

How marketing strategy is important for croatian construction companies? – Results of the survey

Lana Lovrenčić Butković, MSc, MBA

Faculty of Civil Engineering, University of Zagreb, Croatia
llovrenčić@grad.hr

Keywords

marketing strategy,
construction industry

IT IS A SUITABLE AND CLEARLY DEFINED BUSINESS STRATEGY which is tailored to the demands of the market and clients' wishes can lead the company to better business results. Market strategy as a part of complete business strategy can accelerate the success of any company. The complexity of the construction market, as well as meeting the needs and wishes of clients are a huge challenge for all participants of this sector. Are Croatian construction companies aware of that, do they have a business strategy, do they maintain market activities, and what is their opinion about all that? The answer to this question could give the results of the survey research on the implementation of market strategies in Croatian construction companies, that was carried out in 2009.

INTRODUCTION

Research in the last decade proved that the most profitable companies always had well designed and implemented business strategies whereas the least profitable companies had a poor strategy or had no particular strategy or had a strategy that the company was not able to successfully implement. So, one of the fundamental characteristics of a successful company is the management's ability to design and implement a profitable business strategy.

Marketing strategy, as a part of complete business strategy, can accelerate the success of any company. Several studies involving a total of more than 400 business units in a variety of industries indicate that a market orientation has a significant positive

effect on various dimensions of performance, including return on assets, sales growth and new product success (Walker et al., 1996).

There is no doubt that construction industry is very important for the national economic development. In recent years construction was one of the prime movers of economic growth, both in the Republic of Croatia and in the new East European countries, Russia and in the Middle East. Economic growth, growth of the standard of living and the demand for real property are sustaining a high share of construction in the total GNP.

But, the crisis which started in the USA at the beginning of 2008 and rapidly spread on to Europe triggered the first slowdown of the increase of activities in the construction sector in the last seven years. There has been

stagnation in the property market, and business banks increased interest on housing loans. All that puts new challenges before construction enterprises, challenges that may even become the question of survival.

On Croatian construction market there are signs of the recession as a reflection of that on the world market i.e. after many years there is an excess of flats on the market, conditions for housing loans are becoming tougher, infrastructural investment has decreased. The companies must adjust to changed market conditions by implementing new or different business strategies.

Are Croatian enterprises aware of that, do they have a business strategy, do they maintain market activities, and what is their opinion about all that? The results of the survey carried out in a number of Croatian construction enterprises have provided answers to these questions.

Marketing strategy

Market orientation primarily focuses on securing a permanent inflow of work and realising a profit for the company by satisfying the demands and needs of clients. We use the term marketing to define an up-to-date market-oriented business strategy. Marketing in its simplest terms means finding out what customers want and then endeavouring to supply those requirements and to do so profitably (Moore, 1984).

Market oriented business primarily focuses on securing a constant inflow of work in such a way that, by satisfying clients' needs and requests, the company works with a profit. This is a business strategy or business philosophy that always focuses on the customer, his requests, wishes and needs.

Although a lot has recently been said about the need for marketing in the construction industry, the great majority of companies has unfortunately remained on the level of declarations. Therefore, a company must implement a marketing strategy that will enable it to reach its objectives. The concept of strategic planning can simply be explained as a process consisting of the following stages: analysing the company's present market position and the prerequisites for its expected future market position, defining the company's objective and the most advantageous course of development to achieve them, and recognising, choosing and finding the means to achieve the company's objective (Vranešević et al., 2004).

In 2002 a structured questionnaire was forwarded in Great Britain to a sample of 106 firms engaged in civil and structural engineering, multidisciplinary civil engineering or multidisciplinary building; 54 complete responses were returned. The majority of participating firms (87%) had a marketing plan and sought to investigate new markets as well as consolidate existing ones. More importantly, companies with a marketing plan attracted a higher proportion of new clients than those without (i.e. 36% compared with 23%). This success would appear to be based on the fact that 96% of companies monitored market trends and 49% of profits were reinvested into future marketing (Yisa and Edwards, 2002).

If we try to transfer all the above into the context of construction, we might conclude that marketing strategy is a very important management discipline which is not clearly understood by those employed in construction sector. We have to be aware that no organization can serve an entire market, segment or sector for all time; that competition therefore exists; and that customers and clients have a choice –

at the very least, the choice to refuse or reject (Pettinger, 1998).

Many people say that construction is a specific activity – and they are right, it is. Its specificities and its influence on national economies in general are unquestionable. The complexity of the construction market, as well as meeting the needs and wishes of clients are a huge challenge for all participants of this sector. Like for any other activity, marketing for the needs of construction means understanding and adopting general marketing principles and applying them to the specific and particular conditions in construction.

What is the situation considering marketing strategies on the construction market? Are Croatian enterprises aware of that, do they have a business strategy, do they maintain market activities, and what is their opinion about all that?

How marketing strategy is important for Croatian construction companies?

