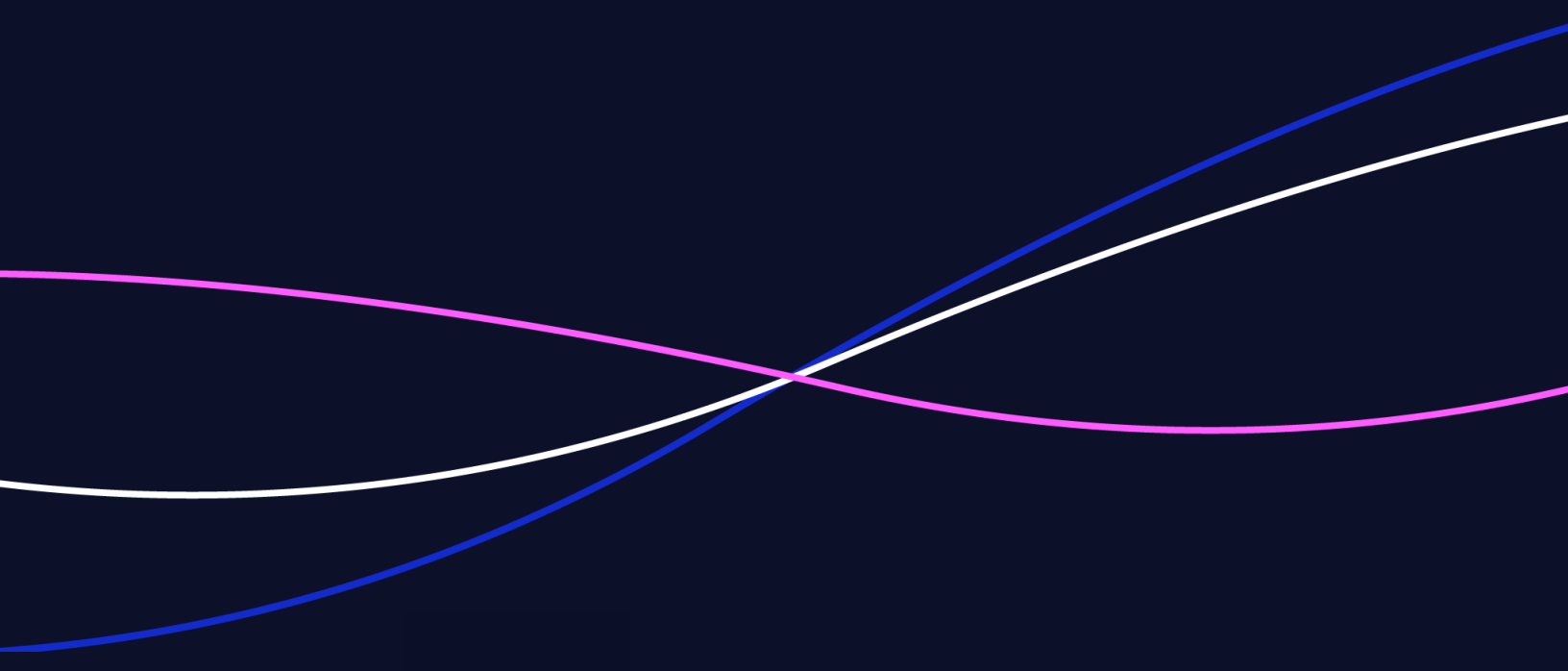


STRATEGIC ANALYSIS

# Millions More Buyers

## A Real Estate Portal's Competitive Advantage



2020



# Millions More Buyers

## A Real Estate Portal's Competitive Advantage

A strategic analysis of international portal leadership across three markets.

### About the Author



Mike is a global real estate tech strategist, and a scholar-in-residence at the University of Colorado Boulder. He's a former tech entrepreneur, CEO, strategy director, and head of corporate development with broad expertise in online real estate tech, and a passion for growing new businesses.

Mike is internationally recognized as an expert and thought-leader in real estate tech. His evidence-based analysis is widely read by global leaders, and he is a sought-after strategy and new ventures consultant.

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# Millions More Buyers

## A Real Estate Portal's Competitive Advantage

REA Group, Australia's leading and the world's most profitable real estate portal, recently [unveiled a new advertising campaign](#) theme that succinctly sums up a portal's competitive advantage: *Millions More Buyers*.

Real estate portals benefit tremendously from network effects, which is the key factor that gives them unprecedented market power and an impregnable moat to repel competition. This analysis looks at international portal leadership across three markets, and explores the challenges of competing with a leading portal.

