



Determinants of repurchase intentions of real estate agent services: Direct and indirect effects of perceived ethicality



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ABSTRACT

Research on the psychological determinants of consumer repurchase decisions for professional services is limited. The authors focus on real estate agents and develop a model of determinants of repurchase intentions of agent services. The model was tested on a sample of clients (property sellers) for a Scandinavian real estate agent. The perceived ethicality of the service provider was found to influence repurchase intentions in three different ways. Clients' co-production motivation moderated (increased) the effect of perceived ethicality. The findings have important implications for researchers and managers of real estate agent services.

1. Introduction

Consumers use professional service providers such as lawyers, brokers, medical doctors and real estate agents when they need specialized skills and competence to solve problems. Professional services are relatively expensive and often involve major decisions in the lives of consumers. Still, research on the factors that influence consumer purchase and repurchase of professional service providers is limited (Milner and Rosenstreich, 2013). There are numerous studies and models of consumer decision-making for services, but the specific nature of consumer decision-making for professional services is poorly covered by existing models (Ettenson and Turner, 1997; Jaakkola, 2007; Milner and Rosenstreich, 2013).

The goal of this research is to increase our knowledge of the determinants of consumer intentions to repurchase services from professional service providers. Repurchase is crucial to all providers of professional services. Due to the importance and complexity of such services, consumers often engage in thorough decision-making processes. Thus, attracting and persuading consumers require substantial investments in time and effort on the part of providers. The profitability of investments increases substantially when consumers decide to use the same provider several times (Rust and Zahorik, 1993). In contrast, if consumers decide to switch, the service provider loses future revenues and face extra costs associated with acquiring new customers. Switching also means extra costs for the consumer in terms of time and effort spent on searching out new alternatives, evaluating alternatives, and making decisions. In the best interest of both consumers and service providers, this research offers new insights on

the determinants of repurchase intentions of a specific type of professional service related to selling and buying of property: Real estate agent services.

2. Real estate agent services and ethics

Real estate agents act as intermediaries between sellers and buyers of property. In many countries, real estate agents primarily manage the marketing of property, the bidding process and the closing of deals with buyers. The marketing and the bidding processes usually involve some level of cooperation with the property seller. The extent of interaction and cooperation is up to the seller. Some sellers are deeply involved in the processes and prefer to work closely with the agent. Others leave more to the agent, but still have to be involved when major decisions are made, such as deciding on how to advertise the property and how to make it look attractive to prospective buyers.

In this study of determinants of repurchase intentions, we are particularly interested in the *perceived ethicality* of real estate agents. We suggest that perceived ethicality is fundamentally important when consumers (sellers) form repurchase intentions. First, there is considerable imbalance between consumers' and agents' expertise and knowledge (Brinkmann, 2009), and the two parties have partly divergent incentives. Agents need many clients to perform well. Thus, agents have incentives to spend limited time on each client and standardize interactions. In contrast, many consumers are motivated to build relationships with agents in order to reduce risk and obtain personalized solutions (Brinkmann, 2009). In this situation, with knowledge asymmetry and divergent incentives, the quality of the

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support and assistance is dependent on the agent's willingness to balance his own short-term needs against the best interest of the client. In repurchase situations, clients have first-hand experience of agents' ethicality and probably use this information actively when making a decision. Notably, perceived ethicality is not the same as customer orientation. The two concepts are positively related, but whereas customer orientation focuses one-sidedly on the ability to identify and fulfill customer needs, ethicality is about the ability to balance customer needs and service provider own interests.

Research indicates that, in the longer run, the ethicality of professional service providers has a positive effect on profitability and corporate brand equity (Izzo and Langford, 2003; Sierra et al., 2015). In part, this is probably due to higher rates of repurchase. However, we are not familiar with any study on the effects of perceived ethicality on repurchase intentions of real estate agent services. We draw on several streams of theory and develop a new model of the determinants of repurchase intentions. According to our model, perceived ethicality may have both direct and indirect effects on repurchase intentions. We use a sample of clients (property sellers) from a Scandinavian real estate agency to test the model.

3. Perceived ethicality

The use of services from a real estate agent entails repeated interaction between clients and agents. The Stereotype Content Model (SCM) (Fiske et al., 2002) provides insight on what consumers learn from such interactions. According to SCM, learning about other people in social encounters tends to be organized in two broad content categories: competence and warmth. These two dimensions explain more than 80% of individuals' global evaluations of others (Wojciszke et al., 1998). Competence judgements relate to individualistic traits such as intelligence, skillfulness and knowledge. Warmth includes socially oriented traits like sincerity, friendliness and being good-natured (Fiske et al., 2002). Research on customer switching behavior in service industries confirms that both competence and warmth are relevant in this context. For instance, in a study of consumer stories on switching incidents (including incidents about professional services), Keaveney (1995) showed that lack of competence and unethical behavior on part of the service provider were major reasons for switching behavior.

