

Zillow Business Model

Idea In Short

Zillow Group Inc. owns the world's number one online real-estate marketplace where homeowners, agents, and people seeking to rent or buy houses can meet and transact business. Zillow business model is based on the use of technology to advance sales of advertising spaces and leads and coordinate the buying, selling, and renting of houses to earn commissions/interests. A multimillion-dollar real estate company, Zillow offers most of its services free to its website and app users. Today, Zillow is the proud owner of a database with information on approximately 110 million homes scattered all over the United States. And with revenue of \$8.1 billion at the close of 2021, and a projected revenue of \$5 billion, Zillow is by far the most viable online real estate company.

Origin

Though Zillow was registered as a corporate organization in December 2004, it was not until February 2006 before its tech-enabled website was launched. Within the first three days of its existence, the website received over 1 million unique visitors, achieving far beyond the founders expectations. Despite this uphill achievement, Zillow never relented. Later that same year, the website became a marketplace for posting homes for sale and went into collaboration with Microsoft. The deal gave Zillow the right to use Microsoft Virtual Earth's aerial photographs, which offered potential buyers unobstructed views of listed properties.

Later, in December 2013, Zillow started listing rental homes. And with that addition, Zillow built an online tool that serves as a database for prospective renters. This tool accepts applications from renters and gives landlords access to information about every prospective tenant. The main objective of this tool is to help landlords make intelligent decisions. In addition, renters can submit details in their application that expedite actions on credit and background checks. Between 2013 and 2022, Zillow had a string of real estate outlets' takeovers, from the AOL Real Estate acquisition in 2013 to the purchase of Trulia in 2015 and ShowingTime in 2021. Recently, Zillow faced some hard times, especially during the

COVID-19 crisis. This has most probably culminated in the shuttering of one of its key platforms, Zillow Offers, in November 2021. But, Zillow had weathered the fallout perfectly well. Just after the closure, its stock jumped by about 17%, marking its biggest intraday gain.

Ownership

Zillow Group, the parent company of Zillow, is owned by Rich Barton and Lloyd Frink, both former staff at Microsoft.

Mission Statement

The mission statement of Zillow is to:

give people the power to unlock life's next chapter

business model

Zillow makes money through three primary sources:

1. Homes
2. Mortgages, and
3. Internet Media and Technology (IMT)

1. Homes

Zillow rakes in the bulk of its income through sales of homes. Through Zillow Offers, the company bought properties and sold them within a short time. It was a win-win for the sellers and Zillow. Considering the stress that usually surrounds selling a house, Zillow's almost instant cash offer was a massive temptation to sellers. And when Zillow buys a property from a seller, it charges a 6% fee as transaction costs. It also sets a fee of between 3.5% and 4.5% to cover taxes and other miscellaneous expenses. In 2020, this sector brought a whopping \$1.7 billion in income.

2. Mortgages

Zillow, in 2018, became an authorized lender with its purchase of Mortgage Lenders of America. Zillow reengineered the money lending instruments in its now characteristic manner and came up with Zillow Home Loans. The facility allows borrowers to secure a new loan or refinance their loans. Zillow charges interests of different degrees, depending on the loan terms. To still broaden its sources of income, Zillow collaborates with more than 50 other lenders via its mortgage platform. When a lender is connected to a prospective borrower through Zillow's platform, a certain amount is paid to Zillow. Besides, Zillow charges lenders to use its Connect Service tool to enhance their chances of being located by lenders. At the close of 2021, Zillow's mortgage services have generated \$246 million in revenue, a massive leap from the \$174 million in 2020.

3. Internet Media and Technology (IMT)

Internet and technology are at the core of Zillow's business model. Thus, they, understandably, are part of the forces the company uses to bring in money. In fact, Zillow started in 2006 with ready-to-use software and marketing services made available to real estate professionals and homeowners. Zillow's Premier Agents and Premier Brokers programs earn Zillow money through lead generation for real estate professionals. Zillow also sells advertising services to landlords, builders, photographers, etc. \$1.9 was declared as income from IMT in 2021, as against \$1.45 billion announced in 2020.

