REAL ESTATE

Swanepoel Trends Report, 15th Edition

TRENDS

**T3
60**

OFFICIAL EXTRACT

TREND 4:
CONFRONTING THE
INNOVATOR'S DILEMMA
(PAGES 132-151)

2020

A Market Intelligence Report by T3 Sixty, LLC

"Comprehensive research and strategic planning are indispensable for future real estate success. The Swanepoel Trends Report represents the gold standard for third party independent scholarship pertaining to this all-important process."

Gino Blefari, CEO, HSF Affiliates

"The Swanepoel Trends Report is 'the' go-to book on what is happening within the industry, a great source of real information to help brokers and brands plan for what lies ahead. I have been a subscriber since inception. It gets better and better every year."

Sherry Chris, President & CEO, Realogy Expansion Brands

"It's the best consolidated market intel available and great tool to use to ponder change, innovation and the industry."

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Bob Goldberg, CEO, National Association of Realtors

"Every month during our Executive Strategy Group Meeting, our executive team selects one trend from the Swanepoel Trends Report to talk through. We discuss this trend and identify a positive opportunity we want to pursue in response to the trend, keeping us ahead of the curve."

Lennox Scott, CEO, John L Scott

2020 Swanepoel Trends Report

15th Annual Edition

Official Extract of Trend 4
Keller Williams: Confronting the Innovator's Dilemma

T3 Sixty   Enabling Intelligent Change

Swanepoel Trends Report (OFFICIAL EXTRACT)

Preface

Stefan Swanepoel
Chairman and CEO, T3 Sixty
Best-Selling Author, NYT & WSJ
Editor-in-Chief, *Swanepoel Trends Report*

You get the news every day in your inbox. Some of it makes sense. Much does not. Some information contains skewed commentary, with incomplete information, while other information is self-serving, without always being clear on how.

We all have more to digest than ever before. For good reason, the industry is changing at what appears to be an unprecedented pace. The industry feels chaotic.

Perhaps more than ever, residential real estate brokerage leaders struggle to answer the all-important question: How do I determine what is important and where do I get a thorough analysis of the topics, trends, innovations, business models and companies rapidly pushing the industry into a new future.

Real estate is our world ... We live it, we curate it, we care for it and analyze it.

Unlike many, we take constantly pause to take a deep dive and study the most important trends, spending nearly a hundred hours researching, debating and thinking about each topic we cover in the *Swanepoel Trends Report*. We add the perspective required for a thorough understanding by contextualizing the trends we analyze based on fifteen years of trends reports, which collectively reveal 2,574 pages of insight in 154 chapters and topics.

Analysis is what we do. We filter the noise, so you can make better, more informed decisions.

So this, our fifteenth annual *Swanepoel Trends Report* edition (and our fifty-two books and reports), stands proudly on the shoulders of our previous research. We are honored that the Report has won both bronze and silver medals by AXIOM, as one of the nation's best business books, which includes all categories, not just real estate. This year the National Association of Real Estate Editors honored the 2019

Swanepoel Trends Report (published on December 1, 2018) with top honors as the best real estate book of 2018.

In the 2018 *Swanepoel Trends Report* preface, I wrote: "Change does not move in a straight line." In 2017, I wrote: "To win you must first understand." In 2016, "Disrupt yourself." In 2011, "Always have a backup plan."

2020's message is equally straightforward: "Transformation has arrived, disruption surrounds us. The time for bold, clear action is now."

This beloved mom-and-pop, fragmented, independent contractor-driven industry has grown up. In short order, investors, entrepreneurs and innovators are modernizing, consolidating, corporatizing, systematizing and redesigning real estate.

Residential real estate will never be the same. We will have new leaders atop the Swanepoel Power 200, young companies will race to the top of the Mega 1000 and new models will continue changing the rules of an industry that has largely held for over a century.

Delightfully exciting, a little scary, and above all, action-packed. You need a roadmap, and this Report is the best there is.

On behalf of the T3 Sixty team,

Stefan Swanepoel

November 2019

04

Keller Williams Realty: Confronting the Innovator's Dilemma

Probing Gary Keller's bold vision

We conducted a site visit and looked under the hood to investigate the company's ambitious claims. They provided T3 Sixty an open door and transparency during our interviews and visit. This was by no means a forensic audit, but it certainly was a thorough analysis. This much is evident: Of the hundreds of CEOs in our industry that we have interviewed over the past three decades, Gary Keller has one, if not the, most concise industry vision. He sees a clear roadmap and is making big bets to make it a reality. In this chapter, we attempt to relay and explain the future as he sees it, clarify the steps he has taken toward it, and give our viewpoint on the chances he has of success.

Editor's Note: Keller Williams Realty (KW) did not request this chapter and it did not have any editorial control, but it had the opportunity to verify the accuracy of facts and stats mentioned in the chapter. T3 Sixty felt this chapter was necessary as KW is one of the most compelling real estate companies and we believe its actions will impact the entire residential real estate brokerage industry.

