

Clareity

2014

Beyond Syndication



Clareity Consulting
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Introduction

For years, brokers and MLSs have struggled with how listings have been displayed on real estate advertising sites (referred to from here on as “publishers”) that display syndicated listings. The methods and rules that made IDX (Internet Data eXchange) a success could not be applied to publishers. As a result, publishers’ sites often have had many issues; among other things, they have displayed outdated and duplicate content, and not always provided prominent attribution to the listing firm or agent. Some brokers and agents have been dissatisfied with the value exchange, believing that now that the market has shifted from a buyer to a seller market, the publishers benefit more from their use of the listings than the listing authors do from the exposure provided by the publishers. There is a feeling that the larger publishers can dictate terms that, while undesirable to professionals, are difficult to refuse. What can be done to improve the quality of data on publisher sites and to ensure a fair value exchange to the listing author?

Clareity tried to start that conversation by publishing [“Syndication to Real Estate Portals: Problems and Solutions”](#) in 2011, introducing the concept of the “Syndication Bill of Rights” in order to address value exchange issues of the day:

Syndication Bill of Rights

1. The publisher will display the listing firm contact information, including phone number, in a prominent location on the listing detail page at no cost.
2. The publisher will provide a prominent link to the broker, agent, and/or MLS website, home page or property detail page if provided, and will not use “nofollow” tags that negatively affect the SEO benefit of such links.
3. *If* the publisher displays non-listing agent/firm information, then: (a) the full contact information for the listing agent/firm must be displayed at no charge, and these parties must be clearly identified as the listing agent/firm; (b) the listing/agent firm information must be displayed more prominently than the third-party agent/firm information; and (c) the site must not send leads to third party agents or firms if the consumer has not selected them as a contact recipient, and non-listing agents and firms will not be the default (pre-selected) choice for consumer contact.
4. The publisher has a process for ensuring data accuracy with the data provider(s); ensuring data is updated or removed as appropriate, at least every three days.
5. The publisher displays the date the listing data was last confirmed and updated, and the name of the data provider.
6. The publisher respects the intellectual property of brokers and MLSs. The terms and conditions do not require brokers and MLSs to give up rights (beyond display rights) or to grant rights in perpetuity. The terms and conditions allow the listings to be used only for the explicit purpose for which they were provided. An accuracy disclaimer and

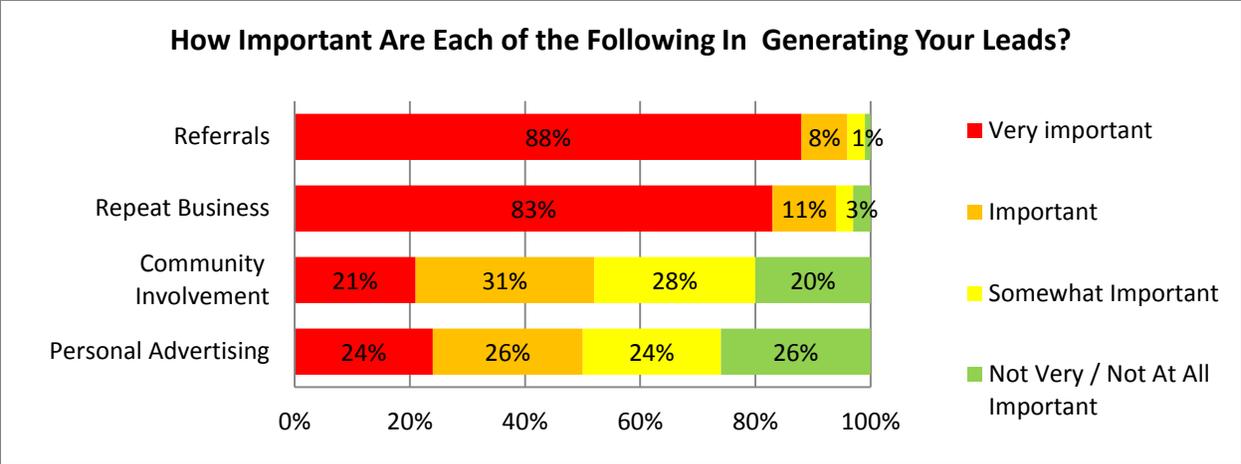
copyright notice is displayed, attributing the copyright holder of the information. The publisher must obtain explicit consent from the data provider for any other uses or derivative works.

7. The publisher does not re-syndicate, sub-license, power, or display listings on other websites without informing the data provider and obtaining their consent.
8. The publisher will provide aggregate statistics regarding traffic, at no cost, to the data provider.
9. The publisher provides reasonable mechanisms for preventing screen scraping and misuse of the listing data, understanding that *some* listing information must be exposed to search engines.
10. The publisher does not re-syndicate to or "power" sites that fail to uphold the previously described rights.

While this helped frame the discussion around the value exchange, and helped some MLSs negotiate against some of the worst practices of the time and establish beneficial license terms, a number of the issues that plagued syndication three years ago are still common today. Brokers and agents are increasingly nervous about how this could change in the future, and have several questions:

1. How much more money will publishers, driven by Wall Street's revenue growth demands, try to extract from brokers and agents?
2. Will publishers continue to encroach on brokers' ancillary service offerings?
3. Will publishers take actions that disrupt the current mechanisms of professional cooperation and compensation?
4. Will publishers empower consumers to bypass brokers and agents or reduce their role in the transaction?
5. Will some publishers support the industry, while others will increasingly enable behaviors that are not in the industry's best interests?
6. Will maximizing listing exposure on the publishers' websites become a core expectation of home sellers, or the fiduciary obligation of real estate professionals?

