Why virtual brokerages will make real estate expansion teams unstoppable

Reposted with permission from Adam Hergenrother.

As soon as I was out of the mountains of Kenauk Nature Resort and back in cell service my email and phone started blowing up. Earlier this week at Mega Camp (one of Keller William's annual conferences) in Austin, John Davis, CEO of KWRI (Keller Williams Realty International), announced the creation of virtual brokerages.

Cue questions, confusion, excitement and general pandemonium. What does this mean for market centers? How does this effect agents? What exactly is expansion? What does this mean for caps?

Will everyone have access to this? How do I get you in my market center? How do I build an expansion business and take advantage of this? What is a virtual brokerage?

Let's slow down a second.

Expansion (which we originally called duplication) is when a real estate team owner, who is part of a brokerage, expands his or her business outside of the local market. Think of expansion as a team without geographic borders.

Gary Keller actually gave birth to this idea 15-20 years ago. Perhaps agents and the industry weren't ready for it. Perhaps technology wasn't ready for it. About five to seven years later, Keller tried again, and it failed for a second time.

But, in 2011, Keller and I started to have these conversations about expansion, and it clicked for me instantly. You see, I was in a geographically challenged area, where I would always be limited to a certain size business because of the wonderful (and small) state that I live in, Vermont.

We have approximately 2,700 real estate transactions per year — yes, you read that right. 2,700 transactions for the entire state. I don't like to be limited, so when Keller floated the idea of expanding my team beyond the borders of Vermont, I was in.

Hergenrother Realty Group, Keller, a few other business owners and I have been the pioneers for expansion over the past seven years. The first several years was all trial-and-error and failing forward.

We went through several iterations and eventually solidified a model that exemplifies our passion for leadership and leverage.

However, in the past 24 months, our competitors caught on to what we were doing and realized that they could provide an expansion model without all the complexities or challenges that Keller Williams has faced due to franchise rights and market center territories. We may have created expansion, but our competitors were exploiting it.

To stay competitive and at the top of the industry, we needed to make a global change to the expansion model.

Enter virtual brokerages.

Virtual brokerages are something that I have been pushing (rather fighting for) for more than 18 months now.

Last week in a private board room with Keller, John Davis, KWRI's legal team, KW's CTO and three other expansion business owners, we were finally able to nail down the virtual brokerage model. Hence the announcement at Mega Camp last week.

This doesn't mean that market centers or traditional brokerages and independent agents are dead. They simply need to shift and adjust to the changing landscape of the real estate industry to stay competitive. Expansion only adds to the viability of market centers. And independent agents who tap into KW technology will thrive.

There are still a lot of details to work out, but here is what we know about how virtual brokerages will work and how they will impact the industry:

1. Brand presence

Essentially, KWRI will create a single "expansion" brokerage in each state. Those individuals who have earned the right to have a seat at this new brokerage will experience the freedom to go anywhere within the state with one universal brand. This is huge.

Right now, because expansion businesses are locked into individual market centers, we need to have a different logo, rules, signs, websites, lead flow, agent name, etc.k in each grid we are associated with.

In some states, that can be 15-20 market centers. The branding complexities alone, not to mention the additional costs, are incredibly challenging especially as expansion teams are scaling and building a massive company within a company.

2. Control our asset

In addition to the branding advantage, virtual brokerages will allow us to control our asset. Right

now, expansion business owners are at the mercy of each leader of a market center based on their often subjective rules, opinions and uninformed decisions about how expansion teams should run.

Market centers have all the control and are able to jeopardize a business in a location in a second. You can't pour millions of dollars, like we have been, into an organization just to be subject to that type of economic risk. It makes absolutely no sense.

Our competition agreed. They have all recruited Hergenrother Realty Group (HRG) and other top expansion businesses, so we know the pitch and the amount of money (millions) they have offered us to switch brokerages. I'd rather keep it in the family.

Virtual brokerages put us on the same playing field with any market center or regional owner, with the same legal rights and autonomy to build our business as we see fit. This is a huge win for all parties. Now, we all understand the rules of the game and have a clear system for expanding and taking territory.

