Consumer Buying Behaviour in Indian Real Estate – Key Challenges and Opportunities

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Abstract – The real estate sector is one of the most globally recognized sectors. In India, real estate is the second largest employer after agriculture and is expected to grow at 30 per cent over the next decade. Decisions for investment, buying and selling of properties depend on many factors such as pricing, product, location, amenities etc. Consumers buying behaviour is completely dependent on all above parameters and many real estate developers are facing key challenges in accommodating all of the above parameters. This sector is benefitted by the various initiatives of the Government like Pradhan Mantri Awas Yojana, Pradhan Mantri Gramin Awaas Yojana, Rajiv Awas Yojna, etc. aiming at providing a house to all citizens. It is thus, important for the companies in this sector to identify the buying behaviour of customers looking to buy flats with its associated challenges and opportunities. The present study has been carried out to understand different key challenges and opportunities of consumer buying behaviour with special reference to properties located in Mumbai region.

Key words: Consumer Behaviour, Real Estate, RERA

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INTRODUCTION

It is estimated that by 2030, India would approximately require 10 million new housing units per year. Rapid population growth, rising incomes, decreasing household size and a housing shortage of currently 20 million units will call for extensive residential construction. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy. The knowledge of different factors affecting the buying behaviour and buying preferences of the consumers will provide insights of buying satisfaction. Due to the Government approval of 100% FDI in India, real estate development and steady capital market, some major investments are being made in the real estate sector. Buyers from all across the world are showing interest in Indian property and it now features at the top of the list of the international real estate investors. Consumer behaviour is the study of individuals, groups or organizations in obtaining, using and disposing of products and services, including the decision processes that precede and follow these behaviours. Consumer behaviour focuses on human behaviour and the reasons behind these behaviours. While buying real estate properties, the focus of the consumer is totally on the preferential choice such as pricing, the product offerings, location of the project, nearby amenities, financial schemes, worth investment decisions. The key challenges for promoters and the developers have been to attract consumers and convert the deals from enquiry sourcing to closing. The opportunities for promoters are being seen as the transparency created so far with reference to the RERA regulations. With compliance to RERA, consumers can rely on the completion period of the project as well as commitment of the promoters which is directly gaining significance for real estate transactions. The government introduced RERA to bring complete transparency between buyers and sellers. This act has raised the interests of home buyers and confidence among the consumers. Mandatory registration, strong penalties and complete transparency are some of the features of RERA.

LITERATURE REVIEW

Kotler and Amstrong (2005), Mowen (1995) and Engel et al. (2005) suggest that there is a generic decision-making process. Rossi (1980), Law and Warnes (1982) and Livette (2006) have used the same model of decision-making process for evaluating housing options. The buying behaviour is influenced by both internal and external factors. Internal factors such as: motivation, perception, consumer resources, knowledge, attitudes, personality, values and lifestyle exercise significant effect. Cultural background, social class, personal

influence, reference group and situation also influence the decision.

The research paper titled, "Consumer perception and buyer behaviour for purchase of residential apartments in NCR", published in International Journal of Indian Culture and Business Management 6(1):56 – 68, (January 2013), by Mansi Misra, Gagan Katiyar and Ajoy Kumar Dey, represents the motivation for the research was to identify the external and internal factors considered by buyers of residential apartments in National Capital Region of Delhi (NCR). Internal factors refer to the specifications and facilities offered by the builders within a township, whereas external factors refer to easy availability of loan, payment plans, discounts, brand name of builder, etc. This research also helps in analyzing the differences in perceptions of buyers about the three important locations for residential apartments in NCR, viz. Gurgaon, Noida and Greater Noida based on parameters such as business opportunities, law and order situation, medical/educational facilities, etc.

Engel et al. (2005) defined consumer behaviour as 'those activities directly involved in obtaining, consuming and disposing of products and service, including the decision processes that precede and follow these actions'. Moreover, *Schiffman and Kanuk (2010)* mentioned that consumer behaviour is 'the behaviour that consumers display in searching for purchasing, using, evaluating and disposing of product, service and idea which they expect will satisfy their needs'. Therefore, knowing the factors which influence the buying behaviour for a product could increase the sales volume. Same holds true for residential apartments.

