

Third Annual Study of the Power of Referrals in Real Estate

Why Agent-to-Agent Referrals Are Key in 2019



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About This Research

Every year, we survey established real estate agents who actively use referrals in their business. This year, more than 1,200 agents participated in our third annual report, which included questions that we've asked agents in previous years in addition to several new questions about their use of social media and the qualities they value in referral partners.

Most of our interview subjects are top producers in their markets. More than half of respondents close more than 20 transactions annually, with the biggest proportion of respondents (21%) closing between 26 and 40 transactions every year.

We also conducted in-depth interviews with five survey respondents, each with an average of 20 years of experience selling real estate. All of them have weathered at least one full market cycle and noted, anecdotally, that real estate appears to be leaving a strong sellers' market and entering a more balanced market or even a buyers' market in their active sales areas.

Methodology

A total of 1,279 agents responded to our queries, completing an online survey that contained multiple-choice questions. We then followed up with selected long-term, high-producing agents, interviewing them by phone about their survey responses. 1000watt, real estate's leading brand and marketing agency, conducted this research.

About ReferralExchange

ReferralExchange is an agent-to-agent referral and lead-generation management service. The company uses a combination of data science and customer service to refer active home buyers and sellers to qualified real estate agents. The company made nearly 250,000 successful connections between buyers, sellers, and agents in 2018 and their network includes over 25,000 top-performing agents covering 100% of the United States. The vast majority of agents have more than 14 years experience, more than \$5 million in sales, and have had 20 real estate transactions in the last 12 months. In 2019, ReferralExchange launched its new LIVE service, which manages third-party leads for agents by filtering, qualifying, and live-transferring back interested prospects.

ReferralExchange.com

Executive Summary

Agent-to-agent referrals are a key part of every serious real estate agent's business — especially as markets slow from peak activity and business slows for many.

In this research, we quantify the percentage of business agents are doing via referrals, compare our findings to past years' research, and go more in-depth with selected agents to get their insights on what's working for them and how they plan to both generate referrals and place them with trusted agents going forward.

This year, we dug a bit deeper into what agents look for in a referral partner, and added more detailed questions around referral networks and use of social media. We also spoke with agents about whether their market was showing signs of slowing and if so, what that means for the role referrals play in their business today and tomorrow.

Key Findings

- **The number of agent-to-agent referrals received remained steady in 2018 from 2017.**

25% of agents received between 6-10 referrals, and another 19% of agents received between 11-25 referrals last year.

- **Referral fee earnings were strong in 2018, with some agents earning more than in past years.**

The number of agents earning between \$20,000 and \$50,000 in referral fees increased to 20% last year from 17% in 2017. The number of agents earning between \$10,000 and \$20,000 in referral fees decreased to 17% from 25% the previous year.

- **Referral networks can pay off.**

The majority of agents surveyed belong to a referral network. 29% of these agents attributed more than 20% of their overall inbound referrals received to these networks. And 23% said that up to 20% of the referrals they receive from their networks result in a closed transaction.

- **Social media remains relatively untapped as a source of referral activity.**

51% of agents said they're not currently using social media to generate or submit referrals, while 25% said they're using social media to actively generate referrals. Another 23% said they're using social media to both actively generate and submit referrals.

- **Agents rely mainly on third-party referral networks, brokerages, coaching and association directories for referral partners outside their market.**

28% of agents rely on their referral network to find partners outside of their local market, and 23% say they search their brokerage, coaching, and/or association directories when looking for a partner.

- **Agents have many ways of finding referral partners when needed.**

In addition to the sources referenced above, agents said they use designation groups (e.g., GRI, CRS, ABR), networking events, cold calling, Zillow reviews, LinkedIn, and many other methods for finding a partner when needed.

- **Responsiveness and reputation are top qualities in a preferred referral partner.**

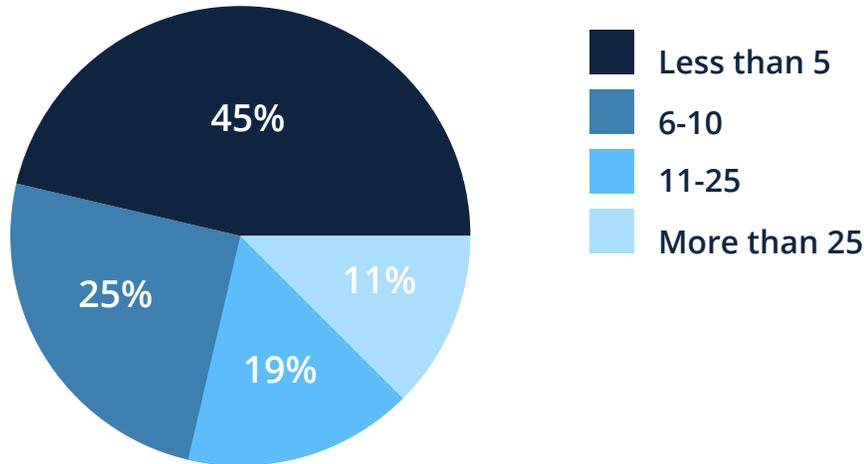
As in past years, agents named responsiveness (44%) as the top quality they look for in a referral partner. Reputation (22%) was second, followed by personal relationships (9%).

