



Homeowners Under Management

Client for Life Reimagined



How Many Homeowners Are You Managing?

The biggest trend in the real estate industry today is the focus on Homeowners Under Management (HUM). New technologies are emerging to replace customer relationship management with homeowner relationship management. These new systems for professionals in real estate sales, mortgage, and title have been developed around the recognition that most real estate clients are between transactions, only buying or selling once every decade. Future sales are driven by maintaining clients beyond transactions to create clients for life.

Since the late 1990s, our industry has been painstakingly focused on lead generation (search), lead conversion (CRM/CMA), and transaction management (Forms, Tasks, and Signatures). While these are all critical to modern real estate success, they have contributed to, and in many ways, created a vicious cycle that has pigeonholed the industry into being seen merely as "transaction agents." The industry has trained consumers that real estate professionals are amazing for transacting real estate and that's where the value proposition ends. The availability of software that seamlessly performs well during the transaction cycle fails miserably when the transaction closes. The deep trust relationship between the client and the real estate professional

fails after the sale, causing professionals to lose repeat and referral business.

While transacting real estate is thorny and scary and requires expert guidance from seasoned professionals, it still only represents about 5-10% of a consumer's life. The other 90-95% of the time, they are simply living in the home or property. Thus, while there are hundreds of millions of people in the country, in any given year only 4-6 million people are transacting. Or another way to look at it is that about 9 of 10 people in an agent's sphere will not transact in the next 12 months.

The disconnect is this: real estate agents spend the overwhelming majority of their time, energy, and money focused on the 1 out of 10 people who may be considering a transaction now, or the so-called "hot lead." Instead of spending the time to develop deeper relationships with past clients who represent the majority of their database, they're consistently clamoring for the needle in the haystack (when the entire haystack is right in front of them).

In other words, despite being heralded as a "relationship industry," real estate has a problem with long-term relationships.



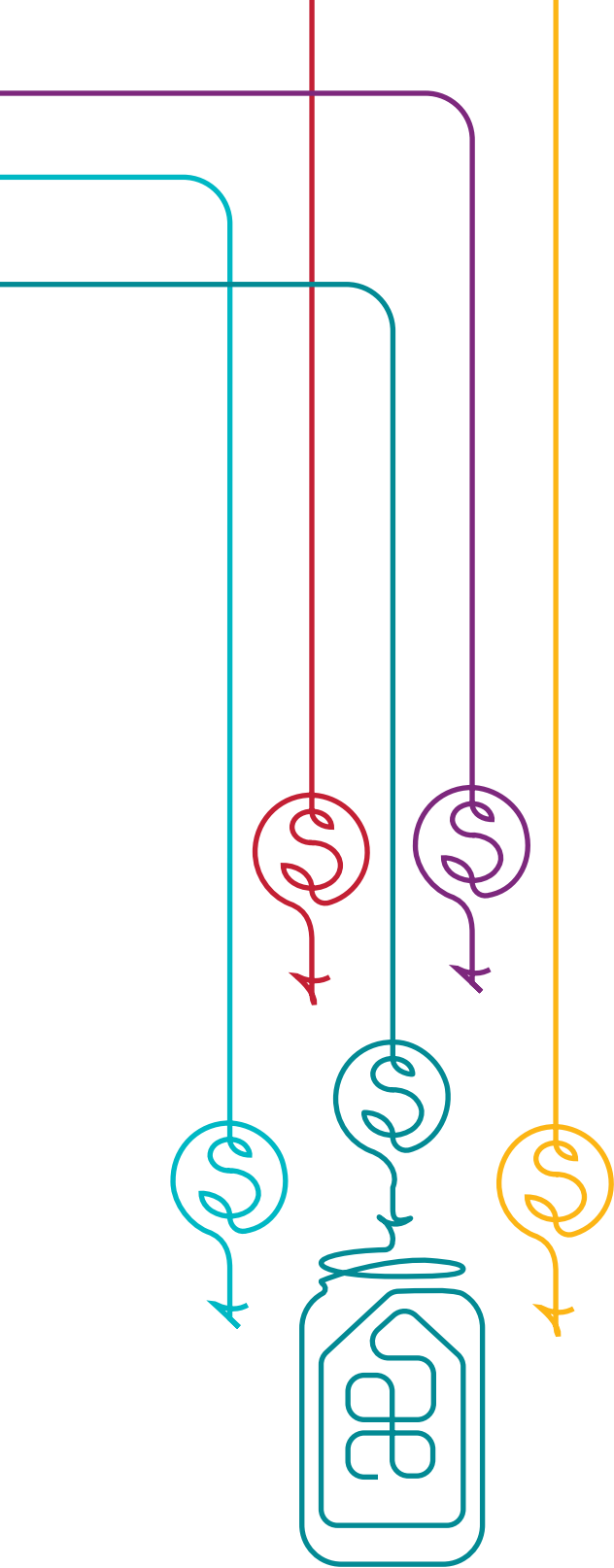
How Did This Happen?

