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STAKEHOLDER RELATIONSHIP DEVELOPMENT PLAN

Bachelor's Thesis 2010

## ABSTRACT

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International Marketing

ROKKA, TIIA	Stakeholder relationship development plan
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Customer service has become more and more important for the companies to survive in the markets. Understanding the total supply chain of the customer service includes every operators' best input as possible. Management of the service supply chain requires constant interaction between the stakeholders and the real estate brokers as well as comprehension of the partners' service offering.

A real estate broker has several stakeholder groups, the most significant being creditor, constructors, and housing managers. Competitors are also included in the relevant groups. The purpose of this study was to determine how real estate brokers and the realtor sector in general could deepen their stakeholder relationships in order to improve the level of overall service quality and final customers' satisfaction with the service.

The research was conducted as qualitative research. A total of twelve persons participated in the study, nine of nine were personally interviewed and three replied by email.

In conclusion, the stakeholders are mainly satisfied with the level of the real estate brokers' service and their professional skills. However, the real estate brokers should be more interactive with the stakeholders. Deepening the collaboration as well as communication between the parties is considered to be important for customer service in the future.

## TIIVISTELMÄ

### KYMENLAAKSON AMMATTIKORKEAKOULU

#### Kansainvälinen markkinointi

ROKKA, TIIA	Sidosryhmäsuhteiden kehittämissuunnitelma
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Kokonaisvaltainen asiakaspalvelu on tullut yhä tärkeämmäksi keinoksi yritykselle selviytyä aina kovenevassa kilpailussa. Kokonaisvaltainen asiakaspalvelu sisältää kaikkien palveluketjun toimijoiden laadukkaasti hoidetun asiakaspalvelun yksittäisessä tapauksessa. Kokonaisen palveluketjun hallinta edellyttää sidosryhmien välistä aktiivista yhteydenpitoa sekä ymmärrystä eri osapuolten tarjoaman palvelun sisällöstä.

Kiinteistönvälittäjällä on useita sidosryhmiä, joista tärkeimmät ovat luotonantajat, rakennusliikkeet ja isännöitsijät. Näihin kuuluvat myös toiset kiinteistönvälittäjät. Tutkimuksen tarkoituksena oli selvittää näiden sidosryhmien tyytyväisyyttä kiinteistönvälittäjien palveluun Kotka-Haminan seudulla sekä selvittää tapoja, joilla yhteistyötä voitaisiin kehittää ja syventää, jolloin palveluntaso kuluttajalle paranee.

Tutkimus toteutettiin kvalitatiivisena tutkimuksena. Kaikkiaan kaksitoista henkilöä osallistui tutkimukseen, joista yhdeksän haastateltiin henkilökohtaisesti ja kolme antoivat vastauksensa sähköpostitse.

Tutkimuksen mukaan sidosryhmät ovat pääasiallisesti tyytyväisiä kiinteistönvälittäjien palvelutasoon sekä ammattitaitoon. Kiinteistönvälittäjien toivottiin kuitenkin pitävän enemmän yhteyttä. Yhteistyön syventäminen sekä osapuolten välisen keskustelun lisääminen tulevaisuudessa on tärkeää asiakkaiden laadukkaamman palvelun kannalta.

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## 1 INTRODUCTION

Currently the competition is fierce in the field of real estate brokerage. The companies are fighting over customers only by reducing the price of their services, which easily leads to unprofitable business. However, few pay enough attention to the quality of customer service and customers' satisfaction with the whole service process. I believe that competitive advantage could be developed without constant price reductions by paying more attention to the organizations.

The purpose of this study was to determine how the real estate brokers and the sector in general could strengthen their stakeholder relationships in order to create trust between the parties and thereby improve overall service quality and final customers' satisfaction to service supply chain.

Before the actual research in the second chapter, the service quality and customer satisfaction which could generate loyalty are explained. It is necessary to understand that in the service field the employees and their performance are evaluated by the customers as well as by other groups, and that way they form an opinion about the company itself and its provided service. The third chapter presents the main idea of relationship marketing in order to help the reader understand the basic elements for long-term collaboration. The fourth chapter discusses more closely the stakeholder groups of the real estate brokerages with the help of the six markets model.

The empirical part of the study was conducted mainly by personal interviews. The aim was to gather information on the stakeholders' satisfaction and their expectations of realtor's services. Another goal was to find out how could the collaboration could be improved in the future.

I have been working as a real estate broker for several years and the reason for this topic is the personal interest for improving my own working methods and also to develop more interaction between the most important stakeholders, creditors, constructors, housing managers and even rivals.

## 2 CUSTOMER SATISFACTION, SERVICE QUALITY AND LOYALTY

The nature of service and its quality are intangible. Every person has their own subjective perceptions about service quality and it is not easy to measure. Poor quality is more easily defined when people are dissatisfied with the service they have received but when defining good quality perceptions can vary greatly. Service quality is varies because of the people who provide it and the consumers. It depends on for example, their attitudes, feelings, and just because of the chemistry between the persons in the service situation.

Whether a service is satisfying or dissatisfying is each time evaluated by an individual customer. When service is satisfying it meets or even exceeds customer's needs and expectations. In other words, the company delivers its service promises and has satisfied customers.

Customer loyalty is more than repetitious use of company's services, because the customer might not have any other options available. Loyalty consists of the customer's good perceived quality and satisfaction with the expected service. The customer chooses the same company again from the alternatives, if the service exceeds his expectations.

### 2.1 Service quality definition

There are many definitions of quality. The definition of what quality really is, is not widely accepted or clear. The most important aspect in studying service quality is the receiver's perception of the service outcome quality, not the supplier's. Therefore the focus should be on receiver's perceptions in discussions of what actually is important and actions upon quality and service. (Morgan 1991, 205-206)

The meaning of quality in defining a service offer has increased. It is used for distinguishing rival services from each other by service users. If quality is defined as the point where service meets the receiver's requirements, the problem yet is recognizing what they are. Because service quality is an

abstract concept its construction begins by pointing out stakeholders' abstract expectations, which they consider important. (Palmer, 1998, 152-153)

According to Bergman and Klefsjö (2003) *the quality of a product is its ability to satisfy, or preferably exceed, the needs and expectations of the customer.* Therefore, sufficient is not only to fulfill expectations, there should be an element of surprise, delight and enthusiasm for the receiver. This creates loyalty. (Bergman, Klefsjö 2003, 24)

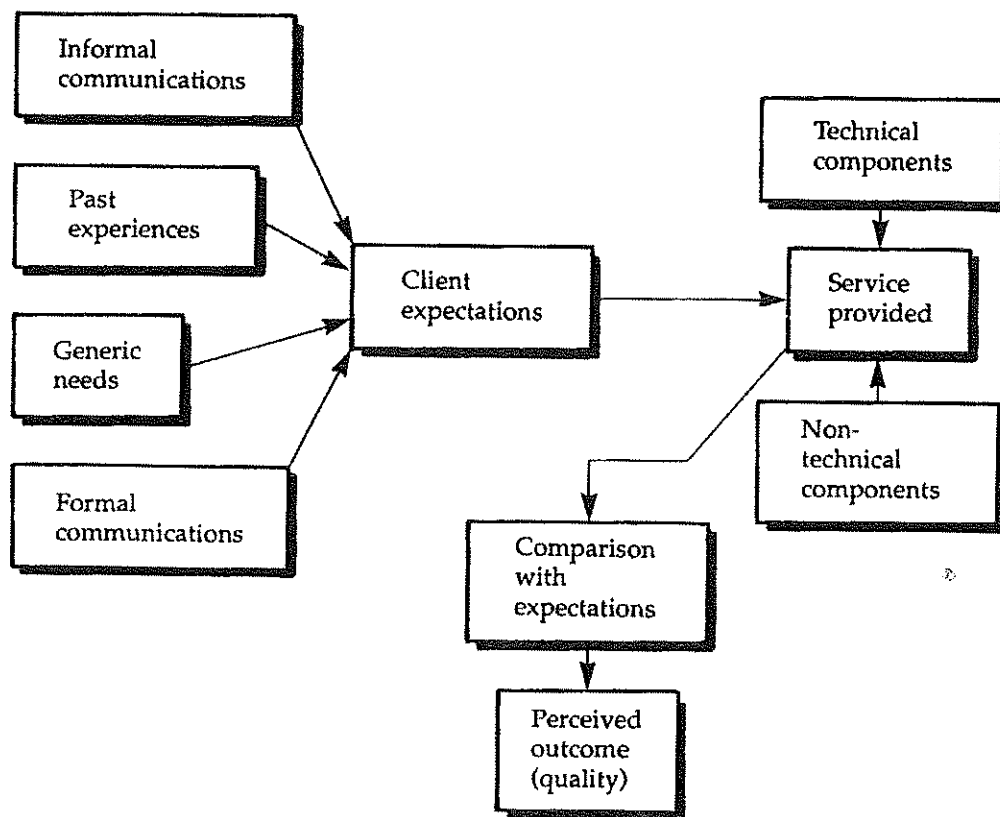


Figure 1. Service quality evaluation process (Palmer, 1998, 153)

Service is constructed of technical components which are necessary in providing the requested service, and non-technical components, which can be customized by the provider company. The customer evaluates the provided service and its quality throughout his own subjective expectations, which are affected by formal and informal communications, generic needs and past experiences. The service provider has their own opinion of the customer's expectations, which should be fulfilled. As the receiver's expectations differ



from the service provided, there will exist either positive or negative quality perception. Negative quality exists after receiver's service expectations are greater than those provided, and vice versa: positive service quality is created when the service provided exceeds the expectations of the receiver (figure 1).

Many of the following dimensions are connected to the subject's confidence in those supplying the service. It should be pointed out that a generic list of quality dimensions simply gives direction to the first ideas for service planning. (Bergman, Klefsjö 2003, 33-34)

Below is a list of elements affecting service quality according to Bergman and Klefsjö (2003). Morgan (1994) has added two extra elements to the list. All the ten elements should be taken into consideration when providing service. When a service receiver's expectations of these elements are exceeded, service quality is perceived positively.

- *reliability, referring to the consistency of performance, including punctuality and precision in terms of information and invoicing procedures, and doing what you have promised to do.*
- *credibility referring to being able to trust the supplier*
- *access i.e. how easy it is to come into contact with the supplier. This is where position, opening hours, supplier availability, and other technical facilities belong.*
- *communication, the ability to communicate in an understandable way that is natural to the customer*
- *responsiveness, i.e. willingness to help the customer*
- *courtesy, which refers to the supplier's behavior, e.g. politeness and kindness*
- *empathy, the ability to understand the customer's situation*
- *tangibles, the physical environment in which the service is executed, i.e. the appearance of equipment and premises.*

(Bergman, Klefsjö 2003, 32-33)

- *Competence referring to the skills and ability of the service provision and contact staff.*

- *Security primarily means freedom from doubt, risk or even danger*  
(Morgan, 1994,207)

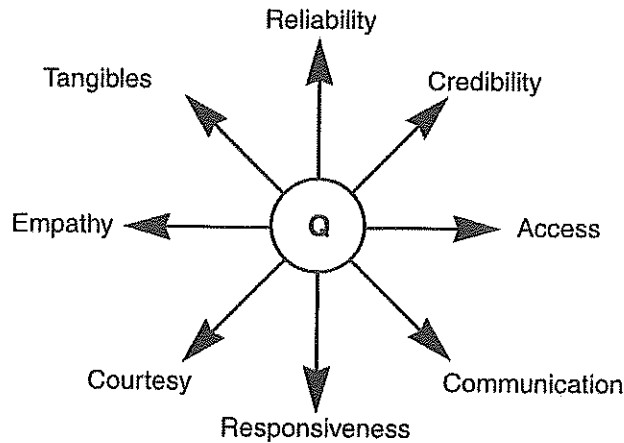


Figure 2. Quality dimensions of a service (Bergman, Klefsjö 2003, 33)

The most concrete event in service from the receiver's point of view takes place in the service encounter, in the actual time of communicating with the service provider. For example, when a real estate agent calls to a bank clerk to agree certain details of the customer's sales event. The company's service quality is evaluated from these encounters, which influences the overall satisfaction and desire to do business with the company again. (Zeithaml, Bitner 2000, 86)

