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Exit Realty

Doing
Business
in **Three**
Dimensions

Steve Morris,
Founder & CEO,
Exit Realty Corp. International

Doing Business in Three Dimensions

By Mike Patrick

Every top producer in North America has always stood pat on what they consider to be the most effective way to earn the best return on invested time in real estate—taking listings and making sales.

This two-dimensional system of generating earnings represents a belief structure that has historically proven to be the optimum way to get paid and create a career. That is until now.

Exit Realty Corp. International has developed a third unique ingredient, one it claims possesses the potential to literally change the entire financial perspective of remuneration in the working world of the real estate industry.

Known as the Exit Formula, this new earnings generator has been specifically engineered to enhance the profitability of brokers and salespeople alike to unheard of levels.

The Exit Formula is the brainchild of the company's 55-year-old founder and CEO, Steve Morris, who applied his experience in the insurance industry, as well as his 25 years of specializing in both management and sales training, to the real estate industry

and opened Exit Realty Corp. International in Toronto, Canada in 1996.

He is now franchising Exit Realty operations across the continent, and has sold over 200 franchises that recruited more than 2,000 real estate salespeople.

This five-year growth pattern represents just the tip of the iceberg regarding this entrepreneur's ultimate objectives. The Exit blueprint has been forged with a strategic business architecture that includes opening 3,200 franchises in North America with over 100,000 sales representatives.

Through his executive team, the ambitious Morris says he plans on building and stabilizing Exit into the largest and most productively successful real estate operation in the world.

"A two-dimensional business approach is simply shallow thinking when it comes to doing what is necessary to achieve this goal," Morris says. "We want all parties involved to benefit to a maximum. In today's competitive business community, greater depth is required to create a really meaningful future for real estate salespeople as well as profitability for brokers that raises the bar beyond previous possibilities."

Under Exit Realty's "three-dimensional" system, another income stream is created for both brokers and agents that fosters teamwork and encourages agent loyalty.

Here's how it works: Whenever a salesperson is introduced to management and recruited into Exit, each transaction that the new recruit closes generates a bonus, payable to the individual who sponsored them into the company, which is equivalent to 10% of the gross commissions earned by the recruit.

This bonus, paid via Exit's head office, is not subtracted from nor otherwise affects the commissions of the new recruit. And it continues perpetually for as long as the new recruit stays in Exit and generates sales.

Tami Bonnell, left, president, U.S. operations; Steve Morris, founder & CEO; and Joyce Baron, president, Canada operations of Exit Realty Corp. International



Plus, sponsoring is unlimited across the nation. Wherever Exit Realty has an office, salespeople can get residual bonuses. Thus, everyone can participate in the growth of the company and receive bonus monies at this very substantial rate.

Each associate has a vested interest in the growth of every office of Exit, creating a great reinforcement for management. And as the company grows, the intensity of the focus grows. With residuals, new brokerages mean new opportunities to everyone in the corporation.

"I'll never forget my very first year as a young kid starting in the business. I made \$50,000, yet I was working with people knocking down \$250,000. Never once did I have anyone share with me how they were making five times what I was," says William Higgins, Regional Owner of Exit Realty of Arizona. "At Exit, it's different. If I'm making \$150,000 and you're making \$25,000, I now have an incentive to share my trade secrets with you. The more your business improves, the more my bonus improves. It's just the most exciting thing in real estate, ever."

Exit Realty represents the second major paradigm in the real estate industry but extends far beyond the parameters of paying for the privilege of earning a top commission. The Exit Formula represents a revolutionary change from traditional real estate, in which a salesperson is totally dependent on their own closed transactions for their livelihood.

Under that structure, which Exit calls "two-dimensional," brokers, face the constant threat that their sales force will be stolen by their competition.

Many a good producer has exercised unfair leverage in this manner against management to get desk fees reduced or

commission splits increased. As a result, bottom lines have shrunk and broker/owners sometimes have had to fight for control of their offices.

