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**REAL ESTATE AGENTS AND CONSUMER SERVICE:
THE VOICE OF A BUSY MARKET**

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***Abstract:** Research into consumer perceptions of the service offered by real estate agents has tended to be ad hoc and spasmodic, or conducted by organisations who regard the results as commercially sensitive. Despite high public interest and consumer group criticism about the quality and cost of services offered by real estate agents, consumer research findings are seldom released into the public arena. One notable exception has been the residential consumer research conducted for the Real Estate Institute of New Zealand at regular intervals over the past decade. A random selection of recent buyers and sellers were mail surveyed and asked to provide opinions about the quality and cost of services offered to them by real estate agents with whom they had contact during their purchase/sale transaction. Surveys have been conducted every three years since 1990, and again in 2003 (five in total). The 2003 survey, based on an identical sample frame used in 2000, was based on a random selection of 4500 recent users of residential real estate services in the cities of Auckland, Christchurch and Dunedin, and the provincial regions of Wanganui/Manawatu and Waikato/Bay of Plenty/Gisborne. The findings are published by the Institute and attract considerable interest from real estate practitioners, academics and the public at large. This paper examines and discusses the findings of the latest survey and also explores comparisons with findings from the previous four surveys. Interestingly, the 2003 survey was conducted in a very busy market and the findings have also been examined from that perspective.*

INTRODUCTION

Real Estate agents in New Zealand continue to enjoy a tightly controlled monopoly in real estate sales, bolstered by a statutory licensing regime established under the Real Estate Agents Act (1976). Approximately 90% of all residential properties in New Zealand are sold through real estate agents. Over recent times successive governments have indicated a strong desire to free up the existing monopoly by allowing new competitors, such as lawyers and conveyancers, into the property sales arena. These moves, along with intense interest displayed by media and consumer groups, have focussed attention on the often-expressed negative public perception of real estate agents. The governing body for real estate agents, the Real Estate Institute of New Zealand, holds deep concerns over both the move toward deregulation and the negative public image of real estate agents. Over the past few years the Institute has been pro-active in meeting the criticism of the real estate industry by offering an alternative view. The Institute regularly releases articles of an informative and more positive nature for publication by newspapers and magazines. In addition, regular consumer research commissioned by the Institute is designed to provide useful feedback to both members and the general public on opinions of recent users of real estate agency services. The 2003 consumer research report (Crews and Dyhrberg, 2004), the prime focus of this paper, is the latest in the Institute's regular series, which is based on a model developed by Baen (1992) for international comparison of real estate service quality. Comparison of the 2003 results with those of 2000 (in particular), 1997, 1994 and 1990 reflect signs of a significant decline in consumer perceptions of some aspects of real estate service quality. However, the findings also confirm those of Baen, and others, (Crews, 1989 and 1993; Crews and Wilkinson, 1998; Crews and Dyhrberg, 2001; Consumers Institute, 1992, 1996 and 2000), i.e. recent users/consumers of real estate services have a higher opinion of real estate agents¹ than the public at large. Three further nation-wide comparative surveys, conducted by the Consumers Institute of New Zealand in 1992 and 1996 and 2000, are also referred to in the paper.

METHODOLOGY

The Real Estate Institute of New Zealand commissioned the Department of Finance, Banking and Property, Massey University to conduct a national survey on the quality of service offered by real estate agents to home buyers and sellers. The Institute's instructions were to undertake a mail survey on a sample of buyers in three of the country's major cities – Auckland, Christchurch and Dunedin, and two regions – Waikato/Bay of Plenty/Gisborne and Manawatu/Wanganui. The survey was to be based on similar research conducted for the Institute in 1990, 1994, 1997 and 2000. The same three cities were sampled in the 1994, 1997 and 2000 surveys, whilst Wellington rather than Christchurch was sampled in 1990. The

¹ In New Zealand, the legal definition of a real estate "agent" is the person or company with a licence to operate a real estate business. The "agent" employs salespeople, usually as independent contractors, who commonly deal with buyers and sellers. In this paper the term "agent" is used to refer to both agents and salespeople, as the general public, responding to surveys, rarely make a distinction between the two.

two regions (Manawatu/Wanganui and Waikato/Bay of Plenty/Gisborne) were added to the survey for the first time in 2000, for the purpose of broadening the previously confined city based sample.

Sample

The sample frame consisted of recent buyers of residential real estate in the cities of Auckland, Christchurch and Dunedin – Sample Group A, and two regions, Waikato/Bay of Plenty/Gisborne and Manawatu/Wanganui – Sample Group B. From the sample frame's total of 20,149² residential dwelling sales reported in the REINZ Sales Statistics from July-September 2003 a computer generated random sample of 4500 properties was selected. The sample was based on the relative proportion of sales concluded in the three cities (Sample Group A) and the two regions (Sample Group B) over the period. The total sample consisted of 1,963 (43.6%) properties in Auckland, 760 (16.9%) in Christchurch, 277 (6.1%) in Dunedin, 1,132 (25.2%) in Waikato/Bay of Plenty and 368 (8.2%) in Manawatu/Wanganui. Each city/region's sample was further proportionally split between residential house sales and units/townhouse/apartment sales.

Questionnaire

The survey instrument was based on the questionnaire developed by Baen (1992) and used in the four previous surveys. For the first time since the series commenced a review of the questionnaire was undertaken and a number of changes were implemented. On the instructions of the Institute additional questions were added to the questionnaire and a number of questions now considered redundant were removed. Some questions were also re-ordered to improve the flow for respondents. Whilst modifications to the questionnaire were not expected to affect the validity of survey comparisons, new questions were designed to update and enhance relevance of the findings. Questionnaires were mailed on 18 November 2003, addressed to the occupiers of the 4500 selected properties included in the sample. Each questionnaire included an explanatory letter, a set of guidelines for respondents and a Freepost envelope for returning the questionnaire.

Data Collection

Of the 4500 questionnaire mailed out to the survey sample a total of 926³ responses had been received by 9 January 2004. 9 responses were blank, or unusable. Valid responses totalled 917 (20.3% of sample size). Auckland responses totalled 377 (41.1% of valid responses), Christchurch 161 (17.6% of valid responses), Dunedin 54 (5.9% of valid responses) Waikato/Bay of Plenty/Gisborne 228 (24.8% of responses) and Manawatu/Wanganui 97 (10.6% of valid responses). Respondents who were renting their properties totalled 38 (4.1% of valid responses) leaving 875 responses (19.5% of the sample) available for further analysis. All of these respondents completed the "Home Buyer Survey" section of the questionnaire. 52.6% (482) of respondents also completed the "Seller's Survey" section of the

² REINZ Residential Sales Statistics record total dwelling sales for New Zealand July-September 2003 as 31,018.

³ 212 questionnaires were also returned by New Zealand Post marked "no such address".

questionnaire, i.e. they responded as both buyers and sellers. 9 further responses, received after the close-off date of 9 January 2004, were unable to be included in the analysis.

RESULTS AND DISCUSSION

The following are highlighted extracts from the results of the 2003 consumer survey. Full results are available in the Real Estate Institute of New Zealand's Real Estate Consumer Survey Report (Crews and Dyhrberg, 2004), downloadable from <http://www.reinz.org.nz/reinz/public/news/consumer-survey.cfm>. For the purpose of enhancing the validity of comparison with previous surveys, the 2003 findings exclude the responses from Sample Group B, i.e. the two regions.⁴ Where practicable findings are compared with the previous four survey findings and reference to other publicly available research is also included. Due to the unavailability of raw-data from the 1990 and 1994 surveys statistically significant differences with the findings of those surveys cannot be analysed. Comparative results with 1990 and 1994 consist of descriptive statistics only. However, statistically significant differences between the 2000 and 2003 surveys are analysed using the Mann-Whitney U non-parametric test at a 95% confidence level. The Mann-Whitney test results are included in the following extracts.

⁴ Mullins (2001), in his paper on real estate customer opinions, has focused on the 2000 survey and completed a comparative study of the cities and regions (Sample Group A and Sample Group B).

