# Study on Factors Affecting Buying Decision of Customers and Impact of CRM in Real Estate Sector with special reference to Indore City

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## Abstract

*In India, real estate is the second largest employer after agriculture and is stated to grow at 30 per cent over the next decade. Reacting to an increasingly updated customer base and bearing in mind the aspect of globalisation, Indian real estate developers will have to shift gears and accept fresh challenges. This research report has been carried out so as to assess the impact of customer relationship management on customer retention with reference to real estate sector. Various research studies have been reviewed so as to assess the present state of CRM adoption within the real estate sector and then recommendations have been put forth. Thus, this research report is a comprehensive briefing with respect to how can real estate organizations benefit from CRM and how can adoption of CRM be augmented in this sector for the benefit of organizations as well as consumers.*

**Key Words:** Real Estate, CRM, Buying Decision, Service Quality

## I. Overview of Research

It is a given fact that managing customer relationships in the right manner has become a topic that has attained high significance. This has become all the more important in real estate sector. Organizational management have come to realize the fact that consumers ascertain different economic values to the organization and thereby organizations have to customize offerings and strategies so as to cater to different market segments in effective manner. The concept of customer relationship management pertains to carving, developing, sustaining and optimizing long term mutually beneficial relationship between customers and the organization. A successful customer relationship management framework relies on comprehending the needs and wants of customers and is accomplished by placing these needs at the focal point of the business with the aid of organization strategy, associates, technology and business processes.

We are living in an era where consumer is king. There is prevalence of high levels of competition and thereby both manufacturing and service organizations have to continually engage in

keeping a check on how consumers feel about their offering. In this case, one of the most important aspects pertains to relationship management so as to thrive even in case of global market fluctuations. Various business segments such as real estate have come to realize the significance of customer relationship management and its potential to help businesses in acquiring new customers and sustaining the old ones. (Baran et al, 2008).

## II. Objectives of Research

1. To identify key factors that influences the buying behavior of customer in real estate.

2. To determine the activities undertaken by real estate companies for customer retention.

3. To identify the importance of CRM on customer retention in real estate sector.

4. To investigate the effect of socio-economic factors (age, gender, education, annual income and marital status) on customer's decision making for real estate in Indore.

## III. Research Questions

1. To what extent customer relationship management exert an impact on customer retention and customer loyalty with reference to real estate sector?

2. What are the activities undertaken by real estate companies for customer retention?

3. How socio-economic factors (age, gender, education, annual income and marital status) affect customer's decision making for real estate purchase in Indore?

## IV. Literature Review

### A. Concept of Customer Relationship Management

This has been one of the most popular concepts that have been discussed in business settings. This is one of its kind strategies that are deployed by business organizations so as to gain deeper insight with respect to consumer needs and behavior. It aids the process of developing stronger relationships with the consumers. It is a given fact that various business organizations have to form and sustain excellent customer relationships so as to accomplish and sustain success in the market place. There has not been much research that has been carried out with respect to applicability of customer relationship management in real estate sector. Research in this field is still in nascent stage. But there are certain research studies that have been carried out with respect to the relationship between customer relationship management and customer retention and loyalty that are worth mentioning.

### B. Initiation of Concept of Customer Relationship Management

Concept of customer relationship management has now come into practice in most of the

organizations but its adoption is still quite slow in case of real estate organizations. It is important to monitor prospects on a regular basis so as to carve out benefits in the long term. There have been numerous research studies that have been done in reference to initiation of the concept of customer relationship management. Osarenkhoe A (2007) undertook an exploratory research study in reference to CRM strategy to its implementation. Findings of this research study indicated that relationship between buyer and seller is not a tactical approach to buyer seller exchange.

It is a given fact that customer relationship management strategy calls for high level of commitment on the part of top management. It is a strategic business process which involves continuous learning in relation to transforming individual customer's information into a long term fruitful customer relationship. In a research study conducted by Arvind Singh (2004), it was found out that truly productive assets are not fixed assets such as building but it is loyal customer base. It was further found out that augmented level of customer relationship depicts that customer service and profitability have attained new heights. Organizations in real estate should engage in sufficing consumer needs instead of just being a provider of an offering. It is important for organizations to reassess strategies so as to carve out a mind-set that is apt for managing customer relationship.

