

Transaction Systems in the Real Estate Industry



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Introduction

Transaction Systems or Transactional Management Systems have been around in some form or another for over 15 years. These solutions have evolved from manual processes to cloud based solutions. In addition, specific elements of the real estate transaction have been included in transaction management solutions in an attempt to create a comprehensive, seamless process. These elements include digital signatures, consumer access, document storage and business analytics.

REAL *Trends* felt it was time for an in-depth study and analysis on how brokers select and utilize transaction systems. The substance of our Real *Trends* Special Report was derived from research collected and analyzed through a national broker survey. In addition, several individual broker interviews were conducted to better understand the specific issues and the impact of Transaction Systems within large real estate companies.

The overall goal of this project was three-fold: first, to understand the deployment of Transaction Systems by brokers and Transaction System adoption by agents; second, to identify the benefits brokers were seeing from the deployment of Transaction Systems and finally; to measure the impact of Transaction Systems upon agent productivity and effectiveness.

The result of our survey and our analysis is the essence of this Special Report.

Study Methodology

The REAL *Trends* Transaction Systems Study was conducted from April 10 through April 14, 2014. An e-questionnaire was sent to 1354 real estate brokerage companies in the REAL *Trends* 500 and Up-and-Comers report. 188 surveys were returned by end of business on April 13. A reminder email was sent to non-respondents and an additional 107 surveys were returned. A total of 295 surveys were returned for a response rate of 21.7%. No incentives were given to survey participants. We consider this a significant and reliable sample from the REAL *Trends* data list.

