



January 2016

New business practices: Estate agency interactions in England and New Zealand housing markets



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Report for Royal Institution of Chartered Surveyors

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Published by the Royal Institution of Chartered Surveyors (RICS)

RICS, Parliament Square, London SW1P 3AD

www.rics.org

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Study sponsored by :



The RICS Research Trust, a registered charity established by RICS in 1955 to support research and education in the field of surveying.

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Executive Summary

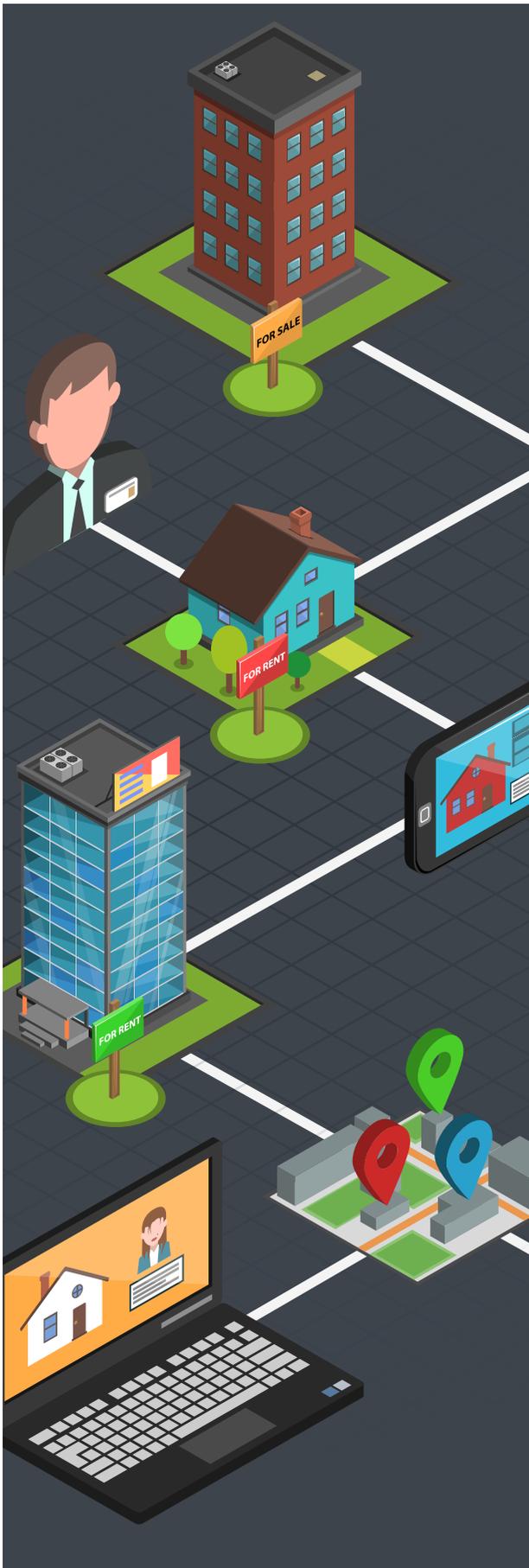
Estate agents have been witnesses and participants to significant changes in technology and communication within the residential transaction process since the 1990s. Previous studies have observed how technological innovation (e.g. email and online property portals) has changed the mechanisms of communication and advertising. Research has also recorded that both buyer and vendor behaviours have altered as information and attitudes towards the home buying process have changed. This research has tended to focus on isolated aspects of technology or behaviour on business practices without considering the accumulative impact of changes across the industry. This report brings together the impacts of technology, buyer and vendor behaviour on estate agents and considers how they have responded to these opportunities and challenges.

This report summarises the findings of 29 interviews and a desk based review of estate agency web presences undertaken during 2014 and 2015. The research compares businesses in England and New Zealand. The interviews provide detailed insights into the changes in practices and the pressures and opportunities afforded from technological innovation and changes in buyer and vendor behaviour. Participants from two regions in each country were interviewed, London and South Yorkshire in England and Auckland and Hamilton in New Zealand.

The key aims of the interviews were to explore:

- the pressures and opportunities emerging from technological innovation
- changes in home buyers' and vendors' behaviour
- the responses of the estate agency profession to changes in technology and buyer and vendor behaviour

Estate agency business practices are more varied than external commentators recognise. This research seeks to challenge overly simplified accounts by considering a three-category typology of estate agencies (*Remote Only*, *Remote Plus* and *Service Plus*) and considers five different stages of estate agency work. The five stages are: prospecting/brand building; appraisals/client capture; advertising; facilitating; and, negotiating. This approach allows for variation in the impact of technological innovation and behaviour across stages and between different types of agency.



1.0 Introduction

The historic interaction between estate agency businesses and homebuyers and vendors is changing. Technological innovations have presented new opportunities and challenges to estate agency business practices, and these innovations are likely to continue apace. Technology has created new platforms allowing for changes in vendor and buyer behaviour. The Internet and mobile phone technology, for example, have made neighbourhood and property specific information more accessible through websites and mobile phone apps.

Despite extensive technological development, at present, little is known about the cumulative impact of these opportunities and challenges to the relationships between vendors, agency and buyers within the housing market. Nor is much known about how estate agencies have changed their business practices in light of these developments. Research has focused on individual aspects of technology without conceptualising the whole business practice. Much research has focused exclusively on the role of the Internet in reducing transaction costs, however, does the change of advertising medium from traditional print media to websites have impacts beyond reducing search transaction costs? Many predictions about Internet based possibilities have overstated the decline of estate agencies. The popular media interest in house prices and technology leads to frequent articles about innovation and extreme cases of behaviour change, but regularly fail to explore wider structural changes in the industry. This research begins to address this evidence deficit.

The impact of technology depends on the market context. Variation in the legal, social, economic and structural arrangement of estate agencies (at the global, regional and submarket scales) affects the impact of technology. National distinctions are evident in the legal framework governing the process of home ownership. Economic variation is visible within most nations at the regional level and at lower geographic levels and the organisation and competition of estate agent businesses varies from area to area. In these varied contexts, it is unsurprising to see different vendor and buyer behaviour. Despite variation in the legal, economic and institutional components between housing markets four discernable trends are acting across major housing markets:

- The growth of international real estate agencies, through direct entry or the purchase of existing businesses, have the potential to homogenise the culture of estate agency practices.
- Internationally mobile homebuyers make direct comparisons between experiences of the housing market. However, at the individual homebuyer level, the local arrangements of estate agents and legal framework of transaction transparency and conveyancing still influence actor's behaviour.

- The uniqueness (and potentially the sovereignty) of national housing policies is diminishing in many countries. Pan-European legislation determines the boundaries of housing policies within member countries. International policy comparison highlights the differences, similarities and potential for policy osmosis between countries. The globalisation of higher education, political movements and political careers facilitates a greater degree of transfer of housing policies.
- The ability of technology to transcend boundaries, in particular the Internet enables greater awareness of global housing opportunities and practices. Technology, therefore, opens up the possibility of professionals and the public collecting up-to-date housing information from across the globe.

Our understanding of the impact of technology on estate agency business practices and vendor, buyer and agent relationships can therefore be fruitfully extended by comparing the impact across market and nation borders. This research is therefore located within a comparative framework of institutions in two markets in both England and New Zealand.

1.1 Aims

The key aims are to explore:

- similarities and variance in the estate agents' industry and business practices in England and New Zealand
- the pressures and opportunities emerging from technological innovation
- changes in home buyers' and vendors' behaviour
- the responses of estate agents to changes in technology and buyer and vendor behaviour.



2.0 Review of estate agency business practice literature

This section provides an overview of the literature concerning technological innovation in the housing transaction process and changes in estate agency business practice. First, technology and client behaviour are considered as factors in instigating changes to business practices. Second, the impact of technology on estate agency business practices is discussed, before changes in vendor and buyer behaviour are related to estate agency business practices. Finally, the various stages in an estate agency business are outlined to provide a framework for a more integrated analysis of the complete effects of technology and behaviour change on estate agents.

2.1 A socio-technical theory of business change

Business change is generally considered as a response to a threat or opportunity external to the organisation (Gilgeous, 1997 cited in Rashid, Sambasivan & Rahman, 2004). The main driver for organisational change today is competitiveness and is now inextricably linked to the adoption and utilisation of new technologies (Murphy, 2002). Technical advancements of computerisation and e-commerce have been described as a “quantum leap” in the way business is done (Rashid, Sambasivan & Rahman, 2004).

The real estate sector has seen an organisational transformation over recent decades in line with these changes to wider business practices. During the early 2000s, having a web address was considered a “fashion accessory” for UK estate agents, but the subsequent decade saw a rapid take-up of Internet-based activities by real estate agents and buyers (Rowley, 2005). Where once, the first stage of a buyer’s search may have been a visit to the estate agency office (Palm, 1976a) a potential buyer is now most likely to begin their search on the Internet, using a property portal, which has aggregated data from a wide range of agents (Dunning & Watkins, 2012; Rae, 2014).

These changes in technology and practice, often understood in a linear and deterministic way, assume that the implementation of ICT would see increased productivity (Dixon, 2005), but also over simplify the process of technology becoming embedded in practices. As Rowley shows, by 2005, the Internet, was beginning to emerge as an essential part of an agency’s marketing strategy. However, three years previously, one large UK estate agency chain decided to remove its web presence, only to reinstate it two years later (Rowley, 2005). Development is rarely linear for all businesses. The demand for change online was not driven by technology alone, but by changes in vendor demand, who saw agencies with an Internet presence as positive for the maximum exposure of their property. Focusing on the interaction between customer behaviour and ICT change prevents a form of technological determinism from being attributed to every change in business practice (Dixon, 2005; Jackson and Harris, 2003).

The shift from technological determinism to socio-technical frameworks of estate agency e-commerce is the result of a number of pressures, which Dixon explains as: changing work and leisure patterns; demographic changes; decreasing number of shop units and increasing consolidation of sales; evidence of falling real sales densities in the early 1990s, deflation and lower margins; and increasing globalisation (Dixon, 2005, p. 186).



2.2 Changes in information availability and real estate consumer behaviour

Fundamental to real estate agency business practices is information; information about properties that are available to purchase, information about geographical areas and property markets and information about buyers searching for property (Palm, 1976b). Homebuyers seek a wide variety of information about property characteristics, areas and markets, but historically faced considerable constraints accessing such information (Palm, 1976a). Buyers' choice was dependent upon the information networks available to them, which were often friends, family, colleagues, ethnic group membership and previous experience in the property market (Palm, 1976a). Palm (1976a, 1976b) also noted that information provided to homebuyers was influenced by the agent, with information about the geographical area of the agency's office typically over represented. This information asymmetry constrained buyers' access to information.

Since the mid-1990s, with the rise in ICT in changing business practices, research has focused on the benefits, and challenges, of the adoption of technology. Given the importance of information to estate agencies' business practices, the availability of better information in an increasingly competitive market was a driver for the sector to adapt (Levy, 1995). Researchers showed that brokers, who had access to information about properties, markets and buyers, were able to optimise property search, and reduce search time (Baryla and Zumpano, 1995).

Changes in consumer behaviour, principally using the Internet to search properties, have impacted on both buyers and agents. With the aid of the Internet, buyers are able to search more properties without expending more time searching (Zumpano, Johnson and Anderson, 2003). Prospective house buyers contact the agent at the point they wish to visit the property, changing the agent's time and effort, showing buyers fewer properties, which are more likely to meet their expectations (Zumpano, et al., 2003). Bristow et al (2004) demonstrated that agencies should adopt and utilise Internet-technology because of the positive linkages it can have on performance.

Buyers' ability to increase search intensity, without increasing either time or costs, allows prospective purchasers to seek properties that better match their expectations, increasing sales prices (Ford, Rutherford and Yavas, 2005):

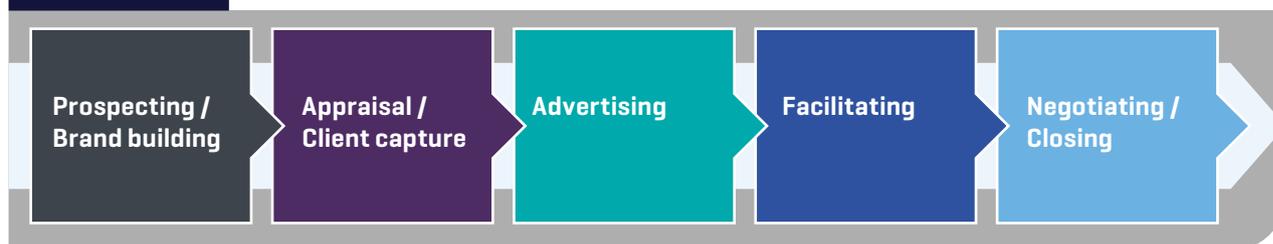
... internet listings remain on the market about 11% longer than houses not listed on the internet and sell at a price premium of 1.93%. (Ford, et al., 2005, p. 107)

Recent research for RICS shows that buyers in England now have only very limited exposure to agents. Their decisions are influenced by Internet listing services and a range of formal and informal contacts (Dunning and Watkins, 2012), altering the institutional framework of housing decisions. What is less well known is how estate agency business practices have changed to respond to these changes in technology and buyer behaviour.

The professional press and non-academic literature has focused more on discussion about full disintermediation than the academic literature. There is no evidence to say that the full removal of agents (intermediaries) has occurred in any major markets. Pure disintermediation requires the removal of estate agents and direct trading between buyers and vendors.

The speed of technological change outpaces the changes in everyday buyer and vendor behaviour as well as business practices. However, over the last decade the pace of change has increased, and therefore research findings from the early twenty first century may not be applicable today. It is necessary therefore to conduct contemporary research to understand the recent pressures from technology, vendor and buyer behaviour and estate agency business practice changes.



Figure 1 Stages in estate agency business practice

There is little evidence to suggest that predictions of disintermediation have manifested on a large scale in England or New Zealand. Estate agency businesses, whether with high street offices or not, appear to be continuing to operate across market contexts. By 2013, the number of estate agent jobs in England had risen above the peak before the great financial crisis in 2008 (ONS, 2013).

TheChatShop has posted a number of blog posts and reports about the role of social media in estate agency. Their research focuses on data about 'traditional' and 'online' estate agencies' activity. Whilst limited in the number of businesses, it considers and the conclusions it is able to make from secondary analysis of social media presence, they suggest that traditional agencies have a similar overall presence to online estate agencies, which suggests that the only significant differentials are price and the level of personal service.

The two main categories of estate agents [traditional and online] have dealt with digital disruption differently but both have attempted to compete by offering a better experience for customers whilst not restructuring their whole business models. Buyers, vendors, tenants and landlords all expect to be able to receive more information, fast at the appropriate time. Traditional and online agents are using digital channels and technology to provide this information but traditional agents still have a focus on providing physical presence and local knowledge and online agents still sacrifice physical presence for lower fees.

