MLS Today

"The reports of my death are greatly exaggerated"

and

MLS Tomorrow

MLS 5.0

The MLS of the Future

**What will be required to build on the current solid foundation of today's MLS?
This paper attempts to answer this question and create a basis for an industry discussion.
Open and frank discussion is essential to creating the tools and organizations that will
position REALTORS® to provide services to meet the expectations of future buyers and
sellers. This Paper is a vision and not a roadmap. MLS in the broad, generic sense, needs to
be redefined in the age of information proliferation and online participatory environments.
MLS is more than an offer of compensation and cooperation, but how much more? That
decision is up to you.**

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Introduction:

In 1897, Mark Twain was traveling in Europe and heard that the New York Journal had printed his obituary. He responded to a friend in a [handwritten note](#): "The report of my death was an exaggeration," which over the years has morphed into "The reports of my death are greatly exaggerated."

A popular recurring MLS theme and discussion point over the last few years has centered on the idea that MLS is dead, or irrelevant, or both. Nothing could be further from the truth.

This Paper is a summary of the potential that the MLS can bring to the real estate industry and to consumers and, at the same time, it can be viewed as a subtle warning if brokers and industry leaders fail to grasp the strengths MLS currently possesses and employ them in a fast changing world, when consumer alternatives are popping up at every turn. It is based upon 33 years of MLS experience in many areas and at many levels.

Saul Klein has been a member of several MLSs in San Diego, California since 1975 and has been a licensed California broker since 1977. He served as the Vice President of the San Diego Association of REALTORS® when the MLS in San Diego County was regionalized from 11 associations and 4 MLSs to 5 associations and one MLS, creating one of the first large regional MLSs in the country in 1991. In 1993 he was the president of the San Diego Association and served as a Shareholder representative to the San Diego regional MLS (Sandicor) that same year. He has in depth experience dealing with MLS antitrust issues, locally and at the national level, consulting privately with many industry leaders as the IDX/VOW/ILD policies evolved and were debated and as NAR prepared for litigation with the US Department of Justice. Saul has served on the California Association of REALTORS MLS Committee continuously since 2003, and has facilitated close to 100 Strategic Planning sessions for both associations and MLSs nationwide and has provided consulting services to MLS vendors. He is widely recognized as a consultant to the industry and the first real estate industry Internet evangelist, preparing

the way for the National Association of REALTORS® (NAR) initial thrust in technology, and he was instrumental in the socialization process which resulted in listing information flowing to the Internet in the Mid 1990s on REALTOR.com. He continues to be a student of MLS and is sought after as a speaker, consultant, and facilitator, helping to bring clarity to the industry as the role of associations, MLSs, and real estate licensees continues to evolve in a Web 2.0 world.

Saul currently serves as CEO of two technology companies, Point2 Technologies and Real Estate Electronic Publishing Company (DBA InternetCrusade®). For a complete Resume, go to: http://internetcrusade.com/Saul.asp
To Access this report on the web go to: http://TheFutureOfMLS.com

Take Away Terms

Authoritative and trusted source

Mission

MLS 5.0

Online communities

Parcel based

Property Wiki

Single Point of Entry

Single Sign-On

Social Networking

Strong (two party) Authentication

Syndication

Vision

Web 2.0

Note: Also included in the document are links to definitions and ancillary information that may help for a better understanding of the theme of this Paper.

Executive Summary

Time is of the essence.

The real estate industry has the opportunity to "**take back its future.**" In order to do so, it must begin the process of first socializing to associations, MLSs, brokers, consumers (all stakeholders) and then implementing **MLS 5.0,** the MLS of the Future. This will not take place overnight, but is a living process that must be engaged.

Many in the real estate industry have heard of <u>Web 2.0</u>, yet with all the press it has received, few understand or can define it. Understanding Web 2.0 and what it entails is essential to the understanding of **MLS 5.0**, as **MLS 5.0** incorporates Web 2.0 concepts, principles, core characteristics, technology building blocks, applications, and uses.

To understand **MLS 5.0**, consider the evolution of the MLS, which over the past 30 years or so looked something like this:

- First Generation - Three ring binders with weekly updates and daily errata
- Second Generation - The bound MLS book
- Third Generation - Computer access to the data through "dumb terminals"
- Fourth Generation - Web based MLS (no more banks of phone lines and busy signals)
- Fifth Generation - **MLS 5.0**

A key element of MLS 5.0 is that it is parcel based and not listing based. It includes all parcels of real property in the Town/City/Region/State/US, not just the inventory of properties available for sale at any given point in time. It leverages property information from various sources accumulated over time to bring consumers and real estate professionals together on the Web to participate in an ongoing conversation with real estate at its center.

MLS 5.0 has a public facing side for consumers to interact with real estate professionals and a private side (business network) for the use of real estate professionals.

