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North America's Leading Real Estate
Coaching and Training Company™

The MFO
Minimum Standards
Report
By Mike Ferry

THE MFO MINIMUM STANDARDS REPORT

Minimum Standards ... common words in both business and industry ... but almost never used in the Real Estate Industry. A normal idea in both families and schools ... an abnormal idea in real estate.

Why do most businesses, schools and families have some type of standards for their staffs, associates, students and their family members? The answer is very complex, yet so simple. “People produce at a much higher level, whether it be in their job, school, and in most cases the home, when certain expectations are set for them!”

For a business to produce enough of their products/services to maintain growth and profitability ... certain procedures have to be followed and certain standards have to be met. If these are not met, the business will not remain a viable part of the community ... and will soon be gone. For most of our lives, schools gave grades that ranged from “A” – which was considered the best – to “F” – which was considered a failure. This system has changed in many schools today. The purpose of the “letter grade” was to tell the student of their progress and to let them know how they were doing versus the rest of the class. The “grade” is also the standard set for progressing to the next grade or for graduation from school. As we all know, “standards” have been part of our lives forever

and will continue to be ... unless we are involved in the real estate business.

WHY NOT REAL ESTATE?

This is a very good question that I've been asking since I became involved in the industry when I was 18. There are probably a hundred reasons why "minimum standards" are not part of the industry ... let's look at a few of them.

FIRST, the concept of real estate is somewhat of an unorthodox business. By this I mean if you look at how most businesses are run and then you look at a real estate office ... you don't find many comparisons between the two. How many businesses do you know where the participants are Independent Contractors ... that's a good starting point for an unorthodox business. Think about a business that allows sales people to go out in the field completely untrained, and if the sales person never sells anything, it is still okay! Almost absurd when you think about it!

SECOND, there is a lack of management training in the industry. The qualifications for a person to open his/her own office are not based on strict business guidelines, but are based on the individual passing a test and having sufficient funds to rent some space and "be open" for business. There are "no" business classes required for the broker/owner ... no studying required on organization, planning, management by objectives, understanding budgets, profit and loss statements, basic administration, the psychology of dealing with staff, or the motivation of individuals.

These are the basics that a person must learn to progress in other businesses!

THIRD, a lack of identification of what causes a person to succeed or fail in the business. Real Estate as a business is a very traditional business, which in most cases is the downfall for both management and the sales people. Here we are in the middle of the year 2006 and companies are still suffering from low to mediocre per person production, high turnover and low to non-existent profits for the organization. Companies are still asking people to take floor time, hold open houses and work geographic farms. These activities did not produce good results in 1975, nor will they in 2006 ... yet they are still being taught daily in the industry. We at the Mike Ferry Organization **KNOW EXACTLY** what it takes for an agent or an owner to succeed and we'll give you the formula later in this report!

FOURTH, the constant fear that management has of agents quitting and taking more people with them ... or the fear that the agents will be recruited by the high commission office. The fear of the high commission houses recruiting the sales people is a real fear! So ... why do agents leave real estate companies? The "lack of leadership" has to be the number one reason. This could be anything from the inability of management to offer training, to a lack of motivation in the office, to the office having too many non-producers ... which drags down the ones that want to produce. Having "minimum standards" is the easiest way to remove the fear the companies feel, while creating retention at the same time!

FIFTH, a lack of accountability and monitoring agents' activities. By monitoring what sales people do, the manager can

see what is working and what's not. This will tell the manager what they have to teach the agents to increase production. Monitoring people's activities is not only a common business practice ... but so is adding accountability as a measure of growth for the agents.

SIXTH, a lack of training or poor training from the company. In analyzing both companies and individuals for the past twenty years ... one thing has become apparent: The training that is generally offered does not lead to long-term production, growth and profit. Looking at the "popularity of the various real estate trainers" over the years can identify this. Why do agents flock to the "outside training?" Because they are not getting the training "inside." We started the Superstar Retreat in 1985 and we were told by the industry that these "Retreats" would never work and certainly never succeed. Since 1985 through mid 2006, we've done 40 Superstar Retreats with total attendance of over 60,000 agents. Why would 60,000 agents attend the Superstar Retreat? Because they can't get this training from the company.

