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3 ways to justify your real estate commission

Don't underestimate the power of expireds, 'premium service'

BY BERNICE ROSS

Have you ever wondered why sellers and buyers constantly grind on you about your commission? If you want to stop the grind, today's column looks at three proven strategies to protect yourself from commission depression.

When it comes to defending your commission, a key point to remember is that 15 percent of all sellers make their listing decision based solely upon the commission rate. They view all real estate agents and companies as being the same. Consequently, it makes no difference which agent they hire. The only thing that matters to them is paying as little commission as possible.

Another 5-10 percent of all sellers want only the very best and are willing to pay a full commission to obtain it. The balance (75-80 percent) will pay a full commission if you can show them how hiring you will help them obtain a higher price than listing with an agent who provides only limited or cut-rate service.

If you're facing a case of commission depression, here are three sure-fire cures:

Objection No. 1: You make too much in commission

Weak strategy: When a seller challenges you about your commission, explain how the commission is broken into four different parts and that you don't get the entire 6 percent. Instead, the commission goes partially to your broker, the other agent, and his or her broker.

Challenges: Telling the seller you get approximately one-fourth of the commission puts you in a defensive position. The moment you have to justify how much you're being paid means that you are negotiating from weakness rather than strength. Furthermore, the seller cares only about the total dollar amount that he is paying rather than the percentage that you ultimately keep.

In fact, a classic seller response to this approach is: "So the brokers get half? Your broker is worth millions -- tell him to take less!"

Better approach: *When someone challenges your commission, it means that you haven't demonstrated the value of the services that you provide. To counteract this objection, put together a list of at least 15 strategies that you use to help the seller obtain the highest possible price in the shortest amount of time. Also include a 90-day marketing plan.*

The best way to circumvent the objection entirely is by discussing these marketing tools early in your presentation as part of your **"premium marketing plan."**

If the sellers still challenge you about your commission, say: "Mr. and Mrs. Seller, this our premium marketing plan that provides you with the maximum exposure to the marketplace that results in the maximum net price to you. If you want to pay a lower commission, I'll be happy to refer you to an agent who provides limited service rather than premium service."

Always avoid using the word "discount," since most people view discounts favorably. A better approach is to discuss "premium service" vs. "limited service." While almost everyone likes the idea of having a discount, virtually no one wants to settle for limited service.

Objection No. 2: We're in a financial fix

Weak strategy: Tell the seller that he should list at a higher commission because buyer's agents show the properties with the highest commissions first.

Challenges: Even if the statement above is true, discussing what other firms or agents do in terms of earning a full commission can put you on shaky ground in terms of avoiding antitrust issues. Furthermore, if you have a sharp seller, you may hear, "Fine -- we'll pay the buyer's agent 3 percent and you can take 2 percent."

Better approach: Show the seller the expireds. It's much easier to persuade a seller when he arrives at a conclusion rather than you telling him the conclusion you would like him to make.

Here's what to say: *"Take a look at this printout of properties that expired vs. those that went under contract. What pattern do you see with respect to the commissions?"*

In virtually all areas, the bulk of the expired listings will be at lower commissions. You can then continue: "You pay a commission only when your property sells. When your listing doesn't sell, the amount of commission you negotiated is irrelevant."

Objection No. 3: John Smith offered the same services for 5 percent

Weak strategy: I'm the top producer in the area and I charge 6 percent. Besides, John hasn't done a deal in months.

Challenges: First, never criticize another agent. Second, the sellers don't care about your production. They want to know that you can sell their house for the highest price possible in the shortest amount of time. In other words, "WIIFM - What's in it for me?"

Better approach: Rather than telling the sellers what to do, ask a powerful closing question. Here's an example:

"Mr. and Mrs. Seller, in order to obtain the highest possible price for your property, you will need an agent who has powerful negotiation skills, right? Then how effective do you think I would be when negotiating on your behalf if I couldn't even negotiate a full commission for myself?"

The moment you shift from questioning to telling, you lose the battle. Using the weak strategies above places you on the defensive. The "better approach" uses questions to help the sellers arrive at their own conclusions. In fact, a well-known negotiation secret is that the person asking the questions is the one who controls the negotiation.

The bottom line is that the cure for commission depression is to ask great closing questions while simultaneously focusing on the seller's real concern -- "What's in it for me?"

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