



The Interview Blogs

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## Who is He...What does He Want?

Posted by REALonomics on June 26th, 2007

### Part One: a Situation

Real estate is morphing. That is the opinion of many, if not most. The extent to which it is morphing is a topic for endless discussion and rancor. One individual who believes the pace of the morphing is quickening is the Founder of [e-Partner](#) and [CityBlogUSA](#) a market management and economic model that espouses full-on horizontal business models, consumer-centric transparency and [paperless transactions](#).

That's not all...there's more. In addition to his passionate, Robin-Hood-like defense of owners, he believes that much of the industry as we know it today is being challenged by new entities he affectionately calls "non-brokers" who are already challenging outmoded concepts of franchising and real estate industry business models that either don't work, are cumbersome to implement and maintain or, more importantly, aren't profitable.

He believes these *non-brokers* and what he calls "neo-brokers" are already emerging and forming technology solutions and alliances that threaten the viability of a large percentage of traditional real estate companies.

### Topic: The Quickening Pace of Business Evolution

"We simply don't have a mature understanding of the pace of evolution within the industry, where it's been, where it's going and how to manipulate its business models on the fly," states Donald Teel, Founder of e-Partner. Teel, a twenty year industry veteran and former owner, approaches our business modeling bluntly but professionally when he states, "We aren't agile enough to quickly shift course because we are weighted down with an old, tired retail model that consumers find repulsive, arduous, expensive and non-transparent," he says.

What does Teel want? "It's a message about owners taking control of the economic forces that are shaping their ROI, rather than being dependent and dangerously reliant upon fickle markets to deliver passive revenue in feast-or-famine cycles...I stopped believing in fairy tales when I was about 5 years old and our industry is largely living on myth...just read the articles about how long the downturn is going to last...where are the articles that talk about the many new, exciting ways we can reinvent our industry during the downturn?"

"What do I want? A true analysis about the reinvention of the industry, its economic models, profitability for owners, market definitions and how we meet the needs of today's consumers, without all of the inhibiting rhetoric about brands, MLS Associations, NAR, local associations and the whole litany of things that used to make this industry work but now need renovation and clarity with respect to how we do the job of listing and selling real estate," says Teel.

### **Topic: "Freedom Summit" for Owners**

Teel insists, "Owners need their own economic summit, where they come to the round table with a legal pad and pen or, if your truly geeky, Notepad, and hammer-out what we are up against and how we can take control of the reinvention of the industry before others reinvent it at the expense of owners and franchisors, including independent firms."

"If 500 owners came together for one week, without speakers, break-out sessions, ancillary service sponsors, cocktail parties disguised as networking sessions, outside interference and influence, I believe we could come up with cutting-edge solutions. This would be a "Freedom Summit" where we forget we are competitors and distinct brands and ask ourselves as owners, are we happy with the industry, its direction, where it is taking us and the profit we produce."

Although Teel supports brand franchising, NAR and local associations, he believes emphatically that it is time for owners to start taking control of these organizations, the process by which they operate and the outcomes they produce before it is too late. "The historical institutions which once served owners and real estate agents have, to a large degree, become self-serving real estate icons that actually place their own interests above the interests of broker/owners at the expense of owner profitability." In short, Teel believes that too often, "...the politics of survival and personal gain within the institutions out-weigh owner needs."

### **Topic: Replicating Inadequacy, Over-and-Over-and-Over**

"We cannot simply keep doing what we do and hope solutions come to us by osmosis because there are too many competing entities within our industry that block innovation and the new definitions of market models, including how owners make and sustain profitability."

"My partner said it best when he remarked that we are an industry made up of control models...everyone is trying to control someone else in the real estate industry's national organizational flow chart."

"Outsiders look at the industry as ill equipped to handle the fundamental changes being thrust upon it and they implement effective models that run counter to us. We should be asking the hard questions about what can be done to dramatically improve how we meet consumer needs, lower operating costs, diminish our numbers, reduce transaction costs and yet, improve our profitability."

