

# Borders

by Donald Teel



Market definition is an increasingly powerful component in the *New Real Estate Economy*<sup>1</sup> and there is a coming battle looming on the horizon with respect to what constitutes your market area as a broker/owner.

It is my contention that the power to define markets is also the power to control them and therefore, exercise influence over the resultant economic benefits to be extracted from them. The economic model espoused by franchisors capitalizes on the broker/owner's perception of "market" and seeks to control that definition via the franchise model terms and conditions. Franchisors are reliant upon the old geographically define notion of market area and they, to their credit, have succeeded in capitalizing upon it.

Do the math...it pencils out nicely, in favor of the franchisor. A franchisor with ten brokerage firms, servicing six adjacent metro communities, who each have geographic specifications with respect to where they can have an office will truly limit the growth potential of the owner to the benefit of the franchisor. Whereas, if one of those firms operates in all markets within that metro area, the fees paid to the franchisor will diminish to the profit benefit of the owner. This worked well for the franchisors when the industry operated within limited borders due to the manner in which the consumer was required to show up at the office for property information.

When consumers had no access to property information without visiting the broker's office markets could be defined narrowly because all property information was controlled by, what was then called the "Board of Realtors," which was in turn owned by the real estate company broker/owners who conducted business within the same market(s) serviced by the Multiple Listing Service.

The *New Real Estate Economy* is changing the definition of the market as we have known it for several decades. This change is what I have termed "*The Third Economic Wave*<sup>2</sup>" of the real estate industry, one known as "*The Consumer-Centric Era*<sup>3</sup>."

What we have created within the industry that defines our markets is now collapsing before our very eyes. Why? Because the consumer doesn't recognize our in-bred definition of "the market" and prefers to altogether ignore such silliness in favor of simply viewing the market as whatever the consumer says it is. Take that!

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<sup>1</sup> The Founder of e-Partner®, Donald Teel, first coined the phrase "New Real Estate Economy" in 1996 and coupled it with what is now referred to as "The Third Economic Wave" of the real estate industry which began in 1994 and continues to the present. This is the "Consumer-Centric Era."

<sup>2</sup> I have divided the entire timeline of the real estate industry into three distinct economic waves or eras, each characterized by certain features. These are discussed in detail in my treatise entitled "The Third Economic Wave."

<sup>3</sup> Each of the three eras or waves in the development of the real estate industry was characterized by one of the three parties holding the upper hand. In first Economic Wave the broker held the upper hand. In the second Economic Wave, the agent held the upper hand. Now, in this the Third Economic Wave, the consumer is holding all of the playing cards and driving much of the change taking place in the industry, thus, I characterize this era as the "consumer-centric" era.

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In addition to the consumer redefining “market” for us, a cadre of what I have termed “*The Non-Brokers*”<sup>4</sup> have recognized that the consumer want to approach relocation, property information access and the buying and selling of real estate in ways antithetical to traditional real estate brokerage market models. The non-brokers are the Trojan horse entrants who, with agility and exactness, have begun to penetrate markets and erode the broker’s grip on consumer loyalty. For now, let me just say “this is very big!”

The *Non-Brokers* have taught me a thing or two. First, they don’t care who has a real estate office(s) working in the market, nor do they respect our long-held industry alliances. Secondly, something...all markets are now truly borderless. What the “*Non-Brokers*” realize is that with appropriately applied technology services made available to consumers via that Internet they can capture the consumer’s attention and extract a mother load of capital from multiple markets. The “*Non-Brokers*” have their own set of rules...the one’s they are writing. They are not members of the local or National Association of Realtors, nor do they pay homage to our inane claims to rights of passage to the markets.

My business blueprint for competing in the New Real Estate Economy, the Third Economic Wave, characterized by a consumer-centricity is a lot like Ronald Reagan’s view of the Berlin Wall: “Tear down this wall!”

Technology, and by this word, I do not simply mean the Internet but a whole plethora of applications that are finding their expression through the Internet, will change the industry forever by redefining what constitutes our market area.

Borderless brokerage is already a reality. Our challenge is to create the corresponding business models that will allow us to define our markets horizontally, not just vertically, as we have done in the past. It’s no longer about who has the most office buildings or the most agents or the most gross commission income. Ours is a battle for the attention and loyalty of the consumer who is playing the game in a manner still foreign to many brokerage firms.

What is your market? How do you define your market area? Or, maybe I should inquire with respect to whom it is that is defining your market for you. What is the manner in which your company builds multi-market penetration models that are streamlined, consumer friendly and able to operate with tremendous fluidity?

Do you have a market platform that allows you to effectively service multiple markets where you can recruit agents who are not attached to a building but to your value propositions as a company owner? My Company, e-Partner<sup>®</sup> has built a total market network in all 50 States consisting of more than 25,000 seamlessly integrated community-based websites blanketing in excess of 250,000,000 people. Our market platform is only delivered to the owners of real estate companies.

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<sup>4</sup> A “Non-Broker” is a person or legal entity that provides real estate related information services to consumers without being a part of the industry. The non-brokers seek to generate consumer loyalty and to then transform this relationship into a revenue model at the expense of traditional brokerage firms. Some, perhaps most, of the “Non-Brokers” loathe the industry and its practitioners calling them of late a “cartel.”