Abstract

In 2005 Quotable Value was New Zealand’s largest valuation and property information organisation with approximately 230 staff and 22 offices throughout the country. While Government reforms within New Zealand had forced this former Government department to operate in a competitive market, a booming property industry and a number of innovative projects generating new income streams had fuelled Quotable Value’s success and growth. Recent changes in the economic environment, however, and predictions that the property bubble would soon burst, also presented a number of threats. The challenge for Quotable Value was how to sustain and build further growth.

KEY WORDS: Entrepreneurship, strategy, state-owned enterprises

INTRODUCTION

Steve Langridge, General Manager of Quotable Value Online, was due to report to Quotable Value Chief Executive Bill Osborne on some strategic options for the future. Quotable Value Limited (QV) was New Zealand’s largest valuation and property information organisation and Quotable Value Online (QV Online) was one of three key divisions. Glancing at the front page of his morning paper, Langridge noted that property values had once again made the headlines. The question on everyone’s minds in 2005, or so it seemed, was when, not if New Zealand’s residential and commercial real estate bubble would burst. Would there be a “soft landing” with the soaring property prices just tapering off for a while, would there be perhaps just a little more firming up of prices, or would the bottom fall out of the property market and the previous fervour around buying and selling diminish as it had some years before? Whichever, it seemed as if the online division which had benefited from the booming interest in property, would need to continue to innovate.

With around 230 staff, and 22 offices throughout New Zealand, Quotable Value’s core business was “the provision of valuation and other asset-related information services”, involving the “processing, storing and interpreting data and the dissemination of information” [CCMAU, 2006]. The organisation’s three divisions each focused on a common goal: developing innovative products and services with the use of mass property data [Quotable Value, 2003]. QV Valuations provided market valuations for residential, rural, commercial, and industrial properties throughout New Zealand. QV Rating and Taxation provided ratings (Government) valuations for local authorities. QV Online sourced databases and provided
property related data such as sales information, hazard reports, demographics, and current market value assessments [Quotable Value, 2005].

New Zealand remained Quotable Value’s major market and focus. It had expanded operations both in New Zealand and abroad, to build on its existing business activity and establish a pathway for further growth [Quotable Value, 2003]. Langridge’s focus was to ensure that the online division continued to deliver and to grow despite the impulses of the property market.

BACKGROUND: NEW ZEALAND’S PUBLIC SECTOR REFORMS

During the 1980s the public sector of New Zealand witnessed significant change, with the intention of making government organisations more effective [Mulgan, 1997]. Such reforms were consistent with an international trend in public sector management often referred to as “new public management” or “managerialism” wherein the management of public sector organisations was seen to align with that of private sector organisations [Martin, 2003]. Thus, this new approach emphasised results and outcomes, together with the effective use of public sector resources.

As part of the public sector reforms in New Zealand, large government departments with a strong trading function were subsequently corporatised and established as separate legal entities, or state-owned enterprises (SOEs) on the premise that such services could be more efficiently provided by commercially orientated organisations, rather than subject to ministerial control and government interference [Brash, 1996]. Thus, these entities were essentially government organisations operating with a strong commercial focus and a specific profit-making requirement [SOE Act, 2004, s4].

Similarly, the role of the New Zealand Government underwent significant change as part of these reforms, from provider of inputs (funding) to purchaser of outputs (agreed services) from SOEs. Consequently, the New Zealand Government entered into contracts with each SOE for the purchase of services at commercial rates, highlighting its role as both purchaser and investor in SOEs [New Zealand Treasury, 1996].

Specifically, the rationale for such reform was the inefficiency of government as providers of commercial services due to protection from the discipline of a free market economy, often operating in a monopolistic environment, with the availability of on-going financial support from central government [Brash, 2003]. Also relevant was the issue that as government departments the operations of these business units were often required to include non-commercial and social objectives, which were inconsistent with otherwise commercial choices [Mulgan, 1997]. Thus, corporatisation provided a viable solution for these departments to become both efficient and profitable, enabling freedom of commercial choice and responsibility for commercial results.

