

Brand in the Real Estate Business – Concept, Idea, Value?

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SUMMARY

The paper discusses brand concepts and ideas in the field of real estate. It is based on a study ”Riihimäki, M., Nissinen, K., Porkka, J., Leinonen, J. & Viitanen, K. Brand – A possibility in real estate business. Tampere 2003. VTT Building and Transport”. The study created preconditions for developing real estate brands. Additionally it created interest and awareness in the companies involved in the project, as well as in other companies in the field of real estate business. It brought new ideas, models, procedures and tools for companies that develop and manage real estate brands. It seems to be clear that there are possibilities to develop brands also in the real estate sector, but the possibilities for brand development must be summed up from the core activities of the organisations.

The study is presented in this paper. In addition the real estate brand concept and valuation aspects are considered.

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1. INTRODUCTION

Internationalisation of the market and tightening of competition create increasing pressure to develop the business and service concepts for maintaining or improving competitiveness. One of the most essential means is productisation of the services, the idea of making a well-known and recognised trademark for the services, a brand. The real estate business is service activity, where the focal actor is the occupier of the premises, the customer, whose needs must be supported by the characters of the real estate and the facility services. The most essential development feature of brand concept in the real estate business will be the ability of the business model to produce or create mass-tailored, individual products and services.

Besides functional, brands in the real estate market may also be areal in many different levels. Some cities, for example, have started to create profiles (brands) of their own, and some real estate concentrations have striven to create areal brands, not only for the area but for the activities, as well. The best known brands having influence even on the real estate market may be the commercial brands, such as the hotel chains, but there are also brands for offering facility services, e.g. in office parks. Brands becoming more general and strengthening will extend their influence not only in the real estate business but possibly in the community structure, as well.

As far as production and services are concerned, brand products and services are produced as other products and services. The brand product, however, differs from the rest of the products meeting the same needs by offering the consumer high implications and characters (Keller 1998 p. 3). Brand concept is therefore not just advertising, but strategic choices by the management. Brand know-how in the real estate business will improve the image and serve the business development in the field.

This article deals with a part of the outcome of the study “Brand Concept and Products in the Real Estate Business” by the Technical Research Centre of Finland and Helsinki University of Technology. It is based on the publication ”Riihimäki, M., Nissinen, K., Porkka, J., Leinonen, J. & Viitanen, K. (2003) Brand – A possibility in real estate business”. The aim of the study was to find possibilities of developing a brand from the real estate business of different enterprises and other actors in the real estate business. The study offers the enterprises and actors in the real estate business ideas, models, methods, tools and examples of the development activities aiming at the brand and the brand management. The study examined brand development from the viewpoint of four actors: property owners, facility service providers, property development companies and regional real estate actors. The study of these actor groups is focused on business premises, services and regional brand development.

2. BUILDING UP REAL ESTATE BRAND

Brand is often identified with a name, logo, or corresponding characters, which mark the product out from other competing products, but it is more than that. According to Laakso (1999 p. 22) "brand is the additional value the consumer is prepared to pay compared with an ordinary anonymous product yet fulfilling the same purpose. A non-branded product is only a commodity. If a brand is not able to offer the consumer better advantage than the competitors, it will turn into a commodity. The fate of a commodity is determined by the market price."

In the real estate business the customers are mainly the occupiers. It is important to recognise the quality and value of the product the customer has experienced. We can roughly say that the value of a built real estate to the customer, i.e. the occupier, is formed by four factors: services, location, immaterial characters, i.e. the images evoked by the real estate, and the premises themselves, their physical and operational functionality, the performance (Figure 1). These four factors form an entity by which the occupier evaluates the real estate. Correspondingly, shortcomings in one of the sectors have an impact on the occupier's view on the brand of the entire real estate. It is therefore in the best of interest of the owner to make an entity of these four factors for serving the customers in the best possible way.

