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Development of a marketing strategy to increase exports of minerals¹

Key words

Marketing strategy, minerals, mining industry, market research, company's resources

Abstract

Marketing is growing in importance in management of mineral resources hence mining companies give more attention to the choice of suitable marketing strategy. Development of a marketing strategy for a given foreign market involves formulation a strategy for minerals export, implementation of the strategy and evaluation of company's performance on the foreign market. The basic conditions for formulation of a marketing strategy for mineral export development are analysed. These conditions include: market research, defining the company's mission on the given foreign market and inner strength of the company determined by its human and financial resources, materials and assets.

In the condition of market economy, marketing in the sector of mineral resources management is growing in importance hence the choice of a marketing strategy of a mining company is thought to be a major problem. The concept of a "marketing strategy" was explained in the paper "The concept of a marketing strategy of a mining company" (Podobiński 1997).

It was emphasised that the marketing strategy of a mining company ought to be understood as choosing and defining the company's objectives and aims in the light of the current market conditions on the foreign markets and the choice of rules and principles of operation which would set the directions for marketing activities of the company taking into account the amounts,

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combinations and allocations of available resources in the changing marketing conditions — the is depending on the market surroundings and competition. To simplify matters, the marketing strategy can be understood as a strategy of a mining company on the foreign market, being the result of the management's setting the directions for company's business activities. This strategy is understood here as activities of the mining company on the given market in the conditions of dynamic (i.e. time-variant) needs of customers and competitors' strength. In the light of this definition, the strategy involves constant adaptation of the company to changes in its direct environment and using such means and methods of market activities to ensure the achievement of specified goals in a cost- effective manner.

One has to bear in mind that one of the most important marketing decision made by the management is the choice of markets for the company's products. Generally speaking, the company 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. It can be assumed that as the export volumes increase, the choice of marketing strategies on the given foreign market grows in importance, as the strategies become the stimulating factors. Furthermore, as the process of internalisation of company's operations is accelerated, its management must attach due importance to working out and implementing well-thought strategies on the foreign markets. That is the necessary condition for successful export of minerals produced by the mining company and for outdoing the company's rivals on the given foreign market.

Development of the marketing strategy will involve three basic issues:

- 1) formulation of a marketing strategy for export of minerals produced by the mining company and introduced on the foreign market,
- 2) implementation of the strategy to increase exports,
- 3) evaluation of company's performance on the given foreign market.

As far as formulation of the marketing strategy is concerned, which is the subject of the present study, market research and defining the company's mission, goals and the ways these could be put into effect are of primary importance. That should be supported by the analysis of inner strength of the company in relation to the company's policy on the given foreign market. At the stage of implementation, detailed export-stimulation programmes are worked out, taking into consideration the sources of finance for the enterprise, i.e. the budget for the accepted marketing strategy. The conditions and requirements for monitoring the company's performance and evaluation of results have to be worked and compared with the planned solutions developed at the stage of strategy formulation.

It has to be emphasised that the basic condition of a successful marketing strategy for export is identification and analysis of the foreign market. This analysis has to be the starting point for the marketing strategy. In mining companies using the dynamic marketing the analytical and research work is of primary importance and encompasses the observations, market analyses and forecasts of changes of basic market categories. That fundamental information is necessary for developing a marketing strategy so that the company can in the first place introduce its products

to the given foreign market and secondly — so that it could strengthen its position on existing markets. It is no wonder, therefore, that market research understood as gathering, compilation and processing of information about foreign markets becomes increasingly important as it is the starting point for choosing a suitable sales strategy.

The field of market research which serves the purpose of creation of a well-thought marketing strategy is rather extensive. That is borne out by Table 1.

Legend:

- A. Production volume and structure
- B. Locality of production
- C. New production capacities
- D. Reserves policy
- E. Labour demand
- F. Absorptivity of the market
- G. Market segmentation
- H. Sales volume and structure
- I. Price policy
- J. Distribution channels
- K. Techniques and methods of promotion
- L. Promotion channels
- M. Promotion budget
- N. Allocation of promotion budget between territories and the types of promotion activities
- O. Creation and implementation of budget
- P. Price policy and strategy
- Q. Finance for fixed assets
- R. Finance for current assets
- S. Discount policy
- T. Aims and objectives in terms of marketing
- U. Budget control
- V. Market changes as a result of marketing activities
- W. Changes in sales volume and structure
- X. Changes of price policy
- Y. Setting the directions for future activities

The subject matter of market research aimed to define the conditions and chances for maintaining or increasing sales levels in the mining company is not only the analysis of the market. Market research encompasses also the analyses of minerals as products of the company as well as customers' needs. It also answers the question whether the products meet the customers' needs, which products are offered by competitors and how the company's products compare with those of its competitors as well as it suggests the actions that should be taken so that the product would be more competitive in the future.

