

MARKETING COSTS AND THE USE OF MARKETING SERVICES IN SLOVAK CONSTRUCTION ENTERPRISES

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INTRODUCTION

In current economy marketing processes of enterprise are important in every sector. Supply exceeds demand. The construction industry is no exception. In this environment there are the same market forces. If the company wants to be successful, it must use effectively marketing tools. The firm must choose the appropriate instruments that represent the cost to the company. Effective uses of marketing tools are suitably used company funds to attract customers. Marketing costs are important items for construction project in the construction enterprise. One option is to use outsourced marketing services. Construction enterprises are often outsourced to implement the main activity. Therefore, it is interesting to see the attitude of construction enterprises to use marketing services by outsourcing.

1 THEORETICAL BACKGROUND

Interpersonal relationships, education, healthcare, financial services, automobile purchase, house building. Each of these named activities is exposed to consumer marketing. In each of these areas is the relationship between the customer and the seller. The relationship between them is based on some form of communication, which is marketing. Customers are an integral component of the marketing system. Creating value for the customer and customer satisfaction is the centre of marketing.

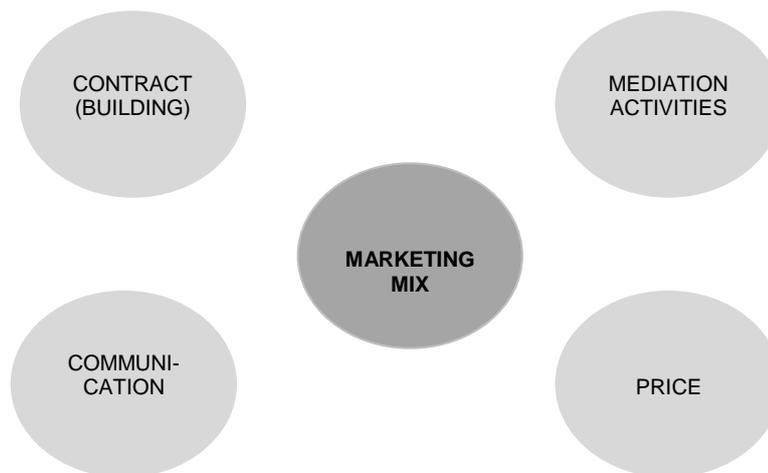
The main objective of marketing is to attract new customers, retain existing and generate profit. Proper marketing is essential to the success of any organization, large and small, domestic and transnational. The goal is not to maximize customer satisfaction but to satisfy his needs profitably. It is a delicate balance between creating additional customer value and generating a profit for the enterprise.

Philip Kotler defines marketing as a social control process through which individuals and groups meet their needs and wishes in the production and exchange of products and values. The seller must find a buyer, identify his needs, create the product or service in required quality, advertise, store and supply. Key activities in the sphere of marketing are product research and development, communication, distribution, pricing policy and not least customer service [5]. Marketing has been defined in many ways. The American Marketing association (AMA) defines marketing as the process of planning and executing the conception, pricing, promoting, and distributing of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives" [1].

Used tools in these activities are purposeful path and ways to correct to offer. E. Jerome McCarthy created four groups marketing tools 4P and called them by their English names. It is a well known: price, product, promotion and place. However, the construction industry is specific. The construction industry belongs to the sectors that have been hardest hit by the economic crisis. Well as the use of marketing tools may differ from other areas of industry. There is considerable difference between building market (construction works execution market) and classical market commercial products. Commercial products are intended for essentially anonymous customer, placed in a market segment where consumers represent their preferences and requirements. In contrast, construction contracts are generally designed for a specific customer, the properties of which preferences and requirements are precisely known in advance [10]. The customer of the construction work participates from the beginning, when inserted in this process of first thoughts, ideas and intention. The product is so tangible, goal oriented farmhouse, which covers the customer's needs of consumer and industrial character. Another differential is distribution. Commercial product is normally shipped directly to the customer, the product of building production is produced on-site with help of temporary site facilities. Construction conditions are always unique matter, what means that the building site is always solved individually.

Promotion of construction companies consists mainly in making visible, in stressing the positive features and also competitive advantages. Also the classic 4P is modified. In the figure one can see the modification [3].

Fig. 1: Marketing mix in construction industry



Source: [5]

Marketing costs represent a significant cost item of a construction enterprise. They are often bound to a specific construction project [6] [9]. It must be calculated according to the calculation formula for individual projects. Important is the overall view of the marketing costs of the entire budget in construction enterprise [7].

