

Presentation to REBGV April 23, 2014
Kevin McQueen, Focus Forward

Through my company Focus Forward, I
**Transform organized real estate
through empowered leaders like you.**

I have been passionate and committed to the real estate industry for 32 years now, as an MLS vendor, as the CEO of Michigan's largest regional MLS and for the past 15 years working with 350 REALTOR associations and MLSs as a trusted advisor.



Sir John Lubbock was quoted as saying, *“What we see depends mainly on what we look for”*. Most of what I see is centered around the business of MLS, since that's what I've been looking at for most of my career. MLS is what matters most to the REALTORS I connect with every day and it's the focus of my practice, working closely with the leaders of associations and MLSs like you.

You know that everything in our business is changing at an ever-increasing pace. Most of the information I'm about to share with you is brand new and has already changed since we agreed to do this session just a couple months ago. It's centered around the questions you sent to me before the presentation. I hope you enjoy it.

I'm pretty clear about the future of MLS. The way I look at it, MLS is mostly about 4 things – it's the data, the technology, MLS is an organized marketplace and it's the way you get paid. In my surveys of over 100,000 REALTORS, at least 92% of them tell me that MLS is the most important business service offered by the association. I'm not saying that it's the only one – but it's certainly the one thing people could not do without. **Would you agree that MLS is crucial to your business? How would you function without it?**

BTW – I am happy to share my presentation notes with you tonight through my website kevinmcqueen.com

What I have to share with you creates a foundation of how I see your future. My sincere hope for you is that you are prepared for it now. Let continue talking about what I know to be true.

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All organizations must change and evolve over time or they will fall behind and decrease in value. MLSs have not evolved much over the recent decades. Most of the change is coming from outside, not from inside. This is about your future, the future of MLS, and it's really important.

First of all, MLS as we know it is already dead. It must change to remain relevant, like every other organization. I told you how I see the MLS - it's data, technology, MLS is an organized marketplace and how you get paid. In the 80s and 90s, data was published through the MLS books and it was certainly local, limited by each MLS book publication. Next we had private dial-up networks and MLS systems which were just for you. Again it was rather localized. Then we added foreign exchange lines and it was possible for MLS to start to become more regional. In 1995, we arrived on the Internet and it started to change. Wow, it's hard to believe that was almost 20 years ago. So I submit that 2 of the 4 legs of the MLS stool are no longer local - data and technology. Actually, the technology never was local. And we are syndicating data all over the place, at least in the US. MLS as we know it is dead.

However, the challenge is that we still have 900 different and separately MLSs. We know this is no longer sustainable. This inefficient structure is making it hard for many of our REALTORS and brokers to conduct business. We need to make it easier for them. Would you agree with me?

Therefore, we can expect massive consolidation is coming to the number of MLSs. The main reason we still have 900 of them is that the MLS income is the lifeline propping-up about 1,000 local associations. Regional MLSs will be around in the future because they have broader market reach, more resources and more power, when compared to a smaller 100 or 300 member MLS. Frankly, we need more regionals like REB4s to keep this MLS model alive a little longer.

Moving on past data and technology, this begs the questions about the future of the marketplace and how you get paid. That's where I see the biggest transformation occurring right now. Here is what I'm paying attention to right now.

- Data is everywhere - it's become a commodity. Consumers are getting most of what they want, which is more and more information about real estate. Maybe there is a lot of bad or innacturate information, but consumers don't know or

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care. I get that just having a lot of information does not mean consumers have everything they need to transact real estate, but they think they have everything they need and that's a problem. It is clear that the REALTOR's value proposition is not about being the gatekeeper of the MLS listings anymore.

