

MOTIVATING FACTORS BEHIND NORWEGIANS INVESTMENT DECISION ON PROPERTIES IN THAILAND

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ABSTRACT

Thailand has experienced a formidable growth in property investment from western investors the last decade (Tan, 2017). Especially the condominium market, which has had a steady annual price index growth for many years (see appendix 1, Bank of Thailand, 2018) have seen a huge influx of foreign investors. As economic factors, combined with what seems like a strong perception by Norwegians that real estate is a good investment alternative (Hartwig, 2016), have made many Norwegians chose to invest in secondary residences in Thailand. This study aims to get a better understanding of motivating factors behind Norwegians investment decisions on properties in Thailand by identifying the potential influence of factors such as demographic profile, perceived value and perceived risk. Given the limited existing data on demographic profiles of Norwegians investing in foreign real estate. The population of this study are all Norwegians above the age of 18. The sampling method that was used for the research was systematic and a totaled 20 participants within the age range of 23 to 71 years old. The data was analyzed using a combination of inductive and deductive content analysis techniques. A technique often referred to as directed content analysis (Hsieh and Shannon, 2005).

The findings of this study showed that there were significant differences in how the participants perceived value and risk based on their demographic profile and that those perceptions had considerable influence over their investment decision. Especially demographical factors such as age and gender, demographical factors such as age and gender, seemed to have a huge impact on the individuals' perception of value and risk relating to investment in real estate in Thailand. Therefore, also influencing their investment decision.

Keywords: Thai real estate, Investment decision, Motivational factors, Perceived value, Perceived risk

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Introduction

Bangkok was recently “crowned” as the world's most popular travel destination in 2016 by the Mastercard Index of Global Destination Cities (CNBC, 2016) (Hedrick-Wong & Choong, 2016). Yuwa Hedrick-Wong, the Mastercard chief economist even stated that Bangkok is in a strong position to be the top destination city for a long time (CNBC, 2016). With a large influx of foreigners visiting and also showing great interest in the country the past few years, Thailand has experienced a formidable growth in property investment from foreign investors and there are loads of property development groups specifically trying to target western and Chinese investors (Tan, 2017). As the Thailand real estate market is perceived as one of the most reliably growing markets in the world, with prices showing continued growth year after year, across all sectors of the market. As well as proven to be very resilient (Widjaya, 2016). It's not shocking that it attracts loads of foreign investors. While all sectors have experienced a steady growth, the growth of the condominium market has been especially remarkable, with an average annual price index growth of 6.4% over the last few years (see appendix 1, Bank of Thailand, 2018). As a result, strong competition between developers is expected, especially in the upscale residential segment (Property Report, 2016). As the competition gets stronger and the buyers more selective, understanding the consumers' motivation becomes especially important, as motivations are the primary drivers of purchase decisions. Being able to identify the motivations and understand the decision making and purchasing process, help marketers create effective marketing communications and might give a company the competitive edge it needs to thrive within the market (Duggal, 2018) (Gibler & Nelson, 2003).

Simultaneously, countries such as Norway is still dealing with the aftermath of the sudden drop in oil prices in 2014. With many state banks lowering its national key rate in an attempt to increase inflation and growing the economy (Folger, 2018). The Norwegian key interest rate is now at 0.5 (The Norwegian Bank, 2018) and Norwegians are actively looking for suitable investment opportunities, as alternatives to saving their money in bank accounts (Picardo, 2016).

Norwegians, have also traditionally perceived real estate investments to be quite safe, and 6 out of 10 Norwegians are reported to see real-estate investments as the best option for long-term investments (Hartwig, 2016 – referring to a study conducted by Garanti Eiendomsmedling). Yet little is known about their other motivating factors, and what it is that drives their investment decision.

This study aims to uncover Norwegians' motivating factors for real estate in Thailand while also accounting potential differences in perception based on demographic profile. It will rely upon existing literature by Koklic (2011) and Jacoby, Johar & Morrin (1998) on motivating factors in forms of perceived value and perceived risk. It will try to measure these perceptions by taking use of Sweeney & Soutar's (2001) PERVAL scale model and the six perceived risks identified by Peter and Tarpey (1975).

As the thesis aims to test whether there are relationships between Norwegians' perceived value, perceived risk, demographic profile and their investment decision on property in Thailand. It proposes the three hypotheses as follows:

- RP1: Demographic profile will have influence on Norwegians investment decision on properties in Thailand.
- RP2A: Perceived value will have influence on Norwegians investment decision on properties in Thailand.
- RP2B: Perceived risk will have influence on Norwegians investment decision on properties in Thailand.