Marketing, far from being a negligible function in managing professional services firms, is now recognized as one of the more important functions for helping them to meet the unprecedented challenges faced by them [8]. Marketing services by outsourcing are often used in various enterprises [10]. An interesting look is at the use of these services by construction enterprises. In relation to this [4] define marketing in professional services as organized activities and programmes by professional services firms that are designed to retain present clients and attract new clients by sensing, serving, and satisfying their needs through the delivery of appropriate services on a paid basis in a manner consistent with credible professional goals and norms. According to Bušina [2] outsourcing in the construction industry is organized measure where the company specifies and selects support operations and delegates them to a specialized entity that is the subject expert. Reasons for choice of supplier marketing services are fairly simple. In many cases, the aim is to find the most effective method of providing services that are designed to increase competition construction enterprise.

2 METHODOLOGY AND REPRESENTATIVE SAMPLE

The main object of the research was to analyze and compare the costs for the marketing of construction enterprises operating in Slovakia. At the same time another object of the study is to identify the ideas of the increase in the budget for these purposes. Interesting is the view of the percentage of funds earmarked for marketing activities of the entire budget of a construction company.

The questionnaire was sent by e-mail, as electronic surveys allow the transmission of more information, they support a better interaction between the researchers and the respondents, and they contribute to a better quality of information, to a faster response cycle and to a reduction in research costs.

The survey was conducted on the total survey sample, 207 respondents. Sixty five questionnaires were received, out of which 65 were considered valid, thus a 31,40 % final response rate. Respondents included companies from all regions of Slovakia. Figure 2 shows the distribution of enterprises in terms of residence. The companies were divided into small, medium and large enterprises under the Act 231/1999 Law Code on state aid. Classification of the enterprises is treated to the breakdown according to European Commission Recommendation 2003/361/EC. Information about the respondents is presented in Table 1.

Fig. 2: Breakdown of enterprises regions of Slovakia in %



Source: Authors

Tab. 1: Breakdown of enterprises regions of Slovakia

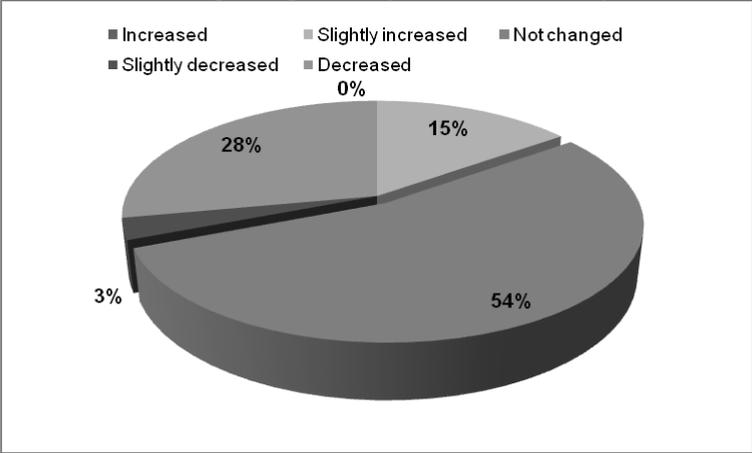
Region	Numbers of enterprises
Bratislava	10
Trnava	5
Nitra	6
Zilina	11
Trencin	4
Basnka Bystrica	6
Kosice	12
Presov	11

Source: Authors

3 RESULTS AND DISCUSSION

In research, we monitored at first a change in the marketing budget of construction companies compared to last year. Currently the construction industry is still struggling with the volume of orders and volume of work. The offer still significantly exceeds demand. Especially small businesses feel the lack of orders. Although in this period essential marketing activities are more necessary, many businesses do not have sufficient funds for these activities. It was therefore assumed that Slovak construction companies have not increased marketing budget. The study shows that in 35 construction companies marketing budget have not changed compared to the previous calendar year. This represents 54%. 28% companies experienced a decrease in the amount of funds for marketing activities. 3% of respondents showed a slight decrease. 15% of respondents said that the marketing budget has increased slightly. Any construction company did not record Rapid growth funds for marketing purposes. These results are also included in Figure 4.