"When you have a major Franchisor, like [Prudential](#), showing the likes of [Zillow](#) and [Trulia](#) the door, it's a signal that the industry's arteries are clogged and we are deeply in need of a bypass," Teel says ([see Rock Solid Meltdown post here](#)).

"Prudential owners understood what was happening," Teel states. The bottom line on this, according to Teel is simple that "...industry organizations cannot be allowed to provide Prudential owners with free services if Prudential Real Estate Affiliates provides similar services for a fee." Teel views the Prudential debacle in San Diego as a symptom of the larger economic problem facing owners, i.e., finding new ways to create efficiency models that can produce higher profitability on fewer transactions.

[REALonomics](#), Teel's blog, estimates that up to 65% of all traditional brokerage firms on the precipice of financial disaster..." more owners are profitless than ever before," Teel believes. "Our risky ROI models are catching with us as the tsunami of change batters us relentlessly." "Your franchisor can't help you," Teel says, "they have the same issues."

### Topic: The Third Economic Wave - Consumer Centricity

Teel, a student of the industry's evolution, has divided the history of brokerage into three eras or, what he calls, *economic waves*, each of which is characterized by technology. "Technology has always been the alchemy that produced ROI, even our old MLS books were the technology model of their day," says Teel. "We would do ourselves a favor if we understood the [First](#), [Second](#) and especially the [Third](#) Economic Eras of our own industry."

Teel's outline of the industry recognizes three overlapping eras with each new economic era supplanting the former with new technology while diminishing owner profitability. "As the industry has inched forward, owner profitability has steadily declined to its current negligible amount and operating complexity has increased," Teel believes.

"We have entered a [Third Economic Wave, the Consumer-Centric Era](#), with entirely new operating rules or worse, no operating rules at all, where owner agility will be the greatest asset they possess," Teel believes and he is emphatic when he says, "Owners are running out of options for profitability because they continue to cling to a tattered security blanket of a bygone model that is clearly dead on arrival...bricks and mortar, retail operations that rely

too heavily on space allocation and manual labor to service consumers and provide transaction management.”

“Consumers,” according to Teel, “have their hand on the economic joystick as they increasingly reject our service models that contain too many control-barbs in favor of open, free-wheeling, transparent real estate that allows them cost-effective choices without notions such as buyer-brokerage, please sign here so I can control you.” Teel says, “its just time to buck-up and admit it, consumers don’t like our model...they tolerate our model...there aren’t many options...and that’s my point, why aren’t owners creating the options internally; shouldn’t we be partnering with the consumer?”

## [REALonomics on e-Partner](#)

Posted by REALonomics on July 5th, 2007

### Part Two - The Interview

This is the second installment of a three part series focusing on the thoughts and business models of Donald Teel, the Founder of e-Partner, his view of the real estate industry and the issues facing broker/owners in what he calls "[The Third Economic Wave, the Consumer-Centric Era.](#)"

The following interview is a compilation of a pre-existing interview from 2002 with updates that address today's contemporary real estate industry issues.

Q - What prompted you to dream up the e-Partner Program?

A - Actually, it was something that evolved as a result of my partner and me seeing how business was being transacted in our own real estate company and being willing to confess that we couldn't continue to do business as usual. Two things created a need for change. The first was the way I saw buyers using the Internet to shop and admitting to myself that they couldn't care less about what Company and what agent answered their questions and delivered real estate information to them...I know many don't believe this, still.

The second factor was a very simple economic reality. Over several years from 1996-99 I came to firmly believe that traditional residential real estate operating models were going to enter an era where their viability would be seriously challenged. Fortunately, the decade long market run-up bailed out the industry and delayed the inevitable. But now, here we are again, back to the future!

These two issues led me to rethink and retool what I was already working on, the idea of fluid regional real estate models that could cut across the traditional inhibitions inherent in our business models and truly deliver a consumer-centric, transparent model. And in my attempts to produce such a model, I was met at almost every turn with industry resistance...no conspiracy, mind you, just cultural and operational resistance to a new economic reality.

Q - What is the economic reality you talk about with respect to a real estate company?