These worries are being balanced against the value provided by syndication. According to the "2013-14 REALTOR® Technology Survey Report" recently released by the Center for REALTOR® Technology, syndication, as a subset of personal advertising, is increasingly important for many agents, though still less important as a generator of leads than community involvement, repeat business and referrals.



According to that same study, agents rate the company website and personal website higher than the big advertising portals as the single best marketing website for generating new leads. This is an interesting insight into the perceived value of syndication.

That said, syndication and Internet advertising in general has resulted in a positive ROI for agents. In 2005, 5 billion dollars was spent on real estate newspaper advertising, which decreased to only 1 billion in 2011.¹ Internet publishers have picked up some of the historic classified ad spending, but collectively Zillow, Trulia and Move had total revenue of only 570 million dollars in 2013. This is one of the reasons for Wall Streets lofty valuations of Z, TRLA, and Move – there’s still over 3 billion dollars in advertising up for grabs - theoretically. At least 200,000 agents are paying to make themselves “Premier” or “Pros” or “Showcase” their listings online, and many agents are experiencing a very positive ROI from their advertising investments and renewing or even expanding their spending. Meanwhile, hundreds of thousands of other listing agents are receiving free exposure to millions of consumers every day at absolutely no cost to them or their sellers.

A small number of high profile brokerages, including a few large ones, have decided that they will not syndicate to publishers that do not offer what they are looking for in the value exchange. Since thousands of brokers continue to syndicate to the publishers, this has not become a widespread movement, but has impacted the publishers in a few local markets reducing coverage and increasing the number of errors on the portion of the listings that are now manually sent to the publishers by these brokers’ agents. The publishers certainly do not want to see this approach expand. And Clarity predicts it won’t, and may reverse—if all the stakeholders are willing to engage in an open process for understanding the value exchange and a healthy negotiation for modifying that exchange in response to changing market conditions. But how do we get there? How can real estate professionals and the MLS organizations that assist them in the listing syndication effort make strides toward improving their relationship with the publishers and building a fair value exchange? The goal of this paper is to explore and discuss answers to these questions.

¹ <http://www.naa.org/Trends-and-Numbers/Newspaper-Revenue.aspx>

The Current State of Syndication

As the real estate advertising market has evolved, three market leaders have emerged. The “Big Three” real estate traffic leaders are Zillow at #1, Trulia at #2, and Realtor.com at #3 and are sometimes referred to as “ZTR”.

Zillow pulled away from the rest of the pack in 2013-2014 and became the clear leader in real estate traffic.

| Real estate network | Total unique visitors in May | Desktop unique visitors | Mobile unique visitors |
|---------------------------------|-------------------------------------|--------------------------------|-------------------------------|
| All sites | 94.0 million | 64.3 million | 54.7 million |
| Zillow (Yahoo) network | 53.8 million | 32.3 million | 30.6 million |
| Trulia (RentPath) network | 30.8 million | 17.7 million | 16.8 million |
| Move Inc. network | 23.7 million | 13.1 million | 13.4 million |
| Homes.com (ForRent.com) network | 10.6 million | 5.9 million | 5.3 million |
| Redfin | 5.9 million | 3.0 million | 3.2 million |

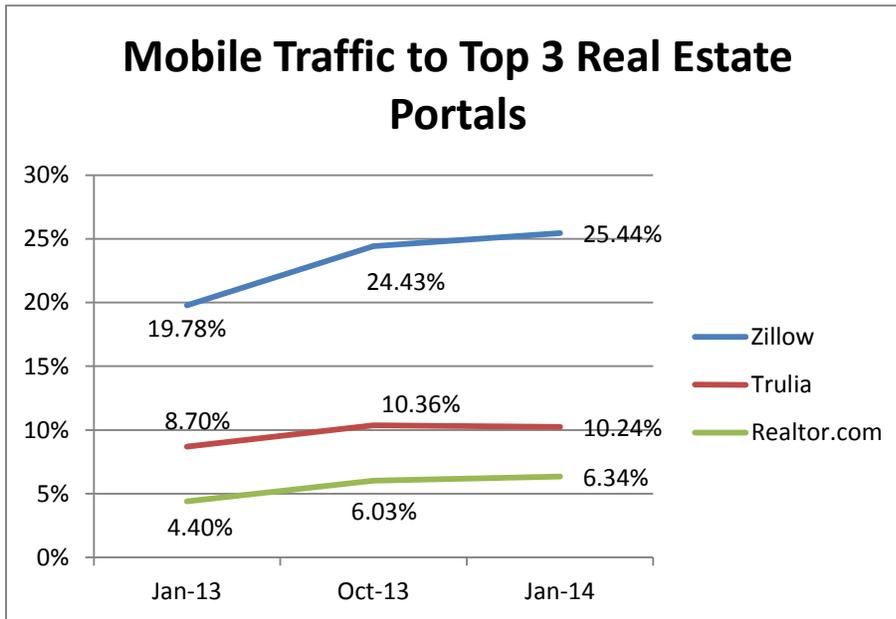
Source: comScore

Following are thoughts regarding traffic trends for the "Big Three" over the past four years:

- Zillow is continuing to increase its own market share while its real estate search partner Yahoo maintains respectable traffic over 5% (more at some points). Zillow also just added MSN to its “powered by” search partner list, and MSN has historically maintained around 2% of real estate traffic. Zillow’s network now includes AOL, HGTV’s Front Door, Yahoo and MSN.
- Trulia is experiencing traffic growth of nearly 50% year over year and reported a record number of 51 million unique visitors in May. Mobile monthly unique visitors in the first quarter of 2014 increased by 68% the same period last year. (note: Trulia reported the total unique May visitors by comScore were not accurate because mobile traffic was incorrect)
- Realtor.com remains steady, but pretty flat, even falling slightly when long-term partnerships with AOL and MSN were terminated.