DRIVE TRANSACTIONS AT ALL COSTS (BUT AT WHAT COST??)

Being focused on sales transactions is obvious for brokers and agents. That is how you get paid. Moreover, Realtors do an incredible job. Back in the day when WAV Group helped focus the industry adoption of agent ratings, we learned a valuable fact. Consumers give their agents outstanding ratings just about every time. Sure, a bad rating from an irrational client or situation will happen occasionally, but generally – all Realtors are at a 90% rating. We attribute this to the intimate relationship between the customer and the agent during a very emotional and complicated transaction.

However, as mentioned above, and especially in the past decade, the proliferation of the IDX website, consumer real estate portals like Zillow, and the widespread embrace of the real estate team model, have created a literal lead generation rat race.

The ability to generate massive lead volume, coupled with the operational efficiencies of the team model (as well as the technology to support it) keeps agents in a state of “generate lead > nurture lead > close deal > repeat.” While this has been a compelling and lucrative business model for thousands of real estate businesses, ultimately, what ends up suffering is the agent-to-client relationship. Real estate brokerages are not immune to this, as more and more transaction volume funnels through this “transactions at all costs” model.



DEATH OF THE RELATIONSHIP

Anecdotally, we have talked to many companies whose entire business is built on this model. While amassing incredibly large databases of leads and transacting consumers, they struggle to further monetize these gains over time, constantly going back to the mercurial and competitive top of the funnel. Thus, as counterintuitive as it may seem, the plague of the real estate industry is caused by the closing.

When the closing is the *only* goal, there is a negative downstream impact to the long-term relationship with these transacting consumers. What was potentially months of daily phone calls and text messages, late nights and early mornings of negotiations, the joy of finding the right home, etc. is replaced with a great disappearing act. Agents literally are ghosting their clients because they're off to the next transaction. The over-reliance on generic drip marketing disguised as "lifecycle marketing" means the memory of the agent fades away over time (as it gets lost in the SPAM filters of inboxes nationwide).

THE TECHNOLOGY CONCERNS

Suffice it to say that the leading technology firms in the marketplace today have all done a great job of productizing lead generation to sale. WAV Group has compared the lead capture and conversion rates across the top brokerage and team solutions, and they are all relatively similar. The technology you license for your brokerage is not the key to success, it's how you use it and the investment you put into each phase of the sales funnel. The problem is that these investments support a sales funnel that considers the closing the ultimate/only goal (i.e. IDX, CRM, TMS, etc.).

The Homeowners Under Management (HUM) Philosophy

The homeowners under management philosophy is quite simple at its heart: it's the responsibility of taking care of every aspect of the homeowner experience, whether the client is buying, selling, moving, or most importantly...*owning*. Remember, these clients you've been in the trenches with to get deals closed (who know, like, and trust you) spend 90%+ of their lives simply living in their homes.

Embracing the HUM philosophy is the trend to tackle this self-perpetuating and incredibly expensive mistake that plagues our industry. It costs so much to get a client, why are agents breaking up with them when the deal closes? Imagine the success of your company if you could move the needle from 1 out of 5 repeat transactions to 2 out of 5. Better yet, forecast the referral business that you can obtain from maintaining better client relationships between the ownership cycle.