A - Certainly, it is something as academic as simply paying the bills month-after-month but more importantly, it was the final acknowledgement that

things have to change in the manner in which real estate brokerage firms make money. For example, if you are a franchised broker, first-out money goes to the franchisor and this is typically, 2-8 percent of the gross, money that used to be the broker/owner's profit. So, what does that money get me, what is its ROI? For example, if I pay six percent of \$10,000,000 (\$600,000 or, \$50,000 per month) to a franchisor, what's my performance guarantee and how does my business produce a profit on the \$600k investment? I have actually asked owners, "what's your ROI on the franchise fee, have you ever quantified your franchise investment?" Most of the time, an owner doesn't know how to quantify the capital investments he/she makes every month. This is the type of analysis owners should be thinking about. Lest I appear to be picking on franchisors, I am not, this is but one example of the financial commitments an owner makes. We can talk about office space, relocation strategies, marketing and closing costs as well because they all represent financial commitments...overhead.

e-Partner is an economic model, premised upon the fact that owners don't have to work in the manner they have been working...in fact, we can't work in the manner we have worked if we want to build effective businesses with meaningful ROI. Profitability, sustainability and ROI is the economic reality facing owners...this has to become our core reality.

Technology, primarily Internet technology, enables us to create new revenue models, but we have to believe some very basic things. And, if we don't believe them, we are going to be extremely frustrated as owners or, I should say, caretakers of agent-centric models which, if operated under the old economic principles of real estate, will eventually break down.

Most people think the letter "e" in e-Partner refers to "electronic" but it doesn't, it refers to "economic." Broker/Owners ought to be in the business of creating "economic partnerships" with multiple markets, agents, consumers and a host of other tangible relationships that produce meaningful, well-managed ROI.

Q - Why do you insist on talking about the e-Partner beliefs and what are these beliefs?

A - I'm convinced that until we actually believe something we won't act, change or adopt new ways of thinking and what usually creates a new set of business beliefs is sadly, economic pressure that threatens viability. If most owners are like me, we simply keep going, executing the requirements of our operations, devoting little time to the challenge of re-thinking what we believe, not only about the future of the Companies we own but also about the future of the real estate industry. Owners are dragging a fire hose around with them, putting out brush fires that are escalating into towering infernos. There

is little support for the creation of new economic models that can make the science and art of brokerage ownership more satisfying.

We have four beliefs and these are irreducible minimums if one is going to implement competitive change. Here are the required owner beliefs or admissions that empower us to change:

1. The Economics: We are operating our companies from a position of economic weakness by having too much overhead, too many agents and not enough technology. We are still a very old-fashioned industry.
2. The Model: We run business models that are incompatible with the new real estate economy which is going to become almost entirely information aggregation that owners and agents will not necessarily be able to control. We should believe in fluid business models and replace our rigid, retail models with agile economic business models.
3. The Markets: We function in fluid markets, not the old static, limited markets where we defined ourselves in terms of a city or zip codes known as a an "Effective Market Area" or "Effective Service Area" or "Market Service Area" terms coined by franchisors to support their economic model and their cash flow requirements.
4. The Consumer: We are being forced into a tight corner by what I have called "non-brokers" and "neo-brokers" who are dedicated to a transparent real estate economic model that partners with consumers. Many owners think we are still operating in the Broker-Centric Era of the real estate industry...nothing could be further from the truth.

If we believe, and I mean "BELIEVE" in all caps, these four simple truths we can begin to implement dynamic new models that produce revenue and growth within larger consumer-centric markets.

Q - So, what does e-Partner do for Broker/Owners that can help them transition to the new real estate economy?

**A** - Several things. First, it gives them a way to think and manage change without blowing up their companies chasing the latest fads. It enables them begin to view their old static, highly limited market, usually a town or city, as an open market where they can compete through the strategic use of very simple and cost effective technology models that will attract agents, identify growth opportunities and minimize capital risk. Minimization of capital risk is the big one.

