



White Paper

6 Reasons Why Traditional Brokers and Agents Can't Execute the Maximum Value Home Selling System[®]

"The stream of value flowing to the customer is probably the single most important element in any business...creating and delivering superior value to the customer is the center of the value creation cycle and underpins all business success."

Frederick Reichheld, Bain Fellow and founder of Bain & Company's Loyalty practice, Creator of the Net Promoter SystemSM (NPS[®]), and one of the world's leading experts on customer loyalty

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Change or Die: Traditional Agents/Brokers Face Consumer Confidence Crisis

In the last 50 years, there has not been a single, fully transparent, radical consumer centric innovation for buyers and sellers focused on expert-level, professional representation and execution.

In fact, residential brokerage firms have lost control of their brands and profits by outsourcing the consumer relationship, value propositions and lead generation to independent agents.

Even more significantly, no other industry pays a 90% commission to salespeople.

Nobody Home in Expert Representation for Residential Real Estate

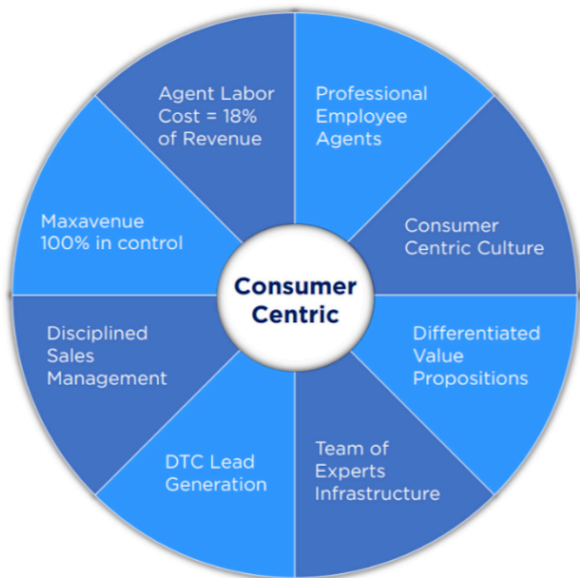
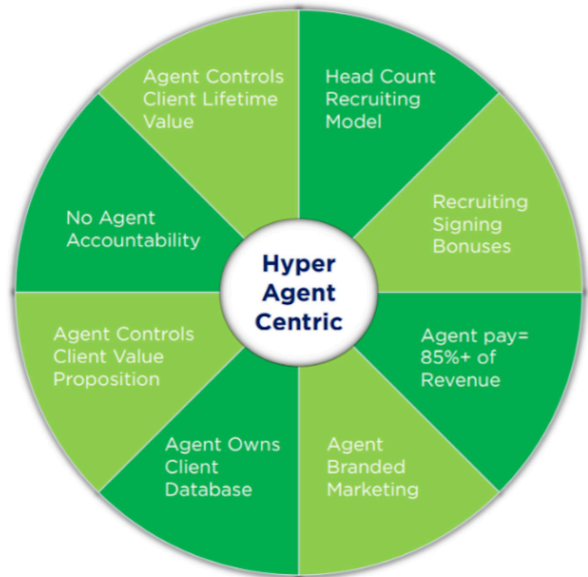
Let's face it, the independent agent model is not creating or delivering meaningful consumer innovation.

Why is this important?

Consumers are overpaying AND not receiving the level of expertise they deserve.

Need proof? Here's the facts:

- 74% of consumers don't believe agents are worth their commission¹
- 80% of consumers have lost confidence and trust in agents²
- 86% of REALTORS® do not have an assistant³



1 University of Central Florida Market Research | 2 Gallup Poll | 3 NAR 2019 Member Profile

Brokers

1. Can't Control Agents as Independent Contractors

By law, a broker can't require agents to use a particular methodology for pricing a home, include critically important features of a property marketing campaign, exercise thorough property and legal due diligence, or any of the dozens of other key elements in the home buying and selling process.

