

Chapter 1

1. Which of the following is the *MOST* accurate description of today's house-seeking consumers?
 - a. Little diversity
 - b. More diversity
 - c. Little interest in owning a home
 - d. More men searching for a home

2. How did the subprime mortgage problem affect the U.S. economy?
 - a. Housing prices decreased.
 - b. Home equity increased.
 - c. Stock market crash stimulated interest in real estate investment.
 - d. It created jobs in the construction industry.

3. Real estate companies are different from other business enterprises because they
 - a. make their own products.
 - b. have no control over the products they sell.
 - c. are less regulated by the government.
 - d. have little contact with the average consumer.

4. What is the key factor that has driven real estate companies to ask, "What is our role?"
 - a. Aging population
 - b. More demands by Asians and Hispanics
 - c. Evolving role of the internet
 - d. Investigations by the Department of Justice

5. The internet has changed the real estate industry into
 - a. a brick-and-mortar business.
 - b. the realm of social services.
 - c. construction venues.
 - d. an information business.

6. What type of business model do consumers of today expect and demand?
 - a. Supplier controls the selection of products and services offered
 - b. A geocentric market with little or no input from a larger market
 - c. Products and services tailored to consumer demand
 - d. One-size-fits all service models

7. Some consumers are willing to purchase and pay only for services they want. As a result, real estate companies have
 - a. adopted alternative pricing models.
 - b. bundled their services into one package.
 - c. increased transaction-based fees.
 - d. restricted their core services.

8. What is the primary reason that real estate companies continue to support fixed real estate office locations?
 - a. Consumers demand attractive office space.
 - b. State regulations require fixed office locations.
 - c. Real estate licensees expect to work in an attractive office.
 - d. Companies can attract better quality listings and buyers.

9. What is the advantage of hiring sales agents as employees as opposed to hiring them as independent contractors?
 - a. Employees costless.
 - b. The senior management team will have less supervisory responsibilities.
 - c. Management has more control over sales activities.
 - d. More people can be hired, thus increasing sales.

10. Companies, including real estate offices, often suffer from an “age divide,” which refers to
 - a. traditional 35-year “gold watch” retirements.
 - b. the gap between the youthful senior management and older sales staff.
 - c. the gap between the older entrenched senior management and lower-level younger people.
 - d. the melting pot of cultures and generations.

11. What consumer goal that impacts the real estate industry has changed as a result of the Great Recession?
 - a. Preference for homeownership
 - b. Preference for rental housing
 - c. Low expectation for property appreciation
 - d. Expectation that their lives will be better than previous generation

12. With regard to changes in the marketplace, real estate regulators are typically
 - a. reactive.
 - b. proactive.
 - c. unresponsive.
 - d. heavy-handed.

13. Which of the following groups is *MOST* likely to be in real estate office upper management?
 - a. Hispanics
 - b. Asians
 - c. Baby boomers
 - d. Generation Y

14. What was the power of traditional multiple listing systems (MLSs)?
 - a. Only members had access to the information.
 - b. Sellers controlled who received information about their listings.
 - c. Nonmembers had access but only upon specific request.
 - d. Members agreed to limit cooperation fees.

15. What is a problem with Internet Data Exchanges (IDXs)?
- Allow consumers to view many listings
 - Exclude nonmembers from accessing the listings
 - Allow third-party internet companies to sell leads to companies' own listings
 - No standardized format for updating listing information
16. Decisions about access to real estate listings are now made by
- real estate brokers.
 - affiliate licensees who take the listing.
 - local multiple listing services.
 - owners whose properties are for sale.
17. Who determines what the consumer receives in a take-it-or-leave-it business model?
- The consumer
 - The supplier
 - The regulator
 - General business practices
18. What group is quickly becoming the largest minority?
- Asians
 - African Americans
 - Hispanics
 - Native Americans
19. Real estate companies that have expanded the meaning of *core services* may now assist consumers in all of the following *EXCEPT*
- job placement for a spouse.
 - day care for a child or elderly parent.
 - handyman services.
 - verifying the accuracy of seller property disclosures.
20. What was the original primary reason for choosing a location for a real estate office?
- Draw for foot traffic
 - Easy to erect large signage
 - Denote market share
 - Vanity of broker/owner

