

# The Analytic of Property Business Model Development in Indonesia

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**Abstract-** The needs of Indonesia people to have a high-priced property and the acceptance of having a property is one of the best investment in their life is two key factors that lead property sector for growing rapidly. PT. Hasta Raya Utama is one of the developer company that focus on this sector, since it was established in September 2014, PT Hasta Raya Utama has run 6 projects in 5 different locations. The business model of PT Hasta Raya Utama at this time has strength and weakness. The strength from business model is PT Hasta Raya Utama has strong key activities. Whereas the weakness of the current business model is less-notice about customer relationship so that their loyalty may be decreasing because there is no good customer relationship program from the company. As a suggestion to fix the business model, then there is should be an alternative prototype of the business model that is the customer segmentation concept to a good institution both government or private. This concept is focusing on speeding up the processing of a project and making sure the company cash flow. To support this business model prototype then one of the key activities that play the biggest role is welcoming the networking optimally. This prototype is chosen in order to make stream revenue is not affected by the microeconomic condition.

**Index Terms-** *property industry, business model canvas, SWOT analysis, customer segmentation, value proposition*

## I. INTRODUCTION

The growth of property in Indonesia is growing rapidly. According to Schreiber (2013), Indonesia is now encountering a high level in the acceleration of property industry. whilst in other country it is now getting slower. Moreover, the findings of Urban Land Institute's research (2013) stated that, Indonesia, in 2013, lies on the first rank with Jakarta plays an essential role to be the most interesting investment centre in South East Asia. Yet, in previous year Indonesia only reach 7th rank. The growth of property in Indonesia is dominated by residential and commercial property for example apartment, retail (shopping centre), industrial land, office, and hotel. It is can be seen by the massive development of it in some region in Indonesia outside Jabodetabek (Jakarta, Bogor, Depok, and Bekasi) for instance Banten, Bandung, Batam, Makassar, Palembang, and Bali (Maharso 2013).

Demands of residence for Jakarta population stimulate the developer to give alternative solutions for this needs, for example by giving them appropriate and affordable options. Developer starting to find area near Jakarta to build clusters. The area like Bogor, Depok, Tangerang, and Bekasi is assumed as the potentials because they still have a spacious area for residential projects. Furthermore, these area are not too far from Jakarta, so that people can attain it

for daily routines in that city. The residential development in Bogor, Bekasi, Depok, and Tangerang region were supported by government by giving permissions for the location of residences in 132.668 acres (Business Intelligence Report, 2009).

By the growth of property business, it evokes a plenty of competitions in this sector. Related to, every companies are challenged to have a good corporate performance that can guarantee them of being competitive and do some strategies properly through a lean business model, in order to be able for competing with other companies. From this condition, therefore, it will be conducted a research focusing on one of the property company that is now in the growing level, PT Hasta Raya Utama, that the proves can be found from the revenue gained by this company that tend to be growing. In 2015 there were two projects by PT Hasta Raya Utama compared to 2014 (1 project) that has been done. PT. Hasta Raya Utama is a developer company that is running on property sector, was established in 3 September 2014 with the deed of establishment number 13 from public notary Dwi Sundjajik, SH, M.Kn. As a new player in property sector, PT. Hasta Raya Utama should has a lean business model and can be relied on in order to keep it and reach the objective of the company. Thus, to reach those goals, PT. Hasta Raya Utama needs short-term, middle-term, and long-term plan that can be applied comprehensively and well-managed with the main focus in the development, expanding and marketable product.

Since the first operation in September 2014, PT Hasta Raya Utama has finished 3 project in 3 different locations. PT Hasta Raya Utama, currently, decides to focus on the activity in property, which is cluster residence, because this type of property is assumed as a low-risk. Besides from the activity that is not need a heavy-tool, also because in running the cluster business is not need involve much parties. PT Hasta Raya Utama is a new player in the property industry, that simultaneously understanding the flow of this business sector, PT Hasta Raya Utama feels it is necessary to have a strong ability and skill in this sector before deciding to involve more parties.

## II. MATERIAL AND METHODS

The methods that is used in this study is qualitative methods. This qualitative methods is focusing on the methods that is used to examine a fundamental object study in which researcher play a role as a key instrument, sampling taken from the source of the data is using a thoughtful sampling, data analytic put as inductive / qualitative and the result merely emphasises the meaning rather than generalisation (Sugiyono, 2010). Some of the methods that is used in this study are observation, interview, and documentation. This three methods are used to gain data and information that is needed to answer the question from the formulation of the research problem. Below is the explanation of the methods that is used in this study :

## 1. Observation / Field Monitoring

Observation technique is used to gain supporting data about real and objective condition PT Hasta Raya Utama in this current situation by observing directly and thoroughly about every cases that are related with research object. In this research that is done in PT Hasta Raya Utama, this method is done by doing observation in head office. Head office observing is done to know the business activity in the company and collect the data that will support the interview result.

