



What went wrong with online transaction systems

Lessons learned from first-generation flops

Friday, March 14, 2003

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Inman News Features

More than \$150 million was invested in the first-generation of online real estate transaction systems and of that amount about \$100 million has simply evaporated, according to a new [study](#) by Clareity Consulting and Communications, a real estate information and technology consultancy.



It seemed unlikely that technology promising less paperwork, speedier closings and lower costs would flop on its first attempt. But most of the many pioneer companies and products that offered paperless closing processes accessible to multiple parties crashed and burned in the days when so many other dot-coms also closed up shop and disappeared.

In a world otherwise migrating toward the Web, what went wrong with the first generation of online real estate transaction systems?

Systems that promised simplicity were far too complex for anyone to understand, the Clareity study pointed out. The systems failed to take into account the human element of technology adoption and training, and instead bombarded real estate agents with one all-encompassing leap from paper to the Web.

The whole point of a transaction management system is to create an interface that can be accessed by all the people involved in the transaction, but many of the early platforms either weren't available to all the vendors or weren't able to create a large enough vendor network to work well.

Early standalone systems created critical problems because they couldn't integrate into real estate's workflow, Clareity concluded. The inability to integrate with MLSs, public records and broker office systems meant that property information and status changes had to be entered into each system separately, costing companies more time than they had budgeted and creating a fatal flaw in the idea of automation.

Other misses in early online transaction management systems were the idea that home buyers and sellers wanted a view into the process, the omission of digital document management and the lack of a sustainable business model.

Nearly all the first-generation transaction management systems overlooked digital document management, according to Clareity. The low cost of file storage and easy document retrieval should have been tangible benefits. Digital documents could have become the perfect closing gift in the form of a CD or DVD containing all the transaction documents and branded with the broker's or agent's name.

Most of the first generation online transaction management systems are gone, but the short list of some of the companies still in the business includes First American, Fidelity National Information Solutions, Realty Assist and Guru Network, among others. To move forward, they'll have to design systems that are intuitive and easy to use, that master single-data entry and that permit single-source data sharing among multiple people, according to Clarity.

The systems must fit into the real estate agent's workflow without creating unnatural side steps and present clear evidence that the agent will save time, increase profits and build more efficient communication. The systems must evolve to meet users' needs based on feedback in order for widespread adoption to occur, the consultant recommended.

Some companies, like dynaConnections, realized early on that the MLS would be a good launching point for transaction management, according to Clarity. After all, the agent, broker, appraiser and office administrator already are engaged in the Web-based MLS. There's also the opportunity to combine MLS and transaction management training at the local level through existing classes.

Clarity argued the Web-based MLS could deliver a centralized demand for transaction management that would prompt service providers to join the network. Engaging within one MLS would essentially open communication with all the brokers and agents already using that system.

The study also considered the possibility of privately branding an integrated MLS/transaction management platform inside a broker's intranet. This approach would carry most of the same perks as MLS integration and could increase revenue from affiliated business arrangements or select service providers.

The hard-won \$100 million lessons of the first round of online real estate transaction management have left the survivors with a clear picture of what went wrong. The vision of a future with less paper and more integrated lines of communication has changed dramatically, but it certainly hasn't gone away.

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