



International Journal of Applied Business and Economic Research

ISSN: 0972-7302

available at <http://www.serialsjournal.com>

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Volume 15 • Number 12 • 2017

Marketing Planning in Industrial Enterprises in the Context of Import Substitution Strategy

Vladimir B. Konovalov¹, Alexey I. Tikhonov², Victor A. Fursov³, Olga V. Sogacheva⁴ and Natalia V. Pyanova⁵

¹Military Academy of Logistics named after Army General A.V. Hrulev, Moscow, Russia.

Email: vlad.konovalov@yandex.ru

²Moscow Aviation Institute (National Research University), Moscow, Russia

³North-Caucasus Federal University, Stavropol, Russia

⁴Southwest State University, Kursk, Russia

⁵Orel State University of Economics and Trade, Orel, Russia

ABSTRACT

Under the conditions of modern Russian economy, marketing activity of industrial enterprises is a defining tool in their competitive practices. It creates conditions that help to satisfy customers' needs in the context of import substitution. Planning is considered as one of the most important functions of long-term growth management of an industrial enterprise. Given the current instability of the environment, the marketing plan can be considered as a tool of analysis and control, and it gives long-term competitive advantages to an industrial enterprise on the market. Implementation of complex marketing communications representing the whole range of interactions with suppliers, customers and the media, including advertising, sales promotion, personal sales and public relations, will enhance the effectiveness of promotion of a new industrial product on the market. This study substantiates the importance of the marketing activities planning in the development of domestic industry. It forms proposals for the development of effective marketing plans and explores marketing communication tools for specific companies of the Rostov region. This article may have theoretical and practical importance, and the information it supplies can be used in the activities of regional authorities and in the planning of marketing activities by Russian and foreign industrial enterprises.

Keywords: Planning, marketing, industry, import substitution industrialization, innovation.

1. INTRODUCTION

Nowadays, under the conditions of the ongoing world crisis, the Western sanctions against Russia and the import substitution policy in Russia, the role of industrial production of all kinds of domestic goods increases significantly.

In this context, the basic component of competitiveness of domestic industrial production is its innovation. The innovation indicators of the domestic industry are still low due to economic instability in the country, low investment activity, high levels of depreciation of fixed assets, etc.

Planning issues in the industrial enterprise are discussed in detail in the works by E.S. Weiss, V.M. Vasil'tsova, V.A. Goremykin and others (Weiss, 2012; Goremykin, 2012); approaches to the implementation of marketing activities are discussed in the works by F. Kotler, N.P. Ketova, N.G. Lorkina, etc. (Kotler, 2012; Ketova & Zunde, 2007; Larkin & Ketova, 2013). However, marketing in industry enterprises, having a number of specific features, is rather poorly reflected in the works by Russian and foreign scientists.

In this context, a study of the planning of marketing activities becomes especially important and promotes the formation and development of market outlets for products produced by Russian industrial companies.

The purpose of this study is to develop proposals for the effective planning of marketing activities of industrial enterprises in the context of import substitution policy.

The objectives of the study are:

- to examine the theoretical basis of marketing activity planning;
- to study the key components of complex marketing communications of industrial enterprises;
- to identify the main features of import substitution policies of Russian industrial enterprises;
- to offer a marketing activities plan for the innovation-oriented industrial enterprise.

2. DISCUSSION

Successful operation of an industrial enterprise requires a marketing system that includes a managerial component (marketing planning), marketing research and control of marketing activities.

Planning should be primarily considered as an important function of long-term growth management of an industrial enterprise. This is a process of designing a desired future and effective ways to achieve it. During the planning, the objectives, goals and the strategy of the enterprise are set. The specific measures for their implementation are also developed; they are based on the anticipation of the probable conditions in which the plan will be implemented over a certain period with the resources available to the enterprise. The result of this process is the adoption of appropriate planning decisions that will form the basis for further targeted activities of the enterprise and all its divisions.

