

## Tales of an Industry Lost at Sea

### A strategic perspective on the consumer's search for real estate information on the web

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#### Introduction/executive summary

REALTOR® associations, multiple listing services (MLSs), and the brokers they serve still have not united behind a strategy regarding consumer real estate listing search on the web – some thirteen years after aggregated real estate listings began appearing on the world-wide-web.

The authors have watched MLS executives and agents and brokers from smaller real estate firms go head-to-head with executives of larger brokerages over public MLS web sites at industry meetings. We have wondered as some MLSs and brokers send listings to national aggregator sites just because others are. We have been perplexed as the National Association of REALTORS® (NAR) Future of MLS Presidential Advisory Group has discussed and then apparently discarded the idea of a consumer-facing role for NAR's project, The Real Estate Channel.<sup>1</sup>

#### Two significant problems underpin these issues:

1. These discussions lack an articulated strategy – a statement of where the efforts are to lead – that MLSs, associations, and brokers endorse.
2. Few facts are available to objectively illuminate the discussions, and folks are stretching them in public discussions to support only the points of view they have already adopted.

It makes sense to step back a moment and consider why MLSs and associations are here, what they should seek to achieve, and the best ways to

produce desired results by working together with brokers. In this introduction, we make some observations about what we have seen, and the tales that follow the introduction provide arguments and data in support of our observations.

Right now, it looks as if the industry has set off on a sea voyage without maps, compass, or GPS, and the officers are bickering with each other and with the crew over the course *and* the destination. Everyone knows the waters are dangerous, but there is no agreement whether the officers should fear pirates, sharks, storms, reefs, or all of them.

This whitepaper proposes a destination — a strategy or vision around which brokers, MLSs, and associations can align by working together:

**MLSs and associations provide tools so brokers can be the consumer's best source of real estate information.**

This is no mythical destination. As the tales below illustrate, some brokers are figuring out how to win the trust and loyalty of consumers on the web.

- *Some larger brokerage firms draw very significant traffic to their web sites, rivaling (if not exceeding) traffic to nearly all MLS web sites.*
- *Interestingly, some smaller brokers do even better – their web sites get more traffic on a per agent basis than those of many larger brokers.*
- *Broker sites have a high profile in search engines, both with 'paid' or 'sponsored' links and 'relevant' or 'organic' links.*
- *Consumers seek out specific brokers on the web and return to their sites.*
- *Consumers trust broker sites.*

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<sup>1</sup> Also called the "Gateway" and more recently referred to as the "Archive" or "Library" project.

MLSs must be careful not to compete with brokers, and they also cannot compete on behalf of brokers by taking over broker functions. MLSs planning to 'take over' contact with consumers from brokers should have compelling data and arguments that demonstrate that the brokers cannot handle matters themselves.

- *MLSs and associations have never before considered interposing themselves between brokers and consumers.* But on the web, that attitude has changed – and without a very clear explanation.
- *The available evidence does not demonstrate that brokers need help from MLS public sites to compete on the web.* Some MLSs argue that the brokers need help because brokers cannot compete or are not competing effectively on the web – that they get too little traffic, that they do not rank on search engines, and that national aggregators will eat brokers' lunches if MLSs do not intervene. But the available evidence demonstrates none of these conclusions.

But larger brokers, in turn, must recognize that associations and MLSs exist to provide tools and education to all brokers; cries of opposition to "leveling the playing field" cannot alone justify inaction by the MLSs. And though MLSs can provide tools to the brokers, what brokers do then is up to them. The MLSs cannot ensure brokers will be successful in building relationships with consumers and converting web traffic to business.

- *MLSs may be able to obtain traffic that brokers cannot; in these cases public MLS web sites may make sense.* Brokers who oppose them categorically need to be prepared to think more strategically. On the other hand, MLSs that want to come between consumers and brokers should have evidence to support the decision – evidence that is thin or entirely lacking now.
- *There is no correlation between a broker's transaction volume and traffic to its web site.* Some brokers with high volumes of business have abysmal web statistics. Some with high web traffic seem to have trouble converting

visitors to clients. Clearly some brokers effectively use their web sites, and many do not.

These stories also illustrate how little we know about the destination, the journey, and the hazards along the way.

- *Traffic to web sites is hard to measure.* The tools provided by Hitwise, comScore, and Alexa are ill-suited to measuring traffic to local web sites in the real estate industry.
- *The traffic relationship between broker web sites and public MLS websites is unknown.* No one has demonstrated that broker web sites in markets with public MLS web sites get more, or less, traffic than broker web sites in markets without public MLS web sites.
- *The true impact of public MLS sites remains unmeasured.* The great majority of data available about the functioning and impact of public MLS sites comes from a very small number of markets, some with extraordinary characteristics. Most of the data available about national aggregator sites does not consider how effectively they compete in local markets.
- *No one has demonstrated the impact of national aggregator sites on broker site traffic, whether good or bad.* Nor has anyone demonstrated that MLS web sites capture more traffic from national aggregators than from local brokers.
- *Discussions about public MLS sites and national aggregators do not distinguish between 'pass-through' and 'destination' sites.* No published study has compared the impact of public MLS and national aggregators sites with rich functions that might entice a consumer to stay longer ("destination" or "sticky" sites like Zillow.com) with public MLS and national aggregator sites that quickly move the consumer to a broker's web site ("pass-through" sites like Googlebase).
- *Consumer expectations, preferences, and behavior in the real estate search environment have not been studied.* Little reliable data is available to demonstrate a consumer preference for listing information available on a public MLS

site, versus broker IDX sites or national aggregator sites.

