

DEVELOPMENT OF MARKET STRATEGIES OF METALLURGICAL ENTERPRISES AFTER RESTRUCTURING OF STEEL INDUSTRY

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Before metallurgical enterprises started implementation of marketing activities they had to go through restructuring processes which included all areas of their market activities. Privatised metallurgical enterprises after economic transformation gradually implemented marketing to their business activities. The article presents notions connected with development of marketing strategies from the period of last 20 years. The range of analysis includes categories corresponding with instruments of mix marketing (4P – product, price, place, promotion).

Key words: metallurgy, steelworks, enterprises, marketing strategy, restructuring process, metallurgical enterprises, steelworks

INTRODUCTION

Each enterprise functioning in conditions of market economy implements marketing strategies which allow for gaining competitive advantage over others. Until the 80s of 20th century the enterprises of middle-eastern Europe did not have the possibility to build competitive advantage. The rules of central planning and steering which were in power at that time were blocking business independence. After 1989 the rules of market economy were introduced in Poland (transformation of economic system). State-owned enterprises were privatised and many aspects of their business activities were restructured [1, 2]. In conditions of market economy the metallurgical enterprises slowly constructed, first little and, as time went by, bigger forms of competitive advantage. The aim of this publication is to present the range of marketing strategies development in metallurgical enterprises in Poland after transformation of economic system.

DEVELOPMENT OF MARKET STRATEGIES OF METALLURGICAL ENTERPRISES

Until the year 1989 in Poland there was no customer market, the recipients of metallurgical products were only: “two payment areas” (with currency in Russian roubles or dollars) and internal, national economy with some of its branches of industry. In order to build the relationship between manufacturer and customer the restructured steelworks had to adjust production to the needs of the market (reduction of production size by 58 %, change of the range of goods from semi-finished products into ready products). Within technological re-

structuring new features of metallurgical products were added which resulted in a decrease of sales of semi-finished products and increase of sales of processed products. In organisational structures of steelworks there were new units constructed which were made responsible for marketing activities and quality control of products. Besides sales departments in enterprises the marketing departments started to appear together with Public Relations units, promotional teams, units of Research and Development R&D, chemical laboratories, offices of product development etc. [3, 4]

Newly formed units were gradually building competitive advantage using the concept and assumptions of 4P (*product, price, place, promotion*) [5]. In sales offer of steelworks there were 1) products prepared in different technological processes (i.e. induction-welded pipes; hot-rolled steel pipes; cold-formed sections), 2) products of different sizes (long and flat products), of different diameter (big-diameter pipes), in different forms (finned pipes – coiled; plain rods, flat rods, metal sheets in rings, metal sheets in simple sheets, metal strips for cutting) in different shapes (square bars, equal-leg angles, L-bars, channel bars) with different thickness (i.e. thick and thin metal sheets); 3) products with different functions (i.e. test line pipes, gas pipes, pipes for constructions and scaffolds, installation pipes for welding, ship plates, boiler and tank iron, constructions for bridges, for building purposes, constructions for cranes and for machines, shoring for mining, transformer strips and tapes); 4) products with special properties (i.e. high-resistance constructions, heat-treated and strengthened constructions) products with special structure (i.e. steel constructions in unconventional spatial arrangement). Besides the activities in the area of product modifications the steelworks were looking for competitive advantage in the form of costs reduction of conducted business activity [6]. The examples of such ac-

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tivities are: reducing employment in metallurgical sector (limiting employment by 87 % in reference to the condition before restructuring); improvement of work productivity by 300 tonnes of steel per year per one employed person and total withdrawal of uneconomical technology of open hearth furnaces in 2002. In conditions of competition the steelworks initiated a comparative analysis of prices of metallurgical products. It should be underlined that before transformation of economic system in Poland there were administered prices (state prices) which were decided upon by governmental institutions. After implementation of the set of reforms which made the functioning of the economy more liberal (January 1990) the enterprises started to act according to their own decisions concerning prices which were based on calculations of the costs. Another problem in the first few years after transformation was the lack of a distribution network for metallurgical products. When the markets of Council for Mutual Economic Assistance COMECON collapsed in 1991 the crisis began in sales of metallurgical products. Steelworks had to look for new forms of reaching the customers with their products. The European market was expanding (new countries were joining European Community) and it required the development of distribution network, first local (national) and next international. Strategies of distribution were most important challenges of metallurgical sector. Metallurgical enterprises started to build their own distribution networks (direct distribution) but also more and more often used the external distribution companies (indirect distribution). In the first years of economic transformation the direct distribution dominated in metallurgy (sales of metallurgical products by sales offices of the producer located on the premises of given steelworks) and it constituted almost 70 % of sales in total. As time passed the networks of commercial mediation in sales of metallurgical products with sales centres in big cities all over the country started to look for forms of cooperation with foreign contractors (agencies with mediated in sales of metallurgical products). The proportions between indirect distribution and direct one were totally changed (indirect distribution started to constitute over 65 % of sales). The development of distribution network of metallurgical products was aided by boom on steel and metallurgical products in years 2003-2006. New mediating companies for sales of metallurgical products (third-party vendors) appeared on the market, such as Thyssenkrupp Energostal, Stalprodukt, Grupa Polska Stal (Group Polish Steel), Stalexport, KEM and many more. Table 1 presents the basic forms of sales of metallurgical products.

