

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Background**

Tourism is an important part of the Thai economy contributing almost 6 percent of GDP in 2002 (Thailand Outlook, 2005) and is vital to the economy of many tourism provinces such as Phuket, Chiangmai, Bangkok. The hotel and restaurant sector alone accounts for 3.8 percent of Thailand's GDP, while on Phuket, this sector accounts for tourism accounts for 42 percent of the gross provincial product, a much higher share than any other province in southern Thailand.

The Tourism Authority of Thailand (TAT) has continued to make Thailand recognized globally as the "Tourism Capital of Asia." Emphasis will be placed on quality tourism services in its marketing drive in 2006. In order to achieve this aim, the TAT has set a target to increase the number of international tourists to 15.12 million in 2006, bringing in 533 billion baht in tourism income (see Figure 1.1). In 2006, Thais are expected to make 79 million domestic trips, generating 380 billion baht in local tourism revenue. As for 2007, it is estimated that Thai travelers will make 76 million domestic trips, distributing 340 billion baht throughout the country (TAT, 2005).

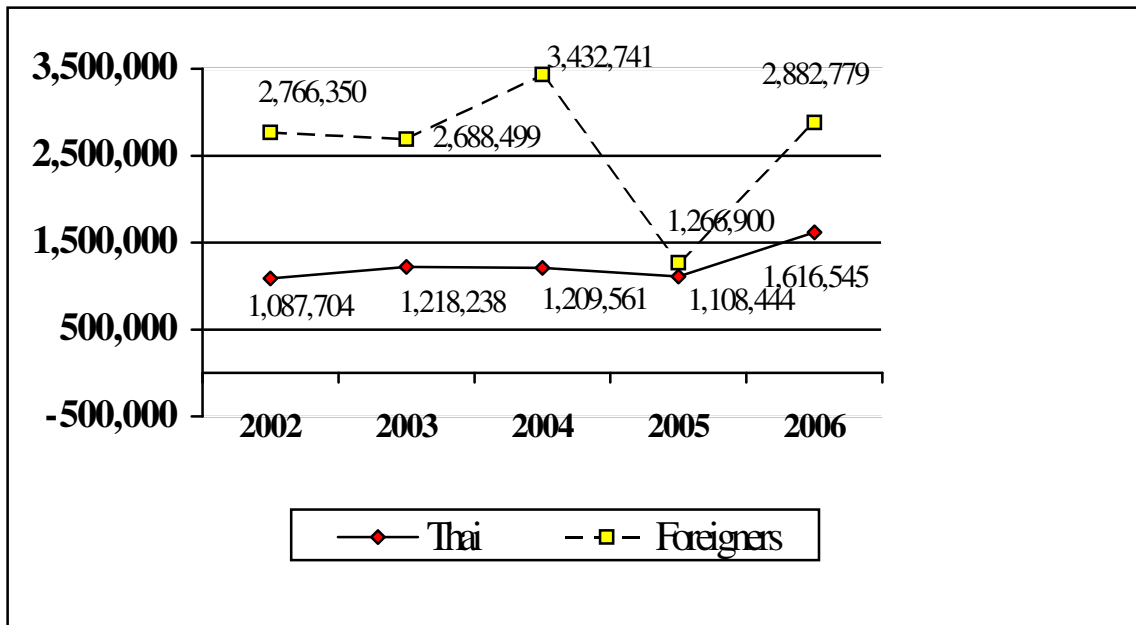
In the last two decades, the number of foreign tourist arrivals to Thailand rose significantly. In 2006, the total of 13,821,802 international tourists' arrivals at Bangkok International Airport, which was a 20.01% increased from 2005. This increase is higher than in 2005 and 2004 and is a sign that travel to Thailand is returning to normal growth after the country suffered through the after effects of the 2004 tsunami and other adverse circumstances. The top 5 countries coming into Thailand via the airport were Japan, Korea, China, the United Kingdom, and the United States. (TAT, 2006).

**Table 1.1** International Tourists Arrival to Thailand From 1997-2005

Year	International						
	Tourist		Average	Average Expenditure		Revenue	
	Number	Change	Length of Stay	/person/day	Change	Million	Change
	(Million)	(%)	(Days)	(Baht)	(%)	(Baht)	(%)
1997	7.22	+0.41	8.33	3,671.87	-0.92	220,754	+0.63
1998	7.76	+7.53	8.40	3,712.93	+1.12	2421177	+9.70
1999	8.58	+10.50	7.96	3,704.54	-0.23	253,018	+4.48
2000	9.51	+10.82	7.77	3,861.19	+4.23	285,272	+12.75
2001	10.06	+5.82	7.93	3,748.00	-2.93	299,047	+4.83
2002	10.80	+7.33	7.98	3,753.74	+0.15	323,484	+8.17
2003	10.00	-7.36	8.19	3,774.50	+0.55	309,269	-4.39
2004	11.65	+16.46	8.13	4,057.85	+7.51	384,360	+24.28
2005	11.52	-1.15	8.20	3,890.13	-4.13	367,380	-4.42

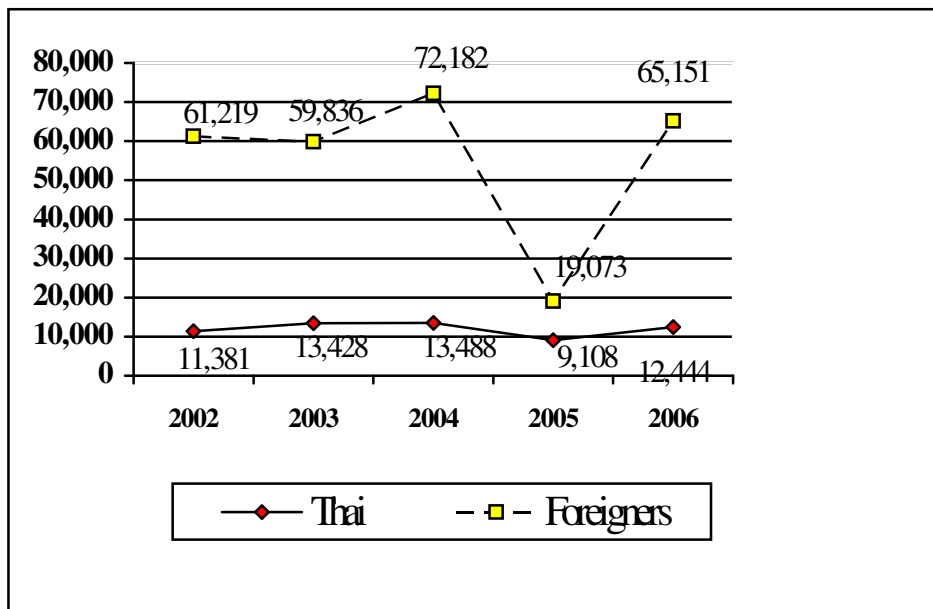
**Source:** Tourism Statistic 2005 from Tourism Authority Thailand (TAT)

**Figure 1.1** Number of Visitors to Phuket From 2002 - 2006



Source: Internal Tourism in Phuket 2005 - 2006 from Tourism Authority Thailand (TAT)

Figure 1.2 The tourism revenue for Phuket from 2002 - 2006



Source: Annual Report 2006 from Tourism Authority Thailand (TAT)

Phuket has become a worldwide known first class tourist destination, attracting visitors from all over the world. Some of those people dream about living here and owning some property in Thailand. Development of property for international market has followed the path of tourism development. Thailand's growing economy has attracted a large number of foreign investor in various fields of professional life. Many of foreign investors are visited by their friends and relatives from abroad and use Bangkok as a staging point for traveling around the country and also visiting the neighboring states of the Greater Mekong Sub region.

The islands of Phuket have seen as the major growth of high-end home development in recent years. Phuket is one of the fastest growing property markets in the world. All independent indicators predict that 2 million Europeans will seek property in Southern Thailand during the next 10 years (Permpoolsab, 2006) As Thailand National Statistics Institute predicts that immigrant population of Thailand will rise by as much as 5.5 million people by 2010. Therefore, rising demand for property will continue to fuel the growth of the Phuket property market for many years to come.

Thailand has historically attracted long stay visitors from the industrialized countries of the 'North' as retirees and pensioners find it much more cost-effective to escape their cold winters by staying relatively inexpensively in Thailand. This trend has accelerated in recent years regarding to the strength of the Euro. Many retirement homes are coming up in parts of Thailand to cater to this growing market segment (TAT, 2004).

Long stay visitors to Thailand are steadily on the rise, regarding to retirees and visiting friends and relatives of the large expatriate community in the kingdom. According to Tourism Authority of Thailand statistics, in 2004, a total of 568,620 visitors stayed in Thailand for more than 30 days. This was up by 7.15% from 2003 and comprised 4.88% of total visitor arrivals. The top five markets for long stay were Japan, United Kingdom, the United State, Germany and China. Another major market is Sweden (TAT, 2004).

Phuket has high growing number of tourist arrivals, which attract significant new foreign investment in tourism-related projects. In recent years, Phuket has become more than just a spectacular holiday destination; it is now home to more than ten thousands of expatriates, attracted by the tropical climate, stunning vistas and international standard facilities. The

Germans make up the largest contingent of Phuket's community of 12,000 expatriates out of a total population of 292,245 (NSO, 2006).

There is a wealth of recent and new property development on the island, offering a wide range of choices, from 7,000 baht-a-month rentals to multi-million baht sea view mansions. Much of this development has taken particular care to blend in with the outstanding natural scenery, complimenting, rather than blighting, the environment.

The real estate's marketing strategies became essential to every developer nowadays as it is an important tool in creating and keeping customers by communicating to and giving the target market customers what they want, when they want it, where they want it, at a price they are willing and able to pay (Lewis and Chambers, 2000). A strong and consistent marketing message will help focus on the target market and highlights each real estate competitive advantages.

