

Building sustainable and affordable urban living: A conversation with White Peak's Jesper Jos Olsson

Not many companies are bold enough to enter the challenging Chinese market without a local partner. But a desire to retain full control, and the belief that relying on local partners may hinder its ability to learn and scale, eventually paid off, according to the cofounder of a Beijing-based, Swedish property developer.



In this episode of *The Venture*, we share a conversation with Jesper Jos Olsson, CEO and founding partner of White Peak Real Estate, Europe's largest real-estate developer in China. Olsson discusses with McKinsey's Andrew Roth the importance of being data driven to understand the customer; White Peak's innovative, community-based concept for urban living; and its unshakeable commitment to green and sustainable development. At the close of the interview, McKinsey's Tomas Laboutka offers his insights.

An edited transcript of the podcast follows.

Podcast transcript

Andrew Roth: From Leap by McKinsey, our business-building practice, I'm Andrew Roth. Welcome to *The Venture*, a series featuring conversations with legendary venture builders in Asia about how to design, launch, and scale new businesses. In each episode, we cut through the noise to bring practical advice on how leaders can build successful businesses from scratch.

Today I'm excited to welcome Jesper Jos Olsson, founding partner and Group CEO of White Peak Real Estate and Stey. White Peak is the largest European residential developer in China, with its core focus on green development and environmental, social, and corporate governance (ESG). White Peak currently has more than 15,000 apartments under construction across ten cities in northern and eastern China. Stey was launched by White Peak as a new solution to urban living, offering modern urban professionals a smarter, more connected, and exciting way of living. Combining traditional hospitality with the smartest digital solutions, it has created an innovative balance of home, co-living space, and hotel. Stey is actively expanding across all the gateway cities in Asia. There's a lot to cover. Welcome, Jesper. Great to have you on the show.

Jesper Jos Olsson: Thank you very much. Nice to be here.

Andrew Roth: How did you decide to enter the Chinese market?

Jesper Jos Olsson: First of all, we were convinced that China will experience many decades of continued urbanization and middle-class growth, so entering the residential real-estate market seemed like a good strategy.

Initially, we decided to focus on a limited geography, because China is incredibly large and there's really no similarity in buying behavior or apartment designs in the north and south. So, we focused on the northeast and are now operating in three provinces with 250 million people.

Secondly, we decided that we weren't going to do partnerships, because you don't learn as much if you work with a partner who does all the difficult things. Also, there's always a partnership risk. So the 20-plus projects that we've done have all been 100 percent operated and controlled by White Peak. We made all the usual mistakes when you start a new business, but it has made us stronger and what we are today.

Andrew Roth: I'm curious about what you said regarding partnerships, because for other industries, the narrative is that when you enter China, you need to have a partner. And it seems like you made a counterintuitive decision. Can you expand on that specific decision?

Jesper Jos Olsson: Real estate, obviously, is very local. Typically, most foreign investors work with local developers or different types of joint ventures. But we felt that all the challenges that usually make you want to partner with someone were ones we could overcome ourselves. And once we learned to do that, we'd probably be able to scale and build a proper business.

If we went to a city where we couldn't do it ourselves, and we didn't feel comfortable building a team, we just moved on to the next city, since China is such an enormous market.

As I mentioned, when we did our first projects, we made lots of mistakes but learned from those.

We have a very different operating style in terms of how our organization works, the level of transparency, and we want to focus on the environmental aspects of our buildings. And finding partners that believed and wanted to invest in that vision back then was difficult.

But, ultimately, we were able to build a team of almost 500 people who believe in our values, which are very natural for Nordics and becoming more relevant in China.

Andrew Roth: Can you share how you made this shift, in understanding such a complex market, from just relying on your original intuition to becoming more data-oriented?

Jesper Jos Olsson: I think that's a great question. And the answer is actually not to trust your intuition, because your Swedish or Western intuition isn't necessarily the right one in China.

For example, we did our first investment, 15 years ago, in a city of 13 million called Linyi. Mercedes and BMW sold lots of cars there, and private banks had thousands of accounts with multimillion yuan deposits, and so we built a very highly speculative residential project based on our intuition. And although it may have been what customers wanted, they didn't want to pay for it, so our margins were very weak.

What we ultimately learned is that in markets this large, with millions and millions of apartments being sold, there is a lot of data available. So we analyzed this data to determine exactly what kind of apartment standards and size people are actually willing to pay for.

