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SOLUTIONSSM

*eCommerce Cost/Benefit Analysis for
the Houston Association of
REALTORS[®]*



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Background

The REALTORS[®] eCommerce Network (RECN) was created by the National Association of REALTORS[®] in order to allow REALTOR[®] associations to better serve their members while lowering administrative costs. NAR sought to provide a system that would allow both large and small associations to take advantage of eCommerce without the cost of building their own systems.

The RECN provides four major capabilities to REALTOR[®] associations; payment processing, member invoicing, an eCommerce 'mall', and electronic funds transfers. In addition some associations have leveraged the system to pool their investment funds in order to receive a higher rate of return.

Typically larger associations with their own web presence and association management systems elect to use the RECN's payment processing capability. In contrast many smaller associations utilize the member invoicing component. Associations of all sizes use the mall and funds transfer modules.

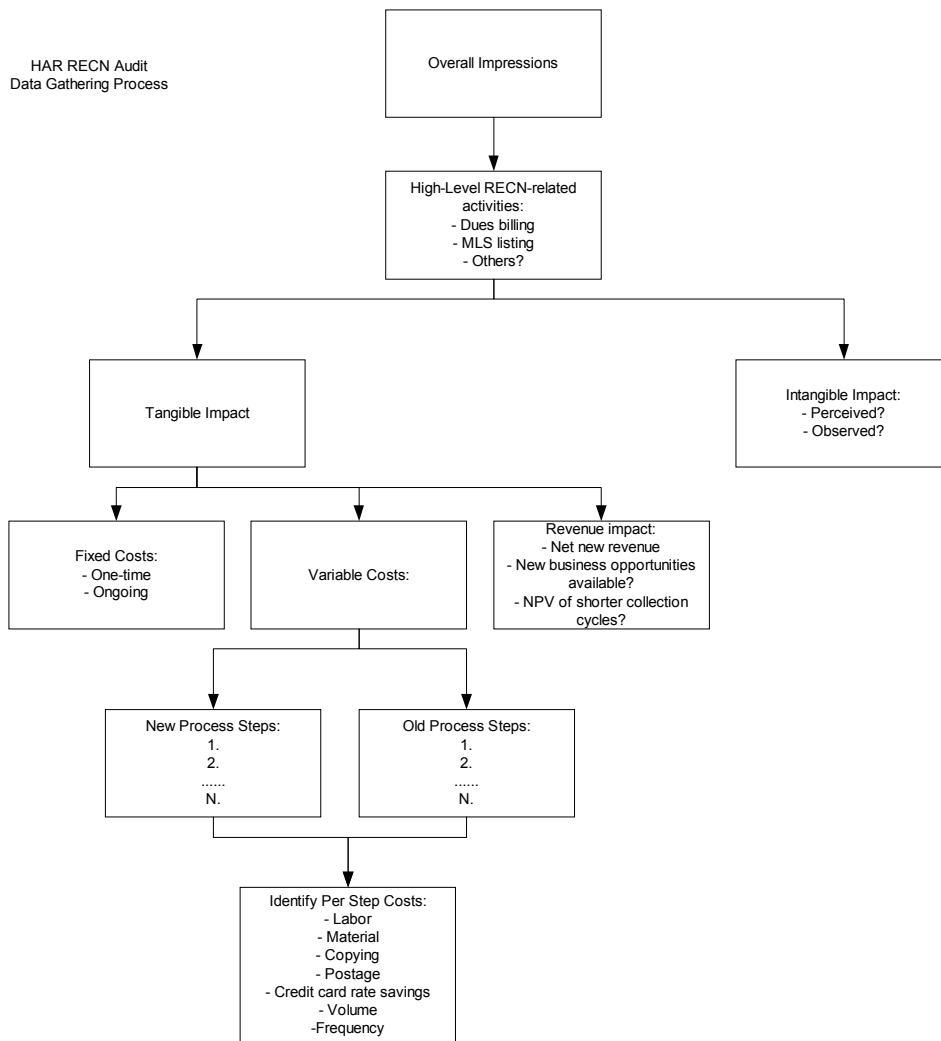
In 2000 the RECN usage of the 14 boards in Vermont was audited to determine the return on investment for smaller board's use of the RECN. It was determined that by using the member invoicing module an association could achieve significant savings in their dues billing process.

