



# The End of the Traditional Real Estate Brokerage

**How Technology is Making Digital Collaboration a Necessity**



# | Table of Contents

**PAGE 1**

Foreword

**PAGE 2**

Introduction

**PAGE 3**

How Mobile, the Cloud, and On-Demand Information Have Changed the Rules

**PAGE 4**

Industries Ripe for Revolution

**PAGE 4**

Breaking the Taxi Business

**PAGE 5**

Real Estate is Already Changing

**PAGE 5 - 7**

How to Respond to On-Demand: 3 Options

**PAGE 7 - 8**

How an End-to-End Collaborative Platform Empowers Brokerages

**PAGE 8 - 9**

Technology Must Enable Collaboration

**PAGE 9**

About dotloop

**PAGE 10**

About the Author

**PAGE 11**

Sources

## **| Advances in mobile technology**

and cloud computing are revolutionizing consumer behavior. Companies that have been long-term category leaders are losing billions in business to start-ups offering app-based transactions and on-demand efficiency. For real estate brokers to survive this digital revolution, they will need to do more than just upgrade their technology.



# Introduction

Gone are the days when agents alone had access to listing data and acted as gatekeepers to their clients. Today's on-demand technology has given clients on both ends of the transaction access to immediate and seemingly limitless property information.

Many brokers see this shift as a threat to the business model that has proved profitable for the past 50 years. However, recent research by Zillow has shown that better informed consumers are more likely to value the help of an agent. Conversely, brokers who believe they can counter the on-demand revolution with an adversarial strategy, one in which they attempt to regain control of the available data, will not succeed. The information genie is out of the bottle.

The solution is to work with the trend rather than against it. As old sea captains knew, it is impossible to sail against the tide.

The good news is that brokerages of all sizes are succeeding by using the new paradigm to their advantage. They are letting technology do what it does best, and letting successful agents do what they do best—bringing people together to get deals done.

This new collaborative model not only adds significant value in the eyes of the client, but lets technology do the heavy lifting to achieve better efficiency and profitability for the broker.



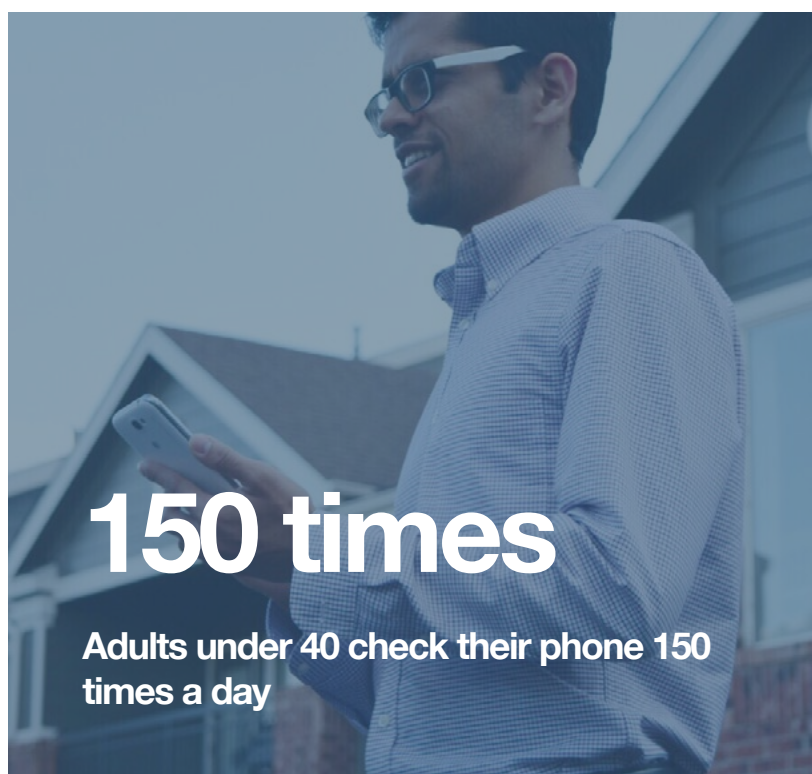
# How Mobile, the Cloud, and On-Demand Information Have Changed the Rules

The double-digit growth in mobile computing devices—especially the rapid adoption of smartphones—has changed how Americans access and use information. These devices have not only become the primary means of communication between people, but have led to nearly constant social network participation.

According to a study by Facebook, the average person checks his or her smartphone 30 times a day. However, among adults under 40, that number soars to 150 times a day and is destined to grow among all age groups.

