

# Company Analysis

## Part 1

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## Executive Summary

Zillow is a real estate marketplace dedicated to helping connect people with homes. Zillow has a strong brand and a number of properties under its portfolio including Zillow, Zillow Rentals, Zillow Digs, Postlets, Hotpads, and others<sup>2</sup>. The company exists in a tumultuous time for the real estate industry as the industry struggles to protect the quality and syndication of data, while still attempting to market homes in an increasingly transparent digital world. Zillow over time has pushed through industry barriers to blaze a trail within real estate commerce. They brought their gross revenue from 20 million in 2010 to 198 million in 2013<sup>1</sup>. In July of 2014, their properties were showing 212 homes per second<sup>16</sup>. Despite recently announcing a deal to purchase their largest competitor, Zillow still struggles with profitability, cultural lawsuits from former staff (*Appendix I*), a failed partnership with ListHub, and mixed real estate agent sentiment. Nobody said disruption was easy.

## Exploring the Business Model Canvas

*(See Appendix A for more information)*

### Key Partners

Zillow has a number of critical business partners that help the company in its mission. In 2009 Zillow Mortgage announced a distribution partnership with Redfin allowing people to instantly get custom quotes through Zillow on Redfin's site<sup>4</sup>. In 2010 Zillow partnered with Yahoo Real Estate gaining exclusive advertising rights in exchange for allowing Yahoo to syndicate its listings<sup>3</sup>.

Zillow has acquired 9 companies; Postlets, Diverse Solutions, RentJuice, Buyfolio, Mortech, HotPads, StreetEasy, Restly, and Trulia. All of these help Zillow's mission of connecting consumers to homes. Both HotPads and Trulia were direct competition for Zillow.

Zillow's data suppliers consist of MLS systems and 3<sup>rd</sup> party aggregators. Data is the life-blood of Zillow's business. (*Appendix C*) The name "Zillow" originated from the idea of zillions of data connections<sup>2</sup>. Recently negotiations with ListHub, one of Zillow's largest 3<sup>rd</sup> party aggregator suppliers broke down. Consequently Zillow has been scrambling to get more direct integrations with MLS systems around the country<sup>5</sup>.

## Key Activities and Resources

Zillow's key activities involve connecting people to facilitate the real estate transaction. Zillow's customers include: homeowners, home buyers, sellers, renters, real estate agents, mortgage professionals, landlords and property managers. Zillow uses engineering staff, a large sales team to build their 56,000 preferred agent relationships, and data suppliers as key resources to deliver their product to their customers. Zillow also carries patents around their Zestimate technology. (See Appendix A)

## Value Proposition

One "newness" aspect of Zillow's value proposition is their proprietary appraisal methodology called a "Zestimate". This method uses sub-models to automatically determine the value of a property<sup>6</sup>. It allows potential buyers to get a 3<sup>rd</sup> party perspective on the value of the home.

In terms of performance, Zillow has a number of features that help their mission of connecting people with homes. Zillow has a web site and a series of applications for mobile devices that allows you to save properties and recall them across all devices. Zillow also has improved and iterated on their user experience over time to allow the user to quickly search and filter for a specific set of data. You can even draw on the map for the specific area you want covered. By contrast, many existing real estate sites don't even have map functionality and resort to standard listings.

This also speaks to the customization aspect of Zillow's value proposition. Using the saved properties and searches allows a user to customize their experience and interaction with the firm. They also setup new to market alerts and the aforementioned advanced mapping feature helps customize your search area down to the foot.

Zillow has been called out for its poor convenience, design, and usability. However, 45 million people hit Zillow in April of last year (a good benchmark month for the industry). This represented 46% of the unique visitors to real estate sites in April<sup>7</sup>. So Zillow is doing something right. The Zillow team has iterated on a lot of the prior usability criticisms, demonstrating its capability for innovation. In one example Tedesco writes, "On the Zillow homepage ... the interface nonetheless remained

extremely cluttered by extraneous data. ... rather than prioritizing and focusing on a few, primary ones”<sup>8</sup>. This has since been cleaned up.

Zillow has a strong brand and industry status, which is a key aspect of marketing their value proposition to consumers and agents. Because of their position in the industry as a real estate portal they can focus their marketing dollars on a single name and domain. This gives them a significant brand and marketing position.

Zillow’s pricing strategy helps create value by using a dynamic pricing model for their regional advertising relationships. This is combined with their fixed cost by ad impression model called “marketplace” which they recently shifted to.

