

Keller Williams revamps traditional realty models

By KATHY CARLSON
Staff Writer

Ask people about Austin, Texas-based Keller Williams Realty and answers cover the map.

An affiliate says it's "unlike anything that's ever existed in real estate." Some in the industry see it as a variation on basic business models. Still others see a resemblance to Amway, the multilevel marketing giant, an analogy that Keller Williams rejects.

Whatever it's called, the upstart real estate franchiser is putting down roots in Middle Tennessee, opening offices in Clarksville and Nashville during the past year and attracting real estate agents from other companies.

It's also turning heads, in part because of its profit-sharing program, which is atypical for residential real estate. The system gives agents a part of the earnings of other agents they recruit to the firm.

Keller Williams' success in Nashville is difficult to determine, because data on market share is hard to come by. Last December, Keller Williams ranked ninth in listings in the Nashville area, Nashville co-owner Steve Condurelis said. The National Association of Realtors list three Keller Williams offices — none in Tennessee — among the nation's top 100 in transaction "sides," where an agent represented a party to a deal.

Other Nashville Realtors say new ventures and ways to do business are to be expected.

"It's always been this way," veteran Nashville Realtor Hal Wilson said, adding "25% to 30% of all agents are in the process of moving at any one time."

Keller Williams co-founder Gary Keller acknowledges he structured his company to capitalize on that turnover. Nationally, Keller Williams has 253 offices and more than 17,000 agents.

Real estate agents, Keller said last week from Austin, have always brought others with them when they changed firms. "The problem was, no one ever recognized it. ... We acknowledge and compensate them for doing what they always have done," he said.

This business model, Keller said, is not related to household-products seller Amway. Rather, it grew out of a commercial real estate model he studied in college, then "tweaked."

Over the years, a handful of business models have prevailed in real estate, Greater Nashville Association of Realtors President John Gifford said.

Traditionally, he said, a broker opens an office and hires people to work for him or her on commission. They share the commission with the broker at a negotiated level, anywhere from 50% down to around 20%.

In the second model, agents keep all of their commissions but pay in a fixed amount of money each month to cover the firm's expenses, he said.

The Keller Williams approach allows agents to choose commission structures and adds profit-sharing and other features. Profit-sharing can vest and continue after retirement, Condurelis said. About 20% of Keller Williams agents participate in profit-sharing, he said.

Last year, for example, \$6.3 million was distributed in profit-sharing, up from \$4.2 million the year before, Keller said.

He declined to give a typical agent's profit-sharing percentage but said profit-sharing per recruited agent could range from nothing to \$1,000.

Because of profit-sharing, Keller said, financial records are open to everyone in the company. Top producers also can participate in running the company, and agent education is a priority.

Investors pay anywhere from \$150,000 to \$300,000 for the right to own a regional office; buying a franchise in a city or town within a region can cost from \$50,000 to \$300,000, Keller said.

Keller said his company has prodded competing firms to change compensation structures and bolster education.

But some in Nashville play down the firm's impact.

"We're continuing to attract a lot of energetic young people to our company," said Shirley Zeitlin, founder of Shirley Zeitlin & Co. Realtors. Her company's agents split commissions with the house, she said, declining to give percentages.

As for education and other services, her company includes a technical director, marketing and advertising department and a vice president of education, she added. "Four or five" of 100 agents at her firm have joined Keller Williams, she said.

A small agency, The Wilson Group, has felt no effects from Keller Williams, owner Hal Wilson said. Unlike bigger firms, "we can make decisions much more quickly" and "adapt to changing market conditions more rapidly with less paperwork," he said.

Meanwhile, Keller Williams' Steve Condurelis touts the company's culture.

"Keller Williams is not for everyone," he said.

"If you're not of the mindset that you're going to turn this thing into a real live business, it's probably not for you."

Kathy Carlson can be reached at 259-8047 or at kcarlson@tennessean.com.