The Inman Files: Should Realogy pull a Disney and take back its listings?

The Walt Disney Company announced this week that it is launching Disney and ESPN branded direct-to-consumer content services — potentially striking a blow to consumer-facing tech giant Netflix.

Would real estate franchise giant Realogy ever consider such a risky move? Maybe.

Twenty years ago, it abandoned its strategy to go consumer direct when it sold Move.com for a whopping $760 million in stock to HomeStore, the operator of realtor.com at the time. HomeStore's CEO turned the interesting listing site into a portal powerhouse but crossed the legal line and went to prison for a variety of white collar crimes.

At the time, Realogy got itself wrapped up in that dirty diaper in ways that it regrets.

Was abandoning the consumer strategy a mistake? Over the years, nearly $10 billion in market value was created by Realogy's frenemies — Zillow and realtor.com. In the last five years, the real estate franchisor with a $3.55 market cap lost $1.5 billion in market value. Zillow's market cap is $7.2 billion.

Plus, Realogy and the rest of the industry lost control of its core asset — home listings — and it completely missed the consumer moment.

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There's a new CEO in town

Retiring Realogy CEO Richard Smith has chosen to partner with the real estate portals and stick to the franchise business. He has been reluctant to get back into the fight over who owns the data and he has resisted starting another consumer site. His disciplined focus saved the company through a dreadful downturn, but much has changed in the last 10 years and opportunity seems to be passing it by.

Realogy has a new CEO with a strong consumer bent. Talk about perfect timing. Ryan Schneider is a former executive at credit card giant Capital One, which was one of the first companies to systematically scour analytics to understand consumer spending habits. Data insights informed decisions on creating a variety of consumer credit cards — brilliant numbers-driven execution.

You must imagine he is eyeballing the consumer opportunity for Realogy. If he isn't, then I am not a man who was born in Illinois.

Disney's power play

The similarities to Disney are unmistakable.

Like Realogy's home listings, Disney's content was hijacked by consumer powerhouses Netflix and Amazon — making the media company a content vendor for the streaming services. Realogy is the largest content vendor for Zillow and realtor.com. (My pejorative description, not theirs).

Disney is taking a big swing at the ball, investing $1.6 billion in a technology platform for its new consumer products. The ESPN-branded video streaming service will be its first initiative, followed by a Disney-branded experience.

Like Disney with cable operators, Realogy is stuck with a weak link in the real estate value chain. It

sells franchises to real estate brokerages, many of which are struggling and threatened by disruption, a predicament that's forcing Realogy to finance many losing businesses.

A proportion of brokers today are like house rich, cash poor homeowners. They have the listings but little net income.

And they're up against a major marketing challenge. The old rules of franchise branding have in some ways become obsolete when you consider most consumers go to the real estate portals first. Century 21 has brand awareness, but Zillow, like Netflix, is a habit.

Who's really at fault for real estate's data control fumble?

Akin to Disney versus Netflix, Realogy lost the consumer to Zillow. Moreover, it enabled the new tech upstarts, starting with realtor.com 20 years ago.

Though Zillow is cast as the inimical one, the whole mess started with the National Association of Realtors (NAR) conflicted investment in Homestore — 10 years before the Seattle search portal launched. At the same time, a dozen or more powerful brokers in effect traded their home listings for stock in HomeStore, which kickstarted the whole data giveaway.

Their venal financial gains impaired the industry for years to come. One big broker still brags that he bought an expensive second home with his windfall from the original realtor.com mothership. Good for him; he should allow 1,167,595 NAR members to stay there for free — they paid for it.

There's a lesson in all of that: Beware when NAR and big brokers cook up a scheme. No one can mess up your life more than a clever and greedy parent plotting secretly with your wayward siblings. Your protector becomes untrustworthy.

While realtor.com reeled from scandal, Zillow snuck into town and took over. Did you ever walk down the street and find a few bills strewn along the sidewalk? Imagine stumbling upon $7 billion.

The test for Disney's courageous (or crazy) next move will be when it pulls its movies from Netflix after launching its new consumer products.

Again, the parallels to real estate are uncanny.

What if Schneider announced the same strategy with Realogy's home listings?

Realogy has more leverage than Disney. Netflix can produce movies but Zillow can't manufacture listings (yet).

But such a power play would be messy for Realogy because its broker-owners have the real power

over listings. It would be a little like convincing 535 members of the U.S. Congress to pass tax reform. Tough, but it can be done.

“The media landscape is increasingly defined by the direct relationships between content creators and consumers,” said Disney CEO Bob Iger.

It is easy to imagine Realogy’s Schneider saying: “The real estate landscape is increasingly defined by the direct relationships between home listing providers and consumers.”

For his next quote in my fictional narrative, Schneider should text Iger and ask to borrow this statement word for word. “The launch of our direct-to-consumer services takes advantage of the incredible opportunity that changing technology provides us to leverage the strength of our great brands.”

One other twist on the Capital One success story: the enterprise was built on an aggressive acquisition strategy. Smith left Schneider with a clean balance sheet, poised for making deals.

And if the consumer opportunity is too daunting, focus on the agent, and acquire Keller Williams for $1 billion. Then, Gary Keller can buy every vintage rock ‘n’ roll guitar that’s out there.

Yes, the newly minted Realogy CEO faces a dicey challenge figuring out where to take the company next. But at least his mandate is clear: survival is no longer the goal, thriving is the new Realogy rallying cry.

I’m working on a new weekly email featuring my thoughts on the industry and more. Check out the latest one here (Who won real estate’s earnings season?) Send me feedback at brad@inman.com. And if you would like this in your inbox every Friday, sign up here:

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