



Construction 2030

Trends and strategies in the global
construction market

October 2013

Construction 2030

Agenda

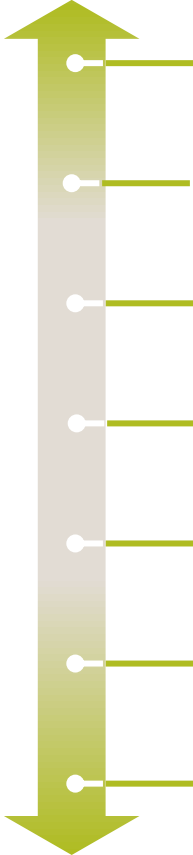
- **The market: Trends that change the building construction landscape**
- The implications: How to benefit from upcoming opportunities

We believe that seven global trends will shape the building construction landscape in the next 10-20 years

Construction trends

CATEGORY TRENDS

What do customers buy in the future?



- Trend **1** Building construction goes **green & sustainable**
- Trend **2** Quality standards go **global**
- Trend **3** Categories address new needs and go **specific**
- Trend **4** Living goes **urban**
- Trend **5** Prices go **extreme**
- Trend **6** Installation goes **commodity**
- Trend **7** Buying decisions go to **investors**

ROUTE-TO-MARKET TRENDS

How & where do customers buy in the future?

The diffusion of green and sustainable technologies stimulates global construction and improves living standards

Trend 1: Building construction goes **green & sustainable**

Global Eco systems change

- Scarcity of resources, i.e. water, energy and raw materials
- Climate change and global warming
- Environmental problems in emerging countries



People react

- “Lifestyle of health and sustainability”
- “Organic” trend in all aspects of life



