

*Full Length Research Paper*

# An analysis of real estate consumers' perception of service quality in estate agency practice in Lagos metropolis, Nigeria

Araloyin, F. M.\* and Olatoye O.

Department of Estate Management, Obafemi Awolowo University, Ile-Ife, Nigeria.

Accepted 13 September, 2011

The role of real estate consumers in estate agency practice cannot be over-emphasized. They are involved in service production and affect the overall service delivery. This study provides an analysis of the real estate consumers' perception of service quality in Lagos metropolis, Nigeria for the purpose of creating better consumers' satisfaction and improving service quality in the real estate agency market. The data collection instrument adopted for this study was self-administered questionnaires. A survey of 203 real estate consumers revealed what real estate consumers actually value in real estate agency service delivery but are lacking on the part of real estate agents. Findings indicated five key components to consumers' satisfaction in real estate agency in the study area. These components are: "courtesy", "provided service as promised", "frequent communications", "exact time services would be performed" and "personal attention". These components contribute to consumers' satisfaction and the ability to attract repeat businesses in real estate agency in Lagos metropolis.

**Key words:** real estate consumers, real estate agents, consumers' satisfaction, consumers' perception, service quality, Lagos metropolis.

## INTRODUCTION

The real estate agency market in the Nigerian metropolis of Lagos is becoming more competitive than other businesses in the study area. This is as a result of increasing number of real estate firms in the metropolis and real estate consumers that are becoming informed on service quality issues (Oladapo, 2008). In particular, to ensure that the real estate agents remain relevant in real estate agency practice in Nigeria, there is a need for studies on how real estate agency can become more advanced to face the increasing demand for real estate and its related services and to render services that are consistent and of high value. However, little concern has been shown for consumers' expectation and satisfaction issues in real estate agency in Lagos metropolis.

Services as defined by Gronroos (1990) constitute an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customers and the service

providers, which are provided as solutions to customers' problems. Since services are meant to be solutions to consumers' problem, the wishes and desires of the consumer must be taken into consideration.

Johnson et al. (1988) categorized real estate agency as a service sector industry. It differs in many respects from other service industries (lawyer-client, employer-employee, buyer-supplier etc.). One study by McDaniel and Louargand (1994) suggested that all service businesses must respond to consumer expectations. According to Johnson et al. (1988), the real estate agency industry is characterized as being prescriptively customized. That is, there is a high degree of consumer customization because the buyer is continuously involved in the production process.

Service quality according to Vicky et al. (2000) is an important issue for an organization that recognizes the essential role of acquiring and retaining customers through continuous improvement strategies. According to Johnson et al. (1988), service quality is the degree to which service performance matches consumer expectations of service. McDaniel and Louargand (1994)

\*Corresponding author. E-mail: [funmiolasanmi@yahoo.com](mailto:funmiolasanmi@yahoo.com).

also define service quality as that in which the consumer's perception of service performance meets or exceeds the expectation of what the service firm should do. In the view of Parasuraman et al. (1985), service quality perceptions result from a comparison of consumer expectations with actual service performance. There is therefore the need for studies on consumers' perspective and service quality issues in real estate agency. This study therefore investigated into customers' perspective of service quality in real estate agency in order to increase agents' effectiveness and hence better customers' satisfaction.

### **Statement of research problem**

The real estate agency market in Nigeria is being regulated by the Nigeria Institution of Estate Surveyors and Valuers (NIESV) (2002) under the supervision of Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) Act No. 24 of 1975. By virtue of the act, estate surveyors are statutorily empowered to act as estate agents in the sale, purchase or in the leasing of property or any interest therein. However, the real estate agency market in Nigeria 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. Past studies have also shown that real estate practice is not meeting the needs of the parties involved in real estate purchase and sales transactions (Guntermann and Smith, 1988; Pancak et al., 1997; Haag et al., 2000). 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 consumers and service providers (Marsh and Zumpano, 1988).

