

# **Media's Influences on Purchasing of Real Estate**

## **- Case of Guangzhou, China**

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### **Abstract**

This study endeavors to provide an overall view of the Cantonese' usage of media and how it affects their expectations in the purchase of real estate, to better understand the real estate market in Guangzhou. Mass media, as a most prominent element in real estate marketing communication, has increasingly significant effects on the decisions of its audiences. However, deeply rooted Chinese traditional notions direct the purchases as well. A survey is conducted to explore the influences on the purchasing activities of people in Guangzhou. The study is conducted in the following manner: Firstly, the current background of the residential real estate market and mediums in real estate advertising and communication are briefly illustrated. Secondly, mass media theory and literature on media's influence on purchasing are briefly reviewed. Thirdly, the survey design and data collection procedures are described. Finally, the elements of real estate preferences, and how Chinese traditional notions affect property purchasing activities are analyzed. The findings suggest that the media takes an overwhelmingly important role in providing information on property, whereas the opinions of relatives or friends are most influential when making decisions. The characteristics of a property are always emphasized by the agents during promotion; and the Cantonese welcome various types of housing as they are living in a relatively open and prosperous city. However, they still retain a strong traditional concept of "family" which influences their purchase behavior significantly.

**Key Words:** media, purchase real estate, advertising, Guang Zhou, China.

## **Introduction**

The last century has witnessed a tremendous development of mass media. From the emergence of newspaper, the mass media including radio, television, internet, and so on have flourished for a considerable long period and penetrated into people's daily life. Advertising, as the non personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media. (Bovee, 1992). Therefore, most real estate agents spend a large amount of money on advertising in order to attract the prospective buyers. However, how effectiveness the real estate advertising to the decision of purchaser is based on the context and the medium that the sellers choose. In this paper, we study the influential elements of purchasing decision among the people in Guangzhou, as it provides indications to the real estate marketing communication.

As the capital of the richest province in China, Guangzhou's real estate market is prosperous. Mass communication and advertising industries embrace a multitude of opportunities. Real estate sellers have various choices of media to advertise. However, not all people can be reached effectively by the same medium. Most advertising campaigns, especially for large companies, use several media (Folkert and Lacy, 2004).

This paper endeavors to explore the influence of mass media on real estate purchasing decision making. A survey is conducted in Guangzhou, and a total of 106 valid questionnaires were received out of 130 questionnaires distributed. The layout of the rest of the paper is as follows. A literature review on mass media's theories and consumer behavior theories are provided, followed by the research methodology and data collection. After that, the findings in the survey and discussions will be presented. Conclusion is addressed finally.

## **Literature Review**

The definition of mass media was coined in the 1920s with the advent of nationwide radio networks, mass-circulation newspaper and magazines. A general idea of mass media is any medium used to transmit mass communication (Lane, 2007). More specific, mass media is a term used to denote a section of media specifically envisioned and designed to reach a very large audience such as the population of a nation state (Peterson, Jensen and Rivers, 1965). Mass media are comprised of eight mass media industries, namely books, newspapers, magazines, recordings, radio, movies, television and the Internet (Lane, 2007).

Studying the process of mass media is of equal importance, which provides better understanding of media's effect on consumers. Peterson, Jensen and Rivers also suggested that mass media are selective, because the media tend to select their audiences, and audiences likewise select among the media. Nearly every medium has its target audience. McLuhan(1964) uses the term "the medium is the message" as a means of explaining how the distribution of message can often be more important than the message itself. It is through the persuasiveness of media such as television, radio and print media that reach the target audience.

In psychology, communication theory and sociology, media influence or media effects refers to the theories about the ways the mass media affect how their audiences think and behave. According to Peterson, Jensen and Rivers, media are much more likely to modify attitudes than to change them. The media are not only powerful reinforcers, but they can also slightly redirect existing behavior pattern or attitude into new areas. Consumer behavior is the most apparent behavior that mass media impose great effects on. Since the mass media are directly or indirectly supported by companies, most information and entertainment we receive from television, radio, newspaper, and magazines is paid for by people who want to sell us products. We support the media industries indirectly by buying the products that advertisers sell (Biagi, 2001).

