

Does Brand Matter to the Real Estate Consumer?

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Overview

When Keller Williams Realty announced in February of 2011 that it had become the second-largest real estate company in the United States, it sparked a rash of marketing responses from other international real estate firms, asserting their own dominance as “brands.” The company’s growth trajectory in the years that followed—including the announcement that it had become the number one company in the United States by agent count—only fueled the debate further. While there are many measures for ranking a real estate company, becoming the most recognized “brand” has never been Keller Williams Realty’s goal.

Indeed, the Keller Williams business model is based on the conviction that real estate is a local, service business, and that an international brand identity has very little importance or impact on that business. In fact, research shows that when choosing their real estate professional, consumers relied very little on the company’s brand.

However, many prominent real estate franchisors spend significant advertising dollars on the premise that they are capturing customers for their real estate professionals. Some of these companies choose to fund their consumer advertising through additional referral fees on the transaction, while others choose to fund their companies’ multimillion-dollar ad budgets through monthly marketing fees. As a grassroots company, this is a point of philosophical departure for Keller Williams Realty, which instead encourages real estate professionals to spend their marketing dollars toward building their own brand and reputation locally.

Whose Brand Matters?

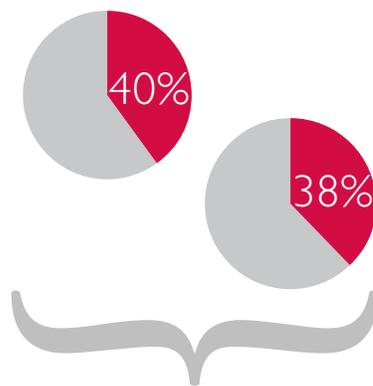
While the most prominent international real estate companies often tout the importance and impact of their advertising presence in creating “brand recognition,” industry research has long shown that awareness of the company’s brand is actually not a factor customers take into consideration when selecting their real estate professional.

The National Association of REALTORS’® *2012 Profile of Home Buyers and Sellers* underscores Keller Williams Realty’s longstanding contention that consumers choose real estate professionals, not companies. When asked how they found their real estate professional, **40 percent of buyers** and **38 percent of sellers** said that the referral of a friend, neighbor, or relative influenced their choice. Only 4 percent of the time did buyers choose their real estate professional by walking into or calling a specific real estate office. Nevertheless, the real estate firms who spend their money on international advertising continue to hold to their position that the company’s brand will influence the customer “at the kitchen table.” That is, when presented with the choice between one real estate professional and another, the customer will choose the real estate professional representing the better-known company. NAR’s research directly contradicts this claim.

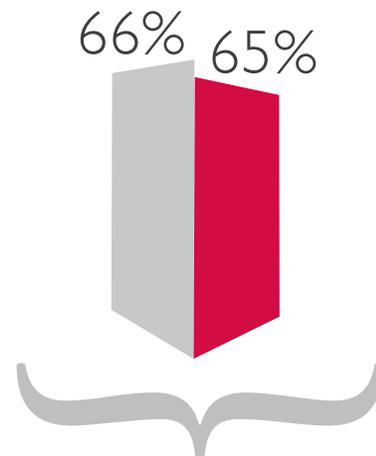
“If you look at the reasons that ARE considered the ‘most important’ when choosing a REALTOR®, 96 percent have absolutely NOTHING to do with brand or company. They are ALL ‘individual agent characteristic’ in nature.”

MICHAEL McCLURE,
PRESIDENT AND CEO OF PROFESSIONAL ONE REAL ESTATE AND PROFESSIONAL ONE FRANCHISING, LLC

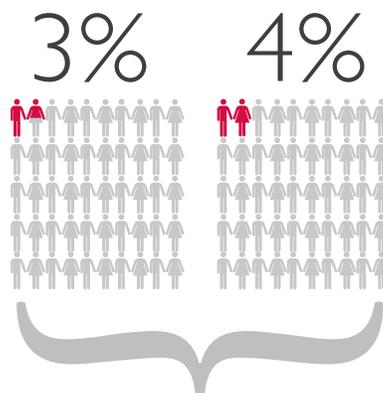
According to the same NAR study, the majority of sellers (65 percent), as well as the majority of buyers (66 percent), only meet with one real estate professional before choosing with whom to work. Thus, it is the first to the table, not the one with the biggest company behind them, who wins the business. And, in those less frequent instances where sellers and buyers do interview more than one agent, only 4 percent of sellers and 3 percent of buyers said that the real estate professional's association with a particular firm was a deciding factor in which real estate professional they chose. The goal for real estate professionals, therefore, is to gain mindshare through their own branding initiatives, so that they are the first person consumers think about when they want to buy, sell, or invest in real estate.



