

IN COLLABORATION WITH STRATOS PINNACLE SDN BHD

REHDA INSTITUTE

SUMMARY REPORT:

MARKETING & SALES IN THE PROPERTY INDUSTRY

*“CURRENT ISSUES FACED IN
MARKETING & SALES OF PROPERTIES IN MALAYSIA”*

FEBRUARY 2022

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CHAPTER 1

INTRODUCTION

1.1 Background of REHDA Institute

REHDA Institute acts as the training, education and research arm of the Real Estate and Housing Developers' Association of Malaysia (REHDA). It was relaunched in 2004 by then Prime Minister Tun Abdullah Badawi to address the research and educational needs of the housing and property industry. REHDA Malaysia has more than 1500 property developer members companies throughout Peninsular Malaysia. Members of REHDA built more than 4 million housing units to date and contributed in excess of RM20 billion annually to Malaysia's GDP.

The affairs of REHDA Institute are governed by an independent Board of Trustees led by the Chairman, which consists of prominent industry personalities, including past-Presidents of REHDA Malaysia who have contributed significantly to the growth and advancement of the housing and property industry. The Institute objectives and activities focus on the three (3) main pillars:

- | | |
|---------------------------------|---|
| 1. Training & Events | Providing industry-relevant training and events for the real estate and property development industry with the aim to improve productivity, enhance knowledge and innovate new ideas towards achieving the highest standards of professionalism and advance best practices for the industry. |
| 2. Research | Spearhead industry-relevant research to drive improvements on industry's best practices, research contents for members' consumption and contribute positively to the overall development of Malaysia. |
| 3. Education | Working hand in hand with tertiary institutions, the Institute formulates Master's Degree and Executive Programmes for middle and senior management of the industry to groom future industry leaders. Focusing on industry-relevant course contents, these programmes are designed to empower industry stakeholders with practical knowledge and applied skills. Currently, REHDA Institute works with University Tunku Abdul Rahman (UTAR), for a Masters of Real Estate Development (MRED) Program offered by UTAR. |

1.2 Background of the Research Study

As one of the critical components in the property development process, marketing & sales activities influences the developers' profit via sales generation and contributes to branding exercise via awareness creation among potential property buyers. Therefore, understanding the evolving marketing and sales issues and their challenges are important in ensuring the success of a development project and the company itself.

Nonetheless, it is difficult in gaining a comprehensive understanding of marketing and sales activities. One major hurdle is due to the concern of confidentiality & privacy information associated with the trade secrets of marketing and sales activities across different property companies, which companies may often not be willing to divulge these information.

In view of this, as a neutral party looking at the interest of the industry as a whole, REHDA Institute is taking the initiative to collect information and data related to marketing and sales activities with the focus of providing better understanding and working at possible solutions for future marketing and sales activities, which REHDA Institute would like to expand in breadth and depth, over time.

1.2.1 Industry Marketing & Sales Survey and Focus Group Discussion (FGD)

On 16 November 2021, led by Datuk NK Tong (REHDA Deputy President) in this initiative with the REHDA Institute team, supported by collaboration research partners (UTAR, Stratos Pinnacle), conducted an Industry Marketing & Sales Survey and Focus Group Discussion (FGD) on marketing and sales issues for the property development industry during the event Property Developers' Sales Summit.

The conference was attended by Heads of Marketing and Sales from property development companies from throughout Peninsular Malaysia. The objectives of both survey and Focus Group Discussion (FGD) are:

- i. To identify challenges confronted by developers' marketing and sales team;
- ii. To provide current insights for future planning on their marketing and sales for property developers;
- iii. To prepare the industry to embrace new potential opportunities for the post-covid scenarios;
- iv. To provide training solutions that could positively impact property developers throughout Malaysia;