In real estate market, agents intend to inform and attract purchasers with the aid of

mass media. Therefore, it is important to understand to what extent purchase decision making relies on advertising. By familiarizing with consumer behavior, marketers will make better decision in their market communication. However, some critics describe advertising as manipulating people's behavior and getting them to buy things they do not need. Others think advertising is a useful sort of information that allows people to make better consumer decisions. The truth of advertising lies somewhere in between (Shudson, 1984).

Consumer behavior reflects the totality of consumer's decision with respect to the acquisition, consumption, and disposition of goods, services, time and ideas by (human) decision making units (Hoyer and MacInnis, 1997). In this paper, we will mainly discuss the acquisition behavior or purchase behavior. .

The basic process of consumer decision making involved five stages: first, problem recognition; second, information search; third information evaluation; fourth, decision; finally, post-purchase evaluation (Engel, Kollat & Blackwell, 1978). Mass media play a crucial role in the stage of information search. Consumers need to be exposed to many types of marketing stimulus (e.g., advertisement, packages, brand name) before making decision. And the main source of stimulus is mass media (Hoyer and MacInnis, 1997). The mass media carry several types of persuasive content, including advertising, advocacy-editorials, columns and interpretive articles which are intended to lead the reader to a conclusion (Peterson, Jensen and Rivers, 1965). Companies take good use of these tools to inform the audiences about images and functions of products and service.

Additionally, consumer's background is of paramount importance in decision making process. Chinese society is influenced by the values and norms of Confucian philosophy. There are three main Chinese cultural factors exert influence on purchase behavior. First, in Asian culture, it is family that is of primary importance. When making important decisions consideration of family comes first. Second, Children

regard caring for aged parents as the duty of everyone; most of the children live with parent until they marry (Loudon and Bitta, 1993). Third, Chinese are often strongly loyal to high-quality, established brands and will frequently recommend products and service to friends and relatives (Hoyer and MacInnis, 1997).

## **Methodology**

### ***Survey Design***

The data used for this study were obtained from questionnaires distributed to house owners or potential house purchasers in Guangzhou. The questionnaire is two pages long and divided into three parts. The first part aims to collect general information about responders, including gender, age, education level, income level and household structure. Besides, purpose of house purchasing, times of purchase and resources of real estate purchase information are also designed to provide a benchmark of findings.

The second part of the questionnaire includes possible characteristics of property that influence the decision making. Responders are asked to rate on 1-5 point scale to indicate their preferences of house. This part reveals which of the elements is the most important factor of house for Cantonese.

The last part is a subjective section. The questions are relating to Chinese traditional concepts' influences on property purchasing, such as decision maker of buying real estate, necessity of owning a house, preferable style of house, and so forth.

### **Data Collection**

The questionnaires were distributed to 130 participants, and a total of 106 responded completely. Data from the completed questionnaires was entered into an Excel spreadsheet. All participants are residents of Guangzhou with diverse occupations. Frequency analysis is adopted to analyze the first part of the questionnaire in order to

show the characteristics of participators.

In the second part of the survey, participators were asked to indicate the importance of the following items to show their preference of house:

- Layout of house
- Location
- Transportation
- Parking lot
- Garden scenery
- Natural landscape
- Community environment
- Property management
- Supermarket nearby
- Banking system nearby
- Hospitals and pharmacies nearby
- Entertainment places nearby
- Sport facilities nearby
- Schools nearby
- Working places nearby
- Quality of construction
- Price
- Supporting Facilities
- Reputation

A 5-point scale was used in this section, where 1 represents extremely unimportant and 5 represents extremely important. We use means of these items to explore the house preference of Cantonese.

The third section includes six subjective questions. Though participants' responses are various, there are several key words mentioned frequently. By examining the frequencies of these key words, we are able to investigate to what extent Chinese

traditional thoughts influence on house purchase behavior.

