

Business development strategy for the property sector after the COVID 19 pandemic in region-owned company subsidiaries of DKI Jakarta Province

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ABSTRACT

Keywords:

Business Development

IE Matrix

IFE EFE Matrix

SWOT

QSPM

The Covid-19 pandemic has led to a decline in property prices, with the property price index dropping from 209.8 points in 2019 to 187.43 points in 2020. The property sector in Indonesia is one of the sectors affected by a significant decline. Therefore, companies need to formulate business development strategies from the three business lines to improve their performance. The purpose of the study is to analyze internal and external factors that affect the business strategy of PT XYZ and to prioritize the most effective business development strategy for the company to adopt in response to changes in the property sector. The results of this research are expected to be applied as an alternative strategy in conducting business development in the future.

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INTRODUCTION

The property sector is a crucial component of Indonesia's economy, encompassing real estate such as houses, land, and buildings, with the term "property" now specifically referring to immovable assets like land and buildings (Harjono, 2016). The property sector serves as a significant driver of economic activity, catalyzing growth in related sectors (Muka, 2021). Indonesia's vast land area and large population present a substantial market for property products, with the sector contributing 3 percent to GDP in 2020, and 6.21 percent in DKI Jakarta alone. Property development has consistently increased, particularly in major cities, driven by factors such as stable economic growth, infrastructure development, technological advancements, demographic growth, and ease of property ownership credit (Ji et al., 2020). However, the Covid-19 pandemic has led to a decline in property prices, with the property price index dropping from 209.8 points in 2019 to 187.43 points in 2020. In Jakarta, the property sector shows signs of oversupply, particularly in office and apartment spaces, with occupancy rates below 70% despite a significant increase in supply.

This was exacerbated by the occurrence of the Covid 19 pandemic which began to spread in Indonesia in early 2020. So that it had a big impact on the economy. The property sector in Indonesia is one of the sectors affected by a significant decline. The decline was experienced by the hospitality, rental, office space sales and apartment sales and rentals sector. Lowardi & Abdi (2021) showed that the covid 19 pandemic had an impact on the performance and financial condition of public companies in Indonesia's property sector. S. N. Dewi et al. (2021) shows that Covid 19 has an impact on the property business, especially in the form of declining property purchases and demand, as well as a stagnation in the distribution of homeowner loans (KPR). Bank Indonesia's data in 2022 shows a slowdown in rental and sales growth in offices, retail, apartments, and hotels. The slowdown began in the 4th quarter of 2020. This happened after the government implemented restrictions on community activities in order to prevent the transmission of Covid 19 in early 2020. The impact of the regulation made a decrease in property growth in Q4 2020 for renting and selling office space by 2 percent. For hotels, the decline has started in the 1st quarter of 2020 significantly by 16.56 percent.

The property sector makes a significant contribution to Jakarta's economy. The Covid 19 pandemic has had an impact on the property sector in DKI Jakarta, this is reflected in the growth of property in DKI Jakarta which is not much different from the condition of property growth nationally. Bank Indonesia data shows that office space rental and sales growth slowed down by even minus 1.87 percent in Q4 2020, while hotel

occupancy of minus 13.72 percent occurred since Q1 2020. This is the impact of government policies, namely restrictions on community activities in order to prevent the spread of the virus. The hotel sector experienced a faster recovery compared to office space in Q2 2021. This is shown in positive growth data of 81.43 percent compared to the previous quarter due to the easing of the lockdown policy. The growth of property in DKI Jakarta is illustrated in detail in Table 1.

Table 1. Property Growth from the First Quarter of 2020 to the Second Quarter of 2022 in DKI Jakarta

	2020				2021				2022	
	I	II	III	IV	I	II	III	IV	I	II
Office										
Rent	2.14	1.04	0.14	-1.87	-2.89	-2.83	-2.90	-0.96	-0.37	0.19
Sell	0.68	0.68	0.68	0.68	0.68	0.68	0.68	14.75	14.73	14.73
Retail										
Rent	-0.21	-0.84	-0.84	0.20	1.15	1.78	1.54	1.50	0.86	0.94
Sell	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Apartment										
Rent	-10.20	-31.45	-40.57	-37.17	-25.35	0.30	9.70	25.21	18.52	18.03
Hotel	-13.72	-71.59	-68.47	-66.40	-52.27	81.43	14.57	148.96	105.17	114.48

Source : Bank Indonesia (2022)

The Covid-19 pandemic has had an impact on the property sector in DKI Jakarta. Property companies in general experienced a contraction due to the effects of the pandemic, in the form of weakening demand for property products such as office space, apartments, and landed houses. Changes in the economy and business environment that occur during and after the pandemic must be addressed wisely. During the pandemic, the government implemented a policy of restricting community activities, causing significant changes to the business environment, namely the increasingly massive use of technology and becoming a new habit. These trend changes require property sector players to be more adept at adapting to the business environment.

