

Industrial marketing as review of opinion and realization problems

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In place of every research and practical expert that is dealing with area of industrial marketing we must say, that this area is not accepted and elaborated as a marketing for consumption subjects both from the view of theoretical as well as practical. Such situation exists also abroad. In presented article we will search where obstacles for naturalization of marketing opinions of industrial marketing in practice are. We will search some reasons that underline correctness of mentioned arguments due to other till now not analyzed problems.

Key words: industrial marketing, marketing of consumption subjects, market of raw material, value chain of earth oil way, market with earth oil.

Introduction

Industrial marketing is not accepted and unified as marketing of consumption subjects both from the view of theoretical as well as practical. Reason for such situation is not impuissance, lacking intention, but whole chain of clearly defined facts. We will mention individual reasons not from the view of their importance; we will only point to them with comment, that not all reasons can show itself at the same time.

Industrial marketing is marketing of goods and services that are stated for institutions and clients from the industry environment. Such specification includes companies, government, public and education institutions, hospitals, wholesales and other organizations. On the other hand consumption marketing is orientated to the individuals, families and households that provide good and service for their own consumption. Here is difference between them and institutions that purchase goods and services for the need of further elaboration. Purchased products as for example raw material, components and semi products are becoming part of the client's product, or they are added to the equipment as spare parts or outfit. They can be also elaborated in process of production as a fuel, stocks or building materials. Secondary sellers (small traders, distributors, and wholesalers) are selling product further but at the same time they add value from the service that is provided in its frame.

Industrial marketing keeps running economy by providing of products and services that are necessary for firms, agencies, government institutions, hospitals, universities and other providers of products and services. According estimation transactions of industrial marketing are double value that is purchased from clients on the consumption market. It is natural when we realize long and complex chain of transactions on the industrial market that is preceding production and sale of the product for final consumer. It is obvious, that such chain is leading from one producer to other, and it is practically closed circle.

These flows are illustrated in the model of marketing system at the Figure 1. Similar flows for illustration of products movement can be find in tables for inputs and outputs in industrial branches, defined according S.I.C. (Standard Industrial Classification).

Problems for establishing of industrial marketing in practice

Problems and obstacles for establishing of industrial marketing in practice are possible to be following up in various levels, both from the side of marketing environment, as well as from the side of individual firm's management.

Single sided technical view

In most organizations producing and selling production means workers with technical education are primarily participating on the decisions (about purchase and sale), but in their opinions marketing is not occurring. Primarily due to the fact, that engineers are not learning or they were not learning in education institutions basics of marketing conception or such education is not adequate to its importance and they themselves are thinking, that during organization management and qualitative work such conception is not necessary.

But real success is possible to achieve only according decisions, accepted on the basis of marketing information, by marketing practice.

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Difficulties of adaptation to the market

Technical development, increasing demands of the clients compel producers of production means to solve problems always on higher level, that result on the always better and latter products. Theoretically not Slovak organizations can avoid such development necessity since life cycle for majority of products is considerably shortening, but on the other hand development of new products is demanding always more time and means. Situation in this direction is moreover worsening by the fact, that new products present always complex situation that can several fold increase risk of their leading on the market.

