

**RELATIONSHIP MARKETING BY ESTATE AGENCIES  
IN THE RESIDENTIAL PROPERTY MARKET  
OF SOUTH AFRICA**

by

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## SUMMARY

This study investigates relationship marketing by estate agencies in the residential property market of South Africa. In determining the residential estate agency's knowledge of relationship marketing, an extensive literature study was undertaken on the marketing environment and broader market, marketing concept, market segmentation and target marketing, the marketing mix and expansion thereof, as well as customer service and internal marketing.

An empirical study was conducted to determine the residential estate agency's present knowledge and practices of the basic components of relationship marketing. In the study a structured questionnaire was mailed to all residential estate agencies which are members of the Estate Agency Affairs Board. The most significant findings are that: the majority of respondents do not have mission statements and do not know what a mission statement is; they set marketing objectives which are communicated to the agents; when appointing new agents they consider the agent's service orientation and ability to work with clients, but qualifications and previous experience are not viewed as important; they train estate agents themselves and emphasise after-sales contact and building of long-term relationships, but do not stress customer behaviour influences; a large percentage do not conduct competitor analyses and view marketing research as unimportant, but are of the opinion that they have superior market knowledge and offer the best service quality; they regard the principles of the marketing concept as important; they engage in a large number of after-sales services, although few realise that contact after occupation is important; they regard the buyer's financial means as important and engage in activities to ensure customer service, but do not have formalised feedback systems to test customer satisfaction; they engage in internal marketing activities, strive to create a positive corporate culture and try to retain good agents.

In conclusion it can be said that there is evidence that the principles of relationship marketing are followed by residential estate agencies in South Africa. There are, however, concerns about the long-term commitment of estate agencies towards their clients because of the lack of feedback systems and the lack of in-depth knowledge of the market.

### **Key terms:**

Relationship marketing; Estate agencies; Residential property market; Marketing environment; Marketing concept; Marketing mix; Customer service; After-sales services; Internal marketing; Marketing research; Appointment; Training.

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## **CHAPTER 1**

### **INTRODUCTION TO THE STUDY**

## 1.1 INTRODUCTION

Buying a home is one of the major events in the life of most individuals. It is usually the single largest financial decision that a household makes and often it is a once in a lifetime event. For most people the experience is physically tiring and mentally draining.

Of all the many professions in the world, estate agents are, in the majority of cases, the people who not only play the leading role when it comes to buying a home, but – as a group – probably exert the single largest influence of any group during this process. Their guidance, their knowledge, their assistance and the way they conduct and execute their duties can have an enormous effect on the buyer and the seller, and ultimately on whether the house is sold or not. The position of the estate agent could thus be regarded as being of vital importance.

The Estate Agents Act 112 of 1976 defines an estate agent as "any person who for the acquisition of gain on his own account or in partnership, in manner holds himself out as a person who, or directly or indirectly advertises that he, on the instructions of or on behalf of any other person, performs one or more of the following acts in connection with immovable property, an interest in immovable property or a business undertaking:

- \* purchases or sells
- \* negotiates for the purchase or sale
- \* canvasses a purchaser or seller
- \* undertakes or offers to canvass a purchaser or seller
- \* lets or hires
- \* negotiates for the letting or hiring
- \* canvasses a lessee or lessor
- \* undertakes or offers to canvass a lessee or lessor
- \* collects or receives any moneys payable on account of a lease
- \* renders any other service as the Minister may specify by way of notice in the Gazette".

The estate agency industry is an industry with an exceptionally high turnover, i.e. influx and departure, of sales staff. According to experts in the industry it is generally accepted that a third of the industry is leaving while another third is joining. Estate agents seem to have such

high expectations of making millions within a short period, that when their expectations are not met they leave the industry. Building good relationships with customers is a vital aspect in any selling situation. In this way the estate agent can determine what the needs, demands and preferences of the potential customer are and therefore only show him<sup>1</sup> homes that fall into the category which he prefers. The estate agent will then, in the end, by taking cognisance of the customer's needs and giving good customer service, receive his commission. However, building relationships with the customer should not only take place before and during the transaction. Maintaining contact after the transaction could also ensure future business. Even if the customer does not require a new home himself, a satisfied customer may refer friends requiring a new home to the estate agent.

Table 1.1 below indicates that in 1999 the estate agency industry in South Africa consisted of 8 485 estate agency firms. The largest category of firms (4 124) are sole proprietorships, followed by close corporations (2 911) and companies (1 198). There are 236 partnerships and 16 new companies. According to the Estate Agency Affairs Board a total of 25 725 individuals were employed by these agencies in 1999. Unfortunately the breakdown of estate agency firms into the different legal forms in 2000 could not be obtained. This study was, however, conducted on all registered estate agency firms in South Africa in 2000, based on the 2000 address list supplied by the Estate Agency Affairs Board.

**TABLE 1.1**  
**ESTATE AGENCY FIRMS IN SOUTH AFRICA (1999)**

<b>Firms</b>	<b>Total</b>
Companies	1 198
Partnerships	236
Close corporations	2 911
Sole proprietorships	4 124
New firms (No FFC)	16
	8 485

Source: Estate Agency Affairs Board, 1999.

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<sup>1</sup>In this study, for stylistic purposes, any reference to one gender shall include the other gender.

A person should either pass the Estate Agency Affairs Board examination in order to qualify as an estate agent, or work under the guidance of a registered estate agent for one year, after which he can register as an estate agent himself.

More and more estate agencies are entering the real estate market in South Africa, and many are struggling to survive as competition grows stronger. Customer service becomes of overriding importance in an environment in which these businesses try to survive and compete with each other. Estate agencies will therefore have to learn more about the effective marketing of their services, with the emphasis on providing good customer service, if they wish to establish a differential advantage that will ensure long-term survival. According to Kurtz and Clow (1998:308) a differential advantage is some feature or attraction, which competitive offerings lack, that will provide satisfaction or understandable benefits to buyers.

The services package offered by estate agents to customers is essentially intangible and perishable. According to Grönroos (2000: 48) intangibility means that people cannot see, taste, touch or feel services, while perishability refers to the fact that services cannot be stored or inventoried. The service package consists, as in the marketing of consumables, of four main marketing instruments, namely product, distribution, price and promotion, which are to be integrated in such a way as to achieve synergy in the market offering (of an estate agent, in this case) and to provide customer satisfaction to the buyer. Aaker (1998: 147) indicates that synergy is the concept that the combined effect of certain parts is greater than their individual efforts. Because the market offering — namely the service — is intangible and perishable it is extremely difficult to evaluate. This difficulty often results in dissatisfaction on both sides — that of the agent and the customer. The agent may feel that he has earned the commission and the customer may feel that the estate agent has "contributed nothing" and can easily forego the commission. In this transaction a tangible product changes hands. The estate agent does not own this tangible product, nor is he involved or responsible for its inherent qualities. It is therefore possible that he can demand a commission even if the product is deficient.

The commission is the price instrument in the marketing mix, which usually reflects the worth or value the product will afford the consumer. In the selling of real estate the first step is

usually to conduct a market valuation of the property in order to determine the price at which it will most likely sell in the market. An asking price for the property is usually set in consultation with the owner.

According to Maritz and Ghyoot (1990: 233) the publication, *Tariff of Commissions and Fees*, issued by the Institute of Estate Agents of South Africa, plays an important role in the pricing of estate agency services in the country. The Institute's recommended scale of commissions and fees payable is the result of recommendations made by the various branches of the Institute and is essentially of an *ad valorem* nature, depending on the price of the property sold or leased. The general philosophy is one of "no transaction, no commission".

In order to sell a property and therefore receive commission, the estate agent should do everything in his power to satisfy the needs of the consumer. Customer satisfaction is delivered through the marketing function. This study will investigate the marketing function as performed by estate agencies in order to determine whether the needs of consumers are catered for in their marketing strategies.

## **1.2 THE USE OF THE MARKETING FUNCTION IN REAL ESTATE**

According to Maritz and Ghyoot (1990: 214) the marketing function in the estate agency business serves a dual purpose:

- \* Firstly, it is aimed at the marketing of the company and its services. The successful marketing of the company and its services provides the estate agent with mandates to buy, sell or administer the immovable property of others. Mandates are the stock-in-trade. A sufficient number of desirable mandates are the lifeblood of the business.
- \* Secondly, it is responsible for the marketing of immovable property and the leasing of space in property. The successful marketing of an immovable property will earn a commission or fee.

This study will concentrate only on the selling of immovable residential property, and will not

include renting, leasing and all the other services provided by estate agencies.

As previously indicated, the four marketing elements which the estate agent may use to satisfy consumer needs are the product or service, the price, the promotional messages and the distribution (place) strategy.

When immovable or fixed property is bought or sold as a commodity in the market, it is really ownership that is being bought and sold and not the physical object as such. One could therefore say that the estate agency provides a **service** and not a physical product. Services offered by the estate agent and which should at all times be directed at satisfying the consumer's needs, include services offered in terms of introducing buyer and seller, the choices offered, market valuations, advice, help with the final choice, financing and after-sales service. It is essential that the estate agent be fully informed of the physical attributes of the property. This study will therefore focus on the range of services offered by estate agents in the market place in order to determine whether these services are directed at satisfying the consumer's needs.

A service will not mean much to the customer if it is not available where and when it is required. This refers to the **place** or **distribution** component of the marketing strategy. In the estate agency business "place" refers to the distribution of services. A direct distribution channel exists from the seller to the estate agent to the buyer. The service is therefore delivered directly to the customer. The place or distribution variable will require the estate agency to take decisions on matters such as office location, business hours and availability of salespeople. Decisions also have to be made regarding the number of branches that are to be opened, the towns or cities in which they will be opened, as well as the suburbs in which they will be located.

According to Strydom, Jooste and Cant (2000: 386) **promotion** is the main component of the marketing mix, and is used to communicate with potential buyers and to persuade them that the market offering is worth the sacrifice that they must make (money to be paid). The promotion strategy includes activities such as advertising, personal selling, sales promotion and publicity. Word-of-mouth advertising is an important promotional element. Christopher,

Payne and Ballantyne (1991 :74) indicate that referral markets result from word of mouth advocacy by brand loyal customers. In the estate agency business a satisfied customer may very well refer a friend to the estate agent. Strong relationships with customers are therefore essential. In this study the method of communication used in the estate agency will be studied in depth to determine whether effective communication exists between estate agencies and their customers.

The **price** element of the marketing strategy was referred to in section 1.1 of this chapter as the commission paid to the estate agent. All four marketing instruments are combined in the marketing strategy and are focused on a specific target market. According to Walker, Boyd and Larréché (1999:169), a target market is a group of persons for whom a firm creates and maintains a marketing mix that specifically fits the needs and preferences of that group. The target market must be well defined beforehand. This implies that an estate agent should investigate the market in order to determine which lucrative markets should be targeted. Environmental conditions such as economic decline or changing demographics as well as the existence of competitors largely determine whether the estate agency will be profitable. In a free-market system profit maximisation is the reason for the existence of a profit-seeking enterprise. In this study it will be determined whether estate agents do indeed conduct market research in order to select a suitable target market and to position their products in the market where they can enjoy a sustainable competitive advantage. Kotler and Armstrong (2001: 270) indicate that by creating sustainable competitive advantages, barriers of entry can be established, making penetration by competitors difficult.

According to Christopher, Payne and Ballantyne (1991: 8), the four marketing instruments combined are not sufficient enough to ensure total consumer satisfaction. The authors added two variables to the mix, namely processes and people, which gave rise to a whole new concept called relationship marketing. **Processes** involve the production process and all administrative and marketing tasks involved in rendering customer service. The quality of the product plus the service activities should totally satisfy customers. In the estate agency industry this is equivalent to the attributes of the home plus the services provided.



**People**, in other words the employees of an enterprise, should be fully trained in the art of rendering customer service. Everyone should be made to realise that their personal needs can only be satisfied if success is achieved in the market place. In this study the researcher will attempt to investigate whether estate agents receive the necessary training in respect of customer service.

Current employees form the internal market which has, in the past, often been neglected. In fact, this group constitutes the first and most important market. Apart from the fact that enterprises are responsible for training, motivating and rewarding their employees, the employees should be persuaded through an internal marketing programme to support the decisions and strategies of marketing management. Good avenues of communication should therefore exist in the enterprise and employees should be informed of all products and plans first. An estate agent would not, for example, like to be informed in the newspaper about the merger of his company with another, or about a home which he is supposedly selling. If customers phone the agent about a home regarding which he has no information, it would be highly embarrassing and he would obviously lose the sale. If employees are not informed regarding the plans and products of the enterprise, the enterprise will lose the inputs and enthusiasm of the employee, as well as his willingness to perform. When employees are negative, it will be reflected in their attitude towards customers and the public. Employees do not only come into contact with customers, they also see reference groups, other potential employees and even influencers. In the internal marketing programme they should therefore be trained to approach these markets in the correct way. This study will investigate whether internal marketing is, in fact, practised by estate agencies in South Africa.

Zeithaml and Bitner (2000: 20) contend that there is an additional eighth element of the marketing mix, namely physical evidence. Because services are intangible, customers often rely on tangible cues, or physical evidence, to evaluate the service before its purchase and to assess their satisfaction with the service during and after consumption. Physical evidence includes all aspects of the organisation's physical facility (the servicescope) as well as other forms of tangible communication. Elements of the servicescope that affect customers include both exterior attributes (such as signage, parking, landscape) and interior attributes (such as

design, layout, equipment, decor) (Zeithaml and Bitner 2000: 253).

Relationship marketing may be regarded as the most recent phase in the evolution of marketing thought. It places the focus on the establishment of long-term relationships between employees, current consumers and potential consumers. It emphasises that the whole enterprise — all the departments and all the employees — should work in unison to achieve customer satisfaction, not only in terms of the quality of the product, but also in terms of service. As previously mentioned, the marketing mix must therefore be expanded in order to clearly distinguish it from competitor products and to provide a large degree of consumer satisfaction.

According to Cheales (2000: 6), bad customer service is the main reason for customers leaving a company. Cheales indicates that 14 percent of customers leave because their complaints were not satisfactorily resolved, nine percent leave because of competitive activity, nine percent leave because they are relocated and 68 percent leave for no ascertainable reason. The 68 percent who leave for no special reason in fact leave because they are dissatisfied with the service which they are getting (Cheales 2000:6).

Relationship marketing developed because many companies only pay lip service to consumer orientation. This can be ascribed to a very narrow interpretation not only of the four marketing instruments, but also of the necessary contribution to customer service that must be made by all, even the non-marketing departments in the enterprise.

Relationship marketing therefore represents a broader perspective of the marketing task and the market. This study will attempt to determine whether this broader view has been adopted by estate agencies in South Africa.

The principles of the marketing concept serve as guidelines for decision-making with regard to the marketing strategy and relationship marketing. When selling a home, it is important for the estate agent to keep the principles of the marketing concept in mind throughout the whole marketing process. These principles are consumer orientation, profit orientation, systems orientation and social orientation.

According to the **consumer-orientation** principle, all marketing actions should be aimed at satisfying consumer needs, demands and preference. Maximising profitability, or **profit-orientation**, is the primary objective of a profit-seeking enterprise and can be achieved only with due consideration of consumer needs.

The marketing concept accentuates customer satisfaction as a high-level objective of the enterprise. Everyone in the enterprise is required to work towards this objective. This refers to the **systems-orientation** principle of the marketing concept. Enterprises often demonstrate **social responsibility** by spending large sums of money on projects contributing to the well-being of the public at large instead of focusing only on the enterprise's target markets. This refers to the fourth principle of the marketing concept.

The total marketing concept is therefore reflected in relationship marketing. With its emphasis on customer service, excellent quality, people involvement and the development of enduring relationships, relationship marketing may be regarded as the ideal vehicle through which an estate agency could differentiate its market offering and sustain a competitive advantage. This study will attempt to investigate whether relationship marketing is practised by estate agencies in the real estate property market.

### 1.3 OBJECTIVES OF THE STUDY

The primary objective of the study is to investigate to what extent relationship marketing is practised by estate agencies in the real estate property market of South Africa.

The following are secondary objectives which will contribute towards achieving the main objective:

- \* to investigate to what extent estate agencies use the principles of the marketing concept as a code of conduct;
- \* to determine which services estate agencies offer to customers;

- \* to determine to what extent customer service is regarded as important in the estate agency industry;
- \* to investigate to what extent internal marketing exists within estate agencies; and
- \* to contribute to the body of knowledge regarding relationship marketing in South Africa while also identifying areas for future research.

## **1.4 METHOD OF STUDY**

### **1.4.1 Secondary research**

The research method used in this study comprises a two-phase approach involving a review of secondary information and a formal study based on primary information derived from questionnaires directed at estate agencies.

Secondary information can be defined as “... historical data which have been collected before, either by the business itself or by outsiders” (Strydom et al 2000: 110). To create a frame of reference for the research project, literature on relationship marketing and customer service will be reviewed. Although three of the books which were consulted for this study were written as far back as 1989, 1990 and 1991, no new editions of the books by Swanepoel (*A new era in real estate*) Maritz and Ghyoot (*The estate agency business*) and Christopher, Payne and Ballentyne (*Relationship marketing*) have, as yet, been published. As the first two are regarded as pioneering books in the real estate industry in South Africa, while the latter is a groundbreaking publication on relationship marketing, reference is made to these works throughout the study. Throughout the study many references appear to articles written during 1994 and 1995. When it was announced in 1994 that it was no longer compulsory for estate agents to write the Estate Agency Affairs Board examinations, many articles were written in response to the announcement. It was thus essential to include the reaction of the industry to this drastic change in the required qualifications of estate agents.

A review of related studies on estate agencies will serve as background for the development

of the research method. Organisations such as the Estate Agency Affairs Board and the Central Statistical Service will be contacted to provide information for this research. From all the secondary information collected, relevant concepts will be developed for the formal study.

#### **1.4.2 Primary research**

Primary information is collected specifically for the research needs at hand (Walker et al 1999: 124). In this study a survey questionnaire is used to gather the necessary information for analysis. Surveys involve the collection of data from selected individuals by way of direct or indirect questioning (Palmer 1998: 140). The most important advantage of this method is the fact that a large amount of data can be collected from individual respondents at the same time. The data collected in the literature study is used to design questions which will be incorporated in a questionnaire to be posted to respondents. Open as well as closed questions will be asked in the questionnaire and the questions will deal with relationship marketing as practised by estate agencies.

Information can be obtained from the population by taking a census or a sample. A survey is called a census if all the respondents in a population are asked to provide information. A sample, on the other hand, is a subset of the population that should represent that entire group (Burns & Bush 1998: 359). Because this study requires information from every object, that is, every estate agency in the residential property market in 2000, it was decided to use a census for the study.

After the questionnaire has been compiled a pilot study will be conducted by asking five estate agencies to complete the questionnaire. Through such pretesting of the questionnaire any problems will be eliminated and adjustments can be made timeously.

After the questionnaires have been completed by the estate agencies the data will be summarised in terms of figures and tables and analysed to determine meaningful relationships.

## **1.5 ORIENTATION TO THE STUDY**

Chapter 1 introduces the central concepts underlying the study. The objectives of the study, the method of study and the orientation to the study are presented.

Chapter 2 is concerned with the micro-environment of the South African estate agency industry. Aspects included are the legal form of the business, its mission and objectives, its marketing instruments and management system, as well as the resources and corporate culture of the business.

In chapter 3 the external environment of the South African estate agency industry is outlined. The clients of the estate agency are discussed, as well as the competitors in the market. The technological developments which can influence the estate agency industry are covered, as is the influence of the economy on the estate agency. Other environments looked at are the socio-cultural environment, the physical environment, the politico-governmental environment and the international environment.

Chapter 4 deals with relationship marketing. Topics covered include the marketing instruments, customer service, the expanded marketing mix, a broader definition of the market and internal marketing.

Chapter 5 presents a detailed exposition of the methodology of the study. The secondary sources of information, the population, the motivation for the use of a survey questionnaire and the development of the questionnaire are set out.

Chapter 6 presents the results of the survey. In this chapter the results will be analysed in terms of the relationship marketing activities performed by estate agencies in the residential property market.

Chapter 7 presents the conclusions and recommendations of the study. This chapter relates the findings to the objectives of the study and also makes pertinent recommendations for continuing research in the field of relationship marketing in estate agencies.

## **CHAPTER 2**

# **THE MARKETING ENVIRONMENT OF THE SOUTH AFRICAN ESTATE AGENCY INDUSTRY: THE MICRO-ENVIRONMENT**

## 2.1 INTRODUCTION

The purpose of this chapter is to provide an insight into the marketing environment of the South African estate agency industry. Since the estate agency industry and the environment in which it operates are not closed systems, but influence each other reciprocally, it follows that the estate agency firm cannot exist successfully if it is out of pace with its environment. In fact, the underlying problem for the successful existence of contemporary estate agency firms is the fact that the pace of environmental change is faster than the process of adaption by these businesses. Estate agency firms cannot practise relationship marketing successfully if they do not constantly scan the environment and adjust their strategies to keep abreast of change.

The marketing environment in which the estate agency firm operates consists of three components, namely the micro-marketing environment or internal environment, the market environment immediately surrounding the micro-environment, and the macro-marketing environment which is external to both the estate agency firm and the market environment. During the discussion of the marketing environment of the South African estate agency industry the model as developed in Strydom et al (2000: 40) will be adapted for use. Section 2.2 provides a discussion of the functioning of this model.

This chapter explains the meaning and importance of each of the three sub-environments depicted in this model, but concentrates on a discussion of the micro-marketing environment in which the estate agency firm operates. Estate agencies should identify the strengths and weaknesses in the micro-environment in order to exploit opportunities and avoid threats in the market and macro-environments. According to Wright (1999: 324), the analysis of strengths and weaknesses focuses on internal factors that give the enterprise certain advantages and disadvantages in meeting the needs of its target markets. This internal environment consists of variables such as the legal form of the business, the mission and objectives, the management structure, the corporate culture, the resources of the enterprise and the marketing instruments. Each of these variables is discussed in detail in this chapter.



## **2.2 THE MARKETING ENVIRONMENT OF THE ESTATE AGENCY INDUSTRY**

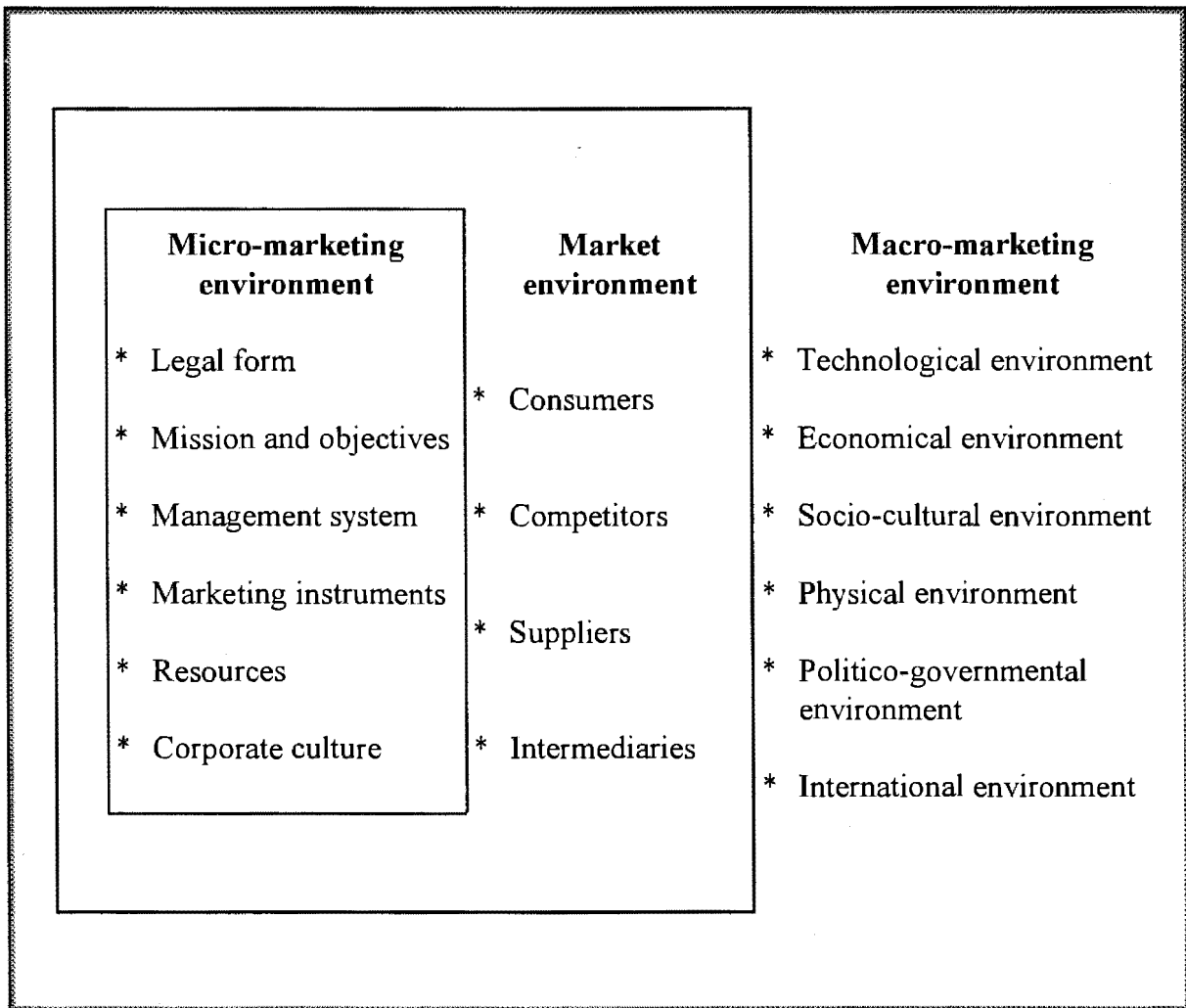
The many variables and forces inside as well as outside the estate agency industry which influence marketing decisions constitute the marketing environment. This marketing environment can be defined as the actors and forces outside marketing that affect marketing management's ability to develop and maintain successful relationships with its target customers (Kotler & Armstrong 2001: 87).

The successful management of relationship marketing activities in an estate agency firm calls for an awareness of the internal and external variables in the marketing environment which can affect the marketing effort. It requires constant monitoring of the environment — internal surveillance to ascertain the estate agency's strengths and weaknesses, as well as external scanning to search for opportunities and threats. The aim is to deploy the estate agency's strengths and resources in the market in such a way that it can fully utilise the opportunities and ward off any possible threats. Timeous and continuous scanning of the total environment, internal as well as external, will enable the estate agency to adapt to a changing environment and to adjust its marketing strategy to such a degree that its services will continue to be marketed successfully .

The marketing environment of an estate agency firm is depicted in figure 2.1, which shows that the environment consists of three components, namely the micro-marketing environment, the market environment and the macro-marketing environment. The micro-environment refers to the internal environment of the estate agency business and will be discussed in detail in this chapter. The market and macro-environmental variables, on the other hand, refer to the external environment of the estate agency and will only be mentioned briefly in this section since they are discussed in depth in chapter 3.

FIGURE 2.1

## THE MARKETING ENVIRONMENT OF THE ESTATE AGENCY



Source: Adapted from Strydom, Jooste and Cant. 2000. **Marketing management**. Cape Town: Juta, p 40.

The market and macro-environments are therefore located outside the estate agency and represent the environment in which the firm must survive and prosper. These environments are uncontrollable and the estate agency business must adapt to changes in them. They must therefore identify opportunities and threats in this environment, and within the limitations of the strengths and weaknesses in the internal environment, adapt to these changes. Technological innovation, economic fluctuations, changing social values, demographic trends, and political changes, for example, are constantly taking place and should be constantly monitored by the estate agency business. The introduction of information technology and the

use of computers, for instance, has greatly influenced the estate agency business. The many functions required for property administration can now be performed with greater ease by means of this technology. The changing life styles of consumers have also influenced the estate agency business. House buyers, for instance, tend to be more safety conscious these days, a fact that influences their requirements when buying a new home. The estate agency business therefore needs to be aware of all such changes in the external environment in order to adapt their marketing strategies accordingly. These aspects will, however, be discussed in more detail in chapter 3.

### **2.3 THE MICRO-MARKETING ENVIRONMENT**

The micro-environment or the internal environment of the estate agency industry comprises the enterprise (estate agency) itself. Unlike the variables in the external environment, a measure of control can be exercised by the estate agency over the variables at the micro level. The variables in this environment include the legal form of the business, the mission and objectives, the management structure, the corporate culture, the resources of the enterprise and the marketing instruments. The estate agency may have strong or weak points in respect of each of these variables. If it shows strength in most of these fields it will experience little difficulty in reaching its objectives; however, serious weaknesses will impede the marketing function and may jeopardise further growth and even the ultimate survival of the estate agency business. An estate agency with conflicting objectives, no clear idea of its mission (ie the reason for its existence), poor management, and a corporate culture that is not conducive to efficient cooperation among its personnel, will fail to operate successfully in the market.

The estate agency business therefore needs to determine its strengths and weaknesses in order to develop a strategy for protecting the weak points from environmental threats and to utilise the strengths for the exploitation of opportunities in the marketing environment. The following aspects of the micro-marketing environment of the real estate agency will be discussed:

- \* Legal form
- \* Mission and objectives
- \* Management system
- \* Resources
- \* Marketing mix
- \* Corporate culture

## 2.4 THE LEGAL FORM OF THE BUSINESS

The legal form of the estate agency business has a direct influence on aspects such as freedom of operation, perpetuation, saleability, statutory obligations, running costs, taxation and personal liability.

Table 1.1 in the previous chapter indicates the number of estate agencies in South Africa and their legal forms. Table 2.1 below shows these numbers converted to percentages.

**TABLE 2.1**  
**LEGAL FORMS OF ESTATE AGENCY FIRMS**  
**IN SOUTH AFRICA (1999)**

<b>Firms</b>	<b>Percentage</b>
Companies	16,3
Partnerships	4,0
Close corporations	29,1
Sole proprietorships	50,5
New firms	0,1
	100,00

Source: Estate Agency Affairs Board, 1999.

As can be seen from table 2.1, sole proprietorships constitute 50,5 percent of the total number of estate agencies in South Africa, followed by close corporations, companies and

partnerships, which represent 29,1 percent, 16,3 percent and 4 percent of the estate agency firms in South Africa respectively in 1999.

The **sole proprietorship** is a business owned and managed by one individual (Zimmerer & Scarborough 1994: 90). It can therefore not exist independently of the owner. The popularity of this form of enterprise amongst estate agencies in South Africa is indicated in table 2.1, which indicates that 50,5 percent of all estate agencies are sole proprietorships. Sole proprietorships are easy to form. The assets of the estate agency belong to the owner and the owner is personally liable for all the debts and claims against the agency. It is thus possible for the owner to lose all his personal possessions if the estate agency firm cannot meet its obligations.

The owner has direct control and authority over the activities of the estate agency firm and receives all the profits of the firm. The owner usually acts as manager of the firm and freely makes decisions regarding its running. As a result the firm can easily adjust to changes. The sole proprietorship may, however, make exceptionally high demands on the management skills and personal freedom of the owner.

**Partnerships** seem to be the least popular legal form for estate agencies in South Africa, since only four percent of all estate agencies have chosen this form. A partnership is a contractual relationship between two or more persons (up to twenty in the case of estate agencies) who practise a lawful business to which every partner has to contribute something, with the objective of making a profit to be distributed among them (Cronje, Du Toit & Motlatla. 2000: 49).

A partnership corresponds in many respects with a sole proprietorship, and many of the disadvantages of the sole proprietorship are therefore also applicable to the partnership. A partnership is not a legal entity and all transactions, contracts or agreements are entered into by the partners in their personal capacities. The partners are jointly and severally liable for claims against the partnership, irrespective of which partner is responsible for them. This aspect could explain the low popularity of the partnership among estate agencies.

Unless the partners decide differently beforehand, they have joint control and authority over the firm. This can, in the case of disagreements, cause problems, and in this respect the partnership is less adaptable to changing circumstances than the sole proprietorship. The fact that more people have a say in management may, however, improve management, because the knowledge, experience and skills of more people can be drawn upon. The individual partners are also subjected to less stress than the owner of a sole proprietorship.

Since there are more individuals available to make contributions and to provide security for credit, the possibilities of acquiring capital are usually better for a partnership than for a sole proprietorship.

The **company** (which functions in terms of the Companies Act of 1973, as amended) may be regarded as a more advanced form of ownership in which the disadvantages of the sole proprietorship and the partnership, especially in so far as these concern unlimited liability and the ability to acquire capital, are eliminated (Cronje et al 2000: 50). In 1999 16,3 percent of the estate agency firms in South Africa were companies. A company is a legal entity and its assets and liabilities are therefore divorced from those of the owners (shareholders). Consequently personal assets of the shareholders are not involved where claims are made against a company. The liability of the shareholders is limited to the amount paid by them for their share capital.

The company has definite advantages over the sole proprietorship and the partnership regarding the possibilities of acquiring capital. The reason for this is that the general public are invited to invest capital in such a company, and members of the public and financial institutions are usually prepared to do this because the company is a legal entity, liability is limited and there are strict legal requirements that have to be adhered to.

The life of a company is independent of the lives of its shareholders. The transfer of ownership in a public company occurs by the unlimited and free transfer of shares. The shares of public companies are freely traded on the Johannesburg Stock Exchange, but private companies restrict the transfer of their shares. Since the introduction of close corporations, private

companies have become less popular forms of enterprise.

Table 2.1 indicates that **close corporations** are the second most popular form of enterprise among estate agencies, since 29,1 percent of agencies have chosen this form. A close corporation is free of many of the formal requirements that govern companies and offers an attractive alternative to entrepreneurs, who would otherwise have been obliged to make use of a partnership, a company or a sole proprietorship to do business.

A close corporation is an independent legal entity, and its members are therefore, in general, not liable for its debts or other claims against it. The close corporation has the same legal capacity as a natural person (individual) in respect of matters such as entering into agreements and the registration of fixed property in its name. Membership of a close corporation may vary from one to ten. The close corporation is "closed" in the sense that there is no divided responsibility between control and ownership. The interest of a member in a close corporation is expressed as a percentage and the total membership interest must always be 100 percent.

The profits of a close corporation are taxed at a fixed rate, which is the same as the rate applicable to companies. Distributed profits (dividends) are, however, unlike in the case of companies, not taxable in the hands of members.

When choosing a legal form for the estate agency firm, it is therefore important that both the advantages and disadvantages of each form be carefully considered, since a legal form should be chosen which will provide more strengths than weaknesses.

## **2.5 MISSION AND OBJECTIVES**

The mission of an estate agency firm defines its main activities in the present and, above all, in the future. It is the basic purpose for the existence of the firm — that which differentiates it from other estate agency firms. Jain (2000: 185) defines a mission statement as the organisation's *raison d'être*, or what it should work towards, in the light of long-range opportunity, while Strydom et al (2000: 477) indicate that it describes the nature of the enterprise's activities and that it should be possible to derive answers to the following

questions from the mission statement:

- \* What is the nature of the business undertaken by the enterprise?
- \* Who are the consumers?
- \* What are these consumers' needs?
- \* What is the nature of the internal resources and abilities at the disposal of the enterprise?
- \* How can the enterprise satisfy consumer needs?
- \* What environmental factors have to be taken into consideration?

The mission statement of an estate agency firm usually refers to its central marketing orientation. The following is an example of such a mission statement (Maritz & Ghyoot 1990: 181):

"We act as catalysts in the selling and leasing of property of all types. Our role is to bring buyers and sellers, or lessors and lessees, together and facilitate agreement. In this process it is our service, rather than the property, which we sell.

This service we must render to the best of our ability and at the highest professional level possible. In the process we intend to become the most successful estate agency firm in Bloemfontein.

The experience and skills of our sales and office staff and managers are our biggest asset. The firm cannot exist without these people. Management will do everything in its power to make this the best firm in Bloemfontein to associate with."

Once the mission of the estate agency firm has been formulated, corresponding goals and objectives are determined. The goals and objectives of the estate agency firm should derive from as well as give precision and direction to the mission statement.



Objectives are targets for performance which reflect measurable results and timetables for the accomplishment of such results. Objectives should be established for each performance area in the firm, for example, market performance objectives, financial performance objectives, social objectives and personal objectives.

One or two-year time frames for achieving specified targets are commonly labelled short-term. Long-term objectives lack the specificity of short-term objectives and reflect the strategic dimensions of the firm.

This study will attempt to determine whether estate agencies do indeed have mission statements and objectives, whether agents are aware of the mission and objectives of their firms and whether they strive to reach the set goals and objectives. If estate agents are unaware of, for example, an objective to emphasise good customer service in order to establish a differential advantage, this objective will not be achieved and it will be impossible to achieve the desired differential advantage.

In an estate agency firm the goals and objectives usually deal with a variety of aspects (Maritz & Ghyoot 1990: 180-182). Objectives are, for instance, set for the services which are provided to the public, for example, a full range of residential estate agency services, such as buying, selling and administration. Other goals and objectives involve market segmentation, which refers to dividing the heterogeneous market into homogeneous subsets of customers. To achieve maximum satisfaction one or more segments are selected for a concerted marketing effort. If the estate agency firm, for instance, intends to provide a full range of residential services, it has to narrow down the services geographically to a specific area, for example, the southern suburbs of Port Elizabeth or the central city area of Johannesburg.

Goals and objectives can also be set regarding the market share which the estate agency firm wishes to capture. The firm may, for instance decide to capture ten percent of all house sales, 15 percent of all sectional title sales and 20 percent of all residential property administration business in, for example, the northern suburbs of Pretoria (Maritz & Ghyoot 1990: 182)

The size of the business is another aspect for which goals and objectives should be set. The maximum number of estate agents which the firm intends to employ may, for instance, be stipulated. Objectives should also be set for productivity and could include aspects such as desk cost, hours spent or the number of advertisements placed (Maritz & Ghyoot 1990: 182).

The estate agency firm should also decide about the public image which it wants to convey. Decisions should be taken regarding the maintenance of a high or low public visibility as well as the type of image which it would like to convey, for example, an agency which is prestigious, or an agency which provides good customer service.

This study will attempt to determine whether goals and objectives are set for estate agency firms and their employees, since these provide the standards which could influence the success of relationship marketing.

## **2.6 THE MANAGEMENT SYSTEM**

### **2.6.1 The management hierarchy in an estate agency firm**

As indicated in figure 2.2, various levels of management are to be found in an estate agency firm. These management levels include top management, functional management, supervisory management and self-management.

**FIGURE 2.2**  
**THE MANAGEMENT HIERARCHY IN AN ESTATE AGENCY FIRM**



Source: Maritz and Ghyoot. 1990. **The Estate Agency Business**. Cape Town: Juta, p 147.

Top management in an estate agency firm is responsible for making long-term strategic decisions. The top manager usually analyses the external environment in order to evaluate opportunities and threats and then adapts his strategic decisions accordingly. Aspects taken into consideration include trends in the housing market and the actions of competitors (Maritz & Ghyoot 1990: 146).

The next level of management indicated in figure 2.2 is functional management. The functional departments found in an estate agency firm include public relations, personnel, marketing, accounting and finance.

The supervisory management function found in an estate agency firm includes sales and office management. The manager responsible for sales has direct control over the estate agents and office personnel and his attention is directed towards weekly and daily performance (Maritz & Ghyoot 1990: 146). The estate agent, on the other hand, is responsible for self-management which includes aspects such as his own administration, office duties, marketing and personal organisation.

### **2.6.2 Organisational structures for estate agency firms**

The organisational structure of an enterprise involves dividing the work of the enterprise, combining it logically into divisions, departments and sections, delegating authority and establishing coordination, communication and information systems to ensure that everyone is working in unison to achieve the primary objectives of the enterprise. According to Aaker (1998: 278) an organisational structure defines lines of authority and communication and specifies the mechanism by which organisational tasks and programmes are accomplished.

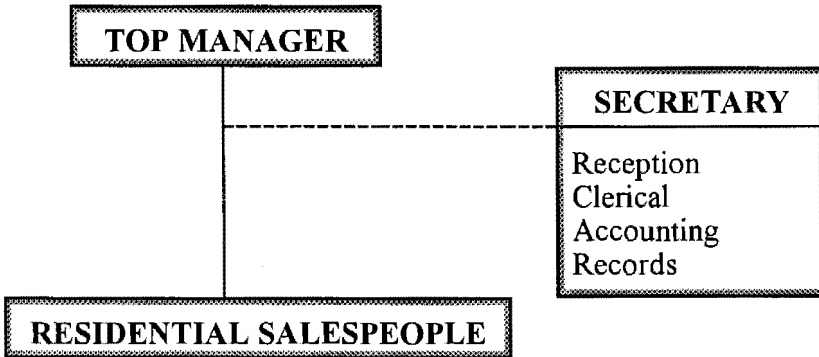
A typical way of illustrating a firm's organisational structure is by means of an organisational chart. This is a graphical representation of how an organisation is put together. Typical organisational structures for small, medium and large estate agency firms are indicated in figure 2.3.

Span of control is a very important concept in the structuring of an organisation. This refers to the number of subordinates who report directly to a manager. The estate agents and office personnel usually report directly to a sales manager. When the manager's span of control is too big for him to manage, this could influence the effectiveness and success of the firm. A narrow span of control refers to an organisational structure with many management levels and few subordinates per manager, while a wide span of control refers to few management levels and many subordinates per manager. Most estate agency firms have flat organisational structures in order to enable them to respond rapidly to changing conditions in the environment.

FIGURE 2.3

TYPICAL ORGANISATIONAL STRUCTURES FOR ESTATE AGENCY FIRMS OF VARIOUS SIZES

A NEW FIRM



A MEDIUM-SIZED FIRM WITH ONE BRANCH

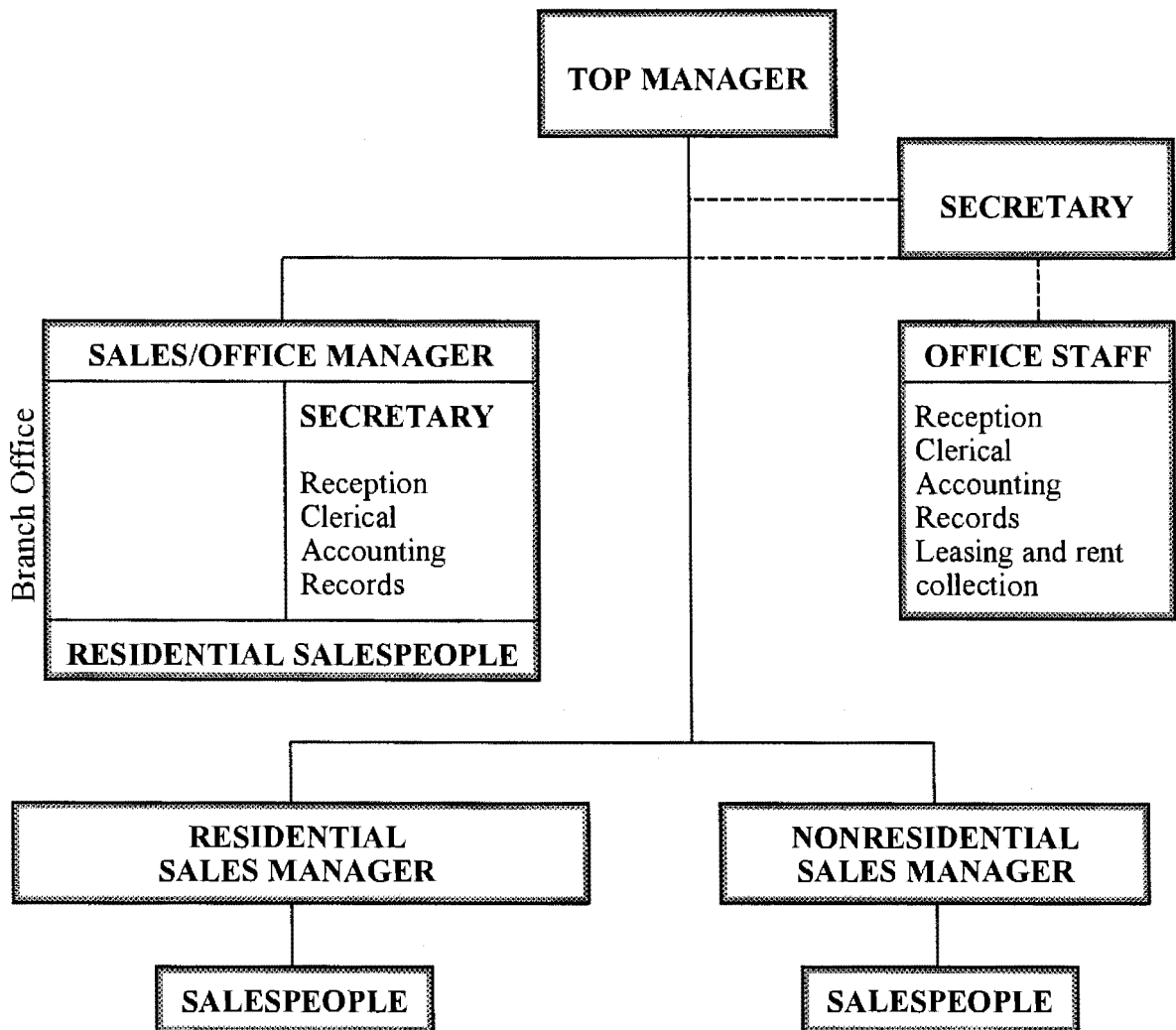
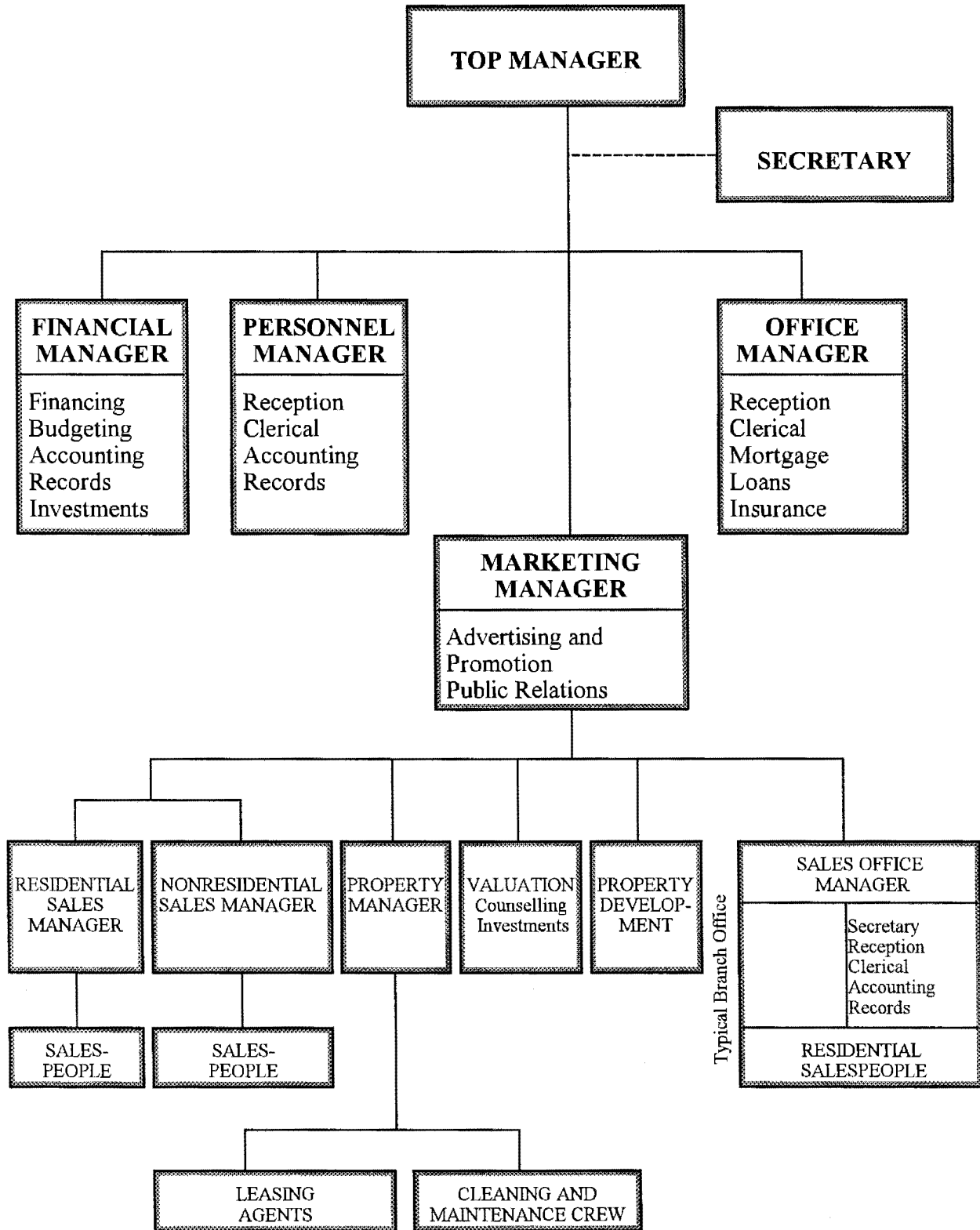


FIGURE 2.3 (Continued)

**A LARGE FIRM WITH MORE THAN ONE BRANCH OFFICE**



Source: Maritz and Ghyoot. 1990. **The Estate Agency Business**. Cape Town: Juta, p 154.

The design of the organisational structure of a firm also entails the allocation of authority to each post in an organisational structure. Authority is the right to command or give orders. It indicates the right to take action to compel the performance of duties and punish default or negligence.

In the formal organisational structure two kinds of authority exist, namely line authority and staff authority. Line authority is the most fundamental type of authority and is often referred to as direct authority. It is authority that is delegated down through the line of command. In the small firm indicated in figure 2.3, the top manager has line authority over all his employees. Line authority therefore results in a chain of command which runs from the top to the bottom of the firm and establishes an authority-responsibility relationship throughout.

Staff authority, on the other hand, is indirect and supplementary authority. Its scope is limited in that it does not provide the right to command. Individuals with staff authority assist, advise and recommend. Their source of authority is usually their special knowledge of some particular field. They do not take strategic decisions or determine policy, they only recommend certain actions. In the large firm indicated in figure 2.3, the office manager has direct authority over his own personnel, but since he is an advisor with specialised knowledge, he also has staff authority regarding the rest of the firm.

The organisational structure of an estate agency should be designed in such a way that all personnel and all departments can work together to achieve the objectives of the firm. This refers to the systems-orientation principle of the marketing concept which was mentioned in chapter 1. The marketing concept will be discussed in greater detail in chapter 4.

### **2.6.3 Networking**

Estate agents often engage in a variety of networks that can influence the management system in the firm. Networks in real estate are the organisations that coordinate some kind of formal arrangement between a number of participating estate agency firms, uniting or linking them together, frequently under a universally identifiable name or device, whilst offering a selection of services and benefits (Institute of Estate Agents 1995: 107).

According to Swanepoel (1989: 117), the first form of cooperation between estate agents in South Africa took place in the 1970s. Some of the trends were manifested in the form of franchising while others were in the form of listing groups. A host of informal arrangements between different estate agency firms exists, whereby sales leads are referred to one another when the occasion arises. Referrals are the backbone of any successful salesperson, consequently staying in touch with buyers and sellers after the sale has been conducted frequently pays off (Swanepoel 1989: 117).

A frequent occurrence is a sales lead that falls outside the trading area of the estate agent and is therefore lost to the agent. If, however, the estate agent has an arrangement with a network of reliable estate agents throughout the country he can refer a sales lead and earn a commission when a successful transaction is conducted.

In 1987 two different groups, Nationwide and National Buyers Network, were the first to promote the concept of referrals on a formally organised basis, through inviting estate agents on a national basis to become members of a national referral group (Swanepoel 1989: 117). Various other groups such as Multinet followed.

Three types of networks which are used by estate agencies in South Africa, namely intercity referral networks, franchising and multi-listing services, will now be discussed in greater detail.

#### *2.6.3.1 Intercity referral networks*

This network system allows participating estate agents to share industry and client information, thereby enabling estate agency firms to provide services over long distances.

According to Swanepoel (1989: 118) just under eight out of every ten households relocate outside of their old neighbourhood, and probably outside of the estate agent's trading area. A need therefore arises for the referral of a sales lead from an estate agent in one city to an estate agent in another city. Although the concept of referring a sales lead between estate agents in different cities is basically the same, different network groups approach the concept differently.



Intercity referral networks today supply a variety of additional services very similar to that of franchise groups. However, joining or leaving an intercity referral network is usually much simpler than is the case with a franchise. Today the best example of an intercity network is HomeNet and whilst closer to a referral network, it has adopted various franchise-like structures, such as the incorporation of the HomeNet logo into the names of the participating firms (Institute of Estate Agents 1995: 109).

#### 2.6.3.2 *Franchising*

According to Strydom et al (2000: 295) franchising is defined in South Africa as a business arrangement whereby a company or individual (the franchisor) grants an independent party (the franchisee) the right to sell the company's products or services according to the guidelines set down by the franchisor.

The franchise concept allows for a large density of offices so that a synergistic effect can be created. Synergism can be defined as the cooperative action of more than one estate agency, so that the total effect is greater than the effects of the estate agencies independently. The franchisee therefore benefits every time another franchisee of the same group promotes the common trademark.

Franchising was introduced into the real estate industry in South Africa in the late seventies, and although it met with some failure in the initial stages, played a major role in establishing Aida Real Estate as the only truly national firm by the mid eighties. (Institute of Estate Agents 1995: 108). During the early nineties franchising became the single fastest growing trend in the real estate industry in South Africa and today most of the country's top firms have a franchise network. Remax, for instance, had 67 franchises throughout South Africa in 2001. The advantages and disadvantages of a franchise to the franchisee are set out in table 2.2.

**TABLE 2.2**  
**ADVANTAGES AND DISADVANTAGES OF A FRANCHISE**

<b>Advantages for the participating firm (franchisee)</b>	
*	An operating system with a proven track record including all the items required to run the business successfully.
*	Continuous research and product improvement.
*	A known, acceptable national image, as well as a national advertising campaign.
*	Help with day-to-day problem solving is usually provided.
*	Potentially larger income and lower overheads.
*	The agency would be easier to sell, should it be necessary to do so.
<b>Disadvantages for the participating firm (franchisee)</b>	
*	The strict, although limited, control the franchisor has over the franchisee.
*	The restriction of trade areas.
*	Potentially conflicting interests of franchisor and franchisee.
*	The sometimes high cost of purchase of rights or conversion to franchised name.

**Source:** Institute of Estate Agents of South Africa. 1995. **New Real Estate Sales Guide.** Kenwyn: Juta.

There has recently been an upsurge in the franchising concept among independent estate agents in South Africa. This trend can be ascribed to a number of factors (*The property professional*, Jan/Feb 1995: 23):

- \* Increasing competition from large groups of franchised or networked agencies.
- \* The arrival on the local market of overseas franchise networks.
- \* Rising advertising costs.
- \* The need for estate agents to remain up to date with regard to the latest concepts and trends in an increasingly complex industry.
- \* The growing "globalisation" of the property market where clients have come to expect countrywide and even international representation.

Faced with tough competition from the larger groups and big institutions, many smaller estate agencies thus choose to join franchise networks.

### 2.6.3.3 *Multi listing*

Multi listing does not replace any of the existing methods by which property is sold. It purely provides an additional alternative to the normal methods of selling a home (Swanepoel 1989: 137-139). The normal methods include the owner as the seller, an open mandate, exclusive mandate or a sole mandate.

In cases where an **owner** attempts to sell his property the advantage is that the seller hopes to save the commission that would normally have to be paid to the estate agent. The disadvantage is that owing to a lack of sufficient knowledge and experience in the real estate market, sellers many times fall into the many pitfalls which exist, resulting in financial loss.

In the case of an **open mandate**, the seller gives a mandate to any number of estate agents, allowing them the right to sell his property. The advantage of this system is that the seller obtains wide exposure of his property. The disadvantage is that each estate agent is in direct competition with the other estate agents and thus has little incentive to apply his skills as best he can, for the property may well be sold by one of the other estate agents. Should the estate agent advertise the property or arrange a show house, other agents will identify and obtain the listing.

The **sole mandate** is by far the most suitable and effective alternative of the methods discussed thus far. The main advantage of this type of mandate is that it places a legal and ethical obligation on the estate agent to deliver the most effective marketing service of which he is capable. The estate agent is in the position where he can afford to spend the maximum in terms of direct cost and time in advising and counselling the seller, advertising the property for sale, erecting "for sale" signs and arranging show days, with the knowledge that if the job is done well, and the property sells, he will be entitled to commission. The disadvantage of this type of mandate is the restriction that only one estate agency is entitled to promote and sell the property. Should the agent have priced this property incorrectly or not have a potential buyer,

a sale may never take place.

Under an **exclusive mandate** the agent is entitled to the commission, regardless of who sells the property (including the owner) during the period of the mandate. The other alternative is an open or sole mandate combined with the additional right to **multi list** the property to all other participating multi list agents. Most systems require either mandatory or voluntary distribution of listings (Institute of Estate Agents 1995: 110). In the case of mandatory distribution participation demands that after joining all listings must be placed in the system and shared with all other members.

Voluntary distribution allows selection by the member as to whether the listing is kept only for the listing firm or is placed in the multi-listing system. In South Africa, the first roots of formal multi listing started in the mid seventies, but it was not until the late eighties that it became generally accepted, although not necessarily generally used. Only one company, Real Estate Multi-Listing Services, better known as MLS (the internationally used acronym for the concept), has really succeeded nationally. At the same time, however, various local multiple listing systems were well supported in certain towns throughout the country. Another national multi listing network in South Africa is the service known as Computerised Multi Listing (CML) offered by Comprehensive Property Services (CPS). CPS is a wholly owned subsidiary of some of the major banks started in the early nineties. The advantages of multi listing are:

- a) The listing agent is still compelled to do his utmost to sell the property before another participating multi-list estate agent does so, in order to earn the whole commission offered by the seller.
- b) At the same time, the listing agent is forced to do his utmost to encourage and support other participating multi-list estate agents in their efforts to sell the property in order to ensure that a sale takes place before the termination of the mandate, thereby ensuring that he will receive at least a portion of the commission paid by the seller.
- c) Other participating multi-list estate agents will do their utmost to sell the agent's listing

since they not only receive the larger portion of the commission, but can capitalise on the counselling and work which the listing agent has already put into the listing.

The disadvantages of multi listing are:

- a) No exclusive dedication by the selling agent to provide absolute dedicated service.
- b) The opening of listings to potentially non-professional estate agents, who could sell the listings of professional estate agents and fail to render a professional service to the clients.
- c) A fear that small estate agency firms with low overhead costs could, parasitically, make use of the listings of the large estate agency firms with high overhead costs, thereby reducing the potential earnings of such large estate agency firms.

Membership of a multi-listing system is not exclusive as is the case with franchising. On the contrary, multi listing thrives when a large number of agents in a region utilise the network. A firm may thus belong to a franchise group and also use the services of a multi-listing system (Institute of Estate Agents 1995:111).

It is often said that "strength is to be found in numbers" and therefore it is not surprising that in the estate agency industry an increasing number of estate agents seem to make use of the network systems available in South Africa. This study will attempt to determine whether estate agencies make use of networking systems with a view to improve their service to buyers and sellers.

## **2.7 RESOURCES**

The two most important resources in an estate agency are the availability of funds (capital) and manpower (human resources) for the performance of the marketing task. If, for instance, there is insufficient funds for an advertising campaign, the estate agency's marketing strategy may fail.

The expertise or abilities of the estate agents are also important resources which the estate agency cannot do without. If the estate agent, for example, does not know how to obtain a sales mandate, how to launch an advertising campaign, how to qualify buyers or how to do a market valuation, the estate agency's marketing effort will fail.

The availability of adequate resources is therefore a prerequisite for successfully marketing the services of the estate agency and its agents, and there is little point in striving after idealistic objectives if the resources of the estate agency are limited.

### **2.7.1 Human resources**

Entry of estate agents into the industry was made easier in April 1994 when it was announced that it was no longer compulsory for estate agents to write the Estate Agency Affairs Board examinations. This examination was first introduced in 1984 and deals with all aspects of the estate agency industry. Prospective estate agents may now register with the Board and serve what is known as a candidate period of one year, after which they are registered as estate agents. The comparative ease with which estate agents can now enter the market is, however, a matter of great concern to estate agents who have been in the industry for many years, as well as to the Institute of Estate Agents. They are of the opinion that the compulsory examination was appropriate since the estate agent deals with a buyer's single biggest investment, which means that extreme professional service by the estate agent is required.

In 1978 there were approximately 7 000 registered estate agents in South Africa. In 1994 this figure was approximately 40 000, while in 1999 the figure was 25 725. Many of these people have not been exposed to the appropriate education, neither have they been exposed to the increased sophistication of the market. In 1995 concern was expressed about many of the estate agents in the industry who are not qualified and do not conduct their business professionally and ethically (*Rekord*, 10 February 1995: 17; Estate Agency Affairs Board, 1999).

Since estate agents are the most important asset and financial investment of an estate agency firm, no estate agency can grow in size and prosper without qualified, professional, motivated and devoted estate agents. The estate agency therefore has to be able to attract successful or

potentially successful estate agents. Human resource or personnel management in the estate agency business is thus of the utmost importance. If such management is not conducted properly, unqualified estate agents could be recruited who may not be able to effectively conduct the selling process, provide customer service and develop enduring relationships with customers, which will eventually mean lost business to the firm. Because of the influence of personnel management on the aspects of relationship marketing, personnel management in the estate agency business will be discussed in detail in this section. It involves the management of the estate agents as well as that of the administrative or office personnel. In this study, however, only the management of estate agents will be covered.

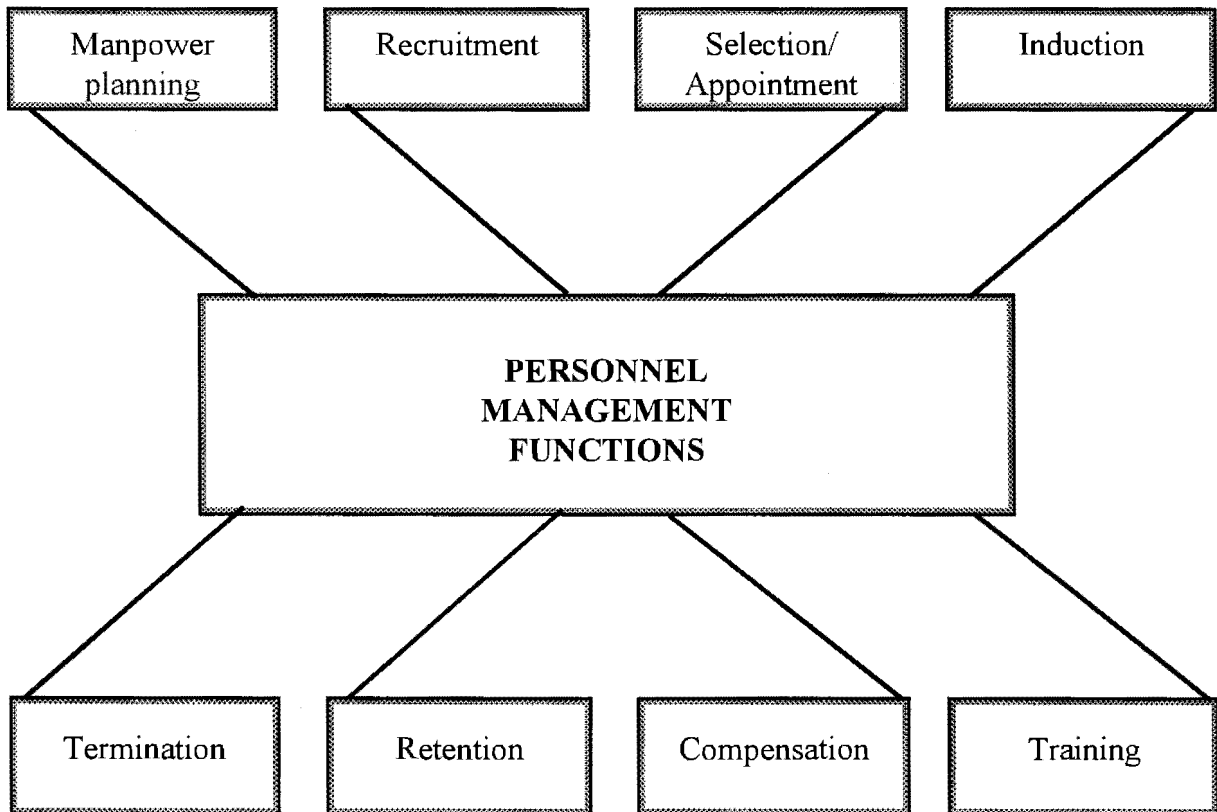
The British Institute for Personnel Management define personnel management as "... that part of management concerned with people at work and with their relationships within an enterprise. Its aim is to bring together and develop into an effective organisation the men and women who make up an enterprise and, having regard for the well being of the individual and of working groups, to enable them to make their best contribution to its success" (Gerber, Nel & Van Dyk 1998: 9).

Personnel or human resource management consists of several interrelated activities. These activities are:

- \* manpower planning
- \* recruitment
- \* selection and appointment
- \* induction
- \* training
- \* compensation
- \* retention
- \* termination.

These activities are indicated in figure 2.4 and are discussed in the following sections.

**FIGURE 2.4**  
**PERSONNEL MANAGEMENT FUNCTIONS**  
**IN THE ESTATE AGENCY BUSINESS**



### **2.7.2 Manpower planning**

Manpower planning refers to the intended actions in the firm which aim to ensure that the right number and quality of employees are available at the right time to help realise the current and future objectives of the firm. When developing a manpower plan a thorough analysis of the estate agency's objectives is first done before attention is given to the following aspects:

- \* Job analysis
- \* Staff requirements
- \* Business culture
- \* Policy and procedures manual
- \* Compensation policy
- \* Financial budget for personnel management
- \* Time frame of personnel plan.



### 2.7.2.1 Job analysis

A job analysis is the critical foundation on which to build the entire sales force development in the estate agency firm. An inaccurate or incomplete evaluation of the requirements of a sales position/s can be costly to the estate agency in both sales force turnover and lost business opportunities. Conducting a job analysis involves collecting and analysing data to determine what activities and responsibilities will constitute a specific sales position. According to Swanepoel, Erasmus, Van Wyk and Schenk (2000: 262), information gathered from a job analysis generates the following two outcomes:

- \* A **job description**, which consists of information extracted from analyses which contain the tasks, behaviours, responsibilities, and activities necessary for the completion of the job.
- \* A **job specification**, which summarises the human characteristics, such as knowledge, skills, training and experiences necessary for satisfactory job completion.

Truter (1993: 12-20) mentions the following characteristics which are important in order to be a successful estate agent:

#### a) **Physical attributes**

Real estate work entails a substantial amount of negotiation. This is physically and emotionally demanding and calls for a singular degree of tenacity and emotional stability.

The agent must first negotiate for the stock, and then for its sale. No business can operate without stock. Listed stock is the power base from which an estate agent operates; and while agents in the estate agency industry enjoy the advantage of not having to pay cash for their stock, they are required to make a significant input in terms of time, planning, energy, perseverance and enthusiasm in order to canvass such stock.

In most professions exposure to stress and tension is inevitable and the real estate profession is no exception. Stress affects every estate agent to some degree. He builds on hopes and

expectations on a daily basis, and deals often fall through only hours before finalisation. An estate agent must therefore be fit, healthy and mentally sound to be able to muster the physical stamina, mental alertness and drive required for the job.

#### **b) Psychological traits**

Although courses and training sessions are provided to equip agents for the practical aspects of their work, an estate agent must be endowed with certain psychological qualities. Mental balance, motivation, creativity, drive, optimism, initiative, sound judgement and perseverance are some of the characteristics which an estate agent should have.

##### **\* Mental balance**

Healthy optimism and a positive self-image are part of mental balance. A well-balanced estate agent will be able to evaluate himself and the image that he projects objectively, identify shortcomings and capitalise on strong points. Self-confidence is the basis for success in the estate agency field. An estate agent must believe that he is an achiever, but be realistic about reconciling goals with abilities.

Anyone who has the aptitude and enthusiasm for selling and is prepared to apply himself diligently can sell property. The estate agent, however, must be realistic. He must be able to analyse the reasons for failure objectively, rethink strategies and make adjustments wherever they are required. Entering the real estate profession is not tantamount to taking a risk. It is essential that an estate agent should have faith in himself and in the work that he does. He must be dedicated and willing to work hard, and must not allow fear of failure and self-doubt to deter him from experimenting or availing himself of obvious opportunities.

##### **\* Self-motivation**

In the estate agency profession an estate agent works fairly independently. Estate work does not require either physical evidence of work in the form that many other jobs do, or continued presence in an office. No-one is likely to check on the movements of individual agents, so it is really up to the individual to determine his own input. An agent must therefore mobilise his own energy and motivation to achieve his goals.

**\* Initiative and creativity**

Initiative and creativity are useful qualities in an estate agent. These characteristics promote innovation and enable an individual to process information in unique ways and to explore new angles.

**\* Adaptability**

An estate agent should be adaptable in the sense of being able to function socially at any level. He should have the ability to deal with difficult or indecisive clients. When there are unexpected changes in plans or appointments, the agent should remain calm and diplomatic, however irritated he may feel. There are times when it is best for the estate agent just to wait patiently and allow a potential buyer to reach a decision in his own time, despite pressure from the seller. In other situations the estate agent needs to move quickly, assertively and decisively. The ability to interpret a situation accurately and to remain in control is important in the estate agency field.

**\* Integrity**

Integrity is the quality of being honest and firm with regard to personal principles, and it is linked to credibility and the social-responsibility principle of the marketing concept which will be discussed in chapter 4. An estate agent should avoid transactions that could affect his reputation, that of the estate agency profession, or either of the parties, detrimentally. An estate agent who knows that his integrity is beyond question will project this certainty in his dealings with his colleagues and clients.

Within the context of relationships with colleagues, this quality cements relationships and plays a significant role in building a strong team spirit. There must be trust if people are to succeed as a team, and this is not possible if any member of the team is open to dealings that could be regarded as shady and may therefore jeopardise the reputation of colleagues.

Members of the public entrust negotiation of their most valuable asset or investment to estate agents. It is logical that an estate agent will therefore enjoy a position of relative visibility in the public eye, and if he indulges in dishonest or shady practices, people will certainly be less

inclined to have him negotiate on their behalf.

Integrity must also be based on knowledge. An agent who is well informed is in a position to provide accurate facts and offer informed opinions. The agent must, however, also be prepared to admit when he does not have the answer to a request for information and must then offer to obtain the information required, rather than pretending to be sure of his facts, and bluffing his way through a situation, only to be proven wrong later. The estate agent should show loyalty to the profession by being honest and open in all business transactions.

#### **\* Interpersonal skills**

Because an agent does not have a product at hand, he represents his product and must be able to sell himself to the public before he can sell property. Successful business relationships must be based on sound communication. Good communicators are normally good estate agents. In the context of property sales, communication centres on persuasive sales talk or deduction of information. During the course of negotiations, an adept communicator will be able to elicit information and glean facts subtly and often without asking many direct questions.

Communication is an essential ingredient in any transaction, and is as much a process of listening as it is of speaking. A successful estate agent must master the art of listening rather than just hearing, be a good observer, and be able to evaluate people and situations and provide explanations in such a way that a client will understand exactly what the ramifications of the transaction entail. Even highly educated clients are laymen in the field of real estate.

#### **c) Service orientation**

Provision of service is one of the secrets of success in real estate and one of the main ingredients of the relationship marketing concept. The estate agent must be prepared to provide service — even to those who are merely potential clients. In order to offer quality service the agent must be knowledgeable and informed. He should not be tardy in offering people the benefit of his expertise, even on an informal basis.

Estate agents are sometimes regarded as intruders who are intent on making easy money. It

is up to the members of the profession to change this perception by building a sound reputation through the quality of the service that they provide. Maintenance of high ethical standards and inherently good service will convince the public that agents are not parasites and actually work hard for their money.

Simple practicalities and good logistics are an integral part of service. No estate agent who forgets appointments, arrives late, has insufficient information available, or appears to be disorganised can be seen to be offering good service. Quality service makes a solid contribution towards a good professional reputation.

#### **d) Practicalities**

An estate agent must be in possession of a reliable and acceptable means of transport and be in a position to meet his financial commitments without any income for the first three to six months, and perhaps longer. Even if the agent achieves immediate success, commission is sometimes not paid out before the seller receives his money, and this could take several months.

#### *2.7.2.2 Other aspects concerning the manpower plan*

After a job analysis has been conducted regarding the jobs that need to be done in an estate agency, the **staff requirements** are determined. Staff requirements basically refer to the short and long-term personnel requirements, in other words, the current and future staff requirements. The **business culture** requirements are also determined. This refers to the type of person who will fit into the business culture of the estate agency firm. If, for instance, the top manager holds a master's degree, he may insist that as far as possible only salespeople with university degrees be appointed to ensure that a specific outlook will prevail among members of the sales force (Maritz & Ghyoot 1990: 280). The personality and outlook of the estate agent should also fit into the environment in the estate agency firm.

A **policy and procedures manual** should be compiled, which spells out the ground rules for interpersonal relationships within the firm and the behaviour of staff towards clients. In addition to this, the estate agency firm also has to prepare a **compensation policy**, which

spells out how the recruited estate agent/s will be compensated. This compensation plan refers to matters such as the payment of commission, bonuses, salaries, fringe benefits and incentive schemes (Maritz & Ghyoot 1990:288). These aspects will be covered in greater detail in section 2.7.7.

As part of the manpower plan, a **financial budget** for personnel management should also be prepared. Decisions, for example, have to be made regarding how much is to be set aside for, inter alia, recruiting, training and compensation. Decisions regarding the time frame of the manpower plan also have to be taken.

Once all the above aspects have been covered, the manpower plan is complete, and the agency is prepared for the next activity in the process of the provision of manpower, which is recruiting.

### **2.7.3 Recruitment**

Since April 1994, when it was no longer compulsory for prospective estate agents to write the Board examinations, estate agencies became particularly selective when choosing estate agents to employ. Only a few estate agency firms, for example Seeff Residential Properties, specify that agents wishing to join their companies must successfully complete the Estate Agency Affairs Board examination. Because many unqualified, unprofessional and unethical estate agents are now part of the industry, estate agencies have to exert strict control over the influx of sales staff into the estate agency firm.

According to Stanton and Spiro (1999: 135), recruitment includes all activities involved in securing individuals who will apply for the job. Recruitment means searching as widely and as thoroughly as possible for estate agents who could be suitable for vacancies in the estate agency firm and encouraging them to apply for these vacancies.

The sources used by estate agencies can be divided into two categories, namely internal sources and external sources.

**a) Internal sources****\* Current employees**

Employees already working for an estate agency provide an abundance of recruiting opportunities. Current employees may fill vacancies through promotions, advancements or transfers (Stanton & Sapiro 1999: 139). In addition, they serve as a referral service through which potential estate agents may be discovered. Present sales people know the kind of person the estate agency is seeking. They know the job and agency well, and they can do much to sell the opportunities to prospective applicants. An agency's sales people continually meet representatives from other estate agencies and make contacts through social, sport and business clubs, or at seminars and conferences. They are also often acquainted with the qualifications of some of the prospects.

**b) External sources****\* Advertisements**

A common method of recruitment is to invite applications through advertisements. Advertising has the advantage of reaching a large audience of possible applicants. Some degree of selectivity can be achieved by using newspapers and journals directed to estate agents or the real estate market.

**\* Walk-ins**

Job applicants who appear at estate agencies without appointments are considered walk-in applicants. In most of these cases, however, the quality of applicants is usually lower than that obtained through other recruiting techniques (Carrel, Elbert & Hatfield 2000: 167).

**\* Referrals**

Referrals are usually the most important recruitment source for estate agencies. Current employees of an estate agency often recommend an acquaintance for a vacant position. The quality of employee-referred applicants is normally quite high, since employees are generally hesitant to recommend individuals who might not perform well (Sherman, Bohlander & Snell

1998:145)

**\* Other estate agencies**

There are different views about recruiting competitor's estate agents. On the one hand, they know the business and market well. They are also experienced sellers and therefore require less training. On the other hand, it may be more difficult for these people to unlearn old practices and make the adjustment required by a new environment (Stanton & Spiro 1999: 140).

**\* Salespeople from noncompeting companies**

Salespeople in other industries are often well trained in the principles of selling and may become "fast starters" in the estate agency business (Maritz & Ghyoot 1990: 289). The estate agency should, however, be willing to spend a considerable amount of time to teach these people the principles of selling real estate.

**\* Employment agencies**

Smaller firms which do not have the services of a full-time human resources manager sometimes make use of employment agencies to perform the recruitment and preliminary selection of candidates on behalf of the enterprise.

**\* Direct mail**

Direct mail is used when estate agents are needed urgently and involves the development of a recruitment brochure.

Once the estate agency has recruited enough candidates by consulting the abovementioned sources, those candidates who possess the necessary qualifications to perform the specific job are separated from those who do not. This selection and appointment process is discussed in the following section.

#### **2.7.4 Selection and appointment**

The recruiting process yields a number of applicants whose qualifications must be measured



against the requirements of the job. Selection is the process of choosing individuals who have the relevant qualifications to fill existing or projected job openings (Sherman, Bohlander & Snell 1998:172). The objective of selection is to appoint employees who should best be capable of meeting the desired performance standards.

The process of selecting the most suitable estate agents is of the utmost importance in the estate agency business. According to Maritz and Ghyoot (1990: 293) each salesperson in an estate agency firm has a calculable desk cost, which is usually substantial. Desk cost is the total expense of operating the office divided by the number of salespeople. If the agency's current desk cost is R1 000 per month, an unsuccessful salesperson will cost the agency R6 000 within six months. Six months is also the expected minimum average time that it will take a novice in the residential estate agency business to receive adequate training, develop the necessary skills, acquire the necessary experience and knowledge, and develop the skill of selling successfully. If the person then resigns, as many do, because he does not have the required attributes, the estate agency will be R6 000 poorer. A strict selection procedure is therefore essential in the estate agency business.

The instruments which a company uses to process its sales recruits should fit the particular needs of the firm. Standardised forms (application forms, interview forms, and so on) prepared for general use are usually less effective than those a company develops for its own use (Stanton & Spiro 1999: 165).

The selection process consists of three stages, namely a preliminary screening, an intensive appraisal and the final selection. These three stages and the instruments which can be used by estate agencies during each stage are now discussed.

#### *2.7.4.1 Preliminary screening*

The first step in the preliminary screening is the examination of an **application form**. An application form is a written form completed by job candidates detailing their educational background, previous work history, past references, and certain personal data.

The application form is a preliminary selection instrument. Apart from the questions regarding basic information such as personal information, qualifications and experience, other questions can be included aimed at finding out more about the applicant's career aspirations, leisure time utilisation, community development and so on. If the prospective estate agent has a record of failure or job instability this could be causes for concern.

When the completed application form has been examined, the unwanted applicants should be separated from the potentially successful ones. The best method is to compare the applicant's form with the job specifications. Once the human resources manager has eliminated the unwanted applicants, he can proceed to the next step in the preliminary selection process, namely the **employment interview**.

Virtually no estate agent is ever hired without a personal interview, and there are no satisfactory substitutes for this procedure. None of the other selection instruments can take the place of getting to know applicants personally by talking to them (Stanton & Spiro 1999: 169).

Jobber and Lancaster (1997: 278) define the employment interview as a verbal exchange between an employer and a prospective employee for the purpose of obtaining information about the applicant's job capabilities, and providing the applicant with knowledge about the organisation.

According to Stanton and Spiro (1999: 171) there are several different formats in which interviews can be conducted. In the **structured or patterned interview**, forms are developed which provide interviewers with a planned format for questioning candidates. In the **unstructured or nondirective interview** there are no established questions or areas to cover. Interviewers adjust to each situation, using their own discretion and skills to probe areas they consider important. The **semi-structured or mixed interview** provides an eclectic approach to interviewing and is, according to Maritz and Ghyoot (1990: 297), the best type of interview to use when interviewing estate agents. Certain questions that will be asked of all applicants are prepared in advance. However, the interviewer is permitted to digress into other areas and to allow time for casual, unstructured and spontaneous discussion.

Maritz and Ghyoot (1990: 298) suggest the following nine personality characteristics that are generally regarded as success indicators as far as salespeople are concerned and which should be determined during the screening interview:

- \* Drive and ability to succeed
- \* Ability to work with people (communication skills, ability to establish rapport)
- \* Positive self-image
- \* Devotion
- \* Capacity for motivation
- \* Organisational skill and goal orientation
- \* Financial motivation
- \* Self-discipline
- \* Stamina

The interview is not only a means for determining an applicant's fitness for a job, it also offers an employer the opportunity to answer a recruit's questions about the company and the position. The applicant can learn about such things as the nature of the job, the compensation, the type of training and supervision provided, and the opportunities for the future. Once the employment interview has been completed, the next step in the selection process is the intensive appraisal.

#### *2.7.4.2 Intensive appraisal*

During the intensive appraisal stage a variety of **employment tests** can be conducted. Swanepoel et al (2000: 317) define an employment test as an instrument which is used to obtain information about personal characteristics. The main types of test used in selecting estate agents are intelligence, personality, aptitude and achievement tests.

Mental intelligence tests are intended to measure a person's native intelligence (IQ or intelligence quotient). Personality tests are measures that assess the underlying psychological constructs which determine how individuals will behaviourally respond to social situations. These tests are the most risky and difficult to validate because of the inability to identify the

traits needed for a particular sales job (Stanton & Spiro 1999: 177). The administering of these tests is regulated by legislation and they are not made available to everyone.

Aptitude tests are designed to measure a person's aptitude for selling, while an example of an achievement test is the Estate Agency Affairs Board examination. The purpose of this test is to determine the knowledge that the estate agent has of the prescribed syllabus. In measuring knowledge, this test has been shown to have high validity and reliability (Maritz & Ghyoot 1990: 302). It is not intended to predict intelligence, aptitude, personality or potential success as an estate agent, but indicates only what a person has learned about the relevant economic and legal aspects of real estate.

It is important to note that tests can never forecast accurately how successful an applicant will be in the job situation. Test results give only a general indication and should always be considered together with other information on the applicant.

#### *2.7.4.3 Final selection*

When applicants on the shortlist are finally weighed against one another, a **background investigation** should be conducted regarding each applicant.

The background investigation is also known as the reference check and is a process undertaken to gather information about an applicant's work history, educational background, and social behaviours, from people with whom the applicant has previously been associated (Swanepoel et al 2000: 325).

Information about the applicant's employment history and financial status should be checked by letter, telephone or personal visits. Permission does, however, have to be obtained from the applicant before contacting the present employer.

The financial status of the applicant usually provides an indication of his financial responsibility, and in the case of an estate agent, possibly also of the extent to which he is able to support himself during the initial period when he may not be earning commission. Some

of this information is gathered by local credit information companies, and can thus be verified by contacting them (Maritz & Ghyoot 1990: 302).

Once the background investigation has been completed, a decision has to be made regarding the most suitable applicant and he or she has to be offered the position.

### **2.7.5 Induction**

Once a new employee starts employment at a firm, he should participate in a formal induction programme. Induction is the formal process of familiarising new estate agents with the firm, their jobs and their work units. The more time is spent in helping new estate agents feel welcome, the more likely they are to identify with the firm and become valuable members of it. An induction programme is designed to influence employee attitudes about the work they will be doing and their role in the firm. It defines the philosophy behind the firm's rules and provides a framework for job-related tasks (Sherman, Bohlander & Snell 1998:241).

The overall objectives of an induction programme for estate agents are to reduce anxiety, to enable a new agent to attain the required performance standards sooner, and to reduce staff turnover (Maritz & Ghyoot 1990:305). In the estate agency industry, agents tend not to remain with one agency for very long, before moving on to the next agency or resigning altogether. With the correct induction approach the agent will ascertain his true position in the firm without delay, and without any uncertainties influencing his position which might cause him to leave.

An induction programme in the estate agency industry normally covers the following areas (Maritz & Ghyoot 1990:305):

- \* The administrative and sales staff with whom the agent will work
- \* The policies and procedures of the firm
- \* The standard forms used in the office
- \* People outside the firm with whom he will liaise frequently
- \* Stock of properties currently offered for sale, if applicable

- \* Personal goal-setting
- \* Files kept by the firm
- \* The rudiments of the sales process.

A well-designed induction programme normally produces self-assured, productive estate agents and a greatly reduced rate of staff-turnover. Once this induction programme has been completed, the newly appointed estate agents normally go through a training programme.

### **2.7.6 The training programme**

The ultimate success of an estate agency business depends on its estate agents. Effective control and the training of estate agents is therefore of the utmost importance. Many agents earn relatively little every month. This can be attributed partly to the low level of training of many agents and the fact that many new agents enter the industry annually.

In general, it is accepted that more or less 20 percent of agents are responsible for approximately 80 percent of the number of property sales. The problem is that some agents who earn small commissions cannot resist the temptation to take short cuts. This situation can worsen if the industry is not controlled effectively. A good training programme will, however, enable agents to deliver an efficient and professional service, to develop long-term relationships with clients and to earn a reasonable salary (*Property Guide*, 24 March 1995, p 28).

A well-planned training programme is thus regarded as essential in the estate agency business since it is seen as a vital link in the process of converting the recruit into a productive salesperson.

The development of a training programme for estate agents must be approached systematically and logically. Sherman, Bohlander and Snell (1998:216) suggest the following four phases in the development of a training programme:

- \* Phase 1: Conducting the needs assessment
- \* Phase 2: Designing the training programme

- \* Phase 3: Implementing the training programme
- \* Phase 4: Evaluating the training programme.

The development of the training programme is discussed in the following sections.

#### *2.7.6.1 Phase 1: Conducting the needs assessment*

The first logical step in the development of a training programme is the determination of the training needs of employees. The techniques used in determining the need for training comprise analyses on three levels, namely organisational, operational and individual.

\* **Organisational analysis.** By looking at the objectives of the estate agency firm and the strategic plans for reaching these, it can be determined whether new or changed needs for training have emerged. New training needs can also be exposed by evaluating the success of previous training programmes. In addition, it can also be established whether the firm has managed to achieve certain objectives. If these objectives have not been reached, there probably is a need for a new training programme.

\* **Operational analysis.** On an operational level job analysis or job specifications can give an indication of the level of skill or ability required for an employee. If the estate agent does not meet these requirements, or if his output falls short of them, training can bring him up to standard.

\* **Analysis of the individual employee.** The work performance of the individual estate agent, that is, his individual effectiveness and efficiency, can be measured against predetermined standards. If he does not meet these required standards, the reasons can be investigated. This will then give an indication of the extent to which the individual needs training. An estate agent, for instance, could be lacking the skills to write effective advertisements for selling homes and training in this field is thus required.

Once a needs assessment has been done, the next phase of the development of the training programme should be entered, namely the design of such a programme.

