

E-COMMERCE IN THE MALAYSIAN REAL ESTATE AGENCY INDUSTRY

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Abstract

Advances in Information and Communications Technology have revolutionised the ways of doing business in the real estate industry. However, scarce literature on real estate agency Internet adoption, particularly in Malaysia limits understanding on the extent of applications and implications of Internet on real estate agency business activities. Thus, this study aims to investigate how real estate agencies in Malaysia adopt Internet strategy, focusing on websites, in their business activities. Questionnaires were distributed to 21 registered real estate agencies in Johor Bahru to obtain information on the firm's background, use and impact of websites on the firms' business. Analysis results showed active participation and utilisation of Internet by Malaysian real estate agency firms. Websites were used as a platform to promote the company's brand and property listings to the prospective buyers. There was a positive relationship between website and sale generation with number of website visitors being an important factor in sales generation. Consumers concern for information security remained a major barrier in the real estate business. The findings of this study enhances understanding on website use and impact in the real estate agencies business. Further study may explore other types of Internet strategy such as emails and social media.

Keywords: *Information and Communications Technology, Internet, E-Commerce, Online Presence, Website, Real Estate Agencies*

1.0 INTRODUCTION

In the world of globalization, the use of the Internet has spurred the creation of various media and advanced technologies such as smartphone, computer and tablet, along with Internet service supplied through the mobile network or Wi-Fi service. In a survey conducted by Nielsen (2012), 62% of citizen in Asia-Pacific countries purchase products through online. In Malaysia, the number of Internet users had grown significantly from 2.9 million in 2004 to 3.5 million in 2015 and to 5 million in 2016 (Internet World Stats, 2016). This implies positive acceptance among Malaysians on the use of the Internet as the main medium for shopping and socialising.

The real estate business industry relies heavily on information. Thus, in order to gain information of a property for buying, selling or

renting purposes, one must seek information from real estate professionals such as real estate agents. However, recent developments in the information and communications technology (ICT) has revolutionised the traditional ways of doing the real estate business and brought positive impacts towards the real estate industry. The Internet creates a transparent property marketplace (Stamsø, 2015) and brings buyers and sellers together in the real estate transaction process. Increased availability of information is beneficial to the property market participants such as buyers and sellers (Richardson and Zumpano, 2012).

The homebuying segment observed an increasing trend of Internet usage in searching homes (Wu and Brynjolfsson, 2014; Ho et al., 2015). Nowadays, most homebuyers prefer to use the Internet in searching a house (Bond et al., 2000; Tse and Webb, 2002; Benjamin et al.,

2005; Richardson and Zumpano, 2012; Seiler et al., 2012; Dorwart, 2016) before contacting an agent (Henderson and Cowart, 2002) for walk-throughs arrangement (Sawyer et al., 2014). In addition, landlords are also able to sell properties independently without real estate agents assistance (Stamsø, 2015).

Increasing trends in Internet usage of real estate websites by homebuyers indicates the need for online presence by real estate professionals. Maintaining online presence is crucial to extend the longevity of real estate professionals in the market (Chatterjee, 2013). Advances in the marketing techniques and delivery ensures successful real estate marketing and provides a competitive advantage to the real estate professionals (Benefield et al., 2012). Thus, in order to remain relevant and competitive in the real estate industry, real estate agencies have to quickly embrace the trend by applying Internet in performing the real estate business to address the buyers wants and needs.

In the real estate agencies industry, firms utilise Internet in their business activities because it is easy and provides a mean to acquire potential customers (Bond et al., 2000; Delcoure and Miller, 2001). Marketing through Internet increases the productivity of real estate agents (Zumpano et al., 2002), attracts the attention of real estate buyers (Muhanna, 2000), reduces the frequency of property site visits (Zumpano et al., 2002) and saves marketing and site visit costs (Zumpano et al., 2002; Cayley, 2006). Many real estate agents provide property information in the form of pictures, virtual tours and mock ups (Benefield et al., 2012) to attract potential buyers and to reduce the time and cost related to home buying. Despite the extensive use of Internet by real estate agencies, very few studies have attempted to study the use and impacts of Internet on the real estate brokerage industry. This includes Malaysia.

