

Clareity's 2003 NAR Convention and Expo Report

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MLS Forum Summary – “The Good, the Bad, and the Ugly”

The MLS Forum focused on three major topics: the new lock box, Realtor Secure certification, and the VOW policy.

The Good

The NAR/SentriLock Lockbox system presentation was super impressive, even to a skeptic like me. I wondered if NAR should be investing member money in a Lock Box company, but the people at SentiLock seem to have created a very viable alternative to GE Supra and RISCO, and it looks like NAR's investment could be a home run. Scott Fisher, the company's president, used his chic, geek looks and big brain to mesmerize the audience with a clear and compelling presentation (Scott looks pretty much like über-geek Bill Gates, only younger).

SentriLock uses ISO smart card key technology, so this system eliminates the expense of proprietary devices and keys. The card keys fit in your wallet like a credit card and only cost a few bucks to make. The smart cards, combined with a user PIN, provide the double authentication security the industry needs. The box itself is very well designed, and has clever features like “contractor mode”, so the box can be set to open with only a special PIN code after the sale is made. A big Realtor “R” is branded right on the box, and it looks surprisingly good. As long as the box functions as promised, it should be excellent for the Realtor brand. SentiLock's prices are supposed to be significantly lower than Supra's, especially once the boxes are paid for. With competition now coming from Rapattoni and NAR/SentriLock, GE Supra will have to compete for every new sale in 2004. Economists say that markets always correct themselves. This appears to be the case for the lock box market.

The Bad

The new Realtor Secure Certification had good intentions, but very *bad* implementation.

The problem is that the Realtor Secure announcement to 400 MLS leaders was misleading, and the Center for Realtor Technology's



certification program itself is ill conceived. Clareity has been a real estate IT consulting company since 1996, and has performed numerous IT security audits for MLS vendors, regional MLSs, Associations and large brokers. Clareity introduced real estate IT security and data protection to the real estate industry at a three-day conference named "Law and Order in Information Commerce" in February of 1998, and has been the leading authority in these areas since that time. NAR should have contacted a few experts in the industry prior to announcing this poorly planned certification program.

At the MLS Forum, the speaker indicated he was sure that most MLSs would have "an easy time becoming certified. Based on our experience in the industry, we find this claim to be extremely naïve and misleading. Every organization Clareity has assessed has had significant security issues that take time and money to mitigate. While brokers or MLSs may be able to address many moderate and critical IT security risks very quickly, there are often technical and application security issues, as well as security policy and procedure education for employees, that require a long term commitment and effort. This long term process, which is never truly completed, makes a certification process based on completion of *all* items on a checklist and third party verification of that completion, simply wrong headed.

It was also apparent that this program was designed by someone without real estate industry experience. Some items on the self-assessment checklist are completely impractical or non-applicable for a broker or small MLS, and the checklist is by no means comprehensive and detailed enough to identify common IT security risks faced by large MLSs or MLS vendors. The CRT's attempt to create a one-size-fits-all self-assessment checklist was performed with what could charitably be called naïveté.

It was also announced at the MLS Forum that once an organization was certified, they could certify others. That makes about as much sense as telling someone, "I recently had brain surgery and the doctor now tells me I'm qualified to perform it on others." And the "secure" certification is good for two years! Nope, nothing changes in two years. Clareity (or any good consultant) is *constantly* adding new elements to its security evaluations. Oy vay! What were they thinking?

At this point, Clareity recommends that NAR's Realtor Secure program be immediately retracted and put back in dry dock for substantial revision. The intentions of this certification were good, but the planning and implementation were bad.