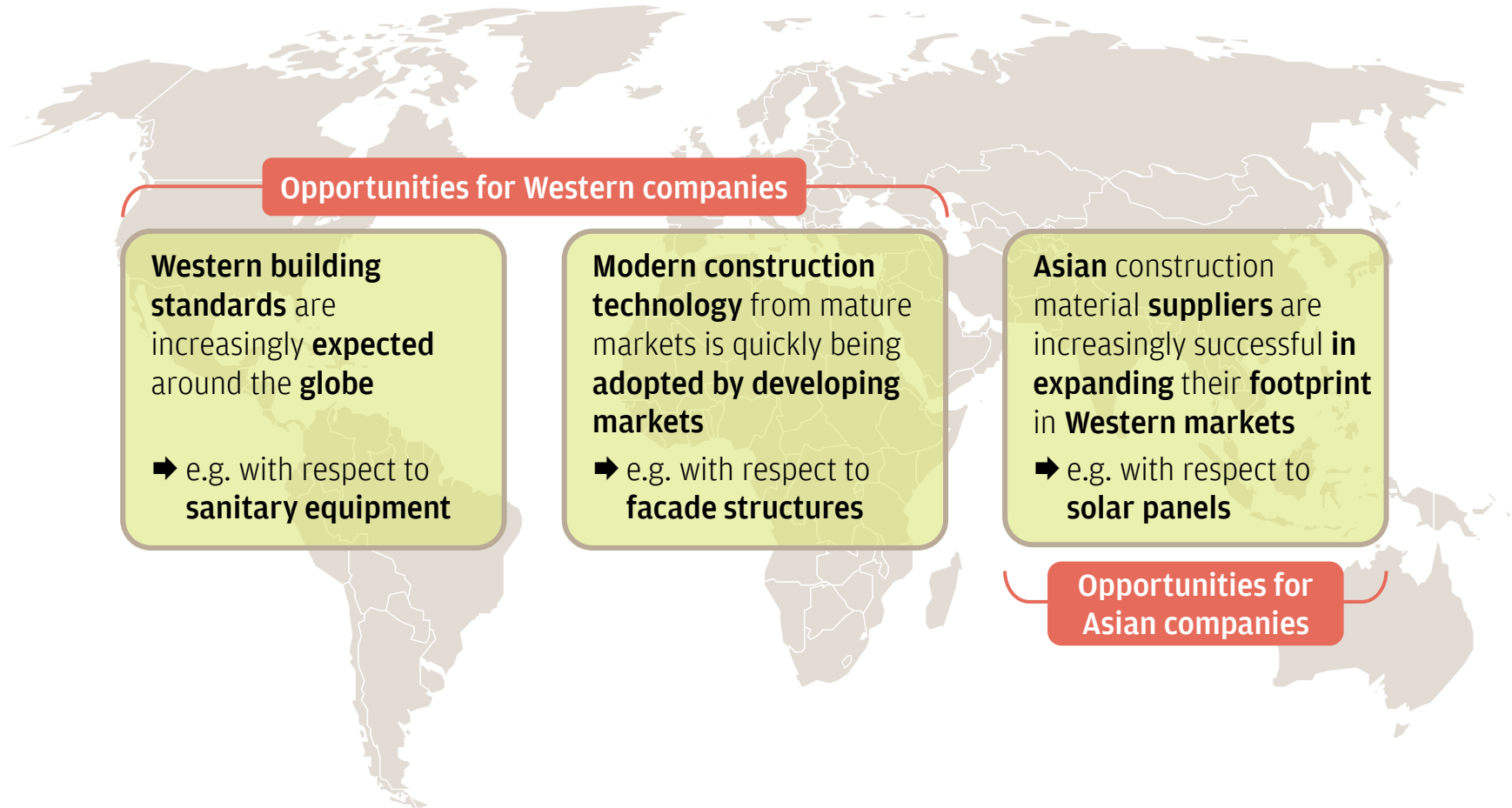
Global construction adapts

- Energy efficiency
- Recyclable and sustainable building materials
- Carbon-neutral living
- Solar power utilization



Globalisation of quality standards aligns products in East and West – creating new opportunities for companies

Trend 2: Quality standards go **global**



Demographic and social developments cause new needs and stimulate growth of speciality categories

Trend 3: Categories address new needs and go **specific**

1 Ageing population with increasing desire to grow old in their own homes...

...demand **specific “barrier free” products**, such as:

- Walk-in showers
- Lower build-in ovens
- Wide range of safety handles
- Lifts
- Emergency alarms

2 “Democratisation” of design - decoupling of aesthetic appeal and price...

...results in wider supply and demand for affordable **design products** - through players like IKEA -, e.g.:

- Bathroom furniture
- Living room furniture and decoration
- Lighting
- ...and thus requires new ideas for category differentiation

3 Security focus - driven by increasing number of risks and local conflicts...

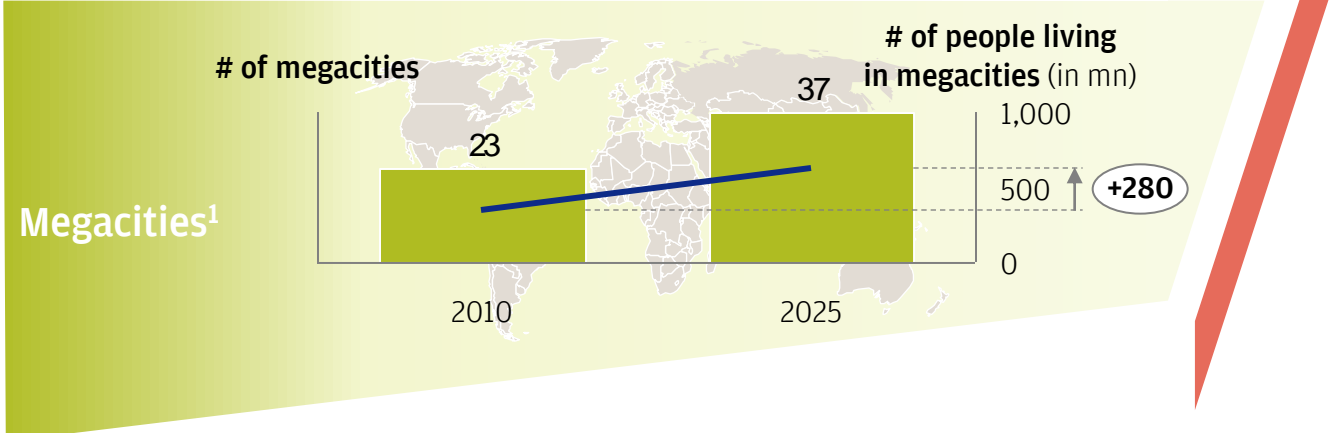
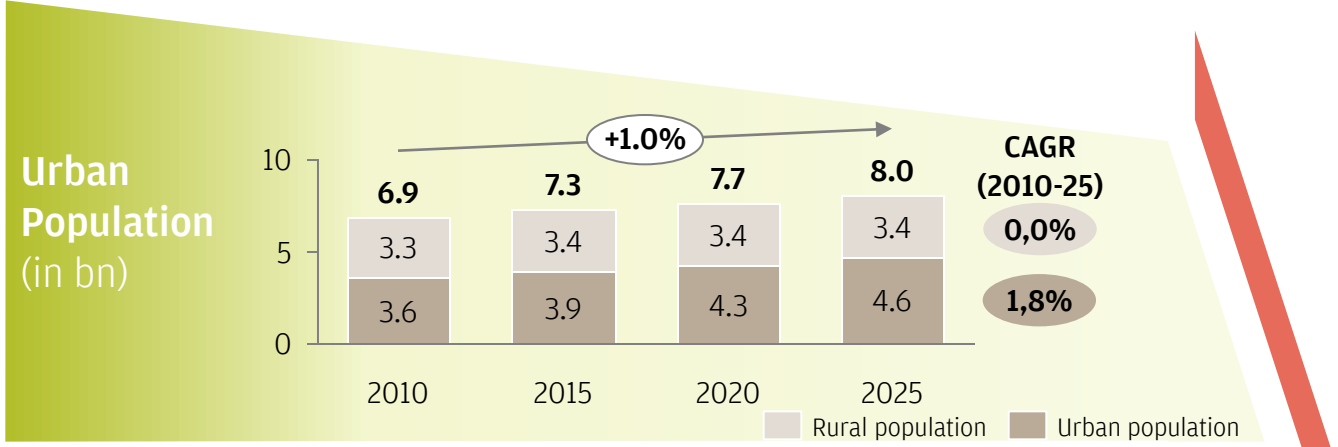
...results in demand for **specific products**, such as:

- Security doors and windows
- Door access controls
- Video surveillance devices
- Automated security systems, incl. break-in sensors, motion sensors, alarms, etc.

