



Industry Leader Interview

Gary Keller - Founder
Keller Williams Realty International

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REALonomics: Keller Williams has seen excellent growth in the past decade, what are the core specifics of your economic model that serve as the fuel for KW's acceptance in the market place?

Keller: I think it has to do with the economic soundness of our model. It was created out of the tough market of the late 80's and is built on low risk and a managed rate of return.

REALonomics: How did the books *Millionaire Agent* and *Millionaire Investor* change your role in the organization and how did it contribute to the success of KWRI? Are there more books coming?

Keller: Actually, these two books came about because of my role in the organization. I have always been a student of the real estate business and helping agents grow their business is a real passion of mine. We wrote a third, FLIP, which also went on to be a national best seller. We are now working on HOLD and Buying Your First Home. All of these books have a common theme: to be the definitive models on the subject and to always portray the role of the real estate agent honestly and positively.

REALonomics: How has the economic relationship changed between broker/owners and real estate agents in the last decade? And, how is the relationship of the industry changing with respect to the consumer and a more transparent real estate experience?

Keller: I don't think the economic relationship between the broker/owner and the real estate agent has changed. There are 3 models out there (the dependent, independent and interdependent) and all three have found a level of acceptance. I think the relationship with the consumer hasn't changed either. The only real change I've seen is that more and more companies and agents are now, through the Internet, giving all the information about properties to the consumer without a real "lead capture" system in place.

REALonomics: Some organizations, we happen to be one of them, think real estate franchising has reached somewhat of a saturation point. Do you think this is true in any way and if so, how does KW define its growth model for the future?

Keller: I really don't think of it that way. There is "franchising" and there is "brandchising". The industry is absolutely saturated with "brandchising" but not with "franchising". One offers a brand and the other offers proven models and systems and support for both. There will never be a saturation point for offering proven models and systems to businesspeople.

For Keller Williams Realty we actually have always defined ourselves as a training and consulting company that simply uses franchising as its legal relationship with the people it's in business with. This reminds us everyday of what business we're in and what our people expect from us.

REALonomics: We are obviously out of the rapidly appreciating market run-up we all enjoyed. What is your advice to broker/owners regarding how they can weather the current financial storm in the lending industry?

Keller: The current market condition was inevitable. That is why we call it an economic cycle. When experiencing the downside of a cycle businesspeople (broker and agent) must do two things: cut expenses to the core and put focused effort around driving growth. You first have to protect your margin and then build from there.

REALonomics: We have surveyed, informally, about the need and desire for more consolidation of property data both regionally and nationally, what's your opinion on this subject, is consolidation good for real estate companies, broker/owners, agents and the consumer or not?

Keller: The only issue for me is what makes sense economically and provides valuable service to consumers, agents and brokers. It must pass this test for each market.

REALonomics: Do you think there are too many real estate agents in the industry? If so, why can't this industry do what others do and cut back its labor force to create a better economic model? What's our hang-up with respect to our come-one, come-all approach?

Keller: Yes, but that has always been the case no matter what market we've ever been in. Since the nature of our relationship between agent and broker is one of independent contractor it really has never been the role of the broker to decide how many people are or aren't in the industry - only their company. The number of agents in a market is always driven by how much commission or fee income is available to them from that market. As long as agents are independent contractors this will likely be how the number of agents in a market is determined. I personally don't have a problem with the come-one, come-all approach. The issue should be professional behavior and anyone who can meet the state and local requirements for this should have the choice to decide if this is a profession for them.

REALonomics: Do you think broker/owners are leveraging technology and the Internet in ways that truly make sense for themselves, their businesses and the consumer? Do you advocate paperless solutions such as tablet PCs for agents and back end transaction management technologies?

Keller: This is a tough question to answer. I think the bottom line is that most don't know what they're doing. Without a sound lead capture and conversion system in place, which most don't have, the Internet is being run like a real estate help desk where all the information is given to the caller and then we hang up.

The trick to paperless is that the transaction must start there from the beginning or otherwise moving it to there is extra work not saving work. Remember, just because the capability to do something exists doesn't mean it should be done or makes life better just by doing it. This is the trap of "techno-babble" that many fall into. They chase something because it is possible and never ask the bigger questions that should drive their decisions.

REALonomics: Are you seeing broker/owner profitability problems in the current market situation and do you think the industry is going to see the closing of doors with respect to real estate brokerage firms.

Keller: Those companies who can't cut expenses to the core may truly have a tough go of it in this market we face right now. Those who can will be the winners coming out of it.

REALonomics: We have a readership of thousands of people from all aspects of the industry including franchises, title, mortgage, owners and agents. What's the most important message you have for the industry as a whole?

Keller: I have three:

1. Think Big, Aim High, Act Bold and Live Large!
2. Follow sound economic models and don't waiver from them!
3. Never give up and never surrender!

REALonomics: What question would you most like asked of yourself and what's your answer?

Keller: What matters the most to you? And my answer is GOD, FAMILY and then BUSINESS!