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INTERNATIONAL JOURNAL OF ENGINEERING SCIENCES & RESEARCH TECHNOLOGY

STRATEGY OF REAL ESTATE PRODUCT DEVELOPMENT (CASE STUDY: APARTMENT BALE HINGGIL)

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ABSTRACT

Developed area in Surabaya City, covers almost 2/3 part of the whole area. The physical development of this city is concentrated on central area. However, the latest trends of development can also be seen coming from the west to the east area (Anggraeni, 2010). One of the alternative solution to solve urban housing and settlement problems, as seen in Surabaya, is the development of apartment. Among the newly developed apartment in Surabaya, there is *Bale Hinggil*. *Bale Hinggil* apartment has been experiencing project delays, therefore, the needs of a new development strategy is emerged. The new product development establishes the company future. The company can add a new product by acquisition and/or new product development program. This research combined quantitative and qualitative approach. Data collecting method uses field observation and internet. The product development strategy is formulated with qualitative analysis using Strength Weakness Opportunities and Threats (SWOT) method. Based on scoring quantitative analysis, business position of *Bale Hinggil* apartment is currently placed in Quadrant IV-Retrenchment with divestment strategy, in which the internal condition is weak, while the external condition is strong.

The alternative strategies that can be implemented are three strategies, specifically, build direct access that is coordinated with The City Government of Surabaya, develop a good services for consumers and potential consumers, a firm coordination with City Government of Surabaya in related to the assurance of road widening plan in south side.

KEYWORDS: Apartment, product development strategy, SWOT Analysis

I. INTRODUCTION

Settlement area by people (*kampung*) has concentrated in central area, while new settlement which provided by developer company has deployed in central Surabaya, transition and fringe area (Anggraeni, 2010).

Based on fact from *Pusat Studi Properti Indonesia*/ Indonesian Property Study Center (2007), said development of high class apartment in Surabaya high enough. Besides site where located central city, transition, but also on fringe of Surabaya city, with concept and quality not inferior than located on central city. There are 8 (eight) high class apartment project by total 4.908 unit with finish target whole development on beginning 2010.

Realize potency apartment business in Surabaya City, *Tlatah Gema Anugrah Company* decided develop Bale Hinggil apartment by collaborate *Wijaya Karya Company* as main contractor. *Bale Hinggil* Apartment has been launched by second semester of 2015, on beginning 2016 construction has accomplished 70 % and targeted finish by the end of 2016 (www.surabaya.tribunnews.com/Monday, 25 September 2017). However till September 2017, *Bale Hinggil* apartment has not operated yet. Based on the fact could conclude that development project of *Bale Hinggil* has been experiencing project delays.

According to Kotler and Keller (2009:374) on Rini (2013), company has to develop new product. New product development creates company future. Successor product has been created to maintain or increase the sales. Company can add new product by acquisition and/or new product development. The goal of new product development is to implement product strategy which matched with market demand with competitive benefit.

II. MATERIALS AND METHODS

The concept of choosing an apartment developmet location

Based on the government regulation, the location of the apartment development should be in accordance with the provisions of the spatial plan. Then in the planning of the development of flats should consider the physical

conditions of the land, the suitability of the zoning and the certainty of the availability of infrastructure and facilities.

Determination of location in the provision of flats should have location criteria between them (Komaruddin, 1997) ensuring easy accessibility from and to the workplace, close to social facilities and public facilities and is legally guaranteed as it is in accordance with the directives of land use utilization.

Business Development Strategy

The definition of strategy was first proposed by Chandler (1962:13) on Sedarmayanti (2014) states that strategy is the long-term goal of a company, as well as the utilization and allocation of all the resources necessary to achieve that goal. A company can develop strategies to tackle external threats and seize opportunities. The process of analysis, formulation, and evaluation of strategy is called strategic planning. The main objective of strategic planning is for companies to view objectively internal and external conditions, so that companies can adapt to the external environment. In this case can be clearly distinguished, management functions, consumers, distributors, and competitors. Strategic planning is important to gain competitive advantage (Rangkuti, 2004).

Research Method

The type of research used in this study is combination research. Groat and Wang (2013) argues that more and more researchers in various fields, including architecture, advocate an integrative approach to research in which multiple methods from multiple traditions are incorporated into one study. Because each typical research strategy brings with certain strengths and weaknesses. Many researchers believe that combining methods provides the corresponding checks against weak points in each, while allowing its benefits to complement each other. According by Creswell (2010), combination research involves a combination approach of qualitative and quantitative research methods

The data collection technique is collecting primary data by observation. Field observations were conducted with direct observation of the study object. This method aims to obtain the latest data in the field. In this research observation is done in order to know the condition of *Bale Hinggil* Apartment project. The observed things are the physical condition of the building and the environment of the apartment.

