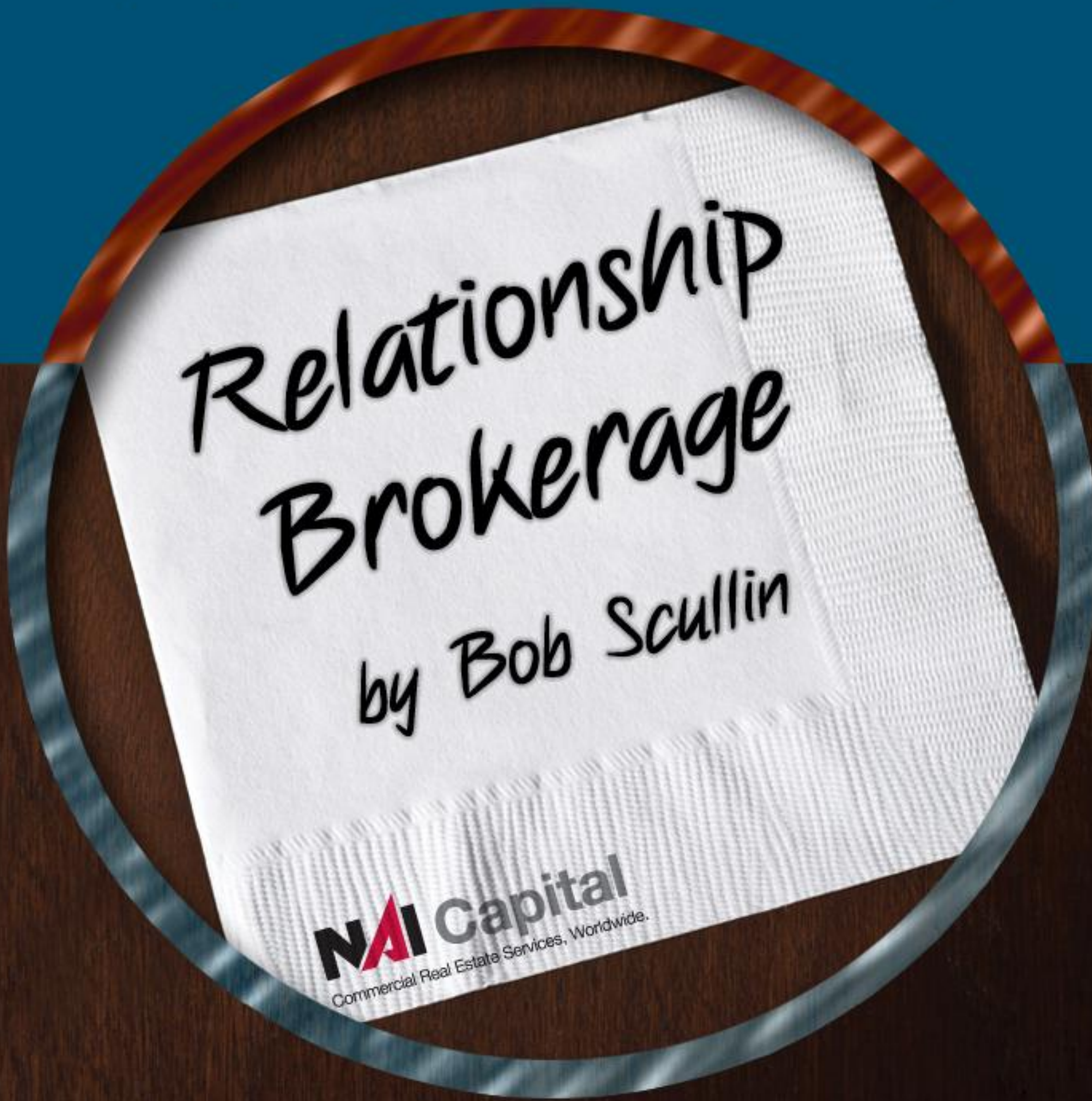
Quit your *job* in brokerage and start a *career*.
Give up haystacking to become a Relationship broker.



With Foreword by David C. Blanchard, EVP, NAI Global,
SIOR Instructor of the Year 2008-2009-2010.

Relationship Brokerage

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Relationship Brokerage
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Foreword

By

David C. Blanchard

Executive Vice President, NAI Global

SIOR Instructor of the Year 2008-2009-2010

When Bob Scullin asked me to write the Forward for his new book, “Relationship Brokerage,” I was both honored and excited. Honored because Bob must believe my thoughts concerning his wisdom, insight and processes are valuable. Excited because Bob, one who has been a trainer and mentor to some of the world’s finest commercial real estate advisors, was putting his wisdom, insight and processes in writing to be studied, understood and applied by others to create better service for their clients while bringing greater fulfillment and reward to their own careers.

The last few years have been tough for practitioners in our industry. It was easier to make a living in years gone by, and somehow some of us got away from the basics that allow us to prosper. Perhaps we have forgotten how to be good prospectors, how to fill up our pipelines and how truly connect with the need and wants of others while working diligently to help them create a path to the fulfillment of those needs and wants. Bob takes us powerfully back to the process of effective prospecting, which, if followed over the long term, will create genuine prosperity for those whom we serve and thus … for ourselves. Wow!

Bob’s acuity of what should be done, where it should done, when it should be done, how it should be done and with whom it should be done, is nothing less than an effective roadmap for success. He encourages us to leave behind the burden of finding ‘the needle in a haystack’ to work with those who come to know us, trust us, and engage us as their trusted advisors. It is all about relationships! This writing not only underscores that principle, but also gives us the techniques and practices we must undertake to actually establish and build better, stronger and more rewarding relationships.

It has long been my belief that knowing ‘how to’ accomplish a goal brings authority to the process of becoming. Embracing and practicing the methodology so clearly defined by this writing will help you clarify your mission, focus your energy, unify your purpose, outline your process, magnify your strength and keep you on course!

One of my favorite quotes of all time was profoundly articulated by William Jennings Bryan who said, “Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, it is a thing to be achieved”. So, I would encourage you to read on! Get ready to restart your engines! Get ready to reenergize your career! Get ready to feel and reap the rewards that come to those who can and will look inside of another’s experiences and sharing to gain new skills, methods and practices!

Thank you, Bob Scullin, for sharing your vision, knowledge and energy with all of us!

David Blanchard

About the Author

A consistently high-performing broker and a member of NAI Capital's Circle of Excellence, Bob Scullin is in a unique position to teach to others what he practiced himself over 35 years as a Relationship broker, manager and top executive. Bob is the CEO of NAI Capital, one of the nation's largest private brokerage firms, and leads the company in strategic initiatives. Managing 14 offices with hundreds of brokers and employees, Bob daily renews his commitment to the success of his brokers. He truly enjoys his work—and it shows.

As both an observer and partner of Bob's, it has been my pleasure to watch him grow into the leader he is today. The commercial real estate brokerage business has cycled multiple times over the 20 years I have worked with and known Bob. It seems to me that he has an ability to accurately predict these cycles and has constantly prepared those around him to survive in an ever-changing industry.

Having a front row seat to Bob's tactics in mentoring, and coaching brokers from rookies to veterans, I can personally attest to the success of Bob's approach to the business. It was with a bit of pride that I read the pages of Bob's *Relationship Brokerage*, knowing that following these documented processes will have tremendous impact on readers. I challenge each reader to implement the systems Bob is sharing. These tested and proven techniques give a roadmap to a successful career in brokerage and the value is evident no matter in what stage the reader finds himself.

An often used quote, *"It is not the strongest of the species that survives, but the one most adaptive to change."* This certainly applies in an industry that is in constant flux. Technology applied in the commercial real estate Industry has caused severe distraction, yet offers limitless possibilities to those who embrace it. Bob's approach to the utilization of technology for brokers is well thought out and systematically allows for the aggressive adaptation of it within the relationship development cycle.

No matter how much technology changes the industry, there will always be a void created by living data. Living data can only be collected through personal relationships and personal relationships are at the very core of what Bob is teaching in this book. I consider Bob to be an expert in the principles of relationship, and the fact he is imparting his vast knowledge to others is a true gift to the reader.

Bob breaks down the personal interactions within the "four corners" of influence in a series of touches that he has been teaching for years. While Bob provokes readers to re-invent themselves, the system itself creates a solid foundation for a long and productive career.

It has been a pleasure to be part of this evolution of the brokerage business with Bob. I know that as readers continue to hone their skills by implementing the strategies outlined in this book, their careers will become even more productive and fulfilling. The very definition of success is *to have a favorable outcome or ending*, applying the processes and systems contained in *Relationship Brokerage* will no doubt help a lot of successful brokers become Relationship brokers.

Eric Powers
President
Healthcare Finance Direct
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Introduction

Quit your job *in brokerage and start a* career*.*
Give up haystacking to become a Relationship broker.

Henry David Thoreau, author, poet and philosopher (1817-1862), once said, “It’s not what you look at that matters, it’s what you see.” We all look at brokers running this way and that, trying to make their next deal and we marvel at their enthusiasm and focus.

The only problem is that the brokers themselves often don’t see where they are going or what they are supposed to accomplish. Someone should write a book to help them. It may as well be me.

There are three kinds of brokers. There are successful brokers who make up the top 20% as the best performers in a competitive field. These brokers are called *Relationship* brokers. There are unsuccessful, or not yet successful, or used to be successful, brokers who are the 80% of brokers whose survival in the business is tenuous at best. We call these brokers *Haystack* brokers since they are constantly looking for deals, like looking for the proverbial needle in the haystack.

Then there are *Transition* brokers. These are brokers who look at successful brokers and aspire to be one of them. They discover what Relationship brokers knew, and what they did to become successful, and decide to do those same things to become successful themselves. They have an epiphany where the clouds part, the skies open and they realize that they must begin to make a methodical transition from Haystack brokerage to Relationship brokerage.

Of course that begs the question: what did successful brokers know and what did they do to become successful? That is what this book seeks to address in hopes that 80% of brokers will take note and decide to make the transition out of Haystack brokerage and join the top 20% known as Relationship brokers.

I wrote this book as an aid to the brokers in my company who are open to analyzing how they approach their business practices and making an honest determination whether they are as successful as they want to be, as they once were—or could become.

Each broker has his own personal definition of what it means to be a success. I believe that in order to be successful a broker must be a Relationship broker.

A Relationship broker must have been in the field for a number of years, and have an established track record of revenue production which places him in the upper echelon of brokers in his local marketplace.

In order to have accomplished that impressive track record, the Relationship broker must have basic people skills which enable him to be an effective salesperson.

Real estate sales is different from other types of sales (as you will read in "What Successful Brokers Knew" in *Chapter 2: Relationship Brokerage* below) because the real estate broker builds a career based on relationships with people (as you will read below in "What Successful Brokers Did"). Without people skills the broker would certainly be working at a disadvantage in establishing relationships.

As if all of this were not challenging enough, the broker needs to be a likable person, able to navigate relationships with many people on many levels over a long period of time. Likability is a function of personality and is difficult to describe since it means different things to different people. Nonetheless, in order to be successful, the broker must expend his best effort to be a generally likeable person.

All brokers think that they are successful, or that they soon will be. It is the "soon will be" part which is troublesome. Most brokers continue doing what they have always done in expectation that if they do it just a little bit harder, and for just a little bit longer, they will achieve success. Therefore such brokers double their efforts in confidence that they are doing the right things, just not enough of them. If they can only produce more of what they are doing, then success will be just around the corner. I don't think so.

It is my conviction that 80% of brokers are approaching the business without a clear understanding of what the objectives of brokerage should be. I believe that brokers are trained from their earliest days to work without a business plan in expectation that great riches await if they just open the right door at the right time, before competitive brokers also open that same door. It all comes down to haystacking.

Brokers must eventually experience their moment of epiphany and understand that continuing to do what they have been doing will continue to produce the same results it had in the past. Without that personal epiphany, brokers settle for mediocrity or disappointment.

When brokers experience their moment of epiphany they understand what successful brokers knew. Understanding what successful brokers knew they then have the opportunity to do what successful brokers did to achieve success. It is my hope that the following pages will make it clear what successful brokers knew and what they did, so that other brokers can become equally successful Relationship brokers.

In One Ear; Out the Other

We now know that there are three kinds of brokers: Haystack brokers, Relationship brokers and Transition brokers. We will discuss each type of brokerage in great detail below, but it is useful to understand in advance how one type of brokerage morphs into another and provides an opportunity for growth rooted in a strategic commitment to success. But what do I know? I am just the CEO.

Have you ever heard the story about the CEO, the lawyer and the accountant who went deer hunting? As the three walked through the forest a large buck bolted from the brush and ran as fast as it could away from the perceived danger. Simultaneously all three hunters raised their rifles, pulled their triggers and fired rounds towards the fleeing prey.

The buck staggered and fell headfirst down the hill as the three hunters raised their arms in triumph, whooping about what great shots they were. Running to the buck they looked down and saw only one bullet hole in the head of the buck. They had no way of knowing whose bullet had killed the deer. So they didn't know who got to take the trophy home.

At that point a game warden emerged from the field behind them and asked why they looked so confused. On hearing their dilemma the warden looked down at the buck, asked what the hunters did for a living and nodded his head as if the answer was obvious. Turning to the group he rendered his judgment: "The deer was killed by the CEO."

Simultaneously the lawyer and the accountant raised their objections; saying that there is no way the game warden could tell that they were not responsible for hitting the deer. The game warden said that it was obvious that the CEO had fired the lethal shot. Pointing at the wound in the deer's head he said, *"Look ... the shot went in one ear and out the other."*

Lest the moral of the story be too subtle, let me spell it out. When the CEO talks to people in his company they tend to let what he has to say go in one ear and out the other since they have heard it all before … and expect that they will hear it all again. That's just human nature.

As CEO of NAI Capital I have been training brokers for more than 35 years and, like a voice in the wilderness, I have become accustomed to what I say going in one ear and out the other of brokers pretending to listen to what I have to say. Nonetheless, I keep trying.

My hope is that every now and again my efforts hit their target and reach the goal of influencing one broker at a time. I know for sure that it will go into one ear of *all* who will listen. All I can hope is that for *some* of them it won't just as quickly go out the other ear.

Before we move on, I want to tell you about the little girl in kindergarten whose teacher asked her class to draw a picture of God. As soon as the teacher announced the assignment, the little girl enthusiastically grabbed her crayons and started drawing feverishly while the rest of the students looked at the teacher with blank stares, wondering how it's possible to draw a picture of God.

After a few minutes the teacher quietly walked up to the little girl who was busily scratching her colorful crayons on the blank sheet beneath her tiny hands. The teacher explained to the little girl that she had asked the students to draw a picture of God to drive home the point that we all have different ideas about God, and that it is impossible to draw a picture of God.

The kindergartener kept drawing. Finally the teacher gently explained to the little girl that nobody knows what God looks like. The little girl did not look up from her drawing. All she said was, "In a few minutes they will."

All I ask of my readers is to give me a few minutes to suggest to you that there is a way to draw an image of a successful broker. Maybe you are saying that nobody knows how to draw a picture of a successful real estate broker.

"In a few minutes they will."

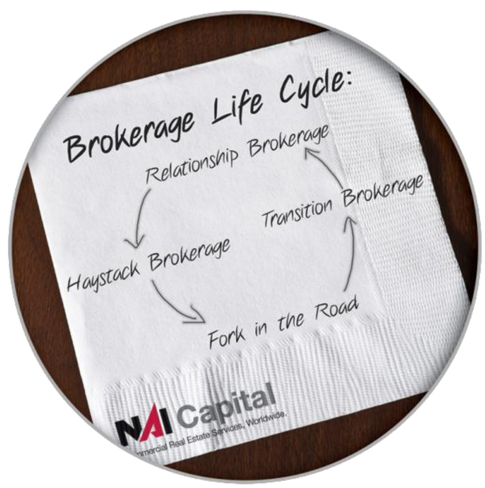
Write a Book on a Napkin

Like the little girl trying to draw a picture of God, I set about with great confidence to write a book on how to become a successful real estate broker. In the beginning I was enthusiastic and confident that I knew what I wanted to say and could say it well.

As the months wore on, and the NAI Capital blog articles upon which the book is based were published, I realized that perhaps the task was not as easy as I had imagined. We brokers have notoriously short attention spans. For many of us it can be hard to read a mystery novel without jumping to the last page.

Since there is no "last page” when the story line is constantly under development, it dawned on me that I had better be able to write each chapter on a cocktail napkin. Otherwise I would risk overtaxing the patience and attention span of my audience. So that is what I set out to do. I figured that if I could capsulize dozens of written pages onto a few napkins, then I would be on the right track.

Throughout this book you will find a series of notes written on napkins. If you don't have the patience to read the pages, at least read the napkins.




Transition Brokerage:
- Came to the fork in road
- Rule of 500
- Five objectives
- Four corners
- Thinking in Threes
- Business planning
NAI Capital


The Rule of 500:
- 100 "default" contacts
- 400 "in-territory" contacts
- 500 contacts who know the broker
NAI Capital


Five Objectives
- Focus on a four-cornered territory
- Know and be known by every contact in the territory
- Know every transaction before it happens
- Have a finger in every transaction
- Make money
NAI Capital


Four Corners
- Can't see four corners in advance
- A community emerges over 90 days
- After three months look back
- See where decision makers cluster
- Now you can see the four corners
- Return to the reset point...
NAI Capital


Thinking-in-Threes:
- Three hours per day
- Three days per week
- Three days follow-up
- Three months...
- Then start all over!
NAI Capital


Business Planning
- Write draft business plan
- Review with sounding board (and spouse!)
- Write final business plan
- Review with manager
- Review with manager quarterly
NAI Capital

Chapter 1: Haystack Brokerage

The subtitle of this book counsels that brokers quit their *jobs* and start *careers* in brokerage. It proposes that they give up Haystack brokerage and become Relationship brokers. It is useful first to understand why I crusade against brokers doing *jobs* in Haystack brokerage in order to start *careers* in Relationship brokerage.

I contend that successful real estate brokers became successful principally because they focused intently on establishing relationships with contacts within their sphere of influence, and leveraging those relationships into referral business which is the foundation for successful careers as Relationship brokers.

All brokers work hard, and perhaps Haystack brokers work harder than most because they are trying to achieve success by doing the wrong things. They have not yet arrived at the fork in the road, when they realize that can't keep doing the same things and expect different results. They are spinning their wheels and expecting to compete with brokers who are concentrating on establishing relationships with contacts.

Since the persons with whom Relationship brokers have established relationships will refer their friends and colleagues with real estate requirements to the Relationship brokers, there are even fewer potential transactions available for Haystack brokers to find. As we will discuss in *Chapter 2: Relationship Brokerage*, the fact that the Haystack broker has few promoters to refer friends and colleagues to him makes the job that much harder.

Haystack brokers have few personal relationships, and are always looking for potential clients by moving constantly from one area to another, looking for the needle in a haystack which represents their next transaction. Relationship brokers understand the importance of personal relationships with contacts that generate referral business to the brokers by recommending them to their friends and colleagues. Transition brokers understand the difference between Haystack Brokerage and Relationship Brokerage and have determined to make the transition from haystacking to relationship-building.

Haystack brokerage is the default approach adopted by most brokers because they have failed to grasp the concept that without relationships there is no long-term success. Since the development of personal relationships is disregarded, the broker lacks focus for his daily activities and scrambles hither and yon in search of his next transaction.

I am reminded of the myth of Sisyphus who was a Greek king cursed to ceaselessly roll a huge boulder uphill, only to watch it roll down again. He was condemned to repeat his task throughout eternity. To some extent the Haystack broker attempts the same task: pushing uphill to close a transaction before realizing that, whether the deal closes or not, he ends up back at the bottom of the hill, starting to push uphill all over again. He might not be condemned to do that for all eternity, but every time he starts pushing uphill it seems like an eternity.

I considered naming this kind of brokerage after Sisyphus, but I figured that most people might have a problem pronouncing his name (not to mention spelling it). So I settled for calling it Haystack brokerage. In the end I think that “haystacking” may be even a better way to describe the frustratingly immense task to which the broker consigns himself. After all, finding the needle in a haystack is not an easy proposition.

There are at least four ways to find the needle in a haystack. Three of them involve a measure of common sense and creativity, but the fourth leaves something to be desired. Can you think of any more than these ways to find the needle in a haystack?

- Burn the haystack and find the needle in the ashes.
- Run a metal finder over the haystack and drill down to the needle.
- Drag a magnet through the haystack and let the needle find the magnet.
- Run your hands through the haystack while looking carefully for the needle.

It is this fourth way which I find analogous to what Haystack brokers do to find transactions. They throw themselves into the haystack looking right and left to find the needle while waving their arms through the hay in the half-panicked scramble for success. There aren’t many business plans which rely on scrambling and end up being successful, and Haystack brokerage is certainly not an exception. For that matter, the Haystack broker has no business plan.

Scrambling is by definition without focus or discipline. Successful brokers are focused and disciplined; therefore Haystack brokers cannot be successful in the long run. While there may be years during which the Haystack broker will be surprisingly productive, those years are anomalies and reflect more luck than destiny.

If the needle happens to be on the side of the haystack where the broker starts his search, he has a chance to find the needle pretty quickly. If the needle is on the far side of the haystack, it is going to take a lot of frenetic scrambling before the broker is even in the area where the needle is hiding,. And even when he does find the needle, like Sisyphus he has to start searching for the next needle representing another transaction for what seems like eternity.

Everyone strives for success, and many people eventually achieve it. They say that 20% of any group of people will be successful, which suggests that 80% of any group will not be successful (search Pareto's Principle on Google). It is in this 80% category that Haystack brokers can be found. It is not surprising to find such brokers in the company of others who will be unsuccessful because what they are doing is inefficient by definition and unproductive at best.

One cannot achieve an objective unless he has an objective, and Haystack brokers labor without a clearly defined objective for their activities. Since the proper objective of truly effective brokerage is the creation of relationships which generate referral business in the long run, the Haystack broker either has no objective or the wrong objective, and thus keeps repeating activities which lack the necessary focus and discipline which lead to career success.

By contrast, as we shall see, the Relationship broker had five clearly defined objectives which are prioritized and to be achieved in a set order (see "Prioritizing Objectives" in *Chapter 2: Relationship Brokerage*).

Let's be generous and say that the Haystack broker has an objective, but that it is the wrong objective. What might be an example of a wrong objective? That is an easy question to answer. The wrong objective is any objective other than creating relationships which generate referral business in the long run.

The Last-Broker-In

This is not a scriptural treatise, but there is a quote in the Gospel of Matthew which has particular relevance to the real-world practice of commercial real estate brokerage. I would like to share it with you, even though I rather doubt that the Evangelist intended the application to commercial brokerage. But let's use his words to make a point about Haystack brokers.