Thus, this paper examines how real estate agencies in Johor Bahru Malaysia adopt Internet, particularly websites in their business activities and the perceptions of real estate agencies of website impacts in their business activities. The paper is organised as follows; Section 2.0 reviews previous papers studying on the applications and implications of websites on real estate agencies business activities. Section 3.0 describes the

methodology of the study followed by a presentation on analysis results in Section 4 and discussion of findings in Section 5.0. The final section of this paper concludes the study (Section 6.0).

2.0 WEBSITE APPLICATIONS AND IMPLICATIONS IN THE REAL ESTATE AGENCIES INDUSTRY

The Economic Research Group of the National Association of REALTORS® (1999) examined the extent the Internet has affected the United States real estate brokerage industry. The group of researchers observed that majority real estate agents registered with REALTORS® perceived Internet as new business opportunity and utilised the Internet in their business activities especially for property listings.

In the year 2000, Cassam et al. (2000) noted a balance in number between real estate agencies with and without websites. Despite their long experience (between 20 and 50 years) in the real estate agency industry, many firms had just established their Internet presence (below than one year) indicating the initial growth of Internet awareness among firms. The Internet aided the real estate agents in gathering information for property listings. Most firms were also reported to have an Internet marketing plan in place for future plans.

In Ohio, Bond et al. (2000) studied the degree of Internet use for real estate marketing. Out of the 249 real estate agencies surveyed, only 41 have their own websites while 80 small firms opt to use third party websites. 70 firms have plans to establish a website in the future while the remaining firms argued that websites were unnecessary and unprofitable to their business operation. In contrast with Bond et al. (2000) findings, Muhanna (2000) surveyed the Internet adaptation of 150 real estate agencies in Ohio and discovered a dramatic rise of firms utilising Internet. Majority firms in Ohio were reported to have established online presence while some firms have set out plans to employ the Internet in their business activities. In line with Bond et al. (2000) findings, Muhanna (2000) noted that majority firms preferred to use third party websites for property listings over their

company's own website. However, firms listing properties through their own websites enjoyed more sale benefits compared to firms relying on third party websites only. Muhanna (2000) also linked the size of the firm (measured through number of real estate agents and gross sale) and with online presence. Larger sized companies were most likely to establish online presence compared to small companies. Most firms agreed that their online presence was a success, which can be evidenced through significant gross sale generated from websites. Similar to the findings of REALTORS® (1999), Ohio firms perceived the Internet as an opportunity rather than a threat. Attracting buyers while reducing costs were the main motivations of Internet utilisation by firms. Also based in Ohio, Seiler et al. (2001) surveyed 3,222 real estate agencies to examine ICT use of firms. The results of the study showed that although firms have Internet access, only 35% of the firms establish a website. In contrast with small firms, all large firms seemed to have their own websites. This finding was consistent with Muhanna (2000) who claimed that online presence, were mainly adopted by large firms.

A study conducted by Ford and Rutherford (2001) in Dallas-Fort Worth indicated the real estate agents preference to list properties on the Internet. They also demonstrated a positive relationship between Internet use and the firms' income. Majority real estate agents perceived that listing properties on the Internet increases the interests of the audience while 41% of them agreed that sales were attributed to Internet listings. Despite the Internet advantage in facilitating property sale generation, Dermisi (2004) observed that real estate agents based in Boston, United States and London, United Kingdom preferred advertising properties through personal networks than over the Internet. Rather, Internet was only used in the event of low demands from personal networks. The reluctance from real estate agents to fully utilise Internet in performing real estate business was due to the concerns for information security. However, this was only applicable for large properties. Using 1,700 real estate agency information from NAR 2001 database, Benjamin et al. (2005) demonstrated the positive relationship between Internet usage and the revenue of residential brokerage firms. The firms' income and profits

increased to 0.33 and 0.26 units of standard deviation respectively with the use of Internet. This suggests that Internet facilitates firms to increase their business profits. A firm may opt to outsource Internet management to other agencies or firms or handle the Internet using internal resources. To increase the use of Internet, some agencies conducted internal training programs on research and online marketing (Bristow et al., 2004).

