

## **Marketing New Home Construction: What Do Buyers Value?**

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### **Abstract**

This study aims to examine the priorities of new home customers and measures the level of importance of different home features for them. The study focuses on three key areas in new home construction: 1) Identification of reasons to purchase a new home, 2) Interior and exterior features, and 3) Qualities of a builder. In this study a questionnaire is used that contains four parts Demographic data, identification of top reasons to purchase a new built home; prioritizing of new home features i.e. Internal & External on the basis of buyers willingness to pay against those features and identifying key qualities that customers look for in builders for their new built home construction. This study assesses the difference in perception of male vs. female buyers and high income vs. low income buyers when buying a new home. Results from the study indicated that there are only minor differences between any groups and that for the most part; they can be predicted using conventional wisdom.

### **Keywords**

New homes, Interior features, Exterior features, Builder qualities.

### **1. Introduction**

Most people dream of owning a house at some point in their lives. Whether the house is new or old is another thing to be contemplated. People want to buy the right house for them and their family. When buying a new home, people can have confidence that the home will serve them for many years without problems. Home buying is not something that happens overnight, it can be a strung out process that takes many things into account.

The most attractive feature about new homes is that they are outfitted with up-to-date design features that keep that new home feeling for many years. What is in a new home is just as important as the contractor that is building the house. Since people invest hundreds of thousands of dollars into a house they want to make sure that everything is just right. People want an honest, hardworking, qualified builder when they are considering investing in new home construction. Customers want to see that the builder is financially stable and should be familiar with local building and zoning codes. No one wants to invest money just to see the building contractor go under and lose money. Satisfied customers can bring builders a lot of business, but the opposite can be seen with dissatisfied ones. This study examines what customer's value more towards new home construction.

## 2. Background

Shelter is considered as one of the basic necessities for healthy living. The housing industry has progressed from its early inception from a basic shelter to providing a portrayal of personal success and aspiration, which includes the aspect of safety, love, peace and freedom (Marcussen, 1990). It also involves the service and infrastructure or facilities (Johal, 1997; Kemeny, 1992). In addition, housing involves activities that generate economic benefit, improve the quality of life, and plan and solve environmental issues (Nor'Aini, 2007). Adequate shelter has been defined as “more than a roof over one’s head, it means adequate privacy, adequate space, physical accessibility, adequate security of tenure, structural stability and durability, adequate lighting, heating and ventilation, adequate basic infrastructure such as water, sanitation, and waste management facilities, suitable environmental quality and health factors and adequate and accessible location with regard to work and basic facilities, all of which should be available at an affordable cost” (UN Habitat, 1996).

Home buying is not something that happens overnight, Customers makes their home buying decisions based on dozens of factors and many of them are straight forward qualities about the home that help narrow down the choices. What might be good for one potential new home buyer might not be good for another. For example three bedrooms may be enough for one family, four is fine, but five may be superfluous. So it is important to understand what is customer value?

Many sources define customer values in regards to how important the customer is to a particular organization which is not the perspective we intend. Here the intention is to define customer values in regards of how much importance people place on desired benefits or services. When a builder provides a service that is desired by a customer, then he has, theoretically, identified that customer’s values and wants. Builders that fail to identify customer values will lose customers. Identifying customer values and responding pro-actively to them leads to customer satisfaction. Every customer approaches a builder for purchase of house with certain expectations. The discrepancies between customer’s expectations and experiences, and customer and provider perceptions are significantly related to customer satisfaction (Brown and Swartz, 1989).

The consumer satisfaction (CS) or dissatisfaction (D) is a core concept in marketing. It is determined based on the overall feelings or attitude of a person towards a product or service after being purchased or received. It is a generally accepted notion that the CS is the most efficient and the least expensive source of market communication (Dubrovski, 2001) because the satisfied consumers will disseminate their favorable experiences to others. Conversely, if they are dissatisfied, they will spread unfavorable appraisal of the products or services they received.

Type of new construction such as planned development, Custom built home, Pre-fabricated home, Spec home, Modular home has also much important to customer .In order to make the right choice, consumers need to understand what are these. For instance a production builder is usually about half the price of a custom builder. This is because they will usually buy several lots of land and build using stock plans which offer some variety of choices and options but not the type of choices that a custom builder will be able to give the home owner. While Custom builders are different from production builders mainly because the options for home designs are limitless for the most part. They will create the house as a one of a kind project. Consumers can have their own design team create the plans and the custom builder will work with the design team to build according to specifications. For consumers that demand a lot of custom features, a custom builder may be the right course of action.

