Purchase of Residential Flats - Factors Influencing the Decision of Buyers in Selected Cities in Tamil Nadu

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Abstract

The property purchase is a complex decision-making process as evidenced by costly acquisition, infrequent purchase, riskiness, high self-expressiveness, and awareness among buyers of significant differences among product alternatives. Buyers are very particular about the property attributes that they are contemplating, thus, giving rise to differences in attribute preferences among them. In this context, property marketing can be problematic if developers do not have a sufficiently complete picture of buyers’ preferences for such attributes. The present study is to study the factors that affect purchase decision of residential flat in the study areas. The conclusion is the result of the study reveals that the Basic Amenities is the most important factor while selecting a residential flat followed by Financials, Layout, Proximity, Connectivity, Environmental/Location, Recreational and Leisure and Goodwill factors while deciding to purchase residential flat in the study areas.

Key words: Buyer Behavior, Factors Influencing the Decision of Buyers, Purchase of Residential Flats.

Introduction

Human being is a unique creation of this world. As humans, people need to have certain essential things for survival. The basic amenities of living for people are food, clothing and shelter. For shelter people need a house. But the land available is limited. The best use of land for shelter is building of the apartment. This way minimum land can be utilized for the shelter of maximum people.

In today's rapidly changing world, there is a drastic change in the life style of the people. People prefer to have a comfortable living with modern dressing styles and rich looks, sumptuous food, air-conditioned rooms, luxury cars and homes with all facilities/amenities. They want to fulfill their lifetime ambition of owning a beautiful house with an aesthetical appeal and they attain the status of "customers" in the context of home-buying once they complete the transaction of purchase or occupy a residential house or apartment as an owner; such home-buying customers actually influence the demand of a construction project.

Real Estate Sector in Overview

The real estate sector in India assumed greater prominence with the liberalization of the economy, as the consequent increase in business opportunities and labour migration led to rising demand for commercial and housing space. At present, the real estate and construction sectors are playing a crucial role in the overall development of India’s core infrastructure. The real estate industry’s growth is linked to developments in the retail, hospitality and entertainment (hotels, resorts, cinema theatres) industries, economic services (hospitals, schools) and information technology (IT)-enabled services.

The Indian real estate sector has traditionally been dominated by a number of small regional players with relatively low levels of expertise and/or financial resources. Historically, the sector has not benefited from institutional capital; instead, it has traditionally tapped high net-worth individuals
and other informal sources of financing, which has led to low levels of transparency. This scenario underwent a change in line with the sector’s growth, and as of today, the real estate industry’s dynamics reflect consumers’ expectations of higher quality with India’s increasing integration with the global economy.

Purchasing of Residential Apartment

A buyer will consider a number of factors when purchasing a residential apartment. The major factors are location, building size, type of unit, number of bedrooms, design and layout, amenities, facilities, view, density, developer reputation, promotional efforts, security, and convenience. Other attributes that may contribute to dwelling choices are workplace accessibility and environmental quality. These factors form the market value of a property. In an experiment on the determinants of buyer aspirations and reservation prices of properties. The advantages and disadvantages in these factors create buyer’s motivation or demotivation in selecting a property. Residential apartment purchase is a complex decision-making process which requires a buyer to pass through a number of steps. It starts with the requirement to identify product profiles, and then a search for information on the related profiles. The set of information gathered will consequently enable the buyer to evaluate these profiles based on certain criteria and hence, to make product choice before completing the purchase cycle with an after-sale evaluation.

At the evaluative level, product attributes required by a buyer are determined so that problems identified in real estate can be resolved and these attributes are evaluated in terms of elements, number and importance. Attribute elements include price level, design type, floor size, style presentation, extent of prestige, and image portrayal, for which a buyer considers them in combination during a purchase decision. Number relates to the total evaluative criteria considered in a particular purchase decision-making process while importance concerns the influence that each criterion has in the comparison process.

The accuracy of the evaluation of product alternatives is situational. One situation is where product evaluative criteria do not have any impact on product choice due to the similarity of the levels of criteria between two competing alternatives. Situational factors also affect the importance of a certain evaluative criterion. Location, for example, can be considered as an important criterion if the time factor is ignored.