## **Findings**

### ***Characteristic of Sample***

The analysis of participants' backgrounds is based on gender, age, education level, income level, household structure and purpose of house purchasing. The data reveal that

- 52% responders were male, while 48% were female.
- 64% of participants were married.
- The largest percentage of participants (30%) fell into age group 25-29 years followed by age group 21-24 years (22%). Very few participants were in the age group of below 20 years (1%) and over 60 years (2%).
- 60% of participants were first house buyers,
- 50% of participants families monthly incomes were over 5000 RMB, 20% of participants were in the income range of 2000-3000 RMB.
- 49% of participants had 3 people in family, 21% had 4 people and 12% had more than 5 people in family.
- Most of participants (77%) had graduate degrees and approximately 22% had postgraduate degrees.
- Most of participant (84%) purchased real estate for home use. Only 9% purchased house for investment.

### ***Purchaser's Resources of Property Information***

Of all the methods of acquisition of property information, Cantonese relied most on relatives and friends (25%). However, mass media still played the most important role in providing property information, which accounted for 62% of information provided. The Internet has become the most useful medium with 21% of participants using this means to identify property, followed by newspaper advertisement at 19%. Billboard

and TV advertisements were both used by around 10% of potential buyers to gain information about new house. Mobile advertisement, such as advertisement on bus, taxi and other transportation were rarely used by Cantonese in acquisition of property information.



Moreover, the information provided by real estate agents was not as influential as mass media and relatives and friends. 13% of buyers found house information via these agents.

### ***Cantonese's Preference in Property***

The second part of the questionnaire was designed to examine what aspects Cantonese care most in purchasing property. The data (as showed in Figure 2) indicate that location (4.78), quality of construction (4.73) and transportation (4.69) were the three major issues Cantonese concerned most when making house purchase decisions. These were also the key words for buyers when they were looking for related information about real estate.

Interestingly to notice that, entertainment places and sport facilities are the two most unimportant factors for Cantonese, which indicate most Cantonese do not take recreation facilities into consideration when making purchase decisions.

**Figure 2. Evaluation of Property Characteristics**

<b>Characteristics</b>	<b>Perceived Importance</b>
Location	4.78
Quality of construction	4.73
Transportation	4.69
Price	4.65
Layout of house	4.59
Property management	4.55
Community environment	4.41
Supporting Facilities	4.25
Supermarket nearby	4.21
Reputation	4.19
Garden scenery	3.91
Working places nearby	3.89
Schools nearby	3.88
Banking system nearby	3.84
Parking lot	3.83
Hospitals and pharmacies nearby	3.79
Sport facilities nearby	3.68
Natural landscape	3.44
Entertainment places nearby	3.01

(5 point scale used where 5=extremely important; 1=extremely unimportant)