"The last shall be first, and the first shall be last: for many are called, but few are chosen."
- Matthew 20:16

So what does this have to do with commercial real estate? The premise of Haystack brokerage is that there is a deal hidden behind one of the doors stretching to the horizon. It is the job of the broker to knock on the right door at the right time and uncover the potential deal lurking behind it. Since the majority of brokers are Haystack brokers, the majority of brokers are doing the same thing at the same time with the same goal in mind.

Therefore the door that hides the next deal is being opened by an unending series of Haystack brokers who are in search of that deal. Who actually gets to do the deal is many times a function of the last broker in the door after the need for space is identified. This is so clear to me that I have (creatively) called this broker the "Last-Broker-In."

Regardless of how long a broker has been in the business, his most fearsome competitive broker can be the greenest rookie, straight out of real estate school, ink still wet on his real estate license, who happens to stumble in the door where the Haystack broker has been working on a transaction.

Right at the point when the transaction seems close to closing, the Last-Broker-In can ruin the deal. All prior work is at risk when previously unknown alternative space surfaces and the Last-Broker-In, with no prior connection to the client, presents the newly available property and closes the transaction.

Since the Gospel says that the last shall be first, it seems important that brokers focus on opening as many doors as possible. The Last-Broker-In may get to complete the transaction as long as he gets it done before the next Last-Broker-In opens the prospect's door.

All Haystack brokers are competing among themselves to be the Last-Broker-In after the decision is made to acquire or dispose of real estate. In other words, the first Last-Broker-In loses position to the next Last-Broker-In, and so on. As the Gospel says, the first shall be last. The first broker in the door after a need is established becomes the Last-Broker-In. Since there is nothing to distinguish one Haystack broker from another, all Haystack brokers are playing a numbers game as the predicate for their success. All Haystack brokers are the Last-Brokers-In at any given time.

There is an element of luck in every business, and commercial brokerage is no exception. Many tenants and landlords, and buyers and sellers are resistant to establishing personal relationships with Haystack brokers because they prefer to deal with brokers as a commodity. This makes dealing with them easier since there are no personal connections, and therefore less reluctance to shave commissions once the transaction is completed.

Of course that is the exact reason why the broker needs to place emphasis on establishing personal relationships over time. Personal relationships are the best defense against a broker being seen as a commodity, disposable at any time in the lengthy process of consummating a transaction. It is only such personal relationships which provide a defense against the Last-Broker-In.

It is therefore imperative that brokers inoculate themselves against the dreaded Last-Broker-In by establishing relationships so that transactions have a good chance of closing and are not just a stroke of great luck or good timing. Even though the best personal relationship is not a guarantee of success, the absence of a personal relationship is a virtual guarantee of failure.

Haystack brokers strive to be the next Last-Broker-In, unhooking the prior broker's efforts to complete a deal. Since neither broker predicates success on personal relationships, they are both pursuing one-off business with no realistic potential of future benefit with a particular prospect.

That brings us to the final part of our scriptural quotation: *"… for many are called, but few are chosen."*

There are many Haystack brokers queuing up outside the door of each potential prospect, so prospects can deal with any broker since they are all commodities. They have plenty of choices from which to choose. There is no trust, no commitment and no loyalty involved. One Haystack broker can be replaced by any other Haystack broker.

Many brokers can generate opinions of value, scour the market for potential relocation sites and work tirelessly for the prospect, consuming the Last-Broker-In's time with no guarantee of a return for the time invested. The Haystack broker must play the game and be drawn into the process, or lose the opportunity in advance. The broker feels grateful for the opportunity to work on something and will commit whatever time is necessary for even a remote chance to close a deal.

And that is exactly where the problem occurs. Since many brokers are called to do the work, but only one can be chosen to do the deal, many brokers waste their time with no guarantee of success. When one Last-Broker-In bumps into the prior Last-Broker-In, who had bumped into the Last-Broker-In before him, there is a feeding frenzy in the queue of brokers.

Each broker thinks he has the inside track. Eventually it occurs to the broker that there is no such thing as an inside track and that he is being used. By that time, however, it is too late to back out since the broker may have already invested a significant amount of time chasing a deal with no likelihood of success. And that is when the next Last-Broker-In walks in the door.

What would happen if one of those brokers had a personal relationship with the decision maker? That relationship might be the only thing which elevates him above the gaggle of brokers offering free time and market insight in vain hopes of closing the transaction. Eventually each broker comes to the same realization and looks to establish a relationship to elevate him above the crowd. But by that time it's too late.

"The last shall be first, and the first shall be last: for many are called, but few are chosen."

The Best Defense

Even though most brokers are Haystack brokers pursuing business randomly without the goal of establishing relationships, which does not mean they do not present a risk to the

Relationship broker. Every broker must defend against the Last-Broker-In, the Haystack broker whose intention is primarily to subvert and derail the transactions of other brokers' clients.

Since the next Last-Broker-In will be presenting market information for consideration by the prior broker's clients, it is critical that the Relationship broker stay aware of the latest developments in the market and keep his principals updated on market conditions on a continuing basis.

Once he understands that the Last-Broker-In is constantly on the prowl in search of a transaction, the Relationship broker has constructive notice that there is only one thing that he can take for granted: the Last Broker-In will be doing his best to ingratiate himself with the Haystack broker's clients. That is when it occurs to the Haystack broker that his only inoculation is to protect those relationships at all costs and to deepen them as best he can.

This is the Haystack broker's nemesis: the Relationship broker's relationships with his clients. So what does the Haystack broker do? He walks past the doors where Relationship brokers have relationships, even further diminishing his pool of potential deals. Haystack brokers therefore focus on the few prospects without relationships with competitive Relationship brokers.

One might think that Haystack brokers would eventually come to realize that relationships are the key to success in their business. Since they are consciously walking around the doors where Relationship brokers are entrenched, why does it not occur to them that they too should start to focus on establishing and deepening their own relationships?

From Defense to Offense

How does the Haystack broker switch from defense to offense and start to develop relationships? This is no small problem because it flies in the face of everything the Haystack broker has been taught since his first days in the field. It is contrary to his sales manager's expectation of immediate revenue.

The broker has been taught that the way to generate revenue is to chase deals between here and the horizon, like searching for the needle in the haystack. He has no time to stop and concentrate on establishing his own relationships with contacts. Yet what is the alternative?

Once the broker realizes that relationships are the key to a successful brokerage career, he approaches a fork in the road. He chooses either to keep going down the path of Haystack brokerage or takes the path which leads to Relationship brokerage. Making this transition to Relationship Brokerage is not quite the same thing as starting in the business all over again, but it is not far from it.

Making the transition to Relationship Brokerage will admittedly be difficult for the Haystack broker because he has been doing just what he was regrettably trained to do. He was taught a numbers game, so he had to get numbers in order to be successful. That makes sense, doesn't it? No, it does not. The problem is that he was trained incorrectly: brokerage is not a numbers game; it is a relationship game.

In order for the Haystack broker to keep his revenue production to the level of expectation of his sales manager, it is necessary that both the regional economy and real estate vacancies work in his favor. Whenever the regional economy slows down, or real estate vacancies go up, the broker has to work even harder to generate expected numbers to compensate for downward movement beyond his control.

It is assumed that in order to "fix" market conditions the broker needs to push his revenue numbers higher still. Since he was trained to focus on numbers, it is reasonable to assume that he will continue to do what he has always done. Once the broker realizes that the objective is not numbers, but is instead relationships, he has to scramble even harder and log even more numbers in hopes of increasing his production, which is likely beyond anything he can influence.

So he does again what he was trained to do: focus on numbers of contacts and hope for "a big deal" to generate super-high commissions to bail him out of the scarcity of transactions. This is whistling past the graveyard, as becomes all too quickly apparent.

In order to get back into the game and go from defense to offense, the Haystack broker does the same thing every day. He starts from scratch in hopes of increasing revenue by finding a big deal behind the next door he opens. However, the downturn in the economy and the increase in vacancy rates affect all Haystack brokers in the same way and at the same time. Thus they are all scrambling to accomplish the same goals: looking for transactions that are steadily shrinking and becoming increasingly hard to find.

Focusing on finding the next big deal prevents the Haystack broker from focusing on establishing relationships. The main question should be how to break those old habits and form new habits. Reflecting on the importance of relationships in brokerage (like reading this book) does not make forming new habits any easier, but it does at least make it clear that it has to happen.

It must become clear to the Haystack broker that relationships are paramount if he is to be successful. He must come to understand that the best defense against the Last-Broker-In is to form relationships with prospects. If all brokers are seen as commodities, then it is critical that the Haystack broker distinguish himself from the crowd as the only defense against the Last-Broker-In. He can do this only by forming personal relationships.

That is the sole defense against the Last-Broker-In. In the process, the Haystack broker just might make the transition to become a Relationship broker.

Confusing the Message

Haystack brokerage is a common mistake made by many brokers new to commercial real estate. In an effort to find prospects for transactions, they resort to cold calling or dialing for dollars in the mistaken assumption that they will uncover a needle in the haystack, the buyer or seller, tenant or landlord who will lead them to their next deal.

The problem is that this approach totally misunderstands that transactions arise out of relationships with principals. Searching for a needle in the haystack totally ignores the importance of relationships. Haystacking assumes that by luck or fate, the broker will come upon somebody looking for something if they can just open enough doors, make enough telephone calls, send enough emails, mail enough postcards or just plain get stumble onto a deal.

Relationship brokers benefit not only from business generated directly from their principals, but also from referrals of friends or colleagues of those principals. This referral business is a powerful leveraging of the relationships established between brokers and principals. This is the secret that made successful brokers successful.

I have been counseling struggling brokers on the importance of Relationship brokerage for more than three decades. I have attempted to convince them to invigorate their brokerage careers by forsaking Haystack brokerage. But many brokers become increasingly frustrated in the process.

One day a broker came into my office, sat down and began to tell me how frustrated he was, even though he was following the Relationship brokerage program discussed in the next chapter. If he was doing what I told him to do to avoid frustration, and in the process he became even more frustrated, then I began to doubt the wisdom of my own counsel.

Eventually it struck me that this broker was applying the principles of Relationship brokerage (see *Chapter 2: Relationship Brokerage*) to become nothing more than a more efficient and disciplined Haystack broker. Efficiency and discipline are basic elements of the practice of Relationship brokerage, but even Haystack brokers can be efficient and disciplined. For that matter, as we will find in Chapter 3, getting started in Relationship brokerage employs the same techniques as Haystack brokerage, but only for the first 90 days in the field.

While the Haystack broker cold calls from one door to the next, switching territories when he gets bored or doesn't find a deal on his first pass, the Relationship broker cold-calls for the first

90 days, but thereafter transitions to warm-calling. He then limits his focus to that specific territory (which we will later call his “community”), recontacting the same people in an effort to establish relationships which generate referrals to the broker in the long run.

In essence, Relationship brokers do the same thing that Haystack brokers do for those first 90 days, but then they go back and build a community among those contacts, while the Haystack broker simply moves to another territory without benefit of having formed relationships or deepening them as time goes on.

Challenging the Premise

Once I realized that Haystack brokers misunderstood what I was suggesting, and thought that I was validating what they were doing instead of challenging the premise of what they were doing, I was able to refine my counsel to minimize broker frustration and disappointment while helping to convert Haystack brokers into Relationship brokers.

Haystack brokers usually get bored and start concentrating on other areas rather than redoubling efforts to build relationships among the people with whom they have been working. But boredom is just one distraction on the path to Relationship brokerage. The most deadly distractions are big deals and great clients. I call these distractions “trapdoors” and they can be as much a curse as a blessing.

The best way to illustrate this point is to tell the story of a very personable investment broker on my team who very well grasped the principles of Relationship brokerage, but ended up leaving the profession because he minimized the importance of just one number. As we will discuss below, a basic premise of Relationship brokerage is that the broker needs to have about 500 personal relationships. This broker had *five* brokerage relationships. What a difference a couple of zeros can make.

This overly complacent broker felt that he had such unusually deep relationships with his five contacts that he was absolved from working to identify another 495 contacts to round out his 500 relationships. The broker thought that the appetite to purchase investment properties among his five qualified prospects was so great that he could make a living off just those five relationships.

Then two disastrous things happened: the national economy went into deep recession and the real estate market cratered with it. That broker quickly became an ex-broker.

Making the Transition

While the Relationship broker can make a mistake in *under*-estimating the number of contacts necessary to support a career, the Haystack broker makes an equally disastrous miscalculation by *over*-estimating the value of great numbers of contacts.

The Haystack broker can have thousands of contact names in his database, but he can personally know only a small percentage of them. He focuses so much on the number of his contacts, and growing the number of contacts in his database, that he has relationships with very few. Once he realizes that relationships are all-important, the Haystack broker is effectively starting in the business all over again.

Sometimes things work out as they are supposed to happen. I have a broker on my team who recently finished his second year in the business. He worked under a mentor for two years and accumulated a huge database of contacts as a Haystack broker in pursuit of big deals. However, towards the end of his two-year apprenticeship, his mentor let him know that deep relationships are more important than huge databases.

So the new broker targeted a specific geographic area and began to concentrate on building relationships with decision makers within that area. After a few months he established a relationship with the client of a competitive broker who had controlled the client's portfolio of properties for more than twenty years.

The newly-minted broker so impressed the client by showing up in his office every ninety days, by his insightful knowledge of market conditions, and by his evident concern for the client's interests, that the client terminated his 20-year relationship with the competitive broker and handed his property portfolio over to our broker with little more than two years' experience in brokerage.

While our broker could not offer long tenure in the business, he did evidence commitment to his territory, competent market knowledge and evident concern for his client's interests. And in the long run that is what mattered most. This broker made a successful transition from Haystack brokerage to Relationship brokerage.

The Secret of Success

In *Chapter 2: Relationship Brokerage* we will discuss what successful brokers knew and what they did to become successful. I often ponder what separates this group of exceptional professionals from other brokers in commercial real estate. How did they discover the secret of success when most other brokers failed to get the message? I think I have found the answer.

Even if you have never heard of the Law of Diffusion of Innovation, you have probably heard many of its basic tenets. Taking the population of the country as a whole, about 2.5% comprise a group known as innovators. The next 13.5% are clustered in a group known as early adopters; the next 34% are called the early majority; and another 34% are known as the late majority. If you've been adding this up so far, we have accounted for 84% of the population of the country. The final 16% are known as laggards.

The relationship of these groups says a lot about how successful companies became successful. Until any company aggregates the innovators and early adopters (together comprising about 16% of the population) they will not reach critical mass or even start to catch the attention of the early majority. So when a corporate CEO tells you that his company has cornered 10% of the market you can bet that he has fallen short of critical mass by 6%. Until you corner the innovators and early adopters a business plan is only an intriguing concept.

After a company captures that all-important 16%, the early majority (34%) may get to hear of it. They try something only after others have tried it first. The late majority (34%) is dragged kicking and screaming to follow the early majority. The laggards (16%) are those who eventually purchased push-button phones only when they couldn't buy rotary phones at their local hardware stores. Don't count on them getting on board the movement any time soon.

Remember that 20% of salespersons account for 80% of a company's revenue. That is entirely consistent with the Law of Diffusion of Innovation. Also, if we apply the Law to a sales organization we can likely identify 16% of the sales force who are in the laggard category and are best served by seeking another profession.

Success is Contagious

The concept of Relationship brokerage, as we will discuss in the next chapter, is not new. It is merely a distillation of the actual path to success that has been realized by most successful brokers over many decades. Questioning what they knew about how to become successful leads to an understanding of what they had done to become successful.

These highly successful brokers are the innovators (2.5%), the elite professionals who set the standard for excellence to be emulated by the early adopters (13.5%) who realized what the innovators had done to achieve success. The early adopters imitated the innovators and achieved similar levels of professional excellence.

When early adopters start to practice what innovators had been doing, they in turn become successful. Eventually the Top 20% starts to emerge as the "contagion of success" leverages itself through the organization.

Success Can Be Leveraged

What would happen if the organization were able to instill an entirely new work ethic in the 80% of less-productive brokers? Haystack brokers comprise most of the lower 80% of brokers. What if the principles of Relationship brokerage could provide a road map for reinvigorating a Haystack broker's professional activities and providing a path to excellence?

If the success of innovators is contagious, and early adopters could be leveraged beyond the top 20% to Haystack brokers who reside in the next 80%, then the entire brokerage organization would improve by rehabilitating Haystack brokers and adopting the principles of Relationship brokerage. That is what this book is all about.

When we apply the concepts Relationship brokerage to commercial brokerage it makes sense that there were pioneering insightful brokers who were the great innovators. They were first to realize that relationship building is critical to success.

Their insights quickly spread among the early adopters who became famous in their local markets as respected icons of excellence by their fellow brokers. A pattern started to emerge with those 16%, which swelled to 20% of the sales force who are always the top performers. As we will see, those brokers embody the concept of Relationship brokerage.

Over time the late majority and the laggards entered the brokerage profession. They were likely trained with bad habits and eventually became known as Haystack brokers. They failed to emulate the top 20%, chased the mirage of quick riches and did not bother to take time to establish relationships. Thus they ended up frustrated with their production and questioning their careers in brokerage.

The fork in the road described below shows that Haystack brokers have the option of continuing on the path of mediocrity, chasing numbers, or electing to follow the top 20% of brokers who are Relationship brokers. One path leads to continued frustration and career burnout, while the other path leads to higher revenue production and career stability.

Each broker gets to determine his path at the fork in the road. Once Haystack brokers have an epiphany and decide to make the transition to Relationship brokerage, they almost always have to relearn their profession from scratch, and start to focus on relationship building among their clients. We will show how to make that happen in *Chapter 3: Transition Brokerage.*

Betting the Farm

The Haystack broker is prone to desperation because he is betting the farm (or at least his next mortgage payment) on closing whatever deal he is trying to close before the next Last-Broker-In appears at the door. His revenue or deal pipeline is not dependable and he has to do whatever it takes to close every potential deal. Such desperation leads to a lack of flexibility in negotiating commissions with clients as well as in mediating commission disputes with fellow brokers.

That is not to say that Relationship brokers are not equally focused on closing deals and getting paid as much as the market will bear. It is, however, saying that the desperation of the Haystack broker limits flexibility and may cause brokers to sacrifice principles in pursuit of dollars.

When every dollar is critical because there is no stability in the broker's pipeline, there is a corollary that suggests that the Haystack broker will give away the store and settle for less than he (and his brokerage company) should be paid for his services. The Haystack broker does not have the luxury of appreciating the value of his own services, and therefore may mistakenly assume that he does not deserve premium compensation for his excellent work.

When the Haystack broker is backed into a corner and asked to accept a discounted commission, he may have little resistance to hardball tactics, which costs his company its fair share of what should have been a higher market commission. He gives away the store, including his company's share, which is not his to give away.

The Haystack broker is likely to be so desperate for a deal that he will take whatever compensation he can get, even if he knows that he is leaving money on the table. Unused to the possibility of making a commission that has a lot of zeroes; he is susceptible to poor judgment and bad negotiating.

Ethics out the Window

The same concept applies to the Haystack broker's sense of ethics and fair play in his behavior with fellow brokers. A few years ago I was arbitrating a commission dispute between two brokers when one of them said something that literally made my jaw drop. During arbitration, the broker had been evidencing his willingness to negotiate with his fellow brokers in a collegial manner.

Up to that moment the discussion had been based on percentages of commission to be shared. There was no problem, and both brokers were working together to settle the dispute. I thought that we were making great progress until the other broker mentioned that he had turned the commission percentages into commission dollars (many brokers are superstitious and don't count commission dollars until after the deal is done), and disclosed that there were tens of thousands of dollars on the table.

The Haystack broker changed his attitude immediately. He refused to budge from his position and even back-pedaled from his previously agreed concessions. I noted his hardened position and called him on it. He said that everything was okay when the conversation was based on percentages, but when the commission was converted to dollars he realized how many zeroes there were, so he changed his mind. That broker was invited to leave our company.

It is true that all ethical brokers are working to make a living and to earn as much money as possible. But if making money is the Haystack broker's only objective, then he fails to elevate himself above his competitors and stand out from the crowd. If he is out just to make a buck, then his loyalty can be rented; his attention can be purchased; he is a commodity.

Obviously it is important for a broker to make money, and to make as much as he can. But if that is his sole aim, then he has lost the game even before taking the field. If a potential client senses that the only reason the Haystack broker is trying to promote a deal is to make money, then the broker is clearly not working in the client's best interest. He may do a deal here and there, but that is more tactical success than strategic accomplishment.

Lack of Self-Respect

Haystacking can be a monkey on the back of a struggling broker. No matter where he goes or what he does, he knows in his heart of hearts that he is living day-to-day and that his future in brokerage is tenuous at best. He feels inferior to successful brokers whom he respects, and he knows that he is not living up to the expectations of his sales manager.

Lack of self-respect is a consequence of bad work habits and poor strategic planning. Lack of self-respect becomes a self-fulfilling prophecy that the broker cannot achieve success. The downward spiral picks up speed and leads to inner turmoil and eventual frustration.

I recently heard a prominent politician comment on the financial hole that our national government had dug for us. Before he could stop himself from blurting it out, he said that we had to "dig our way out of the hole." Of course continuing to dig a hole only serves to make the hole deeper.

The same metaphor applies to the Haystack broker: his lack of self-respect feeds on itself and the hole he dug for himself gets only deeper. He gets more frustrated; his lack of self-respect increases; and his level of frenetic activity accelerates. He focuses on knocking on more doors in the vain hope that increasing numbers of contacts will increase the number of deals. That does not happen because potential clients can smell the desperation of the Haystack broker from a block away.

It is then that the Haystack broker realizes that he can learn a lesson from the success of successful (Relationship) brokers. Since Haystack brokerage did not work for him, maybe he should give Relationship brokerage a try. This is a great moment because it is a moment of epiphany, without which the Haystack broker will not be motivated to pay the price of transition to Relationship brokerage.

Making the transition to relationship brokerage deserves an entire chapter. As a matter of fact it will get its own chapter. (See *Chapter 3: Transition Brokerage*.)

Moment of Epiphany

We have all seen the television commercial where the woman hits herself on the head as she exclaims, *"I could've had a V-8!"* Well, that is the same as happens when it occurs to a struggling broker that he has been doing something wrong in his career.

He sees that successful brokers are seemingly not even trying, yet they are always on the top of the stack ranking for the company, year in and year out. Eventually the struggling broker hits himself on the head and exclaims, "I could've been a Relationship broker!"

Okay, maybe it does not happen exactly that way, but let's imagine that there is a moment of epiphany when the broker sees with uncommon clarity that he can do what successful brokers did to become successful; all he has to do is try. That moment of epiphany represents a turning point in the Haystack broker's career.

