

Zillow Group, Inc.: Changing the Way Americans Buy Homes

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This case explores the rise of Zillow from its inception to its disruption of the mature real estate industry. Starting from a platform deriving income from advertising fees, it has grown into three business segments: Home Sales, Internet, Media, and Technology (IMT), and Zestimate. While the brand, Zillow, is synonymous with real estate, its disruption has opened the door for other innovators to enter the market. The case allows students to understand the role of a disruptor, examine market forces, and recommend what a successful cutting-edge technology company should do in the future.

Keywords: Zillow, disruptive innovation, online listing of residential real estate

INTRODUCTION

Zillow burst into a mature market that had traditional ways of doing real estate sales and disrupted the real estate process. Although recorded home sales began in the late 1800's and early 1900's, with the addition of the multiple listing service (MLS) in the 1960's, not much changed until Zillow entered the market in 2004.

Since inception, Zillow has grown by charging fees for advertising and being involved in every step of the real estate process. It now has three segments- Home Sales, Internet Media and Technology (IMT), and its very popular Zestimate, its ongoing/live database of home prices.

The brand, Zillow, is now synonymous with real estate. Did Zillow disrupt a sleeping non-innovating industry that opened opportunities not just for itself but also newer entrants with cutting-edge ideas that will increase future competition? Can it maintain its popularity and brand recognition?

THE ONLINE REAL ESTATE INDUSTRY

Home sales were first recorded in the late 1800s and early 1900s. The National Association of Real Estate Exchanges was founded in 1908 and by 1919 states began enacting real estate licensing laws (Zillow 10-K, 2021; Tomorrow's World Today, 2021). By the 1930s, it was common for real estate companies to employ multiple agents and list multiple properties. The multiple listing services (MLS) appeared in the

1960s. The advent of the internet and technology began changing industry operations in the 1990s. By the 2012 economic recovery, real estate professionals were adopting and adapting to technologies such as mobile phones, social media, and sophisticated websites, etc. One of the first real estate websites was developed by realtor.com, followed by Homestore.com (now called MOVE) which, in 1999, was the first real estate firm to go public. Zillow was founded in 2004 and used MLS and non-MLS sources to post properties for sale. Today, drones and virtual reality technologies are changing how buyers can view, tour, and buy homes (Tomorrow's World Today, 2021).

The online residential home sale listing industry includes companies that provide internet listings and search functions for residential properties. In 2021 the industry was expecting a 13.9% growth rate through 2021 with Zillow as the second major player in the industry (Madigan, 2021). However, by 2024 the post covid and post interest rate increases have reshaped the industry. On the positive side, COVID-19 increased the appeal of online services. The movement from the city and the increase in work from home led to increased demand for online services, especially those platforms with various software tools like Zillow's. On the negative side, interest rate increases, decreases in supply of listings, and higher home prices have negatively affected sales (IBIS World, 2023 September).

By September 2023, the industry had \$1.8 billion in revenue, 1,081 businesses, with \$605 million in profit. The strengths of the industry were the industry's position in a growth stage, high profits, and low customer concentration. The industry's weaknesses were low barriers to entry, high competition, and high capital requirements (IBIS World, 2023, September). IBIS World (2023) forecasts high revenue growth through 2028. The major threats are primarily higher interest rates, increased competition, possible substitutes, decreased homeownership rates, and the strength of the Multiple Listing Service).

Possible innovations include "...service innovations and technology with mobile apps, virtual tours, 3D imaging, augmented reality, artificial intelligence, online document management, and virtual assistants, chatbots" (IBIS World, 2023 September p. 5). This report foresees an increase in virtual reality with virtual tours of properties, virtual staging software, and increased use of AI aided searches and data analytics. Millennials and Gen Z generations who are technologically savvy will rely on online platforms for housing particularly those employees who shifted towards remote work.

Single family attached and detached housing accounts for 76.5% of the listings and will continue to dominate the listings over multifamily homes (23.5% of the industry revenue) (IBIS World, 2023 September). House hunters aged 30-49 dominate the market. While older adults have more buying power, those over the age of fifty prefer the assistance of a real estate agent particularly individuals who are not comfortable with online real estate transactions (IBIS World, 2023 September).

