



ZipMatch.com: From Start-Up to Scaling Up

It had been three years since John Dang and his co-founder, Chow Paredes started ZipMatch.com in the Philippines. The business had overcome the growing pains all start-ups face and was doing well as the country's leading online real estate marketplace. ZipMatch.com revolutionized the real estate sector in the Philippines by providing innovative solutions to address the problems of both buyers and sellers. It had expanded its geographical reach and customer base from Metro Manila to most major cities in the Philippines. It had also widened its service offerings from just property listings to include home search features and advisory services.

Dang wondered where he should take the business. After several changes in direction, the company had found the strategy that suited the Philippine market. Dang looked at the latest industry updates on the real estate sector in the Association of Southeast Asian Nations (ASEAN) region, and focused his attention on the bullish outlook as evidenced by increasing urbanization, developing infrastructure, increasing affluence among customers, and increasing tourism across the region. He also thought about opportunities in suburban and developing regions of the Philippines. Suddenly, he had a "eureka" moment — he would scale the business — but how. He thought that it was the right time to take the business to a new level. But questions remained: How he was going to do it given the company's current size and resources? And was the company ready for this big move?



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History of ZipMatch.com

ZipMatch.com was founded by Dang and Paredes on April 15, 2013 under HomeMatch Corp., a holding company registered with the Philippines Securities and Exchange Commission. Both were doing well in their respective careers before they decided to launch the start-up. Dang was the head of business development at a gaming company while Paredes was working as a sales director for a real estate firm. They put together a plan to start an online brokerage company called HomeMatch.com and started building a sales team. They generated leads from the people who visited their website and wanted to buy properties. HomeMatch.com looked for available properties and arranged the transactions. The business progressed for nine months in this fashion until both of them realized it was easier to generate leads than do the selling. So they decided to tweak the business model. Instead of operating as an online brokerage company, they focused on generating leads from prospective property buyers. They earned money from selling these leads to property developers, real estate brokers, and agents. ZipMatch.com was born.¹

In order to scale the business, the founders raised funds by pitching their idea to several venture capitalists. ZipMatch.com crossed paths with several local and foreign investors and was able to raise an undisclosed amount of seed funding from IMJ Fenox, 500 Startups, Hatch, and the Ideaspaces Foundation. In March 2015, ZipMatch.com also received \$2.5 million in Series A funding from Monk's Hill Ventures.²

ZipMatch.com: The Journey

ZipMatch.com was a Philippines-based online sales and marketing tool that enabled property buyers make informed decisions. It operated as a real estate marketplace that aggregated property listings in the country, offered real estate trend information to buyers, and generated leads for brokerage firms and property developers. As of March 2015, ZipMatch.com had over 10,000 listings from more than 450 licensed real estate brokers. ZipMatch.com basically operated as a matchmaker. It matched prospective buyers with their chosen properties, either to buy or rent. The leads generated from the prospective buyers were then sold to businesses, primarily licensed brokers and property developers. Unlike other start-up businesses that disrupt industry, ZipMatch.com treated players in the market as partners, rather than competitors. Property developers, real estate brokers, and agents could sign up with ZipMatch.com for a monthly fee and in return, they could list their properties on its website. In addition, leads from customers were forwarded to them for a monthly subscription.³

ZipMatch.com provided customers with customized property listings. This was achieved by asking the property buyers questions such as preferred location, size and type of property, and budget. This information was then matched to property developers, real estate brokers, and agents making the sales process for each party more efficient and convenient. The company aimed to provide homebuyers with the tools that would help them make the right decisions and match them with the best real estate professionals.⁴