- *The local and regional environments probably shape consumer attitudes and preferences.* No research has taken into account differences in attitudes between markets that have public MLS sites and markets that do not; markets dominated by a few large brokers and markets with no dominant players; markets where brokers commonly send listings to national aggregators and markets where they do not. We have no idea whether consumers in these markets have different views about public MLS, broker IDX, and national aggregator sites.
- *Cost/benefit analyses are lacking.* No one has demonstrated a connection between public MLS sites, broker IDX sites, or national aggregator sites on one hand, and broker marketing costs and business volume, on the other.
- *The published consumer studies on these subjects suffer from very limited and unsegmented samples and should not be generalized across the industry or to any specific market.*

The lack of a strategy to deal with the current challenges does not bode well for the industry as it faces the challenge of new information channels like RSS feeds, widgets, blogs, and user-generated content.

Support for all these points appears in the brief studies or 'tales' that follow this introduction. But we are really interested in next steps. We want to gather the data and information necessary for MLSs, associations, and brokers to make decisions that ensure brokers have all that they need to be the consumer's best source of real estate information. And we invite everyone in the industry who shares that goal to join us.

**Here is what we propose to do:**

1. **A benchmark consumer study of 15-18 markets in North America.** This will entail a consumer survey with a sufficiently large sample in each market to infer generalizations about the

market's population and that permits us to assess what consumers really want in their real estate searches; what role search engines play in their searching; how they view broker IDX, MLS public, and national aggregator sites; and what characteristics of these sites prompt consumers to take action and become clients and customers of brokers. To our knowledge, no such study has ever been conducted.

2. **A benchmark study of broker and MLS web log file data in 12-15 markets in North America.** This will entail a confidential analysis of the actual traffic to broker and MLS sites to assess what kinds of national aggregators and MLS public sites are significant sources of traffic for broker sites, if indeed they are; how much impact search engines have on broker and MLS web site traffic; and how much of broker web site traffic is attributable to brokers' investments in traditional marketing. To our knowledge, no such study has ever been performed.
3. **An analysis of statistical data from Internet monitors including Hitwise and comScore Media Metrics to test and validate conclusions from the other studies.** These tools can help us frame and interpret the other data we gather, even if they cannot provide robust answers themselves.

The results of this study will be strategically relevant and actionable information to aid brokers and MLSs in uniting as natural partners to achieve their mutual goals. To make this effort possible we will need the support of many within the industry. If you are interested in joining us, contact Brian Larson ([blarson@LarsonSobotka.com](mailto:blarson@LarsonSobotka.com) or 612.424.8661).

# Tales of an Industry Lost at Sea

## Prologue

These tales are really short essays presenting some information and arguments about the state of the real estate industry and online consumer search for real estate information. Each essay is between one and six paragraphs. *Part One: Foundations* provides some basic information, including a review of some history and some information about how web traffic is measured. *Part Two: Evidence of Broker Successes* provides examples of broker successes on the web. *Part Three: Lost at Sea* illustrates how little we really know about consumer real estate search on the web. The epilogue envisions a future where the research project we have proposed in the introduction/executive summary is complete.

## Part One: Foundations

### Tale #1: The mission of MLS has always been to provide tools to brokers, never to step into the broker's shoes

An organization that describes itself as a member business service organization or trade association will, by its very definition, have a purpose that is different from, and subservient to, its members' needs. Until the dawn of the Internet era, then, the mission of the MLS was to make the broker the best source of real estate information for the consumer. The MLS itself did not have relationships with consumers: If a buyer wandered into the association/MLS office, the staff did not hand her an MLS book and offer to drive her around looking at listings for a while. The MLS referred her to a broker.

The Internet tempted MLSs (and REALTOR® associations, large and small) to build their own relationships with consumers through public web sites. By 1998, there were several national listing web sites, lead by Realtor.com – a creation of NAR, and some MLSs had already put up listing web sites for consumers. If brokers were hesitant about shipping all their listings to MLS and national sites, some association and MLS leaders warned them, "if we don't build this, somebody else will." The

haunting image of lions coming over a hill was the rallying point for folks who argued for MLS and association distribution of listings.

But if the MLSs and associations intend to change their strategy to establish direct relationships with consumers, the MLSs and associations ought to have a compelling reason why that will benefit the brokers. Fear that someone else will do something if you do not do it first should not be the basis for a sea-change in industry strategy. To paraphrase many a mother, "If everyone else was about to jump off a bridge, would you do it first to get the first-mover advantage?"

MLS and association caution where direct consumer contact is concerned is especially appropriate because many brokers do want, and have always wanted, to build relationships with consumers directly on the web.

### Tale #2: Brokers desire direct contact with their prospective customers and clients, but they do not always have needed tools

Late in the 1990s, as national listing aggregators were vying to be the biggest national web sites, a group of brokers in the northwest United States wanted MLS to retain its old mission – they wanted the MLS to give the brokers the tools to be the best source of real estate information for the consumer, this time on the web. The tool they most wanted was the entire compilation of active listings to put on their web sites. The result was "Broker Control," which allowed individual brokers in some MLSs in that part of the country to put all the listings of the MLS on the brokers' web sites for consumers to view.

The concepts behind Broker Control spread to other communities in the northwest and eventually also to cities elsewhere. In these early markets, it was generally an unqualified success: Brokerage firms, both big and small, deployed web sites that confirmed them as the best sources of real estate information for their markets on the web.

In 2000, NAR decided to make Broker Control (also called "Broker Reciprocity" and "Internet Data Display") mandatory and later gave it the name adopted first in Denver – Internet Data Exchange or IDX. MLSs around the country adopted NAR's mandate unevenly, sometimes under protest. The result was that IDX did not enjoy in some markets the success that it had in the markets that had adopted it voluntarily earlier. Some MLSs made IDX difficult to implement, some made it an opt-in service, and some effectively refused to implement it at all. (A few such organizations still exist.) To our knowledge, no one has performed research to see whether the success of broker IDX sites varies depending on how MLSs implemented IDX.

Associations, MLSs, and brokers are not the only entities trying to reach the real estate consumer online, however.

