

Decision-Making During the Process of Buying a House in Mongolia

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How to cite this paper: Ariunjargal, N., Boldbaatar, G., Odonchimeg, M., & Odgerel, E. (2025). Decision-Making During the Process of Buying a House in Mongolia. *Open Journal of Business and Management*, 13, 2640-2650.

<https://doi.org/10.4236/ojbm.2025.134140>

Received: May 5, 2025

Accepted: July 8, 2025

Published: July 11, 2025

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Abstract

In Mongolia, the real estate market has grown quickly over the past five years, which has caused more people to buy flats. Investing in an apartment is one of the biggest and most important things a person can do for the long run. To understand how someone decides to buy an apartment, it's important to look at the things that affect buyer habits and purchases. Using the VALS model to figure out how someone is feeling has a direct effect on how they buy things. Most of the people who answered said that safety and clean air are the most important things to look for in a home. However, when it comes to other factors, price is more important for buyers who are successful and sure of themselves, while infrastructure, outdoor surroundings, greenery, and accessibility are more important for buyers who have bought homes before.

Keywords

VALS Model, Real State, Consumer Behavior, Decision Making, Mongolia

1. Introduction

In Mongolia, the real estate sector has witnessed extraordinary growth over the past five years. As we approach the end of 2023, an impressive 66,827 apartments have been completed in Ulaanbaatar (NSO, 2023). This surge in development has fueled a significant increase in apartment purchases, a vital step for many individuals making one of their most important long-term investments. Understanding the decision-making process behind buying an apartment is crucial. By exploring the factors that shape buyer behavior, we can gain insights into what drives this major life choice.

Low-income housing policies are being implemented worldwide, with Malaysia leading the way in Asia. In the United States, the term "Smart Growth", which emerged in the 1990s, refers to new urban approaches and innovative solutions

aimed at curbing urban sprawl. This initiative involves elected officials at all levels, real estate developers, chambers of commerce, transportation experts, and urban planners collaborating with residents to enhance the quality of life (Litman, 2023).

Consumer behavior is studied through the consumer behavior model. In every market, buyers are not a monolith; they possess diverse needs, resources, attitudes, and purchasing behaviors. By utilizing market segmentation, companies can create products and services that are precisely aligned with these unique demands. This approach not only enhances efficiency but also maximizes effectiveness, allowing businesses to connect with their customers on a more meaningful level by breaking down large, uniform markets into targeted, specialized groups. Embracing segmentation is key to unlocking greater success and satisfying customer needs more fully (Helaliyan & Hossein, 2022).

To effectively tap into today's diverse consumer landscape, it is crucial to understand the psychological and behavioral factors that influence purchasing decisions. These include attitudes, lifestyles, values, ideologies, risk aversion, and decision-making patterns. By pinpointing these elements, businesses can accurately identify and connect with their target markets. Many successful companies utilize in-depth market research to navigate the complexities of consumer behavior for effective segmentation. Among the leading approaches are the Values, Attitudes, and Lifestyles System (VALS) and the List of Values (LOV). This research leverages the comprehensive frameworks of the VALS model, as highlighted by Töpfer and Bug (2015), to drive strategic insights and foster meaningful consumer relationships. Understanding these intricacies sets the foundation for impactful marketing and ensures businesses resonate with their audiences on a deeper level.

In the competitive real estate sector, understanding customer decision-making processes is fundamental to organizational survival, particularly regarding high-value transactions like apartment purchases. Comprehensive analysis of consumer behavior provides critical insights that enable organizations to refine customer experiences and cultivate lasting loyalty. When satisfied customers become enthusiastic promoters, they function as authentic brand ambassadors, delivering cost-effective marketing through trusted word-of-mouth recommendations. Conversely, organizations that fail to prioritize customer relationships inevitably face diminishing market interest and engagement.

The Values, Attitudes, and Lifestyles System (VALS) framework offers a sophisticated methodology for psychographic segmentation, categorizing consumers into eight distinct profiles based on psychological and behavioral characteristics. These VALS classifications exhibit significant individual variation, shaped by personality attributes, inherent traits, aspirational objectives, and core values—elements that align closely with generational theory frameworks (Zolkafly, 2022).

In Mongolia, the State Housing Corporation is responsible for implementing the state policy aimed at providing affordable and quality housing to the population, particularly targeting specific groups in need. The company's vision is to of-

fer high-quality, eco-friendly housing solutions that cater to the income levels and needs of citizens, in alignment with state policy. As a result, the construction activities in capital city are expected to continue to increase. Each apartment varies in terms of quality, design, comfort, environment, price, and location. Therefore, it is essential to study the characteristics of Mongolian consumers' decision-making behavior when purchasing apartments and to understand the lifestyles and psychology of citizens.

