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**CREATING VALUE AND
DIFFERENTIATION
FOR REAL ESTATE
DEVELOPERS**

**CUSTOMER FIRST, LIFESTYLE
LED, DATA DRIVEN**

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EXECUTIVE SUMMARY

Residential real estate developers across the Middle East need to focus on customer experience, which will boost the value of their products and services so they can differentiate themselves further from their competitors in a maturing market. Although

customer experience is already the core differentiator in the market, developers must now go further and offer data-driven, highly customer-centric experiences. This change should mirror the transformation that took place in the retail sector over the past few years.

A COMPETITIVE MARKET WITH CHANGING CUSTOMER NEEDS

Residential developers confront a maturing, competitive market, in which the value of their products is under pressure (see *Exhibit 1*). The entry of generation Z to the housing market as new tenants and homeowners is expected to add further pressure, given the difference between the expectations of these new digitally native customers and the less than digitally advanced state of the housing industry.

Much like their retail peers before them, residential developers need to differentiate themselves by offering a superlative customer experience that is driven by in-depth customer knowledge and enabled by data analytics. Developers can no longer compete largely on product delivery, price, or even sales and after-sales service.

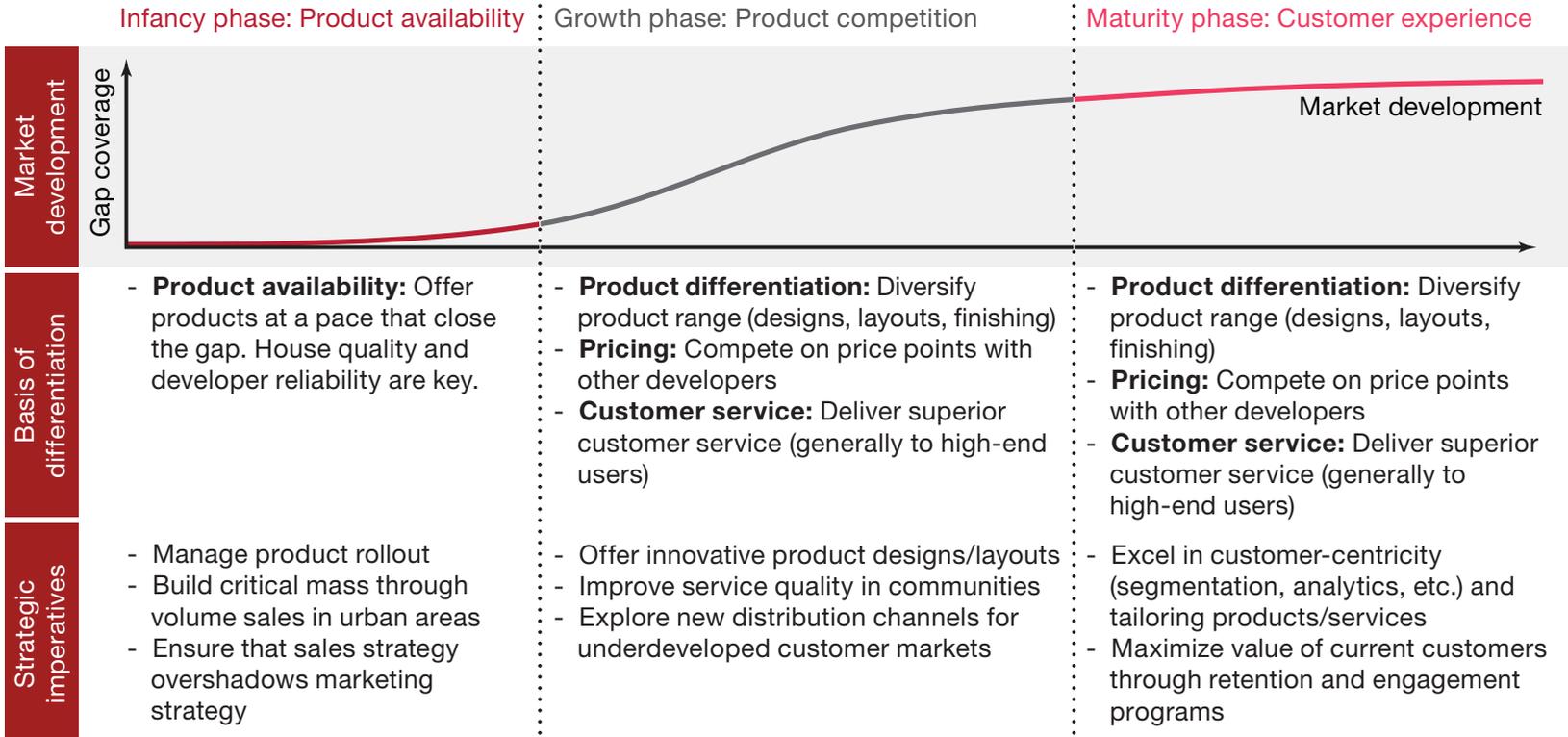
To stand out, developers need to provide personalized products and services for customers. These should be based on lifestyle factors, such as whether people are active or retirees by drawing on relevant data that provide meaningful experiences.