Digital disruption may have meant that estate agents have had to adapt their services but they have been able to benefit from greater brand awareness and their customers are beginning to receive better customer service due to the availability of information and transparency which is now present. (TheChatShop, 2015)

There is some evidence, though limited, that the proximity of estate agency offices to the market that they advertise residences in contributes to shorter times advertised on the Internet (Koch and Maier, 2015). Whilst the reasons for this link were not confirmed in Koch and Maier's study, the findings suggest that there is a relationship between agency activity in a market and the time on the market.

2.2 Stages in estate agency business practices

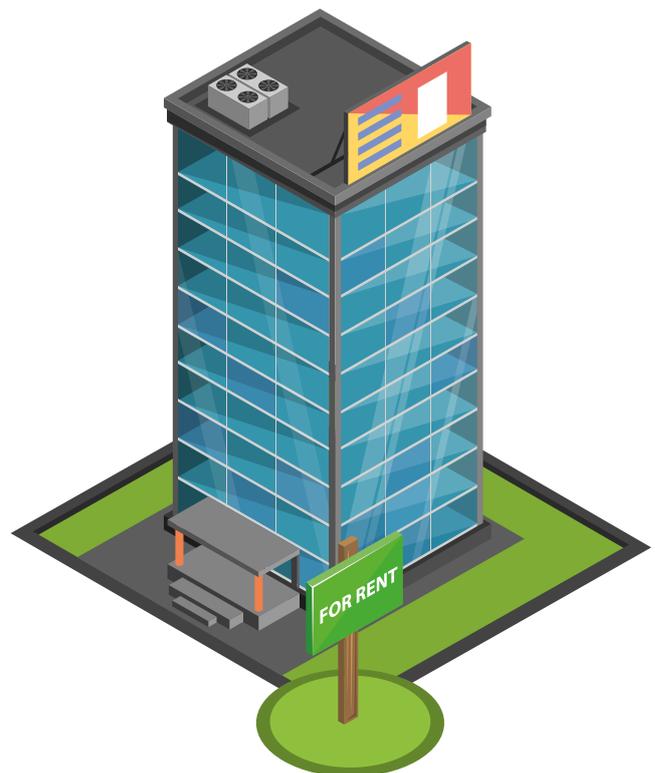
The literature on changes in estate agency practices focuses primarily on the transaction process rather on the whole business structure. Crowston and Wigand (1999) identify five stages of agency activity in the transaction process: listing, searching, evaluation, negotiation and execution. Woffard and Claretie (1992) suggest a similar five-stage overview: listing the property, prospecting for buyers, servicing, negotiation and agreement, and closing. Sunniika and Bragge (2006) extend these stages by inserting an initial stage 'prospecting for vendors' at the start of the stages, highlighting the importance of stock to estate agencies. Alastair Helm (properazzi.co.nz) distinguishes five stages, but combines prospecting for buyers with servicing. Here we have adapted that typology and updated the terminology to reflect broader business practices. The five stages used are: prospecting/brand building, appraisal/client capture, advertising, facilitating, and negotiating/closing. These stages broadly follow the route through a sale from vendor awareness of the agent through to completion of the sale.

There is some evidence to suggest that disintermediation of agents is more likely to take place where the emphasis is on earlier stages of estate agency business practices. Saber and Messinger (2010), in a US-based study, found that where buyers and vendors focused on transaction costs (e.g. advertising online) they were less likely to use an agent, but where they focused on services provided and the social embeddedness of a transaction they were more likely to use an agent, highlighting the significance of later stages of business practices (facilitating and negotiating). Sawyer, Crowston and Wigand (2014) similarly find that agents continue to be embedded in real estate transactions. Whilst technology and transaction processes may shift, these changes do not happen in uniform or systematic ways because of the socially embedded nature of agents.

2.3 Conclusions

Challenges to business practices rarely emerge from technical innovations alone. The relationship between technology and customer behaviour is a key issue in understanding pressures for change. Developments in technology and changes in behaviour have had a range of impacts on estate agency business practices over time and with significant impacts evidenced during the 1990s, although some research findings appear contradictory. Yet, there is little up to date information about the range of impacts of technology, when viewed in relation to buyer and vendor behaviour, across each business stage. Technology is changing rapidly, and there have been consistent shifts in online behaviour and communication modes which date findings from early in the twenty first century. The relationship between stages, and abilities of estate agencies to react to changes across the whole business process has been under-studied do far.

The findings of previous studies are often, but not universally, limited by four aspects of their foci: single market approaches; single technology studies; single process studies; and, too limited time periods to observe longer term trends. This project seeks to expand on the findings of previous research by attempting to address their limitations. This research provides comparative evidence from different market contexts over a longer time frame, whilst allowing agents to consider a wide range of technologies and behaviours across all aspects of their business practices.



3.0 Methods

The research requires an in depth exploration of estate agency business practices. Interviews with 29 experienced property professionals between April 2014 and April 2015 in two countries provided a cost effective and nuanced account of the changes. To understand the impact of technology and changing buyer and vendor behaviour on estate agency business practices across different institutional contexts, researchers interviewed estate agents in four regions across England and New Zealand. The research also included a desk based review of existing research, professional literature and property website reviews.

3.1 Case-study selection and context

England and New Zealand were chosen as they have similar levels of consumer demand for owner occupancy, proclivity towards Internet listing services and estate agency roles, but dissimilar selling mechanisms. Table 1 shows a summary of key features in New Zealand and England. Two regions were selected in each country: London, South Yorkshire, Auckland and Hamilton (located in the Waikato Region). These represent the largest urban area in each country and one second-tier region.

Table 1 Comparison of key features in New Zealand & England

Theme	New Zealand		England	
	Description	Source	Description	Source
Population	4.5million	Statistics New Zealand (mid 2014)	53.9 million	Office of National Statistics – mid year estimate 2013
Size	268,000Km ²		130,000Km ²	
Gini coefficient	2000 – 0.339 2003 – 0.335 2008 – 0.330 2011 – 0.323	OECD	2000 – 0.352 2003 – 0.335 2008 – 0.342 2011 – 0.344	OECD
No. dwellings	1, 771,200	Statistics New Zealand (mid 2014)	23,236,000	Office of National Statistics – 2013
Tenure breakdown	00 – 1,137,200 PRS – 567,000 Provided free – 66,400	Statistics New Zealand (mid 2014)	00 – 14,757,000 PRS – 4,286,000 RP's – 2,304,000 LA's – 1,689,000 Other – 75,000	Office of National Statistics – 2012
Property portal website descriptions	<p>Realestate.co.nz was established in 2005 as an online media company of the New Zealand real estate industry. The company provides a number of websites (realestate.co.nz, Prime Commercial, Prime Business, nzFarms, Unconditional). The site is fully NZ owned and operated by The Real Estate Institute of New Zealand [REINZ] and the Property Page [NZ] Ltd [PPL]. 100,000 listings are featured at any one time, representing 95% of all listings marketed by licensed real estate professionals. The website does not feature private vendors' properties.</p>		<p>Rightmove.co.uk is currently the UK's largest property portal. It was launched in 1997 by a collection of real estate agencies. The company floated in 2006 at which point it had 10,000 agencies advertising. In 2009 the Rightmove mobile app was launched, mobile device searches now account for one third of all searches on Rightmove. By 2012 Rightmove.co.uk was receiving 11 billion page impressions per annum and revenues exceeded £100 million. In January 2015 it hosted approximately 1 million properties.</p>	
	<p>TradeMe is the largest internet-auction website operating in New Zealand. It was founded in 1999, sold to Fairfax an Australian media company in 2006 and publicly listed in 2011. As of May 2015 it is the 5th most visited site in New Zealand. It has 3.6 million active members approximately 80% of New Zealand's population.</p> <p>In addition to Property for sale and rental property customers can list general items, motor cars, motorbikes and boats, jobs, flatmates wanted, antiques and collectables, pets and animals.</p> <p>The website features both listings from licensed real estate agents and private vendors.</p> <p>TradeMe Property has an audience of over 5 million visits per month, more than twice that of realestate.co.nz</p>		<p>Zoopla launched in 2008 now receives 40 million visits per month. It is owned by the Zoopla Property Group, which also owns and operates other property websites including PrimeLocation, Smart New Homes and alltheagents.co.uk. The company was listed in 2014.</p>	
			<p>OnTheMarket.com was launched in January 2015. It is mutual, owned by Agents Mutual Ltd, a collaborative of estate agents. There are no third party adverts on the website. Over 5,000 estate agency offices advertise through OnTheMarket.com, paying per office rather than per property advertised. Each office signs an agreement with OnTheMarket.com, which prohibits the office from advertising on both Rightmove and Zoopla.</p>	

3.2 England market comparisons

Over the study period (April 2014 to April 2015) the housing markets were dynamic within all four case study areas. Agents' perceptions of the current state of the market varied over time as well as location. In London the market, particularly at the higher end, had slowed down marginally, although there was significant variation between different locations and price points across the capital. The London market had previously recovered much more quickly from the Global Financial Crisis (GFC) than markets in other major cities across England. Therefore, whilst the market was slowing slightly in London its starting point in April 2014 was significantly more active than South Yorkshire. The market in South Yorkshire had undergone a prolonged period of limited activity following the GFC, but was picking up throughout 2014 and into early 2015. Increasing prices were particularly felt in the rural and higher priced end of the market where supply was constrained.

3.3 New Zealand market comparisons

The Real Estate Institute of New Zealand (REINZ) Auckland Region Analysis for March 2015 reported that sales volume in the Auckland Region had risen 56% compared to the previous month reflecting a stronger than usual seasonal lift for this time of the year. There were differences in increased volumes identified across the region ranging from 21% to 76%.

The price of housing in Auckland has been a major topic in the media with the median price over the past five years increasing from approximately \$465,000 in April 2010 to \$720,000 in March 2015. The median price compared between February 2014 and March 2014 has increased by \$83,000 (+13.0%), and \$45,000 (+6.7%). It is claimed that the rising prices have been exacerbated by an increase in migration to Auckland and foreign investment resulting in Auckland's residential market becoming unaffordable for the majority of the population. Auckland is the strongest housing market in New Zealand.

The REINZ Chief Executive, Colleen Milne, has been reported saying that "Auckland continues to see demand stronger than the available supply, with new developments across the region barely impacting on demand. Listings remain very tight across the region, with strong demand for \$2m+ properties in the north of the region and investor activity in the south."

An interviewee described the Auckland market as follows:

"Very buoyant. Almost a bit silly because of immigrations fuelling it. A lot of the immigration money is coming in on the low and middle level, which is pushing the people at the low to middle level to step higher. So we're amazed over the last two years what the increase in value has been in the upper level. And how many more buyers there are there. It's supply and demand. You know, even people from the rural areas or the small towns of New Zealand are moving to Auckland as well. Coz that is where the work is. So yeah. Auckland the Super City is becoming that really". (A-4)

The REINZ Waikato/Bay of Plenty Region Analysis for March 2015 (which includes the city of Hamilton), also reported a big increase in sales in Waikato Country by 73%. However the median price throughout the region fell by \$5,000 (-1.4%) compared to February 2015 and \$9,000 (-2.6%) compared to March 2014. Hamilton prices fell by 7% in the period from March 2014.

The median price of a house in Hamilton City as of March 2015 was \$350,000 falling from \$375,000 in March 2014. So despite the close geographical proximity of Hamilton and Auckland, the sales statistics for Hamilton reflect a dramatic variation to the booming Auckland market.

The variability in market condition contextualise the research findings and suggests that the conclusions are based on longer-term trends, rather than responses to immediate market fluctuations or pressures. The cross-national comparisons between markets in England and New Zealand enables a critical and reflexive approach to analysing the relationship between estate agent, vendor and potential purchaser.

3.4 Estate agency business descriptions

Three distinct types of estate agency service were evident from the desk-based analysis, and subsequently confirmed via interviews with agents (see Table 2). Whilst the terms 'traditional' and 'online only' offers a simple bifurcation in the description of estate agencies, the term 'traditional' masks a wide range of contemporary businesses practices. All of the estate agency businesses considered during this research had some form of online presence. However, what this online presence comprised of varied significantly. The differences between the three types of estate agency business are described in Table 2.

Not all companies fit comfortably in any one of these descriptions. However, the typology is useful for discussing major trends and variation in the normal levels of service. The typology does not identify estate agencies by size or market share.

Term	Typical services
Remote Only	Website, email and phone only based service to clients. The vendor is expected to obtain the photographs and property descriptions independently. The vendor is likely to determine the asking price of the dwelling. The vendor is also likely to undertake viewings and negotiations directly with potential buyers. Indicative fee range: 0.2% to 0.5%
Remote Plus	The agency has a public office or meets clients in person. Vendors may provide photographs and property descriptions, but these may also be undertaken by the agent or other professional. The business is likely to provide advice on the asking price of the property, although the actual price will be determined by the vendor. The business may undertake viewings and negotiations on behalf of the vendor. Indicative fee range: 1% - 2.5%
Service Plus	The agency offers a higher level of service than the <i>Remote Plus</i> agent. They are likely to have a high street office and advertise properties across a range of media in a bespoke package. The agent offers extensive contact with the vendor and seeks extensive contact with potential buyers. They focus on both advertising and negotiation. Through the advertising stage they may make substantial alterations to the presentation of the property [e.g. for replacing carpets, loaning furniture, introducing emotive smells [e.g. freshly brewed coffee]], often called staging. Indicative fee range: 2.5% - 4.5%

3.5 Interview selection and process

29 interviews were conducted with estate agents and senior property professionals with a minimum of 10 years' experience. Whilst the role of technology has had a continuous impact on social structures, a 10 year time frame was selected as a default to consider the changes on business practices where agents could not identify a particular time that online property portals, IT-based analytics and mobile communication technology had begun to impact their business.

Professionals were recruited through email invitations or approaches made in estate agency offices. Agents were given an information sheet and consent form at the earliest opportunity. Approximately 30% of the agents contacted agreed to take part in the research in England, a substantially higher response rate was experienced in New Zealand. A balance of smaller estate agency businesses and regional and national businesses was achieved through focusing later efforts disproportionately towards the under-represented groups.

The majority of the interviews were conducted face-to-face and on the premises of the estate agent. The remainder were conducted via the telephone. There was no discernable difference in the quality of discussion or engagement of agents between face-to-face and telephone interviews. Interviews lasted on average between 40 and 60 minutes. All of the interviews were audio recorded and transcribed, which are the source of verbatim quotes.

In England *Service Plus* and *Remote Plus* estate agents were more likely to respond to invitations to be interviewed than *Remote Only* agents. Only two interviews in England were with *Remote Only* agents, the remaining were with *Remote Plus* or *Service Plus* businesses. In New Zealand, estate agencies tend to offer a full service and thus all estate agents interviewed could be defined as *Service Plus*. The research team therefore has greatest confidence in the portrayal of views reflecting *Service Plus* and *Remote Plus* businesses.

