



April 2010
Circulation: 66,376
Impressions: 199,128

ARE ILSs Still Relevant?

Apartment industry marketing execs debate and defend merits of online rental sites.

BY PAUL R. BERGERON III

Using Internet Listing Services (ILS) to market apartments reminds Heather Campbell of how department stores try to sell a beautiful dress. The store displays it in the front window. Customers walk by. A lot of people stop, look at it and admire it. They want that dress. They wish they could have it.

“That’s great,” says Campbell, Vice President of Red Peak, “but do they buy the dress?” And if they did, was it because of the fabulous store-front window display? Did they hear about the dress from a friend who walked by that window the day before? Or was it the salesperson inside the store who effectively made the sale?

Campbell says Internet Listing Services—Web sites that post listings of apartments for rent—are the apartment industry’s version of that enticing retail store’s window display. ILSs can grab a prospective resident’s attention and persuade them to call the leasing office or visit the apartment firm’s corporate or community Web site. But ultimately, all agree, it’s the leasing professional who must close the deal.

Campbell’s job at Red Peak, which operates nine apartment communities in the Denver area, is to fill her community’s vacancies. To do so, she solicits assistance from ILSs, which also can help her to make informed decisions about her company’s overall marketing strategy. With their wide-ranging products and services, reporting of critical demographic consumer information and a variety of cutting-edge technological gadgetry, ILSs can be likened to a one-stop shop—the apartment industry’s version of retail’s big-box stores. ILSs can serve multiple needs for apartment marketers while providing ample inventory and varied selection to renters for the ultimate shopping experience.

Debate recently has been ongoing about the value and relevancy of ILSs and their business models, with some participating in the discussion despite not having all the facts. This discussion among multifamily housing professionals during industry events and through apartment management Web site comment boards has included interesting, varied and sometimes misguided statements. Criticizing ILSs, or “ILS bashing,” as apartment marketing consultant Lisa Trosien called it in her Dec. 2 blog entry, “Let’s All Bash the ILSs, Shall We?” on www.apartmentmarketingblog.com, comes in various forms.

By speaking with several apartment marketing professionals, located nationwide and representing small-, medium- and large-sized portfolios, *units* aimed to identify what’s working and what needs improvement in the ILS-owner-marketer relationship, especially when it comes to driving traffic to community Websites, lead tracking, customer service and social media.

Owners’ satisfaction levels with ILSs depend on the size of their companies and their budgets, but also on their own technological prowess. REITS rely on ILSs at varying degrees to drive traffic, and many say that they find them to offer the best cost-per-lead pricing available. Many smaller owners are more than happy to leave the heavy-lifting of advanced marketing strategy and lead generation to the ILSs. Mid-sized owners tend to want to handle some common ILS functions in-house in order to have greater control or to

save expenses. With their large staffs, deep resources and technological expertise, ILSs can use powerful search-engine optimization techniques to drive prospective resident traffic to their clients' corporate and community Web sites. This traffic does result in signed leases. And this part of the business model is working, many executives agree.

But what else can ILSs do or do differently to help owners overcome today's record vacancy levels? Some are concerned that ILSs are spending too much time and money with development in areas that are better left to the apartment site staff, such as some aspects of social media or community video development. At the same time, some of these marketing professionals eagerly await and will embrace their ILS service provider's higher-level advancements such as augmented reality functions and mobile marketing opportunities through smartphone apps.

Those interviewed for this article offered minimal pricing gripes. Contrarily, they mostly offered high praise for ILSs' customer service efforts. And when speaking in general about ILSs' ability to overcome short- or long-term challenges created by market conditions or shifts in consumer behavior, one executive says, "The ILSs are smart. They'll figure it out."

Driving Traffic

One of the most powerful arguments for ILSs is that they can use their budgets and search engine expertise to provide traffic from prospective renters that communities may not be able to generate on their own.

"Once I get prospective residents to our site I want to keep them there. I'm not interested in working with ILSs that want to run the traffic through them."