### *2.7.6.2 Phase 2: Designing the training programme*

The success of training programmes depends on more than the firm's ability to identify training needs. Success hinges on taking the information gained from needs analyses and utilising it to design first-rate training programmes. Training design should focus on at least five areas, namely the objectives of the training programme, the attendance, the contents, the type of programme and the instructors.

As a result of the needs assessment conducted during the first phase, a more complete picture of the training needs will emerge. On the basis of this information, the **objectives** of the training programme can be determined. In addition to the obvious goals of increasing sales productivity and job satisfaction, training programmes also have other objectives. Good training programmes, for instance, can lower staff turnover, because well-trained estate agents are less likely to fail and become discouraged. Morale can be improved if, during the training programme, new estate agents are given some idea about their place and purpose in the company. A good training programme can also make estate agents aware of the importance of establishing and maintaining good customer relations. In addition, better time management can be taught during training programmes, where the trainees learn how to achieve a greater output from the relatively few hours available for working.

Once the objectives of the training programme have been established, the **attendance** should be determined. All new estate agents in a firm should attend a basic sales training programme in order to ensure that all the estate agents have the same basic training. Training should, however, be provided for both new and established estate agents. The type of training given to new employees is called initial training, whereas that provided for established employees is called continuous training.

The various benefits which the firm and estate agents derive from training correspond to a large extent with the training programme objectives. These include (Maritz & Ghyoot 1990:309) the following:



- \* Improved sales and net profits of the firm
- \* Higher income for salespeople
- \* Reduced staff turnover
- \* Reduced supervision of salespeople
- \* Enhanced image of the firm
- \* Recruitment boost through referrals
- \* Improved morale of sales force.

The **contents** of a training programme is usually derived directly from the job analyses of the estate agents. A thorough understanding of the nature and importance of the selling process and of their role in achieving the estate agency's overall objectives should be instilled in the new estate agents. In other words, the trainees should have proper orientation in their attitudes and philosophies towards the job and the selling profession.

The new estate agents should also be provided with a base of knowledge and skills that are essential to performing the various tasks associated with the job. The agents must know about the services which they provide and those provided by other agencies. A thorough understanding of the goals, philosophy, policies and procedures of the estate agency firm is also required to perform their jobs efficiently and effectively. Furthermore, estate agents must be taught that each customer has a different set of priorities and problems. During the training programme they must also develop the selling skills techniques that will enable them to communicate effectively with and persuade their customers (Stanton & Spiro 1999: 234).

The topics that need to be attended to as part of the training programme for estate agents are listed in table 2.3. This study will attempt to determine whether these topics are, in fact, included in the training programmes of estate agency firms in South Africa.

**TABLE 2.3**  
**TOPICS FOR THE TRAINING PROGRAMMES OF NEWLY**  
**APPOINTED ESTATE AGENTS**

- \* Personal selling as part of the marketing campaign
- \* Psychological models of personal selling
- \* Attributes of the successful salesperson
- \* Establishing rapport with the client
- \* Nature and type of sources of mandates
- \* Preparation for, and obtaining mandates
- \* Knowledge of the market
- \* The mandate kit and mandate presentation book
- \* The correct use of the telephone
- \* Qualifying the seller and buyer
- \* Inspecting the subject property and predicting market values
- \* Positioning of the subject property in the market
- \* Overcoming seller objections
- \* Closing and writing up the mandate
- \* Preparing the seller for the marketing of his property
- \* The seller's role during the showing of the property
- \* Advertising the property
- \* Servicing the mandate
- \* Presenting the offer to purchase to the seller
- \* After-sales contact with the seller
- \* Qualifying the property
- \* Sources of buyers
- \* Showing selected properties
- \* Obtaining the offer to purchase
- \* Assisting the buyer in obtaining finance
- \* After-sales service to the seller
- \* Time management
- \* Principal-salesperson relationships
- \* Statutory standing and professionalism
- \* Code of Conduct of the Estate Agents Board

Source: Maritz and Ghyoot. 1990. **The Estate Agency Business**. Cape Town: Juta, p 309 - 310.

Once the contents of the training programme have been decided on, a syllabus for the training programme is drawn up. This involves decisions regarding the training time, the importance of training material and the grouping of the training topics under meaningful lecture headings.

Once the content and syllabus have been decided on, the **type of programme** is determined. There are various alternatives to choose from, for example, an in-house programme, an individual face-to-face programme, a group programme, or a group programme in association with one or more competitors. Alternatively, a training programme could be undertaken by outside consultants who run a programme solely for the estate agents of a particular agency, or provide a regular course which is more or less in accordance with the syllabus. The Institute of Realtors of South Africa (IRSA) also signed a contract through which training of both existing and potential estate agents takes place per satellite (*Property Guide*, 28 April 1995, p 51). The ideal situation would, however, probably be an in-house, face-to-face, personal or group programme designed specifically for the particular estate agency firm.

The choice of an **instructor** or teacher is also important. The success of any training effort will depend largely on the teaching skills and personal characteristics of those responsible for conducting the training. Desirable traits in an instructor include knowledge of the subject, adaptability, sincerity, sense of humour, interest, clear instructions, individual assistance and enthusiasm (Sherman, Bohlander & Snell 1998:225).

#### *2.7.6.3 Phase 3: Implementing the training programme*

When implementing the training programme decisions have to be taken with regard to the approach, methods and aids. This includes matters such as whether a classroom-type situation is appropriate, or whether visual aids will be used. Visual aids include blackboards, flipcharts, overhead projectors, flash cards, photographs, slide projectors, motion picture projectors and video cameras.

The teaching method is also important, and includes methods such as lectures, discussions, demonstrations, on-the-job training and role playing. If the material is mostly factual, methods such as lectures, classroom or programmed instruction may be used, but if the training

involves a large behavioural component, other methods such as on-the-job training, simulation, or computer-based training may be better. Role playing is one of the most appropriate methods for sales training since it simulates the selling situation and can be used to teach diverse skills such as the effective use of the telephone, overcoming buyer and seller objections, and concluding transactions (Maritz & Ghyoot 1990:312).

The venue at which the training will be conducted should have adequate lighting, the acoustics should be good, proper ventilation is essential and the chair and desk arrangements should be flexible to allow for all situations such as participative lecturing, role playing and the screening of video material.

#### *2.7.6.4 Phase 4: Evaluating the training programme*

It is important to evaluate the success of the training programme so that adjustments can be made to the existing programme. The evaluation process includes an evaluation of the teachers, training material, trainees and benefits received by the firm.

The best way of evaluating instructor or teacher performance is to hand each trainee a questionnaire on which he has to indicate his response by simply marking appropriate boxes. The anonymity of the trainee should, however, be protected. The training material can be evaluated on the same questionnaire and in a similar way.

The trainees should also be evaluated at the end of the training period. The evaluation method used should be directly related to the type of skill or knowledge evaluated. If a written examination is used, it could take the form of a multiple-choice examination. Where the benefits received by the estate agency firm are concerned, the firm must constantly monitor such aspects as improved sales and net profits, the value of relationship marketing, higher income of salespeople, reduced staff turnover and improved morale of the sales force (Maritz & Ghyoot 1990:313).

In addition to the training programme, the estate agency firm also has to develop a monetary compensation programme for the sales staff. This programme is discussed in the following

section.

### **2.7.7 The monetary compensation programme**

In the estate agency business two distinctly different monetary compensation plans are developed, one for estate agents, who can be viewed as independent contractors, and one for the administrative staff. This study will focus only on the compensation programme for estate agents.

There are two ways of compensating estate agents, namely by means of straight commission and performance commission. Where **straight commission** is concerned, the traditional split between the estate agency firm and the estate agent is 50-50 (Maritz & Ghyoot 1990: 314 - 315). Any commission split between the firm and its salespeople, including the 50-50 split, should leave the firm with sufficient net profit after it has provided the sales staff with the necessary backup services. If the commission received by the firm is insufficient to provide an adequate backup service for its sales staff, it will most likely lose its top estate agents. Commission split schedules for the division of commission between the firm and its salespeople should be in writing and agreed upon in advance by all parties. Commission splits among salespeople themselves differ greatly from firm to firm and should also be in writing and included in the policy and procedures manual.

Changes to a commission schedule should not be made lightly and changes made in order to adapt to changes in the market structure are not recommended. For example, the tendency in a buyer's market to give a larger share of the commission to the selling agent could cause resentment on the part of the agent who obtained the mandate. Conversely, in a seller's market, paying an increased commission to the salesperson who obtained the mandate could cause resentment on the part of the selling agent.

**Performance commission**, also known as bonus plan commission, is paid by some firms in addition to straight commission (Maritz & Ghyoot 1990:315 -316). These payments are predetermined rewards for achievement. The basic reasoning underlying this type of commission payment is as follows (Maritz & Ghyoot 1990:315 -316):

- \* Once desk cost to the firm has been covered, a split more favourable than 50-50 can be given to the salesperson who sold the property and the salesperson who obtained the mandate. For example, the commission split in favour of the salesperson (salespeople) may increase on a sliding scale from 50-50 to as much as 60-40. The purpose is to motivate sales staff to achieve optimum productivity; or
- \* Once the salesperson has achieved his sales quota or his quota of mandates on properties actually sold, the firm can again, on the basis of a sliding scale, pay over an increasing amount of commission to the sales staff involved. The fairness of this approach is sometimes questionable since quotas may differ among salespeople.

The practice by which estate agency firms provide a backup service at a fee for independent contractors who pay all their own expenses, is becoming increasingly common internationally. Under such an arrangement the management firm provides offices, secretarial services, accounting and all other required business services for a fixed monthly fee.

The commission paid to estate agents is not, however, enough incentive to keep the agents satisfied in their jobs. The estate agency firm also has to develop a staff retention programme to motivate the sales staff to remain in their sales positions.

### **2.7.8 Retention**

An estate agency's retention programme attempts to reduce the turnover rate of the estate agents. It involves aspects such as sound personnel management principles, a professional work environment, staff development by means of ongoing training programmes, staff counselling and staff motivation.

Motivating the salesforce is perhaps one of the most important functions in the estate agency business. The very nature of the selling job requires that special attention be paid to the proper motivation of estate agents. Estate agents experience a wonderful sense of exhilaration when they make a sale, but they must also frequently deal with the frustration of not making the sale. Even very good estate agents do not make every sale. Also, while many customers are

gracious, courteous and thoughtful in their dealings with salespeople, some are rude, demanding and even threatening. Salespeople also spend a large amount of time by themselves, calling on prospective customers, which means that most of the time they are away from any kind of support from their peers or managers, and they often feel isolated and detached from their estate agency firms. Consequently, they usually require more motivation than is needed in other jobs to reach high performance levels.

For some sales personalities, the selling task may be sufficiently intriguing to require little more in the way of motivation than a good incentive compensation plan and a new list of prospects. Such salespeople are rare, however, and the average member of the sales force requires some motivating efforts in addition to that provided by regular monetary compensation. The human traits of laziness and procrastination are as present among estate agents as any other group in society, and managers have learned from experience that effort expended to overcome human inertia pays off in increased sales productivity (Engel, Warshaw & Kinnear 1994: 434).

One of the most widely accepted theories of motivation is Abraham Maslow's hierarchy of needs theory, which was developed in the early 1940s. The theory postulates that all human needs are classified into five levels ranging from the most essential needs common to all people, to higher order needs which only a few individuals are motivated to satisfy. The needs, listed from the lowest level to the highest level, are represented as a hierarchy. According to Maslow, once a need becomes satisfied, and as long as it remains satisfied, people's behavioural priority shifts to the next highest need level. If individuals fail to achieve gratification, or if fulfilment is withdrawn, they experience tension and anxiety. These psychological forces result in motivational behaviours designed to reduce the stress and restore internal equilibrium.

Maslow identified the following five groups of needs, in ascending order (Lamb, Hair & McDaniel 2002: 172-173):

- i) **Physiological needs.** These are the most basic needs, such as food, water, air and sex.

In the estate agency industry this level of needs is satisfied by the payment of commissions, a good benefits package and by having congenial working conditions.

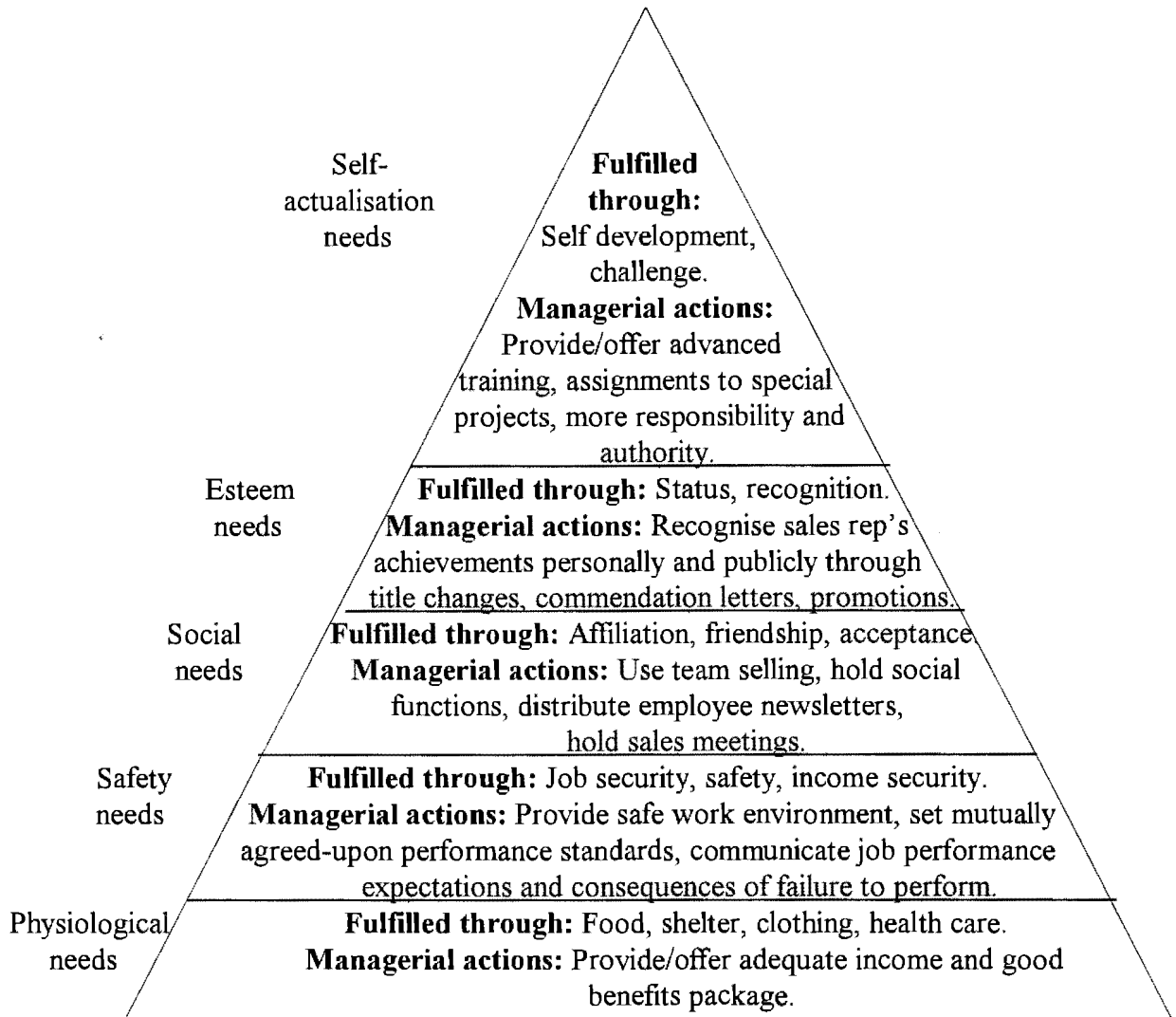
- ii) **Safety needs.** These needs, also referred to as security needs, include the desire for both physiological and psychological freedom from stress and protection from existing and future environmental threats. In the business environment, participation in a medical and pension scheme may appeal to an estate agent's need for security and safety.
- iii) **Social needs.** This category, sometimes referred to as belongingness or love needs, includes the need for developing friendships, love, peer acceptance and a general sense of belonging and acceptance in a social environment. The estate agent's social needs may be satisfied through his acceptance by others and through his membership of a "million rand" club for sales people.
- iv) **Esteem needs.** These needs not only focus on self-esteem, but also highlight the individual's drive toward acquiring respect, prestige and attention from others based on personal achievement. In the estate agency business the salesperson's esteem needs can be fulfilled by winning competitions, through recognition of sales performance and by the granting of awards.
- v) **Self-actualisation needs.** This category incorporates those needs which enable individuals to reach their fullest developmental potential. Basically, it can be viewed as the individual's motive for complete self-fulfilment. In the work environment an individual's need for self-actualisation could be satisfied by the creation of opportunities for him to attend special training courses that will assist him in achieving his full potential.

Maslow's needs hierarchy and possible managerial actions which can be taken to motivate salespeople are depicted in figure 2.5.



FIGURE 2.5

## MASLOW'S NEEDS HIERARCHY AND POSSIBLE MANAGERIAL ACTIONS



**Source:** Stanton and Spiro. 1999. *Management of a Sales Force*. Boston: Irwin, p 256.

As mentioned before, managers often assume that financial incentives are the best motivators and that developing a good compensation package is the only thing they should do to motivate their sales force. However, evidence suggests that salespeople are motivated by both financial and nonfinancial incentives. (Stanton & Spiro 1999: 264). The following are the tools which can be used to motivate estate agents:

- a) **Recognition programmes.** Recognition programmes motivate salespeople through the use of nonmonetary rewards for performance. They aim at the creation of opportunities

for recognition through achievement in the context of the sales position itself. Recognition can take many forms, including the following:

- \* Newspaper announcements of estate agent's accomplishments
- \* Citations, plaques and trophies
- \* Membership of special clubs and exclusive business cards
- \* Presentations, or mention of achievements at annual sales meetings
- \* More responsibility
- \* A letter of appreciation
- \* Prize giving events for the top estate agents.

**b) Contests and competitions.** A popular contest is one in which all individual salespeople compete on a monthly and/or annual basis with all other salespeople for the most mandates and/or sales (Maritz & Ghyoot 1990: 497). Alternatively, the sales staff can be divided into two or more teams, with each competing against the other. Salespeople view contests as opportunities for fulfilling personal needs such as the need for recognition.

**c) Promotion opportunities.** Most salespeople find motivation in a vision of advancement within the company. For some estate agents the ultimate means of self-actualisation is to become a sales manager.

**d) Sales meetings.** Periodic sales meetings are also effective in generating enthusiasm and motivating salespeople. With careful planning, they can evoke high levels of excitement and enthusiasm. Considerable motivation may also be derived from providing members of the sales force with an opportunity to interact with their fellow sales personnel.

Sales meetings can be used to communicate the long-term and strategic objectives of the estate agency firm and to explain how important the salesperson's role is in achieving these goals. This instills in the estate agent a sense of self-esteem, pride in and identification with the firm. Sales meetings are also used to inform salespeople about product changes and new services offered, or to explain new advertising and marketing programmes, as well as to provide

training, and to inspire the sales staff to work even harder.

**e) Objectives.** Objectives which estate agents set for themselves are usually good motivators, provided that they are realistic.

**f) Financial compensation.** Commission is the main means of compensation for an estate agent.

**g) Bonus payments.** An example of a special financial incentive would be to give an estate agent a bonus of five percent, in addition to his normal sales commission, for each house sold every month, over and above those targeted in his sales plan (Maritz & Ghyoot 1990:497).

The methods used by South African estate agency firms to motivate the estate agents and the effect thereof on relationship marketing will be determined in this study.

### **2.7.9 Termination**

The flow of salespeople out of the estate agency firm refers to the termination of their employment. This termination can take place as a result of retirement, death, voluntary resignation and dismissal (forced resignation).

In the estate agency business voluntary resignations occur quite frequently, as salespeople leave to start their own estate agency firms or to join other agencies. As mentioned previously, well developed recruitment, selection, induction, training, compensation and retention programmes are of the utmost importance to keep estate agents motivated, satisfied and productive in the estate agency firms where they are employed, and to therefore lower the staff turnover rate.

However, the human resources are not the only resources which are vital to the estate agency's success. Financial resources are also crucial to its existence, and are discussed in the following section.

### **2.7.10 Financial resources**

Finance for an estate agency can be provided by various sources, with varying terms and conditions to satisfy the needs of the owner and the risk or return required. The owner's investment, in other words, the capital and/or loan which the owner of an estate agency has to introduce in order to establish a viable concern, is regarded as long-term, while using the services of financial banks by way of overdraft facilities is essentially a short-term arrangement. Bankers normally review the overdraft facility annually and may call for a reduction or repayment of the facility at the annual review.

Management must therefore structure the financing of the estate agency business strategically with regard to the type of business undertaken. Clearly, if the estate agency business concentrates on rental collections, its working capital or finance requirements will be minimal, while emphasis on the marketing of large commercial properties will require significant finance or working capital in order to allow for the longer-term nature of the business.

Many estate agency firms do not last long in South Africa and one of the main reasons seems to be a financial one. Liquidity and cash flow are crucial for survival. Maritz and Ghyoot (1990: 574) suggest that a firm should have up to twelve months of finances available before founding the firm. Liquidity should be conserved by, for example, leasing equipment or using second-hand equipment. Since the finalisation of the payment of a property often takes a few months, many estate agency firms make use of discounting facilities when a contract has been signed. In this way the money is received earlier and they therefore ensure the liquidity of the estate agency firm.

Since the financial resources of an estate agency business will not be investigated in this study, this aspect is not discussed in detail. The other micro-environmental variables of an estate agency business which deserve attention are corporate culture and the marketing mix. As these variables form an integral part of relationship marketing, they are mentioned only briefly in this chapter and are discussed in detail in chapter 4, which deals with relationship marketing.

## **2.8 THE MARKETING MIX**

The marketing function is one of the most important functions in an estate agency firm. Marketing can be defined as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual needs and organisational goals (Futrell 1999: 41).

As indicated in the above definition, the four variables which relate to the decision-making areas of marketing management are the product or service, distribution, price and promotion. These variables are known as the marketing mix or marketing instruments.

The decisions which the estate agency firm make about these four instruments are crucial to its success. If, for example, the estate agency firm does not communicate the existence of a "for sale" property to consumers, no-one will be aware of its existence and, logically, no sale will take place.

The marketing mix forms a very important part of relationship marketing and will be discussed in further detail in chapter 4 which deals with this concept.

## **2.9 THE CORPORATE CULTURE**

The corporate culture is the sum total of the values, symbols and traditions of the enterprise and the modes of leadership applied by management, for instance in motivating, communicating, exercising authority and handling conflict. Grönroos (2000: 318) defines corporate culture as "the shared values that determine what people in the organisation think and appreciate". The corporate culture determines the "atmosphere" in which personnel work and influences activities in the enterprise. A negative corporate culture often affects the profit position of an enterprise negatively.

The corporate culture originates in the attitudes of personnel and finds expression in the way the estate agency firm does business. Management's approach to its own personnel and the customers of the estate agency firm is determined by the prevailing corporate culture. In an estate agency firm where the estate agents are dissatisfied and unhappy and not united under

the leadership of the manager, the agency's customers will probably be subjected to off-hand and even rude treatment.

Since the creation of a favourable corporate culture is an integral part of relationship marketing, this aspect will be discussed in detail in chapter 4, which deals with relationship marketing.

The micro-environmental variables which were discussed in this chapter are of crucial importance to the success of an estate agency business. It is imperative that these variables be developed into strengths which can be used to exploit opportunities in the market and the macro-environments.

## **2.10 CONCLUSION**

In this chapter the marketing environment in which the estate agency firm functions was discussed, with emphasis on the micro-marketing environment and its components.

In order for the estate agency firm to survive, it is essential that the micro-environmental variables be monitored, developed and improved on a continuous basis. The internal variables of an estate agency include its mission and objectives, the management structure, the marketing strategy, financial and human resources, and the corporate culture in the firm. A mission and objectives should be developed which will suit the abilities of a specific estate agency firm. It is also essential to communicate these goals to the firm's estate agents, otherwise they will not know what they are working towards and they may not perform optimally.

The management system in the estate agency is also important and an organisational structure has to be developed which will serve as a strength and enable the staff to work together in order to achieve the set goals and objectives.

The two most important resources in the micro-environment of an estate agency are the financial and human resources. Without adequate financial resources the agency will be unable

to exist. The expertise and abilities of the estate agents are also resources which the estate agency cannot do without. If personnel management in the estate agency is not effective, the agency will produce inefficient estate agents who may use incorrect or unethical selling methods and influence the success of the business. Because of the influence the personnel management functions exert on the selling process, these functions were discussed in detail. They include the personnel plan, recruitment, screening, selection, appointment, training, compensation, retention, labour relations and the termination of employment.

The four marketing instruments which the estate agency uses, namely the product, price, promotion and distribution strategies, were discussed only briefly in this chapter. Since they are important components of the relationship marketing concept, they will be discussed in detail in chapter 4. An effective marketing strategy is a great strength to any business and has to be adapted continually to changes in the environment.

The corporate culture in the estate agency firm was also briefly discussed in this chapter, since the atmosphere in which the estate agents work has a great influence on how they perform in their jobs.

The market and macro-marketing environments within which the estate agency operates, and which have to be monitored on an ongoing basis, will be discussed in the following chapter.

## **CHAPTER 3**

# **THE MARKETING ENVIRONMENT OF THE SOUTH AFRICAN ESTATE AGENCY INDUSTRY: THE EXTERNAL ENVIRONMENT**



### **3.1 INTRODUCTION**

The purpose of this chapter is to provide an insight into the external environment of the South African estate agency business. The market and macro-environments which constitute the external environment are located outside the enterprise and represent the environment in which the business must survive. These environments are uncontrollable for the individual enterprise which must adapt to changes in the environment. Whether they fluctuate rapidly or slowly, external environmental forces are always dynamic and represent both opportunities and threats to the enterprise.

Although estate agency firms cannot predict the environment with certainty, they must try to anticipate, for example, which technology will dominate, how consumer preferences will change, and the changing political climate. Estate agencies that fail to recognise environmental changes leave themselves unprepared to capitalise on opportunities or to cope with adverse environmental pressures. Computers can, for instance, largely reduce the number of administrative personnel required in an estate agency firm. Estate agencies that fail to recognise this opportunity will waste both time and money.

Through analysis of the external environment an estate agency can therefore attempt to define current environmental changes, and, if possible, predict future changes. By evaluating these changes the agency should be able to determine possible threats and opportunities associated with environmental fluctuations. Knowledge of current and predicted environmental changes help the agency to assess the performance of current efforts and to develop relationship marketing strategies for the future.

This chapter entails a discussion of the market and macro-environments which constitute the external environment in which the estate agency firm functions and forms part of the environmental model (figure 2.1) which was discussed in chapter 2.

### **3.2 THE MARKET ENVIRONMENT**

The market environment is that environment immediately surrounding the micro-environment, which was discussed in chapter 2. This environment consists of consumers and competitors

that are a source of both opportunities and threats to the estate agency firm. The estate agency should therefore be aware of trends in the market environment so that it can utilise opportunities profitably and avoid threats in good time. The consumers and competitors in the market environment are discussed in the following sections, with specific reference to the associated opportunities and threats applicable to the estate agency industry.

### **3.2.1 Consumers**

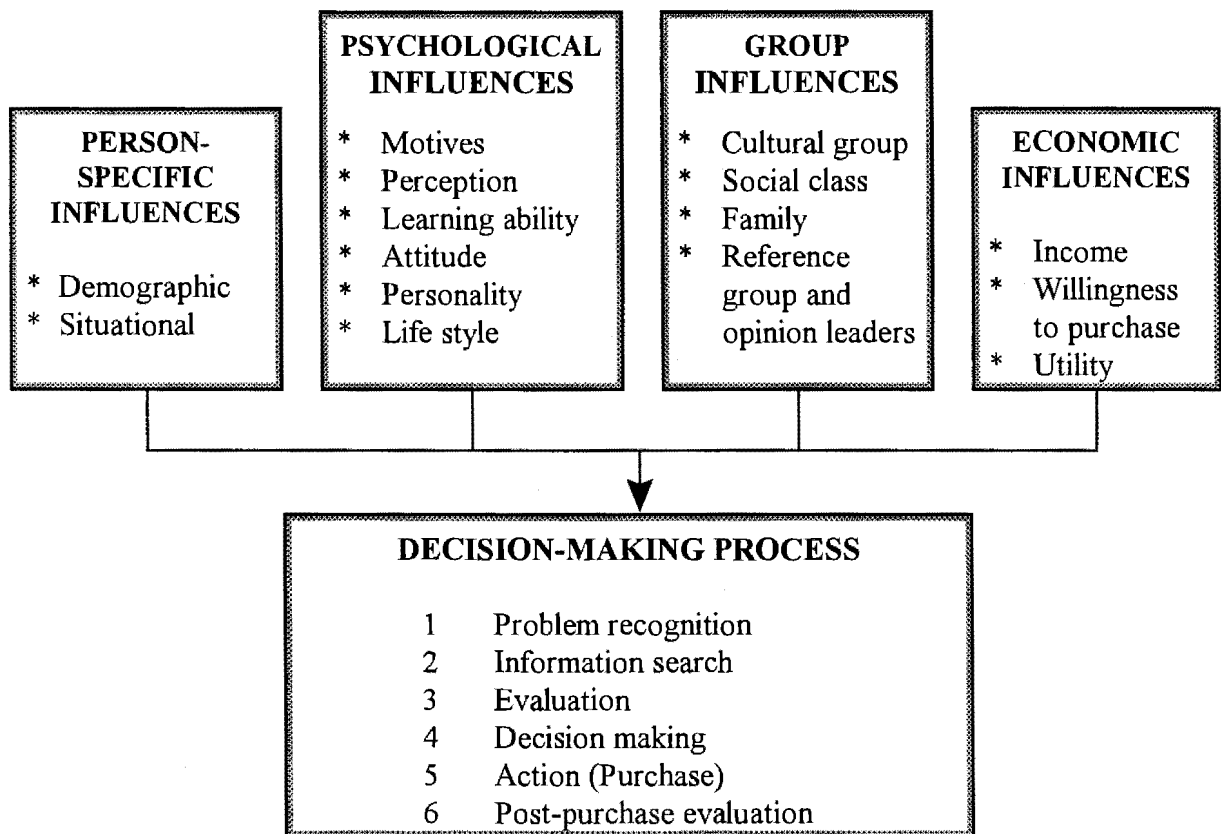
Consumers who make use of the services of estate agents are predominantly buyers and sellers. It is imperative that clients should feel confident that they have been wise in entrusting their business to a particular agent and his firm. A client will assess the quality of the service provided by the agent on the basis of the professionalism and efficiency that accompany the service. The basic sales service provided by the estate agent is discussed in section 4.5.7.2 and includes, *inter alia*, aspects such as advertising the property, advising the client, market valuation of homes and after-sales consultation.

Being able to recognise and adjust to changes in a client's behaviour is required if estate agents are to provide customer satisfaction. An estate agent's ability to establish and maintain satisfying exchange relationships requires an understanding of consumer behaviour. According to Strydom et al (2000: 71) consumer behaviour consists of those acts of decision-making units (families as well as individuals) directly involved in obtaining and using need-satisfying products and services, and includes the decision-making process that precedes and determines these acts.

The marketing concept referred to in chapter 1 stresses that an enterprise should create a marketing mix that satisfies consumers. In order to determine what satisfies consumers, estate agents must examine the main influences on what, where, when and how consumers buy. These influences are depicted in the model of consumer behaviour in figure 3.1.

FIGURE 3.1

## THE CONSUMER BEHAVIOUR MODEL



Adapted from Strydom, JW. 1999. **Introduction to marketing**. Johannesburg: Juta, p 44.

**Person-specific influences** referred to in figure 3.1 are factors that are unique to a particular individual. These factors, which are covered in section 3.2.1.1, include both demographic and situational influences. The **psychological influences** in the model refer to factors inherent in human behaviour such as motivation, perception, learning ability, attitudes, personality and life style. These factors, which largely influence the client's behaviour when purchasing a home, are discussed in section 3.2.1.2.

**Group influences** in figure 3.1 refer to cultural background, social class and the immediate social environment in which the consumer must make decisions about buying a home. The family, reference groups and opinion leaders are components of the consumer's immediate social environment. The group influences are discussed in detail in section 3.2.1.3. The **economic influences** refer to the income that enables the client to make use of the services of

the estate agent or to buy the property, and the willingness of the client to spend this income. These influences are discussed in section 3.2.1.4.

The decision-making process in figure 3.1 consists of several successive steps and illustrates how a consumer goes about choosing ways in which to spend his money (in this instance on buying or selling real estate). These steps include problem recognition, information search, evaluation of alternatives, decision making, action and post-purchase evaluation and are covered in section 3.2.1.5.

The estate agent who intends to provide good customer service should take this model of consumer behaviour into account when attempting to sell his services, since these are the factors which influence whether consumers will make use of his services or not. Clients differ from one another and the estate agent has to be able to adjust his sales message according to the influences on the decision-making process of each individual client. The various aspects which comprise the consumer behaviour model are discussed in more detail in the following sections.

#### *3.2.1.1 Person-specific influences*

The two person-specific influences referred to in the consumer behaviour model are demographic factors and situational factors. Demographic factors are individual characteristics such as age, sex, language, race, income, education and occupation. The South African consumer market is difficult to describe, because it consists of a large number of heterogeneous groups with diverse demographic characteristics. The estate agent, however, should be aware of the demographic characteristics of each prospective client, since these factors could influence consumer buying behaviour. For example, it is a well-known fact that the needs of consumers differ from one age group to another. A young couple with children may, for instance, require a larger home and garden than would an older couple whose children no longer live with them.

The language of the prospective client is also an important determinant. In South Africa twenty two different languages are spoken. The language spoken by a customer determines,

to a large degree, what his cultural background, consumption patterns and buying habits are. The estate agent should adapt his marketing strategy to these aspects of each individual client. Language is discussed in more detail in section 3.2.1.3, which concerns the cultural groups to which consumers belong.

There is usually a link between the level of education and the level of development. The estate agent should be aware of the distinction between clients with a higher level of education and those with a lower level of education, especially when using complicated property terms which may not be understood by less-educated consumers. In all communication with clients, however, the estate agent should use terms which everyone understands, since even highly educated people are not always conversant with the complicated property language used by estate agents.

In addition to the demographic variables, estate agents should also consider certain **situational factors**. These factors are the set of circumstances or conditions that exist when a consumer is making a purchase decision. A situation may, for instance, arise that causes a client to terminate the buying decision. A client who is considering the purchase of a home, for example, may suddenly be retrenched and this may cause him to reject the purchase entirely. However, if the same person experienced a different circumstance, say for instance a 20 percent increase in salary, the buying decision process could be completed much sooner than if no pay increase had been received.

Uncertainty about future marital status may also influence a consumer's decisions. For example, a couple who is experiencing marital difficulties will probably delay the purchase of a new home. These and other situational factors could change rapidly, consequently the effects on purchase decisions could also rise or subside quickly.

Estate agents should be aware of the influence of demographic and situational factors on the consumer's decision-making process in order to adapt their strategies and build long-term relationships with their clients.

### 3.2.1.2 *Psychological influences*

Psychological influences operating within individuals partly determine people's general behaviour and thus also influence their behaviour as consumers. The primary psychological influences on consumer behaviour, of which estate agents should be aware, are motives, perception, learning ability, attitudes, personality and life style. These influences will now be discussed.

#### **a) Motives**

A motive is the state of drive or arousal that impels behaviour toward a goal-object (Sheth, Mittal & Newman 1999: 342). This driving force is the result of an unfulfilled need. Thus it can be said that unfulfilled needs motivate behaviour.

The best-known and also the most acceptable theory of classifying the diversity of needs is that of Maslow. Maslow's needs hierarchy was discussed in detail in section 2.7.8, which deals with the staff retention programme. The various levels of needs discussed there do, however, not only apply to estate agents, but also to the customers who make use of their services. A client may, for example, purchase a home with security gates and alarm systems, which is also located in a safe area, in order to satisfy his need for safety. Another client may buy a home in a suburb where many of his friends live in order to satisfy his social needs. A client could also be interested in acquiring a home which is located in a very prestigious, upper-class suburb in order to satisfy his esteem needs. By buying such a house he may acquire respect, prestige and attention from others based on his perceived social status. The estate agent should be aware of all these motives in order to help the buyer select the right home.

In order to provide quality customer service and establish long-term relationships with customers, the estate agent has to identify the needs which are important to each individual customer and then develop his marketing strategy to satisfy these needs. The motives indicated in table 3.1 are those most often given by consumers when buying property. (*Institute of Estate Agents of South Africa, 1991:55.*)

**TABLE 3.1**  
**REASONS MOSTLY GIVEN FOR PURCHASING PROPERTY**

* Security of tenure
* Health and/or retirement in the right location
* “Trading up” to a better neighbourhood
* Existing property is too small or too large
* Convenience in terms of schools, shops, transport and place of business
* Investment and speculation purposes

**b) Perception**

Perception is the process by which the individual receives, selects, organises and interprets information in order to create a meaningful picture of the world (Kotler & Armstrong 2001: 186). A person receives information through the senses, namely sight, taste, hearing, smell and touch. Information inputs are the sensations received through the sensory organs. When a consumer hears or sees an advertisement or a sales message about a property that is for sale, he receives information inputs.

Because so many, often conflicting, stimuli are received simultaneously the consumer tends to defend himself and uses certain defence mechanisms for this purpose. Although the consumer can receive numerous pieces of information at once, only a few of them reach the level of awareness. He selects some inputs and ignores others because he does not have the ability to be conscious of all inputs at the same time. This phenomenon is called **selective exposure** because the consumer selects inputs that are to be exposed to his awareness. Estate agencies should therefore be careful of providing too much information to the prospective client at one time, since this information overload could cause a lot of important information, which may convince the client to buy, to be ignored. The estate agency should select only the relevant information which will appeal to the needs of a particular client.

**Selective attention** occurs when the prospective customer does not pay full attention to the stimuli picked up by the senses. This can cause a consumer not to look at or hear the content of a marketing message. It is therefore imperative that the estate agency design advertisements

and sales messages that attract attention so that its marketing effort will not be ignored by prospective clients.

Another defence mechanism used by consumers is **selective interpretation**, which occurs when the stimuli are perceived but the message itself is not interpreted as it was intended to be. The consumer can thus interpret the estate agency's marketing message incorrectly by distorting the meaning or by misunderstanding it. The estate agency should therefore design simple and clear marketing messages which will be understood by all. They should, for example, not use complicated property terms which are not understood by all clients and which could cause confusion.

**Selective recall** refers to the individual's ability to remember only certain stimuli and to forget others which may be important. Since clients could therefore forget information which may convince them to buy or make use of the agent's services, the estate agent should repeat vital information in his sales message, or every time he sees the buyer or seller.

The estate agent should therefore, at all times, be aware of the perceptual defence mechanisms used by consumers. His marketing message must be appropriately formulated to overcome the consumer's defence mechanisms.

### c) **Learning ability**

The consumer's ability to learn also influences his behaviour. He must remember the information supplied in the estate agency's marketing message when he is in a position to purchase a home. As mentioned before, if the consumer does not remember information which could convince him to buy, the estate agent's efforts will be of no value.

Belch and Belch (1998: 123) define learning as the process by which individuals acquire the purchase and consumption knowledge and experience they apply to future related behaviour. Lamb et al (2002: 173) describe learning as a process that creates changes in behaviour, immediate or expected, through experience and practice. Three elements are implied in this definition. In order to learn the consumer must be **motivated**, he must give his **full attention**



to the message (he must perceive it and experience it) and there must be some measure of effective **repetition**. In proper combination these three elements result in a successful learning situation. Imbalance in any way invariably leads to failure. Taking a prospective client through a show house helps to a large extent in the learning process, since it is easier for consumers to remember the physical evidence. The estate agency's advertising and sales messages, however, should encourage consumers to learn more about the property that is for sale.

Strydom et al (2000: 87) suggest the following learning principles when formulating marketing messages:

- \* Repetition is important for reinforcement of the message
- \* A unique message is best remembered
- \* A message which is easy to understand is easy to learn
- \* The law of primacy states that the aspect mentioned at the beginning of the message is best remembered, but according to the law of recency the last-mentioned aspect is also remembered
- \* Demonstrations (a show house) facilitate the learning process
- \* Promise of rewards (or threats of punishment) facilitate learning.

The estate agency should be aware of these learning principles if it wishes to influence the learning process of consumers when purchasing a home and wishes to establish long-term relationships with them.

#### **d) Attitudes**

Attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way (Sheth et al 1999: 388). Prospective clients may, for example, have specific attitudes toward certain properties, suburbs, advertisements, estate agents or estate agencies.

An individual learns attitudes through experience and interaction with other people. Client attitudes toward a firm, its sales people or products and services greatly influence the success

or failure of the firm's marketing strategy. When clients have strong negative attitudes about one or more aspects of a firm, they may not only stop using the firm's services, but also implore their relatives and friends to do the same. This is referred to as word-of-mouth advertising. For instance, a client or a friend may have had a bad experience with a particular estate agency or agent and his resultant negative attitude could influence him to look at the advertisements or properties of other estate agencies and to ignore those of the agency towards which he has negative feelings.

Because attitudes can play such an important role in determining consumer behaviour, an estate agency should measure consumer attitudes towards aspects such as the agency's services, advertisements, estate agents and the estate agency itself. If a significant number of consumers have strong negative attitudes towards any of these aspects, steps should be taken to render these attitudes more favourable. It is much easier to build enduring, long-term relationships with clients who have positive attitudes towards an agent or estate agency.

#### e) **Personality**

Personality is a set of internal traits and distinct behavioural tendencies that result in consistent patterns of behaviour in certain situations (Pride & Ferrell 2000: 206). Personality distinguishes one individual from another, and one group of individuals with similar characteristics from another group. The estate agent should be able to assess the personality of a prospective client and adapt his marketing message accordingly. According to Sheth et al (1999: 239), there are three personality types, namely:

- \* Compliant individuals who move towards others. They desire to be loved and appreciated.
- \* Aggressive individuals who move against others. They desire only to excel.
- \* Detached individuals who move away from others. They are self-sufficient.

*The Real Estate Sales Guide* (1991: 49-53) on the other hand, identify four types of customers, namely expressives, agreeables, analyticals and drivers. Expressives are people who openly display emotions. These clients will probably be late for appointments and will usually leap from their vehicles with wide smiles and outstretched hands. Expressive clients will leave the

estate agent in no doubt when they like the property. They will smile and enthusiastically use such words as "magic", "great" and "gorgeous". They are irrational, erratic and extremely volatile. They are guided by their emotions and buy on "gut feeling". With these clients, the estate agent should be quick, decisive and enthusiastic, since this is what expressive clients desire.

The agreeables are people who display emotions. As they are very much family people, they are easily recognised because they will probably arrive for the viewing accompanied by "the children, grandma and the family dog". They hate offending anyone and normally view many houses before they make a choice. Since their comfort zone is their family, important factors will be whether there is a school nearby, whether there is a family room and entertainment area and whether the seller's occupation date fits in with the childrens' school term. They find decision making easier in a relaxed atmosphere. The estate agent should bear this in mind and not try to close a sale if their child must be collected from school, or if it is close to family dinnertime. He should rather allow them to go home and discuss it and offer to call back after dinner to explain costs and procedures, thereby starting a more long-term relationship with them. A good type of close with this type of client is to ask him to help list the good points of each property on one side of a piece of paper and the negative points on the other. The estate agent should, however, impress upon them that they will not offend him by listing points that they do not like. He should lead them slowly to a decision, with patience and gentleness.

The third type of consumers are the analyticals, who appreciate conversations which are peppered with facts and figures as opposed to the expressives who thrive on adjectives and emotions. Analyticals can be recognised by their quiet, withdrawn, reserved approach. They do not encourage the use of first names and resent discussing their financial position with strangers. In addition, they often carry checklists, calculators, tape measures and books on how to buy property. For these people recognising their dream home is not easy. They ask a lot of questions, but dislike becoming involved in long, all-embracing discussions. They prefer making many pint-sized decisions which eventually culminate in the final step. The estate agent should proceed slowly with this type of buyer and establish, and, if necessary, re-establish their mortgage bond requirements and offer to check and re-check repayments.

The last type of client, namely the drivers, are people who withhold their emotions. These people are very task-oriented and are easily spotted by their curt efficiency. They are always on time for appointments and expect the estate agent to be equally as punctual. Drivers frequently demand to know exactly what the estate agent is planning to show them before they condescend to it. They often dismiss properties from the outside, but once the driver has made up his mind, his finances will have been organised and he will certainly secure his own mortgage bond. The driver always means exactly what he says and he firmly stands by what he says.

The clients with whom the estate agent deals can therefore vary personality-wise within the four categories discussed above. The estate agent should be able to identify the personality of his customer and deal with him accordingly if he wants to sell the property, deliver good customer service and establish long-term relationships. Since the estate agent's knowledge of his customer's personality is an important part of building relationship marketing, this aspect will also be investigated in this study.

#### **f) Life style**

Life style refers to the way of living of individuals or families. It basically refers to the activities, interests and opinions (AIO's) of individuals. Understanding the life style of target customers can assist the estate agent in designing his marketing message. If, for instance, one of the activities which the prospective client likes is shopping, the estate agent can point out all shopping centres in the vicinity of the property which is for sale. A prospective client may also be a keen tennis player, which will enable the estate agent to mention tennis clubs in the vicinity which the client could join. Only once the estate agent has determined the various life style dimensions of a prospective customer can he adjust his sales message accordingly.

The psychological influences on consumer behaviour discussed above are all of the utmost importance to the development of the estate agent's marketing strategy. Since these are all factors inherent in human behaviour, they cannot be ignored by estate agents if they wish to provide quality customer service and establish enduring relationships.

### *3.2.1.3 Group influences*

The consumer is a human being who needs to be affiliated with other people in order to satisfy his social needs. His group membership will therefore influence the individual's behaviour patterns. Groups of individuals usually develop and maintain distinctive norms of behaviour. Rewards such as social acceptance and approval usually encourage a consumer to conform to the prescribed norms of behaviour. However, punishment such as ridicule, contempt, disapproval and ostracism are also exercised when consumers do not conform to the norms of the groups to which they belong.

Taking into account that every individual belongs to many groups, all of which maintain distinctive norms of behaviour, a large degree of social pressure is exerted on the economic activities of the individuals by their group membership. The different groups that exhort a consumer to conform to group norms are the cultural group, social class, the family, as well as reference groups and opinion leaders. These groups will now be discussed.

#### **a) Cultural groups**

Culture refers to the unique patterns of behaviour and social relations that characterise a society and distinguish it from others. It refers to the norms, beliefs and customs that are learned from society and that constitute its values (Belch & Belch 1998: 128). It is these values that influence the consumer's behaviour. Because each culture has certain traditional values that differentiate it from others, it is necessary for estate agents to understand how these values may impact the consumer's decision processes.

Each cultural group comprises several subcultures, each with its own norms, values and symbols. These subcultures can be categorised according to nationality, religion, race and geographical area of residence. Besides the four main groups, smaller subcultures can develop according to, inter alia, language, age, interests or occupation. In the real estate industry it often happens that people who belong to a particular subculture prefer to live in a specific area. Many suburbs, for example, are known to be "Afrikaans" or "English", or are regarded as suburbs where more young than older people live. According to the client's preferences, the estate agent should therefore be able to refer his clients to specific suburbs where people from

the same subculture live.

The black cultural group in South Africa consists of many subcultures, and except for language differences, these subcultures are currently regarded as homogeneous by marketers. It is, however, the estate agent's responsibility to learn about the norms, values and symbols which are important to the black culture. In this way he can adapt his marketing message to the needs and values of this group and be assured that he will not use symbols which can be interpreted incorrectly and will not portray unacceptable behaviour patterns.

Since separate development and the philosophy of group areas have been removed from legislation, people who have thus far been unable to buy property in the areas of their preference, are now becoming home-owners. For many of them, bond repayment and interest rates are unfamiliar concepts that need to be clarified by the estate agent with circumspection and courtesy, using simple terms that a layman will understand. Although the Group Areas Act has been abolished, many people belonging to the same group still prefer to live near each other and tend to buy houses in the same suburbs. The estate agent should be aware of the different cultural and subcultural groups and the suburbs which they prefer.

Apart from the citizens of South Africa, an agent may also have to deal with immigrants or foreign investors. There are also diplomatic representatives who need to find accommodation, for which purpose they often approach estate agents. It is obviously not possible to know the language and customs of all these groups, but an attitude of openness and cooperation will go a long way towards establishing a relationship of trust.

An efficient estate agent who has regular dealings with foreigners and different cultural groups, and who takes pride in rendering effective service, should be prepared to engage the services of an interpreter to bridge language barriers and explain the terminology of a contract of sale. A measure of extra effort on the behalf of one such client could result in a recommendation that may open new areas of business.

**b) Social class**

Within all societies, people rank others into higher and lower social positions of respect. This ranking results in social classes. A social class is the relative standing of members of a society so that a higher position implies a higher status than those in the lower social class (Sheth et al 1999: 174). Simple approaches for measuring social class groupings are based on a person's occupation, education, income and type of location or housing. For example, different residential suburbs are often classified as "upper class", "middle class" and "lower class". In Pretoria, for example, Waterkloof, Pretoria North (e g Montana) and Pretoria West (e g Quaggasrand) would fall into the upper, middle and lower class categories respectively.

To some degree, persons within social classes develop and assume common patterns of behaviour. They may have similar attitudes, values and possessions. It is important for estate agents to know what is important to each social class group in order to develop his marketing message when dealing with a particular group. The property requirements of consumers from the upper classes, for instance, could differ significantly from those of the lower classes, since people from the upper social class usually have more capital available and can afford larger and more sophisticated homes in more upper class suburbs. To consumers from the upper classes, for example, aspects such as the right address (e g Waterkloof, Sandton), multiple garages, and a swimming pool would be more important.

It is also believed that there are differences in the types of media that social classes use. Newspapers and magazines are usually popular among the middle-to-upper classes, while television viewing is regarded as more popular among the lower classes. The estate agent should be aware of these media habits when placing advertisements which are directed at the different social classes. He should also be aware of the fact that different strategies are required to build long-term relationships with people from different social classes.

The SAARF LSM or Living Standards Measure was developed by the South African Advertising Research Foundation (SAARF). LSMs are designed to profile the market into relatively homogeneous groups. LSMs represent a system of marketing differentiations which group people according to their living standards, using criteria such as lifestyle, media

consumption and demographics. In LSMs the population continuum is divided into ten groups, ranging from 1 at the bottom end, to 10 at the top. The LSMs are calculated using twenty variables taken directly from the SAARF All Media and Products Survey (AMPS). In view of the fact that this study does not concentrate solely on social class structures, only a few of the criteria for LSMs 5 to 8 (SAARF 2000: 35-60) are summarised below.

#### **LSM 5 (11,6% of the adult population)**

##### **\* Demographics**

English/Afrikaans-Coloureds (11%) cross the '1-in-10' barrier for the first time in this LSM, although Nguni/Sotho speakers still contribute 85 percent. This is the first group where the rural population (8%) is no longer of particular significance, and also the first where the metropolitan element first rises above 50 percent (it is 53%). For the first time the Gauteng portion of the group (34%) is close to its maximum. Most of the African languages occur at above average levels. This is a young group: 16-24s and 25-34s are significantly frequent, while the 50+ group is under-represented. Males reach their highest proportion here - 53 percent (4 points above the average). Illiteracy and absence of schooling hover around 5 percent, with 30 percent having reached matric or beyond; most, though, still fall in the 'some high' category (47%). Average wage advances pass the R2 000 mark to R2 117 per month, and unemployment falls 5 points to 29 percent.

##### **\* Residence**

Two-thirds of this grouping live in conventional dwellings (61% in a 'house'). Squatter camps are home to 4 percent, backyards to 5 percent and compounds to 6 percent. This is one of three LSMs (the others are nos. 4 and 6) with relatively low home ownership - 58 percent. Mortgage bonds are very infrequent (6% incidence). Only one in a hundred has no access to electricity and everyone has on-site water, two-thirds with taps inside the home, and 52 percent with a kitchen sink. Everyone in the LSM has a toilet available, and most (93%) are flushing systems.



### \* Lifestyle

Some concerns for personal well-being begin to appear at significant levels in this group. Taking exercise for health, building gradually through previous LSM categories, reaches 16 percent here, and 3 percent have attempted to lose weight during the previous 12 months. One in fourteen is buying durables on credit, and 24 percent have tried their luck with lottery tickets and/or scratch cards. But mostly fewer than one in ten purchases any of the non-essentials listed in the survey. Nonetheless, 14 percent have decorated indoors, 6 percent have painted the outside of their home, and 7 percent have spent upwards of R1 000 on improvements in the last 12 months. During an average month 18 percent will eat at a restaurant and 44 percent purchase take-away food. Going away on holiday remains an infrequent luxury though: 19 percent of the group annually. Just fewer than one in ten (8%) moved house in the past 12 months while 3 percent changed jobs and 3 percent undertook part-time study/education.

### \* Media consumption

The daily radio audience continues to climb, reaching - at 80 percent - the beginning of a plateau that will persist right through to LSM 8, yet the proportion watching TV on any given day overtakes the radio audience for the first time (82%). SABC 1's popularity remains high, at 85 percent of the TV audience, while SABC 2 slips slightly to 49 percent of viewers. Ukhozi FM no longer dominates, although at 18 percent of the group its audience is (just) the largest. Metro fm pulls in 17 percent, Lesedi FM 14 percent, and Umhlobo FM 12 percent, with Motswedding FM following at 9 percent. Community radio, that records a steady audience increase from LSM 1 to LSM 7, attracts 6 percent here. Nearly a half (47%) look at a 'paid-for' newspaper at least once a week (mostly English language editions); the figure for magazines is 46 percent, mainly those targeted at Nguni/Sotho speakers. In this group, for the first time, newspaper readers are more numerous than magazine readers - a gap that widens progressively in succeeding LSMs. Cinema goers are still infrequent (4% in every six-week period), but outdoor advertising is increasingly noticed. Ads on stores connect with 77 percent of the group every seven days (their highest audience in any LSM), but they are closely followed by taxi advertising at 76 percent and billboards at 74 percent. Of the other types of outdoor advertising, adverts on buses are noted more widely in this group - by 39 percent weekly, while bus shelter ads are noticed by 29 percent.

## LSM 6 (12,1% of the adult population)

### \* Demographics

This LSM is more heterogeneous than those that preceded it: though Nguni/Sotho speakers account for the majority (69%), it contains (along with LSM 7) one of the two major blocks of English/Afrikaans-Coloured people (26% of them, 18 % of the total for this LSM). English/Afrikaans-Indians make up 5% and English/Afrikaans-Whites 9%. The male/female split is close to average, while the age profile shows a peak in the 25-34 group (30%), and a dip in the 50+ class. Matric passes reach 44 percent, with 3 percent having been to university, while the unschooled and illiterate are almost absent (under 2%). Average income jumps substantially to R3 524 per month, with unemployment dropping substantially to 21 percent. 'Clerical/sales' leads as the major occupation for those in work (13%), but production and mining (8%) and service occupations (9%) are also important, and 'professional/technical' employment (6%) is not far behind. The rural component is marginal in this group (6%), with metropole dwellers (58%) being close to their peak.

### \* Residence

Flats are home to 15 percent of this group - the first substantial appearance of this dwelling type, while squatter camps, backyards, hostels and compounds together fade away to only 4 percent in total. The rest occupy conventional houses. Electricity, water and flush toilets are virtually universal, and 86 percent have an in-house water supply. However, while 82 percent have a kitchen sink, only 56 percent have hot water on tap. Mortgage bonds begin to have an impact, with a penetration of 16 percent. Swimming pools creep in at 2 percent.

### \* Lifestyle

Buying durables on credit doubles over the preceding LSM to 14 percent of the group; this level represents a plateau as it does not increase much further until LSM 8H is reached. More money is also spent over a twelve-month period on luxury and semi-luxury items; while audio tape penetration (at 10%) is static compared to LSM 5, other categories more or less double their presence: CDs 16 percent, jewellery and watches (5% and 6% respectively), and dolls/soft toys (11%). A lot of home maintenance is undertaken - 13 percent spend over R1 000, 21 percent paint their home's interior and 9 percent its exterior. Just over one in

four eats at a restaurant at least once a month, and 56 percent buy take-aways in the same period. A noteworthy jump occurs in the numbers taking up part-time education - from 3 percent to 7 percent. One in eight (12%) moves home each year, and 4 percent change jobs. Taking holidays begins to be more popular - 24 percent go on a vacation in South Africa, three-quarters of them to stay with relatives. Hardly any go abroad, though.

\* **Media consumption**

The daily TV audience (87%) creeps further ahead of the radio audience in this group (82%). SABC 1's share of viewers slips slightly to a still dominant 80 percent, while SABC 2 comes back with 56 percent. SABC 3 registers 36 percent (up from 24% in LSM 5). Metro fm ousts Ukhozi FM as the most popular radio station (22% to Ukhozi FM's 12%). Umhlobo Wenene FM follows in third place with 10 percent. Community radio increases its appeal from 6 percent (LSM 5) to 9 percent here. 'Paid-for' newspapers reach nearly two thirds of the group (61%) for the first time, English being by far the most widely read language. Magazine readers amount to 56 percent of the group. The audience for outdoor ads on billboards and taxis is static (73% and 76% respectively), while the ads on stores' audience contracts to 72%. Increases occur in bus shelter advertising, seen now by 37%, and buses themselves are noticed by 43%. The audience for train advertising peaks here, at 18%. Cinema reaches 9 percent of the group over a six-week period.

**LSM 7** (11,4% of the adult population)

\* **Demographics**

Compared to preceding LSMs, the Nguni/Sotho segment declines precipitously here, from 69 percent in LSM 6 to 31 percent. English/Afrikaans-Whites become the most numerous grouping, at 42 percent, while at the same time both English/Afrikaans-Indians (9%) and English/Afrikaans-Coloureds (19%) achieve their highest proportions of any LSM. Indeed, this is the most heterogeneous LSM of all. The male/female ratio, and the age profile are close to average (save for a small peak in the 35-49 age group), and 99,6 percent have been to school. Again 'some high' is the single largest education category, but against this, over half have gone at least as far as matric. Average income climbs sharply to R6 539 per month, and self-reported unemployment shrinks sharply from LSM 6, to 10 percent. Marriage is

more common than in preceding LSMs, with 'young couples' and 'new parents' just significantly above average (as are 'golden nesters'). Unlike previous LSMs, this group can quite frequently (28%) afford domestic help. The group - like its neighbouring LSMs 6 and 8 - is very urbanised, with nearly three in five living in metropolises (59%), and with other significant concentrations in cities, large towns and even small towns. They are strongly over-represented in Gauteng (33%) and the Western Cape (22%).

#### \* Residence

The only dwelling types of significance in this group are houses (79%) and flats (15%). Cluster/townhouse accommodation stands at 3 percent, making the total for conventional urban-type homes 97 percent. However, only 68 percent own the property they live in. More than a quarter (29%) have mortgage bonds. All have electricity, nearly all have in-home water (99%) - usually both hot and cold (93%) - and everyone has a flush toilet. All but 2 percent have a kitchen sink in their home, while one in ten has a pool.

#### \* Lifestyle

A number of activities show sharp increases over LSM 6. Moving home reaches its second highest level (16 per 100 per annum), while job mobility climbs to 7 percent. Their higher income is clearly reflected in significantly more active buying behaviour: over twelve months 12 percent buy audio tapes, CD purchases double to 33 percent, 8 percent spend over R500 on jewellery, and 14% buy dolls/soft toys. Over a third (37%) indulge in lottery/scratch card gambling during the year, up from 30 percent in LSM 6. Also compared to LSM 6, double the number (14%) spend over R500 on DIY, while spenders of R1 000 + on home maintenance also increase markedly to 19 percent, and those painting the outside of their home go up from 9 percent to 15 percent. Restaurant visiting doubles to 46 percent per month, with take-aways up to 66 percent. Video hire nearly doubles to 31 percent, and this is the first group with a substantial body (11%) of internet visitors. Overseas travel is still infrequent, but over a third (38%) take SA holidays, half to the coast, half to stay with relatives, and one-third to time share accommodation (these categories add to more than 100% because they are not mutually exclusive).

\* **Media consumption**

The radio audience (84%) remains more or less at the LSM 8 level, but daily TV viewers climb to 91 percent. The gap between SABC stations has now narrowed to 18 percentage points (SABC 1: 66 % of TV viewers; SABC 3: 48 %). M-Net, though attracting significant numbers, trails at 31 percent. The radio is also more fragmented than in preceding groups. The most popular station (Metro fm) reaches only 13 percent of the LSM, and only 11 percent tune in to the next most popular, 5 fm, and 8% to East Coast Radio. The community radio audience is higher here (12%) than in any other LSM. Readers of 'paid-for' newspapers go up from 61 percent to 69 percent in any one week. Magazines are not far behind at 64 percent. Exposure to outdoor advertising is varied and extensive - the lowest audience over a seven-day period is for adverts on trains - 13 percent. Cinema remains a minority interest: over a six-week period it reaches only 19 percent; and even over a year, less than half the group (39%) go to the movies.

**LSM 8** (11,3% of the adult population)

\* **Demographics**

This LSM is dominated by English/Afrikaans-Whites, who make up 75 percent of its members. In contrast, Nguni/Sothos account for only 10 percent, much the same as English/Afrikaans-Coloureds (9%) and ahead of the 5 percent English/Afrikaans-Indian component. Urbanisation levels are similar to LSM 7 (93%), but the rural element is higher by one point, at 7 percent. There is a definite bias towards older people (who have had time to accumulate wealth, for one thing), with 31% over 50 - half as high again as the average - and 37 percent between 35 and 49. Consequently, the number of females with babies or children is down a little. However, there are also above-average numbers of 'young couples' and 'new parents'. This is the only group where even matrics without further education outrank those with only 'some high'. The total matriculant proportion is almost 81%. Average income of R10 429 per month is 14 times higher than in LSM 1, and more than one-and-a half times higher than that of neighbouring LSM 7. (From LSM 6 upwards, income growth approaches the exponential). This reflects almost full employment, for only 3 percent classify themselves as unemployed. In marked contrast to preceding groups, 'professional/technical' employment is on a par with 'clerical/sales', both at 19%. Given the age profile, and the adequacy of many incomes for supporting entire households, proportions of 'retired' and 'housewives' are above the norm

and 61 percent have domestic help in the home. Like LSM 7, this group congregates in the Western Cape (23%) and Gauteng (37%).

\* **Residence**

Houses go up from LSM 7 levels to 86 percent, while flats decline to 9 percent. The balance are in townhouses (4%) and clusters (1%). Owner occupation rises to 81 percent, along with bonds - to 45 percent. Everyone has hot and cold running water, flush toilets and a kitchen sink. A quarter have swimming pools.

\* **Lifestyle**

Fewer move houses in this group (12% per 100 pa) than in LSM 7, though job mobility is above average, at 8 percent. Money is a minor barrier to this group's lifestyle, and so most areas of expenditure are up (often substantially) on LSM 7 - including lottery/scratch card purchases, which reach a peak here of 42 percent. Two thirds (69%) eat out in a restaurant at least once a month, and 74 percent buy take-aways. Health is an important focus: 20 percent belong to a gym (double LSM 7), 15 percent have tried to lose weight in the past year and 26 percent take exercise for their health (all three of these figures representing peak levels). Gardening is actively pursued by 37 percent - by far the highest level in any of the eight LSMs. They spend generously on their homes over a twelve-month: 32 percent put over R1 000 into maintenance, 28 percent decorated the inside and 22 percent the outside; 5 percent carpeted and 8 percent tiled. Every month, 28 percent access the internet. This is the only group where more than one in ten (21%) have flown overseas in the last three years, or within South Africa in the past year (19%). Six in ten have taken a SA holiday in the past year; only a third of these trips involved staying with relatives.

\* **Media consumption**

In this group it is the turn of radio to increase its audience size more (to 88%) than TV does (still ahead on 92%). Fragmentation between stations is less marked than in LSM 7: although the biggest audiences are only 15 percent (for Radiosondergrense (RSG) and 5fm), the next three pull in 13 percent each (94,7 Highveld Stereo, RMFM and Jacaranda 94.2fm). Community radio's audience remains at 11 percent (though lower than LSM 7 beyond the decimal point). However SABC 3 now pulls the largest audience (55% of total viewers), with

SABC 1 and 2 sitting with 45 percent and 48 percent respectively. However, M-Net beats these two with 51% watching its main service every day. 'Paid-for' newspapers and magazines both reach three-quarters of the group. Outdoor media channels mostly shrink or remain static - less use of taxis and public transport is at least part of the explanation. Trailer adverts, up from 34 percent in LSM 7 to 47 percent here, are an exception. Cinema reaches 26 percent of the group over a six-week period.

### (c) The family

Of all the groups influencing consumer behaviour the family is the one with which the individual maintains the closest contact. Each one of the family members has a greater or lesser influence on the consumer behaviour of a family. The family can be regarded as a nuclear group whose members live in close contact with one another and act as a decision-making unit when they attempt to satisfy individual needs from one shared source (the family income) (Strydom et al 2000: 91). This implies that individual needs must necessarily be subordinated to those of other members to a greater or lesser extent. This leads to consultation and joint decision-making among family members.

Consultation and joint decision-making particularly apply to the purchase of a home. Since the whole family will live in the new home, the decision-making process involves all the family members, although some family members may exert more influence than others. It is important that estate agents are aware of the roles played by the various family members when purchasing a new home. Although these roles differ from one family to another, it is believed that the role of the wife or woman in the house is very important when buying a new home. Many estate agents believe that the woman in the house is the greatest influence in the decision to buy, since she is the homemaker and is the one to decide whether the house will fulfil her requirements or not. A pantry might, for example, not be an important requirement to a man, but his wife may immediately reject a home without one.

The following roles in consumer decision-making in the family have been identified (Belch & Belch 1998: 132):

- \* The **initiator** is the person who makes the first suggestion regarding the purchase of a new home.
- \* The **information provider** is the person responsible for gathering information to be used in making the decision to buy a home.
- \* The **influencer** is the person who implicitly or explicitly influences the final decision because this person's suggestions and wishes are reflected in the ultimate decision made by the family. The mother usually plays a large role as influencer in the purchase of a new home.
- \* The **decision-maker** is the person who actually chooses between alternatives and makes the decision. The whole family are usually, to a larger or lesser extent, involved in choosing between alternative houses, but the final decision is normally made by the mother or father.
- \* The **purchaser** purchases the product. It is usually the person with the necessary finance who purchases the home. This could be either the mother or father, since they are the people who can qualify for subsidies and loans to purchase property.
- \* The **user** is the person who actually uses the product. In the case of a new home this will be all the family members.

The estate agent should, when he meets the family who are interested in acquiring a new home, try to evaluate the roles which each of the members of a particular family will play in the decision-making process. In this way he will know how to approach each of the family members with his marketing message. The family today does, however, not always consist of the mother, father and their children. It could also involve the single-parent family and the childless family. The roles discussed above therefore also have to be adapted to the type of family involved.



The traditional family moves through a life cycle with various phases. During each of these phases the family has different needs and behaviour patterns, and it is important for the estate agent to be aware of these needs and behaviour patterns. The family life cycle phases are the following (Strydom 2000: 92):

- \* **Newly-wed phase.** Both members of this unit are usually economically active and pool their incomes, which means they can usually afford to buy durables and even luxuries. During this stage they usually still live in an apartment or flat which belonged to either the husband or wife before their marriage.
- \* **Phase of family growth.** This phase starts with the arrival of the first child in the marriage, and markedly changes previous consumer behaviour patterns. During this stage the couple is likely to move into their first home, and as the family grows, a larger home is often purchased.
- \* **Maturity phase.** The children in the family have reached the adolescent stage where, in addition to their basic needs, they have also developed their own norms, preferences and life styles.
- \* **Post-parental phase.** All the children have left home and the parents spend proportionally less on basic household necessities. They have greater disposable income to spend on luxuries. At this stage there is a movement to smaller homes with better security and features.
- \* **Sole survivor.** If still in the labour force, solitary survivors still enjoy good incomes. They may sell their homes and move into a smaller places such as townhouses. They usually spend more money on vacations and recreation at this stage. The retired solitary survivor follows the same general pattern except on a lower scale because of the reduction in income. In addition, these individuals have special needs in respect of attention, affection and security.

The estate agent should be aware of these changes in the behaviour of the family and be on the look out for possible opportunities as the housing needs of the family change. Table 3.2 shows a modernised view of the family life cycle, reflecting both the high divorce rate and the decision of many couples not to have children.

**TABLE 3.2**  
**A MODERNISED VIEW OF THE FAMILY LIFE CYCLE**

1	Young single
2	Young married with children
3	Other young <ul style="list-style-type: none"> <li>(a) Young divorced without children</li> <li>(b) Young married with children</li> <li>(c) Young divorced with children</li> </ul>
4	Middle-aged <ul style="list-style-type: none"> <li>(a) Middle-aged married without children</li> <li>(b) Middle-aged divorced without children</li> <li>(c) Middle-aged married with young and adolescent children</li> <li>(d) Middle-aged divorced with young and adolescent children</li> <li>(e) Middle-aged married without dependent children</li> <li>(f) Middle-aged divorced without dependent children</li> </ul>
5	Older <ul style="list-style-type: none"> <li>(a) Older married</li> <li>(b) Older unmarried (divorced, widowed)</li> </ul>
6	All other All adults and children not accounted for by the family life cycle stages

Source: Adapted from Kotler, P & Armstrong, G. 2001. **Principles of marketing**. New Jersey: Prentice Hall.

**d) Reference groups and opinion leaders**

Reference groups are groups whose presumed perspectives or values are being used by an individual as the basis for his or her judgements, opinions and actions. These groups are often used by consumers as a guide to specific behaviour, even though they may not be present at the time (Belch & Belch 1998: 130). An individual thus reveals his desire to belong to a certain group through distinctive consumption patterns.

The following types of reference groups influence the individual's consumer behaviour:

- \* **Membership groups** are groups of which the person has obtained membership, for example, friends or a social club. A client may, for instance, refuse to buy a particular house because his friends have a negative attitude towards it. Peer group pressure could also influence him to buy a home in a certain suburb.
- \* **Automatic groups** are groups of which a person is a member due to his age, sex, or occupation. Co-workers could, for instance, influence the client to purchase a home which is close to work and in an area where most of them live.
- \* **Negative groups** are groups with which a person does not wish to be associated. In such a situation a person intentionally avoids the norms of the negative group. A client may have a negative attitude towards a specific racial group and refuse to buy a house in a suburb where many people of this racial group live.
- \* **Associative groups** are groups to which a person aspires to belong. An estate agent could use these groups in his marketing messages. He could, for instance, direct his advertisement at people who aspire to be part of the higher social classes and emphasise only certain features of the house which may be associated with the status symbols of the higher social classes.

It is important for the estate agent to determine which groups the client belongs to, aspires to belong to and dislikes, since this may influence how he designs his marketing message.

A reference group need not necessarily be a group of persons, but can also be a single person, an individual to whom others will look in forming opinions and taking consumer decisions, in other words, an opinion leader. The well-known athlete, Charmaine Gale Weavers, for example, was used by an estate agency as an opinion leader in an advertisement to sell property. The opinion leader need not be well-known or enjoy high status, but can be an ordinary person, a stereotype, a co-worker whose opinion the client values, or even an imaginary person. A client could be convinced to buy a house because a well-known property consultant believes it would be a good buy. His reasoning would be that the property consultant is much more knowledgeable about properties than he is.

The estate agent should therefore identify the relevant reference groups as well as the opinion leaders as this will ensure the effective communication of his marketing message and the acceptance of this message by customers.

#### *3.2.1.4 Economic influences*

The income of the consumer, his willingness to spend money and his evaluation of the relative utility or benefit of alternative properties are all economic considerations in consumer decision-making. The economic environment of the estate agency firm is discussed in detail in section 3.3.2 and will thus only be covered very briefly in this section.

**Income** determines what a consumer can buy and also what he can and cannot afford. It is a very important factor in the property industry since it is of no use to show a prospective client a home which he cannot afford. In the property industry income is often supplemented by subsidies, and purchasing power is greatly influenced by the availability and cost of loans. The gross income of a consumer is not fully at his disposal when he must decide between alternatives. There are certain necessities and contractual obligations which must be met, leaving the person with discretionary income which is much less than the gross income. The estate agent should be aware of the prospective customer's income when showing him the available properties.

The **willingness** of a consumer to purchase is closely related to his economic expectations. If he expects his economic position to change for the better, he is optimistic and willing to spend money. The opposite also holds true, since a pessimistic attitude may make him unwilling to buy.

Economists also attempt to explain consumer behaviour by means of the **utility** theory. According to the concept of utility the consumer is supposed to be able to rank those alternatives which are available to him according to their relative utility (benefit) and their relative prices. For example, a client who has to pay a very high price for a house which is in a good suburb but does not have a pool and security, may decide not to buy, since the price does not equal the benefits which he expected for so much money.

The economic influences on consumer decision-making are thus of the utmost importance and should be taken into account by all estate agents if they wish to sell properties and build long-term relationships.

In order to build enduring relationships with consumers it is also important for estate agents to be aware of the stages through which consumers progress when purchasing a home. The consumer's decision-making process is discussed in the following section.

#### *3.2.1.5 The consumer decision-making process*

Consumer decision-making is regarded as a process consisting of several phases. Consumers display distinctive behaviour patterns in the various phases. The six sequential steps or stages that the consumer passes through in the consumer decision-making process, and which are discussed in most text books, are problem recognition, information search, evaluation, decision-making, action and post-purchase evaluation (Sheth et al 1999: 520), (Churchill & Peter 1998: 142), (Pride & Ferrell 2000: 197) and (Lamb et al 2002: 143). Not all consumer decisions always include all six stages. Persons engaged in extensive decision-making usually employ all stages of this decision process, whereas those engaged in limited decision-making and routine response behaviour may omit some stages. Since the purchase of a new home is a high-involvement process, these consumers usually pass through all six stages in the

decision-making process. The steps in the consumer decision-making process are depicted in figure 3.1.

**a) Step 1: Problem recognition**

Problem recognition, the first step in the process, occurs when there is a perceived difference between a person's ideal state of affairs and the actual situation (Belch & Belch 1998: 103). The husband may, for instance, realise that his home is no longer large enough to accommodate his growing family. His ideal home therefore differs from his actual one.

Psychological, person-specific, group and economic factors may influence need recognition. Estate agents can use advertisements to create problem recognition by instilling a belief that the existing state is not satisfactory. It is, however, not possible for advertising alone to convince the consumer of the existence of an unfulfilled need if he does not experience it himself. Advertising messages cannot persuade any consumer against his inclinations (Strydom et al 2000: 74).

**b) Step 2: Information search**

Once a consumer has recognised that a problem exists (the need for a new home), he will begin his search for information to solve this problem. The search for information includes all elements of learning and is not limited only to the second phase in the decision-making process. In the other phases — evaluation, decision-making and action — the consumer continues to search for more information. Even in the post-purchase evaluation phase he still looks for information in order to evaluate the decision which has been made. The estate agent should therefore always provide information to the client, through all stages of the decision-making process.

The client's initial search will consist of an attempt to scan his memory to recall past experiences and knowledge regarding the purchase of his last home or other homes which he has purchased. This information retrieval is referred to as **internal search** and would involve the perceptual process and recall of beliefs and prior attitudes.

Should the result of the internal search not be sufficient to solve the problem, the client will engage in **external search**. External sources of information include interpersonal and marketing sources. The interpersonal sources of information are the advice of family members, opinion leaders and other members of reference groups regarding the type of house to buy or the house buying process in general. Marketing sources include advertisements of houses for sale, brochures and advice from estate agents. The various promotion methods used by estate agents to convince consumers to buy are discussed in section 4.5.5. The estate agent plays a very important role and must design his marketing message to convince the client that his property/properties will solve the client's problem.

**c) Step 3: Evaluation**

One of the possible outcomes of the information search stage is the derivation of a number of homes for consideration. The homes considered as potential alternatives for solving the problem are referred to as the evoked set.

Evaluation entails the appraisal by the consumer of the attributes and benefits of the alternative homes. A host of criteria may be used during evaluation. A client may, for instance, reject a house because it is too expensive or he may feel that it is not of a high enough quality. In other cases, a client may be in favour of a house because it satisfies his social needs and is situated in a suburb where many of his friends live. The house may also be in an upper-class neighbourhood, which could satisfy the ego needs of a client.

The product and psychological criteria which can be applied in the evaluation of alternatives are listed in figure 3.2. The estate agent should, when developing his sales strategy, carefully determine which attributes are most relevant to the client and will be used as evaluative criteria in the selection process.

**FIGURE 3.2**  
**EVALUATION CRITERIA**

<b>PRODUCT CRITERIA</b>	<b>PSYCHOLOGICAL CRITERIA</b>
<ul style="list-style-type: none"> <li>* Cost/Price</li> <li>* Quality/Durability</li> <li>* Aesthetic qualities (e g colour, style &amp; texture)</li> </ul>	<ul style="list-style-type: none"> <li>* Satisfaction of social needs</li> <li>* Satisfaction of ego needs</li> <li>* Image of product</li> <li>* Contribution of product to life style</li> </ul>

Source: Adapted from Belch & Belch 1998. **Advertising and promotion**. Homewood, IL: Irwin, p 116.

**d) Step 4: Decision-making**

Decision-making entails choosing that alternative (home) which, according to the consumer, will satisfy all or most of the evaluative criteria. It is necessary to distinguish between decision making at home in which time elapses between the decision and the action, and final decision making, which occurs just prior to action. The elapse of a period of time between the decision and the action is important because in this period the decision to buy a particular home can be reversed in the light of new information which may have come to the consumer's attention. The client may, for instance, see an advertisement for another property, view it and after a "cooling off" period, decide to rather buy it than the home he had previously decided on. It is thus important for the estate agent to close the sale as soon as possible and to keep on providing the client with positive information about the home.

**e) Step 5: Action**

When the consumer is satisfied that he has made the correct and best possible decision, he acts accordingly. He can decide to buy a particular house, to not purchase it, or to delay purchasing. Since it is often difficult for the client to effect the finalisation of the buying act, the purchase should be made as easy as possible for the client. The estate agent should attempt to make all the necessary arrangements with the bank and lawyers to make the whole process as "worry-free" and easy as possible for both the buyer and seller. The various services which the estate



agent provides in this regard are discussed in detail in section 4.5.7 which deals with the personal selling process.

**f) Step 6: Post-purchase evaluation**

After the consumer has acted, a period follows in which the decision and the action are re-evaluated. If the property purchased lives up to expectations, the client may at a later stage, use the services of the same estate agent or agency. The consumer could, however, experience dissatisfaction if the property does not live up to his expectations and has certain deficiencies which he did not know about. In this case he may decide to not make use of the services of the same agent or agency when buying his next home.

In making his choice of a particular property, the client had to forego other attractive options. He also had to part with a large sum of money which could have been used for other purposes. It is no wonder therefore, that the client often develops doubts regarding the wisdom of his decision. This negative feeling of doubt and uncertainty in the post-purchase period is referred to as cognitive dissonance (Jobber 1998: 65). The dissonant consumer will try to correct these psychological inconsistencies by attempting to convince himself that his original decision was correct. In order to do so he may rationalise by putting forward logical reasons for decisions taken. The dissonant consumer may also turn to others for approval and reassurance. He could, for example, ask friends whether they agree with him that the property is a good purchase, leaving them no option but to agree.

After the client has progressed through the whole decision-making process, the estate agent should not lose contact with him. He should maintain a good relationship with old clients in order to become aware of their future home needs and of possible friends who could be interested in buying new homes. Satisfied customers are often the source of potential clients, and it is therefore imperative that the estate agent provides good service during all the stages of the decision-making process. The various after-sales services which should be provided by the estate agent are discussed in detail in section 4.5.7 and include aspects such as presenting the buyer with a bottle of champagne when he moves in, informing neighbours of the new arrivals and contacting the buyer from time to time on his birthday or on the anniversary of his

first year in his new home.

### **3.2.2 Competitors**

A very important uncontrollable element in the market environment of estate agencies is competition. More and more estate agency firms are entering the South African market, offering many new competitive services and strategies. One of the reasons why so many new competitors are entering the market could be the lower entry barrier which has existed since the abolishment of the Estate Agency Affairs Board examination. In 1999 there were 8 121 estate agency firms in South Africa, compared to the 6 257 estate agencies which existed in 1989 (Estate Agency Affairs Board, 1999). An estate agency therefore needs a competitive strategy that will distinguish its services from those offered by competitors.

An estate agency should carefully monitor and analyse its competitors. According to Aaker (1998: 64) understanding competitors and their activities can provide several benefits. An understanding of the current strategy strengths and weaknesses of a competitor can, for instance, suggest opportunities and threats that will merit a response. Insights into future competitive strategy may also allow the prediction of emerging threats and opportunities.

To gain an understanding of competitive estate agency firms it is useful to analyse them on the basis of several dimensions (Aaker 1998: 65). Their size, growth and profitability, for example, provide a gross measure of their relative importance. An analysis of competitor's objectives and of past and current strategies can also provide insights into their intentions. Other factors which should be analysed include the background and experience of the competitor's top management, the organisational culture, the cost structure, and the assets and skills of the competitors.

Careful analysis of competitive estate agency firms is therefore necessary in order to develop a strategy that will ensure a competitive advantage. A competitive advantage involves the development of a superior or unique capability to deliver needs satisfaction to consumers in order to gain a favourable and preferred position within the market (Jain 2000: 99). By practising relationship marketing and providing good customer service, for instance, an estate

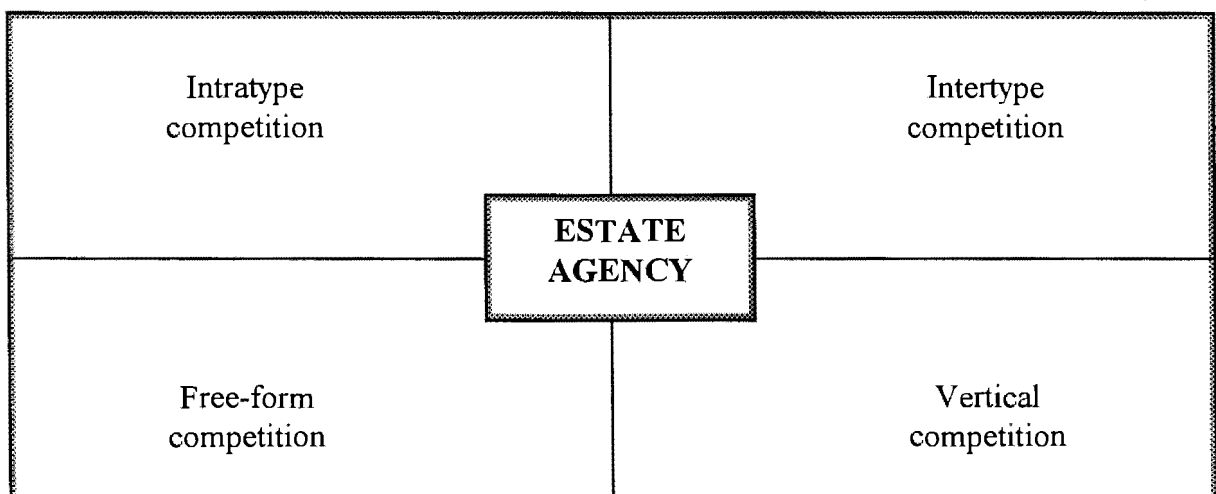
agency firm can develop a competitive advantage which many other firms do not offer. Developing a competitive advantage is, however, a difficult task, and the process is further complicated by the existence of many different forms of competition. These forms of competition are discussed below.

### 3.2.2.1 *Forms of competition*

Estate agency firms in the 21st century face many forms of competition and the competition is more complex than just two similar agencies competing against each other. Figure 3.3 shows the four different forms of competition which estate agencies face, namely intratype, intertype, vertical and free-form competition.

**Intratype competition** refers to competition among businesses with similar business strategies and methods of operation (Lewison 1997: 42). Two estate agency firms such as Pam Golding and EG Chapman, for example, compete with each other for the same customers. Intratype competition is the form typically thought of when defining competition for a particular business. It does, however, only represent a small part of the total competitive environment.

**FIGURE 3.3**  
**TYPES OF COMPETITION**



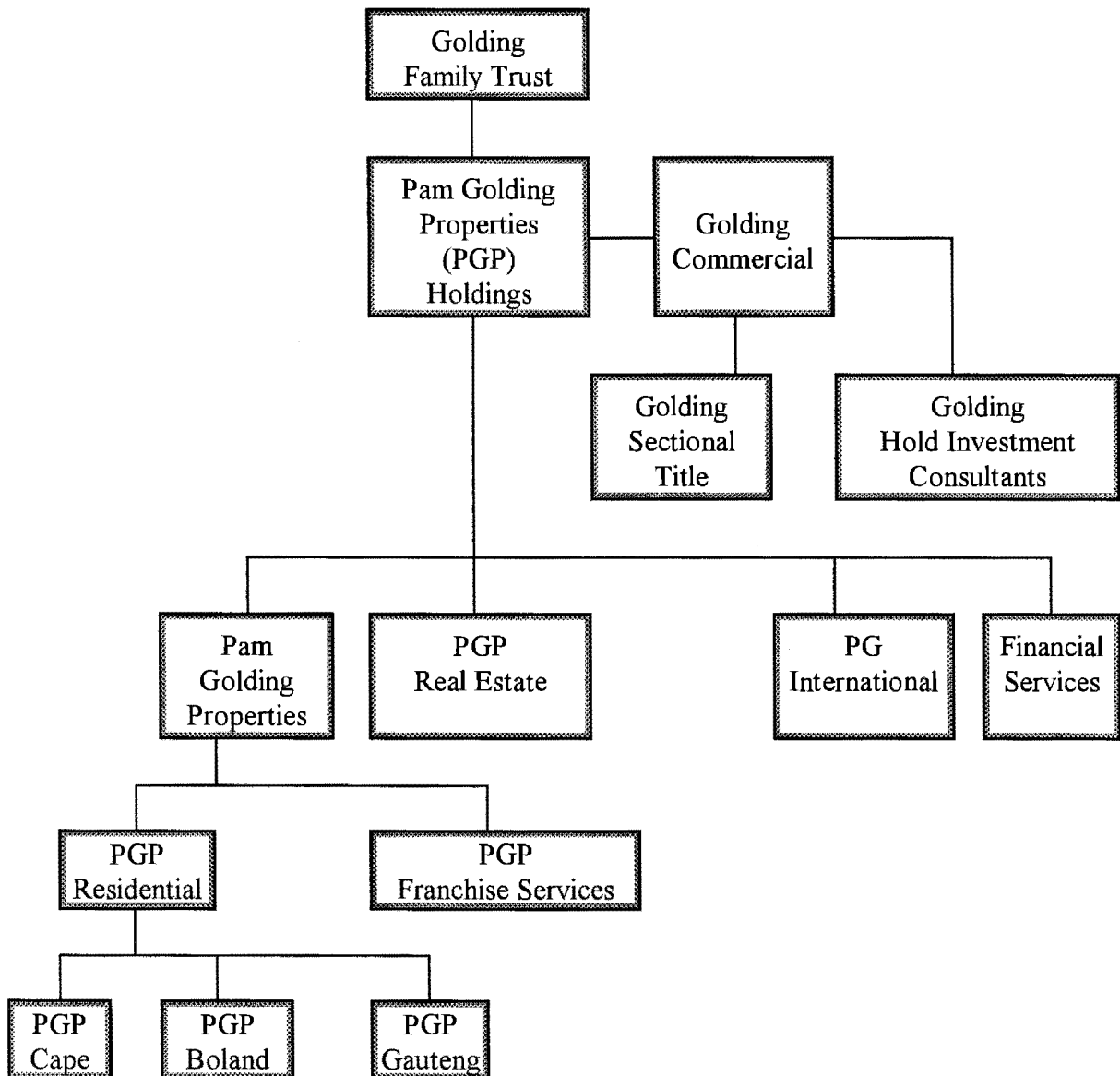
**Intertype competition** is competition among two or more businesses using different types of business formats and strategies to sell the same type of merchandise (Levison 1997: 42). For example, a legal firm which acts as the executor of an estate may sell property on the

instruction of the deceased, or as a result of an insolvent estate. An auctioneering business which sells a property on the instructions of the owner, can also be viewed as intertype competition to the estate agency firm.

