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Business Analysis and Recommendations for Timber

Jared Alexander
Portland State University

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by

Jared Alexander

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Theodore Khoury

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Introduction

To close out my PSU school of business experience, I've been placed on a team with five other classmates in the School of Business honors program cohort to help a business owner with some hurdles they are facing in their ventures. Throughout the last nine weeks, my teammates and I conducted a lot of research, and gave four presentations to the business owner. Our final presentation highlighted our final recommendations. The name of the business owner and company have been anonymized for confidentiality. All images featuring the name or logo of the company have been covered.

In this capstone review, I'm excited to share with you more about what sort of help the client wants, some research we conducted, an analysis of our findings, and the recommendations we gave. I'll end with some takeaways I got from the overall capstone experience.

Introducing Timber

Timber is a project management software that is being marketed toward realtors. Their website highlights how it particularly helps real estate agents, transaction coordinators, and brokerage owners. With this site, a realtor could have each of their prospective clients' progress in the home buying process available in an easy-to-read chart. They are a subscription-based company, garnering monthly revenues from their clients at one of three subscription rates. These different subscription rates vary depending on how many agents a client has and how many transactions a client performs.

Victor has a vision to simplify and automate most of the transactional and follow-up tasks within real estate and mortgage transactions. He has applied his own experience (15 years) and expertise in the real estate industry to initiate new software. Timber is a web-based software which can be accessed by one individual or a team of users. Within the site, users can track and update details of complicated real estate transactions to speed up and simplify their process. Real estate transactions related to the sale or listing of a home are complex. They include a lot of signed documents, and some legal agreements. Many people are involved with these transactions; individual parties and financial institutions; agents, brokers, and lenders, to name a few.

Timber is at an early stage of development. They have been in operation for approximately 1 year. The client's priority is to receive an in-depth look into all marketing and sales opportunities and explore ones which will produce quick wins, and if possible, begin implementation to onboard new customers quickly. Furthermore, the client expects analysis of the company's growth potential as well as exit strategies, and exploration of alternative sources of funding.

Research

Our team first conducted some research into realtor's needs, the overall housing market and into competitor project management software. We learned that the housing market ebbs and flows, but overall, is quite consistent. This proved to us that there definitely will be consistency in the clientele Timber is trying to garner. This had us feeling optimistic that there could be a need for software like Timber. Furthermore, we learned that there are 3,940,656 employed in the commercial real estate industry, so there could be a large pool of clients to pull from.

We also investigated some competitors of Timber. Two companies that are also offering similar services to Timber are Skyslope and Dotloop. We made a chart comparing some of the features on Timber versus its competitors.

Competitive Offerings

	# of Agents	CRM Capabilities	# of Transactions	Price	Bonus
████████	1. 5 2. 10 3. 25	1. 2,500 contacts 2. 5,000 3. 10,000	1. 25 2. 100 3. 1,000	1. $39 2. $69 3. $199	All features included at every level
SKYSLOPE	1. "Starter" 0-10 2. "Pro" 11-25 3. "Power" 26-50	Integration with 3rd-party CRM software	Unlimited	1. $25 2. $15 3. $10 (Price per user)	Integrations
dot loop	1. "Premium" 2. "Teams"	Integration with 3rd-party CRM software	Unlimited	1. $31.99 2. Custom	Training for new users: In-person Online Asynchronous

https://www.dotloop.com/integrations/directorsillicon

My team and I reached out to several professionals involved in various roles in the real estate industry. We learned a lot about the day-to-day tasks of a realtor, and what they may want from software. Nearly everyone said that realtors do not want to take the time to learn a new software, never mind spend the money. One interviewee even said, "switching software while working is like switching tires while driving." This inspired us to maybe market Timber to new realtors or places/websites that new realtors may visit. Also, two of the realtors we interviewed were glued to their phone, one even needing to leave his phone in another room to focus on our interview. With this knowledge, we knew Timber would have to develop a mobile app with how many realtors are on their phones.

Analysis

We have summarized our research in a way to highlight the threats Timber faces in the competitive landscape of their market along with areas of opportunity that could help Timber thrive.

Threats

Cost of Switching

Realtors are very busy, and time is money in the industry. Therefore, this prevents agents from switching software, even when dissatisfied with their current.

New Entrants

The software is easy to replicate for those who are experienced in software design or computer programming. There are no legal boundaries in place to prevent new entrants doing very similar things unless a patent is in place. Other competitors, such as Listedkit, were able to release a minimum viable product (MVP) within two months using existing base code and funding from venture capitalists (Transaction management for real estate agents). The ease of financing and developing highly competitive software is a looming threat.

High Number of Competitors

There are over a dozen competitors that have a stake in the real estate transaction management software industry.

Opportunities

Consistent Housing Market

Even through the turbulent past few years for the world and our country, the real estate market is consistent and profitable.

Segmenting Target Markets

Timber can diversify their software and offerings to cater to certain demographics within prospective homebuyers.

Modern Marketing Strategies

Timber is having some success with very limited styles of marketing so far. Timber could potentially gain many new clients by partnering with content creators, utilizing social media, or advertising on realty specific websites.

