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DEVELOPMENT OF STRATEGIC MARKETING SOLUTIONS IN CIRCUMSTANCES OF RAPIDLY CHANGING EXTERNAL ENVIRONMENT

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With this paper the author attempted to summarize results of previous researches and to study the application experience of theoretic developments (matrix 'Demand for creativity (novelty) by customers') being especially topical for elaboration of marketing managerial solutions in fields of business where novelty of goods (services) may act as an important competitive advantage in circumstances of rapidly changing external environment.

At the example of Latvian milk processing industry the author demonstrates possibility and need for application of methods complex (cluster, factor, discriminant, matrix) for elaboration of efficient marketing strategy, proves the necessity of governmental regulation methods within the circumstances of crisis in economics.

Keywords: strategic marketing management, matrix 'demand for creativity (novelty) by consumers', cluster, discriminant, matrix analysis, market map

1. Introduction

In the context of global economical crisis modern business environment becomes more sophisticated, changes rapidly and develops under the conditions of uncertainty, suggesting implementation of crisis management technologies. Technologies offered by modern strategic marketing and implementation of governmental economy regulation elements shall allow easing consequences of turbulent development, reducing uncertainty and risks for business structures.

2. Statement of Problem

The basic problem for most companies is the constantly growing negative pressure of macro-environment factors, however, presently in Latvia commercial companies have no real possibilities to respond to such challenge, or managing staff is not aware of them. Governmental bodies keep aloof of developing competitive, yet predictable and analysable external environment (outdated statistic information, missing available comparative information on situation of certain market players, missing development strategy for certain field).

Operational hypothesis: application of strategic marketing management technologies, including matrix, cluster, discriminant analysis, and task-oriented elaboration of measure complex for development of competitive, yet predictable external marketing environment by governmental bodies shall increase efficiency of managerial solutions in circumstances of rapidly changing environment.

3. Description of the Research

The author believes that evaluation of macro-environment factors and strategic marketing solutions elaborated on their basis shall be able to allow business structures to determine a competitive position for the current time period and to find 'anchors' ensuring elaboration and corrections of strategies in future. It's a common thing that strategy of differentiated marketing discovers and deals with target customers whose problems the company is able to solve better than a competitor, assessing priorities and preferences of their customers during the selection process. These conditions require novelty of solutions; still the creativity should be based on actual opportunities of a market in question.

Basing upon the well-known matrix 'Creativity and Efficiency of Managerial Solutions' [4], the author suggests own matrix 'Demand for creativity (novelty) by consumers' (Figure 1).

