

Marketing in construction, as a systematic approach to managing the activities of a construction organization

T O Shlepneva¹ and T A Maletina²

¹Irkutsk National Research Technical University, 83 Lermontov str., Irkutsk, 664074, Russia

²IIEI ISU, Ulan-Batorskaya, 6, 664082 Irkutsk, Russia

E-mail: tanechka.pinchuk@list.ru

Abstract. The development of construction, increasing its efficiency is based on its industrialization, the main directions of which are: the transfer of part of the technological processes from construction sites to factories, to stationary production conditions in order to increase the prefabricated buildings and structures; improvement of technological design solutions of buildings and structures, their further typification and unification; mechanized production of structures, products, parts and materials in factories or in the auxiliary shops of construction organizations with a high degree of their construction readiness; mechanized production of technological operations and processes of construction of buildings and structures, delivery of building materials and structures in order to ensure continuous production of construction works. In such conditions, the role of marketing activities to promote the construction company and its products increases significantly. Marketing in the activities of a construction company is an important and integral element of improving the efficiency of its construction and installation works and the financial and economic condition. The essence of the organization of marketing in construction is to use its tools for the formation of pricing policy, market research, sales promotion, optimization of types of construction and installation works, proposed real estate, etc.

The specifics of marketing in construction are determined by the specific features of this area:

1. The enterprises of the construction industry, despite their large number, are geographically scattered. Many of them are temporary and seasonal in nature. At the same time, the functioning of construction organizations is characterized by high mobility and operational deployment in accordance with the received portfolio of orders;

2. A strict sequence of technological processes of capital construction and finishing works provides for a fairly wide range of services, starting with monolithic works, construction and installation works, carpentry (windows), finishing works, design and ending with power supply, telephony, radio identification, landscaping design, security systems;

3. In modern construction processes, the total costs of organizing transactions, i.e. market participation, increase dramatically in market conditions. According to modern analysts, the largest share of expenses falls on the management and organization of the commodity movement system, and in particular on transport logistics within 20 % of the total cost;

4. The timing and quality of the construction process is greatly influenced by climatic conditions, which, of course, increases the problem of making forecast estimates about the completion of work and



the deadlines for the delivery and acceptance of finished objects. The results of construction are also influenced by natural factors, including the terrain, the structure of the soil, the presence and territorial remoteness of sources of raw materials-sand, building bricks and other important components;

5. The results of construction work within the framework of the received orders are negatively affected by the uneven distribution of construction and installation works, the lack of working capital, the instability of the solvency of customers and the imperfection of the system of state regulation.

Advanced marketing and logistics technologies in the construction industry are developing very slowly relative to other sectors of the economy [1]. This is due to the complexity and variety of commercial relationships between customers, general contractors, subcontractors, logistics providers, designers, and investors.

The main marketing tools in construction can be grouped into four of its most important areas:

- policy of construction and installation works and types of real estate objects;
- pricing policy for the company's works and real estate objects;
- sales policy related to the use of sales channels for construction products;
- promotion policy (communication policy).

One of the most effective and modern marketing methods used in the activities of construction companies is market research, i.e. the formulation of specific provisions and the situation in the construction market.

Marketing research is a systematic collection, display and analysis of data on various aspects of marketing activities. Marketing research is a procedure that connects marketers with markets, consumers and customers, competitors, and all elements of the external environment through information.

Marketing research is directly related to decision-making in all aspects of an organization's marketing activities. They reduce the level of uncertainty and relate to the entire marketing mix and its external environment for those components that influence the behavior of a particular product in a particular construction market.

The organization conducts marketing research on its own or with the help of specialized agencies. The most typical tasks of such research are: studying the characteristics of the market, measuring the potential opportunities of the market, analyzing the distribution of shares between market participants, sales analysis, studying business trends, studying the construction products of competitors, short-term forecasting, studying the reaction to new products and the volume of work performed, long-term forecasting, as well as studying the price policy.

The development of a marketing policy for the implementation of construction and installation works involves three important stages: the development of a list of proposed construction products, the effectiveness of customer service and the exclusion of certain types of work if necessary (optimization of the range of works).

When developing the range of construction products, the company plans the list of works that it performs in order to enter new markets, form competitive advantages, and increase revenue. Achieving these goals is possible by adding an actual or new type of construction products. The following marketing tools are used in the development of the assortment policy of construction products:

- the list of construction products and its assortment (optimization);
- construction company brand (trademark);
- additional works and services related to the construction (transport services, finishing works, legal services, etc.);
- the level of customer service, etc.

