This research paper explores important marketing aspects of commercial real estate, specifically the opinion of managers, on the importance and the effect of location and other factors pertaining to office space, such as office interior, transportation links, office building architecture etc., on corporate image. In addition, other features and issues that arise from the choice of office space were also researched. The results showed that the majority of the surveyed population of managers believe that office space affects corporate image; in particular, that office space location has the greatest effect on corporate ima-
na odluku o korištenju ili kupovini proizvoda i/ili usluga poduzeća najizraženiji je kod banaka, odnosno poduzeća iz financijskog sektora, te kod pružatelja profesionalnih usluga visoke dodane vrijednosti i visokog stupnja neopipljivosti, poput odvjetničkih, marketinških agencija i sl. Ispitanici smatraju kako u odlučivanju o preseljenju u novi uredski prostor najviše moraju sudjelovati predsjednik uprave, članovi uprave ili direktor te vlasnik poduzeća. Isto tako, 64,83% ispitanika smatra kako direktor marketinga mora sudjelovati u odlučivanju o preseljenju. Potreba za većim ili manjim prostorom najviše je rangirani razlog za preseljenje u novi uredski prostor.

ge, followed by office interior design. The effect of office space location on corporate image and the effect of location on the decision to use or purchase company products and/or services is most explicit with banks or financial sector companies and with the providers of high value-added and highly intangible professional services, such as legal services, marketing agencies and similar professional services. The respondents believe that the decision to relocate to a new office space needs to involve to the greatest extent the President of the Management Board, Board members or the Director and company owner(s). Furthermore, 64.83% of the respondents believe the Marketing Director should be involved in the decision to relocate. The need for a larger or a smaller space ranked highest of all reasons for relocating to a new office space.
1. INTRODUCTION

The focus of this research paper is on the role, importance and effect that office space location has on corporate image. The approach chosen for the development of this paper was to combine and incorporate information from several areas: the commercial real estate market in the office space sector, marketing, urban planning and architecture.

Between 1991 and 2011, a capitalist economic system in Croatia began to be formed, giving rise to the creation of the office space market intended for a free business market. This mostly pertained to Zagreb, the capital and economic centre of Croatia. During that period, numerous international companies opened their branch offices and a number of large Croatian companies and holdings developed at the same time. They are all office space users and many of them have recognizable headquarters specifically in Zagreb; therefore, the research issue that arose was: what is the effect of office buildings and office space in Zagreb on corporate image?

The development of the office space market is conditioned by business practices, tradition and culture, legislation, the form and source of a company’s ownership; the number of companies and their structure, economic growth potential, the type and structure of investment in real estate and other factors. In Zagreb, the commercial real estate market is in effect in its emerging phase. There are still no predictable developments, cycles, traditional market players, developed knowledge, experience or business relations.

With reference to the abovementioned, this paper begins by analyzing and clarifying the role of marketing in office building development projects and on the office space market. Location, as the most important factor in the development of office buildings, would not in itself be fully understood if other topics related to office space which, together with location, constitute a clear and cohesive unit were not examined and explained. That is why other factors of office space and issues related to the process of selecting new office space are examined. This paper comprises a theoretical part in which real estate in the sector of office space is examined, followed by an examination of the marketing of office buildings and office space with an emphasis on the basic elements of the marketing mix of office buildings. Subsequently, the results of the primary research are presented and followed by the conclusion.

2. REAL ESTATE IN THE OFFICE SPACE SECTOR

Real estate has always been an unavoidable part of everyday life because the need for shelter from outside influences or the need for a “roof over one’s head” is a basic human necessity. Besides the basic need for shelter and protection, it is important to mention the desire to own a personal space that ensures privacy to an individual and his or her family. That desire can be associated with the need for freedom, or for a space where one can feel free and can act the way one wishes.

Real estate is capital and an indispensable element of every economic system. The real estate market has always existed but it behaves cyclically over time. The importance of real estate cycles cannot be overemphasized. Regardless of the cyclicity, investment in real estate is considered a sound and long-term form of investment. Gains in the real estate market are obtained through rent for the use of real estate property or they may derive from the sale of real estate property.

The trend in real estate development is sustainable development, in other words, green building. This movement is gaining more significance, and its marketing dimension is especially important. In coming years, the rational use of land will play a greater role in the real estate industry. In addition to the environmental component, it is
necessary to emphasize the socio-psychological component because urban pollution negatively affects the psychological health of the population.