### The Power of Network Effects

[Network effects](#) is the phenomenon whereby a service becomes more valuable when more people use it. Online marketplaces and social networks such as Facebook, eBay, and Craigslist are classic examples of businesses with network effects.

Businesses that have the benefit of network effects are incredibly difficult to displace. Even if a new entrant's product is objectively better, a smaller audience of potential buyers and sellers means an inferior consumer proposition. Sellers want to advertise to the biggest audience possible, and buyers want the largest selection possible.

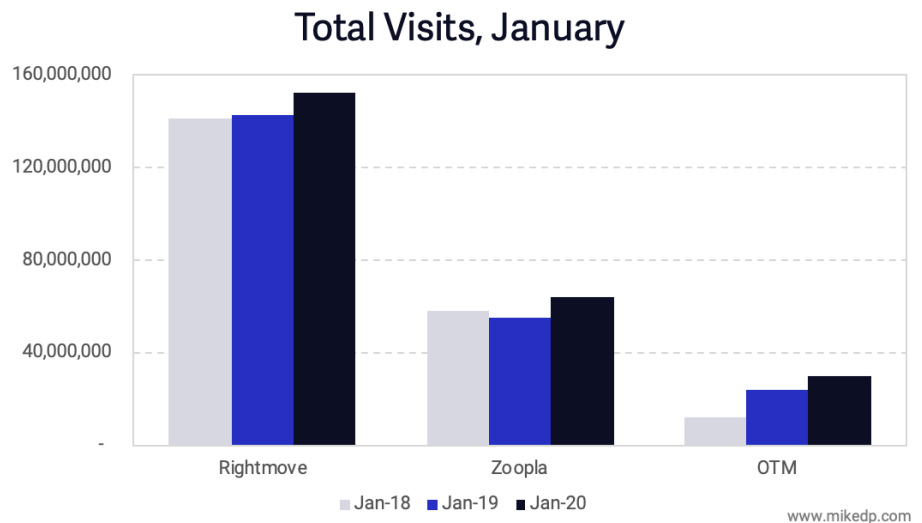
Real estate portals like REA Group in Australia and Zillow in the U.S. have a strong competitive position because they have Millions More Buyers than any other platform. This key attribute, enabled by network effects, results in leading portals easily maintaining their leadership position against well-funded competition.

## Rightmove vs. Zoopla vs. OnTheMarket in the U.K.

In the U.K., Rightmove is the long-standing dominant real estate portal, Zoopla number two, and OnTheMarket the industry-backed upstart.

For all the cyclical uproar aimed at Rightmove over its ever-increasing fees, its traffic dominance shows no signs of waning. It remains the undisputed best place to advertise properties for sale, with Millions More Buyers than its closest competition.

*Rightmove remains the undisputed best place to advertise properties for sale, with Millions More Buyers than its closest competition.*



All three portals reported higher January traffic than the two previous years. And while the percentage gains sound impressive for the smaller portals, it's from a smaller base.

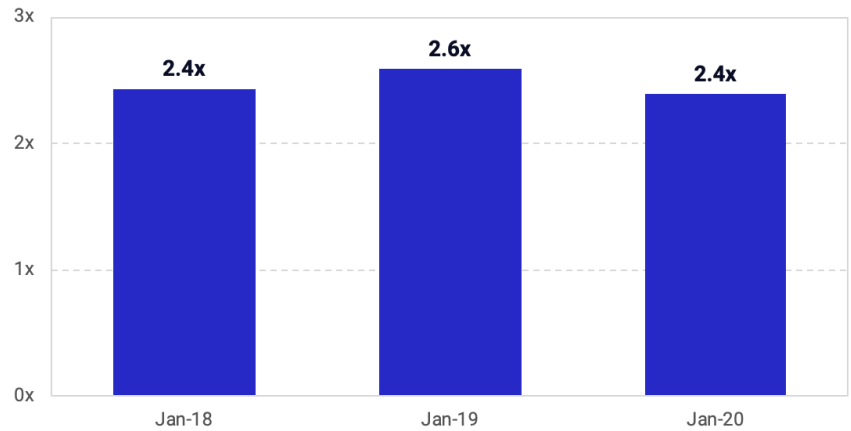
### New Visits: January 2020 vs. January 2019

Portal	% Increase	Net New Visits
Rightmove	6%	9 million
Zoopla	15%	8.3 million
OnTheMarket	28%	6.5 million

Of more interest is the net gain of new visits: 9 million for Rightmove, 8.3 million for Zoopla, and 6.5 million for OnTheMarket. Rightmove captured the most new visitors, with Zoopla close behind, while OnTheMarket captured 28 percent less new visitors. Rightmove's lead in absolute visits to its web site is growing.

