

Innovation in entrepreneurship.

Case study: Lord of Lands

Barbulescu Oana Elena

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Lord of Lands

Company description and evolution

Lord of Lands is what you normally call a real estate agency. But after a slight investigation, you will discover that it does something different than a real estate agency, something that can be called real estate investment.

If you will search the internet you will find out that this company sells land all over Brasov county and they brag about their competitive prices.

If you search a little bit more you will also find out that they encountered a significant growth in the past two years despite the fact that all of the other companies were struggling to survive during the economical crisis.

How was that possible?

Was it all planned out from the beginning or was it shere luck?

Maybe both...

The company was established on 30 december 2008, right at the beginning of the world economic crisis. Right a couple of weeks after Adrian Nicolescu, said “the real estate bubble has bursted: the prices will drop in 2009”¹ (en.).

Company’s activity: instalment sales of land.

After five months, in may, every company in the world felt the effects of the crisis. Francisc Peli, said “the drought in real estate transactions continues. Nobody knows when it is going to be over”².

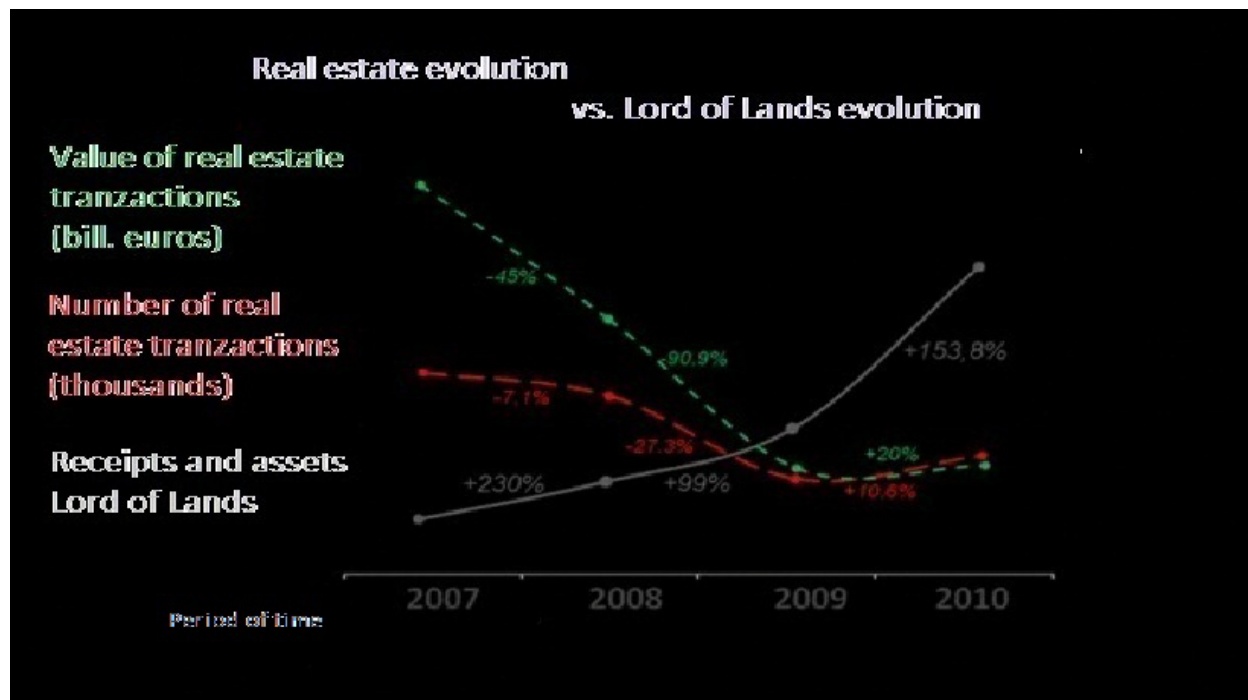
¹ chief of Evaluation and Consultancy Dept. of CBRE EURISKO, in his speech for the National Real Estate Fair at World Trade Center, Bucharest, on 7th of December 2008.

² partner of PeliFilip, a law firm specialised in real estate.

Since December to May, Lord of Lands sold 32 plots, worth 199.800 Euros.

“Nobody sells, nobody buys. The crisis reigns on the land market”³

By November 2009 the company was transactioning a contract per day and even extended it’s acquisitions activity. The company has a 15.000 euro revenue per month from instalment rates.



In the year 2010, the Lord of Lands brand was established and was concentrating all it’s efforts into further expansion.

In October 2010 everybody was talking about the “real estate earthquake”. It was a notion that everybody knew about, but nobody could define it. Eventually, the mystery was revealed: Lord of Lands was giving away free plots of land.

This was a bold decision, that many thought to believe was a sign of despair. But on the contrary.

The only condition to get a free plot was to have the strong intention of building a house in the next few years. People thought of it as fulfilling.

