



Commercial Classroom, back to basics: Overcoming objections, part 2 - by Ed Smith

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This column is offered to help educate agents new to commercial and investment brokerage and serve as a review of basics for existing practitioners.

Part one of this series appeared in the July 6th edition of the Long Island section.

In Part 2 we will look at overcoming commission objections. This too should be addressed in your listing presentation. You need to show the client what you can do for them, that they cannot do for themselves. Itemize the skills you bring to the transaction, your value statement. Also create a detailed list of how you are going to market their property or space. Show them examples of marketing pieces and how their property will look on the websites you use.

It is human nature to try to get a good deal. Often people will ask you to reduce your fee or cut your commission just as a matter of course. Sometimes a simple “no” will suffice. Learn to say no, nicely: “No, any other questions?”

Understand if you agree to lower your commission, what message is being delivered about your negotiation skills. The client may feel you may not fight to get them the price they want, and they may not hire you. Stick to whatever commission rate you asked for, never lower your fee to get the listing.

They ask, “Would you reduce your commission?” Reply with a “chuckle,” “Is this a test to see how I negotiate? I won’t lower my commission and I will get you the price you want for your building.”

Challenge the owner with a question when they ask “Would you reduce your fee?” “How do you react when your customers ask you to reduce your prices (fees)?”

Another commission challenge response: “I’m glad you brought up commissions, I did make a mistake. Our company just raised our sales fee to X%. But since I did make a mistake, I will honor your listing agreement at Y% fee that I quoted you.”

Understanding the math, clients have a perception that reducing your commission by 1% or 2% is not a lot of money. Before we look at an example, remember all commission rates are negotiable, the numbers used here are only for illustration.

Calculate your commission dollars based upon your commission rate and suggested price, then recalculate based on 1% less and 2% less commission, see how much money you would be losing if you lower your fee. You will find the reduction, in percentage terms, can be 14% to 35% of your hard earned money.

Say to the client, "I know 1% does not sound like much, but do you realize you are really asking me to reduce my fee by ____15%____ ?" Or "I know 1% does not sound like much, but you are really asking me to reduce my commission by ____\$5,000. ____."

When they tell you, "The other agent said they would reduce their fee." Reply, "I can appreciate that...Can I tell you why that makes me nervous? If other agents do not have the courage...to stand up to you...regarding their own worth...how strong could they be...defending you...and the price we set on your property...[name], I have that courage... do you feel I can sell/lease your property? (yes) Terrific! All we need to do is...simply...sign this agreement...so I can help you get what you want... in the time you want...won't that be great?"

Another way to respond, is to ignore their statement and respond with, "I am an awesome negotiator. Once I list your property, I will treat it as if it were my own. I will not give away one dollar of your equity...you may choose to, but I won't." Understand there may not be another agent, this may be a test of your negotiating skills.

Referring to your commission the client says, "That sure is a lot of money!" Answer, "Do you realize on a typical commercial transaction I only receive a quarter of the commission? There may be another agent involved, my broker gets half, and then I still have to deduct my expenses and pay taxes. Taxes! Out of that I pay 24% income tax plus 15.3% self-employment tax and good old state tax. I'm sorry, but I just realized I have to increase my commission fee."

"Your commission is too high." Reply, "You want to receive the maximum dollars possible for your building. I am known as a tough negotiator and I will negotiate a top dollar deal for you, but I don't negotiate my commission."

There is a time and place to use some of these replies but what will really convince the client to pay you your worth is in your listing presentation. Given an objection to your fee, go back to your presentation and review your marketing plan and the skills you bring to the transaction again with the client.

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