The substitutes for the online industry are real estate firms, real estate brokers/agents, online newspaper real estate classified sections, and social media sites such as Facebook Marketplace, Reddit Classified, and Twitter hashtags #RealEstate.

Zillow Group, with an estimated 8,005 employees, has \$1.2 billion in revenue with a profit of \$218.4 million and a market share of 66.5% (IBIS World, 2023 September). Other companies have the remaining, 33.5% of the market.

ZILLOW GROUP, INC.

History

Zillow was incorporated in 2004 and its founders were Rich Barton and Lloyd Frink (former Microsoft executives, Spencer Rascoff (cofounder of Hotwire.com), David Beitel and Kristin Acker. Its website was launched in February 2006, and attracted more than one million visitors in its first three days (Wikipedia, 2022; Zillowgroup.com, 2022). Its business model consisted of generating revenue by selling advertising on its website (Wikipedia, 2022).

Zillow's mission is *"to give people the power to unlock life's next chapter"*. The company has supported: (Zillow.com website, 2024).

- Stronger fair housing practices.
- Changes to anti-consumer rules that stifle choice and transparency.

- Modernization of antiquated regulations.
- Pro density proposals.
- Expansion of protections against discrimination.
- Improvements to the housing choice voucher program.

Zillow launched Mortgage Marketplace in 2008, added rental listings in 2009, launched its iPad app in 2009, and became a public company on July 19, 2011, trading under the symbol “Z” (Zillowgroup.com, 2024). In 2019, Zillow launched its AI powered 3D home tours to provide customers with virtual home tours. The company has entered into a number of acquisitions including: Streeteasy, Trulia, and Mortgage Lenders of America, and in 2021 announced its agreement to purchase ShowingTime. In 2020, the company generated \$3.3 billion in revenue, had 201 million unique users each month for 9.6 billion visits, 135 million homes in its database, and employed 6,400 individuals (Zillowgroup.com, 2022). In 2021, the company reported 234 million monthly visitors (the high was achieved in July 2021) and over 10.2 billion visits for the year (Zillow 10-K, 2021).

In 2021 they discontinued Zillow Offers, their internet home buying segment which was completed in 2022. This reduced their workforce by 25%. In 2023, they finished acquiring Follow Up Boss, a customer relationship management system that provides a platform for real estate professionals to manage clients. They acquired Spruce Holdings, a title and escrow platform, and Aryeo, a software company that provides photographers for real estate professionals (Zillow 10-K, 2023).

Zillow has a database of 160 million US homes, one million rental listings, and 214 million average monthly users (Zillow.com website, 2024). One in four US homebuyers asked to connect to a Zillow agent partner in 2022 and 95% of Zillow agent partners are rated at least 4.8 stars out of five.

According to Zillow, its Zestimate feature is “synonymous with real estate and a common search” (Zillow 10-K, 2023). They see their content as a “housing super app” that makes it easier for customers to take tours, prepare themselves, and find better agents all of which drive more transactions and higher revenue per customer transaction (Zillow 10-K, 2023; Zillow.com website, 2024). They visualize themselves as ‘modernizing the real estate experience’ (Zillow.com website, 2024).

Zillow sees itself as the company that is transforming real estate as the most visited real estate site in the US. Its platform is used by buyers, sellers, and partners to provide a seamless experience for all these groups. Its affiliates, subsidiaries and brands include Zillow Premier Agent, Zillow Home Loans, and their affiliates Zillow Rentals, Trulia, StreetEasy, HotPads and Out East. Its marketing software includes ShowingTime, Spruce, and now Follow Up Boss (Zillow 10K, 2023).

Software and technology tools include mortgage calculators so buyers can determine what they can afford, reporting of timely rent payments so renters can increase their credit scores, down payment assistance information, and housing assistance for renters (Zillow.com website 2024).