So now when we underwrite markets or design products, it's all based on data. We always say if there's a window in one of our bathrooms, it's not because an architect told us that it's great to have a window in the bathroom; it's because the data tells us that a window in the bathroom helps the unit sell faster. And that's the beauty of a market like China, because only there do you

have this vast amount of data available to drive your decision making.

Andrew Roth: I know technology has changed over the years, but take us through the values that you're driving to deliver affordability and sustainability, and how are you actually bringing them to life in what you deliver to customers?

Jesper Jos Olsson: Real-estate development and urbanization is obviously one of the largest polluting sectors in the world, so building tens of thousands of apartments is a huge responsibility. Coming from Sweden, it's very natural to think about the air you breathe and the water you drink, and it's always been a very important part of our product.

Initially, customers in China weren't prepared to pay for sustainability. And although we were data driven, we didn't analyze whether people agreed with our values, because we basically decided people should want green because, long term, that's where we're heading. So we made no secret of our green building standards, which is becoming much more relevant to our customers as time goes on.

Andrew Roth: So although you were data-oriented from the outset, your core value is to be green, so you collected no data points on that. And then came the COVID-19 pandemic. In the last year, are you seeing shifts in customer tastes or in local markets? What's changing from your perspective?

Jesper Jos Olsson: I think it's very interesting. It's clearly been a big change, not only in China, but all over the world. People everywhere are spending much more time in their homes, thinking about the interior, the size, and their location.

And in China specifically, we've seen people upgrading their housing, which is, of course, a big market. And while doing that, we see they're also much more interested in being green, which they weren't before.

Obviously, COVID-19 is a virus, so people are thinking more about air quality, water quality, and even where their energy comes from. So there's a clear change in that direction.

Andrew Roth: I want to shift gears to a hotel concept you started called Stey. Take us through the decisions from an economic-viability or a customer-desirability perspective and also what you're trying to do with Stey from a community and social perspective.

Jesper Jos Olsson: White Peak is headquartered in Beijing, and all of our projects are in tier two cities in northeast China. We've always wanted to enter the tier one markets, but doing that through our typical model of acquiring land-use rights and then building apartments was not possible in those markets.

At the same time, if you look globally at what's happening in these big megacities all over the world with the inequality, unaffordability, and inefficiency of real estate, they haven't really had any innovation in the last 100 years.

So we took a clean piece of paper and said, "If we wanted to make it possible for this current and next generation of people to live in megacities, what would we need to do?"

And we basically came up with a few things, with one being spatial design. Not everyone needs a kitchen, if they're not cooking and just ordering meals and heating them up in the microwave. But when they do cook, they want to do that in a social context, so you create a shared space for that. Part of the space is personal and very small, and part of it is shared.

We also decided, for even more efficiency, that spaces needed to be used all the time. So we came up with this idea that our rooms have a tenant who signs a long-term contract. And when that tenant travels, he or she uses their phone to tell us, "I'm going to be away Friday through Sunday," and then loses digital access for those days. Then their unit basically becomes a hotel room during those days, giving guests the

opportunity to live in this community. Stey is a community of people who live and flourish together. We sell the ability for somebody to come and live in that community, in the middle of the city, and get much faster access to the city.

And through that innovation, we also created something affordable, because the long-term tenant doesn't pay for the days he or she spends traveling. And we earn greater income through 100 percent utilization. So we created affordability in a sort of residential sharing economy.

We've already opened three of these buildings in Beijing, and what's incredibly interesting is the value of the community that we've created. These are three very strong communities of people happy to live together, as opposed to renting an apartment where they never spend any time and their fridge is empty, which is quite a miserable life that I think a lot of young people are feeling in today's urban environment.

Andrew Roth: It's so true. I've been living in the same apartment for three-plus years and haven't met many of my neighbors.

Jesper Jos Olsson: Which is very typical.

Andrew Roth: I'd like to circle back to what you described earlier about being data driven versus relying on intuition. What were some of the early data points that indicated you were getting traction on the social element, and can you take us through some of the specific features if I'm a guest at Stey?

Jesper Jos Olsson: Stey is sort of an R&D center for our traditional business, even though it's very much its own business. But we're trying to design for sustainable behavior, using all the latest Internet of Things (IoT) and energy meters.

Stey has its own app that you can download to view your consumption footprint. We also

display this data in a sort of gamified model, where you compete against your neighbor or other buildings. And this presentation of data really has shown that we can drive sustainable behavior in the community, which is great for our green strategy but also because it's something that brings people together.

Digital is a great way to build community. The app also has a Facebook-type function where you can introduce yourself to the community and chat with each other. That's also proven very successful in creating a community feeling, something that everybody knows is so important but that's actually quite difficult to incubate.

