

HOUSING.COM: MARKETING A SERVICE OFFERING

Astha S. Gupta and Kirti Sharma wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On the evening of December 7, 2014, Advitiya Sharma, chief marketing officer of Housing.com, an online real estate listing company in Mumbai, India, was thinking about his meeting with brokers¹ earlier that afternoon. The innovations in services that Housing.com provided based on consumer insights, novel products, and a three-dimensional view of every property listed made it a unique and consumer-oriented business. With the use of technology, Housing.com verified the intention and authenticity of every listing on the website. Despite proving itself as a threat to big players in the online property portal space, it was struggling to establish itself as a preferred option among the brokers. Data was the biggest strength of any company in this industry. The business model was complex. Conflicts of interest between the two key segments — sellers (i.e., brokers, builders, developers, and landowners who listed property online) and buyers (i.e., end-users who searched the website for houses or property) — were a matter of concern for Housing.com. What should be done to encourage more listings on the website by the seller segment? How should the website manage traffic and encourage more visitors? What should it do to win the trust of both segments? Sharma was contemplating possible answers to these questions. Where was the company lacking in providing a world-class solution to deal with the problem of information asymmetry and transparency built into the Indian real estate industry?

REAL ESTATE INDUSTRY IN INDIA: AN OVERVIEW

In the 1991 post-liberalization period, India's real estate industry started to boom as a consequence of an increase in business opportunity and labour margins. The Indian real estate sector was dominated by small regional players with low levels of expertise and informal sources of financing. The industry was highly fragmented, and there was a lack of transparency. This scenario had undergone a change by the end of 2014; the industry dynamics reflected consumers' expectations of high quality as a result of India's increased integration with the global economy. The Indian real estate market was expected to grow to US\$180 billion² by 2020.³

¹ The term 'brokers,' as used in the case, implies real estate agents.

² All dollar amounts are in U.S. dollars. For all conversions from Indian rupees (₹) to U.S. dollars (\$), the conversion rate of US\$1 = ₹62.5 has been used as per April 19, 2015.

³ "Real Estate," India in Business, Ministry of External Affairs, accessed July 10, 2015, http://indiainbusiness.nic.in/newdesign/index.php?param=economy_landing/403/2.

Residential Real Estate

Real estate in India was comprised of property for residential, retail, hospitality, and commercial purposes. As of November 2014, the residential real estate industry alone contributed 5–6 per cent of the country's gross domestic product. This sector had seen stupendous growth in recent times, with the key reasons being population growth, large-scale migration to urban areas, increased job opportunities (especially in the service sector), a general increase in incomes, and easy availability of financing. However, there were huge gaps between demand and supply, as much unsold inventory remained with developers. New projects launched in the metropolitan areas of Mumbai, Delhi National Capital Region (NCR), and Bengaluru received poor responses. The developers had started postponing the launch of new projects.⁴ With the change in the national government in 2014, the rate of economic growth picked up, and with the resulting positive buyer sentiment, demand was expected to rise. It was also expected that this sector would attract more investments from non-resident Indians (NRIs) in the near future: a 35 per cent surge had been reported in the number of inquiries with property dealers made by interested NRIs.⁵ In such an environment, marketing could help developers win deals. This was where Sharma and his friends saw a business opportunity: to provide an authentic platform for buyers and sellers to interact with each other before closing deals.

Online Property Portal Business Model

The real estate business in India remained an unorganized sector. There was a lot of information arbitrage and asymmetry with no credible data on pricing; hence, there was a dire need for technology-based solutions. This gap had given birth to the online property portal market in the beginning of 2005. The market leaders were 99acres.com and Magicbricks.com, which entered in September 2005 and August 2006, respectively. Afterwards, the online real estate business started to grow, and a lot of other players entered the arena. Online real estate portals managed to garner around 3 per cent of total real estate industry transactions in 2014.⁶

In 2014, the property portal segment witnessed two-times increase in the number of deals compared to the previous year. Subsequently, the value of deals increased from \$19 million in 2013 to \$232 million in 2014.⁷ The business model was complex, wherein the websites charged subscription fees from brokers and developers for listing their properties on the portal. The brokers' contact details were also provided on the website so that interested consumers looking to buy or rent a property could contact them. The peer-to-peer service was free and the search feature attracted no charge. If brokers wanted to list properties, they were required to pay for it. This model made decision-making easier and quicker for buyers.

