



## **Changing market creates need for a new business model for estate agents.**

The rapidly changing property market has brought about a need to adjust the way estate agents have been conducting their business from offices with high monthly fixed costs such as rentals and an administrative staff component – restricting their activities to the specific office or area.

Several national property brands have during the last 2 years either closed some of their offices or have consolidated their operations into regional offices. Several independent estate agencies have also closed down due to the big contraction in sales volumes estimated at between 30 - 50% countrywide.

Maintaining an office for an estate agency is somewhat of an oxymoron as it generates only about 3-4% of all property transactions – with the estate agent's circle of influence responsible for about 70% of all property transactions. The continuation of a business model with such a disproportional return on investment is only made possible on the back of the member agents who are subsidizing it with 40 to 55% of their commission earnings.

The technological advances in the tools available to estate agents have since the advent of the cell phone and the internet abolished the need for a physical or conventional shop front based estate agency all together. Estate agents do not sell property. They sell information about property – i.e. deliver a service to buyers and sellers of property. The level of their service is based on their expertise, experience and the quality of the databank of property information compiled by participating member agents in the area to which they have access to.

The quality of the service cannot be improved by a professional office site in the same manner as a shop in a mall forms an integral part of the shopping experience – especially when it comes to convenience for the client. The window shopping element of "properties on display" has been replaced by a much more informative and private tool - the website of the estate agency. The buyer or seller can in this way avoid direct contact with the average dependent (non entrepreneurial) estate agent who needs to survive of unqualified and mostly "lukewarm" or "by chance" clients. Sellers and buyers of property will rarely entrust the largest transaction they will encounter during their lifespan to a stranger in an office just because the office provides a professional environment for "an encounter by chance".

The non tangible nature of an estate agent's service, that is the relevant information and knowledge the agent bring to the property transaction, fits perfectly into the



mould of a cost effective and professionally managed virtual office. **The quality level of the agent’s service is which set the estate agents apart and not the venue from where their administration is handled or the brand under which the office is functioning.** The abovementioned 70% of property transactions is a direct result of the different service levels provided by the different estate agents creating a **system of referrals for the top 30% of estate agents which captures and will keep on capturing the majority (70%) share of property transactions all over the world.**

The need for a physical venue only arrives at a fairly advance stage of the transaction - when the buyer needs to make an offer. The offices of the CCH legal panel of attorneys offers a perfect venue – especially should the buyer need to clarify legal issues. The more relaxed (“shopattainment”) alternative for a straight forward property transaction is a table at a local cappuccino purveyor.....

CCH has introduced a virtual office concept to the Helderberg real estate market – assisting agents in the Boland and Wildernis area.

CCH opened an office for agents in the Northern Suburbs of Cape Town at the end of 2009 in the Vodacom World of Golf in Tyger Valley. The Northern Suburbs office has already obtained a marketing mandate for the only golf course development to be launched in Cape Town in 2010/2011.

CCH provides top-notch real estate virtual office assistants as well as real estate traveling assistants for member estate agents – a cost effective solution to the inflexible and conventional office based (bricks-and-mortar) way of marketing property. By staffing either virtually via internet assistance or by way of a traveling assistant to the agent’s home office, the agents can deliver the service levels expected in the industry - but for between 250 to 625% less commission paid by the 80% and 90% member agents to the broker owner or the office.

The more successful an agent becomes the higher his or her net commission earnings can be – i.e. when the agent choose to carry a larger part of the offices fixed monthly costs in exchange for a higher commission share.

CCH Associates & Affiliates					
55/45	65/35	70/30	80/20	90/10	Commission Splits
20	308	458	921	1381	Total Monthly Costs

The member’s monthly CCH office costs depend on what commission structure they have chosen to operate. The five different commission rate choices for CCH members is adjustable with a thirty days notice period and is 55/45%, 65/35%, 70/30%, 80/20% and 90/10%.



<b>Associates &amp; Affiliates – Commission Allocation</b>				
<b>55/45</b>	<b>65/35</b>	<b>70/30</b>	<b>80/20</b>	<b>90/10</b>
Agent 55%	Agent 65%	Agent 70%	Agent 80%	Agent 90%
Franchisee 40%	Franchisee 25%	Franchisee 20%	Franchisee 11%	Franchisee 5%
CCH Holdings 2%	CCH Holdings 2%	CCH Holdings 2%	CCH Holdings 2%	CCH Holdings 2%
Marketing acc 0%	Marketing acc 4%	Marketing acc 4%	Marketing acc 3%	Marketing acc 0%
Saving account 1%	Saving account 1%	Saving account 1%	Saving account 1%	Saving account 1%
Recruiter 1%	Recruiter 1%	Recruiter 1%	Recruiter 1%	Recruiter 1%
Mentor n/a	Mentor (6 mths)1%	Mentor (6mths)1%	Mentor (6mths) 1%	Mentor n/a
Admin 1%	Admin 1%	Admin 1%	Admin 1%	Admin 1%
<b>Total 100%</b>	<b>Total 100%</b>	<b>Total 100%</b>	<b>Total 100%</b>	<b>Total 100%</b>

The members gross earnings of up to 90% of the commission is nearly double the commission estate agents from the conventional agencies can generate within the more restrictive and expensive business models of the office based companies. The conventional estate agencies either charges the agent an administrative or desk fee up to R4 000 per month, or take between 40 to 55% of the gross commission earnings on each transaction.

CCH’s agent membership doubled during the last 2 years.

If you are an experience & successful estate agent who would consider taking on the challenge of building your own business by joining the CCH team, please phone Benhard Wiese at 0846112293 or send your details to [benhard@cch.co.za](mailto:benhard@cch.co.za) (for the Boland and other areas) or to Etienne Labuschagne on 082 561 7065 or [etienne@cch.co.za](mailto:etienne@cch.co.za) for the Cape Town Northern Suburbs.