According to data from Knight Frank Indonesia (2021), there are around 2 million square meters of empty office space in the Central Business District (CBD) of Jakarta. Meanwhile, the absorption of office space in Jakarta's CBD in 2021 decreased to minus 97,047 square meters. Apartments and hotels are also experiencing the same thing, data from Colliers International Indonesia (2020) shows that the total apartment absorption as of September 2020 is only 1,382 units. This number is far different from September 2019 of 4,682 units. Meanwhile, the total supply of apartments reached 212,593 units. The occupancy rate of hotel rooms in Indonesia was still relatively low during the pandemic, during October 2021 the occupancy rate was only 45.62% (BPS, 2021).

Property companies during the pandemic are facing tough challenges. The pandemic caused a decline in economic performance. This is reflected in Indonesia's economic growth figure in 2019 reaching 5.02%. During the pandemic, the economy experienced a significant contraction where the economic growth rate was minus 2.07% in 2020. In 2021, with the beginning of the subsidence of the spread of Covid 19 and an increase in the number of people vaccinated. This encourages economic activities to start running so that economic growth increases to 3.69% in 2021 (BPS, 2021).

PT XYZ is a company engaged in the property sector and has been established since 27 years ago. The company's main business scope is categorized into three main business lines, namely property development, property services, and property partnership. This is supported by the company's internal factors, namely land ownership, which is mostly located in the DKI Jakarta area, especially East Jakarta. The company's performance is still dominated by the property development business line, so the portfolio is quite risky. Demand for vertical housing has declined drastically due to the pandemic, causing an effect on companies with a decrease in revenue. Figure 1 presents the composition of revenue in the budget work plan and realization for 2019-2022.

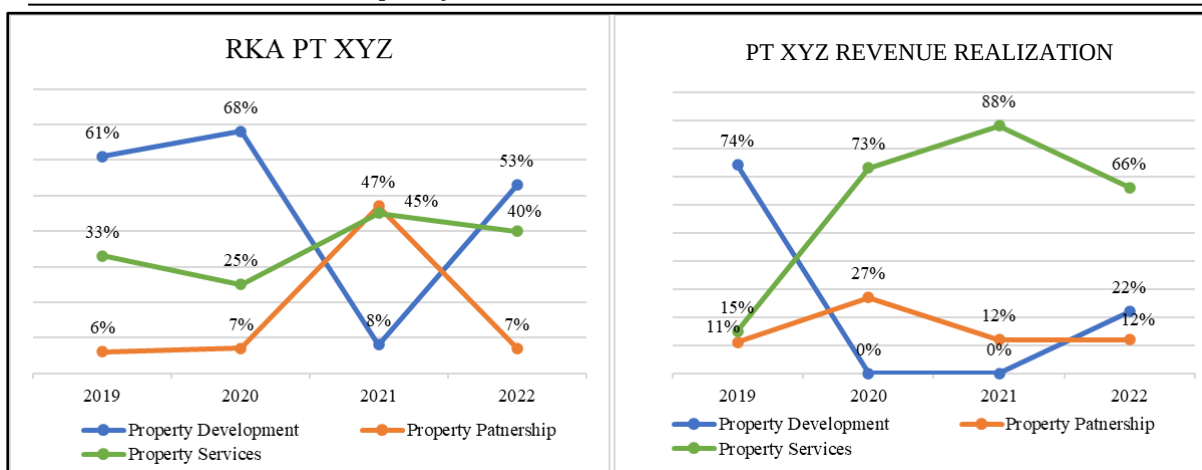


Figure 1. Revenue Composition in RKA and Realization in 2019 - 2022

Source : PT XYZ (2022)

The composition of revenue in the company's budget work plan is dominated by revenue from property development, the average contribution of the business line is above 50 percent of the company's total revenue, while the company's revenue realization is dominated by property services with an average contribution of more than 60 percent, even the contribution of revenue from property development during the Covid 19 pandemic is non-existent.