The key to success with HUM is unlocking the service needs of your customers after the sale. The first need is incredibly obvious. Just look around your house right now and imagine moving. You can understand the success of companies like Updater that help resolve that incredible problem of moving for customers. These services not only deliver convenience, but they save your client money.

The moving cost and concierge service can be built into the transaction to make moving effortless. Brokers might even be able to pick up some additional revenue. Just this simple and readily available service can have a tremendous impact on extending the relationship and loyalty with your client. However, it still basically only extends into that short time period post-closing.

There is room for bigger thinking here.





THE TRUE OPPORTUNITY

Once you have helped the client move into their new place, the real work begins. You have anywhere from 5-10 years of relationship to nourish, which means understanding how to provide value and solve problems outside of the typical transaction-related services. While daunting on the surface, it's not as complicated as it may seem. Historically, scaling this level of sphere relationship nourishment was next to impossible. Not anymore.

Today, every home has more than 150 systems that homeowners need to learn how to use and maintain...think HVAC, plumbing, electrical, roofing, floors, foundations, etc. Just as many homeowners do not factor in the actual costs of living into their monthly expenses (e.g. utilities, or HOA fees), the true cost of *owning* a home is almost never contemplated over the long term.

Over the past three years, a company called Milestones.ai has been cataloging these 150+ systems, and building a repository of information that teaches the consumer how to use and maintain each one. Strangely, there has never been software that helps the homeowner in this manner. We have portals for maintaining our health, we have portals for managing our bank and investment accounts, and even portals for managing our pets. Before Milestones, there was nothing for the home.

YOUR SERVICE PROVIDER NETWORK & THE MAGIC MOMENT

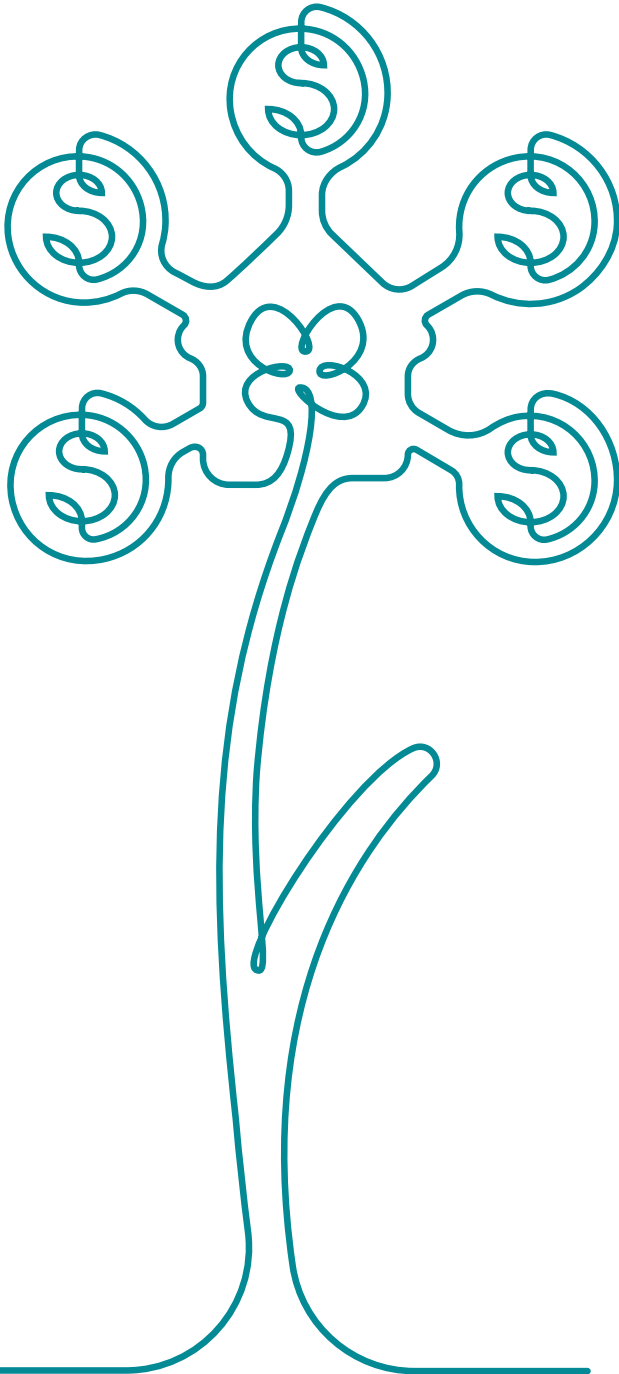
Of course, every homeowner has a little bit of handyman/woman in them. Some will tackle the job of replacing the washers to fix a leaky faucet, but not braise a dripping copper pipe. At some point, homeowners need professional help. This is the magic moment when the Realtor comes back into the picture.