The Innovator's Dilemma

Keller's first *aha* moment came with the realization that companies can do everything right and yet still lose market leadership — or even fail — as new, unexpected competitors rise and redefine the market. Clayton Christensen detailed this scenario in his 1997 award-winning book *The Innovators Dilemma*, named by *The Economist* as one of the six most important business books of all time.

There are two key parts to this dilemma.

Value to innovation follows an S-curve: Improving a product takes time and many iterations. The first of these iterations provides minimal value to the end user but, in time, a product base emerges, and the innovation's value increases exponentially. Once the base exists, then each iteration becomes drastically better than the last. At some point, the most valuable improvements have been made and the value per additional iteration becomes minimal again. So, the innovator's middle period has the most value; the beginning and end produce minimal value.

Incumbent-sized deals: The incumbent has the luxury of an existing, theoretically profitable business but established expectations of yearly sales, investment and a relatively set path. New next-generation products find niches the incumbent product does not fully address. The new companies do not require the yearly sales of the incumbent and thus have more time to focus and innovate on their narrower venture.

At this stage, the next-generation product does not appeal to the incumbent's customers; but the incumbent's customers want the company to keep innovating on its offering. But, because of the innovation S-curve, the innovation efforts the incumbent makes have relatively small value at its product or service's mature stage.

Meanwhile, the new entrant is deep into the S-curve and providing significant value to the new product. By the time the new product
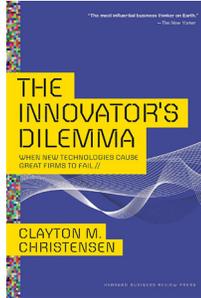
becomes appealing to the incumbent's customers, it is too late for the incumbent to react. The incumbent cannot keep up with the new entrant's rate of improvement, which by then is on the near-vertical portion of its S-curve trajectory.

Through this compelling multi-industry study, Christensen introduces his seminal theory of "disruptive innovation" that has changed the way entrepreneurs, managers and CEOs around the world think about innovation.

Christensen outlines the following principles that incumbents must address:

- **Principle 1:** Resource dependence: Customers effectively control the patterns of resource allocations in well run companies.
- **Principle 2:** Small markets don't solve the growth needs of large companies
- **Principle 3:** The ultimate uses or appliances for disruptive technologies and unknowable in advance. Failure is an intrinsic step forward.
- **Principle 4:** Incumbent businesses build success from processes refined for the existing paradigm. These processes can hinder the company as it attempts to innovate; existing processes often do not fit innovative new services and products.
- **Principle 5:** Because innovative technologies often fit a new paradigm that addresses different challenges in new ways, established
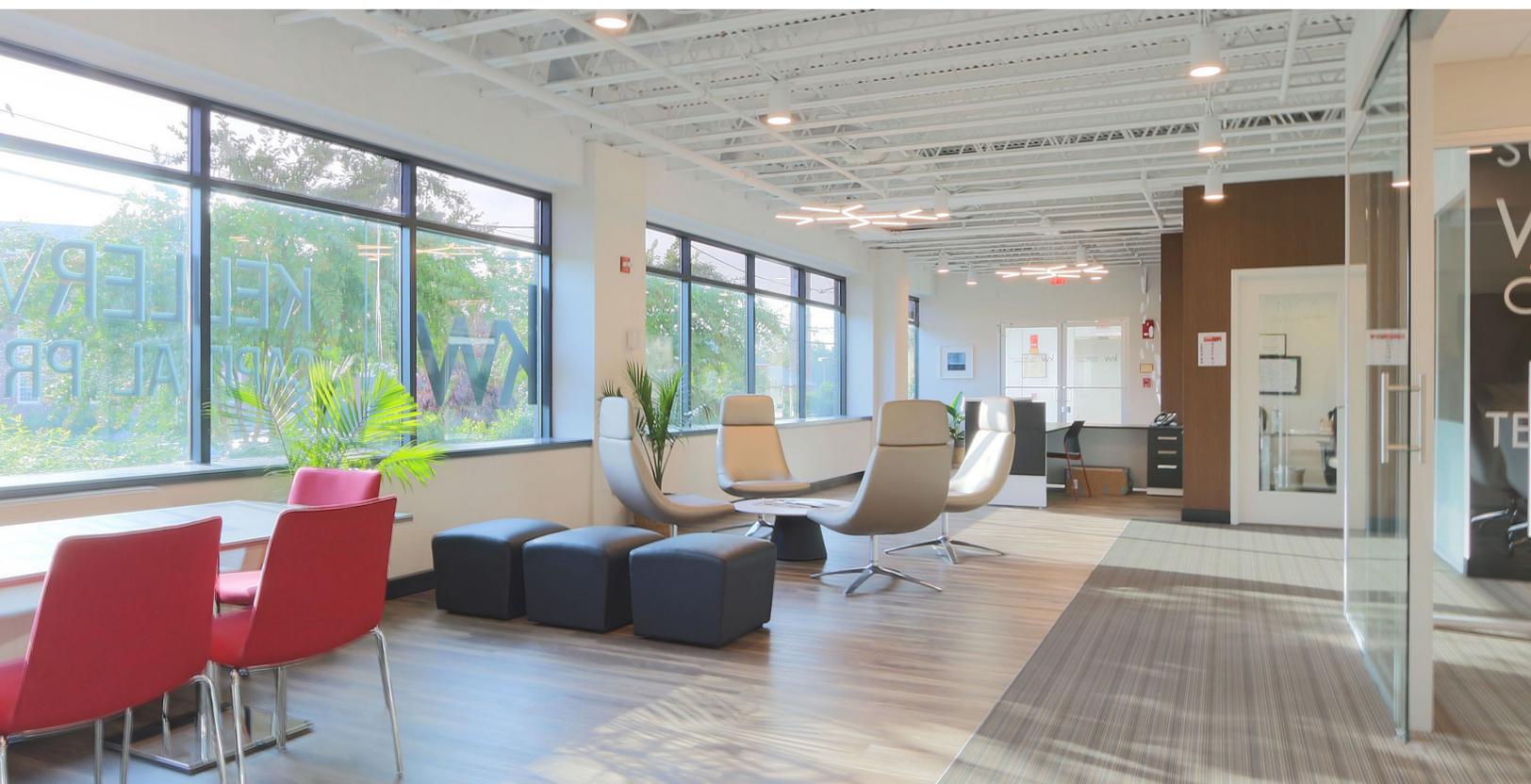
End-to-End Platform

