RESTRUCTURING BUSINESS MODEL IN INTEGRATING PROPERTY INDUSTRY AND DIGITAL PLATFORM BY APPLYING *SHARIA* PRINCIPLE

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Abstract. *The rise of new digital industrial technology called by Industry 4.0 has transformed how enterprises are enabling faster, more flexible, and even more efficient process. There are many examples of industries which applied digital platform, such as e-commerce and digital platform. Financial technology is one of product that combine financial and technology services which transform unbanked people to be able reach financial support. However, due to the new principal, people are still looking for the suitable business model that combines property business with digital platform. The study conducts case study from one of digital start-up platform called InvesProperti.id which their businesses are focusing in property investment using digital platform. In the beginning of this paper, it discusses regarding the landscape of digital platform ecosystem, including financial technology, and property industry in Indonesia along with the trend that will affect them. Benchmarking with the proper examples from developed countries of how business model in combining those two systems is one of the method which is being used in this study. This study also examines how sharia principle can be applied in the business model. The paper consists of findings and analysis in the market condition, the current applied business model, the best practices, and choose which model that can be applied in the new business model. The final result of this study is finding the best solution and suitable business model, in terms of digital business, for property industry in Indonesia.*

Keywords: Digital Platform, Financial Technology, Property Industry, Business Model, Sharia Principle

INTRODUCTION

Technology has transformed how business are enabling faster, more flexible, and even more efficient process. Real estate is one of the industries that cannot avoid this phenomenon, however it is important that advisors, brokers, investors, and start-ups recognize these challenges and opportunities ahead. With so many forms of technology, it is necessary for real estate industry to understand how to effectively utilize both technology and real estate market. The objective of this paper is to find the suitable business model which integrate between the conventional property industry and digital platform by restructuring the current business model.

Real estate market will become far bigger and more global. In the past few years, there has been an increasing of the demand for private equity for real estate investment and supporting infrastructure, especially in emerging economies due to the great migration to the cities, growing population and increasing middle class, that creating an urging need for more urban real estate. There are six predictions for 2020 real estate market from research conducted by PwC that changing the real estate landscape, which are:
1. The global investable real estate universe will expand substantially, leading to a huge expansion in opportunity, especially in emerging economies. World population growth and increasing GDP per capita will propel this expansion.
2. Fast-growing cities will present a wider range of risk and return opportunities. Emerging economies cities will present opportunities to high risk/high reward in advance economy core of real estate.
3. Technology innovation and sustainability will become key drivers for value. Technology will disrupt real estate economics, making some types of real estate obsolete.
4. Collaborating with governments will become more important. In many emerging economies, governments will take the lead in developing urban real estate and infrastructure.
5. Competition for prime assets will intensify further. New wealth from emerging economies will intensify competition for prime assets which investment community will need to think laterally to earn attractive returns.
6. A broader range of risks will emerge. Climate change risk, accelerating behavioral change, and political risk will be key.

The real estate industry is gradually aware of the need to adapt with the disruptive change that technology is bringing into the sector and many are started to come up with the best strategies to address and profit from this change. With the opportunities and challenges within the industry, there is an opportunity to shape real estate industry as a whole to meet the needs of an evolving world.

LITERATURE REVIEW

a.   Business Model
A business model describes the rationale of how an organization creates, delivers, and captures value (Osterwalder & Pigneur, 2010). Business model is divided into nine building blocks consists of key activities, key partners, key resources, cost structure, customer relationship, customer segments, value propositions, channels, and revenue streams. A business model is the basic, underlying logic of a company which describes what benefits are provided to customers and partners (Schallmo 2013:22). This involves the following dimensions and elements:
-    The customer dimension contains the customer segments, customer channels, and customer relationships.
-    The benefit dimension includes products, services, and values.
-    The value-added dimension includes the resources, skills, and processes.
-    The partner dimension includes partners, partner channels, and partner relations.
-    The financial dimension includes revenues and expenses.

METHODOLOGY

The methodology for this study is using qualitative methodology which collecting primary data and secondary data. The primary data collection is done by interviewing the company to figure out the current business process and further explanations that has correlation with this study. The secondary data is collected by exploring the study literature from books, websites, papers, research studies to analyze the landscape correlated with the research.

The research will begin with the problem identification and in order to solve it, theories data collection is needed as the foundation of this research. The analysis will be conducted both in external and internal analysis. Benchmarking analysis is also needed to see the best practices which can be implemented in the research.