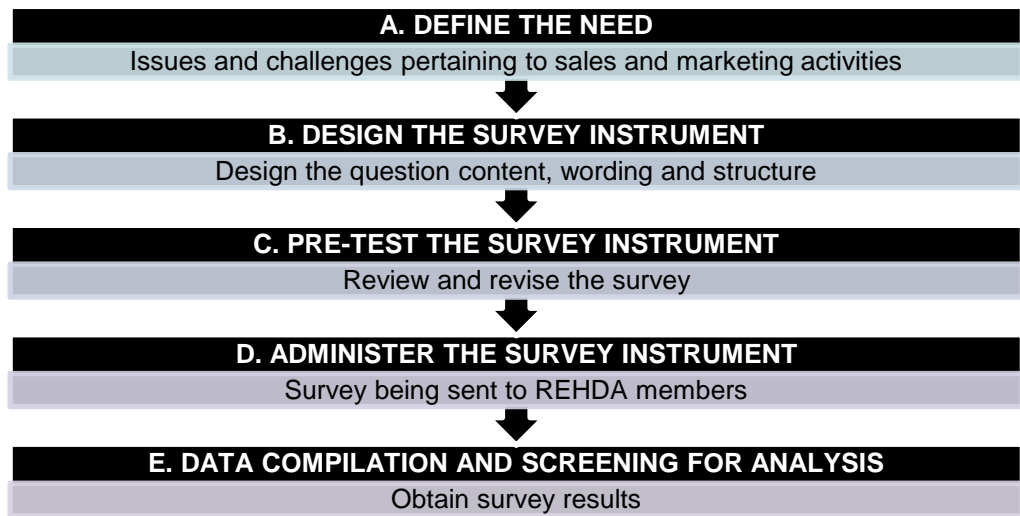
CHAPTER 2

METHODOLOGY

The following figures and details provide an overview of the survey and FGD procedure:

2.1 Industry Marketing & Sales Survey and Focus Group Discussion (FGD)

i. Industry Marketing & Sales Survey

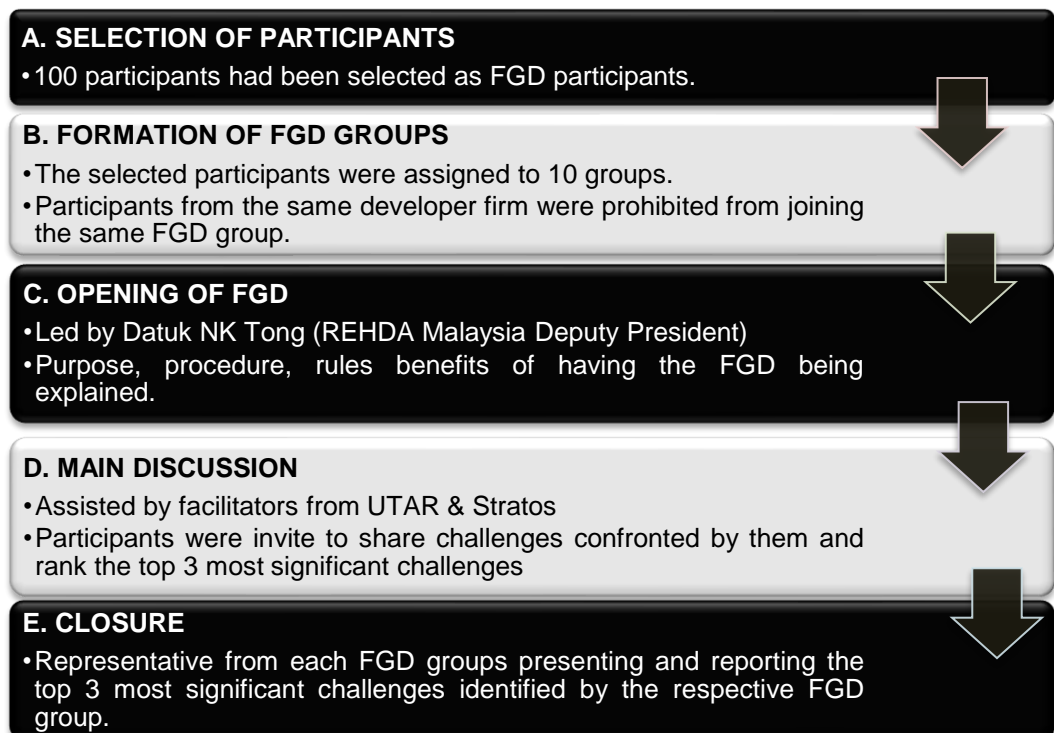


Details:

Items	Details
A	Needs identification was conducted via a series of interviews with several senior Heads of Marketing and Sales senior practitioners from property development companies. These senior practitioners highlighted to REHDA Institute on the potential issues and challenges associated with the real estate industry that will affect the developer firm's performance. Thus, the survey's scope was determined - focusing on sales and marketing challenges.
B	Once the need and scope were identified, survey questions were designed. The content, wording and structure of the survey questions were determined for the purpose of ensuring that the survey form is not lengthy and easy to be answered by the respondents.
C	The purpose of pre-testing is to ensure that (i) the survey form is free from ambiguous terms; (ii) respondents can understand the survey form and questions well; (iii) targeted respondents are qualified and the right persons

Items	Details
	to answer the survey form; and (iv) the survey form does not require the respondents too long to answer (within the range of 15 to 25 minutes). Revision was conducted to ensure the issues highlighted were addressed before the actual survey administration.
D	The final version of the survey form was sent and distributed to targeted respondents via an online survey platform. A follow-up message was sent to remind the respondents to respond and answer the survey form.
E	The collected data was then being screened to ensure that the returned survey form is complete without any missing data and answered by those involved in marketing and sales activities. The findings were further used as a reference in designing the questions to be used in the Focus Group Discussion (FGD).

ii. Focus Group Discussion (FGD)



Details:

Items	Details
A	Participants for the FGD were selected from the participants who joined the Property Developers' Sales & Marketing Summit Event . The participants consist of the senior staff of the Marketing & Sales Department (mostly Heads of Marketing & Sales) from property development companies throughout Peninsular Malaysia.

