



PRICING OF PROPERTY VALUATION SERVICES IN NIGERIA: AN EVALUATION

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The pricing of professional service has been identified as one of the factors influencing the quality of service from professionals and clients' willingness to pay. However, the issue of service pricing is hardly seen as an object of discourse in real estate literature, especially among valuation studies, as it is obtainable in other fields. This study, therefore, examines how valuation services are being priced within the Lagos property market and the effect it has on the delivery of valuation services. This study assumes an interpretism paradigm by adopting a qualitative research approach. In-depth semi-structured interviews were conducted with 24 Estate Surveyors and Valuers (ESVs) practising in Lagos. Data collected were analysed using thematic analysis with the aid of Nvivo 12 software. This study finds that the pricing system for valuation services in the study area can broadly be categorised under 'negotiation' and 'fixed rate' systems while the use of the 'professional scale of charges' is more or less non-existent. The study also reveals the various forms by which these systems are practised, and issues associated with them as well as the effects they have on valuation practice. The results further reveal the factors responsible for the continuous striving of the present pricing system which include valuers' inability to enforce the professional scale, competition in the market, buyers' market syndrome, the game of numbers being played by banks, and banks' strategy to protect their customers. The study also finds that the low pricing of valuation service poses challenges to valuation practice and encourages unprofessional conduct that affects the quality of valuation output. This study serves as the research blueprint in giving research attention to the service pricing in property valuation practice.

Keywords: pricing, professionals, services, valuation, valuer

INTRODUCTION

The pricing of professional services has been identified as one of the factors influencing the quality of service delivery and the willingness of clients to pay (Adesi et al., 2018). The increase in business competition and the sophistication in clients' demands provide contrasting pressures of competitive pricing and optimisation of service quality respectively. However, both science and culture attest to the fact that reward facilitates and increases incentive in human being to

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do better (McGraw, 1978). Studies have also established a relationship between professional fee and quality of service (Hoxley, 2000; Okonkwo and Wium, 2018). For instance, the low fee has been reported to affect the quality of professional services given by consulting engineers (Hoxley, 2000; Okonkwo and Wium, 2018). Therefore, issues around pricing of services in the service industry have been the areas of interest among researchers in many fields. However, the aspect remuneration is hardly seen as an object of discourse among real estate literature, especially valuation studies as it is obtainable in other professional fields like accounting.

The increasing sophistication of users of valuation reports (Ogunba and Ajayi, 2007) is by implication an increase in the demand placed on valuer to deliver optimum professional service. The ability to render such quality of service to meet the high expectations of clients and uphold professional ethical standards requires much effort on the part of the valuer and, therefore, should be adequately remunerated. Thus, as the saying goes 'to whom much is given much is required', the question that comes to mind is 'can this be said in the case of valuation that what is given in terms of fees justifies what is required of valuers'? This raises concern about the possible relationship between the valuation fee and valuer's disposition to professionalism. That is, could the valuation fee be a contributing factor to bias in valuation?

The concerns relating to valuers' remuneration and quality of valuation service was raised in the study by Hutchison et al. (2005) where valuers called for an increase in income for them to put extra effort into enhancing how risk is communicated to clients in their reports. Lorenz et al. (2006) refuted this claim by arguing that improving communication to clients through valuation reports does not require extra costs but the realignment of what valuers give concentration to in their reports; that is, more on issues like yield figure and less on building descriptions. While Lorenz et al.'s argument may be reasonable, the concern raised by Hutchison et al. goes beyond the issue of reporting alone, it is rather more of whether or not, given a level of remuneration, a valuer is motivated to go the extra mile to ensure utmost professional service is delivered, especially in terms of what goes into the valuation. More importantly, it has long been proven that fee is one the weapons clients use in influencing valuers to alter value opinions (Levy and Schuck, 1999; Amidu and Aluko, 2007). Therefore, it may not be appropriate to wish such sensitive concerns away in such a fee-dominated and competitive market where valuers operate.

In Nigeria, the regulatory body for real estate profession, Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON), publishes the scale of professional charges to be used by valuers in charging their professional fees. However, it has become the practice for some sets of clients, especially financial institutions, to fix valuers' remuneration because of their market dominance. This practice and some other issues around pricing of valuers' services have been on for some years with little or no research insights from literature. Therefore, this study evaluates how property valuation services are priced in Nigeria. The specific objectives are to examine the valuation services pricing systems within the Nigerian property market, investigates factors responsible for this practice, and assess the effects it has on valuers' delivery of professional services.