Analysis Method

In the formulation of product development strategy, SWOT analysis is used. SWOT analysis is the systematic identification of various factors to formulate the company's strategy. This analysis is based on logic that can maximize strength and opportunities but can simultaneously minimize weakness and threats (Threats).

Company positioning is based on total score analysis of internal and external factors, using an internal-external Matrix model (Wheelen, 1995 on Rangkuti, 2004).

Table 1. Internal-External Matrix

		Internal Factor		
		High (3,0-4,0)	Medium (2,0-3,0)	Low (1,0-2,0)
External Factor	High (3,0-4,0)	1. GROWTH Concentration through vertical integration	2.GROWTH Concentration through horizontal integration	3.RETRENCHMENT Turnaround strategy
	Medium (2,0-3,0)	4.STABILITY	5.GROWTH Concentration through horizontal integration or profit stability strategy	6.RETRENCHMENT Divestment Strategy
	Low (1,0-2,0)	7.GROWTH Concentric Diversification	8.GROWTH Conglomerates Diversification	9.LIKUIDITY

The SWOT matrix is essentially combining opportunities, threats, strengths, and weaknesses in a matrix. Thus, the matrix consists of four quadrants, where each quadrant contains each strategy.

Table 2. SWOT Matrix

	STRENGTHS (S) Determine some internal strength factors	WEAKNESSES (W) Determine some internal weakness factors
OPPORTUNITIES (O) Determine some external opportunity factors	STRATEGI SO Create strategies that use force to take advantage of opportunities	STRATEGI WO Create strategies that minimize weaknesses to take advantage of opportunities
THREATS (T) Determine some external threats factors	STRATEGI SO Create strategies that use the power to cope with threats	STRATEGI SO Create strategies that minimize weaknesses and avoid threats

III. RESULTS AND DISCUSSION

Determine Business Positioning
In the business positioning approach used the approach model External Internal Matrix.

Table 3 Internal Factor Matrix

Internal Strategic Factors	Weight	Rating	Score
Strong			
1. *Bale Hinggil* apartment is in a strategic location right on the MERR street (Street Dr. Ir. Soekarno).	0,11	4	0,44
2. Adjacent to educational facilities, transportation, worship to commercial commerce.	0,16	2	0,32
3. Done by experienced and renowned contractors (*Wijaya Karya Company*).	0,08	4	0,32
4. The apartments are done with a minimalist modern design that sells by the community	0,15	2	0,3
Weakness			
1. The direct access bridge to the Middle East Ring Road (MERR) has not been completed so accessibility is a little difficult	0,11	1	0,11
2. Experiencing delays in handover from published so affect the image of real estate.	0,05	1	0,05
3. Accessibility from the south side of the road is relatively narrow with a width of + - 5 meters.	0,05	2	0,1
4. The selling price is relatively more expensive than the nearest competitor's apartment.	0,15	1	0,15
5. Project execution commenced in 2013, but still in the construction process to date. If the construction gets longer, then the cost of construction is getting bigger due to increasing material prices and the influence of inflation.	0,14	1	0,14
Total weight and score	1		1,93

Table 4. External Factor Matrix

External Strategic Factors	Weight	Rating	Score
Opportunities			
1. Still good demand for apartment market in East Surabaya.	0,17	4	0,68
2. The existence of certainty of regulation and spatial plan in Surabaya City.	0,1	3	0,3
3. The greater the segmentation of students from famous universities in East Surabaya such as ITS, UPN, STIKOM, ITATS and UHT.	0,15	4	0,6
4. The growing economy with new trading points like Trans Mart and Galaxy Mall development adds to the strategic value of the location.	0,08	4	0,32
Threats			
1. The presence of a competitor's apartment is + - 400 meters away and has better accessibility and has been operational.	0,15	1	0,15
2. Increasing number of new apartments in Surabaya City, especially the eastern part. Based on data from Colliers (2017), in the 1st half of 2017, it was inaugurated One East Penthouse apartment with 262 units and will build the *Arundaya* apartment on *Kenjeran* street with 1.130 units with a target completed by 2020.	0,2	1	0,1
3. The product has been launched since 2015, but until September 2017 the product has not been operational. It is feared to lose market momentum	0,15	1	0,15
Total weight and score	1		2,4

Based on the result of internal external matrix, with total internal factor matrix value 1,93 and external factor value 2,4 then appropriate strategy to apply at *Bale Hinggil* partment business is retraction with quadrant divestment strategy VI (according External Internal Matrix Rangkuti, 2004).