Approximately half of the government departments initially corporatised in New Zealand were subsequently privatised [Eggers, 1999], including Air New Zealand, Post Bank, and Telecom New Zealand. In general, the reorganisation of the public service was viewed as successful, and resulted in increased efficiency of services to the public [Easton, 1999; Mulgan, 1997; Scott, 1991]. From a macro-economic perspective, however, opinion on the success of privatisation was varied. “There is a lot of evidence that the corporatisation of SOEs gave some benefits, especially in financial productivity, but there is very little that there was an overall benefit to the economy” [Easton, 1999, ¶8].

ORGANIZATIONAL HISTORY

The organisation formerly known as Valuation New Zealand was incorporated as the crown entity “Quotable Value Limited” in July 1998 [Morrison, 1999], and subsequently made accountable for its commercial activities and results. With the introduction of New Zealand’s Crown Entities Act 2004, the status of the organisation was subsequently amended to a SOE, with specific profit-making requirements imposed on Quotable Value, consistent with its commercial focus. Quotable Value’s Statement of Corporate Intent³ outlined the organisation’s objectives as follows:

The primary objective of QV is to operate as a successful business. Accordingly it intends to be as profitable and as efficient as comparable businesses not owned by the Crown, recognised as a good employer, and regarded as an organisation which exhibits a sense of social responsibility [New Zealand Treasury, 2006].

As a government department, Valuation New Zealand’s main business operations involved the
provision of government valuation services to local councils within the 74 territorial authorities throughout New Zealand. Essentially these valuations were provided to territorial authorities on a fee for service basis, and used by the various councils for the purposes of determining local council rates. The difficulty encountered by Quotable Value in providing these services was that ratepayers often expressed dissatisfaction at both increased property valuations due to subsequent increases in council taxes, and decreased valuations due to the perceived devaluation of their key asset. With the deregulation of New Zealand’s valuation industry, responsibility for and ownership of property valuation data was assumed by the relevant councils, and Quotable Value was forced to operate in a competitive market.

An initial consequence of that deregulation was the significant reduction in Quotable Value’s revenue. Langridge [personal communication, 23 February 2005a] described the situation as follows:

Effectively over that period, QV’s revenue from rating and valuation work halved over the space of a three-year cycle. That was pretty much 90 per cent of Valuation New Zealand’s revenue. So we went from a point of having revenues in the vicinity of $26 million from that business, halving over time.

Langridge noted the effect on local authorities and ratepayers was significantly positive. “The ratepayers of New Zealand and effectively the councils were paying half the amount they [paid] previously, to get the same service”. The implications for Quotable Value however, were markedly different. Maintaining historical cost structures and staffing levels during a period of decreasing business activity meant substantial changes were required within the organisation. “There needed to be some fairly innovative ways of replacing that lost revenue to ensure that we didn’t [lose] all of our staff as well; making sure that we survived” [Langridge]. In an effort to address the situation, Quotable Value looked for opportunities both within the organisation and within the market to identify additional income streams.

Langridge noted the limited business scope within Quotable Value’s traditional government valuation services. “There’s only 74 councils, and you can’t really grow beyond that”. Consequently, the organisation looked at other markets in New Zealand.

Traditionally our valuers had only worked on ratings valuations, but there were a lot of other valuers who worked in individual property and asset revaluation; valuers who work on residential valuations, commercial valuations, across a whole range of services. That business struggled to get off the ground initially, but now close to a quarter of the company’s revenue comes from pure valuation work out in the open market [Langridge, 2005a].

Quotable Value also considered non-traditional market segments within New Zealand, such as small and individual property investors, and homeowners throughout New Zealand. Historically, customers of Valuation New Zealand had been large organisations such as banks and real estate companies, which needed expensive computer equipment and a dedicated line to establish online access.