The brokers in India were not well educated; hence, their approach to business management often lacked professionalism. This aggravated the problem for Sharma, as the brokers treated such websites only as a medium to attract customers. Most brokers were driven by the desire to establish contact with buyers through websites and would then pursue the leads on their own. Their primary objective was profitability,

⁴ CRISIL Research, *India Real Estate Overview*, March 2010, accessed March 13, 2016, www.crisil.com/pdf/capitalmarket/Industry-content.pdf.

⁵ "Influx of NRI Investment in Real Estate Likely to Increase by 35% This Year: ASSOCHAM," The Associated Chambers of Commerce and Industry of India, September 12, 2014, accessed June 22, 2015, www.assochem.org/newsdetail.php?id=4685.

⁶ "Online Real Estate Biz at 3%, Growing Over 100% Annually," *Outlook*, December 7, 2013, accessed July 7, 2015, www.outlookindia.com/news/article/online-real-estate-biz-at-3-growing-over-100-annually/819965.

⁷ Priyanka Pani, "Real Estate + E-commerce = Winning Formula," *Business Line*, December 1, 2014, accessed April 19, 2016, www.thehindubusinessline.com/info-tech/online-real-estate-segment-sees-a-twofold-increase-in-2014-compared-to-2013/article6652282.ece.

not relationships within the market segment. The consumers, on the other hand, were sentimental about the place they intended to acquire and, because of the paucity of information, logged onto the website with an expectation of transparency. Evidently, the sellers' approach and the buyers' expectations were in conflict. The ground had shifted with the entry of Housing.com, as up until then, most of the players had provided information in the form of classifieds, with little or no emphasis on the authenticity of the listings.

Key Players

This industry was still in a nascent stage, where only a few players had emerged strong and committed. India, a country with a population of 1.21 billion⁸ was undoubtedly a promising market in this area, with online property portals working hard to gain competitive advantage (see Exhibit 1). The key players were as follows:⁹

99acres.com: This website was launched on September 15, 2005. It was part of Info Edge (India) Ltd., being the first in the industry; it also laid claim to the leadership position. In terms of total page views and time spent on the website, it was well ahead of its competitors with considerable margins. The company had 20 offices in 15 cities and generated over 15,000 leads every day (see Exhibit 2).

Magicbricks.com: Launched in August 2006, it was a subscription-based property portal and a subsidiary of Times Business Solutions Ltd., which had other online portals in areas such as jobs and matrimony.¹⁰ Based on a business model similar to that of 99acres.com, Magicbricks.com claimed to be among the market leaders. It had a presence in the global market as well. Magicbricks.com's design was based on rigorous research, which was the strength of the company.

Indiaproperties.com: Launched in 2006, this portal was initially owned by Bharatmatrimony.com, a match-making website. In March 2013, it became a separate entity called India Property Online Pvt. Ltd. It pioneered several innovations such as India's first online assisted property search service, Gruhapravesha, first virtual and offline property shows, and first augmented reality-based real estate mobile application, where properties could be searched through mobile devices.

Commonfloor.com: Launched in 2007, Commonfloor.com came fourth in line as a prominent player in the industry. It had steadily expanded its reach with a presence in 200 cities across the country by 2014. Commonfloor.com distinguished itself from its competitors through a specialized search service for apartments. It allowed residents to discuss their problems with the help of the apartment management software and provided important information on tax and property laws.

About Housing.com

Housing.com was launched in June 2012 by a group of 12 students from the Indian Institute of Technology (IIT), Bombay,¹¹ one of India's premier engineering colleges; the company was based out of Mumbai. Its unique selling proposition was its map-based search option. It was not just another portal that

⁸ "India's Population 2011," indiaonlinepages.com, accessed April 19, 2016, www.indiaonlinepages.com/population/india-population-2011.html.

⁹ The data about the key competitors was provided by the case protagonist.

¹⁰ "Matrimony websites," also known as "matchmaking websites," are popular in India and among Indian expatriates looking for a suitable partner. They are a variation of dating websites.