Fig. 3: Comparison of the marketing budget compared to the last year

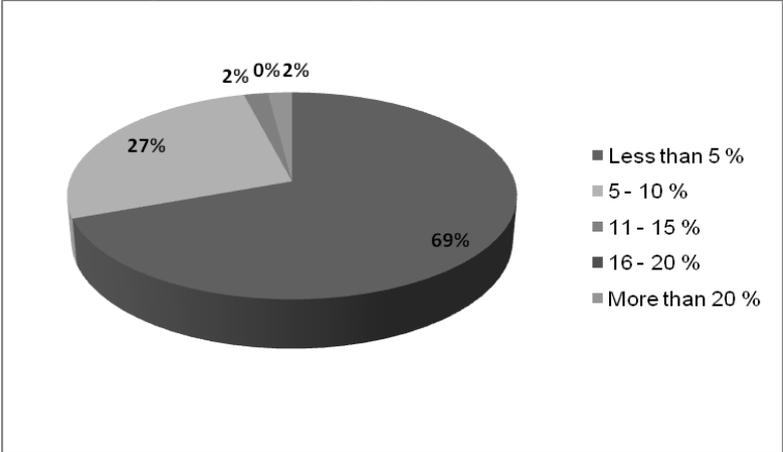


Source: Authors

Construction companies despite the bad market situation did not increase the marketing budget. In the future this may lead to even greater decline in orders what could be devastating for many small businesses.

In the next section, we monitored the proportion of finances earmarked for marketing activities of enterprises due to their budget. 70% of construction companies in the survey said that the company has earmarked for marketing less than 5% of the total budget. 27% of respondents use 5-10% of the total budget for marketing activities. 11-15% of the total budget draws only one company, just one company stated that it has allocated more than 20%. Further research results are shown in Figure 5.

Fig. 4: Share of the total budget for marketing purposes

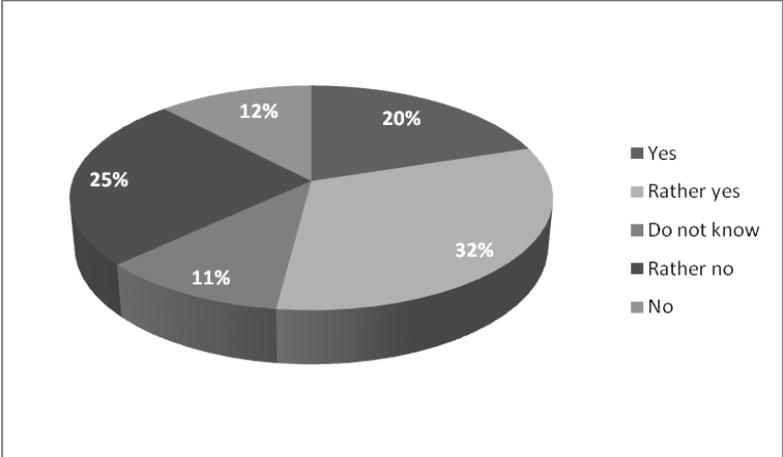


Source: Authors

It is difficult to determine optimal amount of funds allocated for marketing purposes. There are several models for the allocation of funds to selected marketing purposes. There are many factors that affect the amount of resources. One of them is the subject of business. Construction is in many cases a specific sector. Other values are for luxury goods, other values for common goods need to survive each day. For construction projects are unique and each contract is for a specific purpose or target group. Also, it is the diversity of construction projects. Other marketing tools and precesses are used in real estate projects, the other in conventional construction projects. In any case, it is possible to assess that construction firms allocate a small share of funding for marketing purposes. It also confirms that 70 % of respondents give for marketing purposes less than 6 % of the annual budget.

In general, it is expected that increased marketing costs in the future should also bring increased volume of profits. Of course this is true for the cost effective use for these purposes. 20% of respondents expressed their view that the increase of marketing costs would bring increase of contracts and positive impact on sales. 12% of respondents totally disagree with this statement. 32% of respondents tend to agree with this statement and 25% of respondents disagree more. 11% of respondents were unable to comment (Figure 6).

