2011 CMLS
MLS OPERATIONS
BENCHMARKING SURVEY

CMLS

2011 CMLS MLS Operations Benchmarking Survey

In March 2011 the Council of Multiple Listing Services (CMLS) and WAV Group reached out to the entire MLS community to gather insights about a variety of elements of MLS operations. The goal of the survey was to provide each MLS with a benchmark to compare its operation to. When considering the addition of new services or programs, MLSs throughout North America can refer to the report to help them evaluate their service offerings relative to MLSs around the country.

Profile of Respondents

The survey was completed by 141 MLSs around North America representing approximately 750,000 REALTORS®. The respondents represent a diverse sample of geographies and sizes. For the first time the survey was also completed by CMLS business partners including technology companies, consulting groups and legal firms.

Key Issues Facing MLSs today

Data Distribution and Unauthorized Use

Many MLSs responding to the survey believe that the issues surround MLS data and distribution integrity is a key issue facing MLSs today. Nearly 80% of respondents are concerned about their inability to control the distribution and unauthorized use of data.

"Balancing control of listing data with desires of members to have the listing data everywhere on the web".

"The proliferation of data distribution all over the Internet and the loss of control of where the data is, whether or not the data is current, and how the data is displayed."
"Monitoring the use of listing data in unauthorized areas as well as maintaining data integrity."

"Ability to control data after it is "out there." Other providers disintermediating MLS. A proven method of data sharing, so MLSs interested in sharing data, be they geographically contiguous or apart, can do so cost effectively and technically well."

"Managing the data - is there any way to control where it goes and how it is used?"

"I see the MLS's pulling back on the use of their data and being more protective of their commodity."

"Protecting / monetizing intellectual property while facing pressure to meet consumer demands who expect everything for free (thanks to venture-backed services or ad-supported models that give content for free in exchange for eyeballs

One respondent expressed concern about the inconsistent application and enforcement of IDX feeds.

"Compliance with IDX and VOW rules. Too much inconsistency between MLSs who enforce versus those who don't."

Keeping Up with Technology in the Face of Reduced Revenues

For the first time in the past three years there was significant concerns raised about the MLSs ability to deliver superior customer service and create loyal relationships with their customers. MLSs are beginning to realize that they must continue to improve the quality of their technology offerings and customer service to maintain their subscribers.

MLSs are experiencing the pinch of continued membership decreases, yet feeling ever more pressure to upgrade the quality of the services and customer support they provide. They believe they need to continually upgrade their services to meet customer need, yet they may be in a losing battle.

"Providing services to Realtors that they will think is worth paying monthly MLS usage fees. A lot of the information is out there on the Internet now."

"Licensees wanting more and more features and changes and our vendor not able to keep up with the constant requests."

"Competition, member demands for much more and better industry related technology from the MLS"

"Keeping up with technology innovations in a timely manner and for a reasonable cost. Big MLSs have resources but a huge investment in legacy systems. They don't seem to be able to respond quickly to innovation for a reasonable cost. This makes them and the MLS look slow and antiquated"

"I think MLSs will provide deeper/richer backend services, increased data quality/accuracy services and continue to provide/monitor and enforce business rules to insure a viable cooperative & competitive business environment for its Participants."

Expanding Scope/Personalization of Services Required – Reduced Dependence of Dues Revenue

Many respondents suggested that there is a need for their organization to figure out a way to offer more personalized service levels for their members. Because of declining membership, many MLSs are also trying to figure out effective ways to cut costs and generate non-dues revenue and ideally passive income wherever possible.

"Reinventing the model. One size fits all never really worked. Creating a personalized experience for our members"

"I think we will see two distinct models emerge. The core MLS, offering basic functionality at a "low" cost and agents/brokers shop independently for the additional bells and whistles.

The 2nd is the concierge MLS offering a core service and quite a few add-ons that are optional. The MLS should be able to negotiate more favorable rates/fees even if a relatively small percent of the users take advantage of the product.

By affiliating with the MLS the vendor reduces promotional and market penetration expenses. Small MLSs will be at a disadvantage in negotiating these vendor "deals" unless they join together. Which direction an MLS goes will depend I would think on the philosophy of their leadership. If there is a large broker or two who wants control over the bells and whistles, the MLS will not be moving into that arena.

"Budget cuts. With the recent decline in membership and the looming long-term decline thanks to retiring baby boomers, MLS providers must do more with less."

Providing Seamless Integration

Consistent with research WAV Group conducted with agents and brokers, MLSs are looking for ways to create a suite of products that are seamlessly integrated with one another as well as auto-populated by MLS data.

“The MLS of the future will need to be focused on maintaining accurate data that can be easily manipulated to serve the needs of the members. One of the obvious needs will be datasets that can be pushed out to the agents' websites/media. MLSs will either have fewer barriers or they will be replaced.”

“Provide more services with newer technologies that talk to each other, so that there is less redundancy of entering information.”

“MLS's may increase it provision of services that members need beyond the legacy MLS services (providing complete agent productivity packages in cooperation with vendors but benefiting from bulk purchase contracts.”

Increased Competition

MLS executives are feeling new competitive pressures both from inside and outside the real estate industry that they believe are threatening the long-term viability of MLS organizations. Since multiple listing services historically have been fairly profitable operations with little to no competition, there are many organizations from within organized real estate that are making the industry more competitive. MLSs are feeling competitive pressures from state and national associations as well as third parties who are more adept at meeting the information needs of real estate consumers.

"Interference and disintermediation of the MLS by state and national associations"

"The Realtor® Property Resource and its ability to turn into a national MLS."

