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Sent: Tuesday, 18 September 2012 4:46 PM

To: John Hine

Subject: Letter to all agents from Antony Catalano

Melbourne's residential agents face an excruciating Premiership hangover if they cave in to realestate.com.au's insistent, high-pressure demands to sign long-term advertising contracts before the AFL Grand Final on September 29.

Put simply, signing these contracts is potentially very damaging to your business for the following reasons:

1. You are locking yourself into fixed prices despite clear evidence they are on the way down, placing yourself at a strong competitive disadvantage. Don't believe me? Well, just look at the numbers. In the past few months the price of the Premier package has fallen by nearly 45 per cent from \$2300 to \$1300. Imagine being locked into contracts for two years that are up to \$1000 a property more expensive than your competitors' costs, or worse, being locked into a product in a rapidly-changing media environment that may not be relevant in two years;
2. You will be treated differently from your competitors. Put simply, different agents get different rates, with the leg-up provided to the number one or two player in each market at the expense of all other players. We also heard at an agent forum last week that realestate.com.au's tactics are not just restricted to buying agents off, they are engaging in payback. One agent told us that every time his competitor rejected pressure to sign long-term contracts, he was contacted by realestate.com.au's sales rep and asked which properties he wanted to upgrade at no cost. This was designed to do nothing other than exert pressure, an interesting approach that may work once but ultimately all agents should be aware they could be subject to these corporate strong arm tactics;
3. You are risking the censure of corporate affairs, fair trading and competition regulators in the event you accept and do not pass back any benefit associated with vendor paid advertising. It is possible some media companies are engaged in what would be deemed by Consumer Affairs as payment of secret commissions;
4. You may be locking yourself out of a very exciting, industry-backed integrated sales and marketing solution.

As you know, Melbourne's largest and most successful agents have been working with MMP, publishers of The Weekly Review magazines, 32 community newspapers and reviewproperty.com.au to develop a sustainable and affordable marketing platform and we are making very good progress.

Over the past couple of weeks, we have met with more than 200 agents in Bayside, the north-west and eastern suburbs. Pleasingly, we have met with very few agents who have signed these long-term deals and in most cases the deals that have been signed are for 12 months only. I can tell you from the feedback I have received personally - and that the rest of the team has received - that the industry dissatisfaction with REA is at fever pitch with agents

meeting around Melbourne to consider alternatives. I also question the confidence realestate.com.au has in its own business if it is prepared to try and lock you in for two years – have they peaked and are they saying they can't sustain their rates? Certainly they are taking the competitive threat very seriously indeed.

I would therefore again urge you not to lock into any long-term contract and certainly not for two years, or any contract at all that fails to guarantee everyone will pay the same rate regardless of volume.

In the meantime, we are continuing to work with our agent partners to build a genuine industry-owned business that has brought competition to the market by creating new product offerings with greater value for buyers and sellers.

It's a pretty clear choice: extricate yourselves from the realestate.com.au squirrel grip, and join the team that is clearly the best and fairest!

Kind regards

Antony