

INTERNET BUSINESS STRATEGY: CASE STUDY OF PROPERTY DEVELOPERS IN MALAYSIA

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Abstract

This paper presents the results of a study which analysed property development companies in Malaysia on internet business strategy. The implementation of Internet as a synergy in business is currently one of the contemporary debatable topics in the evolution of business. This is due to the emergence of information and communication technology worldwide. As a developing country, property business in Malaysia must take up the challenge to improvise service delivery. Thus, this study attempts to examine the evolution of internet business strategy similar to a study done by Rowley, R. back in 2003. Similar methods were also used in this study with some modifications to suit the purpose of the study. Data were collected from various real estate related companies' web sites. The services and information offered in these websites are discussed and used to describe the growth of internet usage in real estate business. From the findings, most of the real estate businesses in Malaysia are still in the infancy stage of using Internet as a tool in business. However, some of these companies do have adequate information on business which would provide significant impact to the global transparency index.

Keywords: *Internet, property developers, Malaysia*

1.0 Introduction

The rapid growth of information and communication technology (ICT) has changed the business environment in Malaysia. The ICT sector has been identified as being capable of playing a major role to accelerate economic growth. The establishment of the Multimedia Super Corridor (MSC) is one of the government's efforts to attract foreign investors. In the global ranking in terms of internet penetration, Malaysia is ranked at number 5 in Asia (see Table 1). Inevitably, this will change the landscape in the way of doing business. Property business will be directly affected by this emerging new technology. Despite tremendous internet penetration growth between the years 2000 to 2006, it remains to be seen as to how far property developers would take advantage of the situation. In order to compete in this very competitive real estate business, property companies in Malaysia must try to change their way of doing their business. The internet is one of the tools that could be utilised as a strategic development in business. Internet use by the real estate sector or related companies could evolve from static brochure sites to process management sites that create efficiencies in the workflow process (Dermisi, 2004). According to Dixon et.al (2005), the e-business sector comprises companies which deliver digital technology products and services as a significant part of their core business or use digital technologies as their primary channel to market. E-business concept refers to transactions using these technologies such as eWork, eCommerce and eGovernment. He added that real estate services provide an interesting example of an e-specific sector. As with tourism, the Internet is an increasingly important marketing channel, which can inform customers about potential offers. Property, however, is still not typically sold online, although moves towards electronic conveyancing are making this more likely. Many companies use Internet services to create online database systems, property descriptions, statistical reports, property overviews (photographs) and links to their affiliate companies. In addition, information through websites will reflect the transparency level of the companies.

Table 1: Internet Penetration in Asia

Country	Population	Penetration (% population)
Hong Kong	7 150 254	68.2
Japan	128 646 345	67.1
South Korea	51 300 989	66.5
Singapore	3 654 103	66.3
Malaysia	28 294 120	47.8
Macao	500 631	40.1
Brunei	403 500	33.5
Vietnam	85 031 436	19.4
Philippines	87 236 532	16.0
Thailand	67 249 456	12.5

Source: Internet World Statistics (2007)

Table 2: Internet Penetration Growth in Malaysia 2000–2007

YEAR	Users	Population	% Penetration
2000	3,700,000	24,645,600	15.0
2005	10,040,000	26,500,699	37.9
2006	11,016,000	28,294,120	38.9
2007	13,528,200	28,294,120	47

Source: Internet World Statistics (2007)

This paper investigates the use of the Internet by property development companies in Malaysia. The focus will be on the evolution of the internet as a business strategy in terms of level of usage. The approach of this research is by using a company's website

or desk research. Some variables have been identified as elements in internet business strategy. Comparisons with the companies' sites are also included. Similar with Rowley's (2004) survey, the aspects of customer service delivery through property portals are profiled under several headings; contents, links, search facilities, and registration.

