

Marketing Strategies in the Real-Estate Industry in Prishtina

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Abstract

Real Estate is the industry that has always influenced the economic development of a country due to very costly investment and employment of thousands of people. This industry has been vastly developing in recent years in Prishtina, resulting in huge demand for real estate, which led to the establishment of many construction companies ready to meet this demand.

The paper draws on data collection and information with the purpose of exploring and analyzing marketing strategies of construction companies in Prishtina's market. This paper examines the role of internal and external factors that influence the development of the Real Estate industry and analyses the trends for the future. The objects chosen for the study are construction companies currently operating in this market, which was done so as to analyse their ways of doing business and their strategies and plans for achieving their objectives. Also, this research includes the level of demand versus supply for these companies and the success of meeting these requirements.

Key Words: Sales, property, market, Prishtina, customers, companies, supply, demand, price, quality, payment.

1. Introduction

The dynamics of the development of society, in many ways, whether technological, economic, or cultural, have highlighted the standardized needs to adapt to new ways of living. People have invented various new methods of individuals becoming functional enough so that they become an inseparable part of the social group in which they belong.

Modern technology, the Internet and social networks, today dictate a series of activities to which most people devote a large part of their time.

In addition, the industries and manufacturing companies also tend to adapt their products to the flow of this development and these trends. In this case, enterprises are faced with drastic changes in their strategies and production operations. These uncontrollable dynamics of development require an unstoppable commitment to customer tracking and identification of their needs at any point. This strategy can only be put to work by further strengthening the marketing department and implementing marketing plans and strategies at the right time and place.

All industries, including the real estate industry, have faced these trends of development that have modified customer needs and have highlighted new demands. Fortunately, technological innovations have also improved manufacturing, quality and introduced new materials into the market. In the real estate industry, the dynamics of development is directed towards the production of construction materials which, in the long-term aspects, provide comfort and help saving energy, thus making housing even more affordable and more economical.

Marketing as a significant part of every industry, is committed to identifying new discoveries to fit them in the daily life of every customer that will potentially buy their product. After all, Marketing is about identifying and meeting human and social needs.¹

2. Defining the problem

Big companies which extend their activities in various fields and deal with the production of products or services, need adequate policies and strategies to keep their business alive. These companies are the engine of

¹ Kotler Ph. and Keller K.L., "Marketing Management", New Jersey.pg. 5.

economic growth in developed countries but in developing countries just as well.

In recent years, one of the main industries, especially in Kosovo, is the real estate industry. The real estate market consists of a chain of material producers and service providers who work in the same environment, the outcome being a final product such as buildings. Incorporating a certain number of participants makes the process of managing and implementing strategies to produce the final product even more complicated. Despite this, real estate is an industry that has always influenced the economic development of a country. First, it represents 2/3 of the net profits of a state. Second, real estate industry is an essential part of the production process. Thirdly, the real estate industry is one of the largest employers.² But the real estate market is quite flexible. At the time of product production and placing on the market of an apartment for sale, investors face another influx of problems that have to do with the structuring of action steps and sales plans. At the moment when the sale of a flat of a certain building happens, companies tend to apply different techniques to achieve their goals. How applicable and profitable these techniques are, can only be seen by the results of these investors. By knowing that the purchase of a real estate property is a major investment by a potential client, the decision to buy a house is a long research process and is based on specific customer preferences. The process of making a decision regarding a purchase is quite slow and will also be associated with data collection and comparison of bids, to in fact realize the purchase. But, how do investors and construction companies convince their customers to buy these apartments? What strategies and techniques they use to inform their consumers and to conduct a sale? How satisfied are customers with their choices?

3. Research purposes

Before buying a real estate anywhere in Prishtina, clients explore various blogs and web sites for a long time. This indicates that the level of commitment by the companies and investors in developing worthy

² Richard M. Betts, Silas J. Ely, (2005), "Basic Real Estate Appraisal", Sixth Edition, USA, fq. 89.

marketing strategies, and their implementation in the market, has been inadequate.

Today, in developed countries, there is no room within the city for newly built neighborhoods. The society has infiltrated new ways of living that are considered to be both acceptable and required. Suburban areas are thought to be the right choice opposite the messy and polluted environment of the city, to live in the luxury of large houses with open views and fresh air. This way of life is associated with high costs and only suits the individuals with higher incomes.