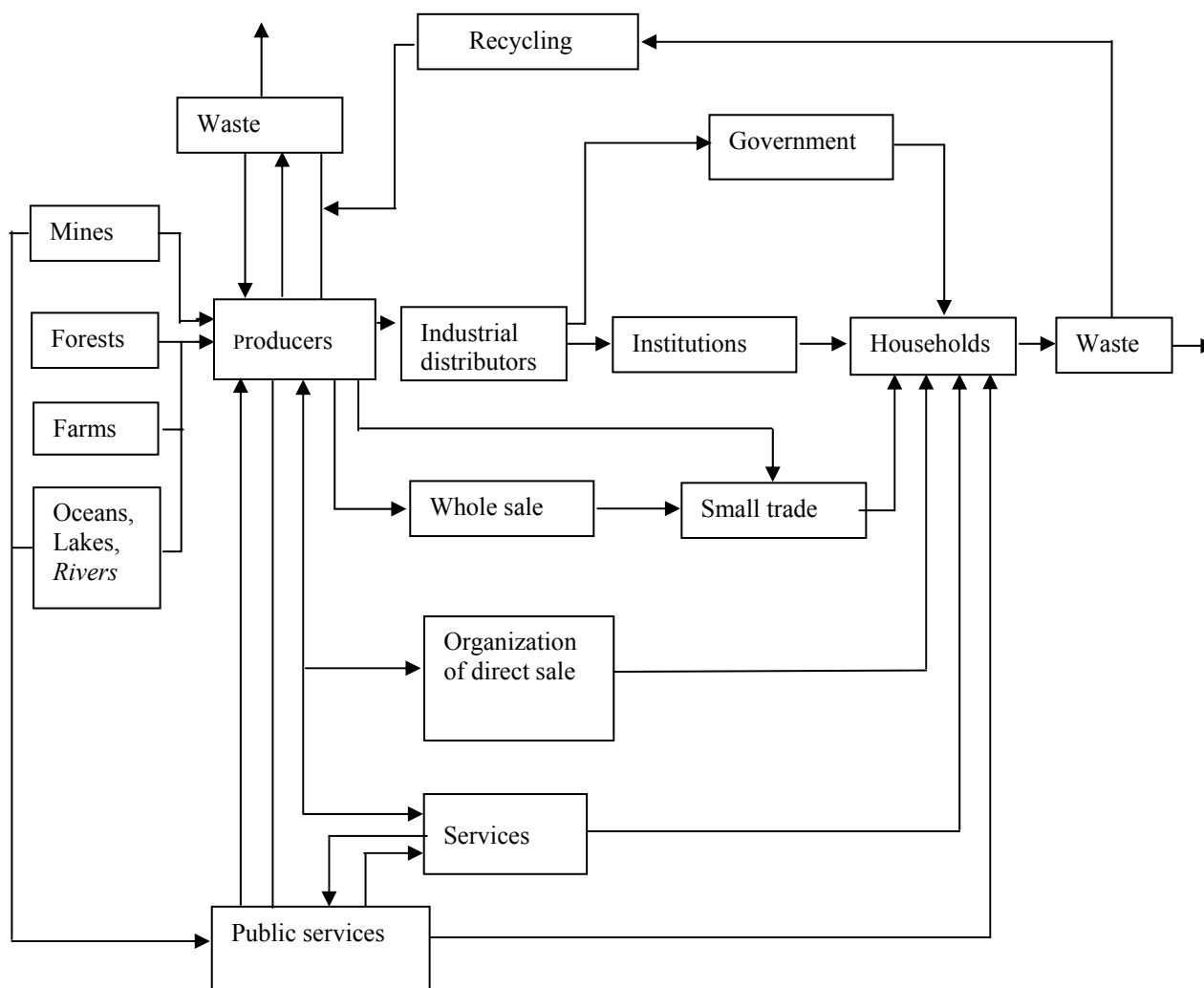


Fig. 1. System of industrial marketing (Csikósová, 2005).

Problems of adaptation to the economy environment

Faster or slower performed changes in economy environment (world economy, national economy) are in many cases decisive for individual organizations. It is enough to show to the fact, that after planned investment and diversification we can find, that there is not sufficient demand for produced product, there is not possible to realize product such effectively as we planed it ahead. For Slovak organizations producing production means adaptation to the economy environment is obstructed also by the fact, that conditions are very quickly changed and there is not possible to find economical effectiveness of developed products ahead.

Not sufficient attention to the users problems

Practice of production means producers shows that organization leaders are primarily interested about questions connected with existed technical parameters and capacity using that lead to the fact, that there is not sufficient attention to the solving of client's problems. Conception orientated to the market should demand that client's problems of technical and economical character in complex way reflect in various variants of problems solution and in long term conception about product. It is time to realize, that in present time only marketing conception can bring results instead of sale conception.

Traditional organization structures and out of date management styles

Traditionally managed mainly bigger firms dispose primarily with function model of organization structure that not allows growing together with performed work due to the fact, that working process is for employees not so transparent. Majority of such types of production organizations dispose with sufficient sale market system that is rather restraining not helping marketing activities. Yet also efforts to incorporate marketing to the organization structure show that marketing groups or department (when there exist some) work rather isolated and they are not including firm's activity as a whole.

