

**ICT in Clusters can lead to participation and real returns – An anecdote**

Dr John Van Beveren  
School of Business  
University of Ballarat  
P.O. Box 663, Mt Helen, Victoria, 3353  
Tel: +61 3 53 279415  
Fax: +61 3 53 279405  
Email: [j.vanbeveren@ballarat.edu.au](mailto:j.vanbeveren@ballarat.edu.au)

John is a lecturer in eCommerce at the University of Ballarat; his main research interest is in eBusiness strategy for small and medium sized business in regional areas. He consults to many small and medium sized businesses and government on issues associated with increasing adoption of ICT, development of ebusiness solutions and improvement of processes in industry.

## **ICT in Clusters can lead to participation and real returns – An anecdote**

This paper presents a anecdote of *Realestateview*, which is an internet portal used by real estate agents to process and advertise properties for sale and lease. The functionality of the site and the benefits offered to the stakeholders is the reason for its success at gaining support from agents, buyers and sellers. The benefits offered to agents has resulted in 'buy-in' which has increased participation of sellers resultant of the agents cross branding the site. An aim of the paper is to inform academics and practitioners as to some of the factors that contribute to develop clusters around an ICT solution. While the case presented is a positive example and specific to the real estate industry some similarities and differences maybe found in other contexts.

*Key words: ICT, real estate industry.*

Information Communication Technology (ICT) can play an important role in the operations of clusters. Technologies can be adopted and developed to aid in the communication processes and information sharing capacity between members of the cluster. The utility and return on investment from adopting ICT is, however, dependent on more than the sophistication of the technology and the amount of functionality it provides.

The characteristics of a particular cluster are important factors that influence the utility that can be derived by members where ICT is used as part of the cluster. Identifying the necessary conditions for cluster formation and the adoption of ICT can be challenging particularly from outside the industry in which the cluster is to be formed. Nevertheless it is important for academics and industry leaders to understand that there are factors that influence cluster formation, attraction by industry members and returns from investment in using ICT.

Such insights can be gained from case studies of cluster formation where ICT has been effectively employed. From the case studies one can identify the conditions that were present for the industry and/or group of firms that formed the cluster. Although the same conditions may not be present in other situations where clusters are considered, the insights gained could lead to the identification of other suitable conditions.

Identifying clusters can also be problematic. As Nair and Kotha (2001) have identified, several researchers (cf. Barney and Hoskisson, 1990; Cool and Schendel, 1988; Hatten and Hatten, 1987; Reger and Huff, 1993; Thomas and Venkatraman, 1988) have concern that different sets of variables and algorithms are used to identify clusters. For example, Barney and Hoskisson (1990) argue that identifying groups within an industry is dependent on the particular clustering algorithm used to generate them and is therefore merely a methodological artefact. The concern raised here is an important consideration particularly when comparing the advantages of cluster memberships with non-cluster membership. Because the criteria for inclusion and exclusion of individual firms to the cluster can be ambiguous and may have marginal validity, perhaps an alternative approach is to identify a system or activity to which clearly firms participate and derive value from.

This paper presents the case of *Realestateview.com.au*, which is an ICT system that has effectively clustered Victorian real estate agents to share information and a common system for processing properties. It has provided real benefits for the members, which has resulted in extensive 'buy-in' by agents. The system provides a common platform for uploading information and a shared marketplace that customers use to access listed properties managed by the cluster members. Furthermore, members have access to archival data on properties that assists them when making appraisals of properties that were previously listed and sold by other agents

ICT has become a major component of the cluster. It has provided real-time information-sharing across large geographically dispersed areas. The common platform for presenting property data online has enabled the agents to cross advertise properties in many forums, which has expanded the scope of the real estate market and access of customers to the properties.