After, reviewing of current marketing concept and journal, it found that long stay tourists who comprised of tourists on holidays and expatriate are one of the major real estate markets. Wade (2006) discussed that the service apartment market in downtown Bangkok is expected to improve in the second half due to rising demand as reflected by the continued increase in number of expatriate. The rising number of expatriates in Thailand is boosting the demand for real estate. Moreover, according to the Alien Occupational Control Division of the Departments of Employment, the number of expatriates holding work permit in Bangkok totaled 64,352 as of May 2006, up 16.1% year on year. It also found that much of the research documented in tourism and hospitality journals have addressed issues of real estate and marketing strategies but it has yet been given attention to the real estate marketing strategies to long stay tourists and expatriates in Phuket. Wade also said that there is some problems that he see from real estate developer as there are already too many developments on Phuket that are not answering the demands of the buyer. Therefore, it creates the impression that real estate marketing strategies to long stay tourists and expatriates should be analyzed.

This research will study the marketing strategies that real estate developments in Phuket have been employed. Secondly, the researcher will investigate the preferable marketing mix for long stay tourists and expatriates. After that, the result and recommendation will be analyzed.

## 1.2 Related Literature

The study of real estate's marketing strategies to foreign investor in Phuket has 5 literature review topics as follows.

### 1.2.1 Long stay market

### 1.2.2 Real estate market

### 1.2.3 Real estate market in Thailand

#### 1.2.3.1 Trends of real estate market

#### 1.2.3.2 Factors influencing foreign investors' decision to purchase the real estate

#### 1.2.3.3 Legal framework

#### 1.2.3.4 Foreign ownership problems

#### 1.2.3.5 How can a foreigner own real estate in Thailand

#### 1.2.3.6 The Thai government supporting roles

#### 1.2.3.7 Real estate market in Phuket

### 1.2.4 Marketing strategies for real estate

#### 1.2.4.1 Product

#### 1.2.4.2 Price

#### 1.2.4.3 Place

#### 1.2.4.4 Promotion

#### 1.2.4.5 People

#### 1.2.4.6 Physical evidence

#### 1.2.4.7 Process

### 1.2.5 Ideas and theories related to consumer behavior

#### 1.2.5.1 Stimuli factors

#### 1.2.5.2 The factor influence buyer behavior

#### 1.2.5.3 Buyer decision-making process

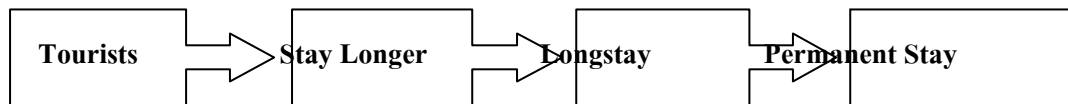
### 1.2.6 Related research

### 1.2.7 Conceptual research framework

#### 1.2.1 Long stay market

The long stay tourism happened for many years ago. People from developed countries that have a high income would travel in their own countries or abroad for their pleasure. They take more time for staying. The long stay tourism has some unique requirement that different from general tourism. When the general tourists have a good pleasure with their first visiting, they will come back to visit again to stay longer. If they impress, they will come back and be the longstay tourists (Chantarasuwan, 2003).

**Figure 1.3 Longstay model**



**Source:** Thammasat University, 2002

There was a previous research, which summarized long stay model as below (Na Phairee, 2005).

a. Tourists: Tourists always spend the time for their pleasure between 7-10 days and operate the tour programs by tour operator. The main purpose of the trip is for leisure.

b. Stay Longer: This group is normally used to be the tourists. They are very impressed with that destination and are back to become the stay longer. They would spend 2-3 weeks longer. They may arrange their tour programs by themselves or by tour operator. Because

this kind of tourists spends their leisure time longer, therefore the tour operator may provide more interesting package tour or Package Holiday Add-Ons for getting new experiences, which may include Thai Cooking Class, Rural Area Tour Adventure, Flower Decoration Class etc.

c. Longstay: After become the stay longer, if the tourists are very impressed with that destination, they will come back again and be the longstayers. This time they may spend at least 1 month to 6 months. The characteristic of this group will change because they will arrange the tour programs by themselves. They always arrange and make their own decision in terms of their accommodation, meals, local transpirations etc.

d. Permanent Stay: If the tourists are very impressed with their previous longstay, they will become permanent stay. They may spend one year at that place. However, during their stay, they maybe back to their home country or travel to any other countries. The characteristic of this group is the same as longstay because they will arrange the tour program by themselves.

### **1.2.2 Real estate market**

Real estate is defined as a piece of land, including the air above it and the ground below it, and any buildings or structures on it. In this study, real estate is also including residential home, apartment, villa etc. It is a dream now becoming reality for a growing number of international investors: a tropical home in the sun, sometimes a way off the radar. Property development has expanded exponentially over the past few years to include some of the world's most desirable locations, and ranking high on the list in Asia is Thailand, Bali, Hong Kong, China, India and Malaysia (Life Style and Travel, 2007)

Below is the real estate market in different countries in the world in comparison with Thailand real estate market.

#### **Malaysia**

The real estate market in Malaysia, Malaysia Institute of Estate Agents (2004) briefly describe as follows.



Popular buying areas: There are many high - end residential property in the affluent Klang Valley continues to dominate the residential market. Other popular residential areas are Bandar Utama, Kota Damansara, Sunway Damansara, Mutiara Damansara and Langwaki.

Price ranges: Vary as ever by quality and popularity of area but Malaysia offers a very wide spread of pricing bands. A 20% deposit of the house value is usually required.

Budgetary guide: Condominiums: from US\$ 66,000 to US\$ 250,000, Bungalow: from US\$ 66,000 to US\$ 225,000, Two Storey Bungalow (5 to 7 bedrooms): US\$ 396,000 to US\$ 1.3 million, Luxury Villas: average US\$ 925,000 upwards.

Overseas Investors: Foreign owners are permitted to buy up to two houses at a cost of not less than US\$ 66,000 each, which also entitles them to a housing loan from a local bank. If selling a property they are subject to 30% Capital Gains tax.

Service Fees: Stamp, Transfer, Agreement and Registration Duty 1.5% to 1.75%, Loan Agreement 1.5% to 1.75%, Estate Agents Fees 3% up to US\$ 132,000 2% thereafter. Bank loan processing fee US\$ 13 US\$ 53.

Mortgages: Loans of 60% of the purchase price are available to foreigners on the proviso that the property value is RM 250,000 and above. Current Base Lending Rate 6.8% per annum; loans are available up to a period of 20 years.

## **Singapore**

The government of Singapore plays a strong interventionist role throughout the society, including all segments of the real estate market. Institute of Estate Agents (2006) has shown the situation of real estate in Singapore briefly as follows.

Popular Areas: Prime residential districts close to the Orchard Road shopping and entertainment belt including Orchard, Tanglin, Holland and River Valley. Other attractions are Bukit Timah and Hillview in the West and Tanjong Rhu on the East side. Price ranges: US\$ 90,000 rising to US\$ 1.5 million, dependent on location, inner city real estate in good areas is much more expensive. Annual Property Tax is 4% for wholly owner-occupied residential properties and 10% for other properties based on the annual estimated rental value.

Budgetary guide: Apartments 2/3 bedrooms: US\$ 90,000 to 220,000. Terraced houses: US\$ 140,000 to 250,000, Semi-Detached houses 3 to 5 bedrooms: US\$ 170,000 to 350,000. Bungalows 3 to 5 bedrooms: US\$ 170,000 to 470,000. Luxury Bungalows: US\$ 270,000 to 750,000.

Overseas Investors: Foreigners may purchase apartments in a building of any number of levels or designated condominium development. Prior approval from the Singapore Land Authority must be obtained to buy 'Restricted property', e.g. bungalows and houses with land.

Service Fees: Stamp duty and legal fees represent approximately 3% of the sale price. An 'Option to Purchase' demands a non-refundable payment of 1% of the purchase price for 'resale apartments' and 5% for 'off plan apartments' which instigates a 14-day review period but forms part of the mandatory 10% deposit if the sale proceeds.

Mortgages: A purchaser of a 'private residential property' can now secure a loan of up to 90% of the lower of the valuation or purchase price. The deposit of 10% can be paid as 5% in cash and if applicable 5% drawn from the Central Provident Fund (CPF). Interest rates average between 2 and 3.5 % per annum dependent on loan type.

## **Spain**

The National of Realtors Association (2005) described the real estate situation in Spain briefly as follow.

Popular areas: Focus on beach resort/island based homes. The Costa's Del Sol, Dorada & Blanca; Majorca, Minorca and the Canaries are favourites. Barcelona and Madrid are beautiful city locations. Budget properties are normally found inland.

Price ranges: Varied dependent on location. Budget inland property will normally need refurbishing and it is wise to check the electricity supply before purchasing.

Budgetary guide: Villa's: Euro 350,000+, Town houses: Euro 240,000+, Apartments (Costa Del Sol + 15% and add for Canaries, Majorca etc) Euro 270,000 + Rural houses: Euro 120,000 to 200,000+, Finca's/renovation: from Euro 36,000.

Buying Property: As prices are agreed both parties should sign a Contrato privado de compraventa (preliminary contract), a 10% deposit pending finance is required. Deeds change

hands after signing an Escritura de compraventa, (definitive contract). Service Fees: Overall 10% of sale price: Stamp Duty 7% (Canary Islands 4.5%), Legal fees 1%, and registration documentation fees 0.5%. A location variable Local Authority services charge applies. Overall includes Notary fees.

Mortgages: Spanish mortgages can be arranged in Euro & Sterling either on a Repayment or Endowment basis. Minimum loan amount is E's 75,000 to be paid up by age 70 over a 5-25 year term. The mortgage is secured on the property in Spain.

### **United Kingdom**

The National Association Estate Agents (2006) noted the real estate information in the United Kingdom as below.

Taxes: The favorable tax dispensations enjoyed by foreign investors and non-resident UK expatriates are designed to make the UK an attractive investment haven. Local Council tax is applicable on all property covering services.

Popular areas: London and the cities of Manchester, Bristol and Leeds are major markets. The more rural areas of the South Coast, West Country, Cotswold's, Lake District, Yorkshire Dales and Scotland & Wales are also very popular.

Price ranges: The national average increase in property prices in 2002 was 28% but has slowed. Prices vary significantly from North to South.

Budgetary guide: Detached houses (2 floors): GBP 130,000 - 600,000, Semi-Detached houses (2 floors): (South) starting GBP 112,000 (North) 65,000, Bungalows (1 floor): (South) starting GBP 85,000 (North), 65,000, Rural cottages (South) starting GBP 90,000 (North) 75,000. London Apartments: from GBP 200,00.