Marketing planning as a process contains such key elements as plan development, organization of its implementation, monitoring of the results.

Planning of marketing activities cannot protect the enterprise from the economic challenges, which appear in a fierce competitive market environment. However, planning helps make sure that unforeseen

changes of external factors do not spring an unpleasant surprise on its leadership and the process of making important management decisions will not be complicated by the absence of important analytical information.

Generation of a marketing plan is a foundation on which effective management rests. In a variety of environmental factors that hinder the forecasting process, the marketing plan is considered to be a powerful tool for analyzing and monitoring. It allows to hedge against possible instability and to ensure long-term competitive advantage for the enterprise on the market.

The main task for the company's marketing plan is to identify and use all the opportunities that allow the company to strengthen its market position and successfully follow competitive practices. Among the problems, which planning of the enterprise marketing activity aims to solve, the following should be mentioned:

- marketing planning defines the main objectives, principles and evaluation criteria of the general planning process in the enterprise;
- marketing planning defines the structure and provisions of plans, and their relationship;
- marketing planning sets the initial input data for planning;
- marketing planning determines general process structure and planning framework (Goncharova, 2015).

Effective marketing activity management of the industrial enterprise results in an increase in sales, customer satisfaction and obtaining the necessary (projected) profit margins. The increase in sales and customer satisfaction are closely linked to the effectiveness of products promotion in the industrial market.

Therefore, the marketing plan should contain the following sections:

- a review of the current situation in the market;
- an analysis of opportunities and problems of the enterprise;
- financial and marketing goals;
- a review of marketing strategy;
- a program of actions for achieving goals;
- expected gains and losses;
- tools of control for the implementation of the plan.

Marketing strategy of an industrial enterprise should contain the methods and forms of positioning, the list of goods, pricing methods, techniques and methods of sales promotion, entrance into market and the expected market share.

Sales promotion is one of the elements of marketing, which creates and maintains its regular contacts with the market to share information, to persuade and to remind about its activities in order to enhance the sale of goods and form a positive image in the market. Sales promotion as a subsystem of enterprise's

sales is particularly sensitive to changes in market factors. That is why this sphere of enterprise's activity deserves a thorough study and analysis. In practice, a commercial enterprise needs to create conditions that would ensure a stable sales volume. Therefore, in the current market conditions and import substitution, sales promotion and stable sales volumes are achieved through a system of product promotion, which should contain a complex of modern marketing communications.

Marketing communications is the process of communicating the information about a product to target audiences (Kotler & Armstrong, 2003).

A complex of marketing communications (or a complex of sales promotion) aims to help an enterprise achieve its marketing goals. It includes four main techniques:

- advertising;
- sales promotion;
- personal sales;
- PR (public relations).

When all the components of the marketing mix are efficiently combined, product or service promotion is provided.

The first element of a marketing communications mix is advertising, i.e. a paid form of non-personal presentation and promotion of goods on behalf of a famous sponsor. This is the most effective and commonly applicable element of a marketing communications mix.

The goal of advertising is to attract a potential customer's attention and to prompt him to buy certain products. It is achieved during an advertising campaign.

The advertising campaign is developed in accordance with the company's marketing program. It is a set of interrelated promotional activities for a certain period of time. It also influences a target audience in order to cause a reaction that contributes to the solution of strategic and tactical enterprise objectives (Balahonova, 2009).

It ought to be noted that features of the advertising campaign are largely determined by the industry sector and competition therein. That is why advertising campaigns of domestic food industry (such as dairy products brands "Prostokvashino", "Kubansky molochnik" and "Domik v derevne") are so pervasive and aggressive.

The second element of a marketing communications mix is sales promotion, i.e. incentive measures to encourage product purchase or sale (exhibitions, presentations, brochures, catalogs, lotteries, souvenirs, markdowns, etc.).

