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Strategy of cooperation between mining companies to improve exports¹

Key words

Strategy of cooperation, mining company, export

Abstract

Marketing strategies of mining companies evaluated on the basis of their competitive strength on the foreign market include the strategy of cooperation. Mining companies use this strategy especially when the foreign market is attractive for too many of them while the internal strength of individual companies is inadequate to ensure success in terms of rapid increase of export volumes. Advantages of this marketing strategy as well as possible dangers which may be the result of incorrect use are duly considered.

The paper "Marketing strategies of a mining company aimed to gain advantage over the competitors as a form of export development (Podobiński 1998) presents the possible strategies enabling the mining company to outdo its competitors on the given foreign market and to export its products. The basic criterion in the classification and evaluation of strategies is the way the company gains advantage over its competitors on the given market. That is not the only criterion for classification of company's strategies on foreign markets. Another possible criterion is the relationship between the given mining company and its competitors. The company may use the strategy of confrontation — the most aggressive form of competition in order to increase its market share at the cost of its competitors, it may withdraw from the foreign market when the earned or expected profits prove inadequate.

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These are two extremes, while in between them are other strategies of competition, such as: the market niche strategy, the imitation strategy and the strategy of cooperation. This paper is devoted to the latter.

The strategy of cooperation between mining companies with an aim to improve exports is most often used when several companies find the given market attractive while the inner strength of an individual company is inadequate to ensure success in terms of rapid increase of export volumes.

Cooperation should be understood as joint activities of mining companies aimed to supplement and increase the available human and financial resources, as well as materials and assets. Thus the company may take advantage of new opportunities and strengthen its market position in relation to its competitors.

Chief advantages of the cooperation strategy are:

- 1) improvement of available human, material and financial resources to better exploit new opportunities to enter the foreign market,
- 2) neutralisation of competition between co-operating companies,
- 3) creating favourable conditions for working out a joint policy so that the companies may take control of the foreign market,
- 4) carrying out joint market research, which helps to save time and money; on the other hand that makes it possible to use more advanced statistical and econometric methods,
- 5) obtaining more information about foreign markets,
- 6) reduction of the amount of time and resources necessary to achieve the goals.

However, one has to bear in mind that those advantages afforded by a well — thought cooperation strategy may be reduced or even prove unattainable when the strategy is used incorrectly. Those mistakes or errors may lead to serious dangers, such as:

- 1) conflicts as to the division of competence between the co-operating companies when the joint management is established,
- 2) conflicts between co-operating companies as to division of sales regions within the given foreign markets,
- 3) the stronger company may take control over the weaker partner,
- 4) limitation of financial independence of co-operating companies,
- 5) conflicts between companies while sharing profits in spite of earlier agreements.

Being aware of these dangers which may strongly impact on potential benefits from co-operation, mining companies ought to make effort to prevent the risks or to take necessary actions to eliminate them. It is very important since the benefits and advantages of this strategy are considerable. The experience of mining companies shows that the strategy proves very useful, that is why it has rapidly developed in the last decade.

Mining companies are mostly interested in the cooperation strategy especially when:

- 1) the production costs increase rapidly and so do the costs of mineral processing,
- 2) costs of marketing activities on a foreign market increase rapidly, including costs of market research, promotion and distribution of minerals on the foreign market,
- 3) limited material, human and financial resources act as a barrier to further development of the company,
- 4) the company has to quickly modernise its production facilities basing on its own resources and reserves,

5) materials and assets of the potential partner are more modern and technologically advanced while the mining company may not have any access to these without cooperation.

Considering the potential advantages of correctly used cooperation strategy, there is no wonder that it is used by more and more companies from various sectors of industry. That statement is borne out by the literature on the subject, it can be also seen in practical functioning of mining companies. For example, Sznajder (Sznajder 1992) emphasises the fact that co-operation usually limits competition between co-operating companies on the given market while they may concentrate their resources on more important aspects of their business activity, giving a series of examples of various aspects of cooperation between companies linking these with scale effects in marketing. Sznajder draws our attention to the fact that scale effects thanks to cooperation may be found in such activities as market research, manufacturing of products of required functional quality at the same time providing the right assortment of products, organising an effective networks of distribution on the given foreign market thus enabling exports increase and in promotion campaigns. Apart from the effects of synergy, these activities lead to considerable cost reductions since the costs are shared by co-operating companies. The same conclusions were drawn by other authors, too (Sznajder 1986).

Evaluating the pragmatic aspects of cooperation between mining companies, one has to emphasise that the strategy of cooperation becomes an interesting alternative to individual operation. Practice shows that links created by cooperation tend to be transformed into more elastic, bilateral relationships which help mining companies to better adapt to fast changing conditions on the foreign markets.

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ANDRZEJ PODOBIŃSKI

STRATEGIA KOOPERACJI MIĘDZY PRZEDSIĘBIORSTWAMI PRZEMYSŁU WYDOBYWCZEGO JAKO FORMA ROZWOJU
 ICH EKSPORTU

Słowa kluczowe

Strategia kooperacji, przedsiębiorstwo przemysłu wydobywczego, eksport

Streszczenie

Spośród strategii marketingowych przedsiębiorstw przemysłu wydobywczego, ocenianych z punktu widzenia ich stosunków do konkurentów na danym rynku zagranicznym, coraz częściej jest stosowana strategia kooperacji. Prowadzona jest ona przez przedsiębiorstwa przemysłu wydobywczego przede wszystkim wówczas, gdy potencjalny zagraniczny rynek zbytu jest dla nich atrakcyjny, a równocześnie gdy atuty wewnętrzne danego przedsiębiorstwa, traktowanego oddzielnie, nie są wystarczające, aby mogły zapewnić osiągnięcie przez to przedsiębiorstwo sukcesu w postaci szybkiego wzrostu eksportu produkowanych przez niego surowców mineralnych. Zanalizowano zalety i korzyści płynące z prowadzenia tej strategii marketingowej oraz zagrożenia, które może powodować nieumiejętne jej stosowanie.