- The “Big Three” and their partners only comprised 16% of real estate web traffic in 2010, but now comprise 38%, the majority of which is Zillow traffic.

Zillow has continued to expand its traffic lead over its rivals so far in 2014, especially in the area of mobile, where more than half the traffic is coming from at present.



The “Big Three” publishers have several basic similarities:

- All three are public companies
- All three advertise listings and provide other relevant information to consumers
- All three offer MLS-compliant IDX websites for brokers and agents
- All three collect the bulk of their revenue from agent subscriptions for advertising themselves or promoting their listings

The most significant changes among the “Big Three” since Clareity’s 2011 paper is that Realtor.com has lost both its leadership position in traffic *and* its status as “the industry’s site,” or the online champion for REALTORS®. There is no longer one clear industry-friendly site. In fact, in the last two years, in order to secure direct data feeds from brokers and MLSs, Zillow and Trulia have considerably improved their listing agent, broker, and MLS attribution and other value propositions, to the point where many REALTORS® and MLSs feel they now offer more “friendly” terms than Realtor.com does, and the remaining bones of contention are primarily regarding Non-MLS listings (FSBO’s, Make Me Move, and Coming Soon) and re-syndication.

For example, in exchange for a direct listing data feed from brokerage firms or MLS, Zillow now offers:

1. A listing display where the listing agent is always on top and identified
2. No charge for the listing agent to receive leads
3. A trumping order where broker data feed trumps all others, except for price and listing status where an MLS feed will generally trump
4. Free link to broker site

More recently, Zillow has added additional benefits:

5. "Yard Sign" with broker's logo/brand on top of page
6. Expanded broker description to include years in business, volume, other services offered (mortgage, title, home services, etc.)

Trulia has also improved its value exchange for those providing a direct listing data feed, including:

1. Information updated every eight minutes
2. Suppression of lower quality listing data sources
3. No AVMs or estimates on for-sale listings
4. No re-syndication or sublicensing of listing data
5. No FSBOs
6. Lead sent to listing agent at no cost
7. Unlimited photos and property descriptions at no cost
8. Agent identification listed on lead form
9. Agent attribution "above the fold" on property details
10. Broker attribution "above the fold" on property details
11. Broker attribution on search results
12. Link to broker source (website)
13. Weekly reports with leads, clicks and views to track marketing efforts
14. Payment of standard vendor fees to MLSs that provide vendor feeds

As MLSs, their broker participants, and agent subscribers find these offerings increasingly compelling and provide direct feeds to the major portals, this will obviously reduce the data accuracy and freshness issues on these portals while eroding the advantage currently enjoyed and advertised by Realtor.com. As such, there may be increased pressure for Realtor.com to reverse its recent moves toward increasing prices and to improve its own value exchange for listing authors.

Trulia has made consistent efforts to improve its value exchange and is promoting itself as the "most industry friendly" publisher in real estate. One sign that this positioning seems to be working is that Trulia has had better success than Zillow so far in convincing both brokers and MLSs to provide direct data feeds, and now has agreements with over 80 MLSs, including four of the top five largest, in addition to thousands of brokers also providing direct feeds.

Realtor.com continues to charge agents to Showcase their listings in order to include their contact information and have unlimited photos on their listings, while instituting price increases in many markets. Further, according to its 2014 Analyst and Investor Day presentation, the Realtor.com business model is moving toward a “shift to non-exclusive listing monetization,” to “optimize yield per listing (1x to 3x)”, and to “SaaS integration & agent lead conversion.” Move hopes to make over \$200M in annual revenue from yield optimization and conversions alone. It will be interesting to see whether the real estate industry considers these moves to establish a new norm for being industry-friendly.

Privately owned publisher Homes.com, while not one of the “Big Three” portals, is a good example of a company that has successfully provided a solid “exchange of value” with its MLS and broker partnerships. It offers agents free software and tools in exchange for listing data. Homes.com has always prided itself as an “industry friendly” publisher and has steadily maintained the #5 traffic position just behind #4 Yahoo.

Reframing Syndication as Responsible Listing Distribution

Let’s re-frame and re-think of “syndication” as the industry conducting more “responsible listing distribution.” Syndication is not going away as such, but Clareity thinks it is changing considerably, especially for the “Big Three” and these changes will likely include Yahoo and Homes.com. In fact, the term “syndication,” with all its historical baggage, may not apply in the future. We all want, and need properties to have maximum exposure to sell fast at the best price. We also want listings to appear on sites that are beneficial for the listing agents and firms, and synergistic with the real estate industry in general. So how do we get there?

Let’s Get It Right on a Smaller Scale First. Nobody wants to have only one website and mobile app where consumers can view listings – this would be detrimental to the industry. We need competition to foster innovation, keep advertising costs low, and give consumers choice where they obtain the real estate information they need to connect with real estate professionals. But do consumers need 100 or 1,000 choices? We’ve already seen what happens when the listings go to too many sites and apps: understanding the evolving value proposition of each of those sites, monitoring their practices, enforcing license terms, and making informed decisions about syndicating to them is simply too much for typical professionals, even with the many tools that have been created to help them. Syndication has been good, especially during the intense buyer market during the downturn, but perhaps there has been too much of a good thing, and syndication as a “send your listings *everywhere*” strategy is probably not a good future plan. A better strategy would be to have systems for brokers (using the MLS or not, as the broker chooses) to syndicate to a smaller number of sites and apps that have significant consumer traffic plus, of course, IDX and VOW sites. Yes, we would have to be careful to encourage and allow new entrants, but that’s never been a problem so far. Let’s re-think the argument that more is better and re-evaluate the importance of the “long tail” of low performing sites relative to the effort it takes to

manage them. Let's ensure that the consumer is going to have a great experience anyplace the broker is sending its listings and that the brokers' content is properly respected and attributed, while optimized to generate leads and build brand equity for the listing authors.