The Ugly

The MLS committee voted to postpone mandatory VOW policy implementation until July 1st, 2004. The delay was recommended primarily because of the DOJ's inquiry into the anti-trust ramifications of the policy. The selective opt-out capability makes it rather easy for "established" brokers to discriminate against "new-business-model" brokers, and this cowboy thinks the DOJ will have an issue with that single, small detail – regardless of NAR's legal justifications. Clareity's prediction: Game over. DOJ 1, NAR 0

Big Broker Forum

The large brokers' panel discussion focused on driving ancillary products and services. Eight real estate industry luminaries expressed their views on the challenges facing

today's "Power Brokers." A common theme was expressed. The profitability derived from solely the brokerage fee will be insufficient to stay in business moving forward. A brokerage's business strategy must include increasing revenue from ancillary businesses such as mortgage, title, home warranty, etc. Creating partnerships, joint ventures, and/or marketing agreements with select service providers will prove to be necessary to maintain profit margins and grow the business. The most valuable nugget from this session was that the panel urged all the Brokers in the room to begin the process of developing preferred provider relationships by creating an RFP and distributing it to potential partners. Clareity has seen the results of preparing RFPs and seeking competitive bids first hand. The process works well for brokers and lets them compare offers and select the best partner for their specific needs.

Hot Topics at Clareity Sessions

Clareity spoke at three MLS User Groups at NAR and to the Realty Alliance Brokers' IT and Marketing Directors as well. The hottest topics of conversation were IT Security, RETS, and the expanding scope of the MLS, especially in digital document storage. Clareity informed its audiences that MLS systems that allow fax-in attachments and uploaded PDFs (such as RapattoniMLS) are rapidly becoming centralized document repositories, especially for disclosure forms and CC&Rs. Getting the files online is a critical first step in the evolution of online transaction management. IT security and RETS issues are addressed elsewhere in this report.

Banks, Banks, Banks...

Wow, did the banks spend money this year! Many tourists walking by the Moscone Center must have thought there was a banking conference in town! Washington Mutual had large floating balloons on the street corners and free WAMU branded bottled water, Wells Fargo had driving billboards on trucks circling the convention center area, and Bank One bought ice cream for everyone. Companies like Lending Tree, Countrywide and Bank of America had huge trade show exhibits. Even though NAR has been trying to keep Banks from entering the brokerage business, it had to appreciate the millions of marketing dollars that banks spent this year at the NAR Convention & Expo. It appears as though banks are willing to spend bigger than ever to influence agents and brokers to direct business their way today – and build their brands for the future.

Around the Trade Show

Next Phase Media - who are these guys?

This company had a huge booth and promoted three products, all of which are agent-to-consumer matching services and/or lead generation type products. Next Phase Media's founders were successful in the online automobile industry, and now they are betting large on real estate. Next Phase has carefully positioned its agent products as pay-per-lead, or pay-per-month subscriptions and they make a point of saying that they don't get involved in the agent's commission or charge a referral fee. Another company made that claim once and then switched to a referral model, so it will be interesting to see if Next Phase is successful and whether brokers will view Next Phase as good or evil.

Best SWAG

First American had some snappy electronic light-up dice and mini-Etch-a-Sketches for your key chain. The light-up dice were very popular in night clubs late at night (or so we were told...) and now Realtors can draw floor plans on their little Etch-a-Sketches when working with clients, so the best SWAG award goes to First American. Thanks for the clever goodies!



Best Bag

For the second straight year, Washington Mutual had the best SWAG Bags. They were large, heavy-duty, 50 lb plus capacity, blue bags with pockets inside. This year's model was even water resistant!

Best Party

Anyone can host a hospitality suite in a hotel, but FNIS showed some spunk and rented out the entire two-story, Club NV - one of the City's hippest dance clubs. FNIS put out a first class array of San Francisco's best food and drinks for its customers, and Club NV played some kickin' music. The FNIS customers seemed to enjoy this private party inside this trendy night spot.

