
Property Brands

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Development of a strategic brand management model for the real estate industry

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1. Problem Set

German real estate companies face an ongoing intensification of competition on space and investment markets for office buildings. Especially in the course of the lingering crisis of 2008/2009 a decline in rents and transaction volumes has been realized in all major office markets, deepening the already existing tenant market situation.

Against this background a clear-cut differentiation and positioning of office buildings is of utmost importance. However, differentiation approaches that have been applied in the past cannot guarantee a property's economic success any longer. For instance location indeed still is a necessary but not a sufficient condition for a high marketability. In the same way conceptual aspects such as functionality, interior equipment and flexibility of office space are not enough to effectively differentiate an office building in the market.

As a consequence developers and owners recently try to establish property brands like „Highlight-Towers“ (Munich), „Opernturm“ (Frankfurt) or „Kranhäuser“ (Cologne). In fact developers' hope for an improved marketability and a rental and sales price premium is reasonable: A first comparative analysis between branded and non-branded office buildings, that has been carried out using the IPD Leasing Intelligence Database for Germany, indicates a positive influence of branding activities on the overall property performance: In average vacancy rates are 6.5% lower, and rents and market values per square meter are 7.5% / 15.1% higher than those of unbranded office buildings.¹

The majority of branding activities for office properties does not go beyond sales- and lease-driven marketing methods, such as finding a name, developing a logo and a catchy claim and setting up a webpage. A consistent strategic concept for the development and management of property brands that not only covers the first phase of letting but the whole lifecycle of a building is often missing. In this respect a comparison with the highly professional brand management instruments in the consumer goods industry demonstrates: The real estate industry does not nearly tap the full potential of a comprehensive brand management system. Positioning, differentiation and thus the economic success stay behind what is possible.

¹ The necessary calculations were based on the IPD Leasing Intelligence Databank (Germany, September 2009). The comparative analysis comprises 32 branded office buildings (Market Value: 2 Bio. EUR) and 86 unbranded comparables. Using the postcode local peer groups were established. Comparables were weighted in accordance with their relative similarity concerning their year of construction and floor space.

In fact property branding issues have been widely neglected in real estate research. Even though a number of authors on real estate marketing highlight the importance of establishing a strong property brand, an in-depth discussion of this field is missing.

2. Research Objectives

Against the background of this problem set it is the final objective of the thesis to develop a comprehensive model for the development and management of strong property brands. In this way the existing gap in the real estate literature should be closed and a contribution to the professionalism of branding strategies in real estate practice should be made.

In order to achieve this objective the work follows a successive model development with the help of several intermediate steps building on each other.

In a first stage a behavioural model for the measurement of a property's „brand equity“ is developed by transferring theoretical and conceptual expertise from the consumer goods industry to the field of real estate.

In a second step the model is applied to branded office buildings in the German market in order to compile a ranking of the subject buildings in accordance with the strength of their brands.

Focusing on Germany's strongest property brands, branding processes and tools that have been applied in their development and management will be analyzed. In this way critical success factors for the branding of properties should be identified.

In a last step all results gathered in the intermediate steps are consolidated and a practice-oriented property brand management model is derived.

3. Literature Review

The development and management of property brands seems to be heavily under-researched. Literature is dominated by traditional marketing approaches for buildings focussing on product, communication, distribution, price and service policy (ZIEGLER, 2006; SCHULTE/BRADE, 2001). Even though property branding is often highlighted as a „central aspect of a building concept“ (BRADE, 2008) the discussion of branding tools and instruments stays at the surface (REHMANN, 2001). In fact recommendations in the German real estate literature do not go beyond the development of an adequate name and logo.

Existing English contributions are those of ASHWORTH/VOOGD (1990)², VIITANEN (2004)³, Hankinson (2004, 2007)⁴, KAVARATZIS (2005)⁵, ASHWORTH/KAVARATZIS (2007)⁶ and FAH/CHEOK (2008)⁷. However, the majority focuses on location or city branding, and only the last-mentioned discusses behavioural principals and effects of property brands.

A transfer of methods and findings from the consumer goods industry thus seems to be inevitable. Following the current state of branding literature a behavioural perspective on property brands is applied. Accordingly, property brands are mental images in the brain of relevant stakeholders concerning a certain property that evolve an identification and differentiation function and have an influence on their decision-making (ESCH, 2008; KELLER, 2008).

Continuously, „brand equity“ as a measure of a brand’s strength and central objective of all branding activities is in the focus of research on consumer brands (ESCH, 2008; WALVIS, 2008; ZEDNIK/STREBINGER 2005). Following the objective of this thesis this theoretical construct of is applied as a conceptual

² In their work on the branding of building projects Ashworth und Voogd argument that location marketing differs from marketing approaches for traditional goods. Four aspects should be considered: communication methods, spacial and functional activities, organisational activities, and financial activities.

³ Viitanen identifies the image, the building itself, ist functionality and ist performance as four major factors of a property brand. The author highlights the importance of strategic brand management for real estate developers.

⁴ Hankinson differentiates between four perspectives on property brands: The brand as a perception subject, a communicator, a moderator of relationships and a value-creating factor.

⁵ Kavaratzis classifies five basic methods for location branding: Origin Branding, Nation Branding, Culture Branding, Destination Branding, und Place Branding. In this context the author emphasizes the importance of an adequate and consistent marketing-mix for the establishment of a strong location brand.