2.0 Research Method

This paper examines several websites of property development companies in Malaysia. Only 30 companies were selected for this survey. These companies are listed as the top 30 property developers in Malaysia as reported by The Edge (see Table 3). In addition, these samples were taken from Bursa Malaysia's indexed 100 top 30 companies which are more likely to have web sites and provide more information in their websites. Table 3 also tabulate each of the companies' basic information and their websites. The data collected was based on visible information from the companies' website. In addition, lists of attributes pertaining to internet business strategy were developed referred to as internet business strategy matrix. Each website was then reviewed and a score was given to develop an index.¹

Table 3: Top Malaysian Property Developers' Details and Websites

	Name of Company/core business	Market Capital (M)	Company's Current Share price RM (Jan 2007)	Website
1	S.P Setia Bhd.	4069.46	3.84	www.setiahomes.com
2	IOI Properties Bhd	3060.60	8.35	www.ioiproperties.com
3	IGB Corporation Bhd.(Tan & Tan Development Berhad) ¹	3282.68	1.29	www.igbcorp.com (www.tantan.com)
4	Sunway City Bhd	1096.80	1.71	www.sunway.com.my
5	MKland Holdings Bhd.	790.56	0.86	www.mkland.com.my
6	Sime UEP Properties Bhd	1780.10	4.14	www.simedarbyproperty.com
7	Bandar Raya Development Bhd.	790.79	1.38	www.brdb.com.my
8	Boustead Properties Bhd.	881.55	NA	www.boustead.com.my
9	Island and Peninsular Bhd	1201.61	1.40	www.islpn.com.my
10	Sunrise Berhad	946.18	1.80	www.sunrise.com.my
11	Glomac Bhd	288.46	1.28	www.glomac.com.my
12	UDA Holdings Bhd	1027.06	2.24	www.udaholdings.com.my
13	E & O Properties Development Bhd.		0.68	www.eoprop.com

¹ Tan & Tan Development is a subsidiary company under IGB Corporation which main business in property development.

14	Naim Cendera Holdings Bhd	825.00	3.26	www.naimcendera.com
15	Petaling Garden Bhd.	627.75	1.54	www.pgb.com.my
16	YTL Land and Development Bhd.	312.85	0.94	www.ytl.com.my/property
17	Talam Corporation Bhd.	150.80	0.235	www.talam.com.my
18	Dijaya Corporation bhd.	210.22	0.78	www.dijaya.com.my
19	Paramount Corporation Bhd.	214.57	2.18	www.pcb.com.my
20	Selangor Properties Bhd.	1058.34	2.49	www.selangorproperties.com.my
21	Country Heights Holdings Bhd	206.78	0.80	www.countryheights.com.my
22	Plenitude Bhd.	224.10	1.43	www.plenitude.com.my
23	Daiman Development Bhd.	343.69	1.58	www.daiman.com.my
24	PJ Development Holdings Bhd.	246.31	0.44	www.pjprop.com.my
25	Mah Sing Group Bhd.	629.69	1.98	www.mahsing.com.my
26	SHL Consolidated Bhd.	314.10	1.17	www.shlcb.com.my
27	Guocoland (M) Bhd.	966.63	0.695	www.mystorey.com
28	Pelanggi Bhd.			www.pelanggi.com.my
29	WCT Land Bhd.	260.83		www.wctland.com.my
30	LBS Bina Group Bhd.	209.42		www.lbs.com.my

Source: The Edge (2007)

To investigate the internet business strategy among property developers in Malaysia, a comparison was carried out based on several elements that have been outlined. Rowley (2004) had come out with such elements given as follows:

- i. offer content in the form of information and advice;
- ii. provide links to the web sites of useful organisations;
- iii. aggregate data (such as property details) from a number of other websites, and offer facilities that make it easier to search across the web sites;
- iv. support customer registration, as a basis for personalised communication.

Klein and Quelch (1997) drafted 18 elements which falls under 2 main categories (Table 4).