Items	Details
B	Selected participants were allocated to ten (10) groups (Group A – Group J). Participants from the same developer firm were prohibited from joining the same FGD groups. The purpose is to ensure that voices are heard across different developer firms.
C	The opening remarks and briefing of the FGD was led by Datuk NK Tong (REHDA Deputy President). The purpose of FGD was explained, alongside the procedure and rules of FGD as well as measures taken in protecting confidentiality and privacy information had been acknowledged.
D	During the main discussion, Datuk NK Tong played the role of the main facilitator. In addition, facilitators from UTAR and Stratos were assigned to the FGD groups. A spokesperson was also appointed to present and report the findings obtained from the respective group.
E	The spokesperson was invited to present and report the Top 3 most significant marketing and sales challenges. Then, the section was concluded by the main facilitator – Datuk NK Tong.

The main findings from the survey and FGD were discussed in *Chapter 3* to provide insights to the practitioners for future planning on their marketing and sales activities. In addition, it will provide REHDA Institute with the idea to deliver training and events that facilitate and prepare the real estate and property development industry to embrace the potential opportunities for the post-covid scenarios impacting the industry.

CHAPTER 3

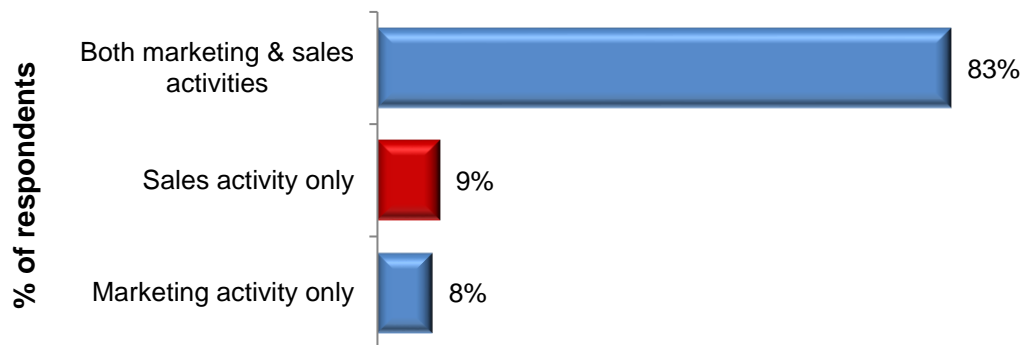
MAIN FINDINGS

The followings are the main findings from the survey & FGD:

3.1 Industry Marketing & Sales Survey

As mentioned in *Chapter 2*, the findings from the survey are used in designing the questions in FGD as well as to understand better the marketing & sales activities of developer companies. Below are the key findings from the survey:

Your involvement in your company?



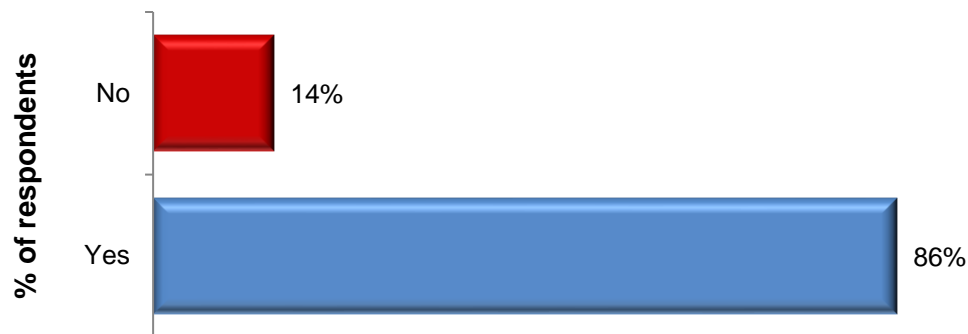
Majority of the respondents (83%) stated that they are involved in both marketing and sales activity in their companies. This result may infer the importance of integrating both the marketing and sales functions, which is an approach adopted by many property development companies in Malaysia as part of their overall strategy.

In your opinion, why do you think there is a need for a marketing and sales professional to be involved in the product development process?

According to the respondents, the marketing and sales team should ideally be integrated with the product development team. The rationale is likely to ensure efficient knowledge and communication delivery within the teams. On one hand, the sales and marketing teams whose primary responsibility is dealing with prospective clients (demand component) are able to provide an evolving sentiment input and evolving market trends to the product development team. Such activity is deemed crucial as it will ensure a successful demand-driven development project.