Global **niche markets** with **specific customer groups** and **demands** emerge

Ever-growing populations in cities around the world require innovative solutions to optimize space and convenience

Trend 4: Living goes urban



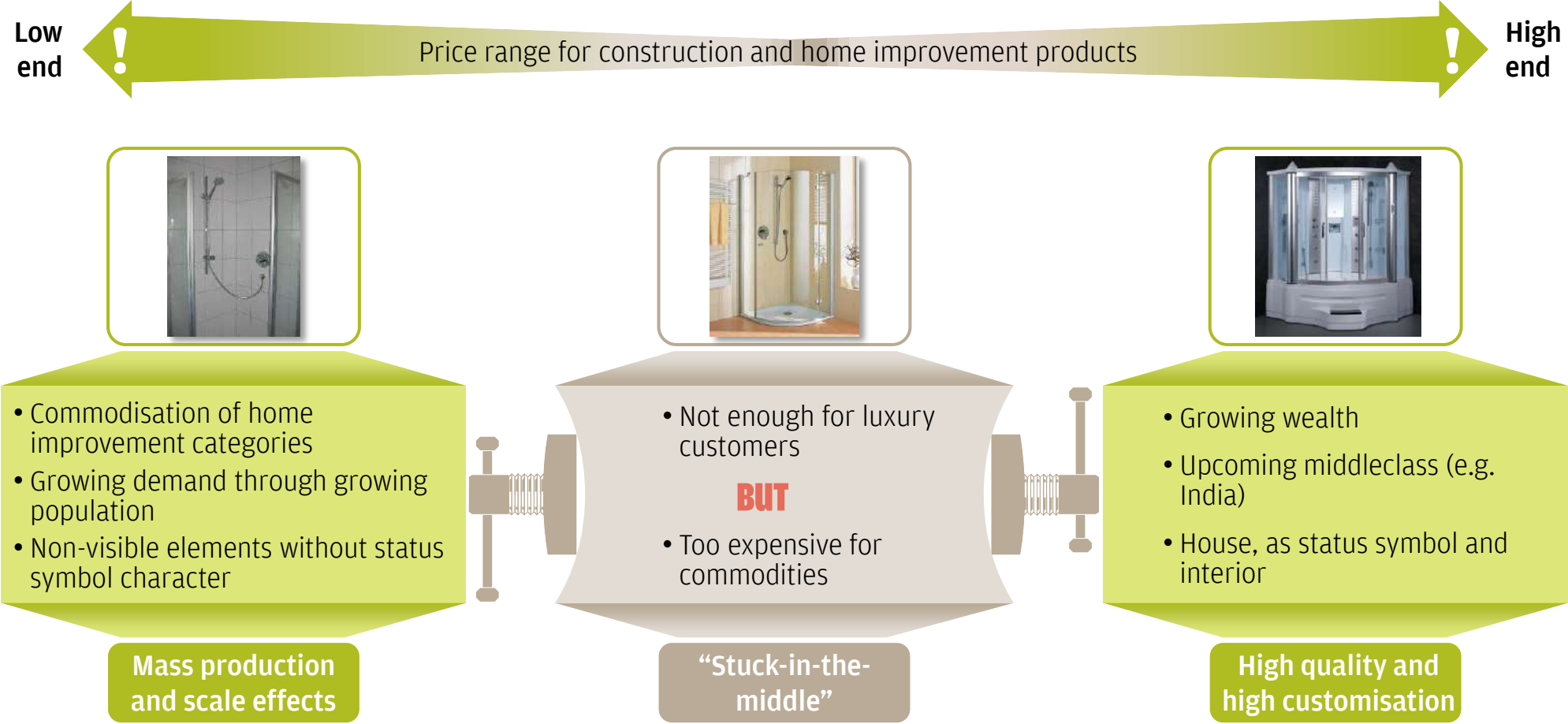
- Living space for the masses with innovative building concepts
- Fast housing through pre-fabricated and combinable building blocks
- Provision of adequate infrastructure (energy, water, waste, traffic, etc.)



