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DO HOME-BUYERS ACTUALLY LEVERAGE THEIR COLLECTIVE BUYING ABILITY?

Let me make this outrageous statement at the beginning of this post – “Most..... (Please note that I am not generalizing) Most consumers or retail investors in the residential realty segment don't have an idea on what they look for, what they are bargaining for and what exactly to expect. They pretend to be experts with their source of knowledge or expertise being another one of them”.

I will explain the above. Give me some time to draw an analogy. These very consumers, when they go out to buy cars, they don't pretend to know much more than the car manufacturer. When these very clients visit a doctor, they don't try to throw their limited acquired knowledge on the domain of medicine at the specialist. Likewise, when it comes to real estate, we have more pretending specialists than real ones, **ON BOTH SIDES OF THE TABLE.**

As a member of the [Certes Realty business group](#), I have had the opportunity to meet a few client groups, who wanted to go out and source investment opportunities for themselves. Some small groups, some larger. If I have to fix up a percentage to such deals fructifying, I am afraid that it won't be more than 5%.... **just five percent?** WHY?

In the first place, these groups attempt to source, compare, negotiate and close the deal, all by them. **THEY DO NOT HAVE AN OUTSIDE EXPERT AGENCY TO HANDLE THE ASSIGNMENT.** I would deal with the handicaps and threats of this approach, ahead on the article.

As a direct assignment, I interact with these groups of buyers, mostly corporate executives in the age group of 30- 40 from the private sector, and 35-45 from PSUs & government sector. The following are some of the salient observations on my interactions.

1. Most groups try and nominate a few enterprising fellow employees to spearhead the discussions, with developers / agents. These members need not always be the most competent, diligent or even the needy, as far as that particular investment is concerned.
2. The groups are large when formed. But with the progress of time, and lack of visible success, the attendance dwindles.
3. Hardly are any ladies nominated as members. There surely must be a reason!!!
4. There are no clear leaders, and division of specialization, or responsibility.
5. There are no clear mandates, and defined time-lines, price points & specs, at the start of the short listing process.
6. Most discussions start with pricing and every discussion meanders to **price per sq.ft.**
7. Having said the above, the groups would like to consider all product categories, including land, even if for academic sake only.
8. NO FINANCIAL COMMITMENTS TAKEN, in the absence of the above.
9. Every order is worth more than 100 apartments, OR, almost 50 crores of sales.

I have also noted that whoever has invited [Certes](#) into such the first meeting / credential presentation does draw a larger audience, and everyone is hopeful of the experts delivering some immediate solution at price points 30-40% below the market price. Unfortunately, it doesn't happen that way. More often than not, the members of my team, at the conclusion of the meeting would still be thinking of defining the requirement, rather than delivering the solution.

Having said the above, it is extremely critical that any such assignment is always structured in a win-win situation for all three involved in the deal – The developer, the buyers & the connected parties like Banks, Investors etc. We always endeavour to achieve a higher success rate on such assignments.

In the section above, we looked at 'what-not-to-do". It would be imperative to focus on "**what-to-do-right**", and ensure that everyone's aspirations are fulfilled.

- a) The first & foremost advice that I normally volunteer to clients is – "**Don't try to do it yourselves. Had you been an expert on every related field, there would not have been space for professional organizations**". Now, there is no vested interest here. This advice is purely on professional basis. You see, time is money and money saved can only be on the basis of '**what you know, rather than whom you know**'. I have seen people take judgemental calls based on one of their members knowing someone, or having interacted with a brochure, or an individual from a developer organization.
- b) **Define what you want, rather than accept what is available** – Most groups I have interacted do mention in the first meeting itself that they have the ability to buy a 1000 apartments if it is available @ Rs. XXXX per sq. Ft. That to me is a flawed way of considering a capital acquisition. Pricing of a product is a function of values – Tangible & intangibles. Without recognizing your need, one cannot define the price. In my experience, most such orders fall to below 10% of the initially projected numbers, once the details are under circulation.
- c) **Recognize the handicaps & weaknesses** – Many a times, the enthusiasm and optimism overrides. Many groups don't recognize the fact that realty projects take 2-4 years to complete, and they cannot afford undivided attention to the follow up of the progress of their project. This leads to slips in follow up & eventually, the quality of the agreed deliverable.
- d) **It is expertise that you pay for** – You need expertise for the due diligence of the land, the approvals, the design, the developer credentials and every facet of the project. If the spread is analyzed, the cost of enlisting an expert organization is less than the cost of a one dinner date with the family. Is it wise to save that?
- e) **Charge & pay for services** – We always request client groups to form a small society, association or service group and seek a notional amount between Rs.3, 000 to 5,000 from each of the intending members. Whenever these groups have sent our circulars amongst employees, there is a horde of 'ayes' for housing. When a membership is proposed, 60% drop out. Why??????? That exemplifies the seriousness. A few enterprising members take on the responsibility for interacting with possible partners. Do they have to pay the costs & expenses from their pockets? DO they make personal commitments to service providers to take them on board? A better way would be to accumulate a small corpus and cover the costs. Also, pay small expenses through this fund. Remember, one would derive a much better valuation by paying Rs. 3000 towards the corpus when you are intending to buy a capital asset valuing more than 30 lakhs.

In our case, we seek a minimalist Rs. 10,000 from a corporate, as token recognition of our effort, the receipt of which signifies the client need. No other fee is leviable at a later date.

Let us not ignore the facts as they remain in the real estate sector

– The success rate is not more than 3%!!!

Having said the above, there are instances of success stories in the Delhi NCR region, on such deals. The moot question to ask is:-

- WHAT DID THEY DO DIFFERENTLY?
- HOW DID THEY GO ABOUT?
- AREN'T THEY HAPPY THAT THEY RELIED ON FACTS, NOT ON PRESUMPTIONS?