This study tries to segment a part of the real state's target market using the psychological variable of lifestyle first according to the VALS model to determine the requirements of each of these segments and to implement the motivational needs and decision-making process for apartment within Mongolia's unique cultural context.

2. Literature Review

Values, Attitudes, and Lifestyles System (VALS)

It is very popular lifestyle market segmentation concepts under psychographic variables, such as values and lifestyles, which have proved to be of great relevance in consumer behavior research, as they help to identify different types of consumers who form the diverse groups the firm must satisfy. So, the study of consumers' values and lifestyles is especially relevant, as it makes it possible to find out about their interests and opinions and helps to identify psychographic profiles in order to successfully design diverse polices and marketing strategies for each market segment (Ángel Herrero, 2014).

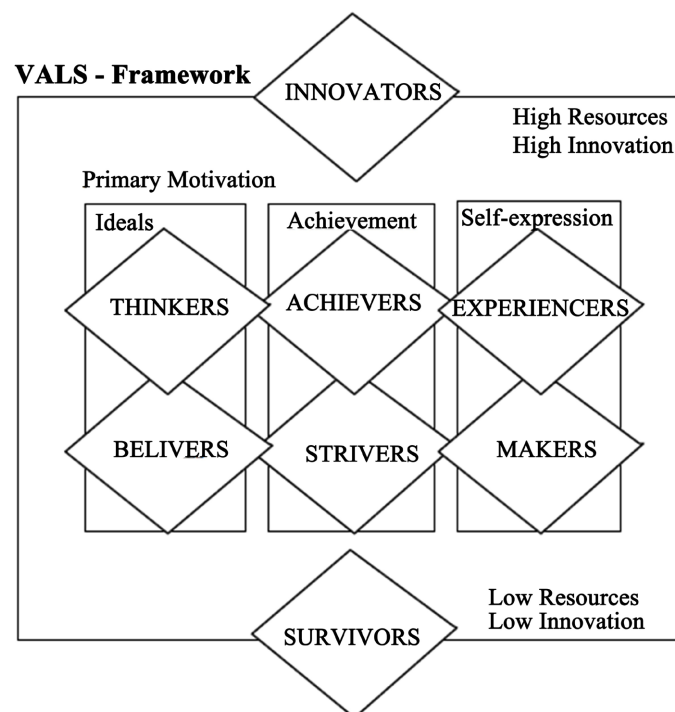


Figure 1. VALS segments.

Another words, VALS is used to identify current and future business opportunities by segmenting consumers by psychological characteristics that affect their purchasing behavior. It can also be used at all stages of marketing activities, from developing new products to communicating with and activating consumers (Ya.Ot-gonsuren, 2015).

The VALS study divides consumers into eight segments based on the motivations that drive their actions and the resources required to perform those actions: innovators, thinkers, aspirants, experimenters, believers, fighters, creators, and savers. These segments include consumers with different behavioral characteristics. The combination of motivations and resources determines how a person will express himself or herself in the marketplace as a consumer (Töpfer & Bug, 2015).

The VALS segments consist of eight segments, which range from the most resourced and highly motivated individuals, known as Innovators, to the least resourced and least motivated, referred to as Survivors. In between these extremes, we find: - Thinkers (higher resources) and Believers (lower resources), who are motivated by concepts and ideas. - Achievers (higher resources) and Strivers (lower resources), who are driven by the desire to achieve. - Experiencers (higher resources) and Creators (lower resources), who seek self-expression. This system categorizes individuals based on their resources and motivations (Figure 1, Table 1).

Table 1. Personality classification based on VALS personality models.

No	The part	Lifestyle characteristics	Psychological characteristics	User profile
1	Innovators	Successful personal growth, Broad intellectual interests	Optimistic, extroverted, developmental, changeable, Confident	Welcome to new products Being pessimistic about advertising
2	Thinkers	Valuing travel and education, relatively active in society and politics	Mature, satisfied, intelligent, To value Order and knowledge	Looking for value and durability, highly educated
3	Believers	Predictable, family-oriented, politically conservative	Traditional, cautious, ethical	Has an average income Looking for a deal
4	Achievers	Opposing too much change, formal social relations	Goal-oriented, formal, controlled, conservative	Attracting superior products, interest in reading publications
5	Strivers	Limited interests, somewhat isolated, careless about health and nutrition, interest in new purchases	Disaffected, active, fun, looking for imitation	Buying without thinking beforehand, they prefer watching TV to reading, they usually have low education
6	Experiencers	Interested in sports and socializing, they like power and fame	Extroverted, active, energetic, and enthusiastic	They spend a lot of money on clothes and food, they are interested in fashion, the youngest group
7	Makers	Spending free time with family and friends	Constructive, committed, satisfied Importance of self-sufficiency	They are not affected by sentences
8	Survivors	Their interests and activities are limited, their most important concern is safety and security, they have health problems and spend most of their time alone.	Conservative, traditional, risk-averse, and powerless	They trust advertisements, they spend most of their time watching TV, they use the Internet the least, have the lowest income, and are the oldest