SEVENTH, a lack of personal coaching. We keep hearing names like Michael Jordan and Tiger Woods as people who use coaches daily to improve and enhance their performance. We at MFO introduced Coaching to the industry in 1990 and we've been both booed and cheered for starting it. If you are going to have coaching as part of the scenario that leads people to success, then you have to have minimum standards ... because they go hand in hand.

How can I ask you to do certain things to improve your performance if I am not going to set standards for you to measure

your progress by? ***COACHING, ALONG WITH MINIMUM STANDARDS, ARE THE “ANSWER” ALONG WITH GOOD TRAINING TO EVERY COMPANY AND INDIVIDUAL’S PRODUCTION PROBLEMS!!***

WHY TAKE THE PLUNGE??

For years I talked about the importance of having standards in the industry and then in 1997 I finally did something about it. During a three-day training session for our Coaches, I said to the group that it was time to take the plunge and lay out the Minimum Standards ... that MFO-trained agents can measure their progress against and be held accountable to. They were designed so the agent could maintain continuous growth in production.

We spent most of one day on the topic “What should the standards be?” We then came up with what we believe are the “10 Standards” that agents must follow. We questioned each other in depth and decided that these standards must be discussed, trained and kept in front of the agents at all times ... and most importantly, remember ... they are minimums.

Again, we have been criticized by the industry for deciding what the standards should be ... without consulting the industry. Let me state emphatically that the industry would be a lot better off if they adopted these standards, or at least “some standards.”

The standards we set are for MFO-trained agents, and to date the MFO-trained agents are the most successful agents in North America. Part of this success is due to having the standards and

part of the success is due to the training that revolves around these standards. Most importantly, these agents' success is due to their belief that having standards is critical to their own growth ... because they have a way to measure their own progress!

LET'S LOOK AT THE 10 MFO MINIMUM STANDARDS

Listings Sold to Buyer Controlled Sales! One of the many fallacies in real estate is that agents should spend a high percentage of their time working with buyers versus sellers. I've never really understood the "why" behind this kind of thinking ... it's been taught for a long time in this business.

One of the reasons for this type of thinking is the "Agent Surveys" done every couple of years in the industry. If you read them carefully, you will see the lack of productivity of most of the agents surveyed. When you look at agents who are doing 25 deals or less annually, you'll discover a lot of them working with buyers a major portion of the time ... why? Because for an agent to list 25+ homes per year and have 35 to 50 closed transactions, of what the major portion comes from, listings sold requires a lot more from the agents. Everything from a business plan, to detailed work schedules, a prospecting plan, a good pre-qualifying program, a strong presentation, good follow-up and a strong customer service program are just "some" of what is required to become a good, productive listing agent.

The regimentation and sales strategy required to list properties causes more organizations to run ads, have floor time and open houses as methods for the agents to attract buyers. The

agent can then take the buyer out and “show” them anything from a few homes to dozens of homes. This can take anywhere from a few days to months. Using the theory that if you show enough homes to a buyer ... you’ll eventually run into the right home. As agents continue this process ... it only leads to minimum production at best. Remember that showing property all the time requires minimal sales skills on the part of the agent.

Because of the way the industry operates and because we have a stated goal to teach agents specifically “what to say and what to do to list property,” we have a Minimum Standard ... ***“60% OF THE AGENT’S TOTAL INCOME MUST COME FROM LISTINGS SOLD WHILE 40% MAXIMUM COMES FROM BUYER CONTROLLED SALES!”***

Listing Presentation Closing Ratio! Asking agents to list property is one thing ... teaching them how to find prospects to list is another, what to say both while prospecting and listing property is another. This is the cornerstone of our commitment to the business!

Since most agents spend most of their time with buyers ... none of the above paragraph is required and generally not in a company’s training program. These very thoughts are the difference between low and high production ... because the majority of agents who produce 50+, 100+ or above ... list a lot of property.