Office space is a separate sector within the commercial real estate market. All of the aforementioned applies to that market as well; however, the connection with business activity in the specific area where the office building exists or is planned to be is especially important. An increase in demand for office space directly correlates with the increase in the number of employees who conduct their work in offices. When starting construction, it is crucial to pay attention to the fact of whether or not the expansion will continue once the project has been completed, and whether or not there are any ongoing projects that will be completed prior to the specific project. In that case, the penetration rate based on current employment cannot be a realistic absorption indicator upon the completion of the project.\(^3\) Approximately 95 percent of tenants in a new building come from existing businesses located within a 97-kilometer radius of the site.\(^4\)

In order to create a product – an office building that is required in a certain area – it is necessary to apply marketing from the very beginning of the office building development project while thoroughly researching the potential market, and to foresee any market trends well in advance.

3. MARKETING OF OFFICE BUILDINGS AND OFFICE SPACE

The role of marketing is crucial in all industries, including the industry of developing and managing office buildings. Marketing an office project is a process;\(^5\) and it has different phases. From the very start of an office building development project, it is necessary to include a marketing orientation and use it continuously in all phases of the office building life cycle – from planning to design and development, during its use, reconstruction and even in the case of demolition.

During the process of designing and implementing marketing strategies and plans, the developer, together with marketing experts, needs to take into account everyone who is directly or indirectly involved in the office building development project. The marketing, especially the communications campaign, needs to be aimed at a number of groups:

1. Potential and existing users/occupiers;
2. Potential and existing visitors to the building – clients, business partners, suppliers and others who visit and communicate with companies in the building;
3. The local community in whose neighbourhood the planned or existing office building is situated;
4. All the experts and companies participating in the office building development project: urban planners, architects, engineers, construction workers, lawyers, consultants, agents and others;
5. Central and local government;
6. Professional and financial community;
7. General public.

The aim of all marketing efforts is to conclude a lease or sales contract for the entire building or separate offices, and to satisfy the building’s occupiers, resulting in an extension on the lease or else on an efficient acquisition of new lessees or buyers. A marketing plan that leads towards that goal is complex and primarily needs to be focused on the main target group – potential office space occupiers; however, it should not neglect any of the previously mentioned groups.

On average, the overall cost of marketing an office project ranges from three to five percent of the project’s anticipated gross revenues. The developer should keep in mind that the marketing budget must be adequate to cover the entire marketing period, and not just a flurry of market-
ing activity that usually accompanies a project’s opening.6

The first step in planning quality office buildings is market analysis, i.e. marketing and technical analysis of the existing and planned office buildings and commercial space in a particular market. The second step is the selection, analysis and definition of the target group, in other words, the group of companies that are potential occupiers of the future building. Based on these analyses, it is necessary to create a product, that is, an office building that will meet the needs of future occupiers as much as possible.

The developer should create a brand for the office building in order for it to gain recognizability. The name of the building, the address and the location are very important, as is the image of the companies working in the building. The reputation of the office building developer is also very important, as well as who the architect is and who carries out the construction work. All of this influences the creation of the image and brand of the office building.

Therefore, real estate marketing is based on four pillars: the first pillar is market focus, the second is client focus, the third is knowledge that marketing must be an integral part of the company’s management put into practice, and the fourth pillar is focus on income and profit.7

3.1. Basic elements of the office building marketing mix

Developers, investors, occupiers and all others involved in office building development projects need to get acquainted with and understand the factors that have to be thoroughly assessed when embarking on a new project while also keeping these in mind during the entire office building life cycle. The basic elements of the marketing mix are considered to be the office building as a product, price, distribution – the lease or sale of office space, and elements of the promotional mix – advertising, personal selling, sales promotion and publicity, and public relations.

A product is considered to be the final result of productive activity that, unlike when services are concerned, exists even after the production process is completed and that, thanks to its particular form and properties, meets a specific need.8 An office building in its entirety fits that description. The process of developing a new building lasts several years. The time required for the activities that precede the construction work may exceed the actual construction several times. An office building as a product has a few specific qualities:

- The uniqueness of each office building – such uniqueness is a result of a unique location and unique architecture. Every location is unique, so is therefore every building;
- An especially long life cycle – real estate appraisers estimate the life cycle of conventionally-built buildings to be up to 100 years. With modern office buildings, the life cycle is shorter due to new technologies that are built into the buildings and quickly become outdated;
- A relatively small number of buyers, i.e. occupiers – the office building is intended for the local market in which it is built as it is inseparable from its location.

