

Impact on Customer Buying Behaviour Towards Residential Properties In Bangalore

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Abstract

The Indian real estate sector promises to be a lucrative purpose for foreign investors into the country. The Indian realty sector, if channelized properly, could catapult the growth of several other sectors in India through its backward and forward linkages. However, there are potential constraints for domestic as well as foreign investments in India. Absence of a single regulator to monitor business practices prevailing in Indian real estate market is perceived to be a risk factor by investors. The real estate sector in India assumed greater prominence with the liberalization of the economy. 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. It has traditionally tapped high net-worth individuals and other informal sources of financing, which has led to low levels of transparency. Heightened realization on the part of all stakeholders that infrastructure would play a key role towards pushing India's GDP to the desirable 8 percent mark has come as a boon for India's construction industry. The industry is riding a growth wave, which is evident from the financial results posted by some of the leading contractors. However, the industry is faced with certain challenges. The need to be price competitive, adherence to safety, quality consciousness, adapting to technological changes, developing and using new construction materials and having an adequately trained manpower are issues that industry must look into and address. "The construction sector, therefore, has to gear up fully to take on the ever-increasing challenge." This study was concern with Customer buying behavior towards residential properties in Bangalore city. The basic objective behind carrying this study was to know the property purchasing behavior i.e. (Residential) of different types of customer in different area in Bangalore city, to study the various factors affecting the customer-buying pattern especially in case of residential properties and to search out new prospects for Shobha Developers Construction. Finally it was found that maximum respondents are having the resident on rental, it was also

found that price & location is major factor which are consider by the customer at the time of purchasing the residential property. The 'quality' & 'facilities' are most considerable parameters at the time of selecting residential property. It was also found that demand of the 2 & 3 BHK flats were more to comparing other types of residential properties.

Keywords: Real estate, Purchasing Behaviour, Customer, residential properties, growth wave

Introduction

India introduced large scale economic reforms in the year 1991 and implemented structural changes across sectors such as services, financial and industrial. Led by liberalization of the economic processes along with broad-based fundamental growth across various sectors, India's economy has exhibited healthy growth rates in the last decade. The average growth rate registered over the period 2000 -2012 was about 7.2%. This growth has been on the back of increased consumption, higher investment activity as well as productivity gains. Surviving on domestic demand and enhancing consumption levels, the manufacturing and services industries have also posted healthy growth levels in the past few years. Sustained economic growth in the last decade has not only propelled India into the league of 'leading emerging economies' alongside China, Brazil and Russia, but also implied that the country is making an important contribution to the overall increase in the global economic output.

However, over the past two years stagnating global economic conditions have led to a slowdown in the country's growth. GDP growth continued to inch downwards in 2012-13, declining to 5% during the financial year, compared to 6.5% during the previous year². This was accompanied by persistently high inflation and declining industrial growth. However, as a positive step towards dispelling the general feeling of gloom, the government has continued to maintain its momentum of introducing structural reforms in the economy. Foreign direct investment in sectors such as multi brand retail, single brand retail, banking, pension and broadcasting was approved by the union cabinet, while a new Company's Bill was recently approved by the lower house of the parliament; the government is also working on deregulating fuel prices and reducing the subsidy burden on the economy, thereby focusing upon fiscal prudence, controlling inflation and propelling India back into the high growth trajectory.

The real estate sector has a total supply pipeline of close to 3.6 billion sq ft lined up for completion in the year 2013. About 98% of this is concentrated in the residential segment, including organized as well as unorganized space. The rest includes organized commercial office and retail space in leading cities such as the National Capital Region, Mumbai, Bangalore, Chennai, etc. The total economic footprint generated by the construction of this real estate pipeline can be gauged from the fact that it will require a total investment of about INR 254,000 crores, will help generate revenues worth INR 370,000 crores, and provide employment to about 7.6 million people across the country. The total contribution of the real estate sector

(incorporating the sub-sectors highlighted in the report) in the gross domestic product of the country has been estimated to be about 6.3% in 2013 and driving growth in the long term. Long term prospects appear highly positive for the sector, with a potential increase in completed space from 3.6 billion sq ft in 2013 to about 8.2 billion sq ft in 2025. This will generate significant employment opportunities, with annual employment expected to increase from 7.6 million in 2013 to almost 17 million in 2025, thereby providing substantial socio-economic opportunities for growth in the country. Consequently, the contribution of the real estate sector to the economy is also expected to more than double from 6.3% in 2013 to almost 13% in 2025. However, this projected expansion in the economic footprint of the sector is subject to an effective utilization of the potential opportunities for growth and implementation of relevant policy measures to resolve bottlenecks bothering the sector.

Maturity of the real estate markets will lead to infusion of foreign investment and adoption of international best practices by real estate players. Developers will get more organized, and become more transparent to avail opportunities emerging in the market. With the Indian securities market regulator SEBI allowing real estate mutual funds (REMFs) in India, equity investors will have an exit option available to them. All these factors will contribute in making the Indian real estate market more organized and structured, thus providing better investment opportunities. Commercial real estate sector is in boom in India. In the last fifteen years, post liberalization of the economy, Indian real estate business has taken an upturn and is expected to grow from the current USD 14 billion to a USD 102 billion in the next 10 years. This growth can be attributed to favorable demographics, increasing purchasing power, existence of customer friendly banks & housing finance companies, professionalism in real estate and favorable reforms initiated by the government to attract global investors

The property market in India has traditionally been unorganized and fragmented. However, the recent past has seen a consolidation of positions in the market as developers are stretching their capacities to the maximum in order to meet the growing market demand, which in turn has encouraged large projects with sourced financing. The IPOs by large real estate developers like Sobha, Raheja and DLF have led to organization of the market in the Tier I cities, but the Tier II and Tier III cities still demonstrate the traits of an unorganized market. Whilst the Indian real estate market still lacks transparency and liquidity compared to more mature real estate markets, the increasing requirements of multinational occupiers, as well as the influx of international property consultancies has led to the introduction of greater availability of market information, both in published and private form pushing the sector to an organized market form. Real Estate Investment Banking is an approach to real estate financing providing the client a host of services including the structuring of real estate projects, legal advice, operative management of real estate projects and support in marketing properties. The banking focus in Real Estate Investment Banking is on structured financing products and structuring of entire portfolios. Extending on similar lines is the importance of syndication that forms the base line of larger-sized transactions.