STUDIES ON SERVICE PRICING

The issue of pricing of services in general has received less attention in the literature compared with the pricing of goods (Docters et al., 2004). Therefore, empirical research on the pricing of services are generally limited (Avlonitis and Indounas, 2005). More specifically, despite the importance of reward to service provision, issues relating to professional service pricing in real estate profession tend to be under-researched. Empirical studies in this area are hard to come by among real estate literature. Hence, this review relies more on literature from other professional fields like accounting and engineering. Literature shows that valuation and auditing industries share some similar features (see Kinnard et al. 1997).

Professional service providers or consultants are trained experts specialised in the provision of a particular or broad consultancy service(s) belonging to a particular profession. The provision of real estate service is the application of knowledge and skills by experts to meet client's needs either in standardised professional services like valuation or in non-standardised professional services like bespoke portfolio management strategy (D'Arcy, 2006). Also, clients' organisations can insource or outsource their professional service needs depending on some factors such as costs, the sensitivity of the service, the frequency of need, and legal requirement (statutory purposes). When it is insourced, the service provider is remunerated by being placed on the organisation's payroll while remuneration takes the form of consultancy fee when the service is outsourced to an external consultant. In the case of property valuation, the services are mostly outsourced because of the need for objectivity. Services of a valuer may, however, be needed for many purposes as there are decisions regarding real estate property which include mortgage, insurance, property development/investment, sales/purchases, probate, taxation, among others.

The financial implication associated with the use of external service providers is the professional fee. Hence, to the service provider, the fee represents the measure of service 'given'; and, to the client, it represents the worth of service 'received'. In this case, the fee is expected to be fair and reasonable to both parties (Owusu-Manu et al., 2016). However, what is equitable in term of fee is always an issue of contention between parties involved because of the inability to quantify the inputs. Hence, achieving a mutually satisfying and fair fee structure for intangible products like services require a mutually satisfying pricing policy which involves both service providers and clients (Alliott Group, 2017).

The fairness in pricing is mainly to avoid the mispricing phenomenon of either under-pricing or overpricing. Under-pricing is a situation where price is set below the market value (Ma, 2005) while overpricing is when the price is set above what a reasonable purchaser would want to pay (Wathieu and Bertini, 2007). Under-pricing limits the ability of service provider to research, innovate and improve quality (Owusu-Manu et al., 2012); hence, under-pricing has the tendency of affecting the quality of service negatively. Based on the premise that tangible resources that go into the production of goods are more fixed and quantifiable than efforts, trainings and experiences needed to render services, Naquin et al. (2015) conducted experiments to assess people's perceptions of fairness associated with the pricing of goods as against the pricing of services. They found

that people have a lesser feeling of fairness with money spent on services than that of goods. This suggests that it is more difficult to convince consumers of the fairness of the price charged for services than it is for physical goods.

Overpricing, on the other hand, raises ethical questions. For example, Indounas (2008) examined the relationship between pricing and ethics in industrial service contexts. The study found that the pricing method that leads to excessive profits or takes advantage of customers' needs is unethical, while markets mechanisms and agreement among service providers, among other factors, were found to be more effective in reducing such behaviour than government intervention. Also, Owusu-Manu et al. (2016) identified the relationship between the important variables responsible for price fairness within construction cost consultancy services in Ghana. The study found that fairness in consultancy pricing is significantly related to value and affordability, pricing objectives, pricing strategies, taxes and international trade.

Furthermore, pricing of services has a relationship with the quality of services, just like goods. Chen et al. (1994) conducted an empirical study on the relationship between perceived quality and perceived price of services in three types of service industries – pure service, mixed service, and quasi-manufacturing service organisations. The authors utilised questionnaire to assess the customers' perceptions of the overall quality and perceived price. The study revealed that perceptions of customers on the relationship between price and service quality are rather service specific than general. That is, customers' perceptions vary across different types of service. The finding of Chen et al (1994) is similar to the conclusion of Avlonitis and Indounas (2007: 760) who stated that 'different service, organizational and environmental characteristics were found to lead to different pricing policies especially in different service contexts'. Therefore, quantifying professional services depends on the nature of the industry.

Several means of quantifying professional services have been developed in different fields. For example, Okonkwo (2014) identified four methods of quantifying engineering services in South Africa, as prescribed by the Engineering Council of South Africa (ECSA)'s 2014 Professional fee scale guidelines, which are time-based fees, reimbursable expenses, fixed sum, and value-based fees. There are also cost-oriented and competitive-oriented pricing strategies (Dearden, 1978; Hoffman and Arnold, 1989). Also, among several pricing models in the economics literature, Fong (2000) identified four models which have been repeatedly used over time. These are: (1) cost-based pricing, under which price is set to cover cost of production and profit margin; (2) demand-based pricing, which is based on economic principle of the higher the demand the higher the price; (3) competitive based pricing, where pricing is according to the industry's going rate for a product of service; and (4) optimum or pricing according to value, under which several factors like customers' needs, market segmentation, etc are taken into consideration in setting price.