Most new brokers are typically trained as Haystack brokers from their first days in the field. Their training focused on cold-calling because the new broker had a different objective in those first years. His purpose was to learn the ropes and become proficient by uncovering, working on and regrettably maybe even blowing potential deals, all to find out how not to blow deals after the training period.

The newly minted Haystack broker focuses on racking up numbers of contacts to learn how to close transactions in the real world. This period covers the first two years of the new broker's activities in the field while he pursues the mirage of great riches awaiting him behind the next door.

After the new broker’s first two years in the field he should grow beyond the way he was initially taught to do business, stop focusing on numbers of contacts, and start focusing on building relationships with those contacts. The broker should experience a moment of epiphany when the skies clear, the heavens open and he begins to understand the importance of relationships. For most brokers, the epiphany-event regrettably never happens.

Moments of epiphany might be encountered more than once in a broker's career. One should appear after the broker's first 24 months, and represent the occasion to grow past being a Haystack broker (focusing on numbers) with the goal to become a Relationship broker (focusing on people). Another might also happen whenever in his career the broker belatedly rediscovers that relationships are more important than numbers, and again gets to choose between staying a Haystack broker and becoming a Relationship broker.

Almost all brokers breeze right past their moments of epiphany and keep doing what they had been doing—with regrettable consequences for their careers. New brokers are taught to focus on small deals, and lots of them, so that there are plenty of training opportunities. Territories do not matter because the objective was to open doors in expectation of discovering deals that might regrettably be blown due to the new broker’s inexperience.

Blown deals don’t do much to develop a broker's reputation as a proficient professional, so under the circumstances it was best that he keep moving and not to see the same people more than once. Eventually the new broker came to distinguish what was effective from what was ineffective; what worked from what didn’t work.

He reached a point where proficiency outweighed inexperience. Cold calling or dialing for dollars gave way to warm calling. The caterpillar became a butterfly and a competent broker eventually emerged.

The newly emerged technically competent broker probably kept doing what he had been doing during the first two years of his career, even though he was now capable of making the transition from Haystack brokerage to Relationship Brokerage. All too frequently the trainer moved on to other projects and neglected to tell the new broker that the time for transition had arrived. That was supposed to be the threshold of Relationship brokerage, but many times it was the point where careers went awry.

Since the new broker was capable of great things at that point, he was robbed of a significant opportunity for growth because he was not counseled to make the proper choice as he confronted the fork in the road separating Haystack brokerage from Relationship brokerage.

The Critical Juncture

It is usually easy to plot the evolution of a broker from the beginning of his career pursuing Haystack brokerage for 24 months; achieving the epiphany at about that time; and finally transitioning to Relationship brokerage in the course of what should eventually become a successful career in commercial brokerage.

What happens after the first 24 months of a new broker’s career is a critical juncture which affects the likelihood of success thereafter. After two years, the broker thinks he knows all there is to know and doesn't need to be taught anything else. He has tasted success, knows the mechanics of his trade and chafes at the bit to shake free of restrictions on his activities. "Get out of the way, world – here I come!"

But almost always at the start of his third year the broker continues the same bad habits, working just as he had during the first two years when he was trained to open lots of doors. A moment of epiphany was supposed to occur, but the broker didn't allow time for the skies to clear and the heavens to open. He failed to get the message that relationships were the key to future success once technical proficiency had been achieved.

The Critical Mistake

Sales managers need to identify brokers in need of epiphany at the end of their first 24 months, and perhaps again even later and maybe often in their careers, and to impress upon brokers the necessity of making the transition from Haystack brokerage to Relationship brokerage.

Most new brokers think they can work on their own and continue to focus on short-term results, which leave no time for relationships. This is a critical mistake which can affect the rest of the broker's career. It marks the high point of hubris which has consequences which can take years to undo.

Hopefully the mistake is eventually seen for what it is, and the broker realizes that expectations of easy riches vaporize in the cold glare of the real world. Whether through his own insight, or through intervention by his sales manager, epiphany occurs and the broker is offered the opportunity to evolve from Haystack brokerage to Relationship brokerage.

This need for transition can happen at any time in a broker’s career, in fact even more than once. There are numerous reasons why a broker can be thrown off-track and revert to the bad habits of Haystack brokering. That is the point where he reaches a fork in the road and makes the fateful decision about whether to change his focus from numbers to relationships.

If the broker took advantage of his moment of epiphany to forsake Haystack brokerage and transition to Relationship brokerage, then he made the right choice when he came to his personal fork in the road.

Chapter 2: Relationship Brokerage

Relationship Brokerage is a career, not a job, focused on referrals and the long-term warming of personal relationships between a broker, and his contacts and personal promoters, within the four corners of a specific territory, soon to be called his community.

Haystack Brokerage is a job, not a career, focused on uncovering buyers and sellers, or tenants and landlords to generate commissions to the broker without focus on a specific territory, community or personal relationships.

Transition Brokerage is the period of switching from Haystack brokerage to Relationship brokerage by adopting what we will discuss below as the Rule of 500; pursuing five prioritized objectives; focusing on a four-cornered community; "thinking in threes" and working a strategic business plan (see *Chapter 3: Transition Brokerage*).

What Successful Brokers Knew

Relationship Brokerage is based on the simple concept that each broker must have 500 personal relationships in order to be successful. A personal relationship with the contact means that the contact will accept a phone call from a broker because of the credibility established by the broker by ongoing presence in the brokerage territory.

In order to establish personal relationships with decision makers it is necessary to meet each decision maker in person at least once every three months. It is not sufficient to reach out to the decision maker using snail mail, e-mail or voicemail. Since the purpose of Relationship brokerage is to establish a personal relationship with the contact, there is no substitute for interacting with the decision maker in person on an ongoing basis.

Most brokers have a stable of 100 personal relationships which they formed over time. These 100 personal relationships might be composed of attorneys, accountants, service providers, former clients, network contacts and friends who form the backbone of the 500 contacts required by Relationship Brokerage.

In order to reach the total of 500 contacts, the broker must therefore have personal relationships with an additional 400 contacts. These contacts are located within the four corners of the territory specifically defined by the broker to reflect the nature of the broker's industry focus. The size of the territory within the four corners of the broker's focus will vary depending upon the type of contacts targeted for relationship, as well as the geographic concentration of those contacts.

For instance, an office broker in New York City may handle only a portion of a high-rise tower which is one square city block. Multiple brokers may focus only on specific floors within that same building. On the other hand, retail brokers may deal with retailers in a wide geographic spread which encompasses an entire city. Regardless, in each instance there are four corners which define the broker's territory.

To ensure that the broker personally interacts with each person within his territory, the broker commits three hours per day, three days per week, with three days of follow-up for three months meeting with his contacts in their places of business. If on the average the broker meets with 10 contacts per day, then over 90 days the broker will have met with 400 decision makers (do the math).

At the end of those 90 days the broker starts the process all over again so that each contact within the broker's territory meets with the broker or hears his name multiple times per year (more about that in *Chapter 3: Transition Brokerage*).

The broker’s objective is to warm relationships with his contacts so that those contacts become personal promoters of the broker. The promoters leverage the broker’s effectiveness through referrals harvested over time. The constant conversion of low-level contacts to high-level promoters should be the goal of every successful broker. Successful brokers knew this and built their careers on Relationship brokerage.

All brokers are in business to make money. Nonetheless, commercial real estate brokers make money consistently only after identifying a territory, converting a database into contacts, converting contacts into clients, and finally converting contacts and clients into personal promoters. What is constant between each level of conversion is the fact that it involves an ongoing deepening of personal relationships.

Relationships are the essential key to long-term success in commercial brokerage. While it is possible to score a one-off deal every now and again, that does not constitute long-term success, or serve as the basis for a productive, successful and rewarding career. Successful brokers are those who have focused on deepening personal relationships and providing an exceptional level of professional service.

Let’s acknowledge what “they” say about any sales organization: 20% of salespersons generate a disproportionate 80% of the business (Pareto’s Principle). That means that 80% of salespersons are contributing only a minor amount to the company’s gross revenues, and in many instances are taking up space which would better be allocated to more productive salespersons.

Sales managers set out to assist the struggling 80% of brokers who are less productive. They want to help them to become more productive and eventually successful. That is a major challenge if it is inconsistent with what conventional wisdom says about sales organizations and other companies. But is it a dream or a vision?

A dream is not likely to come true any time soon, but a vision is a realistic possibility if certain benchmarks are met and concepts are implemented in the real world. I prefer to label my dream a vision, which is able to become reality with hard work by management and commitment by brokers on an individual basis.

Whether brokers have been successful in the past, yet wonder where their future is headed; or whether success in the past has eluded them and they are wondering whether they have chosen the right profession, all brokers share the same challenge.

Cold Calling

Searching for the needle in a haystack is a waste of time. Cold calling or dialing for dollars is searching for a needle in the haystack. Most brokers must not agree with this statement, since most brokers build their business on haystacking. Maybe that explains why most such brokers are in the bottom 80% of every company.

Since enlightened brokers no longer employ cold calling or dialing for dollars because they have replaced cold calls with warm calls, they share a basic understanding that relationships are the key to success in the brokerage business. Without personal relationships there is only serendipity in discovering random opportunities for deals which involve good luck or great timing.

I have nothing negative to say about either good luck or great timing. They are important components of every person’s life, maybe even especially one’s business life. I would rather be lucky than unlucky, and I appreciate good timing over bad timing. But they do not constitute the basis of a successful career in commercial brokerage. To rely on good luck or great timing is not a prudent plan for paying one’s mortgage or funding a child’s college tuition.

Once a broker realizes that good luck and great timing cannot be the basis for professional success, there is no alternative but to realize that relationships are the key to success and the foundation of a well-conceived business plan.

It seems therefore obvious that fostering personal relationships is the basis for planning to succeed. Since relationships are the key element for success, a broker has to plan to establish solid and reliable personal relationships to succeed. The only way to establish personal relationships is to identify persons with whom the broker will relate. The persons with whom they will relate have to be somewhere—and they are in the broker's territory.

Warm Calling

In the final analysis, real estate brokers are salespersons. We instinctively know that there are differences between selling shirts at Macy's, televisions at Best Buy and warehouses in Chicago. Selling the shirt or the television does not require a relationship with the buyer, but selling a factory requires an intense level of personal relationship with the buyer. (Read *Spin Selling* by Neil Rackham.)

Brokers are not door-to-door salesmen making cold calls. They are service providers, building value on a long-term basis which requires the fostering of personal relationships with potential clients. What the door-to-door salesman accomplishes in a cold call is a one-off event. What brokers produce are relationships which eventually result in real estate transactions. Therefore each time a broker encounters a potential client there should be an enhancement of an ever-deepening personal relationship.

Rather than a cold call, each encounter with a potential personal client is a warming of a relationship which takes place over time. And after each warming call the potential relationship is deepened just a little; the potential client becomes a real client; and eventually the client becomes a personal promoter who refers business to the broker.

Every time a broker meets with a contact he should be seeking to establish and deepen a personal relationship, rather than making a cold call. It is the *warming* of that relationship with contacts over time that creates a value which serves to separate Relationship brokers from their peers and competitors.

Without the warming of personal relationships over time, brokers remain a commodity and are easily replaced by the Last-Broker-In. It is for this reason that *why* a broker does what he does is more important than *what* a broker does.

The process of warm calling never ends because personal relationships are constantly being created, refreshed and renewed. Cold calling or dialing for dollars imply that a broker is meeting the contact for the first time, then moving on to the next contact, as if searching for the needle in a haystack. The dynamic between the broker and the contact is part of a relationship that requires constant tending and care. That is why we refer to each meeting between a broker and his personal contacts as warm calls.

What Successful Brokers Did

Don't do what successful brokers *do*. Do what successful brokers *did*. It is what they *did* that got them to where they are today, able to do what they *do* and still be successful.

In the eyes of a broker unskilled in Relationship brokerage, it may seem that successful brokers are *doing* nothing. Yet the top 20% of brokers are closing more than their share of transactions and rank among the top producers in every company in any market at any time. How can they be so successful when they may seem to be doing nothing?

Long-tenured successful brokers have established a pool of personal promoters with whom they have excellent personal relationships. Personal promoters generate a disproportionate share of referral activity to successful brokers. Hence it may seem as if these brokers are creating prospects out of thin air instead of finding them by cold calling the streets. In a sense, that is exactly what they are doing.

It is important to know that successful brokers cultivate personal relationships with contacts over many years, and that those personal relationships mature and eventually become personal promoters who generate referrals. It is because such brokers practiced Relationship brokerage in their early years in brokerage that they seem to be succeeding with little or no effort today. But it is because of what they did in the past that they are successful today.

Relationship brokers conduct their business with a remarkably consistent level of professionalism, and deliver a quality of service which is marked by sincerity and thoroughness. Such brokers serve as role models for all who would follow in their footsteps. As one entrepreneur said, "A leader is one who knows the way, goes the way, and shows the way." You already know the old saying: *do what I say, not what I do*. As it pertains to successful brokers, the new saying should be: *do what they did, not what they do*.

For many years I have made a study of high-performing brokers. I kept looking for the one thing that these consistently high achievers had in common which might explain their success. I instinctively knew that these eminently successful professionals were not relying on good luck or great timing to keep themselves in the higher echelons of our profession. After growing accustomed to the blank stares that my questions generated during interviews with those brokers, I was finally able to isolate a consistent approach to brokerage which they all shared.

To one degree or another, all of these brokers had achieved outstanding performance and impressive revenue production in much the same way. It is too easy to say that they achieved their success by "hard work." While they did all work hard, my quest was to determine what they were doing year after year which generated the level of success that they came to expect of themselves. I needed to figure out what they had in common if I were going to distill their secrets of success and leverage them among other brokers in the company.

It took me quite a while to isolate it, but eventually I determined what they all had in common. Each individual had deep personal relationships with a number of contacts who accounted for a disproportionate share of their business. From those personal relationships they produced a consistent flow of transactions which generated revenue which kept those brokers in our high performers' club on a steady basis.

One consistently high producer said something that I wrote down as he said it: "I don't know if brokers are morons or what. When things are not going well they have to believe in themselves. They've got to do the same things that made them a success. Why don't brokers understand that?"

The problem with what this broker said was that in most cases brokers don't know what they have to do to be successful. Most brokers have yet to achieve anything close to success, so they can't yet "do the same thing that made them a success." They are adrift, looking for deals by working hard trying to find the needle in a haystack.

That may provide the broker with a living when the market is hot and there are a lot of deals just waiting to be found behind the next door they open. But what happens when the market goes south and deals are few and far between? Some brokers may not be doing the things that successful brokers did, so (predictably) they won't be successful.

I set about trying to determine what successful brokers did to achieve their success. I was pleased to discover their secret. I suggest that all brokers, regardless of how long they have been in the business, need to do what successful brokers did: establish relationships with contacts who will become personal promoters who will refer their friends and colleagues to the brokers in recognition of jobs well done.

Loyalty and Commitment

What did successful brokers do to become successful? What separated them from the herd and allowed them to achieve success while their peers were rapidly falling to the bottom of the revenue stack ranking? I think that there are two components contributing to success in brokerage: loyalty and commitment. Bring together loyalty and commitment with regard to anything and you have a powerful force in favor of whatever cause is being advanced.

Take the Wright Brothers, for example. They worked with great dedication to their cause. They expended tremendous time, focus and energy trying to figure out how to help man to fly. Such a lofty concept generates loyalty and commitment in the extreme. Nobody would have worked for free to help build those newfangled Wright Fliers, but people would fall over themselves to help mankind realize its vision to fly.

When it came to the civil rights movement, we heard Martin Luther King boldly pronounce, “I have a dream.” He did not say, “I have a plan.” His plan was what he wanted to get done. Instead he emphasized the visionary element of his plan. A lot of people were concerned about civil rights, but Martin Luther King had a dream. Loyalty and commitment to his dream helped change the world for the better.

The vision behind what the Wright brothers and Martin Luther King set out to accomplish was more important than what they actually accomplished. A lot of people will work for money to help achieve a business plan, but they will give their blood to help accomplish a dream. You can’t buy loyalty or commitment, but you can earn them.

This is precisely how successful brokers became successful. They earned loyalty among their clients, and client loyalty generated commitment as the reward for hard work over many years. But those years consisted of days, weeks and months over which successful brokers evidenced concern for the best interest of their clients. Successful brokers keep in constant contact with their clients, building relationships and demonstrating dedication to something beyond themselves.

When it comes right down to it, brokers are salespersons who are attempting to sell something. Buyers know when they are being sold something, and they also realize that the broker is compensated for the sale. On some basic level they may resent being used for the broker’s enrichment, but successful brokers manage to close sales without generating resentment from buyers because buyers know that those brokers have their clients’ interests at heart.

Successful brokers fulfill client requirements, but they primarily look out for the well-being of their clients. Broker loyalty and commitment invite reciprocity from clients, and together they are the basis for lasting business relationships.

Recently my old PC was fading fast and I had to make a decision on what replacement computer I would buy. That’s when I got to experience what true loyalty meant. I had friends pulling me one way and the other, telling me that I should buy a Sony, a Dell or a Mac. The Mac people were passionate in their belief that it was a mistake not to buy a Mac. But nobody was passionate in favor of the Sony or the Dell because it was just another computer.

Buying a Mac meant becoming one of the insiders who were hip and avant-garde. The loyal Mac people kept telling me that I needed to buy the Mac because of the image that came with it (I eventually bought the Dell—what does that say about me?). In the minds of the committed Mac people I had to choose between a commodity and a lifestyle.

The Mac people would stand in lines that wound around the block at the Apple Store so that they could purchase each new innovation on the very first day that it became available. The fact that they could have bought the latest iPhone, iPod, iPad or Mac a week later without standing in line did not factor into their decisions. To fully embrace the lifestyle meant having the newest Apple toy before anybody else had a chance to get one. Mac people are loyal and committed people.

Such loyalty to a brand generates commitment in much the same way that loyalty to a broker generates commitment to the broker. But remember that relationship is a two-way street: the loyalty of the client must be reciprocated by the loyalty of the broker. On that two-way street there are obligations which bind together successful brokers and their clients.

All competent brokers know how to do their jobs, and the best ones even know how to do it well. Successful brokers do the same things that their competitors do, and in the same way that their competitors do them. Does it really make any difference to a potential client which broker he hires to do an assignment? After all, all brokers are the same, right? No, that's not right.

Trust as Key Differentiator

Principals who are loyal and committed to a broker who has earned their trust would not think of working with a different broker. Those brokers stand out from the crowd and deserve their success as the by-product of a job well done in the past to serve the interest of their clients.

Am I saying that unless you can generate loyalty and commitment from among your personal clients that in the long run you will not be a successful broker? Yes, that's exactly what I am saying.

Trust is the differentiator which inoculates a broker from competition and complements loyalty and commitment as the third leg of the three-legged stool necessary for success in a brokerage career. Without personal trust there is no way for a service provider to generate loyalty or commitment.

But which came first: the chicken or the egg? It is only by first earning trust that a successful broker then earns loyalty and commitment from his clients. Unless a broker understands that he must work hard to earn the trust of his clients, then he will not deserve loyalty or commitment, and thus will not be a successful broker.

Yet earning trust is the hardest thing that any person can do. There is no manual on how to get the job done. Or is there? Maybe we can learn something about our clients by looking at ourselves.

It is possible to have loyalty or commitment to a brand without involving personal trust. A familiar example of this is demonstrated when we stroll the aisles at our favorite warehouse discount store (Costco is my favorite because shopping there is free—you just drop $300 at the door and you can take off the shelves whatever you want). We unconsciously and routinely pick the same items off the shelves because over time we develop loyalty to one brand or another.

I began thinking about personal choices I make on a daily basis. Here are some examples to demonstrate what I mean.

- I fly on American Airlines rather than on Delta.
- I drive a Mercedes rather than a BMW.
- I stay at Starwood Hotels rather than at Marriott Hotels.
- I rent cars from Hertz rather than from Avis.
- I dine at Ruth's Chris Steakhouse rather than at Morton's.
- I buy clothes at Brooks Brothers rather than at Jos A Bank.
- I sip coffee at Starbucks rather than at Coffee Bean & Tea Leaf.

I wondered how I came to make those choices; how I became a committed customer of these particular companies instead of other fine service providers in their respective categories. What it came down to was that I felt that I was getting better value from my preferred providers based on my personal interactions with them in the past.

I felt that I would receive consistently fine service from them in the future. I felt that they had earned my loyalty by rendering terrific service to me in a variety of experiences at various times in my life.

In each case my choice of those companies was a conscious decision triggered by an emotional response to how I was treated personally by representatives of those companies. That personalized my interaction with the impersonal corporate entity. I felt that these companies really cared about me and had my best interests at heart … even though they had no idea who I was.

However, when it comes to human interaction, loyalty and commitment presuppose a high level of trust between persons.

We all use phrases like “my doctor,” “my accountant,” “my attorney,” etc. When we use those terms we are saying a lot about the persons who are providing services to us. There are tens of thousands of doctors, accountants or attorneys whom we could select to help get us through our personal and business lives. Yet we all whittle those hordes down to one person in each category who earns our confidence, a trusted advisor on whom we rely for counsel and direction.

Trust between persons usually generates loyalty and commitment because loyalty and commitment must be earned. While the circle of people we truly trust may include only a relatively small group, persons within that circle of trust have earned our loyalty and commitment. There are different levels of trust between persons depending upon the nature of the relationship, but the default position between people is absence of trust.

It is therefore a significant achievement for any individual to distinguish himself among his peers and to earn the trust of his clients. In the case of doctors, there is such a personal throwing open of one’s kimono (literally) that we want to trust them in a way which is unique and almost intimate. My doctor earned my trust.

“My Doctor” is probably the best example of a trusted advisor because he clearly has my best interest at heart. He is looking out for my longevity by proposing a healthy lifestyle, evidences his personal commitment to my well-being by giving me his time and attention, and considers as his success my own health and happiness. That is why I trust him.

In much the same way, the ultimate achievement for a broker is to have a client refer to him as “my broker.” This suggests that the broker has earned the client’s trust based upon having rendered a service which served the client’s best interest above all. This would be the pinnacle of accomplishment and recognition for any successful broker.

In the computer age, online shopping has reduced almost every aspect of the buying process to commodity acquisition. Since most things are commodities, they are usually distinguished online only by price or level of customer service. All brokers provide commodity services, so they must distinguish themselves, not by price, but by level of personal service.

Since buyers assume that sellers are looking out primarily for themselves, rather than for the buyer, the default position is not to trust the broker. Brokers encounter people starting from an assumption of distrust. The earning of trust over a period of time is the main goal of successful brokerage. Brokers accept the challenge to engender trust in people who are disposed not to trust them.

