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Strategy of struggle as an offensive form of marketing strategy¹

Key words

Marketing strategy, strategy of struggle, extractive industry, minerals

Abstract

The study is focused on the strategy of struggle employed by a mining company. The fundamental conditions for effective application of this strategy are analysed and its advantages and possible threats are presented.

The study "Strategy of cooperation between mining company to improve exports" (Podobiński 2001) has it that in view of company's position in relation to its major competitors on the given foreign market a mining company may choose the strategy of struggle as the form of confrontation against the competitors with an eye to increase its market share or may decide to withdraw from the given market when the actual or expected profit levels prove unsatisfactory. One has to bear in mind that in between these two extreme positions there are other marketing strategies, including the strategies of competitions. The most commonly strategies are: cooperation, seeking the market niche and imitation of competitors' activities. The first of these strategies is discussed in the study mentioned above; the market niche strategy is dealt with in the paper "Market gap strategy as an element of export development in the mining company" (Podobiński 2002). The strategy of struggle is the subject matter of the present study.

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As the name suggests, the strategy of struggle is employed when a mining company engages in a fierce rivalry with companies already operating on the target market, with an eye to increase its market share at the cost of other producers. However, a mining company might successfully employ this strategy as long as it has at its disposal adequate internal resources and the market is viewed as attractive, i.e. the demand for the company's product on the side of importers is growing; or at least when the company aims to retain its market share and sell its product at a satisfactory price.

Following the pattern used in the earlier studies on marketing strategies of mining companies operating on the given foreign market, three main aspects involved in the strategy of struggle are considered:

- fundamental conditions required for its employment,
- advantages,
- threats.

The fundamental conditions for successful employment of the strategy of struggle are:

1. Adequate identification of the given foreign market aimed to find the importers' needs and the main trends and on the other hand — to learn about the potentials of its main competitors, i.e. the companies already producing and selling products with identical or very similar technological and functional parameters. In that case it is necessary to identify the closest competitor, i.e. the mining company that exports minerals having very similar parameters, which has similar resources (chiefly internal resources) and which has similar plans in the area of marketing and targets the same segment of the given foreign market. In short, the closest competitor is that whose position is similar to that of the considered mining company.

2. Extensive marketing research aimed at better identification of the foreign market not only at the moment but also in a period of time specified in company's business plans. Furthermore, the scale and structure of importer's demand have to be taken into account to determine the pace and changing trends within the specified time period.

3. Extensive marketing research should also provide the data required for effective comparison of the company's position and that of its competitor, chiefly the closest competitor, on the given foreign market. SWOT analysis might prove a very useful tool, both while characterising the position of the mining company and its major competitors. The main principle of the SWOT analysis is that company's strengths and weaknesses are identified and so are the opportunities and threats posed by its economic, technological, legal and cultural environment (Podobiński 2000). Well-conducted SWOT analysis promptly yields the company's strengths and weaknesses on the given foreign market. Full analysis SWOT of company's major competitors on the given market shows their strong and weak points. Comparison of internal company's conditions and those of its competitors, supported by an analysis of strengths and weaknesses, allows for better identification of opportunities and directions in the struggle for the given foreign market.

4. Such confrontation, allowing for finding the competitors' weaknesses, helps to determine the best position for attack. It is of paramount importance particularly when the company should use its strength to attack the weak sides of its business rival; that means the company plays the main trumps it holds in the competition. Therefore when the company's strengths are focused on the rival's weak points, the company stands a good chance to win the competition.

5. To engage in a fierce competition on a given foreign market requires that some basic principles of the struggle strategy be observed, Sznajder (1992) provides a number of rules, the most important ones are:

- a) definition of a main goal whereby a mining company sets it as its definite goal to achieve the predetermined position on the given foreign market within a specified time period,
- b) concentration of company's activities and resources (human, financial resources and information), being the company's chief assets, in order to target the competitors' weak points (their weak positions on the given market),
- c) flexibility of approach whereby the company is able to promptly respond to any changes on the market,
- d) coordination of company's activities, where all operations run by all organisational units be coordinated and subordinated to one specified goal,
- e) security of company's operations as marketing research should supply online information on the given foreign market, on competitors' activities and the main trends on the market so that the company should not be ousted by its business rivals,
- f) element of surprise whereby the company starts its campaign at the time and place not suspected by the competitors.

6. A mining company must have free production capacities so that the production volumes can be promptly increased and those products can be provided for which there is a growing demand on the given foreign market.

7. Another important aspect are extensive promotion activities on the given foreign market and the company should make use of all available forms of promotion. The activities public relation are of paramount importance as it is necessary to create the company's image on the given foreign market so that it should be perceived as a highly advanced organisation with high potentials, well capable of catering for the importers' needs. As the company focuses on offensive promotion of its export goods, it has to allocate adequate financial resources in the budget and to compare the amount assigned for promotion with that of its major competitors.

8. Another major consideration is that a mining company has to choose adequate distribution channels in order to get better of its competitors while entering the new market. A most effective approach is to employ the business representatives operating on the foreign market as company's agents or representatives since they are best aware of the importers' requirements and market tendencies.