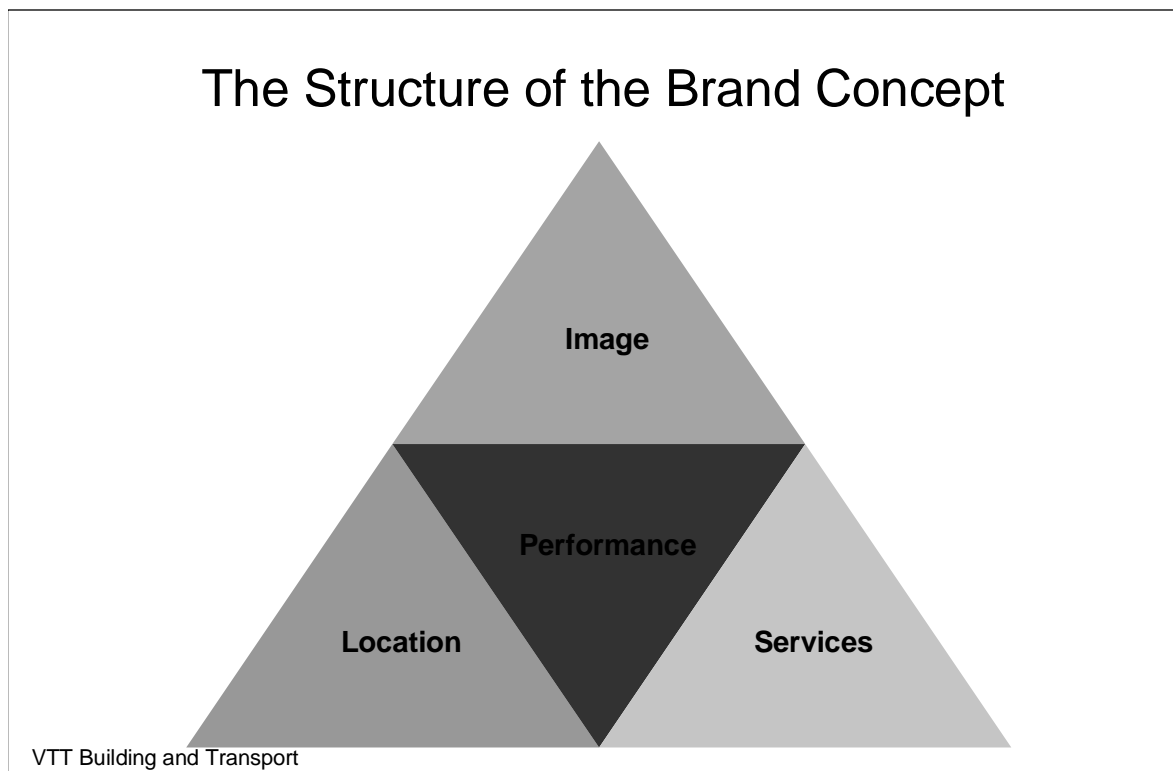


Figure 1. The four factors of real estate brand. Source: Riihimäki & Siekkinen 2002.

The real estate brand always forms a unique entity. No other real estates have fully similar characters, profile. The special characters of real estate were formerly captured in the concept "location, location, location". Along with the brand concept this can be replaced by "location, performance, services, image".

‘The best possible entity’ is, however, not the same for all customers, but the importance of different characters varies among the customers. Due to this the real estate owner shall know his customers as well as possible in order to make the real estate gain additional value for all parties. Familiarity with the clientele makes it possible to consider the potential customers already in the planning and construction phases of the real estate. Although the final customer may not be known, the clientele can be segmented so that the future real estate meets the needs of a certain customer group or groups in the best possible way, and the actual customer can be provided with a real estate product meeting his needs. (Riihimäki & Siekkinen 2002)

3. BRAND IN OFFICE PREMISES

The demands of the clientele and thereby the formation of brand factors were treated in the study especially considering office premises.

It is not insignificant for the operations of an enterprise in what kind of premises, building and environment it is located. A solution appropriate for the needs of an enterprise will support its core activities. Good operating environment enables efficient work and well-being of the people. Both of these are important factors for the profitability and earning power of the enterprise.

The requirements of a party in need of premises can be classified in many different ways, but mostly they concern with the location of the premises, their technical condition and functionality, services available, connections, and image factors (Figure 1). Considering the real estate owner, certain premises or building cannot alone stand for a brand, but the question is of much more, i.e. the whole operating environment. The factors, which according to the study are important for the Finnish enterprises and their employees are described in the following. These matters are not, however, important just for the Finnish people, but the corresponding aspects are prevalent in other countries, as well, e.g. Weber 2002.

Most enterprises consider *location* as the most important single factor when choosing the premises. The most essential factor in the location is good accessibility. Regarding the characters of the site the parking arrangements are emphasised. Important factors in the location are also the surrounding infrastructure, and the selection of services in the area.

