# Factors influencing customers' purchase decision of residential property in Selangor, Malaysia

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| C H R O N I C L E | A B S T R A C T |
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| | This paper investigates the factors influencing on customers' purchase decision of residential properties in Selangor, Malaysia. The study measures the effects of quality, price, location, promotion and corporate image on purchase decision by distributing some questionnaire among 312 randomly selected residents from some selected destinations at Selangor, Malaysia. Descriptive analysis and multiple regression analysis are used for analyzing the data. The findings reveal that quality, price, location, promotion, and corporate image positively and significantly influence on customers' purchase decision. The results also indicate that location is the most important factor followed by price, quality, corporate image and promotion plays the smallest role on customers' purchase intention. The study discusses the results and give constructive suggestions for promoting sales figures.<br> |

## 1. Introduction

Property development can be considered as one of the important activities that drive out the stability and enhances human being lifestyle. Nowadays, in buying a property, people not only look at the price, but also consider other factors such as location, building, and environmental perspectives. The large number of products in market that have the same form, usability and other features make it difficult for consumers to differentiate between various products (Salleh et al., 2015), so it is necessary to locate different attributes which could motivate customers to choose real states. An appropriate marketing is one the primary tools to increase the property sales (Paniandi et al., 2018). Therefore, business owners, managers and marketing executives must be able to design and develop the most suitable offers that reflect market demand (Albattat & Romli, 2017). Marketing should be able to apprehend the nature and characteristics of market segment when dealing with strategies for promoting their products and services to the market (Haque et al., 2018). These days, customers are very selective and require considerable time in making purchasing decisions since there are several sales opportunities (Salleh & Zoher, 2015). The Malaysian

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property market is expected to remain constant in 2018 despite the downtrend over the past three years (AllianceDBS Research, 2018). The volume of property transactions in the first quarter of 2018 was 79,504 units with a total value of RM35,173 million, The number of transactions was 51.71% of the total volume of transactions in first quarter of year 2017, which was recorded at 153,729. The percentage share of the value of transactions is dominated by the residential segment, which is 46.9% of the total transaction amount (National Property Information Centre, 2018). According to the Napic Stock and Status Residential first quarter 2018 (1Q 2018) report, the number of unsold residential properties in the country has risen significantly in the first quarter of 2018 (1Q 2018), the unsold residential units stood at 100,459 units, increasing from 99,246 as of 2017. Property market imbalances and overbuilding may affect the stability of the financial system and can pose risks to the wider economy, According to PEPS (Property Consultants in the Private Sector Malaysia), the high rate of unsold and unutilized space was due to indiscriminate building by developers, lack of market studies and financial feasibility studies (Kamaruddeen et al., 2015). The objective of this research is to measure the effects of quality, price, location, promotion, and corporate image on customers' purchase decision.

## 2. Material and Method

In this part, we review theoretical background associated with different issues such as service quality, brand image and purchase decision. The empirical review or previous studies also will consisted in this part to support the study and to obtain the conceptual framework. Furthermore the proposed method to measure the data will be explained in this part.

### 2.1 Purchase Decision

Kotler and Keller (2012) explain that purchase decisions is the way individuals, groups or organizations to choose, to buy, to use and to utilize goods, services, ideas and experiences in order to satisfy the needs of desire. Berkowitz in Tjiptono (2018) states that purchase decisions are the stages passed by buyers in determining the choice of products and services to be purchased. The purchase decision as a selection of two or more alternative options, in other words, the availability of more than one choice is a must in decision making (Kotler & Keller, 2012). Basically, the purchase decision is an action or customers' behavior whether or not to make a purchase or transaction. The number of customers in making decisions to be one determinant if the companies can achieve their goals. Customers are often encounter with multiple selections to use a product or a service.

### 2.2 Quality

Quality can also be regarded as one of the key components of a business' competitive advantage. Thus, the quality of products or services is important to a business (Kusumah, 2015). American Society for Quality gives definition of quality as the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs (Kotler & Keller, 2012). The value that the customers get from the quality product also plays an important role for purchase decisions. When the value lower than the expectation, the customers may have the intention to change to other products or services (Mohamad et al., 2017). If the needs, desire and expectations are met and achieved, customers will have a high satisfaction level and most of the time will be loyal towards the product (Bomrez & Rafida, 2018). Some studies conducted in other countries concluded that quality influences on customers' purchase decision, positively (Trenggana & Fahrezzy, 2018). Nasar and Manoj (2015) stated that quality of an apartment is on of major factors that influence purchase decision for purchase decisions. The quality of building materials and building design are taken into account by consumers because good quality will provide durability and comfort in the house, as well as building design. In fact, if these two factors fit with the consumer's criteria, it will affect the price of the house and lead to purchase decision (Efendi in Primananda (2010).