The broker needs to demonstrate that he is not like everybody else and that his objective is to provide a level of service which merits trust from a buyer or tenant. Only if a broker is successful in this regard does he separate himself from his competitors.

The truth is that trust therefore is the key differentiator of successful brokers who want to earn loyalty and commitment from their personal promoters.

“Trust, but Verify”

President Ronald Reagan famously (and repeatedly) said, “Trust, but verify” in his relations with the Soviet Union. After the president used the phrase at the signing of the INF Treaty, his counterpart Mikhail Gorbachev responded: "You repeat that at every meeting," to which Reagan answered, "I like it."

There is an oxymoron implicit in the saying “Trust, but verify.” That internal contradiction is especially apropos of the connection between a real estate broker and the principals with whom he interacts. Decision makers reflexively do not trust brokers, but they do their best to pretend that they trust them.

Over time the broker must demonstrate to clients that he is trustworthy, since distrust by clients is the default position. Unless and until the broker shows that he is worthy of trust he will not earn loyalty and commitment from his clients. That is a major obstacle to the broker’s goal of earning loyalty from his clients since loyalty comes only after the broker has earned the client’s trust.

A broker needs to be clear that he is committed to delivering quality real estate services. Until then he will be just one of dozens of brokers wandering the streets looking for a deal. People won’t be terribly motivated to help him make money if making money is the sole motivation for doing what he is doing.

That describes the dilemma of the Haystack broker. Since he is moving from one territory to another, he rarely sees the same people more than once on his nomadic journey. Therefore the broker forms personal relationships with few if any of the people he encounters on his peregrinations. Potential clients never deal with him long enough, or see him often enough, to get to know him. And since they don’t know him they don’t have any reason to trust him.

Loyalty and commitment are what separate successful brokers from failed brokers, but without trust there is neither loyalty nor commitment. Trust is the key differentiator of successful brokerage and is a reflection of service well rendered … not how many zeroes are on the broker’s commission check when the transaction is complete.

If the Haystack broker does the same things in practically the same ways as his competitors do them, then chances are good that he will be seen as a commodity. But what if he could differentiate himself and convince potential clients that he is a cut above his competitors; verify his trustworthiness and show that he is not a commodity?

People would beat a path to the broker's door if he were offering a quality service that meets his clients' needs; if he were doing the best he can to promote the interest of his clients; and if they knew that they could trust him.

There are thousands of brokers who do what every broker does. Many of them know how to do it even better than he does, if only because they have been doing it for longer than he has. So what separates him from them? And why would potential clients choose to trust him over his competitors?

The broker must demonstrate that he can provide clients with something which has unique value for them. He must show them that he brings more value to the delivery of the services that he provides. He must prove to his clients without question that he has their best interests at heart; that he knows his territory better than anyone else; that his market knowledge is available at no greater cost than competitors; and that he is seeking to establish a relationship with clients rather than just doing a job for them.

When President Reagan wisely counseled "Trust, but verify," he provided brokers with the key to earning loyalty from clients. Until clients verify that the broker is worthy of trust, then there is no chance that the broker will ever earn loyalty from potential clients.

Trust is a give and take, a two-way street of reciprocal interaction which works to the benefit of both parties. After a period of working together, where the broker can demonstrate that his clients can trust him, he hopefully earns loyalty, which is the Holy Grail of brokerage.

What distinguishes brokers from other sales professionals is that brokers are not selling a product. Brokers are selling themselves, which can be the most difficult sale. The more complicated the sale, the more important it is to realize that trust is the predicate of loyalty and commitment and that without trust there is no sale.

Haystack brokers never get to establish enough trust to justify earning loyalty from their clients. That is the basic problem with Haystack brokerage since loyalty and commitment are what earn referral business from the friends and colleagues of clients. When contacts sense loyalty from their brokers they feel an obligation to do something to acknowledge and reward the broker's loyalty.

Of course they will involve the broker in whatever potential transactions which they themselves may have, but they want to do something more since it may be a long time before the client has a transition in which the broker can be involved. An easy favor that they can extend is to refer the broker to people they know who may have need for the broker's skills.

In that way they win all around: they do favors for their friends by referring them to a professional whose skills they can trust, but also do a favor for the broker who can financially benefit from the referrals to the client's friends and colleagues.

Before the Haystack broker opens himself to what the Relationship broker might have to teach him, there is a prerequisite: the Haystack broker must experience a moment of epiphany.

Standards of Excellence

Service well rendered should be a minimum level of expectation, but regrettably in many industries it has become the exception. There are standards of excellence to which all service providers aspire. While it is true that only a small percentage of professionals achieve a level of excellence within their fields, it can seem that the median practitioner is falling further and further below expected standards of excellence.

This is especially troublesome in commercial real estate brokerage where the nature and size of transactions can many times involve tens of millions of dollars. Buyers expect brokers to render services well, but they are often reluctant to trust brokers since the level of truly exceptional service can be deficient in many cases. It is for this reason that brokers have a significant challenge to elicit trust from prospective clients.

Implicit in the concept of trust is the assurance of loyalty and commitment. I cannot trust you unless I know that you are loyal and committed to me and my best interests on an ongoing basis. If I get the idea that you are there for me in the short run, but will not be there in the long run, then why would I trust you? "Here today, gone tomorrow" does not work for anyone. It does not work for your clients. It does not work for your friends. It does not work for your children. It does not work for your spouse.

Speaking of spouses, I have been married to mine for more than 40 years. I guess that says something about trust, loyalty and commitment (my wife refers to them as TLC), but I mention that for another reason. My wife Cathy is a consistently successful office broker with NAI Capital. She has been in the business for thirty years and has an impressive database of personal clients with whom she works exclusively.

Just about all of her business comes from her long-time clients, as well as from those to whom she has been recommended by her clients who became her personal promoters somewhere along the way. She is the paradigm for the broker whose commitment to the well-being of her clients has placed her in the exclusive club of successful brokers who can exist solely on business from clients who consider her a trusted advisor, as well as from prospects her clients refer to her.

Cathy knows better than most brokers about how important trust, loyalty and commitment are to a broker's success. She was recently interviewed on a local radio show which focused on client relationships and the importance of long-term commitment. I asked her to comment in writing on my series of blog articles on Relationship brokerage and this is what she had to say (this is her first draft and I have not edited it in any manner)….

"You asked me what has allowed me to maintain successful brokerage relationships which have lasted over my entire brokerage career and why I am able to continue working with clients over a very long period of time. I have given this a lot of thought and what I come up with is that brokerage relationships are really no different from life relationships.

"A client will want to work in a relationship where he or she feels safe. Alternatively, a broker will want to work with a client who makes the broker feel safe. The key ingredient is trust. Trust entails many elements. It means that each party has confidence in the other. The client must have confidence that the broker is knowledgeable. The client must feel protected. He must believe that the broker will be honest and sincerely look out for the best interests of the client. The broker, on the other hand, must actually be those things for the client. Sincerity and honesty are very hard to fake. In order to earn trust the broker truly must care.

"Brokers want to form relationships with clients that the broker feels comfortable relating to, and that the broker feels will sincerely appreciate the extra efforts expended on their behalf. Over time, honesty leads to trust. Extra effort made by the broker to solve a problem which may not result in a lot (or no) money for the broker build trust that the broker is concerned about the best interests of the client – not just the commission that brokers will earn on the transactions. Honesty is not always telling the client what the client wants to hear. It is often telling the client what they don't want to hear – but is the truth. I believe people appreciate honesty.

"In essence, a good client/broker relationship is based on the same human reactions and desires that create good friendships, good partnerships, good marriages and good societies."

My bet would be that if we asked the same question of any successful broker we would get somewhat the same answer. Cathy suggests that the keystone of brokerage success is honesty in dealing with clients. She is right because honesty leads to trust, and without trust there will be neither loyalty nor commitment. In order for service to be well rendered it may often come down to the broker doing what is in the best interest of the client, even when it may not be in the best interest of the broker.

When a broker honestly recommends a course of action which the client knows does not serve the broker's interest, then the broker's credibility is leveraged. When a broker demonstrates that the client's interest is the broker's primary concern, then the broker's reward may not be immediate, but it will eventually materialize and multiply many times. Not only will the broker's honesty have earned trust from the client, but it will move the client to refer the honest broker to the client's friends and colleagues.

Service well rendered is based on broker honesty. Honesty may seem in short supply these days, but honesty should be the priority of brokers who want to be truly successful and maintain long-term trusting relationships.

Measuring Effectiveness

The foundation of a successful brokerage career is TLC: trust, loyalty and commitment. Most brokers try to delude themselves that all their clients are trusting, loyal and committed. But is that true? How might a broker assess his effectiveness as a service provider? How might a broker determine whether he is as well regarded by his clients as he thinks he is?

After more than 30 years of research, Fred Reichheld, a partner at Bain & Company, a prominent management consulting firm, created a metric to determine how successfully companies deliver quality services to their customers.

In his popular book *The Ultimate Question,* Reichheld calls his metric the Net Promoter Score (NPS). The NPS concept applies very well to a broker's client database and would provide a useful metric for assessing the depth of client relationships. (See *Appendix: The Ultimate Question*)

Based upon surveys and consumer feedback, a company can determine what percentage of its customers are so satisfied with the company's services that they become "promoters" likely to refer friends and colleagues to do business with a firm that has delivered such great value to them. Promoters can immediately generate increased business to the company, and are a reliable source of future business based upon word-of-mouth referrals and positive customer feedback.

On the other hand, every company also has "detractors" who are so displeased with their experiences that their negative word-of-mouth creates a significant problem for the firm.

Negative word-of-mouth can destroy a company's reputation and impede its future growth. The more detractors who reflect negative customer satisfaction, the less likely that the company will prosper in the future.

NPS is essentially a metric (the percentage of promoters minus the percentage of detractors) that serves as an indicator of health and growth potential based upon perception of a company in the marketplace.

Obviously a *high NPS* reflects great customer satisfaction, and a *low NPS* reflects poor customer satisfaction. Unless the NPS is a positive number, the future can be bleak, as detractors undermine future growth potential, regardless of how many "satisfied" customers the company claims.

The average NPS for U.S. companies is less than 10%. Truly successful companies separate themselves from competitors by logging an NPS significantly higher than average. These are the companies who enjoy repeat business from customers referred by promoters of the company.

The same metric can be used by commercial real estate brokers to determine the health of their client relationships. Since commercial brokerage is a relationship business, it is clear that consistently high revenue production happens only if brokers deliver a quality product which is well appreciated by their clients.

We can all think of a handful of brokers who never seem to get out on the street and search for business, but who are consistently among the high performers in any company. Those brokers enjoy an unusually high NPS and as a consequence achieve consistent excellence. They generate business from multiple referrals sourced from prior customers and clients who became personal promoters of the broker because of excellent prior performance.

A broker must deliver a consistently reliable level of professional service, which earns high marks from clients. At the same time the broker must minimize negative reactions from personal contacts, which spread by word-of-mouth much faster than positive reactions. Let's apply the NPS to a typical brokerage territory.

The Ultimate Question

If a broker has 500 contacts in a database, and works actively to establish personal relationships with each contact, then on a scale of 0 to 10 there are three categories of potential opinions about the broker.

- Contacts who rate the broker's performance a 9 or 10 are "promoters."
- Contacts who rate the broker's performance a 7 or 8 would be considered "passives," and could be persuaded to fall or rise in the scale depending upon future performance.
- Contacts who rate the broker's performance from 0 to 6 are "detractors."

Every broker needs somehow to determine his NPS by conducting a survey of his clients over time. Let's say that out of the broker's 500 contacts, 150 (30%) are personal promoters. Let's also say that 50 (10%) of the broker's contacts are detractors. That broker's NPS (30% minus 10%) would be positive 20 (NPS is not expressed as a percentage).

This is a very favorable situation. It means that there are 150 personal promoters of the broker's services within the four corners of his territory. These personal promoters will generate significant volume of positive feedback which will amplify the broker's effectiveness in generating a reliable stream of referrals into the future.

Now let's reverse the numbers and say that the broker has 50 personal promoters and 150 detractors within his territory. In this case the broker's NPS (10% minus 30%) would be negative 20. Having a negative anything is rarely a good thing, and negative NPS is certainly not a good thing.

The broker's NPS of negative 20 means that the number of the broker's detractors outweighs personal promoters by a factor of three to one. If a broker has 150 personal contacts who are displeased with the quality of his services, then it is likely that those 150 detractors can do a lot of damage to the broker's reputation.

When a broker conducts an objective survey of his clients and determines his NPS, he will certainly be surprised—one way or another.

If the broker's high NPS validates his assumption that his reputation among his clients is as good as he thinks it is, then he can just keep doing what he has been doing, secure in the confidence that he is having the effect he needs to leverage activity and produce referrals as the backbone of future business.

On the other hand, when a broker realizes that a low NPS reflects unfavorable assessment of his effectiveness as a service provider, then he is at a fork in the road in a career which is rudderless and in need of revitalization. The road splits and heads in only one of two ways: either the broker takes aggressive steps to focus on fostering trust, loyalty and commitment in his clients, thus raising his NPS—or prepares for a long, grueling slog towards mediocrity and major disappointment.

Most brokers find themselves at the fork in the road at one point or another in their careers. Those who chose to elevate their NPS by focusing on creation of trust, loyalty and commitment (TLC) will be the successful brokers of the future. Those who limped along with a poor NPS are already gone from the business … even if they don't yet realize it.

Building Relationships

Relationship brokerage is founded on the premise that each broker needs 500 personal relationships in order to be successful. The broker has the goal of knowing and being known by each of those 500 contacts and establishing with each of them bonds of trust, loyalty and commitment which are the basis for a trusting relationship over time.

Building on trust, loyalty and commitment among his 500 contacts and clients, the broker strives to create long-term relationships with contacts that will refer the broker to the contacts' friends and colleagues, leading to ongoing, referral-based, future business for the broker. This is a geometric process, perpetuating itself so that the broker's referral business grows organically over time and becomes the bedrock of a successful brokerage career.

Start with a Territory

As we have discussed, the broker is able to measure the effectiveness of his relationship-building program by asking his clients The Ultimate Question, and quantifying their assessments of the broker's efforts in what is called the Net Promoter Score (NPS). With a high NPS, the broker can establish an objective validation of what he hopes he is accomplishing.

Yet most brokers would not likely score a high NPS, and might therefore discover that their effectiveness in the field leaves something to be desired. Their approach to the business requires immediate remediation before frustration and disappointment put the broker's career in jeopardy, either by his hand or at the hands of others (i.e., his manager). Either way, without a high NPS indicating the broker's effectiveness in building quality relationships with clients, a low NPS foreshadows an eventual transition out of brokerage.

How does a broker make the transition from a low NPS to a higher NPS? How does he build rapport and deepen relationships with the 500 contacts that he targets as "his" territory? That is the goal of Relationship brokerage and it requires a permanent change in the way of doing business which has the single focus of establishing loyalty and commitment from clients based on trust built over time.

"Territory" in the context of Relationship brokerage is not a geographic area definable by physical boundaries, even though the broker's clients fall within a geographic area which can be circumscribed by physical boundaries. Understanding the concept of territory again involves the simple metaphor of the chicken and the egg.

A brokerage territory is not created by drawing lines on a map and then concentrating on whatever lies within the four corners of that geographic area. A territory smacks of old-school sales and exemplifies what we have already described as Haystack brokerage.

Why would two "sales territories" with the same potential vary in the results generated by two experienced professionals? All else being equal, the variability is the broker's inventory of talents and skills. But if two brokers have the same talents and skills to succeed, why would one broker succeed while another fails?

The answer is that successful brokers must have long-term relationships with their contacts within the territory. Two brokers with the same talents and skills may not have the same quality of relationships and therefore they will not have the same levels of success. In a sense, talent and skills are secondary to relationship-building acumen and personal likeability.

Yet when a broker defines his business plan, and sets out to establish relationships with the contacts that he targets for business development, he plans to work (as we will describe in *Chapter 3: Transition Brokerage*) for three hours per day, three days per week, with three days of follow up for ninety days, before starting the strengthening of his relationships all over again. It is only by constantly recontacting the same individuals that relationships are formed over time.

Create a Community

"Community" may be a better word than "territory" to describe where a broker conducts his business because it is the area wherein fall the contacts with whom the broker has relationships. For that reason, from now on we will stop using "territory" and start using "community" in the pages to follow. The broker will focus on relationship development within his brokerage community (formerly "territory").

As relationships mature with the people whom the Relationship broker contacts every quarter, it is possible to determine where those people are located. Once the array of those people is determined, boundaries can be drawn on that map (after the fact) around the cluster of people with whom the broker is forming relationships. Now the chicken and the egg metaphor might start to make sense (I hope).

The boundaries are not drawn in advance to establish a territory for which the broker is responsible. Drawing boundaries in advance would indeed be called a sales "territory." Rather, the broker sets about forming relationships with people. Only after three months in the field can he draw lines around where those people fall on a map. Drawing boundaries after he has identified where those people are located is called a "community."

A brokerage community consists of people with whom the broker has personal relationships. The broker's objective has got to be to establish that community and to work on deepening his relationships with the contacts within his community. As a result the broker will generate recommendations from contacts who will become personal promoters, which will lead to future business.

"You will not enjoy any real success in this life unless a whole lot of people want you enjoying it." That quote by JC Maxwell is the perfect explanation why some brokers succeed and others do not. The "whole lot of people" Maxwell refers to are the contacts in the broker's community who wish him well and want to reciprocate the value received from the broker. They reciprocate most meaningfully in one way … by referring to the broker their friends and colleagues.

Reaping Benefits

Relationship is the predicate of community, and each relationship involves give and take between two individuals. The broker is the pivot point for every relationship in his community since it is he who has individual relationships with all of the 500 contacts who make up his brokerage community. If the broker is to be successful in building, maintaining and deepening his 500 relationships, then he must tend personally to each one individually.

A broker's business plan must provide for constant tending to his relationships in a disciplined manner. I propose that a prudent business plan must provide for relationship building within the broker's community for three hours per day, for three days per week, with three days of follow-up for three months; and then starting the process all over again with the same people. During those dedicated hours the broker does nothing else but focus on building relationships within his community.

The time dedicated to relationship building must be distraction-free: no mobile phone, no laptop, no email, no text messaging, no conflicting appointments … nothing but building relationships with the people with whom he is engaged during that dedicated time. The broker will not run short of reasons to be distracted, but he gives in to distractions at his own peril.

A loss of concentration undermines the broker's business plan and inhibits the deepening of relationships on which the broker's success is predicated. By concentrating on each person with whom he speaks, he evidences his sincerity and lays the groundwork for his reputation as a person on the lookout for the contacts' best interests. First he must understand each client's problems before he can help solve their problems.

Reciprocity

It is only after the broker establishes his bona fides as a trusted advisor that the stage is set for clients to reciprocate for the quality of service that the broker has provided. It is at that point that a brokerage community is truly established, as reciprocity between broker and clients reaches its fulfillment in mutual give and take, which is both the basis for and the realization of relationship.

When the broker's time spent in developing his community starts to produce reciprocal good will from his clients, then the broker reaches full stride and begins to get referral business from the clients in his community. This referral business is the pinnacle of success in acknowledgment of what the broker has invested in establishing Relationship brokerage with the personal promoters within his community.

The reciprocity of value received for value given will serve as the foundation for a successful career as long as the broker does not allow himself to be distracted by career "trapdoors" such as pending or difficult transactions (the most common excuse for not tending to disciplined relationship building), lack of focus or lethargy. In exchange for being a trusted advisor, providing value, solving his client's problems and looking out for his clients' best interest, the broker primes the pump for reciprocity from everyone who values the service that he provides.

The referral business that the broker receives in exchange for the commitment he evidences to contacts, and the service he provides, are acknowledgment for a job well done and a service well rendered. This is what makes successful brokers successful even when it appears that they are doing very little to justify the success they are enjoying.

Referral Marketing

Referral marketing is a complex issue, but it can be boiled down to two sides of the same coin. The broker's primary concern is that his clients reciprocate for his dedication to taking care of their interests by helping the broker build his book of business. The referrals received can be from the client himself, but also from the client's "friends and colleagues" (as detailed in *Appendix 1: The Ultimate Question*).

We usually assume that a "referral" means that a client has recommended someone else to the service provider in recognition of a job well done; and that is indeed true. When one recommends a friend or colleague to a broker it is a laudable recognition of a job well done and recognition well deserved.

It is easily seen that successful brokers maintain their high level of revenue production from repeat business that seems to come out of nowhere. In reality it comes from a pool of clients who represent the backbone of the broker's transaction base. It comes from individuals who have previously done deals with the broker and experienced such a high level of satisfaction that they call upon the broker whenever they have additional requirements in later years.

The most significant referral is the client himself, so when a broker gets business from clients with whom he has done deals in the past, it is then that he has reaped the highest level of success. When a former client brings the opportunity for repeat business to the broker, it is the clearest indication that the broker has achieved the coveted level of trusted advisor to his clients.

A broker should always ask for referrals whenever he interfaces with others. Most brokers figure that there is nothing to gain out of meeting with tenants or buyers who have just completed transactions, since it is unlikely that they will have further immediate requirements.

But that reflects a basic misunderstanding of the primary reason for every meeting that the broker has: asking for referral business. Whether newly relocated tenants or buyers ever make another move, they are excellent prospects for referrals to the trusted advisor who served them so well.

When a broker takes advantage of the opportunity to ask for referrals, whether of a client's friends or colleagues or of the client himself, then the broker is on a path to ongoing success as a true professional, deserving of the success he has earned, and worthy of emulation by other brokers who are still trying to learn the secret of the science of Relationship brokerage.

Prioritizing Objectives

Successful Relationship brokerage is first of all a science. It eventually morphs into an art, but until the science of Relationship broker is understood, then the development of the art of Relationship brokerage never becomes possible. Prior to understanding Relationship brokerage as a *science* it is important to understand the objectives of the science.

The hallmark of science is the ability to repeat an experiment and generate the same result time after time. When we look at what distinguishes the careers of successful brokers, we can establish a process which, when repeated, will generate the same result time after time.

The process is easy to grasp, yet hard to implement. What are the practices necessary to lead a broker to inevitable success?

A broker must establish his career on a foundation of clients who become personal promoters and who leverage the broker's effectiveness by referring him to their friends and colleagues. In order to accomplish that goal, it is necessary to set up a business plan which will enable the broker to meet with his personal promoters on at least a quarterly basis.

There are five prioritized objectives of Relationship brokerage which must be accomplished in this specific order.

- Focus on a four-cornered community
- Know and be known by every contact in the community
- Know every transaction before it happens
- Have a finger in every transaction
- Make money

1. Focus on a four-cornered community

In addition to the 100 contacts he has from earlier networking and prior transactions, the Relationship broker's goal is to have relationships with about 400 decision makers within a specific community and to establish personal relationships with each of them.