An army of real estate professionals have the local knowledge to create a force that can compete with those companies currently working to harness the power of property information as the center of their online business model. Consumers frequent different destinations on the Internet for different reasons. **MLS 5.0** will be the **authoritative and trusted source** of all real property information, not just property "for sale." **MLS 5.0** is the resource that will give real estate

professionals the opportunity to transcend the present and continue their success into the future as relevant participants in the lives of their customers, serving as trusted real property advisors. Along the way it will be required to leave some ideas and habits behind. Knowing that old habits die hard, it will require nothing less than a "Crusade" to socialize and then transition associations, MLSs, brokers, and real estate professionals to this new tool. **MLS 5.0** recognizes that we exist in the age of information.

MLS 5.0 is built in the spirit of <u>Web 2.0</u>, open, collaborative, self-organizing and self-policed. It is no longer sufficient to advocate that real estate professionals be at the *"Center of the transaction,"* as was promoted in the 1990s. To be at the center of the transaction, the real estate professional must now be at the *"Center of the conversation"* about real property, and this is essential to the mission of **MLS 5.0**.

In addition, through the use of <u>Open APIs</u> that provide access to listing data, applications can be built cost-effectively, leading to a richer ecosystem of features and software that will benefit real estate professionals and ultimately consumers, encouraging <u>user experience design</u>.

MLS 5.0 provides a *single point of entry* for listing data. Based upon the election of brokers or their agents, it will distribute that information to web portals, newspapers, radio and television, and applications, and then track and return information about prospects to the broker. Why pay for Internet leads generated from your listings? With **MLS 5.0**, you benefit from inquiries about your listings.

MLS 5.0:
- Is a property wiki
- Is a social networking site.
- Incorporates "Single Sign-On" in a range of ways
- Will change many aspects of the real estate business, reflecting and satisfying the needs of real estate professionals and real estate consumers as technology evolves and new generations come of age.

It is not the intent of this paper, nor is it possible, to answer every question about **MLS 5.0**, rather it is to begin the discussion and move to outcomes that will be beneficial to the stakeholders…consumers, agents, brokers, vendors, associations, MLSs, staffs and anyone interested in MLS.

Let the discussions begin. *Time is of the essence.*

Concept

The real estate industry has the opportunity to *"take back its future."* For a number of reasons, it has appeared over the last few years that forces, out of our control, were at work to reshape the real estate industry -- from technology, to the Internet, to the United States Department of Justice, to new business models that are the darlings of Wall Street, to the press, to the divergence of the different generations, and to economic conditions. It is now time to fight back, and in doing so, all concerned will be winners, REALTORS® and consumers alike.

It is upon this theme that the concept of **MLS 5.0** is introduced, as the MLS of the Future. It is time to look at what MLS seemingly has "always done," and bring it into the new millennium. This will require bold initiatives. To get the most out of this Paper, you may need to suspend your skepticism and step into the future. Ask yourself: "What is the value a real estate professional brings to consumers when information about everything, including real estate, is so abundant on the Web? **MLS 5.0** should provide the tools to enable the real estate professional to deliver value, part of which will be to put the information available into context for the consumer.

Today, MLS is not the only way to gain exposure for listings. Yahoo, Google, Zillow, Trulia, Craigslist, VAST, Point2Homes, REALTOR.com and many more have the potential to expose listings to more potential buyers than ever before, and for a fraction of the cost of traditional advertising. If you were a consumer selling your home, wouldn't you want it marketed everywhere? In the age of information, consumers and REALTORS® are becoming more comfortable using these new tools and new databases, and will become even more comfortable as the concepts of Web 2.0 become better appreciated and understood. MLS must reflect the new realities. Many REALTORS® are not acquainted or familiar with some of these realities. It will take more than vision to bring the ideas and concepts of MLS 5.0 into reality. It will take courage and leadership, as old paradigms, territorial rights, politics, potential job loss by MLS executives and staff, and fear will undoubtedly create obstacles to successfully altering the mission of MLS. And that is what we are talking about, altering the mission, and with a new vision

for MLS. Objections, real and imaginary, will be heard in abundance. Be prepared to field them.

Question (which has been asked many times over the past 10 years, but never really answered:

"If we were to build an MLS today, with the technology available and for the different generations of REALTORS®, home buyers, and home sellers, what would we include and how would we go about the task?"

Answer:

- Parcel Based – Best described as a "Property Wiki"
- Built upon Web 2.0 Concepts – Using technologies to engage:
    - o The Consumer
    - o The REALTOR®
    - o Vendors
    - o Developers
- Public Side and a Private Side
- Online communities for REALTORS® (public and private)
- Online communities for consumers (public and private)
- Multi lingual
- Employ Agile Software Development Processes; aligning business goals with technology capabilities
- Built with an Eye on Generational differences and expectations
- Agent rating system
- Referral system at no charge to agents
- Extensive agent profiles
- Builds and improves neighborhood information through user input
- Works to create Federations and implements SSO (Single Sign-On)
- Continues to have a governance structure and service centers for real estate professionals
- Enables Innovation

- Is built with a Vision ("If you don't know where you are going, any road will take you there," to paraphrase Cheshire Cat in <u>Alice in Wonderland</u>)
- Is built with a Specific Mission

Vision Statement of **MLS 5.0**:

MLS 5.0 is the authoritative and trusted source for all things related to real estate, for REALTORS® and Consumers.

