

AN EMPIRICAL INVESTIGATION ON FACTORS INFLUENCING TO CONSUMERS' PURCHASING DECISION TOWARDS THE LUXURY APARTMENTS IN COLOMBO AND SUBURBS, SRI LANKA

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Abstract

Urban vertical luxury living is becoming particularly widespread, and the abundance of luxury apartment buildings in Colombo continues to transform the city. The main objective of the study is to identify the factors that significantly influence the purchasing decision of customers in respect of luxury apartments with reference to Colombo and suburbs and further investigation of the level of importance of the attributes of identified factors on the customers' point of view. Through a comprehensive literature review, 08 main factors and 53 attributes were identified to examine the customers' purchasing behaviour in luxury apartments. The study has revealed that the most influencing factor is Financial feasibility of the consumer while the Physical factors and Locational importance are equally significance. Basic Amenities, Environment, Goodwill, Emotional and Recreation have ranked accordingly. The 53 attributes were deeply exposed the contrast of the customers' consideration and preference. In addition to the financial attributes, dwelling type, dedicated parking units, and floor area of the apartment, electricity backup, security, greenery spaces, and developer have shown the more than 80% of customers' attention and predilection as the most important attributes which influenced to customers' purchasing decision on luxury apartments.

Keywords: *Luxury apartment, consumers' purchasing decision, influencing factors, attributes, Sri Lanka*

1. Introduction

Urban living space is derived as a result of the urbanization. It is fuelled by population growth and institutional expansion. It is a social process which describes the manner in which cities grow and societies become more complex. As a result, the living spaces from suburbs to urban areas have changed, especially with respect to limited spaces. Urban living space has vast diversity. It includes luxury apartments, middle income flats and everything in between which urban living focuses on building urban residential spaces. Vertical living has become increasingly popular in Sri Lanka over the past few year Luxury vertical living is becoming especially popular, and the vast number of luxury apartment buildings in Colombo continues to transform the city. As the country's infrastructure improves to accommodate new inhabitants, Colombo is becoming increasingly popular for luxury property.

During last few years, skyscrapers have begun to dominate the Colombo's skyline, an attestation to the pulling power that the country is developing with domestic and international investors. This is transformation over the years has triggered an increase in luxury apartments, hotels and retail outlets. Though the key focus has been within the economic hub, Colombo, several residential and commercial projects have gradually begun targeting the suburbs and other districts. 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 (Kiefer, 2007). People tend to buy an apartment rather than buying a land and build a house. 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.

The broad objective of this study is to identify the factors that significantly influence the purchase decision of customers in the order of significance, from the most significant one to the least significant one of luxury apartments with reference to the city of Colombo and suburbs. Further it investigates the level of the important of the attributes of each influencing factors on the customers' point of view to the residential apartment developers to improve customer satisfaction and to enhance their service quality

and product as per the expectations of the customer as revealed on the basis of this study. The eight factors namely Physical, Basic Amenities, Environment, Location, Goodwill, Financial, Emotional and Recreation were identified as the main influencing factors and there were 53 attributes coming under the selected 08 factors which were used to study the customers' buying behaviour towards Real State Sector especially in condominium apartments in global and local context.

2. Literature Review

The Particular remarkable changes have been taken place in the Real Estate industry that have changed buyers' buying attitude and created opportunities for the Real Estate sector. Real Estate developers, marketers, policy makers able to use the outcomes to better understand, segment and satisfy the customers. The land problem, urbanization and population pressures have created opportunities for Real Estate industry and that have significant impact on customers' buying attitude excluding the cultural changes and raising price level (Kamal et al, 2016). It has similarly found that buying intention is strongly influenced by buying attitude of the customers.

Consumer behaviour is usually being defined as 'those activities directly involved in obtaining, consuming and disposing of products and service, including the decision processes that precede and follow these actions' (Engel et al, 1995). The 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' (Schiffman and Kanuk, 2010). Due to the ever increasing intensity of competition, more aggressive competitors emerging with greater frequency, changing bases of competition, geographic sources of competition are becoming wider, niche attacks are becoming frequent, pace of innovation is rapid, price competition becoming more aggressive and product differentiation is declining are the importance of consumer behaviour.