Customer Segments

Driven by the mission to make available to the people quality services in real estate, Zillow has two complementary customer segments:

Service / Content Consumers

A significant part of Zillow's customer segment is their platforms' over 3 million users: The renters, the homebuyers, and the sellers.

Service Providers

These are, on one side, homeowners that list their properties on Zillow's platforms for sale or rent; and, on the other side, professionals such as real estate agents, property managers, real estate agents, home improvement professionals, inspectors, photographers who place adverts and subscribe to, etc.

Value Propositions

Zillow's value propositions align with the main goals of the organization. They are offered from three distinct yet interwoven perspectives: Ease of Access, Personalized Experience, and Endorsement.

Ease of Access

Before Zillow, information about real estate was strewn across archives and databases; therefore, it was difficult for people to access needed information. Zillow has changed all of this. It championed a real estate information revolution. Zillow's Zestimate, for example, renders an estimated market value of properties using publicly available data. Homeowners can use this information to know what their properties are worth on the market. In the same vein, buyers can explore Zillow's over 110 million listed houses strewn across the US and Canada and save favorites that they can keep close tabs on.

Personalized Experience

Zillow's website and apps incorporate a high level of flexibility that allows users to enjoy a personalized experience. Homeowners, buyers, and renters can explore Zillow's web tools and apps to meet their personal goals. They can pick a location and set their budget using Zillow's affordability calculator. Buyers have three options: they can purchase directly from owners, via foreclosure, or with the assistance of a Zillow Premier Agent. They can access house loans for financing their home. Renters can submit a comprehensive proposition through Zillow to fast-track the background and credit checks. This process can tremendously improve renters' chances of moving to the place they love.

Endorsement

Zillow offers Real estate professionals its brand to promote their overall success. Zillow's brand is already synonymous with wins in the real estate industry. Thus, its endorsement almost automatically raises the status of agents registered under its Premier Agent program.

Channels

- Website
- Mobile apps (android/ios)

- TV and Print media ads
- Blogs
- Social media

Customer Relationships

Zillow builds relationships with its teeming customers primarily through its website. However, the brand also uses social media platforms such as Youtube, Twitter, and Facebook.

Revenue Streams

Now that Zillow has closed down its home-flipping operation, Zillow Offer, which used to account for about 60% of its annual income, its revenue streams are now.

- Revenue from Ads
- Interest from mortgage
- Commissions earned from Agent partners
- Revenue from Zillow Closing Services
- Income from Zillow 360 Bundled Services
- Revenue from rentals
- Income from other services such as New Construction, StreetEasy, etc.

Key Resources

- Most of Zillow's resources are web-based, and apps mainly there are:
- Zestimate
- Hosing Super App (Soon to be launched)

Key Activities

- Arrangement of Physical Touring
- Home Acquisition Finance
- Bridge Real Estate Information Gaps
- Generation of Leads

key partners

- Investors
- Buyers
- Sellers
- Real Estate Agents and other Real Estate Professionals

Cost Structure

- Overheads
- Acquisitions
- Technological Innovations and Maintenance costs

Competitors

- Move
- ForRent.com
- Homes.com
- Redfin.com
- Apartmemnts.com
- MSN
- Coldwell Bankers
- Movoto.com
- Century 21

Zillow's SWOT Analysis

This SWOT analysis x-rays the strengths, weaknesses, opportunities and threats abound in Zillow's business model.

Zillow's Strengths

- World-Class Management Team
- Skilled Workforce/workplace
- Brand recognition
- Reliability

- Coverage
- Resources
- Strong Financial Foundation
- Diverse product portfolio
- Topnotch Customer satisfaction

Zillow's Weaknesses

- Vast and complicated inventory
- Comparatively steep transaction cost
- Lopsided lead generations

Zillow's Opportunities

- Innovative techs
- Growth prospects for real estate
- First-class financial Performance

Zillow's Threats

- Neck breaking competition
- Litigation
- Unpredictability associated with real estate
- Possible online security breach

Summary

Zillow Group Inc. is arguably the number one online real estate marketplace in the US. Zillow's business model is built on a tripod of homeowners/landlords, homebuyers/renters, and agents' business relationships, where Zillow serves as the umpire. Though the competition in the industry is growing stiffer by the second, Zillow still has the advantage of financial strength and public trust to remain on top of the situation.