Fast Updates. Everyone has an interest in consumers seeing accurate listing content. Accuracy is essential for building trust with consumers and creating an efficient real estate marketplace. Much confusion and consumer ill-will can be eliminated with accurate, close-to-real-time data. Strategies such as delaying the sending of listings to some sites, or encouraging agents to manually update them or use less effective online syndication tools, run counter to this. Going through today's "syndication partners" (e.g. ListHub and Point2) also seems to create delays in getting fresh updates to the sites, resulting in lower lead volumes and lower conversion rates. Can this be fixed? Or is direct RETS access to individual brokers and MLSs, limited to pull opted-in listings, the right way to go?

Data Accuracy: Reduce Duplication and Eliminate Stale Listings. The ideal case of syndication is where there is only one source of data, and historically this has been the single MLS or broker. Unfortunately, today we are far from that ideal. When MLSs have geographically overlapping areas, there may be duplicate records for a single property that may or may not be able to be reconciled, especially when agents or brokers list in more than one MLS to increase exposure. Information on properties can also be originated from any one of a number of places, from listings entered manually by agents to forms on video tour companies' sites to the portals themselves. Many of the non-MLS sources are created once and never updated. What is the solution to this problem? There's an old joke about a man who complains to his doctor that he gets a sharp pain in his eye every time he drinks a cup of coffee. The doctor's answer: "Take the spoon out!" At present, there is no perfect technological solution that will eliminate duplicates and update obsolete listings, but there's a role for everyone to take away some of the pain:

Brokers and agents: There should be exactly *one* source of listing data for any given brokerage: either the MLS *or* the broker's own system *if it is accurate and continually maintained*. If the broker syndicates from one, they shouldn't syndicate from the other and encourage their agents to do the same. If brokers send their listings to their franchise or their vendor to syndicate on their behalf, they should ensure their listings are accurate and up to date *and* not syndicate from any other source. If you provide listings to a company that does not reliably update the listings it syndicates—including many virtual tour and website companies and some franchises—you should ask it to stop syndicating your listings. Also, brokers and agents should never manually enter information into sites in a way that will create duplicate and out of date information – this includes "coming soon" listings, which have a bevy of other problems this paper will not attempt to address. Finally, when brokers decide not to syndicate as a firm but allow their managers and agents to syndicate, they should consider offering a secure and reliable (not manual) way for their agents and managers to do so—directly or through the MLS.

MLSs: MLSs need to provide legally compliant and reliable choices for their members to market their listings. They also need to work to solve "overlapping market disorder" and its many issues, including those it causes through syndication; duplicate records from overlapping MLSs are a part of the problem

– for both publisher sites and IDX websites which must display the duplicates to comply with the rules of each MLS. In the meantime, join RESO (www.reso.org) and work with it to create a property unique identifier (PUID) which can be implemented in your MLS system. Note that the federal government is already working with MISMO, OGC and ECCMA to create a PUID. RESO should join this effort, and either adopt or adapt the solution the consortium develops. A property unique identifier would ensure that it is clear when more than one party is sending the same property to a publisher, and also has an important side benefit of ensuring accurate statistics at the regional and national level. Most importantly, MLSs should uphold their duty as the stewards of their participants' collective data set and actively engage in every aspect of what happens to that data set, at the most detailed level, to provide the basis for their local participating brokers to make informed decisions about how and where to market their listings.

Anyone negotiating syndication deals must make sure that the publishers can't re-syndicate or even "power" other websites/apps without disclosing every place they will appear and having every broker opt in to every site. They need to understand what happens to the listing data wherever it is, and strive to ensure that their license terms are being complied with by enforcing their licensing agreements, rewarding trusted partners, and penalizing bad actors.

Publishers should stop taking listings from brokers using vendors that don't keep them updated and work with the MLSs to provide these brokers cost-effective or cost-free alternatives that are reliable. When able to work directly with MLSs or reliable vendors, publishers should stop encouraging manual entry that is unreliably updated and creates duplicate listings. The "trumping" mechanism has been in place for a long time and has not been as effective as stakeholders would like. A direct feed should not be a precondition for only taking feeds from reliable sources. Portals need to stop intentionally comingling good data from agents, brokers and MLSs, with non-MLS content such as those FSBOs— which are highly objectionable to those professionals providing the listings, the life blood of the site, for business reasons as well. When brokers insist on using an unreliable vendor to send you their listings, provide them data on their listings' error rates to help them make better business decisions without violating the trusted relationships they may have built with their vendors over the years. When listing agents have no option other than to upload listings manually, encourage them to work through their brokers and their MLSs to create new options, and work collaboratively with their brokers and MLSs to enable responsible data management.

Enforce Reasonable Data Protections. While the "Big Three" portals properly license MLS listings separately for their software products (MOVE has Top Producer, Trulia has MarketLeader, and Zillow has Diverse Solutions), it is less clear that anyone, including the syndication partners, is able to effectively keep an eye on the many, many other places to which the listings are syndicated. While we know the largest portals already take many steps to protect the data, anyplace else the listing is going also needs to implement reasonable protections, including basic security practices, as well as protections against issues like "screen scraping" where the content is used for purposes for which it was not intended. Reactive complaint based investigation and legal recourse is unreliable and extremely expensive. Tools such as Distil Networks (<http://realestate.distilnetworks.com>) are a practical way to stop data scraping.

MLSs should implement best practices in data security themselves, work to ensure members and their vendors are doing their part on IDX/VOW sites, and ensure publishers are obligated to take reasonable anti-scraping steps of their own. Also, we know that in many markets, brokers and agents are still encouraged to share their MLS and RETS credentials by various websites and vendors – and shamefully, some MLSs still have not implemented security to address those issues.

