Developing Marketing Strategy in Nonmetallic Mineral Industry at the Business Level

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Abstract—This study extends research on the relationship between marketing strategy and market segmentation by investigating on market segments in the cement industry. Competitive strength and rivals distance from the factory were used as business environment. A three segment (positive, neutral or indifferent and zero zones) were identified as strategic segments. For each segment a marketing strategy (aggressive, defensive and decline) were developed. This study employed data from cement industry to fulfill two objectives, the first is to give a framework to the segmentation of cement industry and the second is developing marketing strategy with varying competitive strength. Fifty six questionnaires containing close-and open-ended questions were collected and analyzed. Results supported the theory that segments tend to be more aggressive than defensive when competitive strength increases. It is concluded that high strength segments follow total market coverage, concentric diversification and frontal attack to their competitors. With decreased competitive strength, Business tends to follow multi-market strategy, product modification/improvement and flank attack to direct competitors for this kind of segments. Segments with weak competitive strength followed focus strategy and decline strategy.

Keywords—Marketing strategy, Competitive strength, Market Segmentation

I. INTRODUCTION

This study explores organizational competencies such as innovation, flexibility, and responsiveness result from collective cognition or sense making. A sustainable competitive advantage derives from the firm’s capacity to successfully assimilate, negotiate, and capitalize on complexities in its environment. Marketing performs a key role in an organization’s sense making efforts through gathering, disseminating, interpreting, and storing activities that seek to understand and act up on the environment[35]. In this role, marketing potentially shapes and directs through which the organization perceives its strategic situation, and by extension, the actions taken in response[9].

All marketing strategy is built on STP-Segmentation, Targeting and Positioning. A company discovers different needs and groups in the market place, targets those needs and groups that it can satisfy in a superior way. [23]. A company can not serve all customers in a broad market. The customers are too numerous and diverse in their buying requirements. A company needs to identify the market segments it can serve effectively. [23]. So we need to analyze and identify different segments that a company can best serve and have strength over them.

The purpose of this research is to gain a better understanding of the relationship between market segments and marketing strategies such as aggressiveness, defensiveness and decline strategy. Influence of competitive position on marketing strategy with the aim of contributing answers to the primary research questions is another important aim that should be discovered in this survey.

To address this issue, this study examines marketing strategy of firms considering internal environment. This environment include three dimension of competitive position,(Strong to Weak) suggested by previous work(Both conceptual and empirical) to influence a business choice of marketing strategy[5].

II. LITERATURE REVIEW

Most strategy researchers [8],[12],[36] have tended to operationalize strategic mission as a nominal variable, a closer examination of the typologies developed indicates that these nominal approaches are essentially consistent with continuous approach being taken in this study. For instance, the six category of Hofer and Schendel(1978)- Share increasing strategies, growth strategies, profit strategies, market concentration and asset reduction strategies, turnaround strategies, and liquidation or divestiture strategies- and the...
eight categories of MacMillan(1982)- aggressive build, gradual build, selective build, aggressive maintain, selective maintain, competitive harasser, prove viability, and divest- all reflect a more or less steady transition from a “pure build” strategy at one end to a “pure harvest” or “divest” strategy at the other. [11]. So this research will focus on three marketing strategy. These marketing strategies vary from aggressive build to divest. Although Gordon (1994) has focused on five marketing strategy which is included aggressiveness, defensiveness, differentiation, corporation and adaptability. However, theoretical support for this study is not enough.

Developing each strategy in each level (corporate, Business and firm or product level) needs evaluating both external and internal environments[1] (Mascarenhas, et, al 2002). At the business level, previous conceptual and empirical works suggest two environmental factors. Based on pervious works market attractiveness and competitive position are considered to influence a business's choice of marketing strategy. These two are chosen for several reasons. First market attractiveness represents the long run profit and growth potential for all participants in an industry or market, while competitive position relates to the strength of the business relative to the strong competitor. [44]. Thus, these dimensions represent key aspects of both the external and internal environment for strategic marketing decisions. Second, it is generally suggested that market attractiveness and competitive position form the basis of most contingency organizational objectives at the business level rather than at the corporate level or product / brand levels. [33]. Third, these two dimensions form the basis of most contingency approaches to marketing strategy. [3]. several studies indicate that American companies are using such contingency models pervasively. [2] [5]. This suggests that market attractiveness and competitive position have significant impact on patterns of strategic marketing decision in many organizations. Finally, both dimensions have been included in previous attempt to develop conceptually integrated models of business performance. [14]. In the following part determinant of marketing strategy with different competitive position and high attractive markets and research hypothesis will be discussed. Cement industry in Iran based on many research is one of the attractive industries during 20 past years. [48]

