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Research on Cost Control Optimization of Yango Group Real Estate Company

Yihan Bao *

Department of Economics and Management, Nanjing University of Science and technology, Nanjing, China

* Corresponding Author Email: 18888055686@163.com

Abstract. Against the background of increasingly fierce competition and stricter government regulation in the real estate industry, cost control has become critical to the survival and development of real estate enterprises. Taking Yango Real Estate Company as the research object, this paper analyzes its current cost control status, organizational structure, institutional system and cost composition data, and identifies prominent problems such as outdated management concepts, insufficient awareness of full-staff cost control, ineffective control of labor costs, overspending of marketing expenses, poor management of material costs and delayed feedback of dynamic costs. The root causes lie in insufficient authorization of cost control departments, imperfect responsibility–power–benefit system, lack of collaborative culture and inadequate accumulation of cost data. Based on relevant theories of cost control, this paper puts forward targeted optimization strategies, including establishing full-staff and all-round cost control awareness, rationally allocating and controlling labor costs, strengthening marketing and material cost control, and feeding back and adjusting dynamic costs in a timely manner. The conclusions of this study can help Yango Real Estate improve its management level, reduce costs and increase efficiency, and also provide reference for cost control practices of other real estate enterprises.

Keywords: real estate enterprise; cost control; cost optimization.

1. Introduction

Against the backdrop of increasingly fierce competition and tightened government regulation in the real estate industry, cost control has become critical to the survival and sustainable development of real estate enterprises. As a large and influential player in the sector, Yango Real Estate Company's cost control practices exert a significant impact on its profitability and market competitiveness.

In accordance with China's relevant laws and institutional arrangements, the state is entitled to exercise macroeconomic regulation over the real estate industry. Policies enacted by the government and regional price differentials both generate substantial effects on the industry as a whole. Under such circumstances, effective cost control is essential for real estate enterprises to enhance profitability. Costs for real estate firms cover multiple dimensions, including operation, land acquisition, and construction. Of these components, operating costs account for the smallest share, whereas land and construction costs represent relatively large proportions. To a certain extent, cost reduction will directly improve operational efficiency and boost corporate profits. Higher profits in turn help strengthen market competitiveness and facilitate access to more high-quality resources.

An in-depth investigation into the cost control issues of Yango Real Estate Company and the formulation of targeted optimization strategies will not only assist the firm in improving management capacity, cutting costs, and increasing profits, but also provide valuable experience for peer enterprises. Furthermore, this study carries important theoretical significance for enriching and perfecting the cost control theory system in the real estate industry.

2. Theoretical Foundation of Cost Control

2.1. Cost Structure of Real Estate Enterprises

The cost structure of real estate enterprises is complex, covering human resources, land, procurement, marketing, development and construction, taxes and other expenses. Labor costs include not only employee salaries but also training expenses. Land costs refer to funds paid for land development rights. Procurement costs cover material purchasing, transportation and related expenses. Marketing costs include promotional activities, channels and advertising. Development and construction costs are divided into direct and indirect costs. Tax costs involve various taxes, and other expenses refer to unforeseen operating costs.

2.2. Cost Control Theories

Value engineering theory emphasizes maximizing product functions at the lowest cost to enhance value, guiding enterprises to optimize design cost plans in project planning. Activity-based cost management takes activities as the core, identifies unnecessary operations, optimizes processes and reduces costs by calculating activity costs. Modern cost control theory divides control into pre-, during- and post-event stages, enabling comprehensive supervision and timely correction of deviations.

2.3. Cost Control Methods

The comprehensive cost control method requires full participation, whole-process management and scientific target setting across all business links. The responsibility cost control method clarifies tasks through responsibility centers and assesses performance to motivate employees. The target cost control method determines costs based on market demand and refines indicators to improve economic benefits. The standard cost control method formulates benchmarks, analyzes variances and takes improvement measures.

3. Current Status of Cost Control at Yango Real Estate Company

3.1. Basic Corporate Profile

Yango Group originated from Sunshine Holdings and has a 25-year history as a Fortune Global 500 company. It operates in 100 cities with over 300 high-quality projects. In 2019, its sales reached ¥211 billion, ranking 13th among domestic real estate firms. The company adheres to high-quality, green and environmentally friendly development with product lines including Feili, Yuelan, Tan and TOP series. It has built a complete industrial chain covering hotels and commercial operations, with 19 star-rated hotels and 22 commercial complexes nationwide. Its corporate culture features “transparency, result-orientation and win-win cooperation”, aiming to become a respectable, sustainable and inheritable enterprise.