Most of the researches and studies on consumers' perception of service quality in real estate agency are foreign (Johnson et al., 1988; McDaniel and Louargand, 1994; Isakson and Spencer, 2000; Vicky et al., 2000). This research would therefore present an understanding of the subject in Nigerian context and assist in achieving enhanced consumers' satisfaction, improved service quality delivery and ensuring that estate surveyors remain relevant in the agency market.

### **Literature review**

Previous studies have investigated the determinants of service quality (for example, Parasuraman et al., 1991;

Yi, 1990; Dabholkar et al., 2000; Mason et al., 2004; Vanniarajan and Stephen 2008; Nguyen and Nguyen, 2007; Geetika, 2010) but there is little that address the specific issues facing real estate agency in respect of service quality. However, real estate agency market in Nigeria is yet to specifically define its consumers' requirements in order to determine the basis of consumer satisfaction and retention.

In the words of Parasuraman, et al. (1985), services have become more and more important factor for organizations. Most service providers' depends on performing the services correctly but also others find services as an important means of differentiation and creating better customer satisfaction. The problem facing many real estate agents is how to meet their client's taste, retain them and be able to gain competitive advantage over others. There is need to know what the consumers actually value so as to meet their needs and probably retain them.

Parasuraman et al. (1990) identified three attributes of services which are: search properties, experience properties and credence properties. The authors found that consumers 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 and the greater the difference between ES and PS is, the more unacceptable the quality is. When  $ES = PS$ , perceived quality is satisfactory and when  $ES < PS$ , perceived quality is more than satisfactory and will tend toward ideal quality, with increased difference between ES and PS. This means that the consumer 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 consumer expectation because consumers' perception of quality is an important part of the consumption decision. Therefore, the customer must never feel ignored, unimportant or abandoned in service delivery. Stewart (2008) noted that the most valuable, and often the most neglected approach towards getting "the edge" over competitors is developing a better understanding of the perspective of the concerned consumer and devising strategies to increase their service quality. This will give the consumer satisfaction and also encourage repeat business.

Parasuraman et al. (1985) in their pioneering work on service quality identified some criteria for assessing service quality from the consumers' perspective. These criteria are: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibles. After further research, the authors came out with five basic dimensions that the consumer of any service wants to have the provider meet his or her expectations. These are in the areas of: tangibles, reliability, responsiveness,

assurance, and empathy. These according to Parasuraman et al. (1990) are the determinants of the perception of service quality on the part of the consumer.

Mason et al. (2004) offered insight into factors that contribute to consumer satisfaction in Healthcare delivery. The authors found out that relationships characterized by bonding and caring are the key determinants to consumer satisfaction in health care services. Also it was discovered that health care services must be responsive to the requirements of their consumers to achieve the desired result in mental treatment. Omar and Schiffman (1995) Parasuraman et al. (1988) and Radwin (2000) all reported that consumer requirements need to be known in order to have a satisfied consumer, that is, the provider's understanding of what the consumer want and the provider's ability and willingness to deliver it brings consumer satisfaction.

Patterson and Marks (1992) identified determinants of service quality that can be applied to promote consumers' satisfaction with services. These determinants include reliable services, responsiveness to the needs of the consumer, good communication between counsellors and consumers, competent staff, and consumer involvement throughout the process. Timmons (2001) added that consumer education is also important in order to encourage consumer involvement.

Crew (1999) researched into consumer perception of the service offered by real estate agents in Real Estate Institute of New Zealand. His findings confirmed that buyers continue to choose a real estate firm because the firm had the services, people or product (home) that they wanted. His findings also reflected mixed results in terms of consumer satisfaction levels.

