

**INTERNET MARKETING
FOR
RESIDENTIAL REAL ESTATE DEVELOPMENT
COMPANIES IN ADDIS ABABA -
OPPORTUNITIES AND CHALLENGES**

by

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Abstract

Internet marketing is the practice of introducing, promoting and communicating customers for products and services using the internet. It has been used since the introduction of the Internet by different industries. Real estate companies in the developed countries use Internet marketing integrating with their business strategies. The practice is new for Ethiopian companies and enough research has not been done in this aspect. The aim of this study was to explore the opportunities and challenges of Internet marketing for real estate development companies in Addis Ababa. The external ICT environment and the internal environment was the focus of the analysis. A sample of eighteen companies was used to examine their internal environment with respect to Internet marketing. The response of sixteen companies were obtained and analyzed. It was found out that the sample companies had very limited experience with Internet marketing. Potential benefits, with respect to customer relations (e-CRM), research (e-Research), promotional areas, were observed. Challenges posed by the External ICT environment were also important points to consider by the companies while formulating their Internet marketing and overall business strategies.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Internet marketing is a general term used for the practice of marketing products and services over the Internet (online). It is the process of promoting an organization using online media, typically with goals of increasing sales and boosting profits.

Since late 1990, the Internet has been used for various marketing practices. It has evolved tremendously during the past decades owing these changes to rapid technological innovations and changes of the IT industry.

The Internet represents a significant change in the competitive landscape. Scholarly research in developed countries has devoted considerable attention to this new marketing medium. Extant research has focused on such issues as the Internet as a communication medium, electronic business markets enabled by the Internet, and the proposed effects of firms' use of the Internet on trust development [Kiang and Chi, 2001]. Other research has examined industry structure, product characteristics, and the relative advantages of online buying contexts and efficiencies [Strauss and El-Nassary, 2003]. In addition, conceptual work has addressed competitive strategy issues related to the Internet [Cronin, 1996].

The Internet was introduced in Ethiopia in 1996/1997 by the Ethiopian Telecommunication Corporation [SCAN-ICT, 2003]. Companies in Ethiopia use the Internet in their business for various purposes. The use of the Internet by individual and firms vary across industries. It is used for communication, research, and promotional purposes and so on.

1.2 Statement of the Problem

Although Internet marketing has been used as a method of promoting business since the introduction of the Internet, there are no documented researches made on Internet marketing for the local business environment. This project is conducted to assess the opportunities and challenges of using Internet marketing in particular by residential real estate development companies.

Many research evidences indicate that companies can take advantage of this opportunity. With the expansion of the Internet network and of power users, online marketing will be the area to reach potential customers. The investigation of opportunities and challenges of Internet marketing for residential real estate development companies in Addis Ababa is yet to be investigated.

This project seeks to answer the following questions:

In the External Environment:

- What does the external environment, particularly the ICT environment, look like with regards to Internet marketing?
 - Legal environment
 - Technological environment.

In the internal environment:

- How do residential real estate development companies in Addis Ababa perceive Internet marketing?
- What is their level of knowledge on Internet marketing?
- What efforts have this companies have made in this aspect?

- Have they used the Internet to market their products?
- What is the customer value as perceived by the companies?

1.3 Objective of the Study

The main objective of the study is to provide insight into Internet marketing for Ethiopian real estate companies with regards to the opportunities and challenges.

The specific objectives are pointing out areas of opportunities with regards to:

- Cost effectiveness and operational efficiency of the companies,
- Customer value,
- Increasing the market reach,
- Customer Relations
- Marketing Research

And areas of Challenges with regards to:

- Customer relationship,
- External environmental constraints,
- Knowledge and perception of Internet marketing by these companies,

1.4 Significance of the Study

The study is useful for companies in the real estate industry and also other industries because it gives insight and shows prospects of using Internet marketing.

It also gives further research ideas and areas that need a deeper investigation to enhance and improve the understanding of Internet marketing, or e-commerce in general, in Ethiopian context.

The real estate development companies can greatly take advantage of the opportunities and devise strategies that can overcome the challenges.

1.5 Methodology

The study explores the opportunities and challenges of Internet marketing for residential real estate companies in Addis Ababa, since there are no researches conducted on this area to offer a deeper analysis of the topic.

1.5.1 Sampling Method

There are 400 real estate companies registered under the Addis Ababa Investment Authority. Among these companies, most of them are not active. In addition, the majority of the firms are engaged in office building construction for rental purposes. Due to these reason companies that are currently active and engaged in residential real estate developments are selected for the research. Since the study focuses on business-to-customer side of the business, companies that interact with customers throughout the construction and development of the real estates are selected.

Eighteen companies were selected for the research using both stratified and random sampling. The companies were stratified by year of establishment so that to incorporate their past experience. Random sampling was used to select samples from this stratification.

From two clusters having 3 and 24 companies, 2 and 16 sample companies were selected respectively.

1.5.2 Data Sources and Collection Instruments

For this study, both primary and secondary data was used to explore the opportunities and challenges in Internet marketing.

Primary data:

Questionnaire was used to investigate the experience of real estate companies to:

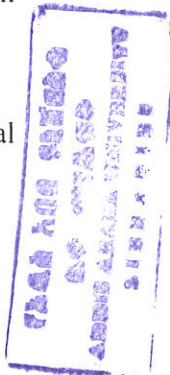
- Assess their familiarity with Internet marketing
- Assess their use of the Internet in business activities
- And examine their research experiences



Secondary data:

Telephone and Internet Subscription Data from Ethiopian Telecommunication Corporation and previous researches from other agencies were used to:

- Analyze of the external environment, ICT environment, legal and technological environment (with regards to availability of connectivity)
- Identify problem areas in the external ICT environment
- And assess future prospects



1.5.3 Analysis

The analyses used are:

Product Suitability Analysis to:

- Assess the advantages gained from Internet marketing for the products the real estate industry offers,

- Examine the ICT environment for opportunities it offers and challenges it poses.
- Examine the internal environment of companies for their experience in Internet marketing, research, and customer relationship, using frequency distribution.

1.6 Limitation of the Study

The study is limited to the study of Internet marketing for residential real estate development companies. Although it may give insight to other industries, the results focus on the products and services offered by these companies.

Due to time constraints the study is limited to examining the ICT environment as an external environment; and internal environment, with regards to past experiences, familiarity with Internet marketing. Investigation on customer side of Internet marketing was not conducted due to the same reason.

The investigation is made on companies found in Addis Ababa only due to time and other resource constraints.

1.7 Organization of the Study

The study is organized in four chapters.

Chapter one describes the project introduction, statement of the problem, objective and significance of the study. The methodology and limitations of the study are also included.

Chapter two introduces Internet marketing concept and practices incorporating a brief description of the practices of real estate companies of the United States and of China.

In Chapter three, the analysis of the external environment and the internal environment with regards to Internet marketing, is presented. The analysis focuses on the investigation of the opportunities and challenges by answering the research questions.

Conclusions and recommendations are given in chapter four by pointing out the main research findings, future prospects and research areas.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In the early 90's, business firms in the USA began to acknowledge a new powerful marketing medium, the Internet and its major component, the World Wide Web (WWW), and quickly realized its strategic importance. With the impetuous development of information technologies (IT) and widespread use of personal computers in the world, the Internet developed into a new effective electronic platform for business. Today, the Internet not only offers tremendous opportunities for marketers, it brings about a new, in its essence, way of conducting marketing and approaching consumer markets [Cronin, 1996]. In a computer-mediated environment, consumers become increasingly empowered by new technology and the ease of information access. As the information on competing products and prices is much easier to access now, consumers concentrate more power in their hands [Porter M.E., 1979]. Clearly, modern consumers look for ways to increase their own value and expect companies to work hard to satisfy their continuously increasing demands and expectations.

The Internet also melts the borders of national markets increasing and shifting the competition into electronic marketplace, where many companies are competing now on an international basis due to the global nature of e-commerce [Karaglannopoulos et. al 2005; Cowsey and Denar, 2004]. These processes have not been left unnoticed by both practitioners and academia, who recently expressed the need for re-evaluation of marketing concept and its re-construction so that it answers to the changes in business environment.