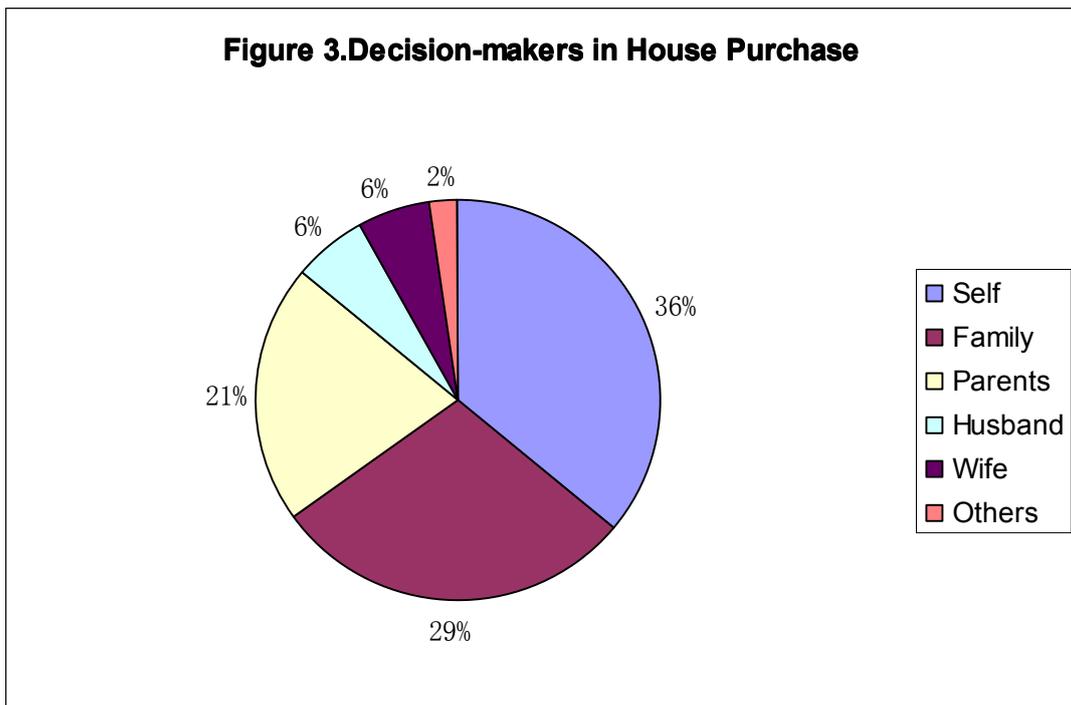
### ***Chinese Traditional Notions in Making Purchase Decisions***

This part of questionnaire was analyzed to investigate that what other factors, especially Chinese traditional thoughts, influence house purchase. The first question is to examine who make the final decisions in house purchase. The findings reveal that:

- 36% of buyers inclined to make real estate purchase decision by themselves. There are basically two reasons attribute to this phenomenon. Firstly, they are the major

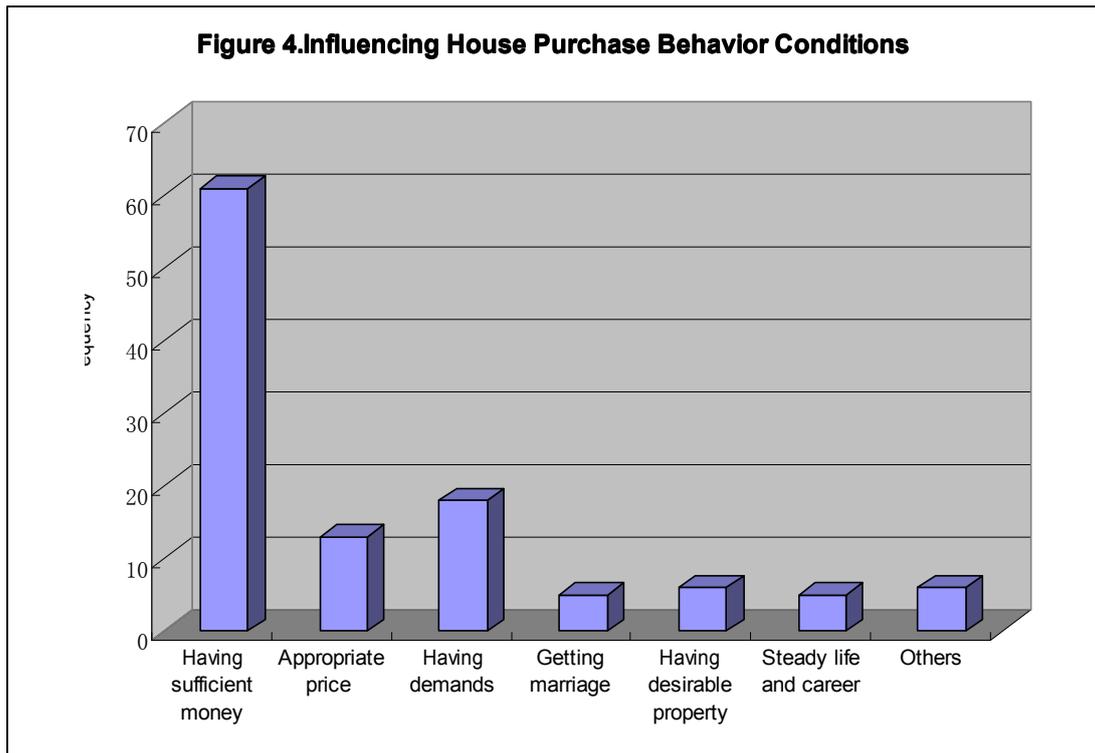
sources of finance in family. Secondly, they regard themselves as rational consumers.