## Customer Relationships

Zillow builds customer relationships by utilizing personal assistance, self-service, automated services, communities, and co-creation. The self-service portal for real estate shoppers allow people to customize their shopping experience through saved searches and properties. Zillow also offers automated alerts when homes appear that match your search. *(See appendix A for complete breakdown of these categories.)*

## Channels

Zillow uses Web, Applications, Online Advertising, Media Outlets, and many more channels to reach their customer. One very effective channel that the executive team has mentioned is their media outlets. Zillow constantly publishes information about trends on the massive amount of data they have collected. These trends are published on their site. This in-turn helps their organic search listings get boosted in rankings and helps validate the site in the eyes of search engines<sup>9</sup>. **This is also an example of channel integration using both the media outlets and the posts on the website to enhance the organic search channel.**

## Customer Segments

Zillow’s primary customer segments are: real estate buyers and sellers, real estate agents, real estate brokerages, renters, landlords, and property managers.

## Cost Structure

Zillow's cost structure is value driven. They are currently aggressively spending on advertising and sales in an effort to grow revenue at the cost of their profitability. (See financial analysis section for details.)

## Revenue Streams

Zillow has two primary revenue streams. They have the "marketplace" revenue stream and the smaller display advertising revenue stream. Zillow's marketplace revenue includes local advertising from real estate agents, mortgage brokers, banks, and brokerage firms. Recently they shifted this model from "Share of Voice" to impression based ad model to capitalize on growing traffic numbers<sup>10</sup>.

The smaller of the two revenue streams is display advertising on Zillow. These come from advertisers who are connected to the moving process such as wireless companies, telecommunications companies, and moving companies<sup>11</sup>.

## Industry Analysis

### Major Players

Historically there were two major competitors to Zillow that arose; HotPads and Trulia. Zillow purchased HotPads and has announced a deal to purchase Trulia. eBay and Craigslist are also interesting competition for Zillow, because of their ability to connect buyers, sellers, renters, and landlords. Redfin is also sometimes listed as a competitor because of their efforts in shifting the agent model. *(See appendix F for competitors and industry)*

### Industry Benchmark

Since Zillow is not a brokerage house, or an agent website they are really making their own space in the real estate industry. Zillow's has impressive top line revenue growth up to 198 million in 2013 (See appendix B), yet they still struggle to be profitable. The real estate industry is usually in the 89% range for gross profit margin. Zillow posts a 90.5% margin. Zillow's return on equity and return on assets are both in the negative, benchmark is 4% and 2.3% respectively. Most notably their net profit

margin is negative, and should be around 4%. So in general they are not stacking up great next to the real estate industry benchmarks, but they are still demonstrating impressive gross revenue growth.

## External Macro-Environmental Factors

The real estate industry as a whole and specifically Zillow are significantly affected by macro-economic factors. Quantitative easing, interest rates, lending deal flow, consumer confidence index, and many other factors all affect the success of the business. As previously mentioned Zillow's national footprint helps it handle regional problems that appear, but it is still at the mercy of major factors.

In conjunction with macro-economic factors, policy decisions around the regulation of home purchases, mortgages, and real estate data play a significant role in Zillow's ability to conduct business.

*(See appendix D and appendix E for impacts of these changes to Zillow)*

## Conclusion










Reviewing the PEST, SWAT, and TOWS analysis demonstrates that Zillow has significant challenges around keeping its core business on solid footing. Market cycles, shifting policy changes, agent sentiment, and other pieces significantly impact the ability for them to generate revenue through their main source "marketplace". Porter's Five Forces depicts a competitive landscape that puts Zillow under pressure from many angles. As the real estate industry shifts, Zillow will have significant challenges ahead and will need to rely on value creation and innovation within their business model to stay at the forefront of the industry. *(Appendix G)* Zillow's financial duality is that they've managed to significantly grow their revenue over years, only to struggle with profitability. The question for Zillow will be; can they continue to navigate the shifting industry and find ways to become profitable in order to disrupt an industry?

# Appendix

## Business Model Canvas (Appendix A)

In order to perform a proper analysis of Zillow, the business model canvas methodology has been applied. This helps describe, analyze, and challenge the existing Zillow business model in hopes of fostering innovation both with respect to Zillow and the real estate industry as a whole.