In the postwar period, a large number of people were displaced from villages towards cities, mainly in Prishtina. The high influx of people allowed construction companies to find a great demand to build apartment buildings. This market began to grow, until equilibrium was established between supply and demand, prices were set too high, the quality was not at the desired level and few companies cared enough to design marketing strategies. At the time of repletion with the offer, the influx of housing purchases declined.

Today, potential customers are much fewer in number, because investment in real estate is an investment that is, almost always, done once in a lifetime. Today, a significant number of apartments are empty, because customers began to choose between offers. At this point, a need for good marketing strategy appeared. How much have the construction companies used the benefits of marketing, and how necessary is the marketing plan for new investors today? How can marketing solve the problems of companies that cannot manage to achieve sales?

4. Research methodology, models and results

4.1. Research methodology

Primary data sources: Primary data collected from fieldwork such as interviews and questionnaires conducted with construction companies.

Secondary data sources: Secondary data collected from literature, existing statistical data obtained from various sources and reviews of market development plans.

The research method is based on personal research oriented towards the goal for the recognition of the truth, the causes and the reasons to come to the systematization of data thus solving the problem. The collected data is

to be used for proving answers to the fundamental problems put forward by the research.

Another research method used is the interview and survey with subjects involved in the research process.

Research instruments: Interviews with construction companies "Lesna" and "Tregtia" as a case study.

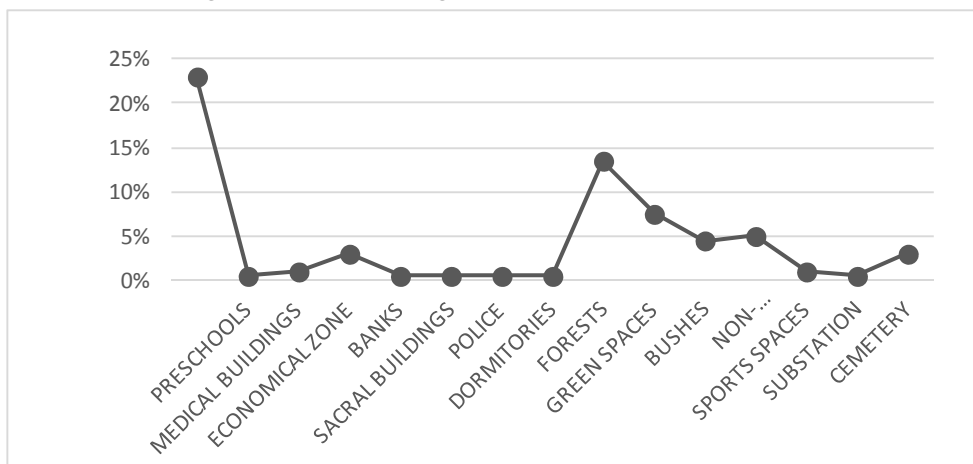
4.2. Models

The research, investigations and analyzes of the information collected, will serve to the fulfillment of the purpose of the paper and simultaneously the solution of the defined problem will be based upon the collection of valuable information that will be used correctly to achieve the desired results.

The information to be analyzed is that which relates to the ability of individuals to buy a property which is offered by construction companies in Prishtina's market.

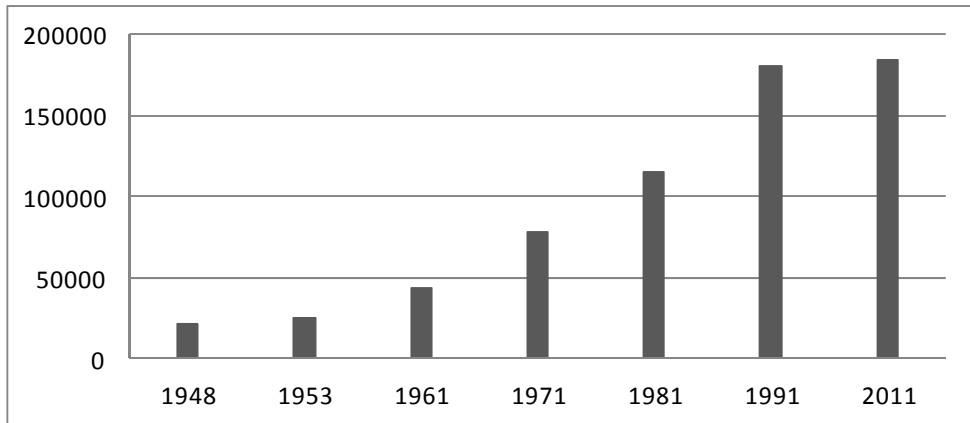
The city market is analyzed through the PESTLE Analysis to therefore identify its conditions and potentials of this market for construction companies.

