

PURCHASE DECISION FOR APARTMENTS: A CLOSER LOOK INTO THE MAJOR INFLUENCING FACTORS

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ABSTRACT

The paper makes a closer look into three most significant factors that have already been revealed in an earlier study by the same authors. These three leading factors are Price, Quality and Location, in that order. This study focuses on these three factors and uses a self-administered Questionnaire on a sample of 150 customers drawn from selected destinations at Ernakulam city in central Kerala. The findings of the study have revealed that most of the customers considered Price as the most important factor because of its attribute 'Economy type and availability of minimum essential facilities'. The second most significant factor is Quality, basically arising out of its attribute 'Perception on apartment quality and having satisfying capacity while and after purchase'. Thirdly comes the factor Location with its attribute 'Location that is adjacent to all important emergency services, road rail transport accessibility'

KEYWORDS: Residential Real Estate, Apartments, Purchase Decision, Price, Quality, Location

INTRODUCTION

The real estate sector is one of the fastest growing sectors in India and is considered as one of the major sectors that contribute significantly to the economic development of the nation. The real estate residential construction is fast growing in Kerala, the southern-most state in India. Housing and real estate sector has got one of the highest employment generation capabilities; and the number of persons employed is second only to the agricultural sector. Besides, the inflow of FDI into this sector gives momentum to all other related sectors. Because housing and residential real estate fulfills one of the primary requisites of human life viz. shelter, successive Governments in India, both at the centre and state levels, often accord high priority to this sector. In the present day competitive market, the customers are very discerning and have good knowledge about the products that they want to purchase. In order to attract the customers and take advantage of the huge market potential, real estate developers have to satisfy the customers by marketing products of the attributes as desired by the customers. In Kerala, Ernakulam city is one of the most potential areas for residential real estate business. Because of favourable features like the proximity of International airport (CIAL), seaport, railway station, hospitals, parks, educational institutions etc. four typical areas viz. Thrippunithura, Vyttila, Edapally and Ernakulam Marine Drive have witnessed highest levels of real estate activity in the recent past. Besides, these are areas with high potential for tourism, and are notified tourism hotspots. Naturally, these are areas that are most preferred by the residential real estate developers. Thus, these four areas are selected for a detailed study on customer preferences on the purchase of real estate apartments; using three major factors viz. Price, Quality and Location as the focal points.

LITERATURE REVIEW

Friedman 1980 [1] estimated the role of local public services on residential location choice. Household's individual characteristic neighborhood quality is noted as one of the determinants of a household's residential choice by Gabriel and Rosenthal (1989)[2]. Buying an apartment is one of the most significant economic decisions, and it requires gathering a lot of information regarding its features, noted Batra, S. K and Kazmi(2008) [3]intheir book on consumer behaviour. Abelson & Chung 2005 [4] described in detail the consumer decision making process. Accordingly, buyers' preference for real estate products are related to the quality of property, specific attributes such as location, neighborhood or infrastructure improvement, etc. Hawkins, Best, Coney and Mukherjee 2007 [5] in their book on Consumer Behavior have discussed the various factors affecting consumers' purchasing behavior. The book elucidates such aspects as types of consumer decisions, purchase involvement and product involvement. Besides, it emphasizes the need for information search process for the purchase of the products. Hua Kiefer, 2007 [6] has noted that buying an apartment is one of the most significant economic decisions that people make, and it requires gathering a lot of information regarding its features. Morel *et al.* (2000) [7] analyzed as an individual household's location decision is significantly affected by local public services and community entry prices. According to Keller (1998)[8] brand awareness is essential in buying decision-making as it is important that consumers recall the brand in the context of a given specific product category, awareness increasing the probability that the brand will be a member of the consideration set. Daniel et al. 1995 [9] Quality is typically regarded as a key driver of competitive advantage and hence the enhancement of product quality has been of prime concern to firms Smith and Wright (2004) [10] observed that product quality refers to the extent to which products meet the expectations of customers, and argued that product quality improvement should lead to customer satisfaction and higher sales. Shank and Govinda Rajan (1994)[11] argued that quality is widely recognized as a key competitive weapon of firms., Plabdaeng (2010) [12] has noted that decision making on purchases is an activity that people do quite often, because they have to make purchases of different goods and assets quite frequently. A recent study by the present authors, Nasar K. K & Manoj P K (2013) [13] has analyzed the behavior of real estate investors in making investment decisions, like the various personal and behavioral factors influencing their purchase decisions. In another recent study the present authors Nasar K K & Manoj P K (2013) [14] have has identified the factors influencing the customer satisfaction that are relevant for developing a business model for the real estate agency business. Accordingly, goodwill of the agent, real estate property, information delivery, behavior of agents, punctuality and emergency services are the relevant factors in that order. In yet another study by the present authors, the factors influencing the purchase decision on apartments were studied with reference to Ernakulam city in central Kerala; and accordingly these factors were ranked in the order of their importance Nasar K K & Manoj P K (2014) [15]. According to Sidin, Zawawi, Wong, Busu, &Hamzah, (2004) [16], features of the apartment will be a significant determinant of a household choice of residence. This study makes a closer look into the attributes in respect of the three vital factors (viz. Price, Location and Quality) as identified in the study by the present authors of 2014 [15] in the light of studies in the foreign like, Sidin et. al. (2004)[16], Abelson & Chung (2005)[4] etc.