*--Heather Campbell
Vice President, Marketing
Red Peak Properties*

Laurel Howell, Vice President, Internet Marketing and Business Development, Kettler, McLean, Va., has been involved solely in Internet-based marketing for 12 years. "ILSs can be my friend," she says. "Their listings drive traffic to our sites, and I want to bring that traffic to my Web sites and keep them there."

She acknowledges that Kettler, with a portfolio of 13,000 apartment homes, doesn't have the budget

to compete with ILSs on buying generic search-engine keywords. "I'm going to get priced out if I try to buy very general keywords. At some point I would love the organic [search engine] traffic to come to my Web site and no longer have to rely on ILSs, but it will take time and money. In the meantime, ILSs I do business with provide me traffic from those general keywords and I can focus my pay-perclick budget on more specific or local searches."

Red Peak's Campbell likes to receive demographic information from ILSs. "I want ILSs to let me know how those prospective residents found us," she says. "Once I get prospective residents to our site I want to keep them there. I'm not interested in working with ILSs that want to run the traffic back through them."

AvalonBay's Vice President of Marketing Kevin Thompson says he sees the value from ILSs in the form of content and volume delivery on a national scale. "It far outstrips that which any single corporate site can generate," he says. "Because of this enormous volume, most ILSs have a significant organic relevancy for major search engines, which we are more than happy to participate in. Apart from this, which is very important to us, we don't rely on ILSs for marketing services or features. Our own corporate Web site is the largest single driver of traffic to the company with 43 percent of total Internet leads, compared to a combined 48 percent for all our ILSs."

Bozzuto's Senior Vice President of Corporate Marketing Jamie Gorski says the need for ILSs to drive prospective resident traffic may be changing.

"[In the 1990s] ILSs' primary purpose was to satisfy owners who felt the need to be online," Gorski says. "Back then, the sites weren't as cluttered as they are now and it was exciting to be found online. Now, especially in the past year, the Web sites have become almost overcrowded."

She says Bozzuto will soon introduce a redesigned corporate Web site, which she believes will ultimately be the main driver for prospective resident traffic and traffic to Bozzuto's community sites.

Demographic Data Delivery

It's an age-old problem in apartment marketing strategy: Where do leads come from and what drives prospects' decisions?

Trosien, a nationwide marketing training consultant with more than 20 years' experience, suggests that ILSs possess a lot of valuable consumer demographic information that could help address those questions, but not all of the ILSs' clients are aware that it is available. Likewise, she says, marketing and leasing professionals are not forthright enough about requesting the data from the ILSs. This golden

“Most ILSs have a significant organic relevancy for major search engines, which we are more than happy to participate in.”

*—Kevin Thompson
Vice President, Marketing
AvalonBay*

opportunity to share and receive information could play a large role in heightening ILSs' perceived value.

Many ILSs don't inform their clients about the demographic information they have available, Howell says. “They have great research not only on customer demographics but on Web site preferences— such as which words, colors or fonts were most effective in the eyes and minds of the

prospect—but you have to ask for it. Not every owner knows that it's there.”

All ILSs contacted for this article say they are forthcoming about the availability of this information and encourage their clients to make use of it. They also tout a variety of ways for clients to receive the information (such as through e-mail or by logging into a Web site) and are flexible about the frequency for when the reports can be sent (monthly, weekly, daily or 24/7). ILSs also say they will hand-deliver the reports during their regular, face-to-face client meetings.

Owners' opinions about these reports vary. One owner says receiving a monthly traffic report gives the company all it needs to know. Another says having access to reports 24/7 helped the company manage its listings most effectively. Another says the company's own internal tracking technology determines where leads came from, and the ILSs' reports simply confirm what the company already knows.

ILSs' comprehensive reports are as granular as they need to be. They detail things such as most searched amenities, features and prices—often displayed in a top-10 list format. Some offer to break it down by floor plan popularity within a given market and others are as minute as comparing how consumers refined their searches based on prices versus submarket. The ILSs also can generate reports on prospective resident calls based on the ZIP code from which they originate, the phone number they came from, the duration of the call, the name and address of the caller and the time of day the call was made. ILSs can offer data about how many properties the average renter views and which features are most helpful in attracting page views.

