

# Realty market: franchising pushing ahead

Author: SF / Petr Bým | Published: 08.09.2009

“The procedure of franchising in Czechia is a reflection of globalizing and consolidation of its market, said David Krajný, the head of the local centre of RE/MAX network. Those his words were heard at the recent conference “Franchising & ... networks of realty agencies“, organized by the Czech Institute for Franchising (ČIFRA). Already the third year of this conference finally suggests that franchising, networking or chains are phenomena which are trendy in the field of realty business. Still a few years ago there was in fact nothing to speak about, today realty chains and networks are an integral part of the market although not the dominating one. “At present, 14 nationwide and 17 regional realty networks are operating in this country. Their more than six hundred branches represent around 17% of all active realty agencies,“ describes the current status Jaroslav Tamchyna from ČIFRA. According to him, sui genesis franchising includes also such organizations like for example Association of Realty Agencies in the CR with its more than two hundred members because at least some aspects of their activities and binding nature of their defined rules /for example the code of conduct) operate similarly like franchising.

It nevertheless remains a fact that franchising in this country is still a smaller part of the realty business and first of all - only one half of transactions of citizens with real estates goes through estate agencies. In some areas those figures are significantly higher, however the Czech realty market is still a newcomer with its age of hardly twenty years it cannot be compared with markets with hundreds of years of uninterrupted existence. Regardless this fact, however, trade marks like RE/MAX (in this country the largest realty network with more than 110 branches and a thousand of brokers) or Century 21 and on the other hand the purely national networks like AAAByty.cz, Sting, M&M Realty or Real Spektrum have already firmly anchored on the Czech market. Besides, other concepts continue to appear, for example the already mentioned franchise Union Partners or the Italian Tecnocasa. “Still comminuted market is consolidating into larger organizational units. It is interesting that building of own networks is an obvious trend in this country,” says J. Tamchyna.

## What in exchange

At first glance, a relatively low number of franchising realty agencies is not logical. Advantages seem to be obvious: a known trade mark (economy of the 21st century is and will certainly remain an economy of trade marks, this in all fields), access to the proven know-how, marketing support, cumulation of supply and demand within the national, as well as global market. According to some data (their source comes, however, from the franchising companies themselves) such facilitation of start results in success only in 80% of cases. “Nobody will ever stop networking, without networks even the realty market will not be possible, as well as auto-industry,“ states categorically Roman Hassmann, who transferred recently with his franchising concept of Realty 21 under the auspices of a more prestigious and global Century 21. There is no point under these circumstances to point out not negligible starting costs (see the table) because foundation of any other realty agency means such a not dizzy but on the other hand not negligible investment. At the same time the higher efficiency of perhaps comparable investments is obvious. Moreover, the really large network brings about other advantages like savings of operating costs. “If you order a thousand of SIM-cards from a mobile operator then, of course, you can expect a lower price,“ states D. Krajný. And another benefit of franchising can be the “inter-network” cooperation for example with a mortgage brokers firm.

## Even a gold coin has its tails

However obvious advantages has franchising - in particular a relatively high rate of independence related

with the background and support of the parent network - it is not a treatment for everything. From the point of view of brokers/franchisees themselves it of course does not resolve everything, therefore lack of clients and orders - in this regard in spite of the more or less strong marketing support the main part of work remains up to them. Still many franchising fees are lump sums, their payment is therefore obligatory even when the office does not make any single crown.

Even prestigious franchising trade marks, and the less their national or regional companions do not resolve the fundamental problem of the Czech realty market: and this is the poor image of the field and the resulting efforts of potential retail clients to implement transactions on their own. A really “up-to-date“ phenomena of such tendencies is - according to observers successful with its 10 000 visitors a day - the Internet portal [www.bezrealitky.cz](http://www.bezrealitky.cz) the meaning and objectives of which are obvious already from the title.

Franchising could at least partially (within its reach) treat another complaint of the realty market. “The paint of the whole field is the weak qualification of brokers and the related frequent fluctuation,” stated at the mentioned conference Aleš Mazgaj, the spiritus movens of the chain Century 21. Not only according to him it is a common knowledge that the realty market remains a free business, its participants are not therefore subject to any certification or licence proceedings. In this regard it is a pity that just the strongest, i.e. the global franchisors have not yet expressed their interest in participation in local professional associations which, no doubts, have a bigger chance to impose the needed regulation, whether with own effort or through the state. Franchising still rely on own forces but the whole issue has also wider circumstances (for example the education system), outside the responsibility of franchisors. Moreover: franchising as a system does not arrange any quality, the important thing is its content, as well as the management.

“In Czechia, there is space for five big players, small regional networks will tackle lack of confidence of clients,” states, however, R. Hassmann. Another consolidation of the market is therefore probably approaching which is finally confirmed by recent news about integration of smaller regional networks into global chains. But on the local market, however, even after that will be enough space for independent estate agencies. The long-term existence and reputation of such players like Lexxus, Professionals or RAK confirm that fact. “We have reached the conclusion that franchising is today a good and perhaps the best way for newcomers, starters on the market. For realty agencies with a longer history, tradition and long-term built clients background it is not advantageous, in that case you lose more than you get,” says Jaroslav Novotný, the co-owner of RK RAK.

## | What is the price for franchising

|                 |  |
|-----------------|--|
| Entrance fee    | 100 - 600 thousand CZK                           |
| Franchising fee | 10 - 12 thousand CZK + 6 % of gross turnover     |
| Marketing fee   | 10 - 12 thousand CZK + 2 - 4 % of gross turnover |

Source: ČIFRA

The construction forum organizes in cooperation with the Association of Realty Agencies of the Czech Republic and the Czech Chamber of Realty Agencies of the Czech Republic the discussion meeting with the topic **Realty business in crisis turbulences**. The discussion will focus on the possibilities of cooperation of a realty agency and developer, on difficulties in evaluation of real estates, advantages and disadvantages of franchising and sole players, and on defining of standards of work of realty brokers and agencies. The partners of the event are Česká spořitelna, a.s. and the realty agency Century 21.

The discussion meeting is organized on Tuesday 15. 9. 2009 from 11:00 a.m. to 01:00 p.m. (registration 10:30-11:00 a.m.) in the lounge Riverdance, Hotel Jurys Inn Prague, Sokolovská 11, Prague 8. You can find

more information about the agenda and the on-line application form on the web site of the discussions.

---

08.09.2009 10:43, SF / Petr Bým