### Business Model Canvas -

 <p><b>Key Partners</b></p> <p>Partners:          Yahoo Real Estate          Redfin          ListHub (historic)</p> <p>Major Acquisitions:          Postlets          Mortech          HotPads          Trulia</p>	 <p><b>Key Activities</b></p> <p>Real Estate Transactions          Renter Landlord Connections</p>	 <p><b>Value Propositions</b></p> <p>Newness: <u>Zestimate</u>          Performance: UX/ Usability          Customization: User / Shopper customization.          Saved Searches          Push Notifications          Strong Brand          Agent Value Price Point</p>	 <p><b>Customer Relationships</b></p> <p>Personal assistance through agent relationships.          Push notifications and alerts for searches.          Self and automation services.          Communities through Zillow Digs          Co-creation through tailored UX</p>	 <p><b>Customer Segments</b></p> <p>Consumers / Real Estate Buyers and Sellers          Real Estate Agents          Real Estate Brokerage          Renters          Landlords          Property Managers</p>
 <p><b>Key Resources</b></p> <p>Sales          Engineering          Data Suppliers  <u>Zestimate Patent</u></p>		 <p><b>Channels</b></p> <p>Web          Applications          Online Advertising          Media Outlets</p>		
 <p><b>Cost Structure</b></p> <p>Value Driven: focused on improved platform experience and growing top line revenue.</p>			 <p><b>Revenue Streams</b></p> <p>Largest revenue stream is agent, broker, bank ad marketplace. Smaller secondary stream for allied moving fields such as cable, telecommunications etc.</p>	

<http://www.businessmodelgeneration.com>

### Key Activities

Zillow's key activities involve connecting people to facilitate the real estate transaction. Zillow's customers include: homeowners, home buyers, sellers, renters, real estate agents, mortgage professionals, landlords and property managers.

Zillow's platform and network connects all these pieces together and facilitates marketing and transactions for both renting and purchasing.

### Key Resources

Zillow's key resources include Engineering Staff, the Sales Team that builds the agent relationships, and the data suppliers mentioned above.

Zillow also has patents associated with their Zestimate technology that allows for automatic determination of a home price<sup>6</sup>.



## Customer Relationships

Zillow utilizes 5 channels for their customer relationships; personal assistance, self-service, automated services, communities, and co-creation. Zillow creates relationships with agents through their fleet of sales reps. Sales reps engage with the agents providing a significant amount of personal assistance in their marketing initiatives.

Zillow's self-service and automated services are tuned towards the consumer. The consumer can browse via the self-service model, and when ready, they can contact an agent. Zillow offers automated services such as search alerts for new homes on the market.

Zillow Digs is an example of Zillow building a community platform around their brand. People are empowered to upload the photos of well-designed rooms in their home and collaborate with a community of people that utilize those ideas.

The self-service model and community elements also tie into co-creation. Using specific features tailored to the consumer such as saving properties and searches users help Zillow create a specific experience for them.

## Financial Ratio Analysis (Appendix B)

### Benchmarks – Real Estate Industry<sup>13</sup>

Measurement	Review	Industry	Zillow	Trulia
<b>Net Profit Margin</b>	The bottom line. Neither Zillow nor Trulia showing profit in 2013.	4%	-6.3%	-12.4%
<b>Gross Margin</b>	Gross profit minus what it costs to produce. Zillow shows healthy here but looking at net and gross profit margin there is an interesting story here. Zillow is spending big time on sales and advertising to grow revenue at the cost of profit margin. So while their top line growth is impressive they are using ad and sales spend to boost that number, and it's not a sustainable cycle <sup>14</sup> .	89%	90.5%	83.9%
<b>Return on Equity</b>	Shareholders are currently not getting an equity return.	4%	-2.9%	-7.6%
<b>Return on Assets</b>	This is more relevant for capital-intensive industries however; if they could get some net income flowing they could use the capital to re-invest in innovating in the space.	2.3%	-2.7%	-4.6%
<b>Current Ratio</b>	This is the amount of cash on hand. They are probably going a little higher to stay available for acquisitions if necessary.	2.5	9.5	6.7
<b>Quick Ratio</b>	Once again, short-term cash position is higher than industry average. They have an excellent ability to cover short-term cash needs. Wall Street considers this favorable, and has called it out in recent evaluations <sup>15</sup> .	1.4	9.3	6.6

These ratios below help tell the story above, and gave a clear focus for where to concentrate the analysis. These are key ratios that play a supporting role in the paper. Interestingly, Zillow has no debt! So the debt ratios are not included here. Aside from the ratio analysis above, worth noting is R&D spend for how much they are investing in their product and EBITDA numbers (for valuation purposes if curious). The industry average for accounts receivable is about 8 days, but because of the slightly different business model than the standard brokerage (marketplace revenue) and the company size it is expected to be a bit longer.