In the event that it is leased, in addition to being a product an office building also incorporates services. Along with the space and building equipment and furnishings, the owner of the building provides property management services to building occupiers. That includes maintenance and cleaning, marketing of the building and handling general concerns.

One element of the office building as a product within the marketing mix is location. If the same building is built in more than one location, it is not a matter of identical products because they are in different locations. Location is an extremely important variable element of the office building.
building as a product because space is a limited resource, and therefore the choice of location is limited.

At the start of a project, a developer typically has land and then looks for the type of project that would correspond to the location; otherwise, a developer may define the type of project to be built beforehand and then look for a suitable location for it.

Office space can be leased or sold to the user of the office space. In developed economies it is customary to lease office space. Companies decide to buy it, especially if it involves the purchase of a part of an office building, to a lesser extent. If a company buys an office space as an investment, then it is customary for it to buy the entire building. The purpose is for one owner to own the entire property in order to achieve effective and profitable management of the building.

The price of the lease is calculated on the net space that the lessee occupies. Usually, a certain percentage of the building’s common area is added to the space. In Croatia, it is common to express the lease price per square meter of the net usable area for a one month period. In addition to that, the lessee pays operative costs that include maintenance and building management and, depending on the agreement, energy consumption. The price for outdoor parking spaces or garage space is calculated separately and according to the number of such spaces.

The distribution of office space is through the lease or sale of the office space. When it comes to office space, the definition of distribution as an element of the marketing mix can lead to confusion. The third “P”, place, is misleading in real estate. Therefore, “inverse” distribution would be the right term. It includes all leasing activities as well as the “art” of having the right amount of space available at the right time. The distribution of office space, via lease or sale offer, can be carried out by the developer, the building owner or by a hired real estate broker.

The promotion of office buildings has certain specific qualities in comparison with the promotion of other industrial products. The target group for whom the promotional mix for office buildings is created is relatively small as there are relatively few companies that are potential lessees of office space. It is necessary to use promotional tools aimed towards the business-to-business market while the place of sale or lease should be local.

When advertising office space, it is best to use local media and the media that are oriented to the business community. These are business newspapers and magazines, specialized business programs on local television or on the radio and elsewhere. Advertising needs to be designed and distributed in a timely manner so that it functions in coordination with sales and public relations. The entire advertising of the project must be unified according to theme, logo and style. The name, logo and identity design that is used in all print media, including advertisements and letterhead, need to be created very early on – as soon as the conceptual plan is finished. The early development of a logo provides continuity in the presentation and image that carries through from the working drawings to the project’s entrance treatment and signage, brochures and advertising.

With regard to personal selling, leasing or sale of the office space, the developer or the office building owner can work alone, or may assign that work to a real estate agent. Regardless of which of these the owner opts for, personal selling is an extremely important and irreplaceable promotional activity because in the case of office space it is about a high value product to be used over a long period of time and the one that is placed on the business consumer market. The seller of the office space needs to communicate directly with the person or persons who make the decision about purchasing or leasing an of-
Office space within a company that is a potential lessee or buyer. The means of promoting sales that can be used for office space are:

- Viewing the construction site or completed office building. It is recommended that a model office be decorated so that potential occupiers can see in person what their future office may look like;
- Creation of a scale model and 3D visualization of the future building once completed and displaying this at various events and at the entrance to the building;
- Special discounts and other offers for the lease or purchase contracts that are concluded early;
- Presentations at fairs and business conferences focusing on commercial real estate;
- Sponsorship;
- Organizing special business events is the best way of presenting office buildings to potential occupiers.

Public relations need to be especially well-planned and implemented in office building development projects. The construction of new office buildings, which are ordinarily high-rise and present a serious intervention in an area, usually provokes public reaction within the local community. Continuous, good quality communication with such groups is necessary for the success of the project.

4. RESEARCHING THE IMPORTANCE AND EFFECT OF OFFICE SPACE LOCATION ON CORPORATE IMAGE

In order to gain information on the importance and effect of office space location on corporate image, primary research was conducted on a sample of mid- to high-level managers. First, a sample of high-level managers was interviewed in preparation for the survey of the sample of mid- and high-level managers.

The basic goals of the primary research were:

1. To establish and analyze which factors affect the selection of an office space and to what extent;
2. To establish and analyze whether or not office space and its location affect corporate image, and the way in which it affects various companies;
3. To establish and analyze other factors and effects that are present during the selection of office space.

For the purpose of achieving the research goals, and based on the presented theoretical framework, three main hypotheses of research were put forward. The first and the third hypothesis each have one secondary hypothesis, and the second has three secondary hypotheses:

H1: Office space affects corporate image, i.e. office space location has the greatest effect while the office interior has the second most important effect.