## Realestateview.com

### Background

Launched in May 2001, *realestateview.com* (figure 1) is wholly owned and operated by the real estate industry. It was developed jointly by the Real Estate Institute of Victoria and a number of leading real estate agents. *Realestateview* is one of four major property portals for the Victorian market. The initiative for creating *realestateview.com* came from the founders (the Real Estate Institute of Victoria) identifying an alarming trend in the growing expense and monopoly of operations and control held by major media companies, the other three major property portals.

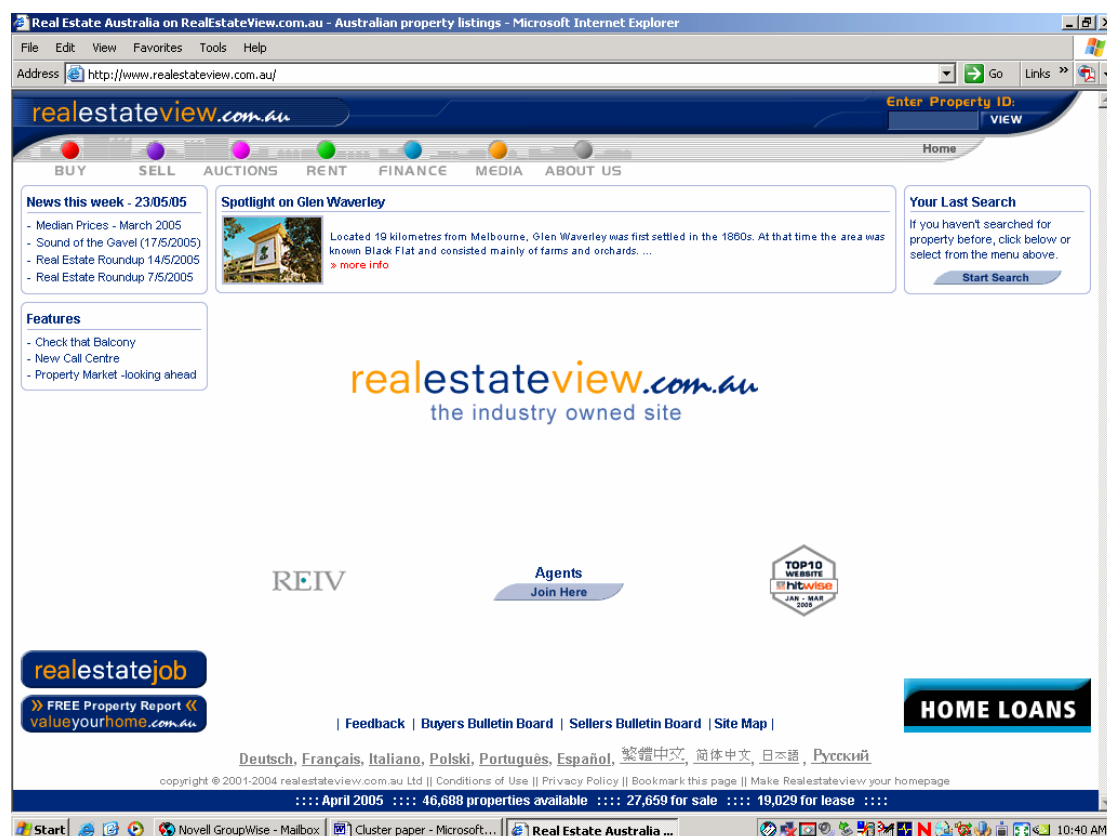


Figure 1: Screen capture of *realestateview.com* website

The major media-owned portals have aggressively targeted real estate agents to secure their business and have launched multi-million dollar marketing campaigns to build traffic. The founders of *realestateview.com* have identified this trend and have predicted that once market share has been established, the media-owned portals will recover the losses made by increasing costs to the agents, which would be passed on to the consumer. The establishment of *realestateview.com* is a strategy adopted by some real estate agents in the industry, to reposition the members of the industry and the industry itself to retain some power over their advertising and listing processes.