On the other hand, it is essential for product development team to get feedback from the sales and marketing team to develop the right property products (for instance but not necessarily limited to only pricing, product type, size, including any in demand features that may impact the customer’s decision making), for successful overall results in the marketing and sales activities.

In your experiences, has the opening up the economy (lifting of MCO restrictions) increased inquiries and sales demand for properties for your company?



Majority of the respondents (86%) indicated that lifting of MCO restrictions had increased inquiries and sales demand for properties in their companies.

How different are your marketing and sales strategies deployed now compared to during the height of the pandemic?

After the lifting of the MCO, most of the respondents stated that they were involved in a more digitalized approach to market their product, such as social media/networking platform, virtual engagement (virtual tour, virtual showroom), online presentation, etc.

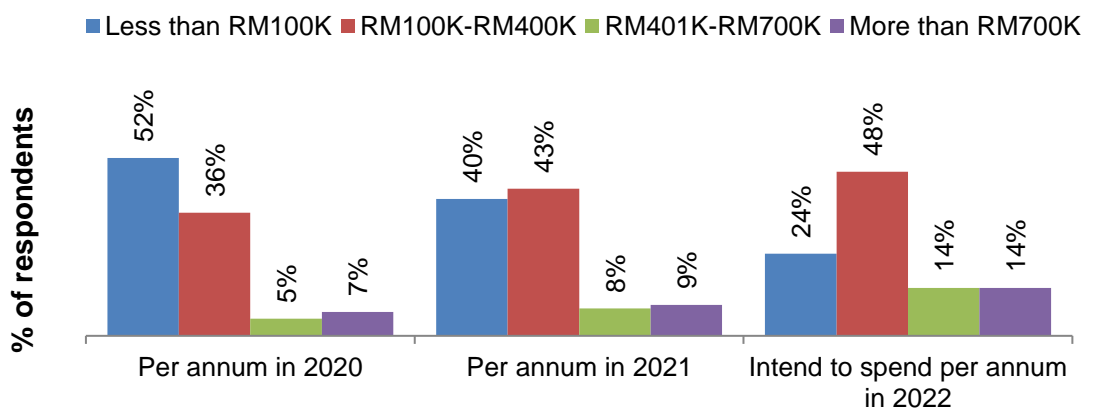
What are the initiatives are you or your company taking to deal with buyer profiles that are unable to receive the desired loan margin or financing from the bank?

The respondents mentioned a few steps to deal with buyers whose profiles are unable to obtain loan approval from the bank. These include:

1. Compile and analyse buyer’ profile - suggest other projects or property that fits to the buyer’s profile and match with the buyer’s ability, respectively.

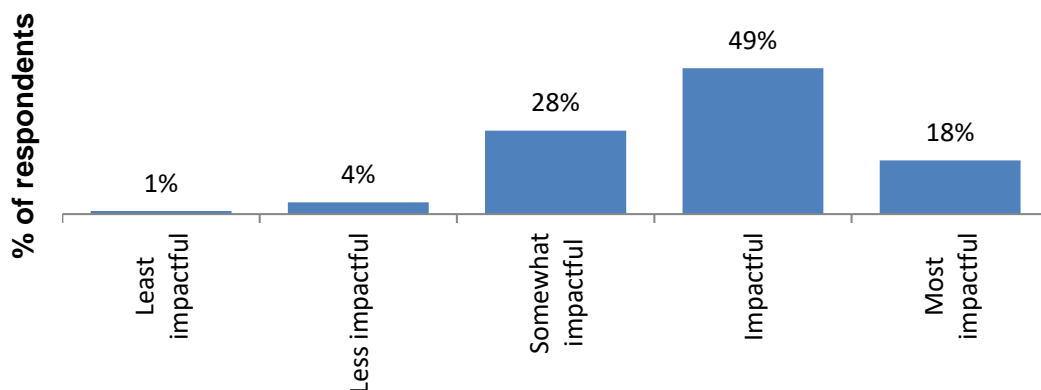
2. Provide a Differential Sum Loan Scheme to the buyers – to allow them to have an instalment on the downpayment and/or differential sum of the loan obtained from the financial institution.
3. Provide recommended or refer personal financial advisors to the prospective buyers (how to improve their credit score, documentation and proof of income, restructuring finances, reducing debts, improving payment records, etc.).

How much (estimated) is your company spending on digital marketing initiatives for your company?