Market attractiveness, prime determinants of which are long run market growth rate and market profitability, provides a measure of the potential for a market to contribute to an organization's objectives. [4]. Paired with relative competitive position, market attractiveness form the basis of most contingency approaches to marketing strategy. Examples include the Boston Consulting Group, Growth Share Matrix, The General Electric / Mckinsey Business Screen Portfolio Matrix, Directional Policy Matrix, and the Arthur D. Little life cycle portfolio matrix. [24]. Essentially, These models suggest that the attractiveness of a business unit's market (when combined with the relative competitive position of the business) identifies the appropriate strategy for that business within a corporate portfolio. Business either maintain (or move toward) the appropriate strategy or perish. As a result, market attractiveness is posited to influence the degree to which business are characterizes by various business level marketing strategy dimensions.

Conceptual and normative marketing strategy frameworks, as well as results from several empirical studies, suggest that market attractiveness influences on marketing strategy. Both Day(1977) and Schnaars(1991) indicate that various portfolio models prescribe aggressive pursuit of market share gains as an appropriate strategy in attractive markets. Burke(1984) in an empirical examination of these prescriptions, finds that business following a strategic thrust emphasizing market share gains are most likely to be competing in attractive markets. McMillan and Day(1997) and McDougal and Robinson(1990) also find that new ventures in rapidly growing markets often succeed by following an aggressive growth strategy. Wissema and Messer(1980) suggested explosion and expansion marketing strategy for attractive markets. For competitive firms with high market share Kotler suggests aggressive and defensive strategy. [42]. Based on Kotler these companies should think to expansion of their market share and also should try to defend the current market share. [23]. Based on Burke's empirical research, The models usually prescribe that when a business unit has a high market share in relation to competitors, the business unit should invest to maintain share, i.e., hold [14]. Attractive markets are usually growth markets. Therefore, a hold strategy would require higher levels of investment when market attractiveness is high than when the market is not attractive in order to keep pace with the market growth as well as maintain the business unit's dominant position. [2]. When the business unit has a weak position in an attractive market, the firm should either commit sufficient resources to significantly and permanently increase market share, i.e., build, or withdraw from the business, i.e., pull back. When the industry is unattractive and the business unit's position is weak, the firm should withdraw, slowly via harvesting, quickly via divesting, or by concentrating on a smaller, more defensible niche in the market (all forms of pulling back). Hence, business units with a strategic thrust of build should be in more attractive markets than business units with hold or pull back strategies. Business units with pull back or hold thrusts could be in either attractive or unattractive markets. Because a dominant position should be maintained, the business units with the highest level of relative competitive strength would be expected to have a strategic thrust of hold and those with a moderately strong position would have a build thrust. As business units with very weak relative competitive positions, other things being equal, are probably not perceived as good investment opportunities, those business units' strategic thrust would be pull back.[46]. Conceptual framework of the study is presented in Table 1 in the next page and below, are the research hypothesis.Competitive position, frequently related to a business unit’s share of the total market, is an indication of the business’s position in the market relative to its major competitors. This aspect of the environment is frequently paired with market attractiveness in portfolio models of business strategy. Prescriptions based on these models suggest that business must maintain (or move
toward) an appropriate strategy. Given their relative competitive position. This Darwinian perspective is based on the assumption that managers respond to the current problems and make decision based on what has been successful in the past[5]. Competitive position is therefore expected to influence the degree to which businesses are characterized by various business level marketing strategy. Most portfolio models indicate that a business in a dominant or leading competitive position should focus much of its marketing effort on defensive strategies aimed at maintaining that position. [14]. Other frameworks[41] however, indicate that competitive strength is positively related to a business’s pursuit of both aggressive and defensive strategies. Since cost leadership and economies of scale advantages are key aspects of both market share seeking (aggressiveness) and customer retention (defensiveness) strategies, a strong competitive position makes both strategies more prevalent and useful. Burke (1984) testing to determine if businesses’ strategic orientation varied by competitive position, finds that strong business have both aggressive and defensive orientation.

H1: Segments with strong competitive strength have positive relationship with aggressive marketing strategy.

H2: Segments with strong competitive strength have positive relationship with defensive marketing strategy.

