

Marketing strategies for subdivision housing projects in Phnom Penh

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Abstract

The tremendous transformation across market sectors in Cambodia is the result of the country's rapid economic growth over the past decades. Subsequently, the market demand and consumer behavior, in real estate industry especially, has also become more complex and diverse. The research aimed to explore a different variety of marketing strategies used by real estate developers in Cambodia that respond most effectively toward the changing and demanding market spectrum with a focus on middle-class households. This study involved three in-depth interviews with practitioners in real estate marketing who engaged in main-class subdivision housing development projects in Phnom Penh. Afterward, Content Analysis Technique was used to examine the outcome and generate the results of the interviews. The analysis of the interview's outcome demonstrated that each developer shows different interests in Segmentation, Targeting, and Positioning (STP), while some components of the marketing mix (4Ps) such as product and price played a significant role in the success of the project. The result of this study will be beneficial to those subdivision real estate businesses who look to improve their marketing strategies to better meet the demands of the consumers.

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Introduction

Cambodia's estimated economic growth was at 7.5 percent in 2018, while it is predicted to remain fairly steady at 7.0, 6.9, and 6.8 percent in 2019, 2020 and 2021 respectively making the country one of the fastest growing economies in the East Asia and Pacific region (World Bank, 2019). The obvious development in the service sector and shifting from agricultural to the industrial economy all contribute to this rapid expansion. This decade of steady growth has ultimately placed the country and its people at the lower middle-income status, while this positive growth environment, per optimism of the national authority, is expected to eventually make Cambodia an upper-middle-income country (The World Bank in Cambodia, 2019). In fact, such new prosperity could be reflected in many sectors across the economy, especially in the real estate sector and subdivision housing project.

Hoem (2017) reported that by the end of 2016, the supply of cluster landed housing has cumulatively reached 100,278 units in total, 69 percent of which were finished, and 67 percent were sold. In just 2016 alone, 11,483 new units were launched for presale across the capital, and 5,857 (51 percent) units of the total were sold. In the same year, the construction work of 14,539 home units was totally completed.

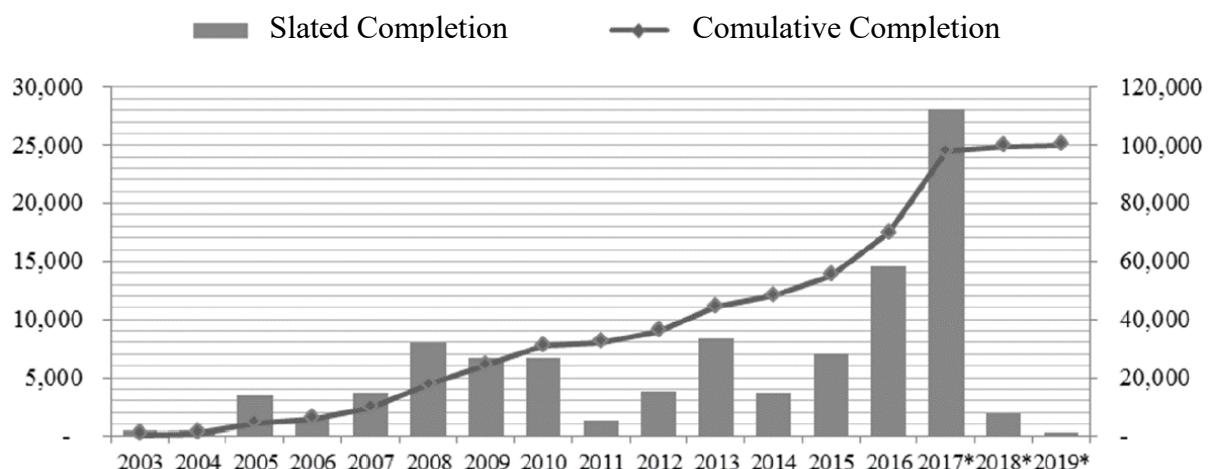


Figure 1: Completion of Housing Construction between 2003 to 2017 (Hoem, 2017, P. 6)

Figure 1 presents annually and cumulatively the numbers of residential housing unit under construction and completed in Phnom Penh between 2003 and 2019. A spike in the predicted housing supply in 2017 shows a great confidence more than ever of real estate developer in the subdivision housing business. Unless the demand is so overwhelming the supply, the competition would require the real estate developer to have a customer-oriented marketing mix and strategy in order to gain an edge in this market.