End-to-end platform has been a real estate buzz phrase for over a decade. So what is different about the platform Keller Williams Realty is building versus the others in the industry? It boils down to the fact that KW is building its platform from the ground up while rigorously including its deep real estate operational experience in the process.

Most other companies in the residential real estate space (with the notable exception of the other two companies featured in this year's *Swanepoel Trends Report*) are not building their platforms from the ground up. Building a system from scratch enables a real estate company to better integrate all components seamlessly together and removes retrofitting and compromises. Most modern real estate platforms give real estate companies the ability to analyze big data with some level of artificial intelligence algorithms, but, unless built from the ground up and in-house, the systems usually must be retrofitted with other components, which makes future changes and additions complicated.

Because KW built its platform from the ground up starting with an infrastructure of AI and big data, the company can layer multiple applications on top — such as CRM, marketing, transaction management, ancillary services — that leverage those two core features, which power the insights and refinements of every part of the system.

Pre-Digital Era

MLS Book

Desktop

Internet

Current Point-to-Point Integration

Content Mgmt

Marketing Tools

Contacts

Back Office Mgmt

Lead Gen

Transaction Mgmt

Lead Mgmt

Desired Integrated Platform

Content Mgmt

Marketing Tools

Marketing Tools

Lead Mgmt

Contacts

Transaction Mgmt

Back Office Mgmt

Real Estate Platform
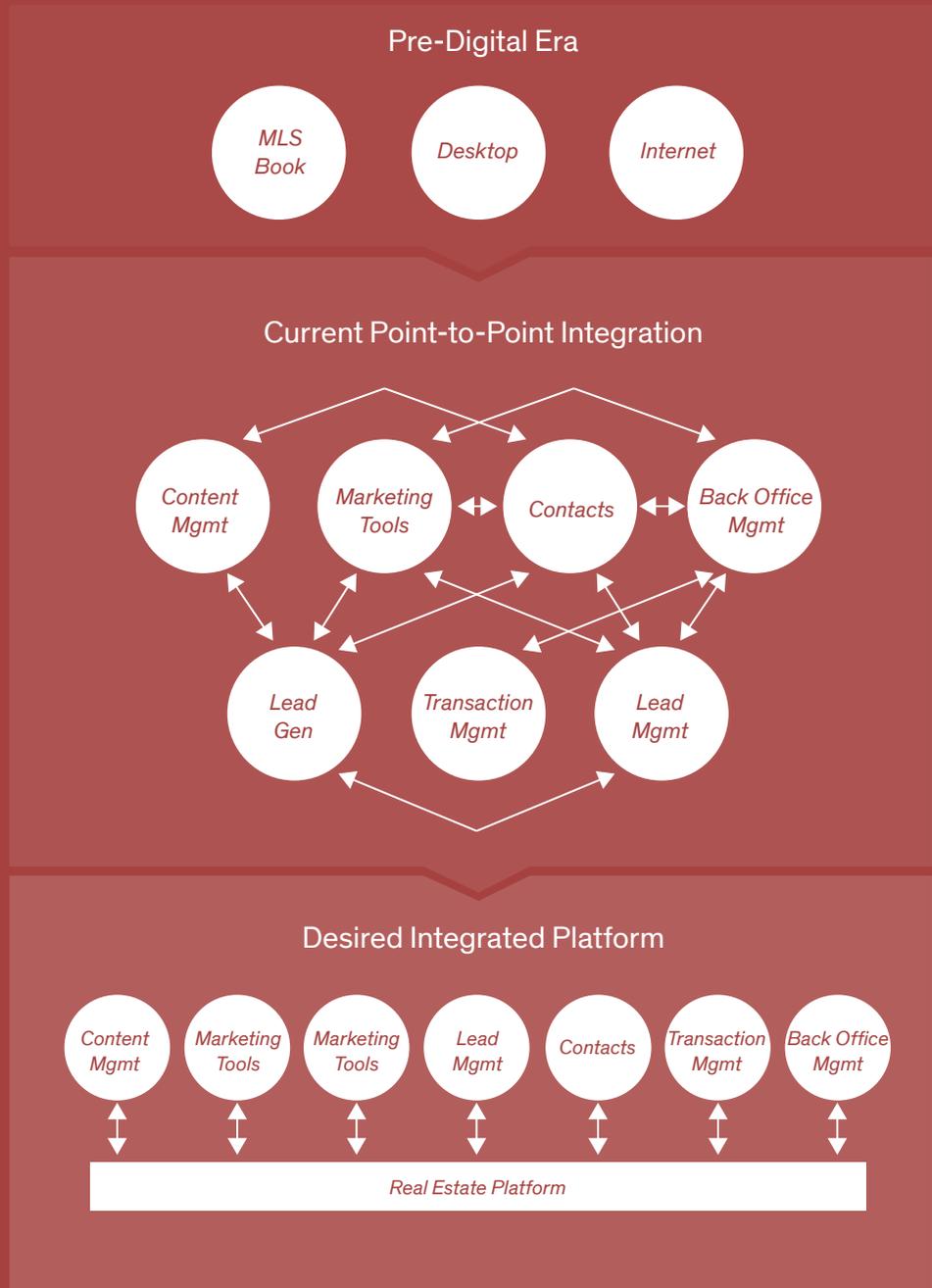
markets do often not value them — established companies and many of their customers do not see their utility. But because successful innovations provide new solutions and a new way of looking at things, their standout status in existing markets proves their value in adjacent, developing ones.

Gary Keller says this book had a profound impact on him. It helped him comprehend that residential real estate brokers, in general, and Keller Williams Realty, in particular, would have to soon change the way they had done business for decades, or risk everything in the effort.

The difficult question was, of course, how to do this.

The Platform Revolution

The second *aha* for Keller came when he recognized that the way to deliver an on-demand, consumer-centric model to agents and consumers would require an integrated platform, in the fullest sense of the word.

Many books discuss the platform economy with chapters devoted to new platform startups. However, finding a solution for traditional organizations wishing to build a platform business from the ground up, while locked into their existing technology, processes and model, proves exponentially more difficult. Keller found part of his answer in the 2016 book *The Platform Revolution* by Geoffrey Parker, Marshall van Alstyne and Sangeet Choudary.

