

C

# Comparison between Consumers and Casual Investors' Decision to Buy Downtown Bangkok Condominiums

## การเปรียบเทียบการตัดสินใจซื้อคอนโดมิเนียมในเมืองระหว่างผู้บริโภคกับนักลงทุนที่ไม่ใช่มืออาชีพ

- ผู้ช่วยศาสตราจารย์ ศรีณยพงศ์ เทียงธรรม
- ภาควิชาการตลาด คณะบริหารธุรกิจ
- มหาวิทยาลัยกรุงเทพ
- **Assistant Professor Saranyapong Thiangtam**
- Marketing Department
- School of Business Administration
- Bangkok University
- E-mail: saranyapong.t@bu.ac.th

### บทคัดย่อ

การวิจัยเชิงคุณภาพในครั้งนี้มีวัตถุประสงค์เพื่อศึกษาถึงความคิดเห็น ความคาดหวัง ตลอดจนปัจจัยต่าง ๆ ที่มีผลต่อการตัดสินใจซื้อคอนโดมิเนียมในเมืองของกลุ่มผู้บริโภคและนักลงทุนที่ไม่ได้ทำเป็นอาชีพในกรุงเทพมหานคร โดยใช้วิธีการสัมภาษณ์กลุ่ม เจาะจงผู้บริโภคที่เพิ่งตัดสินใจซื้อคอนโดมิเนียมในเมืองในระยะเวลาไม่เกินหกเดือนจำนวนสองกลุ่ม รวมสิบสี่ราย จากผลการวิจัย พบว่า การซื้อคอนโดมิเนียมของผู้ซื้อทั้งหมดมีความคิดแฝงในเชิงการลงทุนที่คาดหวังผลตอบแทนอยู่ด้วยและประโยชน์เชิงภาพลักษณ์ของคอนโดมิเนียมมีความสำคัญและมีความสัมพันธ์ไปในเชิงบวกกับการตัดสินใจซื้อคอนโดมิเนียม นอกจากนี้ ยังพบว่า ผู้ซื้อเพื่อลงทุนจะตัดสินใจรวดเร็วโดยมีเกณฑ์ในการพิจารณาค่อนข้างชัดเจน คือ โครงการตั้งอยู่บนทำเลที่มีโอกาสเกิดโครงการอื่นอีกยาก ผู้พัฒนาโครงการมีความน่าเชื่อถือเป็นอย่างมากในการพัฒนาโครงการซึ่งมีจำนวนยูนิตโดยรวมทั้งโครงการ

ไม่มาก การทราบข่าวการเปิดตัวโครงการก่อนผู้อื่น การเข้าไปพิจารณาและเลือกก่อนและเลือกห้องที่น่าสนใจ แต่มีราคาสูงกว่าในเชิงเปรียบเทียบกับห้องอื่น ซึ่งแตกต่างจากผู้บริโภคที่ซื้อคอนโดมิเนียมเพื่ออยู่อาศัยจะพิจารณารายละเอียดหลาย ๆ อย่างของโครงการอย่างละเอียดรอบคอบ คาดหวังการได้เห็นห้องจริงก่อนการตัดสินใจซื้อ โดยต้องการความแน่ใจว่าเป็นโครงการที่ดีที่สุดที่ควรเลือก และเป็นห้องที่ดีที่สุด

**คำสำคัญ:** พฤติกรรมผู้บริโภค การตัดสินใจซื้อคอนโดมิเนียม การซื้อคอนโดมิเนียมเพื่อลงทุน

## Abstract

This qualitative research aims to study opinions, expectations and all factors that have an impact on consumers and casual investor's decision to buy a downtown condominium in Bangkok. This research was conducted by interviewing consumers who have purchased a downtown condominium within the past six months. A total of fourteen people interviewed were divided into two groups. The research found that all of them had an implicit expectation for a profit, and the condominium's image played a key role and positively related to the purchase decision. In addition, it found that investors made a quick decision based on quite clear criteria, such as a condominium project being located in an area where new projects were very unlikely, the project developer has a high credibility based on experience, the project had a limited number of units, or they knew about the project before anybody else and had the opportunity to select and secure interesting rooms at comparatively lower prices. On the other hand, those who purchase a condominium for residential purposes would consider several aspects of the project in detail and expect to see the real room before deciding to buy because they want to make sure that it is the best project and best room available.