Sun and Ifeanyi (2015) investigated the adoption of websites by interviewing real estate agencies in China. Eight out of ten real estate agencies advertised their property listings online through third party websites such as 58.com. Among reasons for utilising third party websites were ease of use, wider exposure and higher awareness to the target audience, no restrictions for advertisements through other platforms and cost effective for few listings. Despite the advantages, the real estate agents complained the difficulties in serving international clients as websites were not designed and operated in other languages except Mandarin.

Meanwhile, in another interview conducted by Sun and Ifeanyi (2015), twenty real estate agents utilised their own company's website to perform real estate business. In contrast with the real estate agents using third party platforms, real estate agents using their own websites have the autonomy to modify their websites to include multiple languages to reach the foreigner market. The real estate agents noted increased market awareness and profitability with the use of websites for marketing real estate. Nonetheless, search engines such as Google and Baidu have limited the visibility of their websites. Moreover, escalating costs related to developing and maintaining websites and administrative workloads were highlighted as main problems for the website owners. Although outsourcing might reduce costs and workloads, information might not be secured.

A review on the previous literature uncovers a mix of findings in applications and implications of Internet on real estate agencies business. Internet was perceived to be an advantage or disadvantage to the real estate agencies. Some firms enjoyed the benefits of sale and profit generation through websites while other firms argued the unnecessary and insecurity of data

caused by online presence. Moreover, the scarcity of literature limits further understanding on the use and impacts of Internet in the real estate agency industry particularly Malaysia. Mixed findings coupled with scarce literature highlights the necessity of this study. Among the question that arises is to what extent does real estate agencies in Malaysia use Internet in their business activities and what are the implications of Internet in the firms business operation? Thus, this study aims to investigate how real estate agencies in Malaysia adopt Internet strategy, focusing on websites in their business activities. The aim of this study is addressed through two objectives. The first objective examines the real estate agency firms' use of Internet, focusing on website. The second objective measures the firms' views on website impacts in the firms business.

3.0 METHODOLOGY OF STUDY

About 29 registered real estate agency firms operating in Johor Bahru were identified from the Board of Valuers and Appraisers, Estate Agents (BOVAEA) website. Based on the Yamane (1973) sample size formula, a sample size that reflects the registered real estate agency firms was 23 respondents.

A total of 23 questionnaires were distributed through emails, phone calls and air mails to selected real estate agencies in Johor Bahru. Out of 23 questionnaires, the researcher managed to obtain 21 completed questionnaires representing 72% of the total samples within two weeks of data collection period.

Questionnaires were structured in both open-ended and close-ended questions. Each questionnaire was divided into three parts, Section A gathered the details of firm such as the name of the company, years in business, numbers of estate agents and gross sale in the last fiscal year. Section B identified the use of the Internet in estate agency firms' activities such as how estate agencies utilise Internet in the business, utilisation of third party websites, website establishment and operation methods, update frequency of property listings and Internet sales generation. Section C assesses the perception of real estate agency firms on the impacts of Internet

in the real estate business activities through four main themes. This includes the reasons for online presence, factors contributing to the success or failure of Internet adoption, real estate transaction process involved and barriers to selling Internet services.

The respondents' perceptions on the subject matter were assessed based on a Likert scale, a method proposed by Likert (1967). The perceptions of respondents were categorised into five scales to reflect the impact level of Internet on the subject matter. The lowest number (1) represents no effect while the largest number (5) represents strong effect.

All information was then analysed using frequency and descriptive analyses through IBM SPSS.