When the business unit has a weak position in an attractive market, the firm should either commit sufficient resources to significantly and permanently increase market share, i.e., build, or withdraw from the business, i.e., pull back. When the industry is unattractive and the business unit’s position is weak, the firm should withdraw, either slowly via harvesting, quickly via divesting, or by concentrating on a smaller, more defensible niche in the market (all forms of pulling back). Hence, business units with a strategic thrust of build should be in more attractive markets than business units with hold or pull back strategies. Business units with pull back or hold thrusts could be in either attractive or unattractive markets. Because a dominant position should be maintained, the business units with the highest level of relative competitive strength would be expected to have a strategic thrust of hold and those with a moderately strong position would have a build thrust. As business units with very weak relative competitive positions, other things being equal, are probably not perceived as good investment opportunities, those business units’ strategic thrust would be pull back. Mobility barriers. Caves and Porter (1977) extended the traditional theory of entry barriers to a more general theory of mobility barriers which includes both entry and exit barriers, though only the extension of entry barriers was addressed specifically in their article. In the research described here entry and exit barriers are treated separately; entry barriers are seen as externally focused whereas exit barriers are viewed as internally focused (from a firm’s perspective).

H3: Segments with moderate competitive strength have positive relationship with aggressive marketing strategy.

H4: Segments with weak competitive strength have positive relationship with pullback marketing strategy.

In table I three segments of cement companies have been developed. In this new segmentation, we have focused on the geographical distances. The customers who are so close to the factory and company has dominated position at that district, is called Positive segments, for the other meaning, company has strong competitive position in these areas. When the customers are located in further distances, this phenomenon decreases company’s competitive position(strength). There are some districts in which buying cement from (i.e three company) is the same for the customer. It means that the customer has three same options; we have called these districts Neutral segments. Because as the product(cement) is homogenous, so no company has competitive advantages at that district. The third segment is called Zero segments. It means that the company’s competitive advantage at that district is so weak and the customer is so far from the factory. If you add the transportation cost to the product, the company will lose it’s competitive advantages completely, so we call these district Zero segments. Our hypotheses show that we should formulate different marketing strategies for each segment. In positive segments, companies have strong competitive strength, in neutral segments, companies have moderate competitive strength, and at last, in zero segments the competitive strength becomes so weak. Fig 1 confirms the above statements.

III. RESEARCH METHOD

We drew all the population of 56 companies in the cement industry from the cement industry directory. An interview was hold with experts in cement industry in order to check whether the cement industry is attractive or not. Fro being sure about industry attractiveness qualitative method was preferred to a quantitative method. Because definite and accurate information was not available about this industry. A questionnaire, which consists of five parts, distributed among the companies. Of the 56 firms who agreed to participate, only data from 38 firms were obtained for an effective participation of 68%. The average age of firms was 18.56 years (s.d.=3.61 years). On average the sample firms had 240 employees with average sales of $50,000,000 USD.
The questionnaire was then pilot-tested through in-depth group interviews with 16 marketing manager of 12 firms in the cement industry to determine the face validity and relevance of the measures. From the feedback we made several changes in the instrument to improve its clarity and to ensure effective communication with the respondents.

We conducted the field data collection over a three-month period in 2009. The data were collected by using an on-site structured interview, whereby several trained interviewer scheduled appointments, presented the key informants with the survey questionnaire, answered general questions and collected the completed questionnaire. In most emerging economies, the lack of reliable archival data and inadequate postal systems make on-site data collection the key to the right respondents, correct use and understanding of terms, and to better response rates.

We identified and interviewed top marketing management members who were directly involved in formulating and implementing the marketing strategy for their company. We also offered respondents a “don’t know” option during the data collection to ensure that they would not feel pressured to answer each and every question. We assured respondents of anonymity and confidentiality to ensure candid and reliable responses.[47].

Finally, the procedure allowed the respondents to deliberate on the issue and ask for clarifications from the interviewers, in order to ensure a better understanding of the study. These features guard against retrospective bias.

It is generally accepted that the measurement of performance of an organization can be accomplished in two ways. First, performance may be gauged by subjective reports of knowledgeable informants. Second, objective performance data can be collected via secondary, archival sources or by asking knowledgeable respondents to report absolute values of performance when secondary data are unavailable[7] [9]. In the current study, Secondary archival sources could not be located. Hence, management reports of absolute performance values were relied. We used data up to 3 years to smooth out the effects of peculiar conditions that can affect performance in a particular year [39].

A marketing strategy was defined to respondents as the set of marketing activities which was compatible with marketing objective. For market growth objective, several marketing strategy were defined. For the objective of maintaining markets other strategies were developed and the same procedure was followed for other cells. [11]. Marketing strategy was measured with the five items asking the respondents to indicate the degree to which the content of marketing strategy was fitting with their competitive strength and marketing objectives. [6]. For this and all other constructs measured with multiple indicators, we averaged the indicators to develop measures for analysis. This scale was adopted from Menon et al (1999).