Table 3 Number and location of interviews

Country	Region	Number	Type	Number
New Zealand	Auckland	Four [4]	Remote Only	None [0]
	Hamilton	Four [4]	Remote Plus	None [0]
	National	Three [3]	Service Plus	Ten [10]
	Total	Eleven [11]	Other professional	One [1]
England	London	Eight [8]	Remote Only	Two [2]
	South Yorkshire	Eight [8]	Remote Plus	Ten [10]
	National	Two [2]	Service Plus	Six [6]
	Total	Eighteen [18]	Other professional	None [0]

4.0 Estate agency industry structure in England and New Zealand

4.1 England

Home ownership remains the most common tenure in England, having risen steadily throughout the twentieth century, but fallen since the Great Financial Crisis (69% in 2001 to 64% in 2011¹). The picture varies by region, with only 49.5% of households in London owner occupying compared to 68.7% in the South East, although London is an outlier. Owner occupation remains the preferred tenure of the majority of the population (86% in 2011)². Around 75,000 dwellings change owners each month³, the majority of which are supported through the sale process by an estate agent.

It is not a legal necessity to employ an estate agent to undertake the advertising, marketing or negotiating process in the sale or purchase of a dwelling, however most vendors do so, and are responsible for paying the fees of an agent. Estate agents work (defined by the Estate Agents Act 1979) is regulated by consumer protection law (Unfair Trading Regulations 2008, in 2013 the *Property Misdescriptions Act 1991* was repealed), designed to prevent consumers from purchasing a good, or making a transaction decision, that they would not have done without misleading information or a misleading presentation.

The *Consumers, Estate Agents and Redress Act 2007* requires estate agencies to be members of one of three Government approved schemes to deal with complaints. In addition to the regulatory framework, membership of professional bodies such as RICS and the NAEA is common amongst estate agents.

Dwellings are marketed across a range of mediums in England, but there has been a steady rise in the importance of Internet based property portals in recent years (Dunning and Grayson, 2014).

The amount of information made available to prospective buyers has varied in recent years. Home Information Packs (HIPs) were made mandatory for all marketed dwellings in 2007. They included: a property information questionnaire, an energy performance certificate (EPC), a sale statement and land registry documents. In addition, for new homes a sustainability certificate was required. In 2010 HIPs were scrapped, although EPCs remained.

After an offer has been accepted, buyers are recommended to undertake a building survey (there are broadly three levels of survey: *condition report*, *home buyers survey*, and *buildings survey*) prior to purchasing the dwelling (mandatory for mortgagees). Where the survey indicates that work is needed on the dwelling it is usual for the buyer to revise their offer.

Most offers and sales are negotiated over an open sale period. Offers are judged on a case by case basis, although the number of offers placed within a short period of time is largely contingent on market conditions, and may therefore result in multiple offers being considered simultaneously. Auctions are used occasionally for sales, tending to focus on redevelopment and repossession properties. Closed bid auctions are also possible, but are far less common in England than in Scotland.

For the legal process of transferring ownership of property, conveyancing, is normally conducted by a qualified solicitor. A single solicitor usually works on behalf of the buyer and lender to create the contract with the vendor, although separate conveyancers may act for the buyer and lender. The solicitor also usually takes responsibility for clarifying the property boundaries, conducts a search with the local authority to ascertain any plans for the local area, and organizes payment of stamp duty on the property in addition to arrange for exchange of contracts, completion and registration of the land title in the name of the buyer with the land registry. A deposit (normally in the region of 5-10%) is paid which the buyer will lose if the sale does not proceed after contracts have been exchanged, and may leave the buyer liable for legal action.

The three estate agent business types (*Remote Only*, *Remote Plus* and *Service Plus*) are observable in most markets in England, although vary in their balance from market to market. Markets also contain a diverse range of estate agency sizes (from multi location international to single office independent), competing across service and price differentials.

¹ England and Wales census of population, 2001 and 2011 ² Public attitudes to housing in England, NatCen 2011 ³ Seasonally adjusted figures for 2013-15 from HMLR (2015), although the volume of transactions varies significantly depending upon the underlying economic fundamentals

4.2 New Zealand

The real estate sales process in New Zealand conforms more closely to the US model (see Sawyer *et al.*, 2003 than either the English or Scottish model (Smith *et al.*, 2006)). The vast majority of property sales in New Zealand involve real estate agents. Vendors engage a real estate agent (listing agent) to act on their behalf to sell their property. All real estate agents must be licensed and are included in a public register. All licensed agents are regulated by The Real Estate Agents Authority (REAA) an independent government agency that helps protect buyers and vendors and dealing with complaints.

Vendors of properties tend to identify their choice of agent from word-of-mouth recommendation and/or researching online. It is common practice for them to interview two or three agents before making their final choice. In addition to commissioning a real estate agent, a seller will also obtain independent legal advice to assist through the selling process. Properties are listed either with one agency (a sole agency agreement), or with two or more agencies (general agency agreement). Vendors may negotiate the terms of the agency agreement including the method of sale, the timeframe it covers, the amount of commission to be paid and the payment of expenses. The agent's fees are paid for by the vendor, estate agents therefore owe a fiduciary duty to the seller only.

Real estate agents commonly offer a full service to their client including giving advice on probable sale price, marketing and showing the property and negotiation with potential buyers (classified here as *Service Plus* agencies). Making and accepting an offer on a property involves signing a sale and purchase agreement. The prospective house buyer makes an offer through the listing agent who provides the sale and purchase agreement including the price the prospective purchaser is prepared to pay for the property and any conditions on their offer (which might include "subject to the sale of the purchaser's house", "subject to a builder's and/or engineer's inspection report", "subject to a lender's valuation of the property or Land Information memorandum (LIM) report" or "subject to finance").

The listing agent presents all offers to the seller who considers each of them taking into account the prices offered and any conditions attached. The seller then has the option of accepting, declining or modifying any of these offers. They can reject the price or conditions offered and insert the price they would be prepared to accept for the property on the contract.

The agent then presents the revised contract to the prospective purchaser and negotiates between them on price and/or conditions until a price is agreed upon and both parties have signed the contract. The price and conditions in the sale and purchase agreement may be amended a number of times during the negotiation process. The agent will ask the buyer and seller to initial any amendments.

The buyer and seller are in contract once an acceptable price and conditions have been agreed in writing by both parties.

There are various methods of sale commonly used in New Zealand, their popularity tends to vary depending on locality, type of property and the buoyancy of the property market. Auckland, the largest urban area in New Zealand is currently experiencing a property boom and the auction process is the most common method of sale. An auction is an open process where buyers bid against one another to purchase a property. A vendor choosing to sell by auction will need to have a sole agency agreement with an agent and establish a reserve price (the lowest price they are willing to accept for the property), with the agent in advance of the auction. The reserve price is confidential to the seller. The property can be sold prior to the advertised auction as long as this is clearly stated in the marketing material. A buyer cannot attach conditions to an auction purchase. Once the bid has been accepted and the auctioneer's hammer fallen the sale is unconditional. If the reserve price is not reached it is normal practice for the agent to approach the highest bidder in order to negotiate a sale.

In smaller New Zealand centres properties are commonly sold at an advertised or asking price. This price is agreed upon by the seller after consultation with the real estate agent.

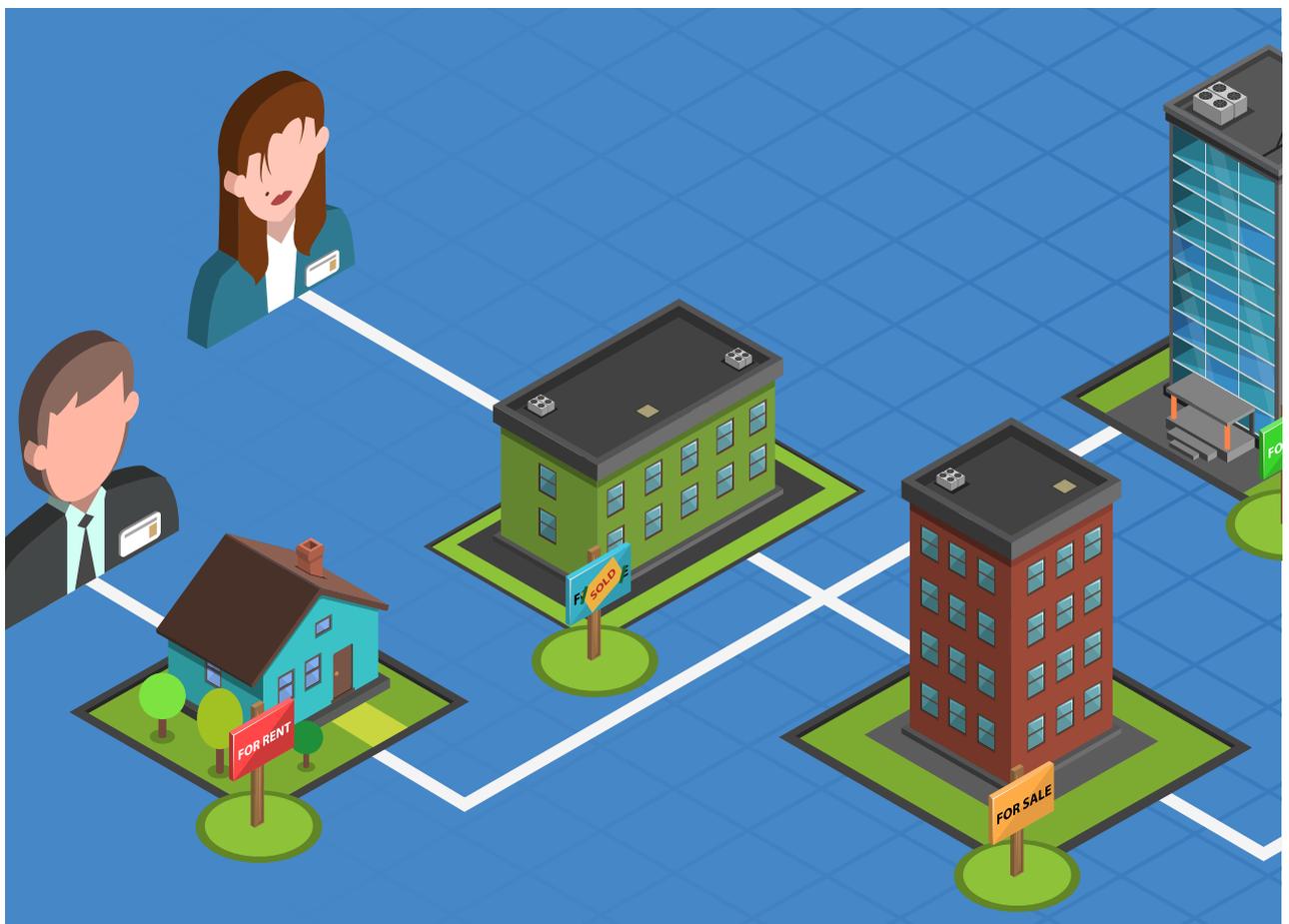
For larger properties a tender process is commonly used. This is where prospective buyers submit confidential written offers for a property to an agent before a specific deadline. There is no reserve price and prospective buyers prepare their best offer and submit it for the seller to consider. If advertised as such the property may be sold before the tender date.

5.0 What are the pressures from industry structure, buyer and vendor behaviour and technology on estate agency businesses, and how are agents responding to these pressures?

The analysis is structured by considering changes in technology and vendor and buyer behaviour, and estate agency responses to these changes across the five business stages: prospecting/brand building, appraisal/client capture, advertising, facilitating and negotiation/closing. Each of these five steps is analysed below. There is some overlap in the issues for different stages. The reader is recommended to read the whole analytical section in order to absorb the overall picture of the impact of technology and behaviour changes. A common theme of the five stages is changes in communication technology and norms of behaviour, this is addressed as a discrete topic first.

5.1 Communication between agents, buyers and vendors

Communication is a key component of estate agency work across all business stages. Yet, communication modes between estate agents and buyers have changed significantly between 1990 and 2015, and to a lesser extent between agents and vendors. New technology has introduced new modes of communication (e.g. email) and new norms of behaviour.



The most significant initial contact modes between agents and buyers and vendors are electronic, whether telephone, email or web contact forms (either direct through the agency website or property portal website) for both *Plus* and *Remote Only* agents. *Remote Only* agents are by definition not contactable in person, and therefore are not contacted by walk ins or through face-to-face meetings across all stages of communication.

The supremacy of property portals in providing initial buyer leads for agents was confirmed, with a range of 67-95% of leads indicated by agents. Whilst many of these leads would communicate directly through the property portal (i.e. using an electronic form or email generated from the website), others would collect contact information from the portal and then communicate via phone, email or in fewer cases face-to-face in the agent's office.

Vendors similarly were likely to use email or phone to initially contact the estate agent. *Service Plus* and *Remote Plus* agencies frequently meet vendors in person at the property to undertake an appraisal and at the property or office to agree an advertising strategy and negotiate contract terms. In England, multiple people may be involved in the appraisal and contract negotiation. This is very unlikely to happen in New Zealand, where commonly one agent takes responsibility for all client contact,

including appraising. Once an agreement between agent and vendor has been agreed communication is dominated by face-to-face meetings, telephone calls and emails. The frequency and mode of communication is largely led by the client.

Given that buyers now are most likely to commence their search process online, the role of the estate agent in directly providing information and advising to potential buyers has decreased significantly in recent years. This shift from face-to-face communication to arm's length provision of information, facilitated by new technology has distanced communication between the buyer and the estate agent.

