

The Importance of Developer Reputation Criterion In House Purchase Decision Making

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Abstract—House purchase is high stake decision that is not only required a high number of investment, yet numerous criteria need to be considered. Such as price, location, neighbourhood, infrastructure, future value, availability of green space, developer reputation, transportation and etc. However, due to the increasing number of failed and unfinished housing project mostly caused by developer, the role of developer reputation criterion is becoming increasingly important in housing selection. Thus, this paper had provided insight on how reputation criteria influence housing purchasing decision making. In addition, this paper has gathered evidences to illustrate the needs of developer reputation decision making tools towards a better decision-making process. It is anticipates that this study will yield an effective decision making platform to manage housing purchase problem.

Keywords— House purchase, Consumer preferences, Developer reputation

1. Introduction

Housing purchasing decision making process has been acknowledge as complex decision making and considered as “high stakes” decision making process among the buyers due to several of reasons [1]–[4]. For example, housing purchasing closely relate to financial burden and long term bidding of economic resources starting from the very first down payment to the monthly payment in future. According to [2] for most of buyers, house purchase is the largest investment in their lifetime estimate around three or five years annual incomes. Unlike many other types of purchasing, housing purchasing decision making is more risky and sometimes even ‘traumatic’. The Outcomes of such decision making are uncertainty [5], [6]. In addition, uncertainty outcomes are likely to be unpleasant and led to high regret among the buyers [3]. Furthermore, the decision of house purchase is almost irreversible [5]. Once the decision is made,

most of the home buyers have to live with the outcomes of their decision. There are some of dissatisfied home buyer who are attempt to undo the decision by selling their house. However, it is rather difficult for home buyers to deal with complex and costly nature of properties market transaction [3]. Another element that contributes to difficulties of housing purchasing is the existence of numerous criteria.

Past research have proven that the housing purchasing should consider numerous of criteria and there is no fix criteria for buyers available [4], [6]–[11]. From homebuyers viewpoint, a price criterion is no longer main objective in housing purchasing, there are multiple other criteria that need to be taken into consideration in comparing and assessing alternatives. The driving criteria preferences for housing purchasing are constantly changing. Among the criteria, a developer reputation criterion is now often discussed and is recognised as being important to housing decision making. Figure 1 show the importance criteria in house purchasing.

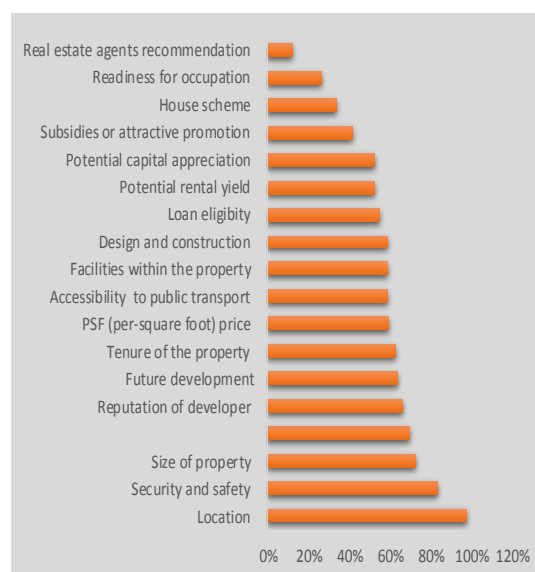


Figure 1. Important criteria for purchasing property

2. The Significance of Developer Reputation Evaluation

Housing purchase is a complex decision-making process as evidenced by costly acquisition, infrequent purchase, riskiness, and high self-expressiveness [2], [4], [5]. The complexities and risk is increase by the trend where most of the developers are tent to sell housing to consumers before the project completion to release they financial burden. This situation has increase the risk of housing purchasing towards consumers.

Moreover, according to [6] most of the developers in Vietnam are required an advance payment from consumers which make up 60%-70% of total transaction. In future, if any problems occur, consumers might lose the advance payment or they have to wait endlessly for the project to be completed. In addition, there are high numbers of unfinished project by developers have been reported in Malaysia. Due to these aforementioned issues, a developer reputation criterion has increasingly gain consumers attentions [12]–[14]. Table 1 illustrate the related research of developer reputation in property purchase

Table 1. Summary of research developer reputation criterion

Author	Study descriptions	Methodology	Findings
Komurlu and Arditi, [15]	Research on ranked and investigate the perception of developer about buyer expectation	Interview with developers	Developer reputation is one of top 3 most important consumer preferences by developer perspective.
Cheng and Cheok, [16]	Investigating brand consciousness of properties purchasers in Malaysia	Questionnaire	Price differentiation is no longer an effective strategy for housing developers. The development of good reputation will attract more consumers.
Abdullah et al [17]	Research on identification and prioritizing (rank) housing criteria purchasing for 1st time house consumer	Questionnaire	Developer reputation has been considered as top 5 most importance criteria in house purchase decision making.
Zainon et al [18]	Exploring and prioritizing (Rank) criteria of house purchase among middle income group	Questionnaire	Developer reputation factor such as developer success on previous project, experience and popularity is less important.
Aziz [19]	Examine the resources required to thrive in the private housing development sector in Malaysia	Questionnaire and interview	With the wide range of housing choice available, developer reputation is a need for the developer who wants to remain in business for a long time.
Rahadi [20]	Research on the housing criteria that influence housing price from developer view	Interview with developers	Fulfil consumer needs, act professionally, deliver project on time, maintain house quality, and support consumer with after sale service are the criteria for developing a good reputation for developer.
Shafiei [12]	Investigate house purchase criteria	Questionnaire	House price and developer reputation are the main criteria that influence house purchase decision making and behaviour.
Razak [14]	Identify house purchase factor in order to predict the purchasing intention from consumer view	Questionnaire	Most of the respondent agreed image of property developer generally influence house purchase decision making.