Milestones did focus groups with 70 top producing agents to understand this magic moment. What they learned was simple: when it comes to finding the best professional for plumbing, landscaping, roofing, painting, etc., the agent is the best resource.

If you have watched Angi's stock lately, you know that it has gone from \$25 dollars per share down to less than \$5. As it turns out, the best home service professionals work on referral and have more business than they need. They are not out advertising on Angi and paying Angi a hefty percentage of the revenue from the job. The homeowner wants and needs their agent's list. And, more often than not, the only way you can get the best pros is through a trusted referral.

Real estate professionals have the collective opportunity to deliver a homeownership portal to help customers with managing their house. Through homeowners under management, the relationship lives on. We are thrilled that the CEO of Milestones, Dustin Gray chose to deliver Milestones to the client through real estate professionals – brokers, teams, agents, Realtor Associations, MLSs, mortgage banks, loan officers, title companies, title reps, home insurance companies and insurance agents. Smart strategy.

THE HOMEOWNER LIFECYCLE



While Milestones should be lauded for bringing industry-provided home services professional marketplace concepts to the space, they didn't stop there. For the large majority of consumers, the home is their largest asset. Thus it makes sense to ensure that the home is well-maintained. This not only creates a happy place to live, but it also ensures that the home, as an asset, appreciates accordingly.

In embracing the HUM philosophy, it is imperative that the real estate professional also begin to position themselves as a trusted advisor and a wealth manager. A well-maintained home that is appreciating in value year over year gives the homeowner the peace of mind that they can handle the financial implications that any life event may throw their way (and it also makes for larger commissions, right??).

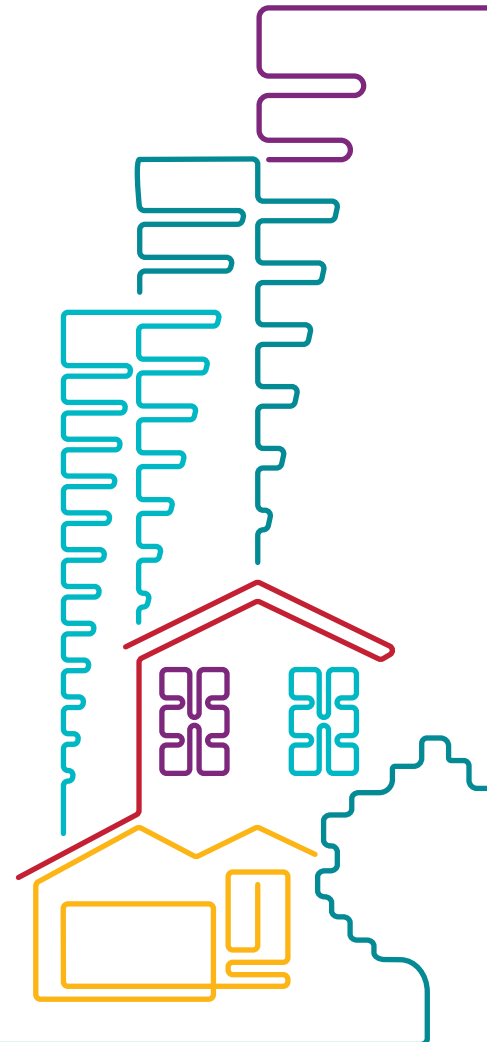
Just like Milestones has created a wealth of educational material for maintaining the home, they have also created a literal how-to guide for the real estate implications relating to life events such as marriage, new babies, job changes, divorce, death, sickness, etc. An agent who embraces the HUM philosophy understands that these life events do not always imply that a move (i.e. a transaction) is the goal. A homeowner may simply need to renovate, or perhaps rent out an unused room, or simply tap into equity to facilitate a change or an emergency. Remember, with the HUM philosophy, the home is an asset that provides all sorts of opportunities.