Residential developers should reflect on how retail players have adapted to the changes in clients' needs. Retailers shifted their focus from brick-and-mortar outlets to spaces that stressed experience and omnichannel sales, all the while reinforcing customer loyalty and increasing revenues from these customers.

Exhibit 1

As the market matures, the focus is shifting from product differentiation to customer experience

Focus and differentiation basis are based on market maturity



Source: Strategy&

A changed mindset for a new era

To take the customer experience to the next level, real estate developers should start with a more tailored product development approach, exploiting micro-segmentation of their customer base. They should also take cues from other service-oriented industries, such as the retail and hospitality sectors, to broaden and personalize their services and extend the relationship with customers beyond the sales period (see *Exhibit 2*). Moreover, they should explore differentiation through the use of innovative technologies such as the metaverse (the network of connected 3D experiences).

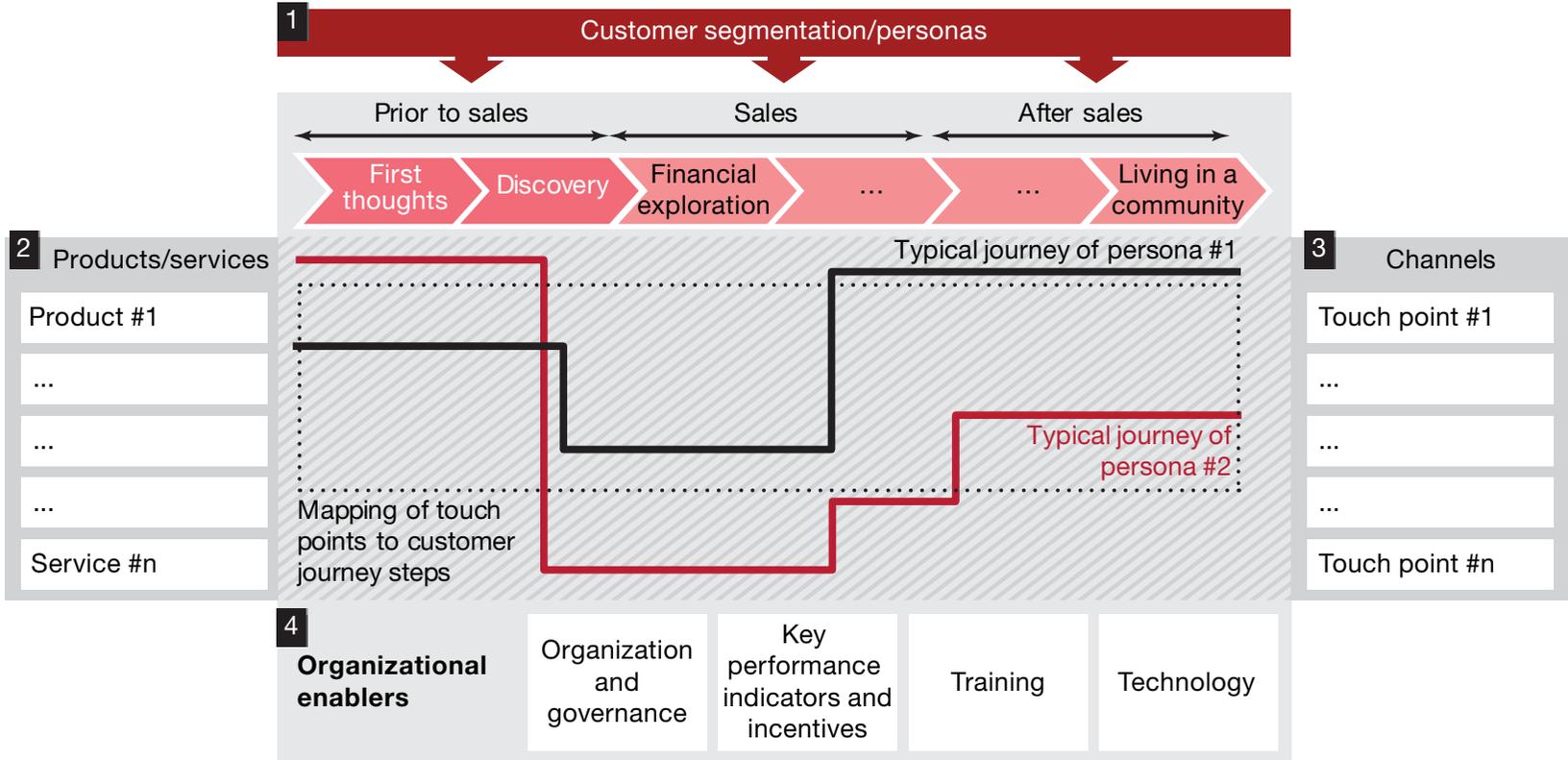
Working in this way requires a shift in mindset. Instead of swiftly moving from a completed development and looking to the next project, developers should nurture a longer-term relationship with the customer, which will extend the lifetime value of the transaction and provide sustained income through more varied sources. It is an approach that builds value by allowing for higher yet sustainable product prices.