- **Agents care about success and customer experience.**

57% of agents said referral partners who have a high chance of closing the deal is most important when placing referrals. But they also place high value in the overall experience the agent provides their referred clients.

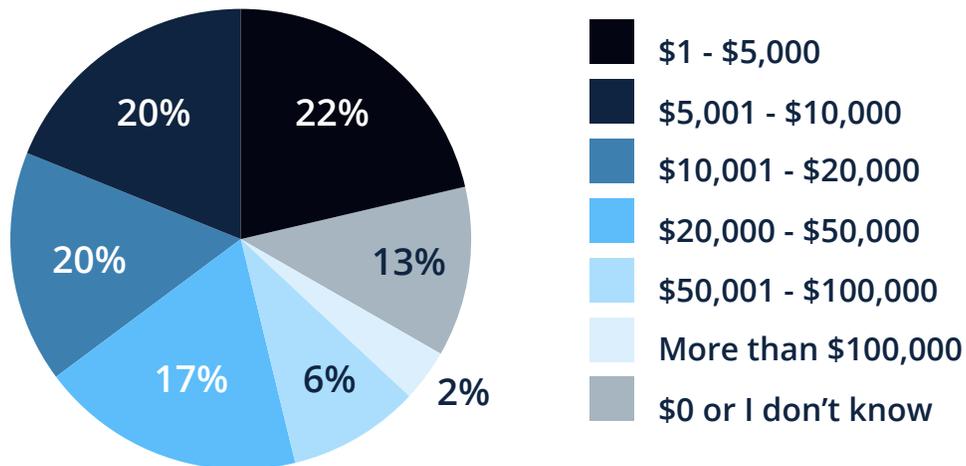
The State of Agent-to-Agent Referrals

Average Inbound Referrals Per Year



Agent-to-agent referrals remained relatively steady between 2017 and 2018, with 25% of agents receiving between 6 and 10 referrals, and 19% of agents receiving between 11 and 25 referrals last year.

Dollars Earned on Referral Fees



Overall, referral fee earnings were strong in 2018, and some agents earned more than past years. According to survey data, the number of agents earning between \$20,000 and \$50,000 in referral fees increased from 17% in 2017 to 20% in 2018, and the number of agents earning between \$10,000 and \$20,000 in referral fees decreased to 17% in 2018 from 25% in 2017.

Agent Intros:

VM

Vickie McClusky

Coldwell Banker's McClusky Team
Lockport, IL

RL

Raylene Lewis

Century 21 Beal
Brazoria, TX

MM

Mike Montpetit

Town & Country Realty
Cary, NC

FR

Fredy Rodriguez

Fathom Realty's Fredy Rodriguez Group
Desert Hot Springs, CA

GP

George Porcella

Reliant Realty (affiliated with ERA)
Gallant, TN

Agent Insights:

VM

"I get some referrals every week and I try to reach them," explained Vickie McClusky Coldwell Banker's McClusky Team in Lockport, Il., who's been selling real estate for 12 years. "I find that buyer referrals don't move as much as the seller referrals, but for both buyers and sellers, if they don't reach out to you the first day or two, they're not reaching out to you."

RL

"I promised myself I would never buy my business," noted Raylene Lewis with Century 21 Beal in Brazoria, Texas, who's been selling houses since 2001. "I'm happy to pay a referral fee at closing, but I don't buy leads. If I can get my foot in the door by talking to a client, I can nearly always get the listing and make the sale."

"The market really has shifted in terms of where and how leads come in — dramatically, even though it's been a slow process that's come over time."

Lewis estimates that she closes about 20% of her business from referral network sources like ReferralExchange.

MM

Mike Montpetit with Town & Country Realty in Cary, N.C., a boutique real estate firm owner and operator for the past 19 years, says that 2019 is going to be his year of growth, and he relies on referrals because "you can't survive on just past clients alone if you want to grow."