Personal relationships are not established and deepened using telephones, e-mail, voicemail or snail mail. The only way to establish and deepen personal relationships is by in-person meetings out in the field where decision makers do business.

It is important to emphasize again that the four-cornered community is not necessarily a geographic area. The community does not consist of a definable area, but rather consists of decision makers who are the broker’s contacts. Only at the end of three months can the broker look back and determine how many people he met and where they are located. Therefore, only after the first 90 days does the broker know where his geographic community is, because that’s where his contacts are.

In order to practice Relationship brokerage a broker must commit three hours per day, three days per week, with three days of follow-up for three months. During those three hours a day, the broker should do nothing but speak with contacts. The ideal circumstance is to meet contacts in person at their places of business, effectively going from one contact to another to meet personally across the contacts’ desks.

The broker must do whatever it takes to get himself in front of contacts either by scheduled appointments or by focused telephone conversations during the set-aside three-hour modules.

2. Know and be known by every contact in the community

But despite the broker’s best efforts he may not get to meet every decision maker in person during each quarter. For that matter, he may never get to meet some contacts within his community. Yet even if he doesn't know every contact in his community it is important that he be known by each of them.

To accomplish that objective it is useful to establish a reset point from which the broker will start the first hour of the first day of the first month of every quarter. The reset point may be a specific place or an individual person from which the rest of the three months will flow. At the end of the three months the broker returns to the reset point to begin the process all over again.

What distinguishes Relationship brokerage from less effective approaches to the business is that after every three months the broker repeats the process again starting from his reset point. He speaks with the same contacts personally at least once every three months.

If a broker is not able to speak personally with a contact, he should leave his business card and promise to follow-up on the next business day. There is a three-day follow-up regimen which works as follows:

- Day 1 telephone call; leave a voicemail message if no contact with the principal

- Day 2 telephone call; leave a voicemail message if no contact with the principal
- Day 3 send an email explaining the broker's Touch-12 program

The Touch-12 program is a series of monthly email messages which provides the contact with inside knowledge into the local market where the broker has unique insight. This serves the purpose of providing valuable information to contacts, as well as keeping the broker's name in front of them.

Consider the cumulative effect of this approach, even if the broker never speaks personally with a specific contact. Every three months the broker personally visits the contact's place of business and leaves a business card. Then, over the following three business days, he follows up by telephone or email. That means that every three months the contact hears the broker's name four times, or at least 16 times a year.

The broker becomes *known* by everyone within his community even if he does not *know* everyone within his community.

As part of the broker's Touch-12 program, the contact receives monthly market-related communications which will be of interest to the contact. So over the course of the year, never having met the broker, the contact hears the broker's name a cumulative total of at least 28 times. This helps accomplish the objective of being known by every contact within the four-cornered community.

3. Know every transaction before it happens

A by-product of focusing on his community is that the broker will know and be known by every contact, and he will know everything that is going on within his market area. The broker will be meeting with the decision makers within his community, and they will be knowledgeable of what is going on as it relates to commercial real estate. In the course of his conversations he needs to find out what these decision makers know about local transactions, whether those transactions have already happened or whether they are in the process of happening.

The importance of knowing about transactions that have already happened is that the broker needs to be an expert in his target community. The information which he will aggregate over time gives him an insight to the market which will be invaluable to the decision makers he will meet. The sharing of information makes him an important asset to the principals with whom he is seeking to form personal relationships.

However, it is also critical to know about transactions that are in the process of happening because he would have an opportunity to influence the outcome of those maturing transactions. It is this information which creates opportunities that is the core reason for establishing a community and becoming knowledgeable about all that is going on within it. Unless the broker knows in advance about transactions that are going to happen it is impossible to influence those transactions to his benefit.

The work product of any broker is market knowledge which is acquired by being physically present within the four corners of his community and knowing each occupant of every building. This market knowledge becomes currency which purchases a free-flow of information with the broker's contacts within his community.

If the broker is present in the community on a consistent basis, and meets personally with the contacts within the community, he will know more about that market area than anyone else. However, knowing about past transactions is not a valuable commodity. Knowing about pending transactions is the valuable commodity.

The broker must be knowledgeable about tenants or buyers looking for vacancies to fill. Who needs more space? Who needs less space? Who needs different space? Who's moving in and who's moving out of the community? The broker acquires this valuable knowledge only by talking to the people occupying the buildings within the community where the broker specializes.

Not only does knowing the coming and going of users within the community provide barter for trade on an ongoing basis, it also provides advanced knowledge of pending transactions which will generate commissions. This is where the broker has a unique opportunity to take advantage of the situation and insert himself into transactions before they happen.

4. Have a finger in every transaction

Since he knows about every transaction before it happens he is afforded the opportunity to have his finger in every transaction. "Having his finger in every transaction" means that he must involve himself in the outcome of every transaction within his community before it becomes history. In other words, he needs to be involved in every transaction before it is added to the comps file in his database.

Having his finger in every transaction makes him a player within his community and adds to the texture and credibility of the market insights he can share with decision makers. Knowing about what has already happened is not much of a trick, nor is it beneficial to him from a financial point of view. But having his finger in every transaction before it happens provides him with both credibility and opportunity.

The opportunity to play a part in a potential transaction is an opportunity to make money. The first broker to know about a requirement is usually the one who makes a commission representing either tenants or landlords, or buyers or sellers. Knowing in advance that a transaction is about to take place gives him an opportunity to become part of it.

Sometimes “Having his finger in every transaction” means delaying or postponing another broker’s deal. When he gets in the way of another broker’s deal he buys time to find alternatives for consideration and creates an opportunity for himself.

Time can be the enemy of all deals, so if the broker can buy time by delaying completion of another broker’s deal, then there is time for him to structure a different alternative for consideration. Do that a few times and he is much better off than reading about another broker’s success in the press and adding the transaction to his comps file.

Two things are for sure: if a broker doesn't know about every transaction before it takes place he will not have the opportunity to have his finger in the transaction ... and if he does not have his finger in the transaction he will not make as much money.

The only way to know about every potential transaction within the four corners of the broker’s community is to be on the street on a consistent basis so that nothing happens without his knowledge in advance. It is this intimate market knowledge which separates him from his competitors.

According to the *Theory of the Void* (which I just conveniently made up), no transaction happens unless a void is created. In a nutshell, unless there is vacant space, nobody can move into it and occasion a commissionable event. It is crucial that the broker understands when and where a void is going to be created, and that he is in a position to take advantage of that foreknowledge.

The idea of “having his finger in every transaction” means that the broker has an opportunity to benefit from upcoming vacancies (“voids”). Knowing in advance that a particular tenant or buyer is looking for more space, or less space, or different space provides the broker an opportunity to present alternative locations for consideration.

By uncovering that a particular contact is in financial difficulty and may be facing bankruptcy or foreclosure, the broker can know in advance that the contact’s space could be coming available—creating a void which presents an opportunity for the broker to earn a commission.

Even if the broker is not able to create a commission-generating event, there is beneficial value. Since other people will not know about transactions that have not yet happened, the broker has the opportunity to appear especially knowledgeable by judiciously using his knowledge of deals pending. By discreetly sharing knowledge of pending transactions, the broker shows a depth of market knowledge which can place him in an eminent position in the eyes of contacts within the community.

5. Make money

While it may challenge common sense and conventional wisdom, the primary objective of Relationship brokerage is *not* to make money. If a broker's primary objective is making money, then he should be able to measure his success by the amount of money made each day. But that is not how commercial brokerage works. There is a lot of work on a daily basis, but paydays come few and far between. Therefore if a broker's primary objective is making money, then the result will be inevitable frustration and disappointment.

The broker whose first objective is to make money soon realizes that he will make little money after investing three months meeting contacts in his community. He will be tempted to move to another *territory*, rather than focus on establishing relationships among contacts in his *community*. It is only in realizing that money is made in the long run by establishing relationships with decision makers who become personal promoters, who generate referral business, that the goal of Relationship brokerage is achieved.

Money is one form of recognition for a job well done, and successful brokers can expect to make a lot of money. But there is risk implicit in that expectation because paydays are few and far between, and brokers must invest significant time and energy in creating commissionable opportunities. Making money is therefore the final objective, not the first objective, of the five prioritized objectives which are the building blocks of Relationship brokerage.

It is for this reason that I describe Relationship brokerage as a science rather than as an art. By doing the process over and over, reliable results are produced and successful brokers are the product of the science of Relationship brokerage.

If practicing Relationship brokerage is a challenge, then managing brokers who practice the science of Relationship brokerage is doubly challenging. We need to figure out a management structure between broker and manager which lays the groundwork for building a successful career in commercial real estate.

Paragon of Persistence

Michelangelo's life teaches a meaningful lesson for all real estate brokers and managers, regardless of their tenure in the business. For that matter, Michelangelo (1475-1564) is the paragon of persistence that sets the bar high for all real estate professionals to emulate. He set his objectives and never deviated from his commitment to achieving those objectives regardless of distractions or difficulties.

I once had the good fortune of spending two weeks in Venice, Florence, Tuscany and Rome. I found it an invigorating experience because I learned a lot about history and culture, but more importantly I discovered a meaningful definition of career rejuvenation.

I had done a lot of reading about Michelangelo, specifically his long life (he died at 89, twice as long as his 16^{th} Century contemporaries) and the impact that passing years had on his maturation as an artist. To tour the places where Michelangelo created his most famous works of art crafted almost 500 years ago, and to see them on display in person was a truly awe-inspiring experience.

Michelangelo produced some of his greatest works at the beginning of his career. For example, the Pieta was created when he was 26 years of age, and David was sculpted before the artist turned 30. The Pieta, in St. Peter's Basilica, and David, on display in Florence at the Academy Gallery, attract an unending queue of tourists from around the world who stand in awe before their magnificence.

In his later years, after he had turned 60 years old, Michelangelo was given the commission to paint the ceiling of the Sistine Chapel by Pope Julius II. The Sistine Chapel today is never empty of tourists who stand with their heads turned towards the ceiling where the artist painted a mural which has captured the imagination and wonder of all who have seen it for nearly five centuries.

Not only was Michelangelo's artistic challenge daunting, it seemed impossible that an old man would be capable of the strain and stress of lying on his back, painting upside down to create one of the world's artistic wonders. I am not sure whether the greatest achievement is the finished work or the fact that the old man accepted the commission in the first place.

Michelangelo did not fail to expect more from himself one day than he had produced the day before. He accepted the challenge and scaled the scaffold with buckets of paint and determination to create a vision of man's relationship with God on the ceiling of the papal chapel. I am sure that he was not wanting for counselors who told him that he was past his prime.

A decade later, when the artist was "only" in his 70's, he was entrusted by the pope with finishing the final design and construction of St. Peter's Basilica. Despite his age and physical shortcomings he accepted the challenge.

How does all of this relate to commercial real estate brokers today? Let's consider what lessons brokers might draw from Michelangelo's life story.

I picture Michelangelo high above the Sistine Chapel, covered in drops of paint, cramped atop the rickety scaffold, wiping the sweat and paint from his eyes, yet seeing through the haze a masterpiece if he dabs the paint brush on the ceiling just one more time.

Michelangelo is the Paragon of Persistence, whose long and productive artistic career stretched over 70 years of unparalleled artistic excellence. The way the artist lived his life and pursued his passion have a valuable lesson to teach commercial real estate brokers.

Regional and national markets change beneath our feet. Local and state economies are constantly in flux. Client needs appear and disappear with alarming regularity. Brokers collect a big commission check one month; the next month they are scraping for a deal. Brokers are always trying to think long-term, but the needs of today predominate, and every day is another challenge.

Like Michelangelo, many brokers start their careers with a bang as neophytes in the business, earning great success in their early years. They make a lot of money; close a lot of deals; get a lot of praise; get pats on the back—and then get complacent. They rest on their laurels and find consolation in the reputations they build. They eventually assume that their best years are behind them and lose faith in themselves for the future.

We all know brokers who are legends in their own minds, but who are unproductive and irrelevant in the current market. Such brokers make a mistake that Michelangelo did not fall victim to: they fail to reinvent themselves and expect that their greatest triumphs could lie ahead.

I often marvel at brokers who have unquestionable skills. I know that they are talented because of what they produced in the past. But I scratch my head and ask how they have allowed their talents to atrophy. I often wonder why they fail to build on the skills they demonstrated when they were new to the business. What changed as the years wore on?

How might it be possible for such burned-out brokers to reinvent themselves, to rekindle within themselves the spirit of Michelangelo? The question presents a figurative fork in the road: the broker must choose either to rejuvenate a formerly impressive career or pretend incorrectly that everything will work out in the long run.

Some formerly successful brokers reach that fork in the road and decide that the future isn't worth the effort, so they may as well quit the business. They may not yet stop being brokers, but they stop brokering and eventually just fade away.

Michelangelo did not know how to give up. He challenged himself to expect more from himself every day, no matter how difficult the circumstances. Remember that Michelangelo lived twice as long as his contemporaries. Yet he continued to be productive long after his generation had died out. He had a fire in his belly and a vision in his mind that drove him to excellence despite incredible difficulty.

Michelangelo was on fire. He never burned out. He never gave up. Yet a lot of brokers give up every day as they confront the fork in their personal roads to success. They make the wrong choice and atrophy instead of grow. What a shame.

What could those brokers do to rejuvenate themselves and belatedly create the success that once lay within them? Let's consider that.

The Road Less Traveled

All brokers eventually confront a figurative fork in the road and ponder which of two career paths to choose. There will always be one road not taken, but which is the right one to take? When Robert Frost (1874-1963) wrote these words in *The Road Not Taken* he well described a situation confronted by brokers on a daily basis as they try to rejuvenate their careers.

Two roads diverged in a yellow wood, and sorry I could not travel both…

There is dispute what Frost's words actually mean, but I choose to take him literally because the poet makes the difficult choice seem easy. It is only when looking back that it may be obvious whether the chosen road was in fact the better road.

Two roads diverged in a wood, and I–
I took the one less traveled by,
And that has made all the difference.

Many people reach the end of the poem and don't notice that "the road not taken" in the poem's title is different from "the one less traveled" in the text of the poem. The road less traveled means that few people made the decision to follow that path. And that certainly applies when we try to determine why some brokers are successful and some have yet to find success.

According to the now-familiar Pareto's Principle (The 80-20 Rule, the observation of the "vital few and trivial many") the top 20% in any sales force generates 80% of sales. What is it that brokers in the top 20% have in common? They have obviously chosen the road less traveled because 80% went the other way. Why? Because the road less traveled is the harder of the two choices.

Those who follow the road not taken by the crowd are taking a risk. There may be safety in numbers, and the greater number always seems to be going in the wrong direction. It makes more sense to travel in the company of successful brokers, doing the things that successful brokers did, rather than following the crowd and doing the things that unsuccessful brokers did. It takes a courageous broker to choose to follow the road less traveled.

It is curious to observe the choices that some brokers make when they reach their figurative fork in the road. The easy way is rarely the best way, but many brokers choose the easy way, and that earns them their unfortunate place in the 80% who are still looking for success.

What do successful brokers do that brings them success? If it were so obvious, then 80% of brokers would be successful instead of just 20%.

Measuring Success

If it were possible to determine how successful companies became successful, then perhaps we could apply the same metric and determine how unsuccessful brokers could become successful. It is an axiom that successful brokers do the things that successful brokers did, so it is not too much of a stretch to suggest that, to achieve success, unsuccessful brokers should do the same things that successful brokers did. Fortunately there are a lot of metrics that can be useful in this regard.

Let’s consider a few further thoughts regarding Net Promoter Scores as it pertains to the Relationship broker. In *The Ultimate Question,* the author explains why some companies thrive while other companies fail to grow, or fail altogether. The same concepts could be applied to individual real estate brokers.

The ultimate question is, “On a scale of 0 to 10, how likely is it that you would recommend this company to a friend or colleague?” The answer to that question is critical for measuring the success of any business enterprise.

In order to measure results to allow insightful analysis, the author devised what he calls the Net Promoter Score (NPS). By way of review, it is proposed that all survey respondents fall into one of three groups: promoters, passives and detractors. NPS is determined by taking the percentage of promoters and subtracting the percentage of detractors to measure the health of the enterprise (P – D = NPS).

For example, if 50% of those surveyed are detractors and 50% are promoters, the NPS is zero (50% – 50% = 0 NPS). If 40% are promoters and 60% are detractors, the NPS is negative 20 (40% – 60% = -20 NPS). A negative rating can't be too promising for the future since there are more people saying unflattering things about a company than saying flattering things. Good things happen only when a company's NPS is positive, and the higher the better.

Promoters must out-number detractors in any enterprise. Yet the NPS of most companies is about zero. The compensation of many CEOs is pegged to corporate NPS, and many top companies are embarking on customer and client evaluations which enable them to measure customer satisfaction in terms of NPS.

Service providers measure customer loyalty (as opposed to customer satisfaction) because loyalty is the best predictor of future growth of every aspect of a company's operations. "The Loyalty Effect" is a geometric predictor of future revenue growth since each new promoter has the potential of generating many additional referrals, which represents net new business to the firm.

Promoters not only think positively about their experiences with the enterprise, but they seek to express their satisfaction by sharing it with friends or colleagues. Positive comments by promoters generate referral business to the enterprise which grows as long as the percentage of promoters exceeds the percentage of the company's detractors.

Once promoters are identified, they must be courted and recognized for their value to the enterprise in the long run. Relationships grow over time and promoters express their satisfaction by loyalty to the brand. When loyalty expresses itself by referral of promoters' friends and colleagues to the enterprise, a significant asset is developed which must be protected by the enterprise at all costs. The depth and quality of relationships with promoters presage solid corporate growth far into the future.

NPS applies to individual brokers as well. Brokers intuitively understand that they must build a solid base of personal promoters. The goal is first to establish relationships, and then to nurture those relationships so that they mature into personal promoters over time. This is a skill that successful brokers have developed and I contend that it is this skill that distinguishes them from unsuccessful brokers.

This is the nucleus of successful brokerage: brokers' relationships with personal promoters are the crown jewels of their professional lives. It has been known and practiced by successful brokers who have committed to establish, nurture and develop relationships with their clients as the bedrock of their success. Whether the economy is in flux, or markets are on the way up or on the way down, a broker's relationships with personal promoters require constant tending and can be neglected only at great cost, which is never worth paying.

Exemplifying Success

There is a tendency among all brokers to forget the importance of relationships with clients when times are bad. In the scramble to make money, brokers tend to abandon nurturing relationships and go chasing deals like pigeons pecking at seeds on the pavement. There seems to be no end to the activity, and no reward for the effort.

Why is it that some brokers are successful in the worst of times while other brokers fail in the best of times? Since they both share the same market circumstances, it must be that market circumstances have nothing to do with success. But what is it that distinguishes the successful broker from the not yet successful broker?

Since the successful broker does well regardless of peaks and valleys in the economy he must do something which is constant regardless of economic situations. That constant is more than networking; it is forming quality relationships with clients called personal promoters who value the broker as a professional, and refer to him their closest friends and colleagues. But how do brokers develop personal promoters on which to base their referral business? Let me give you a great example.

Tim Foutz is a friend of mine. Tim started in the commercial real estate business in 1971, and over the next 40-plus years has distinguished himself as one of the best industrial real estate brokers in Southern California. What did he do to become such a preeminently successful broker? I have been interviewing Tim regularly over the past couple of years in an effort to answer that question.

Tim regards success as a fine balance between art and science. He says that if art is the answer to the question what is being done, then science is the answer to the question how to do it. As we will discuss in detail in *Chapter 3: Transition Brokerage*, the science of Relationship brokerage is relatively easy to explain: if you do certain things in a certain way, and for a certain length of time, then certain results will be achieved. As you will read, the science of Relationship brokerage is easy to explain.

What successful brokers are doing is not so easy to explain. The art of Relationship brokerage is forming relationships and developing those relationships into personal promoters over time. That is not such an easy task. The art of successful brokerage is more difficult than the science, which may explain why only 20% of brokers are successful. We will have more to say about the science of brokerage later, but for now let’s agree that the art of successful brokerage is predicated on forming relationships.

Tim says that it is essential that a broker have a business plan in place before the beginning of each calendar year; discuss the plan monthly with a reliable sounding board; review the plan quarterly with a mentor; and commit to implement the plan regardless of immediate results. A year without a business plan will surely never go as planned—since there is no plan. Success would be only an accident and would not easily be repeated.

Like Michelangelo, Tim is a paragon of persistence. Once he writes his business plan he sticks to it without deviation. He often quotes his favorite saying, “People don’t care how much you know until they know how much you care.” By implementing his business plan and communicating his level of care for his clients, Tim converts them into personal promoters, which has been the backbone of his success for four decades. That is what successful brokers do to be successful.

How do successful brokers like Tim measure their success? Let’s recall what we previously discussed: a broker’s Net Promoter Score (NPS) is a reflection of loyalty on the part of a broker’s clients. Without a high NPS, detractors outnumber promoters and the opportunity for referral business is either eliminated or greatly reduced. This does not bode well for eventual success.

This is the secret that Tim Foutz discovered when he encountered his personal fork in the road and chose the road less traveled. His clients held Tim in the highest regard as he made his way along that road less travelled. His personal promoters readily referred their friends and colleagues to Tim, knowing that they would receive individualized attention with high professional standards evidenced by his record of success. Tim has a very high NPS.

If the art of successful brokerage is simply to create personal promoters, why are only 20% of brokers successful? Is it because creating personal promoters is not really so simple?

Management Challenge

The real estate manager who fails to reinvent himself on a constant basis is the manager whose value to his brokers is long past. Younger brokers can listen for only so long to war stories of how great their managers used to be. Then the exciting stories of the past become boring and lose their elements of inspiration and encouragement.

Every manager must ask what he has done for his brokers within the last 30 days. The manager’s dilemma is either to sit back on his laurels and try to find someone who will listen to his stories of past glories, or to reinvent himself like Michelangelo and allow the spirit of rejuvenation to flow through him to the benefit of his brokers.

Brokers range in age and experience, from fresh out of college to close to retirement. It is a challenging task to speak to such a widely disparate generational audience and speak with relevance for them all. The challenge is to motivate newer brokers and to rejuvenate burned-out brokers.

Most managers fail to realize the goal toward which they should be attempting to motivate their brokers. There are really only two types of brokerage being practiced by their brokers, but until they realize the difference between those two types, managers will fail to recognize how they should counsel their brokers as they come to their forks in the road.

Most brokers practice Haystack brokerage, but the real goal is Relationship brokerage. Transition Brokerage (see *Chapter 3: Transition Brokerage* below) is just an intermediate stage that bridges the transition from Haystack broker to Relationship broker. Managers must know how to help their brokers make that transition.