Note: All years are end of year

Company	Ratio or Financial Stat	2009	2010	2011	2012	2013
Zillow	Revenue USD Mil	17	30	66	117	198
Trulia	Revenue USD Mil		20	39	68	144
Zillow	EBITDA	-7	-2	8	19	6
Trulia	EBITDA		-3	-3	-6	-12
Zillow	Gross Margin %	76.9	83.7	84	88	90.5
Trulia	Gross Margin %		81.5	85	85.3	83.9
Zillow	Free Cash Flow USD Mil	-8	-3	6	16	5
Trulia	Free Cash Flow USD Mil		-4	-4	-1	-18
Zillow	Working Capital USD Mil	16	12	72	185	282
Trulia	Working Capital USD Mil			4	83	213
Zillow	Gross Margin	76.89	83.68	83.99	87.98	90.48
Trulia	Gross Margin		81.52	84.96	85.31	83.91
Zillow	R&D	64.38	34.96	21.41	22.78	24.55
Trulia	R&D		44.49	38.03	29.67	24.08
Zillow	Operating Margin	-74.13	-22.44	1.51	4.96	-8.58
Trulia	Operating Margin		-19.28	-14.97	-13.98	-16.8
Zillow	EBT Margin				5.08	-8.38
Trulia	EBT Margin		-19.4	-15.98	-15.94	-17.58
Zillow	Net Margin %	-73.49	-22.23	1.67	5.08	-6.3
Trulia	Net Margin %		-19.4	-15.98	-16.04	-12.36
Zillow	Return on Assets %	-52.24	-27.86	1.57	2.82	-2.73
Trulia	Return on Assets %			-25.44	-15.26	-4.59
Zillow	Return on Equity %	-60.86	-35.13	1.86	3.11	-2.94
Trulia	Return on Equity %			-202.53	-24.38	-7.6
Zillow	Return on Invested Capital %	-60.86	-35.13	1.86	3.11	-2.94
Trulia	Return on Invested Capital %			-44.09	-18.07	-4.8
Zillow	Current Ratio	6.71	2.92	6.13	10.05	9.45
Trulia	Current Ratio			1.36	4.32	6.89
Zillow	Quick Ratio	6.59	2.85	5.9	9.92	9.3
Trulia	Quick Ratio			1.32	4.26	6.55
Zillow	Payables Turnover	38.2	43.05	41.95	62.89	76.47
Trulia	Payables Period			84.09	33.95	27.96
Zillow	Receivables Turnover	6.1	8.89	13.73	16.35	19.18
Trulia	Receivables Turnover			10.37	13.88	16.16
Zillow	Fixed Assets Turnover	3.97	6.53	10.87	11.2	9.63
Trulia	Fixed Assets Turnover			6.94	10.79	9.79
Zillow	Total Asset Turnover	0.71	1.25	0.94	0.56	0.43
Trulia	Asset Turnover			1.59	0.95	0.37

## SWOT Analysis (Appendix C)

Strengths	Weaknesses
<p>Existing sales network.</p> <p>Existing Data and capability to capture real estate data.</p> <p>Scalable</p> <p>Consumer focused experience</p>	<p>Lower barrier to entry than other companies in the industry (data collection challenge still exists)</p> <p>Competitive market</p> <p>External business law / policy changes often.</p> <p>National Association of Realtors still has a choke hold on data.</p>
Opportunities	Threats
<p>Industry is ripe for disruption.</p> <p>Existing infrastructure allows for quick integration of innovative products through acquisition.</p>	<p>Technological problems</p> <p>Market cycles</p> <p>Public relations – Zillow has had a number of problems with this.</p> <p>Shifting realtor policies for data management.</p>