Mission Statement of **MLS 5.0:**

Keep the REALTOR® in the Center of the real estate Conversation, realizing that that conversation extends from far in advance of a purchase and continues after a purchase of real property. Real estate is a lifetime conversation.

MLS 5.0 will use the resources of:

- The aggregated listing information, which are assets owned by the brokers that created and financed the businesses to contract those listings, and
- Information associated with a property even when that property is not for sale.

And allow it to be augmented by images, sound, video, and text and include it in a database of all properties, not just those for sale.

- Sold data accumulated by MLS
- Public data
- Consumer-generated content from online communities, groups, blogs, and other Web 2.0 technologies and applications

MLS 5.0 will leverage that information to bring consumers and real estate professionals together on the Web to participate in ongoing conversations with real estate at the center. Much of what affects the lives of individuals centers on their home, their neighborhood, and their community.

MLS 5.0 will have a public facing side for consumers and for consumer to REALTOR® interaction, and a private side for the use of real estate professionals, a business to business network.

This is a far cry from where MLS is today, and this is the challenge. If we do not take up this challenge as an industry, to create the authoritative and trusted source of real property information on the Web, it will happen anyway -- in fact, the battle has already been engaged.

Background

The reports of my death are greatly exaggerated - Mark Twain

While currently at risk of becoming irrelevant in the next generation, MLS has within its power, the assets needed to continue to lead the real estate industry and become an even stronger, more essential player. It is important to note that no other entity or organization has what we in organized real estate have (and they all want it), and that is the authoritative source of all properties for sale and sold, and an army of REALTORS® with the grassroots power and local knowledge to create a force that can compete with all comers. Through the creation of **MLS 5.0**, MLS will continue to be the most important tool of the real estate industry. MLS is the tool that will give REALTORS® the opportunity to transcend the present and continue their success into the future...but they must be willing to leave some ideas and habits behind in the process.

If we decided to build the structures and organizations of today's MLS from scratch, it would not look like what we have currently. Building an MLS is not the challenge; we have been doing it for years. Building an MLS and property database to serve the needs of REALTORS® and consumers as technology changes methods and habits of accessing information, building an MLS that reinforces a compelling argument for the use by consumers of a real estate professional in the transaction with an abundance of information about real estate found everywhere on the web in bits and pieces, and overcoming the political and parochial interests, that is the challenge.
Not to be overlooked is the fact that MLS is an offer of compensation. Until buyers are ready to sign commitments to pay brokers and agents for their services whether the buyer buys or doesn't buy, this offer of compensation is an important piece of the MLS value proposition.

Evolution of MLS – What is MLS 5.0?

MLS has been transforming since its creation. For the purpose of this paper, the author, based on his own experience, can trace four distinct changes in the method of access and distribution of data. The change from the way it is done today to the way of the future requires acknowledging

that major changes have successfully taken place in the past and, it should be added, over the objections of many well-intentioned individuals and organizations.

First Generation – Cards and then Listing sheets and ringed binders with weekly updates and errata, which were used to update the inventory manually, everyday or every other day.

- Second Generation - The bound MLS book. This book was printed every two weeks. The San Diego Association MLS printed a book every week. One week the MLS would print a book with Single Family inventory, the next week it printed a book with Condos (common interest subdivisions) and two to four units. Each week there would be a "hot sheet" for the previous week's book. Even in a good real estate market, no one dreamed of anything close to a system where the inventory was updated daily. The idea of Real Time access (like one can find on certain web sites like Craigslist), would have been discarded as eccentric.
- Third Generation - Computer access to MLS data through "dumb terminals" over telephone lines…no monitors, no video display. In San Diego, two types of terminals were available. One was a large, stand up model; the other was portable, which was the size of a medium suitcase. Each had a coupler referred to as "Mickey Mouse Ears." To access the computer database, one would dial a number, wait for an answer and for the "electronic handshake," and then jam the telephone receiver into the "Mickey Mouse Ears." Often, if it was a busy time of day, all of the access lines to the computer database were in use and a busy signal heard.
- Fourth Generation – Web-based MLS (no more banks of phone lines and busy signals), access with a browser, only one type, Internet Explorer, and through a dial up at 14,400.
- Fifth Generation - **MLS 5.0** – Let your imagination run a little here…

Built in the spirit of Web 2.0, **MLS 5.0** is open and collaborative, incorporating all the current and future tools of Web 2.0 (and Web 3.0), from the LAMP stack, to the applications such as blogs, RSS, Widgets, APIs, Wikis, taxonomies, social networks, mash-ups and more.

