

TIES 2020**International conference «Trends and innovations in economic studies»****USING OF MARKETING TOOLS IN RUSSIAN COAL MINING
COMPANIES**

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Abstract

The vast majority of commercial industrial companies in modern economic reality do not have an effective marketing strategy while they are low-margin. The most part of Russian economy is monopolistic and fuel industry is not exception. The provisions of economic theory especially works of famous American economist Harvey Leibenstein say that a monopoly has no incentives to maintain efficient production (X-efficiency). Companies do not seek to improve different areas of their activities including field of marketing. Usually they follow inertia vector and work using the same algorithms. Market conditions are changing at the same time faster than company ability to adapt to new economic conditions. The author suggests if managers of coal companies are acquainted with marketing tools and use them by that managers will increase company competitiveness in the market. Purpose of the article is to show application of marketing opportunities in the work of industrial commercial companies as an example of fuel industry. The object of the research is the use of the marketing tools in the work of companies in coal market. The methodological basis of the scientific article is made up of market segmentation and positioning techniques. The author considers the features of coal mining companies in the market and shows the possibilities of using marketing tools to increase efficiency of economic sustainability of companies. Thus, to increase company competitiveness in market coal company heads should focus in their work in long term on marketing and a well-thought-out marketing strategy.

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1. Introduction

The most popular point of view in theory of marketing proposed by Western economists is the idea expressed by American scientist Drucker (1973) and quoted by Kotler (1992) in his paper "Marketing Essentials". "The goal of marketing is to make its efforts unnecessary. The goal is to know and understand a customer so well that a product or service will definitely match up to his expectations and is sold by itself" (par. 3, p. 11).

One should look for the ideal when organizing sales of any goods including coal, which has many specific features but obeys the general laws of the market. Modern coal market is far from the ideal described above. Coal sellers in Russia often dictate prices, payment and delivery terms violating shipment schedules and delivering coal of poor quality. Buyers also do not remain in debt and are extremely careless about paying for shipped coal including budget organizations that refer to delay funding by state budget. These so-called uncivilized forms of market relations certainly do not require strategic marketing technologies (Nechaev, Bovkun, & Sakharov, 2017; Repinsky, 2018). As Russia moves towards legal civil society, the role of marketing is growing. An increasing interest of coal companies in marketing technologies is evidenced by exhibitions, conferences and other events of domestic and international level.

2. Problem Statement

Market research shows that coal companies are most interested in information about competitors and market conditions needed to avoid mistakes in determining the level of competitive prices and volumes of coal production. It is also interesting to find a place in the market which is not occupied by coal sellers (Boev & Voronin, 2015; Milutina & Galchenko, 2016). Neither sellers nor buyers of coal are seemed not to be ready today for the finer mechanisms of marketing art. However, is it really so? Perhaps with a closer look at Western marketing technologies, is it possible to increase the sales of coal products to the volumes necessary for the profitable operation of Russian coal companies? The following review and analysis of a number of modern marketing theories and methods are done to answer the question.

3. Research Questions

One should mention the fundamental work of Kotler (1992). According to the definition given by Kotler (1992) "marketing is a type of human activity in the market for sake of exchanges aimed to satisfy human needs and requirements" (par. 2, p. 7). Kotler (1992) twice mentions human factor in the definition and apparently it is the point. Russian economists are used to base their research on abstract theory, which as experience in the market shows does not always meet expectations of practitioners.

Factor of customer timely payment for delivered final product becomes an important in the market economy based on civilized market relations. Subjective factor in market economy is extremely important when making decision about the price or volume of supplies and choosing partners for the transaction. This feature of functioning of the market is reflected in almost all studies of Western and Russian scientists and in relation to marketing first of all (Bolotov, 2019; Rudneva, Rudenok, & Meshcheryakova, 2016; Shinova, 2015).

The author examines in the article some features of work of industrial coal mining companies in the market and raises the issue related to the effectiveness of marketing tools.

4. Purpose of the Study

To show shortcomings in the features of coal companies work in the market while selling products.