## TOWS Analysis (Appendix D)

	<p><b>Strengths</b> (Internal Company)</p> <ol style="list-style-type: none"> <li>Existing sales network</li> <li>Data and Data Collection</li> <li>Scalability</li> </ol>	<p><b>Weaknesses</b> (Internal Company)</p> <ol style="list-style-type: none"> <li>Market Competition</li> <li>Data quality depends on real estate agents.</li> <li>Data collection depends on external policy.</li> </ol>
<p><b>Opportunities</b> (External Market)</p> <ol style="list-style-type: none"> <li>Market is fragmented.</li> <li>Shifting industry policy.</li> <li>Industry has a lot of opportunity for innovation.</li> </ol>	<p>Utilizing the existing sales network Zillow can help pull together a fragmented industry and give consumers a one stop shop for their home buying and renting experience. (O1, S1)</p> <p>The massive amount of user and home data that Zillow collects gives new innovative ideas the underpinnings for success. (O3, S2)</p> <p>Zillow's scale of operations gives it the capability to help evolve policy in its favor. (O2, S3)</p>	<p>With a fragmented industry and a dependency on the quality of data entry for realtors Zillow's data integrity often gets called into question. (O1, W2)</p> <p>The industry has a lot of opportunity for innovation; however, this also creates market competition for Zillow. They've managed this by buying their competition. (O3, W1)</p> <p>Shifting industry policy means data collection methods change, Zillow's scale helps them deal with that. As an example, they are currently shifting from using ListHub to direct MLS integration. (O2, W3)</p>
<p><b>Threats</b> (External Market)</p> <ol style="list-style-type: none"> <li>Real estate data protectionism prevents progress.</li> <li>Agents often fight progress.</li> <li>Market boom and bust cycles.</li> </ol>	<p>Zillow's data collection tactics come under scrutiny and Zillow can potentially lose the conduits that it uses for data collection at any time. (T1, S2)</p> <p>The reputation of Zillow's interface with 3<sup>rd</sup> party aggregators and mixed agent reactions can make it harder on the existing sales network. (T2, S1)</p> <p>The real estate market has significant boom and bust cycles. By having a national footprint Zillow helps eliminate their seasonality issues that are more prevalent in certain regions as well as weather the storm in specific boom and bust cycle regions that are more prevalent. (T3, S3)</p>	<p>The combination of agents fighting progress and significant market competition creates a strange churn of innovation and creative destruction of companies. This industry continues to attempt to but a chokehold on its data. (T2, W1)</p> <p>Data collection for Zillow depends on the policy for the real estate industry and it shifts. Currently the industry is protectionist with its data. This presents a challenge for Zillow. (T1, W3)</p> <p>Zillow's data quality depends on real estate agents and their data. The market is attempting to control this, so anytime Zillow tries to augment the data to create a competitive advantage the industry gets upset about how they are presenting it. (T1, W2)</p>

## PEST Analysis (Appendix E)

### Contingency Planning Tool

Political (P)	Economical (E)
Net neutrality Real Estate Industry Regulation Tax Incentives for Home Buying Government Lending Regulation	Real Estate Industry Market Cycles Interest Rate Environment Foreign Investment in US real estate market.
Sociocultural (S)	Technological (T)
Certain generational segments are more interested in renting. Demographic shift from rural to city as US population base grows. For real estate Zillow could become the ZMOT for	Shift to Mobile Broadband and fiber shift for web performance. Virtual Tours using Oculus Rift and cameras like the one Matterport uses. Holographic Computing (Microsoft HoloLens)

## Porters Five Forces (Appendix F)

Note: These points are scored by neutral: 0, positive for Zillow: +, and negative for Zillow: - then aggregated to determine an overall neutral, positive, or negative for the company for each of the forces. These all play into the competitive rivalry that Zillow faces.



### Threat of New Entrants to the Market

+ The web, Internet, and mobile application industry for providing online marketing tools to agents overall has a low barrier to entry.

- In order to interface with the MLS you need to follow a very specific set of criteria including:

- Must hold a valid real estate broker's license with each state (above agent license).
- Must hold and keep current insurance.
- Must pay annual membership fees.
- Must pay monthly fees.
- Must participate in the local MLS and uphold the rules that govern the MLS.

### Threat of Substitute Products or Services

- Both Trulia and HotPads demonstrated that it is possible to come in, connect with the MLS and grow a competing company.

- Craigslist is a free way that allows homebuyers and home sellers to connect. Not to be discounted, Zillow also has Postlets and other mechanisms for connecting renters, which Craigslist does quite well, arguably better than Zillow.

- EBay has their own real estate section is more tailored to real estate than Craigslist, but not as powerful in terms of information and buyer-seller connectivity as Zillow<sup>12</sup>. **Both eBay and Craigslist**

**represent a potential place for innovation around someone providing a more targeted vertical with their models.**

- Redfin, although not a direct competitor, is often listed as competition because the company has an allied business model to Zillow in the real estate industry. The difference for them is the real estate agent compensation model. Because they are a brokerage they are allowed to plug directly into the MLS and that makes their data capture less of a problem.