In addition, e-Partner provides an owner with a platform with minimal overhead and a proven model for recruiting, acquisitions, mergers and ancillary revenue streams in totally free markets, inhibited only by an owner's vision

and discipline. It can mean things like providing services to agents who are NOT in your company...there's a thought...and creating new sustainable financial operating systems within their companies and with agents in multiple markets.

Q - What is it that gives e-Partner its power?

A - In a word, and second to understanding where the industry is going, technology. But we aren't a software program and we don't build websites for people. As I said, we are an economic business model for real estate companies with a belief system that utilizes technology and the Internet as one delivery component of the program. I fully subscribe to Paul Zane Pilzer's premise in his book *Unlimited Wealth*, that technology always creates wealth and new economies. We have been playing around with the Internet since about 1994...that's 13 years...and we still get stuck on websites and "lead gen" rather than business modeling in a consumer-centric era. Our websites look like our companies and they shouldn't, they should look like the consumer. There is a big difference between having a website and executing a business model that utilizes the Internet.

The real power is discovered when we truly recognize that e-Partner is only doing what the market is already doing and saying to us as owners. I discovered...actually, I should say, consumers told me that Northern Arizona was an entire regional real estate market made up of cities. The consumer educated me as a logical result of seeing how they preferred to relocate, shop for real estate, communicate and most importantly, how they prefer to relate to real estate companies and agents during the pre, mid and post transaction mode.

Then, I subsequently discovered that the State of Arizona (what we call a "geo state") was a macro-market. The sad thing is, most Brokers are not playing in the whole market because they lack the time, capital and expertise to play at that level, they are too busy running their offices and companies. e-Partner won't save a company, but it will help an owner play in multiple, horizontal markets by providing a platform. Then owners need to look at the way they manage transactions from the agent front end to the closing back end. We are [awash in paper](#) and it is killing us economically because we engage a transaction and manage it with a manual labor force...and, that's just one issue...add to it wasted advertisement dollars that don't create consumer awareness, commission structures that wipe out an owner's ability to generate new growth, etc.

Q - You mentioned some of the current problems with traditional brokerage. Are you talking about 100% commission firms or just traditional split commission companies?

A - Good question. The answer is both? In fact, many 100% firms aren't making it financially either. To make ends meet, it takes three to perhaps ten agents in a 100% firm for every one in a traditional company. The 100% firms have discovered that the panacea isn't found in simply giving away all the revenue. As a result, what have some of the 100% companies been doing? But those are not the real core issues...the real issue is HOW we structure relationships with independent contractors and the high cost of traditional retention...translation, throw money at them. We are the only recognized industry the IRS allows to receive both 1099s and W-2, why aren't owners exploiting this in their market areas?

Last month I spoke to an owner of a Re/Max firm. They have no 100% agents because they can't make money giving away all of the money...smart owner! Many so-called "100%" models have been adopting split commission menus. My point is we are all caught. It isn't about commission splits, owners lost that battle a long time ago. e-Partner is about the creation of new revenue models with franchisors, agents, the markets, transaction systems, etc. I look at the whole business and ask, "how do we make this work, economically?" That is, how does this make money, how much money, what's the acceptable ROI and how do I get there, what's the cost of delivery and does it even work at all? We need to roast some sacred cows. I know this is scary to a lot of owners, but we have to do it to make the transition to the [New Real Estate Economy](#).

Q - What are the big threats to owners today that need to be examined?

A - Oh, my! First, we are our own threat because we are no longer running the industry it is running us. Secondly, we have the "non-brokers" who have no inherent interest in the historical industry...they are coming on big-time with the introduction of new consumer-centric experiments and we are many times the rats when we should be running the labs. Another is the sheer cost of doing business that owners take on, many times without an economic plan or proven model for success...we "wing-it" a lot of the time. From there it's our market models, agent compensation programs...these are the quick-list items.

We need to look at models purely from a revenue performance, asset development perspective. Our models should bring **NEW** money in the door, not simply re-shuffle the limited capital available within the company. Brokers are trying to do more for their companies with less capital and taking a financial bath while doing so.

Q - What is this "[New Real Estate Economy](#)" you keep talking about?