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Exhibit 2

The four typical customer experience elements



THREE WAYS AHEAD FOR DIFFERENTIATION AND MORE VALUE

Developers have three ways to differentiate themselves and add value:

- Personalization of products through micro-segmentation of the customer base
- Data-driven expansion of services
- Exploration of innovative technologies

1. Personalization of products through micro-segmentation of the customer base

Developers have to rethink their customer segmentation given the rapid changes in their customers' lives, be it increasing expectations of rich digital interactions or the shift to working from home. No developer should be content with traditional market segmentation restricted to age and income levels. Instead, every developer should deepen its segmentation to capture new dimensions, including interests such as sports activities and specific social behavior. Such micro-segmentation allows for the development of smaller but more targeted markets, echoing the shift of the retail business from large malls to smaller, themed spaces. The micro-segmentation will drive the development of tailored spaces and facilities based on customer data.

For example, some developers are offering co-living spaces tailored to young expatriate professionals, who might prefer to have larger communal spaces so they can meet new people, rather than larger individual living spaces. Some developers have already gone all the way to facilitating communities of tenants with common interests.

2. Data-driven expansion of services

Developers can offer tailored services to the market beyond physical spaces, following in the footsteps of hospitality brands. These could include bespoke concierge services for higher-paying clientele, or services supporting daily needs, based on lifestyle data and real-time feedback from existing and prospective customers. For example, Related Midwest in Chicago has teamed up with the app Hello Alfred to provide in-home services and experiences to residents, including move-in coordination and apartment setup, closet customization and organization, preparation of baby nursery space, dog walking and grooming, and pet daycare.¹

Also, developers can create loyalty programs to help them understand user preferences and behaviors, while offering rewards through partnerships and service discount programs with local businesses of interest. For example, Mori Living in Tokyo has an exclusive program for its residents, offering benefits such as discounts at high-end restaurants, bars, and luxury hotels; special membership rates at golf courses; and exclusive offers at luxury brand shops.²

These services build a closer rapport between developers and customers. They enhance the length of their productive relationship, creating a feedback loop, and build ongoing

customer advocacy—a vital tool in maintaining competitive advantage. Developers can use technology and data to find ways to cater to customers who are not particularly technology-minded or technology-inclined.

Developers can measure satisfaction, improve retention, and differentiate themselves by using data and customer knowledge to act on feedback and build their offerings. Continued feedback and communication will help them create products and services that are better suited to their customers.

3. Exploration of innovative technologies

The metaverse gives developers a significant opportunity. They can offer experiences to prospective and existing customers in established digital communities without needing a real-time physical presence. Developers can also gather relevant customer data for use in product development, marketing, and communication. Retail and interior design organizations are already using such technologies to provide virtual experiences to customers and nurture the relationship through the buying cycle, gathering valuable feedback and data along the way. This kind of engagement provides the opportunity to sell more and sell new products to existing customers, thereby increasing overall customer value.