1. Megacity is defined as a metropolitan area with population in excess of 10 million people
 2. Picture shows schematic erection diagram of 34 storey tall residential building at Atlantic Yards, Brooklyn (US)
 Source: UN; OC&C analysis

Global construction favours low-cost and high-end applications while medium price segments loose

Trend 5: Prices go extreme



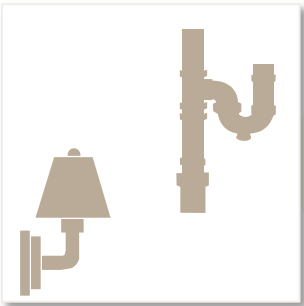
Installers evolve into more specialized, niche oriented solution providers to secure their business

Trend 6: Installation goes **commodity**



 Sanitary tradesman	 Electrician
 Painter	 Floor tiler

EASY-TO-INSTALL-PRODUCTS



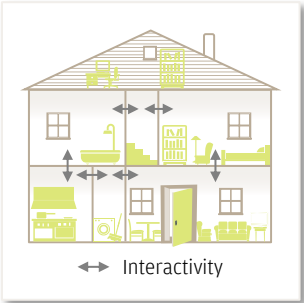
“Diligent” DIY customers -
“Do it myself”



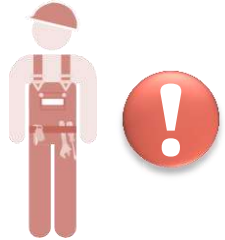
“Lazy” DIY customers -
“Buy cheap workforce”



COMPLEX / INTER-CONNECTED SYSTEMS

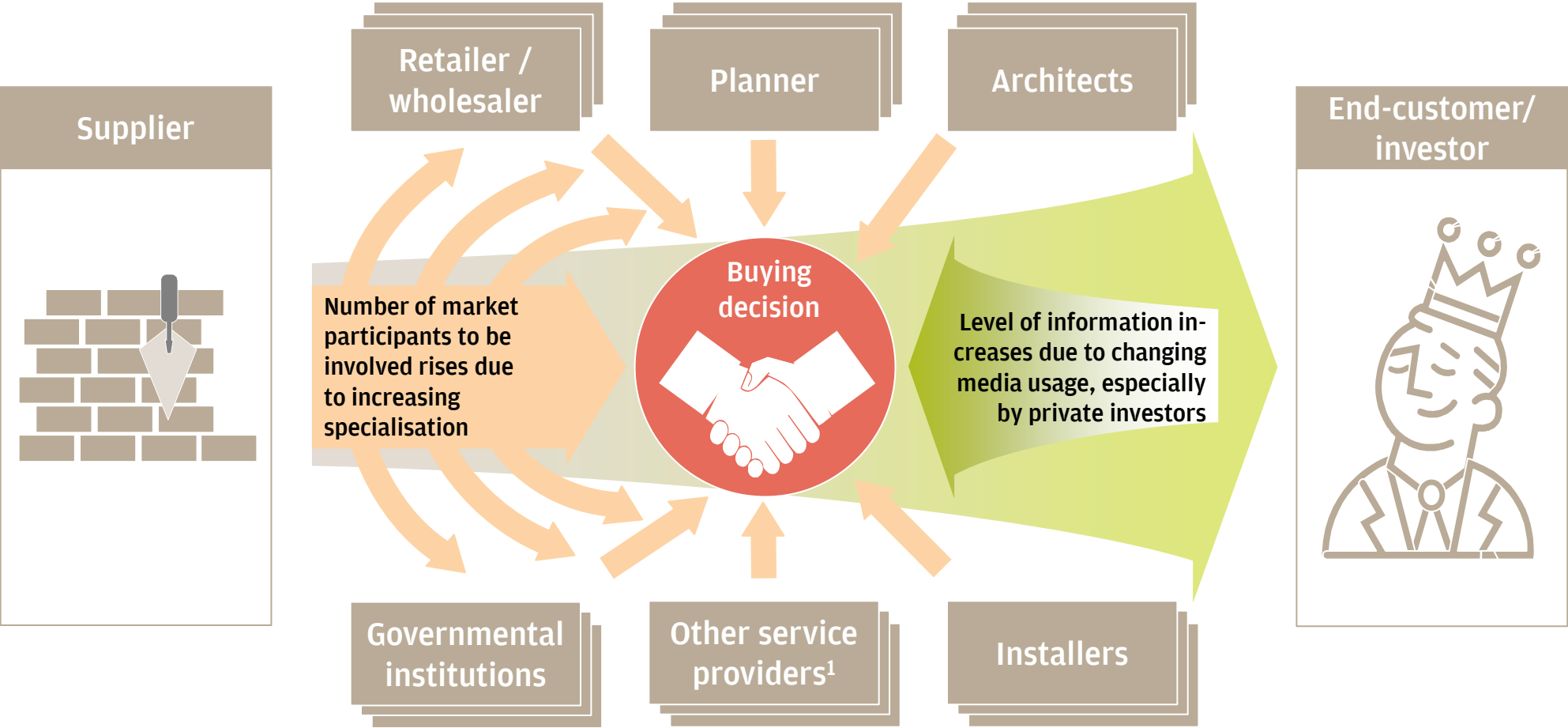


- System offers on the rise
- Individual customer groups
- New job descriptions
- Niches - for “Conception and Fulfilment”