## 2.3 Price

A product has economic value which is generally called price. According to Tjiptono (2018), price can be interpreted as the amount of money (monetary unit) and other aspects (nonmonetary) that contain certain aspects required to get a product or service. Price has some meaning which is essentially the same. Price is the amount of money required to purchase goods and services (Swastha, 2012). Brata et al. (2017) explained that price is one of important factors that appeal customers to purchase a particular product, the better prices, the more the purchase decisions. According to Sachitra and Chong (2018), marketing capability is an ability to market the product by gathering knowledge of customers and competitors, integrating markets and pricing effectiveness. According to Nasar and Manoj (2015) the most significant factors that influence customers purchase decision of an apartment is price. Harahap (2018) stated a positive relationship between price and customers' purchase decision. Price is a condition that affects the quantity of goods purchased by consumers. Consumers often compare property prices in a location with other locations, so the price needs to be considered at the competitor's price. Although cheap house prices always get consumers' attention, the negative impression of low quality on cheap housing prices is one thing that is considered by consumers (Vidada & Rakhmanita, 2017)

## 2.4 Location

According to Tjiptono cited by Kurniawati (2017), location is a position of product, place where can be reached very easily, safely and conveniently. Components related to location include: the selection of a strategic location (easily accessible), in the area around the shopping center, near residential areas, safe, and convenient for customers, supporting facilities such as parking spaces, and other factors. A strategic location will affect customer satisfaction in making a purchase (Pangenggar et al., 2014). This is because the location that is close to daily activities, and easy to reach, will make it easier for customers to reach the location. In an individual's decision making to purchase housing, location is one of the affecting factors (Al-Nahdi et al, 2015). Rinner and Heppleston (2006) defended location as the proximity to desirable or undesirable facilities which influences on consumer decision of residential buyers. Monica (2018) stated that in choosing place to live, location is one of factors considered by customers. Strategic and convenience location will attract customers to purchase. Therefore, better locations increase the customers' decision to buy residential property.

## 2.5 Promotion

Promotion is a form of marketing communication. What is meant by marketing communication is marketing activities that try to spread information, influence / persuade, and / or remind market objectives of the company and its products so that they are willing to accept, buy and be loyal to the products offered by the company (Tjiptono, 2018). According to Niazi et al. (2012), promotion is a way of communication to convince someone to make decisions about buying a product or service and providing information to consumers. According to Utomo et al. (2018), promotion positively and significantly influences on purchase decision. Promotion strategies include integrated communication, combination of advertising, personal selling, promotion sale, interactive marketing and a good public relationship with customers (Cravens & Piercy, 2013; Utomo et al., 2018). According to Putra (2019) promotion has positive effect on purchase decision. According to Brata et al. (2017) promotion is an important factor to attract customers' purchase decision. Promotion activities drive customers to make purchase decision by providing information that can encourage customers to make purchase.

## 2.6 Corporate Image

Corporate image is considered as the image of an organization as a whole, so it is not just an image of its products and services (Rahayu & Zanky, 2018). Corporate image in general includes a group of perceptions and impressions that grow in the public's mind and indicates the success of a company's business activities in building relationships with the public (Rahmiati et al., 2017). In addition, the company's image becomes a business activity because it is an intangible asset that will help company to growth. As

stated by Nguyen et al. (2013), corporate image is believed to have the same characteristics as schemes associated with consumer's purchasing decisions. The company's image is the impressions that the public has for the company. A good corporate image will encourage consumers to establish strong ties with the company. Furthermore, the bond allows the company to better understand the consumers' desires and needs (Tjiptono, 2018)

Based on the discussion above the conceptual framework for this research can be described as follows:
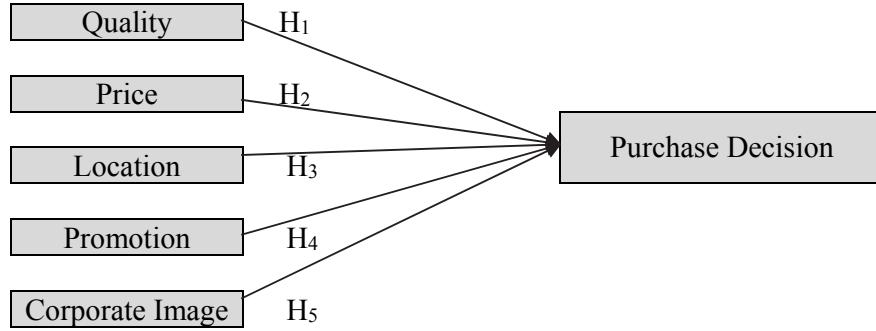


**Fig. 1.** Conceptual Framework

The research hypotheses in this study are:

$H_1$: Quality has significant influence on customers' purchase decision of residential property in Selangor Malaysia.