### **Tale #3: National listing aggregators have always wanted listing data**

Act One of the national aggregator show began in the late 1990s. As NAR's REALTOR<sup>®</sup> Information Network (or RIN) was foundering, one segment of it, the Realtor.com listing web site, appeared likely to have a continuing business value. NAR had put its full weight behind getting MLSs to put listings on Realtor.com, largely using two arguments: (1) you should support this because it is a REALTOR<sup>®</sup> effort; and (2) you should support this, because if we do not do it, Microsoft will. Within a few years, Realtor.com had slain lions like HomeAdvisor, Homeseeker, and Cyberhomes, leaving the NAR-backed site as the only lion on the national scene.

Act Two began in the early days of the current decade, as two new kinds of listing aggregator appeared on the stage. First was the national network of local IDX sites, run typically by a national franchisor. RE/MAX was a prominent early pioneer here; working mostly within the confines of IDX policy, RE/MAX's national web-site started to function as a funnel for consumer traffic: Consumers poured into the top of the funnel, RE/MAX's national site at [www.remax.com](http://www.remax.com). RE/MAX's site routed consumers searching for listings to a map where

they chose a state and metro area. RE/MAX's national site then "handed off" the consumers to the IDX sites of local/regional RE/MAX affiliates (often also operated by the national franchisor).

The second new kind of national aggregator is the broker "business partner" site that seeks listing data to couple it with some other application. An early example of this was LendingTree. LendingTree had a formal referral relationship with the brokers who sent it listings. Though it was licensed as a broker in most states, it could not have IDX sites because it was not actively providing brokerage services as that term is defined in the NAR model rules for IDX. It therefore requested of brokers affiliating with it that they upload their listings to the LendingTree site.

Zillow and Googlebase also typify this second type of national aggregator. In each case, the site built traffic and a consumer service proposition before seeking aggregated listing content. In Zillow's case, it was a site for consumers to try to value their own homes. In Google's case, it was search in general.

Some brokers want the MLSs to send listings to these sites on the brokers' behalf, because it is often cheaper for the MLS (which has already aggregated listing information) to send it to the national site than for the broker to download it from MLS and upload it to the national site. The MLS's role of transmitting the listings of multiple brokers to multiple national aggregator sites is often called "listings syndication."<sup>2</sup>

Knowing whether any of these efforts is really paying off for brokers requires that we know first whether the resulting traffic favors brokers. So we need to spend a few minutes on the basics of measuring web traffic and the challenges of measuring it on real estate industry web sites.

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<sup>2</sup> See "Syndicating Real Estate Listing Data: Fully Examining Benefits, Costs, and Risks when Entering Licensing Agreements for MLS Data," Brian Larson & Elizabeth Sobotka, March 24, 2008, available at [www.larsonlegal.com](http://www.larsonlegal.com)

#### **Tale #4: The basics of measuring web traffic**

The owner or webmaster of a web site can use 'log files' to count pages viewed on the site, visits to the site, and unique visitors to the site. The site's web server creates the log files automatically as visitors request pages from the site. A visit is a group of pages viewed by one consumer on the site during a single session on the web site – a visit thus consists of one or more page views. The number of unique visitors to a site during a given period is the number of distinct individuals who made visits to the site during the period. Each unique visitor consists of one or more visits. Page views, visitors, and unique visitors are the dominant metrics for measuring web traffic to a site.

Counting visits and unique visitors poses some technical problems. Sophisticated web analytics software is sometimes used to analyze and present the results of these data.

When you click on a link on the web, your browser requests the page you are linking to from the page's web server. Your browser also communicates to the web server the address of the page you were just viewing (called the 'referring page' or 'referring URL'), your IP address, what web browser you are using (and which version), the date and time of your request, and perhaps other information, all of which is recorded automatically in one or more log files on the server.

Using the referring page data when a visitor links into a site, web analytics software allows the web site owner to track the common sources of traffic to the site. Here are the most common sources:

- *Traffic with no referring page* is sometimes referred to as "organic traffic."<sup>3</sup> The fact that there is no referring web page means that the visitor (a) typed the address for the page displayed directly into the browser's address page; (b) selected the page address from the

"Favorites" list on the consumer's browser; (c) followed a text link in an email she received; or (d) spawned a new browser window or copied the URL from some other location.<sup>4</sup> This is thus generally either a return visit or a visit initiated by seeing the site's address somewhere other than in a link elsewhere on the web. (If the consumer had clicked a link on another page, there would have been a referring page.)

- *Traffic from search engines.* When the consumer clicks on a link appearing on a search engine, the server records that the search engine is the referring URL.
- *Traffic from partner sites.* Many sites have relationships with other sites where they link back and forth to each other. If your site has such a relationship, you would expect the partner site's domain name to show up high among the referring domains to your site.
- *Links from unaffiliated sites.* The nature of the web permits anyone to list a link to your site's home page or to another page on your site.

Log files represent a terrific opportunity to understand traffic to a web site, but unfortunately, they are available only to those who have direct control of the web sites in question.

#### **Tale #5: Traffic to web sites out of your direct control is very hard to measure**

To examine how traffic on two different sites compares, one would ideally be able to view the server log files of each web site of interest and compare actual traffic numbers. In most contexts, however, that is impractical. Owners of web sites have incentives to exaggerate their web traffic in published accounts; and absent unusual circumstances they are unlikely to allow outsiders to view their log files to perform independent assessments that are then published.

<sup>3</sup> Some folks use the expression "organic traffic" to describe links within a web site.

<sup>4</sup> Discussions about 'spawning' new browser windows are a bit beyond the scope of this paper, though they could be relevant in the proposed course of study.

The common solution on the web is the same one the television industry has chosen: statistical sampling. The theory is that if one chooses a sufficiently large number of people who are representative of the Internet-using population and then tracks their web use patterns, one can generalize about all web users based upon the activities of the sample.