Buying Property: The buyer makes an offer subject to survey and contracts. As contracts are exchanged a 10% deposit becomes due, which will be held by the vendor's lawyer. At this point the buyer is legally bound to complete the purchase.

Service Fees: Overall 4% of sale price: Stamp Duty 1-2% from GBP 60k to 250k, 3% from GBP 250K legal fees, documentation fees included in overall.

Mortgages: Overseas buyers can obtain mortgages from 70 to 80%, (UK residents up to 95%) spread over a 25 years according to age on a Repayment or Endowment basis.

## **Australia**

Real Estate Institute of Australia (2006) provides comprehensive real estate information as below.

Taxes: Capital gains tax applies to 100 per cent of the profit made on investment properties. Tax dispensations applicable to investors can be readily identified through a solicitor, however all maintenance, council and water rate charges can be offset against CGT.

Popular areas: Sydney and Melbourne accommodate a high percentage of the country population and are sought-after investment locations. The Gold Coast as a major tourism center is very popular in terms of property investment. However, in 2004 growth is apparent in many other areas.

Price ranges: Depend on style and location, but will accommodate most budgets. Real estate is relatively expensive in the larger cities, peaking in Sydney.

Budgetary guide: Detached houses range from AUS\$ 485,000 to AUS\$ 865,000, semi-detached or terraced houses from AUS\$ 300,000 to AUS\$ 675,000, townhouses between AUS\$ 200,000 and AUS\$ 550,000. Three-bedroom luxury apartments cost approximately AUS\$ 580,000. Equally property starts at AUS\$ 150,000 in some areas.

Overseas investors: May purchase land earmarked as residential, but building must commence within one year, and are also free to buy from new and work-in-progress developments (up to a maximum of 50 per cent foreign ownership of availability). Purchases of existing property require F.I.R.B. approval, which is not generally given, unless you already have permanent residence status.

Service fees: Stamp duty varies from state to state. In Victoria off-plan stamp duty is calculated based on the value of the land associated with the property, which can be as low as five per cent of the duty post construction. Conveyance charges are usually in the region AUS\$ 900. A body corporate fee applies to townhouses and apartments. Property management fees represent around six to seven per cent of the rental return.

## Thailand

Thai Appraisal Foundation (2006) states that demand for new housing had dropped slightly in 2007, because homebuyers were delaying their buying decisions, since interest-rate hikes and rising oil prices had increased their cost of living. Moreover, it has shown the real estate situation in Thailand briefly as follows.

Capital Gains Tax: There is no capital gains tax for private investors and low ongoing costs.  
 Popular buying areas: Phuket, Pattaya, Hua Hin, Koh Samui and Chiang Mai remain popular locations and a crop of new luxury developments are in progress aimed at foreigners. Bangkok is generally for expatriates who live and work in Thailand and high end business investment in prestigious projects.

Price ranges: Property prices are rising in line with the current economic outlook but range between U.S. \$ 80,000 and 5 million and are dictated by the standard of building and location. Condominium projects in central Bangkok and luxury resort developments in Phuket and Pattaya tend to be high value purchases.

Budgetary guide: Apartments: 2 bedroom from US\$ 160,000, 3 bedroom from US\$ 200,000, 4 bedroom deluxe villa US\$ 425,000, 5 bedroom deluxe villa US\$ 505,000, High Quality House: U.S. \$ 85,000 to US\$ 168,000. Basic apartments start from US\$ 34,000 to two bed houses at US\$ 85,000.

Overseas Investors: Despite legislation to the contrary, foreign owners can acquire property on a finite (50 years) or renewable (30 + 30 years + extension) leasehold basis or through a Thai company with a foreign joint venture partner.

Service Fees: Stamp Duty 0.5%, Special Business tax 0.11% (Vendor has owned property for under 5 years), "Income Tax" 1 to 3% (local version of VAT) & transfer fees 0.01% of sale price

Mortgages: Mortgages usually not available to foreigners, but developers often arrange local loans of up to 90% with the actual property as the loan guarantee.

### 1.2.3 Real estate market in Thailand

#### 1.2.3.1 Trend of real estate market in Thailand

Andrew (2006) described that Thailand is gaining a reputation as a favorite location for luxury tropical homes. Property developments aimed at the region's upscale expatriate market are taking root at various sites around the country. Many of these buyers have been living in the region for a long time. They are an international group, hailing from America, Asia, Australia and Europe. Some are planning to live in paradise full-time, some are planning to use their property as a holiday villa and others are buying for investment purposes to make money from holiday rentals.

Thai Appraisal Foundation (2004) states that Real estate in Thailand can be categorized into 3 types, which are commercial, industrial and housing. Most demand is for housing, which makes up 70% of the industry. The real estate business has followed a fluctuating up and down cycle in tandem with fluctuations in the overall economic climate and the national financial situation, since land and buildings are basic need for all types of investment. The real estate business tends to follow a three - year boom and bust cycle as indicated below:

DOWN	1985 Land Developers' Suffering (Baht devalued, limited economic growth, credit limit of 18%, high interest rate, MLR = 16.5%)
UP	1998 Golden Year for Speculators (High liquidity, easy credit for real estate low interest rate, MLR = 11.5%)
DOWN	1991 Golf Courses and Offices Fail (Impacts of Gulf War, falling Set Index and high interest rate, MLR=16.25%)
UP	1994 Golden Year for Consumers, Set Index soars

(Easy credit available for home buyers, low interest rate, MLR= 11.0%)

DOWN 1997 - 1998 Real Estate Crisis

(No new credits for real estate, shut down finance companies,  
Baht float, MLR= 16.0%)

UP 2000-2005: Since the start of 21<sup>st</sup> century, the real estate business became significant as it pays more attention on foreign markets.

The real estate market in Thailand has suffered through a serious recession dating from 1996. In Bangkok alone, there were 330,000 empty residential housing units out of a total of 1.76 million surveyed by the Thai Government Housing Bank in 1999 - a 20% vacancy rate for the nation's political and economic capital. A major international real estate company active in Thailand has estimated that it could take 5-10 years for a recovery in property values to take place.

The government of Thailand is actively trying to support growth in the residential market by providing from 1999 long-term fixed rate mortgage financing through the Government Housing Bank and the Secondary Loan Mortgage Corporation. Alterations in rules regarding leases and changes in laws on foreign investment in property were also undertaken by the government in 1999 to stimulate investment and growth in both the residential and commercial real estate markets.

Until 2005, the demand for industrial property in Thailand grew significantly, according to international property consultants CB Richard Ellis. The total amount of industrial land sold in 2005 was 4,008 rai (1,603.2 acres), which is the highest record of industrial land sales since 1999. Since no new supply was added to the market after the second quarter, the vacancy rate dropped to 15.6 per cent.

The total number of projects that have started operations from the Board of Investment (BOI) in 2005 was 359 projects, a 28 per cent increase from the 281 projects the year before. The total value of investment in these projects increased by 23 per cent to 102 billion baht, compared to 83 billion baht in the same period last year. The industrial property market in 2005 continued to grow as a result of both international and national market starting a new investment cycle. The majority of foreign investment is still from Japanese companies. (Cripps, 2006)

### **1.2.2.2 Factors influencing foreign investors' decision to purchase the real estate**

Many of foreigners enjoy living in Thailand. Some even describe it as "Heaven on Earth." Thai people, by nature, are pleasant and nice, and are able to get along easily with foreigners, which has resulted in Thailand becoming known as "The land of smiles." Thai people are service minded and are taught from young how to take good care of other people, especially the elderly. The pastimes that Thailand offers foreigners may include golfing, yachting, diving and massage. It is easy to find a great variety of cheap and delicious local foods as well as a wide range of international cuisine. People in Thailand can easily find human resources, from maids to do the housework to educated personnel to take senior roles in companies.

Moreover, domestic infrastructure, such as electricity, water supply and telecommunications are well established in the major cities. Whilst there can be no guarantee against natural disasters, Thailand is not susceptible to earthquakes or typhoons. Furthermore, At present, prices of properties in Thailand have dropped 25 - 50% depending on different products and locations. Prices for properties in high-rise buildings in Thailand are probably the lowest compared to equivalent properties of a similar location and quality in the big cities around the world (Asia-Pacific Tropical Homes, 2003).

Almost all of the new high-rise buildings in Thailand are built to an international standard including safety, facilities and quality. For example: The average selling prices of condominium units in central city of Bangkok are around 81,597 baht/sq.m. (Raimond Land, 2006) compared to 4 times higher prices in nearby countries such as Hong Kong or Singapore.

The era of globalization will bring unlimited opportunities into Thailand. Being the center of Southeast Asia and also being the center of the triangle among major developed countries: Europe, Australia, and Far-East Asia, Thailand is perfectly placed geographically, and has gradually become an established center for transportation, communications, trades and finance for South-East Asia. In recognition of this, we can see more and more international companies setting up their regional offices in Bangkok and manufacturing bases in Thailand (Asia- Pacific Tropical Homes, 2006).



### **1.2.3.2 Legal Framework**

#### **Political environment**

Asia Land (2006) discussed that Thai law stipulates that foreigners may not personally own land in Thailand. That is to say in their name. However, they have the right of freehold ownership on their own name of building(s) only. If a foreigner wishes to purchase land or build a property in Thailand. There are 2 options as follows:

1. The land is purchase on 30 years leasehold, with an option to extend the lease for further 2 of the 30 year periods (90 year in total). Possession of the fact the property occupies of the land. The lessor cannot seize the property upon expiration of the lease, as the property is separate from the land.

2. If a foreigner is going to operate a business in Thailand then he may purchase the freehold of the land through his Limited Company. The land will be owned by the company, not the individual. The foreigner then exercises complete control and ownership.

Even recent amendments that allow a Thai spouse (male or female) of a foreigner to buy land require proof that the money used in the purchase of freehold land is a legally solely theirs with no foreigner claim to it

#### **Legislative changes to promote foreign investment**

To solve economic and financial problems, the Thai government decided to promote foreign investments through several measures: i.e. the proposed change of The Alien Business Act to allow foreigners to do many more variety of businesses, to promote permanent resident permit, to extend the length of the rent of properties, and to allow foreigners to own 100% of high - rise buildings in BOI promoted condominium projects which can encourage more foreign investment.