Developers can use the metaverse to reflect real-life communities in virtual worlds, and so go beyond the offerings and activities of their competitors. The metaverse is a way of exploring such ideas as reinforcing community spirit, especially for the large number of people who spend their time in different homes or countries during the year. For example, residents could use the metaverse to participate remotely in activities with the rest of the community. Potential buyers could be introduced as holograms at real-life occasions at the development (for example, a BBQ) to give them a better sense of the community. Another example could be to develop a parallel community in the metaverse for existing residents to meet using their avatars, to socialize, or to play their favorite sports.

Such collaboration is already occurring and will only increase as more developers grasp the opportunities that this technology offers. For example, property developer Magnolia Quality Development Corporation will work with T&B Media Global Thailand to host its first imaginative virtual world in Thailand's Translucia metaverse.³

¹ Brenda Richardson, "Alexa Who? At Luxury Residential Developments, First-Class Concierge Services Are Simplifying Life," *Forbes*, June 23, 2019 (<https://tinyurl.com/y8dz7mk6>).

² Mori Living (<https://www.moriliving.com/en/>).

³ "T&B Media Launches 'Translucia' Metaverse, a Virtual World, Partnering with MQDC in Property—a New World First," *Bangkok Post*, September 30, 2021 (<https://tinyurl.com/4tuec9f3>).

GETTING THE RIGHT ENABLERS FOR SUCCESS

Developers need to review and reshape their organizational enablers, including data architecture and digital tools, to access the core benefits of powerful data and community-driven real estate.

Developers must take care to ensure compliance with, and to anticipate, regulatory requirements regarding ongoing collection and use of sensitive data that can be mapped to customer lifestyles, behavior, and life stages.

Developers' business intelligence units can analyze the data received and provide insights to the customer experience teams.

BENEFITS AND OPPORTUNITIES OF A DATA-DRIVEN, COMMUNITY-FOCUSED APPROACH

Developers that take a data-driven, community-focused approach can accrue three main benefits and opportunities.

1. A smoother sales experience

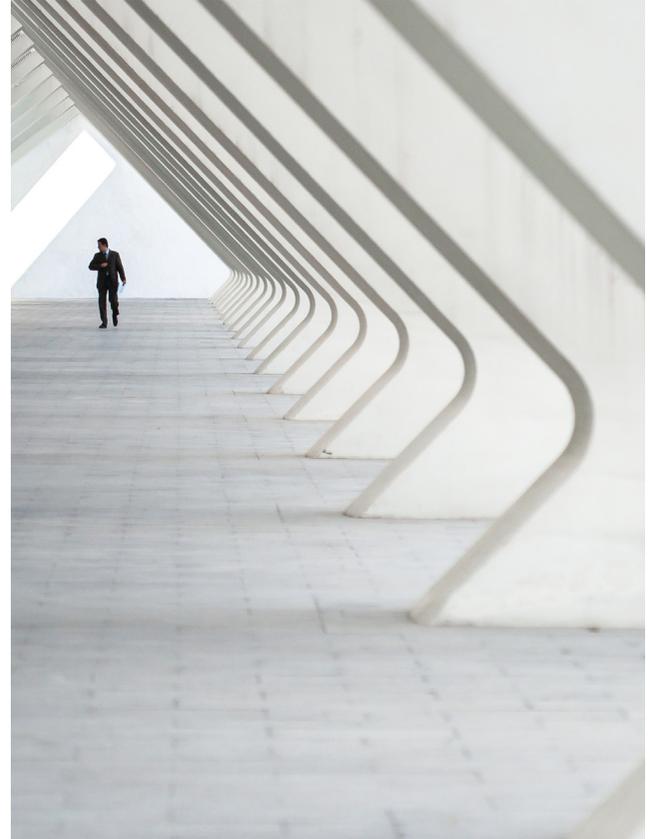
Individuals involved in communities tend to align with others of similar social interests. These attitudes make the experience of purchase and post-purchase easier, removing the pain points that customers often encounter. They also mitigate the fears that some buyers associate with the loss of their current sense of community, relationships, and environment. The improved sales experience is of great benefit to the developer and helps to start the long-term relationship.