Best New Technology – RealtyAssist and Sony's Metreon

RealtyAssist used a catchy "PaperMess-2-PaperLess" tag line to announce a new service bureau approach to digitizing documents and entire files for brokers. RealtyAssist's new outsourced service approach is unique and means a broker doesn't need to hire extra staff or buy new software or equipment. Instead, the broker pays RealtyAssist a simple fee per file and can implement a complete digital file system in a matter of days. After a sale closes, the consumer receives a broker-branded CD and personalized web archive file of all of their closing documents. The benefits to a brokerage include efficient retrieval of documents, lower file storage costs, reduced E&O insurance, and a high tech company recruiting and marketing tool. The part I like best: the consumer CD and web archive are finally tangible justifications for the \$150-\$200 document or administration fee charged by many brokers. This makes it more likely that the consumer (or agent) will be willing to pick up the fee for the service, making it possible for a broker to implement digital file management and storage at virtually no cost. This innovative combination of technology and service made RealtyAssist's offering the best thing we saw on the trade show floor.



Some of the best technology wasn't at the tradeshow's Innovation Showcase or the Convention Center, it was right across the street at Sony's Metreon center. Metreon is an entertainment center where every store has a multimedia or futuristic theme and visitors get a feel for what a digital lifestyle really means. Metreon felt like a walk in the future. If you were in San Francisco and missed Metreon, be sure to go there next time!

Best Booth

Clareity liked HomeLoanDesk.com's Tiki Hut booth because it was different, fun, and reminded us of our clients and friends in Hawaii. Plus we liked the local talent staffing the booth...



Stupidest Booth

AT&T and mLife set the bar pretty high last year, but no booth jumped out as stupid enough this year, so we'll wait until next year to give out this prestigious award. There was one company that deserves honorable mention though... Nokia had the cajones at their booth to declare that a phone that sells in stores around the world was designed especially for real estate! Sure, the phone has a digital camera in it, and it even has a special amortization program built in, but "the first phone designed especially for real estate"? Please... I'm part Finnish and love Nokia, but that claim was a bit much!

Worst Team Shirt

Remember when we picked on Supra for wearing red bowling shirts? We apologize, those shirts looked great compared to these...



MLS Vendor Round Up

Here is a quick recap of the most significant MLS system announcements at NAR:

- FNIS announced Paragon 3.0 and a new “Listen, Learn, Respond” campaign – and “change the way you do business”. Hmmm? Is this a kinder, gentler FNIS? FNIS has made substantial improvements to its software and customer satisfaction, so expect them to be a strong competitor in 2004.
- MarketLinx TEMPO 3.0’s new enhancements include: Client Gateway (integrated consumer websites within Prospecting), Combo View (MLS, Photo, Tax, Map), CMA Integration with Tax Rolls, and Fax In document attachments. MarketLinx also claimed market leadership in web based MLS systems with the addition of 53,000 more subscribers in 2003, including victories at NTREIS (Greater Dallas), CMLS (Charlotte), and SoCal MLS (Orange County).
- Rapattoni unveiled its new lockbox system, which is in direct competition with Supra and NAR’s Sentrilock. Rapattoni MLS demonstrated improved mapping and new spatial data display such as lot dimensions, school districts, and flood areas and showed completely integrated Transaction Management with RealtyAssistTMS. RapMLS also announced the inclusion of free aerial photos for its MLS customers.
- Interealty’s MLXchange 1.5 was released at the end of October. This latest version contains several performance enhancements and many new features that increase the user’s ability to customize the program.
- Stratus has been selected by MLS Italia to install an MLS system in Rome and is developing advanced multi-lingual capability in its Stratus MLS product. How cool is that? Stratus also announced new wireless support for Palm, Blackberry’s and Pocket PC.
- Offutt promoted enhancements to its InnoVia system, including integration with Microsoft Office, Fax-To-PDF, “rubber-band” map searching, and a new, comprehensive CMA. Offutt also announced interoperability with preferred partners such as RealtyAssistTMS, eNeighborhoods, and ShowingTime.com.
- FBS showed two key new features at NAR, wireless access that includes quick searches and easy client look ups and a new release of its off-line program, named flexmls PC, that operates just like the online system.
- Tarasoft announced it is moving into “production mode” with Matrix at MRIS, the largest MLS in North America. Tarasoft also announced the signing of RMLS of Minnesota and MRMLS (Los Angeles), two large regional MLSs that plan to offer Tarasoft Matrix to their members in parallel with existing MLS systems.
- Solid Earth’s message was: “We sell a project and long-term relationship, not a product”. Solid Earth feels that this approach gives them the time to devote attention to new customers and still keep up with commitments to existing customers. Now that’s refreshing!
- ProMatch Inc. released its 5th generation MLS system to the industry that includes both online and offline options.
- internetMLS featured its new HotUpdate feature, providing automatic scheduled downloads of MLS data to desktop and mobile computing platforms.
- EZlist-MLS Systems enhanced its CMA offering, added a Tour/Caravan of Home feature, and released a new standalone floor-time scheduling product.
- Valet/MLS continued to spread its message that it offers excellent service at a discount price.

