

A study on real estate developers in mumbai



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The main aim of this paper is to explore the strategies used by the real estate developers in Mumbai to sell their properties and understand the importance of marketing for different scales of builders in the city. The study is based on depth interviews conducted with members associated with the real estate market in Mumbai.

Background of the research.

1. 1 The overview of the real estate industry.

The Real Estate development is an age-old economic activity, but it has been perceived as an organized economic activity, only recently, and has gained momentum all over the world (Vaid, 2006). When we mention real estate, it broadly refers to all the activities related to ownership, development, sales, and purchases or otherwise give/take on lease land, property, tenements and other tangible things (Vaid, 2006). This industry is said to be very large and makes significant contributions to the national economy and to the creation of Wealth for the nation. In the case of India, LaSalle (2006) has stated that,

“ India, has witnessed an exponential growth in the real estate sector over the past decade and it is one of the fastest growing industries in the country”.

Real estate is a very important segment of the economy, especially in a country like India, which requires a larger magnitude of construction activities to provide housing to a billion people with an ever-increasing population, that has risen by 21. 34 percent between 1991 and 2001(Census, 2001). Also, this is a sector that plays a significant role in the growth of the

country's economy by substantially contributing towards GDP (Gross Domestic Product) and employment generation (Ibef 2010). In India this industry is the second largest employer, after agriculture. This is because, real estate development is a type of a sector that is associated with many other sectors of the economy like the banking sector, investment sector, services sector many others through backward and forward linkages.

' Around 250 ancillary industries such as cement, steel, brick, timber etc are dependent on real estate industry'

(Vaid, 2006).

However, Real estate development mainly includes the residential segment and the commercial segment. Residential segment includes building of houses, residential complexes, and townships etc where people can live. The Commercial real estate focuses on construction of retails malls, offices for BPO'S, IT parks, hospitality and entertainment industry etc.

1. 2 The demand of real estate.

1. 2. 1 Residential Sector.

The demand for housing in India is constantly growing due to the ever-increasing population, considering India is the second most populous country, after China (Corporate Catalyst India 2009). Moreover, Vaid (2006) suggests that,

“ Owning a home is one of the most basic of all the aspirations that are evident about being a human”.

He further asserts that in a country like India, which is based more on emotions this need intensifies even more.

1. 2. 2 Commercial Sector.

There has been rapid growth in commercial properties due to a surge in the number of foreign companies willing to invest in India due to the liberalization and deregulation of the country during the 1990s (Nijman, 2000). The real estate developments in India, takes place in most regions of the tier 1 cities i. e. (developed cities) like Delhi, Mumbai, Kolkata, Bangalore and the tier 2 i. e (developing cities) like Ahmedabad, Jaipur, Pune, Cochin etc. However, it has been reported by Jones Lang LaSalle, a global real estate services firm. ' Delhi and Mumbai, as India's two largest economies, and have developed a diverse range of real estate activities, and rapidly expanding suburban office markets , have led India's retail and residential development booms' (LaSalle 2006).

1. 3 The real estate in Mumbai.

Mumbai, widely known as Bombay, is one of most famous cities of India. It is referred to as the financial capital of the country and the capital of the State of Maharashtra. Mumbai has been reported as the largest metropolis in India with the population of 16. 3 million (Census, 2001). However, with the ever increasing population, this linear shaped city has exhibited itself as the third most populous cities in the world. Mumbai has also witnessed great economic boom and subsequently sizeable influx of migrant population into the city. Mumbai, is regarded to be the financial centre in the country, with two active stock exchange markets. Hence numerous domestic and foreign financial services, BPO's, IT's, ITES providers have their headquarters in the <https://assignbuster.com/a-study-on-real-estate-developers-in-mumbai/>

city of Mumbai. Therefore, hundreds of families migrate to Mumbai in search of a job or after securing a job. It is estimated by a famous economist Prof. D. T. Lakdawala of University of Mumbai that,

“ Every job created in the city, adds 13 persons who need more houses.”

(Vaid, 2006).

Hence, the demand for housing has continuously increased. There has already been a positive movement for setting up companies in Mumbai, since the international companies need office spaces, entertainment avenues and hospitality, IT parks etc i. e. development of commercial real estate.