Available reports feature clickable dashboards that allow communities to track lead conversion based on source. This enables leasing staffs and executives to better calculate and compare their return on investment for a given strategy.

“With marketing dollars, it's so important to always be evaluating what you're spending for what,” Bozzuto's Gorski says.

Thompson says that AvalonBay uses its own internal tracking and generally knows what should be included in the ILS data even before it is transmitted to him. “We use ILSs' data and information largely as a way to confirm our own internally generated data, which is a valuable tool for us. If we were to get incremental demographic and psychographic information from ILSs, there would likely be an opportunity to make good use of it.”

Customer Service

Executives agreed that ILSs scored fairly well in delivering customer service.

Howell says that while at Kettler and when working at her previous employer she met regularly with ILS representatives. “But I've found that sometimes during these meetings you were given a sales pitch and the representatives talked instead more about selling add-ons and upgrades at more costs with little benefit. I am more interested in finding out what they are doing to help drive more traffic to their site and my listings,” Howell says.

Alternatively, Howell says one ILS that she works with invited her to meet and speak with their tech staff and online programmers. “They wanted me to see what they are doing behind the scenes, such as conducting A-B comparable testing or showing which site designs attracted more prospective residents or which color choices were more popular for site visitors,” Howell says. “Given the travel to their headquarters and that I’m so busy, I wasn’t able to make the trip to meet the tech staff, but it was nice that they at least offered.”

Campbell agreed that ILSs deliver strong customer service. “They are happy to meet with me in person and they will visit my communities’ sites to help troubleshoot situations if they have to.”

Six Myths About ILSs

ILSs were asked to name one myth about apartment marketing and then explain why that belief was not accurate. Following is a sampling of some of their comments.

MyNewPlace

Myth: Communities must pay ILSs for leads they can essentially find elsewhere for free or significantly less money.

Reality: If a cost-per-lead analysis is conducted across a community’s marketing program, the ILS category will deliver the greatest value for the money and time invested. When apartment communities advertise, regardless of the medium, they are effectively paying to generate prospective leads. Whether they are listing their phone number on a billboard, buying a newspaper ad or listing an available unit on an ILS, they are paying a vendor to capture and send prospects to them. Owner/managers often tell us “they don’t buy leads,” but they still advertise in a variety of channels and they just don’t think of it that way.

Rent.com

Myth: With the pervasiveness and saturation of online marketing during the past decade, it’s easy for owners to skip the ILS and drive traffic directly from search engines to their own Web sites.

Reality: Though anyone can run an online search campaign with Google, ILSs are in a unique position to be a more effective and efficient source of leads and leases. Renters want choice, so they go online to get aggregated listings and online tools to make their apartment search process easier and more productive. With the ability to match a large number of renters with a large inventory of properties, the ILSs drive efficiency in the rental market place and can usually do so at a better ROI than what owners might achieve on their own. With nearly 75 percent of search clicks on ad results in the top two positions, ILSs are at an advantage with the ability to invest the resources and expertise to drive top placements and a large volume of renter traffic.

For Rent Media

Myth: Print is dead.

Reality: Living in the digital age, now more than ever, end-users are driven to the Internet to search. However, property managers need to be mindful that all forms of media drive users to search, especially offline media such as print. According to a May 2009 iProspect study about offline channels and their influence on online search behavior, 67 percent of online users are driven to search from exposure to some offline channel, and 39 percent ultimately convert, making a purchase from the very company that prompted the search after exposure to an offline channel’s message. Print ads and word of mouth were found to be the most frequent drivers of purchases.

Apartment Guide

Myth: ILSs are “necessary evils.”