Consumers consider only the scheme in which a property is eventually bought, and they are very satisfied with their purchase (Martin, 2006). Customer Satisfaction is the overall feeling of contentment, fulfilment or satisfaction of the home-buying customers on purchase of the house, when he has ultimately achieved all what he wanted-his needs, desires or expectations on the residential building (Ahamed and Sakthivel, 2013). What a customer would be expecting in a house; residential satisfaction has been used as a key predictor of an individual's perception of general "quality of life" (Ahamed and Sakthivel, 2013). Customers always were preferred to purchase real estate product that has reinvestment value. The reinvestment value can be obtained from renting the real estate product or by selling them (Rahadi et al, 2013). Reinvestment value related with almost all of the factors contributing to price, including brand, reputation, location, and other related factors. Cultural changes have been taken place such people would like to intend in single family unit, get project facilities and enjoy apartment culture (Kamal et al, 2016). The government has much to do to attract foreign buyers to Sri Lanka in significant numbers (Jayasundera, 2017). Developers are seeking to sell more new apartments to buyers from overseas, taking advantage of Colombo's growing attraction as South Asia's most cosmopolitan city.

3. Research Methodology

3.1 STUDY AREA

The city of Colombo is the financial centre of Sri Lanka and also the largest by population which is known for being a popular tourist destination, with tourism fuelling the local economy. Due to the economic growth and infrastructure development, Colombo has experienced urban migration. Colombo and its suburbs are consisting with heavy traffic jam, mix land use pronominally commercial and industrial land uses, higher ratio of built up area and further in environmental aspects air pollution less green spaces, solid waste issues are taken place. The daily commuting population is about 1 million people entering the city of Colombo from outside crossing the boundary.

A quantitative approach was used to achieve the objectives of the study. A questionnaire survey was conducted to collect primary data for a convenience sample of 120 respondents who were willing to purchase luxury apartment within the study areas and inquired from related persons in luxury apartment market. The profiles of the respondents' personal histories covered the categories of gender, age, family size, highest educational qualification, occupation, family's total disposable income per month, current resident and purpose of buying an apartment. This study had been conducted with the quantitative method of data analysis. Weighted Average Method used the data to determine the most important factors that affect the buying behavior criteria. Spatial Analysis Technique-Geographic Information System (GIS) is used to understand the preference of the location. In addition, maps have been created to define location preferences, and visual displays of findings have been used under the quantitative data analysis method of the customers while they are going to purchase the apartments.

4. Results and Discussion

4.1 RANKING OF THE FACTORS

The factors influencing purchase decision of customers in the order of significance, from the most significant one to the least significant one are presented in figure 01.

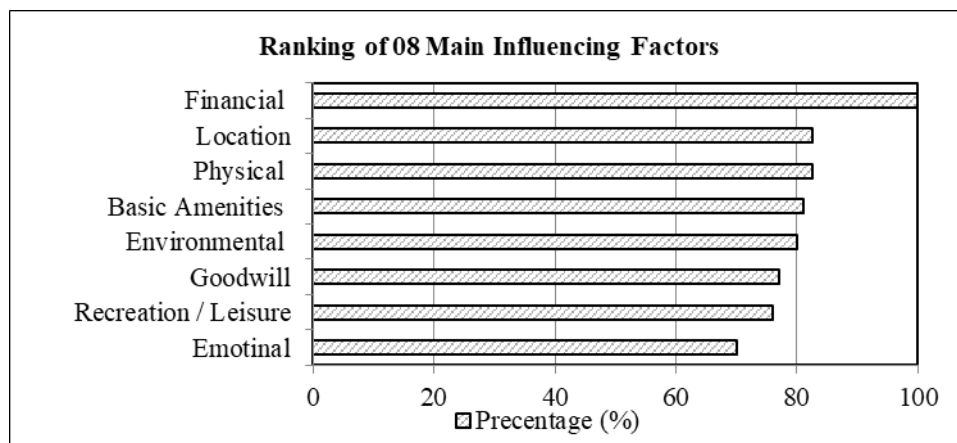


Figure 1: Ranking of 08 Main Influencing Factors (Source: Developed by Author, 2018)

Figure 1 illustrated the main 08 influencing factors in the order of significance for the customers purchasing decision, from the most significant to the least significant. The study has revealed that Financial is the most influential factor, followed by equally significant physical and location factors. Basic Amenities, Environment, Goodwill, Recreation and Emotional factors were ranked by the respondents accordingly.

