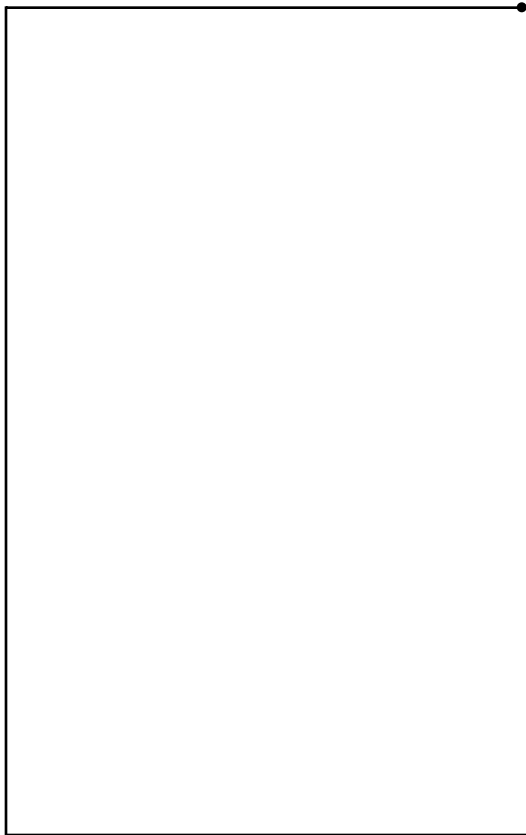


# Connected 2001



• **The Transformation  
of the Residential  
Real Estate Industry**

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## Table of Contents

<b>Winds of Change</b> .....	<b>1</b>
<b>Today's Real Estate Industry</b> .....	<b>1</b>
<b>Real Estate 2001 — On the Horizon</b> .....	<b>2</b>
<b>Hazards of the Journey</b> .....	<b>10</b>
<b>Navigating from Here to There</b> .....	<b>11</b>
<b>Conclusion</b> .....	<b>13</b>
<b>Intel Architecture — Providing the Horsepower for Real Estate's Future</b> .....	<b>13</b>
<b>Case Studies</b> .....	<b>15</b>
<b>Getting Started</b> .....	<b>23</b>

## Winds of Change

In the past five years, the Internet has transformed from a relatively dull, complex, network inhabited by techies and academics, to a rich, multimedia, interactive medium available to the masses. Exploding beyond everyone's wildest expectations, sales of goods and services over the Internet is projected to exceed \$1.2 Trillion by the year 2001.<sup>1</sup> A significant chunk of this will be real estate related commerce.

Emergence of the Internet Empowered Consumer is the primary factor influencing the fundamental shift that is affecting the real estate industry.

Residential real estate consumers today have almost instant access to rich, multimedia based information on available properties and related data—information which was previously the industry's closely guarded *raison d'être*. This is the beginning of a new phenomenon of the Internet Empowered Consumer (IEC). Emergence of the IEC is the primary factor influencing the fundamental shift that is affecting the real estate industry. Within a few short years, current and projected innovations to the Internet will hasten the transition considerably. It will take a dramatic—perhaps ominous—turn for those organizations and individuals



<sup>1</sup> *ActiveMedia* – April 1998

who choose to ignore it, or fail to understand its true nature.

This document provides insight into the Net's impact on the residential real estate industry today, and how its look and function will likely be affected over the next 3 to 5 years. It shows how key industry players—agents, managers, executives and organizations—can navigate to this new reality while avoiding the inevitable storms, rocky shoals and ill winds along the way.

## Today's Real Estate Industry

Shifting economics, demographics and the advancement of technology have fueled much of the industry's evolution over the past few years. Significant changes such as consolidation and strategic alliances have been incremental at best. They will pale in comparison however, to Internet-induced transformation.

Not known for innovation or long-range strategic thinking, the real estate industry tends to look the other way at the thought of fundamentally changing the way it does business. This is true at all levels, from individual agents to the executive suite.

## Resistance to Change Among Agents

Since the turn of the century, real estate sales associates have been the core of the business. They are still the primary business channel for the industry. But of roughly 1.4 million licensees in the U.S., a large percentage drop out of the business annually, and those who replace them in most cases need only pass a simple test to get their licenses.

