

Future of MLS Features – 2008



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Introduction

The purpose of this paper is to generate discussion on possible MLS system future features by providing a big picture view of the changing relationship of real estate professionals with each other and with consumers, the changing relationship of local and regional MLSs with each other, and to illustrate, at least at a high level, how these changes may be either enabled or reflected technically in the MLS system of the future.

This paper is not focused on detailed description of what features are popular already today, for example:

- Mapping bird's eye or street-level views
- Big pictures in slideshows and flyers
- Total MLS staff control over fields, reports and business rules
- Easy setup/management of RETS data feeds
- Single Sign-On (SSO)
- Public records data intermingled with MLS data in reports and improved statistics

This paper also does not focus on the usual incremental changes to current MLS features, but rather explores the future of MLS systems and their role further ahead.

Clareity always advises our clients during their MLS system selection process focus on the core features ('the steak') and not be overly sold on other features ('the sizzle'). Too often, a largely volunteer based Task Force can be swayed by a single 'sizzle' feature, and forget that most importantly the system must perform core functions such as listing input and search as efficiently and accurately as possible, and that the system must have high availability and fast performance. With some of the more popular MLS vendors currently having significant issues in these core areas, I want to make sure that this paper is not seen as a call to take your eyes off the system core. That said, the definition of core functionality has expanded somewhat in recent years and will continue to expand and change – and we can't ignore that either.

By consulting for many MLS vendors over the last decade, Clareity has strongly contributed in the development of the product vision for today's modern MLS system. Clareity was a strong proponent of features such as integrated contact management and CRM, functionality for assistants and teams, and coordinating all of the leading real estate software vendors on Single Sign-On (SSO) technology and information security improvements. Not every feature we've thought up or recommended has been adopted though. Some ideas, such as good uses for automated valuation models (AVMs), Clareity has advocated for many years, but it took Zillow and Zestimates® to serve the MLS and brokers a wake-up call. AVM's are just now starting to be integrated properly, in just a few MLS systems, using high quality AVM tools from companies like First American and Cyberhomes.com.

What follows in this paper are some of the cool features from my MLS product development notebook. Hopefully some of these features will show up in your MLS system of the future. If you like one or more of these features, ask your vendor to for them (or build it yourself, home growers!).

Mapping: Not Just About Showing Property Location

Mapping has currently been used in MLS systems to show the location of properties, and occasionally through data layers and other interactivity, to show information about the property and its surrounding areas. However, mapping has a lot more promise than it has been used for currently.

Mapping can be a great tool for communicating agent knowledge about neighborhoods and communities. In some systems there is currently a way to turn on specific categories of “points of interest” (POI), but does it really help a gourmet seeking a home in a high-end community to show them every McDonalds and Burger King in a two mile radius? Not at all – rather, if the agent shows the consumer that map, it demonstrates that the agent doesn’t understand their client. It definitely doesn’t show the client that the agent is the neighborhood expert and can help interpret the plethora of information available. So, one key feature for turning maps into a useful tool to build a bridge between agents and consumers is allowing the agent to customize the map, edit the content shown to the consumer, and add **user generated mapping content**.

Illustrated below, an agent is showing the listings desired by the consumer alongside some specific restaurant and shopping options. You can see that in the Bistro detail shown, customized text and additional information has been entered by the agent, showing the client that they know the neighborhood, and have been to this restaurant before.