3. Market center support

Market center owners and leadership are now realizing that they must encourage these elite expansion business owners to join their offices and provide a supportive environment.

Since the announcement of virtual brokerages at Mega Camp, regional owners, market center owners, team leaders and agents have been calling, emailing, texting and messaging us on social media asking us to explain expansion and virtual brokerages (which is why you're reading this) and basically bending over backward to get us into their offices.

I find this slightly comical because it's as if for the past several years, no one but Keller and a few of us building these companies wanted to pay any attention or give us the time of day. No one wanted to change. No one wanted to learn and understand the value of expansion.

But then companies outside of KW were being created because of our unwillingness to embrace this change. That is unacceptable. As the Chinese Proverb goes, "The best time to plant a tree was 20 years ago. The second best time is now." The time is now.

Suddenly, everyone is waking up and realizing we better get our ass to the dance. Again, this is really a win for all parties because it is where the industry is headed. Keller and I (and a few other people) have been doing this for almost seven years. It's time for everyone else to join the party.

I predict that the number of Realtors will decrease from about 1.2 million to under 700,000. And the company that nails expansion will end up with half of them.

Market centers will continue to play an important role in expansion businesses (I also own a market

center and business centers, so I want this to work for everyone). Market centers will provide the physical space, a cohesive culture and a platform to build off of.

Think of market centers as Whole Foods for Amazon. Why did Amazon buy a physical location? Because it realized that technology needs to overlap with physical space. It's no longer one or the other.

The companies that succeed will be the ones that embrace robust technology and layer that with a dynamic physical experience. This is where market centers of the future and expansion will exist.

For example, inside a market center you may have 200-300 agents, with 15 large teams (each with 20 team members). The market center of the future will embrace Keller Command, Kelle and more to enhance agents' businesses and allow them to scale with a predictable model.

4. Competitive caps

Expansion businesses who have earned the right to the virtual brokerage model will have universal competitive cap structures. We are still working through various scenarios but are excited to launch this soon.

This will likely be a fixed cap for the expansion team leader/CEO and then a very small team member cap. It could also be a single team cap per year, for up to 15 agents. The next block of, say 10 agents, may cost another cap per year per team.

This is a major win for expansion businesses. Market centers will have the right to offer even more discounts or benefits to get expansion teams into their market centers. In the past few weeks alone, I've been offered free caps for the entire team to put an HRG team in a market center. This is capitalism at it's best.

So, why expansion? Why not just join a traditional brokerage or even join Keller Williams as an individual agent? What is the value of expansion?

Expansion equals execution in real estate. It is the next level of teams. Amazon is awesome. Amazon Prime is even better. HRG executes. We get agents into production — fast — through our models, systems, technology, agent services, accountability, marketing, training, referrals and exceptional client care, creating customer loyalty and raving fans of our agents and our clients, through both our on-site and centralized services.

We have created a culture where high-performers come to be pushed and challenged and to grow even more. We back up that culture with our extreme commitment to personal growth through business success through our training and accountability. Ideas come to us to be vetted and the right ones executed on so that we all grow together.

Expansion, with the help of virtual brokerages, are taking the steps to put the agent's business back in the forefront, not in the hands of market center owners. This has been Keller's vision his entire life.

Keller is an agent first, and so am I. Taking care of agents creates an incredible culture for them and an incredible experience for customers. Expansion is simply supporting this vision from the inside and making it happen faster.

The opportunities with expansion are endless. One of the elite expansion teams (and there are only a few) will be then second, third, fourth and fifth largest real estate companies in the world. The only reason they will not be No. 1, is because they already operate inside the No. 1 organization — Keller Williams Realty. In this case, I'm OK coming in second.

Interested in learning more about expansion businesses, virtual brokerages and how you can join forces with one of the elite expansion teams, right now? Email hallie@adamhergenrother.com, and she'll connect you with the right resource so you don't miss out on this real estate revolution.

Adam Hergenrother is the Founder and CEO of Adam Hergenrother Companies, which includes KW Vermont, Hergenrother Realty Group, BlackRock Construction, Adam Hergenrother Training Organization, and Hergenrother Foundation. Follow him on Twitter.

Source: click here