Customer consideration and preference of influencing factors described by the level of importance of the attributes of the particular factor, according to the customers. The following graphs were depicted a total of 53 attributes which used to analyze respondents' interest and desire.

4.2 THE ATTRIBUTES OF FINANCIAL FACTOR

Unit price, Payment terms, Interest rate, Mortgage, Monthly payment, down payment and Payment structure security are the most important factors affecting the purchase of the apartment according to the customer's responses for financial factors (figure 2). A significant proportion (more than 80%) has showed that consumers were considering the Unit price, Payment terms, Mortgage, Monthly payment, down payment and Payment structure security.

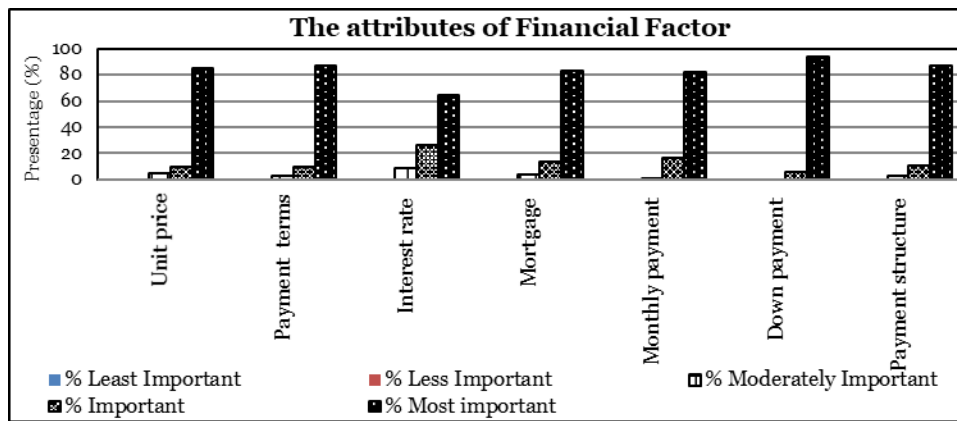


Figure 2: The Attributes of Environmental Factors (Source: Developed by Author, 2018)

Table 1: Results of Unit price - LKR. Millions (Source: Developed by Author, 2018)

Unit price - LKR. Millions	Frequency	Percentage
Less than 10	37	31%
10-20	51	43%
21-40	18	15%
41-60	8	7%
61-99.9	4	3%
More than 100	2	2%

According to the table 1, around a half (43%) of customers were interested in apartments that cost 10 to 20 million rupees per unit. There are 2% of customers are interested the apartments which is cost of per unit more than 100 million rupees. In the unit price range of 20–more than 100 million, condominium apartment properties exist and it is highlighted that there are affordable customer base for such residential properties is in Colombo, Sri Lanka.

Table 2: Monthly payment -LKR (Source: Developed by Author, 2018)

Monthly payment (LKR)	Frequency	Percentage
Less than 99,999	50	47%
100,000 - 149,999	35	33%
150,000 - 199,999	23	8%
More than 200,000	12	5%

According to table 2, apartments that have a monthly payment less than Rs. 99,999.00 are involved in 47 percent of customers. There are 5% of customers are stated that they are able to pay the monthly payment more than Rs. 200,000.00. Depending on the monthly payment, 53% of customers were able to pay more than Rs. 100,000.00 for the monthly payment for the apartments. It can therefore be concluded that customers have Monty income in excess of Rs. 300,000.00 who are interested in buying the condominium apartments.

4.3 LOCATION

It is observed that the customers prefer to purchase luxurary apartments adjacent to major emergency services, road and other aminities. It can be seen the customers preference for the apartment location based on the accessibility and distance to the central business district (CDB). The selected locations are directly connected with the road network and intersections of highways.

