

REAL *Trends*

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COMMENTARY

Enough Already About the Housing Market – Time for a New Look

Over the past few days, I've heard from several CEOs who attended a recent conference in New York that they'd never been to a more depressing meeting for real estate leaders. Some of this likely had to do with the participation of Yale Economist Robert Shiller with his always bright view of residential real estate and the future of housing prices and sales. Some may also have been due to the weather for New York has been unusually cold and snowy this year.

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One Internet System; Leads to Closings
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“Clearly the foreclosure prevention programs implemented to-date have not had any real success in slowing down this foreclosure tsunami. And the recent California law, much like its predecessors in Massachusetts and Maryland, appears to have done little more than delay the inevitable foreclosure proceedings for thousands of homeowners.”

Nevada, Florida, Arizona post top state foreclosure rates in 2008

More than 7 percent of Nevada housing units (one in 14) received at least one foreclosure notice in 2008, giving it the nation’s highest state foreclosure rate for the year. A total of 77,693 Nevada properties received a foreclosure filing during

the year, an increase of nearly 126 percent from 2007 and an increase of nearly 530 percent from 2006.

Florida registered the nation’s second highest state foreclosure rate in 2008, with 4.52 percent of its housing units (one in 22) receiving at least one foreclosure filing during the year, and Arizona registered the nation’s third highest state foreclosure rate, with 4.49 percent of its housing units (one in 22) receiving at least one foreclosure filing during the year.

Other states with Top 10 foreclosure rates for 2008 were California, Colorado, Michigan, Ohio, Georgia, Illinois and New Jersey.

The Last Word: When is Enough Enough?

by Mike Staver, The Staver Group

It was about a week before Christmas and I was looking around my living room. Since I had agreed to have the family (about 20ish) over to my house Christmas Day, the tree was surrounded by presents—a lot of presents. Not a few but A LOT of presents. I thought then and there about this month’s comments: When is enough enough?

It occurred to me that this question is not just about material things but all things emotional, psychological, physical and spiritual. January brings with it all manner of resolutions; generally about less. Less weight, less debt, less smoking, etc.

I want to suggest that ‘09 be the year of less. While the economy continues to struggle it forces us to consider a different lifestyle. We are (or will soon have to be) learning to live with less. The interesting thing is ALL of us will learn to.

So the bigger question is, how can we make it a habit? Not just less “stuff” but less wasted time, less complaining, fewer

excuses, less wasted money or food or energy. I think you get the idea.

Here are the steps I suggest:

1. Look around your life and do a thorough inventory of all that you have, both materially and non-materially.
2. Determine the ‘have to’ haves and the ‘nice to’ haves.
3. Eliminate a measurable percentage of those things that you really don’t need. Sure it will hurt a little, but try it. Eliminate a cup of coffee or an obligatory phone call to someone that sucks the life out of you. Start small then let it grow.
4. Notice how much easier it is to live with less.
5. Finally, find someone (or someone’s) with even less and share something with them. You will feel better and lighter.

Here’s to a 2009 of less!!

How Close Are You to Chaos?

*by David Cocks, CRB, FRI, President,
CompensationMaster*

Most companies believe they have systemized most of their business, but that may not actually be the case. For example, if 80% of your expense is commissions and you don’t have that systemized, how good are your systems?

The current economic slowdown has been called the worst since the Great Depression. It’s deeper, wider and longer than anything ever seen, and no amount of personal wealth is going to be enough to protect a company that isn’t on a solid financial foundation.

As this reality sets in, we are seeing companies have three basic

reactions. We call them lose-lose, win-lose, and win-win.

Some focus on cutting costs – cutting back on the services they provide to their sales force. This is a tactical approach providing a short-term gain that can cause long-term damage by hampering their sales force’s ability to sell and generate revenue (in effect, derailing their own business). Simply put, there is not enough wiggle room left in this economy to rely on just cost reduction to stay profitable. This is a lose-lose scenario.

Others restructure to save money but in doing so favor the needs of one group – typically management – over the needs of another group, usually the sales force. This is a win-lose scenario because the needs of one side are neglected.

Finally, there are companies that are using this market slowdown as an opportunity to look closely at their business model and reinvent themselves. They revisit the value proposition they offer to the sales force – finding out what the sales force really wants and needs – and then restructure the company to provide that value while ensuring that the company remains financially secure. This becomes a win-win strategy.

Some companies are changing their business model to become more virtual – they are cutting back on bricks and mortar because their sales force doesn't need it. They do need high quality office space to meet with customers, but floating desk space in well-located storefronts meets their needs more effectively. These companies take advantage of technology to become more efficient and provide even better service to customers. Their business model becomes more high-tech, high-touch.

Whether changes are minimal or holistic, these companies have in common the willingness and the courage to change the very foundations of their business to reinvent themselves and survive.

Aligning Systems with the Business Model

Once you have revisited your business model, systemization is the key to reaching your goals.

Systemization is defined as the act of organizing something according to a system or rationale. The keyword here is rationale or, in this case, rationalization. We often believe we just have to reorganize our business during tough times like this but rationalization goes well beyond reorganization. It requires both strategy and structural changes to the business model to be effective.

When your systems closely support your business model, you're able to attract and retain the right people, and they will work hard to reach the incentives in your plan. When your systems are not supporting your business model, you could be spending money you don't need to, which puts your profitability at risk. And when compensation (which can account for as much as 80% of your expenses) is not effectively systematized, your sales force is not properly motivated and your profitability is at even greater risk.

We have worked with many companies doing acquisitions over the years and almost without fail, the company being acquired lacked effective business systems. Without systemization of the compensation structure a company is basically afloat and not setting its own course for building long-term survivability and wealth.

Now, ask yourself, how effective are your compensation systems in terms of meeting the expectations in your business model? The CHAOS chart (below) is a tool that can help you track

disparities in how well your systems are supporting your business model by showing you what your sales force members should be making and what they were actually paid.

To design this chart, figure out your intended payout at each GCI level and create a line by connecting the dots to show this level across the chart. Then, check your records to see what each sales force member was actually paid last year and place those dots in red ink on the chart. If the dots are close to the line, your company is in good shape: Your systems are working and people are being paid according to your business model. If your dots are not lining up and in fact are spread across the chart, you're not paying people according to your plan (your systems are not working) and you are headed for trouble.

If your company has acquired or will be acquiring other firms, see how their results line up on the CHAOS chart. It should be helpful in recognizing which systems and parts of the business plan failed as you interview management and sales force members.

Strategize Away From Danger

There will be losers and winners during this period of economic upheaval. Only those companies willing to challenge their business model and adapt their systems for this market will prosper in the long run.

You can be one of those companies that remains with the old way of doing business and hope there will be enough of your wealth left after the market improves to stay in business OR you can leap forward and experience incredible growth now – if you take advantage of the opportunities that are open to you.

As business owners, we need to realize the economic forces driving change in our industry will continue for some time – longer than you can wait and hope for a turnaround that favors your old ways of doing business.

We hope you will be proactive in this market and continually re-evaluate your business model and systemization to make sure the two are in sync and your company can survive and thrive in any economy.

David Cocks, CRB, FRI, is the president of Compensation-Master, a consulting firm that assists performance-based businesses with developing and introducing commission structures that better motivate the sales force while putting the company on more secure financial footing. David is the co-author of "Compensation Planning: The Key to Profitability" and regularly gives seminars on "Mastering the Art of Sales Force Compensation" and "How to Pay Your Top Producers Without Losing Your Shirt."