This has created a new body of knowledge and expertise - Internet Marketing - which is concerned with the marketing process and marketing efforts of a firm operating entirely or partly in the digital marketplace or marketspace created by the Internet platform. The recognition of the need to re-evaluate the marketing paradigm brought about the Internet and the WWW had a huge impact on the development of Internet Marketing as a field of science and practice.

2.2 Internet Marketing Defined

Internet marketing or Internet-based marketing can be defined as the use of the Internet and related digital technologies to achieve marketing objectives and support the modern marketing concept [Collins, 1999]. These technologies include the Internet media and other digital media such as wireless mobile media, cable and satellite. In practice, Internet marketing will include the use of company's website in conjunction with online promotional techniques such as search engines, banner advertising, direct e-mail and links or services from other web sites to acquire new customers and provide services to existing customers that help develop customer relationship.



The original definition of marketing is important to fully understand Internet Marketing and what it involves. The definition of marketing by the Chartered Institute of Marketing (www.cim.co.uk) is:

the management process responsible for identifying, anticipating and satisfying customer requirements profitability

Different authors have given the definition of Internet Marketing as [Iliachenko, 2005]:

"The process of building and maintaining customer relationships through online internet activities to facilitate the exchange of ideas, products, and services that satisfy the goals of both buyer and sellers" (Imber & etsy-Ann, 2000)

" Marketing on the web is a multidimensional content marketing that requires the following paradigm shifts: from traditional advertizing to interactive marketing: and from developing and managing one-way information flows to computer mediated empowerment of users, consumers, and entrepreneurs who will be engaged in electronic commerce in the information age" (Hawkins 1996)

"Internet marketing is to use the Web – as well as the traditional channels – to develop a positive, long-term relationship with customer (who may be online or offline) and thereby create a competitive advantage for the firm by allowing it to charge a higher price for products and services than its competitors can charge" (Laudon & Traver, 2002; Iliachenko, 2005)

These definitions emphasize the focus of marketing on the customer, while at the same time implying a need to link to other business operations to achieve this profitability.

Internet technology can be used to support these aims as follows:

- *Identifying* – the Internet can be used for marketing research to find out customers' needs and wants

- *Anticipating* – the Internet provides an additional channel by which customers can access information and make purchases – understanding this demand is key to governing resource allocation to e-marketing
- *Satisfying* – a key success factor in e-marketing is achieving customer satisfaction through the electronic channel, this raises issues such as; Is the site easy to use? Does it perform adequately? What is the standard of associated customer service and how are physical products dispatched? These issues are of customer relationship management.

The Main traits of Internet marketing as a concept can be determined as the following:
(Roberts, 2003)

- *Virtual (i.e. information based) value creation.* Value creation on the Internet refers to operations of information gathering, organizing, selecting, synthesizing and distributing - within a virtual value chain, which parallels the physical value creation activities and/or emerges directly from the marketspace;
- *Customer centric approach.* Due to intensive competition and growing consumer power on the Internet [Karaglannopoulos et. al 2005], the focus of Internet marketing activities of a firm is on satisfying customer needs and wants and strive for a superior customer service;
- *Focus on the effective communication and exchange with stake holders.* In the marketspace, a firm's survival and competitive advantage (i.e. the overall ability to create profit) depends on the amount of value created for its stakeholders: therefore the firm must successfully communicate the value proposition for the stakeholders;

- *Adoption of traditional marketing strategies to the Internet platform.* Companies engaged in e-commerce widely adopt traditional marketing mix strategies, 4Ps, for the Internet and make them more interactive;
- *Emergence of Internet-specific marketing strategies.* A number of marketing strategies have emerged that are unique for the Internet and cannot be used beyond digital marketplace, i.e., online customer databases, online customer tracking (cookie technology), direct e-marketing, e-CRM, etc.

The main Internet Marketing functions can be described by the analogy with the classical marketing functions, which are often called "marketing mix" or the product, price promotion and people. Internet marketing mix will include, then, four functions:

1. Product/service online promotion and advertising
2. product/service online distribution
3. web-based market research
4. web based techniques for maintaining customer and partner relationship (e-CRM)

These functions encompass specific value creation activities and techniques as over viewed below.

e-Promotion: refers to core marketing functions and includes strategies for product/service promotion and advertising online. The Internet offers improvements in the area of fitting core products to the need of target customers, include company, product or service promoting techniques, such as passive (via Internet representation, websites) and active

web based advertising strategies (direct marketing, one-to-one marketing, etc.), web based promotional campaign.

e-Distribution: heavily relates to 'place' function of the traditional marketing mix and encompasses selling and market communication strategies (e.g. online marketing techniques aimed at facilitating business transactions and market communications in an e-commerce environment like online reservation/booking), as well as niche marketing, segmentation, related market research, customer communication.

e-Market research: refers to market situation considering all the 4P strategies and includes online marketing techniques aimed at gathering of the market-related data (e.g. information about market conjecture, competitors, price research, customers' data and preference); product innovation and quality surveys.

e-CRM: substitutes the 'people' function of the traditional marketing mix and encompasses Internet based techniques aimed at facilitating and maintaining customer and partner relations (e.g. creation and maintenance of long-term relationships with customers; implementation of electronic CRM applications, high interactivity of websites, high responsiveness of the company to the customers' needs, personalization and customization of product/services, etc.)

2.3 Internet the new Marketing Paradigm

The Internet is the global network of interlinked computers operating on a standard protocol, which allows data transfer between them. The introduction of the Internet component, the WWW, had transformed the Internet into a popular marketing medium due

to its unique capability to blend text, pictures, sounds and video clips into multimedia documents. The Internet represents today a totally unique in its essence business environment (Table 2.1).

Table 2.1 The Internet and the Business Environment

<i>Dimensions of the business environment</i>	<i>Internet Characteristics</i>
<i>Physical (space and Time)</i>	Physically represented by global infrastructure of interlinked computers Virtual space/ no physical location Virtual time, i.e., real time – 24 hours and 365 days a year access
<i>Political / Legal</i>	Virtually global – no national borders with almost any country to access No unified legislation, every actor operates basically under its national law
<i>Economic</i>	Decrease entry barriers on the market Intensive international competition – competitors are one "mouse click" away Virtually global access to partnership agreements Virtually global access to customers and markets
<i>Socio-cultural</i>	Eroded cultural borders (Cultural differences are being gradually washed out Virtually easy access to any cultural environment Virtual community

Source: Roberts, 2003

The Internet was first opened for public use in the early 90s. Since then, practitioners and researchers started gradually realizing its potential for conducting business and marketing. In its essence, the Internet is an intelligent ubiquitous in formation platform, which its main business and marketing uses include communications (both internal and external. both with

the market and strategic partners), market research, customer services, market penetration, product development, cost savings through process reengineering, direct marketing, advertising and product delivery [Herberg and Hale 1997]. Today it represents the largest e-platform for business. The Internet is unique because "it is both a market and a medium" and "can efficiently assume a multi-channel role by serving as a computer-mediated market in which buyers and sellers access each other". It also offers substantial advantages over traditional means of communication in the form of reduced costs of information exchange, increased speed of information transfer and retrieval, increased customer involvement, control of transactions and greater flexibility of using the marketing mix. Table 2.2 sums up the advantages of the Internet over traditional marketing media.

Table 2.2 Characteristics of the Internet and the WWW as a Marketing Media

Characteristic	Description
Connectivity	The ability for everyone to access the network, 24 hours a day and for 365 day a year, furnishes a platform of instant and constant connectivity with the firm's employees, suppliers, and customers.
Accessibility	Permanent exposure and global market reach forms virtually global accessibility and removes the boundaries of physical distance and time. Having an effective website, a company gains global and permanent access to the market, and its marketing information is available for customers at any time. A firm is open for constant exchange (domestic and international) due to reduction of time and distance constraints
Ease of Use	Modern Internet technologies are simple to use after an initial education. Personal computers (PCs) are the part of everyday life and school education, which altogether provides good skills of using computers for various tasks.
Information Capacity	The ability for everyone to operate with information: to exchange, store, index, retrieve, restructure and redistribute information with in the network. For both companies and consumers the Internet represents a global database, where data and information is available for buying and retrieval.
Automation	It allows operating with information automatically by software and without human intervention, which is a unique ability comparing to the traditional marketing media that allows companies to reduce working hours and free human resources.
Addressability	The Internet offers a cost-effective communication platform for one to one marketing that allows low cost and high speed information transmission. In essence the Internet represents the opportunity to customize and tailor the product and marketing effort too one consumers at the time.
Interactivity	The ability to give response, often in real time, to user actions and inputs, facilitates market communications. Web sites' real time communication features (chat, guest book, forum mailing lists, and email) enable two way dialogues between companies and customers, which is an important component of relationship marketing and is an important factor in building customer loyalty.
Flexibility	The ability to quickly change and adapt to new conditions and demands, i.e., flexibility, is a unique factor lacked by the traditional marketing media. A web-based information online catalogues and advertisement can be quickly updated according to customers' preferences and current changes in product demand and supply.