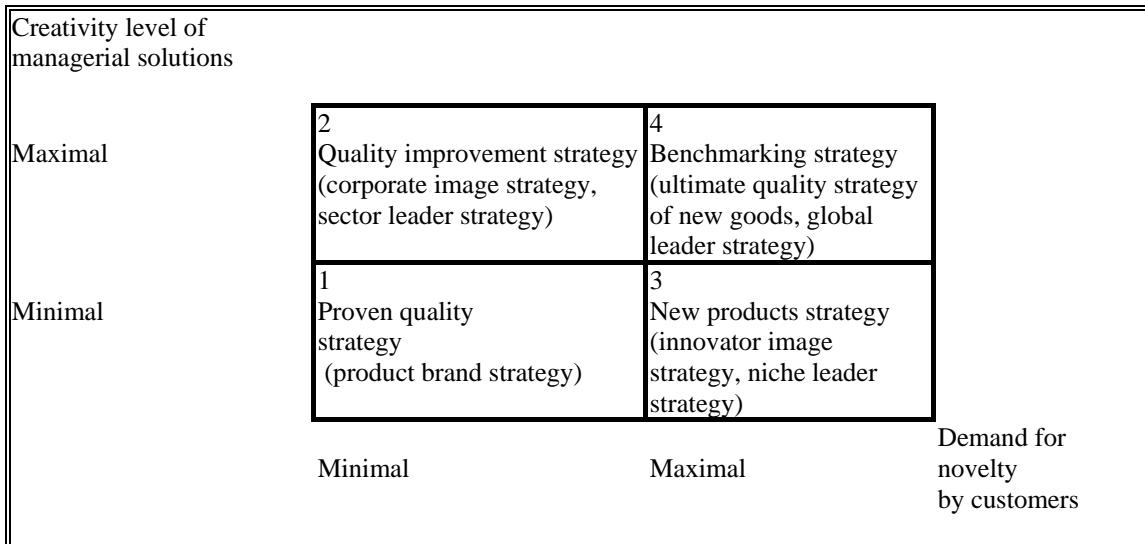


Figure 1. Managerial solutions creativity matrix

The author believes that each quadrant provides an opportunity to define a clear organization development strategy of certain organization under conditions of a market in question, as well provides understanding of necessity to use special options for creative solutions targeted to certain characteristics of market and environment.

Can the idea of controlled novelty be applied in solving problems of real business?

The author has studied opportunities of its implementation for some business structures, namely, for a large corporate representative of gambling business in Latvia. The aim of the study was to define target groups (segments) of bingo hall visitors and to assess their behaviour in order to elaborate some marketing solutions (furthermore, the club management needed to define which kind of gambling in addition to bingo clients of Dimanta Bingo would prefer). The last question was considered as a strategic solution on expanding the set of offered games. Application of segmentation results on the basis of cluster analysis provides the companies with a real opportunity of better understanding their clients and consumers, their priorities and needs at the very moment of making choice. As a result with cluster analysis we discovered 3 basic clusters for Riga and Daugavpils separately:

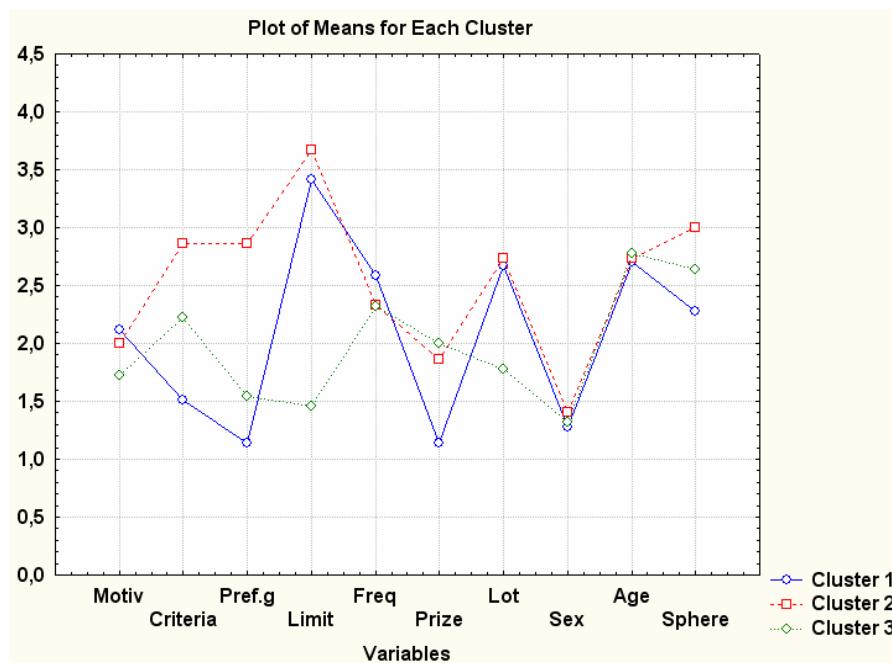


Figure 2. Characteristics of 3 clusters at gambling centre in Riga

Basic conclusions:

An average frequency of visiting gambling halls in Riga and in Daugavpils is several times a week.

Main criterion for choosing a gambling hall both for Dimanta Bingo clients in Riga and in Daugavpils is service level and a convenient location.

The main motivation for visiting gambling halls for all clients firstly is intention to relax, but gambling is at the second place. Players of Riga's Dimanta Bingo during the cluster analysis performance were divided into 'real bingo lovers' (53 %), 'privileged innovators' (18.5 %) and 'risky' ones (27.5%).

