



How to hold the line with sellers on the commission conversation

Persuasion is a tool of the trade for real estate agents. Yet when it comes to the commission conversation, many agents seem to struggle to demonstrate their value

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Persuasion is a tool of the trade for real estate agents. Negotiation is our bread and butter and a value proposition we tout with clients. Yet when it comes to the commission conversation, many agents seem to struggle.

Only a small percentage of agents understand how to effectively persuade sellers to list at a full commission. Instead, agents are often so desperate to get the listing that they cave in the moment the seller asks them to reduce their fee. It's time to stop, and here's how to do it.

In 2005, I wrote a book called [Waging War on Real Estate's Discounters](#). In many ways, little has changed since then. Agents are still struggling to articulate their value and full-service brokerages are still being attacked by discounters as well as multibillion-dollar companies like Opendoor, realtor.com, Zillow, etc., who want a piece of the commission pie.

As an individual agent, you have one advantage these companies lack: the ability to build personal [relationships](#) based on personal connection as opposed to an algorithm or a slick ad campaign.

Consumers still willing to pay full real estate commissions

The fee you earn is based on the business model your company uses. Based on my personal experience and research on this topic for over two decades, here's how this typically breaks out.

About 15 percent of all sellers will select their agent based on the [commission](#) amount. If they could persuade you to represent them for free, they would do so. If you are a full-service agent, these people are not your clients. Don't waste your time.

About 5 percent want the best agent in their area and are willing to pay for it. The other 80 percent are willing to pay a full commission, provided you can demonstrate why they should do so.

As you can see in the graph below from the National Association of Realtors (NAR), [77 percent](#) of all sellers only contacted one agent who they hired. In other words, 77 percent of the time your only competition is *you*.

If they're between the ages of 22-30, a whopping 89 percent of the time, *you* are your only competition. For those ages 30-40 (which encompasses most millennials), that number is 82 percent.

NUMBER OF AGENTS CONTACTED BEFORE SELECTING ONE TO ASSIST WITH SALE OF HOME

Exhibit 7-2 (Percentage Distribution)

	AGE OF HOME BUYER						
	All Sellers	22 to 30	31 to 40	41 to 55	56 to 65	66 to 74	75 to 95
One	77%	89%	82%	76%	75%	73%	77%
Two	13	8	11	13	13	12	15
Three	7	3	5	7	8	9	5
Four	2	*	2	2	2	3	1
Five or more	2	*	*	2	2	3	2

*Less than 1 percent

2021 NAR Home Buyer and Seller Generational Trends



Based on these findings, you have a 77 percent chance of winning both the listing and the commission battle by being the first agent to meet with the seller face to face.

Consequently, when you receive a lead, schedule an appointment as quickly as possible! Do this even if they don't plan on transacting until months from now. Your primary purpose for this meeting is to begin building a personal connection with the seller.

Make sure to bring the following to the appointment:

- Your CMA.
- A property report from [NARRPR.com](https://www.narrpr.com).
- A report from [HomeDisclosure.com](https://www.homedisclosure.com).
- Examples of how you stage your listings.

3 fronts on which you can lose the commission battle

Here are three obvious places you are not only losing the commission battle — but the battle to win the [listing](#) in the first place.

1. Failure to stay in touch with past clients

According to the [2021 NAR Home Buyer and Seller Generational Trends](#) report, even though 89 percent of sellers say they'll use the same agent again, only 13 percent of buyers actually did use their previous agent to buy and sell their homes.

That's often because those agents fail to say in touch.

Get-back-in-contact script:

Agent: *Good evening, John. This is Sally Agent. It's been way too long since we have seen each other. I would love to buy you a cup of coffee and get caught up. Does Friday afternoon or Saturday morning work better for you?*

2. Failure to follow up with buyer leads

How many buyer leads have you failed to follow up on in the last month? Did you know that 51 percent are living in a house they own and that they may have to list in order to purchase? If they're 56 or older, at least 65 percent have a house they owned prior to purchasing.

PRIOR LIVING ARRANGEMENT

Exhibit 1-14 (Percentage Distribution)

	AGE OF HOME BUYER						
	All Buyers	22 to 30	31 to 40	41 to 55	56 to 65	66 to 74	75 to 95
Owned previous home	51%	13%	37%	52%	65%	78%	86%
Rented an apartment or house	37	58	50	38	27	15	10
Lived with parents/relatives/friends, paid rent	5	12	7	4	3	3	1
Lived with parents/relatives/friends, did not pay rent	6	16	6	3	3	4	3
Rented the home ultimately purchased	1	1	1	2	1	1	*

Note: After selling their previous home, buyers may have rented a home or apartment before purchasing their next home. A first-time buyer could have acquired ownership of their previous home (as an inheritance or gift, for example) without having been the buyer of the home. Thus, a first-time buyer could have owned a home prior to their first home purchase.

2021 NAR Home Buyer and Seller Generational Trends



Consequently, schedule a face-to-face meeting as soon as you speak with any buyer lead. In addition to building a personal relationship with them, the purpose of the meeting is to:

- Have them order a credit report to make sure it's accurate and to correct any errors.
- Discuss the mortgage qualification process.
- Determine if they qualify for down payment assistance (see [Down Payment Resource](#)).

- The *most* important reason, however, is to discover if have a house to sell. If they need a contingent sale, you can make that problem disappear using companies such [HomeLight](#), [Homeward](#), [Knock](#), [Opendoor](#), [Orchard](#) and [Ribbon](#).

