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Foreign market research as the key element in the export of minerals

Key words

Marketing research, marketing strategy, marketing management, minerals, export, foreign market analysis, mining industry

Abstract

In order to ensure successful exports of minerals and metals the current information is required about the situations on the importers' markets. Properly conducted foreign market research facilitates the data collection, at the same time minimising the risks due to exporters' mistakes and helping formulate an effective marketing strategy. Table 1 shows the main categories of exporters' decisions: those relating to production, exports, promotion, financial and marketing management. The rows show the key aspects of marketing research. It is readily apparent that these decisions depend on the marketing research. However, insufficient awareness of the importers' demands and the competition on the foreign markets may lead to the situation where companies lose the deal or come to limit their export levels.

Marketing research is the basis of successful marketing management, being a starting point for marketing management in the minerals and metals sector, understood as defining the marketing activities (based on the market research study) to be undertaken by a company from the minerals extraction sector. Of major concern are widely understood company's

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assets and the new potentials of company's development, supported by planning of actions required to achieve the pre-determined goals. As regards a mining company engaged in exports of metals or minerals, marketing management might be defined on one hand as the analysis of current conditions for business at the specified markets and the analysis of changes of business tendencies in association with the evaluation of potentials and methods and conditions for the market activities. On the other hand, it ought to be seen as planning and undertaking of strategic activities which have to be performed on those markets in order to achieve the projected goals, both in short- and long-time range. These activities should consist in implementing the approved programs of market activities to be undertaken on the foreign markets and, most of all, in monitoring and evaluation of the company's performance on the given market, taking into account the market types and selected groups of mineral and metals importers (purchasers of the company's products), and in verification of the approved programs when the market conditions should change.

Accordingly, a correct procedure of marketing management in the companies from the extractive industry sector exporting minerals and metals, involves six stages:

1. Analysis of company's situation on the given foreign market where the given mineral and metal is being evaluated by purchasers in terms of their purity (quality) and potentials for further processing, this evaluation being based on market research. Importers request information to what extent the exported mineral or metal meets their requirements, what sorts of minerals or metals are offered by the competitors and how the products of the rival companies should compare and which actions ought to be undertaken so that the company's product should be more competitive on that market. At that stage the assessment of company's performance on the given market is required, particularly in the context of the amount and structure of export costs and their projected tendencies. These costs are to be analysed in relation to the achieved profits, following the identification of the company's strengths and weaknesses on the given market supported by the similar analysis performed for the company's major business rivals.
2. The stage when major changes in the company's performance on the given foreign market are forecasted in a specified time horizon. This evaluation should utilise the forecasts of the changes in business conditions the determine the company's marketing strategy on the foreign market and should cover the analysis of major tendencies of supply and demand for company's products, pricing tendencies, access to the foreign market, distribution conditions, and the analysis of business tendencies of major rivals in conjunction with the analysis of economic policy in the importer country. The role of market research at this stage of marketing management when key future forecasts are made is far from minor, though one has to bear in mind that that extending the results of current research to the future periods is rather risky in that business conditions on the given foreign market might change rapidly.
3. The preliminary planning stage, in association with the approved marketing strategy on the given foreign market aimed to help achieve the company's objectives — entering a new market or increasing the market share. Marketing research at this stage might help define the most effective methods of promotion and distribution so that the company's

goals should be achieved. At that stage they serve to plan how to utilise them in an optimal manner on the given foreign market.

4. The stage where detailed tactics and techniques are designed, basing on analyses of the market research data. At that stage the effectiveness of undertaken marketing activities is verified on the basis of market research data and the conditions that favourably impact on the company's performance on the given foreign market should be identified and evaluated. Determined at this stage are activities aimed to further the company's goals in terms of efficiency and market performance approved on the basis of market research.
5. The stage when the solutions adopted in the previous stages are to be implemented. This stage involves a number of business operations undertaken to achieve the company's goals in terms of minerals or metals exports, formulated in the form of action plans prompting the formation of the appropriate organisational units within the company and ensuring the company's presence on the given foreign market by relegating or accrediting some employees who are sent there. Alternatively, the company's business representatives are sought in the business sector in the target country.
6. Evaluation and progress monitoring stage, involving the conclusions and future recommendations. Of major interest are the changes that occurred on the given foreign market due to the marketing activity of the mining company, the changes of importers' opinions about the products exported by the company and the company's image.