MLS 5.0 is:

- The authoritative and trusted source for all things related to real estate. This begins with the accurate inventory of currently available property for sale, and the best "Sold" data available anywhere. This information is like fly paper when it comes to attracting consumers to a web site.

- A Property Wiki – all information about properties (by parcel or address) that can be ascertained and that can be augmented. It becomes a comprehensive historical record.

- A Social Networking Site – REALTORS® meeting REALTORS®/REALTORS® meeting consumers/consumers meeting consumers.

- Built understanding generational differences, serving the REALTOR® of today and the REALTOR® of the future, to better serve the consumer of today, and the consumer of the future.

- Private and Public facing components

- The REALTOR'S® home online

- A closed business network for subscribers and participants

- Online neighborhood information, contributed by neighbors

- Open and closed communities and groups and forums

- Appropriately Secure

- The "Single Point of Entry" for data distribution (Syndication of Listing Data), as a choice for brokers and agents - *Distribution Trumps Destination*

- Multi-lingual where and when appropriate

- A Public display of available inventory (public facing MLS)

- A Public display of appropriate sold data

- A place for REALTORS® to "prospect" for buyers and sellers

- Designed with Single Sign-On (SSO) to other web destinations in mind

- Open yet secure, information available without artificial geographic boundaries; ensuring that the data is accessible to the widest audience possible while obeying regulatory restrictions.

- The center for Transaction Management Applications

- Open to and encouraging of innovation, allowing for various front end software to be created and used to access the data. Members of the MLS could choose a Rapattoni front end one day and select a FNIS front end the next. A user might find that one front end is good for some things and one is good for others, and use the appropriate tool to get the job done. Openness should allow for more applications and solutions and lower prices for REALTORS®

MLS 5.0 is a Property Wiki - (Parcel based not listing based)

A wiki is a collection of web pages, where the content is written by contributors (Wiki in plain English). Wiki software can have many uses and applications, the most well known being Wikipedia, which is an encyclopedia written by volunteer writers and editors. Companies today often use wiki software to create searchable, retrievable information about the company. A wiki begins with something referred to as a "Stub," which can be a word or a phrase and then contributors write about the stub. Because of a concept known as the "wisdom of crowds" the information about that stub becomes more and more comprehensive and accurate. Wikis are fundamental to Web 2.0. Do not be led to believe that wikis are not accurate. To test, go to Wikipedia.org and search for a word or phrase that you are familiar with and check the accuracy.

The word wiki is the Hawaiian word for fast or quick. If you have every flown into the Honolulu International Airport, you have probably taken a ride on the Wiki Wiki Shuttle.

A **property wiki** then is a wiki where the stubs are property addresses or parcel numbers, to which information from contributors and editors can be added to create a comprehensive record.

Imagine a blank web site for every property address in the US. To that blank Web site imagine adding anything publicly known. Now imagine inviting the property owner and REALTORS® to add what they know about the property. While there are some concerns about accuracy, Web 2.0 concepts, self-policing, flagging, and social capital will in time minimize the inaccuracies.

This is a key to understanding MLS 5.0. A listing is merely a moment in time of the life of a property. MLS data is a subset of a larger body of data relative to a parcel of real property. Of value to REALTORS® and consumers is information about a parcel before the property is listed for sale. Property history, in one convenient place, is a valuable asset that grows in value as more information is accumulated over time. Pictures, video, audio, text and other formats of information relevant to a property and conveniently aggregated have value. A prospective buyer might be interested in pictures of a home before and after a remodel.

Who Will MLS 5.0 Serve?

MLS 5.0 will serve the customer of today and be ready for the customer of tomorrow. That customer is the REALTOR® and their customer, the buyers and sellers of real estate. According to NAR, Gen X and Gen Y made up 78.8% of all first time home purchases in 2007. This is a significant milestone. While there is a variety of information and definition about the different generations, one thing for certain is that there are truly generational differences based on the times in which people live, the seminal events in their lives, and the world conditions they experience during their lifetime. MLS has always been a Broker to Broker (Business to Business) Network. It was not created as a central platform to facilitate marketing efforts. Marketing today needs to take into consideration generational destinations, modes of communication, and targeted marketing messages.

At who is this message targeted?

Understanding and Adapting to Generational Differences

From Wikipedia:

Generation X – Baby busters - 48 Million
- Original Latch Key Kids
- Independent
- Skeptics
- Techno literate
- MTV generation
- Inception of the Internet

Generation Y - Echo Boom - 80 Million
- Generation Me
- Confident
- Collaborative
- "Bathed in Bits"

In their book, **Connecting to the Net Generation**, Reynol Junco and Jeanna Mastrodicasa found that in a survey of 7,705 college students in the US:

- 97% own a computer
- 94% own a cell phone
- 76% use Instant Messaging and social networking sites.
- 15% of IM users are logged on 24 hours a day/7 days a week
- 34% use websites as their primary source of news
- 28% author a blog and 44% read blogs
- 97% have downloaded music and other media using peer-to-peer file sharing
- 49% regularly download music and other media using peer-to-peer file sharing
- 75% of college students have a Facebook account
- 60% own some type of portable music and/or video device such as an iPod.

