

HANDLING COMMISSION OBJECTIONS

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By: Jason Pashia

Handling Commission Discussions

Part 1

When it comes to negotiating Commission, the entire negotiation can be tainted by not having control over the commission discussion. If you let the Seller control when, where and how you are going to discuss commission- More times than not- YOU WILL LOSE! Be prepared to defer the commission discussion to a time and place when you are in control, have demonstrated your value proposition and then discuss the commission OR marketing fee. A common mistake that agents make is to “hope” the commission dispute does not come up. You and I both know it is on everyone’s mind and it is the elephant in the room. Be prepared to discuss it.

Imagine you are working at a Jaguar dealership and selling cars. When a customer comes in, would you walk up and say- This car is \$89,000! OR would you take the client over and talk through the benefits of the car, the class, style, the 180 year history of Jaguar, the quality features, precision tuning, high end leather interior, chrome rims, low profile tires, Mahogany wood dash, superior handling, the powerful 4.8Liter V-6 Engine, the 100,000 mile warranty, the first class service department of your dealership and the prestige of owning such a fine automobile! It’s Called SALES!

You determine when you are going to discuss commission, but that does not keep them from asking- So try one of these techniques....

EXAMPLES:

When someone comes into an open house or calls on the phone and asks- So, what is your commission....

Mr. Seller, that is the most common question we get as Realtors, I appreciate you asking. Once I have seen the property, discussed our marketing plan, and how the market conditions are in your area, we can discuss what it would take to sell your home and the marketing fee to do so...

Yes, But what do you normally charge...

Mr. Seller, it varies depending upon the home, area, marketing conditions and what it will take to sell the home...

When you arrive on an appointment and you are taking a tour of the home and the seller asks, So, what is the commission rate....

Mr. Seller, I appreciate you asking and when we finish with the tour we will discuss the comparables in the area, the techniques I use to sell homes, what you expect in your marketing plan and the fees associated with my service...

Well, what do you normally charge...

Mr. Seller, it depends on the market conditions and your expectations which we can discuss in the kitchen when we finish the tour...

Now that you are in the kitchen and finished with the tour, you are going through comps to determine a price. They ask you during the presentation about your commission to help them determine the price they will ask...

Mr. Seller, we are going to discuss my marketing plan and commission in a few moments, however, I just want you to realize that the commission you pay to sell a piece of property does not affect the value of your home. Neither does what you owe, what you need, or what your neighbor's home sold for 3 years ago...

Now that you have determined the price, you can give your listing presentation (value proposition) and then inform them of your commission rate for the service they expect...

NOTE: Never say, "we all know commission is negotiable". You are setting the stage for a negotiation that you don't want to happen!

Commission Objections Part 2

As we covered in Part 1 of the workshop, deferring the commission discussion to a time when you are in control of the conversation and ready to discuss commission, you will be significantly more successful in obtaining full fee listings and raising your earnings! I have personally always like the approach of...

1. Schedule the appointment to meet about the home and discuss the motivation for moving and where they plan on going with the seller.
2. Meet at the home when they are READY TO LIST for a tour. (Note: If you are just going by to have a discussion about what they can do to prepare their home for market- DO NOT BRING COMPS or your listing presentation. You never want to have the commission discussion before they are ready to list their home...if you can help it. This gives them too much opportunity to talk about it to friends, neighbors and co-workers which will only cause problems for you in the form of competition or added objections)
3. When they are ready, Tour the home to take your notes and educate yourself on the property.
4. Sit down with the sellers and discuss Comparables. Be prepared to defer the commission discussion when you talk values, because it will most likely come up when they are deciding what to ask.
5. After determining the value of the home, then give your listing presentation and inform them of the marketing fee/commission...
6. Be prepared to handle objections and close the appointment by signing the Listing agreement. (Note- The purpose of this workshop series is to help you close more appointments and secure a full fee listing agreement AS WELL AS- Handle common objections in the process that generally come after the Listing Presentation and Commission discussion...)

The idea of Negotiating Commission is as common to some people as never paying "full price" for a vehicle. The methods you use to get to the commission discussion and the way you have presented your value proposition / marketing plan help defer or create some of the objections depending upon how solid your listing presentation is...or isn't. If you have a very solid presentation and can illustrate the benefits of using not only Coldwell Banker Gundaker as a company, but also YOU as an agent- your objections will be greatly reduced. If the majority of your objections come in the form of marketing items that they expect and you did not mention, I would start by using the following question as part of my Listing Presentation...

Mr. & Mrs. Seller, as a real estate professional who deals in selling homes every day, I have designed a highly effective marketing plan for my listings that helps lead both of us to our desired result- To Sell your home for TOP dollar in the current market. However, before I discuss the plan I have in store, I wanted to hear your thoughts or expectations if there is something specific that is important for you to see in the marketing plan...

