

Confidential.

Realtors & Red Herrings  
Houston Assn. of Realtors  
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**BACKGROUND:** In Atlanta at the National Association of Realtors (NAR) annual meeting in 1984, the Realtors Information Network (RIN) was introduced. RIN was the predecessor to Realtor.com. At the same meeting, Steve Murray, Roger Scommegna, Laurie Moore-Moore, and Steve Kropper introduced HomeAdvisor with Dan Bourgoin from Microsoft. Bill Chee, a Realtor from Hawaii was NAR's President and he introduced the slogan "*Lion over the Hill*" to focus NAR member attention on new entrants that might be threatening the industry.

Time shows that Realtors can not control new entrants, technology or consumers. These may be challenges, but the key problems of the industry predate the Internet, and have been sidelined as these external threats attracted industry ire.

For the last decade, the key challenge for big brokers has been to find ways to **bind agents to the brokerage**. Agents look to brokers for lead flow and marketing support, but finding none, they focus on investing in their own brand. Internet lead generation provides an opportunity for brokers to deliver real value to their agents through centralized lead generation, management, incubation, tracking.

This presentation attempts to brush away the competitive Red Herrings of technology, new entrants and consumer assertiveness, and garner broker support for internet lead generation, incubation and reinforcing the broker:agent relationship.

# Realtors and Red Herrings

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Since '94 many pundits warn of threats. All Red Herrings!

Three persist: **new entrants, technology, consumers.**

Real problems two-fold. Focus on these not diversions. Red Herrings.:

- 1) Build broker value, power, bind agents to brokers.
- 2) Make Internet truly useful to Realtors.

**Bridge gap** between Web and brokers.

Web generates high volume, low value leads.

Relo dept (and agents) need leads that convert.

**Threats from tech, new entrants, consumers are diversion, red herring!**

# Technology IS the Enemy

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Ellsberg, copier, Pentagon Papers in a room = leaks.

Put tech near information and leaks all over. Likewise MLS.

Printing books started, Selectric continued, Internet was the end.

**Slippery slope!** Sliding down to public accessibility

IDX, VOW. Too late. **75% RULE** **Promote over protect.**

Free print ads are good right? Why not web? R.com monopoly???

Horse out of barn. Horse sold 2x, branded, grazing in retirement.

Listing control gone; that's good for agents!

Recent meeting "Wish we could go back to the books". Amen from audience.

**Tech IS enemy.** Does erode control. **Inevitable** however. Exploit, don't fight.

Trend is inevitable, and **bigger than real estate**

# Consumer IS the Enemy

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Realtor remains at center, but control shifting, center moving!

**Consumer winning.** Assertive, information hungry.

Want direct unfettered access to details. Withholding addresses? That's so 90s!

Deny consumers, and they will surf to satisfaction.

When ready to engage, consumer will reveal, register, call. 60% call from site.

Realtors: Ask questions..raise anxiety..give answers..build trust = dependency.

Aggressive consumers here to stay.

Only second inning of Consumer Revolution in Real Estate.

**Satisfy consumers, own consumers.** Rich information own consumers.

Consumer ascendancy **inevitable**, so accept it.

# New Entrants as Enemy?

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Remember Homeview? SureFind? IBM. MS co-founder. Long forgotten.  
New players thought entry easy. eBay! Big surprise. Challengers long gone!  
Remember “**Lion over the Hill**”? The Red Herring of Red Herrings.  
Big diversion from real industry problems.

Home Advisor change industry? No! Has industry **changed** for Realtors yet?  
Disintermediation succeeded with Expedia, not HA. **Zillow redux.**  
New entrants affirmed that listing control is not key to broker power.

Hiding listing data does not protect realtors:  
Exposure Good, Monopoly Media Bad.  
Focus on new entrants diverts attention from real problems.

# Banks - Next Red Herring

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Bank entry into real estate is latest red herring.

Cendant, GMAC??

Hands up if you do **not** have a mortgage business?

Bank entry means more suitors and liquidity for many owners.

Besides, let them try. **97% runoff. 25% channel control.**

Real estate is harder than everyone thinks.

So, we have identified the Red Herrings.

Now what should I worry about?

Brokers and Agents have an **unstable relationship**.

Broker challenge: recruit, train, retain, be essential to agents.

What binds agents to the broker?

Agents want to be loyal, but build their own brand instead.

We have met the enemy and he is us!

Look inward for real challenges.

Centralized lead generation in the hands of Broker is salvation.

And the Internet is the tool for centralized lead generation.

Decentralized agents are a poor starting point for leads.

**YEP, SON,  
WE HAVE MET  
THE ENEMY  
AND HE IS US.**

# New Media, Cold Leads

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New media (Yahoo RE, Realtor.com, HomeAdvisor): central lead generator

Failures thus far. Leads are garbage.

Real estate business depends on “hot” leads.

Internet generates low yield, high volume “cold” leads

The Web leads “product” was released prematurely.

When they do work, broker will be required to manage, incubate leads

Leads are like a hen’s egg.

Need incubation, management, care until ready to hatch.

Most wont hatch- break to make scrambled eggs.

Web Industry needs to build tools to bridge the gap

Low value, high volume Web Vs. high yield, warm leads for agents.

# Web Leads. The 5% goal.

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Web sales leads of little value.

Diluted, conversion costs too high.

Months of incubation, management, care.

Lead quality from Yahoo, HA, Realtor.com so poor

Low yield soured brokers on buying web leads.

Product was released too early, product AND market not ready.

Is the market ready today?

Is the product ready? 5% goal.

# Innovators Vs. Imitators?

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Remember natural foods stores? Most gone now.

Mainstream grocery stores now sell hippie food.

Poached their free range chickens, organic milk, tofu...

Likewise real estate innovators

ERealty, Zip, LendingTree, HomeGain.

Some will be bought, some go bust, some say independent.

Major brokers will adopt the practices they have refined.

# Relocation Saves The Web

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Relocation Department – Salvation of the Web

Where should leads be incubated, managed?

Specialists like ZipRealty, eRealty, Lending Tree

Build well-oiled single purpose machines

Relocation dept. closely resemble these well oiled Web lead machines.

Salaried staff, contact management systems, call center...

Relo dept management of Web leads can restore broker control.

Target is 5% conversion of leads

# Tools to Bridge the Gap.

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Web: brokerage gap is wide.

Who will warm up leads? Media companies or brokers?

Filtering tools, incubation, triage, handholding, call center.

Not a cottage industry. Very expensive.

Needs regional or national scale. Not local.

Domania developed these tools for the mortgage industry

Primedia purchased Domania for these tools and our Mortgage industry position.

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