

## Optimization of marketing strategy's selection process in automobile company

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**Abstract.** The article analyzes existing classifications of marketing strategies of the company. The main criteria for marketing strategy's selection, used by management in its strategic activities, were defined. Based on research, a simplified classifier of marketing strategies, which will facilitate efficient strategic marketing activities, was developed.

**Key words:** marketing strategy, automobile companies, innovation potential.

### INTRODUCTION

Management of automotive enterprises in practice requires clearly regulated guidelines on choosing a marketing strategy for the company. In most cases, theoretical research of scientists focused on improving the existing strategies or developing new classification, while automotive businesses need effective implementation strategies according to objective external conditions. It is difficult for management of the company to sort out the wide variety of branching classification schemes. Thus, the problem of systematization characteristic features of external and internal marketing environment under which management can orientate in the most effective strategy for the company become urgent. The choice of strategy depends on the direction of the company and the final financial result. Therefore, besides the matrix of marketing strategies the list of features, which should be decisive in the classification of marketing strategies according to the needs of the automobile enterprise, should be analyzed and determined.

It is necessary to conduct a detailed analysis of existing classifications marketing strategies in research,

to identify the relevant market indices, which are crucial for the management of automobile enterprises in selecting marketing strategies. It is necessary to conduct a study whose results have demonstrated the effectiveness of separation of marketing strategies according to the levels of management. The possibility of different marketing strategies combining for automotive enterprises according to the latest market trends should be analyzed.

### MATERIALS AND METHODS

Research in strategic marketing management carried out such scientists as D. Aaker and E. Korenyev, Ph. Kotler, N. Kudenko, J. Lambin, M. Porter, A. Starostina, R. Fathutdynov [1,3,4,6,8,10,20] and other foreign and Ukrainian scientists. Developments of aforementioned researchers related to strategic marketing and strategic management in general [1-8].

Most of the studies in strategic marketing administration consists in development of new and classification of existing strategies, while automotive businesses need efficient schemes, that would simplify the selection process of marketing strategy, as a management tool that is tested and effective under specific conditions, similar to that, where the object of research - the motor industry enterprises - consists.

Selecting, developing and implementing of marketing strategy involves analyzing the factors of micro- and microenvironment of enterprise, what is described in the researches of famous scientists and economists [1, 3, 8].

**Table 1.** Development of marketing approaches in entrepreneurial activity during the XV-XXI centuries. [15]

Marketing concept	Classical production	The concept of «exclusivity»	The concept of mass production	The concept of "blue oceans"	The concept of "socially responsible" marketing	Ecological marketing
Timeline	XVII century	XVIII-XIX centuries	1900s	2000s	2010-2012	Since 2012

Deepening into the process of strategic marketing analysis, it should be noted, that the major forms are PEST-analysis [9], SWOT analysis [10], the model of the five competitive forces by M. Porter [11] creation of strategic groups maps [6], SNW analysis [12], analysis using BCG matrix [13], McKinsey [14] and others. However, strategic marketing analysis in automotive industry, in addition to the aforementioned methods should be conducted in the form of determining of market trends for both the automotive industry and for related industries. Trends in related industries are essential in the creation of competitive products.

To determine of market trends managers often resort to alternative methods of projections called "trend watching", which is based on predicting the possible market trends relying on retrospective analysis according to the theory of cyclical economic system. The feasibility of this method is confirmed by the cyclical development of marketing as a science, what is shown below (Table1).

The cyclicity of development in the automotive industry is observed. For example, analyzing car design aspects there are some tendencies. As for the technological equipment of vehicles, the impact of related industries increases significantly. This dependence can be traced using the analysis method A. Slywotzky called "radar" of companies [16]. According to this methodology, the analysis of automobile enterprises represented on Fig.1, which schematically shows the "radar" of company, that is the object of analysis. At this radar, the sectors that have an impact on the enterprise are indicated. The distance between center, where is the object of analysis, and points of related industries inversely reflects their impact on the strength of the test motor industry enterprises.

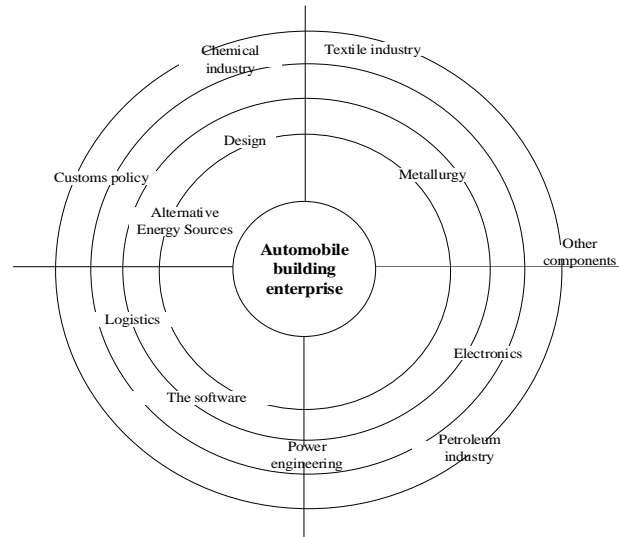
Impact have electronics, software industry, art and field of alternative energy.