Sampling is the basis for the major measurers and publishers of web traffic statistics, including Hitwise, comScore Media Metrics, and Alexa. The problem with sampling is that one cannot necessarily look at a subset of the sample and assume the subset is representative. For example, according to some estimates, comScore's Media Metrics tracks the web use of a sample of two million persons. Alexa claims it obtains data "from a large sample of several million Alexa Toolbar users and other traffic data sources." Hitwise and comScore attempt to select their samples to ensure they are demographically and geographically representative. Alexa's sample is self-selected (meaning the sample members are not recruited to be representative of the population), but Alexa claims it uses other data to help make its data more meaningful.

These samples may be representative on the national level across all industries, but if one is interested in only those web sites in the real estate industry in a particular market area visited by consumers who have recently bought or sold or are about to buy or sell real estate, the samples may cease to be representative. For example, not everyone using the web from Atlanta who is a Hitwise sample member has bought or sold a home in the last year or is looking to buy in the near future. As the sample gets segmented and smaller, the data becomes less and less reliable for making generalizations about consumer conduct. For this reason, Hitwise does not aggregate traffic below the state level, even though it has a much larger sample than comScore, which does provide traffic statistics at the local level. Hitwise has acknowledged to one of the authors that it may not be the ideal tool to judge activity on web sites of many individual

brokers and agents, because it lacks sufficient data to be representative.<sup>5</sup>

Another important problem with the automated sampling typically used is that it may over- or undercount traffic to a site because it fails to take into account sites used for multiple purposes. For example, imagine an MLS has its public web site and its members-only MLS site at the same domain, www.AnytownMLS.com. Visitors to the site select "Search for Homes" (the consumer search function) or "Member Login" (the broker/agent login to the MLS from the same screen). Web traffic statistics may count the agent MLS traffic together with the consumer traffic, giving the impression that the consumer-facing site is much more widely visited than it really is. Similar problems arise where a local broker's site is hosted, managed, and maintained by a technology partner or national franchise partner at a different domain than the local broker's.

The way to see what is happening with consumer real estate search on the web is to look at broker and MLS log files<sup>6</sup> and to survey consumers about how they use the Internet. Generalizing about how broker web site traffic actually works will require a considerable amount of data from broker and MLS/association web sites from many different markets. Such data is not currently available, but even the data we have now can help to frame up the appropriate questions.

### **Tale #6: Why "Alexa reach" statistics will suffice for this paper**

In the meantime, the best data available are the only data available: statistical samples. The authors have

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<sup>5</sup> BL telephone conference with Hitwise representatives, April 21, 2008. The Hitwise data can nevertheless be very valuable for testing numerous assertions about what is happening on the web in the real estate space. It would be difficult to do a thorough study without this type of data.

<sup>6</sup> The authors have had the good fortune to gain access to some broker log files during preparation of this whitepaper, but the files we have reviewed are by no means a representative sample, and it would be dangerous to rely on generalizations made from them.

chosen to use those from Alexa.com. For various reasons, we consider Alexa traffic numbers even less reliable for local real estate sites than Hitwise and comScore traffic numbers. We have nevertheless chosen to use Alexa numbers because the Alexa site is available free of charge – consequently, readers of this whitepaper will be free to review and confirm the numbers we provide here when evaluating our arguments.

The key metric that we use in this paper is the three-month average reach according to Alexa (the “Alexa reach”).<sup>7</sup> Roughly speaking, this number approximates the percentage of world-wide Internet users during the applicable period who used a given site. So, for example, Realtor.com’s Alexa reach as of April 26, 2008, was 0.0686%, meaning that in the preceding three months, approximately 0.0686% of all world-wide web users visited Realtor.com.<sup>8</sup>

Sometimes, it may be helpful to compare the Alexa reach of two different sites. So, for example, Homegain.com’s Alexa reach is 0.014%. The ratio of Homegain’s reach to Realtor.com’s is 0.2041. This means that worldwide reach of Homegain.com was approximately 20% that of Realtor.com, i.e., that Realtor.com had roughly five times as much reach as Homegain.com. This type of calculation allows us to see the comparative ability of two sites to reach the web-using public.

Alexa reach numbers for broker and agent sites suffer the same reliability issues any sampling of web traffic does; and the numbers get quite small. For example, RealEstateSouthFlorida.com, the domain of Florida real estate broker Jeff Lempke, has an Alexa reach of 0.000007%. This means that

Mr. Lempke’s site had 1/10,000<sup>th</sup> the reach of Realtor.com.

TABLE 1: ALEXA REACH OF REAL ESTATE INDUSTRY SITES

Site domain <sup>9</sup>	Alexa reach (%)
Realtor.com	0.0686
Zillow.com	0.0574
Trulia.com	0.0331
Remax.com	0.0144
HAR.com	0.00806
MLSListings.com	0.00538
MySibor.com	0.00025
Wihomes.com	0.00024

**Warning:** The authors choose to use these statistics for this whitepaper only to illustrate the need for further research and to counter certain arguments made by others based on sampling data like Alexa’s. Do not use these numbers to support business decision-making without careful refinement and qualification of the data.

Despite the poor quality of web traffic data available to assist the industry in its strategic discussions, there is data that undermines some of the commonly-accepted views in the industry. The first is that broker sites cannot succeed on the web.

<sup>7</sup> The authors collected Alexa reach for sites for this paper during the period between April 17 and May 3, 2008. The data vary by date upon which they are collected. See the next note for an example.

<sup>8</sup> As of April 20, 2008, Realtor.com’s reach was 0.0684%; such small fluctuations in reach can represent real growth in traffic, or they can be fluctuations caused by the sampling method. For most of us, there is no way to tell.

<sup>9</sup> HAR.com is the site of the Houston Association of REALTORS®, which serves more than 20,000 brokers and salespeople, and is arguably the most successful public MLS web site in the country. MLSListings.com is the site of MLSListings, Inc., an MLS in the California bay area serving more than 20,000 brokers and salespeople. MySibor.com is the site of the Staten Island Board of REALTORS®, which serves more than 2,400 brokers and salespeople on Staten Island in New York. WiHomes.com is the site of Multiple Listing Service, Inc./MetroMLS, the MLS serving more than 8,000 brokers and salespeople in Milwaukee and southeastern Wisconsin.