Construction players have to deal with more competent and better informed investors – and find ways to approach them

Trend 7: Buying decisions go to **investors**



1. E.g. Energy consultants, financing consultants

The trends lead to a building construction world that will look different – and provide for specific opportunities

Construction 2030 – An outlook

End-Customer / Investor



- Better informed – higher demands
- More variety in product and brand choice
- Higher willingness to pay

Wholesaler / Retailer



- Distribution targeting the end-customer / investor
- Multichannel and eCommerce very important

CONSTRUCTION MARKET 2030

- Two **overarching effects** fully visible:
 - **Globalization:** Players from East and West will operate globally
 - **Increasing interconnectedness and online integration**
- The market will be more selective in its **distinction between winners and laggards**

Producer



- Higher customer demands – better products
- Energy Efficiency and green technology as standard
- Sales stimulus through increased standards and global distribution

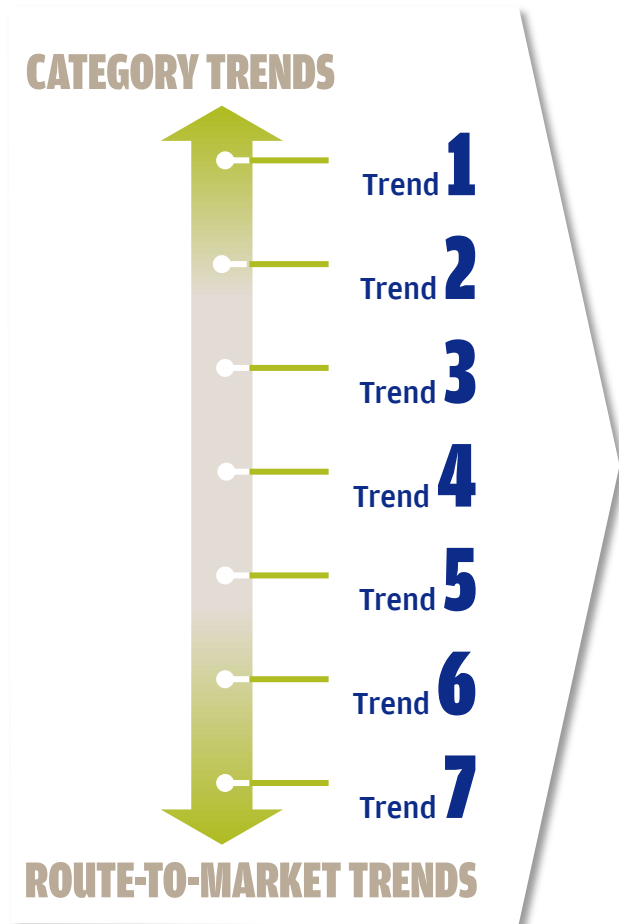
Installer



- Installers as solution providers, identifying problems rather than just bundling and applying products
- Convenience to the customer very important

Global construction trends translate into opportunities and challenges – strategic answers need to be found

Challenges for the global players



- What could be my long-term vision in this game?
- How can I benefit from the trends and “win the game” by moving forward - rather than following late?
- Which steps do I need to take in order to implement my vision - in terms of categories, footprints, route-to-market, processes, organisation etc.?

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Successful players will benefit from market opportunities by finding a clear USP within their specific strategic playground

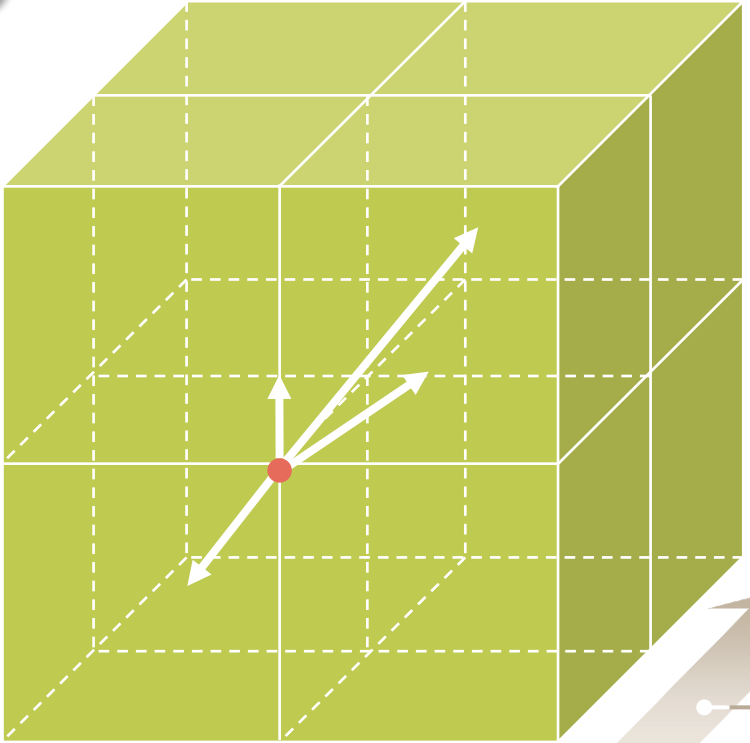
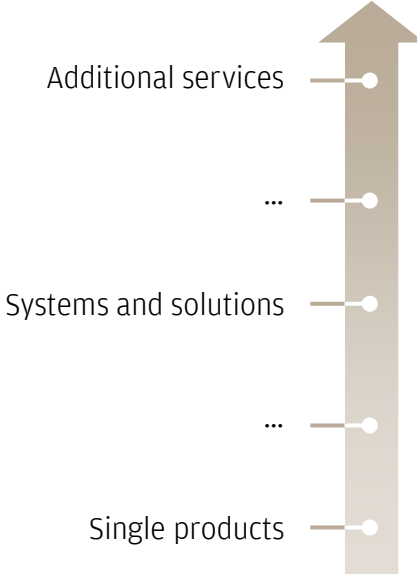
Potential (re)actions of players