Phases of Growth:

1. Phase I (2001-2005): Initial growth phase with off take and prices picking up
2. Phase II (2006-2008): High growth phase with high demand and prices more than double
3. Phase III (2009-2010): Substantial slowdown in demand due to dented affordability and economic environment
4. Phase IV (2011-2014): Consolidation phase, with demand, supply and prices gradually moving up in line with improvement in economic environment

Review of Literature

The construction industry in India is more complex and subjected to greater risk as compared to any other business and thus, it is important for the selection as well as implementation of effective strategies of risk management in order for the project to be successful and thus forms the core introductory principles of risk management. The completion of construction projects within the projected time span has always been the most challenging task for the Construction companies and it is found that many construction projects have been unsuccessful in the delivering the projects at time, cost and quality which the clients and their consultants had perceived before the starting of the project and thus, it is important for the management to efficiently design a plan of action to achieve the goals and requirements.

As per a report published by Econoour Watch (2014) – Construction Industry trends all over the world show a rise in its rate of growth. This industry is composed of many components including construction of heavy and civil engineering (highways, bridges, railway tracks, airports, etc.), real estate (both residential as well as commercial) development, and specialized construction products (such as architectural products, electrical connections, and decorative items). All these segments cannot be expected to show similar trends and in fact are showing differential growth pattern all over the world. India is seeing a boom in the construction sector mainly due to the government initiative in expansion of the developmental facilities. Economic upsurge has also generated enhanced generation of demand in the real estate sector (both residential as well as commercial). Construction Industry in India is rising at a phenomenal rate of 7 to 8 per cent p.a.

Heamanta Doloi and et.al (2012) have identified factors that cause delay in construction projects in India. From the factor analysis, most critical factors of construction delay were identified as (1) lack of commitment; (2) inefficient site management; (3) poor site coordination; (4) improper planning; (5) lack of clarity in project scope; (6) lack of communication; and (7) substandard contract. Regression model indicates slow decision from owner, poor labour productivity, architects' reluctance for change and rework due to mistakes in construction are the reasons that affect the overall delay of the project significantly. These findings are expected to be significant contributions to Indian construction industry in controlling the time overruns in construction contracts.

According to G. K. Kulkarni (2012) construction workers are exposed to a wide variety of health hazards at work. The exposure differs from job to job. The work related diseases form 5 per cent to 20 per cent of work force. He identified some common problems of construction workers to be physical injuries, hazards from harmful chemicals, dusts, mists, gases and biological hazards such as malaria, dengue, etc.

As stated by **Nargis Namazi (2011)** in an article published in Business Review – across the world, the construction industry is witnessing a tremendous boom. And India is no exception! Government polices and expenditure in infrastructure, training and regeneration projects have helped the sector grow at high levels and the same pace is likely to be seen in the coming year too. This industry comprises of many components including construction of heavy and civil engineering (highways, bridges, railway tracks, airports, etc.), real estate (both residential as well as commercial) development, and specialized construction products (such as architectural products, electrical connections, decorative items, etc.) The construction industry is currently growing at 10 per cent per annum and has a size of 70 billion dollars but with the huge investment in the construction industry, tremendous growth opportunities are expected.

Araghadeep Laskar and CVR Murthy (2011) state that the construction industry is the second largest industry of the country after agriculture. It makes a significant contribution to the national econoour and provides employment to large number of people. The use of various new technologies and deployment of project management strategies has made it possible to undertake projects of mega scale. In its path of advancement, the industry has to overcome a number of challenges. However, the industry is still faced with some major challenges, including housing, disaster resistant construction, water management and mass transportation. Recent experiences of several new mega-projects are clear indicators that the industry is poised for a bright future.

As per the market research report published by the **Consolidated Construction Consortium Limited (2011)**, our construction industry suffers from capacity constraints, lack of trained manpower and managerial skills with performance much below international level. The industry is starved of finance. Small and medium contractors do not have the wherewithal to upgrade their capability, both hard and soft, to undertake high value time bound projects. Quality, safety, environment and social aspects are also not being addressed appropriately. The report concluded that in the years ahead, the construction industry in India has to overcome various challenges with respect to housing, environment, transportation, power or natural hazards. Technocrats associated with the Indian construction industry need to employ innovative technologies and skilled project handling strategies to overcome these challenges. The outstanding performance under demanding situations in the past will stand in good stead and give confidence to the Indian construction industry to bring about an overall development in the infrastructure of the nation. The gains of large investments in the mega-projects eventually will feedback to the construction industry itself in the form of better econoour and improved work conditions.

According to **K. K. Kapila**, Chairman and Managing Director of ICT Pvt. Ltd (2011), our construction industry suffers from capacity constraints, lack of trained manpower and managerial skills with performance much below international level. Though there are islands of excellence in a sea of mediocrity, our companies must become global players by modernizing, intensive training of their manpower, enhancing their turnover and change of mindset. The industry is starved of finance. Small and medium contractors do not have the wherewithal to upgrade their capability, both hard and soft, to undertake high value time bound projects. FIDIC conditions are not being rigorously followed and the contract agreements continue to be heavily loaded in favour of the owner/client. Quality, safety, environment and social aspects are also not being addressed appropriately.

According to **Drake MacDonald (2011)**, like many emerging countries, India has a problem with faulty construction. Sadly, the primary reason there are so many poorly constructed buildings in India is due to greed. However, what makes matters worse is that greed is not isolated to one particular segment such as builders or workers, but to the construction industry in India as well a whole. Builders looking for cheap and quick ways to build often skimp on materials, while the low wages received by contract workers encourages them to do little as possible and take no pride of their work. Even the government is guilty of greed, as officials often pocket bribes in exchange for awarding contracts or looking the other way. Clearly the problem in India is not that there is a lack of regulation, but merely lack of enforcement for existing regulations.

Iyer K. R. (2011) remarked in his report that India today is facing a unique challenge of dealing with high inflation, while continuing high growth. Boosting of supply in all industries, including incentivizing of infrastructure development, streamlining of regulatory process to reduce time and costs for business and tax incentives for low cost housing are all important areas which will help reduce inflation and also enable growth rates to be maintained. Infrastructure remains a vital sector for India's growth story, which was reiterated by country's Former Finance Minister (FM) Pranab Mukherjee in his Budget 2011-12. Construction projects in various areas like road, low-cost housing, ports and airports, bridges and special economic zones (SEZ) will propel the growth and order book of construction companies.