Guidelines associated with retrospective data collection were followed to ensure the accuracy and validity of the data. Recall time was restricted to three years. Rich explanations were also provided for the respondents' organization about the usefulness of the study, and an incentive offered to them. (e.g. summary of results) to foster a sense that they would benefit from involvement in the study. The measurement model was tested by two confirmatory factor analysis grouping closely related constructs. This approach was chosen because not all the measures of the variables could be indicated in a single model. The fit indices presented in table I indicate that models fit the data well. A chi-Square difference test was conducted for all the constructs in pair to see if they were distinct from each other.

<table>
<thead>
<tr>
<th>TABLE I</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATIONAL MEASURE</strong></td>
</tr>
<tr>
<td>Construct</td>
</tr>
<tr>
<td>Fit indices: $y^2=188.60, df=126, p&lt;.001; RMSEA=0.04, GFI=0.90, CFI=0.94, NFI=0.94</td>
</tr>
<tr>
<td>Please indicate your degree of agreement with each of the following statements about the content of the marketing strategy for the objective of growth</td>
</tr>
<tr>
<td>Geographical market expansion to cover all the country</td>
</tr>
<tr>
<td>Adding a new market segment</td>
</tr>
<tr>
<td>Encouraging customers to consume more</td>
</tr>
<tr>
<td>Attracting competitor's customer</td>
</tr>
<tr>
<td>Attacking the strength of competitors</td>
</tr>
<tr>
<td>Concentrating on product innovation</td>
</tr>
<tr>
<td>The quality of the new product was better than other products of the firm</td>
</tr>
<tr>
<td>The new product was perceived by customers as very reliable with respect to competing products</td>
</tr>
<tr>
<td>Customers perceived our product to be better than the competition</td>
</tr>
<tr>
<td>The quality of our product was higher than competitor products</td>
</tr>
<tr>
<td>Please indicate your degree of agreement with each of the following statements about the content of the marketing strategy for the objective of maintaining</td>
</tr>
<tr>
<td>Regional market expansion was followed for maintaining markets</td>
</tr>
<tr>
<td>Maintaining current customers and markets were considered</td>
</tr>
<tr>
<td>There were high commitment to the markets</td>
</tr>
<tr>
<td>Defending the position was followed rather than Attack</td>
</tr>
<tr>
<td>Product improvement was followed rather than product innovation</td>
</tr>
<tr>
<td>Our strategy was to maintain product position in the market</td>
</tr>
<tr>
<td>Product customization was followed as our marketing strategy</td>
</tr>
<tr>
<td>Our marketing strategy concentrates on related diversification</td>
</tr>
</tbody>
</table>
The dependent measure was the marketing strategy of the business units. Managers indicated which of the three strategies (Aggressive, Defensive, and slipping) best represented the three-year marketing strategy of the business unit. In addition, managers were asked about marketing objective for the business unit (in terms of product and market growth, product and market defense, and product and market drop) and responded to several 5-point measures related to the marketing strategy. As established scales with proven psychometric properties exist to measure the independent variables, so that for product measures we used the scales that was developed by Menon(1999), for market measures we adapted the scales that was developed by Subhash(1993), for the Market attractiveness and competitive strength the scales that was developed by Burke(1984) were used.

**IV. SUMMERY STATISTIC**

The means and the standard deviation for three competitive positions(strong, moderate and weak) are shown in Table II; Responses shows when the competitive strength is strong, firms tend to be more defensive. However, with weakening of competitive strength firms try to follow pull back strategies.

The correlation among the marketing strategies are indicated in Table III. The moderately strong positive relationship between positive segments and defensive strategy is very plausible. Strong correlations were not found between positive segment and aggressive marketing strategy. Average respondent's perception is that when a business unit has a strong position in its industry should follow maintaining objective.(Defensive strategy)

The results in Table IV, V and VI show that the marketing strategies like aggressive and defensive have strong relationship with the performance of business. This result supports H2 (β=.681, pb.01), and H3 (β=.561, pb.05). Total market coverage, concentric diversification and frontal attack to the competitors were of the most marketing strategy followed. Similarly, in support of H4 the results show that the relationship strengthens between business performance and pull back marketing strategy. (β=.75, pb.01).