Businesses

Zillow is organized into 3 business segments: 1) The Homes segment includes the title/escrow services through Zillow Closing Services. 2) The Internet, Media & Technology (“IMT”) segment includes Premier Agent, rentals and new construction marketplaces, dotloop, ShowingTime, advertising, and business software solutions. The Mortgages segment includes mortgage originations through Zillow Home Loans and advertising sold to mortgage lenders and mortgage professionals (Zillow 10-K, 2021, Zillow 10k, 2022, and Zillow 10-K, 2023).

The third business segment is Zillow’s living database – Zestimate – which provides a competitive advantage. This proprietary software uses information from the company’s database, over 160million property records, and multiple data sources that are included in its statistical analysis (Zillowgroup.com, 2024). Zestimate provides a starting point for determining a home’s value. In June 2021 the company updated how it calculates the Zestimate for off-market homes in order to be more responsive to local trends and seasonality that may affect a home’s market value. Rent Zestimate provides estimated rent prices for ninety million homes (Zillow.com, 2024).

Zillow has realigned its business model and strategy since its inception in 2004. The company's original business model was earning advertising fees from leads that were generated on its website. It has evolved into a full-service online real estate company and now earns revenue from transaction fees with real estate partners, advertising from rental professionals, and mortgage services, title and escrow fees, and rental services. More people search for 'Zillow' than 'real estate'; Zillow is the most visited brand in the online real estate industry (Zillow 10-K, 2023).

Zillow helps customers throughout their real estate journey. They connect residential buyers and sellers through their Premier Agent partners, facilitate financing through Zillow Home Loans, and provide title and escrow services through Zillow Closing Services. The company connects renters with property managers and landlords through the Zillow Rental Network which has the largest collection of rental properties in the US. They also provide a platform for renters by helping with listings, advertising, and leasing management (Zillow 10-K, 2024).

Zillow's competitive advantages are derived from 1) Its living database (over 160 million homes) and its proprietary software Zestimate, its sixty-two patents and 109 pending patent applications, 2) partnerships with real estate agents, brokers, mortgage professionals, property managers, landlords, home builders, and regional MLS, and 3) high levels of brand awareness and customer trust. The company has a strong management team with experience in the real estate industry, has developed a strong culture of innovation and inclusion, a solid financial position, and superior industry partnerships (Zillow 10-K, 2024). They also view their intellectual property, especially Zestimate as a significant competitive advantage.

Human Resource Management

As of December 31, 2023, Zillow employed 6,263 employees with 55% percent male and 45% female and some self-identifying as nonbinary (Zillow 10-k, 2023). They are committed to a diverse workplace. Women are 43% of the leadership at the director level and above. As a result of Covid-19, the company moved to a flexible workforce which has led to an update of the base pay compensation framework. The company supports an environment of inclusion and recently completed an audit of qualifications and pay to ensure pay equity. Zillow's Talent Success team creates educational resources and conducts training programs to ensure employees have the tools to grow their careers (Zillow.com website 2024). The company offered over 1,100 learning opportunities and employees completed 92,000 hours of training content on Zillow University and LinkedIn Learning. Career development programs include: the Leadership Entrance Experience program to develop leadership skills, Career Pathways Program to create development opportunities through cross-functional roles, and Professional skills development workshops and coaching. New executives are provided support through executive coaches and access to senior leadership roundtable discussions. Pay-for-performance is the key to a market-based compensation program (Zillow 10-K, 2021, Zillow 10-K, 2022) and Zillow 10-K, 2023).

Marketing

Half of US homebuyers are under thirty-six, so Zillow appeals to millennials and those younger home buyers. This is achieved by using social media channels familiar to these individuals and focusing on creating engaging content. Internal real estate data analysis indicates that contrary to the popular view that millennials do want to purchase homes, they do but are delaying to start careers and families, want to save money for a down payment, and want to buy a larger first home. Zillow provides data and tools that give younger home buyers information that makes them feel in control. Zillow's research indicates that 87% of millennials conduct online research when shopping for a home, and by providing the best free online tools available, the company can attract the millennial home buyer and build an online relationship with them. To enrich the home buying experience, Zillow launched a feature that allows customers to take a two-minute video walkthrough of a listing (Wacksman, 2022).