2. No Standardized Consumer Value Proposition

Even if brokers could enforce how their agents perform essential consumer service elements such as pricing, marketing and due diligence, they don't offer a standardized consumer value proposition to buy or sell a home.

3. No Resources - Too Much of Commission Goes to the Agent

No other industry compensates salespeople with 90% of the commission and expects the salesperson to be an expert in so many areas. By over-reaching the agent's skills, and in turn overpaying the agent, the broker has super-thin margins to run a business and no capital to invest in the development and execution of consumer value propositions that consistently deliver the level of expertise commensurate with the commissions they receive.

Agents

4. Too Many Skills to Master

Sadly, consumers incorrectly expect their agent to be an expert in every aspect of buying and selling a home including due diligence, property research and market analysis, as well property valuation and contract negotiations.

In addition, for sellers, agents are also expected to be experts in home preparation and property marketing.

To become a licensed agent the barrier to entry is embarrassingly low - only 70 hours on average. It's a pseudo profession that lacks competency exams, performance standards and accountability

Fact: there are no federal or state laws requiring a standardized property valuation methodology for agents or even minimum competency standards for passing the current licensing exam.

Brokerage: Number of Transaction Sides or Commercial Deals, 2018 - Residential Specialists

(Percentage Distribution, Brokerage Specialists only)

	ALL		BROKER/BROKER ASSOCIATE		SALES AGENT	
	RESIDENTIAL SIDES	COMMERCIAL SIDES	RESIDENTIAL SIDES	COMMERCIAL SIDES	RESIDENTIAL SIDES	COMMERCIAL SIDES
0 transactions	6%	75%	4%	65%	8%	83%
1 to 5 transactions	22%	24%	16%	33%	25%	17%
6 to 10 transactions	20%	1%	19%	1%	20%	*
11 to 15 transactions	17%	*	18%	*	16%	*
16 to 20 transactions	10%	*	11%	*	10%	*
21 to 50 transactions	21%	*	25%	*	18%	*
51 transactions or more	4%	*	6%	*	2%	*
Median (transactions)	12	0	13	0	9	0

* Less than 1 percent

Source: National Association of REALTORS® - 2019 Member Profile

5. Not Enough Sales Volume or Cash Flow to Deliver Consumer Value

Median number of sales for residential agents in 2019 was 12 transaction sides, with more than 25% selling fewer than 5 homes a year.

The median gross income of REALTORS®—income earned from real estate activities—was \$41,800 in 2018, an increase from \$39,800 in 2017.

The median business expenses were \$4,600 in 2018, similar to the past year, which was \$4,580. The largest expense category for most REALTORS® was vehicle expenses, similar to last year, which was \$1,370.

Let's do the math.

If the average agent does 12 sales a year with annual expenses of \$4,600, and \$1,370 is vehicle expense, that leaves \$3,230, or only \$269 per transaction to invest in serving their client.

6. Marketing is Viewed as a Transaction Cost

Even at 90% of the sales commission, the average agent is hard pressed to allocate a significant portion of their compensation to critical elements of the home buying and selling experience.

As a result, every element of delivering service to the consumer is a transaction cost that cuts into the agent's bottom line.

Rather than providing premium quality services to help their clients receive maximum value, agents will use a do-it-yourself model and operate as a jack-of-all-trades-master-of-none for pricing a home and property due diligence, or "Reverse Bidding" to shop for the lowest possible price for essential property marketing services such as photography, copywriting and social media promotion.

Redefining Expert Representation and Consumer Expectations

Although technology has made an impact on searching for listings, very little has changed in delivering real estate expertise to buyers and sellers who are depending on their agent to help make smart choices and avoid costly mistakes.

Just like Kodak went out of business after 108 years, traditional agents/brokers are highly vulnerable to becoming irrelevant vs. consumer-centric buyer/seller value propositions and infrastructure

Maxavenue's consumer-centric value propositions are executed through innovate technology solutions and a Team of Experts model for buying and selling homes.

As a result, we have radically redefined the agent's role in the real estate process, as well as consumer expectations for the level of expert representation they deserve.



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