To describe potential benefits of using marketing tools while analyzing coal market.

To draw attention of coal companies heads to needless development and implementation of marketing strategy.

5. Research Methods

One should consider the main methodological approaches to analyzing and forecasting the set of factors determined market conditions and evaluate range of management methods to solve the problem under consideration.

First, a company should be able to identify market opportunities open up to it. The analysis is recommended to be carried out using the product and market development algorithm shown in Table 1.

Table 01. Product and market development algorithm

	The existing products	New product
Existing market	1. Deepening market penetration	3. Production of a new product
New market	2. The expansion of market boundaries	4. Diversification

The recommendation is obvious for a coal mining company at least in paragraphs 1 and 2. Most companies try to follow such strategy: strengthen its position in occupied market segments and win new markets increasing the total sales of commercial products. However, if a company develops production of new brands of commercial coal it does not mean that the brands will be a new for the market. Therefore, coal companies do not use point 3 yet although theoretically the direction of work can be rather effective. Therefore, production of solid fuels having high energy and environmental characteristics (briquettes, semi - coke, coal slurries, pulverized fuel, etc.) with application of production technologies partially developed in Russia and successfully applied worldwide confirms effectiveness of the direction.

Domestic coal companies also do not use diversification of their business shown in point 4, Table 1. It is due to both insufficient development of market relations in modern Russia and the lack of company capital, which has an unhealthy downward trend (Raiko & Lebedeva, 2015). These areas of business should be considered with alternative marketing strategies.

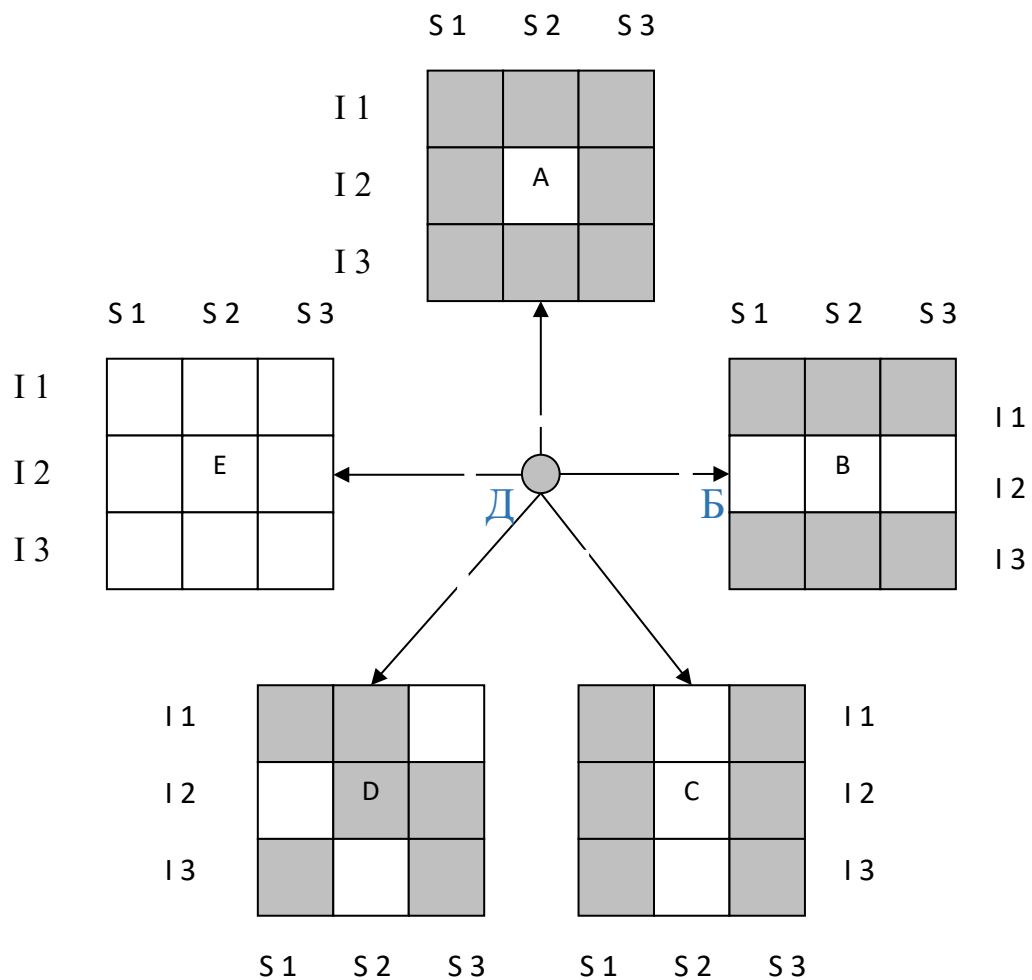
The most important techniques of the methodology are market segmentation and positioning. One should consider the following five ways of market segmentation shown in Figure 1.

