



# Strategic Analysis and Development Framework for J Company in the Competitive Zhuhai Commercial Real Estate Market.

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**Abstract.** This strategic analysis delves into the internal and external environment of Visual J Company, a subsidiary of JK Real Estate, situated in the Zhuhai municipal area. Visual J Company's primary focus is on the operation and management of commercial assets, including those under JK Real Estate's purview and newly developed commercial projects. In this analysis, we undertake a comprehensive examination of the macro-environmental factors (Politics, Economy, Society, and Technology), industry environment, and internal organizational factors impacting the company's strategic direction. We also explore the differentiation strategies employed by Visual J Company and propose adjustments to its consumer strategic control mechanisms. This examination aims to provide valuable insights and recommendations to position the company optimally in the competitive Zhuhai commercial landscape.

**Keywords:** Trends and styles, Fashion industry, Consumer behavior, second hands, consumer psychology, luxury market, Market analysis

## 1 Introduction

This Operating in Zhuhai, particularly in the well-established commercial districts of Jida and Gongbei within the Xiangzhou District, Visual J Company benefits from a mature and vibrant commercial environment. Despite the presence of high-quality shopping centers like Huafa Commercial City, Zhuhai's commercial development has faced challenges due to dispersed geographical distribution rather than a concentrated central business district.

Strategically positioned as a core city within the Guangdong-Hong Kong-Macao Greater Bay Area, Zhuhai enjoys unique connectivity to Hong Kong and Macao, presenting significant opportunities for commercial projects and business growth, particularly in light of changing consumer behaviors induced by the COVID-19 pandemic.

Visual J Company, as a subsidiary of JK Real Estate, focuses on the development of commercial projects with cultural and tourism characteristics. However, it faces challenges related to talent acquisition, project positioning, and tenant negotiations, all within the context of evolving corporate strategies, mission, vision, and values[5].

In this context, formulating a comprehensive development strategy that aligns the efforts of the team and strategically positions the company within the competitive Zhuhai commercial landscape becomes paramount. This strategy necessitates a deep analysis of both the internal and external environments, encompassing factors such as political, economic, societal, industry-specific dynamics, and internal organizational factors. Furthermore, the strategy should underscore the importance of market analysis, early project positioning, and the cultivation of a skilled and experienced team to maximize commercial reputation and profitability.

This paper delves into a detailed analysis of Visual J Company's internal and external environments, including macro-environmental factors such as politics, economics, and society, industry-specific dynamics, and internal factors like financial and human capital. Additionally, it explores the company's strategic positioning and differentiation strategies, as well as the need for consumer strategic control adjustment and a robust incentive system to support the company's unique strategic objectives. Finally, it discusses the importance of fostering a corporate culture that embodies the company's vision, mission, and values to guide its growth and development[6].

## 2 Research Background

Visual J Company is a Zhuhai municipal state-owned enterprise Z Group's JK Real Estate wholly-owned commercial operation and management limited company, founded in 2016, 16 to 20 years did not operate physically, the relevant business by the commercial management department of JK Real Estate Company, April 2021, JK Real Estate Company's commercial management department of the staff transferred to the J Company, and to start the social recruitment work, a set of two cards of the team way to Started the company's physical operation. The business scope of the company mainly consists of two categories, namely the operation and management of JK Real Estate's stock assets and the management of newly developed commercial projects (including commercial, hotel and office).

Unlike Vanke and Huafa, which mainly sell their assets (residential projects) for quick returns and profits, Group Z and JK Real Estate have a wide range of assets (commercial, office and hotel assets distributed in residential areas, marinas and islands), and are more inclined to maintain and increase the value of their assets through long-term holding and operation, which provides sufficient "sources of supply" for J Company to generate revenue. "Company J is committed to improving the market image of the projects it manages based on its professional service mode of operation, relying on its complete market positioning system and resource advantages, so as to maintain a good competitive advantage in the market, ensure the sustainable development of the overall operation of the projects, realize the appreciation and preservation of project value, and ultimately reach a mutually beneficial agreement among the asset holders, leasers and operation and management parties. This will ultimately lead to a win-win situation for asset holders, leasers and operation managers. At the same time, we are committed to relying on the diversified and cross-border integration attributes

of the assets of Z Group and JK Real Estate to summarize a set of commercial management concepts that are more suitable for the differentiation of special asset projects (compared with traditional standardized commercial projects), to achieve external market expansion, and to achieve both brand efficiency and profit enhancement[1].