A still broader arena in which the estate agency firm competes is vertical competition. **Vertical competition** is competition for sales to consumers among businesses at different levels in a channel of distribution (Lucas, Bush and Gresham 1994: 15). For example, many banks and building societies which provide mortgage bonds to consumers for buying properties through an estate agency, are also engaged in the selling of property to consumers. This is an example of the vertical competition which estate agency firms are faced with.

The final form of competition is **free-form competition**. The free-form enterprise is often called a retail conglomerate, since it has transformed itself from a narrowly structured, single-type organisation into a broadly structured, multiple-type retailing conglomerate. Table 3.3 indicates how the Pam Golding International organisation, for instance, has grown from a one-woman organisation into an international organisation with R2,5 billion in annual sales. Today they are well-represented in the property field and are involved in broking residential properties as well as developing retail and industrial complexes. They also have a secure foothold in the financial services industry. In addition, they have diversified and entered mainstream activities such as, inter alia, mortgage bond finance, investment consultants, and conveyancing (*Financial Mail*, October 16 1998, p 3).

**TABLE 3.3**  
**THE PAM GOLDING ORGANISATION**



Source: **Financial Mail**. *Pam Golding International* October 16, 1998. p 3.

Before developing its marketing strategy, it is therefore imperative for the estate agency firm to analyse its competitors and the different forms of competition which it has to contend with. In this way the firm will be able to exploit opportunities and eliminate threats, and adjust its marketing strategy to provide a competitive advantage. This study will determine whether estate agency firms do, in fact, analyse their competitors and adjust their strategies accordingly.

### **3.3 THE MACRO-MARKETING ENVIRONMENT**

The macro-environment in which the estate agency business operates, involves all those variables outside the real estate industry which have a direct or indirect influence on the estate agency and over which the estate agency has no control. The macro-environment consists of a number of sub-environments which interact with each other. As indicated in figure 2.1 in chapter 2, the macro-environment consists of the following sub-environments:

- i) The technological environment
- ii) The economic environment
- iii) The socio-cultural environment
- iv) The physical environment
- v) The politico-governmental environment
- vi) The international environment.

These six environments are discussed in the following sections.

#### **3.3.1 The technological environment**

Technological changes have an impact on estate agencies and their marketing plans. Estate agencies should therefore stay aware of what is happening on the technological forefront and include these changes in the plans and strategies of the company.

Developing technologies which have influenced estate agencies are computerisation, video-advertising and the Internet.

##### *3.3.1.1 Computerisation*

The first evidence of computers in the South African estate agency industry dates back to the 1960s (Swanepoel 1989: 157). However, at this stage computers were too expensive and sophisticated for the estate agency industry and few of the programmes being offered then were accepted and used by the industry.

In the early 1970s Computamation (Pty) Ltd was one of the first companies to expand

computers into the property administration section of real estate. The obvious time-saving functions of a computer took over bookkeeping, administration of rent collection and other control functions of the property administration of the firm.

In 1981 a computer programme called Automatic Management Systems was introduced, which enabled the average estate agent with no previous computer experience to write his own software programmes. Since micro-computers are now available at reasonable prices and software has been developed for estate agents, computerisation in the estate agency industry in South Africa is a technological development which cannot be ignored.

There are several applications for computers in the estate agency industry. In addition to Bel-tel facilities, the numerous accounting functions performed by property administration can very easily be handled by a computer, thereby also reducing the number of administrative staff required. The most common functions are payment accounting, disbursement accounting, commission accounting, trust accounting and client statements.

A wide range of functions also exist which can assist the estate agent to control his performance and improve client service. Examples are control of advertising expenditure, tracking and reminding of the progress of sales, commission accounting and salaries packages, accounting of all other disbursements such as travelling and gaining access to a multi listing service. The computer can, of course, also be used for all normal word-processing functions, such as maintaining client lists, general correspondence and general accounting functions.

### *3.3.1.2 Video-advertising*

Towards the end of 1988, a company called Seeland Advideotizing introduced a new idea, namely of video-advertising property. Dubbed "advideotizing", the system basically operates as follows (Swanepoel 1989: 159):

- i) A six or twelve-month contract is available.
- ii) The company then films the exterior, interior, garden and any special features of each of ten properties the estate agent selects.

- iii) Every month a thirty-minute colour video is compiled showing the ten properties selected.
- iv) The company then supplies and installs a television and video in the agency office for the duration of the contract.
- v) They advertise once, inviting prospective buyers and sellers to a "Video Property Showday" at the estate agency firm.

The "advideotizing" method is used mostly in the holiday and resort market, especially in time-share sales, and only time will tell whether it will eventually replace any of the conventional advertising methods used by estate agencies. Estate agencies should, however, always be on the lookout for new technological developments (i.e. developments on the Internet) since the rapid pace of technological change often opens up new opportunities and poses new challenges which are to the benefit of the agency.

#### *3.3.1.3 The Internet*

Over the last four years internet-based software tools have been developed which allow home buyers to search for homes according to their specific criteria over the Internet.

According to analysts the estate agents who will survive in the new millennium will be those who offer additional services to compliment traditional property marketing and in so doing open up new revenue services (*Finance Week*, 21 May 1999, p 63). This is already happening as many of the major estate agencies have repositioned themselves to meet the changing needs of a technologically sophisticated buying public.

Pam Golding Properties, for instance, launched a virtual community project to allow Internet users access to all sorts of lifestyle information. Through the Pam Golding website people interested in buying a house in Rondebosch, Cape Town, for example will be able to access a comprehensive database on subjects such as the best neighbourhood schools, medical practitioners and hospitals, restaurants, sports clubs and other community amenities. In 1999 the group's Internet site received more than 35 000 hits a week, 30 percent being from foreigners (*Finance Week*, 21 May 1999, p 63).



Other South African property groups are moving in the same direction with emphasis being placed increasingly on selling lifestyle, instead of just bricks and mortar. Another project recently launched is the Homechannel - a website jointly established by ten large real estate companies through the Internet company Metropolis. In addition to regular property marketing services, the site enables net surfers to access news on entertainment and leisure activities in specific areas, as well as information on local property-related services such as plumbers, electricians and garden services.

Electronic Property Group Planet/MLS, which represents about 5 000 of South Africa's smaller estate agents, has also recently expanded its marketing services by creating a Geographic Information System (GIS). The Planet GIS is a comprehensive database which supplies information on residential suburbs throughout the country. The program is aimed at compiling profiles of homeowners in specific residential areas. Apart from containing property-related information, such as average purchase prices in specific neighbourhoods, the program can compile maps of practically any neighbourhood countrywide, indicating the location of infrastructure such as shopping centres, railway lines, schools, parks, and so forth (*Computer Graphics*, 5 October 1999, p 6).

Planet/MLS MD Christo Wiid is of the opinion that the Internet is the advertising medium of the future. Just how popular it is with home buyers is underscored by Planet's house sales figures totalling about R240 million a month (representing about 60 homes a day) where its Internet home page was the initial source (*Finance Week*, 1 May 1999, p 63).

### **3.3.2 The economic environment**

An estate agency should carefully analyse the economic environment of the country in order to develop effective strategies. Variables which should be looked at include the growth in gross national product, inflation or deflation, monetary and fiscal policy, long and short-term interest rates, the balance of payment and devaluation or revaluation possibilities. These variables assist the estate agency in forecasting aspects such as frequency of sales, availability of mortgage money, or price and availability of bank loans and other forms of credit. The residential property market, in particular, is sensitive to changes in bond interest rates.

Fortunately, economic analyses of this nature are published continually by institutions such as the South African Reserve Bank, individual commercial banks, universities and research institutions (Maritz & Ghyoot 1990: 193).

A weak economy leads to a drop in living standards, higher inflation and higher interest rates. Inflation is both good and bad for property owners in that while a bond will cost the buyer more, his home will also be worth more. Home prices rise at least in rough tandem with inflation, hence the belief that property is a hedge against inflation.

Due to the rise in inflation and the weaker rand, which forced prices of imported goods and domestic foods to increase, interest rates in South Africa have already increased twice this year (up to middle March 2002). In the most recent increase on 15 March, prime lending rates of banks increased to 15%, and economists predict that the likely trend for interest rates in the next six months remains upwards (*Sunday Times, Business Times*; 17 March 2002, p 1).

Absa Bank experts predict a gradual decline in house price growth throughout 2002. The average house price is expected to rise by about 9 percent in 2002, compared with the 11 percent of 2001 (*Sunday Times, Business Times*, 3 March 2002, p 21). The R15-billion tax cuts and lower transfer duties announced by Finance Minister, Trevor Manuel, in the Budget should however, have a positive impact on the property market. The reduction of transfer duty will make home buying more affordable. For example, if a home buyer were to purchase a R500 000 home now with a 90 percent bond (R450 000), the total transaction costs would come to R38 760. Before 1 March 2002, the total transaction costs would have been R42 460, which means a saving of R3 700 - less than 10 percent of the total transfer and registration bill (*Finance Week*, 8 March 2002, p 13).

Estate agencies have to carefully monitor economic conditions and forecasts in order to be prepared for the behaviour of consumers during different economic times. In this way they can adapt their strategies accordingly and cater for the changing needs of consumers as the economy changes.

### **3.3.3 The socio-cultural environment**

Estate agencies should scrutinize the socio-cultural environment closely to detect its influence on strategic decisions. This environment is determined by prevailing value systems and behaviour patterns. Trends which hold certain implications for businesses are the changing population composition, the geographical distribution of people in urban and other areas, age structure and the educational level of buyers. The influence of many of these factors on consumer behaviour was discussed in section 3.2 of this chapter.

Western societies are characterised by falling population growth rates and shrinking families, with the emphasis on smaller consumer units. There are also growing numbers of one-person households and single-parent families. These socio-cultural changes have definite implications for estate agencies since the types of homes required by consumers are influenced by them.

Many consumers today demand a "get up and go" lifestyle and seek homes which require less maintenance. Younger people are also either doing the housework themselves, or have a char who comes in once or twice a week. These people require homes without domestic worker's quarters or, if the home already has such quarters, they often convert these rooms into guest rooms, or into a separate unit for a teenager or to lease in order to help pay off the bond.

During the last few years many consumers have become very safety conscious and there has been a trend to first of all consider the safety aspects when considering homes to buy. There has also been a trend among consumers to buy townhouses, cluster homes, and duet homes, which are considered to be safer than the larger residential home.

A further social trend that has to be considered is consumerism, the social force that protects the consumer by exerting legal, moral and economic and even political pressure on management (Kotler & Armstrong 2001: 761). This movement is a natural consequence of a better-educated public that resists such things as misleading advertising and other objectionable practices, and advocates the rights of consumers. Many organisations have been formed to protect the rights of consumers. The Estate Agency Affairs Board, which is a statutory body established under the Estate Agents Act 112 of 1976, maintain and promote the

integrity of all estate agents in South Africa. Consumers who have complaints about estate agents may also report them to the Estate Agency Affairs Board, who then takes the necessary steps. There are regular features in newspapers and magazines in which consumer issues are discussed. Programmes on radio and television also help to educate consumers and protect their rights. A good example of such a television programme is "Fair Deal", which is presented by Isabelle Jones, a well-known celebrity.

A final aspect of the social environment which warrants observation is the pressure that society exerts on the business organisation, forcing it to be socially responsible. This means that the estate agency should constantly consider the consequences of its decisions and actions. In most cases criticism of aspects such as misleading advertising and exploitation of the consumer are levelled against management. The social responsibility aspect as it relates to estate agencies will be covered in more detail in chapter 4.

#### **3.3.4 The physical environment**

The physical environment embraces the limited resources from which a business obtains its raw materials, as well as the environment into which the business discharges its waste (Kotler 2000: 147). Since the 1960s there has been growing concern about the natural environment, particularly with regard to the exhaustion of resources and the destruction of the environment.

Business has developed an awareness of the physical environment, because this can affect business in many ways. This interface between a business and its environment concerns environmentalism, which may be defined as "an organised movement of citizens and government institutions in defence of the natural environment" (Lamb et al 2002: 64). In the Silverton Ridge suburb in Pretoria, for example, environmentalist groups have for years protested against three huge building complexes, consisting of flats. According to the environmentalists these high-rise buildings mar the beauty of the surroundings and do not belong there at all. In spite of their protests, however, a decision was taken to erect more of these buildings.

Although the responsibility for a well-ordered ecology cannot be said to rest entirely with business organisations, they ought to, nevertheless, take care that their activities do not affect the environment. Litter and harm to the ecology originate from various sources, for example, advertising signs used by estate agencies, as well as pamphlets to advertise properties for sale or to find sellers.

It is the estate agency's responsibility to carefully control the use of "for sale" and "sold" signs. These signs should, for instance, not look unsightly. Agents should also refrain from plastering any property with boards or signs. The municipal regulations regarding these signs should also be obeyed. For instance, when a house is on show, the agent positions signs leading prospective viewers to the house. These advertising signs must, however, be removed at the end of the day.

The distribution of pamphlets by estate agencies should also be carefully controlled in order to prevent pollution. If pamphlets are delivered to homes, for instance, they should be put in places where they cannot blow away. A post-box would be ideal, but unfortunately not all homes have them.

Estate agencies should respond timeously by taking steps to limit any deleterious effects on the community in so far as this is possible. If the agency does not show clear signs of a decent sense of social responsibility, some clients may develop hostile attitudes, which may threaten the survival of the business. The social responsibility aspect will be discussed in more detail in chapter 4.

### **3.3.5 The politico-governmental environment**

The estate agency firm's existence is, to an ever increasing extent, being circumscribed by the political and legal framework of society. The government plays a dual role in the property industry. It participates as an economic subject and by way of public legal circumscription of property. Direct participation in the property industry as an economic subject is the most powerful instrument that the government has at its disposal for bringing about a change in the functioning of the market or achieving any other goal. Like the private-sector enterprise, the

government may be involved in economic activities such as investment, trade, counselling and agency.

The government's other role, namely participation by way of public legal circumscription of property, is achieved in three ways, namely via taxes, expropriation and control measures. Taxes encroach directly upon the property owner's right to possess wealth. From an economic point of view, the levying of taxes is probably the most powerful instrument available for redistributing income and wealth. Some of the most common forms of taxation in the case of fixed property include, income tax, estate duty, transfer duty, property tax, development contributions and rent control. In the case of expropriation the right of ownership and limited real rights in fixed property are taken over by the government without the cooperation of the holder so that they can be used for public purposes such as housing, community development, water affairs, the clearance of slum areas, national roads and soil conservation. Usually the deprivation of rights such as these is accompanied by the payment of compensation.

By means of control measures the use of private property is restricted in favour of the general public. In contrast to expropriation, compensation is virtually never paid for restricting the use of such property. The government, for instance, controls the use of land by means of the Environment Planning Act which controls the zoning and subdivision of land for industrial purposes and the erection of factories. Provincial town planning ordinances and the town planning schemes of local authorities also prescribe zoning and land-use planning in urban areas.

Estate agencies should be aware of existing and new legislation affecting property and related industries. The abolition of the Group Areas Act has provided estate agencies with many new challenges, since they now have a totally new market to cater for. Estate agents have to study the needs of the new black market carefully in order to satisfy their home-buying requirements.

Since the introduction of the Reconstruction and Development Programme (RDP), huge emphasis has been placed on the provision of housing in the country. This creates opportunities for development and for the broking of residential homes in black or low-cost

markets. It is estimated that in a decade, 30 to 40 percent of the value of property traded will be through the black market (*Sunday Times*, 10 July 1994, p 10).

The abolition of discriminatory taxation practices encouraged entrepreneurship and influenced the actual earnings of families, which had a positive effect on the property market. The scrapping of non-residents' shareholder tax also boosted the market as a result of increased investor confidence. Other factors which could influence the property market include aspects such as land tax, high municipal tariffs and cross-subsidisation.

The election euphoria of 1994 had an influence on the property market when it led to a nationwide trend of property price increases. According to the Comprehensive Property Services Price Index (CPPI), post-election sales reflected the euphoric mood of the country, and the effect of politics on the property market was further underlined in certain towns as a result of their being named as new provincial capitals - or having their "old South African" regional status reconfirmed. Pretoria, in particular, experienced the highest price increase of 10,64 percent, which was attributed to the city's campaign to become the national capital (*Pretoria News*, 27 October 1994, p 12).

Property values were also affected by policies implemented by the new councils after the elections in November 1995. Factors such as whether the majority of local councils are moderate or otherwise and whether party politics are manifest at local government level, all have a bearing on the property market these councils serve. Influence factors which could play a role include the policy of a new council on densification of areas, positioning of low-cost housing schemes relative to up-market areas and how the issue of squatters is dealt with.

New legislation which could influence the property market are the new Property Rates Bill and Capital Gains Tax. Many South Africans fear that the Property Rates Bill will result in most middle and upper-income homeowners paying considerably more tax to compensate for the losses councils are experiencing from defaulters among lower-income homeowners (*Pretoria News*, 21 September 2000, p 27).

The above examples indicate that it is the task of estate agencies to study the numerous and often complex activities of government as well as legislation and political developments in order to determine their influence on the profitable survival of the business.

### **3.3.6 The international environment**

Businesses that operate internationally find themselves in a much more complex business environment, because every country has its own peculiar environmental factors, with its own technology, economy, culture, laws, politics, markets and competitiveness. If an estate agency operates internationally, the above factors should be studied carefully in order to adapt strategies accordingly.

South Africans often invest in properties in other countries and often make use of South African estate agencies which have branches or connections in other countries. Remax, for instance, have franchises in 37 countries world wide. A franchise in America, for instance, can send a franchise in South Africa a portfolio of its best properties in America, accompanied by photographs and a detailed description of each property, its location, municipal taxes and any other important information. The South African franchise can show this portfolio to its clients who can then select the properties they prefer. In turn, the franchises in South Africa supply the same information and service to the clients of Remax in America.

Pam Golding International also operates internationally. They have operations in the United Kingdom, Germany and Australia, and have also expanded into Africa by opening offices in Zimbabwe and Botswana.

Since the election of the new government, foreign interest in South Africa has escalated. The easing of world trade tension and the excellent tourism and business potential offered by South Africa, coupled with the extremely favourable exchange rate, makes South Africa very popular with foreigners. Tourists are particularly fond of Cape Town and its surrounding areas, as well as the Kruger National Park. Time-share properties in these areas, in particular, have many foreign visitors throughout the year.



Many foreigners are also interested in investing money in homes in South Africa. A number of wine farms have recently been sold to investors from outside the country. Estate agencies in South Africa should therefore be aware of the different cultures and their norms and habits if they wish to sell properties to these people. This aspect was dealt with in detail in section 3.2.1.3.

### **3.4 CONCLUSION**

This chapter covered both the market and macro-environments in which the estate agency firm operates. This external environment, as it is also called, experiences rapid change and this has a very important impact on the existence of an estate agency firm.

The estate agency business should therefore constantly monitor the external environment and attempt to make use of opportunities which exist, as well as to identify threats well in advance.

The two components of the market environment, namely consumers and competitors, are of particular importance to estate agencies. Estate agency firms should study the factors which influence the consumer's decision-making process if they want to provide quality service and establish long-term relationships with clients. These factors include person-specific, psychological, group and economic influences. Competitive estate agency firms should also be carefully monitored, since knowledge of competitive strategies could aid the estate agency in designing strategies which will provide a competitive advantage.

The macro-environment of the estate agency firm surrounds the market environment and consists of various sub-environments, namely the technological, economic, socio-cultural, physical, politico-governmental and international environments. Estate agencies should anticipate environmental changes in these uncontrollable environments in order to identify opportunities and threats which could arise. In this way marketing strategies can be adapted to make use of these opportunities and to eliminate the threats in order to create consumer satisfaction and establish long-term relationships with customers.

**CHAPTER 4**  
**RELATIONSHIP MARKETING IN THE**  
**ESTATE AGENCY INDUSTRY**

## **4.1 INTRODUCTION**

Relationship marketing is one of the most recent developments in marketing thought. Since the early 1980s relationship marketing has gained widespread acceptance. Webster (1988) associates this with the rebirth of the marketing concept while Grönroos (1991) suggests that it represents a paradigm shift in marketing. The substance of relationship marketing is that enterprises should maintain long-term relationships not only with individual customers, but also with role players in an extended market. The underlying rationale is that the fostering of long-term product, service or company loyalty rather than immediate sales, leads to an increase (or maintenance) of sales. This viewpoint or approach to the marketing task is especially relevant to the marketing of estate agency services, as this chapter will show.

The enthusiasm for relationship marketing stems from numerous factors. In contemporary markets there is a growing awareness that to maximise, or even maintain market share, the focus should be on keeping customers and partnerships rather than on continually seeking new ones. Technological advancement has assisted in this process by allowing companies to engage in interactive and on-going communication with large numbers of customers. Evidence that the cost of losing a customer and procuring a new one is high, has also been a motivating factor. Numerous advantages which can potentially be derived from relationship marketing, such as greater cooperation and profit improvement, have also been recognised.

This chapter first explains the intricacies of services marketing and the development of a marketing strategy for a service enterprise, which is then followed by a discussion of relationship marketing as applied to the estate agency industry.

## **4.2 SERVICES MARKETING IN ESTATE AGENCIES**

### **4.2.1 Marketing defined**

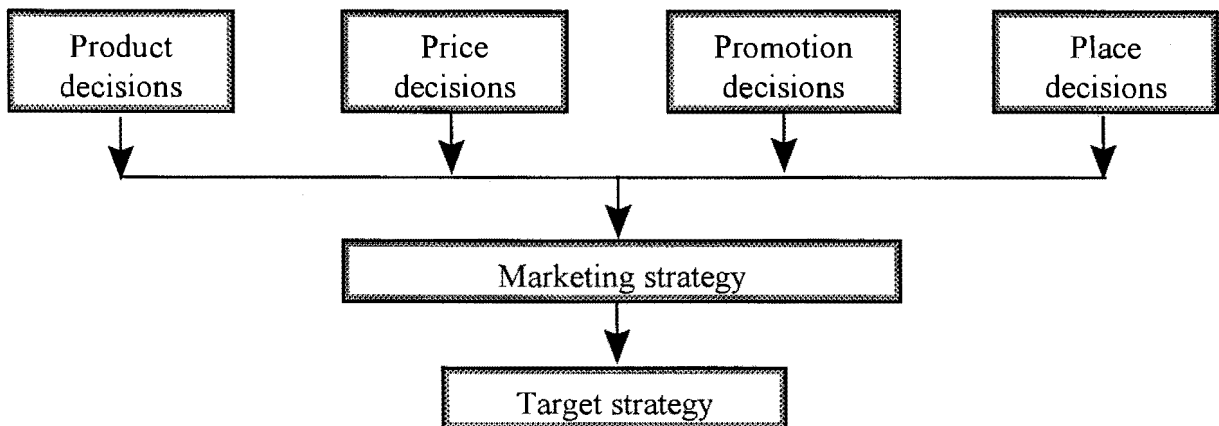
The marketing function in an estate agency fulfils a dual role. Firstly, it is aimed at marketing the enterprise (i.e. the real estate agency) and secondly, it is aimed at buying and selling immovable property and leasing space. This study will concentrate only on the selling of immovable residential property.

The American Marketing Association defines marketing as: "The process of planning and executing the creation, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals" (Churchill & Peter 1998: 6).

In the estate agency the development of a market strategy involves identifying the target market, developing a service to satisfy the target market (product), finding a way of reaching the clients (place), informing clients about the service and persuading them to buy (promotion), and selling the service at a price acceptable to the clients (price). The marketing strategy of an estate agency is indicated in figure 4.1. The product, price, place and promotion variables referred to above are known as the marketing instruments or marketing mix. Each of these instruments is discussed in detail in section 4.5, while the selection of a target market is dealt with in section 4.4.

**FIGURE 4.1**

**THE COMPONENTS OF THE ESTATE AGENCY'S MARKETING STRATEGY**



**4.2.2 Characteristics of services**

Using the marketing instruments to provide good customer service in the service industry differs significantly from customer service in the consumer goods industry. Services possess unique characteristics which create unique marketing challenges and opportunities. The most important of these characteristics are intangibility, inseparability, perishability and the heterogeneous quality of services:

\* **Intangibility**

Unlike goods or products which can be tasted, seen, felt, heard or used, services are physically intangible. A thorough evaluation of the services which an estate agency provides is thus not possible for clients and they find it difficult to visualise the advantages of the services provided, for example advice networking and so forth.

\* **Inseparability**

A service cannot be separated from the person or institution which provides and markets it. The producer and the seller thus are the same person. Quality in services can mostly occur during service delivery and in the estate agency industry this would occur during the interaction between the estate agent and the customer. Services are thus manufactured and consumed simultaneously while in the case of products consumption takes place after production and often away from the place of production.

\* **Perishability**

Services are perishable and cannot be stored like tangible products. Because services are produced and consumed simultaneously, they are highly perishable. If an estate agency, for instance, puts a house on show for the day, but no interested customers show up, valuable time is lost which can never be recovered.

\* **Heterogeneous quality**

Since services are normally rendered by people, they are seldom identical. The quality of one particular service unit is therefore not necessarily the same as that of the next unit and the final product will vary from one estate agent to another. The final product of the same agent will also not necessarily always be the same, since the services which he provides will depend on his mood, the time of day, the day of the week or the customer involved.

All marketing decisions taken in an estate agency should be based on the marketing philosophy or concept. This concept is discussed in the following section.

### 4.3 THE MARKETING CONCEPT

The marketing concept can be applied to all decisions in the estate agency. Kotler and Armstrong (2001: 18) see the marketing concept as the marketing management philosophy that holds that achieving organisational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do. The marketing concept influences all the activities of the enterprise. It consists of four principles, namely a consumer-orientation, a profit-orientation, a systems orientation and a social responsibility orientation.

According to the **consumer-oriented** principle, all marketing actions should be aimed at satisfying consumer needs, demands and preferences. In other words, "the consumer is king". An estate agent may prefer not to work in the evenings or on Saturday and Sunday, but as these times are often convenient to customers, he will have to adapt his programme accordingly. Failure to appreciate what the client wants creates opportunities for competitors and can adversely affect profits.

Maximising profitability, or **profit-orientation**, is the primary objective of a profit-seeking enterprise and can be achieved only with due consideration of consumer needs.

Profit-seeking enterprises attempt to achieve a specific rate of return in the long term rather than to obtain unduly high returns in the short term, as a short-term approach can endanger its survival. While compiling the database for this survey it became clear that many estate agencies in South Africa seem to be "here today and gone tomorrow". The possibility that estate agents adopt a short-term approach regarding profitability, without taking client needs into account, is a matter that will be investigated during the empirical research.

The marketing concept accentuates customer satisfaction as a high-level objective of the enterprise. Everyone in the enterprise is required to work towards this objective. This refers to the **systems-orientation** principle of the marketing concept. In the estate agency firm this implies that the actions of both administrative and sales staff should be directed towards satisfying client needs. The administrative staff should be as determined as sales staff to satisfy

customers, be it by the way in which they answer the telephone, take messages and convey them to salespeople, assist customers with loan applications, or do follow-up work with regard to the completion of transactions and the transfer of properties. The entire agency should function as a team to satisfy customer needs. Whether this is indeed the case in South African estate agencies will be researched in this study.

Agencies can demonstrate **social responsibility** by donating funds to projects contributing to the well-being of the public at large instead of focusing only on the enterprise's target markets.

Social responsibility does, however, not only involve external groups such as consumers, the public and the government. The enterprise is also socially responsible for the welfare of its own personnel. An image of social responsibility cannot be created if the personnel are excluded and do not assist in the creation thereof. Social responsibility programmes for the personnel include fringe benefit programmes. Nursery school facilities and baby care centres could also be offered to provide peace of mind to female estate agents.

Social responsibility also means that the agency should not be guilty of practices which are in conflict with current norms of moral and ethical standards. The Estate Agency Affairs Board have published a booklet called "Professional ethics for estate agents" which spells out the ethical code of conduct for estate agents. The Board also administers the Estate Agency Fidelity Fund from which consumers who have been victims of theft of trust money by agents can be reimbursed. According to the Estate Agency Affairs Board many complaints are received every year. In 1999 the Board heard 1217 cases, which produced 680 convictions, 67 not guilty findings and 109 postponements. The Board now has the authority to levy a fine of up to R25 000 on estate agents found guilty of misconduct. Up to 80 percent of the fine can, when recovered from the agent, be paid to the aggrieved client in compensation for financial loss or damage caused by the agent's conduct (*Readers Digest*, May 2000: 107). Ethical behaviour amongst estate agents therefore seems to be a problem in this industry and such behaviour of estate agents merits a serious investigation.

#### **4.4 MARKET SEGMENTATION, TARGETING AND POSITIONING**

The more an enterprise knows about its customers and prospective customers, the better it will be able to design and implement the marketing efforts required to stimulate their purchasing habits. Since there are too many different kinds of consumers with too many different kinds of needs, enterprises cannot satisfy the needs of all the consumers in the market. Enterprises therefore divide the total market into homogeneous segments, choose the best or most attractive segments and design strategies for profitably serving these segments more effectively than their competitors. This process involves three steps (Belch & Belch 1998: 40):

- \* Market segmentation — the process of classifying heterogeneous customers with different needs, characteristics and/or behaviours into homogeneous groups (segments).
- \* Market targeting — evaluating the attraction of each segment and selecting one or more segments (target markets) to pursue.
- \* Market positioning — establishing a clear, distinctive and desirable place relative to competing products in the minds of the target customer.

These three steps are discussed in the following sections.

##### **4.4.1 Market segmentation**

Market segmentation is based on four assumptions (Bennett 1995: 256). Firstly, the market for a product or service is made up of particular segments where members have distinctive needs and preferences. In other words, not all home buyers are alike. Secondly, these potential home buyers can be grouped into segments whose members have similar and identifiable characteristics. Thirdly, an estate agency's market offering appeals more to some segments of the market than to others. Fourthly, enterprises can make their marketing efforts more effective by developing specific offerings for specific segments of the market. A home in a prestige neighbourhood may, for instance, suit one group of home buyers, while a home in a more middle-class neighbourhood may appeal more strongly to another.



An enterprise can use different variables when segmenting the market. These variables include the following:

- \* **Geographic segmentation.** The marketer divides the total market into different geographical areas, such as countries, regions, cities, urban, rural, climatic regions, et-cetera. Estate agencies which have been commissioned to sell homes in a coastal holiday resort, for example, could focus on prospective buyers in cities and towns in-land. The current outflow of wealthy citizens from the Gauteng area to the Western and Southern Cape could be the ideal market for buying seaside cottages in this area.
- \* **Demographic segmentation.** This segmentation consists of dividing the market into groups based on variables such as age, gender, family life cycle, income, occupation and home ownership. Demographic statistics are the most commonly used method for segmenting markets, owing to the relative ease of acquiring, understanding and applying the data. Estate agencies with very expensive homes to sell could divide the market according to income and focus on the higher-income groups to sell these homes.
- \* **Psychographic segmentation.** This involves the division of the market in terms of attributes such as social class, life style and personality. To establish the different lifestyle categories information concerning the respondents' activities, interests and opinions (AIO) or values and lifestyles (VALS) is collected and then subjected to factor analysis to identify separate subgroups. An estate agency commissioned to sell a home situated near a tennis club, could, for instance, use segmentation according to interests to find buyers who play tennis and who may be interested in the home.
- \* **Behavioural segmentation.** This segmentation divides customers in terms of usage rates, benefits sought, purchase occasions, user status and loyalty status. Estate agencies could, for instance, divide the market according to benefits sought in order to find clients who seek security in a home. In this way the agency could find prospective customers who may be interested in a home with security fences and alarm systems or a home in a security complex.

- \* **Sensitivity segmentation.** Some consumers may be particularly sensitive to certain marketing decisions. Quality-conscious consumers will insist on a superior product, while others may be extremely price sensitive.

The classic market segmentation variables for estate agencies are geographic area and type of property. Within these broad variables further segmentation according to personal characteristics of people as described here, is possible.

#### 4.4.2 Market targeting

Once the enterprise has developed a complete profile of the various segments found in the market, one or more must be selected for a concerted marketing effort. Such a decision should be based on a careful analysis of the market segments that will produce the greatest benefits. Factors that should be considered include the income potential of the segment, the extent of competition in the market, the investment required to develop services to attract the segment and the cost of marketing to the segment, the target market size and growth possibilities, as well as the resources and skills of the enterprise.

Enterprises may choose one, two or multiple market segments to target. The approaches which can be followed are:

- \* **Undifferentiated marketing** — market segment differences are ignored and the whole (total) market is pursued with one market offering.
- \* **Differentiated marketing** — the enterprise elects to target two or more target markets, developing a unique marketing strategy for each one. An estate agency could, for example, use a totally different approach to advertise a property to two different target markets, a status-conscious market and a target market to whom status is not important at all. A residential and business market would also require different approaches.
- \* **Concentrated marketing** — one segment is selected and the market offering focuses exclusively on the needs of that particular segment. An example would be an estate

agency which focuses only on the upper segment of the market, for instance, selling homes costing more than R1 million.

#### 4.4.3 Positioning

Once an enterprise has decided on the segments of the market it will target, it must decide what position it wants to occupy in these segments. Product positioning refers to the way consumers perceive a product in terms of its characteristics and advantages and its competitive positioning.

Positioning has to do with the perceived fit between a specific market and the needs of that target market. The better this fit, the larger the market share that can be captured (Strydom et al 2000: 133). Product positioning therefore involves a competitive differentiation and the effective communication thereof to customers. According to Kotler and Armstrong (2001: 271), an enterprise or market offering can be differentiated along four dimensions, namely product, services, personnel or image. These variable are indicated in table 4.1.

**TABLE 4.1**  
**DIFFERENTIATION VARIABLES**

<b>PRODUCT</b>	<b>SERVICES</b>	<b>PERSONNEL</b>	<b>IMAGE</b>
Product features	Delivery	Competence	Symbol
Performance	Installation	Courtesy	Media
Conformance to specifications	Customer training	Credibility	Atmosphere
Durability	Consulting service	Reliability	Events
Reliability	Repair	Responsiveness	
Repairability	Miscellaneous	Communication	
Style			
Design			

**Source:** Adapted from Kotler, P. 2000. **Marketing management**. New Jersey: Prentice-Hall, p 288.

The enterprise must decide which of the above differentiation variables will be most effective in differentiating the market offering from that of competitive estate agencies. Lamb et al

(2002: 235) indicate that an enterprise has to consider the following criteria when deciding on the differentiation variables to employ: importance, distinctiveness, superiority, communication ability, affordability and profitability.

An enterprise can follow a combination of several positioning strategies:

- \* **Attribute positioning.** The enterprise positions itself in terms of one or more outstanding attributes. In the case of an estate agency it can position itself as offering excellent customer service.
- \* **Benefit positioning.** Here the unique benefits that the enterprise or market offering provides is offered. An estate agency could promise value for money.
- \* **Use or application positioning.** An enterprise can position itself or its market offering in terms of the product use or application possibilities it offers.
- \* **User positioning.** Here the enterprise positions its products or services with users in mind. An estate agency which has decided to target the higher-income groups could advertise its services in such a way that it will appeal to such groups.
- \* **Competitor positioning.** An enterprise positions itself or its market offering against competitive offerings. For instance, an estate agency could make use of an advertising campaign which states that "We're number one."
- \* **Quality or price positioning.** The enterprise may claim that its product or service is of exceptional quality, or has the lowest price.

Once the firm has chosen a position, steps have to be taken to communicate and deliver it to target consumers. The firm's marketing mix must support the positioning strategy. These marketing-mix instruments are discussed in the next section. If an estate agency therefore decides to build a position on better service, it should hire and train service staff and develop

sales and advertising messages to broadcast its superior service.

## **4.5 THE MARKETING INSTRUMENTS**

### **4.5.1 Marketing-mix decisions**

A marketing mix is the combination of the four controllable variables — product (service), place, promotion and price — that an enterprise creates to satisfy its target market. The enterprise's market offering is the result of combining the four controllable variables in the marketing mix. Decisions must be taken about the ability of the product or service to satisfy the targeted consumers' wants, as well as the availability of the product or service where and when customers want it. Decisions also need to be made regarding communication between the enterprise and its targeted customers and the price which enterprises seek from the buyer in exchange for the product or service. These marketing-mix variables are discussed in the following sections.

### **4.5.2 Product decisions**

A product can be defined as anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a want or need (Kotler & Armstrong 2001: 291). In the estate agency industry the product is the property which is for sale, but since it is really ownership that is being bought and sold and not the physical product, one could say that a service is being provided and not a physical product. The estate agent should be fully conversant with the physical attributes of the property such as the land and improvements, the locational aspects of the property and the institutional attributes which determine the legal use to which the property can be put.

Consumers choose products and services which provide them with the best value. The key for estate agencies to win and keep clients is therefore to understand the needs and buying behaviour of consumers better than competitors do and to deliver more value. In order to gain a competitive advantage estate agencies can therefore differentiate their products or services so that they will offer clients more value than their competitors.

Product differentiation refers to the endeavour of an enterprise to distinguish its product(s) physically and/or psychologically from other basically identical competitive products by way of shape, colour, dimension, quality, packaging, trade mark, image, status and other need-satisfying attributes, so that the consumer considers a particular enterprise's product to be totally different from those of its competitors (Strydom et al 2000: 185).

The essence of the differentiation strategy therefore lies in creating a product or service that is perceived as being unique. An estate agency can, for instance, provide services which are of a higher quality than that of other estate agencies and in this way gain the competitive advantage.

Even when competing offers look the same, consumers may perceive a difference based on the image of the product or service. Enterprises therefore attempt to create product images that differentiate them from competitors. An enterprise should convey a singular and distinctive message that communicates the main benefits and positioning of the products or services. For an estate agency to create a strong and distinctive image of high quality services, calls for creativity and hard work. The enterprise cannot implant this image in the public's mind overnight. The image must be supported by everything said and done in the enterprise.

The basic sales services provided by an estate agent include the compiling of a written mandate, the taking of photographs, inspection of the property, doing a market valuation, making all the sales arrangements, briefing salespeople, preparing the property for marketing, advertising the property, erecting "for sale" signs and qualifying the buyers. These services, which form the product component of the marketing strategy of an estate agency, are discussed in detail in section 4.5.7.2.

#### **4.5.3 Pricing decisions**

Price can be viewed as the sacrifice made for the marketing offering (Belch & Belch 1998: 57). Price is the most flexible and competitive element of the marketing mix. It has a major effect on whether consumers will buy or not, and ultimately on whether the estate agency will make a profit or loss.

Price therefore has different meanings for the final consumer and for the enterprise. For the consumer price represents the amount of money he pays for a product or service (the property) and thus for the needs satisfaction that he receives. The consumer (home buyer) will view the price as acceptable if he perceives the value that he receives as equal to or more than the value (amount of money) that he pays for the product (the property).

Price is important to the enterprise because it relates directly to the income and profitability of the enterprise, because:

$$\text{Profits} = \text{Total Income} - \text{Total Costs}$$

$$\text{Profits} = (\text{Price} \times \text{Sales}) - \text{Total Costs}.$$

The costs mentioned above determine the floor price that the enterprise can charge for its product or service. The enterprise can charge a price that both covers all its costs for producing, distributing and selling the product and delivers a fair rate of return for its effort and risk. An enterprise's costs may be an important element in its pricing strategy. Many enterprises aim to establish themselves as low-cost producers in their industry. Enterprises with lower costs can set lower prices which will result in greater sales and profits.

Whereas costs set the floor price, or lower limit of prices, the market and demand set the ceiling price (upper limit), that is, the maximum price that the market can carry. Demand falls to zero or close to zero when the prices are too high. Even before the ceiling is reached, the total number of customers willing to buy during a given period may vary according to price change.

Consumers sometimes view price as a measure of the quality or prestige of an item. Many home buyers, in particular, view properties with higher prices as having more prestige than lower-priced properties. Prestige prices are thus set in the belief that consumers associate the high price with high quality. A house in Waterkloof in Pretoria, for example, could be viewed as a status symbol, and an extraordinarily high price would be acceptable to the client.

While market demand may set a ceiling and the enterprise's costs a floor in pricing, the costs,

prices and possible price reactions of competitors help the enterprise to establish where its prices could be set. The enterprise should benchmark its costs against the competitors' costs to determine whether a cost advantage is being enjoyed or not. The enterprise also has to be aware of the price and quality of competitors' offers.

The prices and offers of competitors can be used as an orientation point for an enterprise's prices. If the enterprise's offer is similar to a major competitor's offer, then the enterprise has to fix the price close to that of the competitor. If the enterprise's offer is of inferior quality, it will not be able to charge a higher price, while the situation is reversed in the case of a superior product.

There are a number of ways to collect and analyse information about competitors' costs and prices. Reports from the sales force (estate agents) of the enterprise, for example, can be used to track price information. Customers' perceptions of the relative quality and value of competitive offerings can be collected by means of market surveys or focus group interviews.

The basic approaches to setting prices relative to the competition are (Strydom et al 2000: 457):

- \* **Follow-the-leader pricing** — follows any price changes by the industry leaders.
- \* **Adaptive pricing** — involves relatively small competitors responding to any price change made by competitors with larger market shares.
- \* **Opportunistic pricing** — used when looking for ways to attract consumers by pricing products lower than competing products or services. To do this price cuts are made, or enterprises may avoid raising prices when competitors do so. Estate agents may be willing to charge less commission to bring the price down.
- \* **Predatory pricing** — setting prices at very low levels in order to hurt competitors.



- \* **Competitive bidding** — the situation when a buyer asks a seller to state the price at which he will deliver a particular product or service.

In the selling of real estate, a market valuation of the property is made using comparable properties and a competitive market analysis. This entails comparing the subject property with similar properties in the market area that have been sold recently in order to determine the price at which it will most likely sell in the market.

The estate agent, when selecting comparable properties, should make sure that they resemble one another and the subject property as closely as possible regarding the physical nature of land and improvements, location, land use, date and terms of sale, and items included in the sale, for example, curtains and stoves.

After a market value analysis has been done the estate agent suggests an asking price and sales terms to the owner. The estate agent's commission could, however, influence the price which is set. It is common practice for estate agents to base their commission on a percentage of the price at which the property is sold. The Institute of Estate Agents issue a publication called *Tariff of Commission and Fees*, which suggests the recommended scale of commission for estate agents. Most estate agents do not, however, adhere to the recommendation in this publication, as they adapt their commission to the particular situation of the sale and the price of the property.

#### **4.5.4 Place decisions**

Place or distribution decisions are concerned with the channels which a business may employ to make its goods and services available to customers (Jain 2000: 444).

In the estate agency business, place refers to the distribution of services. The services which are provided by the estate agent do not mean much to the client if they are not available where and when required. The estate agency therefore has to take decisions regarding, inter alia, office location, business hours and the availability of estate agents.

#### 4.5.4.1 Office location

The key to choosing an appropriate location is essentially a matter of selecting the site that best serves the needs of the target market (Churchill & Peter 1998: 425). According to Kuriloff, Hemphill and Cloud (1993: 205), the old adage holds: "If you want to catch the fish, you should cast your net where the fish are."

According to Lamb, Hair and McDaniel (2002: 446), the location chosen has a major impact on other marketing decisions. For example, large advertising expenditures may be necessary to overcome a poor site. Similarly, the choice of an expensive location may have an adverse impact on operating expenses. Choosing a location is a major decision because it has a long-lasting effect on the estate agency firm. Poor site selection can thus lead directly to failure. Table 4.2 lists some of the locations that should be avoided.

It is best to be as centrally situated as possible in a market, with the best possible accessibility from all points in such an area. In smaller towns the most central and accessible point of location will usually be in the business centre in the middle of the town where there normally is adequate parking, good accessibility and relatively little traffic congestion.

**TABLE 4.2**  
**LOCATIONS WHICH SHOULD BE AVOIDED**

* Districts with vacant or abandoned buildings or with unattractive vacant lots. These project the image of a dying area.
* Sites that are inaccessible (e g narrow back streets or alleys).
* Sites where many businesses have failed.
* Areas suffering from intense traffic congestion.
* Areas with poor lighting.
* Near businesses where parking times are lengthy (e g movie theatres).
* Sites that have not been studied and evaluated.

**Source:** Zimmerer and Scarborough. 1993. **Essentials of small business management.** New York: Macmillan, p 370.

In bigger towns or cities there may be better locations within the selected market area than in the central business district. The most desirable location is on a major access road, either to the central business district or to a motorway, and in a shopping strip development.

According to Churchill and Peter (1998: 427), the higher the volume of traffic, the higher the level of potential sales. Maritz and Ghyoot (1990: 230), however, indicate that when locating in a shopping strip development on a major access road, the average vehicular speed on the access road should not exceed 60 kilometres per hour. At this speed motorists can see the estate agency sign, slow down and turn into the driveway. The location of the estate agency firm should be such that motorists can easily turn into the driveway, park and drive out again. Access roads where there is a barrier in the road should be avoided since clients travelling in one direction will be lost, because motorists will be prevented from turning in from the opposite side of the road. Sufficient parking facilities should be available when choosing the location. Maritz and Ghyoot (1990:230) also indicate that the most preferable location is at a four-way intersection on the far-left corner for outbound traffic moving from the central business district to the suburbs.

When choosing the office location of the estate agency it is therefore clear that a location should be selected which will best cater to the needs of the clients. Whether estate agencies keep this in mind will be determined in this study.

#### *4.5.4.2 Business hours and availability of estate agents*

In the commercial industrial field it is customary for estate agents to be available to clients largely during normal business hours only. However, in residential estate agencies it has become almost standard practice for estate agents to work unusual hours and to be available in the evenings and over weekends. Since many buyers work and do not have time to view houses during the day, estate agency firms which are customer and service oriented should therefore urge their estate agents to be available to clients at all times. The business hours of residential estate agents is a topic for investigation in this study.

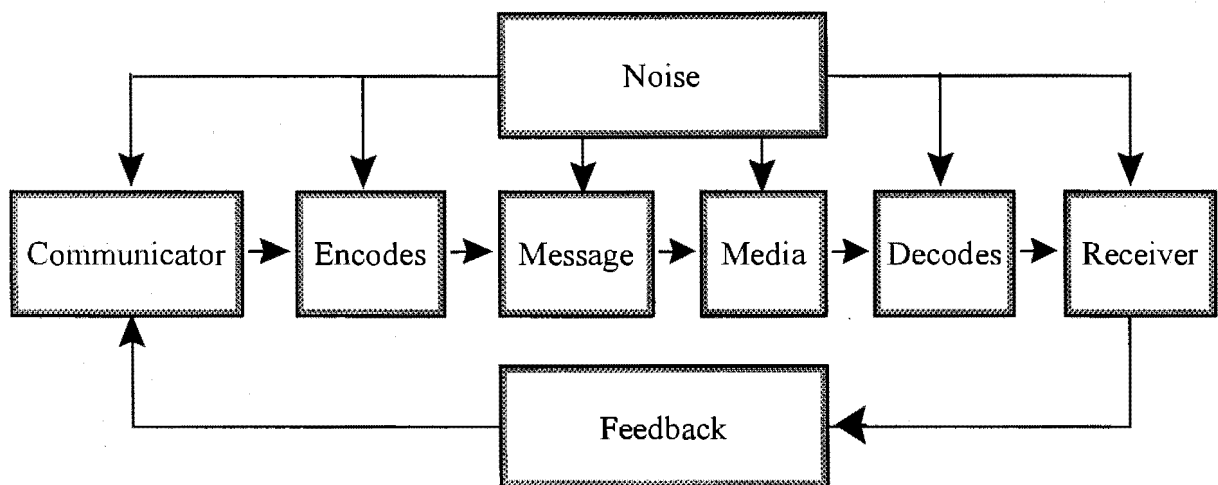
#### 4.5.5 Promotion decisions

##### 4.5.5.1 The communication process

Communication plays a key role in positioning an enterprise and its products or services in the market. The communication function in an enterprise is known as marketing communication or promotion and is used to **inform** customers about the enterprise and its products, **persuade** customers that a specific product offers the best solution to their needs and **remind** customers of product availability while also motivating them to act.

All communication should be based on the communication model which is reflected in figure 4.2 and consists of several identifiable components.

**FIGURE 4.2**  
**THE COMMUNICATION MODEL**



Source: Adapted from Kotler, P. 2000. **Marketing management**. New Jersey: Prentice Hall, p 551.

The **communicator** in the communication model is the person (producer, seller, consumer, etcetera) who sends the message to the receiver. The communicator must possess credibility since highly credible sources of information are more believable than less credible sources. An estate agent whose appearance is untidy and whose expertise is doubtful will not be a credible communicator.

Because meaning cannot be transmitted directly, it must be converted into symbols that can be transmitted. **Encoding** is the process of putting meaning into symbols to be conveyed as messages in the communication process. These symbols must be chosen carefully, however, since the receiver will assign meaning to them in the light of personal experience and knowledge.

Encoding results in an intended **message** which can be verbal or nonverbal, depending on the medium used to convey it. The message in an advertisement, for example, consists of written or spoken words plus other non-verbal symbols. It is important to consider structure in message development. For example, estate agents may be instructed to use the same sales message for all prospects, or to tailor their presentations to each individual prospect.

The **medium** or communication channel is a means by which the communicator transmits a message to receivers. There are two possibilities, namely the mass media (television, radio and press) or personal conveyance (through the sales force or other consumers).

**Decoding** is the process by which the receiver attempts to convert symbols conveyed by the communicator into a message. The receiver must perceive and interpret the message as it was intended, therefore the communicator must encode the message with the decoding abilities of the receiver in mind. This is reasonably easy in face-to-face communication where only one or a few receivers are involved (e.g. the estate agent and the buyer). Effective communication may be a problem where there is a mass audience. In advertising, for example, the communicator must deal with a mass audience, where people with different capabilities all receive the same message. The communicator must therefore know what his audience is capable of before he can decide on the mode of communication.

The **receiver** of a message is the person or persons who receive the message from the communicator. It is the responsibility of the estate agent to take the knowledge, experience, emotions and attitudes of the prospective buyers (receivers) into account before he can send his message.

After a message has been sent, the communicator is interested in securing feedback. **Feedback** is communication from receivers to the communicator about the meaning they assign to the message and how they reacted to it. Enterprises that offer toll-free telephone numbers and invite customers to call for information about product usage or to express satisfaction or make complaints, are actively encouraging customer feedback.

**Noise** is anything that interferes with the communication process so that the receiver gets a message that is different from the one the communicator sent or even gets no message at all. Noise may occur when the estate agent (communicator) is not regarded as credible or when he is unskilled and cannot encode an understandable and persuasive message. Noise can also occur when the message and medium are inappropriate and do not succeed in reaching the receiver or when the prospective buyer (receiver) is unable to understand the symbols used in the message or is unwilling to decode it properly.

An enterprise has various instruments at its disposal to communicate with consumers. These elements are known as the promotion mix and are discussed in the following section.

#### *4.5.5.2 The promotion-mix elements*

The importance of promotion cannot be stressed enough since this is the instrument which links the estate agency firm with the prospective clients, hopefully to convince them that the property is exactly what they need. Belch and Belch (1998: 13) define promotion as "the coordination of all seller-initiated efforts to set up channels of information and persuasion to sell goods and services or promote an idea".

Promotion, often called marketing communication, includes all those means which are used to communicate with the target market. According to Engel, Warshaw and Kinnear (1994: 5), the term promotional strategy refers to a controlled, integrated programme of communication methods designed to present an organisation and its products or services to prospective customers; to communicate need satisfying attributes to facilitate sales; and thus to contribute to long-run profit performance. The five promotion instruments, namely advertising, personal selling, sales promotion, publicity and public relations are regarded as the carriers of the

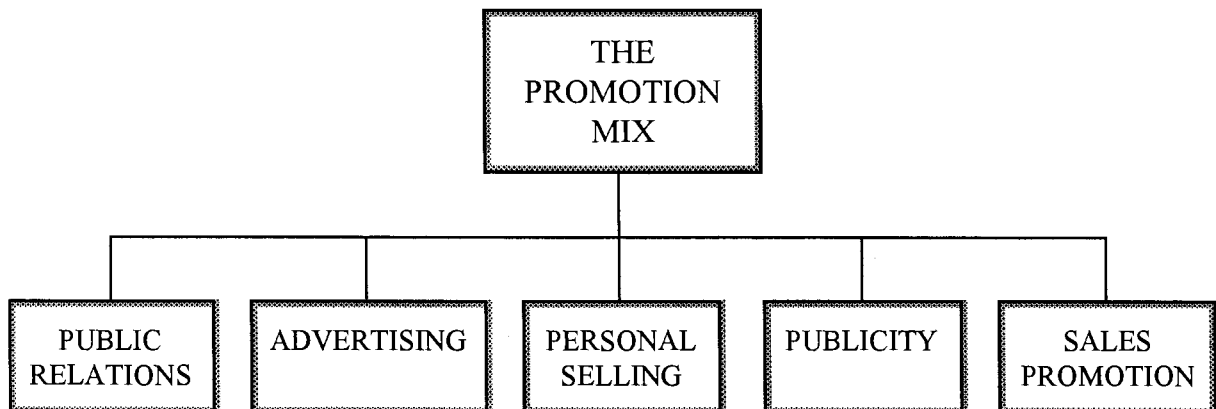
marketing message. Through these instruments potential buyers are informed that the property exists, given the advantages thereof and persuaded that they should buy as soon as possible.

Kotler and Armstrong (2001: 512) define four of the promotion tools as follows:

**Advertising** is any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. **Personal selling** is personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. **Sales promotion** is short-term incentives to encourage the purchase or sale of a product or service. **Public relations** refers to the building of good relations with the company's various publics, building up a good corporate image, and handling or heading off unfavourable rumours, stories and events.

In turn, Perreault & McCarthy (1999: 383) define **publicity** as any unpaid form of nonpersonal presentation of ideas, goods, or services. The elements of the promotion mix are depicted in figure 4.3.

**FIGURE 4.3**  
**ELEMENTS OF THE PROMOTION MIX**



**Source:** Adapted from Belch and Belch. 1998. **Advertising and promotion**. Homewood, IL: Irwin, p 13.

In the estate agency business the two most widely used tools of promotion are advertising and personal selling. The use of each of the five promotion tools by estate agencies is discussed in the following sections.

#### **4.5.6 Using advertising methods in estate agencies**

Advertising is any announcement or persuasive message placed in the mass media in paid or donated time or space by an individual, company or organisation (Churchill & Peter 1998: 450). Advertising is important to the communication goals of a company. As the old saying goes: "Doing business without advertising is like winking at someone in the dark. You know what you are doing, but nobody else does."

Advertising in the real estate industry is directed at two levels. Institutional advertisements are designed to promote the agency or company, while specific advertisements concentrate on marketing a particular property with the aim of convincing the potential client to visit the showhouse or advertised property. Some advertisements are designed to serve both purposes with, however, a little more emphasis on one.

##### *4.5.6.1 Forms of advertising in the estate agency industry*

Various forms of advertising are used in the estate agency industry. The different types of media used can be divided into two categories, namely preliminary advertising and formal advertising (Truter 1993: 64-67).

#### **a) Preliminary advertising**

Before being advertised in any mass media form, the property is advertised internally, through circulation of the listing information — using the listing form — among all the agents working for the firm and externally by means of "for sale" signs that are posted as soon as possible.

#### **\* The Listing form**

The listing form is the initial form of advertising. On being listed, the property is immediately advertised informally when details are filed and a copy of the listing form is circulated among the recruiting agent's colleagues in the firm. On having obtained a mandate, the agent arranges



for colleagues to view the property as soon as possible. Most agents have prospective buyers for whom they have not yet been able to find just the right homes, but with whom they maintain contact. A new listing sometimes fits the bill for such a buyer and a sale is negotiated without further ado.

\* **"For Sale" signs**

A "for sale" sign is usually put up at the first possible opportunity. The judicious use of professionally designed and executed signage is one of the most effective ways of promoting the sale of property and, at the same time, the estate agent's image of efficiency. "For sale" signs are highly visible "silent salesmen" that constantly project the firm's and the agent's image. To be effective signs must be visible from a considerable distance, correctly positioned, aesthetically pleasing, eye-catching, easy to read, of good quality and able to project the company image properly. (The Institute of Estate Agents of South Africa 1995: 100-103).

The most important elements on the visible surface of the sign are the colours and the wording. A brightly coloured sign will attract the eye of the passer-by more readily than one of a sombre hue. The lettering on the sign should therefore be of contrasting colour to promote legibility.

The wording on the sign is of no less importance. The less words used the better, since both comprehension and impact must be immediate. The lettering should also be easy-to-read at a distance. There is, for instance, no space on a compact 600 mm x 450 mm board for excess verbiage.

The sign should impart only whether the property is for sale, the firm's name and logo, and the number at which the estate agent can be contacted.

The correct positioning of signs also has an important influence on legibility. Impact and visibility can both be seriously retarded by rigging them either too high or too low. Experience has shown that the bottom of most signs should be about 500 mm from the ground.

In terms of economy as well as presentation, it is always advisable to use materials of the best possible aesthetic and material quality. A weather-beaten sign has no place in a professional marketing campaign.

The agent is also confronted by an array of regulations with which he must be conversant to avoid costly and time-consuming litigation. Local authorities, for example, lay down regulations to prevent the siting of boards impairing driver visibility at intersections and so becoming a traffic hazard. Regulations vary from council to council. While the City Council of Tshwane allows two boards to be fixed flat on to the fence of a property, this may not apply in, for example, Port Elizabeth or Bloemfontein. Before the agent erects a "silent salesman", he should therefore thoroughly check all applicable local regulations.

Other points which estate agents take into consideration are to (The Institute of Estate Agents 1995:103):

- \* Never erect signs without the property owner's permission. Owners are sometimes somewhat reluctant to allow "for sale" signs and the agent may need to exercise a measure of persuasion. A "for sale" sign is obviously a direct means of exposure but, particularly if an agent has been granted sole selling rights, it is not worth alienating clients by pushing for sign placement if they feel strongly against it. Sellers sometimes come around and are more amenable once they have adjusted to the idea that their home is on the market.
- \* Only erect "silent salesmen" in terms of local regulations.
- \* Always remove their signs when requested to do so by the property owner.
- \* Keep signs clean and fresh looking.
- \* Not tamper with signage erected by other estate agents. This would be regarded as very unprofessional.
- \* Record all erection sites so that signs are not forgotten.
- \* Limit exposure of their sign at a particular property to a maximum of about 60 days.

Although "sold" signs are not part of preliminary advertising, a brief mention needs to be made thereof since they are also viewed as "silent salesmen". All the aspects which apply to "for sale" signs are also applicable to "sold" signs. "Sold" signs are erected, or stickers are affixed to the "for sale" signs as soon as the property is sold.

As in the case of "for sale" signs, the agent should always familiarise himself with local bylaws and regulations concerning signs and their erection. Some municipalities, for example, prohibit the erection of "sold" signs, but allow "sold" stickers to be affixed over "for sale" signs. "Sold" signs, or result advertising, as it is sometimes called, not only have strong institutional impact, but also help to promote the estate agent's image. The use of "for sale" and "sold" signs by estate agencies will be investigated in this study.

#### **b) Formal advertising**

Once the preliminaries have been attended to, various other forms of media are used to advertise the property. These include printed media, radio, television and film advertising, direct mail and outdoor advertising.

##### **\* Printed media**

Printed media is by far the most cost-effective means of advertising. Newspapers and magazines provide the highest readership exposure and are widely used for property advertising. There is a wide range from which to choose and the choice will be determined by factors such as the purpose for which the property is being made available, for example rental or purchase, and also by the type of property being advertised. Classified advertisements are used to advertise farms in agricultural magazines and residential properties are advertised in, inter alia, gardening magazines.

Newspapers are the main short-term advertising vehicles for property advertising in South Africa. There is virtually no community in South Africa that is not served by a newspaper of some kind. In communities served by more than one newspaper, each newspaper usually takes a different market position. Sometimes there is a morning and an evening paper. Daily newspapers carry predominantly classified advertisements for property, while property

supplements are popular features in South African weekend papers. These are mostly printed separately, in an easily portable format.

Printed advertisements are categorised and priced according to size, use of illustrations and typography. The purpose for which the advertisement is being placed and budgetary factors, including the selling or letting price involved, will be determinants in the selection of a particular type of advertisement such as classified advertisements and classified display advertisements.

**Classified advertisements** appear in the columns in a section of the newspaper or magazine that is set aside for this purpose. The typography and layout is standard and the advertisements appear under fixed headings, such as "Houses for Sale" or "Houses wanted to Buy". These advertisements rely on clever and concise wording to attract the reader's attention since there are no illustrations in this section. The rates are relatively low, but cost is still a factor, and every word must be made to count.

**Classified display advertisements** are advertisements in the classified section in which some display advertising characteristics, such as artwork, logos and photographs are used. As the designation implies, display advertising is geared toward drawing attention by visual means. This form of advertising is characterised by the use of varied spacing and typography, together with photographs and artwork, all of which are expensive.

Classified advertisements usually serve a dual purpose in that they are designed to promote both the firm and either a single property or a series of properties.

#### \* **Radio, television and film advertising**

In South Africa, radio is regarded as a powerful medium because it reaches so many potential buyers. Thus far, radio advertising has been used mainly for institutional advertising in the real estate industry.

Television advertising is expensive and is seldom used for advertising individual residential

properties on the South African market. Housing developments on an extensive scale are sometimes advertised on television because the amounts and turnover will justify the expense of advertising through this medium.

Film advertising has recently become more common as a vehicle for institutional advertising, particularly for companies that have branches operating in more than one province.

\* **Direct mail**

The popularity of personal computers has lead many estate agency firms to use relatively high speed, letter quality printers for direct mail campaigns. Direct mail messages may be personalised to the reader since mail-merge computer programmes can be used to personally address selected prospects. For example, the mailing list could be refined so that direct mail to sell a R550 000 house does not go to a large family with an income of R9 000.

Another advantage of direct mail is that it is always timely. Direct mail brochures may be sent at any time without regard to publication lead times or programming schedules followed by publications.

\* **Outdoor advertising**

Outdoor advertising is generally used for institutional purposes and for advertising new developments. There are several options which include billboards, banners, railway stations, public refuse bins, bus shelters and taxis.

\* **Yellow pages**

The yellow pages in telephone directories are often used by estate agency firms for institutional advertising.

*4.5.6.2 Managing the advertising campaign*

Several steps are required when developing an advertising campaign. These steps are briefly discussed below (Adapted from Pride & Ferrell 2000: 459-472; Kotler & Armstrong 2001: 543-556):

**i) Identify the current situation**

An analysis of the current situation includes an analysis of the target market and property being offered for sale. It is no use designing an advertisement if the agent does not know who he is writing the advertisement for or if he has no information about the property which he is advertising.

**ii) Define precise advertising objectives**

Decisions are made about the overall advertising objectives and the objectives of each individual advertisement. Examples include the following:

- \* Convey a specific image of the agency to the public;
- \* make the name of the agency known to the public;
- \* obtain mandates;
- \* attract buyers; and
- \* sell a specific property.

**iii) Determine the advertising budget**

During this step the total amount of money which is allocated to advertising for a specific time period is determined.

**iv) Select the advertising media**

The media which can be used for advertising real estate have already been discussed. This decision is frequently affected by budgetary constraints.

**v) Create the advertising message**

An advertisement consists of three components, namely the heading, the body and the conclusion (Jain 2000: 498). The first part of an advertisement is the heading. The objective of the heading is to attract attention. Since a full page of classified real estate advertising can contain over 200 advertisements, the heading should be interesting or unique in order to attract the audience's attention.

The body of the advertisement must provide meaningful information to the reader. Prospective buyers usually want to find out about the property's location price and physical characteristics. One approach used by some firms is to list the general area rather than a specific address, for example "Near Boys High School". Listing the price is another consideration. Many readers could assume that the property is priced too high if the price is not included.

When describing the physical characteristics of the property caution should be exercised regarding the number of details included. A well-written advertisement will state only one or two special features about any one property. One feature in an advertisement can also attract different buying groups. A cul-de-sac location with low traffic flow could be attractive to a young couple with small children and as well as to an older couple with no resident children who seek peace and quiet.

The conclusion of an advertisement should generate action from the reader. The true test of any advertising is whether or not it yields results. The truly effective advertisement will result in buyer contact.

Other important information to include in the advertisement is the name of the estate agent and the firm as well as a contact number for the agent.

#### **vi) Launch the advertising campaign**

The execution of the advertising campaign requires an extensive amount of planning and coordination. Timing is of the utmost importance, since the advertisement has to appear as soon as possible after the estate agent has obtained the mandate.

#### **vii) Revision of the advertising campaign**

During this step the agency measures the effectiveness and success of the advertisement and of the media selected. Service advertising can be easily monitored. Each time someone telephones or calls about a specific advertisement, enquiries can be made as to how the person came to contact the agency. For example, if he is making contact as a result of an advertisement, the name of the publication and the date can be obtained. By doing this the

advertisement with the greatest influence can be determined as well as the days which are the best, for example in the case of classified advertisements. This study will attempt to determine whether estate agencies do, in fact, revise their advertising campaigns.

#### **4.5.7 Using personal selling in estate agencies**

##### *4.5.7.1 Direct communication*

Personal selling, in contrast to the impersonal and mass appeal of advertising, consists of individual interpersonal communication. According to Lamb, Hair and McDaniel (2002: 543), personal selling is direct communication between a sales representative and one or more prospective buyers in an attempt to influence each other in a purchase situation. In the estate agency business, the salesperson or estate agent is indispensable in effecting the actual sale transaction. Advertisements cannot show properties or conclude the sales transaction. Each property is unique. No two properties are identical, and even if they seem to be, only one property occupies a particular position. In addition, the slope of the land, the view, the location, the size of the buildings, the type of garden and trees also differ. Personal selling in the estate agency business therefore entails a different sales message for each property.

Without the physical involvement of an estate agent it will not be possible to conclude a sales transaction. The estate agent has to personally show the property to the prospective buyer and he has to carefully match the property's attributes with the needs and wants of the buyer.

According to The Institute of Estate Agents of South Africa (1995: 123), the estate agent plays the following roles:

- \* He services the buyer's and seller's requirements, follows up, follows through and keeps everyone informed.
- \* He keeps the emotions of both buyer and seller at manageable levels. In the sale of homes, sellers can become very emotional, particularly if they have been in occupation for many years.



- \* He positively encourages buyer and seller to accept prevailing market conditions by educating them factually. There is nothing worse than raising false hopes, giving distorted valuations or building castles in the air. Apart from the fact that this could lead to court action against the agent, it is very unprofessional and is in direct contravention of the ethical obligations of members of the Institute of Estate Agents of South Africa as well as the Code of Conduct of the Estate Agency Affairs Board.
- \* He persuades buyers and sellers that their trust in the estate agent is not misplaced and that the action taken by the estate agent is in their best interests.
- \* He negotiates in a manner which cannot be misconstrued by either party to be partisan. He may not take sides if he is to do his job properly.
- \* He leads the buyer and seller through honest endeavour, genuine advice and well-founded trust to a fair and conclusive agreement. If the agent plays his part well and earns his commission honestly and ethically by working in the buyer's and seller's interests, he will automatically build an enviable reputation.
- \* He builds his reputation through referrals and testimonials from satisfied buyers and sellers, a sphere of influence created by such buyers and sellers, as well as by friends, family, and previous jobs and his personal reputation.

As mentioned previously, the potential clients of the estate agent are both sellers and buyers. The personal selling process in the estate agency firm is therefore completely different to that of selling any other products or services. The estate agent has to follow a process of first finding sales mandates before he can start to sell the property. He first has to sell his services to a seller before he can sell the property and his services to a buyer. Since the personal selling process in the estate agency is of the utmost importance and can lead to the success or failure of the business, this process will be discussed in detail.

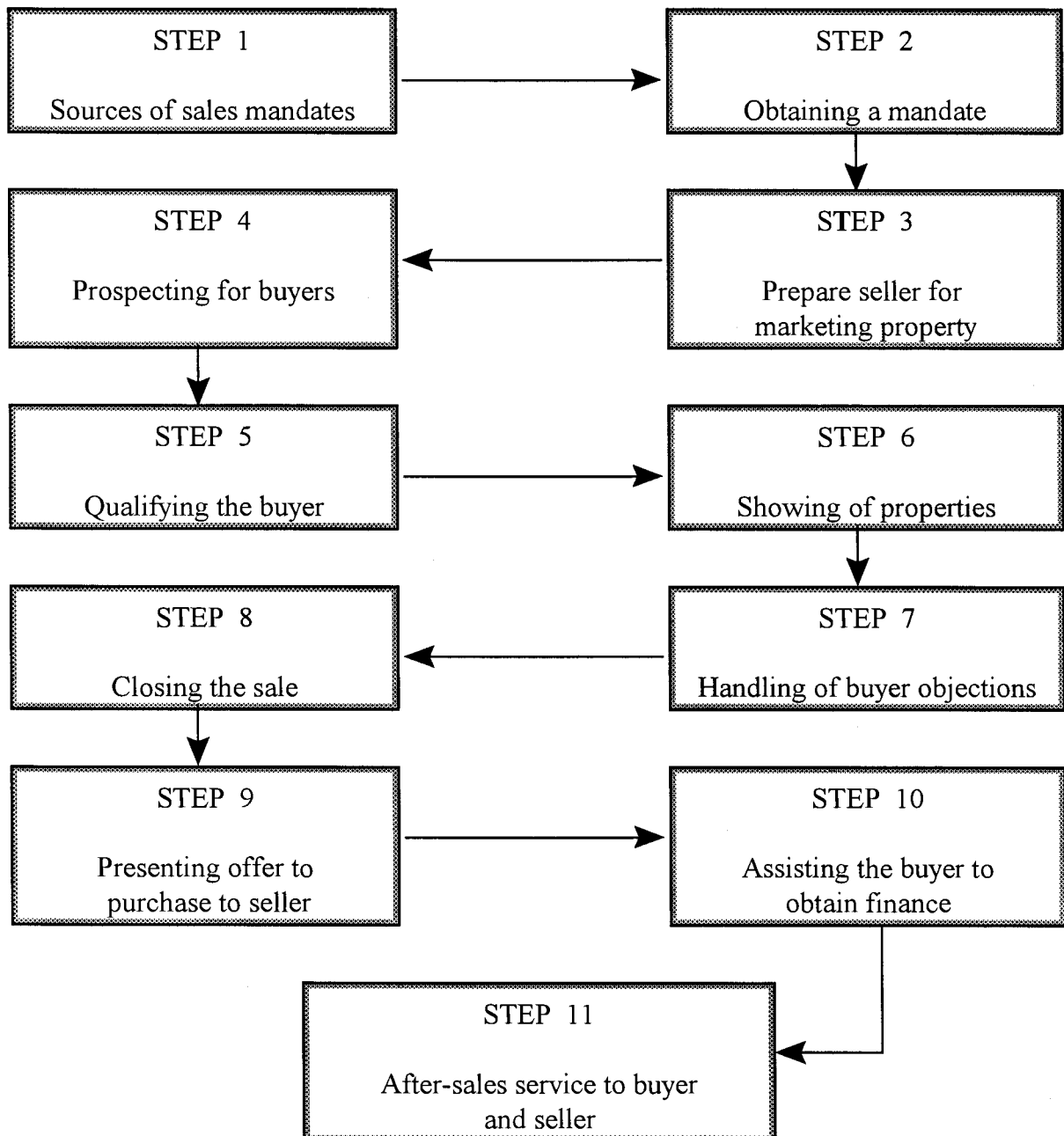
#### *4.5.7.2 The personal selling process*

Many authors who have written on the subject of personal selling indicate discrete steps or stages which should be followed when selling to buyers. Lamb, Hair and McDaniel (2001: 547), for instance, list these steps as generating leads, qualifying sales leads, conducting a needs assessment, developing and proposing solutions, handling objections, closing the sale and following up. Kotler & Armstrong (2001: 600) also list similar steps, namely prospecting, the preapproach, the approach, the sales presentation, the trial close, handling objections, closing the sale and follow-up. In the estate agency business, however, the selling process does not involve only the selling of property to buyers, since estate agents also have to sell their services to sellers in order to obtain mandates. The selling process as discussed in most theoretical textbooks therefore had to be adapted in this study to include the steps followed by estate agents.

The personal selling process discussed in this section assumes that the estate agent starts the process by searching for and obtaining a sales mandate. This, however, is not always the case. The steps followed below do not therefore, always take place in the sequence discussed. Some of the steps could be left out entirely, others may be combined and other steps could follow a different sequence, depending on the situation. The steps discussed, however, indicate the basic procedures followed and are reflected in figure 4.4.

FIGURE 4.4

## THE PERSONAL SELLING PROCESS IN THE ESTATE AGENCY BUSINESS



**Source:** Adapted from Maritz and Ghyoot. 1990. *The estate agency business*. Cape Town: Juta, p 18.

**Step 1: Sources of sales mandates**

This step basically is the search by the estate agent for potential sellers, which entails obtaining sales mandates. A sales mandate is an agreement between the estate agent and the seller in consequence of which the estate agent endeavours to find a buyer for the seller's property, and for which he will receive commission if he is successful. Traditionally there are three types of sales mandates, namely open mandates, sole mandates and exclusive mandates. These types of mandates were referred to and discussed in chapter 2.

The estate agent finds leads for obtaining sales mandates from various sources. The sources of potential sellers are discussed below.

- a) *Satisfied clients.* Referrals are probably the best sources of sales mandates. Many agents work almost exclusively from referrals or recommendations from satisfied clients to their friends and associates. Satisfied clients are customers to whom the estate agent has sold a home or whose homes have been sold by the estate agent. Good customer service by the estate agent is thus of the utmost importance since it could generate new clients. An estate agent could ask buyers and sellers for recommendations to their contacts since there is no better advertising than word-of-mouth from satisfied clients. If the agent does not ask for it, the client may forget to recommend him when the opportunity arises. The agent should also reinforce the positive relationship established with clients by continuing to contact them on a regular basis. Estate agents could, for instance, send the client a thank you card, keep him up to date with what is happening to the lead, or even give the client a certain percentage of the commission.
  
- b) *Advertising.* Newspaper advertising is a very popular method used by residential estate agencies to attract sellers. Display and classified advertisements are used most often in this medium. In addition to newspaper advertising, letters to selected prospects may also bring about good results.

- c) *Publicity.* Active participation in community organisations exposes the estate agent to a large number of people who want to sell their homes. Speeches given by estate agents before community organisations can also acquaint the public with the estate agent's services.
- d) *Centres of influence.* Certain community members have prior knowledge that a family needs to sell their home. Examples of such people are bankers, doctors, pharmacists, moving company employees, clergy and other church contacts, builders and so forth. By having personal contacts with these people through community organisations and local clubs, the estate agent may be the first to know of an impending move or transfer.
- e) *Office walk-ins.* If the office of the estate agency firm is well-located, it will encourage passers-by to come inside.
- f) *Canvassing.* There are several ways in which estate agents canvass for sales mandates. Many agents scan the classified sections of their local **newspapers** looking for advertisements placed by owners. They then telephone the owners and try to persuade them to list the property with them.

**Door-to-door canvassing** can also be an effective means of obtaining sales mandates. Door-to-door canvassers, through repetitive contact, should establish a personal relationship with homeowners in the area which they serve. Such a relationship may lead to information regarding the homeowner's friends who wish to move to the neighbourhood and neighbours who are planning to move. An effective device used by estate agents who canvass door-to-door is to have an attractive card printed that can be easily affixed to the doorknobs when the owners are not at home.

In some areas, **financial institutions** have properties for sale. A letter to them requesting a list of their properties and permission to offer them for sale may result in a number of sales mandates.

Another way of obtaining sales mandates is by watching for "**For Sale**" signs in a neighbourhood or on bulletin boards at grocery stores, churches and clubs. The owner can then be located and an attempt made to obtain authority to sell the property.

**News items** are frequently a source of leads to properties that might be for sale. Items often appear stating that certain owners are moving from a town or city. If such persons are property owners they will probably want to sell their homes immediately. Similarly, sales mandates may be obtained by contacting individuals placing "furniture for sale" or "garage sale" advertisements. These are often the first steps taken by owners who are preparing to sell their homes.

- g) *Farming.* Farming is a planned, systematic method of prospecting in a specific market area. Best results are usually obtained if the neighbourhood is fairly homogeneous, that is, the houses have a fairly narrow range and the income level of the residents are approximately the same (Shenkel 1990:102).

After choosing the specific area he wishes to farm, the estate agent must get acquainted with the residents of the area, gather specific information about the area, and consistently reinforce initial contacts.

- h) *Expired listings.* Expired listings are properties that have been listed for sale by another estate agent and did not sell. The estate agent should contact the seller of such properties.

## **Step 2: Obtaining a mandate**

The process of obtaining a mandate involves certain activities which are discussed below.

- a) *The listing interview.* At a meeting with a potential client non-verbal communication is

as important as the verbal communication. Impressions are very important in establishing rapport with a potential client. Factors which are critical in the projection of the right image for the estate agent include his punctuality, appearance, posture and gestures. Prior to conducting the interview, the estate agent has to first collect information.

**\* Collecting information prior to a canvassing visit**

A large amount of preparation, thought and planning should precede the interview if the estate agent is to negotiate a mandate successfully. Before he visits a potential seller, the agent must possess certain information. He must, for instance, know the market in the area better than the seller does, he must know what properties are on the market at the specific time, the prices being asked and for how long these properties have been on the market. The agent should also know which properties have been sold recently and the prices asked for these properties. Trends such as rezoning and subdivision which could affect the market price of property in the area must also be known to the estate agent.

A potential seller will be more willing to accept informed suggestions regarding the price of his property and sign over a mandate to a well-informed agent. An agent who is well-prepared will be able to react knowledgeably to sellers' suggestions and will also be able to counter unrealistic demands with facts.

Before the agent visits the seller he should assemble a mandate kit which includes the items mentioned in table 4.3. The mandate presentation book can be a valuable asset to the residential estate agent. It provides the visual, written and pictorial script for obtaining mandates. It organises and clarifies the agent's presentation and provides him with cues so that he will not omit important details. Since it is a visual aid it improves the owner's perception and increases his ability to remember the information which the estate agent conveys to him.

**TABLE 4.3**  
**ITEMS REQUIRED FOR A MANDATE KIT**

* Briefcase
* Mandate presentation book
* Standard mandate forms
* Business cards
* Standard forms for collecting data on the subject
* Comparable properties
* Selected sales promotion items such as brochures
* Region, city and neighbourhood maps
* Tables used to calculate commission, transfer costs, legal registration costs
* Financial calculator for calculating bond payments, etc
* Clipboard, notepaper and carbon paper
* Pens, pencils and erasers
* Paperclips, staples and scissors
* Camera
* Steel measuring tape
* Pliers and hammer
* Flashlight
* "Sold" and "For Sale" signs/stickers
* Droppers
* Earth auger for boring holes into the ground.

**Source:** Maritz and Ghyoot. 1990. **The estate agency business.** Cape Town: Juta, p 26.

\* **Conducting the interview**

A listing interview which is conducted efficiently will enhance the chances of listing the property at a realistic price. The interview should be structured towards exchange of information. The estate agent must be able to explain the different kinds of mandates to the seller and explain how he intends to market the property as well as provide information about the services that he offers.

A prospective client thus engages an estate agent in the expectation of future performance, an action which requires a lot of faith on the part of the client. In order to persuade the seller to make use of his services, an agent should therefore promote himself and his firm to a client by, for example, illustrating the benefits of using his services. He can also stress the high quality of service provided through the use of, for example,



mandate presentation books, comparative market valuations and standardised forms. The agent should also emphasize his good reputation as well as that of his firm and stress his dependability.

When using a presentation book the estate agent normally lists and explains the nature of his services in this book. The basic sales service provided by an estate agent and which should be explained to the seller, include the services mentioned in table 4.4.

**TABLE 4.4**  
**SERVICES PROVIDED BY ESTATE AGENTS**

* A written mandate
* Photographs
* Inspection
* Market valuation
* Sales arrangements
* Briefing salespeople
* Inspection by salespeople
* Preparing the property for marketing
* Advertising the property
* "For Sale" and "Sold" signs
* Information to neighbours and canvassing of the immediate area
* Inform buyers currently on file
* Show house
* Qualifying buyers
* Financial counselling of potential buyers
* Offer to purchase
* Property transfer
* Feedback to the seller and buyer

**Source:** Maritz and Ghyoot. 1990. **The estate agency business.** Cape Town: Juta, p 29-32.

After explaining the services which he offers to the prospective client, the estate agent must move smoothly into discussion of the property at hand. Apart from the hard facts, the agent should try to discover the owner's motives for selling, his requirements in terms of the sale and his ultimate objective in selling the property. Should such an objective, for example, be the purchase of an alternative property, this should be noted. If the interview

is unobtrusively structured and tactfully conducted, the seller will volunteer information without feeling that his privacy is being invaded.

The seller will not always have all the information pertaining to the property at hand and the agent must be prepared to ascertain some of the facts by inquiring at local authority offices. Table 4.5 indicates the type of information which the estate agent should collect.

**TABLE 4.5**  
**PROPERTY INFORMATION**

* A basic physical description of the property
* The legal description of the property
* The correct street address, lot number and size of the property, including information on the city and province and/or directions to the property
* The zoning category
* Municipal value of the property
* Lot and block description
* The age of the property
* Proximity of shops, schools, churches and recreation facilities available in the area
* All numbers at which the seller can be contacted
* Times at which the property will be available for viewing
* The date on which occupation can be taken should the property be sold
* Attractive features that are exceptional
* Possible points of criticism
* Information on projected property development in the area
* Details on public transport
* Information on municipal rates, taxes and other levies
* A summary of assumable loans, including the mortgage bond balance currently outstanding, annual interest rate payment amount and the remaining term.

Truter, C.1993. **The Real Estate Industry**. Pretoria: Van Schaik, p 58.

Since there are many intricacies involved in buying and selling houses, the seller will look to the agent for information and guidance in this regard. Any questions put to the agent should be carefully weighed before a reply is volunteered.

The self-confidence and accuracy of the agent's replies to questions posed by the owner must serve to establish the firm's credibility and the owner's confidence in the particular agent as his representative. It is very important for the estate agent to establish rapport with a client by way of honesty, empathy and respect. The better the estate agent's rapport with a seller, the greater his understanding of the seller's needs and the more detailed and candid the information given by the seller will be. If the agent knows the seller he should be able to convince him that he is competent to help him satisfy his needs and desires and help him to achieve his goals.

A final purpose with this interview is to determine whether or not the property is worth listing. If, for example, the owner is not really motivated and is only testing the market by offering the property at an unrealistic price, a busy agent would be well-advised to channel his time and effort into more lucrative propositions with stronger selling potential.

- b) *Inspecting the property.* While obtaining a sales mandate or immediately after obtaining it, the property must be inspected. All listings should be personally inspected by the estate agent. The property should be inspected regardless of whether it was listed in the same estate agency firm's office at some previous time.

When inspecting a property one of the best procedures is to start with a listing form, filling in all of the blanks in detail. In addition to increasing the estate agent's knowledge of the property being sold, this will increase the confidence of the seller in the estate agent, because the seller will be impressed with the estate agent's thoroughness and knowledge. This could be a basis for building a long-term relationship with the seller.

The advantages of the property should be noted, since they will be the strong selling points to be pointed out to the prospect when selling the property. Familiarity with the property enables it to be discussed intelligently and hence to be sold more quickly.

Factors which are considered during inspection include the kerb appeal, the floor and site

plan, the size of the house and outbuildings, internal measurements of rooms, the type, number and adequacy of the outbuildings, the garden and pool, replacement costs and general impressions (Maritz & Ghyoot 1990:36-37).

- c) *Doing a market valuation and suggesting a market position for the property.* A thorough market valuation of the property is now made, using comparable properties and a competitive market analysis.

An unrealistically high-priced house will make a poor impression in comparison to other houses. The house will normally stay on the market for a long time and consequently acquire a "bad name". Comments like "that has been on the market for months" or "there must be something wrong with it", gives buyers a poor opinion of the house without having seen it. Setting the right price therefore is a vital part of the selling process. The agent has to find the fair market price in the market.

In order to find this fair market price, estate agents do a thorough market valuation of the property by using comparable properties and a competitive market analysis. They compare the house to others sold in the area and use their judgement to find the right price. A trained estate agent can show the seller a scrap book of houses sold and currently on the market, as well as a comparative market analysis showing details of houses similar to the seller's house which are currently for sale, have recently been sold or have been withdrawn unsold.

The market valuation and suggestion of an asking price was discussed in detail in section 4.5.3 on the price component of the marketing mix.

- d) *Overcoming seller's objections and coming to an agreement with the seller.* After the agent has inspected the property and estimated its market value the seller may still be apprehensive and uncertain and start voicing his objections. Common objections to be expected at this stage include the type of listing, the amount of commission, and the period for which a mandate is to be granted. There may even be objections to what most

agents regard as routine procedure, such as posting a "for sale" sign, handing a key to the broker's office or showing the house over a weekend or on a Sunday (Truter 1993: 60). Each of these objections must be satisfactorily handled by the estate agent.

Many of the objections can be overcome by expressing understanding and appreciation of the seller's uncertainties and concentrating on the benefits of the procedures. If the seller does dig in his heels at this stage, the agent must not attempt to override the objections. Some of the objections may be trivial, while others can be very real. Taking cognisance of a client's views and uncertainties is crucial to the provision of good service with a view to successful negotiation of a transaction that will leave all the parties concerned feeling satisfied.