It is a common mistake to place newer brokers to learn brokerage on the heels of more experienced brokers. The assumption is that more experienced brokers are automatically able to impart their knowledge and skills to newer brokers. While that may be true with regard to knowledge, it does not apply to discipline and skills which have been built up over years in the business.

We have focused on the importance of Relationship brokerage whereby brokers establish relationships with personal promoters who become the source of referral business as the backbone of the brokers' careers. It is possible to teach facts and techniques, but it is not possible to teach interpersonal skills. It is relationship development which determines brokerage success over time.

Newer brokers must be taught how to build their business around relationship creation and structure their business plans around implementation of the five prioritized objectives discussed earlier (and again later). The cause of burn-out is that experienced brokers tend to rest on their laurels and pay less attention to hard-won personal promoters, who slowly but inevitably fade away and are lost forever. The thought of being previously successful and then having to start all over is too much for them to contemplate.

The main concern for newer brokers is that their primary focus is making money, making a lot of it, and making it as quickly as possible. This presents a problem because the objective of Relationship brokerage is to create relationships with personal promoters, and only as a consequence to make money in the long run.

Newer brokers are focused solely on making money in the short run, and therefore they engage in Haystack brokerage, or "haystacking," like looking for the needle in the haystack. They will talk to anybody who will talk to them, hoping that there is a deal lying in wait behind the next door they open. Unfortunately, that is not how commercial real estate brokerage works.

Haystacking is a dead end even if it results in scattered transactions which yield sporadic commissionable events.

Managers need to counsel newer brokers so that they make money as a consequence of solid relationship building. To do otherwise is to generate inevitable frustration and disappointment as brokers keep searching for the elusive needle in the haystack. After a couple of years in the business most brokers may have some relationships which were formed by happenstance rather than by plan.

Younger brokers, who did not benefit from direction by managers to focus on the creation of personal promoters, focus rather on one-off transactions. Managers inevitably find that the potential which they saw in newer brokers gets replaced by frustration which may well force the broker out of brokerage.

Truth be told, there is a little haystacking in all brokers because they revert back to scrambling for a deal when things get tough. They see their competitors make bigger deals in nearby territories where the broker may assume the grass is greener. As we all know, the grass is rarely greener anywhere else.

Newer brokers face the disadvantage of bad examples from more experienced brokers, who have reverted to haystacking themselves, as well as unenlightened counsel from their managers. Managers have the double challenge not only of training newer brokers, but also transitioning more experienced brokers from their own tendencies towards haystacking to more productive focus on creating personal promoters.

In order to remedy this perplexing situation, managers must realize that their major problem is correcting the tendency to haystacking in more experienced brokers who are then prone to pass down their haystacking tendencies to newer brokers. This cycle spirals down to the detriment of brokers and their managers.

Brokers can easily be distracted by anything which may seem like a quick fix to a flagging career or a shallow pipeline of closable deals. A good coach must be able to identify those distractions and eliminate them before they become problematic. If managers do not understand what is causing distractions for brokers, then brokers will take a lot of detours before getting back on track and accomplishing their ultimate objective.

The ultimate objective of brokerage must be the establishment of relationships with contacts who eventually become personal promoters and leverage the effectiveness of the broker's efforts by creating referral business for the broker.

Becoming a broker skilled at relationship development requires a steady and difficult transition from old habits to new habits. The manager must make it clear that the broker has lost sight of his goal of creating relationships and establishing a firm base of personal promoters to generate business on an ongoing basis.

The manager must help the broker realize that the only way to make money in the long run is to concentrate on five prioritized objectives: over time the broker must define his community, know and be known by every contact within his community; know about every transaction before it happens; have his finger in every transaction and eventually make money.

The manager must counsel the broker to set aside three hours per day, three days per week, with three days of follow-up for three months, during which the broker does nothing but concentrate on meeting with contacts to form relationships. Anything short of that disciplined approach to the business will not provide a platform for establishing relationships and the creation of personal promoters.

Every manager needs to understand and stress the importance of identifying a "reset point," the specific point at which the broker begins each three-month campaign to establish and tend to his base of personal promoters. The broker begins every three months at this reset point and, at the end of each three months, returns to the reset point and begins the process all over again with the same group of contacts who become personal promoters.

While there are admittedly a lot more mechanics involved, there is no getting past the basic misunderstanding that speaking to random people will form relationships. Unless brokers revisit the same people on a personal level they have no relationships on which to base their careers.

Relationship brokerage is the gold standard of brokerage. Yet many managers allow their brokers to get distracted by chasing deals, expecting to find a transaction hiding behind one of many doors. Haystack brokerage encourages the broker to focus more on quantity of contacts rather than on quality of relationships. Transition brokerage aims slowly to eliminate the bad habits of Haystack Brokerage and establish the good habits of Relationship Brokerage.

Brokerage is akin to a race. Races are supposed to have a beginning point and ending point with a straight line connecting two points. The race gets a lot harder when there are detours (or rest stops) which prevent the runner from focusing on the objective, the finish line in the distance. Those detours are usually caused by burn-out or frustration which results from a loss of focus.

Every track coach tells his runners to focus on the mechanics of the race: a quick start and a strong finish. But the coach assumes that the shortest distance between two points is a straight line. Unfortunately, that is not the case with the coaches of brokers, their managers who are usually former brokers who themselves took a detour or two and failed to run a straight line between the two points of their own brokerage careers.

Managers who fail to articulate the ultimate objective for their brokers do not provide good coaching and the race becomes all the more difficult. Time lost is never recaptured, and it is critical that managers quickly understand the detours which brokers take and remedy bad habits and replace them with good habits as quickly as possible.

Polar Opposites

Relationship brokerage is the polar opposite of Haystack brokerage. Haystack brokers are as far away as they can get from Relationship brokers who maximize the effect of their labors by establishing relationships with their contacts, and generating referrals from their friends and colleagues of their contacts.

We are on the threshold of considering Transition brokerage, which is the strategic movement away from Haystack brokerage towards Relationship brokerage. Before we make that switch it will be helpful to understand that Haystack brokerage is the mirror image of Relationship brokerage. All the techniques employed in one type of brokerage are antithetical to the other. Here are a few examples to highlight the polar opposition.

Job or Career

The Haystack broker conducts his business as a job as opposed to a career (remember the subtitle of this book). He is working for a paycheck and needs to keep in constant motion like pigeons pecking at seeds on the pavement (I really like that metaphor!). There is a real sense of urgency as bills pile up at home and he plans to fund college tuition(s) and personal retirement (which he deludes himself will someday really happen). He is in a constant scramble to find the next deal to keep bill collectors at bay.

The Relationship broker is working a career rather than a job in pursuit of a paycheck. He understands that career planning involves strategic implementation of a long-range program to accomplish goals which take time and focus to realize. He is aware that the creation of personal relationships with contacts is the foundation of his career, and he works patiently in the conviction that he will do much better in the long run by the steady development of relationships with contacts who become personal promoters.

Personal Relationships

The Haystack broker may have thousands of names in his database, but he knows few individuals personally. He will never come to have personal relationships with them since he is not likely to encounter them on a personal level.

The Relationship broker, on the other hand, personally meets the decision makers in his community because he visits them at their places of business on a regular basis. When he is unable to connect personally, he follows up by telephone on the two days following his attempted personal visit, and then winds up with an email stating that he will be back to visit in another 90 days.

Digital Wizard

The Haystack broker may pride himself on being a wizard when it comes to mastery of the powerful software and online tools available to brokers in the Internet age. As a digital wizard he consumes many hours every day refining his database, sending email to the thousands of individuals in it, researching owners and tenants, creating eye-popping brochures and assembling remarkable marketing campaigns. He can make hundreds of telephone calls every week with his automated phone dialer and send out instant digital packages of information to anyone he may find interested in whatever project he is promoting. That's impressive.

The Relationship broker, however, can be equally competent in his mastery of the digital tools at his disposal, but he places their use in their proper context as the means to accomplish his goal rather than as a goal in themselves. The Relationship broker's goal is establishing relationships with decision makers who become personal promoters. He is enriched to the extent that digital tools enable him to make more efficient and effective use of his time. Otherwise he is distracted and all the wizardry at his disposal defeats his primary purpose as a broker.

Territory Focus

The Haystack broker concentrates on covering as much ground as possible in his search for the elusive deal hiding behind the next door. He does not have a specific territory, and every person he meets must represent a potential deal in the immediate future. If that deal does not happen, then the broker moves on because he does not have the time to spend with immediately unproductive interactions.

The Relationship broker concentrates on re-visiting decision makers in person and they come to expect that he will be stopping by every 90 days. By visiting personally and sharing market information on what is going on in his local market, he brings real value-add and becomes a welcome source of information for his contacts who become personal promoters in the Relationship broker’s community.

Business Planning

The Haystack broker does not have the luxury of working with a coherent overall strategic approach to business generation. He needs to do whatever it takes to find his next deal, and that means being spontaneously adaptive to the whims of the market, dependent on being the Last-Broker-In so that he is fresh on the scene when a requirement appears.

The Relationship broker works a dynamic business plan which is laid out at the beginning of every calendar year, reviewed with his sounding board quarterly and discussed with his sales manager on a monthly basis. He incorporates his daily, weekly and monthly activities into his strategic plan and never deviates from the commitment that he has made to maintain the relationships he has with the persons who make up the territory which he also refers to as his community.

Cold Calling

The Haystack broker is always a fresh face in the area and is constantly making cold calls since he has likely never been in the neighborhood before and is not recognized by anyone. His major challenge every day is how to get past the receptionist standing guard in the lobby, finding out who he needs to talk to, and figuring out how to work his way in the direction of the executive suite.

The Relationship broker forsakes cold calling or dialing for dollars and replaces them with warm calling. Even if he does not know everyone in his territory, he is recognized by almost everyone as a familiar face, and as such encounters less of a barrier in asking to meet with decision makers. He knows that it is more important to be known by almost everyone, even if he does not know everyone.

Market Insight

The Haystack broker may have general knowledge of what is going on in the regional real estate market because he reads real estate publications and online sources of macro market insight. But, then again, anybody has that same knowledge since anybody can read the same generally available materials.

The Relationship broker is a fount of relevant information about the specific local market which he identifies as his community because he is on the street and talking with players who make up the fabric of the real estate industry on the micro level. This market knowledge is readily tradable for entrance into the executive suite because the practical information is valuable to real estate decision makers.

Familiar Face

The Haystack broker is presumably a likeable person, and fun to meet as he passes through the neighborhood, but he is not part of the neighborhood. He is an itinerant visitor with no roots in the area since he has no territory to call his own.

The Relationship broker is an integral part of his territory and knows the comings and goings of every player within the bounds of his focus. He makes the rounds of his territory every 90 days and when he appears at a door he is recognized as a familiar face instead of a stranger trying to get access to the inner sanctum. He is recognized by the front-office people who are less resistant to his appearing on their doorstep and giving him access to decision makers.

Coin of the Realm

The Haystack broker is anxiously looking out for any potential deal he may sniff on the horizon, constantly moving from one area to another on the assumption that since he did not find any prospects on his recent pass, then there is nothing there worth further investment of his time.

The Relationship broker is so immersed in what is going on within his territory that he not only knows about, but has his finger in every potential transaction, whether or not he has a chance of closing a deal. At a minimum, he picks up even more market knowledge which is a profitable investment of his time and energy. In effect, this market knowledge is coin of the realm which he offers as market insight to his contacts who become personal promoters.

Perpetual Motion

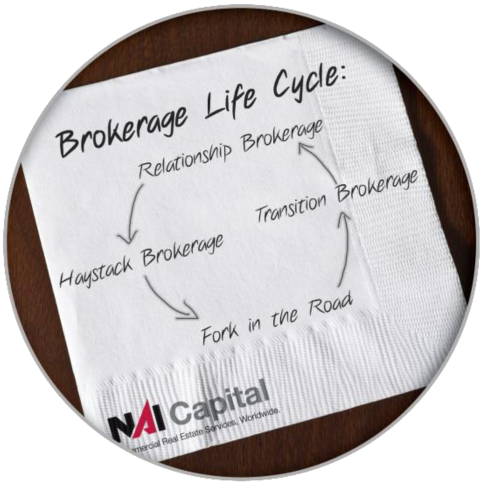
The Haystack broker has one main objective. He is on the prowl to make money and, like a shark, he has to keep moving steadily through the water to keep his job and feed his family. Since there is no depth to his local market knowledge, and few personal relationships on which to build his practice, he is in perpetual motion, generating activities right and left in hopes that he will hit on some combination of tricks to help him close his next deal.

The Relationship broker has a steady but sure method to what he does. He keeps focused on his objective, despite fluctuations in the economy, the market or his personal revenue production. Undeterred by market conditions he keeps doing what he has been doing in confident expectation that his overall plan for relationship building makes sense and will prove rewarding in the long run.

If the Haystack broker is the polar opposite of the Relationship broker, then we need to thoroughly understand as much as we can about the Relationship broker because he can teach the Haystack broker valuable and insightful lessons on how to become successful and build a career in commercial real estate brokerage.

Chapter 3: Transition Brokerage

Fork in the Road



We can all picture Wile E. Coyote, the Looney Tunes cartoon varmint whose hapless life is a never-ending pursuit of Road Runner. Wile E. has a lot of arguably desirable traits, including his creatively single-minded commitment to realizing his goal of having Road Runner for dinner (as an entree, not as a guest).

But the hyperactive canine always seems to over-pursue his objective. We laugh together as Wile E. chases Road Runner down the desert trail, runs off the cliff, realizes that he is in mid-air with his legs wheeling at terminal speed, then falls haplessly to the valley floor far below.

It is when Wile E. Coyote lands (miraculously unhurt and unfazed) amidst the tumble weeds on the valley floor that he becomes a metaphor for the essential traits of the Haystack broker. One assumes that Wile E. has learned his lesson and will revise his strategic plan to catch Road Runner the next time around. But that never happens, does it? It is the same situation with the Haystack broker.

We now know that there are three types of real estate brokerage: Haystack brokerage, Relationship brokerage and Transition brokerage. Transitional brokerage is a temporary phase which occurs after Haystack brokers, much like Wile E. Coyote, belatedly realize that they need a strategic plan better than what they have been following. Looking for the needle in the haystack didn't work out as well as planned, so they decide to transition from Haystack brokerage to Relationship brokerage.

The Relationship broker is focused on finding contacts, clients and personal promoters who generate referral business. The Haystack broker is also focused on finding contacts and clients, but fails to understand the importance of developing personal promoters to refer business. We will elaborate further in the sections below, but in the meantime we can agree that there is a marked contrast between the Haystack broker and the Relationship broker.

Because the Haystack broker is just doing a job going from door to door in a constant campaign of cold calling his territory, he fails to understand the need to establish personal relationships with contacts who become personal promoters.

The Relationship broker concentrates primarily on the warming of relationships with contacts into clients, and clients into personal promoters. In effect, the career broker is focused on creating a "community" within his territory since community is defined by personal relationships binding together individuals within a given area.

Stick with Haystack Brokerage

Let's concede that it is highly unlikely that during the first pass through a territory that a broker will find immediate opportunities for transactions. Let's say that the broker concludes that there is no potential within that area. After all, he just cold-called the territory and found no immediate deals.

The broker then has to make a critical decision about what to do next. This is the turning point at which the broker has to decide whether to move on to another area, where the grass could be greener and deals more plentiful; or decide whether to stay within the same area despite the fact that his first pass through the area turned up dry.

Let's say that the broker finally realized that haystacking proved to be a dead end for him in the past, and that he decided to become a Relationship broker. If his objective is to transition away from Haystack Brokerage, why would he move on to another area and keep looking for the needle in another haystack? He is at the fork in the road.

This is when the broker needs to decide whether to stick with Haystack brokerage or transition to Relationship brokerage. The fork in the road requires a conscious commitment to one path or the other. One path has already been shown to lead to mediocrity. Taking the other path seems like an obvious choice since the alternative can lead to failure.

Nonetheless it is not uncommon that many brokers decide to make "just one more" change of territory. At the fork in the road they decided to stick with Haystack brokerage and continue looking for the needle in the haystack rather than upgrade to Relationship brokerage by becoming a Transition broker.

Transition to Relationship Brokerage

A broker does not make a direct jump from Haystack brokerage to Relationship brokerage. There is an intermediate and temporary step which we call Transition brokerage.

For the first three months of his commitment to switch to Relationship brokerage the broker does the same things that Haystack brokers do. He cold calls for those three months and becomes familiar with the companies located within his territory (and future community) as well as the decision makers within each of those companies. Then he returns to his reset point.

At the start of each three-month period, the Transition broker returns to the point from which he began his first cold calling project ("the reset point") and begins contacting the same decision makers all over again. It is at this point that there is an act of faith required because the amount of time invested does not usually result in immediately tangible benefits.

It is a virtual certainty that, without dumb luck, the broker will not stumble into closable transactions or make any money during his first pass through his territory (otherwise he would just as well choose to remain a Haystack broker). He is rather investing in his future and re-prioritizing his objectives so that he makes even more money in the long run.

In our chapter on Relationship Brokerage we discussed how important it is that Relationship brokers implement the program in a scientific way by accomplishing five distinct objectives in a specific order. The purpose is to make sure that the objectives are achieved, but also that they are achieved in sequential order to make sure that the broker does not become frustrated or disillusioned in accomplishing his transition.

If the broker does not get those objectives straight, and understand the hierarchy of their importance, then chances are good that he will never accomplish the fifth objective, which is to make money. We will recap those five objectives below in the order in which they must be pursued.

First it is useful to understand that personal relationships with personal promoters are what distinguish the Relationship broker from Haystack brokers as well as from his competitors. Once he realizes and internalizes that basic concept he can start to invest the time to make it happen.

Then, after realizing that cold calls do not accomplish the primary objective of establishing relationships with contacts, the Relationship broker employs only *warming calls* in an effort to deepen personal relationships with each person he meets.

Let's now consider in detail how the former Haystack broker, now an emerging Transition broker, changes the way he does business and plans concretely to change his focus from racking up numbers of contacts in his database to forming lasting relationships with decision makers from whom he will generate referrals over the rest of his career.

The Rule of 500

Every successful broker has to establish personal relationships with 500 decision makers with whom the broker will do business directly, or from whom he will generate referrals.

Those 500 contacts form the backbone of the broker's business and distinguish the Transition broker from the Haystack broker.

"Relationship" implies a subjective dynamic ranging between the extremes of knowing someone casually and being best friends. The same wide spectrum exists in Transition brokerage because relationships are an outgrowth of continually meeting decision makers as they come and go from the broker's community.

Relationships do not happen overnight. It is the Transition broker's goal to know and be known by 500 people starting with the first person he visits on his first pass through his community, and then revisits after he returns to his reset point at the beginning of every three months.

As time goes on, and as decision makers come to know the Transition broker better, relationships deepen. As the Transition broker's familiarity with decision makers grows and matures, those decision makers become more reliable sources of referral business. Establishing relationships defines the process of Transition brokerage.

It is from these decision makers that the broker receives referral business, which makes it seem like the Relationship broker closes lots of deals without much effort. With all the effort spread over years of relationship development, the reaping of referrals may seem to come without much effort today. In a way it is the perfect example of being an overnight success after ten years of hard work.

The number of decision makers is inversely proportional to the quality of the broker's relationships with them. The number of relationships can go down as the quality of the broker's relationships goes up.

For example, at the start of his abandonment of Haystack brokerage, the Transition broker must have 500 relationships because those relationships are embryonic and will build over time. As the quality of the Transition broker's relationships increases, then the number of relationships can come down from 500 to a smaller number to be determined by the emergent Relationship broker.

Relationships do not happen overnight. It is the Transition broker's goal to know and be known by 500 people starting with the first person he visits on his first pass through his community, and then revisits after he returns to his reset point at the beginning of every three months.

There is of course one obvious question: where does the Transition broker find 500 decision makers to fulfill the Rule of 500 at the beginning of his transition? Let's consider that they come from two clearly definable sources.

100 Network Contacts

Every experienced broker probably already has relationships with about 100 people who have previously interacted with him in one way or another. Maybe the broker came to know those 100 people because he dealt with them in the past and they moved away from his community. Maybe they are portfolio owners, or users who were referred to him by others. Maybe he knows them as part of his networking groups, or done business with them as service providers. They can come from any of a myriad of similar connections.

The point is that the broker knows and is known by about 100 people who are geographically spread out beyond the broker's community and with whom the broker has contact on an ongoing basis in one connection or another. The list may grow or diminish organically as time goes on, but the additions or deletions should keep the list of contacts at roughly 100 contacts.

The broker interacts with this core group of 100 relationships by default because they have common business interests, mutual relationships or network connections. The broker does not have to create a structure to keep in touch with those 100 players in his business arena. He keeps in touch with them in the normal course of doing business together.

This network of 100 relationships is the foundation of the Rule of 500. The rest of the 500 relationships come from within the Transition broker's community. That means that the broker has to establish relationships and know and be known by 400 decision makers within his community. How does he go about identifying those 400 contacts and starting to form personal relationships with them?

400 Community Contacts

Once he makes the commitment to switch from Haystack brokerage to Relationship brokerage, the Transition broker targets a specific four-cornered him territory as his own (see "Four Corners" below). Within those four corners the Transition broker engages in a constant process of establishing relationships with decision makers who eventually become clients and personal promoters.

This community is not an area that the broker cold-calls once, and then abandons for another area, looking for a needle in the haystack; hoping to find a random deal; doing the same things that other brokers are doing. Other brokers are cold calling and may even stumble onto a random opportunity to make a one-off deal as the Last-Broker-In. But those deals will be few and far between. Once the deal is done and there is no residual value, the broker targets another area and starts cold calling in search of yet another deal.

The Transition broker eliminates cold calls from his practice of brokerage. He makes only warming calls on people whom he knows, and will come to know better over time by implementing the quarter-by-quarter focus of the program which we call Relationship brokerage (see “Thinking in Threes” below).

The Transition broker first researches the names of companies within the community. He then does further research online to determine the names of the decision makers responsible for real estate within each firm. Then the Transition broker begins the process of meeting in person each of the decision makers in what will become his future community.

At the end of the first three months of Transitional brokerage, the list of companies in his database morphs into the names of about 400 actual persons, decision makers who know the broker and get to know him better as he conducts his quarterly warming calls.

The decision maker with a personal relationship will accept the broker’s phone call; wave him past the receptionist into the inner sanctum; share information with him; trust him with inside knowledge of how the company can use the broker’s help. Such relationships imply trust, loyalty and commitment. It takes time to establish such relationships, but that is both the process and the objective of Transition brokerage.

