

**CUSTOMER SATISFACTION ON SERVICE QUALITY OF
REAL ESTATE AGENCIES: AN EMPIRICAL ANALYSIS
WITH REFERENCE TO KOCHI CORPORATION AREA
OF KERALA STATE IN INDIA**

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Abstract

The quality of service provided by real estate agencies to their customers has recently been gained utmost importance in the emerging markets like India. Real estate agencies act as an intermediary for buying and selling of real estate and allied services. This study makes an analysis of the perception of real estate customers regarding the quality of services provided by such agencies with special reference to Kochi (formerly, Cochin) Corporation area in Ernakulam District in Kerala, the southern-most state in the Indian union. Accordingly, the study seeks to identify the drivers of customer satisfaction and hence create better awareness regarding among the real estate agencies regarding these factors; so that these agencies can serve their customers better by improving their service quality. The data collection for this study has been through the use of self-administered questionnaires. A survey of 257 real estate customers has revealed as to what sort of service quality do they really expects from their respective agencies. This study has considered six key factors viz. (i) real estate agent's goodwill, (ii) real estate property, (iii) information delivery, (iv) behaviour of agents, (v) punctuality, and (vi) emergency services. The

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results from statistical analysis indicate that all the above factors lead to customer satisfaction. Among these six factors, the real estate agent's goodwill is the most significant factor and emergency services is the least significant factor in deciding the satisfaction level of the customers; though all these factors together decide the overall satisfaction level of the customers. In view of the above, the authors suggest that agencies have to redesign their products and service delivery model, giving due respect to the above factors in their existing business.

Key Words: Real Estate Agencies, Service Quality, Customer Perception, Customer Satisfaction, Customer Satisfaction Model

1. Introduction

Housing being a primary human need, development of real estate - particularly residential real estate – has been fast picking up the world over as a major business segment. In many an emerging market, including India, the real estate industry has been demanding the infrastructure status too; for their enhanced growth prospects by availing the budgetary and fiscal benefits available to infrastructure sector. As the real estate development process is a highly complex one, often it is hard to identify the role of developers within the development process. The real estate agency business in India in general and Kerala state in Indian union in particular, has been witnessing ever growing competition in the ongoing reforms era which initiated in India since 1991. The heightened activities of the real estate firms in the urban centers in India, especially in the emerging towns and Tier-II cities, have been worth pointing out. In metropolitan areas (like, Mumbai, Delhi, Kolkata and Chennai) there has been unprecedented level of real estate activities in the recent past. Along with the growth momentum as above, there has been fierce competition in the real estate industry; resulting in the customers becoming all the more discerning than ever before. Today's customers are growingly conscious about service quality and allied issues. Real estate agency is the vital link that bridges the gap existing between real estate owners and buyers (customers). Real estate agents are key players in this market. In today's complex and turbulent economic and financial environment, the rich experience of these agents enables them to interact with clients and sense their needs constantly. With the knowledge of the pulse of the real estate market, they act as intermediaries in the negotiations between buyers and sellers, and hence help them to effectively strike the deals. The role of agents in the real estate market results in

reduction of the buyers' search costs and also increase in the sellers' expected returns; observes Oladapo (2008) [1]. Besides, Manoj P K (2011) [2] has observed that there is utmost significance for real estate players to have their own sustainable business models and that too with a focus on fast emerging segments within the industry like affordable housing, in the ongoing era of intense competition. Scientific studies are required to support informed business decisions in this market.

2. **Significance and Relevance of the Study**

Johnson et al. (1988) [3] have categorized real estate agency business as a part of the service sector industry. According to them, it differs in many aspects from other service industries (lawyer-client, employer employee, buyer-supplier etc.). Besides, it is noted that service quality is the degree to which service performance matches customer expectations. Gronroos (1990) [4] has noted that as services are meant to be solutions to customers' problems, the wishes and desires of the customers must be taken into consideration. The study by McDaniel and Louargand (1994) [5] suggested that all service businesses must respond to customer expectations.

