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CHARACTERISTICS OF INDUSTRIAL MARKETING STRATEGY DEVELOPMENT BY METALLURGICAL ENTERPRISES

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The article highlights the concept and essence of marketing strategy, theoretical and practical aspects of consumer and industrial marketing, and emphasizes their differences. The article presents an overview of the features and criteria of market segmentation which is an important stage of strategic analysis of the industry since it identifies the most attractive market segments and improves the structure of production and management by identifying the key success factors. The importance of the demand for industrial goods, ways to increase sales, innovation and communication policy of the enterprise is actualized. The strategy of industrial marketing of Metinvest Holding LLC was analyzed and the features influencing the efficiency and success of its activity as a whole were determined. The company builds long-term relationships with customers and provides high-quality services. The main priority of service is personal contact, which includes negotiations with customers, special ordering conditions, technical support and uninterrupted delivery. Metinvest Holding supports transparency of operations and emphasizes corporate responsibility, intensifies interaction with its stakeholders, introduces innovations and strives towards digitalization. Thus, domestic producers of industrial products in the formation of the marketing strategy of the enterprise must take into account both generally accepted market and economic factors of influence, and sectoral features of management. To ensure the efficiency of enterprises need to focus on expanding the scope of activities, use their market position, connections, financial opportunities, pay sufficient attention to creating quality, consumer demand, develop their presence in foreign markets, innovate and digitize.

ОСОБЛИВОСТІ ФОРМУВАННЯ СТРАТЕГІЇ ПРОМИСЛОВОГО МАРКЕТИНГУ МЕТАЛУРГІЙНИХ ПІДПРИЄМСТВ

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Ключові слова:

маркетингова стратегія,
промисловий маркетинг,
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ринок, Метінвест Холдинг,
ефективність

У статті висвітлено поняття та сутність маркетингової стратегії, теоретичні та практичні аспекти споживчого і промислового маркетингу, виявлено їхні відмінності. Розглянуто сутність, ознаки та критерії сегментування ринку, важливого етапу стратегічного аналізу галузі, що ґрунтується на пошуку ключових факторів успіху, визначає найпривабливіші сегменти ринку і сприяє удосконаленню структури виробництва і управління. Актуалізовано значення попиту на промислові товари, шляхів збільшення обсягу збуту, інноваційної діяльності та комунікаційної політики підприємства. Проаналізовано стратегію промислового маркетингу ТОВ «Метінвест Холдинг» та визначено особливості, що впливають на ефективність та успішність його діяльності в цілому. Компанія будує довгострокові відносини з клієнтами та надає послуги високої якості. Головним пріоритетом обслуговування є особистий контакт, що включає в себе переговори з клієнтами, особливі умови замовлення, надання технічної підтримки та безперебійну доставку. «Метінвест Холдинг» підтримує прозорість операцій та наголошує на корпоративній відповідальності, активізує взаємодію зі своїми стейкхолдерами, впроваджує інновації та цифровізацію. Таким чином, вітчизняні виробники промислової продукції при формуванні маркетингової стратегії підприємства повинні враховувати як загальноприйняті ринково-економічні фактори впливу, так

і галузеві особливості господарювання. Для забезпечення ефективності роботи підприємствам необхідно орієнтуватись на розширення масштабів діяльності, використовувати свої ринкові позиції, зв'язки, фінансові можливості, приділяти достатню увагу створенню якісної, затребуваної споживачем продукції, розвивати власну присутність на зовнішніх ринках, впроваджувати інновації та цифровізацію.

Formulation of the problem

Industry plays a key role in the functioning of Ukraine's economy. In today's conditions, it is important for companies to quickly adapt to market conditions, ensure sustainability by expanding markets for products and services, as well as increase the competitiveness of their goods and services. Modern market relations are characterized by high dynamism, instability, so in the activities of industrial enterprises, in particular the metallurgical profile, there are always problems due to the feasibility of meeting the needs of existing and potential consumers in the required products. Industrial marketing tools are important for solving such problems.

The term industrial marketing covers all activities in the industrial market aimed at the sale of industrial goods to meet the production needs of commercial or non-commercial organizations, budgetary institutions, which include enterprises, government agencies, or trade intermediaries. These organizations use industrial products or services in further production as raw materials, semi-finished products and components, equipment or services, aimed at improving the efficiency of production and marketing of goods [1].

Enterprises in the Ukrainian market of industrial goods operate in difficult economic conditions, which are determined by the lack of financial resources, insufficient material and technical base, unfavorable price ratios for industrial products sox priorities for marketing strategy should focus on understanding market trends, competitive advantage, productivity growth labor at the enterprise, expanding markets and range of products [2; 3]. Therefore, it is important to study the most effective tools and measures of the marketing strategy of leading Ukrainian enterprises in the market of industrial goods.

