

Chapter 6

1. Using a market-driven approach for a company's operations
 - a. helps ensure that services the consumers want are being provided.
 - b. is an outdated business philosophy.
 - c. is costly in relation to the benefits the company derives.
 - d. ignores the needs of the customers.
2. One of the primary advantages to consumers who use the internet for real estate information is that they
 - a. can be more participatory in the pursuit and evaluation of information.
 - b. do not have to work with any particular agent.
 - c. have a better reason to upgrade their computer systems.
 - d. can work with more than one agent at a time.
3. Multiple listing services (MLSs) are becoming
 - a. obsolete in today's practice.
 - b. more useful to buyers than sellers.
 - c. broader information systems.
 - d. more regulated by the state's licensing authority.
4. Which of the following is a way that a brokerage firm can expand the geographic scope of its services?
 - a. Niche marketing
 - b. Buyer brokerage
 - c. An affiliation with referral networks
 - d. Cost-of-living comparisons
5. Before making a decision to enter into an intercity referral network, the broker should determine
 - a. a cost-versus-benefits equation.
 - b. how effective the referral program will be to develop new business from immigrants.
 - c. whether or not the referral program will work with minorities.
 - d. if it is necessary to use a third-party equity contractor.
6. A disadvantage of joining an intercity referral network could be
 - a. the potential for increased clientele.
 - b. the benefit of name recognition.
 - c. the competitive advantage in the local market.
 - d. the expectation of providing a myriad of nontraditional services for a corporation and its transferees.
7. A broker does business in a town with a population of 5,000. The broker lists and sells residential listings, leases apartments in multifamily buildings, and occasionally lists commercial real estate as well. This broker is
 - a. a generalist.
 - b. a specialist.
 - c. a niche marketer.
 - d. a high-quality individual.

8. One of the drawbacks to concentrating on a specialized market niche is
 - a. the potential volume of business that is possible.
 - b. the specialized skill needed to serve the market.
 - c. the markets the competition serves.
 - d. putting all of your eggs in one basket.

9. Serving real estate investors requires a broad base knowledge of
 - a. fair housing laws.
 - b. tax laws and those governing exchanges.
 - c. cultural diversity.
 - d. current housing trends.

10. What describes real estate counseling?
 - a. Niche market that requires a sophisticated analysis of an investor's circumstances
 - b. Service provided to first-time buyers to assist them in making an informed house- buying decision
 - c. Generalist approach to helping sellers be less involved emotionally in the sale of their homes
 - d. Specialized market that focuses on successful 1031 exchanges

11. When an affiliate licensee takes a listing, the broker appoints that licensee to represent the seller. The broker appoints another licensee in the same company to represent the buyer. This is an example of
 - a. single agency.
 - b. designated agency.
 - c. informed clients who agree to dual representation.
 - d. nonagency.

12. A broker who does *NOT* represent either party in the same transaction is practicing
 - a. single agency.
 - b. dual agency.
 - c. designated agency.
 - d. nonagency.

13. Who is ultimately responsible for deciding the agency services a brokerage firm is going to provide and who will receive client-level and customer-level services?
 - a. Principal broker
 - b. Sales managers
 - c. Individual sales agents
 - d. Consumers

14. Although each type of listing agreement has advantages and disadvantages, an exclusive- right-to-sell listing is generally viewed to be preferable because
 - a. the seller can sell the property without being obligated to pay a commission.
 - b. only the broker who sells the property earns a commission.
 - c. it eliminates controversy about whether the listing broker is entitled to commission.
 - d. the seller does not have to pay a commission if a buyer's representative sells the property.