#### **1.2.3.4 Foreign ownership problems**

There is a law to limit foreign purchase of freehold land, but beyond that foreigners are only allowed to own land in Thailand under very restricted conditions and in very small amounts. The legislation of the Amending Land Code 1999 permits foreign investors who bring at least US\$1 million into the country to own one plot of land for their personal use. The plot cannot be larger than 17,000 square feet (1,600 square meters) and cannot be coastal land.

Foreigners are allowed to own condominiums. The 1999 Condominium Act increased the percentage of units in a condominium development that can be held by foreign ownership to 49%. All of the money used to purchase condominium(s) must be brought into the country, i.e. wired from a foreign bank to a Thai bank. The foreign purchaser must then make sure to obtain what is called a Tor Tor 3 certificate from the Thai bank as this proof of the international fund transfer must be presented to the land department as part of the transfer of title process (Prakunhangsit, 1999).

Previous to 1998, Thai women lost their right to own land upon marriage to a foreign national. This was changed in 1998 and Thai women retain legal right to land ownership regardless of the nationality of their marriage partner. Foreigners should remember though that marriage to a Thai national of either gender does not affect the restrictions on their personal ability to purchase and own land.

#### **1.2.3.5 How can a foreigner own real estate**

People not resident in Thailand who wishes to own a home, which for all intents and purpose is a land and house package, can do with the help of a legal and tax professional. Most company registrations can be done through a law firm at prices starting from around Bt 50,000.- for setup and Bt. 7,000 for each million in registered capital.

Under the strict interpretation of the law, a foreign individual is not entitled to own land, unless special approval has been granted by the Interior Ministry or other government body. (i.e. a privilege has been received from the Board of Investment of Thailand or the

Industrial Estate Authority of Thailand, which will not apply for most residential property transactions considered here)

A popular way to complete a house and land acquisition is to form a Thai Limited Company, which owns the property you wish to buy. A brief introduction about the procedure to set up a Thai Limited Company is detailed below.

Three basic procedures exist for setting up a Limited Thai Company:

1. Reservation of the name

Firstly the proposed name is required to be reserved for use as the Company's name with the Ministry of Commerce, in order to ensure that the proposed Company name is not identical or similar to the name of any other registered Company.

The name reservation application is required to be signed by any one of the promoters.

2. Filing the memorandum of association of the company

Once the Company's name has been approved by the registrar, during the validly period of 30 days, the promoters shall apply for the registration of the Memorandum of Association. At this stage at least 7 individuals are required as promoters, of which at least 4 must be Thai nationals.

The Memorandum of Association must contain the following information:

- Name and the location of the Company;
- The objectives of the Company;
- Registered Capital, number of securities and par value;
- Name, address, occupation, nationality, age, and signature of each promoter

and the number of shares subscribed to by each of the shareholders.

There is no minimum capital requirement. However the fee for registering the memorandum is set at Bt 50 per registered capital of Bt 100,000 subject to a minimum fee of Bt 500

3. Registration of incorporation of the company

Following the registration of the Memorandum of Association all shares must be subscribed to by shareholders and all promoters must hold at least 1 share. At least 25 % of the value of each share is required to be paid up.

The promoters shall then hold a general meeting of all subscribers, which is called the "Statutory Meeting".

The promoters are required to send to every subscriber a notice of the Statutory Meeting together with a statutory report at least 7 days before prior to the meeting-taking place. The notice of the Statutory Meeting shall contain the agenda of all business to be transacted. Normally the business to be transacted at the Statutory Meeting is as follows:

- Adoption of the Articles of Association of the Company;
- Ratification of the promoter's actions and expenses
- Consideration of the amount to be paid to the promoters;
- Appointment of the directors and authorized directors;
- Establishment of preferred Shares (if any);

Consideration of the number of shares to be allotted as fully or partially paid up other than money and the initial paid up capital for the shares payable in money; and appointment of Auditors and the determination of their consideration.

Following the Statutory Meeting, the directors shall run the business of the Company. The directors shall call for the payment for the shares to be made in money in the amount determined at the Statutory Meeting. After the payment for the shares have been made, the authorized director(s) must apply for the registration of the Articles of Association of the Company. In practice the Articles of Association can be submitted 10 days after the date of registration of the Memorandum of Association. It will normally take at least 3 - 5 working days for the Registrar to consider the Articles of Association and the list of shareholders. (The promoters are required to hold at least one share each). The completion of the incorporation of a Limited Company takes approximately 3 - 4 weeks.

### **1.2.3.6 The Thai government supporting role to real estate**

The Thai government tries to support the real estate by providing various kinds of helps as following.

#### **The Real Estate Information Center**

One of the governments of the time's major initiatives following the unprecedented 1997 economic crisis was to establish institutions that would provide accurate information in a central location in order to mitigate the effects of any cyclical industry downturn, particularly in real estate. "The Real Estate Information Centre operates as a central repository for real-estate data and information," explained former REIC director Pongsak Chewcharat. "The REIC conducts field surveys and research to gather currently uncollected data that can be used to construct supply, demand and price indices that can be used to evaluate the current Thai real-estate environment"

#### **Board of Investment (BOI)**

The Board of Investment (BOI) is the Thai government agency responsible for attracting investment to Thailand by offering a wide range of tax and non-tax incentives to investors to engage in specific kinds of projects.

The following are the most common incentives granted by BOI.

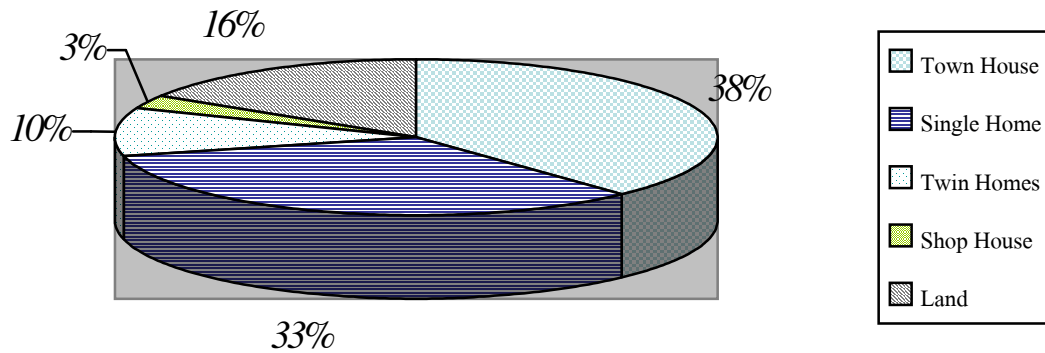
1. Corporate income tax exemption, reductions and special carry forward loss provision.
2. Custom duties reductions and exemptions for raw materials and machinery.
3. Permission for foreigners to own land in order to carry out.
4. Special rights with regard to the issuance of work permits and visas
5. Special rights with regard to operating as foreign held company.

### 1.2.3.7 Real estate market in Phuket

Phuket is Thailand's largest and most beautiful island, which connected by bridges to southern Thailand's Andaman seacoast. Because of its beautiful nature Phuket is also known as "The Pearl of the South". It is surrounded by 32 smaller islands. About 70 percent of Phuket is mountainous and the remaining 30 percent of the island. The island is divided into 3 districts, Talang in the north, Kathu in the west, and Muang in the south (Phuket Tourism, 2006). The area of the municipality is 15,640 squared Kilometers with a total population of more than 264,800 which comprised of who is registered as living in Phuket and thousand of expatriates. Phuket real estate market started showing the characteristics of a boom around mid 2003 and it had accelerated since then (Bangkok Post, 2006).

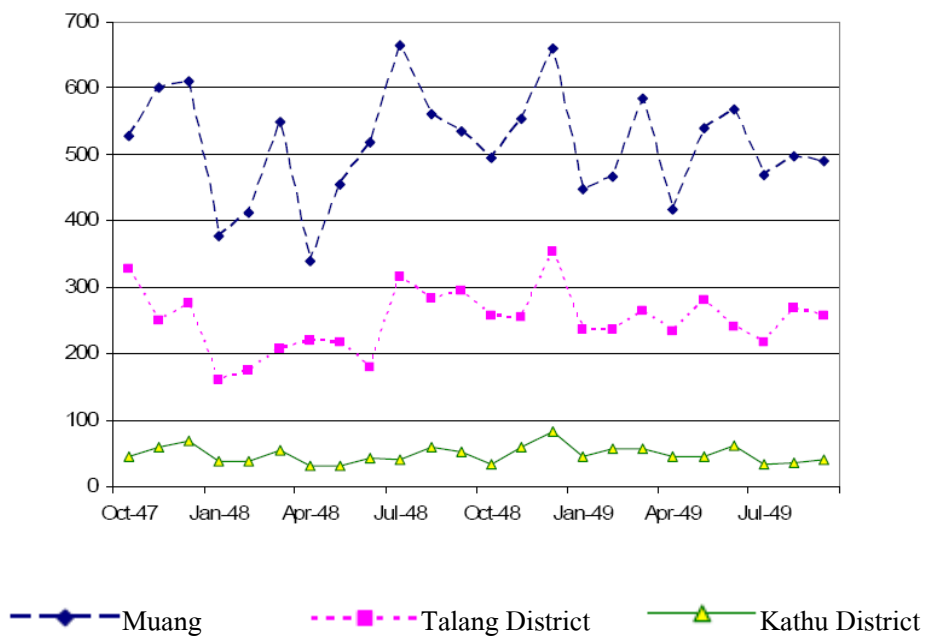
According to Kiatnakin housing survey, it showed that the majority of Phuket residents own town home and single home, which accounted for 38 percent and 33 percent respectively (Table 1.3). The survey also shows that the price ranges most in demand for Thais were between 500,000 - 3,000,000 baht. Table 1.4 shows the results of the number of land transfers, including land with existing buildings during 2005 - 2006 which can be explained that number of land transfers, including land with existing building in Kathu district was stable. Unlike, the numbers of land transfers, including land with existing building in Talang district as there have been many new real estate projects in Talang district during 2005 - 2006.