Customer Perception of Buying Residential Apartment

Customers’ perceptions are formed subsequent to their experience of the services received from an organization. Furthermore, the level of previous customer experience with certain services that serve by other firms can impact on customers’ perception of service quality. Researchers believe that perception and expectation are strong relative concepts (Parasuraman, Zeithaml, and Berry, 1985; Mersha, 1992; Avkiran, 1994). Customers’ perception results from how customers recognize service quality; customers’ expectations, however, can be shaped through the influence of other people.

Factors Influencing Buyers Behaviour

The study of consumer behaviour indicates how individuals, groups, and organizations select, buy, use of dispose goods, services, ideas or experiences to satisfy their needs and desires.

Marketing Factors

Each element of the market mix – product, pricing, promotion and place (distribution) – has the potential to affect the buying process at various stages.

Product: The uniqueness of the product, the physical appearance and packaging can influence buying decision of a consumer.

Pricing: Pricing strategy does affect buying behaviour of consumers. Marketers must consider the price sensitivity of the target customers while fixing prices.
Promotion: The various elements of promotion such as advertising, publicity, public relations, personal selling, and sales promotion affect buying behaviour of consumers. Marketers select the promotion mix after considering the nature of customers.

Place: The channels of distribution, and the place of distribution affects buying behaviour of consumers. Marketers make an attempt to select the right channel and distribute the products at the right place.

Statement of The Problem

In India, the housing problem is felt most acutely in recent years. Even after independence, there is a huge scarcity in the availability of houses. The housing problem has distinctive characteristics in its dual dimensions of quantity and quality. The former is found more in urban areas and the later in rural areas. The problem of insufficient sheltering is a result of the staggering population explosion, migration and concentration in particular areas. Lower per capita income, the phenomenon of nuclear family formation, scarcity of developed land, hike in the cost of building materials, non-availability of skilled manpower and the highly speculative trend in real-estate business dealing in house-sites contribute to the worsening of the situation. A systematic enquiry is to be made to understand the multi-dimensional factors that affect buying decision of the customers. The customers have to consider so many factors before and after purchasing the residential apartment. The knowledge of different factors affecting the buying behaviour and buying preferences of the consumers will provide to builders and developers to launch their residential apartment schemes and to understand the insight of buying behaviour. Hence, promoters will be able to launch their housing schemes better and effectively. Keeping these in mind the research problem has been identified key factors purchase decision of Residential Apartments in the largest cities of Tamil Nadu namely Chennai, Coimbatore, Madurai and Tiruchirapalli.

Scope of The Study

This study throws light on the service quality and the factors that affects the buying decision of residential apartments in the largest cities Chennai, Coimbatore, Tiruchirapalli and Madurai in Tamil Nadu. An attempt has been made in this research the various factors affects the purchase decision of the residential flat in the selected cities and perceived value of the customers about the service quality of the residential flat promoters. This study will be helpful to draw up a further policy for improving customer satisfaction in residential flat and increase performance of the real estate promoters and will act as a secondary data for further research.

Objectives of The Study

• To study the factors that affects purchase decision of residential flat in the study areas.
• To offer valuable suggestions to the residential flat promoters to improve customer satisfaction and to enhance their service quality.

Methodology

The study analyzes the factor that affects purchase decisions of residential flat and perceptions of the respondents about the service quality of the promoters in Chennai, Coimbatore, Tiruchirapalli and Madurai, survey method has been used to fulfill the objectives of the research.