FINDINGS AND ARGUMENT
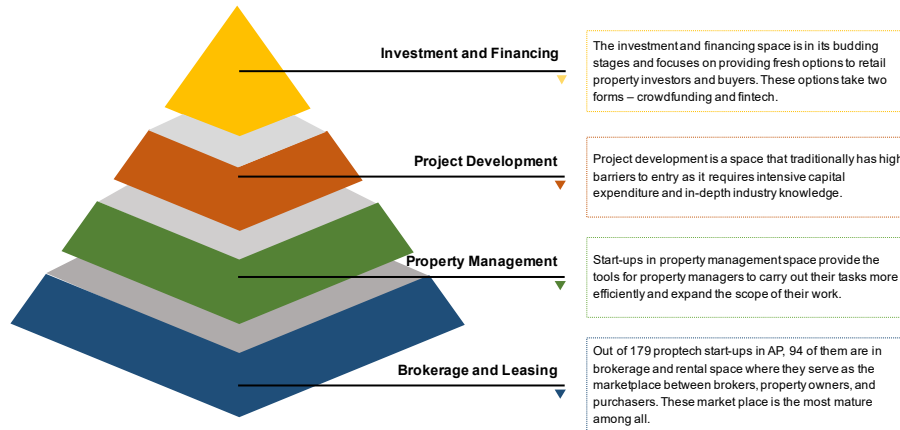
a.   Real Estate Industry Landscape
Indonesia economy grew by around 5.2% in 2018 that signalled a healthy demand in property sector. The economic growth, rising domestic consumption, steady urbanization, and an emerging-middle class population has become potency to an upbeat long-term outlook for the real estate market. According to CBRE Inc., there are four key trend shaping real estate market in Indonesia and the details of growing area and prospects within them, which are (1) major new infrastructure; (2) an expanding middle class; (3) the sharing economy; and (4) e-commerce growth. These trends have changed the shape of real estate market, for example with the new major infrastructure, Indonesia government has planned to build mass-housing development which include the construction of Transit-oriented Development (TOD) flats and revitalizing the old flats. Expanding middle class also implicate in crafting residential schemes that specifically design for fulfil and accommodate the urban middle class lifestyle, including TOD. Technology also has innovated in how employees work in more creative and sharing culture within companies, business units, and individual teams. The growth of co-working space has changed the space creating more into a community and experience for users. The prospects of e-commerce growth have another significant impact to the logistic sectors that many operators start to build out their logistics infrastructure and adequate delivery sites surround the dense urban areas.

City	Economic Base	Landed House	Office	Condo	Retail	Hotel	Industrial
Greater Jakarta	Business, services, trading & industrial	√	√	√	√	√	√
Surabaya	Business and trading	√	√	√	√	√	√
Medan	Trading	√		√	√	√	√
Bandung	Business and tourism	√		√	√	√	
Bali	Cultural and tourism	√		√		√	
Balikpapan	Trading (oil & gas)	√		√	√	√	√
Makassar	Trading	√		√	√	√	
Yogyakarta	Cultural & tourism	√		√	√	√	
Palembang	Trading	√			√	√	
Batam	Trading & industrial	√		√	√	√	√
Pekanbaru	Trading (oil & gas)	√			√	√	
Manado	Trading	√			√	√	

City	Economic Base	Landed House	Office	Condo	Retail	Hotel	Industrial
Lombok	Cultural & tourism	√		√		√	

b.   Property Technology Landscape

Proptech is defined as all aspects of technology that is used to create and renovate services offered in real estate to buy, sell, rent, develop, market, and manage property in a more efficient and effective way. Historically, proptech can be broken down into three major waves of change, which are Proptech 1.0 (The Rapid Expansion of Proptech), Proptech 2.0 (Consolidation and Competition within Proptech), and Proptech 3.0 (Emergence of New Verticals in Proptech). There are different types of activities within the real estate market that divided into four main verticals in Asia Pacific Proptech start-ups. Brokerage and Leasing, Property Management, Project Development, and Investment and Financing.

Investment and Financing — The investment and financing space is in its budding stages and focuses on providing fresh options to retail property investors and buyers. These options take two forms – crowdfunding and fintech.

Project Development — Project development is a space that traditionally has high barriers to entry as it requires intensive capital expenditure and in-depth industry knowledge.

Property Management — Start-ups in property management space provide the tools for property managers to carry out their tasks more efficiently and expand the scope of their work.

Brokerage and Leasing — Out of 179 proptech start-ups in AP, 94 of them are in brokerage and rental space where they serve as the marketplace between brokers, property owners, and purchasers. These market place is the most mature among all.

c.   External and Internal Analysis

The external analysis that being used in the research is PEST analysis.

CONCLUSIONS

This research is resulting in the new development of business model for property industry integrating with technology, specifically in financial technology. The new business model captures the landscape of the industry, trends, technology, and best practices.

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