

# Marketing Factors Affecting Middle Class Consumer's Buying Decision in Housing Market in Nanning City

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It is important to study the relationship between marketing factors and purchase decisions of middle-class consumers in Nanning housing market. This study will investigate the factors influencing people decision to purchase houses in Nanning City. The extrinsic housing attributes at this study consist of environmental attributes and location attributes. I have a limited understanding of the purchase behavior of Nanning home buyers in Nanning City. This study adopts the data collection methods of e-mail and field survey. Based on 509 questionnaires, the data were analyzed using descriptive statistics analysis and logistic regression. The results show that location attributes, such as school districts, positively influence housing purchase decisions in Nanning City. This study contributes to an improved understanding of home buyers' decision making in Nanning City. The beneficiaries of this study include home buyers and marketers and academic institutions. To better meet home buyers' needs and achieve a competitive advantage, marketers can use the research outcomes to focus more on those housing purchase factors that significantly influence house buyers' purchase decision making.

*Keywords:* marketing factors, middle class consumer, buying decision

## Introduction

### Background and Rationale

With the rapid growth of China's economy, Chinese residents' demand for housing has greatly increased. China's real estate market is experiencing a great prosperity. Many Chinese people actively buy real estate. The middle class is the main consumer of the real estate market. The middle class has high requirements for the location, environment, and design of real estate. Therefore, the study of the factors considered by the middle class in Nanning is of great significance to the developers of Nanning housing market and the urban design of Nanning municipal government. The research shows that the key attributes of real estate, housing facilities, and private housing are the positive impact of these properties. The contribution of this study is to understand how buyers consider and decide. The study also benefits all stakeholders, from potential buyers and owners to housing developers and government and academic institutions. The marketing team can use this research to improve more factors and strengthen the relationship with home buyers. In addition, the plan can help achieve greater urbanization.

From 2014 to 2020, the sales areas of commercial housing in Nanning were 8.0257 million square meters, 10.073 million square meters, 13.2753 million square meters, 15.4413 million square meters, 17.4199 million

square meters, 15.1749 million square meters, and 15.8121 million square meters respectively (Nanning Bureau of Statistics). House prices in Nanning have generally shown an upward trend in recent 10 years. From the price index, the price of the house in Nanning began to grow continuously and steadily in 2017. The size of China's middle class reaches at 140 million households (World Bank), this is less than one-third of China's total population, but the consumption of this group is good to stabilize domestic growth. By observing the middle class consumer's buying behavior is very important to reflect the social economic conditions, basic buying orientation, and the other social issues. Nowadays, housing has been a vital source of stress for most middle class Chinese residents, there are a lot of options available to housing consumers, yet they cannot be responsive to all options during buying decisions process. Consumers are able to define the product attributes that they consider the most valuable to them, determine the degree of importance of these attributes, and then evaluate their readiness to pay (Kotler & Keller, 2015). In previous studies, different housing attributes that affect consumers' housing purchase decisions have been suggested. Meanwhile, there are various other factors influencing the purchases of consumer such as social, cultural, economic, personal, and psychological. However, there is surprisingly little research on the relationship between middle class consumer's buying decisions.

### **Relate Research**

1. Hannu Ruonavaara (2018): Housing theory involves a combination of sociology, psychology, economics, anthropology, history, planning, architecture, and other disciplines, so housing theory should be thought of from multiple perspectives.

2. Adam Goldstein and Orestes P. Hastingsb (2019) pointed out that within the opportunity structure, market competition for favorable locations, such as residential access to highly qualified public schools, is intensifying. The experience of location competition theory driven by income levels is assessed by analyzing metropolitan income levels, household efforts to obtain a desirable residential location, and the relationship between housing and school neighborhoods. The study finds that higher levels of quality and higher levels of service are the goal.