Investigating constructs

Based on Kahneman and Tversky's (1979) theory on Behavioral finance, investors are seen as individuals that are strongly driven by emotions and motivations. Which is interesting, as Gerben A. Van Kleef (2017) describes emotion and motivation as two sides of the same coin. He explains his description by referring to Niho, H. Frijda (1986), Richard, S. Lazarus (1991), Ross Buck (1985) and Brian Parkinson's (2005) findings within the field of emotions and motivation. According to them, emotions arise in response to events that matter in light of one's goals and concerns and therefore emotions, by their very nature, reflect underlying motivations.

In order to address these underlying motivations and the motivating factors for Norwegians' investment decision on real estate in Thailand. This study will use Sweeney & Soutar's (2001) PERVAL scale model to identify perceived value, in the forms of (1) functional value, (2) monetary value, (3) social value and (4) emotional value. To identify perceived risk the study will use the six types of risks identified by Peter and Tarpey (1975). (1) Functional risk, (2) physical risk, (3) financial risk, (4) social risk, (5) psychological risk and (6) time risk.

By combining the data accumulated in this study on motivating factors with the participants' demographic profile. This study aims to paint an accurate picture of factors influencing a Norwegians' investment decision in relation to Thai real estate.

Methodology

Motivational research is often used in an attempt to discover and comprehend what consumers do not fully understand about themselves (Thomas, 1998), in order to get a better understanding of the consumer decision-making process (Simonsen et al., 2001) (Bettman, Luce and Payne, 1988). Robert V. Kozineths (2010) further explains motivation research as a term used to refer to a selection of qualitative research methods designed to probe consumers' minds to discover the deep, often subconscious or latent reasons and goals underlying everyday consumption and purchasing behaviors.

The research conducted in this study will be in the form of a semi-structured interview. A technique suggested by Mateja Kos Koklic (2011), when trying to acquire a deeper understanding of motivational factors. As she believes it allows for a more natural conversation with the possibility to adapt and ask follow up questions if something is unclear. The interview is constructed into general categories based on the 10 perceived values and risk listed previously. The population for the study was all Norwegian above the age of 18 years old, and as a result of the broad demographic aspect of the population. A selective sampling method was chosen to assure a variety in demographics between the participants. A total of 20 participants partook in the study, and the interviews were conducted in the south-eastern part of Norway. More specifically, within the cities of Fredrikstad and Sarpsborg, between the dates of the 8th and 20th of October 2018. The interviews were conducted by the author of the study in Norwegian and then translated into English for the purpose of the study. The interviews were conducted using pen and paper, instead of an audio recorder as studies show that Norwegians are often very reserved and are hesitant to reveal their emotions openly, (Warner-Søderholm, 2012), which seemed more likely if they knew they were being recorded.

As qualitative research yields mainly unstructured text-based data, such as interview transcripts, observation notes etc. Data analysis of qualitative research normally focuses on the exploration on factors such as values, meanings, beliefs, thoughts and experiences. A type of analysis that is often referred to as content analysis (Bryman, 2011). Elo & Kyngäs (2008) believes there primarily are two types of techniques used for content analysis. Inductive and deductive. This thesis will use a combination of the two techniques, in the form that it will rely upon existing literature on motivational factors and investment decision to help shape the codes and aims to test hypotheses created around the available literature. While also observing and

making empirical generalizations on the collected data in an attempt to potentially further explain and identify new patterns related to how demographic profiles and motivational factors could influence investment decisions. A type of combination of the two approaches referred to by Hsieh and Shannon (2005) as directed content analysis.

Results and Discussion

From the population, including all Norwegians above the age of 18 year. 20 participants from south-east Norway were interviewed. 10 male and 10 female participants. The youngest being 23 years old, while the oldest being 71. Several types of occupations, income brackets and marital statuses were covered. The interview data was analysed by using a combination of inductive and deductive content analysis techniques (referred to as directed content analysis). Where the data is systematically arranged and categorized into codes or topics, based on existing literature. Then, thoroughly analysed and combed through in order to identify patterns within the data that can shed light upon the research question.

For the perceived values, the findings showed that functional value was by far, the value that the participants most frequently perceived as having a substantial influence on their investment decision. 15 out of 20 participants saw functional value as one of the most important values of investing and owning real estate in Thailand. Interestingly, the functions the participants decided to focus on, varied a lot. The young single males with high monthly income seemed to primarily see the functional value as ways to create additional income sources. The older participants, that had retired on the other hand, seemed to place more importance upon the more pleasant climate and the lower cost of living and the affect it could have on their day to day purchasing power. The younger females and the other middle-aged participants seemed to place more focus upon physical features, and the positive effect a holiday home in close vicinity to tropical beaches with access to swimming pools etc. Could have on the overall enjoyment they would get from their holiday. Especially those that were married or in a relationship, with kids. Which also had a high monthly income. Seemed to elevate the functional value above the other potential values.