Sridhar (2001) observed that service quality is ultimately defined by customer irrespective of organization internal quality specification. However, there is problem of different levels of expectation, incorrect interpretations of expectations, delivery of inappropriate service and failure to match expectations with performed service. 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), communication plays a vital role in ensuring success in real estate agency. In the words of Narayanan et al. (2003), communication plays a major role in influencing consumer purchases in new product or services. It plays both informative and a persuasive role over the life cycle of goods and services. Frequent communicating with customers enables one to deliver message to them so that they will react to it. Consumers are affected by the communication a firm has with them. This communication adds to the firm's value in the mind of the consumer and builds on their cognitive and emotional ties to the firm. The authors advised that frequent communication should be integrated into customer service process. Thomas and Whitney-Thomas (1996) identified communication breakdowns as the

greatest barrier to a positive working relationship. The authors agreed that the more involved and assertive the consumer, the better the services.

From the foregoing, it could be deduced that there are some factors that bring consumers' satisfaction. The providers' understanding of these factors and their ability to provide same will lead to improved service delivery, enhance consumers' satisfaction and encourage repeat businesses.

## **The study area**

The study area for this research is Lagos metropolis. This city has been chosen to be a representative sample of the whole country. The restriction to Lagos metropolis was due to the fact that the metropolis is one of the most important commercial cities as the volume of economic activity in metropolitan Lagos exceeds that of all capitals or towns in the country. Also the vast majority of firms of estate surveyors and valuers who are involved in real estate practice have their head offices or branch offices located in the metropolis. The membership directory of the Nigerian Institution of Estate Surveyors and Valuers (2009 edition) showed that approximately 54% of estate surveying firms in Nigeria are based in Lagos metropolis.

## **METHODOLOGY**

The study was conducted in Lagos metropolis in November 2008. The focus group for this research work was mainly real estate service consumers. This comprises landlords and tenants who employ the services of estate agents whether in search of a prospective tenant or a property. 118 estate surveying firms were randomly selected representing 50% 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 consumers 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 236 real estate service consumers were selected by the authors. The study adopted self-administered questionnaires as its data collection instrument.

Each consumer was asked to complete a questionnaire. The questions focused on individuals' perspective of real estate agents' qualities in their service delivery. More specifically, consumers were asked to express their views based on experience as a consumer of real estate agency services during their recent transactions with their estate agents.

## **Sample characteristics of participants**

The sample characteristics for real estate consumers that participated in the study are shown in Table 1. A total number of 236 were sampled given rise to 236 questionnaires but 203 usable questionnaires were retrieved, an 86% response rate. For the purpose of this study, the real estate consumers comprise of home buyers, home sellers and tenants. The consumers consist of 77.3% male and 22.7% female. The average consumer was between the ages of 36 – 50 years old and had an average annual income of

**Table 1.** Sample characteristics for real estate service consumers.

Real estate service consumers (203)		
Age	< 35	59.1%
	36-50	34.0%
	> 50	6.9%
Education	Graduate degree	46.8%
	Masters degree	37.9%
	Others	14.8%
Sex	Male	77.3%
	Female	22.7%
Year of experience	Mean	10 years
Marital status	Married	56.3%
	Single	38.8%
	Divorced	4.9%
Occupation	Civil servant	56.2%
	Self employed	34.5%
	Others	9.3%
Annual income	< N100, 000	25.6%
	N100,000-N400,000	22.7%
	> N400, 000	51.7%

Source: Authors' field survey (2010)

over \$1,600. 56.3% of real estate consumers were married, 38.8% single and the remaining 4.9 divorced.

The 203 consumers that were surveyed had an average length of 10 years experience in real estate related businesses. These are people who have at one time or the other employ the services of real estate agents either in search of properties (to buy or rent) or to dispose their properties (for sale or lease). Majority of the consumers were civil servant and have a graduate degree as the highest level of education attained. From this outcome, it may be deduced that most of the consumers 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 consumers in the subject under study.