Every encounter is significant in general but any of them could also be crucial in defining satisfaction and loyalty for the company. The initial encounter with the company produces the first and the most important impression of the company. During the first confrontation with the service provider, the receiver has not got any basis for evaluating the company, therefore the initial encounter by phone or face-to-face with an organization's representative can be of great importance in the perception of service quality. In the event of several encounters, each separate contact creates an image of the company in the receiver's memory. Positive occasions with the company generates image of high service quality, while negative encounters have the reverse result. Uncertainty about the service quality and the possibility of changing the

service provider is developed when there are both positive and negative contacts. (Zeithaml, Bitner 2000, 87)

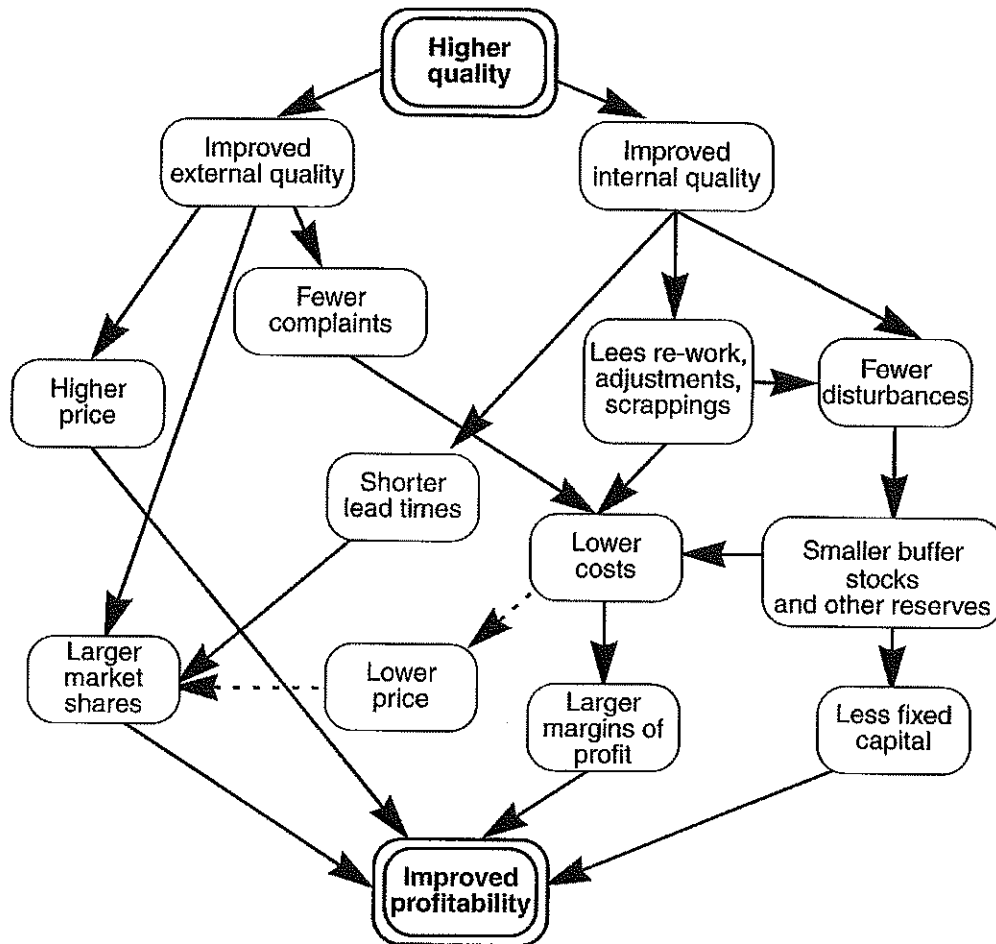


Figure 3. Relationship between improved quality and improved profitability (Bergman, Klefsjö 2003, 52)

Higher quality means improved profitability. Quality can be divided into internal and external quality. The first is about avoiding the mistakes in providing the service; for example, by standardizing the service so that it is the same to everyone. External quality can be seen after standardization when the number of complaints decreases and one is able to state that provided quality increases. When there are fewer complaints more time and effort can be directed to providing the service and acquiring new contacts, which in time leads to bigger profits.

## 2.2 Customer satisfaction definition

The needs and expectations of the stakeholder are affected by many factors e.g. the price of the service and previous experiences of the company. These needs and expectations are connected to stakeholder satisfaction. (Bergman, Klefsjö 2003, 311)

Another definition states that satisfaction is the individual evaluation of a product or service and whether it has fulfilled customers' needs and expectations. Dissatisfaction arises when there is a failure in meeting the needs and expectations of the product or service. Satisfaction is affected by specific features and perceptions of quality. Subjective perceptions of equity, attributions and emotional responses also affect the satisfaction. (Zeithaml, Bitner 2000, 75-76)

The ultimate measurement of quality is the degree of customer satisfaction. The customers judge and determine the quality of the company's end products and services. These external customers could be the ones who use the services, and also those, who live in the environment created by the company as well as its owners and stakeholders (Bergman, Klefsjö 2003,301). The level of customer satisfaction is connected to how well the customer's needs and expectations are fulfilled. Giving more to the customer than he expected is a guarantee to satisfying him. (Bergman, Klefsjö 2003,302-303).

### The Kano model

In order to build a closer relationship to a company's stakeholders it has to recognize and predict their needs and expectations better than its rivals. The needs of a service can be divided into three categories. (Bergman, Klefsjö 2003, 305).

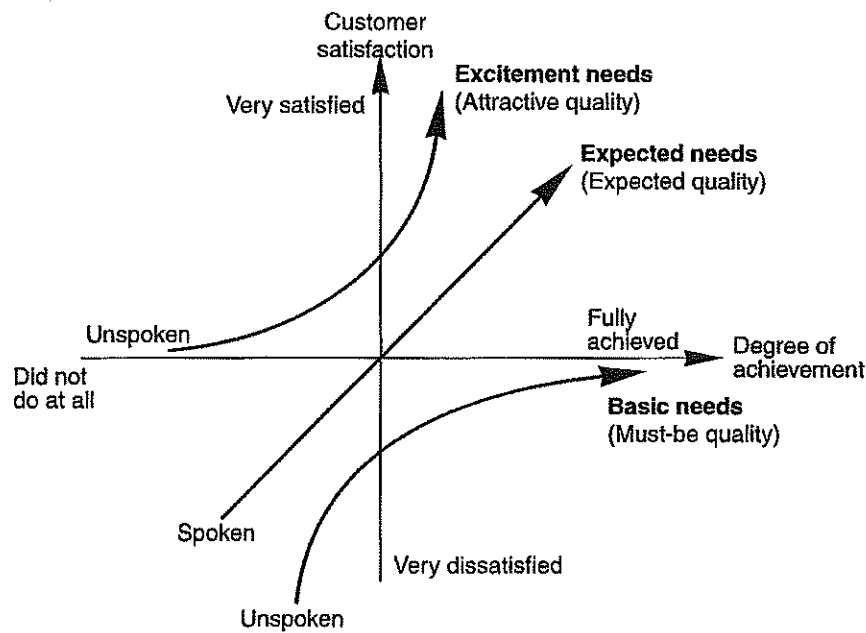
- *Basic needs*, which are so obvious that they are often left unmentioned if asked but must be fulfilled or the stakeholder will be dissatisfied. However, satisfying the basic needs will not lead to satisfaction

- *Expected needs* are the ones fully realized and mentioned if asked. They are important and for that reason expected to be fulfilled. By performing better than competitors in this area the company is able to win. Expected needs most often are the ones discussed.
- *Excitement needs*, which often are unconscious yet can be fulfilled. If inquired they cannot be stated. Large value could be created for the stakeholder by the organization if these needs are identified and then satisfied. This way the company can gain a great competitive edge over its rivals and have loyal relationships.
- (Bergman, Klefsjö 2003,305).

Must-be quality is created by satisfying basic needs and when fulfilling expected needs, expected quality is achieved. Recognizing and satisfying excitement needs generates something extra called attractive quality; that, by its unexpected factor leads to a loyal relationship. (Bergman, Klefsjö 2003,305).

Both spoken customer needs and unspoken customer needs are used. Unspoken needs can be self-evident or unconscious. Both excitement and basic needs could be these unspoken needs in Kano model's terminology. (Bergman, Klefsjö 2003,305-306).

By knowing and understanding stakeholders' basic needs in the relationship the company is able to avoid disappointing the stakeholders. Spoken needs are determined by different surveys. But to deliver surprise effect and the fulfillment of excitement needs it is important to have detailed knowledge about stakeholders' habits and desires. Therefore stakeholders' behavior is to be constantly observed. It is also notable that stakeholder's needs and expectations are constantly changing. (Bergman, Klefsjö 2003, 306)



*The Kano model of customer satisfaction. Must-be quality is the ability of a product to fulfill the basic needs, that are so fundamental and self-evident, that the customer does not even mention them when asked. Expected quality is the corresponding ability to fulfill spoken needs, largely identifiable through customer surveys. Attractive quality contains a surprise element and means that excitement needs are satisfied. This often results in customers, who are faithful and loyal to the company. (After Kano, 1995, 2001.)*

Figure 4. Kano model of customer satisfaction (Bergman, Klefsjö 2003, 307)

### 2.3 Loyalty

Two stakeholders could have the same behavior of using or purchasing the same service equally often over time but they might not have the same level of loyalty to the providing company. False loyalty is defined as when one has no emotional ties to the company or service and changes service when alternative comes out. The truly loyal are not disposed to change the supplier. (Bergman, Klefsjö 2003, 329) Barriers to change could have also been made in form of bonus cards or special discount offers; even though some are dissatisfied, they still remain loyal. (Bergman, Klefsjö 2003,331)

An incentive to loyalty is satisfaction; however it is not the only factor. The participation of the stakeholder may also produce loyalty. Experiences are defined through relationships created by participation. The bond is stronger

between the stakeholder and the supplier when the possibilities of influencing the services and results are broader. What is offered or how the stakeholder is treated is usually not enough for building a loyal relationship, choosing the right partners is also vital. (Bergman, Klefsjö 2003, 330-331)

Classic sales promotion activity can be seen as a loyalty scheme in which short-term incentive is offered to disloyal brand switchers. Sales promotion activity is not long-term in effect and could in fact undermine the long-term mission of developing a strong brand, which has true loyal relationships. (Palmer, 1998,114)

Creating structural bonds whereby parties are tied to each other is a medium-term attempt to build up loyalty. (Palmer, 1998, 114) Turnbull and Wilson (1989) defined structural bonds as investments that cannot be recovered when relationship ends or when due to complexity and cost of changing relational partners is hard to finish the relationship.

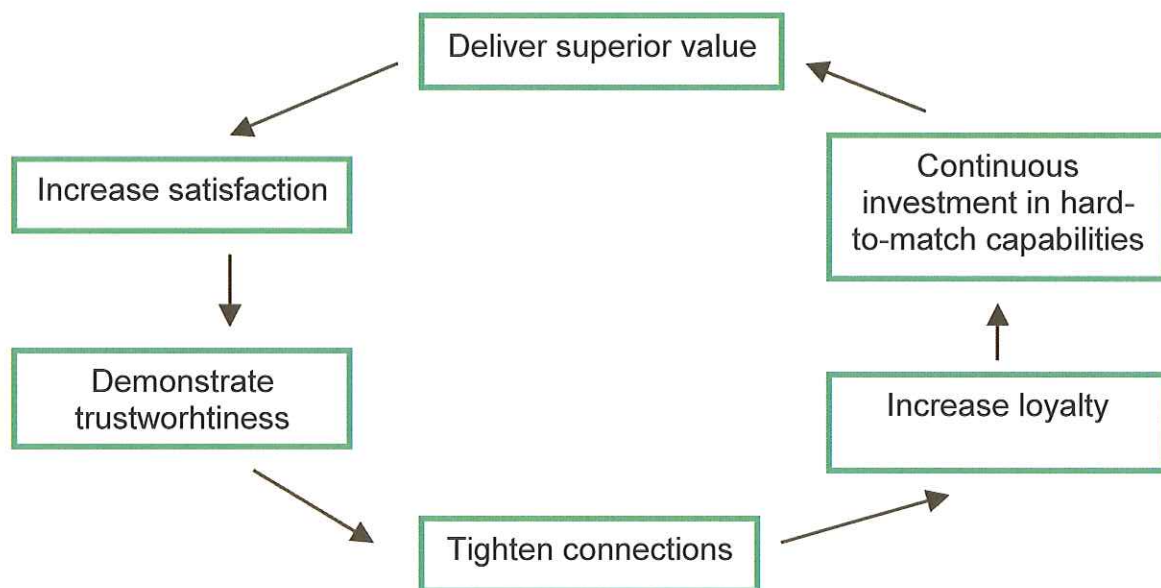


Figure 5. Circle of loyalty (Day 1999, 151)

Loyalty can be seen as continuous improvement and development of the relationship. When an organization provides better value than its rivals, satisfaction in it increases. After a period of experiencing a satisfying relationship, the partners can consider the opposite party trustworthy and

therefore could be willing to tighten the connection between them. Loyalty increases as the bond becomes stronger, and there is no need for novel relationships. In order to avoid copying of the service by the rivals it is necessary to constantly improve the management of the relationship and again provide superior value.