Sales promotion techniques are applied in the following areas:

- to encourage employees involved in sales;
- to encourage resellers;
- to encourage customers.

The main methods to encourage resellers are:

- increase fees on the volume of sales;
- a system of cumulative bonuses.

The main methods to encourage customers are:

- markdowns;
- bonus discounts provided to regular customers.

The advantage of sales promotion is its quick effects.

The disadvantages of sales promotion include:

- short-term impact on the market, inability to ensure sustainable demand for products and attract new customers to establish long-term relationship;
- a possibility of reducing the image of the company and its product, because a client can question the quality of the goods if the price remains lower than the average in the industry for a long time;
- reduction of the enterprise profits, as the granting of discounts to customers requires considerable expenses.

The third element of the marketing communications mix is personal selling, i.e. oral product presentation to a potential customer. Product presentation can be both in form of personal or telephone conversation.

The advantages of personal selling are:

- focus on well-defined market segments;
- the possibility to establish long-term relationships with the client, i.e. to gain and retain customers (using the marketing concept of interaction).

The disadvantages of personal sales include:

- the high cost per potential customer (individual work of a sales representative with the client requires taking on additional staff when client base expands);
- impossibility to reach out to all potential customers.

The fourth element of the marketing communications mix is PR (public relations), i.e. measures to establish favorable relations with the public by means of free media space and time (Mechikova, 2011; Mechikova, 2015).

Public Relations activities affect the whole enterprise, as opposed to advertising, which is mainly carried out by external agencies. Only about half of the activities are delegated to public relations consulting firms. To carry out PR activities a PR firm should be well equipped with information about the company it represents. Since this information may be confidential, large enterprises often create Public Relations departments in their structures.

The advantages of public relations include:

- broad coverage of the target audience;
- focus on the long-term perspective;
- relatively low cost;
- a variety of applied forms of influence on the target audience and a greater degree of confidence from customers.

A disadvantage of public relations is a possible mismatch between the information delivered by the press and the wishes of the company, which aims to create a positive image.

Marketing communications allow the company:

- to give accurate information about the product, services, sales conditions to potential customers;
- to persuade a customer to favor particular products and brands, to shop at certain stores;
- to make a customer act, i.e. to direct consumer's attention to the goods and services that the market offers at the moment;
- to direct customer's actions, i.e. to use limited financial resources exactly on those product or service, which the company is promoting in the market.

Industrial sphere dictates its specific conditions for promotion. In industrial marketing, the conventional means of promotion do not always yield successful results. Promotion of new products on the market is the process of implementing the results of scientific research or new knowledge as an economic resource on the Russian market as a whole and in its individual segments (Goncharova, 2015).

The criteria of promotion efficiency for companies are:

- the degree of technological equipment and capacity utilization rate in cooperation with universities;
- the functioning of research institutions, students' scientific and technological communities;
- level of marketing communications;
- indicators of equipment efficiency (Kotler & Armstrong, 2003).

The tasks of modern marketing are not limited to the development of high-quality products, establishment of an attractive price level and distribution of products in retail outlets. For effective application of promoting tools, companies ought to constantly interact with existing and potential stakeholders and the public.

Marketing communications are direct or indirect means of informing, persuading and reminding customers, of company's products and brands. It can be considered as one of the most effective means of dialogue and relationship with customers.

Effective promotion can result in the following: sales growth, increased cash flow, brand loyalty, faster market penetration and price appreciation. The product promotion program helps to achieve the goals of the enterprise and should be focused on effective implementation of these goals.

The current situation in the Russian economy depends heavily on external economic and political environment, which determines the fluctuations in market conditions. Therefore, looking at the process of product promotion in this market requires taking into account the development trends associated primarily with the import substitution strategy.

Import substitution is a process of substituting imports by domestic products. Import substitution as a process promotes the increase in the consumption of domestically manufactured products in home markets.