4.0 ANALYSIS RESULTS

Analysis on the background of the firms in Section A observed that majority were small, embryonic firm branches with less than five years of business operation period (57%). Despite the infancy stage of the firms, most workers working in the firm have at least ten years of working experience from previous real estate firms. 71% of the firms consist of between five to twenty five numbers of estate agents Majority respondents who responded to the questionnaires were registered real estate agents (42.9%) followed by real estate negotiators (28.6%), director of the firm (23.8%) and others such as sales coordinators or administrators (4.8%). Since most firms were at infancy stage, their annual gross sale was recorded below than than RM 5,000,000 (Figure 1).

Analysis on the firms' utilisation of Internet in performing their business activities (Section 2) showed some important findings. There was a higher proportion of firms with websites (81%) compared to firms that do not have websites (19%) (Figure 2). This implied the high awareness and Internet literacy of real estate agencies in Johor Bahru.

As depicted in Figure 3, majority firms have been utilising third party websites to facilitate their business activities. In addition to their own websites, majority firms use third-party websites

such as iProperty, Propertyguru and Propwall to reach out a wider scale of target audience. Most respondents agreed that their websites are used to market both their own company and real estate listings (71.4%) (Figure 4). Only a small number of firms would only provide company information on the website and direct the users through hyperlinks to third party websites for real estate listings. This signified the maximum utilisation of websites by firms to increase their online appearance and attracting prospective customers.

Firms set up and manage websites for their business activities by using internal resources (42.9%) or external sources (33.3%) (Figure 5). Only few companies adopt mixed methods in managing and operating their websites.



Figure 1: Gross sale in the last fiscal year

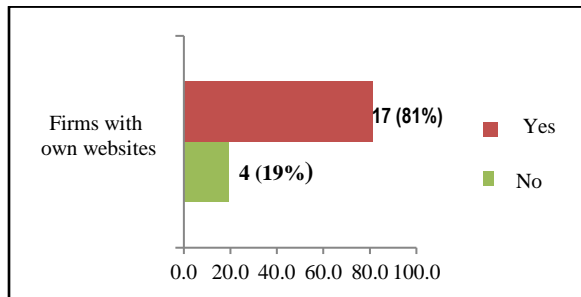


Figure 2: Firms with own websites

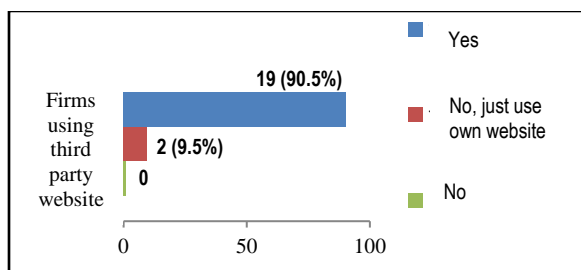


Figure 3: Firms using third party websites

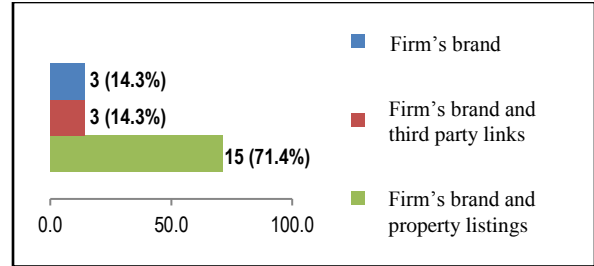


Figure 4: Website utilisation in firm activities

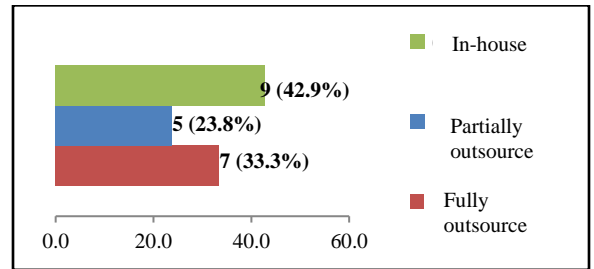


Figure 5: Website development and operational methods

Management or maintenance of websites require information updates to the website. The frequency of information updates by firms is shown in Figure 6. Daily (47.6%) and weekly (42.9%) information updates indicate the firm's activeness in utilising and maximising the potential of websites to capture the attention of their target market. Updates of information were mainly performed for property listings.