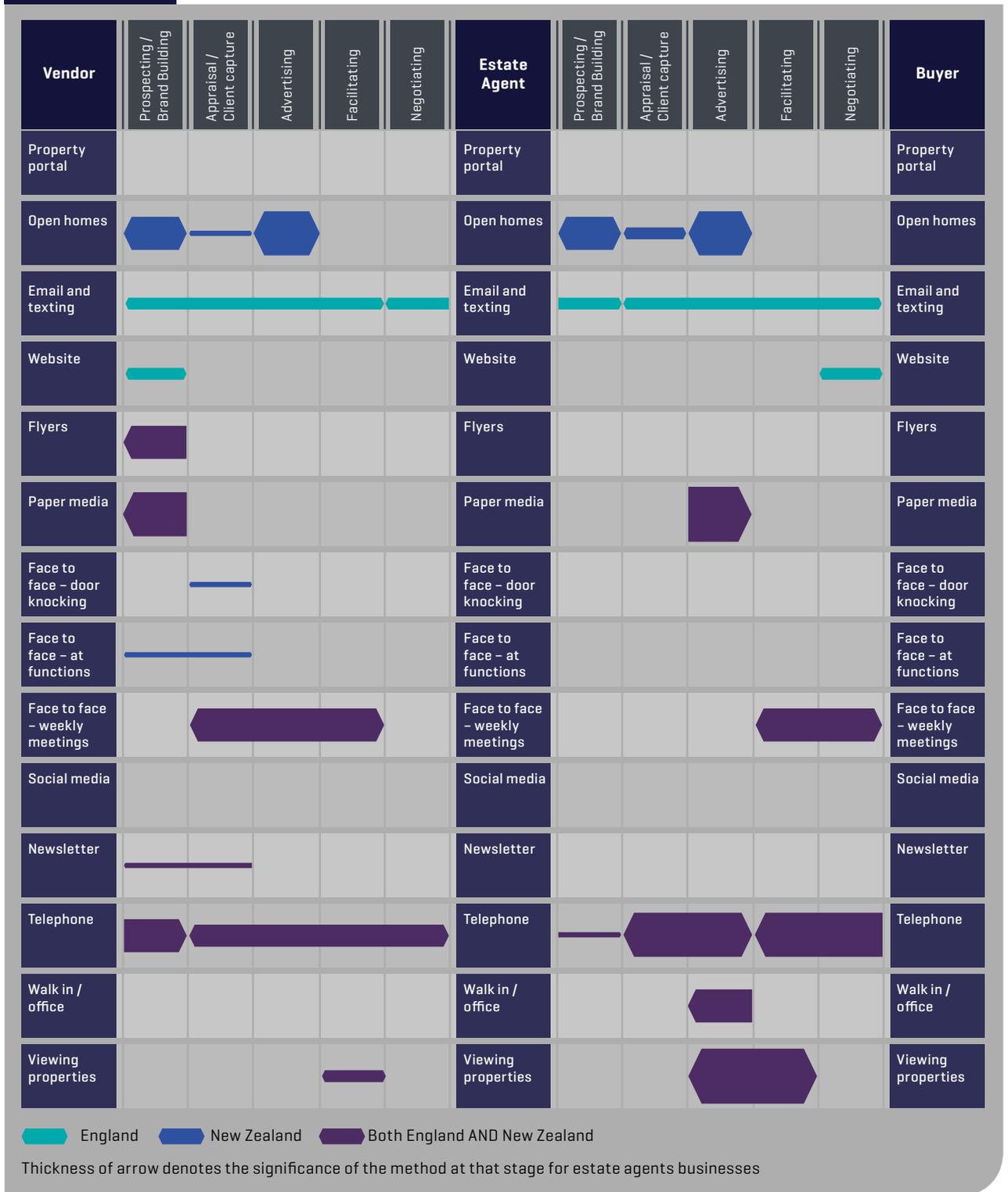
"You don't get the rapport with your buyers. So I find that my marketing used to be very much 50, 50 listing and selling. ... It's quite hard if you have a buyer to get them a house, it is quite difficult now. And you can concentrate on it as long as you like but they will go to an open home ... 10 years ago you sat down in the car, you spoke to them on the phone, what do you want? ... So you did about three houses and you think right, we're ready to go, you get them in the car and you find that they've got a boat and they've got three dogs. So you really do miss all that information." (NZ – *Service Plus*)



Figure 2 depicts the contact and communication between vendors, agents and buyers in 1990 and Figure 3 in 2015. These diagrams reveal both the variation in communication between time frames and across the five stages of the

estate agency business practice. The typology of estate agency reveals that there is variation in the service offered to vendors and the contact with buyers is also different. In England there is little variation in communication modes

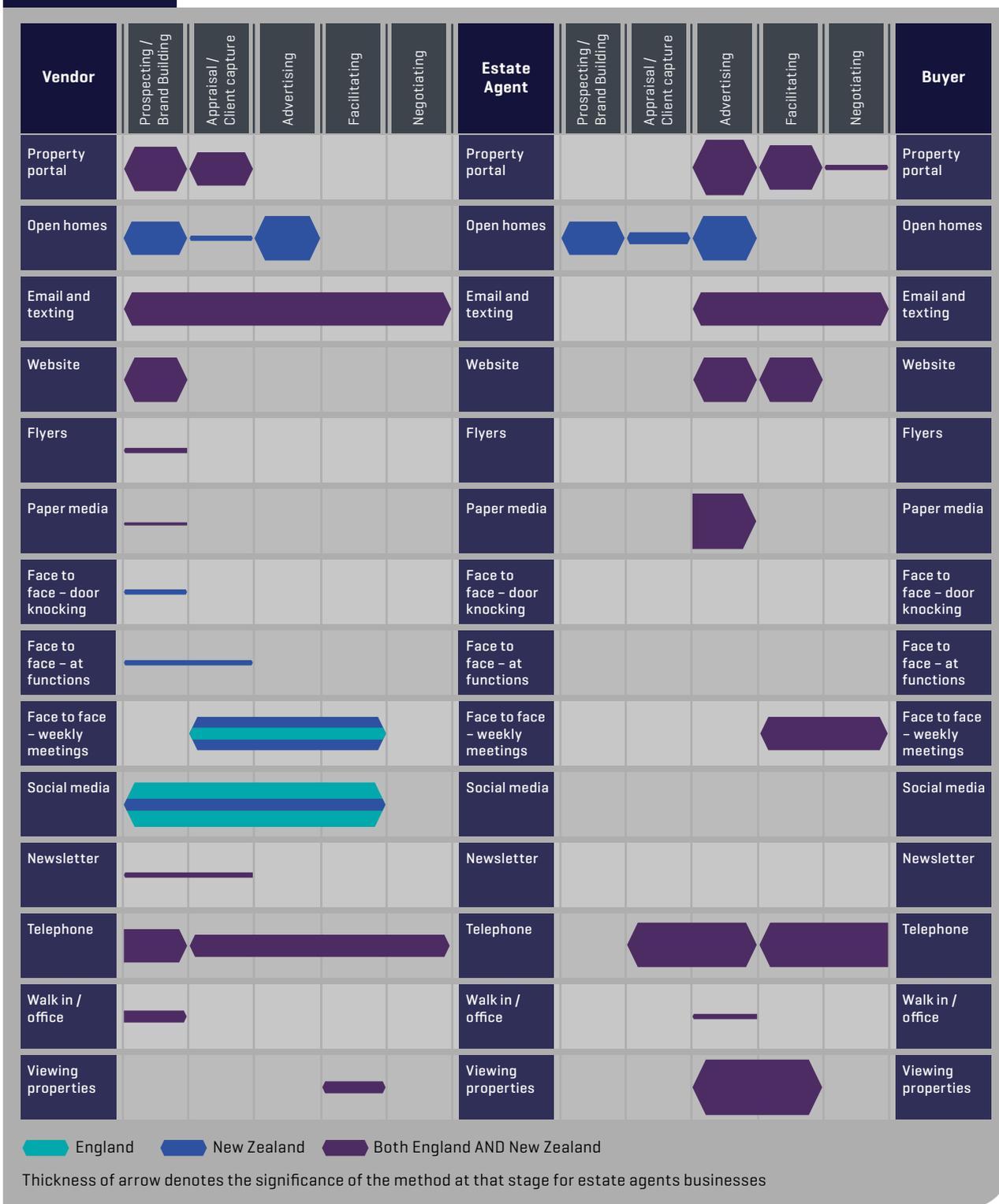
Figure 2 Communication between estate agents (not Remote Only), vendors and buyers in 1990



for *Remote Plus* and *Service Plus* agency types, although *Service Plus* agencies are likely to communicate more frequently. The major differences between agency types are between the *Service Plus* agencies and *Remote*

Only agencies, which have a limited level of overall communication and focus on remote communication, such as email rather than face-to-face meetings.

Figure 3 Communication between estate agents (not *Remote Only*), vendors and buyers in 2015



Some agents sought more regular contact with buyers and vendors, either in person or over the phone in order to develop a personal relationship or maintain a rapport. They argued that clarity, rapport and ultimately sales were more likely to be developed via direct communication rather than more impersonal and remote modes, or where response is optional. Older and more experienced estate agents emphasised the importance phone and face-to-face contact for effective communication.

"... we always encourage our people to get on that telephone and not to rely on email and by texts, which a lot of them, for the younger ones who spend their lives just texting that's again a bit of something you've got to push them into doing. But obviously the clients will respond and they then see the benefit but you've just got to make that connection." (England – Service Plus)

"So we'll keep pace with the time but you know, one mustn't let technology get in the way, we've still got to be talking to people. The last thing we need to be doing is just firing off emails and expecting the phone to ring. The minute you hide behind technology and don't use real people, then you're ruined." (England – Remote Plus)

"... but now everything is email and everyone's on their phone emailing you and texting you. I mean I remember, it wouldn't even be five years ago, I mean as a manager you would, if you heard your people texting people, you'd be like, you'd be horrified going I'm sorry, it wasn't a level of manners. Today it's the quick thing and everybody does it and it's fine but a little while ago you wouldn't go, we'd be like hiding behind their phone or it was kind of like a rude thing to do. You know, pick up the phone and tell them that, don't text them but now everyone texts you. What time is your open home? And you text the vendor to say hey great open home, call you later sort of stuff, yeah." (NZ – Service Plus)

In England agencies considered time on the phone a significant performance metric of active estate agents. Larger firms recorded phone calls for monitoring and training purposes and collected statistics about the number and length of calls received and made.

In New Zealand, agencies are acknowledging that although face-to-face communication is important, especially with vendors, more and more communication is now undertaken via texting and emails with face-to-face communication undertaken at Open Homes and with visitors to the Open Homes. In both England and New Zealand, whilst agents acknowledged the importance of more personal modes of communication, they emphasised the significance of being available to respond to the demands of vendors and buyers instantaneously and being available at the times a buyer or vendor wishes to communicate. In addition estate agents also noted the difficulties that arise when a buyer chooses not to enter into face-to-face communication but wish to rely on social media, emails, or texts until later in the buying process.

This was most prevalent with younger purchasers.

"The other point is working out when your buyers want to be contacted you know, what is the best time? Do they want to be rang in the evenings, do they want to be rang at the weekends, do they want contact by email? So making one's self available to the buyers when they want to be contacted and interaction with them is absolutely crucial. So do they want to communicate by text, do they want to be contacted by email, do they want to be spoken to or whatever?" (England – Service Plus)

"... they don't particularly want to talk to anyone till much later in the transaction, so they want that communication in a digital format, whether it's through social media or just an email or a text, they want it digital and they don't want that face-to-face contact until they're ready." (NZ – Service Plus)

Increasing accessibility is partly a function of new technologies. Smartphones enable buyers and vendors to view properties wherever they are, but also enable them to email, text or phone the agent at any time. Agents suggested that as a result of these technological changes expectations had increased about when they would be accessible and the speed of reply to requests for information.

"... people do have high expectations of email, they always expect an immediate result. You send a letter, and it takes a couple of days to get there, somebody opens it, reads it and then takes a couple of days to reply and you know, three or four days, a week can go by. Well, suddenly, when you had faxes, you got a fax and, whoa, you know, 'I had better answer that first' and you send a fax back. The same with emails; people have a high expectation with emails. I think, one thing that has changed the world is mobile phones, it has made a big difference. People are now instantly available, twenty-four hours a day, seven days a week and most people have their mobile on, in their pocket, never leave it and they expect everybody to be the same." (England – Remote Plus)

"... it's faster and everything in life is faster... but what's quite significant is that we get a huge amount of emails from the Net and we're on all those different websites. So people are, rather than call us, you know, they're directly emailing us and they expect a response pretty quick and if they don't they complain and they forget that, you know, you could be out on the road, you could be doing this, listing a property or whatever. The same as what everybody else does in a day but they expect instantaneous kind of feedback on some key stuff. So speed has changed majorly." (NZ – Service Plus)

Agents were clear that accessibility was part of the rationale behind buyers' preferences for online property portals and property websites.

5.2 Prospecting/Brand building

Brand perception is a key characteristic of an estate agency's success, playing a significant role in prospecting. Vendor motivations for using a particular agent are complex, perceptions of trust; price maximisation; minimising costs, and inconvenience, speed and maintaining control all influence the decision. This gives estate agencies multiple factors to target in creating a brand image.

Agents in England discussed branding and prospecting primarily in terms of creating a distinctive image in comparison to other agencies. All discussed a range of alternative brand images that they were in competition with. Some agencies promoted an image of themselves as fast paced and aggressive, whilst others attempted to portray themselves as local experts and trustworthy.

In both countries, agents confirmed that effective prospecting and brand building was essential in achieving profitability. In New Zealand they identified a distinction between their own personal brand and the brand of the company that they were contracted to. They also suggested that there were differences at the prospecting phase in the techniques utilised by older and more experienced agents who have already created a strong personal image and loyalty from previous buyers and vendors and those agents that had more recently entered the business. They also highlighted the change between the way they prospected before high Internet use and today.

5.2.1 Print to website

Brand marketing mechanisms have extended from, but not abandoned, the traditional forms. Newspaper print media continue to carry estate agency business adverts, but have expanded into online formats. Sophisticated websites allow targeted marketing campaigns, for example filtering by location, lifestyle choices, or demographics, which may be known through previous search terms and/or registered user characteristics. In New Zealand although print media still exists, its readership is diminishing and its survival primarily benefits agencies as their listings are grouped together resulting in an effective branding exercise. Conversely when properties are listed on property portals, potential purchasers will search via other criteria such as price, location and number of bedrooms and the impact of branding of the agency is greatly reduced.

"... I think the biggest influence was print media's ability to indoctrinate and maintain that influence and the real estate companies' recognition that their branding could have been marginalised." (NZ – Service Plus)

Every agency represented in the interviews had a website, and all interviewees viewed their website as a critical aspect of their brand building in communicating with both local and international markets.

"... that's your window shop to the world, and you can't think just I've got something in my window locally, I mean everything is international now and So you've got to be on that global stage and so your website is absolutely critical and the functionality I think it is really really important." (NZ – Service Plus)

As such, expenditure on the quality of the website was as significant as expenditure on the physical quality of the office environment. The significance of the office environment varied between interviewees. Some brands focused on the consumer experience and therefore sought to provide an office environment that reflected a demand amongst some buyers and vendors for a higher level of experience. Creating a "coffee shop feel" was cited as one example of significant change to an agent's office environment, and is evidence of a change in some clients expectations about the level of service demanded. Most agencies had made more minor changes to their office environment to make the spaces more welcoming and relaxed. There were competing ideas about whether office space should feel open and transparent or intimate and private. These ideas may partly reflect the heterogeneity of consumer expectations.