Analysis of recent research and publications

The formation of an effective marketing strategy at the enterprise level was the subject of researches conducted by G. Armstrong, M. McDonald, V.R. Praude, R. Fatkhutdinova [4–7]. The works of F. Kotler, M. Porter and others are devoted to the problems of increasing the efficiency of the marketing strategy of enterprises under the influence of external factors [4; 8]. Nevertheless, the peculiarities of the formation of the marketing strategy of Ukrainian enterprises, taking into account the sectoral characteristics of the business entity, need significant study.

Formulation of the goals of the article

Several problematic issues of development and practical application of the company's marketing strategy in the Ukrainian market of industrial goods, taking into account the specifics and set of risks that need further

improvement, and led to the relevance of our study. The purpose of the article is to characterize and study in-depth the promising combinations of tools and measures of the marketing strategy of the enterprise in the Ukrainian market of industrial goods.

The main material of the research with full justification of scientific results

Marketing strategy includes a set of measures aimed at forming and maintaining sustainable competitive advantages of the enterprise in the market of industrial goods, creating the best option for achieving the goals of enterprise development [2; 3]. The industrial market includes the market of means of production, technologies, information products and services, patents and licenses and others. Therefore, the activity of industrial marketing focuses on B2B, ie Business to Business. This is the main difference between industrial and consumer marketing. The latter focuses on the needs of end consumers who buy goods or services for their consumption [1]. The industrial market is characterized by a much smaller number of buyers and producers compared to the consumer goods market, as well as the ability to buy goods only in large quantities or for a certain amount. These constraints lead to low elasticity of demand, ie changes in prices for industrial goods are not able to affect demand for them [1]. In addition, demand is volatile and can change significantly in a short period under the influence of innovation and technical changes in production capacity, which indicates the need for constant analysis of the market and competitors, as well as the introduction of innovative methods and technologies. A significant difference between the industrial market and the consumer market is the presence of pair demand when a certain product can be useful only if it is used together with another product. There is also the opposite situation of cross-elasticity of demand – that is, demand for one product increases in direct dependence on changes in the price of another. Steel and aluminum can serve as an example of cross-elasticity of demand, as the amount of steel in demand is closely related to aluminum, which can act as a substitute for it [9].

The industrial market is also characterized by a high level of heterogeneity of customer needs. That is why it is very important to properly segment the market to identify groups of customers with uniform needs and expectations that constitute a potential target audience. Thanks to segmentation, it is possible to address consumer needs, which reduces competition and increases the efficiency of production and commercial activities of the enterprise by choosing the most effective means of communication for each segment. There are various criteria for market segmentation, but the basis for segmentation is difficult. One of the effective methods of applying segmentation

criteria can be to determine their hierarchy, moving from the most general to more specific features (Figure 1). At the first level are the demographic criteria that describe the company as a whole, namely – industry, company size and location.

This information provides a broad understanding of the level of competition in a particular industry, customer needs, purchasing power, and its compliance with the production capacity of the enterprise, as well as possible logistics costs. Although demographic data is quite useful and easy to obtain, it is only the beginning of the segmentation process. At the next level are the operational features of consumer companies, which allow you to more accurately identify existing and potential customers. These features include their production technologies, which determine the purchasing needs of the enterprise, the status of use of the product or brand, indicating previous interaction with the manufacturer’s product and similar products, as well as customers’ capabilities – operational, technical and financial. The level of segmentation that is usually given insufficient attention is the approach to making a purchase. At this stage, it is very important to understand the organization and model of the consumer’s purchasing function, which can be centralized or decentralized. Also at this level, it is necessary to determine which units have the greatest influence on the purchase of goods to develop an individual approach aimed at them. In addition, the criteria by which the consumer company chooses a particular supplier are important. This information will allow the correct positioning of the company and the product in each selected segment [10]. Proper positioning of industrial products is one of the decisive factors for the success of increasing and increasing profitability. It is important to convey the value of the product, which is expressed as the ratio of the usefulness of its purchase to the price. Therefore, it is important to pay attention to the pricing strategy to meet the needs of an individual customer or key account. It should also be noted that it is not mandatory for each industrial enterprise or to use each stage of this segmentation approach for each product.