The following analysis explored the firms' motives on website usage for their business operation. Figure 7 below illustrates the firms' motive in utilising the Internet. Based on the figure, all respondents depict similar motives in utilising the Internet, which is, to attract prospective buyers. Advances in technology permitted dissemination of information and communication of property listings, company brand and advices across geographic areas allowing a wider capture of the prospective buyers whether local or international. Although Internet usage was deemed cost effective, very few agreed with this notion (19%).

On sale generation perspective, majority firms (75.1%) agreed that websites facilitate the firms to generate more sales. Only few firms (9.5%) claimed no sales generation from websites. This indicated the effectiveness and

efficiency of websites in attracting the buyers and thus generating sales for the company.

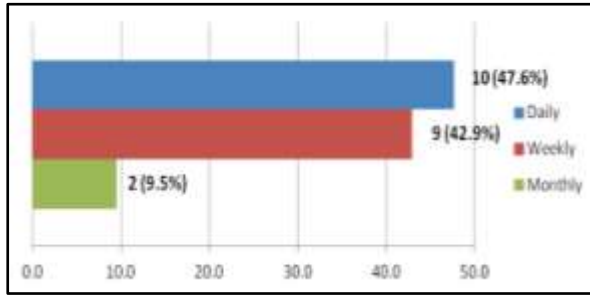


Figure 6: Frequency of information update on website

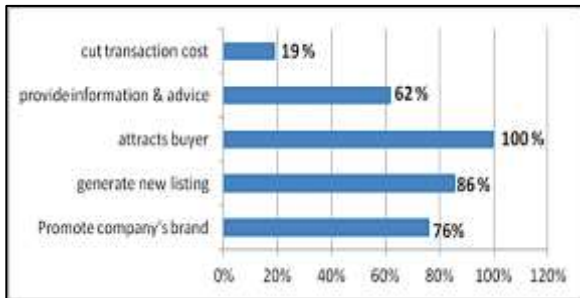


Figure 7: Motives for website utilization

Table 1 tabulates the perception of real estate agency firms on online presence. Overall, the respondents agreed that online presence is a strategic necessity in an agency real estate firm as well as improve the profitability of the firm (4.33). This is plausible as, an increase in the sales generation through websites (Figure 8) should increase the profits of the company as well.

Although Internet literacy, financial means and collaborative partners were important to maintain online presence, this would be meaningless without the flow of visitors' to the website. Insufficient visitors to a website would consequently result in low real estate sale generation and profits. As such, respondents highlighted visitors' traffic (4.38) as the most influential factor to the success of the failure of a firm's online presence.

Real estate transaction process often carried out by firms through the Internet was buyers search (4.76), followed closely with property listings (4.71). These findings were in line with

the firms' motive to establish online presence (Figure 7), which was to attract buyers and generate new listings.

Table 1: Real estate agency firms perception on online presence

	No effect (1)	Less Effect (2)	Average Effect (3)	Effect (4)	Strongly Effect (5)	Mean Score	Rank
Reasons for Online Presence							
As a strategic necessity	0	0	3	8	10	4.33	1
As a cost effective marketing channel	0	0	3	10	8	4.24	2
To increase profits	0	0	4	6	11	4.33	1
To stay current trend	0	1	3	9	8	4.14	3
Factors Contributing to the Success or Failure of the Firm's Online Presence							
Knowledge of the Internet and its techniques	0	1	2	8	10	4.28	2
Financial means to develop effective presence	0	1	3	8	9	4.05	3
Cooperation with the main players (Microsoft Advisor, MIEA, etc)	1	2	4	7	7	3.81	4
Visitors of business on the Internet	0	1	0	10	10	4.38	1
Impacts on the Real Estate Processes							
Property Listing	0	0	0	6	15	4.71	2
Buyer search	0	0	0	5	16	4.76	1
Property Evaluation	0	1	4	8	8	4.09	3
Negotiation	2	1	5	7	6	3.67	5
Execution / Closing	0	2	5	6	8	3.95	4
Barriers to Selling Real Estate Services							
Consumer concerns for security and privacy	0	3	2	7	9	4.05	1
The majority of consumers prefer to use traditional methods	1	6	5	6	3	3.19	6
Legal / Regulatory issues	0	2	5	7	7	3.90	2
Technology itself	0	3	7	7	4	3.57	3
Lack of qualified technical human resources	0	5	7	6	3	3.33	5
Lack of integration between the Internet and existing business processes	0	2	10	6	3	3.48	4
Cost of constructing and maintaining the platform	1	2	7	6	5	3.57	3