Marketing management should be in bigger firms as individual department that is administratively imparted directly under general director as firm's unit with particular position and with clearly system specified competencies and activities that could exclude possibility of not enough coordination of market responsiveness and weak synergy and effectiveness during cooperation with other units and firm's activities.

Information problems

Marketing orientated management demands timely information for decision, enabling to solve raising problems. This assumes from market – suppliers, clients, competition, etc. – systematic securing of information flow, mainly by the fact that various participants on individual levels of firm's hierarchy will obtain stricture information in the frame of their sphere of action. When we look around we can mention very few examples, where good information system can exist in our organizations, that will be for example systematically providing information from client to producer or vice versa that would be time to time also evaluated.

Applying of marketing research on the market of production sphere in its relative as well as absolute understanding keeps behind researches performed in area of consumption products. Hence our production organizations make such middle term and long term decisions, that considerably influence their activity and many times also effectiveness of country economy, therefore they are not thinking about research.

Unfamiliar reasons of success and bad luck on the market

In activity of our organizations there are totally lacking annual evaluations of such character, that could inform about level of saturation or not saturation of the main products market, about their life cycle, about market segments by this way, that success resp. bad luck could be analyzed. Also effectiveness of applied marketing tools are regularly analyzed only in narrow circle and when it is performed, conclusions are only too little touching further planning and decision making.

Not sure marketing character

Marketing is still today connected with such keywords as „sale“, „advertisement“, „market influencing“, „market research“. But such keywords prove in many cases only the fact, that the person using word marketing is „modern“, „walking with time“. It is necessary that many experts will make known and adapt marketing content and its basis.

International character of markets

Existence of production means market is obstructed by the fact, that due to the sufficient effectiveness it is necessary to be participating on international markets, since capacity of domestic markets is not sufficient, therefore information about international market are also very important.

Not sufficient marketing education

Many experiences point to the fact that marketing on universities, high schools, education institutions is not becoming such position which should be important for practice aims.

Establishing of industrial marketing in Slovak conditions

Until now we have analyzed several external as well as internal factors that obstruct development of industrial marketing. We will try to link further views, since goal is to have not only general realities from analysis, but also to know specific factors applied for Slovak economy.

Slovak economy as a whole is influenced by various changes that press on considerable change of business policy in individual organizations. Systematic and conception work during market knowing in our organizations was till now not sufficient elements, but heavy conditions can speed up process of adaptation. In following text we will mention part of common difficulties during establishing of industrial marketing in Slovak conditions.

Speed decisions

In previous periods – mainly in area of industrial products – changes have been performed very slowly due to the out of date production equipments and due to the slow process of novelties establishing and market

developing thinking. Destruction of certain markets leads many times to the rash behavior since securing of survival has become problematic. But speed decisions do not promote systematic marketing thinking.

Not certain market expectancy

Market change, aiming mainly to the harder conditions demanded on the market, is hard work that is unable to make in short time. Mainly for producers of production means without previous high qualified innovation and investment development high quality or competitiveness is not real goal. For stating of business strategy, defining of strong and weak places in organization it is necessary to apply present theoretical results of production means marketing.

Necessity of innovations

Not only those, who decide and deal with market, but also technical experts are standing before new tasks. It is necessary to appear on the new but also on the old markets with such relative or real technical novelties that change considerably present comfort situation of development workers.

Often change of market partners

One of the important factors for success of industrial marketing is building and development of good personal relationships. But in present conditions there is better experts' mobility, familiar partners are moving to the new working places, there are appearing new partners, but this demands enough time.

Market collapse

In several branches not only partners are disappearing, but also individual firms, with which there were created good business relationships. Firms' bankruptcy and not certain payment ability tear down also other firms. In branches, that are linking to each other, there is applied so called „domino effect“.

When we see new creating relationships in conditions of economical situation changes of our state from any view, we can say that considerable opinion change is very important.

Industrial marketing on the market with raw material

Tools of industrial marketing are necessary to be use also on the market with raw material. Market with raw material has namely its specifics, due to which we cannot use marketing theory on such market in its classical conception.