Source: Roberts, 2003

2.4 Internet Marketing Myopia

Theodore Levitt, writing in the *Harvard Business Review*, outlined the factors that underlie the demise of many organizations and at best seriously weaken their longer-term competitiveness. These factors still provide a timely reminder of traps that should be avoided when embarking on Internet marketing. These are:

1. Wrongly defining which business they are in.
2. Focusing on:
 - Products (many web sites are still product-centric rather than customer-centric);
 - Production;
 - Technology (technology is only an enabler, not an objective);
 - Selling (the culture on the Internet is based on customers seeking information to make informed buying decisions rather than strong exhortations to buy); rather than:
 - Customer needs (the need for market orientation is a critical aspect of web site design and Internet marketing strategy); and
 - Market opportunities (the Internet should not just be used as another channel, but new opportunities for adding value should be explored).
3. Unwillingness to innovate and ‘creatively destruct’ existing product/service lines.
4. Shortsightedness in terms of strategic thinking.
5. The lack of a strong and visionary CEO.
6. Giving marketing only ‘stepchild status’, behind finance, production and technology.



If Internet marketing is to become integrated and fully established as a strategic marketing management tool, then the focus of attention needs to move towards understanding its broader applications within the total marketing process rather than just using it as a communication and selling tool. This is not to detract from the capability of the Internet to communicate and sell, but recognizes that this is only one important aspect of the marketing process to which the Internet can contribute. The danger for those currently considering developing Internet technology is that the focus of such involvement will be too narrow and the true power of the Internet and its potential contribution to the marketing process will be missed. However, for Internet marketing to be successful there is a necessity of integration with traditional media such as Print and TV [Sultan and Rohm, 2004].

2.5 Customer Experience and Internet Marketing

The rapid developments of online computing technology make it imperative for companies to seriously consider the Internet to avoid losing competitive advantage. A Web site gives direct contact between the organization and the consumer. However, product characteristics play an important role in whether the organization may benefit from utilizing the Web as a means of direct sales.

Any product is perceived by a buyer to be a combination of utilities (e.g., qualities, values, and/or capabilities) that is expected to provide customer satisfaction assessed in terms of expected benefits minus costs incurred. By gathering information prior to purchase, consumers can predict whether the purchased product may satisfy their needs and/or expectations. The value of this information to consumers depends on its nature and its

reliability. The nature of the information will likely be altered if one views such information based on search, experience, and credence goods classification.

From an economic standpoint, goods are often classified into search, experience, and credence goods in terms of the consumers' ability to assess quality and value before and after purchase. The quality and value of search goods can be easily assessed by consumers prior to purchase; the quality of experience goods is difficult and/or costly to assess prior to purchase and usage; the quality of credence goods cannot be verified even after repeated purchase and usage. Based on this trichotomous classification, some marketing researchers have drawn some tentative conclusions regarding the types of products that may be successfully sold on the Internet. Internet has the potential to provide information in a more accessible, less costly, and more customizable format, thus increasing the value of the Internet, reducing the costs of search directly (e.g., time, travel) and enhancing the expected benefits by facilitating consumers' information-processing. Similarly, consumers who wish to directly experience a good prior to purchase may view the Internet as an ineffective replacement of traditional in-store shopping where the good can be inspected.

Since search goods generally tend to be more suitable for online selling compared to experience goods, in order for an experience good to be sold online successfully, information regarding the good's quality and value to the customer should be made available prior to purchase. Researchers have addressed this issue from different perspectives. Taking the software and the wine product category as an example of experience goods, the Internet could transform experience into search attributes. For instance, the consumer can download a trial or demonstration version of the software and thus get insights into the product functions.

In other words, an experience good tends to be transformed into a search good as consumers become more familiar with the product, provided the key attributes of the good remain consistent. Moreover, it has been also suggested that for some experience goods that are dominated by perceptual attributes, the Internet can be as effective as or even more effective than traditional transaction channels to deliver useful information to consumers [Hinton and Tao, 2006]. For example, consumers who purchase flowers based on the pictures presented in stores can do so on the Internet through 2D/3D images; many Websites have allow consumers to preview a video or listen to a music CD before they make a purchase, which cannot be done traditionally. Such a phenomenon is termed as “predictability of satisfaction” which means that the suitability of a certain product category for online selling depends on the degree to which consumers can predict how satisfied they would be if they make the purchase.

2.6 Internet Marketing and Strategic Issues

For many businesses, the Internet is still a technology in search of strategy. Technology does not necessarily create change. People do. The most advanced technical infrastructure does not by itself generate revenues [Trees and Stewart, 2003]. Customers do. Nevertheless, the Internet makes headlines for the rapidity of its technical advances, the proliferation of its interconnected networks, and the multimedia capabilities of the World Wide Web far more frequently than for its strategic role within the corporation. Despite all the publicity, there are remarkably few models for integrating the global network into core business functions in ways that make a measurable difference. Yet this integration is the major challenge of any effective Internet business implementation.

Companies need a strategic framework that can bridge the gap between simply connecting to the Internet and harnessing its power for competitive advantage [Porter, 2001]. The most valuable Internet applications allow companies to transcend communication barriers and establish connections that will enhance productivity, stimulate innovative development, and improve customer relations. Implementing such applications requires more than technical expertise. Managers must understand the competitive forces influencing electronic commerce today, evaluate the strengths and weaknesses of the commercial Internet, and analyze the internal factors that will generate momentum and support for network programs.

Not every company can map out such a simple and readily implemented Internet strategy. Companies doing business in a networked environment cannot rely on the strategies developed for traditional marketing, sales, and customer support activities. Effective Internet applications are grounded in an understanding of network limitations, demographics, and culture, as well as an analysis of internal and external opportunities (Wu Shwu, 2002). They are targeted to specific on-line customer groups and are dynamic enough to keep pace with developments in technology and the changing interests of customers. Small companies that are responsive, agile, innovative, and large companies that manage to retain these characteristics, have a definite advantage in adapting to the demands of Internet Marketing.

Previous research has identified common problems of e-marketing strategies including failure to classify product characteristics, inappropriate channel selection, pricing, and promotion strategies. Every company needs to work through a process of assessing its particular environment, identifying opportunities, overcoming barriers to Internet

marketing, and designing and implementing on-line programs that will add value to both the organization and the customer. Establishing this strategy-building process, and fine-tuning it frequently, is essential for continued success.

The first step is a realistic assessment of the current barriers to commerce on the Internet, together with an overview of emerging solutions. The second step is an evaluation of the Internet's core capabilities, examining how companies are using the features of the global network in different corporate settings.

2.7 Internet Marketing in the Real Estate

According to ActiveMedia [Bardhan, 2000], an Internet research company, some of the sectors experiencing the greatest growth in terms of their presence on the Web since 1998 were computer hardware and software, real estate, publishing and information, finance and Internet services. A significant initial motivation for this rush for the Web is provided by, what can be termed, the "tiptoe" effect. The first ones on the Web had an additional advantage over those who did not; information on their services, products, home listings and the like could now be accessed conveniently by those with computers. The low setup cost and the potential disadvantage of not having a Web presence has propelled others in the profession to set up their own sites.

Real estate shares in some of the basic advantages of the Web mentioned earlier, such as ease of marketing, communication and feedback from clients, lowered costs of operations and sales, and convenience of customer service and support. In addition, the Web provides positive features specific to the real estate industry [Table 2.3].

Key features include the following:

- ***Increased geographic reach.***

The Web has dramatically increased the geographic reach of both buyers and sellers. Although the "local" aspect of real estate will perhaps never be whittled away completely, there is no doubt that inquiries about properties can now emanate from far away to a much greater degree than before. This, in turn, potentially increases the size and "depth" of the market and makes it more efficient.