**Figure 1.4** Type of Phuket residents housing during 2003 - 2005



**Source:** Hongyok, 2007

**Figure 1.5** The number of land transfers, including land with existing buildings during 2005 - 2006



**Source:** Phuket Land Department, 2007

Although individuals have been constructing holiday homes in Phuket for many years, the first significant development targeting foreign purchasers was Allamanda condominium launched in Bang Tao Bay in 1991 and marketed overseas by CB Richard Ellis. The majority of purchasers were based in Hong Kong and Singapore. The financial crash in 1997 halted development in resorts, but activity resumed in 2000 and has been growing rapidly ever since (The Nation, 2006). However, Simister (2007) discussed that the market has changed since early days, with more first-time buyers from Europe and the UK.

According to Property Report (2007), there is growing demand for villas and condominium particularly for long stay tourists. There is also a growing demand from tourists to own their own resort properties in Thailand. Ellis (2007) revealed that resort property development is an extension of the tourist industry and is an important element in attracting high income short and long-term stay tourists.

There is a huge range of sizes, prices and qualities of properties in Phuket. The land price will almost certainly be the most significant part of the cost. Beachfront or ocean view properties command significant premiums, and one can expect to pay over 30 million baht for a quality beachfront house. But despite the high cost, these properties continue to be one of the best investments and are always the easiest to resell, even during periods of market weakness.

The cheapest properties to be found on the island, such as small 2 bedrooms homes, can be found for under 4 million baht and are found in the housing estates in the east and central part of the island. The low prices are achieved through a very small land plot size, simple construction and basic finishing. Phuket has a great deal to offer to the foreign investor looking to purchase property in Phuket. Its natural charm and beauty combined with a superior geographic location set in an enchanting island paradise, afford an enviable lifestyle. Moreover, there are many factors that influence the foreign investor to buy the real estate in Phuket as below (Tropical Living, 2006).

**Yachting:** There are three marinas in Phuket and more currently under construction. Moreover, the import and luxury taxes on foreign flagged vessels were reduced, greatly increasing the number of boats in Thai waters. A full range of services is available for



yachts and owners find Phuket much more affordable than elsewhere in the world with lower costs for labor, fuel and maintenance.

**Golf:** There are currently five golf courses on Phuket. Although Phuket's golf course clubhouses lack the luxury amenities to accommodate high-end players, most of Phuket's golfers are satisfied with the facilities available.

**Other water sports:** Diving, snorkeling, water-skiing and jet skiing all make for a great day's entertainment and Phuket's unique geographical position means year round diving and snorkeling are possible.

**Spa:** There are many luxurious spas that provide unrivalled pampering for women and men. Thailand's wealth of natural ingredients, holistically minded therapists, and tourism-focused capitalism has resulted in a boom for the spa industry

**Natural Beauty:** Phuket has beaches, islands, jungle and waterfalls. These entire make for a fantasy island and it is also the kind of beauty that Europe cannot offer.

**The Thai people:** Thailand is the land of smiles. Thailand serves its own brand of hospitality that is renowned worldwide.

**Dining, Wine and gourmet foods:** Phuket has a good range of international cuisine available. Wine stores, bakeries and imported foods can be found in many shops.

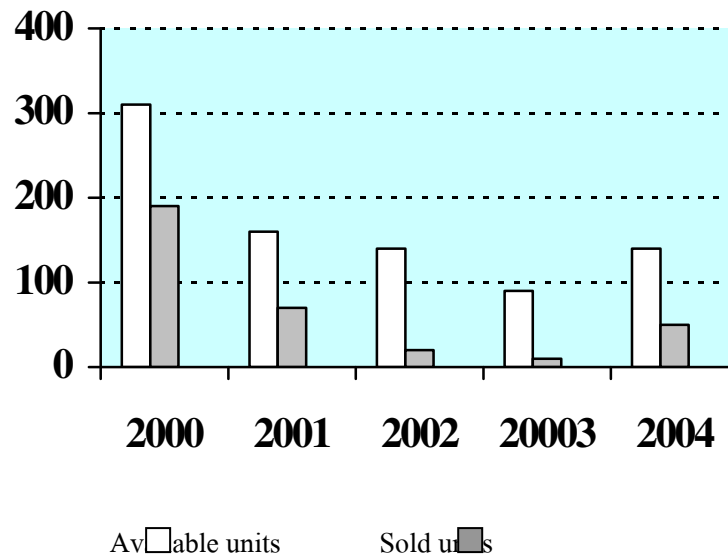
**Service:** Due to the increased demand in Phuket for home services for foreign home owners, there is growing availability of qualified people in home management. There are some human resources training which help Phuket's work force meet the challenge of catering to a more upscale and demanding market.

**Health:** Thailand has excellent medical services for a fraction of the costs of western institutions. In Phuket, cosmetic surgery, optometry and dentistry are widely available and extremely affordable when compared to Western prices.

**Access:** Phuket International Airport connects the island to Asia's biggest hub, Bangkok, by way of numerous daily flights and international connections are increasing.

In conclusion, Phuket has many attractive features for foreign investors to live here.

**Figure 1.6** The number of high-end villa market and unit sold in Phuket



**Source:** Nexus Property Consultants, 2005

#### 1.2.4 Marketing for Real Estate

Research that attempts to classify people's internal motives and behavior is called psychographic research (Chon & Sparrowe, 2000). Hospitality promoters use of psychographic research data to decide which market segments to target and what kinds of amenities to offer at a location. All psychological motives can be classified as either basic or secondary. Basic motives influence everyone and include unlearned needs such as thirst, hunger, sex, fear, and avoidance of pain. Secondary motives are learned needs and include achievement, desire for power, and other specialized needs. Secondary motives usually vary from person to person.

The marketing concept has been defined as a process of achieving organizational goals through determining in the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors do (Kotler, 2003). Marketing strategy serves two purposes: (1) it helps determine the nature of business the firm should engage

in now and future, and (2) It provides a plan to allocate resource to compete successfully in chosen market (Hawkins, Roger and Kenneth, 1983).

Allardyce (2003) identified that marketing strategies can help establish a business framework which can put the business to faster track to growth. Moreover, Sussman (2006) discussed some marketing strategies for real estate as bellows,

Marketing Strategy 1: Gain Customer Confidence. Customer indecisiveness, skepticism, indifference, or confusion is the obstacle in real estate sale. Therefore, the real estate firm should clearly communicated and add value to the target customers in order to win their confidence.

Marketing Strategy 2: Penetrate awareness of the target audience by using integrated marketing. In other words, the more ways the public hears about the real estate firm, the better chances are for achieving brand recognition, credibility, and greater market share.

Marketing Strategy 3: Sincere enthusiasm. If the real estate's marketers deeply believe in their products, services, company, and themselves, then their customer will pick up on that passionate attitude and feel confident and optimistic about doing business with them.

Marketing Strategy 4: Dispel distrust. Gain customer confidence and overcome potential feelings of distrust by offering written guarantees of satisfaction whenever possible, customer testimonials, references, and by joining respected and well-known professional organizations, such as Chambers of Commerce, and industry associations.

Marketing Strategy 5: Create a business marketing plan to identify and capitalize on the strengths and opportunities. The marketing plan should also take into account factors such as weaknesses, external threats, real estate firm's marketing mix strategy.

The marketing mix was originally developed by Professor Neil Borden of Harvard in what have come to known, through subsequent alteration, as the "Four Ps." Borden's six original elements are product planning, pricing, distribution, promotion, servicing and marketing research. It were later reduces to four elements by McCarthy (Chambers and Lewis, 2000). Nevertheless, the marketing mixes later were expanded to "Seven Ps" by Booms and Bitner (Gronroos, 2006). The 3 additional Ps to the original marketing mix are people, process and physical evidence. The marketing mix involves the developing and implementing of an appropriate mix of marketing activities direct toward market segments and target markets. This

activity includes the creation and presentation of products and services; the method used to get the customer through this products and services (or vice versa) for an appropriate price; and the various techniques employed to communicate with customers. Therefore, marketing mix is comprised of seven sub mixes as below:

#### **1.2.4.1 Product mix**

It is the combination of product and services, whether free or for sale, that are aimed at satisfying the needs of the target market. Kotler (2003) devised a very interesting concept of benefit building with a product. Kotler suggested that a product should be viewed in three levels.

Level 1: Core Product. What is the core benefit your product offers?. Customers who purchase a camera are buying more than just a camera they are purchasing memories.

Level 2 Actual Product: All cameras capture memories. The aim is to ensure that your potential customers purchase your one. The strategy at this level involves organizations branding, adding features and benefits to ensure that their product offers a differential advantage from their competitors.

Level 3: Augmented product: What additional non-tangible benefits can you offer? Competition at this level is based around after sales service, warranties, delivery and so on. John Lewis a retail departmental store offers free five year guarantee on purchases of their Television sets, this gives their customers the additional benefit of 'peace of mind' over the five years should their purchase develop a fault.

#### **1.2.4.2 Price**

Pricing is one of the most important elements of the marketing mix, as it is the only mix, which generates a turnover for the organization. It is difficult and must reflect supply

and demand relationship. Pricing a product too high or too low could mean a loss of sales for the organization.

An organization can adopt a number of pricing strategies. The pricing strategies are based much on what objectives the company has set itself to achieve (Keegan and Green, 2000).

1. Penetration pricing: Where the organization sets a low price to increase sales and market share.

2. Skimming pricing: The organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer.

3. Competition pricing: Setting a price in comparison with competitors.

4. Product Line Pricing: Pricing different products within the same product range at different price points. An example would be a video manufacturer offering different video recorders with different features at different prices. The greater the features and the benefit obtained the greater the consumer will pay. This form of price discrimination assists the company in maximizing turnover and profits.

5. Bundle Pricing: The organization bundles a group of products at a reduced price.

6. Psychological pricing: The seller here will consider the psychology of price and the positioning of price within the market place.

7. Premium pricing: The price set is high to reflect the exclusiveness of the product. An example of products using this strategy would be Harrods, first class airline services, Porsche etc.

8. Optional pricing: The organization sells optional extras along with the product to maximize its turnover. This strategy is used commonly within the car industry.

