Chapter 2

Research Design, and Methodology
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2.0 Introduction - The need gap

After undertaking an initial survey with respect to the specific problems related to the industry, it was found that no work at the doctoral level was undertaken in the field of understanding the real estate market. There had been no empirical evidence to establish the interrelationships of real estate with the larger economy and the effect of government policies on the real estate industry. Moreover, there has been absolutely no work undertaken in the area of understanding developers' marketing strategies to the changing consumer needs.

The secondary data is designed to offer an in-depth study of the housing and real property industry through literature review in order to fulfill the purpose of establishing the role of real estate in national economy. It also aims at establishing the factors that affect supply and demand for real estate products and services.

In addition to the secondary data to further prove the hypotheses, an empirical study will be undertaken in the Pune city. Primary data will be collected through the survey technique and personal in-depth interview method. Case studies of Pune's leading real estate developers will be conducted and findings presented forthwith.

In addition to the detailed case studies, a survey of more than 100 marketing executives of over 50 medium and large construction companies is proposed to be undertaken to further prove the hypotheses.

2.1 The Research Design:

As there was no prior study of this kind, it was decided that the research design should make use of extensive secondary data along with primary data collection. With respect to the primary data, it was found necessary to explore both the owner level understanding of the market as well as the employee level use of strategy in order to even out problems arising out of ignorance of marketing jargon and other technicalities of the subject on the part of the owners. This can be attributed to the rather informal entry and conduct of the business of the majority of the developer community.
2.1.1 Case Studies:
A questionnaire was prepared employing structured and unstructured questions. Some questions were close-ended while some were chosen to be open ended, considering the limitations of the sample in understanding marketing jargon and technicalities.

The questionnaire was designed to elicit maximum response with maximum accuracy. The researcher was aware of the developers’ limitations in terms of time availability, accurate record keeping and maintaining secrecy of financial and operational details of the business. The questionnaire covered the complete gamut of the developers’ business activities such as Marketing, Finance, Operations, Legal and Strategy. In this way it was possible to obtain information to establish the supply and demand strategies for real estate market development.

2.1.2 Marketing Executives’ Survey:
To further strengthen the hypothesis that effective marketing strategies are employed to increase supply and demand, a survey of 121 marketing executives was conducted. The questionnaire covered customer, market, process and product aspects of the business. This data was designed with a view to reaffirm the extent and depth of marketing strategy used by developer / construction firms.

2.2 Hypotheses
On the basis of previous discussion, for the purpose of the analysis of theoretical and empirical literature on market development of real estate the following hypotheses can be framed to study the effect of interrelationship among determinant factors of macro factors with firm level strategy adjustments.

When supply side determinants are adequately cared for, firm level marketing strategies become more effective as customers are more able and willing to invest in real property. Based on these arguments, the following hypothesis can be presented.
H1: There is a positive relationship between government policy initiatives (supply side factors) and micro-level industry growth
More controls mean more supply side restrictions leading to a stunted market growth. The developer firms work with limited options and cease to be customer centric. The market resembles the “sellers” market. Obviously very little scope remains to apply marketing strategies in such a market where regulation is the prime driver and not customer needs. Thus the following hypothesis can be presented

H2: Market structures that were rigid, monopolistic and supply driven are now more flexible, demand, driven, and competitive
Firms respond to competition by offering differentiated products and services. Innovation in product development is the key to their survival. Thus

H3: Housing Finance companies and entry of banks into housing finance have led the growth in the Housing and real property and affected the preferences of consumers
House or real property purchase is typically financed through a housing finance agency due to its capital nature. Thus mortgage companies through its attractive credit terms and schemes attract consumers to opt for home equity purchase. With ready money at the disposal of the customer, she is in a position to dictate preferences to the developer. In such a market the developer must comply the buyer has many options and the seller’s holding costs may be too high. Therefore

H4: Firms use innovative marketing strategies to sell their inventory as a result of intense competition.
The developer studies the characteristics of the consumers and caters to changing housing needs. Shifts in the real property markets are driven by demographics – changes in personal/household income, education and occupational profiles and age of buying and selling of housing.
H5: Housing and real property being contributors to the capital market are well correlated to the business cycle
Property purchases are financed by long term mortgage payments committed by the mortgaging parties. Gains to mortgage companies of these protracted repayments are diverted to development activities undertaken by government in infrastructure and other areas. This in turn boosts the real estate valuations. Peaks and troughs in real estate activity are the result of this nature of financing.

H6: Growth in housing and real estate construction boosts GDP due to its strong backward and forward linkages
The dependence of construction on a multitude of industries ranging from cement, steel, tiles onward to furniture, furnishings, consumer durables numbering over 256 affect many industrial sectors. Thus growth of real estate essentially gives impetus to industries dependent on it.

H7: Shifts in the housing market are driven by demographic factors in personal/household income, education and occupational profile and age of buyers and sellers of housing
Over a period of time socio-economic changes in the market necessitate change in housing needs.

2.3 Methodology of Research:
1) The research is mainly based on the authentic Secondary data which consists of reference books, government data, expert committee reports, research papers, several doctoral theses from international universities, articles published in international and national journals; international consultancy reports, databanks, provided by the National Housing bank, Ministry of Finance, CII, NICMAR, C.S.I., Planning Commission Reports, NSS, CSO, etc., as well as publications of various agencies of U.N. and leading global research journals.

2) Primary Database also has been prepared by exhaustive case-studies of seven Pune-based leading construction firms. A questionnaire has been framed and information gathered by personal interview method. The sample consists of the
Directors of the developer firms. The responses have been duly processed, tabulated, analysed and the findings tallied with the findings of the secondary data. In addition to the case studies, a primary data survey of 121 marketing executives employed with construction firms has been conducted. Its findings have been analysed using Excel software and SPSS Package Version 11 and presented in Chapter 9. Findings have been used for further testing of the hypotheses.

3) By synthesizing the secondary and primary data, the salient conclusions have been finalized; and the validity of the hypothesis tested. Practical recommendations and suggestions have been offered for the benefit of academicians, practicing construction businessmen, government policy makers, financiers, urban planners, senior officials and public servants of Urban Local Bodies and other government entities.