

Why online consumers love Zillow and Trulia more than you.

A special report for brokers, franchisors, associations and MLSes who want to dominate online.



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forward

At the National Association of REALTORS® 2013 Midyear Legislative Meetings, a new round of initiatives was created. NAR released a new report from its REthink program that called for a strengthened commitment to reestablishing REALTOR.com as the nation's premier real estate portal. The top issue at the data strategies meeting, overseen by NAR's MLS committee, was the recommendation that NAR put resources behind "owning the online relationship with consumers." The committee advanced an amendment that allows MLSes to create public-facing portals with member funding. The Board of Directors approved a special meeting whose intent is to craft a strategy that improves the operating agreement for REALTOR.com and allows them to better compete in the marketplace.

For years, NAR, local MLSes, and REALTOR.com were the leading voices of the real estate industry. Recently, however, Zillow and Trulia have steadily gained consumer audience, and now enjoy the highest numbers in the industry of unique visitors each month.

For the REALTOR® family, this is clearly a problem. Up until now, it's been compounded by the group not admitting they have a problem. The initiatives proposed at 2013's Midyear meetings clearly point to their realization that they are no longer the exclusive voice of real estate. The next step is understanding why they have this problem.

This report is for the so-called 1%. It's for an MLS board member, a VP of eMarketing at a franchiser, or the CTO of a large broker that's been tasked with actually beating out Zillow and Trulia at the local or national level. It's an explanation of the core competencies that have lead Zillow and Trulia to become the most visited real estate web portals in nearly every market. For the REALTOR® family to fully understand this problem, it's vital that they understand the strengths of their adversaries.

non-transactional content

Do a Google search for the address of nearly any active real estate listing in America and, without exception, either Zillow's or Trulia's content will top the results. Many web developers have argued that Zillow and Trulia earned those rankings through aggressive back-linking campaigns, widgets, and no-follow link strategies. While it's true that these practices help Zillow and Trulia to achieve better rankings, in the end, what Google looks for is a page that most closely matches what the searcher is looking for. Both Zillow and Trulia deliver exactly that.

Property Details

For over 100 million properties in America, both portals provide extensive pages of content that include: property details, pictures, recent transactions, tax data, area schools, crime activity, amenities and transit information. This is mostly public data that is collected by the portals or licensed through aggregation services like Lender Processing Services (LPS). These are similar data sets to those that the National Association of REALTORS® licenses to supply the REALTORS® Property Resource (RPR) with its information, but Zillow and Trulia have made a far more sizable investment to license these data for public consumption. RPR is for NAR members only.

User Generated Content

Zillow and Trulia also host user-generated content through Zillow Advice, Trulia Voices, blogs, ratings & recommendations pages, as well as through professional profile pages. These platforms facilitate discussion between consumers and real estate professionals and have created a long tail of data about local neighborhoods, market conditions, and real estate agents. Consumers and real estate professionals have manually contributed more than 24 million pieces of content to Zillow.

Trulia claims to have the largest collection of searchable user-generated content in real estate with a cumulative total of over 8 million user-generated contributions (measured differently than Zillow) in its database, up from approximately 5 million a year earlier. During the first quarter of 2013, Trulia users made 1.1 million new contributions, a 69% increase over the first quarter of 2012.

In May 2013, Trulia announced plans to acquire Market Leader and its subsidiary, Active Rain. While it's not yet known how or if Active Rain will fit into Trulia's overall strategy, the blogging platform is a collection of millions of additional pages of user-generated content that has the potential to further boost Trulia's relevance to Google in search results.

Winning the race before the gun goes off.

Industry insiders often argue that without listings, Zillow and Trulia would die, but listings are only a small reason why these portals rank so well in search engine results. Search for information about an off-market property and Zillow and Trulia will top the rankings; they should. Google would be doing a disservice to their searchers not to send them there. When the property goes on the market, very little changes in the eyes of Google's crawlers. There's a listing price, some extra pictures, and a short description of the house written by the agent, but all of the other data that Zillow and Trulia have already provided and updated for years remains. For a search engine, the portals remain a trusted and relevant resources to which it can direct its searchers. The fact that a real estate agent is temporarily marketing the property does not give him or her permanent ownership of that information.

