

How RE/MAX Changed Real Estate

Excerpt from *Everybody Wins: The Story and Lessons Behind RE/MAX* by Phil Harkins
with Keith Hollihan

The real estate industry was about to change forever, although the man in the office that day couldn't have known it at the time. His name was Jack Bradbury and he was a Van Schaak man. On that spring morning in 1974, real estate was still very much a local or regional business. In Denver, Colorado, a city that was wealthy and growing rapidly, being a Van Schaak man meant something. Out of the nearly one thousand small real estate firms with five listings or less, the one hundred or so firms of medium size, and the five or ten powerhouses with five hundred listings or more, Van Schaak was number one, and it acted that way.

Being number one meant that Van Schaak had the most market share, represented the best listings, and attracted the top agents — those Van Schaak men. They were college educated, sophisticated, well-dressed and highly-polished. They were all white, in their forties, fifties or sixties, and they were, of course, all men. They lived in beautiful homes, drove expensive cars and belonged to country clubs. Their wives played golf or tennis and volunteered on community groups and the local PTA — all the better to meet other wives whose husbands would need a real estate agent someday. Knowing someone personally made a big difference when it came to the sale or purchase of your largest financial asset. It still does today.

The man in the room with Jack Bradbury also worked for Van Schaak but he was not a Van Schaak man. His name was Dave Liniger. He was young, in his mid twenties, and although skinny in that boyish way, he was solid and powerful, like a college linebacker who might never make it to the NFL because of his size but would bloody the

nose of anyone bigger who got in his way. His crew cut made him look as though he had just gotten out of the military, which was essentially true but off by a couple years. He was married and had two young children, but he did not have any of the sophistication, education or polish of the other agents. Liniger had dropped out of college and knocked around for a few years, working hard but getting nowhere, before discovering that he was very, very good at selling real estate. In truth, even though he was doing well at Van Schaak, Liniger drove Jack Bradbury a little nuts. On some Sundays he showed up for work on a motorcycle dressed in jean shorts and a tee shirt. Of course, on those Sundays it was six o'clock in the morning and Liniger would work at his desk furiously for a few hours before he changed into a suit and went out to sell homes. But still, a Van Schaak man wasn't like that and didn't behave that way. Dave Liniger had a drive and a hunger and an energy to him that the mature, settled, sophisticated Van Schaak men of the world weren't ready for, and he also had an idea that was about to pull down the curtain on their comfortable country club lives forever.

Jack Bradbury was not at the top of the mountain in Van Schaak but he was someone Liniger had to go through on his way to the top in order to sell his crazy idea. Sitting in Bradbury's office, Liniger could barely contain his enthusiasm for the idea. His brain was whirling with the possibilities, overflowing with an energy to get started. He was certain that Bradbury would understand the vision and grab onto it the moment Liniger explained it to him. The logic was that compelling. Not only did it have to work — it couldn't fail. The real estate business was local and always would be, but in Liniger's view there was nothing to stop a real estate company from expanding globally and becoming the biggest real estate company in the world. It just needed the right system, the right focus, the right dream. And Liniger, in a blast of insight that had come to him only days before, had finally figured out what that system, focus and dream should be.

Despite the suddenness of the idea, Liniger's insight hadn't come completely out of the blue. For the last few years, while Liniger was learning how to sell, then selling at top levels, and working for a number of different real estate firms, he had also been watching the industry closely. Gradually, he had seen its fatal flaw and begun to question, like any visionary, why no one did anything about it. Almost every firm operated under the same model — they only varied by size, reputation and, of course, the quality of their agents. Nevertheless, an agent at the mighty Van Schaak made, on average, the same commission as an agent at the least imposing real estate firm in the city — fifty percent. For most agents, this seemed fine until you realized you were handing over half of your income, produced by your leads, your hard work and your sales ability, to a firm that really wasn't giving you that much in return. Liniger knew that real estate agents, like all people with entrepreneurial inclinations, did indeed want to earn as much money as possible; nevertheless, they weren't motivated only by money. As a breed, real estate agents were primarily success- and growth-driven. They wanted to build up their lives and become something better. If they couldn't get there on their own, they wanted help to learn how. They needed teachers, coaches and motivational speakers to champion them. Essentially, they wanted the tools to succeed and the independence and freedom to make the most of the opportunities available to them. The traditional real estate firm didn't care about a real estate agent's need for growth and success. It only worried about that fifty percent cut, and did as little as possible to earn it.

The dissatisfaction agents felt with such an approach started something that could only be described as the real estate industry's vicious cycle. Real estate was a cheap business to get into. In the early 1970s, a broker could rent a nice office with five or six hundred square feet, get an answering service, a couple of telephone lines and hire a secretary part time for around \$1,000 a month. Agents were even cheaper than that since they worked on a commission split. Most brokers took anyone who came their

way, friends, neighbors, people who'd left one career and were looking for another, on the principle that if you threw enough against a wall, something was bound to stick. Few brokers had any desire to spend money providing the training that might help an agent succeed. So a new agent was faced with the prospect of having to learn the business — the property values, the complexities of mortgages, financing, title insurance and how to deal with appraisers and lenders — all without a supporting salary. And then there was also the art of selling. An agent had to learn how to find customers and talk to them. An agent had to learn what made a community tick. An agent even had to learn how to get around physically, know a street from an avenue, and whether a house on one block was near a school, a reservoir or an overpass. During that six to twelve month learning phase, most agents didn't have the financial wherewithal to survive. That was why the industry at the time was dominated by older white males who had retired from civil service or the military or who had sold a business of their own — they had enough money in the bank to float them while they learned how to make money in real estate.