Reality: Not so. ILSs market properties to an active, diverse and vibrant audience. Today’s economy is about giving consumers what they want and technology has empowered this shift. Consumers overwhelmingly choose to use ILS services because they find a great deal of value in them; they constantly are improving their online functionality to align to consumer needs. When we give them what they want, properties get what they want: potential renters.

Apartment Finder

Myth: The ILS model is “irrelevant.”

Reality: That makes us scratch our heads, because the large ILS companies can create an economy of scale and presence on the Web that simply cannot be duplicated by most companies, due largely to the

sheer amount of content and number of communities. Are we all things to all people? No. But the bottom line is that we produce leads—a lot of them—because apartment shoppers browse the major sites that they perceive to represent the bulk of apartment communities in a given geographic area.

Apartments.com

Myth: Marketing through multiple media channels is repetitive and requires too much work.

Reality: Ever-evolving trends have reinvented the method by which renters access information online.

The rate of increase in the number of searches conducted and videos viewed by consumers lately is staggering. More than 80 percent of Americans said they never leave home without their mobile phones, and Internet page views originating from mobile devices increased 110 percent in 2009. Given this new online climate, property managers and owners must showcase their communities through search, online video and mobile devices not only to be competitive, but also to remain relevant with the way renters are searching and viewing information online. Today, on-the-go renters can effortlessly search apartment listings from the palm of their hand by accessing a mobile Web site, sending community information is a text message to their phone, downloading an app or viewing video that highlights communities' lifestyles.

—P.B.

The Multi-Channel Approach And Craigslist

Some marketing executives spoke about the value of including Craigslist in their marketing strategy. ILSs argue that Craigslist isn't really "free" to use because of the staff time it takes to administer, along with the challenges of abiding by Craigslist's posting policy particulars.

While there is no charge to post apartment listings on Craigslist, the labor required to continually post new ads can become significant—one major REIT estimated it costs them as much as \$190 a month per property in labor to post. ILSs were quick to point that out when speaking about their no-frills competitor. Howell says Craigslist can be a part of a multi-channel approach. She believes investing staff time in Craigslist postings is worthwhile, but only when done correctly.

Howell says Craigslist posts must be kept current and reflect a marketing message that fits characteristics that are unique to Craigslist users, and they should be posted often. "Free tools are already available to make the posting process easier and quicker," she says. "I don't think branded ILSs' Craigslist templates would be a benefit.

"Craigslist users, generally speaking, are looking for deals," she says. "They like to think that they've found that one-and-only rental, which could be a room in someone's house or from a private owner."

Howell says the downside to Craigslist is the overwhelming number of postings it provides. "You can look up rentals in a certain market—like Washington, D.C.—and see 600 listings," she says. "I assume that soon Craigslist will start to charge for real estate postings similar to what they now do with jobs listings."

Staying ahead of the technology marketing curve is not easy or cost-effective for small companies, ILSs point out, and trying to execute a multi-channel marketing approach quickly becomes expensive for a single apartment community. ILSs also caution that settling on a print-only or online only approach is ineffective. A flexible approach is better, most say.

Thompson says AvalonBay believes that a multi-channel marketing approach is critically important.

"There are segments of the market that are simply focused on one medium to the exclusion of others—for example, print. And the cross-over from one medium or channel to another is much less frequent than is generally understood. So, for example, a potential customer who is comfortable with print will normally not cross over to an Internet search. Recognizing this, it's important to use a multi-channel approach."

Thompson says his company seeks the right balance in the marketing mix by using a locally driven approach. "That is, we do not determine the mix by using a national, top-down analysis, but rather we select media channels by focusing on the characteristics of the local markets," he says.

Whose Job is Social Media Anyway?

Many in the apartment industry are social media fans, acknowledge social media's potential and want to make it work for them. They recognize that learning to do so remains a work in progress, but believe that if their social media communications efforts are authentic, benefits will come.

"I support social media and Web 2.0," Howell says. "There is tremendous value in getting your residents to connect with each other and to talk about how and why they love to live in your apartments."