In the same vein, the degree of competition in the market, cost of production, and the level of demand for the product jointly influence how services are priced. As earlier stated, consultancy service is intangible in nature hence the cost of input cannot be precisely determined. However, it is important to consider the cost of

inputs in the pricing of any product, whether goods or services. For consultancy services, the fee should be able to reward the qualifications, skills, training, and experience of the service provider (ACENZ, 2004; Owusu-Manu et al., 2012). However, competition in the market plays an intermediary role between cost and demand in determining price. According to Owusu-Manu et al., (2012: 361), 'demand sets the ceiling, cost sets the floor and competition determines where on this continuum the price falls'.

Real estate literature provides very little evidence on the pricing of valuation services. The only study relating to this phenomenon, to our knowledge, is the study by Adjekophori et al (2014) which focuses on the practice of valuers enlistment and fees standardisation by financial institutions in Nigeria. While Adjekophori et al.'s study makes an appreciable contribution to the discussion, the study does not provide a detailed insight into the pricing system existing for valuation practice in Nigeria. This limitation could be attributed to the positivist paradigm and quantitative methodology approach employed by the authors which do provide for deep probing into personal experiences and views of valuers on issues associated with the phenomenon. The present study, therefore, employs an interpretive paradigm through qualitative approach to provide a deeper insight into the perspectives of valuers on prevailing pricing system for valuation services including factors responsible for the present pricing system and the effects of the present pricing system on the quality of service provided by valuers.

METHODOLOGY

This study assumes an interpretive paradigm which allows researchers to develop meanings out of the participants' experience in the process of seeking to understand the world around them by relying on participants' views of the phenomenon being studied (Creswell, 2009). This study was carried out in Lagos state, Nigeria. The choice of Lagos is justified based on the high commercial activities and vibrancy of real estate sector. Lagos is the commercial hub of Nigeria where the highest volume of transactions including real estate transactions take place. Furthermore, all commercial banks and some other financial institutions in Nigeria have their headquarters in Lagos. Subsequently, the highest number of valuation briefs in the country emanate from the Lagos market. For this reason, almost all estate firms in Nigeria either have their head office or at least a branch/an affiliated office in Lagos in order to be part of the commercial activities in the state (Oladokun and Gbadegesin, 2017). Hence, Lagos houses the highest number of estate firms operating in Nigeria.

Data were elicited through in-depth semi-structured interviews conducted individually with 24 Estate Surveyors and valuers (ESVs) practising in Lagos. Snowballing sampling technique was applied for this study. Snowballing technique, also known as chain-referral sampling, is defined by Noy (2008: 330) as 'when the researcher accesses informants through contact information that is provided by other informants'. According to Atkinson and Flint (2001), one of the advantages of snowballing technique is that it affords the researcher the opportunity to get the attention of seemingly busy or hard-to-get individuals like practising professionals who are the focus of this study. Because of the specific nature of the information being sought, participants selected were either the

principal partners of firms, heads of valuation units of the firms, or at the least senior valuer where either the operations were not departmentalised, or principal partner was not available.

Data collected were transcribed verbatim manually by the researcher while Thematic Analysis technique was employed in analysing the data through the use of Nvivo 12 tool. This was achieved through 'themeing the data' approach to coding (Saldaña, 2015). 'Themeing the data' is the coding process whereby portions of data are coded and analysed based on thematic statement relating to the goal of the study or theoretical constructs (Saldaña, 2015).

3.1 Participants' information

Details of the participants are presented in Table 1. For the purpose of confidentiality, identities of the participants are denoted by an alpha-numeric form in the analysis starting with 'R' which stands for 'Respondent' and followed by the sequence of figures (that is, R1 [Respondent 1] - R24 [Respondent 24]). Table 1 shows the analysis of the characteristics of respondents including academic qualification, professional qualification, position in firm, and respondents' years of experience in valuation.