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Most often hired for superior people skills, agents tend to be highly technophobic, stubbornly resisting efforts to adapt technology to their business despite its proven boost to their bottom-line. As independent contractors who deal primarily with people, few see the need to learn new skill sets or adopt new technologies. Given that kind of complacency, it is hardly surprising that fewer agents are doing more of the business.

### Corporate Myopia

Running a successful residential real estate organization is more complicated these days. Aggressive consolidation and the formation of strategic alliances with national consumer sales organizations have opened new channels to access the real estate customer. As a result, maintaining brand awareness within one's market region is more urgent than ever before.

Many companies find themselves consumed with reacting to market cycles and wondering how to best strategically align or merge with other organizations. Most still struggle to integrate computer technology into their operations, primarily due to costs, rapid obsolescence, and strong agent resistance.

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**Very few recognize the Net as the harbinger of change that will cut to the very core of the current industry business model.**

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Given these distractions, it is little wonder that many senior managers and executives have a hard time seeing the Internet as nothing more than just another promising technology. They know they have to deal with it for competitive reasons. However, very few recognize the Net

as the harbinger of change that will cut to the very core of the current industry business model.

### Real Estate 2001 — On the Horizon

The residential real estate industry will experience more change in the next 3 to 5 years than it has in the last 100. The Internet Empowered Consumer (IEC) is the new, rapidly growing reality. They will no longer need—nor want—the traditional 'one size fits all' services.

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Without doubt, not every real estate consumer will suddenly become 'Internet empowered.' However Net induced stratification among real estate consumers, segmented by their unique needs and capabilities, is occurring. Also, several coming fundamental changes to the capability and infrastructure of the Internet will lock in this trend, eventually enabling most people in their search for real estate services.

### Ubiquitous, Continuous, Affordable Access

Ubiquitous, affordable, very high-speed, continuous (no dial up) access to the Internet is already becoming available in major markets around the United States. Within the next few years nearly everyone will have greatly enhanced Internet access via cable modem and/or some form of DSL (Digital Subscriber Line) through local telephone providers. As a result, these capabilities supported by powerful

and easy to use personal computers will allow the consumer to take advantage of increasingly rich, immersive multimedia presentations of real estate related data.

Two additional factors will dramatically affect the quality and scope of the information that they tap and how they interact with it: *XML Enabled Intelligent Searching and the Paperless Transaction*.

### XML Enabled Intelligent Searches

Where HTML (Hypertext Markup Language) determines how data on a Web page looks, XML (eXtensible Markup Language) determines how the data is defined. It allows standardization of various kinds of data no matter who presents it. Through the use of an industry-agreed-upon DTD (Document Type Definition) XML standard for listing data, property information will “look” the same to a Web browser no matter where it resides on the Net. Using greatly enhanced search capabilities, otherwise impossible without XML, consumers will be able to access essentially a nationwide virtual MLS—comprised of listings from any online source around the country.

Since listing data will be equally “visible” on the Web, no matter who publishes it (including individual FSBOs), literally anyone can become a MLS.

While a tremendous boon to the homebuyer, it also has important implications for the MLS industry. Since listing data will be equally “visible” on the Web, no matter who publishes it (including individual FSBOs), literally anyone can become a MLS. As a result, regional MLSs will need to redefine their value to the broker

community. One possibility is to offer innovative means of presenting listing data on the Web using rich interactive and immersive multimedia virtual tours, demographic mapping etc.

### The Paperless Transaction

The real estate industry is literally buried in hundreds, perhaps thousands, of paper based forms that make tracking and exchanging data difficult, time consuming, expensive and error-prone.

Certain Internet technologies will make the truly paperless transaction a reality. XML will allow standardization of the data found on all these forms. This will simplify processing and transmission from one vendor or system to another. Digital signatures will become the basis of secure, legally binding Net based transactions and contractual commitments. The coming digitization of money will allow easy yet secure Web-based transfers of funds.

And finally, the advent of a Universal Forms Description Language (UFDL) standardizes secure, tamper-proof Net-based forms. UFDL preserves both the data and the *presentation context* of the information (i.e. paragraph formatting, type size and color). These forms can either be viewed via browser or printed to hard copy with presentation and information intact, thereby alleviating concerns of governing authorities about legally binding transactions over the Net.

XML and the advent of the “Paperless Transaction” will greatly empower, and hence alter the very nature of the real estate consumer—how they shop and work with various real estate services.