STATEMENT OF THE RESEARCH PROBLEM

Today's globalized market is characterized by customers who are so discerning that the products they want to purchase should exactly satisfy features they would prefer. When they decide to purchase the apartment they consider many factors. In the previous study by the present authors (2014) [15], it was noted that the factors like price, quality and

location of the apartments are the most significant factors influencing the purchase decision of customers in respect of apartments. In the above context, the present study focuses on the same study area, and seeks to explore as to what are the exact attributes that support above findings relating to the most important determinants of customers' purchase decision of apartments. Hence the research problem for this may be stated as, "*Identifying the exact nature of the various attributes corresponding to each of the three most important influencing factors contributing the customers' purchasing decision on residential apartments*".

OBJECTIVE OF THE STUDY

- To understand more about the three major influencing factors (viz. Price, Quality, and Location) regarding the customers' purchase decision on residential apartments;
- To identify the exact nature of the various attributes and their relative ranking in respect of each of the three influencing factors as noted above; and
- To suggest strategies for targeting of customers and positioning of residential apartments, including a basic model for sustainable business, based on the findings of this study.

THE STUDY AREA

As in the previous study by the present authors (2014) [15], Ernakulam city limit in central Kerala is selected for this more focused study too. Researchers have selected four areas that are witnessing heightened residential real estate activities viz.(i).Thrippunithara, (ii). Ernakulam, (iii)Vyttila, and (iv) Ernakulam Marine Drive – all these areas are within Ernakulam city limit.

RESEARCH METHODOLOGY

This study has been conducted during February- March 2015, and customers are taken as focus groups. A total of 187 customers were randomly selected by the authors from four study areas and adopted self-administered questionnaires as its data collection instrument. The total 187 questionnaires with 3 factors and three attributes in each factor are set distributed to respond. Thus altogether 9important attributes incorporated in questionnaire. Out of 187 questionnaires distributed, 150 were retrieved properly (80.213 %) and 37 numbers of questionnaires (19.786%) were not responded properly. So they were rejected. Each consumer was asked to respond all the variables in a questionnaire on a five-point Likert scale where 1 = Least Important, 2= Less Important, 3 = Moderately Important, 4 = Important, 5= Most important. The questions were primarily based on the attributes of following factors that are observed in the previous study of the researchers as three dominant factors influence the purchase decision of the customers in the study area. Therefore, the researchers have this time examined in detail as to the various attributes in respect of the three most important factors as revealed in their previous study namely viz. (1) Price of apartment, (2) Quality of Apartment, and (3) Location of apartment.

PROFILE OF THE RESPONDENTS, ANALYSIS OF THE FIELD DATA AND DISCUSSION

In this section a brief profile of the respondents of the study is given and is followed by analysis of the feedback received by them. It is noted that vast majority of the respondents are gents (80 percent). Ashigh as 70 percent of them have urban background. Almost three-fourth (74 percent, to be exact) of them are in the age bracket 31 to 50 years.

Likewise, it is noted that as high as 72 percent of them have higher education. (Tables 1 to 4).