Table 1: Participants' information

Characteristics	Profile	Frequency	Percentage (%)
Academic Qualification	HND	10	42%
	BSc.	8	33%
	MSc.	6	25%
Professional Qualification	ANIVS	22	91%
	FNIVS	2	9%
Position in Firm	Principal Partner	12	50%
	Partner	2	8%
	Head, Valuation	10	42%
Years of Experience	5-10	5	21%
	11-15	7	29%
	16-20	5	21%
	Above 20	7	29%

ANIVS= Associate member of NIESV; FNIVS= Fellow of NIESV; FRICS= Fellow of RICS

RESULTS AND DISCUSSIONS

Based on the research question of this study, the overarching question the respondents were asked was 'what can you say about how valuation services are being priced?'. Further follow-up questions were then generated from the responses to this question through probing. Through thematic analysis of the data collected, three main themes emerged. Each theme is further described in depth through their associated sub-themes as follows:

How are valuation services priced in Nigeria?

In probing participants on issues around pricing of valuation services, emphasises was placed on the place of the professional scale of charges (as prescribed by ESVARBON) in the pricing of valuation services. The respondents commented on the challenges they face charging their clients based on the professional scale. They further narrated their experiences about the other forms of pricing approaches including negotiation and fixed rate system how they are practised.

Professional scale of charges

It was discovered that it is almost impossible for valuers in Lagos to get their fees based on the prescribed professional scale of charges. Virtually all respondents commented on their inability to enforce the professional scale in charging their fees and expressed their deep displeasure about the circumstance. For this reason, the scale has either been jettisoned in most cases or it just serves the purpose of formality. Some respondents commented that:

...well, if you go by our professional scale of charges nobody will do valuation, that's the truth....(R19)

The use of scale has been watered down. Most clients don't want to use the scale....(R1)

In some instances, where the scale might not be considered as being totally boycotted, it is only seen or used as a tool for negotiation; that is, providing a basis for negotiation. In this case, valuers use the figure generated through the use of scale as a tool to appeal to the conscience of the client so as to be considerate in negotiation. One of the respondents commented this way:

I won't say it's not working. It works because it has provided a basis. Ordinarily, if there is no basis anybody will just give you anything. It would have been terrible if there was no basis. Because it appeals more to the conscience if it is known that ...ok, this your job has cost N5 million, if you want to price you have been given a benchmark. It may not be cast in iron but it provides a basis for negotiation.... (R20)

Most of the respondents, therefore, agreed that they hardly get their fee based on the scale. For this reason, other strategies have been devised by valuers and clients to determine the professional fee.

Negotiation

All respondents confirmed that they always go for the negotiated fee. However, while it is not surprising that fees are negotiated as this is also obtainable in other fields and since the scale of charges also allows for negotiation in some instances, the approaches adopted by ESVs to negotiation are of interest to this study. Some of the common guiding rules and methods adopted by valuers in negotiating valuation services in the study area are discussed here.

(i) Initial discounting of fee

The common practice among the respondents can be described as initial discounting of fee. This takes the form of the valuer first calculating the fee based on the professional scale and giving the client a discount of a certain percentage

of the fee as a concession. The discounting is done right at the point of generating the fee invoice. That is, the fee is discounted even before the client opens up any negotiation discussion. This initial discount takes up to about 50% of the calculated fee. A respondent commented on this as follows:

What we do in our firm is that we calculate our fee based on the scale and send in our invoice and when we are sending our invoice, either based on our previous discussion or thereafter, we give a discount..... (R16)

The comment by another respondent shows that the reason for this practice is to maintain business relationship and appeal to the emotion of clients so as not to negotiate further. However, even with this, clients still negotiate. The respondent said:

Our practice here is that we are still abiding by the professional scale. But we give rebate or concession. What we do is that we will tell our client that this is our fee as prescribed by NIESV but to maintain good business relationship with you, we will reduce it by 50%. We do that in our fee note before the client even raise any objection. Even with that, people still complain that it is too much and still negotiate it down.....(R3)

However, it seems the practice is not peculiar to valuers alone as Okonkwo and Wium (2018) also reported the prevalence of the practice of discounted against the recommended fees scale among consulting engineers in South Africa. However, the common fee discount in engineering services ranges between 16 and 30% of the recommended professional scale.