15. The state requires that the listing licensee explain representation options to the seller. This discussion is known as
- discovery process.
 - due diligence.
 - persistence to detail.
 - agency disclosure.
16. One of the major reasons for studying the demographics of the population and the number of various types of properties in the area is to
- identify the potential for business for a company and its services.
 - criticize the competition.
 - qualify for affiliation with a relocation company.
 - guarantee business when recruiting salespeople.
17. One indication of a company's success in challenging the competition is an ongoing analysis of its
- location.
 - market share.
 - affiliations.
 - number of customer services offered.
18. A broker wants to expand operations by affiliating with a national franchise company. Which of the following will provide information that may help make a final decision?
- Take a poll of the broker's affiliate licensees
 - Talk with an attorney who specializes in franchising
 - Visit with brokers who were formerly part of that particular franchise
 - Ask the broker's accountant to scrutinize the franchise offering
19. Before making an expansion decision, a broker should consider all of the following *EXCEPT*
- possible affiliations.
 - marketing strategies.
 - ability to attract and retain salespeople.
 - offering free home warranties.
20. Scrutinizing the current status of your company is *MOST* useful when planning its future because
- the competition knows more about the company than you do.
 - it's difficult to develop realistic plans without knowing about the company's operations.
 - it will probably be necessary to restructure the organization.
 - this minimizes resentment by the salespeople.

Chapter 6 Quiz

1. a A market-driven approach for a company's operations helps to ensure that the brokerage provides customers with the location and services that they want. 101
2. a Consumers can be interactive in the pursuit and evaluation of information and can view property listings located almost anywhere. 103
3. c Multiple listing services (MLSs) have merged to form large, regional systems of vast amounts of data that reflect the members' expanded geographic markets and expanded scope of services; most brokerage companies can no longer survive solely on business generated in a highly localized geographic market. 103
4. c Referral networks are useful to serve broader geographic networks, while niche marketing targets very specific or narrow segments of the market with specialized, focused services. 104
5. a While intercity referral networks are attractive, they are only as valuable as the cost-versus-benefit equation allows and if the affiliation can do things that a company and its sales staff cannot do more effectively themselves. 105
6. d A disadvantage of joining an intercity referral network could be the expectation of providing additional services not traditionally provided by the real estate company, including after-the-fact fees to third-party equity contractors. 105
7. a In small or rural markets, a company is more likely to be a generalist, involved with residential sales, land sales, leasing and selling commercial properties, and more. Being a generalist is demanding and requires considerable knowledge about many aspects of real estate. 106
8. d A major drawback to specializing in a niche market is putting all of your eggs in one basket. A downturn in the economy could put the company out of business. 108
9. b Serving real estate investors requires a wide range of expertise about tax laws as well as understanding the current laws governing exchanges when helping people acquire, manage, and dispose of their investments. 108
10. a Real estate counseling requires sophisticated analysis of the investor's circumstances and real estate holdings and then providing educated, objective advice. 109
11. b Designated agency, where permitted by law, attempts to shield the principal broker from dual agency conflicts by allowing the broker to appoint a licensee within the company to exclusively represent only one client while another licensee in the company exclusively represents the other client. 110
12. d Also known as transactional brokerage, nonagency avoids any implication of agency by treating both buyers and sellers as customers in the same transaction. Nonagent licensees have certain statutorily prescribed duties to these customers, but the state law does not consider the duties to rise to the level of a fiduciary. 111
13. a Ultimately, the broker/owner must determine the company's agency policies, and the company must develop services and systems to support those policies. 111
14. c The exclusive-right-to-sell listing is generally preferable to others because it eliminates controversy about whether the listing broker is entitled to a commission. The seller owes the commission no matter who brings the buyer to the transaction. 113
15. d State regulators generally require that real estate licensees explain agency options to ensure that consumers are able to make reasonably informed decisions about the relationships they form with licensees. 111
16. a The broker should study the demographics of the population and the number of various types of properties to determine market segments and services. 115
17. b Tracking the company's market share compared to its competitors provides key pieces of information for gauging company performance, in relationship to its competitors, throughout the year. 118
18. c The marketing team of the franchise company will be happy to discuss statistics and

cost comparisons, but visiting with brokers who have relinquished their affiliation with the franchise can offer some very interesting experiences, both good and bad. 119

19. d Before making any decision to expand, the broker should analyze cost-versus-benefits, especially possible affiliations, various marketing strategies, and the ability to attract and retain salespeople. It is important to consider services that other companies offer, not to mimic the competition but to assess the competitive merits of various services. 120
20. b Often, the most valuable tool is the company taking an objective and critical look at all of its current structures, systems, and processes and then applying that knowledge to better meet the needs of the marketplace. 121