At the time [Quotable Value] took over, we made the decision to move that information across to the Internet; to have online access. So at a general level we’ve extended that information beyond its traditional market, to a much broader market [Langridge].

By extending the availability of that information, Quotable Value had also extended its revenue, growth, customer market, and profile within New Zealand, with the future potential to expand its profile abroad.

[Online access] was introduced in 1999 and has been significantly growing in volume. We’ve just had the first month ever where our revenue from the more traditional customers was overtaken by revenue from effectively the general public of New Zealand [Langridge].

CREATING VALUE

Over time, a number of opportunities and strategies were considered by Osborne, Langridge, and the management team at Quotable Value. One of the earlier opportunities involved the provision of data maintenance services to the individual councils.

A lot of those councils are not resource-rich and, particularly in some of the more rural and smaller areas, they don’t have the technology or the investment capability to automatically create an IT system, which will maintain a very robust data service. Thus, one of the decisions, which we made, was to effectively offer services back to the councils whereby we would hold and maintain the data for them. So the scope of our services evolved from that. We went to them, brought back a copy of the data, but we also offered to contractually manage the maintenance of that data. So
we utilised the system that we were building for ourselves, to build also for them, to house and store and maintain their data [Langridge, 2005a].

Other activities and opportunities of a similar nature included the provision of property data through “Infobase” on Quotable Value’s website, which contained information on every property in New Zealand. Quotable Value’s mapping services was another example, which provided property information by way of graphics data for the region in which a property was located, detailing for example the closest school, hospital, and other public services, for both regional and rural properties within New Zealand (i.e. those which had a rural delivery [RD] code rather than a formal street address such as RD 2 Hokitika).

The steady increase in services, customers, and revenue had assisted Quotable Value to develop its business in recent years. The organisation announced its maiden profit of $818,000 in the year ended 30 June 1999, its first year of incorporation [Scoop, 1999]. This result was approximately $1 million more than expected, and attributed largely to Quotable Value’s expedient restructuring [Morrison, 1999]. “Since then, the company has moved a long way in a short time”, particularly in terms of its use of technology, noted Pullar-Strecker [2002, ¶3]. Specifically the operations of Quotable Value were referred to as “innovative web-based e-business services”, with “new hi-tech revenue streams built on the twin pillars of IT and marketing”; a SOE with “an increasingly outward focus” and “a young feel to it” [Pullar-Strecker, 2002, ¶5].

**E-VALUER**

One project in particular, which had assisted Quotable Value with its growth-focused strategy, was E-Valuer. Essentially E-Valuer combined information technology with a professional valuation methodology, such that Internet users could log-on to Quotable Value’s website and obtain immediate and current valuations of any property within New Zealand. E-Valuer was referred to by Langridge [2005a] as “one of the more interesting elements of our online system, because it’s doing more than just returning some basic data. It’s taking a professional methodology, and creating an online service which replicates [that methodology].”

You [can] search on properties, find an address, and ask for an E-Valuer on that property. By clicking on E-Valuer and paying $29.95, it instantly returns back a report. That report gives you some basic details on the property [e.g. size, age, floor area, etc.]. What it then does is go into our database and rank other property sales that have occurred in a similar area, or within certain boundaries, so it uses a range of parameters to determine “comparable sales”; which is effectively what a valuer is doing when they are settling a value.

As noted by Shane O’Brien [in Bleakey, 2005], president of the Real Estate Institute for the Canterbury-Westland district, the booming property market in New Zealand had resulted in people becoming information hungry, and websites such as Quotable Value’s fed that hunger.

The history and background to E-Valuer was described by Langridge as follows:

Access to property information has historically always been available to customers of Valuation New Zealand. Since 1998, we’ve taken [that information and] delivered it across the Internet and created it as an opportunity for the public of New Zealand to gain access to property information on any house or property they’re buying or selling.

For $2.95 you can jump onto our system and find out [a range of basic data about any property in New Zealand]. So if you’re wanting to make sure that for the property you’re looking at, you’re seeking to pay a fair price, that information is now available [Langridge, 2005a].