In the end why there is a need to build a new home rather to buy an existing one.(Mousumi, 2011) in his study states that an American Housing Survey in 2009 shows that homes being built today are bigger than those built in earlier decades. In addition, homes built today have almost more of everything – different types of rooms such as more bedrooms and bathrooms, more amenities such as washers and dryers,

garbage disposals and fireplaces, and more safety features such as smoke and carbon monoxide detectors and sprinkler systems. From the literature review it has been established that housing is the basic need for human being, selecting a house is not an easy task. The selection process depends upon many factors including different internal and external features in the house and which is the most suitable builder to build their house. Different customers have their own values, so it is necessary to find out the top features in a house that most customers likely to see in their house. In this study top features in a home that gains customers attraction have been identified.

### **3. Research Scope & Objectives**

Following are the objectives of this study.

1. To identify and prioritize the reasons to buy new homes.
2. To identify internal and external features in new home construction and prioritize them on the basis of customer willingness to pay against those features.
3. To identify & prioritize key qualities of a builder for new home construction.
4. To assess the difference in perception of male v/female and high income vs. low income buyers against these multi-aspects of new home construction.

This study includes online source of data collection because this study intended to focus majority of states in the US but in total received 59 surveys out of which only 48 were completed satisfactorily and could be used for analysis purpose, thereby yielding 81.36 % response rate. The scope of this study is limited to online source of data collection from residential sector for different states of America.

### **4. Research Methodology**

In order to measure what do buyers value in new home construction, this study follows the following methodology. The study starts with a thorough literature review to identify i) Main reasons to purchase a new built home ii) New home features i.e. Internal & External & iii) Builder qualities for a new built home. The logic behind these categories is that they form a natural progression of thought. After literature review a questionnaire is developed for data collection. Questionnaire contains four parts, design of questionnaire discussed in data collection part. For data collection social networking site, Face book is used to contact as many people as possible through an advertised survey. In total received 59 surveys of which only 48 were completed satisfactorily and could be used for research. Data collected then analyzed using statistical tools to draw conclusions and provide some recommendations on the basis of results observed.

### **5. Data collection**

Questionnaire used for data collection contains four parts: Demographic data, Reasons to purchase a new built home, Importance of new home features i.e. Internal & External and builder qualities for a new built home. Social networking site, Face book is used for data collection through an advertised survey. This approach is selected since it allowed reaching a large, targeted audience at relatively little expense. After 9 days of advertisement 17 completed surveys were collected using SurveyMonkey.com. The results of the advertisement were not nearly as effective as simply sending requests to face book friends to participate in the survey. This method was far more successful. Thus received a total of 59 surveys from both methods of which only 48 were completed satisfactorily and could be used for research. The states only from which data received satisfactory includes Florida, North Carolina, Texas, Illinois, Boise, Utah, and Idaho.

## 6. Data Analysis

Data collected then analyzed using Microsoft Excel to generate Graphs, charts and Pie diagrams to draw conclusions and provide some recommendations on the basis of results observed.