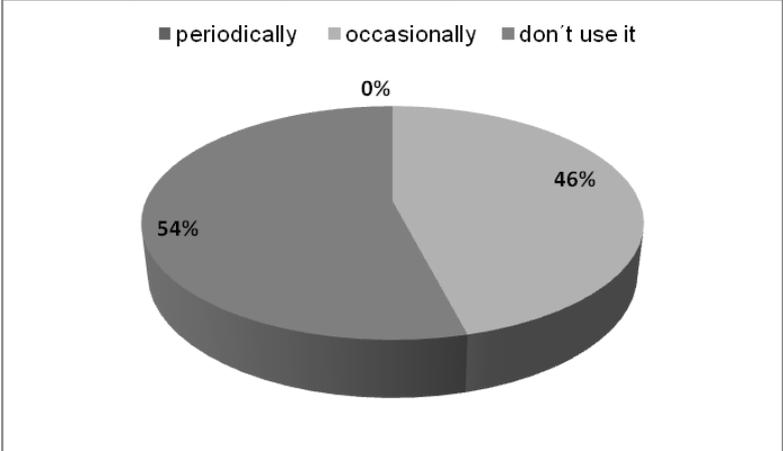
Fig. 5: View of construction companies to claim that increased costs for marketing purposes will mean consideration of sales



Source: Authors

In relation to the costs incurred in marketing binds is another subject of examination. It is the use of external companies for marketing. Outsourcing is often used in construction for main activities. Subcontracting is mostly for work and activities that are less remunerated. These activities are usually conducted by small businesses. More than half of respondents indicated that services marketing enterprises do not use it. 30 of construction enterprises use these services occasionally, periodically not any one.

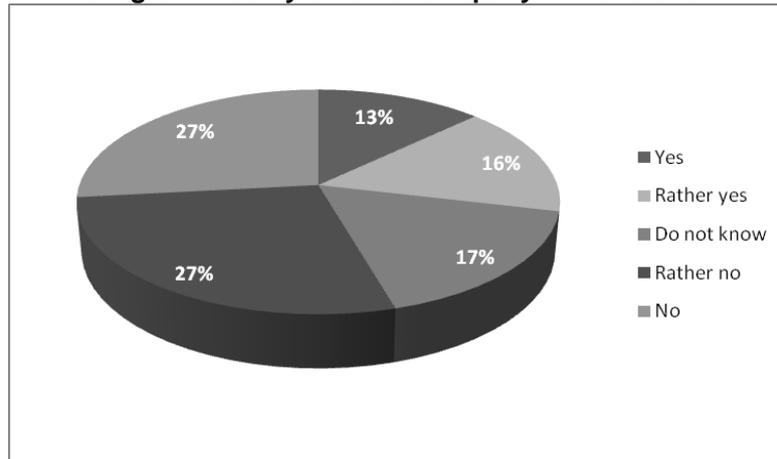
Fig. 6: The use of marketing services by outsourcing



Source: Authors

Many of construction companies in the future are not planning to use outside companies for marketing. Only 29% of respondents plan to use marketing services by other firm in the future (Figure 8).

Fig. 7: The use of marketing services by external company in the future



Source: Authors

Construction enterprises in Slovakia have marketing department or group of employees, which addresses only the requirements of marketing and marketing communications in only 20%. Up to 80% of companies does not have marketing department.

CONCLUSION

Each enterprise performs its main activity which brings revenues. There are also numbers of other activities and processes that support this goal. Marketing is an important part of every business. The construction industry is specific in this research. We studied the perception of marketing, its importance, the use of different instruments and the costs are incurred for these purposes. In general construction companies in Slovakia funding for marketing purposes did not increase. In most marketing, budget remained unchanged or was reduced. In terms of the market situation it is risky to reduce the cost of enterprise promotion. Enterprises need contracts. For obtaining them it requires the use of marketing tools. Many Slovak construction companies allocate only 5% or less of the budget for marketing.

Very important aspect of marketing is the perception in terms of use of other marketing services by other company. Based on the research, it was found that construction companies use marketing services supplied by another company rarely or never. Periodically these services do not require any construction enterprise. Most companies do not plan to use these services. In many cases, construction companies do not have a structure designed to have marketing department. The most common reason is little funding. In general, it can be argued that marketing activities of construction companies in Slovakia are deeply undervalued. Marketing tools are used minimally. The area of marketing in the construction industry is underdeveloped. It is important to note that the survey was conducted on samples that were mostly small and medium-sized enterprises. The survey also occurred micro enterprises. In any case, this survey indicates the current situation of perception marketing in construction enterprises.

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Abstract

The paper deals with problems of marketing costs in the construction industry. Key research goal is to look at marketing costs in construction enterprises in Slovakia. Paper also analyses the use of marketing services by external firms. Marketing costs represent of total costs in construction enterprise. It is necessary to monitor these costs and compare them in terms of construction, to follow current trends and the development of perception and construction companies in the region.

Key words

Construction enterprise, marketing costs, services, .

JEL Classification

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