(ii) Pre-negotiation and on-site negotiation

The data also revealed that some firms have it as their policy to either negotiate their fees before proceeding to the site or negotiate right on site before commencing any work. To negotiate before proceeding to the site, the valuer first considers the size of the job and the likely value of the property to be valued based on experience; and, based on this the valuer roughly calculates the fee and commences negotiation with the client from there. In the case of on-site negotiation, the executing officer (the staff who goes to site for inspection) is given free hand to negotiate with the client on site before commencing inspection. Some of the respondents submitted that:

If you want to commission us for a job, we always ensure we do the inspection first, snapshot though, to understand what we want to do. From there, we can have a rough idea of the likely value and we use that to calculate our fee based on the professional scale. From whatever comes out as fee, we take 50% away and we ask the client to pay 50%.....(R5)

We negotiate fee on site from the beginning. ...in our letter of instruction, there is a portion for fee negotiation which must be filled by the client. So, before the execution officer leaves (the site), he must achieve that negotiation. Any fee negotiated by the execution officer, the company accepts because it is the execution that knows the likely value the property may command. So, they know the appropriate fee to collect.....(14)

(iii) Setting benchmark

Some respondents alluded to the fact that they have set some minimum benchmark below which they do not go and this policy guides them in negotiation. Sometimes, this benchmark varies according to location and type of property being valued. Therefore, individual or firm-based benchmarks guide negotiations.

So, we normally have challenges in fee negotiation and collection. But this is what we do. We have a benchmark. Like, a bare land at certain location should not be less than a certain amount. For instance, valuation of a bare land in Lekki axis, phase 1 and other developed parts of Lekki, cannot be less than N70,000, while buildings are like N150,000, N200,000. But in the Mainland, we can collect like N50,000(14)

Fixed rate system

Another popular system of pricing valuation services in Nigeria is through fixed rate pricing system. Fixed rate method of pricing, according to the respondents, is the practice whereby an agreed amount is fixed as remuneration for a particular type of service. This practice is more prevalent with financial institutions (banks), although it is now gradually being embraced by other categories of clients. Most ESVs confirmed that a larger portion of their valuation briefs comes from banks. Hence this practice is rampant in the study area.

Most of the banks fixed their fee in a range of values which surveyors are involved. It is called Service Level Agreement (SLA).....(R15)

We are on retainerhip with at least 10 banks. Banks have fixed their figures that they pay. ... They will tell you this is what we want to be paying. It is part of the retainerhip package.....(22)

The major concern of virtually all ESVs interviewed was the fact the average fixed fee being paid by banks was too low. Many respondents considered the rate fixed by banks too ridiculous when compared with what the fee would be if calculated based on the professional scale of charges. For example, respondents commented that:

The rate is very very unreasonable. At times when the bank is paying N50,000, the professional scale may be giving like N250,000 to N300,000 as fee....(R3)

They pay like N40,000...N50,0000 for regular valuation like normal building like this. But when it comes to complex one, you must negotiate it(R1)

Therefore, on the average, banks' fixed fee for regular valuations ranges between N30,000 to N50,000 even when the fee should have been as high as N300,000. This, in essence, means that the fixed fee can be as low as 20 per cent or less of the actual fee. In summary, the fixed fee system of pricing was generally described by ESVs as gross under-pricing of valuation services.

Another peculiar practice associated with the fixed rate system by financial institutions is the practice of 'Personal Relation' or sometimes called 'kickback'. Almost all respondent referred to this practice as being rampant in the market. This is further described below:

The practice of 'Personal Relation'

This is the practice whereby the valuer is expected to give a percentage of the fee back to the bank officer in charge of the transaction as a form of appreciation. Respondents confirmed that this must be done in order to be considered for further jobs. Hence, despite the meagre nature of the fee, valuers still pay back a part of their remuneration to bank officer in order to keep the job coming.

In Nigeria, nothing goes for nothing. There is something they call PR that they normally collect as a gift. It has to be a certain percentage of the fee collected on the job. If it has to do with all these pegged fee banks, they are the ones that will pay through the customer's account. They will pay, say N40,000. Out of this N40,000, a certain percentage is coming back to the officer as a gift (PR).....(R14)

When respondents were probed further on the range of percentage of their fee they normally give back as PR, it was discovered that it ranges between 20% to 30% of the fee paid.

Furthermore, while 'appreciating' a client is expected to be a voluntary action or at the discretion of the valuer, it was found that the practice of giving PR has become a tradition and norm within the practice space of valuation in Nigeria. Obviously, such provision does not form part of the contract between parties, but it is an undocumented practice or unwritten rule that has been firmly established. Therefore, while appreciating clients seems to be modest on the surface, the practice of giving 'PR' in the case of valuation practice in Nigeria can be viewed as bribing one's way to securing brief and therefore poses moral and professional questions in some respects, especially on the process of selecting valuers for valuation jobs.