They represent Tomorrow's REALTOR® and Tomorrow's Home Owner. **MLS 5.0** is built to fulfill the expectations of the REALTOR® and consumer of today as well as the REALTOR® and consumer of tomorrow.

Being at the Center of the Conversation

It is no longer sufficient to be at the *"Center of the transaction."* If a REALTOR® waits until the transaction, it is too late. To be at the center of the transaction, the REALTOR® must be at the *"Center of the conversation"* about real property and participate with consumers far in advance of the actual listing or sale. This of course has always been the case, and is now, more and more, taking place through visibility and participation on the Internet, through social networking and social influence marketing. **MLS 5.0** on its public facing side will give consumers and REALTORS® the ability to engage and discuss, bringing them together to fulfill the long stated promise of listings on the Internet, to bring the REALTOR® and the Consumer together. Generational aspects of communication and information access beyond current inventories of properties for sale are important considerations as the sale period of a property is merely a snapshot in the life of a property and just a part of a continuous historical record, that will now be available, easy to find in a parcel based MLS, through parcel numbers, addresses, or maybe even distinct URLs. Web 2.0 concepts and philosophies, sharing and collaborating, must be built into the MLS structure and mindset, and released for use as the political and territorial constraints allow, and as consumers demand.

Enabling Innovation

MLS 5.0 envisions future vendors developing valuable real estate applications without being required to source the data and develop complex aggregation and data interpretation algorithms. Through the use of Open APIs that provide access to listing data, support existing authentication, and facilitate authorization, applications that leverage existing data can be built very cost-effectively leading to a richer ecosystem of features that will benefit real estate professionals.

Example (provided by Zach Scott, CTO Point2 Technologies):

Creating an application for the iPhone and iPod Touch

All PC-based platforms will support any browser resolution and will be designed to be highly usable at any resolution above 1024x768. Point2 web logs indicate that fewer than 10% of users/visitors have resolutions below 1024x768. See http://www.w3schools.com/browsers/browsers_display.asp for more detailed web statistics and trends.

Specific add-on modules will only be used to enhance the product and will not be required. Add-on modules such as Flash, ActiveX, or Java could be used to enhance the end-user experience for image uploading and searching, for example.

There are no specific client-side requirements beyond having a supported web-browser, an internet connection and any CPU, memory or hard drive requirements recommended by the browser's vendor.

Ultimately to realize the **MLS 5.0** vision, we will provide support for our Open APIs to enable other vendors to offer applications that leverage the listing information. Although the APIs are open, **MLS 5.0** will remain in control of authorization and policy enforcement to protect access to sensitive features and data.

The APIs will be designed to fit the needs of **MLS 5.0** and will likely consist of numerous REST-based and/or SOAP-based interfaces protected by SSL and other standards-based authentication and authorization mechanisms. In addition to this, client

SDKs may be provided in multiple popular languages, such as PHP, Python, Java, .NET, and Ruby.

It is envisioned that numerous MLS vendors will adapt their products to work directly with **MLS 5.0** via these open APIs in order to provide REALTORS® with a full featured and familiar front-end. Imagine being able to choose from a multitude of CMAs, or create your own application specific to your business. All the data can be stored in one database, and based on permissions, accessed and solutions and applications developed. In summary, the future will be a more open environment where brokers and agents can select their "Software of Choice" from numerous providers.

Single Point of Entry and Content Distribution (<u>Syndication</u>) - *"Distribution Trumps Destination"*

 No one goes to just one web site; most people go to many and everyone has their favorite. It is in the best interest of the homeowner to have their listing appear on the Internet on multiple web sites, from Google, to Yahoo, to Trulia, to Craigslist, to REALTOR.com and more. It is a lot of work for agents to enter the data multiple times. This process should be no more difficult than entering the data once and having it distributed to the media outlets of your choice, as determined by the brokers. That is why the MLS of the future will include a *syndication engine* with comprehensive reporting features to enhance web advertising initiatives by brokers and agents.

The traditional MLS was not created to market to the world outside of its subscribers and participants. The MLS of the future will bring a marketing service and benefit to the industry by being the *single point of entry for listing data* and then, based upon the election of the broker, distribute that information to web portals, newspapers, even radio and television, handheld devices and applications. The MLS will go from being a tool for the sharing of inventory to being THE primary marketing control point for brokers and agents, and providing marketing analytics back to listing agents that will help with advertising decisions as more advertising dollars continue to be spent online in the future. The below is an old graphic but the evidence is clear, an inordinate amount of media spend is still taking place offline. Online advertising can be targeted and more effective

than old media. As brokers begin to spend more money online, how will they decide where to spend their dollars for greatest effect? Tracking and analytical tools coupled with predictive marketing tools.