The following scenario (circa 2001–2003) offers a glimpse of how these and other Net based capabilities could be used for the typical

purchase transaction. *A word of advice*—this is just one of many possible scenarios. Suspend your disbelief, because the technologies mentioned in the stories below are either already available or will soon be...

## **A Remote Purchase — A Consumer’s Perspective**

*Jane Santor of Arlington, Virginia will join a start-up in Mountain View, California next month and needs to buy a home quickly. She’s wrapping up current responsibilities and preparing to move but does not have time to travel to California to find a new home. Instead, she begins house hunting on the Internet. Since she doesn’t know Silicon Valley very well, she first goes to a real estate channel on the Web where she uses multimedia mapping tools to familiarize herself with the area near her new office.*

### **Research**

*Jane is less concerned about how far she lives from work than she is with the actual commute. Using her browser, she enters the office address and specifies that she wants no more than a 30 minute commute at 7:30 am and 5:30 pm. Almost instantly a free, advertiser supported service displays an interactive map highlighting an area that meets her criteria. She refines the area by overlaying demographic, school, crime, community, and economic statistics. She can redraw the borders and segment the selection area into two or more sections if she wishes. By doing this she limits her search to properties that fall within the chosen selection areas of the map, regardless of other criteria.*

*She now defines the type of home she wants: price range, bedrooms, bathrooms, age, square feet, lot size, style, etc. Intelligent Agent technology allows her to quickly scan all Web listings that*

*meet her property type and location criteria. Instantly, her “agent” returns with three properties. Two existing homes meet 100% of her criteria and the third, a new home, rates at 78%.*

*To get a better feel for the neighborhoods of each property, Jane returns to the maps and enters the addresses to see the commute routes and times from each home. She can rotate a 3D topographical representation of the map and view the lay of the land from any angle. She also checks historical weather data (rain, sunshine, temperature, wind, etc.) for each property location. Finally, to see what the neighborhoods actually look like, she views zoomable high-resolution photos of each neighborhood. These show the immediate areas, especially the homes on either side of the selected properties. With this information, she eliminates one of the existing homes and focuses on the other two.*



Jane takes a virtual tour of a potential new home.

*In addition to Web-based property information and 2D photos, she takes a multimedia virtual tour of the existing home, including 360 degree views of the front and back yards. Clicking on the roof brings up data on its age, construction type, and the number of years remaining on the warranty. She also views results of the last home inspection and termite reports, as well as a graphical representation of the last owner’s utility usage in the past 12 months.*

As Jane manipulates 360° panoramas of the interior she hears the listing agent's voice describe the features and benefits of each room. She zooms in for detailed views, and clicks on images of most of the major appliances and systems to examine the specifications and warranty information for each. Last, she takes a few moments to check out panoramas of several of the parks and schools in the area before she goes on to tour the brand new home.

Next, she “walks-through” a 3D model of the new home, and views each room from any point of reference. As she interactively plays with colors, materials, feature add-ons, etc. to design the home as she would want it, the sales price updates instantly to reflect each change. Designing and decorating to her exact taste appeals to her, but she prefers the neighborhood of the existing home and decides to make an offer on that one.



Jane requests comps of similar homes sold in the area.

### Pre-Offer Preparation— Comps and Loans

First she requests comps of similar homes sold in the area over the last year. Instead of just listing the basic information (square footage, bed/bath, lot size, garage), the Web based “Comp Wizard” interprets the results and suggests a realistic offer price range for the

property. She uses another Intelligent Agent to search for the loan that best meets her intended down payment and closing cost criteria. Almost instantly, it returns 3 different loan options, which enable her to compare total pre- and after-tax costs during her expected 5-year ownership of the property.



Jane communicates with Sally via videophone.

### Loan Approval

She takes 5 minutes to complete an online application for the loan she wants and submits a request for pre-approval. The lender immediately replies that they are processing her request and that her pre-approval (for a loan that meets the down payment, percent of loan-to-value, and acceptable property requirements) will take about 15 minutes.

While awaiting final approval, Jane uses her online Intelligent Agent to find an experienced Buyer’s Agent to help negotiate the offer and make sure the transaction closes smoothly. Because she did the work of finding the property and getting pre-approval for the mortgage, she wants an experienced agent who will represent her exclusively but do it for a fee.