At the same time mobile usage has grown, the power of smartphones has been dramatically increased through new cloud-based technology. Simply put, with a high speed data connection, smartphones can pass intensive tasks to the cloud and receive nearly instantaneous results. Many popular apps, which look deceptively simple to the user, combine cloud computing, artificial intelligence, and crowd-sourced data accessed in real-time.

This mobile-first, on-demand revolution has not only made social media and online gaming much more engaging, but has also changed the way consumers shop. Offering speed, convenience, and cost savings, these connected digital tools are giving consumers unprecedented leverage in their transactions through customer ratings and unbiased comparisons.



The consumer now literally holds the power of information in the palm of her hand.

While convenience and price have been major motivations for consumers to move to mobile transactions, an even bigger factor has been transparency. Armed with a smartphone, a person can instantly access information about a product or business that was previously difficult to obtain -- or even proprietary. Social-sharing apps make it easy for people to find confidential pricing lists, commission structures, and even private label information (where a generic and an expensive name brand differ only in the product sticker).

If a customer can save a few dollars on a charging cable by ordering it online, why wouldn't she want to save tens of thousand of dollars by managing her retirement fund that way as well? It's no wonder people are using their smartphones to complete major financial transactions, including personal banking, loan applications, and investment purchases.

# Industries Ripe for Revolution

Rachel Botsman, Oxford University lecturer and global expert on the on-demand economy, identifies five characteristics that leave businesses vulnerable to disruption: redundancy, broken trust, limited access, waste, and complexity. Faced with these frustrations, consumers will look for alternative ways to do business and share their experience with their friends, and tech start-ups are happy to help them.

Again and again, Silicon Valley has successfully targeted industries that are characterized by Botsman's list. Companies just a few years old have gained significant market share and diverted billions in revenue from corporations operating under traditional business models.

## Breaking the Taxi Business

The textbook example of an industry that's been blindsided by the power of on-demand technology is the taxi business. Until recently, a taxi driving medallion (license to operate) in a major U.S. city has been worth several hundred thousand dollars.

With ride sharing apps like Uber and Lyft, customers can now choose to get their point-to-point ride from a driver outside their local taxi system. And they have overwhelmingly chosen to take that option. According to the Los Angeles Times, taxi rides in Los Angeles have dropped by more than 30% in the past year, and are expected to drop further as Uber and Lyft expand beyond the early adopters.

Both start-ups feature an app that allows customers to order a ride, pay their driver, and see how far away their car is in real time. Taxi companies have responded with their own apps, but they lack the convenience, ease-of-use and price savings of the disrupters.

Unfortunately for cab drivers, they offer a commodity service: one that can easily be replaced. Passengers get no added value for waiting longer and paying more to ride in a traditional yellow cab.

While the services offered by a real estate agent are more complex than those offered by a taxi driver, the traditional brokerage model shares many of the same vulnerabilities to on-demand disruption.



↓ 30%

Taxi rides in Los Angeles have dropped by more than 30% in the past year.



# \$1.3 trillion

Real estate sales generated each year

## Real Estate is Already Changing

Residential real estate is one of the largest sectors of the economy, generating an estimated \$1.3 trillion in sales each year. Like all independent businesses, brokerages operate under a wide range of structures and market conditions. But the rise of on-demand technology is causing significant changes that are being felt by the entire industry.

To counteract this, real estate companies have been developing a slew of new apps designed to make the agent “more relevant” to the transaction process. In most cases, these apps expand on existing functions such as additional search features or organizational tools. So while they often provide useful functionality, they cannot solve the larger problem of the demise of the 20th century business model.

To survive and even grow in the on-demand environment, brokerages must rethink the role technology will play in their business and how that technology will meet the clients’ demand for added value.

## How to Respond to On-Demand: 3 Options

Faced with this challenge to the traditional model, brokerages are responding three different ways.

### 1. Wait and See

Many brokerages are basically doing nothing, hoping they can continue to do business-as-usual while things shake out. But taking a wait-and-see attitude has proven to be fatal in times of rapid transformation. Bankruptcy specialist Kate Logan has identified the one trait that failed companies have in common, whether they are a family business or 125-year-old Montgomery Ward: they do not adapt, even when they see signs that their market is changing.

The real estate marketplace could face a point of no return more quickly than it felt the housing

crash of 2009. By the time a broker knows for sure his business model is obsolete, he may not have time to do anything but close the doors.