Komurlu [15] research findings highlighted instead of competitive price and strategic location, consumer are significantly considered reputation of developer in house purchase decision making. In developer perspective, information such as how

developer performed in economic crisis, and how the developer performed in previous project is initially importance to consumers. With the strong reputation, people in Istanbul believed that the developer is capable of providing a quality house,

on schedule, and with having legal aspect covered. The findings also highlighted several of sub criteria that related with developers reputation such as 'legal issues', 'quality of construction', 'compliance with seismic codes', 'experience', 'technical capabilities' and 'financial'.

This is in line with Cheng and Cheok [16] findings. Result from their questionnaire show that most of all the respondents usually purchase from well-known developers. Meanwhile, Shafiei et al [12] also found that the majority of first time consumers believed that price and reputable developers are the most influence criteria in home purchase decision making. Their finding from 245 respondents conjectures that consumers will only buy a house from reputable developers to ensure the house quality. Similarly, findings from depth interview in most of the state in Malaysia indicate reputable developers is consider as indicators towards not only quality yet well managed housing project [19]. Almost similar, research by [21] shows that developer reputation can be defined by economic term. Based on semi structure interview among 120 residents in Vanke Garden City (Shanghai), majority of the respondents declared developer reputation is the most important criterion that needs to be considered as a guarantee to their investment in long term. Moreover, dealing with reputable

developers is significant for consumers to assured of not being cheated [7], [22], [23]. With high competitive and demand of house in market, most of the developer are full of promises in order to meet consumer's needs.

The increasing trend such as advanced payment purchase automatically increases the risk of housing purchasing decision making. Several of medium or small developers are tend to depend on this kind of payment to mobilize capital [6]. If any problems occur from developer, consumers may lose part of their advance payments or they have to wait endlessly for the projects to be finished. Evidence show, consumers are tend to fall for the marketing sales, brochures and easy payment schemes offer by developer, without any further investigation of developer reputation. As a result, there were several of ailing projects and abundant projects have been reported in Malaysia mostly in private house project.

According to National Housing Department (2017), till March 2017, there were 337 cases of project delay, with 49,494 units of houses that involved 298,219 consumers across Malaysia. Meanwhile, there were 65 projects with 13407 house unit have been labelled as unfinished project. Abundant project has been divided into two categories such as "being revived" and "in recovery plan" (still

looking for replacement developer). According to Khalid [24], poor reputation of developer is one of the prime criteria that lead to unfinished and abundant housing project. Thus, this increases the purchasing risk towards consumers. Table 2 below illustrate the number of project delay and following with table 3 that represent the number of unfinished house project in Malaysia until 31 March 2017 (National Housing Department ,2017).

Table 2. Number of Ailing Project

Number of Project	Unit (House)	No of consumers
337	49,494	298,219

Table 3. Number of Abundant Project

Type of Unfinished Project	No of Project	Unit (House)
Being revive	17	4475
In recovery process plan	48	8932
Total	65	13407

Table 4 Number of blacklisted developers

Type of offences	Number of Developer
Unlicensed Housing Developer	80
Tribunal for House buyer Claim Award (TTPR)	303
Failure to pay the compound	364
Developer involved in Abandoned Housing Project	151

Furthermore, a high number developer has been black listed by the Ministry in several of offense as shown in Table 4. To avoid these aforementioned issues, consumers may have to rely on reputation and credibility of the developers as an indicator of housing quality [6], [14], [24]. To summarize, the following points precisely emphasise the importance of developer reputation criteria:

- Timely Completion
- Zero defect house
- Quality Home
- High number of unfinished and abundant house project
- To secure the consumer investment
- Avoid any problem related to construction legality

Evidently, developer reputation criterion often highly valued by consumers in house purchase decision making. For the consumer the reputable developers are also always related with trendiness, professionalism, reliability, confident, leader in field, and security [16]. However, majority research on developer reputation are heavily focused on consumers behaviour, identification and prioritizing without any further research on development of decision model for developer reputation criterion evaluation in house purchase decision problem. The development of decision support tools for developer reputation has been largely neglected. Therefore, a part of this paper objective is to decision tools for evaluation developer reputation in house purchase decision making.

Conclusion and Future Research

Literature review revealed that consumers are no longer relied solely on the traditional criteria such as price in house purchase decision making. Instead of price, there are others prime criteria such as location, facilities, quality, view, security, affordability, and neighbourhood. Recently, the developer reputation criterion has gained much attention in literature. The significance of developer reputation is become more apparent due to the numerous of problem caused by developers.

For example, high defect house, abundant and unfinished house project, delay and etc. Thus, this study has explicitly illustrated the influence and the significance of developer's reputation in house purchase decision making. The finding is important to further developed research instrument to be validated by decision maker in the next phase. The results from this paper are significant part for the continuation of the ongoing thesis research currently conducted by the author. This study role as preliminary foundation for author to produce a better understanding of developer reputation criterion in housing purchasing and continue with the development of effective decision tool for evaluation developer reputation.

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