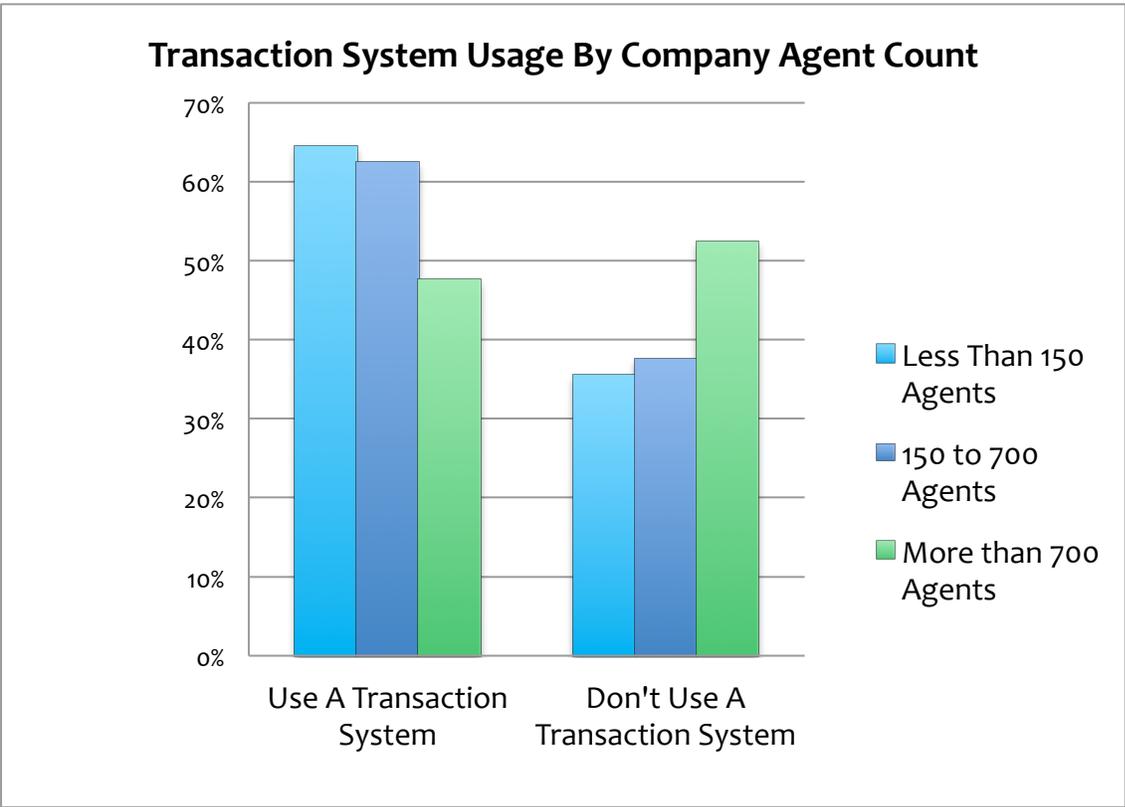
Survey Results

Transaction Systems are used by the majority of brokerage companies

Our survey found that over 61% of the respondents have purchased and utilize a Transaction System for their real estate brokerage company. For the purposes of this survey a Complete Transaction System was defined as:

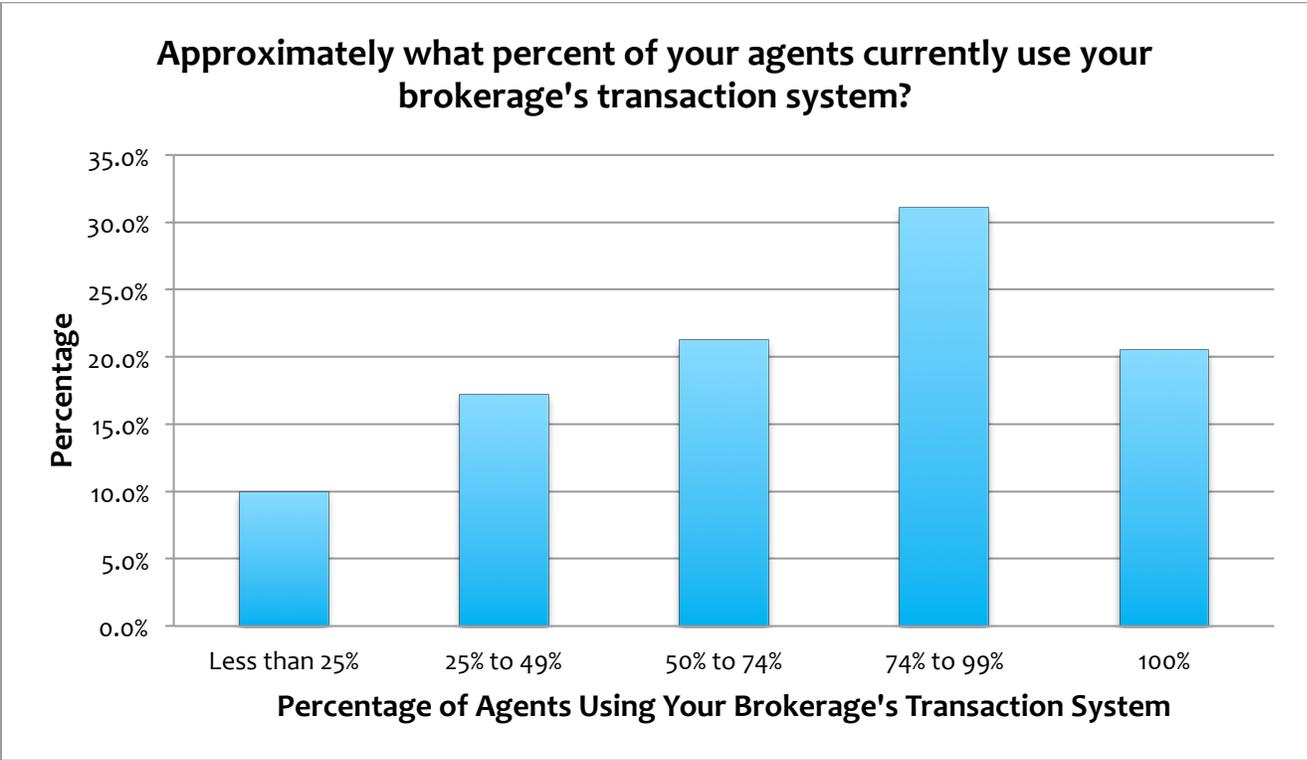
“A Transaction System or an online workspace is a web based end-to-end real estate negotiation and document management system that allows users to create, adjust, approve, sign and share documents seamlessly, under one solution.”

