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Why industry disruption must support agents -- not replace them

by Alex Wang | October 09, 2015

5-7 minutes

Key Takeaways

- The challenge in this industry has always been how to convince industry groups to work to raise the barrier to entry.
- I say agents offer critical and valuable negotiation skills, local knowledge and industry expertise and that agents need to get more involved in transactions -- not less.
- The tech sector needs to recognize that good agents bring so much value that none of their efforts to offer consumers a little discount for this or a little discount for that will be successful.

Start-up pros and venture capitalists are furiously brainstorming about how they can disrupt the real estate industry. Four times now, I've been approached by groups of startup people looking to do something in the real estate space and asking me to toss around ideas or come on board.

But every time we talk, the discussion ends up being

disruptive in terms of replacing me. They're all batting around ideas to develop technology to offer limited real estate services and cut out one agent or the other from the transaction.

Over and over again, they show they don't understand the value a good real estate agent brings to the table — most importantly negotiation skills — but also local knowledge and industry experience on behalf of both buyers and sellers.

Initially, I was working with two people who want to build a startup to help service the real estate industry. As we talked, every week there would be a new startup announced, and most dealt with how to sell your home for less. Then I started talking to someone who's successfully sold companies, and we paired up with a venture capitalist (VC).

The VC, unfortunately, hasn't had the best experience with real estate agents and, like the others, doesn't see their value. Her inclination is to cut the agent from the transaction.

However, my inclination is to ask how we get rid of the bad agents and make good agents better. The challenge in this industry has always been how to convince industry groups to work to raise the barrier to entry. That was one conversation we had, and it went on for weeks on end.

The discussion kept going back to disrupting the industry in terms of not seeing any value in what we do and replacing and downsizing the role of the agent. People who want to do that say agents aren't the holders of the information consumers want, so they can be eliminated.

I say agents offer critical and valuable negotiation skills, local knowledge and industry expertise and that agents need to get more involved in transactions — not less.

They need to be adding services along the lines of a project manager overseeing the process of buying or selling the home, communicating and identifying who in their hefty lists of contacts can help at all points in the transaction. None of the people I've had discussions with seem to get that good real estate agents have value. But my clients completely understand.

In addition, there's nothing new in the plans I've seen.

They're mostly focused on limiting the services consumers get in a way that lowers their costs in the sales transaction.

But limited service plans have been around for decades, and the vast majority of consumers have consistently rejected models that leave them without a real estate agent's market expertise and negotiating skills.

Even today's established companies that are relying on technology to woo consumers haven't been able to convince consumers to give up the tools good agents bring to the table.

For instance, Redfin's user interface is by far the best of the current available search tools. Most of my buyers use it to search for a home. And when they find the one they love, they call me to negotiate an offer.

My message to the tech sector is that I want to work with

them. The real estate industry needs to be disrupted. It's just that they're on the wrong path. They need to recognize that good agents bring so much value that none of their efforts to offer consumers a little discount for this or a little discount for that will be successful.

Tech people need to be thinking about how to bring more talented agents to the table. I haven't seen that pitch yet. People often think there's one winner and one loser in a negotiation. But in a good negotiation, you create value for both sides. That's where the tech sector needs to be heading with their ideas.

My message to real estate agents is to get ready for big change. I'm all for great technology, and all good agents should be. In fact, I've consistently tried to disrupt my own company.

We agents need to know that disruption is coming. We have to step up our skills, including the technology we use and our ability to negotiate. I'm now focused on how to use technology tools to provide more services to my clients, not less.

It really is going to be survival of the fittest in the next decade in the real estate industry.

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