While narrowing her search to two agents, her pre-approval comes in. Armed with this, she makes a video call to the assistants of both

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agents through the Web. The first agent is out showing property and will phone back in the afternoon. The second agent (Sally Walker) will videoconference her later that morning. Jane is impressed with the efficiency, accessibility, and sense of teamwork between Sally and her assistant Lynn. When she and Sally finally connect, she's pleasantly surprised at how much Sally knows about the home in question and impressed with her rich, interactive, and informative Web site. After a brief interview, Jane decides that Sally will represent her during the negotiations and closing process.

### Offer and Sale

Jane is ready to make an offer, and Sally directs her to the section of her Web site that has all the necessary contract forms online. After discussing the price and other terms, Sally helps Jane complete an offer form, which includes a clause making the offer contingent upon Jane's physical inspection of the property within 72 hours of acceptance. Jane signs it with her legally binding digital signature and transfers good-faith deposit funds into Sally's broker escrow account.

The entire process of searching for a property, getting pre-approval, and making an offer has taken about 1 hour. Most of the services used were free because of support from advertisers. Now that Sally has taken over, Jane can focus on wrapping things up with her current employer and prepare for her new job. That evening Sally contacts Jane to give her the good news that her offer was accepted. Since the sellers have already moved, Jane can close in just 5 days if she wishes and can track the progress of the closing on the Web. Jane is thrilled and fantasizes about living in her new home as she instructs another Intelligent Agent to find the best flight to San Francisco within the next 24 hours.

While the aforementioned scenario of making an offer contingent upon physical inspection

may be atypical, it will be a growing trend. Especially as the immersive, interactive capabilities of the Net mature to offer a more complete home hunting experience while saving the consumer precious time and money. The Net is also changing the way agents, companies, franchises, and service providers work and interact with each other.

### Internet-Savvy Sally — An Agent's Perspective

Sally specializes as an Exclusive Buyers' Agent for high-tech employees relocating to Silicon Valley. These folks typically use the Net to search for both properties and agents. Well-targeted marketing has enabled Sally to identify them and develop a tidy niche that rewards her with 20 to 30 closed transactions per month.

No "techno-wizard," Sally understood early that the Internet was much more about people than technology. She realized it represented a new, richer way to connect with clients, prospects, and co-workers. Without it, she couldn't begin to cover the "territory" and do the amount of business that she does. The Internet, a virtual team of three live assistants, and the supportive company with which she affiliates, enable her to easily handle high volume, and she still has most of her evenings and weekends free.

The day Sally "met" Jane Santor, was fairly typical. She begins each day by answering e-mail while fixing breakfast. As a friendly male voice reads her e-mail aloud, she responds to each by simply speaking back to her helpful natural language, voice-activated software "assistant" as she moves about the kitchen.

### Virtual Team

Marcy, Sally's Marketing Assistant, is a former employee of a high-tech firm with experience in sales and human resources. She's a new mom

and does all her work from home while enjoying her daughter's never ending antics. John, the Transaction Coordinator, monitors transactions and makes sure they go smoothly. He too works from home, but also runs errands as needed. Lynn, the Administrative Assistant, keeps Sally on-track both in business and personally to maximize results with minimum stress. Lynn is a retired Executive Assistant who works from home without the stress of corporate life.

This virtual team gives Sally great talent at reasonable rates, and low overhead. Because there is no office, they only meet in person at parties or a nice restaurant periodically to celebrate and reward themselves for their continued success. Otherwise they connect every day via videoconference to discuss the agenda which they each view on a Net-based workgroup calendaring system.

During the morning conference, Marcy mentions a potential new client, Jane Santor. She's relocating to the area from Virginia and already has picked a property. Marcy plans to check the properties showing activity. She will contact two or three agents who have shown the property for their insight into the nuances of the house so Sally can be well prepared for her conversation with Jane. These days, intelligent lock-boxes record the ID, date, and time in and out of every showing agent while automatically posting that information to a special Web site.

Sally, Marcy, John, and Lynn discuss transactions in process, new business, and their long term marketing strategy. Lynn reminds everyone of an evening training session on net-based marketing innovations that Sally's company is hosting. The company also provides ongoing Net-based training that allows agents and other employees to stay on top of the latest innovations, yet learn at their own pace. Sally chose the company for their marketing and operational

use of the Internet, support for their agents, and minimal demands on her time. She especially appreciates the support and coaching she receives from her local manager, Jack O'Neal. In addition to great training and support, she also was impressed with ongoing company innovations, like the legally binding online forms that simplify transactions and minimize processing time.

