

Marketing Fee (Real Estate Commission)

Cut-Rate or Discounted Listing Commissions “You get what you pay for”

I choose to think of a commission as a marketing fee because that's what it is. When I hear Realtors offering “cut-rate” or a discounted commission fee it reminds me of the expression “You get what you pay for”. There is a big difference in the level of service. I also believe that Realtor who discounts their professional hard working services value them selves less and will provide a less than average job for you. There is a difference between staying in a Motel 6 and a Ritz Carlton.

If all you want is to be listed in the Multiple Listing Service and a sign in the front yard, then a cut-rate commission may be right for you. If you want an agent who will be actively promoting your property to the other agents and spend money on advertising, mail out “Just Listed” post cards and flyers, add your property to virtual tours, sponsor open houses, newspaper ads as needed, send invitations to neighborhoods in surrounding area and much, much more, than you probably are not going to that level of service with a reduced commission.

At times, the lower commissions are offered when you agree to tie in to other services offered by the broker, such as agreeing to use a specific lender, escrow settlement or title company. The broker, not the agent, will probably have some type of ownership or profit participation in those businesses. The down side is that they do not have to be as competitive in pricing their products or services.

Another angle practiced is when you see a reduced commission is that the compensation is lowered when you agree to buy your future home through the same broker. Usually the reduced commission will be on the next purchase not on your current existing sale.

I urge to ask a lot of questions otherwise you will wonder what you are giving up by accepting such a low offer.

How and When Listing Marketing Fees are Earned

A Realtor's job is to bring a “ready, willing and able” buyer to present an offer. If you reach an agreement with the buyer then the Realtor has done their job and earned their marketing fee. It's not until the transaction closes does the Realtor get compensated for his/her work. Please read your Listing contract.

Let's say that the buyer proves unable or unwilling to conclude the sale then your house goes back on the market and Realtor has to start the process all over again.

But if the seller backs out and does not accept the offer that meets the price and terms of the listing agreement, the Realtor has still earned his/her marketing fee. They will want to be compensated, even though you did not actually sell your house. This does happen-although seldom- but it does happen and then the seller should compensate the Realtor for services rendered. Therefore, it is very important to carefully consider every detail when completing your listing contract and accepting an offer to buy your property.

The Listing Agent's real role is to market your house and expose it as many other agents as possible. They are the ones with buyers. Listing agent's main job is to market your home to other agents, not homebuyers.

In addition to the above listed below are activities that are behind the scenes.

The “For Sale” Sign

The sign and post (with reflectors) that goes in your yard should be attractive and have a telephone number that goes to a live person as much as possible. The object is to answer the phone while the caller is “hot”. A potential buyer may be on the street outside your home, placing the call using a cell phone. Does the sign send the buyer to a visual tour?

Flyers and a Brochure Box

Believe it or not people still search for a home the old fashion way –they drive by the house. Your agent should prepare a flyer that displays a photo and provides details about your house. The information should include a phone number so buyers can contact your agent to get additional information. The flyers should be located in a noticeable location on the property and also in a brochure box attached to the “for sale” sign.

This is a great way for buyers to follow up by calling your agent or their own to inquire about getting more information.

Visual Tour

Technology has opened many doors in the real estate market. One way to reach more buyers is to have your home put on a visual tour. Your realtor can take care of this for you.

Marketing your Home to other Agents

The Multiple Listing Services (MLS)

Even before the sign goes up in your yard the listing agent will funnel all the details of your house to other MLS members and start selling it immediately. See the listing agent’s job is to expose your house to other agents who have buyers looking for a house like yours. Listing agents target other agents not buyers. The MLS is a large database of all the homes listed by local real estate agents who are members of the service, which is practically all of the agents.

All the important information about your property is listed here from what makes your house “special” to square footage and number of rooms to does it have central air conditioning or tile. Photos should be included as well. Other agents search the data base for homes that fit the price range and needs of their clients. And they pay special attention to homes that have been recently placed on the market, which is one reason you get a lot of attention when your house is first listed (the main reason not to overprice your house). Since there are many agents who are members of the MLS you now have a huge sales force working for you instead of just one agent. They are all working for you.

Office Preview

If your listing agent belongs to a fairly sizable office, an “office preview” will introduce your house to other agents working in the same office. At some point the agents “caravan” together and preview the new listing. This is generally done by everyone pulling up in front of your house at about the same time and they preview your house in a rather “follow the leader” game. They are sizing up your house taking notes and truthfully deciding if this is a house they would be proud to show a client of their own. The goal is to expose your house and you just never know...they may come back with a buyer.

Marketing Sessions

Your agent probably belongs to a local association of Realtors that often have weekly or monthly marketing meetings. There is a time when agents get to stand up and talk or “brag” about their new listings while other agents stand up and talk about their buyers needs. Your listing agent has the opportunity to “pitch” your house. These meetings can be very effective.

Office flyers

Flyers can be a “silent salesperson” Crafted to have that professional look, flyers may be distributed by a weekly flyer service that delivers advertisements to other agent offices in the area. Local real estate boards might have mailboxes on sight for each real estate office in the area and flyers might be distributed that way. Make sure they look professional.

Marketing Your Home to Homebuyers

Understand that ads do not usually sell your house directly. But for agents they do create a pool of buyers that could potentially buy *your* house. Most home sellers like to be assured that their listing agents will run ads featuring their home, run small classified ads featuring just your property, put your house on the internet, etc. Agents do this but not for the reasons you expect.

See, the main job of advertising in general is not to sell your house directly. Advertising creates phone calls and some of those callers become clients of the agent answering the phone. This builds up a pool of buyers looking for property in general, all represented by selling agents. Multiply this by the amount of other companies that advertise homes and there is a large pool of buyers in the market at any one given time- all of whom are represented by selling agents.

The agents match up their clients with available homes one of which could be yours. A match is made and an offer is produced and this is how your house gets sold. So remember these ads create a pool of clients; not necessarily selling your house directly.

Real Estate Office Advertising

Remember advertising your home in newspapers and magazines rarely sell your home directly. Usually, but not always, the buyer who called in on the ad selling your house buys another one and the same holds true for a buyer calling in on another ad could potentially buy yours. The ads generate calls for the real estate office, and if the agents previewed your house on the marketing or company tour they are familiar with it. This is how your property is sold. It does happen that your house is sold off the ad someone called in about. Real estate advertising brings more listing, which generates more ad calls, which produces more buyers and that is how your house sells.