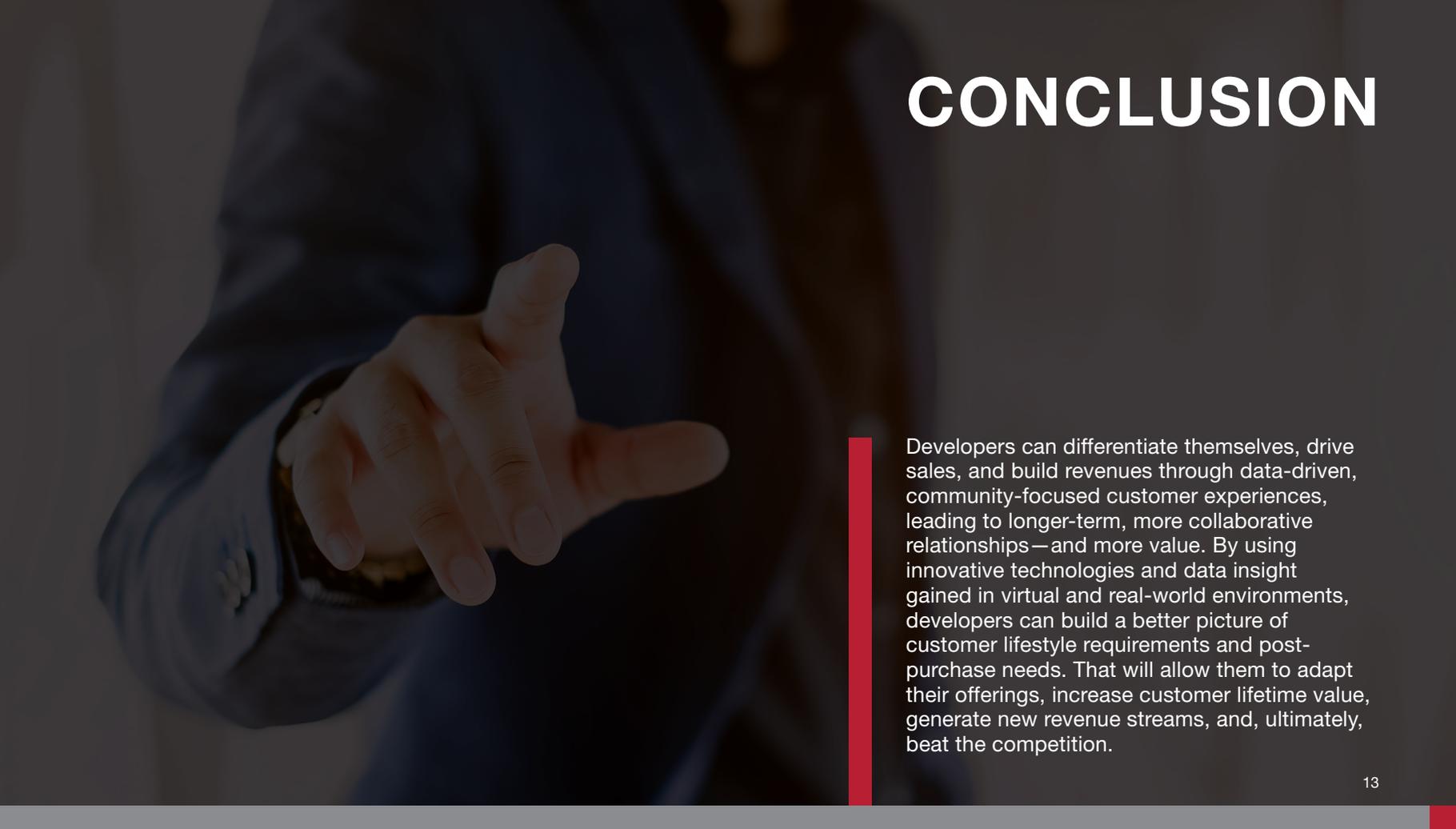
2. Customer retention and cross-selling

Developers creating a cohesive community around common interests and tastes can improve retention of residential buyers and rental businesses. Access to established digital communities provides valuable data, which will also help developers gather data on customers, enabling them to tailor products and services and build longer-term relationships. Micro-segmentation of customers through detailed data capture provides opportunities to sell new products to existing customers, and highlights areas for new product or service development.

3. Compounding value creation

Beyond creating niche product offerings, these approaches can generate value from a development project at an earlier stage. Value will be built within the community before the development is completed, rapidly growing the sales volumes by increasing perceived and real value. Customers could turn into advocates for the development, which would help promote the developer and its services to a wider audience, extending its reach.





CONCLUSION

Developers can differentiate themselves, drive sales, and build revenues through data-driven, community-focused customer experiences, leading to longer-term, more collaborative relationships—and more value. By using innovative technologies and data insight gained in virtual and real-world environments, developers can build a better picture of customer lifestyle requirements and post-purchase needs. That will allow them to adapt their offerings, increase customer lifetime value, generate new revenue streams, and, ultimately, beat the competition.



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