This conversion of those company names into personal relationships with decision makers is the raison d’etre of Transitional brokerage. It is the primary purpose for getting out of bed in the morning and approaching each day's objectives as achievable, realistic and within reach.

Five Objectives

There are five objectives of Relationship brokerage which must be accomplished in a specific order. Although we already discussed each of these objectives above, it is worth spending more time considering what brokers might assume is the first objective, but which is in fact the last objective of commercial real estate brokerage: make money.

Every game has metrics for success. If we look upon brokerage as a game, it too must have its own metrics for success. We all assume that the obvious metric for success in brokerage is how much money a broker makes as a result of his activities. But that is a false assumption and spells the difference between mediocrity and success for the Transition broker.

First Four Objectives

It is important to understand that while making money is one of the five objectives, it is not even among the top four objectives. Making money results only from the effective implementation of the first four objectives. If the first four objectives are accomplished, and accomplished in the order presented, then making money is a consequence of a job done well.

Even for the highest-earning brokers, or for those who close a lot of deals, paydays following transactions can be relatively few and far apart. Yet a good broker works hard every day to earn those sporadic paydays. So if making money happens only infrequently, how do we establish goals that are achievable to ensure that each day's objectives can be realized and provide a sense of satisfaction and accomplishment for that day?

Frustration and a sense of failure result from working without achieving a sense of accomplishment for prolonged periods. Each day should have an objective that is within reach. That is why I place making money as the last of the five major objectives of brokerage. The broker will not make money every day. To establish making money as the broker's main objective means that most days would pass without achieving success. Nonetheless, every day he can make strides in accomplishing his five main objectives.

Once the broker determines his community (objective #1) and sets about developing relationships with decision makers in the community (objective #2), he will soon know about any *transactions before they happen (objective #3), which will give him a chance to have his finger in every transaction (objective #4).*

The broker can be productive every day when he uses warming calls to deepen relationships with decision makers and advances towards becoming an expert within the four corners of his community. By keeping his objectives straight he is creating a sustainable career for himself over time rather than just doing a job that produces daily cash flow.

He can approach each day with great enthusiasm knowing that four of his top objectives are within reach regardless of whether the broker actually makes any money (objective #5). He should always remember that making money is the last of his five main objectives, and that it is actually a by-product of accomplishing the first four objectives.

The Fifth Objective

If just making a lot of money were the primary objective of life, then the average person would not be happy. On the contrary, the average person is quite happy. So too, the average broker does not find happiness and professional fulfillment in just making money. There are other important objectives in his professional life. It is by achieving those other objectives that he reaches a sense of satisfaction on a daily basis.

If the broker achieves those other prioritized objectives he will also eventually make money. If he loses sight of the importance of those other objectives and spends all of his time chasing a needle in the haystack, he will revert to Haystack brokerage and all his hard work to create relationships with his contacts will go down the drain.

It is primarily by understanding that making money is not the most important of the five objectives that we most clearly see the difference between Haystack brokerage and Relationship brokerage. The Haystack broker is constantly chasing a deal which will generate an opportunity to make money, thereby completely disregarding the fact that there are four more important objectives.

Since the Haystack broker is focused only on his next payday, he is not concerned with establishing relationships with decision makers who are just a means to the end of earning a commission on that day. He has neither the time nor the inclination to bother with personal relationships because they are too time-consuming to establish and maintain. His sole objective is making money, and whatever does not contribute to making money in the short run is not worth the effort.

It is for that reason that the Transition broker is in an especially vulnerable position at the beginning of his move from Haystack brokerage to Relationship brokerage. Up until that point his only concern was closing his next deal. There is an understandable and predictable temptation to revert to that sole concern and to forsake the broker's new-found commitment to establishing relationships.

The Transition broker understands and prioritizes his five objectives, which must not only be accomplished, but also be accomplished in the prescribed order. Unlike in his former life as a Haystack broker, the Transition broker must be on guard to keep his priorities straight and appreciate that making money is not the first objective for doing what he does.

Four Corners

Now that we understand the importance of establishing and prioritizing the objectives of Transition brokerage, we need to consider how best to get the job done.

If the broker is to know and be known by every contact in his community; know every transaction before it happens; have a finger in every transaction; and finally make money, then the basic building block is determining a four-cornered community.

A key step in the implementation of Transition brokerage is the determination of a reset point. For the first three months of his program the broker is doing the same thing that the Haystack broker is doing: cold calling or dialing for dollars. Once he finishes those first three months his inclination is to continue his old habits of cold calling and moving to a territory where the grass is greener.

But the Transition broker's main differentiator is his return to his reset point which consists of a specific person or place in his community. That reset point is a specific property, company, office, intersection, personal client or any other reference at which the broker will begin his quarterly activities.

At the beginning of each three months of activity he will return to the reset point and repeat his warming calls for the next ninety days for three hours per day, three days per week, with three days of follow-up for three months (as we will discuss below in "Thinking in Threes"). The goal is to control the community so that each of the contacts within the community knows him personally and sees him on a quarterly basis. This establishes his credibility as the go-to broker in his area.

It is a test of the Transition broker's commitment whether, after those first three months, he returns to his reset point and begins the process all over again. It is this discipline which separates the emerging Transition broker from the former Haystack broker. By returning to his reset point at the end of each three months, the broker clears the first major hurdle in accomplishing his strategic plan.

I think of this as the "Golden Gate Strategy." We all know that the Golden Gate Bridge is painted constantly in a never-ending project to maintain the structural integrity of the span. No sooner is the painting of the bridge completed than the painters go back to the beginning and start all over again.

I mentioned earlier that there is danger of relapse at any point in the emergence of the Transition broker. The first indication of pending relapse is the broker's failure to return to his reset point at the end of each three months. There are myriad reasons to delay returning to the reset point, and creative brokers can expand that list with hardly any effort.

It is important to understand that the four corners cannot be determined in advance. If the broker sets out to meet every contact within a predetermined area, it might take him six months to meet all decision makers within the area. Since the goal is to create personal promoters out of decision makers by establishing personal relationships with them, meeting them every six months is not often enough to get the job done. They need to be contacted in person at least once every three months.

How Big is Big?

The actual geographic size of his community will be determined only after the first three months of implementing the program. The four corners of the community will be drawn around the geographic area where the broker made personal contact with decision makers during the first three-month cycle.

In my experience (I am an industrial broker in a primary market), concentrating on a geographic area where businesses are arrayed door to door and street to street, I could reliably count on contacting an average of 10 people in each 3-hour day of warm calling. That meant that my community was compromised of 400 decision makers. But that may not be typical of every broker's community, depending on the parameters of his brokerage practice.

The geographic size of a specific broker's community can be small or large, depending upon the criteria established in advance. The broker will be targeting contacts who meet the criteria of his business plan and industry focus. That could mean that he is meeting with decision makers of industrial firms in warehouses in an industrial area. Or it could mean that he is meeting with companies in high-rise office buildings. In either case his geographic area could be relatively small.

On the other hand, the broker may focus on owners of retail shopping centers and his community could be quite large. That might also be the case if his target contacts are doctors or medical practices spread over an entire county. The geographic size may vary, but it consists of whatever number of people he can meet by spending three hours per day, three days per week, with three days of follow-up for three months in the field.

That means that the broker, starting from his reset point, contacts all of the decision makers who fit the criteria of his objective. Those decision makers might be involved in office, industrial, retail, investment, multifamily, medical, senior living, land or any other specialty area of real estate.

They might be small-, medium- or large-sized users of a specifically zoned type of space. They might be tenants or landlords. They might be buyers or sellers. They might be individuals or institutions. They might be concentrated in a small geographic area which could be horizontal or vertical. They might be spread out in a large geographic area based upon the type of criteria the broker has selected to describe his community.

Only after the first three months of warm calling will the broker stand back and look at the location of decision makers and identify where they are arrayed on a map. If the broker draws a perimeter around those decision makers, he will then be able to establish the four corners of his community. Whether the community is geographically tiny or huge is not important. What is important is that within those four corners are the individual persons with whom the broker has started to build personal relationships.

Within the four corners of that emerging community the broker is the undisputed expert. No one knows all of the decision makers within those four corners better than the new Transition broker. No one knows better what transactions have happened in recent history. No one knows better who is moving into, around or out of the community. No one knows better who needs more space, less space or different space. No one knows better where every transaction is before it happens. No one has a better opportunity to have his finger in in every one of those transactions.

No one is better poised to make money in the community than the Transition broker.

Angels on the Head of a Pin

I am not sure how many angels can dance on the head of a pin, but trying to figure out the answer is like trying to figure out how many decision makers are within a Transition broker's community. My experience was that I had 400 individual decision makers in my community, and I use that as one metric to establish a goal for the number of relationships that a Transition broker needs to have (i.e., 500 including work contacts).

How many people will fall within a specific Transition broker's community depends on a number of factors. One such factor is especially problematic. The goal is to establish personal relationships with decision makers, but suppose the broker is not able to meet personally with them because they are spread far apart, or are accessible only by telephone rather than by warm calling in person.

If no broker is able to meet personally with decision makers in their places of business, and they are accessible only by telephone (e.g., portfolio managers or bank managers who are spread throughout the nation), then using the telephone to contact those decision makers is an acceptable alternative since the use of the telephone does not place the broker at a competitive disadvantage.

Competitive brokers are not meeting those decision makers in person. If competitive brokers can address contacts only on the phone, then that is the medium that the Transition broker has to use.

The question is how many decision makers the Transition broker's community includes. I will concede that I do not have better than a guess, like how many angels can dance on the head of a pin, but it is well more than 400 since the Transition broker can contact more individuals by phone then by personal visits during his weekly three-hour campaigns.

That begs the question of how *personal* the relationships with those decision makers could really be. But since all other brokers are competing on the same plane, the Transition broker has to do his best to distinguish himself from competitive brokers and meet with decision makers in person at some point along the way.

Thinking-in-Threes

The Transition broker's salaried assistant is working at a 9-to-5 job. The broker has no expectation of his assistant working before- or after-hours because the assistant is working a "job" for a set compensation.

But the Transition broker himself is not working at a *job*. He is establishing a *career* in a profession which far exceeds the demands of a salaried 9-to-5 job.

If the broker is expecting that brokerage is a 9-to-5 job, then he has made a mistake and needs to reconsider his career path. The question is more what the broker can accomplish during the typical workday from 9-to-5. These hours are the sweet spot for selling and should not be used for less productive tasks that can be otherwise accomplished outside those hours.

Now we have a timeframe within which we can place the broker's daily activities. Since he needs to contact his decision makers at least once every 90 days he must commit to thinking-in-threes. That means that the broker needs to dedicate three hours per day, three days per week, with three days of follow-up for three months.

All in a Week's Work

Let's assume that in a typical week there are 40 hours during which the broker can be productive, meeting contacts and developing them into personal promoters. How does he make the most effective use of those 40 hours (see "Planning the Transition" below)?

- 9 hours per week are spent warm calling in his brokerage community
- 4 hours per week are spent following-up with contacts he was not able to meet
- 5 hours per week (let's say) are spent having lunch in his favorite greasy spoon
- 22 hours are spent in important activities such as showing properties, making appointments, handling e-mail, travel time, attending personal client and office meetings, augmenting training and paperwork.

The broker may say that 22 hours are not enough to get done all of the things that need to be done during a typical week. And guess what—he is surely right! So what does he do? What he does not get done from 9-to-5 gets done before or after those hours.

Three Hours per Day…

In his commitment to achieving the goal of becoming a Relationship broker, the broker may be tempted to over-commit his time to warm calling his community. I counsel against warm calling for more than three hours per day for the reason that a disciplined approach in a practical program minimizes the likelihood of burnout and reduces the probability of frustration.

In order to justify the time dedicated to warm calling it must be a distraction-free zone during which electronic tools are banned while the broker focuses 100% of his attention on interacting with decision makers.

The hardest part of the warm calling commitment is starting the process. Once the first door is opened and the first contact met, the rest flows easily. So to fit nine hours of warm calling into the week it is better to commit three episodes of three hours each, rather than nine episodes of one hour each or even one episode of nine hours.

Three Days per Week…

I propose that the broker picture the work week as 10 modules of potential three-hour warm calling periods. As part of his aggressive business plan, the broker selects three modules over three days which he commits to warm calling in either the morning or the afternoon.

Every broker will have personal reasons for selecting mornings instead of afternoons, afternoons instead of mornings, or his favorite three days over the other two days of the week. It makes no difference what the broker chooses, as long as he makes the choice and commits to warm calling on those three days per week.

Three Days of Follow-up…

It is entirely possible, if not likely, that the broker will not be successful meeting every decision maker when he makes his first visit to the decision maker's place of business, or places a telephone call if that is the only way to contact the decision makers in the broker's community. That is where the three-day follow-up factors into the plan.

Let's say that on the first day of the quarter the broker personally visits a decision maker and is not successful at meeting the contact personally. He leaves his business card and promises to follow up. There are three days of follow-up during each week consisting of one hour per day dedicated exclusively to accomplishing the following:

- On Day 1 the broker calls decision makers and, if he is unsuccessful at reaching some, leaves timely and informative voicemail messages, promising to call back the following day.

- On Day 2 the broker calls decision makers and again, if he is unsuccessful reaching some, leaves timely and informative voicemail messages.

- On Day 3 the broker sends an email to each decision maker he was unable to contact, promising to include them in the broker's monthly e-mail Touch-12 program which will provide valuable market information for the decision makers' use.

This follow-up program is important because it amplifies the effort expended in trying to contact the decision maker in the first place. Remember that the second objective of brokerage is to know or be known by every contact within the four corners of the broker's community. This program contributes greatly towards accomplishing that objective.

For Three Months

At the end of each three months of warm calling the broker returns to the reset point. The Transition broker is looking to establish relationships with the decision makers within the four corners of his community, and deepening those relationships on an ongoing basis. Those ever-deepening relationships mature into personal promoters who refer business opportunities to the broker as the foundation for a fruitful career.

Even if the broker never talks to a specific decision maker, that decision maker hears the broker's name 28 times in the course of a year.

• Personal visits	1 per quarter or 4 per year
• Telephone calls/voicemails	2 per quarter or 8 per year
• Follow-up emails	1 per quarter or 4 per year
• Touch-12 emails	1 per month or 12 per year
• Total name-dropping	7 per quarter or 28 per year

This does not reflect a very vibrant opportunity to develop a personal relationship with that elusive decision maker who is never met in person, but it does achieve the objective of making sure that the broker is "known" by contacts within the four corners of his community.

The Trapdoors

There are a number of perfectly justifiable distractions that might prevent the broker from thinking-in-threes. But they are justifiable only in the sense that, while they indeed need to be done, they cannot be done from 9-to-5. In that sense they are trapdoors which can destroy the broker's commitment to success. Trapdoors must be avoided at all costs.

Conducting a disciplined program of warm calling is not an easy task. Creative brokers have no difficulty coming up with an unending list of trapdoors to explain why they are unable to warm call for three hours per day, three days per week, with three days of follow-up for three months. But unless the broker starts thinking-in-threes, he is really just a disciplined Haystack broker.

Writing proposals, doing surveys, preparing correspondence, enhancing computer skills and paperwork connected to transactions should not distract the broker from his commitment to Transition brokerage as he works his way towards becoming a Relationship broker.

The broker should never be distracted by generating marketing materials, clerical activities, personal business or any otherwise valuable activities from 9-to-5. All of those activities need to be accomplished "on the broker's own time," outside the sweet-spot selling hours.

String Theory

Have you ever heard of String Theory? If you are not too well versed in particle physics, quantum mechanics or general relativity, you can breathe a sigh of relief. The title of this section applies all the concepts and principles we have already discussed in the context of commercial real estate brokerage. So let's get to work applying String Theory to Transition brokerage.

Pretend that you are sitting in your favorite barbershop getting your hair styled. Suddenly you get the inspiration to become a barbershop specialist. You figure that there are not too many brokers focusing only on barbershops, so the competition will be light and the upside could be great. On your lap you hold a spool of string which will turn out to be a most useful tool in helping you in your new specialty.

Clarifying Goals

First you realize that you need to figure out where your territory will be. Then it occurs to you that "territory" applies only to Haystack brokers. You are a Transition broker and you have a different objective. Your goal is to establish a "community" of barbers and you decide to select your favorite barbershop as your reset point. So you tie one end of the string around the barber pole in front of the shop (now your reset point) and get to work.

You would research in advance to identify the names of all of the barbershops in the area. Then you would find the names of the barbers who own and operate those shops. Armed with that information you would then start to visit barbers so that they all come to know you, and eventually you will know all of them. You have started to realize the objective of knowing and being known by all of the contacts within your target market.

Every time you meet another barber you become a little more of an expert in the area of barbershop brokerage where no one else is doing what you are doing. You start thinking-in-threes and dedicate three hours per day, three days per week, with three days of follow-up for three months contacting only the barbers spread out in a concentric circle away from your reset point.

At the end of those three months you give a strong tug on the string that you have been lugging behind you. Since you chose to work in concentric circles out from the barbershop that you designated as your reset point, you can now use the string to measure the radius of your community. Only after the fact, at the end of those three months, are you able to draw four corners around the geographic area encompassing the roughly 400 barbershops visited during that first quarter.

Since no one else knows as much about the barbershops you have visited, and no one else has taken the time to establish relationships with the barbers in your community, you know more about your chosen specialty than any other commercial real estate broker. In the course of your visitation over your first three months of cold calling you started to build relationships or at least got to know the names of the barbers within your community.

After three months, your cold calling phase ends and is replaced by warm calling. During that process you will learn about all transactions which are pending and which might take place in your community. Since you will know about all those transactions in advance you have the realistic possibility of having your finger in every transaction. This further establishes your credibility as a barbershop specialist and makes your value even greater among your barber contacts.

Since you know all of the barbers in your specialty market, and since you know about the comings and goings of all contacts in your community, you are truly an expert. You are in a position to use that market expertise to accomplish your final objective, which is to make money. Obviously it took a significant investment of time to arrive at that final objective, but as the expert in the area you can reasonably expect to outperform all other brokers who lack your expertise and have no relationships with the barbers inside your community.

String Theory serves as a reminder that, at the end of your first three months in your new specialty, it is time to return to your reset point. How long is the string and how far away did the new barbershop specialist get from his reset point? That is not able to be determined until after three months, and it also depends on the type of market targeted by the Transition broker.

Size Doesn't Matter

For instance, it is obvious how the metaphor of String Theory might apply to a geographic territory. But suppose that the target market is spread out over the whole country. Suppose that the Transition broker has targeted decision makers in state universities, medical centers or local branches of a major corporation in all 50 states.

If the broker works major accounts or corporate solutions, the boundaries could be far distant from the reset point. The target market could be regional, statewide, national or worldwide. Nonetheless, the principle still applies: the length of the string is a function of time (three months), not of physical distance (no matter how long that sting stretches from the reset point).

A Haystack broker might have taken the string, stretched it out from the barber pole at the reset point, planted it somewhere in the distance and drew a circle to determine his territory. He would have cold called within that circle for as long as it took to contact all of the barbers within the territory he created in advance. Let's say that it took the Haystack broker six months to cold call all of the barbers within his territory.

During those same six months the Transition broker made two warm-calling rounds of his community and made great progress establishing relationships with all the barbers in his area. When the barbers are in need of market expertise they will likely first contact the Transition broker because they have started to get to know him personally and to recognize him as an expert in their area of interest.

String Theory serves the useful purpose of preventing the Transition broker from going further than three months away from his reset point, regardless of physical distance. The size of the community is determined by how far the broker got from his reset point with the investment of three months in the field.

At the end of those first three months, and every three months thereafter, the Transition broker returns to his reset point, starts visiting his target barbers all over again and enhances his relationship with each and every one of them.

Over time the Transition broker fades away and a new Relationship broker starts to emerge.

Plan the Transition

Just imagine: all this time you have been thinking that there are four quarters in a year. But when it comes to business planning, the idea of a four-quartered year is so last century.

It may be hard to get beyond that misunderstanding, but it is major leap forward once you realize that there are five quarters to the business planning year. Okay, maybe I need to explain that in a little more detail.

Up until now we have talked about a lot of concepts which must be incorporated into the Transition broker's business plan. There is so much to get done that it seems like a daunting project. Nonetheless, to attempt the transition from Haystack brokerage to Relationship brokerage without a business plan would be like the pilot of a jumbo jet flying from Los Angeles to Boston without a flight plan. It is not a very good idea.

Every pilot has to pre-flight check his aircraft before he even sets foot in the cockpit. He checks the weather; he checks the flight crew; he checks the exterior of the plane. When the pilot eventually straps himself into his cockpit seat he knows that he is ready to welcome passengers aboard and proceed with confidence towards their destination.

A pre-flight check by the airline pilot is analogous to adding an extra quarter to the beginning of each year and making productive use of the extra time to create an even better business plan. Enlisting a "crew" to assist in the process reduces the impact of premature self-congratulation for a job well done. The broker should let others help him decide whether he did a good job drafting his business plan.

Review with Sounding Board

The Transition broker's business plan for the year should start well in advance of New Year's Eve. And just as the pilot works as part of a crew to bring his flight to a safe landing, so too the broker should work as part of a crew to help him accomplish his goal of making the transition from Haystack brokerage to Relationship brokerage.

The broker must rely on at least three other persons to help him accomplish his five prioritized objectives. First the broker should prepare a draft business plan for the next year and tweak it so that he is confident that it accomplishes the five prioritized objectives of Transition brokerage.

He should then sit down with a trusted advisor as a sounding board and review the draft business plan in detail. This is critical to the eventual success of the business plan. The person serving as a sounding board needs to understand what the broker has committed to accomplish, and be in a position to critique the broker's plan.

After meeting with the sounding board, the Transition broker again reviews each aspect of his business plan and revises it to benefit from his sounding board’s wise counsel. Once the sounding board’s recommendations have been evaluated and incorporated into the draft business plan, there is one more review that I strongly recommend.

No one has more interest in the Transition broker’s success than the broker’s spouse or significant other. For that reason I propose that the broker should consider asking them to review the near-final business plan. It is not likely that the broker will get a better critique than from a spouse or significant other who have vested interests in the broker's success.

The Transition broker is now in position to incorporate any suggested changes and to assess his readiness to commit to the business plan. Once he arrives at that point it is time to sit down with his manager and review the business plan for the following year.

Review with Manager

The first meeting with the manager is the first of a series of at least five business plan reviews that the broker will have with his manager over the coming year. It is important that the broker and his manager be on the same page, and that they jointly commit to make sure that the five prioritized objectives of Transition brokerage are both understood and accomplished.

During each quarter of the year the broker should meet with his manager to review his faithful implementation of the business plan. This serves as a trigger reinforcing the broker's commitment to return to his reset point at the end of each three-month period.