In Zhuhai, particularly in the Jida and Gongbei areas of Xiangzhou District, there is a well-established and mature commercial environment with high awareness. However, despite the emergence of high-quality shopping centers like Huafa Commercial City, the city's commercial development has faced challenges due to geographical constraints, with scattered distribution rather than a concentrated central business district.

Zhuhai is strategically positioned as a core city in the Guangdong-Hong Kong-Macao Greater Bay Area. Its unique location with connectivity to Hong Kong and Macao offers opportunities for commercial projects and business growth, especially with the changing consumption patterns due to the pandemic.

J Company, a subsidiary of JK Real Estate, aims to develop commercial projects with cultural and tourism characteristics. However, there have been challenges in talent acquisition, project positioning, and negotiations with tenants. The company is in the early stages and lacks experienced managers and mid-level staff in critical departments. Moreover, it is adapting to corporate strategies, mission, vision, and values[2].

In this context, it is crucial to formulate a development strategy that aligns the team's efforts and positions the company strategically in the competitive Zhuhai commercial landscape. This strategy should focus on market analysis, early project positioning, and building a strong and experienced team to maximize commercial reputation and profitability.

### **3 Internal and External Environment Analysis**

#### **3.1 Macro-Environmental Analysis (PEST Analysis)**

##### **3.1.1 Politics.**

Government policies are actively promoting the growth of community commerce, both at the national and regional levels. These policies aim to create a favorable business environment, with a particular emphasis on encouraging and standardizing community-based businesses. J Company, currently managing a community business project, and its parent company, JK Real Estate, which focuses on large-scale integrated communities, stand to benefit from this supportive external policy framework.

As an illustration, in July 2021, the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development, along with 12 other government departments, jointly released a directive titled "Opinions on Promoting the Construction of Urban Quarter-hour Convenient Living Circles." This directive outlines plans for nationwide pilot programs aimed at establishing urban quarter-hour convenient living circles. These initiatives are intended to systematically enhance infrastructure layouts, address facility deficiencies, diversify commercial offerings, foster market participation, enhance service capabilities, and promote operational standardization[3].

### 3.1.2 Economy.

In Benchmarking against international experiences, there exists substantial potential and room for the development of community businesses. President Xi Jinping emphasized in the 19th National Congress report that "the people's desire for a better life is our goal of striving." China's primary societal contradiction has shifted towards meeting the growing demands of its people for an improved quality of life, revealing imbalances and inadequacies in development.

In pursuit of a better quality of life, individuals envision various facets, with essential elements including clothing, food, shelter, transportation, and a comfortable living environment. Of particular significance is the integral role played by daily life support services, often referred to as the "last mile" of community businesses. International data underscores the significance of community businesses, which account for 60-70% of total social business expenditure in developed countries. In contrast, China's community business sector remains at a nascent stage, currently constituting less than 30% of the total, highlighting substantial untapped development potential.

However, China's macroeconomic landscape faces challenges stemming from the triple impact of global economic conditions, the ongoing pandemic, and real estate dynamics. While Zhuhai boasts a per capita commercial area exceeding that of first-tier cities, it is approaching saturation. At the macro level, economic data, which experienced rapid growth in the first half of 2021, began to exhibit signs of differentiation in the latter half of the year, with some indicators falling slightly below expectations by the end of September. These economic headwinds are attributed to various factors, including localized COVID-19 resurgences, natural disasters such as floods in Henan and Shanxi, and an overall slowdown in real estate sales and investments. Rising international commodity prices have increased costs, while energy consumption controls have added constraints to economic activities. At the meso level, Zhuhai currently possesses a substantial stock of high-quality commercial space, with projections indicating a significant increase in the next five years. This growth may lead to saturation in the core urban areas, posing challenges in terms of support from the local population alone[4].