## RESULTS

From the review of theoretical and empirical studies as discussed earlier in this study, certain issues appeared to be fundamental for a good service delivery in any service sector. These qualities were employed in appraising the real estate agency practice in Lagos metropolis from consumers' perspective. The consumers were asked to overtly score their satisfaction with the service they had received based on certain qualities. They were asked to assess their agents on a series of real estate-specific

questions relating to good service delivery. Respondents scored each question as strongly disagree or strongly agree on a seven-point Likert scale where 1 represent strongly disagree, 2 represent disagree, 3 is somewhat disagree, 4 represent undecided, 5 somewhat agree, 6 is agree and 7 represent strongly agree.

Analysis of data collected from participants revealed certain components that appear to be fundamental to consumers' satisfaction and good service delivery in real estate agency. These qualities from the consumers' perspective appear to be lacking in real estate agents' qualities in Lagos metropolis. These are the factors consumers' value and were identified as important to success for real estate agent in their service delivery. These factors are: "courtesy", "frequent communications", "provided service as promised", "exact time services would be performed", and "personal attention" as their mean scores were tending towards strongly disagree.

Table 2 shows the mean scores of real estate consumers to the services delivered by their real estate agents. The respondents were asked questions pertaining to issues that appeared to be fundamental for a good service delivery in any service sector. These issues were derived from past studies as discussed in the review of literature. The study clearly showed the areas

**Table 2.** Consumers' analysis of real estate service quality.

Qualities	Consumers mean scores	
1. Consistently courteous	3.86	4.26
2. Frequent communications		
3. Provided service as promised	4.05	4.44
4. Personal attention		4.67
5. Willingness to help		
6. Agents in Neat Appearance	4.86	
7. Presence of modern-looking equipment	4.63	
8. Convenient operating hours	4.74	4.61
9. Safe Transaction		4.58
10. Professional Qualification		
11. Ability to get the best deal	4.55	
12. Exact time services would be performed	4.30	
13. Confidence	4.71	4.51
14. Prompt service delivery		
15. Friendliness	4.62	
16. Right understanding of Client's needs	4.66	4.26

Source: Authors' field survey (2010)

in which real estate agents pay more attention to and areas they pay less attention to. The study revealed that real estate consumers want service quality in those areas that real estate agents remain blind to. This might be due to the inability of real estate agents to understand what the consumers actually value in service delivery. It was observed that the consumers base their opinion of quality on some factors that the service provider considered to be unimportant.

The results also showed that service quality is not uniformly delivered to real estate consumers as all the variables received different mean scores. The result indicated that real estate service quality is being delivered in some desired areas but not all as some qualities received high values than others. In particular, service quality was being delivered in areas of estate agents in neat appearance, convenient operating hours etc. but not in areas of "courtesy", "provided service as promised", "frequent communication", "exact time services would be performed" and "personal attention" as their mean scores were tending towards strongly disagree.

Courtesy as defined in this study means politeness, respect, friendliness and the care real estate firms provide for their clients. This quality from the real estate consumers' perspective received the least mean value of 3.86. This means real estate agents in Lagos metropolis are lacking behind in this area of service quality. It was revealed that real estate consumers believed that their agents are not consistently courteous with them as that quality received the least mean score. This means the real estate agents needed to be more polite and show more respect to their consumers.

"Provided service as promised" also received a mean

value of 4.05. According to the consumers, real estate agents in Lagos metropolis do not provide services to their clients as promised. It was observed that real estate agents often use verbal descriptions which often promise something they are not able to provide. Rather than helping a potential buyer identifies a suitable property, they give him/her a false impression about such property.

Frequent communication received a mean value of 4.26. Communication here means good relationship and free sharing of information between agent and service consumer whether in speaking or in writing, making efforts to know the consumers and their needs. The study observed that communication was often done in speaking and little of writing. It was also observed that communication was done in the language the client understands better. However, the frequency of communication was the main concern. A lot of factors were responsible for this. The study area being a developing country, consumers complained of high call rates and bad network as major barriers to frequent communication. The consumers were also of the opinion that their agents were too busy to respond to their requests. The study observed that "frequent communication" is a very vital area that should not be ignored. Real estate agents need to look into this area in order to get more satisfied clients.