Sally winds up her team meeting and spends the rest of the day talking to new clients (including Jane Santor), making offers, and closing transactions. Two closings, four offers, and three new clients later, Sally sends an e-mail to Jack O'Neal confirming her attendance for that evening's live online training session, and then she relaxes, looking back on another successful and satisfying day.

### A New Class of Captain

For any marketing endeavor to be successful on the Net, it needs to be highly targeted. Sophisticated real estate consumers with Net access to incredibly detailed property information will demand services and fee structures tailored to their specific needs. In this context, corporate branding and marketing efforts can only go so far in reaching these consumers. Effective strategies will necessarily include leadership that supports highly professional, Internet-savvy agents in their front line position as the main originators of business.

Sophisticated real estate consumers with Net access to incredibly detailed property information will demand services and fee structures tailored to their specific needs

Successful companies will understand that their primary customer is not the consumer, but

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rather the successful agents who work directly with the consumer. They will need smart, Internet capable managers who can anticipate and respond to agents' needs rather than "riding herd" on them as in the past. Jack O'Neal recruited Sally and has managed to retain her by creating and maintaining excellent support and services that are uniquely tailored for her.

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Successful companies will understand that their primary customer is not the consumer, but rather the successful agents who work directly with the consumer

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### **Jack O'Neal (Sally's manager) Uses the Net — A Manager's Perspective**

*Jack was a manager in the "old" days but he didn't like his job very much. Stress, long hours, high turnover and lack of appreciation among traditional agents took the fun away. Today he loves what he does and is well rewarded. Jack manages or "supports" about 50 agents scattered around Silicon Valley and the South San Francisco Bay Area. Almost all his agents are "mobile," Internet connected, and maintain their own home offices. They rarely come to the branch location where he and four traditional agents have offices and two multimedia conference rooms. Ironically, synergy among his agents is even more effective and focused than the old days. This is because the collaborative videoconferencing tools of the Net allow them to "meet" with each other in any numbers, at almost any time, regardless of their physical locations.*

*Jack's primary function is to support his current sales associates and to recruit highly experienced Internet savvy agents. He targets agents*

*specializing in various types of services — exclusive buyers' agents, property marketing specialists, relocation specialists, and several subcategories of each, including those willing to work for fee versus commission only.*

### **Recruiting on the Net**

*The Internet is Jack's primary tool for finding potential new sales associates. Using his company's proprietary intelligent "Agent Finder," he scours the Net for real estate licensees who best meet the criteria for the specialty he currently seeks. The Agent Finder locates licensees who are active on the Net, and compiles a preliminary sales and psychological profile of each candidate based upon the content of their Web sites.*

*An intelligent "Compliance Agent" checks the respective Web sites of possible recruits for potential regulatory problems. It also queries the Department of Real Estate for a complete report on their respective real estate license histories. When Jack enters into serious discussions with recruits, each will complete several comprehensive online personality profiles. These will give him a clear picture of the candidate's suitability, measuring many factors including adaptability to ongoing change and innovation.*

### **Managing**

*Jack occasionally hires someone new to the business, but fledgling agents will "apprentice" for one to two years as paid assistants to one or more of his seasoned sales associates. Recruiting and training totally inexperienced agents tends to be time consuming, frustrating, expensive, and unrewarding.*

*Jack's careful recruiting methods and support of his current team members has resulted in less than a 10% turnover per year. Also, Internet*

*based marketing and operational efficiencies have resulted in an average of 5-7 transaction sides per agent per month. Of course there are superstars like Sally Walker who do considerably more than that.*

*High averages are a direct result of the Net enabling fewer agents to complete many more transactions. Because of the emergence of fee-based services, many of these transaction sides will not result in traditional full commissions. However volume and Net-based operational efficiencies more than offset reductions in gross commissions paid per transaction.*

### Supporting

*In addition to recruiting, Jack uses the Net to support his associates. Almost all corporate information and operational processes are accessible via the company Intranet. Jack can tap into the company's Internet Sales Tracking & Reporting System to see a real time picture of any agent's productivity.*