Table 1: Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	120	80.00	80.00	80.00
Female	30	20.00	20.00	100.00
Total	150	100.00	100.00	100.00

Source: Survey Data

Table 2: Area of Residence

	Frequency	Percent	Valid Percent	Cumulative Percent
Urban	105	70.0	70.00	70.00
Semi urban	33	22.0	22.00	92.00
Rural	12	8.00	8.00	100.00
Total	150	100.0	100.00	100.00

Source: Survey Data

Table 3: Age Description

	Frequency	Percent	Valid Percent	Cumulative Percent
21 - 30	12	8.00	12.0	12.0
31-40	66	44.00	38.0	50.0
41-50	54	36.00	36.0	86.0
51-60	12	8.00	10.0	96.0
61 and Above	6	4.00	4.0	100.0
Total	150	150	100.0	100.00

Source: Survey Data

Table 4: Educational Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Up to 10 th	15	10.00	10.00	10.00
Secondary	28	18.00	18.00	28.00
Diploma	27	18.66	18.66	46.66
Graduate / Post-Graduate	62	41.34	41.34	88.00
Engineering / Medicine	18	12.00	12.00	100.00
Total	150	100.0	100.00	100.00

Source: Survey Data

Table 5: Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Business	45	30.00	30.00	58.0
Professional	48	32.00	32.00	80.0
Govt: Service	45	30.00	30.00	90.0
Others	12	8.00	8.00	100.0
Total	150	100.0	100.0	100.00

Source: Survey Data

Table 6: Income level

	Frequency	Percent	Valid Percent	Cumulative Percent
3 lakhs- 5 lakhs	21	14.00	14.00	14.0
5 lakhs – 9 lakhs	90	60.0	60.00	74.0
9 lakhs above	39	26.00	26.00	100.0
Total	150	100.0	100.0	100.00

Source: Survey Data

Further, it is noted that roughly one-third each of them fall under the three major occupation groups viz. (i) Business, (ii) Professionals, and (iii) Government-service. Majority of them (60 percent) are in the income group 5 to 9 lakhs per annum. (Tables 5 and 6).

As already noted earlier, a Five-point Likert scale has been used to analyze the data collected from the customers. Accordingly, Tables 7 to 9 have been formed assimilating the data collected from the customers relating to the three major influencing factors viz. (i) Price, (ii) Quality, and (iii) Location. The various attributes contributing to each of these three major influencing factors are given suitable weights in order to assess their relative significance. Tables 7 relates to Price, Table 8 to Quality and lastly Table 9 to Location.

Table 7: Price Determinants of Purchase of Residential Apartments

What are Price Attributes do you Considered as Important that Leading to Purchase Apartment in the Study Areas?	1	2	3	4	5	Mean
1. Economy type and availability of minimum essential facilities in apartment	15	12	15	59	49	3.766
2. Easy accessibility of loan from banks	23	22	19	54	32	3.333
3. Developers' efforts in getting loans sanctioned by banks	20	26	25	45	34	3.313

Source: Computed based on Survey Data

Table 7 assimilates the customers' feedback to the question, "What are the price attributes that are considered as important while you make the decision to purchase apartment?" The Table reveals that most of the customers have preferred to purchase apartments which are of economy type and ensured the minimum essential facilities. In fact 59 out of 150 respondents have considered the said attribute as important (weight 4), while as high as 49 of them this is most important (weight 5). The mean score said attribute is 3.766. On the other hand, for the second attribute "Easy accessibility of loan from the banks" as high as 54 customers found it important (weight 4) while for 32 of them it is most important (weight 5). The resultant net rank is noted to be 3.33 for the second attribute. The third attribute seeks to assess as to how far the developers have helped the customers in getting the loans sanctioned by banks. Here, it is noted that for 45 this attribute is important (weight 4) while for 34 is most important (weight 5). Thus, for a majority of 79 customers (52.66 percent) the role of developers is significant for raising loans from banks for purchase of apartment. (Table 7).

Table 8: Quality Determinants Purchase of Residential Apartments

What Are Quality Attributes Do You Considered as Important That Leading To Purchase Apartment	1	2	3	4	5	Mean
4. Expert opinion and media information regarding the quality of products.	14	18	13	63	42	3.606
5. Quality assurance credentials like ISO certificate	17	19	11	65	38	3.586
6. Perception on quality products and having satisfying capacity while and after purchase	14	15	12	63	46	3.746

Source: Computed based on Survey Data

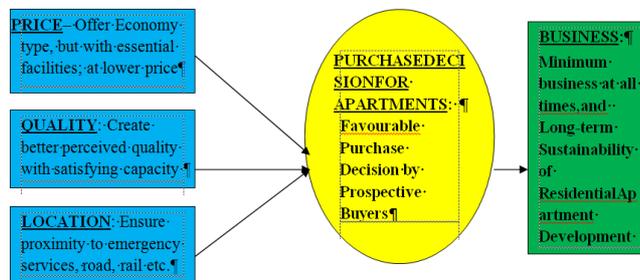
Table 9: Location Determinants Purchase of Residential Apartments