He realized that companies that built industry-specific platforms won because they could create better experiences and make better decisions when everything was connected. Some market leaders in other industries had solved the innovator's dilemma by acquiring such platforms while large industry-winning companies such as Apple, Google and Facebook all created their own integrated platforms. As no such platform existed in the real estate brokerage space, he felt KW had to do the same and build its own platform.

The benefits of building technology in-house are vast, but so are the risks. It requires tons of capital and without talented, experienced engineers and tech leadership, can quickly run off course or fall flat. Read more on this dilemma in the 2019 *Swanepoel Trends Report* Chapter "The Brokerage Technology Landscape."

Forerunners to contemporary digital economic platforms can be found throughout history, especially in the second half of the twentieth century. Yet it was only in the year 2000 that the platform metaphor started to be widely used to describe digital matchmakers and innovation platforms.

Especially after the financial crisis of 2008, companies operating with the new platform business model swiftly came to control an increasing share of the world's overall economic activity, sometimes by disrupting traditional business.

Creating a new integrated real estate platform — from scratch — all while still managing KW's existing, traditional operations would not be easy. Efforts to build new technologies often cause great firms to stumble because sustaining existing technologies and building new disruptive technologies are two almost diametrically opposing activities. If a company's resources, processes and value it creates do not meet the market, the consequences can be devastating.

Strategic Thinkers

Underestimating good chess players is unwise, as they are great strategic thinkers: They think further ahead and consider more options than most. And Gary Keller is a good chess player. He is also an agent through and through. He passionately believes in real estate agents, their value in the homebuying transaction and squarely focuses on helping KW agents thrive at all costs.

It started in 1979, when he moved to Austin, Texas, to begin his real estate career. Working for the largest brokerage in Austin at the time, JB Goodwin Realtors, Keller moved up the ladder quickly but, after being promoted to vice president, he quit. The company's model, like most other brokerages, centered on the idea that agents worked for the company, and Keller felt it was the other way around.

