

SANSIRI TARGETS UPCOUNTRY EXPANSION AND MOVE INTO BUDGET MARKET TO DRIVE GROWTH



President Srettha outlines short- and long-term strategy

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Leading property firm Sansiri plans to expand upcountry and concentrate on homes priced lower than Bt1 million over the next three years, aiming for average annual sales growth of 20 per cent, company president Srettha Thavisin said in an interview with *The Nation*.

"Given our revenue base of more than Bt20 billion a year, we have to find a new market segment to maintain our business growth, and we have set up a system to support such growth in the long term," he said.

The provinces are becoming more attractive for Bangkok-based developers to move into as infrastructure such as the rail system, highways and airport improvement. The provinces also have a strong population with increasing purchasing power. Apart from its established business in Hua Hin, the first three provinces in which Sansiri is launching residential projects are Phuket, Chiang Mai and Khon Khan.

Srettha said the company launched a project in Phuket last year that enjoyed positive feedback from the market, especially for homes costing no more than Bt2 million, both condominiums and townhouses. Sansiri is also launching projects in Khon Kaen and Chiang Mai this year.

"When we expand our investment upcountry, our products will serve the different demand that depends on the population and location," he said.

For example, in Phuket the market is wide-ranging, comprising locals, Bangkokians and foreigners. When the

company designs residential projects in Phuket province, it has to study which location and residential type will serve local demand. It also differentiates the product design and location depending on whether it is meant to serve Bangkokians or foreigners. Meanwhile Chiang Mai has a different market mix than Phuket, and the company will operate there accordingly.

As for Khon Kaen, it has more local demand, favouring homes ranging in cost from Bt1 million and Bt5 million.

He said the strategy of concentrat-



ing more on upcountry developments should result in annual revenue growth of 20-25 per cent over the next three years. This business plan is parallel to Sansiri's plan for its existing investment in Hua Hin, which covers the next 10 years. Overall, Srettha noted that the company enjoyed high revenue growth of 40 per cent in the first quarter of this year over the same period in 2011.

BUDGET HOMES

With long experience developing both condos and low-rise homes for the middle- and upper-income markets, Srettha said the company now had enough know-how to target the budget market, developing homes priced lower than Bt1 million, after it opened its first prefabrication plant worth

Bt600 million early this year.

"We believe that our experience developing homes costing more than Bt2 million under the concept 'to build premium products for all market segments' will guarantee that when we develop budget homes priced lower than Bt1 million, they will also be premium products," he said.

Currently, the company is studying and designing budget homes that may be launched by the end of this year or next year, he said.

REORGANISING

Given the company's policy to expand into the provincial and low-price markets, Srettha said it had to reorganise its business structure to ensure sustainable growth in the long term, and it started to do that two years ago. "We have been preparing our business to support growth since 2010 by reorganising our corporate structure, separating it into two divisions focusing on condominiums and low-rise homes respectively. We also have a separate marketing division to drive our brand as a market leader," he said.

He added that he wanted Sansiri to be the brand that comes to the mind of customers seeking high quality and premium products in all categories. That is why he is overseeing the marketing division himself and appointed Sammatcha Promsiri as vice president for the corporate marketing department two years ago.

Two others have joined the top management, as senior executive vice presidents for business development and project development. Uthai Uthaisangsuk is in charge of the con-

dominium division, while Metha Angwatanapanich manages the development of low-rise homes – detached houses and townhouses. Both divisions, condominiums and low-rise, also have business units to cover their different markets according to location and targeted customers.

Srettha said the low-rise division had five business units according to location, “because customers who buy low-rise homes have a community and love to stay close to their existing residences. As a result, when we decide to launch a project in a certain location, we have to learn about the customers’ demand in that location.”

Meanwhile, the condominium division has three business units catering to the upper, middle and budget market categories. This is because condo customers prefer locations close to the mass transit system and are concerned about cost. For its provincial expansion this year, Sansiri also will add a subdivision to its low-rise division to handle investment upcountry.

PROFIT MARGIN TARGET OVER 10%

Srettha said the reorganisation was aimed at generating net profit margin of more than 10 per cent each year.

“Our new system, especially the marketing department, has a strategy to build our brand by integrating all marketing channels and focusing our customer targets. This has helped us save costs and generate more net profit than five years ago,” he said. In the first quarter of this year, Sansiri recorded revenue of Bt5.18 billion and net profit of Bt340.27 million for a net-profit margin of 6.5 per cent.

Meanwhile, the company has revised this year’s presales target from Bt32 billion to Bt36 billion and its revenue target to Bt28 billion, up 40 per cent from last year’s revenue of Bt20.69 billion.

“We believe that by the end of this year, our net-profit margin will reach 10 per cent,” he said.

Sansiri’s net-profit margin was 9.7 per cent in 2011.

“Sansiri is my life. I do not any

plan to move to another organisation,” Srettha said. “I also am not interested in politics. My first priority is to drive our business growth and take care of our shareholders, our customers, and our staff and share the benefits with society. “My business has grown because my team works hard and the property market has grown along with the country’s economy. That is not related to politics,” he said.