Mobile App

We learned through our interviews with real estate professionals that they do an immense amount of work on their cell phones. Because of this, creating a Timber app could help get, and retain, new clients. Mobile apps help individuals or teams easily track, manage, and deliver project deliverables from anywhere, helping to ensure all members are always on the same page, no matter their location.

Additionally, mobile apps make using the software easier by simplifying the gathering of the necessary information and helping team members complete tasks promptly. Users can give daily updates or even set reminders to keep progressing in projects as projected.

<u>Positive Community Impact</u>

People want to work with organizations that they know are serving their community. We feel like this could also help Timber get a competitive edge and offer something their competitors might not be able to.

Recommendations

Our group came up with three primary recommendations we shared with Victor to help Timber succeed. Our first recommendation is to adopt new marketing methods. Victor started Timber with a loyal base clientele from his experience in the real estate industry. He was relying on that and some phone/email marketing. There are many untapped ways Victor can spread the word about Timber.

So, our recommendation is to have Timber advertise their service online, particularly on the webpages of real estate related websites, such as CE Shop, Colibri Real Estate, Aceable, or Kaplan. These websites get a lot of traffic and might be a great place to get new clients. Due to the costly nature of marketing through these online programs, we recommend focusing on websites and Victor may also want to hire a creative marketer to spearhead the campaign. We provided a ROI calculation based upon some research highlighted in the below chart. We came to the initial investment of $144,00 as an annual amount from this research ("Online Advertising Costs").

Our second recommendation is for Timber to create a mobile app. Our in-person interviews revealed just how tethered real estate agents are to their phones. For Timber to have a shot with as many competitors they have, they need to have a strong mobile app. We think there should be one app for Timber clients (the realtors or transaction agents) and one for the prospective homebuyers. They would both have different interfaces, but ultimately would make communication from Timber client to homebuyer efficient, while both of their separate needs and tasks on their own respective app. Trying to put a cost to developing an app like this is tough. We pulled some data about app development costs and came up with an initial investment cost ("How Much Does It Cost…"). We factored in the revenue based upon our estimation of how many new clients Timber would gain per year due to the addition of the app. These revenues don't contain any other forms of revenue or consider the clients that Timber already has. This means that most likely these revenue figures would be much higher but wanted to focus just on this data.

Initial Investment	$30,000.00

Year 1	$2,808.00
Year 2	$5,616.00
Year 3	$8,424.00
Year 4	$11,232.00
Year 5	$14,040.00
	$42,120.00
ROI	40.4%
Revenue	$12,120.00

Our final recommendation for Timber is involvement in local philanthropy. People like to work with companies and organizations that they know are helping their community. If Timber had a reputation for donating a lot to charity, or were partnered with a charity or non-profit, this could help sway prospective customers to choose Timber.

As an example, there is one of Timber's competitors, Skyslope. Skyslope has a charitable donation program within their company called SkyServes, established in 2018 as a way for SkySlope to give back to the local community (Skyslope - real estate transaction management). The employees all have an active role in selecting the charities they work with. For example, they're Sacramento based, so they choose many local charities that will impact their community. In 2019 employees donated their time to work for Habitat for Humanity Builders in their area. Social issues like homelessness and housing insecurity are on-brand for their company and giving back raises awareness about their brand and paid products.

By applying some of these strategies, Timber can help give themselves an excellent reputation within their communities and build a reliable and charitable brand people want to

support. We recommend offering prospective customers three charities from which 2% of their monthly subscription would go to that charity.

Takeaways from Capstone Experience

I learned so much over the last nine weeks. Firstly, I learned a lot about team dynamics when working with a group of six people. Throughout my time at PSU, I was tasked with working with teammates, but not for as long and as intensely as this course. All six of us were unfamiliar with the real estate industry and with helping a real company strategize and come to solutions. All the while, many of us had one or two jobs and other courses.

Just as a business must adapt, our group had to adapt to these challenges of learning a new industry and making this work with our busy schedules. We tried to meet once to twice a week on zoom but did not make the meetings required if people were showing up to more than half. We had to practice a lot of patience and have grace with each other, because ultimately, squabbling about someone not being present is not solution oriented. I would say staying solution-oriented helped us avoid a lot of fights or pitfalls that groups can usually fall into. We also tried to split up work for our strengths and weaknesses. I'm great at speaking, but not the best at organizing my thoughts into words so the group allowed me to speak on our research and findings. Our teammates who did not want to present were incredibly helpful in the research. I'm proud that we didn't really have any conflict.

The last takeaway I have from this capstone is specific to my major of accounting. Through the last four years of my schooling, I have been asked to prepare financial documents or perform analyses of a variety of fictional companies and government agencies. To come to our financial conclusions or to do some business forecasting, we are given perfect data sets and know

exactly what values to put where. We were not provided with much financial data for Timber, both because they are a new company and because they don't have a designated accountant or finance person (to our knowledge). My team and I had to really think creatively about how to do any revenue forecasting, or return on investment analysis, with very limited data. I'm taking away from this experience that as an accountant, I will not always be provided perfect data sets and must reach out to different parties for as much data as I can get and then do my best to help with what data I do get.

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