Friend or Foe? The Battle with Third Party Aggregators

<u>The Winning Real Estate Brokerage: A VHT White Paper Series</u>
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By Alex Zoghlin CEO, VHT

Imagine if Zillow slapped its website address on all of a broker's yard signs, and if Trulia did the same. How would the broker react?

What would the brokerage do if Google didn't link back to its website in real estate search results, keeping visitors on its own site rather than sending them to the broker's site? And what if Google let the brokers' competitors buy advertising next to its brand name in order to divert potential customers away?

In any of these scenarios, a broker would cry "unfair!" and waste no time taking legal action to stop such practices.

No wonder there's an escalating firestorm over third-party real estate aggregators. Because this is exactly what third parties are doing to brokers right now – using their most valuable assets to make money, build their businesses and divert customers away.

Contrary to what many brokers believe, their competition isn't the brokerage down the street – it's the fast-growing, third party ecosystem of listing aggregators, online publishers, virtual tour providers, advertising networks and media companies that are dominating search engine results in order to capture online leads.

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The need for dual strategies

Success in this online battle requires a deep understanding of digital marketing and the broader competitive landscape. Brokers need a two-part plan – a website strategy and a third-party strategy – to help them connect with consumers early in the buy cycle, before competitors do.

A brokerage's website strategy should be designed to position the company's own site as a primary source of new clients for their agents. This requires a robust digital strategy that fully leverages search engine optimization (SEO) to make your property listings visible in search engine results, and to position your website as the authoritative real estate site in your geographic market. As outlined in VHT's most recent white paper, *The Battle for Buyers: Winning Tactics*, a broker's website is its biggest and potentially most profitable office, and should be supported with an online marketing plan that attracts home buyers directly to your site.

A broker's third-party strategy should lay out the company's approach for addressing the broader, "macro" online environment. You can spend more money on your website to add great content and customer tools, but if big listing aggregators are more prominent in search engine results, you are outgunned. This is the position most brokers find themselves in today and it's the reason they resort to buying leads from aggregators.

Pros and cons of third party partnerships

When it comes to relying on these outside partners for leads, there are definite costs and potential benefits that must be evaluated.

Is it a good idea for brokers to share their listings with big aggregators and other third parties? Do the positives outweigh the negatives? This hot topic is currently the subject of much debate and discussion – as well as noise and confusion¹. A common argument in favor of third party partnerships is this: Why wouldn't a brokerage want its listing in as many places as possible? Third parties can present its listings to a broader audience and get more "eyeballs" than a broker could on its own.

Those who have a good grasp on SEO, the home buyer lifecycle and the competitive landscape know that argument has several gigantic holes in it. Let me explain the facts.

Most consumers start their real estate searches at search engines rather than at third party sites like Zillow, Trulia and Realtor.com. There is so much duplicate real estate content in syndicated

listings that the search engines can't figure out that brokerages are the authoritative or original source of their listings. So, search engines give top rankings to big aggregator sites, which is where most of search engine visitors wind up. Brokers and agents may think they're reaching more "eyeballs" by sharing their listings with aggregators, but in fact the opposite is true. Brokerages put themselves at a disadvantage because they're missing out on millions of search engine visitors who otherwise would have come directly to their own sites. They've become lost in a sea of aggregated data and their brands are further diminished when home buyers on the third party sites are confused in terms of who is representing the listings.

One brokerage told me recently that it began providing more property photos to aggregators with its listings in an effort to entice home buyers. Rather than increasing business, the move actually had the opposite effect. It experienced a 50 percent drop in visitors to its site from aggregators and a zero increase in leads. Buyers finding the content on third party sites no longer come to the broker's site, thus undermining its website strategy and marginalizing its value to agents.

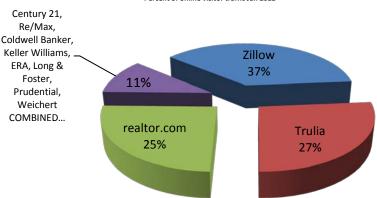
Outgunned by third party SEO experts

Ever wonder how a six-year-old company like Trulia, with very little consumer brand recognition² and Zillow, with a small marketing budget³, are able to attract more unique visitors than all the major brokerages/brands

combined⁴? The only asset that aggregators have is the property listings from brokerages.

