

Understanding the Role of Real Estate Agents in Consumer Purchase Decisions: A Case Study of Amritsar District

Dr. Sandeep Singh Virdi¹ and Jaideep Singh²

Abstract

Purpose– The purpose of this paper is to study the role of Real Estate Agents in influencing the consumer purchase decisions in Real Estate Sector.

Design/methodology/approach–This study's universe constituted of all those consumers who have purchased an apartment / flat through a Real Estate Agent. The study was based on the universe of Amritsar district. In the present study, Descriptive Research Design was used and Convenience Sampling technique was adopted. Data was collected through banks, Real Estate Agents and field survey. Taking the sample of 500 units (age groups from 35 years and above with interval of 05 years, income level ranging from 4 lacs to 12 lacs with interval of 2lacs and education level (Graduation or higher) the sample size was analysed using appropriate tools.

Findings–The study found that the “word of mouth” referral is critical for consumers in comparison to advertising strategies adopted by Real Estate Agents to attract consumers. The consumers also agreed that services of established, experienced and licensed real estate agents significantly influence purchase decision. The consumers agreed that real estate agents are well-networked, technology savvy and determine the best buy option after assessing variables like space requirements, affordability, down payment and community resources. The majority of consumers agreed that real estate agents offer negotiating on consumers' behalf, provide details, maintain confidentiality, settle terms and conditions with seller, help in loan processing and follow-up after closing the deal. Real Estate Agents' role is important in purchase-decision as they possess knowledge of the area, documentation, payment plans and possession options. However, the commission amount and agreement terms posed a problem for the consumers.

Research limitations– The study covered only a fraction of the primary sample and their view may not be holistic in nature.

Practical implications– The paper is useful for consumers in understanding the factors involved while going for a purchase decision and helpful for real estate agents in understanding the expectations and insight of consumers.

Keywords: Purchase Decision, Real Estate Agents, Consumer Behaviour.

1. Introduction

The Real Estate Sector is experiencing a paradigm shift in the opportunities for achieving growth and investment areas. The Real Estate Sector is gaining importance due to demographic and social changes. The sustainability is the key issue driving the next phase of the sector and the major factors responsible are rise in urban population, increase in per capita income and growing nuclear families. The other sectors contributing to showcase the growth are banking, Information Technology and services sector.

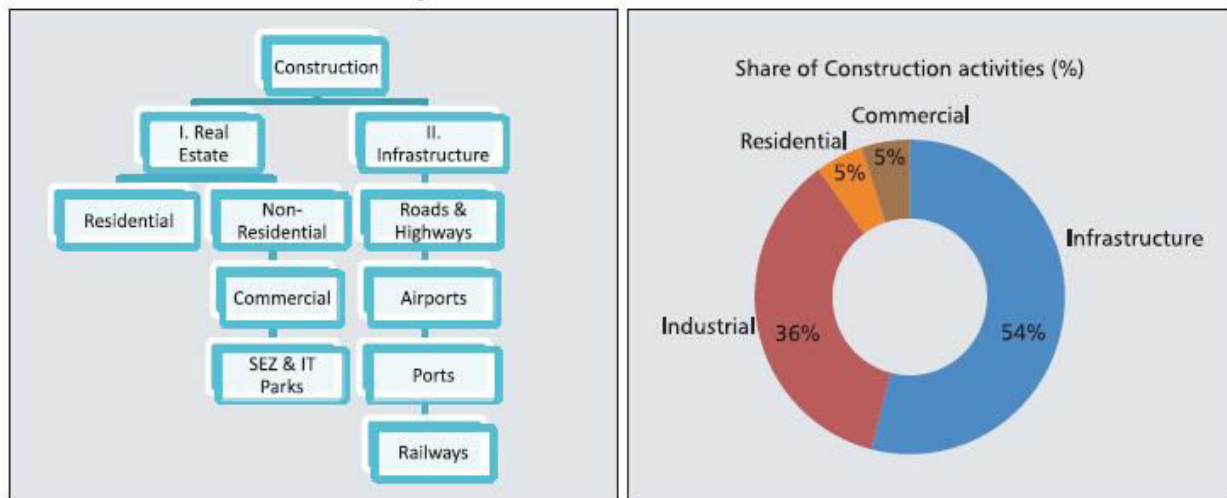
¹ Assistant Professor, School of Management Studies Punjabi University, Patiala. Email:sandeepsviridi@gmail.com