After economic transformation the steelworks had to improve ways of marketing communication. Metallurgical enterprises used various tools and forms of influence on the customer, i.e. sales catalogues, advertising gadgets, billboards, websites, press advertisements, trade exhibitions. The choice of forms and tools was subject to many factors. The key elements here were:

Table 1 **Forms of sales of metallurgical products**

Forms of sales	Description of particular forms
Sales offices of the manufacturer	are created by the manufacturer and located on the premises of steelworks or in big cities around the country and deal with distribution of products to sales networks or direct sales of the products to the final recipients
The sales representatives of the manufacturer	companies which represent a given manufacturer or a number of manufacturers of metallurgical products which mediate in sales of products in sales chains or directly to final recipients and also organise sales outside the borders of a given country (international sales)
Third-party vendors	companies which buy metallurgical products directly from the manufacturer or the representative of manufacturer as well as through sales branches of the producer in order to sell those products to the final recipient or other vendors in the country and abroad
Distribution networks	they appear within a strategy of partnership (cooperation, consolidation) in order to achieve a significant competitive advantage in distribution area
Centres for services and distribution	deal both with distribution of the products and with provision of additional services such as cutting metal sheets, metal tapes and in this way they increase the value of the final products.

the object of promotion, type of the recipient of the message, financial possibilities of the enterprise, the reputation of the enterprise, etc. There is no fixed rule which determines application of particular tools of promotion. Some of them, for example stationery materials for offices by adding the same graphic design become promotional materials. Other items were specially created for promotion of a given undertaking (exhibition stands, marketing catalogues, commercials in form of films) [7]. After restructuring the metallurgical sector created a specific kind of marketing, the specific character of which (Table 2) allowed for calling it "metallurgical marketing" [8]. Dynamic changes of economic and social type (development of computer and information technologies, development of communication systems, shaping new consumer attitudes, development of target sales markets, improvement of process in enterprises – reengineering, creating new business models) influenced the development of marketing activities. Metallurgical enterprises learned how to meet the demands of customers, how to influence shaping new segments of sales and dependent markets, i.e. steel constructions market [9].

After restructuring, production in metallurgical enterprises became target-sales-market-oriented and particular steel and metallurgical products manufacturers initiated strong relationships with customers (evolution of relations from rather weak and routine ones to strong partner-like and individualised ones). As the time passed the partnership relations appeared between suppliers and producers as well as other stakeholders of metallurgical enterprises. Changes observed by the author of this publication in the area of marketing activities of steelworks allowed for dividing the marketing evolution into four stages. Creation of the basis of metallurgi-

Tabela 2 Metallurgical marketing - special features [7, 8]

