GOSPODARKA SUROWCAMI MINERALNYMI

Tom 17 2001 Zeszyt 4

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Marketing strategies of gaining advantage over competitors as a form of export development in a mining company[1]

Key words

Marketing strategy, competition, low-price strategy, product diversification, concentration of production

Abstract

In the conditions of growing competitiveness on foreign markets, mining companies have to use suitable marketing strategies to put them in an advantageous position in relation to their competitors. The strategies enabling the companies to achieve that goal include the strategy of low prices in export, diversification of exported products and the strategy of concentration. The principles of each strategy and the conditions for their effective implementation are analysed. Attention is also given to risks and dangers they may involve.

Introduction

While deciding on future directions of a mining company's development, the management has an alternative — either the company will sell its products on the domestic market only, or a certain portion of products might be exported to attractive foreign markets. In this case the company has to start relations with foreign partners.

When the latter option is chosen, the company has to decide what portion of products will be sold on the domestic market and what part will be exported. At the same time the geographic directions of company's expansion have to be specified.

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[1] The study is sponsored as the UMM basic research; project no 10/10.200.100.

One can venture a thesis that as the export volumes increase, the choice of marketing strategies on the given foreign market grow in importance, as they become the stimulating factors. The very notion of a marketing strategy of a mining company and the analysis of internal and external factors determining the choice of suitable strategies on a foreign market were presented in the series of papers published in the quarterly "Management of Mineral Resources" (Gospodarka Surowcami Mineralnymi) (Podobiński 1997). They indicate that as the activities of a mining company are internationalised, its management must attach due importance to working out and implementing well-thought marketing strategies. That is the condition sine qua non for effective export. Yet in the conditions of growing rivalry on the foreign market the mining company has to find such strategies that would give it a real chance to outdo its competitors. These strategies include:

1) exporting minerals at low prices,
2) strategy of differentiation of exported products,
3) strategy on concentration on selected market segments.

1. Strategy of low-price export of minerals

The strategy of low-price is related to the strategy of market penetration (Podobiński 1996) and should be used by mining companies having strong position on the foreign market. That is an offensive strategy where the price level is the main element of rivalry. That strategy can be really effective when the mining company meets the following conditions:

1. Production costs (and sometimes also mineral processing costs) should be at low levels, yet the low or even still reduced price should guarantee break-even or even projected profits.
2. Costs of marketing (i.e. the costs of market research), promotion and distribution of products on the foreign markets should be relatively low.
3. Costs of production of minerals to be exported can be further reduced.
4. The company has an effective system of cost level monitoring, to prevent any unnecessary cost increase.
5. The demand for the exported minerals on the foreign market is so large that the company may benefit from the scale effects.
6. Considerable demand for minerals exported by the mining company allows the company to increase its market share at the cost of its competitors.
7. Business rivals present on this foreign market are not strong enough to effectively oppose the low-price strategy.
8. The mining company has a large production potential already at the time when it decides to use the low-price strategy.
9. The mining company has adequate financial resources so it can still increase production through new investments.
10. The demand for the exported mineral is elastic and price-dependent; which means that the importers' demand will grow considerably when the price is lowered.

It is obvious that the mining company may decide to choose the low-price strategy to outdo its competitors only after carrying out a thorough market research, which may impact on successful implementation of the strategy. The company has to analyse the demand for the exported minerals in market segments, especially in terms of its price-dependence, and to analyse the strength and marketing policy of its competitors. Thanks to such an approach the mining company can successfully implement the low-price strategy which has several advantages:

1) competitors may be forced to withdraw from the foreign market especially when because of their production costs they are not able to lower the price of their products in response to the low-price strategy of other companies,

2) lower price encourages importers to order products from a mining company using the low-price strategy, so the company can increase its market share,

3) lower price does neutralises the tendency to reduce imports even though the importers were planning to do so,

4) a low price of the given product does not attract new competitors.

However, the strategy of low prices based on low production costs involves certain risks and dangers, such as:

1) the company may not attach any importance to innovations of production and mineral processing nor to export- stimulating marketing activities on foreign markets since the company is trying to maximally reduce the costs,

2) that policy often neglects the development of technological and functional parameters of exported minerals, especially the level of processing; hence when the competitors choose to improve their products the importers' preferences might change — they can decide to buy more expensive yet highly processed minerals (i.e. those having more favourable technological and functional parameters),

3) activities of the competitors aimed at export diversification in terms of assortment and quality may cause that low prices will cease being the deciding factor on the side of importers,

4) inflation leads to an increase in the costs of production and marketing activities, so that the differences in price of products offered by the mining company and its competitors are becoming less marked.

No wonder that mining companies, while treating the low- price strategy as export stimulus, still seek the ways to reduce costs or at least to prevent cost increase. They often resort to "outsourcing" understood as sub-contracting certain functions to co-operating companies provided they have lower costs and that the company will not get dependent on them, the management functions will not be impaired while the quality of rendered services will not be lower (Sznajder 1992).