¹¹ "About IIT Bombay," Indian Institute of Management, Bombay, accessed July 28, 2015, www.iitb.ac.in/en/about-iit-bombay.

presented property listings as classifieds. It had taken a step ahead to pin the properties onto a virtual map that allowed the user to locate them. Housing.com was a late entry in the market, but due to value-added innovations in services, it was able to attract a good market share. As of December 2014, it had 20,000 paid brokers and 8,000 builders, with 180,000 developers as clients.

Idea Germination

Housing.com's chief marketing officer, Advitiya Sharma, was a self-professed small-town boy who hailed from Jammu. His father had been the first neurosurgeon in Jammu. Sharma remembered his father as someone who used to work endlessly training his staff and junior doctors; he was also eager to learn, improve, and keep himself up-to-date on the best practices of neurosurgery. Sharma's father's strong desire to learn and improve with the aim of serving others had shaped and inspired Sharma as well. Sharma had always wanted to become an engineer and had passed the entrance test and gotten into an IIT. However, he had soon realized that this was not the right fit for him; he wanted to do something more meaningful and exciting. He had met Rahul Yadav, a fellow student at IIT, and other promoters of Housing.com at IIT Bombay.

During their study years at IIT Bombay, Sharma and his friends were warned about the difficulty of finding a place to live after graduation. They, like others, logged on to websites such as 99acres.com to search for rented accommodation that suited their needs. When they contacted the brokers listed on the websites, they realized that the information presented on the websites was limited and inadequate in several ways. Most of the listed properties they inquired about were either fake or not available anymore. There was no guarantee of the authenticity of the listings on such sites.

They realized the huge potential in Mumbai's real estate brokerage business. Real estate was a basic necessity, an important part of everyone's life. In a highly populated country like India, there was a growing demand for residential properties. At that time, there was no efficiency, clarity, and, most importantly, transparency offered by existing online property portals. They figured that because they had a good network of prospective consumers among their IIT friends and classmates, they could also become brokers. They started as a real estate company in Mumbai with a business model similar to most property brokers. "The idea lived up to our expectations, and in a short span of two months, we started making good margins from the business," Sharma said. The company was initially operating in the same manner as its competitors based on the classified model. However, the idea of filling the existing information gap inspired it to create a more differentiated service offering. Hence in 2012, Sharma, Rahul Yadav, and 10 other friends got together, and Housing.com was born. From the outset, they realized that it would be difficult to raise funds.

Fundraising and Expansion of Housing.com

Sharma and Yadav shared their idea with investor Zishaan Hayath, an IIT alumnus, and his friends, who were fascinated by it and decided to put a collective amount of approximately \$80,000 into the business. It was then that the team launched its map-based property search application, where potential renters could locate properties in their preferred locations. A second round of investment followed, led by former Network18 CEO Hareesh Chawla, who acted as another angel investor; in March 2013, he invested \$2.7 million.

Round three of investment in June 2013 brought in \$2.5 million from Nexus Venture Partners; that firm spent \$1 million and acquired the Housing.com domain and a hotline number made up almost entirely of threes.¹² Sharma thought the investment was worth it, as the portal would be used by Tier 2 city consumers as well, and the hotline number was easy to remember. With this, Housing.com started investing in expansion, people, and technology.

Round four of investment took place in November 2014, when SoftBank Internet and Media Inc. of Japan decided to invest \$90 million for a 38 per cent stake in the company. Housing.com's future plan was to use these funds to map over 40 million houses across 300 cities in India.

By the end of 2014, the company's net worth was \$250 million. Housing.com generated listings of over 400,000 properties in 45 cities, attracting 80,000–100,000 new visitors daily with an average of 18 minutes spent on the website per visitor. The company had a loss of \$7.5 million during the fiscal year ending March 2014. Expenses included employees' salaries totalling \$3 million and advertising expenses of \$2 million. The company had 1,557 employees. Its operational expenses were \$5 million per month. It had plans to invest \$30 million in advertising in the years to come.

Unique Products and Services

In 2014, Housing.com emphasized incremental differentiation in services. A lot of new services were added, and online rental agreements and home loans were in the testing stage, activated only for Bengaluru. The online rental agreement feature helped to create a customized rent agreement online. Users provided inputs such as rent, property area, security deposit, facilities available, etc., and could also review clauses. The unique feature of the service was that the stamp duty was paid by Housing.com, and, as a result, the user was not required to waste time buying a stamp for registration purposes. Housing.com had successfully identified the gap in which people would previously spend four hours on average at the registration office trying to complete their rental agreement paperwork. That was 30,000 man-days of productivity wasted annually, from a countrywide perspective. The Housing.com rental agreement allowed people to do the same thing online in just five minutes.