Loyalty programs aim to extend the relationship's duration with the organization so that its lifetime profitability is increased as much as possible. Measuring the effectiveness of a loyalty program is, however, quite difficult. Being the first organization in any given industry to offer a loyalty program is significantly beneficial. However, loyalty schemes may be unsuccessful in providing a long-term strategic advantage to a company because competitors can easily copy them. (Palmer, 1998, 115-116)

### 3 RELATIONSHIP MARKETING

Marketing is typically considered to be the managing of relationships with customer groups. Relationship marketing is a much larger concept. If the company desires to provide the best value in customer service, it has to pay attention to more comprehensive range of markets; internal, referral, employee, supplier, and influence markets. Marketing strategy should be designed to aim at each of these markets in the right proportion to achieve the best results.

#### 3.1 Definition

Relationship marketing focuses more on retaining and improving relationships with the company's current stakeholders than on obtaining new ones. It is said to be cheaper to keep the existing relationships than to acquire new. To build and sustain a base of loyal and lucrative relationships for the organization is the key element of relationship marketing. Retaining the relationships is more likely when the company provides good service quality and value for its stakeholders overall in business. It is important to realize that the relationships are constantly changing and the company must understand the stakeholder's



needs for the relationship and improve and develop its service mix over time. (Zeithaml, Bitner 2000, 138)

In relationship marketing, the main idea is to generate loyalty in order to produce steady, jointly profitable, and long lasting relationships. It is important in a long term relationship that both parties, not just one, are receiving benefit from it. Both should be committed to the relationship and willing to adapt to each other to maintain stability. Mutual trust is the key aspect in developing satisfaction in the relationships. By building this, it is possible to increase satisfaction with and commitment to the relationship. (Jobber 2007, 172)

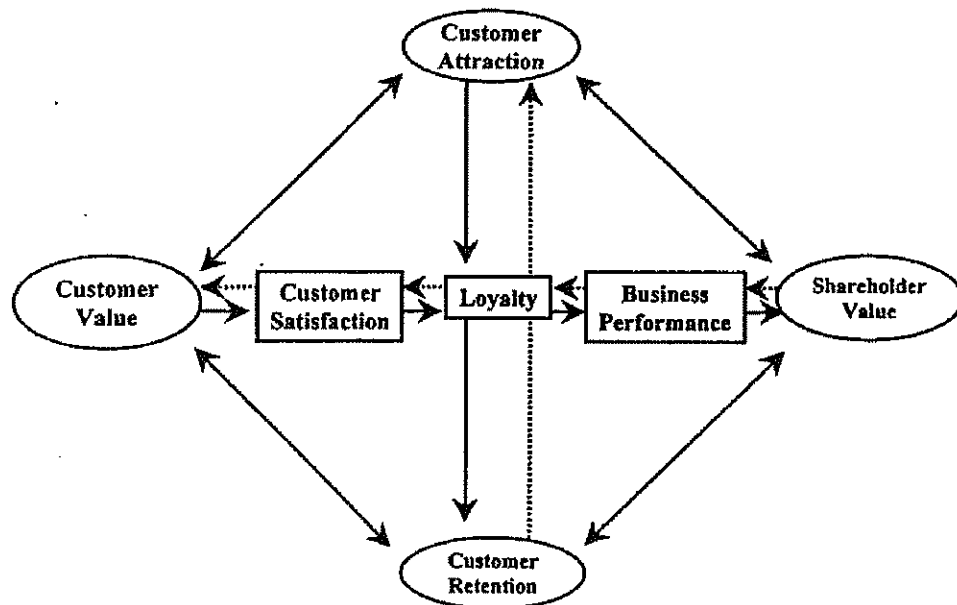


Figure 6. The customer value/retention model (Weinstein and Johnson 1999, 120)

If a company provides good value for its customers, they will be satisfied with the company. Satisfaction leads to loyal relationships with the customers but also with stakeholders, when they are provided with good value and the business relationship is profitable. Loyal customers and stakeholders will not easily change service providers, because they are satisfied with the performance. They instead make additional purchases and thereby return to the company again and again. A loyal base of profitable relationships creates

value for the partners and they can also recommend the company to new prospects and develop an attraction towards it.

### 3.2. Benefits of relationship marketing for customers/company

If customers receive greater value from a company than they expect from its rivals, they stay loyal to the company. Value is built from quality, satisfaction, and specific benefits, but there are also monetary and nonmonetary aspects, which have to be less than the received benefits in order to maintain the relationship with the company. By delivering value evenly from the receiver's point of view, the relationship is likely to be long-term and obviously beneficial to customer. There are yet more factors keeping the customer in the relationship such as *confidence benefits*, *social benefits* and *special treatment benefits*. (Zeithaml, Bitner 2000, 140)

*Confidence benefits* are based on trust or confidence in the supplier, added to a feeling of calmness of knowing the expected service and minimized excitement towards it. It is human not to change the service provider, if the provider fulfills the expectations and needs according to receiver's individual preferences. The change would cost much time and money and the investment in the relationship is lost.

*Social benefits* might appear when the relationship with the service provider has been long-term and the supplier actually becomes a part of receiver's social support system.

*Special treatment benefits* are the least important type of benefit. Special deals or prices, receiving special treatment or getting the benefit of the doubt are factors of special treatment benefits. (Zeithaml, Bitner 2000, 140-141)

A company's advantages from the retaining and developing a loyal customer base are many.

- *increasing purchases*
- *lower costs*, keeping the old customers is cheaper than getting new ones
- *free advertising through word of mouth*

- *employee retention*, when customers are happy and loyal, employees are more likely to stay as their jobs are satisfying and they spend more time caring for the customers, which improves service quality (Zeithaml, Bitner 2000,142-143)

Monitoring and evaluating provided service quality constantly helps define current relationships' value for the receivers, service quality, and satisfaction with services and provider compared to rivals. In order to conduct surveys and monitor the results, the appropriate database is of great assistance. Having an adequate database of the relationships helps the service provider to adapt and improve its offerings to changing needs and expectations of the service receivers and keep up with the competition. (Zeithaml, Bitner 2000, 151)

### 3.3 Building of relationships

Maintaining the relationships is demanding and needs constant work from all involved in it. Relationships are never to be taken for granted. By understanding and recognizing the *relationship enablers* the organization can minimize the termination of the relationships and thereby strengthen the bonds and maintain long-term relationships. (Zeithaml, Bitner 2000, 151)

Gaining mutual benefits is the foundation to build on for any meaningful relationship. The expectations of mutual benefits are the initiative for a relationship but sustaining the relationship counts on reciprocity. After positive experiences parties grow a sense of obligation towards the organization. (Day 1999, 135)

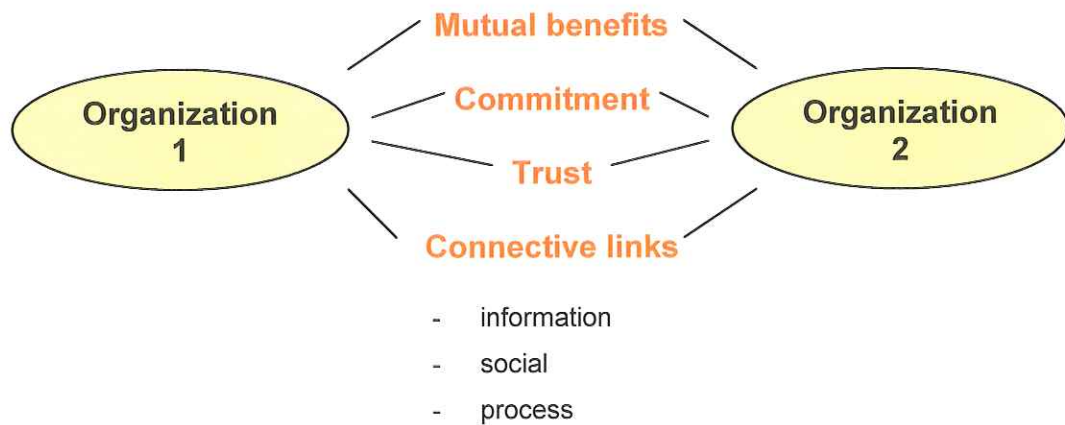


Figure 7 Forming a relationship (Day 1999, 135)

A good relationship is based on mutual benefits e.g. profitable business for both parties and the acquisition of new customers. There is a lot more than mutual benefits in a strong relationship. Commitment to the relationship is important and it develops trust in the partner because commitment indicates long-term activities with the other. After creating a solid base for the strong relationship, the last and the further step taken in relationship is the establishment of connective links. This means wider sharing of information, social connections, and even joint processes.

### Trust

The foundation of a long-lasting relationship is mutual trust, continuity of relationship, and the will to develop profitable business. (Cristopher, Payne and Ballantyne 1991, 25)

Trust is a crucial element in the enhancement of marketing relationships and is to be found where there is confidence in a trade partner's reliability and integrity. Confidence comes by being credible and delivering the promised service elements. Communication is the best excellent way to create trust. Being open, honest, clear and thorough is the key in interaction. Finding suitable channels of communication for both parties can help avoid

misunderstandings and loss of relationship. (Weinstein and Johnson 1999, 137-138)

Strong brands seem to be trustworthy. When there is trust in a relationship, it is unlikely that a partner switches to another. Building trust is worth while because a partner's desire to change to something is higher when having comfortable feelings with the present partner. Interaction is the main element of building trust. (Jobber 2007, 903-904)

According to Day (1999), the partners in a relationship need to believe that one will perform actions in the favor of the other, and that the other party will meet the terms of the agreed action to the best of their abilities. If there is a doubt of the partner's honesty, it quickly damages the trust in the relationship. It takes a long time to build the trust in a relationship, but can be damaged by just a few self-serving deeds.

#### Commitment

The maintenance and support of the relationship is promised indirectly or directly by committing to it. The higher the level of commitment, the greater the willingness by each party to fit the existing processes to the other and pursue their common and individual goals. (Weinstein and Johnson 1999, 138)

#### Cooperation and dependence

Cooperation between partners is aims towards profitable results for both. It can easily lead to the sharing of resources and create common objectives. (Weinstein and Johnson 1999, 139)

The essence of dependence involves the desire to spend time and contribute resources to the establishment and strengthening of the business relationship. (Weinstein and Johnson 1999, 139)

## Information exchange

When a partner gives more information than needed, the other is willing to supply extra services, developing a win-win situation. Constant information exchange can lead to new innovative processes and novelties. (Weinstein and Johnson 1999, 140)

Connective links can be established in a variety of ways. The sharing of information could be conducted, for example, with the help of electronic data interchange (EDI) or extranet connections. Social networks can create close links at all levels of the organizations. The deepest links are established through integration of the partners' processes. (Day 1999, 135-136)

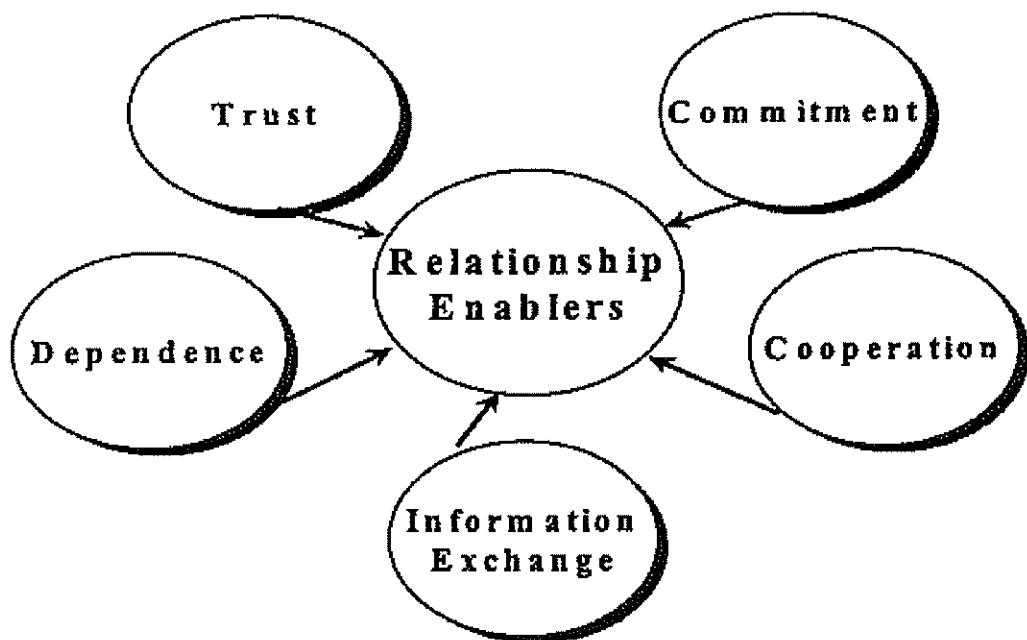


Figure 8. Relationship enablers (Weinstein and Johnson 1999, 138)

If any enabler of relationship does not exist or cannot be established, a strong long-term relationship is not possible. Organizations, which desire to establish a relationship between each other should discuss about all the factors and how they can be organized so that there will be suitable solutions for both to start the relationship. When the elements are studied together beforehand,

it is much easier to decide whether to continue the relationship and improve it or to leave it. Thorough discussion saves time, money, and effort.