Secondly, most of the participants also perceived there to be social value in investing in real estate in Thailand. The younger participants often seemed to perceive the social value of such an investment to be ways they could strengthen their bonds with their friends by inviting them along on holidays. Or in some cases also meet new people. While the middle-aged participants seemed to focus more on social value in terms of social interaction between existing family members or making it easier for their young children to develop new friendships. Interestingly, the only demographic group that listed this as one of the values they perceived to be the most important in their investment decision, were those older than 60 years old. 6 out of 6, listed social value as one of the values they perceived to be most important when trying to explain why they hypothetically would be interested in investing in real estate in Thailand.

For perceived risk, Nearly all of the participants reported that they felt there was some functional risk involved when investing their money in real estate in Thailand. Almost all of the participants above the age of 40 years old, disclosed that they felt a risk connected to what they perceived to be a generally poorer standard of construction work in a country like Thailand. In comparison to that of Scandinavian countries. As a result of this perception of risk, 10 out of 20 participants listed functional risk as one of the risks that had the most influence on their investment decision.

Similarly, to functional risk, almost all participants reported that they felt there was a substantial financial risk connected to investing in Thai real estate. Nearly all participants listed financial risk as one of the risks that would influence their investment decision the most. The few exceptions were the retirees and one 55-year-old man with a very high monthly

income, and even they disclosed that they were aware that such an investment always had some potential financial risk, they just felt that other risks would influence their investment decision more.

Implication of the study

The findings of this study, shows that there is a significant correlation between a consumer's demographic profile and which values and risks they perceive to be influential in their investment decision of real estate in Thailand. The participants' gender, age, marital status, household size as well as occupation and monthly income, all seemed to influence what they perceived to be of most importance in regards to their hypothetical investment decision. With notably, gender and age seeming to have the biggest impact.

One of the most interesting findings of the study were how the female participants seemed to perceive the psychological risk of such an investment to be much greater than that of their male counterparts. The findings correspond with those of other studies conducted on the influence of gender on decision making (Eckel & Grossman, 2008) (Charness & Gneezy, 2012). Psychologist Cliff Arnall (as cited in Hardy, 2014) explains these types of findings by stating that women are often more reluctant to make a wrong decision, as they are more inclined than men to regret, and agonize over their choices.

Another distinctive finding of the study was the significant impact the age of the participants seemed to have upon their perceptions. Almost all of the participants that were older than 60 years old, seemed to perceive the social value of such an investment to be far greater than that of the younger participants. This finding might be explained by combining the results of the research conducted by Baltes, Wahl and Schmid-Furstoss (1990) and that of Yen, Schim, Martinez & Barker (2012). The conclusions of their studies show that older people, both men and women often spend a lot of time alone while simultaneously placing high value upon social connections and being able to partake in social activities in their immediate residential neighbourhoods.

While a participants' demographic profile clearly had a significant influence over their investment decision. It important to note that there were also many similarities in how they perceived the value and risks of investing in Thai real estate. Most of the participants saw functional and monetary value to be the most valuable factor in such an investment, while at the same time, perceiving functional and financial factors to pose the most risk.

Limitations of the study

While the study manages to shed some light upon how demographic profile and motivation factors can influence the investment decision of Norwegian investors in regards to investing in Thai real estate. It also has some clear limitations. The study does not take into considerations how previous knowledge about the subject could affect the participant's answers. Especially in regards to how a participant would potentially perceive the functional and financial risk of such as an investment. The findings of the study might therefore, not be representative for the population of the study. Neither does it fully account for potential influence from spouses, family and friends and what impact that could have on the participants investment decision.

So, while the study gives an indication of how motivation factors and demographic profile influences the population's investment decision of real estate in Thailand.

It does not account for the effect of other types of influence. Neither does it account for potential culture differences found within the study's population as all participants in the sample came from the same region.

Recommendations for future study

In order to further improve the knowledge and understanding of Norwegians investment decision concerning investing in real estate in Thailand. Future studies should try to research the influence of motivation factors and demographic profile in more of the steps of the consumer buying process (Kotler & Armstrong, 2008). In order to see if there are significant changes based on the consumer's knowledge about the specific topic. There should also be conducted research, that accounts for the direct influence of others in an investment decision. Especially in regards to recreational real estate investments, as there seems to be high probability that such an investment decision is not made by one person alone. Future studies should also limit the population size in attempts to accumulate data that could more accurately represent certain demographic groups.

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