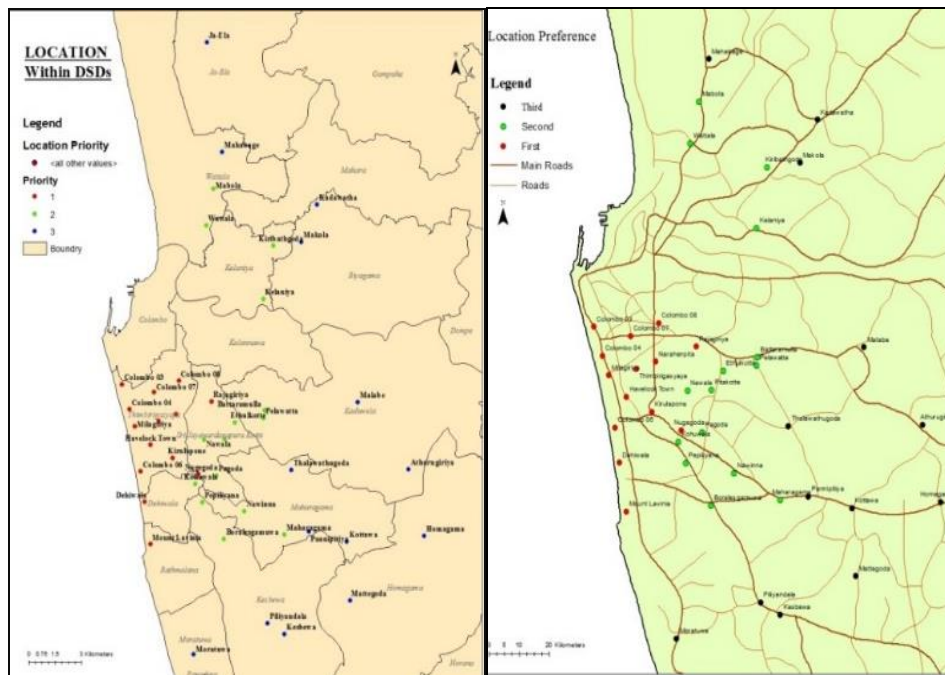


Figure 3 & 4: Preferred Locations within the Administrative Boundaries & Preferred Locations and Road network (Source: Developed by Author, 2018)

According to the figure 3, the customers' preferred locations for apartments were lower part of the city of Colombo and especially within the Thimbirigasyaya DSD. Other than that most of the locations were identified within Dehiwala – Mount Lavinia municipal area and part of the Sri Jayawardhana-Kotte municipal area. Further Prestige identities found in the past in places such as Cinnamon Gardens in Colombo may not be the purchaser's prime decision. The figure 4 is shown the clear connection between the preferred locations and road network specially A class and B class roads within the Colombo area.

4.4 THE ATTRIBUTES OF PHYSICAL FACTOR

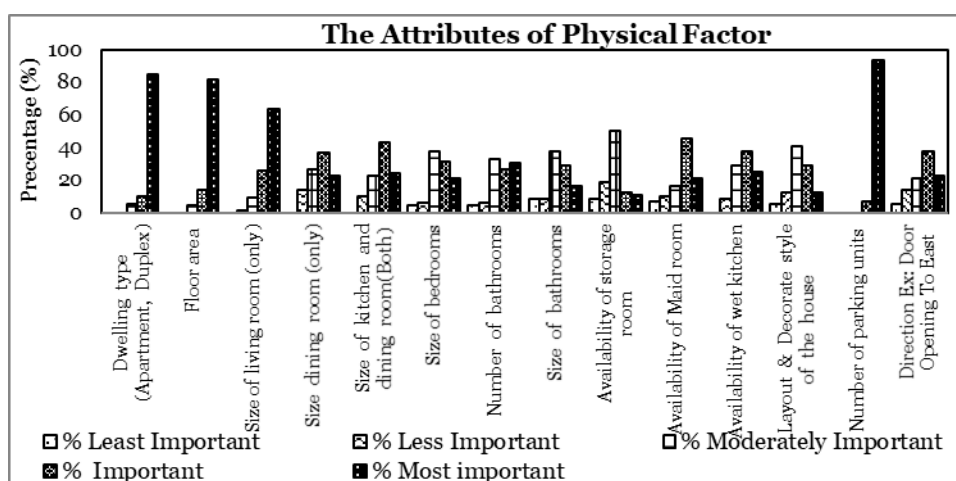


Figure 5: The Attributes of Physical Factor (Source: Developed by Author, 2018)

According to the customer responses for physical factors (figure 5), the number of parking units (93%), dwelling type (apartment, duplex) (85%), floor area(82%) are the most important factors influencing to purchase the apartment. There are 43% of customers considered Size of kitchen and dining room (both), 46% of customers considered Availability of Maid room and 38% of customers considered Availability of wet kitchen are the important influencing factors to purchase the apartment.