Flexibility and adaptability are requirements for premises. Considering tenant enterprise a good landlord is the one who can quickly offer various space arrangements for the converting needs of the enterprise. In practice this means that the buildings and premises should be easily convertible. On the other hand, the owner should also be able to meet the increasing space requirements of the customer quickly, either by new building or subleasing extra space.

The premises must be *safe, healthy and ecologically sustainable*. In a well-built and maintained property the people can rely on the fact that the building and the technical systems are in good condition and meet the safety requirements set by regulations. Increasingly many also want to be assured that the premises really are healthy, e.g. for the indoor air.

High-quality *telecommunications* is today a basic demand for an enterprise looking for premises. The enterprises appreciate the possibility of tailoring the telecommunications individually just to meet their individual needs.

For the enterprises skilful employees are mostly their greatest investment. *Pleasant environment and well-being* of the employees are factors the significance of which should not be underestimated. We may caricature and claim that one of the most important tasks for a landlord is to provide for circumstances for the well-being of the employees in the tenant enterprise.

Brand is based on images and association, i.e. it is something, which is inside a person's head. It is pleasant for a person occupying premises if it is *elegant and stylish*. It is important for the enterprises that "it is nice to bring customers to the premises". Thus, elegant premises support the business.

Moving into new premises is a big strategic matter for an enterprise. It is not insignificant what other enterprises are located in the same building or neighbourhood. When choosing between different options the enterprises carefully consider where to find the most appropriate *enterprise mix* and the best networking potentials for their operations. Success often attracts like a magnet. "It is fine to be among the winners, this is not a place for just anyone".

The real estate where the enterprise is operating *signals* the company image and brand of the tenant enterprises quite similarly as its own name, logo, or slogan. Company image is the picture an outsider or a member of the company interest group gets of the operation, services or mere existence of the enterprise. It is therefore not insignificant what kind of a signal does the real estate send.

4. REAL ESTATE OWNER'S BRAND AND BRAND CO-OPERATION

For the real estate owner brand is always a strategic matter. The life cycle of a real estate is long, so it is important to the owner to take care of the functionality and value stability of the real estate throughout the life cycle.

The real estate owner has several strategic choices to build up a brand. The owner may build up the brand for an individual real estate, entity of real estates, some service related to the real estate, service entity, own performance, or some character of the real estate (e.g. the operating environment offered). The real estate owner's brand may also be to offer brands produced by other parties.

In addition to the owners many other parties are also acting in the real estate business: investors, enterprises offering services, actual occupiers of the premises, customers of the occupiers, etc. Each one of them has their own reputation or even brand. When the number and significance of services of others than the owner increase, it may behave the real estate

owner to ally with the other service producers in order to secure the future of his own services and brand.

Considering brands, it is interesting to see how the brands of different actors are presented and how they influence the brands of the real estate, area, service producers, and other actors or customers. Brand co-operation will bring synergic advantages and strengthen own brand capital. Forms of co-operation are many from profound and close co-brand to free-form joint marketing. The study considered matters related to the organisation of co-operation, but these will not be discussed in this article.

5. BRAND BENCHMARKING

One of the objectives of the study was to develop methods for building up and analysing real estate brands. Benchmarking was chosen as the method. In the study benchmarking was allocated to office premises and the brand survey was realised in three points of view: owner, developer, and area. Benchmarking tool was developed first. The most difficult part in developing the tool was the definition of the brand structure.

The starting points for building up the tool were the four factors of brand: location, services, performance and image. Each factor was given several essential characters. The characters were described by three grades (good, normal, bad). Comparison between the different characters was realised by setting the brand characters equal. The characters included in the calculation may be chosen freely when using the tool. In the study the entity was composed as follows:

Location	30 characters
Services	50 characters
Performance	25 characters
Image	49 characters

The tool was tested at one foreign object (Sophia-Antipolis), two domestic business parks (HTC Ruoholahti, Helsinki and Stella Business Park, Espoo), and a fictional traditional office building in the Helsinki Area. The objects were first given general data, after which the main factors of the brand were evaluated on separate forms: the location, services, performance and image. The results were available as graphic diagrams.

The outcome is an Internet-based solution meeting the requirements of the parties well suited for benchmarking. Easy use and simplicity are evident advantages. Real estate brand is rapidly renewable and continuously draws new influence from its environment. Due to this the tool is also flexible and formable. Computer-based solution supports the structure, as the data is stored in one place, and alterations performed in the process are thereby simultaneously realised everywhere. The computer-based solution will also facilitate the management of real estate portfolios.