Conclusion

Beating Zillow and Trulia in search results will require a sustained commitment to generating content about properties, neighborhoods, market conditions and real estate agents regardless of a property's market status.

estimates

A history of AVMs

Automated Valuation Models (AVMs) gained traction in the early nineties when lenders began using them to estimate the collateral risk of a portfolio of mortgages. As their accuracy improved, lenders began to use them to run quality control reports on individual appraisals. Some lenders even allowed an AVM to replace an appraisal in select mortgage products. Appraisers, mortgage originators and real estate agents share a common disdain for the AVM, but they have become a reality for the industry.

Enter the Zestimate

The Zestimate, Zillow's approach to the AVM, was simple: Give it to the public, and make it free.

When consumers visit a website, here are three primary questions that they want answered:

1. Is now a good time for me to buy or sell a house?
2. What homes are for sale?
3. What is my home (or the home in which I'm interested) worth?

Since agents have always needed to speak with homeowner to get more information about a property before they could answer

the third question, valuation has generally been viewed as a lead-generation opportunity. In the past, consumers who wanted the answer to Question #3 had to contact the listing agent, even though many of them were not ready to commit or

Zillow offers Zestimates and Rent Zestimates on approximately 100 million U.S. homes.

even prepared to enter into any sort of agency relationship.

Zillow's emergence provided a tool that allowed consumers to estimate the value of their home. Are the estimates accurate? Some are. Some aren't. Zillow recognizes that the tool isn't perfect and, in fact, publishes their accuracy rates for consumer reference. Accuracy isn't relevant though. The Zestimate fulfills a consumer demand that wasn't being previously met. Online consumers have shown that they are happy to settle for a computer's flawed valuation while they are still in a pre-transaction frame of mind. Trulia and REALTOR.com eventually adopted estimates, as well, though they have limited them to off-market properties.

Conclusion

Beating Zillow and Trulia on home values will require a product that can help consumers estimate the value of their homes without having to contact real estate professionals.

agent profiles, ratings & reviews

Is it a coincidence that in one of the only markets where the local MLS outperforms Zillow and Trulia in ComScore traffic is also one of the few public-facing MLS sites that publishes agent ratings of its members? Probably not. The Houston Association of REALTORS® adopted agent ratings in 2009, adding them to HAR.com. The association also offers up a profile page/web page for each of its members. This is a value-added service for all HAR members that also allows the association to rank in search queries for each of its REALTORS® in the market.

The proliferation of sites like Yelp, Trip Advisor, and Angie's List have proven that there's a demand for consumer generated reviews. While the prospect of being reviewed is unnerving, more and more agents recognize that this is the wave of the future and are getting comfortable with the idea.

*Zillow has published nearly
270,000 reviews of local
real estate agents.*

This year, the National Association of REALTORS® launched an agent rating beta program, which includes the California Association of REALTORS®, the Denver Metro Association of REALTORS®, The Mainstreet Organization of REALTORS® and the St. Paul Area Association of REALTORS®, to offer third party agent rating services. In addition, companies like Real Satisfied have signed several industry partnership agreements to provide agent review services.

Zillow and Trulia see two distinct advantages to publishing reviews and recommendations. First, they recognize that consumers see their sites as impartial. As a result, consumers consider them a viable resource for evaluating the competency of real estate agents. Second, ratings and reviews constitute additional user-generated content for the portal sites. Each is using the content to bolster their free agent profile pages in an effort to generate long-tail search results for agent

names (just like HAR does). Zillow has published more than a quarter million reviews of real estate agents. Once Trulia's acquisition of Market Leader is complete, they will serve 46,000 premium subscribers (each with their own profile page) in addition to tens of thousands of additional free subscribers. Very quickly, these sites are becoming the premier resources for information about the professionals that serve the housing industry.

Conclusion

Agent ratings and reviews are expected by consumers on any real estate website. For the REALTOR® family to beat Zillow and Trulia in the marketplace, their ratings must appear impartial. In addition, real estate companies must institute SEO programs to rank for each of their agent's names.

home financing

While mortgage origination has been a part of many real estate brokers' services divisions for several decades, online consumers have longed for a more open marketplace.

Zillow's solution was to offer consumers a platform that allowed them to submit anonymous information about their financial position and receive bids without being contacted by the lenders directly. Zillow did this because they recognized that the average online consumer wasn't any more ready

to commit to a loan originator than they were ready for a real estate professional. Zillow's approach simply helps consumers move closer to the transaction. Over the past twelve months, consumers submitted nearly 14 million loan requests to the Zillow Mortgage Marketplace.

