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## MARKETING IN THE REAL ESTATE BUSINESS

MARKETING V REALITNOM OBCHODE

DIPLOMOVÁ PRÁCE

MASTER'S THESIS

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In the Czech language:

### **Marketing v realitnom obchode**

Instructions:

Introduction  
Problem definition and formulation of goals of the thesis  
Theoretical outcomes  
Analysis of current situation and of the problems  
Recommendations  
Conclusions  
References

Literature / Sources:

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Brno, 26.3.2012

## **ABSTRACT**

This thesis deals with developing a marketing strategy for a regional real estate agency that will establish the agency on the market and differentiate it from its competitors. The author analysis the regional real estate market, the competitive environment and applicable marketing strategies and applies the findings on his own company.

## **ABSTRAKT**

Diplomová práca sa zaoberá návrhom marketingovej stratégie pre regionálnu realitnú kanceláriu, ktorá bude viesť k presadeniu sa na trhu a odlíšenia sa od konkurencie. Autor analyzuje miestny trh s nehnuteľnosťami, konkurenčné prostredie a vhodné marketingové stratégie a aplikuje získané poznatky vo vlastnej firme.

## **KEY WORDS**

Real estate, property, sale, rental, contract, marketing, ownership, client, promotion, advertisement, agent, analysis.

## **K Ú Ů VÉ SLOVÁ**

Reality, nehnute nos , predaj, prenájom, zmluva, marketing, vlastníctvo, klient, propagácia, inzercia, maklér, analýza.

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## **STATUTORY DECLARATION**

I hereby pronounce that the Master's thesis is original and I have elaborated it on my own.

I pronounce that citation of the sources used is complete and I have not violated the copyrights (pursuant to Act No. 121/2000 Coll., referred to as the Copyright Act).

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# Outline

1. Introduction .....	10
2. Aims of the thesis .....	11
2.1 The elaboration process .....	11
3. Theoretical framework .....	13
3.1 Literature review .....	13
3.2 Introduction to the industry .....	17
3.3 Definition of terms .....	18
3.4 Legal framework .....	21
3.4.1 The Business Code .....	22
3.4.2 The Civil Code .....	22
3.4.3 Law No. 182/1993 Coll. ....	22
3.5 Transactions .....	22
3.5.1 Sale .....	23
3.5.2 Rental .....	25
3.5.3 Transfer of rights .....	26
3.6 Contracts .....	27
3.6.1 Contracts between the agent and the client .....	27
3.6.2 Contracts between the buyer and the seller .....	29
3.7 Regulation Authorities .....	29
4. Analysis of the organization and its market .....	31
4.1 Market Analysis .....	31
4.1.1 Porter's five forces model .....	31
4.1.2 SWOT analysis .....	36
4.2 Company analysis .....	41
4.2.1 Structure .....	41
4.2.2 Use of information technologies .....	42
4.2.3 Promotion of the company .....	46
4.2.4 Advertising channels .....	49
4.2.5 Communication with clients .....	52
4.2.6 Direct marketing .....	52
4.2.7 Supporting activities .....	53
4.2.8 Ethical code .....	56
5. Marketing strategy proposal .....	56
5.1 Evaluation of current activities .....	56
5.2 organizational improvements .....	56
5.3 Marketing and promotion improvements .....	59
5.4 Implementation schedule .....	62
6. Conclusion .....	64
List of Tables .....	66
List of Figures .....	66
References .....	67

# **1. Introduction**

This diploma thesis analyzes the market position and prospects of a new real estate agency, in order to develop a complex marketing solution that will enable the company to establish itself on the Slovak real estate market.

The real estate industry is a big and complex industry which includes many subjects and activities. In order to sufficiently cover the matter, the research was narrowed to several sections of the industry. The thesis focuses on a regional real estate agency that is engaged in agenting sale, purchase and rental of commercial and residential properties. Financing, developing and building services are examined only in a necessary part.

The aim of this thesis is to provide insight to the business with properties, explain the specifics of the market, analyze various transactions with properties, legal requirements and develop an effective marketing strategy for a newly set up real estate agency Realitná1. Since the thesis discusses a business activity that is to a large extent regulated by a complex of civil and business laws, as well as by regional specifics, the thesis focuses purely on the Slovak market.

The outcome of the work is elaboration of a complex system of marketing solutions and recommendations that will enable a regional real estate agency penetrate the market, gain recognition, distinguish itself from the competition and provide solid foundations for further progress and expansion of the organization. The goals of the thesis are achieved by applying the personal knowledge and experience of the author to academic frameworks, theories and expert opinions.

## **2. Aims of the thesis**

The thesis shall serve as a guideline to understanding the real estate market and develop a suitable marketing mix for running a successful business in this industry.

The structure of this paper is divided in two main sections. The first section is based on a review of industry related literature, descriptive analysis of the market specifics, legal system, types of real estate transactions, regional market behavior and marketing strategies that are applicable in the field.

The second section analyzes a real estate agency Realitna1 and applies the findings in order to enhance the business of the agency, develop a marketing strategy for the company and suggest improvements to its daily operations. From a time point of view, this sections starts at the point of setting up the business of Realitna1, examines its performance during an 8 month period and presents suggestions for further development of the company. The author of this thesis is also the co-owner of the company that was examined and as such has access to all the data and practical information needed to critically analyze the subject. Meaning that a major part of this thesis was based on a real life experience, with an emphasis on practical implications of the findings gathered during the research.

### **2.1 The elaboration process**

The theoretical section of the thesis will be at first based on a descriptive analysis of real estate industry and its current state. Explained will be the basic terms and subjects involved and influencing the market. Further will be examined the real estate transactions and the applicable legislation that influences and regulates the market. Consequently, the thesis deals with the kinds of contracts that are being used in the business among the sellers and buyers, as well as among the agency and its clients.

The section continues with a critical review of literature which provides theories and guidelines for running the business, understanding the various situations that the

agent needs to handle, as well as marketing concepts that can enhance the daily operation of the organization.

Once the basic principles and theories are established, the thesis continues with an analysis of the market of Realitná1, using the SWOT analysis and the Porter's model of five forces. This analysis serves the need of understanding the specific regional market in which the company operates, in order to be able to suggest concrete actions and solutions in the practical section of the paper.

The process follows with an analysis of the situation in the company at the beginning of the writing of this thesis in February 2012 and examines the progress and development of the company in a 6 months period, until August 2012.

The practical section starts with suggesting improvements in the basic operation and structure of the company. After that, it continues with the core of this thesis, which is developing marketing and promotion improvements aimed at increasing the awareness of the company in a saturated market. The chapter proceeds with designing an implementation schedule with specific actions that need to be executed in order to achieve the desired outcomes.

### **3. Theoretical framework**

#### **3.1 Literature review**

There are two groups of primary literature sources that have been used during the research. The first group is comprised of professional publications that are essential for understanding the core components and legal concepts in the industry.

The first source is a book written M. Be a, on legislation behind real estate operations. The author provides a complex system of information regarding the kinds of property ownership rights, kinds of contracts used in the real estate business and the cadastral proceedings. All situations described in the book are complemented by sample contracts with explanations. Even though the text is not directly cited in this thesis, it represents a valuable source of information. It is a similar case with the book by I. Tomšiovová on rentals.

A very useful and topical source of information is the book by Š. Klein and P. Kesslerová, which deals with sale of properties in times of an economic crisis. The book starts with explanation of how the real estate market behaves during a recession. Compared to the market situation before year 2007, we now find ourselves on a market where supply exceeds demand, sale offers exceed purchases, and the buyers possess a competitive advantage over the sellers and agents. As the authors point out, such situation requires the sellers, alt. the agent, to pay increased attention to how the property is being offered and how it can stand out among other similar offers.

In times when the market is flooded by similar offers, there are two aspects that make or break the sale. The property needs to either have the best, meaning lowest, price, or it needs to differentiate from other similar estates. The differentiation can be given by the uniqueness of the estate resulting from its natural characteristic, or by a good condition and effective marketing plan. As for the selling price, a mistake often made by the sellers and accepted by many agents, is setting the price high, assuming that it is always possible to give a discount once a buyer displays interest in the

property. The reason why this mistake is so crucial is that interest in an offer is always the highest during the first days or weeks the offer gets published. By setting the price unrealistically high, the seller with the agent are risking that the buyers who might be interested in the offer, will simply overlook it, because the estate is being offered in a different price category.

Another very important point stressed out by the authors, is close cooperation and regular communication between the seller and the agent. Many agents once they acquire a new offer only passively advertise the property and wait for a potential buyer to respond. They are therefore unable to reflect to the changes in the offer, either a price decrease by the owner or the sale being realized by someone else, in a timely manner. Regular communication among the agent and his clients represents one of the factors that distinguish successful agents from the unsuccessful.

The fourth literature source is a publication by D. Lakhani, dealing with strategies on enhancing sales during difficult economic periods. The work of the author is based on exploiting gaps on the market not seen by others and thus gaining a competitive advantage. Similarly to Mr. Klein and Ms. Kesslerová, Dave Lakhani emphasizes the need for frequent and regular communication and establishing closer relationships with clients. Even though the business relation between a real estate agent and his client lasts considerably shorter than between a salesman selling consumer goods to customers, effective relationship management is equally important. Not only does it increase the chances of closing a deal, but a satisfied client represents a valuable source of recommendations which can turn into new clients and new deals.

One of the ways of maintaining regular contact with current and prospective clients, is the use of social media which are gaining on their importance as a communication channel between the marketer and his clients. Relationship building through the use of social media is one the most effective internet marketing tools. Based on the findings of the author, there are two ways how a real estate agency can benefit from having a company profile on a social network. The first reason is that the profile provides additional advertisement space where the agent can export the offers. The

offers will be seen not only by the members, or fans, of the agency, but they might further share and repost the offer among their circle of friends. The second and very important reason is that the social networks not only enable, but encourage communication and interaction between the author of the post and the audience that sees it. This is a big difference compared to property advertisements on real estate portals. The feedback in form of liking and commenting on the offer is very important for the agent and enables him to adjust the offer and make it more competitive.

As was already mentioned above, Mr. Lakhani focuses in his publication on finding gaps on the market and exploiting opportunities that the competition does not see, or does not consider to be important or relevant. The author stresses out the importance of not only a regular, but also personal interaction between an agent and his clients and the importance of field work. The work of a real estate agent is based on working with people and building good and honest relationships with the current and prospective clients. Therefore, the agent needs to establish himself as an educated professional and needs to be recognized in the neighborhood where he operates. According to the National Association of Realtors, almost 60 % of all real estate transactions are made by agents, who are contacted based on personal recommendation (7). The number might be lower in Slovakia, but it is still true that a significant number of offers come from recommendations. What is even more important is that communication and cooperation with clients who turn to the agent themselves, tends to be much easier and the conditions for the agent use to be more favorable than in cases when the agent needs to acquire the offer himself.