A - It's two things, really. At the forefront I am referring to the speed at which technology and the Internet is changing the way we do business and the opportunities this creates for us, if we seize the moment.

Secondly, it's about the [consumer-centric](#) nature of everything in the global and national economy. It's the [democratization of real estate](#) and I'm not certain we totally appreciate this phenomenon and the ways that it can make us incredibly effective and profitable! The consumer is going to continue to make demands on us, the question for owners is whether we can step up and devote the time, energy and vision to recreating our relationship with the consumer, one person at a time because that is where it is going.

The long and short of it is simply that e-Partner seeks to address the issues that are destroying the owner's side of the business. e-Partner is not about having a company website, it's about the blueprint we use that needs to be etched, not in stone but rather in water so that we can direct its fluidity toward the Niagara Falls of profitability.

## [REALonomics on CityBlogUSA](#)

Posted by REALonomics on July 11th, 2007

### Part 3 - CityBlogUSA

This post is the third installment of a three-part series with Donald Teel, the Founder of [e-Partner](#), and it addresses blogging in general and the [CityBlogUSA Network](#) specifically; its mission, model and functionality. In addition, this post looks at the place of blogging in real estate business model paradigms in a consumer-centric industry.

**REALONOMICS:** [CityBlogUSA](#) is a pretty stout venture, what's the nutshell on this thing?

**CITYBLOGUSA:** The [e-Partner](#) team took a look at the blogging phenomena during the first few months of 2006 and made some important discoveries about blogs and blogging that we thought might guide us into that universe. We decided there were reasons it was a space we could not ignore.

**REALONOMICS:** What were the discoveries your team made and what were the compelling reasons to jump into the blogging ocean?

**CITYBLOGUSA:** "Ocean" is a good word to describe blogging and it was one of the discoveries; the sheer enormity of blogging as a social medium for interaction and idea pooling is profound. We also discovered that a lot of people were writing, only a few were reading and even less are commenting, leading us to conclude that we were still in the infancy stage of blogging as a means to new business models. We discovered that only a very small slice of blogs had what I would call "meat and potatoes" content...real view points, cutting edge thinking...and they ranged from the cute boutique blog to high-powered political blogs.

But far and away the largest discovery was that blogging isn't really being used as effectively as it can be within the real estate industry to create peer-to-peer relationships and business models that can help owners of real estate companies. Owners don't know much about blogging and are generally confounded by it. Finally, we discovered that only about 10% of all owners had a grasp of what blogging is; they asked us, point blank, "What is blogging?" While many are saying blogging is peaking, I'm saying, for the industry we have no clue yet what it can mean to us in terms of consumer loyalty.

Our reasons for creating the [CityBlogUSA Network](#), however, were more than fanciful and had to do with our business belief about consumer-centricity within the real estate brokerage business and the fact that real estate companies should utilize blogging as a part of their business development strategies. We work from the premise that anything good for the consumer is

good for the broker/owner...literally, everything, and this belief can ultimately create higher profits for owners. Having been one, I can say, owners are generally skeptical people and tend to be a little intimidated by consumer demands. Blogging allows us remove the sense of nervousness about opening up the operation to consumer scrutiny.

**REALONOMICS**: Tell us about the consumer side of the [CityBlogUSA Network](#).

**CITYBLOGUSA**: We decided to take a risk and empower the consumer to do what the consumer is already doing or, in fact, wants to do...communicate with others about real estate, thus the marketing tag "Ask the people who live there." Our first premise, which is the premise of blogging as a social media, was residents know more about living in a city than others do and should be afforded the opportunity to post information about not only real estate but any other topic they want to discuss, from acupuncture to zoology.

We believe the democratization of real estate is evolving at a quickening pace. Peers want to dialogue with peers. Consumers trust other consumers. We need to acknowledge this and create the business models that match this truth, rather than resist the change.

From the business side of the [CityBlogUSA Network](#) we asked ourselves a penetrating question, "why aren't owners providing community-based blogging within the markets for residents who have a story to tell and consumers who want to relocate, need to sell where they live and buy real estate in a different city?"