However, responding by simply investing in technology doesn't solve the problem.

## **2. Add on Technology**

Many proactive brokerages are reacting to the digital transformation of real estate by simply purchasing technology to bring them up to par with what they believe to be the new customer expectations.

For example, many are investing in mobile web technology to make it easier for clients to search for homes through the broker's site. They're becoming more savvy and purposeful on social media, using the latest content generation and scheduling tools to stay in front of potential customers. And they're deploying convenience apps like e-signature programs that send signable PDFs to their clients' mobile devices.

But unfortunately, many are not changing their focus. They're simply pinning their hopes on the latest technology, while continuing to use a business model that's going away.

In the tech world, programs that are designed to solve a single problem but do not integrate into a larger, systemic solution are known as "point solutions." Brokers who try to implement technology to solve short-term problems and are simply kicking the can down the road.

Their inability to handle the new market conditions will simply be deferred.

One example of this is the adoption of stand-alone e-signature programs. In the short-term, e-sign programs give the broker the appearance that their business is technologically up to date. But it does not significantly add value to the role of the agent. And unless it is part of a complete transaction system, customers will see the brokerage as operating under the 20th century model.

Ragy Thomas, founder of the widely used social integration platform Sprinklr, compares the cobbling together of various point solutions to the work of Dr. Frankenstein. At first it seems to work, but in the end it creates a monster.

He says that point solutions "won't serve the company you hope yours will become one day. And your customers are already expecting you to be that company."

The answer isn't to ignore technology and hope it won't change real estate, or to make the opposite error and hope that technology by itself will transform a brokerage to be ready for the coming disruption.

The solution is to become a company that leverages technology for both automation and collaboration.

## **3. Adopt an End-to-End Collaborative Platform**

A mobile-first, end-to-end collaborative platform addresses the consumer demand for an easy-to-use digital experience. At the same time, it avoids the pitfalls of the short-term point solution by integrating all aspects of the transaction process—from new client welcome to long-term digital



archiving after closing—and by sharing data with the leading CRM and accounting platforms.

Recall Rachel Botsman's five characteristics that leave businesses vulnerable to disruption: redundancy, broken trust, limited access, waste, and complexity. But just because a broker finds out that his business has some or all of these traits, doesn't mean the end of the line.

Botsman has also researched how businesses are successfully counteracting these characteristics. For each of these negatives she has identified a contrasting innovation principle—an idea that companies can use to counter disruption and create value: directness, openness, empowerment, efficiency, and simplicity.

DIRECTNESS    OPENNESS    EMPOWERMENT    EFFICIENCY    SIMPLICITY

*“These concepts allow companies to identify where they are most likely to be disrupted and also where they can disrupt (for) themselves in order to enter or create a new market.”*

- Rachel Botsman

A collaborative transaction platform addresses each of Botsman's negatives, countering with a system that embodies her innovation principles. It eliminates the weak points in the old real estate model, while preparing brokers to meet future challenges. And it offers three key benefits.

## How an End-to-End Collaborative Platform Empowers Brokerages

### **Giving Clients What They Want**

Looking at the industries that have already been transformed, the digital technology that's gained wide adoption has been easy to use, has simplified complex transactions, and has been mobile-first. Above all, it has allowed customers to move quickly through transactions.

People are naturally averse to point solutions and want something that comprehensively solves their problem. Put another way: instead of spending hours crisscrossing town to run weekend errands and chores, many people choose to do all of their shopping at a store like Target or through a marketplace like Amazon Prime.

### **Benefiting From the Network Effect**

The more popular a collaborative platform becomes, the more valuable it is to existing users. This phenomenon is what the tech industry calls “the network effect.” Every existing node in a network

