



# Zillow Offers: Advanced Analytics Contributes to Billion \$ Win

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# Zillow's Product & Marketing built an iconic brand in just 10 years.

**2006:** Zillow.com launches on the World Wide Web with Public Relations blitz.

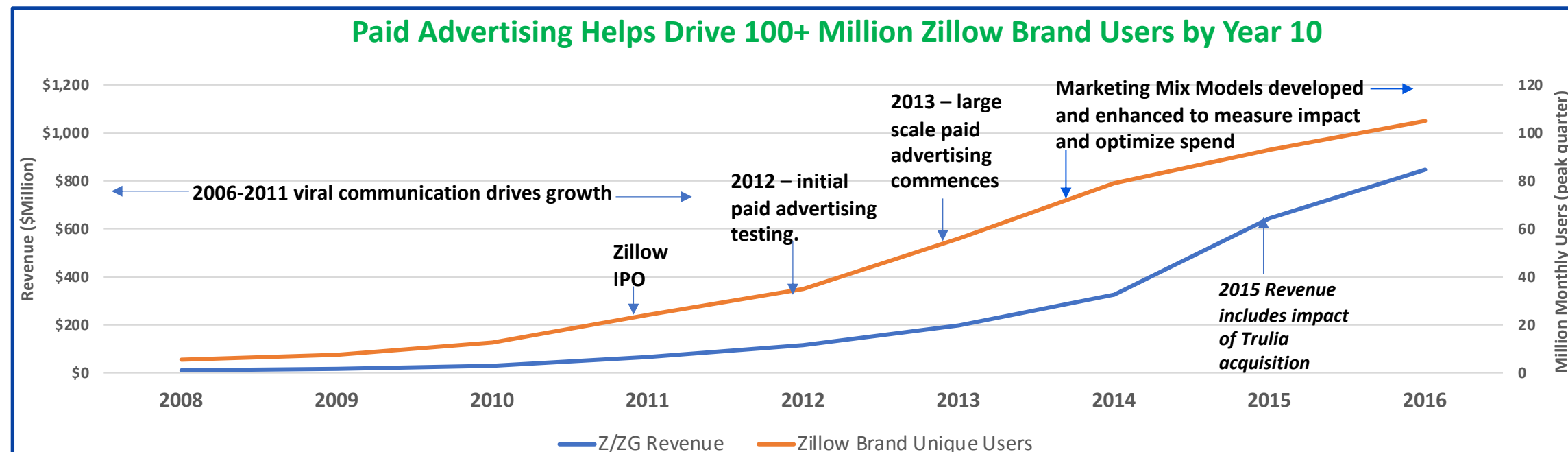
– Website crashes on Day 1 as a Million users flock to the site.

**2008:** Housing crisis leads to Great Recession.

– Zillow monthly users +42% YoY to 5 million, driven by product, public relations, viral communications.

**2013:** Large-scale national, multi-channel paid marketing drives tremendous gains.

– 2012-2016: Zillow Unaided Awareness grows 5X, Zillow Total Awareness grows 2X



Source: Zillow/Zillow Group investor communications



# Zillow gave “power to the people” through transparency, but...

- Customer expectations for on-demand online-driven experiences continued to evolve.
- Despite the many gains Zillow provided, many pain points in the moving process remained.
- And while Zillow Group was approaching a \$1 Billion business, the amount represented less than 0.1% of the U.S. residential real estate transaction market.
  - Zillow Awareness, especially among home buyers, was extraordinary.
  - Zillow had the highest satisfaction and consideration scores in the category.
  - 10 years of Zillow product and marketing efforts had created a well known and loved brand: the opportunity for revenue growth was enormous and unfulfilled.

