

Securing of Market Stability of Industrial Enterprise on Basis of Use of its Marketing Potential

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Abstract: The article displays the fact that marketing potential of the enterprise allows to increase the market stability of a business subject as exactly market resources provide for the adaptability of internal environment to external conditions of functioning. The authors summarize different aspects of market stability on the assumption of what they make a conclusion that stability of the enterprise is its ability to restore the balance after specific fluctuation. They suggest the method according to that the data on external environment dynamic are used in order to clear the data on enterprise sales of market dynamic and to determine market stability degree of the enterprise on basis of received characteristics. It is displayed how to rate positional and strategic market stability on basis of data file, the author's approach to the building of a market stability matrix of the enterprises which function in the same goods market is set out as well. With the help of this matrix one can determine the effectiveness area of marketing potential realization of the enterprise in the market and see the vectors of its development.

Key words: Enterprise stability • Marketing potential • Realization of marketing power • Strategic positioning
• Stability management

INTRODUCTION

The modern economic conditions create development prerequisites for the enterprises which are based on the search of new approaches to the increasing of management effectiveness. The trends of world economy are connected to the acceleration process of management, manufacturing and distribution internationalization what is caused to a greater extent by the growth of FDI, the activating of transnational corporations, the forming of international industrial and trade contacts. In the result one might say about a new stage of world economy globalization-“networking” of the world economy. The process of global networking affects all markets what brings the evolution of industrial relations, the organizational and structural reforms, the new vision of all functional control units of the enterprise, the need of retrieval of competitiveness management methods

and of the provision of more sustainable development. The determinative marks of new economic system are high dynamism, selectivity and instability. The more considerable the market transformation is the more substantial contribution to the advance in the cost of business the marketing makes. The need for expansion and transformation of the approaches to enterprise market strength management under conditions of modern economic instability stipulates the relevance of the research topic.

Under conditions of rising abruptness and disproportion of market sphere development the marketing potential serves the provision of enterprise adaptability and stability. The dynamism of the reforms is often a reason of enterprise economic potential destabilization in whole and of marketing power particularly what influences negatively upon competitive capacity.

Actually, under the influence of crisis events at the enterprise they reduce marketing costs, thereby bringing down the marketing potential and its using possibilities. In support of what was said we can set out the results of the All-Russian Research of marketing activity at the enterprises (which was carried out by the Start Marketing agency in 2010) according to those the trading companies, which decreased the marketing work content to a greater extent than manufacturing firms and representatives of human services, react most strongly to the onset of the crisis. Among industrial enterprises there is the least flexibility of marketing in relation to change of the management conditions as they decreased the advertising activity less than the rest. From the other side, possibly the relatively high stagnancy of industrial enterprises, which was connected to their size as well as originally less advertising activity than at the service enterprises, affected that. It is also interesting that 4% of enterprises completely dismissed the marketing department personnel after the crisis of 2009, 25% -decreased the number of marketing departments, 43% -didn't change the number, 16% - increased the number of specialized personnel of marketing departments, 12% of enterprises didn't have marketing experts before the crisis either [1, p. 17].

Such state of affairs argues that the majority of executives of Russian enterprises don't understand the role of marketing in management system as well as of its significance as a mechanism of enterprise adaptation to the changeable market conditions. At the same time the modern analysts noted more than once that new unordinary properties have to appear in economic systems exactly in the period of transformations, in time of transition for supporting the stability. We notice that the significance of marketing potential raising in an effort to increase market stability enhances because of Russia's entry into WTO.

As a result there appears a need for building of new marketing assets which are able to counteract the activity of competitors, including representatives of multinational corporations.

Besides the problem of securing of market stability in postindustrial society are connected with knowledge orientation. The analysis of literary sources permitted us to single out a number of stability aspects which are covered by different authors.

The First Aspect: stability is an ability to carry out the functions effectively. Some authors notice that the stability is a universal characteristic of preservation of effective system activity in spite of the influence of

internal and external factors [2, p. 93]. We agree with this opinion and consider that exactly because of the universality this characteristic is widely applied in different branches of science.

The Second Aspect: stability is an ability to keep the invariance of activity parameters. I. Ansoff considers the stability as an ability to preserve system properties under the changes of internal and external factors [3]. Sometimes stability is interpreted as an ability of a system to work in a fail-safe mode with the specified transformation range of basic parameters during the whole period of activity. Sometimes stability is presented as a relative invariance of basic parameters of the economic system as well as ability of economic system to keep the parameters within specified limits under deflecting influence from without [4, p. 304]. One can argue with this statement, because invariance of enterprise activity parameters is in a conflict with a condition of necessary development which is laid in strategic plans. Therefore it is more correctly to talk about the need for preservation of development stability. From the other side, one can agree with these authors that the higher form of stable organization is a system which is capable of self-control, self-administration, self-perfection using its own and outside resources to the maximum.

