



# Putting the digital customer first: Rethinking real-estate megadevelopments

Large-scale and integrated real-estate developments are full of risks and often fail to deliver, but they aren't going away. As consumer preferences continue to change and technology evolves, developers must take a new approach.



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The last decade has seen a shift toward developing large-scale, integrated, and mixed-use real-estate projects, ranging from individual districts and precincts to full cities. However, many of these large (and often “smart”) developments have struggled to excite consumers and citizens. One main reason is a failure to guard against changes in consumer preferences and evolution in technology.

Most developers still compartmentalize their organizations’ physical and digital masterplans. Today, the standard approach to development involves a lengthy and elaborate spatial-design process followed by consultations with small focus groups of consumers using standard survey techniques. Developers then hastily incorporate convenient and inexpensive parts of this consumer feedback into the design, which typically involves layering smart technology features on top of the existing design—for instance, adding home-security solutions without integrating with precinct security and without planning robustly for technology shifts (such as the emergence of Amazon’s Echo platform). They finish by publicizing the project with great fanfare.

This scenario plays out every day all over the world and is equally likely for a neighborhood apartment building as it is for a multibillion-dollar major project. Yet given that major projects’ stakes are much higher, ensuring consumer buy-in is even more critical, and incorporating a true digital strategy and crafting a digital masterplan from the onset of a project is much more complex.

There is no replacing a bold vision—creating world-class real estate will always be part-art and part-science. But developers can and should take steps to shape major projects that plan for tomorrow’s digital customer, harness digital technologies from the earliest stages of the process, and leverage data to inform decision-making. By putting customer

experience at the center of their planning approach, developers have much better odds of future-proofing their developments.

### A distinctive new approach

Developers should consider a four-phase iterative process in which customer insights are at the center of both the design and initial stages of development. Crucially, in this process digital technologies are embedded up front into the design and customer experience, not as an afterthought.

### Start with a customer-informed, forward-looking vision

Major-development owners traditionally apply a top-down approach: they establish a vision for a project and then bring in architects and master planners to align the project’s spatial design with this vision. Most developers also conduct initial feasibility assessments by reviewing traditional metrics (such as population- and economic-growth forecasts, rental yields, and construction costs) and by conducting customer surveys and focus groups.

A customer-informed vision, however, starts with developers’ defining both the precise customer segments the development will serve and also what customers’ experience with the development will look and feel like. By conducting ethnographic research, making lifestyle observations (through physical and virtual experience centers), and understanding mobility patterns (through combined geospatial analysis, mapping tools, and cellphone usage patterns), they can understand customers more deeply. This research helps major-project developers not only understand what customers say they need but also anticipate other functional and emotional needs and wants, thus informing critical design decisions. Sources of previously untapped internal data, easily available market data, and unconventional alternative external data can also improve decision making.

McKinsey analysis<sup>1</sup> found that “non-traditional variables,” such as proximity to premium restaurants or grocery stores, can explain property values with a predictive power of 60 percent. These insights can be used at the project design stage to determine target pricing and segment, as well as identify establishments needed within a development to boost value.

Developers can then build flexibility into the design of the current and subsequent phases of the developments so that they stay contemporary as consumer needs change and technologies evolve. For example, US-based start-up Module offers housing for which residents can order extra bedrooms or other add-ons for as their needs change.

#### Curate design input

Typically, projects are designed by certified architecture firms. While this professional expertise is essential, developers can open the opportunities for ideation at the conception stage by organizing immersive design labs, bringing together multi-disciplinary thought leaders to jointly develop new ideas. These experts might include academics, artists, citizens, technology providers, or urbanists. Such labs also integrate existing design teams and architects to enhance their concepts. This methodology must be distinguished from surface-level crowdsourcing, which is often used as a marketing device but with little influence on design. Developers can then conduct “concept sprints” (a method regularly used to design software) and deploy cross-functional teams to quickly develop, flesh out, and evaluate ideas and potential improvements. One major developer in the Middle East leveraged a design lab approach to identify new distinctive anchors for its existing master plan. The lab produced more than 100 new ideas on placemaking, technology integration, and distinctive structures in the complex. Many of these ideas were prioritized and subsequently integrated into their master plan.

#### Build technology-enabled prototypes

A rapid prototyping approach ensures designs and concepts are quickly tested with customers, allowing developers to better understand preferences and optimize features. Developers often use brick-and-mortar experience centers for the prototyping phase. But because building such physical experience centers is expensive, developers may shy away from experimentation, thus limiting the amount and nature of feedback they obtain. Technology can be used to create digital twins of such developments, which can then be tested with different target segments to see how each uses the space and what else they might desire from it.

Sidewalk Labs recently joined up with an experiential design firm to create a plan-your-neighborhood prototype for a new mixed-use development on Toronto’s eastern waterfront. Participants could explore the prototype and toggle through thousands of design options, contributing live feedback. Other developers are using augmented and virtual reality to understand and probe customer reactions to different product features and concepts. They also deploy eye-tracking technology in showroom units to understand the features that interest customers most—a tactic currently being used in the retail industry.

Developers can then follow up with design-to-value exercises that allow informed trade-offs on features. These exercises can help them determine how much customers would be willing to pay for “nice-to-have” amenities, such as bathtubs or balconies in master bedrooms.

#### Develop highly personalized sales engines with both human and machine interfaces

Many sales teams today originate leads from call centers or from visits to sales centers or project websites. They then follow up with interested customers through 20th-century methods, often tracking leads via spreadsheets, following up with

agents and customers via phone calls, and finally trying to close deals through in-person experiences.

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Next-generation sales engines for major projects will follow a different approach. Sales teams will proactively identify potential customers for projects by employing a rigorous analytics-driven approach, harnessing both publicly available and privately purchased data. This approach can help sales forces develop optimized product offerings, cross-sell and upsell to willing customers, and offer dynamic pricing by comparing customer behavior patterns and preferences. Ultimately, the sales team will have a highly personalized sales pitch and product for each customer or set of customers.



Major mixed-use real-estate projects will continue to be critical for the advancement of cities around the globe, playing a central role in urban renewal and regeneration across both developed and developing markets. But ceaseless advancements in technology make it increasingly difficult to create sustainable projects that meet consumer demands as well as virtually impossible for developers to build the necessary capabilities in-house in the short term. Pursuing a range of partnerships will grant developers access to a whole new ecosystem of capabilities. Starting with an iconic project and converting it into a showcase for a new design and development approach has a better chance of future-proofing than the traditional sequence. By investing in these steps to embrace customer-centric development and integrate digital technologies up front, progressive developers can build long-lasting capabilities that competitors may find hard to replicate. ■

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<sup>1</sup> Gabriel Morgan Asaftei, Sudeep Doshi, John Means, and Aditya Sanghvi, "Getting ahead of the market: How big data is transforming real estate," October 2018, McKinsey.com.