- You've all heard of the Information Age, right? Well here's the news -- the Information Age is dead! I submit that we are now in the "Filter Age". Your value (and my value going forward) is largely based on how well we filter all of this information for our clients and customers. As the filter, we act a lot like their Google and sharing our insights, as I am doing with you today. There is considerable value in that.
- Next, the marketplace is moving away from the local REALTOR-owned and controlled MLS. The MLS vendors can't keep up with the R&D spend of Zillow or Trulia. They are actively developing or acquiring the professional-grade tools for REALTORS. According to Todd Carpenter, Trulia employs over 100 software engineers with experience from companies such as Yahoo!, Amazon, eBay, Google and Apple that specialize in building great technology for consumers and for REALTORS. Trulia spent 350 million dollars to acquire MarketLeader for example. This is huge. These new tools will make our MLS systems appear rather antiquated.
- The point I want to stress here is that CoreLogic and the other MLS vendors can't compete. Think Mobile. Zillow has more than 20 apps already to deliver listing searches, public records, rentals and mortgage – and there is a lot more to come. Watch for exceptional Lead-Management, CRMs, predictive analytics and more mobile solutions for sure. Zillow and Trulia are definitely bringing it one for consumers and for professionals, whether they are REALTORS or not. And a lot of this is free or have fees like \$10 per month for a state of the art IDX website. They are in it to win.
- We have listings but they have consumers and lots of additional information to augment the listings. Zillow's mission is very simple. Do you know what it is? Zillow's mission is to delight consumers, and they are doing it. They have data on 133 million properties. This is close to the depth of information that others have including Trulia, Realtor.com, RPR. These are not National MLSs by my

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definition, since they are currently not the primary marketplace and they don't manage how you get paid - YET. But they are substantial and robust national databases in contrast to 900 fragmented local or regional MLSs that have mostly listings.

- Who has all of the information that consumer and REALTORS want including rentals, agent reviews, detailed neighborhood information, mapping layers and more? The national portals are the ones providing this to the world.

In summary, you can see substantial change is coming from outside organized real estate. MLS must change too.

Let's recap before moving on:

- Listing data is now a commodity. It's not just local anymore and you are no longer the gatekeeper of the data.
- It takes a lot of data beyond just listings to delight consumers (and REALTORS) Most MLSs can't compete.
- Technology isn't local – it's global. The big boys are spending tens of millions of dollars on mobile and tech compared with our MLS vendors or local associations.
- The change is coming from outside organized real estate.
- The portals are providing much more than just listings and that's what consumers want
- The new future marketplace is being built right now.

So, what does this mean to the future of REALTOR Associations? If I were there with you in-person today, we would spend some time discussing the question. You see, there is another major transformation taking place right now. When the REALTOR family no longer controls MLS how will associations offer substantial value, that REALTORS are willing to pay for? That is a big question for your focus groups and strat planning team.

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Realty Alliance.

Some of you asked about the initiative lead by the Realty Alliance. The Realty Alliance is a network of dozens of the biggest real estate brokerages. They have a very interesting story which is unfolding right now, referred to as “Project Upstream”. It began in the fall of 2013 when the head of the Realty Alliance, Craig Cheatham, voiced 46 major concerns which create ongoing conflicts between the large independent brokerages and the MLSs. They have published the list and invited the MLSs to take action to eliminate the conflicts.

This challenge is not a new one. Large brokerages have scale and resources and they don’t like it when the MLS “levels the playing field” by offering various services to all of the MLS subscribers. This is perceived by larger brokers as competitive behavior (which it is). This too puts pressure on MLSs across the US.

Imagine this -- What if the Realty Alliance, Leading Real Estate Companies and a handful of national franchisor brands came together with a joint vision and initiative?

Well they did. Project Upstream is a significant technology initiative, which is reported to be out for bid to about a dozen technology companies. They aim to create a new listing input or *Point of Entry system*, controlled by the brokers. They intend to reverse to flow of the data feed, starting with the brokers data input system. In this manner, the Brokers are taking back control of where they send their listings.

