

CHAPTER 9

CONCLUSIONS AND RECOMMENDATIONS

9.1 CONCLUSIONS

This thesis aims to describe past structure of real estate business related to the growth of economy. Data analysis and survey were used in analyzing the structure of real estate business. Hence, the external factors affecting the business were examined by means of PEST analysis. Using a real case study of Chanakarn Real Estate Developer in Rayong province as a guideline in formulating strategies in order to survive during economic crisis. PEST and Porter's Five Force Model were used to identify the external factors related to Chanakarn. SWOT analysis was employed to define strengths, weaknesses, opportunities and threats in order to formulate strategies for Chanakarn under the economic crisis conditions.

9.1.1 Factors Affecting Chanakarn

From study of this thesis, two types of factors which affect the real estate business are, namely (1) external, and (2) internal:

9.1.1.1 External Factors

- (1) Overall Economic – Economic slump during crisis in generally decreased purchasing power for dwelling purchase.

- (2) Employment – During the economic crisis, the unemployment rate increases, some may be laid off or some may be paid lessen. Then the consumers tend to be more cautious on their spending, especially on products like 'houses' as they are

considered to be postponable consumption product. Hence, the purchasing power reduced.

- (3) Bank Policy – Many financial institutes were having troubles and a limit on credit extension, especially for housing purchases, was imposed by financial institutes all over the country. This worsened the dwelling market situation greatly.
- (4) Interest Rate – When the interest rate decreases, it can stimulate the purchasing power. But when the interest rate increases, the purchasing power reduces.
- (5) Prices – When supply is greater than demand, prices tend to decrease. Oppositely, when demand is greater than supply, price will then increase. Hence, this will attract more new projects development

9.1.1.2 Internal Factors

(1) Lack of skilled labours- causing poor quality house construction, and inducing reworks that caused the company a lot of money and resources in collection of the error made.

(2) Marketing Research- lacking of marketing research made Chanakam hard to capture some specific characteristics of housing market at present and also in the future. It may cause Chanakam to lose its market share, if this weakness has not been improved.

(3) Financial Planning – Chanakam is an entrepreneur – dominated business. Business is running on the owner's experiences. However, with this economic problems, the company needed to have a systematic planning for financial management, in order to maximize the profit from limited financial source.

9.1.2 Strategic Plan for Chanakarn

Under the assumptions of economic decreasing, stricter bank policies, instability of employment, the higher interest rate and the higher housing price in the present market. A strategic plan can be developed as following:

9.1.2.1 Financial Strategies

- Find a way to improve cash flow of the company. For example, plays share between a group of reliable friends, or extend payment term to the suppliers.
- Increase Customers' Awareness of strong points of the project, in financial aspect.
- Increase economies of scales to get the lowest cost.
- Encourage the customers to transfer houses earlier
- Set a systematic financial plan

9.1.2.2 Construction Strategies

- Reduce the size or phase of constructions
- Work closely with the sub-contractors, in order to control the construction tasks
- Increase construction productivity
- Apply new technology – use of Prefabrication
- Focus on cost control
- Hire more skill labours

9.1.2.3 Marketing Strategies

- Adjust the Selling Points, to emphasis on the reliability of the developer.
- Find a market niche, using the old customer information as a based. After sales service will always impress the resident or customers, hence if they satisfied with the service, hopefully that they will promote the company to relatives and friends words of mouth.
- Good relations with customers.
- Focus on building and selling small houses.
- Conduct a marketing research.
- Acquire cost leadership.
- Be flexible to meet customer requirements.

9.1.3 A Strategic Planning Guideline for Real Estate Development during Economic Crisis can be summarized as following:

- (1) Compare the structure of real estate business between the economic increasing and economic decreasing. Study what are the major factors which may have an affect on real estate business, and how do they affect the business.
- (2) Analyze the status of real estate business at present. This can be done by site surveying in order to analyze the housing market. Study what is real estate likely to be in the future.

- (3) Use PEST Analysis, Porter's Five Force Model and SWOT analysis as tools for both external and internal environmental scanning.
- (4) Using the results from SWOT analysis, to set up a TOWS matrix. Hence, it can be used for formulating a strategic plan.

9.2 RECOMMENDATIONS

(1) Strategic Planning Guideline Can be used for other companies

A strategic plan developed by using tools such as SWOT analysis, PEST analysis and etc. This can be used as a guideline for other projects. However, each project has its own characteristics of strengths, weaknesses, opportunities and threats, therefore in order to get an efficient plan, all analysis has to be done step by step.

(3) Difficulties and Limited of Time for Studying

As a full-time graduate student, the researcher had only three months for survey, this might not be long enough to give a clear picture of housing market in Rayong. Therefore, longer time for survey will give a better and more accurate results.

There was no evidence of any organizations, which obtain all necessary data, such as demand and supply for housing in Rayong. This data could be very important to those who want to launch their new projects in Rayong.

Furthermore, the Government Agencies should realize the importance of data, in order to prevent over-investment of property developers in the future.