Under the physical factor, no. of parking units, dwelling type and floor area of the apartment have shown the more than 80% of customers' consideration as the most important. Parking is one of the significant attribute coming under the physical and basic amenities factors and following parameters namely Availability of parking, visitors' parking, common parking, dedicated no of parking lots for per apartment, size of the parking slot, total no of parking slots and mechanical parking for different types of vehicles influence to customers to purchase the condominium in Colombo and suburbs.

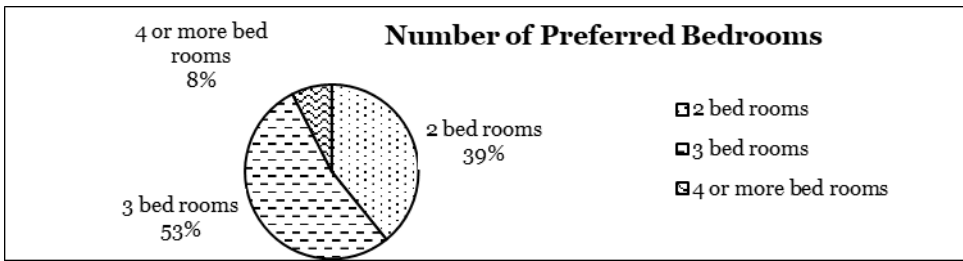


Figure 6: Number of Preferred Bedrooms (Source: Developed by Author, 2018)

The majority of 53% of customers preferred to have 3 bedrooms, 39% preferred to have 2 bedrooms and 8% preferred to have 4 or more bedrooms, according to figure 6. There is therefore a high demand in the real estate market for the 3-bedroom apartments relative to 2-bedroom apartments.

4.5 THE ATTRIBUTES OF BASIC AMENITIES FACTOR

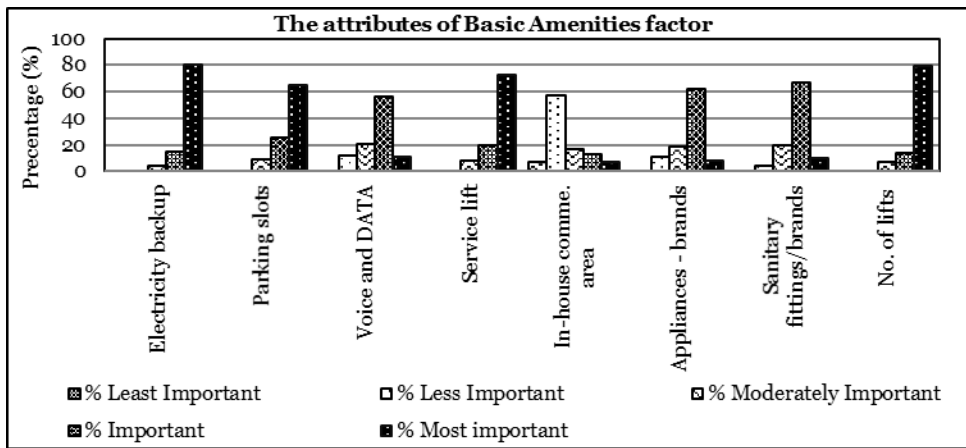


Figure 7: The Attributes of Basic amenities' factor (Source: Developed by Author, 2018)

According to the customer responses for basic amenities (Figure 4), there are 81% of customers considered Electricity backup and 79% of customers considered Number of lifts as the most important influencing factors to purchase the apartment. There are 57% of customers considered the availability of Voice and DATA and 59% of customers considered the in-house commercial area is less important factors to influencing the customers when purchasing the apartment. As per the customer responses for basic amenities, Electricity backup, Parking slots, Service lift and No. of lifts are the most important factors influencing the purchase of the apartment.

4.6 THE ATTRIBUTES OF ENVIRONMENTAL FACTOR

Customer responses for environmental factors (Figure 8) measured green spaces and scenery by 80% and 81% respectively. There are 57% of customers who found the availability of solar power is of moderate significance, and Rain Water Harvesting (RWH) is less important in determining the purchase of the apartment. The most important influencing factors in buying the apartment are greenery spaces, traffic, scenery and neighborhood. The main driving factors are the low level of air quality and ambient

noise. Solar power availability is of moderate importance, and RWH is less important to purchase the apartment.

