

SEGMENTATION OF TARGET RECIPIENTS OF STEEL PRODUCTS FOR AN INVESTOR INITIATING ITS OPERATIONS IN THE LOCAL MARKET

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Abstract

Turbulent environment and processes of markets opening in the global economy intensely affect the metallurgical sector and pace of change processes within this sector. Variable economic situation and scale of investment make that it is necessary to approach the option to enter new markets, even regional or local, very carefully and based on detailed analytical analysis. Analysis and evaluation of the option concerning positioning own product on well-established competitive market is a significant research and practical problem. Praxeology of assumptions of such a cognitive process is described in the paper. The paper characterizes study performed for the selected company engaged with production and distribution of steel, that attempts to enter Polish market, focusing on the Silesian Province, as regards its geographical operations. For the purposes of the study, a questionnaire was prepared, consisting of descriptive multiple choice questions of narrative type. The study was performed among target recipients of the services of potential investor. Primary purpose, both epistemological and formulated in the domain of research pragmatism, is the identification of business activity sectors, by indicating basic assortment groups and target areas of market penetration, based on defined expectations of potential recipients in the selected segment of steel products market. In the presented paper, authors also included the evaluation of conditions and competition criteria as well as the synthetic assessment of some discriminants of competitive standing on regional market of steel products together with stratification of competitive potential in the selected analytical categories.

Keywords: Market segmentation, steel products, competitive edge, entrepreneurship, market offer assumptions

1. INTRODUCTION

Globalized market economy dictates high requirements to the metallurgical industry enterprises. In order to score a success, it's not enough to appear on the market - it's necessary to take perpetual activities aimed at attraction of customers and continuous rivalry with competitors using more and more diversified strategies, with simultaneous expanding of cooperation with its surrounding. Information is necessary for realization of such tasks in a most efficient way. The data showing the market or consumers situation or business actions taken by competitors have a key importance when raising a market position. Such information packets are obtained - in majority of approaches - by means of marketing research. Significant part of enterprise's knowledge volumes comes from external sources. These are all the contacts with customers, suppliers, competitors or partner enterprises [1]. The purpose of this article is to show possible forming of the knowledge relating to regional market of steel products, suitable for making efficient investment decisions by an investor entering the new market. For purpose of this research the different demand, product, technological or logistic analyses, suitable for formulation of the new investor's strategic competitive plans, were assumed. The important cognitive and practical problem is to be able to form a diagnosis, to evaluate and prepare its own products offer for the already existing market, characterized by strong competitive pressures as well as by marketing functional strategies developed by other market participants. The aim of the article is presentation of the activities in the area of market segmentation of steel products, for a potential investor. The article shows

a research carried out for a selected steel distribution and confectioning enterprise, planning entering the Polish market, the Silesian Province' geo-graphical submarket. The research, using the inquiry method and narrative interview, was carried out among the target receivers of the potential investor's services.