5.2.2 Social Media

The rise in use of social media has prompted significant challenges and possibilities for businesses. Engaging on a public, but frequently informal and interactive, communication medium poses particular questions about how agents can build their brand. Most agencies had a presence on social media platforms, primarily Twitter, Instagram and Facebook, although their effective use varied significantly. The prevalence of social media within an agent's marketing and promotional mix is influenced by the age of the agent, with younger agents tending to be more tech savvy. They are able to express a clear purpose for social media in their branding strategy and have differentiated targets across social media platforms. Some agents are actively promoting their knowledge and activity in the local area, to show potential clients and buyers that they understand the market and would be able to use that expertise in the transaction process.

"If I go for my lunch around here I'll always you know, Tweet something about it, it's just really to – anybody looking at our Twitter account will be 'oh, these guys are in the area, they know what they're talking about, they're making recommendations of great places to eat'." (England – Remote Plus)

Some agents' social media strategy was closely related to traditional brand building exercises from print media. This included placing adverts for top end, or unusual properties, which were used to promote the agency as an aspirational brand.

"... we do have the type of house that people like to look at and aspire to, so we use those as kind of a brand building exercise, because our brand is very much about the people, people are the service led industry. It's not necessarily about the houses we sell. The houses we sell are a by-product of us being specialists in our market. So, if someone comes to Facebook or Twitter and sees that we have a lovely four-bed, prime central London house – multi-storey townhouse, or something like that, that is on for say six, seven, eight million pounds that gives credibility that we know that area of the market. So we don't actively go and sell the houses on social, we use it as a way of demonstrating our credibility in that specific area..." (England – Service Plus)

Social media platforms require regular updating to evidence activity in the market. Whilst most agents articulated the necessity of having a social media presence, some were uncertain about the goals of social media engagement and viewed social media as a simple collective, without considering targeted actions across different social media platforms (e.g. Twitter and Facebook). Some concern was expressed that social media was mostly used for competing between agencies and went unobserved by potential clients. There were also concerns about the ability of agencies to control and successfully build their brand image via social media. Public criticism is difficult to control on social media.



In some cases agencies had retreated from social media altogether to avoid brand image damage, and other limited who was allowed to engage on social media.

"Yeah we've got a guy who works here, he's like building up our social media stuff, like Instagram and ... yeah, they were going to put me in the Twitter account but Anna was like no because you know, you can be fairly outspoken, so keep Steven away from that." (England – Service Plus)

Larger organisations have the resources to enforce a more centralised and tightly controlled message on social media. At the national level this involved bespoke social media and digital marketing teams, who had the capacity to execute individual strategies across different platforms.

In New Zealand the use of social media by individual agents seems to be lagging behind that of England, although a number of interviewees did suggest that it was growing and the use of Facebook and Twitter is being utilised at agency level.

5.2.3 Property Portals

The increase in the use of property portals for buyer search has led agents to consider the platform as a mechanism for building brand awareness. Whilst the majority of searches relate to the property or area characteristics rather than estate agency characteristics, in England agents were trying to promote their brand where possible through property portals. Mechanisms for brand promotion included purchasing advertising space on the websites, targeting market share in particular search criteria and using options for premium property listing to associate their brand with the most viewed properties. In New Zealand, there is currently little evidence that agencies have any opportunity to advertise on property portals. They do however collect available data from these sites relating to their performance, which they could possibly utilise for promotion purposes.

In England, the choice of which property portals to advertise with was partly a reflection of the ability of the website to build brand awareness as well as the total number of leads from the portal. Some agents felt that more established brands, and those with larger marketing budgets, were more likely to move to new portals to reduce their advertising costs because they could advertise their brand independently, whilst smaller firms were relying on more established property portals to build their brand image. Some agents avoided advertising on certain property portals and listing websites because of concern about damaging the brand image (primarily websites seen as focusing on cheaper properties). In New Zealand all agents that were interviewed advertised their properties on Realestate.co.nz and if their client was prepared to pay the additional cost they would also advertise on TradeMe.

The lack of opportunity to advertise their brand specifically through property portals has resulted in them focusing on other opportunities. As previously mentioned all New Zealand respondents identified the importance of print media. They also make full use of billboards when selling a property, which will clearly identify their brand and phone number. This board not only signals that the particular property is for sale to attract potential purchasers but by promoting the real estate agent ensures that potential vendors are aware that they are active in the area.

5.2.4 Open Homes

A business practice that differentiates New Zealand agents from their English counterparts is the extensive use of Open Homes to present properties. This is where the agent, in conjunction with the vendor, designates certain open viewing times for their property with the agent present. These Open Homes, although primarily used to encourage potential buyers through the door and meeting them face-to-face, are also used by agents to prospect for listings from buyers that are also vendors. In many cases the Open Homes take place for a prescribed number of weeks leading up to an auction date.

“Now there’s been a lot of statistics about how many people who buy homes go and visit open homes and it’s really low. Inspection. Yeah exactly so I mean what I’m saying is you could cut out open homes almost ban them and the property market wouldn’t change. But the industry would not accept it because it would damage a key part of prospecting. ... So you see it’s a kind of symbiotic relationship. As a vendor you get benefits, but as an agent you get more benefits. ... It’s not to say it’s not valuable.” (NZ – Service Plus)

“... a large percentage of the people who come to open homes are not coming to buy the home, they’re coming to see what the agent is like.” (NZ – Service Plus)

“There’s a lot of stalkers who come to open homes to see how we behave and they’ll go I’ve seen your last couple of campaigns, I think you’re great, I’m going to list with you.” (NZ – Service Plus)

5.2.5 Repeat customers and maintaining contact

Whilst brand marketing was important for attracting new clients, repeat customers were one of the most significant sources of business. Maintaining contact and brand awareness amongst previous customers remains important.

“We’re fairly fire-retardant with that because most of our work is return business, repeat business, stuff that I’ve dealt with in the past, stuff that Anna’s dealt with in the past and it’s not cost-sensitive, it’s service-sensitive. Our clients know that if they put a phone call in at 3 o’clock on a Sunday afternoon they’ll get something back. And 50% of our clients are friends. So not a lot of our ... 50% of our work’s uncontested.” (England – Service Plus)

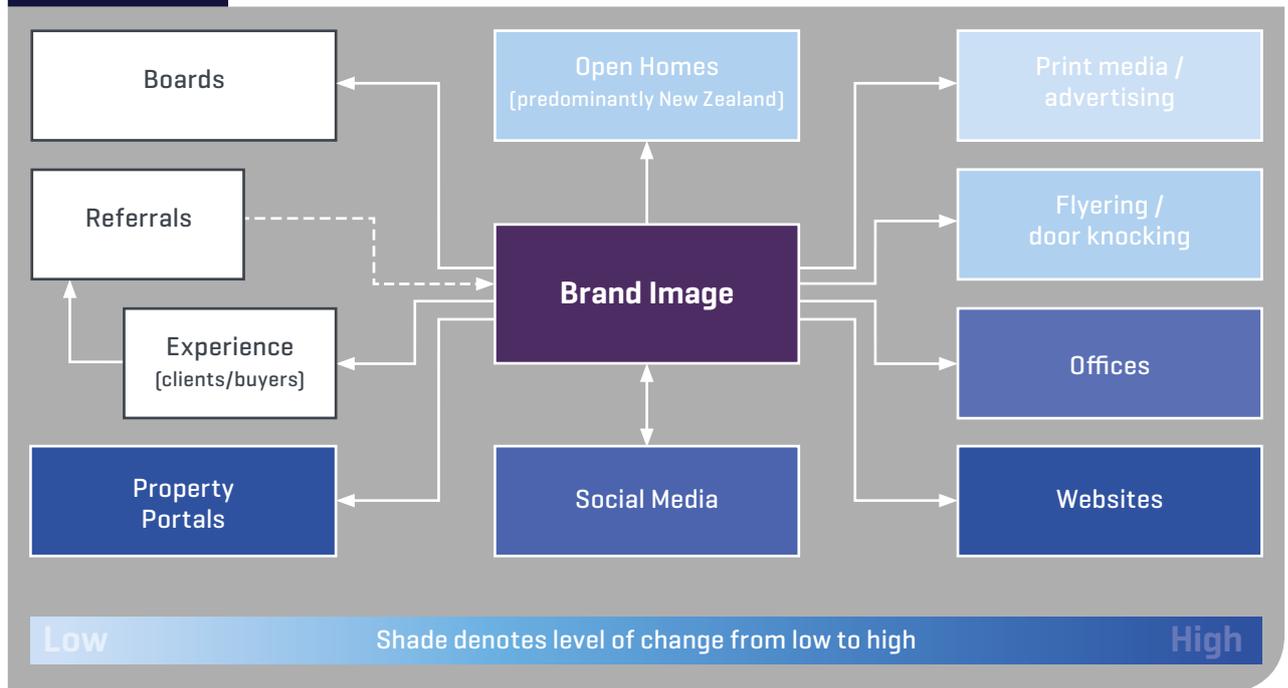
“I don’t think it’s changed, good estate agents will care, they’ll understand why they’re there and it’s not just to sell property, they’re there to give a full service, they’re there to get repeat business, they’re there to get people talking about them positively.” (England – Service Plus)

More experienced agents rely more on their repeat customers and stress the importance of maintaining an up to date database for repeat success. One obstacle in attracting these clients is the time between a buyer purchasing and then selling a property. An added benefit of keeping in contact with previous satisfied customers is the likelihood that they will refer other vendors, this then creates another important source of business.

“I think every agent’s different on that and mine is very much database. So mine is very much on people I’ve sold properties to or their families or buyers I’ve taken out and not been successful with, but who’ve actually liked me and so when they come to sell the house that they bought from someone else they’ll come to me to sell it. So I rely very much on database, for me personally.” (NZ – Service Plus)

Figure 4

The different major aspects for communicating brand image and the level of change over time



“...because the industry relies on referrals, you know it could build a really good business based on referrals, but actually, its greater value would be repeat business. ... the problem is the transaction period in property is so long that you lose the connection.” (NZ – Service Plus)

“It’s really about a customer journey. It’s about from when they first come to us and we look after them, we then sell to them, we keep in contact with them and we then sell for them.” (England – Remote Plus)

5.2.6 Conclusions

This section on prospecting and brand building has demonstrated that agents are active across multiple aspects of marketing. Whilst property portals and websites have undoubtedly increased in significance, they have not removed the importance of many of the traditional mechanisms for prospecting and brand building. A socio-technical approach therefore reveals that estate agencies have both actively engaged with some innovations and actively pursued existing methods of brand building and prospecting. Figure 4 provides a comparison of the level of recent socio-technical change in a brand image wheel.

5.2.7 Key challenges, opportunities and responses

- Repeat customers and customer recommendations remain key for prospecting, which places emphasis on providing a good experience to customer.
- Social media has opened up new platforms for brand differential and marketing. There is widespread variation in the adoption of, and attitudes towards, social media in England. In New Zealand social media is in the early stages of adoption and has had only limited impact.
- Some loss of control of public media platforms. Paid for advertising protected brand image in traditional print media, but this is more difficult to achieve in public forums and platforms (e.g. Twitter/Facebook).
- Property portals make brand management more complex as buyers and vendors predominantly search by non-agent based criteria.
- Some demand from vendors for ‘consumer experience’ led brands (e.g. a coffee shop feel in offices).
- Open Homes in New Zealand offer a chance for the agent to build their brand with prospective vendors and to begin developing a personal relationship.
- Boards remain important for evidencing market activity to prospective vendors.

5.3 Appraisal/Client capture

Appraisals are undertaken free of charge for potential vendors, and are often offered as an inducement to a potential vendor to sell their property and list with a specific agent. They may include advice about advertising strategy or property improvements to increase the market price or speed of sale. Estate agency appraisal practices vary significantly. In England, some offices had only one employee who undertook all appraisals, who in some cases was professionally qualified as a valuer, but in other cases was not qualified but an experienced agent. In New Zealand, the person responsible for an appraisal is also involved in every stage of the business with the client. In New Zealand and England there is a clear distinction between an “appraisal” and a “valuation”. Agents will carry out an appraisal based on their knowledge of the market, which will include the buyers, and vendors that they are communicating with and also recent sales in the neighbourhood. Valuations can only be carried out by registered valuers and the process is clearly regulated. Whilst this is clearly understood by the property profession, it is less clear whether the public make this distinction.

The greatest change in the appraisal and client capture stage, was the role of website based appraisals based on automated valuation software.

Vendors’ expert knowledge of their home was widely recognised by agents, although their perceptions of the market price was less universally accepted. Whilst many vendors made reasonable appraisals of their homes, agents argued that many were not accurate. A number of reasons for these inaccuracies are often explained by vendors “being too close” to their properties and overestimating the market value. Other reasons for inaccurate appraisal varied, for some homeowners who had not been active in the local market for a substantial period, their knowledge of achieved prices was limited and out of date. In England, vendors who had accessed information online about the price of their home, had used data sources that they did not always fully comprehend or may be misleading. Many agents suggested that automatic valuation tools (available on websites like Zoopla) were routinely providing inaccurate appraisals and misleading vendors about the achievable price of their property. There was no evidence from agents that automatic valuation tools were systematically providing appraisals that were too high or low.

“we get people coming up saying Zoopla says my property is worth this and we either say well they are £100,000 light or £1million heavy or whatever it is you know, valuation is bloody difficult to do off a computer screen. I mean it’s virtually impossible. It is a flavour but only a very wide-ranging flavour; I mean it could be 25% out, which if you’re selling or letting a property is big bucks.” (England – Remote Plus)

Given that estimates, as perceived by vendors, varied in accuracy and were often above market value, agents played a role in attempting to refine vendors price expectations, which New Zealand agents referred to as “vendor conditioning”. Whilst most vendors, when presented with an alternative appraisal and given evidence of recent sold prices, were able to be persuaded to change their price perception, anchoring bias made this a complex task for agents and sometimes unsuccessful. In New Zealand it is common that before a vendor chooses an agent to use to sell their property they will interview at least three agents. This often results in a dilemma for agents, as when advising the vendor of the most probable sale price for their property they do not want to go too low or they will be unsuccessful in attaining the listing, however they do not want to go too high or they will end up with a dissatisfied client. In England, where vendor expectations were excessively high some agents turned down the instruction in order to avoid the difficulties of dealing with a client with overly optimistic, or unrealistic, expectations. However, agents also suggested that some agencies were content to take high appraisals on the agreement with the vendor that regular price reduction clauses would be inserted into the contract.

In addition to price expectations, vendors were widely recognised to have become more sensitive to the level of service and the fee. Whilst competition over fees is a perennial issue for estate agents, in England the introduction of Remote Only estate agencies, offering significantly lower fees than traditional agencies has increased vendors’ attention to the level of service offered by estate agents. Remote Plus and Service Plus agents felt that if Remote Only agencies were competing primarily on price based on similar advertising packages they had to differentiate themselves by making vendors more aware of the higher level of service they offered. In New Zealand previous attempts of agencies offering lower fees and less service have tended to be unsuccessful and by far the majority of agencies offer a full service with fees/ commission ranging from 2.95% to 4% of the first \$300,000 and then 2% to 2.5% thereafter. A base fee is charged regardless of the sale price this ranging from \$0 to \$500 (<http://www.realestatefees.co.nz/>). Therefore, New Zealand vendors expect a high level of service from their real estate agent which can include advice on how to present their property to potential purchasers by enhancing its best features, known as “home staging”.