Buyers' Section

Sample Group A – Auckland, Christchurch, Dunedin

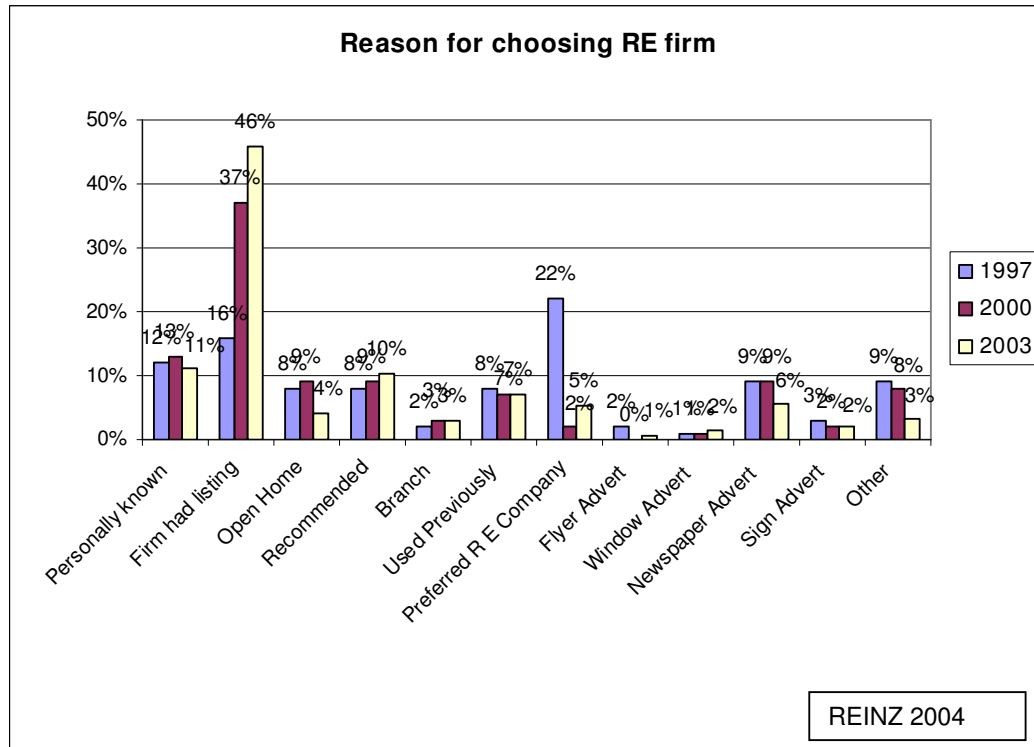


Figure 1: Buyers' survey Q6 Why did you choose the real estate firm you dealt with?

46% (262) chose the firm because it had the listing, 11% (62) knew someone in the firm personally and 10% (62) of the chosen firms were recommended. When open homes (4%), used firm previously (7%) and chose branch of preferred firm (5%) are added then 86% of respondents chose their real estate firm because it had the service, people or product (home) that they wanted. In other words 86% of buyers were reacting to “pull” rather than “push” marketing, such as advertising. Differences in the response coding of this question prevent a direct comparison between the past two surveys of the series, and previous surveys. However, re-grouping of past findings indicate that 78% of buyers were also reacting to “pull marketing” in 2000, 76% in 1997, 75% in 1994 and 72% in 1990. The past two surveys reflected an apparent “switch” in sellers’ highest ranking from “Preferred R E Company to “Firm had Listing”. The survey consultants (Crews and Dyhrberg, 2001 and 2004) hold the view that this may be a result of reinterpretation of the question by respondents.

Johnson, Nourse and Day (1988) report findings to a similar question in an exhaustive North Carolina study. They explain that consumers select an agency as follows:-

- the individual salesperson is more important than the firm in the selection of an agency.

- knowing a salesperson is the principle factor in the selection of a firm; and
- consumers rate the salesperson characteristics (selling ability, competence, integrity, market knowledge and ability to understand client needs) as very important.

The National Association of Realtors (2004), in their survey of home buyers and sellers, reported that 42% of buyers choose an agent on the basis of their reputation.

Sample Group A – Auckland, Christchurch, Dunedin

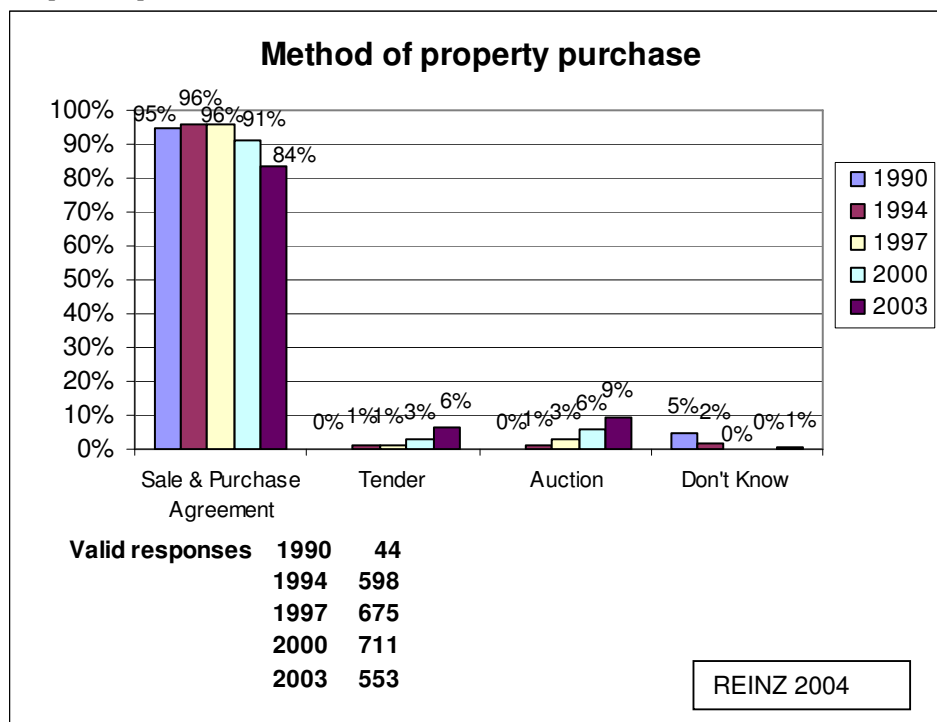


Figure 2: Buyers’ survey Q9 Under what method did you purchase your property?

84% (464) of buyers reported purchasing their homes through the standard method of a Sale and Purchase Agreement, whilst 6% (33) reported purchasing through Tender and 9% (50) through Auction. The current findings record a continuing upward trend in the percentage of buyers reporting purchase by Auction or Tender. However, as recorded in the 1997 and 2000 findings, the percentages remain low, a finding that was unexpected in view of the continued high profile of residential auction marketing. It is possible that some respondents who reported their purchase through the standard Sale and Purchase Agreement may have done so as part of an auction marketing programme but not actually “under the hammer”.

The survey findings are supported by a study of 1350 home buyers and sellers conducted by the Consumers Institute of New Zealand (2000). Only 7% of seller respondents reported selling through Auction. In a preceding study the Consumers Institute (1996) found 5% sold through Auction and 2% through Tender.

Sample Group A – Auckland, Christchurch, Dunedin

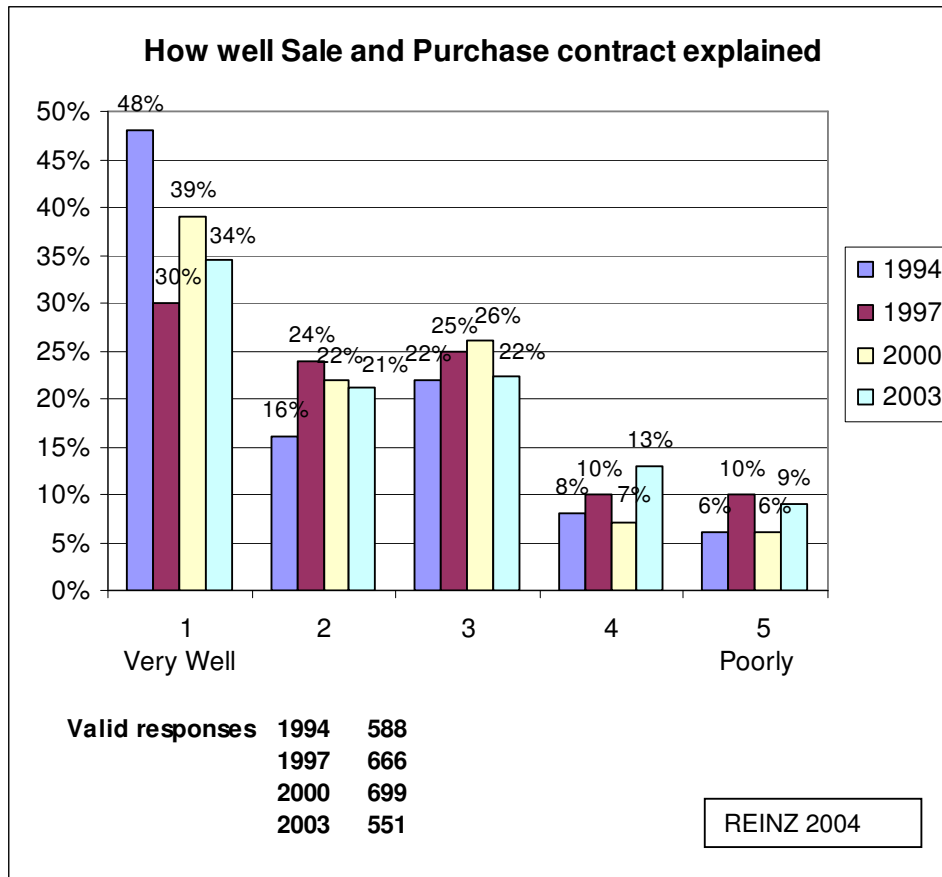


Figure 3: Buyers’ survey Q 10 How well was the contract for Sale and Purchase explained?