2. LITERATURE REVIEW - APPROACH TO MARKET RESEARCH ON THE STEEL PRODUCT MARKET

The goods and industrial services marketing manager must analyze the market demand level for particular branch within defined time and he must decide what sales level can be expected by his enterprise with the given marketing engagement [2]. Properly carried out research, with results subjecting to thorough analysis, is a priceless source allowing proper shaping of the market entering strategy and consequently construction of a competitive prevalence. The enterprise own forecasting should enable its planning and exert a pressure to the decision making process [3]. Some faults or dysfunctions may occur during the research process, which can be prevented. Each enterprise, in the turbulent environment, should seek different methods of market penetration and acquisition of customers. It's possible only if the enterprise may offer to customer a specific added value, not offered by competitors. The time horizon reflects such features as forecast accuracy, technological investment cost and their implementation result topicality [4]. Delivery of reliable information about customer preferences has a key importance for potential investor on industrial market, including the metallurgical products one. Goldsmith [5], within the range of market research measurement efficiency, specifies four factors that complicate the marketing exploration efficiency analysis, including: 1) globalization (research including different markets and countries, with different and interpenetrating cultures, nations - customers); 2) technology (internet); 3) personalization (research facing to measurement of individual respondent's markets, needs, tastes, likings or value styles); 4) integration of all the research areas ensuring proper effect to the enterprise. Palmatier, Duant, Rewal& Evans [6] emphasize that the research of a respondent loyalty behavior and making them more trustful and satisfied, due to their participation in inquiries, becomes more and more complicated. According to Chandon, Morwitz&Reinartz [7] the research results are often dependent on faulty opinions expressed by respondents or false attitudes, which can be unconfirmed or unfounded in the real volume of the given market (e.g. during making decision about a real purchase of a given product in the shop). According to Mynarski [8] determination of the sampling procedure shall be started from consideration who or what may deliver the wanted information. Kendall & French suggest that the market volume may, in such a case, be a basic source of the success and selection factors definition when entering the new products on the market [9]. However, the research efficiency in formulation of the market expansion strategy is connected with definition of the marketing action efficiency-outlay ratio. The action is efficient if it really gives a surplus of measured effects over the costs [10]. The promotion action efficiency is affected by many factors. Among them obviously are: selection of proper segment and accommodation of the offer to its preferences. The mentioned determinants are variables dependent on an enterprise, which takes decisions on who shall be addressed by the communicate delivered to the target group. However, such factors include also those out of enterprise control such as e.g.: actions of competitors, legal conditions on particular market, economy factors, new trends in product receiver behaviors, development of new technologies. The more factors are taken into account during planning and realization of marketing research, the better is a chance of their final efficiencies. Moreover, selection of proper tools for marketing research and increase of their efficiency level results directly from conditions of the attended market niches, where some companies from different branches are functioning. These conditions, however aren't a separate statistical category. These conditions subject to defined changes, however they run not in one direction only and not in all segments, both for the enterprise favor or disfavor. Unfortunately, some difficulties occur due to so called multi-dimensionality, which prevents direct detection and evaluation of the research impact of not several but many variables, mainly hidden ones, for which the reason-effect analysis requires very complicated methodology & measurement apparatus and systemic expression of all the variables. Analyzing the research technique strong and weak

points, relating to situation limits and requirements, is the management's large and important task [11]. Application of marketing research means start-up of actions aimed at the marker recognition and shaping. Final effects are expressed by means of sales volume and market share, while the indirect effects are evaluated using the following categories: number of acquired customers, customer satisfaction and loyalty, number and sales volume of new products entered to the market. Thus the marketing action results are the category requiring dis-aggregation in order to ensure their proper analysis and control. Simultaneously industrial investments, based on reliable marketing research should increase an innovation level in economy, especially in a local one. Creation of innovative economy isn't only a simple sum of the constituent innovations, but a synergy resulting from their largely understand cooperation and concurrence based on developed network relations [12]. Carrying any market research, it should be kept in mind that, it is impossible to assume and foresee all the different consequences of planned or unplanned actions. The elaborated list of development determinants must be supplemented with a variety of unique, unrepeated functioning conditions of any particular enterprise. Since the situation approach is a catalyst of available and usable individual behavior options [13].

3. RESEARCH METHODOLOGY

The article presents an approach for the market potential research by a future investor.

This publication focuses first of all on:

- 1) Identification of the main business activity areas by indication of basic assortment groups and target market segments.
- 2) Identification of potential main and other receivers in the selected market segments.
- 3) Analysis of the potential main receivers needs.
- 4) Definition of the offer scope to meet the receivers' expectations.

The research was carried out using the following information sources: analysis of available source materials, including statistics data, results of the inquiry research, expert knowledge.

The inquiry research was carried out among the enterprises acting in the sectors with the significant consumption of steelwork products, which agreed to participate this inquiry. The important and, unfortunately unfriendly condition for the carried out research, was a strong enterprise aversion towards it. The main reason for such a behavior was anxiety for disclosure of information, which could result in impairment of their competitiveness. However, it's almost certain that enterprises, despite their aversion toward being researched, shall change their supplier if they obtain a competitive offer. Special pressure was put on research of enterprises carrying their activities in a large scale.

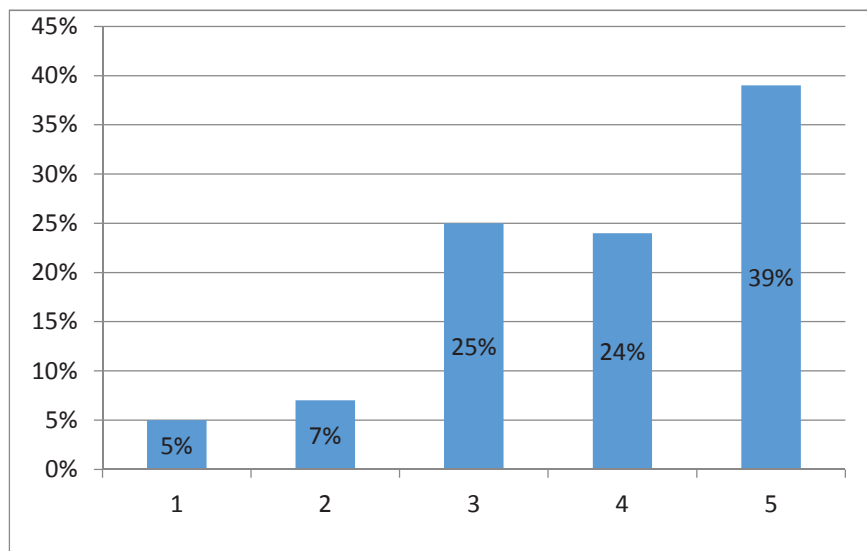


Figure 1 Structure of enterprises in the activity sector aspect
(1. Household articles sector; 2. Automotive&transport sector; 3. Machinery sector; 4. Metal Products sector; 5. Building sector)

Direct research was carried out among the enterprises that can be deemed potential customers (not competitors). Information gathered by inquiry research is suitable in two aspects. First as information suitable for analysis and general conclusion. Second as detailed information enabling preparing a proper offer and their exact addressing. In frames of research carried out in Silesian Province there were 74 enterprises examined. The researched enterprise group structure, both in the organizational & legal form and the employment volume aspect, show that the majority of them are the large scale activity enterprises. Taking into account the activity place the 20.3% of enterprises state that they offer their products/services on European market.

Figure 1 shows the sector activity structure of researched enterprises. The researched enterprises quantitative structures generally correspond with their potential in the steelwork product consumption range.

4. OWN RESEARCH ON STEEL-MAKING MARKET

In order to determine the competitive system, i.e. factors deciding the supplier selection, six basic evaluation criteria were assumed: price, quality, supply punctuality, service level, offer complexity, producer brand. The results are shown in the **table 1**.

Table 1 Factors deciding supplier selection, by sectors. Source: our own data based on re-search

Sector/factor	Price	Quality	Delivery punctuality	Service level (technical advisory, complaint issues)	Offer complexity	Producer brand
Building sector	5	3	2	1	3	1
Metal Products sector	5	4	3	1	2	1
Machinery sector	4	5	3	2	1	1
Household articles sector	3	5	2	1	1	4
Automotive&transport sector	3	4	5	2	2	1

The table shows clearly that the price is a very important competitive factor in almost all the researched sectors. However, in the HA production and automotive sectors it's not the pre-vailing factor. The distinguished element, important for receivers from all the sectors, excluding the building one, is the steel quality, classified at the second position, after the price. Quality is seen as the dominating factor in two sectors: HA equipment production and machinery ones. The supply punctuality is most important as a customer satisfaction and purchase preference factor in the automotive and transport sector. The most important, almost priority element for the HA equipment production sector is the supplier brand image. This means that, from the company entering this market with its product offer point of view, it's necessary a long-term position reinforcement and strategic orientation for branding, connected with the product quality image and ordering flexibility.

To synthesize the research process and evaluation of competitiveness conditions, the most important are:

- Advanced technology - the owned machinery significantly affects the final product, de-creases customer complaint risk, modern machinery guarantees high processing quality. Customer satisfaction is shaped at the entry of the contract agreement.
- Product quality - there are many companies able to pay more for better quality of ordered products, (especially HA branch or mining machinery sector).
- Technical advisory (manager technical support) - some companies order goods, where they may count on experienced technologists, technical advisors, etc. Offer complexity for such a customer means a basic product completeness and technical advisory significantly increasing his satisfaction - this trend is identified as strongly present on global market and gaining importance also on Polish market.
- Customer need response speed (customer orders goods and in practice obtains them „off hand“).

