

# SHAPING THE FUTURE

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The Appraisal Institute of Canada (AIC) Board of Directors recently struck a Task Force to undertake a wholesale examination of the disruptors facing our industry, analyze the impact of those disruptors, and develop recommendations regarding how the organization can facilitate Members' adaptation to the new marketplace with strategies that will allow them to thrive. Given the magnitude of the market changes facing the membership, the importance of the Task Force's work cannot be overstated.

We are honored to have been named co-chairs of the Task Force and we look forward to leading this multi-year project; the very success of our industry may hinge upon getting this right. The Task Force's kickoff meeting was held on October 27, 2019 and the work is already underway.

One of the guiding principles identified by the Task Force was that the entire membership be engaged and that their input be solicited throughout the process of this important work. We will be communicating the progress of the Task Force's work on a regular basis and will always advise you of your opportunities to provide input.

In this, the first of a regular column in the CPV about the Task Force's progress, we wanted to provide some context that we feel relates well to the position in which the AIC and the membership find themselves. As you will see, we are far from being the only industry having to deal with disruption and change.

Throughout history, products, services, even entire industries have had a finite lifespan. Commercial offerings are inevitably displaced by disruptive technology or

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rendered obsolete by other changes in the marketplace. Their lifespans can vary greatly in length, from the relatively short, such as Sony BetaMax VCRs, or very long, as with the horse and buggy. However, in each of these cases, the product was either displaced by emerging technology; in the case of the horse and buggy it was the automobile, and with BetaMax, it was VHS' ability to flood the marketplace despite the superiority of the Sony products. From prehistoric stone tools, to the Blackberry, the lifespans of products and services are, in a significant way, subject to displacement by emerging technologies or obsolescence due to external marketplace changes.

## INDUSTRIES UNDER SIEGE

Most recently, we have seen dramatic disruption in the marketplace with the advent of Artificial Intelligence (AI). Two examples of industries facing disruption include real estate and insurance.

### 1. Real estate

In 2018, real estate accounted for about 12.75%, or \$250 billion, of Canadian GDP, as reported by Statistics Canada. That is more than any other industry, including manufacturing at \$174 billion. Real estate, as a whole, covers a number of market segments, including commercial industries such as retail construction and rentals to the residential market. Real estate construction alone contributed more than \$80 billion to the Canadian economy last year, while apartment rental properties are worth north of \$100 billion.

The real estate industry provides a huge market for opportunity. A US example of AI in this space is from Compass, a startup that uses AI to connect potential homebuyers and renters with properties that best meet their needs. While there are multiple websites that offer a similar service, Compass perfected the art by breaking the mold and standing out. According to a representative of SoftBank Vision Fund, which invested \$450 million in Compass, it is well positioned for future growth for building a "differentiated end-to-end tech platform that aggregates across diverse data streams to support agents and homebuyers through the entire process."

### 2. Insurance

Insurance companies and their leaders have a lot to deal with lately, as reported by Deloitte's latest market research report called Fintech by the numbers. As reported by Deloitte, "Political and regulatory upheavals around the world are changing some of the ground rules about how carriers are allowed to operate. An accelerating evolution in the way business is conducted is being driven by innovation and higher customer expectations, while disruptive newcomers are looking to take market share from incumbent insurers in the insurance industry."

Upheaval and changes create opportunities for savvy entrepreneurs, which is exactly what Lemonade is capitalizing on. Without relying on legacy players in the space, Lemonade blends insurance with tech and digitally transforms the user experience by appealing to consumers of all ages, removing costs and expediting claims. The data that is gathered helps drive efficiency and quantify risks.

In December 2016, Lemonade set the world record for settling a claim in three seconds using its AI-powered claims bot, which ran 18 fraud algorithms simultaneously. Its technology understands the nature, severity and urgency of most claims. If any claim is too complex, it gets handed over to human counterparts for further manual analysis.

## ADAPT TO SURVIVE AND THRIVE

Some products and services, however, manage to adapt or reinvent themselves in order to thrive, despite threats from competition, technology or a changing marketplace. Today's business landscape is often in a state of flux. Whether these changes are cultural, economic, or technological, companies are challenged to keep their businesses relevant in the face of an evolving market. No matter how successful a company may be, they can be vulnerable to new trends or rapidly advancing technology.