³ Razvan Muntean, general manager of www.imopedia.ro, a real estate portal

Strengths	Weaknesses
<ul style="list-style-type: none"> ❖ First mover advantage ❖ Competitive prices ❖ Optimistic approach ❖ Process innovation ❖ Good reputation among customers ❖ Adaptability and flexibility towards the client 	<ul style="list-style-type: none"> ❖ Undifferentiated products ❖ Narrow product line ❖ Reluctancy of customers to make a long term commitement
Opportunities	Threats
<ul style="list-style-type: none"> ❖ Competitor vulnerability ❖ The ending of the recession ❖ Lifestyle trends 	<ul style="list-style-type: none"> ❖ Lack of demand ❖ Increased taxes ❖ Political instability ❖ Flexibility of legislation

The challenge

The real estate industry is a rapidly changing industry in which many of the companies have to make some choices about how they will compete in the future. Past trends and strategies probably will not carry them through the next decade.

In the past three years, it was interesting to watch the real estate industry evolve.

Before 2008 real estate was a very easy way to make money because the demand was closer to the offer, and, with the rising price of the properties, everybody wanted to invest.

But, when the crisis stroke, the real estate prices were the first ones to drop as a consequence to the fact that the demand dropped and the offer remained basically the same.

No real estate agency or company was prepared for such an event and so, over 60% of them went bankrupt.

Nobody is selling, nobody is buying.

The approach

What is there to be done in the situation of a real estate trader that has in its portfolio almost 30 acres of land to sell?

How can this company rise above the others?

The product was the same as before, the land was still the same and the price couldn't be lowered, because, there would be no profit.

The owner had a vision: "Making people's dreams come true". And the goal was: "Providing clients with affordable land where they can build their dream homes"

If we look at the larger image, during 2009, all the banks were taking precautions offering fewer loans to people in an era in which people rely on loans. So, there was an increased demand for loans and a decreasing offer. The answer seemed simple: instalment land sale.

In the year 2010, the Lord of Lands brand was established and was concentrating all it's efforts into further expansion.

In October 2010 everybody was talking about the "real estate earthquake". It was a notion that everybody knew about, but nobody could define it. Eventually, the mystery was revealed: Lord of Lands was giving away free plots of land. The phenomenon was everywhere in the media, nothing like this ever happened before.

This was a bold decision, that many thought to believe was a sign of despair. But on the contrary.

The only condition to get a free plot was to have the strong intention of building a house in the next few years. People thought of it as fulfilling as a dream come true.

The plan was like this: from one hectare of land, you make 20 plots of 500 square meters. If you give one plot for free and the new owner builds, then the price of the surrounding land rises. So in the end, you make more profit by giving one plot for free, than selling it.

And the real profit comes from the installment rates. If you buy a plot of land cash, you will buy it at a price that nobody can compete with, however, if you buy a plot in installments, the overall price is bigger, but nevertheless, still affordable. This strategy is a result of market pull.

The result

As I presented previously, Lord of Lands was one of the few companies that experienced a significant growth in a time of economical crisis. And we should also take into consideration that it was not an existing company, but a new one that had the courage to emerge even though everyone predicted tough times for every kind of business.

The installment sales of land were a great idea, and giving away free land was even better, but even though everybody was talking about the real estate earthquake, they needed to know more, they needed to be more aware of it.

The process innovation needed to be implemented. It wasn't enough just to have people come and ask about the offer. So the solution was the following: hire promoters that simply approach people in large shopping centers and ask them if they want to submit to get a free plot of land. It was an approach that was meant to get attention. Doing this, the promoters raised curiosity and people asked more questions, and thus found out more about the offer, and even about the low prices. Sales skyrocketed, making October, the first month of promoting, the record month in sales.

Installment rates sales is not a new idea, it is a concept used by many other in many industries. But installment sales of land straight from the owner is a niche. It was possible before, but by getting a loan from a bank, or straight from the developer only in the case of housing developers.

So, in the real estate industry, it is a huge advantage to be a first-mover, especially in a time of economical crisis, when everybody else is in a stand still.

The company will gain a lot of experience in this installment sales than any followers, will have the advantage of volume in sales and acquisitions due to the time that it has ahead.

How?

I tried to present what lead to the growth of this company, if it was thorough planning or simply adapting to the environment and understanding the buyer's need.

All the sales agents say that one of the main reasons for their significant volume of sales their competitive prices. People who dream of having a home can't resist the offer.

It is also the huge optimism of the agents that convinces them.

I don't do business for money, but for pleasure, but I still believe that the financial profit of a business is the barometer of the health of that business - Silviu Rotariu, owner and manager of Lord of Lands.

Inside Story

Dorin Rotariu is the project manager of Lord of Lands and is a simple, quiet old man that says about himself that he never had the talent of “good-talk” and is unable to sell any piece of land or anything else for that matter.

In the early stages of the company, Papa Dorin, as the rest of the employees call him, was on the field marking the plots. And as he was working in the middle of an empty field a man passes by and asks him what is he doing there. He tells the man that his son owns this land and he is marking the plots. The man said he was interested to buy some land there.

And so, Papa Dorin sold 4 hectares of land just by being there at the perfect time.

This little story has hardened the belief that Lord of Lands is a company which is truly meant to sell land.

References:

www.silviurotariu.ro

www.lordoflands.ro

An interview with Silviu Rotariu, general manager and owner of Lord of Lands