"MLSs need to find better ways to provide excellent customer service finding ways to built loyal relationship and raving fans to win in MLS of choice situations"

Role of MLS in Meeting Consumer Needs

Changing consumer demands are putting pressure on REALTORS® and the MLSs that support them. MLSs are feeling the need to continue to provide tools to help agents and brokers better serve the needs of their clients. They are also feeling pressure to educate agents and brokers on the key interests and needs of consumers, even for those that do not necessarily want to evolve their business practices.

Others are concerned that third party websites are the de facto information source of choice for many consumers today. They would like to find ways to help brokers become the primary information source for property information again.

"Consumer driven changes to how MLS systems are used, lead generation, etc."

"Greater demand from consumers relative to MLS information, trying to meet that demand in the face of members who don't want to meet this demand"

"Enhancing business/data tools for brokers that the public does not have readily available--helping to keep brokers central to the transaction"
"Will be more consumer facing/driven and will provide more member marketing. MLS will prove to be less important."

Satisfying Need of All Brokers

Many markets around the country especially those with brokerages with dominant market share are experienced heightened concerns about "leveling the playing field". Large brokers would like to restrict the services offered by MLSs because they believe it provides small and medium-sized firms the same opportunities without needing to make the capital and resource investments.

"Satisfying the needs of small/medium firms without angering the large firms for leveling the playing field"

"Pressure from large brokers, franchisors regarding duplication or offering of competitive services;"

More Consolidation/Collaboration

There were several comments expressing the necessity for further consolidation because of declining membership. There was also a belief expressed that MLSs around the country should find a way to work together to drive more innovation, save money and provide better price value to their members.

"…*Should be forced consolidation as a result of declining agent population, should be deeper collaboration between MLS's around the country to work together to make greater improvements to our service, the huge percentage of retirement age Realtors will leave the industry.leaving a maturity gap and downsizing the population of agents by 20%...the 20 and 30 year olds need to be catered to and effective MLS's* *will morph to meet their needs, and the MLS should be more focused on value versus price"*

"I'm not so sure that the actual role of the MLS with change but the structure will probably change. I'm sure there will be more data sharing, co-ops, and possibly mergers."

"Move to a more consolidated and comprehensive data assembly and distribution facility"

"Building co-ops or other entities to negotiate more favorable contract terms with vendors."

Role of MLS – Technology Education and Guidance

Many MLSs see their role as a technology educator and advisor, not simply a provider of core MLS technology services.

"We see ourselves as a technology provider for our Participants and subscribers, not just reselling a service. That will continue, as REALTORS try to keep up with their ever-changing industry"

"Provide technology advice and guidance".

"We will need to provide better customer service, specifically around the technology tools of the trade. Many agents are still not able to use the tools they have at their disposal effectively. If we cannot support them and train them better, we will lose them."

"We are hoping to provide other services besides just an MLS (like support, newsletters, training, etc) to be an information resource as well as an MLS."

"Educate brokers and agents about the longer term implications of their online actions"

Dysfunctional Governance/Association Relationships

Some parts of the country are feeling restricted from growth or innovation because of dysfunctional or outdated governance structures that are leading to board dysfunction and conflicts among their shareholder boards. One respondent was so frustrated by their local situation they believe the MLS will actually be sold to outsides not part of a real estate association.

"The MLSs will begin to be sold to those who understand how to run technology companies and are not encumbered by association politics."

"Governance structure that inhibits innovation, too many remain the main funding vehicle for Realtor Assns."

Protecting / monetizing intellectual property while facing pressure to meet consumer demands who expect everything for free (thanks to venture-backed services or ad-supported models that give content for free in exchange for eyeballs) Members starved for cash causes dissent for those that charge them fees and MLS's seem reactive instead of just letting them go and realizing economic factors as play. The existing fees and model work, just less that can afford to pay for the services right now but it will cycle back as always so weather the storm and don't get too reactive.

Content - Protection, valuation, licensing, compliance, etc. Regionalization - economies of scale, servicing the participants and subscribers Education of brokers and agents Globalization of real estate Social Media - advertising rules, real estate commission variations on use of social media with MLS Content

Key Issues Facing CMLS Business Partners today

Membership/Customer Count Decreases

CMLS Business Partners are facing many of the same issues MLSs are grappling with. Since many of their contracts are based on a per member/month fee, they are also experiencing customer losses and some are struggling to fund the innovation required to drive MLS technologies forward because they are being squeezed on pricing while they are experiencing member losses as well.

Lack of Data Standardization

They would like to see a common data standard and common data definitions to free up resources to focus on innovation instead of data standardization across MLSs.

Efficient Methods for Marketing to MLSs

Many of the business partners mentioned they struggle to find a way to reach out to the entire MLS industry efficiently and effectively.

“Approval cycles are way too long. By the time a deal can be struck, the value of the market offered by MLS diminishes forcing us to go direct to brokers. Price sensitivity given membership levels (revenue) decreased so MLS's can no longer afford to purchase solutions to offer as member benefit. As such, forces companies to provide lower cost/quality service to members. These seem to be pretty common for variety of markets and types of vendors and we've witnessed it firsthand as well.”

Effective Marketing Partnerships

Some CMLS business partners expressed interest in finding more effective ways to work with MLSs to rollout new products especially those offered as member benefits.