In dealing with objections the agent should listen carefully and not argue with the point raised. He should rather show that he respects the seller's point of view. The agent should try to understand what the seller is seeking to achieve and ask more questions about the objection. This probing could help the seller to overcome his own prejudices, to adopt a different perspective or to realise that he has misunderstood the agent. The agent could also respond to an objection by explaining why the problem is not really a problem, or by indicating how it could be overcome. Lastly, the agent should try to get the seller to agree that his objection is no longer valid or can be dismissed or overcome (Maritz & Ghyoot 1990:41).

Once the estate agent has succeeded in handling the seller's objections, he asks for the mandate. Obtaining a mandate is similar to closing a sale — it is a "sale" in terms of which the estate agent's services are "acquired" by the seller. Various approaches can be followed in order to come to an agreement with the seller (Stanton & Spiro 1999: 72), (Futrell 1999: 379):

- \* The direct close can be used in instances where the seller has received the estate agent's message in a positive way and is ready to make a decision. The estate agent can, for example, ask the seller: "Must I start writing the sales mandate?"

- \* The assumptive close is based on the assumption that the prospective seller has decided to engage the services of the estate agent. The estate agent could, for example, ask the seller: "At what time tomorrow will it be convenient to bring my sales colleagues for an inspection of your property?"
- \* With the summative close approach the estate agent summarises the advantages and recaps the points of the agreement, touching all key elements of the decision and leaving nothing for the seller except to commit himself.
- \* The balance-of-advantages approach assumes that if the client can be convinced that the advantages of giving the agent the mandate outweigh the disadvantages, he will be willing to transact with the agent. An example of a question to be asked could be: "Don't you agree that commission of R5 000 is worthwhile to avoid all the effort and anxiety of marketing the property yourself?"
- \* With the negative close the estate agent attempts to put pressure on the client to decide now, based on some imminent negative event, such as a drop in property prices.

e) *Committing the mandate to writing.*

In terms of the code of conduct of the Estate Agency Affairs Board the sole and exclusive mandate must be reduced to writing. The essential aspects which receive attention in the drafting of the mandate, are listed in table 4.6 (Maritz & Ghyoot 1990:42).

**TABLE 4.6****ESSENTIAL ASPECTS IN THE MANDATE**

- \* Property description and size
- \* Parties to the agreement
- \* Nature of the service to be rendered
- \* The commission or compensation of the agent
- \* All movable items that will be included in the sale
- \* All existing immovable items that will be excluded from the sale
- \* The date of commencement and expiry of the mandate
- \* The type of mandate
- \* Cooperative agents and/or multiple mandate services involved
- \* Asking price
- \* Sales terms
- \* Occupation and possession of the property
- \* Conveyancing attorneys

**Step 3: Preparing the seller for the marketing of his property**

When the estate agent has succeeded in obtaining a mandate he has to assist the seller in preparing his property for marketing.

As mentioned previously, the estate agent should, in order to increase the sales price of the property, suggest that the owner do certain repairs needed on the property. An effective way to handle this is for the estate agent to give the seller a handout which suggests what the owner should do in and around his house to prepare it for its marketing. This handout can, for instance, refer to the kerb appeal, facades and entrances which is one of the aspects which create a first and lasting impression. The seller should, for example, see to it that lawns are trimmed and flowerbeds tidied up. He should also attend to the roof, if necessary, and the front door and general entrance should be fresh, clean and inviting to visitors (Maritz & Ghyoot 1990:44).

Other points mentioned in the handout could include the importance of sunlight during daytime showings, the need to fix utilities (e g a dripping tap), internal repairs and maintenance (e g faulty hinges of built-in cupboards), proper lighting for night-time showings, possible redecoration and the tidying up of built-in cupboards and the house in general (Maritz & Ghyoot 1990:44).

At this stage the estate agent normally also explains to the seller that it is important for him and his family not to be present during the showing of the house, since buyers feel less inhibited and tend to comment more freely and to ask more questions if the owner is not at home. The estate agent also informs the seller of the contents of his promotion campaign which involves advertising, personal selling, sales promotion and publicity.

The seller should be continually informed about the marketing of his property. In other words, he should be given feedback regarding the results of the marketing campaign. In order to give adequate feedback the estate agent should keep a record of what he is doing, contact the seller regularly, review the market position of the property with the seller on an ongoing basis, and work towards an extension of the mandate if necessary (Maritz & Ghyoot 1990:46). Whether these functions are performed by estate agents will be determined in this study.

#### **Step 4: Prospecting for buyers**

All the steps thus far have involved the selling of the estate agent's services to the prospective seller. However, having obtained a sales mandate, the estate agent now has the task of finding buyers in order to sell the property.

The ultimate happiness of the seller and estate agent depends on finding a qualified buyer who is ready, willing and able to purchase the listed property under terms acceptable to the seller. Finding such a buyer requires that the estate agent attract a potential buyer, assess the buyer's preferences and purchasing power and match them with the proper set of properties on the market. When searching for buyers the estate agent should consider all the information on the property which is for sale and its neighbourhood and then draw up a buyer profile. Such a buyer profile includes the following information (Maritz & Ghyoot 1990: 49):

- \* Financial means required by the buyer to afford the house.
- \* Size of family that could best be served by the house, for example a family of five.
- \* Stage in family life cycle, for example a family with young, school-going children.
- \* Ethnic or language group affiliation. There are areas in South Africa where some voluntary clustering according to ethnic and language affiliation occurs. Schools or



churches may also bind residents together.

- \* Socio-economic status. Like the rest of the world, natural segregation by socio-economic status is visually discernable in most cities and towns in South Africa.
- \* Proximity of workplaces and implications for the most likely profession, employment or trade of the prospective purchaser.

Once the estate agent has compiled a buyer profile he has to search for potential buyers who will fit this buyer profile. Leads can originate from various sources. The sources of buyers are similar to those identified for sales mandates in step 1 and are therefore only briefly mentioned here.

References can originate from various sources, but a satisfied buyer is the most important. The advantage here is that because they have a mutual "friend", the estate agent will not be regarded as a stranger by the potential buyer. References help to increase the credibility of the estate agent and his firm.

Other sources include advertisements in newspapers, magazines and other print media, on site "for sale" signs, personal contacts, show houses, office walk-ins, word-of-mouth advertising, direct-mail and publicity. "Old" customers are also sources of potential buyers. In South Africa the average home buyer has a "five-year itch". Every five years or so the homeowner is ready to "move or improve". The agent can go back to his files to identify those people who have been in their homes for four years and six months (The Institute of Estate Agents of South Africa 1991: 77).

### **Step 5: Qualifying the buyer**

An agent who simply takes a client to view property without having conducted a well-structured interview beforehand, is not offering a service. Prospective buyers reacting to "for sale" signs or advertisements in the media will have only limited information on the property being advertised and should therefore be encouraged to meet for interviews so that their true needs and financial means can be assessed. The essence of qualifying prospects is to determine their needs and to match those needs with the listings in the office. It must first be determined,

however, if prospects are real prospects, or if they are merely "shoppers".

The estate agent must therefore first determine whether the potential buyer qualifies. In this way valuable time, money and effort is not wasted on buyers who do not really want to buy or cannot buy. It prevents the agent from becoming a driver with no income, who spends his day driving from house to house and in the process irritates prospective buyers and sellers alike (Truter 1993: 74). It also enhances the real estate industry's image of professionalism and inevitably means more invaluable personal referrals by satisfied buyers. Buyer qualification also helps the estate agent to understand the needs, wants, resources and motives of a prospective buyer. The larger the agent's stock of mandates, the greater the possibility of meeting the needs of a specific client.

The first person-to-person meeting with the buyer is of the utmost importance. Factors which will influence this include professionalism; prompt, courteous attention; a positive attitude and being fully prepared. Professional conduct, whether this meeting takes place in an office or a home, will enhance the chances of the buyer liking and trusting the estate agent (The Institute of Estate Agents of South Africa 1995: 159).

The quickest way to determine the type of buyer is to ask the right questions. A considerable amount of information is required for the buyer qualification process. The obvious data to determine are names, addresses, the business in which they are engaged, whether they are married and have children and the number of children in each family. Six main categories of information are required, namely level of achievement, urgency, financial ability, decision-making ability, property requirements and motivation (Maritz & Ghyoot 1990:50-54).

#### *i) Level of achievement*

The level of stature of a prospective buyer is a relatively safe area in which to start probing, since the type of questions asked are relatively easy to answer and do not normally place undue stress on the potential buyer. Information which should be determined include the prospective buyer's current employment position, his present house and neighbourhood and his knowledge of the housing market which he will be entering.

*ii) Urgency of purchase*

The agent has to ascertain as quickly as possible how urgently the prospective buyer needs to make a decision and how much time he has available to make his move. He has to ask questions which will determine, for example, when the buyer will take possession of the seller's house and whether the prospective buyer has arranged alternative accommodation from the time he has to move out of his present house.

*iii) Financial ability*

It is important to determine whether the buyer is financially able to purchase and whether he is legally qualified or authorised to sign the necessary documentation. Financial ability is a sensitive but very important issue, since there is little justification in showing a client a house which he cannot afford. It should therefore be approached tactfully, but fearlessly. Aspects which the agent should determine include the monthly family income, assistance from parents and friends, availability of ready cash and possible subsidies, and money which can be realised from the sale of immovable property or other valuable assets. It is also important for the estate agent to inform the prospective buyer of transfer and bond costs which could be involved in the purchase of a property.

*iv) Decision-making ability*

Frequently, a buyer who is willing and able to purchase does not necessarily make the buying decision. For example, a young couple may have a father or an uncle who is a builder or a building society valuer and whose approval will be sought in the final instance. It is therefore important to identify the decision-maker as quickly as possible and concentrate the sales sequence on him or her. If this trusted ally is alienated or the estate agent begrudges his involvement the relationship with the prospect will be ruined.

*v) Property requirements*

Every buyer has his own preferences regarding the characteristics a property must have. The estate agent has to ask in-depth questions to determine characteristics such as the physical nature of land and improvements, location, architectural style, floor plan, proximity and nature

of amenities such as shops and bus routes, outbuildings, garden and pool (Maritz & Ghyoot 1990:52).

*vi) Buying motives*

Buyers often have hidden motives for buying and estate agents therefore have to probe deeper in order to discover the underlying motives. The buyer's hidden motives may indicate a desire for increased social prestige, a prestigious address, highly aesthetic surroundings, maximum privacy, a showplace for entertainment, security, a spectacular view or a beautiful garden (Maritz & Ghyoot 1990:53).

As indicated in chapter 3, the Institute of Estate Agents of South Africa (1991: 55) state that the reasons most often given for purchasing property include the following:

- \* Security of tenure as opposed to the uncertainty of renting;
- \* health and/or retirement in the right location;
- \* "trading up" to a better neighbourhood;
- \* the buyer's existing property is either too small or too large for his current requirements;
- \* the need to reside in a locality more convenient for schools, shops, transport and place of business; and
- \* investment and speculation purposes.

**Step 6: Showing properties**

There is a theory that clients should always be shown more than one property to avoid having them feel pressured into any prospect. In this way, clients can be guided towards the property of their choice. However, the estate agent must avoid drawing this process out for too long. Properties shown must also not be entirely beyond either the financial or interest range of the viewers (Truter 1993 :76).

Prospects should be shown properties under the most favourable circumstances. If the property is occupied, the estate agent should make sure that the present occupants are ready to receive visitors. If possible, the prospect and members of the family should be shown the property

together, otherwise several additional trips to the property may be necessary.

One of the important factors in making a sale is appearance. Not only is the appearance of the estate agent important, but so is the appearance of the salesperson's car. It should be clean and uncluttered.

On the way to the property the estate agent should refrain from discussing the property unless the prospect has asked specific questions in regard to the property itself. The estate agent should be completely prepared, having gained a thorough knowledge of the listing that is being offered for sale. If the prospect should ask questions concerning the property, the estate agent must be prepared to answer these questions in detail. If the prospect is a stranger to the city, the estate agent can talk about the city, the cultural advantages, the beautiful scenery, the good fishing that may be done nearby, and any other aspects which will make the prospect view the city positively. If the prospect is familiar with the city then the neighbourhood in which the property is located, may be discussed. If the prospect has children, the estate agent could drive past the school in order to show its location in relation to the home that is about to be shown.

After arriving at the home to be shown, the estate agent should not park the car directly in front of the property. The prospect should be made to walk to the house and up the path in order to be given the opportunity to experience the feeling of the neighbourhood.

Once in the house, the estate agent should talk only when necessary. Too many sales are ruined by estate agents who talk themselves out of a sale. If a prospect asks questions, the estate agent should answer them thoroughly and intelligently, but concisely and to the point.

If the prospect seems dissatisfied with the property, he should be shown another property that will perhaps be more satisfactory. If at all possible, the prospect should not be shown more than two or three homes at one time, as the risk of causing confusion in the mind of the prospect becomes too great. The ability to sense the right property, and consequently, the one to concentrate on, is done by getting the prospect to talk. Generally, a prospect will reveal likes

or dislikes about a certain property. If the prospect indicates a desire to wait and think it over, the estate agent should follow up and give the prospect a call as soon as possible after having had a chance to decide on a course of action.

### **Step 7: Handling of buyer objections**

The estate agency usually encourages clients to raise objections, since this is simply part of the sifting process on their part. These remarks are viewed as an important element in the negotiating process, since they represent communication and can serve to guide the agent in establishing more accurately where the client's needs lie.

Objections can be dealt with in four different ways (Rix, Buss & Herford 1999: 269-270), (Stanton & Spiro 1999: 70), (Futrell 1999: 351):

- \* Objections can be converted into a question. If the prospective buyer raises an issue about, for example, the price, the objection can be converted into a question of value for money for benefits offered by the house.
- \* Third party stories are used to, for example, illustrate that with the estate agent's sale of other houses, other buyers had experienced the same problems or offered the same objections and then describe how they were resolved.
- \* The boomerang technique is used to convert an objection into an advantage for the consumer. The objection that the house does not have a pool, for example, can be converted by emphasising the lower price.
- \* Comparisons can best be used when the prospective buyer refers to houses shown to him by other estate agents. The estate agent must use discretion not to demean the houses shown by other agents. He must rather emphasise the unique features of the house which he is selling.

**Step 8: Closing the sale**

Closing the sale is the logical conclusion of all that has gone before. The proper listing, the proper qualification of the prospect and the proper showing of the property are all concluded in the closing. An estate agent can, however, never be a 100 percent sure that the prospect is ready to buy, but he should be able to judge the time to close by studying certain clues. The alert estate agent recognises the buyer who comes close to buying, then withdraws, then moves toward a decision to buy. The estate agent notes these reactions and acts at the appropriate time. Clues are both physical and spoken (Futrell 1999: 369).

Physical closing cues refer to nonverbal communication. Actions and movement should be observed, especially interactions between husband and wife, their glances, the nodding of the head, and the facial expressions showing approval and disapproval.

Spoken clues are comments made by the buyer. The estate agent should try to interpret comments that indicate favourable reactions, for example, "Our present house does not have a modern oven" or "Our bedroom furniture would fit in the master bedroom".

When the estate agent feels that the prospect is ready to buy, he should probe by using the closing techniques discussed in step 2 on obtaining a mandate from the seller.

The estate agent then usually asks the prospect to make an offer to purchase, since it is important to obtain his confirmation. After negotiation with the prospective buyer, when he has finally decided on the price and sales terms acceptable to him, an offer to purchase is drawn up with the understanding that the offer will either be accepted or rejected by the seller, or that the latter may make a counteroffer (Maritz & Ghyoot 1990:56).

**Step 9: Presenting the offer to purchase to the seller**

Once the agent has obtained an offer from the prospect, the sales process moves closer to completion, but is not finished yet. If an agreement cannot be reached between the buyer and seller, there is no sale. The smaller the discrepancy between the offer to purchase and the objectives and needs of the seller, the more likely the seller is to accept the offer.

If the estate agent is convinced that it will be in the seller's best interests to accept the offer, even if it does not fully meet his expectations, he will need to negotiate and overcome these objections.

Once the agent has negotiated the offer with the seller, the seller may either accept or reject the offer, or make a counteroffer. If the seller decides to make a counteroffer, the original offer lapses. If the buyer is experiencing "buyer remorse" or cognitive dissonance at this stage, such a counteroffer will provide him with a welcome escape from the transaction. If the seller accepts the offer to purchase, a sales contract comes into being. New legislation allows buyers of property under R250 000 a cooling-off period of five days, within which they may cancel the contract if they so wish.

#### **Step 10: Assisting the buyer to obtain finance**

The estate agent should always be available to assist the buyer to obtain finance, since very few residential units are sold without the buyer seeking a loan for the major part of the purchase price.

The agent normally has contact with financial institutions and/or knows from whom loans can be obtained, at what terms and under what conditions. He should assist the buyer in his application for a loan and where necessary, assist him to fill in the form. Most qualified agents are usually able to calculate the approximate monthly payments using a financial pocket calculator (Maritz & Ghyoot 1990:56).

#### **Step 11: After-sales service to the buyer and seller**

Referrals are probably the most important sources of sellers and buyers. Whether or not the estate agent will be favourably referred by the buyer or seller to someone else depends to a large extent on the after-sales service which the agent provides to them. Good after-sales service can thus ensure long-term relationships with customers and help to build new relationships with potential new clients.



The following services are usually included in the after-sales service of the estate agent to the buyer (Maritz & Ghyoot 1990:56-57):

- \* Forwarding a signed copy of the contract of sale to the conveyancing attorneys and purchaser without delay.
- \* Establishing the whereabouts of the title deed of the property and informing the conveyancing attorneys.
- \* If this information does not appear in the contract of sale, he should furnish the conveyancing attorneys with the telephone numbers of the parties to the sale agreement, as well as their identity numbers and postal addresses.
- \* Supplying the conveyancing attorneys with the name of the current bond holder and account number, as well as the name of the person and/or attorneys to contact in this regard.
- \* He should be available to act as an intermediary in any disputes which may arise between the buyer and seller.
- \* Informing the conveyancing attorney when the loan application has been submitted.
- \* If there are suspensive conditions in addition to the granting of a loan, he should inform the conveyancing attorneys as well as the parties to the agreement immediately these have been fulfilled.
- \* Following-up with the conveyancing attorneys on the progress and problems experienced with the transfer and giving feedback to the buyer and seller.
- \* Informing and congratulating the buyer and seller when transfer occurs.
- \* On the day on which the buyer moves in, he could present the buyer with a small gift such as a basket of flowers or fruit, or perhaps some refreshments.
- \* After the buyer has moved in, the estate agent should continue to contact him from time to time, for example on his birthday or on the anniversary of his first year in the house.
- \* Depending on the tone in the neighbourhood, the agent could visit some of the neighbours and inform them of the new arrivals. Neighbours who are aware of the date of arrival and the names of newcomers might make some effort to assist them and make them feel more welcome.

Other post-closing services which estate agents may provide to their clients are the following:

- \* Provide school transfer forms
- \* Process phone applications and arrange installation
- \* Obtain post office change of address kit
- \* Provide local store charge account applications
- \* Process motor vehicle and driver's licence applications
- \* Furnish local maps showing the location of churches, schools and shopping
- \* Contact the client on moving day to offer assistance and ensure that everything is progressing satisfactorily.

Where after-sales service to the seller is concerned, the agent should, for example, keep in contact with the seller on the same regular basis as before and inform him of the progress made as regards bond applications, the transfer of the property and compliance with suspensive conditions in the contract. After transfer has taken place, the agent could visit the seller to congratulate him and give him a small gift, for example a packet of change-of-address cards or a bottle of champagne.

Without good after-sales service to both the buyer and seller, the agent will not be able to establish long-term relationships with clients, and the agent's clients will not refer friends and acquaintances to him for future business. If good after-sales service is provided, it could lead to the beginning of a new selling process and relationship with new clients.

#### **4.5.8 Using sales promotion methods in estate agencies**

Sales promotion methods can be viewed as a direct inducement which offers an extra value or incentive to the sales force and consumers, with the primary objective of creating an immediate sale (Belch & Belch 1998: 470). It encompasses all promotional activities and materials other than personal selling, advertising and publicity.

Sales promotion supplements the other promotion-mix elements and without these elements it will achieve relatively little market penetration. Sales promotion methods used for an

offensive marketing strategy, for example, are more effective when they are used in conjunction with an advertising campaign. Advertising informs the consumers of the sales promotion actions via the advertising message, but also includes the aims of the sales promotion methods.

Examples of sales promotion methods include coupons, specialities, competitions, gift premiums, samples, special offers, cooperative actions, exhibitions, demonstrations and point-of-sale displays. These methods do, however, not all apply to the real estate industry, and only those which do apply to real estate are discussed. **Gift premiums** are one of the sales promotion methods used by estate agencies. Premiums refer to articles of merchandise provided free or at a reduced price to consumers as incentives to encourage them to purchase a property. Premiums can include such items as motorcars, refrigerators, stoves, sea and air cruises and hotel accommodation. Many people view the use of premiums to convince clients to make use of estate agency services as unethical or illegal. Therefore, whenever estate agents want to use this sales promotion method, they should first contact the Estate Agency Affairs Board to determine whether they are in compliance with its code of conduct (Maritz & Ghyoot 1990:259).

**Specialities** are less expensive articles than premiums on which the firm's name, advertising slogan or logo appears. The telephone number or address of the firm also appears on these articles. These articles are handed out free of charge to selected individuals and include articles such as calendars, pens, ashtrays, key rings, T-shirts, pocket diaries, files, hats, stationary, peaks, rulers, beer mugs, coffee mugs, city maps and memo pads. Such items can be very effective. In a study, 63 percent of consumers surveyed were either carrying or wearing an advertising speciality item (Kotler & Armstrong 2001: 563). This method contributes to the creation of goodwill by the estate agency and gives exposure of its name, logo or slogan.

**Competitions**, as a sales promotion method, require the consumer to do something, for example, completing or creating the slogan of an estate agency firm, answering a question, or developing the name of a new shopping centre or residential township. A variety of prizes can usually be won by the winners of the competition. This sales promotion method causes clients

to be involved or interested in the estate agency or its services and thus focuses attention on the firm and its services. Competitions directed at estate agents could also be used as an incentive scheme in order to motivate the agents.

**Cooperative actions** are activities undertaken jointly by the estate agency firm and other businesses with the costs and benefits being shared. The estate agency may, for example, cooperate with a furniture store and an interior decorator in furnishing a show house. The property is then shown to its best advantage and at the same time the services of the interior decorator and the products of the furniture store are promoted (Maritz & Ghyoot 1990:260).

A **brochure** is another sales promotion method which can be used by estate agencies. It is a handwritten, typed or printed document that can be used to describe the estate agency firm and its services, or a property which the firm wishes to sell (Maritz & Ghyoot 1990:260).

A **showhouse** can be compared to the exhibition or demonstration sales promotion methods used by companies to promote their products. This sales promotion method invites prospective customers to come and view the property with the hope that their interest will be stimulated to such an extent when they see the house, that they will be convinced to purchase it. This can also provide the agent with new leads (potential customers).

Sales promotion methods are results-orientated and stimulate immediate reaction. They are a supplemental part of the promotion plan of a firm and cannot be used on their own.

#### **4.5.9 Using publicity in estate agencies**

Publicity is non-paid for communication of information about the organisation or product that is transmitted through a mass medium (Churchill & Peter 1998: 492).

Publicity has a number of uses for the estate agency firm. It can, for instance, be used to make people aware of the firm's properties and services and to maintain a certain level of positive public visibility, as well as enhance a particular image, such as innovativeness or progressiveness. Seeff, one of the largest estate agencies in South Africa, for instance have in

the past received a lot of favourable publicity as a result of their association with Red Nose day.

To be used as publicity the enterprise or its products or services must have a certain news value for the audience, because news value is the key element of publicity. As the communicator does not pay for the publicity and the consumer reads it for its news value, the audience is more receptive to the message and less sceptical than it is towards advertising. Publicity therefore has a credibility advantage over advertising. The media most often used for real estate publicity are newspapers, broadcasting media, magazines and trade journals.

Although publicity and advertising both depend on mass media, they differ in several other respects. Whereas advertising messages tend to be informative or persuasive, publicity mainly provides information. Advertisements are sometimes designed to have an immediate impact on sales, while publicity messages are more subdued. When advertising is used, the estate agency pays for the media time or space. For publicity, however, the estate agency does not pay for the use of time or space, since communications through publicity are usually included as part of a programme or print story.

There are several types of publicity mechanisms used by estate agencies. The most common is the **news or press release**, which is usually a single page of typewritten copy of a newsworthy occurrence that is made available to the media. **Sponsorships** are also a popular means of gaining publicity, for example sports sponsorships for tennis and cricket. Publicity can also be obtained through an **article** in which a particular aspect is discussed in detail. This type of article is usually written for a specific newspaper or magazine, for example an article regarding the opening of a new branch of an estate agency firm. **News or press conferences** are usually arranged for a specific or exceptional announcement. They are held at a central venue where the press is present and an opportunity for questions is given after a senior personnel member has made the announcement. **Letters** can also be written to the editor of a newspaper or magazine in which an estate agency business states its point of view concerning a particular issue, imparts information or rectifies a misunderstanding. Such letters often evoke reaction.

The estate agency's choice of specific types of publicity depends on considerations that include the type of information being transmitted, the characteristics of the target market, the receptivity of media personnel, the importance of the item to the public and the amount of information needing to be presented.

In the estate agency business many possible issues for publicity exist. Daily newsworthy events and activities, for example, may be newsworthy to the local or national media. An estate agent, for example, may have sold a historic farm, have concluded the largest property transaction in many years, have attracted an important overseas investor to South Africa, or have introduced a new way of financing residential homes (Maritz & Ghyoot 1990:263). Some agencies also elect an agent for the month or year who then appears in the media. New appointments by estate agency firms are also covered by some media while the annual report of a firm sometimes receives newspaper coverage.

An estate agent's knowledge regarding trends in housing prices, new investment opportunities, population growth or other local or national trends may be of interest to editors. Feature articles written by estate agents could also cover matters such as how to deal with an estate agent, how to go about buying a house, interesting homes which the estate agent has sold, and interesting people with whom he has done business (Maritz & Ghyoot 1990:263). An agent who is regarded as a good and caring citizen within the community also builds up goodwill for the agency. A variety of community activities can create publicity, for example, organising fundraising events, supporting nature conservation projects and serving on local communities.

Any event which is considered to be newsworthy will achieve publicity for an estate agency or estate agent. The estate agency, however, has to always endeavour to obtain favourable publicity, since the negative impact of unfavourable publicity can be quick and dramatic.

#### **4.5.10 Using public relations in estate agencies**

All enterprises and their products or services have a certain image as perceived by the consumers and businesses with which they deal either directly or indirectly. This image is an embracing concept which is created by, among other things, the enterprise's advertising,

publicity, sales promotion, personal selling, products, services and prices. It is important to create favourable relationships between the estate agency and its customers, and to ensure that the correct image of the enterprise and its services is projected. If the estate agents of a particular estate agency are always late, make mistakes when drawing up an offer to purchase and look untidy, the public will view the agency in a negative light.

A positive image can be created by the marketing-mix instruments and/or by the public relations department of an enterprise. This department aims to prepare the ground for the marketing communication effort to follow. The various markets in which a positive image can be created are discussed in section 4.9.

The five promotion-mix elements of the marketing strategy are of vital importance to the estate agency since these are the elements which directly link the firm to the prospective customers. The pertinence of these five instruments as used by South African estate agencies to develop a marketing mix will therefore be investigated in this study.

#### **4.6 PLANNING, IMPLEMENTING AND CONTROLLING THE MARKETING STRATEGY**

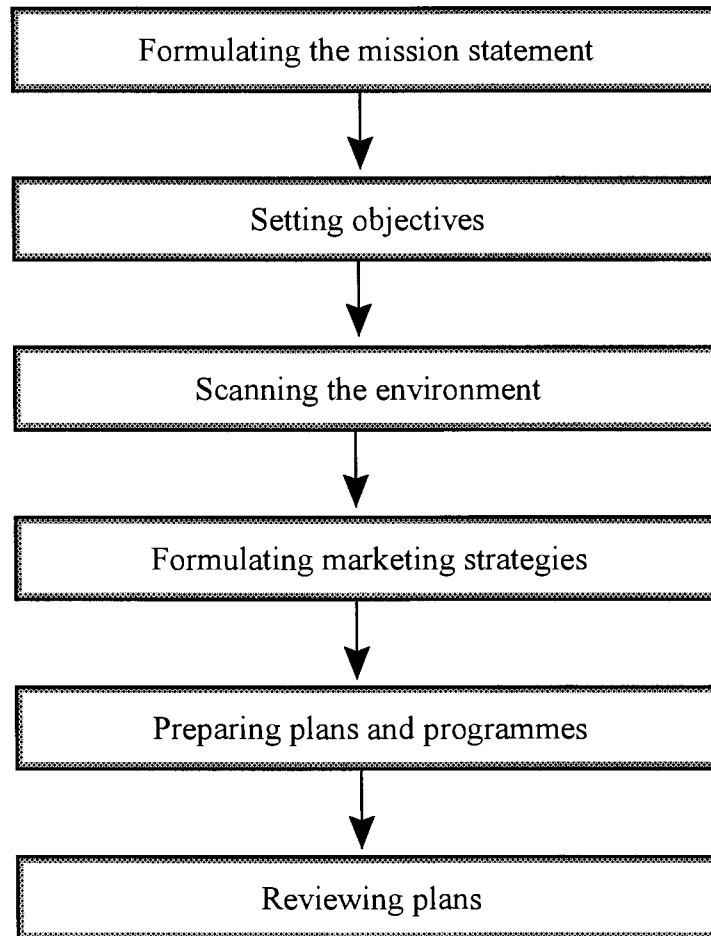
In order for an enterprise to succeed it is essential for its marketing strategies to be effectively planned, implemented and controlled. Strategic marketing management entails marketing decisions with a view to long-term growth and survival in a competitive environment. These decisions embrace the planning, implementation and control functions which are discussed in the following sections and will form part of the investigation (empirical research).

##### **4.6.1 The marketing planning process**

The concept of strategic planning has become exceptionally important in management circles today. This is largely due to the increasing complexities of both external and internal environments.

In order to be effective, the marketing plan has to be formalised and be available in written form. Figure 4.5 illustrates the steps involved in marketing planning. These steps are now discussed.

**FIGURE 4.5**  
**THE MARKETING PLANNING PROCESS**



**i) The mission statement**

Enterprises cannot survive if they do not know where they are going and what they are all about. An enterprise's mission therefore defines the enterprise's fundamental, unique purpose and identifies its products or services and customers. The mission, in other words, identifies the reason for the existence of the enterprise.

Formulating the mission statement of the estate agency is thus the first step in the planning



process. This mission statement was discussed in detail in chapter 2 and will therefore not be discussed again.

## **ii) Setting objectives**

The enterprise's mission needs to be turned into objectives to guide management. The marketing objectives must contribute to the achievement of the overall main objective of the enterprise. The mission points the way in which this main objective will be realised, while other supplementary objectives are set more specifically, giving a precise indication of what is to be achieved, be it an expansion of the market share, an increase in sales figures or a decrease in marketing costs.

The various requirements for objectives are that they must be set in order of priority and in quantitative terms, they must be consistent and reasonable, they must be set for a specific period, and they must be measurable, realistic and in written form.

The objectives of an estate agency were discussed in chapter 2 and will therefore not be discussed in detail in this section.

## **iii) Environmental scanning**

Enterprises are influenced by forces outside their industry that may affect not only particular enterprises within the industry, but also the industry as a whole. Environmental scanning is the practice of keeping track of environmental changes that can affect an organisation and its markets (Churchill & Peter 1998: 28). The basic purpose of environmental scanning is to study and interpret what is happening in an enterprise's current environment in order to forecast developments in its future environment.

A technique which is useful in the analysis of the material contained in the environmental scan is the SWOT (strengths, weaknesses, opportunities and threats) analysis. It groups the key pieces of information into two main categories, namely internal factors and external factors:

- \* Internal factors. These factors refer to the strengths and weaknesses within the enterprise (micro-environment). An analysis of the internal variables of an estate agency was discussed in detail in chapter 2.
- \* External factors. These factors refer to the opportunities and threats presented by the external environment (market and macro-environment). Chapter 3 contains a detailed analysis of the external environment of an estate agency.

#### iv) Formulating market strategies

The fourth stage in the marketing planning process involves the formulation of strategies. Market strategies are the means by which marketing objectives will be achieved. The enterprise can choose between competitive strategies, growth and diversification strategies and market strategies in declining markets.

The competitive strategy refers to the way in which the estate agency is going to compete in the market. Various competitive strategies exist, including the following:

- \* **Differentiation** by adding value to the product or service. The essence of the differentiation strategy lies in creating a service that is perceived as being unique. An enterprise can differentiate by means of service quality, brand, unique product characteristics, distribution, marketing communication, price, or by means of consumer orientation. An estate agency which differentiates itself by means of service quality could achieve a competitive advantage in the industry.
- \* **Low-cost strategy or overall cost leadership** by supplying the product or service to the consumer more cost-effectively than competitors.
- \* **Focusing** on a special product or market where the enterprise will be in an unassailable position (creating a niche in the market and focusing only on this market segment). Here the Pam Golding Agency, which has historically focused on upmarket properties, is a good example.

- \* The **pre-emptive move** provides a sustainable competitive advantage to the enterprise which is first with a new skill or asset. The estate agency which first made use of computers to match home buyers' needs to the existing homes for sale, experienced a competitive advantage in the field. For a certain period of time the ABSA group had this advantage with the MLS system.

Growth and diversification strategies refer to the way in which the enterprise tries to survive and grow in the market. Various alternatives are available to the enterprise. Growth can be achieved by encouraging existing users of a product to buy or use more of the same product or to test new uses for the existing product or service, for example, selling time share. Growth can also be achieved by making small changes and improvements to existing products or services. Geographic and even international expansion is also a growth possibility that can make big demands on an estate agency in terms of resources and expertise.

An enterprise can also grow through diversification. This involves the development or acquisition of products and services that are new to the enterprise, and the introduction of these products to markets not previously served by the enterprise.

In the last phases of the product's or enterprise's life cycle, profits decrease drastically while sales figures stagnate and start to decline. There are various market strategies which can be implemented in declining markets. One of the options is **growth** in the declining industry by means of new markets, new products or services, revitalised marketing, government-stimulated growth, and focusing on submarkets that show growth. An aggressive alternative is to invest in order to obtain or strengthen a leadership position. The key to being a **profitable survivor** is to encourage the competition to leave the industry. **Holding or maintenance of an existing position** is another option, and involves the judicious spending of just enough funds to retain production facilities and ensure product or service quality and consumer loyalty.

Another strategy for declining markets is **harvesting**, where the objective is to bring in cash as quickly as possible. All further investment in the product is stopped and costs are minimised. The cash generated by the product or service is invested elsewhere and the product

or service is allowed to die a slow death.

A last option in a declining market is **withdrawal**. This is recommended if the cash flow dries up and the enterprise starts showing losses, especially if there is a dominant competitor forcing prices down and only a few consumers remain loyal to the enterprise.

The above represents all the possible market strategies which may be employed. The enterprise now has to recheck the feasibility of the strategies in terms of the market share, sales, costs and profits.

#### **v) Detailed plans**

The fifth step in the marketing planning process entails the development of the strategy into detailed plans. These plans spell out exactly what programmes and specific activities will take place over the period of the plan. The activities need to be specified and quantified in order for them to be monitored. The plans should be focused, clear, realistic and consistent, and they should be part of a working document.

#### **vi) Reviewing plans**

The last step in the planning process is the reviewing of progress at all levels. This implies that targets need to be set against which progress can be reviewed. Changes in the environment mean that forecasts have to change regularly and this may also lead to plans changing. Continuous monitoring of performance against predetermined targets would therefore be necessary.

### **4.6.2 Implementing the strategy**

The most well-designed marketing strategies can fail without effective organisation, structure and good leadership. The implementation of marketing plans depend to a large extent on the organisational structure and the close cooperation of all marketing personnel under the leadership of the marketing manager.

The following three organisational elements provide the fundamental, long-term means for

implementing an enterprise's strategy (Strydom et al 2000: 491):

- \* Organisational structure — activities, responsibilities and interrelationships must be organised in a manner that is consistent with the chosen strategy.
- \* Organisational leadership — leadership style must support the strategy chosen.
- \* Organisational culture — the shared values, beliefs, expectations and norms in the enterprise must be developed so that they are consistent with the strategy chosen.

These three elements are now discussed briefly.

Successful strategy implementation depends mainly on the enterprise's primary **organisational structure**. There is no organisational structure that is applicable to all situations. The size and growth of the enterprise is a key variable in determining an organisation's structure. The organisational structure of estate agencies was discussed in detail in chapter 2 and will therefore not be discussed further in this section.

Apart from the organisational structure, **leadership** in the enterprise also influences the implementation of the marketing strategies. The first important aspect of leadership is the delegation of authority. In order to organise the marketing department, the work must be divided into specific tasks or activities and the necessary authority delegated to persons responsible for performing these tasks. The marketing organisation should also be designed in such a way that effective cooperation is achieved with top management, other departments in the enterprise, between individuals and divisions inside the marketing department, as well as with outside institutions (coordination). In addition to coordination, communication channels as well as communication aids are especially important in the design of the marketing organisation. Provision should be made for vertical (upwards and downwards) communication, horizontal (between people on the same level) communication as well as cross-communication (between subordinates in the marketing department and the personnel of other departments on equal, lower, or higher levels).

Another aspect of leadership is motivation. This entails all attempts made by marketing management to encourage marketing personnel to voluntarily give their best performance to achieve marketing objectives. The motivation of estate agents was discussed in detail in chapter 2.

Marketing strategies cannot be implemented if employees do not cooperate or do not understand their importance. Internal marketing is therefore necessary, which involves attracting, motivating and keeping qualified employees by designing jobs that satisfy employees' needs. This implies that a corporate culture needs to be instilled in employees which will motivate them to work to the best of their abilities. The creation of such a corporate culture is fully discussed in section 4.8.3.2.

#### **4.6.3 The control process**

The control process has three basic elements which are all important for maintaining effective control:

- \* Establishing performance standards
- \* Evaluating actual performance
- \* Taking corrective action.

Planning and controlling are closely interrelated because plans include statements about what is to be accomplished. For purposes of control, these statements function as performance standards. A performance standard is an expected level of performance against which actual performance can be compared (Kotler & Armstrong 2001: 73). Examples of performance standards might be the reduction of customer complaints by 50 percent, or a ten percent increase per month in sales.

Unfortunately, performance evaluation is often viewed as being synonymous with control when it is, in fact, only part of the total control process. The overriding purpose of performance evaluation is to identify problem areas in an enterprise. Evaluating performance requires a comparison between the performance standards and records of actual performance

to determine whether and how much of a discrepancy exists. For example, an estate agent's actual sales are compared with his sales quota. If there is a significant negative discrepancy, the marketing manager must take corrective action.

Various evaluation techniques exist, for example, a sales analysis, marketing costs analysis, efficiency analysis and a marketing audit. Another technique which can be used is the SERVQUAL instrument which is used to measure customer service quality. This instrument is referred to in section 4.8.2.3.

Marketing managers have several options for reducing a discrepancy between established performance standards and actual performance. They can take steps to improve actual performance, and they can reduce or totally change the performance standard, or do both. Changes in actual performance may require the marketing manager to use better methods for motivating estate agents or to use more effective techniques for coordinating marketing efforts.

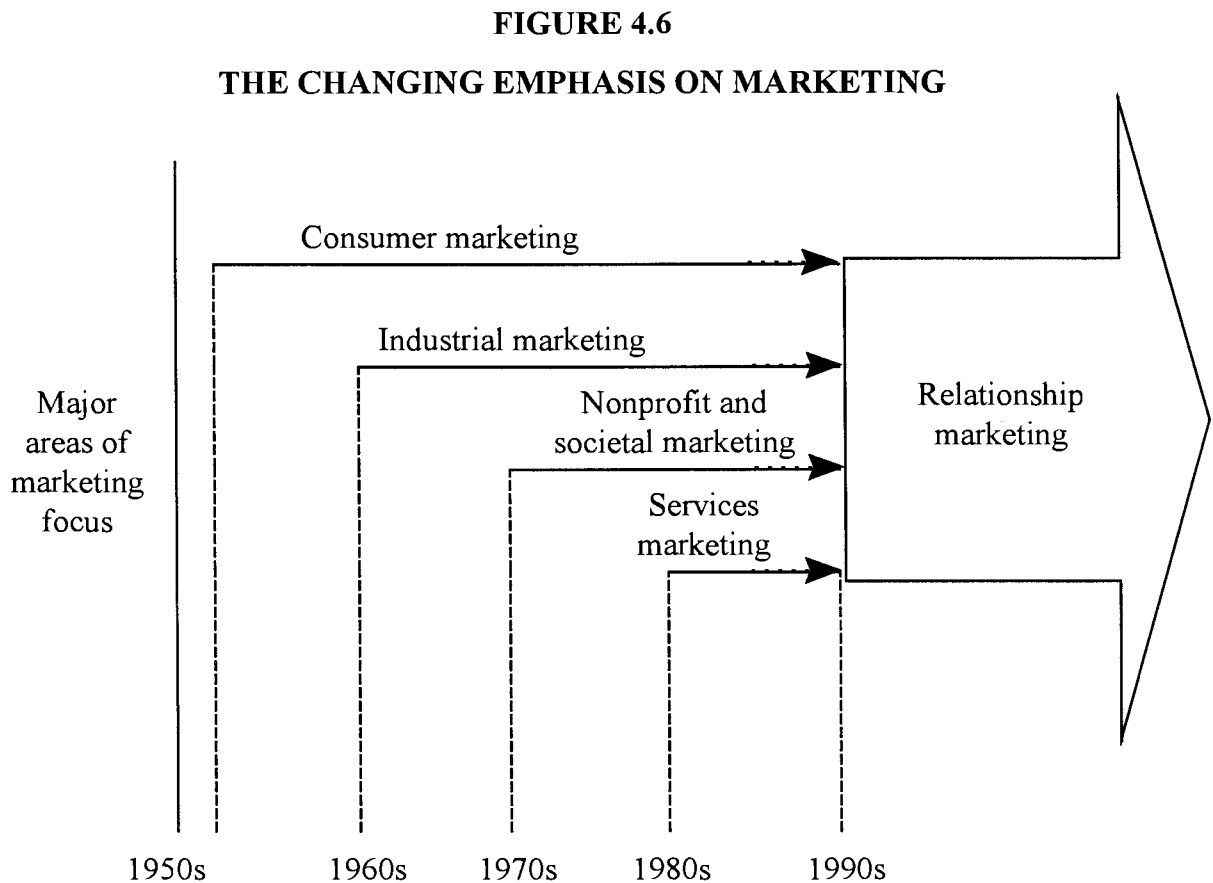
Information on deviations, the reasons for deviations and the nature of corrective action is used in the forecasting process in order to set more accurate standards for future periods.

The successful planning, implementing and control of a marketing strategy depends greatly on maintaining close relationships with individuals and groups with which the enterprise comes into contact.

#### **4.7 THE NATURE OF RELATIONSHIP MARKETING**

In the past few decades marketing has been directed at an increasing number of sectors. Figure 4.6 shows that in the 1950s consumer goods companies were recognised as the most sophisticated marketers. These companies were often the first to develop formal marketing plans and a lot of time and effort was directed at analysing and researching consumer markets. In the 1960s considerable attention was paid to industrial markets and many text books and journals dealing specifically with industrial markets started to appear. In the 1970s marketing in nonprofit organisations and the associated areas of public sector and societal marketing received attention. It was only in the 1980s that services marketing started to attract attention,

and with the arrival of the 1990s a new emphasis on marketing emerged, namely relationship marketing. Relationship marketing has the potential to draw together the streams of marketing focus into an integrated whole.



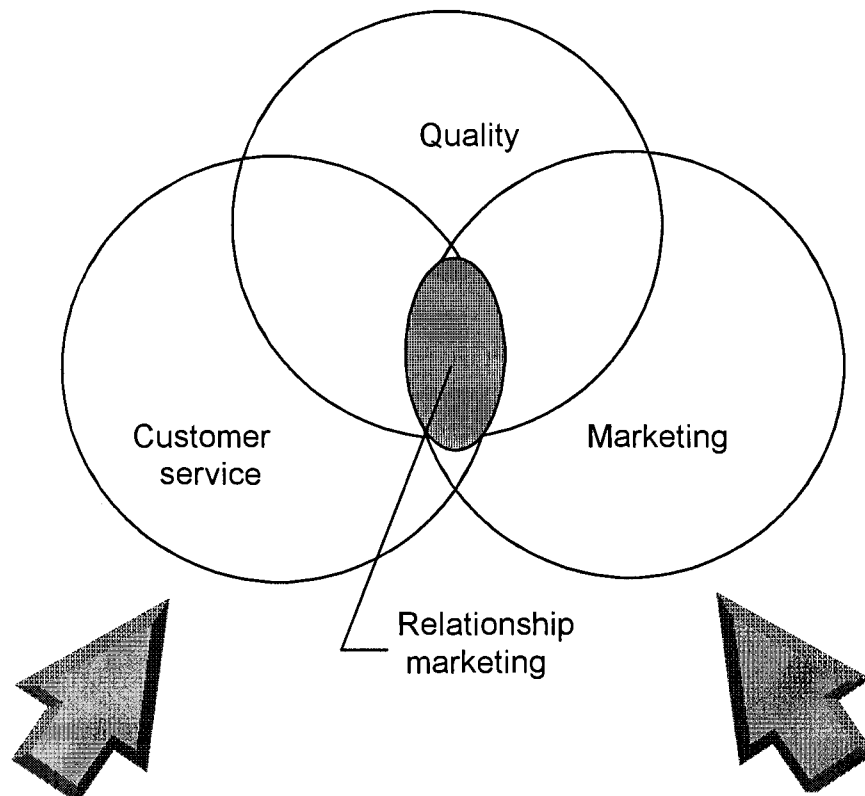
**Source:** Payne, A. 1993. **The essence of services marketing**. Englewood Cliffs: Prentice Hall, p 30.

Marketing is concerned with exchange relationships between a company and its customers and quality and customer service are key linkages in this relationship. As indicated in figure 4.7, relationship marketing suggests that the linkages between marketing, customer service and quality must be exploited in order to achieve total customer satisfaction and long-term relationships. Modern enterprises seem to be realising that these three areas must be brought into closer alignment.



FIGURE 4.7

## THE RELATIONSHIP MARKETING ORIENTATION



**Source:** Christopher, et al 1991. **Relationship marketing**. Oxford: Butterworth, p 4.

Relationship marketing is concerned with getting and keeping customers. In the past marketing emphasised the "getting" of customers rather than the "keeping" of them. The aim of relationship marketing is to close this loop. Relationship marketing is particularly important in the estate agency industry where estate agents should attempt to retain customers for future sales and word-of-mouth advertising.

Gummesson (2000: 1) defines relationship marketing as "... marketing seen as relationships, networks and interaction" Lamb, Hair and McDaniel (2002: 13) define relationship marketing as "a strategy that entails forging long-term partnerships with customers". Kotler and Armstrong (2001: 603) indicate that relationship marketing "...involves creating, maintaining and enhancing strong relationships with customers and other stakeholders." Harker (1999: 6),

on the other hand, views relationship marketing as “... proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers (partners)”.

Relationship marketing has moved away from a focus on individual transactions towards a focus on building value-laden relationships and marketing networks. It is oriented more towards the long term. The goal is to deliver long-term value to the customers and the measure of success is long-term customer satisfaction. Relationship marketing requires that all the enterprise's departments work together to serve the customer. It also involves building relationships at many levels — economic, social, technical, legal — resulting in high customer service.

Pressey and Mathews (2000: 3) identified the following seven dimensions or indicators of relationship marketing:

- \* A high level of trust between the parties
- \* A high level of commitment between both parties
- \* A long time horizon (or length of relationship)
- \* Open communication channels between both parties, with information exchanged between both parties
- \* Having the customers' best interest at heart
- \* A commitment to quality for both parties
- \* An attempt to favourably lock-in or retain the customer

Although the concept of relationship marketing has made a significant impact, it is not "new" to marketing practice or theory. Fullerton (1988) points out that from the late 1870s onwards, large retailers in the United States and Europe maintained long-term relationships with customers in remote areas by providing mail-order services. Implicit to Alderson's (1957) functionalist-based definition of marketing as the matching of segments of supply and demand and Fish's (1967) view of marketing as a behaviourist system, is the idea that marketing depends on relationships. Early adopters of the marketing concept also recognised that

marketing involved the management of the interaction of employees with customers.

One of the benefits which has emerged from the relationship marketing vogue is that it has created, albeit unwittingly, the possibility for the full potential of the philosophy that underlies the marketing concept to be realised in both theory and practice.

The total marketing concept is reflected in relationship marketing. With its emphasis on customer service, excellent quality, people involvement and the development of enduring relationships, relationship marketing can be the ideal way for an estate agency to differentiate its market offering and to sustain a competitive advantage. This study will attempt to investigate to which extent relationship marketing is practised by estate agencies in the residential property market.

Relationship marketing thus involves an expansion of the marketing mix and an extension of the market. Both these aspects are discussed in the following sections.

## **4.8 EXPANSION OF THE MARKETING MIX**

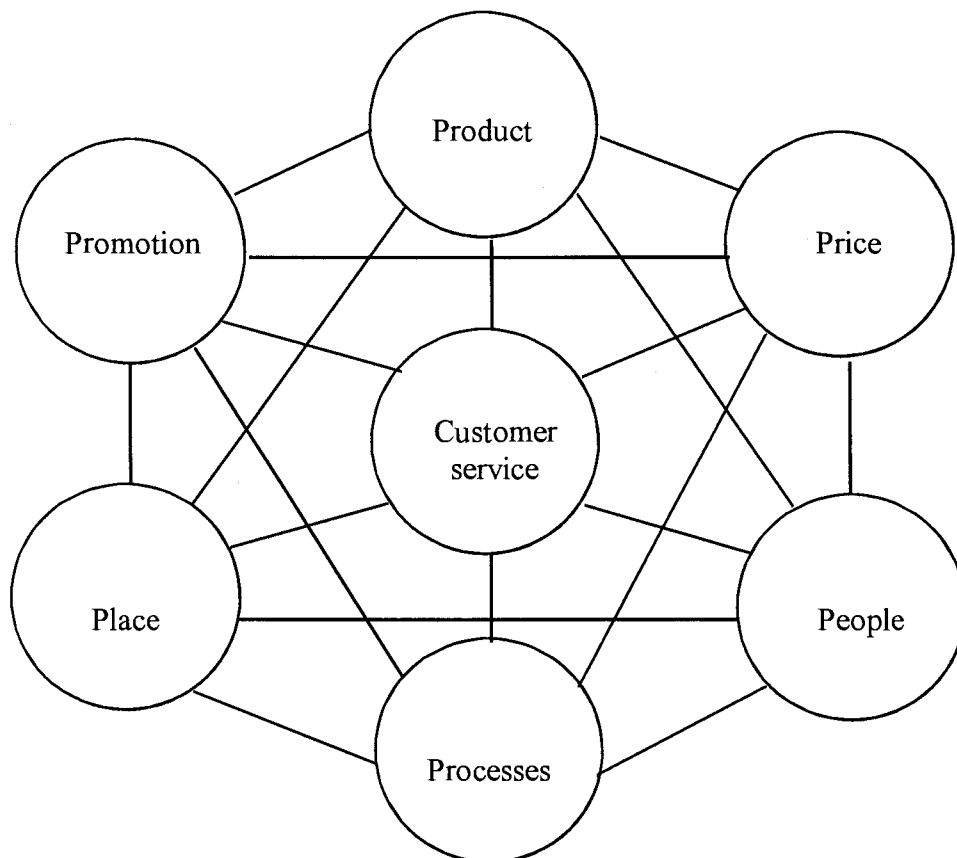
### **4.8.1 Achieving synergy**

According to Christopher, Payne and Ballantyne (1991: 8), the four main elements of the marketing mix, namely the product, price, promotion and distribution (discussed in section 4.5), do not really capture the full extent and complexity of marketing in practice, neither do they explicitly recognise the essential inter-relationships between the elements of the mix. These authors view the above four marketing instruments as inadequate to ensure full consumer satisfaction and they indicate that relationship marketing consists of seven elements, namely the traditional elements of product, price, promotion and distribution, plus the three additional elements of people, processes and the provision of customer service. These seven elements are indicated in figure 4.8. The three additional elements are discussed in the following sections.

It is only when decisions regarding one element of the extended marketing mix fully supports,

reinforces and contributes to all the others that the synergistic advantages of relationship marketing becomes clear. Jain (2000: 180) indicates that synergy is the concept that the combined effect of certain parts is greater than the sum of their individual efforts. Figure 4.8 illustrates the synergistic effect by means of the many interlinking lines between the seven elements.

**FIGURE 4.8**  
**THE EXPANDED MARKETING MIX**



**Source:** Christopher et al. 1991. **Relationship marketing**. Oxford: Butterworth, p 13.

Each one of the three additional elements merits a more detailed discussion.

#### **4.8.2 Customer service**

##### *4.8.2.1 Providing quality service*

Customer service is not really an independent element of the extended marketing mix, but owes its existence to the contributions of the other six elements.

The customer service component of relationship marketing is an extremely important aspect in the estate agency industry. Good service pays off because it creates true clients, namely clients who are glad they selected a particular estate agency, customers who will use the estate agency again and sing the agency's praises to family and friends, who in turn may become loyal clients.

As indicated in chapter 1, 68 percent of customers who leave a company leave because they are dissatisfied with the service they are receiving (Cheales 2000: 6). In 1987 Le Boeuf (1987: 13-14) already realised the importance of good customer service with the following finding: "A typical business hears from only four percent of its dissatisfied customers. The other ninety six percent just quietly go away and ninety one percent will never come back".

According to Truter (1993: 20) the provision of good customer service is a key success factor of estate agencies. In order to offer quality service, estate agents should be knowledgeable and informed. An agent should not be tardy in offering customers the benefit of his expertise, even on an informal basis, as this will add value to the service provided, thus improving the chances of creating a sustainable competitive advantage.

Estate agents are sometimes regarded as intruders who make easy money and it is therefore up to the members of the profession to change this perception by building a sound reputation through the quality of the service which they provide. Truter (1993: 20) indicates that maintenance of high ethical standards and inherently good service throughout the whole selling process can help convince the public that estate agents are not parasites and work hard to earn their money.

Simple practicalities and good logistics are an integral part of customer service. No estate agent who forgets appointments, arrives late, has insufficient information available, or appears to be disorganised is offering good service. Quality service makes a solid contribution towards a good professional reputation and helps to retain customers instead of just "getting" them.

#### *4.8.2.2 The meaning of service quality*

Many definitions of service quality exist, but quality is mostly viewed in light of the functions which a product or service must deliver (consumer need satisfaction). Futrell (2000: 379) indicates that the quality of service must be based on customer expectations. Customers expect a certain level of service from the seller. Their expectations frequently are based on information provided by the salesperson, past experiences, word-of-mouth, and personal needs. When buyers perceive service received as that which they expected, they are satisfied.

According to Fitzsimmons and Fitzsimmons (1994: 189), the assessment of quality is made during the service delivery process, which usually takes place with an encounter between a customer and a service contact person (the estate agent). Customer satisfaction with service quality can be defined by comparing perceptions of service received with expectations of services desired. Grönroos (2000: 62) also indicates that "...quality is whatever the customers say it is, and the quality of a particular product or service is whatever the customer perceives it to be."

Kotler (2000: 438) indicates that when expectations are exceeded, service is perceived to be of exceptional quality and also to be a pleasant surprise. When expectations are not met, service quality is deemed unacceptable. When expectations are confirmed by perceived service, quality is satisfactory.

Pride and Ferrell (2000: 331) are also of the opinion that service quality is an indication of how well the service level delivered matches customer expectations and that the delivery of quality service means conforming to customer expectations on a consistent basis. These authors indicate that service quality is the difference between consumer's expectations of a service and the service which they actually receive.

Because of the many existing definitions of service quality the following distinct characteristics of service quality have been identified:

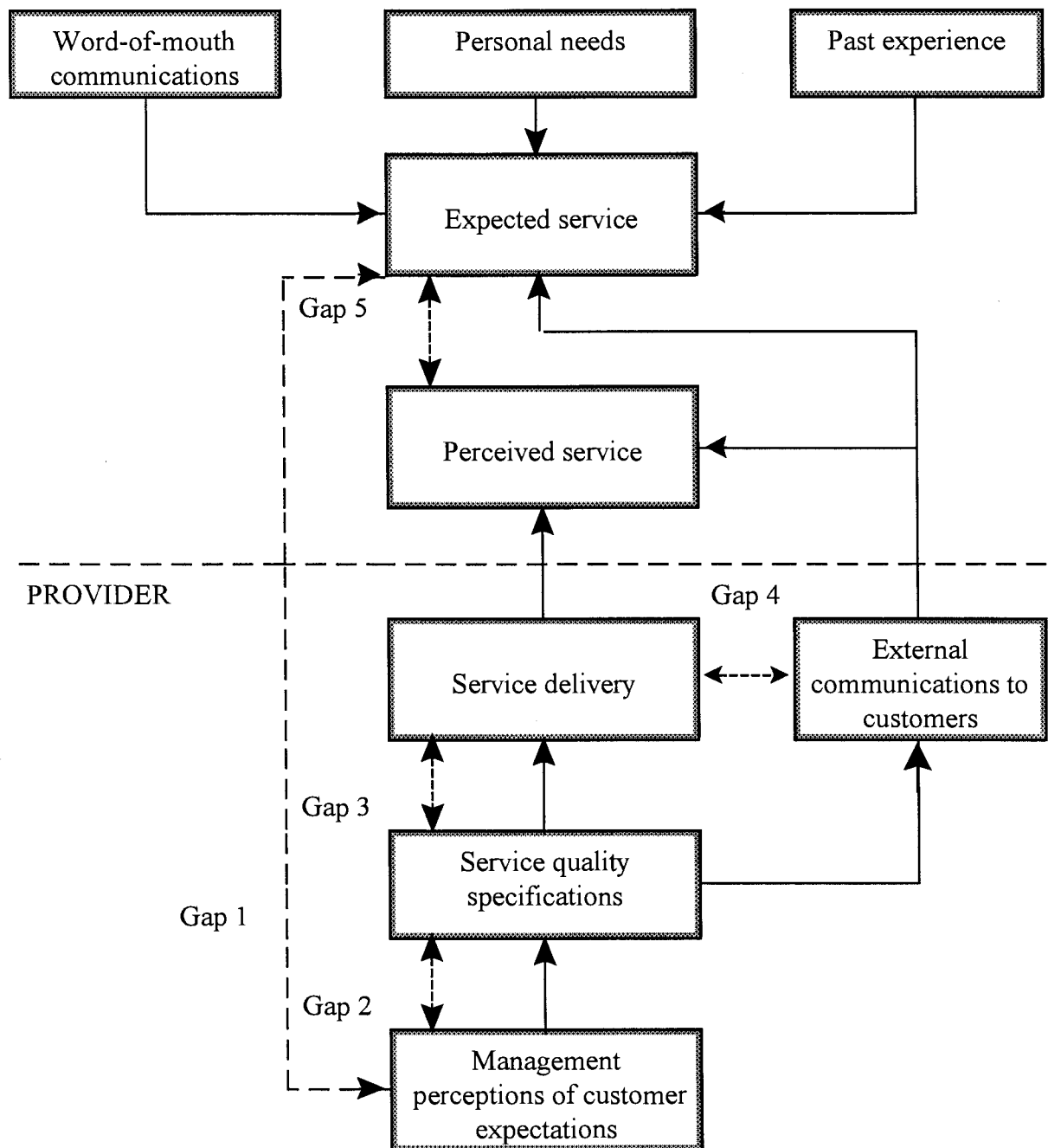
- \* Service quality refers to service delivery and the degree to which the service meets consumers' expectations.
- \* Service quality implies a consumer orientation since consumer expectations and satisfaction are viewed as points of departure.
- \* Service quality is experienced subjectively by consumers.
- \* Consumer satisfaction determines the service quality.

#### *4.8.2.3 Measuring service quality*

As indicated previously, service quality is defined in terms of the difference between consumer expectations and perceptions. Catherwood (1990) studied buyers' perceptions of estate agents as the transaction progressed. The research found that a decline in service quality occurs after the "offer to purchase" document is signed. The suggested reason for this is that the agent loses interest in his client once the commission is secured and the buyer becomes legally locked into the transaction. Although Catherwood looked at consumer perceptions, he did not study their expectations as well.

In 1985, after extensive research, Zeithaml, Parasuraman and Berry developed the SERVQUAL (service quality) model which explains the factors that determine a customer's expectations and perceptions concerning service quality as well as the five gaps that can cause unsatisfactory service delivery. This model is also known as the Gaps model because of the five gaps associated with it. The SERVQUAL model appears in figure 4.9.

**FIGURE 4.9**  
**THE SERVQUAL MODEL**



Source: Kasper et al 1999. *Services marketing management*. West Sussex: Wiley, p 217.

Primarily, the SERVQUAL model demonstrates the emergence of service quality. The upper part of the model includes aspects related to the customer, while the lower part shows aspects related to the service provider (the estate agent or agency). The **expected service** is a function



of the customer's **past experience, personal needs** and of **word-of-mouth communication**. It is also influenced by the **marketing-communication** activities of the company (the estate agency).

The **perceived service** indicated in the model is the outcome of a series of internal decisions and activities. **Management perceptions of customer expectations** guide decisions about **service quality specifications** to be followed by the enterprise, when **service delivery** takes place. As indicated, **market communication** can be expected to influence the perceived service as well as the expected service.

The model demonstrates which steps have to be considered when analysing and planning service quality and possible sources of quality problems can also be detected. In addition, the model indicates the five discrepancies between the various elements of the basic structure, namely the so-called **quality gaps**. The quality gaps are the result of inconsistencies in the quality management process. Gap 5, the gap between expected and perceived (experienced) service, is the function of the other gaps which may have occurred in the process. The five gaps which appear in the model are now discussed.

#### **i) Gap 1: Not knowing what customers expect**

This gap arises because managers do not always have an accurate understanding of what customers want. According to Kasper et al (1999: 221) this gap is due to management's lack of a full understanding of how customers formulate their expectations on the basis of a number of sources such as advertising, past experience with the firm and its competitors, personal needs and communications with friends. Many companies think they know what customers want and deliver that without first determining what customers really need. When this happens, companies provide services that do not match customers' expectations, and important features are left out while the levels of performance on features that are provided are inadequate. The main factors which cause gap 1 are a lack of marketing research, inadequate upward communication and too many management levels.

Zeithaml and Bitner (1996: 49) mention the following strategies to close gap 1:

- \* **Use customer complaints.** To fully understand customers' needs, companies should encourage and facilitate customers' feedback about problems. Bennett (1995: 289) indicates that complaints must be analysed and discussed with the employees so that problems can be addressed. Any complaints received by the estate agency should therefore be discussed with the estate agents in order to improve the services offered.
- \* **Research what customers want in similar industries.** Companies such as estate agencies should look at other service industries in order to learn more about the quality of services which customers expect, for example the hotel industry.
- \* **Create customer panels.** The estate agency could invite a number of clients to join a client panel in order to discuss service standards.
- \* **Immediate assessment of satisfaction.** Estate agencies should question customers immediately after a transaction about their satisfaction with the estate agents with whom they interacted. Aspects which can be investigated include helpfulness, friendliness and professionalism.
- \* **Customer-expectation studies.** Customer needs in the estate agency industry should be assessed regularly. The 22-item SERVQUAL questionnaire mentioned in the discussion of gap 5 could, inter alia, be used in this regard.
- \* **Use marketing research effectively.** Estate agencies should conduct marketing research regularly, make the results available to the relevant employees, and use the research findings in marketing decisions.
- \* **Increase interaction between management and customers.** The managers in an estate agency should interact with customers in order to find out what they think of aspects such as the quality of service provided by the estate agents, the friendliness of the receptionists at the agency, and so forth.

- \* **Improve upward communication.** Since estate agents interact with customers regularly and are responsible for solving customers' problems and unsatisfied needs, they should be encouraged to share their experiences with management. In this way new ideas can be generated and major problems can be identified (Bennett 1995: 290).
- \* **Reduce the number of management levels.** Since too many managerial levels can negatively influence communication between customer-contact personnel (estate agents) and management, managerial levels should be kept at a minimum.

If the above-mentioned strategies are implemented by an estate agency, the discrepancy between customer expectations and management perceptions of these expectations (gap 1) will be greatly reduced.

#### ii) **Gap 2: Setting poor service quality standards**

Gap 2 refers to the gap between management perceptions of customer expectations and the company's service quality specifications. Kasper et al (1999: 222) indicate that many managers do not want to change the existing company systems of service delivery because this often requires altering established job procedures or it may require new equipment or technology. For example, although estate agents may provide a better service by making use of computer networks, they might not be knowledgeable about how to operate computers and therefore develop a fear of this technological innovation. The researchers found gap 2 to be a wide gap in many companies. The key contributing factors to this gap include inadequate management commitment to service quality, perceptions of infeasibility, inadequate task standardisation and absence of goal setting.

Grönroos (2000: 103) suggests the following strategies for closing gap 2:

- \* **Commitment to service quality.** In order to provide services of a high quality top management must provide the leadership and commitment. According to Bennett (1995: 291) top management must first formulate a clear vision statement on service quality, and secondly, they must communicate this vision to all employees (estate agents). Financial

incentive schemes and training programmes should also be available to estate agents who are ultimately responsible for effective service quality. These two aspects were discussed in detail in chapter 2.

- \* **Creating possibilities.** The key to perceiving feasibility is being open to innovations and being receptive to different and possibly better ways of doing business. Managers who seriously wish to improve service quality should therefore believe that the impossible is indeed possible and that nothing can stand in the way of satisfying the customer's every need. Managers and estate agents should view customers' demands as challenges rather than problems.
  
- \* **Standardising tasks and setting service quality standards.** As mentioned previously, standardising some aspects of the service process often helps to provide consistent service quality. Zeithaml et al (1996: 49) also indicate that in order to provide a standard against which service quality can be evaluated, specific goals must be developed. The authors specify certain criteria which these goals must satisfy. Firstly, these goals must be designed to meet customer expectations and secondly, they must be specific, for example, to answer a call from a client within one hour. Thirdly, the goals must be accepted by all employees in the company. A fourth criterium is that these goals must focus on the most important job dimensions. In the Zeithaml research (1996: 85) it was found that customers wanted reliability more than anything else. The last criterion is that the goals must be measured and reviewed regularly in order to be effective.

An estate agency which follows the above-mentioned strategies will be able to close the gap between management perceptions of customer expectations and the company's service quality specifications.

### iii) Gap 3: The service performance gap

Gap 3 refers to the difference between service specifications and the actual service delivery. Zeithaml et al (1996: 43) indicate that this happens when employees are unable and/or unwilling to perform the service at the desired level. The researchers also found that the

service performance gap is common in service businesses. The seven factors which contribute to gap 3 include role ambiguity, role conflict, poor employee-job fit, poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

Zeithaml et al (1996: 311-329) suggest the following strategies for closing gap 3:

- \* **Providing role clarity.** In order to provide role clarity estate agents must be informed about what is expected of them (job descriptions) and what the goals, objectives, strategies and philosophy of the company are. They should also be given feedback regarding how they are performing against the set standards. Technical and interpersonal (dealing with customers) training should be given to them in order to instil confidence and ensure competence (Bennett 1995: 296).
- \* **Eliminating role conflict.** Role conflict can increase absenteeism and turnover and it also has a negative effect on employees' satisfaction and performance. Role conflict can be minimised if the company defines service standards in terms of customers' expectations. Many companies involve employees in the standard-setting process, believing that they are more knowledgeable than anyone else about their jobs. This is particularly true in the estate agency industry where estate agents are more knowledgeable about customers' expectations. This approach has the advantage that employees (estate agents) feel responsible for the service quality changes which they have helped to develop, know exactly what is expected of them, and accept change because they see why the new procedure is better.
- \* **Improving employee-technology job fit.** Lack of suitable employees and appropriate technology is not conducive to service excellence. A very important aspect to consider when recruiting, screening and appointing employees is the employee's ability to work with people. This is particularly true when appointing estate agents, since they are the people who have frequent customer contact. Employees who are already in the employ of the company but do not possess the necessary skills, should be trained. Whether this occurs in estate agencies will form part of the research for this study.

- \* **Measuring and rewarding service performance.** If employees deliver good service to customers they must be rewarded for their effort. These rewards need not necessarily be monetary, as incentives such as promotion and recognition should also be given. Prizes could, for instance, be given to estate agents who have provided high-quality services to customers, for example, agent of the month, millionaire's club, and so forth.
- \* **Empower customer-contact employees.** Unnecessary restrictions which limit the freedom of employees too much should be abolished. Bennett (1995: 296) indicates that more freedom in the job environment will lead to improved service.
- \* **Building teamwork.** Employees should work together to deliver high-quality service. Estate agents employed by the same agency must therefore function as a team and not attempt to "steal" a colleague's customers, or discourage a prospective buyer from purchasing a home from a colleague.

By following the above-mentioned strategies it will be possible for a company to minimise the discrepancy between service quality specifications and actual service delivery.

#### iv) **Gap 4: Service delivery-communications gap**

Zeithaml et al (1996: 45) maintain that the fourth main cause of low-service quality is the gap between what a company promises about a service and what it actually delivers. Many companies raise the expectations of its customers by promising them more than they can deliver. Accurate and appropriate communication messages are essential to delivering services that customers perceive as high in quality.

The main factors which contribute to gap 4 are inadequate horizontal communication, different policies and procedures and propensity to overpromise.

The strategies necessary to close gap 4 are the following (Zeithaml et al 1996: 47, 449-478):

- \* **Opening channels of communication between advertising and operations.** In order

to ensure accurate and credible advertising, the marketing department should communicate with the operations department (for example, administration) before developing and launching an advertising campaign about the estate agency's services. The customer-contact personnel (estate agents) should also be informed about the campaign so that they will know everything about the services promised when confronted by customers. This forms part of the internal marketing campaign which is discussed in section 4.8.3.3.

- \* **Opening channels of communication between sales and operations.** The customer-contact personnel or estate agents should communicate with the operations personnel (for example, the administrative personnel) in order to ensure that the promises made to customers are fulfilled. If the sales staff promise any extras or additional services to customers, this must be communicated well in advance to the operations department to allow them to take the necessary steps to satisfy these demands (Bennett 1995: 299).
  
- \* **Opening channels of communication between human resources, marketing and operations.** Since estate agents are the internal customers of the human resources department, the service they receive strongly influences the way they serve external customers. If these internal customers are to deliver high-quality service to external customers then incentives, training, motivation and selection must be aligned with service quality objectives in the estate agency.
  
- \* **Providing consistent service across branches or franchises.** In order for customers to receive consistent service across branches or franchises, a company must develop a mechanism for ensuring uniformity. Bennett (1995: 299), however, indicates that in situations where employees can improve customer service they should be allowed to deviate from set procedures.
  
- \* **Develop appropriate and effective communication about service quality.** If all sales and advertising messages concentrate on the service aspects which are rated as important by customers, all external communication will focus on the attributes which customers

value, thereby reducing the propensity to overpromise.

- \* **Inform clients about their roles in service delivery.** It sometimes happens that service problems are caused by the clients themselves. An offer or a contract to purchase a home may, for example, not be acceptable because the buyer has given the incorrect information in the contract. The transaction will therefore take much longer to complete because the contract now first has to be returned to the buyer for the correct information. The estate agent should therefore, right from the beginning, communicate to the client how he can be a "better client" by emphasising all the important issues necessary to effectively complete the purchasing process.

The above-mentioned strategies should be implemented to reduce the gap between actual service delivery and external communications about the service.

**v) Gap 5: The difference between expected and perceived service**

As mentioned previously, gap 5 of the SERVQUAL model depends on the nature of gaps 1 to 4. The magnitude and direction (positive or negative) of each of the preceding four gaps will thus have an impact on service quality perceived by the customer (Bennett 1995: 300).

The key success factor of service quality is the satisfaction of that which the consumer expects of the service. The perception of high or low-service quality depends on the consumer's perception of the service provided. Grönroos (2000: 72) maintains that the company's image also influences the consumer's expectations. This image can be established to such a degree that the consumer will be satisfied with the service provided even if the consumer has had a negative experience with the company. The consumer's positive image of the company influences him to look for an excuse for this negative experience. However, if the consumer repeatedly has negative experiences with the company, this could influence him to change his image of the company. The quality which the consumer perceives in a service is thus a function of the size and direction of the gap between expected and perceived service, and the company must attempt to reconcile expected and perceived service in order to ensure customer satisfaction.



Parasuraman (1988) developed certain service quality determinants to be used in the measurement of service quality. The result of this development is a 22-item instrument, the SERVQUAL instrument, which measures the consumer's perception of quality. This instrument is therefore used to evaluate quality from the consumer's viewpoint by comparing the consumer's expectations before the service is used and the perceptions created after use of the service. The SERVQUAL instrument thus measures only gap 5 (Jooste et al 1993: 246). This instrument can be used by estate agencies to measure the quality of their customer service. The questionnaire consists of 22 items which measure the consumer's expectations and perceptions concerning a specific service. These items are based on the five dimensions of service quality identified by quantitative research, namely reliability, responsiveness, assurance, empathy and tangibles.

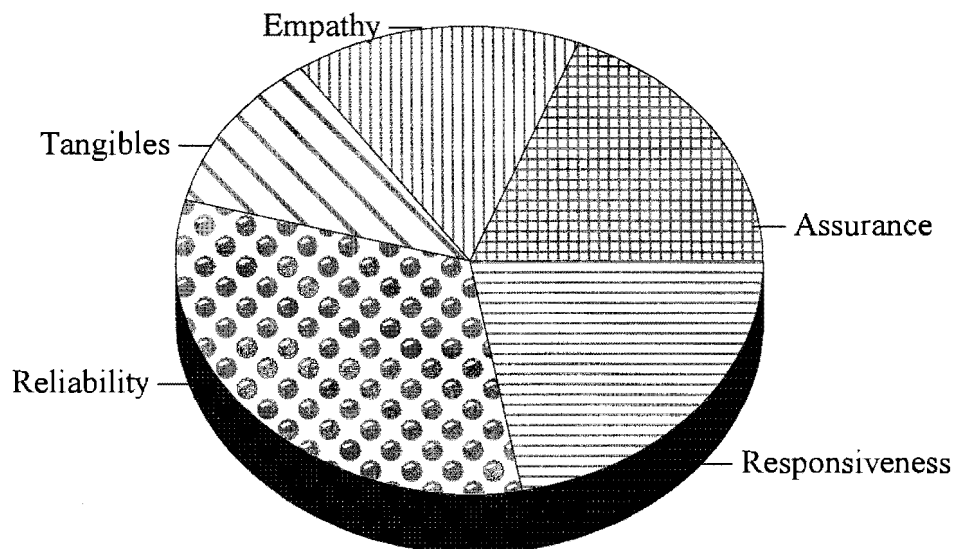
- \* **Reliability** is the ability to perform the promised service dependably and accurately. Reliable service performance is a customer expectation and means that the service is accomplished on time, in the same manner and without errors. Reliability extends to the office where accuracy in billing and record-keeping is expected.
- \* **Responsiveness** is the willingness to help customers and to provide service. When estate agents keep customers waiting, particularly for no apparent reason, this creates unnecessary negative perceptions of quality. Phone calls or letters must also be answered promptly and estate agents must be willing to answer all the prospective customer's questions.
- \* **Assurance** refers to the knowledge and courtesy of employees and their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer and the general attitude that the estate agent has the customer's best interests at heart.
- \* **Empathy** implies the provision of caring, individualised attention to customers. Empathy includes the following features: approachability, sense of security, and the effort to

understand the customer's needs.

- \* **Tangibles** refer to the appearance of physical facilities, equipment, personnel and communication materials. The condition of the physical surroundings is tangible evidence of the care and attention to details exhibited by the company. If the estate agency's advertisements, for example, contain grammatical errors or are not well written, this will create a negative image of the company and prospective customers will not expect a high service quality.

Zeithaml et al (1996: 119-122) found reliability to be the most important service quality dimension and tangibles the least important of the five. The five dimensions therefore imply that an estate agency or agent must have a good appearance, be prepared to help customers, provide assurance and empathy to customers and be very reliable. In other words, the service promised to customers must be provided to them. The relative importance of the five aspects of service quality is indicated in figure 4.10.

**FIGURE 4.10**  
**RELATIVE IMPORTANCE OF THE SERVQUAL DIMENSIONS**



**Source:** Adapted from Kotler 2000. **Marketing management**. New Jersey: Prentice Hall, p 440.

Companies who are committed to providing quality service must firstly determine consumer perceptions of service quality; secondly identify the causes of the shortcomings of customer service; and thirdly take corrective actions to improve the service quality.

### 4.8.3 People

#### 4.8.3.1 Employee influence

The people component of relationship marketing which was referred to in figure 4.8, refers to the employees who should be well trained in rendering customer service and be aware of the fact that their own job satisfaction ultimately rests on the success of the enterprise in the market. By recognising the contribution of its estate agents to get and keep customers, a company's competitive performance will be substantially enhanced.

If people (employees) are to be viewed as part of the marketing mix, the enterprise should recognise the different roles which its employees play in executing both the marketing task and customer contact. Payne (1993: 164-165) indicates a categorisation scheme based on the degree of frequency of customer contact and the extent to which staff are involved with conventional marketing activities. Figure 4.11 indicates that such categorisation results in four groups, namely contractors, modifiers, influencers and isolated. These groups are now discussed.

**FIGURE 4.11**  
**EMPLOYEE INFLUENCE ON CUSTOMERS**

	Involved with conventional marketing mix	Not directly involved with marketing mix
Frequent or periodic customer contact	Contractors	Modifiers
Infrequent or no customer contact	Influencers	Isolateds

**Source:** Payne, A. 1993. **The essence of services marketing**. Englewood Cliffs: Prentice Hall, p 164.

- \* **Contractors.** These are the employees who have regular contact with customers and are heavily involved with marketing activities. In the estate agency firm the contractors are the estate agents. They should be recruited based on their potential to be responsive to customer needs. The agents should therefore be well versed in the marketing strategies of the firm, and be well trained, prepared and motivated to serve the customers on a day-to-day basis.
- \* **Modifiers.** These are the estate agency firm's receptionists, credit department and switchboard personnel. Although they are, to a large degree, not directly involved with conventional marketing activities, they nevertheless have frequent customer contact. They therefore need to have a clear understanding of the estate agency's marketing strategy and the role that they can play in being responsive to customer's needs. They should be trained in customer relationship skills, and monitoring of their performance is particularly important.
- \* **Influencers.** These are people who have infrequent or no customer contact and are involved only with the traditional marketing-mix elements. They are the employees who are involved in the development of the service, market research, etcetera. In the recruitment of influencers, people with the potential to develop a sense of customer responsiveness should be sought.
- \* **Isolateds.** These are employees who perform various support functions and have neither frequent customer contact nor have a great deal to do with the conventional marketing activities. As support people, however, their activities critically affect performance of the estate agency firm's activities. The staff who fall into this category include employees who work in the purchasing, personnel, or data processing departments. They need to be sensitive to the fact that internal as well as external customers have needs which must be satisfied. They also need to understand the company's overall marketing strategy and how their functions contribute to the quality of delivered value to the customer.

People therefore form a very important part of the differentiation in an estate agency which

can create added value for the customer. By viewing people as a separate element of the marketing mix, the necessary level of attention can be given to maximising the impact of their activities and motivating and rewarding them to make the desired contribution. According to Hennig-Thurau and Hansen (2000: 11), before a company can generate satisfied and loyal customers, it must first ensure employee satisfaction and employee loyalty through the intensive management of internal relationships.

#### *4.8.3.2 Creating a beneficial climate in which to work*

As mentioned in chapter 2, the corporate culture in an estate agency firm determines the "atmosphere" in which personnel work and influences activities within the enterprise. Grönroos (2000: 318) defines corporate culture as "...the pattern of shared values and beliefs that give the members of an organisation meaning, and provide them with the rules for behaviour in the organisation." A negative corporate culture will create negatively inclined estate agents which, in turn, will drive customers or potential customers away before a long-term relationship can develop. The creation of a favourable corporate culture is therefore an integral part of relationship marketing.

Corporate culture is described by Strydom et al (2000: 501-502) as consisting of the following elements:

- \* **Business environment.** Every enterprise faces a different reality in the marketplace, depending on its products or services, competitors, customers, technology, government influences, and so on. This environment determines what the enterprise must do to succeed.
- \* **Shared values.** Everyone in the enterprise should share the same values so that these values are reinforced and widely accepted. Enterprises usually embrace only the following basic values:
  - A belief in being the "best".
  - A belief in the importance of people as individuals. This can help towards

maintaining honesty.

- A belief in superior quality and service.
  - A belief in informality in order to promote communication. If an "honest climate" is to be created, communication on all the levels of the enterprise is essential.
  - A belief in the importance of economic growth and profitability.
- \* **Norms.** If the enterprise wishes to create a favourable culture, norms and standards of behaviour which influence decisions and actions throughout the enterprise, must be developed. Management must therefore set an example for employees.
- \* **Heroes.** Heroes are people who personify the culture's values and provide tangible role models for employees to follow. Heroes are usually the achievers who are known to all the employees in the enterprise, for example, estate agents who have made a name for themselves in the industry, and who can show employees what actions to take to succeed.
- \* **Rites and rituals.** This refers to the systematic and programmed routines of day-to-day life in the estate agency firm. The rites and rituals indicate to employees what kind of behaviour is expected of them and can be used to create loyalty among the firm's employees.
- \* **Cultural network.** As the primary (informal) means of communication in a company, the cultural network is the "carrier" of corporate values and heroic mythology.

A strong culture will indicate how the employees of the enterprise must behave. If employees know exactly what is expected of them, they will waste little time in deciding how to act in a given situation. In an unfavourable corporate culture employees will waste a lot of time in trying to figure out what they must do and how they should do it. A favourable corporate culture enables employees to feel better about what they do, and they are therefore more likely to work harder, which leads to a happy and satisfied work force.

Internal marketing is a method which can be used to create a favourable corporate climate in

an enterprise and is discussed in the following section.

#### *4.8.3.3 Internal marketing*

Internal marketing evolves from the idea that employees represent an internal market within the company. This market needs to be educated and informed about the company's mission, the benefits of its products and services and the expectations of its customers. According to Kotler and Armstrong (2001: 319), successful marketing to this group will contribute significantly towards achieving ultimate success in the delivery of all marketing activity to external customers.

Internal marketing is therefore the process by which all members of the enterprise come to understand the value of the marketing task and their own roles in implementing marketing strategies. According to Grönroos (2000: 331), goods and services as well as specific external marketing campaigns have to be marketed to employees before they are marketed externally. All employees must perform their jobs effectively if marketing strategies are to be implemented. Any one individual, such as an unfriendly estate agent or telephonist, can reduce customer satisfaction.

Marketing strategies cannot be implemented if employees do not cooperate or do not understand their importance. Internal marketing therefore involves attracting, motivating and keeping qualified employees by designing jobs that satisfy employees' needs. These aspects of recruitment, motivation and retention of estate agents were discussed in chapter 2 and imply that a corporate culture needs to be instilled in estate agents which will motivate them to work to the best of their abilities.

The concept of internal marketing therefore entails many different facets and decisions in a company. In conclusion, Grönroos (2000: 339) identifies the following three prerequisites for successful internal marketing:

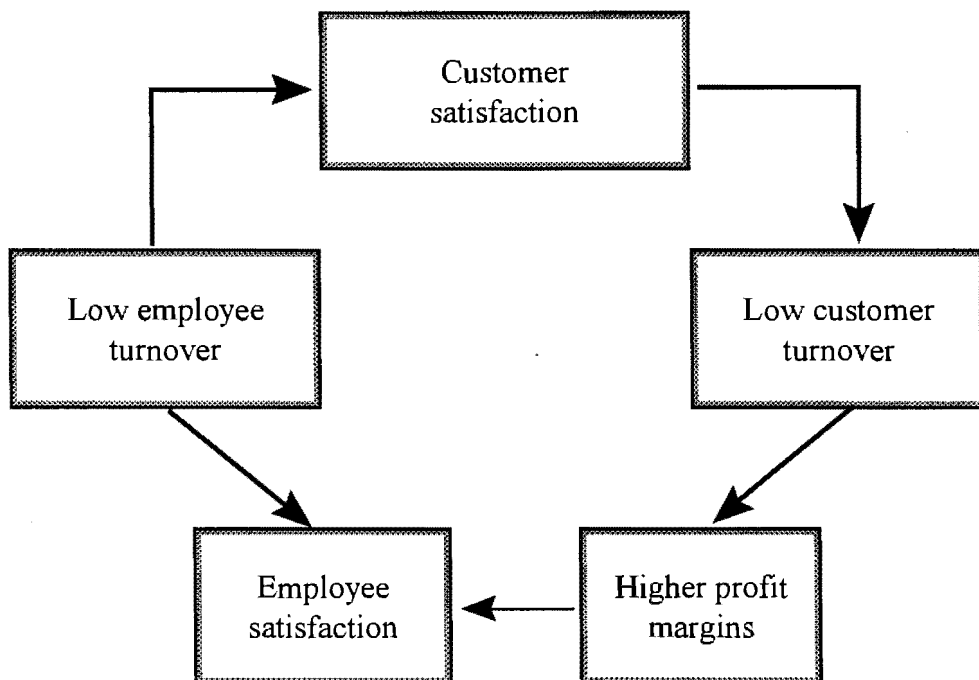
- \* Internal marketing has to be considered an integral part of strategic management.

- \* The internal marketing process must not be counteracted by the organisational structure or by lack of management support.
- \* Top management must demonstrate constantly an active support for the internal marketing process.