1. Real estate and marketing strategy

The American Marketing Association (2013) defined marketing as a single or a set of institutional activities, and processes for creating, communicating, delivering, exchanging, and offerings that have value for customers, clients, partners, and society at large. The definition by AMA indicates that marketing activity could be a complex business operation which would not only benefit the company/business but also provide positive input and satisfaction to the consumer and market community.

Real estate business is rather unique. By definition, real estate could be described as objects which are immovable and permanently attached to a specific place including land, improvements, and the legal right of ownership associated with the property (Brueggeman & Fisher, 2008). According to Shilling (2002), this nature of real estate property has a very different market attributes in term of a localized competition, stratified demand, confidential or in-person transaction, and long production process or fixed supply in short run.

Due to the high price of the property and different needs for real estate product, a business of house and land subdividing development project was formed to respond to such market demand. Shilling (2002) explains that real estate subdividing or developing in a broader term is the business activity of splitting existing plot of land into smaller parcels and adding improvement on to it. Thus, in the case of the subdivision housing project, residential buildings were constructed on to the subdivided parcel and are offered as a whole to the consumer.

Marketing strategy assures a successful outreach to a certain group of the customers of unique interest and characteristic. MacCarthy (1960) asserted that marketing strategy consists of two major determinations including a clear definition of the target market, then forming and employing the appropriate marketing mix: Product, Price, Place, and Promotion (4Ps).

2. Research objectives

- To study the marketing strategies implemented by the real estate developers of the subdivision housing projects in Phnom Penh
- To analyze and propose suitable marketing strategies to other real estate developers for a more effective way to convey their housing products to the customer in such a competitive market.

3. Research scope

This research contains a series of in-depth interviews with three senior-level marketing officers who have involved in planning and implementing marketing tools in subdivision housing projects in Phnom Penh who has a past and on-going projects as of 2019.

4. Research framework

As shown in figure 2 below, the independent variables for this research are the the developer's company characteristics and business model, for example, company size and real estate product offered. On the hand, the dependent variable is the company's attitude toward marketing mix. In this study, such attitudes towards marketing mix involves the company usage of the 4Ps model (Product, Price, Place, and Promotion) in the project marketing activities. Finally, the result of the research is the proposed marketing strategies that work effectively in responding to each target group.

