

# The Truth about Real Estate Search

Optimizing the Assets of the Residential Real Estate Industry on the Internet

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**TABLE OF CONTENTS**

**FOREWORD** ..... 3  
**CHAPTER 1: EXECUTIVE SUMMARY**..... 3  
**CHAPTER 2: INTERNET SEARCH GOING VERTICAL** ..... 6  
**CHAPTER 3: THE CHALLENGE** ..... 9  
**CHAPTER 4: RECOMMENDED DUE DILIGENCE STRATEGY** ..... 11  
**RECOMMENDATION** ..... 12

## **FOREWORD**

Trulia has interviewed and consolidated the feedback of dozens of leading real estate brokerage firms in the process of preparing this white paper. In the following pages, we discuss the potential role of vertical search in the real estate brokerage business and how a broker can safeguard and maximize the potential of his or her listing assets on the Internet.

In an effort to educate the real estate brokerage industry about search, Trulia respectfully submits this white paper to the industry for its review and use.

## **CHAPTER 1: EXECUTIVE SUMMARY**

### **Chapter Summary**

- Consumers are going online and search companies are fast becoming the initial stage in the real estate research process
- Search services are extremely beneficial for consumers and brokers, but the “spidering” technology they use to index information poses potential risks for real estate brokerage firms without a sound search marketing strategy in place
- Contrary to popular belief, having a public Web site with listing information does not necessarily imply the loss of control over one’s online data; rather, brokers can and should decide which search firms they will work with and provide access to their property listing data

One thing is for certain in the real estate brokerage industry: change is upon us, and it is evolving at a record pace. Consumer habits are being permanently altered by widespread use of the Internet to research home sale and property values. Because real estate information is available online and scattered across thousands of Web sites, Internet search companies are now the primary resource for consumers initiating their real estate search process. The real estate boom on the Internet attracts new entrants into the space almost daily, with the promise of better assisting consumers in their research and helping brokers market their properties more successfully. The end result: brokers and agents are simultaneously presented with an abundance of new opportunities and competitive threats.

Listing brokers have the most to gain in the online search game—and quite possibly the most to lose. So it is important for them to ask the following: How do these new search services impact my business? Which services are best? And why should I as a broker care?

The objective for real estate brokerages that “go online” is to promote their brand and listing inventory in the space where prospective home buyers and home sellers are conducting a majority of their personal home research. As a result, most brokers and many agents have invested considerable time, money and effort to increase homebuyer and home seller traffic to their Web sites, e.g., tactics to improve their Web site rankings within “general” search engine results on Google, MSN, AOL or Yahoo! using Search Engine Optimization (SEO) technology, or buying keywords using sophisticated Search Engine Marketing (SEM) techniques.

Though the transition to the Internet may appear simple on the surface, there are complexities to the online world that brokers and agents need to investigate further. First, brokers who have a dominant presence and high quality service within their local markets often find that their market dominance is not necessarily mirrored on the Internet, particularly on the general search engines. When consumers search for home property information online, major brokers appear in search engine results together with everything from small upstarts to lead referral services to information aggregators, all with access to most or all of the listings, and most with claims to be the “best in class” in their local markets. What’s important to learn from this scenario is that not all search engines are created equal, and brokers must perform their due diligence to understand where the real opportunities lie within online search.

Second, certain industry sources are now warning brokers to protect their listing and sales data from search “spiders” and “data scrapers.” Though spiders and other search technologies are nothing new on the Internet, the proliferation of online information services, and search engines in particular, have changed the game of real estate marketing and opened the door to potential mass exposure of the broker’s most valuable information asset: the property listing. Should a broker allow just any search spider to crawl their listings data, or should they lock that door to protect one of their most valuable information assets?

It is important to remember that if you have a Web site, it has likely already been spidered and indexed by one or more of the broad-based, general search engines such as Yahoo!, MSN and Google. Over the past decade, these search engines have indexed billions of Web pages using spiders to extract basic information contained on each indexed Web page, offering an invaluable research tool for consumers navigating through the vast web of Internet information.

In recent years, online search has become more sophisticated, with the emergence of next-generation Internet search services such as vertical search engines. These services

narrow down the search process to a specific industry, interest or market, thereby eliminating much of the clutter associated with services that group multiple subject matters together.

Vertical search has been phenomenally successful in a multitude of industries. Google News, Yahoo! Hot Jobs, travel search Kayak.com or Shopping.com are examples of services that successfully search for content about a specific topic, or tailor a search to a consumer's specific needs or interests.

Now that the popularity of vertical search is on the rise in real estate, brokers and agents must examine both the opportunities and challenges that vertical search presents for the industry.