“Yep, so I work with my vendors to basically go through, ... I’ll bring people in to give them advice on whether they should sort of spend money or not spend money. I’ll you know, work with them in terms of staging the property or at least, you know, moving their own stuff around. De-cluttering, cleaning, tidying the garden, all those sorts of things. And, and even down to where and how I advertise the property. ... I really think about where it should be advertised depending on what type of property it is, how it should be advertised, those sorts of things. I think, you know, it’s really important.” (NZ – Service Plus)

In England motivations of vendors are varied, with vendors trading off costs against the level of service being offered. Vendors who are looking for the lowest costs may be prepared to undertake more of the transaction process themselves, whilst others with a higher concern for the time and discomfort of undertaking aspects of the sale and negotiation process may seek higher levels of service from agents whilst trading a higher fee.

“As a people-driven company, the view for X is that there will always be a market for that level of service, especially when you’re in the higher end of the market, I mean the level of – level of service is not just about buying and selling a house, it’s about getting the house ready, or if you’re letting the house it’s getting somebody in to paint the walls and all that kind of stuff. So it’s a full service, it’s not just [like] when you go further down the market, with your smaller agents which just goes “I will show this person around and then talk about price” and that’s all that’s seen to be done, when you’re at the higher end of the market it’s more service driven. That’s not to say there won’t ever be a place for the Internet, because as people – as people are more savvy in terms of technology and the Internet, they may choose to go for an Internet exclusive agent, or they may choose to let their property themselves, using an online system, but I think there’s place in the market for both” (England – Service Plus)

“... there was this guy and I think he was offering like 0.75 percent, which is usually about two percent, so for us we usually charge about two percent. So he’s offering it at like 0.75 percent, but then it means he’s got no overhead costs and he doesn’t even do the viewings. The owner of the property would do the viewings for him, which is good because they’re going to know the most about the property than anyone else. So that idea, I did think it was quite a good idea and that is obviously the way it’s going to go moving forward, in some cases anyway” (England – Remote Plus)

Changes in vendor motivation are facilitated by *Remote Only* estate agents, which enable a more active role. However, demand for this level of service is driven by changes in vendor’s confidence in their ability to understand and negotiate the sale process effectively. The popularity of property television shows, websites and books providing advice on selling a property was cited as fuelling a change in vendor demand.

5.3.1 Conclusions

In England the introduction of information online about prices and housing markets has fundamentally changed public access, and altered the role of the agent as a gatekeeper of information. In New Zealand this is less apparent, as real estate agents have maintained restricted access to sales information.

In the traditional cycle (Figure 5), agents hold key information about the housing market which vendors need to access in order to market their property effectively. Vendors retrieve this information from agents, who frame the information and influence client aspirations. Previous experience impacts on clients externally, particularly through previous rotations of the cycle from previous sales. In England (and to a lesser extent in New Zealand) this cycle has been broken now with the growth in third party online information (Figure 6).

The introduction of *Remote Only* estate agencies in England has created opportunities for vendors to purchase access to major property portals and (in most cases) limited support in the sales process. This has produced a wider variation in fees across the industry and caused *Remote Plus* and *Service Plus* agencies to explain to vendors more clearly the level of service provided. In New Zealand the hegemony of *Service Plus* agencies, with greater control over online information sources and tighter regulation of estate agents has not witnessed the variation in fees and services provided that England has experienced. Whilst personal recommendation and contacts are key in retaining clients and earning new instructions in both countries, this is more important in New Zealand where nuances in service provision are key to obtaining business.

5.3.2 Key challenges, opportunities and responses

- Online databases are used regularly for comparables by both agents and vendors. However, they can be misleading for the untrained.
- Introduction of *Remote Only* businesses in England has led to greater differentiation in price across the market for estate agency work. *Service Plus* and *Remote Plus* agencies have had to highlight the level of service that they offer, over and above that of *Remote Only* agencies in order to attract clients.
- Change in demand for higher service level (buyers and vendors).

Figure 5 The traditional agent-information-client cycle

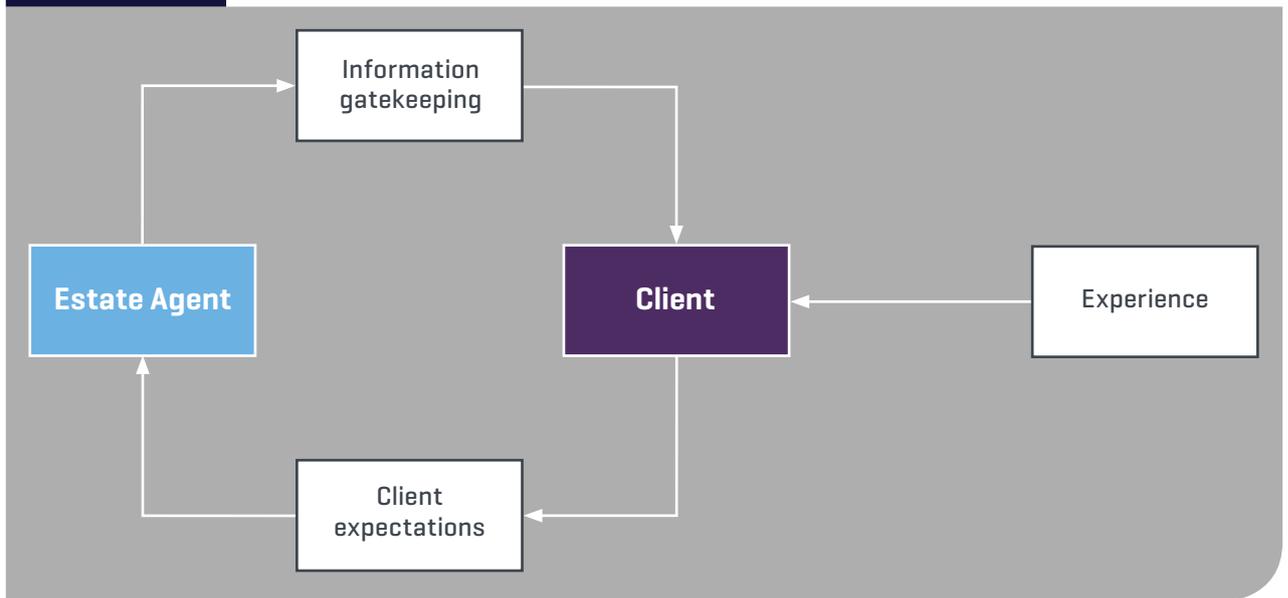
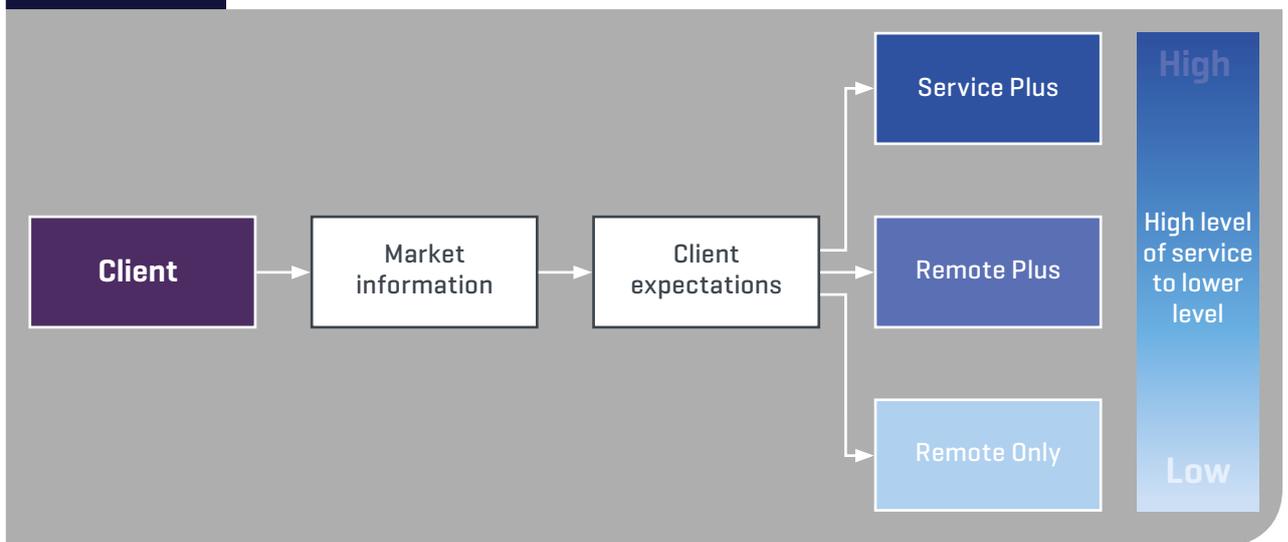


Figure 6 The contemporary linear process of gathering information and vendor choosing an agent



5.4 Advertising

Property portals have become the most significant source of leads and therefore advertising of properties in both New Zealand and England. Websites, whether portal or estate agencies' own, offer the potential to provide significantly more information about the property than was previously available in traditional print media, office windows booklets or fliers. It is now common for property portals to carry more than 10 photographs of a property, as well as floorplans, EPCs, descriptions and links to street photographs and neighbourhood information.

There were some advances in technology which, whilst not used by the majority of agents interviewed, were noted as examples by agents. It is now possible for buyers of some properties to inspect the property virtually, using software such as Periscope, thus resulting in their ability to control the properties they wish to view. Agents also discussed advances they anticipated in the near future, examples included 3D tours of the dwelling and interactive full immersion experiences providing an extension of the current photography/video and floorplan. Whilst these innovations were considered as gimmicky by some agents, and offering little extra information, they were being considered by agents as a mechanism to differentiate their websites from competitors.

Agents have different perspectives about the challenges and benefits of the amount of information available online. Prior to the expansion of online information, agents acted as gatekeepers of a wide range of information, including price, now much more is available online. However, agents do still have some control over the amount of information posted on property portals. Approaches to the amount of information varied. Some agents placed all of the photographs and information that they thought might be useful to buyers online, whilst others held back information in order to encourage buyers to contact the agent.

"... we used to have this situation where people used to come into the office to go on the mailing list, whereas now you'll often ask them if they want to go on the mailing list and they'll just say no, because I'm Rightmove everyday, all your properties are on Rightmove so basically I don't need to go on, because I can see everything I need to see and if it's on or not – whatever website it's on ... can access the full brochure, all of the photographs, umm, everything you need...we won't be able to give you any more information, umm, in terms of description and photographs and what-have-you... they'll be already be able to access on the Internet."
(England – Remote Plus)

In New Zealand agents perceived a change in the behaviour of potential buyers and their expectations as to the amount of information displayed on the property portal. Previously, when information was held back they would contact the agent to find out more. Now there is a strong possibility that they will not inspect a property without adequate information.

"... there has been a shift in terms of the behaviour of what was advertised you know it was always about a teaser you know getting person to view a property to engage with an agent whereas now people are more information hungry and they will not look at a property unless they have all the information which is an interesting change in the way people behave online." (NZ – Service Plus)

Whilst agencies have always had different perspectives about the types of information to include in their advertising, historically they controlled the context of the advert. This is no longer the case for the prime advertising media, where agents express concern over their inability to control the format, which is prescribed by the portal. In New Zealand the format permitted by the property portals are also standard. Buyers are able, however, to pay for premium advertising. Regardless, the estate agents interviewed here focused their discussion on their role as ensuring that the most effective photographs are taken and displayed in the best order.

"We have input into the photos that go in. Scripts that go in. Other than that, we don't have really a great deal of input into layout, the only differentiation we can make is taking premium advertising. So you're clients are paying for that sort of, me first up, or be on the top of the screen or sort of star." (NZ – Service Plus)

"I would say that it's, our role ..., is far more important with the internet... because people buy property with their eyes, it sounds cliché but the presentation and the representation of properties is far more visual and there's more of it than say a print media, that you actually have to spend quite a lot of time getting the order of your photos and how you present the property, all those sorts of things, really well done up front. And the better you do that the better response you get the properties investors. So there's a lot of emphasis on that set up and what web sites you're going to flow through to ..." (NZ – Service Plus)

Buyers' search for properties via property portals, is led by property and market characteristics rather than by the estate agency office. Historically, a buyer would approach an agency to find out about the properties they have available. Now they can bypass the agency and focus immediately on the property. The buyer's mental link therefore between agency office and available properties has diminished. The link with the agent commences only when they have identified the specific property they wish to pursue.

Traditional print media advertising remains in both New Zealand and England contexts. In England it is peripheral and primarily based on brand marketing, where as in New Zealand it works as both brand marketing and property advertising. In New Zealand there is a stronger property press, which estate agents are keen to see continue, as it provides a platform for their businesses to be marketed, and also provides them with greater control over the property characteristics to be advertised.

Technology surrounding mobile phones and tablets now enable buyers to search for properties whilst they are in an area, or whilst they are travelling. Apps for property portals add bespoke mobile phone functionality and this has resulted in increasing access to information for buyers and vendors. In addition, property portals are developing apps that function effectively on these devices but currently there is evidence that they constrain the types of information that may not be suitable to display.

Globalisation has extended the geographic area that buyers may be drawn from, particularly in certain markets in London and Auckland. In this respect, agents acting in particularly popular international (or specific nation) markets have individualised advertising strategies for those areas. Whilst the Internet has opened up information across international borders meaning that it is possible for many people globally to access listing services based in the UK and New Zealand. Many agents, use additional mechanisms to advertise to buyers with alternative norms of search behaviour. Exhibitions in host countries continue to be a significant source of leads for overseas sales, although the high costs of hosting events tend to lend this form of advertising to new build multiple dwelling sites only.

“... I always say to people way back before we became as dominant as we are now, that’s your window shop to the world. And so you can’t think just I’ve got something in my window locally, I mean everything is international now and it doesn’t mean that we’re talking about a Chinese buyer coming here. It means that we have so many people we know living in London, Australia, wherever around the world, and so you’ve actually got to be on that global stage and so your website is absolutely critical and the functionality I think is really, really important.” (NZ – Service Plus)

“... in New Zealand now we’re perceived by the world to be a safe haven, a safe economy, all those sorts of things. The international market for us is on a huge growth. And that’s where all those sites really feed in now. We’ve got 750 offices globally. So we market to all those offices through HTML database marketing as well. So definitely.” (NZ – Service Plus)

In England, changes to the type and amount of property information made available to potential buyers have been driven and facilitated by interrelated changes. The introduction of HIPs institutionalised the types of information that buyers expect to be made available. Whilst legislation requiring these packs has now been removed, EPCs remain.

