

M9L12. Zillow offers - Value Chain

Slide #1



The slide is divided into two main sections. The left section has a dark background and contains the Texas A&M University Engineering logo at the top, followed by the title 'Zillow Offers - Value Chain' in large white text. Below the title is the name 'Dr. Xiaomin Yang'. At the bottom of this section, it says 'TCMT 612 | Technical Management Decision Making' and 'MASTERS OF ENGINEERING TECHNICAL MANAGEMENT'. The right section features a light gray background with a man in a white shirt standing with his back to the camera, looking at a large digital display. The display shows a complex network graph with many nodes and lines, and several hexagonal icons containing bar charts, line graphs, and network diagrams.

ATM
TEXAS A&M UNIVERSITY
Engineering

Zillow Offers - Value Chain

Dr. Xiaomin Yang

TCMT 612 | Technical Management
Decision Making

MASTERS OF ENGINEERING TECHNICAL MANAGEMENT

Slide #2



Purchasing → Renovating → Selling

The home flipping business operates within a complex value chain consisting of various interconnected components.

From purchasing properties at favorable prices to renovating them and eventually selling them to new buyers, each step plays a crucial role in the overall process.

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Selling a home involves multiple steps.

According to Realtor.com, selling a home typically involves around 10 distinct steps, highlighting the complexity of the value chain.

Slide #4



Zillow has excelled in developing proprietary home-price prediction algorithms, it has faced challenges in efficiently managing other elements of the value chain.

While Zillow, a major player in the iBuying business model, has excelled in developing proprietary home price prediction algorithms, it has faced challenges in efficiently managing other elements of the value chain.

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Zillow has been able to streamline certain steps to improve efficiency, there are still duplicated processes within the value chain, hindering the overall effectiveness of operations.

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Value Chain Analysis

Zillow's model faces challenges in managing the home flipping value chain, including contractor and material shortages, leading to longer home-hold periods and increased costs.

One notable challenge that Zillow encountered was the difficulty in finding contractors and securing renovation materials.

The broader labor and supply shortages in the industry added to these complexities, resulting in longer holding periods for homes.

As a consequence, Zillow incurred additional costs in terms of insurance and financing, impacting profitability.

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Aspects of Value Chain

- Technology and algorithms for accurate home-price prediction
- Contractor availability
- Material sourcing

The experiences of Zillow underscore the complicated nature of the home flipping business.

While cutting edge technology and algorithms are vital for accurate home price prediction, successfully managing other aspects of the value chain, such as contractor availability and material sourcing, is equally critical.

By addressing these challenges, streamlining processes, and optimizing the value chain as a whole, companies in the home flipping industry can enhance operational efficiency, reduce costs, and ultimately increase profitability.

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It is crucial to effectively managing various elements of the value chain, from the front-end algorithmic predictions to contractor availability and material sourcing.

The home flipping business encompasses a complex value chain and each step within the process contributes to the overall success or failure of the venture.

Companies like Zillow have demonstrated the significance of effectively managing various elements of the value chain from the front-end algorithmic predictions to contractor availability and material sourcing.

By addressing these challenges, businesses can streamline operations, mitigate costs, and maximize their profitability in the competitive home flipping market.

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Lesson Learned

A business shall ensure capabilities in place to efficiently manage each key element of the value chain to realize the potential value of its computer-driven business model.

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