less than she was before—and adding management headaches.

The brokerage loses, too, as it now keeps 20% of the revenue for the lower-producing agent instead of 50%—a loss of more than half of its

margin! So in this example, the person who benefits the most is the under-productive agent, who was only at the 50% level. That's just not satisfactory.

You can get better results working with agents who want to build teams, providing advice and helping them formulate solid business plans. This support can be part of your total package for teams, which would also include a separate commission structure. When you take this approach, you'll have more productive teams, happier primary agents, and you'll be able to keep your margins where you need them.

Beating the Competition

Lori Hawkins, CRB Candidate and president of John L. Scott Southern Oregon, started offering a choice of compensation plans because the sales associates she was recruiting wanted commissions similar to those their previous companies offered.

Hawkins was also concerned about getting the company dollar from associates whose productivity was dropping. "We wanted to base compensation on productivity and make it fair to everyone," she says.

She worked with Compensation-Master to design five plans customized to meet the competitive pressures of her market:

Partner plan. Associates start at a split of 50% to 70%, determined by