# Customers are Zillow's North Star.

- Industry research revealed:
  - Movers who are buying and selling simultaneously represent a small portion of movers, but they account for most of the transaction value.
- Customer insights indicated that most sellers found the process “challenging and stressful” and revealed the biggest challenges customers faced when buying and selling a home are:
  - Timing the sale of their home with the purchase of a new home
  - Selling their home within their desired time frame
  - Entering a competitive market to find a home after selling.
  - Preparing their home for Open Houses / private tours
  - Negotiating with buyers
- These insights led to a new business idea: “Zillow Offers,” which offers movers the opportunity to sell their homes directly to Zillow.

# Timeline of Zillow Offers: Testing/learning/growing.

**May 2017:** Launched as “Zillow Instant Offers” with third-party investors.

- Zillow matched home sellers with third-party investors and a local real estate agent.
- Tested in Las Vegas and Orlando markets.

**April 2018:** Phoenix market is added to “Zillow Instant Offers.” In Phoenix, sellers had the option to receive an offer directly from Zillow or other investors.

**June 2018:** Zillow begins buying and selling homes in Las Vegas, assuming sole control over the buying process in Las Vegas, Phoenix and subsequent markets.

**Summer 2018:** “Zillow Instant Offers” is rebranded as “Zillow Offers”

**Fall 2018:** Denver and Atlanta added to “Zillow Offers” as new markets.

**2019:** “Zillow Offers” expanded to 22 total markets by year’s end..

# A multiphase analytical program was created to build a new LOB.

## The objectives:

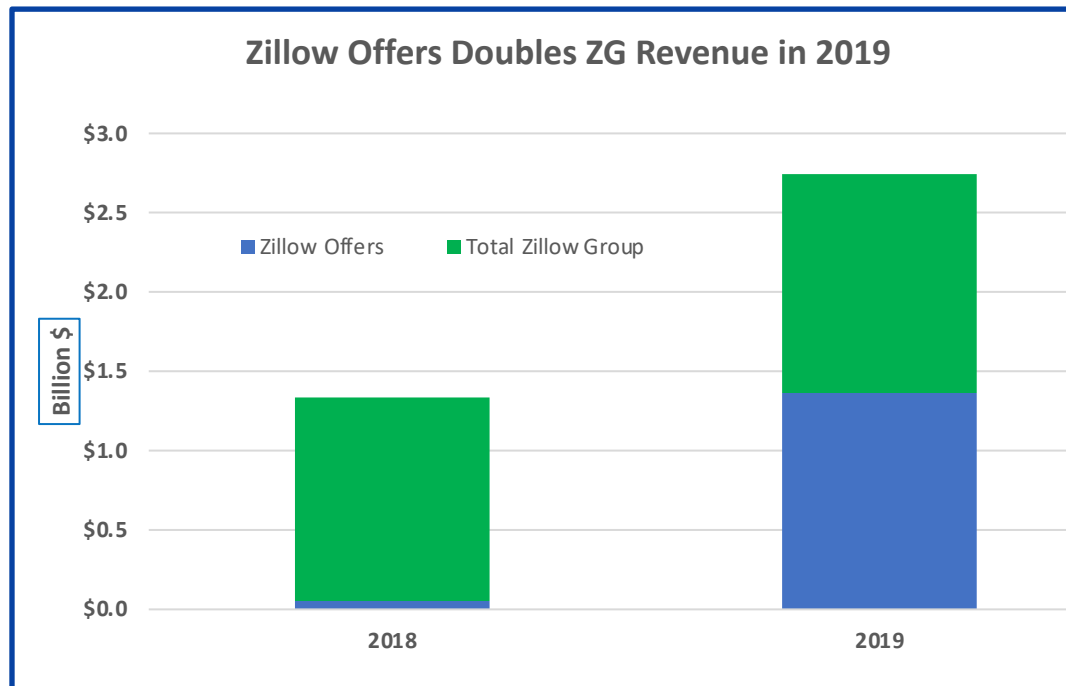
1. Holistically determine the size of the opportunity to help make the case for entering a new line of business.
  - Internal and external data were integrated to estimate the size of the marketplace.
  - The “Zillow Offers” concept test scored higher than any previous concept tests. Customers even wanted to check if it was available in their market.
2. Create better customer-specific and individual home data to improve our analytics.
  - Implemented a Zillow Brand play to increase home claims and homeowner/seller interactions.
  - Launched “Zillow Prize,” a Kaggle contest with \$1 million dollar award to improve accuracy of the Zestimate.
3. Conduct a series of cutting-edge analytic exercises to inform the marketing program and achieve aggressive 2019 goals.
4. Lay the customer-centric groundwork to enable achievement of long-term revenue goals.