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Trulia has taken a similar approach to the mortgage marketplace. In addition, they have inked marketing deals with online mortgage giants like Wells Fargo and Chase to integrate mortgage advertising directly into the property results pages for active listings. Both companies weave home financing information into every listing, including estimated mortgage payments, free credit report offers and direct links back to their mortgage marketplaces.

Conclusion

Beating Zillow and Trulia in home financing will require a free-market platform that allows consumers to compare rates between multiple lenders without fear of a lender soliciting them directly will have to be created.

home improvement

In February 2013, Zillow entered the home improvement market with its product Zillow Digs. The platform allows consumers to collect ideas on home improvements and connect them with home improvement specialists. It's the first real competitor to Home Advisor (formerly Service Magic), a provider which has lead this segment for over a decade. As of May 2013--just over three months since the program's inception--home improvement professionals and consumers have contributed nearly 34,000 photos to Zillow Digs and created more than 93,000 Zillow Digs boards. These translate to 165 percent growth since launch.

While it remains to be seen how Zillow Digs will be fully leveraged, it's clear that it will be used to establish **Zillow as a holistic resource for all aspects of home ownership**. While traditional real estate companies focus primarily on transactions, Zillow has positioned itself as a place where consumers can estimate what their home is worth, search for a new home, manage their home financing, and make smart decisions on home improvements. Across its platform, professionals are rated by Zillow's community of consumers and can be chosen via Zillow's consumer-centric marketplace. It seems inevitable that Trulia will follow Zillow down the same path.

Industry pundits often cite the differences between Zillow's and Trulia's traffic and the number of transactions completed in any month. They suggest that most of this traffic is not transaction ready. They are right, but perhaps for the wrong reasons. Zillow and Trulia simply have a more comprehensive plan in place to gain audience. As long as real estate companies only focus on transactions, they will continue to lose audience to these portals.

Conclusion

To beat Zillow and Trulia in home improvement, MLSes, franchisers, and brokers must build resources for consumers that allow them to connect in an open marketplace with vetted real estate professionals.

rentals

In 2012, the Houston Association of REALTORS® surveyed Houston area renters (as well as those considering renting) to better evaluate the potential in marketing rental listings online. While the study found that renters were, on average, younger than homebuyers, it also revealed two surprising statistics that point to future opportunity. 38% of the people surveyed had previously owned a home; 59% said that they considered buying instead of renting. These numbers suggest that many renters are just a 12 month lease away from buying.

Zillow's and Trulia's holistic approaches to engaging consumers before they are ready to buy starts with their rental initiatives. Each company made significant deals in 2012 to corner this market.

Trulia and PRIMEDIA, which owns the popular Apartment Guide publication, entered into a significant new agreement that made Apartment Guide's collection of information and listings the exclusive multi-family apartment inventory on Trulia. The partnership gave Trulia access to photos and floor plans from more than 20,000 multi-family apartment communities and approximately 5 million units from ApartmentGuide.com

In Q1 of 2013, monthly rental visitors to Trulia were up more than 100% year-over-year, with mobile visitors almost tripling YOY.

Zillow acquired San Francisco-based rental and real estate search site HotPads for \$16 million in cash.

The deal increased the inventory of rental listings on Zillow.com, but, and perhaps more importantly, it allowed Zillow to get in front of a younger audience. Zillow CEO Spencer Rascoff announced, "HotPads has a younger, complementary and rental-focused audience. Now Zillow will become even more relevant to consumers at the beginning of their real estate life cycle."

HAR's consumer study also found that 40% of the respondents who shopped for rental listings online used mobile devices to search. Again, mobile technology is a huge focus for both Zillow and Trulia. Both companies integrate rentals into their primary applications and offer additional stand-alone rental applications for both iOS and Android. In Q1 of 2013, Trulia announced that while their total rental traffic had increased, year over year, by just over 100%, their mobile rental traffic had nearly tripled.

Conclusion

As a result of their survey, HAR's own recommendation was to, "aggressively build out rentals section" for HAR.com. To beat Zillow and Trulia in rentals, companies need to focus more on mobile than desktop-based technology. All real estate search is going mobile, with rental traffic taking place largely on mobile platforms already.

freedom from REALTOR® rules

One of the most common rumors about Zillow and Trulia is that they intend to become brokers in the near future. From their perspectives, this is something they would only consider as a last resort. Becoming a broker means becoming a REALTOR® and adhering to the rules that all REALTORS® are bound to follow. The last thing either Zillow or Trulia wants to do is play by those rules. Here are some of the types of content that Zillow and Trulia display that may violate “REALTOR® rules.”

Intermingled Data

IDX-sourced data is a very accurate account of what’s active in the MLS, but participating in IDX means that theirs will be the only data set in the search. Non-MLS-sourced listings found on the portals include: for sale by owner, bank-owned, new construction, distressed properties, and listings submitted by real estate agents that don’t participate in the MLS. In the eyes of many consumers, a comprehensive database of real estate listings includes all of these data sources, not just what comes from the MLS.

Fair Housing

It’s debatable how much of the data found on Zillow and Trulia would violate fair housing laws if a broker was to publish it. But being free of fair housing rules is a benefit to the portals. One area that Trulia has focused on is crime maps. A heat map of violent and non-violent crime has been integrated into every property description page. Trulia is publishing facts, not opinions, but they also publish consumer-generated ratings regarding the general safety of a neighborhood. Navigating fair housing laws to disseminate information like this can be tricky for a broker. As third parties, including Zillow and Trulia have more freedom to answer these questions.

Estimates

Many real estate professionals continue to argue that Automated Valuation Models are violations of Article 11 of the REALTORS® Code of Ethics. As a result, brokers should proceed with caution when deciding whether to offer an automated estimate tool on their sites. Neither Zillow nor Trulia is bound by the REALTORS® code.

Conclusion

Companies that wish to offer comprehensive data about the real estate market will need to devise strategies that navigate the traditional boundaries of these REALTOR® rules.

user experience

Trulia employs over 100 software engineers with experience from companies (such as Yahoo!, Amazon, eBay, Google, Netflix, Oracle, and Apple) that specialize in building the best consumer experience for the real estate industry. Trulia's engineers have a combined 800+ years of professional development experience at large-scale consumer and business-facing companies and write over 100,000 new lines of code each month. When the competition is delighting consumers with a polished, engaging user experience, the argument from a real estate broker that 'IDX data is more accurate, so visit our IDX vendor-provided real estate site' isn't particularly compelling.

Trulia's software engineers write over 100,000 lines of code each month

Trulia and Zillow A/B test their sites on a daily basis. They ship quarterly updates to their desktop and mobile apps. They collaborate directly with Google and Apple to deliver products, leveraging new features that are initially unavailable to most independent developers. They are consumer-focused technology companies first, and real estate companies second.

Conclusion

Building a superior user experience to Trulia and Zillow will require a company to dedicate permanent, internal resources that continually test and iterate the company's online platforms to deliver a product that engages online consumers and gives them the information for which they're looking.

search algorithms

The biggest downside to using IDX data is likely the unimaginative way that search results are ranked for consumers. Because IDX seeks to please the listing agent--not the consumer--the default results are ranked by listing price. Both Zillow and Trulia seek to please the consumer; pleasing listing agents is, at best, a secondary concern. Zillow's and Trulia's search results are based on algorithms that rank listings according to a number of factors, including:

- Featured listings that are promoted by brokers and listing agents.
- Published rich media, including pictures.
- Freshness of listings.
- Predictive analysis of the types of homes consumers will like based on their past activity on the web site.

In March 2013, Trulia announced a new feature called Trulia Suggests. The feature looks at property preferences in the context of their users. User actions are layered on top of property data to predict which homes the consumer will like. The algorithms consider visual cues from listing photos and deliver results based on how a house looks. The online consumer is presented with new and better results every time they visit. In addition, Zillow and Trulia push suggested results (based on the homes a consumer "favorites") to the consumer via email and mobile applications.

Conclusion

To create an engaging user experience in property search results, companies need to deliver results based on predictive analyses of what the online consumer wants to see.

mobile

In January 2012, Google and The National Association of REALTORS® released a collaborative report to “better understand the evolving role of digital media in the consumer home search process.” In this report, it was found that “mobile applications are used by 68% of new home shoppers at the onset and throughout their research.”

What’s even more revealing about the role of mobile devices in the real estate search is where they are being used. 77% of respondents said they used these applications at home. 36% went so far as to say that they used mobile applications while in front of a television.

Especially for younger consumers, mobile devices are beginning to replace personal computers. Building an engaging mobile web experience is a great first step, but Zillow and Trulia are leveraging mobile applications to deliver an enhanced, comprehensive real estate experience to consumers.

*Trulia’s Q1 mobile traffic for 2013
grew by 122% over the year
before*

At the May 2013 Google I/O keynote in San Francisco, Google announced enhancements to its Android location services. Key among these is a feature called “geofencing” that will allow Android developers to trigger their applications to push information to consumers based on the location of the mobile device. Just one day later, Zillow announced that they had worked with Google before these features were publicly available to develop enhancements to the latest release of their Android application. As shoppers with the Zillow Android application get close to a home which they’ve saved to their “Favorites,” the phone will automatically provide them with directions to get there. This is a minor, but impressive feature for Zillow’s Android users. What’s far more important

to consider is how quickly Zillow developed and released this feature. Not only does Zillow quickly react to the latest technologies being developed by Google, they work directly with them to help develop those technologies.

At certain times on weekends, Trulia's mobile traffic exceeds their web-based traffic. For Zillow, their total mobile traffic exceeds their web traffic, and on the weekends, mobile traffic comprises upwards of 60% of their total traffic. These 'web sites' are quickly become mobile technology companies. Trulia's Q1 mobile traffic for 2013 grew by 122% over the year before, and in 90 of the Top 100 metro areas across the country, more than half of Trulia's email leads generated were mobile.

Zillow maintains 24 different mobile applications across all popular platforms. Trulia develops and maintains 14. Each company releases new updates to these applications on a regular basis. Competency in mobile technology means developing for not just real estate transactions, but rentals, mortgages and home improvement. It means a commitment not just to the iPhone & iPad, but to Android phones and tablets as well.

Conclusion

For years, Zillow and Trulia have been criticized for their SEO tactics. Soon, SEO will be irrelevant to their success. Consumers install these apps before they begin to search. Even if a company becomes fully competent in every other core proficiency listed in this report, if they aren't fully dedicated to an extensive, internal, mobile development and marketing program, they will lose to Zillow and Trulia.

final thoughts

For those companies that insist on nothing less than absolute victory over Zillow and Trulia, all the competencies in this report will need to be addressed. To do this, an internal, full-time team of highly talented software engineers will need to be employed, a commitment to quarterly releases of new web and mobile software will need to be made, and a strategy shift that moves away from playing by traditional REALTOR® rules will have to be made.

Winning a “war” against Zillow and Trulia is going to be tough. However, strategic coexistence is an viable path toward success as well. The Houston Association of REALTORS® is an excellent model for this strategy. While syndicating data to Zillow and Trulia, their partnership with the portals also delivers large amounts of traffic back to HAR.com. The Association’s ultimate goal is deliver value to their members, not to crush their competition. By working with the portals instead of against them, HAR has built one of the few real estate portals that outranks Zillow and Trulia in local web traffic. Another option for companies wishing to better compete with Zillow and Trulia could be to partner with these to portals, trading data and agent access for white label versions of their web-based and mobile applications.

Finally, before implementing a strategy for victory over Zillow and Trulia, consider how they might react to such a ploy and the other issues that might arise from such action. Will they join forces with your competitors? Will they make moves that diminish the value of the MLS? Is a technological “cold war” something for which your company is prepared?

True “victory” over Zillow and Trulia may not involve a technology play. Perhaps it will come from reevaluating the real estate professional’s highest value proposition to a consumer and focusing more effort on communicating that value to the public at large. In any case, it’s time to get to work.

about the author

Todd Carpenter is an independent consultant and a 20-year veteran of the real estate and mortgage industries. As Senior Manager of Industry Engagement at Trulia, Todd built relationships with Trulia's partners and advised them how to better align the company's initiatives with the needs of the industry. As Director of Digital Engagement for The National Association of REALTORS®, he oversaw the Association's communication strategy on its social media channels.

Todd was named to the Inman News "Most Influential In Real Estate" lists for five consecutive years and is widely regarded as an industry pioneer in leveraging the social web.

Though Todd is a former employee of both Trulia and the National Association of REALTORS®, neither he nor RealtyNex.us has financial interest in any of the companies mentioned in this report.

For more information about Todd, visit: <http://realtynex.us>