## 2. Interview

In the interview that is done in PT Hasta Raya Utama is done by an unstructured and semi-structured interviews. Semi-structured interview is done by writing guidance question and directly questioning to the commissary, director and manager. The answer of the questions is written in paper where the guidance question also written there. Whereas unstructured interview is more digging up the information deeply about the real condition of the company.

## 3. Documentation Study

Documentation study is done to gain the number of data and information from the field, for instance administrative documents, that is purposed to complement data gained from the interview result and observation that is conducted by researcher. Those documents from PT Hasta Raya Utama are sales data, products type data, employee data, customer data, social media data, and website data.

### Type and Data Source

This study is using primary and secondary data that is conducted to become an information. Primary data that is conducted from the direct observation in the field and direct interview with the stakeholders which are competent (as key persons) from PT. Hasta Raya Utama. Stakeholders that become correspondence are commissary, director, top level manager. Tools or methods that is applied to collect the primary data is direct interview and using questionnaire.

Secondary data will be obtained from the archive or data that has been documented by the company, PT. Hasta Raya Utama. Other secondary data that is supporting data and additional data are obtained from the Real Estate Indonesia (REI) database, Central Bureau of Statistics District Level, Kabupaten, and Library.

### Respondent Methods Decision

This study determines respondents by using purposive sampling method. Purposive sampling is a method that will determine the respondents by selecting

them intentionally and by consideration from researcher that is expected to give the accurate answer and information according to the knowledge and experience that is had. Purposive sampling is used to choose competent stakeholders and fully responsible to their own field, that has clear and complete information of PT. Hasta Raya Utama. The identification of strategic factors are done by an interview with some internal stakeholders that are; MAIN commissary, CEO, and top level manager.

### The implementation of SWOT Matrics :

Below are the steps that is done in arranging SWOT Matrics;

- 1) Making list of external opportunity factors of the company
- 2) Making list of external threat factors of the company
- 3) Making list of external strength factors of the company
- 4) Making list of external weakness factors of the company
- 5) Identify the strategy that is done by matching the strength and opportunity that will be a SO strategy
- 6) Identify the strategy that is done by matching the weakness and opportunity that will be a WO strategy
- 7) Identify the strategy that is done by matching the strength and threat that will be a ST strategy
- 8) Identify the strategy that is done by matching the weakness and threat that will be a WT strategy

## III. RESULT AND DISCUSSION

To be able for planning and doing business strategy that will be applied by PT Hasta Raya Utama, thus, we will visualise the business model first that is happen in the current situation through business model canvas that includes 9 element that correlated one to another, meanwhile the result of the observation based on the business model canvas are :

### Customer Segments

The determining of customer segments will give an impact to the revenue streams, it will be resulted by the company and customer segments in the current situation of PT Hasta Raya Utama such as :

- Households that have not yet had a house, even they have enough income to buy a house based on the price of the residence built by PT Hasta Raya Utama (De Viva)
- Evicted households in the middle of the city and have enough funds to from the eviction and want to find a new house in the rural area.
- And retirees that want to have a house in rural area of Jakarta

### Value Proposition

In order to keep staying in the middle of property business competition, therefore value proposition become a key factor of a success parameter in this business sector. Value proposition in this case is related to legality that is obtained by the customer such as; ownership certification, building permit that has been managed by PT Hasta Raya Utama. Besides that, another factor is a flexible payment methods

### Channels

Channels is about a media that is utilized by company to build and maintain a relationship to reach customer segmentation so that they can give the value proposition. In this current situation, the way PT Hasta Raya Utama do the channelling is by arranging property exhibition in nationwide level, social media, and website PT Hasta Raya Utama.

### Customer Relationships

To guarantee the continuity and achievement of a business, it needs to be identified the correlation that is made based on their segmentation. In the case of maintaining this relation, thus, at this time, what PT Hasta Raya Utama do is give a guarantee in which up to 3 months customer get the house since the handover is done.

### Revenue Streams

Revenue Streams or the flow of the incoming funds describing how this property get the funds from every customer segment. Current stream revenue in PT Hasta Raya Utama is from the transaction income of each house units.

### Key Resources

Key resources are the most important description assets that determine the achievement of property company in doing their business model. The key resource that is owned by PT Hasta Raya Utama is from physical, intellectual, and human resource.