Main reasons why marketing of raw material is such typical are following characteristics of market with raw material:

- long preliminary preparation of production,
- technological and technical severity of mining,
- specialized product,
- price of raw material depends greatly on position of consumer and transport prices,
- in case when we use raw material for example for building aims, its possible to substitute them mutually,
- mining firms are significant employers for people in regions, due to which they are many times not effectively supported by autonomy and government, also in case when there is not adequate market that could bring profit for the firm,
- mining firms are not popular due to the devastation of living environment, directly or secondarily. Some of the consequences to the living environment (for example land slide, chimneys) are expressing only after several years,
- existence of heavy industry is legislatively dependent on the government decisions,
- generally it is difficult to speak about Public relations, since mining firms are not popular due to the devastation of living environment, and since they themselves need high cost for investment, this part of marketing is not effective to finance.

In spite of such specifics marketing has also in this branch its position. Its task is in the following:

- during services around raw material delivery, client's service, prompt transaction of orders, etc.,
- during decision about form of delivered raw material for which there is applied marketing research of the market,
- during prediction of volume of raw material mining and further firm's development by the help of marketing research of the market,
- during specific and concrete demands of the firm, client and market. (OPEC 2007).

Marketing on the market with earth oil

No doubt earth oil belongs in present time among most precious raw material. It has become strategic and political raw material for which there is extraordinary interest in global whole world environment.

When we want to see marketing on the market with earth oils and its products as a whole it is necessary to divide whole problematic of marketing with earth oil market according value chain, where earth oil must run in whole spectrum of manipulation and technological chain, from earth oil deposit research, through mining, transport by logistics capacities to the place of elaboration (refinery), own elaboration, transport to the fuel stations till using by final clients from the private and business sphere. Therefore marketing on the market with earth oil concludes many subjects and every one of them has different view to the earth oil and its products and certainly also different methodology and goal. Figure 2 shows graphically most important subjects that are participating on the creation of marketing on the market with earth oil and its oil products.

Mentioned figure illustrated way of earth oil to the final consumer. The more are subjects in this chain, the higher is price for final consumer. At the same time when price at the input is increasing, that means at the seller of extracted earth oil, there is legitimately price increasing at the end of the chain that is at the final client. We will now look at the complexity of the marketing and marketing philosophy of earth oil and oil products through the eyes of marketer of several subjects in value chain.

From the view of mining organizations and state, which have deposits of earth oil products marketing means to concentrate to the fact, that demand and supply would be in equilibrium controlled by earth oil price development on the market.

Thus as earth oil is black gold for states that have its deposits on their territory, so is this precious raw material black gold also for every types of logistics organizations. Proper and specially more economical as to transport raw oil many times with heavy solid impurity, is to transport it as a semi product, that means such products, that are shaking off heavy impurities and its elements. State, that is selling oil, is realized sale and ownership conversion including payment in time of tanker filling with oil, and by this way cost for transport and effectiveness is described to the customer. High profits of logistics companies are bounded with ton kilometers, but this brings with itself also higher risk of global ecological accidents.

In manufacturing oil firm marketing exists towards entry that means towards oil obtaining for elaboration and towards outgoing, that means towards finding of most interesting profitable market segment that will buy elaborated products. Modern marketing on the entry is based on the qualitative oil parameters in connection to its price, since mainly these two segments limit profitability and profit. During turning point of the century at the entry there are immediately balanced also cost for ecological measurements and energetic sources, since oil refinery is still viewed as ecologically sophisticated process and production equipments as ecologically potential threat. Economy of refinery is given by price on the entry and outgoing in the frame of value chain, due to which production chains are built and technologies without waste that valorize oil to more than 350 products, have priority.

From the 350 products spectrum that is produced from the oil, most common product is fuel material, gasoline and oil fuel. Marketing of fuel stations is based on the principles that enable to realize profits. Mainly fuel stations are in present days not only stand of fuel issuing, but in reality they present complex of services, that create whole file of additional services, that are mutually complementing. Branded fuel stations maintain bulk rebate of producers and distributors of fuel. Strategy of majority firms that manage fuel stations is following: in case when oil price is increasing and in case when due to the price producers of fuel increase price, also fuel stations are increasing prices. In case when oil price is decrease, they react only sometimes and only partially, by this way from the view of marketing they produce profit.

Final consumers and clients are at the end of the production of distribution and value chain and they are the ones that in spite of oil price decreasing practically never mark price decreasing.

