

From PIPELINE to PAYMENTS

Digitally Managing Your
CRE Brokerage



By Daniel Levison & Turner Levison

In this crazy pandemic world, do you feel comfortable that your brokerage business is operating efficiently? If not—and most of us don't—the question we should ask ourselves is: how do we prepare our brokerage businesses to operate at maximum efficiency in the event another catastrophic event occurs, or before our economy is shut down again due to a shelter-in-place order?

If the medical experts are accurate, we could have a second wave—and possibly another shelter-in-place ordered—this winter, unless a vaccine is developed. Whether it's next winter or next decade, the question really isn't if something like this will happen again, but when will it happen?

The back office brokerage operations of tomorrow will require a different mix of skills than the historically traditional role of the past two decades. A recent study by *Inc Magazine*¹ stated the most desired skills for future back-office professionals will include: strategic thinkers, adaptable to new and evolving

technological advancements, and good collaboration skills. Financial knowledge is still essential—but it's no longer the only strength that will be required by professionals handling back office operations.

With better technology, back office staff can become more productive and concentrate their valuable time on assisting ownership with cash flow management and forecasting. So, what best practices should we all put into place to run our brokerage companies digitally and effectively during the next catastrophic global event? The most mission critical functions of your business should be the first attended, and those are:

Making Vendor & Agents Payments

For those of us that worked through the downturns of commercial real estate in 1989, 2001, 2009, we learned firsthand in difficult times that those who pay their bills in a timely fashion will be viewed favorably when the market rebounds by both vendors and lenders. Moving to an automated cloud based application can effectively manage these functions, allowing

your brokerage business to run more profitably and productively while also sending a message to your back office support team that their needs and happiness are critical to running your business successfully.

In a recent study by Wells Fargo², organizations identified manual processes as the number one operational challenge for their back office staff. The three most time-consuming and frustrating activities reported by back office personnel were: managing payments to vendors and employees, forecasting cash flow, and accurate budgeting. Today's cloud-based systems not only automate back office processes, they also provide a central, easily accessible hub for all your company's payments and related files.

Additionally, having a system that doesn't require personnel to physically go into the office would relieve ownership of any potential liability that might come from requiring certain employers to go into the office during a governmental shelter-in-place order.

Most banks and accounting systems provide multiple electronic options for customers to make payments to vendors, employees, and commission-based agents. Taking the time to properly evaluate the various options will be time consuming but worth the effort. Bill pay features through your bank must still go through a clearing house that issues a paper check, which is ultimately mailed to the recipient. This option can easily take 10 days to reach its destination and then must still be deposited.

For additional fees, banks can provide customers with the ability to internally create ACH and wire transfers, allowing direct deposit into the recipient's bank

account within one to three days. Typically, these upgraded options have built-in approval processes to protect customers from internal deceptive practices.

Accounting software packages, such as Quickbooks®, Avidxchange™, Yardi, and MRI, also have features within their platforms that allow direct deposit transfers for payments. Quickbooks® online recently added a new integration with Melio, offering a free ACH feature that allows direct deposits to vendors, employees, and commission agents. Quickbooks® also provides customers with a multitude of other third party applications, such as bill.com and Dwolla to make electronic payments. Venmo also has a business platform which can accept and make payments to vendors, but doesn't currently integrate with Quickbooks®.

Often overlooked—but critical as your company transitions to a digital back office—is to make sure your software vendor has an engaging and responsive customer success team. Within the Software as a Service (SaaS) industry, there is a standard metric used to measure custom success departments of organizations. The metric is known as the net promoter score (NPS) score, and requesting the metric from your potential provider will give you an idea of the quality of the company's customer support.

Increased caution with email communication is advisable as you move to a digital cloud-based system. The risk of fraud can potentially increase with the use of these platforms. However, utilizing an internal messaging application, such as, Slack or Trello, will significantly reduce the opportunity for scammers to capture a company's sensitive

information. Modern applications have sufficient security protocols in place to thwart hackers' efforts.

Other aspects of a digital automated back office are:

Receivables & Invoicing

How are the current workflows and processes for this critical function of your business currently handled? Is your company's only method of processing invoices for earned commissions, vendors, and employees and agent payments through a desktop at the office which requires someone to physically be there, potentially putting them at risk?

If the answer to this question is yes, you could be putting the survival of your business at risk because of an unwillingness to pivot and accept technology advancements in your back-office operations.

Several CRE-centric back office solutions have entered the marketplace in recent years. Based on your brokerage's desired level of accounting detail and desired reporting capabilities, managing principals, CFO's, and controllers have several options to consider. CRE focused platforms available for consideration are, CommissionTrac, Dealius, Realcor, Buildout.

To fully move into a digital back office process, companies need to also utilize an option to electronically accept vendor payments for commissions and related fees. A few of the more popular are Paypal, Stripe and Chargebee and for national and global brokerage operations Braintree owned by Paypal offers more robust options.

Automating Split Plan Calculations, Draw Plans, Expenses and Agent Payments

Research indicates that the majority of CRE brokerages spend 4-5 hours processing each new transaction, from determining where each agent is in their split plan, to setting up and manually producing invoicing and making agent and referral payments.

The most common platform for managing commission split plans is still Microsoft Excel, which provides limited transparency and considerable room for human error when there is more than one agent per transaction.

As automation is successfully introduced into your back-office, the tools needed to efficiently generate budgets, cash flow management, and financial reporting can become instantly available to principals and business ownership.

Integrations with CRM's, Accounting Systems & Other Platforms

As you consider new technologies, determining if the applications will provide integration of legacy data between each other should be part of the decision-making process. Some of the strategies should include whether the platform:

- Provides integration with commercial real estate CRM systems, such as ReThinkCRM, APTO, ClientLook®, RealNex, Salesforce, Hubspot, or ACT.

- Provides integration with accounting software, such as Quickbooks®, Xero, or CommissionTrac.
- Provides integration with other data companies such as property management software like Yardi, MRI, or Avidxchange™.

You may also find during your analysis that existing software solutions don't integrate with new platforms because they were developed with older software applications and closed systems. In order to provide complete functionality and maximize productivity, you may determine the need to upgrade more than one application within the organization to achieve the operational efficiency you desire.

Agent's Deal Pipeline and Revenue Forecasting

Transparency between managing principals and agents inherently creates better alignment, giving agents and principals the ability to see the entire revenue picture of their business. Having the capability for managing brokers and agents to communicate digitally during unforeseen circumstances is important, especially for inexperienced younger agents who need additional support and guidance during unpredicted situations.

Having an organized approach for agents to track their future opportunities not only provides increased efficiency but a higher closing percentage. A study by the Harvard Business Review³ found that there was an 18% difference in revenue growth between companies that defined a formal and structured sales process, which included tracking future opportunities and companies that didn't.

Most of the CRE-centric CRM's and back office solutions developed over the past several years all have included future opportunity tracking, some significantly more complicated than others. Determining what level of client information ownership desires, from agents, on future deals will help guide you to the appropriate CRM for your brokerage business.

Where To Look To Stay on Top of Technology Advancements

To stay abreast of the technological innovations in the world of commercial real estate trade associations like SIOR are great resources. Additionally, CRETech and Duke Long blogs offer intelligent and comprehensive access to all things technology happening in our industry. ▾

1. <https://www.inc.com/peter-economy/the-millennial-workplace-of-future-is-almost-here-these-3-things-are-about-to-change-big-time.html>

2. <https://digital.wf.com/treasuryinsights/portfolio-items/tm3234/>

3. <https://hbr.org/2015/01/companies-with-a-formal-sales-process-generate-more-revenue>

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