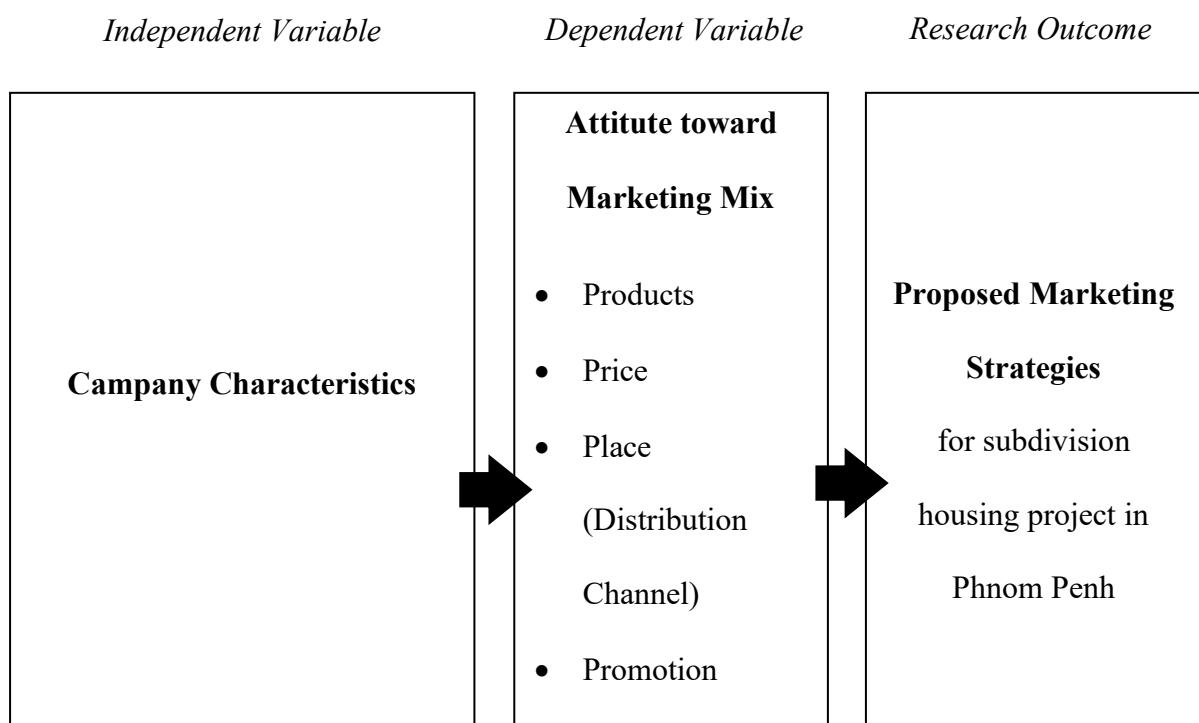


Figure 2: Research framework

5. Research methodology

The researchers conducted three semi-structured in-depth interviews with professional marketers who have had experience in developing and implementing marketing activities in the subdivision housing projects. The company selection is done in consultation with a market specialist to guarantee a high possibility of quality and suitable input of the company and participants. Later, the output of the discussion was studied using the Content Analysis Technique. Through this process, a suitable marketing strategy could be proposed as a finding result.

The general information of the three participants in the in-depth interviews could be seen in Table 1 below. All interviewees with current position as senior level officer or above have involved directly in the real estate development business. Two of the developers are medium-

size companies with employees fewer than 100. In case of expert A, the company seems to have a very focus price range and product type, in contrast to the cases of expert B and C where either the price range and/or product type offered is broader.

Topic	Expert A	Expert B	Expert C
Personal Background	<ul style="list-style-type: none"> ▪ Bachelor in Business Administration ▪ 4 years of experience in real estate sector ▪ Position: Senior Sales Consultant 	<ul style="list-style-type: none"> ▪ Master in Engineering ▪ 3 years of experience in real estate sector ▪ Position: General Manager 	<ul style="list-style-type: none"> ▪ Master in Business Administration ▪ 3 years of experience in real estate sector ▪ Position: Project Manager
Company Profile	<ul style="list-style-type: none"> ▪ 10 years in real estate business ▪ 60 + employees ▪ 8 past and current projects ▪ Offers mainly linked residential house with unit price between \$70,000 - \$160,000 	<ul style="list-style-type: none"> ▪ 8 years in real estate business ▪ 300 + employees ▪ 10 past and current projects ▪ Offers linked house, shophouse, twin house, single detached house with unit price between \$40,000 - \$900,000 	<ul style="list-style-type: none"> ▪ 6 years in real estate business ▪ 50 + employees ▪ 4 past and current projects ▪ Offers linked house, shophouse, with unit price between \$45,000 - \$250,000

Table 1: General information about the three interviewees.

6. Interview outcome, findings, and analysis

6.1. Segmentation, targeting, and positioning (STP)

First part of the interview focuses on STP: 1. how the developers subdivide the market (segmentation), 2. prioritize specific groups (targeting), and 3. Determine the business/brand value they seek to obtain (positioning).