H1a: The effect of office space location on corporate image is most pronounced among the providers of high value-added and highly intangible professional services, such as lawyers, consultants etc., and among financial sector companies. Office space location is the factor that influences the decision to use or purchase products and/or services of these companies most.

H2: If a company has few owners, the decision about selecting the new office space is made by the owner or owners of the company, or by high-level managers, such as the President of the Management Board, Board members or the Director.

H2a: Managers responsible for marketing, corporate communications and public relations participate to a very small
extent in the process of selecting office space.

**H2b:** In most cases, companies do not have a defined standard for selecting, designing, equipping and furnishing office space.

**H2c:** Most managers consider it important to employ an architect to design the interior of the office space.

**H3:** The most common reason for relocating to a new office space is the need for a bigger or smaller space, or because of an increase or decrease in the number of employees.

**H3a:** Most managers believe that it is first necessary to try to find a suitable office space independently and, if unsuccessful, to employ a real estate agent.

4.1. Research methodology

The preparatory part of the research consisted of interviewing high-level managers for the purpose of finalizing the hypotheses and producing the survey questionnaire as the research tool. Twenty-one persons were interviewed between December 2009 and February 2010. These consisted of high-level managers, i.e. Presidents of the Management Board, Board members and Directors, and company owners (five of the surveyed were real estate agents or consultants, six were developers and/or office building owners, and ten were office space occupiers).

As a result of the interviewing process, corrections were made to the formulated hypotheses and a final version of the survey questionnaire was prepared. The research was conducted using on-line questionnaires in March and April 2010. The survey questionnaire consisted of eleven closed questions and the aim of the research was disclosed. Seven questions offered multiple-choice answers, a five-point Likert scale was used in two questions, and a 10-point ranking scale was used in two questions. There was an option of providing additional comments for two of the closed questions if the proposed responses were not sufficient for stating facts or expressing opinions.

The research population consisted of high- to mid-level managers who discharge duties as Presidents of Management Boards, Board members, Directors or Department Heads who speak Croatian, who are responsible for managing real estate and who participate in the decision-making process concerning real estate purchase, sale or lease. All the abovementioned managers worked for companies that did business in Croatia at the time of research and used office space for a significant part of their business. The research population was genuine and predetermined; however, no secondary source of data was available for the research population.

The research was conducted on a non-probable and purposive sample composed of 1,830 units. The sampling frame was taken from the contact database of Filipović Business Consulting Ltd, a company performing real estate brokerage and consulting in the commercial real estate market and in commercial real estate development projects, and which organized the Annual International Conference on the Real Estate Market in Croatia every year between 2005 and 2011.

The business activity of the respondents’ companies constituted a certain limitation of the sample. Namely, most of the respondents participate in the real estate market and in commercial real estate development projects so their approach to office space may be encumbered in a way by their professional viewpoints and knowledge that other users of office space do not possess. Therefore, the structure of respondents with respect to the links their companies had with real estate was investigated in the context of the survey. Of a total of 290 respondents, 185 (63.79%) were employees of companies that were linked to real estate, and 105 (36.21%) were employees of companies not linked to real estate. The question as to which business sector each respondent’s company belonged was also examined. The results are shown in Figures 1 and 2.
Figure 1: Respondent structure with respect to the business sector within the group of companies linked to real estate (185 respondents from a total of 290):

Source: N = 185/290

Figure 2: Respondent structure with respect to the business sector within the group of companies linked to real estate (105 respondents from a total of 290)

Source: Survey, N = 105/290

In addition to the type of the business sector, ownership – whether the company for whom the employees worked was primarily locally or internationally owned was examined; out of a total of 290 respondents, 210 (72.41%) worked in predominantly local companies, 24 (25.51%) in predominantly foreign companies while 6 (2.07%) respondents did not elaborate.

4.2. Survey results and verification of the hypotheses

Data collected in the research were analyzed by using descriptive statistics and the Microsoft Excel computer program, with the results pre-
4.2.1 Effect of office space on corporate image

The first group of results pertains to the questions related to the correlation between corporate image, office space and location, which include the effect of office space on corporate image; the factors of office space that affect corporate image the most, and the type of company to which location is the factor that affects corporate image the most and that influences the decision to use or purchase products and/or services of those companies.