Source: Helaliyan, Monireh Ahmadimanesh and Mohammad Hossein (2022).

We are all individuals, each with our own unique styles, behaviors, and habits. The VALS analysis method helps identify the basic psychological characteristics of different groups from the user's perspective. Using this approach, we can determine which type of VALS user you may fall into. It's possible that none of the categories described by VALS fully capture who you are. However, it's important not to judge too quickly. You might identify with some common characteristics, and you could find that you relate to more than one group. Remember, these definitions are not meant to describe you in your entirety, but rather to provide insight into specific aspects of your individuality (Boldbaatar, 2018).

3. Research Methodology

The survey was conducted among adults in Ulaanbaatar city, and the questionnaires were collected through a random sampling method, using Google Forms and paper forms. A total of 414 individuals participated in the survey, and the results of 33 responses that did not meet the requirements were excluded and processed. As a result, population sample was 381 ($n = 381$).

Table 2. Respondents' information.

	Category	Frequency	Percentage
Gender	Male	132	34.6
	Female	249	65.4
Age	18 - 27 /Generation Z/	128	33.6
	28 - 43 /Generation Y/	183	48.0
	44 - 59 /Generation X/	60	15.8
	60 and above	10	2.60
Education	Secondary school	126	33.0
	Senior high school	20	5.20
	Bachelor or above	235	61.8
Employment	Self-employed	61	16.0
	Government organization	82	21.5
	Business organization	103	27.0
	Unemployed	14	3.70
	Student	75	19.7
	Retired	19	5.00
	NGO or international organization	27	7.10
Family	Single	69	18.1
	Family of 2 - 3 people	126	33.1
	Family of 4 - 6 people	170	44.6
	Families with more than 6 members	16	4.20

Of the 381 respondents, 132 were male (34.6%) and 249 (65.4%) were female. According to the Mongolbank of Mongolia, seventy-six point five percent of all

mortgage borrowers are between the ages of 25 and 45, and they account for eighty point three percent of the total mortgage loan sum. More than 68.0 percent of individuals from all age demographics have acquired mortgage loan in Ulaanbaatar (Mongolbank, 2017). Also, 1 in every 5 women who were surveyed has a mortgage in Mongolia (Democracy, 2021). Based on these studies, women are the primary decision-makers in Mongolia regarding mortgage loans. Consequently, we are confident that the women included in our study are adequately representative. Also, 48% of the respondents were from Generation Y (28 - 43 years old), while 33.6% were from Generation Z (18 - 27 years old). This shows that the 18 - 43 age group is the active age for purchasing an apartment. For the employment status, 50% of respondent work in government agencies and business. Students account for 19.7%, self-employed individuals account for 16%, and unemployed individuals account for 3.7% or 14 citizens. According to the marital status, 82% were married and 18% were single. This is because 19.7% of the respondents were students. Among married citizens, households with 4 - 6 members accounted for 44.6% of the total survey, while young families with 2 - 3 members accounted for 33% (Table 2).

4. Results

4.1. Apartment Purchase Behavior Analysis

We asked about their plans to buy an apartment, results were showed on Table 3. Among the total number of respondents, 66.1% or 252 are planning to buy an apartment shortly, while 129 respondents said they do not plan to. Although these 129 respondents did not plan to buy an apartment, they did provide answers about the possibilities and requirements for buying an apartment. Among that 55% of respondents said that an apartment they plan to buy is their first home. This includes people living in relatives' or rented apartments, as well as people living in shacks and Mongolian houses. Then 43.3% said that they can pay 10% - 30% of the purchase price for an apartment, while 29.4% said that there is no down payment. In addition, 43% said that they were interested in a 3-room apartment, 34% said that they were interested in a 2-room apartment, and 32.8% said that the apartment should be 51 - 70 m² in size. Table 3 shows that the general trend of citizens is to live in 2 - 3-room apartments of 41 - 88 m², which shows that there is a general tendency for citizens to live in 2 - 3-room apartments.