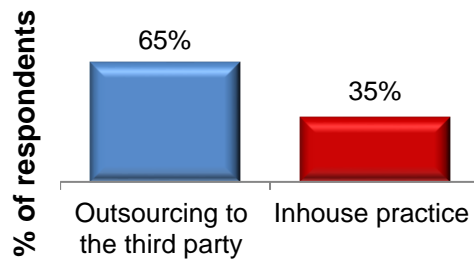
In 2022, respondents are more optimistic about increasing their spending on digital marketing. From the answers of the respondents, the adoption and spending on digital marketing are gaining its momentum in the sales and marketing landscape, although the sales and marketing activities were largely influenced by the COVID-19 scenario previously.

Do you think digital marketing spending and initiatives (including virtual walkthroughs etc.) will continue to be a big part of your marketing and sales initiatives in 2022?



As high as 95% of the respondents believed that spending in digital marketing initiatives is impactful to their marketing sales and initiatives in 2022, with at least 28% acknowledging that such spending is somehow impactful. This result further highlights the confidence and reliance on the effectiveness of digital marketing on the company sales performance by the various respondents and companies throughout Peninsular Malaysia.

How does you or your company venture into digital marketing activities?



Majority of the respondents (65%) ventured into digital marketing activities by outsourcing to the third party for their services and consultation in digital marketing.

It would seem that outsourcing is seen to be the current solution for the developer firm to respond to the immediate needs of digital marketing.

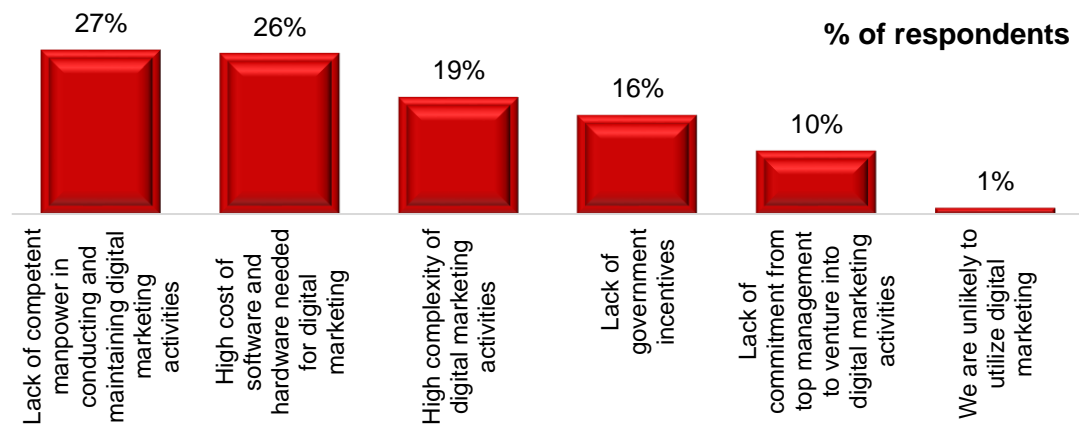
Nonetheless, over a longer period of time and as a long term strategy, to manage cost and to ensure that internal staff have the right skillset, it further points to the need for more training to equip employees with competent digital marketing skills while conducting an effective and efficient digital marketing activity for successful sales.

On a rank of 1 to 6 (1 - being the best result; 6 - being the least effective), please rank your preferred marketing platforms/initiatives.

1	Facebook lead generation
2	Leads generated from real estate agents engaged
3	Other social media & online channels (Youtube, Tik Tok, Websites, etc.)
4	Physical expositions and roadshows
5	Virtual technology (Virtual tour, virtual showroom, etc.)
6	Purchasing databases and leads

According to the respondents, Facebook, real estate agents, and other social media & online channels (Youtube, Tik Tok, etc.) were the top preferred marketing platforms/initiatives that have generated a lead for marketing & sales activities. Once again, it confirms the demand for digital marketing activities by developers.

Based on your experiences in digital marketing, what are the challenges or barriers faced by you?



Lack of competent manpower in conducting and maintaining digital marketing activities become a significant challenge or barrier to the developers in digital marketing, followed by high cost of software and hardware needed by digital marketing. These findings align with our previous findings and explain why the majority of companies are opting for outsourcing when dealing with digital marketing activities.

In your opinion and experiences, for the property development industry, could you list the TOP 3 most significant marketing and sales industry challenges: (1 - being the most serious; 3 - being the least serious)

The respondents state that the Top 3 most significant marketing and sales industry challenges are:

1. End-financing challenges
2. Lack of digital technology adoption
3. Negative buyers' and market sentiment

Your wishlist from REHDA Institute to assist you better in Marketing & Sales activities.

1. Extend the Homeownership Campaign (HOC) in 2022 to help developers and buyers (with the improvement of the online and digitalized process of HOC).
2. Organise training in digital marketing with the best practices in the property industry
3. Organise more training, seminar, and conference in terms of marketing and sales strategy, create the right product, build networking sessions (between developers, financial institutions, authority, digital marketers), etc.