**REALONOMICS**: What were the reasons owners weren't providing such a medium for their markets?

**CITYBLOGUSA**: Lack of knowledge, understanding, initiative, technology enablement and a dash of fear. Like I said, broker/owners, too many of us, didn't even know what a blog was! Owners didn't have the time or the technology savvy to create blogs, manage them and make them work.

When we started to tell owners we were going to empower residents in their markets to talk about their "favorite city and home town" via a social networking medium the top immediate question was, "who is going to police what they say?" Which is like saying, "we exist for our clients but we really don't want total transparency and unfettered communication because we might not like what they say."

**REALONOMICS**: Where is the [CityBlogUSA Network](#) now in terms of development.

**CITYBLOGUSA**: Square one...and, it's a round BETA hole and our sledge hammer is pretty beat up. On a scale of 1 to 10, we are .0023418! Seriously, we took the *WordPress Multi-User* platform and had to do some pretty strenuous code enhancements to make it work in every State and City in the United States and

within the entire e-Partner Community-Based Network. Every developer who does this will attest to the concept of "Protracted BETA" or, the work is never done. Right now the [CityBlogUSA Network](#) is up, running, being blogged, agents are joining, owners are joining and we are at about week four. The truly motivated are jumping on board because we are offering some degree of exclusivity to owners who want to be in the middle of this and the agents who want to position themselves. We are just scratching the surface and moving very deliberately toward solutions, avoiding jumping on every bandwagon that hits the Internet weekly.

We have no illusions about resident/consumer blogging. Despite the growth of blogs, the vast majority of consumers are still not fully literate about the blogosphere and how it can empower them...but, they are learning quickly, which is why the real estate industry needs to be at the forefront of the creativity and implementation curve, not behind the eight ball.

**REALONOMICS:** Where does the real estate industry fit into the [CityBlogUSA Network](#)?

**CITYBLOGUSA:** First and foremost, all that we do at e-Partner involves the industry with a primary focus on broker/owners and the consumer. We start there. However, we are not creating the blogging network so that it can feature real estate practitioners as its centerpiece; that would be counter-productive to the consumer-centric models we believe in and where the industry is going.

The [CityBlogUSA Network](#) is consumer and resident focused with broker/owners and agents in more of a supportive role, i.e., we are here, you can find us, blog with us, ask us questions, use our knowledge and invite us into your world if you choose to do so.

In this sense we are not like [ActiveRain](#), which is far-and-away the industry leader for promoting agents and ancillary service providers at the front end of their solution. We don't have a "come one, come all" element. In fact, we have a "first come, first served" model for agents. We are actually creating limited exclusivity for agents at the community blogging level. If you visit our [Myrtle Beach blog](#), you will see agents from Century 21, independent firms and Coldwell Banker, while the South Carolina Blogging Network is used as a tool of another brokerage firm. I honestly believe the blending of the industry is the wave of the future and it isn't a new phenomenon. [Zillow](#), [Trulia](#), [ActiveRain](#), [CityBlogUSA](#) and others are doing it. In our traditional circles, we have resisted it to a large degree with the exception of [Realtor.com](#), where all firms, brands and agents get to play.

What's different about the [CityBlogUSA Network](#) is the consumer-centricity and resident focus. It will take us a while to get where we need to go, so we are in it for the long haul.

**REALONOMICS**: How do people get involved in the blogging network?

**CITYBLOGUSA**: Easy, they go to [www.CityBlogUSA.com](http://www.CityBlogUSA.com), pick a State and a City and hop into authoring, commenting and suggesting ideas to their hearts content. They can upload photos of their community through the PhotoBlogUSA component as well. If they are serious about exposure they can spend some money to promote themselves to consumers and residents by engaging in highly target ads.

If a user wants to hop directly into their State, they can simple dial in their browser to such locations as [CaliforniaBlogPage.com](http://CaliforniaBlogPage.com), [AlabamaBlogPage.com](http://AlabamaBlogPage.com), [MaineBlogPage.com](http://MaineBlogPage.com), etc. Just hammer the state name into the address bar and follow it with *BlogPage.com*.