SmartMLS

Connecticut's New Home for MLS; 20 Years in the Making

Introduction

A SmartMLS, Inc. was created on April 1, 2017 when Connecticut MLS (CT-MLS) and Greater Fairfield County CMLS (GFC CMLS) finally consolidated. Members were talking about consolidation 20 years ago and the reasons were the same then as they are today: one common database for the members, more efficiency for back-office procedures and elimination of duplicate tasks and fees. However, consumer expectations and demands have evolved substantially in recent years and have become much more of a factor today, when considering consolidations.

Approximately 10 years ago, there was a move to consolidate when CT-MLS and GFC CMLS each restructured their revenue streams with their respective local associations. As a result, the associations assumed less of a role in the operations of the MLS and the two separate MLS organizations, considered merging but could not reach an agreement.

In 2016, both organizations decided to pursue a data share agreement. At that time, the overlap and duplication was negatively impacting about 20 percent of the members who joined and paid for both MLSs. But shortly thereafter it was determined that data sharing was not the optimal long-term solution.

Leadership

The leadership knew that with 20 years of unsuccessful consolidation talks behind them, they had to concentrate their efforts on the benefits and positive outcome of this consolidation initiative and avoid rehashing past issues.

CT-MLS was formed approximately 10 years ago, with six participating organizations. It was positioned to be the statewide MLS for Connecticut. Previous attempts at consolidation failed and this created some “history” between the two organizations.

The first step was to create a level of trust between the two organizations. A single leader, specifically Michael Barbaro, the state association president-elect who was simultaneously serving on the board of directors of CT MLS, was able to foster relationships with the CEOs and officers in each respective MLS organization. Absent that individual, it may not have been possible to navigate the necessary trust to take any step at all. He also served as the facilitator for all merger discussions, without using an outside facilitator to assist.

The next step was a data share initiative; they worked together to develop common data fields and business rules, which resulted in continuing a good working relationship and enhancing the level of trust. Subsequently, the leaders of both organizations recognized the financial benefits to the Participants and Subscribers along with the increased strength of merging their organizations. And at that point nothing was off the table and serious talks about consolidation began. A timeline was established that allowed approximately four months for the entirety of the merger discussions, decisions and all votes to occur to make it possible to happen as expediently as possible.

In addition, five town hall meetings were organized for the benefit of participants, managers and subscribers. Michael built a bridge between the two organizations that resulted in enough trust and confidence to move the merger forward. According to Cindy Butts, CEO of Connecticut REALTORS®, "Michael's leadership and persistence influenced everyone involved in the consolidation process."

Success Factors

In 2016, the consolidation effort moved forward because:

- Both organizations agreed to not discuss certain "charged topics," including the naming of new CEO, the name of new entity and which location would become the headquarters. Instead, the decision was made to allow the process to continue, trusting that those details would be determined after the merger was completed.
- Initially, a common MLS platform already existed, so the entities could discuss data sharing with the one vendor. The potential cost of the data share drove the timing decision related to the merger.
- Strong unified leadership at the state and local associations.
- Local associations supported the merger and agreed to end the long-standing practice of receiving service fees from the MLSs to best serve their members.
- Funds were allocated by the state association to help o set the costs associated with consolidation; meeting expenses, legal fees, etc.
- No one was required to pay duplicate MLS fees to access the combined data and services from SmartMLS. The MLS fees will be reduced for members of one organization while the fees for the other remain the same.
- The creation of SmartMLS has resulted in consolidating over 90 percent of Connecticut listings for sale into a single MLS database with common data fields and one set of rules, benefiting the clear majority of Connecticut REALTORS®.

Main Drivers

There is a long history in Connecticut of multiple MLSs in the state with significant overlap. The two groups, GFC CMLS and CT-MLS, started talking about data sharing years ago and as the technology and vendor solutions advanced, it became easier. The members wanted one database to access all the information needed to conduct business and a data sharing agreement was in the works. CoreLogic was prepared to move forward with the project and the two groups started talking about a merger because it would:

- Save significant dollars by not implementing the data share agreement.
- Create a common database and provide members with a better solution.
- Make both organizations stronger.

Intended Benefits

- One common database with one set of standardized rules.
- Uniform data fields (already in the works for the data share).
- Realignment of fees. One of the organizations had higher fees which were reduced to be in line with the other organization fee structure. Members no longer were required to pay multiple fees.

How the Issues Were Resolved

TECHNOLOGY (MLS vendor platforms, auxiliary services, contractual obligations, hardware and software systems, lockboxes).