According to **Niranjan Hiranandani, Managing Director, Hiranandani Constructions (Project Manager, 2011)**, the National Housing and Habitat Policy of the government of India was passed in October 1998 by Parliament. It talks about issues like liberalization in the housing sector. What we need to do now is to first scrap the Urban Land Ceiling Act. The Central government has already scrapped the Act, but many states, including Maharashtra, have not followed suit. If this is done, more land will be available for development. The second major thing is stamp duty. Fortunately for us, Maharashtra has reduced the stamp duty on commercial properties from 10 per cent to 5 per cent, and for residential properties from 8 per cent to 5 per cent. The third important factor is the sanction of building plans. But since this process is riddled with corruption, it is difficult to clear plans or procure non-

agricultural land. If these steps are taken, some problems faced by the real estate industry will be solved.”

As per an article published in **Time of India (2011)**, supply of sand is the major constraint in delaying construction projects across Mumbai city. Sand shortage has impacted construction work in a big way. The past two months were particularly bad and building projects slowed down because of the ban on sand mining. Builder Nayan Shah said remarked that sand prices increased five times in the past one year. The quality is sub-standard and most suppliers now indulge in illegal and surreptitious mining. A year ago, a truck of sand cost Rs 9,000. It has since increased to Rs 30,000 to Rs 34,000. Shah said building projects are delayed and have turned expensive. Our projects are now making 30 per cent progress compared to six months ago. Builders use more steel because of the poor quality of sand. Construction cost has shot up by 15 per cent and quality of structure has fallen by 40 per cent, said Shah. He also remarked that the government has failed to act. Property prices will shoot up if the issue is not resolved.

According to **Singh Pradeep (2011)**, in a giant industry like construction, there are many strains due to peculiarly irrational risk-sharing arrangement coupled with its competitive character. Today there are increasing disputes and differences arising out of contractual relations between contractors and owners whether owners are individual, firms or public. Construction contracts have very sensitive arrangement of weaving many different agencies to perform various obligations to execute the job. Because of complexity of such interwoven responsibilities, superimposed by statutes, monitored by environmentalists, exposed to vagaries of nature and uncertainties of markets, it could be a miracle if any construction project can come out without getting greatly distorted on time-money or concept scale. He has identified the following four categories of factors that lead to dispute and delay in construction projects:

1. Changes include Additions, Alterations, Variations and Deletions.
2. Delays and suspension.
3. Different Site conditions.
4. Unjust enrichment by owners.

Singh Vandana (2009) concluded her research paper with the remark that the Real Estate is a very wide concept and it is highly affected by the macro-economic factors like GDP, FDI, per capital income, interest rates and employment in the nation. The most important factor in the case of Real Estate is location which affects the value and returns from the Real Estate. India needs a stronger capital market base for property financing. The debate on the potential introduction of REITs and real estate funds points in the right direction. The introduction of REITs in 2007, will give international investors in particular a familiar investment vehicle. Private investors could also enter into indirect investment in real estate. Although interest in new projects is most likely to come primarily from institutional investors, the rising middle class is likely to seek new instruments aside from direct property investments in the medium term. So, in the end we can say that the investment in Real Estate in India is a very good investment opportunity. But one should be very careful while taking decision in this direction due to rising inflation and interest rates. Legal issues should also be kept in mind while choosing a property.

A study conducted by **IHS Global (2009)** concludes that the Indian construction industry is highly fragmented. This is partially due to the fact that, for most projects, there are no long-term relationships between the contractors and clients. For example, government agencies such as the National Highway Authority of India (NHAI) do not provide any benefits to the long-term contractors that have worked with them in the past. Because the sector lacks economies of scale, smaller players may have better cost structures due to lower overhead costs.

Word Bank (2008) entitled 'India - Indian Road Construction Industry pertaining to Capacity Issues, Constraints and Recommendations' made several recommendations to improve the Indian construction industry and eliminate the hassles associated with inter-departmental coordination. Some of these recommendations are:

1. Mainstreaming the pre-construction process and clearances;
2. Setting up a Road Appellate Tribunal for faster dispute resolution based on the US and Singapore models, rather than the current contract by contract approach;
3. Initiating a system on rating, grading and registration of construction companies and individuals, as currently followed in US and several European countries, to improve professionalization in the industry and facilitate improved access to finance; and
4. Framing a construction law to improve the legal and regulatory environment in the country.

A Report by CIDCI (2006-2007) remarked that the 10th Five year plan brought by the Planning Commission, Government of India, which is a policy paper for the econoour for the next five years (2002 – 2007) has for the first time incorporated a chapter on Construction. This shows the importance given by the Government of India to the Construction Industry. The plan encourages 8 per cent growth in GDP for which total investment is Rs. 4,081,700 Cr. The public sector investment is 1,1212,802 crore and private sector investment is 2,476,100 crore. Based on past experience, construction accounts for 40-50 per cent of the investment which means a figure of 2,000,000 crore in the next five years or about 4,00,000 crore every year.

Agarwal S. (2003) concludes that the construction industry of the developing countries will face major challenges in future. Those which are often highlighted and considered relate to the resource shortage and industry itself. Their research paper argues that issues which are not normally considered to be relevant to developing countries are, indeed of significance to them, and some may be critical. It is necessary for more work to be done on the issues of globalization, the environment, and the various aspects of culture as they relate to construction activity, construction enterprises and the construction industry in developing countries. The overarching issue of construction industry development should embrace all these issues. In other words, the developing countries should seek to develop construction industries which are well-poised to benefit from globalization (rather than those which are victims of this inevitable process where construction is concerned), enterprises and practitioners which are aware of, and activity seek to limit, the negative environmental impact of

their activities, and which effectively apply the local culture to facilitate their efforts towards achieving success on their projects.

Profile of Players In Indian Real Estate Market

A list of the chief players in Indian market is given below:

- **DLF:** DLF's chief business is to develop housing, marketable and retail properties. Currently it has undertaken the development of 70 million sq ft of housing projects which it intends to finish in the next three years. DLF has joined hands with Delhi Development Authority to develop townships in Amritsar, Pune, Gurgaon, Mumbai, Chennai and Goa. DLF has been the construction company behind different malls in the major cities in India. The company is also developing 50-75 hotels along with Hilton Hotels and infrastructure and SEZ in India in collaboration with Laing O'Rourke (UK). The current market cap is around Rs.51,832.22 crore.
- **Tata Projects:** Tata Projects registered an annual turnover of Rs 2,300 crore on July 1, 2007. With more than 1,500 professionals the company has emerged as one of the chief player in EPC projects. Over the last four years, it has attained a CAGR of 50 per cent which quadrupled its annual turnover of 2006-07. Tata Projects functions in concentrated divisions like broadcast and distribution, steel, power production, oil, gas and hydrocarbons and industrial infrastructure.
- **Sobha Developers Ltd:** With an annual turnover of Rs 1,189 crore, Sobha Developers Ltd was initiated by the now chairman PNC Menon in the year 1995. On June 30, 2007, the company has 3,706 skilled professionals working for it. At present it owns Rs 3,500-acre land in eight Indian cities namely Coimbatore, Bangalore, Mysore, Chennai, Thrissur, Kochi, Pune and Hosur. The company's clientele include some of the top players in IT, hotel and construction sector such as Hewlett Packard, Mico, Infosys, Ramaraju Developers, Dell, Timken, etc.
- **Shapoorji Pallonji & Co:** The Company has more than 3,500 professionals working for it and is largely driven by its loyalty to consumer satisfaction. Some of the major projects undertaken by Shapoorji Pallonji & Co are World Trade Centre, Mumbai; TELCO industrial complex, Pune; Bhabha Atomic Research Centre, Kalpakkam; HSBC Bank, Mumbai; Hotel Taj Intercontinental, Mumbai; Bank of India, Mumbai; Indira Gandhi International Airport, New Delhi, etc. the company has created magnum opus of construction and has been a consistent executer of challenging projects.
- **India Bulls Real Estate:** One of India's largest listed developers developing residential and commercial real estate. Being a focused regional player, more

than 90% of IBREL's portfolio by value is in the three major markets of Mumbai, NCR and Chennai. Established in 2000, the company has grown into one of the leading Indian business houses with its companies being listed on Indian and overseas financial markets having a combined net worth in excess of Rs. 18,000 crores. the current market cap being Rs.6,545.17 crore.

- **HDIL:** Ranked as India's fastest growing real estate company by Construction World-NICMAR in October 2007 & with a current market cap of Rs.8,567.76 crore, Housing Development & Infrastructure Limited has established itself as one of India's premier real estate development companies, with significant operations in the Mumbai Metropolitan Region. HDIL is a public listed real estate company in India with shares traded on the BSE & NSE Stock Exchanges. With operations spanning every aspect of the real estate business, from residential apartment complexes to towers & townships, commercial premium office spaces and retail projects like world-class shopping malls. it is India's largest slum rehabilitation company, & was given the Mumbai International Airport Slum Rehabilitation project in October 2007, one of the largest urban rehabilitation projects in India..

Statement of The Problem

Housing shortage in urban areas is estimated at 19.3 million units at the end of 2008, up from 15.1 million units at the start of 2005. Housing shortage in urban areas is likely to touch a walloping 21.7 million units by the end of 2014. Rural housing shortage is expected to decline to 53.8 million units by 2013- 14 from 59.4 million units at the end of 2008. A reduction in housing shortage due to migration and conversion of kutchha houses into pucca houses. At around Rs. 2,171 billion, the housing sector is estimated to grow at 12% in the long term. Demand for housing is estimated to be around 4.8 million houses per year over the Eleventh Five Year Plan period. In addition to the need for new housing tenements, the demand is also likely to be fuelled by the housing shortages already prevalent in several states. The shortage of housing across several states, as illustrated in the graph below, amounts to about 25 million houses in the period of the Eleventh Five Year Plan. The demographics work strongly in favor of the Indian Construction industry. India is the second highest populated country in the world after China. India's estimated population as of March 2013 is 1.64 billion, while the average age of Indians is 26 years. The demographic profile indicates that India's working population forms around 61% of the total population. India is and will remain one of the youngest countries in the world for some time. The strong economic growth led to sharp income generation, which led to rise in middle class segment. India currently has around 260 million persons in the middle class segment. This segment's rising purchasing power and propensity to consume is expected to drive and support a robust growth rate of the economy in the coming years. The middle class along with robust macro-economic scenario and

changing demographic profiles has a major role to play in the growth and emergence of the Construction industry in India.

With increasing competition in Real estate market, it is necessary to identify customers buying behavior for residential properties. As many research, have proved that there is great impact of demographical factors like age, gender, income, culture etc. on the investment decision, it has become necessary for those companies which are providing financial services to the investors to survive in the competitive market. This study attempts to make identification of various factors that can influence the buying decision of investors of urban and rural areas of Bangalore City. The research intends to provide solution of the question “What kind of factors can influence the buying decision of investors? What kind of strategy can be adopted in urban and rural areas of Bangalore for better sales? And finally, does the buying behavioral pattern of urban and rural investors differ significantly.

Objectives of The Study

Following are the objectives of the study:

1. To study the factors taken into consideration while purchasing Residential properties
2. To aware of the sources of Information for respondents while Property Purchasing
3. To evaluate the parameters considers while selecting residential properties
4. To make an awareness in respondents about various schemes offered by DEVELOPERS
5. To assess the mode of purchases of residential properties preferred by respondents in the study area

Need & Significance

The study conducted is Bangalore city reflects the market position of Shobha Developers Residential Properties. It gives us the details of various factors of buying behavior of customers. The study enables the company to prepare marketing strategy and plan accordingly, so as to capture a greater market share & the services provided by the company. It foresight the future requirement of the market and thus helps the manufacturer to face the future completion in a fully prepared way.

Thus it helps the company to have a good brand image and stepping toward success. Buying Behavior is the decision processes and acts of people involved in buying and using products. The dynamic interaction of affect and cognition, behavior, and the environment by which human beings conduct the exchange aspects of their lives. Customer behavior can be looked upon as a study of how individuals make decisions on how to spend their available resources like time, money and effort on various consumption-related items. Human beings are greatly influenced in their

buying actions by various factors like opinions of others, marketing stimuli like product, advertising, packaging and product appearance.

Scope of Customer Buying Behaviour

- Why do Customers buy a particular product/service brand?
- How do they buy them?
- Where do they buy these products?
- How often do they buy them?
- When do they buy them?
- What factors influence the decision making process of the Customers?
- The buying process involves the user, influencer, decider, and the buyer
- The process is greatly affected by selective information received by a Customer
- It is very important to understand what and how much information is required by the Customer to help him evaluate the products and services
- As such understanding why a Customer finally buys a product is very complex

Importance of Customer Behaviour

- 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
- Product differentiation is declining

Why Focus on Customer Behaviour

- Profit making through customer satisfaction
- Dramatic increase in the quality of Customer and marketing research
- Development of Customer behavior research
- Shifting from the mass marketing concept to individual marketing concept.

Characteristics of Customer Behaviour

Customer Behavior Is Dynamic:

- The feelings, thinking, perceptions, and actions of the Customers and the society at large keep changing frequently.
- Strategies that work today may not work tomorrow.

- The product life cycles are becoming shorter.