² Research Scholar, School of Management Studies Punjabi University, Patiala. Email:jaideepsaini@gmail.com

(Census 2011, Government of India) The residential segment which contributes about 80 per cent to the real estate sector is expected to grow significantly over the next few decades. It is estimated that Indian cities need to develop at-least two million houses annually for the growing population. (12th Five Year Plan, Planning Commission, Government of India) The actual number could be much higher as it does not include push in demand from re-development and shrinking size of households. Further, there was a housing shortage of about 18.7 million in 2012. Thus, India needs to develop almost 45-50 million housing units by 2028. (KPMG, 2015)

The increase in urbanization, change in strategies of the developers like Going Green and Intelligent buildings, the consequent factors of the growth of economy has gravitated the interest of common man towards Real Estate. The Real Estate in turns seized the latest technologies available, advanced concepts and social marketing tools to capture the true intention of the consumers.

Structure of the Construction Industry



Source: Approach Paper to the Twelfth Five Year Plan, Planning Commission

Source: D&B Research

However, the role and importance of Real Estate agents popularly known as property dealers earlier have not significantly changed in influencing the consumers while they choose to buy property in the Real Estate Sector. Meanwhile, the Real Estate Agents have adopted the new methods of market analysis, developed insights that drive value in real estate decisions, adapted to the new techniques to attract the consumer and influence their decision making process. The Real Estate Agents operates in the volatile economic conditions which require knowledge of advanced concepts, communication to understand the changing needs and preferences of consumers to build competitive advantage.

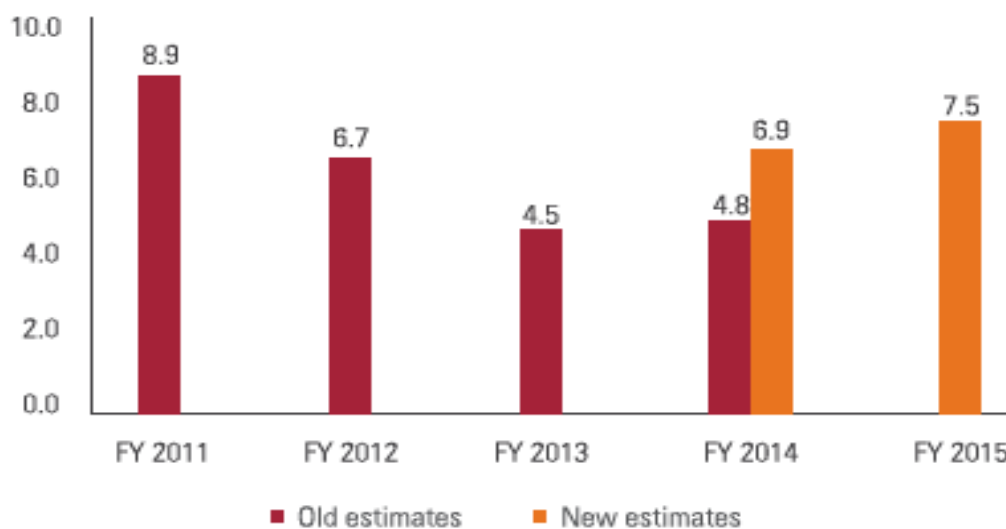
The licensing of the Real Estate Agent by the Government, contract with the developer, network policy of the agent and knowledge about the product are some attributes that drive the consumer for involving them when they think to invest in the Real Estate Sector. The consumer being increasingly discriminating has interest in examining the paradigms like technology, services, brand value and sustainability to invest in Real Estate. The buying decision may be taken to meet housing requirements, investment for future, tourism or other purposes.

2. Review of Literature

The real estate sector in India is being recognised as an infrastructure service that is driving the economic growth engine of the country. The Indian real estate market size is expected to touch US\$ 180 billion by 2020. Foreign direct investment (FDI) in the sector is expected to increase to US\$ 25 billion in the next 10 years, from present US\$ 4 billion.