The fundamental stages of marketing management in companies from the extractive industry sector reveal the key importance of market research in the export of minerals or metals. This role is also emphasised by the main principles of marketing management in companies, the most important of them stipulates that a company must not wait for a purchaser- an importer of minerals or metals already produced by the company and stored to be exported at profit. Instead a company performs a thorough market research and analysis of the foreign market and utilises the research data to make the key business decisions, at the same time encouraging potential importers to buy its products and to organise a most effective distribution system. The criterion for the decision-making in terms of marketing management is the full and dynamic market orientation. That is why mining companies using the dynamic marketing on foreign markets perform a great deal of market analyses and research, to monitor the market conditions and forecast the changes in the major economic parameters in order to formulate the company's strategy for introducing its products on the market or increasing or retaining its market share. Of major consideration is the market research, understood as gathering, processing and analysis of foreign market data, required for undertaking well-thought and justified marketing decisions, sometimes of strategic importance. Decisions made on that basis are the opposite of decisions based on intuition. Proper marketing should help vastly reduce the risk involved in production and sales of minerals and metals, though it cannot be wholly eliminated as it is impossible to take into account and prognosticate all changes on the foreign markets, particularly the fluctuations of importers' demand for the given product. The costs involved in this risk are replaced by costs of market research, which to a large extent can be assessed and replanned.

Exporting of minerals or metals requires a constant supply of information about the current situation on the foreign markets and importers. This information is the basis for the decision-making in exporter companies. The greater uncertainty level in business operations, the increased the role of that information. Foreign partners are free to choose their way of acting, and the only thing the exporting companies can do is to make predictions. No planning or control are possible. Uncertainty in business means that the decisions taken by the company may prove to be not optimal or even erroneous. In the sector of minerals and metals exports the uncertainty level is pretty high as there is a large number of factors affecting the supply and demand on the world markets and there are extensive and multi-directional price fluctuations on these markets, both in the short- and long-term range (Podobiński 1993). That is why extensive information which is the basis for decision-making such that exports risk be minimised is the necessary condition for developing an effective strategy, so that a company could perform well on the given foreign market. Foreign market research supplies the exporting companies the necessary information, allowing them to avoid some costly errors due to application of an inadequate strategy and to prevent the situation where an opportunity to increase exports should be wasted simply because the products are not tailored to the importers' needs.

The scope of foreign market research is rather extensive, which is evidenced by Table 1. Market research does not involve only analyses of foreign markets aimed to determine the necessary conditions so that a company may retain or increase its market share. Marketing research also covers the analysis of the minerals or metals — i.e. products of mining companies in the context of particular importers' needs, to check whether the exported product meets those requirements, to analyse the competitors' offer and to see how the company's products compare with those of its major rivals. Furthermore, actions are identified that have to be undertaken to make the company's product more competitive.

Marketing research also covers the analysis how that company's business activity affects the given market in terms of specific requirements of the given foreign market as to the allowed means and methods of promotion adopted by exporting companies. It is investigated how the competitors act on the market and how the market research might affect the market. Market research also covers other aspects, such as sales and distribution of products on the given foreign market (Podobiński 1994). Summing up, the subject matter of market research is not only the market analysis (as it is often perceived), as it also addresses other issues such as potential promotion of company's products. Besides, the conditions and methods of pricing policy and strategy as the elements of distribution and sales on the given foreign market can be determined only when the potential applications of given pricing strategies have been explored on the basis of market research. One of the available pricing strategies is referred to as skimming. It means that a product is introduced on a given foreign market at high price, at the same time the upper price limit acceptable to importers. The other pricing strategy, known as market penetration, suggests that limits specified such that the company shall sell its product on the given foreign market at the price lower than that charged by its major competitors (Podobiński 2004).

TABLE I

Market research and analysis of foreign market for minerals exports

TABELA I

Problematyka badań marketingowych zagranicznego rynku zbytu eksploatowanych surowców mineralnych

Scope of marketing research and analysis of a foreign market to find the potentials for exports of minerals	Exporter's decisions having relevance to:																							
	Production /output					Export					Promotion				Financial management				Marketing management					
	Production levels and structure	Location of production sites	Increase of production capacities	Stocking policy	Manpower demand	Absorption power of a foreign market	Foreign market segments	Export figures and structure	Pricing policy	Selection of distribution methods	Selection of promotion methods	Allocating the budget for promotion	Itemising the promotion budget	Budget and budget requirements	Pricing strategy and policy	Projected demand for fixed assets	Projected demand for acting capital	Credit policy	Discount policy	Setting marketing priorities	Change the levels and structure of production and exports	Market changes due to marketing activities	Changes of the pricing policy and strategy	Setting the direction for the future
Analysis of economic trends in the importer's country	x		x	x	x	x		x	x					x	x					X				
Analysis of trends in industry sectors importing minerals and metals	x	x	x	x	x	x	x	x	x	x		x		x	x	x	x			x	x	x		X
Analysis of importer's requirements and needs	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	X
Absorbing power of the foreign market	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x					x	x	x		X
Analysis of sales trends	x		x	x		x	x	x	x	x	x	x	x	x	x	x	x			x	x	x	x	X
Price fluctuations	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x			X
Analysis of business conditions	x		x	x		x	x	x	x	x				x	x			x	x	x	x	x	x	X
Forecasts of changes of business conditions	x			x		x		x	x					x	x			x	x	x	x			X
Access to the market and conditions for business						x			x		x				x					x				X
Competitors' strength and methods								x	x		x	x	x	x	x					x	x	x	x	X
Conditions for promotion						x		x	x		x	x	x						x			x		X
Conditions for distribution				x				x	x												x	x		X
Analysis of legal aspects						x													x		x	x		X
Potential adjustment of marketing strategy to the changing situation on the market	x		x	x	x	x		x	x					x	x	x	x				X			