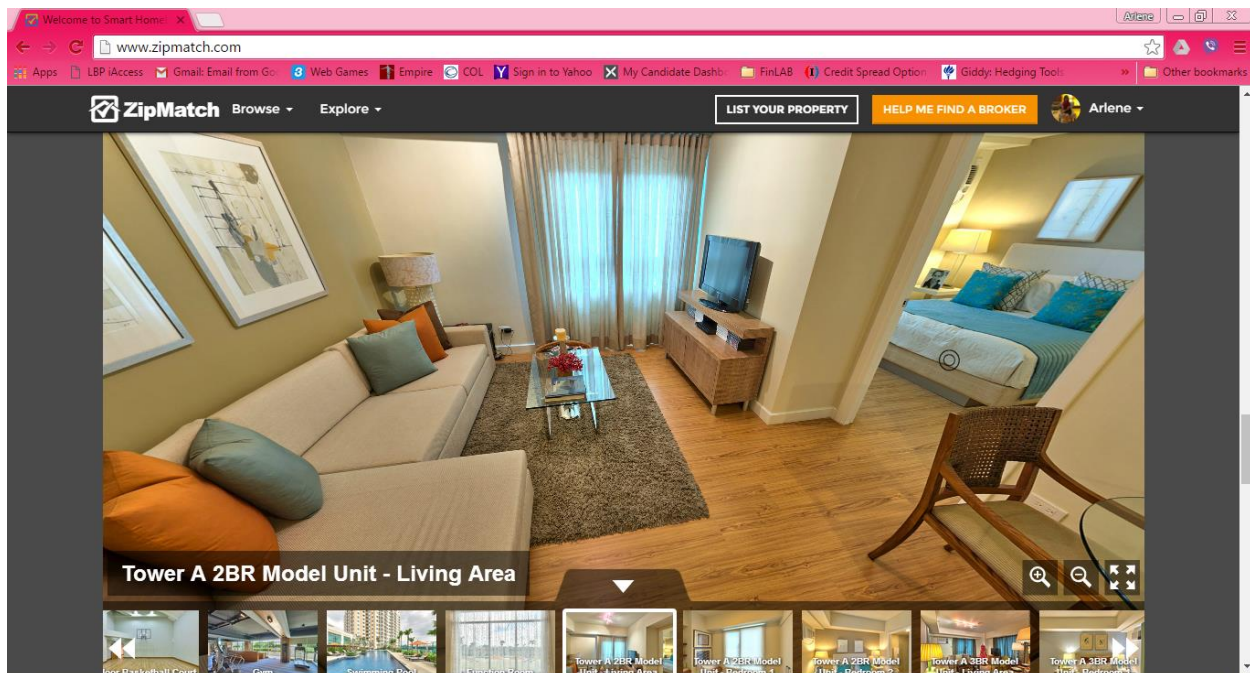
Though ZipMatch.com had a clear vision of what it wanted to achieve to make the industry more efficient, industry players were not receptive to the idea. Property developers, brokers, and agents were hesitant to pay a fee to be able to list their available properties on the website. They were more comfortable using traditional means such as billboards and print ads to attract customers. Customer attraction was a problem initially, but as customers realized the value provided by the services of ZipMatch.com, they were drawn to join the website. However, customers had very little control over the leads they received and the payment schedules. Thus, they were not willing to pay a monthly

subscription for the leads provided by Zipmatch.com. As a result, customer retention became a problem and since the business was only earning revenue from the business side, they had difficulties with cash flow. The founders realized that although they had an innovative solution at hand, if the market was not ready for it, the solution would not work. Moreover, the most difficult tasks for the company as a start-up business was to change the mindset, culture, and behavior of the market.⁵

To address these problems, ZipMatch.com introduced several product features to attract and retain customers. It expanded its services for homebuyers from merely property listings to adding home search features and advisory services. The home search features provided homebuyers with complete information about the property they were interested in with just a few clicks. It had a concierge service (wherein the website assisted customers throughout the entire property buying process, from property search to proper matching with a real estate agent or broker), virtual property tour (see **Exhibit 1**) and property reviews, which helped homebuyers make more informed decisions about their purchases. Through these features, the homebuyer was able to scan the property without actually visiting it. In addition, ZipMatch.com educated homebuyers through its blog and advisory services. From “how to process a housing loan” to “what you need to do to buy a home,” ZipMatch.com provided tips to assist homebuyers in making intelligent and well-informed decisions. On average, the website was able to generate 5 to 6 million visits per year. Out of these visits, 4% were converted into leads, roughly estimated at 15,000-20,000 leads per month. From these, 90% were purchased by property developers, real estate brokers, and agents.⁶

Exhibit 1

360° Virtual Tour



Source: ZipMatch.com. “Experience ZipMatch 360 Tours.” Accessed 6 June 2016
<<http://www.zipmatch.com/virtual-tours>>.