The strategic playground is defined by a clear positioning for products / categories, segments and regions

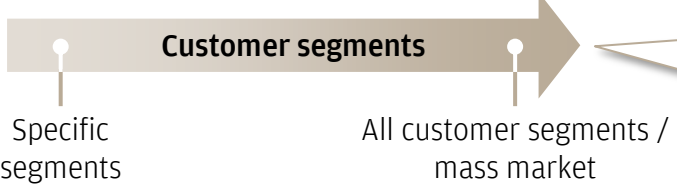
- Drivers:**
- Demand and margin potential for solutions and services
 - Commodisation of goods sold

Products / Categories and services



- Drivers:**
- Similarity of customer needs
 - Potential for cross-country selling opportunities
 - Resources and potential for cross-country market entries

Regions



- Drivers:**
- Niche product approach vs. mass market suitability
 - Similarity of customer needs
 - Demand and margin potential for highly specialised goods

Players will focus their market positioning and craft the corresponding value delivery system

Axes describing market positioning

CUSTOMER STATEMENTS:

- **“A great deal”**
 - Excellent / attractive price
 - Minimum transaction costs
 - Low handling costs
- **“A hassle free supplier”**
 - Convenient
 - Reliable product and services

Operational excellence:

- Low total life cycle cost
- High reliability
- Hassle free business processes

CUSTOMER STATEMENTS:

“The innovation leader”

- “Continuous improvement and always new ideas”
- “Leading edge quality”

Product- or technology leadership:
First class quality or most innovative

CUSTOMER STATEMENTS:

“Exactly what I need”

- Customized products
 - Personalized communication
 - Available through preferred channel
- **“They’re very responsive”**
 - Exception handling
 - Locally outsmarting rivals moves