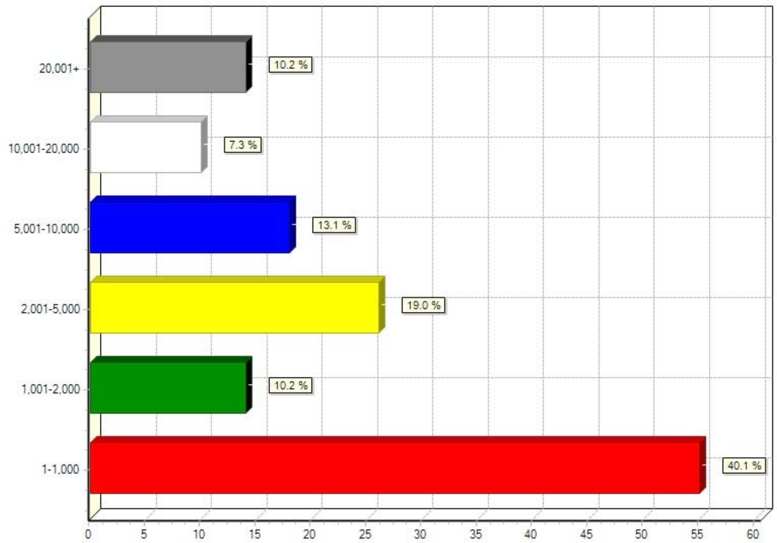
Meeting Technology Needs and Adhering to MLS Policies

Some respondents find it very difficult to provide the depth and breadth of functionality that brokers, their clients, and consumers demand, while staying within MLS policies.

Detailed Survey Results

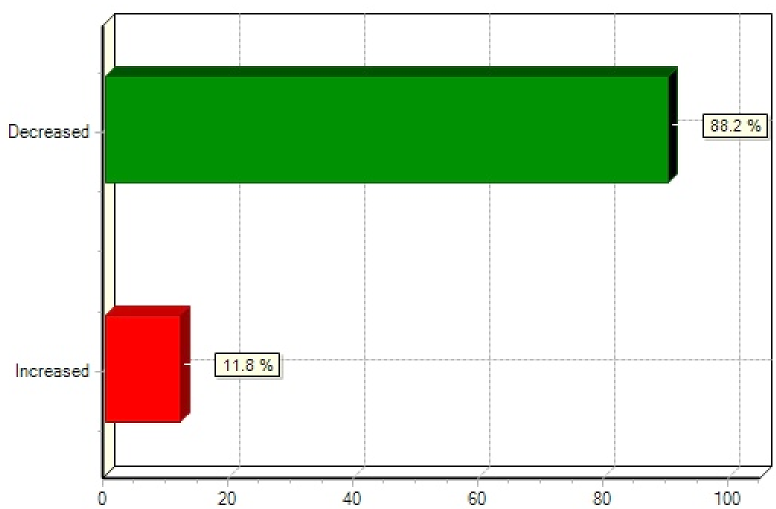
Membership Trends

How many members/subscribers do you have in your MLS?



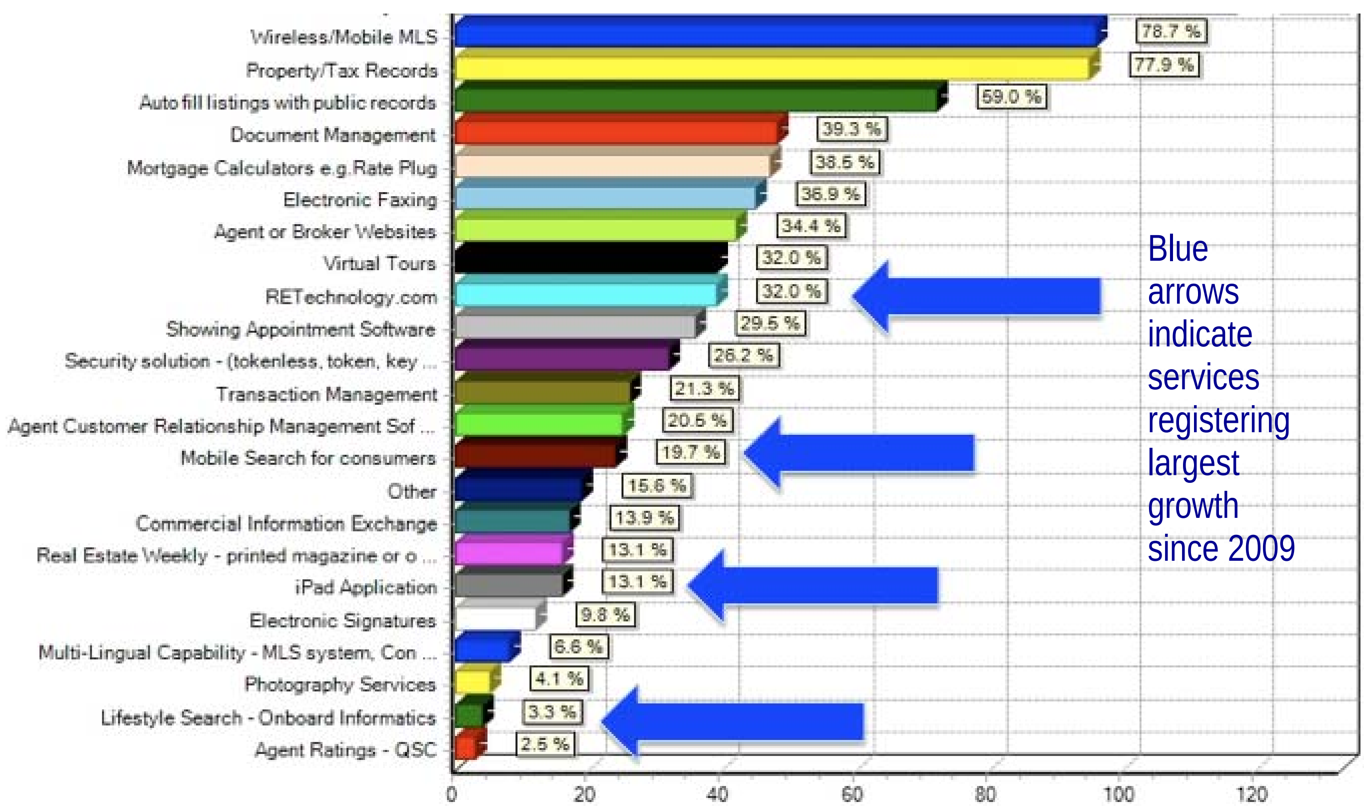
The majority of MLS respondents in the survey have experienced membership declines.