Table 3. Information on the apartment planned to be purchased.

Information about the apartment you plan to purchase	Frequencies	Percentage	
Are you planning to buy an apartment in the near future?	Yes	252	66.1
	No	129	33.9
What is your current location in the apartment you are planning to buy?	First place	209	54.9
	Second place	70	18.4
	Third place	72	18.9
	Four or more places	30	7.9

Continued

	No advance payment	112	29.4
How much can I pay as a down payment for buying an apartment?	10% - 30%	165	43.3
	31% - 50%	65	17.1
	51% - 70%	21	5.5
	71% - 100%	18	4.7
How many rooms are you interested in?	1 room	25	6.6
	2 rooms	129	33.9
	3 rooms	164	43.0
	4 rooms	43	11.3
	5 or more rooms	20	5.2
How many square meters are you interested in?	Up to 40 m ²	31	8.1
	41 - 50 m ²	80	21.0
	51 - 70 m ²	125	32.8
	71 - 80 m ²	95	24.9
	More than 80 m ²	50	13.1
Source for buying an apartment?	With accumulated income	73	19.2
	100% loan	86	22.6
	Advance + loan	161	42.3
	Selling your old house	32	8.4
	Borrow from others	4	1.0
	Other	25	6.6

4.2. VALS Analysis

Among the respondents, 381 individuals who participated in the survey, experienced thinkers accounted for the largest number of participants (77), followed by strivers (59), achievers (55), and thinkers (54), while innovators accounted for the smallest number (6% of total participants) (Figure 2).

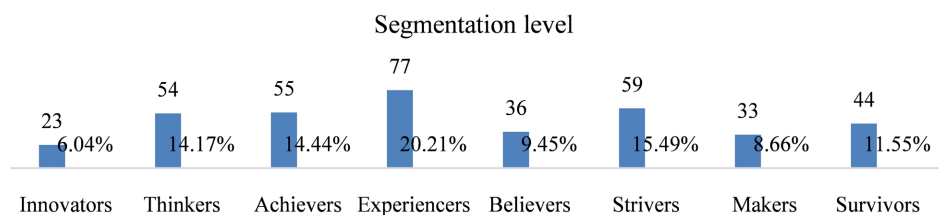


Figure 2. Segmentation level.

The difference between each question and the mean difference between each group was calculated using Cronbach's alpha. The closer the Cronbach's alpha value is to one, the better the sum of the questions represents the group mean. The Cronbach's alpha coefficient is significant at $\alpha = 5\%$ as a preliminary criterion.

The reliability of the VALS segmentation measures was assessed. Since there were no subscales that could be excluded from the 34 subscales of the 8 measures, the measures were used comprehensively in further developing the research results.

For the measures, Cronbach's alpha was above 0.734, KMO test was above 0.639, Bartlett's test was above 307.345, Factor loadings were above 0.697, and P value was 0.00, indicating that these measures are fully capable of explaining the results of the study further (**Table 4**).

Table 4. Reliability analysis of indicators for identifying customer segments.

VALS segment	Number of items	Cronbach's Alpha	KMO test	Bartlett's test	Factor loading	Sig.
Innovators	4	0.857	0.827	877.992	0.833	0.00
Thinkers	3	0.768	0.698	307.345	0.829	0.00
Achievers	6	0.841	0.811	908.034	0.745	0.00
Experiencers	7	0.877	0.883	1269.454	0.791	0.00
Believers	5	0.734	0.706	458.159	0.697	0.00
Strivers	3	0.879	0.73	626.548	0.897	0.00
Makers	3	0.825	0.639	495.481	0.896	0.00
Survivors	3	0.817	0.7	420.762	0.853	0.00

50% of respondents said that the current home they are planning to buy is their first home and they are interested in a 1-room apartment. This includes experienced homebuyers, builders, and latecomers. Most of the people in these categories live in Mongolian ger or sahata houses, which are owned by parents, relatives, or rented apartments. In terms of sources of housing, low-income homebuyers, builders, and latecomers chose the answer "from other sources".

For innovators, the current home is their home or higher, and they will buy an apartment with more than 5 rooms with their saved income. For thinkers, however, they will also buy a second home and a 4-room apartment with their saved income.

The majority of respondents said that safety and clean air are the most important criteria for buying a home. However, when looking at other criteria, price is more important for successful and confident buyers, while infrastructure, outdoor environment, greenery, and accessibility are more important for experienced buyers.