The opportunity to establish E-Valuer extended from Quotable Value’s earlier strategy to maintain valuation data on behalf of the local councils.

That’s part of what QV’s decision was [in 1998]. It’s about maintaining contracts to keep a central New Zealand database on property maintained, so that we can keep one database available, and create statistics on what’s happening in the New Zealand property market. That’s the beauty of this type of data, it has so much more value when it is usable, when it’s not broken down. As soon as it breaks down, inconsistencies come in, formats get changed, different organisations go in different directions [Langridge, 2005a].

Thus, by contracting with each of the local councils, Quotable Value ensured consistency across 74 datasets. Maintaining property data on behalf of local councils (or purchasing that information from councils which did not require Quotable Value’s data maintenance services) subsequently led to the
release of such information via Quotable Value's website, and further income streams for the organisation.

COMPETITORS AND THE ENVIRONMENT

Competitors in the industry were both public and private organisations. The transfer from a crown entity to a SOE in 2005 was effectively viewed by Langridge as an administrative one. "It has changed some of the reporting structures and roles, but the reality is we've been operating with a commercial focus from 1998. And it was very much in a deregulated market" [Langridge, 2005a].

There were over 500 valuation businesses operating throughout New Zealand, both large multinational firms and as small businesses focused on regional valuation services. In addition, Quotable Value faced competition from various international and regional businesses in the property information and government valuations market. Figure 1 provides an overview of some of Quotable Value's key competitors.

FIGURE 1
COMPETITORS IN NEW ZEALAND'S PROPERTY & VALUATION INDUSTRY

<table>
<thead>
<tr>
<th>Property valuations</th>
<th>Government &amp; ratings valuations</th>
<th>Online property services</th>
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<tr>
<td>CB Richard Ellis</td>
<td>Baycorp Advantage</td>
<td>Valuation and Management Services</td>
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<td>Colliers International</td>
<td>Headway Systems</td>
<td>Beca Engineering</td>
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<td>DTZ</td>
<td>Land &amp; Information New Zealand</td>
<td>Land Mass Technologies</td>
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<td>Jones Lang LaSalle</td>
<td>RP Data</td>
<td>State Valuation Office of NSW</td>
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<td>TelferYoung</td>
<td>Terralink International</td>
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Reflecting on Quotable Value's operations, Langridge commented “nobody else has an automated tool that enables people to get an estimate of their property’s value”, but noted “anybody has the opportunity to go out and recreate the dataset that QV built”, or the services which Quotable Value offered. Thus, Langridge contended the combination of technology and professional valuation skills, “delivering that [information] in a different way gives us a competitive advantage”. This advantage was complemented by the wide accessibility of Quotable Value’s data, and availability of resources such as equipment and qualified staff. Langridge also saw E-Valuer as a potential source of competitive advantage for the future, once more people were aware of the service: “We’re continuing to work on it, growing the awareness”.

With respect to the availability of Quotable Value’s property data, Langridge noted a deliberate decision was made to wholesale the property data to competitors, on the basis that not sharing the information would have resulted in direct competition with other organisations to secure contracts with local councils. “We’ve chosen to wholesale that information out to our competitors so that they use the same information. New Zealand’s too small a market often to not co-operate”. Not sharing, Langridge argued, would have made Quotable Value more vulnerable to competition.

The other thing is, with that it’s not just to protect our position. Different businesses have different skills and expertise; they can service one market better. We don’t have to try to do everything with the information we’ve got.