Where people spend their time
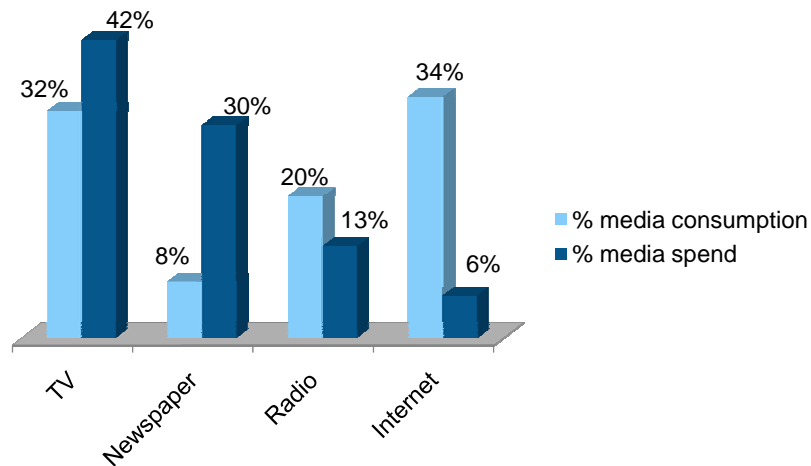
Forrester Research, *US Online Marketing Forecast*, May 2005

Advertising clout and reduction in advertising costs may be realized through buying power and packaging of purchases.

Lead Generation – With advanced Listing syndication software, all leads can and should be directed to the listing agent, at no charge. Listings are marketing assets and the leads created from the work expended to acquire the listing should go directly to the listing agent.

Proliferation of Listing Content on the Internet – Can listing content be controlled?

The short answer is no. If you are going to put it on the Internet, one way or another, with or without the permission of the listing broker, the content will find its way to other destinations. Because these destinations have no rules and do not police the content, there may be duplication, inaccurate and untimely (property sold a year ago) data. How does this happen? Unauthorized "scrapping" is an Internet fact of life.

Since the MLS data is policed, and since listing status is an essential component, and since the best entity to provide updated status is the MLS, perhaps MLSs can "certify" status, within a certain period of time. "MLS Certified for Sale" would be preferred web site content for destination sites and for consumers. This concept increases the awareness with consumers that they want to go to sites where the property status is "MLS Certified for Sale."

Referral network

A referral network where REALTORS® gain exposure and "social capital" based on their contribution to and participation in various online communities will be part of MLS 5.0. No third party referral fee - this is a benefit of participating. Gen X and Gen Y have been raised participating online, as evidenced by the explosion of Facebook and MySpace. A connection between the MLS and these social networking sites will be a feature of the MLS of the future.

Agent Rating System

Should this be provided through the MLS or through a third party?

Some of the information that would be useful in the creation of an agent rating system is readily available through the MLS (and the association). Information such as:

- How long agent has been a member of the MLS
- How many transactions completed since joining
- Buyer sides
- Seller sides
- Volume based on sales price
- Average sale price
- Median sales price
- Consumer complaints
- Ethics complaints

This is a political hot potato. Even if the MLS does not provide a system, it could facilitate a third party in the delivery of this service to the public.

Many agents and brokers hate this idea, but consider, if you could find out before you went to a doctor or a lawyer, where they went to college, where they went to law school, where they graduated in their class, how long they have been practicing, if they have any complaints against them…would you, as a consumer, find this information valuable? If you answered yes, why would it not hold true for the real estate industry?

Neighborhood data

Buyers typically choose a neighborhood first, then a home. Rarely do they define the neighborhood they are interested in by its zip code (which is how many MLS searches are done), and good geographical definitions of neighborhoods are not readily accessible and often have what can be referred to as "fuzzy boundaries'." By employing the "wisdom of the crowds" and online communities, neighborhoods will be better defined to the benefit of consumers and REALTORS®.

No one can contribute and help build neighborhood data like REALTORS®. The MLS of the future will have the most comprehensive and accurate neighborhood information available on the Internet. A Facebook application, currently deployed by Point2, will assist in this effort.

Sold Data

 There are political hurdles to overcome, but one of the biggest lures of eyeballs to web sites is the promise of sold data. Consumers want the information and have proven that they will settle for anything, even inaccurate data. The owners of the most accurate historical sold data are the MLSs. There is no aggregated sold data in existence that is as good as the sold data contained within our MLSs. Making certain aspects of that data available to consumers, with the statement to always consult a REALTOR® when attempting to determine value, would be valuable in the battle for the consumer's attention on the Web, and valuable to REALTORS® as well. It is interesting to note that sold data is available on the web, yet one of the places you will not find it is on a REALTORS® web site (with some exceptions). All brokers and agents want more traffic to their sites, and they do not want to buy leads…and they have the asset that will help

them rule the online world of real estate, and they don't use that asset for fear of losing control.