4. Invites more overseas speakers to share their thoughts and idea to solve the challenges or issues faced by developers in Malaysia
5. Work with some software producers to give a good package, especially for small-sized developers, to improve their digital marketing.

3.2 Focus Group Discussion (FGD)

As a summary from the FGD, the top three (3) current key issues faced in marketing & sales of properties in Malaysia were identified.

Key Issue 1: End-Financing Challenges Relating to Financial Institutions in Malaysia

- i. Financial Institutions are too rigid in their loan assessment criteria (lower margin of financing and high rejection of loan applications).

“As of November 2021, only 33.5% (RM 12,024.84 million) of the total loan value applied (RM31,892.2 million - purchases of the residential property) was approved.”

(Source: Monthly Highlights and Statistics in November 2021, Bank Negara Malaysia (BNM) <https://www.bnm.gov.my/-/monthly-highlights-and-statistics-in-october-2021>)

“88% of the respondents continued to face end-financing issues in 1H 2021. The TOP 3 factors are i) Ineligibility due to buyers’ income, ii) Offered lower margin of financing, and iii) Inadequate financial documentation.”

(Source: REHDA Property Industry Survey (PIS) 1H 2021, REHDA Malaysia)

- ii. In terms of valuation of property prices, Financial Institutions may be too pessimistic and rigid in their outlook on the valuation of new property prices.
- iii. The above causes unusual delays in the whole property purchase process, where some purchasers “give up” halfway due to frustration through the process, which may contribute to “unsold units”.

Key Issue 2: Slow and Lack of Digital Technology Adoption from Property Developers in Malaysia

- i. Digital Marketing and Technology adoption and the intricacies can be difficult to understand compared to the traditional marketing and sales process, hence perceived as costly as it may incur higher initial capital expenditures before showing results, which may be a challenge for medium-sized and smaller property development companies due to less economies of scale.
 - Difficulty in convincing management for adequate budget allocation for digital marketing & sales activity as it can be difficult to quantify/assess the direct immediate return.
 - Lack of understanding of the industry benchmark Return on Investment (ROI) and benchmark conversion rate for digital marketing monies spend.

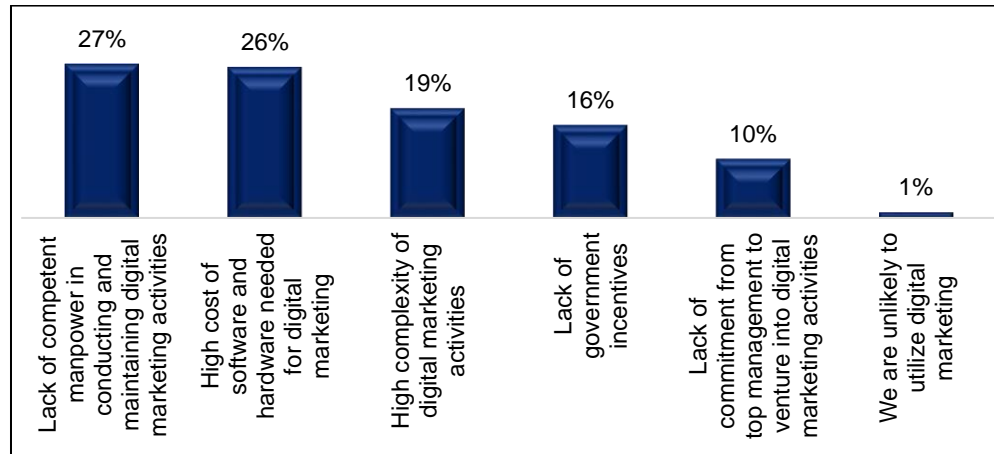
“An August 2020 survey by the SME Association of Malaysia revealed that only 26% of local small and medium enterprises (SMEs) had chosen digitalization or e-commerce platforms as their strategy to survive post-pandemic.”

(Adapted: Industry 4.0: SME digitalization: Are government initiatives really effective?, The Edge Markets, 22 February 2021, <https://www.theedgemarkets.com/article/industry-40-sme-digitalisation-are-government-initiatives-really-effective>)

- ii. Lack of specialized and digital marketing savvy workforce in maintaining digital marketing activities.
 - Convincing management and staff to adapt to technological disruptions towards digital.
 - Challenge in hiring and training skilled staff well versed in digital marketing & sales.

- iii. Lack of expertise and knowledge in identifying the right digital platform for marketing & sales that is more effective.

Challenges and Barriers Faced by the Developers in Digital Marketing



(Source: Industry Marketing & Sales Survey, REHDA Institute, November 2021)

Key Issue 3: Negative Buyers’ & Market Sentiment and Pressure from External Market Forces

- i. Buyers are still cautious about the long-term investment outlook due to the overall COVID-19 impact.