The main advantages offered by the strategy of struggle are:

- 1) those competitors that are not able to engage in struggle because of limited financial resources and technological capacities are eliminated from the given foreign market,
- 2) when the strategy of struggle is combined with the low price strategy, those companies that are unable to lower the prices accordingly due to their high production costs are eliminated from the market,
- 3) fast and high pace development of minerals export to the given foreign market,
- 4) increase of the company's market share,
- 5) the company's image is improved as it is now perceived by its rivals as a modern business, with high export potentials,

6) conditions are right for full mobilisation of company's resources, including human resources, to make use of all the opportunities offered by this strategy,

7) there are conditions for reduction of production and export costs, especially as the scale effects in production are utilised.

The threats the strategy of struggle may involve should be considered in the context of the manner it is actually employed. One has to bear in mind that the strategy is integrated with the company's strategy to get better of its competitors on the given foreign market. Generally speaking, the company may achieve that goal in two ways:

- 1) low price strategy whereby the company exports its products at low price,
- 2) strategy of differentiation whereby the company aims to export different products than its major competitors.

In the first case, when the low-price strategy is adopted, the following aspects have to be considered:

1. The low-price strategy implies that the company strives to produce specified minerals at very low costs, as a result the company may not attach due to attention to innovative solutions, new technologies in mineral production and processing and marketing methods.

2. In the consequence there might be no marked development in technological and economic parameters of exported products, especially as far as minerals processing is concerned while the competitors might focus on further improvements of their products so that the importers come to change their decision and buy highly processed products (with more favourable parameters) even at higher costs.

3. As a result of competitors' activities aimed at product differentiation in terms of quality and assortment the role of low price, as the factor determining the importers' choice might be diminished.

Thus when a mining company chooses to engage in competition by way of low price strategy, it is necessary to closely monitor competitors' behaviour on the market, especially the way they respond to this sort of rivalry. It shows once again the major role of marketing research, as one of the necessary conditions for the effective marketing strategy. As soon as competitors respond in the way mentioned before the mining company has to abandon the low price strategy as it may lose its position on the given foreign market. At the same time the company has to choose innovative solutions in minerals processing so that the competitors would not be able to sell highly processed minerals though at higher prices. Application of innovative solutions brings about an increase in production costs as well as marketing costs; accordingly the low-price strategy is no longer available since the necessary condition — i.e. low production costs is no longer present. In such situation the competition will take a different form. When the competitors offer to supply minerals with excellent technological and functional parameters, importers might to choose to make bigger purchase from them, at the cost of the mining company pursuing the low-price strategy. In this way the company will miss all the advantages and employment of the strategy of struggle will place it in a most unfavourable position.

Alternatively, the mining company can get better of its competitors by way of fierce struggle as long as it follows the policy of product differentiation. This policy implies that products exported by the mining company will differ from those exported by competitors; the company

endeavours to supply products having unique features and parameters; at the same time striving to maximise the proportion of this type of products in the overall export volume. The main point is, the importers have to be aware these products cannot be purchased from other producers, hence the company must be perceived as the only producer of such products. A company engaging in this form of competition must have adequate financial resources and technologies — and only a strong, innovative and modern mining company can afford that.

This strategy allows the mining company for reaching a quasi-monopolistic position on the market or in some market segments, with all its consequences. At the same time the company might pursue the high-price (skimming) strategy (Podobiński 1996).

Such strategy of struggle pursued by strong companies from the mining sector may pose certain threats as well:

1. The company's activities might be imitated by competitors that monitor and analyse its achievements in terms of export volume and structure and the price levels; accordingly competitors might imitate the employed solutions.

2. When the company goes too far in pursuing its strategy of differentiation, the difference in cost charged by the company and its competitors might become too great. As a result, the price of goods exported by the company will have to rise. In such situation importers might decide to buy (products) minerals from the competitors: products with inferior quality though at lower price. Hence the company will not be able to attain its fundamental goals underlying its policy of diversification.

This study shows that, in spite of appearances, the strategy of struggle is one of the most complex marketing strategies available to the company. While making decision to pursue this strategy the company has to identify its opportunities and chances it stands in the competition on the given foreign market. Furthermore, the company has to closely monitor the competitors' response so as not be taken by surprise.

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**STRATEGIA WALKI JAKO OFENSYWNA FORMA STRATEGII MARKETINGOWEJ PRZEDSIĘBIORSTWA PRZEMYSŁU
WYDOBYWCZEGO NA RYNKU ZAGRANICZNYM**

Słowa kluczowe

Strategia marketingowa, strategia walki, eksport, przemysł wydobywczy, surowce mineralne

Streszczenie

Przeprowadzono analizę istoty strategii walki prowadzonej przez przedsiębiorstwo przemysłu wydobywczego. Zanalizowano podstawowe warunki skutecznego stosowania marketingowej strategii walki tego przedsiębiorstwa oraz korzyści płynące z jej przemyślanego prowadzenia. Przedstawiono również zagrożenia, jakie stwarza jej stosowanie dla przedsiębiorstwa.