

Tuesday, February 15, 2011

A Listing Syndication Discussion

Updated Feb 16, 2011: Revision to definition to address IDX Additions are underlined, deletions struck through.

There has been a great deal of talk and writing lately about MLS/broker listing syndication. This isn't surprising considering one of the leading syndication providers, [Threewide](#), was recently acquired by Move, Inc., operator of [Realtor.com](#). At the same time, initiatives like those led by industry veterans Bud Fogel and Mike Meyers and by LPS's Ira Luntz (himself a veteran of syndication), suggest that a new model could be in the offing. Among commentators who have taken up the issue are MRIS Chief Marketing Officer John Heithaus, in an often-discussed post; [Victor Lund](#) of the [WAVGroup](#) (you need to be in Inman subscriber to read that one); and [Rob Hahn](#).

Elizabeth and I wrote a longish whitepaper on syndication back in 2008, which is [still available on our firm web site](#). That paper, written just before Elizabeth and I formed our firm together, focused on the role of MLS and how MLSs should approach operational and legal issues; it assumed that MLSs would want to do syndication because at least some brokers wanted syndication. Most of the concerns we expressed then remained unaddressed in the industry. The current debate, it seems to me, is about whether brokers and MLSs should be doing syndication at all. It takes up the key assumption in our 2008 whitepaper.

I'd like to expend some effort and thought on this topic in the next few posts. This first one will define what I mean by "listing syndication," in order to distinguish it from other forms of listing data distribution and licensing; and it will discuss some reasons MLSs get involved in syndication. In the next post, we'll consider ways that MLSs get involved in syndication and some problems and issues. Then we'll take a look at the key underlying question: should brokers be sending listings to all these places in the first place, and what role should MLSs play in that decision?

"Syndication" defined

There is no official definition of "listing syndication." There is no Platonic universal or form corresponding to listing syndication. So, we just need a practical definition that provides some scope to what we are talking about. For this summary, I will use the following definition:

"Listing syndication is the distribution in bulk of active real estate listings (listings currently available for sale), by or on behalf of the listing agent or listing broker, to sites that will advertise them on the web to consumers, excluding IDX sites and VOWs operated by MLS participants/subscribers ."

We include each of the following things in this definition:

- Distribution of listings by MLS through a listing syndicator, such as ThreeWide (ListHub) or Point2, to advertising sites.
- Direct distribution of listings by MLS to advertising sites (including local newspaper web sites and national sites).
- Distribution by a listing broker via a data feed (whether broker-internal or created by MLS on the broker's behalf) to advertising sites.
- Use by a broker or agent of a service that offers to take a bulk data feed and then distribute the listings to advertising sites.

I usually call web sites that advertise real estate listings "aggregators" (we used "commercial distributors" in the 2008 report). I usually refer to the recipients of data through syndication as "syndication channels." As a result, a site like Zillow.com is both an aggregator and a syndication channel. I do not consider the following syndication (at least for purposes of this discussion), though they share some characteristics with it:

- Services where agents manually load their own listings in, like vFlyer and Postlets. These sites generally do not take bulk data feeds.
- IDX and VOWs. IDX and VOWs are similar to syndication, in that listings are distributed in bulk to folks who build web sites for advertising (and other) purposes, but those sites must be operated on behalf of brokers participating in the MLS. They are also subject to separate rules tailored for these specific purposes. In other words, the broker receiving an MLS IDX feed is bound to use or not use it according to MLS rules. IDX feeds may, and VOW feeds do, also include off-market listings; see my note about that below.
- Data licensing to RPR or CoreLogic under their current proposals. They are using off-market listings, in addition to active ones, and the applications they use them for are not advertising. Sending data to Move, Inc. for its Find application is not syndication because it includes off-markets; but see the discussion relating to that below.
- A "back-office data feed" from MLS to the listing brokerage. A back-office feed often includes all the MLS listing data (from all brokers) and comes with a license for the brokerage to use the data internally for the core purposes of MLS and the freedom to use its own listings any way it pleases. Many MLSs provide such feeds to their participants to facilitate brokerage business activities. Thus, though MLS's action here is not syndication, the brokerage might turn around and engage in syndication itself.