Beyond the benefits of increased traffic to your site, a search company that indexes listing content from a broker's Web site without that broker's permission can result in numerous ill effects for the broker's business: 1) unlawful access to and/or use of copyrighted information and assets; 2) misleading consumers with incomplete or outdated information; 3) failing to properly represent the broker's brand; or worse yet, 4) creating a business model that could add costs to consumers and further decrease the broker's profit margin.

Brokers and agents should perform extensive due diligence and seek answers to the following questions:

- Are the new forms of vertical search technology and service companies good or bad for real estate brokerage companies?
- Are all search companies the same?
- What are the different search companies' true objectives?
- Who are allies of the real estate brokerage industry and who are potential foes?

Contrary to what you may currently believe, hosting a Web site with property listings does not mean that all your online assets have to be exposed to all kinds of spiders and unwanted business models. With a limited time investment, a skilled technology professional can now block or allow only select search engines to access specific areas of a broker's Web site. This means brokers can control their information online and hand-pick search partners who will maximize the benefits of online exposure among home buyers while carefully avoiding the risks outlined above.

## CHAPTER 2: INTERNET SEARCH GOING VERTICAL

### Chapter Summary

- General search engines are not particularly helpful to consumers searching for very specific topics, such as jobs, airplane tickets or real estate listings
- Vertical search engines have emerged in many industries, including real estate search engines such as <http://www.trulia.com>
- Vertical search engines deliver many benefits to Web site owners, e.g., more efficient advertising, better click-to-lead conversion and more closed transactions

It is common knowledge that most consumers begin their Internet experience by using one or more search companies to access and pinpoint specific information. In fact, more than 5 billion Internet searches are performed each month in the US, 81% of which are performed by one of the big three general search engines: Yahoo!, Google or MSN.

However, if your goal is to find an airline ticket, research and buy an iPod, or locate a \$5,000,000 home in Miami, the general search companies offer little assistance at a level that's easy, timely or meaningful for consumers.

Search "Miami properties for sale" or "Buy iPod" through a general search engine and you will find volumes of links to affiliate marketing Web sites, aggregator Web sites, and service providers of various quality. In many cases, general search engine users are left more confused about how to find the "right" information, the best deal, the best service provider or the best real estate listing.

In an effort to refine the search query process, so-called "vertical search" companies have focused their technologies on searching a specific topic, business segment or industry vertical. "Vertical search sites have a big advantage over general search: They are able to go much deeper and present much more structured information for the user," explains Forbes.com reporter Tom Taulli.

Undoubtedly, the most mature of these business verticals is consumer goods shopping. Services such as Shopping.com, Shopzilla.com or Pricegrabber.com help consumers find the best deal quickly and easily, thereby eliminating much of the clutter and irrelevant search results produced by general search engines. For example, when you search for "iPod" on the vertical search site Shopping.com, you receive a neatly organized search result page, complete with pictures, prices and product descriptions. Using this company's simple interface, consumers can easily locate the specific merchants who can fulfill their order.

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1 5.1 billion searches per month in the US (Nov 2005; Nielsen) <http://blog.searchenginewatch.com/blog/060209-115719>

More importantly, the focused vertical search company links the consumer directly to the merchant's Web site, where the consumer can complete the transaction. Other business sectors, such as job placement, are now served by vertical search sites like Indeed.com and Simplyhired.com. Similarly, the travel vertical now has Kayak.com, SideStep.com and Farechase.com.

Jason Goldberg, CEO of Jobster, a job search engine, explains: "Vertical search takes search a step further by enabling individuals to easily one-stop search for and find specialized content germane to a specific industry vertical, such as jobs, apartments and real estate, across multiple sites and content sources."

Looking at the success of vertical search in the above industries, real estate industry has the potential to leverage this valuable tool as well. The launch of vertical search engine Trulia.com is just one example of how vertical search has the potential to provide value to both the real estate consumer and broker. Home buyers can quickly access property information from multiple Web sites across the Internet; brokers have the opportunity to showcase their listings in a more targeted, high quality search environment that can drive more qualified home buyers to their Web sites. In simple terms, a vertical search engine is a more focused, efficient customer acquisition and brand building tool on the Internet and offers a number of benefits over general search.

First, a vertical search company has the ability to offer great economies of scale through centralized Search Engine Marketing (SEM) for each listing broker featured on its site. It is unrealistic to expect a single merchant or service provider to be able to afford the most sophisticated technology consultants, or hire the experienced talent needed to optimize SEM campaigns for hundreds of thousands or millions of keywords, all changing at any given moment.