*Realestateview* has been very successful in establishing an online property market. This has been the result of providing real benefits for buyers and sellers and a commitment of agents to promote and use the portal.

#### *Benefits for buyers*

The portal provides an extensive online market place where potential buyers and tenants can search for properties listed by many agents. In addition to the marketplace there are functional elements on the site that are beneficial to buyers when making purchasing decisions. A virtual mapping service is provided that enables buyers and tenants to locate properties, apartment developments and identify facilities in surrounding area such as schools, shopping centres, transport, restaurants, hotels, community centres, churches and hospitals.

Buyers are also assisted in other decision making processes. Online home loan applications and a no-cost service that allows consumers to arrange the connection and disconnection of gas, water, telephone and electrical services via email are provided within functional elements on the site.

#### *Benefits for sellers*

*Realestateview* is one of the largest, most popular and fastest growing real estate portals in Australia. In February 2005 it was ranked by Hitwise as the fifth most visited real estate internet portal across Australia and the second most popular real estate portal in Victoria. Since its inception until February 2005 the number of hits on the site exceeded 67 million and in excess of 11 million page views. During the year to February 2005 the number of visits increased by 36 percent.

#### *To succeed-*

To succeed *realestateview.com* requires 'buy-in' from the real estate agents. It needs agents to list properties and to help promote the site. Its' success is dependent on the real estate agents being able to identify the value that *realestateview* has created and the benefits it offers over the sites hosted and services offered from the media companies.

*Realestateview* is not an exclusive offering to agents. In other words it is possible and acceptable for agents to cross list on *realestateview* and sites provided by the media companies as well as hosting their own sites. However agents are expected to help build awareness in the market through co-branding.

To be competitive *realestateview* must offer services that are similar and in addition to those on offer by the media companies. Therefore the founders of *realestateview* have proactively sought opportunities to improve services for those in the real estate industry.

#### *Functional aspects of the site for agents*

*Realestateview* and the Real Estate Institute of Victoria have formed a joint venture by combining their databases with the Valuer General's database to provide members with access to the largest, most comprehensive and enriched bank of property data. This service provides members of the cluster with an alternative to other costly data services that are provided by the major media companies. The service allows an agent to search the archive database and generate a report on property statistics, which includes average price and median prices for all sold and leased properties based on the search criteria.

*Realestateview* identified a need to educate agents of the importance in having reliable, enhanced data in order to comply with new legislation covering over and under quoting. The property data online product would assist in meeting this need.

In addition to the property management aspects of the site, agents have access to the [www.realestatejob.com.au](http://www.realestatejob.com.au) site (figure 2), which is available to consumers who wish to find jobs in the real estate industry. Agent members of *realestateview.com* have exclusive use of the software to advertise for staff they wish to employ. It is envisaged that this initiative will significantly reduce the costs incurred when advertising elsewhere and will reduce the recruitment costs for agents.