### 6.1. Response Rate

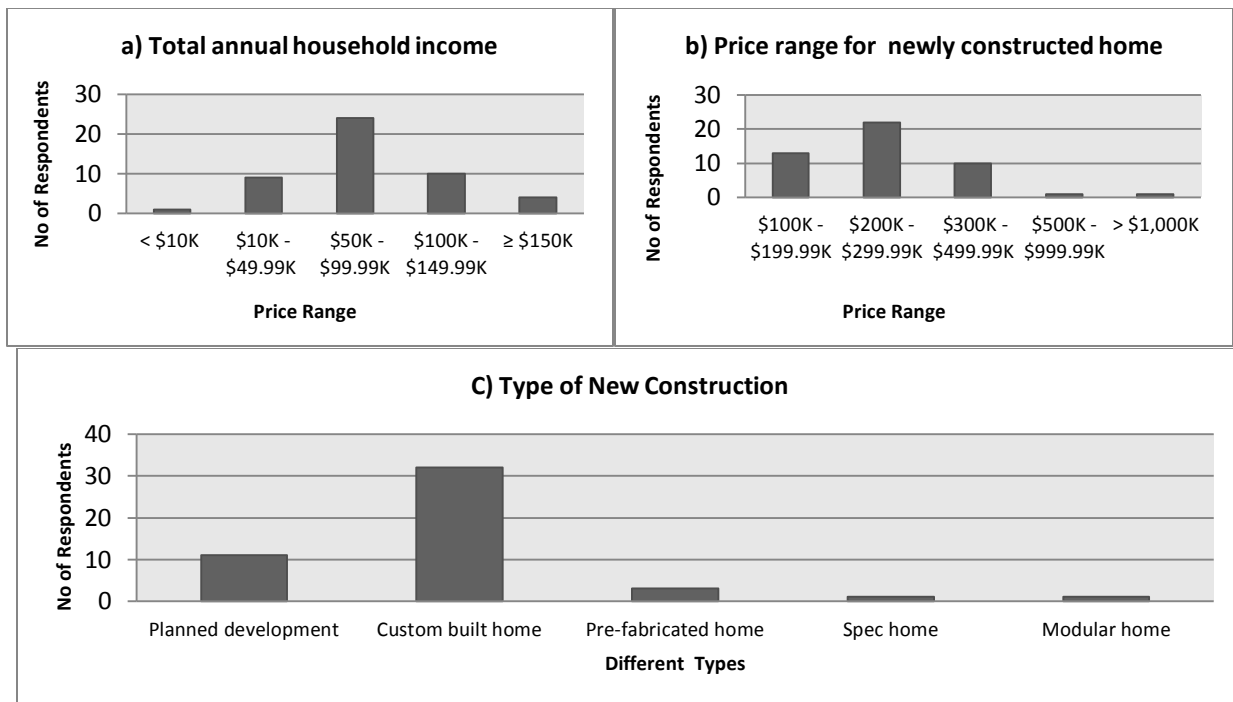
A total of 59 surveys we received out of which 48 were completed satisfactorily and could be used for research.

**Table 1: Response Rate**

Total Surveys	Received Surveys	Response Rate (%)
59	48	81.36

### 6.2. Demographic Questions

In this study few demographic questions were asked in order to categories the sample. Some questions involves in this study includes When do you plan to purchase a newly constructed home, In which state do you live, What is your total annual household income , What price range (in today's dollars) are you considering for your newly constructed home purchase and Which type of new construction will you most likely purchase.



**Figure 1: Demographic Questions**

Table 2 represents sample distribution. Male and female is self-explanatory. However, for the sake of simplicity, respondents living in households earning more than 80,000 dollars annually referred to as Group "80 Plus" and those with earning less than 80,000 dollars referred to as Group "80 Minus."

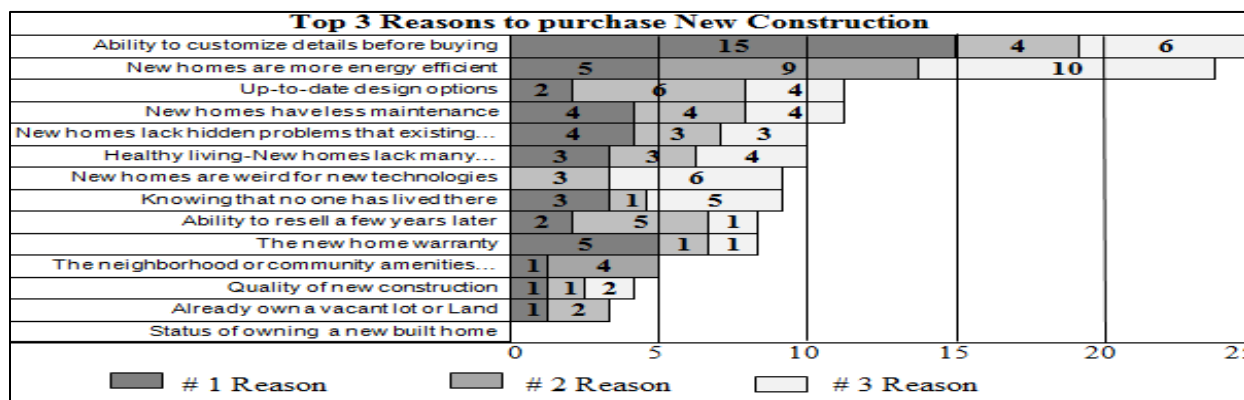
**Table 2: Sample Distribution**

Categories	Group	N	%
Gender	Male	14	29.2%
	Female	33	68.8%
	No Answer	1	2.1%
Annual Household Income	> \$80 K (Plus 80 Group)	26	54.2%
	< \$80 K (Minus 80 Group)	22	45.8%

The second part of the survey consisted of twenty questions divided into three categories to measure the following: (1) Top reasons to purchase a new home, (2) importance of interior, and exterior features, and (3) builder qualities to consider. Regarding category one, respondents were asked to pick their top three reasons for purchasing a new built home versus an existing home. The questions in category two and three were measured on a four point scale with 1; Not important, 2; somewhat important, 3; Important & 4; Very Important. Results of the scores were collected and the means from each group were calculated.