ZipMatch.com worked to strengthen its position in the market. The company's founders believed that for the company to succeed, it would have to offer a service that was 10 times better than what the competitors were providing. As a result, the company decided to become more proactive in improving its offerings to both buyers and sellers. In order to expand its property listings, ZipMatch.com launched the Magellan project, under which the company generated content, rather than waiting for property developers to list their projects on the website. Under this strategy, ZipMatch.com sent out its own team to explore property projects, collect information, and post the filtered content on the website. Similarly, to attract and retain more paying property developers, real estate brokers, and agents to the platform, ZipMatch.com introduced its proprietary form of virtual currency called ZipCoins. ZipCoins acted as a mode of payment for agents and brokers. Instead of paying a fixed fee for the leads generated from ZipMatch.com, agents and brokers could customize the tools and services to their needs and buy leads through a reloadable virtual currency. For as low as Php 499 (USD 10.79)ⁱ, agents and brokers could get 22,000 ZipCoins, the minimum amount that they needed to choose the tools and services suited for their needs.⁷ For 22,000 ZipCoins, a client could get one virtual property tour, 1-400 leads, four subscriptions, or a combination of these choices. After implementing this strategy, agents and brokers became more comfortable with paying a fee as the payment terms became more flexible.⁸

As a result of these strategies, the business was able to expand in the country covering major urbanized cities and regions such as the National Capital Region, Cebu, Bacolod, Iloilo, Davao, Cagayan de Oro, and CALABARZON (see **Appendix A**). As they expanded further, Dang and Paredes thought about creating a presence in suburban areas and developing regions in Central and Northern Luzon.⁹

Association of Southeast Asian Nations (ASEAN) Property Market

Since the turn of the millennium, the Southeast Asian Region experienced promising growth in its real estate sector. This growth was fueled by rock-bottom interest rates, booming economies as well as steady growth of consumer classes with more disposable income.¹⁰ Added to these factors was the ASEAN integration, which aimed to boost the region's economic progress.

For instance, in Thailand there had been an influx in investment in infrastructure from the government such as railway double-tracking, motorways, and 10 new mass-transit routes. These improvements were expected to boost the demand for residential properties in Thailand, both in Bangkok and nearby provinces. It was forecast that Thailand's property market would grow by 5-10% per year from 2016-2020.¹¹ In Malaysia, it was forecast that the property market would pick up and reach its high by 2020.¹² Indonesia remained attractive despite a slowdown. Taking the longer term perspective, the outlook for the sector remained bright due to a young and growing population, urbanization, and rising living standards.¹³ The Philippines remained one of the strongest performers in the ASEAN property market as a result of several growth drivers such as a thriving business process outsourcing sector and booming economy.¹⁴

However, other countries in the region were still experiencing less than stellar outlooks. One of these was Singapore, which realized a 53.8% year-on-year decline in property transaction levels and a 6.7% decline in property prices.¹⁵

