The RE/MAX formula for spreading the wealth

Sharing the dream, building a world-class company

WILLIAM E. SOTEROFF

WILLIAM E. SOTEROFF is RE/MAX’s senior vice president of international development responsible for international growth and developing new and existing markets including Australia, New Zealand, Asia, Europe, the Middle East, the Caribbean, Mexico, and Central and South America. Previously he was chief operating officer and managing director of RE/MAX Europe based in Vienna where he led this operation’s growth to 10,000 sales associates in 44 regions and 1400 franchises in 31 countries. He joined the RE/MAX network in 1993 and served as executive vice president and regional director of RE/MAX of New England, responsible for 250 offices and over 2500 sales associates. Prior to his career with RE/MAX Soteroff worked for a number of national and international corporations. Born in Canada, he is a graduate of the University of Western Ontario.

With oceans on three sides and mountains to the north, “India has been isolated by culture and geography,” says Gail Schoettler, reporting on the Global Executive Forum’s meeting with staff members at the US Embassy India, New Delhi.

William Soteroff, refers to company cofounder Dave Liniger as “my hero; he’s a true entrepreneur.”

Liniger, together with his wife, Gail, created the company in 1973 using an innovative business model that ran against the traditional mindset prevalent in the industry. Over the years, RE/MAX has become a leading real estate franchise nationally and internationally, with its red-white and- blue balloon floating in the sky and an army of agents boasting more control over their finances and lives.

“Agents in our system pay management fees and a percentage of their income, usually 5 to 10 percent, to belong to an office,” said Soteroff. “So for the first time in the industry real estate agents get to keep 90 or 95 percent of their income.” This is a substantial increase over the standard 50/50 commission split between broker and agent.

Liniger’s dream for a new kind of real estate company went beyond the commission structure. He developed a corporate culture that focused on giving agents formal training to boost performance and allow them to promote themselves in the community. A RE/MAX agent’s business card often sports his/her photo, a practice unheard of at the time.

Starting out, Liniger faced opposition from real estate boards wanting to preserve the status quo. He stood up to them and prevailed. The rest is history. “We’ve had 34 straight years of growth,” said Soteroff. RE/MAX does not recruit agents; it sells franchises to licensed real estate brokers who then recruit agents. “We have 6,960 offices as of today in 101 regions in 67 countries. There are some regions that aren’t countries and some countries that have a number of regions. Germany has five regions; Italy has three; Croatia, Hungary and the Czech Republic account for one.”

Of the 101 regions, Soteroff opened 64. “We’re growing at a faster rate internationally than we are in the United States,” he said, adding his goal is to increase the international ratio to 50 percent of the company’s growth.

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“Last year we had 1,151 franchise sales. That’s 1,151 people who paid money to join our network. Of that number, 554 are in the United States. Brokers are key to the company’s continued growth, and RE/MAX
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has a vested interest in helping them succeed. “As an individual entrepreneur who owns your own office, you’re in business for yourself but not by yourself,” Soteroff emphasizes. The RE/MAX team offers ongoing training and support.

Broker/owners most often are experienced professionals “and they have an asset they can leave to their children or sell,” said Soteroff. Being a professional is a measure of success. “If they have not reached their financial goals within five years then I suggest they don’t renew their contract.”

Different marketplaces, different challenges

“There is no such thing as a typical marketplace,” Soteroff said. The key is in finding the right people, and “right” is hard to define. “I look for people who have some ability, some skill, some personality and an ability to learn,” he said. Beyond that, Soteroff leans on instinct. “As soon as somebody walks into a room, I kind of know if they’re a RE/MAX person, male or female. These people have a firm handshake, confident carriage and don’t hesitate to make eye contact,” he said.

“It takes between six and nine months to find someone who’s going to work out. But not everyone does.” The failure rate in some new regions can be very high.

“The first step in establishing an office internationally is to contract with someone capable of being an owner/master franchiser of a geographical region or country,” Soteroff said. The regional owner sells franchises to other brokers in smaller areas. Success depends on “like-minded people who are pulling in the same direction.”

Different cultures and languages require a training approach to meet everyone’s distinct needs. However, Soteroff said there is no book that can “teach us how to be real estate entrepreneurs in Croatia, or Germany or any of the countries where we operate.” So the RE/MAX team is creating that knowledge by gathering input from owners and agents. “They’re going to tell us what’s necessary to build their business.”

The entrepreneurial conundrum

Although entrepreneurs often wear all the hats in the early years, Soteroff believes that “entrepreneurs are not the best people to do the many jobs it takes to run a business.” Nor is “the person who writes the business plan always the best executor of that plan,” he added.

“The entrepreneur’s hardest job is growing the company. In my company the hardest job is selling that franchise and getting those franchisees up and operating so they can become successful.

“International entrepreneurs don’t make a conscious decision to go to a particular country. They go where they’re allowed to go. They don’t think of borders; they don’t think of politics. They just want to sell product and get to the next step. They don’t think logically about the next step; they think of the opportunity that becomes available to them.”