**Part II: Evidence of broker successes**

**Tale #7: Some larger brokerage firms draw very significant traffic to their web sites**

Some folks argue that no broker web site has been capable of achieving number-one status in its market and that this means broker sites are not competitive on the web. In light of the real estate industry's structure, this point of view is perplexing.

After all, in general terms no one argues that a brokerage firm has to be number one in its marketplace or have more than 50% market share to be successful. In fact, the vast majority of profitable real estate firms in the country are not the market-share leaders. Brokers with quite small market shares can be quite profitable, and even more profitable than large brokers. Some very large brokers even refer to the real estate transaction as a "loss leader" to get title and mortgage business. (This is consistent with RealTrends estimates of broker profits per transaction.) All the while much smaller brokers are making a living just providing real estate brokerage services.

No single real estate brokerage expects its web site to get as much traffic as Realtor.com, Trulia.com, or any other national listing aggregator. It may not expect to get traffic as great as what a public MLS web site would get. Generally each brokerage should expect to get web traffic that is roughly proportional to its business size within a particular market: a broker with a very effective or ineffective site might get traffic disproportional to its size.

Consider the example of the Allen Tate Company, an independent brokerage firm based in Charlotte and serving North and South Carolina. Allen Tate has about 1,800 sales associates. It has a very high Alexa reach of 0.00316%. This is barely less than 5% of Alexa reach of Realtor.com, and about 40% of the Alexa reach of HAR.com, the most successful MLS public web site in the country.

Allen Tate is by no means the only broker to find success attracting traffic on the web. Here are other examples of high-traffic broker web sites:

TABLE 2: ALEXA REACH OF SOME BROKER SITES

Site domain <sup>10</sup>	Alexa reach (%)
CorcoranGroup.com	0.00329
AllenTate.com	0.00316
JohnLScott.com	0.00315
NewEnglandMoves.com	0.00284
EdinaRealty.com	0.00211
BairdWarner.com	0.00121
Shorewest.com	0.00084
Apr.com	0.00071

Note that these are all larger brokerage firms.

**Tale #8: Some smaller brokers do better on a per-agent basis than many larger brokers**

One would expect that large brokerage firms and MLS public web sites, which represent large numbers of salespeople, would be more efficient at generating web visitors. That is, they would get more visitors per salesperson than sites of smaller brokers. If in fact it were necessary for a web site to

<sup>10</sup> Corcoran Group is an NRT affiliate operating in the New York City and Long Island areas (with some operations in Florida as well). JohnLScott.com is the site of John L. Scott Real Estate, which has brokers and salespeople in Seattle and the northwest. NewEnglandMoves.com is the site of Coldwell Banker Residential, another NRT affiliate, which has offices in New England. EdinaRealty.com is the site of Edina Realty, a HomeServices of America affiliate operating principally in Minnesota. BairdWarner.com, is the site of Baird & Warner, a Chicago broker. Shorewest.com is the site of Shorewest, a prominent broker in the Milwaukee and suburban Milwaukee area. Apr.com is the site of Alain Pinel, REALTORS®, a northern California broker.

be the biggest in order to be successful, we would expect traffic to smaller sites to fall off dramatically as it gravitated to the bigger 'traffic magnets.'

It turns out many much smaller brokers get more traffic per salesperson than larger broker and MLS public sites. Compare some smaller broker and individual agent sites to the Allen Tate site, one of the most successful broker sites at attracting visitors.

**TABLE 3: RATIO OF SMALLER BROKER PERFORMANCE TO SUCCESSFUL LARGE-BROKER SITE ALLENTATE.COM**

Site domain <sup>11</sup>	Ratio of salespeople to Allen Tate (%)	Ratio of reach to that of Allen Tate (%)
RogerFazendin.com	1.67	1.74
AtacanGroup.com	0.67	3.13
AngelaLarson.com	0.44	0.57
RealEstateSouth Florida.com	0.06	0.22

AllenTate.com is one of the most successful broker web sites in the country. But on a proportional basis (i.e., per affiliated salesperson), each of these much smaller brokers or salespeople is *more successful* attracting web traffic. Looking at Table 3, we can see that the Atacan Group, a team of 12 licensees and assistants, has only 0.67% of the 'manpower' of Allen Tate, which has 1,800 agents. Nevertheless, the Atacan Group's site gets traffic equivalent to 3.13% that of Allen Tate.

Compare the smaller broker reaches to that of the large MLS public web sites, which represent tens of

thousands of brokers and salespeople, and you will see that the traffic-per-agent metric favors the small brokers even more.

Two warnings: (1) Remember not to trust the Alexa reach data as a reliable measure. (2) This is by no means a representative sample of web sites. However, even with these two caveats, these data convincingly challenge the assertion that smaller brokers are not as successful as their large brethren at attracting web traffic.

These results also throw into question another contention that is central to the current debates.

**Tale #9: Broker success on search engines has been underestimated**

Those who support public MLS web sites argue that the public MLS web sites are more effective at garnering search engine coverage than individual brokerage web sites. This argument is relevant only if the following two things are true: (1) consumers typically use search engines when initiating real estate listing searches and (2) either brokers do not show up in search results or consumers do not click on them when they do.

Available data suggest but do not demonstrate the first contention. One national study of 200 survey respondents asked, "How do you determine which site(s) to use in your real estate search?" Multiple answers were permitted.<sup>12</sup> See Table 4 for the results.

These responses support the view that search engines are important, but unfortunately the survey structure and small national sample does not permit us to determine whether local factors (like strong MLS public and broker IDX web sites) influenced consumer responses.