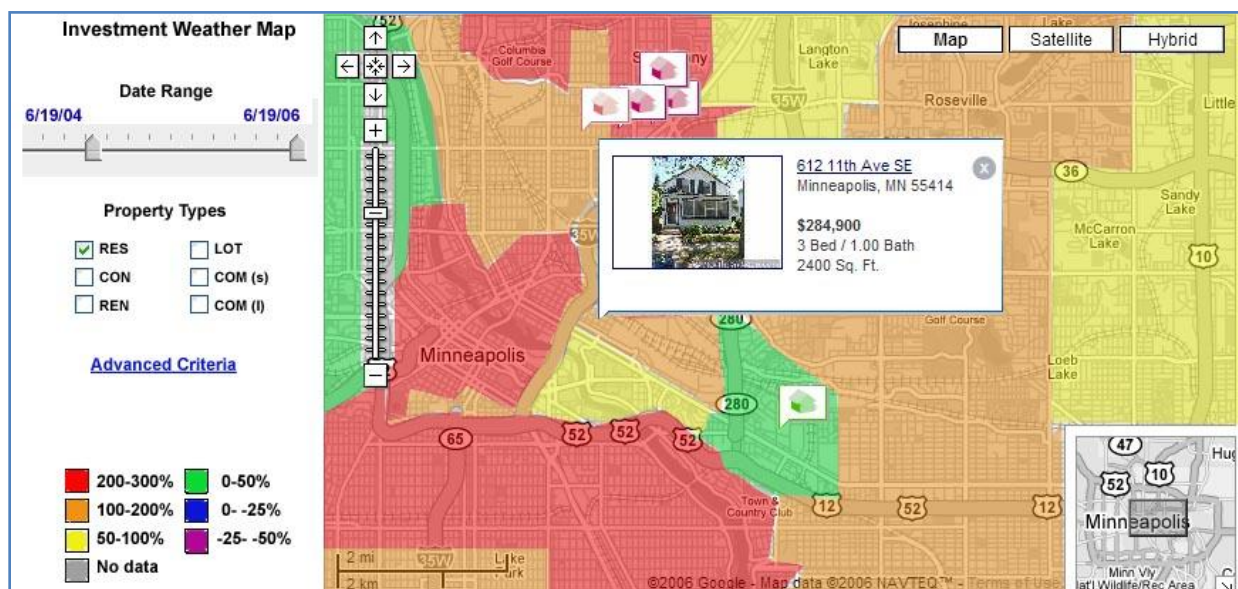
For example, if the prospective buyer had a child that studied karate, the agent could have added the nearby dojo to the map, along with the commentary “I think Suzy will really like the

karate instructor at this dojo.” Or, if the buyers had children in elementary school, the agents could add rich, relevant and even personalized content about the local schools as well.

The key to successful user generated mapping content is for it to be very easy to add the content. It must be easy for agents to add new custom points of interest, pre-fill basic information from existing data sources, and create content libraries that they can leverage to create custom maps for consumers with a minimum of entry or re-entry. Getting these workflows right is critical to feature adoption.

Another area of mapping that could be greatly enhanced is to use **mapping layers to show demographics**. In many surveys Clareity has performed, agents seem very skittish about this – especially when it comes to showing crime maps. Some agents have legitimate reasons for skittishness – fear of being accused of steering or other violation of fair housing laws are valid concerns – but it’s up to real estate professionals to provide the consumer the information they want and need to make a buying decision. If consumers want it and the real estate practitioner won’t provide it, they’ll get it elsewhere and the value perception of the REALTOR® will continue to decrease. As former NAR president Billy Chee said to me back in 2002, “The *consumer* is the lion coming over the hill.”

Mapping also has great power to display complex information in a way that’s very easy for people to interpret. One of my favorite visualizations is the ‘**weather map**’ or ‘heat map’. Consumers can readily obtain heat maps from Trulia, Zillow, CyberHomes, and others, but not from their agents. Why is this? While some MLS systems already have heat maps to show days on market or price per square foot, it’s easy to imagine other heat maps with even more useful information. The example below shows what areas are ‘hot’ or ‘cold’ for investors by showing appreciation over time. Such maps could also show vacancy and absorption or even percentage differences between initial asking price and final asking price or sale price, or even show shading representing the percentage of properties in foreclosure.



I've shown 'heat' two ways on the map above – with colored icons and with color shading. It's probably only necessary to use one method or the other. Icons will certainly be technically easier to implement than shading, though at a wider zoom level area shading may make more sense.

Bridging the Gap between Internet and Installed Software

Why make the consumer open up a web browser and go to a web site to see their latest prospect matches? Why even expect they would check their email? Why not 'push' the results right to their computer desktop and get the information right in front of them when they start up their PC? This is both convenience to the consumer and value-add to the agent.

The illustration below shows two **Widgets** that I created back in 2005 – one designed for the consumer showing the results of a prospect search, the other for the real estate professional, showing listing activity in their market area, along with what emails, inquiries, and tasks would await them when they logged into the MLS.