40 percent of buyers and 38 percent of sellers found their agent through a referral or personal contact with a friend, neighbor, or relative, NOT through advertising or the Internet.



66 percent of buyers and 65 percent of sellers only contacted one real estate agent before deciding who to work with.



Only 3 percent of buyers and 4 percent of sellers cited an agent's affiliation with a particular firm as the most important factor when choosing their agent.

Source: 2012 Profile of Home Buyers and Sellers
National Association of REALTORS®

Internet Levels Playing Field

The Internet has opened up a whole new world for real estate professionals looking to brand themselves among a vast audience of consumers who begin their search process online. According to the same NAR report, 90 percent of home buyers used the Internet as one of the information sources in their home search process.

The second most-used information source and the one that was most useful to survey respondents was the real estate professional. Of the information sources used in the home search by first-time and repeat buyers, as well as buyers of new and previously owned homes, the Internet, a real estate professional, and a yard sign were among the most frequently used—not a franchisor’s logo, billboard, TV, or print advertisement.

Information Sources Used in Home Search					
	Type of Buyers				
	All buyers	First-time buyers	Repeat buyers	New home	Previously owned
Internet	90%	93%	89%	87%	91%
Real estate agent	87	87	88	79	89
Yard sign	53	49	55	43	54
Open house	45	42	46	52	43
Print newspaper advertisement	27	25	29	27	27
Home book or magazine	18	17	19	24	17
Home builder	17	13	19	60	8
Television	5	5	4	9	4
Billboard	5	5	5	14	3
Relocation company	4	3	4	7	3

Source: 2012 Profile of Home Buyers and Sellers
National Association of REALTORS®

Real estate professionals who understand this fact are quickly learning how to take their offline brand online through blogs, video, photo sharing, and search engine optimization. Furthermore, social networking sites such as Facebook, Twitter, YouTube, and Pinterest are increasing the likelihood that a consumer will interact with the real estate professional—not the company where they hang their license. These sites provide new channels for consumers to find these professionals online, and real estate professionals are able to directly connect with their clients in a way that promotes their brand and their business long after they leave the closing table.

It has taken years for the real estate industry to prove this, yet most real estate companies ignore it. Real estate is a local industry. It is also a people industry, and the fact is, most people do business with people—not companies.

Thus, it will be the real estate professional providing the most relevant information and the highest level of service to their local market who will win the most business.

“Brand plays a significant role in consumer decisions involving frequent uniform product and service purchases; such as food, hospitality, and technology. However, in the instance of distinctive products and infrequent transactions such as residential homes, brand is trumped by personal referrals and the experience and overall awareness of the local salesperson.”

STEFAN SWANEPOEL,
NEW YORK TIMES BESTSELLING AUTHOR OF MORE THAN 20 BOOKS

The Support You Need for the Brand You Want

To an increasing degree, real estate professionals are realizing the importance of promoting their own brand rather than the brand of their company. At the same time, they highly value franchising companies for models and systems to support their businesses.

In a blog post, Mark Zawaideh, an associate with the Keller Williams Northville Market Center outside of Detroit, Michigan, noted what it means to his business to be able to build his own brand.

I am a salesman, and it's my job to be an expert at marketing to my clients, right? So how can you honestly say you're an expert at marketing your clients' properties if you can't even market yourself? So a couple of years ago, I decided to create the MARK Z brand. My clients all love the signs because you can't help but notice them. This creates more exposure for my clients and in turn more exposure for me. It's a win-win for everybody. I thought it was great exposure (for my former broker). They didn't agree, and said the signs must come down! I was devastated. They said it looks like it's my own company and not a part of the franchise ... I wanted a company that would stand behind me and my success, and not try to interfere with it ... It's not my duty to brand the company I work for, since last time I checked, we are independent contractors. And when was the last time someone called your company and said, "I want to list with your company; I just need you to send out an agent." It doesn't happen.

"It's not my duty to brand the company I work for, since last time I checked, we are independent contractors."