### 3.1.3 Society.

The resurgence of the epidemic has underscored the substantial impact of online consumption. Amid the pandemic, a significant portion of consumer activities shifted to the digital realm as a precautionary measure to minimize physical interactions. This transition reflects the adaptability and resilience of consumers in the face of public health challenges. The surge in online consumption during this period has been propelled by various factors, including the convenience of e-commerce platforms, the proliferation of digital payment systems, and the availability of diverse online services. Consumers have become increasingly accustomed to virtual shopping experiences, which offer not only a means of fulfilling essential needs but also access to a wide array of products, entertainment, and information. This shift in consumption patterns is indicative of a broader transformation in consumer behavior, where digital engagement and online marketplaces have assumed a more prominent role, shaping post-epidemic era consumption concepts and strategies.

## **3.2 Industry Environment Analysis**

### **3.2.1 Supplier Bargaining Power.**

For asset-light commercial operation management firms, their suppliers primarily consist of property owners or investors. Policies promote fair pricing mechanisms based on market practices, reducing supplier sensitivity to bargaining. New companies like J Company may face challenges such as limited brand recognition, a smaller management scale, and relatively weaker bargaining power with external suppliers[5]. Building a strong brand is vital for attracting private domain traffic, and establishing a favorable reputation in tenant networking, operations, and services is essential for commercial real estate enterprises.

### **3.2.2 Customer Bargaining Power.**

Commercial tenants are crucial customers attracted to operate businesses in a given space. J Company, backed by a robust parent group, typically has an advantage in gaining the trust of these customers compared to private commercial real estate companies. J Company offers more secure assets and is more likely to establish trust with commercial tenants under similar conditions. However, some ongoing projects face challenges due to their geographical locations and design issues. These projects are situated in relatively remote areas and lack established business districts, making them less appealing to commercial tenants. As a result, customers in these situations hold more negotiating power and may require longer rent-free periods or higher renovation subsidies. [6].

### **3.2.3 Threat of Alternatives in E-commerce.**

While the growth of e-commerce is slowing down, a new trend of integrating online and offline experiences is emerging. Leading e-commerce companies, such as Ali's Tmall and Jingdong, are establishing offline super-experience stores to attract traffic, engage customers, and boost overall performance.

Additionally, as the effects of the pandemic normalize and living standards improve, there is a growing demand for immersive experiences. Particularly, younger consumers are increasingly seeking immersive experiences like escape rooms, immersive theaters, and interactive storytelling. Businesses that offer safe and unique experiential shopping locations are likely to attract significant traffic and interest.

However, it's essential to note that e-commerce (online retailing) continues to grow steadily, despite a slowdown. According to the 2020 China E-commerce Report by the Ministry of Commerce, e-commerce turnover reached 27.95 trillion yuan out of China's total turnover of 37.21 trillion yuan in 2020, accounting for over 44.8% of total retail sales. In contrast, brick-and-mortar sales declined by 18.6% in 2020, while e-commerce grew by 27.5%. Although e-commerce growth has moderated, it remains a robust alternative, especially considering the ongoing demand for online shopping due to epidemic concerns[7].

### **3.3 Internal Environment Analysis**

#### **3.3.1 Financial Capital:**

Company J, a subsidiary of JK Properties under Z Group, benefits from its parent company's strong financial position. Z Group, backed by state-owned holdings, enjoys lower financing costs and ample equity capital. The parent company's successful development projects generate positive cash flows that can support Company J. While initial operating losses can be subsidized, Company J faces strict budgetary control due to state-owned asset management, limiting fund utilization flexibility.

