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How the Internet Can Impact Your Business and What to Do About It

Jane Lee Saber, PhD

Wondering what the impact of Internet-based residential real estate information is on your clients’ perceptions of the value of your service? Are you curious about the likelihood of clients using your real estate services in the future given pervasive “e-information?” There is definitely a mouse in the house…and action is imperative.

Data from this research shows that prospective buyers and sellers tend to value the services of residential real estate professionals less because of the wide availability of e-information. In addition, these buyers and sellers indicate that as a result of e-information, their likelihood of using a real estate professional in the future is also reduced. Despite these findings, this research offers some strategies that can offset the potentially revenue-negative impact of e-information.

Background

Disintermediation – that’s defined as when buyers and sellers no longer use market intermediaries to complete their transactions. When disintermediation occurs, consumers transact directly between themselves (Baen and Guttery 1997). The travel industry is a striking example of disintermediation where most travellers no longer arrange trips through travel agents, instead making travel plans by searching travel e-information and booking trips on their own (Lewis, Semeijn and Talalayvesky 1998). This situation has led to systemic and serious changes for the entire industry.

Although booking travel is clearly not the same as deciding on a residential real estate transaction (due to the high-dollar and high-involvement nature of the real estate decision), millions of potential clients search real estate e-information every month (e.g., per ezimba.com 2014, there were 36 million searches on Zillow, 23 million searches on Trulia, 20 million searches on Yahoo Homes). Is today’s real estate industry likely to face some level of disintermediation because of the availability of e-information as well?

The Study and Findings

Data for this study was collected by surveying 190 middle-class consumers in a medium-sized Canadian city and surrounding suburbs and 225 middle-class consumers in a similarly sized American city and surrounding suburbs. Half of the participants took the perspective of a potential buyer and the other half, the perspective of a potential seller. Results from Canada and the United States were not significantly different and were therefore combined for this analysis.
Among other things, participants were directly asked if the availability of e-information impacted their valuation of residential real estate services: “Does the availability of real estate information on the web make a difference in terms of how much you value having an agent help you buy (sell) a property.” Participants were likewise asked if the availability of real estate information on the web made a difference in the likelihood of using a real estate agent for a future purchase (sale) of a residence. Both questions were answered on a five point scale with answers ranging from value an agent much more to value an agent much less and much more likely to use an agent to much less likely to use an agent.

Approximately 72% of potential sellers and 67% of potential buyers indicated that they would value an agent less or much less because of the availability of e-information. Further, approximately 59% of potential sellers and 53% of potential buyers also indicated that their likelihood of using an agent for future transactions was less or much less. Interestingly, even the participants who identified themselves as not at all technologically experienced also had similar perceptions of value and their likelihood of using a residential real estate professional for assistance in this e-information environment.

Theoretically, these results are consistent with the principles of transaction cost economics (Guttery, Baen and Benjamin 2000). Since clients apparently decide that the information search in a real estate transaction can be fairly easily self-produced, clients perceive less value from a residential real estate professional completing the information search tasks. As a result, clients may not be as willing to pay as much for real estate services as before (Crowston and Wigand 1999) or alternately, not be as likely to use a real estate professional for future transactions. The current popularity of for-sale-by-owner (or FSBOs) and low-priced, low-service residential real estate alternatives have been shown to be positively related to this finding for normal market conditions (Saber and Messinger 2010).

Despite these results, it is quite unlikely that the residential real estate industry will experience significant disintermediation because real estate transactions are complex and represent more than simple information search functions. Although a full list of real estate transaction tasks will not be reproduced here, it is abundantly clear that there are many tasks in a real estate transaction that leverage the social networks and time of a real estate professional (cf., Bourdieu 1983).

When theories of social capital and social embeddedness are applied to real estate transactions, it is evident that many real estate transaction tasks require expertise and specialized skills which include network ties such as awareness of qualified buyers, available properties and sellers, lawyers, mortgage brokers and other necessary parties. The network configurations allow real estate professionals to acquire information about the real estate market much more quickly, efficiently and accurately than individual buyers or sellers. Real estate professionals’ relational components yield trust, common expectations and possibility of sanctions which guard industry-based ethical behavior in transactions. Finally, real estate professionals’ cognitive components suggest they have complete and accurate knowledge of necessary steps in a transaction, how to complete the transaction, which parties need to be included in the transaction. Based on these theories, if clients truly are aware of the expertise and skill required for an optimally efficient real estate transaction, they will still value the real estate professional’s work despite decreased value of information search due to e-information.
To test this concept, study participants were also asked about how much they valued the socially embedded real estate transaction tasks that go beyond simple information search functions. Results show that there is a significant positive relationship for both buyers and sellers in terms of how much they value socially embedded tasks and how much they value and are likely to use real estate professionals in the future. When potential clients are aware that specialized skills and expertise are required for an optimized real estate transaction and also recognize that they, themselves, are likely not up to the task, both buyers and sellers will tend to perceive higher agent value and also have a greater likelihood of using an agent in the future.