<sup>11</sup> Roger Fazendin is a broker in the Minneapolis suburbs with fewer than 30 affiliated salespeople. AtacanGroup.com is the site of Antonio Atacan, a salesperson/team leader in the Philadelphia market; he leads a team of 12. Angela Larson is a salesperson focusing on the Minneapolis condo market, leading a team of 8. The RealEstateSouthFlorida.com site belongs to, Jeff Lempke, a solo broker in Florida.

<sup>12</sup> "To Buy or Not to Buy – Finding Your Dream Home Online," p. 7 (eVOC Insights / RelavantView, Aug. 2007).

**TABLE 4: "HOW DO YOU DETERMINE WHICH SITE(S) TO USE IN YOUR REAL ESTATE SEARCH?"**

Channel	Response
Internet search engine results	70%
Recommended by friends/family	53%
Well-known local broker site	48%
Sign in the yard of a house for sale that I like	45%
Ad in the newspaper	38%
Whatever my broker recommends	20%

As for the second contention – either brokers do not show up in search results or consumers do not click on them when they do – it is clear that brokers get excellent search engine placement for generic geographical real estate searches. Table 5 shows the number of sponsored and “relevant” results *on the first page* of the Google results for a search for “real estate city” that pointed to local broker and salesperson sites.<sup>13</sup>

Sponsored results on Google are the ones appearing at the top and on the right side of the results page. They are cordoned off from the remaining results and designated as ‘Sponsored links.’ The only way to appear in a sponsored link on Google is to pay money to Google. ‘Relevant’ results, sometimes called ‘natural’ or ‘organic’ results, appear because Google’s search algorithm has determined that the linked page is relevant to the user’s Google search.

<sup>13</sup> These searches were run May 3, 2008. The results are typical, however, of such efforts in the authors’ experience. The number of matching links includes home builder web sites; builder sites tended to appear in the sponsored results rather than the relevant results.

**TABLE 5: BROKER LINKS ON FIRST PAGE OF GOOGLE SEARCH RESULTS FOR “REAL ESTATE CITY”**

City	Sponsored links	“Relevant” links
Charlotte	7	7
Chicago	9	8
Houston	7	3
Knoxville	6	5
Minneapolis	8	6

Between five and nine sponsored links and 10 relevant links typically appear on the first page of Google search results. The MLS public web sites for Charlotte, Houston, and Knoxville showed up on the first page for those cities (we did not count them as broker or salesperson sites). There is no public MLS web site in Chicago or Minneapolis. Houston’s public MLS site was the only one to top the relevant search results in its market.

The question remains: are consumers less likely to click through from the search results to a broker page than to an MLS public web site or national aggregator page? We have seen no study that provides an answer to this question. In the absence of evidence that the answer is yes, we conclude only that brokers and salespeople have been very successful obtaining search engine placement, both for sponsored results and for relevant results.

**Tale #10: Consumers seek out specific brokers on the web**

A confidential review of web server logs from several brokerage firms (both large and small) demonstrates that the majority of visits to their sites resulted from consumers directly typing the broker’s web address into the browser or choosing it from the consumer’s “favorites” list. (We can tell this because these visits occurred without any “referring URL” – see discussion of this in Tale #4 above.) This suggests a great many visits result from either, (a) brokers’ marketing of their web addresses in traditional

media, or (b) customer loyalty in the form of return visits, or (c) both.

As far as broker marketing successfully in traditional media is concerned, this is not surprising. Borrell & Associates estimated late in 2007 that real estate brokers will spend \$12 **billion** on marketing in 2008. Compare this to the entire budgets of all the MLS public web sites and national aggregators combined, and you can see why brokers can attract visitors to their sites. Every business card, billboard, refrigerator magnet, and other promotional and marketing material a broker or salesperson produces can, and often does, have a web address on it.

Consumer loyalty to broker web sites is also not surprising considering the following tale.

### **Tale #11: Consumers trust broker sites**

A national study of 200 survey respondents<sup>14</sup> asked whether they preferred portal sites (specifically Realtor.com, RealEstate.com, Trulia, and Yahoo! Real Estate) to 'local realtor' sites. (The study included national sites of brokerage franchises like RE/MAX in the latter category.) Respondents preferred 'local realtor' sites (36%) to portal sites (30%), but 35% were undecided.

Of those who said they preferred broker sites, 44% believed broker sites were 'more accurate,' 42% thought they were 'easier to use' and 'more up-to-date', and 32% felt they represented a 'trusted source' – when contrasted with the portals. Of those who preferred portals, 73% believed portals had 'more listings,' 57% that they had 'better selection,' and 35% that they were 'unbiased' – when contrasted with 'local realtor' sites.

It would be very interesting to learn whether consumers' responses regarding their preferred sites depended on local factors and how public MLS web sites fit into the mix. For example, in a metro area with a very popular MLS public site, how would

consumers answer these questions? Unfortunately, no such study has been performed.

If this study is representative, it is a "glass-half-full" finding for brokers: proof that consumers can trust them and view them as the best source of listing information but evidence that some consumers may not come to brokers directly.

### **Part III: Lost at sea**

#### **Tale #12: Web traffic by itself is not a measure of success**

It stands to reason that getting a high volume of traffic on the web is useful to a real estate broker only if it results in transactions. The transactions need not be immediate – a visitor today to a broker's web site might not be prepared to purchase a home for many months. But the web site must "convert" some percentage of traffic to business to justify its continued maintenance and improvement.