To reach the millennial home buyer, Zillow knew it needed to focus on messaging related to corporate social responsibility (CSR) and company values. Therefore, the company needed to focus not just on why buying a home was important, but that their company has a focus on corporate social responsibility. Zillow reached the millennial consumer through a marketing strategy focused on long-form video campaigns

showing the target segment how people like them go through the homebuying process. Basically, they became the gurus on socially driven brand storytelling. They hold the consumer's hand and make the process informative and easy to understand (Skyword, 2019; Zillow.com 2024).

Social Responsibility

Zillow Group is committed to being a good community partner through its environmental impact initiatives and social community involvement. The company plans to achieve net zero operational greenhouse gas emissions by 2050 and has set targets for 2024 and 2030. The company reduced leased office space by 28% in 2021 and has received a LEED certified rating in 78% of its office spaces (Zillow website 2022, Zillow 10-K, 2023).

Zillow has partnered with Welcome.US to provide housing information to Afghan refugees. It also partners with Housing Connector, a nonprofit focusing on lowering barriers to housing and increasing affordable housing capacity (Zillow website 2022, Zillow 10-K, 2023).

Zillow employees are encouraged to donate. In 2021, employees donated \$188,438 to support 657 nonprofits and volunteered 1,209 hours to support local nonprofits. Zillow gave over \$2.94 million to nonprofit organizations (Zillow website, 2022; Sustainability Report 2021).

Finances

At fiscal yearend December 31, 2023, Zillow had \$1.945 billion in revenue compared to \$1.958 in 2022 and \$2.132 billion in 2021 (Zillow 10K, December 2023). Net income loss dropped from \$528 million in 2021, to \$101 million in 2022, and increased to \$158 million in 2023. Senior management noted in the 10-K that the 2023 year saw low housing inventory, fewer new listings, higher interest rates, home price fluctuations, and inflation. These factors combined negatively impacted the number of transactions which declined by 17% by December 2023. They state, "despite the industry headwinds and total transaction decline, we will continue to invest in our growth pillars "(Zillow 10-K, 2023, p. 44). In conclusion, Zillow sees the major risk factors as "the health of the residential real estate market, inflation, interest rates, housing availability, labor shortages, and supply chain issues (Zillow 10-K, December 2023).

During the 2023-year, residential revenue decreased by \$70 million compared to the year ending December 31, 2022. This was driven by a decrease of 5% in the number of visits from the low housing inventory and higher interest rates. Mortgage revenue dropped by \$23 million to \$96 million. These decreases were primarily from Custom Quote and Connect advertising. On the positive side Zillow experienced an \$83 million increase in rental income driven by lower occupancy rates, and an increase in multifamily property managers using their services (Zillow 10-K, 2023).

Zillow (ZG) 's stock price was \$122.53 on June 30, 2021, \$31.81 on June 30, 2022, \$48.53 on March 25, 2023) and about \$45.00 on April 2024.

CONCLUSION

Now that Zillow has grown from a platform deriving income from advertising fees to a cutting-edge technology platform, what should it do now? Having opened the door to other innovators, will competition increase? Will it continue to be synonymous with real estate, or will it fade as other disruptions occur? What will be the market forces acting against it? Where does this successful company go in the future? Is senior management correct that Zillow's current strategy can withstand the headwinds that 2023 generated?

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APPENDIX 1: A SHORT PRIMER ON DISRUPTIVE, COST, AND SUSTAINING INNOVATIONS AND REFINEMENTS TO DISRUPTION THEORY

History

Bower and Christensen (1995) brought the concept of disruptive innovation into the literature in 1995. Since its introduction, the term has generated considerable discussion in the academic literature over issues such as what is a disruptive innovation, what are relevant examples, and how does it occur?

Christensen, Raynor, and McDonald's (2015) article argues that a disruptive innovation always starts at the lower cost end of a market while the major players continue incremental improvements at the higher revenue ends of the market. Then while the major players are focused on the high end, the disrupter slowly improves its offerings and eventually provides a better product that is more convenient, efficient, or valuable that better meets the higher priced consumer's needs thus eventually disrupting the major players.