- Quest showed off new prospecting and reverse prospecting modules as well as its public web site MLS view.

RETS Reactions

Some of the MLS vendors, like Interealty, were showing their new RETS compliance logo on their booth. It's great to see industry support for the standard. Clareity was also approached at the show by various RETS detractors. Most disturbing was when a Fortune 100 company that is launching new agent software told Clareity they were ready to abandon RETS and go back to IDX. What has happened is that even though companies have been certified as RETS compliant are not populating their RETS standard names with data in some markets, which forces the third party software vendor to map data fields for each individual MLS. If RETS isn't going to make implementations more efficient, some third party software vendors are fully prepared to go back to using less expensive technology. One regional MLS at the convention provided a cogent explanation of why they believe RETS standard names will never work for them - simply, some of what they see as their most important fields are not covered by standard names so third party solutions that only used the standard name data would be missing key data. RETS has a conflict between simplicity and utility, and the tepid middle ground is not working for everyone. Clareity expects that the standard name set will continue to mature, and more standard names will be added so that RETS can remain reasonably simple, but have greater utility. Clareity believes in the promise of RETS and looks forward to its evolution in the next year. For more information on RETS, see Clareity's free November 2003 position paper on the topic at www.callclareity.com.

Clareity Excellence Award



Clareity Consulting is pleased to present NAR and Sentrilock with this year's "Clareity Excellence Award." Sentrilock was chosen to receive this Innovation in Technology award as a result of its new, impressive new Realtor Lockbox system. Sentrilock's new lockbox system has many innovative new features including: a thin and lighter shape, an intuitive design, a highly secure body with a padded back, an off the shelf replaceable battery, Realtor "R" branding, and a key access compartment that flips open in the front to prevent keys from falling to the ground. The Sentrilock product design is worthy of receiving a Clareity Award because it utilizes existing, proven technology such as the ISO smartcards and readers to deliver a secure and practical solution. The Sentrilock system still needs to be hardened in beta tests, but the product is expected to be widely available in Q2 of 2004. Congratulations Sentrilock, it's our pleasure to present you with this year's Clareity Excellence Award.

2004 MLS Workshop Announced in Scottsdale, AZ

Please consider joining us in Scottsdale, Arizona March 4-5th, 2004 for Clareity's Third Annual MLS Workshop. This MLS Workshop will provide timely updates on relevant topics and will address many of the issues facing MLS executives and leaders today, and will focus on the expanding scope and role of MLS systems and operators. For more information, please see <http://www.callclareity.com/MLSworkshop/index.html>

Thank you for reading our report!

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About Clareity

Founded in 1996, Clareity continually strives to provide our clients a truly independent and unique perspective. Clareity has successfully executed a vast array of consulting projects for our clients, related to:

- IT Security Audit and business continuity assessment
- Development and analysis of RFPs for MLS systems, public records, broker systems, and TMPs
- Mergers and acquisitions and strategic alliances
- New product marketing and business plans
- Product integration specifications
- Competitive analysis
- Contract negotiation
- Project management and implementation assistance
- Quality assurance testing
- Market research including agent, broker, and staff electronic and telephone surveys as well as onsite focus groups