Strong Authentication (Two Factor Authentication)

Various processes and methods of authentication may be provided as determined by the local/regional/state MLS when appropriate and timely. While it is generally felt that more security will prevent or at least minimize revenue erosion, it could also serve to position the MLS as the location for the initial sign in of participants and subscribers. As MLSs create trusted relationships or federations with other organizations, the strongest required authentication partner would likely be the controlling federation and identity partner.

SSO - Single Sign-On

Convenience and the ability to sign into other secure web locations after first signing into the MLS with the ease of a click.

- From MLS to other Local MLS

- From MLS to Local Association

- From MLS to State Association

- From MLS to National Association (REALTOR.org)

- From MLS to transaction related sites (Winforms/Relay)

- From MLS to third-party web marketing platforms and agent and broker web sites

- From MLS to third-party CRM (customer relationship management) solutions

- From MLS to third-party social networking sites (such as currently being done from Rapattoni MLSs to RealTown)

- From MLS to non-real estate related sites: Facebook, MySpace, LinkedIn, gmail, etc.

- ???

Online Communities

Consumers will assemble around a website with accurate sold data and property listing data. Social networking tools such as blogs, groups, bulletin boards, and other community tools, should be readily available as this is where the "online conversation" will take place. Communities can be open and they can be private, depending on the desire of the "community organizers." Virtual prospecting may replace "face to face" prospecting in the next generation and beyond and **MLS 5.0** on its public facing side will fulfill the vision of bringing the consumer and the REALTOR® together on the Internet.

Local, Regional, State, or National MLS

Real estate is local, but technology today will allow for great economies of scale, lower prices for a better MLS tool, user-defined experience and more. In the past, each MLS or locale, had their own idiosyncrasies, definitions, terms, all "essential" to that particular local MLS. Today, with so much information available beyond the MLS, are all of those different fields still necessary, in light of the benefit that can be derived from creating standards…not technology standards, but standard terms?

Is there a technology solution that would allow for the mapping of data so that every local MLS can retain all of their information fields? There is, a data dictionary of sorts, similar in concept to what was referred to as DXM (Data Exchange Method) during the REALTORS® Information Network Project (RIN) back in the mid 1990s, but it is not a necessarily easy task and this solution would likely take longer.

There is the fear for some that someone with access to listing information in their area will invade their territory and carpetbag some business. In light of this fear, some want to attempt to keep the listing information proprietary to their respective MLS participants and subscribers. The next generation of home buyers, sellers and REALTORS® won't stand for it, they will insist on more transparency and freer flow of the listing and marketing information.

The real benefit in boundary-less access to information is in the ability to provide information to one's relocating client, not the ability to sell a home down in San Diego to a buyer from Los Angeles. A Los Angeles broker would be able to provide information to their customer and refer them, better armed with knowledge about the San Diego market, to a San Diego broker. Great advances are being made to regionalize or share MLS data

in mega markets in California and also in other areas of the country. These efforts are steps in the right direction.

Summary

When do we start? Some MLSs already have begun, so the answer is yesterday. The successful creation of **MLS 5.0** will require vision, leadership, and courage. The technology is not the challenge -- people, organizations, their habits and models of the world are the challenge. The words of Peter Ducker, father of modern management, have never been more applicable: *"Every organization has to be ready to abandon everything it does, to reinvent itself."*

There will be controversy and debate between knowledgeable and well-intentioned people. Association and MLS leaders, staff and volunteers, brokers and agents must collaborate to create the MLS of the future; otherwise their MLS of the present will become a relic of a bygone era. Our industry is going through nothing less than a "Paradigm Shift" driven by technology and generational forces. As stated by Joel Barker, author of Future Edge, *"when a paradigm shifts, everything goes back to zero"*. MLSs and Associations, large and small, rich and poor, must assist brokers in creating compelling arguments for membership and compelling arguments for consumers to use the services of real estate professionals. It is said of Gen X-ers that being of the "latch-key kid" generation; they have always done everything for themselves, and feel that they can continue to do things by themselves. Give them some Starbucks and access to Google and they can fly the space shuttle. Their attitude might be "Why would I need help finding and buying a house?"

MLS and the industry today can become the creators of the future instead of the victims of circumstance. Creating a future by design instead of a future by default requires the ability to deal with massive and increasing amounts of information in a rapidly-changing and participatory environment. The answer is not just an MLS, but the MLS of the future, **MLS 5.0**, which incorporates the consumer, and makes the REALTOR® a participant in the conversation, not just a cog in the transaction.

What is the alternative?