### 6.3. Top 3 Reasons to Buy a New Built Home

The results of the survey regarding respondents top 3 reasons to purchase a new built home versus an existing home are presented below in Figure 2. The ability to customize details before buying was the top reason with 25 votes and was closely followed by the general belief that new homes are more energy efficient which had 24 votes.



**Figure 2: Top 3 Reasons to Purchase New Construction**

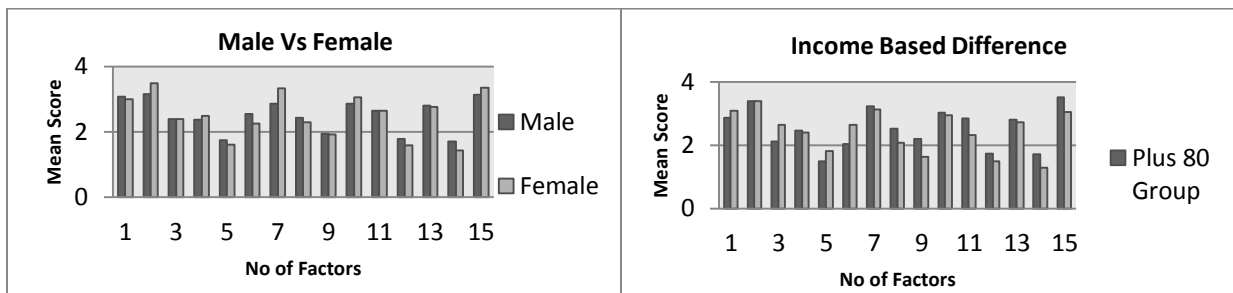
### 6.4. Importance of Interior Features

Table 3 below depicts the top 5 design features to buyers in terms of their willingness to pay for each feature. Result shows that the feature “Large windows that let in natural light” is the most important feature for both Groups i.e., gender group and income group; it can also be observed from the table that there is a slight difference in mean scores between two groups.

**Table 3: Importance of Interior Features**

Rating from Gender Group		Rating from Income Group	
Features	Mean rating	Features	Mean rating
Large windows that let in natural light	3.39	Large windows that let in natural light	3.4
Laundry facilities inside home versus garage	3.28	Laundry facilities inside home versus garage	3.3
Wired for high-tech devices such as DVR, Internet, etc...	3.18	Wired for high-tech devices such as DVR, Internet, etc...	3.2
High-end materials such as granite countertops	3.02	High-end appliances in the kitchen	3
High-end appliances in the kitchen	3	High-end materials such as granite countertops	3

Figure 3 highlights that how male and female rate different factors in a gender group and Plus 80 group and Minus 80 Group in an Income based difference group.



**Figure 3: Importance of Interior Features**

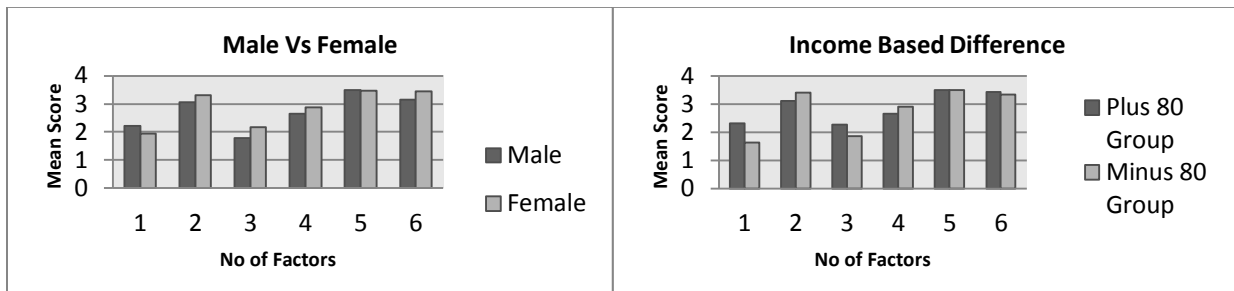
### 6.5. Importance of Exterior Features

Table 4 below depicts the top 5 Exterior features to buyers in terms of their willingness to pay for each feature. Result shows that the feature “Gutters installed” is the most important feature for both Groups i.e., gender group and income group; it can also be observed from the table that there is a slight difference in mean scores between two groups.