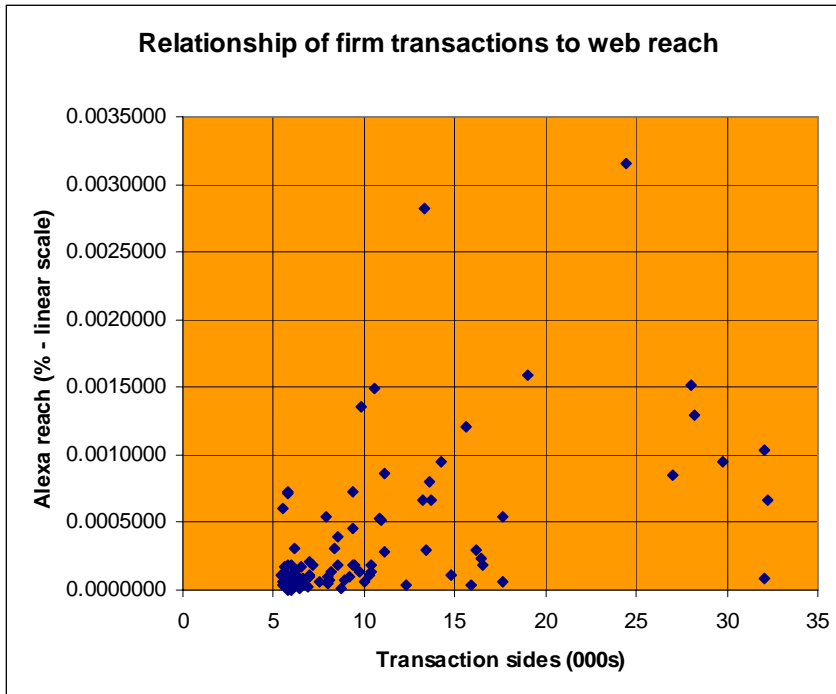
If all brokers were equally adept at converting web traffic to transactions, and if all brokers' success at closing transactions was equally dependent on their performance on the web, we would expect a direct correlation between a broker web site's traffic and the number of transactions the broker closes. The scatter graph on the next page demonstrates that closing transactions are not directly related to web visitors.

The graph shows the number of 2006 closed transaction sides and Alexa reach of most of the 100 largest brokerage firms in the country. If there were a direct relationship between transaction sides and web traffic, we would expect the data points to be clustered along a line from the lower left- to the upper right-hand side of the chart. Instead we see brokers doing a smaller number of transactions with substantial web traffic, and brokers doing a much larger number of transactions with smaller traffic numbers.

Clearly then, other factors than web traffic affect brokerage transaction success, and other factors than brokerage size affect web traffic. But so far as we know, no study has examined those factors.

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<sup>14</sup> "To Buy or Not to Buy – Finding Your Dream Home Online," p. 9.



aggregators, and if so, how MLS public sites can be best designed to direct those visitors to broker sites. Likewise, brokers who categorically oppose MLS public web sites, claiming they do not offer the purported benefits have failed to advance sufficient data to support their contention.

In a related context, if the MLS has an opportunity to decide whether to support a portal site by sending it listings, the MLS may wish to consider the strategic 'cost' of reinforcing some consumers' beliefs that portal sites have more listings. There is not sufficient data to help brokers and MLSs decide which

Regardless of the results of researching factors affecting broker transaction success, MLSs and associations have a role to play in educating brokers about the tools that will make them more successful obtaining web traffic and converting it into transactions, and MLSs may have yet a further role to play.

**Tale #13: MLSs may be able to obtain traffic that brokers cannot**

As we saw in Tale 11, some consumers may not fully trust broker IDX sites. They may believe that 'portal' sites provide them more listings and a better selection.

If an MLS public site can obtain traffic that would otherwise have gone to such portal sites and then transfer it quickly to brokers, brokers may be very interested in supporting an MLS site. Although supporters of MLS public web sites claim they 'rescue' consumer traffic from portal sites and provide resulting referrals to brokers, there is unfortunately no available data sufficient to demonstrate that conclusion.

A course of research should be directed at determining whether MLS public web sites are effective at capturing or rescuing traffic from

portal sites play positive and negative roles in the broker's business success.

**Tale #14: The true impact of public MLS sites remains unmeasured**

The great majority of data available about the functioning and impact of public MLS sites comes from a very small number of markets, some with extraordinary characteristics. Conversely, most of the data available about national aggregator sites does not consider how they compete in local markets.

For example, brokers who oppose MLS public web sites point to claims by brokers in Cincinnati that their web site traffic spiked when the MLS there took its public site down; MLSs that consider hosting public MLS web sites point to the traffic generation success of HAR.com in Houston. Even if those claims are true, they represent unusual cases and cannot be the basis for generalizations about other markets.

Even in those 'famous' markets, no comprehensive studies have been published that demonstrate the claims their supporters make.

### **Tale #15: The traffic relationship between broker web sites, MLS websites, and national aggregators is unknown**

No one has demonstrated that broker web sites in markets with public MLS web sites get more, or less, traffic than broker web sites in markets without public MLS web sites. As far as the authors are aware, no study available to the industry demonstrates any of the following assertions:

- MLS public web sites provide more leads to brokers than they would have gotten without the existence of the MLS public web sites (or the converse).
- MLS public web sites provide better leads than other web sites (or the converse).
- Consumers prefer MLS public sites to broker sites (or the converse).
- Consumers who visit broker sites are more serious than those referred from MLS public or national aggregator sites (or the converse).
- Consumers who are relocating into a market are more likely to find a public MLS or aggregator site than a broker site (or the converse).
- MLS public sites take more traffic from broker sites than from national aggregators (or the converse).
- MLS public sites result in marketing cost savings for the brokers and salespeople they purport to serve (or the converse).

### **Tale #16: Discussions about public MLS sites and national aggregators do not distinguish between 'pass-through' and 'destination' sites**

There exist at least two kinds of sites showing listing information. We will call them 'destination' sites and 'pass-through' sites. A destination site has rich functions that entice a consumer to stay longer. This might include the ability to create an account and 'save' listings the consumer wants to track, the ability to perform a home valuation, and the option to obtain types of information other than active listings, including property tax records, recent sales data,

neighborhood information, etc. Paradigm examples of destination sites are Realtor.com and Zillow.com.