**Keywords:** Consumer Behavior, Condominium Purchase Decision, Buying Condominium as an Investment

## 1. Introduction

During the past few years, the purchase behavior of people wanting to live in the Metropolitan Bangkok Region has changed. For the sake of a convenient lifestyle and

saving time and travel expenses, a condominium has become an alternative that suits consumers' needs well. According to the survey conducted in 2008 by the Real Estate Information Center of the Government Housing Bank,

there were 206 condominium projects in the Bangkok Metropolitan Region; 10 percent of them were located in the five nearby provinces and the remaining 90 percent were in Bangkok. Condominium projects which were located within 2 km. of the elevated train increased 60 percent because project developers wanted to emphasize the selling points of convenience and saving of time and traveling expenses.

Given the proliferation of condominium projects and the fact that the majority of them had reported good sales, it raised the question, “What were the critical purchase factors and how different were they when casual investors or consumers made a purchase decision?”

### **1.1 Objectives of the Research**

To compare purchasing objectives, needs, expectations and opinions on various factors that affect decisions by consumers and casual investors’ preferences for buying a downtown condominium in Bangkok.

## **2. Literature Review**

### **2.1 Consumer’s Purchase Decision**

Consumer purchase decisions (Thiangtam, 2004: 229) is a problem solving procedure which has multiple stages, both before a decision to buy a product/brand and after the purchase. Consumer decision making can be

divided into three types: major decision making, minor decision making and decision based on one’s familiarity. Major decision making usually occurs when it is a highly involved purchase, namely a stage when consumers are highly concerned or attentive, or in a case where consumers consider the purchase highly significant and a wrong decision could possibly have serious implications. This usually occurs when consumers are going to buy a “high involvement product, such as something expensive that consumers cannot afford to buy often, consumers are not accustomed to that product, the product is related to consumers’ pride and image or the product is related to consumers’ taste, emotion or aesthetic senses. In this case they would spend a lot of effort and resources in searching for information. The selection procedure and comparison of different choices will be done carefully. The decision to buy a high involvement product based on one’s familiarity occurs because of customer brand loyalty. This means a consumer previously made a complicated decision to buy a product and has been satisfied with it. After several satisfying experiences, consumers have become attached to the brand both behaviorally and emotionally and they will only purchase this brand.

It can be concluded that a condominium purchase is categorized as a major decision. In case of a repeat purchase, it is a decision

based on familiarity as a result of brand loyalty.

## **2.2 Purchase Decision Process**

Consumer purchase decisions consists of five stages as follows:

1. Problem or Need Recognition
2. Information Search
3. Evaluation of Alternatives
4. Purchase Behavior
5. Post-purchase Evaluation

A purchase decision begins with the consumer's realization of a problem needing to be solved. Realization is based on the awareness of differences between actual and desirable conditions. Examples of the factors that motivate consumers to realize a problem are changes in their life such as relocation, change of job, marriage, birth of a child, exposure to better products and marketing campaigns, etc. The second stage is the information search. Consumers usually start with the internal search or existing information obtained from their direct experiences with products or their collection of information. Then, consumers will continue with the external search by collecting information from various sources by their own data processing. Examples of sources for external information are individual sources, independent sources or reliable sources, direct experiences from product trials, market data presented via various promotional marketing such as

advertising sales representatives, and such like. In the evaluation of alternatives stage, several aspects about consumers need to be understood: (1) criteria or characteristics that a consumer uses for evaluating alternatives, (2) methods used to evaluate certain qualities, and (3) consumer's rules for decision making. The stage of alternatives evaluation is followed by the stages of purchase behavior and post-purchase evaluation.