Data Collection

In the present study, both primary and secondary data are used. The required primary data have been collected through survey method with a pre-tested, well structured and non-disguised questionnaire. A questionnaire was developed by the researcher for collecting data regarding factors affecting purchase decisions of residential flat in the study areas. The primary data for service quality were collected from the sample respondents through the interview.
Sampling Size

There are twelve corporations in Tamil Nadu namely Chennai, Coimbatore, Madurai, Tiruchirappalli, Salem, Tirunelveli, Tiruppur, Erode, Vellore, and Thoothukudi of which the largest cities, namely Chennai, Coimbatore, Madurai, Tiruchirappalli, Thanjavur and Dindugal, were selected for the study on the basis of industrial background and availability of employment opportunities. Each city is divided into four regions, namely North, South, East and West. From each region 10 apartments which are constructed from 2009 to 2014 were selected at random, a total of 40 apartments were selected from each city. Therefore, a total of 160 apartments was chosen from Chennai, Coimbatore, Madurai, and Tiruchirappalli cities. Among the selected apartments, three units (flats) were selected for the study on the basis of random sampling technique (drawing lots). Thus, 480 owners of residential flat were selected for the study.

The original instrument designed by Parasuraman et al (1988) with 23 statements in 5 categories has been modified in the questionnaire. The secondary data were collected from the relevant publications of government and non-governmental organizations, previous research studies, national and international journals and online journals.

Factors Affecting Purchase Decision of Residential Flats

The prime objective of the study is to identify the factors influencing the purchase decision of apartment in the selected metropolitan cities namely Chennai, Coimbatore, Tiruchirappalli and Madurai. Therefore, respondents were asked to indicate their opinion regarding the importance of each variable Basic Amenities, Recreational and Leisure, Layout, Financials, Proximity, Connectivity, Goodwill and Environment/Location, in their purchase decision of residential flat, using five point Likert scale ranging from ‘Most Important’ to ‘Most Unimportant’. Scores awarded to the variables were; Most important -5 and Most unimportant-1. The various factors affecting the purchase decision of buying residential flat in the study area are discussed in the succeeding pages.

Basic Amenities of Residential Flats

This factor refers to availability of basic amenities such as Electricity backup, Water supply, Sewerage system, Car parking and Availability of Domestic Help in the residential apartments, the importance assigned to each items of basic amenities is shown in table 1

<table>
<thead>
<tr>
<th>S.No</th>
<th>Parameters</th>
<th>Mean Score</th>
<th>Mean (%)</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Electricity backup</td>
<td>4.20</td>
<td>84.00</td>
<td></td>
</tr>
<tr>
<td>02</td>
<td>Water supply</td>
<td>4.92</td>
<td>98.40</td>
<td></td>
</tr>
<tr>
<td>03</td>
<td>Sewerage system</td>
<td>4.83</td>
<td>96.60</td>
<td></td>
</tr>
<tr>
<td>04</td>
<td>Car/two wheeler parking</td>
<td>3.58</td>
<td>71.60</td>
<td></td>
</tr>
<tr>
<td>05</td>
<td>Availability of Domestic Help</td>
<td>3.47</td>
<td>69.40</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Overall (N=480)</td>
<td>21.00</td>
<td>84.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

Table 1 shows that five variables were included in the factor. All these five variables are related with basic amenities without which a place cannot be considered viable for living purpose. The five variables included in the 1st factor were water supply (mean score 98.40 per cent), sewerage system (mean score 96.60 per cent), Electricity backup (mean score 84 per cent), car/two wheeler parking (mean score 71.60 per cent) and availability of domestic help (mean score 69.40 per cent). These variables were labeled as Basic Amenities. Therefore, it can be inferred from the table that among the variables included in the basic amenities, respondents give most important to water supply and sewerage system while deciding to purchase a residential flat.
Layout of Residential Flats

The layout of the residential apartment is the second factor that affects purchase decisions of residential flat. The items included in this factor are Exterior Look of the Apartment, Interior Design, Floor of the apartment, Number of rooms/bedrooms and Servant room. The importance assigned by the respondents to the variables included in the factor layout is shown in table 2.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Parameters</th>
<th>Mean Score</th>
<th>Mean Score (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Exterior Look of the Apartment</td>
<td>4.10</td>
<td>82.00</td>
</tr>
<tr>
<td>02</td>
<td>Interior Design of the flat</td>
<td>4.08</td>
<td>81.60</td>
</tr>
<tr>
<td>03</td>
<td>Floor of the flat</td>
<td>3.75</td>
<td>75.00</td>
</tr>
<tr>
<td>04</td>
<td>Number of rooms/bedrooms</td>
<td>3.36</td>
<td>67.20</td>
</tr>
<tr>
<td>05</td>
<td>Servant room</td>
<td>2.27</td>
<td>45.40</td>
</tr>
<tr>
<td></td>
<td>Overall (N=480)</td>
<td>17.56</td>
<td>70.24</td>
</tr>
</tbody>
</table>