3.2. Organizational Structure and System of Cost Control

3.2.1. Organizational Structure

The company adopts a dual-management mechanism for cost control, under which regional cost managers and project cost managers share responsibilities. Regional managers coordinate standards and supervision, while project managers participate in the whole cycle, formulate target costs and monitor dynamic changes. The structure achieves vertical and horizontal collaboration but suffers from insufficient authorization and low inter-departmental efficiency.

3.2.2. Control System

The system centers on the dual-management model, supported by five direct regulations such as Dynamic Cost Management for Residential Projects and indirect rules on performance and workflows. Direct systems cover dynamic monitoring, design changes and target decomposition, while indirect systems lack clear cost weights and coordination. Deficiencies include insufficient authorization, weak employee awareness, vague responsibilities and inadequate cost databases.

3.3. Cost Control Performance

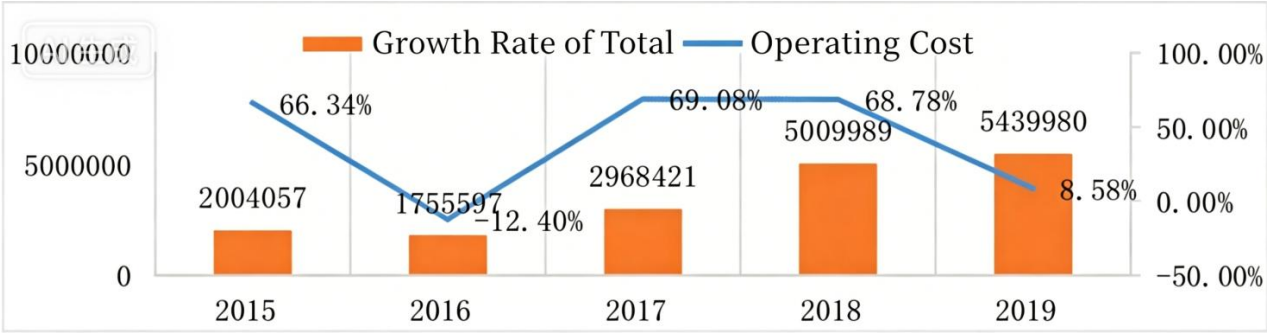

Fig. 1 Trend of Costs and Revenues

Table 1. Historical Cost Conditions of Yango Real Estate Company

Report Date	2015	2016	2017	2018	2019
Labor Costs	70342	61271	105082	178856	195838
Land Acquisition Costs	639094	548097	914007	1520531	1659737
Procurement Costs	540992	466704	793342	1532612	1111328
Marketing Costs	125535	96938	146207	260641	343887
Development and Construction Costs	420651	389567	686003	1076646	1216379
Tax and Fee Costs	203190	189768	320336	435708	908152
Other Costs	4253	3252	3446	4993	4657
Total Costs	2004057	1755597	2968421	5009989	5439980