Topic	Expert A	Expert B	Expert C
Segmentation	<ul style="list-style-type: none"> ▪ Current residential area ▪ Household income ▪ Age range ▪ Marital Status ▪ Investors 	<ul style="list-style-type: none"> ▪ Household Income ▪ Family size ▪ Life Style / Social Class ▪ Education Level 	<ul style="list-style-type: none"> ▪ Household Income ▪ Work/Business Type ▪ Current residential and work area
Targeting	<ul style="list-style-type: none"> ▪ 25-35 years old ▪ \$1,500 - \$2,500 ▪ Newly Married ▪ Living within the same district of the project ▪ Return customers 	<ul style="list-style-type: none"> ▪ Household income between \$750 - \$1250, \$1,500 - \$2,500, and \$2,500 + ▪ Small family, and big family ▪ High education level 	<ul style="list-style-type: none"> ▪ Household income between \$750 - \$2,000 ▪ Working class or micro and small size business owner ▪ Renting or doing business in the city central
Positioning	<ul style="list-style-type: none"> ▪ Reasonable price with high quality ▪ A brand to repurchase or invest 	<ul style="list-style-type: none"> ▪ Premium product with high quality ▪ Truly Cambodian Brand for high-quality living standard 	<ul style="list-style-type: none"> ▪ Budget-friendly and acceptable quality ▪ First home for hard-working family

Table 2. Interviews outcome on Segmentation, Targeting, and Positioning (STP)

From the in-depth interviews, the synthesis of STP for each developer is presented in table 2 above. All developers stressed that household income is an important element for segregation of the real estate market and product. Geographic factor such as current residential and

business/office location was also raised by expert A and B. Finally, other determinations were also introduced such as marital status, age range, education level, business and occupation, lifestyle and social class, and family size, etc.

According to the data acquired by these experts, each category of segmentation above essentially constitutes the targeting processes. The outcome showed that the three developers focus on different income range as \$750 (a family of government officer) to \$2,500 (high-class businesspersons). Moreover, one of the developers aimed at current residents around or close to the project, while another developer sees micro and small business owners who rent and have businesses in the city center as the priority customer. Other targeting elements including the newly married couples, investor, return customer, small or big family, high education level, etc. for what the developer see to be a suitable customer for their product.

Finally, in term of positioning, all three developers similarly took price and quality for the placement of their business in the market as a comparison to others. One of the developers pursued premium product of higher price, while another imposed affordability and value-for-money. Another positioning could be interpreted such as worth for investment, self-identity, etc.

6.2. Marketing mix (4Ps)

Table 3 below shows the different marketing mixes employed by each real estate developers. These tools are divided into 4 categories including Product, Price, Place, and Promotion. Due to the characteristic of real estate, place in this context would primarily refer to the sales channel, where physical location designates a part of the product category. In addition to that, experts were asked, in their own experiences, to also identify strengths and weaknesses for some of these marketing mix.

Marketing Mix	Expert A	Expert B	Expert C
Product	<ul style="list-style-type: none">▪ High quality▪ Popular design▪ Entrance on the main street▪ Medium size project with decent variety of product	<ul style="list-style-type: none">▪ High quality▪ Unique design▪ High security▪ Project facility such as community market, garden,▪ Large project with variety of product	<ul style="list-style-type: none">▪ More space for storage and sidewalk parking.▪ Access to many streets with many entrance▪ Big project with focus product

Price	<ul style="list-style-type: none"> ▪ Price range \$70,000 - \$160,000 ▪ Very flexible payment, negotiable 	<ul style="list-style-type: none"> ▪ Price range \$40,000 - \$900,000 ▪ Many payment options according to company policy ▪ Low down payment as low as 0% 	<ul style="list-style-type: none"> ▪ Price range \$45,000 - \$250,000 ▪ A lot of payment of option ▪ Low down payment as low as 0%
Place	<ul style="list-style-type: none"> ▪ On-site sale office and friendly salesperson. ▪ Real estate agent as secondary channel ▪ Cold call ▪ Social media ▪ Booth and exhibition 	<ul style="list-style-type: none"> ▪ Grand sale office and professional salesperson ▪ Referral ▪ Social media and online correspondent ▪ Booth and exhibition 	<ul style="list-style-type: none"> ▪ On-site sale office ▪ Booth and exhibition
Promotion	<ul style="list-style-type: none"> ▪ Conditional discount ▪ Occasional cash-back offer or promotion ▪ Conventional advertisement 	<ul style="list-style-type: none"> ▪ Conditional discount ▪ Seasonal offer ▪ Conventional advertisement 	<ul style="list-style-type: none"> ▪ Free gift ▪ Conventional advertisement

Table 3: Interview outcome on marketing mix (4Ps) for subdivision housing project

6.2.1. Product

According to the outcome table, marketing tool used under the product framework would include high quality, design, variety, access to the main road, security, facility, and functionality. Expert A explained regarding the access to the main road that by having project entrance on the main street would attract more customer passing by, especially since the company target local residents around or near the project. On the hand, expert C stated that

having many entrances and access to many roads are very convenient for the customers, especially for a big project. However, this fact would be a trade-off to security and safety on the offset side.