One of the specifics of the real estate business compared to retail is that it is not possible to simply order a product and then sell it. Meanwhile manufacturers of goods need to develop a product, create a need for it and persuade the customer to purchase it, the need for real estates, for housing, is already there. People are moving, dying, getting promoted, their families are getting bigger or smaller and the preferences for their living standards are changing. The good news for real estate agencies is that there will always be a demand and supply of properties. The challenge is how to acquire the best properties that will sell, which is the biggest difference compared to most other sales

professions. The agent can not wait for the clients to address him and ask him to sell their property. And he also should only advertise and wait for the buyers to call, once he adds the property to his offer. A good real estate agent should actively seek out available properties on sale, as well as actively promote and sell them.

To conclude the findings already noted by Mr. Lakhani, a good agent needs to be known in his neighborhood and proactively seek new offers. Therefore, it is recommended rather than to purely advertise in local newspaper and distribute leaflets, to prepare some promotional material and deliver it personally. There are several kinds of materials that can be distributed by the agent. He can prepare a promotional letter introducing the agency and its services, he can put notes to mailboxes stating what kind of properties is he currently searching for his clients, or he can address people in the neighborhood with a list of properties that are being currently on sale in that area (7). As for the last option, it may seem to be a strange way of acquiring new property to the offer, but it is actually a rather clever solution that can benefit the agent in two ways. At first, the people living in the neighborhood have friends, relatives and colleagues who might be interested in living in the area. Often parents move closer to their children once they have their own kids, to give a hand and spend more time with their grandchildren. Secondly, owners are always interested in prices of their properties, as well as those of their neighbors. By giving them an overview of the values of real estates in their location, the agent is sending out several messages. He is informing residents about values of their properties, which can be considered a free service, he is displaying his expertise and knowledge of the area, plus the agent is showing that he is an active seller who works with his portfolio and does not only passively advertise the offers (7). And that is what people value and what creates an attraction towards the agent. And as was already mentioned above, once people trust the agent and address him with an inquiry to sell their property, he has already half the bottle won.

The last primary literature source used in this thesis is the book Buzzmarketing by Mark Hughes. Buzz marketing is an alternative approach to marketing, which instead of big marketing budgets and massive promotion of a brand, focuses on creating a buzz which will attract attention and make people interested, rather than forcing them



to take a notice due to omnipresence of your brand in the media. The traditional approach to marketing is based on developing promotion campaigns and heavy advertising, in order to address the target audience and build awareness about the company and its products or services. Meanwhile buzz marketing is about an original, striking message that is supposed to spread across the target audiences based on the natural interest of people to find out more. As a result, buzz marketing is not only significantly cheaper, as the message is being spread almost for free, but in most cases also more effective, because people tend to be more eager to find out more about an issue that is unusual and novel to them, compared to messages they are being forced to observe (8).

This concept is very topical for a starting real estate agency, which needs to watch its marketing budget. In addition, buzz marketing is hardly being used by real estate agencies, which creates an opportunity to exploit this concept and take the market by surprise. The tricky part about buzz marketing is that the marketer needs to be much more creative while developing the campaign and also choose the right timing. It is important to closely hide the details so that they do not leak out, which would decrease the momentum and impact of the message, if not kill the surprise completely.

The buzz marketing campaign should unfold around an interesting message, something novel, shocking, or controversial. Such topics are usually the most interesting for people, which automatically imply they are interested for the media (8). Therefore is important to give them something they will inform about, without having to pay for it.

### **3.2 Introduction to the industry**

The business with real estates is by many considered to be very attractive and high yielding, but at the same time can be characterized as dynamic, sensitive to micro and macro economic factors and very challenging. The industry belongs to those most

affected by the worldwide economic crisis that started to spread in 2008 and as of today, it still has not fully recovered.

The impact of the crisis can be assessed from three main viewpoints. Those of the investors, the banks and the buyers. The investors had to reevaluate their current projects and adjust them to a market where they no longer played the major role. The key to remaining in the business is higher effectiveness, cost cutting and paying close attention to the needs of buyers who started to play the main role. Similarly the banks have toughened their conditions and limited the availability of financing commercial and residential projects. As for the population, there are two ways of looking at the situation, the impact on sellers and impact on buyers. In the market of buyers, where we find ourselves today, who has the money dictates the conditions. As the supply of properties currently significantly outweighs the demand, the bargaining power of buyers went up. This translates into a favorable market situation for buyers of properties. As for the sellers the situation is rather delicate and more complex. The prices of properties went back to the level before the real estate boom in Slovakia, which was ended by the crisis in 2008. For sellers who acquired their properties before the boom, might the current price situation be considered unfortunate, but not tragic. It is though a whole different case for sellers who acquired their properties during the boom at artificially pushed up prices. These sellers are creating a price imbalance among similar properties and have to either keep their properties, or suffer a financial loss. This problem will be examined more in detail in the practical part of this thesis.

### **3.3 Definition of terms**

#### **Land registry office**

The national property registration authority. It is a bureau that keeps track of all the properties in the country and records every change in ownership. During each sale, a proposal for change in the property ownership needs to be delivered to the land registry office, which changes the ownership to the buyer within a legally given period of the

time. The change takes either 30 days in the standard procedure, or 15 days in case of an accelerated procedure.

### **Cadastral territory**

Designates a measured land area under which falls a number of parcels. In Slovakia, every county is comprised of several districts, every district is further divided into towns and villages and every town or village has one, or several cadastral territories. It is very important to state the cadastral territory clearly, when identifying a certain parcel or property, along with property sheet number and lot number.

### **Fee stamp**

Every transaction or request that needs to be handled by the land registry office requires the use of a fee stamp with corresponding value. Fee stamps need to be purchased in advance and represent a cash payment supplement for operations with state offices in Slovakia.

### **Types of lots**

Currently, there are 10 officially recognized types of land in terms of their cadastral status (1). Each of those types has its own code: 2 – cropland, 3 – hop-field, 4 – vineyard, 5 – garden, 6 – fruit grove, 7 – permanent grass stand, 10 – forest land, 11 – expanse of water, 13 – built up area and courtyard, 14 – other land.

### **Cadastral proceeding**

During each sale, a proposal for change in the property ownership needs to be delivered to the land registry office, which changes the ownership to the buyer within a legally given period of the time. The change takes either 30 days in the standard proceeding, or 15 days in case of an accelerated proceeding.

### **Property sheet**

Is an identification document of each property. The form is legally given and includes information about the owner, area, location, cadastral territory, plot number and type, as well as possible burdens and liens.

**Types of constructions**

The constructions are divided into commercial and residential buildings.

**Mortgage**

Is a kind of loan offered by a bank to a borrower, who puts his property as collateral. Property financed on mortgage, are burdened with a lien that is recorded on the property sheet. In case the borrower loses the ability to repay the mortgage, the creditor has a right to seize the property in question. Such properties usually end up in public auctions.

**Lien**

Is a burden recorded on the property sheet, which restricts the treatment of the property by the owner.

**Cooperative**

In terms of the real estate business, cooperatives are organizations joining residents of apartment houses. The members own a share in the cooperative, but do not own the apartment in which they live, as the whole apartment house is owned by the cooperative. The sale of such apartments is different to sale of apartments in personal property. In case of a cooperative, the member is selling only his membership rights, not the actual apartment. Therefore, these transactions are not recorded by the land registry office and do not involve a change of owner on the property sheet. However, under certain circumstances, it is possible for a member to buy the apartment from the cooperative into his personal ownership. In such case, it is already a standard real estate transaction.

**Deposit**

Is a down payment, usually up to 5 % of the total property selling price, paid by the buyer to the real estate agency, in order to confirm his intention to purchase the chosen property. The deposit is usually in the value of the agency's commission.

### **Types of ownership**

There are four types of property ownership, regardless of whether the owner is a physical, or a legal entity. In case of only one owner, the real estate is a personal property. The second situation occurs when the estate is owned by married partners. This case is referred to as tenancy by the entirety. By law, husband and wife always acquire the properties as common owners, unless they file for tenancy restriction. The third case is tenancy in common, when the property is owned by more than two owners. It is not uncommon, mainly in case of vast agricultural and forest land, that the property has tens or even hundreds of owners. At last, there is the state, or national ownerships.

## **3.4 Legal framework**

The real estate business is to a large content based on laws and contracts. In plain words, the activity of a real estate agency can be split in two main parts – marketing and law. It is generally assumed in the business that marketing takes about 60 % of the overall operation's pie, law 30 % and only about 10 % of all activities are represented by technical expertise. A thorough understanding of the associated real estate legislation is not only essential from the legal point of view, but also determines the success of the transactions in the final phase of the sale. The legal essentials can often make or break the deal, if the real estate agent omits certain required actions, or gets them wrong. A close cooperation among the agent, the buyer, the seller and a lawyer is very important during each transaction.

There are three main legal documents that are being used in the real estate operations.

### **3.4.1 The Business Code**

The business code sets the legal requirements for the contract closed between the real estate agency and the owner of the property. The contractual relationship is

described in section XVII of the Code and sets forth the legal duties and rights of the agent towards the licensor, in this case the owner of the property (2). This section of the business code describes also the conditions under which arises the right of the agent for the agreed commission. The right for commission usually arises at the point of signing the sale agreement between the seller and the buyer<sup>2</sup>.

### **3.4.2 The Civil Code**

The civil code is the main jurisdiction that determines the legal actions and obligations among citizens and represents the main collection of laws applicable also in the real estate business. All conflicts and legal disagreements that may arise during the transfer of property ownership rights are being handled on the basis of the civil code. This code sets forth also the legal requirements for the sale agreements.

### **3.4.3 Law nr. 182/1993 Coll.**

The law on ownership of apartments and nonresidential spaces. This jurisdiction applies only to flats and commercial spaces in apartment houses, since those need to comply with additional rules and requirements compared to private residential houses. As the owners of the aforementioned properties live, or work in a complex of several residential or nonresidential units and share certain common spaces and equipment, the law 182/1993 exists to regulate the relations among the owners. This collection sets out also the conditions that have to be met in case of transfer of ownership rights (3).

## **3.5 Transactions**

Since the real estate business is very complex and deals with various situations, an analysis of all of them would exceed the scope of this paper. Not only are there plenty of transactions kinds, almost every case is to a certain level unique. The factors affecting the transaction and its nature are type of ownership, the presence of a lien or

other burden, location in the cadastral territory, type of property, and others. However, the transactions can be split into three main groups.

### **3.5.1 Sale**

The sale of property is often referred to as the transfer of ownership rights. During this procedure, the estate passes from the seller into the exclusive ownership of the buyer. The rules for this transaction are explicitly set forth by the law and need to be followed in a consecutive order.

Naturally the first step is to find a buyer. Once he is found, he needs to express his commitment to purchase the property, preferably in a written form and a deposit paid to the hands of the owner, or the agent. The intention to purchase the property is usually confirmed by signing a forward contract, detailing the conditions of the future sale. This step is advised mainly in situation when the property will be financed on mortgage. In case the estate will be purchased with cash, the purchase agreement can be approached directly. The contracts can be elaborated by the agent in cooperation with a lawyer, by an advocate, or by a notary. In case elaboration of the contracts is entrusted to a notary, the contract is being called a notarial record.

