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To cite this article: V V Kukartsev *et al* 2019 *IOP Conf. Ser.: Earth Environ. Sci.* **315** 022107

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# The analysis of methods for developing the marketing strategies in agribusiness

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**Abstract.** The article deals with the development of marketing strategies. There is set out the methods for developing a marketing strategy for the agrarian enterprise. The formation of a competitive developmental strategy has been considered, as well as formal and informal marketing strategies have been identified: BCG matrix, Ansoff matrix, Porter matrix, and development of author's methods. The matrix of the Boston Consultative Group allows to identify the most promising and, on the contrary, the “weakest” products or divisions of the enterprise, which are divided into 4 types: stars, cash cows, difficult children, dogs. Ansoff Matrix systematizes the available information about the market and the company's products, helps to choose the right direction of business development, taking into account the available resources and capabilities of the enterprise. In addition, the article describes the structure and construction of the Ansoff matrix, which consists of four marketing strategies: market penetration strategy; market development strategy or expansion strategy; product development strategy, product development strategy or product expansion; diversification strategy.

## 1. Introduction

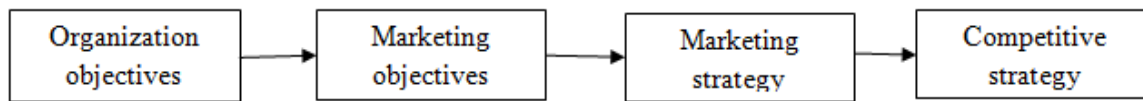
Porter's Matrix is a model of market analysis of a company's strategic capabilities, which includes an analysis of five factors [1, 2]. The article identifies current ideas, reveals the main prerequisites and advantages of Porter's matrix strategies, as well as the risks associated with these strategies.

Trade is one of the most successful and dynamically developing sectors of the economy. Recently, there is an increasing interest in studying marketing in trade enterprises [3]. Trading companies are increasingly using marketing strategies, since the development and implementation of marketing strategies contributes to the organization effectiveness, its development in the near future [4].

## 2. Formation of the competitive strategy

The general idea of developing a competitive strategy is an action program, which allows to obtain a positive economic effect due to the fact that the company is in a stronger competitive position [5]. In general, the formation of a competitive strategy is presented in Figure 1.





**Figure 1.** Formation of competitive strategy.

At present, practitioners often encounter a situation where there is a gap between the theory of competitive strategies and the practice of its application in an enterprise.

Conventionally, marketing strategies can be divided into 2 groups: formal (matrices) and informal. Formalities include: BCG matrix, Ansoff matrix, Porter matrix. By the informal can be attributed the development of the author's methodology.

### 3. “Boston Consulting Group” Matrix

The matrix “Boston Consulting Groups” allows the company to classify each product group by its market share relative to its main competitors and the annual growth rate of the industry. Using a matrix, a firm can determine, firstly, which of its divisions plays a leading role in comparison with competitors and, secondly, what the dynamics of its markets are, whether they develop, stabilize or contract.

The matrix is based on the assumption that the larger the unit's share in the market, the lower the relative costs and higher profits as a result of saving on production scale, accumulation of experience and improving position in concluding transactions. The matrix identifies 4 types of divisions: stars, milk cows, difficult children, dogs and suggests strategies for each of them.

“Star” occupies a leading position in the emerging industry. The main goal is to maintain the company's distinctive advantage in the face of growing competition. “Star” provides significant profits, but requires large amounts of resources to finance continued growth. Market share can be maintained or increased by lowering prices, a large amount of advertising, changing products and/or a more extensive distribution. As the industry slows down, the star turns into a cash cow.

The “cash cow” occupies a leading position in a relatively mature or declining industry. This unit usually has loyal customer advocates, and it's difficult for competitors to lure them away. Since sales are relatively stable, without significant marketing and development costs, a “cash cow” provides more cash than is necessary to maintain its market share. This money supports the growth of other divisions of the company. The marketing strategy focuses on reminiscent advertising, periodic price discounts, maintaining sales channels and offering new options to encourage repeat purchases.

“Difficult child” has little impact on the market in a developing industry. Consumer support is negligible, the distinctive advantages are unclear, competing products occupy a leading position in the market. The company must decide whether to expand the cost of promotion, actively seek new distribution channels, improve performance or leave the market. The choice of strategy depends on whether the firm believes that the unit can successfully compete with appropriate support and how much such support will cost.