Factors responsible for the present pricing system

The sub-themes that emerged from the submissions of the respondents showed that the present pricing systems strive majorly because the professional scale of charge is not effective. Furthermore, clients, especially banks, are taking advantages of the professionals because of the advantage of buyers' market and because of the stiff competition in the market. The following factors emerged from data collected:

Ineffectiveness of the professional scale of charges

It was found that the major reason why various other means of pricing valuation services emerged was because of the valuers' inability to enforce the professional scale of charges. Therefore, the researcher probed into reasons why the professional scale has not been effective or adhered to. Respondents' comments pointed to some reasons which include the fact that charges from the professional scale are always too high; the scale is realistic considering the economic situation; and, the inappropriate drafting of the profession scale of charges. For example, some respondents believe that the scale of charges produces fees that are too high for most clients to pay. This is to the extent that any valuer that insists on charging strictly based on the scale may not get any valuation instruction to execute. Some of their arguments include:

'Another challenge we are facing is that we have our professional scale of charges but it seems it is making people to run away.... by the time we calculate the fee based on this graduated scale and the bill is high, some of them will just abandon the report'(R3)

'Our fee looks so bogus and outrageous, I know..... I think it is bogus.'
.....(R17)

Many respondents established that one of the major reasons why charges according to the scale are not being adhered to most of the time is because the scale is not realistic especially when considering the economic conditions which determine the ability of clients to pay. In fact, some confirmed that fee derivable from the scale of charges is always too high.

When you look at two things – the client ability to pay and the economy. For example, a property between N50 million and N100 million value. When you put it into fee calculation, it's going to be around N500,000. So, if you look at it,...N500,000 fee for one house? ... in this economy? ...with this client? ...with what he wants to use it for..... can he pay? So, we say let's have N250,000 (that's 50%)(R5)

...Well, it is reasonable, but the (Nigeria) economy within which you want to use that scale cannot support it(R5)

This corroborated the fact that the practice of initial discounting of about 50% as earlier reported in this study presupposes that valuers themselves have the feeling that the fee based on the professional scale seems to be too high.

Another reason for the ineffectiveness of the professional scale of charges has to do with the way it was drafted. Respondents claimed that the scale was designed as 'one cap fits all'. That is, all valuation services are to be charged using the graduated scale of charges only. This, in the views of the respondents, is not working. Valuation services are required for many purposes and each of these purposes has its peculiar characteristics which may not justify charging every assignment on the same basis. Therefore, opinions of the practising professionals suggest that this 'one cap fits all' approach is not realistic. For instance, respondents gave these examples:

....You can't say you have a scale of charges and it is for all comers affair, it will not work, and I will tell you why it will not work. If someone is taking a loan, for example, and you are using a scale that even your own fee is higher than the interest bank is charging, you are already compounding the problem of the obligor (the customer).....(R6)

Business competition and survival syndrome

Competition for jobs among valuers is stiff and has given room for varied forms of practices. For example, the need for survival in the face of the slow economic state makes many firms take up valuation job for any amount, no matter how ridiculous. This, in turn, puts pressure on others to accept the low fee, else they will not get any brief.

...you know it is because of the desperate behaviour on the part of our colleagues. While some will say N30,000 is too low, some will say ...'at all at all na him bad pass' (Nigerian pidgin English for 'little is better than nothing')...Let me do it and have something in my pocket.....(R3)

Banks' strategy to mitigate risk and protect their customers

According to the respondents, financial institutions are taking advantage of the situation in the market to dictate the price for valuation services for the purposes of reducing their own risks and also to protect their customers from excessive charges as valuation fee is just one of so many expenses involved in the process of securing credit from banks.

They (banks) are trying to protect their clients because there are so many charges they levy on them like application fee, legal fee etc.....(R19)

As a result of the recent collapse of banks which led to recapitalisation in the financial sector in Nigeria, banks and other financial institutions have heightened their risk management system. One of the risk management strategies of banks is to pre-qualify or retain valuers and have control of their remuneration because bankers believed that since valuers' remuneration is based on property value, valuers might be tempted to report high value in order to get a high fee. An ESV said:

They thought maybe valuers give high value in order to get a high fee because fee is a function of the value returned. So, they decided that let's have a control. This happened some years ago. They came up with policy. Some will say they have a fixed rate per job, like N40,000 per valuation.....(R2)

Another strategy is to give one valuation assignment to more than one valuers so as to have a wider spectrum of opinions. However, this system affects valuers' remuneration because, in order to minimise cost, banks tend to spread the fee for one valuer over the two or three valuers used for the same valuation job.

And one of the reasons why some banks regulate fee is that we have a case of a xxx bank who will give the same job to like 3 firms so that they can compare. So, valuer must be on their toes. They do this to mitigate their loss because of the incidence of overvaluation. So, the fee they supposed to give to one surveyor (valuer), they spread it across.....(R2)

Therefore, by giving the valuation of property to more than one firms at a reduced fixed rate, banks are able to get a confirmatory opinion which helps them in making a better decision.