Pricing policy in the conditions of competition in the construction market is important in the course of organizing the marketing activities of the company. The development of a construction company's pricing policy begins with setting goals, which should be developed under specific market conditions:

- ensuring an increase in profit, achieving its maximum value;
- achieving leading or specific positions in terms of the volume and quality of any construction product or market [2];

- increase in sales of construction products, construction and installation works, etc.

Marketing tools for developing the pricing policy of a construction company are pricing, promotions, discounts, bonus programs, etc., as well as the pricing strategy of the construction company.

Sales policy, i.e. the policy of maintaining the sales volume of construction products is an integral element of the company's marketing organization using sales promotion tools (providing discounts, bonuses, promotions), organizing special events, etc [3].

For construction organizations, such an element of marketing as a comprehensive promotion policy through the organization of a certain degree of communication with target audiences is one of the key performance indicators.

In marketing, there is a separate and important section – “public relations” or PR, which is aimed at forming a positive image of the company in the vision and perception of consumers [4]. This branch of activity in modern conditions has been widely developed and is important for a construction company, since its business reputation and demand for its construction and installation work depend on the vision of consumers, the population, and the public.

It should be noted that the dynamics of the construction market in modern conditions is characterized by a number of unstable processes, so the role of marketing in construction is significantly increasing. To do this, let's look at some key indicators of the construction industry in Russia. One of these indicators is undoubtedly the dynamics of prices for construction products and the overall level of inflation, which Federal State Statistics Service characterizes in terms of the consumer price index. The dynamics of this indicator for construction is shown in figure 1 [5].

During 2010-2019, there was a fluctuation in the inflation rate in the country, in particular, since 2015, it has fallen significantly from 12.91 % to 3.04 % in 2019. In fact, the value of the consumer price index in 2019 is a record low for the analyzed period [6].

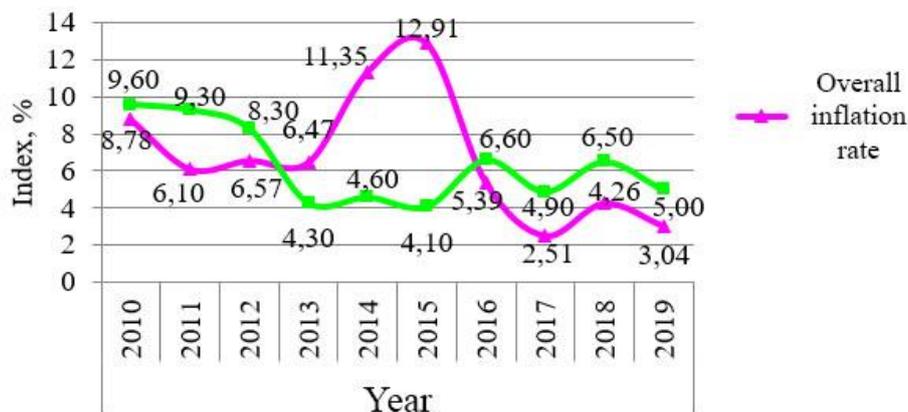


Figure 1. Dynamics of inflation and the price index for construction products in Russia.

The dynamics of inflation in Russia had a positive impact on the producer price index for construction products, which decreased from 8.78% in 2010 to 5% in 2019, i.e. the price increase took place in the construction industry, but slowed down at the end of the period under review. This has had a corresponding impact on the housing market price dynamics shown in figure 2 [6,7].