With respect to the environment, New Zealand had witnessed an increasingly dynamic property market in recent years. From 2000 to 2005, average house prices had increased by more than 50 per cent [Allen, 2005]. Spurred on by high immigration, low interest and unemployment rates, generous lending policies by banks and financial institutions lending up to 100% of a property’s value, activity in the property market had reached record highs. Quotable Value’s services both complemented and benefitted from the increased market activity. Chief Executive Bill Osborne [2004, p. 4] noted:

_Externally we were aided by a strong and buoyant property market. This booming market did assist with our performance for the year but it was the superior performance by the Quotable Value team that enabled us to take full advantage of this environment._

With the expected downturn in the property market, however, a review of Quotable Value’s strategic direction was imminent. Predictions that the property bubble would soon burst [Johnson & Chan, 2004] were supported by a number of factors including the significant decline in immigration, climbing mortgage...
rates resulting from seven increases in the Reserve Bank’s official interest rate in less than 18 months [Allen, 2005], comparatively low earnings increases forcing many potential buyers out of the market and driving the housing affordability index consistently downwards [AMP, 2005], record levels of new housing, and a downward trend in the New Zealand dollar impacting export incomes and foreign investment [Johnson & Chan]. Newspaper headlines from the property market’s peak in 2003 to the pending fall only three years later are presented in Figure 2 below.

FIGURE 2
THE HIGHS AND LOWS OF NEW ZEALAND’S PROPERTY MARKET

<table>
<thead>
<tr>
<th>Year</th>
<th>Date</th>
<th>Event Description</th>
<th>Source</th>
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<tbody>
<tr>
<td></td>
<td>Aug '03</td>
<td>The up and up of the New Zealand property market [Scoop, 2003]</td>
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<tr>
<td>2004</td>
<td>Jan '04</td>
<td>Property bubble set to burst says expert [Johnson &amp; Chan, 2004]</td>
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<td></td>
<td>Feb '04</td>
<td>House values show 22% growth [Scoop, 2004a]</td>
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<td>May '04</td>
<td>Investors warned as housing boom fizzles [Middlebrook, 2004]</td>
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<td></td>
<td>May '04</td>
<td>House values continue to grow [Scoop, 2004b]</td>
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<td></td>
<td>Jul '04</td>
<td>Fall in real estate sales [Killick, 2004]</td>
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<tr>
<td>2005</td>
<td>Apr '05</td>
<td>Pumped–up housing market riding for fall [Allen, 2005]</td>
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<tr>
<td></td>
<td>Jun '05</td>
<td>Property prices stabilising says Quotable Value [Catley, 2005]</td>
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<tr>
<td></td>
<td>Jul '05</td>
<td>Quotable Value says property market ready to take a breather [Radio NZ, 2005]</td>
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<tr>
<td>2006</td>
<td>Mar '06</td>
<td>Migration fall, interest rates knock house price growth [Allen, 2006]</td>
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<tr>
<td></td>
<td>Apr '06</td>
<td>Housing market running out of steam [Weir, 2006]</td>
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<tr>
<td></td>
<td>Apr '06</td>
<td>Housing market starts to level off [Radio NZ, 2006]</td>
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The importance of a volatile environment was further highlighted by proposed changes to New Zealand’s Privacy Act in 2001, which if passed as law, would effectively have prevented organisations such as Quotable Value from expanding their operations offshore [Hosking, 2001]. Specifically, the proposed changes, consistent with European Union guidelines, prevented the transfer of personal information (including property related data) across borders. Following submissions by various organisations including Quotable Value, who argued that the proposed amendments were both unnecessary and unfair, the proposed changes were not passed.

EVALUATING THE RISKS

The introduction of a low cost online valuation tool was new to the valuation industry. Accordingly, while it provided the opportunity to capture a new market of small and individual property investors, it also provided an alternative to higher cost professional valuations which Quotable Value had traditionally provided to larger organisations. Langridge acknowledged “there is an element of risk in as much as we have lost some of our other business which traditionally sold full market valuations at a price level of $300-$500”.

Langridge also noted the resistance from competitors who objected to E-Valuer. “You can’t just automate this process and get a good result”, was essentially the main concern of competitors, recalled Langridge. Yet the intention of E-Valuer, Langridge explained, was not to replicate valuations, but rather to provide a low cost alternative to professional valuations; one that “fits and suits a certain market” [Langridge, 2005a]. The importance of this market encompassed both revenue and organisational profile for Quotable Value. Thus Langridge accepted that essentially “there are opportunities and risks, but the opportunities are outweighed by the risks”.