Rightmove's traffic lead over its next closest rival remains strong and fundamentally unchanged over a number of years, despite several companies attempting to challenge its dominance.

## Rightmove's Traffic Lead



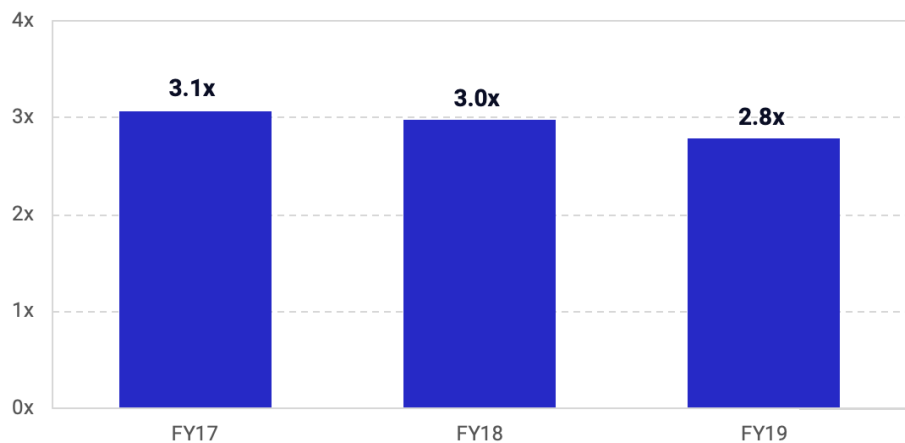
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Even after Zoopla's \$3 billion acquisition by private equity firm Silver Lake in 2018, and OnTheMarket raising and spending tens-of-millions of pounds to compete with the leading portals, Rightmove's traffic dominance remains intact.

## Zillow vs. realtor.com in the U.S.

Zillow's arch-competitor in the U.S. market is realtor.com, owned by News Corp. Zillow's reach is massive: In Q4 of 2019, Zillow's average monthly unique visitors clocked in at 173 million compared to realtor.com's 59 million. That lead has remained consistent over a number of years.

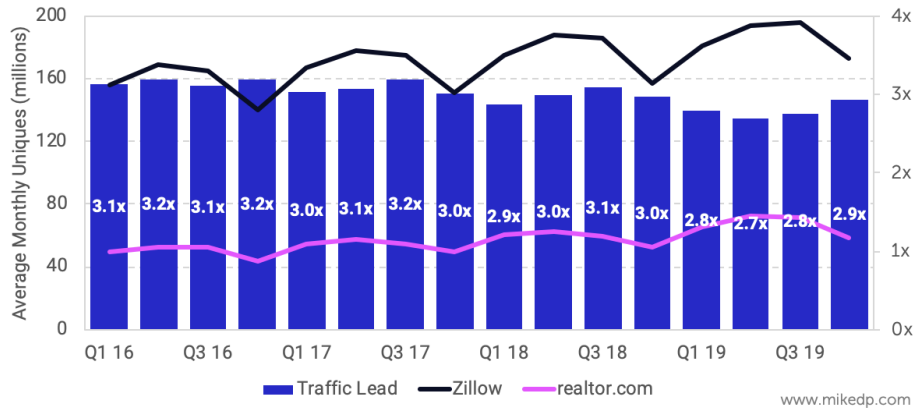
## Zillow's Traffic Lead



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A more granular examination of traffic between the two portals shows the seasonal nature of visits throughout the year, with Zillow maintaining its lead.

## Top Portal Traffic Lead in U.S.



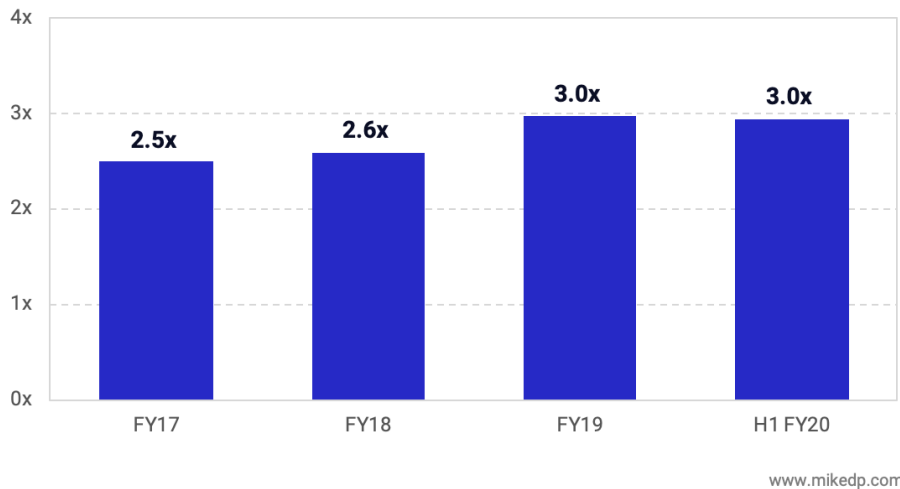
*Like its international peers, Zillow's traffic lead has remained consistent over the past several years.*