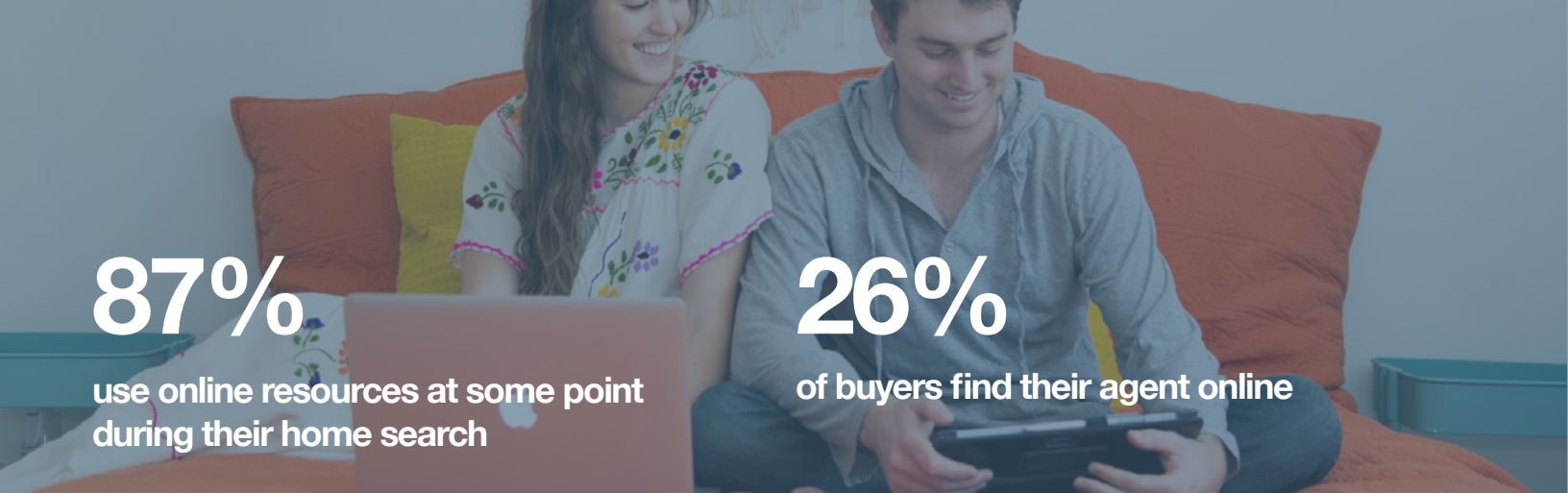
gains exponentially in functionality each time a new node is added.

In other words, if you have a telephone network connecting two users and you add a third user, your network more than doubles in value. Add a fourth and it nearly doubles again. Even a network with a million users gains exponentially in value every time it gains a few more.

In real estate, a standard collaborative platform where brokerages of all sizes can carry out transactions with speed and efficiency benefits everyone involved—especially the agents and admins who do not have to learn the ins and outs of multiple software packages.

### **Meeting the Challenge of Compliance**

Finally, a collaborative platform in which documents are not sent out as PDFs for signing but, instead, bring the parties to a secure environment for e-signature lowers the broker's liability because compliance is much more thorough. With every version of a document and every party's actions on that document stored securely in the cloud, the fiduciary oversight required by law is baked into the collaborative platform itself.



87%

use online resources at some point during their home search

26%

of buyers find their agent online

## **Technology Must Enable Collaboration**

The on-demand revolution has already begun to transform real estate.

According to the *Consumer Housing Trends Report 2016* published by Zillow Group, buyers are now overwhelmingly bringing all available digital tools to the process, including their smartphones, social media, and online networks. However, they are not trying to replace their agent with technology -- they are looking for an agent who can use technology to make the process faster, easier, and more efficient. Someone who can then fill a role that technology can never replace --that of a trusted adviser and strategic partner.

The collaborative platform allows brokers to meet this demand by automating tasks that technology handles best while enhancing the agent's role as coordinator, counselor, and guide. As a result,

clients experience the process using the technology they've come to expect, and recognize that the agent's role in the transaction is one that cannot be replaced by an app.

Brokers gain productivity and improved insight, and agents can give their clients what everyone wants when completing one of the largest financial transactions of their life -- a person-to-person relationship, built on trust.

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## | About dotloop

Dotloop is the leading online transaction and productivity optimization platform in real estate. Dotloop reduces complexity by replacing separate form creation, e-sign, and transaction management systems with a single end-to-end solution and drives growth by helping real estate professionals streamline their businesses with workflow automation and real-time visibility into transactions. Each year, millions of agents, brokers, and clients trust dotloop to get deals done.

## | Contact Us

To learn more, visit [info.dotloop.com/learn-more](https://info.dotloop.com/learn-more)



## | About the Author

Austin Allison is the founder of dotloop (part of Zillow Group), the industry's only collaborative transaction platform. Dotloop has processed over \$1 trillion in real estate deals.

He has been featured on the cover of Entrepreneur Magazine, recognized as the Inman News Innovator of the Year for 2012, listed on Forbes 30 under 30, and was named as the small business Executive of the Year by Best in Biz. He is the co-author of *Peoplework: How to Run a People-First Business in a Digital-First World*.



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