Morris boldly states that he intends for Exit to upstage all organizations that rely on two-dimensional thinking as their centralized mode of action. To do this, he has incorporated an effective way to use what are known as "single-level residuals" as a cash flow enhancer.

Having been a top life insurance agent previous to his career in real estate, Morris developed a full comprehension and appreciation of the value of residuals. Each insurance policy he sold generated not only one

The answer became evident immediately.

The salespeople in any organization are the true assets of the corporation. They generate all the front-line money that pays the bills and stimulates the profit.

With this in mind, it became obvious to Morris that residuals must therefore be utilized in the recruitment process.

"My exhaustive seven-year study of real estate management shows that there is a 94 percent chance that the broker/owner manager in North America suffers from tremendous inhibition concerning recruiting and therefore cannot do the job effectively," he says. "And despite the fact that good recruiting is the one best solution to all problems that occur in a brokerage, the industry has persisted in putting just one person in charge of that function in any given office. This is



paycheck for his services rendered, but a series of paychecks over a long distance of time.

This structure stimulated future perpetual paydays every time he got a signature. This meant that there were cumulative returns on each unit sold, whereby earnings could literally be stockpiled. "You simply had to do each unit of work once and then you got paid over and over and over for the work done," says Morris. "What an irresistible way to earn money."

Thus the effectiveness of residuals as perpetual payment for work done is unquestionable. It's tried, true and profitable. But the big question for Morris had to do with the positioning of residuals into real estate. Precisely how should they be used to create the greatest effect?

truly a sad state of affairs. It literally means that brokerage ownership by old standards is built on sand.⁶³

The methodology of putting one person in charge of bringing in new blood, Morris says, is outmoded and a "very poor model for progressive business." It's risky, he says, and leaves all potential success from production and profitability restrained to moderate levels.

"Why not put everyone in charge instead?" Morris says, adding that with residuals, it is possible for every person in the corporation to receive a piece of the action, paid out residually for as long as those they sponsor into the company generate business.

Every agent that I meet is asking me, "How are you becoming so successful? How are you doing what you're doing in business?" says David Offutt, a sales

representative at Exit Realty Center in Stoughton, Massachusetts. "Right now, I have six sponsored in recruits. Let's say I make \$400,000 on my deals alone this year. With sponsoring I truly believe I can earn an additional \$200,000 annually."

Sponsoring, Morris says, also eliminates situations where agents essentially take over the business and take the lion's share of its profitability.

Under the Exit Formula, a salesperson can literally earn more than 100% of commissions through residuals. They have no reason to exercise leverage against management. In fact, it's better for them to encourage more brokers to join the system because it allots them more opportunities.

Plus, it virtually eliminates outside poaching, because if an Exit agent quits and joins the competition, they lose all their residuals.

the company. If three people were sponsored in, for example, doing this same level of production, then \$189,000 would have been received in bonuses.

That's a lot of money to walk away from if that sponsoring agent chose to leave Exit.

"If you're going to be a career agent, you can't beat it, because Exit perpetually pays residuals for helping to build the company," says Michael Washburn, Regional Owner of Exit Realty of the Carolinas. This is excellent for the broker because it creates a well-balanced recruiting and retention system. Plus, Exit provides 180 hours of teaching, training and coaching for all the salespeople. It's a win-win concept."

As an independent broker, Jon Stout had trouble retaining his best-producing agents.

"Previous to Exit, I found that agents who started to



Tami Bonnell, president, U.S. operations, conducts a training seminar for brokers new to the Exit Formula.