Benefits of Customer Behaviour

- Stay loyal for a long time
- Buy new products and upgrade existing ones
- Talk favorably about the firm and its products
- Pay less attention to competing brands
- Offer product/service ideas to the firm
- Are cost effective

Approaches To Customer Behaviour

Managerial:

- Micro and cognitive in nature
- Emphasizes on attitudes, perceptions, lifestyle and demographic characteristics
- Environmental effects-reference groups, family and culture
- Risk of this approach is overemphasis on rationality of a Customer and overlooks
- the dynamics of environmental factors independent of the individual
- Tends to focus more on purchase than on consumption

Types of Customer Buying Behaviour:

Types of Customer buying behavior are determined by:

- Level of Involvement in purchase decision. Importance and intensity of interest in a product in a particular situation.
- Buyer's level of involvement determines why he/she is motivated to seek information about a certain products and brands but virtually ignores others.

Research Methodology

Survey Research:

Survey research is one of the most important areas of measurement in applied social research. The broad area of survey research encompasses any measurement procedures that involve asking questions of respondents. A "survey" can be anything forms a short paper-and-pencil feedback form to an intensive one-on-one in-depth interview.

Survey Method

Survey research method is technique of investigation by direct observation/respondent or by systematic gathering of data from population.

Advantages of Survey Method

1. Inferences based on facts.
2. Personal Contacts with respondents.
3. Instrument of social development.
4. Greater objectivity.
5. More reliability of the data.

Questionnaire

Questionnaire is used to collect information from respondent. In this study questionnaire content both close ended & open-ended questionnaire. **Sample size was 1000 respondents which are further calculated in percentage and shown graphically in various charts.**

Respondents As Sample Unit**Non-Random Judgment Sampling**

Non-probability sampling is that procedure which does not afford any basis for estimating the probability that each item in the population has of being included in the sample.

For this project Primary as well as Secondary data is use.

Primary Data:

Information collected for first time is called as Primary Data & is in the original character. Primary data collected either through observation or through direct communication with respondents in one form or another or through personal interviews. Primary data were collected through the survey method with help of questionnaire.

Secondary Data:

Secondary data means data which already been collected and analyzed by researchers. Secondary data collected from annual reports, audit reports, books, Internet & magazines.

Research Design

Research design is the guideline, which help the researcher to get the required information from the respondents within the specific time limit, After going through this study, the author would recommend developers that they should try to decrease five star amenities with a view to cut down the property prices and there by attracting the middle class and also actively participate and organize property exhibition, trade

shows, hoardings, etc. to create awareness in the market. They should reduce the maintenance charges and should concentrate on CRM activities, such as loyalty to create strong good will and gain new customer. The objectives of this study was to study the property purchasing behavior of different types of customer in different area in Bangalore city and to study the various factors affecting the customer-buying pattern especially in case of Residential properties, to find the expectations & needs of customers from Shobha Developers Constructions & to find the opinion of the customers with regard to various schemes available or schemes offered by Shobha Developers constructions and to find out the period in which the customers are more willing to purchase Residential properties.

The Company comes to know about customers expectations & need for future properties purchases. The sample size taken for this project was 1000 respondents.

1. The survey was restricted to selected areas in Bangalore City only.
2. The time duration of this survey was 100 days only.
3. Rainy season was main hurdle for this survey.
4. The response from the respondents was fair enough but not up to the mark or good enough.
5. This project was only restricted to the residential properties of DEVELOPERS & not commercials & others.
6. The survey area were too far as the city is big enough which caused many transportation problem.

Data Analysis & Discussions

The Researchers have attempted to capture the current trends in the Indian real estate industry through financial analysis of a sample of listed companies. This study provides a brief overview of the performance of the selected company. The sample selected for this analysis comprised listed real estate companies that had total income of ₹ 750 mn and above. We then narrowed down its choice to a fair representative list of 30 companies for which financial information was available for the past five years. It further categorized the 30 real estate companies into large-size, mid-size, and small-size companies based on their total income, by using the 80:15:5 principles. Based on this categorization, 12, 10, and 8 large-size, mid-size, and small-size companies respectively were chosen. This classification primarily aims to study the dynamics and operating efficiencies of the chosen companies in the real estate industry. Of the 30 companies under study, in FY14, large companies contributed 80% of total income and had 40% representation.

Real estate companies require significant resources to fund their projects. Thus, they went on an equity capital raising spree during FY06–FY08 to scale their operations aggressively. These companies also procured considerably high debt to finance their capital-intensive projects. However in FY09 and FY10, growth in equity and debt declined due to decreased demand, a downtrend in sales, stoppage in execution of projects, rising interest expenses and the credit crunch arising out of the global financial crisis. The global financial crisis, volatile capital markets, slowdown

in FII flows made it difficult for companies to raise funds through equity markets. Further, in FY10, the focus of companies was to enhance cash flows, release cash blocked in non-core assets, increase process improvements and cost cutting, and achieve better working capital management along with real estate development. This resulted in renewal and progress of certain stalled projects and new launch announcements.

The return on capital employed (ROCE) is a measure of returns that a company is realizing from capital employed. ROCE is defined as the ratio of profit before interest and taxes (PBIT) to capital employed. Another factor that led to a sharp decline in ROCE of real estate players is increase in capital employed at a higher pace than PBIT growth. In fact, small and large companies registered a sharp decline in PBIT as against a positive growth in capital employed, which had a double effect on ROCE. In FY10, PBIT of mid-size companies grew at a lesser rate of 19.7% compared with 27.8% growth in capital employed. However, large and small companies saw a decline in PBIT of 20% and 30.2% compared with 25.3% and 8.6% growth in capital employed.

The Fixed Asset Turnover ratio shows that 12.32%. FATR is mostly modest leaving one firm, which tells that most of the companies were able to sail out with much fixed asset harm.

Compound Annual Growth Rate - CAGR (Revenues)

Company Name	March 2012	Mar'11	Mar'10	Mar 09	Mar 08	CAGR
Dlf	10,207.88	10,091.54	7,791.31	10,392.55	14,655.01	-6.98%
Omaxe	62.90	62.51	90.77	78.12	398.80	-30.88%
Unitech	326.71	510.08	544.30	739.66	1030.68	-20.53%
Ansal Api	10.32	10.55	6.41	10.06	7.24	7.39%
Parsvnath Developers Ltd.	25.53	75.48	133.85	113.04	408.74	-42.57%
Godrej Properties Ltd	81.36	106.24	121.84	74.74	75.89	1.47%
Real Estate	10714.7	10856.4	8688.48	10668.51	16276.36	-8.02%

Where, Formula

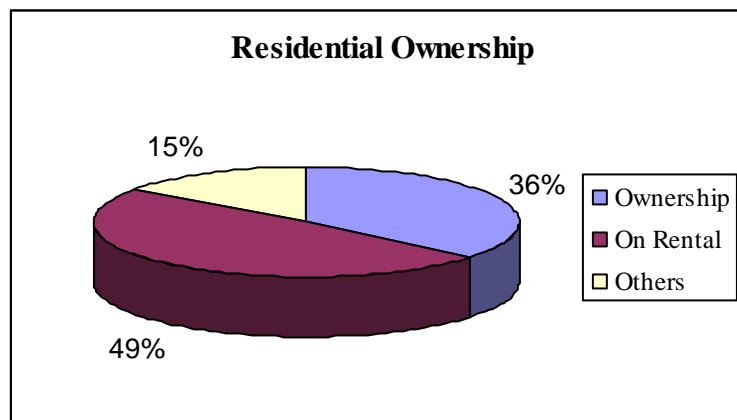
$$CAGR(t_0, t_n) = \left(\frac{V(t_n)}{V(t_0)} \right)^{\frac{1}{t_n - t_0}} - 1$$

- $V(t_0)$: start value, $V(t_n)$: finish value, $t_n - t_0$: number of years.
- Actual or normalized values may be used for calculation as long as they retain the same mathematical proportion.
- The CAGR can also be calculated as the geometric mean of 1 plus each year's return (i.e. +3% becomes 1.03 and -2% becomes 0.98), minus 1

CAGR of Real Estate industry has Been -8.02, which clearly signifies that industry has been Building, Construction Industry and Real Estate Services suffering from low earning capability over 5 years or so. The main reason for such drastic fall is “recession” , which has made consumer reluctant to invest. It was backed by raising interest Rates. The Real Estate is suffering from down turn of cumulative average growth rate. A -340 % of decrease show that industry is not healthy right now. Recession has had adverse effect on Indian real estate industry. It has to inject money to start new projects. The Companies have to formulate efficient policies to skip foreclosures.

Table 1: showing present type of Residential Ownership

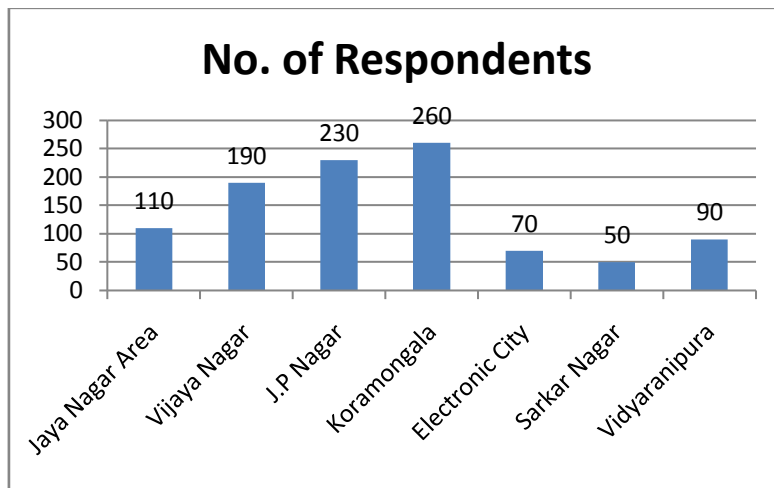
Type	No. of Respondents	per cent of Respondents
Ownership	360	36 per cent
On Rental	490	49 per cent
Others	150	15 per cent
Total	1000	100 per cent



The above table shows that, maximum no. of respondents stays on rental basis i.e.49 per cent, 36 per cent of the respondents have their ownership on residence and 15 per cent of respondents are in others category, which include residence on lease or staying at relative.

Table 2: showing areas preferred to purchase residential properties

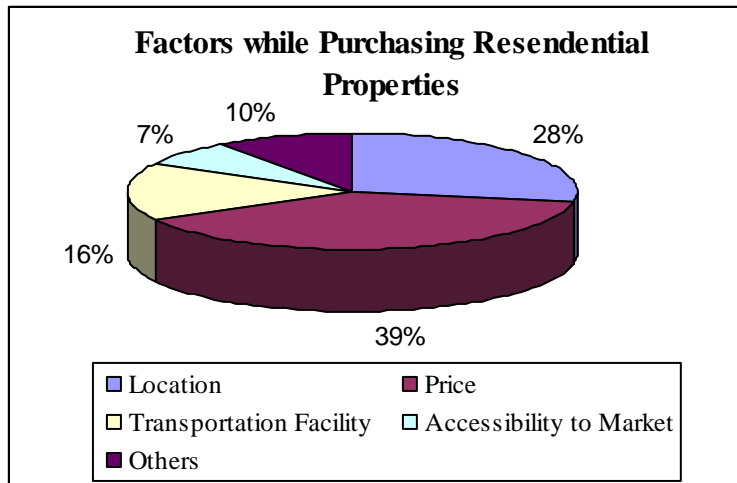
Area	No. of Respondents	per cent of Respondents
Jaya Nagar Area	110	11 per cent
Vijaya Nagar	190	19 per cent
J.P Nagar	230	23 per cent
Koramongala	260	26 per cent
Electronic City	070	07 per cent
Sarkar Nagar	050	05 per cent
Vidyananipura	090	09 per cent
Total	1000	100 per cent



The above table shows that maximum no. of respondents i.e.26 per cent prefer Koramangala area, whereas 23 per cent of respondents preferred J.P Nagar area, while 19 per cent of respondents prefer Vijaya Nagar area, whereas 09 per cent of respondents preferred Vidyananipura area while 07 per cent of respondents preferred Electronic City area and 05 per cent of respondents preferred Sarkar Nagar area for purchasing residential properties.

Table 3: Showing Factors taken into consideration while purchasing Residential properties

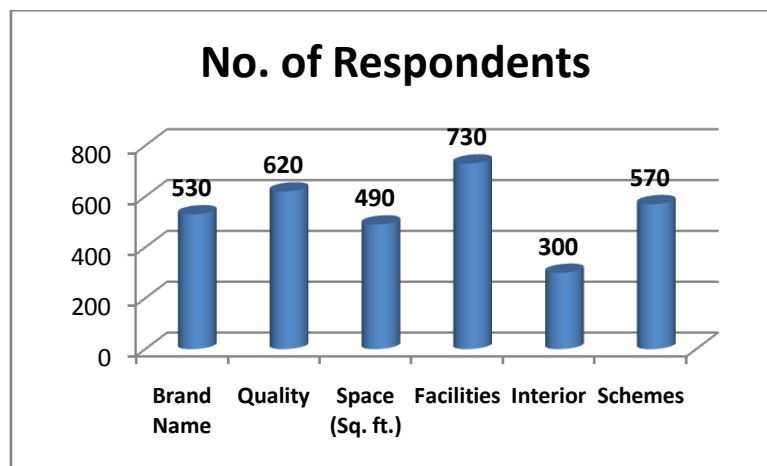
Factors	No. of Respondents	per cent of Respondents
Location	280	28 per cent
Price	390	39 per cent
Transportation Facility	160	16 per cent
Accessibility to Market	070	07 per cent
Others	100	10 per cent
Total	1000	100 per cent



The above table shows that maximum no. of respondents i.e. 39 per cent consider Price, whereas 28 per cent consider location while 16 per cent consider transportation facility whereas 10 per cent consider other factors like Vastushastra, Water availability etc. and 07 per cent of respondents consider accessibility to market as important factor for purchasing residential properties.

Table 4: showing Parameters considers while selecting residential properties

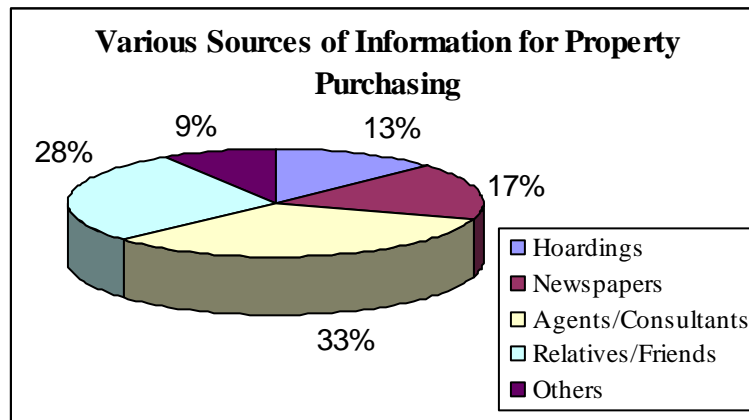
Parameters	No. of Respondents
Brand Name	530
Quality	620
Space (Sq. ft.)	490
Facilities	730
Interior	300
Schemes	570



The above table shows that maximum no. of respondents i.e. 730 consider Facilities as parameter while 620 respondents consider Quality, whereas 57 of respondents consider Schemes whereas 530 respondents consider Brand name while 490 respondents consider Space (Sq. ft.) and 300 respondents consider Interiors as the parameters while selecting residential properties.

Table 5: showing sources of Information for respondents while Property Purchasing

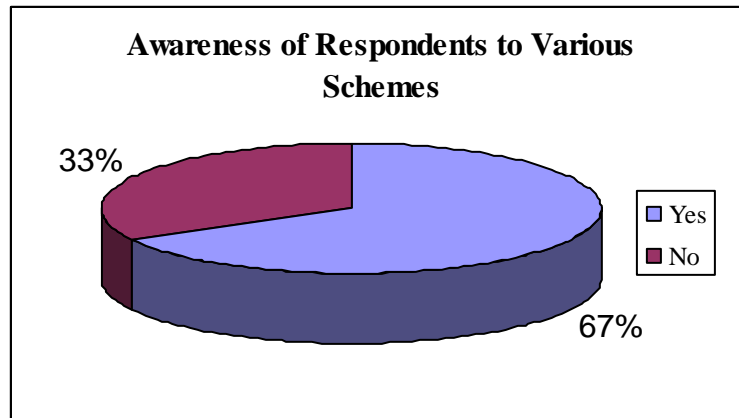
Sources	No. of Respondents	per cent of Respondents
Hoardings	130	13 per cent
Newspapers	170	17 per cent
Agents/Consultants	330	33 per cent
Relatives/Friends	280	28 per cent
Others	090	09 per cent
Total	1000	100 per cent



Above table shows that 33 per cent of respondents get their information from Agents /Consultants, where as 28 per cent of respondents get information from Relatives/ Friends while 17 per cent of respondents get information from Newspapers whereas 13 per cent of respondents get information from Hoardings and 09 per cent of respondents get their information through Other Sources like Local News Channel, Radio, Internet etc. for Purchasing Residential Properties.

Table 6: Showing Awareness In Respondents About Various Schemes Offered By Developers

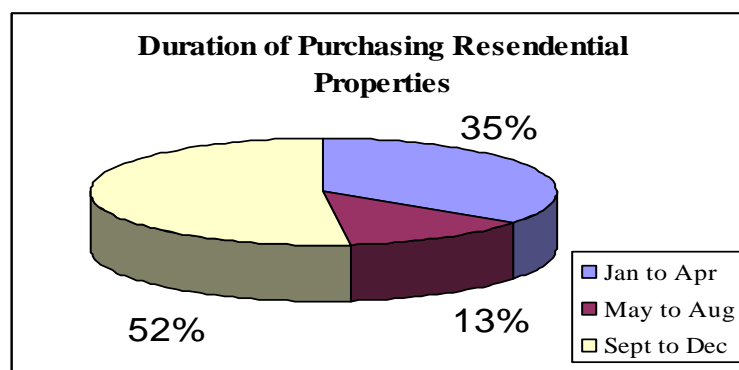
Awareness	No. of Respondents	per cent of Respondents
Yes	670	67 per cent
No	330	33 per cent
Total	1000	100 per cent



The above table shows that maximum no. of respondents i.e. 67 per cent were aware about the various schemes offered by DEVELOPERS whereas 33 per cent of respondents were not aware about various schemes offered by DEVELOPERS.

Table 7: Showing Duration Of The Year When Normally Respondents Like To Purchases Residential Properties

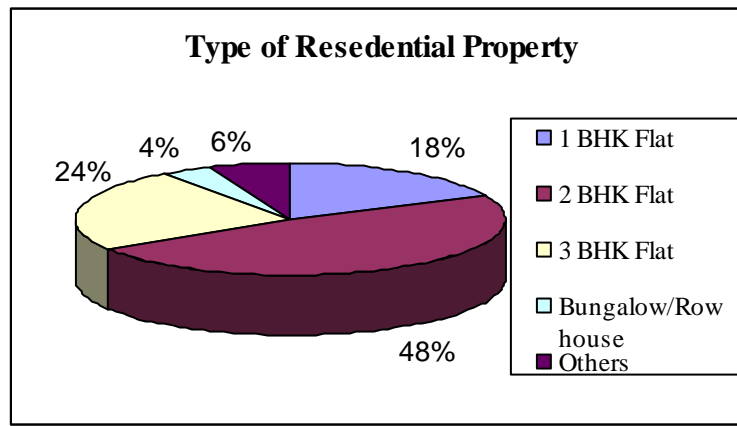
Month	No. of Respondents	per cent of Respondents
Jan to Apr	350	35 per cent
May to Aug	130	13 per cent
Sept to Dec	520	52 per cent
Total	1000	100 per cent



Above table shows that maximum no. of respondents i.e. 52 per cent would prefer Sept to Dec as the duration where as 35 per cent respondents would prefer Jan to Apr while 13 per cent of respondents prefer May to Aug as the duration of the year where they would like to purchase residential properties.

Table 8: Showing Type Of Residential Property Respondents Would Like Purchase

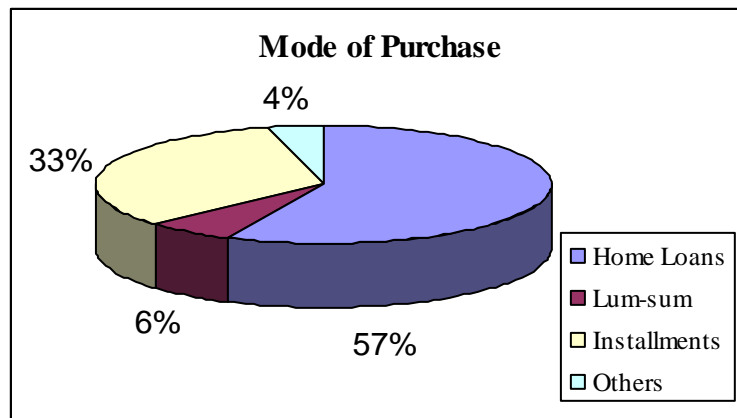
Type	No. of Respondents	per cent of Respondents
1 BHK Flat	180	18 per cent
2 BHK Flat	480	48 per cent
3 BHK Flat	240	24 per cent
Bungalow/Row house	040	04 per cent
Others	060	06 per cent
Total	1000	100 per cent



Above table shows that maximum no. of respondents that is 48 per cent would like to purchase 2 BHK Flat, whereas 24 per cent respondents prefer 3 BHK Flat, while 18 per cent respondents prefer 1BHK Flat whereas 4 per cent of respondents prefer Bungalow/Row house and 06 per cent respondents prefer others which include Duplex, Terrace Flat, Attached Flat etc. for purchases of residential property.

Table 9: Showing Mode of Purchases of Residential Property Preferred By Respondents

Mode	No. of Respondents	per cent of Respondents
Home Loans	570	57 per cent
Lum-sum	060	06 per cent
Installments	330	33 per cent
Others	040	04 per cent
Total	1000	100 per cent



Above table shows that maximum no. of respondent's i.e.57 per cent would prefer Home Loans whereas 33 per cent of respondents would prefer Installments while 06 per cent of respondents would prefer Lum-sum and 04 per cent of respondents prefer others.

Findings

- 1) During the time of survey, it was found that 49 per cent respondents are having the resident on rental, 36 per cent respondents are having own property & 15 per cent respondents are having other sources such as lease, relatives & friends etc.
- 2) It was found that 26 per cent of respondents were preferred to purchase residential property in Koramangala area, 23 per cent of respondents in J.P Nagar & 19 per cent, 11 per cent, 9 per cent, 7 per cent people in Vijay Nagar, Jaya Nagar area, Vidyanipura Nagar, Electronic City area respectively, only 5 per cent respondents were preferred in Sarkar Nagar area.
- 3) It was found that the price & location is major factor which consider by the customer at the time of purchasing the residential property. Here, 39 per cent respondents are considering the price, 28 per cent respondents are consider location & 16 per cent & 7 per cent respondents are considering transportation & market facility.
- 4) It was found that the 'quality' & 'facilities' are most considerable parameters at the time of selecting residential property. Brand Name & schemes are also considering the customer at the time of purchasing the residential property.
- 5) It was found that the source of information for Customers the real estate consultant play very vital role. 33 per cent respondents go through the consultants, 28 per cent respondents prefer relatives & friends, 17 per cent go through newspapers & 22 per cent respondents prefer through hoarding & others sources.

- 6) It was found 67 per cent respondents were aware of various schemes offered by DEVELOPERS & 33 per cent respondents were not aware. Here the most of the respondent's opinions about schemes of DEVELOPERS's are good.
- 7) In the duration of September to December the most of the respondents were like to purchase the residential property because most of the festivals are in this duration. Here 52 per cent respondents preferred in September to December, 35 per cent respondents preferred in January to April & 13 per cent respondents preferred in May & August.
- 8) It was found that demand of the 2 & 3 BHK flats were more as comparing to other types. 48 per cent respondents prefer 2 BHK flat, 24 per cent respondents prefer 3 BHK & 18 per cent & 4 per cent respondents choose the 1 BHK & Bungalow respectively. Here 6 per cent respondents go through the other type such as Duplex flat, Gallery or Terries & 1 HK flat.
- 9) In the mode of payments 57 per cent respondents go through home loans of various banks & private financial institutes, 33 per cent respondents go through installments, 6 per cent respondents through Lum sum amount & 4 per cent respondents choose other mode of payments.
- 10) It was found that the close competition of DEVELOPERS were Godrej, LT Developers & Nyati Developers which were mostly known by the respondents.

Conclusion

- It can be seen that Shobha Developers is most popular brand.
- Quality is considering lot while purchasing residential property.
- The Shobha Developers stands first among three top companies in Bangalore city.
- The Buyers consider Quality and price while purchasing the residential property.
- The customer may change the Brand if the Particular brand is not available and also because of close substitute.
- Price hike is also one of the reasons for change in brand.
- Adverting and other sales promotion tools have a great effect on sales of the residential property.

Recommendations

- 1) The Developers should try to tap other market potentials, such as Chennai, Kolar, Bellary Main Road, and 2nd tire cities.

- 2) DEVELOPERS should try to decrease Five star amenities with a view to cut down the property prices and there by attracting the middle class.
- 3) DEVELOPERS should actively participate and organize property exhibition, trade shows, hoardings, etc. to create awareness in the market.
- 4) DEVELOPERS should organize annual customer meet to appreciate those customer who have been with them and awarded them.
- 5) DEVELOPERS should take mass media such as television more precisely cable media to target local customers.
- 6) DEVELOPERS should also concentrate more on interior decoration to compete with other competitors.
- 7) DEVELOPERS should reduce the maintenance charges.
- 8) DEVELOPERS should also concentrate on CRM activities, such as loyalty to create strong good will and gain new customer.

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