Companies like Century 21 and other well-known franchises such as Coldwell Banker, Prudential, RE/MAX, and Keller Williams⁵ have





tens of thousands of agents, offices everywhere, sizable marketing budgets and decades of history, yet they have been unable to compete with big aggregators for online visitors. The answer is this: as an industry, brokerages have done a poor job of making themselves and their web content visible to search engines. By contrast, real estate aggregators such as Trulia and Zillow are masters of SEO, giving them a huge advantage over brokers that aren't.

Even a large broker is at a significant disadvantage to big aggregators in attracting home buyers on the web. Vying for search engine visibility with Zillow and its inventory of 100 million homes (and the system of landing pages, links and widgets built around the broker's own content) is like fighting a 900-pound gorilla. This is a key reason some top brokerages have pulled their listings – their websites can rank higher in Google results when they stop competing with Zillow.

The difference between "old" and "new" media

Historically, brokers advertised their listings in publications and on websites that created and retained an audience with exclusive and unique content. Newspapers spent vast sums of money on journalists, international bureaus and physical distribution to attract a readership. A broker buys newspaper advertising to get in front of that audience.

By contrast, real estate aggregators create and retain their audience not through unique content, but by using brokers' own content – their property listings and photos. And they do a better job of marketing that content to traditional search engines than brokers do.

Search engines are the access point for people seeking all kinds of information in their everyday lives. As a result, both users and content providers expect search engines to show integrity in how they display and represent information in their comprehensive search results. Could you imagine a world in which Google biased its organic search results toward companies that paid for preferential treatment? Worse, could you imagine Google actually hosting content in its results and not sending that traffic back to the content owners?

Such practices would surely spawn a slew of federal investigations and law suits against Google. Yet this is **exactly** what real estate aggregators are doing with brokers' content today.

Playing dirty pool

Behind the scenes, aggregators use technical tools such as "no-follow" tags and internal redirects to ensure that search engines don't see brokerages as the original source of their listings information⁵. These questionable practices have been fought by the industry for years with very little response from the aggregators because their business models depend on them.

Aggregators know that search engines don't count links with no-follow tags in their rankings calculations, making it very difficult for brokerages to be ranked higher than aggregator sites.

As I noted above, competing with the aggregators for search engine visibility of their own content is a contest which brokers are losing badly. And without a presence in search results, a broker's website is basically invisible to anyone starting the process of buying or selling a home.

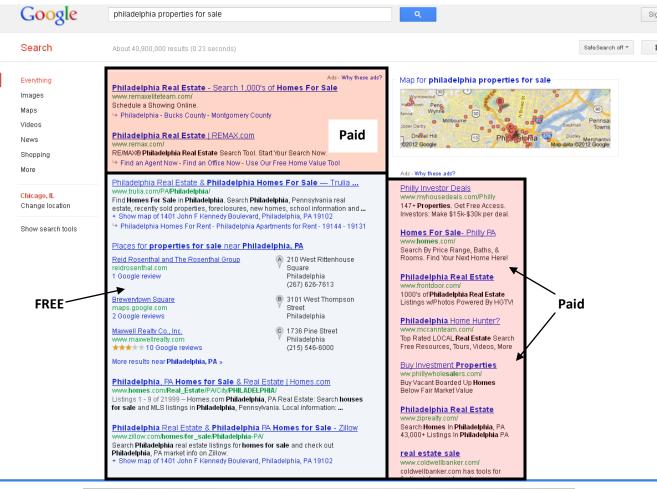
These and other practices by aggregators are often bad for brokers, agents, buyers and sellers. Here's how:

1. Aggregators are controlling access to home buyers. They dominate key phrases used by consumers searching for homes online, such as "real estate" and "homes for sale." This is especially true in the early phases of the buyer lifecycle, when buyers are relying on search engines and conducting hundreds of millions of queries on a monthly basis. By boxing brokerages out of search engine results, third parties have put themselves in a position to act as the gatekeeper to home buyers who have yet to choose an agent/broker. Third parties control the upper end of the customer "funnel," or in other words, they are fishing upstream, meaning they decide who gets the leads and at what cost. In effect, they are disintermediating brokers from home buyers and agents.