Survey research

In 2009 the survey research on the implementation of market strategies in Croatian construction companies was carried out. The questionnaires were sent to 100 leading Croatian construction companies and were completed and returned by 30 construction companies, which are grouped by their size. The criterion for the size of a company is the number of employees, therefore a small company has 0 – 50 employees, a medium-sized one has 51 – 250, while the large company has 251 or more people employed (Table 1).

According to the data shown in table 1., in 2007 there were 9,063 construction companies registered in Croatia (FINA, 2008). According to their size 41 were categorized as large, 177 as

Size of company	Number of companies in a sample	%	Number of construction companies in Croatia in 2007	%
Small	11	36.67	8,845	97.60
Medium-sized	11	36.67	177	1.95
Large	8	26.67	41	0.45
Total	30	100.00	9,063	100.00

Table 1. Size of Croatian construction companies in a sample (Lovrenčić, 2009)

medium-sized, and the rest of them, 8,845 were small companies. Almost half of 8,845 small enterprises have no employees, and 35% have 1 – 9 employees. So it is obvious that the data and opinions of these companies are relatively insignificant, as they do not have the interest nor can afford to engage experts in marketing or establish a marketing sector.

Large enterprises (only 0,45% of the total number) have shown their interest in defining marketing strategy and market development, and their experiences are much more important for this survey.

It is essential to point out that the sample does not correspond to the structure of the basic group but is only an indicator of the situation in the construction industry in Croatia.

Survey limitations

Taking into consideration the earlier stated structure of construction companies in Croatia according to their size, one of the basic limitations of this survey is a wide range of their activities. Majoritiy of construction companies are engaged in both building construction and civil engineering construction, as well as in construction design and consulting.

Also, a different angle should be taken when talking about the companies whose clients mostly come from the public sector; or at least a difference should be made between the companies with clients from a private and business sector.

There are also narrowly-specialized companies that have no competition in Croatia, and they depend on their employees' knowledge and expertise and the quality of the jobs done. The question is whether they need marketing at all, and how much they know about the concept of marketing business.

Research results

This research showed that only 10 construction companies from 30 respondents have a Marketing Department, which amounts to about 33.33% (Table 2.). Out of these, 5 are large companies, 2 medium and 3 small. Only one company that has no marketing department uses outsourcing (Lovrenčić, Katavić, 2009).

Size of company	Have marketing department	%
Small	3	30.00
Medium-sized	2	20.00
Large	5	50.00
Total	10	100.00

Table 2. Croatian construction companies that have marketing departments (Lovrenčić, 2009)

The large construction companies have had marketing departments for a long time, in one company even since 1992. Two medium-sized companies with marketing departments formed them in 1995, and 2008, while in small companies these departments were formed relatively late (2007 and 2008). The number of employees in the marketing department of all companies ranges from 1 to 5, except for two large companies, which have 47 and 43 employees in marketing.

A very interesting part of the study was a part where respondents expressed their views, indicating the answers with 'do not agree', 'partially agree or disagree' and 'I agree', with the appropriate statements, as shown in next table (Table 3.).

Most of the companies analyzed, 80.00% of them, agree with the first statement, that for successful business it is important that the company has a clear business strategy. About 63.33% of companies think that there is a need for marketing in construction industry, while 60.00% believe that maintainace of marketing activities may lead to a breakthrough onto the new markets.

Equal number of respondents, 36.67%, believe that Croatian construction companies use marketing inadequately, but also that companies that have built-in marketing function achieve better business results. As much as 66.67% of construction companies believe that their company

is recognized in the market, that is, 46.67% of them think that their customers recognize the logo, whereas only about 13.33% of companies sufficiently invest in marketing, and in 30.00% of them there is a positive trend of investment in marketing. That construction industry needs a marketing strategy is the opinion of 63.33% companies, and 60.00% believe that maintainace of marketing activities may lead to a breakthrough onto the new markets.