Market research also involves the studies of how the mining company affects the market in terms of requirements posed by the foreign market as to applicable techniques and methods of promotion, the way the competitors run their business and evaluation of company's influence.

Market research of the foreign market for minerals

TABELA I

Badania marketingowe zagranicznego rynku zbytu danych surowców mineralnych

The subject of market research for the foreign market	Decisions in the field of																								
	production					sales					promotion				Financial management				Marketing management						
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y
Analysis of economic trends in importers' country	X		X	X		X	X	X	X				X	X	X	X	X	X		X	X	X		X	X
Analysis of economic trends in sectors utilising the minerals in the importers' country	X		X	X		X	X	X					X	X	X	X	X	X		X	X		X		X
Analysis of importers' needs and preferences	X	X	X			X	X	X	X	X	X		X	X	X	X				X	X	X	X		X
Analysis of absorptivity of targeted market segments	X		X	X	X	X	X	X	X	X	X		X		X	X	X	X		X	X		X	X	X
Analysis of size and structure of importers' demand	X	X	X	X	X	X	X	X	X		X	X			X	X			X	X			X	X	X
Analysis of minerals exports trends	X		X	X		X	X	X	X	X	X	X	X		X	X	X	X		X		X	X		X
Analysis of market effects in importers' country	X	X		X		X		X	X				X		X	X			X	X		X	X	X	X
Analysis of export price movements	X		X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Analysis of market conditions in the importers' country	X		X	X		X		X	X				X		X		X		X	X		X	X	X	X
Forecasts of market changes in the importers' country	X		X	X	X	X	X				X	X			X	X			X	X		X	X	X	X
Access to market in importers' country and prevailing conditions	X		X		X	X		X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X
Competitors on the importer's market and their strategies	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X
Techniques of distribution on the foreign market	X		X			X	X	X	X	X		X			X	X	X	X	X	X	X	X	X	X	X
Evaluation of conditions for promotion on the foreign market								X	X	X	X	X	X	X	X	X			X	X	X	X	X		X
Analysis of the legal system in the importers' country						X	X				X	X							X	X					X
Possibility of strategy change in response to the change of market conditions	X		X	X		X	X	X	X	X	X	X			X	X			X	X	X	X	X	X	X

* Author's sources and elaborations.

Market research should also involve the studies of sales and distribution of company's products on the foreign market. All things considered, the subject matter of market research is not only the analysis of the given foreign market but also the possibilities of promotion. Besides, defining the conditions and methods of price policy and strategy, as the element of sales and distribution, is possible only when the conditions for using given price strategies are duly evaluated on the basis of market research. As an example one can mention the strategy of "skimming" i.e. sale of the product at high price at the same time defining the upper price levels acceptable to importers or the strategy of market penetration defining the limits for selling products on the given market at lower price than that asked by the competitors.

It is only when market research is treated extensively that it can be a really effective tool allowing to define the basic requirements that have to be met to identify the markets for the company's products. These problems are presented in Table 1, which gives a detailed description of the subject of market research (lines) and the decisions made by mining companies relating to production, distribution, sales, promotion, finance and marketing management (columns). This study shows that the problem of marketing research is broad and difficult.

Therefore, thorough market research is the starting point for choice of company's sales policy based on its marketing strategy.

Another important point for export development is defining the company's mission on the foreign market, its goals and the methods to achieve them. One has to bear in mind that every company, no matter what the scale of its operations, functions in definite surroundings. Moreover, the resulting external factors determined by the pace of market changes have a growing influence on the scope and methods of company's business activities. Thus the company has to define its position in relation to the surroundings. In other words, the company has to define its mission understood as the plan of expectations indispensable for company management. Without that plan company's operations would not be justified or coordinated. Considering the opinions of L. Krzyżanowski, the company's mission can be described as the object of aspirations or constant tendencies usually defined in company's Statute or Articles of Association as desired activities. Company's mission is therefore the plan of expectations defining the ultimate aims and objectives (Krzyżanowski 1992). In the light of these considerations, the mission of a mining company can be defined as follows:

1. The main aim incorporated in functioning and development of the given sector.
2. Production of minerals having the required technological and functional parameters.