Based on **Table 5**, infrastructure, safety, pure air, and local activities are highly valued by innovators, who prioritise a high quality of life and a compassionate environment. Thinker people are practical and well-informed, and they put infrastructure, safety, and clean air at the top of their list of priorities. They also care about image and design. Achievers rank safety, infrastructure, and pure air as their most important priorities, in addition to parking, reputation, and service. This is

in line with a goal-oriented, status-driven perspective. Experiencers appreciate design, outdoor space, and local events; they also follow trends, enjoy aesthetics, and lead active lifestyles. Believers prioritise safety, pure air, and infrastructure, while also considering price and service, which is indicative of a traditional, safety-oriented perspective. Strivers do not care much about pricing; they prioritise safety, fashion, service, and local activities. This suggests they seek something that suits their budget. Makers prioritise safety, infrastructure, and functionality, as well as design and service, which are indicative of their practical lifestyle and family-oriented values. It is highly regarded by survivors for its design, style, and safety, with a relatively high score in numerous categories, including pure air and environment. This underscores a thorough, high-quality approach to limited resources.

Table 5. Apartment purchasing criteria.

No.	Indicator	High resources					Low resources			Total
		Innovators	Thinkers	Achievers	Experiencers	Believers	Strivers	Makers	Survivors	
1	Price	4.43	4.65	4.76	4.68	4.78	4.51	4.61	4.59	4.64
2	Location	3.83	3.81	3.76	3.83	3.78	3.63	3.64	3.73	3.75
3	Infrastructure	4.57	4.76	4.78	4.78	4.67	4.47	4.64	4.57	4.67
4	Fashion design and color scheme	4.00	4.30	4.42	4.48	4.19	4.36	4.33	4.55	4.36
5	Fresh air	4.52	4.76	4.78	4.84	4.72	4.69	4.70	4.68	4.74
6	Safety	4.65	4.83	4.91	4.87	4.81	4.64	4.79	4.75	4.80
7	Parking lot	4.48	4.69	4.71	4.74	4.75	4.61	4.61	4.64	4.67
8	Outdoor environment and greenery	4.35	4.65	4.75	4.86	4.64	4.58	4.64	4.68	4.68
9	Reputation of the construction company	3.78	4.22	4.35	4.32	4.22	4.10	4.21	4.09	4.20
10	The reputation and value of the campus	3.65	4.15	4.33	4.22	4.03	4.19	3.85	4.14	4.13
11	Services for every family member	4.35	4.19	4.29	4.51	4.28	4.46	4.42	4.32	4.36
12	Activities of the CHP	4.43	4.61	4.49	4.78	4.58	4.59	4.39	4.48	4.58
13	Entrance and exit of the apartment	4.30	4.56	4.56	4.75	4.56	4.58	4.61	4.64	4.60

5. Conclusion

Real estate is not only a fundamental human necessity, but also a significant investment decision and a life insurance policy. In the future, citizens will mature to the same degree as the environment in which we and our families reside, which is clean, secure, peaceful, friendly, and child-friendly. But the home and living setting is without a doubt the main place where all of this happens. A primary objective of the research is to investigate the lifestyle and psychological behaviour

of Mongolian consumers in relation to their purchasing decisions and to identify potential future trends.

The study found that people between the ages of 18 and 43 were more involved in housing transactions. This means that people in this age range are more likely to be involved in housing transactions. In terms of gender, women are more likely to buy things and are more sensitive than men. As for jobs, most of the people who answered work for the government or in the private sector. This shows that it is not easy to start and grow a private business in our country. It was thought that where they live or want to live would show what kind of mood they are in. This study, which looked at VALS's buying habits along with their mental health, was very interesting and one of a kind. We think it can fully show where people live. We are of the opinion that the classification of construction companies and their real estate industry consumers into these eight segments presents an opportunity to understand their customers and acquire novel marketing concepts.

The people who took part in the 8 parts of the VALS poll did so in this order: Strivers have 59, Achievers have 55, Thinkers have 54, Laggards have 44, Believers have 36, Creators have 33, and Innovators have 23. Additionally, 209 citizens had a lot of resources or great ideas, while 172 citizens had little resources or bad ideas. The survey was completed by 90 citizens who possess strong abstract reasoning abilities, 114 citizens who prioritise success, and 110 citizens who desire to express themselves. It would be better if people from rural places and other countries were included in future surveys, not just people who live in Ulaanbaatar. When you combine a psychological method with a geographical segmentation, you're likely to get some interesting results. This is because people's lifestyles, cultures, values, and needs change based on where they live.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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