The Third Aspect: stability is drive of the system to restore the balance. Admitting the fact that an enterprise can consider as unity of balance (stability) and change some authors believe that stability can not only show up in a form of balance but also be a characteristic of development [5]. Meanwhile one can count the keeping of balance as the demonstration of adaptation property.

The Fourth Aspect: stability is a characteristic which is actualized in crisis period [6]. It is frequently noticed that the questions of stability, as a rule, are investigated together with the problems of bankruptcy avoidance, in other words the need for stability securing arises when an enterprise faces the crisis, when appear its first signs [7]. From our point of view interesting is the position of the author who asserts that it is necessary to investigate the questions of effective enterprise development in the area of the stability. From this it follows the fifth aspect of stability.

The Fifth Aspect: stability is an ability to obtain the planned results in specified range. In other words the stability of an enterprise is the ability to obtain the results

with specified characteristics of possible divergences [8]. But from this point of view the results of stability measuring depend on the planning quality as well and on how the planned results are expressed.

From the proposed positions we consider that it is more correctly to count the enterprise stability as its property to restore the balance after certain fluctuation. At the same time we admit that system parameters which characterize the stable position can change in a certain range. The speed of putting the parameters into balance is characterized of another parameter-adaptability. Stability and adaptability are closely connected, because the maintenance of stability is based on timely getting of a signal of threatening changes and on taking of counteractive measures for restoring the balance of a system in case of environment fluctuation. The market stability is evidence of a balance between an enterprise and its market environment.

Going to the theory of the question we note that in the economic system the balance condition is interpreted as potentiality. N.D. Kondratiev considered the market balance as the most probable market condition under current conditions of development [9, p. 381]. P. Samuelson counts that the balance position is always disturbed in practice [10].

One can conclude that the higher ambiguity condition of market environment is the harder it is to achieve the stability, consequently so much the more powerful the adaptation characteristics of the enterprise and so much the stronger marketing potential must be. The connection between marketing potential, power to carry out marketing functions and stability is clearly demonstrated with the results of the forenamed study "Start-Marketing". Particularly 56% of companies which had marketing plans noted that the crisis opened new possibilities for them. Among the enterprises which didn't have marketing plans just 31% of market subjects demonstrated such vision of the crisis. It is also significant that in 2009 54% of the companies which had marketing plans and 72% of the companies which didn't have marketing plans slacked off. It follows from this that the planning of market activity allows to look at the future more closely and the development of the whole complex of marketing instruments minimizes the risk of ambiguity in market activity.

The Method: Turning to the methodical regulations we note that in our opinion it is necessary to use the data on external environment dynamics in order to clear the data on enterprise sales of market dynamics and to determine the market stability degree on basis of found

Table 1: Form for data accumulation on dynamics of annual sales volume

	Years				
	1	...	j	...	n
Sales volume					
Enterprise under study	V ₁₁		V _{1j}		V _{1n}
Competitor 1	V ₂₁		V _{2j}		V _{2n}
...	V _{i1}		V _{ij}		V _{in}
Competitor m	V _{m1}		V _{mj}		V _{mn}
Absorption of market	E ₁		E _j		E _n

characteristics. This conclusion is proposed to use in author's method in future. Besides one should distinguish strategic and positional market stability. We present the approaches to determination of both patterns of stability. The strategic stability of the enterprise is proposed to rate on basis of tracking of the sales dynamics of some similar producers in physical terms for the years of time (more than five years). The stages of the proposed method can be reduced to the followings:

- Data accumulation on annual sales volume at the enterprise under study and at its competitors as well as on absorption of market for five years and more. The basic data file looks according to table 1.

Determination of chain rate of growth of market absorption:

$$T_j = \frac{E_j}{E_{j-1}}, \tag{1}$$

where E_j, E_{j-1} are market absorption for the base year and preceding; $j = 1, \dots, n$.

Cleaning of data on sales of the enterprise under study and of its competitors from all-market dynamics with the help of market growth indexes found on the previous stage. The base year's sales don't change and sales volume of each next following year from the range represented in the calculation is corrected by the formula:

$$V_{ij}'' = \frac{V_{ij}}{T_j}, \tag{2}$$

where V_{ij}, V_{ij}'' are real and normalized sales volume for the enterprise "i" in year "j".