Service quality according to Vicky et al. (2000) [6] is an important issue for an organization that recognizes the essential role of acquiring and retaining customers through continuous improvement strategies. A very recent study by Manoj P K & L N Dash (2012) [7] has pointed out the vital significance of governmental policies in ensuring the faster growth of real estate sector in India, particularly in channeling more investments into this sector through promotion of real estate mutual funds. Parasuraman et al. (1985), [8] has noted that service quality perceptions result from a comparison of customer expectations with actual service performance. Besides, Parasuraman et al. (1985) [9] have also observed that service quality perceptions result from a comparison of customer expectations with actual service performance.

In view of the foregoing, in order to ensure that the real estate agents remain relevant in real estate agency business in India, there is a need for specific studies as to how real estate agencies should strengthen themselves to become more advanced in their business models, and also more prudent and informed while making major business decisions. This in turn can garner more business through attracting customers, meet the expectation levels of today's discerning customers, and after all stay abreast in this highly competitive market. This equips them to face the increasing demand for real estate assets and allied services; and also render services that are consistent and of high value.

In short, there is vital significance for making studies on customers' perspective and service quality issues in the real estate agency. As already noted, because studies on customers' expectations and issues relating to their satisfaction in the real estate agency business in India are quite scarce, particularly in the Kerala context, this study seeks to focus on the above area. Accordingly, this study makes an empirical study on the real estate agencies in India, and that too in the Kerala context with a focus on such agencies based in the Kochi (formerly, Cochin) Corporation area in the Ernakulam district of Central Kerala in India.

3. Review of Literature

Parasuraman et al. (1985) identified 10 key determinants of service quality as perceived by the service provider and the customer, namely, reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibility to formulate a service quality framework, SERVQUAL. Later in 1988 they modified the framework to five determinants: reliability, assurance, tangibles, empathy, and responsiveness, or RATER. The techniques of customer satisfaction analysis allow the critical aspects of the supplied services to be identified and customer satisfaction to be increased (Cuomo 2000). Parasuraman et al. (1990) [8] identified three attributes of services which are: search properties, experience properties and credence properties. The authors found that customers typically rely on experience properties when evaluating service quality. The authors concluded that when expected service (ES) is greater than perceived service (PS) [$ES > PS$], perceived quality is less than satisfactory. Perceived quality is satisfactory when $ES = PS$, when $ES < PS$, perceived quality is more than satisfactory. This means that the customer is satisfied if his/her expectations are met. In a study by McDaniel and Louargand (1994), the study revealed that all services must respond to customer expectation because customers' perception of quality is an important part of the consumption decision. Therefore, the customer must never feel ignored, unimportant or abandoned in service delivery.

Patterson and Marks (1992), [9] identified determinants of service quality that can be applied to promote customers' satisfaction with services. These determinants include reliable services, responsiveness to the needs of the customer, good communication between counselors and customers, competent staff, and customer involvement throughout the process. Parasuraman et al. (1988) have reported that customer requirements need to be known in order to have a satisfied customer, that is, the provider understands of what the customer want and the provider's

ability and willingness to deliver it brings customer satisfaction. Timmons (2001) added that customer education is also important in order to encourage customer involvement. Sridhar (2001) [11] observed that to ensure better service quality, the author advised that providers should promise what can be delivered, attend to complaints from dissatisfied customers and make services easily understood.

According to Susan (2002), [12] communication plays a vital role in ensuring success in real estate agency. In the words of Narayanan et al. (2003), [13] communication plays a major role in influencing customer purchases in new product or services. Frequent communicating with customers enables one to deliver message to them so that they will react to it. The authors advised that frequent communication should be integrated into customer service process. Thomas and Whitney- Thomas (1996) [14] identified communication breakdowns as the greatest barrier to a positive working relationship.

Webb (2000), [15] in his inquiry into the professional self image of real estate agents discovered that the single most important thing that could be done to enhance the professional image of real estate agents was the “requirement of more education before licensing”. Longenecker et al (2005) [16] have noted that the choice of a good location is much more vital to some business than to others. Anderson et al (1998) [17] have observed that the reputation of a firm could help its selling power, which would increase its efficiency.

