



**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

How managed the manufacturers and distributors of construction materials on the markets, that demonstrated the most negative downfall indexes to readjust in areas : <ul style="list-style-type: none"><li>● marketing policy reconstruction;</li><li>● expand into new distribution markets;</li><li>● pricing policy upgrade;</li><li>● shift in emphasis in promotion and sales policy.</li></ul>	3
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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)



● 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)



● 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



● 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	<p>General trend – reducing the cost of apartments in dollar equivalent. In hryvnia equivalent the prices increase is observed at <b>15%</b> 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 (<i>as for UTG data</i>).</p> <p>For some of the most depressive companies the prices decrease in hryvnia equivalent is observed <b>at 50%</b> 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.</p> <p>There are two conclusions: firstly, the companies didn't lower the price at the time, are in loss; secondly,</p>
● 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



● 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



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

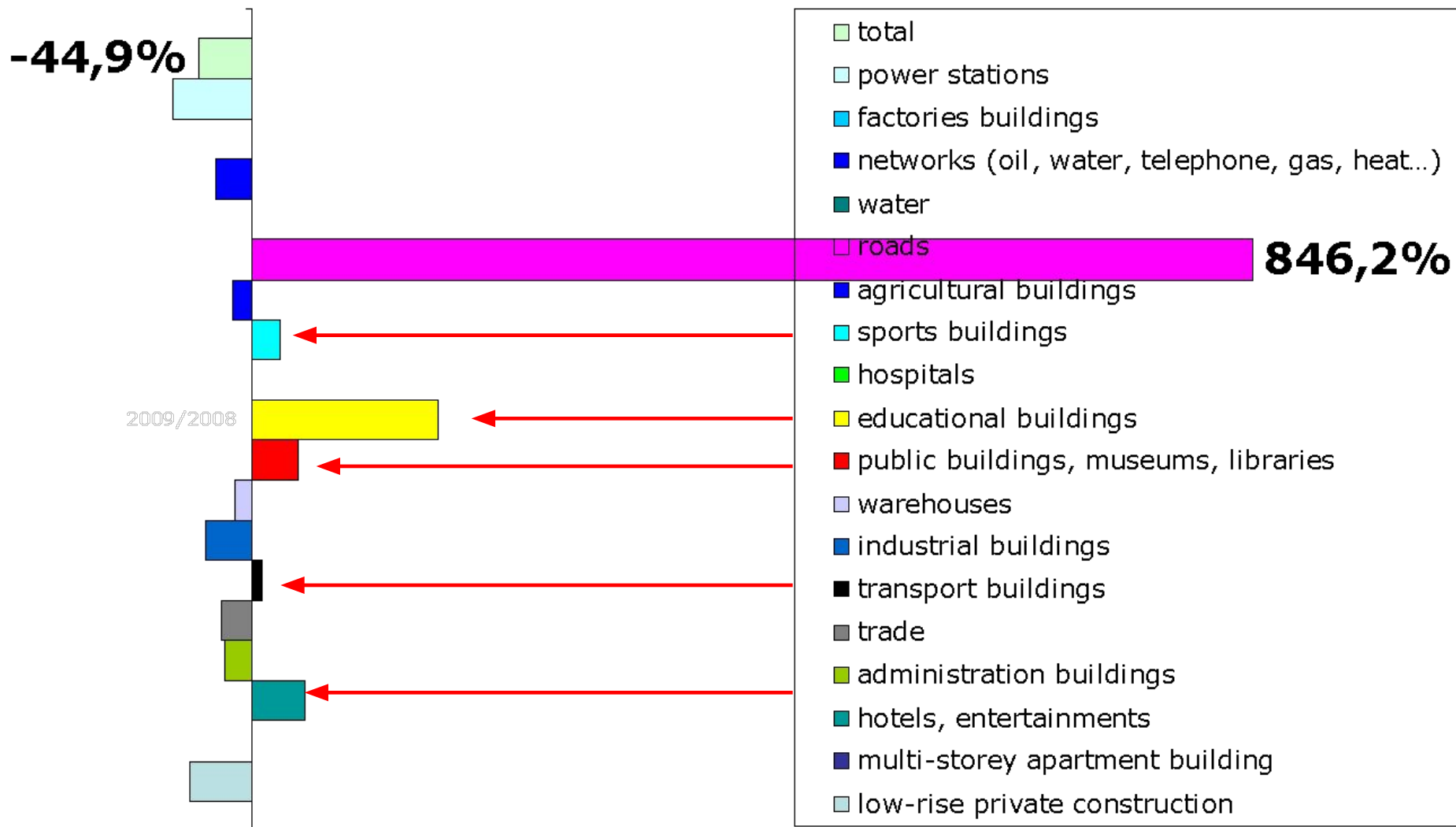


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Lease with an option to  
buy

Starting by developers  
their own credit  
programs

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



\* 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