### **Bargaining Power of Customers or Buyers**

**0** Market cycles dictate consumer bargaining power with agents. Sometimes the seller has more bargaining power, and sometimes the buyer does. As a consumer it's really important to be aware of which cycle you are in to give yourself the most amount of bargaining leverage with both the agent and the buyer.

+ Because of the scale of operations at Zillow and agent competition, Zillow often has price setting ability for agent advertising, giving the agents little bargaining power<sup>11</sup>.

### **Bargaining Power of Suppliers**

- 3<sup>rd</sup> party aggregators such as ListHub or Point2 help supplement real estate data. There are so many MLS companies in the US it takes a significant amount of work to tap into the data at a national level. This gives ListHub and Point2 significant bargaining. Recently ListHub overplayed their hand dictating tons of extra terms to Zillow, which left Zillow scrambling to create direct integrations.

- MLS systems also have significant bargaining power. As mentioned above in order to interface with them you need to go through a significant amount of verification.

### **Intensity of Competitive Rivalry**

**0** The technology for building services like Zillow is easier to put together than ever before, however the policy of the industry still increases the barrier to entry.

- Zillow has bought most of it's direct competition but as we've seen there are threats of substitutes that may not be direct competitors but are still nipping some business from Zillow.

+ Zillow's scale gives it tons of bargaining power and allows it to generate a significant amount of revenue through their advertising marketplace.

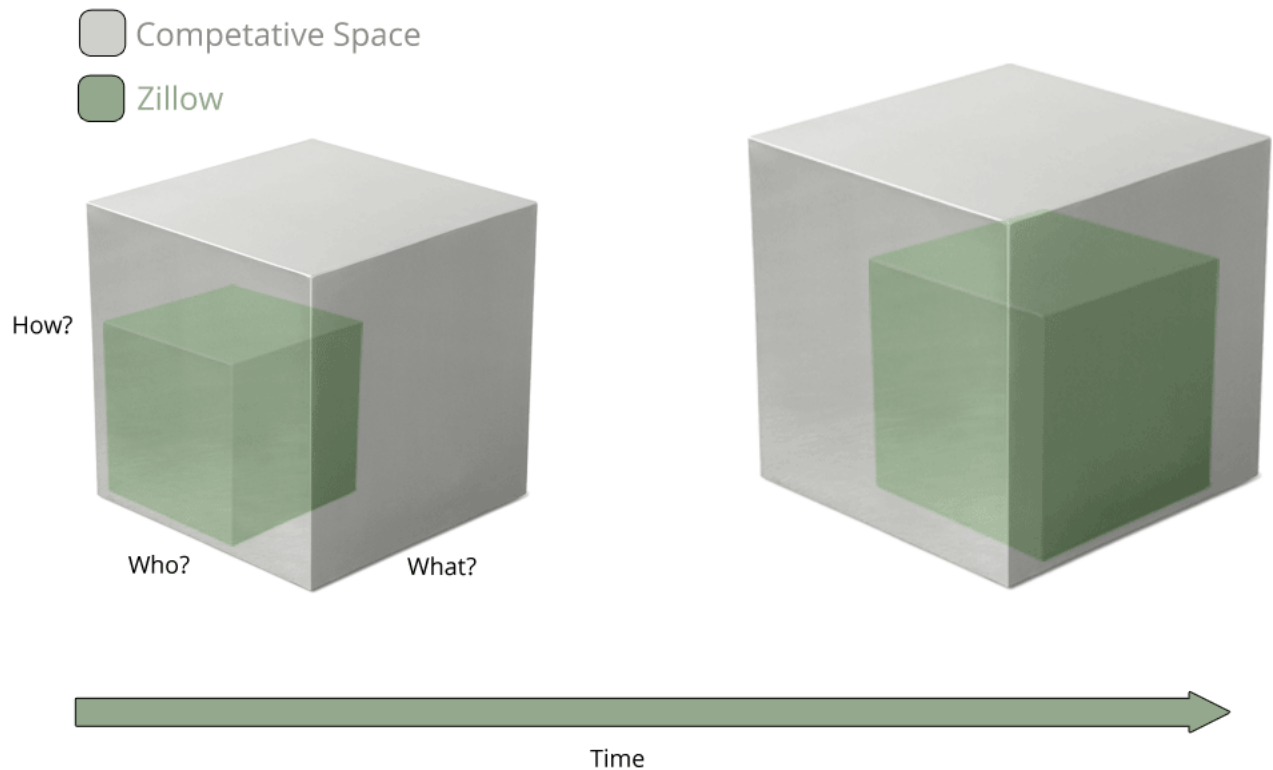
- Zillow's bargaining power with suppliers makes it constantly having to pivot and be concerned about how it is going to get its data instead of being able to rely on a strong foundation.