Any fuel price increasing has as a consequence real price increasing for every products in short time delay, since business and production subjects must really regard in their cost also fuel price. That means that in case when producers are increasing price of oil as a raw material, and by this way they obtain means for their economical development with dramatic acceleration, they start to rotate spiral of inflation, they decrease competitiveness of other produced products, they create assumption for deepening passive business balance of importing states and they decrease living standard of the people during increasing prices of all produced products in economy.

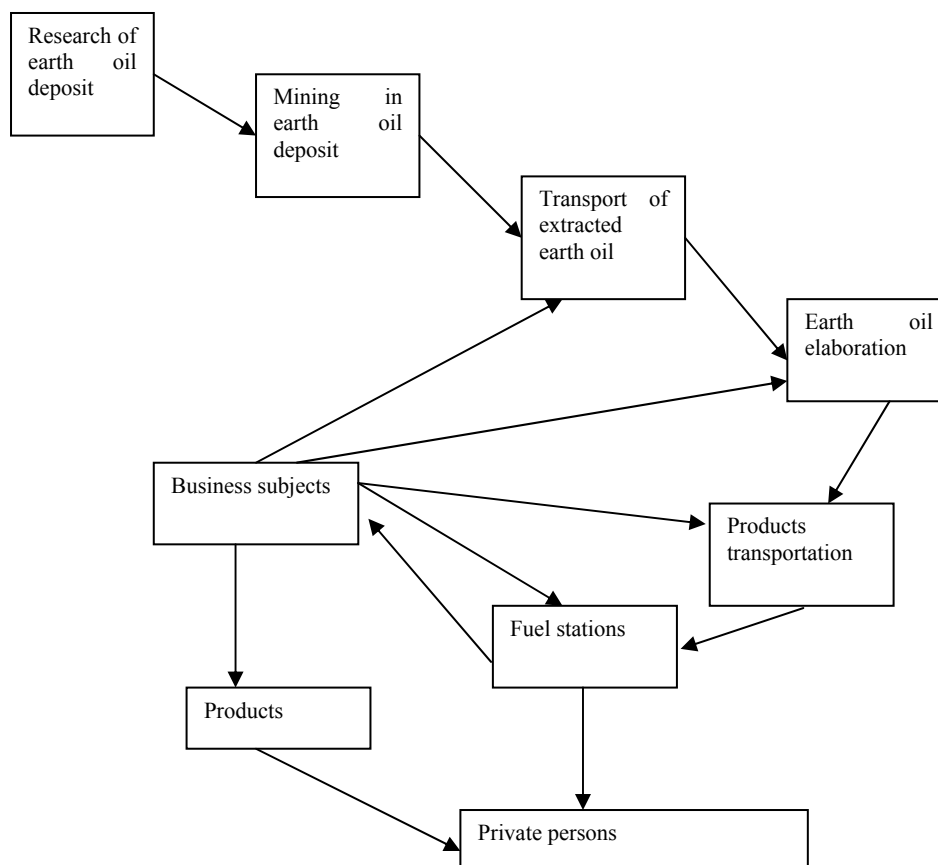


Fig. 2. Scheme of value chain during process of mining, elaboration of earth oil and its using at the final consumers (Čichovský, 2001).

Conclusion

Energetic problem is not possible to solve only by one way. Diversification of sources belong between solutions of European energetic safety, as well as diversification of importing tracks, energy saving, energetic effectiveness increasing and increasing of the rate of renewable sources. All this can lead to the solving of global energetic problem.

Orientation to the client and cost reduction is main motive power behind business with processes and new business strategies, orientated to the future. New ideas and concepts how to sale energy as a commodity demands change of orientation, how to draft modern information Technologies and sale and clients services by the way of marketing tools with regarding of specific characteristics of market with energy. Through implementation of marketing tools to the market with raw material and with earth oil companies can optimize their business processes, increase their productivity and maintain at the same time high level of their client's services.

In the presented article we have shown to the factors that must be considered during establishing of industrial marketing in practice with following pointing to the marketing of raw material and earth oil marketing. It is necessary to realize, that economical effectiveness of energetic organizations cannot be secured without applying of marketing tools in concrete conditions of business.

*Presented article is part of the project "Strategic management in the region with regard to the environmental and social aspect of permanent development" number 1/0124/10.
VEGA No 1/1033/12 – "Indicators for social responsible business of small and middle firms in context of regional development".*

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