MARK ZAWAIDEH,
ASSOCIATE, KELLER WILLIAMS REALTY, NORTHVILLE, MICHIGAN

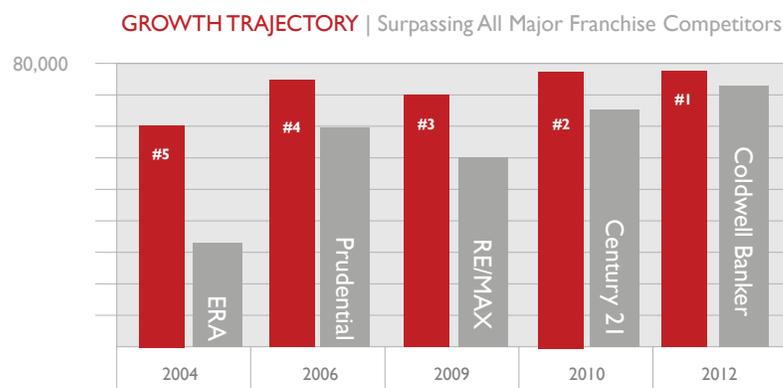
The Company You Keep

About Keller Williams Realty

Cofounded in 1983 by Gary Keller and Joe Williams in Austin, Texas, Keller Williams Realty is an inherently agent-centric organization. The philosophy that the company's role is to help its real estate professionals to become as successful as possible has fueled a track record of growth during even the most challenging market conditions.

Locally, Keller Williams Realty was in the No. 10 position at the onset of the steep downturn in the Texas real estate market in 1987. Two years later, following a period of rampant foreclosures, record-high inventory levels, and the eventual dissolution of the savings and loan business, Keller Williams Realty emerged as the No. 1 real estate company in the Austin market.

By 2005, Keller Williams stood as the fifth-largest real estate organization in North America. Though the next six years would cause the industry to retract as a whole, Keller Williams Realty once again experienced exponential growth, becoming the second-largest real estate company in the United States and outpacing some of the most prominent and well-known brands in the real estate industry. Two years later at its annual convention in Dallas, Texas, CEO Mark Willis announced that the company had become the largest real estate franchise company by agent count in the United States, with approximately 80,000 associates. Of the accomplishment, Willis remarked, "Keller Williams associates: We are one family. We have one destiny. We share one thing ... We are America's #1 real estate company by agent count!"



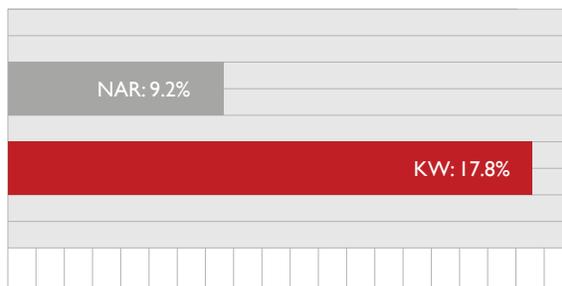
Source: Based on publicly available agent count for the United States, as of February 6, 2013.

A Strategy That Works

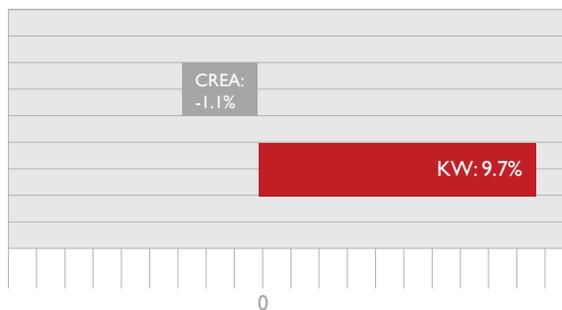
Keller Williams Realty—wholly believing in standing behind its associates, not in front—provides the models and tools to help power its real estate professionals’ branding and marketing efforts.

And the strategy is working. In 2012, Keller Williams experienced a 17.8 percent increase in average units sold per real estate professional in the United States, a 9.7 percent increase in Canada, and a 24 percent rise in average Gross Commission Income (GCI) per real estate professional across North America. At the same time, more than \$55 million was shared with associates through the company’s profit share program.