		small	medium	large	total		
1	For successful business it is important that the company has a clear business strategy.	do not agree	0	1	0	1	3.33%
		partially agree	3	2	0	5	16.67%
		I agree	8	8	8	24	80.00%
2	Marketing activities should be part of the strategy of construction companies.	do not agree	0	0	0	0	0.00%
		partially agree	5	7	1	13	43.33%
		I agree	6	4	7	17	56.67%
3	In the construction industry there is a need for marketing.	do not agree	1	0	0	1	3.33%
		partially agree	3	6	1	10	33.33%
		I agree	7	5	7	19	63.33%
4	Croatian construction companies do not use (apply) marketing enough.	do not agree	2	0	0	2	6.67%
		partially agree	5	7	5	17	56.67%
		I agree	4	4	3	11	36.67%
5	Companies that have built-in marketing function achieve better business results.	do not agree	2	2	0	4	13.33%
		partially agree	6	5	4	15	50.00%
		I agree	3	4	4	11	36.67%
6	Our company is recognized in the market.	do not agree	1	1	0	2	6.67%
		partially agree	4	2	2	8	26.67%
		I agree	6	8	6	20	66.67%
7	Potential customers recognize our logo (visual identity).	do not agree	1	1	0	2	6.67%
		partially agree	7	5	2	14	46.67%
		I agree	3	5	6	14	46.67%
8	Our company is investing enough in marketing.	do not agree	4	3	1	8	26.67%
		partially agree	4	7	7	18	60.00%
		I agree	3	1	0	4	13.33%
9	There is a positive trend of investment in marketing in our company.	do not agree	5	4	2	11	36.67%
		partially agree	4	3	3	10	33.33%
		I agree	2	4	3	9	30.00%
10	Using marketing activities, Croatian construction companies could more easily penetrate into new markets.	do not agree	0	0	1	1	3.33%
		partially agree	5	4	2	11	36.67%
		I agree	6	7	5	18	60.00%

Table 3. Level of agreeing with the statements about marketing and the need for marketing (Lovrenčić, 2009)

The same number of examinees, that is 36.67%, think that Croatian construction companies' maintenance of marketing activities is insufficient, and also that those companies with marketing strategy built in their organization structure achieve better results.

As many as 66.67% of the construction companies believe that they are recognizable on the market, 46.66% believe the customers recognize their logo, while on the other hand only 13.33% of the companies invest suf-

ficiently in marketing, 30.00% think that there is a positive marketing investment trend.

The results of the survey presented in Table 8 show that a large number of respondents partly agree with the statements offered there. It reveals that they do not actually have a definite opinion about the matter or a defined point of view. This mostly applies to the statements that Croatian construction companies maintain marketing activities in an insufficient measure, and that those with market-

ing built in their organization structure achieve better business results.

CONCLUSION

The purpose of marketing philosophy implementation in business organization system is to create and strengthen the company as a constantly growing concern. This opinion and point of view put before the company the task to combine the things it does best with the best way of presenting them to the clients. (Pettinger, 1998)

It is evident that the functions of marketing and the use of marketing activities are the least expressed of all activities in the construction industry. In Croatia, it is probably the result of constant growth in construction jobs and of construction as an industry. There has always been work for engineers and there was no need for defining and implementing a clear marketing strategy as part of the entire business strategy, nor to use the marketing function.

This survey research results lead to the conclusion that Croatian construction companies maintain marketing in an insufficient measure. Therefore due to inadequate awareness of the importance of marketing concept and facing the crisis on property market, in state investments, as well as reduced financing possibilities, they lose their place on the market and business efficiency.

However, what is encouraging in this survey is the opinion given by the majority of construction companies which took part in the survey that there is the need for marketing, and that the implementation of marketing activities might lead to the

breakthrough onto foreign markets. A breakthrough onto foreign markets by the use of well defined marketing strategy might be the essential factor of business efficiency of Croatian construction companies.

REFERENCES

- Fisher, N. (1996), *Marketing for the Construction Industry*, New York: Longman Inc., NY
- Howes, R., Tah, J. H. M. (2003), *Strategic management applied to international construction*, London: Thomas Telford Publishing, UK
- Katavić, M. and Lovrenčić, L. (2008), "The Marketing Concept in Construction Companies", in *Organization, Technology and Management in Construction 2008 proceedings of the 8th International Conference in Umag, Croatia*, 2008, Hrvatska udruga za organizaciju građenja, Zagreb, pp.
- Lovrenčić L. (2009), *Primjena marketinških aktivnosti u poslovanju poduzeća u RH*, MSc-Thesis, Zagreb
- Lovrenčić, L. and Katavić, M. (2009), "Marketing Strategy in Croatian Construction Companies", Brno: XIIth International Scientific Conference
- Pettinger, R. (1998), *Construction Marketing – Strategies for Success*, MACMILLAN PRESS LTD.
- Renko, N. (2005), *Strategije marketinga*, Zagreb: Naklada Ljevak, Croatia
- FINA (2008), *Poslovanje poduzetnika građevinarstva RH u 2007.godini*, FINA, Zagreb, 2008.
- Statistički ljetopis (2007), Državni zavod za statistiku, Zagreb, Croatia
- Walker, O.C., Boyd, H.W., Larreche, J.C. (1996), *Marketing Strategy, Planning and Implementation*, second edition, IRWIN, p. 21.
- Moore, A.B. (1984), *Marketing Management in Construction, A Guide for Contractors*, Butterworths
- Vranešević, T., Vrontis, D., Vignali, C., (2004), *Upravljanje strateškim marketingom* (Managing Strategic Marketing), Accent, Zagreb
- Yisa, S., Edwards, D.J., (2002), *Evaluation of Business Strategies in the UK Construction Engineering Consultancy*, Measuring Business Excellence, volume 6, number 1, pp. 23-31