The money question for Compass

Compass has a stable of newly acquired brokerages. It owns Contractually. And it has hundreds of software engineers on staff.

But does the company know where it's all headed?

"We're not yet at a stage where I have a very clear monetization strategy because we haven't really talked about it," Compass chief operating officer Maëlle Gavet said in a recent piece the *Wall Street Journal*.

Gavet did not elaborate in the piece, but in a statement to Inman, a Compass spokesperson clarified that Gavet's "comment about monetization solely refers to ancillary services."

What are those, exactly?

According to a separate recent Bloomberg podcast interview with Compass CEO Robert Reffkin, Compass aims to build a "one-stop-shopping experience" for residential real estate, eventually expanding to include a way for customers to easily select such transaction-adjacent services as inspections, insurance, movers, and title and escrow.

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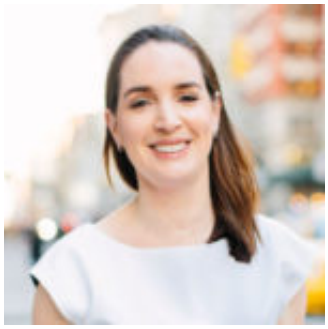

Maëlle Gavet, Compass' chief operating officer | Photo courtesy Compass

Though many questions about these services remain, they are likely to play a significant role in Compass' financial future. Chief among them: Can ancillary services help Compass live up to the hype?

Compass has famously raised $1.2 billion in funding and is valued at $4.4 billion. Those are massive numbers that have propelled the company into the top tier of U.S. real estate companies, and which have enabled its rapid growth, going from around 2,000 agents at the start of 2018 to more than 8,000 at last count.

But (as Inman has reported and the *Journal* piece also points out) that growth has not come without misfires, such as when internal backlash among Compass agents forced the cancellation of plans to license software to other brokerages.

Reffkin himself admitted to issues with rolling out technology too fast and looking to better manage fusing the cultures of the many brokerages it has acquired in the past two years.

The company also faces stiff competition from other firms, such as Redfin, Zillow and Opendoor, all of which have built businesses that deviate from the traditional brokerage.

Finding new reliable revenue streams from ancillary services, then, would likely go a long way to proving that Compass deserves its enormous valuation.

For the time being, however, Compass brass appears to be more focused on what services to offer than on how much money those services will make. In addition to Gavet's comments, Reffkin, speaking about the broader business environment, said that profit isn't always the most important thing.

“Short-term profitability,” he told the *Journal*, “is something that many of the more modern companies are not as focused on.”

Indeed, see Amazon, which operated at a loss and then scant profits for many of its early years, but was nonetheless coveted and support by investors.

But few companies in the world can claim to have achieved such a level of success. Will Compass someday be among them? That’s the money question.

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