In terms of company's business activities on the foreign markets, the mission of a mining company means the aspiration to strengthen its market position through catering for importers' needs (treated dynamically). Formulation and realisation of such aims require a suitable marketing strategy on the given foreign market, the strategy that would help in implementation of company's mission. The necessity for detailed market research is closely related with this postulate. Market research ought to be supplemented with defining the company's market position, as it is a major element in choosing the marketing strategy. Beside the study of the foreign market, determining the company's market position is often the starting point for the choice of strategy. The paper "Market position of a mining company on a foreign market as a determinant of its marketing strategy" by Podobiński (Podobiński 1997) is devoted to this problem and the basic techniques for evaluating the company's position on the market are

characterised: absolute and relative market share, the Portfolio analysis, SWOT analysis. This problem ought to be considered when the company is choosing its marketing strategy especially while evaluating the position of its major competitors as in many cases that would be the starting point for marketing decisions resulting from the marketing strategy. There is no doubt that before the company chooses or formulates its marketing strategy it should first evaluate its position in relation to major competitors on the foreign market, using the available techniques and methods and taking into account the projected directions and dynamics of changes.

Another important point in working out the marketing strategy for export of minerals is the analysis of inner capabilities of the mining company. In this way the company can take stock of internal factors it controls, which may influence the choice of particular strategies. These factors include the resources being at the company's disposal: human, material, financial resources and information. One can venture an opinion that human resources will be most important here since the skills and abilities of company's employees make it possible for the company to operate on foreign markets and determines what forms of business activities can be undertaken. Qualifications of the company's management are of primary importance here. Their qualifications and involvement in marketing activities enable them to perceive new opportunities for entering foreign markets and help them to find how to best make use of these as the management will decide about the strategy of action. When we assume that company's management and working out the strategy is not a theoretical issue only, but the ability to act, then the selection of the right people with relevant skills becomes a necessity. The main responsibility of the leaders — people playing leading roles in the company, is ensuring the company's position on the market in the future, not only just day — to-day management of the company. In the light of the above considerations, the strategy would mean the group of techniques for achieving the approved goal within the accepted time limits.

Undoubtedly concentration on company's future position on the given foreign market ought to be the main aim of the leader or a group of leaders in the company. According to H. Mruk, abandoning the present-day aims of management while choosing the strategic thinking brings vast profit increase. The strength of the managing team sometimes lies in their ability to delegate responsibilities to lower levels of management within the accepted time limits (Mruk 1998). Such approach allows for development of an effective marketing strategy with an aim to reach the desired position on the given foreign market.

Therefore, while working on the future marketing strategy one has to select the right people who would develop and later implement the strategy. The most important point is how much they (i.e. the managers) are oriented to foreign markets and various forms of business activities there. The survey conducted among businessmen showed that the degree of managers' opening on foreign markets depends on their personal attitude to selling on foreign markets, age, education levels, knowledge of foreign languages, recent trips abroad, willingness to take the risk and make innovative actions, their opinions on benefits of long residence abroad, their attitude to operations on foreign markets as one of the possibilities for the company development. Some of these factors are objective in character, while other are subjective. Taking into account those factors, one can draw a portrait of a businessman open to foreign market options. That would be a relatively young person, well educated, having contacts abroad, able to speak foreign languages, having polished manners, willing to take a risk, open to innovations, ready to make decisions to

enter foreign markets. While analysing this problem, Sznajder makes an interesting evaluation of managers, defining the semantic profile of this group of people in the light of their openness to foreign markets (Sznajder 1992).

The problem of human resources as the element of creating the marketing strategy in a mining company is also related to evaluation of managers employed abroad, in company branches or affiliated companies. Those working abroad should meet more exacting standards than those operating on the domestic market only, especially in terms of their knowledge, professional skills and personality. The ranking list of the criteria for selection of people who will be employed in company branches abroad prepared by Sznajder on the basis of research conducted in German companies shows that the most important factors are: levels of qualifications, experience in work abroad, readiness to assume responsibility for their decisions, ability of team work and in further sequence: earlier work abroad, trust in company's policy (Sznajder 1992).

Therefore, the selection of managers who will work abroad, including executive managers as well, is a important element in creation of the marketing strategy since the company whose employees boast of adequate qualifications has considerable manoeuvrability while choosing the marketing strategy. When the company also produces minerals sought on foreign markets, than in combination with high personnel qualifications it can develop more offensive strategies to increase imports.

However, when the company is developing its marketing strategy, thus presented human resources have to be supported by materials and assets. As far as the marketing strategy is concerned, the most important of these are: company's equipment (machines and facilities), raw materials and minerals in the assortment of company's products. Thus understood material resources ought to be treated dynamically (as it was the case of human resources), that means when strategic decisions as to future directions for company's expansion are made, the company has to consider their present condition as well as undergoing and prognosticated qualitative, structural and quantitative changes within the specified time periods. Such approach on the part of company's management may have a decisive role in defining the marketing strategies for given foreign markets, especially in relation to strategies used by competitors.