*Jack can also profile assistant turnover rates, vacation frequency, and progress with the company's continual learning programs. Armed with this information and productivity figures, he can see the beginning signs of stress and potential burnout well before the agents themselves. When Jack sees someone getting a little out of whack, he makes a personal effort to help them get back on track.*

*Jack treats each of his 50 agents as unique "clients" with specific needs, and maintains this "support" (vs. control) because of the tremendous operational leverage the Net provides. Agents depend on him and the company to help them stay up-to-date and on the competitive edge without becoming overwhelmed. Video conferencing, Net-based self-paced training programs, real-time Intranet reporting systems, and proprietary Web applications are invaluable*

*for this purpose. Despite this level of support, costs per agent are far below traditional offices that still house personnel in offices or cubicles.*

### Senior Management Keeping an Eye to the Future

Visionary senior managers know that in the fast paced world of the Internet, business models need to adjust more quickly than in the past. The winners will recognize and adopt Internet innovation, sniff out new trends and plan strategically for the best ways to adapt their business model to take maximum advantage of evolving conditions.

**The biggest risk for anyone serious about their longevity in this business is to ignore the Internet as both an agent and tool for change.**

Successful companies will strive to continually build Net-based brand awareness while providing unique and attractive support services to recruit and retain the best agents. Web based "back room" applications will allow their executives unprecedented span of control over the entire company using a simple Web browser—from anywhere in the world. The bottom line is that commitment to continuous innovation and supportive leadership will lead to Net-enabled increased profits and successful competitive positioning.

Knowing exactly what products or services will be available to enable these possibilities is not as important as realizing that a dramatic, consumer-driven shift is under way. The biggest risk for anyone serious about their longevity in this business is to ignore the Internet as both an agent and tool for change.

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## Hazards of the Journey

There is a huge gap in the way business is being done today, and our vision of the future. Before discussing how to best get from “here” to “there,” it is helpful to look at potential issues that could make the journey cumbersome, expensive, even treacherous.

### Agents Want to Stay in the People Business

A smooth, successful transition to a fully Net-integrated future in real estate first requires overcoming agents’ resistance to technology and change. Agents resist change for the same reasons as most people: uncertainty and discomfort. Depending upon current market conditions, many rationalize they don’t need to change because “my business is fine without that new stuff, thank you!”

The issue of why agents resist technology is more complex. For years, management has scratched its head trying to figure why their agents “just don’t get it”—that technology will substantially increase their productivity. It’s not that agents don’t “get it.” They certainly understand the benefits of using technology.

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Agents are “people-people,” and no matter how grand the technology payoff, the trade-off of working with machines vs. people is unacceptable

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The problem is that productivity enhancement alone does not and will not motivate most agents. It works for the more entrepreneurial agents (the “adaptive learners” like Sally), but these represent a small fraction of today’s overall agent population. Most fear that they will be working less with people and more with computers. Agents are “people-people,” and no matter how grand the

technology payoff, the trade-off of working with machines vs. people is unacceptable.

### Management Needs to Check Its Bearings

Management has its own issues. They tend to see the Internet as “another costly technology” with major implementation headaches. Most would prefer to “write a check and get back to the business of real estate.” But this attitude fails to acknowledge that the Internet represents a fundamental shift to the very nature of the business itself. As a result, most companies end up asking: “How can we adapt the Internet to our business?” when the question should be, “*How can we adapt our business model to take best advantage of the Net?*” The very future of the company can ride on which question gets asked and the resulting strategic initiatives that follow.

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... the Internet represents a fundamental shift to the very nature of the [real estate] business itself.

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Another limiting factor for management is the control-based style that has ruled corporate real estate for decades. This desire to “encapsulate” ignores the very nature of the Net.

### The Net is Uncontrollable. No One Does or Can Control It

To stay on top of the Net requires a continual learning process; the Net has a highly unpredictable evolutionary path—necessitating the need to adapt and change quickly.

Each of these agent- and management-based obstacles can be overcome to ensure a smooth, profitable, and strategically competitive transition to the industry’s Internet future. The key is understanding the nature of the Net and leveraging human nature to work for us, rather than against us.