Professional photography is now commonplace amongst property adverts. The emphasis of visual searches and selection of properties with attractive photographs on property portals has heightened the significance of high quality images. Professional photography is the norm amongst Service Plus agencies and also evident in Remote Plus agencies, but rarely found in Remote Only agencies. The use of professional photography is partly driven by increases in vendor expectations in the level of service provided by estate agents.

“I think clients’ expectation of agents has improved, or sorry has raised, it’s raised expectations of agents in terms of response times, in terms of provision of information, in terms of provision of accurate information, quality of marketing, quality of photographs, ability to communicate information not just locally but over a wider area, transparency, all sorts of things.” (England – Remote Plus)

It is also driven by buyers’ expectations in the quality of photographs and the increased level of selection or rejection of properties based on the photographs displayed online.

“... you’re very influenced by what you see on the website and you’ll select and discard by the photographs, the map, whatever you see. And you may go through and search with an agent’s website and find four properties and go no, none of those are for me. Previous to the website you would have called up the agent and they would have talked you through it and you would have asked questions and actually you might well have gone and seen it and you might have liked it and you might well have bought it. But people are relying on what they see on the screen.” (England – Remote Plus)

In England, the use of professionals to improve the quality of the photographs was also seen as part of a wider move towards creating a lifestyle narrative linked to the property. Photographs focusing on detailed elements of the dwelling (such as door knockers or feature fireplaces), rather than a general overview, were becoming more commonplace. Despite this lifestyle approach, it is clear from the photographs included on property portals that a wide range of quality and compositions still exist. The level of attention and photography service provided was a key distinguishing feature between agencies. Whilst Service Plus agencies were likely to take care to compose the photographs to maximise their appeal to a target audience, Remote Plus agencies provided less attention to detail (for example photos of kitchens might include washing up in the sink or untidy work surfaces).

Mobile computing technological advances (laptop computers and tablets) in England have enabled agents to move from the client capture to advertising phase more efficiently. Some agents were using tablets to create the advertising brochures with the vendor immediately upon signing the contract to advertise. The move to paperless systems is enabling not only a more rapid process for advertising, it is also creating wider office based efficiencies (e.g. reduction in print costs). Some aspects of the advertising package, however, such as obtaining an EPC, meant that adverts could not always be placed directly upon signing the contract.

In New Zealand, the quality and effectiveness of promotional material differed between agencies. Some agents and agencies take time in preparing promotional material and utilise the services of a professional photographer and an in-house marketing team to ensure

that the property is presented in the best way possible. Other agencies, however, encourage their agents to make use of the technology available and take and upload their own photographs.

“...it irritates me I suppose that sometimes some really good properties are just poorly photographed and poorly presented. And agents don't edit the photos that go into them, into the internet, they just, they'll just say to the, you know, sometimes they say I've gotta OA or PA, oh just put them all.” (NZ – Service Plus)

“I think the good agencies have quite an emphasis on encouraging their agents to use professional photographers...” (NZ – Service Plus)

“I would say that it's gone up a bar, because it's so important, it's so important that you get your text right and you get your words right, you get your visuals right, all those sorts of things, because it's here and now, if you publish it and you've got things wrong it's quite detrimental to your brand and what you do and all those sorts of things. So it's kind of raised a bar on standards and what, how we present properties but also, I mean you've really got to be on your game, because once it's out in that world, to pull it back it's really challenging.” (NZ – Service Plus)

In England and New Zealand some agencies had policies relating to the number and style of photographs informed by their perceptions of buyer search behaviour. In England, some agents suggested that fewer photographs online were more advantageous to the agent, as limiting the number of photographs encourages the buyer to make contact to find out more about the property.

“I think people want to see ... I only ever use a maximum of six photographs and this goes back to my old-fashioned days where what I believe our client wants from us and our client is the seller, they want us to show the very best bits of their house not every bit. We need to tempt people to call us, not provide photographs of things that don't look very good so they won't call us. So my view is that the marketing of a property is very much an art and one has to put across the very, very best. So if there's not six photographs that are worth taking, well you use two not just throw photographs at it for the satisfaction of the viewer.” (England – Service Plus)

In New Zealand, some agents are concerned that failing to supply enough information will result in a potential purchaser in pursuing the property and thus they focus on the quality of information and photographs they supply.

“... you actually have to spend quite a lot of time getting the order of your photos and how you present the property, all those sorts of things, really well done up front. And the better you do that the better response you get the properties investors.” (NZ – Service Plus)

Some property portals provide extensive information to estate agents about the performance of their properties. For example, agents are able to see the number of times a property appears in a search, the number of times people then look at a specific property (known as the “click through rate”) and particular features that are viewed, such as floor plans. Agencies are able to use this function to assess the stages that people are not selecting to look at the property details. If the initial clicks on the property are low this may signify a problem with the advertised price or the visual presentation of the property.

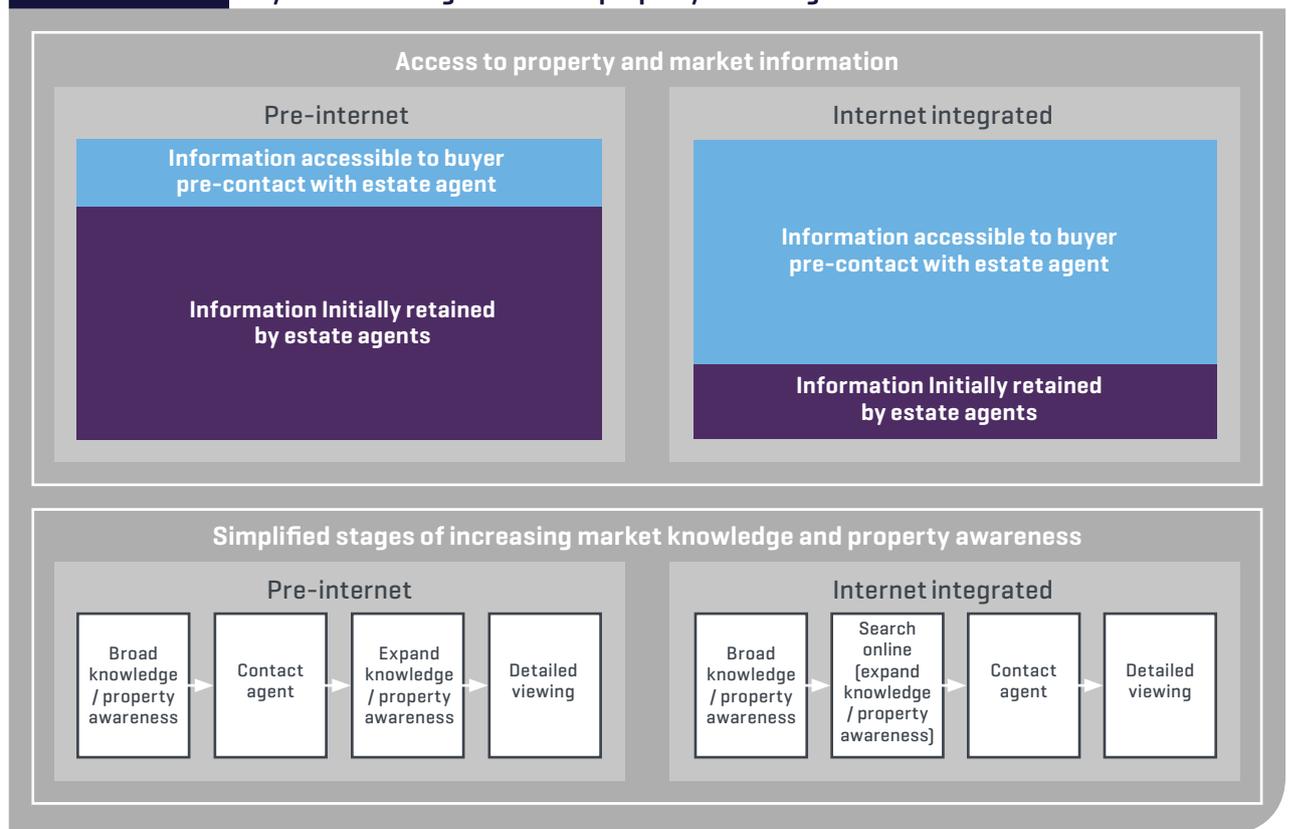
“... we get that data and then we can see -- there are certain amounts where you would know from the 'click through rates' what it should be. So you can see if it's higher, which is really good. If it's particularly low there's a problem, because people aren't looking at it. So is it photographs, is it price, is it description? So it gives us an idea of basically how our marketing is working, umm, and we can see if, you know, if we're having a property getting a lot of people looking at it, but you're not getting very many viewings you can tell that there is -- there has to be a reason why people are interested in it and then they're turning away. But if nobody's looking at it, then there's a problem with probably the price or the front picture.” (England – Remote Plus)

“All our websites are monitored. And we record all the hits. Our international websites, we actually break it down to the different countries and where those hits are coming from. We monitor how long they're online. And if they're online over two or three minutes then it sort of indicates to us that they've viewed our video as well. Videos normally play for one to two minutes. So ... we can monitor exactly who's looking at our stuff and for how long and then who's enquiring or who's just looking and whether they flick into other properties off the website. And then we also send out, through Property Suite we send out HTML database emails etcetera on new property listings. We can see who opens those emails. And then who clicks through into further information, who clicks in more than once, how many times. So yeah, it's, if you see somebody's looked at a property a number of times, it's a good indication that you might want to pick up the phone and call them.” (NZ – Service Plus)

Telephony technology is being used to monitor the impact of advertising across different media. Individual phone numbers are used for individual adverts, websites and properties and promotions, enabling the agency to monitor the method that the prospective buyer has accessed the phone number from.

Figure 7

Information availability pre-Internet and in an integrated Internet era, with stages of buyers' increasing market and property knowledge



5.4.1 Conclusions

The advertising of properties has seen the greatest technology change of all of the stages in estate agency business practices in both England and in New Zealand. The introduction of property portals has transformed the dominant search mode for buyers in both countries. Technological development has not yet settled on a single device for accessing property portals, computers, tablets and mobile phones are all regularly used to access information. Questions relating to how to most effectively present a property on property portals have not reached a settled resolution, with agents taking different stands on about the quality, content and amount of information necessary to maximise buyers' interest and facilitate a relationship with the buyer. Buyers are now more greatly informed about property markets, prices and property details than at any time previously before contacting the estate agency (Figure 7). Technology provides extensive feedback to estate agencies about the interest their properties are achieving online, which enables agents to assess properties below expectation outcomes. Buyer expectations about the quality of presentation is higher in New Zealand than in England, but there is some evidence in the increase in professional photography and staging of properties that expectations are now increasing in England.

5.4.2 Key challenges, opportunities and responses

- Dominance of online advertising – primarily property portals.
- Print media/advertising boards role is primarily brand building.
- New forms of online – mobile phone technology.
- Increase in amount of information available (both numbers of properties & info about each property e.g. photos/EPCs/Floorplans).
- Limited role of agents in providing secondary level of information (efficiency with relational challenges).
- Buyers first search criteria is portal (not agent) then property/area characteristics.
- Information being corralled into standard forms.
- Buyer/vendor expectations of higher standards (e.g. professional photography).

5.5 Facilitating / Evaluation

The extensive use of email and mobile phone communication has changed buyer expectations about the speed of communication with an agent. The change from post, to fax, to email has significantly decreased the delay between communicating, and increased buyer expectations about the speed of a response. One agency monitored the speed of response to enquiries, setting agents a target of under 30 minutes to reply.

“So people are, ... directly emailing us and ... they expect a response pretty quick and if they don't they complain and they forget that, you know, you could be out on the road, you could be doing this, listing a property or whatever. The same as what everybody else does in a day but they expect instantaneous kind of feedback on some key stuff. So speed has changed majorly, yeah.” (NZ – Service Plus)

The ease of asking for more information, whether via email or a form from a property portal, has increased the number of requests for information from people who are unlikely to purchase the property. In England decline in face-to-face contact makes the task of discerning the level of interest now more complex for agents. In New Zealand as previously stated agents will make every effort to facilitate a face-to-face encounter with potential buyers through meeting with them at open homes. They will request their contact details in order to facilitate ongoing communications. However if a potential buyer does not want to be contacted they may give the agent the wrong email address or mobile phone number.

“...majority of people, majority of people will put down their name and phone, cell phone number. Probably about 20 percent of them give you a false or wrong phone number. And most are reluctant to give you their email address unless you can specifically sort of, if they want further information about that property or another property that might be available. You say, I will email you think information, and then you can get their, generally get their email address. But, yeah, most people are sort of a bit diffident about it. Even though we know statistically that very few are actually followed up in terms of agents sort of hassling them to go and look at other properties if they haven't bought that one.” (NZ – Service Plus)

Similarly to vendors, buyers were perceived to have undertaken their research online before visiting a property in order to ascertain the price the property will achieve as well as comparing historic price data, and other neighbourhood statistics. This has moved the role of the expert and supplier of information, from the estate agent to the property portal. Whilst estate agents recognise that more information was being accessed online, most agents had reservations about the indiscriminate use of such information in housing search.

“... it's available to anybody, so it's not a closely-guarded secret, it's just that the – in a competitive market and a price-driven market, the end consumer is becoming more savvy and it's not just about price, they want to know locations, schools, trains and neighbourhoods, etcetera, so it's not necessarily just about the house. So a lot of research is done online, first of all, before thinking about the actual appointment.” (England – Remote Plus)

“I think all this information that's available had made people think or a lot of our customers or potential customers think that they're experts about property and yeah, I think it levels the playing field to some extent in terms of what they know. But in all these cases it's the interpretation of that information and the way it's attributable to that information which is really crucial.” (England – Remote Plus)

“So when we get people to a display or a project now and even some properties, they're more educated than us and that's quite a shift because they're not coming in blind, they're coming and going I saw it on the Internet, I see it's got three bedrooms and that carport, can you talk me through and I understand values are in the street, so they're far more educated. It's like a library. They've gone and done their homework and we've moved a step forward than where we used to be. ... In a way you ... tend to give more council stuff and value stuff and property bags and things like that. That's, yeah the main stuff that we would probably provide to them. But in terms of, I mean they can go and check out values, they can go on the council website and see what the CV [Capital Value] is, all those sorts of things. So it has changed the education level ...” (NZ – Service Plus)

There were a variety of responses from estate agents as to how they have changed their behaviour given the increase in available information and buyer and vendor knowledge. Some agents argued that they still played a role in changing some buyers search parameters, whether that was suggesting an alternative location, type of property or price bracket. This was most prevalent in cases where buyers were unfamiliar with the market. Local buyers were more likely to have a fixed notion of the neighbourhood or even street that they were prepared to consider.