Determine Other Elements of the Essential Value Exchange. Appropriate attribution, lead generation, and linking to the content source (as well as [semantic “tagging”](#)) are a foundational cornerstone of the value exchange, but other elements include not limiting photos, providing traffic information, sublicensing, creating AVMs, and much more. Again, Clarity started this discussion with its “Syndication Bill of Rights” back in 2011. But the question remains if and how expectations for the value exchange might change as market conditions change, and what the process might be for ongoing negotiations.

The Syndication Agreement and Technology – Parting Ways?

So far in the syndication landscape, the negotiator of the syndication agreement and the provider of the syndication technology have usually been one and the same: ListHub or Point2. Now those roles may diverge. Dozens of major MLSs and thousands of brokers have already negotiated their own direct agreements with the major portals and are already providing their own feeds to the portals (via their MLS system RETS server, or by using the product from Bridge Interactive Group, or by other means), so we expect the trend towards direct legal relationships with the publishers to continue. While theoretically it should have been possible for a larger bargaining group (i.e., all ListHub customers) to get a better value exchange from the portals, the facts on the ground indicate that may no longer be the case. It may also no longer be desirable - with the major publishers clearly defined, with a large percentage of listings being provided, it may make sense for MLSs to explore securing direct agreements to ensure listings that are sourced from the MLS are treated per local policies and business practices.

For example, North Alabama MLS’s Kipp Cooper claims he was able to negotiate a better deal for his subscribers directly. According to Kipp, “One of the items that is most important for our subscribers is prominent display of listing agents. We got that negotiated on our own.” Also, with his MLS in control of the data management process for its broker participants, the listing authors, Huntsville’s brokers have not been surprised by the addition of new publisher “channels” as they were previously.

My Florida Regional MLS set up a direct feed to Trulia and, in the Trulia press release, My Florida Regional MLS’s CEO Merri Jo Cowen said that, “The direct feed option increases the listing data refresh process for those brokers that choose to participate in the program and supports their ability to market listings on Trulia in near real-time to maximize exposure for sellers and optimize the volume and quality of leads.”

According to Jim Harrison, President & CEO of MLSListings Inc., “We already have Homefinder, Homes.com, Realtor.com, Trulia and Zillow connected directly; so I’m not sure what future value I am offering subscribers with the ListHub and Point2 services. With Trulia directly, we get data cleaned up

and reporting and link backs. With Zillow directly, we get agents pictures and contact info on their listings, data cleaned up, reporting, link backs, and several other benefits. With Homes.com we get link backs to our portal too."

As MLSs and brokers look to the future of responsible listing distribution, it looks like this may increasingly involve the direct agreement by each MLS and/or broker allowing them to negotiate their own deals, while using any number of technical mechanisms for actually sending the listing content where it needs to go. Direct agreements will also allow brokers and MLSs to modify the terms of their agreement and meet their needs as the market evolves. With the increased scrutiny for approving the publishers and their license agreements that comes with the direct approach, it may be more difficult for publishers to get all of the listings they once received through the syndication partners – but maybe that’s a good thing – doing things the right way isn’t always easy, but it’s best in the long run.

A Changing Role for Syndication “Partners”?

When Move acquired ListHub, the leading syndication “partner” platform in the U.S., Move left its competitors feeling as though they needed to take action to diversify and solidify their access to the listings. As we mentioned earlier, both Zillow and Trulia have taken aggressive actions to improve their value proposition for MLSs and brokers who provide direct data feeds and do *not* send their listings through ListHub. Trulia, however, did come to an agreement with ListHub whereby Trulia will send ListHub listing metrics so brokers can continue to use ListHub’s reporting platform. ListHub has been further weakened by its 6-24 hour latency, especially in hot markets, and the perception that they are not advocating as strongly on behalf of data owners as they should, since their revenues are substantially driven by the many publishers to which ListHub syndicates the data.

One little known fact is that ListHub currently syndicate brokers’ listing content to 19 national and regional companies who display AVMs on their websites:

NATIONAL

- Adwerx
- Foreclosure.com
- Freedomsoft
- Guidance Realty
- Homes.com
- Property Shark
- RealtyTrac
- RealQuestExpress
- RentRange
- USHUD
- Zillow

REGIONAL

- AL.com
- Blank Slate
- Chattanooga Free Times Press
- MassLive
- PennLive
- Revestor
- SILive.com
- Homes and Land

ListHub has been up-front about where AVMs display across the publisher network – this information is published in its “channel scorecard comparison” document. One can clearly see the publishers who allow display of “Valuations (AVM)”, but as everyone knows, most brokers just sign up for all channels without digging down into these details. Actually, about 30% of the MLS still require brokers to “opt out” of listings feeds to publishers with the default being to “select all publishers” - so the broker sometimes isn’t really even making the decision. Considering the amount of industry controversy around AVMs, it’s a bit surprising that the 19 companies listed above are allowed to display AVMs on their sites. Clareity expects some MLSs and brokers to object to this practice as soon as they read this paper and perhaps make some more informed decisions regarding which sites they send to via ListHub. ListHub does plan on expanding its educational efforts via its “WiseAdvertise” initiative, to ensure brokers are more informed about their syndication practices in the future.