Pass-through sites, by contrast, are designed to move the consumer quickly to a broker's site. They offer little or nothing in the way of functionality. The consumer executes a search, gets search results returned in 'thumbnail' or brief format, and is redirected to the listing broker's site, even if the consumer only wants the rest of the photos and more detailed listing information. Googlebase is a paradigm example of a pass-through site.

In theory, brokers might prefer to partner with pass-through sites rather than destination sites: pass-through sites hold the consumer's attention for a shorter time and encourage the consumer to 'form a relationship' with a broker's site. But in fact, there is little data to support the preference. One large brokerage confided to the authors that it saw a much bigger jump in traffic after providing listings to Googlebase (a pass-through site) than after providing them to Trulia (more of a destination site), and that Googlebase promptly became one of the top domains referring traffic to the broker's site. The experience of this single broker, however, should not be the basis for generalizing about the industry.

If brokers are right about destination and pass-through sites, MLSs public web sites should try to *avoid* some traditional forms of success on the web. For example, sites frequently tout the number of page views per visit or the number of minutes the consumer spends per visit; such metrics are sometimes referred to as the 'stickiness' of the site. But a 'sticky' site is a destination site, one that gives the consumer reason to tarry, rather than to move on to a broker's site. If pass-through sites are better for brokers than destination sites, then MLSs should be building and supporting pass-through sites; i.e., sites with fewer page views and minutes per visit.

Unfortunately, we do not have data to help us determine how important the distinction is.

### **Tale #17: Local and regional environments probably shape consumer attitudes and preferences**

No research has taken into account differences in attitudes between markets that have public MLS sites and markets that do not; markets dominated by a few large brokers and markets with no dominant player; markets where brokers commonly send listings to national aggregators and markets where they do not. We have no idea whether consumers in these markets have different views about public MLS, broker IDX, and national aggregator sites.

An MLS might argue for example, if it is in an area with small broker market share concentrations, consumers will be less inclined to look to brokers as sources for listing information. In that event, the consumers might lean toward portal or national aggregator sites. If this is true, the MLS may be justified in investigating a public MLS web site.

A broker might argue, on the other hand, that MLSs with public sites are actually training consumers to view the brokers as less complete or trustworthy sources of data, which would make the MLS public web site counterproductive for the brokers.

Unfortunately for both sides, no available data backs up either assertion.

### **Tale #18: The published consumer studies on these subjects suffer from very limited and unsegmented samples**

We have suggested (a) it is essential to consider consumer preferences, (b) consumer preferences may vary significantly based on local and regional market characteristics, and (c) it is difficult or impossible to use the commercially available statistical sampling services (like comScore or Hitwise) to ascertain these preferences.

Consequently, we believe that consumer studies that are statistically valid and reliable at the local or regional level are required to answer many of the questions we have presented in this paper. Unfortunately, no such studies are available.

We are aware of only two significant consumer studies that have been published on these topics:

- “To Buy or Not to Buy – Finding Your Dream Home *Online*” (eVOC Insights / RelavantView, Aug. 2007) [the “eVOC Study”].
- “WAV Group: MLS Consumer Website Effectiveness Study” (Marilyn Wilson, Victor Lund & Michael Audet, Mar. 2008) [the “WAV Group Study”].

The eVOC study was based on a survey and observations of the web-use behavior of 200 consumers from across the United States.<sup>15</sup> We estimate that this would provide a precision of  $\pm 7\%$  for a national study. Note that this study cannot be used in any way to assess a local population. For example, only 7% of the respondents (14 people) were looking for real estate in Texas.<sup>16</sup>

The foundation of the WAV Group study was a survey of 403 consumers who had registered on the HAR.com web site.<sup>17</sup> Such a study may provide significant insights regarding the attitudes of consumers using one MLS public site in one market in the United States. But the study's author acknowledges that the Houston market is exceptional and that consumer attitudes in other markets may differ.<sup>18</sup>

To obtain meaningful consumer survey results, we want between 100 and 400 respondents from each geographical segment of the country under consideration, and we would qualify those survey respondents in an attempt to make them representative of the home-buying and home-selling populations in those areas. So far, no such study has been performed.

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<sup>15</sup> eVOC Study p. 31.

<sup>16</sup> eVOC Study, p. 11.

<sup>17</sup> WAV Group Study, p. 17.

<sup>18</sup> WAV Group Study, p. 2.

## ***Epilogue: Flash-forward to May 2010***

Most REALTOR® associations, MLSs, and brokers have united behind the strategic vision that:

**MLSs and associations provide tools so brokers can be the consumer's best source of real estate information ON THE WEB.**

As a result of the research supported by the industry:

- All the industry's leaders have a better understanding of how broker IDX sites, MLS public web sites, and national aggregator sites affect brokers' success attracting consumers on the web.
- Where MLS public sites are appropriate, the MLSs have constructed them to maximize the traffic they transfer to broker web sites.
- When MLSs are asked to assist in transmitting brokers' data to national aggregators, the MLSs prioritize their efforts to get listing data to aggregators that are proven to deliver the most and the best traffic to broker sites.

- MLSs and associations have deployed more tools to make broker web sites the places where consumers expect to find the best real estate information and to assist brokers in making the best use of new communication channels, such as blogs, widgets, and user-generated content.
- MLSs and associations have developed information and educational programs to help brokers understand what works with consumers on the web.
- NAR has launched The Real Estate Channel, and it is either a tool strictly for brokers, or NAR has structured it to enhance consumer contact with brokers and not detract from it.

Undoubtedly there will be a new lion coming over the hill (or perhaps a sea-lion coming over the next wave), but MLSs, associations, and brokers have reinforced their relationships. They know where they are and where they are going; they are ship-shape and ready for the industry's next challenge!

## **More Information**

This whitepaper is not intended as professional advice; seek competent legal, accounting, and other professional counsel with regard to your business needs. Consult your own professional advisors before acting on the information in this paper.

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