Expert B emphasized the unique design of the product to differentiate the project from the others. The developer also mentioned the variety of housing offered to attract a wider market. Nonetheless, such strategy cost the effectiveness in term of communication to the customer by causing confusion of pricing, etc. On the other hand, both expert A and B asserted that good building quality is the main factor that invites return and new customers most effectively.

6.2.2. Price

In large, all three developers had overlaps and different price ranges, which caused by the different product types offered. Nevertheless, payment option stood out to be a key marketing tool used by these companies. For example, package payment is very attractive for new customer according to the statement of expert A. At the same time, expert B asserted that down payment at as low as 0 percent makes it very convenient for the business owner who looks to reserve more capital for their business. However, this option comes with a higher interest rate as compared to the conventional mortgage. Expert C reported that the company even offered a mix combination of package payment and long term mortgage to attract the consumer who looks to get lower interest cost.

Finally, for a smaller project as in the case of expert A, the company maintained very high flexibility and opened to negotiation case by case with customers, which in turn would bring a higher operation cost.

6.2.3. Place (sales channel)

Evidently, according to the three experts, the subdivision housing market still focuses very much on conventional sales channel through sales office and salesperson, and also booth and exhibition. Expert A also mentioned the attempt to reach wider potential customer through a real estate agent, cold call, and social media, which all has a lower selling conversion rate than walk-in approach. Developer B also tried using social media and online correspondent that provide a higher number of inquiries but still yield a small conversion rate. In contrast, in the case of expert C, the company placed focus entirely on the conventional sales channel.

6.2.4. Promotion

The developers actively use conventional advertisement such as billboard, poster, and brochure as the main promotional channel. In addition, to attract customer, expert A and B also offered conditional discount, for example, cash back for full payment, and occasional and seasonal promotion. In the case of expert C, the company offered home equipment as a gift of time-limited purchase. Nevertheless, expert B mentioned that due to the nature of real estate product

and its high price, the promotion is usually just a compliment, and would not have a significant influence on the customer's decision to purchase the property.

Conclusion and recommendations

In conclusion, from the analysis of the research outcome, real estate developer should have a clear understanding and process of segmenting, targeting, and positioning which could be determined by geographic factor such as residential and business and office location, and demographic factor such household income and occupation, etc.

Marketing strategy could be set differently according to the size of the project and product offered. However, in large, in each determinant of the marketing mix, the strategy should cover these factors as in Table 4 below:

Marketing Mix	Strategy
Product	Quality is found by the developer to be a key element to attract customer. Even for a lower budget product, the customer is still looking for value-for-money product. Developer should also focus on design to differentiate its project from others.
Price	Where the developer has more freedom in term of cash flow, they should provide more payment options to the customer, and customization to meet the unique need of the customer.
Place	Conventional sales channel such as sales office and salesperson is still the most effective way and should be focused on.
Promotion	Mainstream advertisement is very essential and could attract potential customers if carefully employed.

Table 4: Strategies recommendation for subdivision housing project

As mentioned in the suggested strategies in the table above, each strategy might have many variations and would demand a good understanding of consumer's needs for each product type. On top of that, some of these strategies such as quality and design would require Integrate

Marketing Communication (IMC) to consistently promote the project and the developer brand, and increase the publicity.

The growing competition in the real estate market demands developers to have constant improvement and up-to-date marketing strategy. Pricing or payment option might not be too flexible in the long run due to many factors such as high cost and cash flow. Sales channel might remain mainstream as for now and much longer. Promotion, as stated, does not have a significant influence on the consumer. Thus, all of these factors will leave the developer to focus more on quality delivery and project and product design for differentiation and set its identity to compete in the long run.

For future research, a deeper study into the project and product design would be recommended and very essential to help the developer in making a better decision and set the right strategy for the business.

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