To validate the first main hypothesis (H1), two questions were posed. The respondents first had to respond if they believed that office space affects corporate image. In the second question, the respondents needed to rank the factors of office space that affect corporate image, ranging from those that most affect corporate image (ranked 1) to those that least affect corporate image (ranked 10). It was determined that a total of 287 (98.7%) respondents believe that office space affects corporate image and only 1 (0.34%) respondent believes that office space does not affect corporate image while 2 (0.69%) respondents replied that they did not know. According to the respondents’ replies, the highest-ranked office space factor that affects corporate image is location, with a mean of 4.24 (Figure 3). Based on these results, the first primary hypothesis (H1) was accepted.

The rank structure assigned to location as the top-ranked factor shows that 149 (51.38%) of 290 respondents put location in the first place and 41 (14.44%) respondents put it in second place. The second-ranked office space factor that affects corporate image is office interior, which 41 (14.14%) respondents put in the first place while 32 (11.03%) respondents put it in second place.

The secondary hypothesis H1a was tested through the respondents’ answers to the two questions in which a five-point Likert scale was offered (1 – does not affect, 5 – markedly affects). The respondents were asked to use the first Likert scale to indicate how office space location affects the image of various types of companies

Figure 3: Average rank of office space factors that affect corporate image (1– highest-ranked, 10 – lowest-ranked)

Source: survey, N=290
and the second for their view of how location affects the decision to use or purchase products and/or services of that company. In order to test the secondary hypothesis H1a, the mean of all five points of the scale was calculated.

With respect to the effect of location on corporate image, it was confirmed that banks scored highest with a mean ranking of 4.24 (1 – does not affect, 5 – markedly affects), followed by lawyers with a mean ranking of 3.99 and marketing agencies with a mean ranking of 3.98 (Figure 4). With respect to the effect of the office space location on the decision to use or purchase products and/or services, banks ranked the highest with a mean of 3.69. Marketing agencies with a mean ranking of 3.61 came second, followed by lawyers with a meaning ranking of 3.50 (Figure 5).

**Figure 4:** Effect of office space location on the image of various companies (1 – does not affect, 5 – markedly affects)

![Figure 4 Graph](image)

Source: Survey, N=290

**Figure 5:** Effect of office space location on the decision to use or purchase products and/or services of various companies (1 – does not affect, 5 – markedly affects)

![Figure 5 Graph](image)

Source: Survey, N=290
Since banks are financial institutions, and lawyers and marketing agencies are providers of high value-added and highly intangible professional services, the secondary hypothesis H1a was accepted in its entirety.

In Table 1, the mean, standard deviation and p-values are shown side by side; the p-values were calculated by using a t-test to compare the means of the effect of office space location on corporate image and the effect of office space location on the decision to use or purchase products and/or services for specific types of companies. For the majority of companies the p-value is less than 0.01, which implies the existence of a statistically significant difference between the effect of office space location on corporate image and the effect of office space location on the decision to use or purchase products and/or services. When it comes to food manufacturers and distributors or construction companies, the p-values are greater than both 0.01 and 0.05, which means that for these two types of companies there is no statistically significant difference between the effect of location on corporate image and the effect of office space location on the decision to use or purchase products and/or services. These findings support the acceptance of hypothesis H1a.

Table 1: Comparison of the mean values of the effect of office space location on corporate image and on the decision to use or purchase products and/or services for specific types of companies (p-value calculated by means of a t-test)

<table>
<thead>
<tr>
<th>TYPE OF COMPANY</th>
<th>EFFECT ON IMAGE</th>
<th>EFFECT ON THE DECISION TO USE OR PURCHASE PRODUCT AND/OR SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MEAN</td>
<td>STANDARD DEVIATION</td>
</tr>
<tr>
<td>Banks</td>
<td>4.24</td>
<td>1.00179</td>
</tr>
<tr>
<td>Telecommunications companies</td>
<td>2.99</td>
<td>1.148143</td>
</tr>
<tr>
<td>Architects</td>
<td>3.58</td>
<td>1.053378</td>
</tr>
<tr>
<td>Lawyers</td>
<td>3.99</td>
<td>0.962958</td>
</tr>
<tr>
<td>Investment funds</td>
<td>3.58</td>
<td>1.072645</td>
</tr>
<tr>
<td>International corporations</td>
<td>3.74</td>
<td>1.061440</td>
</tr>
<tr>
<td>Petrochemical and energy companies</td>
<td>2.06</td>
<td>1.095576</td>
</tr>
<tr>
<td>State companies</td>
<td>2.18</td>
<td>1.047841</td>
</tr>
<tr>
<td>Food manufacturers and Distributors</td>
<td>2.34</td>
<td>1.151023</td>
</tr>
<tr>
<td>Marketing agencies</td>
<td>3.98</td>
<td>0.927905</td>
</tr>
<tr>
<td>Construction companies</td>
<td>2.37</td>
<td>1.021870</td>
</tr>
</tbody>
</table>

Source: Survey, N = 290
4.2.2. Office space selection and design

The second group of results refers to the questions related to the selection and design of office space; it encompasses the questions related to which managers within the company need to participate in deciding on the selection of a new office space, to whether or not there is a standard for selecting, designing, equipping and furnishing office space; to the need to employ an architect for the interior design of the office space, and to the reasons for relocating to a new office space.