FR

Fredy Rodriguez with Fathom Realty's Fredy Rodriguez Group in Desert Hot Springs, Calif., has been in real estate for 19 years, and explained that his first source of business has always been referrals; they comprise between 40% to 50% of his current business. But things have changed since he first started working in real estate: As a new agent, he'd get referrals by asking people he knew to recommend him and through door-knocking.

"I've been lucky to get lots of referrals from past clients, and my philosophy has always been that I don't work only on the sale but also to get referrals."

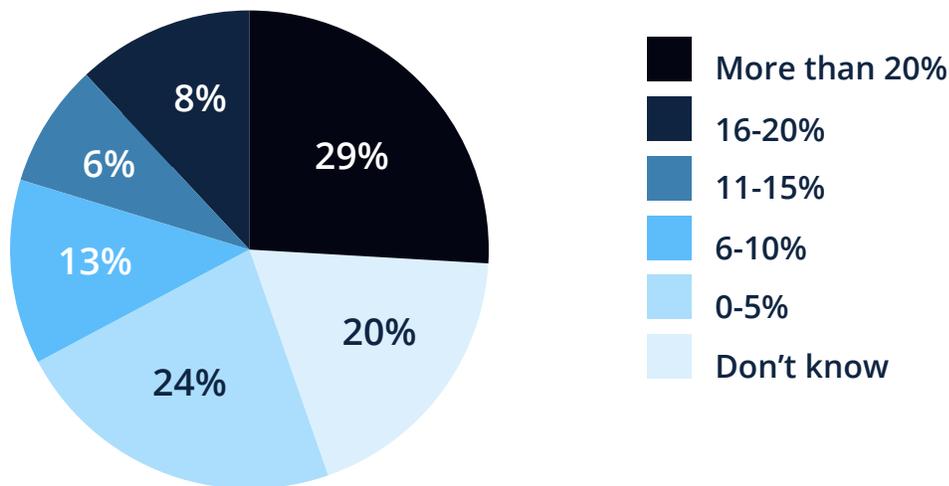
Now Rodriguez has new methods for getting referrals. "What has changed today is that I get referrals from clients and referrals from companies like ReferralExchange and a few others," he noted. "I also use online platforms like Zillow and Trulia, and my third referral source is Facebook, which has been really good."

GP

George Porcella, a broker with Reliant Realty (affiliated with ERA) in Gallant, Tenn., who's been in real estate for 14 years, believes that "the best referral is from an existing client because 80% of people who are referred from an existing client will end up doing business with you, and you've paid nobody for it other than your follow-up routine."

Referral Networks Can Pay Off

% of Overall Inbound Referrals from Networks



Referral networks remained a strong source of referral business for agents surveyed; 87% of agents surveyed said they belong to a referral network, and 29% of those agents attributed more than 20% of their inbound referrals to these networks, while another 8% attributed 16-20% of their referrals to them.

Agent Insights:

RL

“Referral networks like ReferralExchange are better than average in terms of finding agents where I actually get a referral fee back, and the people I refer are happy with their agent and make it to closing,” noted Lewis, who says she sends out between 15 and 30 referrals every year, either through networks or through her brokerage.

“A lot of people just get in the habit of doing the same-old-same-old and it quits working very quickly,” added Lewis. “The market for Realtors is always changing. You have to think of your business like a table, and you have to have different ways of reaching the consumer and generating your business — if you focus on just one and that leg falls out, you’re done.”