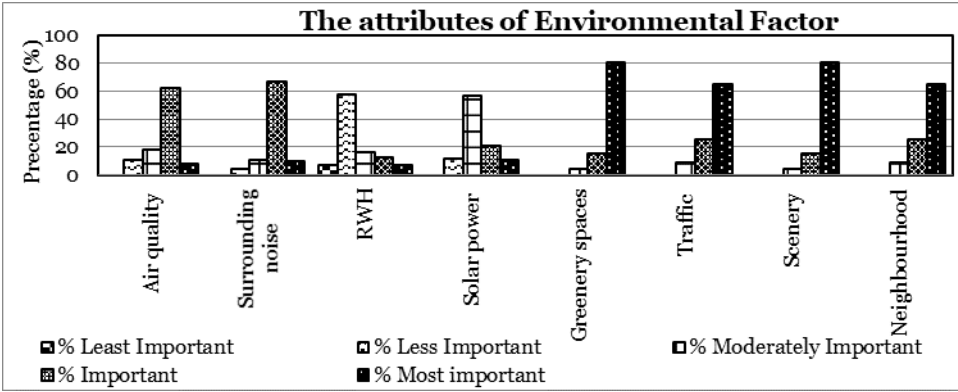


Figure 8: The Attributes of Environmental Factor (Source: Developed by Author, 2018)

4.7 THE ATTRIBUTES OF GOODWILL FACTOR

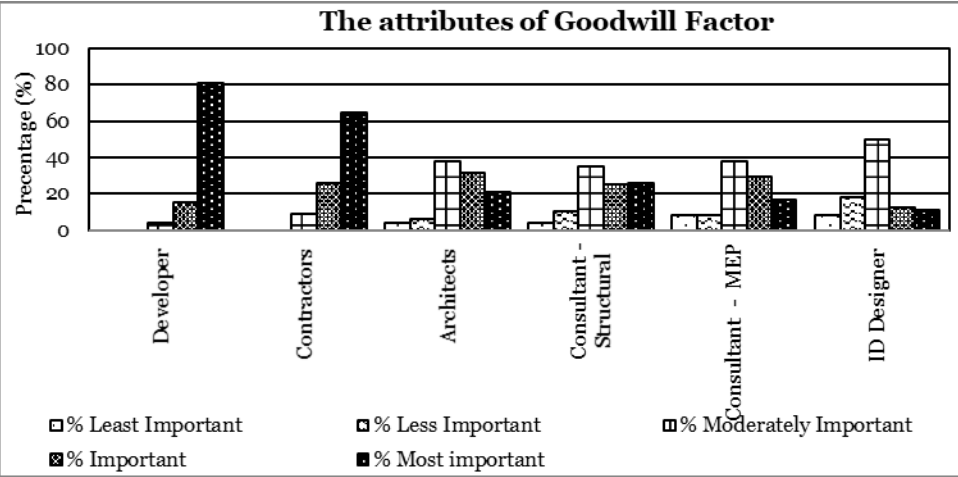


Figure 9: The Attributes of Goodwill Factor (Source: Developed by Author, 2018)

According to customers' views on emotional factors (Figure 9), 80% of customers have been inspired by Developer. Consultant - Structural, Interior Designer and Consultant-MEP (Mechanical, Electrical and Plumbing) are the moderate influence to purchase the apartment. As per the customer responses for emotional factors, Developer and Contractors are the most important influencing factors. Architects, Consultant - Structural, Interior Designer and Consultant - MEP are the moderate important factor to purchase the apartment. The reputation of the developer in the real estate industry and the contractor in construction industry are able to positively influence to the customer purchasing decision.

4.8 THE ATTRIBUTES OF RECREATION FACTOR

Figure 10 shows that 63%, 67%, 58% and 57% of swimming pools, gymnasium, sitting areas and play areas were considered important factors when purchasing the apartment. There are 35% of customers considered Water features are the moderate important factor to purchase the apartment. Based on customer responses for recreational reasons, swimming pools, gymnasium, play areas and sitting areas are the main influencing factors and water features are the moderate important factor.