In addition to trying to understand the overall adoption rates of Transaction Systems in the real estate brokerage industry we also looked at Transaction System usage among small, medium and large brokerage companies. Over 65% of companies with fewer than 700 agents have a Transaction System in place. Approximately half of brokerage companies with more than 700 agents utilize a Transaction System. We believe among the reasons for this may be that larger companies with over 700 agents either found Transaction Systems potentially too costly or did not have the internal resources to deploy a solution.



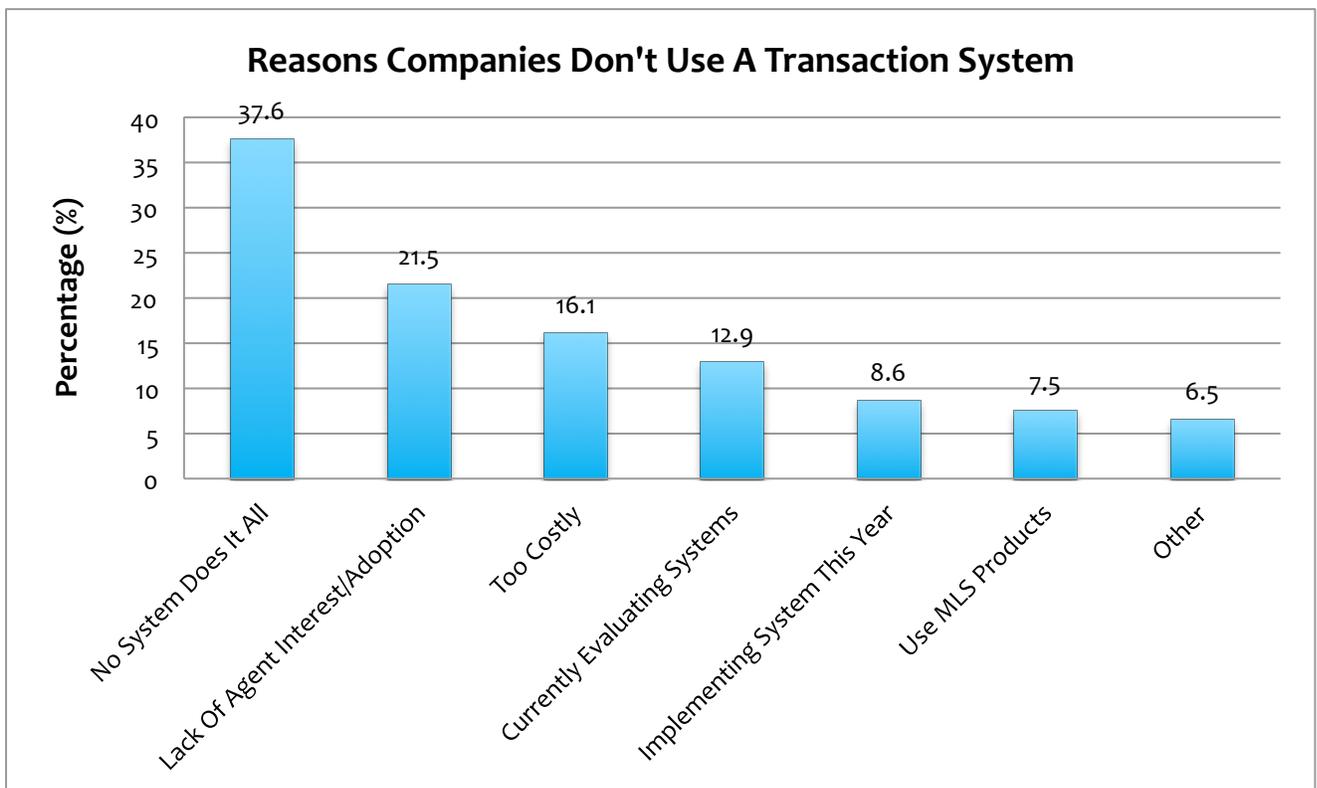
Higher than expected agent adoption rates by brokers using Transaction Systems