$H_2$: Price has significant influence on customers' purchase decision of residential property in Selangor Malaysia.

$H_3$: Location has significant influence on customers' purchase decision of residential property in Selangor Malaysia.

$H_4$: Promotion has significant influence on customers' purchase decision of residential property in Selangor Malaysia.

$H_5$: Corporate Image has significant influence on customers' purchase decision of residential property in Selangor Malaysia.

## 3. Research Methodology

This purpose of this research is to examine the relationship between quality, price, location, promotion, and corporate image as independent variables and customers' purchase decision as dependent variable. The study is a deductive research and the population of this research includes people who purchased residential properties in Selangor, Malaysia in the past. The convenience sample technique used as sample frame is unknown. To get sample this research uses the rules of thumbs and gets 312 as sample size. The data was collected by survey questionnaire. Before doing data collection process questionnaire is tested to confirm the reliability and the validity.

## 4. Result

### 4.1 Profile of respondent

The profile of respondent describes the personal characteristics of the respondents obtained from the distributed questionnaire.
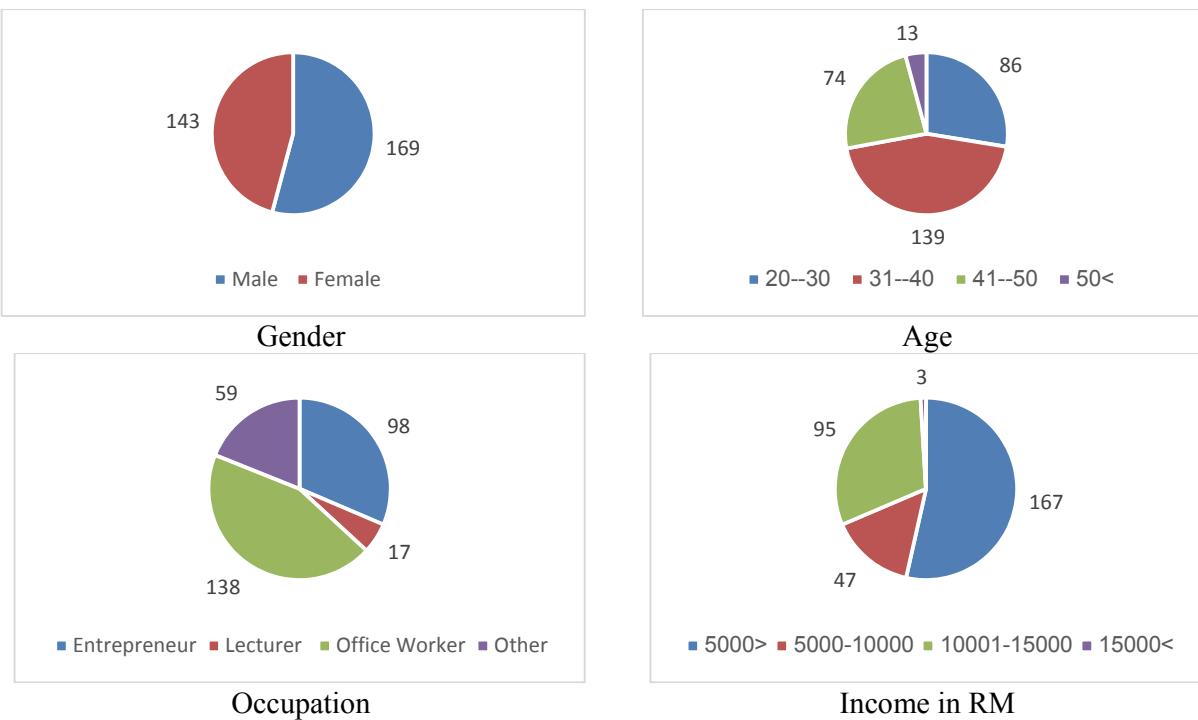
**Fig. 2.** Personal characteristics of the participants

The profile of the respondents consists of gender, age, occupation and income. There are 312 respondents as the sample of this research, the respondents are people who made some real state purchase and/or plan to buy a residential property in Selangor Malaysia. The results are summarized in Fig. 2. According to the figure, more than half of the participants were male. In terms of age, about 96% of the participants were less than 50 years. In addition, the survey indicates that more than half of the participants earned less than 5000RM. Table 1 presents the results of coefficient determinant test.