The levels of advancement of company's equipment is the starting point for decisions relating to future exports volume and structure and it in fact determines whether the company will be able to diversify its products to cater for the needs of the targeted market segment. It has to be emphasised that machines and equipment as an element of strategy formulation have to be treated in a comprehensive manner, not only as machines and equipment itself, but also the system of production organisation and computer systems that facilitate decision making. CIM systems (Computer Integrated Manufacturing) are becoming increasingly important. Companies that have such systems, sometimes also combined with logistic systems (such as: just in time) usually get a better position on foreign markets, which is vital in competition. Introduction of CIM systems allows for reduction of production costs; it determines how much freedom the company will have in its operations and which marketing strategies it can choose.

The scope of applications of computer systems in developing marketing strategies is far from minor. For example, they are used to develop logistic systems and to make simulations of company's operations to avoid wrong decisions. New computers systems are also developed to support those involved in sales and distribution on the foreign market (CAS —

Computer Aided Selling) (Sznajder 1992). Introduction of computers does not solve all problems involved in choice and development of the marketing strategy. Computers have to be integrated with the whole company structure and employees have to appreciate the benefits of computers at work.

As far as company's financial resources are concerned, the actual amount of these may limit the choice of strategies available to the company. These possibilities are closely related to available sources of financing for the company in the condition of market economy (external and internal sources of financing). The major sources of external finance include: share increase meaning that company's capital is increased by taking new shares, equities, long-term or short-term debts, subsidies (for example subsidies for investment activities). The sources of internal finance are retained profits (after dividend), depreciation allowances or sales of company's assets.

The analysis of possible sources of financing leads us to the conclusion that financing for implementation of the company's strategy depends on how the profits are used, which portion is paid out as dividend and which portion is retained. It also depends on pricing strategies aimed at sales maximisation in the conditions prevailing on the given market as well external sources. This order is imposed by the fact that the company which utilises mostly internal sources of financing can expand mainly thanks to retained profits which are used to finance the company's strategy on the given foreign market while the ratio of external sources of finance is relatively low. However, in some situations companies have rely to external sources of finance in a large extent, for example they have to take a credit. In such situations they have a wider choice of available marketing strategies, yet the high gearing ratio increases the financial risk and since the company has to repay the loan with the due interests its production costs will grow which might offset the benefits it gets from a large market share and production scale.

Good knowledge of company's resources, especially human resources, enables the company to develop the marketing strategy inside the company, not outside (for example by consulting agencies). Company's employees know best the potentials and possible directions for company's development and have their own interest to ensure the optimal growth. That leads to the conclusion that was already made before: people are the most precious assets. Using employees' skills and encouraging them to develop their talents may help develop the marketing strategy in a cost-effective manner. Besides, when employees are involved in the process of creation of the marketing strategy that gives them an urge to improve their qualifications and they become interested in their personal progress. That is an important aspect since the company can succeed on the given market provided it concentrates on targeted market segments and groups of importers and also it has to concentrate on its inner elements – for instance through motivation of employees. An effective strategy and motivation of employees are the keys to succeed on the market. On the other hand, the success will motivate employees. This works like a feedback loop, since most employees want to work in a successful company, a company that wins the competition with business rivals.

This study shows that developing a marketing strategy to increase exports is a complex and difficult process. First of all, the problems presented here have to be solved. Developing a well-thought strategy and its implementation require adequate financial resources. That may present certain difficulties, especially in present day situation of most mining companies, yet

without the marketing strategy for exports increase the company has no chance to get better of competitors on foreign markets.

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ANDRZEJ PODOBIŃSKI

TWORZENIE MARKETINGOWEJ STRATEGII ROZWOJU EKSPORTU SUROWCÓW MINERALNYCH

Słowa kluczowe

Strategia marketingowa, eksport, surowce mineralne, przemysł wydobywczy, analiza rynku zagranicznego, zasoby wewnętrzne przedsiębiorstwa

Streszczenie

Miarą rosnącego znaczenia marketingu w funkcjonowaniu gospodarki surowcami mineralnymi jest przywiązywanie coraz większego znaczenia do wyboru strategii marketingowej przedsiębiorstwa przemysłu wydobywczego. Problematyka tworzenia strategii marketingowej danego przedsiębiorstwa na rynku zagranicznym obejmuje formułowanie strategii marketingowej eksportu wytwarzanych przez niego surowców mineralnych, realizację w praktyce wybranej strategii marketingowej, kontrolę i oceną uzyskanych efektów przemyślanej strategii marketingowej rozwoju eksportu surowców mineralnych, za które uznano analizę zagranicznego rynku zbytu, prawidłowe określenie misji przedsiębiorstwa przemysłu wydobywczego na danym rynku zagranicznym oraz wewnętrzne możliwości przedsiębiorstwa wynikające z jego zasobów osobowych, rzeczowych i finansowych.