4. Data Sources and Sampling Frame

The sample characteristics for real estate customers that participated in the study are shown in Table I. A total number of 300 were sampled given rise to 257 questionnaires but 43 remain not responded. For the purpose of this study, the real estate customers comprise of home buyers, home sellers and tenants.

Table (I): Sample Characteristics of the Participants under Study.

Particulars	No. of customers	Percentage share
Gender		
Male	224	87.15 per cent
Female	33	12.84 per cent
Total	257	100.00 per cent
Marital Status		

Married	178	69.26 per cent
Single	74	28.79 per cent
Widowed	5	01.94 per cent
Total	257	100.00 per cent
Qualification		
Below Degree	123	47.85 per cent
Graduate	87	33.85 per cent
Post Graduate	26	10.11 per cent
Others	21	08.17 per cent
Total	257	100.00 per cent
Average annual Income Level of the customers under study: 600000 - 900000		

(Source: Field Survey Data)

The customers consist of 83 per cent male and 17 per cent female. The average customer was between the ages of 32 - 55 years old and had an average annual income of over Rs.600 000-900000/ 69.26 per cent of real estate customers were married, 28.79 per cent single and the remaining 1.94 per cent divorced (Table I). The 257 customers that were surveyed had an average length of 10 years experience in real estate related businesses. The respondents in this study maybe some times acted as either agent or owner of real estate. Majority of the customers were under graduate (47.85 per cent), graduate degree (33.85) per cent, post graduate 10.11 per cent, and others were 8.17 per cent. From this outcome, it was revealed that most of the customers are qualified to know the importance of research and can be relied on to give reliable information. Therefore the credibility of the data is sustained and the information obtained actually reflects the view of real estate service customers in the subject under study.

5. Statement of the Research Problem

The real estate agency market in India has recently seen other professionals and even people without formal training in any related discipline expanding their core business and starting to offer real estate related services. It is no longer given that one must use the services of a real estate agent, in search of land or landed property. This may be as a result of demand for real estate which has significantly increased over the years. With the increasing demand of real

estate customers, the agents and the professionals watch the movement of customers and acted to fulfill the needs of them even without the keeping the morale they need to follow during the business activities. Marsh and Zumpano, 1988, [18] the perceptions and expectations of buyers and sellers are often at variance with the actual performance of the real estate agents. Perceptions of what constitutes service quality may differ between customers and service providers). Most of the researches and studies on customers' perception of service quality in real estate agency are foreign (Johnson et al., 1988; McDaniel and Louargand, 1994; [5] Isakson and Spencer, 2000; Vicky et al., 2000), [19]. This research would therefore present an understanding of the subject in India context and assist in achieving enhanced customers' satisfaction, improved service quality delivery and ensuring that competition would increase in estate agency market.

6. Objectives of the Study

- (i) To identify the service quality factors that significantly provide satisfaction to customers while making their real estate transactions through the intermediation service provided by some real estate agencies;
- (ii) To suggest suitable strategies for better effectiveness of the real estate agency business, and also enhanced satisfaction level of the customers, based on the findings of the study.

7. The Study Area.

Kerala state in the Indian union is selected for this study. There are three large cities in Kerala viz. Kochi (Cochin), Kozhikodu (Calicut) and Thiruvananthapuram (Trivandrum), all being municipal corporations in the state. Of these, only Kochi Corporation located in the central Kerala has been selected for this preliminary empirical study.

8. Research Methodology.

As noted earlier, this study has been conducted in the Kochi corporation area in the Ernakulum district of central Kerala in India, during the period November-December 2012. The focus group for this research work was mainly real estate service customers. This comprises landlords and tenants who employ the services of estate agents whether in search of a prospective tenant or a property. 257 estate surveying firms were randomly selected representing 50 per cent of the total number of estate agency firms in the study area. This is believed to be a fair representation of the entire population. From each real estate firm, two (2) service customers

were purposively selected on the basis of the number of times they have employed the services of their agents, their literacy level and experience in real estate related services.