Overall, approximately \$3 billion worth of home loans was disbursed in India every month (based on a National Housing Bank report of emerging trends in the retail housing loan sector in 2014). With such high stakes, even a minor reduction of 1 per cent would save \$31.25 million of people's money — here again, the gap was identified by the team at Housing.com when it launched the customized home loan facility. Because people, before the introduction of Housing.com, were not aware of the schemes prevalent in the market, they had to visit multiple banks in order to compare schemes to find one that suited their specific needs, and ended up wasting time and money. Housing.com helped users avail themselves of customized loans to finance their purchases online. The website partnered with six of the top financial institutions — Citibank, L&T Finance, Axis Bank, Dewan Housing Finance Limited, Punjab National Bank Housing Finance, and Bajaj Finserv — and provided these services online.

¹² The toll-free number for Housing.com was 03-333-333-333.

Future Plans

Services such as online booking for movers and packers and links with interior decorators were in the planning stages. Sharma considered his data science labs his biggest strength. In the future, he wanted to make the website an information hub where people would be able to compare houses based on a lifestyle index, a child friendliness index, and an old age safety index.

In November 2014, Tata Group contributed to Housing.com an inventory of 150 residential units that were part of Tata Value Homes. Half of this inventory was sold in a record time of one week, with recorded gross sales of around \$7.81 million by Housing.com. There were buyers from the United States and Africa. “Our company is receiving more and more inquiries from other developers for similar tie-ups,” said Sharma. He planned to do 500 to 1,000 such campaigns in fiscal year 2015–2016 with bigger brands in the realty sector.

Housing.com was also looking at different business models, such as franchising, to further expand itself. Though the company was getting a lot of offers from companies in the Middle East and Southeast Asia for technology tie-ups, Sharma and his team chose to concentrate on the Indian market only.

Housing.com wanted to expand and include more data collectors. It even planned to streamline the entire process of listing. It wanted to give landlords an application that included steps and instructions on how to take photos of their property and wanted to organize training sessions for agents. Ideally, the sellers would upload the listing themselves following these guidelines, and then Housing.com would verify the applications for quality and authenticity. This would accelerate the entire process.

CHALLENGES

The issue that the company faced in most cities was subscriptions from property dealers. These subscriptions, which the dealers had been very enthusiastic about during their initial interaction with the website — due to the sales efficiency of the staff, mainly composed of new graduates, who were bright and intelligent — had led to more and more dealer subscriptions on Housing.com. However, in subsequent years, the brokers in Delhi NCR and other cities often refused to renew them and complained that not enough customer inquiries were generated from Housing.com. They further said that the procedure for getting properties listed on the site was long and tedious, because after the company’s local data collector visited the property and took photographs, it would take another 24 hours to get the property listed on the website. The sellers were not happy about the photographs taken of their properties. A broker said, “Every year I pay at least \$4,800 to these web portals as subscription fees, but the leads generated are very small in number, especially on Housing.com. In fact, it has been eight months since I got registered on Housing.com, and I have not been able to generate many leads.” When asked whether he would like to renew his subscription, the broker said, “We get a greater number of leads from 99acres.com and Indiaproperty.com, and they are more approachable, convenient, and fast. Hence, I think I might not re-subscribe [to Housing.com] for the next year.”

Sharma wondered what Housing.com’s strategy should be at this crucial point in time when the market was expected to grow. Should it concentrate on increasing subscriptions by contacting more brokers and developers and encouraging them to associate with the company? This strategy would lead to an increased number of listings on the website and would also increase the company’s revenue. However, in doing so, it would neglect its customers from the buyer segment, who surfed the website to find their dream house. The other strategy could be to concentrate on the buyer segment. This could be done by

investing more in service innovation and advertising to create awareness and establish effective communication with the buyer segment. In the online real estate industry, the biggest strength of any company was the number of listings.