General and marketing features		
Structure of the market	<ul style="list-style-type: none"> geographic concentration of the producers the biggest manufacturing potential focused on few enterprises consolidation of metallurgical money capital 	<ul style="list-style-type: none"> marketing as an element of competition marketing as a function to build the value of the company marketing as improvement of the world (activities for the local and national communities)
Demand	<ul style="list-style-type: none"> demand for steel dependent on economic situation on the market demand on steel is a derivative of demand on other consumption goods (cars, machines, etc.), big amplitudes of demand fluctuation 	<ul style="list-style-type: none"> broad range of marketing activities in time of prosperity narrow range of marketing activities in the period of economic slump
Customer	<ul style="list-style-type: none"> institutional customer concentration of customers on a branch (a given industry branch) seasonal character and fluctuation of the orders 	<ul style="list-style-type: none"> marketing communication, sales and distribution, customer service systems, partner relations of producer and customers, <i>Just in Time</i> production.
Competition	<ul style="list-style-type: none"> global capital groups as leaders of the world steel market, global capital groups which strive at increase of their share on the market, enterprises from outside of the global capital groups function in the niche segments of the market 	<ul style="list-style-type: none"> market expansion of global capital groups (strategies of product development and markets development), product specialisation of the remaining metallurgical enterprises
Product	<ul style="list-style-type: none"> narrow range of substitution (steel as the basic construction material in building and industry), raw-materials-consuming and energy-consuming aspect, competition conditioned by technological processes, money-consuming technology, cost of protection of environment 	<ul style="list-style-type: none"> increase of amount of highly processed metallurgical products in the product offer, adjustment of products to the needs of recipient markets, diversification or specialisation of products
Price	<ul style="list-style-type: none"> costs of purchase of raw materials and energy are almost 70% of costs of production in total 	<ul style="list-style-type: none"> cost method is the basis to fix prices of metallurgical products
Distribution	<ul style="list-style-type: none"> evolution from direct distribution to indirect distribution 	<ul style="list-style-type: none"> development of forms of indirect distribution
Promotion	<ul style="list-style-type: none"> evolution of marketing communication from promotion of marketing offer to promotion of the brand 	<ul style="list-style-type: none"> development of the area of public relations building a strategy of a strong brand (strong capital group)

cal marketing in the first half of 90s of 20th century are called “marketing 0.0” by the author [10]. The following stages are called: marketing 1.0, 2.0 and 3.0 [11]. A synthetic presentation of marketing development stages in Polish metallurgical sector are presented in Table 3.

The changes in marketing were followed by changes on the level of applied action strategies. In the period of marketing 0.0 the enterprises applied survival-oriented strategy in market economy that was beginning to form. Steelworks tried to maintain their profitability and financial liquidity and the industry introduced changes connected with ownership and assets. On the level of marketing 1.0 the steelworks conducted restructuring of

stock and resources. Metallurgical enterprises reduced unnecessary financial resources, reduced staff and unwanted technologies. Level 2.0 of marketing were activities connected with restructuring internal functions. New organisational units appeared in organisational structures of enterprises, i.e. R+D (research and development), customer service with division to segments (segment of long products, segment of flat products) and units connected with product development. The last level of marketing 3.0 was connected with restructuring of processes through decreasing the costs and improving the functions in order to provide the World Class Manufacturing. Steelworks worked out their own busi-

Table 3 Stages of development of metallurgical marketing in Poland

stages of marketing	period of presence	Characteristic features of the levels of metallurgical marketing development
Marketing 0.0	first half of the 90s of 20th century	<ul style="list-style-type: none"> creation of new organisational units in form of departments and/or teams responsible for marketing within organisational structures of metallurgical enterprises, transfer of theoretical knowledge to business practice, employees of marketing departments conduct first marketing activities (communicating through enterprises with the surrounding)
Marketing 1.0	second half of the 90s of 20th century	<ul style="list-style-type: none"> adapting ready system solution in the area of marketing communication (the Internet, Intranet, Extranet, own websites, e-mail communication, electronic system of customer service, databases of customers etc.) development of promotional activities (taking part in fairs, diversity of commercial catalogues, accessibility of promotional gadgets)
Marketing 2.0	first half of first decade of 21st century	<ul style="list-style-type: none"> marketing began to serve one of the functions of the enterprise, marketing communication evolved from only one element of distribution activities to the element of building relations with customers and other groups of stakeholders, full application of the instruments of mix marketing (4 P – product, price, place, promotion)
Marketing 3.0	second half of first decade of 21st century	<ul style="list-style-type: none"> marketing managers as specialists in the field of marketing have learned to meet the needs of the customers and other groups of stakeholders, marketing allowed the steelworks to cooperate in a broadly understood sense with the surrounding by promoting ethical, socially responsible and sustainable business

ness model [12, 13] in which, besides the activities connected with improvement of economic processes and functions of management, there are also activities aiming at sustainable business (environment and local communities).

CONCLUSIONS

Marketing in steelworks is continuously being developed. It can be assumed that the present decade, which is connected with changes in functioning strategies of steelworks which are subject to conditions of world economic crisis, will allow for an identification of a new level of marketing. Level 4.0 may mean the narrowing down of potential possibilities of building competitive advantage in metallurgical sector due to the drop in profitability caused by the drop in demand for steel.

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