3. Emma Lindmark (2015): The main findings in the thesis are that customers are motivated to search and process information in online consumer reviews for high involvement products. Customers of high involvement products value review quality as an important review factor because they perceive these reviews to be most efficient in delivering accurate product information. Customers of high involvement products mostly use online consumer reviews in the stages of information search and post-purchase in the consumer buying process. The purchase decision is made outside of the Internet after customers have complemented online consumer reviews with information from social contacts. Customers do not use online consumer reviews when buying low involvement products; instead they rely on traditional word-of-mouth and product popularity.

4. Md. Didarul Alam (2014) pointed out that it was observed that price was the most important factor influencing customers when purchasing second-hand products; risk is the second most influencing factor, brand is the third, and location comes last as most influencing factor. The results show that the factors such as brand, price, and purchase intention of second-hand products have no association and influence on each other during the purchase decision. In contrast, risk and location factors have a weak association with each other but both factors lack association with brand, price, and intention.

5. Johnny Ho, Felix Poh, Jia Zhou, and Daniel Zipser (2019) pointed out that Chinese consumers are responding in distinct ways to the country's current economic uncertainty and slowing growth. Some continue spending freely and seeking out more expensive options, while others have grown more discerning and are tightening their belts; China's middle class is also beginning to divide, with a segment showing sensitivity to housing prices.

6. Puvaneswary Thanaraju et al. (2019) pointed out the relationship between the three main factors identified by the assessment, namely finance, location, and neighbourhood, and the housing preferences of homebuyers in Kuala Lumpur. A total of 100 respondents aged between 25 and 34 years old responded to the survey and the results were derived using multiple regression analysis. The results show that location factors contribute significantly in determining buyers' preferences when purchasing a home.

### **Theoretical Basis**

**Marketing mix (7Ps).** In 1981, Booms and Bitner proposed to add three "service P" to the traditional marketing theory 4Ps; 7Ps include product, price, place, promotion, people, process, and physical evidence. Marketing is further classified into several variables referred to as marketing mix for housing consisting of 4Ps, i.e.: product, price, promotion, and place and the substance certainly all would be modified according the product and the industry in queries. In Thailand, the most respondents' decision to purchase a residence in the housing project in Muang District, Nakhon Ratchasima was emphasizing every 4-P marketing mix factors including the traffic jam, location, design, and well-known constructor which were the top factors, while the fitness center and swimming pool were least important for the first housing owners or the millennial generation. Kotler and Keller (2015) asserted that the process in which consumers decide to purchase a product is divided into several stages. These stages include need recognition, information search, and evaluation of alternatives, purchase decision, and post purchase behavior (Istikomah, 2019).

**Decision-making process.** Decision-making process, proposed by Simon, is its main representative. He believes that decision-making is by no means just a selection activity, but a process including three stages, namely: (1) intelligence gathering stage: collect and analyze the economic, technical, and social information in the environment where the enterprise is located and the internal information of the enterprise, so as to provide a basis for the formulation and selection of the plan, (2) planning stage: Aiming at the problems to be solved by the enterprise, formulate various possible options according to the collected situation, (3) select the planning phase: According to the situation at that time and the prediction of future development, select a feasible scheme from the various options formulated. Simon believes that each of the above three stages is a complex decision-making process.

**Customer behavior (6W1H).** Summarize the questions to be answered by job analysis into 6W1H and 6W, that is, what, why, who, when, where, for whom, and how. This 6W1H basically summarizes the information to be collected for job analysis.

**Middle class.** The middle class refers to families with an annual income of 100,000 yuan to 500,000 yuan, with an education level of Bachelor degree or above, strong professional and technical ability, and similar family annual consumption capacity of more than 100,000 yuan. Forbes defines middle class in China: live in the city, 25 to 45 years old, university degree, professionals, and entrepreneurs, annual income of 10,000-60,000 US dollars. According to the definition of McKinsey Global Institute, the Chinese middle class

is those whose annual income (in terms of purchasing power) is between 13,500 and 53,900 US dollars (about 90,000 to 360,000 yuan). The National Bureau of Statistics defines the middle class as having an annual income of \$7,250-62,500 (about 50,000-420,000 yuan).