We can see that for some of our important clients, they have changed from one service to another [E-Valuer]. But statistics did show the activity in the market was strong for E-Valuer. Revenues are essentially increasing, sales volumes are increasing.
VALUING THE BENEFITS

Langridge [2005a] referred to the availability of property data via the Internet (and through E-Valuer in particular) as an opportunity for various stakeholders.

Clearly there was a financial opportunity for us to get that data out in a way, which is useful to members of the public who had been willing to pay a fair price. Our opportunity here is to change the platform under which this data has been available, to better inform the public of New Zealand in their property decisions, while making a return on that information [Langridge].

With respect to the New Zealand public, Langridge noted E-Valuer provided them with the opportunity to make more informed decisions “about what’s generally the largest purchase decision of their life”. While similar information may have been available from other sources (e.g. real estate agents) Langridge highlighted the personal interest of real estate agents in valuing a property and communicating that information to various stakeholders. Mike Hyde, product manager of Quotable Value, supported this notion, attributing the popularity of the Quotable Value website to the independent nature of the information.

From the organisation’s perspective, E-Valuer was particularly important as it assisted Quotable Value to access another target market, and increase its profile. Langridge also referred to the social value and environmental importance of E-Valuer for all New Zealanders.

We’ve got a core dataset which includes all property in New Zealand listed with a great degree of detail. There are ways that this data can work for organisations throughout New Zealand and for all the general public. Hazard risk matched to an individual property for example, is one detail, which benefits almost everyone. It’s much better if that information is known, and in the planning circles, that decisions are made reflecting those hazards, rather than it being buried. So there’s a whole range of reasons why making data more widely available is in essence, in everyone’s best interest. We haven’t found anyone who offers similar information as comprehensively as we have. There are websites in the UK and Australia which deliver information and estimates based on statistical modelling of particular activity within that postcode area, but not specific to your individual property” [Langridge].

THE SUPPORTING ORGANISATION

Chief Executive Bill Osborne [2003, p. 5] referred to Quotable Value’s vision as follows: “To be an organisation that responds rapidly to customer needs, taking valuation and property information services to new frontiers”. Figure 3 outlines its specific corporate objectives. Osborne [2003, p. 4] also noted the involvement of staff in Quotable Value’s vision, referring to the organisation’s first national staff conference in November 2002 as a “celebration of past achievements as well as an opportunity to develop vision and goals for future success”. He also acknowledged the importance of customers within Quotable Value’s vision, noting:

We operate in an extremely competitive environment and must always be innovative in the creating of value for our customers [Osborne, 2004, p. 4].
Our customers have played a vital role in helping to shape our future by openly sharing with us their needs and aspirations. [Osborne, 2003, p. 4].
FIGURE 3
QUOTABLE VALUE’S CORPORATE OBJECTIVES

- Supply high quality, cost effective valuations and related information services to meet the needs of a rapidly evolving expanding market place.
- Be competitive in the markets in which we operate.
- Maintain market leadership in the newly competitive mass appraisal market and be recognised as a leader in the commercial valuation market.
- Strive for a key position in the newly emerging market for asset-related information services.
- Achieve good commercial returns through sound business decision-making.
- Maintain our commitment to quality systems.
- Value our people by encouraging their involvement in the business, providing development opportunities.
- Be recognised as a good employer; demonstrating a commitment to the principles of equal opportunities; culturally aware; committed to commercially based recognition and reward structures; and to promote job satisfaction through the achievement of challenging goals.
- Provide risk management that ensures ongoing business consistent with meeting the obligations of directors and management and protecting the physical and intellectual assets of the company.