In 1983, Keller tested his belief. Partnering with Joe Williams, he created an agent-centric business model, with just a few associates. Within two years, KW had become the largest single-office real estate company in the Austin metro area. All seemed well, but the market crashed, and after losing half of his agents, it was back to the drawing board. To more deeply align interests with its agents, the company implemented a profit-sharing system; it also launched an Agent Leadership Council to obtain ongoing feedback from its best agents and created enhanced training for agents.

"The once disrupter was now the incumbent."

Initial franchising efforts in 1987 did not go particularly well and the company's first foray outside the US into Canada hit many stumbling blocks. When T3 Sixty researched KW in 1999, it was still only a regional company (Texas and Oklahoma) with a few thousand agents, but it had a strong foundation — family values, team culture and transparency (see insert for company milestones).

During the first years of the 2000s, KW started growing rapidly and by the end of the decade in 2010, Keller Williams had 74,616 real estate agents in the US. By 2014, KW had become the largest real estate franchise by agent count and started chasing the other two key measurement criteria: sales volume and units. By the end of 2017, it had achieved US primacy in both those metrics as well. So, after 35 years KW became the nation's number one real estate franchisor in all three categories — sales volume, transactions and agent count.

The once-disruptor was now the incumbent.

However, the victory was bittersweet as the industry at that time found itself in turmoil from new disruption — huge amounts of outside capital was starting to redefine the business. See Stage 9, which began in 2012 and in 2018 and 2019 entered its steep S-curve shift (refer to 2019 *Swanepoel Trends Report*, Chapter "The Residential Real Estate Brokerage Shift." Industry leaders began realizing the need for urgent action or they would lose market leadership, as chronicled in the Innovator's Dilemma. As the book warns, even outstanding companies doing everything right can still disappear.

Keller also saw the warning signs. He needed to prevent the newer models — such as Redfin, Opendoor, Compass, Zillow and eXp Realty, fueled by huge amounts of capital and technology — from disrupting KW. And he had to do it fast as there was not much time — two or three years at most.

This was not going to be easy.

Can Gary Keller do it Again?

In early 2017, Keller started repositioning KW as a technology company, stating that the company would invest $1 billion into becoming one. Most competitors and industry pundits discarded this as a publicity stunt and blue-sky talk. The disregard was not totally unfounded as a few years earlier KW had rolled out what it called eEdge, a tech solution from several prominent real estate companies such as Market

1983
Gary Keller and Joe Williams launch Keller Williams Realty (KW) in Austin, Texas. The company, an experiment in putting agents first, nets over $100,000 in the first year.

1985
KW grows to 70 agents and becomes the largest single-office company in Austin and No. 10 overall.

1986
Market crashes and KW drops from 70 agents to under 40 agents.

1987
KW launches its Agent Leadership Council in which it partners with the best agents in each of its markets on making company decisions.

1989
KW implements annual commission cap.

1991
KW begins franchising.

1992
KW expands to first region outside of Texas with Mo Anderson in Oklahoma.

1994
KW holds its first convention, in San Antonio.

2004
Keller publishes *Millionaire Real Estate Agent*, a landmark book in the real estate industry.

1998
KW expands to Canada.

1996
KW launches KW University.

1995
KW's website, kw.com, goes live, Keller steps down as CEO and becomes executive chairman. Mo Anderson becomes president and CEO.

kw
KELLERW

WILLIAMS TIMELINE

2005
Mark Willis becomes the third CEO of KW. Keller publishes *Millionaire Real Estate Investor*. KW launches Keller Williams Cares and donates $5.3 million to those affected by Hurricane Katrina.

2007
KW launches a luxury division.

2008
KW launches a commercial division. Keller publishes book *Shift*, which establishes that the market does not dictate success, but just how to achieve it.

2011
KW rolls out its agent-focused eEdge tech platform, a suite of integrated third-party tech providers.

2012
KW expands outside of North America for the first time.

2013
KW becomes the largest real estate brand by agent count in the US.

2014
KW surpasses 100,000 agents, only the fourth real estate brand to ever do so. Keller publishes *The ONE Thing*.

2015
Willis departs as KW CEO after leading the company from 14,000 to 130,000 agents. Chris Heller is appointed the fourth CEO of KW. Josh Team joins KW as chief innovation officer.

2016
KW becomes the first real estate brand to surpass the 150,000-agent mark.

2017
John Davies assumes role as fifth CEO of KW. With over $300 billion in sales volume, KW becomes the largest real estate brand in the US by surpassing RE/MAX (No. 2) and Coldwell Banker (No. 3). KW surpasses $1 billion in profit share to its associates. KW announces a shift in its core focus from education to technology and launches its internal tech hub KW Labs.

2018
KW acquires real estate agent app developer SmarterAgent and releases Kelle, an artificial intelligence-powered virtual assistant.

2019
Gary Keller returns as the sixth CEO of KW and promotes Josh Team to president. He announces his new KW platform is operational and ready for roll out in the first quarter of 2020.