Sirdeshmukh et al, (2002), proposed a framework for comprehending the behavior and practices that either foster or deplete customer's trust with respect to relational exchanges. Outcomes of the research work depict that conversion of trust into loyalty and retention comprises of complex, multi stage process that call for a comprehensive understanding of trustworthiness, enhanced value and customer retention.

In a research study conducted by Injazz, Chen and Karen Popuich (2003), the focus was on rendering customer retention and relationship by developing and sustaining customer relationships. CRM is a technology only solution which is likely to make organizations succeed in the market place. Managing a successful CRM implementation requires integrated and balanced approach to organizational technology, process and people.

In another research work by Nagadevara V. (2002), that presented research work in reference to data mining techniques to uncover, categorize and segment consumers and then profile them for a specific offering. In this research work, demographic clustering was deployed for the purpose of customer segmentation. In this case, a portion of consumers were assessed to depict apt strategies in reference to acquisition of new consumers as well as cross selling. The main purpose in this research work is to deploy

characteristics of customer segment to maximize life time value.

In the viewpoint of Leo et al, (2005), the entire impetus was on uncovering practical implications of customer relationship management as a success factor in line with accomplishing superior business performance. Organizations aiming for accelerating business performance have to engage in the process of monitoring customer behavior so as to maximize gains. The scale in this research study can be deployed as a diagnostic tool so as to uncover areas wherein improvements can be made and to pinpoint areas which require improvement. It was found out that customer relationship management has four dimensions which include key customer focus, CRM organization, knowledge management and technology based customer relationship management. Also, it is important for various research studies to engage in gathering time series based data for testing the causal relationship between CRM and business performance. Zeithaml et al, (1990) have studied the type of relationship that is present between the parameters of customer retention and service quality experienced by the consumer.

## C. Behaviour and Skills Related To Service Quality and Customer Retention

In a research study conducted by Schlesinger and Heskett (1991), it was found out that it was important for customer contact associate to take responsibility and respond well in high pressure situations that occur owing to varied customer behavior. In fact, this research study also rendered impetus on significance of learning and development as a part of various organizational sub-processes such as communication, performance management, team building, team empowerment with respect to front line staff and line managers.

Zeithaml et al, (1990), observed that service performance gap takes place in conditions wherein associates are not able to perform as per desired levels of performance. This kind of gap has been found out to be quite prevalent in case of service industry owing to role vagueness, role conflict, employee skill fit and teamwork.

For accomplishing higher level of role clarity, it is must to deploy four basic tools which comprise of communication, feedback, monitoring and competence. It is significant to have precise information in reference to job expectations and information with respect to organizational offerings. It has also been found out that various SERVQUAL dimensions with respect to responsiveness and empathy can augment associate's confidence and competence in the desired manner. It has also been found out that

constructive feedback improves associate's interactive skills.

In another research work done by Katherine Lemon et al (2002), it was found out that dynamic customer relationship management has a definitive impact on customer retention. In this research work, relationship between various parameters such as customers, future expectations and consumer decision to buy an offering was explored. This research work also assessed the factors that exert a direct influence on consumer perception with respect to future usage. In this case, empirical assessment was undertaken. A random sample of 490 households was selected. Outcomes of this study suggested that organizations need to realize the fact that customers are active forecasters and thereby this fact needs to be given due consideration.

## V. Research Gaps

There have been a number of research gaps that have been uncovered by reviewing the literature present in the context of research topic. It has been found that some of the research studies were not in a position to recognize the significance of initial CRM strategies, technology and service satisfaction so as to uncover the effectiveness of CRM in practical. Another significant research gap lies in the fact that previous researchers did not come up with the relationship that is present

between service consumers and service providers. There is no empirical scale to measure the effectiveness of customer relationship management and factors influencing customer relationship management with special reference to real estate industry segment. Hence, this particular research study will try to fill in the gap so as to uncover the relationship between customer retention and CRM in real estate sector (Chan and Popuich, 2003).

## VI. Research Methodology

### Research Type

In this study descriptive cross sectional design has been used to carry out the research.

### Scope

Survey of customers who intend to buy property for consumption or investment.

### Sample

The target population in this research includes customer who intend to buy property for consumption or investment in Indore. The sampling unit includes everyone who is planning to purchase property whether male or female, married, unmarried professional, homemaker, self-employed, employee, and person with any level of education but must be above 18 years of age. Sampling method used in this survey is non-probabilistic convenience sampling technique.