- Family comes next to individual in making house purchase decisions of Cantonese. Parents are the third most influential decision makers (21%), which indicate that traditional Chinese family consumptive ethic still plays an important role in purchase decision making. Cantonese emphasize lot on group discussion and the elders' opinion, because family discussion can generate more ideas and solutions, and parents are more experienced and professional in property purchase.
- 12% of buyers relied on spouses to determine house purchase.
- The “other” category consists: No idea and showing indifferent to who will be decision-makers



### ***Conditions of House Purchase***

The second question examine under what conditions will Cantonese purchase real estate. The overall responses can be interpreted by the bar chart below.



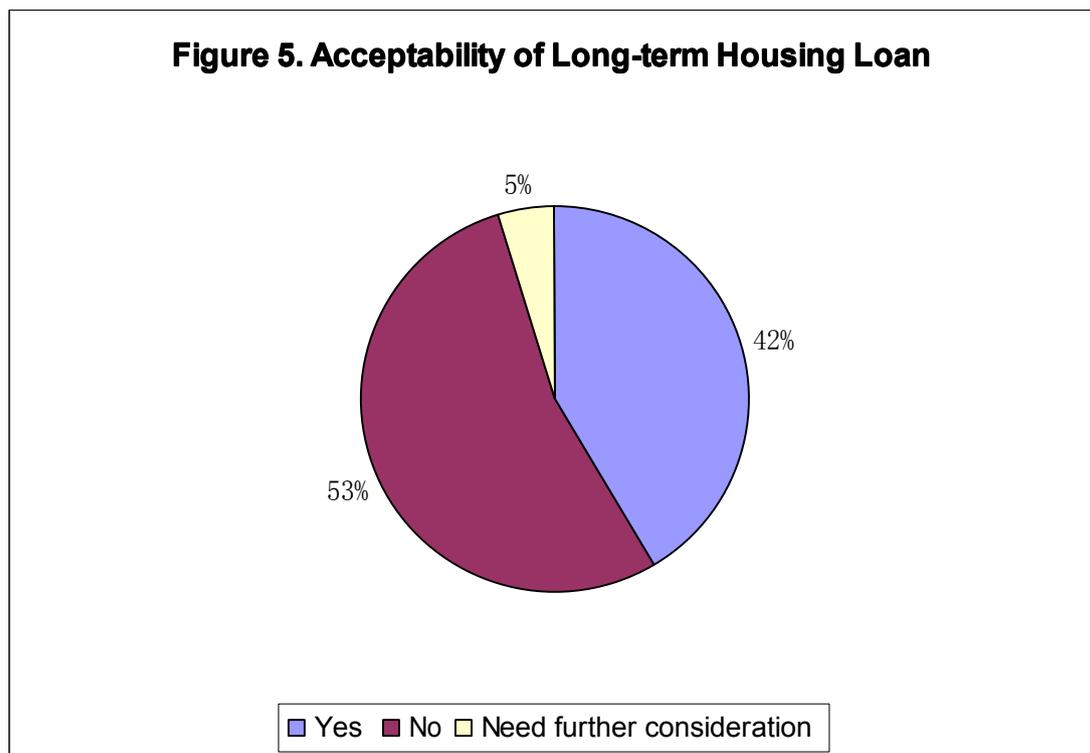
We can clearly draw conclusion from the bar chart that financial condition is the primary consideration for Cantonese in house purchase. 18 participants had mentioned that they would consider making house purchase decision when they had demands for accommodations. The third most concerned factor is price of real estate. The price is soaring in Guangzhou's real estate market and the crisis in stock market in first half of 2008 deter a large number of potential buyers to purchase new house.