In sports a “person’s averages” are considered measuring points regarding a person’s success and, in most cases, their pay. **Tennis** ... “Serena Williams got 76% of her first serves in play!”

Golf ... “Tiger Woods hit 12 of 14 fairways and 15 of 18 greens in regulation!” Baseball ... “Mark McGuire hit a home run 1 in every 10 at bats!” Or “so and so hit for 52 last season” ... Wow!! These types of results bring either huge raises in pay or big prize money. Keeping track of these averages or what we call “ratios” is standard in all businesses. “That hotel had a 71% occupancy rate last year!”

As a listing agent, we measure the number of presentations you go on versus the number of listings you take. Why? Because of the word “efficiency.” Your percentage or ratio tells us your strengths and weaknesses, as importantly it tells you exactly what you have to learn to increase your income. Our Minimum Standard is ***“55% OF THE PRESENTATIONS YOU GO ON, YOU LIST THE PROPERTY!”***

Prospecting! Since there are three primary ways to get business as an agent, your ability to prospect becomes a critical part of the process. “Start holding open house” and wait for a prospect to come in and find you. “Run an ad” and spend your money hoping someone reads the ad and calls you to buy or sell. “Go out every day” and find someone who wants to list their home for sale or wants to buy another one.

“Going out and finding someone” is not the option most companies or agents pick. Too many brokers find it offensive if the agents go out and contact For Sale by Owners, Expireds, or go out and knock on doors in neighborhoods ... amazing, isn’t it?

What are the odds of a new licensee doing 25 to 50 transactions in their first 18 to 36 months in real estate ... holding

open houses and taking floor time? The answer is zero! It is the same for an agent 3 to 5 years in the business who is doing 5 to 15 transactions a year ... who continues to do these same types of traditional activities.

The solution is an organized, on-going prospecting plan for the agent. The MFO Minimum Standard is ***“ONE HOUR OF INTENSE PROSPECTING, FIVE DAYS A WEEK!”***

Practice! The President of the United States is about to give a speech to the nation ... he jots down a couple of thoughts, goes on national TV and “wings it” for 45 minutes in front of 100 million people ... no way!! There is a team of writers, advisors, and publicists that will work for days on end to write the speech and prepare the President. The President will spend countless hours practicing that speech before making the presentation. After all that preparation, he will still use a teleprompter to make sure he gets every word across exactly as he and the team have planned.

Practice, drill, rehearse ... practice, drill, rehearse ... practice, practice, practice until it becomes part of your subconscious mind. This thought process is almost non-existent in the Real Estate Industry. In other industries, “practicing” is the cornerstone of success.

Can you imagine how your confidence will go up if you know exactly what to say in every sales situation? Can you imagine how much better the response will be from your prospects and customers when you “say the right thing.” Okay ... “Mike, how do we know you are going to teach us the right things to say?” Great question and simple answer ... “the major percentage of the

top producing agents use our scripts daily and, more importantly, practice them daily.” If our scripts and dialogues are good enough for the best agents ... they are certainly good enough for thousands of agents who want to become one of the best.

The MFO Minimum Standard is “***1 ½ HOURS PER WEEK OF SCRIPT PRACTICE AND ROLE PLAY.***”

Pre-Qualifying! Your American Airlines flight from Dallas to Chicago is at the gate. The passengers are boarding. In the cockpit the pilots are going through a very detailed pre-flight checklist or they are pre-qualifying the plane. You are at the doctor’s office, the nurse enters your area with a big smile and takes your blood pressure, temperature and pulse ... she is pre-qualifying you before the doctor arrives.

A buyer calls on an ad or sign and walks into a real estate office. They introduce themselves to the agent who smiles and says, “Let’s go, I’ve got some great homes to show you!” Versus saying, “I’ve got some great homes for you to buy!” Question: Why are agents so afraid to pre-qualify a buyer or seller? The answer is ... if we ask all the pre-qualifying questions and discover the person “is not” qualified to buy or sell ... then we don’t have a prospect to work with. So ... rather than take that chance, first show them property or go try to list them anyway. Think about this ... aren’t you being unfair to the prospect ... as well as wasting your own time?