Why only active listings? We do not include off-market listings (listing records relating to properties not currently for sale) in our definition of syndication for two reasons:

1. MLSs perceive the off-market listings as something different. Most MLSs recognize that very recent off-market activity in the MLS provides a very

valuable resource, one not available elsewhere. Thus very few MLSs distribute off-market listings through typical syndication channels.

2. Brokers perceive the off-market listings as something different. Brokers want their active listings advertised (and their sellers want it, too). But brokers rarely perceive value in having their off-market listings distributed. We are not acquainted with any brokerage firm that distributes its off-market listing data.

The value MLSs bring to syndication

Almost from the beginning of “listings on the Internet,” people have asked what role the MLS should play in getting listings out there. The short answer is efficiency:

1. MLS already has all the listing content in one database. Every listing broker has already paid for that database to be created and maintained; and every such database has the capability to export listing data. In theory, at least, it should always be cheaper for MLS to ship brokers’ listings to a channel, because it requires fewer steps. In the alternative, MLS would supply each broker a data feed of its own listings, then each broker would have to set up a feed to each channel (or at least set up a feed to a syndicator who could reach the channels). That’s a lot more data feeds, IT staff hours, etc.
2. Many MLSs and traditional syndicators permit broker ease-of-use. Syndicators like Point 2 offer brokers a dashboard where they can click on the channels they want to receive their listings and click off the ones they don’t want to receive them. In theory, this does not require the broker to perform research and due diligence on each channel; the syndicator or MLS has theoretically done that before presenting the option on the dashboard. (In practice, this may not be happening.)
3. Syndication through MLS or a syndicator may give listing brokers more leverage. If a channel is getting the listings from many brokers in MLS through a data feed from MLS, the MLS may have leverage with the channel to get it to behave properly. If the MLS cuts off the data feed, the channel loses listings from all the brokers. Similarly, if a syndicator cuts off a feed to a channel, the channel loses the feed for all the MLSs working with the syndicator. A single broker, by comparison, usually does not have the volume of listings to exert leverage on the channels. Note that some channels (like Google, before it decided to stop accepting listings), did not necessarily react to that leverage anyway. Note also that just because MLSs and syndicators have this leverage, that does not mean they have actually used it (I’ll discuss this in another post).

The resourceful broker problem

One important fact about syndication is what we call the “resourceful broker problem.” It’s not really a problem at all; it’s just competition. If an MLS does not syndicate listings on behalf of its brokers, some of the brokers will assume the costs and work associated with syndicating their own listings. This will give those brokers a

competitive advantage in the market. Note that we don't call this the "large broker problem." Though the large brokers in markets are also often resourceful brokers, in many cases, smaller brokers also find the means to be resourceful. The MLS is confronted with its age-old problem, almost its nemesis: Choose between (a) delivering services at the lowest common denominator, drawing complaints from some brokers that MLS should be doing more to deliver efficiencies to all brokers; and (b) delivering efficient services to all brokers, drawing complaints from resourceful brokers that MLS is "leveling the playing field."

Neither of these arguments is wholly right or wrong. But they appear in some form whenever MLSs consider offering services like syndication. The intensity of feeling about which path the MLS should take varies a great deal from MLS to MLS and often within the board room of a single MLS.

So, we've stipulated a definition for "syndication"; should we be including other things, or perhaps excluding something I've included here? And we've discussed why MLSs often believe they should be involved. I'm curious what your thoughts are about my efficiency arguments there. Next time, we'll consider some ways that MLSs do, and don't, syndicate. Following that, I'd like to spend a little time considering where brokers should be sending their listings and whether the MLS should be deciding for them.

-Brian