## Data Collection

A self-administered questionnaire was used for data collection. It consisted of close-ended questions. The respondents were asked to rate the factors that influence their decision making while making purchase. Variables were rated on a five-point Likert Importance Scale where 1=Not at all Important, 2=Least Important, 3=Moderately Important, 4=Very Important and 5=Extremely Important. Respondents were asked to rate the service parameters which they think are influencing their decision making. Respondents rated their agreement on a five-point Likert Scale. The responses were labeled as 1=Strongly Agree, 2=Agree, 3=Neutral, 4=Disagree and 5=Strongly Disagree. High level of validity was ensured through pilot test of the questionnaire with 25 respondents. Their views were incorporated in the final questionnaire. Data was collected during January and February 2016. Total number of questionnaires distributed was 125. However, the researcher received 109 fully answered questionnaire and all of them were included in the study. Thus, the response rate was 87%. Geographically, the study was restricted to Indore city.

Various statistical analysis techniques such as descriptive statistics, chi-square analysis, and ANOVA were used, which were processed by statistical softwares. The analysis of data was carried out using Statistical Package for the Social Sciences (SPSS) 16.0 for Windows.

## Hypothesis

1. Annual income does not significantly influence the decision making of customers towards branded real estate offerings.
2. CRM Factors (Site Progress Updates and Site Visits) do not have positive correlation with demographic factor (occupation).

# VII. Data Analysis

## Reliability Analysis

In this study reliability was examined on all items. As a test of reliability Cronbach's Alpha was adopted to represent internal consistency. Value of Alpha is 0.7, thus it can be concluded that the items reliably measure the defined constructs.

## Descriptive Statistics

It has been observed that 22.9% of respondents belonged to the age group of 18-30. 27.5% of respondents belonged to age group of 31-40 years. 31.2% of respondents belonged to the age group of 41-50. 11.9% of respondents belonged to the age group of 51-60. Almost 6.4% of respondents belonged to the age group of 60 and above.

Percentage wise distribution of gender was 62.4% male and 37.6% of respondents were female. It has been further observed that 72.5% of respondents were married and another 27.5% of respondents were unmarried. With reference to qualification, 5.05% were undergraduates, 45.9% were graduates, 45% were post graduates and 4%

pursued other kind of qualifications. Nearly 9.2% of the total respondents were government employees, 22.9% were private sector associates, 44% were business persons, 17.4% were professionals and 6.4% were students. On the income level, sample information shows that 13.8% respondents earned less than five lakhs annually, 30.3% respondents earned between the range of five lakhs to ten lakhs, 31.2% of respondents earned between ten to fifteen lakhs and 24.8% of respondents earned more than fifteen lakhs annually.

**Table 1: Demographic Profile of the Customers**

|  |  | Frequency | Percent | Cumulative Percent |
|---|---|---|---|---|
| **Gender** | Male | 68 | 62.4 | 62.4 |
|  | Female | 41 | 37.6 | 100.0 |
|  | Total | 109 | 100.0 | 100 |
| **Age (in years)** | 18-30 | 25 | 22.9 | 22.9 |
|  | 31-40 | 30 | 27.5 | 50.5 |
|  | 41-50 | 34 | 31.2 | 81.7 |
|  | 51-601 | 13 | 11.9 | 93.6 |
|  | Above 60 | 7 | 6.4 | 100 |
|  | Total | 109 | 100.0 | 100 |
| **Education** | Under Graduate | 6 | 5.5 | 5.5 |
|  | Graduate | 50 | 45.9 | 51.4 |
|  | Post Graduate | 49 | 45.0 | 96.3 |
|  | Other | 4 | 3.7 | 100 |
|  | Total | 109 | 100.0 | 100 |
| **Occupation** | Government Employee | 10 | 9.2 | 9.2 |
|  | Private Sector Employee | 25 | 22.9 | 32.1 |
|  | Business | 48 | 44.0 | 76.1 |
|  | Professionals | 19 | 17.4 | 93.6 |
|  | Student | 7 | 6.4 | 100 |
|  | Total | 109 | 100.0 | 100 |
| **Yearly Income** | Less than 5 lakhs | 15 | 13.8 | 13.8 |
|  | 5 lakhs to 10 lakhs | 33 | 30.3 | 44.0 |
|  | 10 lakhs to 15 lakhs | 34 | 31.2 | 75.2 |

| | | | | |
|---|---|---|---|---|
| | Above 15 lakhs | 27 | 24.8 | 100 |
| | Total | 109 | 100.0 | 100 |
| **Marital Status** | Married | 79 | 72.5 | 72.5 |
| | Unmarried | 30 | 27.5 | 27.5 |
| | Total | 109 | 100.0 | 100 |