- ***Capability of visualization.***

In some sense, increased geographic reach has become possible due to the other emergent feature of the Web, the capability of visualization. In its most state-of-the-art form, Web sites now allow prospective buyers to take virtual tours of homes, resorts, hotels and convention centers. Indeed, even the less sophisticated version of still pictures on the Web, together with other relevant details of listed properties, has reportedly been responsible for a significant drop in number of properties physically visited before the final sale. The power of virtual tour technology has not been harnessed to its fullest. The cost of setting up a tour on the Web involving four scenes is now in the range of \$100 and it is conceivable that more and more sellers would request their realtor to include one.

- ***Reduced transaction costs.***

The Web may reduce transactions costs. This has been particularly apparent in the case of mortgages. The Web-attributable features that make this kind of a transaction possible are instantaneous comparability, interactive capability, online calculation, online applications, and continuous updating of the sites.

• ***Improved information dissemination.***

The Web offers broad opportunities for increasing the scope and depth of information provided by many different types of firms. A well-constructed home page gives an overview of a firm's range of services or activities. Links allow the customer or client to learn much more detail about the selected items of most interest, while ignoring less relevant pieces of information. A number of sites take advantage of the ability to link to resources beyond the company's Web pages, linking customers and clients to related Web resources.



Information reach is a key factor of the WWW, but of greater importance is the interactive nature of the information provider. Unlike with newspapers, catalogues or television, the technology offers the user the opportunity to respond immediately to information provided. This greatly expands the scope for advertisers and retailers in terms of the numbers of customers reached and their locations. For business, it facilitates the role of a firm as a customer as well as a producer or retailer of goods.

Networks supported by the WWW give firms access to a wider variety of supplies more quickly than before the Internet. Network linkages offer the possibility of new forms of inventory control and ultimately new approaches to production and service provision. Finally, for many of these changes, there are large economies of scale, with heavy introductory costs but very low marginal costs, once the system is up and running.

Table 2.3 Major Internet and Web Characteristics and Implications for Real Estate Firms

Internet/Web Characteristic	Examples of Real Estate Firms	Advantages/ Opportunities	Challenges to Existing Firms
Interactive Search Capability; Graphics Capability; Virtual Tours; Geographic Outreach	Listing Brokers; Vacation Rentals; Architects; Relocation Services	Improves communications within firms and with customers or clients. Expands geographic range within which a firm can operate.	May reduce value-added of existing offices.
Creation of Online Communities and Markets	Project Finance; Real Estate Investment; Brokerage	Increases market efficiency and depth; B2B coordination for new kinds of transactions.	Low Barriers to Entry; Increase in competition; May be a challenge to intermediaries such as brokers.
Online Tracking and Analysis	Consulting Firms; Property Management; REITs	Product/service information can be provided at a depth and complexity that is not possible in other media (newspaper, tv).	Information providers such as real estate consultants may face competition from low cost Web services.
Web-Based Interactive Transactions	Project Management; Developers; Property Management; Mortgage Firms	Speed, low marginal costs, and interactive component. Firm may be able to change staffing needs or the geographic location of staff.	Gives customers more flexibility where to locate; Issues of security and privacy; May change location needs; Potential shift from retail to warehouse and from central to peripheral

Source: Bardhan, 2000.

Businesses incorporate these new communications, information and networking advantages in several ways. In an initial phase, businesses establish basic Internet connections, allowing them to communicate via e-mail and make use of the information on the Web. In Stage 1, the business develops a basic Web site, which disseminates simple information on the company (the presence signaling stage). In Stage 2, the firm expands its Web site to a more extensive marketing and publicity service, equivalent to a newspaper or television advertising campaign. In Stage 3, the firm provides services on the Web, becoming a virtual store or office site. Now, a fourth stage of Web use is emerging, where the firm builds on the networking capabilities of the Web to establish new supply and

service or sales networks that may ultimately change the production or service provision structure for the firm. In this last stage, the World Wide Web is an important tool in trends that had already begun in "virtual production lines," where products or services are developed through the cooperation and participation of a network of firms. All of these e-business activities and stages of Web use have implications for real estate firms, both as their own operations are affected by the Internet, WWW and e-commerce, and as providers of real estate services and products to other businesses.

Although by its very nature real estate is bound to the local environment, community and economy, the Internet has extended its geographic reach. Now it is possible to research properties situated at the other end of the globe, whether for purposes of relocation or investment. The graphics capability of the Web is another feature of the Web that real estate can exploit to great advantage, particularly with the more recent advances that now include virtual tours of hotels, homes and convention centers.

2.8 Experiences of Real Estate Companies in Other Countries

In the following section the experiences of Internet Marketing by USA and China is described briefly.

2.8.1 In USA

Real Estate firms and related businesses were among the early private sector pioneers of Internet use and have had a fast growing presence on the Web. One example of the real estate sector's presence on the Internet in its pre-World Wide Web incarnation was the real estate classified bulletin board of Prodigy, the online service, which had listings for homes and other real estate. A few real estate related Web sites started in 1994 (generally

regarded as the inaugural year of the Web). For example, the New York City Real Estate Guide Web site, created in the summer of 1994, was one of the first to offer free access to the latest New York real estate information. By the summer of 1995, the site was receiving more than 100,000 inquiries a month.

The real estate industry registered its entry on the Web in a dramatic way in 1995. By the end of that year there were close to 4,000 real estate Web sites. The content matter of the sites, as well as the mix of real estate related firms on the Web have changed over time. Initially, quite a few of the sites were residential real estate brokerages and listing guides, but fairly rapidly the list expanded to include commercial and retail listings, mortgage brokers, appraisers, architects, real estate attorneys, developers, construction firms, and suppliers. As investment vehicles for real estate expanded, REITs, publicly held firms, and investment advisors also added Web sites.

The early real estate broker Web sites quickly took advantage of the unique features of the Web. Prospective customers could find out what properties were for sale or rent, look up detailed descriptions of each listing, view photographs and floor plans, and contact the broker by e-mail. Viewers could also look up statistical and data reports on conditions in various geographical areas and on emerging macroeconomic trends.

Ever since then, the real estate industry has been among the most enthusiastic users of the Web, by some measures accounting for 4% to 6% of commercial Web sites. The proportion taking advantage of Web technology remains particularly high among brokers. A survey conducted by Real Estate Broker's Insider in early 1998 confirmed that nearly 95% of the respondents/brokers had a Web site, and more than 90% of the housing stock

on sale at a given time is now listed on the Web. Indeed, because of the dispersed, localized nature of the role of information in real estate, the prospective gains from information dissemination, comparability, and Web links were particularly significant in real estate.

For much of the real estate sector, the Internet generates not so much the actual transactions themselves, but creates initial leads that are later followed by transactions, purchases and sales. Web sites frequently lead to contacts that are then nurtured through telephone and person-to-person meetings. For residential real estate, Web activity includes residential searches, housing details, and pricing information (both on houses and mortgages), with follow-up contact with brokers. Real estate-related transactions are seen in the hospitality industry (making reservations for hotels and vacation homes), and in online mortgage applications. Mortgage and home loan finance companies report both inquiries from mortgage shoppers who obtained initial information from their Web sites, as well as closing of loans through the Web, lead to great savings in time and overhead costs.

Beyond these sectors, many other types of real-estate related firms are using the Web to broaden their market areas, increase the depth of their marketing, and to provide a range of services to existing customers. Commercial brokers provide not only information on available sites but also on market conditions for different locations and sometimes more in-depth economic analysis of a region. REITs and other investment firms provide detailed information on their products as well as background market or economic information. Public companies provide up-to-date stock quotes and quarterly and annual reports on the Web.

2.8.2 In China

In 1997, the Chinese government named real estate as a driving force to support the country's continued economic growth. Following this, a series of government policies have been introduced in the areas of housing reform, taxation, finance and land supply, which have created a more favorable operating environment for the residential housing developers in the Mainland China (Hinton and Tao, 2006).