34% (187) reported the Sale and Purchase Agreement as being very well explained, whilst 9% (50) reported it as poorly explained. 55% of respondents (grouping scales 1 & 2) found the agreement to be “well” or “very well” explained. Comparison of these findings with the 2000 survey indicates a reversal in the improved buyer perceptions reported at that time. In 1990, 1994, 1997 and 2000 53%, 48%, 30% and 39% of respondents respectively reported the Sale and Purchase Agreement as being very well explained whilst 5%, 6%, 10% and 6% respectively reported it as being poorly explained. When comparing 2000 to 1997 results, Crews and Dyrberg, (2000) had found that buyers reported a statistically significant improvement in the standard of the agent’s explanation of the sale and purchase agreement.

Sample Group A – Auckland, Christchurch, Dunedin

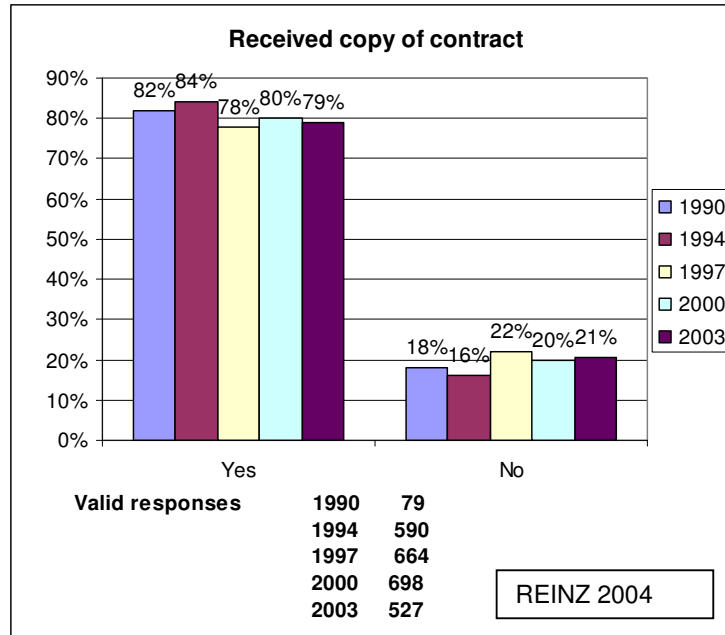


Figure 4: Buyers' survey Q11b Did you receive a copy of the [Sale and Purchase] contract at the time you signed it?

79% (416) of buyers received a copy of the contract at the time of signing and 21% (111) did not. Indications are that, over the past decade, a substantial minority of agents servicing the survey sample remain in breach of the Real Estate Agents Act, Section 65. This finding may be linked to earlier reports of high sales-staff turnover rates within the industry (Keys, 1988 1990 1991; Livingston, 1991 and Crews, 1992). Livingston and Crews, in separate studies of the New Zealand real estate sales-force, reported significant percentages of salespeople with less than one year's service. The potential downstream effects of high staff turnover are lower levels of skill and experience, which may lead to a poorer understanding of the requirements associated with documents such as the Sale and Purchase Agreement.

Sample Group A – Auckland, Christchurch, Dunedin

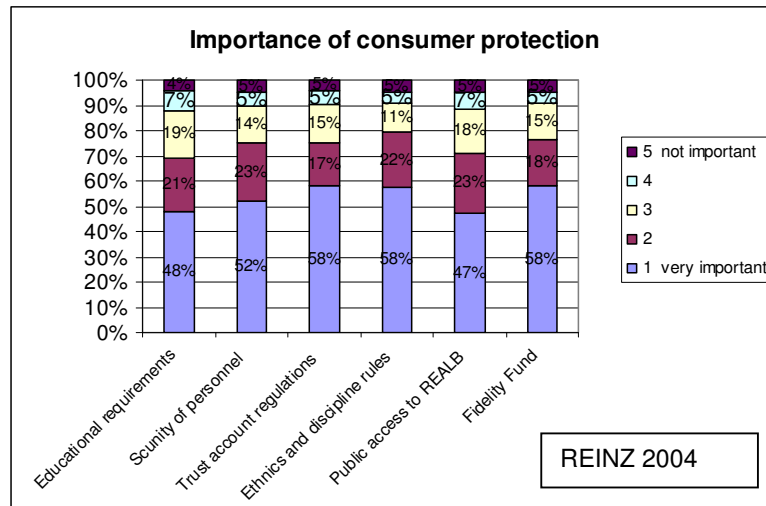


Figure 5: Buyers’ survey Q14b (summary) What importance do you place on the [consumer protection] requirements [as offered by licensed real estate agents]?

Buyers were asked to rate their importance of specific consumer protections as listed in question 14aa. The above chart summarises buyer responses to the question. Buyers rated the specific protections as “very important” in a range of 47-58% [57-68% 1997, 52-67% 2000]. The range lifts to 70-80% [73-81% 1997, 71-82% 2000] when points one and two on the scale are grouped as “importance” ratings. Significantly, a range of only 4-5% [4-7% 1997, 6-7%] of buyers rated the specific protections as “not important “. The highest “importance” rankings were assigned to Fidelity Fund, Trust account regulations and Rules for ethics and discipline. The same three specific consumer protections were assigned highest “importance” rankings in 1997 and 2000. As reported in the 1997 and 2000 findings (Crews and Wilkinson, 1999, Crews and Dyhrberg 2001), responses to this question carry perhaps the strongest consumer message in the survey. Despite parliamentary moves toward occupational de-licensing and industry deregulation, consumers still strongly support prescriptive measures of protection.⁵

⁵ This question was not included in the 1990 and 1994 surveys.

Sample Group A – Auckland, Christchurch, Dunedin

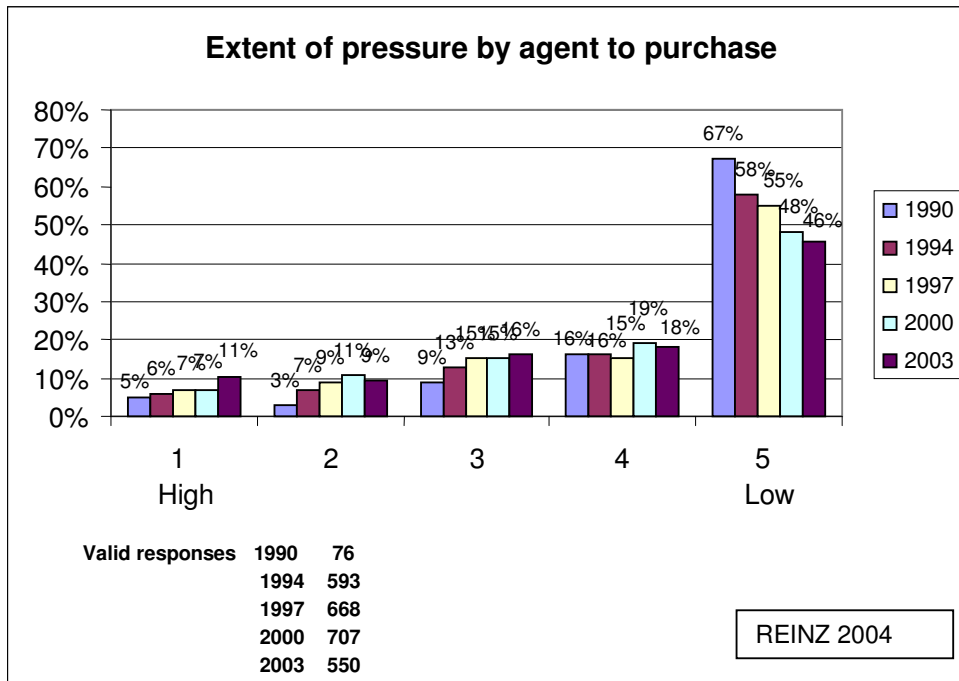


Figure 6: Buyers’ survey Q15 To what extent did you feel pressured into making the purchase by the agent?