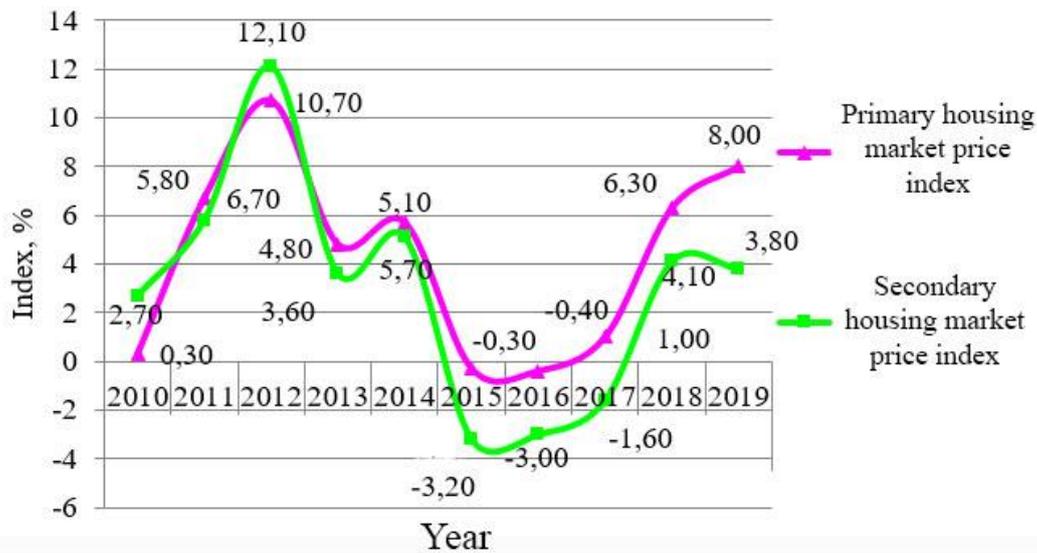


Figure 2. Price indices in the Russian housing market.

The price index in the secondary housing market in Russia fluctuated to a greater extent than in the primary market. During the economic crisis in 2015, housing prices fell in both markets, after which they showed an increase, especially in the primary housing market in 2019 to 8 % against 0.3 % in 2010. Therefore, it can be assumed that in the composition of construction products, housing prices have increased to the greatest extent in comparison with other types of these products.

The average prices on the housing market in Russia, respectively, are shown in figure 3 [6,7].

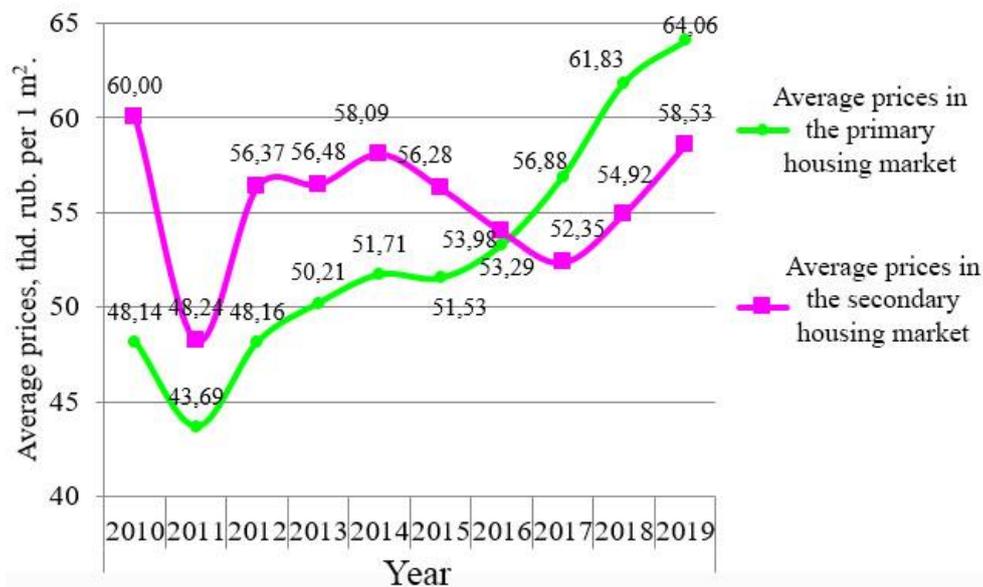


Figure 3. Dynamics of average prices in the Russian housing market.

Fluctuations in the housing market price indices led to their increase in 2019. In the primary market, the price increase was from 48.14 thd. rub. per m² in 2010 to 64.06 thd. rub. per m². In relation to the secondary market, it should be noted a much smaller increase, which amounted to 48.24 thd. rub. per m² in 2011 to 58.53 thd. rub. per m² in 2019. Thus, prices rose the most in the primary housing market.

The formation of prices for construction products depends on the volume of its commissioning, which is shown in figure 4, taking into account non-residential premises [6,8].