Who’s at risk of losing control? I submit that it’s the MLSs, associations (since they own most of the MLSs) and the smaller brokerages and their agents that will lose control. They don’t have a collective voice in the new Upstream system. I would expect them to roll-out in a few pilot markets – maybe some big cities where an alliance of big brokers have significant market share. I am not involved with the project yet, but I do spend a lot of time working over these scenarios so I can share my insights with groups just like you.

Let’s continue to explore where this story might lead to next. The members of a new “national broker network” could contact their local MLSs and make the following offer: “we will provide you with a data feed from our Upstream system if you want to publish the listings in your MLS”. Now that’s a switch. Most of the technology is

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already available to do this. However, MLSs need to prepare to receive the feed. The California Regional MLS in South California is doing just that now. This is a lot of the way MLSs syndicate to other destinations or publishers now.

What's different here is that the MLS is no longer the source of the listings or the point of entry. The brokers would be in control of where their listings go and that's not a bad thing.

On balance, it's worth mentioning that I don't think the brokers know how hard it is to manage the MLS, listing data entry, compliance and data quality. But the brokers don't generally like our rules and fines anyway. This is another critical piece of the MLS value prop. **What is it was not longer the MLS's role?** Many brokers don't like it when agent-lead association discussions are made, which impact the broker's business. The decision-makers in a majority of the local associations are agents, not brokers. The brokers said they didn't have time for such meetings in the past. Now that is changing with Project Upstream.

The question is, if Upstream comes to fruition next year as many think it will, Why would the brokers continue to pay the MLS and association? They don't want or need data entry, compliance, training or tech support

Many brokers will likely continue to see value in being a REALTOR. Others will not. This is one of the biggest shifts I anticipate for your future and a majority of 900 MLSs in United States.

What can you do right now to prepare for your future and the needs of your brokers and agents?

Cause More regionalization and consolidation to occur – Be the change you want for the world. There is value in collaboration, value in expanding the market data and increased power, by working together toward this ultimate result. Over the past year and a half, I have helped to create 3 new regional MLSs by engaging 20 associations. There were 20 local MLSs and now there are 3 regionals. No associations went out of business. This is a step in the right direction and REALTORS and Brokers love it. The new regionals are likely to grow as other associations see the value.

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This is HOW the future will play out for some. I anticipate their being less than 100 regional or statewide MLSs, if it's not too late to maintain the marketplace of MLS.

Another way which is available to everyone is to partner or merge into one of the existing 63 regional MLSs.

I spend a lot of time taking with leaders about the various models. I see four ways or four options for every local association or MLS to pick from right now:

1. Stay right where you are now – the status quo and manage your decline.
2. Join one of the existing 60 regional MLSs that offer access to more information and better technology and tools for your paying customers.
3. Merge with another association and/or MLS.
4. Partner up with other organizations in your market area to create something better – some type of collaboration that results in measurable value.

You have the power to decide right now. As leaders it is your responsibility to take control of this process. For a regional MLS – it can be a royal pain to work with the neighboring associations. Many regionals have made a concerted effort, without success. I have some ideas on what works, but we will save that for another time. For a better future, this needs to occur.

There is one more initiative that I am watching very closely. I encourage you follow along with this one too. The NAR is laying down plans and details to raise the bar through its “Core Standards”. NAR will mandate that every local REALTOR association must pass the test in a number of service areas including:

- The Code of Ethics
- Advocacy
- Consumer Outreach
- Unification Efforts and Support of the REALTOR organization
- Technology
- Financial Solvency

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We have about 1,400 local REALTOR Associations, so this will be huge undertaking. There are many questions about the ultimate goals and desired results, but this national initiative from within organized real estate is well on it's way. The measure of success will be largely about how well they execute the plans and achieve their stated goals. I would be happy to discuss the details of this at some point if you are interested. I am involved and expect to play a role in helping associations and NAR facilitate the desired outcomes.

This could lead to consolidation, mergers, loss of local charters and the closure of many local associations that cannot meet the Core Standards.