A total number of 257 real estate service customers were selected by the authors. The study adopted self-administered questionnaires as its data collection instrument. The questionnaires contain 7 factors along with 17 variables. Out of 300 questionnaire distributed, 257 were retrieved (85.66 per cent) and 43 (14.33 per cent) were not responded. Each customer was asked to respond all the variables in a questionnaire. The questions focused on individuals' perspective of real estate agents' qualities in their service delivery. More specifically, customers were asked to express their views based on experience as a customer of real estate agency services during their recent transactions with their estate agents.

8. Analysis and Data Interpretation

Nhat and Hau (2007) [20] identified the determinants of retail service quality using factor analysis. The same tool was used by Hsu et al. (www.academic-papers.org) and Agrawal (2008) to identify determinants of customer satisfaction on internet shopping. The same method was used here to identify the factors determining customer satisfaction. Factor analysis was done to identify the factors determining passenger satisfaction and to test the hypothesis formulated regarding the factors determining satisfaction. Data were analyzed using SPSS 19.0 software.

The test of validity of data was examined with the help of a Kaiser-Meyer-Ohlin (KMO) measure of sample adequacy and Barlett's test of sphericity. Taken together, these tests provide a minimum standard which should be passed before a factor analysis should be conducted. These two tests satisfied the validity of data for factor analysis from the Table II.

Table II: Kaiser-Meyer-Ohlin Measure and Bartlett's Test

KMO Measure of Sampling Adequacy	0.593	
Bartlett's Test of Sphericity	Chi-Square	468
	df	136
	Sig.	0.000

(Source: Analysis of the Field Survey Data)

As evident from Table III, there is a low correlation between different factors, the maximum being -0.082 (between the factors "real estate agency goodwill" and "behavior of agents"). This means that all the six factors are independent, which implies that they are measuring unrelated dimensions.

Table III: Component Correlation Matrix

Component	Real Estate Agents Good Will	Real Estate Property	Information Delivery	Behavior of Agents	Punctuality	Emergency Service
Real Estate Agents Good Will	1.000	0.073	0.021	-0.082	-0.004	-0.046
Real Estate Property	0.073	1.000	0.050	-0.007	0.059	-0.050
Information Delivery	0.021	0.050	1.000	-0.070	-0.044	-0.058
Behavior of Agents	-0.082	-0.007	-0.070	1.000	-0.027	-0.004
Punctuality	-0.004	0.059	-0.044	-0.027	1.000	0.037
Emergency Service	-0.046	-0.050	-0.058	-0.004	0.037	1.000

(Source: Analysis of the Field Survey Data)

Extraction Method: Principle Component Analysis

Rotation Method: Promax with Kaiser Normalization

The results provide statistical evidence to support identified determinants of customer satisfaction as personal attention, real estate property, and information delivery, behavior of agents, punctuality and emergency service.

Table IV: Factor Loading and Reliability Coefficient.

Factors	Variables	Factor Loading	Reliability Coefficient	Eigen Value	per cent of Variation Explained
Real Estate Agents Good will	Self Image and Reputation	0.641	0.524	1.926	11.330
	Tackle the problems	0.642			
	Give respect to customers	0.690			
	Provided service as promised	0.644			
Real Estate Property	Affordable price range of the Property	0.602	0.442	1.864	10.962
	The location of the real	0.615			

	estate				
	Transportation facility	0.658			
Information Delivery	Frequent communications	0.747	0.417	1.617	9.510
	Better feedback and best response	0.697			
Behavior of Agents	Morals and Ethics	0.639	0.428	1.352	7.951
	Confidence	0.645			
	Friendliness	0.709			
Punctuality	Time keeping	0.625	0.413	1.269	7.468
	Prompt Service	0.692			
	Office function Hours	0.610			
Emergency Service	Act upon the needs of the customers	0.645	0.189	1.158	6.812
	Any time help	0.622			

(Source: Analysis of the Field Survey Data)

Extraction Method: Principle Component Analysis

Rotation Method: Promax with Kaiser Normalization

The factor analysis resulted in six factors; real estate agency goodwill, real estate property, information delivery, behavior of agents, punctuality and emergency service. The factor loading of the variables determining satisfaction in each factor, the reliability coefficient (Cronbach alpha), the Eigen value, and the percent of variation explained by the factors are shown in Table IV.