1. 4 Increasing number of Players in a market like Mumbai

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Considering the current scenario, a large number of builders and land-developers are entering the real estate market in Mumbai, and constructing varied number of residential and commercial properties. There are certain big players in the market who have been present in this business, across the country since decades, but since this industry is regarded as a profit generating, many players have already and are entering the market. The average profit from construction in India is double the profitability for a construction project undertaken in the US. (McKinsey). There are certain key big players in the market like Unitech Group, Lodha group, DLF Ltd., HDIL (Housing Development Infrastructure Limited). Other builders like Kalpataru Group, Raheja Developers Ltd, Runwal Group, Akruti City Ltd, Silver Group etc. are comparatively smaller and newer, although they are undertaking

significantly substantial projects and are present in many segments; they are not as widely present in the market.

1. 5 Marketing of real estate.

In the construction industry, marketing activity is still considered to be in its premature stages and there is a long way to go (Smyth, 1999). Nevertheless, Marketing is considered to be an important function of any business and the implementation of a Marketing Plan is a salient feature of any land development organization (Dominic J. Verda).

Moreover due to the presence of so many builders and the current pace of the real estate developments in Mumbai, not only marketing but also building a strategy , certainly becomes an important aspect. Also, theorists state that, ' superior financial performance is the ultimate goal of a firm's strategies' (Alderson, 1957; Hunt & Morgan, 1995, 1996), it becomes extremely crucial to market a product (project) and make the consumers/buyers aware of its existence and suitability. However, the marketing of a standard product is very different from marketing a customized product and real estate falls in the latter category. Moreover, standard product also can have a defined strategy but its difficult to build ' a' strategy for real estate (Vaid, 2006). In the real estate industry, no two projects are similar and a different strategy is required to market every project.

“ The implementation of a suitable marketing mix and strategies for a given product depends according to the characteristics of the product”

(Gordon E. Miracle).

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In a nutshell, Marketing of real estate in Mumbai is important, since there are innumerable choices for the buyer, and building of appropriate strategy for the firms becomes necessary, not only to attain the desired profit, but also to create a niche in the market.

2. Main Focus of the Research –

The facts and the situation mentioned in the outline provides a succinct discussion of the background of the real-estate sector of Mumbai, and explicitly highlights the recurrent nature of the demand for real estate in the city. As a result of this, the entry of many players to meet the demand and reap the profits is constantly increasing. Due to this the situation, the real estate market in Mumbai has become highly competitive. In this highly aggressive market, it is important understand the strategies adopted by different types/ scales of developers for their firms and hence their projects to sustain in the market. The paper further discusses the strategies the builders and the land owners use, according to the market conditions and situations.

2. 1 Research Objective.

The main objective of the paper is to two fold, first is to generate a theoretical understanding and second is to explore the practical understanding of strategies of the practices used by the developers to sell real estate in Mumbai. The following sub-research objectives derive a structure methodology for achieving this objective.

i) Theoretical

According to Micheal Porter (1989), “ In any industry, there are five forces of competition”. He further asserts that all the firms in the industry are influenced by these forces. In order, to sustain in the industry, a company has to maintain a competitive advantage over the other. In furtherance to this he has also developed generic strategies to overcome these forces and win in the competition. In this paper, the applicability of these strategies developed by Porter and other strategies used in the real estate market of Mumbai would be analyzed. The strategies suggested by Porter are explained in detail in the Literature Review.

ii) Practical

Firstly the paper aims to identify the importance of marketing as a part of their startegy, to various types of developers in Mumbai. The study also aims to know the developers view point in the actions they perform.

The main motive of this research is to identify explicit marketing strategies adopted by the developers , and how do they differentiate their products from the other builders, understanding the situation of a city like Mumbai which is driven by various factors like diverse population, different income groups, etc. The critical task here is to understand the the external driving forces that shape the way developers determine their strategies and techniques they use and conduct the marketing of their projects .(Healey & Barett, 1990)

The research aims to analyse the applicability of the Porters generic startegies in the real estate market of Mumbai and the complementary tactics or strategies for competing in the market.