Like its international peers, Zillow's traffic lead has remained consistent over the past several years. Even after realtor.com's \$950 million acquisition by News Corp in 2014, when the case could be made for further resources being invested into the business, Zillow's traffic lead has remained steady: Zillow has Millions More Buyers.

## REA Group vs. Domain Group in Australia

Australia's REA Group, which is also majority owned by News Corp, is the world's most profitable real estate portal. Its lead over rival Domain Group has remained consistently strong over the past several years, and appears to be increasing.

## REA Group's Traffic Lead

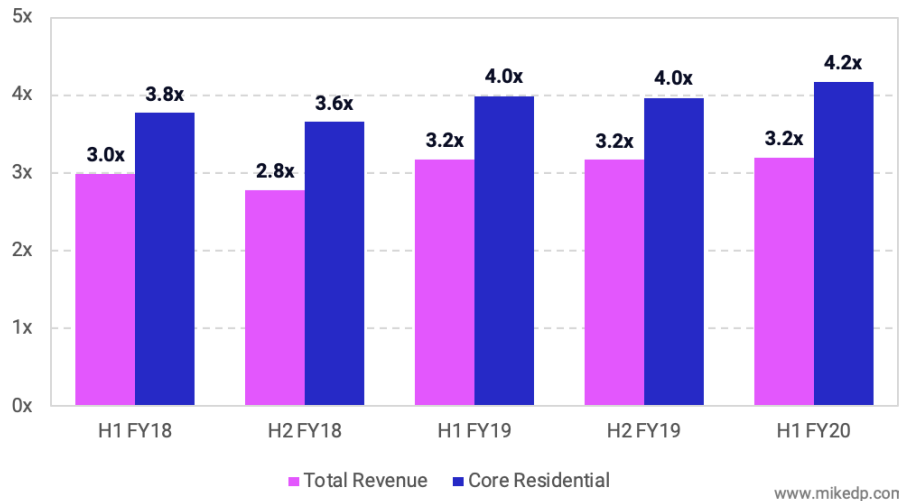


Domain Group threw off the shackles of a more traditional and risk-averse owner, Fairfax Media, when it was spun out and went public in November 2017. Part of the rationale was to deepen the investment in the business to fully capitalize on the opportunity in front of it. But that deeper investment hasn't made a dent in REA Group's traffic lead.

Furthermore, REA Group has consistently turned its traffic lead into a revenue-generating lead as well. Not only are its revenues exponentially higher than Domain

Group, but it is growing them faster than the runner-up portal.

## REA Group Revenue Lead



*There is a premium for advertising a property for sale on the country's most popular platform.*

REA Group's Millions More Buyers turns out to be more than a slogan; it's also a valuable service that advertisers are willing to pay a premium for – significantly more than other advertising channels. There is a premium for advertising a property for sale on the country's most popular platform.

## Happy in Second Place

In 2018, News Corp CEO Robert Thomson, referring to realtor.com, said, "Obviously we're in a competition, long term, to be number one..."

News Corp has been a major investor in Australia's REA Group for two decades. More than most, it understands the power of network effects and how expensive and futile it can be to unseat a market-leading portal.

It's unlikely that News Corp realistically expects to overtake Zillow in the U.S. Attempting to overtake Zillow would be incredibly expensive with an uncertain outcome, and the resulting marketing war would drain huge amounts of cash from both companies.