<u>Discovery</u>		Research		Selection	Closing
real estate nomes for sale nouses for sale properties for sale realtors real estate for sale real estate homes for sale real estate agents real estate agent real estate homes for sale real estate agent real estate agent real estate homes for sale	55,600,000 20,400,000 16,600,000 13,600,000 11,100,000 5,000,000 3,350,000 2,740,000 1,500,000 1,220,000 1,220,000 1,220,000 1,220,000	Chicago real estate LA homes for sale Atlanta houses for sale CO properties for sale Houston realtors Dallas real estate for sale OH foreclosures Cary homes for sale Berwyn real estate agents Naperville homes for sale Winston condos for sale real estate in Oak Park Cicero real estate Lakewood IL Townhomes	15,000 12,200 11,700 11,300	320 Elm Street 15 17 E Oak Circle 11 Falcon Ridge estates 55 Homes on Astor Ln. 30 Schaumburg Schools 75 Schaumburg Taxes 95	Home Inspection Attorney Moving Company US Mail Title Companies New furniture
Education				Confidence	

2. Third parties increase brokers' marketing costs. SEO-savvy aggregators are using organic keywords to secure top search engine rankings for free, while brokers must resort to expensive pay-per-click advertising or paying aggregators to attract customers on Google. Organic SEO is the most cost-efficient search marketing technique to attract visitors to a website. It involves optimizing web pages so they do well when a home buyer types a keyword or search phrase (such as "Cleveland homes for sale") into the search bar. Search engines rank web pages depending on relevance so the most relevant page becomes the top result. In the screen shot below, Trulia.com is ranked as the most relevant site in the free, organic results, while RE/MAX and other brokers' sites have had to pay to appear in sponsored ad links.

The Battle with Third Party Aggregators





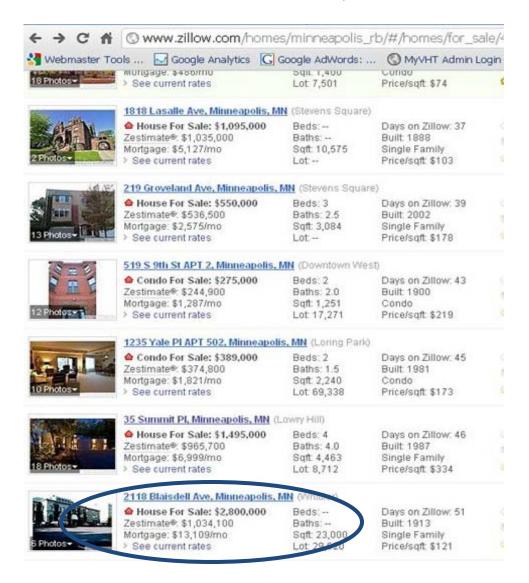
3. Aggregators provide a poor consumer experience for buyers and sellers.

Home sellers have entered into an exclusive contract with a broker and agent, who typically will not get paid unless that listing sells. Moreover, the selling agent is almost always the most knowledgeable about the listing to represent it to a buyer in the most comprehensive way possible. If the listing is on Trulia, Realtor.com, or Zillow, and the agent or broker did not opt to "buy" their listing or zip code, often the aggregator will place contact information of a competing agent or sales person next to the listing. The sales person who "poaches" leads next to your listing might not be a licensed agent, might not be knowledgeable about the listing, and might not even have visited the listed property. (It's not clear any of the aggregators actually check credentials of the people they do business with.)

What is certain is that a non-listing agent doesn't have the same financial incentives to help the seller promote the listing. And they probably lack familiarity with the property to answer a buyer's questions about it. Instead, they're more likely to promote their own listings. None of this is beneficial to buyers or sellers.

4. **Aggregators undermine sellers' efforts to get a fair price.** Several third party sites compute branded estimates of home values that conflict with those carefully chosen by the seller and agent when they put the house on the market. Zillow's estimates lack reliability because the site cannot take into account any form of property renovations, condition of properties and upgrades such as landscaping, roofing, new appliances, etc. At best, this type of inaccuracy adds to the confusion on the part of potential buyers. A recent study by University of Texas at San Antonio found that 40 percent of Zillow's "Zestimates" were overvalued by 10 percent compared to the actual sales prices, while the remaining 60 percent were below the listing price by over 20 percent⁶. In fact, the study concluded that

"homeowners are able to determine the value of their own homes better than an automated system such as Zillow." Yet none of this is disclosed to buyers or sellers.