Prior to ListHub, many MLSs had direct data feeds with the publishers. Only during the downturn, when abundance of inventory and dearth of buyers made it more important to syndicate as widely as possible, and consequently more difficult to manage syndication cost-effectively, did many look to ListHub. Both the market and the technology for managing a delivery system (RETS) have improved significantly since then, making ListHub a lower value proposition. If Zillow and Trulia are successful with their continued efforts to get direct feeds, and MLSs continue to move towards controlling their own licensing terms, this will leave ListHub syndicating only to smaller sites for many customers – and unless ListHub continues to get cooperation from the large portals, its traffic reports will only reflect the smaller sites. If the portals establish a standard API for reporting listing / consumer activity back to the MLS and broker systems, ListHub reports could have even less value.

Celeste Starchild, the new GM at ListHub, made a few points that address some of these issues. Though it doesn’t always make the real estate press, she is seeing increased engagement among MLSs: ListHub is doubling the number of new MLSs joining it in 2014 over 2013. Celeste said, “We’ve set the bar high with the most comprehensive contract terms across the industry. Our agreements place stringent rules around how a publisher can and cannot use the brokers’ listing content, and holds publishers to broker and agent-friendly display rules. We also incorporated rules that are unique to ListHub but critical to brokers, such as the requirement that the publisher route leads according to the brokers’ lead management rules. The requirement to provide metrics is also included in ListHub’s publisher requirements. We think we’ve done as good a job as possible negotiating with publishers so far, but we can do more with the support of the industry. That said, MLSs and brokers are welcome to negotiate their own terms with publishers and continue to utilize the ListHub technology. That’s what Houston has done. And more than 50% of the brokers publicly named as zPro customers use ListHub to send their (data) feed to Zillow.”

On the subject of listing distribution delays, according to Celeste, ListHub provides updates to publishers four times per day. However, Clareity notes that since ListHub does not provide incremental updates and it takes portals hours to process the huge file they get four times a day, this approach is contributing to the delays. Smaller incremental updates would provide better results for everyone.

While some MLSs, especially smaller ones without many resources, may continue to need a partner like ListHub to help provide syndication services, and some larger MLSs may continue to provide ListHub as a service to syndicate to the smaller websites, ListHub has its work cut out to maintain its position and value in the industry.

Point2 is in a somewhat different position, at least in Canada. In Canada, Point2 powers the CREA Data Distribution Facility (DDF), which provides all syndication to third party sites. In Canada, all distribution is done under the terms of a uniform contract that each publisher that wants listings *must* sign—and the agreement is fairly strict. In the U.S. Point2 faces some of the same challenges as ListHub, where listings can be acquired by publishers from multiple sources, including Zillow and Trulia creating direct deals with MLSs and brokers. In this environment it is less feasible for Point2 and its customers to have the leverage needed to get the best terms with third parties, as well as creating the aforementioned value challenges. Point2's executive Saul Klein says that, "What we are going to attempt to do is come back into the market with the more stringent contracts, similar to what we have done in Canada. MLSs would still be able to negotiate their own terms if they wish. And some MLSs may go direct, but there's still a need for Point2 for the 'long tail' of syndication."

Holding Listings Back – Continuing to Evaluate the Value Proposition

While the vast majority of brokers continue to participate in syndication, the publishers still need to work hard to eliminate broker concerns if they want to ensure that they continue to get the listings that they need as the basis of their efforts. Some people thought when Edina Realty and a few other large firms stopped syndicating their listings that other firms would follow that strategy, especially if they observed no agent or consumer revolt. Following is a brief update on the three most prominent brokers that decided to hold their listings back from third party publishers.

Clareity asked an executive at **Nothnagle REALTORS (Rochester, NY)** about their decision to start holding back listings from the portals. The executive said: "We stopped sharing listings with Zillow and Trulia in November 2012. We felt that the potential risk to our clients and agents was greater than any potential benefit we would get from the exposure. We have had absolutely no negative impact. In fact, we've seen website traffic increase. Not one agent has left Nothnagle as a result of this move; it has helped our recruiting efforts and has not detracted anyone from joining. Currently, we have 2,513 active listings. If a seller insists, we will send their listing to Zillow but require that a waiver be signed. Roughly only 30-40 listings appear currently on Zillow.

Clareity asked an executive at **Crye-Leike Real Estate Services** about its decision to start holding back listings in some markets and their recent expansion of that decision to other markets: "Listing share, closings, pendings, all up since we did this in the Memphis region in January ... early indications are the same result in the Little Rock region. Our days on market have not increased. Our list price to sale price ratio has not gotten worse."

In many areas of Minnesota, where **Edina Realty** is the #1 market share leader, it is almost impossible for someone serious about the home search to only use the “Big Three” publishers. While they can find rentals and foreclosures, they quickly notice that they can’t find 25-35% the houses they see in the neighborhood for sale on the national sites. This drives them back to Edina’s or other brokers’ IDX websites or working with an agent to use the client collaboration feature in the MLS..

Why Edina Realty withholds their listings:

“We opted to remove our listings from Zillow, Trulia.com and Realtor.com about 2½ years ago because of concerns around data control, lead routing and data integrity – all of which can have a negative impact on our buyers, sellers, and agents. We continue to monitor the changes that have occurred with these portals over the years and have always been open to exploring new solutions.”

Can agents still syndicate to those sites?

“At Edina Realty, our business philosophy is to let the expertise of our agents drive the advertising decisions for each property they market in order to achieve a successful transaction in the least amount of time. Some agents decide after working with their clients to post listings on non-broker aggregator sites like Zillow, Trulia and Realtor.com, and we encourage them to do what they feel is best for their business and clients.”

Do many of them do so?

“Edina Realty has been carrying 9,000 - 10,000 of our own listings this spring. The 295 listings [currently] on Zillow were uploaded by individual Edina Realty agents and would amount to about 3% of our listings.”

Has there been any negative impact from withholding listings?

“We continue to lead the market in sales, and have done so for the last 14 years. Our May recruiting numbers were at their highest in six years.”