## Methodology

### Population, Sampling Method, and Sample

Identify the sampling method which the researcher will use to collect data from the middle-class people's buying decision in the housing market in Nanning City. The researcher should use a research statistic or formula to find out the sample size and show the statistic formula in this section as an example below. The sample size will be select from the unknown population so the research will use standard error formula to find out our sample size. Standard Error Formula:  $N = (P (1 + P) Z^2) / e^2$ .

### Research Instrument

The research instrument used in this paper is mainly a survey questionnaire, which was distributed by Tencent in the area of Nanning, China, and the respondents were screened according to the conditions set by the researcher. The data were analyzed using SPSS statistical software.

### Research Design

The behavior motivation of buying commercial housing determines the demand of consumers, and then affects the factors that consumers consider when they buy a house. Finally, they conclude a transaction between demand and supply.

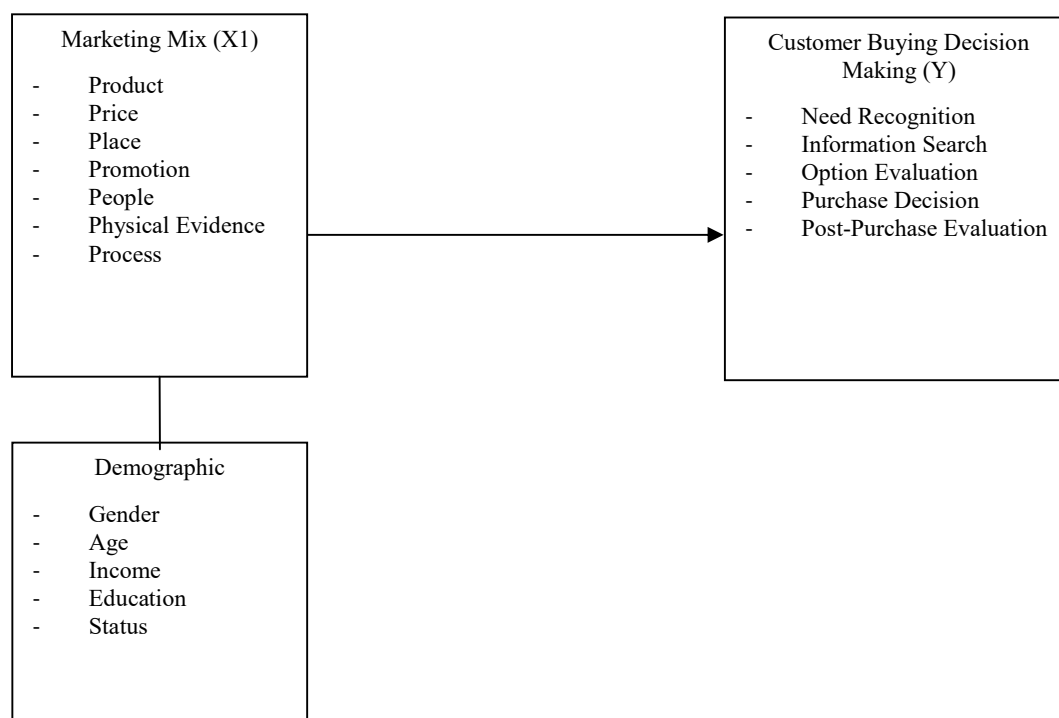


Figure 1. Conceptual framework.

### Results of Study

Table 1

#### *Customer Buying in Marketing Mix*

	N	Mean	Std. Deviation
Product	509	3.8828	0.69986
Price	509	3.7132	0.79245
Place	509	3.8523	0.78841
Promotion	509	3.5686	0.91141
People	509	3.8698	0.83559
Process	509	3.6749	0.88646
Physical	509	3.8497	0.81055
Valid N (listwise)	509		

From Table 1, it can be concluded that the respondents generally hold a positive view on the marketing mix (7Ps) of the customer buying house in Nanning, that is, from max to min, the mean of consumer satisfaction in the product item = 3.8828, which belongs to the normal range; the mean of consumer satisfaction in the physical evidence item = 3.8497, which belongs to the normal range, close to the agree range; mean of consumer satisfaction in the place item = 3.8523, belonging to the normal range, close to the agree range.

