

5 Ways to Deal with Clients That Want to Cut Your Commission



Fight for Your Fee

BY GAYLE BENNETT

Recently, Karen Hall, CRS, got a call from a couple who wanted to sell their home. She knew from the get-go that they were going to be tough: They had been interviewing agents for a year and they wanted to push the envelope on the list price.

In addition, “They kept trying to get me to cut my commission, and I kept saying ‘no,’” says Hall, principal broker at @home real estate in Alexandria, Virginia. “They didn’t want to sell unless they got a certain price. So I said, ‘Then it’s got to be the full marketing push that’s going to get you that price, and I’m not willing to cheat your house on the marketing budget from day one.’”

The couple would agree to list with her for her standard commission after in-person meetings, but then called her later to haggle on the fee again. “I actually fired them twice before we listed,” Hall says. “I kept telling them, ‘You called me for my marketing, and if that’s what you want, then this is what it’s going to cost.’”

In the end, the couple understood that—and they weren't disappointed with their decision to hire Hall. She sold their home for the price they wanted. "I had other agents calling me for three months saying, 'You got a high price and a quick contract, can you look at my listing to see how you can help me?'" she says.

Like Hall, savvy CRSs know their worth and are good at conveying it to potential clients. When you do this well, the subject of commission-cutting isn't likely to come up.

But if it does, here are five tips for how to have that conversation—and resolve it with your fee unaltered.

1. Get specific in your marketing presentation, and share impressive statistics.

When Kathleen O'Donnell, CRS, a principal broker at O'Donnell Group Realty in Portland, Oregon, goes to a marketing presentation, her materials include a detailed list of the services she provides. She goes over each service in the presentation so that the clients have received the information both verbally and visually.

She also shares her sales stats to show that her marketing and real estate expertise literally pays off for her clients. "No matter whether the market's good or bad, I consistently sell homes for an average of 99 percent of their original list price," O'Donnell says. "Statistically, I bring in a higher price than people who don't do the same quality of marketing that I do."

2. Explain the entire process.

In a sellers' market, some people will seek a fee cut. "They think, 'Homes are selling within a matter of days; we don't need a REALTOR®. We'll just put a sign in the yard,'" says Leigh York, CRS, with Century 21 in Fort Worth, Texas. "We have to explain to them that we are worth as much or more in a sellers' market."

In a hot market, a house might sell quickly, but did it fetch the best price? York also explains that getting one or multiple offers is just the beginning of a complex process. "The hardest part is helping the client decide which buyer is most likely to close, and then getting the sale to the closing stage."

3. Talk professional to professional.

When O'Donnell gets the commission question during her marketing presentation, which is rare, she reminds these potential clients that all of the work she will do to bring top dollar for their home is with no assurance of payment or knowledge of when that payment will occur. "Then I'll ask them when the last time was that they worked with no expectation of getting paid. And do they, like me, believe that what they do for a living has value?" That tends to end the conversation.

When a client wants to haggle on the commission at the time of an offer, Nadine Krasnow, CRS, with Falmouth Fine Properties in Falmouth, Massachusetts, has a simple response: “Everybody in the world gets paid when they do the work they are contracted to do. So why should it be any different for REALTORS®?” She explains that the contractual agreement on the commission does not change, regardless of how much a buyer wants to pay or what a seller wants to receive.

4. Stay calm and show empathy.

For any clients who might question York’s fee, she would ask them why they think she’s not worth that amount. “Then I would just be quiet and let them try to explain themselves,” she says. “A lot of the time, they don’t really have an answer. That kind of ends it right there.”

But York knows that sellers want to be sure they’re getting their money’s worth from the commission. “If we can’t show our value, then it’s probably because we don’t have it.”

5. Be prepared to walk away.

Some sellers are simply looking for a bargain. But CRSs providing top-notch service are wise to stay firm on their fee. “If cutting the fee is a big deal, then I look them in the face—I think this happened once—and say, ‘Maybe I’m not the right broker for marketing your property,’” O’Donnell says.

If you’ve successfully demonstrated what you will bring to the table—and how this work consistently makes your clients whole and happy—potential clients won’t question the commission.

“People actually ask us sometimes if we charge more,” Hall says.

Quick Comebacks

Leigh York, CRS, with Century 21 in Fort Worth, Texas, teaches a continuing education course called “Cut Your Hair Not Your Fees!” In the course, she offers the following immediate responses to when a potential client asks about lowering the commission.

- What don’t you want me to do? (i.e., You get what you pay for.)
- If I can’t negotiate for me, I can’t negotiate for you.
- The average unrepresented seller sells his or her house for 20 percent less than if it’s REALTOR®-represented. My full fee saves you money. Maybe I should charge more.
- Banks have attorneys and staff and internet access, and they still see the value in listing and paying the full fee.

- I can't lower the percentage, but I can replace it with a retainer and an hourly rate.
- Would you take a 33 percent cut to your salary with no guarantee of getting paid?
- Agents who cut their fee immediately feel like they have to do less to make it worth it.

Gayle Bennett is a writer and editor based in Washington, D.C.