As a counterpoint, Clareity also talked with Marshall Saunders, the broker-owner of **RE/MAX Results** in the Twin Cities. He said that while his firm does not always like what the “Big Three” do, they are big fans of syndication and use it as a competitive differentiator “every chance we get” against Edina Realty. While it does not appear Edina’s decision has harmed their market share, RE/MAX Results has more than doubled in size over the past five years growing from 400 to 850 agents and expanded from 16 to 27 offices, so they’re obviously doing many things right. The company plans to continue to spend over \$400,000 per year on “Big Three” advertising, but may shift their mix of spending next year citing recent price increases from Realtor.com.

Over the past few years, the three brokerage firms mentioned took bold moves against the syndication of their listings to third party publishers. It appears their decisions have not hurt their business and most sellers are fine with this marketing strategy. However, all three of these firms have 30% or more market share in their regions, so they are able to drive consumers to their sites due to the breadth of listings they hold and the financial resources they can allocate to building and promoting their own websites. This is likely not to be viable in areas where the market share is more fragmented and most of the brokers are not financially able to invest heavily in their websites. This may also not be feasible in the mobile apps area, as most firms cannot afford the cost to build and maintain a mobile app, nor do they have access to the same mobile developer talent that publishers like the “Big Three” have. It remains to be seen how the mega regional brokerage firms will market their listings as mobile apps become increasingly more important than websites.

Will other brokers with lesser market share be able to use the same anti-syndication strategy as these larger firms? Will a large national brand convince its entire network to withdraw from syndication? As we mentioned, there is no indication a broker exodus from syndication is coming soon, but when a stampede happens, it is often a surprise to people, even those very close to it.

Conclusions

Ultimately, the questions about syndication are part of the bigger questions around the future of the MLS industry and its role in the responsible management of their participants’ data. As the local market makers, MLSs are charged with being stewards of their participants’ data and entrusted with the opportunity to help their participants maximize its value to grow their businesses.

As the market has shifted to a seller market and as the “Big Three” publishers have established their dominance, we see an opportunity for brokerages and MLSs to reclaim their rightful place as the authors and stewards of the listing data—but to do so, they must get intimately involved in every aspect of how that data is managed and marketed, and stay involved as the market evolves to ensure they are maximizing its strategic value at every point along the way.

It looks increasingly as though MLSs are going to take back responsibility for listing distribution the way they did in the early days of listing syndication. This likely means re-evaluating the value of the “long tail” of low performing websites and likely cutting back the number of sites the data is sent to, focusing on those providing significant traffic so there can be a focus on better value exchange and increased satisfaction with the results. When brokers want to syndicate on their own, MLSs should facilitate it as best they can, but they will have to remind brokers that compliance, and the potential liability, for their listings online becomes entirely their issue.

MLS operators and brokerages have an opportunity to get more involved and increase their value and relevancy surrounding “responsible listing distribution.” Those that choose not to be involved in syndication discussions and improvements are forcing their brokers or agents to go around them for data distribution, which imposes unnecessary costs and leads to high error rates as well. In an era

where everyone competes for value-add and relevancy, it's a shame to see a modern MLS or brokerage pass on this important opportunity to reclaim their rightful place as the legal stewards of listing data.

It's time for the industry to take a step back and evaluate what's working and what's not, and that looks like moving *beyond syndication* – focusing on making more responsible listing distribution the new normal.

About Clareity Consulting

Founded in 1996, Clareity continually strives to provide our clients an independent and unique perspective. Due to our extensive involvement and interaction across the entire real estate industry, we have a finger on the pulse of the industry. Clareity has successfully executed a vast array of consulting projects for our clients, related to:

- Development and analysis of RFPs for MLS systems, public records, broker systems and transaction management systems
- Public speaking and presentations
- Strategic planning
- Information security and business risk management assessments
- VOW and IDX compliance audits
- Regionalization and data share consulting
- Mergers and acquisitions and strategic alliances
- New product marketing and business plans
- Product integration specifications
- Conference planning and content development
- Competitive analysis
- Contract negotiation
- Executive and technical staff recruitment
- Project management and implementation assistance
- Market research including agent, broker, and staff surveys as well as onsite focus groups

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Appendix 1: Syndication Related News Articles

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| 5/22/12 | Edina Realty pulls the plug on Realtor.com | http://www.inman.com/2012/05/22/edina-realty-pulls-plug-realtorcom/ |
| 11/9/12 | Zillow expands pilot broker program to 48 firms | http://www.inman.com/2012/11/09/zillow-expands-pilot-broker-program-48-firms/ |
| 11/21/12 | Large New York brokerage stops syndicating to Zillow and Trulia | http://www.inman.com/2012/11/21/large-new-york-brokerage-stops-syndicating-zillow-and-trulia/ |
| 10/29/13 | Zillow Pro for Brokers surpasses 200 members | http://www.inman.com/2013/10/29/zillow-pro-for-broker-network-surpasses-200-members/ |
| 10/30/13 | 8 more Austin real estate brokerages turn off flow of listings to portals | http://www.inman.com/2013/10/30/8-more-austin-real-estate-brokerages-turn-off-flow-of-listings-to-portals/ |
| 11/5/13 | Colorado MLS adopts BIG technology that could allow it to take back control of listings | http://www.inman.com/2013/11/05/colorado-mls-adopts-big-technology-that-could-allow-it-to-take-back-control-of-listings/ |
| 11/6/13 | ListHub says 36 MLSs have joined its platform so far this year — more than came aboard in all of 2012 | http://www.inman.com/2013/11/06/listhub-says-36-mlss-have-joined-its-platform-so-far-this-year-more-than-came-aboard-in-all-of-2012/ |
| 12/18/13 | Zillow powering home searches at AOL Real Estate in wake of Move's departure | http://www.inman.com/2013/12/18/zillow-takes-over-aol-real-estate-relationship-in-wake-of-moves-departure/ |
| 1/6/14 | ListHub beefing up reports with Showing Suite data | http://www.inman.com/2014/01/06/listhub-to-offer-reports-beefed-up-with-showing-suite-data/ |
| 1/23/14 | Crye-Leike Real Estate pulls Memphis-area listings from Zillow, Trulia | http://www.inman.com/2014/01/23/crye-leike-real-estate-pulls-memphis-area-listings-from-zillow-trulia/ |
| 2/11/14 | Wilmington, NC, Realtor association to stop syndicating listings through ListHub | http://www.inman.com/2014/02/11/wilmington-n-c-realtor-association-to-stop-syndicating-listings-through-listhub/ |
| 2/14/14 | Los Angeles' CLAW is first MLS in the country to delay listing syndication feeds | http://www.inman.com/2014/02/14/los-angeles-claw-is-first-mls-in-the-country-to-delay-listing-syndication-feeds/ |
| 2/21/14 | Zillow, Trulia, realtor.com set for 2014 consumer marketing arms race | http://www.inman.com/2014/02/21/zillow-trulia-realtor-com-set-for-2014-consumer-marketing-arms-race/ |
| 2/23/14 | Trulia lures ListHub VP John Whitney to build MLS partnerships, improve listing accuracy | http://www.inman.com/2014/02/24/trulia-lures-listhub-vp-john-whitney-to-build-mls-partnerships-improve-listing-accuracy/ |