The same applies to SEO: few Web site operators can accurately predict how their site will appear among general search results on a general search engine. The highest rankings will be achieved by those who have mastered the art and business of SEO. Additionally, it is difficult to control where a consumer lands on the broker Web site after clicking through a general search engine's results. In contrast, a vertical search company can direct consumers to a broker Web site's exact page with the best information and highest potential for conversion into a lead. A well-designed vertical search company has already made these precise SEO investments for its partners and their individual Web sites—and these technologies directly benefit the listing broker in the form of lower customer acquisition costs.

Second, a well-designed vertical search company offers a superior return on your advertising investment. For example, if a New York City broker is selling a \$1 million to

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<sup>2</sup> "One-Stop Search," *Forbes.com*, January 18, 2006.

<sup>3</sup> "One-Stop Search," *Forbes.com*, January 18, 2006

\$2 million co-op on the Upper East Side, properly placed vertical search advertising will enable that broker to target potential buyers seeking property in that specific market segment—by neighborhood, number of bedrooms, etc. With a general search engine, the broker would have to bid on hundreds of keywords like “New York real estate” or “Manhattan Co-Ops” in order to appear in search results. A broker’s advertising campaign based on such keywords is far less targeted within the broker’s primary market, and therefore will likely be more expensive and less successful in terms of click-to-lead conversion and closed transactions.

Third, research has shown that consumers using a vertical search engine typically have refined their search criteria to a specific neighborhood or area, price range, number of rooms, etc. Hence, they are closer to a transaction. When these consumers click through to a broker site from a vertical search site, they will usually land on a specific property page rather than a random page on a broker’s Web site, which is usually the case when consumers click on general search engine results.

In contrast to the more qualified consumer using vertical search engines, consumers who use general search engines to identify real estate for sale or for rent typically do so at a very early stage in their home search process. These consumers are usually “just looking” and trying to gather basic information.

The advertisers on vertical sites are gaining exposure to would-be buyers who are much closer in time to a purchase decision than the average Google user,” confirms Kelsey Group analyst Greg Sterling. Sterling’s observation ties back to the merits of vertical search advertising, as he notes that there’s “motivation for advertisers to appear on vertical sites. Someone on Edmunds.com is typically more serious than someone doing a car search on a general search engine.”

Fourth, unlike general search engines, a well designed vertical search company’s site and search results on the Internet mirror the strength of the broker’s own brick-and-mortar market presence. When looking at the search results on a vertical search engine, a dominant listing broker’s capabilities are highly evident: More listings mean more visibility for the listing broker, as all listings are linked to that broker and can bear his or her branding.

Fifth, unlike general search, vertical search results—if carefully designed—do not include conflicting advertising for affiliate marketing partners, lead generation companies, or other online real estate service providers that often appear on general search engine search results.

Finally a legitimate vertical search engine is not a portal or final destination site, such as a broker’s Web site, newspaper or classified Web site—all of which host and display complete listings and other data. A vertical search engine indexes and displays a portion of the listings information and redirects consumers to the richest source or property information—the listing broker’s Web site—making this type of service an effective customer acquisition tool that complements the listing broker’s own branded Web site.

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4 “One-Stop Search,” *Forbes.com*, January 18, 2006



In summary, a vertical search engine has the potential to be the broker's outsourced partner in the ever-changing, complex business of SEO, SEM and online customer acquisition as a whole. Focused, segment-specific search companies now have the ability to provide real estate brokers with a very cost-effective online marketing solution that accurately reflects the broker's actual service capabilities in their local market.

Vertical search engines and their services represent the future of real estate marketing on the Internet, and they are here to stay. Selecting the vertical search partner specializing in strategic conversion and cost efficiency will provide real estate brokerages with an edge in their marketing and customer acquisition efforts.

## **CHAPTER 3: THE CHALLENGE**

### **Chapter Summary**

- Real estate listings are a broker's most valuable assets and reach beyond the opportunity to earn a commission
- Placed in the wrong online environment, a listing broker's listing assets can be exposed to many risks, including increased liability and improper brand exposure
- Without proper planning and protection, these risks are a reality for brokerages on the Internet

Most real estate professionals agree that the property listing is a valuable marketing asset representing commission potential as well as the opportunity to promote a broker's company, agents, financial services and brand name to buyers and sellers.

The role of general and vertical search engines is to help consumers find this information and send potential customers to brokers in the form of clicks, leads and prospects. While this traffic can be of great benefit to brokers, it also underscores the growing need for listing brokers to ensure that their listing content and contractual relationships with sellers are accurately represented on the Internet. Brokers face a number of challenges in developing a smart Internet marketing strategy.