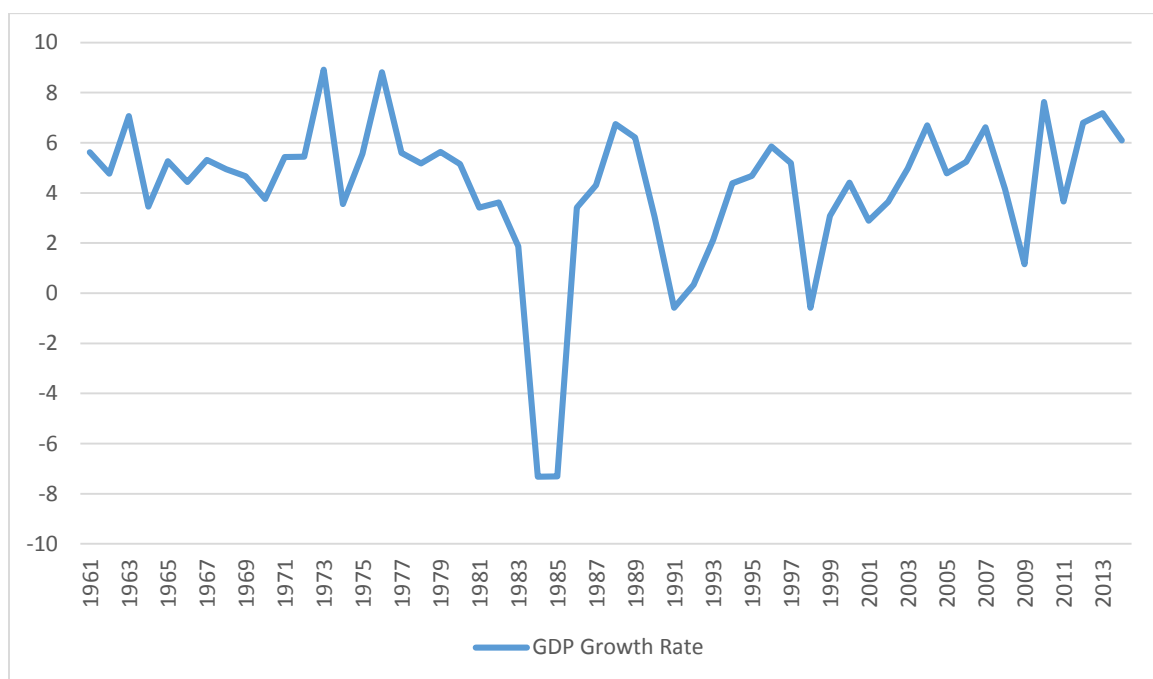
i 1 USD = Php 46.241 as of June 6, 2016.

The Philippine Property Market

The Philippine economy was considered one of the fastest-growing economies in the Southeast Asian region (see **Exhibit 2**). One of the drivers of growth in the country was its transformation from a highly agricultural economy to a service-oriented one. One visible indicator of this shift was the increasing number of global companies transferring their production, marketing, and other business operations to the country.¹⁶ This created a lot of opportunities for Filipino businesses — especially for micro, small, and medium enterprises. One sector of the economy that greatly benefited from this opportunity was the real estate sector. The influx of global companies in the country created more jobs, therefore increasing demand for office space, translating to an increased demand for residential units.

Exhibit 2

Philippine GDP Growth Rate



Source: World Bank. "GDP Annual Growth Per Country." Accessed 6 June 2016
<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>.

The Philippine property market was basically divided into four segments; office, residential, retail, and hotel. The sector was dominated by twelve major developers which were Ayala Land, SM Prime, Megaworld, DMCI Homes, Federal Land, Robinsons Land Corp., Vista Land and Lifescapes, Filinvest Land, Shang Properties, Century Properties, Empire East, and Rockwell Land.¹⁷ Primarily, property projects were concentrated in the major urbanized and industrialized cities in the country particularly Metro Manila, Region 4A (CALABARZON), Metro Cebu, Davao City, and Central Luzon (mainly Pampanga and Zambales).¹⁸

The outlook for the Philippine property market was bullish from 2016 moving forward. It was expected that the sector would continue its growth of 5-7% in 2016, with the office segment driving the expected growth.¹⁹ Office space was expected to realize compounded annual growth of 17.5% from 2012-

2016. As a result, it was forecast that the stock for residential property would grow by around 5% in from 2016-2020. It was also predicted that the number of residential condominium units in Manila would increase from 53,314 units in 2012 to 76,973 units in 2016.²⁰ In terms of capital expenditures, local players allocated around Php 300 billion (USD 6.49 billion) as the country moved toward a more liquid property market.²¹