- Product prices adjusted to the current market situation, which means that the bidder cannot transfer the product storage costs or currency exchange rate risk to customer. Possession of excessive reserves in any old or market-inadequate assortment structure must obviously lead to losses. For several years market prefers higher ordering efficiency, and consequently higher mobility in shaping of logistic processes (including storage). What concerns the logistic potential, i.e. storage potential, enterprises generally possess it. However, these are usually quite limited, which results in expectation of possible receiving of smaller lots of steelwork products or simply their storage in a supplier. The “employed designers” parameter is especially important for a competition level in the range of steel structures. The collected opinions, including those of branch experts, justify a thesis that significant position on the steel structure prefabrication market requires design competences. The technical potential itself, meaning a readiness of performance of the steel structure elements may appear not enough. The design service has a high added value and possession of this competence decides the order placement. Enterprises acting on Silesian market have strongly shaped design competences and they dispose with their own structure factories. The other researched enterprises functioning aspect is a form of grouping, associations or unions with other subjects. Over 25% of respondents declares their affiliation to branch chambers or associations. It may be considered if the branch chamber or associations aren’t enough interesting forums for promotion of a brand on regional market. Other interesting research aspect are unions with other enterprises. Their unions with other enterprises that may affect selection of steel product supply sources is declared by 17.6% of respondents. But it’s a parameter that determines the purchase source or model. Knowledge of this factor in a particular enterprise decides the customer gaining cost efficiency. In extreme cases the potential customer gaining trials, with existing strong connection, e.g. ownership, should be deemed aimless. Next important cognitive aspect was how to identify the existing suppliers’ strong and weak points. The questions were of an open character and they were indicated by research. The existing suppliers’ strong points, in decreasing order, are: reliability, delivery speed and punctuality, price, quality, large assortment available, payment terms, advisory and service level, transport included in a price, possible storage in supplier, possible receiving of smaller lots, supplier vicinity. The existing suppliers’ weak points, in decreasing order, are: assortment problems, delivery punctuality, price, payment terms, service level, punctual delivery of quality documents, complaint settling way. Moreover, the research shows that co-operation with suppliers occurs on contract-less basis (55% indications). Cooperation based on contracts or other connections is, appropriately 39.4 % and 5.6% indications. Thus it must be noted that functioning in this sector means an endless competition fight, not for a customer, but for each order. The above system of existing suppliers’ strong and weak points, articulated by respondents translates to a supplier changing premises system. Basically the quality is a standard and basic criterion, after meeting of which the other competition parameters are compared. Quality is also deemed as possession of proper certificates.

5. CONCLUSIONS

The whole inquiry research has the categorized inquiry character, carried out with approval of the identified enterprise, directly with competent representative of selected company. The research was oriented to enterprises strongly developing their activities in the sectors with significant demand for steel products. The carried research and the resulting cognitive analyses allow formulation of the following conclusions:

- Inquiry research shall be interpreted by context, because it’s highly probable that enterprises, despite aversion toward participation in research, shall take a risk of supplier changing if they obtain a competitive offer.
- When preparing an offer investor should take into account also factors creating an added value, beside the basic product assortment or processing services. This value is concentrated on ensuring of complementary services deciding satisfaction of target customer, such as designing or technical advisory.

- It's necessary, for an investor acting on difficult industrial markets, with significant internal peculiarity, to gain proper staff - sales specialists with expert knowledge of defined segments.
- Investor's competitors have stabilized market positions and clearly defined functional strategies. Their customer policies are based on extinguishing competition with a quality, brand, performance term flexibility and price.
- It must be pointed out that concentration of marketing policy on a big receivers' potential and willingness of reaching the customers the single order of which is 24 tons minimum (standard loading of a truck with trailer), is inefficient strategy within an initial activity period. Therefore, it seems to be important to work-out the sales team competences meaning a logistically flexible binding of many different-time orders for small receivers, especially within first functioning period.
- All the considered competitors are prepared for change in market situation, including significant demand limitation and entering of other bidders to the market. Investor must define exactly his marketing-mix strategy and work-out contacts by realization of even least orders within the first activity period.
- At the moment the market attractiveness is seen by competitors very high, which is proved by progressing, current investments of many known European steel-making representatives.
- The identified marketing activity principles on the steel-making market show clearly that the main competitors take actions focused not only on a model strategies and activity canons in frames of industrial market, but also successfully implement strategies that in a tool and procedure aspects are based on a relative (partner) marketing. The market watch shows that the competitive prevalence in creation of an added value, during steel processing, may be obtained by proper technological investments.

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