Coal mining companies in Russia do not always occupy a position in the market according to prevailing conditions. They usually work using a template algorithm with the application of the same commercial ties. Changing coal market condition requires companies to be flexible in their business activities. The methodical approach of market segmentation shown in Figure 1 can make the process more focused and meaningful.

Work of a coal mining company in the market becomes more conscious if it carrying out the positioning goods procedure the general scheme of which is shown in Figure 2.

Goods positioning suggests that among many factors that consumers prefer they choose two of them, which are most significant and characterized the quality of the product and the efficiency of its use. Most consumers equate coal quality with its calorific value and efficiency with its price. Moreover, then coal quality is lower than its price should be less. However, it is true only under comparable conditions. If coal is sold in an energy-deficient region, its price will be higher on average throughout Russia and for an energy surplus region it will be lower.

Validity of the statement along with logic and practical experience is also confirmed by presence of the greater share of producer transport costs in coal price for remote market segments.



Indicators:

- I1-I3 — intensity of purchasing demand (effectual demand)
- S1-S3 — market segments based on a specific feature (purchase motivation)
- A** — concentration of the company's efforts on a single market segment;
- B** — focus on customer 's need (effectual demand);
- C** — focus on a group of consumers (market segment);
- D** — selective specialization of the company;
- E** — full market coverage in the company activities