We were surprised by the high rate of agent adoption reported by our survey respondents. Over half of the Brokers using a Transaction System indicated more than 75% of their agents are using the solution in some regard. This high reported rate of agent adoption is counter to one of the most often mentioned reasons that brokers don't use a Transaction System. A large number of brokers have not purchased a Transaction System because of the perceived lack of agent interest in such systems. Our survey results seem to disprove this concern.



Why companies don't use a Transaction System

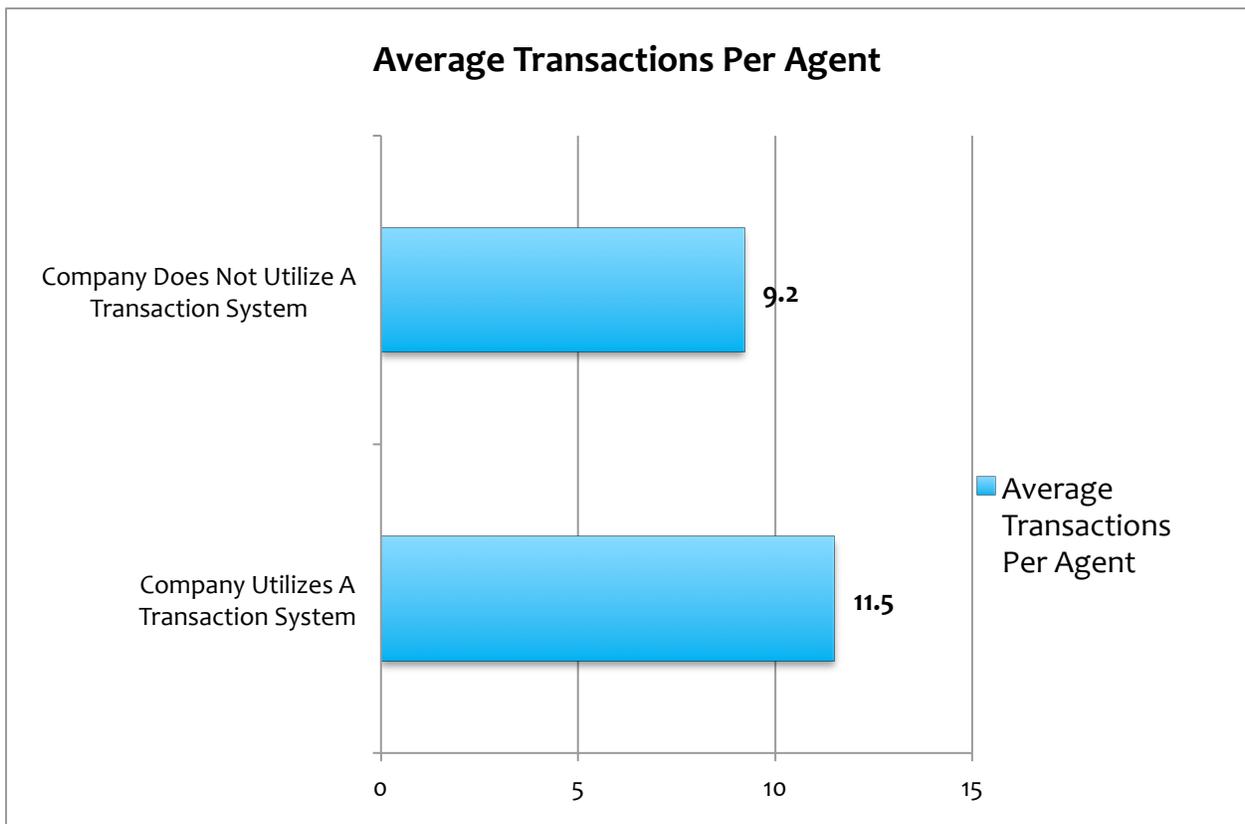
With 38% of brokers not currently using a Transaction System, it is important we understand the barriers to implementing a Transaction System. When asked an open ended question about the primary reason they have not deployed a transaction system the majority of brokers said they hadn't found a Transaction System that did everything they needed. The second reason for not implementing a Transaction System was perceived lack of agent interest. Over 20% of respondents said they were either currently evaluating Transaction Systems or implementing a Transaction System this year