In case the sale is handled by a real estate agency, the sale contracts are usually included in the admission. The purchase process starts by setting the price and rules of the transaction. The agent works as a mediator between the seller and the buyer and once the conditions are agreed upon, the agent can start with preparation of the contract. In case the buyer intends to finance the purchase through a mortgage, a special report by a licensed expert in the construction field stating the physical condition and nominal value of the property, is required.

Besides the sale contract, the agent prepares also a proposal for the change of ownership on the property sheet. Once the documents are signed by both parties, the signatures need to be verified by a notary (4). The costs of verifying the signatures are usually paid by the agency and included in the commission. The next step is to deliver

the documents to the cadastral office, along with the respective fee stamp. In case the object of sale is an apartment, it is required to enclose also a written confirmation from the administrator of the apartment house that the owner has no unpaid invoices for energies and associated services provided by the administrator.

Once all the necessary documents have been delivered to the cadastral office, the parties need to wait up to 15, or 30 days until the proceedings are finished and the new owner is registered on the property sheet. However, this period may be prolonged in case there are mistakes in the contract, or proposal. In such case, the proceeding is suspended until correction is made. The buyer and the seller are notified about the result via registered mail. The last step, once the new owner receives the property sheet with his name on it, is to register at the suppliers of energies and alternatively, the housing estate administrator.

There is still however one, and probably the most important part of the transaction, that needs to be described. Namely, the payment. There are several ways of settlement in case of property purchases. The payment can be made directly between the parties, or a safekeeping service can be used.

The first option that comes to mind in case of a direct payment between the parties, though the most risky one is cash payment (5). This option is still preferred and sometimes even required by some sellers. There is also a psychological aspect to this kind of purchase price settlement, as the prospect of having quick cash might be tempting to some, and may also lead to negotiating more favorable price conditions. Though a bank transfer is more commonly used and generally more suitable for purchases of real estates, where higher amounts of money are involved. And evidence of a completed wire transfer is also more credible in case something goes wrong and the deal needs to be void. Such situation will not however be analyzed in this thesis, as it is a rather delicate matter. The timing of the payment depends solely on the mutual agreement between the parties. The whole amount can be paid up front at the date of signing the contract, on the basis of a new property sheet, or it can be split into two or



more payments. It is highly recommended to meet the sellers claim after the cadastral proceedings are over and the buyer gets his new property sheet.

The second option of property purchase price settlement is using a safekeeping service. The possibilities are either a notarial custody, or pledging collateral in a bank. Both of these options incur additional costs, depending on the value of the transaction, but are generally considered to be the safest way of financing real estate purchases. The aforementioned service can be provided also by the real estate agency, though only a handful of agencies meet the required safety criteria for handling and storing higher sums of money.

### **3.5.2 Rental**

A frequent transaction in the real estate business is rental. Due to the current economic situation, rental of apartments in Slovakia is on the rise, as more and more people are limited by their financial situation to this kind of housing solution. Table 1 provides a comparison between the average interest of buyers in apartments for sale and apartments for rent and the average time an offer for sale and rental stays on the market. The data in the table are based on statistics of Realitná1 during a period from January to August 2012.

As for the rental contracts, these can be closed for a definite, or indefinite period (6). In case the contract is closed for a definite period, the end of validity of the contract is set in advance along with conditions under which it can be prolonged. In case of contracts signed for an indefinite period, it can be canceled by either of the parties by a notice according to terms stated in the contract. If the period of notice is not clearly defined in the contract, then the period is 3 months, as prescribed by the legislation.

A rental contract needs to include details of the estate, the landlord, the tenant, the price and rights and obligations of both parties. The price may, or may not include utilities, depending on the mutual agreement between the parties. The rental contracts do not require verification of signatures by a notary.

### **3.5.3 Transfer of rights**

There are several situations when the buyer does not acquire sole proprietorship of the real estate, but only certain rights or a share.

The first situation is represented by cooperative housing. There can still be found apartment houses in Slovakia which are owned by cooperatives. In such case, a person is not an owner of the apartment in which he resides, but only a copartner in the cooperative. Once such apartment goes on sale, the person is selling not the apartment itself, but is only transferring his shareholder rights. The sale is therefore not being handled by the cadastral office, but needs to be approved by the cooperative. If the owner of shareholder rights wishes to acquire the apartment into his sole proprietorship, he needs to file a request addressed to the cooperative and purchase the apartment at its book value. In this case, the sale already needs to meet all the required formalities described in section 3.4.2.

Another situation when the buyer does not acquire the whole property into his sole proprietorship occurs in case of joint ownership. This means, that the property has several owners. Those can be business partners, family members, or sometimes even tens or hundreds of strange people, in case of aralia and forests. Once a joint owner decides to sell his share of the property, he is by law required to offer his share to other current owners<sup>4</sup>. If any of the other owners expresses interest in purchasing the share, he is obliged to sell it to him, rather than to an outside buyer. If the joint owner does not receive answer from the other owners in 2 months time, it is considered as a declined of the offer and he is allowed to sell his portion. However, the selling price needs to be the same, as the price offered to the other joint owners. If the seller decides to decrease his price, he is required to go through the whole process again. Once all the conditions are agreed upon, the sale needs to meet all the required formalities described in section 3.4.2.

Realitna1 is keeping records of the proportion of executed sales and rentals and the average time the respective properties are available on the market. In general, it can be concluded that properties for rent stay on the market for a considerably shorter period of time and display higher interest among the clients. The same can be said comparing houses and apartments. Apartments are usually selling faster than houses. The statistic is presented in the table below. The data presented in the table come from internal records of Realitna1 and may not apply to the whole market, or other agencies.

Table 1

Average duration of properties on the market and numbers of prospective clients				
	Rental		Sale	
	Duration	Prospects	Duration	Prospects
Apartments	3 weeks	6	4 months	4
Houses	2 months	4	9 months	5
Commercial properties	5 weeks	5	6 months	3

### 3.6 Contracts

Contracts might be considered the most important component in the real estate Business.

The important role of contracts is given by the nature of the business. Transactions with properties involve high amounts of money and real estates are sensitive objects for all the companies, citizens and the state. Therefore, an utmost attention needs to be paid to this topic. From the point of view of a real estate agency, the contracts can be categorized in two groups.

#### 3.6.1 Contracts between the agent and the client

For a real estate agency, the contractual relationship between the client and the

office is very important. A client who wishes to sell or rent his property can sign with the agency either an exclusive, or a non-exclusive agreement (5). An Exclusive contract means that the property is being offered only by one agent, which enables the agent to work with the offer in the most effective way. The client is communicating only with one person, has better overview about how is his property being sold/rented, the agent is willing to spend more money on promotion of the property and the exclusive cooperation often leads to a faster transaction and better price for the seller (5).

However, the exclusive agency is still not as common in Slovakia as it should be. Many property owners are afraid of the resulting commitment and obligations and thus prefer a non-exclusive agency. This means that the owner has the right to sell/rent his property on his own, or offer the estate via several agents. That leads to a situation when the property might repeat several times on the real estate website, with different pictures, prices and information (5). Such situation is rather unfortunate, as it decreases the credibility of the offer, as well as decreases the motivation of agents to invest into increased promotion of the property, because the buyer might be attracted based on their offer, but eventually buy the property from a different agent who has undercut the price. It also creates a competition between the agents offering the same property, who are as a result putting pressure on the seller to cut down the price (5). Based on the general experience in the field, non-exclusive offers often tend to remain longer on the market and sell for lower prices in the end, compared to properties being offered on the basis of an exclusive agreement.

Knowing the often dismissive attitude of property owners towards exclusive contracts, Realitna1 tried to come up with a solution which might represent a compromise for both, the seller and the agent. The main idea being, that the owner is still allowed to find a buyer on his own, but will reimburse the agency with 40 % of the originally agreed commission. In return, the agency will elaborate the sales contract and proposal for change of ownership rights. Prior to introducing this kind of contract, Realitna1 has conducted a survey on a sample of 30 current and potential clients. The results of the survey are presented in the following table.

Table 2

Privileged Exclusivity	
Would consider agreeing to the contract	17 respondents
Does not change their opinion on exclusive contracts	8 respondents
Not interested in agenting sale regardless of the terms of cooperation	5 respondents

### 3.6.2 Contracts between the buyer and the seller

Contracts between the buyer and the seller are of equal, if not higher importance, though they are sometimes underestimated by the owners who try to save costs by selling their properties on their own and using contract samples from the internet. Based on exclusive information from a source, who does not wish to be named, from the cadastral office in Prievidza, Slovakia, almost half of the cadastral proceedings have to be suspended due to mistakes in the sale contracts. Once a proceeding is suspended, the parties need to come to the cadastral office in person and make correction to the contract. This not only increases the cost, but also extends the transaction time, which might be rather awkward mainly in situation where on sale is closely tied to another purchase, or to releasing funds from a bank. This fact underlines the significance of entrusting such important matter as sale of a property to a credible professional.

## 3.7 Regulation authorities

The real estate business is naturally controlled and regulated by a complex of laws, directives and governmental agencies. One of those is also the cadastral office, whose role has been already described above. The cadastral office keeps record of all properties in its respective region, all property sheets and maps. The office also records every change in ownership and provides ownership information for citizens.

Another organs working on a municipal level are the construction administration and the department of urban planning. These two authorities issue building permissions for new constructions, for modifications to existing buildings, as well as make decision regarding the territorial expansions of towns and villages.

## 4. Analysis of the organization and its market

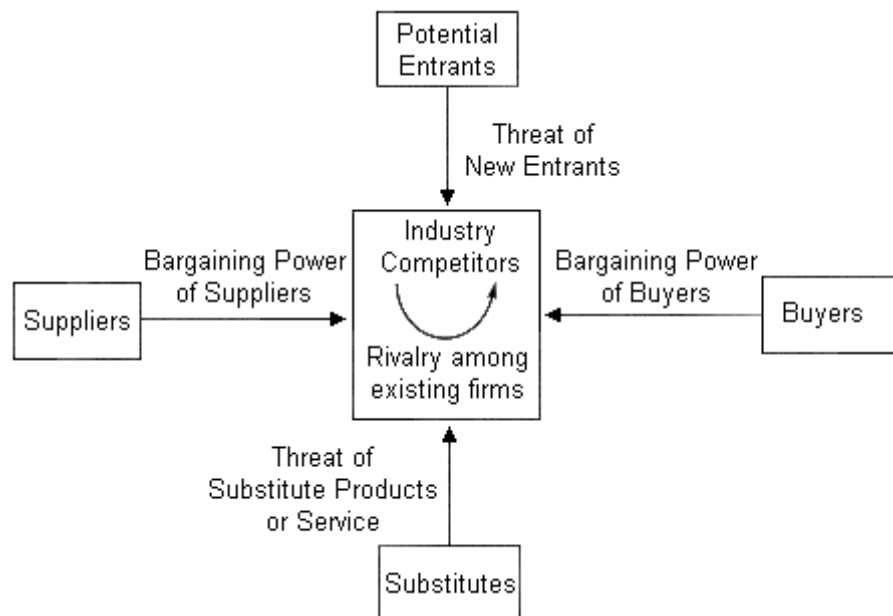
### 4.1 Market Analysis

The purpose of this section is to analyze the current situation on the real estate market in the region where Realitna1 operates. The tools used to do so, are the SWOT analysis and the Porter's five forces analysis.