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| 3/4/14 | Zillow poaches key realtor.com exec | http://www.inman.com/2014/03/05/realtor-com-president-errol-samuelson-to-join-zillow/ |
| 3/5/14 | Arizona Regional MLS to help brokers feed listings directly to Trulia | http://www.inman.com/2014/03/05/arizona-regional-mls-will-help-brokers-feed-listings-directly-to-trulia/ |
| 3/10/14 | Accuracy in real estate listings: Data errors raise concerns over legal damages, responsibility | http://www.inman.com/2014/03/10/accuracy-in-real-estate-listings-data-errors-raise-concerns-over-legal-damages-responsibility/ |
| 3/11/14 | ListHub, ListGlobally partner to provide international exposure for US listings | http://www.inman.com/2014/03/11/listhub-listglobally-partner-to-provide-international-exposure-for-u-s-listings/ |
| 3/12/14 | Premium placement of listing agents' contact info at odds with who deserves consumer leads | http://www.inman.com/2014/03/13/premium-placement-of-listing-agents-contact-info-at-odds-with-who-deserves-consumer-leads/ |
| 3/17/14 | Zillow nabs Move Inc.'s Curt Beardsley | http://www.inman.com/2014/03/17/zillow-nabs-moves-curt-beardsley/ |
| 3/25/14 | HAR.com first on board as ListHub starts syndicating listings to MLSs | http://www.inman.com/2014/03/25/har-com-first-on-board-as-listhub-starts-syndicating-listings-to-mlss/ |
| 4/2/14 | Zillow to power US real estate listings for Chinese portal Leju | http://www.inman.com/2014/04/02/zillow-to-power-us-real-estate-listings-for-chinese-portal-leju/ |
| 4/10/14 | Some MLSs starting to see realtor.com as just another portal | http://www.inman.com/2014/04/10/mlss-starting-to-see-realtor-com-as-just-another-portal/ |
| 4/14/14 | Zillow receiving 33,000 listings from Re/Max Integra brokers in 8 states | http://www.inman.com/2014/04/14/zillow-receiving-33000-listings-from-remax-integra-brokers-in-8-states/ |
| 4/15/14 | Can you run a successful business without Zillow, Trulia or realtor.com? | http://www.inman.com/2014/04/15/can-you-run-a-successful-business-without-zillow-trulia-or-realtor-com/ |
| 4/21/14 | Trulia to get listings from another big MLS, My Florida Regional MLS | http://www.inman.com/2014/04/21/trulia-signs-listing-feed-agreement-with-uss-second-largest-mls/ |
| 4/30/14 | Trulia to get direct feed again from Austin Board of Realtors | http://www.inman.com/2014/05/01/trulia-to-get-direct-feed-from-austin-board-of-realtors/ |
| 5/1/14 | Zillow 'Pro for Brokers' participation takes off | http://www.inman.com/2014/05/01/zillow-pro-for-brokers-participation-takes-off/ |
| 5/5/14 | Zillow, Trulia and realtor.com strengthen their hold on consumers | http://www.inman.com/2014/05/05/zillow-trulia-and-realtor-com-strengthen-their-hold-on-consumers/ |

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| 5/12/14 | North Alabama MLS suspends listing feed to realtor.com | http://www.inman.com/2014/05/12/north-alabama-mls-suspends-listing-feed-to-realtor-com/ |
| 5/15/14 | ListHub could get listings from 130 more MLSs through Systems Engineering partnership | http://www.inman.com/2014/05/15/listhub-could-get-listings-from-130-more-mlss-through-systems-engineering-partnership/ |
| 6/2/14 | Crye-Leike Expands Zillow, Trulia Blackout Zone | http://www.inman.com/2014/06/02/crye-leike-expands-zillow-trulia-blackout-zone-to-2-more-markets/ |
| 6/9/14 | Move hires 2 outsiders and promotes from within to bolster industry relations team | http://www.inman.com/2014/06/10/move-hires-2-outsiders-and-promotes-from-within-to-bolster-industry-relations-team/ |
| 6/10/14 | Three Austin-based brokerages feeding listings to Zillow | http://www.inman.com/2014/06/10/three-austin-based-brokers-join-zillows-pro-for-brokers/ |