The following mechanisms can be used to implement import substitution policies at the level of state regulation: tariffs (duties) and non-tariff restrictions (quotas, import licenses), as well as subsidies for domestic products and other monetary and non-monetary instruments of the state support.

Complex import substitution mechanisms may include:

- import restrictions: tariffs (new tariffs and tariff growth);
- non-tariff regulation (quotas, embargoes, import licenses, international standards);
- local production stimulation, such as financial support (direct - grants and co-financing, or indirect - state purchases and reducing tax burden);
- non-financial support (education and science advancement, financial stability);
- promotion of local products, purchases made by state-private partnerships, refunds on purchases of domestic raw materials and equipment (Babenkov, 2016).

Many countries have attempted import substitution, their experience showing both positive and negative aspects of import substitution. A comparative description of the positive and negative aspects of import substitution are shown in Table 1.

Table 1
Positive and negative aspects of import substitution

<i>Positive aspects of import substitution</i>	<i>Negative aspects of import substitution</i>
The growth of employment in the conditions of domestic production development;	The effectiveness of national companies is reduced as a result of less competition;
Greater economic security of the country;	If the domestic market is small, import restrictions will increase the cost of production;
Increase of the educational level when if it is necessary to develop innovative industries for the country.	Replacement of hi-tech products is problematic if the domestic production is developed insufficiently.

Prevalence of exports is the basic aspect of economic growth in the country. Import substitution has been used by many countries, and now this policy is also used in Russia.

Since 2014, import substitution policy has been in place in Russia. Encouraging domestic manufacturers was chosen as the main method of its implementation. The Russian economy had long been oriented on exporting raw materials, which led to heavy dependence on imports in industrial, financial and other spheres. According to the estimates made by the Russian Government, the import share in the machine tool industry is 90%, for mechanical engineering – 70%, oil and gas equipment – 60%, energy equipment - 50%, agricultural machinery – from 50-90% (depending on the product category).

In the pharmaceutical industry the import share reaches 90% (*“The official website of the Ministry of Industry and Energy of the Rostov Region”*, 2016).

Western sanctions against Russia served as an initiator for import substitution policy. At the beginning of 2014, the state program №328 “The industry development and its competitive recovery” was presented. Its implementation period is due to expire in 2020.

In order to implement the import substitution strategy, the government is using several standard methods, which are adapted to modern Russian conditions and applied both individually and together:

- tariff methods involve greater duties on imported goods;
- non-tariff methods - quotas or import licenses for certain categories of goods;
- stimulation of domestic production.

Funding is provided in 2 ways:

- directly, i.e. by means of subsidies, grants and preferences;
- indirectly, i.e. by means of giving subsidized loans.

The main economic sectors that receive state support under the import substitution program are:

- agriculture;
- industry;
- telecommunications (*“The official website of the Ministry of Industry and Energy of the Rostov Region”*, 2016).

The dependence of the domestic market on foreign supplies includes a long list of products. Nowadays Russian industry cannot satisfy the domestic demand in terms of both quantity and quality.

One reason for that is the downturn on the market of domestic industry over the past twenty years.

It will be possible to overcome the dependence on imports if domestic factories can produce competitive products, comparable in price and quality with foreign analogues.

There are two ways of implementing import substitution policy in Russian industry. They are:

- full capacity utilization and expansion;
- technological upgrading of the production process.

The Russian government has designed twenty programs on import substitution, which include more than two thousand individual productions, such as:

- pharmaceutical production;
- chemical production;
- automobile manufacturing;
- machine tool technology and other industries.

Enterprises that will participate in the program are defined for each sector, and stimulating actions that take into account their specificity will be designed (Babekov, 2016; *“The official website of the Ministry of Industry and Energy of the Rostov Region”*, 2016; Mechikova & Novikov, 2015).