The results show that 266 (91.72%) respondents believe that the President of the Board, Board members or the Director need to take part in decision-making about the selection of a new office space and 230 (79.31%) think the owner(s) should be involved in the decision-making process (Figure 6). Therefore, the second principal hypothesis (H2) was accepted.

Also, 188 (64.83%) respondents were found to believe that the Marketing Director should participate in deciding on the selection of a new office space, with 140 (48.28%) seeing the Director of Public Relations as the person who needs to be involved in the selection of a new office space while 85 (29.31%) respondents believe that the Director of Corporate Communications should take part in the decision-making process (Figure 6). Since a significant number of respondents believe that the Marketing Director and the Director of Public Relations need to participate in deciding on the selection of a new office space, the second secondary hypothesis was rejected.

Furthermore, the results of the survey show that 162 (55.86%) respondents replied that their company had a standard for selecting, designing, equipping and furnishing office space, with 106 (36.55%) saying that their company did not have such standards while 22 (7.59%) respondents did not know the answer to the question. Therefore, secondary hypothesis H2b was rejected.

During the interviews in the first phase of the survey, some respondents stated that the majority of predominantly locally-owned companies do not have a standard for selecting, designing, equipping and furnishing office space while most companies with predominantly foreign ownership do have such standards. Therefore, the respondents who participated in the survey...
were asked a question aimed at establishing the difference between predominantly domestic and predominantly foreign-owned companies with respect to the existence of standards for selecting, designing, equipping and furnishing office space. Out of a total of 210 respondents from predominantly locally-owned companies, 106 (50.48%) replied that the company had a standard for selecting, designing, equipping and furnishing office space, 89 (42.38%) said that they did not have a standard for selecting, designing, equipping and furnishing office space while 15 (7.14%) respondents did not know the answer to the question. Out of a total of 74 respondents whose companies were predominantly foreign-owned, 55 (74.32%) said that their company had a standard for selecting, designing, equipping and furnishing office space, 15 (20.27%) responded that they did not have a standard for selecting, designing, equipping and furnishing office space and 4 (5.41%) did not know how to respond.

Table 2 shows the empirical and theoretical frequencies calculated in order to apply the Chi-square test. By means of the Chi-square test the p-value was found to be less than 0.01, which indicates that there is a statistically significant correlation between the type of company ownership and standardization with regard to the selection, design, equipping and furnishing of office space.

Table 2: Assessment of normality of distribution (Chi-square test) standardization in office space selection, design, equipping and furnishing

<table>
<thead>
<tr>
<th>COMPANY OWNERSHIP</th>
<th>STANDARD</th>
<th>PREDOMINANTLY DOMESTIC</th>
<th>PREDOMINANTLY FOREIGN</th>
<th>NO RESPONSE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STANDARD</strong></td>
<td>YES</td>
<td>106</td>
<td>55</td>
<td>1</td>
<td>162</td>
</tr>
<tr>
<td></td>
<td>NO</td>
<td>89</td>
<td>15</td>
<td>2</td>
<td>106</td>
</tr>
<tr>
<td></td>
<td>DO NOT KNOW</td>
<td>15</td>
<td>4</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>210</td>
<td>74</td>
<td>6</td>
<td>290</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPANY OWNERSHIP</th>
<th>STANDARD</th>
<th>PREDOMINANTLY DOMESTIC</th>
<th>PREDOMINANTLY FOREIGN</th>
<th>NO RESPONSE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STANDARD</strong></td>
<td>YES</td>
<td>117.31</td>
<td>41.34</td>
<td>3.35</td>
<td>162</td>
</tr>
<tr>
<td></td>
<td>NO</td>
<td>76.76</td>
<td>27.05</td>
<td>2.19</td>
<td>106</td>
</tr>
<tr>
<td></td>
<td>DO NOT KNOW</td>
<td>15.93</td>
<td>5.61</td>
<td>0.46</td>
<td>22</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>210</td>
<td>74</td>
<td>6</td>
<td>290</td>
</tr>
</tbody>
</table>

There is a statistically significant correlation (p < 0.01) between the type of company ownership and standardization in the office space selection, design, equipping and furnishing.