Currently, the company's strategy is more focused on the property development business line. This is because the revenue received is large and fast, so it can improve performance quickly. However, problems arose during the pandemic due to a significant decrease in demand for property products, causing a decline in the company's performance. The contribution of revenue from property services and property partnerships has not been optimal. In fact, both business lines have the potential to be developed so that they contribute more to the company's performance. Revenue from both business lines is more stable because recurrent income is relatively small compared to income from property development. The challenges of the property services and property partnership business lines in its development require large investments, but the investment cannot be fully returned after the project is completed like in property development. Therefore, companies need to formulate business development strategies from the three business lines to improve company performance.

Several studies have employed SWOT analysis to address various business challenges. Ambodo (2019) examined PT ABC, finding that the company's sales and business performance issues were due to initial business unpreparedness, leading to recommendations for improving inventory management, regularly updating licensing, enhancing sales incentives, expanding market share, and boosting after-sales service. Budiman et al. (2020) focused on the impact of fintech and startups on Bank ABC, recommending the development of digital banking to adapt to changing consumer behavior. Mahendra et al. (2020) conducted a study on PT Adhi Perkasa Properti, identifying regulations as the primary threat, while highlighting opportunities such as economic growth and advancements in information technology. Additionally, Azmadahadid et al. (2020) explored a property company's performance decline, suggesting strategies such as rebranding, increasing promotional activities, and improving consumer relations to enhance performance post-acquisition. Ongkowijaya (2019) and Padang & Syarvina (2022) both focused on formulating competitive strategies for property companies, recommending intensive market development strategies and resource management to strengthen competitive positioning.

To prioritize business strategies, the Quantitative Strategic Planning Matrix (QSPM) has been used effectively in several studies. Saptowulan (2022) applied QSPM to PT ABC's natural gas distribution strategy, identifying product development and market penetration as top priorities. R. N. Dewi (2018)'s research on Salon XYZ suggested expanding market share by opening new outlets based on a QSPM analysis. Rachadian (2018) analyzed PT Pembangkit Jawa Bali (PJB) and recommended strategies to increase operational reliability to counteract a declining market share. Across these studies, a common methodology is evident: SWOT analysis is complemented by the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) methods to assess internal and external factors, respectively, with the Internal-External (IE) matrix used to determine business position and QSPM to guide strategic decision-making.

The purpose of the study is to analyze internal and external factors that affect the business strategy of PT XYZ and to prioritize PT XYZ's business development strategy in facing business changes in the property sector. The research contributes by providing a comprehensive analysis of the internal and external factors influencing PT XYZ's business strategy, and by identifying and prioritizing the most effective business

development strategies for the company to adopt in response to changes in the property sector. This helps PT XYZ navigate the evolving market landscape and make informed decisions that enhance its competitive positioning and long-term success.

METHOD

This research was conducted at PT XYZ which is located in the DKI Jakarta area. This research will be carried out during the months of Oct-Dec 2023. The research design used is a mixed method, namely research based on a combination of quantitative and qualitative. The data sources used are primary data and secondary data. Primary data were collected by observation, in-depth interviews and questionnaires that had been systematically compiled and distributed to several samples representing this study. Secondary data is data information and documents from PT XYZ. The analysis tools used to help analyze the data in this study include Descriptive analysis, IFE-EFE Matrix, Internal-External Matrix, SWOT analysis, and Quantitative Strategic Planning Matrix (QSPM) analysis.

Table 2. Research Data Sources

Data Type	Data Source	Information
Primary		
Identification of Internal Factors (The McKinsey 7s Framework)	Observation	Division of Finance, Risk Management, Corporate Planning, Commercial, Corporate Transformation Office, and Experts in the Property Sector
Identification of External Factors (PESTEL Analysis)	Interview	
Identify Business Strategy	Questionnaire	
Secondary		
Overview of PT XYZ	Literature Studies	Company Annual Report, SOP, Guidelines/Policies and Documents related to PT XYZ

RESULTS AND DISCUSSION

Analysis of the Company's Internal Environment

The Mc Kinsey 7s Framework was developed by Waterman Jr. et al. (1980) in the early 80s, if an organization wants to succeed, it must be able to harmonize the seven internal factors contained in it, namely (1) Strategy, the company's plan in responding to or anticipating changes. (2) Structure, formal framework of the organization. (3) Systems, daily effectiveness and procedures related to employees in completing their work. (4) Skill, what the company can do very well. (5) Staff, human resources in the company. (6) Style, related to management. (7) Shared Values, the basic idea of building a business.