Toolkits by companies such as Google and Yahoo!, as well as widget capabilities built into Windows and Mac OS, make widget creation fairly easy. Coldwell Banker added a very simple widget to their web site last year, but I'm imagining much more sophisticated widgets, especially for professionals. Recently, I've begun to see capabilities developed to allow even more bridging between the Internet and the desktop – where the widget can store some data locally and provide some functionality even if the user has gone offline. As this technology evolves, I expect that the opportunities opened up by its use will continue to grow.

Integration of Broker System Features

At some point I expect, or at least hope, that MLSs will have much deeper integration with broker back-office systems and/or build in more broker features. There would be significant broker data management and workflow advantages to building features into the MLS such as:

- Lead Generation / Management tools
- Marketing tools
- Competitive analysis for Recruit/Retention
- Content syndication tools (listing distribution to other web)
- Productivity / profitability measurement tool

To dig a bit deeper in one of these areas, an agent productivity / profitability measurement tool may include such elements as:

- Income and Expense Tracking
- List/sell/total production graph and chart
- Drilldown by month / week / day / date range
- Drilldown by enterprise / office / team / agent / listings
- Productivity modeler (Actual / What If)

The “what if” modeler may allow for adjustable components such as commission splits, selling office commissions, desk cost coverage %, closed to list ratio, average marketing time, transactions to list ratio, and more. The system would then be able to show total \$, GCI, agent \$, company \$, market \$, desk \$, net \$, and \$ change (from previous and base scenarios).

These types of features have been in various different broker tools – but really depend on the MLS for the data to properly implement them. Again, either the key will be deeper integrations with existing products or building these types of tools right into the MLS.

Features to Better Support Agents

Most MLS features are focused on the agent, but there’s still more that can be added to the MLS for them, including:

- Listing presentation or other marketing pieces as robust as the CMA w/ MLS sales statistics and showing data integrated
- Buyer's agent presentation
- Easy mail merge marketing pieces w/ tax data
- A chart/report showing housing value increase or decrease within specific search criteria - to detect price trends within a specific neighborhood - and the ability to set alerts if sale price conditions start to occur for a specific search.

As MLSs continue to regionalize and engage in data shares, creating a better system for agents to find each other and provide referrals will be increasingly important. I believe that more

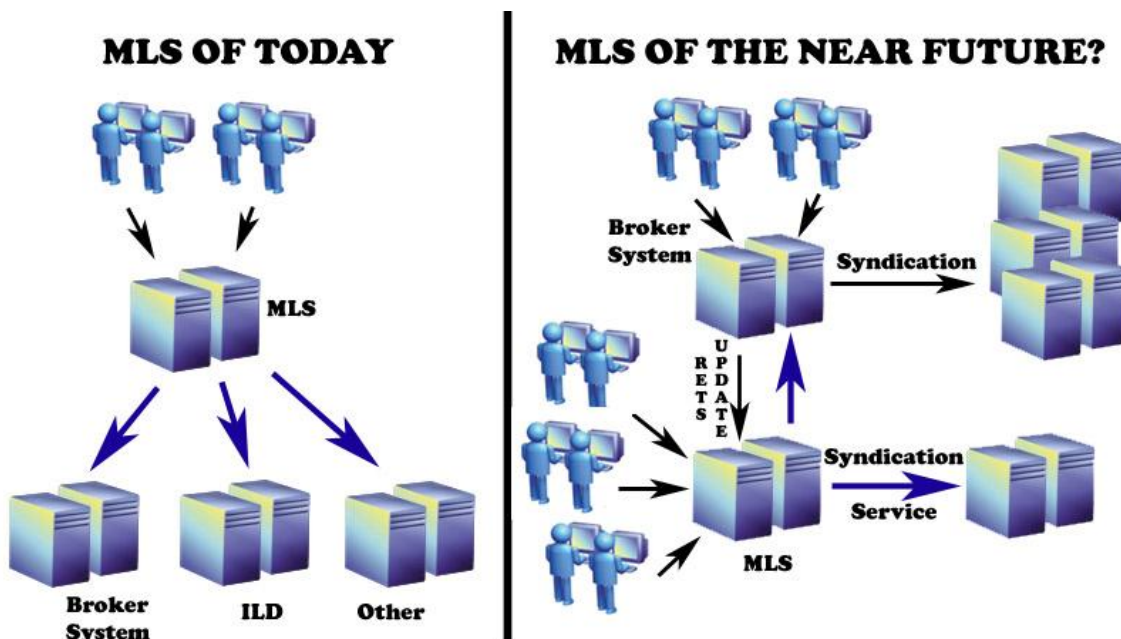
advanced roster search functionality will be important if an agent in one area needs to be able to find the agent in another area to best serve their client. Being able to see who is the expert in the types of properties desired by the client and who is most experienced and ‘best’ at facilitating buying or selling those properties via statistical analysis is key. Potentially there would even be qualitative agent ratings, open to other real estate professionals or even the consumer. Like eBay ratings, there would be a way to address disputes. There are already a number of web sites providing mechanisms for agent ratings – why wouldn’t “organized real estate” want this mechanism to be someplace where we could manage the rules around it and have it integrated with other agent information and statistics? Consumers will have access to several agent rating services – *this is inevitable* – because everything is being ranked on the Internet.