# Much of Zillow's success has been analytics- and data-driven.

- The same rigor and analytic approaches inherent in the Zestimate also are applied to Zillow Marketing.
- 2019 Zillow Offers Marketing Analytics exercises Included:
  - **Custom Media Mix Model** to optimize budget allocation across multiple scenarios.
  - **Budget flighting** to proactively improve MMM accuracy
  - **Integrated machine learning** property transaction scoring to steer direct mail distribution (2X ROA)
  - **Survival models to bridge** cohort and real time reporting: track lead mix quality and ROAs
  - **Survival models to optimize** Brand, Core and SEM campaigns (boosting budget efficiency 25%+)
  - **Multivariate testing** across delivery methods/creative for email/direct mail (increased response rates)
  - **Causal impact measurement system** to capture and differentiate cross channel effects at MSA level
  - **Alignment of unit economics** to set target CPAs for detailed channel and distribution methods
  - **Feedback loop with customers** via CSAT to drive ongoing improvements to the program

# Zillow Offers' 2019 results were amazing and well above plan.

- Zillow Offers became a Billion \$ brand in just its first full year (\$1.4 Billion in Revenue)
  - In 2019 alone, Zillow Offers' revenue exceeded Zillow Group's *total* 2018 revenue
- Zillow Offers revenue exceeded the high end of corporate guidance in every quarter





# More amazing: The Zillow Offers brand is just getting started!

- Marketing Analytics and Insights' forward-looking initiatives in 2019 included efforts to build a deeper understanding of the potential customer base. For example:
  - **Delivering a comprehensive segmentation study** to distinguish relevant clusters among 200+ million responsible adults.
  - **Applying the segmentation typing tool** to 15,000 customers.
  - **Matching these customers to Universal McCann's** proprietary BAE database.
  - **Recasting the segmentation** with the newly appended data to create a new typing tool using a random forest model with hundreds of variables.
  - **Typing 200+ million adults** to their most likely segments.
  - **Appending on-site and transactional behavior** of tens of millions of customers to the database.
  - **Linking attitudes and perceptions** from the tracking studies to on-site and offsite behavior.

The incremental data allows us to create tactical and strategic marketing analytics to support aggressive longer-term growth objectives.

# Looking to the future in an uncertain present.

- Zillow Offers is a great example of how analytics and insights can support multi-functional teams throughout the brand growth process.
- 2020 has been a challenging and unique year:
  - In response to COVID-19 and market uncertainty, Zillow Offers paused home buying in March.
  - Zillow visits slowed in March.
  - U.S. Home Sales declined 17% YoY in April and 27% YoY in May.
  - As customers adapted to a more virtual world, they began flocking to Zillow again in April, shattering all-time records.
  - Virtual home tours became the norm. Zillow surfing became “the escape we all need” (NY Times).
  - A reimagining of home, combined with lower mortgage rates and economic improvements have resulted in U.S. home sales at levels unprecedented since before the Great Recession.
  - Led by Zillow brand, average monthly Zillow Group visitors grew 21% YoY in Q3 to 236 million.
  - Zillow Offers resumed homebuying in all markets between May and August with a Stay Safe initiative.
  - Despite the lack of inventory, Zillow Offers 2020 revenue at \$1.6B through Q3 had already surpassed total 2019.