The MFO Minimum Standard is “***PRE-QUALIFY 100% OF THE PROSPECTS YOU ARE WORKING WITH BEFORE YOU EVER MEET WITH THE PEOPLE!***”

Listing ... Listing ... Listing! Once an agent makes the decision to build a productive, duplicatable, profitable business ... the question then becomes ... “How many deals, sides, transactions (whatever you call them) do you want to close in a given year?” Once the goal has been established and assuming it is realistic, next the agent’s numbers have to be determined. How many hours of prospecting will be required weekly, monthly, quarterly and for the year?

How many contacts will have to be made? How many listing presentations will be made? How many listings will you take? What percentage of your listings will you sell? (Use between 60% to 70% as a starting point if you don’t know!)

Based on our years of research ... if your goal for the year is 35 closed transactions and you follow the MFO Sales System, you will have to list 35 homes for the year.

The MFO Minimum Standard is ***“THE NUMBER OF LISTINGS TAKEN ANNUALLY WILL EQUAL YOUR TOTAL CLOSED TRANSACTIONS FOR THE YEAR!”***

Repeat and Referral Business! There seems to be two very different approaches to repeat and referral business. Group one ... works only repeat and referral business and does 75% of their business from this source. These agents are generally never going to be big producers (there are exceptions, so don’t quit reading!) and if an agent is an exception, it takes 15 to 20 years to build their business. They can have a good business but are not going to experience much growth unless the economy heats up.

The other group, who we meet daily, are the agents who rarely if ever call their past clients or centers of influence. It is always the same story, “They didn’t call the client after the deal closed and simply went on to the next one!” Agents who operate like this are not only losing 35% to 45% of their potential annual income ... they also have to spend a lot of time and money generating new business daily. It is always a challenge to sustain growth this way.

The ideal business combines past clients, centers of influence and various other sources of new business together ... to allow maximum annual growth. It also allows you to maximize your profits by not over-spending on advertising and marketing or excessive money on contacting your past clients and centers of influence.

To make this happen, we must get over the fear we have of asking people we know (centers of influence) for business. Many agents tell us that they don’t want to look like they are begging for business, so they don’t call and ask.

The MFO Minimum Standard is ***“35% OF YOUR TOTAL BUSINESS MAXIMUM WILL COME FROM REPEAT AND REFERRAL BUSINESS ... IF YOU WANT TO EXPERIENCE 20% ANNUAL GROWTH!”***

Profit ... Profit ... Profit! I never cease to be amazed at the number of top producers we meet who are grossing \$500,000 to \$1 million a year and when we sit down to analyze their business, we discover they don’t have any money, any profit or minimal net profit and net worth.

If you are going to put in the time, energy and the financial investment to build a business, why not make it as profitable as possible? Most businesses are measured more by profits than anything else they do ... not real estate!

It is not uncommon for companies to ask agents to invest thousands of dollars in advertising and marketing campaigns before the agent has ever generated a decent income. It is not uncommon for agents to spend tens of thousands of dollars looking for ways to get buyers and sellers to call them ... so they don't have to do any prospecting. We see agents who are doing 50 deals a year who have two assistants and a Buyer's Agent and end up with little to no money to live on ... it's sad!

In 1976 I started campaigning for both brokers and agents to look at profitability first ... learn how to read a Profit and Loss Statement and to use them as building blocks for their businesses.

“Start Prospecting ... it is a cost-free activity that brings income and profitability ... the only cost is your time ... and since you are going to be working anyhow ... maximize your return.” I have been booed, hissed, banned and thrown out of real estate organizations for this outrageous type of thinking.