Also the consumers thought the real estate agent does not provide their services at exactly the time they promised. This received a mean value of 4.30. There are some reasons that could be responsible for this delay. For instance, there may be some stubborn tenants that refuse to vacate the premises at the time due and thus prevent the potential tenant from taking possession at the promised time; lack of fund to put a premise in a

tenantable condition or for sale and most importantly the inelasticity nature of the property market, that is increase in demand for properties does not lead to a corresponding increase in property supply.

“Personal attention” was the last quality that real estate agents in Lagos metropolis need to pay attention to. They need to improve on this quality. From the perspective of the consumers, they rated this quality with a mean value of 4.44. “Personal attention” means providing special care or treatment to each consumer. The study revealed that real estate agents in the study area are lacking behind in the provision of “personal attention” to the consumers.

The results as enumerated in Table 2. Further revealed that the real estate agents were always neat-appearing. This quality has the highest mean score (4.86) according to the consumers. This quality entails agent’s presentation, dressing, character, looks and mannerism. This indicated that real estate agents always pay great attention to their appearance. The authors observed this to be true. The real estate agents were always well-dressed, most of them in formal dressing. They have distinctive way of doing things and a befitting appearance. Next to this factor was that the real estate agents have convenient operating hours. The author observed that most of the firms commence work as early as 8.00a.m and close at 6.00p.m on Mondays to Fridays. Mondays to Fridays are known as working days and most businesses in Nigeria do not open on weekends. However, majority of the real estate firms render services on Saturdays to most of their clients who are very busy during the week days.

## Conclusion

Real estate agency has been categorized as a service sector industry and all service businesses must respond to consumer expectations, hence the need for real estate agents to understand their consumers’ expectation in order to have satisfied consumers. The study revealed the areas in which real estate agent pay more attention to and areas they considered to be less important. The study observed that real estate consumers value these areas and they want service quality provided in these areas.

These include “courtesy”, “frequent communications”, “provided service as promised”, “exact time services would be performed”, and “personal attention”. It is the conclusion of this study that real estate agents should improve their mode of service quality in these areas so as to have more satisfied consumers. This study also recommends that the Nigerian Institution of Estate Surveyors and Valuers (NIESV) should educate their members on service quality related issues in order to enhance their members’ effectiveness in meeting the needs of their consumers and also attract more patronage. However, there is need for future researchers to continue to build on the body of knowledge on service

quality and consumer satisfaction in real estate agency by investigating into factors influencing clients’ choice in selecting agents and service quality improvement measures.