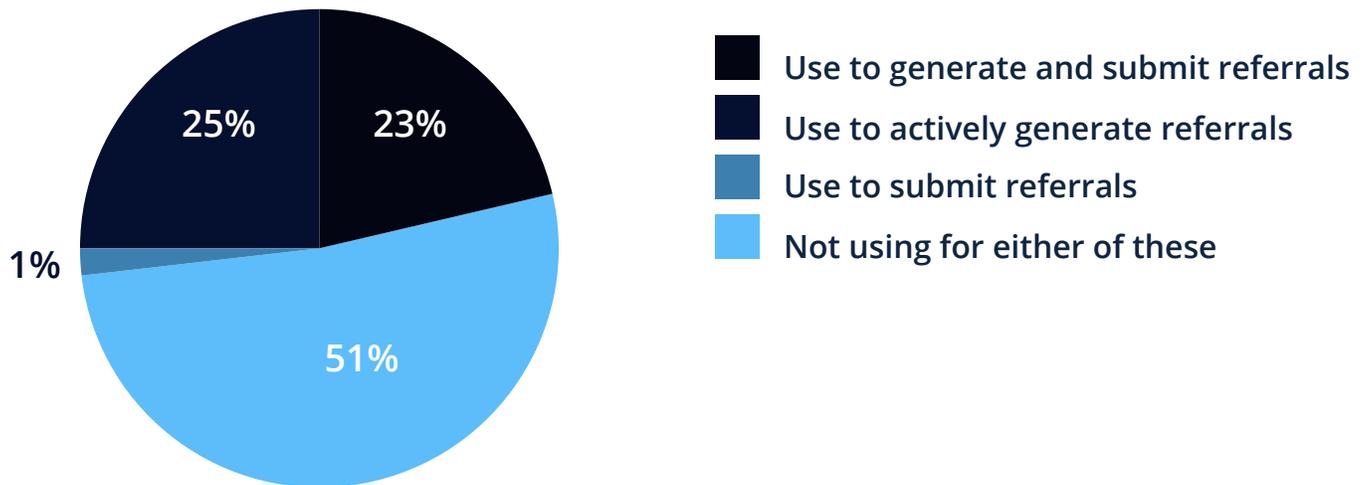
GP

Porcella says that referral networks are “super effective, because most of their leads are coming in from consumers searching for the top agents in certain areas, and then they connect them with one of the top agents.” He estimates that he received about 40 referrals in 2018 from a top referral network he belongs to, and closed five deals as a result. He also said he thinks the commission split is a good value for his business, especially compared to other lead-generation platforms and methods — including working with portals.

“I know I’m getting a good agent on the other side,” he said of his referral network experience. “You can refer a client through 10 different services, but you never know if you’re getting a good agent.” By using a trusted network, he says he has more confidence that his referrals will be treated well.

Is Social Media A High-Quality Source Of Referrals?

Social Media and Referrals



Social media appears to be a relatively untapped source of referrals by agents surveyed, although several agents interviewed said they could see the benefit in maintaining some kind of social presence, even if it didn't directly lead to referrals. Survey results indicated that 51% of agents are not currently using social media to generate or submit referrals, while 49% are using social media to actively generate and/or submit referrals.

One method of generating and submitting referrals via social media is Facebook Groups, where agents interested in receiving referrals can indicate interest in group posts by agents with clients who might be moving to their areas. Agents we interviewed seemed to find mixed results from these groups, however — in part because it's difficult to determine the quality of the agents on the receiving end of those referrals, and agents with clients to refer want to ensure that those clients have a good, seamless experience so they can continue a referral relationship with those buyers or sellers years into the future.

Agent Insights:

FR

"We don't get as much quality on Facebook," explained Rodriguez, "but we get quantity, which is a numbers game. I've noticed that if you become an influencer, people will be happy to hire you or even send you referrals. If you provide value, they will follow you."

RL

Lewis says that social media isn't a strong source of referrals for her, but it's useful for establishing her credentials as a real estate agent who knows the market and understands the business. "Someone who is thinking about you will go onto your social media site — your business Facebook page, for example — just to

find out a little bit more about you as a person, what you do and how you operate. They'll also go to Zillow and realtor.com to look at verified reviews. Depending on your personality, getting on Facebook or inviting your existing client to 'like' your business Facebook page, that's another way they can see and stay in touch with you. The only caveat, which is important but does not necessarily drive business, is that I think it's critical that you are involved or assist some way in the community."

Finding Referral Partners Outside An Established Market

"I have switched to the ReferralExchange system...In looking at my numbers for last year and where I had the most success, it was with that system. That was because most people who take those leads or are affiliated appear to be as motivated and interested in closing the deal as I am."

—Raylene Lewis, Century 21 Beal

Agents who belong to a franchise brokerage must adhere to certain parameters around referrals, so it's not surprising that 23% of agents surveyed say they search brokerage, coaching, and association directories when seeking a referral partner, but referral networks were a preferred method of finding partners (28% of agents surveyed said they rely on referral networks) because of the high quality of the partner agents.

Agents also use designation groups such as GRI, CRS or ABR; networking events; cold calling; Zillow reviews; LinkedIn; conferences and many other outlets for seeking and finding partners.

Agent Insights:

GP

Porcella says he's had some moderate success meeting referral partners at conferences, in part because he knows they're already successful by virtue of them being able to attend the conference. "When we have those national conferences, you get to know people and meet them, and then you can refer them because then you know what they're doing. Other than that, you have no idea." He enjoys conferences with established referral sessions — carved-out periods of time in which agents can meet other agents from specific areas — but adds that it's not always easy to find referral partners in the places where your clients are moving.