Integration of Appraiser Data

Will appraisers ever be brought into the fold? Every few years this comes up and new appraiser platforms such as Zaiio are developed – though usually they have not succeeded in the long term. Why separate appraisal systems from the MLS system - is there not synergy? Shouldn’t data standards such as RETS be worked on *together* with appraisers? How will they be incented to participate in a common data platform, so that everyone benefits?

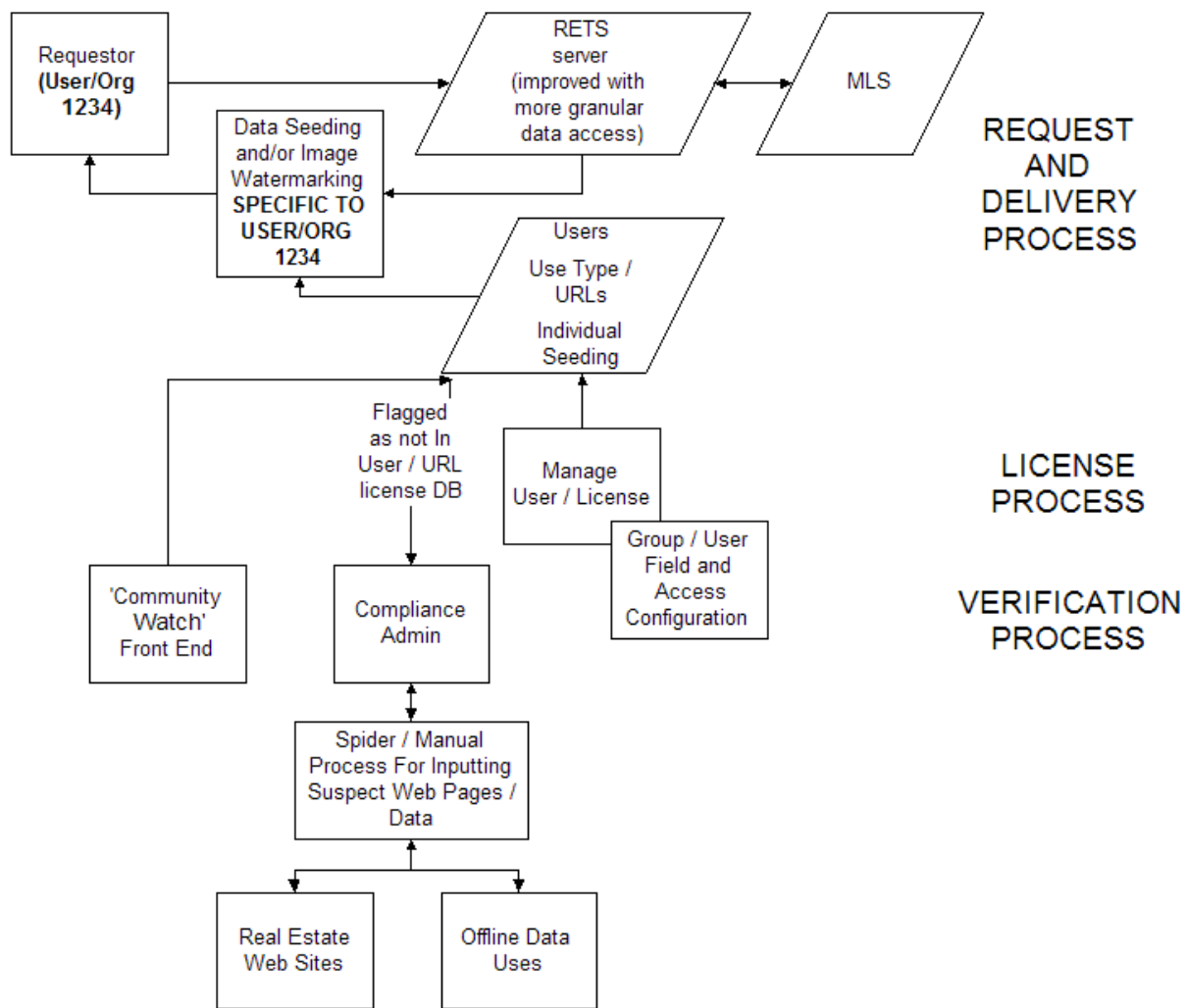
RETS Implementations

Continued improvements in the ease of setting up listing syndication and even **accepting listing input from broker systems** will be possible as RETS continues to evolve. I think these are core MLS functions, and will change the role of the MLS system as diagrammed below. A lot more detail on this subject is available in a separate paper, available from <http://www.callclareity.com/MLSyndication.cfm>



MLSs will also need to work to **address the security of listing data either being syndicated or even exported directly from the MLS**. Because of that latter element of the problem, use of secondary products will always leave a significant issue unattended – unless the solution