Through interviews, the researcher sought to understand consumer needs to purchase a condominium, their search for and sources of information, comparison of choices and purchasing decisions based on the foregoing theoretical framework.

## **2.3 Total Customer Cost and Total Customer Value**

Total customer cost means expenses that customers expect to occur as a result of alternatives comparison, acquisition, usage, disposal of a product or a market proposal. Total customer cost includes costs of capital, energy, time and emotional concern (Kotler and Keller, 2006: 133). Total customer value is the recognition of worth and capital value of a product or market proposal in terms of both function and emotion. Total customer value comprises value of a product or service itself, value of an individual and product image.

The theories of total customer cost and total customer value were applied as a framework for interviewing the sample groups. Interviews attempted to compare condominiums with other types of residences and compare different condominium development projects.

## 2.4 Theory of Self-Image

Self image means “*the whole picture of one’s points of view and feelings towards oneself as an object.*” (Mowen and Minor, 1998: 211, cited in Teepaparn, 1999: 114). Marketers have applied the theory of social personality proposed by a psychologist named Carl Rogers that everybody has an image of themselves and tries to maintain and boost it. Thus, the consumer’s purchase decision is always related to the concept of self-image. Here, “self-image” is different from “personality” because self-image also contains some unreal facts about a person.

## 2.5 Theory of Social Stratification and Symbol of Status

Social rank is changeable. It can be upward or downward mobilization. In general, consumers wish to upgrade to a higher social status. Consequently, a higher-class society will have various impacts on those of lower-status. In particular, those who wish to upgrade their social status will rely on the values, attitudes and consumer behaviors of those of upper status. Therefore, developing

a product or shop to be a *Symbol of Status*, or something that identifies social status, will attract the interest of the target social class market for the product. At the same time, it will also motivate people of lower class to become interested and desire it (Thiangtam, 2004: 172).

## 3. Research Methodology

This research applies the qualitative approach by using a focus group interview and discussion method. The issues covered by interviews and discussions were consumers’ needs, expectations, opinions about a condominium as a residence and their purchase decision. The fourteen selected consumers who had bought a condominium, either for residential purposes or investment, were divided into two groups for the interviews. The interviews took approximately two hours per group. Main issues of the interviews were (1) the type of residence preferred and the reasons why, (2) most important reasons why they wanted to buy a condominium and (3) critical factors for selecting a condominium.

## 4. Findings

### 4.1 A “house” provides better quality of living but a “condominium” has lower customer cost and therefore results in a better quality of life.

Every participant in the discussion group agreed that a house is “superior” to a

condominium in terms of both utility space and compound. In addition, public space of a housing project is larger than that of a condominium project. Another major point is authentic privacy. Living in a house is ideal, as projected in the advertising of housing developers. However, after considering their lifestyle and certain costs, the participants concluded that living in a condominium was more suitable because they could manage the time better and have enough for various activities without losing time and money in everyday travel.

**4.2 Emotionally, “house” is a “burden and worry,” whereas condominium is “convenience.”**

Participants in the group discussion thought that owning a house causes several burdens such as general maintenance, depreciation, caution over burglars and safety, whereas a condominium can eliminate all of these emotional burdens.

**4.3 Every decision to buy a condominium had the implicit objective “worth the investment.”**

The majority of participants in the discussion group, whether they bought a condominium as an investment or as a residence, agreed that buying a condominium is a better investment because of the higher resale value. In-depth details in their thoughts,

awareness and opinions are as follows:

4.3.1 Downtown condominiums are hard to replace because several downtown areas have limited space available. On the other hand, there are a lot more plots of land that can be developed into new housing projects.

4.3.2 By comparison, a house deteriorates more and needs continual maintenance. The house itself as a building depreciates in value as time passes. Therefore, any future increase in value will mainly come from the land where it is located, not the building itself.

4.3.3 In case of rental, it is easier to lease a condominium than a house and the owner has a higher bargaining power.

4.3.4 Thai people like to buy new houses and do not like second-hand houses but can accept second-hand condominiums. This is why second-hand condominiums can be sold much more easily.