OUR BELIEF SYSTEM

WI4C2TS

WIN-WIN or no deal

INTEGRITY do the right thing

CUSTOMERS always come first

COMMITMENT in all things

COMMUNICATION seek first to understand

CREATIVITY ideas before results

TEAMWORK together everyone achieves more

TRUST starts with honesty

SUCCESS results through people

At its core, Keller Williams Realty believes that integrity in business is vitally important. The company believes that the people within its company contribute to each other in untold, profound ways. To help cement this understanding, the company formalized its belief system in what is called the WI4C2TS, which guides how employees and agents treat each other and how the company does business.

Leader for marketing and dotloop for transaction management. It was a solid initiative, but by no means a homerun.

Any changes KW wanted to make to this tech offering required making a request to a vendor, with changes coming at hundred thousand dollars clips and a sixth-month runway, the solution was fairly commonsensical. And, everyone in the industry enjoyed the benefit of the same change, never allowing KW the ability to out-maneuver the competition with its product strategy.

KW could achieve no lasting competitive advantage with this setup.

"But absolutely necessary. Keller had to disrupt himself."

But Keller's encounter with The Innovator's Dilemma and The Platform Revolution had made him aware of the difference between a tech-enabled company and a tech-driven company, and the immense benefits of the latter.

Keller understood that to solve the impasse he had to own the technology and the platform that served it up. What KW needed was a new end-to-end real estate platform that would enable agents to seamlessly do all aspects of their jobs and consumers to easily access their transactions, real estate information and more. But KW would have to build it from the ground up outside the existing franchise network and then at the right time introduce it to the network. Then, once a core group tested and helped the company refine it, it would scale the tech up globally by using the power of the franchise network.

Messy. Pricey. Fraught with challenges. But absolutely necessary. Keller had to disrupt himself. Keller Williams' biggest competitor had to be Keller Williams. Of course, there are many "buts," "maybes" and "it depends" — there always are — but, overall, Keller's probability to achieve his vision was certainly doable.

What has KW Recently Done?

At the time, KW's tech department had approximately forty people on staff, none of whom were really technologists. They were mainly managers overseeing the company's relationships with multiple tech vendors.

On top of that, KW's top-performing agents were spending thousands of dollars each month on dozens of tech solutions to attempt to meet their needs. When all added up, KW agents were spending much, much more money with outside tech vendors than they were with KW.

Existing management grappled with the proposed shift, so Keller removed two CEOs — Chris Heller and John Davis — in short succession. In early 2019, Keller took back control as CEO, a position he had voluntarily relinquished 24 years ago back in 1995. He then promoted a young software engineer, with very little real estate experience, Josh Team, who had joined KW in 2015, to president. That kicked off the hiring of dozens and dozens of software engineers, product managers, data scientists, architects and UI/UX experts

In 2017, KW officially launched KW Labs, the in-house tech company devoted to the building and testing of technology created for the

agents. It then created the Keller Cloud and added "Kelle," an artificial intelligence layer in the cloud, along with an accompanying Kelle mobile app — a "Siri" for KW real estate agents.

Keller and Team then spent four days each week for eighteen months masterminding with 27,000 KW agents from around the country. They asked them what they used, wanted and needed. The company paid to fly the agents in and put them up in hotels, all to get first-hand input. Slowly, KW started understanding how a strong, viable, agent- and consumer-driven solution and platform would look.

Four years of custom building and adapting, and KW has built an innovation engine through which it can turn idea to implementation, very quickly. By mid-2019 there were 300 full-time software engineers and tech contractors, and over twenty staff in KW Labs. Because of the extensive contact with the Keller Williams field organization, there are probably only a handful of software development teams in the real estate industry that know real estate as well as KW Labs does.

The platform KW is building differs from what many companies call a technology platform. Currently, a technology platform in real estate industry is often simply a set of integrated technologies from separate vendors. However, KW's platform is more. It is a kind of marketplace. It features a single foundational base of artificial intelligence (AI)

algorithms that allow agents and consumers to work seamlessly among different applications while it tracks and learns from every action taken. It is the next level of platforms.

At its base, the platform (referred to KW as the *Keller Cloud*) is designed to leverage these AI algorithms with the company's vast amounts of data to deliver efficiencies and insights to company agents and staff not possible before. With an AI algorithm base and data on top of it, the system has three hubs: agent, consumer and market center (Keller Williams terminology for brokerage) that have different uses and users, but which are built upon the same platform.

Here is how KW Labs operates:

Step 1: Say they want to start a new initiative (aka a lab), such as a function related to KW's iBuyer effort or a next generation of listing consult for agents.

Step 2: The development team assigns a product manager and identifies a group of stakeholders who would use the tool.

Step 3: The stakeholders provide details of how they think it should work; they provide drawings and the tech team holds multiple focus groups.

Step 4: The project management team produces drawings in spec designs and the design team builds mockups, which the company then takes back to stakeholders for feedback.