Has your subscriber base increased or decreased in the past year?



Core Service Offerings

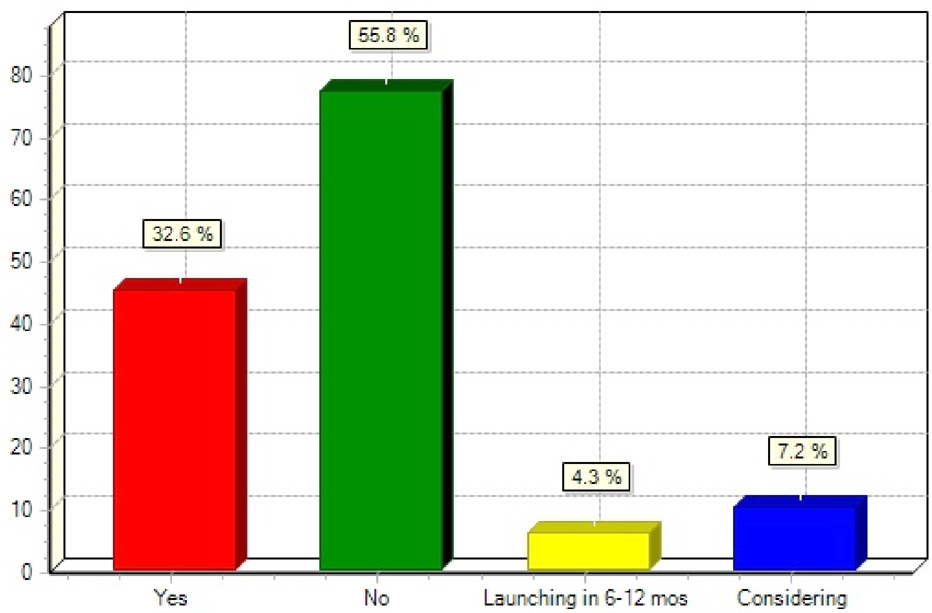
Wireless Mobile and Tax/Property Records software are the two most popular services next to the MLS system itself. The largest newcomer to the list this year is RETechnology.com followed by Mobile search for consumers, iPad applications and Lifestyle Search.



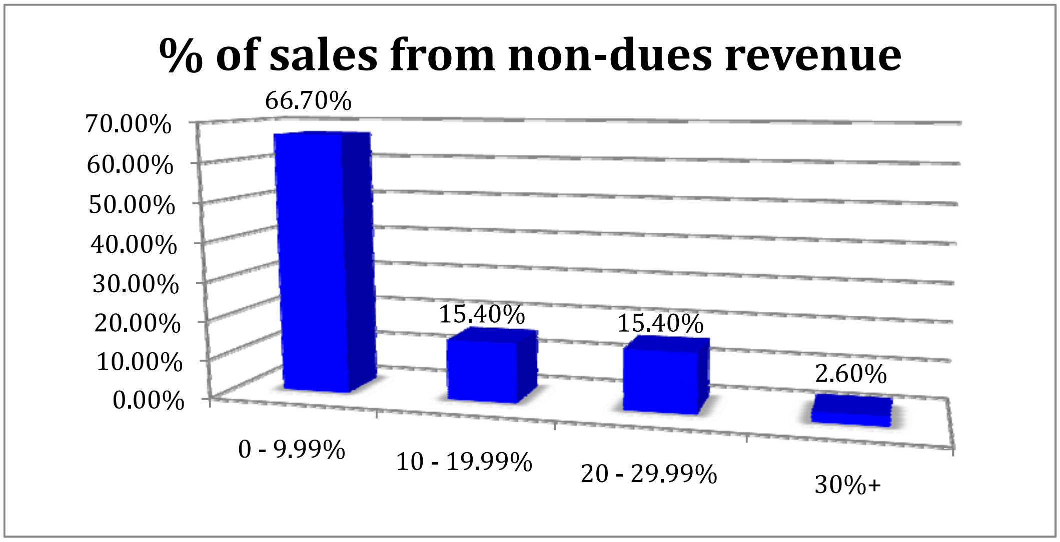
Non-Dues Revenue

About 1/3 of respondents sell services in addition to the core services offered as part of their membership subscription. The bulk of respondents are generating less than 10% of their total revenues from non-dues products and services currently, yet nearly 90% of MLSs are losing revenues from subscriber losses. A few MLSs are beginning to get serious about selling additional products and services to hedge their bets against continued membership losses. While this seems like a very logical strategy, it has been proven to be more difficult than it seems for a MLS to become a technology marketing organization.

Do you sell services in addition to the services included in subscriber dues?