A “dog” is a unit with a limited amount of sales in a mature or declining industry. Despite a fairly long presence in the market, he failed to attract a sufficient number of consumers, and he lags far behind competitors in sales, image, cost structure, and so on. A company that has such a division may try to enter a specialized market, make a profit by eliminating maintenance services to a minimum or leaving the market [6].

### 4. Ansoff Matrix

The Ansoff matrix (also called the product/market portfolio matrix or the product/market matrix) is a popular strategic planning tool that helps you choose one of the typical marketing strategies that is most appropriate for given market conditions. In addition, the Ansoff matrix is defined as a tool for the strategic positioning of a company's products in the markets.

The main idea of the Ansoff matrix lies in the fact that there is a relationship between the manufactured (realized) goods of the enterprise and the sales markets, both current (old) and future

(new). Therefore, the company has several options for development and growth, due to a combination of “old” and “new” goods (services, works, products) and markets. The task of the Ansoff matrix is to help the company make the best choice in favor of the most competitive action program o (strategy). The economist and mathematician Igor Ansoff (Ansov), a native of Russia who emigrated to the United States in 19 years, is the developer of the product/market portfolio matrix. There he received an education and a degree in applied mathematics and became interested in the possibilities of using mathematical tools in business. The Ansoff matrix was first described by the author in the Harvard Business Review in the fall of 1957. Moreover, today Igor Ansoff is considered the creator (developer) of the concept of strategic management.

Graphically (on paper, blackboard or computer), the Ansoff matrix represents a square table (actually, what is called the matrix). This matrix has two axes: horizontal - products that are subdivided into “old” and “new”; vertical - markets, which are also divided into “old” and “new”.

Thus, the two axes of the Ansoff matrix divide the field into 4 squares (quadrant), corresponding one of 4 possible marketing strategies:

- Market penetration strategy (“old product / old market” coordinates).
- Market development strategy (coordinates “old product / new market”).
- Product development strategy (coordinates “new product / old market”).
- Diversification strategy (“new product / new market” coordinates).

These four strategies encompass all possible combinations of “old” and “new” products and markets.

## 5. Marketing strategies

Marketing strategies:

- Market penetration strategy (eng. “Market penetration”; a set of “old goods / old market”) is the simplest, most common and banal strategy. In this case, it is assumed that the company is already present in the existing market with any existing product (the output of which is well-established). The purpose of the strategy is to increase sales, the number of sales. To achieve this goal, the following tools can be used: expansion of market share; increase the number of purchases of goods; an increase in the frequency of purchases of goods by the consumer; opening up new opportunities for consumers to use the product. Saving or increasing the income and profits of the company when choosing a penetration strategy is achieved by retaining and / or expanding the company's market share. The risks are minimal, because the company operates on a well-known and familiar market and deals with a well-known product.
- Market development strategy or expansion strategy (eng. “Market development”; set “old product/new market”) is the most suitable for companies competent in the field of marketing, that is, having experience and opportunities for effective advertising campaigns, work with customers building and finding sales channels. The goal of this strategy is to adapt and promote its existing products for new markets. Strategy implementation tools: use of new distribution channels; search and conquest of new market segments; finding sales opportunities in new geographic regions. Realization of an existing product, the release of which has already been adjusted, in new markets is associated with much greater risks, and the costs in this case are higher. But there is the possibility of expanding sales.
- Product development strategy, product development strategy or product expansion (eng. “Product development”; a set of “new product/old market”) is most suitable for companies related to technology and technology. The goal is offering to the market (existing customers) an updated product with new, more attractive and modern features. Growth tools: modernization of existing products, by giving them new properties and functions, or improving their quality; product range expansion; the creation of a new product generation (models); development and release of a fundamentally new product (which has no analogues). As a result, this is even more

costly, but as practice shows, a slightly less risky strategy is to offer a new (updated) product to existing markets.

- Diversification strategy (English “Diversification”; a set of “new product / new market”) is the most complex and risky, but also potentially the most effective. The reasons that encourage companies to take the natural path of diversification can be: this strategy promises to be profitable; A new direction does not require large or risky investments; current business style has exhausted itself; diversification will allow to achieve greater financial stability due to the distribution of risks among various product lines, industries, etc. The goal is to offer new products to new markets. Forms of diversification: horizontal - a new direction of the company's activity does not differ radically from the existing ones, but rather complements them. The diversification strategy, in its most general form, is to simultaneously develop and release new products, while the company develops new markets. In this case, the costs and risks are very high.