Overall looking at these five forces it looks like a challenging competitive landscape to enter and for Zillow both today and in the future.



## Appendix G

# Cube Analysis



### How?

This side of the cube is how Zillow delivers their products and services. Zillow primarily uses mobile applications and web to deliver their content and generate revenue. In the future they will be faced with many emergent technologies as we discussed in the PEST analysis. Redfin already uses Matterport to deliver 3d renderings of homes. The HoloLens by Microsoft has the potential to reimagine content delivery using holograms. Zillow will have to be aware of these trends and make the right moves to stay relevant or they will leave underserved areas of the competitive space that competition will fill for them.

### Who?

This side of the cube is Zillow's customers. Zillow's customer base over time will see slight growth, but without business model innovation they could potentially be stuck with an engine that requires significant money in and less money comes out, which is how they've been growing their top line so strongly. This is an example of short-term priorities that do not line up with the business strategy long term. Zillow has a significant market share in the industry. They'll need to discover other areas to work in in order to survive.

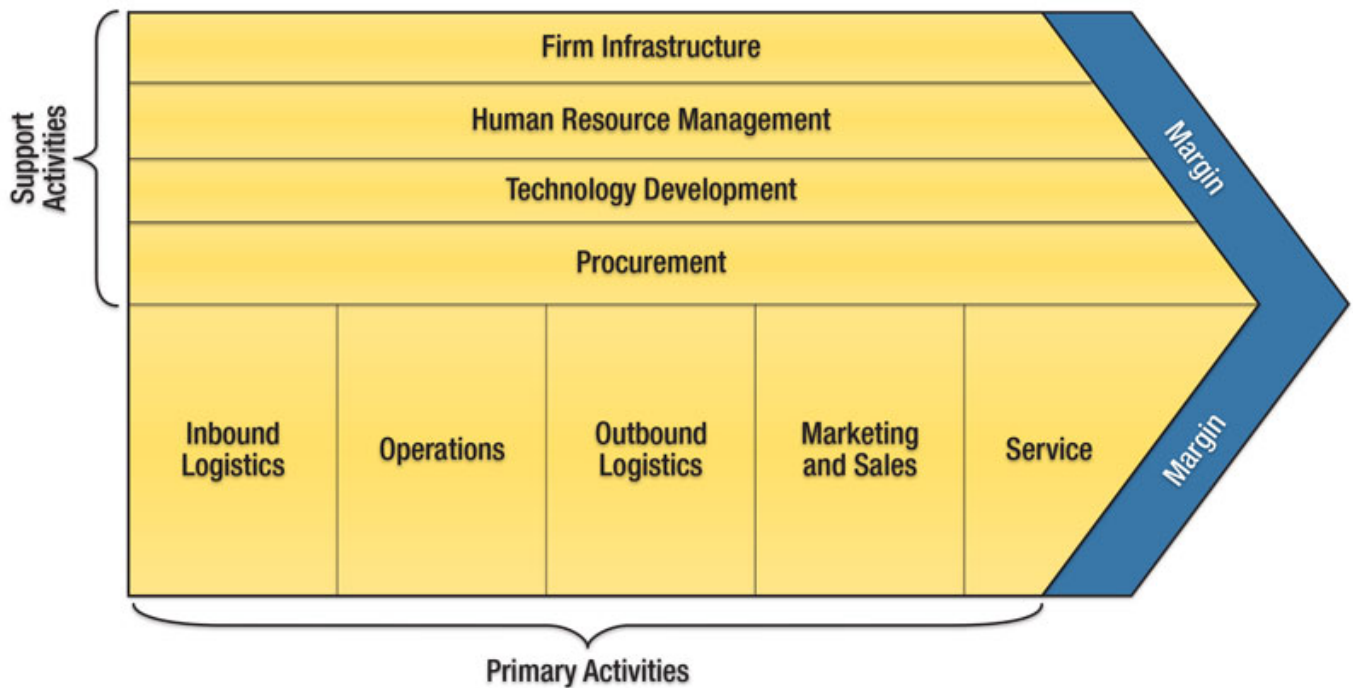
## What?

This side of the cube is the scope of products and services that Zillow delivers. Zillow has performed a number of acquisitions and based on their quick and current ratios they have enough cash to aggressively go after new emerging products and services. Protectionism around real estate data will only exist for so long. Competition will push for more transparency of data to facilitate cleaner marketing plans. I believe this will be a growth sector for Zillow because they will use their cash to grow their products and services through acquisitions and they will use their R&D spending to innovate from within.