Christensen (2015) believes that a disruption can occur when a new entrant starts a new market by adding value, amenities, or quality. In both examples, disruption is not a point in time but a process of change.

Some Criticisms of Disruption Theory

The theory initiated considerable discussion, debate, agreement, and criticism. An initial critic was Jill Lepore (2014) who questioned Christensen et al.'s use of examples. Lepore herself was criticized by those who argued that her criticism was unfounded (Weeks, 2015, Gobble, 2015). Other critics believed that the substantial parts of the theory were vague, unclear, and could not be used to predict (Utterback and Acee, 2005).

Additions, Refinements, Added by Others

Christensen's response was that change was a process that occurred overtime. A careful refinement was added by DeJong and van Dijk (2015) who posit that business models do not last as long today as they did in the past. For example, most industries are based on a set of beliefs or assumptions. Many companies achieve success by building loyalty and transparency such as giving their customers better information and decision-making tools. Their approach is: determine the business model that exists in the industry, determine the underlying assumptions and beliefs, re-examine and critique those beliefs, vet those beliefs and reframe them, and then introduce a new set of beliefs into a newer business model.

Other Refinements

Schmidt and Druehl's (2008) table below shows how a disruption could occur at the higher end of the market and work down.

APPENDIX 2: SCHMIDT AND DRUEHL'S (2008) MAPPING OF THE TYPE OF INNOVATION TO THE TYPE OF DISRUPTION

(Note: This is an exact replica of the authors' table for student analysis only.)

Type of Innovation	Type of Diffusion	Description	Example
Sustaining Innovation	High-end encroachment	The new product first encroaches on the high end of the existing market and then diffuses downward.	Pentium IV relative to Pentium III
Disruptive Innovation	Low-end encroachment	The new product first encroaches on the low end of the existing market and then diffuses upward.	
New-Market Disruption	Fringe-market low-end encroachment	Before encroachment begins, the new product opens up a fringe market (where customer needs are incrementally different from those of current low end customers).	5.25. inch drive relative to 8 inch drive
	Detached-market low end encroachment	Before encroachment begins, the new product opens up a detached market (where customer needs are dramatically different from those of current low-end customers).	Cell phone relative to land line.

Type of Innovation	Type of Diffusion	Description	Example
Low-end disruption	Immediate low-end encroachment	Low-end encroachment begins immediately upon introduction of the new product	Discount relative to department stores

Source: Schmidt, G.M. and Druehl, C.T. (2008). When is a disruptive innovation disruptive? *Product Development and Innovation Management* 25 347-360.

APPENDIX 3: UTTERBACK AND ACEE (2005). A MAP OF POSSIBILITIES OF COMPETITIVE ADVANTAGE DUE TO TECHNOLOGICAL CHANGE

Utterback and Acee's (2005) table below has a different set of 24 categories depending on cost, traditional performance, and ancillary performance. Does the Zillow case fit into any of these?

(Note: this is an exact replica of the authors' table for student analysis only).

Cost	Traditional Performance	Ancillary Performance	Examples
Lower	Lower	Higher	Christensen case Hard disc drives
Lower	Higher	Higher	Compact disc/ vinyl album
Lower	Lower	Lower	Wafer board/plywood
Lower	Higher	Lower	Oriented strand board/plywood
Higher	Lower	Higher	Digital/film camera
Higher	Higher	Higher	Fuel injection/carburetor
Higher	Lower	Lower	Wartime substitutes
Higher	Higher	Lower	Electronic calculator/slide rule

Source: Utterback, J.M. and Acee, H.J. (2015). Is disruption theory wearing new clothes or just naked? Analyzing recent critiques of disruptive innovation theory. *Innovation* 17 (4) 417-428. DOI: 10.1080/14479338.2015.1061896

APPENDIX 4: TEST OF A DISRUPTIVE INNOVATION (HORN, 2016)

The following questions can start a discussion of whether an innovation is a disruptor:

1. "Does it target non-consumers or people who are overserved by an incumbent's existing offering in the marketplace." This question asks where does the new entrant start- high or low end?
2. "Is the offering not as good as an incumbent's existing offering as judged by historical measures of performance." This question asks what is the new entrant offering?
3. "Is the innovation simpler to use, more convenient or more affordable than the incumbent's existing offering." Another question about how does this new entrant meet consumers' needs.
4. "Does the offering have a technology enabler that can carry its value proposition around simplicity, convenience, affordability upmarket and allow it to improve." What new technology does the new entrant offer- is it technology needed or valued by the consumers?