Commission Objections:

1. Jason, we really like what you had to say and it sounds like exactly what we have been looking for....BUT – We already have appointments to interview 2 other agents...

Mr. & Mrs. Seller, I understand the idea of interviewing agents so you can find an agent that meets your expectations and provides the marketing plan, experience, communication and negotiating skills you are looking for in an agent. So, can I ask you- With what I have illustrated here this evening, do you feel confident that I can sell your home for Top Dollar in the current market? Is there anything we have discussed tonight that you feel I have not covered? Unless you see a benefit in spending 1-2 hours discussing the same comparables, with companies that do not have the proven track record we have as the #1 company in St. Louis, I would love the opportunity to list the home tonight and have your home on the market as early as tomorrow morning! In addition, I would also be happy to call and cancel the other appointments for you if you feel uncomfortable doing so...

Commission Objections Part 3

1. Well Jason, everything sounds great, but things are really tight right now and we wanted to know if you can do it for 6%-

Mr. & Mrs. Seller, I can appreciate you asking, but I don't make adjustments to my marketing fee.

Mr. & Mrs. Seller, I appreciate you asking, but my Company and I have proven our worth year after year. Let me share this fact with you. Coldwell Banker Gundaker consistently outperforms the rest of the MLS in Average Sales Price. Our Sellers, on average, net more than 2% more than the rest of the MLS. What does this mean to you? If you choose to list with a competitor at a reduced commission, statistically, you are going to net LESS than you would if you paid the full commission, listed your home with me and Coldwell Banker Gundaker, and took advantage of the best marketing plan and exposure in the business!

Mr. & Mrs. Seller, trust me when I say that I understand how tight things are. I know that everyone in this economy is counting dollars and cents; HOWEVER, I am no different. With the current market conditions, shrunken buyer pool, significantly longer days on market and adjustments to sales price- My commission has already been adjusted due to the market and it is not feasible to offer the service I do for my clients at a reduced commission.

Mr. & Mrs. Seller, I can appreciate you asking about negotiating the commission. Don't think for a minute that it is not a commonly asked question. The fact is, I don't cut commission. I have illustrated to you in detail all of the benefits of hiring me as your agent and what Coldwell Banker Gundaker does to market your home. Mr. & Mrs. Seller, I know the value of my service and I work hard to protect it. The same way I will work hard to protect the value of your largest investment. Mr. & Mrs. Seller, as we have discussed, your home's value is around \$200,000. You are asking for a 1% reduction in commission, which is \$2,000. Mr. & Mrs. Seller, my negotiating skills throughout this contract alone will protect your investment and potentially net you more than \$2,000.

Mr. & Mrs. Seller, I can appreciate you asking me to reduce my fee. However, I want to clarify something- While you are asking for a 1% reduction in the commission, you are asking for a 14% reduction in my earnings. (14% from 7-6% and a 17% reduction from 6-5%) The fact is Mr. & Mrs. Seller, after I take the risk of marketing your home, (because I don't get paid unless it sells), and cover all of my marketing expenses (which I hope you would agree is an extensive list), and cost of my, phone bill, postage, time, fuel, etc - that is the profit I would make on this transaction. I am just not willing to work for FREE.

Mr. & Mrs. Seller, I can appreciate you asking if my commission is negotiable. It is the most common question I am asked. Let me explain something to you about a commission reduction and the way it would affect you in the marketplace. Remember when we just looked through the comparables and there were 11 ranch homes on the market that compare to yours? Well, the agents who are showing and selling those properties are compensated by the commission we offer when we market the home. This compensation is the way they feed their families and make a living. By listing at a 7% commission, we are assured of having an edge over the competition, by offering the cooperating agent 3.15% as compensation. If we reduce the commission on the listing, we reduce the payout the buyer's agent receives to 2.7%. Realize that THIS is who is representing the buyer looking in this neighborhood. They have a vested interest in selling the home that meets their client's needs, but also, assures them the highest earning potential. If we reduce the commission on the front end, we are slashing the earnings of the person we are trying to entice to purchase your home! Seems counterproductive doesn't it?

Commission Objections Part 4

1. Well Jason, everything sounds good, but can't I just have you cut a few of those things out to bring the price down to 6%-

Mr. & Mrs. Seller, I have to tell you, that I understand where you are coming from and I wish there was something I could do to trim my marketing plan to lower the commission for you— HOWEVER- I would be doing you a disservice and taking away crucial marketing opportunities in an effort to save costs. The fact is, I have spend years refining and updating my marketing plan to be effective in the current market. I advertise in these forums because they bring me results. If I start deviating from my plan, the results could be very problematic for everyone. If I cut the wrong item, it may have been the items that brought us the buyer and NEITHER of us want to risk that!