11 (61) reported pressure by agent to purchase as high whilst 46% (253) reported pressure as low (less than 50% for the past two consecutive surveys). The findings confirm a downward trend over the decade in the percentage of respondents who perceived low pressure from the agent to purchase. Comparison of these findings with the previous surveys indicates more buyers perceiving higher pressure from the agent and less buyers perceiving pressure to be low. 20% of respondents (grouping of Scales 1 & 2) perceived pressure to be high or above average, more than double the 8% reported in 1990. When comparing 2000 results to 1997 (Crews and Dyrberg, 2000), buyers had reported a statistically significant increase in the extent of pressure applied by agents to purchase.

Sample Group A – Auckland, Christchurch, Dunedin

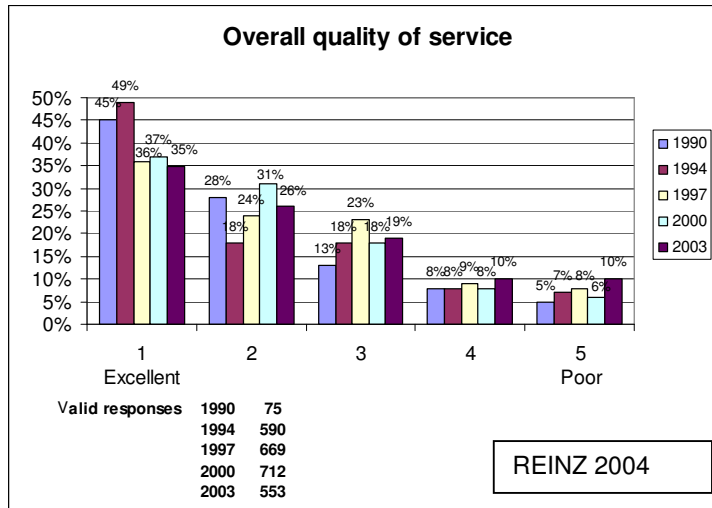


Figure 7: Buyers’ survey Q17 As a buyer, how would you rate the quality of overall service provided by the agent?

35% (194) of buyers reported the agent’s overall service as excellent whilst 10% (55) reported the agent’s service as poor. 61% (337) of buyers felt that the service was either above average or excellent (grouping of scales 1 & 2) whilst 20% (110) regarded it as somewhat poor. A comparison of these findings with the previous surveys indicates a drop in the percentage of buyers who felt the overall quality of service was excellent and a lift in the percentage who felt it was poor. The percentage of buyers who felt that the service was either excellent or above average (61%) can be compared more closely to the more favourable results recorded earlier in the decade (1990, 73%; 1994 67%, 1997 60% and 2000 68%). However, buyers’ perceptions of the personal service they received whilst purchasing their home is substantially more favourable than their general perception of the real estate industry. Comparing the above findings to those for Question 19 (Figure 8) the majority of buyers were satisfied, or more than satisfied, with the quality of their agent’s service despite their unfavourable general perception of the industry.

Interestingly, the Consumers Institute (1996) reported that almost 90% of buyers in their survey who used an agent would recommend it in preference to purchasing privately. The National Association of Realtors (2004), in a recent study of home buyers, found that 66% would definitely use the same agent again, or recommend the agent to others.

Seiler, Webb and Whipple (2000), in their Midwest American study of real estate service quality, sound a note of warning about consumer questions relating to overall service. They state that order bias may arise when the question is placed at the end of a questionnaire, rather than at beginning.

Sample Group A – Auckland, Christchurch, Dunedin

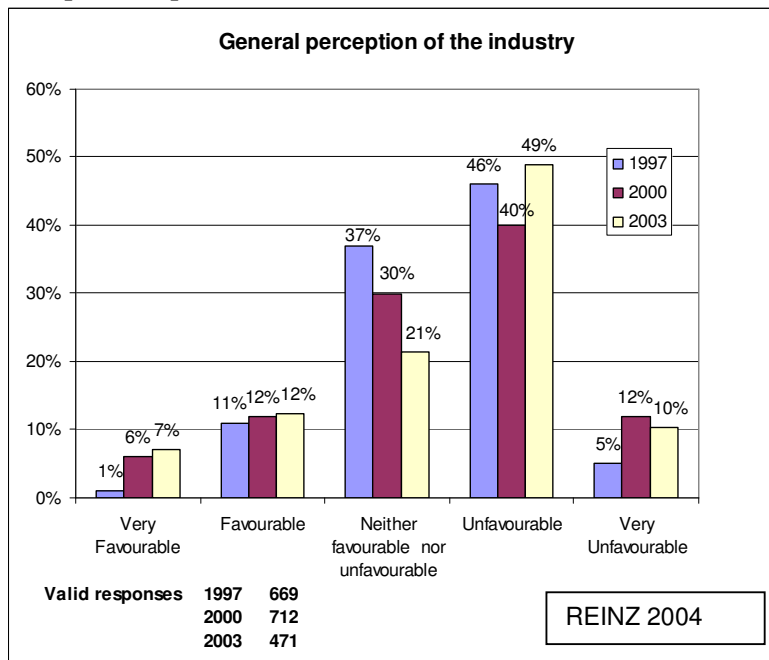


Figure 8: Buyers’ survey Q19 How do you perceive the real estate industry in general?

7% (34) of buyers reported their general perception of the real estate industry as very favourable, 12% (58) as favourable, 21% (99) as neither favourable nor unfavourable, 49% (232) as unfavourable and 10% (48) as very unfavourable. Note that buyer responses to this question were grouped and coded into the above five-point scale by the survey consultants. The results reflect increasing evidence of “clustering” on either side of the continuum, i.e. a greater percentage of buyers have more recently reported a very favourable/favourable or very unfavourable/unfavourable perception of the industry. Despite these findings, buyers’ perceptions of the personal service they received whilst purchasing their home is significantly more favourable than their general perception of the real estate industry. Comparing the above findings to those for Question 17 (Figure 7), the majority of buyers were satisfied, or more than satisfied, with the quality of their agent’s service despite their unfavourable general perception of the industry. These findings are also consistent with other consumer research on the real estate industry, i.e. whilst public perception of the industry has often been reported as poor, the majority of recent users of real estate services report favourably on the service they received.⁶ These findings are also consistent with other consumer research on the real estate industry. Consumers Institute, (1992 1996 2000); Baen, (1992); Crews, (1993).

⁶ This question was not included in the 1990 and 1994 surveys.

Sample Group A – Auckland, Christchurch, Dunedin

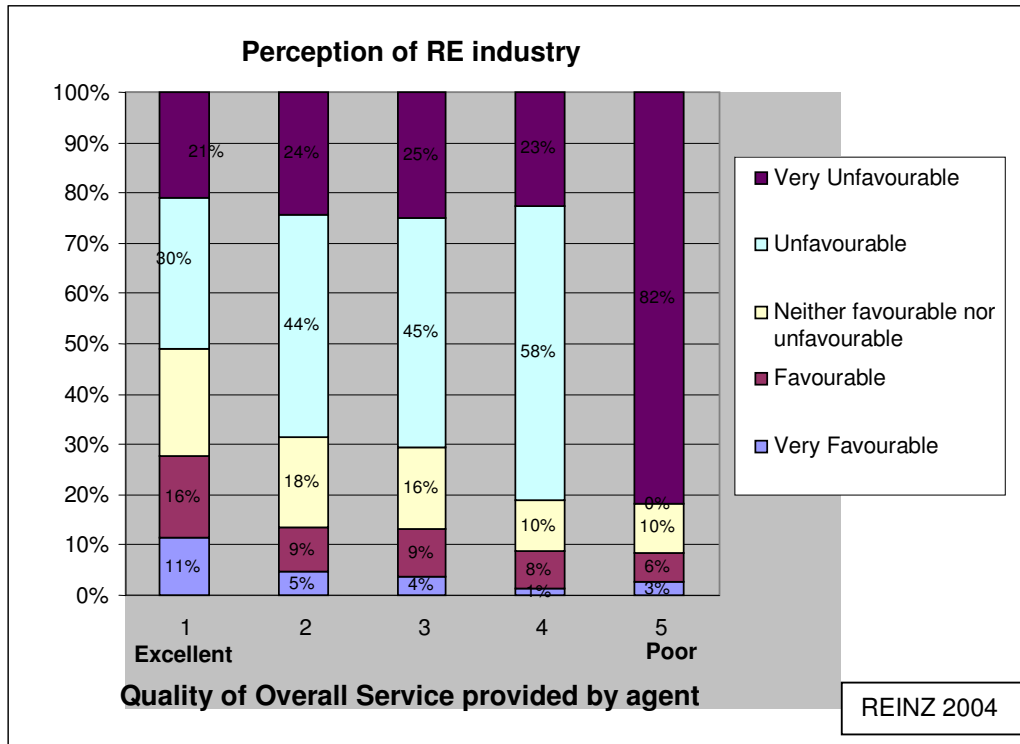


Figure 9: Buyers' survey Q17 by Buyers' survey Q19 Agents overall service by general perception of the industry.