According to the conducted analysis, we can determine the potential competitive product of automobile company, which is based on the following main components:

- Cost and use of alternative energy sources (eco-trend);
- Innovative design (trend watching);

High level of technical equipment, security, usability, technical innovation (construction bureau (CB) activity or licenses purchasing).

- On the "radar" of the company, the most significant

**Fig. 1.** "Radar" of domestic automobile company by A. Slywotzky

Determination of market trends involves the study of characteristics of more powerful market players, because it will lead to a permanent backlog of companies that can be explained by the duration of the transition process of designing a car to its mass production. After all, if the manufacturer sets today the goal to create car, which would correspond to the level of the strongest players in the market, than its competitor would be one step ahead, working on new better model.

## RESULTS

Radical restructuring of strategic activity for improving the competitiveness of its products involves tangible and intangible investment attraction. In this regard, the company should be prepared for these changes.

None of the analyzed domestic automobile enterprises are not equipped for a quick transition to production of highly competitive them. This is preceded by a number of factors which include: - the willingness of staff to changes; - technological equipping of equipment; - the availability of financial resources for R&D; - effective marketing service of the enterprise; - accessibility of informal technical resources; - legal framework; - lobbying and others.

All these factors can be grouped by level of difficulty obtaining them: 1. Available; 2. Potential; 3. Perspective.

Management of Company has divide responsibilities for achieving the target resource support.

Level of readiness of enterprise for innovation is determined by the innovative potential of enterprises. The subject of evaluation and formation of innovative potential of enterprise engaged such scientists as I. Ansoff, N. Chukhray, V. Geets, A. Maslak., V. Shevtsova, [1,3,4,6,8,10,20] and others. Analysis of current developments provides the basis for the subject group and identifies the main categories of readiness of enterprises to innovate. Table 2 shows the main categories of enterprises according to their level of readiness to implement innovation, the most effective for each level marketing strategies and indicators that help identify the placement of the object of analysis in a particular category.

According to the each category of the innovation potential of enterprise, types of marketing strategies, that will be the most effective for the company, could be figured out. Importantly, the proposed matching categories and strategies is considered as a tool of strategic marketing management of company. Table 1 does not provide variants of strategies for functional level because of the inability to determine all financing conditions of companies, because each automobile

producer is characterized by various conditions, organizational structure, management capabilities, etc.

It is important to note that scientists have identified various structural elements of the innovation potential of enterprise, but during the investigation the preparedness of automobile company to manufacture innovative products, we distinguished main components: financial, human, technological, industrial and technical, and marketing. No doubt, this classification can be expanded into smaller elements, but it requires a separate scale research, what is not envisaged by objectives of this study.

Among the Ukrainian automobile companies, only three automobile companies, that involved in cars assembling, are categorized as companies with middle and high innovative: plant "Eurocar" (cars Skoda), ZAZ (Zaporizhia Automobile Building Plant) and Cherkassy automobile factory "Bogdan". The statistics, which are based on a compulsory statements of the company to the State Statistics Committee of Ukraine, indicate the overall low level of expenditure on R&D in field of passenger cars production, that is certifying by number of innovative enterprises in Table3 [19].

**Table 2.** Categories of enterprises according to their level of innovation potential of enterprise \*

The level of innovation potential of enterprise	The level of resources provision	Types of marketing strategies	Indicators of measurement of innovative potential
<b>The low level of innovative potential</b>	Financial: own funds, long-term loans and borrowings; Staff: own; Technological: outdated designs and models; Technical and production: outdated equipment; Marketing: absence of marketing subdivision or incorrect its using.	Corporate level: strategy of survival + stabilization strategy; Business level: a strategy on decline stage, the strategy of sequence, protection strategy, the strategy of price leadership	HR component: 1. The coefficient of personnel training (Personnel, that has been trained/all employees); 2. The coefficient of inventions (The number of inventions/All assortment); 3. Level education of the staff (Employees with a diploma of education/all employees);
<b>The average level of innovative potential</b>	Financial: own + long-term loans; Staff: own + outsourcing; Technology: own + borrowed elaboration; Technical and production: coefficient of updating $\geq 0,5$ ; Marketing: marketing researches + partial participation in the creation of products.	Corporate level: strategy of stabilization; Business level: strategy on the maturity stage, strategy of sequence, challenger strategy, strategy of protection strategy of price leadership, differentiation strategy.	4. The turnover coefficient (dismissed workers/all employees); 5. The coefficient of scientific support of employees (Employees CB/all employees) The financial component: 1. The volume of credit facilities;
<b>A high level of innovative potential</b>	Financial: own funds + certain amount of long-term credit; Staff: Own + partner relations; Technology: own know-how and licenses involving related industries; Technical and production: coefficient of updating $\geq 0,9$ ; Marketing: providing a full cycle of marketing services.	Corporate level: growth strategy; Business Level: strategy on implementation stage + strategy on growth stage, strategy of market leader, strategy of market niche coverage, strategy is an offensive strategy of differentiation	2. The amount of own funds; 3. Capitalization coefficient; 4. Accounts Receivables 5. Value of fixed and current assets; 6. Coefficient of funds turnover, etc. Technological: 1. R & D expenditures/total cost; 2. The cost of borrowed innovation; 3. Technology transfer; Production and technology: 1. The coefficient of updating; 2. The coefficient of wear and tear of equipment; 3. Depreciation; 4. Costs relating to repairs; 5. Productivity; 6. Level of automation.