- Both organizations used Matrix (CoreLogic) as their MLS vendor, which made the transition much easier. They did not renegotiate contracts prior to the merger and will negotiate a new contract when one of the current contracts expire. Local associations will continue to provide lock box services.
- MLS vendors have vast experience merging listing data bases; other technology vendors do not integrate as seamlessly (i.e. membership systems and CRM systems).

FINANCES (MLS operations, distribution to consolidating partners, funding association operations, reserves, real and personal property ownership, taxation etc.).

- The operations will eventually merge as decisions are made for SmartMLS.
- Service fees will stop to the local associations. Both organizations are financially able (combined reserves) to adjust budgets for the new organization. Combined reserves allow SmartMLS to absorb some duplication of services for the first year or so. There will be fewer members and all members will pay the lower fee.

GOVERNANCE (allocation of representation, election/appointment of representatives, reporting requirements, mix of brokers v. agents, transition from former models, etc.)

- The board of directors is comprised of five to six appointees from each merging organization and two appointees from the state association.
- This board of directors is named as the "interim board" until 2019 when the terms begin to stagger; the nominating committee will choose the replacements.

OWNERSHIP (business structure, ownership interests, allocation process, legal issues, etc.)

- The state association was required to give approval for CT-MLS to dissolve.
- SmartMLS cannot change the requirement for REALTOR® membership without the approval of the Class B local associations.
- All local associations serving as MLS service centers agreed to a transition to stop receiving annual service fees.
- The state association had funds to help with meeting expense and legal fees; the initiative used about 40 percent of the allocated funds.

Staffing

During the process of planning the merger, Michael Barbaro did not allow any discussions about: Who would be the CEO of the new organization; what would happen to staff; what building would survive; and the name of new organization.

- The group focused on the merger and all stakeholders were assured there would be a process in place to make those decisions at the right time.
- The CEOs of the merging organizations were named Co-CEOs of the new organization.
- Hosted some "get together" events to combine two staffs.
- Open and honest communication to staff was important.
- Both staffs are supporting a new phone system that connects both locations.

COMMUNICATION (to owners, to brokers, to agents, to consumers)

- Meetings were held throughout the market area.
- Normal channels of communication were maintained.
- A facilitator was used to help develop a name for the newly formed organization and create a rollout plan.

Note: Three smaller MLSs are still operating in the state, which are owned by local boards of REALTORS®. The other MLSs do not utilize the same MLS software platform and any discussions would have extended the timeline and complexity for the merger.

Most Valuable Benefits

- One single database for most Connecticut properties and the resulting accurate statistics.
- Improved office efficiency with the elimination of double entry. All members will receive some type of benefit, e.g. access to more information, lower fees and improved data quality. It was time. Consolidation was always a topic of conversation for the membership. The organizations have finally made it happen.
- Michael Barbaro's role in the entire process was highly praised. He gained the trust of the leaders of both organizations, created a partnership atmosphere, moved the volunteer leaders to make decisions, talked to members throughout the state and worked tirelessly developing processes to make things happen.

Lessons Learned

- Focus on the goal of providing the best possible solutions for members and do not get distracted by the pieces of the puzzle that can kill merger discussions and can be addressed later.
- The process can happen very quickly, if you set the timeline that way.
- Concentrate efforts on the benefits and positive outcomes.
- Understand that it is uncomfortable for the CEOs and staff to realize that the organization they are working for may change drastically and their role will be different.
- Do not let politics get in the way and maintain high levels of patience.
- Whatever you think you know, it's likely wrong. Establish your own relationships with potential partners.
- Leadership from the volunteers is extremely valuable. They can express things that other volunteers will listen to and understand, rather than it coming from staff.

Takeaway

On April 1, 2017, the Greater Fairfield County CMLS and CT-MLS organizations officially merged and became SmartMLS, Inc. The new MLS launched the combined SmartMLS Matrix system on August 1.

In the short four-month timeframe, the staff and vendors have built out a brand-new Matrix system, combining the best features of both existing systems.

In addition, SmartMLS has unified the back-end office systems for the two locations, including implementing an entirely new cloud-based CRM solution, new phone system, and customer chat program, and combined the personnel resources including employee benefit plans, payroll systems, and business insurance policies.

The staff and vendors did the heavy lifting in record time. By August 1st, there was only one Matrix MLS system for the members, and there will be one unified company to serve them for the long-run as well.

A T3 Sixty Case Study commissioned by the National Association of REALTORS®. This study was researched and written by T3 MLS, a division of T3 Sixty, and based on information obtained from interviews conducted in July 2017 with Cindy Butts, CEO Connecticut Association of REALTORS, Kathy Elson, SmartMLS Co-CEO and Cameron Paine, SmartMLS Co-CEO.