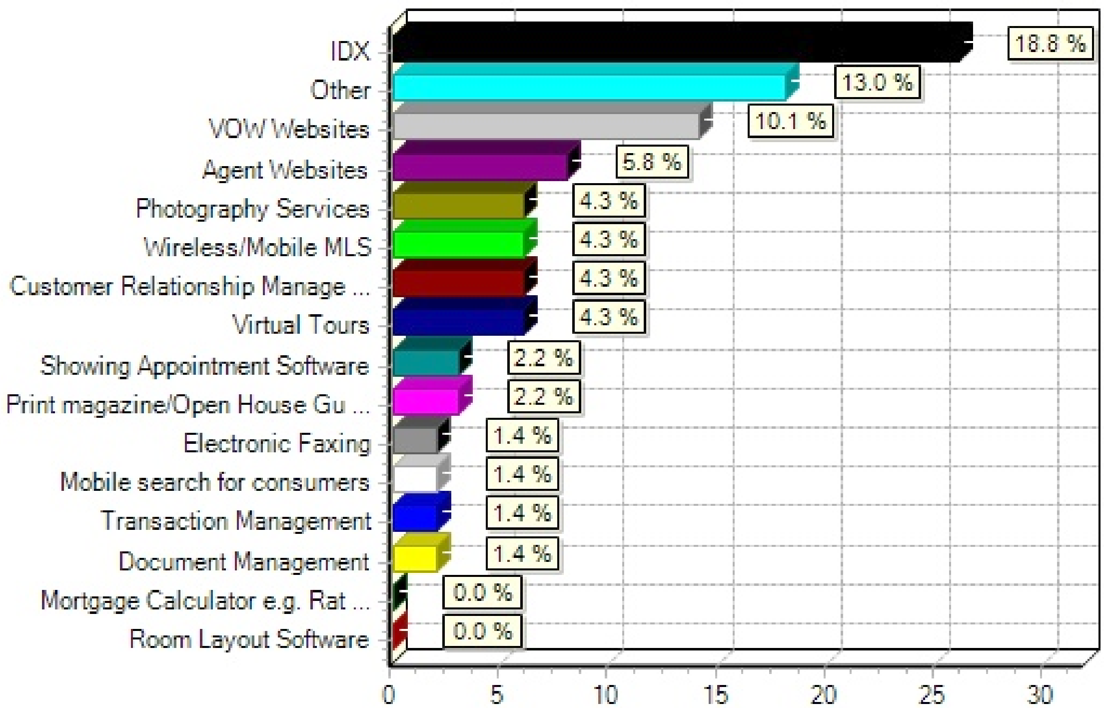
What percentage of your revenue is generated from non-dues revenue?



What technologies are you selling/planning to sell that are not included in dues?

IDX feeds, and VOW websites the two single largest of non-dues revenue currently. To date MLSs respondents are not yet creating a significant portion of their revenues from selling real estate technologies beyond core data services.

Many technology vendors are very interested in learning more about how they can partner with MLSs to promote their products. This interest may present opportunities for increased revenues for MLSs via revenue shares.