Players of Dimanta Bingo in Daugavpils during the cluster analysis performance were divided into 'party people' (31%), 'rationalists-amateurs' (32%) and 'risky optimists'; herewith the cluster of the last ones is the biggest (more than 36%).

General conclusion: in accordance with matrix of creative managerial solutions developed by the author, the organization presently is in 1st quadrant. But since the company is growing and has strong positions at the gambling market its further development should be on the basis of strategy 2 – strategy of improving quality of gambling services. For Riga and Daugavpils this general solution will obviously differ.

In the circumstances of crisis the problem of survival becomes common for most companies, with remaining importance of assessing situation in a competitive market. By order of Competition centre (Latvia) the author has studied the competition problems at milk processing industry market in Latvia (2007). An attempt to apply analysis of statistic materials and well-known models was unsuccessful in provision on actual view. The main problems included outdated information (information is late almost for a year and a half), missing information on completed mergers and other integration processes in the field. Missing information on certain assessment methods of competition level in the field and time for analysis makes the problem of assessing competition level in the field for a certain company very complicated (see 3). In order to find a solution for emerging problems, the author has used a unique combination of research methods: cluster analysis for revealing main competition problems inside the Latvian milk processing industry, allowing to define clusters – companies depending on their reaction to macro environment factors; discriminate and matrix analysis (Yefremov-Zade method [3]) – competitive positions at the Map of milk products manufacturing market. On its turn, this provided an opportunity to detect marketing strategies and certain marketing solutions (with matrix 'demand for creativity').

Methods of Yefremov include 4 groups of factors:

- Macro-factors (social, political, economical, technological);
- Market factors (market potential, market structure, market age, demand elasticity);
- Competition factors (character and dynamics of competition, dependence on consumers – dependence from mediators, potential competition problems);
- Microenvironment (marketing, financially-economical, managerial, organization-technological factors).

The author has transformed the survey (with 75 questions) for managers and experts about situation with competition in the field. Experts included managers of the largest milk processing company of Latvia and field association. Each such element of linguistic array can have three logical values (yes, no, no answer). The author believes that such version of answers reduces measurement accuracy. The arrays of linguistic variables were further analysed using ideas of Zade-Yefremov on analysis of linguistic variables with discriminate method – logical values of linguistic variables groups are transformed into numeric valuation ranged from 1 (best assessment) to 6 (worst assessment).

Each participant filled out a survey with 4 groups of questions allowing expressing opinions in form of approximate expressions about market macro-conditions, basic features of market, competition particularities and macro-conditions of market, creating an interrelated row of approximate expressions. For instance, market macro-conditions were characterized with 20 additional sub-questions, describing political, economical, social, and technical and technology situation characteristics in the field. With this we obtained 75 approximate expressions (in form of answers 'yes', 'no' and 'no answer' for certain questions characterizing market macro-conditions). Next, the assessments were summarized, calculating average assessment for each group of factors. These data were the basis for application of cluster method that helped to define companies close with their answers, to specify 3 clusters, uniting the respondents by their opinion about situation of competition in the field (see Figure 3).

In similar way approximate expressions of survey participants for other groups of survey questions

– basic characteristics of market, competition peculiarities and macro-conditions of market were analysed. Next, the method allows to detect relations between separate groups of questions – competition factors, and to define how the performed assessment combines them.

How do the survey participants assess the impact of such an important factor as 'macro-environment' (see Figure 4)?