Okay, your business is growing, you are prospecting daily, you are calling your past clients and centers of influence ... and you are listing property. What do you do with all the buyer leads that come from your prospecting and sign calls? You hire a Buyer's Agent without thinking about your Profit and Loss Statement. You offer the agent 60% commission on what they bring in. Then you meet us at MFO and we discover that your cost

of doing business is 45%!! Add these up ... 45% cost of doing business plus a 60% commission paid ... every time your Buyer's Agent closes a deal, you lose 5%. Example ... your average common check is \$5,000. Each Buyer's Agent close equals a loss to you of \$250 ... pretty good deal, huh?

Mike, what is the biggest expense agents have that keeps them from making reasonable profits? Answer ... EGO, EGO, EGO! Consistently having to see your own name in print, etc. Ego is a profit killer.

So ... the MFO Minimum Standard is ... ***“A 65% MINIMUM PROFIT ON YOUR ANNUAL INCOME!”***

Staffing and Assistants! How do you determine when you need some help with your business? This is a tough one for most agents, because delegation is not normal for agents, it's a skill that must be developed over time.

Why do agents not delegate or hire an assistant? They fear that delegating ... will put someone in a position to make a mistake or screw up the transaction. What is worse, the agents have developed a relationship with the client that is so close ... that no one else could be involved in the transaction. This attitude makes it very difficult for the title company, mortgage company, attorneys, escrow company, etc. to help you with the transaction.

Picture this ... you are in the center of a circle ... you sold the home or had a listing sold. On the perimeter of the circle is the support team that is involved in every transaction. You know who the affiliates are in your transactions and you use them daily. My

advice is ... “let the affiliates do their job ... get out of the way and let them do their job. This will free you up to do what you do best ... go out and find business.”

As your business continues to grow, you should be hiring an assistant to take care of the day to day activities and coordinate between you, the customer and the affiliates. The assistant’s job is to handle the paperwork and make sure you stay on your schedule.

The MFO Minimum Standard is ***“HIRE YOUR FIRST ASSISTANT AT 40 TO 45 CLOSED TRANSACTIONS AND ADD ADDITIONAL STAFF WHEN YOU ADD 50 TRANSACTIONS TO YOUR BUSINESS!”***

Seminar Attendance! The Action Workshops, the Productivity Schools, the One-on-One Retreats, and the Superstar Retreats are programs that 40,000 to 50,000 real estate agents attend annually. Thirty-five to forty percent of every seminar are customers who have attended these events for years and will attend three to five events per year. They keep attending our events for the same reason that a professional football team goes to spring training for six weeks every year. They want to keep reinforcing their sales strategies, scripts and dialogues into the business. They also want to maintain contact with the agents they have met who have common goals or objectives. They want to compare business plans, get new ideas and get re-motivated so they can go back to their office and continue to produce and grow.

So ... our final Minimum Standard is ***“ATTEND AT LEAST THREE MFO SEMINARS PER YEAR TO ATTAIN MAXIMUM GROWTH!”***

OKAY – HOW DID YOU SCORE?

Now that you have read the Standards ... re-read this report again carefully. How did you score yourself with these Minimum Standards? Which ones are you doing better ... which ones need some work? Question: What would happen if you attain the minimum in each category, and kept growing in each of these areas? What would happen to your business? What level of production could you attain? These are important questions to look at and answer!

If you are one of our “occasional” customers (you know who you are) take the plunge, sign up for one of the events or inquire about our Coaching programs. Do it today!

If you are “new” to The Mike Ferry Organization because of this report, go to our website at www.mikeferry.com and take a close look at what we have to offer and how what we can do will increase your production. Call (800) 448-8423 and ask for the Sales Department (they know the scripts).

If you are a “client” who attends our events regularly or uses our audio or DVD programs as training tools, think about going to the next step ... “Join our Coaching program today!”

If you are one of our “coaching clients” ... you’ve seen these Standards before. Stop now and recommit to your goals and objectives, prepare carefully for your next coaching call, and let’s make sure you are moving forward at the pace you should.

In any case, this is one of many reports that I've written for you. Request copies of all of them and re-read this report often. We'll look forward to seeing you soon.

Have a great day!

Mike

P.S. – Call (800) 448-8423 today!