### Key Activities

Key activities in property company is activities which inside of it includes several purposes to grow company value. Now, the main activity of PT Hasta Raya Utama is to keep innovating in every new project by continuously listen to customer complaints as a positive input for the keep-growing company.

### Key Partnerships

Key partnerships is a company partner in property sector to support operational of the organization. In this time by the limitation of resource company still keep maintaining a good relationship with any other partner, which all of those partners are : Bank, Notary, BPN, and Government Office near the area.

### Cost Structure

Cost Structure is a figure of all of the cost that will emerge when company operates the running business model. Now the cost components in PT Hasta Raya Utama is fix cost, variable cost, and other cost.

Below is the portrait of nine element that related each other from the approach of business model canvas that is happen in current time :

### SWOT Analytic of the Elements of Business Model PT Hasta Raya Utama

From the identification result of the business model elements of PT Hasta Raya Utama, thus each of the elements are analyzed by using SWOT analytic. Results from this SWOT analytic can be used to refine or renew the current business model. Below are the SWOT analytic of the nine elements business model:

### . Customer Segment

The strength of customer segment in PT Hasta Raya tama at this time is not limited only on certain segmentations iteria, but more broader aiming buyer from all customer gment. The weakness of customer segment model is they have t yet able to aiming the spesific and clear target from which gment that will be focused on. Opportunity that can be taken

The Business Model Canvas



from is by narrowing the customer type and customer target so that it will be able to focus on the target, easily do the marketing, and get the insights from the customer. The threat from this segment customer model is there are more competitor that will be competing in this market.

#### **b. Value proposition**

The strength of PT Hasta Raya Utama company is to give complete legality up to ownership certification. The weakness is it needs more time to process the house legality. The opportunity that can be grew up is value proposition can be more emphasized on the legality process in which the process will be more quicker by placing certain people to take control the legality needs. The threat is the legality is easily copied / duplicated by the competitor and they sometimes can place better value proposition on it.

#### **c. Channels**

The strength of channels elements is it has broader market connection because of the above the line (ATL) promotional activity like Facebook, Twitter, and following exhibition in nationwide scale twice a week. the weakness of this channels currently is there are a lot of marketing channel product that can not be utilized properly because of the lack of human resource in the company. Opportunity that can be applied is by welcoming freelance marketing to deal with marketing activity. The threat is competitor is more quicker to strengthen their ability in managing channels.

#### **d. Customer Relationships**

The strength of the applying customer relationship at this time is the house guarantee every three months, so that customer will feel convenient and calm if there are complaints of the house condition or quality that has been bought. The weakness is there are a lot of customer that still feel the guarantee is less, moreover if they buy in the dry season, that the condition has not been known in rainy season. Opportunity that is expanded is by applying guarantee time extension that giving additional cost for the customer. The threats of applying customer relationship program at this time is competitors will be able to apply better customer relationship program.

#### **e. Revenue Streams**

The strength on revenue streams elements at this time is there are multiple payment option from each transaction of the house and gain profit from those each transaction. The weakness of the revenue stream is only happen at once of each customer. The opportunity that can be expanded is related to revenue stream is by adding more projects and sites. Threats of the revenue stream is there are

deferment of each house related legality related to the process

#### **f. Key Resources**

The strength of key resources is there are available elements to build and promote the house and has human resource who are capable by a good attitude. The weakness of the key resources are there still not yet able to fulfill the needs of customer. The opportunity from the key resources is applying a good human resources management to optimize other resources that is owned. The threat of key resources at this time is competitor is better to manage the key resources.

#### **g. Key Activities**

The strength of key activities at this time is it able to find new strategic area and has lower buying value but with higher selling value. The weakness of the key activities at this time is there still not yet able to do the area expansion aggressively because of it needs many consideration from each point of view. The opportunity that can be reached is by keep fixing the field management and adding some connections between developers. The threats of key activities is competitor can be easily duplicate the key activities PT Hasta Raya Utama.

#### **h. Key Partnership**

The strength of key partnership at this time is PT Hasta Raya Utama is well-known by partner so that many partner still needs a continuative partnership, besides that material supplier also providing a raw material of PT Hasta Raya Utama on time. The weakness of the key partnership that is not yet maximized is the total partner that can cooperate well so that the material cost become relatively cheaper. The opportunity that can be gained is finding potential partner as much as possible so that company can do the material cost comparison. The threat of the key partnership is the dependency of the company to same partners.