- **“We know each other and I’m very loyal to them”**

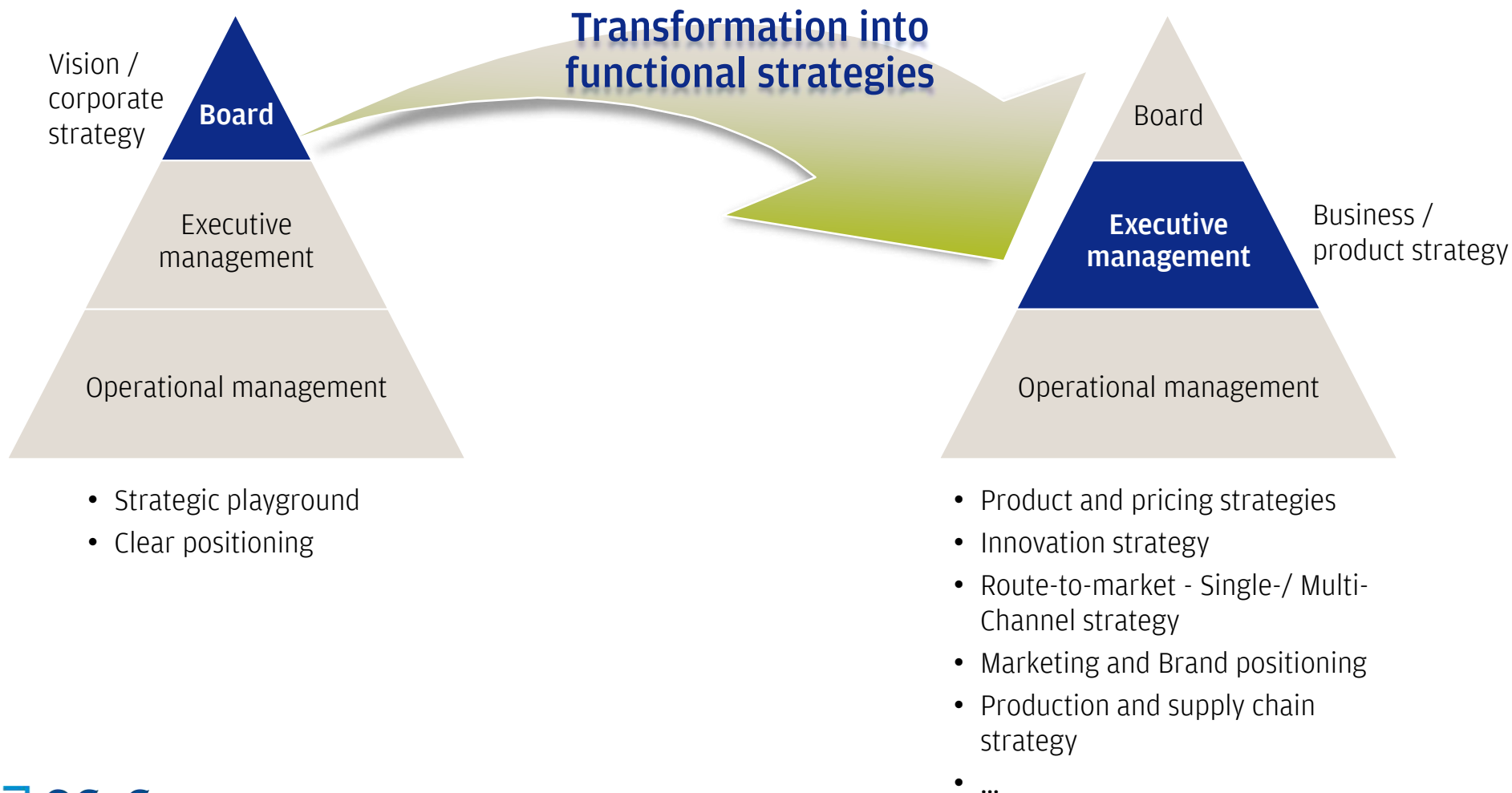
Solution leadership / customer intimacy:

- Valuable consulting
- Providing best in class solution
- Customized products and services



Corporate vision needs to be transformed into tangible and implementable functional strategies