### **1.2.4.3 Place or distribution**

Lowe and Doole (2001) refers place as how an organization will distribute the product or service they are offering to the end user. The organization must distribute the product to the user at the right place at the right time. Efficient and effective distribution is important if the organization is to meet its overall marketing objectives. If organization underestimates demand and customers cannot purchase products because of it profitability will be affected.

Distribution Strategies depend on the type of product being distributed there are three common distribution strategies available:

1. Intensive distribution: Used commonly to distribute low priced or impulse purchase products. For example, chocolates, soft drinks etc.

2. Exclusive distribution: Involves limiting distribution to a single outlet. The product is usually highly priced, and requires the intermediary to place much detail in its sell. An example of would be the sale of vehicles through exclusive dealers.

3. Selective Distribution: A small number of retail outlets are chosen to distribute the product. Selective distribution is common with products such as computers, televisions household appliances, where consumers are willing to shop around and where manufacturers want a large geographical spread.

### **1.2.4.4 Promotion**

This includes advertising, sales promotion, publicity, and personal selling, and refers to the various methods of promoting the product, brand, or company

Palmer (2001) stated that an organizations promotional strategy consists of five different methods as belows:

1. Advertising: Any non-personal paid form of communication using any form of mass media. The advertising objective is a specific communication task to be accomplished with a specific target audience during a specific period of time.

2. Public relations: Involves developing positive relationships with the organization media public. The art of good public relations is not only to obtain favorable publicity within the media, but it is also involves being able to handle successfully negative attention.

3. Sales promotion: Sales promotion commonly used to obtain an increase in sales of short-term incentives. It could involve using money off coupons or special offers. Sellers may use consumer promotions to urge short-term customer buying or to enhance long-term customer relationships.

4. Personal selling: Personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyer's preferences, convictions, and actions. It involves personal interactive between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments.

5. Direct Mail: Direct mail is a direct marketing, which allows an organization to use their resources more effectively. This can be done by sending publicity material to a named person within their target segment by personalizing advertising, response rates increase thus increasing the chance of improving sales.

#### **1.2.4.5 People**

People is any person coming into contact with customers can have an impact overall satisfaction. It is the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects of the customer experience are altered to meet the 'individual needs' of the person consuming it. Most of us can think of a situation where the personal service offered by individuals has made or tainted a tour, vacation or restaurant meal.

#### **1.2.4.6 Physical evidence**

Unlike a product, a service cannot be experienced before it is delivered, which makes it intangible. This, therefore, means that potential customers could perceive greater risk when deciding whether or not to use a service. To reduce the feeling of risk, thus improving the chance for success, it is often vital to offer potential customers the chance to see what a service would be like. There are many examples of physical evidence, including packaging, Internet/web pages, paperwork (such as invoices, tickets and dispatch notes), brochures, furnishings, uniforms, business cards and the building itself (such as prestigious offices or scenic headquarters)

#### **1.2.4.7 Process**

Process is another element of the extended marketing mix, or 7P's. There are a number of perceptions of the concept of process within the business and marketing literature. Some see processes as a means to achieve an outcome, for example - to achieve a 30% market share a company implements a marketing planning process (Chambers and Lewis, 2000).

Another view is that marketing has a number of processes that integrate together to create an overall marketing process, for example - telemarketing and Internet marketing can be integrated. A further view is that marketing processes are used to control the marketing mix, i.e. processes that measure the achievement marketing objectives. All views are understandable, but not particularly customer focused.

For the purposes of the marketing mix, process is an element of service that sees the customer experiencing an organization's offering. It's best viewed as something that your customer participates in at different points in time. For example, booking a flight on the Internet - the process begins with the customer visiting an airline's website. Then the customer enters details of their flights and books them. The ticket/booking reference arrives by e-mail or post. Therefore,



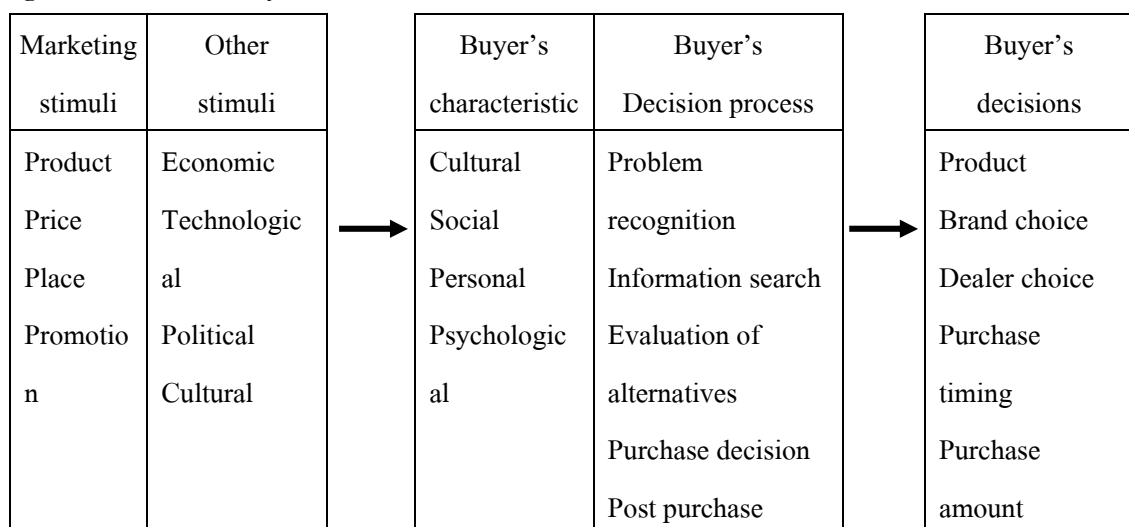
the customer catches their flight on time, and arrive refreshed at their destination. This is all part of the marketing process.

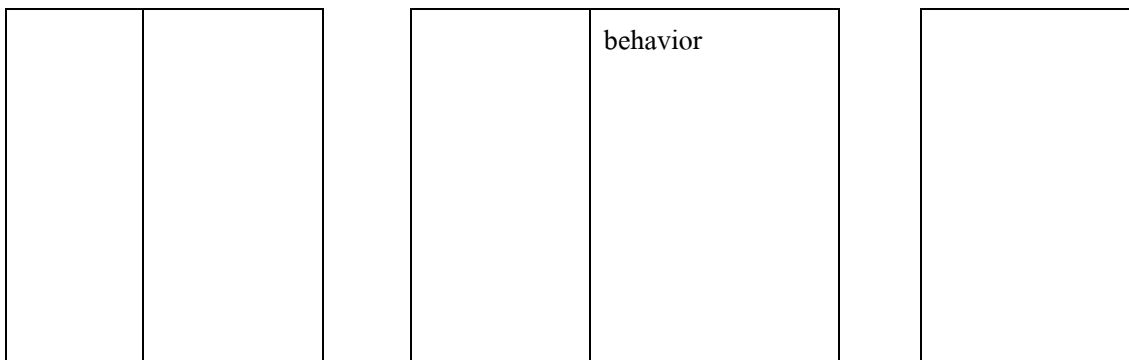
### 1.2.5 Consumer markets and buyer behavior

Successful marketing begins with understanding why and how consumers behave as they do. Berkowitz (1994) refers that consumer behavior is the actions a person takes in purchasing and using products and services, including the mental and social processes that precede and follow these actions. Wood (1994) said that “Behavior” is characteristic of each person influences and reflects a society’s values, beliefs and preferred ways of organizing social life based on the social significance of being male or female. As individuals are socialized into their culture, they learn to express their masculinity or femininity in social interactions.

The starting point for understanding consumer behavior is stimulus response model. Marketing and environmental stimuli enter the buyer’s consciousness. The buyer’s characteristics and decision processes lead to certain purchase decision. The marketer’s task is to understand what happens in the buyer’s consciousness between the arrival of outside stimuli and the purchase decisions.

**Figure 1.7** Model of buyer behavior





Source: Kotler, (2003).

### 1.2.5.1 Stimuli factors

Jain (2003) stated that there are six major forces: demographic, economic, natural, technology, political-legal and social-cultural, which lead to certain purchasing decisions as below.

#### 1. Demographic environment

The first macro environmental force that marketers monitor is population, because people make up markets. Marketers are keenly interested in the size and growth rate of population in cities, regions and nations; age distribution and ethnic mix; educational level; household patterns; and regional characteristics and movement.

#### 2. Economic environment

Markets require purchasing power as well as people. The available purchasing power in an economy depends on current income, prices, saving, debt and credit availability. Marketers must pay close attention to major trends in income and consumer-spending patterns.

#### 3. Natural environment

The deterioration of the natural environment is a major global concern. Therefore, marketers need to be aware of the threats and opportunities associated with four trends in the natural environment: the shortage of raw materials, especially water; the increased cost of energy; increased pollution levels and the changing role of government.

#### 4. Technological environment

Every new technology is a force for creative destruction. The economy's growth rate is affected by how many major new technologies are discovered. New technology also creates major long run consequences. Therefore, the marketer should monitor the following trends in technology changed.

#### 5. Political-legal environment

Marketing decisions are strong affected by developments in the political and legal environment. This environment is composed of laws, government agencies and pressure groups that influence and limit various organization and individuals. Sometimes these laws also create new opportunities for business

#### 6. Social-cultural environment

Society shapes our beliefs, values and norms. People absorb almost unconsciously a worldview that defines their relationship to themselves to others, to organizations, to society, to nature and to universe.

### **1.2.5.2 The factor influence buyer behavior**

Collins (1984) revealed that a consumer's buying behavior is influenced by cultural, social, personal, and psychological factors.

#### 1. Cultural factors

Cultural is the fundamental determinant of a person's wants and behavior. Each culture consists of smaller subcultures that provide more specific identification and socialization for their member. Subcultures include nationalities, religions, racial groups and geographic region. When subcultures grow large and affluent enough, companies often design specialized marketing program to serve them.