- Concerns on the stability of economic recovery

“As of Q3 2021, Malaysia’s Gross Domestic Product (GDP) showed a decrease of 4.5 per cent from positive growth (16.1%) in the second quarter of 2021.”

(Adapted: Gross Domestic Product (GDP), Q3 2021, Department of Statistics, Malaysia (DOSM))

- Concerns on business & job security, stability and sustainability

“The number of persons in skill-related underemployment continued to trend up year-on-year, registering an increase of 6.3 per cent (+111.1 thousand) to record 1.87 million persons. This resulted in the share of

tertiary educated, employed persons working in semi and low-skilled occupations rising 0.9 percentage points.”

(Adapted: Labour Market Review, Q3 2021, Department of Statistics, Malaysia)

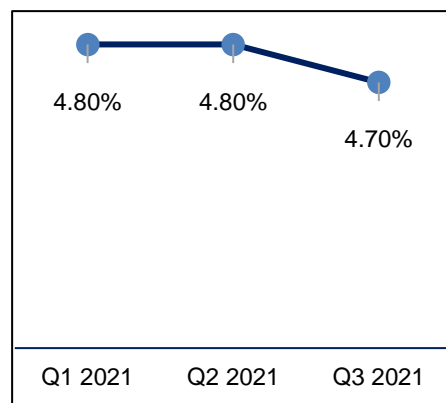
- ii. Changing buyer’s patterns & needs – mismatch of product factors (mismatch of location, product type, pricing) contributing to unsold stocks.

“A total of 30,358 units of residential property worth RM19.8 billion nationwide were unsold as at the third quarter of this year (2021), compared to 31,112 units worth RM20.1 billion in the second quarter.”

(Source: Property Overhang Q3 2021, National Property Information Centre)

- iii. National issues which are difficult for developers to solve

- External economic environment – income of prospective buyers impacted & jobs impacted



“Unemployment rate remained high in Q3 2021 (4.7%). Labour market situation in Malaysia has yet to return to the pre-pandemic level in although posting better quarter-on-quarter.”

(Adapted: Labour Market Review, Q3 2021, Department of Statistics, Malaysia)

- Lack of consistency in long term Government policies (Federal, State)

“A lack of policy clarity certainty from the government would dampen economic growth.”

(Adapted: Govt must provide consistency and clarity on policies — SERC, The Edge Markets, 17 January 2019,

<https://www.theedgemarkets.com/article/govt-must-provide-consistency-and-clarity-policies-%E2%80%94-serc>)

CHAPTER 4

PROPOSAL & RECOMMENDATIONS

The following are the proposed strategy and recommendations:

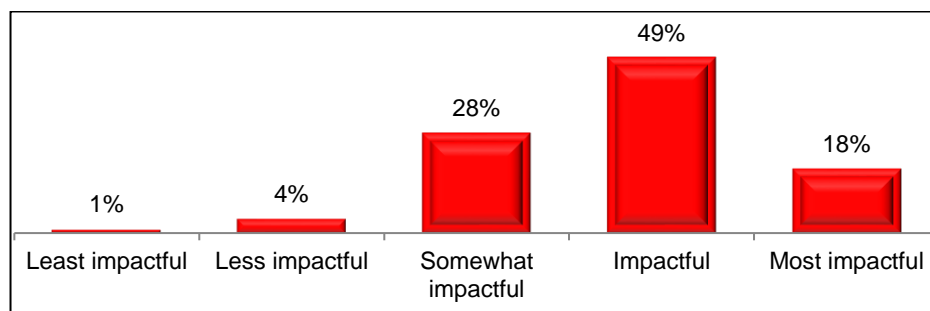
Strategy 1: Improve Better Access to Housing for Home Buyers through better Access to Home Financing

- i. Increasing access to housing through better access to house financing - the Government has announced a few initiatives in 2022:
 - Budget 2022 outlines - Improving access to financing to a home purchase, the Malaysian Government in 2022 will be providing guarantees of up to RM2 Billion to banks via *Skim Jaminan Kredit Perumahan* to the individuals who don't have proof of fixed income.
 - 12th Malaysia Plan – i) Rent-To-Own (RTO) programme will be expanded to cover houses priced up to RM500,000.00 with an option to purchase the property within five years of renting, ii) The fund for Affordable Homes and Youth Housing Scheme will continue, iii) The Skim Pinjaman Perumahan will be strengthened to assist households that own land to build affordable houses and iv) A new financial model with more attractive loan packages will be introduced to increase the take-up rate.
- ii. To achieve the above and to improve homeownership for *Rakyat* during and post-pandemic, we urge:
 - The Financial Institutions to expand their step-up financing and other alternative financings that Government has mentioned in the 12th Malaysian Plan & Budget 2022.
 - The Government to accelerate Rent-To-Own (RTO) Scheme for the *Rakyat*.
- iii. Proper coordination with Government, Bank Negara, financial institutions, as well as REHDA to ensure the end-financing issue can be handled effectively.