### 3.5 Customer value

*“Superior customer value means continually creating business experiences that exceed customer expectations.”* QSP, quality, service and price, is an approach in which value is said to be a combination of the three elements and thereby the total shopping experience. (Weinstein and Johnson, 1999, 4-6)

As shown in figure 9 there are several definitions of value. Because value is quite a subjective concept, there can be several more definitions of it.

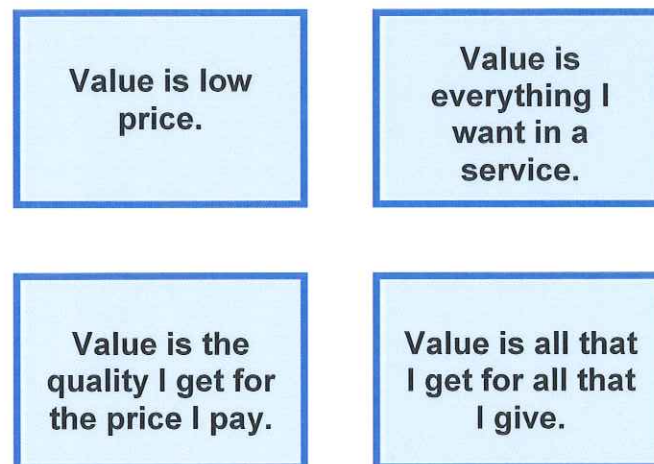


Figure 9. Customer definitions of value (Weinstein and Johnson 1999, 441)

Providing customer service for the final customer should be considered in context of the total service supply. The company in the middle has several relationships with its direct customers and suppliers but also indirectly it is linked to the following levels up and down. All of these relationships should be taken into consideration in order to provide the best value in customer service. (Christopher, Payne, and Ballantyne 1991, 15)

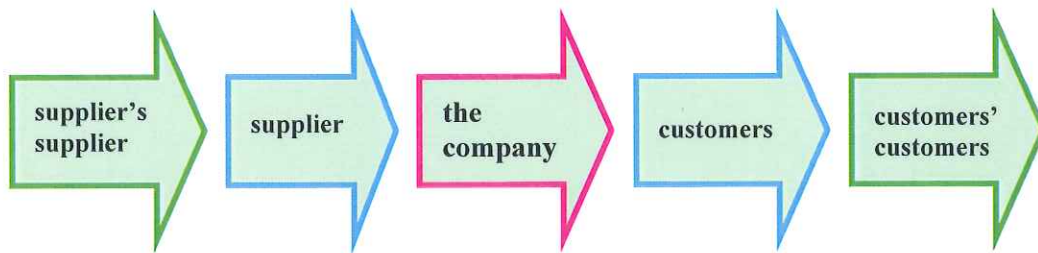


Figure 10. The service supply channel (Christopher, Payne, and Ballantine 1991, 15)

Nowadays, collaboration between the companies in a service chain is seen more as a relationship from which everyone benefits. The principle in co-operation is that both parties have similar goals of creating profitable business for each other and results of this include e.g. improved quality, more effective operations and increased customer value. (Christopher, Payne, and Ballantyne 1991, 24-25)

Competitive advantage could be received through promoting value to the company's partners executing service activities at lower cost (cost advantage) and uniquely (differentiation), thereby creating better value for the partners and helping them to improve their service. (Christopher, Payne and Ballantyne 1991, 46-47)

The organization should also pay attention to how well its direct partners are able to provide services to their partners. If the organization can provide services which also help its partners to establish profitable relationships in their relationships, I believe that all of the relationships in the supply chain become stronger and it will be harder for rivals come between. As the supply chain is based on win-win situation for all it also will be long-term.

Plan, do, check, act (PDCA)/Deming cycle

For quality, which probably leads to superior value for each partner of the company, it is necessary to constantly improve and redesign products,



services, and processes related to them. The PDCA is decision making tool to help the organization to assess and implement effective processes of service.

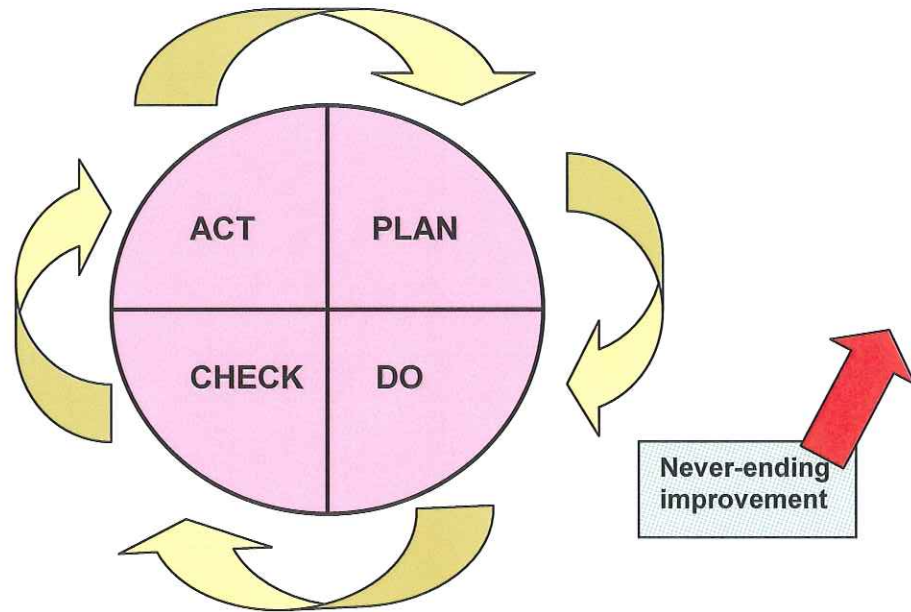


Figure 11. The Deming cycle (Weinstein and Johnson 1999, 35)

The Deming cycle is an ongoing process of improving value which leads to improved quality. This process is never-ending because every day someone is developing new ideas and better practices. If continuous improvement is neglected it is likely that the organization will lose its partners and its market share diminish.

#### step 1

Plan – studies how the value a company provides affects its practices; overall effectiveness is indicated from the alignment between the wanted value in the markets and the value of the process. A value statement should be created about the factors distinguishing the organization from its rivals.

#### step 2

Do – After the creation of a redefining value statement, processes must be assessed accordingly, then the most purposeful and best on developing customer value selected. Next, each individual process should be investigated

and their significance and necessity from the receiver's point of view determined with the help of process flow diagram. In the last part of the step, process measures should be created.

#### step 3

Check – Data-driven tools for monitoring, studying and improving should be continuously utilized after step two continuously. Benchmarking is the most practical instrument for assessing and making better processes.

#### step 4

Act – When a failure to add value is discovered, sufficient actions to correct and improve it must be performed. Some ways to improve business processes are the elimination of unnecessary tasks, elimination of all non-productive factors of a task, if possible combining them. For speeding and executing the service better one should change the sequence and perform tasks at the same time. After improvements, measure and evaluate the change and begin the steps again.

(Weinstein and Johnson 1999, 35-47)

An organization must always look for novel ways to add value to its products or services to distinguish itself from its competitors. To reach this goal there are thirteen general features to fulfill.

1. *Additional features and benefits*
2. *Affordability (relation between price and value is close)*
3. *Branding*
4. *Customer involvement*
5. *Customization and choice*
6. *Enhanced quality*
7. *Exceptional service*
8. *Frequency marketing incentives*
9. *Simplifying or bundling the offering*
10. *Solving customer problems*
11. *Technological leadership*

12. *Uniqueness*

13. *Warranties*

(Weinstein and Johnson 1999, 105-108)

### 3.6 Internal marketing

The term internal marketing is related to every person working in the company. An employee can simultaneously be a customer and a supplier, depending on the department he works in. Another aspect for internal marketing is that all employees understand and work commonly together for the company's mission, strategy, and goals. Internal marketing plays a significant role in employee motivation and retention. (Christopher, Payne and Ballantyne 1991, 29-30) Marketing internally is as essential as conducting it for customer acquisition purposes. When the employee of the company is content, it is also reflected in the service he provides to the customer. Happy employees market the company positively everywhere they go and create a positive image that the company which takes care of its personnel, must also take good care of its customers.

## 4 STAKEHOLDERS

Currently companies increase the establishment of equally valuable relationships with other organizations, not necessarily among their own partners. Companies understand that successful business is made up of a smoothly operating network between all parts in the service chain and that it should benefit every company.

### 4.1 Definition

Nowadays, it is extremely important for a successful company to have a network of individuals and organizations in order to sustain a credible business operation. Delivering the right services to the end customer extends the internal customer supplier relationship ideas into the company's supply

chain so that all essential materials, services, equipment, information skills, and experience are available. (Oakland 2004, p. 90).

Managing and planning external partnerships must be in line with company's overall policies and strategies and designed and developed to support its effective operation processes. A key is to identify the partners with whom those strategic alliances should be formed. Another key to successful partnership is good communication and exchange of information. (Oakland 2004, 91).

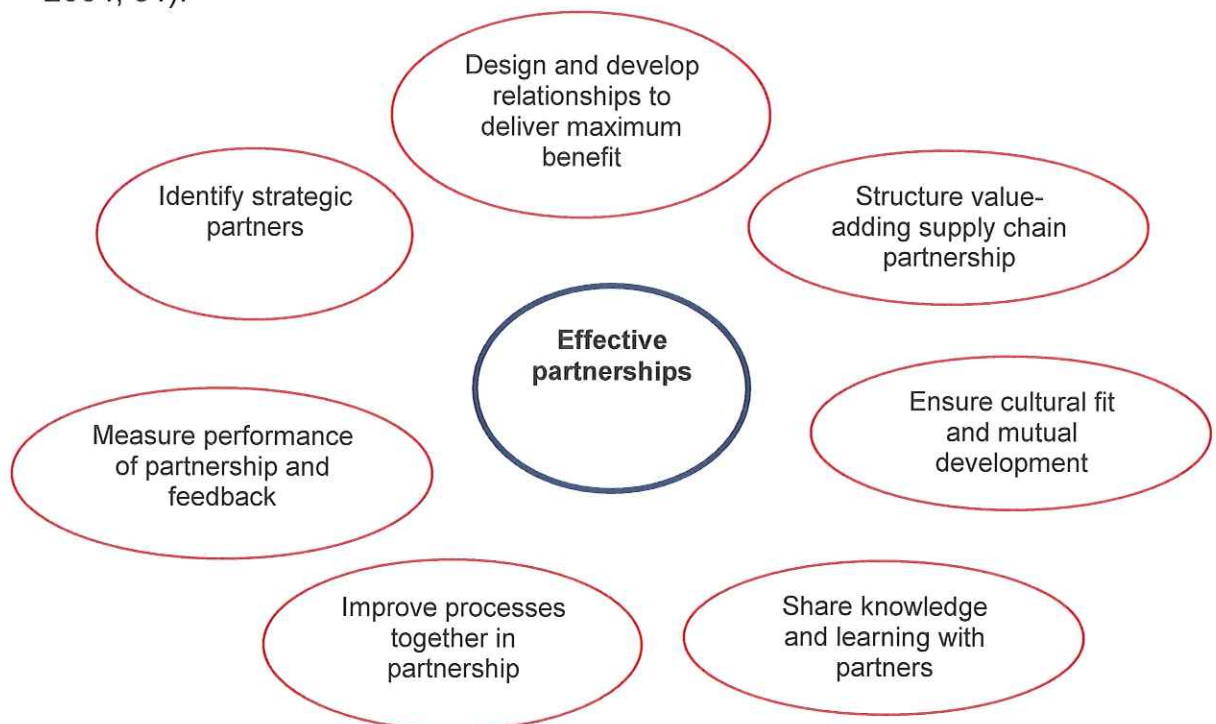


Figure 12. The contributors to effective partnerships (Oakland 2004, 91)

*Attention should be given when establishing partnership to:*

- *maximizing the understanding of what is to be delivered by the partnership – the needs of the customer and the capability of the supplier must match perfectly if satisfaction and loyalty are to be the result*
- *understanding the meaning of value for money- getting the commercial relationship right*
- *understanding the respective roles and ensuring an appropriate allocation or responsibilities to the party best able to manage them*
- *working in a supportive, constructive, and team-based relationship*

- *having solid programs of work, comprising agreed plans, timetables, targets, key milestones, and decision points*
- *structuring the resolution of complaints, concerns or disputes rapidly and at the lowest practical level*
- *enabling the incorporation of knowledge transfer and making sure this adds value*
- *developing a stronger and stronger working relationship geared to delivering better services to the end customer –based on continuous improvement principles*

(Oakland 2004, p. 92)

Partnerships are built slowly. Steps to start a relationship are small and time consuming. As the relationship gets stronger communication between partners becomes easier and more open. Understanding of each other and mutual trust also deepens. Mutual commitment to the relationship grows as information with the partners improves and joint goals are clear. (Day. 1999, 169-170)

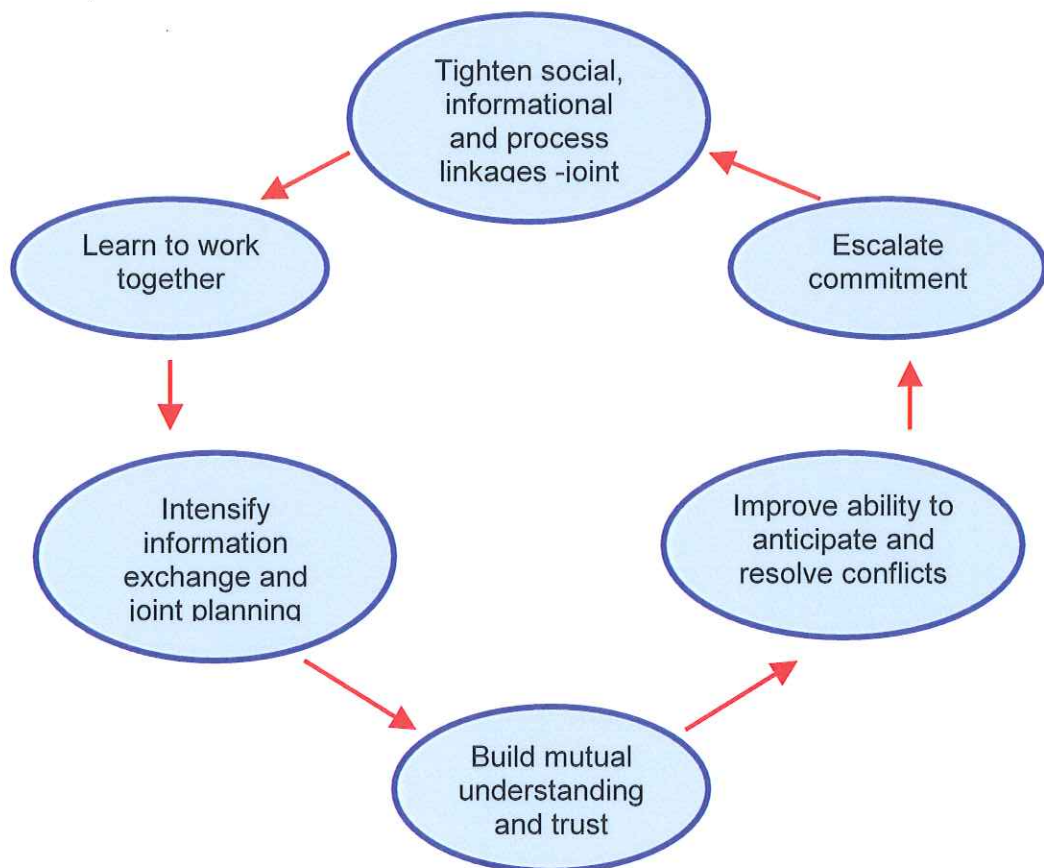


Figure 13. The evolution of a partnership (Day 1999, 170)

## 4.2 Target groups

For an organization it is important to learn and define the partners who it wants to have a relationship with. No all of these segments are necessary or profitable for the company, so it should pay attention to choosing the right targets. Segmentation is one of the basic foundations of relationship marketing. There are five steps involved in segmenting and targeting.

- *Identifying bases for segmenting the market:* market segments are formed by grouping subjects with the same characteristics or a combination of them meaningful to the design, delivery, promotion, or pricing of the service.
- *Develop profiles of resulting segments:* an organization should have a clear understanding of whether and how the segments distinguish from each other.
- *Develop measures of segment attractiveness:* in this stage, buying power and the size of the segment must be assessable in order to define worthiness of investment in marketing and relationship expenses related to the group. Advertising and marketing activities must also be able to reach the chosen segments.
- *Select the target segments:* the company has to decide which segments to target for the service. The target segment should be large enough and have potential to grow but also match the company's goals and resources.
- *Ensure that the target segments are compatible:* the service company has to be sure that the targeted segments match each other. (Zeithaml, Bitner 2000, 148-149)



Figure 14. Steps in market segmentation and targeting for services (Zeithaml, Bitner 2000, 147)

### The six market model

The idea of the model is to highlight relationships between the organizations and its stakeholders in all of the six fields. The six markets model states that in order to have the best relationships with customers it is necessary to understand and control relationships with other significant stakeholders. It is notable that some stakeholders can have several roles in the relationship. The six market groups stand for partners who would possibly have important effect on the organization's marketplace effectiveness. (Ballantyne, Christopher, and Payne, 2005)

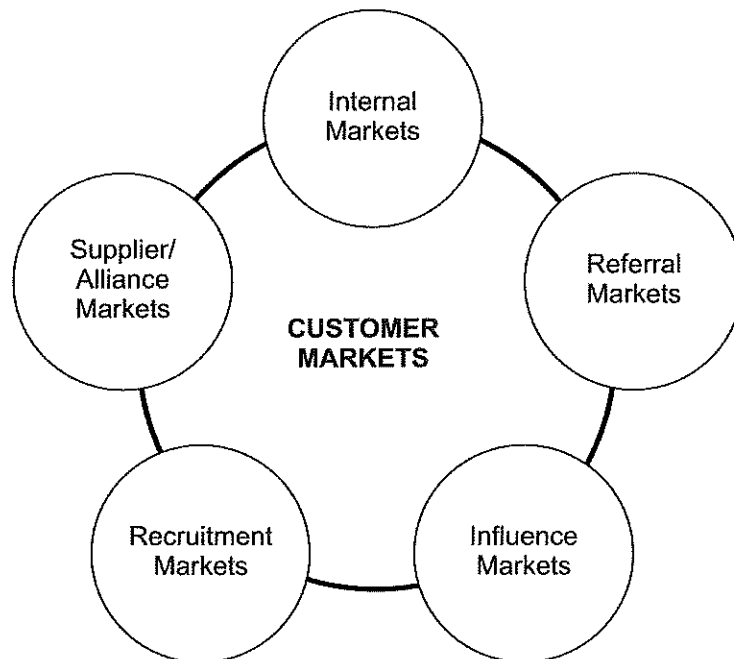


FIGURE 15. The six markets model (Ballantyne, Christopher and Payne 2005)

- *Customer markets* consist of buyers, intermediaries and final consumers
- *Referral markets* are customers and non-customers
- *Supplier and alliance markets* where suppliers offer physical resources and alliances provide competencies and capabilities
- *Influence markets* are diverse, such as investors, financial groups, media, regulatory bodies, and rivals

- *Recruitment markets* are made of potential staff and groups related to them
- *Internal markets* comprise all of the persons working in the company

The advantage of the six market model in choosing partners is that it helps the organization to distinguish all the different groups it is operating with and understand their importance in the process. In the field of real estate brokerage there are several operators more or less working in the six different groups. The six market model clarifies which organizations and which fields are the most important and with them the broker should develop and improve the relationship. It is not reasonable to choose all operators because of their size or the business they are in. After choosing the operators, which in this study are taken from the referrals, the company is able to start planning its own marketing, communication and interaction models for them. These models should be organized and customized the way that it is convenient for each partner.

In this study the six markets model (appendix 1) stakeholder groups are listed from the point of view of real estate brokerage branch and the focus is on its most common connections, from which I have chosen to investigate more of the three groups from the referral market; constructors, creditors and housing managers. These can also be considered for the group of alliance market. In the following I will shortly explain every group. It is also important to note that this model is not permanent, but rather provides outlines, and different groups can include the same operators.

Customer markets are built from existing and new potential customers. The field of real estate brokerage is considered to be quite a conservative business; therefore the core service is almost homogeneous in each company. The main services are targeted at private customers, who sell or buy a plot, apartment, or property; evaluation service is also common. Real estate brokerage services are presented in more detail later in the thesis (chapter 6.1). In this thesis, customer markets are not taken into consideration because usually a private individual conducts approximately 1 to 5 real estate purchases in his lifetime and therefore long-time partnerships are unusual.



Internal markets consist of employees and owners. However, the owner can be an organization, usually a bank, which has also other kinds of personnel than real estate brokers. In this situation, all the staff could be considered as a part of an internal market, but it is to be noted that there could be several posts in different parts of the city or the country and the internal market could be also only in this one location. Recruitment markets are the people who could be part of the internal markets in the future, here as the persons who are considering becoming real estate brokers or are interested in the sector in general. The real estate business is fairly special because it is regulated according to law, but anyone can become a broker without any training.

The real estate brokerage field is most commonly affected by new direct regulations and laws from the government, rules of the real estate association and indirect rules of other stakeholders such as housing managers. The daily news locally, nationally and even worldwide as the current news about depression influence the markets for properties and customers consider their decisions more carefully. All the above mentioned can be included in the influence markets, which affect the real estate business directly and indirectly; these might not all be altered by the actions of the brokers.

Alliance markets provide helpful information for real estate brokers and can be called partners, which give and receive advice. Most often they can be lawyers. Alliances could be also good referrals for the acquisition of new customers.

Referral markets can be customers and non-customers. They can recommend certain real estate brokers according to their own experiences or just because they are familiar with the broker. The real estate brokerage can be defined as personal selling, which is dependent on the broker's own characteristics, and when the chemistry between the service provider and the receiver is working smoothly the receiver could easily become a referral. Anyway, in building relationships it is important to know and accept the partner and its organizational culture and have mutual trust. In this thesis, I consider as stakeholders a few smaller groups of referrals constructors, housing managers, and creditors. All of

the mentioned can be also customers. With these parties, real estate brokers interact most often and it would be reasonable to build stronger relationships with them.

#### 4.3 Choosing partners

Picking the right partners is very important for the success of the relationship.

There are few examples of the features that make a good partner:

- *Cultural compatibility*; understanding and sharing of the organizations' values and joining them together seamlessly.
- *Learning and stretching opportunities*; these organizations constantly improve their position and have the motivation to experiment and learn new things among the first ones.
- *Share to gain*; willingness to share the responsibility for succeeding or loosing is highly motivating for both partners.
- *Track record*; when choosing a partner, it is wise to study the potential partner's history of former relationships. Demand for quick results, lack of trust, tight control over the relationship and constant mention of looking for a better partner are alarming features and reasons for rejection.