**Table 1**
Coefficient Determinant Test

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .588[a] | .346 | .336 | 2.51188 |

a. Predictors: (Constant), CORPORATE IMAGE, PRICE, LOCATION, PROMOTION, QUALITY
b. Dependent Variable: PURCHASE DECISION
Source : SPSS 20.0 , 2019

According to results the Adjusted $R^2$ is equal to 0.336, which means 33.6% of the variance of dependent variable which is customers' purchase decision is explained by independent variables. Table 2 presents the results of the regression estimate.

**Table 2**
Multiple Regression Analysis Test

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 16.504 | 1.839 | | 8.975 | .000 |
| | QUALITY | .106 | .028 | .203 | 3.789 | .000 |
| | PRICE | .240 | .053 | .252 | 4.522 | .000 |
| | LOCATION | .243 | .049 | .248 | 4.946 | .000 |
| | PROMOTION | .082 | .037 | .116 | 2.192 | .029 |
| | CORPORATE IMAGE | .104 | .040 | .139 | 2.628 | .009 |

a. Dependent Variable: PURCHASE DECISION
Source : SPSS 20.0 , 2019

The results of the regression can also be represented as follows,

$Y=16.504 + 0.106 \times Quality + 0.240 \times Price + 0.243 \times Location + 0.082 \times Promotion + 0.104 \times Corporate\ Image + e$
where $e$ represents the residuals.

### 4.3 Hypotheses Test ( t-test )

T- test is used to determine the value of coefficients of multiple linear regression partially between independent variables and dependent variable. T-test has been performed by comparing the significance level. If the test results show that Sig. is less than 0.05, then Ha is accepted, which means that independent variable could influence dependent variable (Ghozali, 2016). Table 3 shows the summary of the results.

**Table 3**
The results of t-student test

| Variable | $t_{count}$ | $t_{table}$ | Sig. value | Notes |
|---|---|---|---|---|
| Quality | 3.789 | 1.968 | 0.002 | Significant |
| Price | 4.522 | 1.968 | 0.000 | Significant |
| Location | 4.946 | 1.968 | 0.000 | Significant |
| Promotion | 2.192 | 1.968 | 0.029 | Significant |
| Corporate Image | 2.628 | 1.968 | 0.009 | Significant |

Source : SPSS 20.0 processed , 2019

### 4.3.1. The effect of Quality on Customers' Purchase Decision

The first hypothesis of the survey investigates the effect of quality on customers' purchase decision of residential property in Selangor Malaysia. According to our survey, t-value for the variable of quality is equal to 3.789, which is meaningful when the level of significance is one percent and therefore, the first hypothesis is confirmed.

### 4.3.2. The effect of Price on Customers' Purchase Decision

The second hypothesis studies the impact of price on customers' purchase decision of residential property in Selangor Malaysia. According to our survey, t-value for the variable of price is equal to 4.522, which is meaningful when the level of significance is one percent and therefore, the second hypothesis is also confirmed.

### 4.3.3. The effect of location on Customers' Purchase Decision

The third hypothesis considers whether or not location influences on customers' purchase decision of residential property in Selangor Malaysia. With the t-value of 4.946 (Sig. = 0.000) we can confirm that the effect is meaningful when the level of significance is one percent and confirm the third hypothesis.

### 4.3.4. The effect of promotion on Customers' Purchase Decision

The next hypothesis of this survey is find the effect of promotion on purchase decision. Our survey indicates t-value is equal to 2.192 (Sig. = 0.029) and this confirms the hypothesis.

### 4.3.5. The effect of corporate image on customers' purchase decision

The last hypothesis of this survey investigate the effect of corporate image on customers' purchase decision. Our survey yields t-value = 2.628 (Sig. = 0.009) which means that the effect is significant and this confirms the last hypothesis.

## 5. Discussion and Conclusion

In this paper, we have presented an empirical investigation to study the effects of five variables; namely quality, price, location, promotion and corporate image on consumer's purchase decision in an area located in Malaysia. The study has designed a questionnaire in Likert scale and distributed among some

randomly selected people with some experience in real state. The implementation of regression equation has confirmed that location was the most important factor followed by price, quality, corporate image and promotion played the smallest role on customers' purchase intention. Although the effects of all variables have been confirmed, but the independent variables in our regression only described 33.6% of the changes in our study. Therefore, as future study, we recommend similar studies to cope with other influencing factors in purchase decisions.

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