is ‘baked into’ the MLS. None of the MLS systems on the market today have established effective controls for solving this issue, though Clareity Consulting attempted to get the ball rolling by sharing plans for such as a system with all the major MLS vendors back in 2004, in a document titled, “Protecting Against Illegitimate Use of Data by Legitimate Users: Processes of Data Licensing, Delivery, and Use Monitoring”.

The core of the system, diagramed below, is to include a process for data use licensing, request and delivery, and verification – all built right into the administrative user’s view of the MLS. MLSs could get a handle on where the data should be via the licensing process, data and images would be individually watermarked (yes, I know that data watermarking is a tall order), and methods of efficient compliance management put in place.



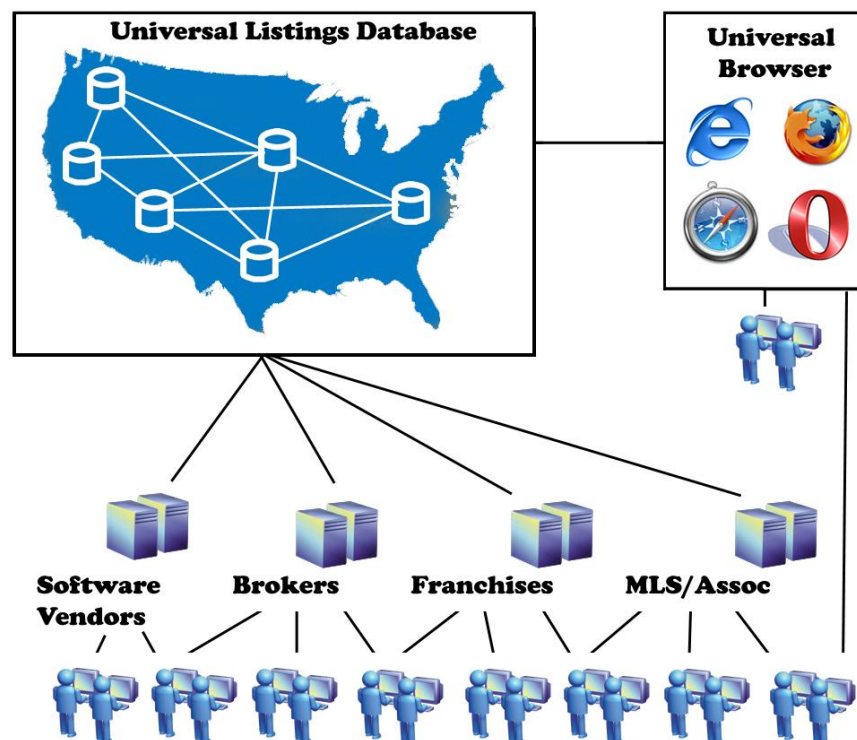
I've got to admit that I'm not sure the perceived cost/benefit model will ever make it likely that such a system would be built – but I'd like to see this issue addressed. Once weaknesses in MLS user authentication and protections against hackers are put in place, this area is the largest security challenge for any MLS.