## Summary

In the future cube growth based on Zillow's current trajectory and the existing financials and data that we have, we can expect both the competitive landscape, and Zillow to continue growing in all directions. That said how Zillow delivers I would expect more limited growth in comparison to the products and services that Zillow delivers (the what). As they increase in market share they will get even more aggressive about reaching out for acquisitions and increasing R&D spend.

## Value Chain Analysis (Appendix H)



### Firm Infrastructure

Zillow has as much as 46% of the consumer home shopping market before the Trulia acquisition. In April of last year they had 45 million unique visitors<sup>7</sup>. In July of 2014 Zillow recorded a record 89 million unique visitors<sup>16</sup>. During that period they were showing 212 houses per second. Zillow has a huge network of roughly 56,000 premier agents<sup>16</sup>. Zillow has a significant number of partnerships and acquisitions previously mentioned in this paper.

### Human Resources Management

Recently Zillow has come under fire for its frat house like culture. Zillow has a strong benefits package for its employees including 100% paid healthcare premiums for staff, treadmill desks, FitBits for every employee, stock options, and in office yoga classes.

### Technology Development

Technology has been discussed in the PEST and other analyses in this paper. Zillow's technology infrastructure to handle the amount of traffic they are getting is impressive. Their research and usability to improve on their platform has helped them grow rapidly. Specific technology components are outlined in the Value Creation section of the business model canvas.

## Procurement

Zillow's procurement really comes down to their interface with data suppliers. Since their relationship with ListHub is dissolving they've been working harder than ever before to setup relationships with the MLS systems directly.

## Logistics

On the inbound side this relates back to data procurement. On the outbound side they are pushing out that data combining it with other government and market data, and providing that information to the consumer.

## Operations

Zillow's properties include Zillow, Zillow Rentals, Zillow Digs, Zillow Mobile, Zillow Mortgages, Postlets, HotPads, and Diverse Solutions, Mortech, StreetEasy, and Postlets<sup>2</sup>. Together these properties help connect homeowners, home buyers, sellers, renters, real estate agents, mortgage professionals, landlords and property managers.

## Marketing and Sales

The revenue streams for Zillow have been reviewed prior. Zillow uses its extensive sales force to help sell preferred agents and other customer's ads on Zillow marketplace, which is a fixed cost by impression ad network. Secondly they sell display ads to companies in the allied fields such as moving. They have a network of over 56,000 premier agents.

## Service

Zillow's service model is based on servicing the 56,000 premier agents in their network. It helps them strategize and market themselves online.

## Popular Press (Appendix I)

(Citations for this section are inline)

The breakup between Zillow and ListHub has been a popular topic because it leaves Zillow hunting for new direct feeds to satisfy its nation-wide coverage.

Zillow on the brink of deal for 50,000 MLS listings | Inman. (n.d.). Retrieved February 3, 2015, from <http://www.inman.com/2015/01/26/zillow-on-the-brink-of-deal-for-50000-mls-listings/>

Direct MLS feed puts Zillow in a 'friendlier' light | Inman. (n.d.). Retrieved February 3, 2015, from <http://www.inman.com/2015/01/09/direct-mls-feed-puts-zillow-in-a-friendlier-light/>

Another popular set of press articles have been around the Trulia acquisition by Zillow.

Zillow, Trulia stocks sink more than 7 percent as acquisition looms - GeekWire. (2015, January 15). Retrieved February 3, 2015, from <http://www.geekwire.com/2015/zillow-trulia-stocks-sink-7-percent-acquisition-looms/>

Zillow has had a number of PR issues lately around discrimination and a frat house like culture. They've received lawsuits for sexual harassment, improper working conditions, and age discrimination.

Ex-Zillow employee describes 'culture of degrading women' (n.d.). Retrieved February 3, 2015, from <http://www.seattlepi.com/local/article/Ex-Zillow-employee-describes-culture-of-5931044.php>

Zillow's alleged "frat house" culture leads to new lawsuit. (2014, December 5). Retrieved February 3, 2015, from <http://fortune.com/2014/12/05/zillow-discrimination-lawsuit/>

Zillow moves to dismiss sexual harassment suit as legal battle escalates - GeekWire. (2014, December 12). Retrieved February 3, 2015, from <http://www.geekwire.com/2014/zillow-moves-dismiss-sexual-harassment-suit-legal-battle-escalates/>

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