A key strategy for the industry and individual real estate professionals, therefore, is to emphasize socially embedded tasks in a real estate transaction in a way that clearly and irrefutably sticks in the minds of the prospective clients.

**Conclusion and Recommendations**

With the wide availability of e-information comes a reduction in the perceived usefulness of real estate professionals in the area of information search. Such a contextual change threatens client perceptions of an agent’s value and likelihood of future use of agent services. Based on these results, some level of industry disintermediation could be anticipated. On the other hand, if potential clients are made aware of the diverse and important socially embedded tasks that take place in the context of successful real estate transactions, prospective clients will tend to value and use the services of real estate professionals at higher levels and disintermediation will be less likely.

Based on the results of this research, real estate professionals may wish to consider the following strategies:

1. **Real estate professionals and their related organizations should ensure that significant amounts of marketing communications emphasize the socially embedded tasks involved in a real estate transaction rather than focussing on information search tasks.** Prospective clients must be educated about the complexities of transactions to ensure real estate professionals’ services are valued and used.

2. **Once a real estate professional has contact with a potential client, the agent should carefully and specifically outline the series of socially embedded tasks that have to be accomplished for an optimized and successful real estate transaction and minimize information search task communications.** The agent should also emphasize the importance and usefulness of networks in shaping the efficiency and effectiveness of completing the transaction. The agent should also be sure to remind clients that, without
this expertise, the residential real estate transaction could be inefficient, time-consuming or fraught with many problems making the transaction difficult to complete.

3. Further, while communicating with the client throughout the transaction, the real estate professional should regularly update the client that all tasks are being completed in the transaction, being careful to emphasize the socially embedded tasks. Not only will this educate the client about all of the steps that are included in a transaction but this could also increase satisfaction with the agent because the client will know exactly what is going on in the transaction and be in a better position to appreciate the time and effort that the agent dedicates to the individual client’s transaction. Typically, the higher the levels of client satisfaction, the higher the rates of repeat and referral business (Anderson and Sullivan 1990).

4. Finally, once a transaction is completed, the real estate professional should review all of the tasks that were performed on the client’s behalf in order to emphasize the complex and substantial efforts that were taken to ensure the smooth and successful completion of the transaction. Again, the agent should emphasize the socially embedded tasks rather than information search tasks perhaps via a customized letter or in a face-to-face discussion. The advantage of a written format is that clients will be able to refer to the documentation long after the transaction has been completed. This type of follow-up not only reminds clients about socially embedded tasks that have been completed in their transactions, but also reminds them about the efficient and effective individual services that the agent provided. This strategy could also increase the probability of repeat and referral business by keeping the agent’s name and good work in the mind of the client.

By employing these communication strategies to inform, persuade and remind clients about the agent’s socially embedded skill sets and tasks necessary for an optimized and successful real estate transaction, both the individual agent as well as the industry will likely be able to mitigate much of the negative impact that e-information has on buyers’ and sellers’ valuation and likelihood of using a residential real estate professional in the future.

**Recommended Reading**


**References**


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Dr. Saber (PhD-University of Alberta) is an Associate Professor and the Chair of Marketing at the Ted Rogers School of Management at Ryerson University. Her interests include real estate, technology, sales performance, information processing and communication, gender, legal issues and pedagogical innovations. She has a number of best-paper awards and has published in a variety of marketing and legal journals including the Journal of Marketing Education, Marketing Education Review, Canadian Journal of Administrative Sciences, and the ILSA Journal of International and Comparative Law and others and has presented at multiple conferences and real estate and legal industry events. She was a practicing lawyer for over six years and has a Masters of Laws in gender, human rights and international monetary systems. Dr. Saber has also received numerous teaching awards for her work with undergraduate students.