5. “Is the technology paired with a business model innovation that allows it to be sustainable with its new value proposition.” Is this new model sustainable?
6. “Are existing providers motivated to ignore the new innovation and not threatened at the outset.” What happens to the incumbents? How do they react if at all?

THE TEACHING NOTE

ZILLOW GROUP, INC: CHANGING THE WAY AMERICANS BUY HOMES

OVERVIEW OF THE CASE

The case provides the history, environment, and steps that Zillow took on its way from the founders’ vision to a successful company, and a potential disruptor of the real estate industry.

SUGGESTIONS FOR USING THE CASE

Several different types of classes could use the story of a successful start up to a well-run company built on solid values and principles to a very successful company. The case could be used in strategic management, entrepreneurship, marketing, or management courses.

LEARNING OBJECTIVES

1. Analyze company actions by applying brand management principles.
2. Analyze the macro-environmental forces.
3. Analyze the competitive environment using Porter’s Five Forces Analysis.
4. Evaluate the leadership and actions taken.
5. Recommend actions for the owners on how to go forward after a disastrous experiment in buying homes for their own portfolio.
6. Apply guidelines for determining whether this was a disruptive innovation.

SUGGESTED ASSIGNMENT QUESTIONS

1. Prepare an analysis of macro-environmental factors and discuss how they impact the industry using a SWOT analysis.
2. Prepare a Porter’s Five Forces analysis of the industry.
3. What overall strategy should senior leadership pursue and why (cost leadership, differentiation, focused differential, or focused low cost)?
4. What marketing or strategy should they pursue to regain momentum or brand recognition for the future and especially after the disastrous attempt to purchase and sell houses for their own account?
5. What recommendations would you make to senior management for the future direction of the company.
6. Is Zillow a disruptor?

Answers to Question 1. Prepare an Analysis of Macro-environmental Factors and Discuss How They Impact the Industry Using a SWOT Analysis.

Strengths

The company benefits from an established reputation, market recognition, an established brand, and market penetration. Its three business segments are very profitable. For example, the Homes segment which works with the purchase and sale of homes and Zillow office which provides closing services such as title and escrow services are very profitable. The second segment, the Internet, Media & Technology segment, provides Premier Agent rentals, new construction, Marketplaces, dotloop, Showing Time, advertising, and

business software solutions. The Mortgage segment provides loans through Zillow Loans and advertising (Zillow 10-K, 2023). All these services appeal to the younger buyers.

The company's huge database of over 160 million homes, Zestimate (Zillow 10-K, 2023) is one of the most visited websites and made Zillow one of the most recognized brands- synonymous with real estate (Rose, 2021; Zillow.com, 2024). Zillow has developed partnerships with real estate agents, brokers, mortgage professionals, property managers, landlords, home construction, and even regional MLS. It also has a strong management team who have experience in real estate. Finally, it has business segments in all parts of real estate involvement.

Weaknesses

This industry faces minor weaknesses because they provide a range of services from renting, selling, buying and walking each group through the whole process. The only weakness would be the ability to recover from the losses of the last years, especially the financial and reputation hit for the failure of Zillow Offers.

Opportunities

Opportunities include the potential for growth if a recession does not occur, the potential for increasing all their business segments, and the potential to continue their penetration of the younger generations coming into real estate. In addition, other opportunities occur if interest rates decrease, there is more building/construction of houses that would increase supply, and younger generations purchase larger first homes.

Threats

The biggest threats are the continuing high interest rates, low supply of homes, and the decreasing rate of home ownership. The industry faces these headwinds in 2024 which will continue unless rates come down. While the Fed has hinted at three rate decreases in 2024, inflation is resistant to the Fed's actions. While the threat of a recession is decreasing, it is still a possibility if the Federal Reserve is not successful.