The most important factor determining satisfaction was found to be real estate agents goodwill since the Eigen value and percent of variation explained by this factor are 1.926 and 11.330 respectively. This factor consists of four variables with a reliability coefficient of 0.524. It shows that the included variables explain this factor to the extent of 52.4 and the percent variation explained by this factor is 11.3 percent.

The next factor identified is real estate property. Its respective Eigen values and percent of variation explained are 1.864 and 10962. This factor consists of three variables with reliability coefficients of 0.442. The next two factors identified are information delivery and behavior of agents. Their respective Eigen values are 1.614 and 1.352. Each of these factors consists of two and three variables with reliability coefficients of 0.417 and 0.428 respectively. The percent variations explained by these factors are 9.510 and 7.951, respectively.

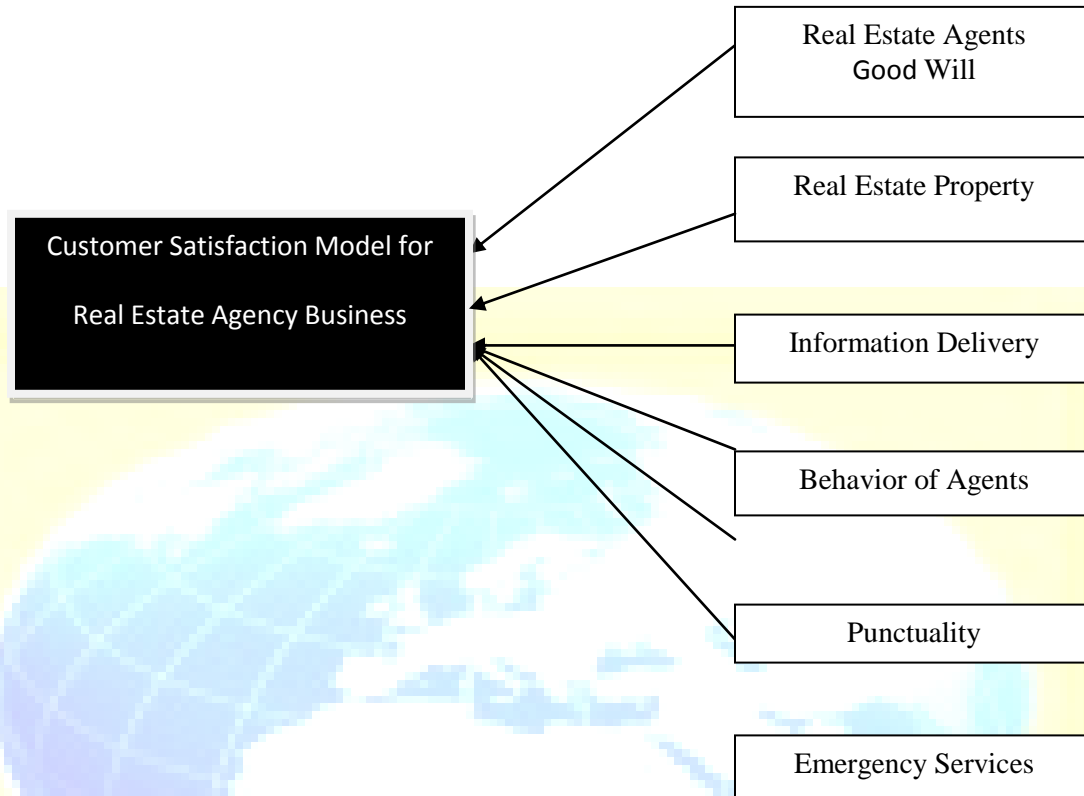
The other two factors determining real estate customer satisfaction as identified by factor analysis are punctuality and emergency service with three and two variables each, and with reliability coefficients of 0.413 and 0.189 respectively. The percent variations explained by these factors are 7.468 and 6.812 respectively.