Excerpt from Quotable Value’s Statement of Intent, July 2005 – June 2008 [CCMAU, 2006]

A strong focus on customer relationships was also evident in the company’s 2004 Annual Report, with comments by both individual customers and Quotable Value reflecting on their relationship in an informal context as one of “partnership”, working together, and tailoring services to meet specific customer needs. “We have a great working relationship. We couldn’t ask for anything better than what we get” [Sandra Hunter of Dunedin City Council in Quotable Value, 2004, p. 7]. Langridge’s comments revealed a vision that embraced customers (both existing and potential), as well as competitors, other government departments, and the general public of New Zealand. Specifically Langridge referred to the potential use of Quotable Value’s property data in the future, enhancing the efficiency of New Zealand’s property market, assisting councils with effective town planning, and providing competitors and government departments with opportunities to introduce new and enhanced services based on the property data available.

While Langridge acknowledged staff turnover had previously been an issue, he also noted the deliberate efforts made by Quotable Value to develop a positive organisational culture and foster initiatives such as the nationwide conference, health assessments, and flexible work arrangements and hours. Thus, staff such as Rob Smithers viewed work within Quotable Value as a mix of challenging workloads and rewarding results.

Since 1998 QV has undergone a dramatic shift in culture. Despite the strong competition our people have adapted with enthusiasm to the changes. It’s meant new working styles and increased levels of productivity, but we’ve all risen to the challenge. Our re-energised culture has enabled QV to meet market demand and to face the many challenges put before us. [Osborne, 2003, p. 4]

While Osborne acknowledged the importance innovation and advanced technology to Quotable Value’s operations, he also noted “it is nothing without the people to implement it and enhance it. To use the truism, people are our greatest asset” [2004, p. 4].

Langridge [2005a] noted the importance of increasing the organisation’s profile to foster growth, but also raised the need for “a financial base to enable investment in that side of the business. And with profits of only a couple of million dollars a year, that’s not a lot of extra cash to drive marketing activity”. Development within the organisation had however, allowed Quotable Value to identify a number of promotional opportunities which were both high profile and cost-effective. Such activities included sponsoring the New Zealand television programme “Hot Property” whereby an employee of Quotable Value appeared on the programme to value a property available for sale both before and after renovation. Other activities included publication of a monthly property update, and regular presentation of property indices and graphics in newspapers.
Quotable Value had also been involved in a regular newspaper feature “The Auction” published in the New Zealand Herald, whereby E-Valuer’s property valuations were compared with actual sale prices from the previous weekend’s auctions. Langridge [personal communication, 12 August 2005b] noted the exercise had been “a very real measure of the accuracy of E-Valuer”, and that E-Valuer had performed very well, often with four of the five properties being sold within the E-Valuer range. Further promotional activity had been established through the New Zealand Herald’s “Ask our experts” feature within the property section of the newspaper, whereby readers’ questions were addressed by various property experts, including Quotable Value staff [New Zealand Herald, 2005]. Each of these activities was focused on growing Quotable Value’s reputation and public image, and had effectively assisted in growth of revenue and profits, growth in the scope of services provided, as well as organisational growth through the development and maturity of the business.

FINANCIAL RESULTS

Growth in a financial context was necessary under both Government legislation [SOE Act, 2004], and from the viewpoint of maintaining job security for the staff of Quotable Value. Since 1999 Quotable Value had continued to generate solid financial results. Net profit after tax for 2003 totalled $2.426 million; $2.2 million of which was returned to the Government by way of dividends. Net profit after tax for 2004 totalled $632,000; $488,000 of which was paid to the Government in dividends [Quotable Value, 2004]. A summary of Quotable Value’s financial results together with key financial ratios for the five-year period 2001-2005 is detailed in Table 1 below.