Table 5. Business Position of Bale Hinggil Apartment on External Internal Matrix

		Internal Factor		
		High (3,0-4,0)	Medium (2,0-3,0)	Low (1,0-2,0)
External Factor	High (3,0-4,0)	1. GROWTH Concentration through vertical integration	2.GROWTH Concentration through horisontal integration	3.RETRENCHMENT Turn around strategy
	Medium (2,0-3,0)	4.STABILITY	5.GROWTH Concentration through horizontal integration or profit stability strategy	6.RETRENCHMENT Divestment Strategy
	Low (1,0-2,0)	7.GROWTH Concentric Diversification	8.GROWTH Conglomerates Diversification	9.LIKUIDITY

Analysis of Development Strategies

From several factors of strength, opportunity, weakness to threat, can be formulated some alternative development strategy with SWOT matrix method. Here is the SWOT matrix.

Table 6. SWOT Analysis Products Bale Hinggil **Apartment**

IFAS EFAS	**STRENGTH (S)** 1. Bale Hinggil apartment is located at strategic location right at zero street MERR (Dr. Soekarno Street). 2. Adjacent to educational facilities, transportation, worship to commercial commerce. 3. Working by experienced and reputable contractors (*Wijaya Karya Company*). 4. Apartment is done with a minimalist modern design that sells by the people.	**WEAKNESS (W)** 1. The bridge of direct access to the MERR road has not been completed so that accessibility is a little difficult 2. Experiencing delays in handover from published so affect the image of real estate. 3. Accessibility from the south side of the road is relatively narrow with a width of + - 5 meters. 4. The selling price is relatively more expensive than the nearest competitor's apartment. 5. Project work started since 2013, but still in construction process to date**.**
OPPORTUNITIES (O) 1. Still good demand for apartment market in East Surabaya. 2. The existence of certainty of regulation and spatial plan in Surabaya City. 3. The greater the segmentation of students from famous universities in East Surabaya. 4. The growing economy with the new trading point.	STRATEGY S-O 1. Do aggressive marketing back with the main segmentation of students. **(S1, S2, S3, O3)** 2. Conduct product marketing exhibits by highlighting new opportunities **(S3, S4, O1, O2, O4)**	STRATEGY W-O 1. Build direct access that is coordinated with The City Government of Surabaya. **(W1, O1, O2)** 2. Develop a good services for consumers and candidate consumers n **(W2, O1, O3)** 3. A firm coordination with City Government of Surabaya in related to the assurance of road widening plan in south side **(W3, O2)**
THREATS (T) 1. The presence of a competitor's apartment is + - 400 meters away and has better accessibility and has been operational. 2. The number of new apartments in the city of Surabaya, especially the eastern part. 3. The product has been launched since 2015, but until September 2017 the product has not been operational yet. It is feared	STRATEGY S-T 1. Accelerate development in order to compete with the nearest competitor **(S3, T1, T2)** 2. Immediately evaluate technical issues related to project development so that the project does not lose market momentum **(S3, S4, T3)**	STRATEGY W-T 1. Priority access from the south side so that the project can be operational faster **(W1, T1)** 2. Conduct a price reduction strategy in order to be able to compete with the closest competitors in the consumer's man **(W4, T1, T2)**

IV.   CONCLUSION

The result of this research is to know the business position of *Bale Hinggil* apartment and determine the development strategy. Based on External Internal Matrix, the business position of *Bale Hinggi*l apartment is quadrant VI Retrenchment (Division) with divestment strategy. Divestment is the reduction of several types of assets either in the form of financial or goods, can also be called the sale of a business owned by the company From the SWOT analysis that has been done, related to real estate product development *Bale Hinggil* apartment

obtained nine alternative strategies. Because of *Bale Hinggil* apartment business position is quadrant VI Retrenchment (shrinking) which shows the strength of external factors (Opportunities) and weakness of internal factor (Weakness). Therefore the alternative strategy that can be the focus is the WO (Weakness-Opportunities) strategy. These strategies include:

1. Immediate development of bridge direct access in coordination with the government of Surabaya.
2. Fostering good service with consumers and potential consumers.
3. Coordination with the government of Surabaya related to the certainty of the plan of widening the road on the south side.

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CITE AN ARTICLE

Pradana, P. J., Septanti, D., & Kisnarini, R. STRATEGY OF REAL ESTATE PRODUCT DEVELOPMENT (CASE STUDY: APARTMENT BALE HINGGIL). *INTERNATIONAL JOURNAL OF ENGINEERING SCIENCES & RESEARCH TECHNOLOGY, 7*(1), 78-83.