#### 4.8.3.4 *Employee continuity*

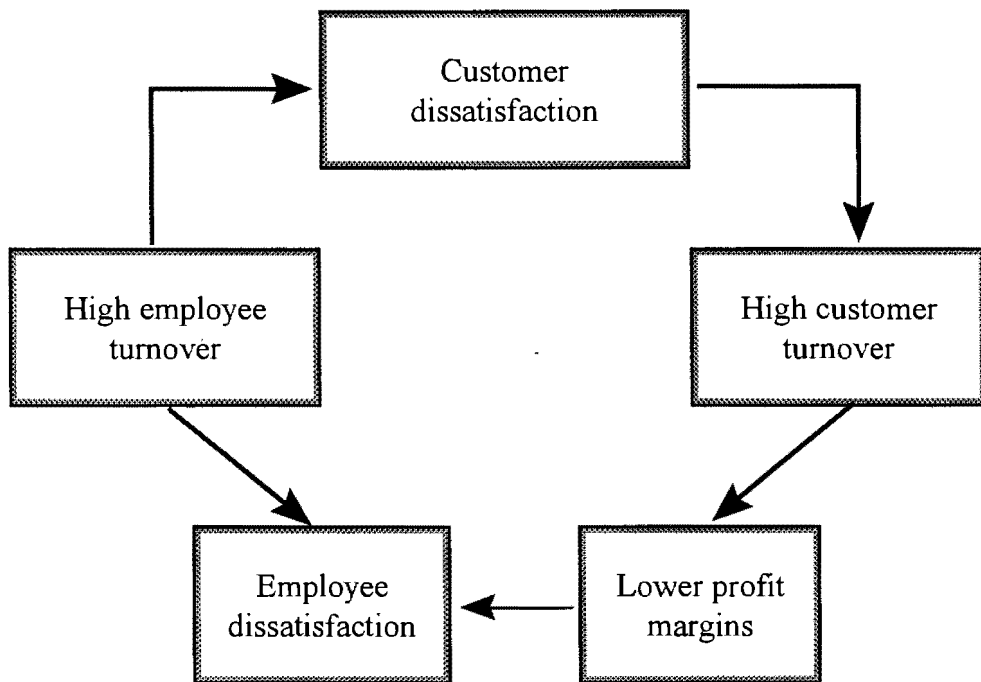
Hiring and retaining of customer-focused employees could be the key to survival for many estate agencies. Vavra (1992: 245) indicates that there is mounting evidence that satisfied employees (who remain longer at a company) create better satisfied customers. Figure 4.12 shows the concomitant cycle of good customer service and indicates that higher employee retention and higher customer retention increase customer lifetime value.

**FIGURE 4.12**  
**THE CYCLE OF GOOD SERVICE**





### THE CYCLE OF POOR SERVICE



**Source:** Vavra, TG. 1992. *After marketing*. Homewood, Illinois: Irwin, p246.

Cram (1994: 65 -69) indicates that staff continuity (low employee turnover) has several advantages. Firstly, there is **role familiarity**, because the longer an employee (estate agent) occupies a particular position, the more thorough is his understanding of everything the job entails. **Colleague familiarity** is a second advantage of staff continuity. A company is a collection of individuals, each of whom has their special skills and abilities, personal weaknesses and foibles. Over time a new estate agent comes to know these strengths and weaknesses and he knows who to ask for advice, who to rely on, and so forth.

A third benefit of a low employee turnover is product or **service familiarity**. The longer an estate agent has been with a company, the greater is the depth of service or product knowledge. The benefit of service familiarity is the confidence it gives the employee, who feels that he knows everything there is to know about his service or product.

**Customer familiarity** is another advantage of staff continuity. The longer an estate agent is employed in a particular field, the more he is able to predict customer responses to situations

based on previous experience. The fifth benefit is known as **culture familiarity**. A familiarity with the company culture helps to maintain consistency in the company.

The last benefit of staff continuity is **contributions**. If estate agents are familiar with their roles, each other, the product or service, customers and the company culture, they can make a far greater contribution. Ideas, improvements and inspirations are more likely to be matched to the organisational competence and customer needs if these familiarities exist.

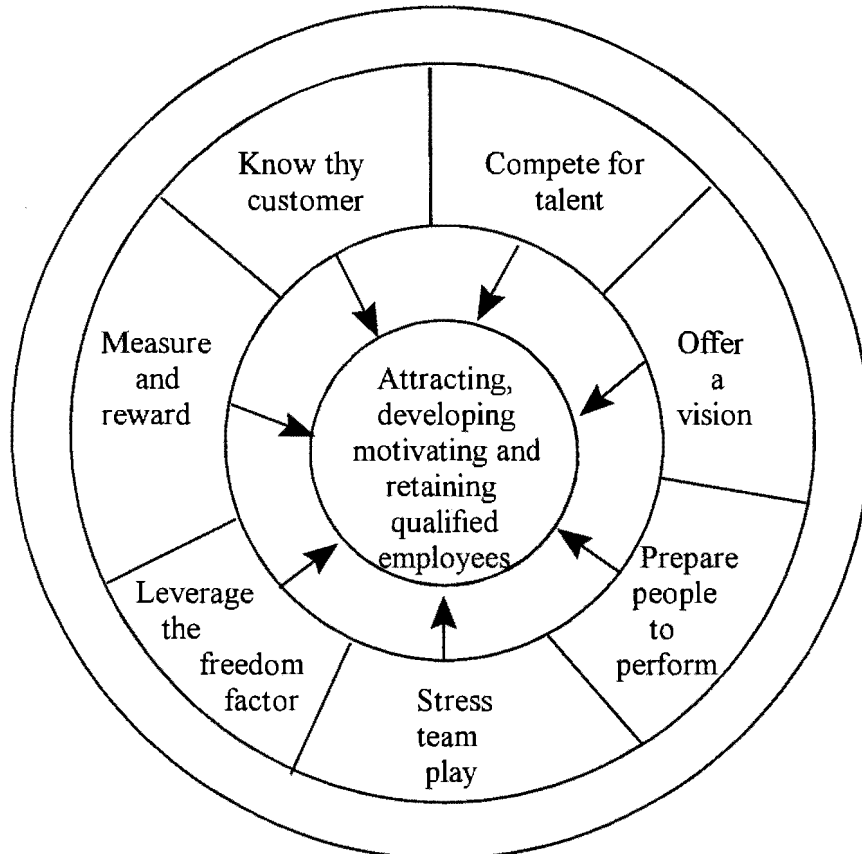
In order to achieve a low staff turnover or staff continuity, the management of an estate agency therefore has a responsibility to train, motivate and remunerate estate agents and they must furthermore also persuade them to actively support marketing decisions and strategies. For this purpose there must be open and free communication and estate agents should hear about properties for sale and services provided right from the beginning. It sometimes occurs that employees are unaware of their company's new advertising campaign when confronted with it on television or in a newspaper or magazine. When something such as this occurs the company loses out on input in terms of employee enthusiasm and willingness. The estate agency could, for instance, distribute an in-house newsletter providing information on company successes, strategies, properties sold and new listings.

A subtle approach to the internal marketing programme is preferable to a more aggressive one, since a persuasive approach contributes to the creation of a beneficial corporate culture. If the attitudes of estate agents are negative, it will be reflected in their actions.

Grönroos (2000: 334) maintains that internal marketing means two types of management processes, attitude management and communications management. Firstly, the attitudes of employees and the motivation for customer-consciousness and service-mindedness have to be managed. This is known as **attitude management**. Secondly, managers and estate agents need information about goods and services, promises made to customers by, for example advertising campaigns, and so forth. They also need to communicate their needs and requirements, their views on how to improve performance, and their findings of what customers want. This is known as the **communications management** process of internal marketing.

Berry and Parasuraman (1991: 152 - 171) maintain that there are seven essentials for retaining employees. These aspects are indicated in figure 4.13 and are discussed below.

**FIGURE 4.13**  
**FACTORS ENSURING EMPLOYEE CONTINUITY**



**Source:** Berry and Parasuraman. 1991. **Marketing services. Competing through quality.** New York: Free Press, p 152.

- \* **Compete for talent.** Hiring the best people to perform the service is a very important factor in services marketing. One of the main causes of poor service quality is hiring the wrong people to perform the service. If the individuals employed as estate agents are not capable of delivering quality services to customers, the business will suffer in the long term. The recruitment of estate agents was discussed in chapter 2.
- \* **Offer a vision.** The attraction, development, motivation and retention of quality

employees requires a clear vision worth pursuing. A pay cheque may keep a person on the job physically, but by itself it will not keep a person on the job emotionally. People delivering service, such as estate agents, need to know how their work fits into the broader scheme of business operations, how their work contributes to the company, and so forth. These employees need to understand and believe in the goals and objectives to which they contribute, and they need to have a cause, since serving customers is very demanding and frustrating, and will be difficult to do without such a cause.

- \* **Prepare people to perform.** Preparing people to perform and market the service enhances every subgoal of internal marketing, namely attracting, developing, motivating and retaining superior employees. Employees, unfortunately, often receive training which is too little, too late, or not the kind of training they require. Many companies make the mistake of viewing employee skills and knowledge development as events (a one-week course, an annual seminar) rather than an ongoing process. These companies put employees through a specific training programme and then consider them "trained". Estate agents need to learn continuously as learning is a confidence builder, a motivating force and a source of self-esteem.
- \* **Stress team play.** The delivering of services is demanding, frustrating and often demoralising, since many customers are insensitive or downright rude. Many customer-contact personnel, such as estate agents, become less caring, less sensitive and less eager to please because of the negative experiences which they have had with customers. Berry and Parasuraman (1991: 162) maintain that an important way to sustain these employees' motivation is the presence of service "teammates". They indicate that an interactive community of co-workers who help each other, commiserate and achieve together, is a powerful antidote to service burnout. Teamwork was discussed in section 4.8.2.3.
- \* **Leverage the freedom factor.** Many managers treat their employees like robots when they use thick policy and procedure manuals to severely limit employees' freedom of action in delivering service. Rule book management undermines employees' confidence in managers, stifles employees' personal growth and creativity, and forces the most able

employees to search for more interesting work elsewhere. These employees should therefore be given more freedom in their actions and decisions. The empowerment of customer-contact employees was discussed in section 4.8.2.3.

- \* **Measure and reward.** The objectives of relationship marketing are thwarted if employee performance is not measured and rewarded. Estate agents need to know that they will be measured on how well they do and that it is worthwhile to do well. Unfortunately, many performance measurement systems often focus exclusively on output measures, such as the size of transactions, and ignore behavioural measures, such as customer perception of the responsiveness or empathy of the service. Performance measurement and reward systems symbolise a company's culture in a powerful way. Employees need to know that management will be aware of their performance and will reward what is important.
  
- \* **Know thy customer.** If the needs of customers are to be satisfied it is necessary to first understand their wants and needs. Since customer-contact personnel (estate agents) are the people experiencing frequent customer contact, these employees should be consulted on a continual basis to design the company's services. This aspect was discussed in section 4.8.2.3.

#### *4.8.3.5 Handling complaints*

By means of internal marketing programmes employees will be empowered to deal with those complaints that will undoubtedly be received by the estate agency. A positive corporate climate will facilitate the handling of complaints. Vavra (1992: 127) indicates that five things can happen when a customer is unhappy:

- \* **The customer suffers in silence.** The next time the customer buys the product or service, he will already have a negative attitude and will be expecting and looking for problems.
  
- \* **The customer switches to another marketer in silence.** This is only a problem for the marketer who realises he has lost a customer, but recognising the loss provides no information on how or why.

- \* **The customer tells friends and neighbours about his dissatisfaction.** In this case the company stands to lose several customers, the original unhappy one and all the other people he influences.
- \* **The customer talks to third parties.** This is the worst outcome because it can lead to lawsuits or investigations and increased negative publicity.
- \* **The customer talks to the company.** This is the only positive outcome. It provides a company with a second chance, the opportunity to understand the consumer's needs, identify the problem and correct it, and ultimately to win back the trust of the customer.

There must be ample opportunities for customers to direct their complaints to responsible people who are able to take appropriate corrective action, and in so doing prevent the loss of customers. Consumers who are reluctant to complain but rather tend to avoid unsatisfactory service or the situation in future, are a grave threat to successful marketing. Consumers who are unhappy and who receive no satisfaction often direct their complaints to the Estate Agency Affairs Board or to the many consumer-action programmes in the media, thereby causing unwelcome negative publicity for the estate agency. This will also negatively influence the corporate culture of the enterprise.

Vavra (1992: 128 -129) indicates the following steps for complaint handling:

- i) Recognise and deal with the customer as another human being, a person with feelings, anxieties, even nerves.
- ii) Acknowledge the spirit of the contact without necessarily validating its accuracy. It is important to allow the customer to describe his problem completely. Complaint handlers should not interrupt even if they believe that they quickly understand the nature of the problem.
- iii) Express a sincere concern in the customer's problem and situation.

- iv) Clearly identify the customer's exact concern and understand precisely what has aggravated him.
- v) A skilled correspondent should attempt to "neutralise" or "diffuse" each complaint by taking the customer's side.
- vi) Offer a solution and obtain the customer's agreement that this will solve his problem. If the solution will take some time, provide a tracking system so the customer can participate in the resolution of his problem.
- vii) End with a sincere apology and a request for the customer's future business.
- viii) Recontact the customer one week later to assess his satisfaction with the way his problem was handled and the solution the company provided.

Futrell (2000: 389-390), on the other hand, suggests the following procedures for handling complaints:

- \* Obtain as much relevant information from the customer as possible
- \* Express sincere regret for the problem
- \* Display a service attitude (a true desire to help)
- \* If the customer is right, quickly and cheerfully handle the complaint
- \* Follow up to make sure the customer is satisfied

The most important aspect of complaint handling is to engender a willingness to hear complaints within the company. The company must actively invite customers to complain in order to help the enterprise identify and address its problems.

#### **4.8.4 Processes**

As indicated in figure 4.8, the processes through which services are created and delivered to the customer is an important factor in the services marketing mix. All work activity is process.

Processes involve the procedures, tasks, schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. It involves policy decisions about customer involvement and employee discretion.

The processes in which the estate agent are involved therefore entail many of the activities of the selling process as discussed in section 4.5.7.2. These include, *inter alia*, conducting research regarding the buyer or seller, the market valuation which the estate agent does of the property, the drafting of a mandate and the drawing up of the offer to purchase.

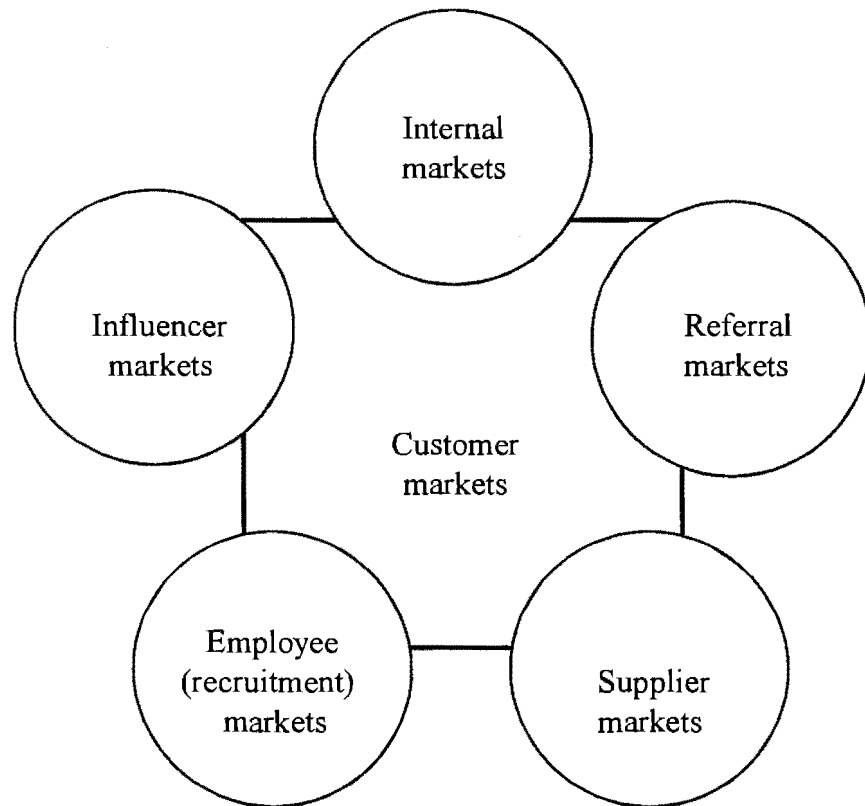
While the people element is critical in the services marketing mix, no amount of attention and effort from staff will overcome continued unsatisfactory process performance.

#### **4.9 A BROADER MARKET**

In contrast to traditional marketing, which mainly emphasises relationships with customers, relationship marketing entails a wider view of the market itself. As indicated in figure 4.14, relationship marketing suggests that enterprises have six market groups at which they should direct their marketing activities. In addition to existing and potential customers, Christopher, Payne and Ballantyne (1991: 21) identify these markets, which will be briefly discussed, as referral markets, supplier markets, recruitment markets, influencer markets, and internal markets.



**FIGURE 4.14**  
**THE SIX MARKETS MODEL**



**Source:** Christopher et al. 1991. **Relationship marketing.** Oxford: Butterworth, p 21.

#### **4.9.1 Customer markets**

Customers will always remain the main focus of marketing, but recently the emphasis has moved from transactional marketing, which emphasises the individual sale or "hooking" a new customer, to building long-term customer relationships (Gummesson 2000: 11).

The differences between transactional and relationship marketing are indicated in figure 4.15.

**FIGURE 4.15**  
**TRANSACTION AND RELATIONSHIP MARKETING**

Criterion	Relationship marketing	Transactional marketing
Primary object	Relationship	Single transaction
General approach	Interaction-related	Action-related
Perspective	Evolutionary-dynamic	Static
Basic orientation	Implementation-oriented	Decision-oriented
Long-term vs short-term	Generally takes a long-term perspective	Generally takes a short-term perspective
Fundamental strategy	Maintenance of existing relationships	Acquisition of new customers
Focus in decision process	All phases focus on post-sales decisions and action	Pre-sales activities
Intensity of contact	High	Low
Degree of mutual dependence	Generally high	Generally low
Measurement of customer satisfaction	Managing the customer base (direct approach)	Monitoring market share (indirect approach)
Dominant quality dimension	Quality of interaction	Quality of output
Production of quality	The concern of all	Primary concern of production
Role of internal marketing	Substantial strategic importance	No or limited importance
Importance of employees for business success	High	Low
Production focus	Mass customisation	Mass production

**Source:** Hennig-Thurau, T & Hansen, U. 2000. **Relationship marketing.** Heidelberg, Germany: Springer, p 5.

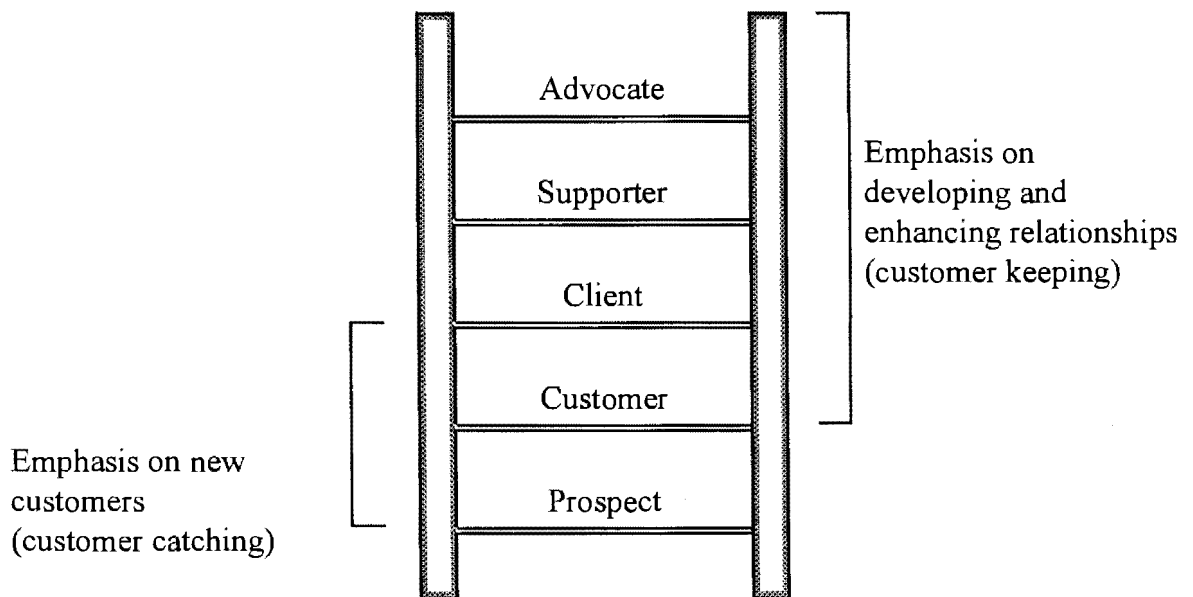
Many companies therefore seem to direct most of their marketing effort towards seeking new customers, and direct very little of their marketing effort at existing customers. These companies do not realise the importance of maintaining relationships with their existing customers. Most do not seem to understand that their future business depends on having the same customer come back again and again. Kotler et al (1996: 450) indicates that by reducing customer defections by only five percent, companies can improve profits anywhere from 25 to 85 percent.

It is usually only when a breakdown in service occurs and a customer leaves or is on the point of leaving that the enterprise realises how important the existing customer is. It is, however, not being implied that new customers are not important — they are vital to the success of an estate agency firm — but a balance is needed between the effort directed toward existing and new customers.

The relationship-marketing ladder of customer loyalty is indicated in figure 4.16.

**FIGURE 4.16**

**THE RELATIONSHIP-MARKETING LADDER OF CUSTOMER LOYALTY**



**Source:** Payne, A. 1993. *The essence of services marketing*. Englewood Cliffs: Prentice Hall, p 33.

In this figure Payne (1993: 33) suggests that too many enterprises over-emphasise the identification of prospects and focus on trying to convert them into customers. Underemphasis is, however, placed on generating repeat business. The aim of relationship marketing is to convert new customers into regularly purchasing clients, and then to progressively move them through being supporters of the company and its services, to finally being active and vocal advocates for the company, and acting as an important referral source.

It is argued that an increase in customer retention leads to cost reductions and sales increases (Hennig-Thurau & Hansen 2000: 7). Cost reduction effects include the amortisation of sales, marketing and set-up costs over a longer period of time, and the reduction of service costs as a result of the growing expertise of customers. Hennig-Thurau & Hansen (2000: 7) propose that growth in sales results from expenditure over time, positive word of mouth through loyal customers and the willingness of loyal customers to pay a price premium.

The progression up the ladder of customer loyalty can be greatly influenced by customer service. The traditional four marketing instruments of product, price, promotion and distribution are mainly used to convert prospects into customers, while the additional elements of customer service, people and processes are those which are used to convert customers into clients, supporters and lastly advocates of the estate agency and its services. To be able to move the customer up this ladder it is imperative to know exactly what the customer is buying and what his needs and expectations are. A detailed analysis of the customer is therefore necessary. The analysis of the customer (buyer or seller of property) is discussed in chapter 2 and section 4.5.7.2.

Kotler (2000: 50) suggests that there are five different levels or relationships that can be formed with customers who have purchased a company's products or services:

- \* **Basic.** A basic relationship would refer to the estate agent who sells the property but does not follow up in any way.

- \* **Reactive.** This refers to the estate agent who sells the property and encourages the customer to call whenever he or she has any questions or problems.
- \* **Accountable.** In this case the estate agent phones the customer a short time after the sale to check whether the property and services provided are meeting the customer's expectations. If the customer can suggest any improvements in the service provided, this information will help the estate agency firm to continuously improve its services.
- \* **Proactive.** Here the estate agent phones the customer from time to time and informs him or her about new properties or developments in the market.
- \* **Partnership.** The company works continuously with the customers to discover ways to deliver better value.

In figure 4.17 Kotler (2000: 50) indicates that an enterprise's relationship-marketing strategy will depend on how many customers it has and their profitability. Companies with many low-margin customers, for instance, will practise basic marketing. In markets with few customers and high margins, most sellers will move towards partnership marketing.

**FIGURE 4.17**  
**RELATIONSHIP LEVELS**

		Profit margins		
		High	Medium	Low
Number of customers	Many	Accountable	Reactive	Basic
	Medium	Proactive	Accountable	Basic
	Few	Partnership	Accountable	Reactive

**Source:** Kotler 2000. **Marketing management.** New Jersey: Prentice Hall, p 51.

Kotler (2000: 51) suggests two customer value-building approaches which a company can use to develop stronger bonding and satisfaction. The first method involves the adding of **financial benefits** to the customer relationship. In this case an estate agency firm could, for instance, offer a property to the customer without any legal costs involved. The second approach involves the adding of **social benefits** as well as financial benefits. Here the company's personnel work to increase their social bonds with customers by learning individual customer's needs and then individualising and personalising their products and services.

#### 4.9.2 Referral markets

Existing customers are not the only sources of referral in an estate agency. There are many other referral sources, for example municipal officials, town planners and property developers, mortgage loan officers, attorneys and the media.

An estate agent has frequent dealings with **municipal officials** and it is well worth the effort to cultivate one or two individuals in these offices with a view to facilitating prompt reaction to enquiries on behalf of customers.

**Town planners and property developers** usually delegate the sale of an entire development to a particular estate agency. The financial implications for an estate agent who can market an entire new suburb are considerable. Such an agent has the advantage of being able to market plots in all the price categories within the price bracket of the particular suburb and in the process he gets to know the area as it grows. This generates further business once the area is built up and properties begin to change hands.

Purchase of a property is generally subject to approval of a mortgage bond. If the bond is not approved, the transaction usually falls through. This is one of the areas that can delay a transaction and cause a great deal of frustration for all the parties concerned. A timely inspection of the property and final approval of the loan has a direct bearing on the period that will elapse before payment of commission. Solid contacts with **mortgage loan officers** at financial institutions can expedite all the procedures that pertain to bond approval.

An agent can also promote good relationships with members of the legal profession.

**Attorneys and conveyancers** who enjoy working with a particular agent and who know that he is likely to channel business in their direction will take trouble to expedite transactions. A symbiotic relationship will make life easier for both the agent and his customer, and can enhance the reputation of both the agent and the conveyancer.

Contacts with a few reliable **builders** are also worth cultivating for two reasons. The first is that speculation builders will provide opportunities for business by keeping the agent informed of homes that are to be erected well in advance. Secondly, clients often require the service of a reliable builder to either renovate a property before putting it up for sale or to do alterations after having purchased a home. The average customer does not have ongoing contact with builders and the agent can enhance the quality of his service if he recommends a dependable builder.

It is also important to maintain sound relationships with **the media** and to provide them with appropriate information. The local press can be made aware of the activities of an agency and the successes on the market can also be communicated to the press so that they can be used as news items. Doing a column for the newspaper on some or other aspect of the estate industry is an excellent vehicle for exposure.

The estate agency firm should determine the present and future importance of these referral sources in order to develop a specific plan to determine the appropriate levels of marketing resources that should be devoted to each of them. Efforts should also be made to evaluate results and the cost benefit in marketing effort and resources directed at them. The estate agency should, however, be aware of the fact that these relationships take time and that all the benefits of such marketing activity may not be realised for quite a while.

#### **4.9.3 Supplier markets**

According to Payne (1993: 34), the relationship between an enterprise and its suppliers is undergoing serious changes. The traditional relationship where a company tried to squeeze its suppliers to its own advantage is changing to a relationship which is based on partnership and collaboration. This new relationship has been called a variety of names, inter alia "vendorship partnership", "co-makership" and "reverse marketing". Irrespective of the term used, they

all aim at close cooperation between customer and supplier from an early stage, mutual concentration on quality, commitment to flexibility, lowest costs and long-term relationships.

The relationship of estate agency firms with suppliers will not be investigated in this study, since they do not have suppliers and usually sell services which they create themselves.

#### **4.9.4 Recruitment markets**

Skilled employees are perhaps the most important element in customer service delivery. Many estate agency firms are today becoming aware of the fact that the limiting factor to their success is far more dependent on the availability of skilled estate agents to work in their firms than the availability of other resources such as capital or raw materials.

Since the abolishment of the Estate Agency Affairs Board Examination many agents who do not have the necessary knowledge and experience of the industry, have entered the market. Many of these agents are not aware of the importance of customer service and they can do considerable damage to the estate agency's image and reputation.

Estate agency firms should therefore develop plans aimed at improving their competitive edge in employee markets. They should attempt to increase the quality of estate agents accepting positions within their firms and to decrease the exceptionally high personnel turnover ratio.

#### **4.9.5 Influencer markets**

The influencers are a group of persons who can exert an influence on the marketing task, for example, the government. As mentioned in section 3.3.5, the government influences the real estate industry by means of public legal circumscription of property. It does this by means of taxes, expropriation and control measures. These aspects were discussed in detail in chapter 3. The referral markets discussed in section 4.9.2 can also exert an influence on the marketing task.

Estate agencies should therefore develop detailed and coherent marketing strategies to gain maximum advantages from relationships with influencer markets. These activities are often carried out under the banner of public relations and it is therefore important that appropriate



resources be devoted to it.

#### **4.9.6 Internal markets**

The current employees who are part of the internal market, and who have often been neglected in terms of marketing communication, must be addressed. This market was discussed at length in section 4.8.3.

#### **4.10 CONCLUSION**

This chapter involved a discussion of marketing and relationship marketing and its application in service companies such as estate agencies. Since relationship marketing emphasises the "getting" and "keeping" of customers, this concept is of particular importance in estate agencies if estate agents are to form long-term relationships with customers.

Relationship marketing views the four marketing instruments as inadequate to ensure that all customer needs are satisfied, and three additional elements are therefore added, namely customer service, people and processes. Customer service is regarded as an extremely important aspect, especially in estate agencies. Good service will create true, long-term customers who will return again and again to use the services of a particular estate agency. The people element refers to the internal "customers" of the company, namely the employees (estate agents). In estate agencies it is of the utmost importance to train the estate agents in the provision of customer service and to recognise their contributions to get and keep customers. The process component of relationship marketing refers to all the procedures, tasks, activities and routines by which the service is delivered to customers.

Relationship marketing also implies that the estate agency must not only create, maintain and enhance strong relationships with their customers, but also with other stakeholders such as referral markets, supplier markets, recruitment markets, influencer markets and internal markets.

The relationship-marketing concept is therefore moving away from a focus on individual transactions and towards a focus on building value-laden relationships and marketing networks. In the next chapter the research methodology will be discussed.

**CHAPTER 5**  
**RESEARCH METHODOLOGY**

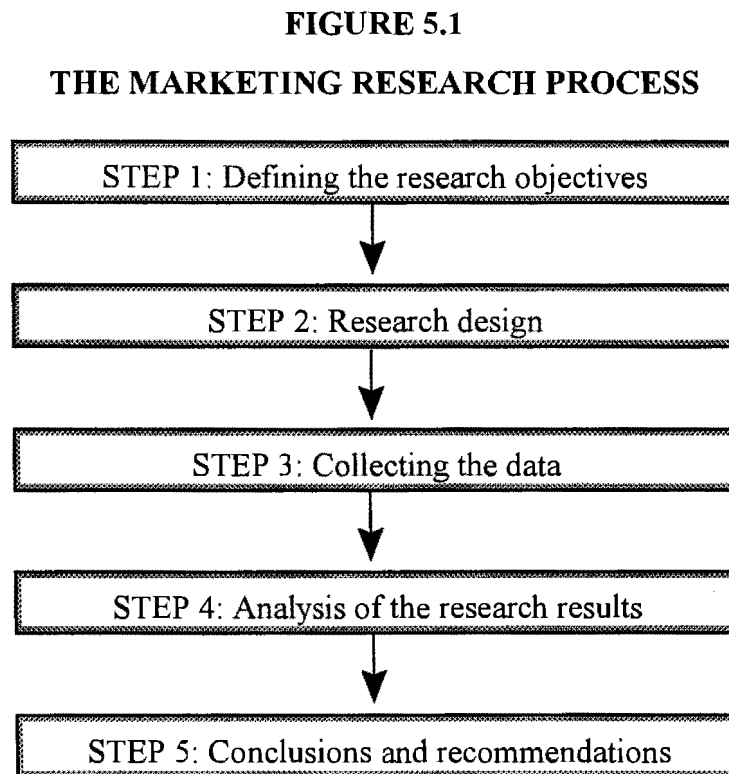
## 5.1 INTRODUCTION

Marketing research is a systematic search for and analysis of information. Careful planning through all stages of research is a necessity. The heart of a scientific method is the objective gathering and analysis of information. If research is intentionally slanted to arrive at predetermined results, a serious breach of professional ethics is involved. Pride and Ferrell (2000: 138) accurately define marketing research as “...the systematic design, collection, interpretation, and reporting of information to help marketers solve specific problems or take advantage of marketing opportunities.”

This chapter entails a discussion of the research methodology used to investigate the primary objective of this study, namely to what extent relationship marketing is applied by estate agencies in the residential property market in South Africa. The marketing research process followed for this purpose is discussed below.

## 5.2 THE MARKETING RESEARCH PROCESS

Figure 5.1 illustrates the five steps in the marketing research process as defined by Kotler and Armstrong (2001: 140).



Source: Based on Brink (1998: 243) and Kotler and Armstrong (2001: 140)

Step 1, which is indicated in figure 5.1, as defining the research objectives, was executed in chapter 1. The research objectives in chapter 1 stated that the extent to which relationship marketing is practised by estate agencies in the real estate market would be investigated. Secondary objectives indicated in chapter 1 were to investigate whether estate agencies apply the principles of the marketing concept, whether customer service is regarded as important by the estate agency industry, and whether internal marketing exists within estate agencies.

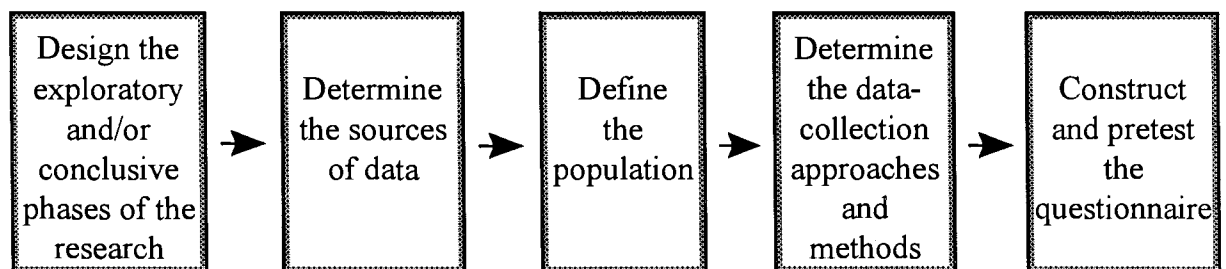
The second and third steps in the marketing research process, namely formulating the research design and collecting the data, will be discussed in more detail in this chapter. The fourth step, namely analysing the research results, will be covered in chapter 6, while the last step, conclusions and recommendations will be dealt with in chapter 7.

### 5.3 RESEARCH DESIGN

#### 5.3.1 General

According to Aaker, Kumar and Day (1995: 20), a research design is the detailed blueprint used to guide a research study towards its objectives. Figure 5.2 illustrates the five components involved in the research design.

**FIGURE 5.2**  
**COMPONENTS OF A RESEARCH DESIGN**



Source: Based on Brink (1998: 244), Strydom et al (2000: 151-157) and Lamb et al (2002: 259).

Each of the components mentioned in figure 5.2 will now be discussed.

### 5.3.2 Design the exploratory and/or conclusive phases of the research

The process of designing a research study involves many interrelated decisions. The most significant decision is the choice of research design, because it determines how the information will be obtained. Research designs may be broadly classified as exploratory or conclusive (Brink 1998: 245; Malhotra 1996: 91 - 103; Kinnear and Taylor 1996: 139; Burns and Bush: 1998: 63). Both exploratory and conclusive research were used in this study and will be discussed in greater detail below.

#### 5.3.2.1 *Exploratory research designs*

Exploratory research is used when seeking insights into the general nature of a problem, the possible decision alternatives and relevant variables that need to be considered. There is little prior knowledge on which to build. The research methods are highly flexible, unstructured and qualitative, for the researcher begins without firm preconceptions as to what will be found. The absence of structure permits a thorough pursuit of interesting ideas and clues about the problem situation. Exploratory research designs include secondary data sources, literature reviews, observation, unstructured individual and group interviews, and case studies. The literature study in chapters 1 to 4 reflect the exploratory phase of this study.

#### 5.3.2.2 *Conclusive research designs*

Conclusive research provides information which helps the marketer evaluate and select a course of action. It can be classified into causal research and descriptive research (Pride & Ferrell 2000: 141).

- \* **Causal research.** When it is necessary to show that one variable causes or determines the value of other variables (cause-and-effect relationships), a causal research approach must be used. Causal research is conducted by controlling various factors to determine which factor is causing the problem. It allows for the highest level of understanding that can be achieved regarding any type of phenomenon (Burns & Bush 1998:65). Although causal research designs give a high level of understanding of the variables being studied, the designs often require experiments that are complex and expensive. Even with simple experiments, ability to control or at least measure all of the factors that could be causing

the phenomenon under study, may be uncertain. For this reason, causal research designs are not used often. Causal research was not made use of in this study. The primary resource base in the South African real estate industry is at present too limited to undertake causal research in this field.

- \* **Descriptive research.** Descriptive research designs refer to a set of methods and procedures that describe marketing variables. Descriptive studies portray these variables by answering who, what, why and how questions. These types of research studies may describe the characteristics of relevant groups such as consumers, organisations or market areas. Descriptive research assumes that the researcher has much prior knowledge about the problem situation, thus the information needed is clearly defined. Effective descriptive research is marked by specific research objectives and detailed research design. Particular care must be taken to ensure the accuracy of the findings (Brink 1998: 246).

Descriptive studies are very common in marketing research and make up a large percentage of the studies that are conducted by either in-house research departments or commissioned to outside marketing research companies. These studies typically make use of the survey research design which is useful in describing the characteristics of consumers and determining the frequency of marketing phenomena. Descriptive research was used in the empirical phase of this study in order to investigate relationship marketing in estate agencies in the real estate industry.

### **5.3.3 Determine the sources of data**

Basically, two types of information are available to a marketing researcher, namely secondary data and primary data (Lamb et al 2002: 259). Primary data sources are used to collect information specifically needed for the research problem at hand, while secondary data exist as historical data which have been collected for some purpose other than solving the present problem.

Secondary data can be located relatively quickly and inexpensively from libraries, industry

associations, chambers of industry and commerce, government bodies, marketing research organisations, universities, bulletins and journals. Secondary data can help to identify the problem, better define the problem, develop an approach to the problem, formulate an appropriate research design, answer certain research questions and test hypotheses, as well as interpret primary data more insightfully (Brink 1998: 246 - 247).

In chapters 1 to 4 of this study, secondary data was collected to provide the literature background to the study. Various secondary data sources were consulted to provide information on the real estate industry in South Africa (chapter 1), the micro-environment of the South African estate agency industry (chapter 2), the external environment of the South African estate agency industry (chapter 3), and relationship marketing in the estate agency industry (chapter 4).

Malhotra (1996: 163) indicates that primary data may be qualitative or quantitative in nature. Quantitative research is the traditional mainstay of the research industry, and it is sometimes referred to as “survey research” (Burns & Bush 1998: 209). It involves a representative sample of the population and a formalised procedure for gathering data. The purpose of quantitative research is very specific, and this research is used when precise information is needed. Data format and sources are clear and well defined, and the compilation and formatting of the data gathered follows an orderly procedure that is numerical in nature.

Qualitative research, in contrast, involves collecting, analysing and interpreting data by observing what people do and say. Observations and statements are in a qualitative or nonstandardised form. Because of this, qualitative data can be quantified but only after a translation process has taken place. The second phase of this study was quantitative, using a questionnaire with predetermined and structured questions.

#### **5.3.4 Define the population**

A researcher typically is interested in the characteristics of a population. Pride and Ferrell (2000: 144) define a population as “...all the elements, units or individuals of interest to researchers for a specific study”. The population for this study therefore includes all estate

agencies in the real estate industry in South Africa. The total population of estate agencies in South Africa as determined in February 2000 was 8 121. The list of estate agencies in South Africa which was obtained from the Estate Agency Affairs Board, did not differentiate between residential, commercial or letting agencies, and the 8 121 agencies therefore represent all estate agencies in South Africa.

In order to reach the residential estate agencies in South Africa it was thus necessary to send questionnaires to all agents on the address list, since it was not clear which were residential estate agencies. Screening questions were included to eliminate all non-residential agencies.

Information about the population can be obtained by taking a census or a sample. If all the respondents in a population are asked to provide information, such a survey is called a census (Aaker et al 1995: 358). The population parameters can be calculated directly in a straightforward way after the census has been enumerated (Brink 1998: 248). A sample, on the other hand, is a subset of the population that should represent that entire group (Burns & Bush 1998: 359). Information obtained from these subsets are known as sample statistics. Researchers then attempt to make an inference about the population parameter with the knowledge of the relevant sample statistic. A critical assumption in the process of inference is that the sample chosen is representative of the population.

If the cost of sampling errors is high, a census, which eliminates such errors, is desirable. High cost of nonsampling errors, on the other hand, would favour sampling. A census can, however, greatly increase nonsampling error to the point where these errors exceed the sampling errors of a sample. This risk was considered, but due to the problems encountered with the address list provided by the Estate Agency Affairs Board, it was decided to continue with the census approach. Because this study required information from every object or estate agency in the population, it was decided to risk using a census approach for investigating relationship marketing in estate agencies in South Africa.

Malhotra (1996: 360) defines the target population as "...the collection of elements or objects that possess the information sought by the researcher and about which inferences are to be



made". The target population for this study consists of all owners or managers of estate agencies in the real estate industry, who were registered with the Estate Agency Affairs Board at the end of February 2000. All estate agencies in South Africa are required to register with the Estate Agency Affairs Board. A mailing list, which includes the addresses of all estate agencies registered at this organisation, was thus purchased from the Estate Agency Affairs Board. The number of estate agencies in South Africa which were registered with the Estate Agency Affairs Board in February 2000 and were used for this study, is 8121.

### **5.3.5 Determine the data-collection approaches and methods**

The survey approach, which was used in this study, involves the collection of problem-specific data from selected respondents by way of direct or indirect questioning (Pride & Ferrell 2000: 145). These questions may be asked verbally, by telephone or in writing. Structured questions and response categories are used, which allow the results to be quantified — which is why it is called quantitative research.

Survey methods allow the collection of significant amounts of data in an economical and efficient manner, and they allow for much larger sample sizes. Burns and Bush (1998: 244) indicate that there are five advantages to using survey methods. Firstly, it allows for standardisation. Because questions are preset and organised in a particular format on a questionnaire, survey methods ensure that all respondents are asked the same questions and are exposed to the same response options for each question. Secondly, survey methods enable ease of administration and thirdly, they create the ability to tap the "unseen", since much information is unobservable and requires direct questions. Fourthly, survey methods are suitable to tabulation and statistical analysis. Lastly, they allow for sensitivity to subgroup differences. Because surveys involve large numbers of respondents, it is relatively easy to "slice" up the sample into demographic groups or other subgroups and then to compare them for market segmentation implications.

The three major methods used to collect information from respondents are the telephone interview, the personal interview and the mail interview (Kasper et al 1999: 267). Telephone surveys involve calling a sample of respondents with a series of questions. It is the best method

for gathering information quickly and it provides greater flexibility than mail questionnaires. Interviews can explain questions that are not understood. Telephone interviewing also allows greater sample control since interviewers can speak to respondents with the desired characteristics, or even by name. Response rates tend to be higher than with mail questionnaires. The cost per respondent is, however, higher than with mail questionnaires and people may not want to discuss personal questions with an interviewer. Another important limitation is the fact that only a limited amount of data can be obtained when using telephone interviews. It was not possible to use the telephone interview for this study because of the high costs involved and especially since personal questions, which estate agents may not want to discuss with interviewers, were posed in the questionnaire.

In personal interviews respondents are interviewed face-to-face, often in their homes. The interviewer's task is to contact the respondents, ask the questions and record the responses. The main drawbacks of personal interviewing are costs and bias problems. Personal interviews may cost three to four times as much as telephone interviews and face-to-face interviews may cause respondents to bias their responses because of a desire to please or impress the interviewer. Because interviewers have more freedom in personal interviews, the problem of interviewer bias is greater. In view of the above-mentioned drawbacks it was not possible to use personal interviews in this study.

In the mail interview, questionnaires are mailed to preselected potential respondents. A typical mail interview package consists of the outgoing envelope, covering letter, questionnaire and return envelope. Mail questionnaires have many advantages. They can collect large amounts of information at a low cost per respondent. Respondents may provide more honest answers to more personal questions in a mail questionnaire than to an unknown interviewer in person or over the phone, since there is no interviewer to bias the respondent's answers. Mail questionnaires do, however, take longer to complete and the response rate is often low. In this study the mail interview method was used to obtain information from estate agencies. The reasons being the low cost per respondent, the fact that the respondent remains anonymous and will probably provide personal information more readily, and because of the large amount of information which the mail questionnaire can collect (the questionnaire used in this study

consists of 21 pages (see annexure A), and it will be impossible to collect this amount of information by means of telephone or personal interviews).

### **5.3.6 Construct and pretest the questionnaire**

#### *5.3.6.1 General*

A questionnaire consists of a set of questions presented to a respondent for answering. A good questionnaire accomplishes the researcher's objectives. By the time the researcher arrives at the questionnaire design stage of a study, the marketing problem has been expressed in a set of appropriate research questions. These questions must now be translated into a language which the respondent will understand and then arranged in a questionnaire in a valid, logical fashion that will produce meaningful results (Brink 1998: 252).

In the construction of a mail questionnaire the formulation of questions is very important, since no interviewer is present to explain the questions to the respondent. The questions therefore have to be formulated very clearly to prevent misunderstanding. The questionnaire used in this study appears in annexure A. In constructing the questionnaire careful consideration was given to the question sequence, format and wording. The procedure followed in constructing this questionnaire will now be discussed.

#### *5.3.6.2 Question sequence*

According to Lamb et al (2002: 266) the order or sequence of questions will be determined initially by the need to gain and maintain the respondent's cooperation. Kotler and Armstrong (2001: 153) and Burns and Bush (1998: 341) recommend the funnel approach which uses a wide-to-narrow or general-to-specific flow of questions that places questions at the beginning of a topic on the questionnaire which are general in nature, and those requiring more specific and detailed responses later on. The introductory questions should therefore arouse interest and ensure cooperation, while the difficult and/or more personal questions should be asked towards the end of the questionnaire.

The questionnaire in this study followed the funnel approach, with the nonthreatening,

demographic questions positioned in the beginning and the more difficult questions following later.

#### 5.3.6.3 *Question format*

Before specific questions could be formulated for the questionnaire in this study, a decision had to be made as to the degree of freedom to be given to respondents in answering the questions. Malhotra (1996: 328) classifies the different types of questions into unstructured questions (open-ended questions) and structured questions (fixed-alternative questions).

- \* **Unstructured questions.** Unstructured questions are open-ended questions that allow respondents to answer in their own words (Kotler and Armstrong 2001: 110). Open-ended questions often reveal more than structured questions because respondents are not limited in their answers. Aaker et al (1995: 294) indicate that unstructured questions should be used as an introduction to a survey or topic, when it is important to measure the salience of an issue to a respondent, when there are too many possible responses to be listed and when the behaviour to be measured is sensitive or viewed with disapproval. The major problems with these questions are that the clarity of responses depends to a large extent on the articulateness of the respondent and his willingness to compose a written answer. Open-ended questions are also time-consuming and costly to interpret. Only two unstructured questions were asked in the questionnaire for this study, namely question 2 of part I (referring to the number of employees of the respondent) and question 1 of part II (referring to the mission statement of the respondent's estate agency).
  
- \* **Structured questions.** In a structured question the respondent is given various possible answers and has to choose one or more. Where possible, this type of question should make provision for "other (specify)" (Martins et al 1996: 221). Malhotra (1996: 326 - 328) maintains that structured questions can be multiple choice, dichotomous, scale, frequency determination, or rankings.
  - i) **Multiple-choice questions.** According to Lamb et al (2002: 264), in multiple choice questions the researcher provides a choice of answers and respondents are

asked to select one or more of the alternatives given. The response alternatives should include the set of all possible choices. The general guideline is to list all options that may be of importance and include an option labelled “other (please specify)” (Brink 1998: 255). Multiple-choice questions are easy to answer in a mail survey and they make tabulation and analysis less time-consuming. Perhaps the most significant advantage of these questions in large-scale surveys is that the answers are directly comparable from respondent to respondent. The questionnaire in this study contained 25 multiple-choice questions as indicated in table 5.1.

- ii) **Dichotomous questions.** The dichotomous question is a question which offers only two fixed-alternative answers to choose from, for example, Yes/No, Male/Female, Agree/Disagree (Lamb et al 2002: 264). Dichotomous questions are mainly used to collect demographic and behavioural data when only two answers logically exist. In the questionnaire for this study two dichotomous questions were asked, namely questions 44 and 49 as indicated in table 5.1.
- iii) **Scaled questions.** Likert developed a verbal scale which requires a respondent to indicate a degree of agreement or disagreement with each of a series of statements related to the attitude object, for example:

Fully agree	Agree	Disagree	Totally disagree
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or

Very important	Important	Less important	Totally unimportant
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The sum of these statements reveals the attitude towards or perception of a given subject or institution. The statements must be closely connected with the subject and approximately half of them should be positive and the other half negative. In the questionnaire for this study six of the questions were scaled.

- iv) **Frequency-determination questions.** The frequency-determination question is a determinant-choice question that asks for an answer about the general frequency of

occurrence (Brink 1998: 256). In the questionnaire for this study 15 of the questions were frequency-determinant questions.

- v) **Rankings.** In the rank-order method the respondent is asked to rank a set of items in terms of a given criterion (Kotler 2000: 110). Respondents may, however, be inclined to rate characteristics near the top of the list higher than those lower down. In this study, questions 30, 32, 39 and 48 were ranking questions.

The format of the questions used in the questionnaire for this study is summarised in table 5.1.

**TABLE 5.1**  
**FORMAT OF QUESTIONS**

TYPE OF QUESTION	QUESTIONS IN QUESTIONNAIRE
* UNSTRUCTURED QUESTIONS	Part I, question 2 and part II, question 1
* STRUCTURED QUESTIONS	
• Multiple-choice questions	Part I, questions 1, 3 and 4 Part II, questions 2, 3, 4, 5, 6, 10, 11, 12, 15, 18, 19, 20, 21, 22, 25, 34, 35, 36, 37, 43, 45 and 50
• Dichotomous questions	Part II, questions 44 and 49
• Scaled questions	Part II, questions 13, 24, 29, 31, 46 and 47
• Frequency-determination questions	Part II, questions 7, 8, 9, 14, 16, 17, 23, 26, 27, 28, 33, 38, 40, 41 and 42
• Ranking questions	Part II, questions 30, 32, 39 and 48

#### 5.3.6.4 *Physical characteristics of the questionnaire*

The appearance and layout of the questionnaire are of particular concern in mail surveys (Pride & Ferrell 2000: 145). The questionnaire should not create the impression of being overly long but its layout should allow sufficient space for recording the information required.

It should also be neat in appearance. The questionnaire for this study was divided into different sections to make it more structured and to simplify the analysis of information. The following sections can be identified in the questionnaire:

- \* Part I. Questions 1 to 4 cover the **demographic details** of the respondent's estate agency.
- \* Part II. Questions 1 to 5 refer to **the mission and objectives** of the estate agency.
- \* Questions 6 to 17 refer to the **human resources** of the estate agency. Aspects covered are human resources planning, recruitment, selection, induction, training, retention, motivation and remuneration.
- \* Questions 18 to 23 refer to the use of **marketing research and the marketing environment** of the estate agency.
- \* Question 24 deals with the **marketing concept**.
- \* Questions 25 and 26 refer to the **product positioning and distribution**.
- \* **Marketing communication** is referred to in questions 27 to 37. Aspects covered are advertising, personal selling, sales promotion, publicity and public relations.
- \* Questions 38 and 39 refer to **customer service and quality**.
- \* **Employee continuity, corporate climate and internal marketing** are covered in questions 40, 41 and 42.
- \* Questions 43 to 46 refer to **customer complaints and customer markets**.
- \* Question 47 refers to **referral, recruitment and influencer markets**.

- \* **The strategic approaches** of the estate agency business are dealt with in questions 48, 49 and 50.

Brink (1998: 259) indicates that directions or instructions for individual questions should be placed as close as possible to the questions. The instructions for ticking off answers for this questionnaire are given in brackets immediately below the question.

#### *5.3.6.5 Pretesting the questionnaire*

Before finalising the questionnaire, one final evaluation should be conducted on the entire questionnaire. Such an evaluation uses a pretest to ensure that the questions will accomplish that which is expected of them. A pretest involves conducting a dry run of the survey on a small, representative set of respondents in order to reveal questionnaire errors before the survey is launched (Burns & Bush 1998: 347). It is important that pretest participants are, in fact, selected from the target population under study. Normally, from five to ten respondents are involved in a pretest, and the researcher looks for common problem themes across this group.

The questionnaire for this study was pretested on five respondents. Before the questionnaire was administered, respondents were informed of the pretest and their cooperation was requested in spotting words, phrases, instructions, question flow, or other aspects of the questionnaire that appear confusing, difficult to understand, or otherwise pose a problem. Minor adjustments were subsequently made to the questionnaire, after which it was coded and printed.

## **5.4 COLLECTING THE DATA**

The implementation of the data collection involves the actual collection of the data with the aid of a data collection instrument (Kotler 2000: 113).

The research process was executed by posting the questionnaire to all the estate agencies in South Africa which were identified in section 5.3.4. The questionnaires were posted in July 2000 and the respondents were requested to complete them before 31 October 2000. A self-addressed envelope was included for the return of each questionnaire.



By 31 October 2000, 789 questionnaires had been returned. Since the address list supplied by the Estate Agency Affairs Board did not differentiate between residential, commercial, letting, dormant, and other agencies, screening questions were contained in the questionnaire which eliminated all returned questionnaires which did not involve residential agencies. The number of questionnaires returned by non-residential estate agencies was 206 and these questionnaires were therefore eliminated as they were irrelevant to the study. The number of questionnaires returned by residential agencies was 583 and these questionnaires were thus used to analyse the results.

The next step of the marketing research process, namely analysing the results, is dealt with in chapter 6.

## 5.5 EVALUATION OF THE RELIABILITY AND VALIDITY OF THE RESEARCH

From a research perspective, evaluation consists of determining whether the research design is likely to result in a research project that produces valid and reliable data. According to McDaniel & Gates (2001:254) reliability is the degree to which measures are free from random error and therefore provide consistent data. Reliable instruments provide stable measures at different times under different conditions.

Validity, on the other hand, addresses the issue of whether what we tried to measure was actually measured. According to Churchill (2001:369) there are three basic forms of validity, namely face validity, criterion-related validity, and construct validity. **Face validity** refers to the degree to which a measuring instrument seems to measure what it is supposed to. This refers to how representative the questionnaire is of the subject being researched, in other words, does the questionnaire and thus the questions cover the whole spectrum of the study?

According to McDaniel & Gates (2001:259) **criterion-related validity** is the degree to which a measurement instrument can predict a variable that is designated as a criterion. In other words, does the measure correlate with other measures of the same construct? There are two forms of criterion-related validity, namely predictive validity and concurrent validity. Predic-

tive validity refers to the extent to which a future level of a criterion can be predicted by a current measurement on a scale, while concurrent validity is the extent to which a criterion variable measured at the same point in time as the variable of interest can be predicted by the measurement instrument. **Construct validity** refers to understanding the factors that underlie the obtained measurement (Tull & Hawkins 1993:318). According to Aaker, Kumar and Day (1995:278) this type of validity is only achieved when a logical argument can be advanced to defend a particular measure. Aaker, Kumar and Day (1993:278) however, are of the opinion that theory development of construct validity is at a youthful stage in marketing and since the theory itself may be incorrect, this approach could be hazardous. The authors are of the opinion that marketing researchers generally concentrate more on face validity.

The two elements of evaluation of the research are now illustrated practically as applicable to the empirical research regarding relationship marketing of estate agencies in the residential property market of South Africa.

### **5.5.1 Reliability**

In the context of the research of relationship marketing in the residential property market it is difficult to meet the requirement of reliability since the real estate industry is continuously subject to change. With the abolishment of the Estate Agency Affairs Board examinations, the industry has changed considerably. If the same questionnaire had been administered to agencies prior to the abolishment of the examination, the results regarding the questions on training, for instance, would have been considerably different. Aaker, Kumar and Day (1995:300) are of the opinion that validity is more important than reliability.

### **5.5.2 Validity**

Validity of the research regarding relationship marketing in the residential property market refers to the degree to which the measures accomplish the objectives set for the study. Face validity was ensured by pre-testing the questionnaire on five respondents. These five respondents were requested to evaluate the questionnaires by spotting words, phrases, instructions, question flow, or other aspects of the questionnaire that might appear confusing or difficult to understand. Their comments regarding these aspects led to minor adjustments

to the questionnaire, after which it was coded and printed. Face validity was also achieved by being able to talk to these five experts in the real estate industry who confirmed that the residential estate agencies registered with the Estate Agency Affairs Board were representative of the residential estate agency industry.

Where criterion-related validity is concerned, concurrent validity could be tested since certain questions in the questionnaire could be used as control questions. These control questions continuously showed a positive correlation between the respondents. Predictive validity as well as construct validity were not considered since the research was a once-off study and new questionnaires would have been required to test the validity thereof.

## 5.6 CONCLUSION

This chapter covered the research methodology used to investigate relationship marketing in estate agencies. The steps in the marketing research process were outlined in this chapter, and included defining the research objectives, research design formulation, collecting the data, and analysing the data, and interpreting and reporting the findings. The first step, namely defining the objectives, was discussed in chapter 1. This chapter focused on the next two steps, namely research design formulation and collecting the data. It was shown that research design formulation consists of several steps, namely designing the exploratory and/or conclusive phases of the research, determining the sources of data, defining the population, determining the data-collection approaches and methods, and constructing and pretesting the questionnaire. Collecting the data dealt with the actual posting of the questionnaires and the completion thereof by the respondents.

The last two steps of the marketing research process, namely analysing the data and interpreting and reporting the findings, are discussed in chapters 6 and 7.

## **CHAPTER 6**

### **ANALYSIS OF THE RESEARCH RESULTS**

## 6.1 INTRODUCTION

The research methodology used to investigate relationship marketing as practised by estate agencies in the residential property market in South Africa was detailed in the previous chapter. As indicated in chapter 1, the research was carried out to determine, inter alia, to what extent relationship marketing is practised by estate agencies in the real estate property market; to what extent agencies use the principles of the marketing concept; to determine the services which estate agencies offer to customers and to what extent customer service is regarded as important in the estate agency industry.

The data were collected by means of a mail questionnaire which was posted to 8 121 estate agencies in South Africa. Since the address list supplied by the Estate Agency Affairs Board did not differentiate between residential, commercial, letting, dormant and other agencies, the questionnaire contained screening questions which eliminated all returned questionnaires that did not involve residential estate agencies. The total number of returned questionnaires was 789. The number of questionnaires which were returned by agencies which did not sell residential properties was 206 and these questionnaires were thus eliminated as they were not relevant to the study. Phone calls were also received from agencies which received questionnaires but could not complete them as they are not involved in selling residential property. The number of questionnaires therefore returned by residential estate agencies was 583 and these questionnaires were thus used to analyse the results. The data were subsequently captured and analysed by means of the statistical software program SAS (Statistical Analysis System). Various statistical analyses were conducted on the data in order to facilitate a discussion of the research results. Cross-tabulations were also used to determine the effect of certain dependent variables on certain independent variables.

Since the address list acquired from the Estate Agency Affairs Board did not specify which estate agencies were one-man businesses, screening questions were included in the questionnaire to identify these respondents. These one-man businesses consist of only the owner, who also acts as the estate agent and support personnel and thus carries out all the functions in the business. This group (97 respondents) was analysed in a separate section in this chapter (section 6.3) since all of the sections in the questionnaire (e.g. human resources

planning, recruitment, selection, retention and motivation, employee continuity and so forth) did not apply to them. Section 6.2 of this chapter therefore deals with the group of respondents (486 respondents) who are not one-man businesses (larger estate agencies) and therefore consist of more than one person (the owner). In this chapter the next step of the marketing research process, namely the analysis of the research results, is presented. The last step, i.e. conclusions and recommendations, will be presented in chapter 7.

The research results of the two groups described above will now be analysed according to the following sections in terms of which the questionnaire was structured:

- \* Demographic details
- \* Mission and objectives
- \* Human resources
- \* Marketing research and the marketing environment
- \* The marketing concept
- \* Product positioning and distribution
- \* Marketing communication
- \* Customer service and quality
- \* Employee continuity, corporate climate and internal marketing
- \* Customer complaints and customer markets
- \* Referral, recruitment and influencer markets
- \* Strategic approaches.

## 6.2 GROUP A: ALL LARGER RESIDENTIAL ESTATE AGENCIES EXCLUDING ONE-MAN BUSINESSES

### 6.2.1 Demographic details

The responses to questions 1 to 4 of Part I of the questionnaire describe the demographic details of the respondents. Figure 6.1 below reflects the responses to question 1 of the questionnaire dealing with the legal form of the estate agency.

Figure 6.1 shows that 16,9 percent of the respondents indicated that their estate agencies were companies, 4,1 percent partnerships, 54,5 percent close corporations, 22,4 percent sole proprietorships and 1,2 percent had another legal business form. About 77 percent (54,5% + 22,4%) of the estate agencies are thus either close corporations or sole proprietorships.

**FIGURE 6.1**

### THE LEGAL BUSINESS FORM OF THE ESTATE AGENCY

Percentage

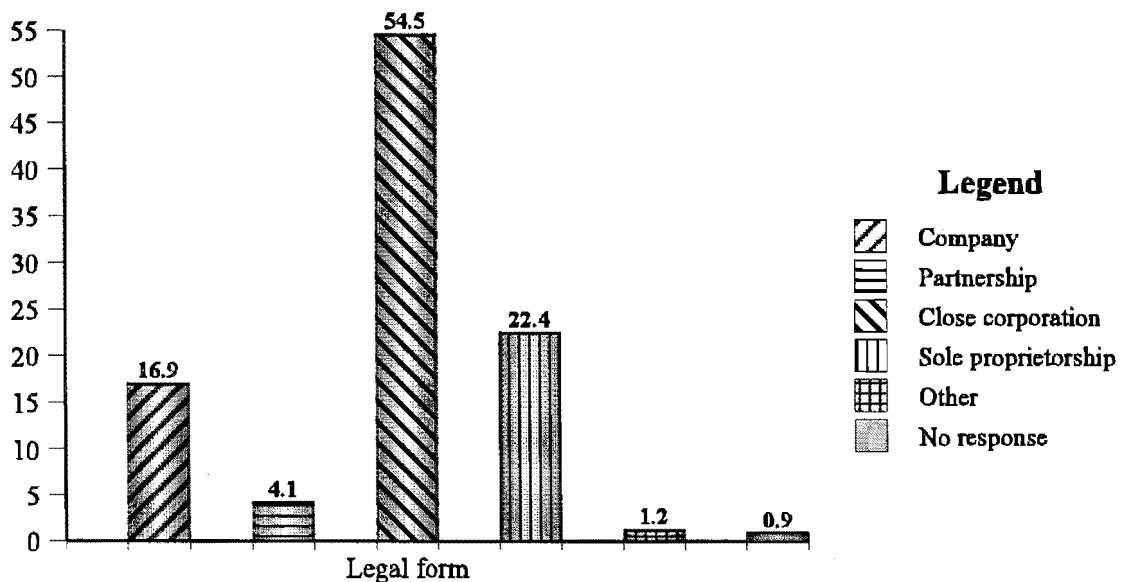


Figure 6.2 indicates the number of agents employed in the estate agencies.

**FIGURE 6.2**  
**NUMBER OF AGENTS PER ESTATE AGENCY**

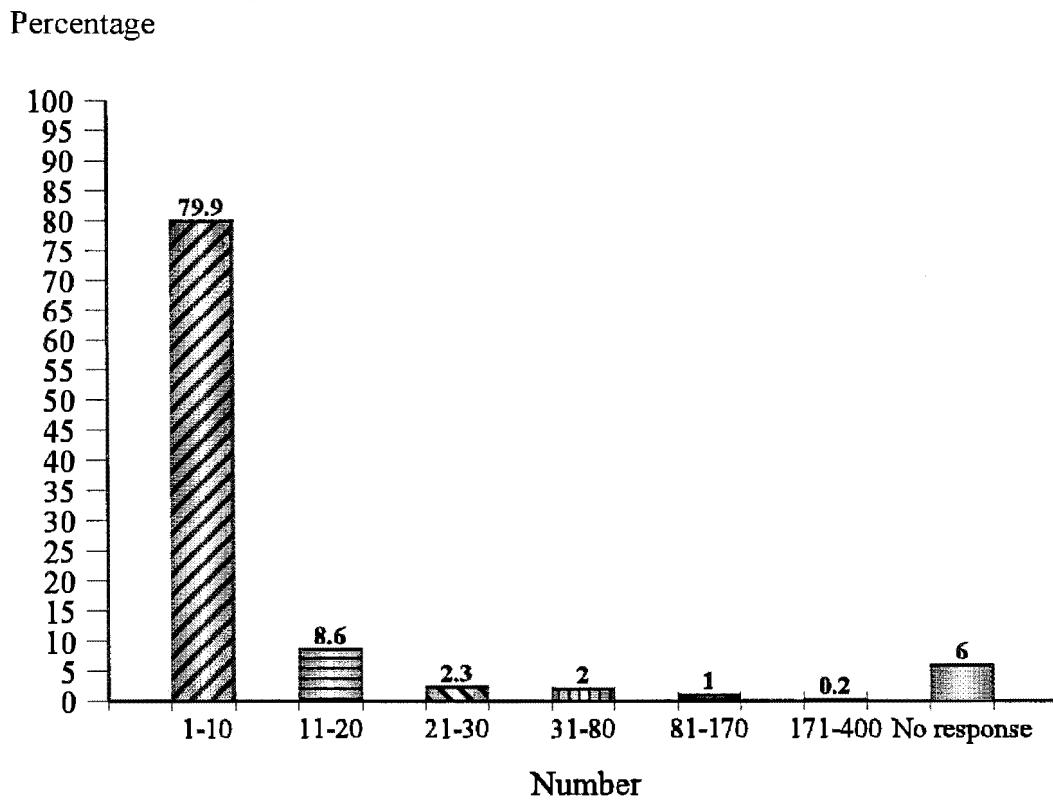


Figure 6.2 clearly shows that the majority (79,9%) of agencies have between one and ten agents. Only 8,6 percent of respondents have between 11 and 20 agents, and very few agencies have larger numbers of agents in their employ.

Figure 6.3 shows the number of support personnel employed in the estate agency firms.



**FIGURE 6.3**  
**NUMBER OF SUPPORT PERSONNEL**

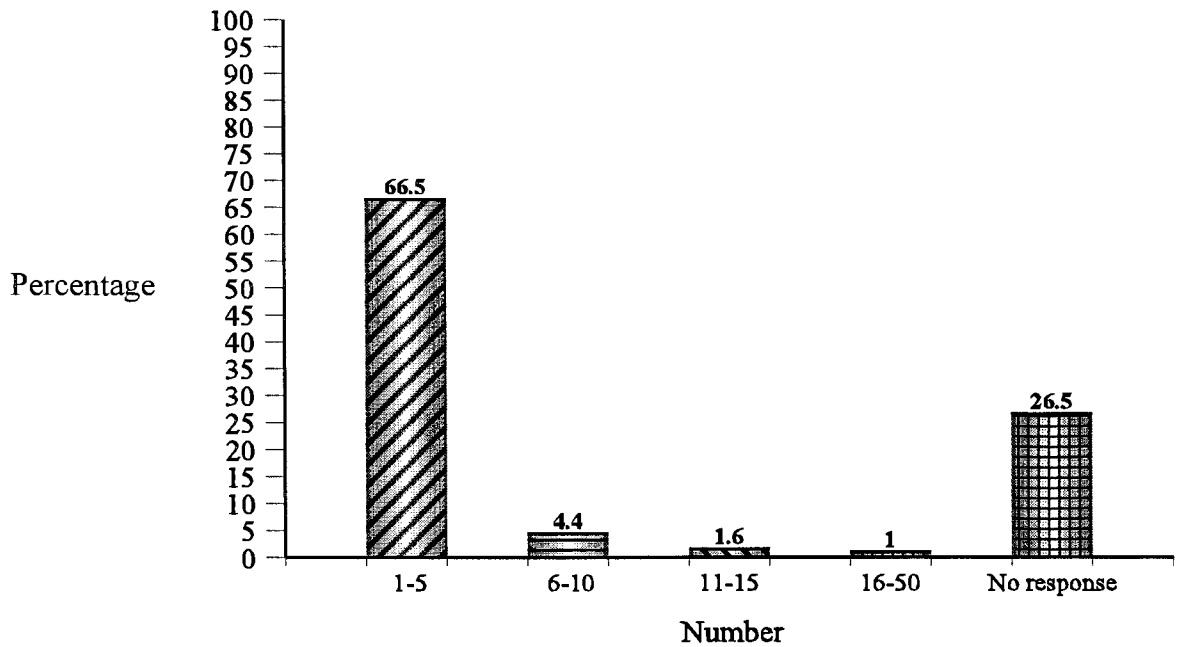


Figure 6.3 reveals that the majority (66,5 percent) of agencies indicated that they employ one to five support personnel. Only seven percent (4,4% + 1,6% + 1%) of respondents indicated that they have between six and 50 support personnel, while 26,5 percent of agencies did not respond to the question at all.

Figure 6.4 indicates the number of directors which the different estate agency firms have.

**FIGURE 6.4**  
**NUMBER OF DIRECTORS**

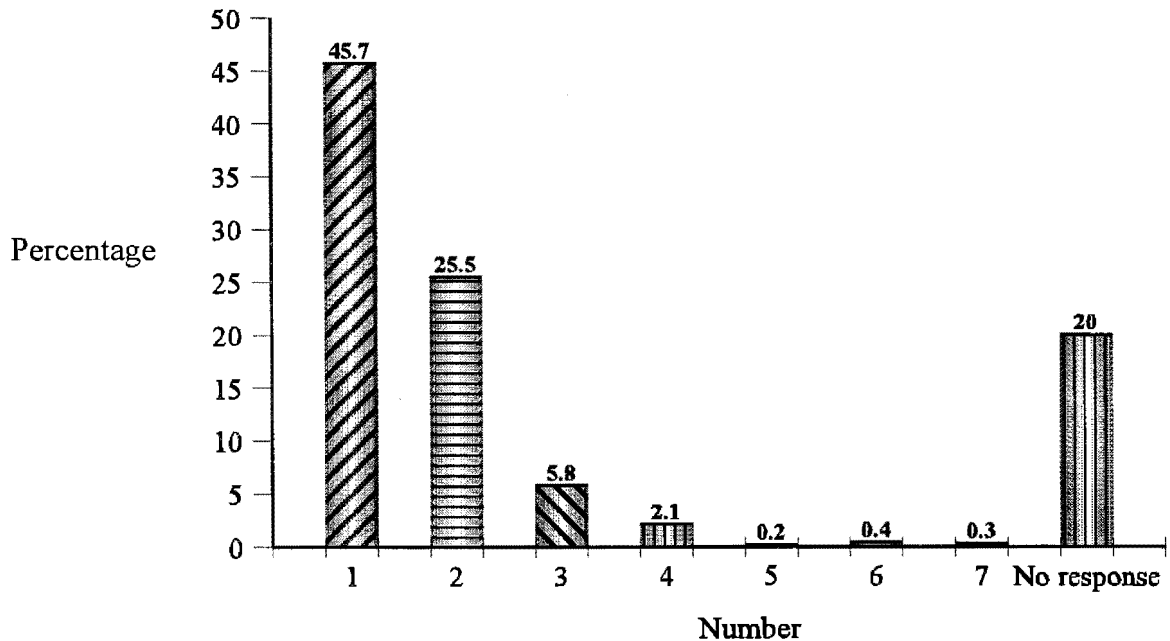


Figure 6.4 above shows that 71,2 percent (45,7% + 25,5%) of the respondents indicated that their firms have either one or two directors. 8,8 percent of the respondents indicated that their firms have three to seven directors.

The networks used by estate agency firms are indicated in table 6.1. Intercity referral networks are used by 30,7 percent of the respondents, franchising by 18,7 percent, multi listing by 29,4 percent, and 38,7 percent of firms have no networks at all. 14,2 percent of the respondents indicated that they use other networks. It is therefore clear that nearly 40 percent (38,7%) of residential estate agency firms do not make use of any networks in their firms. The firms that do use networks use mostly intercity referral networks and multi listings.

Question 3 in the questionnaire was correlated with question 18 of Part II to determine the relationship between the network and the marketing research conducted. When testing the correlation between the intercity referral network and the conducting of marketing research it was found that 74,3 percent of the respondents who selected both options have intercity referral networks and also do marketing research. Where franchising and marketing research

are concerned, 78,8 percent of the respondents who selected both options have franchises and also do marketing research, while 72,1 percent of the respondents who selected both multi listing and the conducting of marketing research thus make use of multi listings and also do marketing research. Only 55,3 percent of the respondents who selected both no network and conducting marketing research have no networks and also conduct marketing research. It is thus clear that these agencies which have no networks also conduct less marketing research than those which make use of networks.

**TABLE 6.1**  
**TYPE OF NETWORKS**

Networks	Frequency	%
Intercity referral networks	149	30,7
Franchising	91	18,7
Multi listing	143	29,4
No network	188	38,7
Other (specify)	69	14,2

(Multiple answers were obtained from respondents.)

The segments in which the estate agencies operate are depicted in table 6.2.

**TABLE 6.2**  
**MARKET SEGMENTS**

Market segments	Frequency	%
Residential property for executives and upmarket clients.	263	54,1
Residential property in upper class suburbs.	314	64,6
Residential property intended for middle-class families.	402	82,7
Residential property for first-time buyers.	309	63,6
Residential property which provides value for money.	295	60,7
Other (specify)	118	24,3

(Multiple answers were obtained from respondents.)

Table 6.2 reveals that most agencies (82,7%) sell residential property to middle-class families. This is followed by agencies which direct their sales at upper-class suburbs (64,6%), first-time buyers (63,6%) and markets which want value for money (60,7%). Of the agencies, 54,1

percent concentrate on executives and upmarket clients, while 24,3 percent concentrate on other markets.

#### **Conclusion on demographic details**

The results of Part I of the questionnaire thus indicate that most of the agencies (54,5%) have close corporations, while the second most popular legal form is the sole proprietorship (22,4%). The majority of agencies (79,9%) employ between one to ten agents, and a large percentage (66,5%) also employ between one to five support personnel. The majority of respondents (71,2%) also indicated that they have one or two directors.

The types of networks, as discussed in section 2.6 of chapter 2, which are most popular among the larger agencies are intercity referral networks (30,7%) and multi listings (29,4%). However, the results indicate that close to 40 percent (38,7%) of estate agency firms do not make use of any networks at all. As indicated in chapter 2 of the study, networks can assist agencies in improving customer service. It is thus disappointing to find that a large percentage do not make use of networks at all. Cross correlations also indicate that those agencies which have no networks also conduct less marketing research than those which do make use of networks. Since marketing research is a prerequisite for providing good customer service it thus seems as if agencies which have no networks are much less focused on providing and improving customer service.

The results also reveal that the target markets which are most popular among the larger agencies are middle-class families (82,7%), upper-class suburbs (64,6%) and first-time buyers (63,6%).

#### **6.2.2 Mission and objectives**

Questions 1 to 5 of part II of the questionnaire dealt with the mission and objectives of the estate agency firm. Question 1 was used to determine whether estate agency firms have mission statements and to investigate what aspects were covered in their mission statements.

Of the 486 respondents, 248 (51%) indicated that they have mission statements. The mission statements of these agencies are indicated in annexure B. In chapter 2, section 2.5 of this study, it was indicated that a mission statement describes the nature of the enterprise's activities and that it should be possible to derive the following answers from the mission statement (Strydom 2000: 477):

- \* What is the nature of the business undertaken by the enterprise?
- \* Who are the consumers?
- \* What are the consumers' needs?
- \* What is the nature of the internal resources and abilities at the disposal of the enterprise?
- \* How can the enterprise satisfy consumer needs?
- \* What environmental factors have to be taken into consideration?

It is clear from annexure B that very few agencies covered all of these aspects in their mission statement. Only about seven agencies covered two or three of the above aspects, while only one covered most of them. The rest of the respondents seemed to be unaware of what a mission statement really is, and regarded it as a slogan or an objective.

Table 6.3 refers to question 2 of the questionnaire, which determined how the mission statement is communicated to agents and employees.

**TABLE 6.3**

**METHODS TO COMMUNICATE MISSION STATEMENT TO EMPLOYEES**

Methods	Frequency	%
It is emphasised in training sessions.	174	35,8
It is printed on our stationery.	112	23,0
It is mentioned in our advertising and promotions.	159	32,7
It is displayed on our office wall.	103	21,2
Other (specify)	34	7,0

(Multiple answers were obtained from respondents.)

Table 6.3 reveals that the mission statement is mostly communicated to agents by means of training sessions and through advertising and promotions. Of the respondents, 68,5 percent (35,8% + 32,7%) indicated that they use the above two methods, while 44,2 percent (23,0%

+ 21,2%) indicated that they make use of mission statements on stationery and office walls to inform personnel about their mission statements. Only seven percent use other methods of communication.

Questions 3, 4 and 5 of the questionnaire dealt with the marketing objectives of the estate agency. Table 6.4 shows the variables in terms of which marketing objectives are set.

**TABLE 6.4**

**VARIABLES IN TERMS OF WHICH MARKETING OBJECTIVES ARE SET FOR THE AGENCY**

Objectives	Frequency	%
Sales/profit	302	62,1
Customers	222	45,7
Turnover	162	33,3
Cost	123	25,3
Other (specify)	38	7,8

(Multiple answers were obtained from respondents.)

Most (62,1%) of the estate agencies set their marketing objectives in terms of sales/profit. This is followed by estate agencies which set their marketing objectives in terms of customers (45,7%). A smaller percentage set their marketing objectives in terms of turnover (33,3%) and cost (25,3%), while 7,8 percent use other variables. Question 3 of the questionnaire, which determined the variables in terms of which marketing objectives are set, was correlated with question 18, which determined whether the estate agencies conduct marketing research or not. The researcher found that 70,3 percent of the respondents who selected sales/profit as a variable and also indicated that they do conduct marketing research, therefore use sales/profit as a variable to set marketing objectives and also conduct marketing research. 75 percent of respondents who selected both customers as a variable and also the conducting of marketing research, use customers as a variable to set marketing objectives and also conduct marketing research. It was also found that 73,8 percent of the respondents who selected turnover as a variable and indicated the conducting of marketing research, thus use turnover to set marketing objectives and do, in fact, conduct marketing research. It was found that 70,3 percent of respondents who selected both cost as a variable and conducting marketing research, therefore

use cost as a variable in terms of which marketing objectives are set and do, indeed, conduct marketing research. It is therefore clear from the results that more than 70 percent of the respondents who indicated that they do conduct marketing research as well as set their marketing objectives in terms of the four variables in the question do, in fact, do so. It thus seems as if adequate marketing research is done by the agencies before setting their marketing objectives.

The methods for communicating marketing objectives to the agents are depicted in table 6.5.

**TABLE 6.5**  
**METHODS FOR COMMUNICATING MARKETING**  
**OBJECTIVES TO AGENTS**

<b>Method of communication</b>	<b>Frequency</b>	<b>%</b>
In discussions and meetings	387	79,6
In print form (letters/memo's)	84	17,3
In official documents	40	8,2
In training/motivational sessions	251	51,6
Other (specify)	24	4,9

(Multiple answers were obtained from respondents.)

Table 6.5 clearly shows that the majority of agencies (79,6%) communicate their marketing objectives to agents in discussions and meetings. Of the respondents, 51,6 percent make use of training/motivational sessions as a communication medium, while only a small percentage use letters/memo's (17,3%) and official documents (8,2%). Of the agencies, 4,9 percent make use of other communication media.

Table 6.6 shows the variables in terms of which marketing objectives are set per agent. Most of the agencies use sales turnover (63,2%) and listing volume (41,4%) as objectives, while very few use referral volume (24,7%). Only a small percentage (14,4%) do not set any individual objectives.

**TABLE 6.6**  
**VARIABLES IN TERMS OF WHICH MARKETING**  
**OBJECTIVES ARE SET PER AGENT**

Variables	Frequency	%
Sales turnover	307	63,2
Listing volume	201	41,4
Referral volume	120	24,7
Individual objectives are not set	70	14,4
Other (specify)	34	7,0

(Multiple answers were obtained from respondents.)

#### **Conclusion on mission and objectives**

The results of the questionnaire with regard to the section on mission and objectives indicate that most of the respondents do not know what a mission statement is. The mission statement was discussed in chapter 2, section 2.5, where the variables which should be covered in a mission statement are indicated. Although a large percentage of respondents (51%) indicated that they do have mission statements, it was found that only seven respondents seem to have mission statements which meet some of the theoretical requirements for a mission statement. The rest of the respondents seem to regard a mission statement as a slogan or objective. The findings indicate that most respondents (68,5%) who have "mission statements" communicate these "mission statements" to their agents by means of training sessions and through advertising and promotions. What is thus communicated to the agents is not the nature of the enterprise's activities and the organisation's raison d'être in the light of long-range opportunity as indicated in the theory. In fact, in most instances the message conveyed could create confusion for the agents.



The majority of respondents (62,1%) indicated that they set their marketing objectives in terms of sales/profit, while the second most popular variable is customers (45,7%). Cross correlations indicate that agencies seem to do adequate research with regard to setting their marketing objectives. The marketing objectives are communicated to the agents and the methods mostly used are discussions and meetings (79,6%) and training/motivation sessions (51,6%). The findings also indicate that most estate agencies set marketing objectives per agent and the variables mostly used for this purpose are sales turnover (63,2%) and listing volume (41,4%). The results in terms of the marketing objectives are thus positive and the estate agencies seem to be aware of the importance of setting overall marketing objectives, marketing objectives per agent, and also of the importance of communicating these objectives to agents.

### **6.2.3 Human resources**

The responses to questions 6 to 17 of the questionnaire dealt with the human resource function in the estate agency.

#### **\* Human resource planning**

Questions 6 and 7 deal specifically with human resources planning. Figure 6.5 below reflects whether agencies consider the agent's ability to work with clients when hiring new agents.

**FIGURE 6.5**  
**THE AGENT'S ABILITY TO WORK WITH CLIENTS**

Percentage

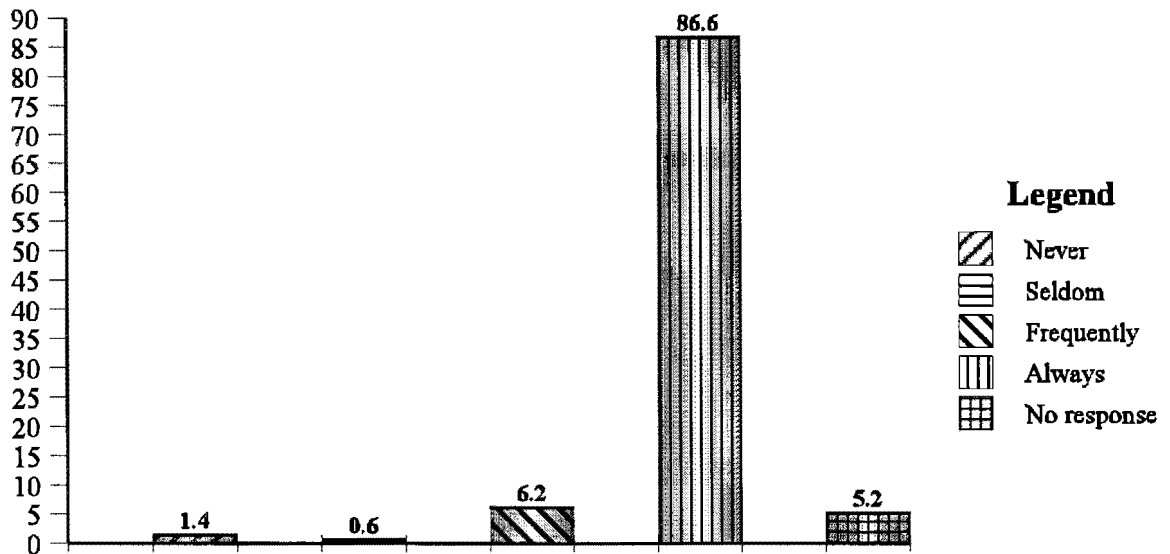
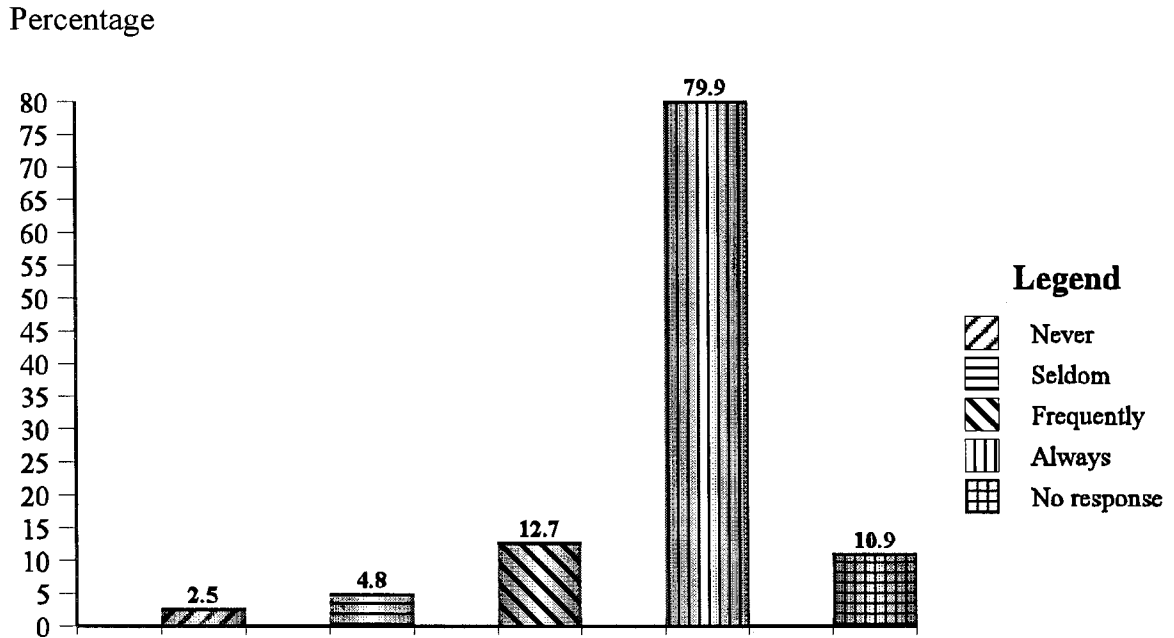


Figure 6.5 shows that the majority of agencies ( $86,6\% + 6,2\% = 92,8\%$ ) always or frequently consider the agent's ability to work with clients when hiring employees. Hardly any agencies do not consider this as an important variable.

Figure 6.6 below reflects whether agencies, when hiring new employees, consider such personnel's ability to work with clients.

**FIGURE 6.6**  
**AGENCY PERSONNEL'S ABILITY TO WORK WITH CLIENTS**



Similar to figure 6.5, the majority of agencies frequently and always (12,7% + 79,9%) consider the personnel's ability to work with clients when hiring new employees, while very few (2,5% + 4,8% = 7,3%) never or seldom use this criterion.