Table 3. McKinsey Analysis

Element	Strength	Debilitation
Strategy	Portfolio diversification	Strategy depends on a specific line of business
Structure	Organizational Restructuring	Fast-changing organizational structure
System	There are SOPs, Guidelines and IT Systems of the company	The cost of system development is expensive and the implementation is difficult
Skill	Commitment to human resource development	Limited budget for human resource development
Staff	Human resource demographics	Employee regeneration process
Style	Experience, expertise and background of the management team	Management changes frequently
Share Value	Corporate values are clearly described	Lack of internalization of corporate value

After an internal analysis using The Mckinsey 7s Framework approach, the company's internal strengths and weaknesses were obtained, then weighting was carried out on the strengths and weaknesses factors, so that the IFE (Internal Factor Evaluation) Matrix of PT XYZ was obtained with a total score of 2.40. The biggest

strength is portfolio diversification with a score of 0.36. Meanwhile, the biggest weakness with a score of 0.18 is the strategy depending on a certain business line.

Analysis of the Company's External Environment

PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) external factor analysis is a systematic method to understand the influence of factors beyond the company's control on the business environment

Table 4. PESTEL Analysis

Element	Opportunity	Threat
Politics	Government Policies that Support the Property Sector	Policies change quickly and synchronization between the central and regional governments is difficult
Economics	Government Borne VAT Policy (PPN-DTP) Home	Interest Rate Hike
Social	Population Demographics	Urbanization
Technology	Development of Information Technology	Expensive IT Development Costs and Limited Experts
Milieu	Government Policies Related to Green and Environmentally Friendly Buildings	Jakarta Land Subversion
Law	One-Stop Licensing System	The Number of Permits and the Complexity of the Licensing Process

After an external analysis using the PESTEL approach, the company's external opportunity and threat factors were obtained, then the weight of the opportunity and threat factors was carried out, so that the EFE (External Factor Evaluation) Matrix of PT XYZ was obtained with a total score of 2.33. The biggest opportunity is government policies that support the property sector and the development of information technology with a score of 0.41. The biggest threat with a score of 0.21 is the subversion of the land in Jakarta.

IE Matrix

The IE Matrix is one of the stages to find out the business position of PT XYZ which is based on the IFE and EFE Matrix scores. IE Matrix The IFE matrix has a total score of 2.40 and for the EFE Matrix of 2.33, so the position of PT XYZ can be classified in the following figure:

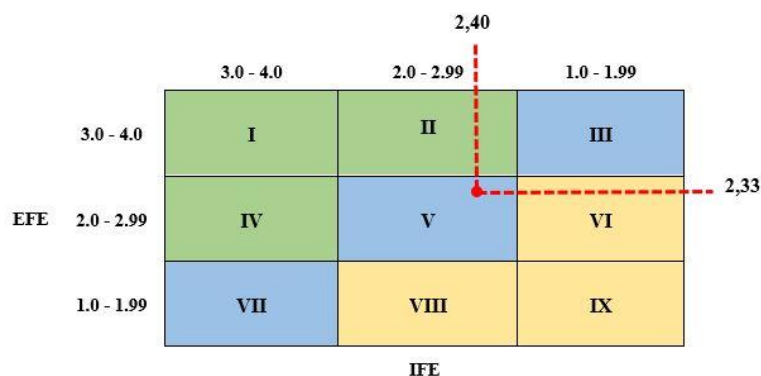


Figure 2. Matrix IE PT XYZ

Based on the position of PT XYZ in the V quadrant (Maintain and Maintain) in the IE (Internal-External) matrix, where the company has high internal strength and faces low external pressure, the right strategy to execute is to improve product and service quality, market development, improve operational efficiency, strengthen customer relationships, product innovation, investment in technology, human resource development.