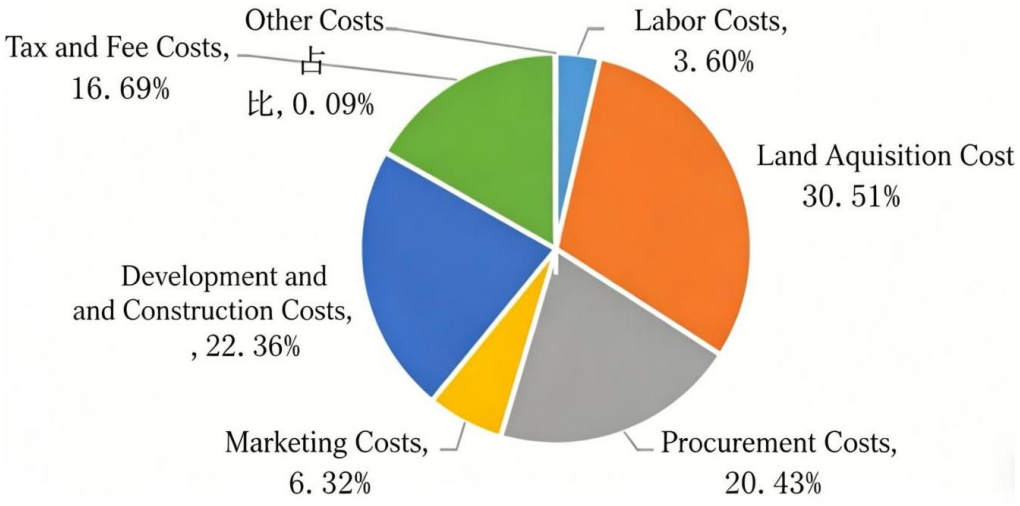

Fig. 2 Chart of Cost Proportions in 2019

Table 2. Chart of Historical Cost Proportions of Yango Real Estate Company

Report Date	2019	2018	2017	2016	2015
Labor Costs	3.60%	3.57%	3.54%	3.49%	3.52%
Land Acquisition Costs	30.51%	30.35%	30.79%	31.22%	31.95%
Procurement Costs	20.43%	30.59%	26.73%	26.58%	27.05%
Marketing Costs	6.32%	5.20%	4.93%	5.52%	6.28%
Development and Construction Costs	22.36%	21.49%	23.11%	22.19%	21.03%
Tax and Fee Costs	16.69%	8.70%	10.79%	10.81%	10.16%
Other Costs	0.09%	0.10%	0.12%	0.19%	0.21%
Total Costs	100%	100%	100%	100%	100%

Since 2017, Yango has implemented two rounds of cost reduction, saving nearly ¥4 billion through target cost management, competitive bidding and centralized procurement. Sales and administrative expense ratios dropped from 7.70% to 4.52% between 2013 and 2015. In the first half of 2020, selling expenses fell by 9.12% and administrative expenses by 12.19%. The company optimized financing costs by improving credit ratings and accelerating project settlement. It adopted a "three-full" investment strategy for land acquisition, with average land cost at ¥4,339 per square meter by the end of 2018.

However, after the liquidity crisis in the third quarter of 2021, the company faced tight financing, sluggish sales and strict pre-sale fund supervision. Despite asset sales and cost-cutting, debt repayment pressure surged. In the first quarter of 2023, net profit was -¥1.497 billion, asset-liability ratio approached 90%, and monetary funds could not cover short-term debt. Cost control and debt resolution became urgent priorities.

4. Organization of the Text

4.1. Outdated Management Concepts and Lack of Company-Wide Cost Awareness

The company's management philosophy has failed to adapt to the development needs of the industry. It still adopts a traditional manual control mode, lacks attention to the value chain of cost management, and fails to integrate and optimize various business links. It only focuses on the comparison of single cost data without conducting comprehensive market research or full-process implementation, resulting in project delays and increased difficulties in cost control. Meanwhile, the company attaches insufficient importance to cost control and has not carried out all-round staff training. Except for the cost control department and the finance department, employees in other departments and at the grassroots level generally lack cost control awareness. For example, construction personnel pay no attention to material loss, and designers ignore the cost impact of design changes. Each department only proceeds from its own business and fails to form a synergistic force for cost control. In addition, the company's cost control work has not kept pace with its development. In the process of project expansion, it still relies on the traditional budgeting model without dynamic adjustment based on actual conditions, leading to budgets lower than actual costs, poor information exchange, and lack of timely decision-making. The root cause of these problems is that the company has not built a cost control environment with full participation, lacks a systematic cost control evaluation system, and the management fails to play an exemplary role. Weak cost awareness among grassroots employees makes it difficult to effectively promote cost control, which affects the company's capital turnover rate and market competitiveness, and restricts the long-term development of the enterprise.

4.2. Labor Cost Control Problems

The company's total labor cost shows a continuous upward trend. In 2019, labor costs reached 1,958.38 million yuan, an increase of 9.49% compared with 2018. Moreover, from 2012 to 2019, actual labor costs exceeded budgets, with the overrun ratio fluctuating between 0.49% and 5.21%. The core problem lies in the contradiction between talent turnover and expansion demand. On the one hand, the company lacks a sound human resource management system and suffers from high employee turnover, especially for frontline staff, designers, accountants and other professional positions, which significantly increases recruitment costs (e.g., headhunting fees, channel expenses) and training costs (e.g., skill training for new employees, on-the-job internships). On the other hand, rapid corporate expansion, growing project numbers and wider business scope have triggered a surge in talent demand, but the internal talent training system has not been optimized accordingly, making it difficult for new employees to perform their duties in the short term and further pushing up labor costs.

Although the salary system is comparable to the industrial average, the incentive mechanism is simplistic and dominated by fixed wages, with weak links between variable pay and performance, which can hardly motivate employees effectively. Meanwhile, the company has not established a differentiated talent retention strategy and provides insufficient incentives for core-position employees, exacerbating talent loss. In addition, the division of responsibilities and authorities among departments is unclear, and the phenomenon of "position creation for individuals" exists, resulting in manpower redundancy in some posts and talent shortages in key positions (e.g., cost control, digital operation), leading to an unreasonable labor cost structure.