Under the new rules, China's housing market is displaying new characteristics:

- The majority of house buyers are individuals which accounting for nearly 94 percent of all buyers of new housing.
- Both developers and consumers are becoming more mature. Owing to the intensified competition, developers kept improving the quality and the service of the products. Meanwhile, buyers became more rational.
- The intensified rivalry eroded industry profitability and weeded out the weaker firms, especially SMEs.

The Chinese government has identified e-business as a critical technology for closing the economic gap between China and the USA, Japan and European Union.

In Mainland China, the developers are at the heart of attention because most of the developers in Mainland China are involved in all the activities in the value chain. For example, from feasibility studies to project strategic management, designing management, construction management, sales and marketing, and property management. Therefore, developers have to coordinate with diverse interests such as local government and public organizations, survey companies, design institutions, and construction companies, real

estate buyers, etc. Furthermore, due to the weak development of agent services and other related infrastructure, if suitable co-operators are not available, developers will do most of the activities by themselves, such as sales and marketing. Additionally, property development is a capital-intensive effort involving long cycles of return. Nevertheless, these aspects provide opportunities for e-business applications as they meet the features which define the likeness that IT will play a strategic role in an industry (Hinton and Tao:

Potentially high information intensity in the value chain – a large number of suppliers or customers with whom the company deals directly, a product requiring a large quantity of information in selling, a product line with many distinct product varieties, a product composed of many parts, a large number of steps in a company's manufacturing process, a long cycle time from the initial order to the delivered product. (Porter and Millar, 1985)



Accordingly, it is likely that e-business will play a strategic role in real estate developers' activities in Mainland China.

Main e-business applications by Chinese real estate development companies include e-procurement, automation of the internal management process and marketing efficiency, the WWW being the main media.

The companies' motivations for e-business adoption initially arise from trying to solve key management problems, especially operational problems, by using e-business applications such as e-markets, intra- or inter-organizational systems, and providing customer service. Another common motivation identified is sharing information between internal users.

Additionally, the adoption of information systems is also motivated by cost saving. A further motivation is to achieve strong customer interactions.

The main advantages gained from e-business application categorized by researchers Hinton and Tao (2006) stated that information technology is permeating the value chain at every point by:

- transforming the way value activities are performed;
- transforming the nature of the linkages among value activities; and
- affecting competitive scope.

CHAPTER THREE

ANALYSIS AND FINDING

The aim of the study is to investigate the opportunities and challenges of Internet marketing for real estate companies in Addis Ababa. The study focuses on companies in Addis Ababa due to time and resource constraint.

The First analysis is the product suitability for Internet marketing. The frame work proposed by Peterson et al and is adopted and modified by Kiang and Chi (2001) for investigating the suitability of a product on the Internet by using the product classification grid for analyzing the potential benefit of Internet market.

The second area of investigation of opportunities and challenges was the external environment particularly the ICT infrastructure in Ethiopia (as it is the relevant external environment for Internet marketing (Roberts, Mary L., 2003)). The ICT environment in Ethiopia is examined for the technological and legal aspects. This was achieved through analysis of secondary data collected from relevant offices and literature.

The third area of investigation was the internal environment of the real estate companies. The parameters used for the investigation were their experience and knowledge of Internet marketing, current way of marketing products, their use of the Internet for marketing and market research. Questionnaire was used to examine these points.



3.1 Product Suitability for the Internet Marketing

Before embarking on the investigation, it is useful to point out once again the advantages of the Internet for conducting marketing activities. The advantages of Internet with respect to communications, distribution, marketing research, and customer relationship management are described below in Table 3.1.

Using the advantages described in the Table 3.1, Kiang and Chi (2001) used a framework for analyzing the suitability of a product or service on the Internet.

The first classification they have used was the product classification grid which explains product characteristics with respect to their value proposition (whether digital or tangible), degree of differentiation (high or low), and frequency of purchase (frequent or infrequent).

Using the product classification grid, Table 3.2, each product category is evaluated using the advantages of Internet marketing described in Table 3.1. The potential benefits of the Internet marketing is, then, evaluated using Table 3.3 below.

Table 3.1 Advantages of the Internet Marketing for the Marketing Functions.

Channel Functions	Advantages
Communication	<ul style="list-style-type: none"> Improved product information Improved price information Availability of service, 24 hours a day, 7 days a week Lower cost of communication Interactivity and the ability to provide information on demand Real-time inventory update Online technical support Quick response of inquiries Customized orders Post-sale service No personal contact
Transaction	<ul style="list-style-type: none"> Virtual storefront can be reached by all Internet users Lower cost of transaction Allow microtransactions Reduce human errors Reduce procurement cycle time Lower inventory level and other related overhead Possible to customize promotion and sales to individual customers Flexible pricing Relatively low entry and establishment costs
Market Research	<ul style="list-style-type: none"> Distribution ease Auto respondent and tracking advantage Conditional customized research advantage Wide market reach Useful for researching both the supply and distribution sides
Distribution	<ul style="list-style-type: none"> Reduced waiting time to receive product for digital products/services Lower cost of delivery for digital products/services Allow customers to track orders Reduced number of customer service representatives

Source: Kiang and Chi, 2001

Table 3.2 Product and Service Classification Grid

<i>Dimension 1 Value Proposition</i>	<i>Dimension 2 Degree of Differentiation</i>	<i>Dimension 3 Frequency of Purchase</i>	<i>Examples of Products and Services</i>	<i>Category</i>
Digital	High	Frequent	Online newspapers and Magazines	DHF
		Infrequent	Software packages	DHI
	Low	Frequent	Stock market quotes	DLF
		Infrequent	Automobile financing, insurance	DLI
Tangible	High	Frequent	Wines, soft drinks, cigarettes	THF
		Infrequent	Stereo systems, Automobiles	THI
	Low	Frequent	Milk, eggs	TLF
		Infrequent	Precious metal ingot of Known weight and purity	TLI

Source: Kiang and Chi, 2001

Category Key: DHF - Digital, High Differentiation, Frequently Purchased; DHI - Digital, High Differentiation, Infrequently Purchased; DLF - Digital, Low Differentiation, Frequently Purchased; DLI - Digital, Low Differentiation, Infrequently Purchased; THF - Tangible, High Differentiation, Frequently Purchased; THI - Tangible, High Differentiation, Infrequently Purchased; TLF - Tangible, Low Differentiation, Frequently Purchased; TLI - Tangible, Low Differentiation, Infrequently Purchased

Table 3.3 Classification Grid for Analyzing the Potential Benefit of Internet Marketing

Channel Functions	Advantages	DHF	DHI	DLF	DLI	THF	THI	TLF	TLI
Communication	Improved product info.	X	X			X	X		
	Improved price info.	X	X	X	X	X	X		X
	Availability of service	X	X	X	X	X	X	X	X
	Lower cost of communication	X	X	X	X	X	X	X	X
	Interactivity	X	X			X	X		
	Real-time inventory update	X	X			X	X		
	Online technical support	X	X	X	X		X		X
	Quick response of inquiries	X	X	X	X	X	X	X	X
	Customized orders	X	X			X	X		
	Post-sale service	X	X	X	X				
	No personal contact	?	?	?	?	?	?	?	?
Transaction	Virtual storefront	X	X			X	X		
	Lower cost of transaction	X	X	X	X	X	X	X	X
	Allow micro-transactions	X	X	X	X				
	Reduce human errors	X	X	X	X	X	X	X	X
	Reduce procurement cycle time	X	X	X	X	X	X	X	X
	Lower inventory level	X	X			X	X		
	Customize promotion and sales	X	X	X	X	X	X	X	X
	Flexible pricing	X	X	X	X	X	X	X	X
	Low entry costs	X	X	X	X	X	X	X	X
Market Research	Distribution ease	X	X	X	X	X	X	X	X
	Auto response and tracking	X	X	X	X	X	X	X	X
Market Research	Conditional customized research	X	X	X	X	X	X	X	X
	Wide market reach	X	X	X	X	X	X	X	X
	Useful for researching both the supply and distribution sides	X	X	X	X	X	X	X	X
Distribution	Reduced waiting	X	X	X	X				
	Lower cost of delivery	X	X	X	X				

Source: Kiang and Chi, 2001.

Kiang and Chi indicated that this classification grid is general, and that evaluation be made for specific product or service in order to exactly determine the suitability for Internet marketing. It is therefore necessary to classify the products real estate companies offer using the product classification described in Table 3.2.