Before partnering the organization should be convinced that the results of establishing the relationship will be reasonable. (Day,1999, 174)

#### 4.4 Maintaining the relationship

There are four types for maintaining and deepening the relationship, which are called retention strategies. These types can be presented as different levels of binding the partner to the relationship with the organization.

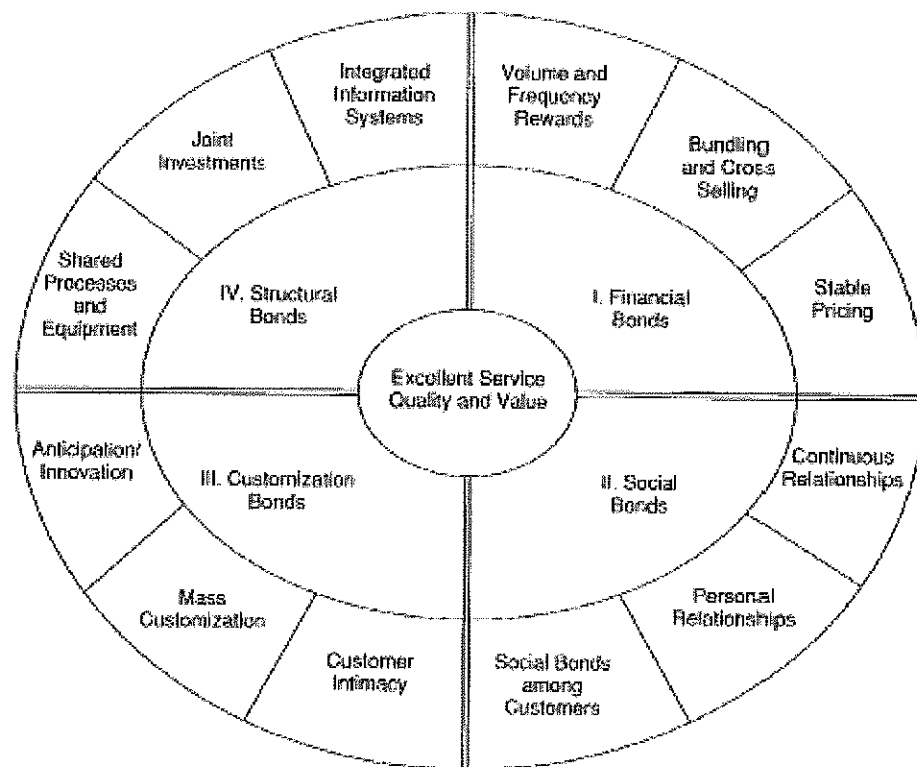


Figure 16. Levels of retention strategies (Zeithaml and Bitner 2000, 153)

#### *Financial bonds*

The partner is bound to the company for financial reasons at the first level, for example, low prices for greater volume. The reason for increase in the financial incentive programs is that they are effortless to commence and lead to fast results in profit. The disadvantage is that in the long-term, financial incentive operations are easy to imitate and do not distinguish the company from its competitors. Strong loyalty among partners hardly exists because the price is the only customized element of marketing mix and easily imitated. (Zeithaml, Bitner 2000, 152)

#### *Social bonds*

Second level relationships are more built through social and interpersonal bonds, though price is important. Partners are no longer just a crowd, they gain more personality whose requirements and desires the company tries to fulfill according to customized individual service preferences. Company's employees interact with its partners and develop social connections. Because

social bonds are trickier to imitate, relationships are stronger, especially when combined with financial incentives. (Zeithaml, Bitner 2000, 155-156)

#### *Customization bonds*

Level three includes elements of the earlier programs but it is taken further through customization. Commonly used are two terms: mass customization and customer intimacy. The terms state that loyalty could be established through treating the customers individually and providing service that fit the individual needs. Mass customization means that from the customer's point of view, an effortlessly tailored service which fits the person's individual needs. The core in customization program is for the service provider to learn constantly from its individual relationships and develop the service accordingly. (Zeithaml, Bitner 2000, 156)

#### *Structural bonds*

These fourth strategies include a combination of all the levels from one to four. Structural bonds are based on services especially designed for the one particular receiver according their needs and preferences. Often structural bonds assist the partner to be more productive. (Zeithaml, Bitner 2000, 157)

### 4.5 Networking

Networking is active participation in the daily events of the organization's surroundings. The network is built up by a group of individuals who personally and professionally are willing to help, share an idea, support, efforts, and push to face new challenges. Networking is the reciprocal exchange of information or services. In other words networking is:

- Distribution of knowledge and contacts
- Gaining aid from the partners when in need
- Accomplishing more with less effort
- Connecting with people before it becomes necessary
- Assisting others

(Darling, 2003, 16)

Networks provide information about internal events of the company but also they are helpful in comprehending the bigger picture, the field of business and the market situation. Networking can lead to better results by obtaining profitable relationships and referrals for the company. When implementing new ideas and ways of action in the organization it is important to include as many people as possible in the project. It is more likely to be accepted when influenced by the people it concerns and testing internally is the first step before launching to the public. When it has the right connections the company could have significant information before its rivals and respond more effectively. (Baber, Waymon, 2007, 162-163)

## 5 EMPIRICAL STUDY

### 5.1 Research problem

The purpose of the study is to investigate the problems faced by the real estate brokers in stakeholder relations in order to improve partnerships and develop a win-win situation for both by inventing common strategies to provide better customer service to the mutual customers in the total supply chain. The goal is to gain information on how to deepen the relationship by providing improved services and creating trust between the partners and furthering their activities.

The problems are lack of communication and trust in agents' professional skills. Real estate agents often make assumptions of what their partners needs are and therefore do not always necessarily know their expectations for the service.

### 5.2 Research method

This study was conducted as qualitative research. Three different stakeholder groups were chosen and a group of real estate brokers for comparison of the results. The stakeholder groups were housing managers, constructors and creditors (banks).

The aim was to carry out personal interviews with four individuals from each group. They were first contacted by phone for making the appointment but also given the opportunity to choose conducting the study between personal interviews or the e-mail questionnaire, which then would be deepened by phone interview.

## 6 REAL ESTATE SECTOR

The real estate sector is an interesting field of business. It touches every person at some point in their life; some just once, some more often. There are operators from the private sector such as constructors, property investors and consumers, but also from the public sector. Land and apartments are sold and bought as well leased constantly for different purposes; for business, private persons and public use.

### 6.1 Essence of real estate agent business

Real estate brokerage is strictly regulated by the law. This is reasonable because there is doubt about one of the biggest financial investments which a person makes in a lifetime. The operations of brokerage companies are supervised by the State Provincial Offices.

According to law (Act on Real Estate Brokerage) real estate brokerage is about closing a contract on the sale of real estate or the transfer of other proprietary right. The core in brokerage is that the concluding parties are brought in touch with each other for the interest of monetary gain or other financial benefit, when a real estate property or its part, a building or shares or participations that give possession to specified real estate, a building or an apartment are being transferred. (Suomen Kiinteistönvälittäjäliitto, 2009)

A private person, a registered corporation or foundation engaged in real estate brokerage can be a real estate broker. Real estate brokerage services are various. Real estate brokers sell on commission a customer's property, but

brokers may also find a preferable real estate to buy for a customer. The charge of commission is an important feature when defining real estate brokerage when defining. Most commonly, the commission is paid when the agreement of sale is signed.

When real estate brokers conduct their services they are often dealing with other organizations as well as the direct customer. The customers, potential sellers or buyers are involved in negotiations about offers, are given all the required information, and finally involved in the closing of the deal. With its partners, the real estate broker may receive and send documents with housing managers discuss with electricity companies and find a professional renovator for the real estate. All in all, a real estate broker has a number of different activities to perform before closing the deal, though some appear a time after the contract of sale.

## 6.2 Current situation

In Finland about 80% of the real estate sales are made by real estate brokers. Laws regulating the real estate sale are the reason for using real estate broker because of lack of interest in studying and learning them. Lack of familiarity with the market situation and the price level, and the fact that a buyer is more comfortable asking even the most difficult questions from the real estate broker than the owner, could be reasons for using a real estate broker. (Kasso 2008, 19) At the moment there are 14 real estate brokerages located in Kotka-Hamina region. Therefore it is easy to say that competition for customers is demanding.

The interest rate is affecting strongly to the field of real estate brokerage. For example twelve month's Euribor has decreased during 2009 from 2.273% in January to 1.234% in November. (Suomen pankki) Low interest rates are considered to accelerate the field of real estate business. Because of the decline in the world's economy and its influence on national economy, the real estate business has clearly slowed down since 2007. In Kymenlaakso region, the amount of real estate trades decreased 12.4% between 2007 and the end

of 2008. From 2008's 3th quarter, until the same time in 2009, the amount of the real estate trades has dropped 30.5%. (Tilastokeskus, 2009)

## 7 THE INTERVIEWS AND THE RESULTS

For the interviews, 16 stakeholders from four different groups were contacted at the beginning of November 2009, and by the end of the month 12 responses had been received; four housing managers, three contractors, two creditors and three real estate brokers. Two housing managers, three contractors, two creditors and two real estate brokers were personally interviewed and others responded via email. The response rate was 75%.

The interview contained sixteen questions (appendix 2). The first questions were about the relationship between the interviewee and the real estate broker. There was also discussion about the characteristics of a reliable and trustworthy real estate broker as well as about satisfaction with the service and expectations towards it, and how well these expectations are fulfilled. The final questions were about improving the customer service for the mutual customers and also developing cooperation with the stakeholder. The questions for the real estate brokers were similar to the other questions though they were planned to enable a comparison of what the real estate brokers believe their partners value (appendix 3).

The results from the interviews and email questions are considered anonymously and next presented as four different groups.

### 7.1 The interviews

As stated earlier, four distinct stakeholder groups were chosen for this study. The three selected stakeholder groups are those with which real estate brokers most often interact. Private customers were considered as the final consumers, whose service supply chain is to be investigated in order to be improved through understanding other stakeholder groups. Therefore, private customers were not included in this research. The real estate brokers'



opinions were sought because it would be interesting to find out whether their responses are similar to other groups.

### 7.1.1 Constructors

Real estate brokers' service offerings to constructors varies from exclusive assignments to providing supportive operations to the constructors' own sales department. In the event that the constructor has their own sales department, the real estate broker's are not used in pre-marketing activities of apartment sales. Constructors utilize real estate brokers' professional skills and local knowledge in planning the construction, and, for example targeting the segments, defining apartment size, and the level of equipment.

Constructors operating in the Kotka-Hamina area are quite familiar with the local real estate brokerage organizations. When in an assignment relationship with the broker, the current situation is updated regularly by phone or email, sometimes personally.

The most important requirement for the service is considered to be professionalism, which should be flawless and careful. The whole service event must be taken care of from the beginning to the end for the final customers benefit. Provision of information should also be regular, even though when there is nothing to report. Constructors are content when the real estate broker is enthusiastic, motivated, and has genuine interest in becoming familiar with the product to be sold. Dissatisfaction arises if there is a lack of information provided and when the real estate brokers seem to be lazy and phlegmatic, but also if they give overly-positive statements about customers' motivation for the purchase.

A common mistake that real estate brokers make is promising reductions in the price and other unprofitable agreements for the constructor. Some have even criticized the constructor's product and professional skills to the customer. It does not either give a good impression if the terms and prices are incorrect in the sale agreement. Constructors are reminded that threatening to

abandon the deal with the customer or other means of applying pressure do not developing confidence towards the service providers. A nation-wide real estate brokerage chain does not guarantee the level of quality; the level of knowledge and thoroughness can be different between the offices.

According to constructors, the features of a skilled real estate broker are mainly honesty, sociability, good basic skills and facts, which he is able to implement in action by providing advice to the customer and is able to solve the needs of the customer. A too pushy, all-knowing broker who has the urge to close the agreement does not characterize to be a good real estate broker. The impression of a reliable and trustworthy real estate broker is given with the proper clothing, the calm behavior of the kind of person who takes responsibility for his actions and does not comment negatively about other real estates or competitors.

Marketing should be consistent. Advertisements must contain flawless information and clear pictures of the real estates, which gives the impression of an honest and professional company. One constructor said that marketing itself does not necessarily lead to an assignment, there must be some references supporting the choice.