Transaction Systems have a correlation with increased agent productivity

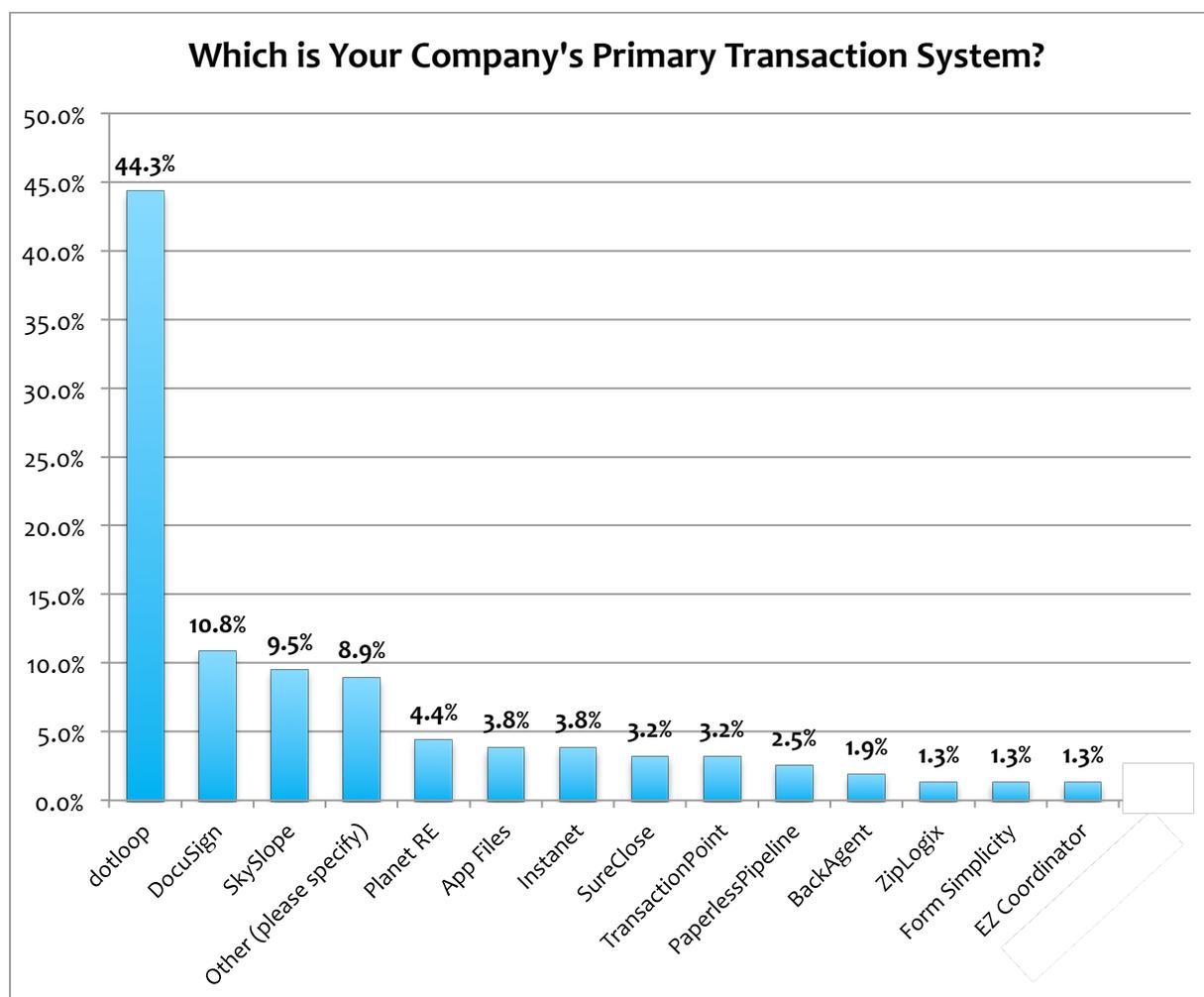
One of the goals of our Special Report was to discover if there is any impact on agent productivity and effectiveness among the brokers who use a Transaction System over brokers who do not. We discovered that brokerage companies that utilize a Transaction System have significantly higher agent productivity than non-users of Transaction Systems.

