



**Competitive Strategies Of Real Estate Agents In
Malaysia : A Case Study In Klang Valley**

FINAL REPORT – Executive Summary

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Executive Summary

This report presents the research findings of a case study on the market structure, the level of competition and competitive strategies of real estate agent companies in the Kiang Valley. The objectives of this study are to investigate the current status of market structure, the competition level and competitive strategies that are frequently used by real estate companies, particularly in the Kiang Valley. The data for this study were gathered through a set of questionnaire in face-to-face interviews, online surveys as well as interviews through the telephone. A total sample used in this study is 126 respondents. This study found that most of real estate agent companies in Kiang Valley are located in fast-developing regions such as Kuala Lumpur, Petaling Jaya, Shah Alam and Klang.

The secondary data show that there is a high ratio between the number of property developers and number of registered real estate agents in the Kiang Valley. Most of the real estate companies in Kiang Valley offer real estate agent services only. Their charges are subjected to a maximum fee of 3 percent for sale and purchase of land and building as stated in the Seventh Schedule (Rule 48) of the Board of Valuers, Appraisers and Estate Agents Malaysia. Print advertisement is the most common marketing method used by real estate companies in the Kiang Valley, especially for small-sized companies. All these characteristics could lead to the conclusion that the real estate agent industry in the Kiang Valley is very competitive. However, this study found that the level of competition of real estate agent industry in the Kiang Valley is only fairly competitive.

Second, a majority of real estate companies in the Kiang Valley are small in size, and very localise in terms of their market's coverage; but, large

listings are normally owned by large-sized real estate companies. About a half of the real estate companies in this study argued that their market shares do not change or shrink over the past five years, which indicates that small-sized companies are losing their market share to large-sized real estate agent companies that are aggressively expanding their business into the small-sized companies' territories.

This study found that the real estate companies in Kiang Valley perceive all strategy competitive elements studied (Image and Reputation, Human Resources, Information Technology, Competitors Orientation, Customers Orientation, Business Practice) as important. However, small-sized real estate companies perceived all these elements more importantly than the large-sized companies. The results from this study confirm that there is a significant difference on the perception towards the important of Human Resources, Customers Orientation and Business Practice between small and large-sized real estate companies, but not for Image and reputation, Information Technology and Competitors Orientation.

The final part of this report presents a set of recommendations that may help to increase the level of competitiveness of the real estate agent companies, and strategies to improve the industry's level of trade fairness. Among the recommendations that should be considered by MyCC in order to increase the level of competitiveness and the level of trade fairness in the real estate agent industry in Malaysia are as follow:

- In facing a competition from the big-sized real estate agent companies, MyCC should encourage the small-sized real estate agent companies to merge with other small-sized companies. Having a

bigger size would help the real estate agent company to enjoy the benefits from the economic of scale, subsequently, become more competitive. Merging will not only increases the geographically coverage of the company, thus its market share but also could broaden the types and the value of properties in their listing. On top of being big, real estate companies should also be more innovative in differentiating their products in order to get a competitive advantage. Since the association has set a standard rate on the charge that they can impose, they can't compete in terms of price, but they can compete by adding value to their products through a better service quality.

- MyCC should encourage the real estate agent companies in Malaysia to take advantage of the development of IT, especially in their marketing strategy to increase competitiveness, and to reduce information asymmetric problem in the industry. More information about the listings will increase transparency, hence the level of trade-fairness in the industry. On top of this, implementation of web-based marketing might reduce a problem of illegal street advertisements, a non-environmental-friendly paper advertisement. In addition, through IT, the integrity of the information provided by the real estate agent companies could also increase. However, there is a need to monitor the validity and the accuracy of information that provided by the real estate agent companies in the internet. At the same time, there is also a need to produce a standard guideline on the information that real estate agent companies need to reveal in their paper advertisement.
- Registered real estate agents and those working in real estate agent industry should attend a course in business etiquette on a regular basis

to compliment the general code of conduct issued by their association. Focus should be given not only to the registered agents, but most importantly to those who are working under the registered agents. The modules in the course should not only focus on the business etiquette, but should also include module in legal aspects as well as other soft skills such as communication skills. General code of conducts and ethics of real estate agents that issued by the association should also be reviewed by MyCC regularly. This general code of conducts and ethics is to ensure the transaction is done professionally, and also to ensure that buyers and sellers are well protected. However, on top of this, the general code of conducts should also include elements that could prevent the possible unhealthy competition and unfair practice in the real estate agent industry.