In the paper, "Consumer Behavior Applications To Real Estate", presented at the American Real Estate Society Meeting April 1998, by Prof. Karen M. Gibler and Prof. Susan L. Nelson, Mercer University Drive Atlanta, it is stated that, Most real estate study is based on neoclassical economictheory that assumes that people make rational decisions about renting and buying real estate as part of their attempt to maximize utility. The study of consumer behavior is the study of individuals, groups, or organizations in the selecting, purchasing, using, and disposing of goods and services to satisfy needs and desires. Decision making are a function of both internal and external influences on behavior, this paper studies the Internal Determinants of the Consumer Behavior like; Motivation, Perception, Knowledge and Learning, Attitudes, Self-Concept, Personality and Lifestyle and External Determinants of the Consumer Behavior like Reference Groups, Culture, Subculture, Social Class and Family, which influences the demand for different housing Types. The authors have concluded that, Appraisal attempts to estimate the value of property to consumers. Market analysis attempts to predict consumer demand for real estate services. Investment analysis examines the required

and expected rate of return to an investor, and finance analyzes consumers' mortgage choices and likelihood of repayment. The study of consumer behavior involves trying to understand complex human beings and the reasons they act the way they do in the marketplace. It recognizes that consumer decisions take place inside a person who is distinctive in his personality and attitudes, yet similar to other consumers who have been exposed to the same external influences of culture and society.

OBJECTIVE OF THE STUDY

The objectives of the present study are:

1. To study customer behaviour towards purchase of flats in India.

2. To understand what are the customer preferences while purchasing property.

3. To understand the buying process for property.

4. To understand the key challenges of consumer buying behaviour for real estate purchases.

RESEARCH METHODOLOGY

1. Research Method – Descriptive Research design

2. Sampling: A Sample size of 30 is been selected from Mumbai City. Convenience sampling method is used.

3. Data collection: Primary data was collected from respondents who were potential buyers. Secondary data was collected through Website, journals, company brochures etc.

4. Tools of data collection: A Structured questionnaire sent to all respondents.

5. Data Analysis: Tables, graphs & charts were used to analyze the data.
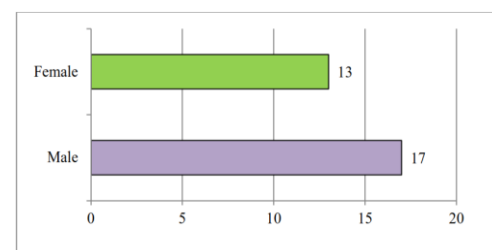
DATA ANALYSIS

Figure 1: Respondent Classification

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Interpretation: Out of 30 Respondents, 17 are male and 13 are female (Figure 1)
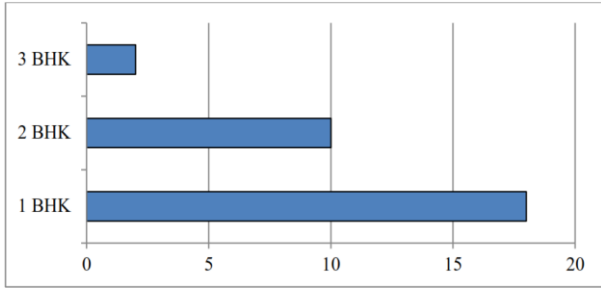

Figure 2: Requirements of the Respondents

Interpretation: Out of the 30 respondents, most of the buyers were looking for 1 BHK (60%), followed by 33% requirement for 2 BHK flats and only 6 % for 3 BHK flats. (Figure 2)
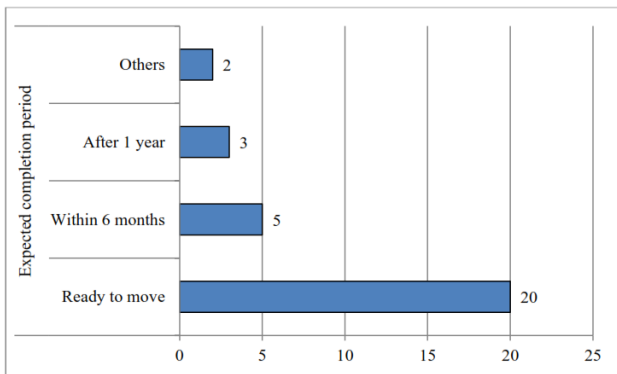