**Table 4: Importance of Exterior Features**

Rating from Gender Group		Rating from Income Group	
Features	Mean rating	Features	Mean rating
Gutters installed	3.49	Gutters installed	3.5
Large deck or patio	3.37	Large deck or patio	3.4
Fully fenced yard	3.23	Fully fenced yard	3.3
Fully landscaped yard at move in (basic landscaping)	2.81	Fully landscaped yard at move in (basic landscaping)	2.8
The option to buy a professionally landscaped home	2.06	The option to buy a professionally landscaped home	2.1

Figure 4 highlights that how male and female rate different factors in a gender group and Plus 80 group and Minus 80 Group in an Income based difference group.



**Figure 4: Importance of Exterior Features**

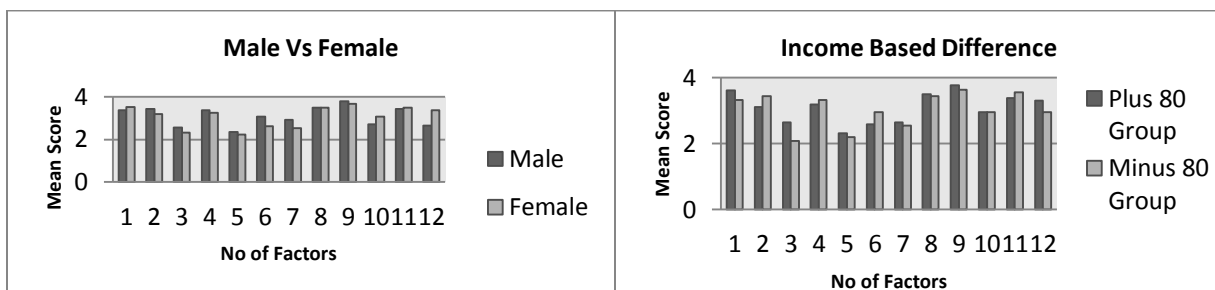
### 6.6. Builder Qualities to Consider

Table 5 below depicts the top 5 Builder qualities that a buyer wants to see in a builder. Result shows that the aspect of “Familiarity with local building laws and codes” is of equal and most important aspect for both Groups i.e., gender group and income group; it can also be observed from the table that there is a slight difference in mean scores between two groups.

**Table 5: Builder Qualities to Consider**

Rating from Gender Group		Rating from Income Group	
Features	Mean rating	Features	Mean rating
Familiarity with local building laws and codes	3.7	Familiarity with local building laws and codes	3.7
Financial strength of the builder	3.49	Opinions of past clients	3.5
Opinions of past clients	3.47	Financial strength of the builder	3.5
Insurance policies in place	3.47	Insurance policies in place	3.5
Years of experience	3.28	Marketplace reputation (what other builders and contractors think of the builder)	3.3

Figure 5 makes it easy to see that the most important factor overall when considering a builder is familiarity with local building laws and codes. The builders financial strength, insurance policies, and marketplace reputation were also very important.



**Figure 5: Builder Qualities to Consider**

## 7. Conclusions

This study focused on identifying what customers want regarding features naturally thinking that is what they value most. The reality is that the reasons to buy a new home are perhaps more valuable to the consumer than any of the features they may demand. Results shows that individuals earning higher incomes will place higher importance on features were only weakly supported by the data. For the most part, the two income groups that we measured scored most new home features about the same. The only statistically significant features were home theater and community amenities which were more important for the Plus 80 group and for builder qualities, builder brand name recognition was more important to the Plus 80 group. It can be concluded that buyers from different incomes generally are looking for the same basic new home features with few exceptions. Results also highlight that men and women will have different perceptions of importance for features was only weakly supported by the data. Only one feature, energy star certified appliance, showed a statistically significant difference between men and women with women finding the appliances more important. However, regarding builder qualities, women found that referrals from family or friends significantly more important than men. So this conclusion can be drawn that men and women generally value new home features about the same with few exceptions.

## 8. Recommendations

It is recommended that companies should conduct similar research in each market they build homes because home buyers in different states like Miami, Florida will value home features accordingly like value fireplaces differently than buyers in Boise, Idaho. Subsequently, cost-of-living in Miami is much higher than it is in Boise where a \$100,000 income only has the buying power of an \$82,583 income in Miami ([www.CNNmoney.com](http://www.CNNmoney.com)). Geographic characteristics, culture, population, and cost-of-living need to be considered and for this reason. It is also recommended that other modes of data collection be utilized to increase the data set for each of the state so that analysis can be presented for a more compelling argument.

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