Figure 1: Diagram for land usage



Source: Urban Development Plan (Prishtinë 2013)

Figure 2: Graphic presentation of the population (1948-2011 in urban settlements in Prishtina)



Source: Urban Development Plan (Prishtinë 2013)

Important aspects of the research are also the social welfare and economic opportunities of individuals which make it possible for them to buy a real estate property in Prishtina.

An important factor is the identification of the unemployment rate and average family income to find the opportunities that potential customers have, to be able to afford a purchase.

Table 1: The unemployment rate in Kosovo

The main indicators of the labor market (%)	Male	Female	Total
The rate of participation in the workforce	60.2	21.1	40.5
Employment to population ratio	44.0	12.9	28.4
Unemployment	26.9	38.8	30.0
The unemployment rate among young people (15-24 years)	50.4	68.4	55.9

Source: Statistical Agency of Kosovo 2014

The average incomes in Kosovo, vary depending on the gender and the level of education. According to the Statistical Agency of Kosovo, the average salary for Kosovo in 2013 is 334 Euro, while according to the

Kosovo Business Alliance; the average salary for 2014 was raised to 346 Euros.

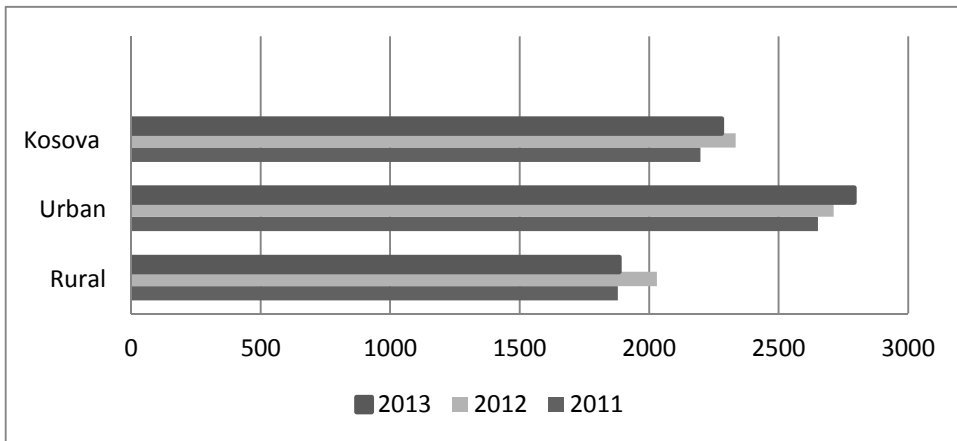
Table 2: The main source of income for households in Kosovo

Income	Average annual salary of men with 12 month employment	Average annual salary of women with 12 month employment	The percentage of employees of 12 months
Employment income for 12 months	4.016 €	4.038 €	50%
Employees with primary education for 12 months	2.892 €	2.547 €	52%
Employees with secondary education for 12 months	3.730 €	3.513 €	51%
Employees with higher education for 12 months	5.561 €	5.008 €	51%

Source: Statistical Agency of Kosovo, 2014

To fully understand the household economy, other than the income, it is just as important to analyze the distribution of consumption or costs that these families make.

According to the Statistical Agency of Kosovo, the bulk of the household budget in 2013 was spent on food and non - alcoholic beverages, by 45%. Housing costs are up to 30%, which means that from the average income of 346 Euros, 104 Euros are spent for housing purposes.

Figure 3: Residential cost in Kosovo (Euro per year)

Source: Statistical Agency of Kosovo, 2014

Factors influencing the decision of purchase are different but judging by the survey, the most important factors are: Location, Price, Quality, Architecture and Conditions of Payment.

The model used to measure the weight of the importance of decision-making factors is the Fishbein's expectancy value model. The expectancy-value model of attitude formation posits that consumers evaluate products and services by combining their brand beliefs (the positives and negatives) according to importance.³

$$A_o = \sum_i^n b_i a_i$$

Where:

A_o = the attitude towards object "o"

b_i = the belief strength of i for o (the probability or improbability that o is associated with some other aspects of x)

a_i = evaluative aspect of b (the evaluation of x)

n = number of beliefs about o

³ Kotler Ph. and Keller K.L., "Marketing Management", New Jersey.pg. 169

Table 3: Example of expectancy value model.