#### 4.1.1 Porter's five forces model

The Porter's model of five competitive forces, is a commonly used approach to assessing market potential prior to entering it. The key words to understanding this model are competition, profitability and meaningfulness. As its name suggests, the model examines five market forces, which are: bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitute products and the competitive rivalry within the industry.

Figure 1



(9)

## **Competitive rivalry within the industry**

Based on the population census in the Prievidza district from year 2001, there are 140 444 citizens living in the district in 27 071 houses and 49 635 flats (10). This market is being served by 22 real estate agencies, meaning that the market saturation can be considered quite high. Realitna1 finds itself among the last two entrants. Average number of agents per one agency is 4, meaning that Realitna1 is significantly lacking behind in this regard. Considering the amount of real estate agents operating in the region, the rivalry is high and the market is considered, by agents and also clients, to be oversaturated. One of the examples of oversaturation is the fact that a significant number of properties are being offered by several agencies, which is not good and it deforms the market.

What can be considered positive in the current situation is that there are very few differences among the agencies, apart from their sizes. There still might be a place for a new entrant, but he should differentiate from the competitors and bring something novel. The level of innovation in the industry can be generally considered to be very low. The companies are mainly competing in terms of numbers of agents and properties on offer, as well as by gaining exclusivity for individual properties and developing pressure on the sellers to decrease the prices, so that the agency has the best price. This competition in its current forms shows two main negative outcomes. The first one is the pressure on decreasing commissions which are sometimes falling on a level at which it becomes difficult to generate reasonable profit after deducting all the costs. The second affect is rather unpleasant mainly for the sellers, as the price wars are to certain extent driving down the values of properties. However, this is bad also for the agency, as the lower the selling price of a property, the lower admission can they charge.

## **Threat of new entrants**

Regulation of the subjects involved in real estate business is currently rather low. Once a company which to engage in the business, it needs to file for a license, which can be obtained as long as the company employs a person with a university degree in



economics, law, civil engineering and architecture, or a person with high school education and five years of experience in the field (11). Other than that, there are no more requirements for obtaining the license, nor is there an obligation to acquire any additional industry oriented education and certificates. There is also no binding code of conduct. Even though there is a national chamber of real estate agencies, the membership is on a voluntary basis. This is very different compared to lawyers, or doctors, who need to by law joined in a chamber and obtained a specialized license which needs to be prolonged on a regular basis.

Due to the loose regulation in the business, the threat of new entrants can be considered high. However, as the market in the region is considered to be oversaturated, it is unlikely there will be many new entrants, if any.

### **Threat of substitute products**

The real estate business by its nature does not have a real substitute product. However, there are still some possible dangers from the point of view of a real estate agency. The first one is represented by tenementary apartment houses. These are experiencing a boom during the last couple of years, and are being building in many villages in small towns directly by the municipality. The reasons behind, might be the unfavorable economic situation which is causing that the number of people looking for apartments for rent is rising, meanwhile the number of persons seeking a flat to buy is declining. Another reason is the general demographical trend of moving to bigger towns in order to live closer to work and increase the standards and quality of living. Which might be good for the citizens, but it is not very good for the villages, because those are losing on taxes.

The tenementary apartment houses represent a potential threat for the real estate agencies, because these apartments are built and rented directly by the municipalities. Meaning that the agency loses some clients and can not even get involved in those transactions. And there is quite a demand for such apartments, as they are usually newly built, partially furnished, the tenants do not have to be afraid the tenancy might be

terminated by the landlord, plus after several years, they will have the chance of buying the apartment for a book value.

The second potential threat is more arguable and depends on the point of view. It relates to investment properties. Based on the economic situation, market mood, availability of loans and the potential of other commodities, the investor might start putting their money into something else, or suspend investing completely.

### **Bargaining power of customers**

The real estate market is currently referred to as the buyer's market (5). Because the supply is greater than the demand, buyers possess a better negotiating position and they are aware of it. The situation is being influenced in a negative way also by the media. Everywhere can be heard that the crisis which started in 2008 is still not over and the prices of real estate may still not have touched the ground. Plus there is also the current stress regarding the EURO currency and its possible effects on mortgage rates, which creates an uncertainty regarding real estate purchases on loan, which represent a significant share of overall transactions with properties. All of these factors combined, are influencing the behavior of buyers and contribute to an unfavorable situation for sellers and agents.

The buyers are aware that their position is strong and there are plenty of offers they can choose from. And because the whole situation is backed up by frequent alert information from the media, the buyers feel their status is strong. In practice, it can be observed in two most common situations. The first one is that buyers still expect future drops in property values and therefore are waiting. They are still interested in the market offers, they go have a look on the property, but do not make the purchase and keep waiting for a better bargain. The second scenario is rather obvious and is expressed by strong pressure on the sale price. The buyers are letting the seller feel there are plenty of other similar estates for sale and insist on substantial discount.

From the point of view of a real estate agent, there are only two solutions how to cope with this situation. The first one is simply to acquire offers from property owners who resigned to the price development and are willing, alternatively have to, sell the property at a discounted price. The second option lies in cooperation between the owner and the agent and can be used with interesting and special properties. The owner's task is to maintain the property in perfect condition so that it can fully demonstrate its uniqueness and advantages and the agent's task is to effectively promote the property to the right target audience which will be able appreciate the value of the property.

### **Bargaining power of suppliers**

Again, there are two main subjects who can be considered a supplier within the real estate business, looking from the point of view of an agent. On one side, there are companies offering services for real estate agencies. Those are mainly real estate advertising internet portals, developers of internet websites and specialized real estate administration software, as well as advertisement newspapers, magazines, graphics and printers. Those could be considered the real winners of the real estate business. The reason why, is rather simple. If the market is doing well, the agencies have enough money to spend on advertisements, leaflets, posters and other promotion means. If is the market underperforming and the competitive fight is beefing up, the agencies need to be more creative and spend on promotion even more, so that they can slice at least something off the shrunken sales pie. Naturally, their profits are going down, but the suppliers of above mentioned services are doing even better.

On the other side, there are the property owners who are supplying the offers for real estate agencies. Seeing that we find ourselves currently on the buyer's market, the situation might appear to be favorable for the agents. It means that there are enough properties to acquire on offer and the agents should be able to negotiate better offer prices and thus make the sales faster. However, this often is not true. As there are still many seller unwilling to accept the current development of property values, many agencies have lots of overpriced estates on offer, which cost them money for advertising, but are unlikely to sell under conditions demanded by their owners. Yet

another issue is represented by the behavior of many sellers. As was already mentioned above, there are people, and quite a lot of them, who believe that by advertising their estates through several agencies at once, their property will sell faster, which is rarely true. They are also not aware, and difficult to convince that selling a property in current economic situation requires an honest relationship between the agent and the client and regular communication.

To conclude, the bargaining power of suppliers in the business and in these times, can be consider high in case of providers of real estate oriented services, but also rather weakened in case of property owners. For a real estate agent, the buyer's market has the potential to provide exciting opportunities just like the sellers market, but requires an experienced agent who can and knows how to size the opportunity.

#### **4.1.2 SWOT Analysis**

The SWOT analysis examines a company by listing and understanding its strengths, weaknesses, opportunities and threats. The outcome of the analysis is a framework, which provides information about the current state of the company and its market, suggest the areas the company should focus on and brings attention to issues that need to be taken care of, otherwise they may bring the organization and its plans down.

Table 3

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Balanced team</li> <li>• Connected companies – cost sharing</li> <li>• Novel ideas</li> <li>• CRM system</li> <li>• Investment capital</li> </ul>	<ul style="list-style-type: none"> <li>• Experience of owners with the industry</li> <li>• Brand recognition</li> <li>• Difficult recruitment</li> <li>• 3 owners – potential disagreements</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Lack of innovations from competitors</li> <li>• Break-up of big players</li> <li>• Buying outs</li> <li>• High margins</li> <li>• Exploit market gaps ignored by competitors</li> </ul>	<ul style="list-style-type: none"> <li>• Legislative changes</li> <li>• Unstable situation with main competitors</li> <li>• Unstable market development</li> <li>• Seasonality</li> <li>• Tenemental apartment houses</li> </ul>

One of the main strengths of Realitna1 is represented by the professional background of the owners. The team is comprised from people with several years of experience in direct selling, running a network of retail stores, construction and thus can utilize the know how from different activities, in order to create a marketing mix that will work in also in the real estate business. Furthermore, the company has hired a consultant with 12 years of experience with running a real estate agency, to provide professional advices and guidance. All the factors together, provide a powerful blend of novel marketing ideas and selling strategies, backed up by years of experience in the field.

Another strong point which provides a considerable advantage over competing similar sized real estate agencies is the fact that Realitna1 currently operates as a division of a strong company, involved mainly in retail and distributing business. This enables the company to share costs in terms of accounting services, office space and equipment, advertising in the same media, design and programming services, as well as

distributing capital. As far as the capital is a concerned, tie to the mother company enables Realitna1 to engage in occasional buying outs of second hand properties, as well as small development activities that are currently being prepared.

Equally important is the use of new information technologies that give the agency an edge over competitors who are lacking in implementing the newest systems. Realitna1 uses advanced web-based real estate software, which enables the agent to keep all client records in one place, effectively administer all offers and access the database on the go. In this regard, the agency yet again profits from the mother company, which is employing own programmer and graphic designer. This fact does not only save costs, but also enables the company to create better looking advertisements, compared to agencies which need to rely on the in-house programmer from the media where they advertise.

Despite the experience of the owners in sales and marketing, it needs to be admitted that the experience in real estate business is rather limited. However, this weakness has already been addressed by hiring an experienced consultant.

Another issue the company has to cope with is brand recognition. As was already noted, the real estate market in the region is oversaturated with agencies. This fact does not only create fierce competition, but also makes it more difficult for the residents to take notice of a new entrant. To overcome this problem and increase awareness of the brand, the company needs to not only extensively promote itself through the same channels as the established competitors, but mainly seek and exploit promotion opportunities that are not seen by the others. Considering however the current state of the market, this proves to be an uneasy task.

Problematic appears to be also recruiting and retention of new agents. The industry has a long-continuing issue with recruitment. Due to commission based remuneration and steep competition, a significant number of applicants get easily discouraged. Besides the very nature of the job which makes recruitment more challenging, needs to be mentioned also the fact that applicants interested in working in

this field have a large choice of agencies to work for, as recruiting in most real estate agencies is an ongoing process and a new applicant is always welcomed. In general, hiring well performing and loyal agents is one of the main and most important challenges, in a field with high employee turnover.