SWOT Analysis

Table 5. SWOT PT XYZ Analysis

FACTOR	INTERNAL FACTORS	STRENGTH	WEAKNESS
		1. Portfolio Diversification	1. Strategy depends on a specific business line
		2. Organizational Restructuring	2. Fast-changing organizational structure
		3. SOPs, Guidelines and corporate IT systems	3. The cost of system development is expensive and difficult to implement
		4. Commitment to human resource development	4. Limited budget for human resource development
		5. HR Demographics	5. Employee regeneration process
		6. Experience, expertise and background of the management team	6. Management changes frequently
		7. Corporate values are clearly described	7. Lack of internalization of corporate value programs
OPPORTUNITY		S-O STRATEGY	W-O STRATEGY
1. Government Policies that Support the Property Sector		1. Utilizing government support by offering projects with green and environmentally friendly building concepts (S1, S6, O1, O5)	1. Prepare the Grand Design of PT XYZ for the next 5 to 25 Years, which includes a business plan and resource needs (W1, W2, W6, O1, O2, O3, O6)
2. Government-Borne Value Added Tax (VAT-DTP) Policy for Houses		2. Improving Service to Consumers by Adopting IT to realize Service Excellence (S2, S3, S4, S6, O1, O3)	2. Focus on utilizing technology to optimize company performance (W3, O4)
3. Population Demographics		3. Establish good relationships with stakeholders and take advantage of these relationships to see further business opportunities (S6, O1, O6)	
4. Development of Information Technology		4. Encourage an increase in the company's recurring income (S1,O2)	
5. Government policies related to green and environmentally friendly buildings			
6. One-Stop Licensing System			
THREAT		S-T STRATEGY	W-T STRATEGY
1. Policies change rapidly and synchronization between the central and regional governments is difficult		1. Create and improve the company's Brand Image and its products (S1, T1)	
2. Interest rate hikes		2. Create programs so that employees are more adaptive to internal and external changes that have a direct impact on the company (S5, S6, T1, T2, T5, T6)	
3. Urbanization			
4. Expensive IT Development Costs and Limited Experts			

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5. Jakarta Land Subversion
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6. The number of permits and the complexity of the licensing process
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QSPM Analysis

Table 6. PT XYZ QSPM Analysis

Rank	BAG	Alternative Strategies
1	6,95	Establish good relationships with stakeholders and leverage those relationships to see further business opportunities
2	6,88	Encourage an increase in corporate revenue that is recurring (Recurring Income).
3	6,71	Drafting the Grand Design of PT XYZ for the next 5 to 25 Years, which includes a business plan and resource needs
4	6,05	Create programs to make employees more adaptive to internal and external changes that have a direct impact on the company
5	5,20	Improve Service to consumers by adopting IT to realize Service Excellence
6	5,19	Taking advantage of government support by offering projects with green and environmentally friendly building concepts
7	5,12	Creating and improving the company's Brand Image and its products
8	4,44	Focus on utilizing technology to optimize company performance

Managerial Implications

Seeing the complexity of the company, there are 3 strategic priorities that can be implemented to improve performance in the early stages. The three strategic priorities are described as follows:

- 1) Establish good relationships with stakeholders and take advantage of those relationships to see further business opportunities.
 - a. Conducting a high and best use (HBU) study on the land owned by PT XYZ
 - b. Establish communication with stakeholders, especially strategic partners, on a regular basis, both informally and formally.
- 2) Encourage an increase in corporate revenue that is recurring (Recurring Income).
 - a. Increase recurring revenue by optimizing assets and operating independently,
 - b. Enhance strategic cooperation with partners,
 - c. In developing assets, not all are sold but partially utilized.
- 3) Prepare the Grand Design of PT XYZ for the next 5 to 25 years which consists of future business plans and resource needs.
 - a. Collaborate with consultants to develop and formulate PT XYZ's business strategy in the medium (5 years) and long term (25 years).
 - b. Monitoring and reviewing the business strategy that has been set every 2 or 3 years, so that if there is a change in the environment and business strategy, updates will be made and there is still time to adjust it.

CONCLUSION

The business strategy of PT XYZ is influenced by internal factors such as portfolio diversification, information technology adoption, and human resource development, with portfolio diversification being its main strength and reliance on a specific business line as its primary weakness. External factors include government policies, Bank Indonesia's interest rates, and environmental conditions, where supportive government policies and technological advancements present opportunities, but the subsidence of Jakarta's land surface poses a significant threat. Positioned in the "hold and maintain" quadrant, PT XYZ's strategic priorities involve strengthening relationships with stakeholders, increasing recurring income, and developing a long-term grand design for the next 5 to 25 years. Future research should include perspectives from various stakeholders to enrich the analysis of business strategy.

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