The above chart explores the relationship between seller responses to question 17 and 19. Similar to previous findings, buyers who rated the overall service of their agent as above average or excellent were more inclined to report a favourable perception of the real estate industry. The reverse also applied, with greater emphasis, i.e. buyers who rated the overall service of their agent as below average or poor were strongly inclined to report an unfavourable or very unfavourable perception of the real estate industry. There is some evidence of further polarisation of views amongst buyers who reported receiving poor service. 82% (77%, 1997, 80% 2000) of this group reported an unfavourable or very unfavourable perception of the real estate industry.

Further Highlights in Buyer Findings

- When comparing 20003 results to 2000 buyers reported a statistically significant:

difference in the reason for choosing their real estate agent.
 Difference in the type of conditions their agreement was subject to.
 increase in the price bracket of their purchased home.

- 25% of buyers were purchasing their first home.
- 30% of buyers reported owning more than one home.

Sellers' Section

52.6% (482) of all respondents to the questionnaire also completed, or partially completed, the “Sellers’ Survey” section of the questionnaire, i.e. they responded as both buyers and sellers. For the purpose of enhancing valid comparison with previous results the following findings, extracted from the “Sellers’ Survey”, are confined to Sample Group A (Auckland, Chistchurch and Dunedin). 9.6% (289) of Sample Group A completed or partially completed the “Sellers’ Survey section of the questionnaire.

Sample Group A – Auckland, Christchurch, Dunedin

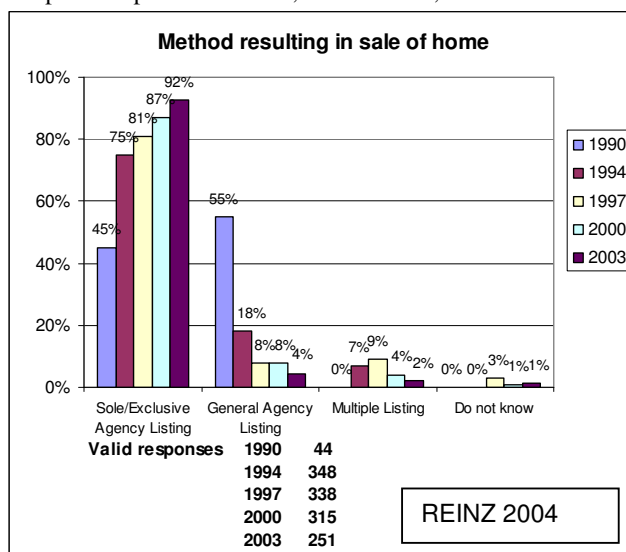


Figure 10: Sellers’ survey Q6 What method resulted in your home selling?

92% (290) reported a sale using a Sole/Exclusive listing compared to 6% (19) selling under a General or Multiple listing. Comparisons with previous surveys confirm not only the marked and consistent growth in Sole/Exclusive listings over the past decade but also the level of

success achieved for sellers when compared to alternative methods. The Consumers Institute (1996 and 2000) survey findings support these results with 69% of seller respondents reporting a successful sale through Sole/Exclusive Agency in 1996 and 79% in 2000.

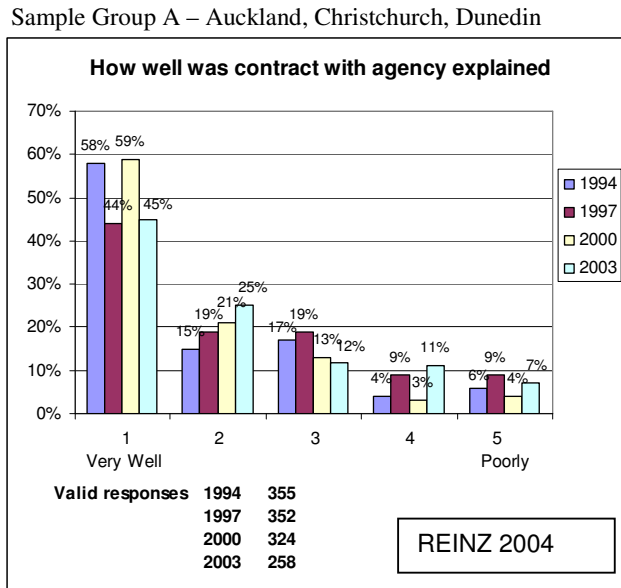


Figure 11: Sellers’ survey Q7a How well was the contract with the agency explained to you?

45% (116) of sellers reported the contract of agency as very well explained whilst 7% (18) reported it as explained poorly. 70% (grouping scales 1 & 2) reported an above average level of “satisfaction” with the explanation compared to 18% reporting a below average “satisfaction.” Much of the marked recovery in the positive nature of the 2003 findings has been lost, i.e. fewer agents are taking the time to provide an effective explanation of the contract of agency. The response findings also share a link with those reported in Question 7b - (see explanation next page).⁷ When comparing 2003 results to 2000, sellers report a statistically significant decline in their level of satisfaction with the agent’s explanation of the contract of agency.

⁷ This question was not included in the 1990 survey.

Sample Group A – Auckland, Christchurch, Dunedin

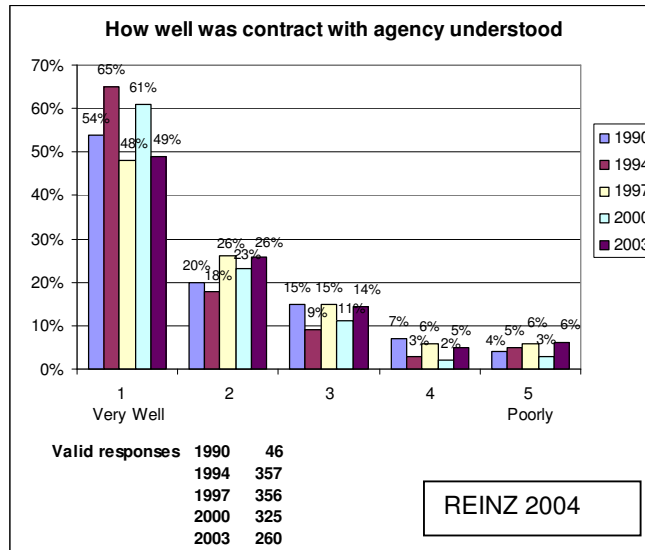


Figure 12: Sellers’ survey Q7b How well did you understand the contract with the agency?

49% (127) of sellers reported the contract of agency as very well understood whilst 6% (17) reported it as poorly understood. 75% (grouping scales 1 & 2) reported an above average level of “satisfaction” with the explanation compared to 11% reporting a below average “understanding.” Comparison with the previous two surveys shows that much of the marked recovery in the positive nature of the 2000 findings has been lost, i.e. as in 1997 less than 50% currently report that the agreement was very well explained. The response findings to question 7a (Figure 11) and 7b share a link (see chart and explanation on preceding page). When comparing 2003 results to 2000, sellers report a statistically significant decline in their level of understanding of the contract of agency.

Sample Group A – Auckland, Christchurch, Dunedin

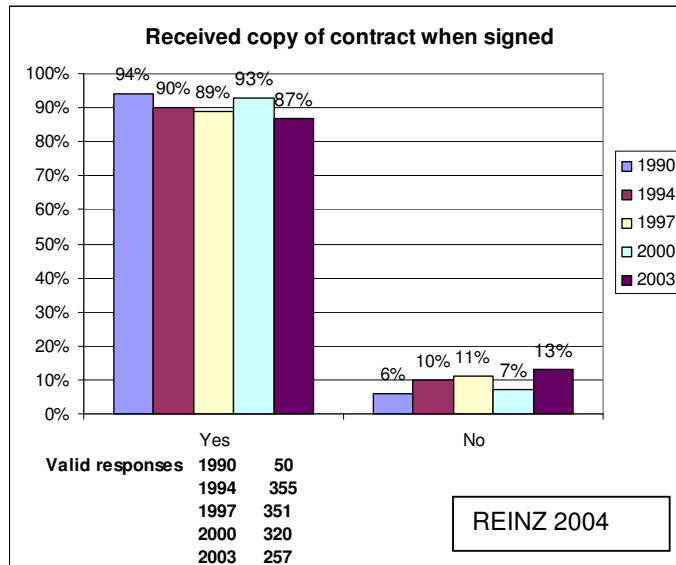


Figure 13: Sellers’ survey Q8 Did you receive a copy of that [agency] contract when you signed it?