**TABLE II**

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of items</th>
<th>Mean</th>
<th>S. D.</th>
<th>Min.</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong Competitive Strength*</td>
<td>5</td>
<td>2.65</td>
<td>.90</td>
<td>510</td>
<td>1850</td>
</tr>
<tr>
<td>Aggressiveness</td>
<td>5</td>
<td>4.8</td>
<td>1.2</td>
<td>650</td>
<td>2200</td>
</tr>
<tr>
<td>Moderate Competitive Strength</td>
<td>5</td>
<td>3.25</td>
<td>.65</td>
<td>650</td>
<td>2150</td>
</tr>
<tr>
<td>Weak Competitive Strength</td>
<td>5</td>
<td>4</td>
<td>1.11</td>
<td>540</td>
<td>2450</td>
</tr>
</tbody>
</table>

All of these items were5-point scales.

**TABLE IV**

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Performance</th>
<th>Correlation Coefficient</th>
<th>Performanc e</th>
<th>Aggressiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>45</td>
<td>45</td>
<td>1.000</td>
<td>.561</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TABLE V**

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Performance</th>
<th>Correlation Coefficient</th>
<th>Performance</th>
<th>Aggressiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>45</td>
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<td>1.000</td>
<td>.561</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the .01 level (2-tailed).**
**Correlation is significant at the .01 level (2-tailed).**

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**Correlation** is significant at the .01 level (2-tailed). They provide further support for the economy of scale theory. Are so far from the factory decreases the company’s transportation cost, so sending product for the segment who defensive in market strategy than product. This happens more market oriented than product oriented. Firms try to be more defensive and product whenever the competitive position is moderate, We conclude that firms can be aggressive both in their market orientation literature also suggests that strong business should cement industry in Iran. Prior literature in marketing has segmentation affects marketing strategies and performance in cement industry. In this contribution we focus on a previously neglected aspect, by showing the aspect of aggressive, defensive and drop marketing strategy. Our results show that, considered in isolation, defensive marketing strategy is positively related to product customization (a=.681, pb.05): this finding confirms that with strength of competitive position firms tend to be more defensive whereas when competitive position weakens, companies tend to drop their market and product. When the competitive position of a firm is weak the relationship between marketing strategy and performance becomes weak. We conclude that firms can be aggressive both in their market and product whenever the competitive position is moderate, our results show that companies in cement industries are more market oriented than product oriented. Firms try to be defensive in market strategy than product. This happens because cement industry by it’s nature can not carried to far distances. Because cement industry is so sensitive to the transportation cost, so sending product for the segment who are so far from the factory decreases the company’s competitive strength. These findings are important because they provide further support for the economy of scale theory.

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**REFERENCES**


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**TABLE VI**

<table>
<thead>
<tr>
<th>Spearman (n's rho)</th>
<th>Performanc e Coefficient</th>
<th>Defensiveness Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N 45</td>
<td>45</td>
</tr>
</tbody>
</table>

**H1 is not supported.** Following the aggressive marketing strategy with strong competitive position in attractive markets is negatively related to performance of business ($\beta=-.261$, pb.01). We found support for H4 (Table VI) indicating that pull back marketing strategy ensures a positive relationship between a product/ market drop and performance. ($\beta=.75$, pb.01). Business with weak competitive strength followed local market strategy, focus strategy and imitating from successful products.

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**V. DISCUSSION**

This study investigated the conditions under which market segmentation affects marketing strategies and performance in cement industry in Iran. Prior literature in marketing has focused on the overall marketing strategies. [30]. The market orientation literature also suggests that strong business should be both aggressive and defensive oriented in their marketing strategies. [36]. However, in our study any significant relation were not found between strong competitive position and aggressiveness but companies preferred to be more defensive when competitive position were strong.

In this contribution we focus on a previously neglected aspect, by showing the aspect of aggressive, defensive and drop marketing strategy. Our results show that, considered in isolation, defensive marketing strategy is positively related to product customization (a=.681, pb.05): this finding confirms that with strength of competitive position firms tend to be more defensive whereas when competitive position weakens, companies tend to drop their market and product. When the competitive position of a firm is weak the relationship between marketing strategy and performance becomes weak. We conclude that firms can be aggressive both in their market and product whenever the competitive position is moderate, our results show that companies in cement industries are more market oriented than product oriented. Firms try to be defensive in market strategy than product. This happens because cement industry by it’s nature can not carried to far distances. Because cement industry is so sensitive to the transportation cost, so sending product for the segment who are so far from the factory decreases the company’s competitive strength. These findings are important because they provide further support for the economy of scale theory.


[48] *Babai and Sherafat are Iranian researchers and Consultant in Cement industry, their publication is in native language, so as the conference language is English, we were unable to give Persian references.