Catering to the various customer/consumer segments with conflicting interests was difficult in the competitive market scenario in which Housing.com operated. Value-added services needed to be backed up with an emphasis on listings and an increase in traffic. The biggest dilemma for Sharma and his team was which segment to concentrate on. How were they going to fill the current gaps in services? How would they communicate with the target market in an effective manner?

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EXHIBIT 1: WEBSITE TRAFFIC RANK FOR PROPERTY PORTALS

Rank	Alexa Ranking Global	Alexa Ranking India	Portal	Bounce Rate (%)
1	2,263	176	www.99acres.com	32.7
2	2,860	236	www.magicbricks.com	36.0
3	3,929	316	www.commonfloor.com	35.5
4	7,001	400	www.indiaproperty.com	50.0
5	12,946	437	www.housing.com	9.3

Source: "The Top 5 Property Portals of India - 2013. Here Is Our List!" Indian Real Estate for Dummies, accessed May 23, 2014, www.indianrealestatefordummies.in/2013/11/the-top-5-property-portals-of-india.html.

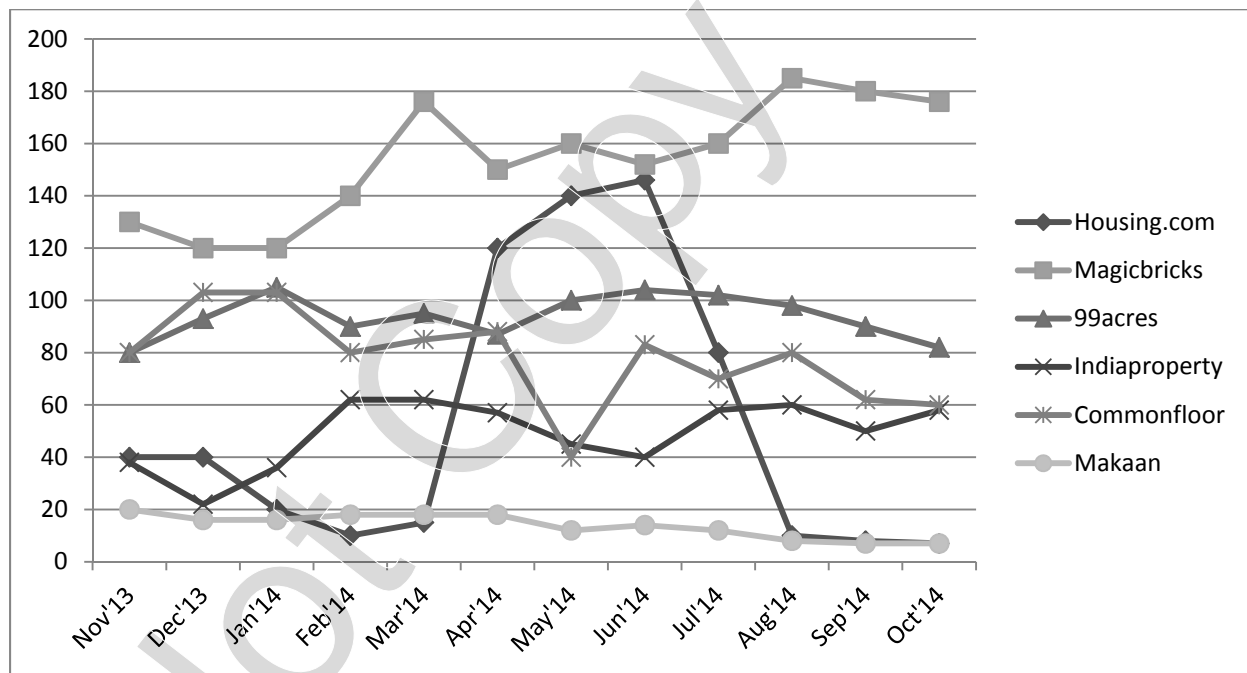
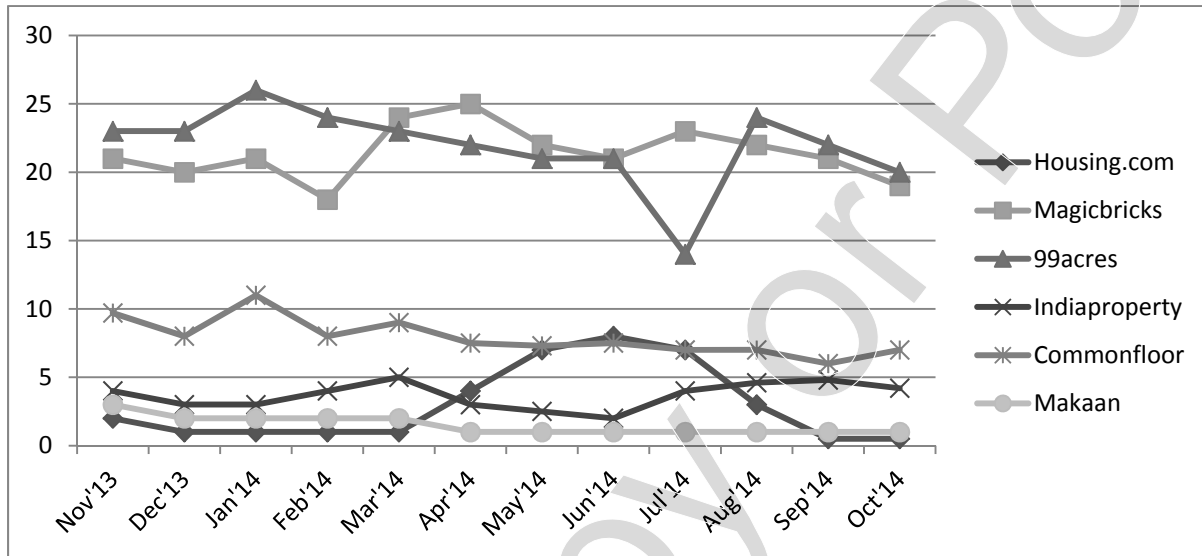
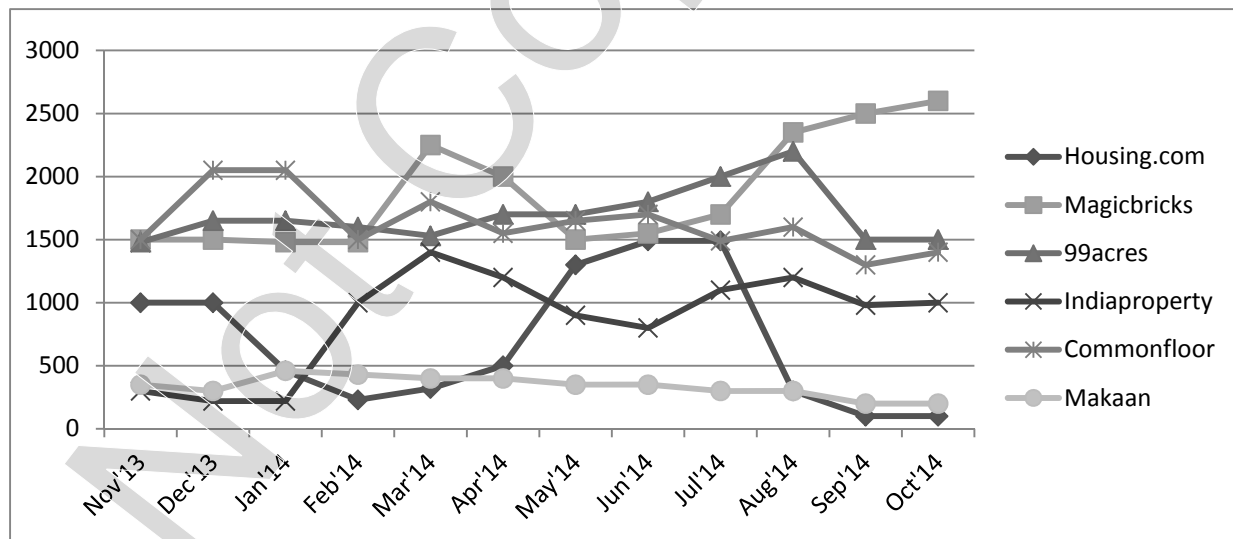
EXHIBIT 2: AVERAGE DAILY VISITS

EXHIBIT 2 (CONTINUED)

Total Minutes on Website



Unique Visitors



Source: "Magicbricks Gains Market Share and Dominates Property Portals in India," Magicbricks.com, December 29, 2014, accessed June 16, 2015, www.magicbricks.com/press-release/magicbricks-gains-market-share.html.