#### **3.3.2 Physical Capital:**

Company J operates as an asset-light entity, generating revenue through management technology and service output. It holds no assets on its books and incurs minimal fixed costs, resulting in reduced unit costs.

#### **3.3.3 Human Capital:**

Amidst financial constraints in the real estate industry, workforce reductions have become widespread. Consequently, some employees are willingly accepting reduced salaries to secure job stability. Company J, with its strong corporate group backing, remains an attractive choice for job seekers. However, there is a shortage of mid-level managers, and a structured talent development program is yet to be established. Key business departments, including operations and investment promotion, currently lack department heads, highlighting the pressing need to fill these leadership positions.

#### **3.3.4 Organizational Capital:**

The chairman of the board has granted full authority to the general manager, fostering unity among team members, and enabling swift internal decision-making. However, due to the state capital management system, collective decision-making within the team can be slow, and the approval process may face inefficiencies when reported to the owner's side[8].

### **3.4 Company J Implements Differentiation Strategies Across Various Aspects of its Business**

**3.4.1 Human Resources: The Company Focuses on Talent Selection by Seeking Cross-Border Management Talent.**

**3.4.2 Product Development: They Emphasize Fine Management Processes Rather Than Standardized Ones, Ensuring Differentiation in Product Development.**

**3.4.3 Production and Operations: Company J Follows A "Small And Specialized" Approach, Avoiding Standardized Expansion and Aiming For Excellence an Individual Projects.**

### **3.4.4 Marketing: They Innovate in Planning and Promotion, Resonating with Niche Customer Groups Beyond the "Silent Majority."**

#### **3.4.5 In Terms of Functional-Level Strategies:**

**Research and Development:** The company capitalizes on its strong learning and research capabilities, leveraging government support for community business development. They invest in digital systems, optimizing business management to reduce errors and enhance efficiency.

**Human Resources:** Company J fosters a service-oriented culture, drawing inspiration from successful models like Haidilao. They prioritize staff welfare and incentives, emphasizing a "serve employees well to serve customers well" philosophy. Recruitment strategies target high-end talents interested in contributing to Zhuhai's business development.

**Financial Strategy:** Leveraging transaction policies for qualified suppliers, the company creates well-defined budgets and simplifies approval processes to support innovation and differentiated services.

**Procurement:** They adopt a granular approach to procurement strategies, optimizing internal cash flow to negotiate favorable terms with anchor and sub-anchor stores, including rent-free periods and renovation subsidies.

These strategies collectively enhance Company J's competitive edge and position them for success in their market.

## **3.5 Consumer Strategic Control Adjustment**

### **3.5.1 Consumer Strategic Control Adjustment.**

To ensure the effective implementation of Company J's strategy, it is imperative to provide appropriate management support through a comprehensive incentive system. This system should encompass both material and non-material incentives, specifically pertaining to the compensation, welfare, reward, punishment, and promotion systems. Currently, Company J shares an incentive system with its parent company, JK Real Estate. However, given the differing business attributes, profit models, and talent requirements of the two companies, it is evident that the existing incentive system is not suitable for Company J's strategic objectives and necessitates adjustments.

#### **3.5.2 Compensation System:**

The compensation system should align with and support the differentiation strategy. It should consist of a three-tiered structure, comprising a guaranteed salary, supplemented by full commission, and enriched by project-specific incentives. The guaranteed salary should be set at the 50th percentile of the market to meet employees' basic needs. A mixed commission system should be established to reward effective participation in successful investment promotions, promoting cross-departmental collaboration and avoiding unhealthy internal competition. This universal incentive component enhances employee income[12]. Additionally, a project-based performance incentive system should be introduced, wherein achieving annual revenue and net profit targets

results in points credited to project teams, with higher overachievement leading to a higher percentage of points. The competitive incentive aspect should have thresholds for accessing high bonuses, motivating employee potential and enthusiasm[13].