87% (224) of sellers received a copy of the contract of agency at the time of signing and 13% (33) did not. Comparison with previous results, with the exception of 2000, indicate a trend over the survey series for less agents to provide a copy of the listing contract at the time of signing. An increasing minority of agents servicing the survey sample appear to be in breach of the Real Estate Institute’s Rule 14.2. The findings may also share a link with those reported in Question 11b (Figure 4) in the Home Buyers’ Survey which indicate that a substantial minority of agents are not providing a copy of the Sale and Purchase Agreement to buyers at the time of signing.

Sample Group A – Auckland, Christchurch, Dunedin

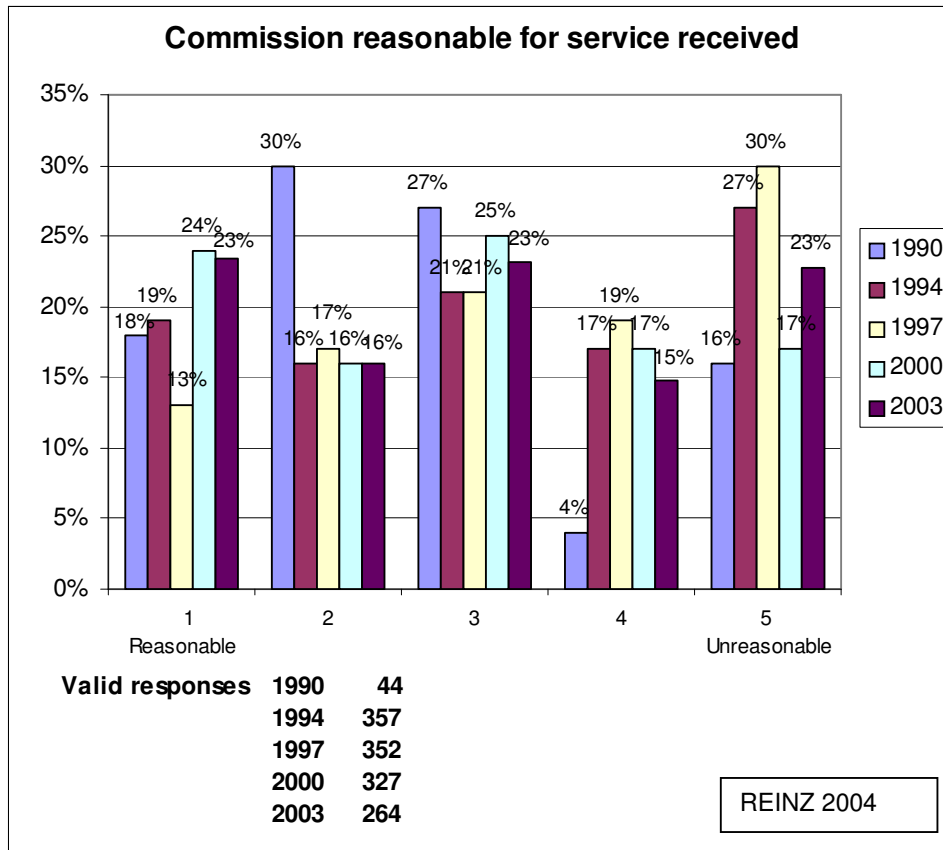


Figure 14: Sellers' survey Q10 To what extent do you feel, for the service provided, the agent's commission on the sale of your home was reasonable?

23% (61) of seller respondents felt that the agent's commission was reasonable whilst 23% (61) felt that it was unreasonable. 39% (grouping scales 1 & 2) of respondents reported feeling positive about the agent's commission whilst 38% (grouping scales 4 & 5) reported feeling negative. Comparison of these findings with the 2000 survey indicates a reversal of the improved seller perceptions reported at that time. When comparing 2000 results to 1997, sellers had reported a statistically significant improvement in their levels of satisfaction with the commission charged.

In view of the market environment that existed during the period that the 2000 survey was conducted, that finding was somewhat unexpected. Residential property prices had been softening for some time and agents were finding it difficult to meet seller's expectations on both price and length of time on the market. Agents are commonly negatively associated with failure to meet seller expectations (Crews, 1989 and 1993). Media and consumer groups are also critical of the fees that agents charge (Consumers Institute (2000)). However, market conditions that existed during the 2003 survey were very buoyant. Residential properties

were selling quickly⁸ and prices were continuing to firm. Nonetheless, an exploration of the relationship between the length of time a seller's property was on the market and the seller's rating of overall service provided to them by the real estate profession produced some evidence of a negative correlation. In other words the shorter the property was on the market the lower the levels of overall satisfaction. Sellers may have reflected that their property sold too fast, i.e. if the property had been marketed for a longer period they may have got a better price. By coincidence the 2000 and 2003 surveys were conducted at opposite ends of the residential real estate cycle, i.e. the market was at its softest in 2000 and strongest in 2003. Crews and Dyhrberg (2003) speculate that there may be a link between reported satisfaction levels and the state of the market at the time of both surveys.

The relationship between levels of sellers' satisfaction with the commission charged and confidence in agent's competence (Question 12, Figure 16) was also explored. Cross-tabbing established a strong link. 89% of sellers who regarded commission paid as reasonable for service received also rated confidence in their agent's confidence as high. It appears that sellers reporting high levels of confidence were perceiving added value from the service received.

Crews, in two earlier comparative pilot studies (1989 1993), also found a lift in levels of seller dissatisfaction with commission rates, although the majority of respondents in both of those studies were satisfied that commissions represented value for money.

⁸ 50% of sellers reported selling within the first two weeks compared to 18% in the 2000 survey.

Sample Group A – Auckland, Christchurch, Dunedin

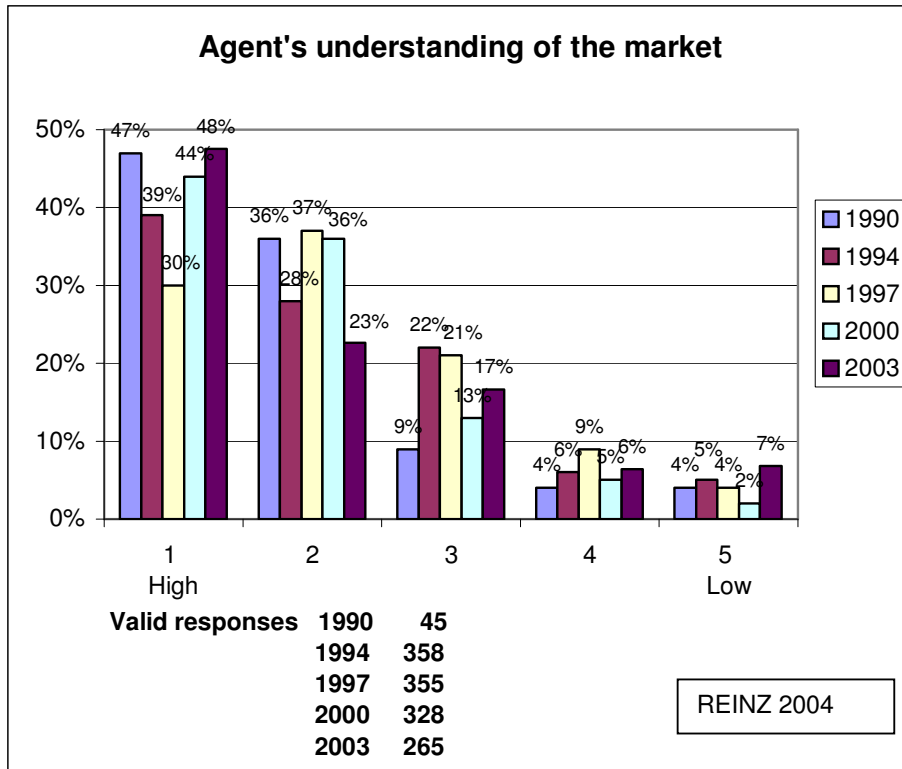


Figure 15: Sellers’ survey Q11 How well did the agent reflect an understanding of the market?