As far as the opportunities are concerned, the market still offers a chance for a new player to establish itself. One of the reasons can be seen in small level of innovations in the field. Almost all real estate agencies are using the same scheme and there is very little differentiation. The typical scenario looks as follows: higher as many agents as possible and let them collect all available offers at any cost, heavily advertise the offers on web portals, in regional magazines, on advertising boards in the town center, mark the best properties with banners and then wait for a call from a potential buyer. A lot of the agents do not even maintain regular contact with owners of properties they have on offer and thus is not uncommon that they advertise a property that was already sold. Agents, who are choosing their clients, are communicating with them on a regular basis and are offering only a limited amount of properties, are still rare. There is one agency in the region which attempted to be innovative and came up with a 3D technology, offering virtual tours of their properties, but the market response was very mild and the agency is stagnating on the same level. The rigidity of the established competitors gives a chance to a new player to exploit the market gaps and differentiate it from others.

Another opportunity for Realitna1 emerges from the break-up of two biggest agencies in the region in 2Q and 3Q/2012. Both of them were torn apart due to discrepancies between their owners and each owner took part of the company and formed a new agency. Their weakened position and internal conflicts represent a chance for the competition to strengthen its activities in the region in the meantime.

An obvious opportunity is simply the financial prospects of working in the real estate business. Besides the regular commission with interesting margins raging from 3 – 5 % of the property's selling prices, the business offer the possibility of engaging in buying out of properties, investment purchases and development activities. These

opportunities may not be regular and involve certain level of risk, but they make the business a whole lot more interesting and profitable.

The success of Realitna1 might be endangered by an unstable market situation. Since the big economic crisis in 2008, prices and sales of real estates have been constantly decreasing. The market still has not stabilized and the prospects of EURO currency add to the uncertainty in the business.

The break ups of biggest competitors may on one side represent potential opportunity, but it may result also in more aggressive competitive environment, as the companies are trying to recapture their previous market positions.

As was already mentioned, the real estate business is regulated by a vast complex of laws and directives. Increased tax burdens and tighten regulation might also adversely influence the market and slow down the growth.

The seasonality of the business needs to be mentioned as well. The demand for properties is not the same all year round. Affected is primarily the sale of residential houses, which have the main season from spring till early autumn, mainly as far as older houses are concerned. As for the rentals and sale of apartments, the season lasts almost whole year, though during months January, July, August and December, are the sales suffering a decrease.

All of the above mentioned threats do not imply that the market will freeze completely. There will always be the need for living. People are moving, getting married, having children, new jobs, or dying, and thus their living needs are changing. What it means however, is that even though the market has currently started displaying small signs of recovery, there is still a substantial danger it could get even worse. In such case, the real estate agency will have to quickly adapt to the changing rules and only the strongest and most flexible will survive.

Last but not least, a potential threat can be seen also in the recent trend of towns and villages to build their own tenemental apartment houses. There is a considerable



demand for this form of housing with waiting lists of applicants. Such apartments are usually new, partially furnished and the monthly rental is lower than a mortgage payment for equivalent apartment in the case of purchase. Moreover, after several years, the tenants are given a chance to acquire the apartment into their sole ownership for a favorable book value. The reason why is this mentioned in this section is that real estate agencies are excluded from this model, as the apartments are always being offered directly by the investor – the municipality.

## **4.2 Company analysis**



Figure 2

### **4.2.1 Structure**

The company was established by three founding members with different roles. The owners have academic background in economics and civil engineering and professional background in retail, b2b sales and marketing.

Furthermore the company cooperates with a professional consultant to provide guidance mainly in the legal area, preparation of contracts and psychology of real estate sales. As far as the legal issues are concerned, the company cooperates also with a lawyer. A valued member of the team is a programmer / graphical designer, who takes care of all advertisements, banners, leaflets and web-based campaigns. Currently the company does not employ any agent or assistant and the daily operations are carried out by the owners.

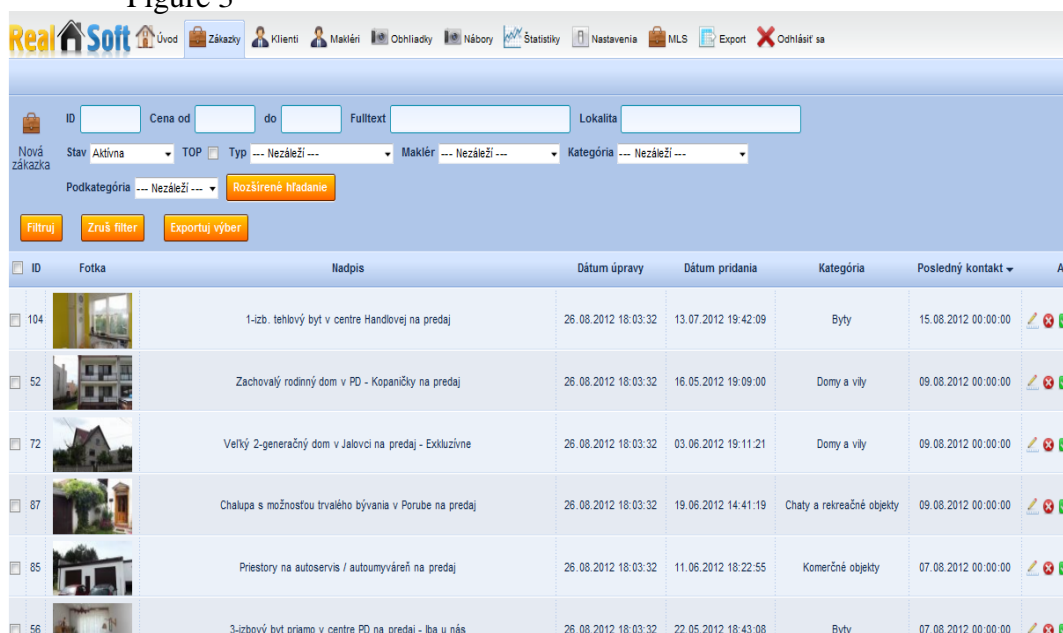
Realitna1 was set up as a division of another company involved in retail business, which helped the organization in terms of costs, marketing, contacts, capital, office space and equipment and thus helped to advance at an accelerated rate compared to stand alone start-ups.

#### 4.2.2 Use of information technologies

The agency is using professional real estate software for administration of its website, offers, keeping client records, and exporting ads to advertisement portals. The company was intentionally planning to design its own website and client database, but decided to use existing software from the major provider of similar solutions in Slovakia (12). This decision has proven to be one of the best the company could make.

The software was developed specifically for the needs of real estate agencies and purchased in bulk with the website. The whole solution is using a template model which enables the agent to adapt the final product to his specific needs, through a user friendly admin interface. The software has not only saved the company considerable initial costs, but keeps saving significant amounts thanks to its extensive features and the fact that the software and website do not require the services of a programmer in order to implement new modifications.

Figure 3



The screenshot shows the RealSoft web application interface. At the top is a navigation bar with icons for various functions like 'Úvod', 'Zákazy', 'Klienti', 'Makléři', 'Ohlady', 'Náboři', 'Statistiky', 'Nastavenia', 'MLS', 'Export', and 'Odhlasit sa'. Below this is a search and filter section with fields for 'ID', 'Cena od', 'do', 'Fulltext', and 'Lokalita'. There are also dropdown menus for 'Stav', 'Typ', 'Maklér', 'Kategória', and 'Podkategória'. A 'Rozšírené hľadanie' button is present. Below the search section are three buttons: 'Filtruj', 'Zruš filter', and 'Exportuj výber'. The main part of the interface is a table listing properties. The table has columns for 'ID', 'Fotka', 'Nadpis', 'Dátum úpravy', 'Dátum pridania', 'Kategória', and 'Posledný kontakt'. The table contains six rows of data, each representing a different property listing with its details and a small thumbnail image.

ID	Fotka	Nadpis	Dátum úpravy	Dátum pridania	Kategória	Posledný kontakt
104		1-izb. tehlový byt v centre Handlovej na predaj	26. 08. 2012 18: 03: 32	13. 07. 2012 19: 42: 09	Byty	15. 08. 2012 00: 00: 00
52		Zachovalý rodinný dom v PD - Kopaničky na predaj	26. 08. 2012 18: 03: 32	16. 05. 2012 19: 09: 00	Domy a vily	09. 08. 2012 00: 00: 00
72		Veľký 2-generačný dom v Jalovci na predaj - Exkluzívne	26. 08. 2012 18: 03: 32	03. 06. 2012 19: 11: 21	Domy a vily	09. 08. 2012 00: 00: 00
87		Chalupa s možnosťou trvalého bývania v Porube na predaj	26. 08. 2012 18: 03: 32	19. 06. 2012 14: 41: 19	Chaty a rekreačné objekty	09. 08. 2012 00: 00: 00
85		Priestory na autoservis / autoumyváreň na predaj	26. 08. 2012 18: 03: 32	11. 06. 2012 18: 22: 55	Komerčné objekty	07. 08. 2012 00: 00: 00
56		3-izbový byt priamo v centre PD na predaj - Iba u nás	26. 08. 2012 18: 03: 32	22. 05. 2012 18: 43: 08	Byty	07. 08. 2012 00: 00: 00

(12)

The software is web based, which enables the agent to access the system in various places and is not limited to the use of one computer. The system is accessible also through a smartphone, which enables the agent to access whole client database on the go and significantly helps the productivity.

The system keeps record of all current and past properties on offer, their owners, potential buyers and realized property inspections, and enables synchronization with Google calendar. The interface of the system is graphical, intuitive and user friendly. The software enables setting up of multiple user accounts with predefined rights, so that the agents can use only certain features approved by the owner.

Another substantial feature which helps to significantly improve time efficiency is the export function. Once an agent acquires new property on offer, he inserts the data, photos, documents and owner information into the system, sets the status of the offer and saves it. Consequently, with a few clicks exports the offer to the company website and other advertisement portals which are predefined in the software. Similarly, all changes to the offer and refreshing (changing the date so that the ad moves higher in the list), are done with similar ease. The time savings compared to the beginning of the company, when all of the above mentioned steps were performed manually and had to be repeated on every portal, are huge.

One of the features of the software which was designed by the developer specifically based on a request from Realitna1, is the option to sort the offers based on last contact with a client. The internal surveys of the company have shown that one of the most often mentioned complaints of property owners and buyers is that the agent does not communicate on a regular basis. Similarly, a significant number of clients, property owners, do not inform the agent about changes in their offer, like the current price and transaction status. Having the “last contact” feature implemented into the system, enables Realitna1 to keep regular contact with its clients and keep its offers updated.