<table>
<thead>
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<th>TABLE 1</th>
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<tr>
<td>SUMMARY OF QUOTABLE VALUE’S FINANCIAL RESULTS FOR 2001-2005</td>
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<td>2001</td>
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<td>Operating revenue</td>
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<td>NPAT</td>
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<td>Total assets</td>
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<td>Dividends paid</td>
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Key

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<tr>
<th>NPAT</th>
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<td>ROE</td>
<td>Return on equity (NPAT/Owners’ equity)</td>
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<td>ROCI</td>
<td>Return on capital invested (NPAT/Contributed capital)</td>
</tr>
<tr>
<td>ROI</td>
<td>Return on investment (Total payments/Contributed capital)</td>
</tr>
<tr>
<td>EPS</td>
<td>Earnings per share (NPAT/number of shares)</td>
</tr>
</tbody>
</table>
In particular, Table 1 indicates profitability, efficiency, and market value measures relating to Quotable Value over the past five years. Details of revenue and profits, assets and owners’ equity, reflect the profitability and efficiency of Quotable Value as a commercial organisation. Returns to Government in the form of dividend and tax payments, together with basic financial ratios such as Return on Equity (ROE), Return on investment (ROI), and Earnings per share (EPS), reflect the viability of Quotable Value as an investment by the New Zealand Government. These figures and ratios are shown for the relevant five-year period, together with average figures for that period, in the last column.

With respect to E-Valuer, Langridge’s comments suggested a continued focus on growth had also yielded results. Specifically Langridge [2005b] referred to “major growth” over the six months ended August 2005 in both revenue and customer base. Langridge attributed this growth in part to the redesign of Quotable Value’s website in late 2004, which highlighted the availability and benefits of E-Valuer. Langridge’s assessment that “investment in E-Valuer has well and truly paid off” was reflective of both financial and non-financial outcomes.

**REFLECTING ON THE PAST, LOOKING TO THE FUTURE**

Reflecting on the progress and operations of Quotable Value in general, Langridge commented, “it’s a good model of where de-regulation works”. Staff levels have now increased, growth and profits are being sustained, and with respect to the organisation’s traditional business activity, 63 out of 74 council contracts have been retained. “It is a comfortable position for us” [Langridge, 2005a].

Looking to the future, however, Langridge saw a number of opportunities and challenges. The Australian market had been identified as an important opportunity for growth. The expected lull in New Zealand’s property market was a key challenge. We’ve moved into Australia and we’ve been doing a number of different council areas’ rating valuation work in New South Wales. We do the Sydney CBD work; we’re the valuation and rating provider in New South Wales for about 12 per cent of the market. So that’s a way of protecting our future by growing into a bigger market. Australia is an opportunity for growth. There’s potential for us to take [E-Valuer] offshore. E-Valuer [does] not exist anywhere else in the world. The key driver to that offshore expansion however, is all the work, which has to be done: basic property information necessary for the database [Langridge, 2005a].

Langridge referred to the potential use of E-Valuer by other government departments and services. “There are elements of how our data ought to be used which are potentially incredibly positive” [Langridge]. The Ministry of Health for example, were looking at the impact of low income housing on health. Other government and emergency services had also identified important uses for the data within their own operations. Langridge also noted the important opportunity E-Valuer presented both for the profile of Quotable Value’s on-line services and the organisation as a whole. “It’s fair to say that E-Valuer is not commonly known in New Zealand, let alone offshore”. Thus the potential to raise these profiles was viewed as a “huge opportunity” by Langridge. “Branding [or advertising] tends to be more of a longer term objective and we’re working our way into that [Langridge, 2005a].

With almost 25 per cent of property sales in 2005 comprised of land that had been owned for less than two years [Hosking, 2006], it was not surprising that business had been brisk for QV Online, but the property market was slowing down. Langridge switched his gaze from the newspaper headlines of impending downturns in the property market, to the computer screen to begin his report for the strategy meeting. There was no doubt in his mind that Quotable Value had made significant progress in its seven years as an SOE and that its value as an organisation had increased. The challenge for Langridge, Osborne and the rest of the management team and staff at Quotable Value was how to build on that progress and – despite the vagaries of the property market – continue to create its own value for customers so as to sustain healthy growth for the organisation into the future.
ENDNOTES

1. Document required to be submitted by each SOE to the New Zealand Government outlining operating plans.

REFERENCES