As part of this study, a survey of businesses carrying out their activities in the industrial sector of the Rostov region was conducted. According to the results of the survey, among the actions that could enhance import substitution are the following:

- hedging against industrial risks by means of insurance;
- improvement of business cooperation tools within the region;
- adjustments in industry regulation in certain spheres;
- increases in the number of state and regional purchases;
- state support of innovation in the form of subsidies and grants.

Views of individual enterprisers do not always coincide with the views of authority representatives that are responsible for developing and implementing import substitution strategy.

The main task of the state is to create new competitive industries that produce innovative products of high quality and high demand (Babekov, 2016). Domestic products should replace imported goods in those markets where domestic producers are able to offer similar products or products of better quality and in sufficient quantities. To develop these, it is necessary to use effective integration tools.

Studies show that in most enterprises there are no systematic and ordered marketing procedures for selection and launching into manufacture of new products, which is why most manufactured goods do not reach the expected sales volume (Babekov, 2016).

The marketing plan of a company establishes a connection between minimizing risk and reducing the cost of information support of management decisions related to the implementation of the marketing strategy. The marketing plan includes an analysis of current market conditions, the definition of the enterprise’s place in it, internal and external factors affecting its business. The results of this analysis allow to set the key business objectives of the enterprise and the actions related to their achievement. Any deviation from the initial parameters of the plan leads to changing marketing efforts and adjusting the expected results.

To ensure that the marketing plan is adequate to the conditions of development of the industrial market, it should be focused on customers and market competitors, comply with the actual economic situation that requires innovation. It should also contain a sound justification of planned actions.

In a competitive market, an industrial company that produces innovative products but does not implement marketing communications and does not focus on market needs is doomed to failure.

In recent years, Russia has created the conditions for transition to innovative economy characterized by focus on high technologies and innovation in all sectors of industry.

The term “innovative development” most accurately corresponds to the goals of our study. The concept is defined as “type of development, the basic principle of which is continuous and purposeful process of searching for, preparing and implementing innovations through the dissemination of the scientific method to all areas and forms of societal activity” (Kotler & Armstrong, 2003).

Innovations, which are the result of the activity that is realized in the form of new or improved products sold in the market and/or new or improved processes, are characterized by a high degree of risk on the part of the subject of industrial production implementing innovation.

Marketing activities of the enterprise are implemented at all stages of the life cycle of an innovative product - from its design to market introduction to subsequent modifications (Figure 1) (Mechikova, 2015).