Andrew Roth: And how does that work? How do you create those interactions?

Jesper Jos Olsson: There's a function that allows people to present their profile and match it with others. And then there's a community manager, somebody who continuously arranges different events that both people who live there and hotel guests can attend. So it's like an urban selection of communities and events that you can participate in.

Andrew Roth: Take us through some of the learnings from Stey, what you're learning about customers and design and technology.

Jesper Jos Olsson: What's interesting is the untapped value of a building with residents. Let's say we build a community with 5,000 apartments, which means there are 10,000 people living there, who don't communicate, don't share, and don't open the door when they hear somebody else walking in the hallway. I mean, we all know how that is.

And then you look at Stey, where the sum of these people living there creates a fantastic community and sense of belonging, trust, and sharing. For example, it's very natural for a pianist living there to help somebody learn to play the piano, which, of course, would be great in a more traditional context if people actually shared and were open with each other. And we have a lot of untapped

value—not only economical value, but relationship and community value.

We're only at the start of the next wave of urban development, where green is very important. But we also have this social dimension of urban development, which clearly has a lot of untapped potential. And that's something we're focusing on a lot, thinking about what we're learning from these communities and can bring to our traditional business.

Because in China, as everybody knows, digital is very advanced and natural for people. They're very willing to try new things. And if it's not good, they'll throw you out with the bathwater. But since they are willing to try, it's a very natural place to start implementing some of this thinking.

Andrew Roth: There's plenty of research out there that shows that even though we've made many advances in technology, people, especially during COVID-19, are feeling more lonely or isolated than ever. So it seems you're ahead of the game, if you can take some of the seeds of what you've learned about community building and social interactions. You've described Stey as 50 percent technical. Take us through what you had to do to get to that number, and are you applying that to the core business?

Jesper Jos Olsson: We're operating in three provinces and doing well, with great communities. We're also identifying various business processes—anything from managing contracts to payment collection—that we can make more efficient through digitization. All our operations are based in our Beijing headquarters, where we are continuously digitizing what we're learning through our customer interactions.

We decided early on to start with a much more human approach to the business and not focus too much on technology or have too many technical people, because there's always

a risk of being caught off guard by irrational user behavior. But now we're comfortable developing processes and a technical platform to implement technology as we learn more from these communities and our customers.

Andrew Roth: So you invested in the design process around customer understanding and observation. Does your team have a research backlog? Are they feeding that backlog into a product backlog that your technology team is using to continuously upgrade the platform in the app?

Jesper Jos Olsson: The key is to first remove inefficiencies around the whole design and sort of retrofit everything, with standardization and prefab creation being key parts. As opposed to a boutique hotel that spends lots of time thinking about how every color should be different in every single room, our design team learned that's not of real value to our customers.

Of course, the room needs to be nice and inspiring, but people are not looking for a design-led physical product. They want to be part of a community. That's the most important thing, so everything outside of that we just need to do as efficiently as possible.

So our design is now based around efficiencies—speed, cost, standardization, and supply chain. The same holds true on the technical side, where we remain focused on removing inefficiencies in our business processes so we can operate with a very small staff.

We've also been able to take out a lot of inefficiencies in all the processes around operating a hotel, so our staff-to-guest ratio is nothing compared to a standard hotel.

And our hotel managers are digitally savvy, high-energy men and women in their twenties. We want to create a new, very light and fresh way of giving somebody young the opportunity to actually run a business.

Andrew Roth: You've created a brand with Stey and found ways to take out inefficiencies in the process and created a platform around creating community. What's the road map to scaling it? Are you looking at partnerships or at continuing to grow organically?

Jesper Jos Olsson: We're certainly going to have partnerships. We want to have a Stey in every city in the world at some point, because the more cities we're in, the better the community. What do young people want to do? They love food, and they want to travel and to meet new people in new places. So what better way to live than in a place where you can just give up your room and stop paying for it, and then go to Bangkok, London, or wherever you want to go? Because you only pay for one room wherever you are in the world.

That's our vision, and the only way to do that, obviously, is through partnerships. We're basically a digital product and a brand with a very efficient operating model. So we're planning an asset-light, global expansion together with partners.

Andrew Roth: You described some of these sustainability metrics for White Peak in general, and I'd love to hear a little bit more about them. You're hitting on so many key topics right now, like affordability, urban development, community, connecting people socially, and sustainability. I just can't imagine what your dashboard looks like.