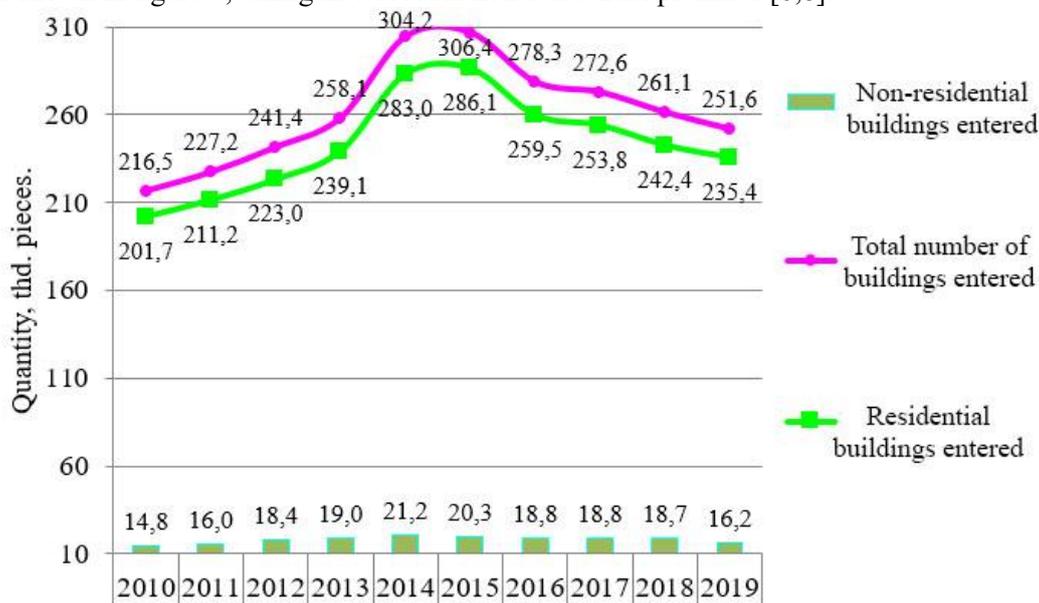


Figure 4. Dynamics of commissioning of buildings in the RF.

From 2010 to 2015, there was an increase in the volume of commissioning of buildings, after which it began to decline. This is a negative trend in the presence of a significant number of people in need of housing among the population. Therefore, the main factor in the growth of the volume of work performed in construction, shown in figure 5, is the price factor [6,9].



Figure 5. Dynamics of the volume of work in construction and the number of construction organizations in the RF.

The volume of construction work in Russia showed a relatively stable increase, which was interrupted in 2019, when it decreased from 8,386 billion rub. in 2018 to 8,215 billion rub. in 2019.

Along with this, the number of construction organizations decreased. These indicators negatively characterize the dynamics of the market, provided that the volume of commissioning of buildings is reduced.

Since 2019, Federal State Statistics Service has been conducting a sample survey among construction organizations to identify factors that limit the production activities of construction organizations. The results of this survey are shown in figure 6 [6,10].