Question 7 of the questionnaire dealt with the criteria which estate agencies use when appointing new estate agents. The responses are ranked in order of importance (according to the mean) and are indicated in table 6.7.

**TABLE 6.7**  
**CRITERIA USED TO APPOINT NEW ESTATE AGENTS**

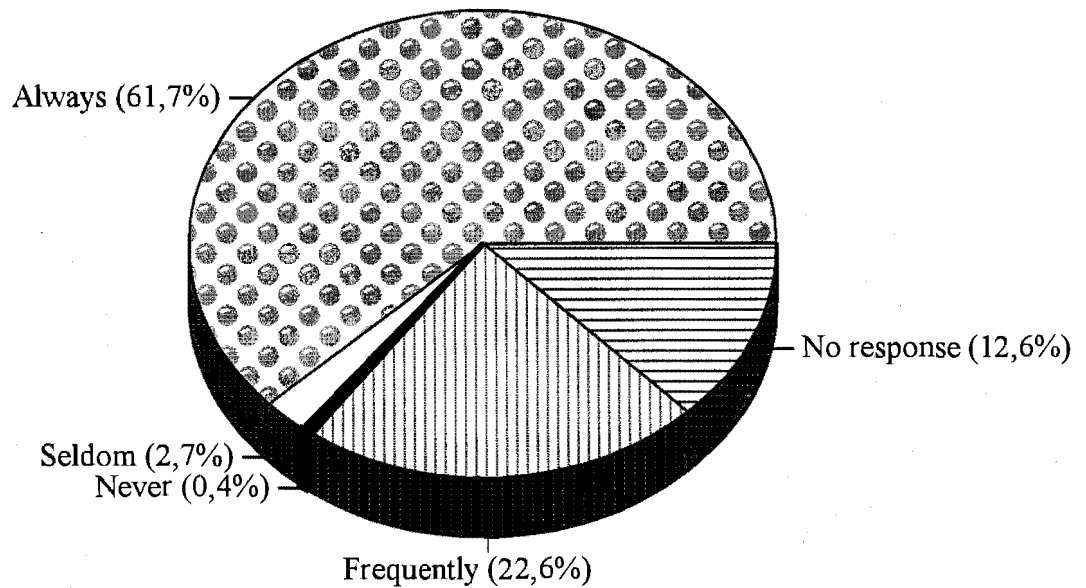
Statements	Never	Seldom	Fre- quently	Always	Mean	No response
	%	%	%	%		
Honesty/Integrity	0,8	0,6	4,3	87,2	3,91	7,1
Interpersonal skills in dealing with clients	0,8	2,5	14,4	73,0	3,76	9,3
Personality	0,8	2,1	22,4	66,0	3,68	8,7
Service orientation	0,4	2,7	22,6	61,7	3,67	12,6
Courtesy	0,6	3,5	21,6	63,8	3,66	10,5

Practicalities (e g Transport)	2,3	4,7	15,2	65,4	3,64	12,4
Appearance	0,6	3,7	27,0	59,7	3,60	9,0
Ambition	1,0	4,7	28,2	53,3	3,53	12,8
Creativity in presenting the property to buyers	1,9	9,3	30,7	45,3	3,37	12,8
Judgement ability	1,9	9,7	38,1	37,0	3,27	13,3
Physical stamina to perform well	4,1	16,9	29,4	31,0	3,07	18,6
Completion of the Board examinations	8,0	18,7	23,5	37,0	3,03	12,8
Education and previous training	4,5	19,1	36,6	27,8	3,00	12,0
Previous experience	9,1	24,5	34,6	19,5	2,74	12,3
Aggressiveness	9,3	25,5	30,5	18,9	2,70	15,8

The means in table 6.7 indicate that honesty/integrity (3,91) and interpersonal skills (3,76) are viewed as most and second most important criteria when appointing new estate agents. Personality (3,68) and service orientation (3,67) are ranked third and fourth by estate agencies as criteria for appointing new estate agents. The criteria seen as least important by respondents are completion of the Board examinations (3,03), education and previous training (3,00), previous experience (2,74) and aggressiveness (2,70). It thus seems as if estate agencies are not overly concerned about qualifications or experience in the field of real estate when appointing new agents.

As indicated in the introduction, one of the objectives of this research is to determine the customer-service orientation in the estate agency industry. The particular responses with regard to a service orientation as a criterion when appointing new estate agents are highlighted in figure 6.7.

**FIGURE 6.7**  
**SERVICE ORIENTATION**



From figure 6.7 it is evident that most estate agencies (61,7% + 22,6% = 84,3%) always or frequently use service orientation as a criterion when appointing new estate agents. Only a few estate agencies (0,4% + 2,7% = 3,1%) never or seldom consider the service orientation of estate agents. Of the respondents, 12,6 percent chose not to respond to this question.

**\* Recruitment of estate agents**

The sources which are used by estate agencies for the recruitment of new estate agents are shown in table 6.8. The means in the table reveal that referrals (2,96), current employees' recommendations (2,88) and advertisements (2,51) are the most frequently used recruitment sources. The sources ranked second last and last by respondents are employment agencies (1,27) and direct mail (1,34), and are thus seldom used. The majority of respondents (75,9%) did not respond to the "other" category, which indicates that most of the agencies make use of the recruitment sources indicated in the table.

**TABLE 6.8**  
**SOURCES USED FOR RECRUITMENT OF NEW ESTATE AGENTS**

Sources	Never %	Seldom %	Fre- quently %	Always %	Mean	No re- sponse %
Referrals	4,3	14,6	41,8	20,2	2,96	19,1
Current employees' recommendations	7,6	18,3	33,1	23,3	2,88	17,7
Advertisements	19,1	16,5	25,1	16,9	2,51	22,4
Other estate agencies	22,4	20,6	23,3	7,4	2,21	26,3
Salespeople from noncompeting companies	19,8	28,0	18,1	3,7	2,08	30,4
Walk-ins	24,7	29,4	13,8	4,9	1,99	27,2
Other (specify)	15,4	2,3	2,3	4,1	1,79	75,9
Direct mail	53,3	9,1	2,9	2,7	1,34	32,0
Employment agencies	55,1	10,5	2,5	1,0	1,27	30,9

\* **Selection of estate agents**

Table 6.9 reveals the selection instruments used by estate agencies for the appointment of new estate agents. It is clear from the table that the employment interview is most popular among estate agencies (mean = 3,88) while the background investigation (mean = 3,18) and the application form (mean = 2,88) are ranked second and third by the respondents. Employment tests (mean = 1,91) seem to be least popular as a selection instrument. The majority of respondents (86,9%) did not respond to the "other" category, which indicates that they make use of the selection instruments indicated in the table.

**TABLE 6.9**  
**SELECTION INSTRUMENTS**

Selection instruments	Never %	Seldom %	Fre- quently %	Always %	Mean	No response %
Employment interview	1,0	0,8	6,0	84,6	3,88	7,6
Background investigation	6,0	11,5	28,6	38,7	3,18	15,2
Application form	18,3	8,8	8,6	37,0	2,88	27,3
Other (specify)	7,4	1,2	1,4	3,1	2,02	86,9
Employment tests (IQ, personality, aptitude, achievement)	33,7	17,7	7,2	10,1	1,91	31,3

\* **Induction of estate agents**

Figure 6.8 clearly shows the attitudes of estate agencies towards formal induction programmes.

**FIGURE 6.8**  
**ATTITUDES OF ESTATE AGENCIES TOWARDS**  
**FORMAL INDUCTION PROGRAMMES**

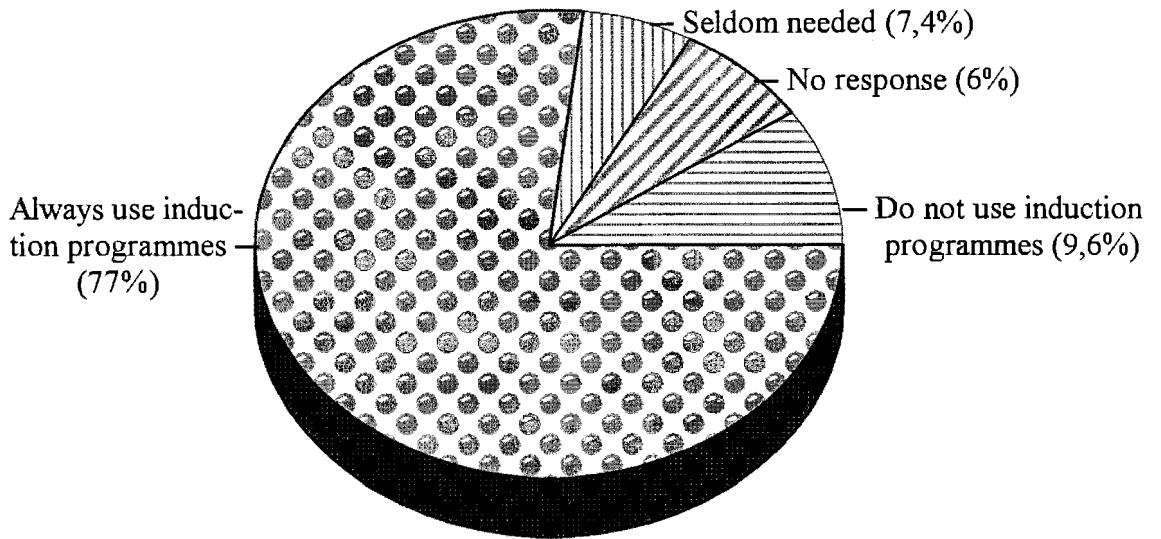


Figure 6.8 clearly reveals that the majority of estate agencies (77%) are of the opinion that induction programmes are important and thus make use of these programmes. Only 17 percent (7,4% + 9,6%) of the respondents seldom need or use induction programmes.

\* **Training of estate agents**

Questions 11 to 15 of the questionnaire dealt with the training of estate agents. The responses to these questions are indicated in the following tables.

**TABLE 6.10**  
**THE USE OF TRAINING PROGRAMMES**

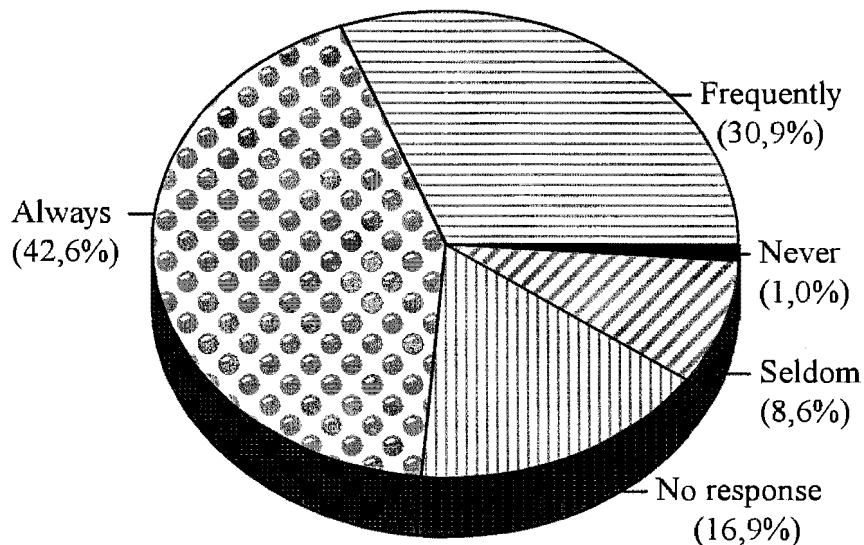
Training programmes	Frequency	%
No formal training is needed.	27	5,6
Training on the job is adequate for agents.	152	31,3
Only estate agents with no actual experience are trained.	72	14,8
We sponsor further study programmes for our estate agents.	122	25,1
We train all estate agents in our agency.	309	63,6
Other forms of training (specify)	39	8,0

(Multiple answers were obtained from respondents.)

Table 6.10 shows that a large percentage (63,6%) of estate agencies train estate agents themselves. Of the respondents, 31,3 percent are of the opinion that on-the-job training is adequate for agents, while only 25,1 percent sponsor further study programmes for their estate agents. Very few estate agencies (5,6%) are of the opinion that no formal training is needed.

Questions 12 to 15 of the questionnaire were completed by agencies which offer training programmes. Figure 6.9 indicates whether in-service estate agents (agents already employed by the agency) are also trained.

**FIGURE 6.9**  
**TRAINING OF IN-SERVICE ESTATE AGENTS**



It is evident from figure 6.9 that the majority ( $30,9\% + 42,6\% = 73,5\%$ ) of estate agencies frequently and always offer training to in-service estate agents, while only a small percentage ( $1\% + 8,6\% = 9,6\%$ ) never or seldom use this type of training.



The next table reflects the importance attached to training programmes for agents.

**TABLE 6.11**  
**THE IMPORTANCE ATTACHED TO TRAINING PROGRAMMES**

Training aspects	Totally unimportant %	Less important %	Im- portant %	Very im- portant %	Mean	No response %
The training needs of all employees are determined.	1,4	3,7	32,1	37,0	3,41	25,8
The success of the training programme is evaluated after its completion.	1,6	8,4	30,2	27,4	3,23	32,4
Objectives are set for all training programmes.	2,3	6,2	35,0	25,5	3,21	31,0
The trainees are evaluated at the end of the training period.	2,5	8,4	32,1	28,2	3,21	28,8

Table 6.11 reveals that a large number of agencies view all the aspects in question 13 of the questionnaire as either important or very important. The means obtained for the various training aspects are very similar and respondents therefore seem to view all the aspects as equally important. These are the determination of training needs of the employees (3,41), evaluation of the success of the training programme (3,23), the evaluation of the trainees at the end of the training (3,21) and the setting of objectives for training programmes (3,21).

Table 6.12 indicates the aspects concentrated on when training estate agents. The high means obtained for all the training aspects indicate that most respondents always concentrate on all the aspects mentioned in this question. Professionalism rated a mean of 3,87, while code of conduct of the Estate Agency Affairs Board was rated second (mean = 3,84). Qualifying the buyer/seller (mean = 3,69) and legislation (mean = 3,68) were rated third and fourth respectively. Showing selected properties (mean = 3,49) and advertising the property (mean = 3,44) were rated second last and last by the respondents. It is surprising that training regarding advertising the property is not rated near the top since this is an important promotion method which is used to make buyers aware of the property.

TABLE 6.12

## ASPECTS CONCENTRATED ON WHEN TRAINING ESTATE AGENTS

Training aspects	Never %	Seldom %	Fre- quently %	Always %	Mean	No response %
Professionalism	0,6	0,2	8,0	73,0	3,87	18,2
Code of Conduct of the Estate Agency Affairs Board	0,4	2,3	7,8	71,8	3,84	17,7
Qualifying the buyer/seller	0,6	2,3	18,5	59,1	3,69	19,5
Legislation regarding estate agents	0,6	3,5	16,3	59,3	3,68	20,3
Inspecting the property	1,0	3,7	16,5	60,3	3,67	18,5
Knowledge of the market	0,8	1,2	23,0	56,0	3,65	19,0
Building long-term relationships with clients	0,8	4,5	19,3	56,8	3,62	18,6
Assisting the buyer in obtaining finance	0,8	4,1	21,0	55,3	3,61	18,8
After-sales contact with the buyer/seller	1,2	3,3	24,1	53,3	3,58	18,1
How to work with mandates	1,9	2,7	25,7	49,6	3,54	20,1
The personal selling process	1,2	3,3	27,6	47,9	3,53	20,0
Showing selected properties	1,0	6,0	25,5	46,5	3,49	21,0
Advertising the property	2,1	5,8	28,0	45,3	3,44	18,8

Certain options in question 14 (aspects concentrated on during training) were correlated with question 18, which determined whether the respondents conduct marketing research or not. It was found that 70,7 percent of the respondents who selected the options conducting marketing research and knowledge of the market, thus actually do conduct marketing research and teach their agents about the importance of having knowledge of the market. When determining the relationship between always conducting marketing research and qualifying the buyer or seller as a training aspect, it was found that 71,3 percent of the respondents who selected both options thus do conduct marketing research and always inform agents about qualifying the buyer or seller. It was also found that 70 percent of the respondents who selected both the next options (conducting of marketing research and after-sales contact with the buyer or seller) therefore do conduct marketing research and always teach their agents about after-sales contact with the buyer or seller. Consequently it appears as if the aspects which are concentrated on during training were researched by these agencies.

Question 14, option 7 (after-sales contact with the buyer) was also correlated with option 1 of question 21 (we offer the best service quality to buyers). It was found that 66,3 percent of the respondents who selected both options train estate agents in after-sales contact with the buyer as well as offer the best service quality to buyers. Option 10 of question 14 (building long-term relationships with clients) was also correlated with question 21 and it was found that 71,7 percent of the respondents who indicated that they train agents in building long-term relationships with clients as well as offer the best service quality to buyers, do in fact train agents in building long-term relationships with clients while also offering the best service quality to buyers.

Table 6.13 reflects the customer behaviour factors which are covered in estate agents' training programmes.

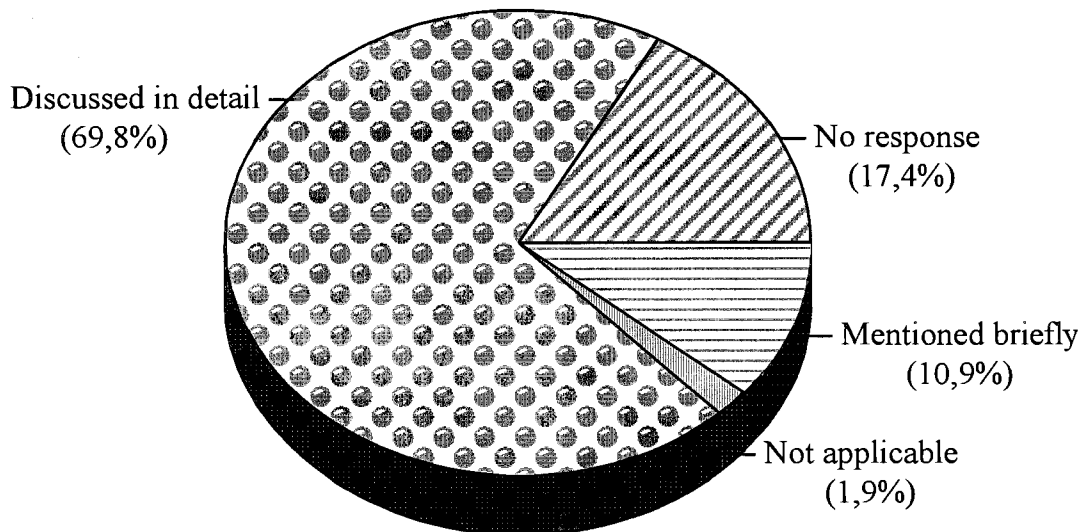
**TABLE 6.13**  
**CUSTOMER BEHAVIOUR FACTORS COVERED**  
**IN TRAINING PROGRAMMES**

<b>Knowledge of customer behaviour</b>	<b>Not applicable to our agency %</b>	<b>Mentioned briefly %</b>	<b>Discussed in detail %</b>	<b>Mean</b>	<b>No response %</b>
Buyers' income/financial status.	1,9	10,9	69,8	2,33	17,4
Buyers' reasons for buying property.	1,9	14,0	66,7	2,30	17,4
The influence of the family on buyer behaviour.	7,0	31,9	41,8	1,96	19,3
The effect of the buyer's life style on buyer behaviour.	9,5	33,7	36,6	1,87	20,2
The learning and perceptual ability of buyers/sellers.	7,8	36,6	34,4	1,84	21,2
The role of social demographic factors (age, language, education, occupation) in customer behaviour.	9,7	33,7	35,6	1,84	21,0
The effect of pressure from social groups on buyer behaviour.	19,5	36,2	21,6	1,57	22,7

Table 6.13 reveals that on the three-point scale, the two factors which are discussed in greater detail than the others at training sessions, are buyers' income/financial status (mean = 2,33) and buyers' reasons for buying property (mean = 2,30). All the other factors rated means of

less than two and are not discussed in great detail at training sessions. The particular responses with regard to buyers' income/financial status are indicated in figure 6.10.

**FIGURE 6.10**  
**BUYERS' INCOME AND FINANCIAL STATUS**



From figure 6.10 it is evident that 69,8 percent of the respondents discussed buyers' income/financial status in detail; 10,9 percent mentioned it briefly; 1,9 percent felt that it was not applicable to their agency; and 17,4 percent did not respond. Question 15, option 3 (buyers' income/financial status is discussed in detail), was cross-correlated with question 24, option 1, which tested whether respondents view the consumer-oriented principle of the marketing concept as very important. It was found that 72,7 percent of the respondents who selected both options thus discuss the buyer's income/financial status in detail during training and are also of the opinion that they are consumer-oriented. It does, however, seem as if the respondents are concentrating more on the buyers' financial position than on their actual needs and the other consumer behaviour influences. In order to be consumer oriented estate agencies should concentrate on all the consumer behaviour influences and not only on financial means. Motivational methods used by estate agents was the next aspect that was investigated.

\* **Retention and motivation of estate agents**

Table 6.14 reveals that the motivational method used most by respondents is sales meetings during which agents are informed about important aspects (mean = 3,42). The methods rated second and third by the agencies are financial compensation (mean = 3,29) and specific objectives for each agent (mean 3,03). Prizes/trophies (mean = 2,68), competitions (mean = 2,43) and promotion opportunities (mean = 2,26) were rated lowest and are thus not used by a large number of estate agencies to motivate their agents.

**TABLE 6.14**  
**MOTIVATIONAL METHODS USED BY ESTATE AGENTS**

Motivational methods	Never	Seldom	Fre- quently	Always	Mean	No response %
	%	%	%	%		
We hold sales meetings to inform agents about important aspects.	3,7	6,8	22,4	47,9	3,42	19,2
We provide financial compensation for good estate agents.	7,2	8,6	20,0	46,9	3,29	17,3
We set specific objectives for each agent.	8,6	10,7	25,3	30,5	3,03	24,9
We give prizes/trophies to successful estate agents.	19,5	11,1	16,9	26,7	2,68	25,8
We have competitions for our agents.	22,6	14,8	14,2	19,5	2,43	28,9
We provide opportunities for agents to be promoted.	24,5	16,5	16,3	13,4	2,26	29,3

\* **Remuneration of estate agents**

**TABLE 6.15**  
**PAYMENT METHODS USED IN ESTATE AGENCIES**

Methods of payment	Never	Some- times	Always	Mean	No response %
	%	%	%		
Straight commission (commission is split between the firm and the estate agent)	1,6	2,7	87,0	2,68	8,7
Performance commission (predetermined payments are given as rewards for achievement)	14,6	24,3	28,0	1,47	33,1
Salary	46,3	6,2	4,9	0,73	42,6
Other (specify)	7,0	2,1	4,9	0,26	86,0

It is evident from table 6.15 that the payment method rated highest on the three-point scale by the respondents is straight commission (mean = 2,68). Salaries (mean = 0,73), performance commission (mean = 1,47) and other methods (mean = 0,26) obtained the lowest ratings and are thus used least as payment methods by agencies. The majority of respondents (86%) did not respond to the "other" category, which indicates that they use the payment methods indicated in the table. The particular responses with regard to straight commission are revealed in figure 6.11.

**FIGURE 6.11**  
**STRAIGHT COMMISSION AS A METHOD OF PAYMENT**

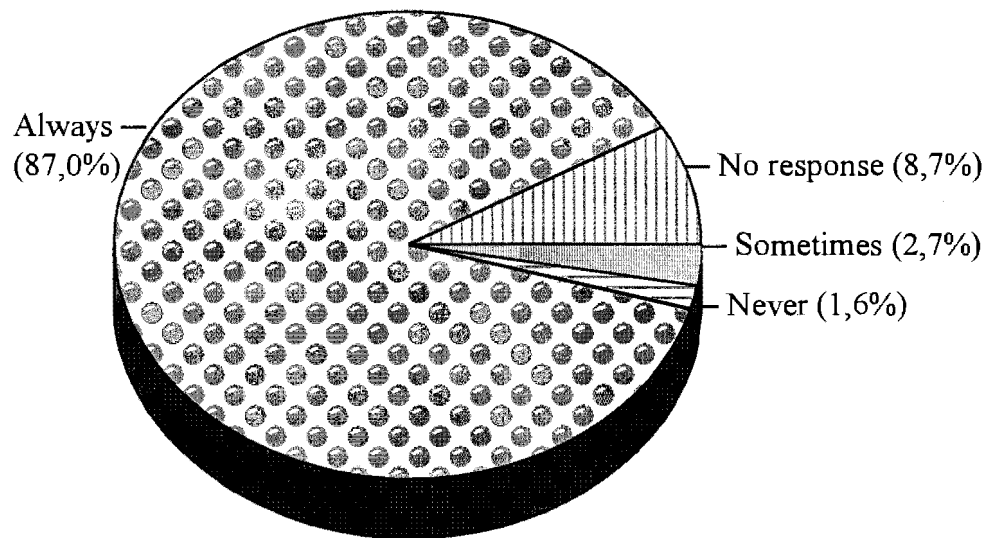


Figure 6.11 shows that 87,0 percent of the respondents always use straight commission as a method of payment. Only 2,7 percent indicated that they sometimes use this method, while 1,6 percent never use straight commission. Of the estate agencies, 8,7 percent did not respond at all.

#### **Conclusion on the provision of human resources in the estate agency**

Estate agents are the most important asset and financial instrument of an estate agency firm and no estate agency can grow and prosper without qualified, professional, motivated and devoted estate agents. The findings regarding human resources or personnel in an estate agency (dealt with in section 2.7.1) indicate that the majority of agencies always or frequently consider the agents' (92,8%) as well as the agency personnel's (79,9%) ability to

work with clients when hiring new employees. As indicated in the discussion of human resources in chapter 2, section 2.7.1, the estate agents who are recruited should be able to provide customer service and develop enduring relationships with customers. It is thus encouraging to find that the majority of agencies consider the agents' ability to work with clients when appointing new agents, as this characteristic greatly influences the provision of customer service and relationship marketing.

When testing the specific criteria used to appoint new estate agents, honesty or integrity, interpersonal skills, personality and service orientation were regarded as the four most important criteria. As indicated in chapter 2, section 2.7.2, a service orientation is one of the main ingredients of the relationship marketing concept and also one of the secrets of success in real estate. Since the results indicate that 84,3 percent of estate agencies always or frequently consider service orientation when appointing new agents, customer service thus seems to be important to estate agencies. A disconcerting finding was that among the criteria which were viewed as least important when appointing new agents, are completion of the Board examinations, education, and previous training and experience. It thus seems as if estate agencies are not overly concerned about qualifications or experience in the field of real estate when appointing new agents. This could influence the way the agents conduct business with clients and also the type of services which they provide to customers.

The recruitment sources and selection instruments for new agents were discussed in chapter 2, sections 2.7.3 and 2.7.4. The findings indicate that referrals, current employees' recommendations and advertisements are the most frequently used recruitment sources, while the employment interview and background investigation are seen as the most popular selection instruments. Where induction programmes (discussed in chapter 2, section 2.7.5) are concerned, it was encouraging to find that the majority of estate agencies (77%) have a positive attitude towards these programmes and thus make use of them.

As indicated in chapter 2, section 2.7.6, a well-planned training programme is regarded as essential since it is regarded as a vital link in the process of converting the recruit into a productive salesperson. The findings of the study indicate that the majority of respondents (63,6%) train estate agents themselves, while 31,3 percent are of the opinion that on-the-job training is adequate for agents. Only 25,1 percent of the estate agencies sponsor further study programmes for their agents. An encouraging finding was that the majority of respondents (73,5%) frequently and always offer training to in-service estate agents. Other positive findings are that respondents view the determination of training needs, the setting of objectives for training programmes, and the evaluation of the success of the training programme as well as the trainee, as important. Topics which are important for the training of estate agents were discussed in section 2.7.6 of the study, and the results of the questionnaire indicate that the majority of respondents always concentrate on all these topics in their training programmes, for instance, professionalism, code of conduct of the Estate Agency Affairs Board, qualifying the buyer or seller, after-sales contact with the buyer or seller and building long-term relationships with clients.

It is encouraging to find that the building of long-term relationships and after-sales contact with the buyer are concentrated on during training, as these are key components of the relationship-marketing concept, as discussed in chapter 4.

Cross-correlations show that respondents research the topics which are covered in their training programmes. In addition cross-correlations also reveal that a large number of respondents who indicated that they differentiate by means of offering the best service quality and also indicated that they train their agents regarding after-sales contact with buyers or sellers and building long-term relationships with clients, offer good service while also training their agents in these areas which are determinants of good customer service.



In chapter 3, section 3.2.1, the consumer as well as the factors which influence the consumer's behaviour were discussed. It was emphasised that in order to provide good customer service, the estate agent should take these consumer-behaviour influences into account when attempting to sell his services. It was thus essential to determine whether customer-behaviour factors are also covered in the training programmes of estate agencies. The findings indicate that the two factors covered most in training sessions are the buyers' income/financial status and the buyer's reasons for buying property. All the other consumer-behaviour factors mentioned in the questionnaire are not discussed in great detail at training sessions. These include socio-demographic factors, learning and perceptual ability, pressure from social groups, the buyers' life style and the influence of the family. It is worrying that these factors are not included in training programmes to a large extent, since agents need to be aware of them in order to deliver good customer service. Cross-correlations indicate that a large percentage of respondents who indicated that they discuss the buyers' income or financial status in detail during training and who also indicated that they are consumer-oriented, do discuss the buyers' income or financial status in detail, and are also of the opinion that they are consumer-oriented. However, it seems as if these respondents are concentrating more on the buyer's financial position than on his actual needs and the consumer behaviour influences. In order to be consumer-oriented estate agencies should also concentrate on all the consumer-behaviour influences and not only on financial means.

Remuneration, retention and motivation of estate agents were discussed in sections 2.7.7 and 2.7.8 of chapter 2 of the study. The findings relating to remuneration indicate that straight commission is used most by estate agencies as a payment method. The motivational method used most by respondents is sales meetings which are held to inform agents about important aspects. The methods rated second and third by the agencies are financial compensation and specific objectives for each agent.

#### **6.2.4 Marketing research and the marketing environment**

Questions 18 to 23 of the questionnaire dealt with the marketing research and marketing environment of estate agency firms. Question 18 was used to determine whether estate agency

firms conduct marketing research.

**FIGURE 6.12**  
**CONDUCTING MARKETING RESEARCH**

Percentage

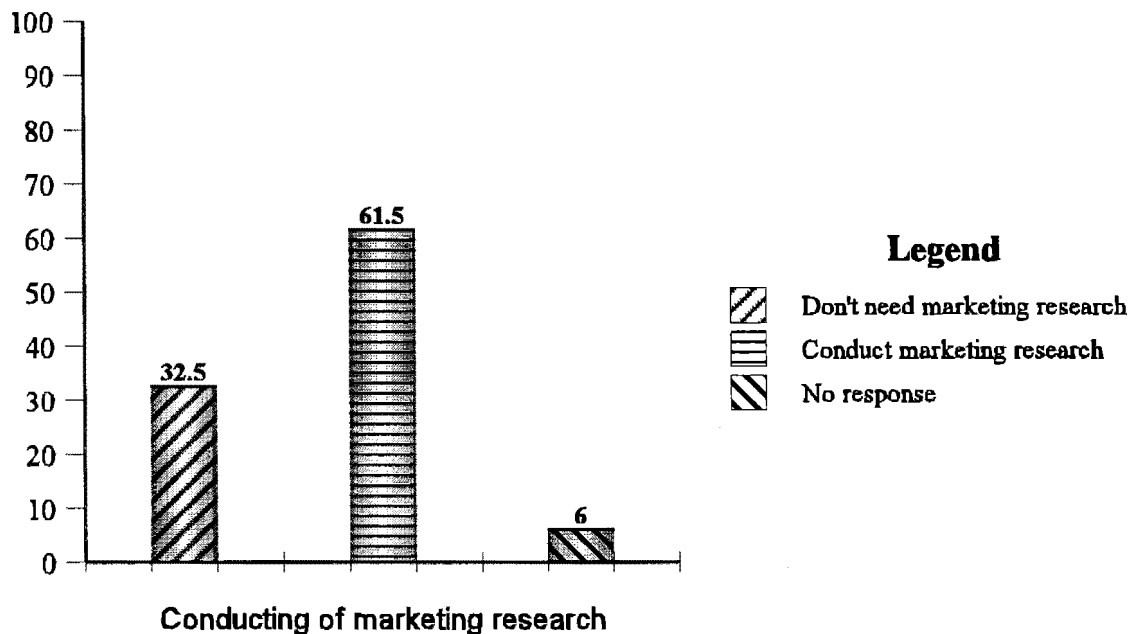


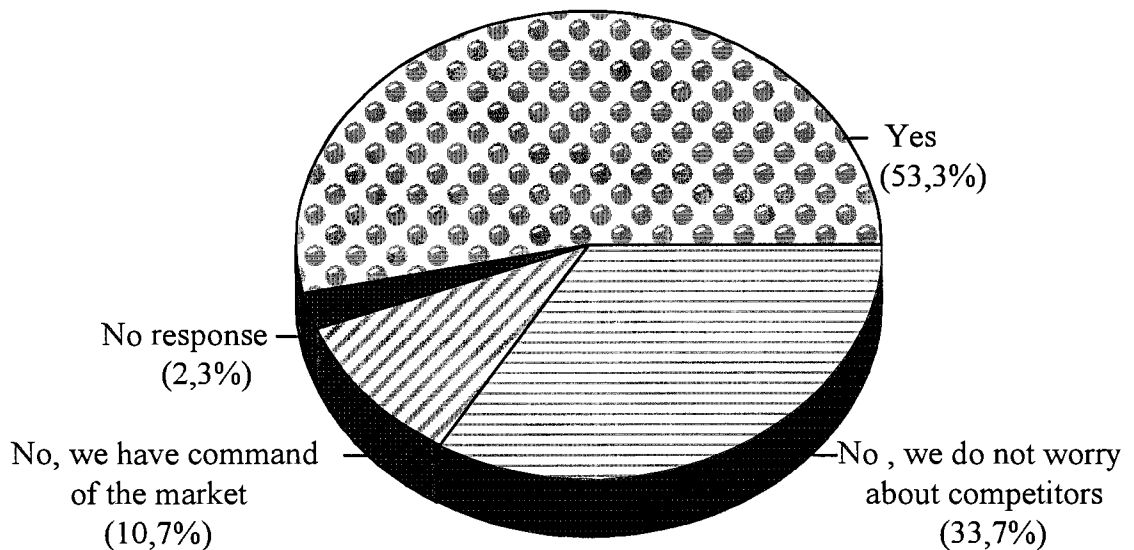
Figure 6.12 clearly indicates that the majority (61,5%) of estate agencies do, in fact, conduct marketing research. Although only 32,5 percent of the respondents indicated that they do not need any marketing research information and thus do not conduct any marketing research, marketing research is an essential ingredient of any marketing strategy and should not be ignored if agencies wish to deliver good customer service.

Question 18 of the questionnaire was correlated with question 21 which determined the method of differentiation used by the estate agency. It was found that 68,5 percent of the respondents who selected both conducting marketing research and offering the best service quality, do conduct marketing research while also offering the best service quality to buyers. The researcher found that 69,9 percent of respondents who selected both conducting marketing research and superior market knowledge, actually conduct marketing research and differentiate their service by having superior knowledge of the market. In addition, it was found that 31,5 percent of the respondents who indicated that they do not conduct marketing

research and offer the best service quality to buyers, do not conduct marketing research, but are of the opinion that they offer quality service. 30,1 percent of the respondents who indicated that they do not conduct marketing research and have superior market knowledge, do not conduct marketing research and are of the opinion that they have superior knowledge of the market. If these respondents do not do marketing research, it is almost impossible to offer the best service quality and to have superior knowledge of the market, since marketing research is an important prerequisite for doing this.

Questions 19 to 21 of the questionnaire dealt with the analysis of competitors. Question 19 was used to determine whether estate agency firms conduct formal research in order to analyse competitors. Figure 6.13 reveals that 53,3 percent of the respondents conduct research in order to analyse competitors. However, 44,4 percent (33,3% + 10,7%) of the estate agencies indicated that they do not worry about competitors and have command of the market, consequently they do not conduct a competitor analysis at all.

**FIGURE 6.13**  
**CONDUCTING COMPETITOR ANALYSES**



Question 19, which determined whether respondents conduct competitor analyses, was correlated with question 18, which investigated whether respondents conduct marketing research. It was found that 80,2 percent of the respondents who selected the two options,

conducting of marketing research and conducting of a competitor analysis, engage in marketing research as well as competitor analyses.

Respondents who indicated that they do conduct competitor analyses were required to answer question 20, which dealt with the aspects that are considered in their competitor analysis. The results of this question are reflected in table 6.16.

**TABLE 6.16**  
**FACTORS CONSIDERED IN THE COMPETITOR ANALYSIS**

Competitive factors	Frequency %	No Response %
The image of competitors.	44,2	55,8
The probable cost structure of competitors.	12,6	87,4
The number of agents working for competitors.	21,0	79,0
The quality of competitors' agents.	49,4	50,6
The location of competitors' offices.	28,0	72,0
The frequency of competitive advertising.	40,5	59,5
The publicity programmes in which competitors are involved.	32,1	67,9

(Multiple answers were obtained from respondents)

The table reveals that the factors considered most important by the respondents are the quality of competitors' agents (49,4%), the image of competitors (44,2%), and the frequency of competitive advertising (40,5%). The factors covered least in respondents' competitor analyses are the cost structure of competitors (12,6%) and the number of agents working for competitors (21%).

Table 6.17 indicates the ways in which estate agencies differentiate themselves from competitive agencies. The methods of differentiation mostly used are total commitment to clients (80,2%), best service quality (77,4%), and superior market knowledge (57,4%). Only 15,8 percent of the respondents made use of a catchy slogan and only 15,6 percent of an unusual advertising campaign to differentiate their estate agencies from competitors.

**TABLE 6.17**  
**METHODS OF DIFFERENTIATING ESTATE AGENCIES**

Method of differentiation	Frequency %	No Response %
We offer the best service quality to buyers.	77,4	22,6
We have established an image of exclusivity.	36,4	63,6
We have a unique brand name.	39,5	60,5
We have a catchy slogan.	15,8	84,2
We are totally committed to our clients.	80,2	19,8
We have an unusual advertising campaign.	15,6	84,4
We are involved in community affairs.	39,7	60,3
We often succeed in obtaining free publicity.	22,2	77,8
We have superior knowledge of the market	57,4	42,6
Other (specify)	8,8	91,2

(Multiple answers were obtained from respondents.)

Questions 22 and 23 of the questionnaire dealt with other aspects of the marketing environment, while question 22 examined the use of new technologies by estate agencies. Table 6.18 reveals that the majority of respondents are computerised (85,8%) and have Internet services (69,8%). Only 8,2 percent of the respondents use video advertising.

**TABLE 6.18**  
**THE USE OF NEW TECHNOLOGIES BY ESTATE AGENCIES**

New technologies	Frequency %	No Response %
Computerisation	85,8	14,2
Video-advertising	8,2	91,8
Internet services (e-commerce)	69,8	30,2
Other (specify)	6,0	94,0

(Multiple answers were obtained from respondents.)

TABLE 6.19

## AREAS OF THE MARKETING ENVIRONMENT INVESTIGATED

Marketing variables	Never	Not sure	Some-times	Always	Mean	No Response
	%	%	%	%		
Legislation which will influence the buying/ selling process.	2,3	2,3	21,8	63,8	3,63	9,9
The economy and its influence on clients.	3,3	2,3	30,2	55,1	3,51	9,1
Physical environmental aspects which are important to clients.	5,6	4,9	31,9	42,0	3,31	15,6
Social trends influencing buyer decision making.	5,8	5,6	38,7	34,0	3,20	16,0
New technologies.	7,8	3,7	38,1	35,8	3,19	14,6
Opportunities and threats in the international market.	19,3	14,3	28,4	22,6	2,66	18,3

Table 6.19 indicates the areas of the marketing environment which are investigated by estate agencies. Legislation which will influence the buying or selling process rated a mean of 3,63 and is thus investigated most by the respondents. The economy (mean = 3,51) and physical environmental aspects (mean = 3,31) are investigated second and third most by estate agents. The marketing variable researched least (mean = 2,66) by the estate agencies is opportunities and threats in the international environment. It is surprising that social trends influencing buyer decision-making was ranked as low as fourth (mean = 3,20), since respondents previously indicated that they are service-oriented but now indicate that they do not do a lot of research into an area which greatly influences consumer decision-making and consumer preferences.

Question 23 (marketing areas investigated or researched) was correlated with question 18 which determined whether estate agencies conduct marketing research. It was found that more than 70 percent of the respondents who selected the options "often conduct marketing research" and "always conduct research into new technologies, the economy, social trends, physical environment, legislation and opportunities and threats in the international environment", actually do conduct marketing research into these areas in the marketing environment.

### **Conclusion on marketing research and the marketing environment**

The successful management of relationship marketing activities in an estate agency firm calls for an awareness of the variables in the marketing environment (dealt with in chapter 3) which can affect the marketing effort. Timeous and continuous research into the marketing environment will enable the estate agency to adapt to a changing environment and to adjust its marketing strategy to such a degree that its services will be successfully marketed. The findings regarding marketing research indicate that the majority (61,5%) of estate agencies do conduct marketing research. Of the respondents, 30,5 percent do not conduct marketing research at all. If agencies wish to render good customer service, marketing research should not be ignored. As indicated in chapter 3, different variables of the marketing environment need to be researched by the estate agency and of these, competitors are a very important variable (dealt with in section 3.2.2). The study found that only 53,3 percent of respondents do conduct research in order to analyse competitors and that 44,4 percent do not worry about competitors and feel that they have command of the market. This is a disconcerting finding since competitors need to be analysed in order to develop a strategy that will ensure a sustained competitive advantage. The respondents who do conduct competitor analyses consider the competitors' image, quality of the competitors' agents and frequency of competitive advertising as the most important factors to be researched.

The methods which estate agencies use to differentiate themselves from competitive agencies were also investigated. It was found that the differentiation methods used most are total commitment to clients (80,2%), best service quality (77,4%), superior market knowledge (57,4%), and involvement in community affairs (39,7%). Cross-correlations indicate that more than 68 percent of respondents who indicated that they do marketing research and have superior market knowledge and the best service quality, actually do conduct research into these areas. Unfortunately, approximately 30 percent of respondents who indicated that they do not do marketing research, but offer the best service quality and have superior market knowledge, therefore do not do marketing research into these areas of differentiation. It is thus obvious that if these respondents do not do marketing

research, it is almost impossible to offer the best service quality and to have superior market knowledge.

The macro-environment (dealt with in chapter 3, section 3.3) is part of the marketing environment and also has certain variables which need to be researched by estate agencies. The findings indicate that the majority of respondents' administrative systems are computerised (85,8%) and most also have Internet services (69,8%) at their disposal. The results show that most of the areas of the macro-environment are researched by the respondents and this was also confirmed in cross-correlations. Legislation is researched the most, and is followed by research into the economy and research of physical environmental aspects. Respondents indicated that they only sometimes investigate social trends influencing buyer decision-making. This is surprising, since respondents previously indicated that they are service-oriented, but now indicate that they only sometimes research this area which greatly influences consumer decision-making and consumer preferences.

### **6.2.5 The marketing concept**

Question 24 of the questionnaire tested the importance of the principles of the marketing concept to the estate agencies. The means in table 6.20 indicate that the systems-orientation (all departments working together towards client satisfaction) was ranked highest (mean = 3,80), while a consumer-orientation was viewed as the second most important principle, with a mean of 3,69. A long-term orientation to profitability rated a mean of 3,53 and was thus seen as third most important while a short-term approach to profitability, which is not a principle of the marketing concept, was ranked fourth (mean = 2,94) by the respondents. The social responsibility principle was rated least important (mean = 2,90) by the respondents.



**TABLE 6.20**  
**IMPORTANCE OF THE PRINCIPLES OF THE MARKETING CONCEPT**  
**TO ESTATE AGENCIES**

Aspects	Totally unimportant %	Less Important %	Important %	Very important %	Mean	No response %
All the departments in our estate agency should work together to achieve maximum client satisfaction.	1,0	0,8	14,2	79,2	3,80	4,8
All employees in our estate agency should be consumer-oriented.	0,8	1,6	23,3	66,7	3,69	7,6
Our estate agency has a long-term approach regarding profitability.	2,1	5,1	26,5	58,0	3,53	8,3
Our estate agency should have a short-term concern regarding profitability.	7,0	16,3	31,9	25,3	2,94	19,5
Our estate agency should continually be engaged in social responsibility projects.	4,1	24,5	37,0	23,7	2,90	10,7

#### **Conclusion on the marketing concept**

In terms of the marketing concept (dealt with in section 4.3 of chapter 4), — a managerial code or philosophy guiding an organisation's entire activities — an estate agency can only be effective and efficient if it accepts and applies the four principles of the marketing concept, namely consumer-orientation, profit-orientation, a systems-orientation and a social responsibility orientation. One of the secondary objectives of this study was to investigate to what extent estate agencies use the principles of the marketing concept as a code of conduct. The survey results reveal that the respondents view the four principles as both important and very important. The systems-orientation was ranked first, a consumer-orientation second, and a long-term approach to profitability third. A social responsibility orientation was ranked fifth by the respondents who viewed a short-term concern regarding profitability (not a principle of the marketing concept) as more important than social responsibility, and ranked it fourth.

### 6.2.6 Product positioning and distribution

The product positioning and place or distribution decisions of estate agencies were covered in questions 25 and 26 of the questionnaire respectively. Table 6.21 shows the images which estate agencies would like to portray to the residential market, in other words, the perceptions they wish to create in the market..

**TABLE 6.21**  
**IMAGES WHICH ESTATE AGENCIES WANT**  
**TO PORTRAY TO THE MARKET**

Image	Frequency %	No response %
We offer excellent customer service.	90,1	9,9
We really know the residential market.	82,5	17,5
We offer value for money.	58,2	41,8
We offer good quality homes.	53,1	46,9
We offer affordable homes.	48,8	51,2
We offer luxury homes.	24,1	75,9
We offer the cheapest service.	10,3	89,7
Other (specify)	7,6	92,4

(Multiple answers were obtained from respondents.)

The majority (90,1%) of respondents would like to portray an image of "excellent customer service" to the market. A large percentage (82,5%) of estate agencies would also like to portray an image of "knowing the residential market". Few agencies prefer images of "offering luxury homes" (24,1%) and "offering the cheapest service" (10,3%).

Question 25 was correlated with question 18, which determined whether respondents conduct marketing research. The relationship between the options "we offer excellent customer service" and "we often conduct marketing research" was tested. It was found that 66,9 percent of the respondents who selected both options do, in fact, conduct marketing research and would also like to portray an image of offering excellent customer service. 33,1 percent of the respondents who indicated that they do not conduct marketing research and want to offer an image of excellent customer service, thus are of the opinion that they can offer excellent customer service without doing any marketing research. This is disconcerting since excellent

customer service can only be provided if the needs of the customers are well researched.

Question 25, option 2 (we offer excellent customer service) was also cross-correlated with question 24, option 1, which tested whether respondents view the consumer-orientation principle of the marketing concept as very important. It was found that 73,5 percent of the respondents who selected both options would thus like to portray an image of offering excellent customer service and also view consumer-orientation as very important. The results of these two questions are consistent, and the respondents who selected these options thus are aware of the importance of satisfying customer needs.

Aspects which refer to the place decisions of estate agencies are indicated in table 6.22. The means indicate that the majority of estate agents are always available to clients during weekends (mean = 3,81) and evenings (mean = 3,75). Customer accessibility as a determinant of the location decision rated a mean of 3,44 and was thus ranked least important by the respondents, but still achieved a high mean. The particular responses with regard to customer accessibility in location decisions are indicated in figure 6.14.

**TABLE 6.22**  
**THE PLACE DECISIONS OF ESTATE AGENCIES**

Statements	Never %	Not sure %	Some- times %	Al- ways %	Mean	No response %
Estate agents are available to customers during weekends.	1,0	0,2	14,8	81,8	3,81	2,2
Estate agents are available to clients during the evenings.	2,1	0,4	16,9	77,6	3,75	3,0
Customer accessibility was a key determinant of the location decision of the estate agency.	7,0	3,3	22,2	57,2	3,44	10,3

FIGURE 6.14

**CUSTOMER ACCESSIBILITY AS A DETERMINANT  
OF THE LOCATION DECISION**

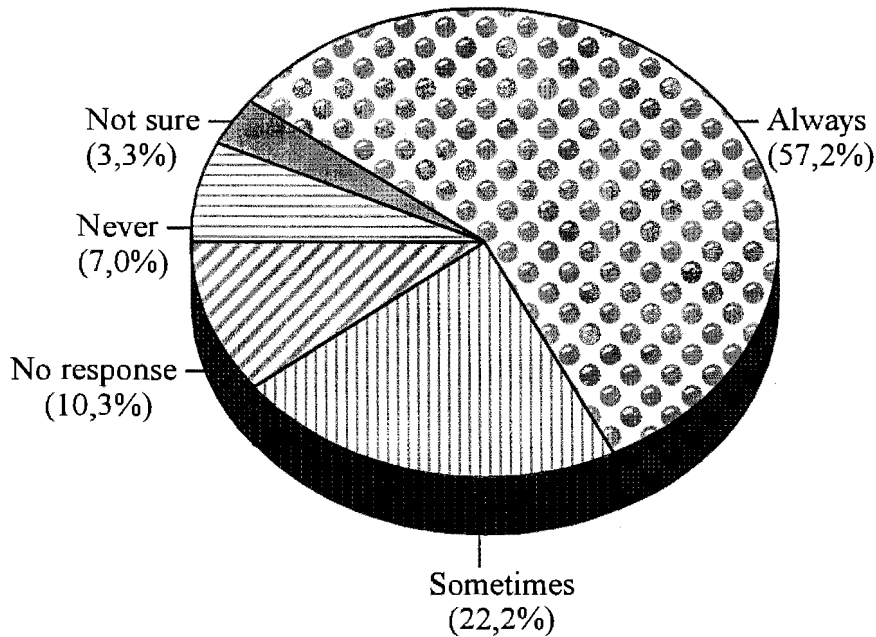


Figure 6.14 reveals that 57,2 percent of respondents always consider customer accessibility when making location decisions, while 22,2 percent sometimes consider it, 7 percent never consider it and 3,3 percent are not sure. It is thus clear that a total of 79,4 percent (57,2% + 22,2%) view customer accessibility as important when making location decisions.

**Conclusion on product positioning and distribution**

Product positioning (see section 4.4.3) refers to the way consumers perceive a product in terms of its characteristics and advantages as well as competitive positioning. The results of the study reveal that the majority (90,1%) of respondents would like to portray an image of excellent customer service to the market. A large percentage (82,5%) would also like to portray an image of knowing the residential market. Cross-correlations indicate that 33,1 percent of respondents who indicated that they would like to portray an image of excellent customer service and who also indicated that they do not do marketing research, are of the opinion that they can offer excellent customer service without doing any marketing research. Excellent customer service can only be provided if the needs of customers are well researched, and these respondents may wrongly think that they are providing excellent

customer service. Cross-correlations, however, reveal that a large percentage of respondents who view consumer-orientation as very important and also indicated an image of offering excellent customer service, would like to portray an image of excellent customer service while also viewing consumer orientation as important.

Distribution or place decisions (dealt with in chapter 4, section 4.5.4) refer to the distribution of the estate agency's services, which have to be available where and when required. Distribution decisions thus relate to factors such as office location, business hours and availability of estate agents. The survey results reveal that the majority of estate agents are always available to clients over weekends and during the evenings, and that customer accessibility is always considered during the location decisions of the estate agency. The customer therefore seems to be viewed as very important when the estate agency takes its place decisions.

### **6.2.7 Marketing communication**

Questions 27 to 37 of the questionnaire dealt with marketing communication. This section of the questionnaire was divided into five subsections, each dealing with one of the five elements of marketing communication.

#### **\* Advertising**

Advertising was covered in questions 27 and 28 of the questionnaire. Question 27 identified the forms of advertising media used by estate agencies.

**TABLE 6.23**  
**ADVERTISING MEDIA USED BY ESTATE AGENCIES**

Advertising media	Never %	Not sure %	Some- times %	Al- ways %	Mean	No response %
Regional newspapers	2,7	0	17,7	75,5	3,73	4,1
"For sale" signs	2,9	0	26,3	65,8	3,63	5,0
The listing form	8,2	1,9	12,3	50,4	3,44	27,2
E-commerce/Internet	10,5	1,9	19,1	47,1	3,31	21,4
Outdoor advertising	9,3	1,0	31,7	33,5	3,19	24,5
Direct mail	12,6	1,0	33,3	23,9	2,97	29,2
Yellow pages	21,8	2,1	11,5	32,3	2,80	32,3
National newspapers	22,2	2,1	24,9	16,9	2,55	33,9
Magazines	32,7	2,5	18,1	10,1	2,09	36,6
Radio	43,6	1,2	9,1	1,2	1,42	44,9
Film	46,9	1,4	3,9	1,0	1,23	46,8
Television	48,6	1,0	1,9	1,9	1,19	46,6

The means in table 6.23 reveal that regional newspapers (mean = 3,73) are most often used as advertising medium by estate agencies. This is followed by "for sale" signs (mean = 3,63), the listing form (mean = 3,44) and e-commerce/Internet (mean = 3,31). Radio, film and television seem to be unpopular media amongst the estate agencies as they rated means of 1,42, 1,23 and 1,19 respectively.

In question 28 of the questionnaire, respondents were required to answer questions regarding general advertising principles. The means in table 6.24 clearly indicate that all the statements except one rated high means of over 3. This shows that respondents do select media which appeal to their target markets (mean = 3,76), create their own advertisements (mean = 3,76), regularly revise or evaluate the effectiveness of their advertisements (mean = 3,55), set specific advertising objectives (mean = 3,24) and keep strictly to the advertising budget (mean = 3,11). Few respondents employ an advertising agency, since this statement rated a low mean of 1,40.

TABLE 6.24

## ADVERTISING PRINCIPLES EMPLOYED BY ESTATE AGENCIES

Statements	Never %	Not sure %	Some- times %	Always %	Mean	No response %
We create our own advertisements.	1,9	0,8	15,4	74,3	3,76	7,6
We select advertising media which will appeal to our market.	2,3	1,2	12,1	74,7	3,76	9,7
We regularly revise the effectiveness of our advertisements.	2,9	1,9	27,2	56,8	3,55	11,2
We set specific advertising objectives.	9,3	2,3	28,0	40,3	3,24	20,1
We keep strictly to the advertising budget.	10,9	4,5	33,3	35,2	3,11	16,1
We employ an advertising agency.	55,6	1,2	8,4	3,1	1,40	31,7

\* **Personal selling**

Questions 29 to 34 of the questionnaire dealt with personal selling as an element of the promotion mix. Table 6.25 shows the results of question 29 which covered the personal selling process. On the four-point scale, all the statements in question 29 rated high means of more than 3,30, except for one statement. These statements dealt with important aspects of the steps in the personal selling process and the majority of estate agents thus agree that these activities should be executed. The only statement which rated a mean of under 3 (mean = 2,98) was that the main aim of the agent is to sell the property.

Question 25, option 2 (we offer excellent customer service), was cross-correlated with question 29, option 16, which determined whether respondents fully agree that the agent should provide after-sales service to his clients. It was found that 80,2 percent of the respondents who selected both options would thus like to portray an image of offering excellent customer service and also fully agree that agents should provide after-sales service. Option 2, question 25, was also cross-correlated with question 29, option 17, which determined whether respondents fully agree that the agent should engage in follow-up actions after the sale has been completed. The findings indicate that 71,8 percent of the respondents who selected both options thus would like to portray an image of offering excellent customer service and also fully agree that the agent should engage in follow-up actions after the conclusion of the sale. It therefore seems as if the respondents who selected these options are

aware of the importance of providing excellent customer service.

**TABLE 6.25**  
**VIEWS ON THE PERSONAL SELLING PROCESS**

Statements	Not sure %	Totally disagree %	Agree %	Fully agree %	Mean	No response %
The agent should inspect the seller's property.	0	0,2	9,7	89,1	3,90	1,0
It is important for the agent to follow-up on enquiries from prospects.	0	0	11,3	87,2	3,89	1,5
Agents should be honest enough to point out deficiencies of which the client may not be aware.	0,4	0	18,9	80,5	3,80	0,2
Agents should be able to interpret client needs in order to give appropriate advice.	0	0,4	22,4	76,3	3,77	0,9
The agent should provide after-sales service to his clients.	0,6	0,6	20,2	77,6	3,77	1,0
The agent should give the seller feedback regarding the results of the marketing campaign.	0,2	0,4	24,9	72,8	3,73	1,7
The agent should show the buyer properties according to his needs.	0,2	1,0	24,3	72,8	3,73	1,7
The agent should prepare for obtaining mandates (know the market, comparable properties).	0,4	1,2	25,1	70,6	3,70	2,7
The agent should prospect for buyers.	0,6	0,2	28,6	67,5	3,68	3,1
The agent should engage in follow-up actions after the sale has been completed.	1,4	2,1	25,7	70,2	3,66	0,6
It is the agent's responsibility to do a market valuation in order to suggest a market position for the property.	0,6	1,6	29,2	67,7	3,65	0,9
The agent should prepare the seller for the marketing of his property.	1,2	1,4	29,8	65,4	3,63	2,2
The agent should assist the buyer to obtain finance.	1,0	1,2	32,5	63,8	3,61	1,5
It is the agent's responsibility to "educate" the buyer about prevailing market conditions.	1,6	1,2	36,2	58,2	3,55	2,8
Agents should not pressure clients to make decisions quickly.	0,8	2,9	40,7	54,1	3,50	1,5
It is the agent's responsibility to find sources of sales mandates.	3,3	3,9	43,0	44,2	3,36	5,6
The main aim of the agent is to sell the property.	3,7	21,4	42,0	27,2	2,98	5,7



In question 30 of the questionnaire respondents were required to list, in order of priority, their leads for obtaining sales mandates. The results of this question are indicated in table 6.26. Since respondents were asked to list in order of priority, the most important lead (1) to the least important lead (9), the most important lead thus has the lowest mean.

**TABLE 6.26**  
**LEADS FOR OBTAINING SALES MANDATES**

Leads	Mean	Priority
Satisfied clients	1,65	1
Advertising	3,32	2
Canvassing	3,41	3
Publicity	4,59	4
Farming	5,05	5
Office walk-ins	5,26	6
Community leaders	6,24	7
Expired listings of other agents	6,49	8
Internet/e-commerce	7,22	9

Table 6.26 clearly indicates that satisfied clients are used most as leads for obtaining sales mandates. This is followed by advertising, canvassing, publicity and farming. Internet/e-commerce is ranked the lowest as a lead for obtaining sales mandates.

Question 31 of the questionnaire dealt with the drawing up of a buyers' profile. Table 6.27 reflects the importance the respondents attach to certain aspects of drawing up a buyers' profile. Financial means rated a mean of 3,85 which indicates that respondents view it to be the most important factor when drawing up a buyers' profile. The property requirements of the buyer was rated second, with a mean of 3,70, and the buyer's buying motives was ranked third, with a mean of 3,41. The aspects ranked second least and least important were the buyers' socio-economic status (mean = 2,59) and ethnic/language group affiliation (mean = 2,11). The reason why financial means was ranked highest could be because agents need to determine the financial means of the customer in order to show the customer properties within a specific price range. The financial means, which is viewed as the most important factor in question 31, was cross-correlated with question 25, option 2 (we offer excellent customer service). It was

found that 85,7 percent of the respondents who selected both options thus feel that financial means is very important when drawing up a buyers' profile, but would also like to portray an image of offering excellent service. As indicated previously, it is understandable why the customer's financial means is regarded as a guiding principle, but estate agents should be careful not to concentrate only on the financial means of the customer if they wish to portray an image of excellent customer service.

**TABLE 6.27**  
**IMPORTANT ASPECTS WHEN DRAWING UP A BUYERS' PROFILE**

Statements	Totally unimportant %	Less important %	Important %	Very important %	Mean	No response %
Financial means required by the buyer to afford the house.	0,2	0,4	13,8	84,4	3,85	1,2
Property requirements of the buyer.	0,2	1,4	26,3	70,6	3,70	1,5
Buying motives of the buyer.	1,4	7,4	38,3	49,6	3,41	3,3
Size/composition of the family that could best be served by the house.	0,4	7,6	45,1	44,7	3,37	2,2
Proximity of workplaces, schools, shops, bus routes.	1,0	6,4	48,4	41,8	3,34	2,4
Socio-economic status of the buyer.	10,5	31,1	38,9	13,4	2,59	6,1
Ethnic or language-group affiliation of the buyer.	27,4	39,3	20,2	8,6	2,11	4,5

In question 32 of the questionnaire, respondents were required to list their leads for obtaining buyers in order of priority. The results of this question are indicated in table 6.28. Since respondents were asked to list in order of priority, the most important lead (1) to the least important lead (10), the most important lead thus has the lowest mean.

Table 6.28 indicates that as in the case of question 30, where leads for sales mandates were identified, satisfied clients were again listed as the most important lead in the case of obtaining buyers. This is followed by advertisements, on site "for sale" signs and personal contacts. Publicity and direct mail are used least as leads for obtaining buyers.

TABLE 6.28

## LEADS FOR OBTAINING BUYERS

Leads	Mean	Priority
Satisfied clients	2,30	1
Advertisement	3,25	2
On site "for sale" boards	3,74	3
Personal contacts	3,86	4
Show houses	4,60	5
Word-of-mouth advertising	5,00	6
Office walk-ins	5,73	7
E-commerce/Internet	6,89	8
Publicity	7,32	9
Direct mail	7,66	10

Question 33 of the questionnaire required respondents to indicate the after-sales services which their estate agents offer. The high means rated for the four-point scale in table 6.29 clearly indicate that most respondents make use of the after-sales services listed in the table. For example, the forwarding of a copy of the sales contract to conveyancing attorneys and the purchaser rated a high mean of 3,97, while following up with conveyancing attorneys on progress or problems experienced rated a mean of 3,92. The only statement which rated a mean of under 3 was providing the seller with a small gift after completion of the transfer (mean = 2,55). Keeping contact with the buyer after occupation, which refers to the building of long-term relationships and which was emphasised in the theory, rated a mean of 3,07.

TABLE 6.29

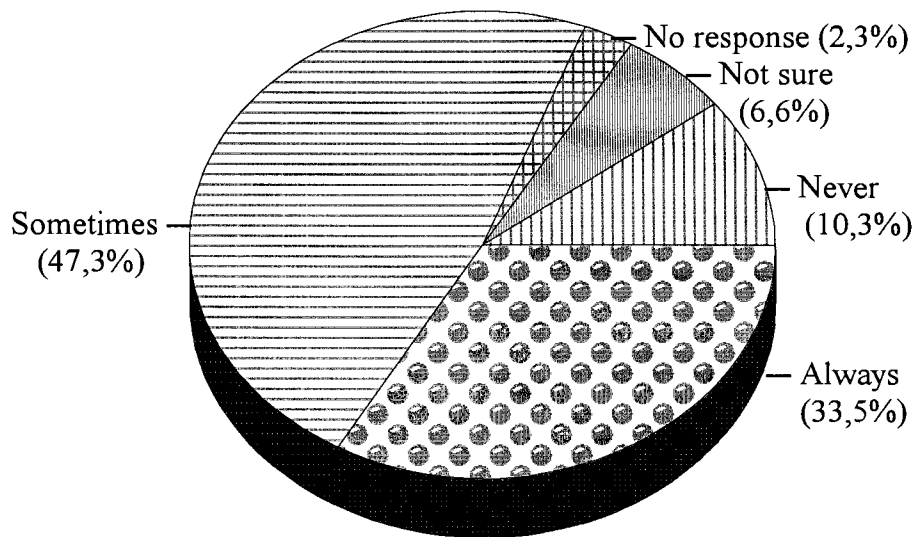
## AFTER-SALES SERVICES OFFERED BY ESTATE AGENTS

After sales services	Never %	Not sure %	Sometimes %	Always %	Mean	No response %
Forwarding a signed copy of the contract of sale to the conveyancing attorneys and purchaser.	0,2	0,2	1,6	96,7	3,97	1,3
Following-up with the conveyancing attorneys on the progress/problems experienced with the transfer in order to give feedback to the buyer and seller.	0,2	0,4	6,2	92,2	3,92	1,0
Informing the seller of progress made regarding bond applications/transfer of property.	0,2	0,4	12,3	86,4	3,86	0,7

Informing the buyer and seller when the transfer occurs.	1,2	0,4	12,1	85,4	3,83	0,9
Being available to act as an intermediary in any disputes which may arise between the buyer and seller.	0,6	0,8	14,6	82,9	3,82	1,1
Informing the conveyancing attorney when the loan application has been submitted.	2,5	0,8	10,3	84,8	3,80	1,6
Supplying the conveyancing attorneys with the name of the current bond holder and account number, as well as the name of the person or attorneys to contact in this regard.	2,5	1,0	17,1	78,0	3,73	1,4
Presenting the buyer with a small gift on the day of occupation.	9,3	3,1	42,0	44,0	3,23	1,6
Establishing the whereabouts of the title deed of the property in order to inform conveyancing attorneys.	14,0	1,4	34,0	47,5	3,19	3,1
Keeping contact with the buyer after occupation (birthdays).	10,3	6,6	47,3	33,5	3,07	2,3
Providing the seller with a small gift after completion of the transfer.	27,4	7,8	40,5	19,3	2,55	5,0

The particular responses with regard to contact with the buyer after occupation are highlighted in figure 6.15.

**FIGURE 6.15**  
**CONTACT AFTER OCCUPATION**



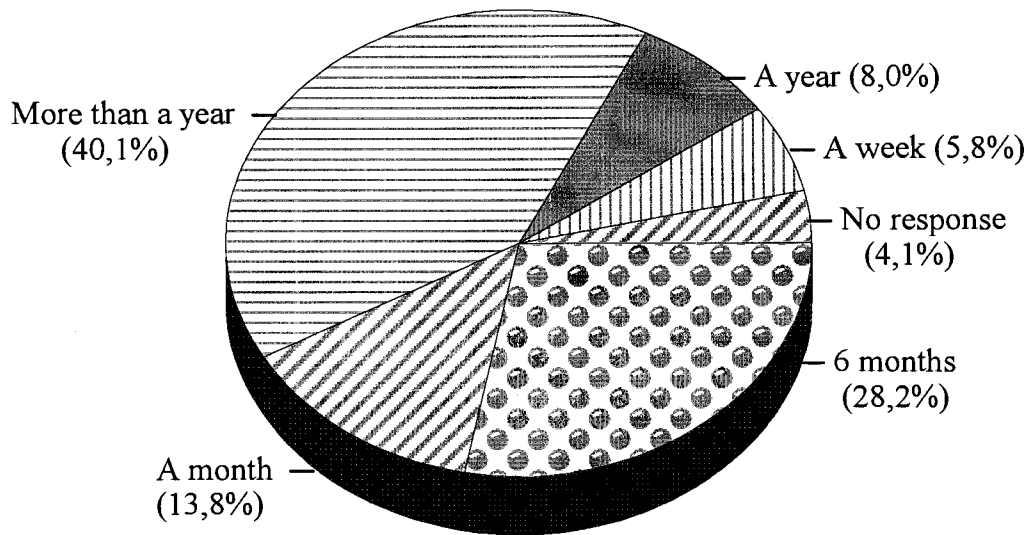
From figure 6.15 it is evident that only 33,5 percent of respondents always keep contact with buyers after occupation; 47,3 percent sometimes keep contact; 10,3 percent never keep contact; 6,6 percent of the respondents were not sure; and 2,3 percent did not respond at all.

The after-sales services in question 33 were cross-correlated with question 25, option 2, which determined whether respondents want to portray an image of offering excellent customer service. It was found that more than 80 percent of the respondents who selected the option that they always offer most of the after-sales services in question 33, as well as offer an image of excellent customer service thus provide these services and offer an image of customer service. Only four of the after-sales services in question 33 did not have high correlations with offering an image of customer service, namely establishing the whereabouts of the title deed of the property in order to inform conveyancing attorneys (48,9%), presenting the buyer with a small gift on the day of occupation (45,9%), keeping contact with the buyer after occupation (birthdays) (34,3%), and providing the seller with a small gift after completion of the transfer (20,7%). As indicated before, the building of long-term relationships was emphasised in the theory and is viewed as being very important in relationship marketing. It is thus worrying that only 34,3 percent of the respondents who selected "keeping contact with the buyer after occupation" and wanting to portray an image of "offering excellent customer service" thus keep long-term contact with the buyer and feel that they can portray an image of excellent customer service.

The length of time during which the agent keeps contact with clients was covered in question 34 of the questionnaire. Figure 6.16 reveals that 40,1 percent of the respondents indicated that they keep contact with respondents for more than a year while 8 percent keep contact for a year, 28,2 percent for 6 months, 13,8 percent for a month and 5,8 percent for a week. Of the respondents, 4,1 percent did not respond to the question.

FIGURE 6.16

## LENGTH OF TIME AGENT KEEPS CONTACT WITH CLIENTS

\* **Sales promotion**

Question 35 of the questionnaire dealt with sales promotion and required respondents to indicate the sales promotion methods which they regard as effective. The sales promotion methods which apply to estate agencies were discussed in section 4.5.8 of chapter 4. The results of this question are indicated in table 6.30 which reveals that respondents viewed the following sales promotion methods as very effective, namely incentive schemes for agents (53,1%), distributing brochures with pictures of selected properties (61,9%) and properties on show (70,2%). Methods which were viewed as less effective are promotional gifts (56,2%), consumer competitions (62,8%) and cooperative actions (57,6%).

**TABLE 6.30**  
**SALES PROMOTION METHODS USED BY ESTATE AGENCIES**

Sales promotion methods	Less effective %	Very effective %	No response %
Incentive schemes for agents.	30,2	53,1	16,7
Promotional gifts (calenders, pens, keyrings) to prospective buyers.	56,2	27,6	16,2
Consumer competitions (e g win a car).	62,8	14,0	23,2
Cooperative actions by the estate agency and other businesses (such as an interior decorator).	57,6	21,8	20,6
Distributing brochures which show pictures of selected properties.	24,9	61,9	13,2
Having properties on show.	21,0	70,2	8,8

**\* Publicity**

The publicity methods (discussed in section 4.5.9 of chapter 4) regarded as effective by estate agencies were covered in question 36 of the questionnaire. Table 6.31 reveals that 55,6 percent of the respondents view news or press releases as very effective, while 75,3 percent view a newspaper or magazine article about the estate agency as very effective. Only 38,5 percent and 39,1 percent of respondents view sponsorships and letters to newspaper/magazine editors as very effective.

**TABLE 6.31**  
**EFFECTIVE PUBLICITY METHODS**

Publicity methods	Less effective %	Very effective %	No response %
News or press releases by the estate agency about a newsworthy event.	31,5	55,6	12,9
Sponsorships by the estate agency of a sporting or major event.	48,1	38,5	13,4
An article which appears in a newspaper or magazine about the estate agency.	15,4	75,3	9,3
Letters directed to the editors of newspapers/ magazines which draw attention to the estate agency.	45,5	39,1	15,4

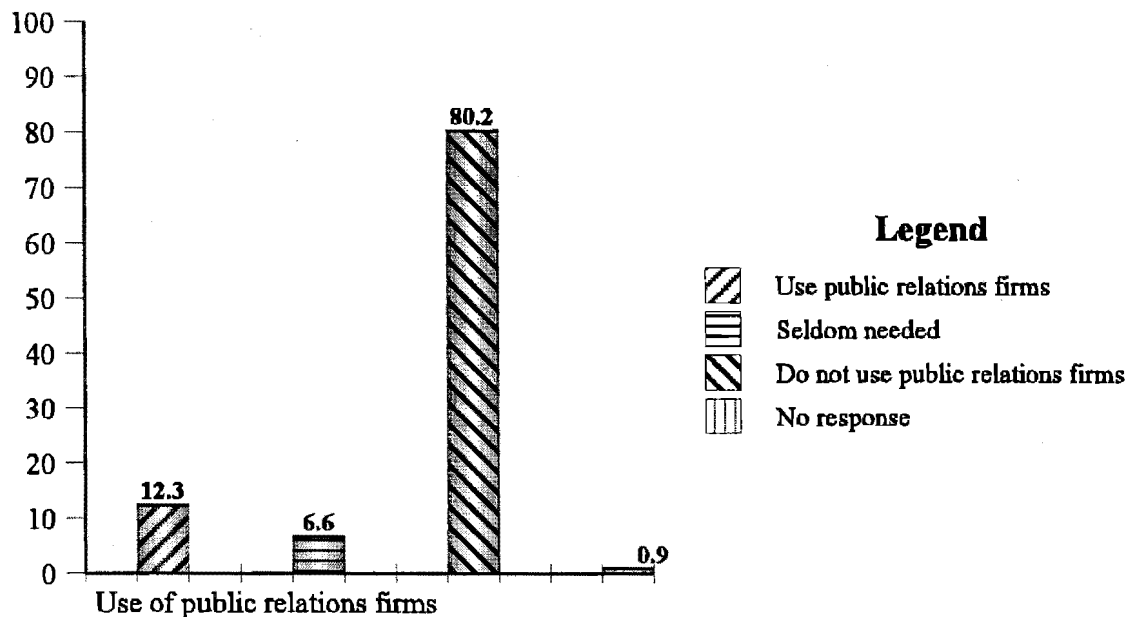
\* **Public relations**

Question 37 of the questionnaire required respondents to indicate whether they employ public relations firms. Figure 6.17 shows that 80,2 percent of the respondents do not use public relations firms at all, while 6,6 percent feel that it is seldom needed. Only 12,3 percent of the respondents do make use of public relations firms, while 0,9 percent did not respond to the question.

**FIGURE 6.17**

**THE USE OF PUBLIC RELATIONS FIRMS BY ESTATE AGENCIES**

Percentage



**Conclusion on marketing communication**

Promotion (dealt with in chapter 4, section 4.5.5) is the instrument which links the estate agency firm with the prospective clients, hopefully to convince them that a particular property is exactly what they need. Promotion, often called marketing communication, includes all those means which are used to communicate with the target market. The estate agency firm's marketing communication decisions entail finding the correct combination of the promotion elements, namely advertising, personal selling, sales promotion, publicity and public relations.



The survey reveals that the advertising media which are mostly used by estate agencies are regional newspapers, "for sale" signs, the listing form and e-commerce/Internet. Film and television are the most unpopular advertising media among the respondents. Few respondents make use of advertising agencies, and the study reveals that the majority always create their own advertisements, select media which will appeal to the target market and regularly revise the effectiveness of their advertisements.

With regard to personal selling (dealt with in chapter 4, section 4.5.7) most of the respondents agree that all the activities in the personal selling process should be executed, for example, the agent should inspect the sellers' property, follow-up on enquiries from prospects, provide after-sales service to clients and engage in follow-up actions after the sale has been completed. Cross-correlations indicate that a large percentage of respondents who indicated that they would like to portray an image of offering excellent customer service and also indicated that they agree that the agent should engage in follow-up actions after the sale and provide after-sales services, would like to portray an image of offering excellent customer service and also agree that follow-up actions after the sale and after-sales services are important. It therefore seems as if these respondents are aware of the importance of providing excellent customer service.

The survey also determined the after-sales services offered by estate agents, and the results reveal that the majority engage in most of these services, for example forwarding the signed copy of the sales contract to the conveyancing attorneys and purchaser, following-up with the attorneys on progress or problems in order to give feedback to the buyer and seller and keeping contact with the buyer after occupation. Cross-correlations indicate that the majority of respondents who indicated most of the after-sales services and also indicated that they would like to portray an image of offering excellent customer service, seem to be aware of the importance of providing good customer service. Unfortunately, more than a third (34,3%) of the respondents who indicated that they would like to offer excellent customer service and who indicated that they keep contact with the buyer after occupation, actually do keep contact with the buyer after occupation. The importance of building long-term relationships as an element of relationship marketing is emphasised repeatedly throughout the theory and it is thus disconcerting that 34,3 percent indicated these two options. In the above paragraph (third paragraph) the findings indicate

high correlations between offering excellent customer service and providing follow-up actions and after-sales services. The results discussed in this paragraph are thus in contrast to these findings since low correlations were found between offering customer service and keeping contact with the buyer after occupation. It therefore seems as if the respondents agree that after-sales contact and services are necessary, but very few realise that the importance of excellent customer service actually implies keeping in contact with the buyer after occupation.

The leads for obtaining sale mandates and buyers were also investigated. The study reveals that satisfied clients were ranked first and advertising second as leads for both sales mandates and buyers. The survey also determined the important aspects considered by estate agents when drawing up a buyers' profile. Financial means required to buy the house was seen as the most important factor, while property requirements were rated second and the buyers' motives third. Cross-correlations indicate that a large percentage of respondents who indicated that they would like to portray an image of excellent customer service and who also selected financial means of the buyer are thus of the opinion that financial means is very important when drawing up a buyers' profile, but would also like to portray an image of offering excellent service. It is understandable that estate agents use financial means as the guiding principle in order to determine the price range of the properties which are shown to buyers, but they should guard against focusing solely on financial means if they wish to portray an image of excellent customer service.

Where sales promotion (discussed in chapter 4, section 4.5.8) is concerned, the survey reveals that respondents view incentive schemes for agents, brochures with pictures of properties and properties on show as very effective sales promotion methods. Publicity methods (dealt with in chapter 4, section 4.5.9) that are viewed as most effective by respondents are news or press releases and newspaper or magazine articles about the estate agency. Sponsorships as a publicity method are viewed as a less effective method. With regard to public relations (discussed in chapter 4, section 4.5.10), the majority (80,2%) of respondents indicated that they do not use public relations firms at all.

### 6.2.8 Customer service and quality

Questions 38 and 39 of the questionnaire dealt with customer service and quality. Question 38 identified the activities engaged in by estate agencies in order to deliver customer service and quality.

**TABLE 6.32**

#### ACTIVITIES TO DELIVER CUSTOMER SERVICE AND QUALITY

Statements	Never %	Seldom %	Fre- quently %	Always %	Mean	No res- ponse %
We discuss customer complaints with estate agents.	2,7	4,5	20,6	67,7	3,61	4,5
Estate agents often work together to deliver high quality service to clients.	1,2	4,9	28,8	57,8	3,54	7,3
Estate agents are involved in the setting of service quality standards.	2,1	4,1	32,1	54,5	3,50	7,2
Estate agents are informed of marketing plans.	2,1	4,5	32,1	53,1	3,48	8,2
Estate agents are free from restrictions when selling properties.	12,6	12,6	25,1	39,9	3,03	9,8
We look at other service industries to learn more about service quality.	6,8	18,9	40,9	26,7	2,94	6,7
Management interact with customers to determine their experience with support personnel.	8,8	23,0	37,9	22,0	2,80	8,3
There is a formalised feedback system for estate agents to share their experiences with customers with management.	16,3	21,0	25,9	26,5	2,70	10,3
We administer a formal questionnaire immediately after a transaction about customers' satisfaction with estate agents.	42,4	27,2	11,5	9,1	1,86	9,8

The means in table 6.32 reveal that most estate agency firms discuss customer complaints with the estate agents (mean = 3,61). A large number of respondents also indicated that their estate agents work together to deliver quality service (mean = 3,54), that their agents are involved in the setting of service quality standards (mean = 3,50) and that their agents are informed of marketing plans (mean = 3,48).

The two activities which were ranked lowest are a formalised feedback system for estate

agents to share their experiences with customers with management (mean = 2,70) and the administration of a formal questionnaire immediately after a transaction about the customer's satisfaction with the estate agent (mean = 1,86). The respondents previously (table 6.17) ranked the offering of service quality to buyers as very important, and it is thus surprising that they now rank these two activities, which are effective in establishing customer needs and satisfaction, as the lowest. The options in question 38 were cross-correlated with question 25, option 2 (we would like to portray an image of offering excellent customer service). It was found that 71,7 percent of the respondents who selected option 2, question 25, as well as "we always discuss customer complaints with estate agents" thus actually do discuss customer complaints with their agents and would, at the same time, also like to portray an image of offering excellent customer service. The findings also indicate that 61,8 percent of the respondents who selected both question 25, option 2, and "estate agents always work together to deliver high quality service to clients", therefore do have agencies where estate agents work together towards providing excellent customer service and that these agencies would, at the same time, also like to portray an image of offering excellent customer service. Where the other options in question 38 are concerned, less than 60 percent of the respondents who selected question 25, option 2 and any of the other customer service statements in question 38, always offer these services and are of the opinion that they can portray an image of providing excellent customer service. This is a worrying finding, since an agency cannot portray an image of customer service if it does not engage in crucial customer service activities.

Question 39 of the questionnaire required respondents to list, in order of priority, the most important attributes of a good estate agent which would enable him to deliver customer service. The results of this question are indicated in table 6.33. Since respondents were asked to list, in order of priority, the most important attribute (1) to the least important attribute (6), the most important attribute thus has the lowest mean. Respondents are of the opinion that the most important attribute is to have the necessary knowledge to convey trust. The second most important attribute is that agents must be accurate when dealing with clients, while the third most important attribute is that agents must be able to answer client's questions about properties. Attributes one to three therefore all relate to the agent's knowledge. The attribute ranked last was that agents must be physically presentable.

**TABLE 6.33**  
**ATTRIBUTES OF A GOOD ESTATE AGENT**

Attributes	Mean	Priority
It is important that agents must have the necessary knowledge to convey trust.	2,59	1
It is important for agents to be accurate in dealing with clients.	2,21	2
It is important for agents to be able to answer client's questions about properties.	3,19	3
It is important to never keep clients waiting.	3,85	4
It is important for agents to be able to empathise with clients.	4,46	5
It is important for agents to be physically presentable.	4,64	6

#### **Conclusion on customer service and quality**

As indicated in chapter 4, section 4.8.2, good customer service creates true clients, namely clients who are glad they selected a particular estate agency, customers who will use the estate agency again and positively promote the agency to family and friends, who in turn may become loyal clients. The survey determined whether estate agencies engage in activities to deliver customer service and quality. The results reveal that the majority of respondents always discuss customer complaints with estate agents, that their agents always work together to deliver quality service, that their agents always help in setting quality standards and that their agents are always informed of marketing plans. Formalised feedback systems for agents to share their experiences with management and administration of a formal questionnaire after a transaction to test customer satisfaction, were the two activities which were ranked the lowest, and this is surprising since respondents previously ranked the offering of service quality to buyers as very important. These two activities are very important in establishing customer needs and satisfaction and thus to deliver service quality to buyers.

Cross-correlations reveal that a large percentage of respondents who indicated that they would like to portray an image of excellent customer service and also indicated that they always discuss customer complaints with agents as well as that their agents work together to deliver quality service, actually do engage in these activities and would, at the same time, like to portray an image of customer service. They therefore seem to realise that these are

crucial customer service activities. Unfortunately less than 60 percent of the respondents indicated that they engage in the other customer service activities while also wishing to offer an image of excellent customer service. This is a negative finding since no estate agency can portray an image of offering excellent customer service if it does not engage in all the crucial customer service activities.

Where the attributes of a good estate agent are concerned, the survey reveals that respondents are of the opinion that the most important attribute is for agents to have the necessary knowledge to convey trust. The second and third most important attributes are that agents must be accurate in dealing with clients and that they should be able to answer client's questions about properties. These attributes thus all relate to an agent's knowledge, which is surprising, since respondents previously ranked completion of the Board examinations, education, previous training and previous experience as the least important criteria when appointing new estate agents.

### **6.2.9 Employee continuity, corporate climate and internal marketing**

Questions 40 to 42 of the questionnaire assessed the employee continuity, corporate climate and internal marketing in estate agencies. Table 6.34 reveals the results of question 40 which examined certain aspects of internal marketing. The table indicates that the majority of estate agencies apply internal marketing. For example, on the four-point scale in the table the training of employees to deal with customers rated a mean of 3,67. The discussion of marketing plans with employees before implementation rated a mean of 3,41, while the evaluation of advertising campaigns by consulting employees rated a mean of 3,30. Since all the activities rated means of more than 3 it is clear that respondents apply internal marketing in their agencies. These results are also confirmed in table 6.32, where respondents indicated that they do inform estate agents of marketing plans. Question 40, option 1 (all employees are always trained to deal with customers), was cross-correlated with question 25, option 2 (we offer excellent customer service). It was found that 71,8 percent of the respondents who selected both options thus actually train their agents in dealing with clients and would, at the same time, like to portray an image of offering excellent customer service. These respondents seem to be aware of the fact that one cannot offer good customer service if the estate agents are not trained in

this regard.

**TABLE 6.34**  
**INTERNAL MARKETING IN ESTATE AGENCIES**

Statements	Never	Seldom	Fre- quently	Always	Mean	No res- ponse
	%	%	%	%		%
All our employees are trained to deal with customers.	0,4	3,7	22,6	67,9	3,67	5,4
We discuss marketing plans with all our employees before implementing them.	2,5	7,8	31,5	51,0	3,41	7,2
We evaluate our advertising campaigns by consulting all our employees.	3,5	8,0	37,9	42,2	3,30	8,4

The corporate climate in estate agencies was tested in question 41 of the questionnaire. Table 6.35 reveals that the majority of estate agencies strive to create a positive corporate culture, since the means on the four-point scale are all greater than 3,70. A mean of 3,97 was, for instance, obtained for the statement "all agents are free to communicate their views to management" and "we all agree that the needs of clients are our priority" rated a mean of 3,92.

**TABLE 6.35**  
**CORPORATE CULTURE IN ESTATE AGENCIES**

Statements	Never	Not sure	Some- times	Always	Mean	No res- ponse
	%	%	%	%		%
All agents are free to communicate their views to management.	0	0	2,9	90,7	3,97	6,4
We all agree that the needs of clients are our priority.	0	0,2	7,2	87,9	3,92	4,7
We all realise that our survival depends on sales.	0,8	1,0	7,6	84,0	3,87	6,6
All agents are required to perform well as individuals.	0,2	0,4	14,8	75,9	3,82	8,7
All agents are informed about services promised to clients.	0	1,9	13,2	77,2	3,82	7,7
We work well together as a group.	0,2	0,6	19,8	72,0	3,77	7,4
We are all friends.	0,6	1,4	28,6	61,5	3,64	7,9

Question 41, option 4 (we all always agree that the needs of clients are our priority), was cross-correlated with question 25, option 2 (we offer excellent customer service). The findings indicate that 92,4 percent of the respondents who selected both options always agree that the needs of clients are their priority and would also like to portray an image of offering excellent customer service. These respondents thus seem to be aware of the importance of satisfying customer needs.

