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Construction market 2009: in search of new niches.

Diversification of product and marketing risks.

Prepared for the round table «Construction market 2009: in search of new niches. »

Kyiv 2009

Content

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How managed the manufacturers and distributors of construction materials on the markets that demonstrated the most negative downfall indexes to readjust

How managed to readjust ...
the manufacturers of metal products

• marketing policy	-
• distribution markets	-
• pricing policy	adaptation to the prices changes (as much as possible in a highly conjunctural market)
• promotion and sales policy	delivery of products made to order

How managed to readjust ...
the manufacturers of concrete, cement

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• marketing policy	active transition to a private consumer (packaged goods), which share in 2009 could reach up to 35%.
• distribution markets	-
• pricing policy	ton of M400 cement last year amounted to over UAH 700, today – UAH 600.
• promotion and sales policy	operators try not to work for warehouse, not more than 1-2 kilns work on the most cement plants of the country

How managed to readjust ...

the suppliers of construction materials, equipments, serving the sector of commercial construction (profiled sheeting , sandwich-panels, roofing and façade materials)

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• marketing policy	-
• distribution markets	-
• pricing policy	pegging the price to hryvnia equivalent
• promotion and sales policy	minimization in the promotion field, optimization and moreover the maximum possible activation of sales

How managed to readjust ...

the suppliers of construction materials, equipments, serving the sector of commercial construction (fast-track buildings , industrial flooring)

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• marketing policy	formatting the market from commercial segment into segment of infrastructure construction (realizing including for the state budgeting funds)
• distribution markets	domestic manufacturers are trying to relocate to the neighboring markets, and quite successfully
• pricing policy	-
• promotion and sales policy	-

How managed to readjust …

the suppliers of construction materials, equipments, serving the sector of commercial construction (air conditioning and ventilation)

• marketing policy	relocation to the market of household decisions
• distribution markets	-
• pricing policy	-
• promotion and sales policy	a small activation of several companies in high season was observed

How did manage to readjust …

the construction companies working in the residential segment of (multi-storey) building

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• marketing policy	According to insider information, sales in the segment of the elite and up-market real estate are slowly but surely continuing.
• distribution markets	Leaving the regional markets (almost complete).
• pricing policy	General trend – reducing the cost of apartments in dollar equivalent. In hryvnia equivalent the prices increase is observed at **15%** level (of USD 2700 (exchange rate 4,85) (June 2008), which amounts to about UAH 13 thousand up to USD 1900 (exchange rate 8,00) (September 2009), which amounts to UAH15 thousand (*as for UTG data*). For some of the most depressive companies the prices decrease in hryvnia equivalent is observed **at 50%** for 2-3 months. However such hysteria don't affect on sales acceleration in now way. Furthermore, the most (if not to say) all these proposals are congruent with delay of objects' setting to work terms with a declared price level. There are two conclusions: firstly, the companies didn't lower the price at the time, are in loss; secondly,
• promotion and sales policy	The fall of the proposals from developers (percentage drop was 20% in Kiev, while the volume of construction - nearly 60%), NAIPickard data.

How did manage to readjust ...

construction companies working in commercial construction segments

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• marketing policy	Transition to “cash” (mainly infrastructural) and “minimum conjunctural dependent segments” (small industrial, warehouse facilities and trade enterprises privately owned)
• distribution markets	Successful attempts to go over neighboring markets (mainly to CIS countries markets)
• pricing policy	-
• promotion and sales policy	-

“Victims“ product innovations

Product innovations …
of the manufacturers of metal products

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Output in sectional iron and shape steel-rolled stock. Expanding the range of production due to the smooth reinforcing bars and reinforcing bars of periodic profile on thermo strengthening technology, that provides higher resistance to rupture and better production weldability in comparison with alloyed steel furniture (“Makeyevka Metallurgical Plant”).

Product innovations …
of the manufacturers of concrete and cement

Not innovation but nevertheless: building cement plant (Altkom the Crimea) intends to use non-waste production technology, it will only work on secondary and tertiary warm. Ukrainian engineers calculate the specific rate consumption of energy, wherein the plant will have minimum rate of costs for ton of clinker production in Ukraine

Not innovation but nevertheless: construction of the coal branch on the plant (Dyckerhoff) to transfer the production for coal and other alternative sources use.

Not innovation but nevertheless: American scientists determined the structure of cured cement, that will allow better model of concrete, more qualitative cement, and its production will become less harmful.