Step 5: The dev team incorporates that feedback into the design and then builds the software, after assigning a software, design and product management team. At this point, the feature is called a lab stream, in Keller Williams Realty parlance.

Step 6: The tech team releases a version of the feature live on the Keller Cloud, accessible by just a few participants, in most cases, the original stakeholders who have been on the tech journey since Step 1.

Step 7: After testing it with a limited audience and making any tweaks based on feedback, the team opens it up to more users. The team continues this iteration-and-wider-release step.

Step 8: The tech team rigorously measures how the users value the feature through the Net Promoter Score system, a simple feedback system built on 1-10 satisfaction scale. When it

Command by the Numbers

Agents manage 40 million active contacts within Command.

Agents have created 320,000 designs through Command's Designs application.

| 40 million | 500,000 | 320,000 | 100,000 | 30,000 |

Agents have tracked over 500,000 opportunities through Command since its company-wide launch in February 2019. A contact becomes an opportunity when agent places it into one of the system's five buckets: cultivate, appointment, active, under contract, and closed.

For the four weeks through October 17, 2019, Command averaged 100,000 daily active agent users each day. KW defines a daily active user as an agent who logs in to Command and completes at least three tasks.

Agents have completed more than 30,000 paid ad campaigns through Command's Campaigns application. Among the advertising platforms that Campaigns integrates with include Facebook and Google.

reaches a certain value and usability, the team decides how it fits into the larger KW technology ecosystem.

Step 9: Then the team makes the feature available to all users of KW Command, the backend platform for Keller Williams agents.

With this iterative, rapid-development system, KW pilots and refines additional features in its technology. One of the design principles KW has built into the platform is a goal of giving users value — helping them to achieve their objective, complete their action, get their insight — within five minutes of logging in. With the underlining platform deployed, KW can choose to build, buy or partner with companies who offer specific solutions.

All disruptive winning companies Keller researched — Uber, Airbnb, Amazon, Apple, Facebook, PayPal, Salesforce, even Zillow and Redfin — have one thing in common: They are all built on advanced platforms. Their own platform.

Keller has spent hundreds of millions of dollars and tens of thousands of software engineering hours to build a solution for what it believes is the future battleground for residential real estate domination: the platform. For more on real estate platforms, see the 2017 *Swanepoel Trends Report* chapter "The Brokerage Platform Battle."

Data Policy

Data is a key feature of the KW platform, which needs data to train its machine learning algorithms. This means the corporate company needs all the data it can get, all the data from how its agents use the platform and the results it delivers.

For this reason, there is no opt-out for agents on the company's ability to use their data for machine learning purposes. KW promises agents that it will never sell its data and that an agent's contacts remain their own. They can take them with them if they leave the company, pulling their contact info out of the platform, making them not accessible to other agents.

The Platform Components

KW refers to its platform as the Keller Cloud, which has a variety of components and can be accessed from three different hubs targeting different users and purposes: agents, consumers and market centers.

Because KW instituted profit-sharing approximately three decades ago, all market centers use the same back-office systems to facilitate sharing and auditing of production info to ensure accurate profit-sharing disbursements. This gives KW a big leg up with data. An AI system, no matter how well designed, only delivers insights and learnings based on the quality and size of data fed into them.

For a better understanding of real estate artificial intelligence systems, see the 2019 *Swanepoel Trends Report* chapter "The Future of Real Estate Artificial Intelligence."

Command

Launched companywide in 2019, Command is KW's agent backend that gives its agents access to the full suite of tools within the Keller Williams Realty platform. Command serves as more of an operating system than anything else. From the platform, agents can access CRM features, such as suggestions on contacts to reach out to next based on their behavior on the connected consumer-facing website or mobile app, and they can view all contacts, apply custom tags and more.

The backend includes a consumer-focused search tool. Agents can quickly create IDX websites customized to their buyer clients' preferences by highlighting the neighborhoods, price points, home layout, size and even commute time to work or another spot they may have interest in. It has over 200,000 neighborhood boundaries sourced from neighborhood-focused social media platform Nextdoor.

With a few clicks to configure those search filters, a mobile-optimized IDX website emerges ready for agents to share with consumers; they can also set up their clients on an email drip campaign related to the saved search. Agents can also communicate with clients on the search from within the platform, which logs and saves all communication.

The backend includes a transaction management tool that allows agents to visualize all of their deals and opportunities based by stage in five overarching buckets: *cultivate, appointment, active, under contract,* and *closed*. Opportunities exist as cards that can be dragged under each bucket, which also have subgroups; for example, under the active bucket are sub-categories staging, showing and negotiations. Like the popular management tool Trello, agents click on each card to add notes and other action items; in addition, when they move cards to a new bucket, team members or clients are automatically notified.

By analyzing the results of actions taken by other KW agents on the platform, the artificial intelligence system suggests CRM actions agents can take to improve their production. Because of the flexibility of the system, agents can, for example, compare their databases and the actions within them to the cohort of agents just above them in production. The system suggests the key areas they should focus on to jump to the next level of production, and, of course, agents can use the data to deduce their own actions.