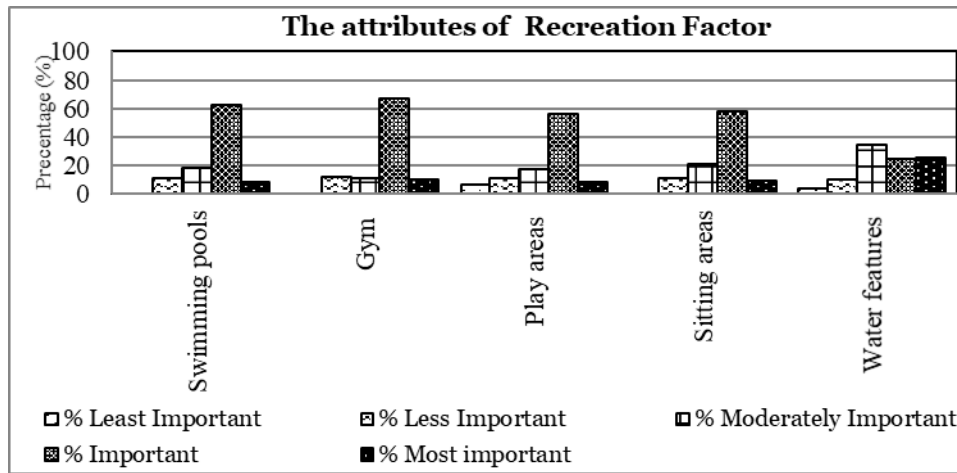


Figure 10: The Attributes of Recreation Factor (Source: Developed by Author, 2018)

4.9 THE ATTRIBUTES OF EMOTIONAL FACTOR

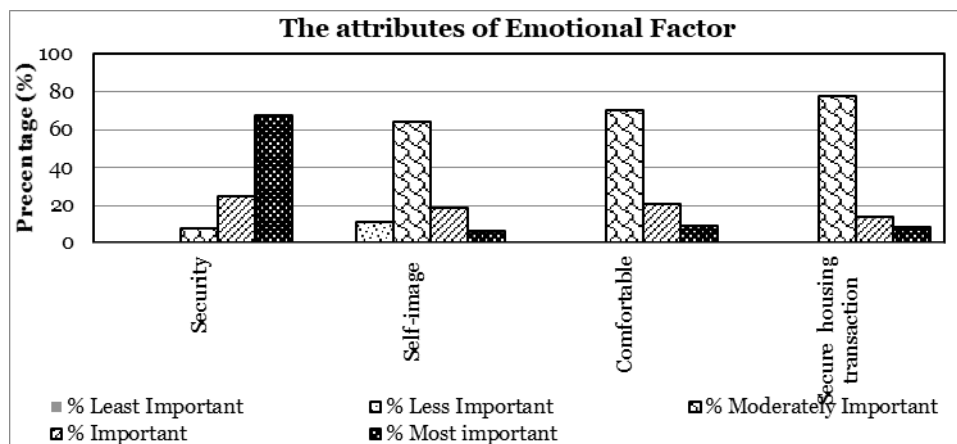


Figure 11: The Attributes of Emotional Factor (Source: Developed by Author, 2018)

The security is considered the most important variable by 65.7% according to consumer perception (Figure 11). There are 64.2 percent of customers considered the self-image, 70% of customers considered the comfortable, and 77.5% of customers considered the secure housing transaction to be the moderately important factors in buying the apartment. Security is the most important factors, according to the customer's perception, and self-image, comfortable and secure housing transaction is the key factor when buying the apartment.

5. Conclusion

The study has explored the perception of the potential buyers who have enough capability to influence directly to the local real estate industry. Their financial capability and demographic profile status (education and professional qualification and occupations) show the positive inspiration towards the growth of the local luxury condominium apartments market. The contemporary lifestyle of potential buyers have demanded their comfort headed of to urban residential spaces. In addition, customers satisfaction is clearly indicated through physical, Location and basic amenities factors. The environmental sensitivity of buyers was depicted by environmental and recreational factors alone with its attributes. Goodwill and emotional factors provided the evidence of customers' perception of social aspects and consideration of social well being. In recapitulate, the collective impact of economic, physical, environmental and social aspects are governed by the customers purchasing decisions on luxury condominium apartments with reference to Colombo and suburbs. Both investors and urban planning professionals may take benefits from this research to understand the customer behavior in

providing spaces for apartments in urban areas. Town planners can use the results of this study to determine the connection between the prevailing regulatory framework (planning and building regulations) for the real estate market – in particular the luxury apartment sector – and the customers' expectations to make a vital decision on life. In order to evaluate the change in behavior and factors affecting the use of apartments after the purchase decision, the comparison of pre and post purchase of the apartments could be analyzed. This study would indeed be useful in assessing the goals of sustainable development and the rate of achievement of the luxury apartment market by urban areas.

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