If the broker can establish a rhythm of implementing the business plan in three-month modules, then it accomplishes a number of important goals, including the expansion of the concept of thinking-in-threes by meeting with his manager every three months.

If the business plan is structured in three-month increments, then the broker can program himself to go back to his reset point and begin his warming calls all over again at the end of every quarter. It also presents an excellent time for the broker to review his progress in accomplishing his five prioritized objectives and to renew commitment to his business plan.

Just like the airline pilot flying across the country with constant reference to his compass heading and GPS readout, the broker uses quarterly meetings with his sales manager as a way to implement course corrections as necessary to make sure that he is doing what he committed he was going to do.

It is therefore important that the business-planning year consists of five quarters instead of four quarters. By pre-planning to implement the Rule of 500, to accomplish his five prioritized objectives, to establish his four-cornered community, to start thinking-in-threes and planning to succeed, the broker is well on his way to becoming a Transition broker.

Since the Haystack broker can decide at any time to make the transition to Relationship brokerage, he should not think he is off the hook for creating a business plan until the following year. Before beginning the process of Transition brokerage the broker should create a business plan using the procedure described above regardless of how long it is until New Year's Eve.

Execute the Transition

The best example of the dynamic of Relationship brokerage is a letter I recently sent to one of my most successful brokers. He has been a commercial real estate broker for more than 25 years and considers himself as a perennial Transition broker.

Despite his remarkably consistent success, he takes seriously the tenets of Relationship brokerage and considers each year to be a five-quartered challenge to be as successful the next year as he was the prior year.

After going through the process of meeting with his sounding board (and his spouse), he met with me as his manager to review his business plan. In follow-up to our meeting, I put together the letter below (with some obfuscation to mask the bashful broker's identity) to memorialize what he had committed for the next year.

Remember: Transition brokers figure out what Relationship brokers *did* to become successful. Then they *do* what Relationship brokers did to become successful. This letter will demonstrate what one perennial Transition broker does to achieve his high level of success as a Relationship broker.

Letter to a Transition Broker

Thank you for investing your time to meet with me today to review your business plan for the 5-quarters of next year. I truly respect and appreciate your willingness constantly to re-examine your path to success, and to adjust your approach to the business when the opportunity for renewal is laid at your feet. This is one of those opportunities.

We will consider that next year has a fifth quarter which is a bonus within which you will get a quick start in determining your business objectives and meeting them by the end of the New Year. The fifth quarter of next year started on October 1 of this year.

As we discussed in our forecast and review session today, you have committed to implement Relationship brokerage in its entirety and to review your progress with me on a monthly basis for all five quarters of the coming year. Since you are prepared to make such a commitment, I would like to lay out the outline for implementing the plan on a practical level.

1. *You have already completed and reviewed with me your business plan for the five quarters of next year.*
   a. *You have inventoried your skills and talents as a professional.*
   b. *You have described your ideal client who can benefit from your skills and talents.*
   c. *You have established your revenue target for next year.*

2. *You have determined your "reset point" and committed to begin each quarter at that point.*

3. *You have identified your four-cornered community and will focus on implementing Relationship brokerage within that area.*
   a. *Your community will consist of approximately 400 contacts, but the geographic spread of the community will not be established until you have implemented Relationship brokerage described below for 90 days.*
   b. *At the end of each 90 days implementing the program you will return to your reset point and begin the process all over again.*
   c. *Whatever geographic area you covered in the preceding 90 days shall constitute your community.*
   d. *The size of your community will expand and contract organically as experience teaches you which contacts are not worth the investment of your time during any particular quarter.*

4. *You have agreed to structure your weekly activities around thinking-in-threes within the four corners of your community for three hours per day, for three days per week, with three days of follow-up, for three months, and then starting all over again at your reset point as outlined in Relationship brokerage.*
   a. *You will warm-call on Mondays from 9 AM to noon.*

b. *You will warm-call on Wednesdays from 9 AM to noon.*
c. *You will warm-call on Thursdays from 9 AM to noon.*
d. *You will spend one hour every afternoon in follow-up by telephone with any contact you may have not been able to meet in person on Monday, Wednesday or Thursday of each week.*

5. *You have acknowledged that it is necessary for the contacts in your community to accept you as the go-to broker in your community.*
    a. *In order to accomplish that objective you will personally visit each of your targeted 400 contacts on a quarterly basis.*
    b. *If you are unsuccessful at personally meeting a particular contact when you visit the place of business, you will telephone the contact once a day for the next two days and attempt to schedule a personal meeting.*
    c. *If you are unsuccessful at getting in touch with the contact after two attempts by telephone, you will follow up with an email letting him know that he will receive monthly market-information reports as part of your Touch-12 Email Program.*
    d. *If after the contact hears your name four times in that quarter (once when you dropped off your business card at the place of business followed by three follow-ups), and has not returned your call, you will discontinue the effort to reach the contact during that quarter.*
    e. *At the beginning of each quarter you will return to your reset point and begin the process of warming calls on your developing relationships all over again.*

6. *You have agreed aggressively to combat the strongest competitors in your community and to approach their best clients as targets of opportunity to exploit on an ongoing basis.*
    a. *You will aim to replace your strongest competitors as the most reliable commercial real estate broker in your community.*
    b. *You will demonstrate to your strongest competitors' best clients that they are better served to deal with you going forward.*
    c. *You will seek to benefit in some way from every potential transaction made by your strongest competitors, even if just using the advanced information to your benefit with other contacts.*
    d. *You will endeavor to get referral business from your strongest competitors' best clients as they come to know you as a reliable professional who is always present in the area where they have interests.*

7. *In order to eliminate the possibility of frustration in implementing Relationship brokerage, you have agreed to establish your five objectives in the proper order as follows:*
    a. *Your first objective is to commit to your four-cornered community.*
    b. *Your second objective is to establish a personal relationship with and be known by every decision-maker in your community.*

c. *Your third objective is to know about every transaction within your community before the transaction is consummated.*
d. *Your fourth objective is to have your finger into every transaction so that you benefit in some way from every transaction that happens in your community.*
e. *Your fourth objective is to make money. We agreed that making money is not your primary objective. Rather, it is a by-product of effectively implementing Relationship Brokerage on a consistent basis.*

8. *In addition to faithfully following the steps of Relationship brokerage outlined above, you will maintain existing relationships with 100 contacts outside your community on a person-by-person basis as a normal part of good relationship management.*

9. *You have agreed to meet with me one-on-one on a monthly basis to review your progress in accomplishing the goals and objectives of Relationship brokerage.*
   a. *You will complete in advance of each meeting the Business Plan Review form and track on it your progress towards reaching your income goal for next year.*
   b. *You will seek to build an inventory of listings of properties for sale or lease in your community.*
   c. *You will develop and track prospects for sale and lease transactions, as well as additional listings, on an ongoing basis.*
   d. *You will commit not to change the location of your community since you cannot abandon relationships that you have committed to work so hard to develop.*

In light of your commitment to conform your brokerage activities to Relationship Brokerage, I will commit to meet with you monthly to act as your sounding board to evaluate your activities as they progress toward accomplishing your aggressive revenue goals for the five quarters of next year.

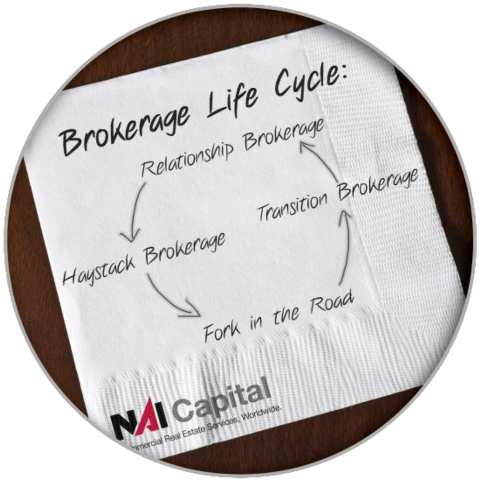
Manager's Assessment

The reader might be curious how this particular broker performed during the business planning year outlined above.

As evidence of his commitment to, and mastery of the principles of Transition brokerage, this eminently successful broker qualified for the high-performing NAI Capital Club that year … and for 13 out of the past 15 years.

This broker is a great example for Transition brokers to emulate as they commit to do what successful brokers did. He does consistently what successful brokers did. Maybe a better way to say what I mean is that he is one of those successful brokers we have been discussing. Other brokers would be well counseled to follow the same business plan that this broker follows.

Chapter 4: Conclusion



The Transition broker used to be one of the hordes of Haystack brokers crammed into a territory in competition with one another, vying for the attention of decision makers. Haystack brokers will always be there, constantly coming and going. What separates the Transition broker from this horde will be his ongoing commitment to the contacts within the four corners of his community.

Haystack brokers wandering around the Transition broker's community are flitting from one area to another, not focusing on establishing relationships with contacts. They are blindly hoping to find that needle in the haystack, the deal that has eluded them and which they think could be behind the next door they open.

Many times the Haystack broker will, in fact, stumble through a door and by dumb luck or good fortune discover a real requirement or a potential deal. I called this broker the Last-Broker-In. Suffice it to say that the Last-Broker-In is making old-fashioned Haystack brokerage cold calls.

But the Transition broker is different because he does not make cold calls. He makes only warming calls on contacts he knows personally and who know him. Each time he meets with his community contacts he gets to know them a little better and establishes greater rapport and confidence. Loyalty and commitment are the eventual by-products of warming calls, which makes warm calls more effective than cold calls.

Contacts Become Clients

As decision makers get to know the Transition broker better, they come to understand that he is the go-to broker in his territory. The broker begins to create lasting value for himself. He differentiates himself from Haystack brokers who are just knocking on doors, cold calling a territory.

The Transition broker becomes a reliable fixture in his territory and a source of valuable information for his contacts. As decision makers come to appreciate the broker's commitment to their area, they come to rely on him as a source of market insight, which only a truly dedicated and competent professional can credibly provide.

Over time, this reliance generates confidence in the Transition broker as a knowledgeable professional and establishes his dominance over cold-calling Haystack brokers. His personal contacts will believe that he has their best interests at heart and has strategic insight to provide to his promoters.

Once decision makers come to understand the value the Transition broker represents, they will turn to him for help because he has separated himself from the brokers who are merely commodities in the local marketplace. This is the point at which the Transition broker separates himself from the Last-Broker-In. This is the point at which contacts become clients. This is the point where hard work and diligence start to pay off.

Relationship brokerage is a long-term commitment. There is a constant process of conversion within the Transition broker's community. There is ongoing churning and turnover, with new companies constantly relocating to the area. The decision makers in those companies need to become the Transition broker's contacts, and eventually clients and personal promoters.

Clients Become Promoters

The ultimate conversion is the conversion of contacts into clients and promoters. Once the Transition broker has done a deal with a client, the value of that client does not disappear, lying dormant for years until a new requirement for the client's company arises. The reward for a job well done is recognition of the broker's value to the client who appreciates good work and the quality of service provided.

It is a normal human reaction to want to reward a job well done. After finishing an especially enjoyable meal at a fine dining establishment it is customary to leave a gratuity. Everybody goes through the same calculation in determining how large a gratuity the waiter has earned. Based upon the value of the waiter's contribution to the enjoyment of the evening, the gratuity can range from mere acknowledgment to great appreciation.

The same dynamic happens every time a broker works on a potential transaction, whether the deal actually closes or not. The very fact that the broker worked on it, and did his best for his client, earns him credit in the mind of his client. His client will want to reward him. There is a normal human inclination to express great appreciation and additional acknowledgment for a job well done.

Promoters Give Referrals

When a client appreciates the service that a broker has rendered over time, he will look to provide some acknowledgment of faithfulness and hard work. Since the client may not have a commissionable transaction in the immediate future, he will be open to do something else for the broker. In a subtle way the broker is in a position to suggest to his clients that there is something that he would appreciate by way of acknowledgment. He can ask for referrals.

Referrals are a significant acknowledgment of faithful service, and they can many times represent even greater opportunity for a commissionable event than the original deal. When a client refers his friends or colleagues to a broker, with strong commendation of the broker's professionalism and competence, then that client has been converted into a personal promoter.

A promoter is a reliable source of referral business for the Relationship broker. Personal promoters provide referrals on an ongoing basis because they are players in the real estate market, especially in the community where the broker claims special expertise.

The confidence that a competent broker inspires in his promoters escalates the volume of business potential over time. This potential grows exponentially over the course of the broker's career. Eventually it becomes possible to base a career on the referral business generated from one's promoters. Just look at the most successful brokers in any brokerage office. How do you think they become the most successful brokers in the office?

There needs to be a constant element of conversion involved in managing the Relationship broker's community. It is a never-ending task to convert impersonal company names into contacts, contacts into clients, and then eventually clients into personal promoters.

Even within each category there is an ongoing conversion of good clients into great clients, and good personal promoters into great personal promoters. It is for this reason that every day in the brokerage business is challenging and rewarding ... even if the broker does not close a deal or make money on any given day.

The Transition broker must spend a tremendous amount of time getting to know the names of the 400 companies within his territory, identifying the 400 decision makers within those companies, and establishing personal relationships with those 400 decision makers over time. This represents a significant investment of time … and that is exactly what the broker is doing: he is *investing* time in his future.

No Better Time

There is no better time to implement Relationship brokerage than now. Most brokers are feeling the cumulative effect of slow market conditions which have been persistently dispiriting many in our profession.

As a consequence, competitors are less quick on the draw than they once were, and have increased the length and number of vacations that they are taking. They are working on their golf handicaps and learning how to fly-fish, waiting until the market turns around. But they have not gotten the word: the market has already turned around (or for the pessimistic among us: is turning around). The number and velocity of transactions has started to brighten the horizon.

Assuming that the Transition broker will get the deal, each broker is faced with a choice: be the Transition broker—or join his competitors on vacation. Time spent developing client relationships now will assure that he is not the one that hears about deals after they happen, rather than making the deals himself and depositing the commission into his own checking account.

Half of a broker's business should come from within the four corners of his community. The other half should come from referrals. These are two sides of the same coin. In other words, all of a broker's business should come from implementation of Relationship brokerage.

It is a broker's presence among his contacts within the four corners of his community that provides the basis for the development of personal promoters on a consistent basis. Referrals come from personal promoters who are in the broker's corner and willing to refer him to their friends and colleagues in the knowledge that he will provide a quality service.

Relationship brokerage leverages a broker's activity into increased referral activity. Without a network of personal promoters who can be a reliable source of referrals, then there are no referrals. The only way to cultivate promoters is to establish personal relationships with them over time.

The only way to establish personal relationships over time is by being present among potential promoters and providing ongoing, consistent and reliable services that justify referrals from these promoters. If you have no community, then how can you possibly generate referrals from personal promoters?

Reach for the Stars

Many times a broker is betting the farm, swinging for the fences, putting all his eggs in one basket, reaching for the stars. Whatever cliché you want to call it, all brokers dream of the big deal that will make the difference between having a boat and owning a yacht; between vacationing in the backyard and retiring in Tahiti. Admit it! Even you have been tempted to put all your chips on the table, betting that one monstrous deal would close and make you a wealthy person.

Even when that does happen, you will still need all the help you can get. You need personal promoters working to support your interest. You need inside salesmen. The trick is how creatively to identify potential personal promoters and to create the network necessary to escalate those contacts to personal promoters as inside salesmen.

So, in the end, it all still comes down to relationships. A broker needs to be persistent to accomplish the goals of Relationship brokerage.

The Persistent Bastard

In conclusion, I would like to share the story of “The Persistent Bastard” (we will call him Steve). I want to tell you about Steve's brief career as a commercial real estate broker because he was the ideal case study of what faithful implementation of the concept of Transition brokerage can do for a broker’s income.

Because I referred to his "brief career," you probably already figured out that Steve is no longer in the business. I had great hopes for Steve when I hired him as an industrial broker many years ago. Steve had worked in his family’s business selling janitorial supplies door to door. He was a very personable young man. He loved cold calling and came into the business with a lot of enthusiasm. I was confident that Steve would be able to channel his cold calling skills into warm calling proficiency. I was a bit too optimistic.

Steve started as a Transition broker from his first days in the business. He was off to an aggressive start and everything looked great. Steve warm-called for three hours per day, three days per week, with three days of follow-up for three months before returning to his reset point at the beginning of each quarter.

He followed the program of Transition brokerage with great discipline and never wavered in his commitment to become a successful Relationship broker. However, it turned out that Steve was undermined by a faltering economy and was never able to translate his enthusiasm into transactions. Nonetheless, he did everything just as he was taught to do.

Since he was following the principles of Transition brokerage without wavering, Steve had soon contacted all the decision-makers within his market. Being a very personable young man, he was well on his way to creating relationships with contacts in his area. At the end of his first year he had become an expert in his community.

All the contacts in Steve's community knew him, and he knew most of them; he knew about every transaction before it happened and he did his best to have his finger in every transaction. But he made little money. That did not dissuade Steve from his daily commitment to become a Relationship broker. He was convinced that he would make money eventually if he stayed committed to accomplishing his five prioritized objectives in the proper order.

Steve made it his goal to meet the decision-maker of one large company in his area with whom he had never been able to connect. He had stopped by the decision-maker's office once a quarter, left his business card and followed up for three days after each visit over a full year. That meant that the decision-maker had heard Steve's name at least 16 times during the year. Adding the e-mails sent in Steve's Touch-12 program, the decision-maker had heard his name 28 times without ever having met Steve.

One day at the start of Steve's second year in the business, he reliably stopped into the office of the elusive decision-maker. As he walked into the lobby, a gentleman in an expensive suit exited from the inner sanctum. The gentleman asked Steve who he was. Steve responded confidently that he was *Steve from NAI Capital* and that he was there to see if he could help the company with its real estate requirements.

The gentleman took a step back. He looked Steve over from head to foot, and finally said, "You're Steve from NAI Capital? You are one *persistent* bastard! What can I do for you?"

Steve again asked if there was anything he could do to help with the company's real estate requirements. The gentleman said that there was nothing that Steve could do to help because he had a close personal friend who was a broker. And besides, he knew for certain that there was no building on the market that would meet his company's requirement.

He told Steve that his company needed a 200,000 square foot warehouse, and that it had to be in the immediate area of his current facility. He knew that there was no such building available on the market in the area, and he was resigned to wait until the right building eventually came on the market. He would not have long to wait.

As luck would have it, two of Steve's teammates the day before had just listed a 200,000 square foot warehouse down the street. The property was not yet on the market. Steve started to hyperventilate. He scrambled back to the office and excitedly told his mentor broker what had happened.

Pretending that he was calm (though in fact very excited at the prospect of out-maneuvering the decision maker's Relationship broker as the Last-Broker-In), the mentor broker returned to the facility with Steve. He asked if the decision maker would sign a short-term agreement recognizing NAI Capital as his exclusive agent if Steve were able to show him a warehouse building which seemed to meet the company's requirement.

Confident that there was no such warehouse available, but willing to hedge his bet, the decision maker signed the 24-hour exclusive right for NAI Capital to represent the company. Calm as could be, Steve opened the front door, pointed down the street, and asked, "Is that building close enough?" It was.

Steve left brokerage a month later to return to his family business because his uncle needed help with their janitorial supply business. But on the way out the door, Steve was handed a check for $250,000.00 as his share of the commission for being such a committed Transition broker.

He really *was* the Persistent Bastard.

Appendix: The Ultimate Question

In his book *The Ultimate Question* from Harvard Business Press, Fred Reichheld provides a useful way for brokers to analyze the effectiveness of their commitment to Relationship Brokerage. The author contends that true growth occurs only because customers value doing business with a service provider and sing his praises to friends and colleagues, which generates worthwhile referrals on an ongoing basis.

The author proposes that there are two kinds of income. Bad income is earned at the expense of customer relationships. It works much of its damage through the *detractors* that it produces. "Detractors are customers who feel badly treated by a company – so badly that they cut back on their purchases, switch to the competition if they can, and warn others to stay away from the company they feel has done them wrong." (Page 6)

Good income, however, is dramatically different. "A company earns good profits when it so delights its customers that they willingly come back for more – and not only that, they tell their friends and colleagues to do business with the company. Satisfied customers become, in effect, part of the company's marketing department, not only increasing their own purchases but also providing enthusiastic referrals. They become *personal promoters*." (Page 10)

A broker can be productive in the short run based upon deals closed with clients who become detractors. But in the long run there will be no repeat business from those detractors. In fact, detractors leverage their negativity about the broker and cause damage to the broker's reputation in the real estate community, thereby ensuring that short-run, bad income comes at the expense of long-term, good income.

The author's premise is that business generated by leveraged referrals is the only kind of growth that can be sustained over the long run. But the question is how a broker can know what his customers are feeling. They need to ask one question – The Ultimate Question – in a regular, systematic and timely fashion.

The Ultimate Question is "How likely is it that you would recommend this broker to a friend or colleague?" (Page 18) The question is simple but the answer determines whether a broker's income is good income or bad income in the long run.

Every broker's customers can be divided into three categories: detractors, passives and personal promoters. A broker working at best efficiency would convert 100% of his customers into personal promoters. A broker working at worst efficiency would convert 100% of his customers into detractors.

What is a Net Promoter Score (NPS)? "The best way to gauge the efficiency of the growth engine is to take the percentage of customers who are personal promoters (P) and subtract the percentage who are detractors (D). This equation is how we calculate a company's NPS: P – D = NPS." (Page 19)

The average large company finds that two thirds of its customers are passives (bored) or detractors (angry). That means that only a third of its customers are personal promoters. What distinguishes personal promoters is that they feel good about their relationship with the company. “They must believe that the company knows and understands them, values them, listens to them, and shares their principles." (Page 28)

On the other hand, the average large company has an NPS of 10%. This means that out of 100 customers 33 are personal promoters and 23 are detractors. That also means that 44 of the average large company's customers are passives who can easily tip into the detractor column. That is a dangerous reality and can mean the difference between success and failure in the long run. An NPS of 10% can be disastrous.

This applies in the same manner to the relationship between a broker and his contacts and clients. A broker seeking to build a career in commercial brokerage must increase his percentage of personal promoters and decrease his percentage of detractors. Personal promoters refer more potential prospects to brokers, and those referrals "have a higher propensity to become personal promoters, which accelerates the positive spiral of referrals." (Page 49)

A broker must convert his detractors into personal promoters in order to ensure future flow of positive referrals. He must also convert passives, those caught between detractor and promoter status, into personal promoters or risk their becoming detractors over time.

It all comes down to one question that we can all relate to: "If you hear one negative comment about a particular dentist from a trusted friend or colleague, how many positive comments will you need to hear before you select that dentist?" (Page 50)

It is not hard to accept that the best way to grow one's business is to foster more personal promoters and create fewer detractors, especially in an Internet world where word-of-mouth is leveraged many times over and becomes such a powerful force.