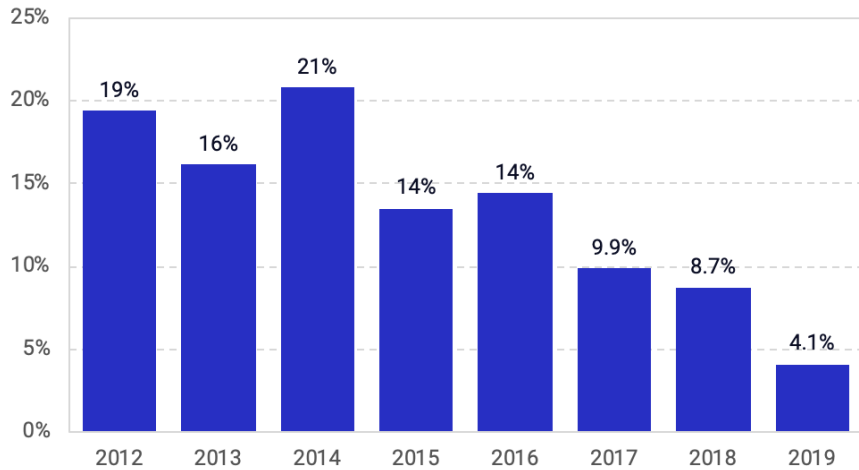
It's a similar story in the U.K, with runner-up portal Zoopla's CEO saying, "We want to be the portal of choice for agents and consumers." It's clearly an aspirational goal, but being the portal of choice is difficult when your competition has Millions More Buyers. And so far, over the past three years, Rightmove's traffic dominance has remained intact.

Being the underdog and striving to overtake the market leader is a great story and good for morale, but it's an unlikely business strategy.

## Misplaced Motivation

Attempting to compete directly with a leading portal is at best expensive, and at worst

## Rightmove Agency Revenue Growth



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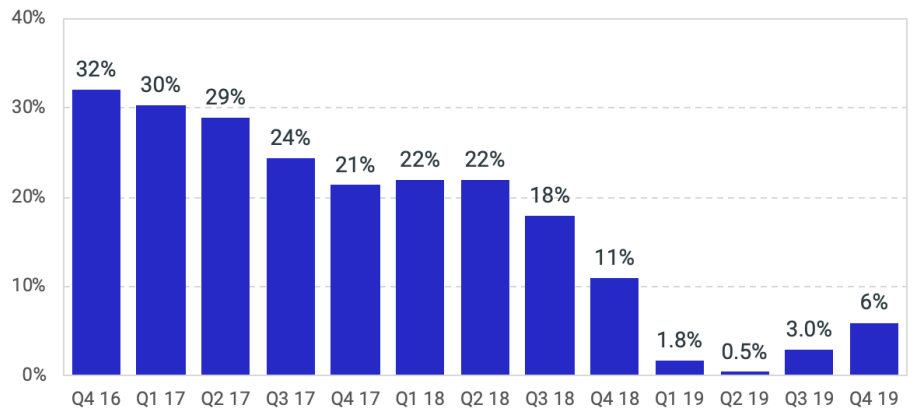
*Attempting to compete directly with a leading portal is at best expensive, and at worst futile.*

futile.

The evidence suggests that it is nearly impossible for a runner-up portal to overtake the leader. In fact, there is no evidence that the all-important traffic leadership metric between the top two portals can be budged even a small amount.

Which begs the question: Why are upstart portals attempting to displace leading portals? OnTheMarket launched in 2015 to challenge the duopoly of Rightmove and Zoopla in the U.K. It was founded by a broad consortium of traditional real estate agencies who didn't appreciate the market and pricing power enjoyed by the existing

## Premier Agent Year-on-Year Revenue Growth



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portals. According to its CEO, it was founded to provide an "alternative search platform" for consumers.

When brokers banded together in the Hamptons to [launch a portal to compete with Zillow](#), the rationale was to "create something that's owned by the brokers." These organizations, with Millions Less Buyers, are launching portals that are good for themselves, not consumers.



## Traffic Growth vs. Revenue Growth

Traffic leadership does not equate to revenue growth. Just because a top portal has a dominant traffic lead over its competition does not necessarily mean that portal can continue to grow its revenues.

Leaders like Zillow and Rightmove have experienced this firsthand. Although both portals retain strong traffic leadership positions, both are experiencing or have experienced a slowdown in residential advertising revenue growth.

Growth in Zillow's Premier Agent business slowed significantly in late 2018 and 2019, while Rightmove is experiencing a continued slowdown in its Agency listing business.

Network effects lead to insurmountable traffic leads for the top real estate portals, but don't guarantee unchecked revenue growth. To grow, portals still need to provide new, value-added services to customers, and not simply raise prices.

## Millions More Buyers

Late in 2019 I sold my house in New Zealand and experienced firsthand the value of Millions More Buyers. The country's leading property portal, Trade Me, delivered over 10 times the clicks to my property listing than the runner-up portal – 3,100 vs. 300 ([read my full analysis](#)).

Attempts to compete directly with the leading portals – from both upstarts and financially strong runner-up portals – have met with limited success. Having deep pockets and a better or differentiated product makes little difference. The ultimate competitive advantage – powered by network effects – is Millions More Buyers. And it turns out that's what consumers care about most.

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