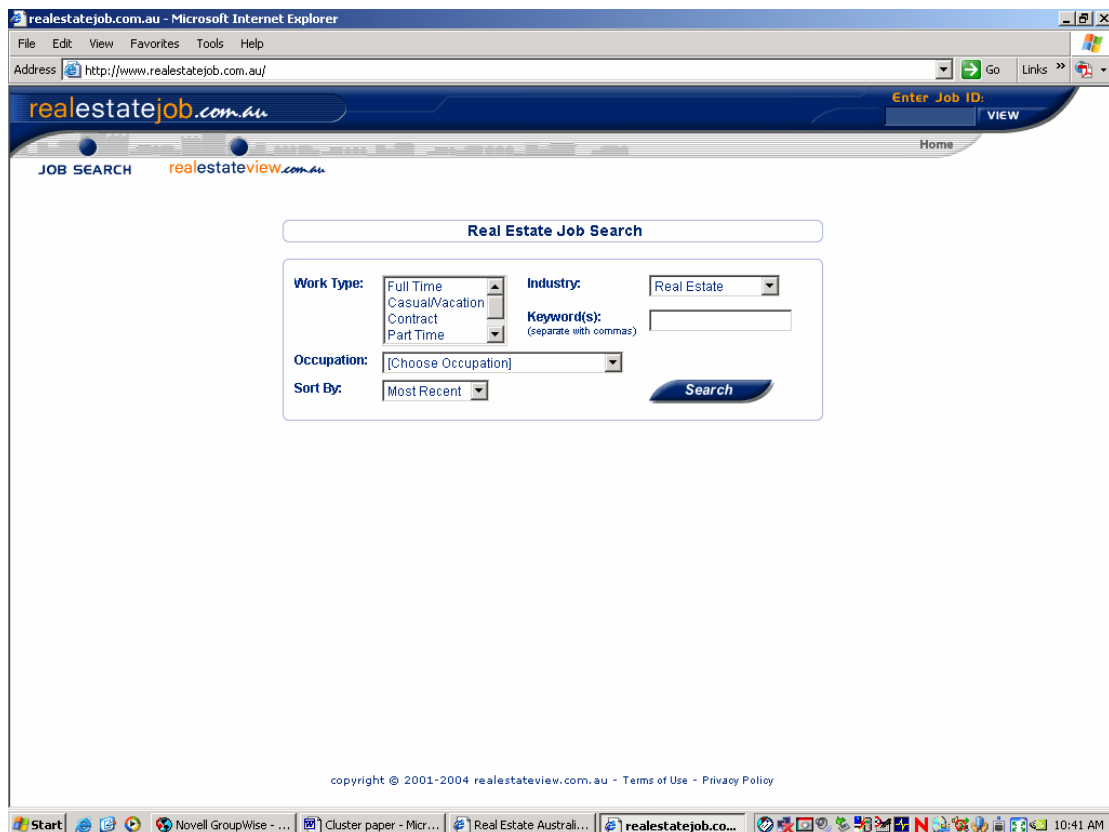


Figure 2: Screen capture of realestatejob.com website.

*The growth to date*

By 2004, *realestateview* recorded a 12.8 per cent increase in Victorian traffic. This is in contrast to two other property portals who recorded a fall in traffic from Victoria over the same period. The number of visits to the site from potential buyers was also growing with 46 per cent growth to over 410,000 sessions in January 2004.

The number of sold and leased properties had grown from 142,000 to approximately 240,000 properties in the twelve month period until April 2004. 46,000 properties were listed for sale or lease in April 2004. Although the company had targeted to increase its membership to 570 agents by December 2004, it did not achieve the target, by 27<sup>th</sup> April 2005. The portal had, however achieved over 32 percent of REIV-accredited estate agent offices loading listings, which represents more than 85 percent of all Victorian properties offered for sale and lease.

*Realestateview.com* reported a profit for the year 2004 of over \$260,000, an increase of 34 per cent on the net profit before tax on the 2003 result. This is the second consecutive year that they have reported a profit despite having significantly less subscribers than their competitors. Also the growth and profit attained has been in the face of multi-million dollar marketing campaigns conducted by the major competitors to drive up their traffic.

### Summary of Realestateview offerings

Table 1 contains a summary of the benefits offered to buyers, sellers and agents who use the *Realestateview* portal.

Table1: Benefits of using *Realestateview* Portal

Feature	Function	Benefit
Market place	Advertising	A large popular market place for access to potential buyers
Content management system	Back office system for information management	A common format and system for the recoding, management and advertising of property information
Information generator	Real time and archival information and property statistics	Enriched market data for valuations collected from the real estate agents participating.
Employee finder	Employment agency functions	A market of employees and jobs specifically in the Real estate industry. Control for agents of the job market for real estate employees.