48% (127) of sellers reported their agent as having a high understanding of the market whilst 7% (19) reported their agent as having a low understanding. 71% (grouping of scales 1 & 2) of sellers reported agents as having an “above average” understanding whilst 13% of sellers (grouping of scales 4 & 5) reported agents as having a “below average” understanding of the market. When comparing 2003 results to 2000, sellers report a statistically significant improvement in their perceptions of agents’ understanding of the market. A statistically significant improvement was also reported in comparisons between 1997 and 2000 (Crews, 2001).

Sample Group A – Auckland, Christchurch, Dunedin

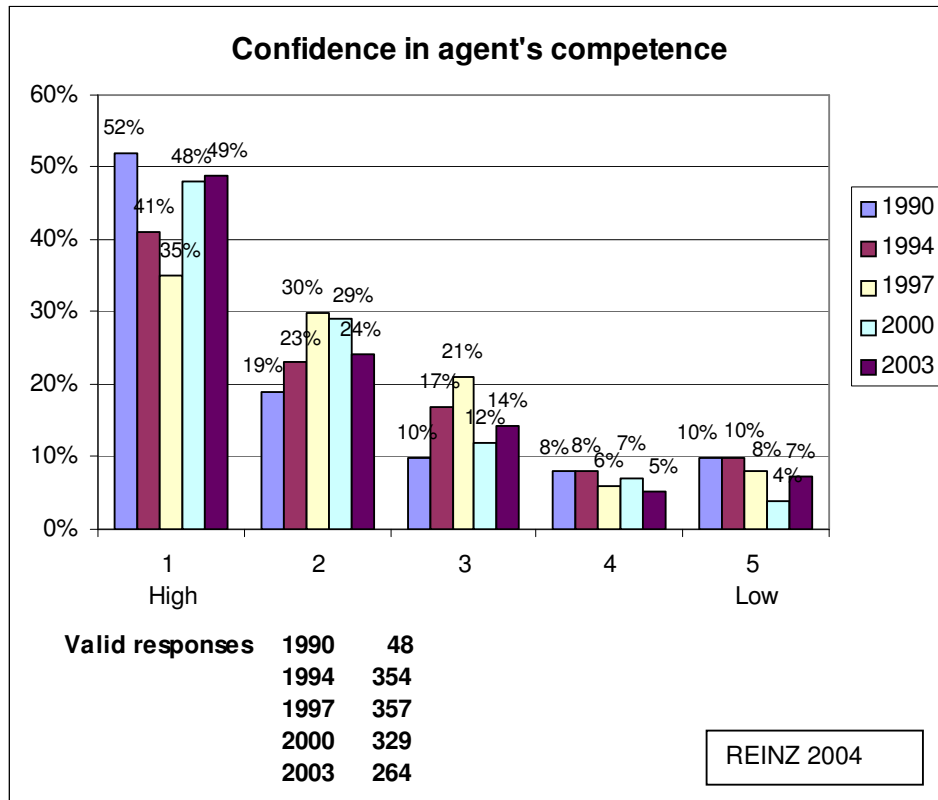


Figure 16: Sellers' survey Q12 To what degree did you have confidence in the competence of your agent?

49% (129) of sellers reported that they had high confidence in their agent's competence whilst 7% (18) reported low confidence. 73% of sellers reported "confidence" in their agent when points one and two of the scale are grouped together. When comparing 2003 results to 2000, the findings reflect a statistically significant decline in the sellers' reported levels of confidence in their agent. Refer also to the reported findings on Question 10 (Figure 14), where a strong link was established between high levels of confidence in the agent and satisfaction with the commission charged.

The validity of comparisons with 1990 and 1994 surveys may be questionable as the wording of the question was changed in 1997. The words "faith and trust" were replaced with "competence."

Sample Group A – Auckland, Christchurch, Dunedin

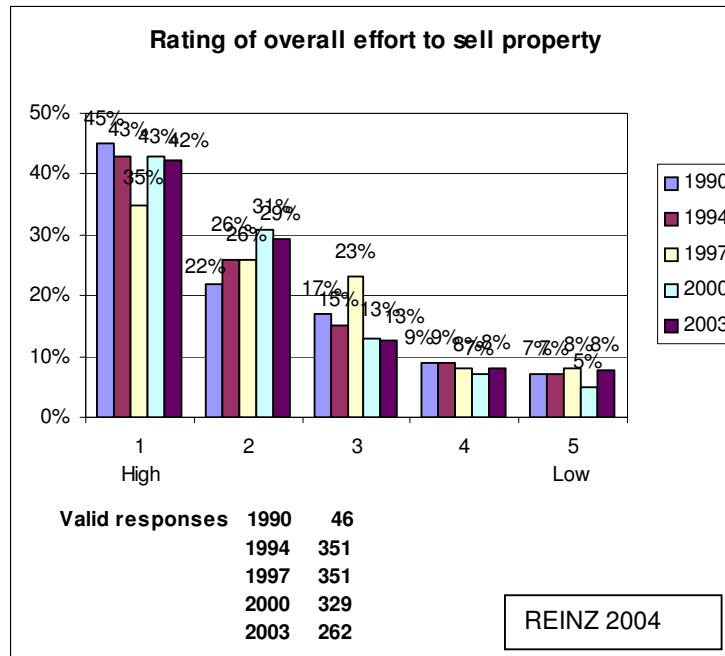


Figure 17: Sellers’ survey Q13 To what degree do you feel that all that possibly could have been done to sell your home was done?

42% (110) of sellers reported a high degree of feeling that all possible was done to sell their home whilst 8% (21) reported a low degree of feeling that all possible was done. 71% (grouping of scales 1 & 2) of sellers rated overall effort as “above average” whilst 16% (grouping of scales 4 & 5) rated it as “below average”.

When compared to 1997, the 2000 findings had reported a statistically significant improvement in sellers’ perceptions of overall effort to sell the property. However, 2003 findings reflect a return to previously reported negative rating levels of around 16%.

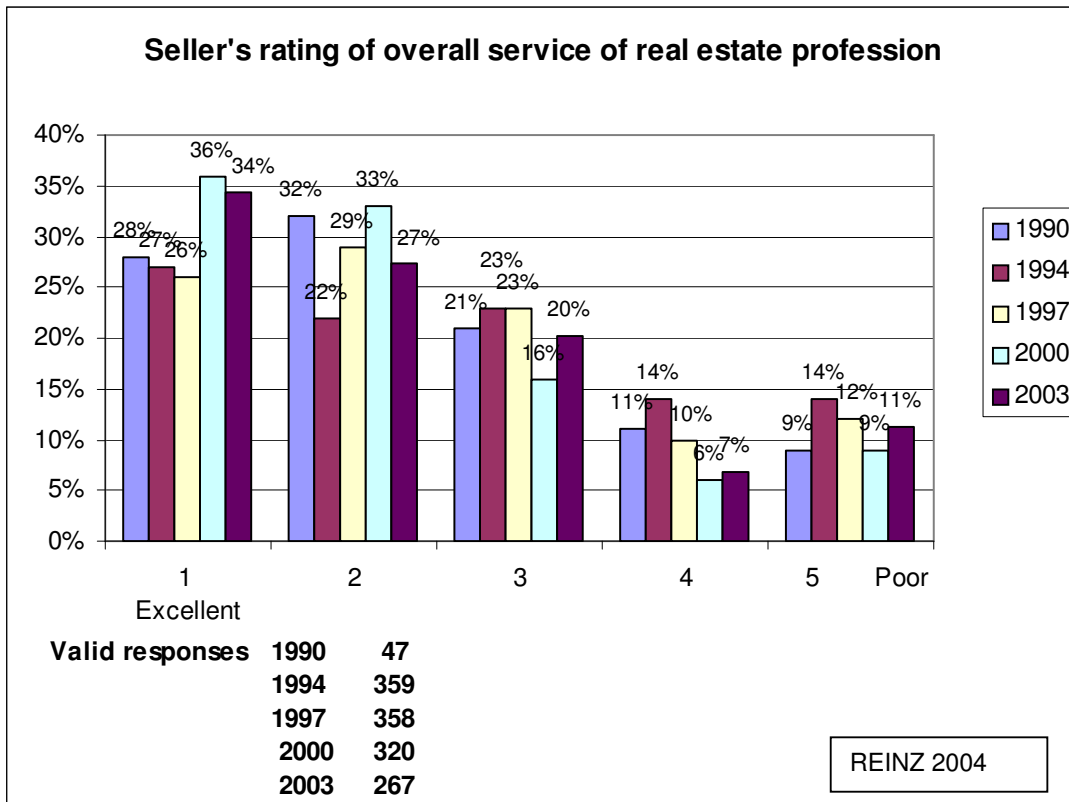


Figure 18: Sellers' survey Q18 As a vendor how would you rate the quality of overall service shown to you by the Real Estate profession?

