

## Opening the Door

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The old model of the real estate business was the Realtor as door-opener. The basis for this was that the real estate industry controlled information about properties for sale and anyone wishing to buy or sell would have to pass through the Realtor's door. That "monopoly" of information was broken with the development of the Internet, so that now most property information is freely accessible to the public. In fact, through its own policy, the National Association of Realtors has accelerated this process.

But don't weep for the real estate professional. They still serve as gatekeepers to the real estate transaction. Only now, that function relies not on the possession of information but on the trust placed in the industry by a public willing to accept the Realtor's recommendation for other service providers involved in the transaction. Recent research conducted by Real Trends suggests that the real estate professional is still very much in the center of the transaction:

- Agents controlled 52 percent of mortgage placements. Seventy two percent of agents regularly recommended a lender and the consumer took this recommendation 72 percent of the time.
- Realtors recommended escrow companies 70 percent of the time; title companies 67 percent; warranty companies 64 percent of the time; and home inspectors 57 percent of the time.

The interplay of the degree to which consumers trust agents and the new technology has fostered a drive toward one-stop shopping. Adding to this, the proposed RESPA regulations from 2004 favor the bundling of settlement services. Currently, Realtors and mortgage companies are partnering with title and escrow companies to create bundles of closing service that allow consumers to compare single prices. Right now, 60 percent of RESPRO (the trade group for major lenders and real estate companies) members offer a single-price bundle of services.

There are two advantages of the one-stop shop for Realtors and mortgage lenders. First, it allows the company to retain control of the consumer. By relying on a single entity for a complete menu of services, the offering firm can build a long term relationship with the customer. Surveys have consistently found large majorities of consumers preferring a one-stop shop; the Real Trends survey suggested consumer satisfaction rates with one-stop shops to be nearly 80 percent.

Second, the profit rates on the services involved in the transaction are large, in most cases outweighing the portion of the real estate commission that accrues to the broker. For example, the Real Trends research indicates that profit margins

to real estate companies are 22.5 percent for mortgage lending and nearly 37 percent for home warranty policies, both exceeding the 18 percent profit rate on real estate brokerage.

Of course, none of this is automatic. As with any business, the bundling of service must be done correctly and with a great deal of hard work. The commitment to servicing the consumer fully must be as real as the commitment to real estate brokerage or mortgage lending. In fact, the bundled service must be a core business, not an “add-on”. The company needs to find, train and reward the right people, and offer a full complement of products. But if some basic business principles are observed, the one-stop shop can be the key to the survival of the real estate business in an era of changing technology.

Is there any place here for newspaper and media companies? I would argue that the answer is “definitely”. If the media understand that this movement is taking place in the real estate industry, it can position itself in two ways to become a partner to the change. First, for those companies that have not yet initiated the one-stop shop, the newspaper is in an ideal position to broker a deal among its customers. Bringing together the real estate, mortgage, title, escrow and warranty companies will benefit them by increasing business and the newspaper by cementing loyalties that might otherwise be fraying.

Secondly, by providing the channels through which the consuming public is made aware of the new arrangement and the benefits that will flow from it to them, the newspaper can regain the solid advertising base it once had with the real estate industry. This increases revenues and draws consumer eyeballs.

This is not a new story. For the past decade, we have seen how technology has shuffled and reshuffled business relationships, creating new partnerships and channels as it closed out old ones. There is an opportunity here to use this change to recapture what had been lost or strengthen that which had been made weak. Think about how you can use it.