Backlash by agents

An agent named Mike Russo recently commented online in response to an article about the costs of promoting listings on Zillow, Trulia and Realtor.com: "It is very frustrating to me that brokerages haven't figured out how to get the traffic to our own sites. Instead, agents have to pay hundreds and thousands of dollars to buy back our leads. Something isn't right here."

Mr. Russo hit the nail on the head. Big listing aggregators have grown so huge that most brokerages simply can't compete with them for search engine visitors. They are like vampires sucking the blood out of brokers' online marketing efforts.

Residential real estate isn't the first industry to face this type of challenge. Music, newspaper and magazine publishers, book retailers, airlines and hotels are among those that have struggled with the threat of disintermediation by new online competitors.

Lessons from other industries

Since the early days of the web, entrepreneurs have made fortunes by gaining access to other companies' content – such as news articles, air fares, hotel room rates and real estate listings – and then leveraging the power and reach of the Internet to cost-efficiently attract a significant base of users that can be monetized.

To understand what's really at stake, let's look at the hotel industry. More than a decade after the emergence of strong online travel agencies, players such as Expedia, Travelocity, Priceline and Hotels.com now account for the lion's share of hotel room bookings⁷. Hotel rooms have become a commodity that can be easily priced, compared and booked online in a matter of minutes. There's no need to visit a hotel's website. The impact on hoteliers has been significant as their brands eroded and they lost pricing power over room rates and commissions.

While some unfortunate industries are losing the fight, the airlines are an example of one that has refused to let itself become disintermediated.

In the late 1990s, web travel agencies were beginning to mature and sought higher booking fees and advertising revenues from travel suppliers. Major airline executives were quicker than hoteliers in utilizing the web as a low-cost distribution channel. Airlines chose to push back with the successful launch of their own online travel agency, Orbitz, which was backed by an industry consortium. By introducing new competition, the airlines regained the upper hand and were able

to obtain significant reductions in commissions and booking fees. Carriers have also been aggressive in dictating how their offerings are presented online. They've even successfully sued Google to stop competitive ads from being displayed next to their brand names⁸.

Brokerages at a tipping point

Like the airlines a decade ago, brokerages are at a tipping point in their digital marketing evolution. Some leading brokers, such as Edina Realty⁹ and Shorewest¹⁰, recently weighed the pros and cons and decided to stop sharing their listings with aggregators. They've discovered that an effective website strategy can provide more online leads at a lower overall cost.

However, most brokers have yet to launch an effective website strategy for driving search engine visitors directly to their websites. If they were to pull their listings from big aggregators, they would simply become invisible. Instead, they're paying aggregators for leads generated by their own listings. And by competing with their own web content for search engine rankings, they are cratering their chances for a successful website strategy.

A Brokers' Bill of Rights

From my perspective, having focused my career on helping companies leverage the web to its fullest advantage, and from the perspective of VHT, which is firmly on the side of brokers, it's time for brokerages to focus on achieving more effective commercial terms in return for sharing their listings with third parties. Clareity Consulting last year urged the industry to define a set a rules to stop "lead profiteering" by aggregators¹¹. I join them in recommending a new Brokers' Bill of Rights, which would reform and spell out how brokers' content and data can be used by third parties online. Here's a summary of those rights:

- The right to unbiased and comprehensive display of all listings: Third parties cannot bias search results based upon whether a listing owner has or has not paid for a sponsorship.
 Search results must be based upon the consumer query, not the financial incentives of the aggregator.
- 2. The right of each broker to receive free of charge all leads generated by third parties from its listings: Because brokers' listing data is the primary draw of consumers to third party sites, brokers should receive the benefits of providing that traffic.
- 3. The right to prohibit competitors' ads from being placed next to your listings: Third parties should not be allowed to benefit financially by allowing your competition to divert customers from your listings. Selling leads to a broker's competition hurts sellers.
- 4. The right to free listing attribution and direct links to brokers' websites at the top of every listing: Buyers and search engines should be clearly informed about who owns the listing to eliminate confusion and credit brokers as the authoritative source. There should be no SEO tricks.
- 5. The right to free transfer of buyer history and knowledge: Aggregators that collect user data have accessed that data by repurposing brokers' content and should share that information with brokers/agents so they can better serve consumers.
- 6. The right to free, comprehensive reporting with audit capabilities: Brokers need a way to ensure aggregators who've exploited them in the past are treating them fairly.
- 7. **The right to a free, co-branded mobile solution:** Aggregators that have parlayed their dominance on the desktop to achieve dominance in the mobile space should share that solution with brokers who share their listings.

Conclusion

Popular search engines such as Google strive to balance user experience with revenue opportunities. They aggregate information and provide users with relevant and unbiased search results and links to authoritative sources of data. They separate organic results from sponsored ads, knowing that too many ads on top erodes consumer confidence in their brands.

But real estate aggregator sites do not hold themselves to the same standards. They make it difficult for consumers and search engines to determine who owns the property listings displayed on their sites and make it harder to for brokers to use their own websites as a lead generation tool. They "cook" their search results by giving preferential treatment to agents/brokers who pay for featured listings. They provide incorrect property details and out-of-date information that frustrates consumers and reflects poorly on brokers.

With the protection from a new Bill of Rights, it's possible for brokers to share their listings with third parties without hurting themselves and hampering efforts to attract consumers to their own websites. They could even help improve their competitive positioning in the battle for home buyers. It won't be an easy task to reform the third party ecosystem – but an overhaul is long overdue in order to provide brokerages and their data with the value they deserve.

Footnotes

¹ (<u>http://www.thefiscaltimes.com/Articles/2012/02/24/Zillow-and-Trulia-Face-Backlash-from-Realtors.aspx#page1</u>)

² (http://www.century21.com/pressRelease.c21?id=118)

³ (http://investors.zillow.com/releasedetail.cfm?ReleaseID=648998)

⁴ (VHT Study of consolidated traffic results from listed websites as published by trafficestimate.com for February 2012)

The Battle with Third Party Aggregators

- ⁵ (http://agbeat.com/news-business/the-renewed-fight-against-third-party-real-estate-sites-alleged-black-hat-seo-tactics/)
- ⁶ (http://business.utsa.edu/news/2010/zillow Estimates.aspx)
- ⁷ (https://www.markmonitor.com/download/bji/MarkMonitor_Brandjacking_Index-Spring_2011.pdf)
- ⁸ (http://www.usatoday.com/travel/flights/2008-07-22-aa-google_N.htm)
- ⁹ (http://www.edinarealty.com/pages/news/edina-realty-pulls-its-real-estate-listings-from-third-party-aggregators)
- 10 (http://www.therealtyalliance.com/getpublicfile.asp?ref=13)
- 11(https://docs.google.com/viewer?url=http%3A%2F%2Fwww.callclareity.com%2FSyndicationToRealEstatePortals.pd f)



About the Author

<u>Alex Zoghlin</u> is recognized as one of the Internet's most influential minds, and is well-known and respected throughout the industry for building companies with cutting-edge and easy-to-use Web-based technologies. Alex was a founder of Orbitz, a leading travel website. Alex has fought this war before and has seen first-hand who wins and who loses.

About VHT

VHT is a leading provider of digital marketing technology and services to companies offering unique properties, locations and products who need a comprehensive, cost-effective solution for customer acquisition and driving revenue on the web. VHT Studios provides professional photographers, image optimization specialists and state-of-the-art technology for producing the finest visual imagery. VHT ImageWorks is an integrated and automated platform that includes a comprehensive array of tools that businesses need to increase site traffic, leverage their visual assets and improve sales conversion. The platform requires minimal effort on clients' part, and has delivered measurable results to industry-leading brands by increasing the volume of visitors from search engines and engaging online visitors with alluring visual presentations of their offerings

VHT's team has decades of experience in marketing, technology, search engine optimization and professional production, management and distribution of visual assets – including photographs, video, multimedia tours and Video on Demand television spots for 3,500 client companies. Venture-backed VHT is based in Rosemont, IL.