34% (91) of sellers rated the overall service provided by the real estate profession as excellent whilst 11% (29) rated the service received as poor. 61% (163) of sellers felt that the service was either above average or excellent (grouping of scale points one and two). 18% (48) of sellers felt that the service was below average or poor (grouping of scale points four and five).

When compared to 1997, the 2000 findings had reported a statistically significant improvement in sellers' perceptions of the real estate profession's overall service, but 2003 findings reflect lost ground in that favourable finding.

The President of the Real Estate Institute of New Zealand (Morley, 2004) expressed concern about this and other similar negative results in the findings as 'slippage'. He called for a much more stringent code of behaviour and an increase in penalties for those agents who transgress.

Seiler, Webb and Whipple (2000), in their Midwest American study of real estate service quality, sound a note of warning about consumer questions relating to overall service. They

state that order bias may arise when the question is placed at the end of a questionnaire, rather than at beginning.

Further Highlights in Seller Findings

- The number of sellers using a different agent for sale and purchase showed a statistically significant increase. Sellers' reasons for using a different agent were linked to buyers' choices of their firm, i.e. the firm/agent is chosen on the basis of service, people or product (home, in the case of buyers) that they wanted.
- The primary reasons for selling were confirmed as buying a larger house, upgrading property, better locality and lower maintenance. These were the same primary reasons for selling as reported in 1997 (Crews, 1999) and 2000 (Crews, 2002).
- Whilst there was a statistically significant increase in the percentage of sellers that considered selling privately only 16% actually tried. Of those who chose not to try 84% reported "hassle" as the primary reason for their decision.
- Sellers recorded a statistically significant increase in the price bracket of their sold home.
- 29% of sellers reported "Open Homes" as the most effective marketing tool used in the sale of their property.

SUMMARY AND CONCLUSIONS

The Real Estate Institute of New Zealand remains committed to conducting regular consumer surveys, and to releasing the findings for public consumption. Against a background of a paucity of research focusing on the real estate industry, the survey findings continue to provide valuable insights into consumer perceptions of the standard and cost of services offered by New Zealand real estate agents. Whilst the 2000 survey had reflected generally higher consumer satisfaction levels than evident in previous surveys, the 2003 results reflect evidence of a decline in satisfaction levels, more closely comparable to the lows reported in 1997. When buyers and sellers in the 2003 survey were asked for their opinions on aspects of real estate services provided, declines in satisfaction levels were recorded in the responses to a number of key questions. In the case of seller responses to some questions the decline was reported as statistically significant. For example, buyers reported a decline in satisfaction with "explanation of the Sale and Purchase Agreement", and "overall service provided by the agent." Sellers reported statistically significant declines in rating of "explanation of the contract of agency", "understanding of the contract of agency", "confidence in agent's competence" and "quality of overall service provided by the Real Estate profession." As in 2000 and 1997, a substantial minority of agents fail to provide a copy of the Sale and Purchase Agreement to buyers at the time of signing.

The 2003 findings did reflect some positive results. For example, sellers reported a statistically significant improvement in their perceptions of "agents' understanding of the

market.” The 2003 findings, in keeping with the 2000 and 1997 finding, also confirmed that recent users have a higher opinion of the service offered by real estate agents than does the public at large. The findings also continue to confirm that buyers choose a real estate firm because the firm had the service, people or product (home) that they wanted, and that the majority of sellers were satisfied with the overall service provided by the real estate profession. The apparent contrast between 2000 and 2003 findings also raised other issues relating to timing of the surveys. Crews and Dyhrberg (2003) speculate that there may be a link between reported satisfaction levels and the state of the market at the time of survey. Significantly higher levels of satisfaction were recorded in 2000, in a soft market, than those recorded in 2003, during a strong market.

Crews (1999) had cited Baen (1992), the initiator of the Institute’s series of surveys, as stating “.....one characteristic of a profession is that members genuinely care about the public perception of them as a group and desire to improve their standards of performance in terms of delivering a better quality of service at a competitive and reliable price” (p 3). In reporting on the 1997 results Crews (1999) also expressed the view that “the real estate industry in New Zealand (assuming it accepts the mantle of a profession) should be concerned at any reverse trend in consumer perceptions, such as those indicated by many of the comparative findings in the 1997 study” (p 18). He suggested that it was then timely for real estate agents to examine and, where appropriate, improve, their service performance levels.

Whilst the 2000 survey findings had recorded evidence of improved delivery of service by real estate agents and significantly improved levels of consumer satisfaction, Morley (2004) refers to the 2003 findings as reflecting ‘slippage’ in public perception of the industry. Morley joins other leaders in the industry when he expresses disappointment in “those of our members who fail to meet standards of professionalism” (p 8) and calls for increasing current penalties to underpin the long term benefits of self regulation. A growing number of real estate agencies are also advocating a lift in standards, with some implementing systems for monitoring and managing the quality of service delivery to consumers.

The release of the 2003 results provides an opportunity not only for the industry but also individual agents to view the findings of the survey as a whole, and to compare the reported satisfaction levels with those of previous surveys in the series. Whilst there are some encouraging signs of improved consumer satisfaction the overall results indicate a decline in levels of satisfaction reported by recent buyers and sellers. For an industry that attracts much negative attention from both consumer groups and the media, the survey offers a timely opportunity to focus on the areas that consumers clearly identify as requiring improvement, as well as those areas in which higher satisfaction levels are recorded. It remains for the next survey, and continuing surveys in the series to monitor the extent to which consistent and sustainable levels of improved consumer satisfaction can be achieved.

Limitations

A number of limitations relating to this study are readily acknowledged:-

- (i) the survey consultants were left with the dilemma of using the same questionnaire as used in the previous surveys (1990, 1994, 1997 and 2000) or modifying and updating it where appropriate. For example, the wording in some questions could have been improved or updated. For the first time in the series a decision was made to add a number of questions, and to delete others on the grounds that they were no longer relevant. Nonetheless, all consumer service questions remained unchanged. The order in which questions were asked was also changed. The possibility that bias may have entered the data through these changes is readily acknowledged.
- (ii) the survey findings were confined to Sample Group A, three of New Zealand's major cities, Auckland, Christchurch and Dunedin. This decision was also related to the validity of comparison with past surveys. However, the inclusion of two provincial areas in the last two (2000-2003) survey samples has improved the level of national representation in on-going comparative studies. It remains for future surveys in the series to compare results from the total survey sample.
- (iii) due to the unavailability of raw-data pertaining to the first two surveys (1990 and 1994) statistical analysis for these two surveys is limited to descriptive statistics. The use of additional statistical techniques, e.g. testing for significant differences, was only available from the 1997 survey onward. The availability of this technique is expected to further enhance validity of the survey series findings.
- (iv) respondents in the study were confined to those who had successfully concluded a buying and/or selling transaction. Possible associations between transactional success and high levels of satisfaction may contribute to bias in the findings. The speculation that there may be a link between reported satisfaction levels and the state of the market at the time of survey also raises questions of validity in comparative data.

Future Research

In common with much of the research employed to measure consumer perceptions of product or service providers, this study offers initial answers to some questions but also raises new issues and new questions. In their US mid-west study of consumer perceptions of real estate agents Nelson and Nelson (1988) highlight the paucity of available literature on real estate consumer perceptions and the difficulties faced by researchers in the exploratory phase. Little has changed in the intervening years, although academics and practitioners have continued to make contributions to the existing body of knowledge in a less sporadic way. It remains for future researchers to continue to build on the body of knowledge, to investigate new issues raised and to encourage the Real Estate Institute to continue its well-established regular survey of the market. Other issues that would provide an interesting focus for further exploratory research include:

- (i) potential correlation between perceptions of service quality held by providers (real estate agents) and recipients (buyers and sellers).

- (ii) using a sample frame that includes market participants apart from those who were successful in completing a transaction through a real estate agent, e.g. private buyers and sellers, buyers and sellers who were unsuccessful in completing the transaction, and buyers and sellers of commercial, industrial and rural properties.

Researchers have increasingly focussed attention on the New Zealand real estate profession in recent years. There is a growing awareness amongst industry leaders of the benefits that can accrue, through increased understanding, from the expanding body of knowledge on the real estate profession. It is hoped that this paper will provide continuing impetus for future research, particularly in the vitally important area of improved quality and competitive cost of consumer services offered to buyers and sellers of real estate.

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