You can see that penetration is the most economical and least risky strategy. This is due to its prevalence. Diversification is the most expensive and most risky. Summing up, I would like to note that the Ansoff matrix is an excellent tool for strategic analysis. You cannot choose a single strategy on the matrix and calm down on this. You should constantly analyse and monitor market changes, adjusting the company's development strategy in accordance with them. Strategic planning is always a creative process [7].

## 6. Porter's Matrix

Research by the American scientist M. Porter led to the following conclusion: large enterprises with a large market share, on the one hand, and small specialized enterprises, on the other, have a chance to achieve the required level of profitability. It follows: the danger of a middle position; recommending to all enterprises that do not have the means or abilities to achieve market leadership, to concentrate their work on a certain segment and increase their advantages over competitors there. Porter identified five driving forces for competition:

- Competitors within the industry.
- Potential new competitors.
- Products – substitutes.
- Strong supplier position.
- Strong buyers.

Based on the factors that are most significant for the competitive position of the enterprise, Porter built the so-called competition matrix.

Strategic recommendations. Leadership in cost. The basic idea: all actions and decisions of the enterprise should be aimed at reducing costs. Other characteristics (quality, service) are subordinate, although they should not be ignored.

Prerequisites:

- Large market share or other significant advantages (for example, access to cheap raw materials).
- Construction of production facilities of effective size.
- Strict cost control.
- The use of cost opportunities, such as refusing direct delivery to small customers, reducing the cost of research, service, advertising.

Advantages of Porter's strategy:

- The enterprises with the lowest costs make a profit even in the case when other competitors, as a result of a strong struggle, fell into the zone of loss.
- Cost advantages protect against strong buyers who cannot lower the price lower than the cost of the second-best seller.
- Low costs give advantages in relation to suppliers, since price increases hurt the leader least of all.
- Low costs create high entry barriers in the markets.
- With the appearance of substitute products, the cost leader has more freedom of action than its competitors.

Differentiation strategy. The basic idea: the product of the enterprise should differ from the products of competitors and have something unique from the point of consumers view. In this case, you can set a high price. Costs have a secondary role: (Examples: Mercedes - brand, quality, prestige), Brown - special design electrical appliances).

Prerequisites:

- Special fame of the company.
- Extensive research.

Appropriate design:

- Use of high-quality materials.
- Intensive work with consumers.
- Accounting price-quality relationship.

Benefits:

- Consumers are associated with the brand, their sensitivity to price is reduced, which gives advantages in relation to competitors with lower costs.
- Customer loyalty and product uniqueness create high entry barriers to the market.
- High profit facilitates relationships with suppliers.
- Originality of the product weakens the influence of large customers.
- High customer loyalty provides effective protection against substitute products.

Concentration on the segment. The basic idea: the processing of one or several market segments and the achievement there of cost leadership, or a special position, or both [8]. Possible segments: selected customer groups; certain parts of the production program; geographically limited markets.

Prerequisites:

- The company must handle the market segment more efficiently than competitors opposing the common market.
- The advantages of the above two strategies in relation to the five competing forces can be realized in a particular market segment.

The concept of strategy in competition provides for a special position in relation to competitors; how to achieve these benefits remains unknown.

Concentration on one of these strategies can be dangerous in situations that are characterized by rapid changes in market and environmental conditions. [9]

Leadership risk in the costs area: fundamental technological changes can devalue previous investments and the effect of training; competitors can adopt cost reduction methods; concentration on

costs leads to inability to recognize changes in market requirements in a timely manner; unpredictable increases in costs, such as the cost of raw materials and energy, can reduce the price gap compared with competitors, so that the advantages of differentiation cannot be more balanced.

The risk of differentiation: the gap in the price of a leader in terms of costs can be so great that financial considerations will be more important for buyers than loyalty to the brand; the characteristics of the product on which differentiation is based (particularly high quality or a catchy design) may lose their value as a result of changes in the value system of the consumer; imitations reduce the benefits of differentiation.

The risk of concentration: the difference in prices between the products of specialized enterprises and enterprises operating in the common market may become so large that the advantages that the products specific to the segment have in the eyes of consumers will not justify the difference in price; there is always the danger of reducing the differences between the wishes of the segment and the entire market; competitors can find sub segments within the segment and specialize even more.

## 7. Conclusion

Thus, we can conclude that the process of developing a marketing strategy is necessary for detailing the choice of strategy, the sequence of its definition for an organization. Each of the specialists, scientists assumed their own form of enterprises activities strategies classification, according to which it is possible to determine the main types of strategies according to certain criteria.

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