Once an agent became good in the real estate industry, the job became much simpler. Past customers, if they'd received any level of service at all, were remarkably loyal. When an agent started to build up the repeat and referral side of the business, his reliance on advertising and cold calling went down. Buyers would start coming to the agent on their own, money in hand, looking for help in finding a new home. That's when an agent started to question the system he was operating under. If he was the one generating his leads through reputation and repeat business, why was he then handing half of his commissions over to the firm? If he had become successful all on his own, what loyalty or commitment should he feel to the company whose name he worked under? What was to stop him from breaking away to another firm, or forming his own group with a couple of buddies whose commissions he could then scoop up for himself?

Fear mostly. Not all agents had what it took to survive. In fact, eight out of ten agents failed in their first year and never renewed their licenses. Liniger knew that out of the two out of ten that thrived, a company like Van Schaak was very appealing. Its blue chip reputation, market share and brand name awareness attracted the best agents because it attracted the best listings. A potential new customer was much more likely to list with Van Schaak than some firm that they'd never heard of before. But despite all those advantages, Van Schaak was missing the most important piece of the puzzle. Like every other firm, it did not fully realize how much it would benefit by helping its own agents grow and succeed. With the best agents, the top brand, and the right system, a firm like Van Schaak could be unstoppable.

Liniger could see that dream so clearly because his experience had been very different from most Van Schaak men. He had learned how to sell the hard way — by failing time and time again. He wasn't one of those two out of ten who succeeded at every level and kept rising in the ranks. He was one of the eight out of ten who by any rational measure should have given up. But he kept working at it, seeing each new failure as an inspirational challenge, until he finally figured out how to do it right. Along the way, he realized something critical: It wasn't just the money which thrilled him when he made a sale, there were other, deeper things going on. He liked getting better and better at understanding people and figuring out how to meet their needs. He liked growing and becoming more confident and skilled. Money wasn't an end in itself; it was the carrot which led to that kind of self-development. Liniger realized that people pushed themselves harder and harder when they knew that they would receive a greater benefit for their efforts. By taking fifty percent of that reward from the agent's own hand, it was almost as though a real estate firm was taking away half of the agent's motivation and will.

Perhaps it was because Liniger had worked so hard for each dollar that he was able to envision a better way. How much more motivating would it be for a firm to offer its agents one hundred percent commission in return for a monthly fee? Leaning forward in his chair, he explained the concept to Jack Bradbury. The premise was something that Liniger had first encountered in Arizona when he worked for a real estate firm call Realty Executives. Realty Execs was a chop shop, a rent-a-desk concept, in which freelance agents operated under the banner of a firm which provided some support services and a brokerage license. Of course, Liniger readily admitted, the one hundred percent idea wasn't going to revolutionize the world on its own. But consider the unlimited potential in the idea *behind* that idea especially when it gets wedded to another idea, one that a firm like Van Schaak represented. Bradbury nodded, as though he had caught a glimpse of the picture Liniger was trying to convey, and Liniger continued, trying not to talk too fast.

Realty Execs was essentially a co-op without any heft. Van Schaak was a blue chip firm with panache, reputation and quality control. On top of that, a firm like Van Schaak had market share and group advertising. They bought things like signs at big discounts. They had major accounts with the newspapers and tremendous brand presence. They were a very sophisticated company. In fact, Liniger admitted to Bradbury, it was for all those reasons that he had been attracted to Van Schaack in the first place. As Bradbury knew, Liniger was doing very well for himself as a top freelance salesman, but he wanted more. He wanted to be part of something big and exciting. He liked being thought of as the best and he enjoyed the feeling of belonging to the club. Inside, Liniger knew that he didn't really belong to the club and never would, but that didn't stop him from seeing the opportunities that the club presented – especially when the idea of the club was wedded to a concept that could reinvent the industry.

"Can't you see it?" he asked Bradbury. "What agent, working for the best and most prestigious firm, wouldn't work their tail off if he got one hundred percent of the

commission from his sales? Why wouldn't every top agent in the world want to work for such a firm? Why couldn't such a firm grow large enough to gobble up the majority of market share not just in Denver, not just in the United States, but around the world?"

Jack Bradbury listened closely. He must have sensed some of the power of Liniger's dream, even if he didn't fully grasp the possibilities. Liniger pitched him hard, but on that spring morning in 1974 Bradbury took a pass on the radical vision. He couldn't see it, and Liniger left his office, frustrated at his own inability to articulate effectively what he had in mind, but still convinced that his idea was right.

He didn't give up trying to push the idea on others in the firm. Whenever he had a chance, he let key people know that the rent-a-desk concept did work, and that if Van Schaak were to combine that idea with the Van Schaak model it would have the biggest real estate company in the world. Even those who gave him a listen laughed at his naiveté. So, after getting nowhere with his idea, Liniger quit that most prestigious and comfortable of firms and went off to build his own company with little more than his dream and his determination.

Those Van Schaak men didn't understand his dream for a number of reasons. They were all in their forties, fifties and sixties and extremely successful, disinclined to any kind of new idea, entrepreneurial or otherwise. They had no reason to doubt the system under which they were currently winning. Like other dinosaurs in the history of new eras, they were complacent and unaware of the changes about to come. Liniger was just a kid, sort of naïve, certainly enthusiastic, but unpolished and not sophisticated like them. They had no inkling of how radical his idea really was, perhaps because Liniger hadn't fully grasped how radical it was either. When it came to the way the real estate industry thought of itself, how it operated, how it succeeded and who its customer actually was, Liniger's idea turned that entire model completely on its head.

It was a Copernican revolution, and Liniger, the determined, unsophisticated kid with no college education but plenty of smarts and one hundred percent faith in himself, a very unlikely Copernicus.