This report repeats that exercise for a far larger association, the Houston Association of REALTORS[®]. HAR is one the most active users of the RECN. The goal of this audit is to determine what costs and savings a large local or state association could expect to experience if they adopted the RECN.

Scope and Process

This audit examined the financial savings, in labor and materials, of using eCommerce for annual dues processing. By examining all processes involved in membership dues invoice distribution and funds collection, an accurate snapshot was attained.

The analysis contained in this report is based on Experio’s knowledge of the RECN and information gathered during onsite interviews at the Houston Association of Realtors over March 3-4 2003. The detailed data analysis is included in this document as an appendix. The analysis process is shown below.



Overview

The Houston Association of REALTORS® (HAR) is one of the largest participants in the REALTOR® eCommerce Network (RECN). In 2002-2003, HAR processed over 10,000 dues payments in excess of \$2.5 Million through the RECN. Rather than mail paper statements to its 17,000 members, HAR sent email notification to all members with an active email address that online dues payment was available at www.har.com/dues. The 3000 members who did not have valid email addresses received a postcard with the web address for online payment.

As a result, the processes of invoice distribution and payment collections have been greatly simplified. HAR views the RECN as a 'Receivables Engine' which can be used to collect not only membership dues, but also MLS fees and convention registration payments, among others. Many of the variable costs associated with labor-intensive, manual processing tasks have been eliminated, resulting in a highly scalable model which will accommodate future growth at a lower marginal cost.

Use of the RECN has resulted in tangible and intangible benefits for HAR and its members. The direct financial impact is quantified in this document. Some intangible benefits are also documented.

Additionally, HAR has utilized several 'best practices' which have been key contributors to its success.

Financial Summary

The highlights of the eCommerce audit are shown below.

Dues Processing Analysis Summary

	2003	2001 Actual		2001 Adjusted	
		Actual Data	Variance	Scaled Data	Variance
Membership Total	17445	13502	3943	17445	0
Total Labor Hours	237.40	940.40	(703.00)	1215.03	(977.63)
Labor Rate	\$32.02	\$26.70		\$32.02	
Total Labor Costs	\$7,601.55	\$25,108.68	(\$17,507.13)	\$38,905.13	(\$31,303.58)
Total Material Costs	\$1,716.20	\$8,327.92	(\$6,611.72)	\$10,759.93	(\$8,327.92)
Total Processing Cost	\$9,317.75	\$33,436.60	(\$24,118.85)	\$49,665.05	(\$33,436.60)
Processing Cost/Member	\$0.53	\$2.48	(\$1.95)	\$2.85	(\$2.32)
Total Financial Costs	53,491.08	\$2,700.00	50,791.08	67,652.94	(14,161.86)
Total Costs	62,808.83	36,136.60	26,672.23	117,317.99	(54,509.17)
Total Cost/Member (incl Financing Fees)	3.60	2.68	0.92	6.73	(3.13)

Total Adjusted cost per member 2001	\$	6.73
Total cost per member 2003	\$	3.60
Total per member savings	\$	3.13
Total adjusted labor and materials cost per member 2001	\$	2.85
Total labor and materials cost per member 2003	\$	0.53
Total per member labor and material savings	\$	2.32
Total adjusted credit card fee per member 2001	\$	3.88
Total credit card fee per member 2003	\$	3.07
Total per member credit card fee savings	\$	0.81
Total annual savings for 17745 members	\$	54,602.85

The impact of eCommerce on dues processing cost is that the processing cost per member is reduced from \$2.85 to \$0.53. These savings come primarily from reduction in labor for payment processing.

When the additional cost associated with credit cards fees is factored into the equation and compared against the comparable cost of accepting credit card payments in 2001 using NAR's and HAR's negotiated rates, the processing cost per member using eCommerce is \$3.60, compared to \$6.73 under the old system. This includes significant savings due to NAR's lower rates.