Different aspects of competence and warmth may play a role across product- and service categories. We include both dimensions, but focus on the warmth dimension for professional services in an attempt to answer the call for more research on the effects of perceived ethicality of service providers (Sierra et al., 2015). We have not identified any empirical studies on the effects of (perceived) ethicality on repurchase intentions of professional services. However, in other service categories, a number of studies have examined the effects of *ethical sales behavior* on consumer loyalty and other relationship outcomes (e.g. Hansen and Riggle, 2009; Román, 2003; Román and Cuestas, 2008). Ethical behavior has been found to stimulate buyer trust and buyer commitment (Hansen and Riggle, 2009; Román and Cuestas, 2008), which in turn have positive effects on sales (Hansen and Riggle, 2009; Schwepker, 2013). A major limitation of these studies is that ethicality is often the only characteristic of providers included in the models. Thus, the effect of ethicality is probably overestimated. Moreover, the interplay of ethicality and other characteristics is not addressed. We develop a model of the determinants of repurchase intentions of agent services, in which ethicality is one of several provider characteristics. The model indicates that, in addition to direct effects of ethicality on repurchase intentions, ethicality has indirect effects via other variables (see Fig. 1). We also introduce the idea that the effect ethicality may interact with consumers' motivation to co-produce service outcomes.

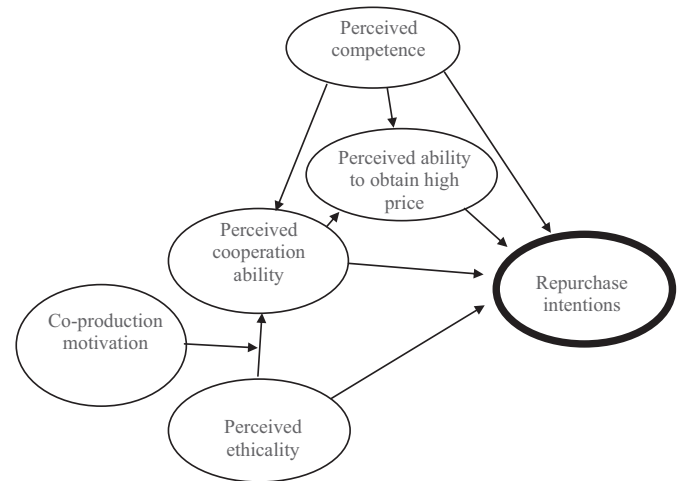


Fig. 1. Main model: Determinants of repurchase intentions of real estate agent services.

4. Model and hypotheses

First, we expect that perceived ethicality will have a direct and positive effect on repurchase intentions (H1, Fig. 1). Such intentions are based on previous experience with the real estate agent. According to the Stereotype Content Model (SCM) (Fiske et al., 2002), experience about other people in social encounters tends to be organized in two broad content categories: competence and warmth. Ethicality is a major element of the warmth category (Fiske et al., 2002). Thus, ethical issues are probably salient in consumer memories of previous interactions with real estate agents. Salient memories in turn dominate in the formation of repurchase intentions.

Furthermore, the nature of agent services suggests that ethicality is particularly important in the formation of repurchase intentions for this kind of service. Due to the asymmetry between consumer (seller) and agent and the risk of opportunistic behavior, ethical cues may provide a direct and immediate sense of safety, which is choice-relevant, especially for the insecure and less knowledgeable consumers. In support of H1, previous research on sales behavior shows direct effects of ethical behavior on buyer trust and commitment (Hansen and Riggle, 2009; Román and Cuestas, 2008).

H1.. The perceived ethicality of real estate agents has a positive direct effect on repurchase intention.

In addition to the positive direct effect, we predict that perceived ethicality has two indirect and positive effects on choice intentions. First, we expect perceived ethicality to have a positive indirect effect via cooperation ability (H2). A number of issues in the property sales process are handled in cooperation with the agent, such as marketing, presentation and styling of rooms, and price setting. Good cooperation ability means that the agent both listen to the seller and actively shares her own opinion and knowledge in order to identify good solutions. Good cooperation abilities may also increase the perceived control of property sellers (Sierra et al., 2015). A higher sense of control may positively influence their mood and allow them to access mood-congruent information more easily, such as positive characteristics of agents (see Hui and Bateson (1991)). The perceived ability of agents to cooperate with sellers is likely related to the ethical standard of the agent because sellers and agents have partly conflicting preferences regarding the level of interaction and cooperation. Agents want many sales and thus seek to minimize the time and effort spent on each seller. Sellers need agents to invest their time and knowledge in order to come up with optimal solutions for each stage of the sales processes. Thus, sellers would expect higher cooperation ability from an agent with a high ethical standard.

H2.. Perceived ethicality has a positive indirect effect on repurchase

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