Table 4: Klein & Quelch's Internet Business Strategy Elements

Channel functions
Order processing
Assortment
Credit and finance
Bulk breaking
Market coverage
Market news/information
Customer service
Fulfilment
Inventory holding
Classifieds
Web hosting services

Process Characteristics
Anonymity
Credit risk reduction
Market maker ownership options
Negotiation format
Membership exclusivity
Revenue resources
Existing business off-line

However for Klein and Quelch (1997), their survey was mainly for business to business market maker. For the purpose of this research, some modifications were done to suit the local environment.

Ibrahim (2006) comes out with several features of commercialised real estate portals. According to him, real estate websites must provide the following services:

1. virtual tours
2. property listings
3. transactions information
4. market analysis
5. project information
6. online valuation
7. online forum
8. property news
9. property FAQ
10. online calculator
11. lifestyle contents

The matrix of internet business strategy for this research was outlined based on framework by several authors above. This matrix will evaluate the property development companies in terms of internet business strategy. A score will be given for each of the variable that the companies implemented in their organisation. A scatter plot analysis was also used to generate a ranking analysis and score mean among the companies.

3.0 Internet Business Strategy Matrix

For this research, a new internet business strategy matrix was developed that takes into account several attributes highlighted by several authors such as Rowley (2004), Klein and Quelch (1997) and Ibrahim (2006). These attributes were modified by considering the local environment of property business in Malaysia. Table 5 tabulates all attributes for the internet business strategy matrix for the purpose of evaluating the property developers selected for this study.

Table 5: Internet Business Strategy Matrix

Product Information	Online Customer Service Centre	Guide to Buyer	Online Forum	Company News
Frequently Asked Questions	Online Calculator	Credit / Financial/ Services	Member Exclusivity	Product Search Engine
Track Record Information	Report/ articles	Property Visualisation	e- payment	Estate Agents Service

4.0 Findings

To examine the approach taken by each of the companies on internet business strategy, a matrix table was used. The results of these findings are tabulated in Table 6 and Table 7. Each of the companies was given a score to indicate overall results and index. Each of the attributes was also examined to provide a clear idea of the strategy mostly used for internet business in Malaysia. As noted above, these attributes provide an overview of factors that are critical for driving internet business strategy. Obviously, there will be some other elements in internet business strategy that need considering but these attributes are identified as pillars.

Most of the companies obtained scores of 6 points out of a total 14 full points. This shows that most of the companies are in moderate level of internet business strategy. Table 6 indicates the score of each attribute of internet business strategy. The most popular attributes used by the major property development companies in Malaysia are product information, publishing of report and articles and company track record. While element such as reports or articles to shows companies transparency showed a good percentage (83%). Some advance strategy such as property visualisation is increasingly being used as indicated by 6 companies. However some value added elements in companies' portal such as e-payment (for maintenance fee) and estate agents services indicate a low score. For instance, only Sunrise Berhad, YTL Land Development and Guocoland offered estate agents services or information via their respective websites. Moreover, for online forum services, only companies like IOI Properties, YTL Land Development and Paramount Corporation provide this interactive service with their customers. The overall result is shown in Table 7. The horizontal line indicates overall score for each company by each attribute. In addition to this score, a vertical line shows the score for each attribute for each company.

Table 6: Attributes Score Index

	Attributes	Score	%
1.	Product Information	30	100
2.	Company News	30	100
3.	Company Track Record	30	100
4.	Report/ articles	25	83
5.	Guide for Buyer	17	57
6.	Financial Services Information	10	33
7.	Online Calculator	9	30
8.	Member Exclusivity	9	30
9.	Product Search Engine	8	27
10.	Frequently Asked Question	6	20
11.	Property Visualisation	6	20
12.	Customer Service	6	20
13.	e- payment	5	17
14.	Online Forum	4	13
15.	Estate Agent Services	3	10