4.3.5 It needs a large capital to renovate an old house and is not worth it for resale.

4.3.6 For those who can afford it, buying a condominium so as to live in the downtown area is a better alternative than renting a room which they do not get to own. The increasing value of a condominium is worth paying a monthly mortgage.

4.3.7 A condominium is not necessarily the last home. In the future, after moving into a house the condominium will become an asset that gives a good return.

#### 4.4 Classification of Condominium Buyers for Investment

4.4.1 Casual investors mean buyers of condominiums as an investment. According to the interview, this group could be categorized as follows:

##### 4.4.1.1 Investment for Resale-Change of Contract before Ownership Transfer

This group of investors expects to double or triple their investment at the minimum. Each resale they add a desirable amount of profit to the total unit price. Thus, the profit will not be less than the amount that they spent on the down payment. For example, the net price of a condominium is Thai Baht (THB) five million. They make a down payment of about ten to twenty percent, secure a purchase contract and at the same time announce the resale. Thus far they have paid THB half a million to a million. Then they announce the resale price at THB six million. Consequently, the profit would be 200 percent of their investment. This group of investors is not interested in housing loans because they do not intend to use them.

##### 4.4.1.2 Investment for Lease

This group of investors can be divided into two subgroups:

- The first group of investors are those who cannot sell the room before the ownership transfer. This group wants to make a quick return on investment. In the case where they cannot resell the room, they lease it as soon as possible. Another major reason for this is because a condominium owner has to pay monthly public fee.

- Another group of condominium buyers plan to lease from the beginning. This group expects to make a seven to ten percent profit, which is higher than a bank saving interest, and also expects a long-term value added to the condominium. Several buyers regard it as an investment type where “the tenant helps them pay monthly mortgage to the bank so they can finally own the asset.”

##### 4.4.2 Purchases for Residential Purpose

Condominium buyers for residential purposes, whether as their first home or as a second home for weekdays or weekends, think that buying a condominium is “worth the investment.” Buying a condominium is better than renting a room because ultimately they will own it. In the future, when they do not have to stay in that condominium, they could get a return by leasing or selling it at a higher price.

#### 4.5 Factors for Purchase

**Investors decide to buy because they are “confident” but buyers for residential purpose need to be “sure”.**

Major differences between investors and residents:

4.5.1 Buyers for investment have quite clear criteria for their decision making as follows:

- The project is located in an area where it would be difficult to have new projects.
- The project developer has high competency, evaluated from reputation, experience, successful owner or management team or ownership by foreign company or a joint venture with foreign company.
  - The project does not have many units.
  - The project was known about before being made public.
  - They have prior options to select before the general public.
  - They can get a room in a good location and floor at a comparatively lower price.
  - They have to pick and decide to buy quickly as soon as they feel “confident.”

4.5.2 Buyers for residential purposes have various and meticulous criteria. They need to see and feel “sure” that (1) it is the best project they could select, and (2) it is the best available room.

#### 4.6 Project Image is a Critical Factor

Overall, participants in the group discussion thought that condominium facilities reflect the “image of a condominium project.” Facilities make the condominium look stylish and classy. Apart from condominium facilities, physical evidences such as interior design and lobby atmosphere play a key role in displaying the project’s image.

### 5. Discussion

People who decide to buy a condominium can accept its weaknesses when compared to a house. A condominium has less utility space and less space per money spent and these are considered functional benefits. Thus, buyers do not give priority to the functional benefits of a condominium and choose to view it from a different perspective. For instance, the higher price and monthly public fee can be compensated for by the time and energy saved, and less worry. This agrees with the theory of total customer cost (Kotler and Keller, 2006: 134), which concludes that customers not only consider capital cost but also evaluate the total cost including capital cost, energy, time and emotional burden. Another key factor is that customers give a lot of weight to self-image. They decide to buy into a project because the project’s image is expressive of their own. In other words, buyers are more interested in



features outside the condo itself, compared to inside. Selling points for the image include the project's location, project design and facilities, classy look of the lobby, etc. This agrees with the theory of total customer value (Kotler and Keller, 2006: 133) that customers not only consider the product itself but also its image. This also agrees with the theory of self image (Mowen and Minor, 1998: 211, cited in Teepaparn, 1999: 114) that self-image plays a key role in customer's selection and objects are a symbol of social status (Thiangtam, 2004: 172).