Source: Author's own source

Such an extended scope of foreign market research ensures its full reliability and effectiveness and enables the company to determine the basic conditions necessary to retain or even increase its exports levels and to develop the company's strategy on the given foreign market. This aspect is shown schematically in table 1, showing in more detail the subject matter of marketing research to be performed and the underlying analysis of economic development trends in the importer's country and of economic trends in those sectors of industry that import minerals and metals. This approach to the importers' requirements allows for determining their current needs (i.e. minerals and metals demand) and, what is more, for finding the strategic principles for economic development in the predictable time horizon. In the consequence the company has an opportunity to monitor the directions and fluctuations of demand for the imported minerals or metals. The analysis of these trends should always be the starting point in any foreign market research, to enable the company to undertake the necessary actions as early as possible: make necessary investments to develop the required production capacities in order to adjust its export policy to the fluctuating situation on the given foreign market. In this context the detailed analysis of customers' needs and preferences can be performed and exporting companies might utilise the research data to best adapt the levels and structure of exports to the importers' needs and preferences, taking into account the scope and methods of minerals or metals processing. Further on, the marketing research helps to establish the absorbing capacity of the given foreign market, so that knowing the prevailing conditions the sales trends can be analysed. These analyses of sales trends are to be supported by the analysis of minerals and metals prices on the foreign markets, taking into account the business conditions on those markets and economic forecasts for short-term future periods. This approach becomes a condition sine qua non for the correct evaluation of export potentials. This evaluation ought to be supplemented by information from the market access analysis and promotion and distribution conditions, besides it ought to take into account the major competitors' strength and methods. The data in table 1 suggest that these issues are the subsequent aspects of foreign market research, which evidences their key role in assessing the opportunities for exports to a given foreign market. Finally, properly conducted market research should enable a mining company to modify its export strategy and adopt it to the changing market conditions (Podobiński 2005).

Table 1 lists the categories of decisions to be made by exporting companies, subdivided into those related to production, exports, promotion, financial management, marketing management. The lists of decisions together with the detailed scope of foreign market research shows how many categories of decisions ought to be based on the market research data, which evidences a key role of market research in the decision-making process in a company that plans to export minerals or metals to a given foreign market. Wasting the business opportunity to export products or increase the export levels, sometimes even leading to reduced exports volumes in relation to previous periods, is always the result of erroneous or inadequate identification of importers' needs and competitiveness conditions on the foreign markets.

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BADANIA MARKETINGOWE RYNKU ZAGRANICZNEGO JAKO PODSTAWA PROWADZENIA EKSPORTU SUROWCÓW MINERALNYCH

Słowa kluczowe

Badania marketingowe, strategia marketingowa, zarządzanie marketingowe, surowce mineralne, eksport, analiza rynku zagranicznego, przemysł wydobywczy

Streszczenie

W celu zapewnienia skutecznego eksportu surowców mineralnych wymagana jest bieżąca informacja na temat sytuacji na rynku importera. Prawidłowo przeprowadzone badanie rynku ułatwia jego poznanie, a tym samym minimalizuje ryzyko podjęcia przez eksportera błędnych decyzji, ułatwia także przedsiębiorstwu formułowanie skutecznej strategii marketingowej. Tabela 1 ukazuje podstawowe rodzaje decyzji podejmowanych przez eksporterów obejmujących produkcję, eksport, promocję, zarządzania finansami i marketing. W wierszach podano podstawowe zagadnienia związane z badaniami rynku. Jest rzeczą oczywistą, że decyzje uzależnione są od wyników badań rynku. Niedostateczna znajomość wymagań importera oraz konkurencji na rynkach zagranicznych powodować może utratę przez przedsiębiorstwo tych rynków, co z kolei prowadzić może do obniżenia jego eksportu.