Source: Survey, N = 290
As many as 250 (86.21%) respondents consider it necessary to employ an architect for office space design, 31 of them (10.69%) do not see it as necessary while only 9 (3.1%) do not know. Therefore, secondary hypothesis H2c was accepted.

The need for a bigger or smaller space is the highest-ranked reason for relocating to a new office space with a mean ranking of 1.83 (Figure 7). Therefore, the third principal hypothesis (H3) was accepted.

It was determined that 118 (40.69%) respondents consider it necessary to engage multiple agents when looking for a new office space while a smaller number of them, 100 (34.48%), believe it is necessary to first independently find a suitable property and, failing that, to then hire an agent (Figure 8). Therefore, secondary hypothesis H3a was rejected.

The ranking of reasons for relocating to a new office space were analyzed in more detail. In Table 3, the obtained ranking results are shown for all of the respondents, i.e. both those working in the companies that were linked to real estate and others working in the companies that were not linked to real estate; p-values calculated by means of a t-test are also shown. For a prestigious location, there is a statistically significant

Figure 7: Reasons for relocating to a new office space

Source: Survey, N = 290
difference in the mean value \( p < 0.05 \) between the results obtained from all respondents and the respondents who worked in the companies that were not linked to real estate. Similarly, there is a statistically significant difference in the mean value between the results obtained from the respondents who worked in the companies that were not linked to real estate and those working in the companies linked to real estate. From the above, it is possible to conclude that the respondents who worked in the companies that were not linked to real estate ranked prestigious location differently from those working in the companies linked to real estate. Prestigious location was ranked fourth by the respondents working in the companies linked to real estate while the respondents who worked in the companies that were not linked to real estate ranked it sixth.

There is a statistically significant difference with respect to better transportation links and better technical features of the building between the respondents who worked in companies that were linked to real estate and those who worked in the companies that were not linked to real estate. In both target groups better transportation links were ranked third but it is obvious that the two groups perceive that reason for relocation differently; namely, the respondents working in the companies that were not linked to real estate ranked technical features of the building fourth, better than those who worked in the companies linked to real estate who ranked it sixth.
Table 3: Reasons for relocating to a new office space – compare son of mean ranks of all respondents (p-value calculated by means of a t-test)

<table>
<thead>
<tr>
<th>Reasons for relocation</th>
<th>ALL RESPONDENTS N=290</th>
<th>BUSINESS RELATED TO REAL ESTATE N=185</th>
<th>BUSINESS NOT RELATED TO REAL ESTATE N=105</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MEAN RANK</td>
<td>STANDARD DEVIATION</td>
<td>RANK</td>
<td>MEAN RANK</td>
</tr>
<tr>
<td>Reasonable price</td>
<td>3.77</td>
<td>2.19</td>
<td>2</td>
<td>3.75</td>
</tr>
<tr>
<td>The need for a bigger or smaller space</td>
<td>1.83</td>
<td>1.87</td>
<td>1</td>
<td>1.83</td>
</tr>
<tr>
<td>Prestigious location</td>
<td>4.97</td>
<td>2.66</td>
<td>4</td>
<td>4.58</td>
</tr>
<tr>
<td>Better transportation links</td>
<td>4.20</td>
<td>1.91</td>
<td>3</td>
<td>4.38</td>
</tr>
<tr>
<td>Public transport</td>
<td>6.42</td>
<td>2.01</td>
<td>7</td>
<td>6.47</td>
</tr>
<tr>
<td>More parking space than at previous location</td>
<td>5.03</td>
<td>1.99</td>
<td>5</td>
<td>5.09</td>
</tr>
<tr>
<td>More appealing architecture of office building</td>
<td>7.31</td>
<td>2.04</td>
<td>8</td>
<td>7.18</td>
</tr>
<tr>
<td>Office building surroundings – appearance of adjacent buildings, green areas, tidy environment</td>
<td>7.39</td>
<td>1.92</td>
<td>9</td>
<td>7.39</td>
</tr>
<tr>
<td>Visibility and view of office building from various distances</td>
<td>8.97</td>
<td>1.81</td>
<td>10</td>
<td>8.96</td>
</tr>
<tr>
<td>Better technical features of building – heating, air conditioning, ventilation, telecommunications etc.</td>
<td>5.11</td>
<td>2.43</td>
<td>6</td>
<td>5.37</td>
</tr>
</tbody>
</table>

Source: Survey
4.3. Research limitations

The fact that this research was conducted during the economic crisis in Croatia, when respondents’ pessimism probably had an influence on their answers, presented a limitation on the research. The second limitation was the structure of respondents. More than half of the respondents or 185 (63.79%) of them worked in companies that were linked to real estate, so the possibility that their opinions were influenced by their expert knowledge should be taken into account. The third limitation is constituted by the relatively young Zagreb commercial real estate market, where the first free market development cycle has just been completed, thus limiting the experience of the respondents.