Agent productivity was measured by the 2013 average number of closed transactions per agent (REAL *Trends* 500 and Up-and-Comers Report). Our survey found that agents who are with a firm that uses a Transaction System closed an average of 11.5 transactions in 2013 compared to 9.2 closed transactions for agents who are with a firm that does not have a Transaction Management system. We understand there are many factors that might impact this metric such as market conditions, the number of part-time agents in the company, brokerage business model, etc. But it is our conclusion that by deploying a Transaction System for your agents you can positively impact their production and effectiveness.



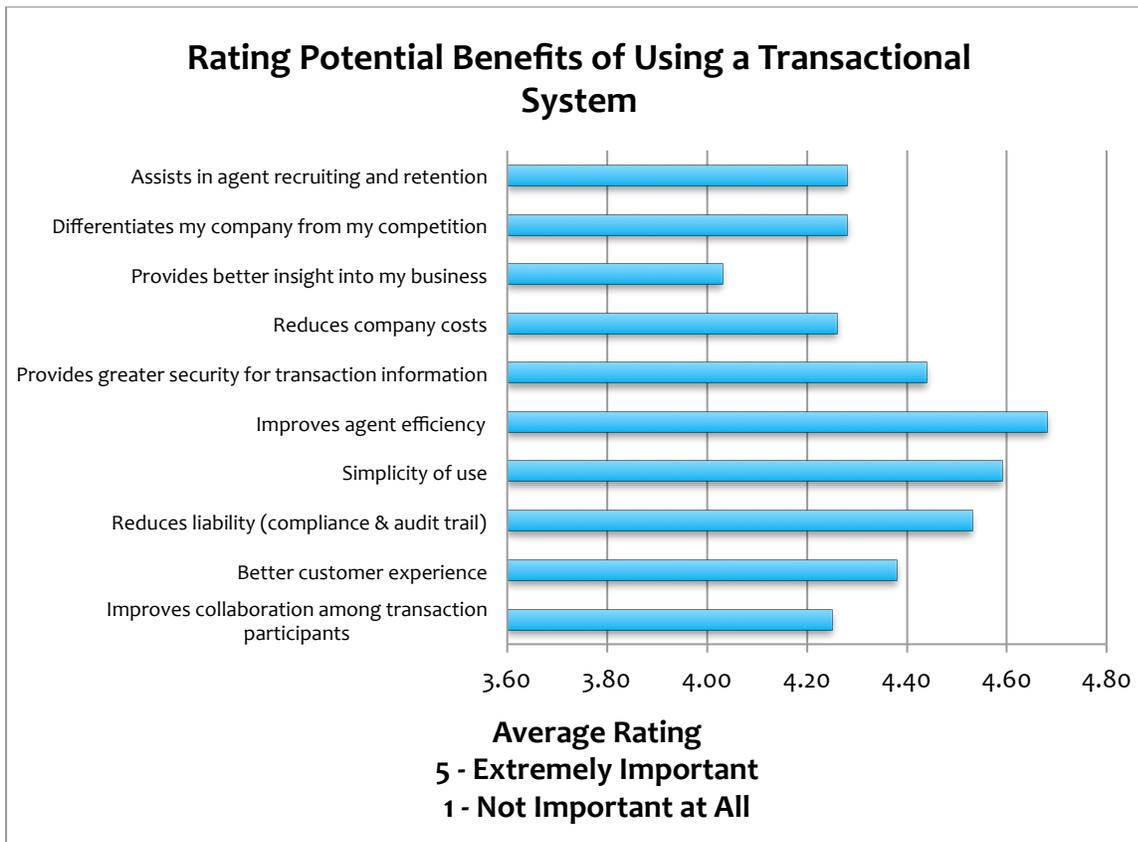
Top Transaction System Providers

Our survey asked respondents to indicate their brokerage company's primary Transaction System provider. dotloop had the largest share of firms that reported with 44% of broker respondents to the REAL *Trends* survey currently using their transaction system. Their closest competitors are DocuSign with 11% of respondents using them and SkySlope with 10% of respondents reporting they used this Transaction Management system. Beyond these top three providers there are numerous other suppliers of Transaction Management tools.



Most important benefits of a Transaction System

Many of the brokers who responded to our survey have broad experience with their Transaction Systems and are in a unique position to identify the benefits their company has gained from using a Transaction System. The number one benefit was improved agent productivity and efficiency. The other primary benefits were simplicity of use and reduction of liability and greater protection of transaction information.



Conclusions

We conclude that agent adoption of transaction management systems is imperative should a brokerage firm seek increases in per agent productivity. REAL *Trends*' research and work with dozens of leading brokerage firms leads us to some other conclusions about the relationship of agent adoption and productivity increases.

The main factors for adoption are as follows:

1. The system needs to be simple. The best systems practically guide the agent and consumer through the necessary steps to complete a transaction. If the agent has to manually check on any of the critical steps the productivity advantages are significantly diminished.
2. Manual Entry of data can also reduce agent adoption and ideally the consumer data can flow from a system such as a CRM in which it was previously housed.
3. A housing sale or purchase transaction is advanced more efficiently by enabling people to collaborate and work together to complete a transaction. Those companies that excel tend to innovate around how people work in addition to the installation of Transaction Management systems. Such collaboration in redesigning work flows will drive a more delightful agent and client experience.