Figure 01. Methods of market segmentation

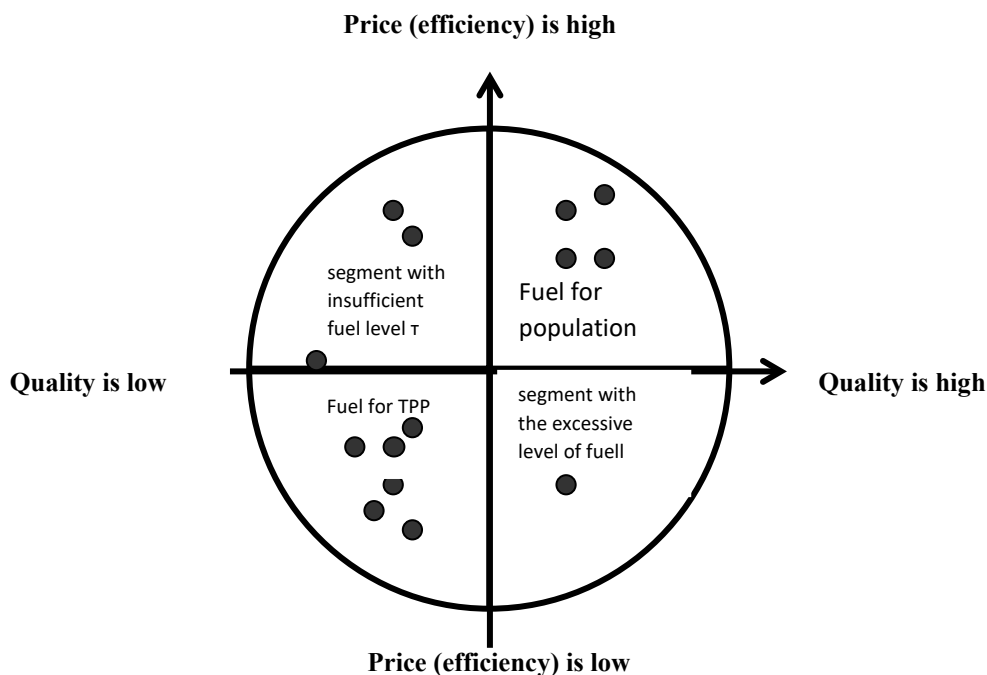


Figure 02. Scheme of positioning of goods and consumer preferences

Coal prices for thermal power plants and for population will always differ in fairly stable ratios as coal quality for thermal power plants may be lower and volume of supply (consumption) is higher as compared with volume supply for population needs. Therefore, coal for thermal power plants is sold wholesale and coal for population is sold through retail trade system. If we consider the same market segment and position different coal suppliers (producers) under the condition of interchangeability of coals one can see that the scheme will clearly reflect the preferences of consumers pointing to the movement of parameters of commodity products. If a company is not going to follow the vector of market development, it will risk to become an outsider.

Pricing is one of the most important and sly aspect of the company marketing strategy: Low prices are unacceptable because loss-making trade deprives coal business its economic benefits, overpricing is unwanted too as competition in coal market is already quite acute and it will only grow up. Moreover, state regulation of prices is likely to be strengthened in all fields including law.

Using of modern methods for constructing supply and demand curves described in detail in the works of Russian scientists is desirable to forecast prices and to determine pricing policy of a coal company (Borodin, 2015; Schneider & Frolova, 2016).

6. Findings

Marketing of coal companies which products are classified as industrial products has one characteristic feature in respect to allocation of its financial resources. Most of the funds is spent to organize personal sales while financing of sales and advertising of products is carried out on a residual basis. Personal sales are more often used in trade of high-cost and high-risk products as well as in markets with small number of a large sellers including coal market.

At the same time personal contact of a marketing top manager with buyers is confirmed to have paramount importance for successful sale of a company commercial products. If a top manager carefully and consistently pursues marketing policy, it will ensure profitability to an entire company as a whole. Conversely, strategic and tactical top manager mistakes and miscalculations cannot be compensated by another methods and technologies of marketing. One should come here to the important conclusion under which the role of strategic marketing analysis which provides a company top manager with the set of tools for making commercial decisions is much greater that it seems at present while coal companies do not pay serious attention to marketing.

It also follows that: "Consumer attracting to the product" strategy is much more effective compared to "product pushing to the market" strategy. This largely obvious idea is still not sufficiently recognized and accepted by coal companies heads for practical use, which requires introducing high standards of organization for the complete coal business.

Leading coal companies should take into account their chosen marketing strategies while forming and managing company range of activities. Company head should assess effectiveness of all production of commercial products that are part of a company. Profitable and unprofitable production must be identified in order to determine the ways of their future development. A company most likely will prefer to invest its core resources in the most profitable production and to reduce or stop invest in low-profitability production not say nothing of loss-making activity. The overall business development strategy is built on the one basis.

In order to implement the idea, companies should introduce "orientation to marketing" abandoning from "orientation to production".

7. Conclusion

All ideas of strategic marketing above have received their further theoretical development in a series of papers of Russian scientists. For example, Polyakova (2015) focuses her works on positioning of coal market. Nikitina (2016) emphasizes the role of formation regularities of coal market conditions in regional and industrial segments of "sellers" and "buyers" described by S – shaped supply and demand curves.

However, comprehensive methodological approach for formation of the marketing strategy that could be effectively used in specific conditions of a particular coal company has not yet been developed. Consideration of all available marketing opportunities both within the country and in the world market can give a positive stimulate for development of companies operating in the field of coal mining.

To develop an effective marketing strategy one should take a broader view to coal market not only from producer point of view but also from the point of view of major consumers and interested government structures in Russia as well as in the Asia-Pacific region, which is part of the global coal market. To develop the strategy one can take into account all the most valuable and effective methodical approaches and ideas noted in the article.

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