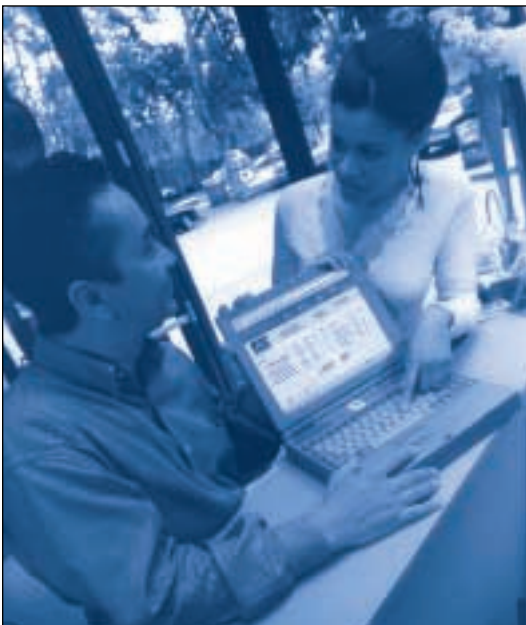
## Navigating from Here to There

The centerpiece of any company’s successful Internet transformation is the establishment of an “Elite Core Group” (ECG) of agents who are excited, willing, and able to learn and use the Net for their business. They become the company’s Internet “Skunk Works”—left alone yet supported. With proper management support and leadership, they become the fertile soil from which a company will “grow” its transition to full Internet integration from the inside out.

The centerpiece of any company’s successful Internet transformation is the establishment of an “Elite Core Group” (ECG) of agents...

## A Few Good People

Five to ten percent of the agents in most real estate sales organizations fit the “Adaptive Learner” profile of an ECG member. In addition to being well-organized “people-people,” they



tend to embrace change as a strategic opportunity, using technology as a tool that they may or may not like. A well-designed survey can be used to effectively determine which agents best fit the ECG profile, including the necessary commitment level in terms of time, energy and money to learn and use the Internet for their business.

Once identified, the organization can create a special relationship with the ECG member through a written agreement that outlines the benefits and responsibilities of being part of the elite group. Being difficult to get in, and easy to be kicked out (due to non-compliance) will only enhance the desire of “borderline” agents to participate. Companies will save themselves a great deal of frustration, grief, and money by focusing their high level Internet training and support efforts only on ECG members who, by definition, are willing to commit the time, pay for training, and buy the equipment necessary to work on the Net.

## It’s About People—Not Technology

The biggest mistake organizations can make when introducing the Internet to sales associates is to position it as “another great technology” that promises the usual productivity benefits. Been there, done that.

The Internet is far more than a tool. It is a sociological phenomenon that is enabled by technology rather than being about it.

The Internet is far more than a tool. It is a sociological phenomenon that is enabled by technology rather than being about it. Management can reposition the Net to agents by showing how it leverages their natural tendency to work with, and be around, people. Instead of seeing the Internet as part of some

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cold, heartless machine, agents can be taught to see it as a window to an incredibly rich world filled with more people, places, and opportunities than they ever dreamed possible. Now this is something they can be excited about!

Rich, multimedia, live, online presentations can be carefully crafted to emphasize the “people” side of the Net in addition to bottom-line results. This will create an exciting sense of adventure for them. Once agents “get it” about the Internet, they become open to learning the “vehicle”—computer hardware and software—that they need to take them on this great journey.

### Let Them Run Free— but Within Boundaries

For the foreseeable future the Internet will continue to be freewheeling and rapidly evolving. ECG members should have the encouragement and freedom to learn, stumble, and innovate, but within boundaries. The Net is so new for most organizations, that little if any thought has gone into establishing effective *Internet Risk Management* initiatives. The risks are real, as evidenced by recent cases and regulatory actions within the real estate industry.

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For the foreseeable future the Internet will continue to be freewheeling and rapidly evolving.

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The best defense against Net based liability is a comprehensive Internet “policies and procedures” manual that will effectively guides agents’ behavior on the Net while allowing freedom to innovate. Total compliance with an organization’s Internet policies and procedures would be an appropriate necessary condition for any agent’s continued membership within the ECG.