First, a broker's listings may be leveraged by others to generate potential home buyer or seller leads, which may later be sold back to the broker for a high per-lead fee or a referral fee based on a percentage of the broker's commission. Worse yet, the listings may be sold to a non-listing broker in the same market, thereby generating competition for the originating broker. To the extent the broker could have captured these leads directly, or from another, less expensive source, the result in this scenario could be higher expenses for the brokerage company, who may then pass along these costs to the consumer as well.

Second, the information presented to the consumer by a search company may be inaccurate if the search company does not take great care in sourcing and indexing the exact data to be displayed to consumers as search results. In this case, the listing broker could be liable to the seller or the buyer for damages that may result from the buyer's or seller's reliance on inaccurate marketing information displayed.

Third, if the broker's brand is displayed on a Web page among advertisers whose services or reputations are inconsistent or not aligned with the broker's own, a broker's image among consumers can suffer irreparable damage. Brokers must assure that their market position is not distorted on the Internet and that their marketing of listings on the Internet is representative of the same quality and market capabilities as their offline presence and services.

Fourth, indiscriminate distribution of the listing broker's content without the listing broker's knowledge and permission may result in an erosion of the broker's market share in favor of present or future competitors.

These challenges are real on the Internet today. Every listing broker should take immediate precautions to ensure that these challenges do not negatively impact their consumers or their own business.

## **RECOMMENDED DUE DILIGENCE STRATEGY**

### **Chapter Summary**

- To maximize the benefits of vertical search while minimizing the risk associated with certain online search companies, brokers should conduct a thorough due diligence process with each potential search partner
- There are several key questions brokers should ask when evaluating a real estate search company and its services

The ultimate goal of a sound real estate search strategy is to spend the least amount of advertising dollars necessary to reach the most qualified consumers through the most effective, efficient media, ensuring that this media fulfills its promises and supports the listing broker business model.

To that end, Trulia's industry and consumer research has identified a list of key due diligence questions that brokers should ask when considering a business relationship with a search company or related information service. Obtaining the right answers to these questions can form the core of the real estate brokerage company's most effective search

1. What is the search company's business and revenue model? How do you make money? Does or will your business model compete with agents or brokers?
2. What is the search company's policy on the display of For Sale By Owner (FSBO) listings?
3. Who is allowed to buy advertising on the search company's site, and where are the ads to be displayed?
4. Where are consumers linked to from property listing search results? Are a broker's listings linked to a non-listing broker site (e.g., IDX sites)?
5. Is copyrighted content displayed? How does the search company obtain its listing content?
6. Are property listings hosted or aggregated to build a real estate destination site or portal?
7. What is the quality and appearance of the site? How is the broker's brand displayed?
8. Does the search company index copyrighted MLS content, IDX feeds or other third-party sites?

9. What conversion rates and traffic statistics can be expected from links displayed on the vertical search company's site?
10. What are the search company's long-term commitment, capitalization and focus on the residential real estate industry? Who is the search company's primary customer?
11. Is the search company willing to commit in writing to its business practices and conditions for doing business with their partners?
12. What do other industry leaders think about the search company?

For further information on Trulia's answers to these specific due diligence questions, please refer to the PDF document which can be obtained at <http://www.trulia.com/truth/>

## **RECOMMENDATION**

To minimize the risks and maximize the return from search engines, we recommend that brokers take the actions outlined below.

First, protect your online data today and take the necessary technological steps to prevent unwanted search companies from using spiders to index listing information on your broker Web site until you have completed your due diligence with a potential search partner. Your online data can be easily protected by using the common "robots.txt" Internet search standard or by applying IP address blocking on your Web server or firewall.

If your technology department or Web hosting company is not familiar with such technologies and processes, more detailed information can be found at <http://www.trulia.com/truth/>

Next, complete a thorough due diligence process on your potential search company partners. Make sure that your company is only working with vertical search partners who understand and use best practices to assure that their service is focused on supporting your company's growth, serving your consumers and agents and achieving your overall marketing and strategic objectives.

Finally, embrace this new change in Internet marketing and put vertical search to work for your real estate brokerage company today!

To obtain other free copies of this white paper, please visit <http://www.trulia.com/truth/>

Information about Trulia can be viewed at: <http://www.trulia.com/about/>

Whether you need to become better educated, implement technology precautions or simply understand how to enjoy the benefits of vertical real estate search, Trulia's team will be happy to help.

Please feel free to call us at (415) 648-4358, or email us at [info@trulia.com](mailto:info@trulia.com)