Besides using its own website, the company is advertising its offers on a number of advertisement portals. Internet is the main advertising channel for a real estate agency and therefore the higher the number of portals used the better. A survey conducted among the potential buyers who addressed the agency revealed, that almost 80 % of all prospects made their call based on online ads. The number of portal used by Realitna1 is currently around 50. It is very difficult to provide a specific number, as the major websites have a number of their sub portals and automatically export the offers further.

The advertisement portals can be either free, or paid. In order to assess the returns of individual portals and justify their monthly charges, Realitna1 is using the Google Analytics service (13). This tool enables to track and analyze the traffic coming from individual portals to the company's website, as well as evaluate the merits of other marketing campaigns aimed at increasing the awareness of company's website. It is a very useful service which enables to effectively allocate funds where they bring the most gains.

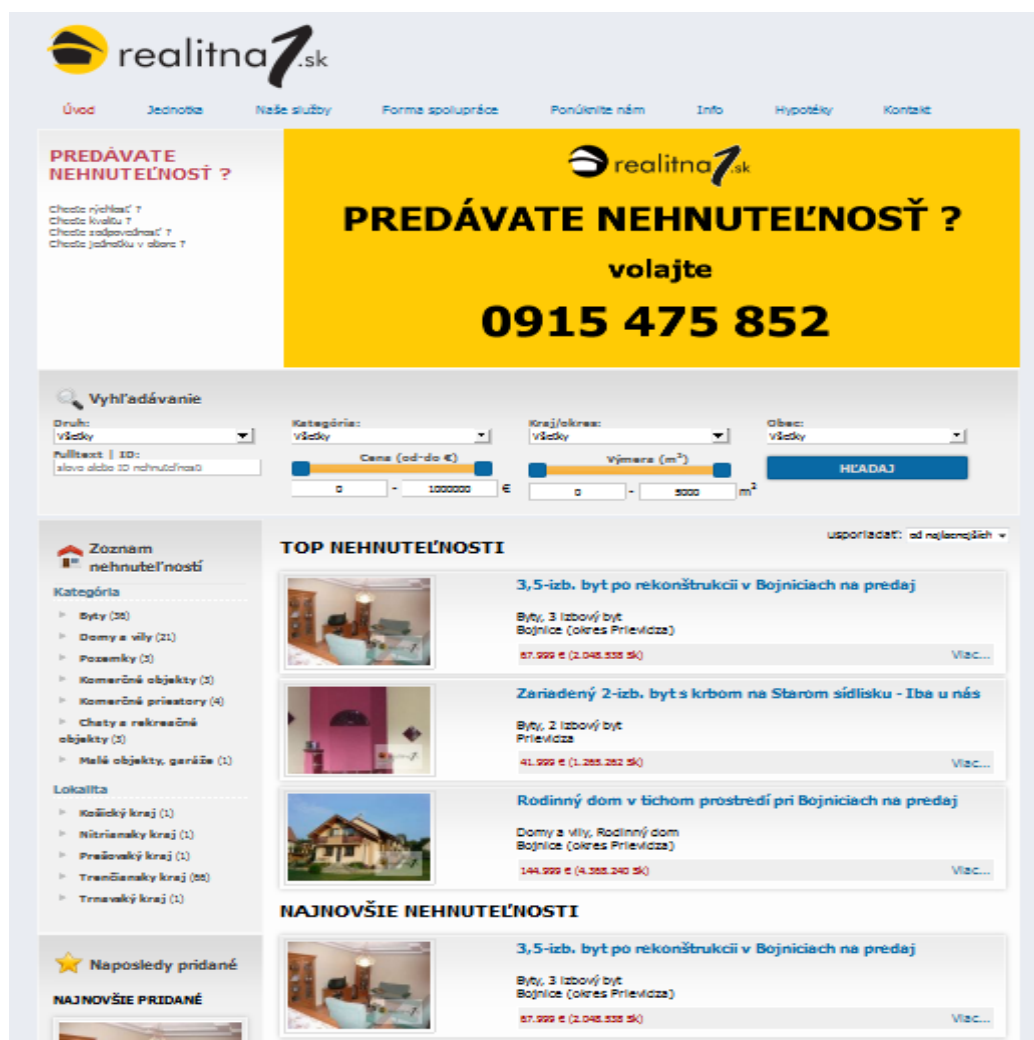
The time of refreshing the advertisements on portals is also an important factor determining the number of site visitors who will look at the ads. After analyzing the number of clicks of users on the ads, the company has discovered there are 4 main waves of visitors coming to the portals. The highest traffic tends to be between 6 – 8 a.m. when people are coming to work, around 12:00 during the lunch break, between 17:00 – 18:00 when people are coming home from work and finally around 21:00. Because refreshing the advertisements is paid, it is important to know the best times when it is worth to do. Equally important is to know, what time does the competition refresh its advertisements. Realitna1 scores the highest number of clicks on its advertisements when refreshing the ads after 21:30, because there are still a high number of people online and the competitors no longer refresh their ads at this time.

As for attracting traffic to the website of Realitna1, the company is putting hyperlinks at the end of each advertisement, which is a very effective and free way of moving up to higher positions in the search engines. Since the company started doing this, it has remarkably moved up in the search results.

Being in the top spots in search results and on advertisement portals is ongoing struggle, as all real estate agencies are spending major amounts of their marketing budgets on internet advertisement and presentation of their offers.

The website of Realitna1 is displayed in the picture below.

Figure 4



#### 4.2.3 Promotion of the company

Realitna1 has so far realized two main campaigns aimed at promoting the brand name. The first campaign was based on distributing 80 000 leaflets to the post boxes in the region. Besides promoting the brand name, the campaign was aimed mainly at acquiring new properties into offer. The leaflets were distributed in two batches during April and May 2012. The campaign resulted in acquiring 40 new properties and it was the most extensive and expensive yet. The campaign served its purpose and can be described as successful.

Figure 5



The second promotion campaign took place in August 2012. Realitna1 has become the first real estate agency which appeared on the cover of a regional advertisement magazine Superbonus (14). It is a monthly magazine with circulation of 25 000 issues. The content of the magazine is comprised purely from advertisements, with most of the advertisers being real estate agencies. The magazine has a good reputation and is the main printed sources of finding properties for prospective buyers in the region.

Figure 6



• Sprostredkovanie predaja a kúpy nehnuteľností • Právny servis • Trhové ocenenia

**realitna1.sk**

**AJ pre VÁS MÁME nový RAJ !**

- Byty
- Domy
- Pozemky
- Rýchlo a spoľahlivo
- Profesionálne
- Bez rizika

**www.realitna1.sk 0915 475 852**

(14)



Another mean of promoting the brand is in the form of banners placed on properties the agency is selling. These banners serve a double purpose. The first one is to let know the passers by that a property is on sale and the next one is using it as a marketing space, to promote the brand name. Such banners are one of the essential promotional tools used by every real estate agency and they use to always generate some response. Currently, Realitna1 is using only small, A3 format banners placed in apartment and commercial spaces windows. Full size banners used on houses are currently missing.

Figure 7





#### 4.2.4 Advertising channels

To advertise the properties, Realitna1 uses a combination of internet advertisements on a number of portals, website presentation, print media and posters on apartment houses. As online advertisements on portals and presentation on company's website have already been described in previous section, this part will focus on the remaining channels.

As for the print media, Realitna1 is currently advertising in two major regional advertisement media. The first one is the magazine Superbonus, which has been already described above. Besides the one time appearance on the cover page, the company is every month advertising specific offers. The first advertisement published in the June 2012 issue, is displayed below.

Figure 8

**realitna1.sk** 0915 475 852  
*Smie jednotku v poskytovaní realitných služieb* Šumperská 44, Prievidza • www.realitna1.sk

 <b>Predaj – Nitrianske Pravno</b> Rodinný dom, pozemok 569 m <sup>2</sup> Cena: 39 999 €	 <b>Predaj – Gápel</b> Dom + garáž, pozemok 1000 m <sup>2</sup> Cena: 64 999 €	 <b>Predaj – Handlova</b> Rodinný dom, 4 roky, pozemok 800 m <sup>2</sup> Cena: 171 999 €	 <b>Predaj – Veľká Lehôtka</b> Rodinný dom, krásny pozemok 1 039 m <sup>2</sup> Cena: 84 999 €
 <b>Predaj – Kamenec p. Vt.</b> Zariadený dom, pozemok 725 m <sup>2</sup> Cena: 51 999 €	 <b>Predaj – Prievidza Kopanice</b> Rodinný dom, pozemok 400 m <sup>2</sup> Cena: 99 999 €	 <b>Predaj – Šatovce</b> Dom, 10 rokov, pozemok 1 200 m <sup>2</sup> Cena: 144 999 €	 <b>Predaj – Čereňany</b> 2-generačný dom, pozemok 505 m <sup>2</sup> Cena: 72 999 €
 <b>Predaj – Partizánske</b> Vila, rek. 3 roky, pozemok 950 m <sup>2</sup> Cena: 199 999 €	 <b>Predaj – Prievidza centrum</b> 3-izb. byt, pôv. stav, 70 m <sup>2</sup> Cena: 41 999 €	 <b>Predaj – Handlova</b> 3-izb. byt, pôv. stav, 72 m <sup>2</sup> Cena: 18 999 €	 <b>Predaj – Prievidza</b> 1-izb. byt, barbiarovy, 37 m <sup>2</sup> Cena: 18 999 €
 <b>Predaj – Handlova</b> 3-izb. byt, kompl. rek., 62 m <sup>2</sup> Cena: 26 999 €	 <b>Predaj – Prievidza St. stďl.</b> 2-izb. byt, kompl. rek., 51 m <sup>2</sup> Cena: 31 299 €	 <b>Predaj – Handlova</b> 3-izb. byt, kompl. rek., 72 m <sup>2</sup> Cena: 42 999 €	 <b>Predaj – Prievidza St. stďl.</b> 3-izb. byt, rekonštrukcia, 72 m <sup>2</sup> Cena: 48 499 €

**PREDÁVATE NEHNUTEĽNOSŤ ?** 0915 475 852  
**HĽADÁME REALITNÝCH MAKLÉROV** 0915 475 852

(14)

This first issue did not generate any direct response, as the agency was still rather unknown and the choice of colors and graphics was unfortunate. The advertisement was too dull and got lost among the other offers.

The company has learned from the mistake and below is the new design that is supposed to appear in the September 2012 issue. The advertisement is using more vibrant colors and the motive from the cover page used in the August issue, which generated a positive response.