Assumptions

- The '2001 Adjusted' data was created by taking the 2001 per-member processing cost and applying it to the 2003 member volume to permit a meaningful comparison.
- The financial cost for the '2001 Adjusted' data is an estimate, assuming that the decision to accept credit card payments was an existing strategic decision and utilized HAR's negotiated credit card fee rates.
- For the 2002 billing cycle, HAR adopted a hybrid approach, where some online payments were made, but paper statements were still mailed to members. For the purpose of this analysis, the 'all-electronic' 2003 cycle is compared to the 'all-paper' 2001 cycle to show a true 'before & after' picture.
- As a result of a switch in accounting systems between 2001 and 2003, no comparison between receivables aging could be performed.

Intangible Benefits

- Although not quantifiable, HAR staff noted that, as a result of online invoice presentment, many members were paying older invoices faster than before.
- As a result of the labor reductions in invoice generation and payment processing, HAR staff have more time for regular work, and weekend and overtime work are greatly reduced.
- A higher PAC contribution rate has been observed.
- Members have commented on how much more convenient the online system is.

Best Practices

- With ‘Walk-In’ payments, HAR membership service takes the member to a computer kiosk running the HAR website and actually walks them through the process of making an online payment. This “Teach to Fish” approach will help convert many members to the online world and reduce the number of eCommerce-related inquiries in future.
- HAR ran advertisements in the Houston REALTOR® publication, alerting members to online payment availability.
- In 2002, although paper statements were still mailed to all members, HAR took the initiative to include the online payment web address on the physical invoice. As a result, many members who would normally have paid by mail actually paid online.
- In migrating to a web-based MLS system, HAR encouraged its members to use the web as an everyday business tool. As a result, when it came time to offer dues payment on the web, most members were already comfortable in the online world.

Appendix: HAR eCommerce Analysis Data

Dues Processing Analysis Summary

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Cost of Ownership

Ongoing Annual Costs

Marketing Costs	Ads in Houston Realtor	\$1,350.00
Maintenance	40 hours	\$1,280.80
Vendor	Support/Maintenance Fees	\$ 83.00
Total Ongoing		\$ 2,713.80

2003 Labor Analysis

Activity Ref.	Activity Title	Sub-Activity	Description	Staff Resources Assigned	Activity Duration (Hours)	Frequency over billing cycle	Total Labor (Hours)
1	Data Verification		Data verification Report is run: Pulled by Membership Services – looking for inactive offices	1	8	1	8
2	Charge Codes		Charge codes for Local, State and National dues are created in an Excel spreadsheet	1	4	1	4
3	Reset Bill Status		In Rapattoni, the members' 'bill status' flag is reset to 'N' (N – Not Billed; B – Billed)	1	1	1	1
4	Attach Charge Codes to billing type		Charge codes are assigned to billing types in Rapattoni	1	1	1	1
5	Review Billing Type Charge Report		The Billing Type Charges report is run. Staff verifies that the correct charge codes are correctly assigned in Rapattoni	1	0.5	1	0.5
6	Create Pre-Billing Report		Prebilling report is run for 17000 members. This shows what each member will potential be billed on this invoicing cycle.	0.2	5	1	1
7	Review Pre-Billing Report		Staff performs a desk check for 'reasonableness' of numbers	2	1	1	2
8	Create Invoices		Staff runs the invoices process in Rapattoni from the Pre-Billing batch.	0.2	6	1	1.2
9	Print Invoices		Originally, the Rapattoni software was configured to generate an invoice as a PDF file and then email it to the member. This process was changed – HAR web development pulls all valid email addresses from Rapattoni and uses Cold Fusion system to shoot off a notification email to each member that they should go to www.har.com/dues to view their invoice and pay their dues. Web development creates a generic online invoice with disclaimers, notices and so on. Three batches of email were sent out – hard and soft bounces were not followed up on, so some members did fall through the cracks. However, a pop-up message for invoice payment was added to the MLS page. Members can then login to see their actual invoice and pay it. If a member does not have an email address, a postcard is sent to that member with the www.har.com/dues web address . For the 2003 invoicing cycle, approximately 3000 postcards were mailed				
9.1		Email Notification		1	1	1	1
9.2		Online Form Design		1	40	1	40
9.3		Postcard Design		1	2	1	2
10	Post Invoices		invoices are posted to A/R, making them ready for payment posting.	0.2	6	1	1.2
11	Payment Processing						
11.1		Mail		1	0.5	40	20
11.2		Web		1	0.75	40	30
11.3		Fax		1	1	40	40
11.4		Walk-ins		1	1	40	40
12	Billing related Inquiries			1	0.75	40	30
13	Delinquency processing						
13.1		Web-pop up notice		1	2	1	2
13.2		Mail letter		1	4	1	4
14	Service Interruption Processing						
14.1		Run delinquent list		1	2	1	2
14.2		Change status		1	4	1	4
15	Termination Processing						
		Change status		5	0.5	1	2.5
						Total	237.4