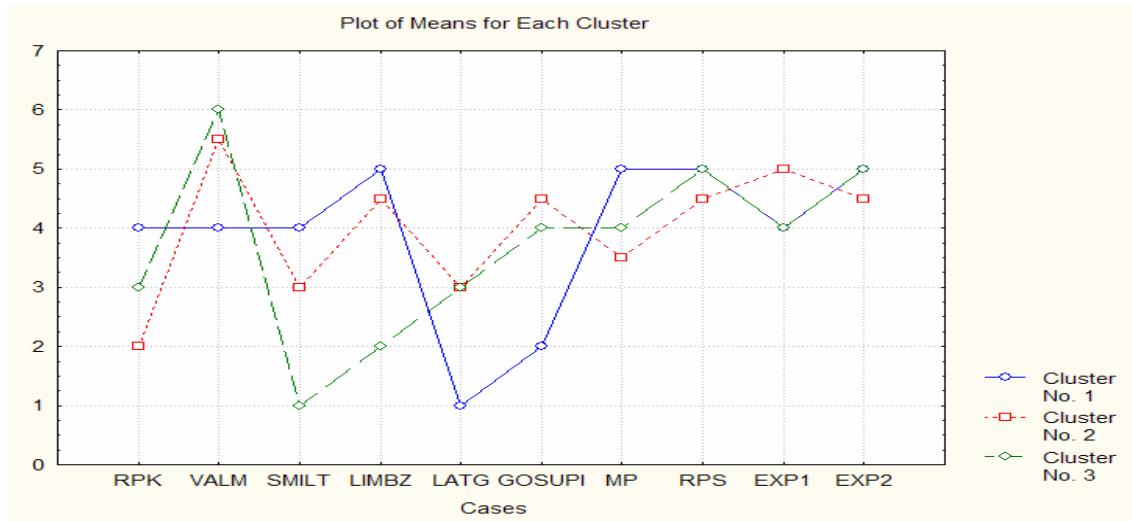


Figure 3. Transformation of clustering tree for group of questions about macro-conditions

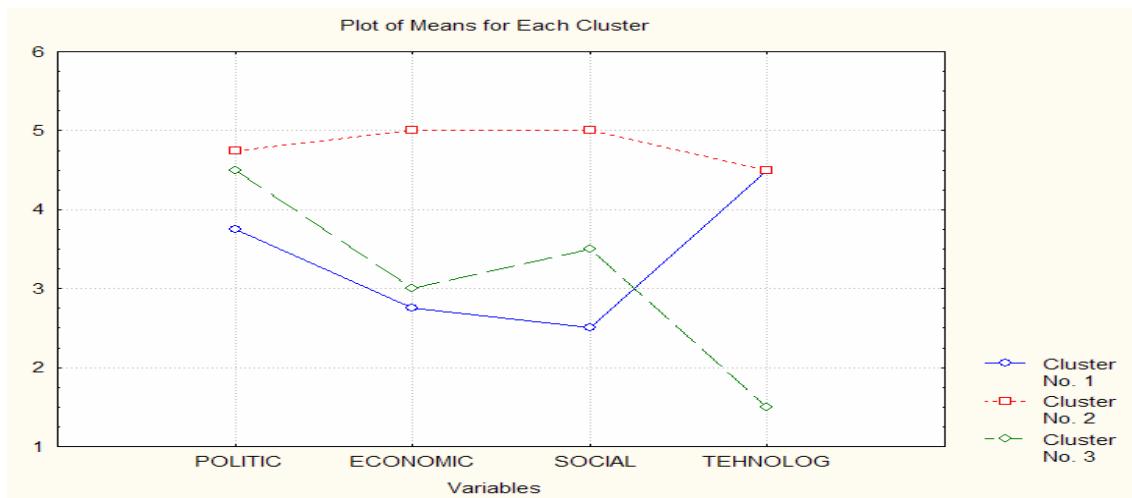


Figure 4. Clusters of macro-environment factors

The survey participants consider the affect of this factor as dangerous; generally negative (average assessment 3.9). They give negative assessment not only the efficiency of Latvian legislation in field of business regulation, missing equality among competitors, but also the international politic infrastructure.

The first cluster can be described as the group of ‘Confident’ survey participants – and its features are:

Sufficiently positive assessment of political conditions, they are assessed as rather favourable (3.7), moreover, economical conditions are assessed more positively (2.7), social conditions also got a positive assessment (2.5) and technical and technological conditions as rather unfavourable.

The second cluster includes ‘Unconfident’. These survey participants assess politic (4.7), economic (4.5), social (5), technical and technological (4.5) conditions as very unfavourable.

Third cluster ‘Careful’ assess political conditions as unfavourable (4.5), economical and social conditions as rather unfavourable (3-3.5) and technical and technological as very unfavourable (1.5).