Finally, the war in Ukraine and a potential conflict between China and Taiwan have disrupted supply chains affecting the costs of several commodities affecting real estate. Other possibilities include increased competition in the online real estate industry, and new firms entering the industry.

Answers to Question 2. Prepare a Porter's Five Forces Analysis of the Industry.

Rivalry Between Competitors

Currently, Zillow does not have a major competitor in the online listing industry given its market penetration. There is considerable rivalry among traditional real estate agents.

Competition from Substitutes

Zillow has a huge market share of online listings. Currently there are no serious competitors, but the company's success could encourage newer technology driven competitors. Zillow's broad range of services provides the substitutes that younger generations want. Older buyers who prefer real estate agents do not look for substitutes.

Another substitute is the private selling of homes without the use of online services or traditional real estate agents.

Power of Suppliers

Suppliers in the traditional sense of paper and pencils and office supplies have limited power in this industry.

Power of Customers

As mentioned above consumers have a lot of power given the current option of using a traditional real estate agent or a disruptor like Zillow. The younger generations prefer Zillow's suite of online services.

Traditional real estate agents face a decreasing pool of potential customers and decreasing commissions from the newly negotiated settlement by the Association of Real Estate Agents.

Barriers to Entry

The barrier to a competitor developing competing online listing and suite of services is large given Zillow's huge market penetration. The traditional barriers to the traditional real estate agent are minimal which explains why part time and low producing agents leave in economic recessions and return in good economic times.

Answers to Question 3. What Overall Strategy Should Senior Management Pursue and Why (Cost Leadership, Differentiation, Focused Differential, or Focused Low Cost)?

Low-Cost Leadership

This is a generic strategy that creates and establishes a competitive advantage by providing the low-cost products and services in an industry (Dess, McNamara, Eisner, and Lee, 2019). This strategy is not what they are doing and should not be used.

Focuses Low Cost

This generic strategy focuses on a specific market segment and provides low-cost services to that market. This is not what they have been doing and should not be pursued.

Focused Differentiation

This has been the strategy before this time and should be continued. Zillow focuses on real estate transactions and provides quality services and convenience to those involved. Their suite of services provides assistance throughout the home buying experience. Their range of services should definitely be continued. They have established a significant brand recognition in this industry and should maintain it (Dess, McNamara, Eisner, and Lee, 2019).

Answers to Question 4. What Marketing or Strategy Should They Pursue to Regain Momentum or Brand Recognition for the Future and Especially after the Disastrous Attempt to Purchase and Sell Houses for Their Own Account?

Zillow should continue to focus on segmentation, targeting and positioning to the millennial generation (under 36), who are the majority of homebuyers in the market today. Continuously engaging current and potential customers through social media and digital platforms should also be a focus for Zillow. Their current marketing strategy has been successful, so they should continue to focus on highlighting their focus on company values and corporate social responsibility.

Answers to Question 5. What Recommendations Would You Make to Senior Management for the Future Direction of the Company.

The company has thus been successful with its marketing campaigns to reach the millennial consumer where they are at (digital and social platforms). They need to make sure to keep adjusting their marketing mix to meet their target market where they want to be. This will require a dynamic strategic SWOT process of assessing current environmental data and how it is affected by company strengths and weaknesses, and external opportunities and threats, to produce new actions that will allow Zillow to stay current in the market. Zillow should also ensure that it is differentiating its brand to create strong, positive associations and position the brand in the target market's mind.

Answers to Question 6. Is Zillow a Disruptor?

According to Christensen's early theory the answer is no, Zillow did not start at the bottom of the pricing spectrum and slowly worked up. It started at the whole spectrum.

The best fit is Schmidt and Druehl's new market disruption. The older home buyers still prefer to use real estate agents and are not as comfortable buying or selling online. The reverse is true of the millennials

they are used to shopping online and gravitate towards the technology that Zillow provides, online platforms, virtual tours and Zillow's services. Schmidt and Druehl would call this a new market disruption by providing services to millennials that older generations – the older customers do not use.

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