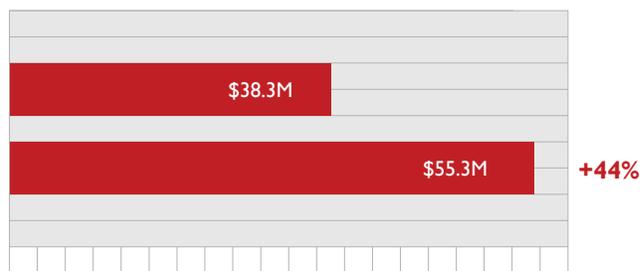
INCREASE IN UNITS CLOSED – U.S. | END OF YEAR 2012



INCREASE IN UNITS CLOSED – Canada | END OF YEAR 2012



PROFIT SHARE | END OF YEAR 2012



Profit share and growth share dollars may vary — this is not an earnings claim.

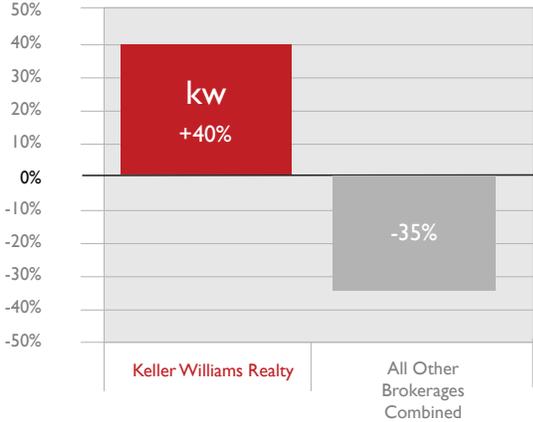
Source: REAL Trends 2012

Third-party industry rankings also serve as a measuring stick for success among Keller Williams associates and brokers.

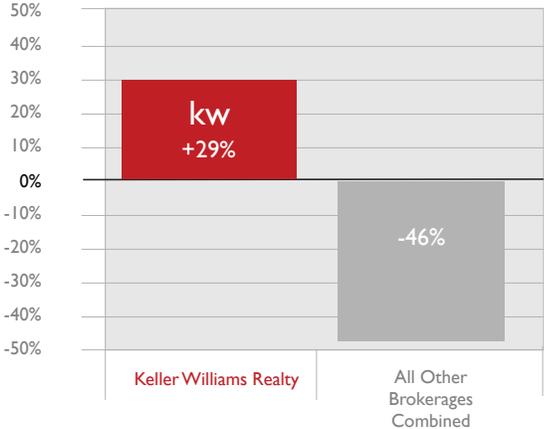
One of the most respected research and media organizations in the industry, REAL Trends, publishes the REAL Trends 500 Report as well as the REAL Trends and Wall Street Journal “The Thousand” report. Key among these reports’ findings are the following:

- The number of Keller Williams brokers ranked on the REAL Trends 500 Report surpassed all other major franchise players—with 116 brokers (23 percent) of the top 500 brokerages ranked by closed transactions and 119 offices (24 percent) of the top 500 brokerages ranked by closed volume.
- Keller Williams Realty also holds the No. 1 position among brands in Teams Closed by Sides on the REAL Trends and The Wall Street Journal’s “The Thousand” Report.

MAJOR BROKERAGES, Closed Sides on REAL Trends 500 Report | 2007-2011



MAJOR BROKERAGES, Closed Volume on REAL Trends 500 Report | 2007-2011



Conclusion

In every market, real estate professionals have a wide range of companies with which they can join forces. An industry that is as diverse and dynamic as real estate allows for a wide range of approaches and business models. It is up to individual real estate professionals to determine the models and perspectives that fit with their own objectives and then to choose the best fit for building their careers. As the continued shifts in market share indicate, however, the trend is clearly toward a real estate professional-centric culture and an environment that encourages and educates individual real estate professionals to build their own brands. Noted industry experts are reinforcing this trend.

According to Jeremy Conaway, president and CEO of RECON Intelligence Services, Inc., Traverse City, Michigan, a leading source of strategic ideas for the real estate industry:

“Within the industry, there is a race to capture the hearts and minds of this new marketplace. Many of yesterday’s greatest drivers are entering five-year-old cars that are powered by conventional engines. Time will demonstrate that these entries will simply not work in this new environment. The Keller Williams systems entry is powered by a “Porsche”-level quality engine that is in its tenth or eleventh iteration. It has been engineered for today’s marketplace, and if driven correctly, will perform to the highest profitability and productivity standards. Very few industry participants have the human, financial, or intellectual resources to engage in this level of engineering. It’s that simple.”

Download a copy of this White Paper at <http://bit.ly/youarethebrand>.