Source: Primary data

It is understood from the table 2 that the exterior look of the apartment was considered by the respondents as the most important item with a mean score of 82 per cent followed by interior design with a mean score of 81.60 per cent. Floor of the flat, number of rooms/bedrooms and servant room were considered as secondary important by the respondents in selected study areas. Therefore, it can be inferred from the table that variables exterior look of the apartment and interior design of the flat is the most vital aspect with regard to factor layout of the apartment for making purchasing decision of the flat in the study areas.

Environmental And Location of Residential Flat in The Study Area

Items identified for 7th factor were Attractiveness of the area, Low traffic noise, Security from crime, Availability of quality schools and Condition of the neighbourhood. This factor was labeled as Environment. The importance assigned by the respondents for the variables included in the factor is shown in table 4.18.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Parameters</th>
<th>Mean Score</th>
<th>Mean Score (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Attractiveness of the area</td>
<td>2.97</td>
<td>59.40</td>
</tr>
<tr>
<td>02</td>
<td>Low traffic noise</td>
<td>3.48</td>
<td>69.60</td>
</tr>
<tr>
<td>03</td>
<td>Security from crime</td>
<td>4.56</td>
<td>91.20</td>
</tr>
<tr>
<td>04</td>
<td>Availability of quality schools</td>
<td>3.04</td>
<td>60.80</td>
</tr>
<tr>
<td>05</td>
<td>Condition of neighbourhood</td>
<td>1.98</td>
<td>39.60</td>
</tr>
<tr>
<td></td>
<td>Overall (N=480)</td>
<td>16.03</td>
<td>64.12</td>
</tr>
</tbody>
</table>

Source: Primary data

Table 3 shows that among the variable identified in the factor environment/location, the respondents gave very much importance to security from crime with a mean score of 91.20 per cent followed by low traffic noise. The respondents gave secondary importance to availability of quality of school, attractiveness of the area and the condition of the neighbourhood with a mean score of 60.80 per cent, 59.40 per cent and 39.60 per cent respectively. Therefore, it can be inferred from the table that the customers assign much importance to security from crime and availability of quality of school for their children for selecting residential flat in the study areas.
Importance Assigned over All Factors in the Study Area

To identify the order of importance of each factor, mean scores were calculated for each factor. Five point Likert scale ranging from ‘Most Important’ to ‘Most Unimportant’ were used to calculate the mean score of the factors. Scores awarded to the variables Most important-5 and Most unimportant- 1. The importance assigned by the respondents to each factor for making a purchase decision of a residential flat is shown in table 4

Table 4 shows that on the basis of mean scores, it was found that Basic Amenities (mean score 84 per cent) is the most important factor while selecting a residential flat followed by Financials (mean score 71.50 per cent), Layout (mean score 70.24 per cent), Proximity (mean score 69.50 per cent), Connectivity (mean score 65.26 per cent), Environmental and Location (mean score 64.12 per cent), Recreational and Leisure (mean score 58.40 per cent) and Goodwill (mean score 51.90 per cent) factors. The importance assigned factors by the respondents in the study areas is also shown in figure 4.

Conclusion

To conclude, the result of the study reveals that the Basic Amenities is the most important factor while selecting a residential flat followed by Financials, Layout, Proximity, Connectivity, Environmental/Location, Recreational and Leisure and Goodwill factors while deciding to purchase residential flat in the study areas. The study also reveals that there is no significant difference between region-wise distribution and importance assigned to factors and there is no significant relationship between demographic variables and importance assigned factors that affect purchase of residential flat in the study areas. The next chapter analyzes the perception and expectation of the customers about the service quality of the residential promoters in the study areas.

References:


