

## Chapter 2

### Literature Review

This chapter presents related literature in the fields of marketing and social science, and presents the development of arguments of the research. The chapter begins with the introduction, followed by the context of the study, and the rationale is demonstrated to provide the study's scope. Then, the literature regarding the marketing mixes and personal and social factors are shown respectively.

#### 1. Introduction

Recent research in behavioural theory highlights a new aspect of real estate valuation concerning consumers' perspective (Daly, Gronow, Jenkins, & Plimmer, 2003, pp. 295-314; Livette, 2006, pp. 464-478).

The core of consumer behaviour theory stresses the process of customer buying behaviour. Buying behaviour is considered as a set of proactive activities of during the decision making process that starts from being aware of problem; recognising the consumers' needs and/or wants, information search, alternative development and evaluation to arrive at the final decision (Daly et al., 2003, pp. 295-314). These stages can take different lengths of time and can happen either independently or concurrently, depending on the buying factors, type of product and situation. In the context of real estate and property, product and service is considered to be a high involvement product, which is high in price, durability. Real estate is especially a basic customer need (Livette, 2006, pp. 464-478). Therefore, the decision making process requires a large amount of information and involves a relatively complex decision making process, the so-called high-involvement product (Kotler & Armstrong, 2008, pp. 557). An understanding of customer needs and preferences will help to reveal critical factors and their level of influence in decision making. As a high-involvement product, information and evaluation for decision making are posited to be done wisely (Kotler & Armstrong, 2008, pp. 557). At the stage of awareness where people realise they have an internal lack of that information, they usually seek

and acquire it externally from friends, relatives or even professionals. In accordance with the research questions, there are a number of related theories and concepts to pursue in this examination.

In this literature review, the first part presents the background context of the study and the real estate and property project in Thailand, in order to demonstrate the uniqueness of the context as well as the rationale behind the theories used in this study. The second part explores the marketing mixes concept that is generally adopted by marketing strategy practitioners. Then, the discussion about personal factor, social factor and their relationship will be given respectively.

## **2. Real Estate and Property Development Projects in Thailand**

The real estate project development and construction industry contributes to a significant proportion of the national GDP as it is connected to many related industries on both sides of the supply chain. Thus, the sale of real estate property has a direct effect on the overall economy. The development and marketing of a residential project is argued to be complex as it is high in price and customers' involvement (Thai PR Consultant, 2007). Hence, a critical success factor for residential project development is the understanding of customers' preferences and behaviour so the customers' expectations can be met (Marketeer, 2009; Rungruengphon, 2009).

Housing project development in Thailand is conceived in its uniqueness on the entire development and selling process (Rungruengphon, 2009). In general, the processes from residential development through the property transferring process are divided and must each be managed by people with specific expertise, for example, project developers, banks, sole agents and lawyers (Rungruengphon, 2009). Multiple professional agencies are involved from project development to selling since specific knowledge and expertise is required to manage each process. Conversely, residential property project processes, especially housing, in Thailand are normally handled by the development companies. In other words, Thai housing developers are not only producers but also include other services, such as consulting, banking, loan proposal and customer relationship management during the warrantee. This phenomenon

applies to the majority of developers in Thailand, both local small players and registered companies.

This study selects the context of single-detached housing projects in Bangkok and metropolitan areas because of their context uniqueness that combines both product and services (Lovelock, Patterson, & Walker, 2001, pp. 636). Moreover, it is widely agreed that Asian people have strong social bonds with their social networks. Thus, this study reflects on the influence of the social factor on a person's decision-making process in the context of the Thai real estate market (Anonymous, 2007; Marketeer, 2009; Rungruengphon, 2009; Thai PR Consultant, 2007). To compete in a high-market arena, development companies should understand the demand of their customers in terms of both volume and preferences. This argument also sheds light on the need to extend customers and marketing analysis from traditional aspects of 4 Ps in housing industrial to cover service marketing mixes, 7 Ps. The analysis and planning on 7 Ps could provide an insight into housing customer behaviours and their influence throughout the buying process.

### **3. Marketing Mixes**

Marketing mixes are the pool of multiple marketing elements which are combined and applied to achieve customers' satisfaction (Kotler & Armstrong, 2008, pp. 557; Wongmontha, 2004, pp. 300). Marketing mixes concept is a well-known concept in marketing management that scholars and practitioners apply to market analysis and strategic formulation. The controversy regarding the elements in marketing mixes exist in the literature. Two major streams of controversies are on the orientation of the concept and the appropriate aspects of marketing mixes.

Marketing literature stresses the different approaches in marketing management. Although both approaches share the same goal in selling products; they pursue different orientation (Kotler & Armstrong, 2008, pp. 557; Lovelock et al., 2001, pp. 636). The traditional approach emphasises the supply side of the market, while the modern approach pays attention to customers' demand. The traditional marketing is concerned with how to push the product to the customers. Thus, this approach highlights the importance of the selling chance and appealing to the

customers. Marketing research in this stream investigates consumer behaviour and the formulation of marketing strategy in order to achieve business success. Marketing mixes are the concept introduced as a tool for marketing analysis and strategic management. Scholars and practitioners have long debated the appropriate aspects of the marketing mixes. The original marketing mixes consist of four elements in marketing, generally known as 4Ps. These four elements are argued to cover all necessary marketing activities in general. The concept of marketing mixes is one of the most popular marketing tools because of its simplicity and applicability from mass to niche markets. The four elements include: product, price, place and promotion.

On the other hand, recent marketing studies shed light on consumer-oriented marketing. This approach pursues pulling strategy in marketing (Daly et al., 2003, pp. 295-314). It posits the importance of consumer satisfaction based on the basic assumption that people will seek and buy things to fulfill themselves both physically and psychologically. Then, this satisfaction will drive the consumer buying decision and behaviour. The four elements of consumer oriented marketing mixes (the 4 Cs) are: consumer (or capable), cost, convenience and communication. The concept of 4 Cs conceives the importance of customisation to meet customers expectation. Because of this basic assumption, the 4 Cs concept is not as popular as the 4Ps as the core concept, customization, limits the application to specific contexts and industries. Hence, the former concept is still generally applied in practice.

There are attempts to identify more appropriate elements of the marketing mixes. The criticism of the generalisation of the marketing mixes exists, and the attempts to identify additional elements continue (Buttle, 2004, pp. 359). While the debates regarding the extra marketing elements have carried on, there are three additional elements accepted. The additional 3 Ps is posited to be critical aspects of the marketing mixes in the service industry. Literature states the unique characteristics of service industry, so specific marketing tools are crucial in order to create value for customers. Those additional elements extend the concept from 4 Ps to 7 Ps, which are people, physical evidence and process. Furthermore, scholars conceive the applicability of 7 Ps that it is not limited only to service contexts, but also useful and can be adapted to manufacturing industries as well (Buttle, 2004, pp. 359).

Construction and property development is a combination of production and service according to the nature of the industry (Lovelock et al., 2001, pp. 636). As discussed earlier, the context of single-detached house project development in Thailand demonstrates the high level of service that is involved in selling such items as mortgages, transfers and warranties. Thus, customers' satisfactions are derived from their evaluation of both product and services provided by the development company. Thus, this study applies the seven elements of marketing mixes, 7 Ps, rather than the four elements in the analysis of customers' preferences in single-detached home purchasing decisions. The importance of each element in the housing project will be demonstrated.

### **3.1 Product**

The product, as a marketing element, covers both tangible products and intangible services offered to the customers to achieve customers' satisfaction. The product consists of a number of attributes that can be both touchable and untouchable such as material, design, packaging, brand, experience, quality and so on. In the context of this study, the product is the single-detached house as well as the services provided by the development company. The product attributes in this context are the things related to the house and its environment such as housing material, quality, location, design, project atmosphere and developers' reputations. In addition, the service attributes are the services provided by the development company such as consulting, flexible design, legal procedures and mortgage.

### **3.2 Price**

Price is the amount that the customers have to pay in exchange for the product. In other words, price is the value of the product from the customers' perspective. The comparison of price and value received from buying determines the customers' satisfaction in product and/or service. The customers' consideration of the element of price in this study is examined through attributes related to the payment during the buying process such as comparison of price and material, location, project recreation, services, extra fees, and loan interest rate.

### **3.3 Place**

The element of place refers to the distribution channel of the product. It creates and increases the chance of sale (Lovelock et al., 2001, pp. 636; Wongmontha,

2004, pp. 300). For mass products, place or distribution channels may be the retailers, websites or even strategic partners. In regards to some products, distribution channels can create emotion and reflects the product's image due to its appearance at the point of sale. As the housing project mainly does its selling at their sale office, this study assesses the prospective in place of the sales office location and its environment.

### **3.4 Promotion**

Promotion in the marketing mixes is the marketing communication which aims to stimulate customers' demand (Wongmontha, 2004, pp. 300). Promotional elements include both communication and promotional techniques. Communication strategies are product design and packaging, advertising and public relations, while promotion refers to special offers. The promotional attributes of this study include advertising, public relations, discount and special offers.

### **3.5 People**

The people element is an additional element of the marketing mixes for services. It refers to the people who provide both direct and indirect services to the customers (Buttle, 2004, pp. 359; Wongmontha, 2004, pp. 300). People are recognised as a critical success factor for the service business as they are the service providers who respond directly to the customers' requirements. There are a number of people involved in the sale of a housing project. The sales person, architect, engineer and legal officer are all involved in the home selling process. Hence, the procedures and consulting capabilities of these people contribute to customers' satisfaction.

### **3.6 Process**

The process means the procedures of service offered to customers. The process is different from the people in the sense that the process is designed to maximise convenience for both staffs and customers, while people serve the customers according to the defined process (Buttle, 2004, pp. 359; Wongmontha, 2004, pp. 300). The housing project development involves multiple processes from the beginning of the project such as design phase, to the end of the warranty period. Each process has responsibility to raising the customers' satisfaction by offering convenience. Extra services offered by the project developers may result in shortening the process and providing higher customers' satisfaction.

### **3.7 Physical evidence**

Physical evidence is the element in the service marketing mixes that refers to the tangible settings at the place where service is provided (Buttle, 2004, pp. 359; Wongmontha, 2004, pp. 300). The physical evidence can create trust, improve image and stimulate emotion of the customers. Some examples of physical evidence are location, decoration of the place, Web site to the uniform of the service providers. In the context of this study, the physical evidence is the project and sale office atmosphere, advertising, point of sale, security system and sale representatives' dressing.

## **4. Personal Factors**

There are numerous marketing research attempts to reveal factors involving buying decision and behaviour. Two major factors which are widely recognised in their influence on buying decision making are personal and social factors. According to marketing literature, personal factors refer to a person's internal attributes, including both demographical and psychological, that may affect buying decisions and behaviour (Lovelock et al., 2001, pp. 636). The different combinations of personal factors are argued to be a reason why people have different demands, needs and wants. Marketing literature confirms the impact of personal factors on consumer behaviour and buying decision making. Similar to the studies in sociology, marketing research contributes to the different effects that result from different personal attributes such as gender (Anglin, 1997, pp. 567-589; Bates & Kennedy, 1996, pp. 440-445), status (Bates & Kennedy, 1996, pp. 440-445), age (Livette, 2006, pp. 464-478; Reed & Mills, 2007, pp. 225-241), educational level (Alhabeeb, 2007, pp. 69-81; Ratchford, 2001, pp. 397-411) and income (Anglin, 1997, pp. 567-589; Reed & Mills, 2007, pp. 225-241).

### **4.1 Gender**

Gender is one of the most examined personal factors in social study. The different behaviour among males and females is widely accepted. Marketing literature states the relationship between gender and different behaviour in several contexts including real estate (Anglin, 1997, pp. 567-589; Bates & Kennedy, 1996, pp. 440-

445). Thus, the role of gender and its impact on the marketing mixes preferences is hypothesised.

#### **4.2 Marital Status**

A study from Bates & Kenedy (1996) reveals the impact of marital status on personal behaviour. Although there is limited research that investigates the effect of marital status on consumer behaviour, it is general accepted that that marital status is a life cycle stage and is the internal factor that drives a person's decision and action (Reed & Mills, 2007, pp. 225-241; Wongmontha, 2004, pp. 300).

#### **4.3 Age**

According to the literature, age has a relationship to many personal factor attributes. Age relates to, for example, marital status, education, experience, and personal income (Reed & Mills, 2007, pp. 225-241). Thus, people in different ages can be posited to perform different behavior in the same situations.

#### **4.4 Formal Education**

Knowledge is recognised to be an important determinant of an individual's decision and behaviour. Current research confirms the impact of formal education on consumer behaviour in the real estate market (Alhabeeb, 2007, pp. 69-81; Hite, 1998, pp. 303-316; Ratchford, 2001, pp. 397-411). The level of education distinguishes ability and preferences of people in this age of knowledge. Moreover, the level of formal education is believed to provide basic knowledge in acquisition of later knowledge. This study follows the prior studies and hypothesises the relationship between formal education and marketing mixes.

#### **4.5 Personal Income**

Personal income determines the affordability and demand of the customers. It is generally related to the other factors such as occupation, age and educational level. The level personal income can indirectly determine the level of intervention of other factors, such as the influencer in the buying decision making process (Ratchford, 2001, pp. 397-411; Wongmontha, 2004, pp. 300). Moreover, the level of expectation is posited to be various according to the price of product, which relates to affordable level from income. Hence, the relationships between personal income and marketing mixes are hypothesised.

The study of personal factors and their effect on consumer behavior is similar to a number of theories of behavioral approaches in sociology. A comparable theory is the human capital theory. Human capital was originally investigated by economic researchers and was widely applied to many research areas later (Ratchford, 2001, pp. 397-411). In general, human capital refers to personal potential, ability and capability in performing various activities. The quality of one's human capital attributes contributes to that person's performance as well as distinguishes him or her from other people. From this point, human capital is the accumulation of experience, knowledge, information, cognition and psychological attributes throughout one's life. As a result, human capital is believed to be able to develop and strengthen a person both actively and passively.

Human capital literature normally gives attention to how to enhance people's ability and capability through attributes. Thus, marketing academics aim to examine the critical human capital attributes and their effects on performance in different contexts. The theory of human capital it is divided into two major types, general human capital and specific human capital (Firkin, 2003, pp. 57-75). General human capital usually refers to personal capability in general. This capability is a result of the personal development from culture, age, experience, and formal education (Madsen, Neergaard & Ulhøi, 2003, pp. 426-434). Another type of human capital is specific human capital, which is a context-specific capability (Firkin, 2003, pp. 57-75). Specific human capital is a pool of specific kinds of knowledge, experiences and skills that determines personal expertise or profession. Each individual may have multiple areas of both general and specific human capital attributes as human capital can be created and strengthened by many knowledge acquisition techniques such as studying, training, and experience. Although overall, personal factors and human capital theory are similar, this study recognises the critical role of specific knowledge from the study of human capital (Alhabeeb, 2007, pp. 69-81).

#### **4.6 Specific Housing Knowledge**

Current research in consumer behaviour and marketing have adopted the meaning and application of human capital, especially knowledge attributes, into studies that further explain the personal factor concept. The adoption is posited to be

compatible because both concepts share the same emphasis of individual attributes. According to recent consumer behaviour study, research about the impact of human capital has been conducted in variety of contexts. Research results confirm the fact that people with high human capital have higher effective and efficiency than people with lower human capital in searching for and accessing required information and knowledge by themselves rather than spend time seeking help from others (Marger, 2001, pp. 169-170). Hence, specific knowledge in human capital study is posited to distinguish capability of people throughout the buying process (Alhabeeb, 2007, pp. 69-81; Daly et al., 2003, pp. 295-314; Ratchford, 2001, pp. 397-411). While many of those studies explored household products, very little contributions were examined in the perspective of real estate and property. Moreover, because housing project characteristics are considered high price, durable and require high involvement, customers need to take on wise decision-making activities in every buying stage (Daly et al., 2003, pp. 295-314). There is still a lack of investigation about specific knowledge as a personal factor in marketing studies, especially during this information and knowledge age thus far (Alhabeeb, 2007, pp. 69-81; Daly et al., 2003, pp. 295-314; Ratchford, 2001, pp. 397-411). Accordingly, this study argues that customers require a pool of specific knowledge in addition to individual personal factors in order to make their best decisions. As a result, this study hypothesises the relationship between specific housing knowledge and marketing mixes.

## **5. Social Factors**

Literature sheds light on the critical role of influencers in stimulating demand of the consumers in addition to the personal socio-economic factors (Daly et al., 2003, pp. 295-314). These influencers can be considered as the person's social factors. While personal factors are considered as a person's internal factors, social factors are the external factors involved in performing activities (Kotler & Armstrong, 2008, pp. 557; Lovelock et al., 2001, pp. 636; Wongmontha, 2004, pp. 300). Social factors, in other words, are another group of drivers that have influence on consumer behaviour and buying decisions. Marketing literature highlights the types of social

factors and their impact on consumers' buying decisions and evaluation (Buttle, 2004, pp. 359; Lovelock et al., 2001, pp. 636).

Marketing research investigates the influence of social factors in consumer behaviour and decision making. However, most of the studies attempt to identify the type of social factors, which have impact on consumer behaviour, and their level of impact while neglecting the reason why they do have those influences. Reference groups are aspects of social factors, which considers the effect generated from different types of contact. Reference groups point out the type and the effect of a variety of relationship structures. This study aims to fill this gap in the literature by applying the social network theory in analyzing reference groups in social factors.

Social network study is influenced by a number of social study areas; for example, psychology, sociology and anthropology. According to resource-based theory, the social network is an important channel of resource accumulation through social interaction among actors and relationships (Witt, 2004, pp. 391-412). Relationships are developed and create trust, cooperative behaviour, collective actions and cognition in the community (Liao & Welsch, 2005, pp. 345-362; Nahapiet & Ghoshal, 1998, pp. 242-266). Therefore, the majority of the social network studies usually pay attention to the structural ties and reciprocal relationships (Hoang & Antoncic, 2003, pp. 165-187; Premaratne, 2001, pp. 363-371; Totterman & Sten, 2005, pp. 487-511; Witt, 2004, pp. 391-412).

Bourdieu (1985 cited in Nahapiet and Ghoshal, 1998, pp. 242-266) is the first scholar to introduce the systematic analysis of social networks. He gave the definition of social network as the set of assets, existing and potential, that generates from enduring relationships among network actors with any level of institutionalised relationships in acquaintance or recognition (Bourdieu, 1985 cited in Nahapiet and Ghoshal, 1998, pp. 242-266). Later scholars investigated social networks using more systematic approaches; for example, the concept of strong and weak ties (Granovetter, 1973, pp. 1360-1380), centrality of networks (Brajkovich, 1994 cited in Hoang and Antoncic, 2003, pp. 165-187), and even the benefits obtained from social networks (Davidsson & Honig, 2003, pp. 301-331).

Research reveals that social networks are the very first source of information, knowledge or even help sought by individual when personal resource is

limited (Daly et al., 2003, pp. 295-314; Ugbah & Evuleocha, 2007, pp. 51-55; Ward & Reingen, 1990, pp. 245-262). Trust is argued to be a major reason why people give high priority in accessing help from those networks (Bates & Kennedy, 1996, pp. 440-445; Janssen & Jager, 2003, pp. 343-356). There is wide discussion on how reference groups, or social network influence consumer behaviour, though literature rarely states the reason why they have influence. In line with the social network study, this study posits the role of relationship attributes of a person toward each reference group from social factor theory. In order to achieve the research objectives, structural bond and trust, as the elements of relationship, from social network study are applied to the analysis of the reference group. There are two types of reference groups: primary and secondary reference groups (Wongmontha, 2004, pp. 300).

### **5.1 Primary Reference Group**

The primary reference group is the closest group in a person's network such as family, relatives and closest friends. It is a group of social network which have highest impact on personal behaviour. The relationship with this group is based on informal contacts on a high frequency basis. This network group is believed to have highest impact on individual behaviour as they normally share similar experiences, backgrounds and psychological attributes among members.

Although the primary reference group consists of closest-contacts, this study's arguments are in line with social network studies that specify that the level of closeness, structural bond and trust may vary. For example, people intend to rely more on their own parents than relatives do. Thus, this study separates the primary reference group into four groups: spouses and children, the person's parents, spouse's parents and relatives and closest friends. These four primary reference groups are hypothesised to have relationship with marketing mixes. This is done in order to test the level of trust and its effect on single-detached house preferences.

### **5.2 Secondary Reference Group**

The secondary reference group is comprised of the social networks, which are formally known and have less frequency of contact. These people can be peers, friends, and members of the same social groups or famous people. People are generally less attached to these people than they are to the primary reference group.

Because of the specific context of housing preferences, this study divides the secondary reference group into two types of potential contacts that people may seek for help in this unique context. The two secondary reference groups are friends with house buying experience and specialists. The relationships between the secondary reference groups and marketing mixes are hypothesised.

## **6. The Relationship between Personal and Social Factors**

Despite the discussion regarding this matter, there is limited literature that clearly states the specific relationship between personal and social factor attributes together with their effects in detail. Literature demonstrates and confirms the relationship between personal and social factors in performing activities. Researchers in personal and social factors in multiple fields recognise both the relationship and effect between the two (Bates & Kennedy, 1996, pp. 440-445; Delre, Jager, & Janssen, 2007, pp. 185-202; Ratchford, 2001, pp. 397-411; Ugbah & Evuleocha, 2007, pp. 51-55). Personal factors are considered to be internal factors of an individual while social factors are external drivers that have influences on behaviour. The behaviour of a person is normally a product of a combination of both personal and social factors, which influence and drive the behaviour under each person's conditions. Then, the decision and behaviour are made.

Personal factors may play a role in buying decisions of products that are used daily. However, in the case of high-price products like housing, the social factors as the influencer must interact with the personal factors so that the final decision is made. This study aims to examine the relationship among personal and social factor elements as well as the effect of their relationship on customers' preferences in house purchasing decisions.

Figure 2.1 shows the framework of this research. As discussed earlier, attributes of personal factors and social factors have influences on the preferences on each marketing mixes element. Gender, status, age, education, personal income and housing knowledge are the personal factors' attributes, which this study proposed to investigate. Their effects on marketing mixes preferences of customers of single-

detached housing projects are proposed. Furthermore, the attributes of trust and influence of social factors toward different social network are hypothesized.

FIGURE 2.1  
RESEARCH FRAMEWORK