Chapter 1 Quiz

1. b Today's consumers are more diverse than ever before, with Hispanic, Asian, and women buyers leading the demand. 9
2. a As the magnitude of the subprime mortgage problem emerged, the stock market crashed, thousands lost their jobs, and housing prices dropped 30% wiping out \$7 trillion of homeowner's equity. 2
3. b Unlike other business enterprises, real estate companies don't make any products or have any control over the products they sell. So, companies claim rights to products with listings and vigorously control that information. 6
4. c While some technology provides efficient ways to distribute listing information, the internet now provides consumers direct access to information and the ability to drive their own real estate transactions. 6
5. d Now that information can be warehoused, delivered, and exchanged for something of value, the real estate industry has become an information business, more so than a brick-and-mortar one. Its hot commodity is access to property listings. 7
6. c Today's consumers demand a consumer-driven model, which creates products and services to suit consumer demand; this is an outcome of the cyber economy that gives consumers access to most any product, service, or sliver of information with the touch of a key on a tablet, laptop, or smart phone. 8
7. a To appeal to more selective consumers who want to purchase and pay for only selected services, many real estate companies have unbundled their services, shed transaction-based fee structures in favor of alternative pricing models, and now offer a menu of options from which consumers can choose; consumers then pay only for the services they use. 9
8. b State regulators continue to require fixed office locations, but today, consumers are much more interested in what they consume than in where they consume it. 10
9. c Companies can work smarter by hiring salespeople as employees rather than independent contractors because they can exert more control over sales activities. Although employee costs will be higher, ultimately those costs will be offset with higher revenue. 11
10. c Often, companies suffer from an "age divide," a large gap between the younger employees at the lower levels of an organization and the older employees in the top managerial positions. Younger people go where the work is and tend to skip from company to company. 12
11. b Previously, property was expected to appreciate and was viewed as a good investment. Today, despite low interest rates and attractive housing prices, consumers do not expect that housing will appreciate; many have turned to renting instead of homeownership, which has dropped to a 15-year low. 13
12. a Because regulatory law is typically reactive rather than proactive to foster innovation and creative free enterprise, it is not clear how business models will change over time. 15
13. c Most real estate companies are run by baby boomers, the over-age-50 crowd. They are used to doing things the way they have been done in the past and are often resistant to ideas coming from their younger counterparts or from the increasing numbers of Hispanic and Asian consumers. 7
14. a In a traditional MLS, members shared listing information only with other members, as permitted by the property owners who were guided by members. Nonmembers were locked out. 6
15. c IDXs and Virtual Office Websites (VOWs) provide information about listings to everyone, and third-party internet companies sell leads that are generated by the companies' own listings to real estate companies. 7
16. d Although multiple listing service rules are structured to allow the exchange of listing

information only between members, many owners whose properties are for sale demand input into those decisions. They expect that the listing information will be widely disseminated to everyone and anyone. 8

17. b Under a supplier model, the supplier controls the selection of products and services offered in the market place; this practice is known as take-it-or-leave-it. A consumer-driven model creates products and services tailored to suit consumer demand. 8
18. c The real estate industry was once a geocentric business, but now has few geographic boundaries and is culturally diverse. Hispanic and Asian populations are growing at three times the rate of the overall population, with Hispanics now the largest minority. 9
19. d In some companies, core services can mean linking consumers with job placement for a spouse, day care for a child or elderly parent, or maintenance services. It does not mean that the broker takes any responsibility for verifying the completeness or accuracy of a seller provided property disclosure. 9
20. a In the past, the location of a physical real estate office was a draw for foot traffic. However, in the world of ecommerce, all companies are learning that cyberspace is more important than office space. 10