Although at first glance it seems that fewer buyers in the industrial market who are easy to identify and determine their needs facilitate the market research process. However, the difficulty of industrial marketing is that the demand for industrial goods depends entirely on the demand for the final product, which is why the analysis of this derivative demand to forecast and develop a marketing strategy is more complex and expensive. Derivative demand also points to inconsistencies in the marketing of goods between enterprises that are producers and consumers. At a time when the main goal of the manufacturer is to sell only its own goods, the goal of the consumer enterprise to increase total turnover. That is why the supplier must adapt to the requirements of such intermediaries to ensure continuous supply and high quality. Only in this case, under the conditions of a guarantee of profitability, the consumer company will be profitable to cooperate with the supplier company. One of the ways to increase sales is to establish partnerships with representatives of consumer enterprises. Such connections enable each party to the contract to maximize profits, and manufacturers gain additional access to new markets, knowledge and production technologies, to use economies of scale by increasing sales. To successfully establish partnerships, it is necessary to develop and attract all resources to meet the demands and needs of business structures, as well as to create the right image and positioning of the enterprise. It is a positive image and reputation that provides access to borrowed funds, promotes the attraction and trust of employees, government agencies, partners and consumers. The key element of successful positioning and strong reputation is the development of social responsibility of the enterprise, ie activities aimed at positive change in society and economy, responsible attitude to the environment and support and development of employees [11; 12].

Concerning the portfolio of industrial goods, it can be expected that enterprises, compared to producers of consumer goods will be more oriented on market and customer needs. In this case, the innovative activity of the enterprise plays a very important role, which affects

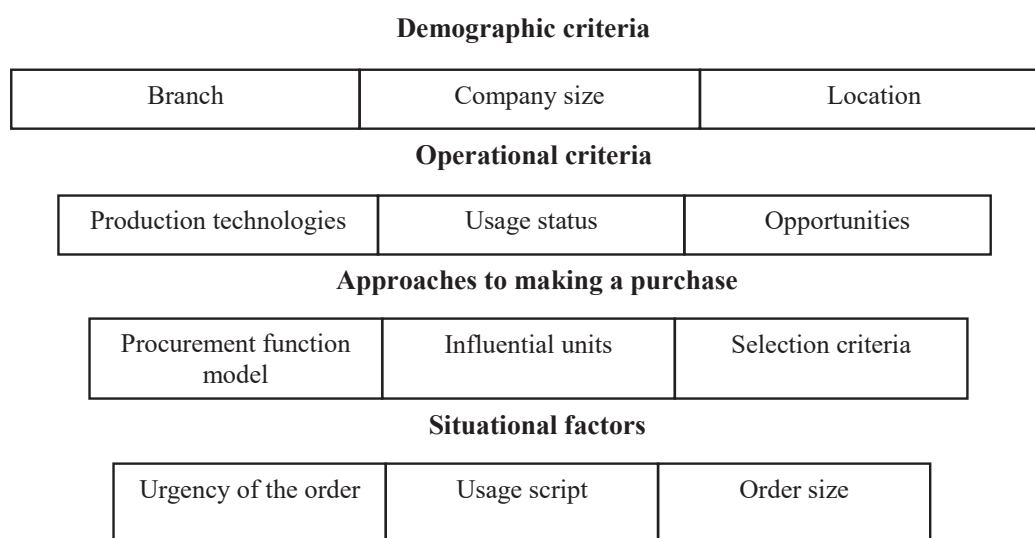


Fig. 1 – The process of market segmentation

the quality and success of products, maintaining market position, the efficiency of the production process and the level of customer satisfaction. Innovative activity in industrial marketing plays a special role and creates close cooperation between engineering and technical departments and the marketing department. The joint work of these units aims to create and improve products, taking into account the requirements and needs of consumers, to adjust the technical and economic performance of new products. There is often a practice called the active customer paradigm, where customers play a leading role in innovation processes [13]. In contrast to the active producer paradigm, when an enterprise develops a product improvement idea based on consumer surveys and needs analysis, in the case of an active consumer paradigm, the customer not only offers an innovative product or process idea, but also offers a supplier to help the development company[14]. For the successful implementation of innovations in production and marketing process it is necessary to systematically conduct a detailed analysis of the market, the activities of competitors, as well as the internal environment of the enterprise.

An important element of the marketing strategy is the communication policy of the enterprise, which allows to convey the values and benefits of the product, and thus attract more consumers and increase their loyalty. Various marketing communication tools are available to businesses in the market to provide information, and industrial buyers to access information, including personal sales tools such as personal calls, company visits, trade shows and non-personal sales tools, i. e. specific marketing tools such as advertising, sales promotion, public relations. The Internet is between «personal» and «non-personal» marketing tools, as it provides opportunities to use both methods of marketing communication (Fig. 2) [15; 16].