Table 7: Internet Business Strategy Matrix Findings¹

Attributes	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Sc ²	
Product Information	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	30	
Customer Service	x	√	x	x	x	x	x	x	x	x	x	x	x	x	√	x	x	√	x	x	√	x	x	x	x	x	√	x	x	√	6	
Guide for Buyer	√	√	√	x	√	√	√	√	x	x	x	x	x	x	√	√	√	√	x	√	√	x	√	x	x	√	x	√	x	√	17	
Online Forum	x	√	x	x	x	x	x	x	x	x	x	x	x	x	√	x	x	√	x	x	x	x	x	x	x	x	x	x	x	√	4	
Company News	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	30	
Frequently Asked Question	x	x	x	x	x	x	x	x	x	x	x	x	x	x	√	x	√	X	x	√	√	x	x	x	x	x	√	x	x	√	6	
Online Calculator	√	x	x	x	x	x	x	x	x	x	x	x	x	x	√	x	√	√	x	x	√	x	√	x	x	x	x	√	√	√	9	
Member Exclusivity	√	√	x	x	x	x	x	x	x	√	x	x	x	x	√	x	√	√	x	x	√	x	x	x	x	x	√	x	x	x	√	9
Product Search Engine	x	√	x	x	x	x	x	x	x	√	x	√	x	x	√	x	x	√	x	x	√	x	x	x	x	x	√	x	x	√	8	
Company Track Record	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	30	
Report/ articles	√	√	x	x	x	√	x	√	√	√	√	√	√	√	√	√	√	√	x	√	√	√	√	√	√	√	√	√	√	√	25	
Property Visualisation	x	x	x	x	√	x	x	x	√	x	x	x	x	x	x	x	√	X	x	x	x	x	√	x	x	x	x	√	x	√	6	
Financial Services Information	√	√	x	x	x	√	x	√	x	x	x	x	x	x	√	x	√	√	x	x	√	x	x	x	x	√	x	x	x	√	10	
Estate Agent Services	x	x	x	x	x	x	x	x	√	x	x	x	x	x	√	x	x	x	x	x	x	x	x	x	x	x	√	x	x	x	3	
e- payment	x	√	x	x	x	x	x	x	x	x	x	x	x	x	√	√	x	x	x	x	x	√	x	x	x	x	x	x	x	√	5	
SCORE	8	11	4	3	5	6	4	6	6	6	4	5	4	4	14	6	10	11	3	11	11	5	7	4	4	8	7	6	5	14		

1. SP Setia

2. IOI Properties

3. IGB Corporation

4. MKLand Holdings

5. Sime UEP Properties

6. Bandar Raya Development

7. Boustead Properties

8. Island and Peninsular

9. Sunrise Berhad

10. Glomac

11. UDA Holdings

12. E&O Properties

13. Naim Cendera

14. Petaling Garden

15. YTL Land Development

16. Talam Corporation

17. Dijaya Corporation

18. Paramount Corporation

19. Selangor Properties

20. Country Heights

21. Plenitude

22. Daiman Development

23. PJ Development

24. Mah Sing Group

25. SHL Consolidated

26. Guocoland

27. Pelangi

28. WCT Land

29. LBS Bina

30. Sunway City

(1) Each number represents the company

(2) Score

Figure 1 depicts a scatter plot analysis used to generate a ranking among the property development companies. Table 8 presents the overall score in ranking order of internet business strategy among the major property development companies surveyed. Some companies obtained the same score and therefore share the same ranking number. Sunway City Berhad and YTL Land Development have almost all the major attributes for internet business strategy. YTL Land Development for instance, fosters an alliance with an Information Technology Company to develop their website which probably explains why their website has more appeal. When surfing property developers' websites, customers would normally like to have an overview of the property development that they are interested in. In this respect, a property visualisation system will add value to the business strategy and enhance the prestige of the company, thereby attracting the customer to buy the property. Khadaroo (2005) believes companies which provide sufficient information in their websites could reap the following benefits:

- i. elimination of the substantial cost of printing and posting of annual reports;
- ii. accessibility of information by a much wider audience than more means of communication permit;
- iii. up-to-date information through regular maintenance of web sites;
- iv. reducing the time to distribute information;
- v. communicating with previously unidentified consumers practices;

The index also shows the majority of these companies have some of the important major strategy in their website as indicated in Table 6. Furthermore, on average property development companies in Malaysia ranked in between numbers 12 and 22. This indicates that these companies share similar attributes of internet business strategy.

