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Agents, there's gold in calling cold

How far would you go to make \$290K a year?

BY BERNICE ROSS

Do you know how much you earn per hour in your real estate business? Assuming that you made \$100,000 last year by working 40 hours a week for 50 weeks, your hourly rate would be \$50. What would it take to make more than seven times that amount per hour? The answer may surprise you.

What would you be willing to do to increase your hourly rate up to \$386.75? Assuming that your average commission per transaction is \$4,641; would you be willing to repeat the same monotonous task for 15 hours per week in order to earn \$290,693? What if the task were as simple as picking up the phone and repeating the same script over and over?

Only a small number of agents earn \$250,000 per year. A common path to success that has worked for years is cold calling. The question is whether this tried-and-true approach is still appropriate in today's Web-based sales world. A new study from the Keller Center at Baylor University reaches some interesting conclusions about this important issue.

The study

The study divided 134 agents from 10 different geographic areas into two groups. Each group set aside a different hour each day to make cold calls for seven days using the same script. Cold calling was defined as dialing random numbers from a certain farm area not previously marketed to by the agent. The result was 14 hours of lead generation over 14 days.

The goal of the study was to determine if cold calling as a baseline lead generation activity -- meaning no experience, no contacts, no database, no marketing, no listings, and no "just-solds" -- would generate appointments for agents.

The results

Out of 6,264 calls made, 1,037 numbers were not working and 3,450 had no answers. In other words, 71.6 percent of all calls failed to reach a live person.

Of the remaining 28.4 percent where the agent did connect with a live person, 929 (14.8 percent) said they weren't interested; 132 (2.1 percent) of those contacted asked the agent to call back later. The agents set 19 appointments and received 11 referrals (0.047 percent). In other words, it took 208 calls to get an appointment or referral.

The conversion ratio was 1.7 percent for the agents when they actually reached a person. This means for every 60 people the agent actually reached, the agent would either receive a referral or schedule an appointment.

Conclusions

1. If an agent can make 50 calls per hour, it will take him approximately six hours to achieve one appointment.
2. Anecdotal evidence of the conversion rate suggests a 2-to-1 appointment-listing ratio. That means for every 12 hours of calls, an agent can expect to achieve one listing.
3. If an agent's commission averages \$4,641, that equates to a return of \$386.75 per hour.

*****Note: Using the same analogy in the Beach Cities/South Bay the average price is upwards of \$600,000 with a typical commission of \$14,400 = \$1,200 per hour would be your rate on the same basis!***

So the question is – how many hours would it take you to earn \$290,000?

The fatigue factor

By the time the agents had spent 11 hours cold calling, all 134 had quit calling. Yet the data showed that it takes 12 hours of cold calling to generate a closed deal. In other words, the agents quit one hour short of reaching the 12-hour goal.

What does this mean for you and your business?

1. **The best time of day to call**

If you are cold calling, the data suggests that you will achieve the best results if you call between 10 a.m. and 2 p.m. The least effective time to call is after 5 p.m. Here's how the numbers stack up:

a. Calling between 10 a.m. and 2 p.m. converted at a rate that was 42 percent higher as compared to the rate between 8 a.m. and 10 a.m.

b. Calling between 10 a.m. and 2 p.m. converted at a rate that was almost 300 percent (three times) higher as compared to the conversion rate for calls made after 5 p.m.

Sarah Eagleson of (ABC Realty) in Columbus, Ohio, has at least one potential explanation for this result: "I find that many of my clients are rushing off to pick up their kids after school, so later in the day is not a good time for them."

2. **Readjust your mindset**

A research study of 1,000-plus consumers from Best Agent Business showed that the one prospecting technique that everyone hated the most was receiving cold calls. Nevertheless, the conversion ratios from the Keller study show that 12 hours of cold calling consistently yields one listing. The issue is how to shift your mindset so that cold calling becomes a sustainable behavior.

In the book "High Probability Selling," authors Jacques Werth and Nicholas Reuben suggest that you "search for the aces." In other words, in any given year, only 14 percent of the people you reach will be buying or selling a home. That means at least 86 percent are not "high probability" leads for now. Instead, you're searching for the 3 to 5 percent who are the "aces," i.e., who are ready to transact now. The people who "reject" you are really not rejecting you; they're simply not interested in doing a transaction at this moment in time.

3. **Is it worth the price?**

The Keller study concludes with this important point: "Spending three hours a day cold calling Monday through Friday can potentially yield \$290,063 in total commissions in a year."

Would you be willing to work 15 hours a week on the phone to make almost \$300,000? The answer for most agents is "No." For those who have the

persistence and the discipline to make those calls, the win for their business can be substantial.

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