Value Proposition: The real estate market offers, obviously, tangible products.

Degree of Differentiation: Companies engaged in the real estate business offer a wide range of products from residential to office spaces, from a single room space to multiple room houses, from apartment type spaces to houses with different sizes of compounds. Companies offer their products to different market segments with differentiated offers.

Frequency of Purchase: The products offered by the real estate have a big market due to scarcity of residential houses. However, it is not a frequently purchased product.

From the above classification, it can be concluded the real estate fall under the tangible, highly differentiated and infrequently purchased category (THI). The THI product category benefits from Internet marketing from all aspects of marketing except for the distribution part. Internet marketing can be used to communicate, make transactions, and conduct market research.

Communications advantage, as described in the literature review, is one of the merits of Internet marketing. The use of virtual tours and highly descriptive graphics, etc. can be used to communicate products of the real estate firms with the customer. Transaction benefits could be online ordering, payment, and similar related tasks, which can be



facilitated with the Internet. Online payment systems are not available in Ethiopia. However, the other aspects could effectively be handled by Internet marketing endeavors in a way, which can benefit the company's efficiency and effectiveness. Marketing research is also one aspect that the real estate companies could take advantage of. Market surveys could be conducted using the Internet, in customized and suitable formats, and could also be integrated to the database of the company and perform various analyses required.

3.2 External ICT Environment

As described earlier (Roberts, 2003) the environment that mainly influences Internet marketing is the ICT environment. Following is an investigation into the ICT environment from secondary data sources.

The only company that is providing the communication infrastructure and playing major role in the ICT infrastructure of the country is the Ethiopian Telecommunication Corporation. Despite the recent liberalization and privatization measures initiated in different sectors, the telecommunication industry has remained under Government control. The Ethiopian Telecommunication Corporation (ETC) is the sole provider of fixed and mobile telephone, facsimile, Internet Services, telegraph and telex services.

A study conducted by Scan-ICT in 2003 (an initiative that aims to build support for a phased-out development of Africa's capacity to collect and manage information that is needed to support the growing investment in ICT's and the transition of Africa into an Information Society), observed the following:

- The number of telephone subscribers increased from 105,985 in 1987/1988 to 283,683 in 2000/2001.

- Internet services that were introduced in 1996/1997 with a total of 1,042 subscribers increased to 6,487 in 2002. Although the coverage of Internet services expanded to 12 major towns around the country, 96% of the total subscribers were from Addis Ababa. The total number of locally hosted websites increased from 68 in 2000/2001 to 88 in 2001/2002 and is expected to rise to 100 in 2002/2003.

- Tele density was very low. The number of people per 1 main telephone line ranged from 15.4 in Ethiopia's Capital, Addis Ababa, to 1,935 in the Somali region. Overall, there are 224 people per telephone line or 4.5 telephone lines per 1000 inhabitants. This shows that the main lines serve only 65% of the expressed demand of the country's population, and the proportion of those on the waiting list (relative to the main lines) was 55% in 2000/2001; and

- Sector distribution of fixed lines shows that the private sector (residential and business) uses 86%, of telephony, while the Government and international organizations take up 12% and 2% of the lines respectively.

Table 3.4 Fixed Line distributions by regions

No	Region	No. of subscriber lines cumulated by Year						Plan for 2000
		1994	1995	1996	1997	1998	1999*	
1	Addis Ababa	207,745	230,420	269,978	290,831	307,660	342,15	
2	Afar	1,456	1,628	2,017	2,745	4,582	5,710	
3	Amhara	33,979	39,174	47,930	64,345	90,108	106,25	
4	Benishangul	936	1,253	1,574	1,936	2,530	4,190	
5	D/Dawa	9,728	10,435	11,980	14,305	16,279	18,771	
6	Gambella	1,128	1,264	1,505	1,797	2,637	3,681	
7	Harari	5,652	6,088	6,742	7,691	10,182	11,149	
8	Oromia	55,489	69,656	83,579	117,391	156,448	194,44	
9	SNNP	20,467	23,910	31,270	42,264	56,102	68,959	
10	Somali	2,604	2,764	3,382	5,307	7,746	10,387	
11	Tigray	14,632	18,198	24,411	29,850	36,772	49,605	
	Grand Total	353,816	404,790	484,368	578,462	691,046	815,30	1,400,000

- The figures represent the performance only until 1999 EFY 3rd quarter However, the summer at June 1999 EFY shows that the fixed telephone subscriber lines has reached to 890,741.

Source: ETC

Table 3.5 Internet Subscription

Type of Service	No. of subscriber lines cumulated by Year						Plan for 2000
	1994	1995	1996	1997	1998	1999	
Internet	6740	9534	12155	17710	25724	31,400	65,000

Source: ETC

Table 3.6 Broad band corporate customers

No.	Year of subscription	No. of new subscribers	Cancelled Service	Cumulative No. of subscribers	Growth in (%)
1	1995/96 E.F.Y	5	0	5	-
2	1996/97 E.F.Y	196	0	201	3920%
3	1997/98 E.F.Y	433	0	634	215%
4	1998/99 E.F.Y	511	15	1130	78%
	TOTAL	1145	15	1130	-

Source: ETC

Table 3.7 Number of broadband customers by region

Region	Number of Customers
Addis Abeba	1005
Afar	0
Amhara	28
Benishangul	0
Dire Dawa	23
Gambella	0
Harari	5
Oromia	15
SNNPRS	23
Somalie	27
Tigray	19
Total	1145

Source: ETC

Future Prospects

Recent data from Ethiopian Telecommunication Corporation revealed that the services given by the corporations have been increasing and are expected to continue [Tables 3.4, 3.5, 3.6, 3.7]. The service provided by the corporation, those that are relevant to Internet marketing, i.e. Internet, the fixed telephone subscription, are increasing and capital investments are being done to further improve the services.

ICT Industry

The ICT industry in Ethiopia is dominated by a parasitical - ETC, which recently expanded operations beyond its traditional monopoly - telecommunications infrastructure. The rest of the industry is engaged in acquisition, production and distribution of computers and communications hardware and software. Training and consultancy services are also available.

Regulatory Framework

Previous studies (SCAN-ICT, 2003) found complaints about high tax rates, weak legal systems and inadequate capacity to enforce regulatory requirements. Long waiting-time for fixed lines and mobile telephones, poor quality Internet connection, coupled with the complaints of users about the quality of other services suggest that closed market policies may be inconsistent with the desire to expand the use of new technologies.

In summary, although there are problems in service quality and legal issues, there seems to be an effort to expand the network capability and increase the service reach. As it has been mentioned in the literature review and in the preceding sections, the Internet is the core medium under focus. The expansion of fixed lines indicates the potential Internet connection point and indirectly potential market expansion. The broadband Internet and data services are also another area of expansion that the government is engaged in. According to ETC, by 2009 the corporation has targeted to provide a fiber optic cable access points in all major towns of the country. This expansion project provides access to a broadband connection for these towns there by connecting users to the global network. This is an advantage and an opportunity of the real estate companies to harness the benefits offered by the technological expansion.

3.3 Analysis of Internal Environment for Internet Marketing

The internal environment analysis was made with respect to current way of marketing products, familiarity with Internet marketing, companies' use the Internet for marketing, customer relations, and ways of conducting market research to examine the experiences of the companies with Internet marketing. The aim of this investigation is to indicate areas, which can be implemented and improved by Internet marketing.

Out of eighteen companies, who were administered with questionnaires, sixteen companies responded and the responses of all these companies were analyzed. The results and findings are described in the following sections.

Table 3.8 Year of Establishment of Respondent Companies

Year of Establishment (EC)	Number of Companies
Before 1983	0
1983 - 1992	2
1993 - 2000	13
No Response	1

As it has been mentioned in chapter one, stratification was used for sampling in order to assess Internet marketing practices of both recently established companies and those who have more experience in the market as shown in Table 3.8.

Table 3.9 Profile of Respondents

Position Held by the Respondents	Number of Companies
Marketing Manager	7
Marketing Officer	7
Assistant Manager	2

Fourteen of the respondents were from the marketing department and two of them were the assistant managers [Table 3.9]. It can, therefore, reasonably be assumed that the responses provided by these individuals are relevant and exact, for they are responsible for most of the marketing operations in the companies.