Fortunately, a number of business leaders are able to adapt in times of change. Some are not only able to adapt, but they are also able to use changing habits and game-changing new technology that eventually gave way to enormous growth.

### 1. Netflix: online streaming

Now an online streaming juggernaut, Netflix started as a DVD rental home delivery service. At the peak of its popularity in 2010, Netflix's DVD-by-mail service had 20 million subscribers.

Netflix has since been pulling in substantial growth in revenue and subscriber numbers in recent years. Its online streaming business unit is booming, with \$6.1 billion in revenue and 75 million subscribers in 50 countries, and its DVD-by-mail business is also alive and well, with 5.3 million subscribers still paying for their monthly DVD delivery service.

Netflix's reinvention shows that innovation does not necessarily mean forsaking the old in favor of the new. By retaining its DVD-by-mail business while growing its online streaming unit, the company has been able to retain a loyal customer base while reaching out to new audiences.

### 2. National Geographic: integration of new media

The yellow-bordered *National Geographic* magazine has come a long way. Founded 128 years ago, the magazine was at risk of dying out along with some of its peers in print publication because of digitalization. Their subscription revenue fell from \$289 million in 1999 to \$211 million in 2009.

*National Geographic* embarked on a massive restructuring and sought to diversify its media platforms. The publication struck a \$100 million cable programming deal with Fox in 2012 and made editorial changes to improve and integrate its content. Its website was redesigned to have better navigation and more intuitive access to the editorial team's stories, photography and videos. *National Geographic* also successfully utilized social media to reach new audiences that actively and visibly engage with the brand.

As a result, the company made a total of \$569 million in revenue in 2013 with both its print and digital business units thriving. *National Geographic* currently has almost 53 million followers on its Instagram account and its Facebook page has more than 40 million fan page likes. As of 2014, the print magazine had 6.8 million subscribers, while its website garnered 41 million page views.

## THE APPRAISAL INDUSTRY IN A DISRUPTED MARKETPLACE

The appraisal industry is not immune to the types and scale of change discussed above. Disruptors like Artificial



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Intelligence, Blockchain, PropTech, Open Banking and many more are already having an impact on the appraisal industry, and the pace and breadth of change will only increase over time.

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The appraisal profession and market landscape have changed dramatically over the past number of years. In the face of this changing landscape, AIC is constantly working to ensure that, as an organization, we continue to meet and anticipate the needs of Members. In fact, one of our primary objectives is to ensure the continued viability of the appraisal profession and to help our Members thrive, regardless of market conditions. To that end, the AIC Board of Directors, along with the leadership of all

of the provincial affiliates assembled on February 24, 2019 in Toronto. The group conducted a facilitated issue analysis, visioning and brainstorming exercise aimed at defining how AIC can continue to best meet the needs of its membership in light of ongoing and anticipated changes in the marketplace. The process included a detailed issue analysis to identify and articulate all the factors and changes that are impacting the appraisal profession. The day also included a brainstorming exercise to identify a list of potential measures that AIC can take to work with Members in addressing and adapting to the changing landscape.

The work that was begun by the working group in February 2019 has now been assigned to a Task Force that was struck by the AIC Board in

August 2019. The Task Force has been charged to develop organizational recommendations to the AIC Board regarding how AIC can continue to best meet the needs of its membership in light of ongoing and anticipated changes in the marketplace. Specifically, the Task Force will:

- explore the impact of technology and other industry disruptors on the profession;
- analyze various scenarios of the changing landscape for appraisals;
- conduct a review of AIC's governance, organizational and operational structure(s) to provide more efficient and effective delivery of services and programs; and
- identify how AIC can best focus its resources to facilitate Members' ability to diversify their services.

The Task Force's work has been branded '**Shaping our Future**' because that is exactly what the resulting recommendations are intended to do.

The Task Force held its first meeting in October 2019, with Shaping our Future expected to be a multi-year project. As co-chairs of the Task Force, we commit to you, the membership of AIC, to continually work to solicit your input and participation in the process and we further commit to being fully transparent with you throughout the process. This will include a regular update in this magazine, in the monthly communiqué, and more often, as required.

You, the membership, will have multiple opportunities to provide your input; you will be notified once the consultation period begins, and we strongly encourage you to participate – it is your future!

We welcome the opportunity to guide this project, as it is of critical importance to the future of our profession.

If you have any questions about the Task Force, please contact the AIC National Office at [future@aicanada.ca](mailto:future@aicanada.ca).