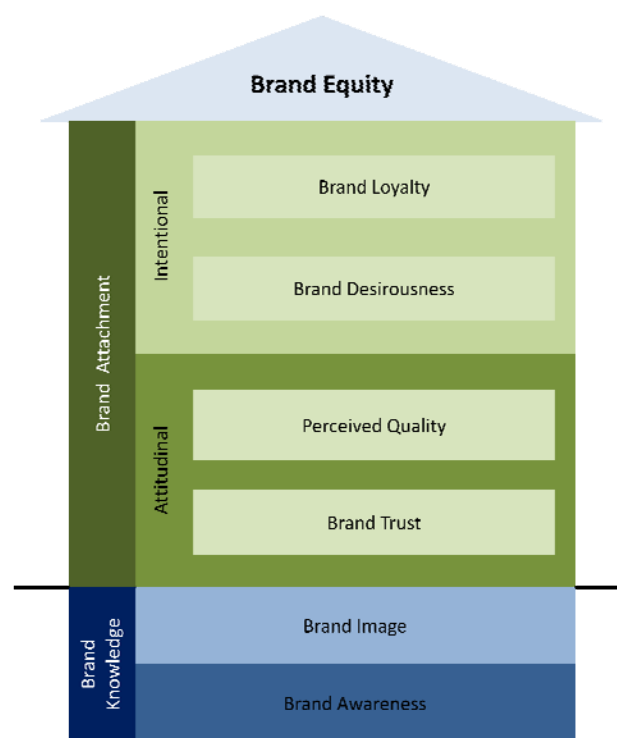
⁶ Ashworth/Kavaratzis transfer recent findings from the field of corporate brands in order to develop a comprehensive model for the branding of cities.

⁷ Fah/Cheok emphasize the influence of project developer brands on the decision behaviour of buyers of residential buildings. In addition the authors identify „trendiness“ and „professionalism“ as essential components of developers’ brand personality.

basis for the identification of successful property brands. Since a strategic branding model should be developed in the course of this work, a behavioural operationalization of “brand equity” seems adequate (MÖLL, 2007; KAPFERER, 2004; CRIMMINS 2000).

Accordingly, a stimulus-reaction-model is the basis for the measurement of brand equity: „Brand knowledge“ is the necessary basement of brand effectiveness, and is commonly operationalized through „brand awareness“ and „brand image“ (ESCH, 2008; Keller, 2003; MEFFERT/BURMANN/KOERS 2002; AAKER, 1992). In this respect “brand knowledge” as stimulus comprises all ideas, information, and emotions related with a property brand. In turn this knowledge has an influence on attitudes (perceived quality / brand trust) and intentions (brand loyalty / brand desirousness) towards a brand (WALVIS, 2008; MÖLL, 2007; KROEBER-RIEL/WEINBERG, 2003). Figure 1 gives an overview of the brand equity model that is applied.

Figure 1: Brand Equity Model



Source: Own illustration.

4. Methodology

The methodology follows the four hierarchical steps of the thesis towards the final objective. In the course of the investigation both, conceptual/theoretical as well as empirical approaches are applied.

In a first step a method for the measurement of properties' „brand equity“ is developed. For this reason the construct is transferred from the literature on consumer brands to the field of real estate and operationalized adequately by a set of behavioural variables. This part of the work mainly relies on an in-depth literature review covering contributions on branding and real estate marketing.

In a second step the brand equity model is applied in an empirical study focusing on the identification of Germany's strongest office building brands. For this purpose a series of standardized telephone interviews is carried out covering around 100 commercial real estate brokers in Germany's Top10 office markets. In this way almost 80% of the office transaction volume is represented. The ranking of the subject buildings is developed with the help of common statistical methods.

The third step of the work focuses on the investigation of critical success factors of strong property brands. Ten of the strongest property brands that have been identified in step 2 are analyzed in detail with the help of a series of expert interviews with the responsible developers and marketing managers. In order to maximize comparability of the interviews a structured interview guideline is used. At this point qualitative interviews with an explorative character seem to be the most viable method to investigate the brand management process in depth, since this form of research leaves the necessary freedom of answer to the respondents. In this way it should be possible to uncover the similarities in the development and management process of successful property brands.

In the final step the results from stage 2 and 3 are integrated and build up the basis for the development of a comprehensive property brand management model for the real estate industry.

5. Contribution to Real Estate Research and Practice

On principle this thesis contributes to the existing body of knowledge in the field of property brands, offering a behavioural approach to understanding the effectiveness and success factors of branding activities in the real estate industry. Additionally, a method for the measurement of properties' "brand equity" is developed and tested in an empirical study. In this way a conceptual basis for future research in this area is created and another step towards a further integration of behavioural expertise and methods in real estate research is made.

From a practitioner's point of view real estate developers, marketers, investors and consultants might find the results of the thesis useful for an improvement of their daily efforts to create strong property brands. The branding model that is developed in this work offers the possibility to enhance the effectiveness and efficiency of branding activities, thus allowing to tap the full potential of property brands. In the same way the basic brand equity model can be used as a tool for assessing the individual strengths and weaknesses of existing property brands. In this regard the methodology of the thesis ensures a high degree of practical relevance and orientation in accordance with best practices.

6. Preliminary Results to be presented at the ERES 2010

Besides a fundamental overview of the objectives and methodology of the thesis, the results of the IPD database analysis on performance effects of property brands mentioned in chapter 1, and an overview of first results from the series of telephone interviews outlined in chapter 4 can be given at this year's ERES conference in Milano.

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