Figure 9

**realitna1.sk**  
0915 475 852  
www.realitna1.sk  
Šumperská 44, Prievidza  
**AJ pre Vás MÁME nový RAJ !**

<b>Predaj – Prievidza – Žabník</b> 3-izb. byt, rekonštrukcia, zariadený, 63 m <sup>2</sup> Cena: 51 499 €	<b>Predaj – Nováky</b> Rodinný dom, letný domček, zariadený, pozemok 1 725 m <sup>2</sup> Cena: 161 999 €	<b>Predaj – Nitrianske Rudno</b> 3-izb. byty v novostavbe, 87 m <sup>2</sup> + balkón Cena: 61 499 €	<b>Predaj – Prievidza – St. sídl.</b> 3-izb. byt, rekonštrukcia, 60 m <sup>2</sup> Cena: 38 999 €
<b>TRHOVÉ OCENENIE NEHNUTEĽNOSTI</b> (dedičské konania, rozvody, majetkové vyrovnanie, súdne spory)			
	<b>Predaj – Bohnice</b> 3,5 izb. byt, rekonštrukcia, 2x lodžia, 82 m <sup>2</sup> Cena: 67 999 €	<b>Predaj – Prievidza – Sever</b> Garáže v novostavbe, 3x6 m Cena: 9 199 €	<b>Predaj – Prievidza – Centrum</b> 2-gen. dom, rekonštrukcia, záhrada 307 m <sup>2</sup> Cena: 203 999 €
		<b>RK NIE ?</b> Právny servis pri predaji nehnuteľnosti za výhodnú cenu.	
<b>Predaj – Veľká Lehôtka</b> 2 domy, veľký pozemok 1 570 m <sup>2</sup> Cena: 42 499 €	<b>Predaj – Prievidza – Necpaly</b> 1-izb. byt, zariadený, pôv. stav. 31 m <sup>2</sup> Cena: 23 399 €		<b>Predaj – Šútovec</b> Dom, 10 rokov, pozemok 1 200 m <sup>2</sup> Cena: 144 999 €
<b>Predaj – Prievidza – St. sídl.</b> 2-izb. byt, rekonštrukcia, balkón, 60 m <sup>2</sup> Cena: 31 499 €	<b>Predaj – Jalovec</b> 2-generačný zachovalý dom, pozemok 500 m <sup>2</sup> Cena: 84 999 €	<b>Predaj – Prievidza – St. sídl.</b> 2-izb. byt, luxusný, krb, klimatizácia Cena: 41 999 €	<b>Predaj – Gápel</b> Dom + garáž, pozemok 1000 m <sup>2</sup> Cena: 64 999 €
			<b>MIESTO PRE VAŠU NEHNUTEĽNOSŤ</b>
<b>Predaj – Prievidza – Kopanice</b>	<b>Predaj – Handlová</b>	<b>Predaj – Krompachy</b>	

The next channel is a regional newspaper Prievidzsko (15). It is a weekly newspaper with a circulation of 35 000 issues and a stable readers' base. Prievidzsko is the most widely read newspaper in the region. Realitna1 started advertising in this newspaper in August 2012 and is the only real estate agency doing so. The most probable reason why, is the price of ads. The banner displayed below with dimension 70 x 50 mm, costs 45 EURO excl. VAT per one week issue, and that is already a discounted price. Considering the size of the ad compared to the newspaper format, it is a steep price for a small advertising space. This ad has been published so far only twice and thus is not possible to analyze its gain yet.

Figure 10

**www.realitna1.sk      0915 475 852**

**Predaj – stavebný pozemok, 1815 m<sup>2</sup>, Dubnica, 99 999 EUR**  
**Predaj – 3-izb. byt, rekonštrukcia, Bojnice, 67 999 EUR**  
**Predaj – 2-izb. tehl. byt, rek., balkón, PD, 31 499 EUR**  
**Predaj – 1-izb. byt, zachovalý, PD – Necpaly, 23 999 EUR**  
**Predaj – 2-gen. dom, zachovalý, Jalovec, 84 999 EUR**  
**Predaj – garáž, novostavba, PD –Sever, 9 199 EUR**  
**Predaj – dom, vyšší štandard, Šútovce, 144 999 EUR**  
**Predaj – 3-izb. byt, čiast. rek., St. sídlisko, 45 499 EUR**  
**Predaj – 2-gen. dom, pôv. stav, PD – centrum, 129 999 EUR**  
**Predaj – 3-izb. byt, zariadený, PD – Žabník, 51 499 EUR**  
**Predaj – Chalupa s garážou, 1000 m<sup>2</sup>, Gápel, 64 999 EUR**

(15)

Another tool for advertising specific offers, mainly apartments, is sticking posters on the entrance doors of apartment houses. These posters are generated by the real estate software the company is using in a .pdf format. This form of direct advertising of specific offers is not utilized by any competitor and provides a cheap and easy form of letting know the residents of the house and other houses in the neighborhood that there is a flat available for sale. Mainly in cases of big apartment houses, the residents may not know that there is an apartment available in their house or

the neighborhood, but may be interested in moving to a bigger or smaller apartment, or it may be interesting for their relatives looking to live closer together. In most cases, this strategy has proven for the company to generate some response.

Besides sticking the above mentioned posters onto the entrance door, Realitna1 always hands them out to a prospective buyer when going to have a look at a property. It does not only look professional, but it also prolongs the exposure of the buyer to the offer, as he usually puts the poster in his pocket and has at least one more look at it when he arrives home.

#### **4.2.5 Communication with clients**

One of the areas Realitna1 places emphasis on, is regular communication with the client and availability of the agent. Based on the feedback from prospective buyers, the most annoying issues for them are when the agency is advertising properties that have already been sold, when it is difficult to contact the agent and when the agent promises to give them a call and fails to do so. Realitna1 is approaching these objections very seriously and tries to meet them in order to assure full satisfaction of its clients.

Another reason underlying the importance of availability of the agent is present mainly in cases where a property is being offered by several agents. Once a buyer decides he wants to have a look at some property, he usually wants to do so as soon as possible. It is therefore not uncommon that if one agent is not answering his phone, the buyer looks up the same offer from a different agent and makes an appointment with him. Realitna1 has benefited from this several times.

#### **4.2.6 Direct marketing**

As has been already pointed out, the current market situation does not allow the agent to be passive and wait for his clients to call. An agent wishing to be successful needs to be proactive and seek out new real estates, as well as potential buyers.

One of the ways of acquiring new offers that has proven to be the most effective is direct addressing of property owners. What appears to be the most suitable for, is putting small notes in the mailboxes stating what kind of properties are being demanded, as well as sticking similar notes on the walls and entrances in the neighborhood. The ideal case is when the agent performs this task on his own, as he not only gets to know the area better, but also has the opportunity to talk to the local residents and get tips on properties that are currently on sales in the neighborhood. This strategy usually enables the agent to acquire offers that have not been yet published on the market, as often the demand from the agent represents a trigger for the owner's long delayed decision to sell his property. The agent collects this way also future contracts, as some of the owners are considering the sale in a several months to years horizon. But once they decide to do so, they have already established contact with an agent and can address him directly. This strategy is being used not only by Realitna1, but also by most of the competition. However, it still proves to be a very effective way of acquiring new offers.

Important is to also check the civil advertisements on internet portals, as well as in print media. This includes both, demand and supply advertisements. Such advertisements represent one of most important, if not the most important source of new offers. Realitna1 does not underestimate this opportunity and therefore a significant portion of all offers come from this source. However the downside is that this is the easiest way of acquiring new contracts and as such is being used by almost all agents. This is also one of the main reasons why the same properties appear in offer of multiple agencies. Regardless of the aforementioned, civil advertisements represent a valuable source of potential offer and as such can not be omitted.

#### **4.2.7 Supporting activities**

The company works also as an agent of a leading mortgage brokerage firm. The decision to include financial services into the portfolio has been made due to several reasons. The first and obvious motive is financial. Being able to help the buyer also with a mortgage improves the cash flows of the company and generates additional revenue in

case when the purchase is made on debt. Another reason is that the agency has the whole transaction under control and is able to better overview and coordinate the process of purchasing a property on mortgage. By leaving a separate mortgage broker out of the game, the agency is able to communicate directly with the buyer, seller and the bank, which helps to speed up the transaction and consecutively increase client's satisfaction.

Another activities that are not necessarily included in the core competence of a real estate agency focusing on sale of second hand properties, are buying outs and small development activity.

The buying outs take place in situations when a property owner needs to quickly sell his property due to personal, or financial reasons. The selling price in such case is lower than the actual market value of the property, but what matters is, to satisfy the current needs of the owner, when it is not possible to sell the property on the market under requested time frame. An agency which aims to involve in this activity, needs to dispose of available capital and be aware of the possible risks of the transaction and consecutive resale of the estate. On the other hand, the gains on such transactions tend to be much more interesting than the usual commissions.

At the moment the company is also preparing its first small development project. The details are as of this moment confidential.

#### **4.2.8 Ethical code**

Realitna1 places strong emphasis on ethical behavior of its agents and fair and honest relationships between the agency and its clients. The main business values the company adheres to are:

 honesty

- 🏠 never lie to a customer
- 🏠 always keep the word
- 🏠 never pretend to be a private buyer if you are an agent
- 🏠 never hide the facts in order to close a deal
- 🏠 provide fair working condition for the agent
- 🏠 client's needs lay in the first place
- 🏠 never disclose personal information of the clients and respect their privacy
- 🏠 never acquire new offers at any cost
- 🏠 never engage in business with clients whose behavior and requirements might jeopardize good name of the company, or well being of other clients

## **5. Marketing strategy proposal**

### **5.1 Evaluation of current activities**

The analysis of Realitna1 has proven that the company is heading in the right direction and develops activities that provide the potential to distinguish the agency from its competition. Sales of the company during summer months have exceeded the combined results achieved during the first half of the year. However, there are still areas that need to be addressed and improved, in order to establish Realitna1 as a stable and profitable real estate agency in the region and create solid foundations for future growth of the company and expansion to other regions.

### **5.2 Organizational improvements**

Realitna1 currently operates as a division of an existing company whose main sphere of competence is running a sale of retail stores. In order to minimize administrative and operational cost, the agency is using the existing structures and capacity of the company.

This solution has enabled the company to focus on its core competencies and allocate funds into marketing and promotion campaigns, with minimum expenses on operating costs. However, in order to increase the credibility of the company, improve the working environment and act as an independent business subject, Realitna1 needs to be set up as a separate enterprise and open a new office. By doing so, the agency will not lose its connections to the mother company and will be still able to profit from most of the advantages that have been already mentioned, while making an important step to becoming an established real estate agency. These changes are projected to take place during September 2012.



By setting up the agency as a separate business, the owners will be able to better define the organizational structure and hierarchy and make decision making and assigning duties more transparent.

The SWOT analysis has characterized as one of the weak points also low level of experience of the owners in the field. This has partially been addressed by engaging a professional advisor. However, the company needs to pay more attention to further education through specialized real estate courses. It is recommended also to become a member of the Slovak chamber of real estate agencies NARKS, in order to increase the professional credibility of the agency.

A crucial and urgent action that needs to be taken, is engaging new agents. The pace of progress and scope of current activities have reached a point, when the current human resources are at limits with performing all operations up to the high standards the company strives to meet.

Proposed is to employee two new agents during September 2012. It is recommended to do this as soon as possible, so that the agents can undergo the required education and training and start working before the market hits the stagnation period around the Christmas season. It is important that new agents never start working during seasons which generally display lower market performance, as they might get discouraged and demotivated with initial weak sales.