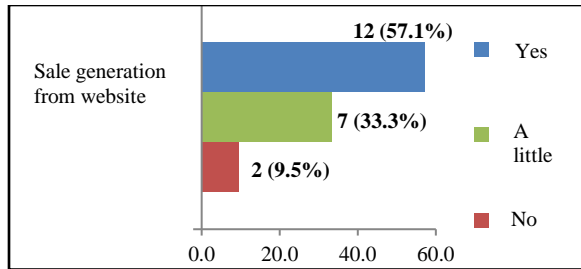


Figure 8: Sale generation from website

Despite the advantages of Internet in facilitating real estate business, several barriers to selling real estate services through Internet persist. Most firms identified consumer concerns for security and privacy (4.05) as the largest barrier to selling real estate services through the Internet.

5.0 DISCUSSION OF FINDINGS

Despite their infancy stage, new real estate agency firms in Malaysia were found to quickly adapt to the technological advances to compete in the real estate brokerage industry. The findings of this study contradicted the findings of Muhanna (2000) and Seiler et al (2001) who claimed that only large firms adopted online presence. This signified the changing Internet utilisation and perception of firms in the real estate brokerage industry.

The potential of ICT was maximised through the utilisation of more than one website to promote company's brand and property listings. This strategy increases the firms online appearance, attracts customers and generates more sale and profit. This finding also supports the findings of Muhanna (2000) who discovered that firms adopting own website and third party links enjoy more sale benefits than firms relying solely on third party links.

Moreover, proactive behaviours of firms in managing and maintaining their online presence have attracted many buyers resulting in a good generation of sales. Although literacy, finance and collaboration were important to the success of the real estate business, all these remain insignificant without the flow of visitors to the firms' websites. Visitors' are crucial to the survivality of a company's online presence as

they are the source of sales and profits to the company. In parallel with the main motive of the firms for online presence, which is, to attract buyers, firms should continuously adapt to changes in the technology to ensure their survivality in today's highly competitive environment. Consumers' concern for data protection remained one of the most challenging aspect in selling real estate services.

6.0 CONCLUSION

This paper has discussed on the usage and perceptions of online presence among real estate agencies. Generally, most real estate agencies in Johor Bahru, Malaysia utilised website in performing their business activities. This implied the recognition of firms on the importance of online presence as means of promotion for the company itself and its property listings. This is plausible, as newly established firms require platforms to introduce their company and products. Maximum utilisation and active firm participation on the web increase their online visibility, attracts the buyers and generates more sale and profit to the firm.

The fast speed and spread of information through Internet allows a wider market capture and thus generating more sales for the firms. Nonetheless, the buyers concern for security and personal information limits the benefits of online presence in the real estate business. Buyers only use websites to search for information for selection and comparison process before purchase decisions. In the negotiation process, meeting with the agent him/herself was considered more secure to the buyers than depending solely on online negotiation. To ensure effectiveness use of websites, one main aspect that should be emphasised was the number of website visitors. By monitoring the number of visitors, one firm may identify whether the site is highly attractive and informative or not to the visitors. Thus, firms should strategise their website effectively to ensure a good return.

This research has contributed to the literature by examining the extent of use and impact of online presence among real estate agencies in Malaysia. Since this study was mainly focused on website, further studies may attempt to

investigate the use and impact of other online strategies such as social media platforms and emails on real estate agency business activities.

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