Constructors receive benefits of real estate brokers' service by gaining more contacts and power to the sale. If the broker's provided service is perceived as excellent by the final customer, it also strengthens the constructor's image. Real estate brokers share information concerning the field of business and thereby provide valuable information for future decisions. Constructors are unanimous that real estate brokers deliver their promises sometimes and sometimes not. It depends on the individual not the company. The wow-feeling of the service has never appeared.

The most important feature of the provided service is finding the final customers who are willing to conclude the deal. The service must be precise in order to avoid complaints and other difficulties. Empty promises and false impressions may not be given to the customers. Two of the constructors

stated that developing the proper marketing strategy for the current assignment is also significant.

The price of the real estate brokerage services is considered reasonable when the desired result is reached, especially when business is slow. On the other hand, if the results are achieved easily and quickly, the question of whether the commission was too big compared to the work arises.

Cooperation with real estate brokers improves customer service by increasing the number of contacts, visibility throughout marketing activities, and more open house presentations. One constructor mentioned that a real estate broker could expand the service offering to giving hints for interior designing.

Collaboration between stakeholders and real estate brokers could be improved according two respondents. By creating an agreement for cooperation which contains mutually agreed special features for the relationship, details for the marketing strategy, and other events, and scheduled meetings for the feedback and improvement suggestions, could be gained competitive advantage for the parties.

### 7.1.2 Creditors

Banks as creditors of the customers are usually connected with the real estate brokers through the final customers when granting the loan for the purchase. The other creditor also has a subsidiary in the field of real estate brokering. Interaction with brokers happens in addition through customers, often in seminars or other informal occasions.

Creditors expect that real estate brokers know the basic professional skills related to the work, because otherwise there is a need for supervision, which does not lead to fluent customer service. One creditor also wished for more interaction, which gives both parties information about the markets.

Interaction with the real estate brokers has been easy and there have also been productive dialogues. The overall service process is satisfying. Creditors are dissatisfied with the habit of rushing the deals at the end of the month. It gives a bad impression of the broker to the mutual customers and the creditor, and the bank's image may also suffer from it. Lack of information about the work and overly-positive statements of the market situation and incorrect (too optimistic) real estate appraisals are common mistakes.

Kotka-Hamina region's real estate brokers are generally professionally skilled. However, beginners lack even the basic skills. Creditors think that a talented real estate broker takes care of the customer and his case from the beginning to the end and has sufficient legal knowledge. Trustworthy and reliable characteristics of the real estate broker are social, emphatic, and open behavior. "The person must know what he is doing."

Creditors do not have remarkable opinions about marketing. One told that knowing the real estate broker in person is more effective than any other marketing activity.

Respondents share the opinion that real estate brokers' service promises are kept well. The expectations are exceeded in a difficult financial position, which real estate broker is able to solve appropriately. From the banks point of view, a real estate broker's involvement in a case helps to achieve successful outcome. It also minimizes the financial risk of an over-optimistic real estate pledge value. When closing the sale, it is significant that a real estate broker clarifies the process for the both customers so that there is no need it to be explained by the bank.

Customer service could be improved by reserving enough time for each customer when taking care of their business. One creditor said that real estate brokers should recommend that their customers request offers for their financing from the different banks. Fewer ideas were offered for the collaboration between the creditor and real estate broker. During another interview, it was suggested that the real estate brokers and bankers be invited

to a seminar, which could be organized regularly. For that, an ambience of open and honest discussion about the mutual field of business and what is currently happening should be developed.

### 7.1.3 Housing managers

Housing managers are in touch with real estate brokers when it is necessary for them to provide the documents the broker requires for an assignment with a customer. There was one wish for operations to be conducted by email, as the usual means of interaction is by phone. There is no need to be in touch if there is no customer assignment.

Housing managers have similar requirements when asked about their expectations, which were briefly stated to give them enough time to prepare the documents because there are other customers also asking for services. Mainly they are satisfied with their collaboration with the real estate brokers, but some small adjustments could be made which would ease the housing manager's work. Mistakes related to housing managers' services and work are very rare because there were no incidents mentioned. This leads to the professional skills of the real estate brokers in the region, which is in their opinion quite good. One of the persons wondered whether the level of the necessary skills are sufficient in those companies which have many employees.

When a real estate broker does not provide necessary information to the customer related to the procedures in moving in an apartment is mentioned as a characteristic of a poor broker. The real estate broker provides great service when customers' needs and expectations are taken into consideration and the broker is clear and professional.

A reliable and trustworthy real estate broker, according to one housing manager, explains every detail of the case and expresses the facts as they are. The real estate brokers should not highlight their own knowledge and intelligence, which is said to be irritating by each interviewee.

Marketing is considered to be an important means of creating an image. Small advertisements without any pictures may imply cheapness. However, when there is sufficient information in the advertisements, it appears that the real estate broker is diligent and dedicated to the work.

The housing managers think that the expectations for the real estate broker's services are exceeded when the broker is actively informing the customer and others involved in the project and reporting about its current status. The housing managers benefit from the services by saving time for other operations when the real estate broker delivers correctly and at least those roles considered to be theirs.

The service offered by the real estate brokers should be customer oriented, active, prompt, and professional. When that is the case, customers may be willing to pay more for the service.

Cooperation with real estate brokers could improve customer service by decreasing the time spent on organizing new customer accounts when the real estate broker provides the information about the customer as soon as possible. This way, housing managers will have more time to devote to the actual customer service. Each respondent stated that in the cooperation between the housing managers and the real estate brokers there is plenty of room for improvement. However, only one suggestion was made for improvement. Two of the housing managers wanted the real estate broker to inform them if a building does not have a professional housing manager. It is claimed that this would standardize the field of business and make the information more accurate.

#### 7.1.4 Real estate brokers

Real estate brokers mentioned the most important stakeholder groups to be private companies as "consumers", banks as creditors for the private consumers, constructors, legal offices, housing managers, and private

consumers, which is the largest group of stakeholders. These groups are contacted by phone, email, and personal visits. Sometimes the contact is made at informal events such as birthdays or seminars.

Real estate brokers offer many services. Real estate valuation and selling of the real estate are common requests. Finding a real estate to purchase for commission is not so commonly used, but recently it has become popular with some customers. Consulting partners is quite normal and many times the given advice is not billed because the counseling is mutual. The service also includes taking care of documents such as transfer tax for the customer, and also for the other organization in the service supply chain.

Real estate brokers believe that their stakeholders want them to provide a service which includes all necessary activities at an inexpensive price. Two of them mentioned that stakeholders expect more than is included in the service, but that they could not define exactly what should it be. Real estate brokers agree that stakeholders are satisfied when the service and its outcome is taken care flexibly and quickly without any complaints. However, exaggerated promises are told to be common mistakes. One interviewee stated that familiarization with the assignment remains superficial.

On inquiring about real estate brokers' professional skills, all of the respondents told that it varies a lot because of lack of education and the salary payment systems. One big problem related to education is that in this occupation anyone can start without any previous experience of the business. This also decreases the appreciation of the business as well.

The characteristics of an excellent real estate broker are sufficient interaction with the commissioner as well as informing others related to the task when necessary, taking customers needs into consideration and conducting the assignment professionally. Poor characteristics are greed for the commission, which appears as eagerness to close the sale, and lack of listening to the opposite party. A reliable and trustworthy real estate broker is dresses well and works in a businesslike manner, but also understands not to push or rush

into making a deal. The respondents get the impression of competitors' marketing by noting what size the company is from the number of employees and the size of the advertisements, how professional they are (have they got a the diploma) and how aggressively they compete for a share of the market.

Real estate brokers think that the benefits for the stakeholders are saving time for other activities, the real estate broker has previously-established contacts, and professional skills, including mastery of the regulations concerning the business. A common impression is among the respondents that promises of the services are fulfilled well, but especially when business is lean the pricing of the real estate and the sales time may not be reached. In addition, expectations for the service are exceeded when the desired result is achieved in a reasonable time; not too fast but not too slow either.

Important service features are considers to be finding the customers and the right connections for reaching the goals, informing the partners about events in the market, and taking care of the given assignment as well, and professionally as possible. Real estate brokers' tasks are quite clearly defined in the related laws, therefore there are no unnecessary services provided from the real estate brokers point of view.

Stakeholders' customer service involving cooperation with the real estate broker could be improved by developing standard procedures for activities with the mutual customers. When each partner understands and is familiar with the operations of others related to the provided service package, it might improve the image of each organization.

Collaboration between the stakeholders and real estate brokers could be improved by meeting on a time-to-time basis and having open and honest discussions about markets and future developments in their sectors.



## 8 CONCLUSIONS AND IMPROVEMENT SUGGESTIONS

### 8.1 Reliability and validity

The reliability of this study is good. Reliability measures the consistency of the results. In this thesis the study was conducted mainly by personal interviews. Each reply is the respondent's subjective perception of the question. If the respondent was tired or busy at the moment of the interview or displayed a lack of interest towards the study it could have affected the replies, but overall the interviews and the dialogues were informative.

The validity of the research is about whether the study measures the problem that is to be measured or explained. This study was carried out as qualitative research. Twelve persons of the sixteen possible connections participated in this research; thereby also the validity of the study is quite good.

The questions were mainly used to assist in creating a structure for the interview occasion. The questions were also kept as simple as possible while still facilitating deeper discussion. My own occupation as a real estate broker was helpful for acquiring the contacts and it was also positive that knowing the interviewees beforehand made the interviews' atmosphere more friendly and relaxed, though it may also have a negative effect on the results, if the respondents did not give their honest critical replies.

### 8.2 Conclusions and further studies

As a conclusion from the interviews, can be said that the respondents were mainly satisfied with the operations provided by the real estate brokers in Kotka-Hamina region. However, I think the satisfaction among the stakeholders simply exists because there are no other possibilities to compare it with because each company has similar service process. In addition, the way in which quality is perceived should be studied further and then could be defined truly satisfying service in the field of real estate brokerage could be defined. If we really know and exploit the knowledge of what kind of service is

satisfactory and even exceeds the partners' expectations, it could be a method to distinguish a company from its competitors and perhaps the broker could even develop "light loyalty", where the stakeholder is a referral. As mentioned earlier, the nature of the business is that strong loyalty rarely exists.

In small regions, real estate brokering is highly dependent on the persons performing the actual work. There were indications among each respondent that many real estate brokers should revise their personal selling behavior and concentrate more on the customer than on the commission. If the real estate broker desires to have long-term relationship with the partner, he should deserve the trust of the customer and the partner. Because the real estate brokers are mostly professionals, the trust should be built by enhancing other means such as patience and empathy rather than just the professionalism. Being able to communicate and listen to every kind of persons is also very important. Nevertheless, unnecessary curiosity about the stakeholder's affairs should not be displayed.

It would also be beneficial for the stakeholders and the real estate brokers to revise the total service supply chain together so that each party is aware of all of the activities related to the process. There should be more interaction between the stakeholder and the real estate broker, but the responsibility for this is usually left to the broker, who could handle it. Meetings could be organized from time to time to improve stakeholder relationships, because it is important to be familiar with one another in order to develop mutual trust. Trust in the real estate broker's operations and belief that the broker will take care of the necessary details in conducting the service are features that are important for the stakeholders and customers. However, gaining trust requires time for the relationship to grow into a stage at which partners are able to understand one another's needs and expectations.

For the real estate brokers it is important to realize and define who the key partners are, because not all of the relationships are beneficial. Partnership is meaningful for both when the partners have mutual commitment to the

relationship and contribute time and effort to it. From the broker's point of view, the referrals with a good reputation are worth of gold. This kind of potential relationship is to be discovered and the building of trust and long-term partnerships started with them.

In order to strengthen the relationship, a mutual strategy for conducting the plan should be developed. The level of the relationship must be agreed; either inclusive or something else. The nature of real estate brokerage means that inclusiveness is quite rare, almost impossible, because especially in the private consumer sector the consumers define their own relationships without consulting the real estate broker. There could be an agreement with the creditors and housing managers to recommend the broker in cases when the final customer has not made up their mind about choosing the service provider. On the other hand, with constructors as partners is possible to have exclusive relationship which could be developed further than the other two.