How ‘competition peculiarities’ are assessed in the field? This factor was assessed as the most problematic and unfavourable among all four ones. All survey participants assess dependence from buyers as strong and dangerous, affect of suppliers was also assessed as an important affecting factor. Survey participants we can separate into 3 clusters.

The first cluster ‘Active’ has feeling of control over situation that they assess despite all hazards as rather favourable (3.24).

The second cluster ‘Passive’ envisages great potential and real competition hazards, still not in all directions, but in several. Average assessment is 3.7.

The third cluster 'Defenders' envisages situation in competition as dangerous – average assessment is 4.06.

Factor of 'micro-conditions' (characterizing real inner competitiveness of company) everyone assess as sufficiently strong. Still considering the status of survey participant it is easy to explain since all of them are included in the group of 10 strongest companies of the field. Next, using assessments averaged to 6-points scale, applying matrix analysis methods we get a map of milk processing market positioning and specify the strategic positions of market players in the market in question. Such map allows seeing the saturation degree of strategic positions at certain section of the map, but also the safety of strategic positions and possible new strategy for each market player with purpose of reducing crash hazard in the competition.

At the Figure 5 we see that the map of strategic positions consists from 36 strategic positions (9 aggression positions, 9 competition positions, 9 defenders positions and 9 conservative positions), each of them corresponding to certain situation of competition (see 3).

Realizing the strategic position of one's competitiveness, each market player can choose the recommended strategy for protection and strengthening of his competitiveness.

Strategic positions of competitiveness

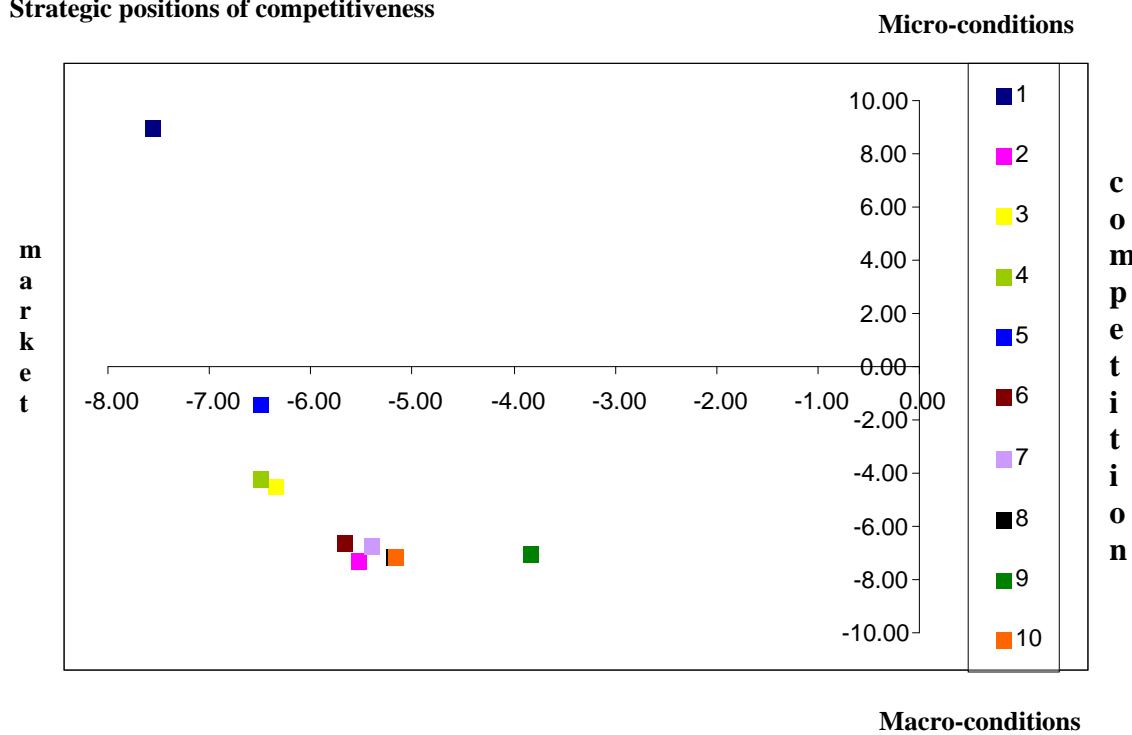


Figure 5. General positioning map

Conservative position

'Conservator' – 1st company. The company has very good strategic potential, allowing the total control over macro-conditions. Still the company conducts its business in one of the most unattractive fields and has almost none competition advantages.