Table 2

#### *Customer Decision Making Process*

	N	Mean	Std. Deviation
35. You decided buying housing estate based on the need for purchase.	509	4.09	0.841
36. You decided buying housing estate based on the benefit of purchase.	509	3.27	1.159
37. You have studied and compared information about housing estate from various sources before deciding to buy.	509	3.82	0.891
38. In deciding to buy a housing, you consider overall satisfaction.	509	4.00	0.866
39. You will have suggestion and recommendation for buying housing estate for other.	509	3.68	0.983
Valid N (listwise)	509		

From Table 2, it can be concluded that the respondents generally hold a positive view on the customer decision making process of buying house in Nanning, that is, “You decided buying housing estate based on the need for purchase item” = 4.09, which belongs to the agree range; the mean of “In deciding to buy a housing, you consider overall satisfaction” item = 4.00, which belongs to the agree range; mean of “You have studied and compared information about housing estate from various sources before deciding to buy” item = 3.82, belonging to the normal range, close to the agree range; mean of “You will have suggestion and recommendation for buying housing estate for other” item = 3.68, belonging to the normal range, close to the agree range; mean of “You decided buying housing estate based on the benefit of purchase” item = 3.27, belonging to the normal range, close to the not agree range.

### Hypothesis Testing

H: There is no significant relationship between marketing factors and the middle class consumer's buying decision in housing market in Nanning City.

H0: There is no significant positive relationship between marketing factors and the middle class consumer's buying decision in housing market in Nanning City.

H1: There is significant positive relationship between marketing factors and the middle class consumer's buying decision in housing market in Nanning City.

Table 3

*Pearson Correlation*

	P
Product	0.747**
Price	0.693**
Place	0.739**
Promotion	0.746**
People	0.734**
Process	0.754**
Physical	0.802**

Notes. \*  $p < 0.05$ ; \*\*  $p < 0.01$ .

From the Table 3, the correlation analysis was used to study the correlation between purchase and product, price, place, promotion, people, process, and physical, and the Pearson correlation coefficient was used to indicate the strength of the correlation. The specific analysis shows that the correlation coefficient between purchase and product is 0.747, and it shows a significance at 0.01 level, which means that there is a significant positive correlation between purchase and product. The correlation coefficient between purchase and price is 0.693 and shows a 0.01 level of significance, thus indicating that there is a significant positive relationship between purchase and price. The correlation coefficient between purchase and place is 0.739 and shows a 0.01 level of significance, thus indicating that there is a significant positive relationship between purchase and place. The correlation coefficient between purchase and promotion is 0.746 and shows a 0.01 level of significance, thus indicating that there is a significant positive relationship between purchase and promotion. The correlation coefficient between purchase and people is 0.734 and shows a 0.01 level of significance, thus indicating that there is a significant positive relationship between purchase and people. The correlation coefficient between purchase and process is 0.754 and shows a 0.01 level of significance, thus indicating that there is a significant positive relationship between purchase and process. The correlation coefficient between purchase and physical is 0.802 and shows a 0.01 level of significance, thus indicating that there is a significant positive relationship between purchase and physical.

**Regression Analysis**

Table 4

*Regression*

Coefficients <sup>a</sup>									
Model	Unstandardized coefficients		Standardized coefficients	t	Sig.	R <sup>2</sup>	Collinearity statistics		
	B	Std. Error	Beta				Tolerance	VIF	
1	(Constant)	0.594	0.093	6.369	0.000				
	7Ps	0.839	0.024	0.839	34.656	0.000	0.703	1.000	1.000

Notes. a. Dependent Variable: Consumer Decision Making Process.