Corporate vision vs. business and product strategies

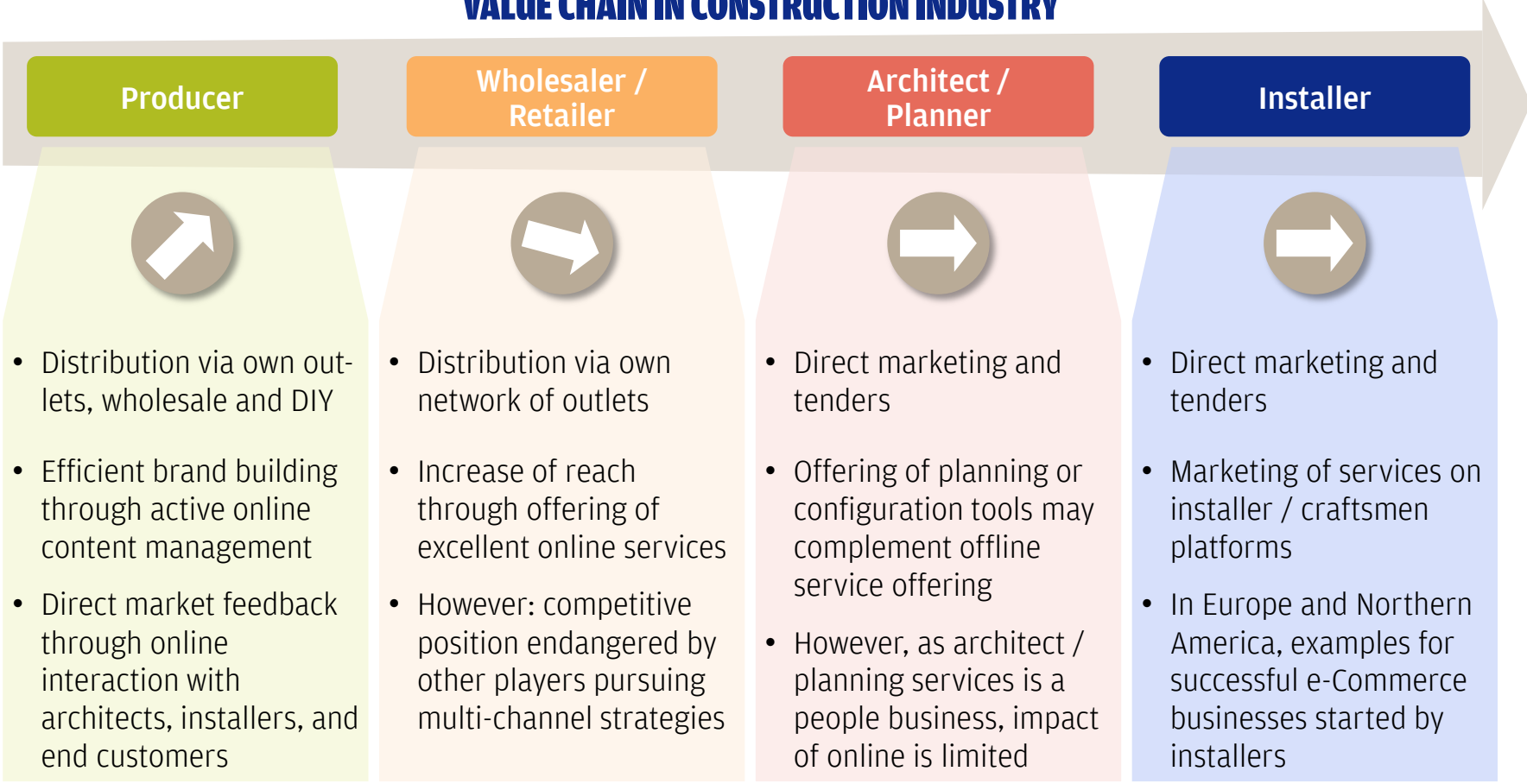


Example: Multi-channel strategy offers new opportunities especially to manufacturers

Business strategy example: Multi-channel approach

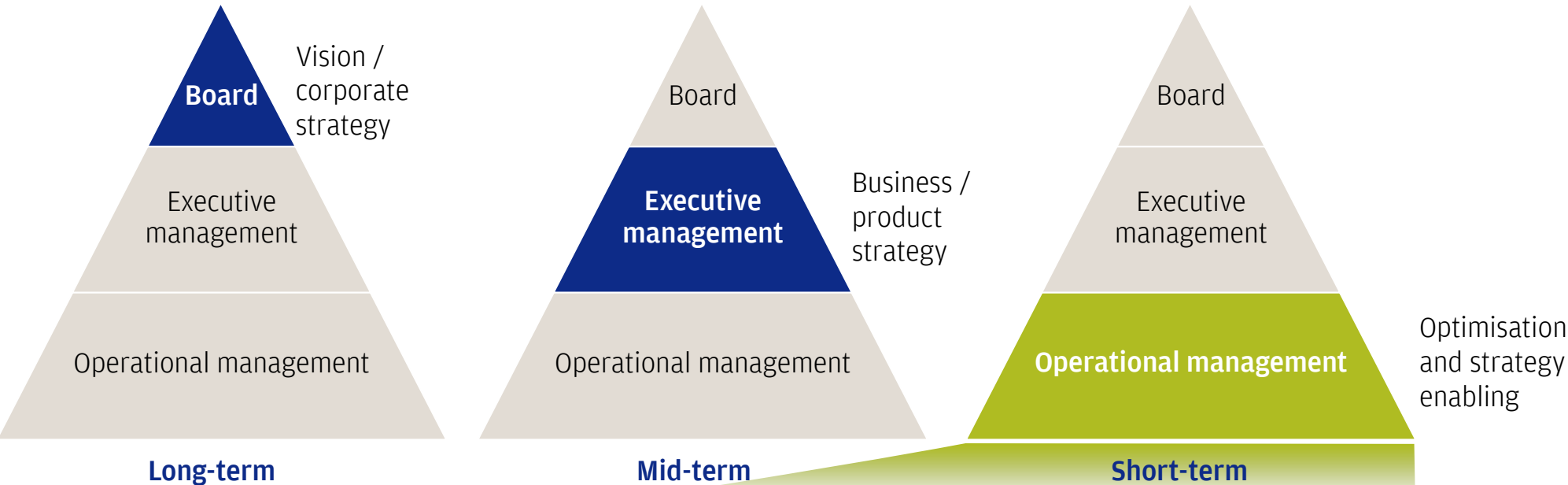
Example

VALUE CHAIN IN CONSTRUCTION INDUSTRY



Short-term tactics must not be neglected on the strategy path

Short-term tactics



Goals of short-term tactics	<ul style="list-style-type: none"> • Maximise growth and profit • Capitalise on market opportunities • Provide “room to manoeuvre” for strategic initiatives 	Potential levers	<ul style="list-style-type: none"> • Sales and marketing initiatives • Price and cost optimisation • Process optimisation • Organisational adjustments
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OPTIMISATION OF ON-GOING BUSINESS AND FLEXIBLE REACTION TO MARKET AND CUSTOMER OPPORTUNITES

We look forward to discussing your own experiences in dealing with current trends in global construction industry

Key questions for discussion

Do **you share** our **view on the global trends** and our **vision of the market**? Are there **other trends** that you see as relevant?

Do **you** already **encounter these trends** in **your business**? Which ones have the **biggest impact**?

Do **you feel** that your company is already **well prepared** to **benefit** from the **opportunities**? What are the **main strategic levers** that you **apply**?

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