Figure 3: Expected completion period

Interpretation: Out of the 30 respondents, most of the buyers were looking ready possession (66%), other are expecting completion period ranging from 3 months to 1 year+.
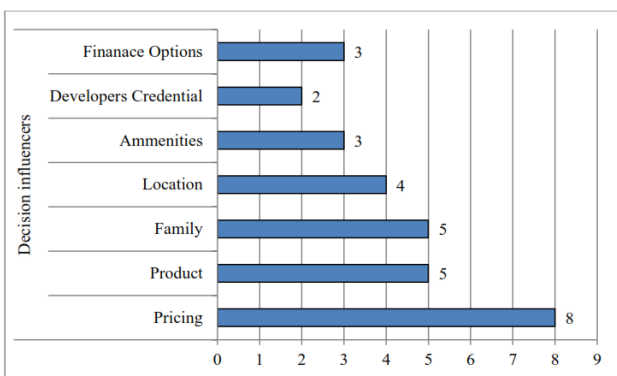

Figure 4: Decision Influencers

Interpretation: Pricing was the key decision influencer observed after the response as the pricing within budget of the buyer influence most while making decision. Apart from pricing other factors such as location, product offerings are also matters to few of the buyers. (Figure 4)
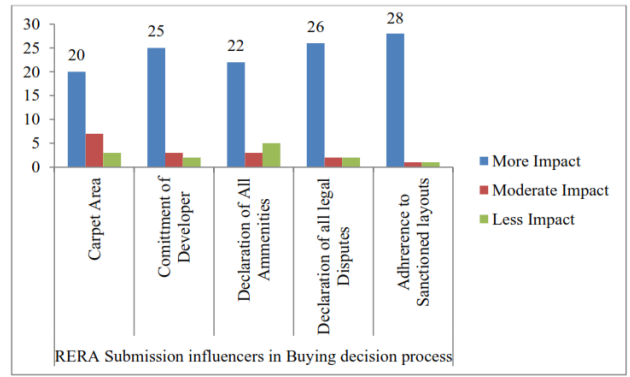

Figure 5: RERA Submission influencers in buying decision process

Interpretation:

During buying decision process, many of the respondents have reviewed the submissions done by the promoters on the RERA website. Most of the respondents (60 %+) feels that, compliance submission done by promoter largely impact the decision making process. (Figure 5)

FINDINGS

1. The questionnaire study was conducted on 30 respondents, out of which 17 are male and 13 are female respondents.

2. Most of the buyers were looking for 1 BHK (60%), followed by 33% requirement for 2 BHK flats and only 6 % for 3 BHK flats. So demand of 1 BHK for independent working couples is more compared to extended families requirement of 2 BHK and 3 BHK.

3. Most of the buyers were looking ready possession (66%), other are expecting completion period ranging from 3 months to 1 year+. The buyers are more worried about the completion period of the project considering the past few years of experience of delayed completion. Hence buyers are willing to invest their money with ready to move and take possession of the property.

4. Pricing was the key decision influencer observed after the response as the pricing within budget of the buyer influence most while making decision. If the price of the apartment / flats are well within the expectation of the buyers, the buyers are rushing towards the properties. Apart from pricing other factors such as location, product offerings are also matters to few of the buyers.

5. During buying decision process, many of the respondents have reviewed the submissions done by the promoters on the

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RERA website. Most of the respondents (60 %+) feels that, compliance submission done by promoter largely impact the decision making process.

CONCLUSION:

It can further be concluded that, pricing is the key decision making influencer in the buying decision process. While the need of 1 BHK (smaller homes) is increasing, the pricing associated with the flat / apartment also plays significant role in impacting buying decision. One of the key challenges for promoters of the project is to complete the project on committed time as buyers are more inclined towards ready possession apartments. After the implementation of RERA, buyers have easy access to all project specifications. The buyers from Mumbai are researching more on the RERA webpage before visiting the site. While carpet area is the key factor which determines how much usable area will be available after purchase. With this, buyers are now rest assured that there is complete transparency.

Though there are more challenges in keeping the pricing low , providing all the amenities with prime location of the land , The opportunities for the promoters also exists as to influence the buyers with clear and transparent submission and compliance to RERA. Builders and Real Estate companies should therefore make use of the platform available to reach the customers and advertise their products.

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