Fig.1 India's GDP Growth

India's yearly GDP growth (in percentage)

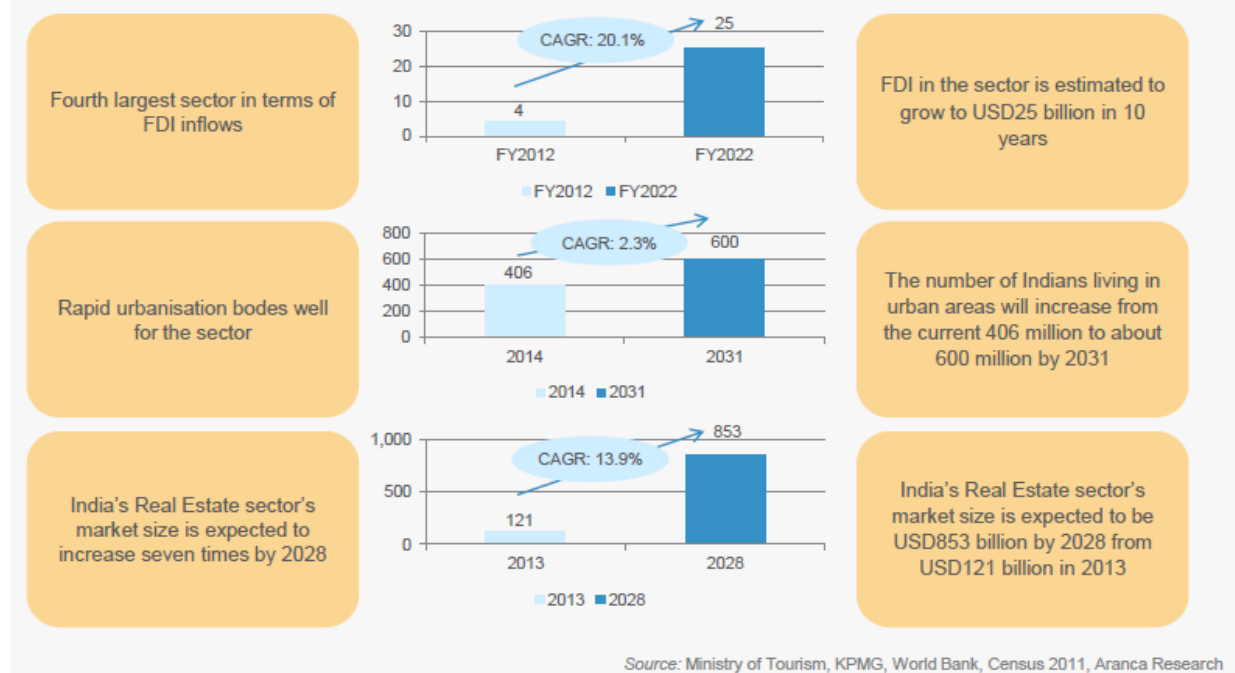


Source: KPMG in India analysis, 2015

Note: The Central Statistics Office (CSO) has revised the national accounts aggregates by shifting to the new base of 2011-12 from the earlier base of 2004-05. The new set of information is not comparable with the information and analysis based on the 2004-05 series.

According to Department of Industrial Policy Promotion (DIPP), the construction development sector in India has received foreign direct investment (FDI) equity inflows to the tune of US\$ 23,874.1 million in the period April 2000- September 2014. (**Corporate Catalyst India, 2015**)

The Indian real estate market size is expected to touch US\$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's gross domestic product (GDP). Also, in the period FY08-20, the market size of this sector is expected to increase at a compound annual growth rate (CAGR) of 11.2 per cent. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.

Fig.2 Growth of Real Estate Sector

Definition of 'Real Estate Agent'

Investopedia (2015) defines a real estate agent as a person with a state/provincial license to represent a buyer or a seller in a real estate transaction in exchange for commission. Most agents work for a real estate broker or realtor.