If we don't do it, the list of alternatives is growing: Craigslist, Google, and others, some not yet created, all in the spirit and built with the concepts, philosophies, and building blocks of Web 2.0 and putting property information in context for the consumer. For real estate professionals, now is the time to create your compelling argument for what you do and what you charge. The same holds true for MLS.

Famous Last Words

"We can never be replaced. This is a people business and there is always going to be a need for a real estate professional in the transaction."

Today, there are artificial intelligence software packages that know more about the transaction process than many agents. Inventories are easily accessible online. Homes are easily and inexpensively advertised online by anyone with very little technology expertise required. Complacency about one's value in the home buying and selling process could prove disastrous.

"During the 1970s and early 1980s, technological upheavals (appearance of the quartz technology) and the difficult economic situation resulted in a reduction in the size of the industry: the number of employees fell from some 90,000 in 1970 to a little over 30,000 in 1984." Federation of the Swiss Watch Industry FH

The paradigm shift that eviscerated the Swiss Watch Making industry was the quartz crystal, invented by the Swiss, not protected, and used by competitors to make their highly skilled craft obsolete.

Transaction of the Future

Marketing Homes

Party A wants to sell and advertises her home on Craigslist

Party B wants to buy Party A's home, Party A does not want Party B's home, so the two Parties now work through their channels to sell Party B's home.

Party C is found and wants to purchase Party B's home, but needs to sell his home first. Parties A, B and C all now work their channels to find a buyer for Party C's home.

Party D is found, wants to purchase Party C's home, and Party A (remember Party A?) wants to purchase Party D's home.

Consumers Bundle the Entire Deal

Contracts are created (maybe with the help of an attorney, or artificial intelligence software.

Parties offer through a bidding process on e-Bay the entire package to one broker. Lowest bidder with most experience wins the bid.

Consumers save tens of thousands of dollars.

Conclusion

There is a lot of information contained in this paper, and yet, it is but an annotated outline of what must be done to take advantage of and build upon the strengths of MLS and of the real estate brokerage business.

MLS is really an amazing creation if you think about it…A collection of competitors, in a highly competitive, commission-only business, sharing inventory and sharing compensation. The result is a more effective market for brokers and consumers. Over the years, MLS has changed and it continues to have the most accurate property data available anywhere, and it is constantly updated and kept accurate by an army of real estate practitioners. Today, agents and homeowners themselves are advertising their properties on Craigslist, Google, Yahoo, and other sites. All of these sites would love the content MLSs have because it is of much higher quality and accuracy, and would bring more traffic to their sites.

What if the self-policing aspects (Web 2.0) really began working on Craigslist (or any other online advertising site)? What if every seller just knew that the place to advertise their home to consumers and to agents was on Craigslist? What if they know how to post it on Craigslist themselves (and you, the real estate professional did not know how)? If

Craigslist became the source of all available properties for sale, nationwide, how might that impact the MLS? If as a REALTOR® you could find the complete inventory of property for sale, for free, why would you pay $40 per month (or a lot more is you participate in multiple MLSs) to belong to MLS?

If you think Craigslist would take the time to become known as the place to list property, you may be correct, but how many people knew of Google 5 years ago and how many know of it today? How many people knew of Craigslist 5 years ago and how many know of it today? In a short span of time, unknown web sites have become household words. The world of MLS as we know it is approaching a cliff, and many riding the MLS train, do not see the cliff as it gets closer with each passing day.

And think about this, the inventory of books on Amazon, or the inventory of things for sale on e-BAY, or the things for sale on Craigslist are available to the world through one database. Does that teach us anything about where MLS might head in the future?

So here is the point, we don't expect things to remain as they have always been, so how is MLS any different? MLS needs to redefine itself from a purely Business to Business (B2B) network tool to a marketing facilitator for its participants and subscribers. It needs to take advantage of its assets and shift its paradigm from information about what is for sale to information on all property whether for sale or not. From this perspective, brokers and agents can continue to effectively differentiate themselves from the competition, manage information more efficiently, provide more service to their customers, and evolve to be the "trusted and authoritative source" they would like the world to think they are.

Is the creation of **MLS 5.0** a major project? It is. It will require conversation and analysis by all who are considered as stakeholders…but how do you eat an elephant? You have heard it for years: "one bite (byte) at a time."

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Your Plan of Action:

- Circulate this document

- Create a Committee for the Future of MLS

- Participate in online discussions (start at http://RealTown.com)

- Start local online discussions with MLS and association leadership

- Analyze your current MLS structure

- Adopt the Vision and Mission of MLS 5.0

- Analyze the Strengths, Weaknesses, Threats, and Opportunities of your MLS

- Create a Strategic Plan

- Create a 12-18 month Operating Plan for implementation of your MLS Strategies

- Include timelines and a Critical Path Analysis

- Constantly track communicate progress to Stakeholders

- Keep an open mind