Those who decide to buy a condominium for any purpose think like an "investor". For them, worth of purchase means the likelihood that the condo price will rise above the existing price. That is the reason why some project developers still succeed even though they have set a high selling price. Another major reason is the brand's classy image. A successful strategy for selling condominiums has to be "investor-friendly." It means that investors should be allowed to select and purchase at a special price before the official opening. At the opening, the price will be raised. Then, the prices will be adjusted upward after completing each sales target. There should be a team for selling the units that investors have bought. Buyers who come later are the ones who are seriously looking for a residence. Owing to this condo selling

strategy, it is known among the buyers that "condominium value only tends to rise." Because construction costs keep rising, subsequent projects are sold at a higher price. This has made almost every buyer believe that the pricing of downtown condominiums where available space is rare, will definitely rise.

Another issue is that despite different criteria, neither investors nor buyers for residential purposes want a project that has too many units. Investors consider the more units a project has, the less opportunity for them to resell and make profit. Buyers for residence feel that a project that has many units is too crowded and inconvenient.

## 6. Suggestions

6.1 Condominium developers should pay attention to image communication via advertising and sales presentation, both in medium and long term. Image communication must be only via a "brand" with high credibility and clear, consistent image. Thus, brand building is necessary, and also helps lower the cost for building physical evidence for sales promotion.

6.2 A project developer wishing to close the sale of each project quickly should consider using the sales strategy of having a sales team to support the resale, as mentioned in the previous discussion.

6.3 In considering only the need of condominium buyers, project developers should not have too many units within a project.

### บรรณานุกรม

Kotler, Philip and Keller, Kevin Lane. 2006. **Marketing Management**. 12<sup>th</sup> ed. Upper Saddle River, NJ: Pearson Education.

Teepaparn, Dara. 1999. **Consumer Behavior**. Bangkok: Bansomdejchaopraya Rajabhat University. (in Thai)

ดารา ทีปะปาล. 2542. **พฤติกรรมผู้บริโภค**. กรุงเทพมหานคร: สถาบันราชภัฏบ้านสมเด็จเจ้าพระยา.

Thailand. Government Housing Bank. Real Estate Information Center. May, 31, 2011. **New Registration of Completely-Built**

### Residential Units in Bangkok and Vicinities 2008 and January 2009.

[Online]. Available: <http://www.reic.or.th/ResearchReport/Research.aspx> (in Thai)

ธนาคารอาคารสงเคราะห์. ศูนย์ข้อมูลอสังหาริมทรัพย์. 31 พฤษภาคม 2554. **ที่อยู่อาศัยสร้างเสร็จจดทะเบียนใหม่ในเขตกรุงเทพฯ – ปริมาณปี 2551 และ มกราคม 2552**. [ออนไลน์] เข้าถึงจาก: <http://www.reic.or.th/ResearchReport/Research.aspx>

Thiangtam, Saranyapong. 2004. **Consumer Behavior**. Bangkok: Textbooks and Lectures Department, Bangkok University. (in Thai)

ศรัณยพงศ์ เทียงธรรม. 2547. **พฤติกรรมผู้บริโภค**. กรุงเทพมหานคร: แผนกตำราและคำสอนมหาวิทยาลัยกรุงเทพ.



**Saranyapong Thiangtam** is an Assistant Professor of Marketing in the School of Business Administration, Bangkok University. He received his Master of Business Administration Degree from Kasetsart University and Bachelor of Economics Degree from Chiang Mai University. His research interests include consumer behavior, real-estate marketing, entrepreneurship, and innovation management.