What are Location Attributes Do you Considered as important that leads to purchase apartment?	1	2	3	4	5	Mean
1. Location that is adjacent to all important emergency services, road rail transport accessibility	14	21	14	57	44	3.733
2. Location that is free from noise and pollution	21	32	23	40	34	3.226

Table 9: Contd.,							
3.	Free from crime and social abuses	20	15	25	51	39	3.493

Source: Computed based on Survey Data

Table 8 depicts the feedback from the respondents under study for the question, ‘What are the quality attributes that are considered as important while you make the decision to purchase apartment?’. A vast majority of 109 customers (72.66 percent) have felt that perceived quality of the product and its capacity to satisfy the customers as a significant factor. Among them, as high as 63 found it important (weight 4) while the rest 46 felt it as most important (weight 5). The overall weighted mean for it is the highest at the level of 3.736. (Table 8). From Table 9, it is noted that regarding the location of the apartment, the attribute ‘Location that is adjacent to all important emergency services, road rail transport accessibility’ is found significant by the majority viz.101 customers, of which 57found it important (weight 4) while 44 felt it as most important (weight 5).The overall weighted score is 3.733. In view of the foregoing, it is meaningful to suggest a basic business model for sustainable residential real estate development based on the three major observations as shown in Figure 1.



Source: Model developed by the authors based on the major findings of this study

Figure 1: A Business Model for Sustainable Residential Apartment Development

SUMMARY OF MAJOR FINDINGS OF THE STUDY

- The study has reiterated the earlier finding that the three factors viz. Price, Quality and Location, in that sequence (order) are the vital factors influencing the purchase decision of customers in respect of real estate residential apartments.
- It is identified that the price factor with attribute “economy type apartment and availability of minimum essential facilities” is most important attribute considering the purchase decision of customers.
- It is further revealed that most of the customers in the study areas prefer to purchase those apartments which are of economy type and ensure the minimum essential facilities. The mean score for this attribute is the highest at the level of 3.766.
- As high as 84 percent of the total customers feel that availability of bank loan is essential for the purchase residential apartments. Of this 32 percent felt it as most important too.
- The study revealed that customers really expect the role and help of real estate developers in getting loans sanctioned to them by the banks, for enabling them to purchase apartments.
- It is revealed that the attribute “Perception on quality products and having satisfying capacity while and after

purchase” dominates among all quality-related attributes with the highest mean value is 3.746. Among the other attributes, “Expert opinion and media information regarding the quality of products” comes second with a mean value 3.606.

- It is observed that the 67.33 percent of customers prefer to purchase apartments having locations adjacent to major emergency services, road and rail transport facilities etc.

SUGGESTIONS

- From a marketing perspective, consumer is sovereign. Study of his purchasing behavior is vitally important for making informed and scientific decisions. Since the consumers’ decision to purchase or dispense with products is based on their perceived quality of the products being offered, developers have to deliver products conforming to the relevant quality attributes and also having the capacity to satisfy their needs. The developers have to consider such vital factors and their respective contributing attributes in designing and marketing of real estate residential apartments.
- The basic business model (Figure 1) suggested based on the findings of this study be duly applied while making their major policy decisions on design and marketing of products.

LIMITATIONS OF THE STUDY AND SCOPE FOR FURTHER EXPLORATION

This study has been done within Ernakulam city limits in central Kerala. The profile of the study area as well as the basic background of the customers is primarily urban in nature. Thus, the findings typically reflect the tastes and preferences of urban settlers. Thus, similar studies in Tier II and Tier III cities would be quite appreciable if conducted as a continuation of this study so that better insights be drawn on semi-urban and rural customers and their buying preferences. Accordingly, separate business models can be developed for such market segments.

CONCLUSIONS

This study has analyzed the leading factors influencing the purchase decision of customers in the purchasing of real estate apartments with reference to Ernakulam city. The study observed price, quality and location factors as the major factors and also identified one vital attribute corresponding to each of these major factors as the most significant determinant influencing the purchase decision of customers. The overall finding is that customers prefer to purchase those apartments (i) that are located adjacent to major emergency services, road and rail transport facilities, (ii) that are of economy type and also with availability of minimum essential facilities, and (iii) having high perceived quality and also satisfying capacity while and after their purchase. The major contribution of this study is that the researchers could provide guidelines to the residential property developers regarding the vital factors that need attention along with their corresponding leading attributes. Likewise, the customers prefer to purchase apartments having minimum requirements. Therefore, the researchers give some insights to the developers as to how they should design and market their products, along with a sustainable business model.

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