The game of numbers

Another reason why the practice of fixed rate system continues to thrive in the market is because of what the respondents described as 'the game of number' which financial institutions play on valuers. This is the system whereby a professional is persuaded to take up an assignment for a very low fee because of the promise of getting multiple instructions from the same client. By this, ESVs believe that getting jobs in volume will compensate for meagre fee being charged.

Most of our valuations are from banks.well, if they are giving you more jobs, if the volume is high it can pay you.....(R22)

.... by the time they give them like 3 of such N40,000 job in a day or a week, the multiplier effect of it, at the end of the month, it is something.....(R21)

Inaction on the part of the professional and regulatory bodies

Because of the size of the market and the business competition among the practitioners, it is difficult for an individual firm or valuers to effect any substantial change in this regard. Hence, ESVs expected the intervention of the regulatory body (ESVARBON) to at least reduce the control financial institutions have over valuers' remuneration. However, there is yet to be any concrete intervention in this regard.

I think the challenge is that in Nigeria we are eager to run after money, and not professionalism. And this is affecting the system and the institutions (NIESV and ESVARBON) cannot monitor things as they ought to. In Nigeria, you will see people scrambling for money, even if you don't do it to satisfaction, all you want is that you win the job and make money.....(R9)

So, I can conclude that the issue of remuneration is getting worse. In most cases, people are not standing on the professional scale of charges any longer, and unfortunately, the board and our institution are not doing enough to help in this regard.....(R13)

However, respondents' views on what can be done in this respect suggest that the professional scale needs to be revisited by the regulatory authority. For example,

I think the Board should look at it and peg it to something reasonable. I am not saying it should not be based on value, but maybe they can lower it to have a human face. Laws are made to be obeyed, but when you make laws that are not obeyable, it becomes rubbish.....(R17)

Effects of the present pricing system on valuation practice

Responses from the participants in this respect were coded into three sub-themes which include the fact that it leads to valuers' inability to cover costs; it encourages sharp practices among valuers thereby affecting the quality of valuation; and, it discourages some valuers from valuation consultancy services.

Valuers' inability to cover costs

Respondents alluded to that fact that sometimes the fee being offered by clients could barely cover expenses they needed incur to ensure the delivery of professional service. This is often the experience when carrying out regular valuation for financial institutions. However, due to the reasons of business survival and competition in the market, as earlier stated, most ESVs still take up the jobs. Therefore, this makes valuers to rationalise some processes, as much as possible, in order to reduce the cost of input.

..sometimes the remuneration will not cover the cost. For example, I had an experience recently. We sent somebody (staff) to Calabar to go and do a job for us, and the bank wanted to pay only N50,000 – their own fixed rate. To

worsen the case, by the time you reject, some other firms will take up the brief and they will still go ahead to do it.....(R13)

Sometimes, you even spend more than they pay. I have such experience before. By 'net income' I mean our own income (fee) cannot entertain too much expenses. So, where you can dodge it, you dodge it.....(R1)

Encourages sharp practices and discourages professionalism

When either negotiated or fixed fee is too low, valuers tend to involve in some 'sharp practices' in order to maintain a certain level of profit margin within such meagre income. The most common of such practices, as alluded to by the respondents, is when the property to be valued is located at another far part of the country and the valuer feels that the fee cannot accommodate the cost of transportation and other logistics, he/she carries out the valuation based on the information supplied by somebody else around the property location. This is common among smaller firms that do not have a network of branches across the country. This practice has a tendency to affect the objectivity and quality of valuation.

...now I have property to value at Benin (a state in Nigeria) and I don't have an office at Benin. Am I not supposed to travel there? hotel expenses is also there. Will N30,000 take care of all that? Then, you now have to look for maybe a surveyor that you know over there....and tell him... 'please help me assess that property and send me how it looks like and other things', then you do your report in order to maximize profit, without you going there physically to inspect. That's what most surveyors are doing. If they don't have an office there. So, it has affected valuation practice seriously. At the end of it all, you might not even see the property you are valuing, you are just doing it based on hearsay.....which is so bad.....it is so bad.....(R11)

This also affects the zeal for professionalism. There is a feeling that, considering the fee, it does not worth putting too much effort or going the extra mile to ensure professionalism. The fact that valuers tend not to carry out due diligence on valuation jobs that come with low fees suggests that the quality of service offered is affected by the remuneration. Intuitively, paying professionals low fees discourages putting in the adequate effort required for a high level of professionalism. For instance, Shrestha & Mani (2013) reported that when engineers bid low in order to secure contracts, they tend to reduce the amount of engineering input required for optimum service delivery so as to maintain a level of profit. Similarly, Okwonkwo and Wium (2018) found that, among others, engineers cut down on time spent on project by avoiding innovative ideas as a way to manage the discounted fees challenge. Arnold (1992) also submitted that brokers would rather go for the lowest reservation price in order to achieve quick sales and minimise search costs while rendering brokerage services on flat fee basis.