RL

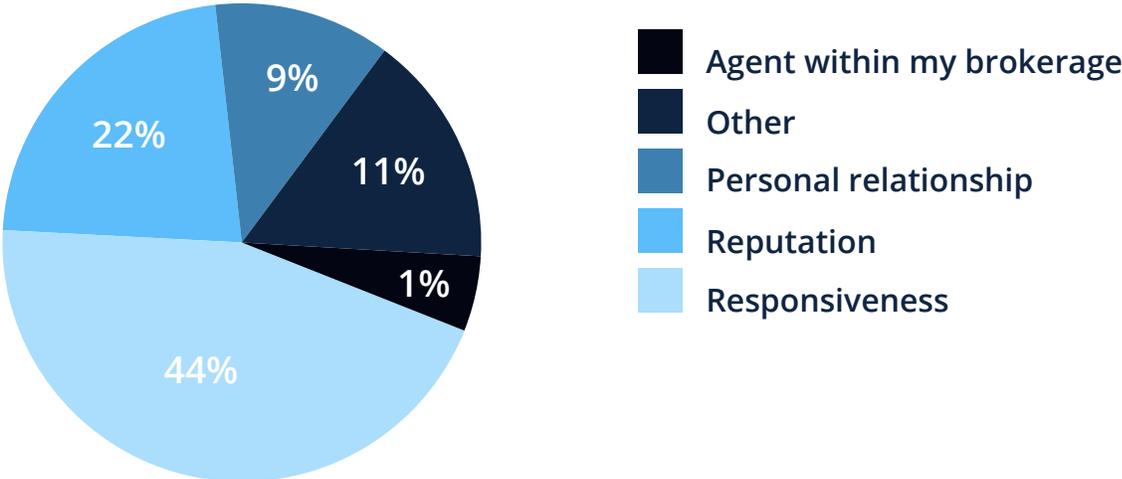
Lewis has attended her share of conventions and joined group discussions, some of them national groups, for referral business purposes — but "I haven't found that to be effective long-term," she explained. "If I have somebody who's relocating, what are the chances I'm going to know someone in the exact little town where they're looking? Networking has some benefit, but the better benefit is looking for your brokerage and finding the top agents in the area who are not teams, they are really out there doing the work on their own, and even that has become harder to find out."

MM

Montpetit says he meets a good portion of his clients through his community activities. "I meet people from my exercise classes at the gym; I act interested in people wherever I go, and eventually what I do comes up in conversation." He recently received a video email offering prizes for each referral received, but he disagrees with that method of soliciting referrals: "To me, that's too in-your-face. You know how you get referrals? By helping other people," he explained.

Top Qualities In A Preferred Referral Partner

What Agents Value Most in a Referral Partner



Agents said responsiveness was the top quality they value in a referral partner (44%), followed by reputation (22%) and personal relationships (9%), and 57% of agents said that referral partners who have a high chance of closing the deal is critical, but the overall experience provided by referral agents is also significantly important.

Agent Insights:

GP Porcella knows a lot of agents personally in California, and his brokerage (ERA) has a partnership with relocation firm Cartus, so he has options when it comes to referral partners, “but if I do it through ReferralExchange, then I know it’s not going to come back and bite me, they’re not going to embarrass me,” he noted. “Even if I have to give a cut to Cartus or do it through the corporate side, I know the client will be taken care of, which is most important.

“Any client I work with, they’re going to refer more clients to me,” he added, and he thinks that high-quality referral partners help to cement those relationships and keep the referrals coming from past clients.

VM McClusky says that “somebody who’s going to follow through, pick up the phone, call people and keep working them” are the qualities she seeks in a referral partner, and many other agents agree with her.

Implications

When the real estate landscape changes, only one thing is absolutely certain: tactics that have been working for a long time might suddenly stop generating results, and agents who want to survive and thrive in the shift need to be able to adapt. The experts we interviewed had different ideas about what was going to yield results in the future, but they agreed on a few common pieces of advice—educate yourself, keep trying new things, and stay focused on your existing networks.

As the market shifts in some locations and competition for both buyer and seller clients becomes more fierce, referrals will be an even more important source of business for those agents who remain in the market.

Top-producing agents are laying the groundwork now for becoming more productive and capturing more market share in the midst of these economic shifts. They see opportunities to establish relationships with both new and old clients as trusted advisors, and they believe that referrals are going to become an increasingly critical piece of their business as consumers seek out the experts to get the best possible results from their home sales transaction, whichever side of the closing table those consumers might occupy.

The data we collected highlighted the array of avenues agents have for finding referral partners, but showed that relationships and third-party referral networks that value quality matches and quality agents are the most successful and most used by top producers.

Relationships, follow-through, and reputation are top of mind for those agents looking to ramp up referrals in their business. They're constantly looking for ways to build and maintain relationships, consistently following up with past clients, and building their reputations by adding value with every transaction.