Based on the recommendation from experienced agents, it is advisable to employ new real estate agents in pairs, ideally a man and a woman. There are several reasons to back up this theory, as well as suggestions how to make it work. Due to the size of the local real estate market and saturation with real estate agents, there is a tough competition mainly in terms of acquiring new properties on offer. In this regard, it is undesirable that agents working for the same company should internally compete in acquisition of new clients. The optimal situation is when the agents cooperate and join their strengths and skills for the sake of achieving common organizational goals. By achieving close cooperation between two agents, those can mutually complement each

other, fill in for the other one, as well as increase their productivity and work more effectively, while achieving higher results.

The benefits of having the agents work as a pair are undeniable and such solution has proven to be effective in other established agencies. A sensitive issue in this regard however, is the matter of remuneration. While the agents might be fully aware of the advantages of mutual cooperation, they might be less likely to appreciate earning a common commission split evenly in the pair. If one agent achieves three sales in a month and the other agent zero, the more successful agent might object to half of his salary being taken away. However, the next month the situation might be just the other way round, and that is when the previously unsatisfied agent starts to appreciate the solution.

Besides the advantages for the agency, as well as the agents, it has to be noted that this arrangement requires very clear and precise definition of the conditions under which will the agents work together.

One of the reasons of problematic hiring and high fluctuation of agents during the first months of work is the fact that remuneration of real estate agents is commission based. Hence it is not uncommon that the agents get discouraged and leave the job within the first 3 months, due to earning no commission. A new agent, unless he is very lucky, needs to first create a database of clients and gather sufficient number of offers, until he is able to generate sales on a regular basis. In order to overcome this problem, while not burden the company's budget, the agency can give the agent financial bonuses for acquiring new offers, in the approximate value of 5 EURO per offer. Such solution represents a win – win situation for both sides, as it is not too costly for the agency and the agent is motivated and his costs related with acquiring new offers are covered. However, most of the agencies do not use this strategy.

An opportunity in terms of recruiting new agents, might arise from the turbulent situation with main competitors that has been described in the SWOT analysis. Realitna1 should seize this opportunity to attract already experienced agents who might

not have been satisfied in their previous place and offer them better conditions with the future prospects of advancing to a higher position in a dynamic and progressive new company.

### **5.3 Marketing and promotion improvements**

As far the marketing and promotional activities are concerned, the mantra of success for a real estate agency is rather straightforward. The more offer the agency has and the more is visible, the higher the sales. This has already been confirmed also based on the experience of Realitna1 and the agency needs to strengthen its current activities and identify new ways of drawing attention to itself.

One of the modern marketing tools the company is not yet using is a company profile on Facebook. Realitna1 needs to set up a Facebook profile and export its offers also to this social network. The main advantage of advertising on social networks, is the duration of exposure of the offer to the prospective clients. People tend to spend significant amount of time on the network and thus are exposed to the offers for a longer period of time compared to tradition online advertisements. Another advantage of advertising on Facebook, is that the network enables the users to share posts they like among their friends. The reach of the ad is therefore wider than only the group of fans in the company's group.

The company also needs to increase the number of banners on properties and introduce full size banners on estates standing in frequented locations. As has been already pointed out in the analytic section, such banners do not only inform potential buyers about the availability of the offer, but also serve as promotion of the brand. This helps not only to increase the chances of realizing the sale, but has also psychological effects on potential sellers. When owners wishing to sell their property choose the agency, they take into account how visible the agency is and what strategies is it using to promote their current properties. Therefore, the owner is more likely to entrust his

property to an agency whose marketing activities are clearly distinguishable in the region, then to an agent the owner has never heard of.

One of the promotional activities used by most real estate agencies, though not yet fully utilized by Realitna1, is the uses of bonuses and rewards that are supposed to stimulate the sale. Such incentives can include a free holiday, kitchen furniture, electronics, or various discounts. However, the link between a purchase of property and holiday in Canary Islands is rather vague. Based on internal surveys, what matters to the buyers most, is the final price of the property, not the tokens they get. Therefore, the recommendation for Realitna1 is to put together a list of cooperating business which will provide discounts for their clients for construction services, cleaning, moving, furniture, garden equipment and other, which are relevant in the context of property purchase and moving to a new home. Though in general, this should be presented to the clients only as a bonus, not as one of the reasons why to purchase a property through the agency.

The agency needs to further focus on internet advertising and increase the number of portals where it advertises. The analysis revealed the number is currently around 50, meanwhile the most successful competitors advertise on over 100. Online advertising of real estates has proven to be the main source of potential buyers and thus needs to be paid a lot of attention to it. The recommendation is to fully use the fact that the mother company employs its own programmer and analyze with him the options of making the ads of Realitna1 more visible on the web and move higher in the search results.

Important is to also make the company more visible at the source. This point is related mainly to housing estates, where the concentration of potential buyers and sellers is highest and where most of the sales and rentals take place. The advisable actions including directing finding of new offers through addressing residents by leaflets inserted in their mailboxes, displaying current offers on posters in the neighborhood and design small stickers with basic information about the company's services and contact information and stick them on the entrance doors in the houses.

Another marketing tool that is being used by other real estate agencies, but not by Realitna1, are advertising boards with offers located mainly in the town center. The agency should start using these boards, but distinguish itself from the other agencies. This can be achieved by placing not one board in the city center, but by arranging several boards in locations with highest density of population, which means in the housing estates. Such boards should not advertise properties for the whole region, but they should be location specific and advertise only offers from the neighborhood. The desired goal is to create advertisement spots that will be known and buyers seeking to purchase a property in the specific location will seek out these boards on purpose. This solution is based on the theory that buyers trust sellers who are known in their area and this kind of advertisements is supposed to appeal to the locals.







The company needs to also explore further options of acquiring new, exclusive offers. Every apartment house has its confidence man, a person who takes care of the house and is informed about the current situation in the house. Those people usually know who in the house is planning on moving away, or might be forced by the circumstances to sell his property. It is important to gain access to the confidence men and establish cooperation on a tip base.

One of the factors that set best companies from the good ones is social responsibility policy. There is currently no real estate agency in the region with clearly defined social responsibility policy, or sponsorship activities. Realitna1 could use this to its advantage and be the first agency which will appeal to the local residents by returning a share of its profits back to the community. The level of contribution is naturally dependent on the level of profitability of the company and might not be a current issue for Realitna1, but it is important to start planning future actions in this regard. One of the possibilities identified by an internal analysis is engaging in voluntary public activities like renovation of playgrounds and parks. This can be considered a good entry point, as renovations require considerably lower investments than building new projects from scratch.

The company should identify current voluntary activities that are being carried out in the region and start supporting the volunteers. The PR aspects represent a significant added value of such actions. Similar actions of volunteers in the region have been always presented in local TV and newspapers and this could bring the company and almost free publicity and dramatically change the perception of the agency in the region. As a next step, Realitna1 could team up with other investors and engage in construction of new children playground. Such projects are always very well received by the public and gain a lot of local publicity. Besides, young families with small children represent one of the main target groups for a real estate agency, as they have to deal with their housing situation as their families are growing up.

## **5.4 Implementation Schedule**

The implementation schedule of the proposed solutions from sec. 5.2:

-  September – establish Realitna1 as a separate enterprise
-  September – move to a new office
-  September – hire new agents
-  October – strengthen marketing activities – set up a Facebook profile, design the stickers, increase number of banners on properties
-  November – start with placement of advertisements boards in the housing estates
-  March 2012 – commence the social responsibility program, start with renovations of sport grounds and parks

Improvements in the marketing and promotional activities of the company will naturally incur additional costs. The projected marketing budget for the next year is based on the operating costs the company is spending at the moment and increased proportionally based on the extent of proposed improvements and new activities. The budget serves mainly an informational role, as it is based on the current situation in the company and thus does not reflect possible future changes, which would be difficult to take into account at this moment. It is understood that a substantial increase in the

number of agents and expansion to new regions, will require significant adjustments to the budget.

Table 4

Lump costs	
Equipping new office	1000 EUR
Banners - 2x – 2m <sup>2</sup> @ 20 EUR / m <sup>2</sup>	80 EUR
Banners – 4x – 6m <sup>2</sup> @ 20 EUR / m <sup>2</sup>	480 EUR
Advertising boards 5x @ 300 EUR	1 500 EUR
<b>Total</b>	<b>3 060 EUR</b>

Table 5

Monthly costs	
Office rental, utilities, office supplies	400 EUR
Print advertising	350 EUR
Leaflets and stickers – print + distribution	300 EUR
Online advertisement	250 EUR
Miscellaneous (gas, phone, seminars, new banners, etc.)	350 EUR
<b>Total</b>	<b>1 650 EUR</b>

## 6. Conclusion

The aim of this thesis was to analyze the regional real estate market and its specifics, the current market position of a newly set up real estate agency Realitna1 and develop an effective marketing mix that will enable to establish the agency on the market and provide solid foundations for future growth and expansion to other regions.

The thesis has provided insights to the real estate business in Slovakia, introduced basic terms and subjects involved in the business, analyzed the position of company that was examined and provided a set of recommended solutions that will enhance the company's performance and meet organizational objectives.

Findings that have been discovered during the elaboration of this thesis and the proposed solutions have already been to some extent implemented in the company during the months of July and August. The tangible results that can be evaluated and presented at the moment of submission of this thesis are as follows:

- 🏠 Number of sales during July and August has doubled compared to the previous 6 months combined (!)
- 🏠 50 % monthly increase in the number of new properties acquired to the offer
- 🏠 60 % monthly increase in the number of property owners who contact the agency in order to sell their property
- 🏠 40 % monthly increase in the number of calls from prospective buyers based on online advertisement
- 🏠 70 % monthly increase in the number of calls from prospective buyers based on advertisement in print media
- 🏠 60 % monthly increase in the number of property inspections with prospective buyers



The outcomes of this thesis are believed to serve as a useful guideline for the company that will help define its direction and stimulate its growth. The results that have already been recorded once the company started introducing the suggestions presented in this work justify the proposed solutions and provide a presumption of achieving the desired objectives that served as a basis for elaboration of this thesis.

## **List of Tables**

1. Abundance of properties on the market .....	27
2. Privileged exclusivity .....	29
3. SWOT Analysis .....	37
4. Lump costs .....	63
5. Monthly costs .....	63

## **List of Figures**

1. Five forces model .....	31
2. Company logo .....	41
3. Real estate software .....	42
4. Company website .....	45
5. Leaflet design .....	46
6. Cover page on Superbonus .....	47
7. Marking of property for sale .....	48
8. Magazine advertisement 1 .....	49
9. Magazine advertisement 2 .....	50
10. Newspaper advertisement .....	51

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- 16) A substantial part of the facts and information provided in the thesis comes from personal experience of the Author, internal statistics and surveys conducted by Realitna1 and from discussions of the author with professionals in the business