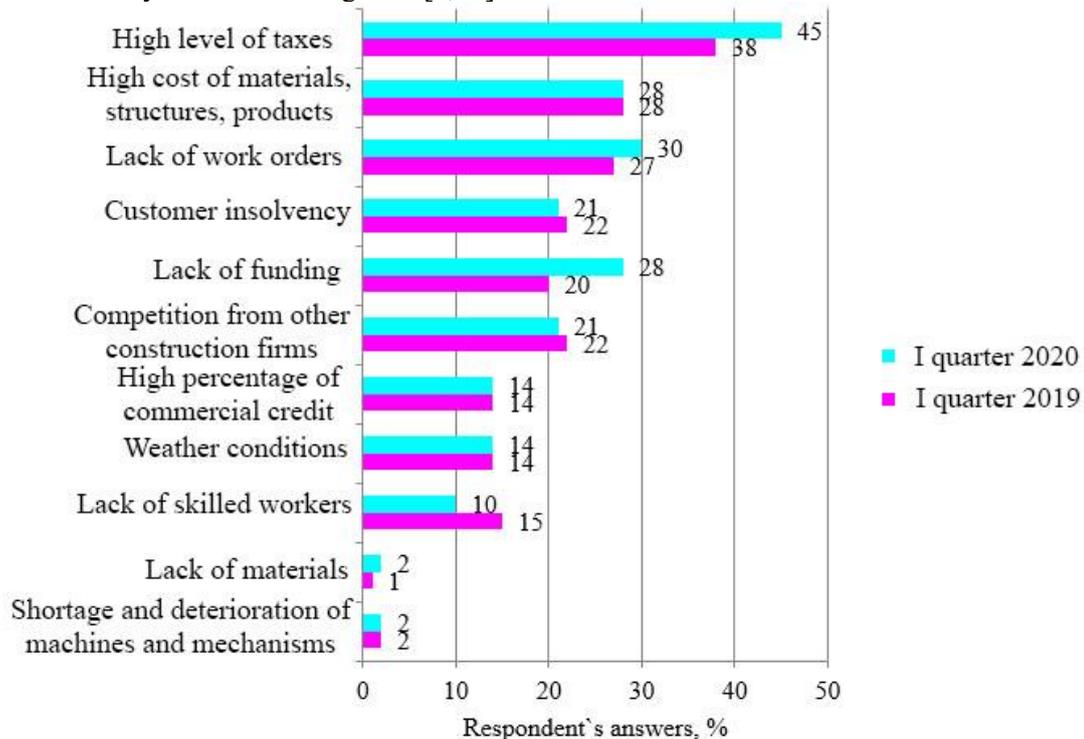


Figure 6. Factors limiting the production activities of construction organizations (based on the materials of a sample survey of Federal State Statistics Service).

Thus, the main problems in construction can be identified: lack of financing, insolvency of customers, lack of work orders, high cost of materials, structures, products, high taxes, etc.

So, marketing in construction is a systematic approach to the management of the organization's activities, which is aimed at performing construction work in such volumes, such quality and set that it is possible to meet the effective demand of legal entities and individuals in the current market: commercial and residential real estate and performing a variety of construction and installation works. The marketing department of a construction company is considered as a specialized center of responsibility, as a source of sound information and recommendations on a significant number of issues of the current and future activities of the organization.

The organization of marketing in a construction company involves, first of all, the formation of a structural unit (marketing service) to manage all types of its marketing activities. It is important to emphasize that the legal document that formalizes the role and functions of the marketing service in a construction company is the regulation on this service, on the basis of which job descriptions are developed for employees of this division

The main functional responsibilities of the marketing service of a construction company should include:

1. assessment of the construction market conditions is related to all sections of the marketing policy of the construction company, includes a continuous analysis of the results of the company's commercial activities and the factors affecting them; development of sales forecasts and the company's market share, conducting situational market analysis, etc. [11];

2. together with other units of the construction company and the leadership – development goals and strategies of the market activity of the company on the market of construction and installation works in general and in relation to individual customers and buyers of real estate, regarding the pricing policy, the rational choice of channels and methods of marketing of construction products, etc.;

3. development for a construction company as a whole and of individual works, and construction products long-term and current marketing plans and coordination in the field of activity of all structural units;

4. operational information support of marketing activities of the entire construction company and its divisions;

5. development, based on the orientation to market activities, of recommendations for improving the organizational structure of the management of the construction company, its sales activities, changing the nomenclature of construction and installation works, improving the efficiency of the company, etc.;

6. develop recommendations for establishing contacts with external organizations, and in some cases – represent the construction company in its relations with other organizations, enterprises, for example, suppliers, investors, customers, contractors, general contractors, etc. [12];

7. create the image of a successful and reliable construction company, etc.

The functions of the marketing service of a construction company can be summarized in figure 7.

Marketing services should regularly conduct an objective analysis of the company's marketing activities. This analysis should be carried out on the basis of information on the actual volume of construction and commissioning of facilities. In addition, this marketing information includes information about the volume of sales of construction products in general in the current market and, in particular, by competitors. Based on this information, the considered service of the construction company develops and makes proposals on the possibility of further prospects for the development of the construction sector of the company on the basis of tactical and strategic decisions.

An important function of the marketing service in construction is to develop and implement marketing programs. These programs serve as the basis and reference point for the implementation of further construction and construction and installation works, in fact, occupying a central place in the company's system of plans. The marketing programs evaluate the capabilities of the construction company, its shortcomings, strengths and weaknesses, including in comparison with competitors. On the basis of this analysis, specific prospects for the development of the construction company and increasing its competitiveness are determined