Jesper Jos Olsson: In all aspects of business, I maintain a really distinct focus on the whole ESG side. We were just doing our key performance indicators (KPIs) this year, and over 20 percent of our bonus weighting is nonfinancial. They're basically ESG-related targets, and I hope that's going to continue to increase. It's based on the idea that your footprint, financially and otherwise, is going to be at least as important as your financial KPIs going forward. That's why we focus on it so much.

We're spending a lot of time thinking through how to make the organization equally passionate and understand that this isn't just greenwashing. I don't think you will be able to borrow money in a few years unless you can prove that you're on track to live up to carbon-neutral targets.

And I don't think anybody will want to own shares in your company in the future unless you're sustainable and you take care of your workers. So I don't think it's a question of doing a little bit or not. I think it's very simple: if companies aren't putting all of their focus on these topics, they won't exist in the future.

That's the kind of ambition level that we have, and cascading that into a team in a place like China, where being green and sustainability are newer than in Sweden, is something that takes a lot of time and focus—and keeps you up at night.

Andrew Roth: Jesper, I want to thank you for taking time out to join the show today. The topics we discussed around sustainability, and community building especially, are so relevant right now. We could probably dedicate a show as a follow-up on how you're doing community building within Stey and beyond. I think you're right at the heart of some key topics right now.

Jesper Jos Olsson: Thanks a lot, Andrew.

Andrew Roth: Now comes a segment where we invite founders and experts from McKinsey to provide more context and to draw practical insights. And I'm joined by Tomas Laboutka from Leap by McKinsey. Tomas, thanks for joining us today.

Tomas Laboutka: Wonderful to be back, Andrew.

Andrew Roth: Jesper opens up with a point around how he entered China without a partnership, which I thought was counterintuitive. You'd figure that, coming from outside that market, that you would need strong local ties, but he gives a reason as to why he did it, when it comes

to understanding the local market. What are your thoughts on that from a start-up perspective?

Tomas Laboutka: I love it. I saw the strong conviction and strong belief that understanding the customers and being data driven and really hands on in the market are key for the business. And, as you say, it's counterintuitive. Oftentimes, we see start-ups and large enterprises scaling through partnerships. But White Peak didn't. They chose to roll up their sleeves and fail over and over again. And they came out strong. They moved from one city to another. The moment it didn't work, they went to another where it did. And based on data, they got the right understanding of the pain points of the customer journey and ultimately came out strong.

Andrew Roth: Through their conviction to understand the customer, by understanding the neighborhood, understanding the local community, especially in real estate, you could see how that was a way for them to live their values. When he got into talking about how they launched Stey, even though it's a different brand and a different concept from their traditional product, they looked at it as an R&D factory. I thought that was interesting, because that's a real commitment, as compared to a lot of minimum viable products (MVPs) that you see out there, where the pilots have a moment in time but don't get much funding. They seem to be really committed to Stey as R&D. What are your thoughts on that?

Tomas Laboutka: Stey launched with a clear understanding of customers that was based very deeply in data, enabling them to understand what it is that customers really want and what is the efficiency and the community building. And as they start building Stey, they build new assets that they can then transfer to the core business. So it went from "this is a new business that we want to explore and extract value

from” to “this is going to be a new pillar for our global expansion.” And as they learned about the behavior of customers and how they prefer to live, whether it was through community or gamification of the green agenda, they started plugging it back into the mother company. So you have a two-pronged strategy: new assets and, at the same time, new R&D.

Andrew Roth: And then based on that R&D, they’re learning a lot about the future of urban development and customer interest in sustainability and being green. And what’s emerging now is the social dimension of urban development. I think that is going to be an increasingly more important topic, around not just how to create real estate but to create communities and social interactions. I think that’s what they’re proving with Stey. I’d be curious to see how they start linking those learnings to their apartment and other residential products.

Tomas Laboutka: I think you’re spot on, and this is exactly where the R&D plugs into the mother organization. And it’s the deep understanding of the behavior that then shapes the whole development of the properties. If I want to cook, I want to cook socially; I don’t want to cook alone. I am living in this building, and I want to get to know the people around me.

Andrew Roth: Thanks, Tomas. As always, love your insights. Until next time.

Tomas Laboutka: Thank you, Andrew.

Andrew Roth: You have been listening to *The Venture* with me, Andrew Roth. If you like what you’ve heard, subscribe to our show on Apple Podcasts, Spotify, or wherever you listen.

Andrew Roth and **Thomas Laboutka** are associate partners in McKinsey’s Singapore office. **Jesper Jos Olsson** is CEO and founding partner of White Peak Real Estate.

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