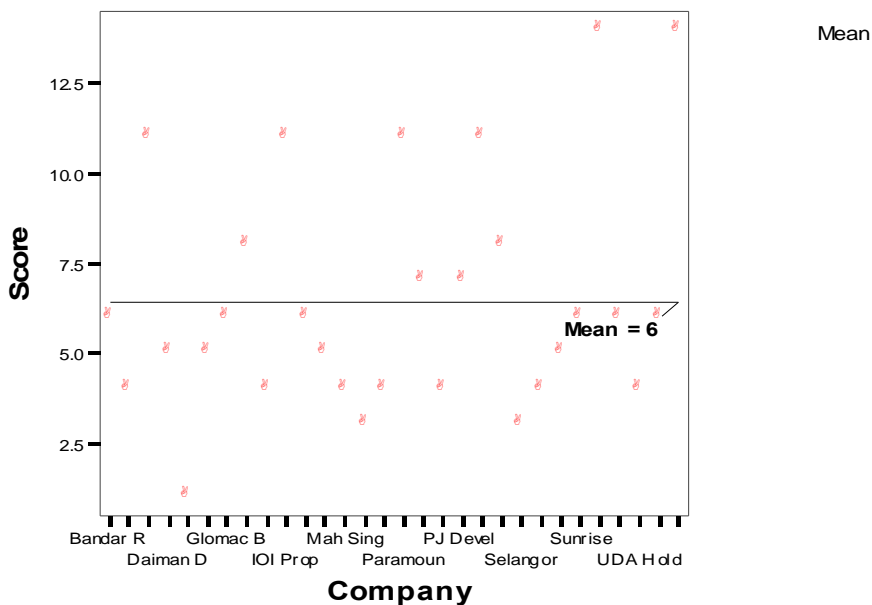


Figure 1: Internet Business Strategy Index and Companies

Table 8: Property Developers Index on Internet Business Strategy in Malaysia

No.	Company
1.	Sunway City Berhad YTL Land and Development Berhad
3.	Country Geights Holdings Berhad Plenitude Berhad IOI Properties Berhad Paramount Corporation Berhad
7.	Dijaya Corporation Berhad
8.	Guocoland Berhad S.P Setia Berhad
10..	Pelangi Berhad P.J Development Holdings Berhad
12.	Bandaraya Development Berhad Island and Peninsular Berhad Talam Corporation Berhad Gloac Berhad WCT Land Berhad
18.	LBS Bina Group Berhad E&O Properties Development Berhad Daiman Development Berhad Sime UEP Properties Berhad
22.	Boustead Properties Berhad IGB Corporation Berhad (Tan & Tan Development Berhad) Naim Cendera Holdings Berhad Petaling Garden Berhad Mah Sing Group Berhad SHL Consolidated Berhad UDA Holdings Berhad
29.	MK Land Holdings Berhad Selangor Properties Berhad