2. Well Jason, everything sounds good, but I have a friend that works for ABC Realty who would agree to do it for 5%-

Mr. & Mrs. Seller, I have to say that this is not the first time, nor will it be the last, that another agent said they can – DO IT for less. The fact is, this is not a Nike Commercial. You don't "Just Do It!". What we provide to you as an agent is not simply Doing it, it is the marketing plan, our experience, our proven results and our negotiating skills that differentiate us. Mr. & Mrs. Seller, if another agent can better illustrate through past performance that they can provide your home the best exposure, sell your home for Top Dollar, in the shortest amount of time, outperform the MLS and the rest of the market, can negotiate strongly to protect your investment AND DO IT for less- I think you SHOULD list your home with them. BUT the fact is, I know that they can't. The best predictor of Future performance is past performance. I have illustrated all the things my company and I do to sell homes and net our sellers more money and at the end of the day- Your NET proceeds are what it is all about. Mr. & Mrs. Seller, Unfortunately, we see a lot of our Competitors volunteer to cut fees to try to earn business, rather than show you how effective they are OR their company is. When you list with the #1 Company in the business, you receive all of the benefits of what the Top Company can offer you- When you list with someone else for less....Well, You Get LESS!

3. Well Jason, Everything sounds Good, but we interviewed another agent with ABC Realty and they agreed to reduce their fee to 5%....Will you do the same to earn our business?

Mr. & Mrs. Seller, I can appreciate you asking that question.....BUT, Can I ask you a question? You told this agent that you were interviewing other agents and he agreed to reduce his commission to sell his services...Is that True? (The answer is almost ALWAYS- YES!) Mr. & Mrs. Seller, can I also ask you what you had to do to get them to drop their fees. I really would like to know. Did you have a standoff? Did you walk away? Was there a long negotiation? (Most Common Answer- Well, we just told him he was in competition and asked if he would reduce and he said- Yes!)

Ok, Mr. & Mrs. Seller, Let me get this right! You are interviewing agents for the job of marketing and selling the largest investment you have. Other than our Marketing plan, the BIGGEST skill I possess is the ability to negotiate to protect the value of your investment and help you to retain as much as possible of YOUR money. Mr. & Mrs. Seller, the other agent you interviewed agreed to reduce their personal income by 14-20% percent, by you simply asking. This is the money they are bringing home to their family. This is what they do to survive and he "Gave Away" 14-20% of his money by you simply asking- AND this is the agent you are considering to protect the Largest Investment you have???? If this is the way he negotiates with HIS money- How do you think he is going to negotiate with yours??? Can you afford to take a 14-20% reduction in the value of your home? Mr. I Mrs. Seller, I know the value of my service and I am willing to protect it. I am not going to give away my service because someone asks- I am worth every penny. Likewise, I am not going to give your home away, just because someone asks.

4. Well Jason, everything sounds good, and we are ready to list but we only want to list for 90 days...

Mr. & Mrs. Seller, I understand your question and you probably have heard that the standard listing agreement used to be 90 days- AND IT DID – Years ago when things were selling in less than 90 days. However, as we discussed this morning, the average days on market in your area is between 6-7 months....and that's the average. If I take your listing for less than 7 months, I will not even have an "average" chance at selling it! Trust me, I know both of us would like it to be sold in less than 90 days, but before I agree to invest in the marketing plan I have prepared for your home, I have to know that I have a realistic chance of bringing your home to close.

Handling Commission Objections – Part 5

Commission Reduction Requests

When you are asking for a price reduction...

Mr. & Mrs Seller, I can appreciate you asking, but I don't negotiate commission.

Mr. & Mrs. Seller, When we make the reduction to reposition our home, my commission earnings are being reduced by the same proportion you are as a seller...

Mr. & Mrs. Seller, I have already put forth expense to help you market your home and as we move forward, I will continue to market the home properly to secure our buyer. The longer the home is on the market the greater my expenses. This is real money that I have put forth based on the listing agreement and my proven marketing plan. I am not in a position to change it.

When you have an offer...

Well, Jason, now that we have a contract and we are SOOOO close, can you concede on commission to help us bring this together? That way we all win!

Mr. & Mrs. Seller, I can appreciate you asking, but I don't negotiate commission.

Mr. & Mrs. Seller, I appreciate you asking, but I don't negotiate commission...especially when I have brought you a buyer!

Mr. & Mrs. Seller, my commission earnings are already being reduced when we make concessions on the property.

Mr. & Mrs. Seller, When you hired me, you hired me to market the property effectively to bring us a buyer. I put forth the expense to do so, in the hopes of finding a buyer. We now have that buyer. I cannot make a concession when I need to cover the expenses I have incurred.

When the Listing Agent Calls...

We are SOOO close, I am willing to cut the commission if you are...

Mr. Agent, I appreciate you asking and I am a team player, however, in this environment, if this doesn't come together I will just sell them something else. They like the home, but I am not willing to cut my earnings to pull it together...

Mr. Agent, the payout on this home is only 2.7% (or 2.5 or 2.25%). I have already had my earnings reduced. I am not willing to take an additional hit to make this happen before we ever get started...