“So where you are going to live is probably the hardest thing to change someone's view or mind, but some people don't know. Some people have just come to London they don't know certain things that you can try to educate them on or show them about and some people are very adamant in what they want and what they're looking for. But you can sort of, you can kind of tell. You might talk to someone and they're very specific. They might want this type of property in this area and nowhere else. You might get some other people that are like, 'oh, I might want it in a block or a house or you know I'm from Camden, but I'm looking at things going up to Shoreditch', so those sort of people, you know, they're showing you that they're not really – not that they're not too sure, but they're open to a lot of ideas, so you'd know then that you could shape them a little bit.” (England – Remote Plus)

In New Zealand agents responded to the change in the behaviour of market participants and the 2008 Real Estate Agents Act, by increasing their level of service.

“So we’ve actually had to go up a bar ... we’re now with very savvy and knowledgeable people. So days have gone by that you’ve pulled the LIM [Land Information Memorandum] and you haven’t had a chance to read it. You have to go there with having read your title, read, I mean they are mandatory under our act, but not everybody does it well. You have to be at that next level to understand those questions. So tell me about the boundary, what’s happening with this? What’s happening with that? Is it compliant? And you’re expected, well you should know, a good sales person has done far more homework but the bar has been raised.” (NZ – Service Plus)

Agents also suggested that younger buyers and vendors would be more likely to have collected more information online than older buyers and vendors.

“... they can get as much information as we can now. Once we could be the only ones into Terralink. We could be the only ones that could find out what the Government Value is, valuation is on property, LIM’s. They could never have got them. They can, they’ve gotta pay, but they can get it all now. SO they’ve got all that information before they, not necessarily the LIM’s, but they know the valuations, they know everything about them, they know what’s sold in the area. So they ... have done their own homework. The older ones, not so much. But certainly the younger ones, they know what they’re looking for, what they’re doing.” (NZ – Service Plus)

In addition, as buyers and vendors acquire substantial amounts of information, agents in New Zealand need to subscribe to additional databases that the general public does not have access to and thus can demonstrate their knowledge of the market and also a specific property. This enables them to add value to the service they can offer their clients and also to assess their performance in the market.

“I tend to use our membership site quite a lot which is REINZ and why I’m using that is checking on stats and sales and things like that and that’s also our main portal for key information on our industry. The other biggie for me is Property Guru which isn’t as accurate in terms of the information but it is a major site, or seeing what’s in the market, all those sorts of things.” (NZ – Service Plus)

“We use, Property Guru and RPNZ, for undertaking appraisals, and or finding out information for your buyers about what’s sold.” (NZ – Service Plus)

“Property Guru, but predominantly RPNZ which I think is Australian so that is for Property Information you know distinct property information so somebody rings up and says I am just about to sell a house, I met you at an open home come round and have a look. The first thing I will do is jump on RPNZ, get the deets [details] on it, so I know when it sold last time ... what they paid when and if it was advertised recently between when they bought it and now. Because I might have missed something and you’ll go shucks they tried to sell it a year ago for \$3million.” (NZ – Service Plus)

The time estate agents spent with buyers has reduced substantially since the 1990s. As buyers are able to access information remotely, they are more aware of properties that are on the market. A filtering process occurs both in selecting the search parameters on the property portal, and in selecting the properties to pursue with an estate agent. Today, buyers are more likely to contact an estate agent to request a viewing of a specific property and agents need to be more skillful in persuading these buyers to consider other alternative properties in the portfolio than previously.

Some behavioural changes in the viewing process and thus the focus of the role of the estate agent were also identified. Previously an agent was likely to drive buyers around to show them to a number of properties. This would enable them to follow a route through a neighbourhood that might appeal to the buyer, for example passing local schools or services. Controlling transportation in this way meant it was possible to take the viewer to see other properties that may be of interest en route, or after the scheduled viewing. The time in the car with the agent also permitted a stronger relationship to develop and the agent having more time to accurately identify the requirements of the potential buyer.

These prolonged periods of time with buyers are less frequent today, with agents more likely to meet the potential buyer at the property. This continues the challenge for agents of providing information and alternative opportunities to potential buyers who have more entrenched perceptions about the neighbourhood and properties that are worthwhile viewing. It also reduces the close relationships that were previously developed that often led to the agent being contracted to sell their property.

“Totally changed. Once upon a time if you didn’t get three people in your car a day to take out and show houses, you were being a lazy real estate. I don’t know when I last had someone in my car. I don’t know. It’s unusual, you do get them still, but very rare. Most buyers now will come to open homes.” (NZ – Service Plus)

“But literally, you know, in the 90s and the 80s you had to have a clean car and a modern car, because you took people around. Part of that role was being a chauffeur. That has completely disappeared.” (NZ – Service Plus)

5.5.1 Conclusions

The combined effect of an increased amount of property information available to the public and more distant communication methods between agents and buyers has led to weaker relationships and increased expectations from buyers. Changes in technology and behaviour has challenged agents in the facilitation stage to take proactively seek contact with buyers and require them to react more expediently to buyer demands.

5.5.2 Key challenges, opportunities and responses

- The increase in accessibility of information has changed buyer expectations about the market and challenged the role of estate agents as gatekeepers.
- Estate agents seek to influence inaccurate buyer perceptions of the market and property prices, although face challenges in the form of anchoring bias and limited personal contact with buyers.
- Technological developments in communication methods have increased the immediacy of communication, and has changed buyer expectations about the availability and speed of contact of estate agents.
- Estate agents have historically been willing to work outside the standard office hours, but this has been extended as buyers expectations about the flexibility of communication with and viewings have increased.

5.6 Negotiating/Closing the deal

The final stage of a property transaction process comprises the negotiation between buyer and vendor and closing the deal. Due to its focus on face-to-face contact this stage has been least affected by changes in technology and resulting buyer and vendor behaviour. The skill of the agent in communicating and negotiating effectively between vendor, agent and buyer provides the opportunity for the estate agent to demonstrate the value they can offer to the purchasing process and a justification for the importance of their role in the residential market.

“... and that’s where the agents’ forte should be in that negotiation and that face-to-face negotiation. So if you were to provide too much information.”
(NZ – Service Plus)

“I mean, that’s when they can earn their fee. It’s that 11th hour negotiation to extract that extra 10 or 20 grand out of someone. The reality is, if you look at the way their remuneration works, it’s not actually worth them doing that.” (NZ – Service Plus)

When considering the five stages, estate agents were most comfortable in the value that they added to vendor experiences through the negotiation stage of a property transaction. Their role in mediating the transaction, whilst working exclusively for the vendor, is a relational role, which in their perception cannot adequately be fulfilled by technology alone. The agents’ role in ‘holding buyers’ and vendors’ hands’ through the completion process was seen as significant. This was particularly the case with first time buyers, who were less aware of the order of events and legal processes. The actions of an agent were viewed as both saving time in the transaction process and ensuring that a higher proportion of accepted offers move on to completion.

Whilst negotiating a price between the buyer and seller is very different in England and New Zealand (open ended negotiation against auctions), agents in both countries defended their role in mediating the emotions and expectations for both buyers and vendors.

Throughout the business stages, remote methods of communication, such as email and texting, have enabled ease of communication between agent and vendor and buyer but have also made relationships more distant. This was also observed by some agents in the negotiating stage and proved a challenge to completing deals where buyers and vendors are more easily able to pull out of a deal, for example via email, without discussing it with the agent.

In England some estate agents’ businesses used the sales process to advertise secondary products (for example mortgages) to buyers or vendors. The limited amount of time spent in personal contact was seen as a limiting factor in the success of these additional product sales. In order to combat this, some agents insisted on face-to-face meetings with buyers in their office. Whilst these meetings often had the primary function of obtaining necessary information for the dwelling transaction (e.g. checking the identity of the buyer), they were used for the secondary purpose of selling other products and services.

5.6.1 Conclusions

The negotiation and closing the deal stage has been least affected by technology and behaviour changes. Agents continue to play a significant role in advising buyers and vendors through the sale process and in achieving a price, which the vendor accepts. Negotiation is, however, more difficult than previously because the relational development between vendor, agent and buyer, which used to take place through extensive face-to-face contact in previous business stages did not take place and therefore the relationship is now more remote (Figure 8).

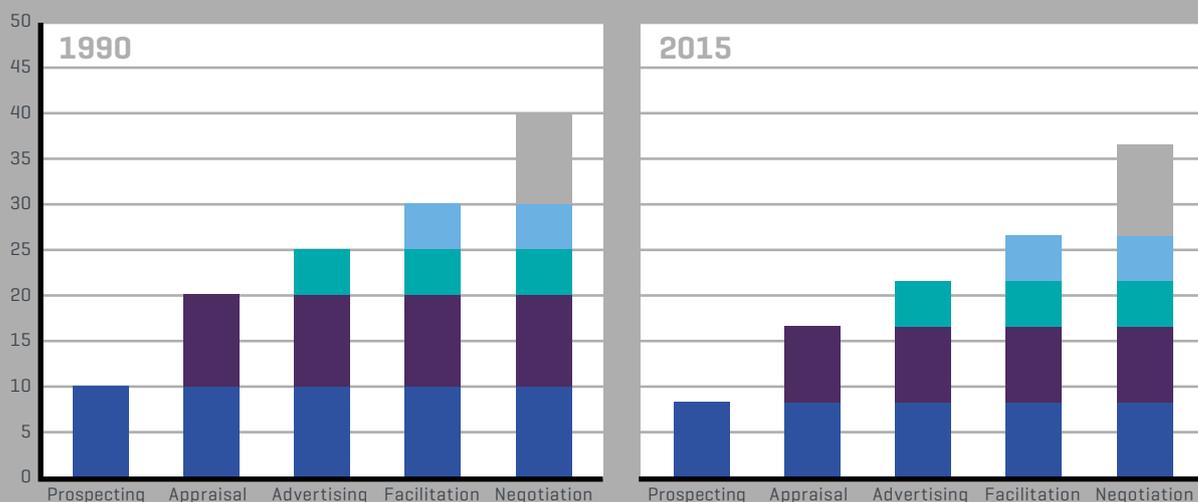
5.6.2 Key challenges, opportunities and responses

- Technological innovation has had the least impact on negotiations.
- Estate agents role has not changed fundamentally at this stage, but the ramifications of spending less time with buyers and vendors can lead to greater difficulty in completing deals as rapport and trust may not be fully established.

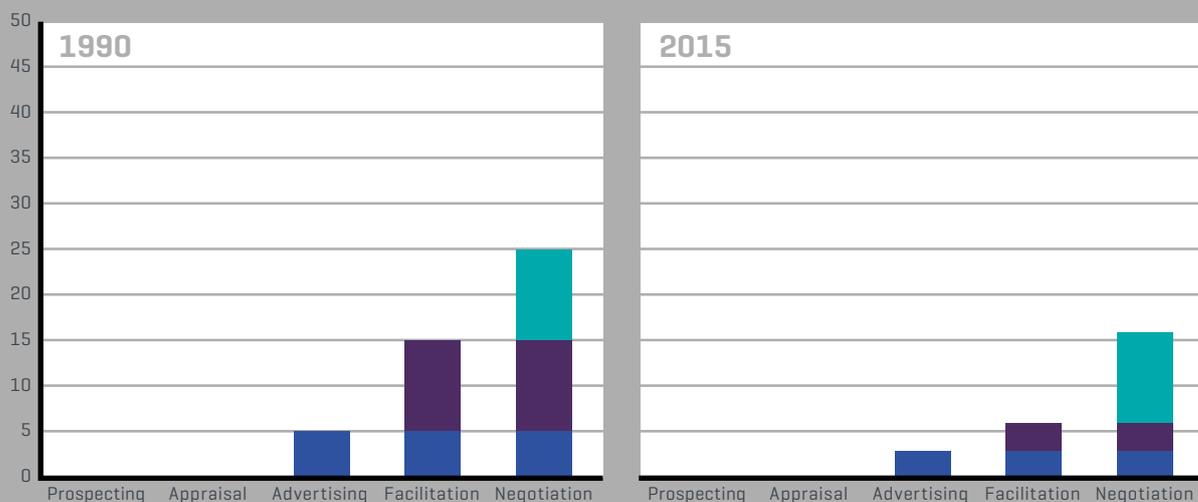
Figure 8

Diagrams created by researchers of the trust and rapport building process for vendor-agents and buyer-agents around 1990 and in 2015 based on agent interviews

Agent-vendor trust and rapport building



Agent-buyer trust and rapport building



6.0 Conclusions



Technological advancement and changes in vendor and buyer behaviour have impacted estate agents over the last 25 years. Significant changes can be observed across the five stages of estate agency business practices.

Technology has had a profound impact on norms of communication. The potential timeframe for responses to requests for information has been significantly reduced by the increased use of email, text and mobile phone technology. This has facilitated a change in buyer and vendor expectations about the speed of responses and the availability of estate agents.

The increase in speed and convenience of changes in communication mode has facilitated a shift in the norms of communication between buyers, vendors and agents. These modes facilitate more remote (physically) communication, and many buyers and vendors now prefer to communicate via these remote methods. This has resulted in less time now spent communicating face-to-face, and agents are working to maintain telephone contact in order to develop and maintain relationships with buyers and vendors.

Changes in the modes of communication have had significant impacts across the five stages of estate agency business practices. Agents' behaviour in each stage is a response to the combination of both generic communication changes and specific changes in relation to buyer and vendor behaviour and technology change in that stage.

The widespread availability of information online has changed the role of estate agents as information mediators/gatekeepers. Agents have observed a change in buyer and vendor's reliance on agents' information, they now approach agents with preformed notions of relevant property and market characteristics. The increasing significance of

property portals and websites has led to estate agents developing relationships with buyers later in the process, and with potentially less impact on buyer decision making.

Agents have, in some respects, been complicit in shifting information from their own hands into the hands of property portals and other websites, in many cases providing as much information as possible in order to present the transparency of their properties and reach a wider market. Changes in legislation in England (HIPs and EPCs) have also contributed to the amount of information available to buyers and has now changed buyer and vendor expectations about information available before visiting the property.

England and New Zealand represent two distinct systems of estate agency business practice. In New Zealand practice is dominated by high levels of service for vendors, high levels of agent regulation and significantly higher fees than in England. England has a much wider range of service provision than New Zealand, ranging from minimal services (focused on placing adverts on property portals), up to the high levels of service found in New Zealand (although this remains a minority practice).

Greater differentiation between agencies is observable in England than in New Zealand, where commonality is greater. Approaches to photography, social media and office presentation are very varied in England, whilst in New Zealand there are more common norms of practice. Vendor expectations have increased in both countries over recent years, but in England the availability of different fee structures/levels and levels of service enables a wider range of vendor expectations to be matched (e.g. vendors willing to do more work themselves for a lower fee).

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