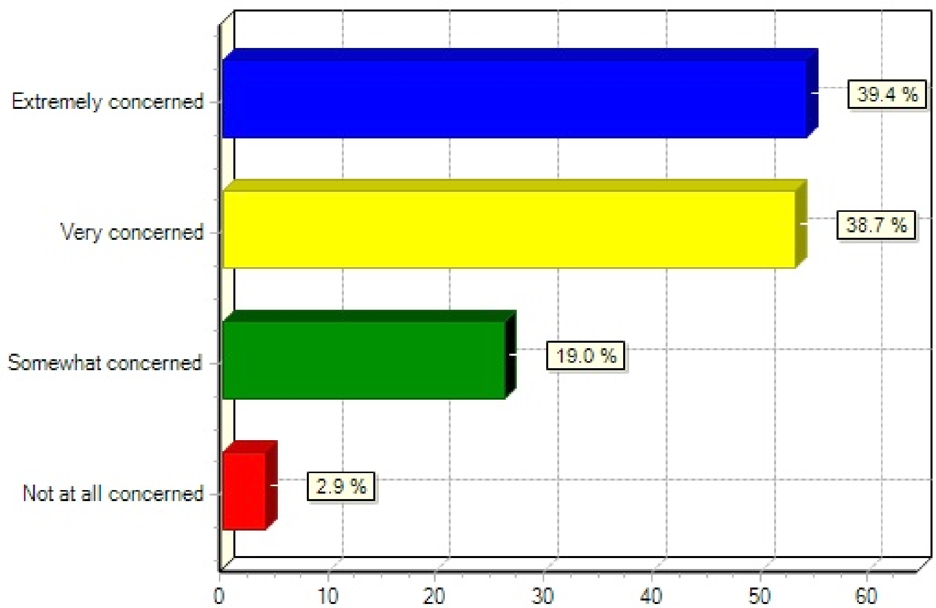


Data Licensing/Syndication Program Involvement

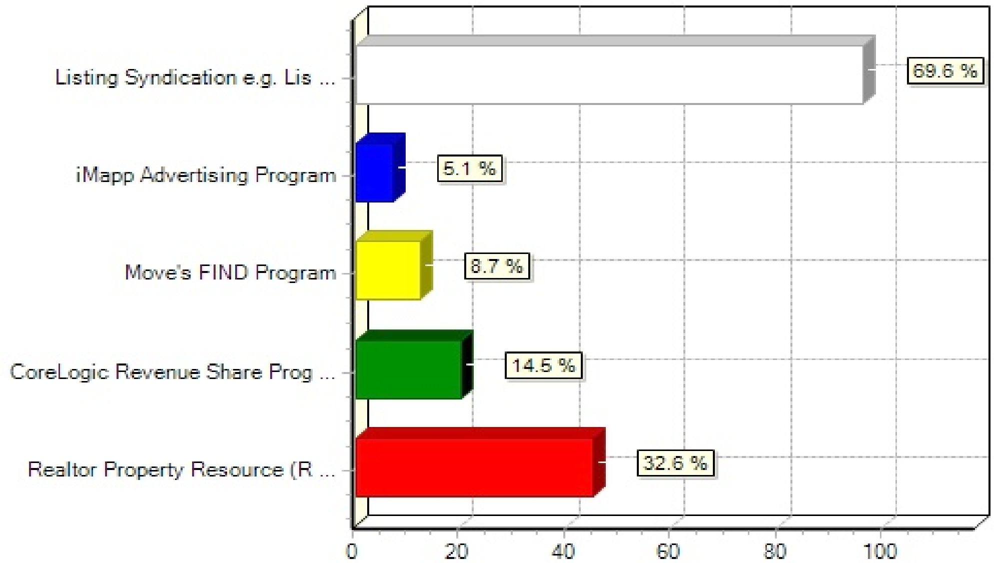
Controlling the unauthorized use and distribution of MLS data is one of the leading concerns facing MLSs today. Nearly 8 out of 10 respondents are concerned they do not know where they data is going or who is using. Importantly they are also concerned they do not have a path or plan to address this problem.

Interestingly, even though MLSs are concerned about their ability to control data nearly ¾ of the survey respondents are already participating in listing syndication programs with partners like Listhub, Point2 and others. Approximately 1/3 of the respondents are participating in RPR currently. Another 1/3 is considering joining RPR and about ¼ are seriously considering coreLogic's Infonet product.

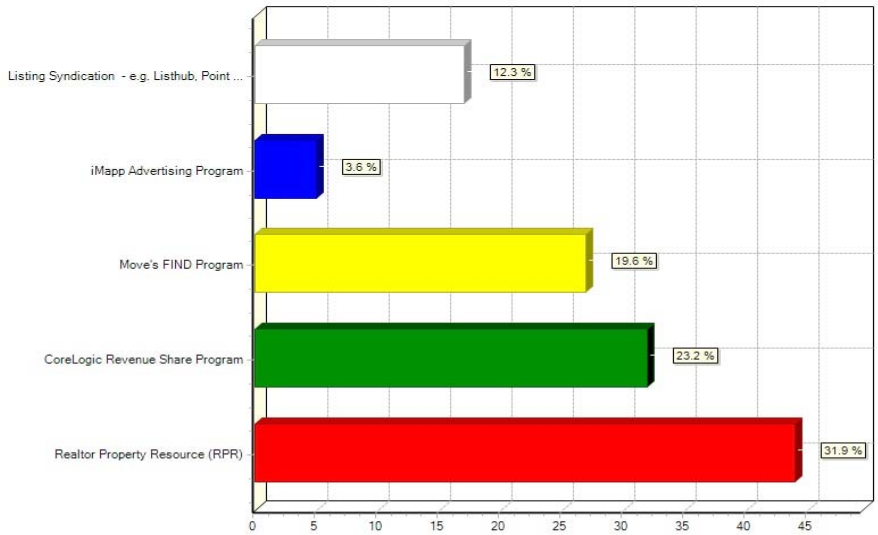
How concerned about your organization's ability to control the unauthorized use and distribution of MLS data?



Which of the following data licensing/syndication programs have you approved for your MLS?



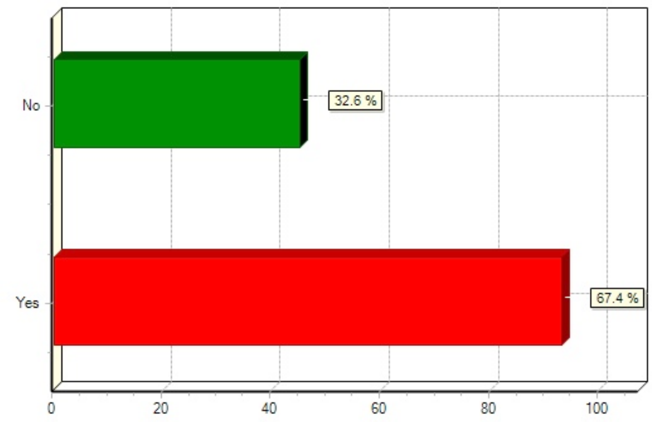
Which of the following data licensing/syndication programs are you seriously considering for your MLS?



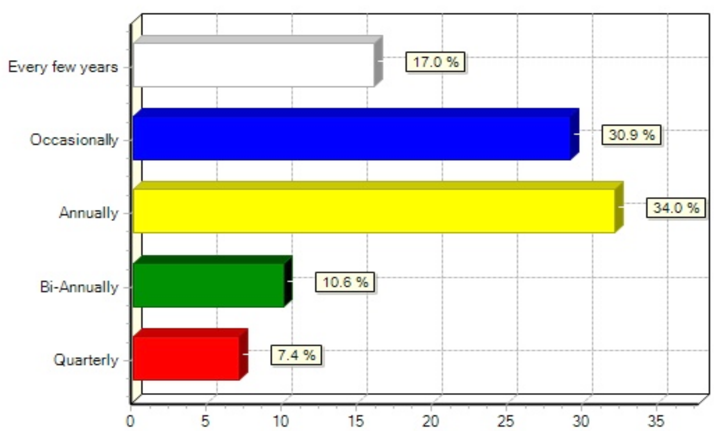
Member Satisfaction Survey Participation

About 2/3 of respondents conduct member satisfaction surveys. About 1/3 of the respondents conduct annual surveys and a smaller percentage 7.4% conduct surveys quarterly.

Do you conduct member satisfaction surveys?

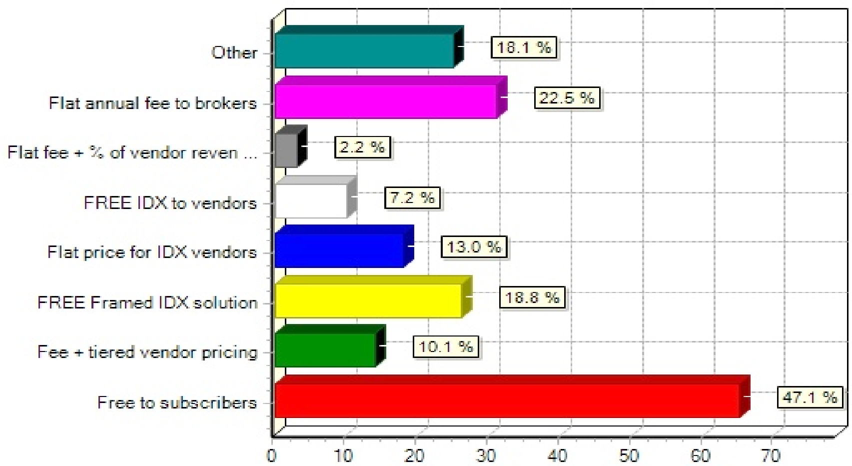


How often do you conduct satisfaction surveys?

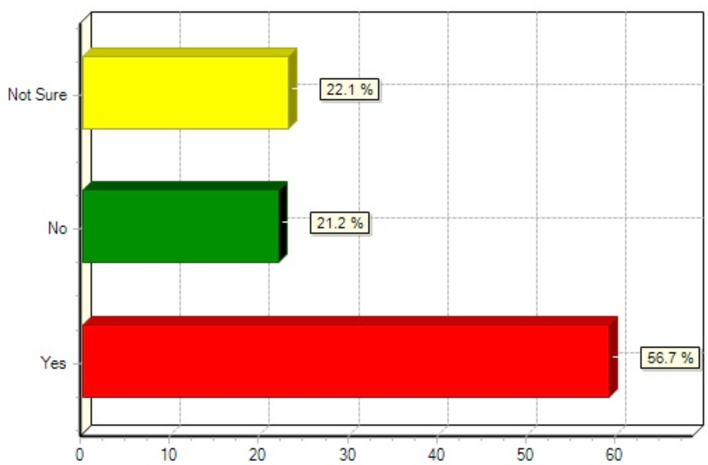


IDX Pricing Model

When you offer IDX services what is your pricing model?



Do you follow the same pricing approach for listing data required for mobile search?



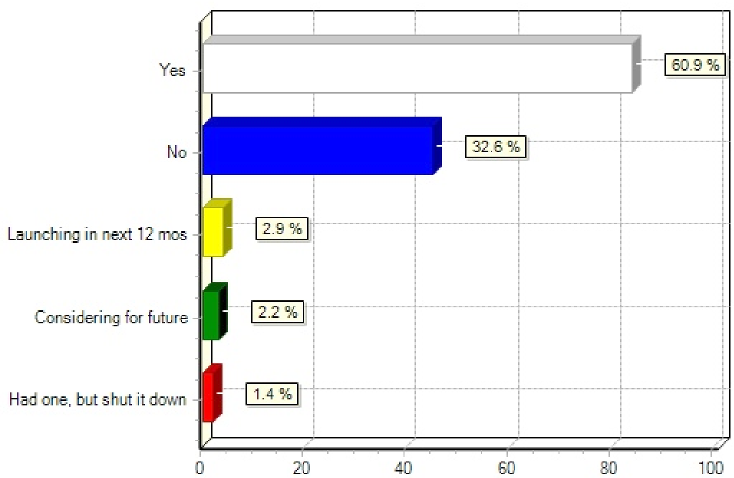
MLS Consumer Website

Just slightly more than 2/3 of respondents offer a MLS Consumer Website or will be launching one in the next 6 to 12 months. It appears that the industry has now recognized it can provide value to its members by delivering leads from a public-facing website.

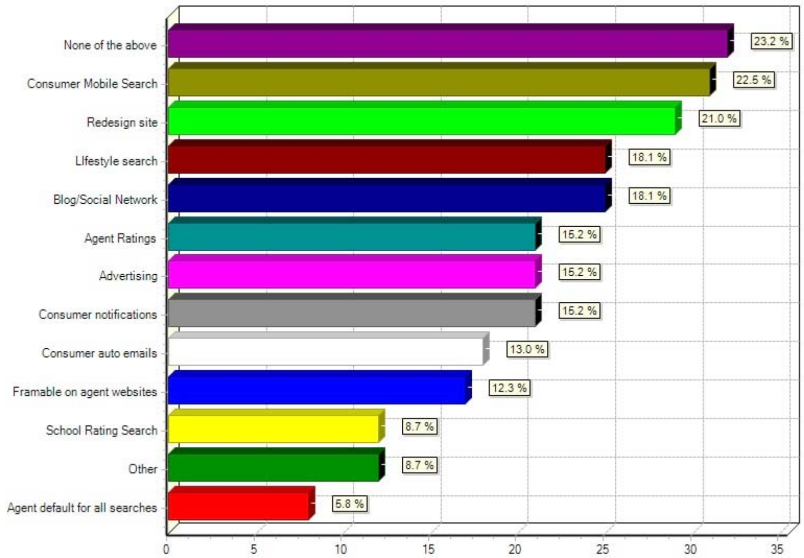
Just over 20% of respondents are considering adding consumer mobile search, lifestyle search or blog to their sites to makes the sites more “sticky” for consumers. In addition respondents are also considering agent ratings and consumer notifications of new listings that match their search criteria. Some are also considering adding advertising to the site to help offset the cost of hosting the site.

MLS consumer websites can increase their relevance by regularly promoting the leads and listing activity they are generating for their agents. Interestingly very few respondents are creating outbound reports to their members. This is a great opportunity for all MLSs with a consumer website to increase the perceived value they bring to their subscribers.

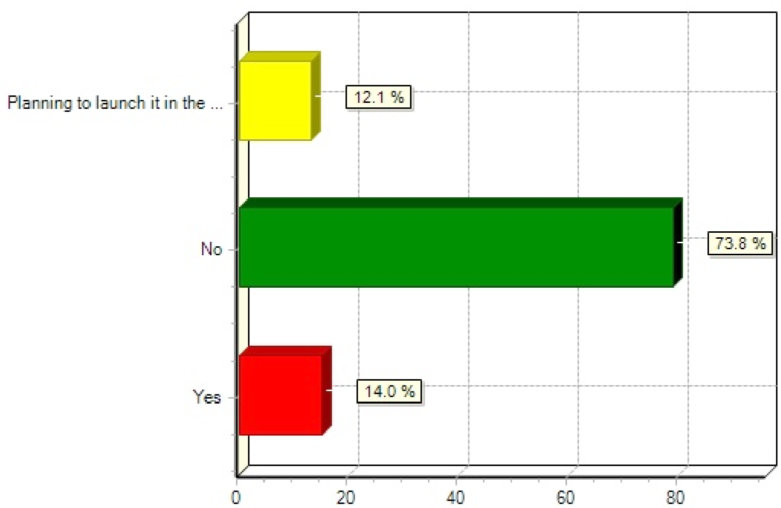
Do you currently operate a MLS Consumer Website?



What features are you considering to add to your MLS Consumer Website?



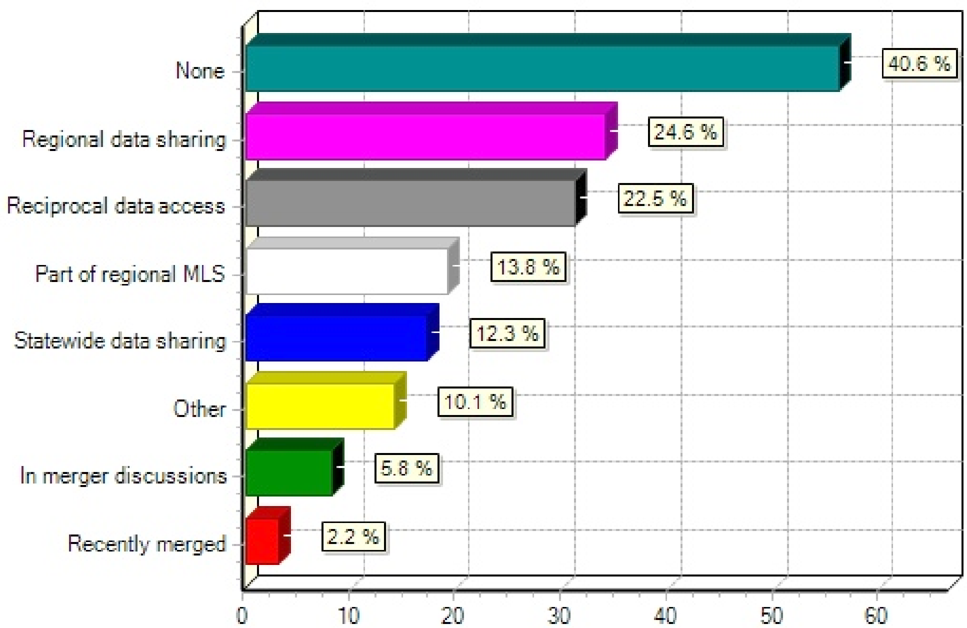
Do you send reports to your agents and brokers with inquiries and leads and listing exposure they have received from your MLS Consumer website?



Data Sharing

Reciprocal data access and regional data sharing are the two most prevalent types of data sharing for respondents of the survey. Just over ¼ of respondents do not have any data sharing initiatives in place currently. It appears as though merger activity has slowed as only 5.8% are actively engaged in merger talks at this point.

Which of the following data sharing initiatives does your MLS participate in?



A word of Thanks

The Council of MLS would like to thank WAV Group for donating their services to provide this survey for our members.

WAV Group is a leader in providing consulting services to the real estate industry and is comprised of corporate executives with a depth of expertise in both the real estate market as well as the consumer market. The company has conducted studies for some of the largest organizations in the industry including the Council of MLS, National Association of REALTORS®, California Association of REALTORS® and others. It has also authored several of its own studies including its annual MLS Technology Survey, Mid-Year Technology Update and many others.

The company works with Multiple Listing Services, real estate firms, franchise organizations and technology vendors in the US, Canada and Europe. WAV Group has expertise in the areas of content development, market research, strategic planning, product development, distribution, marketing, and technology evaluation, selection and implementation.

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