### Transformation from the Top Down

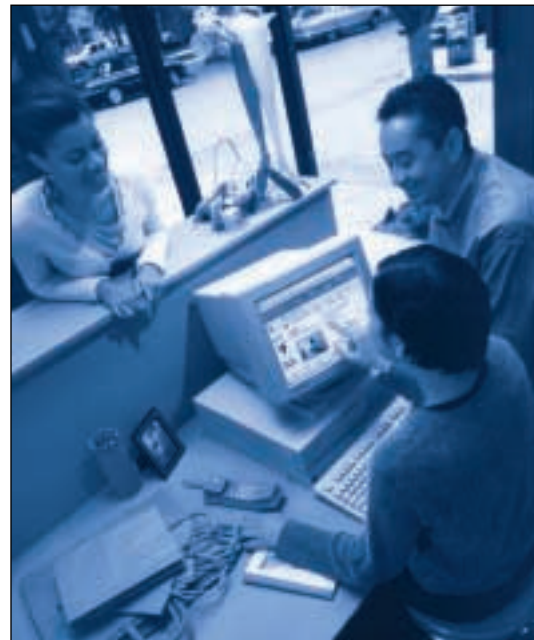
An ECG will grow within an organization two ways:

*Internally:* Agents making the commitment after witnessing others’ success;

*Externally:* Recruiting experienced Net-savvy sales associates from competitors.

Properly nurtured and supported, a company’s ECG will ultimately comprise most if not all of their agent population. Those agents who fail to get on board will eventually leave through natural attrition and their own lack of success.

When it reaches this point, the organization will have successfully negotiated the transition to full Internet integration.



To successfully create, support, and continually grow an Internet ECG that spins off increased profits, innovation, and reduced overhead, requires a shift in the way most management views the Internet and its impact on the business. It also requires an alignment within the entire senior management team. It will not work if the: a) VP of Marketing sees the Net as just

another marketing channel; b) Director of Training sees it as another “doomed for failure” attempt to teach technology; c) IS Manager sees it as an infrastructure and support headache; d) CFO sees it as just another excuse to spend money that could be better put elsewhere; e) CEO doesn’t see it at all and prefers that others would just “handle it.” It is critical that everyone sees the same Internet “big picture” and then works together accordingly.

Management will need to commit to two fairly simple ideas: 1) understand the true nature of the Internet and; 2) create the necessary environment within the organization to support a successful ECG. These are the minimal keys to a successful and competitively well-positioned transition to the 21st century world of residential real estate.

## Conclusion

Despite all the changes expected in the residential real estate industry over the next few years, it will unquestionably remain a people business with largely the same players it has today: consumers, agents and organizations. What will change, and dramatically so, is the interaction of those players, the goods and services exchanged, and how everyone is compensated.

For those individuals and organizations that can adjust to this new “realty-reality”, opportunities will abound. History teaches that this kind of fundamental shift will always result in an expansion of goods and services, and more jobs—not fewer—to handle them. If this is hard to imagine now, think back to the time when everyone was content using carbon paper to duplicate documents.

Along came a messy, hard to operate machine that broke down a lot, cost thousands of dollars, and did essentially what that 2¢ piece of

carbon paper did. It took about 12 years for people back then to see the possibilities of the Xerox machine.

Thanks to the accelerating pace of Internet bred innovation supported by ever increasing computational capacities of the computer industry, we don’t have 12 years to think about it. The consumer demands that we set our course now. The next 3–5 years promises to be a thrilling ride. Just how profitable (or even survivable) this adventure turns out for you will entirely depend on how well you can adapt to the inevitable high speed pitching and rolling that is the nature of this coming transformation.

## Intel Architecture — Providing the Horsepower for Real Estate’s Future

Success in real estate on the Net requires the right technology infrastructure at both the buyer and seller ends. Businesses need powerful software applications and web development tools to create productive solutions. From virtual tours and video conferencing to speech recognition and 3D renditions of model homes, Intel provides the best platform to create and run these applications. And the good news is that these technologies are available today. For optimum user experience, these applications need powerful servers to run the applications, like the Pentium®II processor and Pentium®II Xeon™ processor-based servers. The audience must have similarly powerful computers on their desktops to get the most from these solutions. Intel technology is the foundation for



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## Contributing Author

### Michael J. Russer

Michael J. Russer, President of RUSSEr Communications, is an internationally recognized speaker, writer, and strategic consultant for the real estate industry about the Internet. His 22 years experience in the real estate field include the development of marketing and software systems as CEO for a high-tech mortgage consulting firm he co-founded. Also an authority on Internet risk management, he recently authored the industry's first comprehensive Internet policies and procedures manual for those companies that have agents active on the Net. He can be reached at (805) 882-1170 or [mrusser@russer.com](mailto:mrusser@russer.com).



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