5 participants considered purchasing a house when they were going to set up families. In China, having a house is a crucial criterion of judging whether a person, especially male, has the ability to shoulder the responsibility of family. Some women are reluctant to marry the men who do not have houses.

The "other" category contains the items seldom mentioned, including improving living condition, children's education and investment demands.

***Acceptability of long-term housing loan***

Buyers were asked whether they could accept long-term housing loan in house purchase. 42% of participants were willing to take long-term loan, while 53% were not. In Chinese traditional consumption ethics, people are more willing to purchase the products that can be afforded. Fear for potential risks and heavy burdens make Cantonese reluctant to purchase real estate by using housing loan.



### ***Necessity of Owning House***

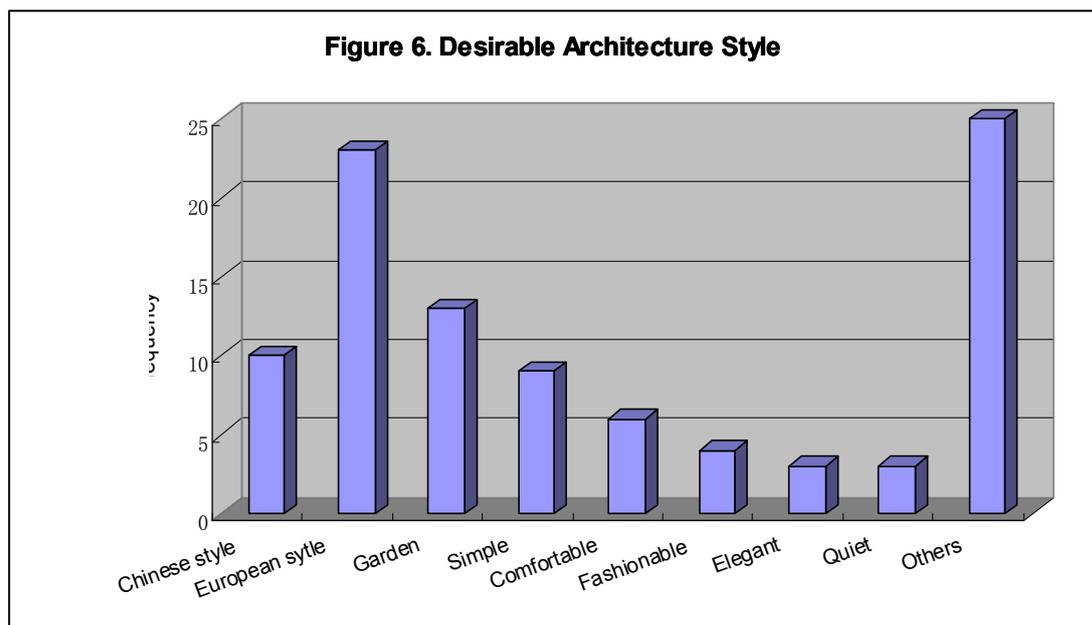
Another question was designed to examine participants' views on whether owning a house is a must for Cantonese. The results show that 81% of participants believed that it is necessary to purchase their own houses, while only 19% regarded owning a house was unneeded. The main reason gave by responders are as follows: Firstly, people are influenced by Chinese traditional "family" and "live and work in peace and contentment" concepts. Secondly, owning a house makes people feel senses of achievement and safety. Thirdly, owing houses enables people to have personal space.

### ***Consideration about Parents in House Selection***

Participants were asked for information on whether they would reserve or design rooms for parents in making purchase decision. Results show that 79% of them would take parents into consideration when choosing property, while merely 9% said they would not and 12% of participants needed further consideration about this issue

### ***Desirable Architecture Style of Community***

This question aims to find out what style Cantonese like most in choosing house. Since the question is subjective, responses are various. However, some key words were mentioned frequently. The following bar chart shows the frequency of each key word.