ONE PLACE AND SIMPLE

It's 2023. Consumers are actively shaped by the digital world they live in, which continues to be driven by streamlined, one-click apps and marketplaces. So why is the "modern" real estate experience (especially for homeowners) so fragmented? Your clients must log into one website to search for homes, another to monitor their home value and equity, another to find service providers, another to research life events, and another to store home-related documents. As a business, this means that your clients are consistently being scattered across the web, going away from your business for help with the questions and problems that they have. Consumers face too many passwords, too many emails, and too many systems to learn. On average, real estate brokers deploy 19 different software tools to agents for managing their real estate business. The opportunity for simplicity is abundant.

Milestones solves this problem. Not only do they have the largest repository of homeowner education, but they also provide a single place for your clients to manage everything relating to homeownership - Buy - Sell - Transact - Move - Own.

- ▶ Need access to real-time home value and equity monitoring? Check.
- ▶ Want to ensure that your ancillary and core services (e.g. mortgage, title, etc.) are options for your homeowners? Check.
- ▶ Want to search for homes on the market, or homes nearby that have recently sold? Check.
- ▶ Need a central cloud-based document storage solution? Check.
- ▶ Want to quickly contact your real estate agent via email or chat? Check.
- ▶ Need a trusted home services provider in the middle of the night? Check.
- ▶ And what's more: the real estate agent/broker/team/etc. is there every step of the way! Milestones is a completely white-labeled solution that keeps your brand front and center for anything a homeowner needs.





The Long-Term Value

BUILDING CUSTOMER EQUITY THROUGH HOMEOWNERS UNDER MANAGEMENT

WAV Group's M&A division has begun the process of putting a value on homeowners under management. The number of engaged customers that are connected to a brokerage, team, or agent has a value. Two companies with the same volume and profits can have widely different values as a result of HUM. Consider brokerages that are more than 100 years old – Baird and Warner, Hunt Real Estate, NP Dodge, etc. They have hundreds of thousands of homeowners who have transacted with them repeatedly over the years. If you use the industry benchmark of repeat business of 20% (1 in 5), there is a multiple added to the value of the company. You can predict future sales with some certainty. Taking this a step further, imagine being able to increase and forecast attach rates for your core services on top of this!

We have long believed that data is an asset for real estate professionals. Perhaps the better way of understanding this concept is to rename it to *customer records* as an asset (i.e. *homeowners*). And those with the biggest customer assets are poised to own the future with an uncatchable lead.