2. Strategy of differentiation of exported products

Another strategy aimed to give a mining company an advantage over its business rivals is differentiation of minerals for export. That means that products offered by the mining company will differ from competitors' products in that their technological and functional parameters cannot be imitated by competitors while the mining company tends to maximise the share of these products in its export offer. Potential importers ought to regard those products as impossible to order from other suppliers. Thus the importers will consider the mining company as the only supplier of minerals having the specified technological and functional parameters. In order to use the strategy of differentiation, the mining company has to meet several conditions:

1) the mining company has to be elastic and able to cater for individual needs of customers who often require products of unique or very high parameters,

2) the company has to perform a rigorous market research to decide about the market segments its will cater for,

3) the company has to attach much importance to marketing activities, starting from market research to tailoring its export product to importers' needs (i.e. providing products with specified technological and functional parameters in response to the needs of importers from the given market segment) right through to promotion and well-planned distribution of its product on the foreign market,

4) the company has to take care of its good image and its products must get high marks from the importers,

5) the company has to be innovative,

6) the company has to constantly monitor the foreign market not only to follow-up the trends and changes of importers' needs (in a given market segment), but also to find out the directions and changes of the competitors' policy (Sznajder 1992).

These conditions are rather difficult and can be met only by strong, modern and innovative companies. However, this strategy affords the company a quasi-monopolistic position on the foreign market or on targeted market segments with all the consequences of this status. At the same time the company may use a high-price strategy, also called the "skimming strategy" (Podobiński 1996).

As far as risks involved in strategy are concerned, one has to bear in mind that business activities of the mining company might be imitated by its competitors who watch and analyse the export volumes and prices and will therefore attempt to get similar results through imitation of manufacturing systems of mining companies using the differentiation strategy. Besides, the mining company which goes too far in product differentiation may lead to very high difference between its own costs i.e. costs involved in the strategy of differentiation and the costs of their competitors. In such situation the importers may choose to buy from the company's rivals. The products will be of lower quality and have lower price; which is contrary to the principles of differentiation.

3. Strategy of concentration on selected market segments

The third method the mining company might use to get better of its competitors on foreign markets is development of production of selected minerals to be exported to selected market segments. This strategy may be well used by weaker firms, that is those whose material, human and financial resources are limited and which are not able to quickly adapt to importers' needs. First of all, however, it is necessary to find so called "market niches", i.e. demand for given minerals which are not yet supplied (Sznajder 1992). Such approach, based on concentration of production and export of selected products destined for specified market segments gives weaker companies a chance to export its products and to obtain an advantageous position on those market segments which are not attractive to stronger rivals. That strategy allows mining companies which have limited resources and a weaker market position for avoiding competition on the foreign market. The key to success will be a thorough market research which enables the company to identify attractive market segments and to find out about the market position and activities of major competitors. Market research ought to help work out the scope and main directions of marketing activities and to specify the required technological and functional parameters of products to be exported to targeted market segments (niches). Furthermore, market research ought to develop an effective distribution network and promotion campaigns.

The main goal of the mining company is to outdo its competitors on the given foreign market as it is the basic condition for export development. First of all, the company has to identify those areas where it has advantage over its business rivals. The considerations presented in the paper indicate these might include lower production and export costs, diversification of exported products by defining the technological and functional parameters unattainable to the competitors (for instance when the technologies they use are less advanced) or concentration on selected market segments where there is still demand for the exported products. More advantageous position of the company may also have its sources in better organisation of production and sales and better customer service, though these factors seem to be of less importance.

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MARKETINGOWE STRATEGIE UZYSKIWANIA PRZEWAGI NAD KONKURENTAMI JAKO FORMA ROZWOJU EKSPORTU PRZEDSIĘBIORSTWA PRZEMYSŁU WYDOBYWCZEGO

Słowa kluczowe

Strategia marketingowa, konkurencja, strategia niskich cen różnicowanie produktu, koncentracja produkcji.

Streszczenie

W warunkach pogłębiania się konkurencji na rynkach zagranicznych przedsiębiorstwo przemysłu wydobywczego musi stosować takie strategie marketingowe, które stworzą mu na nich przewagę nad konkurentami. Wśród tych strategii, dzięki którym przedsiębiorstwo przemysłu wydobywczego może osiągnąć ten cel na interesujących go rynkach zagranicznych, wyróżniono strategie eksportu surowców mineralnych po niskich cenach, strategie różnicowania eksportowanych surowców mineralnych oraz strategie koncentracji. Zanalizowano istotę każdej z tych strategii, określono podstawowe warunki ich skutecznego prowadzenia, a także zagrożenia i ryzyka związane z ich stosowaniem.