Question 42 of the questionnaire covered aspects of employee continuity and internal marketing. The means in table 6.36 indicate that the majority of respondents try to promote employee continuity in their agencies. On the four point-scale in table 6.36, the statements which were rated highest (means = 3,85) are "we do our best to retain good agents" and "we encourage feedback from our estate agents". The high mean for the latter statement is contradictory to the results obtained in table 6.32, since few respondents in that instance indicated that they have a formalised feedback system for estate agents to share their experiences with customers with management. The statement ranked last in table 6.36 was "we tend to hire experienced agents" (mean = 2,85). In table 6.7 the criterion which was ranked last for the appointment of new estate agents was previous experience, which thus supports the results regarding the importance of experience found in table 6.36.

**TABLE 6.36**  
**EMPLOYEE CONTINUITY IN ESTATE AGENCIES**

Statements	Never %	Seldom %	Fre- quently %	Always %	Mean	No res- ponse %
We do our best to retain good agents.	0,6	0,2	11,5	79,6	3,85	8,1
We encourage feedback from our estate agents.	0,2	0,2	12,8	79,0	3,85	7,8
All agents can rely on the support of colleagues.	0,2	1,2	23,3	66,7	3,71	8,6
We regard continual training as important.	1,2	4,1	23,7	62,8	3,61	8,2



The performance of estate agents is rewarded.	1,0	5,3	28,2	54,1	3,53	11,4
We regard a high personnel turnover as detrimental.	4,9	5,8	17,5	59,3	3,50	12,5
Estate agents have input in designing the estate agency's services.	1,6	6,8	36,6	45,3	3,39	9,7
We tend to hire experienced agents.	7,4	20,8	37,4	22,6	2,85	11,8

### **Conclusion on employee continuity, corporate climate and internal marketing**

Employee continuity, corporate climate and internal marketing were discussed in chapter 4, section 4.8.3, and resort under the people component of the relationship-marketing concept.

The people component refers to the employees in the estate agency who should be well trained in customer service and be aware of the fact that their own job satisfaction ultimately rests on the success of the agency in the market. Before an estate agency can generate satisfied and loyal customers it must first ensure employee satisfaction and loyalty through the intensive management of internal relationships.

One of the secondary objectives of the study was to determine to what extent internal marketing programmes exist within estate agencies. The results of the survey reveal that the majority of respondents apply internal marketing activities such as evaluating advertising campaigns by consulting employees, discussing marketing plans with their employees, and training employees to deal with customers. The survey also reveals that the majority of respondents strive to create a positive corporate culture in their agencies. They for instance agree that all agents are always free to communicate their views to management and that everyone in the agency realises that the needs of clients are their priority. Cross-correlations also reveal that a large percentage (92,4%) of respondents who indicated that they agree that the needs of clients are their priority and who would like to portray an image of offering excellent customer service, agree that the clients' needs are their priority and would, at the same time, also like to portray an image of customer service. These respondents therefore seem to be aware of the importance of satisfying client needs. With regard to employee continuity, the majority of respondents try to promote employee continuity in their agencies. Respondents for instance indicated that they do their best to retain good agents and that they encourage feedback from estate agents. Although respon-

dents indicated that they encourage feedback from estate agents, these results are contradictory to a previous finding where few respondents indicated that they have a formalised feedback system for estate agents which allow them to share their experiences with management.

#### 6.2.10 Customer complaints and customer markets

Questions 43 to 46 of the questionnaire dealt with customer complaints and customer markets. The policies of respondents regarding customer complaints were tested in questions 43, 44 and 45. Table 6.37 shows that complaints are referred to management in 77,2 percent of the agencies. In 62,8 percent of the agencies complaints are discussed at meetings and in 67,3 percent of the cases recurring complaints are thoroughly investigated. Only 8 percent of the respondents indicated that a complaint book or list is kept for future reference, while only 5,1 percent indicated that they have no policy regarding customer complaints, which implies that 94,9 percent of the respondents have a customer complaints policy.

**TABLE 6.37**  
**CUSTOMER COMPLAINTS**

Policies	Percentage	
	Frequency %	No response
We have no such policy.	5,1	94,9
Complaints are dealt with by the agent involved.	52,7	47,3
Complaints are referred to management.	77,2	22,8
A complaint book/list is kept for future reference.	8,0	92,0
Complaints are often discussed at meetings.	62,8	37,2
Recurring complaints are thoroughly investigated.	67,3	32,7

(Multiple answers were obtained from respondents.)

Figure 6.18 shows whether records of previous clients are kept by estate agencies. The majority (84,2 percent) of the respondents indicated that they have a database of previous clients.

**FIGURE 6.18**  
**RECORDS OF PREVIOUS CLIENTS**

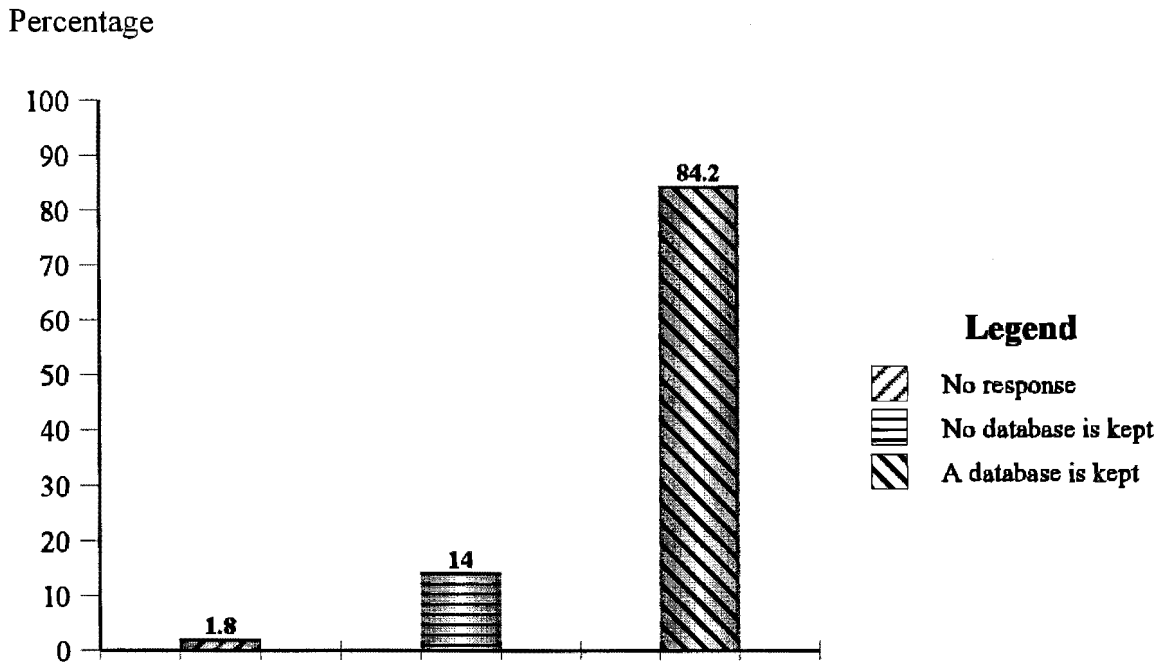
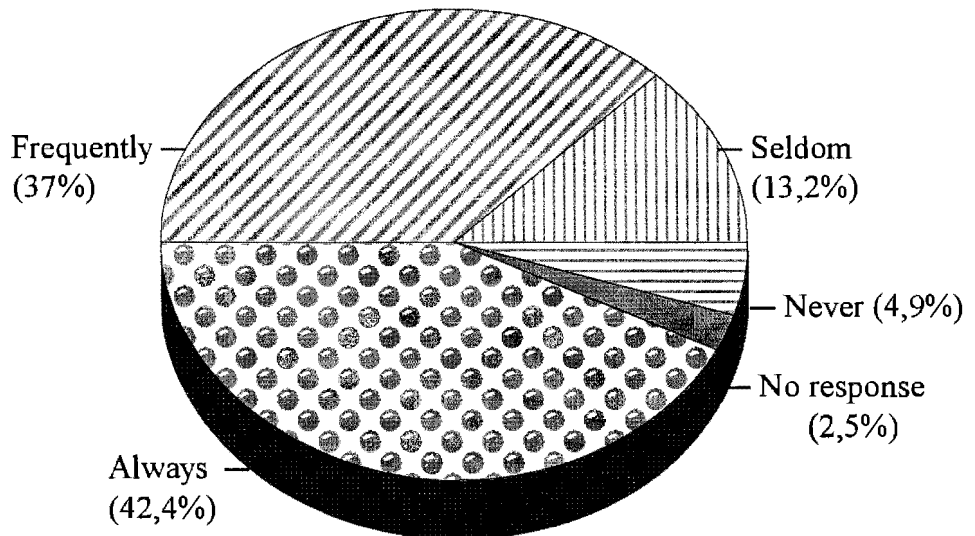


Figure 6.19 indicates whether loyal clients of estate agencies are rewarded or treated specially. It is clear that in most cases (79,4%) respondents frequently (37%) and always (42,4%) reward or treat loyal clients specially. Only 18,1 percent (4,9% + 13,2%) of respondents never or seldom reward loyal clients.

**FIGURE 6.19**  
**REWARDING OF LOYAL CLIENTS**



Question 46 of the questionnaire dealt with the interaction with prospective buyers. The means in table 6.38 reveal that the majority of statements were viewed as important and very important by the respondents. "Not making promises which cannot be kept" rated a mean of 3,71, while "follow-up after a sale" rated a mean of 3,66. The statements which were ranked second last and last are "offering incentives to conclude a problematic sale" (mean = 2,53) and "concluding the sale at all costs" (mean = 2,22).

**TABLE 6.38**  
**INTERACTION WITH PROSPECTIVE BUYERS**

Degree of interaction	Totally unimportant %	Less important %	Important %	Very important %	Mean	No response %
Not make promises which cannot be kept.	6,4	1,2	7,2	84,0	3,71	1,2
Follow-up after a sale.	2,5	3,1	19,5	72,4	3,66	2,5
Keep cool in dealing with difficult buyers.	3,1	2,1	22,4	71,2	3,64	1,2
Actively search for suitable properties.	2,3	2,1	26,3	67,5	3,62	1,8
Sketch a realistic picture for the buyer.	3,3	1,9	27,6	64,8	3,58	2,4
Keep regular contact with the buyer.	1,4	3,3	30,9	63,6	3,58	0,8
Notify the buyer of new properties available.	2,5	6,6	22,8	66,7	3,56	1,4
Overcome the buyers' objections.	1,9	7,8	42,2	41,8	3,32	6,3
Consult with other agents.	4,1	18,7	39,7	32,7	3,06	4,8
Offer incentives to conclude a problematic sale.	11,1	36,8	26,5	16,3	2,53	9,3
Conclude the sale at all costs.	14,6	53,7	16,5	9,5	2,22	5,7

### **Conclusion on customer complaints and customer markets**

Customer complaints were dealt with in chapter 4, section 4.8.3.5, where it was emphasised that there should be ample opportunity for customers to direct their complaints to responsible people who are able to take appropriate corrective action, and in so doing prevent the loss of customers. The survey reveals that the majority of respondents indicated that complaints are, indeed, investigated. A very low percentage (8%) indicated that a complaint book is kept for future reference. The majority of respondents (84,2%) also indicated that they keep records of previous clients. This is a positive finding since relationship marketing focuses on keeping existing customers and building long-term relationships with them.

The importance of forming relationships with customer markets was also emphasised in chapter 4, section 4.9.1. The results of the study indicate that the majority of respondents frequently and always reward or treat loyal clients in a special way. Where interaction with buyers is concerned, the majority of respondents view most of the activities as very important, for instance not making promises which cannot be kept, follow-up after a sale and keeping cool in dealing with difficult buyers. Concluding a sale at all costs was ranked last, which shows that respondents do consider the buyers' needs as being important.

### **6.2.11 Referral, recruitment and influencer markets**

Question 47 of the questionnaire dealt with close cooperation between the estate agency and referral, recruitment and influencer markets. The means in table 6.39 reveal that respondents view cooperation with attorneys or conveyancers as most important (mean = 3,65). Town planners or property developers (mean = 3,18) are rated the second most important while municipal officials (mean = 3,10) and the media (mean = 3,05) are ranked third and fourth. The government (mean = 2,41) and recruitment markets (mean = 2,26) were ranked second least and least important by respondents.

TABLE 6.39

## COOPERATION WITH MARKETS

Degree of cooperation	Totally unimportant %	Less important %	Important %	Very important %	Mean	No response %
Attorneys/conveyancers	3,7	1,9	19,3	73,7	3,65	1,4
Town planners/property developers	4,5	15,4	34,8	41,6	3,18	3,7
Municipal officials	4,7	18,1	35,0	37,4	3,10	4,8
The media	3,7	20,6	38,5	32,7	3,05	4,5
Local builders	4,3	25,9	35,8	27,0	2,92	7,0
Government	15,0	38,9	22,8	15,0	2,41	8,3
Recruitment markets	15,6	45,3	18,7	9,9	2,26	10,5

**Conclusion on referral, recruitment and influencer markets**

In contrast to traditional marketing which mainly emphasises relationships with customers, relationship marketing entails that enterprises should also direct their marketing activities at other groups or markets (dealt with in chapter 4, section 4.9). The survey reveals that respondents view the following markets as the most important, namely attorneys or conveyancers, town planners or property developers, municipal officials and the media. The government and recruitment markets are viewed as less important by the estate agencies. Estate agencies should have good relationships with all of these markets, and it is thus worrying that they do not view the latter two markets as important or very important.

**6.2.12 Strategic approaches**

The last section of the questionnaire, namely questions 48 to 50, dealt with the strategic approaches of respondents. Question 48 required respondents to list the strategic approaches which apply to their agencies. Since respondents were asked to list, in order of priority, the most important approach (1) to the least important approach (4), the most important approach thus has the lowest mean. Table 6.40 clearly shows that the strategic approach mostly used by the respondents is a differentiation strategy, since the agencies distinguish themselves from competitors. The second most popular approach is the pre-emptive move where agencies use innovative techniques. The strategies ranked third and fourth are low-cost and focus strategies.

TABLE 6.40

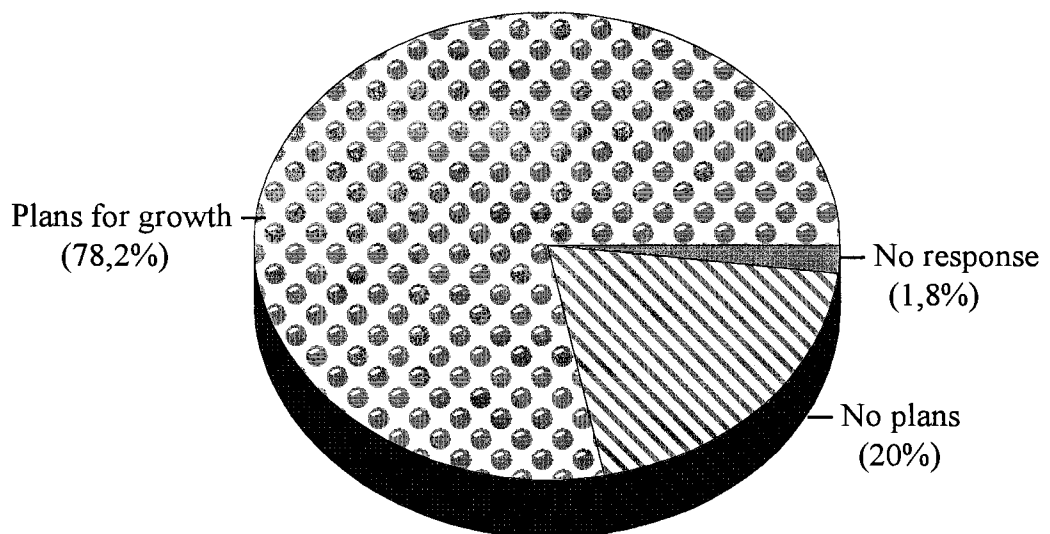
## STRATEGIC APPROACHES OF ESTATE AGENCIES

Approaches	Mean	Priority
We distinguish our agency from competition.	1,96	1
We use innovative techniques.	2,36	2
We try to keep costs down.	2,67	3
We focus on specific lucrative markets.	2,88	4

Question 49 of the questionnaire dealt with the future growth plans of estate agencies. Figure 6.20 clearly indicates that the majority (78,2 percent) of the respondents have plans for future growth while 20 percent have no future growth plans at all.

FIGURE 6.20

## PLANS FOR FUTURE GROWTH



Question 50 dealt with the respondents' specific plans for future growth. Table 6.41 reveals that 32,7 percent have plans for opening new branches in other areas while 59,9 percent plan to add other services to their current service packages.

**TABLE 6.41**  
**TYPE OF PLANS FOR FUTURE GROWTH**

Growth plans	Percentage	
	Yes	No response
Opening new branches in other areas.	32,7	67,3
Adding other services to our current services package.	59,9	40,1
Other (specify)	13,6	86,4

(Multiple answers were obtained from respondents.)

#### **Conclusion on strategic approaches**

The market strategies which estate agencies can employ to achieve their marketing objectives were discussed in chapter 4, section 4.6. The survey reveals that the majority of respondents mostly use a differentiation strategy where they distinguish themselves from the competition. The second and third most popular strategic approaches used by the respondents are the pre-emptive move (use of innovation techniques) and low-cost strategy. The least popular approach is the focus strategy which focuses on specific lucrative markets.

The majority of respondents indicated that they have plans for future growth, and the most popular type of growth plan is to add other services to their current services packages.

This brings us to the results of the one-man residential estate agencies.



### 6.3 GROUP B: ONE-MAN RESIDENTIAL ESTATE AGENCIES

The group of estate agencies discussed in this section are all one-man businesses which do not consist of anyone other than the owner, who also acts as the estate agent. Since these agencies do not do any recruitment, selection, training and so forth, many of the questions covered in the questionnaire do not apply to these agencies at all. All the cross-correlations done in group A could thus not be done in group B. Many cross-correlations also had to be omitted since the number of respondents for some questions was too low to achieve meaningful results. Only the applicable categories and questions will thus be discussed in this section.

#### 6.3.1 Demographic details

Questions 1 and 2 of Part I of the questionnaire determine the legal business form and number of agents, support personnel and directors of the business. Since these are all one-man businesses, all agencies indicated that they are such businesses and that their agencies consist of only one person, namely themselves.

Question 3 determined the networks used by the estate agency firms, and the results are indicated in table 6.42. This table clearly reveals that all the respondents (100 percent) make use of franchising, but 66 percent indicated that they have no network at all. These conflicting results could mean that the question may have been misinterpreted by many of the respondents.

**TABLE 6.42**

**TYPE OF NETWORKS USED BY ONE-MAN AGENCIES**

<b>Networks</b>	<b>Frequency</b>	<b>%</b>
Intercity referral networks	7	7,2
Franchising	97	100,0
Multi listing	6	6,2
No network	64	66,0
Other (specify)	18	18,6

(Multiple answers were obtained from respondents.)

In question 4 of Part I of the questionnaire, the respondents were required to indicate the market segments which they specialise in. Table 6.43 reveals that most of the respondents (76,3%) sell residential property which is intended for middle-class families. This is similar

to the results obtained in respect of the larger estate agencies (Group A), where it was found that the majority (82,7%) also sell to middle-class families.

It was also revealed that 54,6 percent of the one-man businesses direct their sales at markets which want value for money. This is followed by agencies which sell to first-time buyers (44,3%), executives and upmarket clients (38,1%), and upper-class suburbs (36,1%), while 23,7 percent concentrate on other markets.

**TABLE 6.43**  
**MARKET SEGMENTS OF ONE-MAN AGENCIES**

Market segments	Frequency	%
Residential property for executives and upmarket clients.	37	38,1
Residential property in upper class suburbs.	35	36,1
Residential property intended for middle class families.	74	76,3
Residential property for first-time buyers.	43	44,3
Residential property which provides value for money.	53	54,6
Other (specify)	23	23,7

(Multiple answers were obtained from respondents.)

#### **Conclusion on demographic details**

The results of Part I of the questionnaire indicate that respondents seem to have misinterpreted the question regarding the type of network used, since all the respondents (100%) indicated that they have franchises, but 66 percent also indicated that they have no network at all.

The survey reveals that, similar to the larger agencies, the target market which is most popular amongst one-man agencies is middle-class families (76,3%). In contrast to the larger agencies, the second most popular target market among one-man agencies is consumers who want value for money. Upper-class suburbs represent the second most popular market among the larger agencies. In both groups, first time-buyers constitute the third most popular target market.

### 6.3.2 Mission and objectives

A definition of a mission statement was given in chapter 2, section 2.5, as well as in section 6.2.2 of this study. Questions 1 to 5 of part II of the questionnaire covered the mission and objectives of estate agency firms. The results of the analysis of question 1 indicate that, of the 97 respondents, 38 indicated that they have mission statements. These 38 mission statements are indicated in annexure C. The annexure clearly shows that none of the respondents met all the requirements for a mission statement as indicated in the study. As in the case of the larger estate agencies, most of these agencies seemed to regard a mission statement as a slogan or objective.

Question 2 of Part II measures how the mission statement is communicated to agents and employees. Since the respondents are all one-man businesses, analysis of this question was ignored.

Questions 3 to 5 of the questionnaire dealt with the marketing objectives of the agency, how they are communicated to agents and how they are set per agent. Only question 3, which dealt with the variables in terms of which marketing objectives are set for the agency, is applicable to one-man businesses. The results of question 3 are indicated in table 6.44.

**TABLE 6.44**  
**VARIABLES IN TERMS OF WHICH MARKETING OBJECTIVES**  
**ARE SET FOR THE ONE-MAN AGENCY**

Objectives	Frequency	%
Sales/profit	41	42,3
Customers	38	39,2
Turnover	17	17,5
Cost	18	18,6
Other (specify)	11	11,3

(Multiple answers were obtained from respondents.)

Similar to the larger estate agencies, most of the respondents (42,3%) set their marketing objectives in terms of sales/profit, while second most set their objectives in terms of customers (39,2%). This is followed by those who set their marketing objectives in terms of turnover

(17,5%), cost (18,6%) and other variables (11,3%).

#### **Conclusion on mission and objectives**

The mission and objectives of the estate agency were discussed in chapter 2, section 2.5, where the variables which should be incorporated in a mission statement are indicated. The survey results reveal that, similar to the larger agencies, a large percentage of one-man agencies indicated that they have mission statements, but it was found that none of the respondents have mission statements which met the requirements for a mission statement. Similar to the larger agencies, the one-man agencies seem to regard a mission statement as a slogan or objective.

The results also reveal that similar to the larger agencies, the majority (42,3%) of one-man agencies set their marketing objectives in terms of sales/profit, while the second most popular variable is customers (39,2%).

#### **6.3.3 Human resources**

Questions 6 to 17 of the questionnaire deal with the human resource function in the estate agency and cover aspects such as human resource planning, recruitment, selection, induction, training, retention, motivation and remuneration. Since none of these aspects are applicable to one-man estate agencies, the analysis of these questions will be ignored.

#### **6.3.4 Marketing research and the marketing environment**

The marketing research and marketing environment of the one-man agencies were dealt with in questions 18 to 23 of the questionnaire. The results of question 18, which determined whether the respondents conduct marketing research, are indicated in figure 6.21.

**FIGURE 6.21**  
**CONDUCTING MARKETING RESEARCH BY ONE-MAN AGENCIES**

Percentage

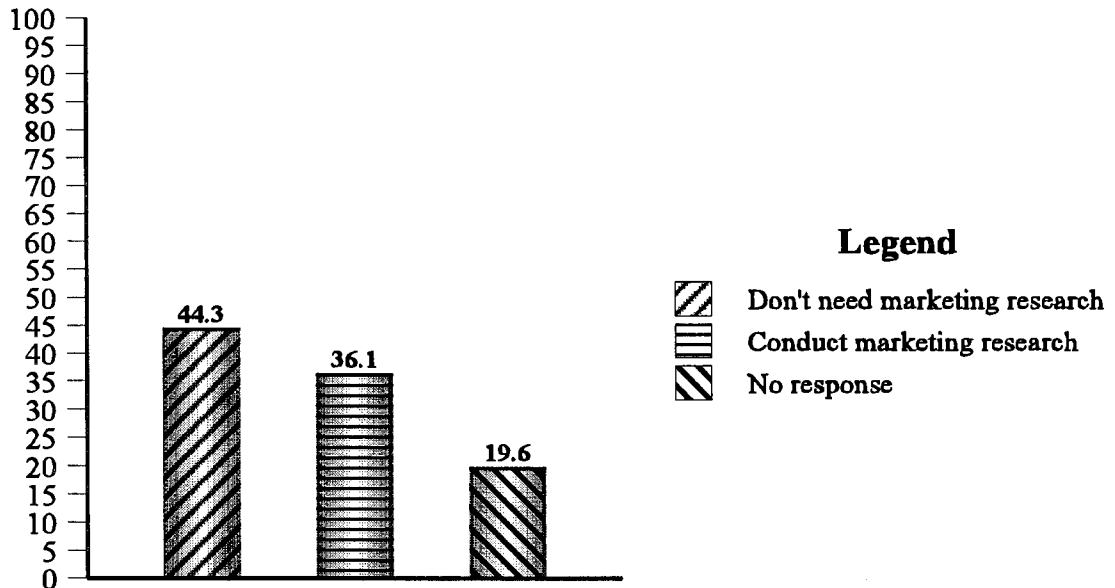


Figure 6.21 reveals that 44,3 percent of the respondents feel that they do not need any marketing research at all. Only 36,1 percent conduct marketing research, while 19,6 percent did not respond to the question. These results differ from those of the larger estate agencies where it was found that only 32,5 percent were of the opinion that they do not need marketing research, while the majority, namely 61,5 percent, do conduct marketing research. The Levene's T-test for equality of means (equal variances assumed), at a 95 percent level of reliability, provides proof that these differences are significant. Although the larger agencies seem to be more aware of the need for marketing research, the percentages for both one-man and larger agencies who feel that they do not need marketing research, are quite high for agencies which indicate that they are service-oriented and thus aware of the needs of customers.

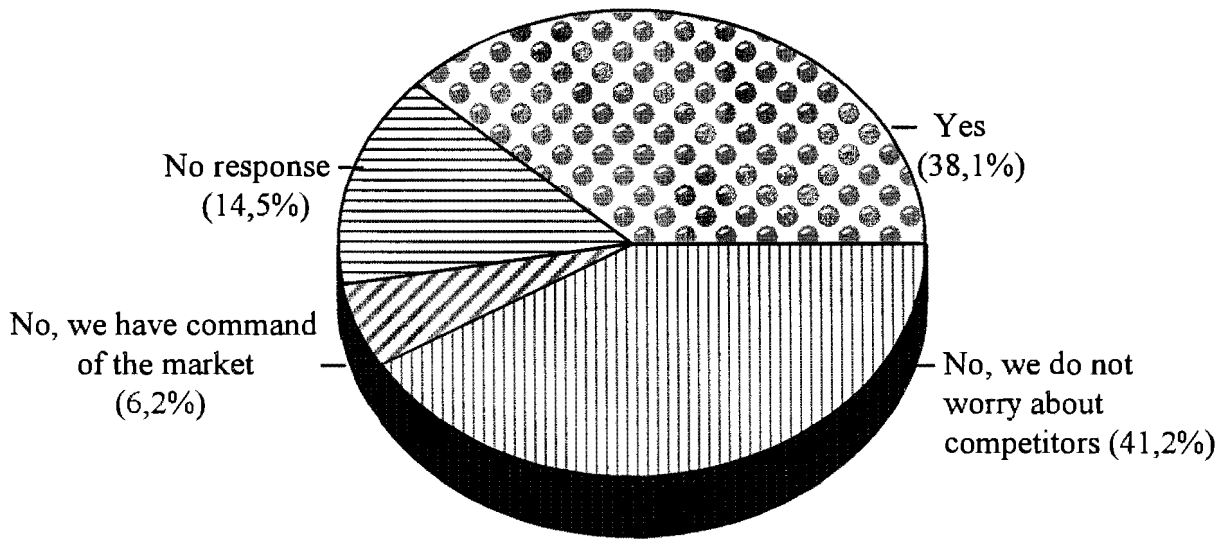
Question 18 of the questionnaire was cross-correlated with question 21 which determined the differentiation method applied by the one-man agencies. The option "we often conduct marketing research projects" was correlated with the differentiation method "we offer the best service quality to buyers". It was found that 50,9 percent of the respondents who selected both

options do, indeed, conduct marketing research and also differentiate by offering the best service quality to buyers. The findings also indicate that 56,3 percent of the respondents who selected both "often conduct marketing research" and "we have superior knowledge of the market", do actually conduct marketing research and, at the same time, differentiate by having superior knowledge of the market. The findings also show that 49,1 percent of the respondents who indicated that they do not conduct marketing research and offer the best service quality to buyers, therefore do not conduct marketing research but are of the opinion that they offer the best service quality to buyers. In addition, it was found that 43,8 percent of the respondents who indicated that they do not do marketing research and have superior knowledge of the market do not conduct any marketing research but are of the opinion that they have superior knowledge of the market. These findings are similar to the findings in the larger agencies where it was indicated that if the agencies do not do marketing research, it is almost impossible to offer the best service quality and to have superior knowledge of the market, since marketing research is a prerequisite for providing these services.

Questions 19 to 21 of the questionnaire dealt with the analysis of competitors. Figure 6.22 reveals the results of question 19, which determined whether the respondents conduct formal research in order to analyse competitors. It is clear from the figure that only 38,1 percent of respondents conduct research in order to analyse competitors. A larger percentage (47,4%), however, do not conduct a competitor analysis since 41,2 percent do not worry about competitors and 6,2 percent feel that they have command of the market ( $41,2\% + 6,2\% = 47,4\%$ ). When compared to the larger businesses it is thus clear that a larger percentage (53,3%) of these agencies conduct competitor analyses than do one-man businesses (38,1%). The Levene's T-test for equality of means (equal variances assumed), at a 95 percent level of reliability, provides proof that these differences are significant. The percentage of larger agencies who conduct competitor analyses is, however, not very high.

FIGURE 6.22

## CONDUCTING COMPETITOR ANALYSES BY ONE-MAN AGENCIES



Question 19, which determined whether respondents conduct competitor analyses, was correlated with question 18, which investigated whether respondents conduct marketing research. The findings indicate that 63,9 percent of the respondents who selected both options, actually engage in marketing research as well as competitor analyses.

Question 20 of the questionnaire was completed by those agencies which conduct competitor analyses. Table 6.45 reveals the factors considered by them in their competitor analyses. It is evident that the image of competitors (36,1%) and quality of competitor's agents (36,1%) are viewed as most important by the respondents. This is followed by the frequency of competitive advertising (25,8%) and the publicity programmes of competitors (23,7%). The factors covered least in the agencies' competitor analyses are the location of competitors' offices (21,6%), the number of agents working for competitors (9,3%) and the cost structure of competitors (7,2%). The order of importance of these factors as viewed by one-man agencies is nearly identical to the order of importance indicated by the larger agencies.

**TABLE 6.45**  
**FACTORS CONSIDERED IN THE COMPETITOR ANALYSES**  
**OF ONE-MAN AGENCIES**

Competitive factors	Frequency %	No Response %
The image of competitors.	36,1	63,9
The probable cost structure of competitors.	7,2	92,8
The number of agents working for competitors.	9,3	90,7
The quality of competitors' agents.	36,1	63,9
The location of competitors' offices.	21,6	78,4
The frequency of competitive advertising.	25,8	74,2
The publicity programmes in which competitors are involved.	23,7	76,3

(Multiple answers were obtained from respondents.)

Question 21 determines the ways in which estate agencies differentiate themselves from competitive agencies. Table 6.46 indicates that the differentiation methods used most by respondents are total commitment to clients (71,1%) and best service quality (62,9%). These two methods were also used most by the larger agencies in order to differentiate themselves.

**TABLE 6.46**  
**METHODS OF DIFFERENTIATING ESTATE AGENCIES AS USED**  
**BY ONE-MAN AGENCIES**

Method of differentiation	Frequency %	No Response %
We offer the best service quality to buyers.	62,9	37,1
We have established an image of exclusivity.	24,7	75,3
We have a unique brand name.	19,6	80,4
We have a catchy slogan.	7,2	92,8
We are totally committed to our clients.	71,1	28,9
We have an unusual advertising campaign.	7,2	92,8
We are involved in community affairs.	38,1	61,9
We often succeed in obtaining free publicity.	9,3	90,7
We have superior knowledge of the market	37,1	62,9
Other (specify)	8,2	91,8

(Multiple answers were obtained from respondents.)



As in the case of the larger agencies, the methods used least by one-man agencies are a catchy slogan (7,2%) and an unusual advertising campaign (7,2%).

The marketing environment was covered in questions 22 and 23 of the questionnaire. The use of new technologies by estate agencies is indicated in table 6.47, which shows that similar to the larger businesses, most of the one-man agencies (61,9%) make use of computerisation, while the second most popular method is the Internet (34%), and the least popular method is video advertising (8,2%).

**TABLE 6.47**

**THE USE OF NEW TECHNOLOGIES BY ONE-MAN ESTATE AGENCIES**

<b>New technologies</b>	<b>Frequency %</b>	<b>No Response %</b>
Computerisation	61,9	38,1
Video-advertising	8,2	91,8
Internet services (e-commerce)	34,0	66,0
Other (specify)	6,2	93,8

(Multiple answers were obtained from respondents.)

Question 23 of the questionnaire investigated the areas of the marketing environment which are researched by estate agencies. The means in table 6.48 show that the variable researched most by the one-man agencies is the economy (mean = 3,37). This is followed by the physical environment (mean = 3,36) and legislation (mean = 3,53). These results differ slightly from those of the larger agencies which ranked legislation first (mean = 3,63), the economy second (mean = 3,51), and the physical environment third (mean = 3,31). Similar to the larger businesses, the variables researched least by one-man agencies are social trends (mean = 3,07), new technologies (mean = 2,74), and opportunities and threats in the international environment (mean = 2,44). As is the case in the larger businesses, it is surprising that the variable, social trends, is ranked only fourth by the one-man agencies, as the majority previously indicated that they offer the best service quality and are totally committed to their clients, but do not place a high priority on aspects which greatly influence the consumer.

TABLE 6.48

## AREAS OF THE MARKETING ENVIRONMENT INVESTIGATED

Marketing variables	Never %	Not sure %	Some- times %	Always %	Mean	No Response %
The economy and its influence on clients.	5,2	4,1	27,8	44,3	3,37	18,6
Physical environmental aspects which are important to clients.	6,2	5,2	18,6	44,3	3,36	25,7
Legislation which will influence the buying/ selling process.	4,1	2,1	18,6	49,5	3,53	25,7
Social trends influencing buyer decision-making.	8,2	6,2	29,9	27,8	3,07	27,9
New technologies.	15,5	5,2	32,0	17,5	2,74	29,8
Opportunities and threats in the international market.	21,6	6,2	20,6	14,4	2,44	37,2

Question 23 (marketing areas investigated/researched) was also correlated with question 18, which determined whether estate agencies conduct marketing research. When correlating "conducting of marketing research" with "always conducting research into new technologies", it was found that 93,3 percent of the respondents who selected both options thus conduct marketing research into new technologies. Although 93,3 percent seems large, this refers to only 14 respondents. The findings also indicate that 66,7 percent of the respondents who selected "conduct marketing research" and "always conduct research into social trends" thus always conduct research into social trends. It was also found that between 48 and 54 percent of the respondents who selected the options "often conduct marketing research" and "always conduct research into the economy, physical environment, legislation and opportunities and threats in the international environment", thus do conduct marketing research into these areas of the marketing environment. These results are much lower than that of larger agencies, where it was found that more than 70 percent of the respondents who selected "conducting marketing research" as well as the areas of marketing research, in fact conduct research into the different areas mentioned. It therefore seems as if relatively fewer one-man agencies always conduct research into the different areas of the marketing environment.

### **Conclusion on marketing research and the marketing environment**

The survey reveals that larger estate agencies seem to be more aware of the importance of marketing research than one-man agencies. Only 36,1 percent of one-man agencies conduct marketing research compared to the 61,5 percent of the larger agencies. The Levene's T-test for equality of means (equal variances assumed), at a 95 percent level of reliability, provides proof that these differences are significant. Although the larger agencies seem to do more marketing research, the percentages of respondents for both groups who feel that marketing research is not required are too high for agencies which indicate that they are service-oriented and thus aware of the needs of customers. The research of competitors, an important variable of the marketing environment (dealt with in chapter 3), was also investigated in the survey. The results reveal that only 38,1 percent of the one-man agencies conduct competitor analyses, while 47,4 percent do not research competitors at all. More of the larger agencies (53,3%) conduct competitor analyses. The Levene's T-test for equality of means (equal variances assumed), at a 95 percent level of reliability, provides proof that these differences are significant. The percentages for both groups are quite low, however, since competitors need to be analysed in order to develop a competitive advantage. The one-man respondents who conduct competitor analyses consider the competitors' image, quality of the competitors' agents and frequency of competitive advertising as the most important factors to be considered. These results are similar to those found for larger agencies.

The methods used by the one-man agencies to differentiate themselves from competitors were also investigated. The survey reveals that the differentiation methods used most are total commitment to clients (71,1%), best service quality (62,9%), involvement in community affairs (38,1%), and superior knowledge of the market (37,1%). In the survey for larger agencies these were also found to be the four most popular differentiation methods. Involvement in community affairs was, however, ranked fourth and superior market knowledge third for the larger agencies. Cross-correlations indicate that more than 50 percent of one-man agencies who indicated that they do marketing research and have superior market knowledge and the best service quality, do conduct research into these areas. Unfortunately, about 43 percent of the respondents who indicated that they do not conduct marketing research but offer the best service quality and have superior market knowledge, therefore do not do marketing research into these areas of differentiation. It is obvious that if these respondents do not undertake marketing research, it is almost impossible to offer the best service quality and to have superior knowledge of the market. Similar results were also found in respect of the larger agencies.

The variables of the macro-environment (dealt with in chapter 3, section 3.3) which are researched by estate agencies, were also investigated. The survey results reveal that, similar to the larger agencies, the majority of one-man respondents have administrative systems which are computerised (61,9%). Only 34 percent make use of Internet services, compared to the 69,8 percent of the larger agencies which make use of these services. One-man respondents also indicated that they research most of the areas of the macro-environment. The economy is researched the most, and is followed by research into the physical environment and legislation. The larger agencies ranked legislation first, the economy second and the physical environment third.

Similar to the larger agencies, one-man agencies indicated that they only sometimes investigate social trends influencing buyer decision-making. This is surprising, since respondents previously indicated that they are service-oriented, but now indicate that they only sometimes research this area which greatly influences consumer decision-making and consumer preferences.

Unfortunately, cross-correlations indicate that although many one-man respondents indicated that they research most of the marketing environmental variables, this is not always true. Low correlations were found between the option "often conduct marketing research" and most of the areas of the marketing environment investigated.

### **6.3.5 The marketing concept**

The importance of the principles of the marketing concept to estate agencies was examined in question 24 and the results are indicated in table 6.49. The means in the table indicate that similar to the larger agencies, a systems-orientation (all departments working together towards client satisfaction) was ranked first (mean = 3,80), a consumer-orientation was ranked second (mean = 3,73) and a long-term orientation to profitability was ranked third (mean = 3,59). The aspects viewed as least important were a short-term approach to profitability (mean = 2,85) and a social responsibility orientation (mean = 2,84). These two aspects were also regarded as least important by the larger agencies.

TABLE 6.49

**IMPORTANCE OF THE PRINCIPLES OF THE MARKETING CONCEPT  
TO ONE-MAN ESTATE AGENCIES**

Aspects	Totally unimportant %	Less important %	Important %	Very important %	Mean	No response %
All the departments in our estate agency should work together to achieve maximum client satisfaction.	0	2,1	9,3	54,6	3,80	34,0
All employees in our estate agency should be consumer-oriented.	1,0	0	15,5	52,6	3,73	30,9
Our estate agency has a long-term approach regarding profitability.	0	4,1	19,6	44,3	3,59	32,0
Our estate agency should have a short-term concern regarding profitability.	7,2	12,4	16,5	18,6	2,85	45,3
Our estate agency should continually be engaged in social responsibility projects.	9,3	19,6	15,5	26,8	2,84	28,8

**Conclusion on the marketing concept**

One of the secondary objectives of the study was to investigate to what extent estate agencies use the principles of the marketing concept (dealt with in chapter 4, section 4.3) as a code of conduct. The survey results reveal that similar to the larger agencies, the one-man agencies view the four principles of the marketing concept as important and very important. The systems-orientation was ranked first, consumer-orientation second, and a long-term approach to profitability third. A social responsibility orientation was ranked fifth by the respondents who also ranked a short-term concern regarding profitability (not a principle of the marketing concept) as fourth.

### 6.3.6 Product positioning and distribution

The product positioning and distribution strategies of estate agencies were covered in questions 25 and 26 of the questionnaire. Table 6.50 indicates the images which the respondents would like to portray to the residential market. The table reveals that similar to the larger agencies, the majority of one-man respondents prefer an image of "excellent

customer service" (88,7%) and "knowing the residential market" (64,9%). As in the case of the larger agencies, few one-man agencies prefer the image of "offering luxury homes" (15,5%) and "offering the cheapest service" (19,6%). Question 25 was correlated with question 18 which determined whether respondents conduct marketing research. The relationship between the options "we offer excellent customer service" and "we often conduct marketing research" was tested. It was found that 48,6 percent of the respondents who selected both options do, in fact, conduct marketing research and also would like to portray an image of offering excellent customer service. It was also found that 51,4 percent of the respondents who indicated that they do not conduct marketing research and wish to portray an image of excellent customer service, are of the opinion that they can offer excellent customer service without doing any marketing research. Similar to the results for larger agencies, this is a worrying finding since excellent customer service can only be provided if the needs of the customers are well researched.

Question 25, option 2 (we offer excellent customer service), was also cross-correlated with question 24, option 1, which tested whether respondents view the consumer-orientation principle of the marketing concept as very important. It was found that 77,4 percent of the respondents who selected both options would like to portray an image of offering excellent customer service and also view consumer orientation as being very important. Similar to the results of the larger agencies, the results of these two questions are thus consistent, and the respondents who selected these options seem to be aware of the importance of satisfying customer needs.

**TABLE 6.50**  
**IMAGES WHICH ONE-MAN ESTATE AGENCIES WISH**  
**TO PORTRAY TO THE MARKET**

Image	Frequency	No response
	%	%
We offer excellent customer service.	88,7	11,3
We really know the residential market.	64,9	35,1
We offer value for money.	63,9	36,1
We offer good quality homes.	50,5	49,5
We offer affordable homes.	49,5	50,5
We offer the cheapest service.	19,6	80,4
We offer luxury homes.	15,5	84,5
Other (specify)	8,2	91,8

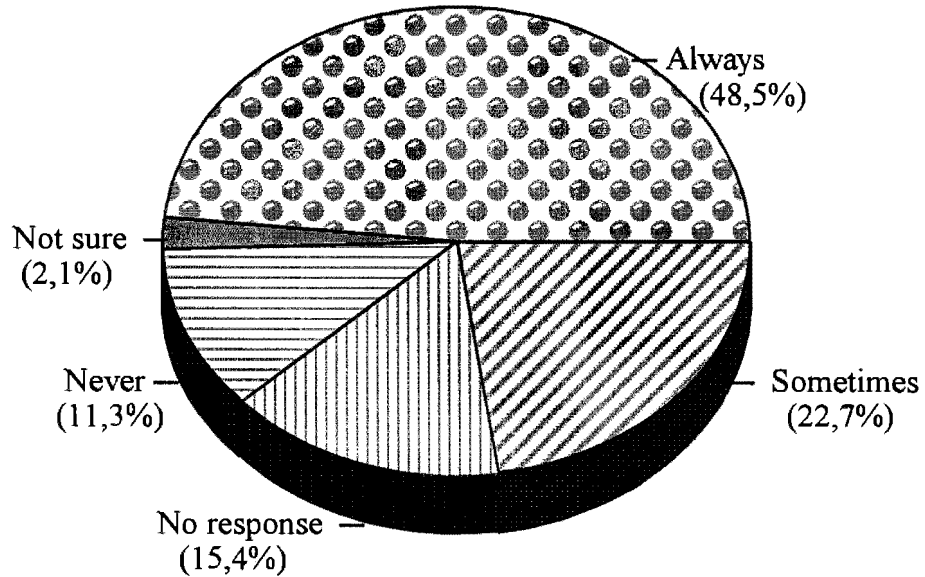
(Multiple answers were obtained from respondents.)

The place/distribution decisions of estate agencies were covered in question 26 of the questionnaire. The means in table 6.51 indicate that the majority of estate agents are always available to clients during weekends (mean = 3,74) and evenings (mean = 3,68). Customer accessibility as a determinant of the location decision rated a mean of 3,28 and was thus ranked least important by the one-man agencies. These results are similar to those found for the larger agencies. The particular responses of the one-man agencies with regard to customer accessibility in location decisions are indicated in figure 6.23.

**TABLE 6.51**  
**THE PLACE DECISIONS OF ONE-MAN ESTATE AGENCIES**

Statements	Never	Not sure	Some-times	Al-ways	Mean	No response
	%	%	%	%		%
Estate agents are available to customers during weekends.	17,5	0	8,2	27,8	3,74	46,5
Estate agents are available to clients during evenings.	3,1	1,0	18,6	70,1	3,68	7,2
Customer accessibility was a key determinant of the location decision of the estate agency.	11,3	2,1	22,7	48,5	3,28	15,4

**FIGURE 6.23**  
**CUSTOMER ACCESSIBILITY AS A DETERMINANT**  
**OF THE LOCATION DECISION OF ONE-MAN AGENCIES**



It is clear from figure 6.23 that 48,5 percent of respondents always consider customer accessibility when making location decisions; 22,7 percent sometimes consider it; 11,3 percent never consider it; 2,1 percent are not sure and 15,4 percent did not respond at all. Thus a total of 71,2 percent "always" and "sometimes" (48,5% + 22,7%) consider customer assessability as an important factor during location decisions.

#### **Conclusion on product positioning and distribution**

The product positioning (chapter 4, section 4.4.3) and distribution/place decisions (chapter 4, section 4.5.4) of the one-man agencies were also investigated. The survey reveals that similar to the larger agencies, the majority of one-man respondents (88,7%) would like to portray an image of excellent customer service to the market. A large percentage (64,7%) would also like to portray an image of knowing the residential market. Cross-correlations reveal that 51,4 percent of respondents who indicated that they would like to portray an image of excellent customer service and who also indicated that they do not conduct marketing research, are of the opinion that they can offer excellent customer service without doing any marketing research. Cross-correlations, however, reveal that a large percentage of respondents who view consumer-orientation as very important and also



selected the image of offering excellent customer service, would like to portray an image of excellent customer service while also viewing consumer orientation as important.

Where distribution decisions are concerned the findings indicate that, similar to the larger agencies, the majority of one-man estate agents are always available to clients over weekends and during the evening, and that customer accessibility is also considered during the location decisions of the estate agency. The customer thus seems to be very important when distribution decisions are made by the one-man and larger estate agencies.

### 6.3.7 Marketing communication

The elements of marketing communication were dealt with in questions 27 to 37 of the questionnaire.

#### \* Advertising

Questions 27 and 28 dealt specifically with advertising. Table 6.52 shows the advertising media used by one-man estate agencies. It is clear from the means in the table that similar to the larger agencies, the media used most often are regional newspapers (mean = 3,62), "for sale" signs (mean = 3,44) and the listing form (mean = 2,87). The larger agencies ranked e-commerce/Internet fourth (mean = 3,31), while one-man agencies ranked outdoor advertising fourth (mean = 2,83) and placed e-commerce/Internet sixth (mean = 2,56). Similar to the larger agencies, film, television and radio were least popular among the one-man agencies, with means of 1,16; 1,10 and 1,07 respectively.

TABLE 6.52

## ADVERTISING MEDIA USED BY ONE-MAN ESTATE AGENCIES

Advertising media	Never %	Not sure %	Some- times %	Always %	Mean	No response %
Regional newspapers	3,1	0	26,8	63,9	3,62	6,2
"For sale" signs	4,1	1,0	32,0	46,4	3,44	16,5
The listing form	17,5	0	8,2	27,8	2,87	46,5
Outdoor advertising	15,5	2,1	27,8	21,6	2,83	33,0
Yellow pages	22,7	0	7,2	28,9	2,72	41,2
E-commerce/Internet	20,6	3,1	12,4	19,6	2,56	44,3
Direct mail	20,6	0	22,7	13,4	2,51	43,3
National newspapers	20,6	1,0	24,7	9,3	2,41	44,4
Magazines	33,0	1,0	12,4	3,1	1,71	50,5
Film	41,2	1,0	0	2,1	1,16	55,7
Television	41,2	0	0	0	1,10	56,8
Radio	42,3	1,0	1,0	0	1,07	55,7

Table 6.53 shows that similar to the larger agencies, one-man agencies select advertising media which will appeal to their market (mean = 3,69), create their own advertisements (mean = 3,62) and regularly revise the effectiveness of their advertisements (mean = 3,39). As in the case of the larger agencies, few one-man respondents employ an advertising agency (mean = 1,30).

TABLE 6.53

## ADVERTISING PRINCIPLES USED BY ONE-MAN ESTATE AGENTS

Statements	Never %	Not sure %	Some- times %	Always %	Mean	No response %
We select advertising media which will appeal to our market.	3,1	4,1	10,3	72,2	3,69	10,3
We create our own advertisements.	5,2	0	16,5	61,9	3,62	16,4
We regularly revise the effectiveness of our advertisements.	5,2	5,2	19,6	44,3	3,39	25,7
We keep strictly to the advertising budget.	12,4	1,0	25,8	30,9	3,07	29,9
We set specific advertising objectives.	15,5	6,2	16,5	33,0	2,94	28,8
We employ an advertising agency.	49,5	1,0	5,2	2,1	1,30	42,2

\* **Personal selling**

Personal selling is covered in questions 29 to 34 of the questionnaire. The results of question 29 are indicated in table 6.54. Similar to the larger agencies, all the statements in question 29, on the four-point scale, rated high means of more than 3, except for one statement. These statements dealt with important aspects of the steps in the personal selling process and the majority of agencies thus agree that these activities should be executed. Similar to the larger agencies, the statement which was the exception and which rated a lower mean of 2,76 was that the main aim of the agent is to sell the property.

**TABLE 6.54**  
**VIEWS ON THE PERSONAL SELLING PROCESS**  
**BY ONE-MAN ESTATE AGENCIES**

Statements	Not sure %	Totally disagree %	Agree %	Fully agree %	Mean	No response %
It is important for the agent to follow-up on enquiries from prospects.	0	1,0	9,3	88,7	3,89	1,0
Agents should be honest enough to point out deficiencies of which the client may not be aware.	0	0	11,3	87,6	3,89	1,1
The agent should inspect the seller's property.	1,0	0	9,3	87,6	3,87	2,1
Agents should be able to interpret client needs in order to give appropriate advice.	0	1,0	26,8	71,1	3,71	1,1
The agent should show the buyer properties according to his needs.	0	2,1	21,6	74,2	3,66	2,1
Agents should not pressure clients to make decisions quickly.	0	2,1	29,9	64,9	3,65	3,1
The agent should provide after-sales service to his clients.	0	2,1	22,7	73,2	3,65	2,0
The agent should engage in follow-up actions after the sale has been completed.	0	1,0	24,7	71,1	3,61	3,2
It is the agent's responsibility to "educate" the buyer about prevailing market conditions.	1,0	3,1	28,9	62,9	3,60	4,1
The agent should prepare for obtaining mandates (know the market, comparable properties).	3,1	2,1	24,7	64,9	3,60	5,2
The agent should give the seller feedback regarding the results of the marketing campaign.	1,0	1,0	26,8	67,0	3,52	4,2
The agent should prepare the seller for the marketing of his property.	3,1	1,0	34,0	59,8	3,46	2,1

Statements	Not sure %	Totally disagree %	Agree %	Fully agree %	Mean	No response %
It is the agent's responsibility to do a market valuation in order to suggest a market position for the property.	3,1	3,1	30,9	59,8	3,41	3,1
The agent should prospect for buyers.	1,0	0	32,0	60,8	3,40	6,2
The agent should assist the buyer to obtain finance.	3,1	1,0	34,0	57,7	3,38	4,2
It is the agent's responsibility to find sources of sales mandates.	6,2	5,2	39,2	41,2	3,26	8,2
The main aim of the agent is to sell the property.	5,2	30,9	30,9	20,6	2,76	12,4

Question 25, option 2 (we offer excellent customer service), was cross-correlated with question 29, option 16, which determined whether respondents fully agree that the agent should provide after-sales service to his clients. It was found that 73,8 percent of the respondents who selected both options would like to portray an image of offering excellent customer service and also fully agree that agents should provide after-sales service. Question 25, option 2, was also cross-correlated with question 29, option 17, which determined whether respondents fully agree that the agent should engage in follow-up actions after the sale has been completed. The findings indicate that 73,5 percent of the respondents who selected both options would like to portray an image of offering excellent customer service and also fully agree that the agent should engage in follow-up actions after the conclusion of the sale. It therefore seems as if the respondents who selected these options are aware of the importance of providing excellent customer service. Similar results were also found in the larger agencies.

Question 30 of the questionnaire required of respondents to list their leads for obtaining sales mandates. Since respondents were asked to list, in order of priority, the most important lead (1) to the least important lead (9), the most important lead thus has the lowest mean. Similar to the larger agencies, table 6.55 indicates that the leads used most, second most and third most by one-man respondents are satisfied clients, advertising and canvassing. Expired listings of other agents and the Internet/e-commerce were ranked by both one-man and the larger agencies as second last and last.

**TABLE 6.55**  
**LEADS FOR OBTAINING SALES MANDATES USED**  
**BY ONE-MAN ESTATE AGENCIES**

Leads	Mean	Priority
Satisfied clients	1,46	1
Advertising	3,03	2
Canvassing	3,65	3
Publicity	4,37	4
Office walk-ins	4,97	5
Community leaders	5,22	6
Farming	5,46	7
Expired listings of other agents	6,49	8
Internet/e-commerce	7,68	9

The aspects considered when drawing up a buyers' profile were examined in question 31. The means in table 6.56 reveal that similar to the larger agencies, financial means was viewed as the most important factor (mean = 3,92), the property requirements of the buyer as the second most important factor (mean = 3,71) and the buyers' buying motives as third most important (mean = 3,46). The reason why financial means was viewed as most important could be because agents need to determine the financial means of customers in order to decide on the price range which they should concentrate on. Similar to the larger agencies, the aspects rated second last and last were the socio-economic status of the buyer (mean = 2,76) and the buyers' ethnic or language group affiliation (mean = 2,26).

The financial means, which is viewed as the most important factor in question 31, was correlated with question 25, option 2 (we offer excellent customer service). It was found that 90,5 percent of the respondents who selected both options feel that financial means is very important when drawing up a buyers' profile, but would also like to portray an image of offering excellent customer service. These results are similar to those of the larger agencies, and it is understandable why customers' financial means is regarded as a guiding principle, but estate agents should guard against concentrating only on financial means if they wish to portray an image of excellent customer service.

TABLE 6.56

## IMPORTANT ASPECTS WHEN COMPILING A BUYERS' PROFILE

Statements	Totally unimportant %	Less important %	Important %	Very important %	Mean	No response %
Financial means required by the buyer to afford the house.	0	0	8,2	89,7	3,92	2,1
Property requirements of the buyer.	0	3,1	22,7	72,2	3,71	2,0
Buying motives of the buyer.	1,0	9,3	29,9	55,7	3,46	4,1
Size/composition of the family that could best be served by the house.	2,1	4,1	41,2	49,5	3,43	3,1
Proximity of work places, schools, shops, bus routes.	3,1	7,2	36,1	49,5	3,38	4,1
Socio-economic status of the buyer.	12,4	20,6	38,1	22,7	2,76	6,2
Ethnic or language group affiliation of the buyer.	23,7	33,0	20,6	13,4	2,26	9,3

Question 32 of the questionnaire required respondents to list their leads for obtaining buyers. Since respondents were asked to list, in order of priority, the most important lead (1) to the least important lead (10), the most important lead thus has the lowest mean. Table 6.57 shows that similar to the larger agencies, satisfied clients are seen by most respondents to be the most important lead for obtaining buyers. This is followed by personal contacts, advertisements and on-site "for sale" boards. Similar to the larger agencies, publicity and direct mail are the leads ranked lowest by one-man respondents.

TABLE 6.57

## LEADS FOR OBTAINING BUYERS USED BY ONE-MAN ESTATE AGENCIES

Leads	Mean	Priority
Satisfied clients	2,05	1
Personal contacts	3,31	2
Advertisements	3,54	3
On-site "for sale" boards	3,88	4
Word-of-mouth advertising	4,64	5
Show houses	5,03	6
Office walk-ins	5,73	7
E-commerce/Internet	6,73	8
Publicity	6,98	9
Direct mail	7,56	10

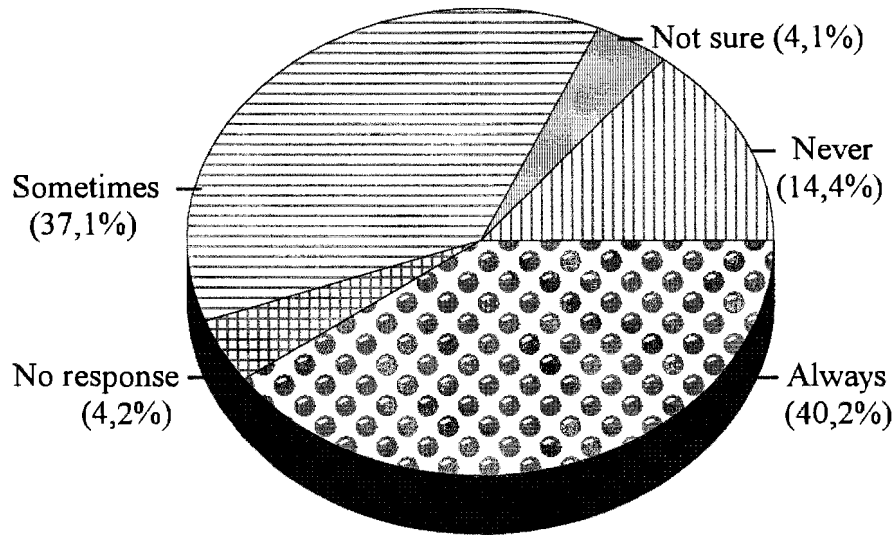
Table 6.58 indicates the after-sales services offered by estate agents. Similar to the larger agencies, the high means rated on the four-point scale in the table indicate that with the exception of one service, the majority of estate agencies provide the after-sales services listed. For example, the forwarding of a copy of the sales contract to conveyancing attorneys and the purchaser rated a high mean of 3,98, while informing the buyer or seller when the transfer occurs rated a mean of 3,93. The only statement which rated a mean of under 3 (mean = 2,28) was providing the seller with a small gift after completion of the transfer.

**TABLE 6.58**  
**AFTER-SALES SERVICES OFFERED BY ONE-MAN ESTATE AGENCIES**

After-sales services	Never %	Not sure %	Some- times %	Al- ways %	Mean	No res- ponse %
Forwarding a signed copy of the contract of sale to the conveyancing attorneys and purchaser.	0	0	2,1	96,9	3,98	1,0
Informing the buyer and seller when the transfer occurs.	0	0	7,2	91,8	3,93	1,0
Following-up with the conveyancing attorneys on the progress/problems experienced with the transfer in order to give feedback to the buyer and seller.	0	0	8,2	88,7	3,91	3,1
Informing the seller of progress made regarding bond applications/transfer of property.	1,0	0	8,2	88,7	3,88	2,1
Supplying the conveyancing attorneys with the name of the current bond holder and account number, as well as the name of the person or attorneys to contact in this regard.	2,1	0	14,4	77,3	3,78	6,2
Informing the conveyancing attorney when the loan application has been submitted.	3,1	1,0	12,4	79,4	3,75	4,1
Being available to act as an intermediary in any disputes which may arise between the buyer and seller.	2,1	2,1	15,5	75,3	3,73	5,0
Establishing the whereabouts of the title deed of the property in order to inform conveyancing attorneys.	10,3	0	23,7	57,7	3,40	8,3
Presenting the buyer with a small gift on the day of occupation.	13,4	3,1	33,0	44,3	3,15	6,2
Keeping contact with the buyer after occupation (birthdays).	14,4	4,1	37,1	40,2	3,08	4,2
Providing the seller with a small gift after completion of the transfer.	38,1	7,2	25,8	18,6	2,28	10,3

The particular responses with regard to contact with the buyer after occupation are highlighted in figure 6.24. This service, which refers to the building of long-term relationships, was emphasised in the theory, and rated a mean of 3,08. The figure shows that 37,1 percent of respondents sometimes keep contact with the buyer after occupation; 40,2 percent always keep contact; 14,4 percent never keep contact; 4,1 percent are not sure; and 4,2 percent failed to respond.

**FIGURE 6.24**  
**CONTACT AFTER OCCUPATION BY ONE-MAN ESTATE AGENCIES**



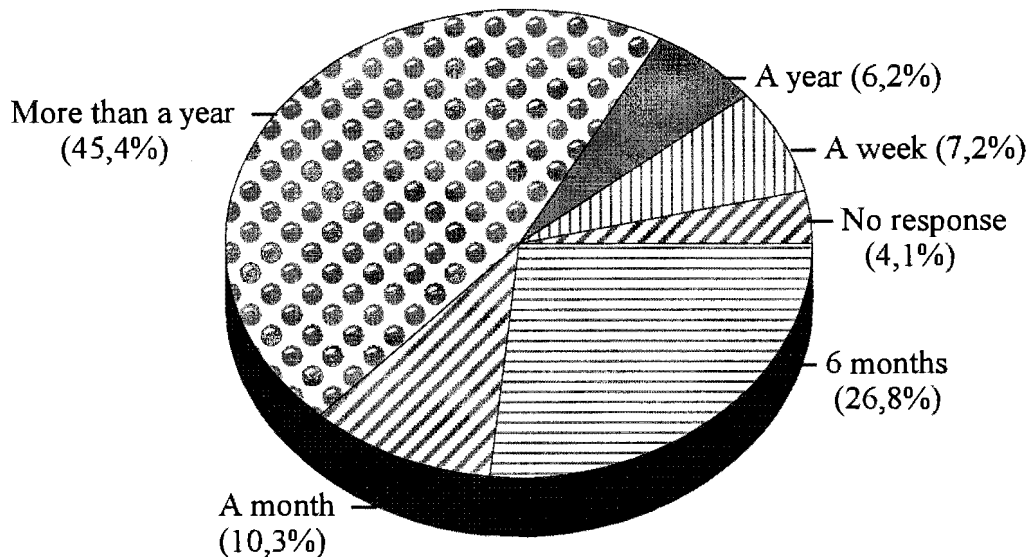
The after-sales services in question 33 were cross-correlated with question 25, option 2, which determined whether respondents want to portray an image of offering excellent customer service. It was found that between 64 percent and 97 percent of the respondents who selected the after-sales services and an image of excellent customer service always offer most of the after-sales services in question 33 as well as an image of excellent customer service. Only three of the after-sales services in question 33 did not have high correlations with offering an image of customer service, namely "presenting the buyer with a small gift on the day of occupation" (48,1%), "keeping contact with the buyer after occupation" (43,4%) and "providing the seller with a small gift after completion of the transfer" (21,8%). The building of long-term relationships is viewed as very important in relationship marketing, and it is thus worrying that only 43,4 percent of the respondents who selected both "keep contact with the



buyer after occupation" and want to portray an image of "offering excellent customer service", keep long-term contact with the buyer while also wishing to portray an image of offering excellent customer service.

Figure 6.25 reveals the length of time the agent keeps contact with clients. Of the respondents, 45,4 percent indicated that they keep contact with clients for more than a year, 6,2 percent for a year, 26,8 percent for 6 months, 10,3 percent for a month and 7,2 percent for a week, while 4,1 percent of respondents failed to respond.

**FIGURE 6.25**  
**LENGTH OF TIME ONE-MAN AGENCIES KEEP CONTACT WITH CLIENTS**



**\* Sales promotion**

Sales promotion as an element of marketing communication was dealt with in question 35 of the questionnaire. Table 6.59 shows the sales promotion methods which are viewed as very effective by the respondents. It is clear that the respondents view properties on show (55,7%), distributing brochures (43,3%) and incentive schemes for agents (38,1%) as more effective. Although these were also the methods viewed as more effective by the larger agencies, the percentages of one-man respondents who viewed these methods as very effective were much lower when compared to the larger agencies. The Levene's T-test for equality of means (equal variances assumed), at a 95 percent level of reliability, provides proof that these differences

are significant. The methods viewed as less effective by the one-man respondents are promotional gifts (29,9%), consumer competitions (11,3%) and cooperative actions (22,7%).

**TABLE 6.59**

**SALES PROMOTION METHODS USED BY ONE-MAN ESTATE AGENCIES**

Sales promotion methods	Less effective %	Very effective %	No response %
Incentive schemes for agents.	22,7	38,1	39,2
Promotional gifts (calenders, pens, keyrings) to prospective buyers.	43,3	29,9	26,8
Consumer competitions (e g win a car).	45,4	11,3	43,3
Cooperative actions by the estate agency and other businesses (such as an interior decorator).	38,1	22,7	39,2
Distributing brochures which show pictures of selected properties.	26,8	43,3	29,9
Having properties on show.	17,5	55,7	26,8

\* **Publicity**

The publicity methods viewed as effective by respondents were dealt with in question 36 of the questionnaire. Table 6.60 reveals that similar to the larger agencies, the majority of respondents (61,9%) viewed a newspaper or magazine article about the agency as most effective. A press release by the agency about a newsworthy event is viewed as second most effective by 41,2 percent of the respondents while 40,2 percent view sponsorships of a sporting or major event as very effective and only 33 percent view letters to newspaper or magazine editors as very effective.

TABLE 6.60

## EFFECTIVE PUBLICITY METHODS USED BY ONE-MAN AGENCIES

Publicity methods	Less effective %	Very effective %	No response %
News or press releases by the estate agency about a newsworthy event.	28,9	41,2	29,9
Sponsorships by the estate agency of a sporting or major event.	33,0	40,2	26,8
An article which appears in a newspaper or magazine about the estate agency.	16,5	61,9	21,6
Letters directed to the editors of newspapers/ magazines which draw attention to the estate agency.	35,1	33,0	31,9

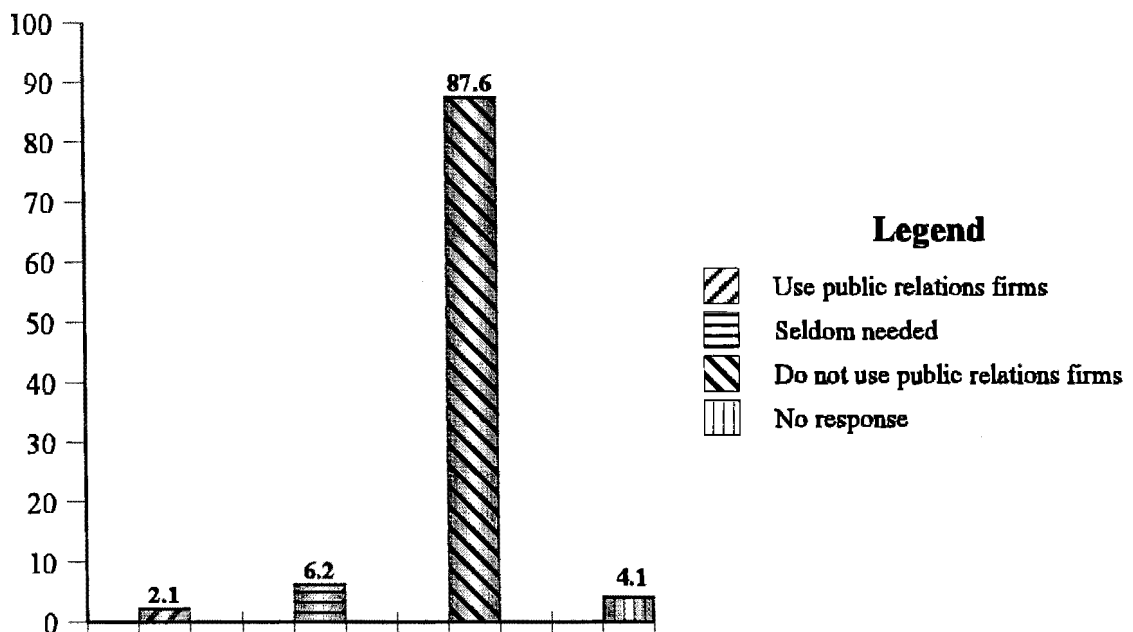
\* **Public relations**

In question 37 of the questionnaire respondents had to indicate whether they make use of public relations firms. Figure 6.26 shows that similar to the larger agencies, the majority of one-man agencies (87,6%) do not make use of public relations firms at all, while 6,2 percent felt that it is seldom needed. Only 2,1 percent of the respondents make use of public relations firms.

FIGURE 6.26

## THE USE OF PUBLIC RELATIONS FIRMS BY ONE-MAN ESTATE AGENCIES

Percentage



**Conclusion on marketing communication**

The promotion strategy of the estate agency firm was discussed in chapter 4, section 4.5.5. The survey covered each of the promotion elements, namely advertising, personal selling, sales promotion, publicity and public relations.

The survey reveals that, similar to the larger agencies, the advertising media which are used most by the one-man agencies are regional newspapers, "for sale" signs and the listing form. The results also show that the larger agencies seem to make more use of e-commerce or the Internet for advertising than do one-man agencies. E-commerce was ranked fourth by the larger agencies, and sixth by the one-man agencies, with a low percentage indicating use of this medium. Film and television are the most unpopular advertising media among both groups of respondents. Similar to the larger agencies, few one-man respondents make use of advertising agencies and the majority of one-man agencies also create their own advertisements, select media which will appeal to the target market and regularly revise the effectiveness of their advertisements.

With regard to personal selling (discussed in chapter 4, section 4.5.7), most of the respondents agree that all the activities in the personal selling process should be executed, for example, the agents should follow-up on enquiries from prospects, inspect the seller's property, provide after-sales services to clients and engage in follow-up actions after the sale has been completed. The majority of the one-man agencies also agree that all the activities in the personal selling process should be executed. Similar to the results of the larger agencies, cross-correlations indicate that a large percentage of the one-man agencies which had indicated that they would like to portray an image of offering excellent customer service and that they agree that the agent should engage in follow-up actions and provide after-sales services, would like to portray an image of excellent customer service and also agree that follow-up actions after the sale as well as after-sales services are important. It therefore appears as if these respondents are aware of the importance of providing excellent customer service through follow-up actions and after-sales services.

The after-sales services offered by the one-man respondents were also determined in the survey. The results reveal that similar to the larger agencies, the majority engage in most of these services, for example, forwarding a signed copy of the sales contract to the conveyancing attorneys and purchaser, following-up with the attorneys on progress or problems and keeping contact with the buyer after occupation. Cross-correlations indicate that the majority of respondents who indicated most of the after-sales services and also indicated an image of excellent customer service seem to be aware of the importance of providing good customer service. Unfortunately, only a small percentage (43,4%) of those respondents who indicated both an image of excellent customer service and that they keep contact with the buyer after occupation, actually keep contact with the buyer after occupation and feel that they can portray an image of excellent customer service. These results are very similar to those found in the larger agencies. In the above paragraph the findings indicate high correlations between offering excellent customer service and providing follow-up actions and after-sales services. The results just discussed are thus in contrast to these findings since low correlations were found between offering customer service and keeping contact with the buyer after occupation. Similar to the larger agencies, it therefore seems as if the one-man respondents agree that after-sales contact and services are necessary, but very few of those who realise the importance of excellent customer service actually keep contact with the buyer after occupation.

The leads for obtaining sales mandates and buyers were also researched. Similar to the larger agencies, the results reveal that satisfied clients and advertisements were ranked first and second by the one-man respondents as leads for obtaining sales mandates. Similar to the larger agencies, the one-man agencies also ranked satisfied clients first as leads for obtaining buyers. The results reveal that their second most important lead for obtaining buyers is personal contacts. This differs from the results of the larger agencies, where the second most important lead is advertisements. The important aspects considered by estate agents when drawing up a buyer's profile were also investigated in the survey, and the results were similar to those found in the larger agencies, namely financial means was rated the most important factor, the buyers' property requirements the second most important factor and the buyers' motives the third most important. Similar to the results for the

larger agencies, cross-correlations indicate that a large percentage of respondents who indicated that they would like to portray "an image of excellent customer service" and who also selected "financial means of the buyer", are of the opinion that the buyers' financial means is very important when drawing up a buyers' profile, but would also like to portray an image of excellent service. It is understandable that estate agents use financial means as the guiding principle when determining the price range of the properties shown to buyers, but they should guard against only concentrating on financial means if they wish to portray an image of excellent customer service.

The sales promotion methods (dealt with in chapter 4, section 4.5.8) used by the agencies were also investigated. The results indicate that similar to the larger agencies, the one-man agencies view properties on show, distributing brochures and incentive schemes for agents as the more effective sales promotion methods. The percentages of one-man respondents who view these methods as very effective were, however, much lower when compared to the larger agencies. The Levene's T-test for equality of means (equal variances assumed), at a 95 percent level of reliability, provides proof that these differences are significant. The publicity methods (discussed in chapter 4, section 4.5.9) viewed as most effective by the respondents are newspaper or magazine articles about the estate agency and news or press releases. Where public relations (dealt with in chapter 4, section 4.5.10) is concerned, the results show that similar to the larger agencies, the majority of one-man agencies (87,6%) do not make use of public relations firms at all.

### 6.3.8 Customer service and quality

In questions 38 and 39 of the questionnaire the customer service and quality of estate agents were tested. Since question 38 had many statements which dealt with more than one agent, only two of the statements apply to one-man agencies and could thus be tested. These statements and results are indicated in table 6.61, which shows that most of the respondents frequently look at other service industries to learn more about service quality (mean = 3,04). A low mean of 1,75 was found for the statement concerning the administration of a questionnaire about the customer's satisfaction with the estate agent after a transaction. This finding is surprising since the offering of the best service quality to buyers was ranked as very important by respondents in table 6.46, and a questionnaire is an effective method for

measuring customer service and satisfaction.

**TABLE 6.61**  
**ACTIVITIES TO DELIVER CUSTOMER SERVICE AND QUALITY**  
**USED BY ONE-MAN ESTATE AGENCIES**

Statements	Never	Seldom	Fre- quently	Always	Mean	No res- ponse
	%	%	%	%		%
We look at other service industries to learn more about service quality.	4,1	15,5	25,8	26,8	3,04	27,8
We administer a formal questionnaire immediately after a transaction about customers' satisfaction with estate agents.	37,1	16,5	6,2	7,2	1,75	33,0

In question 39 of the questionnaire the respondents had to list the attributes which a good estate agent should have in order to deliver customer service. Since respondents were asked to list, in order of priority, the most important attribute (1) to the least important attribute (6), the most important attribute thus has the lowest mean. Table 6.62 reveals that the results are similar to those for the larger agencies. One-man respondents also rank the top three attributes as "agents must have the necessary knowledge to convey trust", "agents must be accurate in dealing with clients", and "agents must be able to answer clients' questions about properties". Similar to the larger agencies, the attribute ranked last was that agents must be physically presentable.

**TABLE 6.62**  
**ATTRIBUTES OF A GOOD ESTATE AGENT IN THE ONE-MAN AGENCY**

Attributes	Mean	Priority
It is important that agents must have the necessary knowledge to convey trust.	2,20	1
It is important for agents to be accurate in dealing with clients.	2,47	2
It is important for agents to be able to answer client's questions about properties.	3,32	3
It is important to never keep clients waiting.	3,71	4
It is important for agents to be able to empathise with clients.	4,56	5
It is important for agents to be physically presentable.	4,63	6

### **Conclusion on customer service and quality**

Customer service is a key ingredient of the relationship-marketing concept and was discussed in detail in chapter 4, section 4.8.2. The survey determined whether estate agencies do, in fact, engage in activities to deliver customer service and quality. Unfortunately only two of the nine customer service activities in the questionnaire were applicable to one-man estate agencies, and these two statements were thus tested. The results indicate that the majority of respondents look at other service industries to learn more about service quality. The administration of a questionnaire about the customer's satisfaction with the estate agent after a transaction received a very low mean, which is surprising since offering of the best service quality to buyers was ranked as very important by respondents in a previous question and a questionnaire is an effective method for measuring customer service and satisfaction. This finding is similar to the finding for the larger agencies.

The results regarding the attributes of a good estate agent are similar to those found in the larger agencies. The one-man agencies are of the opinion that the most important attribute is for the agent to have the necessary knowledge to convey trust. The second and third most important attributes are that agents must be accurate in dealing with clients and that they must be able to answer clients' questions about properties. These attributes thus all relate to an agent's knowledge.

### **6.3.9 Employee continuity, corporate climate and internal marketing**

Employee continuity, the corporate climate and internal marketing in the estate agency were dealt with in questions 40 to 42. Since the statements in these questions all referred to more than one agent and do not apply to one-man respondents, they could not be analysed for this group.

### **6.3.10 Customer complaints and customer markets**

Customer complaints and customer markets were examined in questions 43 to 46 of the questionnaire. The policies of the respondents regarding customer complaints were dealt with in question 43. Three of the statements in this question could not be applied to one-man agencies and were thus ignored. It is evident from table 6.63 that 48,5 percent of the respondents investigate recurring complaints, while only 12,4 percent keep a complaints book



for future reference. Only 4,1 percent of the respondents have no policy regarding customer complaints, which indicates that 95,9 percent have a customer complaints policy.

TABLE 6.63

## CUSTOMER COMPLAINTS POLICIES OF THE ONE-MAN AGENCY

Policies	Percentage	
	Frequency %	No response %
We have no such policy.	4,1	95,9
A complaint book/list is kept for future reference.	12,4	87,6
Recurring complaints are thoroughly investigated.	48,5	51,5

In question 44 of the questionnaire respondents were required to indicate whether they keep a record of previous clients. Figure 6.27 clearly shows that similar to the larger respondents, the majority of one-man respondents (76,3%) keep a database of previous clients. Only 13,4 percent do not keep a database at all.

FIGURE 6.27

## RECORDS OF PREVIOUS CLIENTS IN THE ONE-MAN AGENCY

Percentage

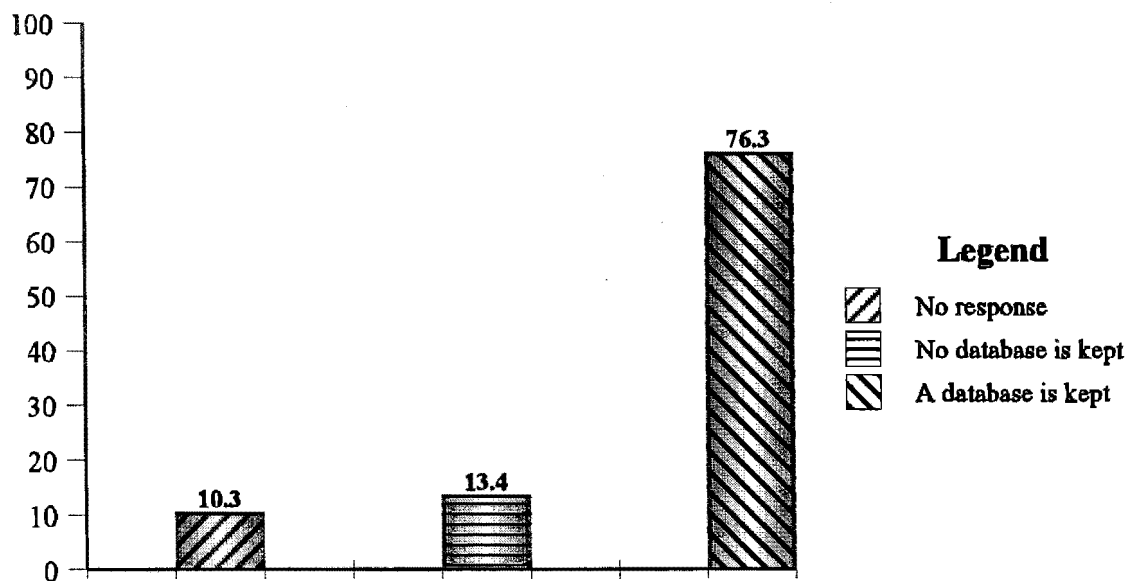
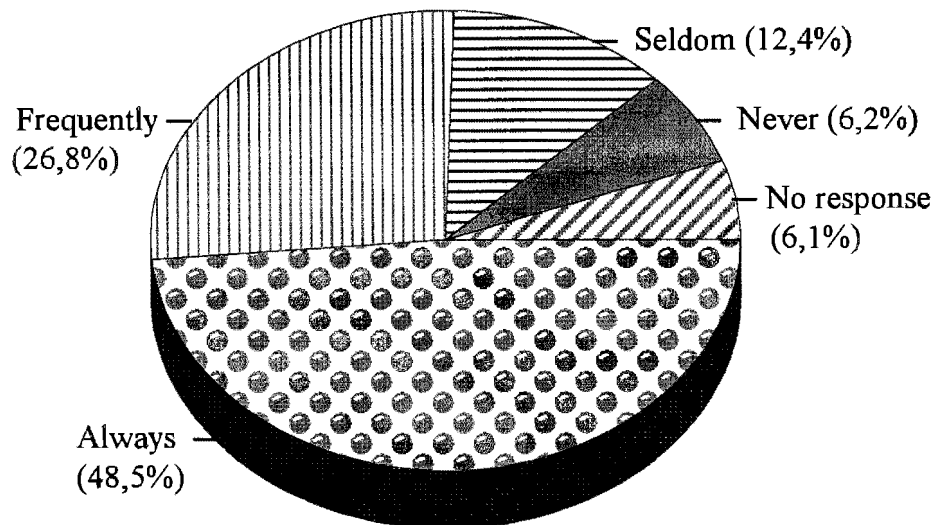


Figure 6.28 indicates whether loyal clients of the estate agencies are rewarded or treated in a special way. It is clear from the figure that the majority (26,8% + 48,5% = 75,3%) of respondents frequently and always reward or treat loyal clients specially. Only 18,6 percent (6,2% + 12,4%) of respondents never or seldom reward loyal clients.

**FIGURE 6.28**  
**REWARDING OF LOYAL CLIENTS BY ONE-MAN AGENCIES**



Question 46 of the questionnaire dealt with the interaction with prospective buyers. The results of one of the statements in the question had to be eliminated as it did not apply to one-man agencies. Table 6.64 shows that the majority of statements were viewed as important or very important by the respondents. "Keeping cool in dealing with difficult customers" rated a mean of 3,59, while "follow-up after a sale" rated a mean of 3,57. The statements which were ranked second last and last are "offering incentives to conclude a problematic sale" (mean = 2,56) and "concluding the sale at all costs" (mean = 2,29).

TABLE 6.64

## INTERACTION WITH PROSPECTIVE BUYERS IN THE ONE-MAN AGENCY

Degree of interaction	Totally unimportant %	Less important %	Important %	Very important %	Mean	No response %
Keep cool in dealing with difficult buyers.	8,2	1,0	13,4	74,2	3,59	3,2
Follow-up after a sale.	6,2	2,1	18,6	69,1	3,57	4,0
Not make promises which cannot be kept.	11,3	2,1	8,2	76,3	3,53	2,1
Keep regular contact with the buyer.	3,1	6,2	27,8	59,8	3,49	3,1
Actively search for suitable properties.	5,2	5,2	21,6	59,8	3,48	8,2
Sketch a realistic picture for the buyer.	7,2	5,2	20,6	60,8	3,44	6,2
Notify the buyer of new properties available.	4,1	7,2	34,0	50,5	3,37	4,2
Overcome the buyer's objections.	5,2	11,3	34,0	42,3	3,22	7,2
Offer incentives to conclude a problematic sale.	16,5	25,8	26,8	19,6	2,56	11,3
Conclude the sale at all costs.	10,3	53,6	13,4	11,3	2,29	11,4

**Conclusion on customer complaints and customer markets**

Chapter 4, section 4.8.3.5, of the study dealt with customer complaints. The customer complaints policies of one-man agencies were firstly investigated. Unfortunately only three of the six statements in the question on complaints policies applied to one-man agencies and could thus be tested. Only 4,1 percent of the respondents indicated that they have no complaints policy. The results also reveal that 48,5 percent of the respondents investigate recurring complaints thoroughly. Similar to the larger agencies, a low percentage (12,4%) indicated that they keep a complaints book for future reference. Similar to the larger agencies, the majority of one-man agencies (76,3%) also indicated that they keep records of previous clients. This is a positive finding since relationship marketing emphasises the "keeping" of customers.

Relationships with customer markets was dealt with in chapter 4, section 4.9.1. Similar to the larger agencies, the survey findings indicate that the majority of one-man agencies frequently and always reward or treat loyal clients in a special way. Interaction with prospective buyers was also investigated in the study. Similar to the larger agencies, the majority of one-man respondents view most of the activities as very important, for instance, not making promises which cannot be kept, follow-up after a sale and keeping cool in dealing with difficult buyers. Concluding a sale at all costs was ranked last, which shows that respondents seem to consider buyers' needs as important. This result was also found in the larger agencies.

### 6.3.11 Referral, recruitment and influencer markets

Close cooperation between the estate agency and referral, recruitment and influencer markets was tested in question 47 of the questionnaire. The means in table 6.65 reveal that similar to the larger agencies, attorneys or conveyancers were viewed as the most important and rated a mean of 3,49. Where the larger agencies rated town planners or property developers as second most important (mean = 3,05), the one-man agencies rated municipal officials as second most important (mean = 3,05). The one-man agencies rated local builders as third most important (mean = 3,03) while the larger agencies rated municipal officials as the third most important market. The markets ranked lowest by the one-man agencies are the government (mean = 2,47) and recruitment markets (mean = 2,19), which were also ranked lowest by the larger agencies.

TABLE 6.65

#### COOPERATION WITH MARKETS IN THE ONE-MAN AGENCY

Degree of cooperation	Totally unimportant %	Less important %	Important %	Very important %	Mean	No response %
Attorneys/conveyancers	9,3	1,0	18,6	67,0	3,49	4,1
Municipal officials	7,2	17,5	35,1	37,1	3,05	3,1
Local builders	4,1	22,7	34,0	34,0	3,03	5,2
Town planners/property developers	9,3	18,6	26,8	37,1	3,00	8,2
The media	2,1	33,0	27,8	27,8	2,90	9,3
Government	10,3	43,3	16,5	17,5	2,47	12,4
Recruitment markets	11,3	47,4	14,4	6,2	2,19	20,7

### **Conclusion on referral, recruitment and influencer markets**

The relationships of one-man respondents with other groups or markets were discussed in chapter 4, section 4.9. The survey reveals that similar to the larger agencies, attorneys or conveyancers are viewed by one-man agencies as the most important market. Municipal officials, local builders and town planners are viewed by the one-man respondents as the second, third and fourth most important markets. This differs slightly from the larger agencies which view town planners, municipal officials and the media as the second, third and fourth most important groups. The markets ranked lowest and least important by both groups of respondents are the government and recruitment markets, which is worrying, since all the markets should be viewed as important by the respondents.