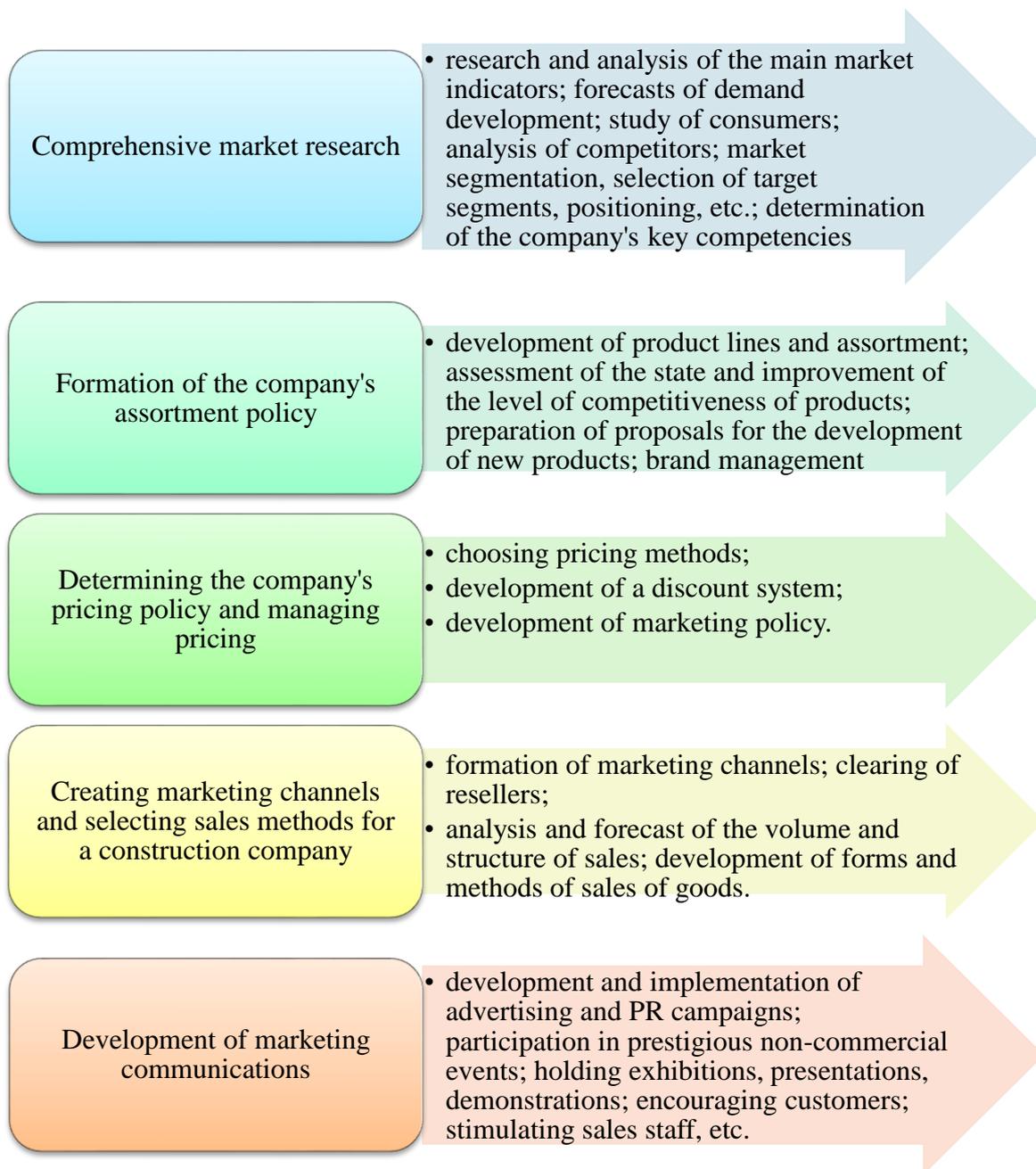


Figure 7. Marketing service functions.

For example, if a company is engaged in the construction of housing, then its marketing program can be segmented by consumers - potential buyers of apartments and homes on various grounds: demographic, geographical, economic, etc [13]. On the basis of this segmentation, it is possible to develop a reasonable marketing campaign and focus the production of construction works for this market segment. At the same time, these construction companies can choose for themselves various tactical and marketing activities:

1. the tactics of the general unified marketing of a construction company, which involves ensuring the maximum sale of a certain type of housing based on the segmentation of consumers;
2. implementation of differentiated marketing tactics, which consists in developing a strategic program for all areas of the construction company's market separately, taking into account measures to

ensure its competitiveness; this tactic allows the construction company, along with maximizing the sale of residential premises, to ensure stable profit generation and optimize the amount of business risk.

Taking into account the dynamic development of the construction market and the impact on it of many factors of a macroeconomic, regional and local nature, marketing programs should be regularly adjusted depending on the current market situation [14]. Therefore, the marketing service should conduct a regular, for example, monthly analysis of the construction market in which the construction company operates.

Thus, the list of functions of the marketing service of a construction company includes a set of the most important elements in its marketing management system: in the field of comprehensive study of the construction market, the formation of the company's assortment policy aimed at performing construction and installation works and construction products that are in demand, determining the pricing policy and managing current pricing, as well as the choice of marketing channels for sales and promotion of the company and its works and products, and the development of marketing communications. The effectiveness of these functions depends on the results of the functioning of the construction company in the market.

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