The aim of the benchmarking tool was to point out the weaknesses and strengths of real estate brands considering the whole, and put them in a measurable form. The tool well revealed the

weaknesses of a brand, and the sensitivity of a brand towards negation was also clearly noticed. Problems in increasing brand capital are avoided by minimising the weaknesses and negations. As the application is not bound to the life-cycle phase of the object, a new profile, for example, can be drawn for it if the brand or the surrounding area have developed, and the tool may be used as an instrument for profiling.

6. CONCLUSIONS

The study considered the possibilities and means of developing a brand in the real estate business. Special importance was focused on commercial premises, services, and regional brand development. The initiative for the study was another study by the Technical Research Centre of Finland on the applicability of the brand concept in real estate business (Riihimäki et al. 2001).

The study was based on the brand development made in four actors. The actors were property owners, facility service providers, property development companies and regional real estate actors. A manual was developed for building up the brand. The process was fitted in each participating sector and was individually applied in each of the co-operating organisations.

The study showed that there can be a variety of real estate brands. They seem to concentrate mainly on various service solutions, not only in the brands of the service producers but also on the regional and owner levels. Real estate brand thus is linked with real estates or with the region where the real estate is located. It seems that the object, i.e. the real estate itself, cannot be a brand, although it may have a reputation and an image. Instead, a real estate and especially a building within may give a signal of a related (service) brand, i.e. the building thus forms a part of brand characters. Yet, a building as a product may form an individual brand.

The study showed that real estate brand can be built up, valued, and considered analytically. To facilitate and structure this a web-based benchmarking tool was developed along with the study. The brand characters for the tool were obtained by evaluating existing domestic and foreign real estate brands, studying literature and interviewing the personnel of the co-operating enterprises.

Each organisation must build up a brand of its own, as a brand is a result of careful planning and implementation – a strategic matter. Brand is a device by which the enterprise will stand out from anonymous services or products. On the other hand, real estate brands, in special, seem to be a way of acting, and seem to connect various parties in a joint operating concept.

Building up a brand generally takes a long time. Even that is not enough, the brand requires commitment and management. Brand may easily be destroyed if the organisation is not acting according to its brand promises. To avoid this to happen by mistake the organisation should keep the brand in mind in all activities. All employees and partners must know what the brand is and what it calls for. Everyone shall be committed to the brand. As brand has a life cycle, it needs to be reset at some point in order to keep up with the changing society.

Brand is not worth building up for mere pleasure, but it must bring benefit, for example better productivity or higher utilisation rate. Real estate brands seem to be worth the effort. At the FIG Washington Conference Nunnington and Kennie (2002) told of an office concept selling 20 per cent higher in the same location as ordinary office premises. The rent level and the occupation rate at the uptown Hermia Technology Centre next to the university area in Tampere remained evidently higher even during the recession of the 1990's, which was explained by the inspiring environment and the multi-level service structure offered by the Centre (Niemi 2003). There is also an example of a technology centre, which managed to maintain its high occupation rate while another one was getting unoccupied (Niemi 2003). In the mid 1990's there was plenty of empty office space in Espoo, but a new fully rented business park was built next to Otaniemi, Helsinki University of Technology. The examples speak for themselves and show that real estate brands can be created successfully.

The times are still changing. Transfer into global market economy, continuously tightening competition, and outsourcing of services have changed the whole real estate business also in Finland during the past ten years. In this ever changing world, where enterprises "come and go" brands and the brand concept may be of great benefit to the actors in the real estate business. The best brands – whether consumables, real estates or services – are always desired. There is plenty of call for them in the right customer segment. They can be priced in differently from ordinary mass products. They may also be exported. A good brand will reclaim the promise. It will keep the customers satisfied and get them buy the same brand over again.

Brands still are a considerable challenge to real estate valuation. A brand may impact on the fact that two similar real estates yet differ greatly from each other by the rates of occupancy and rent, and price. Is brand a matter that should be considered in the real estate market value, or is it rather an intangible added value related to the owner? How is the value of a brand defined? How is it treated at coercive measures, expropriation? Real estate brand is a sum of partial factors, and many minor factors may have a great impact on the functionality, accessibility or quality of a real estate, and thereby on its value. Answers to valuation-related questions were not looked after in this study. Brands have, however, entered the real estate business, and it is certain that brand has an idea even here!

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