Breaking Down 'Real Estate Agent' -- Real estate agents are the people you deal with face to face when buying or selling property. These are the people on the front lines of the real estate market and perform such tasks (amongst others) as showing homes to perspective buyers and negotiating transactions on behalf of their client. Real estate agents often work on a 100% commission basis, their income dependent upon their ability to find property suitable for their clients and closing transactions.

(<http://www.realtor.org>, 2015) A real estate broker who becomes an agent of a seller or buyer, either intentionally through the execution of a written agreement, or unintentionally by a course of conduct, will be deemed to be a fiduciary. Fiduciary duties are the highest duties known to the law. Classic examples of fiduciaries are trustees, executors, and guardians. As a fiduciary, a real estate broker will be held under the law to owe certain specific duties to his principal, in addition to any duties or obligations set forth in a listing agreement or other contract of employment. These specific fiduciary duties include: Loyalty, Confidentiality, Disclosure, Obedience, Reasonable care and diligence, and Accounting.

(**Jason Monteiro, 2013**) The Union cabinet on 5 June 2013, cleared the Real Estate (Regulation and Development) Bill 2013, which seeks to create a Real Estate Regulatory Authority (RERA) and an Appellate Tribunal (AT) that will act as a watchdog for the real estate sector, set up specifically to protect consumer interests and redress grievances. The bill also mandates the registration of real estate brokers. In India, real estate agents could be anyone who makes buyers and sellers meet. This means that from a *paanwala* to a tailor to a scrap metal

dealer, anyone can be a real estate agent. Would all of them fall in line and register with RERA? This would be quite a challenge.

(Sanjay Dutt, 2015) Within a span of six months since the new Government took over, there is a growing positivity among the real estate sector that can now hope for a new phase of growth: be it in the commercial or the residential segments. The Government has taken many steps to create an environment of growth for the sector. The policies have been two-pronged, which includes providing greater access to funding on the one hand and extending liquidity to the end-user to strengthen affordability. Both steps would lead to a balance of demand and supply in the near future.

'The residential sector, which remained dormant during most of 2014, has got a fresh lease of life. The market is expected to enter a phase of active sale velocity', says Sanjay Dutt.

Traditionally, explanations of consumer behaviour are cast in terms that are rooted in cognitive psychology (Bargh, 2002). Before people buy, or choose, or decide, they engage in more or less elaborate, conscious *information processing* (Chaiken, 1980; Petty, Cacioppo & Schumann, 1983). Information processing may lead to certain attitudes, and these attitudes, in turn, may or may not affect *decisions*. The amount of information that is processed is dependent on various moderators, such as involvement (Fazio, 1990; Krugman, 1965). In addition, the sort of information that finally influences your attitudes can differ too. Attitudes can be based more on cognitive beliefs, such as when one finds a product very useful, or more on affect, such as when a product has important symbolic meanings (Venkatraman & Mac-Innes, 1985).

The "consumer" includes both personal consumers and business / industrial / organizational consumers. Consumer behaviour explains the reasons and logic that underlie purchasing decisions and consumption patterns; it explains the processes through which buyers make decisions. The study includes within its purview, the interplay between cognition, affect and behaviour that goes on within a consumer during the consumption process: selecting, using and disposing of goods and services. (Schiffman and Kanuk, 2004)

Fig3. Relation between Real Estate Agent and Buyer



Though similar, consumers are unique in themselves; they have needs and wants which are varied and diverse from one another; and they have different consumption patterns and consumption behaviour. The marketer helps satisfy these needs and wants through product and service offerings. For a firm to survive, compete and grow, it is essential that the marketer identifies these needs and wants, and provides product offerings more effectively and efficiently than other competitors. A comprehensive yet meticulous knowledge of consumers and their consumption behaviour is essential for a firm to succeed. Herein, lies the essence of Consumer Behaviour, an interdisciplinary subject, that emerged as a separate field of study in the 1960s. **(Solomon, 2009)**

Consumer Behaviour may be defined as “the interplay of forces that takes place during a consumption process, within a consumers’ self and his environment. - this interaction takes place between three elements viz. knowledge, affect and behaviour; - it continues through pre-purchase activity to the post purchase experience; - it includes the stages of evaluating, acquiring, using and disposing of goods and services”**(Peter et al, 2005)**.

Cognition: This includes within its ambit the “knowledge, information processing and thinking” part; It includes the mental processes involved in processing of information, thinking and interpretation of stimuli (people, objects, things, places and events). In our case, stimuli would be product or service offering; it could be a brand or even anything to do with the 4Ps.

Affect: This is the “feelings” part. It includes the favourable or unfavourable feelings and corresponding emotions towards stimuli (e.g. towards a product or service offering or a brand). These vary in direction, intensity and persistence.

Behaviour: This is the “visible” part. In our case, this could be the purchase activity: to buy or not a buy (again specific to a product or service offering, a brand or even related to any of the 4 Ps) **(Loudon et al, 2002)**.

3. Need of Study

The Real Estate Sector market dynamics have changed with the growth and development of the industry. The consumer behaviour has been influenced by the advancements in technology, globalization, competition and other economic forces. However, with the Real Estate Sector growth and emergence of Real Estate Agents in an advanced form, the psychology of the consumer has changed and depending on the demographic profile, the consumers tend to involve Real Estate Agents in the purchase decisions so as to strike the best deal and in order to avoid any hurdles till the delivery of the product.

The Real Estate Sector is flooded with offers from developers, banks and a natural question arises in the mind of the buyers or sellers whom to trust in making a decision. The consumers then seek different ways like referral from friends, agents, advertisements, brand value, endorsements etc. The easiest way a consumer opt is to go for a Real Estate Agent to find the strike the best deal keeping in mind the needs, budget, location and apartment size along with the latest facilities How do home buyers or sellers decide on an individual agent and what influence do they make on the consumer to dominate the purchase decision?

4. Objectives

1. To study the perception of consumers regarding Real Estate Agents in Real Estate Sector.
2. To study the role of Real Estate Agents in influencing the consumer purchase decisions in Real Estate Sector.

5. Research Methodology

This study's universe constituted of all those consumers who have purchased an apartment / flat through a Real Estate Agent. The study was based on the universe of Amritsar district. In the present study, Descriptive Research Design was used and Convenience Sampling technique was adopted. Data was collected through banks, Real Estate Agents and field survey. Taking the sample of 500 units (age groups from 35 years and above with interval of 05 years, income level ranging from 4 lacs to 12 lacs with interval of 2lacs and education level (Graduation or higher) the sample size was analysed using appropriate tools.

The Questionnaire focussed on the following Individual determinants and real estate agents influences in relation to the factors that affect consumer behaviour.

6. Findings, Analysis and Discussions

Table1 Demographics of consumers

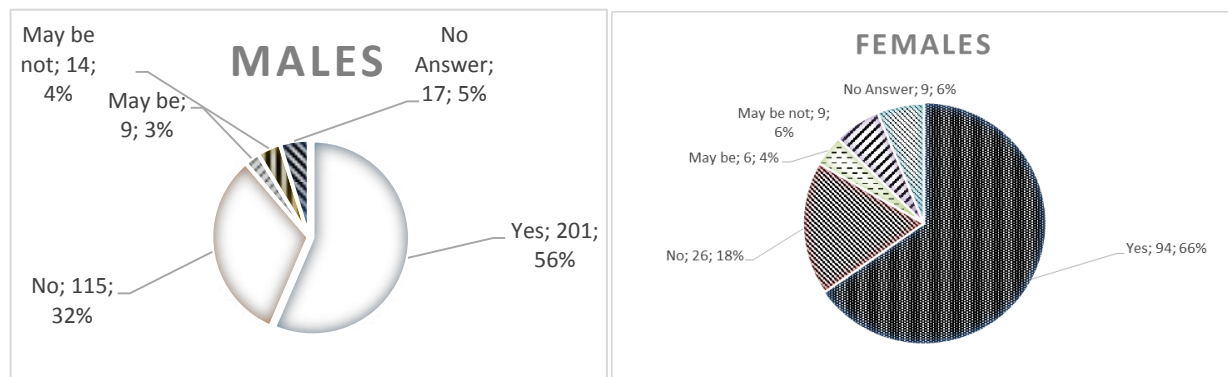
Consumers (500)		
Age		Number
35-45	44.20%	221
45-55	38.40%	192
> 55	17.40%	87
Education		
Graduate degree	45.60%	228
Masters degree	34.60%	173
Others	21.40%	107
Gender		
Male	71.20%	356
Female	28.80%	144
Marital status		
Married	74.60%	373
Single	09.00%	45
Divorced	16.40%	82
Occupation		
Govt. servant	29.20%	146
Self employed	54.20%	271
Others	16.60%	83
Annual income		
Rs. 400,000- Rs.600,000	11.60%	58
Rs. 6,00,000- Rs.800,000	30.00%	150
Rs. 8,00,000- Rs.1000,000	28.20%	141
Rs. 10,00,000- Rs.1200,000	16.50%	84
Rs. 12,00,000 above	13.40%	67

Source: Authors' field survey (2015)

Findings:

Fig. 4 clearly shows that **60%** of the respondents (56% of males and 66% of females) agreed that involving Real Estate Agents in purchasing Real Estate property will result in better deal for them while 28% of the consumers (32% of males and 18% of females) as a whole deny the same. This indicates that the role of Real Estate Agents in purchase decision is quite clear and well understood by the respondents. The males and females are equally aware of this fact that Real Estate Agents are knowledgeable and dynamic enough to strike a better deal.

Fig. 4 Response whether involving Real Estate Agents in purchasing Real Estate property will result in better deal for the consumers.



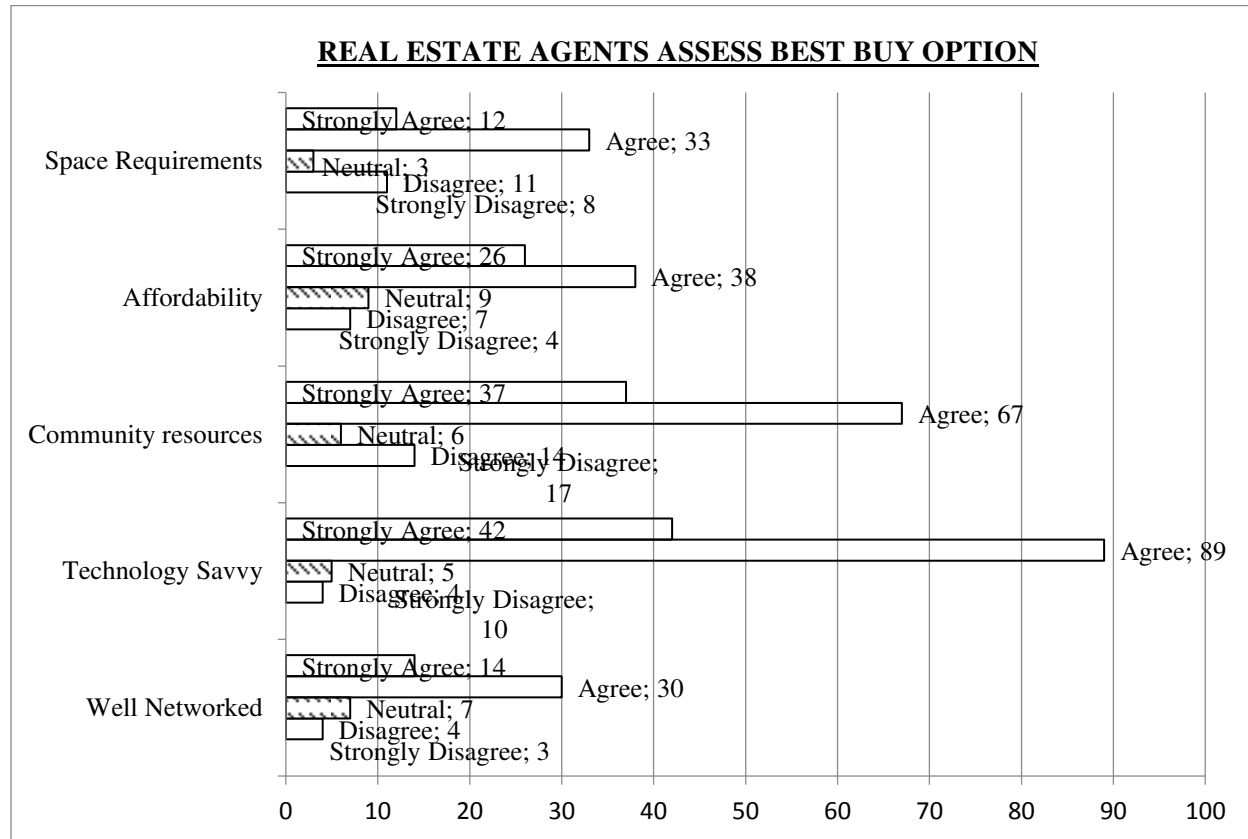
The consumers have different perceptions regarding attributes of a Real Estate Agent which significantly influence a consumer purchase decision. It was found that the being licensed and established are most significant while technical know-how and experience are least significant to the consumers when the question comes to influence the purchase decision

Table 2 : Perception of Attributes of Real Estate Agent to influence purchase decision
(5 = Most Important, 1 = Least Important)

Attributes	Mean score
Licensed	4.81
Established	4.65
Educated	4.12
Experienced	4.31
Technical know-how	3.98
Network	4.61

There are various factors assessed by the Real Estate agents with the consideration of best buy in Real Estate Sector such as space requirements, affordability, Community Resources, Technology & Network. The figure 2 below depicts the perception of consumers regarding the factors which they think that Real Estate Agents have given more emphasis.

Fig 5. Response to Real Estate Agents Assess Best Buy Option



Now, coming to the age group consideration with the various modes of purchase decision available to go for a buying decision. Firstly, the ‘word of mouth’ being the conventional mode was available. Later on, the involvement of the Real Estate Agents formerly known as property emerged as the major players to opt for when a consumer thought of buying in the Real Estate Sector. As the Real Estate Sector evolved, the other modes came into picture like Endorsements and Brand Value which caused an impact on the consumers

H₀₁: There is no association between the age group and the mode of purchase decision chosen.

Table 3: Response of the age group on the mode of purchase decision chosen.

Age group	Real Estate Agent	Newspaper/ Advertisement	Word of Mouth	Endorsement	Developer/ brand
35-40	48	17	54	21	48
40-45	26	14	41	17	26
45-50	12	11	42	9	19
50-55	17	5	15	8	3
55-60	11	4	24	6	2

Calculated Value $\chi^2 = 32.72872$ Degrees of freedom, $\nu = 16$

Table Value $\chi^2 = 26.296$ @5% Level of Significance

Since, the Calculated Value of χ^2 is more than the Tabular Value, therefore the Null Hypothesis is rejected. Hence it can be said that the people belonging to different age groups have dependent choice regarding choosing the mode of purchase decision chosen. The various sections may choose these modes depending upon various other factors like time, income and culture.

The Real Estate Agents have a specialised skill set relating to purchase decision which is mentioned the agreement terms and contract amount. The major areas are Area Knowledge, Negotiation & Documentation, Payment Plans, Possession Options and Follow-up. Table 2 below represents the response of age groups to the effectiveness of Real Estate Agents in these areas.

Table 4: Age groups Response to areas where Real Estate Agents are most effective.

Age group	Area Knowledge	Negotiation & Documentation	Payment Plans	Possession Options	Follow-up
35-40	22	32	24	32	18
40-45	25	15	30	24	14
45-50	18	20	27	20	32
50-55	14	23	19	12	7
55-60	12	16	18	11	15

H₀₂: There is no association between the Commission Amount & Agreement Terms for selecting Real Estate Agent.

Table 5: Responses to Commission Amount & Agreement Terms.

Commission Amount	Agreement Terms	Both	Any	No Answer
18	16	11	10	3
26	37	48	31	8
42	48	26	18	7
33	26	18	6	1
15	12	16	22	2

Calculated Value $\chi^2 = 42.9$ Degrees of freedom, $\nu = 16$

Table Value $\chi^2 = 26.296$ @5% Level of Significance

Since, the Calculated Value of χ^2 is more than the Tabular Value, therefore the Null Hypothesis is rejected. There is significant association between the Commission Amount & Agreement Terms for selecting a Real Estate Agent by the consumers

H₀₃: There is no association between Real Estate Agents and Developers for influencing purchase decision.

Table 6: Response to Real Estate Agents and Developers for influencing purchase decision.

Income	Real Estate Agents	Developers	Neutral	Both	None
4-6lacs	11	13	17	8	9
6-8lacs	42	36	41	23	8
8-10lacs	39	31	35	29	7
10-12lacs	16	14	27	21	6
12lacs<	11	15	20	19	2

Calculated Value $\chi^2 = 23.1$ Degrees of freedom, $v = 16$

Table Value $\chi^2 = 26.296$ @5% Level of Significance

Since, the Calculated Value of χ^2 is less than the Tabular Value, therefore the Null Hypothesis is accepted. Therefore it can be claimed that there is no association between Real Estate Agents and Developers for influencing purchase decision. There is no dependence of Real Estate Agents on Developers or vice-versa.

7. Suggestions / Recommendations

The fact that Real Estate Agents put so much emphasis on selling that they do not disclose the exact technical specifications and other necessary details which may prove critical in decision making by the consumer. So Real Estate Agents should adopt transparency in matters of critical issues and take necessary measures themselves to know the exact situation first so as to fill the attitude intention gap. The Real Estate Agent should protect consumer interest and introduce standardisation in business practices and transactions in the sector.

Marketing for many Real Estate Agents is an integral part of their business model and sometimes they form a union and contact the developer to sign a contract so that they can incorporate the features in their marketing strategy to attract the consumers. The developers should conduct a market research that what features in the product consumer wants and devote significant resources to find out which segment of customers are buying their products and services.

Consumers should preferably give feedback to the developers to be transparent in documentation, easy loan access, time-bound possession and environment friendly in launching a project.

The rise of the GDP of the country and the advancement in technology in Real Estate Sector with access to a wealth of information about the Real Estate Sector and knowledge of advanced concepts to help them with the purchase of goods and services. The social networks have their contribution in spreading information and giving the consumer more power to choose.

8. Conclusions

The consumers perceptions, attitudes and intentions differ across inter region and intra-region. And the same applies to the Real Estate Agents in understanding the consumer thought process and influencing the consumer purchase decision. The policy and disclosure by Real Estate Agents is the key to success in implementing the strategy on a big level.

There is a need to make consumers conscious about possession plans, payment options, government policies and sustainability. Moreover, this digital age requires keeping up with new trends like the social media. The Internet has become the first medium to allow for complex

interaction between networks of people and Real Estate Agents via social networks like Twitter, Facebook and YouTube, amongst many more. Social marketing is a powerful tool for achieving a tangible and measurable impact on behaviours and should be exploited more by Real Estate Agents as Social marketing principles can be used to develop effective behavioural interventions to promote transparency, abide legal practice & sustainable behaviour i.e. recycling, reduce and re-use (environment).

Last but not least the government policies, reforms and legislations regarding urban development may be introduced to improve global inflow of funds and promote growth of the sector. The government should initiate the affordable housing as a part of the integrated growth of Real Estate Sector with Sustainable Environment. The lower income groups neither have access to the information nor possess the knowledge regarding sustainability and environmental friendly practices.

9. Limitations

The study cannot be taken as a holistic study as the tradition, culture and source of income varies among the consumers. The time is always a constraint. The limited resources may not be resulting in a comprehensive study.

10. Agenda for Future Research

There is a huge potential for policy-makers to fully understand how consumers are behaving while going for buying in Real Estate Sector and what the consequences of the implementation of advanced concepts are. Consumers are increasingly investing in the Real Estate Sector as a way to improve their lifestyles and it reflects their buying behaviour too. Further research can be pursued to detect what influences people's behaviour to choose the bank loan, possession and payment options.

Furthermore, future work can be carried out, regarding furthering the investigation on how to bridge the considerable intention – behaviour gap between Real Estate Agents and consumers regarding commission amount and agreement terms.

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