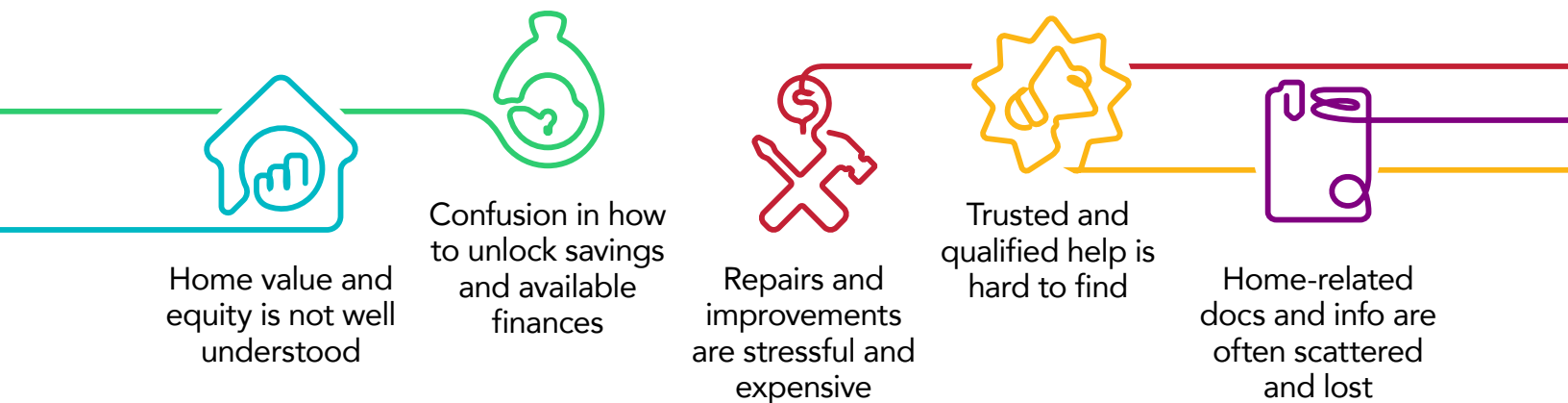
Beyond the value of customer record data, customer engagement is the real asset. It's not the list of contact records you have that creates an asset, it's the number of Homeowners Under Management measured by engagement. Are they opening your communications? Are they leveraging your services? Are your agents having conversations that drive a deeper relationship with the client?

Tom Ferry suggested to us that if an agent wanted to sell their book of business – it would be far more valuable if those customers were regularly engaged with the agent through technology solutions that would offer a smooth transition to a new agent. Tom developed a solid thesis and we agree with him. Imagine being able to quickly, and with certainty, pitch your database of homeowners in a measurable, forecastable, and scalable manner.

IN CONCLUSION

The reason that expert real estate agents are so successful is because transactions are hard. They're messy. They can be outright terrifying. A seasoned real estate professional acts as the guiding force, the glue, the voice of calm in the storm, that guides someone to the finish line.

The industry has done a phenomenal job selling and perpetuating the dream of homeownership. However, the real work for the client begins the day they take the keys to their new home. This is when the agent disappears, and the relationship begins to die. The time, energy, and money (not to mention education) that goes into managing and maintaining that home far outweigh the small portion of time they spent transacting. Remember homeownership is often overwhelming for consumers:



Embracing the homeowners under management philosophy, and adopting the technology to support it, has multiple opportunities and long-term implications for your business.

- ▶ HUM reduces the need to rely on top of the funnel lead generation, lowering CAC and increasing retention, repeat business, and referrals.
- ▶ HUM allows the business to shift into more of a wealth management approach: contacts become homeowners, and the database shifts from how many to how much value under management (i.e. instead of 10,000 contacts, you have \$100M under management).
- ▶ HUM increases the opportunity to create additional revenue beyond the transaction by ensuring that core services are front and center when a homeowner needs financial assistance, insurance, etc.
- ▶ HUM extends the value proposition of the brokerage, team, or agent into the 90%+ time period that consumers are simply living in their homes; thus, the horrible trend of “ghosting clients” is eliminated.
- ▶ HUM allows the business to tap into and scale the inherent referral opportunities of existing trusted home services provider networks, thus creating a flywheel effect.

Make no mistake, the shift to the homeowners under management approach in real estate is already happening. And, as Tom Ferry says, the race is on for the “great homeowner land grab.” Homeowners only need one home management portal. Make sure they are getting it from you!



About WAV Group

WAV Group is the leading consulting firm in the residential real estate industry, serving many of the largest and most successful small businesses, including real estate brokerages, technology companies, and local, state and national real estate associations. WAV Group helps each of its clients evolve and grow by delivering an unsurpassed depth of experience in technology, strategic planning, research, business development, sales, product development, marketing and communications in the real estate industry. The firm's diverse collection of global industry experience allows it to cross-fertilize ideas and bring best-of-breed solutions to its clients. More information is available at <http://wavgroup.com>.