Current Way of Marketing Products

The products offered by these real estate companies are all residential with various types ranging from apartment types to villas and also other types. Some include areas for offices, community center and shopping function [Table 3.10].

Table 3.10 Products Offered by the Companies

Products Offered	Number of Companies
Apartments	15
Villas	12
Town Houses	6
Offices, Shops and Community Centers	5

Current way of marketing this products, particularly, sales and promotional, are conducted by the use of flyers, brochures, newspaper, exhibitions, TV/Radio, word of mouth (referrals), and Web advertisements [Table 3.11].

Table 3.11 Media Used to Communicate Products

Media Used for Communicating Products	Number of Companies	Percentage
TV, Radio	11	13%
Flyers, Brochures	15	17%
Exhibitions/Expo's	12	14%
Newspaper/Magazine	11	13%
Direct Mail	7	8%
Web Advertisement	13	15%
Outdoor Display	6	7%
Word of Mouth	12	14%
Others	0	0

The most commonly used media for communicating and promoting products are flyers and brochures, the next common method being the use of 'word of mouth' (referral) [Table 3.12]. Web advertisement is ranks third in the most common media used for communicating products. Website is used by the companies in order to introduce their products [Table 3.16]. Although website is not the most commonly used medium, it give better benefits than flyer and brochures, through its interactive nature, better graphics presentation, and information capacity. The use of websites is also cost effective than flyers and brochures. Once a website is functional, it can be used by many at the same time and repeatedly. The use of flyers and brochure can be instrumental for customers who do not have access to Internet.

Table 3.12 Most Common Media Used to Communicate Products

Most Common Media Used for Communicating Products	Number of Companies	Percentage
TV, Radio	4	10%
Flyers, Brochures	10	24%
Exhibitions/Expo's	5	12%
Newspaper/Magazine	4	10%
Direct Mail	2	5%
Web Advertisement	6	14%
Outdoor Display	2	5%
Word of Mouth	9	21%
Others	0	0

The most expensive media used by the residential real estate companies is the TV and Radio media [Table 3.13]. Exhibitions and Print media account for the next expensive media used to communicate products to customers.

Table 3.13 Most Expensive Media Used to Communicate Products

Most Expensive Media Used for Communicating Products	Number of Companies	Percentage
TV, Radio	6	32%
Flyers, Brochures	3	16%
Exhibitions/Expo's	4	21%
Newspaper/Magazine	4	21%
Direct Mail	0	0%
Web Advertisement	0	0%
Outdoor Display	2	11%
Word of Mouth	0	0%
Others	0	0



Familiarity with Internet Marketing

The second area used to assess Internet marketing practices of residential real estate companies was familiarity with Internet marketing. Internet marketing was only known in five companies and it was new for the other eleven companies [Table 3.14]. Companies that were familiar with Internet marketing recognized its purpose to web advertisement, email marketing and customer relations. Three companies recognized the use of internet marketing for customer relations [Table 3.15].

Table 3.14 Familiarity of Companies to Internet Marketing

Internet Marketing Knowledge and Familiarity	Number of companies
Familiar	5
Not Familiar	11

Table 3.15 Benefits Recognized by the Sample Companies from Internet Marketing

Benefits from Internet Marketing	Number of Companies
Web Advertisement	5
Email Marketing	5
Supply Chain Management	0
Customer Relations	3
Promotion	0
Product Introduction	0
Research	0

Table 3.16 Specific Advantages Recognized by the Sample Companies from Internet Marketing

Specific Advantages	Number of Companies
Graphic Features	1
Reach Customers Abroad	3
Online Registration	1
No response	2

Responses to the specific advantages that could be gained from Internet marketing, by those companies that were familiar to Internet marketing, are graphics capacity, reaching customers abroad, and online registration [Table 3.16].

Internet marketing is not yet recognized with its full feature currently available and is limited by those companies that claim to be using it. All the benefits listed in Table 3.15 can be realized using Internet Marketing.

Companies' Use of the Internet for Marketing

Access to the Internet is the first step towards realizing marketing activities online. Table 3.17 shows the number of companies having internet connection.

Table 3.17 Companies Having Internet Connection

Response	Number of Companies
Yes	16
No	0
No Response	0

These companies have used the Internet in their business activities mainly for information search and e-mail [Table 3.18]. Three companies have used the Internet to update their web sites.

Table 3.18 Companies Use of the Internet

Use of the Internet	Number of Companies
Information Search	13
E-mail	16
Entertainment	1
Other Purposes (Updating Web sites)	3

Although eleven of the real-estate companies claimed not to be familiar to Internet Marketing [Table 3.14], thirteen companies have made their presence on the Internet through their websites [Table 3.19]. The reasons for having websites were mainly promotional purposes and to reach customers abroad [Table 3.20]. Customer relations,

availability of information 24 hour a day 365 days a year, low cost of advertising and research purposes are not well recognized by all companies.

*Table 3.19 Companies Having Websites**

Response	Number of Companies
Yes	13
No	3
No Response	0

* Three companies failed to provide their website addresses [App. 2]

The reason for not having a website, as described by one company, was that it had limited advantages currently [Table 3.21]

Table 3.20 Reasons for Having Website

Reasons for Having Web Site	Number of Companies
Promotional	12
Customer Relations	4
Reach Customers Abroad	7
Availability of Information 24/7	3
Low Cost of Advertizing	1
Research	1

Table 3.21 Reasons for Not Having Website

Reasons for Not Having Web Site	Number of Companies
For the time being, Limited Advantages	1
No Response	2

The main customer value of having websites as recognized by the companies is the availability and ease of information access [Table 3.22]. Getting progress report and timely updates and online registration options are recognized by few of these companies.

Table 3.22 Customer Value for Having Website

Customer Value for Having Web Site	Number of Companies
Ease of Information Access	12
Availability of Information 24/7	7
Get Progress Report	3
Get New Updates on Time	5
Online Registration	2

Examining visitor number tracking experiences, only seven companies gave the record of number of visitors of their websites [Table 3.23]. Among these four companies reported the number of visitors [Table 3.24]. Tracking the number of visitors is very important in order to evaluate the website: for instance, to evaluate the quantity and quality of information available, to assess further improvement areas, etc. It also helps in formulating the online strategy.

Table 3.23 Website Visitor Tracking Experience

Visitor Number Tracking Response	Number of Companies
Yes	7
No	6
No Response	0

Table 3.24 Report of Companies Tracking Visitor Number

Number of Visitors	No. of Companies per Period		
	Daily	Monthly	Yearly
20 visitors	2	1	
200 visitors			1

Customer need to have up-to-date information of their residential property purchased from these companies. Therefore, updating web sites is important in order to achieve this objective. Six companies update their websites monthly and three companies make yearly update [Table 3.25]. Depending on the speed of the construction work of the real estates, regular update is necessary to give customers current information.

Table 3.25 Website Update Frequency

Update Frequency	Number of Companies
Daily	0
Monthly	6
Yearly	3
No Response	4

Static websites are used by eight companies limiting their service to just giving information on their products and contact information - limiting it only to promotional purposes [Table 3.26]. Two companies used dynamic web site to assist customers track their project status online using login accounts.

Table 3.26 Type of Websites Used by the Sample Companies

Response	Number of Companies
Static	8
Dynamic	2
No Response	3

Customer Relationships

With respect to customer relations, the most widely used methods by the respondent companies to communicate and interact with customers are by telephone and in person [Table 3.27]. Seven out of ten companies have more that 70% of their customer having email. Nine out of ten companies have more than 50% of their customers having email. Although there are considerable number of customers that have emails [Table 3.28], which indicated that they have Internet connection and access, the companies have not done much to utilize the internet to improve communications with their customers. Nine companies have used emails as a communication means [Table 3.27].

Table 3.27 Media Used by the Companies to Communicate with Customers

Media Used	Number of Companies
Telephone	16
In person	12
By Mail	2
By E-mail	9
Other Media	0
No response	0

Table 3.28 Companies with Customers Who Have Email Addresses

Percentage of Customers Having e-mail Addresses	Number of Companies
100 - 90	5
89 - 80	1
79 - 70	1
69 - 60	0
59 - 50	2
49 - 40	0
39 - 30	0
29- 20	1
19 - 10	0
09 - 00	0
No response	6



Table 3.29 Media Used by Customers to Communicate with the Companies

Media Used	Number of Companies
Telephone	15
In person	12
By Mail	1
By E-mail	9
Other Media	0
No response	0

Comparing Table 3.27 and 3.29, the use of telephone and in-person contacts are the established mode of communication. Email communications are also used by both customer and real estate companies.