KW Labs will continue to add more features to the platform. At the time of writing, in fall 2019, KW developers were working on adding insights into agents' deal pipelines including the probability of income based on current leads and pending deals and suggestions for increasing conversions and business.

Command also features a design studio, which includes customizable marketing material items such as listing presentations, listing brochures, social media campaigns, door-hangers. The system integrates with the MLS and with KW's agent roster so that marketing pieces automatically fills in that info when an agent designs a piece. Agents can also pull in real-time market info for marketing pieces within the platform.

Kelle

Kelle is KW's voice-activated personal assistant, the company also uses the name Kelle to refer to all of the company's artificial intelligence-related initiatives. Kelle essentially gives KW agents voice-activated access to the tools within Command. For example, in August 2018 the company released a new feature or skill as the word it uses, called Snaps that allows agents to direct the app by saying or texting

"Snap from my location" and the app will pull up real estate stats from the neighborhood in which they find themselves.

Insights include current active and pending listings, averages for days on market, list and sold price, per-square-foot pricing and a variety of sold stats. Agents can easily share these snaps with consumers.

Consumer-focused KW app

The consumer-focused KW app allows consumers to search MLS listings in an agent-branded environment. It also facilitates communication between agents and their prospects and clients and establishes a connection with clients after the transactions by streamlining vendor introductions, home value reports and more.

More importantly, Command, the KW AI platform, tracks every action a homeowner takes on the app (or on the KW website while logged in) that goes into the system and powers its learning, improving the insights agents have.

Usage

Command currently has API integrations with 150 vendors and agents have collectively uploaded 40 million contacts. As of September 2019, Command had more than 100,000 daily active agent users, meaning that an average of 100,000 Keller Williams agents each day log into Command and complete at least three tasks.

With only a partial roll out underway and the strong KW culture of support and it is easy to anticipate that adoption will be strong in the next few years. KW could have a stable and operational advanced platform with most of its agents using it by 2021.

Future

KW has also been laying the foundation for the platform to manage ancillary services (mortgage, insurance, and more) to give consumers and agents a more extensive end-to-end transaction experience.

This vision supports the building of a never-ending relationship between agents and their contacts — where agents have the data, insight and communication mechanism to provide value over the years that stretch between transactions, and consumers have a full-featured app they will not want to walk away from. Many pursued this dream, but without a technology platform it has been almost impossible to pull off.

The company is currently building out functionality for teams, which must accommodate a more complex, stratified environment in which members have specific, specialized roles.

Takeaway

The vision is exciting, the platform and seamless integration compelling and the artificial intelligence, potentially very valuable. However, this solution still operates in an industry with disjointed, localized practices, forms and integrations with older software that present sometimes dull challenges.

Many companies that work in the nitty-gritty side of industry software, such as forms, compliance, document management and workflow, have spent enormous effort to solve many of the seemingly mundane tasks that agents face every day, and it is easy to undervalue the work these systems require to function well.

"...with a track record of delivering rigorous, standout results..."

KW still faces many hurdles in transforming into a technology company. It still must shift from a traditional technology consumer to a technology market competitor. This move has already and will increasingly place KW in direct competition with many of industry's largest vendors such as Zillow and others who have invested millions and will continue to invest substantial resources in tech that KW now claims as part of its core offerings.

KW will also find it challenging to attract the best available technology talent. Good AI and blockchain talent are hard to find period, but the industry has other serious industry players, such as Compass, Zillow and Redfin, who are vying for this same high-caliber tech talent.

On the flip side, KW has a committed, strategic, big-bet leader in Gary Keller. He is an outspoken visionary with a track record of delivering rigorous, standout results and, with Keller as controlling shareholder with no public investor demands, the ability to move quickly.

Keller has the passion, resources, cash flow, and large active agent base to build a formidable real estate technology company. After looking under the hood, we believe KW has an excellent shot of pulling off its technology transformation and maintaining its spot as one of the industry's big winners in real estate's next era.

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About T3 Sixty

Since 1997, we have identified and analyzed hundreds of trends, business models and shifts that have impacted the residential real estate industry. Many were accurately detailed years before they became part of the mainstream.

T3 Sixty does not create the news. We do not report the news.
We analyze the news, understand why it happens and what impact it may have. We help reduce the noise in the real estate industry, so you can make better decisions.

Understanding innovation, change and new business models in real estate, especially before the rest of your competition, enables you to create strategies that give you an advantage. Countless companies have ignored change and suffered the consequences. Don't be one of them.

Although no one can exactly predict the future, you can find double-digit growth if you know where to look. Constant exploration and systematic analysis provides insights that can be as valuable as market intelligence, if not more.

And that is what T3 Sixty provides business leaders: a multidisciplined and experienced consulting team focused on finding the answers and solving problems.

If you would like to leverage T3 Sixty to your benefit, let's have a confidential conversation to explore your options.