### Findings from the case

The anecdote demonstrates a strategy for change in the resource dependence (Pfeffer and Salanick, 1978) between agents and the providers of the advertising resource, which was previously controlled by the major media companies. Essentially the formation of the cluster among real estate agents through the portal has repositioned those in the industry to gain control over the necessary resource of advertising media, at least online. But it has also enabled the real estate industry to gain back control over the information that it once provided to the media companies who then processed the information and sold back the aggregated results of property sales and leases.

The formation of *realestateview.com* is a strategy for managing the agents' dependence relations with the media companies who provided the advertising resource. Previously real estate agents had to comply with the demands of the advertising providers and were subsequently subjected to increases were subject increases in prices charged for advertising space. In this case the members of the real estate industry chose to co-opt the important elements of the resource by creating their own portal in competition with the media-company controlled sites.

Membership to this cluster has a profound impact on the inter-group competition that was once present due to geographical characteristics. According to Porter (1980) inter-group competition in an industry depends on the extent of market interdependence, number of groups and industry growth, among other factors. This cluster reduces the number of groups by bringing independent agents together on a common platform. It also increases interdependence of the agents on the system to achieve reliable data and consistent advertising across regions and the country.

The increased interdependence of agents in the group can lead to greater returns for the firms involved. Cluster membership increases the recognition among agents that they have a mutual interdependence, which leads to tacit coordination and a reduction in excessive competition in the market. Essentially the common platform for advertising provided by *realestateview.com* reduces the need to excessively spend on advertising (at least online and to some extent in other media) or independently developing their own websites. With the *realestateview* portal functionality and services the cluster can resemble an oligopoly and generate superior performance by enabling members to generate above normal rents (Newman, 1978). Furthermore, the bargaining power (Dranove, Peteraf and Shanley, 1993) of individual agents is shared among the members of the cluster and eventually this may be leveraged to influence rents generated in other channels of advertising.

Prior to internet marketing, the markets available to real estate agents were limited to geographical regions. Although some agents chose to push the boundaries of their markets by advertising in media markets that extended nationally, they incurred large costs that may not have been warranted for the price of the properties managed in regional areas. Similarly the advertising irregularly of a few properties resulted in a diminished impact on the markets and against agents who regularly advertised many properties. Realesateview.com and other portals – to a degree – level the playing field for all agents. The portals provide broad market access to all members at the same cost for service, essentially removing the asymmetries (Bogner et al., 1994; Nayyar, 1989).

## Conclusion

*Realestateview's* success is resultant of the key stakeholders (agents, buyers and sellers) identifying the benefits of participating in the cluster and therefore using the portal to list, search for and chose properties. This activity has in turn generated further benefits for the members. An important factor that has contributed to the success of the cluster is the industry insight and knowledge that the founders leveraged to identify opportunities to improve processes for the members are gain back control over the processes for the industry from major media firms.

The fact that the founding members are experienced members of the industry is not a coincident. Their membership and position in the industry were essential characteristics for developing the portal and establishing the cluster.

In this case the cluster was formed as a collaboration rather than through coercion. But in other industries and contexts coercion from a major supplier or customer can lead to the development of a similar cluster around ICT. Particularly where the major supplier or customer has invested extensively in an ICT solution for their own efficiency and they require their business partners to participate to further improve their own effectiveness from the ICT. In such cases incentives and threats may be made to the partners to ensure participation. Such coercion maybe in the form of threats of not doing business with partners if they do not conform or the promise of increased business for participation. Nevertheless, in such cases, potential members of the cluster have little or no choice if they want to continue to do business with the instigator of the cluster.

It is intended that the presentation of *Realestateview.com.au*, as a successful anecdote for the formation of clusters where ICT is a central component, will provide academics and industry leaders with incentive for exploring other industries and conditions where clusters might be beneficial. This is not to suggest that the same ideas can be applied elsewhere without considering new contexts. But rather, that in-depth, thoughtful analysis should be performed of the industries where clusters might be formed. Such analysis should lead to the development of appropriate strategy and planning to ensure that the derived objectives and goals are achieved.

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