An interesting example of the development of an industrial marketing strategy is Metinvest Holding LLC, an international vertically integrated mining and metallurgical group of companies. The group includes mining and metallurgical plants, a freight forwarding company, as well as service and engineering companies. Metinvest is in the

middle of the sales chain, controlling, on the one hand, the entire production process from ore and coal mining to the creation of semi-finished and finished products at the metallurgical enterprises that are part of the group. On the other hand, the company organizes the supply and sale of raw materials and metal products to other consumers around the world.

Metinvest’s plants are the main consumers of iron ore, coking coal and metallurgical coke, ie the company mainly uses these resources for domestic consumption, produces coke and covers the needs of metallurgical enterprises, and sells the rest to third parties. Thus, Metinvest is self-sufficient in the main raw materials for steel production. Steel plants supply semi-finished products to their rolling mills in Europe and around the world, as well as manufacture finished steel products for customers in the construction, engineering, railway and other industries, as well as for retail customers of steel service centers. In 2020, the key markets for finished metallurgical products were Europe, Ukraine, the Middle East and the Middle East, the CIS and Asia.

To maintain its competitive advantage and market position, the company is constantly improving its operational efficiency and striving to apply best practices in steel production through targeted investments in advanced technologies. That is, Metinvest optimizes the operating model and increases the efficiency of business processes and employee productivity. As a result, it leads to a constant increase in production and sales of finished steel products, as well as improving the product range. The company builds long-term relationships with customers and provides high-quality services. The main priority of service is personal contact, which includes negotiations with customers, special ordering conditions, technical support and uninterrupted delivery. In addition, the company supports transparency of operations and emphasizes corporate responsibility, which also helps to strengthen the corporate culture and maximize employee loyalty. Although the pandemic has created significant obstacles in the current realities of business, Metinvest has quickly overcome these problems, mainly due to the

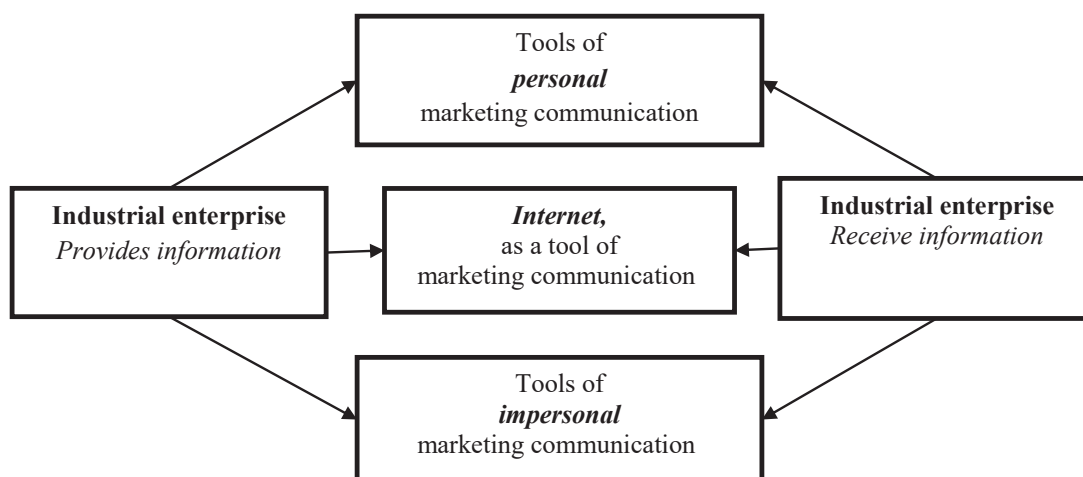


Fig. 2 – Communication tools for industrial marketing

constant dynamics of digitalization, the introduction of comprehensive measures to protect staff and transfer workers to remote work where possible. Despite the crisis, the situation created an opportunity to further strengthen customer relationships. The sales team also quickly adapted to online customer service. Thus, although COVID-19 has caused unprecedented turbulence around the world, Metinvest has intensified its interaction with its stakeholders and achieved high results in rapidly changing market conditions [17; 18].

Conclusions and prospects for further research in this area

Summarizing the above, it should be noted that modern conditions to ensure the effectiveness of manufacturers require manufacturers to develop and adhere to the marketing objectives of their activities, a clear plan, mechanisms,

tools for achieving goals. Focus on expanding the scope of activities, use their market positions, connections, financial opportunities, pay sufficient attention to creating quality, consumer-demanded products, implement innovations and digitalization.

Domestic producers of industrial products in foreign markets can develop their presence through the sale of quality and innovative products, through the development of technological base, science, increasing the competitiveness of products. When forming a marketing strategy, enterprises must take into account both generally accepted market and economic factors of influence, and sectoral features of management.

Further research should be aimed at monitoring the market needs of industrial entities and improving the marketing methods of a particular enterprise operating in the market of industrial goods in Ukraine.

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