Defence positions

'Farmer' – 5th company. The company conducts its business in one of the most unattractive fields and has none competition advantages. Strategic potential of the company does not allow to completely neutralize negative affect of macro-conditions.

'Dry leave' – companies 3 and 4. The companies conduct its businesses in one of the most unattractive fields and have almost none competition advantages. Since strategic potential of the companies does not allow neutralizing negative affect of macro-conditions, their activity is mainly impacted by these factors.

'Walking corpse' – companies 2, 7, 8, and 10. The company with low competitiveness conducts its business in unattractive field. All activities of the company are completely affected with unfavourable climate of macro-conditions, since the company has no strategic potential allowing withstanding the affect of the climate.

Strategy recommended for the company at the conservative strategic position 'Conservator': 'Strategy of limited profit' – to reduce risk to minimum, to boost profit margin with a reasonable decrease of market segment.

Other survey participants take the following strategic positions of the competitiveness:

‘Farmer’. Recommended strategy: ‘Strategy of maximal result’ – i.e., to attempt to reach maximal result from each operation along with reduction of constant costs.

‘Dry leave’ and ‘Walking corpse’. Recommended strategy: ‘Strategy of losses minimization’ – to avoid investments, to reduce constant costs, and should losses persist, to revise business idea.

The most negative impact onto the competitiveness among the macro-factors group have political and technical and technological factors; in group of market factors – development of key success factors and demand elasticity factors; in group of competition conditions – dependence from suppliers and buyers.

Managers and independent experts (both of large and small Latvian enterprises) admit that already in years of economical exuberance the market showed a severe macro environment influence (economy, law, competition in the field).

Elements of governmental regulation are macro-environment factors and are defined by consensus in society reached with a certain political choice. This very choice is providing a real opportunity to define such important in circumstances of global crisis in economics real development strategy of Latvia as a state and a part of larger system – EU and global economics.

Global financial and economy crisis in Latvia in 2008-2011(?) demonstrated that untimely and insufficient application of governmental regulation resulted in circumstances of strong pressure from foreign banks’ side to artificial demand for loans. Although we weren’t the first to get trapped in unsecured demand for realty, cars etc, governmental bodies took no steps to ensure control of the situation in due time. Then a question arises: ‘Was it possible to recognize and assess situation during its formation process, not after it?’

Under author’s management in late 2009 using method of discriminant analysis an investigation of advertisement slogans published by most Latvian newspapers in Latvian and Russian languages in 2006, 2007, 2008, and 2009 was performed. It brought to light financial structures triggering the demand for loans, as well who and how amended offered loan conditions. A well-timed control ensured by governmental bodies for this information as for heavily impacting factor of macro-environment could in time, not after, help elaborate regulative measures aimed to limit the demand unsecured by real resources.

4. Conclusions

Implementation of cluster analysis for detection of main competition problems in the field of milk processing industry of Latvia (2007) enabled author, with possibilities of discriminate analysis to detect company clusters depending on their reaction to macro-environment factors, and their competition positions at the milk products manufacturing market map. The map provides an opportunity to assess one’s position and offered strategy, (1) using creativity matrix, we can also recommend to the company in question the necessary level of marketing solutions creativity.

Application of segmentation results on the basis of cluster analysis provides the companies with a real opportunity to better understand their clients and customers, their priorities and need at the very moment of making a choice, that on its turn with matrix method of managerial solutions elaboration, factors and discriminate analysis allows to track affects of macro-environment changes with better accuracy.

In the context of global economical crisis modern business environment becomes more sophisticated, changes rapidly and develops under the conditions of uncertainty, suggesting implementation of crisis management technologies. Technologies offered by modern strategic marketing and implementation of some governmental economy regulation elements allow easing uncertainty and risks.

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