### **3.5.3 Welfare System:**

The welfare system can be categorized into statutory benefits and unique benefits. Statutory benefits encompass legally mandated entitlements such as social security, provident funds, and various holidays. Company J already excels in implementing statutory benefits. Unique benefits should be further divided into material and non-material components. Material benefits may include existing amenities like canteens, free parking, laundry services, movie tickets, etc. Non-material benefits encompass recognition and acknowledgment, such as annual awards for outstanding employees, reserved parking spaces for exceptional contributors, and VIP treatment within the Group's service units[4].

### **3.5.4 Reward and Punishment System:**

The reward and punishment system should be structured around both material and non-material aspects[11]. Material rewards and punishments are obligatory and should be implemented based on company-established systems that collect employee feedback. These systems may operate on a monthly, quarterly, or annual basis. For instance, innovation can be encouraged by stipulating specific rewards for accepted innovative ideas.

Non-material rewards and penalties should complement the system and be rooted in the organization's cultural values. A list of honors should be established based on the team's soft culture, emphasizing "morality" as the foundation. For example, actions not covered by the formal incentive system but aligned with positive universal values can be recognized with a small red flower, while actions falling short of the system's punitive measures but reflecting negative values can be recorded as a gray snail. Red flowers should be publicly acknowledged, while snails should be reviewed and shared cyclically. This approach fosters a culture of positive energy within the team[4].

### **3.5.5 Promotion System:**

Two promotion modes should be implemented: actual positions and virtual positions. Actual positions should be divided into two categories—platform and project—and offer distinct career paths for different types of talents. These paths may include roles such as commissioner, supervisor, manager, deputy general manager of departments/projects/divisions, and general manager of departments/projects/divisions for those on the management track[9]. For professionals, promotion paths can range from junior technicians to chief technicians.

Virtual positions should be determined by the magnitude of contribution, offering annual, five-year, and lifelong honorary titles. These titles do not typically come with salary increases but are linked to the welfare system, with benefits increasing according to the virtual position held[7].



### 3.5.6 Corporate Culture Change:

Corporate culture embodies an organization's unique identity, encompassing its values, beliefs, rituals, symbols, and ways of conducting business[7]. It is formed gradually through the organization's actions, recognized and embraced by all employees, and reflected in its mission, vision, values, and business philosophy. Given Company J's recent establishment, it has yet to fully develop a clear and comprehensive cultural identity. Following the results of the strategic analysis, it is recommended to formalize and disseminate the following vision, mission, and values:

**Vision:** "Empower every project we serve to become a successful business model through professional expertise and innovative ideas."

**Mission:** "To be the preeminent provider of commercial real estate consulting services, enabling business success and enhancing real estate value."

**Values:** "Our values are anchored in recognizing talent as our greatest asset, prioritizing safety as the foundation of all operations, upholding a culture of simplicity and transparency as the bedrock of our development, and fostering innovation as the driving force behind our survival and growth."

## 4 Conclusion

In conclusion, Visual J Company faces a unique set of opportunities and challenges in the Zhuhai commercial real estate market[10]. The macro-environmental analysis reveals promising government policies supporting community commerce and growth potential in the community business sector. However, economic uncertainties and real estate dynamics necessitate careful consideration in strategic planning.

The industry environment analysis underscores the importance of differentiation for Visual J Company. While supplier and customer bargaining power dynamics vary, the threat of alternatives in e-commerce and experiential shopping trends highlights the need for innovative approaches. Internally, the company benefits from strong financial capital and an asset-light approach but faces challenges in talent acquisition and leadership development. Adjustments to the consumer strategic control mechanisms, including compensation, welfare, reward and punishment systems, promotion, and corporate culture, are essential to align the workforce with the company's strategic objectives.

Visual J Company's commitment to differentiation strategies in various aspects of its business positions it for success, provided these strategies are effectively implemented and supported by a motivated and engaged workforce. By addressing the identified challenges and seizing the opportunities presented by the evolving commercial landscape in Zhuhai, Visual J Company can work towards its mission of becoming a preeminent provider of commercial real estate consulting services and enhancing the value of the assets it manages.

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