2003 Material Cost Analysis

Activity Ref.	Activity Title	Sub-Activity	Material Cost Description	Cost
1	Data Verification		Data verification Report is run: Pulled by Membership Services – looking for inactive offices	\$0.00
2	Charge Codes		Charge codes for Local, State and National dues are created in an Excel spreadsheet	\$0.00
3	Reset Bill Status		In Rapattoni, the members' 'bill status' flag is reset to 'N' (N – Not Billed; B – Billed)	\$0.00
4	Attach Charge Codes to billing type		Charge codes are assigned to billing types in Rapattoni	\$0.00
5	Review Billing Type Charge Report		The Billing Type Charges report is run. Staff verifies that the correct charge codes are correctly assigned in Rapattoni	\$0.00
6	Create Pre-Billing Report		Prebilling report is run for 17000 members. This shows what each member will potential be billed on this invoicing cycle.	\$0.00
7	Review Pre-Billing Report		Staff performs a desk check for 'reasonableness' of numbers	\$0.00
8	Create Invoices		Staff runs the invoices process in Rapattoni from the Pre-Billing batch.	\$0.00
9	Print Invoices		Originally, the Rapattoni software was configured to generate an invoice as a PDF file and then email it to the member. This process was changed – HAR web development pulls all valid email addresses from Rapattoni and uses Cold Fusion system to shoot off a notification email to each member that they should go to www.har.com/dues to view their invoice and pay their dues. Web development creates a generic online invoice with disclaimers, notices and so on. Three batches of email were sent out – hard and soft bounces were not followed up on, so some members did fall through the cracks. However, a pop-up message for invoice payment was added to the MLS page. Members can then login to see their actual invoice and pay it. If a member does not have an email address, a postcard is sent to that member with the www.har.com/dues web address . For the 2003 invoicing cycle, approximately 3000 postcards were mailed	
9.1		Email Notification		\$0.00
9.2		Online Form Design		\$0.00
9.3		Postcard Design	Mailing postcards to 300 members who did not have valid email addresses on file	\$1,353.23
10	Post Invoices			\$0.00
11	Payment Processing		invoices are posted to A/R, making them ready for payment posting.	
11.1		Mail		\$0.00
11.2		Web		\$0.00
11.3		Fax		\$0.00
11.4		Walk-ins		\$0.00
12	Billing related Inquiries			\$0.00
13	Delinquency processing			
13.1		Web-pop up notice		\$0.00
13.2		Mail letter	1594 delinquency notices were sent in 2001	\$362.97
14	Service Interruption Processing			
14.1		Run delinquent list		\$0.00
14.2		Change status		\$0.00
15	Termination Processing			
		Change status		\$0.00
Total				\$1,716.20