From the perspective of management mechanism, the company has not deeply integrated labor cost control with performance appraisal, and lacks incentives for departmental labor cost savings and accountability mechanisms for overspending. For instance, project teams ignore cost constraints in recruitment and staffing, arbitrarily increasing headcount or extending training periods without timely intervention from management, resulting in uncontrolled labor costs. Meanwhile, the accounting dimension of labor costs is simplistic, focusing only on salary expenditure without fully incorporating hidden costs such as recruitment, training and welfare, making it difficult to accurately assess the input–output ratio of human resources.

The root cause is that the company has not incorporated labor cost control into its corporate strategy, lacks the mindset of "human capital" management, and still regards employees as a cost burden rather than strategic resources. This not only squeezes corporate profit margins but also hinders project efficiency and quality due to talent gaps, weakening market competitiveness. Without optimizing human resource planning, improving incentive mechanisms and strengthening cost accountability, the problem of high labor costs will be difficult to reverse.

Table 3. Comparison of Budgeted and Actual Labor Costs of Yango Real Estate Company

Report Date	2015	2016	2017	2018	2019
Budgeted Labor Cost	70000	60000	100000	170000	190000
Actual Labor Cost	70342	61271	105082	178856	195838
Overrun Ratio	0.49%	2.12%	5.08%	5.21%	3.07%

4.3. Overspending on Marketing Expenses

Yango Real Estate suffers from excessive marketing expenses, which are manifested in that the proportion of actual marketing costs remains consistently above the budget with drastic growth fluctuations and low input-output efficiency, seriously undermining the enterprise's profitability.

Statistically, the company's marketing costs showed a trend of declining first and then rising from 2015 to 2019. The growth rates reached 50.83% and 78.27% in 2017 and 2018 respectively. Although the growth rate dropped to 36.94% in 2019, the proportion of actual marketing costs in operating

revenue stood at 6.32%, far exceeding the budget target of 5%. Taking 2019 as an example, marketing costs amounted to 3,438.87 million yuan, representing an increase of 173.94% compared with 2015, while operating revenue only rose by 173.67% over the same period. The mismatch between the growth of marketing investment and revenue growth indicates the failure of expense control.

The root cause lies in the lack of a scientific cost management system within the marketing department. On the one hand, insufficient market research fails to accurately capture consumer demands and preferences, resulting in highly homogenized marketing plans. Over-reliance on traditional advertising channels such as television, outdoor media and offline activities leads to substantial resource waste. For instance, to accelerate inventory digestion, the company launched marketing activities in advance before projects met pre-sale standards, blindly investing in show apartment construction, advertising production and other expenses without evaluating actual conversion rates. On the other hand, the marketing budget is formulated in an extensive manner without refining expense items according to project positioning and customer group characteristics, resulting in a one-size-fits-all approach. The marketing expense ratio of some projects is as high as 8%, well above the industry average of 4%–6%.

In addition, flaws in the performance appraisal mechanism further aggravate expense overruns. The marketing department's performance evaluation focuses excessively on sales indicators such as sales volume and inventory digestion rate, while neglecting cost indicators including marketing expense ratio and customer acquisition cost per unit. This encourages teams to expand marketing investment arbitrarily in pursuit of short-term performance. For example, to hit the annual sales target in 2018, the company launched large-scale online advertising without tracking and analyzing the return on investment of each channel. Ultimately, the new customer conversion rate was less than 15%, leaving a large amount of expenditure as ineffective investment. Meanwhile, the absence of a dynamic monitoring mechanism fails to give early warnings of abnormal expenses. When marketing expenses surged by 50% year-on-year in 2017, no cost adjustment plan was activated, causing the overrun problem to accumulate continuously.

This issue reflects the company's marketing management tendency of prioritizing scale over efficiency and the absence of whole-process control over marketing costs. The unreasonable growth of marketing expenses not only squeezes profit margins — the growth rate of total profit was merely 5.97% in 2019 — but also exposes the enterprise's inadequate adaptability to market changes. Without optimizing marketing strategies, establishing a refined budget system and strengthening cost-oriented performance appraisal, it will be difficult for the company to achieve sustainable development amid the industry downturn.