From the Table 4, it can be seen that the total 7Ps are used as the independent variable, while the purchase situation is used as the dependent variable for linear regression analysis; from the above table, the model formula is: purchase situation = 0.594 + 0.839\*total 7Ps, and the model R-squared value is 0.703, which means

that the total 7Ps can explain 70.3% of the reasons for the change in the purchase situation. When the F-test was conducted on the model, it was found that the model passed the F-test ( $F = 1,201.013$ ,  $p = 0.000 < 0.05$ ), which means that the total 7Ps must have an influential relationship on the purchase situation, and the final specific analysis shows that the regression coefficient value of total 7Ps is 0.839 ( $t = 34.656$ ,  $p = 0.000 < 0.01$ ), which means that total 7Ps will have a significant positive influence relationship on the purchase situation. Summarizing the analysis, it can be seen that: All of the total 7Ps will have a significant positive influence relationship on the purchase situation.

### **Conclusions**

Now the purpose of the current study is to analyze the relationship between marketing factors and middle-class consumers' purchase decisions in the Nanning housing market and to determine whether marketing factors have a significant relationship on the purchase decisions of middle-class consumers in Nanning. From the results of the analysis, product, promotion, process, and physical have a significant positive effect on purchase. However, price, place, and people do not have any influence on the purchase situation.

Therefore, the real estate company should pay attention to the design of the house, make full use of the land, design a larger living space, pay attention to the air circulation and lighting of the house, optimize the living space outside the house, adopt the best water supply system and stable electrical system area, procure better house building materials, and support various living facilities and greenery around the property. Do not reduce the quality of the house in order to lower the price of the goods, do not have to offer too many houses with different price levels, and do not have to use multiple payment methods. The real estate company does not need to be too harsh for staff service and sales service, the business hours of the company office and sales center can be more humane, the service attitude of distribution channels and sales staff does not need to be too demanding, the efficiency of the company office and sales center should not be required too much, and the cost for service staff and sales staff can be reduced appropriately. Improve the after-sales service of the house, often hold preferential promotions, do the maintenance plan of the house, do the warranty plan of the house, and provide insurance service for the property. Do not ask the staff to be friendly and polite, the professional training of the staff should not be too deliberate, the knowledge and skills of the staff do not need to be too demanding, focus on giving convenience to transfer ownership of the house, fast processing of contract documents, cooperate with more banks to provide convenient and fast credit approval procedures, and improve the after-sales service of the community. Improve the design and layout of the sales office, create a friendly atmosphere in the office, be able to show customers the design and condition of the house at any time, set up more parking spaces and parking lots to make it easy for customers to park.

### **Recommendations**

#### **Establishment of Marketing System**

If enterprises want to realize the marketing strategy formulated in advance, they need to fully understand customers' consumption needs and psychology, gain customers' sense of trust in the enterprise, provide customers with products and services that exceed their expectations, strive to improve the image and visibility of the enterprise brand, and enhance the core competitiveness of the enterprise in the market. Therefore, it is very necessary to set up its own marketing system within the company, so as to ensure the smooth implementation of the marketing strategy.

### Effectively Improve Sales Skills

Real estate sales is different from other product marketing; it has its own unique sales skills; marketing department should strengthen training to provide sales staff with sales skills and marketing mindset. Meanwhile on the other hand, after many openings, professional knowledge is not only important, but also the spiritual and cultural state of the sales team. In addition to professional knowledge training, the company must further develop its corporate culture, learn sales policies, and establish the work service tenet of “teamwork, customer first, initiative and consciousness, responsibility, honesty and integrity”.

### Improve the Service Attitude and Professional Skills of Staff

Establish a customer evaluation system for staff, and link the results of the evaluation to the staff's salary, so as to guide the staff to enhance good service attitudes. Human resource department increases the service attitude content in staff recruitment and training. Increase the establishment of special bonuses for service attitude, and reward staffs who are recognized by both customers and the company internally. Establish a work mentor-apprentice system, with veteran employees leading new employees. Hold professional skills competitions and reward employees who get excellent results in the competitions. Hire excellent teachers to train staff on professional skills.

### Improve the Price Acceptance of Customers

Control the construction cost of the house and save unnecessary expenses and costs, thus effectively controlling the sales price of the house. Cooperate with more financial institutions and develop more loan products to give customers financing support for purchasing homes. Speed up the acquisition and transfer of home ownership certificates to improve the overall satisfaction of customers so as to benefit brand building.

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