Offer / Attributes	Location 25%	Price 30%	Quality 20%	Architecture 15%	Payment Conditions 10%	Total
Ontex Construction	9	4	9	7	5	6.8
Lin Project	7	8	4	4	6	6.15
Prishtina Stars	6	6	8	5	4	6.05
Riera	7	6	9	9	5	7.2

Source: Authors' own work

Calculations:

Ontexi construction: $(9 \times 0.25) + (4 \times 0.3) + (9 \times 0.2) + (7 \times 0.15) + (5 \times 0.1) = 6.8$

Lin Projekt: $(7 \times 0.25) + (8 \times 0.3) + (4 \times 0.2) + (4 \times 0.15) + (6 \times 0.1) = 6.15$

Prishtina Stars: $(6 \times 0.25) + (6 \times 0.3) + (8 \times 0.2) + (5 \times 0.15) + (4 \times 0.1) = 6.05$

Riera: $(7 \times 0.25) + (6 \times 0.3) + (9 \times 0.2) + (9 \times 0.15) + (5 \times 0.1) = 7.2$

The weight of these factors is divided in accordance with their respective importance of these factors for the customers in the decision making process for the selection of real estate.

The working methodology is based on marketing research and basic process of collecting, categorizing data, analyzing and finally, the extraction of the result.

4.3. Results

Based on the collected data, it has been concluded that the largest number of construction companies do not engage in marketing strategies. Their plan of action is completely focused on the realization of sales without taking into account any of the requirements and needs of potential buyers.

This way of functioning, is harmful to the welfare of potential residents because companies completely ignore their needs and desires.

Prishtina has approximately 208,230 inhabitants.⁴

According to the Property Tax Department, in the Municipality of Prishtina, there are approximately 68,500 residential properties⁵. As a result of research, it has been recorded that the average family in Prishtina consists of 4 members.

After a calculation we arrive at the result that says: $68.500 \times 4 = 274.000$ meaning that if there are 68,500 properties with 4 members for the average family, there will be no great need for new residential properties.

This tells us that new companies should analyze the market to fully understand these calculations on their abilities, to come to the conclusion that the demand for apartments is much lower opposite the offer. In this case, construction companies have to design and explore new customer needs and identify these potential new clients. This can be done by researching urban development plans that predict population growth trends. This way, companies can explore the market to know the client and to offer him the most favorable offer.

5. Conclusion and proposal

Reviews of literature, data collection, research and analysis have led to the conclusion that the real estate industry in Prishtina's market is a profitable industry. Many companies have become part of this market with the aim of extending their activities in this gap, to meet the demand and to generate profit.

Today costumers are more selective and companies that do not perform a competitive offer do not come into consideration by them as a part of their decision process.

Presented here are almost all the problems of the construction companies. In a period of high growth in supply and the creation of a "bubble" in the real estate industry, means that companies need to rethink their strategies and plans of action to stay in the market and maintain their competitive position. This dictates a reconsideration of their budget allocation across departments and especially significant investments in creating a marketing department which all companies lack.

⁴ Statistical Agency of Kosovo; Assessment, Kosovo Population 2013; September 2014

⁵ The Municipality of Prishtina; Property Tax Department

The proposal relies heavily on the establishment of the marketing department in construction companies, to design decent policies of marketing activities that are inevitable and without which, these companies will jeopardize the rate of sales, that would bring a financial crisis' and might condition the business' bankruptcy.

Creating a marketing department would enable the creation of proper plans and strategies that would match with the realization of the objectives and goals set by the companies by assisting the completion process of these objectives in a much more appropriate and professional way.

The lack of experts in this department does not justify at all the strategies of most companies to distribute responsibilities and duties of the marketing department onto other workers belonging to other departments.

This way of functioning has been noticed in most construction companies operating in Prishtina's market.

The engaging of professionals enables the creation of action strategies in different market conditions as well as forecasting market changes based on external and internal environmental factors.

Market research prior to construction or even prior to the initial design of the project, can affect the identification of needs and requirements of potential clients who want to invest in real estate.

Such research leaves no room for errors or unexpected problems that may occur as a result of the confrontation of customer's needs and desires with the company's offer.

Forecasting changes in demographic factors related to the lifestyles of different generations, identifying the number of family members who are potential clients of companies and establishing pre-contractual relationships with these clients, can result in achieving sales and growth.

The proposal for the commitment of companies towards the realization of the matters set forth, can affect the growth of the reputation of said companies, the establishment of close relations with company clients and their trust in their investment towards these companies that have provided the comfort, quality and functionality the costumers needed and desired.

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