4. Mobile integration. Relying on agents to return to a desktop computer to complete tasks is difficult in today's mobile society and work place. Being able to sign, send and alter documents from a mobile device is critical in agent adoption.
5. Forms integration. Many of these transaction systems are integrated with the necessary forms to complete the transaction. Having to manually work in two different systems will decrease agent adoption and productivity.
6. Support and Service. Relying on the brokerage to implement and install a Transaction Management system is challenging. It is important that the Transaction Management system provider has the resources to work in tandem with the brokerage to smooth the process of installation and to gain agent adoption. Additionally having someone dedicated to the installation from among the brokerage's leadership, is vital. Having direct agent support is critical in achieving high levels of adoption but when it comes to company wide changes one point person on the project is critical.

One often-overlooked significant benefit of using a transaction management system is increased consumer satisfaction. The ease of the transaction, flow of data and communications and timeliness of sensitive tasks can really affect the consumer's perception of the broker's value to the transaction process. Being efficient and supplying the consumer with a digital copy of all the paperwork is an effective way impress the consumer. It is also important to remember that digital communications can positively affect marketing opportunities for the agents and the

brokerage company by staying better connected to the consumer. Having specific opportunities to inject social media, testimonial and referral requests are at a prime.

About REAL *Trends*

REAL *Trends* has been The Trusted Sources for news, analysis and information about the residential brokerage industry since 1987. We are a privately-held publishing, communications, consulting company based in Castle Pines, Colorado. Residential real estate leaders look to us for timely and trusted information and analysis through our monthly newsletter, Tech Touch, conferences and publications.

In addition to research studies such as this, we are a leading provider of high-level business consulting services to the residential real estate industry. We provide a wide range of advisory services to a clientele of local, regional and national real estate organizations. Our areas of expertise include operational analysis, valuations, merger and acquisition advisory services, real estate industry technology consulting as well as consumer and business research, and strategic planning.

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