Social Networking

Real estate is, by its nature, a social business - so another area where both standards and deeper integrations may come into play is in social networking. Various major social networking sites have explored development of a common programming interface (API) for social applications across multiple applications - for example the OpenSocial standard (<http://code.google.com/apis/opensocial/>). If MLS functionality expands its capabilities toward social networking, it certainly would be interesting to see how the MLS could interact with other applications through such interfaces, opening up whole new possibilities of how real estate professionals interact with their colleagues and clients.

The Original NAR “Future of MLS PAG” Vision

Originally, the NAR “Future of MLS PAG” vision was to have a central back end data repository, allowing for front-end interface of choice, provided at the local brokerage, MLS or association, vendor, and franchise levels, along with a baseline front end available through the NAR. Diagrammed below, this wasn't a bad idea, though the MLS PAG has since evolved its vision toward something that has seemingly little to do with MLS.



I still think the original vision made a lot of sense, especially at the natural market region level, then being linked together into larger areas. Of course, most MLS systems are not currently architected to use separate back-end databases, but I expect this will change in the future.

Lastly, to facilitate the regional data share process, or even to make it possible for brokerages/agents to have their own custom data shares beyond a single region, MLSs will need to make it easier to automate creation of data mash-ups from different MLSs as much as possible. I imagine a **data mapping expert system** that facilitates inclusion of multiple data sources, automatically mapping data to a common set and “wizarding” corrections and additional mappings. Of course, the system would still need to reflect the data mapping into reports, statistics, and other parts of the system.

Conclusion

Clareity Consulting is constantly researching new ideas for MLSs. Our expert consultants are regularly engaged in the product management and development process with leading MLS vendors and home grown systems. Through end-user surveys, interaction with MLS executives and staff (80+ of top 100 MLSs have been clients of Clareity), our annual Workshop and attendance at MLS system sales demos, Clareity is constantly taking the pulse of the industry, in terms of what features are desired in an MLS system. But Clareity goes beyond this research, and is always looking ahead.

One of my favorite product-development related quotes is from Henry Ford, great automotive pioneer, who said, "If I had asked people what they wanted they would have said faster horses." There's a lesson in that quote for MLSs that say, "We're member driven," and for MLS vendors too focused on the mantra, "We're customer driven." It's important to listen, but it's also important to innovate and lead.

Those who wish to keep the functionality of the MLS more limited may insist that the role of the MLS should be constrained to only those functions needed for the facilitation of cooperation and compensation between brokers. That is, of course, the core of the MLS, but it should also be recognized that the MLS is the core business platform for agents as well, and that the MLS may need to continue to expand to support their needs in a multitude of ways.

What has been described above may be of interest, perhaps may inspire, but it's up to you. We in this industry often passively ask ourselves and our peers, "What is the Future of MLS?" I think we need to take a more active, thoughtful role. To reference a quote attributed to Allan Kay of Apple Computer, "The best way to predict the future is to invent it!" MLS vendors and regional MLS operators can create the future of MLS, both supporting and driving the way local and regional MLSs interact with each other and the rest of the industry, and enabling REALTORS® to interact with consumers in new ways, preserving and enhancing their value as well as the ongoing value of the MLS system itself.

About the Author

Matt Cohen is Clareity Consulting's Chief Technologist. With a dozen years experience in real estate technology, Matt has spoken at many conferences, workshops and leadership retreats internationally and is a well-regarded real estate industry expert on software design, product management, project management, data center reliability, scalability, and information and network security.



About Clareity

Clareity Consulting was founded in 1996 to provide information technology consulting to the real estate industry and its related businesses. Clareity Consulting provides clients an independent and unique perspective. Clareity has successfully executed a vast array of projects, including:



- Request for Proposals (RFP) for MLS, public records, broker systems, and Transaction Management Systems (TMS)
- Regionalization and data share facilitation
- Contract negotiation
- Information security and business continuity audits
- Executive Recruiting and Placement
- Project planning and management
- Strategic planning
- Software and system design and review
- Software scalability testing
- Mergers, acquisitions and strategic alliances
- Market research including surveys and focus groups
- New product marketing and business plans
- Product and integration specifications analysis

More information about Clareity Consulting is available at <http://www.CallClareity.com>