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Market gap strategy as an element developing export by mining companies

Key words

Market gap, export, marketing strategy, promotional activities

Abstract

Taking into consideration rivals present at a certain foreign market, mining companies may apply both market gap and imitation strategies to develop export of the produced minerals. The most frequently used forms and conditions for effective application of these strategies, as well as benefits resulted from these marketing strategies were analysed. Hazards connected with application of these strategies were also considered.

Introduction

The paper entitled "Strategy of cooperation between companies to improve exports" (Podobiński 2001) presents the possible strategies from the point of view of the given company which intends to win the competition on the given foreign market applying both the most aggressive strategy of struggle to increase its share on the market of mineral materials and the strategy of withdrawal from the given foreign market when the earned or expected profits prove inadequate. It was also highlighted that between these two extremes there are other marketing strategies of competition depending on the criterion of relationship between the company and its competitors. The most widespread strategies are co-operation strategy, market gap strategy, and imitation strategy. As the first of the mentioned strategies has been already characterised in the paper quoted above, the other two are discussed here.

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The market gap strategy is applied mainly by such mining companies which despite their weaker technical and economic position do not want to withdraw from exporting their raw materials to the given foreign market because continuation and even development of export activities seem to be feasible. Mining companies with weaker economic position are such mining companies which do not possess adequate internal resources, that is human, material and financial resources

Such characteristic features of weaker mining companies as the lack of adequate internal resources, that is, human, material, and financial resources, low flexibility in activities and problems in meeting the changing requirements of the given foreign market make these mining companies unable to compete on foreign markets with stronger mining companies of foreign origin. That is why the only chance for weaker mining companies is finding a gap on the foreign market where competition is lower or even non-existent. A market gap (gap in supply of goods) is understood as a group of products (or a specific product) of certain quality designated for a specifically defined group of buyers, which is not produced in a sufficient volume, that is, the volume is not enough to meet market demand (Sznajder 1992). If such is the case, a mining company afraid of confrontation with a stronger competitor on the foreign market, which at the same time is looking for possibilities of extending its export of produced mineral materials should search for a market gap, defined as above, in order to develop its export activities. The company should find a market where supplies of such products are not sufficient. Such situation may originate from the fact that suppliers present on the market has upgraded their production and sell products with better technical and economical parameters, or they have found more attractive markets and withdrawn the market in question. Such market left by stronger suppliers may open to mineral materials of worse technical and economical parameters which may be exported to this market by mining companies with weaker technical and economical position which will not have to face competition with stronger mining companies. The weaker mining companies may imitate production and sale methods of the previous sellers who have withdrawn from the market, linking the market gap strategy with the strategy of imitation of products made by previous suppliers. Therefore this type of market gap strategy is most often a kind of the imitation strategy.

A market gap may originate not only from withdrawal of producers and exporters of certain minerals from the given foreign market. It may be also originated from new demands of importers as to the technical-economical parameters of specific mineral materials. A growing demand for this kind of mineral materials from the side of the importers, who very often have special requirements as to the characteristics of such minerals, as well as stimulation of the demand by promotional activities of the company — a leader on the foreign market — which intends to create a new market for its product may also result in the market gap because such leader may fail in meeting such demand. A market gap originated from such situation is of another character, namely it is an innovative market gap. However, the innovative market gap strategy described above, is feasible for a mining company with strong technical and economical position, a leader in supplying the given foreign market, (or a company of similar strength), because only such company is able to meet sophisticated needs and requirements of importers dealing with specific types of mineral materials.

Having analysed the market gap strategy one comes to the conclusion that a gap may be either of imitative or innovative character. The former gives for weaker mining companies of the extractive industry a chance to develop their export activities, the latter may be applied by the mining companies with leading position in supplies of mineral materials required by the importers on the given foreign market.

In both cases, the major advantages of the analysed strategy of market gaps are:

- possible extension of the export volume of mineral materials produced by a mining company to the foreign market;
- creation of favourable conditions for mobilisation of the company's resources, mainly human resources, in order to exploit opportunities arising from skilful and well considered application of this strategy;
- avoiding expenses on a risky struggle with competitors for winning a foreign market of specific types of mineral materials, because in case of an imitative gap the competitors are evaded, or they are absent — at least to a certain moment — in case of an innovative gap;
- possibilities of cost reduction in production and export of minerals, especially when advantages originated from the volume of production are exploited, that is, when the market gap is large enough.

The basic conditions needed for application of market gaps are:

- correct research of foreign markets demand for the products of a mining company aiming at finding a market gap which will be the basis for exporting the minerals produced by the company;
- having adequate production capacity that will ensure such technical-economical parameters of the products exported by the company as required by the importers representing the market gap;
- promotional activities oriented on importers representing the market gap;
- forms and means of distribution, which will help the company to reach a segment of the foreign market connected with the market gap.

A mining company must also be aware of hazards connected with the discussed marketing strategy. The major hazards are:

- other mining companies may be encouraged to export similar minerals to the same market gap as the analysed company. Such situation may sometimes cause a competitive struggle between the company and such competitors;
- unstable character of the detected market gap arising from the changeability of the volume and structure of the demand by the importers of specific types of mineral materials, which, at best, leads up to difficulties in undertaking decisions concerning the production of the company applying this strategy, and at worst — to undertaking wrong decisions;
- possibility to meet the policy of import limitations concerning the specific types of mineral materials in the importing country, where the company has found a market gap. These limitations may be both of economical and administrative character.

As the analysed strategy of market gaps has both pluses and minuses, its influence on extension of export abilities of a company producing mineral materials depends on skills of the management of the company in application of this strategy. The management must ensure

legal-organisational conditions to access to a desired gap on the foreign market. This requirement proves again the importance of human resources, and especially the managing staff, in connection with the process of exporting mineral materials.

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STRATEGIA LUK RYNKOWYCH JAKO CZYNNIK ROZWOJU EKSPORTU PRZEDSIĘBIORSTW PRZEMYSŁU WYDOBYWCZEGO

Słowa kluczowe

Luka rynkowa, eksport, strategia marketingowa, działalność promocyjna

Streszczenie

Z punktu widzenia stosunku do konkurentów na danym rynku zagranicznym przedsiębiorstwo przemysłu wydobywczego może stosować zarówno strategię luk rynkowych, jak i strategię imitacji, jako czynniki rozwoju eksportu wytwarzanych surowców mineralnych. Zanalizowano najczęściej stosowane formy tych strategii oraz warunki ich skutecznego stosowania, a także korzyści płynące z prowadzenia tych strategii marketingowych. Zwrócono również uwagę na zagrożenia, jakie powoduje ich stosowanie.