5. CONCLUSION

The Zagreb commercial real estate market is a young market, created in 1991 with the transition of the Republic of Croatia from a socialist, centrally-planned to a capitalist economy. The need to research the Croatian and the Zagreb real estate market arose as a result of the development of this market in the office space sector which reached its peak production between 2004 and 2008. The opinion of high-level and mid-level managers on the effect of office space on corporate image, the effect of office space location on corporate image and other issues related to the selection and design of office space were investigated by conducting primary research.

The research was carried out late in 2009 and early in 2010 when the Croatian economy was caught in a deep economic crisis. Due to the economic crisis, the number of employees who worked in office spaces shrank or at least ceased to grow. This, in addition to the overproduction of office buildings in the course of several preceding years, resulted in a significantly greater supply than demand of office space on the Zagreb market. The aim of this paper was to investigate the opinion of managers regarding office space so that these results may be used by future developers and experts during the development of new office buildings, in order to create office buildings that meet the needs of their occupiers and the needs of the market. Also, the results obtained may be useful to companies during their selection of new office space.

The secondary research consisted of studying the still modest, scientific and professional literature available that makes it possible to establish a connection between the commercial real estate market and development of office buildings with the marketing of real estate (specifically office buildings) and, consequently, with corporate image.

According to the results of the primary research, it is possible to conclude that “location, location and location” still has significant importance, if not being the most important rule in the development of the real estate offer as well as a top prerequisite of real estate market success. The research has confirmed a correlation between corporate image, office space and office space location. As many as 98.9% of the respondents believe that office space affects corporate image. The role of office space location is most pronounced among banks and financial sector companies, and among the providers of high value-added and highly intangible professional services, such as lawyers, marketing agencies and similar professions.

The results obtained can be used as guidelines to all those who participate in office building development projects. However, it is necessary to explore these subjects in more detail in order to gain a better insight into the process of office space selection, and for the purpose of creating a final product – an office building and office space that will suit their future occupiers better.

Due to the specific qualities of every market that arise from the business culture, history, urbanism and other factors, the subject of office space and
corporate image in relation to the local market should be investigated systematically. It would be potentially interesting to define an image index of specific business locations and office buildings not only within certain cities but also in the global market. This should be a measure of the satisfaction of occupiers and building visitors in correlation with the image of the office building and the company that operates in it.

The space in which a company operates is an important marketing element of that company but that relationship has not been explored sufficiently. A view appearing in the professional literature recently is that location ceases to be as important as it was before the advent of information and communication technology. In a business environment where information and communication technology is becoming increasingly prevalent, “location, location and location” is no longer the only approach to selecting office space. As regards the office buildings that are not endowed with good accessibility and location advantages, “connectivity, connectivity and connectivity” has been adopted as an important differentiating ingredient of office buildings in attracting targeted groups of occupiers. While modern communication technology is certainly “pushing” office business increasingly into a virtual world, it can hardly be expected that office space will die out completely, that office work will be done entirely at home and that all communication will be done via communication technology rather than in person.

The basic aim of this research is to apply the results obtained to creating marketing strategies as well as a marketing mix of new office building projects and the reconstruction of existing buildings for the purpose of both meeting the expectations and needs of the companies which will operate in them and increasing the profitability of such projects. An additional goal is to increase awareness of the need for quality office space that may provide a motivating work environment to the employees while also serving as a positive marketing element of the company operating in that office space.

**LITERATURE**


3. Filipović Business Advisory Ltd. – www.filipovic-advisory.com


Note:
This article is based on the Master’s research thesis, ‘The influence and importance of office location on corporate image’, which the author, a postgraduate Marketing student, completed and defended orally at the Faculty of Economics and Business, University of Zagreb in 2011.

References

13. Ibid, pp. 265-266.
15. More information on Filipović Business Advisory Ltd. is available at www.filipovic-advsiory.com