And these residuals can add up handsomely. For instance, an agent earning \$70,000 gross per year stimulates \$7,000 in bonuses to the sponsor as transactions close. If that same recruit stayed for nine years, the sponsor would have received \$63,000 in head office "thank-yous" for introducing that agent to

make money wanted to be a part of a major brand and I didn't have a mechanism, other than being a nice guy, to keep them here. That was one of the prime reasons why Exit appealed to us," says Stout, now broker/owner of Exit Realty Stout Group of Cedar Springs, Michigan. "The main thing that we had to learn was to step outside the box and look at brokerage from a different perspective, and this new vision

brought a whole new fresh approach to our company. I think it's one of the key ingredients that swung us around here."

According to Morris, the real estate industry has nurtured, developed and reinforced an ego-driven business in which everyone looks out for number one and top producers take their selling secrets to the grave.

That's because there's no reason to pass down information to anyone else. Outside of the Exit Formula, there's no incentive for an agent to encourage other agents to do well.

Exit's built-in mentoring factor with a vested interest also aids brokers, since it's designed to get the most and the best out of everyone involved in the corporation. It upstages ego-driven systems by inducing information sharing backed by cumulative, perpetual returns. The Exit Formula unifies the focus of the entire group and stimulates tremendous initiative, Morris says.

"That's what intrigued me with the Exit Formula: The passing down of knowledge, teamwork, synergy—things we've never had in my profession," says Ranae Stewart, broker/owner of Exit Realty N.F.I. in Pace, Florida.

Stewart says this new kind of professional culture has allowed her company to grow beyond what she ever expected was possible.

"I had three agents when I got started with Exit two years ago. I now have three productive offices and 90 agents and the momentum of our growth is phenomenal," she says. "Exit has positively and productively changed the entire environment that we work in; and to think I was small for all those years."

"A two-dimensional business approach is simply shallow thinking when it comes to doing what is necessary to achieve this goal. We want all parties involved to benefit to a maximum."

Tami Bonnell, president of U.S. operations says, "There's not a single doubt in my mind that Exit will surpass all top franchises in both sales and number of agents in the near future."

The reason she's so confident, she says, is the fact that Exit Realty took the time to develop its business model first, and then followed a specific rollout plan that has proven successful. That plan included starting with high population states along the East Coast including the power triangle of California, Texas and New York—then moving inward toward the center of the country.

But it's the basis of the Exit Formula that convinces Bonnell that Exit will emerge as the top brand

in the country. "The problem is: Everybody thought it was a good idea, but no one knew how to structure it. Steve Morris had the background and he took the initiative," she says. "The only thing that upset me about the whole thing is that I didn't think of it myself. It's a brilliant idea."

Exit is looking to solve what it sees as another industry problem. Under the existing business model, the entire responsibility of earning money from selling real estate depends totally on the salespeople, but these selling activities are strictly present tense. If they slow down, then their production slows down. If they stop, then it stops. And without a constant source of listing leads, agents are only as good as their last transaction.

This contributes to an absence of financial security. There is no financial leverage, no guarantees, no pension and no death benefits. And to top it off, as severe competition is becoming more and more prevalent, so are discounted commissions.

Under the Exit Formula, taking listings and making sales is still important, but sponsoring makes a difference and creates a future.

Not only do residuals generated from sponsoring act as a cash flow enhancer, but they also translate into retirement benefits as an added incentive.

At Exit, you can literally stop selling real estate altogether and still continue to receive residuals at the rate of 7% of the gross, paid out to you by the corporation for as long as those you sponsored into the company continue to make sales. This also translates into a 5% beneficiary program to give added security to families of Exit associates.

John Farrell, Broker of the Year for 2001 on his board in New York, knew he was witnessing something special when he attended Morris' "60 Minutes With Exit" presentation and as a result he became Exit's Regional Owner for Upstate New York.

"I was contemplating buying the region as I talked to my 19-year-old son," Farrell says. "I asked, 'What do you think about all this?' His retort to me was, 'Is this better for the agents and their families?' That's what struck me, because it is better—much better. Exit offers a wonderful reward system through sponsoring and a residual plan that the family can share in the future. This makes all the difference in the world." ■