Table 4. Marketing Cost Ratio: Budget vs. Actual of Yango Real Estate Company

Report Date	2019	2018	2017	2016	2015
Budgeted Proportion of Marketing Costs	5%	5%	5%	5%	5%
Actual Proportion of Marketing Costs	6.32%	5.20%	4.93%	5.52%	6.28%

4.4. Material Cost Control Problems

A significantly higher material loss ratio compared with the industry benchmark constitutes one of the core problems. The company's limited construction technology and lack of refined management result in severe material waste during transportation, storage and construction. For example, bulk building materials such as concrete and steel suffer rust and damage due to improper on-site storage, and non-standard construction techniques in masonry works cause mortar waste. According to internal statistics, the material loss ratio of some projects reaches 8%–10%, far exceeding the industry average of 5%. In addition, additional losses arising from frequent design changes, including material returns, replacements and secondary handling, are not effectively controlled, further driving up overall costs.

The procurement plan is disconnected from actual demand, and the budget formulation is extensive. The company has not established a scientific material demand forecasting model, and procurement plans rely largely on empirical judgment, leading to simultaneous inventory overstock and shortage. In 2019, inventory accounted for 30% of total assets, locking up substantial capital, while some urgent construction procedures were forced to halt due to delayed material supply, incurring additional rush construction costs. Meanwhile, the procurement budget is not refined to specific projects and working procedures, leading to the phenomenon of over-budget reservation. For instance, the applied steel procurement quantity of a certain project was 15% higher than the actual demand. Furthermore, the company lacks dynamic tracking of supplier quotations and fails to adjust procurement strategies in response to market price fluctuations, resulting in high procurement costs.

The inventory management method is outdated with insufficient data accuracy. Although the company adopts the ABC classification method for inventory management, inconsistencies exist between account records and physical inventory in actual implementation. Surplus materials are not recycled into the warehouse in a timely manner, and on-site material inventory checks become a mere formality, distorting cost accounting. For example, the inventory check after the completion of one project found that the value of remaining materials such as tiles and pipelines exceeded one million yuan. However, management loopholes prevented these materials from being recorded in inventory for reuse, causing direct economic losses. In addition, data coordination between the finance department and the material supply department lags behind. Under the cash payment model, staff reimbursement is often delayed, creating a disconnect between book costs and actual consumption and failing to provide real-time data support for cost control.

The root cause lies in the absence of a full-chain material cost control system. At the design stage, quota design is not implemented, and material cost is not included in design scheme comparison and selection. At the procurement stage, a strategic supplier cooperation mechanism is not established, resulting in insufficient bargaining power. At the construction stage, there is a lack of loss assessment indicators, and material conservation is not linked to team performance. These problems not only keep the proportion of material costs in total costs persistently above 20% (20.43% in 2019), but also undermine overall operational efficiency due to low capital turnover. Without introducing digital management tools, optimizing procurement procedures and strengthening construction loss control, the high level of material costs will be difficult to improve.

5. Optimization Design for Cost Control at Yango Real Estate Company

5.1. Establish Full-Staff and All-Round Cost Control Awareness

Enterprises should promote cost awareness among all employees, integrate cost performance with salaries, and clarify departmental objectives. Cross-department collaboration must be strengthened, with rewards for meeting cost targets. Training and internal communication should institutionalize cost control culture, aligning individual and corporate goals.

5.2. Rational Allocation and Control of Labor Costs

Responsibilities should be refined and linked to performance assessment. The organizational structure should be optimized to clarify duties and reduce redundancy. Professional training improves competence, while a sound incentive system retains talents and enhances operational efficiency.

5.3. Strengthen Marketing Cost Control

Cost targets should be decomposed by department and project. A scientific assessment system links cost performance to compensation, with fair rewards and penalties. Marketing strategies should prioritize efficiency, monitor channel ROI and reduce ineffective spending.

5.4. Enhance Material Cost Control

A precise budgeting system should be established based on project demand and market conditions. Material consumption standards should be set according to construction plans, with cross-department collaboration and regular cost reports. Waste reduction and recycling should be encouraged, with incentives for material savings.

5.5. Timely Feedback and Adjustment of Dynamic Costs

Target costs should be decomposed and supervised contract execution strengthened. Monthly expenditure analysis should flag abnormal items. Design changes and material adjustments must be evaluated promptly to narrow gaps between actual and target costs.

6. Summary

This study finds that Yango Real Estate suffers from obsolete management concepts, insufficient employee cost awareness, poor labor cost control, marketing overspending, material mismanagement and delayed dynamic cost feedback. These stem from insufficient authorization, imperfect responsibility–rights–benefits mechanisms, weak collaboration and inadequate data accumulation. The proposed optimization measures cover awareness building, labor, marketing, material and dynamic cost control, supported by institutional and data safeguards. Acknowledgements

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