23 participants preferred to purchase house in European architecture style communities, which is the most frequent mentioned style in the responses. 13 of them liked communities which have garden views. Chinese traditional style comes next, with 10 responders desired to purchase houses in such communities. In “other” category, 13 people showed no concern toward the style of communities, other people mentioned about the following styles: safe, luxurious, sanitary, virescent, natural, and so on.

## **Discussion**

The data analyzed reveal that there are two core factors influence on Cantonese's house purchase decision, namely mass media and Chinese traditional consumption ethics. Mass media provide the largest amount of real estate information to purchasers, and the most influential medium switched from newspaper to the Internet. Moreover, Chinese traditional "family" concept and close relationship with relatives plays important roles in decision making and house preferences.

### ***Mass Media***

As predicted by earlier researchers, mass media's influences on real estate purchase are enormous, especially on providing house information. The mass media carry several types of persuasive content and intend to lead the reader to a conclusion (Peterson, Jensen and Rivers, 1965). For example, advertisement carried by mass media and comments influence purchasers' final decisions. In addition, various media contain information of real estate, including the Internet, newspaper, TV, billboards, mobile advertisement and so on. These media penetrate into Cantonese daily life and work.

Most Cantonese use more than one medium to gain information. Because of the extensive usage of computer, Cantonese rely most on the Internet to absorb real estate information. However, according to the previous research conducted by Guangzhou Jingwei Research Center, real estate sellers spend the largest amount of money on newspaper advertisement. This conclusion indicates that although sellers want to persuade consumer through newspaper advertisements, this method is not effective as the Internet. Cantonese are famous for the analytical consumption behavior in China; they like to explore useful information on the Internet rather than merely obtain persuasive information from real estate sellers.

In most of the advertisements, real estate sellers are aware of the most concern

characteristics of house, such as location and transportation. They intend to emphasize these key words in advertising.

### ***Chinese Traditional Ethics***

Chinese traditional ethics are the other core factors that exert effects on house purchase behavior of Cantonese. There are three major influential concepts:

- Family concepts. In Chinese culture, the group is often more important than individual (Hoyer and MacInnis, 1997). Nearly a one third of participants made house purchase decision based on family discussion. However, more people would rather make decision by themselves. Since Guangzhou is an opened city with more exposures to foreign culture, Cantonese emphasize more and more on individual.
- Respect and trust for the elder and friends. It is a traditional virtue for Chinese to respect the aged. Especially in complex decision making process, such as making house purchase decision. Chinese frequently recommend products and service to friends and relatives (Hoyer and MacInnis, 1997). A quarter of people consulted or asked for comments and recommendations to relatives and friends, especially the experienced ones. The recommendations from relatives and friends are more effective than mass media in impelling buyers to make purchase decisions. In Guangzhou's real estate market, this finding has been recognized by sellers. They encourage their customers to recommend properties to other potential buyers by giving them a considerable amount of commission. Parents' roles in house purchase are crucial. Approximately 20% people depend on parents to make real estate purchase decisions. In addition, when choosing houses, majority of Cantonese consider about reserving rooms for parents. Some of them even live with parents even though they get married.

## **Conclusion**

This paper studies mass media's influences on Cantonese house purchase behavior and Chinese traditional ethics' effects on decision making. A survey has been conducted by distributing questionnaires. As predicted by earlier researches, the findings indicate that Cantonese gain most of real estate information from mass media. The Internet is the most reliable resource for Cantonese. Moreover, location, transportation and quality of property construction are three main attributes influence house purchase decisions. Property sellers are aware of these characteristics and emphasize a lot in advertising campaign.

Besides mass media, Cantonese are affected by Chinese traditional consumption ethics. While globalization and foreign culture begin to influence Cantonese's thoughts and behavior, some Chinese traditional concepts are still deeply rooted. Making complex decisions always involve family discussion and consultation to relatives and friends. Parents always are among the core consideration in house purchase decisions.

It is hoped to repeat and expand converge of this survey in order to provide useful information to seller to modify their advertising campaign.

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