## 2. Social factors

A consumer's behavior also influences by social factors as the reference groups, family and social roles and statuses. These factors have a large influence in consumer decision-making process (Reid, 2001).

a. Reference groups: These groups serve as direct (face to face) or indirect point of comparison or reference in the forming of a person's attitude and behaviors.

b. Family: Family members have a strong influence on buyer behavior. The family remains the most important consumer-buying organization. Marketers are interested in the roles and influence of the husband, wife, and children on the purchase of the different products and services.

c. Roles and Status: A person belongs to many groups: family, clubs, and organizations. An individual's position in each group can be defined in terms of role and status. A role consists of the activities that person is expected to perform according to the persons around him or her. Each role carries a status reflecting the general esteem given to it by society. People often choose products that show their status in society.

## 3. Personal factors

These include the buyers' age and stage in the life cycle, occupation, economic circumstances, lifestyle, personality and self-concept.

a. Age and life cycle stage: The type of good and service people buy change during their lifetime. As people grow older and mature, the products they desire change. The makeup of the family also affects purchasing behavior.

b. Occupation: A person's occupation affects the goods and services buying.

c. Economic situation: A person's economic situation greatly affects products choice and the decision to purchase a particular product.

d. Lifestyle: Lifestyles profile a person's whole pattern of acting and inter-acting the world. The lifestyle concept can help the marketer understand changing of consumer values and how they affect buying behavior.

e. Personality and self-concept: Each person's personality influences his or her buying decision. Therefore, many marketers use this concept to personalize its product to each individual.

#### 4. Psychological factors

A person's buying choices are influenced by four major psychological factors, which are motivation, perception, learning and beliefs and attitudes

##### 4.2.1 Motivation

People have many needs at any given time. Some needs are biogenic, which arises from physiological states of tension such as hunger, thirst or discomfort. Other needs are psychogenic which rise from psychological states of tension such as the need for recognition, esteem or belonging.

Psychologists have developed theories of human motivation, and three of the best known are those of Sigmund Freud, Abraham Maslow and Frederick Herzberg. Those theories carry quite different implications for consumer analysis and marketing strategy. Freud's Theory assumed that the psychological forces shaping people's behavior are largely unconscious and that a person cannot fully understand his or her own motivations. When a person examines specific brands, he or she will react not only their stated capabilities but also to other less conscious cues. Shape, size, weight, material, color, and brand name can all trigger certain association and emotions.

Customer needs is the main point of marketing. Maslow's hierarchy of needs is one important theory as described by Abraham Maslow that there are five levels of human needs (Chon and Sparrowe, 2000).

1) Physiological needs: Physiological needs are basic to survival and must be satisfied first included shelter, clothes, and foods.

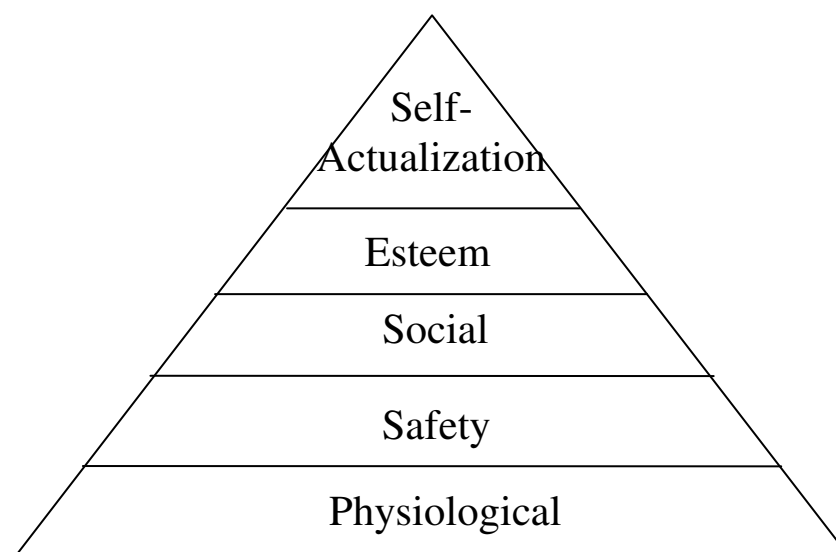
2) Safety needs: These second-level needs are concerned with protection and physical well-being.

3) Social needs: Once needs at the lower levels are satisfied, consumers look toward achieving social acceptance and association with others.

4) Esteem needs: It is represented by the need for achievement, ego, status, prestige and self-respect.

5) Self-actualization needs: The highest-level needs focus on realizing maximum potential and emotional well being. Maslow's level of needs move from basic motive to secondary motive (Berkowitz, 1994).

**Figure 1.8** Maslow's hierarchy of needs



**Source:** Adapted from Chon and Sparrowe, (2000; p.85).

Sukhothaimatirat University (1996) indicated that customer needs is the first point of persuasion process. Customer needs is divided by many levels and Maslow set hypothesis about customer needs as follow (Setkit, 2004):

1. Customer needs is infinite: when one need is responded already, the new one will occur endlessly.
2. Customer needs is still persuasive when it has not responded yet on the other hand, which has responded already will be persuasive anymore.
3. Customer needs line up in importance: when which need is responded already, higher one will occur continued.

### 4.2.2 Perception

Perception is the process by which an individual selects, organizes and interprets information input to create a meaningful picture of the world (Berelson and Steiner, 1964) Perception depends not only on the physical stimuli but also on the stimuli's relation to the surrounding field and on conditions within the individual. This is because 3 selective processes as below (McCarthy and Perreault, 2002).

a. Selective exposure: It occurs when people pay attention to message that is consistent with their attitudes and beliefs and ignores messages that are inconsistent.

b. Selective perception: It involves the consumer interpreting information or modifies ideas and messages that conflict with previously learned attitudes and beliefs so that it is consistent with their current attitudes and beliefs.

c. Selective retention: Selective retention mean that consumers do not remember all the information they see, read, or hear, even minutes after exposure to it (Berkowits, 1994). This affects the internal and external information search stage of the purchase decision process. This is why real estate developers often give consumers product brochures to take home after they leave the presentation.

### 4.2.3 Learning

When people act, they learn. Learning involves changes in an individual's behavior arising from experience. Most human behavior is learned. Learning theorists believe that learning is produced through the interplay of drives, stimuli, cues, responses and reinforcement. Learning process can be categorized into 3 groups as below (Berkoits, 1994).

a. Behavioral learning: Behavioral learning is the process of developing automatic responses to a situation built up through repeated exposure to it.

b. Cognitive learning: Cognitive learning involves making connections between two or more ideas or simply observing the outcomes of others' behaviors and adjusting according to individual.

c. Brand royalty: Brand royalty is a favorite attitude toward and consistent purchase of a single brand over time. Brand royalty results from the positive reinforcement of previous actions.

#### **4.2.4 Beliefs and attitudes**

Through doing and learning, people acquire beliefs and attitudes. These in turn influence buying behavior. Kotler (2006) stated that A belief is a descriptive thought that a person holds about something. Beliefs may be based on real knowledge, opinion, or faith and may or may not carry an emotional charge. People's beliefs about a product or brand influence their buying decision as it can make up product or brand image. Attitude describes a person's relatively consistent evaluations, feeling, and tendencies toward an objects or idea. Attitudes are difficult to change. A person's attitudes fit into a pattern, and to change one attitude may require difficult adjustment in many others. Thus, a company should usually try to fit its product into existing attitudes rather than attempt to change attitudes.

#### **1.2.5.3 Buyer decision making's process**

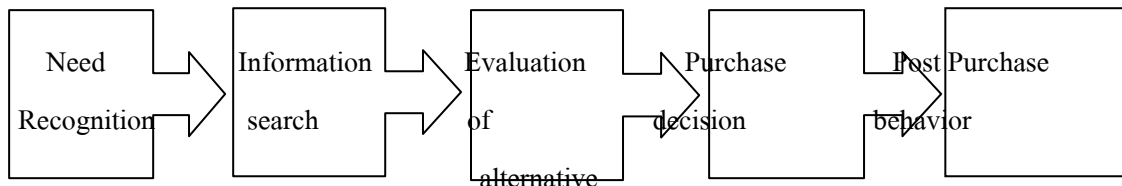
The biggest factor underlying the industry's growth, however, was the ability of the major competitors to understand and cater to the differing needs, desires and purchase criteria of different customer segments (Walker, 2005). The more marketers know about the factors affecting their customer's buying behavior, the greater their ability to design attractive product or



service offering, to define and target meaningful market segments, and to develop marketing programs to fit the concerns and desires of those segments.

When purchasing high involvement product or service, consumers go through a problem solving process involving five mental steps: problem identification, information search, evaluation of alternatives, purchase and post purchase evaluation.

**Figure 1.9** Model of buying decision process



**Source:** Kotler et al (2003)

a. Need recognition: The buying process starts with need recognition. The buyer recognizes a problem or need. The need can be triggered by internal stimuli. Marketers must determine the factor and stimulations that trigger consumer problem and markets can identify the most often trigger interest in the product and develop marketing program that involve these stimuli.

b. Information search: An interested consumer may or may not search for more information. If the consumer's drive is strong then the consumer is likely to buy the product. If not, the consumer may store the need in memory or undertake an information search related to the need. The amount of searching will depend on the strength of one's drive, the amount of initial

information, the ease of obtaining more information, the value placed on additional information and the satisfaction one get from the searching.

c. Evaluation of alternative: It is how the consumer processes information to arrive at brand choices. Generally, the consumer use several evaluation processes in all buying decision, which depends on the individual consumer and the specific buying situation. Then the consumer ranks brands and forms purchase intentions.

d. Purchase decision: Generally, the consumer's purchase decision will be to buy the most preferred brand. Nevertheless, attitudes of others and unexpected situation factors may change the purchase intention. Thus, preferences and even purchase intentions do not always result in actual purchase choice.

e. Post purchase behavior: After purchasing the product, the consumer will be satisfied or dissatisfied and will engage in post purchase behavior of interest to the marketer. The determinant whether the buyer is satisfied or dissatisfied with a purchase lies in the relationship between the consumer's expectations and the product's perceived performance. If the product falls short of expectations, the consumer is disappointed; if it meets expectations, the consumer is satisfied; if it exceeds expectations, the consumer is delighted.