#### **i. Cost Structure**

The strength of the cost structure element is the cost for legality can be pushed because PT Hasta Raya utama do the process in one package and one entrance in which through the same notary that is appointed by the management. The weakness of this element is the unstable operational cost and the time-length management that needs more enough spare time in order to ensure the legality meet the owner. The opportunity of cost structure is by utilizing the partners in order to reduce the time-length but doesn't mean reducing the cost. The threat about cost structure is the material cost can be gradually increasing because of government regulation.

#### **The Making and Choosing of Alternative Prototype Business Model**

The making of alternative business model is using

ideation methods / generation idea by emerging several idea in order to gain the best one. The in the alternative selection it is adjusted by vision, mission, and company condition. In case of making this alternative prototype business model, the alternative that is developed for PT Hasta Raya Utama is prototype alternative business model with the focusing concept on customer segmentation, in which good institution from government or private.

**Suggestion of Business Model Prototype PT Hasta Raya Utama**

This idea is using business concept that has purpose in resulting the income and broaden / expand the business with more focusing on the customer segmentation. Customer segmentation that will be implemented here is a cooperation with good institution whether government or private through the house-owned program for their staff. The channel used here is by joining some tender that is held by the institution.

By this business model prototype, the company expects that their customer will buy the house clearly and convincingly, so that the focus of the company will be more emphasized on the developing, legality process, and house permission. The concept of this prototype business model if written in nine business model canvas element is explained as in follow;

**a. Customer Segment**

In this element, the customer segment that want to be achieved is from the institutions' staff, both government or private that has house-owned program or that has facilities to give a house for their staff.

**b. Value Proposition**

In this element, value that wants to be given same with the current business concept in which giving complete legality up ownership certification. But there is also a value addition such as payment system that is negotiable.

**c. Channels**

In this element, channels that is used is joining tender, so that in this case PT Hasta Raya utama need to have competent human resource to calculate the value of project.

**d. Customer Relationships**

In this element, the form of customer relationship is shown by the quality of house unit that is being built so that PT Hasta Raya Utama has credibility to the customer.

**e. Revenue Streams**

In this element, the cashflow of the company is gained from the sales transaction of the projects. The value that is obtained from the project sales from mature-land sales value by means the land that has included of legality process, permission and public service providing (fence, road, waterways, and park)

**f. Key Resources**

In this element, resources that is used is intellectual resource, physical resource, and human resource. Company as an owner of the resource use their intellectual rights as its business consideration

**g. Key Activities**

In this element, activity that is done by the company is focusing on the innovation about home-design that is built customized with customer needs cooperatively. The further key activities is networking, by doing networking as much as possible it is expected that company will be able to provide a chance to gain the information about tender that is done by an institution.

**h. Key Partnerships**

Key partnership is cooperative partner in property sector that has a role in operating the organization. At this time by the limitation of the resources, the company keep coaching and maintaining good relationship between their partner. The current partner of PT Hasta Raya Utama is: Bank, Notary, BPN, Local Government Office, material supplier, and key person of the institution.

**i. Cost Structure**

The cost structure that is needed such as other cost for entertaining certain key person in a institution, including to run the network-expansion activities.

Prototype Alternative Business Model Canvas





From the result from the making of alternative business model prototype, thus, it will be done the selection of business model that has already suggested. The selection criteria is based on the vision, mission, and company condition.

In this suggested prototype in which institution business concept, it is SESUAI with company mission in accelerating the way how the project needs to be run and the company cash flow. Once PT Hasta Raya Utama do the partnership with an institution then the payment system that will be gained is generally gradual and should have the early equity that is big enough. This equity is used to take over the land that will be functioned as a residence. The payment that is done by the institution is generally happened when the land has ready to be built, which means to reach that ready land, the process that is done by the company is permission process, and also land clearing. During the stages is done by group of developer it should has a big equity.

#### IV. CONCLUSION

PT Hasta Raya Utama is a company that run its business in property sector with the main product is cluster. By the business model canvas, thus, the business elements model of PT Hasta Raya Utama can be identified clearly. From the identification result we can see that even the offered product in is a specific residence, but by the business concept, PT Hasta Raya Utama has not still implement the comprehensive business model. It is caused by aimed customer segment that has not specified. Besides that, marketing channel is also unspecific by targeting random customer depend on the PT Hasta Raya Utama target.

As a suggestion to refine previous business model, thus there should be an alternative business model prototype that is customer segmentation both in government or private. This concept is mainly focusing on the acceleration of the process of a project and the assurance of the company cash flow.

To support this business model prototype thus one of the key activities will be play an important role in the networking expansion optimally. The prototype is chosen in order the revenue stream of PT Hasta Raya Utama is not influenced by the micro economy condition.

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