She and others believe ILSs do not have a place in the social media business, however. "Too many times I get a sense that they are offering it just to say that they offer it," Howell says. "They tell you that they can build and maintain a community page on a Facebook account for you, for example. But their message within the social media platform in turn becomes marketing dominated, and therefore it's not as sincere and real as when actual renters are doing the posting themselves. ILSs' attempts are not as personal. In some cases, the renters can see right through it. Renters don't want to be marketed to through social media. They want to use social media to connect with others, such as those in their apartment building, and don't want to be sold to."

Thompson says that ILSs have no role in AvalonBay's communities' social media efforts "because we don't see them as providing social connectivity for us," he says. "As soon as an ILS generates a lead for us, we expect the entire relationship to be transferred to AvalonBay. That means that the experience of the AvalonBay brand, if it is to be genuine, has to be through our own communities and staff and their social media efforts."

ILSs point out that there are clients who want social media services to satisfy the demand for this growing trend of potential marketing opportunities, especially if their clients believe they don't have enough staff to devote to the process. ILSs also say they use their own branded Facebook and Twitter accounts in order to market, increase awareness and drive leads to their advertising clients, the apartment communities.

Apartment 'Home' Movies

Mid-sized and large apartment owners say that online video production and video file hosting are responsibilities that they would rather assume themselves. Howell says some ILSs offer to produce a community video for Kettler, "but it's usually based on a formula that they have contracted through a video company," she says. "Sooner or later, all the videos start to look the same. I know my properties and I know how I want my videos to look. Resident testimonies are more effective than one, long commercial message. When residents are talking about the community, the message is more realistic and comes across more comfortably. A person doesn't want to be 'sold' to with a video that only drives home a list of amenities."

The bigger concern of Howell and others is having full authority over and possession of the videos. "They want you to pay them for the video production, but then they own the videos that you paid to produce," Howell says. "They want to run the videos through their own server, and if we want to keep the files on our server, we have to pay extra."

ILSs counter by saying that video production and hosting rights are fully negotiable and that owners have the ability to get what they want at a fair price.

Advancements and the Future

Howell is eager to see more development with Internet apartment marketing. "Many look at the advancements in technology when it comes to marketing and they think things are moving too fast, and that it's hard to keep up," Howell says. "I'm one of those who think it's moving too slow. I think our industry has been tinkering with a lot of things, but our industry is still behind. It's nothing like where the auto industry, for example, is. With them, their customers can log on and design a car and buy it right there."

Howell mentions that larger companies usually have the benefit of bigger budgets and more in-house technology development capabilities. "They can handle some of the products that the ILSs offer," Howell

"I know my properties and I know how I want my videos to look. Resident testimonies are more effective than one, long commercial message."

*–Laurel Howell
VP Internet Marketing
and Business Development
Kettler*

says. "For a company our size, I sometimes can say, 'I can do that just as well myself and it won't cost me anything,' instead of relying on an ILS."

On the other hand, marketing executives did offer some ideas on valuable products that ILSs could help develop for their clients. Howell says ILSs' development of smart-phone apps is one thing that a company her size could not have done itself.

AvalonBay's Thompson says that ILSs have moved well beyond simply being print-formatted listings on the Internet, "which, unfortunately, some ILS critics don't recognize," Thompson says. "While no one, including the ILSs, have developed a true, real-time inventory and pricing model comparable to that in the airline and hotel industry, the ILSs latest technological innovations are certainly vastly improved over where they were 10 years ago."

Campbell suggests one product that ILSs could develop that would help her is electronic brochures. She says approximately 80 percent of her prospects request electronic brochures. Campbell also recommends that ILSs develop "I Moved" e-cards that she could then give her new residents to forward to their friends through their personal Facebook pages. Some ILSs already offer catalogs of customizable marketing collateral including digital brochures, articles, flyers, forms and notices, newsletters and videos. Others are in the development stages of such items.

As apartment companies continue to work hard to generate traffic at communities with high vacancy, they'll look for continued innovations from ILSs hoping to demonstrate to the industry that they're as relevant as ever.