### **1.2.6 Related Research**

Kasikorn Research Center (2006) housing market survey revealed that the housing market still has a room to grow in 2006-2008, since a survey found people's demand for houses remains high. Moreover, the survey also revealed the demand for houses continue to grow. However, the property business expansion and purchasing power of people depend on economic conditions. KRC projected the economy would pick up next year since negative factors to a decision on property buying including hefty interest and inflation rates, and political uncertainties, had eased.

However, should the economic growth in 2008 outpace that in 2007, more potential homebuyers such as those who are confident of their income stability in the future would enter the market. The survey showed most people, who want to have their own residences,

are aged between 25-30 and 31-40 years, representing 38.9 and 35.7 per cent respectively. The key factors to the purchasing decision include location of projects and prices. Single houses with a price range of 1-3 million baht remain in the greatest demand in the market (MCOT, 2006).

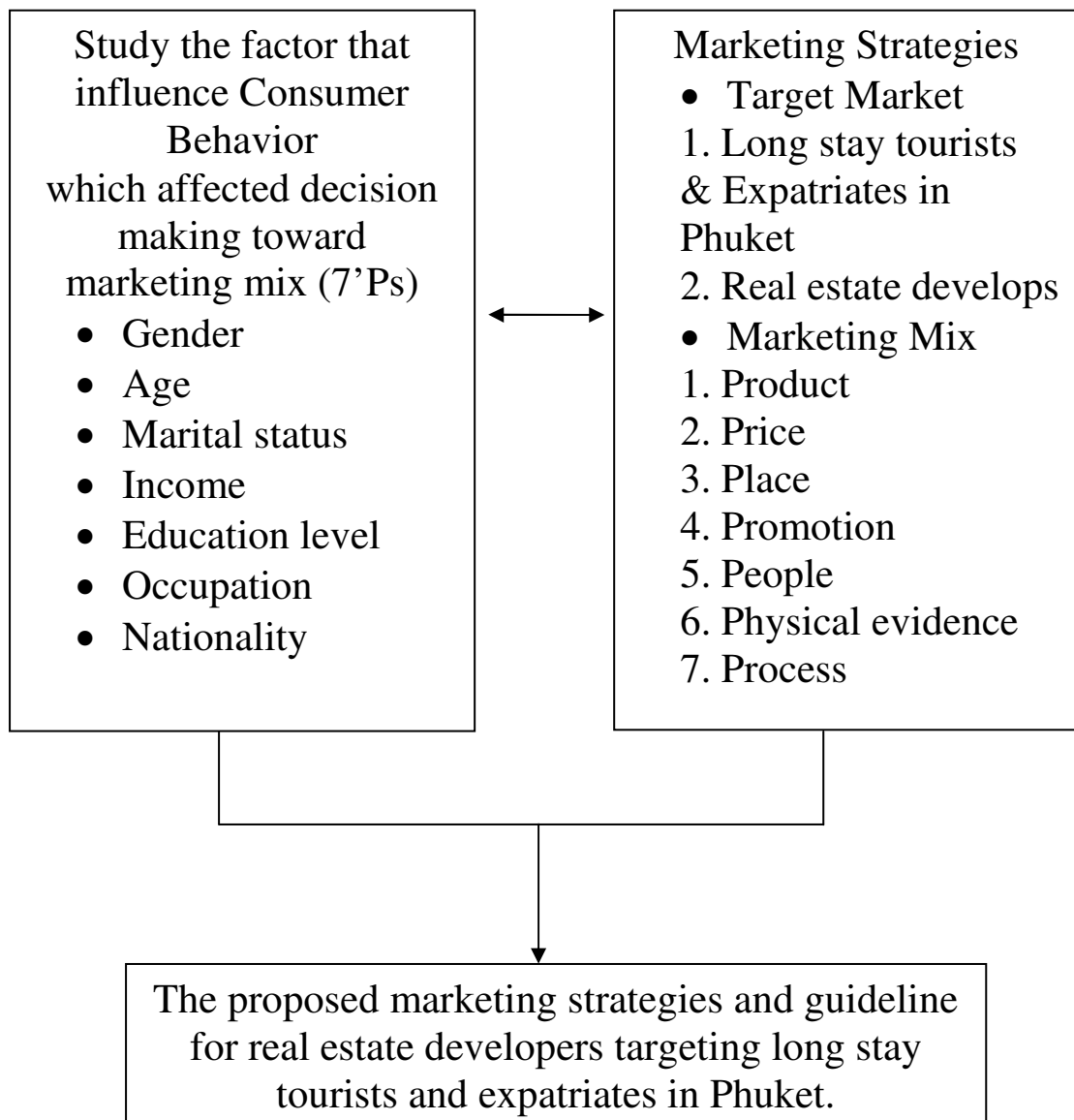
Property Report (2007) also revealed that Pattaya alone reported sales of more than US \$ 230 million (Bt7.95 billion) in beachside condominiums last year, many of them brought by foreigners. And properties are also selling briskly in many of the Kingdom's other beach resorts, such as Phuket, Samui and Hua Hin. More developers, as it happens, are targeting retirees who are considering staying in Thailand permanently or seasonally.

Furthermore, Black and Sirmans (2002) studied Strategic Orientation and Marketing Strategy: An analysis of Residential Real Estate Brokerage Firms. This thesis analyzes marketing strategy concepts as they apply to real estate brokerage firms. The researcher has examined the characteristics and performance of real estate firms, knowledge of the underlying marketing strategies used and the relationship of these strategies to market shared is limited. The study utilizes data for the residential real estate market in Baton Rouge, Louisiana. Information for sales of single family dwellings was obtained through the Multiple Listing Service (MLS) database.

It was found that the groups could be differentiated and firms classified by the relative amount of marketing effort they expanded on the various marketing mix elements. Second, it was demonstrated that the effectiveness of marketing strategy tools differed for firms which different strategies orientation. Result also suggest that for maximum market performance firms must make efforts across the range of marketing mix components and not concentrate on a limited set of activities.

### 1.2.7 Conceptual Research Framework

The conceptual research framework is designed after the researcher reviewed the literature, related concepts and theories. The concept of this study is shown as follows:



### **1.3 Objectives of the Study**

1.3.1 To gain an insight in the market for real estate by long stay tourists and expatriates in Phuket

1.3.2 To identify the factors influencing the decision - making process of long stay tourists and expatriates

1.3.3 To propose effective marketing strategies for real estate develops targeting long stay tourists and expatriates in Phuket

### **1.4 Significance of the Study**

1.4.1 To recommend successful marketing strategies aimed at increasing the value added to the real estate

1.4.2 To be a guideline for real estate developer in applying the effective marketing strategy as a sale tool

### **1.5 Data sources**

#### **Primary data:**

1. Owner or marketing managers of real estate development
2. Long stay tourists in Phuket
3. Expatriates

#### **Secondary data:**

1. Tourism Authority of Thailand (T.A.T)
2. Provincial Government office
3. World Tourism Organization
4. Thailand Real Estate Association

5. National Association of Real Estate
6. Immigration Office
7. Department of Lands
8. Thai Appraisal Foundation
9. National Statistical Office

## **1.6 Limitations of the Study**

1.6.1 The numbers of long stay tourists and expatriates in Phuket are not up to date and not systematic.

## **1.7 Scope of the Study**

The study was tailored and designed by employing quantitative methods. The quantitative method for this study is two sets of questionnaires. The first one was collected from long stay tourists and expatriates. The second questionnaire was collected from the real estate developer or sales and marketing persons from qualified property projects. The data collection period was in March and April 2007.

## **1.8 Definitions**

In order to understanding of specific terms that were used in this study, the following definitions are to be clarified.

**1. Real estate:** Land, including all inherent natural attributes and man-made improvements of a permanent nature placed thereon.

**2. Freehold Title:** This type of title gives you ownership of land or apartment of condominium, which you can lease or sell at your own discretion.

**3. Property tax:** There are two kinds of property tax in Thailand, namely, house and land tax, and local development tax. House and land tax is imposed on the owners of a house, building, structure or land, which is rented or otherwise put to commercial use. The tax rate is 12.5 per cent of actual or assessed annual rental value of the property.

A local development tax is imposed upon any person who either owns land or is in possession of land. The tax rates vary according to the appraised value of the property being determined by the local authorities. There is an allowance granted for land utilized for personal dwellings, the raising of livestock and the cultivation of crops by the owner. The extent of the allowance differs according to the location of the land.

**4. Marketing strategy:** specifies target market and a related marketing mix. It is a big picture of what a firm will do in some market. Two interrelated parts are needed which are target market and marketing mix (Perreault and Mcchathy, 1993)

**5. Target market:** A set of buyers sharing common needs or characteristics that the company decides to serve (Kotler and Armstrong, 2006)

**6. Differentiated marketing:** A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each (Kotler and Armstrong, 2006)

**7. Competitive advantage:** A firm has a marketing mix that the target market sees as better than a competitor's mix (Perreault and Mcchathy, 2002)

**8. Segmented pricing:** the company sells a product at two or more prices to accommodate the different customer, product forms, locations, or times (Kotlet, 2003)

**9. Public relations:** Communication with noncustomers- including labor, public interest groups, stakeholder, and the government (Perreault and Mcchathy, 2002).

**10. Foreign investor:** for the purposes of this study, this includes foreign citizens investing in real estate in Thailand for private or business purposes

**11. Long stay tourists:** Long stay tourists are mainly overseas visitors who come to Thailand to spend their leisure time in the country for over one month to six months in a year. They have no desire to make a living or to earn incomes in Thailand (TAT, 2007).

**12. Expatriate:** a person temporarily or permanently residing in a country and culture other than that of the person's upbringing or legal residence

(Wikipedia, 2007).

**13. Place:** The definition of place factor according to marketing concept, place represents channel of distribution. For this study, place factors indicate the location of property development.

**14. Customer relationship management:** A broad term that covers concepts used by companies to manage their relationships with customers, including the capture, storage and analysis of customer, vendor, partner, and internal process information.

**15. High-end:** Top of the line. It refers to the most sophisticated, and typically the most expensive, product in a line.

## **1.9 Marketing mix for the study**

The study decided to use the 7Ps of marketing mix by Booms and Bitner concept (1981). It includes product, price, place, promotion, people, process and physical evidence to be the factors for purposing the important level that influence long stay tourists and expatriates decision making in choosing real estate in Phuket