Product innovations …

of the suppliers of construction materials, equipments, serving the sector of commercial construction (air conditioning and ventilation)

Floor mobile air conditioning (Daikin)

Household waters heater (ROTEX)

Heat Pump (used for modernization of houses that do not meet standard energy-efficient house or house with low energy consumption (ROTEX)

Product innovations ...

of the construction companies working in the residential segment of (multi-storey) building and commercial construction

Lease with an option to buy

Starting by developers their own credit programs

Dynamics of residential, industrial and infrastructural objects construction and reconstruction (2009/2008)

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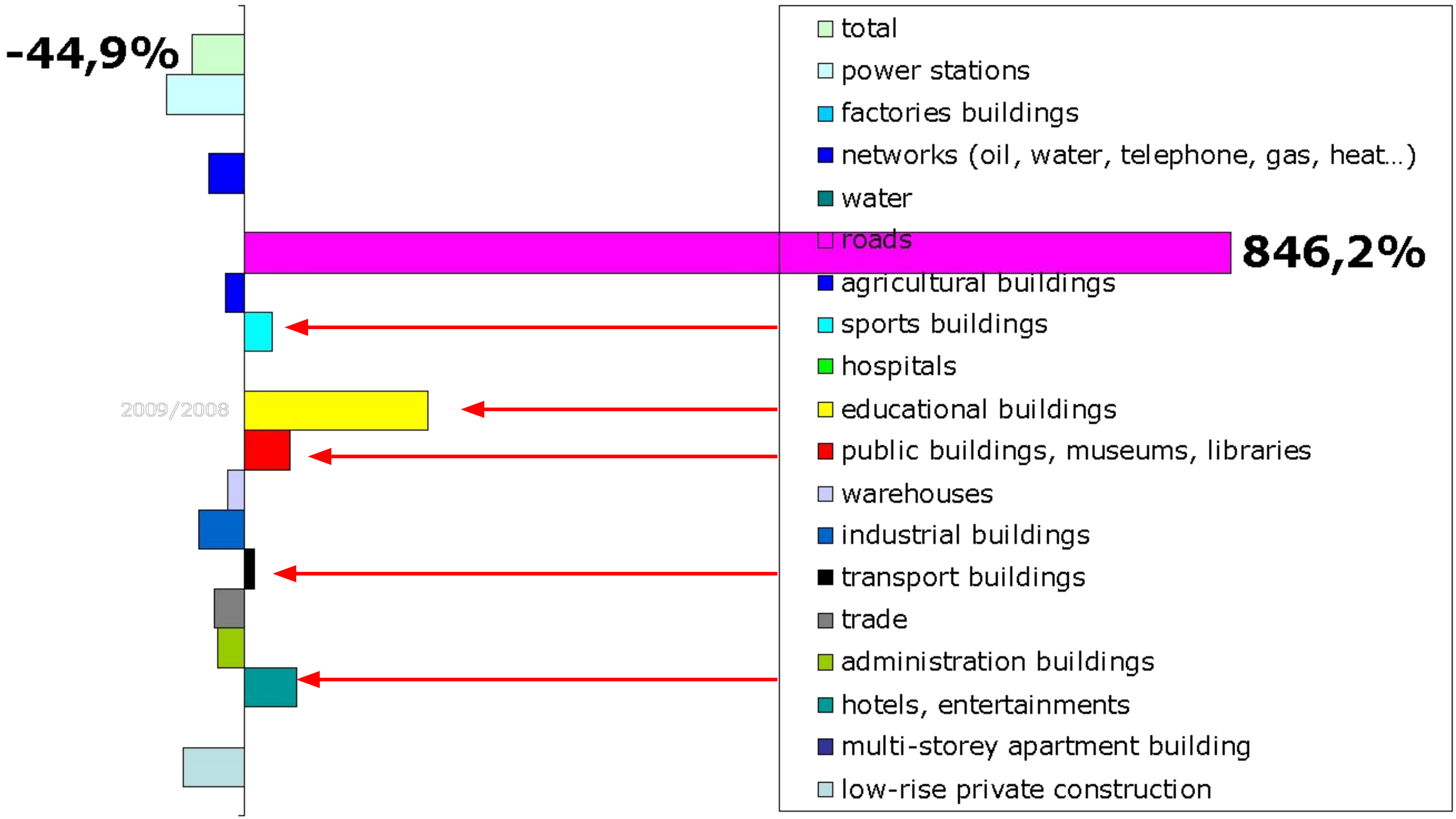

* Considered the objects that have been finished construction in researched period

«Under loupe» segments

The analysis revealed a number of sub-segments with the positive construction dynamics, namely:

Segments	Growing sub-segments
low-rise private construction	Cottagey and garden houses
multi-storey apartment buildings	Superior apartment buildings, individual
hotels, entertainments	Hotels
administrative buildings	Financial service buildings
transport buildings	Underground car parks
networks (oil, water, telephone, gas, heating…)	Trunk telecommunication lines Trunk electric lines The local heat network Water wells, wells, pump room
Factories buildings	Forestry industry buildings Electric and heat power engineering buildings, etc.
others	Buildings for cultic and religious activities Stadiums, sports fields and playgrounds