

**RISK IMPACT ON THE MARKETING OF CONSTRUCTION PROFESSIONAL  
SERVICES IN LAGOS STATE, NIGERIA**

**BY**

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**EDMP11/12/R/0113**

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**CERTIFICATION**

This is to certify that this research was carried out by EBUNOLUWA Esther Ilori, EDMP11/12/R/0113 of the Department of Quantity Surveying, Faculty of Environmental Design and Management, Obafemi Awolowo University Ile-Ife, under the supervision of Dr. (Mrs.) G.K. Ojo.

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## DEDICATION

I dedicated this project to Almighty God who in His infinite mercy had bestowed on me the grace, knowledge and ability to carry out this research work successfully.

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## ABSTRACT

The study identified and assessed the marketing strategies employed by construction professionals in Lagos State Nigeria; identified and examined the risk factors associated with the marketing of construction professional services in the study area; evaluated the impact of the identified risk factors on the marketing of construction professionals and examined the strategies adopted in responding to the risks impacting the marketing of construction professional services in the study area. This was with a view to enhancing marketing outcome of construction professional services in the study area.

The study made use of primary data collected through questionnaire administered on construction professionals in Lagos State. Using systematic sampling techniques, 236 construction professionals were sampled comprising (72) architects, (91) engineers and (73) quantity surveyors. Data were obtained on level of awareness, usage and effectiveness of marketing strategies; frequency and impact of risk associated with the marketing of construction professional services and risk response strategies adopted by the construction professionals. The data obtained were analysed using Mean Response Analysis (MRA), Risk Occurrence Index (ROI), Risk Impact Index (RII), Factor analysis, and Analysis of Variance (ANOVA).

The study identified “professional-client relationship”, measured on a 5 points likert scale as the most widely recognised, most frequently used, and most effective marketing strategy in Lagos State with MRA of 4.58, 4.38 and 4.47 respectively. The result of the analysis revealed that all the identified risk factors were found to be associated with the marketing of construction professional services. The research further established “close relationship between the client and



other competitors” as the most frequently occurring and highly impacting factor (ROI = 0.83; RII = 0.78) followed by “tough competition” (ROI = 0.72; RII = 0.75) respectively. Furthermore, factor analysis reduced the identified risk variables to four (4) significant factors. These factors were “cost related risk”, “firm security related risk”, “ethics related risk” and “government influence related risk” with eigenvalue of 8.00, 2.31, 1.52, 1.30 respectively, and they accounted for cumulative percentage of 62.55%. The result of ANOVA also indicated that there was significant difference in the construction professionals’ views on frequency of occurrence and impact of occurrence for “tough competition” ( $F = 17.403$  &  $F = 6.653$  at  $p < 0.05$ ) and “escalating high cost of technology” ( $F = 7.795$  &  $F = 3.732$  at  $p < 0.05$ ) respectively. In addition, the study revealed that “acceptance” (33.05%) and “mitigation” (21.90%) strategies were widely used in responding to risk associated with the marketing of construction professional services in the study area.

The study concluded that “close relationship between the client and other competitors” and “tough competition” were highly significant, frequently occurring and highly impacting risk factors associated with the marketing of construction professional services in Lagos State, Nigeria. The strategies adopted in responding to these risk factors were “acceptance” and “mitigation”.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

Construction industry has a very strong impact on any nations' economy most especially in the area of employment and economic growth. It contributes about 5% to Nigeria's annual gross domestic product GDP ((Ogunsemi and Jagboro 2006).

Construction industry is typically characterized by extreme competitiveness, high uncertainty and risks, and generally low profit margins when compared to other industries (Mochtar and Arditi, 2001). Construction projects are always unique and risks arise from a number of different sources. Construction projects are inherently complex and dynamic, and involving multiple feedback processes. A lot of participants such as individuals and organisations are actively involved in construction projects, and their interests may be positively or negatively affected as a result of the project execution or project completion. Different participants with different experience and skills usually have different expectations and interests. This naturally creates problems and confusion for even the most experienced project managers and contractors.

However, marketing, according to United States Department of Agriculture (USDA n. d), is that part of the business that transforms production activities into financial success. It usually helps construction companies to differentiate themselves from their competitors, cultivate and/or keep clients, and thereby create competitive advantage (Arditi *et al.*, 2008; Chen and Mohamed, 2008). There are several professionals in the construction industry that have one or two services to sell to the public, individuals, and government. However, to market these various services are difficult for the professionals in the construction industry due to the high level of competition in

the construction industry, this opinion is backed up by the submission of Ojo (2011), that many construction professionals face difficulties in selling their services due to the failure to embrace marketing concept. Marketing of professional services plays two roles, firstly to create a public awareness of the services offered by members of the profession and secondly to ensure a steady stream of qualified practitioners to provide those services (Allred, 2005).

A professional association needs to market the profession for a number of key objectives as established by Allred (2005). Firstly, it is important that the profession is sustainable into the future, this requires new entrants into the profession, advancement of the body of knowledge and general education of the public as to what services are available. It also involves keeping abreast of current issues and advising organizations such as government on issues that may be of concern to the general public. Marketing construction professional services involves information, objectivity, attitude, and skill. Marketing plans and strategies that work for each company should be developed. However, marketing involves understanding individual level of risk tolerance and a good understanding of current financial position (USDA not dated).

Selling services can be much tougher than selling products (Philip *et al.*, 2002). The major professional service firms employ huge marketing staff whose duty is to convince potential clients that they need the company, and to differentiate themselves from all other competitors (Philip *et al.*, 2002). Basil (2009) opined that, as clients become more sophisticated at both local and international levels and as competition in the construction industry increases, both the contractors and consultants have to take a more professional approach to selling services. Consequently, marketing transforms production activities into financial success but often most marketing come with risk as found in any aspect of business.

Risk is evitable in all aspect of life including construction industry which subsequently affects the services of the professionals that are involved the construction activities. Moreover, risk is an important issue to contractors as well as clients and consultants in the industry due to its inevitability in all aspects of construction. However, the problems of risk assessment are complex and poorly understood in practice (Ojo, 2012). Mills (2001) established that construction is exposed to a lot of predictable and unpredictable risks, the effect of which is adverse on the completion of any successful project. A successful project according to Ojo (2011) is the one that is delivered within the appropriate cost limit, measurable time frame, acceptable quality standard and a high level of client satisfaction. Risks may also make it difficult for the construction professionals to market their services; it is of importance that the services of the construction professionals are marketed to meet up with the challenges of highly competitive environment in which the construction industry is operating. Walewski *et al.*, (2004) suggested that risks should be allocated to the party in the best position to manage them in order to achieve the expectations of the project stakeholders. Cost of risk is a concept many construction companies have never thought about despite the fact that it is one of the largest expense items. Early recognition of risks and proper management helps the key project participants- client, contractor or developer, consultant, and supplier to meet their commitments and minimize negative impacts on construction project performance in relation to cost, time and quality objectives.

## 1.2 Statement of the Problem

Risk is inevitable in all facets of life including construction. Construction industry is one of the most dynamic, risky, challenging and rewarding fields (Mills, 2001). As any other major sectors,

the construction industry is exposed to a lot of predictable and unpredictable risks. There are researches on different aspect of construction such as risk in construction generally studied by Patrick et al (2005), the study identified the key risks in construction projects as risks related to clients, designers, contractor, subcontractors, government bodies and external

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