### **6.3.12 Strategic approaches**

The strategic approaches of the estate agencies were dealt with in the last section of the questionnaire. In question 48 respondents were required to list the strategic approaches which apply to their agencies. Since respondents were asked to list, in order of priority, the most important approach (1) to the least important approach (4), the most important approach thus has the lowest mean. Table 6.66 shows that, similar to the larger agencies, one-man respondents also ranked a differentiation strategy as the most popular approach. Results, however, differ regarding the second and third most popular approaches. The larger agencies chose the pre-emptive move (use of innovative techniques) as the second most popular approach, but one-man agencies selected a low-cost strategy as the second most popular approach. The third most popular approach amongst the larger respondents was a low-cost strategy, while one-man agencies chose the pre-emptive move. Both groups of respondents ranked the focus strategy last.

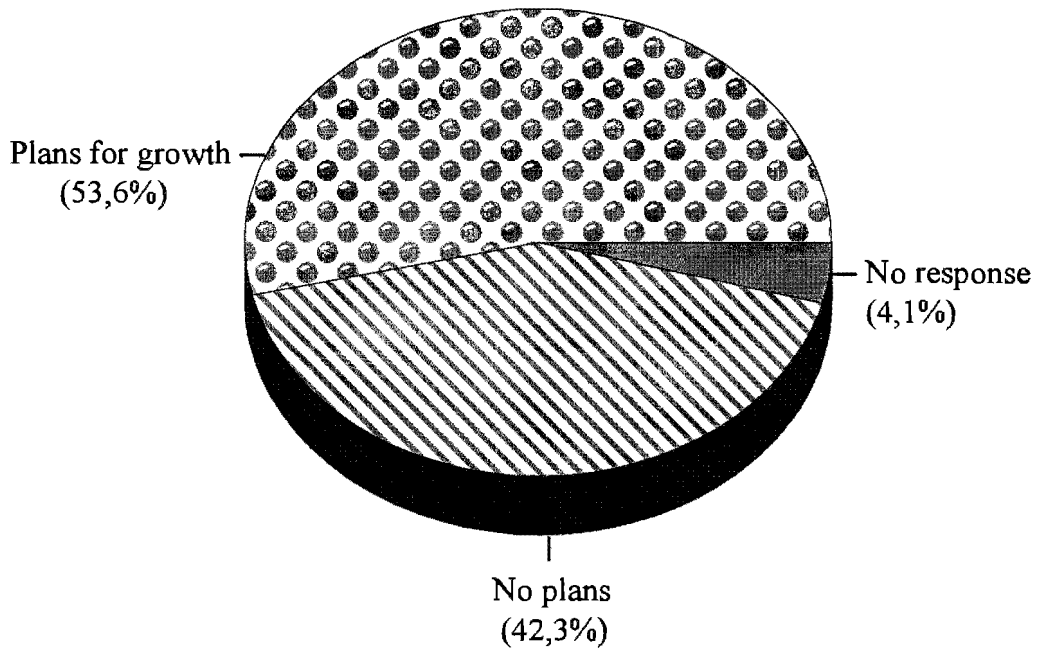
**TABLE 6.66**

### **STRATEGIC APPROACHES OF ONE-MAN ESTATE AGENCIES**

<b>Approaches</b>	<b>Mean</b>	<b>Priority</b>
We distinguish our agency from competition.	1,94	1
We try to keep costs down.	2,41	2
We use innovative techniques.	2,72	3
We focus on specific lucrative markets.	2,82	4

Question 49 of the questionnaire required respondents to indicate whether they have plans for future growth. Figure 6.29 reveals that 53,6 percent of the respondents have plans for future growth, while 42,3 percent do not have any future growth plans at all.

**FIGURE 6.29**  
**PLANS FOR FUTURE GROWTH IN THE ONE-MAN AGENCY**



Question 50 of the questionnaire dealt with the respondents' particular plans for future growth. Table 6.67 reveals that 10,3 percent of respondents have plans of opening new branches in other areas, while 38,1 percent plan to add other services to their current services packages.

**TABLE 6.67**  
**TYPE OF PLANS FOR FUTURE GROWTH IN THE ONE-MAN AGENCY**

Growth plans	Percentage	
	Yes	No response
Opening new branches in other areas.	10,3	89,7
Adding other services to our current service package.	38,1	61,9
Other (specify)	17,5	82,5

(Multiple answers were obtained from respondents.)

### **Conclusion on strategic approaches**

The strategic options available to estate agencies were dealt with in chapter 4, section 4.6. Similar to the larger agencies, the majority of one-man agencies mostly use a differentiation strategy in order to distinguish themselves from the competition. The results of the two groups, however, differ slightly with regard to the second and third most popular approaches. The larger agencies selected the pre-emptive move and the low-cost strategy as the second and third most popular approaches while the one-man respondents chose the low-cost strategy and the pre-emptive move as the second and third most popular approaches. The focus strategy was ranked last by both groups of respondents. It therefore seems as if low-cost is more important to the one-man agencies than to the larger respondents.

Where a large percentage (78,2%) of the larger agencies indicated that they have plans for future growth, only 53,6 percent of the one-man respondents indicated future growth plans. Only 38,1 percent indicated the adding of other services to their current services package as a growth plan, while 10,3 percent selected the opening of new branches in other areas. The one-man agencies therefore do not seem to be overly interested in further growth.

## **6.4 CONCLUSION**

The results of Part I of the questionnaire reveal that most of the larger agencies are close corporations while sole proprietorships form the second largest group. The majority of larger agencies employ between one to ten agents and a large percentage also employ between one to five support personnel. The majority of larger agencies have one to two directors.

The type of networks most popular among the larger agencies are firstly intercity referral networks, followed by multi listings. Nearly 40 percent of the larger agencies do not make use of networks at all, which is worrying, since networks can assist in improving customer service. Cross-correlations indicate that those agencies which do not have networks also conduct less marketing research than those which have networks. It therefore seems as if agencies which have no networks are much less focused on providing and improving customer service. Where the one-man agencies are concerned, these respondents seem to have misinterpreted the questions regarding networks, and the results could therefore not be analysed.

The target market which is most popular among both the one-man and larger agencies is middle-class families. The second most popular market of the larger agencies is upper-class suburbs, while the one-man agencies concentrate on consumers who want value for money as the second most popular market. Both groups indicated first-time buyers as the third most popular market.

Part II of the questionnaire starts with a section on **mission statements and objectives**. The survey reveals that although a large percentage of one-man and larger agencies indicated that they have mission statements, very few (7) of the larger agencies and none of the one-man agencies have mission statements which cover the requirements for mission statements as discussed in the theory. Both groups seem to regard a mission statement as a slogan or objective. Most of the larger agencies who have "mission statements" communicate these statements to their agents by means of training sessions and through advertising and promotions. What is, however, communicated to the agents does not reflect the nature of the enterprise's activities or *raison d'être* in the light of long-range opportunity, and consequently this could lead to confusion among agents.

Both groups of respondents indicated that they mostly set their marketing objectives in terms of sales or profit, while the second most popular variable in terms of which these objectives are set, is customers. Where the larger agencies are concerned, cross-correlations indicate that these respondents seem to do adequate research with regard to setting their marketing objectives. The methods used most often by the larger agencies to communicate marketing objectives to estate agents are firstly, discussions and meetings, and secondly, training or motivational sessions. The variables which the larger agencies mostly use to set marketing objectives per agent are firstly, sales turnover, and secondly, listing volume. The results in terms of the marketing objectives are therefore positive and the agencies seem to be aware of the importance of setting overall marketing objectives, marketing objectives per agent and also of the importance of communicating these objectives to the agents.

The **human resources** of estate agencies were also investigated in the questionnaire. None of the aspects in this section are relevant to one-man agencies and the analysis of results for the



questions in this section were thus ignored in respect of one-man agencies. The results regarding the larger agencies indicate that when hiring new employees, these agencies always or frequently consider both the agents' and support personnels' ability to work with clients. The most important criteria used by these agencies to appoint new agents are honesty or integrity, interpersonal skills, personality and service orientation. Since a service orientation is one of the main ingredients of relationship marketing, the fact that this criterion is considered when appointing new agents is a positive finding. A worrying finding was, however, that estate agencies are not overly concerned about qualifications or experience in the real estate field when appointing new agents. Completion of the Board examinations, education and previous training and experience were viewed as least important when appointing new agents. These are all aspects which could influence the way the agents interact with clients as well as the services which they provide to customers.

Other findings indicate that referrals, current employees' recommendations and advertisements are the most frequently used recruitment sources, while the employment interview and background investigation are viewed as the most popular selection instruments. The findings also reveal that the majority of agencies make use of induction programmes.

Where training is concerned, the survey reveals that the majority of respondents train estate agents themselves, while a low percentage of estate agencies sponsor further study programmes for their agents. An encouraging finding is that respondents frequently and always also provide in-service training to estate agents. Other positive findings are that respondents view the determination of training needs, the setting of training programme objectives, and the evaluation of the training programme and trainee's success as important. The survey reveals that when training, the majority of estate agencies always concentrate on topics such as professionalism, code of conduct of the Estate Agency Affairs Board, qualifying the buyer or seller, after-sales contact with the buyer or seller and building of long-term relationships with clients. Since long-term relationships and after-sales contact are key components of relationship marketing, these are encouraging findings. Cross-correlations indicate that a large number of respondents who differentiate by means of offering the best service quality and who also indicated that they train their agents in these two areas, actually do offer good service while also

training their agents in these areas which determine good customer service. Cross-correlations also show that respondents research the topics which are covered in their training programmes.

The consumer behaviour factors which are included in respondents' training programmes were tested in the survey. The survey reveals that the two factors covered most in training sessions are the buyers' income or financial status and the buyers' reasons for buying the property. Unfortunately all the other consumer behaviour factors mentioned in the questionnaire namely socio-demographic factors, learning and perceptual ability, pressure from social groups, the buyer's life style and the family's influence, are not discussed in great detail at training sessions. These are factors which agents should be made aware of in order to deliver good customer service. Cross-correlations also indicate that a large percentage of respondents who indicated that they are consumer-oriented and that they discuss the buyers' income or financial status in detail during training, do discuss income or financial status in detail while they are also of the opinion that they are consumer-oriented. It thus seems as if they are focusing more on the buyer's financial position than on his needs and consumer-behaviour influences. In order to be consumer-oriented estate agencies should concentrate on all the consumer-behaviour influencers and not only on financial means.

Other findings indicate that straight commission as a remuneration method is used the most by the estate agencies. The motivational methods ranked first, second and third by respondents are sales meetings to inform agents about important aspects, financial compensation and specific objectives for each agent.

The survey results regarding **marketing research** reveal that larger agencies seem to be more aware of the importance of marketing research than one-man agencies. Only 36,1 percent of one-man agencies conduct marketing research, compared to the 61,5 percent of the larger agencies. Although the larger agencies do more marketing research, the percentages of respondents for both groups who are of the opinion that marketing research is not required are too high for agencies that indicate that they are service-oriented and thus aware of the needs of customers. The results also indicate that 53,3 percent of the larger respondents and 38,1 percent of the one-man agencies conduct competitor analyses. The percentages for both these

groups who conduct competitor analyses are surprisingly low, since competitors are an important component of the marketing environment which need to be analysed in order to develop a competitive advantage. The findings reveal that respondents from both groups who conduct competitor analyses consider the competitors' image, quality of the competitors' agents and frequency of competitive advertising as the most important factors to be researched.

The results also indicate that the differentiation methods used most by both groups are total commitment to clients, best service quality, superior market knowledge and involvement in community affairs. Cross-correlations indicate that about 30 percent of the larger agencies and 43 percent of the one-man agencies who indicated that they do not conduct marketing research and offer the best service quality in addition to having superior market knowledge, therefore do not conduct marketing research into these areas of differentiation. If these respondents do not conduct marketing research it is almost impossible to offer the best service quality and to have superior market knowledge.

Other findings indicate that the majority of large and one-man agencies are computerised, but where a large percentage of the larger respondents have Internet services, only 34 percent of one-man agencies make use of these services. Most of the areas of the macro-environment are researched by both groups of respondents. Cross-correlations indicate that the larger agencies research these areas, while the one-man agencies do not always research these areas. The larger agencies ranked legislation first, the economy second and the physical environment third, while the one-man agencies ranked the economy first, the physical environment second and legislation third. Both groups of respondents indicated that they only sometimes investigate social trends influencing buyer decision-making, which is surprising, since many respondents previously indicated that they are service-oriented but now indicate that they only sometimes research this area which has a great influence on consumer decision-making and consumer preferences.

One of the secondary objectives of the study was to investigate to what extent agencies use the principles of the **marketing concept**. The survey reveals that both groups of respondents view the four principles as important and very important. The systems-orientation was ranked first,

a consumer-orientation second, and a long-term approach to profitability third. A social responsibility orientation was ranked fifth, while a short-term concern regarding profitability (not a marketing concept principle) was ranked fourth by the respondents.

The **product positioning and distribution decisions** of the respondents were also investigated. The results of the study reveal that the majority of both groups of respondents would like to portray an image of excellent customer service and an image of knowing the residential market. Cross-correlations indicate that 33,1 percent of the larger agencies and 51,4 percent of the one-man respondents who indicated that they would like to portray an image of excellent customer service and who also indicated that they do not conduct marketing research are thus of the opinion that they can offer excellent customer service without doing any marketing research. Cross-correlation, however, also reveals that a large percentage of respondents who view consumer-orientation as very important and have indicated an image of offering excellent customer service, would like to portray an image of excellent customer service while, at the same time, regard consumer-orientation as important.

Findings relating to the distribution decisions indicate that the majority of both groups of respondents are always available to clients over weekends and during the evening, and that customer accessibility is also considered during the location decisions of both groups. Both groups thus seem to view the customer as very important when distribution decisions are taken.

The **marketing communication decisions** of respondents were also investigated in the study. The survey reveals that the **advertising** media which are used mostly by both groups of respondents are regional newspapers, "for sale" signs and the listing form. The larger agencies seem to make more use of e-commerce/Internet for advertising than do one-man agencies. Film and television are the most unpopular advertising media among both groups of respondents. The findings indicate that few respondents from both groups make use of advertising agencies, while the majority create their own advertisements, select media which will appeal to the target market and regularly revise the effectiveness of their advertisements.

The results with regard to **personal selling** indicate that both groups of respondents agree that

all the activities in the personal selling process should be executed, for example, the agent should follow-up on enquiries from prospects, inspect the seller's property, provide after-sales services and engage in follow-up actions after completion of the sale. Cross-correlations also show that a large percentage of respondents from both groups who indicated an image of excellent customer service and indicated that they agree that the agent should engage in follow-up actions and after sales services, would like to portray an image of offering excellent customer service while also agreeing that follow-up actions after the sale and after-sales services are important. These respondents thus seem to be aware of the importance of providing excellent customer service through follow-up actions and after-sales services.

Where after-sales services are concerned, the survey reveals that the majority of both groups of respondents engage in most of these services, for example forwarding a signed copy of the sales contract to the attorneys and purchaser, following-up with the attorneys on progress or problems, and keeping contact with the buyer after occupation. Cross-correlations reveal that the majority of respondents who indicated most of the after-sales services and also indicated an image of excellent customer service seem to be aware of the importance of providing good customer service through after-sales services. Unfortunately, only a small percentage of those respondents who indicated both an image of excellent customer service and that they keep contact with the buyer after occupation, keep contact with the buyer after occupation and feel that they can portray an image of excellent customer service. Previously, it was indicated that high correlations were found between offering excellent customer service and providing follow-up actions and after-sales services. The above results are thus in contrast to these findings, since low correlations were now found between offering customer service and keeping contact with the buyer after occupation. It therefore seems as if the respondents agree that after-sales contact and services are necessary, but very few of those who realise the importance of excellent customer service actually keep contact with the buyer after occupation.

The survey also investigated the leads for obtaining sales mandates and buyers. Both groups of respondents ranked satisfied clients and advertisements first and second as leads for obtaining sale mandates. Both groups also ranked satisfied clients first as leads for obtaining buyers. One-man agencies consider personal contacts as the second most important lead for

obtaining buyers, while the larger agencies ranked advertisements second as a lead for obtaining buyers. The study also investigated the important aspects when drawing up a buyer's profile, and the results indicate that both groups ranked financial means as the most important factors while the buyer's property requirements was rated second, and the buyer's motives third. Cross-correlations indicate that a large percentage of respondents who indicated that they would like to portray an image of excellent customer service and who also selected financial means of the buyer are of the opinion that the buyers' financial means is very important when drawing up a buyers' profile, but would, at the same time, also like to portray an image of excellent customer service. Estate agents often use the buyers' financial means as a guiding principle in order to determine the price range of the properties to show to buyers, but they should guard against concentrating only on financial means if they wish to portray an image of excellent customer service.

The results with regard to **sales promotion** methods indicate that the methods viewed as most effective by both groups of respondents are properties on show, distributing brochures and incentive schemes for agents. The percentages of one-man respondents who view these methods as very effective were, however, much lower when compared to the larger agencies. The **publicity** methods viewed as most effective by the respondents are news or press releases and newspaper or magazine articles. With regard to **public relations**, the majority of respondents from both groups do not make use of public relations firms at all.

**Customer service** as a key component of the relationship-marketing concept was also investigated. The survey determined whether estate agencies engage in activities to deliver customer service. The results indicate that the majority of larger agencies do engage in these activities, for example, they always discuss customer complaints with estate agents, their agents always work together to deliver quality service, their agents always help in setting quality standards and their agents are always informed of marketing plans. Formalised feedback systems for agents to share their experiences with management and administration of a formal questionnaire after a transaction to test customer satisfaction were the two activities ranked the lowest, which is surprising since respondents previously ranked the offering of service quality to buyers as very important and these two activities are very

important in establishing customer needs and satisfaction and thus to deliver service quality to buyers. Where one-man agencies are concerned, only two of the nine customer-service activities listed in the question were applicable. The results indicate that the majority of one-man agencies look at other service industries to learn more about service quality. Similar to the results of the larger agencies, the administration of a questionnaire after a transaction received a very low mean.

Cross-correlations reveal that a large percentage of the larger respondents who indicated an image of excellent customer service and also indicated that they discuss customer complaints with agents and that their agents work together to deliver quality service, thus actually do engage in these activities and would like to portray an image of excellent customer service. Unfortunately, less than 60 percent of the respondents indicated that they engage in the other customer service activities while also wishing to offer an image of excellent customer service. This is a negative finding, since no estate agency can portray an image of excellent customer service if it does not engage in all the crucial customer service activities.

The results regarding the attributes of a good estate agent indicate that both groups of respondents are of the opinion that the most important attribute is for the agent to have the necessary knowledge to convey trust. The second and third most important attributes are that agents must be accurate in dealing with clients and that they must be able to answer clients' questions about properties. These attributes thus all relate to an agent's knowledge, which is surprising, since respondents previously ranked completion of the Board examinations, education, previous training and previous experience as the least important criteria when appointing new estate agents.

**Employee continuity, the corporate climate and internal marketing** in estate agencies were also investigated in the survey. Unfortunately, all the questions referred to larger agencies and thus did not apply to one-man agencies. One of the objectives of the study was to determine to what extent internal marketing programmes exist within estate agencies, and the results reveal that the majority of larger agencies apply internal marketing activities such as, inter alia, evaluating advertising campaigns by consulting employees, discussing marketing plans with

their employees, and training employees to deal with customers. The results also reveal that the majority of respondents strive to create a positive corporate culture in their agencies. They, for instance, agree that all agents are always free to communicate their views to management and that everyone in the agency realises that the needs of clients are their priority. Cross-correlations also reveal that a large percentage of respondents who indicated that they agree that the needs of clients are their priority and who would like to portray an image of offering excellent customer service, agree that clients' needs are their priority while, at the same time, they would also like to portray an image of customer service. These respondents thus seem to be aware of the importance of satisfying client needs.

In addition, the survey reveals that the majority of larger agencies try to promote employee continuity in their agencies. Respondents, for instance, indicated that they do their best to retain good agents and that they encourage feedback from estate agents. The results regarding encouraging feedback from agents are, however, contradictory to a previous finding, where few respondents indicated that they have formalised feedback systems for agents to share their experiences with management.

The survey investigated the estate agency's policies regarding **customer complaints** and **customer markets**. The results reveal that the majority of larger agencies refer complaints to management, discuss complaints at meetings and investigate recurring complaints. Unfortunately, not all of the customer complaint activities in the question were applicable to one-man agencies, and only a few could be investigated. Only 4,1 percent of the one-man agencies indicated that they have no complaints policy. The results also reveal that only 48,5 percent of the respondents investigate recurring complaints thoroughly. A very low percentage of both groups of respondents indicated that they keep a complaints book for future reference. The majority of both groups of respondents also keep records of previous clients, which is a positive finding since relationship marketing focuses on keeping existing customers and building long-term relationships with them.

Where customer markets are concerned, the majority of both groups of respondents frequently and always reward or treat loyal clients in a special way. Where interaction with buyers is



concerned, the majority of both groups of respondents view most of the activities as very important, for instance, not making promises which cannot be kept, following up after a sale and keeping cool in dealing with difficult buyers. Concluding a sale at all costs was ranked last by both groups, which shows that respondents do consider the buyers' needs as important.

The relationships of estate agencies with **referral, recruitment and influencer markets** were investigated. The survey reveals that both groups of respondents view attorneys or conveyancers as the most important market. Municipal officials, local builders and town planners are viewed by one-man respondents as the second, third and fourth most important markets. This differs slightly from the larger agencies which view town planners, municipal officials and the media as the second, third and fourth most important markets. The markets which both groups of respondents ranked the lowest, and thus of lesser importance, are the government and recruitment markets, which is disconcerting, since all the markets should be viewed as important by the respondents.

The last section in the survey dealt with the **strategic approaches** of the respondents. The results reveal that the majority of both groups of respondents mostly use a differentiation strategy in order to distinguish themselves from competition. The second and third most popular approaches used by the larger agencies are the pre-emptive move and a low-cost strategy. The one-man agencies view a low-cost strategy as the second most important approach, while the pre-emptive move is viewed as the third most important. Low cost is thus regarded as more important to the one-man agencies. Both groups of respondents ranked the focus strategy last as a strategic approach.

Where a large percentage of larger agencies indicated that they have plans for future growth, only 53,6 percent of the one-man agencies indicated future growth plans. A large percentage of larger agencies also indicated the adding of other services to their current services package as a future growth plan, while only 38,1 percent of one-man agencies selected this option. The one-man agencies therefore do not seem to be overly interested in future growth.

In the last chapter conclusions and recommendations will be made.

**CHAPTER 7**  
**CONCLUSIONS AND RECOMMENDATIONS**

## 7.1 INTRODUCTION

The focus of this study was to determine whether estate agencies in the real estate industry in South Africa apply the principles of relationship marketing. The impetus for the study arose from a preliminary scanning of the literature which revealed that an increasing number of estate agencies are entering the market and many are struggling to survive as competition grows stronger. As these businesses try to survive and compete with each other, customer service has become an increasingly important factor in order to establish a differential advantage that will ensure long-term survival. The literature review revealed that in order to survive, businesses should maintain long-term relationships not only with individual customers, but also with role players in an extended market. The underlying rationale of relationship marketing is that the fostering of long-term product, service or company loyalty rather than immediate sales leads to an increase (or maintenance) of sales.

A need for this study was identified when the literature review revealed that very little research has been done in the past on estate agencies and particularly on their use of relationship marketing in order to survive in the long term. The secondary objectives which were set in order to contribute towards achieving the primary objective, were:

- \* to investigate to what extent estate agencies use the principles of the marketing concept;
- \* to determine the services which estate agencies offer to customers;
- \* to determine to what extent customer service is regarded as important in the estate agency industry;
- \* to determine to what extent internal marketing exists within estate agencies, and
- \* to contribute to the body of knowledge regarding relationship marketing in South Africa and to identify areas for future research.

As indicated in chapter 5, a limitation of the research was that it was difficult to meet the requirement of reliability since the real estate industry is continuously changing. If the same questionnaire were to be administered at another time, it could thus yield different results.

The main findings of the empirical research relating to relationship marketing in the real estate

industry are presented in chapter 6, representing the last step of the marketing research process. On the basis of the findings of the investigation (as presented in chapter 6), conclusions will be drawn and recommendations will be made. The following sections have the same structure as that of the analysis of the research results in chapter 6.

## **7.2 CONCLUSIONS AND RECOMMENDATIONS BASED ON THE RESEARCH RESULTS**

### **7.2.1 Demographic details**

The investigation reveals that the majority of larger agencies are close corporations, while the sole proprietorships constitute the second most popular form. Most of the larger agencies employ between one to ten agents and between one to five support personnel. The majority also have one to two directors.

The findings reveal that the most popular target market for both one-man and larger agencies is middle-class families. The larger agencies regard the upper-class suburbs as the second most popular market while one-man agencies concentrate on consumers who want value for money as their second most popular market. The third most popular target market for both groups is first-time buyers.

In the investigation of the type of networks used by the agencies, the one-man agencies seem to have misinterpreted the question and these results could therefore not be analysed. The types of networks most popular among the larger agencies are firstly intercity referral networks, followed by multi listings. Nearly 40 percent of the larger agencies do not make use of networks at all. This is a surprising finding, since networks can assist in improving customer service. Cross-correlations also reveal that the agencies which do not have networks, also conduct less marketing research than those which have networks. It can thus be concluded that agencies that have no networks are much less focused on providing customer service.

- \* It is recommended that estate agencies be educated on the different networks which are available, as well as on the role of networks in improving customer service. Agencies

which have no networks should also be informed of the value of marketing research in providing customer service. This could ultimately result in improved customer service and the building of long-term relationships with customers.

### **7.2.2 Mission and objectives**

Although a large percentage of both one-man and larger agencies indicated that they have mission statements, none of the one-man agencies and only seven of the larger agencies have mission statements which meet some of the requirements for mission statements as indicated in chapter 2, section 2.5. The agencies seem to regard a mission statement as a slogan or objective. It can thus be concluded that the majority of respondents do not know what a mission statement is.

Most of the larger agencies that are of the opinion that they have mission statements, communicate these statements to their agents through training sessions, advertising and promotions. What is disconcerting, is that these agencies are not communicating the actual nature of the enterprise's activities or *raison d'être* (as the mission statement is defined in chapter 2, section 2.5) to their agents.

Both groups of respondents indicated the most popular variables in terms of which marketing objectives are set as sales or profit, followed by customer orientation. The findings reveal that the larger agencies do adequate research in terms of setting marketing objectives and that they communicate these objectives to agents mostly by means of meetings and training or motivational sessions. The larger agencies also set marketing objectives per agent, mostly in terms of sales turnover and listing volume. It can thus be concluded that the results in terms of marketing objectives are positive, since agencies seem to be aware of the importance of setting overall marketing objectives, of researching these objectives, and of communicating these objectives to agents. These agencies also seem to realise the importance of setting individual marketing objectives per agent.

- \* It is recommended that estate agencies be educated with regard to the importance of mission statements as well as the development of mission statements which are directed

towards the long-term. This could result in eliminating any uncertainty in terms of the basic purpose for the existence of the agency and what it should work towards in the light of long-range opportunity and the overall survival of the agency.

### **7.2.3 Human resources**

No estate agency can grow in size and prosper without qualified, professional, motivated and devoted estate agents. It was thus essential to investigate the human resources or personnel of the estate agency (dealt with in section 2.7.1). None of the aspects in the human resources section of the questionnaire were relevant to one-man agencies and only the human resources component of the larger agencies could therefore be investigated.

The findings indicate that when hiring new employees, the majority of agencies consider both the agents' and support personnel's ability to work with clients. The most important criteria used by these agencies to appoint new agents are honesty or integrity, interpersonal skills, personality and service orientation. The fact that the agent's ability to work with clients and a service orientation are considered when appointing new agents are positive findings, since these are key ingredients of the relationship-marketing concept which is aimed at providing customer service and building enduring relationships with clients. It was, however, disconcerting to find that estate agencies are not overly concerned about qualifications (for example, completion of the Board examinations) and previous experience in the real estate field when appointing new agents, since these are aspects which could influence the way agents interact with clients as well as the services that they provide to customers.

Where training is concerned, the survey reveals that the majority of respondents train estate agents themselves. Positive findings are that respondents view the determination of training needs, the setting of training programme objectives and the evaluation of the training programme and trainees' success as important. During training, the majority of agencies concentrate on topics such as qualifying the buyer or seller, after-sales contact with the buyer or seller and the building of long-term relationships with clients. These are encouraging findings since the building of long-term relationships and after-sales contact with the buyer are key components of relationship marketing (as discussed in chapter 4). Another positive finding is that the

respondents do research the topics which are covered in their training programmes, for instance professionalism, qualifying the buyer/seller, legislation and inspection of the property.

It was emphasised in the theory (chapter 3, section 3.2.1) that in order to provide good customer service, the estate agent should be aware of the factors which influence consumer behaviour. It was thus essential to determine whether customer behaviour factors are also covered in the training programmes of estate agencies. The findings reveal that the two customer behaviour factors covered most in training are income or financial status and the buyer's reasons for buying the property. Unfortunately none of the other customer behaviour influences are discussed in great detail during the training of estate agents. Cross-correlations also reveal that respondents focus more on the buyer's financial position than on his needs and the consumer behaviour influences.

- \* It is recommended that estate agencies be made aware of the importance of appointing agents with experience and training, since these agents are better informed of the correct steps to take when selling a home, as well as of the principles of customer service.
- \* It is further recommended that estate agencies should send their estate agents on external training courses which are presented in the industry, rather than doing all training internally.
- \* It is recommended that agencies include information on all the factors which influence the consumer's behaviour in their training programmes. Agents need to be aware of these factors in order to deliver good customer service.

#### **7.2.4 Marketing research and the marketing environment**

Estate agencies need to be aware of the variables in the marketing environment (dealt with in chapter 3) which can affect the marketing effort. In order to adapt to a changing environment and successfully market their services, timeous and continuous research into the marketing environment is necessary. From the survey results it is evident that the larger agencies appear to be more aware of the importance of marketing research than the one-man agencies.

However, although the larger agencies do more marketing research, the percentages of respondents for both groups who are of the opinion that marketing research is not required are too high for agencies that indicate that they are service-oriented and thus aware of the needs of customers.

The findings also reveal that only 53,3 percent of the larger agencies and 38,1 percent of the one-man agencies conduct competitor analyses. Competitors are a very important component of the marketing environment (see section 3.2.2) and the percentages of respondents who research their competitors show a lack of understanding of the dynamic marketplace.

The differentiation methods used most by both groups of respondents are total commitment to clients, best service quality, superior market knowledge and involvement in community affairs. Cross-correlations, however, indicate that 30 percent of the larger agencies and 43 percent of the one-man agencies who indicated that they do not conduct marketing research and offer the best service quality as well as have superior market knowledge, do not conduct marketing research into these areas of differentiation. Although these respondents are of the opinion that they offer the best service quality and have superior market knowledge, it is impossible to do so without in-depth knowledge obtained by thorough marketing research.

The results also reveal that the majority of larger and one-man agencies are computerised. Although a large percentage of the larger agencies have access to Internet services, only 34 percent of the one-man agencies make use of these services. The survey also reveals that the majority of larger agencies conduct research into the areas of the macro-environment (see chapter 3, section 3.3), but one-man agencies do not always research these areas. Both groups of respondents indicated that they only sometimes conduct research into the social trends which influence buyer decision-making. This is a disconcerting finding, since many respondents indicated that they are service-oriented, but the findings indicate that they do not conduct much research into an area which has a large influence on consumer preferences and decision-making.

\* It is recommended that estate agencies be educated in the importance of conducting



marketing research. This will enable them to adapt their marketing strategies to the changing environment and help them to successfully market their services.

- \* It is further recommended that estate agencies be educated with regard to the importance of conducting competitor analyses. The analysis of competitors is important in order to enable estate agencies to develop a competitive advantage. Competitor analyses will enable them to make comparisons that will enhance their chances of success and further assist them in differentiating themselves from competitors.
- \* It is recommended that estate agencies should do more research into areas such as delivering quality service, the market and the socio-cultural environment. This will enable them to better analyse the needs of customers and thus to deliver good customer service and strengthen the relationship with their customers.

#### **7.2.5 The marketing concept**

The marketing concept (see section 4.3) is a marketing management philosophy that guides all the activities in a business. It consists of four principles, namely a consumer-orientation, a profit-orientation, a systems-orientation and a social responsibility orientation. An estate agency can only be effective and efficient if it accepts and applies these four principles.

A secondary objective of the study was to determine to what extent estate agencies use the principles of the marketing concept. The results reveal that both groups of respondents regard the four principles as important. Both groups ranked the systems-orientation first, a consumer-orientation second and a long-term approach to profitability third.

- \* The survey reveals that estate agencies view all four principles of the marketing concept as important. It is recommended that adherence to the marketing concept be strengthened and promoted so as to counteract negative perceptions regarding the estate agent profession and its supposed fixation on commission and profits.

### **7.2.6 Product positioning and distribution**

Product positioning (dealt with in section 4.4.3) involves competitive differentiation and the effective communication thereof to the estate agency's customers. The survey results reveal that the majority of both groups of respondents would like to portray an image of excellent customer service as well as an image of knowing the residential market. A surprising finding is however, that a large number of agencies are of the opinion that they can portray an image of excellent customer service without any in-depth knowledge about the market.

The estate agency's distribution decisions (see section 4.5.4) are concerned with the distribution of its services which should be available to customers where and when required. A positive finding is that both groups of respondents seem to view the customer as very important when taking distribution decisions. The majority of both groups are always available to clients over weekends and in the evenings and consider customer accessibility when making location decisions.

- \* It is recommended that estate agencies be educated on the importance of in-depth knowledge about the market in order to be in a better position to provide excellent customer service. Marketing research is an important instrument to enable them to determine the needs and preferences of customers and thus to adapt their strategies accordingly.

### **7.2.7 Marketing communication**

The estate agency's marketing communication or promotion decisions (dealt with in section 4.5.5) entail finding the correct combination of the marketing communication elements, namely advertising, personal selling, sales promotion, publicity and public relations.

The survey results regarding advertising reveal that the advertising media used most by both groups of respondents are regional newspapers, "for sale" signs and the listing form. One-man agencies make less use of e-commerce/Internet for advertising than do the larger agencies. The majority of both groups create their own advertisements, select media which will appeal to the target market, and also regularly revise the effectiveness of their advertisements.

With regard to personal selling, the majority of both groups of respondents agree that all the activities in the personal selling process should be executed, for example, the agent should follow-up on enquiries from prospects, inspect the seller's property, provide after-sales services and engage in follow-up actions after completion of the sale. One of the secondary objectives of the study was to determine the services which estate agents offer to customers. In addition to the above services, the survey reveals that the majority of both groups of respondents engage in most of the after-sales services, namely forwarding a signed copy of the sales contract to the attorneys and purchaser and following-up with attorneys on progress or problems. Cross-correlations unfortunately indicate that although it seems as if respondents agree that after-sales contact and services are necessary, very few realise that excellent customer service includes keeping contact with the buyer after occupation.

The survey also reveals that both groups of respondents ranked satisfied clients first as a lead for obtaining both sales mandates and buyers. The results regarding the important aspects considered when drawing up a buyer's profile reveal that both groups ranked financial means as the most important factor. The reason could be that estate agents regard the buyer's financial means as a guiding principle in order to establish the price range of the properties to show the buyer. Cross-correlations also reveal that estate agencies that wish to portray an image of excellent customer service seem to regard the buyer's financial means as very important. Agents should, however, guard against concentrating only on the buyer's financial means and disregarding the customer's other needs and preferences if they want to portray an image of excellent customer service.

As far as sales promotion is concerned, the methods viewed as most effective by both groups of respondents are properties on show, brochures and incentive schemes for agents. The publicity methods viewed as most effective by the respondents are news or press releases and newspaper or magazine articles. The majority of both groups of respondents indicated that they do not make use of public relations firms at all.

- \* It is recommended that one-man agencies be educated on the potential advantages of using e-commerce/Internet as an advertising medium. By using these cutting edge technologies they could reach a larger section of the market and be more profitable

whilst providing better service to their clients.

- \* It is further recommended that estate agents be educated on the importance of keeping contact with the buyer after occupation. This could result in the building of long-term relationships with clients and ultimately in the customer doing business with the agent again in the future. Positive word-of-mouth could also result when long-term relationships are forged with customers.

### **7.2.8 Customer service and quality**

Customer service (see section 4.8.2) is a key ingredient of the relationship marketing concept and good customer service could create loyal clients who will do business with the estate agency again and who will refer the agency to family and friends. The survey results indicate that the majority of larger agencies engage in activities to ensure customer service, for example, they discuss customer complaints with estate agents, their agents work together to deliver quality service and their agents help in setting quality standards. It is surprising that the two activities ranked the lowest are a formalised feedback system for agents to share experiences with management and administration of a formal questionnaire after a transaction to test customer satisfaction. These activities are very important in establishing customer needs and satisfaction and therefore to adapt strategies in order to deliver service quality to buyers.

The results reveal that the majority of both groups of respondents are of the opinion that the most important attributes of a good estate agent are firstly to have the necessary knowledge to convey trust, secondly to be accurate in dealing with clients and thirdly to be able to answer clients' questions about properties. These results are surprising since they all relate to an agent's knowledge, but respondents previously ranked education, previous training and experience as the least important criteria when appointing new estate agents. This is a paradox - although the agencies view factors relating to the agent's knowledge as important, they do not seem to consider these factors when appointing new agents. It also brings into question their commitment to really build long-term relationships with their clients.

- \* It is recommended that estate agencies be informed of the importance of feedback systems in order to test customer satisfaction. If estate agencies make use of formal

feedback systems and questionnaires to test clients' satisfaction with their services, they can adapt their strategies to the needs of customers and therefore provide a better quality service, hopefully resulting in long-term relationships with clients.

- \* It is further recommended that estate agencies use the factors which they view as important for a good estate agent to have, as criteria when appointing new estate agents. These factors include the necessary knowledge to convey trust, accuracy in dealing with clients and the ability to answer clients' questions about properties. This will ensure good quality agents who can deliver a better quality service.

### **7.2.9 Employee continuity, corporate climate and internal marketing**

Employee continuity, corporate climate and internal marketing (see section 4.8.3) refer to the employees in the estate agency. If estate agencies recognise the estate agents' contribution to acquiring and retaining customers, their competitive performance will be greatly enhanced. All the questions in this section of the questionnaire refer to larger agencies and thus do not apply to one-man agencies.

A secondary objective of the study was to determine to what extent internal marketing exists within estate agencies and the results reveal that the majority of agencies engage in internal marketing activities. Most of the agencies, for instance, evaluate advertising campaigns by consulting employees, discussing marketing plans with employees and training employees to deal with customers. The majority of agencies also strive to create a positive corporate culture. Respondents indicated that all agents are free to communicate their views to management and that everyone in the agency realises that the needs of clients are their priority. The results regarding employee continuity reveal that the agencies do their best to retain good agents. A surprising finding is that respondents indicated that they encourage feedback from clients, although they previously indicated that they have no formalised feedback systems for agents. This could, however, indicate that agencies have informal feedback systems for agents to share their experiences with clients with management.

- \* The survey reveals positive findings in terms of employee continuity, corporate climate and internal marketing. Estate agencies should therefore be encouraged to continue with

these processes to further improve the corporate climate inside the business.

#### **7.2.10 Customer complaints and customer markets**

Customers should be able to complain to the estate agency if they are unhappy about certain aspects of the sale or about the services provided. Correct handling of customer complaints (see section 4.8.3.5) could prevent the loss of the estate agency's customers. Unfortunately all of the customer complaint activities listed in the question were not applicable to one-man agencies and only a few could be investigated.

The results reveal that in the majority of larger agencies, complaints are referred to management, investigated and discussed at meetings. Although only 4,1 percent of one-man agencies indicated that they have no complaints policy, 48,5 percent investigate complaints thoroughly. A very low percentage of both groups of respondents keep a complaints book for future reference. A positive finding is that the majority of both groups of respondents keep records of previous clients. This is encouraging since the building of long-term relationships with clients is a key component of relationship marketing and records of previous clients could assist in forming enduring and profitable relationships with them and thus ultimately in "keeping" or retaining them.

The results regarding customer markets indicate that the majority of one-man and larger agencies reward or treat loyal clients specially. When interacting with buyers, the majority of both groups of respondents indicated that they regard it as important to follow up after a sale, to keep cool in dealing with difficult buyers and not to make promises which cannot be kept. Respondents seem to consider buyers' needs as important, since concluding a sale at all costs was ranked last by both groups.

- \* It is recommended that one-man agencies be made aware of the importance of investigating complaints. This could assist them in taking the appropriate corrective action and to ultimately retain customers for a longer period.

#### **7.2.11 Referral, recruitment and influencer markets**

In addition to building relationships with existing and potential customers, relationship

marketing also emphasises that the estate agency should build relationships with referral markets, supplier markets, recruitment markets, influencer markets and internal markets (see section 4.9).

The survey reveals that the majority of both groups of respondents view attorneys or conveyancers as the most important market. The two markets which both groups of respondents ranked the lowest, and thus of lesser importance, are the government and recruitment markets.

- \* It is recommended that estate agencies be made aware of the influence of the government and recruitment markets on the long-term survival of the agency. This could influence the agencies to establish closer relationships with these markets.

#### **7.2.12 Strategic approaches**

Estate agencies use certain market strategies to reach their marketing objectives (see section 4.6). The results of the study reveal that the majority of both groups of respondents use a differentiation strategy to distinguish themselves from competitors. Larger agencies view the pre-emptive move (use of innovation techniques) as the second most popular strategy, while the low-cost strategy is regarded by one-man agencies as the second most important strategy. Both groups of respondents view the focus strategy (focusing on specific lucrative markets) as the least popular approach.

Although a large percentage of larger agencies indicated that they have plans for future growth, only 53,6 percent of one-man agencies indicated such plans. The one-man agencies therefore do not seem to be overly interested in future growth, but are keen to maintain their existing position in the market.

- \* It is recommended that one-man agencies be informed of the hold/maintain strategies that they can follow. These options could ensure the long-term survival of these agencies in a very competitive market.

### 7.3 AREAS OF FURTHER RESEARCH

During the study the following areas were identified for further research:

- \* Further research is needed on training programmes for estate agents by external institutions (not training inside the agency) to improve customer service and selling skills. There is a strong suspicion that internal training leads to “inbreeding” which could be detrimental to the future prospects of some of the estate agencies.
- \* The role of organisations and associations in the estate agency industry in providing guidance to estate agents on ethical selling practices needs to be further investigated.
- \* The ethical behaviour of estate agents should also be further investigated.
- \* Another area of research that has been identified in the study is the strength of word-of-mouth advertising by satisfied (or dissatisfied) clients and the influence thereof on the success of estate agencies.
- \* The percentage of customers who do repeat business with the same agent or agency needs to be investigated as well as the reasons why these customers remain loyal to these agencies.
- \* The degree of satisfaction of customers with the services and service quality provided by the estate agent requires an in-depth study. In this way estate agencies will be able to determine whether their perception of customer service meets the expectations of their customers.
- \* Further research is also needed with regard to the average length of employment of estate agents at a particular agency and their reasons for leaving the agencies.

In conclusion it can be stated that there is evidence that the principles of relationship marketing are followed by residential estate agencies in South Africa. There are, however, concerns about the long-term commitment of estate agencies towards their clients because of the lack of feedback systems and the lack of in-depth knowledge about the marketplace.



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**ANNEXURE A**  
**QUESTIONNAIRE**



Faculty of Economic and  
Management Sciences



Fakulteit Ekonomiese en  
Bestuurswetenskappe

UNISA

Cell: 082 4425706

25 July 2000

Dear Respondent

### **SURVEY OF ESTATE AGENCIES IN SOUTH AFRICA: 2000**

Miss S Rudansky, a senior lecturer in the Department of Business Management (Unisa), is conducting research to determine the marketing knowledge and skills of estate agencies in South Africa.

Your estate agency has been selected for inclusion in the survey. We should appreciate it if you would be prepared to answer the questions contained in the questionnaire in order to obtain the necessary information for contributing to and improving the knowledge of Estate Agency Marketing in South Africa.

The questionnaire consists of two parts. Part 1 has 4 questions and deals with classification and descriptive demographic details. Part 2 consists of 50 questions and deals with the marketing orientation in your agency. There are no right/wrong answers. Your responses will be treated as confidential. We do not require personal/confidential answers. It will take you approximately 45 minutes to complete the questionnaire. Please use the self-addressed envelope to return your completed questionnaire before 31 October 2000.

The completion of such a long questionnaire would entail a sacrifice on your behalf, therefore your willingness to take part in this survey would be greatly appreciated. Do not hesitate to contact Miss Rudansky at the above telephone number should you require any further information.

Your valuable contribution to the development of Estate Agency Marketing in South Africa is sincerely appreciated.

Yours faithfully

**PROF JW STRYDOM**  
**HEAD: MARKETING SECTION**  
**DEPARTMENT OF BUSINESS MANAGEMENT**

**PART I****DEMOGRAPHIC DETAILS**

- 1 What is the legal business form of your estate agency?

Company	
Partnership	
Close corporation	
Sole proprietorship	
Other (specify) .....	

- 2 How many agents are employed in your agency?

--	--	--

Other support personnel (eg administrative staff)?

--	--

Number of Directors:

--

- 3 Which of the following networks apply to your estate agency?
- 
- (Tick more than one if necessary.)

Networks	
Intercity referral networks	
Franchising	
Multi-listing	
No network	
Other (specify) .....	

- 4 Which of the following market segments do you specialise in?
- 
- (Tick more than one if necessary.)

	Market segments	
4.1	Residential property for executives and upmarket clients.	
4.2	Residential property in upper class suburbs.	
4.3	Residential property intended for middle class families.	
4.4	Residential property for first-time buyers.	
4.5	Residential property which provides value for money.	
4.6	Other (specify) .....	

**PART II**

**A. MISSION AND OBJECTIVES**

- 1 A mission statement for a business enterprise usually spells out its reason for being. If your agency has such a mission statement, please indicate its wording.

.....  
 .....  
 .....

If you do not have a mission statement, ignore questions 1 and 2 and proceed to question 3.

- 2 How is the mission statement communicated to your agents and employees?  
 (Tick more than one if necessary.)

	<b>Methods</b>	
2.1	It is emphasised in training sessions.	
2.2	It is printed on our stationary.	
2.3	It is mentioned in our advertising and promotions.	
2.4	It is displayed on our office wall.	
2.5	Other (specify) .....	

- 3 If marketing objectives are set for your agency, in terms of which variables are they set?  
 (Tick more than one if necessary.) If you do not set marketing objectives, ignore questions 3, 4 and 5 and proceed to question 6.

	<b>Objectives</b>	
3.1	Sales/profit	
3.2	Customers	
3.3	Turnover	
3.4	Cost	
3.5	Other (specify) .....	

- 4 How are the marketing objectives of the agency communicated to your agents?  
(Tick more than one if necessary.)

	Method of communication	
4.1	In discussions and meetings	
4.2	In print form (letters/memo's)	
4.3	In official documents	
4.4	In training/motivational sessions	
4.5	Other (specify) .....	

- 5 In terms of which variables are the objectives set per agent?  
(Tick more than one if applicable)

	Variables	
5.1	Sales turnover	
5.2	Listing volume	
5.3	Referral volume	
5.4	Individual objectives are not set	
5.5	Other (specify) .....	

## B HUMAN RESOURCES

### (i) Human resources planning

- 6 When hiring employees, do you consider the candidate's ability to work with clients?

Agents: (Tick only one)

	Abilities of agents	
6.1	Never	1
6.2	Seldom	2
6.3	Frequently	3
6.4	Always	4

Other agency personnel: (Tick only one)

	Abilities of agency personnel	
6.5	Never	1
6.6	Seldom	2
6.7	Frequently	3
6.8	Always	4

- 7 How often does your agency use the following criteria when appointing new estate agents? (Consider all statements. Make appropriate ticks)

	Statements	Never	Seldom	Fre- quently	Always
7.1	Physical stamina to perform well	1	2	3	4
7.2	Interpersonal skills in dealing with clients	1	2	3	4
7.3	Creativity in presenting the property to buyers	1	2	3	4
7.4	Service orientation	1	2	3	4
7.5	Practicalities (e.g. transport)	1	2	3	4
7.6	Education and previous training	1	2	3	4
7.7	Completion of the Board examinations	1	2	3	4
7.8	Personality	1	2	3	4
7.9	Ambition	1	2	3	4
7.10	Aggressiveness	1	2	3	4
7.11	Judgement ability	1	2	3	4
7.12	Courtesy	1	2	3	4
7.13	Appearance	1	2	3	4
7.14	Honesty/Integrity	1	2	3	4
7.15	Previous experience	1	2	3	4

(ii) Recruitment

- 8 Which of the following sources do you use for the recruitment of new estate agents? (Consider all the sources. Make appropriate ticks.)

	Sources	Never	Seldom	Fre- quently	Always
8.1	Current employees' recommendations	1	2	3	4
8.2	Advertisements	1	2	3	4
8.3	Walk-ins	1	2	3	4
8.4	Referrals	1	2	3	4
8.5	Other estate agencies	1	2	3	4
8.6	Salespeople from non-competing companies	1	2	3	4
8.7	Employment agencies	1	2	3	4
8.8	Direct mail	1	2	3	4
8.9	Other (specify) .....	1	2	3	4

**(iii) Selection**

- 9 Which of the following selection instruments are used by your estate agency for the appointment of new estate agents?  
(Consider all the instruments. Make appropriate ticks.)

	Selection instruments	Never	Seldom	Fre- quently	Always
9.1	Application form	1	2	3	4
9.2	Employment interview	1	2	3	4
9.3	Employment tests (IQ, personality, aptitude, achievement)	1	2	3	4
9.4	Background investigation	1	2	3	4
9.5	Other (specify) .....	1	2	3	4

**(iv) Induction**

- 10 Do newly appointed estate agents in your agency undergo a formal induction programme?  
(Tick only one)

10.1	Yes, all new agents must first be introduced to our way of doing things.	1
10.2	It is seldom needed.	2
10.3	We do not have induction programmes.	3

**(v) Training**

- 11 Do you offer formal training programmes for agents?  
(Tick more than one if necessary.)

	Training programmes	
11.1	No formal training is needed.	
11.2	Training on the job is adequate for agents.	
11.3	Only estate agents with no actual experience are trained.	
11.4	We sponsor further study programmes for our estate agents.	
11.5	We train all estate agents in our agency.	
11.6	Other forms of training (specify) .....	

If you do not offer training programmes, ignore questions 12-15 and proceed to question 16.

- 12 Are in-service estate agents also trained when the need arises?  
(Tick only one.)

12.1	Never	1
12.2	Seldom	2
12.3	Frequently	3
12.4	Always	4

- 13 How important are the following aspects in training programmes for agents? (Consider all the aspects. Make appropriate ticks.)

	Training aspects	Totally unimportant	Less important	Important	Very important
13.1	The training needs of all employees are determined.	1	2	3	4
13.2	Objectives are set for all training programmes.	1	2	3	4
13.3	The success of the training programme is evaluated after its completion.	1	2	3	4
13.4	The trainees are evaluated at the end of the training period.	1	2	3	4

- 14 When training agents, how often do you concentrate on the following aspects? (Consider all the aspects. Make appropriate ticks.)

	Training aspects	Never	Seldom	Frequently	Always
14.1	The personal selling process	1	2	3	4
14.2	How to work with mandates	1	2	3	4
14.3	Knowledge of the market	1	2	3	4
14.4	Qualifying the buyer/seller	1	2	3	4
14.5	Inspecting the property	1	2	3	4
14.6	Advertising the property	1	2	3	4
14.7	After-sales contact with the buyer/seller	1	2	3	4
14.8	Showing selected properties	1	2	3	4
14.9	Assisting the buyer in obtaining finance	1	2	3	4
14.10	Building long-term relationships with clients	1	2	3	4
14.11	Professionalism	1	2	3	4
14.12	Code of conduct of the Estate Agency Affairs Board	1	2	3	4
14.13	Legislation regarding estate agents	1	2	3	4

- 15 In order to interact with potential customers, agents need to be aware of factors which determine customer behaviour. Which of these factors are covered in your agents' training/motivational programmes?  
(Consider all the factors. Make appropriate ticks.)

	<b>Knowledge of customer behaviour</b>	<b>Not applicable to our agency</b>	<b>Mentioned briefly</b>	<b>Discussed in detail</b>
15.1	The role of social demographic factors (age, language, education, occupation) in customer behaviour.	1	2	3
15.2	Buyers' reasons for buying property.	1	2	3
15.3	Buyers' income/financial status.	1	2	3
15.4	The learning and perceptual ability of buyers/sellers.	1	2	3
15.5	The effect of pressure from social groups on buyer behaviour.	1	2	3
15.6	The effect of the buyer's life style on buyer behaviour.	1	2	3
15.7	The influence of the family on buyer behaviour.	1	2	3

**(vi) Retention and motivation**

- 16 Which of the following methods are used for motivating your agents?  
(Consider all the methods. Make appropriate ticks.)

	<b>Motivational methods</b>	<b>Never</b>	<b>Seldom</b>	<b>Frequently</b>	<b>Always</b>
16.1	We give prizes/trophies to successful estate agents.	1	2	3	4
16.2	We have competitions for our agents.	1	2	3	4
16.3	We provide opportunities for agents to be promoted.	1	2	3	4
16.4	We hold sales meetings to inform agents about important aspects.	1	2	3	4
16.5	We set specific objectives for each agent.	1	2	3	4
16.6	We provide financial compensation for good estate agents.	1	2	3	4



**(vii) Remuneration**

- 17 Which of the following is paid to your estate agents?  
(Consider all the methods. Make appropriate ticks.)

	<b>Methods of payment</b>	<b>Never</b>	<b>Some- times</b>	<b>Always</b>
17.1	Salary	1	2	3
17.2	Straight commission (commission is split between the firm and the estate agent)	1	2	3
17.3	Performance commission (predetermined payments are given as rewards for achievement)	1	2	3
17.4	Other (specify) .....	1	2	3

**C MARKETING RESEARCH AND THE MARKETING ENVIRONMENT****(i) Marketing research**

- 18 Do you conduct marketing research programmes?  
(Tick only one.)

18.1	We do not need any marketing research information.	1
18.2	We often conduct marketing research projects	2

**(ii) Competitor analysis**

- 19 Does your estate agency conduct formal research in order to analyse competitors?  
(Tick only one.)

	<b>Competitor analysis</b>	
19.1	Yes, the competitive position is extremely important to us.	1
19.2	No, we do not worry about competitors.	2
19.3	No, we have command of the market.	3

If no, ignore question 20.

- 20 Which aspects of competitors are considered in your competitor analysis  
(Tick more than one if necessary.)

<b>Competitive factors</b>		
20.1	The image of competitors.	
20.2	The probable cost structure of competitors.	
20.3	The number of agents working for competitors.	
20.4	The quality of competitors' agents.	
20.5	The location of competitors' offices.	
20.6	The frequency of competitive advertising.	
20.7	The publicity programmes in which competitors are involved.	

- 21 In which ways can your agency be perceived as different from competitive agencies?  
(Tick more than one if necessary.)

<b>Method of differentiation</b>		
21.1	We offer the best service quality to buyers.	
21.2	We have established an image of exclusivity.	
21.3	We have a unique brand name.	
21.4	We have a catchy slogan.	
21.5	We are totally committed to our clients.	
21.6	We have an unusual advertising campaign.	
21.7	We are involved in community affairs.	
21.8	We often succeed in obtaining free publicity.	
21.9	We have superior knowledge of the market	
21.10	Other (specify) .....	

**(iii) The external environment**

- 22 Which of the following so-called "new" technologies do you use in your agency?  
(Tick more than one if necessary.)

<b>New technologies</b>		
22.1	Computerisation	
22.2	Video-advertising	
22.3	Internet services (e-commerce)	
22.4	Other (specify) .....	

- 23 Does your estate agency conduct research into the following areas of the marketing environment? (Consider all the variables. Make appropriate ticks.)

	Marketing variables	Never	Not sure	Some-times	Always
23.1	New technologies.	1	2	3	4
23.2	The economy and its influence on clients.	1	2	3	4
23.3	Social trends influencing buyer decision-making.	1	2	3	4
23.4	Physical environmental aspects which are important to clients.	1	2	3	4
23.5	Legislation which will influence the buying/selling process.	1	2	3	4
23.6	Opportunities and threats in the international market.	1	2	3	4

#### D THE MARKETING CONCEPT

- 24 Indicate the importance of the following aspects in your estate agency. (Consider all the aspects. Make appropriate ticks.)

	Aspects	Totally unimportant	Less Important	Important	Very important
24.1	All employees in our estate agency should be consumer-oriented.	1	2	3	4
24.2	All the departments in our estate agency should work together to achieve maximum client satisfaction.	1	2	3	4
24.3	Our estate agency should have a short-term concern regarding profitability.	1	2	3	4
24.4	Our estate agency has a long-term approach regarding profitability.	1	2	3	4
24.5	Our estate agency should continually be engaged in social responsibility projects.	1	2	3	4

**E PRODUCT POSITIONING AND DISTRIBUTION****(i) Positioning**

- 25 What image would you like to portray to the residential market?  
(Tick more than one if necessary.)

	<b>Image</b>	
25.1	We offer luxury homes.	
25.2	We offer excellent customer service.	
25.3	We offer value for money.	
25.4	We offer affordable homes.	
25.5	We offer good quality homes.	
25.6	We offer the cheapest service.	
25.7	We really know the residential market.	
25.8	Other (specify) .....	

**(ii) Place decisions**

- 26 Which of the following statements apply to your estate agency?  
(Consider all the statements. Make appropriate ticks.)

	<b>Statements</b>	<b>Never</b>	<b>Not sure</b>	<b>Some- times</b>	<b>Always</b>
26.1	Customer accessibility was a key determinant of the location decision of the estate agency.	1	2	3	4
26.2	Estate agents are available to clients during evenings.	1	2	3	4
26.3	Estate agents are available to customers during weekends.	1	2	3	4

**F MARKETING COMMUNICATION****(i) Advertising**

- 27 Which forms of advertising media are used by your estate agency?  
(Consider all the media. Make appropriate ticks.)

	<b>Advertising media</b>	<b>Never</b>	<b>Not sure</b>	<b>Some- times</b>	<b>Al- ways</b>
27.1	The listing form	1	2	3	4
27.2	"For sale" signs	1	2	3	4
27.3	Regional newspapers	1	2	3	4
27.4	National newspapers	1	2	3	4
27.5	Magazines	1	2	3	4
27.6	Radio	1	2	3	4
27.7	Television	1	2	3	4
27.8	Film	1	2	3	4
27.9	Direct mail	1	2	3	4
27.10	Outdoor advertising	1	2	3	4
27.11	Yellow pages	1	2	3	4
27.12	E-commerce/Internet	1	2	3	4

- 28 Which of the following statements regarding advertising apply to your estate agency?  
(Consider all the statements. Make appropriate ticks.)

	<b>Statements</b>	<b>Never</b>	<b>Not sure</b>	<b>Some- times</b>	<b>Al- ways</b>
28.1	We set specific advertising objectives.	1	2	3	4
28.2	We keep strictly to the advertising budget.	1	2	3	4
28.3	We select advertising media which will appeal to our market.	1	2	3	4
28.4	We create our own advertisements.	1	2	3	4
28.5	We employ an advertising agency.	1	2	3	4
28.6	We regularly revise the effectiveness of our advertisements.	1	2	3	4

**(ii) Personal selling**

- 29 Do you agree with the following statements regarding your estate agents?  
(Consider all the statements. Make appropriate ticks.)

	Statements	Not sure	Totally dis- agree	Agree	Fully agree
29.1	It is important for the agent to follow-up on enquiries from prospects.	1	2	3	4
29.2	It is the agent's responsibility to "educate" the buyer about prevailing market conditions.	1	2	3	4
29.3	Agents should be able to interpret client needs in order to give appropriate advice.	1	2	3	4
29.4	Agents should not pressure clients to make decisions quickly.	1	2	3	4
29.5	Agents should be honest enough to point out deficiencies of which the client may not be aware.	1	2	3	4
29.6	The main aim of the agent is to sell the property.	1	2	3	4
29.7	It is the agent's responsibility to find sources of sales mandates.	1	2	3	4
29.8	The agent should prepare for obtaining mandates (know the market, comparable properties).	1	2	3	4
29.9	The agent should inspect the seller's property.	1	2	3	4
29.10	It is the agent's responsibility to do a market valuation in order to suggest a market position for the property.	1	2	3	4
29.11	The agent should prepare the seller for the marketing of his property.	1	2	3	4
29.12	The agent should give the seller feedback regarding the results of the marketing campaign.	1	2	3	4
29.13	The agent should prospect for buyers.	1	2	3	4
29.14	The agent should show the buyer properties according to his needs.	1	2	3	4
29.15	The agent should assist the buyer to obtain finance.	1	2	3	4
29.16	The agent should provide after-sales service to his clients.	1	2	3	4
29.17	The agent should engage in follow-up actions after the sale has been completed.	1	2	3	4

- 30 List in order of priority your leads for obtaining **sales mandates**.  
The most important lead should be number **1**, the second number **2** and so on.

	<b>Leads</b>	<b>Priority</b>
30.1	Satisfied clients	
30.2	Advertising	
30.3	Publicity	
30.4	Community leaders	
30.5	Office walk-ins	
30.6	Canvassing	
30.7	Farming	
30.8	Expired listings of other agents	
30.9	Internet/e-commerce	
30.10	Other (specify) .....	

- 31 In drawing up a **buyer's** profile for a specific property, how important are the following statements? (Consider all the statements. Make appropriate ticks.)

	<b>Statements</b>	<b>Totally unimportant</b>	<b>Less important</b>	<b>Important</b>	<b>Very important</b>
31.1	Financial means required by the buyer to afford the house.	1	2	3	4
31.2	Size/composition of the family that could best be served by the house.	1	2	3	4
31.3	Ethnic or language group affiliation of the buyer.	1	2	3	4
31.4	Socio-economic status of the buyer.	1	2	3	4
31.5	Proximity of workplaces, schools, shops, bus routes.	1	2	3	4
31.6	Buying motives of the buyer.	1	2	3	4
31.7	Property requirements of the buyer.	1	2	3	4

- 32 List in order of priority your leads for obtaining **buyers**.  
The most important lead should be number **1**, the second number **2** and so on.

	<b>Leads</b>	<b>Priority</b>
32.1	Satisfied clients	
32.2	Advertisements	
32.3	On site "for sale" boards	
32.4	Personal contacts	
32.5	Show houses	
32.6	Office walk-ins	
32.7	Word-of-mouth advertising	
32.8	Direct mail	
32.9	Publicity	
32.10	E-commerce/Internet	

- 33 Which of the following after-sales services do your estate agents offer?  
(Consider all the services. Make appropriate ticks.)

	<b>After sales services</b>	<b>Never</b>	<b>Not sure</b>	<b>Some- times</b>	<b>Al- ways</b>
33.1	Forwarding a signed copy of the contract of sale to the conveyancing attorneys and purchaser.	1	2	3	4
33.2	Establishing the whereabouts of the title deed of the property in order to inform conveyancing attorneys.	1	2	3	4
33.3	Supplying the conveyancing attorneys with the name of the current bond holder and account number, as well as the name of the person or attorneys to contact in this regard.	1	2	3	4
33.4	Being available to act as an intermediary in any disputes which may arise between the buyer and seller.	1	2	3	4
33.5	Informing the conveyancing attorney when the loan application has been submitted.	1	2	3	4
33.6	Following-up with the conveyancing attorneys on the progress/problems experienced with the transfer in order to give feedback to the buyer and seller.	1	2	3	4
33.7	Informing the buyer and seller when the transfer occurs.	1	2	3	4
33.8	Presenting the buyer with a small gift on the day of occupation.	1	2	3	4



33.9	Keeping contact with the buyer after occupation (birthdays).	1	2	3	4
33.10	Informing the seller of progress made regarding bond applications/transfer of property.	1	2	3	4
33.11	Providing the seller with a small gift after completion of the transfer.	1	2	3	4

- 34 How long, on average, does the agent keep contact with his/her client?  
(Tick only one)

34.1	A week	1
34.2	A month	2
34.3	6 months	3
34.4	A year	4
34.5	More than a year	5

**(iii) Sales promotion**

- 35 Which of the following sales promotion methods do you regard as effective?  
(Consider all the methods. Make appropriate ticks.)

Sales promotion methods		Less effective	Very effective
35.1	Incentive schemes for agents.	1	2
35.2	Promotional gifts (calenders, pens, keyrings) to prospective buyers.	1	2
35.3	Consumer competitions (eg win a car).	1	2
35.4	Cooperative actions by the estate agency and other businesses (such as an interior decorator).	1	2
35.5	Distributing brochures which show pictures of selected properties.	1	2
35.6	Having properties on show.	1	2

**(iv) Publicity**

- 36 Which of the following publicity methods do you regard as effective?  
(Consider all the methods. Make appropriate ticks.)

	<b>Publicity methods</b>	<b>Less effective</b>	<b>Very effective</b>
36.1	News or press releases by the estate agency about a newsworthy event.	1	2
36.2	Sponsorships by the estate agency of a sporting or major event.	1	2
36.3	An article which appears in a newspaper or magazine about the estate agency.	1	2
36.4	Letters directed to the editors of newspapers/ magazines which draw attention to the estate agency.	1	2

**(v) Public relations**

- 37 Does your estate agency employ a public relations firm?  
(Tick only one)

37.1	Yes, we make use of a public relations firm	1
37.2	It is seldom needed	2
37.3	No, we do not use public relations firms at all	3

**G CUSTOMER SERVICE AND QUALITY**

- 38 Which of the following statements apply to your estate agency?  
(Consider all the statements. Make appropriate ticks.)

	<b>Statements</b>	<b>Never</b>	<b>Seldom</b>	<b>Fre- quently</b>	<b>Always</b>
38.1	We discuss customer complaints with estate agents.	1	2	3	4
38.2	We look at other service industries to learn more about service quality.	1	2	3	4
38.3	We administer a formal questionnaire immediately after a transaction about customers' satisfaction with estate agents.	1	2	3	4
38.4	Management interact with customers to determine their experience with support personnel.	1	2	3	4

38.5	There is a formalised feedback system for estate agents to share their experiences with customers with management.	1	2	3	4
38.6	Estate agents are informed of marketing plans.	1	2	3	4
38.7	Estate agents are involved in the setting of service quality standards.	1	2	3	4
38.8	Estate agents often work together to deliver high quality service to clients.	1	2	3	4
38.9	Estate agents are free from restrictions when selling properties.	1	2	3	4

- 39 List in order of priority the following statements regarding the attributes of a good estate agent. The most important attribute should be number 1, the second number 2 and so on.

	Statements	Priority
39.1	It is important for agents to be accurate in dealing with clients.	
39.2	It is important to never keep clients waiting.	
39.3	It is important for agents to be able to answer client's questions about properties.	
39.4	It is important for agents to be physically presentable.	
39.5	It is important for agents to be able to empathise with clients.	
39.6	It is important that agents must have the necessary knowledge to convey trust.	
39.7	Other (specify) .....	

## H EMPLOYEE CONTINUITY, CORPORATE CLIMATE AND INTERNAL MARKETING

- 40 Which of the following statements apply to your estate agency's personnel? (Consider all the statements. Make appropriate ticks.)

	Statements	Never	Seldom	Fre- quently	Always
40.1	All our employees are trained to deal with customers.	1	2	3	4
40.2	We evaluate our advertising campaigns by consulting all our employees.	1	2	3	4
40.3	We discuss marketing plans with all our employees before implementing them.	1	2	3	4

- 41 Which of the following statements characterise the corporate climate in your estate agency?  
(Consider all the statements. Make appropriate ticks.)

	Statements	Never	Not sure	Sometimes	Always
41.1	We are all friends.	1	2	3	4
41.2	All agents are required to perform well as individuals.	1	2	3	4
41.3	We work well together as a group.	1	2	3	4
41.4	We all agree that the needs of clients are our priority.	1	2	3	4
41.5	We all realise that our survival depends on sales.	1	2	3	4
41.6	All agents are free to communicate their views to management.	1	2	3	4
41.7	All agents are informed about services promised to clients.	1	2	3	4

- 42 Indicate which of the following factors apply to your estate agency.  
(Consider all the factors. Make appropriate ticks.)

	Factors	Never	Seldom	Frequently	Always
42.1	We do our best to retain good agents.	1	2	3	4
42.2	We regard a high personnel turnover as detrimental.	1	2	3	4
42.3	We encourage feedback from our estate agents.	1	2	3	4
42.4	We tend to hire experienced agents.	1	2	3	4
42.5	We regard continual training as important.	1	2	3	4
42.6	All agents can rely on the support of colleagues.	1	2	3	4
42.7	The performance of estate agents is rewarded.	1	2	3	4
42.8	Estate agents have input in designing the estate agency's services.	1	2	3	4

## I CUSTOMER COMPLAINTS AND CUSTOMER MARKETS

- 43 What is your policy regarding client complaints?  
(Tick more than one if necessary.)

43.1	We have no such policy.	
43.2	Complaints are dealt with by the agent involved.	
43.3	Complaints are referred to management.	
43.4	A complaints book/list is kept for future reference.	
43.5	Complaints are often discussed at meetings.	
43.6	Recurring complaints are thoroughly investigated.	

- 44 Do you keep a record of previous clients? (Tick only one.)

44.1	No, we do not have a database of previous clients.	1
44.2	Yes, we do have a database of previous clients.	2

- 45 Are loyal clients of your estate agency rewarded or treated specially? (Tick only one.)

45.1	Never	1
45.2	Seldom	2
45.3	Frequently	3
45.4	Always	4

- 46 When interacting with a prospective buyer, how important is it for the agent to:  
(Consider all the statements. Make appropriate ticks.)

	Degree of interaction	Totally unimportant	Less important	Important	Very important
46.1	Follow-up after a sale.	1	2	3	4
46.2	Keep regular contact with the buyer.	1	2	3	4
46.3	Notify the buyer of new properties available.	1	2	3	4
46.4	Actively search for suitable properties.	1	2	3	4
46.5	Consult with other agents.	1	2	3	4
46.6	Overcome the buyers' objections.	1	2	3	4

46.7	Offer incentives to conclude a problematic sale.	1	2	3	4
46.8	Keep cool in dealing with difficult buyers.	1	2	3	4
46.9	Not make promises which cannot be kept.	1	2	3	4
46.10	Sketch a realistic picture for the buyer.	1	2	3	4
46.11	Conclude the sale at all costs.	1	2	3	4

## J REFERRAL, RECRUITMENT AND INFLUENCER MARKETS

- 47 How important is close cooperation between your estate agency and the following markets? (Consider all the statements. Make appropriate ticks.)

	Degree of cooperation	Totally unimportant	Less important	Important	Very important
47.1	Municipal officials	1	2	3	4
47.2	Town planners/property developers	1	2	3	4
47.3	Attorneys/conveyancers	1	2	3	4
47.4	Local builders	1	2	3	4
47.5	The media	1	2	3	4
47.6	Recruitment markets	1	2	3	4
47.7	Government	1	2	3	4

## K STRATEGIC APPROACHES

- 48 List in order of priority the following typical strategic approaches as they apply to your estate agency. The most important approach should be number 1, the second number 2 and so on.

	Strategic approaches	Priority
48.1	We distinguish our agency from competition.	
48.2	We try to keep costs down.	
48.3	We focus on specific lucrative markets.	
48.4	We use innovative techniques.	

49 Do you have plans for future growth?

49.1	Yes	
49.2	No	

If no, ignore question 50.

50 Which plans do you have for future growth?  
(Tick more than one if necessary.)

<b>Growth plans</b>		
50.1	Opening new branches in other areas.	
50.2	Adding other services to our current service package.	
50.3	Other (specify) .....	

*Thank you for your time!*

**ANNEXURE B**  
**MISSION STATEMENTS OF LARGER ESTATE**  
**AGENCIES**



## MISSION STATEMENTS OF LARGER ESTATE AGENCIES

Selling or buying is as easy as ABC.

Service is our concern.

To give satisfaction to both parties.

Success in your hands.

The property people of Paarl.

To do business that produces a happy seller and buyer which leads to a sale with respect to all other agents in the industry.

We will bring you a dream.

Excellence is not an act but a habit.

Honest and ethical business.

To provide a truly professional proactive service to all our clients in the property investment, rental and administration markets while maintaining the highest ethical standards in business.

A more professional approach to the estate agency business.

Provide the very best of which we are able in every endeavour.

Quality buyer-seller service and trust.

Way ahead.

For honest friendly service.

Integrity is not negotiable.

The power in property.

To provide our clients with quality service, build reputable business and create wealth for the shareholders.

To render a service to the community in surrounding areas and in so doing being and remaining the market leader.

We provide the service you deserve.

To read all people of different types and colour, to become an efficient and resourceful agency. To educate clients which I already do.

Leading through service excellence.

Real honest Real Estate.

Innovative property practice dealing directly with those responsible for the company.

To change "for sale" into "sold", create work for personnel in a country with limited available work.

Provide good, professional service.

To provide a honest, friendly and professional service.

To be the most successful estate agency in our region in terms of sales through effective marketing, excellent customer relations and honest business practice.

Buying, selling, letting.

We sell more homes. Let our family find your family a home.

Quality, personalised service in a small area.

Germacor will be on the cutting edge of the real estate industry through true professionalism and excellent value-added service generated and undergirded by honesty, friendliness and treating all with dignity.

To be the estate agency of choice for both buyers and sellers.

To deliver that service to the seller what we as buyers expect.

We offer a turn-key service to the industry, from the sale of the land to the developer, the participation in product creation and design to the marketing and selling phase.

To render a service to the public, both buyers and sellers. "Home Highway".

We sell lots of houses and give excellent personal service.

We are here to serve.

Satisfy our clients' lifestyle demands; do our business with complete integrity and confidentiality; improve peoples' perceptions of our profession; share understanding for feelings and emotions of others. Render professional property related service; remember that our aid comes from the Lord.

We can't move it but we can sell it.

Service before gain.

We offer professional and reliable service.

We are in business to keep Christian missionaries in the field.

Real action in real estate.

To provide a service to our clients that is superior to anything they have ever expected.

Create a dynamic, viable, multi-faceted agency enabling the public to enjoy a wide range of services.

The secret to happiness is having dreams, the secret to success is fulfilling these dreams.

To sell quality homes in the upper market areas and to provide excellent service.

Vertroulike, professionele diens teen billike tariewe gewaarborg.

To be the premier property business in SA by: (1) optimising human resources, (2) providing a range of diversified services by focusing resources, (3) achieving maximum profitability,

We serve the community.

To make people smile.

Everything we touch turns to sold.

Promoting professionalism, integrity, personal service, effective communication.

Our reputation is built on referrals. We innovate - others emulate.

To create awareness both locally and overseas to the plight of those in need, and to improve on the conditions of living.

We make you feel at home.

To provide a caring service of the highest quality to all who choose to transact in real estate with us. Our staff are specially selected and trained to uphold this high ideal.

To be nationally franchised in major cities and "boom" towns within 3 years.

Assuring you of our best attention at all times.

To increase sales and letting by specific area in terms of knowledge, efficiency and excellence of service.

Deliver good service and hard work.

Integrity is not negotiable.

Professionalism and honesty.

Our mission begins with understanding the clients' needs and ends when total client satisfaction is achieved.

To be a successful business without compromising honesty and loyalty.

Bigger isn't better. We are a small dynamic team with an acknowledged reputation built on referrals.

For all your property needs.

You don't have to be big to be good.

To find the perfect home with value for our customers' money. We want our clients to be happy.

Professional property people assisting those who want to buy or sell their home reasonably.

Estate agent and property brokers.

Ons onderneem om ons kliënte se sake met goeie trou en integriteit te bedryf en hul belange bo ons eie te plaas.

A happy buyer makes a future seller, a happy seller will be a future buyer.

Real action in Real Estate.

To provide the best professional service in buying and selling and to protect our clients' capital investment.

As realtors, our clients get our total care and commitment.

Going places with . . . . .

If we don't have it, we'll find it.

People with whom you feel at home.

Where happy homes begin.

To serve our disadvantaged community in honesty.

What you need is our command.

To recruit high calibre people and train them to become professionals in the real estate industry.

To provide high service standards and sound advice with highest regard of ethical standards.

You can trust DISA. 16 years of service excellence.

Technology driven.

To match buyers and sellers of residential property, using trained personnel who, with care and integrity, provide a superior and professional service.

We get results.

We strive for the highest standards of excellence and professionalism in property and related services.

We turn fantasy into reality.

Value for money for the middle income group.

Be a team player.

To help people buy and sell property.

Do to others as you would have them do to you.

Professional solutions to the housing challenge.

We offer the best service quality to buyers.

To gain 70% market share in the areas of Centurion where we are active.

Join the winning team and be a winner.

Ons streef steeds na beter diens.

To be the Estate Agency a cut-above the rest, giving the best service to our customer for best returns.

Area specialists with 15 years experience in Onrus and Vermont.

One call takes care of it all.

To provide a professional service.

To be the only agency you would phone for all your property needs.

Roots T & C is the only estate agency specialising exclusively in rural properties in the Cape.

Service excellence in providing to buyers and sellers with what they want.

To be the best. Give best service.

To provide professional service to disadvantaged communities.

Where property problems are solved.

We build on our success. Building homes for you and your family for over 32 years.

Our success is your satisfaction.

To serve the full spectrum of the property industry, both buyers and sellers, to ensure that they understand all the implications of the property law.

To maintain a highly respected office where clients receive consistently superior service and to sustain an atmosphere where highly motivated people can feel challenged and grow.

Honesty service.

To serve the public of my town - to strive for success and prosperity.

To provide above average service to the public.

Where we make it happen.

To list and sell properties giving buyers and sellers a fair deal and working the transaction from a solid foundation.

We aim to create long-term profitable growth by remaining committed to providing the highest level of customer service and enlightened progressive management with trained dedicated and well motivated staff. We strive to uphold all the principles upon which the business has been founded and using our considerable resource base, we are acknowledged as one of the leading Real Estate Groups in the country.

Your partner in . . . . .? (not clear)

Begin with us, stay with us.

Dis goed om die grootste te wees maar veel beter om die beste diens te lewer.

Everything we touch turns to sold.

Making sales - making friends.

Is it the truth, is it fair to all concerned, will it build goodwill and better friendships, is it beneficial to all concerned?

Affordability.

Put "the specialists" to work for you and get the very best in service.

To make money and earn a living.

Our name is our guarantee.

Professional excellence, small enough to care.

We house our community.

Vir diens en tevredenheid.

Service above self.

The personal approach to marketing real estate.

Service first.

Service excellence.

To conduct business in an ethical and honest manner.

We are here to do business.

Do to others that you would like others to do to you.

Professionalism with empathy.

We will make your dreams reality.

Service with integrity, reliability and efficiency,

PPP (Position, position, position).

Our commitment is the empowerment of the underprivileged through property ownership, management and control. We wish to enable the underprivileged to participate economically in all forms of property.

Ons laat jou geld vir jou werk.

Caring for you in matters concerning life.

Your property people.

Your partner in property.

The agency that will give you a true realistic value for your property. Honesty is our motto.

Our principle aim is to provide service excellence in all our endeavours.

To provide the best service possible to both buyers and sellers (to effect a win-win situation).

We care.

The king of real estate. Proven track record.

To offer an honest service to all our clients.

"We take you home."

Leader of the pack.

To help the client to the best of our ability in selling and purchasing property.

We are housing the poor of the poorest target group.

We value people as well as property.

To be the best estate agency in our area.

The property professionals.

To provide clients with honesty and integrity in all matters related to the sale and lease of property.

With honesty, integrity and a strong knowledge of our business we will take the market.

We have a goal and work towards that.

Credibility, sincerity and integrity.

Diens en nogmaals diens.

We aim to give better service.

To, through professional service, bring together willing and able buyers and sellers.

The one stop property experts.

We sell property - it is our business.

One team with the best people; providing the best service; offering widest range of beneficial products to marketplace; working to have greatest growth in market share; maximise profits from operations.

To build trust, to protect, honesty and to educate.

Your right to own a home.

Honesty, integrity, reliability and excellent service.

Our clients are our assets.

Conservation values with innovation ideas.

General Real Estate business.

Everything we touch turns to sold.

Sell quality and deliver good service at competitive commission.

Service Excellence.

At reduced commission your house becomes more competitively priced - cheaper houses sell quicker.

Always there for you.

To be recognised as the major national, residential real estate marketing group where all strive to:

- Be one team with the best people.
- Provide the best service to customers.
- Be the leadership team by offering the widest range of beneficial products to the market.

Always there for you.

To do a great deal for you.

We serve.

Always there for you.

Clinch to top class service.

To be recognised as the major, national residential real estate marketing group. "Always there for you".

Leaders of the past. Leaders for the future.

Quality service through quality people - our mission is to secure the top negotiators.

Let our family sell your family a home.

We sell more homes than everyone else.

If not in business for money, what are you doing here?

It is a statement for us to reach our goals and the direction our company is moving.

To provide the finest professional service within the property market, to maintain our position as market leaders and to preserve the highest level of client service.

To give a honest and knowledgeable service.

To become the biggest and the best service-oriented estate agency in our area.

Service to the client.

To provide a quality of service to meet the specific needs of all sectors of the community whether it be through the purchase and sale of properties or the rental thereof.

To give quality, personalised service and in so doing increase sales. We aim to be the trusted name in real estate.



Your satisfaction, our commitment.

You will be "sold", on us - personalised care and excellent service.

To market and sell properties to the satisfaction of both buyer and seller.

We do our "homework" better.

Trading as "Savewell homes" says it all.

To sustain an office where clients perceive consistent superior service. To sustain an atmosphere where highly motivated people can feel challenged and grow. To achieve and sustain premier market presence in all areas of influence.

To be everything to everybody.

Om deur integriteit die standaard van bemarking in groter Rustenburg te verhoog.

Modus Operandi.

To fulfil our mandate with integrity in the shortest time possible and to the satisfaction of all parties involved.

Good, honest and professional service. The interests of the client always come first.

To enable all families to own their own homes.

If you're a satisfied customer don't tell us, tell others.

Honesty, integrity - Just to be a "mensch".

Prompt and reliable service.

For uncompromising quality service.

We ensure the best possible deals for both our buyer and sellers and offer the personal and dedicated service that only a small company can give.

Honesty with all clients at all times even if you lose a sale.

Country living.

Honesty, integrity makes you knowledgeable.

Dedication to professional property services.

To be the most successful agency in our geographic area by providing fast, efficient, friendly and professional service to all customers.

The real estate company of first choice in our chosen area of service.

To provide an open/honest service to all communities.

Five star service.

The best outruns the rest.

Give the best possible service to sellers and buyers,

To be professional and ethical.

To offer an informative service.

To provide expert service in Real Estate marketing.

Professionalism with the personal touch.

Coordinating endeavours to uphold honesty, integrity and will devote care to clients.

Nehemia 2:20 in Bible.

Isaiah 58:12, Ezekiel 36.

To work with a 24 hour turnaround time, to work with honesty, integrity, efficiency, work hard and smart. To be the biggest agent in Lenasia South.

Integrity and service leads to successful deals.

To give outstanding service to both a prospective buyer and seller in the buying/selling of property.

To guide retired elderly people towards a secure lifestyle in an environment which is financially sound and protects them for the rest of their lives.

Good and fair service to buyer and seller.

For a home that meets your needs - honest integrity.

Honesty and service.

Content brings confidence.

A good deal for everyone.

Integriteit en professionele diens gewaarborg.

### **It is the SEEF mission**

- ☛ To be recognised, first and foremost, as the leading supplier of products and services in the retail market, specialising in property, investment and related financing. We will achieve this because of our:
  - ☛ Prioritisation of clients' needs as paramount
  - ☛ Commitment to our management, staff and sales people's needs and aspirations
  - ☛ Ethical standards which are beyond reproach
- ☛ To enter the corporate market and expand internationally in the medium to long term.
- ☛ To provide a secure and growing investment for our shareholders.

To ensure new innovative leadership and growth in the Real Estate Industry through a service-orientated team effort, ensuring:

- ☛ real value for money
- ☛ customer satisfaction
- ☛ the continuous empowerment of our ERA team members
- ☛ the maximising of profits from national and international operations to the benefit of the Jigsaw Group Nationally and the ERA family globally.

The Mission of Realty Executives is to affiliate with the top Real Estate Sales Professionals in the markets we serve. This quality control process will ensure that our Team of Executives have the knowledge, motivation and commitment to provide the highest level of service satisfaction to our clients. Our corporate culture will be one of exceptional Teamwork, Service, Integrity and Caring.

The Golden Rule of "Doing unto others as we would really like them to do unto us" will be the standard by which we measure our success.

As a result of this mission our team of Realty Executives will be the most productive in the industry and those that we serve will recognise and applaud our commitment and results.

**ANNEXURE C**

**MISSION STATEMENTS OF  
ONE-MAN ESTATE AGENCIES**

## MISSION STATEMENTS OF ONE-MAN ESTATE AGENCIES

Open honesty and fair business transactions.

Striving for service excellence. Let's keep our environment clean and beautiful.

Discretion and honesty.

To reach the customer's need.

To serve the public - rich and poor.

100% service.

Customer is first with quality advice and service.

Homes for the discriminating buyer.

To supply what the client requires and to treat all clients with integrity, respect and honesty.

We sell homes, not houses.

To offer .....? Property professional service.

Pay less for your product - purchaser save on commission - purchaser and seller.

To help would-be home owners to the best of my knowledge and ability.

Integrity, service and success.

To provide an exclusive service to top market sellers of houses.

To always meet the client's requirements as first requirement and priority. Honest and straight-forward follow-up service.

Client satisfaction.

As my surname is "Human" my statement is simple: "Human enough to care".

Service is Honesty.

Providing professionalism, integrity and understanding the clients needs, ensuring a smooth and trouble-free transaction.

Efficient, professional, caring service.

To give seller and purchaser an honest deal. Explanations are best.

Keep your ear on the ground and your eyes open.

Quality service to home ownership.

Through mother earth, the fertility of water and our own creativity, with the passage of time, we will enjoy growth and sustainability in our community.

Trusting those who trust us to help them. A business succeeds not because it is big or because it has been long established - but because it has people in it who live it, sleep it, dream it and build great future plans for it.

To work for the buyer - searching, presenting suitable options, then negotiating the purchase at conditions favourable to the buyer.

Integrity - more than a decade on AURORA.

To assist people to buy a house that they can afford.

Be positive, trustworthy, available, respectable and at all times honest.

Personal, friendly service.

Wren estate for real estate.

We sell with flying colours.

At your service in properties.

We sell a better life style.

Excellence in property transactions.

In pursuit of honesty, integrity and service.

A cut above. Service excellence.