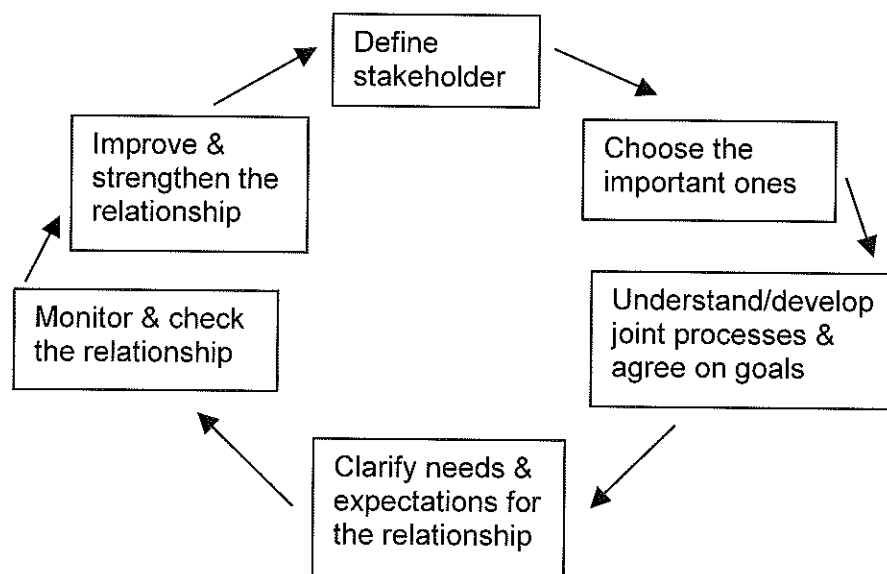


Figure 17 Building a stakeholder relationship

It is common that creditors have their own real estate brokerage as an affiliate. A private real estate brokerage has the opportunity to specialize so that the creditor may still need real estate brokerage anyway. Quite often the affiliate brokerages lack experience of some specified areas and there is a gap for others. The reason for lacking the skills is solely that the persons has been

working only a short period of time as a broker and they are capable just managing the basic tasks related to real estate brokering.

The creditor and the real estate broker together could develop mutual practice for interaction and communication in order for the collaboration to be as smooth as possible. This process could include the ways of communication, the time and how often the interaction should be conducted and overall agreement on how the meetings are arranged regularly. All these functions create trust for others commitment to the relationship and probably it will result in open and honest discussion, criticism and improvement suggestions. It is apparent that it is significant for both partners to discuss and analyze the current markets and the future.

Housing managers are perfect referrals because they interact on a daily basis with different housing societies and accordingly they meet plenty of people, who may also become customers for the brokerage. Being in a good relationship with the housing managers is important because they have a lot of contacts and also they also have the potential to influence customers' decision making processes positively or negatively. The real estate brokers are not constantly interacting with the housing managers on a daily basis, but do so quite often and it is necessary to clarify one's basic service offerings and tasks related to them with each other, in the way that information flows smoothly between them. Probably after this step misunderstandings are a thing of the past and the parties will be able to trust each other's professional skills, which has been seen to be a slight problem in such relationships. When there are few or no mistakes at all in the services they provide for each other, it is a great beginning to the relationship, assuming that everything runs well. After establishing a strong bond it is easier to develop joint plans for customer acquisition. For example housing managers express the wish to have more hints about the housing societies, which still operate without a professional manager. These hints could be a considerable service to provide which could result to be profitable for both parties. At least this could be just the extra value created, which distinguishes one brokerage positively from the others. It is necessary to take stakeholder relationships into consideration in real

estate brokering. A partner with a good reputation and a fresh image also enhances the brokerage's reputation and trustworthiness in the eyes of the final customers. For example, a joint marketing campaign could be the means to improve and strengthen the mutual relationship. In the background of the marketing could be a mutual goal for gaining more customers, market share and distinguishing from others. If marketing is taken further, it could even be so that the partner gives and takes the basic information to and from the customer and provides them further to other partner. When the customer arrives, the partner already has some information to start with. However, it is notable that this field of business is one in which strong long-term relationships are rare because customers, to whom the services are provided, change often and it is usually a long time before they return.

When a real estate brokerage wants to distinguish itself from its competitors, it has to choose the key partners and the relationships carefully and build an efficient relationship. Practically, this means that the real estate broker has to bring extra value into the relationship; first by standardizing the service process to be similar in each case with every customer and which then can be customized by adding services or cutting them to fit in the relationship.

A long-term relationship with the constructor is the most desirable because it is the most profitable. With a local constructor, it may be even possible to achieve a partnership if there is enough trust between the parties. For example when the collaboration is long-term the broker can inform the customer of a new project which still is in the planning phase. Creating a long-term relationship is not simple because competitors are also pursuing the same goal. The real estate brokerage must provide, along with its core services, a variety of extra services, which then enables the partner to concentrate into the construction of its core business. This sort of service may include, for example, interior design. Being able to provide extra value for the partner ensures the continuation of the relationship.

These interviews have been very fruitful for me even though no major ideas for improvement have arisen, but I have found some minor adjustments which

should be made. In the future, I think, comparable research or at least discussions about the relationship with the stakeholders should be conducted because that could be the behavior to convince the stakeholder to invest time in the relationship as well.

The reason for interviewing a few real estate brokers was to find out, if there are big differences with their own perceptions compared to the stakeholders' perceptions of the service. I came in to the conclusion that the real estate brokers comprehend the stakeholders' expectations and needs quite well and consistently with the stakeholders.

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Constructor C 01.12.2009, personal interview

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Real estate broker B 26.11.2009, personal interview

Real estate broker C 26.11.2009, replied by email

## APPENDICES

Appendix 1 The six market model

Appendix 2 Haastattelurunko 1 (pankit, isännöitsijät, rakennusliikkeet)

Appendix 3 Haastattelurunko 2 (kiinteistönvälittäjät)

**APPENDIX 1**  
**MARKETING TARGET GROUPS (six market model)**

	Defined (who are they)	Goals	Measures	Marketing activities	Other activities	Responsibility	Timing
<b>1 Customer Markets</b> <b>- existing customers</b>	Property sellers	keep the existing ones	keep customer list	direct letters		employee	Reviewing the situation after 1 or 2 weeks
	apartments	provide more services	record every purchase	discounts		management	
	row house apartments	get loyal customers	buying behavior survey	gifts			
	houses	get some more customers		PR (lunches, visits,...)			
	plots			Coffee at office			
	business premises/plots			paper advertisements			
	Property buyers						
	apartments						
	row house apartments						
	houses						
	plots						
	business premises/plots						
	Appraisal customers						
	Inheritors						
Financial groups, creditors							
Constructors							
new production sales							
plots for buildings (buy)							
<b>- new customers</b>	Business premises/plot owners	get them to be customers	amount of new customers	cold calling, letters, sales person visits		employee	Checking the situation after 1 month
	New house constructor firms			newspaper adds			
	Renovators/investors for property						
	Russian buyers/(sellers)						
	Town (when lease/buy/sell)						
<b>2 Referral Markets</b>	Old customers	get them buy again	asking new customer	discounts		employee	Checking the situation after 1 month
	Financial groups, creditors	word of month recommenders	who recommended	gifts for getting new customer		management	
	Housing managers	> direct customers to us		tip commission			
	Property shape evaluators			paper advertisements			
	Constructors			direct mail			
	Electricity provider companies			personal meetings			
	Insurance companies			PR			
	Competitors			joint events			
	Friends						
	Contacts through hobbies						

Appendix 1/2: Six market model

**MARKETING TARGET GROUPS (six market model)**

	Defined (who are they)	Goals	Measures	Marketing activities	Other activities	Responsibility	Timing
<b>3 Influence Markets</b>	Banks (creditors)	they direct customers to us,	ask who recommended	visits			
	Insurance companies	make seldom purchases,	record purchases	lunches		management	checking once in 6 months
	Competitors	keepin up with competition	benchmarking	email			
	Government legislation			gifts			
	The Finnish Association of Real Estate Agents						
	Local news about the markets and the field of business, but also national (and worldwide)						
<b>4 Internal Markets</b>	Owner -real estate agent	have long term employees	changes in employees,	free-time activities		employee	checking once
	Employee -real estate agent	job satisfaction	sickness leaves	perks		management	a year
	Bank's personnel						
	(if brokerage owned by the bank)						
<b>5 Recruitment Markets</b>	New real estate agents degree of LKV						
	Old professionals in the field	they will know the company	number of applicants	school counsellors tells		management	checking once
	Education centre	have new applicants for us		about us, brochures, seminars			a year
	Persons interested of the business						
<b>6 Supplier and alliance Markets</b>	Lawyers	Source of legal information	keep own record				
	The Finnish Association of Real Estate Agents	Source of documents				management	checking once a year
	Financial groups, creditors						
	Housing managers						
	Property shape evaluators						
	Constructors						
	Electricity provider companies						
	Insurance companies						
Competitors							

APPENDIX

Appendix 2: Haastattelurunko 1

KIINTEISTÖNVÄLITTÄJIEN SIDOSRYHMÄSUHTEIDEN KEHITTÄMINEN  
Kysymykset isännöitsijälle, pankille ja rakennusliikkeelle

1. Yrityksenne suhde välitysliikkeisiin, käytättekö palvelua tms.?
2. Miten yrityksenne pitää yhteyttä kiinteistönvälittäjiin?
3. Mitä toivomuksia/odotuksia kiinteistönvälittäjän palvelulta?
4. Mihin olette tyytyväisiä/tyytymättömiä?
5. Mitä virheitä kokemuksenne mukaan kiinteistönvälittäjät tekevät?
6. Millainen ammattitaito kiinteistönvälittäjillä on alueellanne?
7. Mitkä ovat hyvän/huonon kiinteistönvälittäjän ominaisuuksia?
8. Millainen on uskottava ja luotettava kiinteistönvälittäjä?
9. Millaisen mielikuvan välitysliikkeestä mainonta antaa (mahdollinen esimerkki)?
10. Pitääkö kiinteistönvälittäjien palvelulupaukset eli hoidetaan mitä luvataan?
11. Millainen kiinteistönvälittäjän palvelu ylittää odotukset?
12. Mitä hyötyä yrityksellenne kiinteistönvälittäjän palveluista on?
13. Mitkä ominaisuudet kiinteistönvälittäjien tarjoamassa palvelussa ovat tärkeitä/eivät ole tärkeitä?
14. Miten asiakkaanne kokevat välittäjien palvelun hinta/laatusuhteen?
15. Miten yhteistyö kiinteistönvälittäjä kanssa voisi parantaa yrityksenne asiakaspalvelua?
16. Miten yhteistyötä yrityksenne ja kiinteistönvälittäjien kanssa voisi parantaa (esim. millaisia lisäpalveluja voisi tarjota ym.)?

APPENDIX

Appendix 3: Haastattelurunko 2

KIINTEISTÖNVÄLITTÄJIEN SIDOSRYHMÄSUHTEIDEN KEHITTÄMINEN  
Kysymykset kiinteistönvälittäjille

1. Millaisia sidosryhmiä teillä on, mitkä niistä ovat tärkeimpiä?
2. Miten pidätte yhteyttä?
3. Mitä palveluja tarjoatte sidosryhmillenne?
4. Mitä toivomuksia/odotuksia sidosryhmillänne on tarjotulta palvelulta?
5. Mihin luulette sidosryhmän olevan tyytyväisiä/tyytymättömiä?
6. Mitä virheitä kiinteistönvälittäjät tekevät näissä suhteissa?
7. Millainen ammattitaito kiinteistönvälittäjillä on alueellanne?
8. Mitkä ovat hyvän/huonon kiinteistönvälittäjän ominaisuuksia?
9. Millainen on uskottava ja luotettava kiinteistönvälittäjä?
10. Millaisen mielikuvan välitysliikkeestä mainonta antaa (mahdollinen esimerkki)?
11. Pitääkö kiinteistönvälittäjien palvelulupaukset eli hoidetaan mitä luvataan?
12. Millainen kiinteistönvälittäjän palvelu ylittää odotukset?
13. Mitä hyötyä sidosryhmille kiinteistönvälittäjän palveluista on?
14. Mitkä ominaisuudet kiinteistönvälittäjien tarjoamassa palvelussa ovat tärkeitä/eivät ole tärkeitä?
15. Miten yhteistyö kiinteistönvälittäjä kanssa voisi parantaa sidosryhmän asiakaspalvelua?
16. Miten yhteistyötä sidosryhmien ja kiinteistönvälittäjien kanssa voisi parantaa (esim. millaisia lisäpalveluja voisi tarjota ym.)?