Discourages some valuers from engaging in valuation services

It was also found that issues relating to fee have discouraged some ESVs from engaging in valuation services, especially the jobs from financial institutions. Some ESVs prefer to concentrate on other aspects of the profession than to do valuation for banks and collect what they call 'ridiculous' fee from which they will still give 'kickback'.

There are some firms that are not even doing valuation again because of this issue of dictating fee.....(R4)

This forms one of the reasons why some estate firms are not on retainership with banks apart from the rigorous process involved. For example, when one of the respondents was asked if his company was on retainership with any bank, he responded that:

'No. Do you know how much banks pay for valuation? N20,000. Then out of the N20,000, the bank officer will still ask you to give him part of it. You can ask people. I can never do such'.....(R17)

CONCLUSION AND STUDY LIMITATIONS

The findings of this study indicate that though there is an approved professional scale of charges which provides standards for valuers' remuneration in Nigeria, valuation services are priced mostly on the basis of 'negotiation' and 'fixed rate' systems due to the fact that valuers find it difficult to enforce the use of the scale in determining their remuneration. Furthermore, in practising negotiation as a system of pricing their services, valuers adopt various guiding rules and methods so as to achieve good bargain and also to maintain a level of reasonability in bargaining. These guiding rules take the form of initial discounting of fee up to 50%; pre or on-site negotiation; and, setting of a benchmark. On the other hand, the practice of fixed rate system of pricing is associated with financial institutions who have their respective specific amount they pay for all regular valuations. It was also found that the fixed fee can be as low as less than 20 per cent of the actual fee derivable based on the scale of professional charges. It is also striking to found that, despite the ridiculously low pricing, valuers are made to pay between 20 to 30 per cent of their fees to bank officers in form of 'PR' (Personal Relation) or appreciation package in order to be considered for further assignments. The study also revealed the factors responsible for the continuous striving of the present pricing system and their effects on the practice of valuation.

The findings hold implications not only for the practising valuers, but also for the client and the regulatory bodies. The findings raise questions about the relevance of the professional scale as well as the regulatory roles of the ESVARBON. Furthermore, the ineffectiveness and unenforceability of the provisions of the scale of charges allow for varied forms of practices among the valuers and clients. And, as expected of a typical buyers' market, this has skewed the pricing system in favour of clients. Hence, valuation services are often priced ridiculously low.

In the same vein, because valuation services are considered to be poorly remunerated in the study area, especially for jobs from financial institutions, valuers have also devised means of getting the job done in a 'cheaper' way. This raises concerns about the quality of valuations and subsequently the decisions taken by clients based on the valuers' opinions which valuations represent. Furthermore, while financial institutions have heightened the risk management strategies as a result of the recent recapitalisation and consolidation exercise, it is important to note that leaving financial institutions solely to dictate the fee of valuers creates another impending danger as this has led to gross under-pricing of valuers'

services. This, therefore, calls for a harmonious and workable agreement between the professional and regulatory bodies of valuers (NIESV and ESVARBON) and financial institutions (Chartered Institute of Bankers of Nigeria [CIBN]) regarding a reward system that will be fair and reasonable for all parties.

Based on the foregoing, we argue that as clients are getting sophisticated in their demand for services of high professional and ethical standard, balancing this demand with the limitation of low remuneration poses a big challenge to valuers and valuation profession in general. This submission corroborates the findings of a recent study by Okonkwo and Wium (2018) who finds a similar trend in consulting engineering services. We also submit that the battle for fairness in service pricing exists in the valuation market in Nigeria and this requires the attention of all stakeholders.

This study is one of the early studies to provide insights into the pricing of valuation services and how the prevailing pricing systems affect the delivery of professional valuation services. The study, therefore, serves as a blueprint in giving research direction in the area of service pricing in property valuation. This study is, however, limited to the views of the practising valuers only. Hence, further studies incorporating insights from other stakeholders like clients and regulatory authorities may produce more insightful results. Another limitation worthy of note is that being a qualitative study, the findings of this study may not be generalised to the total population with a high degree of certainty which the quantitative study provides. However, the study provides insights which can be tested on the general population through the quantitative approach.

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