## REFERENCES

- Dabholkar PA, Shepherd CD, Thorpe DI (2000). A Comprehensive Framework for Service Quality: An Investigation of Critical Conceptual and Measurement Issues through a Longitudinal Study, *J. Retailing*, 76(2) 139–173.
- Geetika SN (2010). Determinants of Customer Satisfaction on Service Quality: A Study of Railway Platforms in India, *J. Public Transportation*, 13(1)
- Gronroos C (1990). 'From Scientific Management to Service Management: A Management Perspective for the Age of Service Competition, *Int. J. Service Ind. Mgt.*, 5(1): 5-20.
- Guntermann KL, Smith RL (1988). Licensing Requirements, Enforcement Effort and Complaints against Real Estate Agents, *J. Real Estate Res.*, 3(2): 11-20.
- Haag JT, Rutherford RC, Thomson TA (2000). Real Estate Agents Remarks: Help or Hype? *J. Real Estate Res.*, 20(1/2): 205-215.
- Isakson HR, Spencer M (2000). Total Quality Management and Residential Real Estate Agency Issues, *J. Real Estate Res.*, 20(1/2): 179 -188.
- Johnson LL, Dotson MJ, Dunlap BJ (1988). Service Quality Determinants and Effectiveness in the Real Estate Brokerage Industry, *J. Real Estate Res.*, 3(2): 21-36.
- Marsh GA, Zumpano LV (1988). Agency Theory and the Changing Role of Real Estate Broker: Conflicts and Possible Solution; *J. Real Estate Res.*, 3(2): 151-164.
- Mason K, Olmos-Gallo A, Bacon D, McQuiken M, Henley A, Fisher S, (2004). Exploring the Consumer’s and Provider’s Perspective on Service Quality in Community Mental Health Care, *Community Mental Health J.*, 40(1).
- McDaniel JR, Louargand MA (1994). Real Estate Brokerage Service Quality: An Examination, *J. Real Estate Res.*, 9(3): 339-351.
- Narayanan S, Manchanda P, Chintagunta PM (2003). The Informative Versus Persuasive Role of Marketing Communication in New Product Categories: An Application to the Prescription Antihistamines Market, Stanford Graduate School of Business, 518 memorial Way, Stanford, CA 94305-5015, United States.
- Nguyen DD, Nguyen H (2007). Determinants of Retail Service Quality, A Study of Supermarkets in Vietnam. *Sci. Technol. Dev.*, 10(08): 15-23.
- NIESV (2002). Directory of Estate Surveyors and Valuers, Nigerian Institution of Estate Surveyors and Valuers, Lagos.
- Oladapo AT (2008). A Study of Real Estate Assets Pricing in Lagos Metropolis, Nigeria, Being an unpublished M.Sc Thesis Submitted to the Department of Estate Management, Obafemi Awolowo University, Ile-Ife, Osun State, Nigeria
- Omar MA, Schiffman RF (1995). Pregnant Women’s Perceptions of Prenatal Care, *Maternal-Child Nursing J.*, 23(4): 132–142.
- Parasuraman A, Zeithaml V, Berry L (1985). A Conceptual Model of Service Quality and its Implications for Future Research, *J. Marketing*, 49: 41-50.
- Parasuraman A, Zeithaml V, Berry L (1991). Understanding Customer Expectations of Service, *Sloan Management Review*, Spring, pp. 39 – 48.
- Parasuraman A, Zeithaml VA, Berry LL (1988). SERVQUAL, A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality, *J. Retailing*, Spring, 64: 1, 12-40.
- Patterson J, Marks C (1992). The Client as Customer: Achieving Service Quality and Customer Satisfaction in Rehabilitation, *J. Rehabilitation*, 16-21.
- Radwin L (2000). Oncology Patients’ Perceptions of Quality Nursing Care, *Res. Nursing Health*, 23: 179–190.
- Sridhar MS (2001). Service Quality and Customer Satisfaction, A Lecture Delivered in the UGC Refresher Course on Library and Information Science at Academic Staff College of Bangalore University.

- Susan F (2002). Organizational Learning and Success in New Zealand Real Estate Agencies, Paper prepared for Pacific Rim Real Estate Society Conference, Christchurch, New Zealand.
- Thomas D, Whitney-Thomas J (1996). Research to Practice, Perspectives from Consumers and Counselors on Elements that Influence Successful Vocational Rehabilitation System Delivery, Boston: Institute for Community Inclusion (UAP) Children's Hospital.
- Vanniarajan T, Stephen A (2008). Railqual and Passenger Satisfaction: An Empirical Study in Southern Railways. *Asia Pacific Business Review* IV(1), January-March: pp. 64-75.
- Vicky LS, Webb JR, Whipple TW (2000). Assessment of Real Estate Brokerage Service Quality with a Practicing Professional's Instrument, *J. Real Estate Res.*, 20(1/2): 105-117.
- Yi Y (1990). A Critical Review of Consumer Satisfaction, In Zeithaml, V. A. (Ed.), *Review of Marketing 1990*, American Marketing Association: Chicago. pp. 68–123.