Most of these companies very often encounter similar questions asked by different customers, which are technically termed as FAQ's (frequently asked questions) [Table 3.30]. Handling questions over the telephone is time taking and directly and indirectly cost related, specially the Frequently Asked Questions.

*Table 3.30 Response to Entertaining to FAQ's**

Response	Number of Companies
Very Often	10
Often	4
Not Often	2
Never	0
No response	0

* FAQ – Frequently Asked Questions

Customer get information of the progress of project through the same communication media mentioned to handing the FAQ's [Table 3.31]. The use of dynamic web sites could be beneficial to the companies in answering these questions and implementing project status tracking systems, which customers can access online.

Table 3.31 Media Used to Inform Construction Progress

Media Used	Number of Companies
Telephone	13
In person	12
By Mail	2
By E-mail	6
Other Media	0
No response	0

Comparing the companies' use of website and their experience in customer relations [Tables 3.20, 3.22, 3.27, 3.29, and 3.31], it can be clearly seen that customer relations is not implemented using websites. Therefore, it is important and cost effective for companies to use their websites for handling customer relations.

Marketing Research

Among the sixteen companies only five companies conducted researches on customers [Table 3.32]. The research instruments, for data collections used were mostly interviews and printed questionnaires [Table 3.33]. Two companies used email to administer questions.

Table 3.32 Experience in Conducting Research

Response	Number of Companies
Yes	5
No	11
No Response	0

Table 3.33 Methods Used for the Research

Research Using	Number of Companies
Interview	4
Questionnaire (Printed)	1
E-mail	2
Other	0

Table 3.34 Average Time Customers Took to Respond

Time Taken	Number of Companies
Three Days*	1
Variable**	1
No Response	4

* For printed questionnaires, ** for email distributed questionnaires

Only one company, out of the five companies that conducted research, responded for the average time customer took to reply [Table 3.34]. Customers took an average of three days for printed questionnaires, and took variable time (different durations) for email questions.

Research is a very important function of marketing. The experience of research in these real estate companies can be summed to low. Market research for the real estate industry is fundamental for the success of their value proposition. Marketing research can be done through the Internet and related technologies effectively and efficiently. The application web blogs, chat rooms, and direct emails, can be used for any kind of research. The use of these media is also useful to get immediate responses from customers.

E- Market research can give companies advantages because it offers automatic statistical analysis and data presentation.

CHAPTER FOUR

CONCLUSION AND RECOMMENDATION

4.1 Conclusion

Opportunities

As many literatures explain, Internet marketing for the real estate industry provides undeniable value to both the customer and the service/product provider. From the analysis it was clearly observed that there opportunities

- in the external environment specially with regard to the expanding ICT infrastructure that is an encouragement to use Internet market
- in the internal environment for there is a cost reduction in using the Internet and opportunity gained in using the Internet integrated customer relationship management (communication and promotional activity)
- in email marketing as a part of Internet marketing that could be utilized as an effective way both cost and operational wise.
- in online research activity by which the company can “fine tune” its products and marketing strategies by conducting marketing research activity using the Internet.
- CRM Being the modern marketing way, special attention is required in order to benefit and improve performance and customer satisfaction.

Challenge

- There are still challenges posed by the ICT environment with regard to its technological and legal aspect

- The poor and usually disturbed Internet connection hinder a company from fully utilizing the features that the Internet provide
- The payment option is also another hindrance not to realize the Internet marketing fully and also conduct the high level e-commerce.
- Internet marketing is not the common way of marketing products to the market. Its specific advantages over flyer and brochures and also word of mouth should be recognized by the real estate companies.
- The knowledge of Internet Marketing in the real estate companies is not satisfactory posing a challenge to the company, not to take advantage of Internet marketing. Without the proper awareness and knowledge level of the company executives to Internet marketing successful implementation of Internet marketing not possible.
- Although reaching customer abroad has been made through the use of websites, keeping and maintaining customer relationships using the websites is not being undertaken.



4.2 Recommendation

The study have shown that there is area potential in the future and currently in both the external environment. i.e. expanding infrastructure and wide market base and the internal environment with existing customer through the application of e-marketing functions.

Therefore, it is recommended that the real estate companies:

- formulate Internet marketing strategies clearly that are in line with the offline business strategies to harness the future and current potential benefit
- should acquaint themselves with Internet marketing current practices to cope with the emerging marketing landscape
- improve their use of websites. Websites that are not updated regularly, with limited features, and that do not track the number of visitors, may eventually lead to customer dissatisfaction. Customer value of having a website should include getting progress report online, online registration, enhanced graphic presentation, and virtual tours.
- utilize the online marketing research in order to assist their strategy formulation and product design to avoid too much future modifications and conflict
- This study overviews some aspects of Internet marketing. In depth studies with regards to customer online behavior, detail cost consideration should be undertaken in the future.
- the government should make the necessary arrangement in the technological area and policy wise to overcome the ICT shortcomings, like poor quality connection, cost of subscription and service rate

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Web Resources

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Appendices



Appendix 1 – Questionnaire

Part 1

Company Name: _____

Capital: _____

Year of Establishment _____

Position held in the company _____

Part 2

2.1 What kind of products does your company offer? (eg. Apartments, residential villas, offices)

2.2 How do you communicate your products to the market?

- TV, radio Newspaper Outdoor displays
 Flyers, brochures Direct mail Word of Mouth
 Exhibitions/Expo's Web Advertisement
 Other _____

2.3 What is the MOST common medium the company uses?

- TV, radio Newspaper Outdoor displays
 Flyers, brochures Direct mail Word of Mouth
 Exhibitions/Expo's Web Advertisement
 Other _____

2.4 What is the EXPENSIVE marketing medium the company uses?

- TV, radio Newspaper Outdoor displays
 Flyers, brochures Direct mail Word of Mouth
 Exhibitions/Expo's Web Advertisement
 Other (please specify) _____

Part 3

3.1 Is the term "Internet Marketing" new for you? Yes _____ No _____

5.3 What is the common media of communication with your customer?

by telephone in person by e-mail by mail

Other _____

5.4 How do customers reach the company if they need information?

5.5 How often do you encounter different customers asking similar questions?

Very often often Not often Never

5.6 How do you communicate your customers about the progress of their real estate?

by telephone in person (on site, in office) by e-mail by mail

Other (please specify) _____

Part 6

6.1 Has the company conducted any kind of research on customer and/or market since established?

Yes _____ No _____

6.2 If yes, what research instruments were used for the research?

Interview printed questionnaire by e-mail

Other (please specify) _____

6.3 and How much time did the customers take to reply? (Average time)



Appendix 2 – Web Addresses

Below are list of web addresses of the sample companies.

- | | |
|---|---|
| 1. Aday Ababa Real Estate | Not provided |
| 2. Addis Village Real Estate | http://www.addismender.com |
| 3. Akakas Real Estate | http://www.akakas.com |
| 4. Ayat Homes S.C | http://www.ayatethiopia.com |
| 5. Country Club Developers PLC | http://www.ccd-homes.com |
| 6. Eniye Real Estate | Not provided |
| 7. FA-Hasset Real Estate | http://www.luxury-fac.com |
| 8. Fame Real Estate | Not provided |
| 9. Gift Real Estate | http://www.giftreal.com.et |
| 10. Impact Real Estate | Not provided |
| 11. May Real Estate PLC | http://www.addisgojo.com |
| 12. New Hope Real Estate | Not provided |
| 13. O Logo Real Estate | Not provided |
| 14. Pacific Link Ethiopia | http://www.pacificlinkethiopia.com |
| 15. Sunshine Construction and Real Estate | http://www.sunshinecon.com |
| 16. Yotek Real Estate | http://www.yotekrealestate.com |



DECLARATION

This project, my original work, has not been presented for a degree in any other university and that all sources of material used have been duly acknowledged.

Declared by:

Name Henock Wendim

Sign 

Date July 25, 2008



Confirmed by Advisor

Name _____

Sign _____

Date _____