In 2015 alone, the property sector leased 459,000 square meters of premium and Grade A office space. Moreover, in light of the ASEAN integration, it was forecast that more multinationals were looking into moving their headquarters to the Philippines.²² At the same time, multinationals and business process outsourcing companies were expected to boost the economy by creating more jobs, which would eventually flow into the increased demand for residential units especially in the main business districts of the country. Rapid urbanization, an increasing middle class, and increased disposable income were said to be the main drivers of growth in the residential segment. The National Economic Development Authority (NEDA) of the Philippines forecast that the percentage of the population living in highly urbanized areas would increase from 48.6% in 2010 to 56.3% by 2030 and 66% by 2050. The demand for residential properties largely stemmed from the families of the overseas Filipino workers. In 2014 alone, overseas Filipino workers were able to send \$24.3 billion worth of remittances to their families, and it was estimated that nearly a third of that amount — around \$7 billion — had been spent on property.²³

Lastly, the provision of in-house financing by property companies made it more convenient for buyers to buy homes. A significant number of property companies allowed buyers to spread the payment of deposits over several years.

Industry Trends

One of the trends that affected how business across different industries operated was the advent of technology, particularly the use of the Internet and smartphones. The Philippines had one of the largest penetration rates in terms of Internet and mobile phone usage. From a population of around 102 million, the numbers of Internet users as of January 2016 was at 44 million, which was equivalent to 43.5% of the population.²⁴ Mobile subscriptions in the country totaled 119 million, which was equivalent to 117% of the population.²⁵ The average Filipino spent 3.2 hours online through a mobile device and 5.2 hours online using a desktop or tablet. From this, 47% of the time spent online was devoted to social media activities such as Facebook, Twitter, Instagram, and Viber.²⁶

This development in technology was able to change and improve different sectors of the economy, including the property sector, specifically the marketing of real estate. Traditionally, when a person plans to buy a house, condominium unit, or office space, he needs to scan the classified ads of print publications such as newspapers and magazines. Aside from these media, property developers, sellers, and brokers use the broadcast media and billboards to advertise their listings. Once the buyer has picked a particular property, he has to personally visit the site to get an idea of how the property looks. It is a tedious process and very time consuming for buyers. The advent of online technology paved the way to address the inconvenience both on the buyer and the seller sides. Property developers started setting up their own websites for information dissemination as well as showrooms for their available units. As a result, property developers and sellers started to shift their marketing expenditures from offline to online with a large portion of their budgets devoted to digital advertising. However, these players realized that having a website was not enough to capture the market. They had to understand how consumers used the Internet in their property purchase decisions. Many entrepreneurs, including application and website developers, identified this need and tried to address the problem by creating integrated property portals. Players such as Lamudi, ZipMatch.com, Property24, PropertyFinderph, Iproperty, Hoppler, and Philippine Realty TV (PRTV) were able to create the online real estate marketplace.²⁷ These websites aimed to

connect the buyers of properties with real estate brokers and property developers, making the process easier and more convenient for all parties.

How to Expand?

Three years into the business, Dang realized a lot about his start-up. It was never easy. It was always a question of “Pursue, pivot, or perish.” Since the company was serving two sides of the market — home buyers and home sellers — it was difficult to make both of them happy. Dang thought that ZipMatch.com had already found the strategy that perfectly fit the Filipino market and the culture that explained how it behaved. The use of ZipCoins increased their customer retention rate and convinced more property developers, real estate brokers, and agents to pay for ZipMatch.com services. But the question was: How would ZipMatch.com scale up?

Though ZipMatch.com had already captured the market in the major cities of the Philippines, Dang thought that there was still a lot of opportunity for ZipMatch.com to grow further within the country. Urbanization had been a trend, and with the new presidential administration of President Rodrigo Duterte, infrastructure projects would be on the horizon. It would not be difficult for ZipMatch.com to expand in the Philippines because the company already understood how the market behaved and it had already localized the real estate sector. But Dang also believed that now was not the time to be complacent. Technology was advancing and competition was increasing. Opportunities in the Southeast Asian region were already in place. All he had to do was grab those opportunities. Still, was ZipMatch.com ready for this move? Its journey in the Philippines had been a struggle and with expansion to other territories would come another round of challenges.

Dang contemplated whether ZipMatch.com should remain focused on growing in the Philippines or expand across its borders.

Appendix A

ZipMatch.com's Presence in the Philippines



Source: Wiltshire, Kyle. Chief Technology Officer. ZipMatch.com. 13 Apr. 2016.

Endnotes

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