ABSTRACT

Franchising is a method of marketing products or services in which the owner (franchisor) of a well-received good or proven service extends to another entrepreneur (franchisee) the right (franchise) to operate the former’s business according to a pre-determined system in a designated place or area over a mutually agreed time period. In return, the franchisor receives an upfront fee and/or royalties from the franchisee for the use of the trademark, product and/or business system.

Broadly, franchises may be categorized into Product or Tradename franchises and Business-format franchises. Real estate franchise networks belong to the latter form, which is characterized by an on-going relationship between the franchisor and the franchisee that includes not only the basic service and trademark, but also a complete format for doing business, including marketing strategy and plans, operating procedures and quality control. Since their advent in the United States in the late 60s, real estate franchise networks have displaced many of the small, local firms which once dominated the industry, and now account for more than 30% of all real estate brokerage operations in the United States.

This study evaluates the applicability of real estate franchise networks in Singapore. For this purpose, a survey was conducted between March and May, 1994, on the 249 member firms of the Association of Singapore Realtors (ASR). The results of the survey show that the current situation of the real
estate brokerage industry in Singapore presents very favourable conditions for franchising to be introduced. The myriad small firms operating in the industry has resulted in a very fragmented industry that has yet to produce clear market leaders. Although competition among firms for business and agents is keen, the quality of agents and service in the industry has not improved because the firms lack the resources to provide quality training or offer sophisticated marketing services. By affiliating with franchise networks, firms will gain a competitive edge by having access to resources in training, marketing, office management among others, that would not otherwise be available to them. In the survey, most of the firms acknowledged that franchise affiliation would give them a competitive edge over other firms. However, the majority of the large firms and small firms in the survey did not see the necessity for franchise affiliation. Only the mid-sized firms, which do not have the leanness and nimbleness of the small firms or the resources and economies of scale of the large firms, indicated that they would consider affiliation with a franchise network.