These companies either purchase the seller's existing home, purchase their next home and then sell it to them once they sell their current home, or provide a mortgage solution that allows them to pay all cash. Most are eager to work with agents, and some even allow you to earn a full commission.

3. Failure to convert incoming seller phone inquiries

A widespread problem agents face today is how to handle the seller leads who call you and ask, "How much do you charge in commission?" If you tell them a percentage or number they don't like, they cut you off and hang up.

Here's a simple script to help you avoid having the seller hang up on you and to obtain a face-to-face appointment.

Seller lead: *I see you sold my neighbor's house recently, and we're thinking about selling. How much do you charge in commission?*

Agent: *Mr. Seller, are you more concerned about the amount of commission you will pay or how much you will net once the transaction closes?*

Seller lead: *Well, we would like to net as much as possible.*

Agent: *With your permission, may I show you how my Premium Marketing Plan helps you obtain the maximum exposure to the marketplace that results in the maximum net price for your property. Would this evening be a good time to get together to discuss this or would Saturday morning at 10 a.m. be better?*

Strategies for demonstrating your value

The script above addresses the primary reason sellers ask agents to lower their commission — they have failed to demonstrate their value.

Here are two ways you can demonstrate your value to sellers who are focused on the amount of the commission as opposed to how much they will net.

Strategy No. 1: The Premium Marketing Plan

Create a checklist to demonstrate how the services you provide create the maximum exposure that results in the highest possible *net* price for the seller.

Here's an example that you can use on [listing appointments](#) that also allows the seller to compare your services to those offered by any other agent they may be interviewing.

Premium Marketing Plan				
Key strategies to net you the most money from your sale	My Co.	1	2	3
1. The Four “P’s” all agents do: put up a yard sign, post your listing online, on the MLS, and market it in print.	√			
2. Chatbot lead rapid response conversion system captures leads and schedules showings 24-7.	√			
3. Customized print marketing includes targeted, niche strategies with Just Listed, Under Contract, and Just Sold cards.	√			
4. Lifestyle videos: what’s great about living in our area on YouTube.	√			
5. Listing posted in 18 languages online and on Facebook.	√			
6. Matterport 3D and virtual reality property tour.	√			
7. National buyer and seller relocation network.	√			
8. Predictive analytics CMA adjusts for upgrades and appraisals for the most accurate pricing possible.	√			
9. Professional photos and drone photography.	√			
10. Single property website and Facebook business page using the seller’s address as the URL.	√			
11. Smart Homeowner system: provides manuals plus resources repairs, parts, and recalls notices on all appliances in your home.	√			
12. Social media marketing plan includes Facebook, Instagram, LinkedIn, Oodle, Pinterest, YouTube, and other social media sites.	√			
13. Traditional and 24-7 virtual open houses include online scheduling for showings and open house lead conversion system.	√			
14. Transaction management systems tracks all elements of the sale and minimizes your risk to costly litigation.	√			
15. Virtual staging services for both the interior of your home and the exterior property including the landscaping.	√			
16. Written Seller Services Guarantee ensures our services meet your expectations.	√			

Please note this approach works well with both seller telephone leads as well as when the seller objects to the amount of your fee when you are negotiating. Here’s the script that opens this discussion during a listing appointment:

Agent: *I assume you would you like to get the highest possible net price for your property — is that correct?*

Wait for their “yes” response.

Agent: *With your permission, may I show you how my Premium Marketing Plan helps you get the maximum exposure to the marketplace that results in the maximum net price for your property?*

If you’re a full-service agent, it’s important to position yourself as offering “premium service.” The second concept is that “maximum exposure results in the maximum net price for the property.”

Strategy No. 2: Compare how much your sellers net vs. the MLS average net

If you're a strong agent who consistently sells listings over asking price, you can use this approach as a stand-alone or in conjunction with the Premium Marketing Plan above.

- Calculate the average percentage of the purchase price that your closed listings sold at during the last six months. (For example, 108 percent of asking price.)
- Compare it to the average list-to-sell-price from your MLS.

For example, if the average list-to-sell price ratio for your MLS is 100 percent of asking price, and your listings are selling at 108 percent of list price, on a \$300,000 home, that's an extra \$24,000 the seller would obtain by working with you vs. the average other agents on the MLS are obtaining. This amount more than covers any discount another agent may offer.

If there's a specific low-fee company that the seller may be considering, pull up all their recent sales, calculate their list-to-sold price ratio for the last six months, and compare it to your average. (To do this, add up all their sales prices for the last six months and divide them by the total of the listing prices. That will give you the list-to-sell price ratio.)

Avoiding the 'discount trap'

Everyone loves receiving a discount. Consequently, if you are a full-service agent, immediately stop using the word "discount" to describe companies that charge a reduced commission. Instead, always reference these companies as being "limited services" brokerages.

For this approach to work, you must be able to position yourself as a "premium agent." You back that contention up with your Premium Marketing Plan. Here's what to say when a seller mentions one of these companies that charge a flat rate or minimal fee.

Agent: *Mr. and Mrs. Seller, I only work with sellers who want to achieve the maximum net price for their property using the services described on my Premium Marketing Plan. If you would prefer to work with a limited services agent who does not provide this level of service, I would be happy to give you a referral.*

So, here's the bottom line. When it comes to earning a full commission, help sellers understand that what matters most is how much they will net when the transaction closes — not the percentage or dollar amount they pay in commission.

Position yourself as a "premium agent," back it up with your personalized Premium Marketing Plan, and never use the word "discount" to refer to a commission or another brokerage ever again.

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