2001 Labor Analysis

Activity Ref.	Activity Title	Sub-Activity	Description	Staff Resources Assigned	Activity Duration (Hours)	Frequency over billing cycle	Total Labor (Hours)
1	Data Verification		Data verification Report is run: Pulled by Membership Services – looking for inactive offices	1	8	1	8
2	Charge Codes		Charge codes for Local, State and National dues are created in an Excel spreadsheet	1	4	1	4
3	Reset Bill Status		In Rapattoni, the members' 'bill status' flag is reset to 'N' (N – Not Billed; B – Billed)	1	1	1	1
4	Attach Charge Codes to billing type		Charge codes are assigned to billing types in Rapattoni	1	1	1	1
5	Review Billing Type Charge Report		The Billing Type Charges report is run. Staff verifies that the correct charge codes are correctly assigned in Rapattoni	1	0.5	1	0.5
6	Create Pre-Billing Report		Prebilling report is run for 17000 members. This shows what each member will potential be billed on this invoicing cycle.	0.2	5	1	1
7	Review Pre-Billing Report		Staff performs a desk check for 'reasonableness' of numbers	2	1	1	2
8	Create Invoices		Staff runs the invoices process in Rapattoni from the Pre-Billing batch.	0.2	6	1	1.2
9	Print Invoices						
9.1		Invoice Form Design	Invoice form is designed in collaboration with printer	0.2	80	1	16
9.2		Printing	All invoices physically printed	4	2	1	8
9.3		Fold & Stuff	Printed invoices are folded and stuffed with additional inserts into window envelopes	5	2	1	10
10	Post Invoices		Invoices are posted to A/R, making them ready for payment posting.	0.2	6	1	1.2
11	Payment Processing						
		Mail	The bulk of payment processing time is taken up by opening the mail and posting payments. 4-5 people spend 3 days/week over the 8.5 week collections period just opening mail and posting payments	4.5	8	24	864
11.1				0	0	0	0
11.2		Web		0	0	0	0
11.3		Fax		0	0	0	0
11.4		Walk-ins		0	0	0	0
12	Billing related Inquiries			1	1	0	0
13	Delinquency processing						
		Run delinquent list		1	8	1	8
		Mail notices		4	1	1	4
14	Service Interruption Processing			6	1	1	6
15	Termination Processing						
		Change status		3	1.5	1	4.5
						Total	940.4

2001 Material Cost Analysis

Activity Ref.	Activity Title	Sub-Activity	Material Cost Description	Total Cost
1	Data Verification		Data verification Report is run: Pulled by Membership Services – looking for inactive offices	\$0.00
2	Charge Codes		Charge codes for Local, State and National dues are created in an Excel spreadsheet	\$0.00
3	Reset Bill Status		In Rapattoni, the members' 'bill status' flag is reset to 'N' (N – Not Billed; B – Billed)	\$0.00
4	Attach Charge Codes to billing type		Charge codes are assigned to billing types in Rapattoni	\$0.00
5	Review Billing Type Charge Report		The Billing Type Charges report is run. Staff verifies that the correct charge codes are correctly assigned in Rapattoni	\$0.00
6	Create Pre-Billing Report		Prebilling report is run for 17000 members. This shows what each member will potential be billed on this invoicing cycle.	\$0.00
7	Review Pre-Billing Report		Staff performs a desk check for 'reasonableness' of numbers	\$0.00
8	Create Invoices		Staff runs the invoices process in Rapattoni from the Pre-Billing batch.	\$0.00
9	Print Invoices			
9.1		Invoice Form Design	Invoice form is designed in collaboration with printer	
9.2		Printing	All invoices physically printed. Cost of forms, envelopes, inserts and postage	\$7,772.92
9.3		Fold & Stuff	Printed invoices are folded and stuffed with additional inserts into window envelopes	
10	Post Invoices		Invoices are posted to A/R, making them ready for payment posting.	\$0.00
11	Payment Processing			
11.1		Mail	The bulk of payment processing time is taken up by opening the mail and posting payments. 4-5 people spend 3 days/week over the 8.5 week collections period just opening mail and posting payments	\$0.00
11.2		Web		\$0.00
11.3		Fax		\$0.00
11.4		Walk-ins		\$0.00
12	Billing related Inquiries			\$0.00
13	Delinquency processing			
		Run delinquent list		\$0.00
		Mail notices	In 2001, 2259 delinquent notices were sent	\$555.00
14	Service Interruption Processing			\$0.00
15	Termination Processing			
		Change status		\$0.00
			Total	\$8,327.92