

Traditional vs online estate agencies - consumers will vote with their feet

The establishment of a number of new, low-commission, purely online estate agencies raises the question whether there is an ongoing role and need for traditional agents.



Dr Andrew Golding, chief executive of the Pam Golding Property group

Dr Andrew Golding, chief executive of the Pam Golding Property group, believes the notion of an online agency is a misnomer. "The question is rather around the value proposition that agencies offer clients and what they are viably and sustainably able to offer those buyers and sellers in terms of fees while they continue to run successful businesses."

Does the agency add value?

He says in the final analysis, it really boils down to whether the agent or agency can add value to a real estate transaction and offer a satisfactory contract of that value for all those concerned in the transaction.

"Currently, traditional agents and agencies add real value in many varied ways. Firstly, the purchase or sale of a property is usually at least a six-month process from start to finish and can often be complex, is frequently nuanced and is usually the single biggest transaction clients undertake.

“No one property transaction is exactly the same as another – each has its own specific peculiarities and nuances to which the ‘average’ homeowner is not likely to previously have been exposed.

“Generally speaking, the disposal of or purchase of this asset is usually not the client’s area of knowledge and expertise, so the need for credible, professional, expert advice is sensible and prudent. From the first decision to sell to the final transfer of that property to new owners, property transactions involve hundreds of small steps, and these include the requirement for expertise and competence in a number of different disciplines, from marketing, strategy and negotiation to finance, legal and conveyancing, to name a few. The many and varied components of this value proposition ultimately result in a necessary sense of comfort and peace of mind as well as, importantly, convenience in today’s very fast-paced world.

Emotional experience

“In addition, a transaction involving the sale of one’s home is often an emotional experience and therefore is best served via impartial, skilled negotiation by a trusted third party. This is where an experienced and professional real estate agent plays a key role, providing a valuable and personal service not provided by purely online agencies.”

Dr Golding says when it comes to online agencies offering a flat commission, generally these are all relatively new to the market and so the impact on the overall market has been small. And because of their relative newness, there are as yet no proven sustainably viable non-traditional models, bearing in mind that newer, low-cost ‘non-agent’ and technology-driven models rely on volume and scale for success – namely for profitability and sustainability.

“Time will tell whether the market will adopt these models partially, significantly or not at all in the medium to long term, but right now it’s too early firstly to judge market take-up and secondly whether, for example, a low-flat commission model is one that can be sustainably profitable.

No clear difference

“It’s also important to note that there is no clear definition of the difference between the online model and traditional agents. All so-called traditional agencies make extensive use of the digital environment and technological advances. The central premise of the so-called ‘online agency’ is that they either purport to be able to automate a number of processes in the real estate transaction through technology or they assume that the consumer – which may be the buyer or the seller – is willing, competent and able to expedite a number of processes which traditionally have been the responsibility of the agent.”

Dr Golding concludes: “Fundamentally, however, the difference between the so-called online model and traditional agents is about the commission rate they charge for the service they offer. This is not a new phenomenon as so-called low-cost agencies, defined as those who offer their services at a discount to other competitors, have always been a reality in our market. Ultimately, consumers will vote with their feet and decide which of the many different value propositions best suit their needs.”