Strategy 2: Embracing Digitalization and Digital Technology

- i. Training - to upskill and improve the digital marketing capability of property developers (marketing & sales teams), REHDA Institute will look into developing a suitable **Digital Marketing Transformation Initiative (DMTI)** through a certification programme in 2022 partnering with relevant universities and other partners.

Impact of Digital Marketing Spending and Digitalization



(Source: Industry Marketing & Sales Survey, REHDA Institute, November 2021)

- ii. Role of company management in digitalization - adopt and adapt to evolving new trends

- Needs to allocate an adequate budget for digital marketing & sales activities, including back-end sales administration tools etc.
- Updating and upgrading all sales & marketing tools and sales kits - from traditional marketing to adapting to a digital way of doing business, including digital marketing, i.e., social media platforms, virtual tours, e-signing, digital sales kit, etc.

“The Top 3 of the digital platform used to market and do their launches during the post-MCO period are i) Social media/networking, ii) Virtual technology (Virtual tour & Virtual showroom) and iii) PropTech.”

(Adapted: Survey On Impact Of COVID-19 Pandemic and Post-Movement Control Order (MCO) On Property Industry, REHDA Malaysia, 2020)

- Provide awareness and education to the employees

“The digital ecosystem will be improved to accelerate the growth of the digital content industry. Awareness programmes will be undertaken to promote digital content related opportunities, particularly among youth.”

(Adapted: Twelfth Malaysia Plan, 2021-2025)

- iii. More incentives or grants - will be made available by the Government and relevant agencies for the digitalization initiatives of companies (including SMEs which also consist of small and medium-sized developers).

“Under the 2022 Budget, the Government would increase the Digitalization Grant Scheme initiative for small and medium enterprises to RM200 million, with RM50 million reserved for Bumiputera micro-entrepreneurs in rural areas.”

(Adapted: Budget 2022: Govt to ensure people not left behind by digitalization wave, The Edge Markets, 30 October 2021, <https://www.theedgemarkets.com/article/budget-2022-govt-ensure-people-not-left-behind-digitalisation-wave>)

Strategy 3: Government Role Towards Continued Economic Recovery

- i. Proper inter-agency coordination, policy alignment and communication, between Federal, State and Local Authorities – to develop consistency in Government policies for the whole industry
- ii. Government bodies and Ministries need to be more open in compiling good quality and high-quality data to be shared with the industry.

“A data centre on housing, integrating relevant data from the Federal and state governments as well as private developers will be established to strengthen the institutional capability. Big Data Analytics (BDA) will be leveraged to facilitate evidence-based policy formulation in developing housing projects.

(Adapted: Twelfth Malaysia Plan, 2021-2025)

- iii. Works closely with the developers to identify the hurdle and challenges of the property industry, mainly in clearly unsold stock.

- Due to changing consumer property purchasing and usage trends, more effective consumer market research needs to be done by the Government and developers nationally - understanding buyers' behaviours, needs, and preferences will lead to the right product and location.

“It is imperative the marketing and sales team are integrated with the product development teams, in terms of knowledge and communication to develop successful developments that are demand-driven as the sales team deals with prospective clients every single day and have a good gauge on evolving property market and demand trends.”

(Source: Industry Marketing & Sales Survey, REHDA Institute, November 2021)

- iv. We have trust in the Government that they will do what is necessary to improve the broader economy (reducing underemployment, reducing unemployment) and over such a period, more home buyers will have a better ability to commit to homeownership.

CHAPTER 5

CONCLUSION

- i. Three (3) key issues faced by the Marketing & Sales industry were identified based on the Industry Marketing & Sales Survey and Focus Group Discussion (FGD):
 1. Firstly: End-Financing Challenges Relating to Financial Institutions in Malaysia;
 2. Secondly: Slow and Lack of Digital Technology Adoption from Property Developers in Malaysia;
 3. Thirdly: Negative Buyers' & Market Sentiment and Pressure from External Market Forces.

- ii. Three (3) proposals and recommendations were highlighted in this study:
 1. Firstly: Improve Access to Home Financing for Home Buyers;
 2. Secondly: Embracing Digitalization and Digital Technology;
 3. Thirdly: Government Role Towards Continued Economic Recovery;

- iii. REHDA Institute will look into a Digital Marketing Transformation Initiative (DMTI) which is a digital marketing certification programme planned for 2022 with several partners to assist property developers and the whole property marketing and sales ecosystem towards digitalization.