- (i) Real Estate Agents Good will: This aspect includes Self image and reputation, tackles the problems, gives respect to customers and provided service as promised. People consider personal attention as the most important aspect of satisfaction.
- (ii) Real Estate Property: This includes affordable price range of the property, the location of the real estate and transportation facility. Real estate property is the second important determinant of customer satisfaction.
- (iii) Information Delivery: This refers to self frequent communication and better feedback & best response. People consider information delivery is the third important determinant of satisfaction
- (iv) Behavior of Agents: This consists of morals and ethics, confidence and friendliness. Behavior of agents is the fourth important determinant of customer satisfaction.
- (v) Punctuality: This refers to right time keeping, prompt service and office function hours. Punctuality is the fifth important determinant of customer satisfaction.
- (vi) Emergency Service: This includes act upon the needs of the customers and any time help. Emergency service is the least important determinant of customer satisfaction.

9. Customer satisfaction Model

Having made use the factors for analyzing the customer satisfaction on service quality, a real estate customer satisfaction model has been derived. The customer satisfaction model, by way of statistical analyzation proved as dependant variable and all other six factors are independent variables. This model can be used for the future researchers. (Figure: I).

Figure: I: Customer Satisfaction Model for Real Estate Agency Business



10. Suggestions

- (i) It is suggested that advanced educational and developmental programmes for the real estate agencies be initiated, or continued if already in practice, so as to equip them suitably to face competition and such other future challenges in the real estate market.
- (ii) It is suggested that customer feedback and accountability be strictly adopted so as to ensure whether intended changes and improvements are being gets effected. Ongoing feedback mechanisms are essential to review service improvements and make sure that customer service strategies adopted by the agency are actually achieving desired impact to meet customers' expectations.
- (iii) Social networks, such as community service organizations, or other affinity groups are to be established. So that customers (including prospective ones) are well-connected by a set of social relationships, such as friendship, co-working, or information exchange. This would garner better business through social interactions, and even through word of mouth.

- (iv) There would be an established authority to check the malpractices, fraudulent acts of agents etc. and also to ensure transparency in real estate transactions. This would protect the customers from being exploited by the fraudulent real estate agencies during the service transactions. (It is worth noting here that Government of India is already in the process of negotiations for a comprehensive agency for the control of the real estate sector in the country. This is an appreciable move from the part of the Central Government in India).
- (v) Installation of a Central (that is, at the all India level) Registry for all real estate transactions is also quite desirable, so as to curb malpractices in real estate dealings, like, mortgaging the same property by the real estate developers in different banks or financial institutions. (This point is also under the active consideration of the Government of India; another desirable move from the part of the Government of India).

11. Concluding Remarks

The test of validity of data was examined with the help of a Kaiser-Meyer-Ohlin (KMO) measure of sample adequacy and Barlett's test of sphericity. These two tests satisfied the validity of data for factor analysis. Real estate agency business is categorized as a service sector industry and as such all such agencies must invariably respond to their customer expectations. Hence in order to satisfy customers, the real estate agents should regard expectations of their customers. The conclusion of this study shows that Real Estate Agents Good will is considered as the prominent factor leading to customer satisfaction. At the same time, Emergency Services stands as the least significant factor in terms of customer satisfaction. So the real estate agents should redesign their service quality model with due respect to the above factors so as to enhance the satisfaction of their customers. This study further suggests that the Greater Cochin Development Authority (GCDA) which is in charge of the development of Corporation of Kochi (formerly, Cochin) and other public authorities concerned should educate both the prospective customers and the real estate agencies on the best practices to be followed by them in their real estate transactions so as to ensure better effectiveness and efficiency in all such dealings.

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