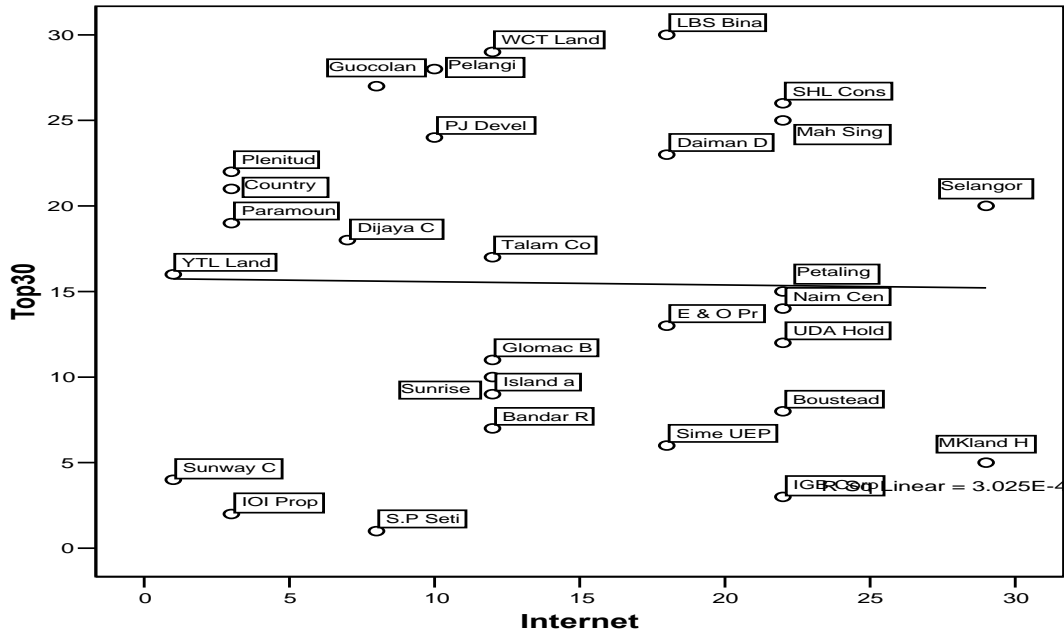


Figure 2: The Internet Business Strategy Index and Top 30 Property Development Companies

Figure 2 shows the relationship between the overall top 30 property development companies in Malaysia and the internet business strategy index. The fact that the top companies must have a good internet business strategy is not necessarily true. From the scatter plot, it shows there is a weak relationship between the internet business strategy index and top 30 companies. The internet business strategy index and top 30 companies were not significantly correlated ($r = -0.2$) reflecting differences in terms of these two indexes. This highlights the importance of other factors in explaining the ranking of the top 30 companies. This could mean that Malaysian property developers do not solely rely on internet business strategy but employ other means (traditional but perhaps effective) to market their products instead.

5.0 Conclusion

This paper has used property developers' companies' websites to investigate the incidence of internet business strategy among property developers in Malaysia. From the results, an index was developed and compared with the top 30 property development companies. This study has limitations similar to other studies examining business strategy. The sample of this study is limited to 30 companies which were surveyed by The Edge (2007).

On the one hand, it can be said that business strategy in Malaysia is poised to experience rapid changes. The emergence of information and communication technology has changed dramatically the way companies market their products as well as to attract customers. Property development companies in Malaysia which have already attained world class standards have vigorously adopted the web-based business concept. It is believed that internet business strategy will become a major way of marketing properties in Malaysia. Presently, some of the companies in Malaysia have already widely implemented such internet business strategy, particularly as an effective means of disseminating companies' information and selling their property. Customers will have

better ideas and provide them with all information needed about the property as well as the companies' background. In addition, it will also add value to companies' image and prestige. According to Khadaroo (2005), the decision to establish a web site is influenced by several factors such as company size and expected number of users. The bigger the firm's size and its financial resources, the more likely it is to engage in web-based reporting. However, this study showed no correlation on the relationship between the top 30 companies and the internet business strategy index. Thus, on the other hand, the traditional way of marketing is still widely in use. Moreover, the added internet reporting also has implication for accounting standard setters and the accounting profession. For the Malaysian property development companies, it is very crucial to implement internet business strategy in order to play an active part in business globally. The new government policies such as abolishment of real property gains tax, Malaysia MY second home programme and foreign possession of property in Malaysia will provide greater opportunities to these companies to market their products abroad. This would give potential buyers and investors the opportunity to have a better picture and overview of the property market Malaysia and therefore make a better informed decision. Hence, property marketing via the internet is obviously needed.

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