Out of all the respondents, it was found out that almost 77.1% of respondents were looking to buy a new home or investing in real estate. Another 22.9% of respondents denied. With reference to preferring branded organizations over local ones, it was found that 79.8% of respondents preferred branded real estate organizations whereas other 20.2% of respondents preferred local real estate organizations. In fact 71.6% of respondents were ready to pay premium for acquiring property in branded real estate properties.

With respect to location, it was found that almost 77% respondents agreed to the fact that location plays an important role in making a transaction pertaining to real estate. Almost 20% were neutral to the fact that location plays any kind of role in deciding whether or not to enter into a real estate transaction.

Almost 80% of respondents rendered higher impetus on brand image of the builder while making purchase of real estate. Almost 61% of respondents agreed to the fact that after sales support plays an important role in making decisions pertaining to real estate investment. Almost 42% of respondents agreed to the fact that

they take decision to buy a particular real estate property on the basis of reference by a known person. Almost 55% of respondents agreed to the fact loan services associates with real estate property aid the purchase process of a real estate property.

Many Activities such as home loan services, payment reminders, site visits and updates, after sales services, which are integral part of customer relationship management in real estate business play major role in influencing buying behavior of customer and helps in decision making process. About 60% of respondents agree that site visits and updates influence their purchase decision. 55% of respondents don't like payment reminders coming from developers. 54% of respondents believed that home loans services or tie-ups with financial institutions help in closing their purchase. 55% of respondents feel that after sales service is very important element in selection criteria. Majority of respondents i.e., 74% consider services post possession as most important criteria and deciding factor.With reference to Chi-Square Test, implications have been deduced as shown in table 2.

**Table 2: Chi-Square Tests**

|  | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 1.494[a] | 3 | 0.684 |
| Likelihood Ratio | 1.553 | 3 | 0.670 |
| Linear-by-Linear Association | .031 | 1 | 0.861 |
| N of Valid Cases | 109 |  |  |
| a. 1 cell (12.5%) has expected count less than 5. The minimum expected count is 3.03. | | | |

The result of chi square test shows a value 0.684 (Table 2) which means that there is a no significant relation between annual income with respect to branded real estate offering at 5% level of significance.

**Table 3: ANOVA**

|  | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | .017 | 1 | .017 | .082 | .775 |
| Within Groups | 22.166 | 107 | .207 |  |  |
| Total | 22.183 | 108 |  |  |  |

The result of ANOVA test shows a value 0.775 (Table 3) which means that there is a no significant relation between CRM factor with respect to occupation at 5% level of significance.

## VIII. Limitations of Research

Concept of customer relationship management is yet to gain full acceptance in real estate sector. Thereby the outcomes of this research study are based on a sample of people of Indore. Also outcomes of this research study are limited owing to resource constraints in terms of finances, time and human efforts. Also, only some of the elements of customer relationship management have been assessed. Yet another limitation of this research study pertains to non-response and inapt responses from some of the respondents in the research process.

## IX. Conclusion

From the preceding discussion it is clear that services in real estate are now central element which helps to convince a customer for purchasing a product. Real estate products demand a lot of commitment not only from builders but also from customer as purchase price of real estate product is

quite high. Customer expects lot of services and facilities from builders and developers. For past few years real estate market in Indore is witnessing slowdown. Developers are coming up with many schemes to attract customers, but as revealed in this research customer is actually looking for trust and relationship with builders. Short term schemes may close few sales but long term association with customer will convert satisfied customer into brand ambassador which will help builders in long run. Thus, this research study is a comprehensive study with reference to the state of adoption of CRM in real estate industry segment. This research report undertook quantitative data assessment so as to come up with recommendations to improve the adoption of CRM in the real estate sector.

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