\* Source: Own elaboration based on [4; 17; 18]

**Table 3.** Expenditure on R & D by type of economic activity in Ukraine

N	Type of economic activity	Number of innovation active enterprises		
		2010	2011	2012
1	All industry	1462	1679	1758
2	Mechanical Engineering	417	443	426
3	Production of motor vehicles	81	84	90

**Table 4.** Classifier of marketing strategies according to the dynamics of the target market share figures

	Growing	Sustentation	Reduction
Corporative level	Growth Strategy: — Intense — Integration — Diversification	The strategy of stabilization; Strategy for survival	Survival Strategy
Business Level	The strategy of price leadership; Diversification strategy; Strategy on growth and implementation stage; The strategy of market leadership; Strategy of offensive	The strategy of differentiation; Strategy on the stage of maturity; Challenger strategy; The strategy of the follower; Strategy offensive or protection	Strategy on the stage of decline; Strategy of market niche coverage; Strategy of protection

Dynamics costs on release innovative products, as well as their scope in the domestic automobile enterprises is not conducive to the development of innovative potential of enterprise and their competitiveness in a sector, which is largely dependent on technological innovation.

In an analysis of the competitive environment of enterprise in automotive industry of Ukraine should take into account the specifics of the legislative component, which has recently become particularly relevant. However, the role of legislation in the automotive industry has two impacts: 1. Regulatory function on automobile enterprises and export-import policy, 2. Influence on the purchasing power of buyers in the market, due to the high cost of automotive products business, which brings the car to a category of previous long-term choice goods.

One of the most important elements of strategic analysis is to analyze the competition. Most scientists who have studied the issue of strategic marketing management agree on the necessity of this element in the analysis. [1, 4, 20].

The specificity of industry determines expediency of analyzing competitors through the provision of competitive groups [4, 21, 22]. However, this approach requires a number of corrections:

1. The object of the analysis should consider the specific car model line,
2. The analysis must focus on the customer profile of the object,
3. The choice of a competitive group of cars through the provision of "price range" of object of analysis,
4. Defining the set of priority characteristics of a "user profile", comparing them with those of market leader, or competitive reference point,
5. The definition of a competitive group and calculating the competitiveness of the object of analysis.

Conducting the strategic analysis of automobile enterprises preceded the final determination of the rate, which will be a criterion of success of achieving all target points in the component analysis: tracking market trends, improving of innovative potential, compliance with legal requirements, ensuring a high level of competitiveness of products in the market.

The main criterion for success should be measured and impact on financial results. Practice shows that companies involved in the automotive industry and the automotive market using market share as a landmark achievement. It should be a detailed plan and financial performance, taking into account the profitability of the automobile company, which is largely shaped margin products.

Considering the importance of market share for the automotive market participants in the research suggested a matrix of marketing strategies according to two criteria: the level of management and correlation growth rates and market share of analysis object, which is shown in Table 4.

Automobile Management of Company has permanently keep track the ratio of growth/ recession of the market (Rm.g.) to rate of the market share dynamics (Rm.sh.). If  $Rm.g. \leq Rm.sh.$ , then the company may, pursuant to its mission and target segment of consumers, choose the strategy of all three levels if  $Rm.g. > Rm.sh.$ , then the company should choose a strategy aimed at sustentation or growing market share.

It is important to note, that choosing the market share as indicator of enterprise's success, management, logically, can take action, that will lead either to its decrease/retain, or decrease the selected target narrowly focusing on a single niche. According to the direction of the selected target dynamics, certain types of marketing strategies can be used. An important element of this matrix is the lack of a functional level. Because the marketing policy of the company should include the

development of tightly controlled corporate requirements for preparation and implementation of marketing plans for resellers and distributors of cars on the market using the four elements of the basic elements of the marketing mix: product, distribution price and communication policy of the company. Target indicators of success so-called functional-level management components are transformed into the general corporate rate of market share the company's strategy and functional level turn to the implementation of operations management, that is regulated by corporation.

#### CONCLUSIONS

1. The study analyzed the main components of building a strategic plan for the company, offered by domestic and foreign scientists, allowed to formulate the main stages of the strategic marketing plan for enterprises of automobile industry, which are including: market trends, competition, performance, and legislative conditions.

2. Based on the strategic analysis suggested the use of indicators that are optimal in the automotive industry in strategic marketing planning.

3. This study allowed to form a classifier of marketing strategies according to the criteria of strategic analysis.

4. In further research is necessary to develop a mechanism of implementation the marketing strategy for particular automobile enterprises in Ukraine and suggest ways of improvement the competitiveness of its products in accordance with the objectives of the enterprise.

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