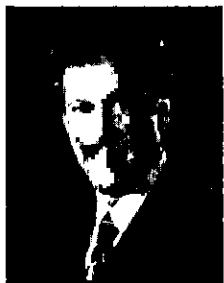


Is Money All That Matters?

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Dr. Michael Abelson is the President of Abelson & Company, a firm specializing in improving real estate office management and sales associate profitability. He is a member of the faculty at Texas A&M University. His book, "Real Estate Confronts the New Millennium" will be released in Spring 2000. Michael can be reached at 1-888-ABELSON or abelson@abelson.net.



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David J. Cocks is the Managing Partner of CompensationMaster, a software and consulting firm that helps commission-based businesses develop and introduce compensation plans that better motivate the sales force while putting the company on a more secure financial footing. He is the co-author of "Compensation Planning: The Key to Profitability". David can be reached at 704-541-9695 or david.cocks@CompensationMasterUSA.com.

Q: Traditionally, the most effective way to recruit new agents has been to offer them more money, but that isn't always possible. Is money all that matters to agents?

David: Money matters, but it isn't the only factor. In the companies we work with, we've seen that it is very difficult to lure away agents who feel they are being treated fairly. If agents perceive inequities in the splits, that's when money becomes important.

Michael: I did a study some years ago for the Real Estate Center at Texas A&M University that explored why residential agents leave. We discovered some surprising results:

- About 50% of the time agents left because they felt management was not meeting their needs - not providing enough support, not backing them up with clients, or there was some kind of personality conflict.
- About 25% of the time they left for uncontrollable reasons like a spouse moving, health or medical reasons, or retirement.
- Only about 25% of the time did agents leave for a higher commission.

Q: Just twenty five percent?

Michael: Most of the managers of the firms that participated in the study also expected a higher rate. It turned out that agents were concerned about burning their bridges if they complained. If they blamed it on the money they could leave and still be friends with the manager. After all, the better agents realize they will be sitting across the table from that company at future transactions.

Q: Why do you think so few agents leave for financial reasons?

David: Although money is always a useful motivator, most agents are more influenced by other factors, such as the responsiveness of the management team, the reputation of the company in their market, and the way the firm invests in supporting its sales force with technology and administrative assistance.

Michael: In most areas, commission structures are very competitive. Most agents are not going to leave for a 5% to 10% increase if they like the management. Managers will work with the better agents to keep them. In any case, a better strategy would be for the agent to ask for assistance that will help increase the number of their transactions. Because of future

We Asked the Experts

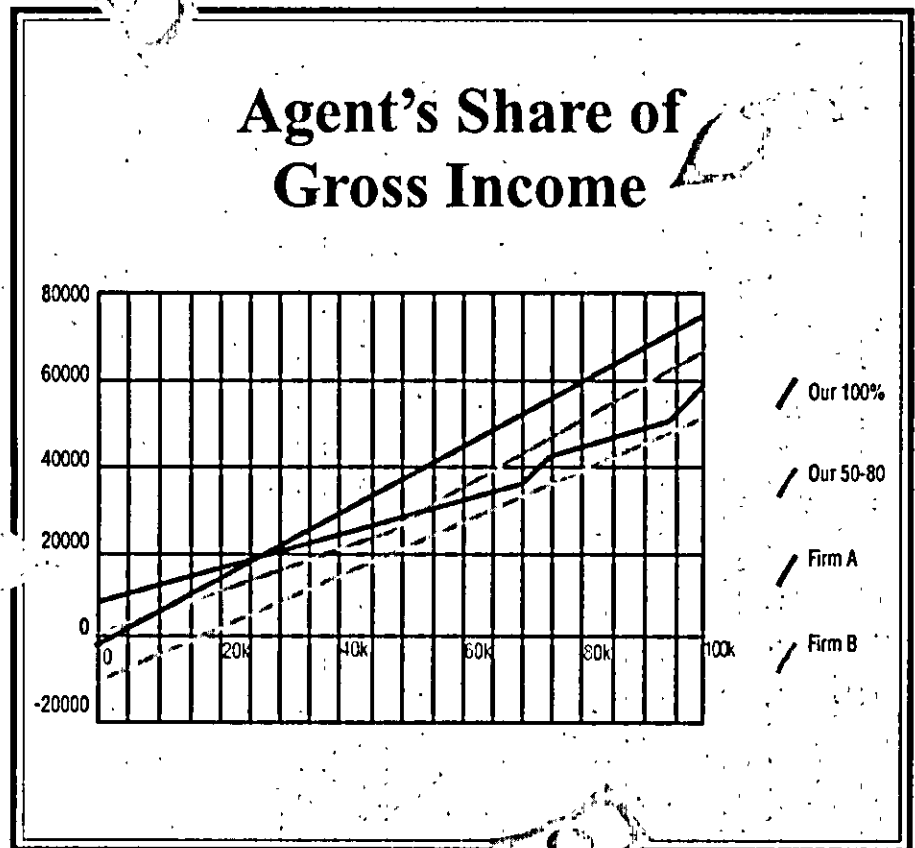
referrals, that's much better than a 5% or 10% increase in commissions.

Q: Do the agents realize how little extra money they're being offered?

Michael: Many don't. Compensation plans are getting more and more complex. Many commission plans sound better (or worse) than they really are. We know for a fact that most agents either don't run the numbers or they don't understand them. That's why CompensationMaster was developed. David Cocks used it to build a 580 agent brokerage. His firm helps the brokers and agents understand the full compensation system and which compensation option is most profitable for them.

David: It's a manager's responsibility - in recruiting or retention - to get the real differences in compensation out in the open. One of our software packages, the Recruiter, offers a good way to do that. You can enter the details of several compensation plans and then print out a graph that lets the agent see how much they would take home under each plan at any given level of sales.

With software like this, you can demonstrate the real difference in compensation plans. When it's to



your advantage you stress the money angle. When it's not, neutralize money as an issue. You can show how minor the differences really are and then focus on benefits such as referrals, relocations, training, marketing assistance and dominance in the market. Success comes from packaging the strengths of your firm so that commission becomes one of many factors - not the only factor.

Editors Note:
CompensationMaster will be a vendor at the 2000 Recruiting Network Conference, April 12 - 14 at Marriott's Evergreen Conference Resort. They will be able to show you how their system applies to your company.