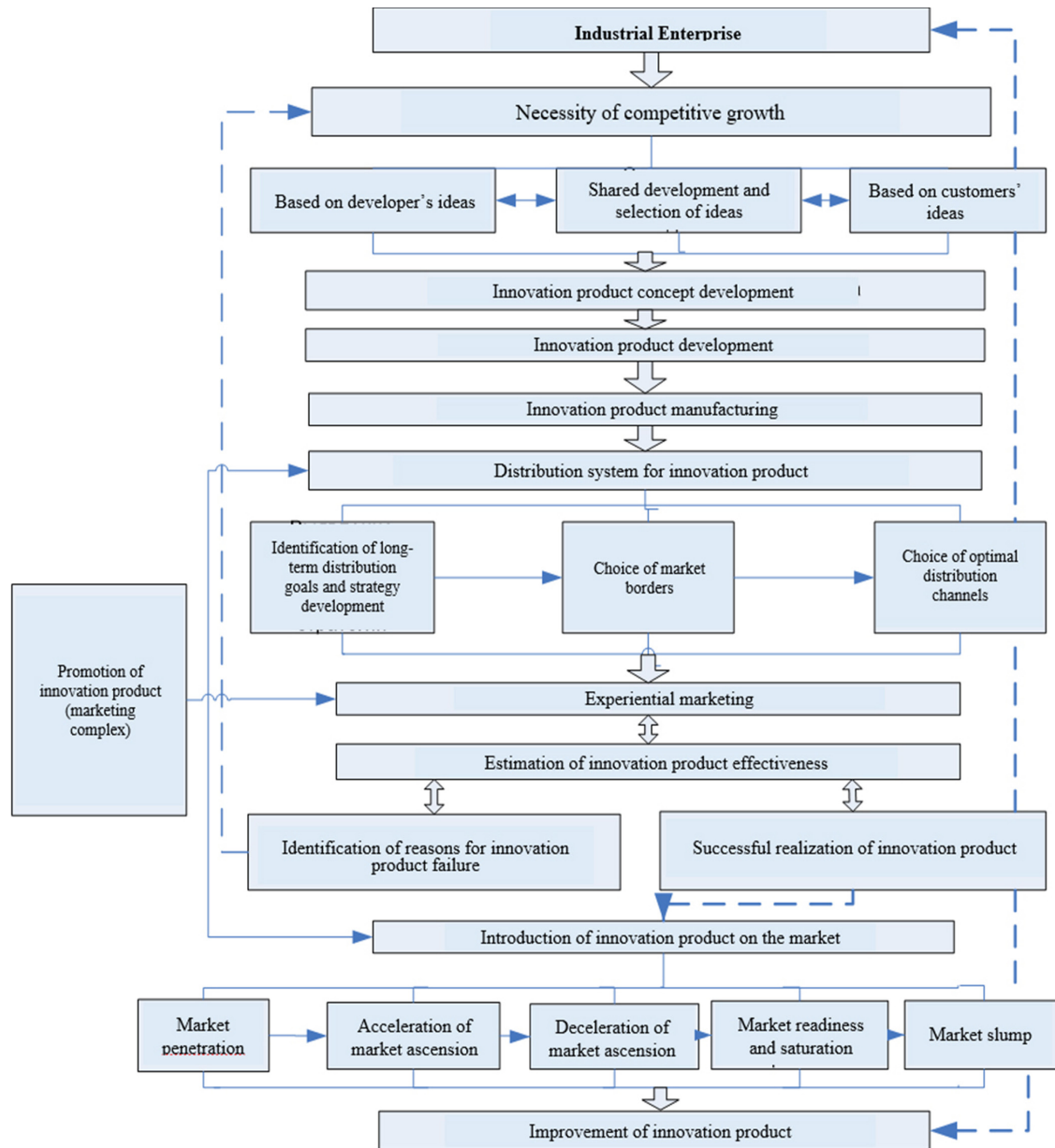


Figure 1: Plan of marketing activities of industrial enterprise (innovation approach)

Based on the data presented in Figure 1, it can be concluded that at almost all stages of the innovation carried out in an industrial enterprise, the role of marketing is quite important. It is necessary to conduct extensive marketing research of the market needs at the stage of concept development of innovative products. It is also necessary to create a positive image and to inform about the positive distinctive qualities of the

new product at the stage of its introduction, as well as assessment of competitive position of the company at the stage of market saturation. It is also required to modify goods on the basis of a study of changing customer needs, etc. Marketing communications become especially important as they largely determine the cost effectiveness of all production activities.

3. CONCLUSION

1. Planning of the enterprise activities is a multidirectional complex process that includes business objectives and strategy, as well as the development of specific actions that help to implement them within a certain period of time and by means of available resources of the enterprise.
2. Given the current instability of the economic environment, the plan of marketing activity of an industrial enterprise can be viewed as a tool for analysis and control, which facilitates long-term competitive advantages of the industrial enterprise in the market.
3. Marketing communications of an industrial enterprise represent a range of interactions with suppliers, customers and the media, which include advertising, sales promotion, personal selling and public relations.
4. The realization of the import substitution policy, the main objective of which is to create new competitive industries producing high quality innovative products of high demand, requires effective marketing activities in all phases of production from concept design to the launching of industrial goods on the market.

Acknowledgement

The study was performed under grant of the President RF for state support of leading scientific schools № NSH-9726.2016.6 “Implementation of state policy through the development of strategic and indicative planning”.

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