As a result of converting there arise a new data matrix (table 2):

Revealing of maximal annual volume of normalized sales (M_j) in each year among the enterprises involved:

$$M_j = \max \begin{pmatrix} V_{1j}'' \\ \dots \\ V_{ij}'' \\ \dots \\ V_{mj}'' \end{pmatrix} \quad (3)$$

Calculation of divergence amount from maximal normalized sales at each enterprise (line “i”):

$$Z_i = \sum_{j=1}^n |V_{ij}'' - M_j| \quad (4)$$

Determination of strategic market stability index (SU_i) for enterprise “i” by the formula:

$$SU_i = \frac{Z_{\min}}{Z_i} \quad \begin{matrix} Z_1 \\ \dots \\ Z_i \\ \dots \\ Z_m \end{matrix} \quad (5)$$

Thereafter the closer to unity the quantify SU_i is the higher strategic market stability the enterprise has.

Positional stability can be determined on basis of the same data file (Table 2). For the realization of the method it is proposed to use in this case the sales variation coefficient which is calculated on basis of normalized indexes which was previously found by the formula:

$$v_i = \frac{\sqrt{\sum_{j=1}^n (V_{ij}'' - \overline{V_{ij}''})^2}}{\overline{V_{ij}''}} \quad (6)$$

where $\overline{V_{ij}''}$ is the mean value of normalized sales of the enterprise “i” for n years, $j=1, \dots, n$.

In this case that enterprise possesses the higher market stability what has the minimal variation coefficient index. On basis of the found values one can determine the positional market stability index (PU_i) for the enterprise “i”:

$$PU_i = \frac{v_{\min}}{v_i} \quad \begin{matrix} v_1 \\ \dots \\ v_i \\ \dots \\ v_m \end{matrix} \quad (7)$$

Table 2:

Sales volume	Years				
	1	...	j	...	n
Enterprise under study	V_{11}''		V_{1j}''		V_{1n}''
Competitor 1	V_{21}''		V_{2j}''		V_{2n}''
....	V_{i1}''		V_{ij}''		V_{in}''
Competitor m	V_{m1}''		V_{mj}''		V_{mn}''

Thereafter the closer to unity PU_i is the higher the positional market stability of the enterprise is.

One of the main conditions of method application is calculation of stability in its “weight” class. According to method the enterprise which is surrounded by the smaller enterprises gets the highest stability most probably therefore only the enterprises which are comparable by theirs market power can participate in the calculation.

Main Part: Let’s make an analysis of market stability of the enterprises operating in cookies market of Belgorod region (RF). According to method we produce sales data of the enterprises (Table 3). Taking into account the rate of growth of market absorption (in 2009-1,06, in 2010-0,93, in 2011-1,03, in 2012-1,07), let’s determine the normalized sales indexes (Table 4).

The calculation of strategic and positional market stability is set out in the table 5, 6. On basis of calculated data one can make a matrix of market stability of cookies producers in the market of Belgorod region (Fig. 1).

As one can see two enterprises have acceptable values of market stability and the rest take the insufficiently stable positions in the market. Consequently after the analysis it is necessary to examine the purposes of the existing state of affairs and the opportunities to increase the market stability. However as it seems to us it is impossible to do without performance evaluation of marketing potential realization.

The market stability is a total effectiveness index of marketing potential realization. But for the forming of a fuller idea of marketing management quality one should rate the drivers which forming the market stability and fall under influence of development degree of enterprise marketing power. In the course of investigation we singled out a range of marketing drivers of market stability. The average speed of their transformation which is determined on basis of data comparison of the current and the past year reflects, in our opinion, the dynamic effectiveness of marketing potential realization (Table 7).

Table 3: Sales dynamics in cookies market of Belgorod region, t.

Enterprise	Years				
	2008	2009	2010	2011	2012
PC "CF "Belogorye"	4673,9	4357,8	4242,8	4503,6	5255,4
PC "Bryankonfi"	4274,5	5182,4	4652,7	4352,6	5428,1
Confectionary company "Knyazev" (Voronezh)	1045,7	1158,8	1254,6	2249,2	1525,4
Confectionary fabric "KDV Yashkino"	3148,4	3295,6	2857,6	2345,7	2167,2
Absorption of market	16472,5	14968,8	16187,2	16907,6	16885,0

Table 4: Normalized sales indexes of cookies sellers

Enterprise	Years				
	2008	2009	2010	2011	2012
PC "CF "Belogorye"	4673,9	4092,5	4564,7	4355,1	4917,3
PC "Bryankonfi"	4274,5	4866,9	5005,7	4209,1	5078,8
Confectionary company "Knyazev" (Voronezh)	1045,7	1088,2	1349,8	2175,0	1427,2
Confectionary fabric "KDV Yashkino"	3148,4	3094,9	3074,4	2268,4	2027,8
M (minimal annual value)	4673,9	4866,9	5005,7	4355,1	5078,8

Table 5: Calculation of strategic market stability of the enterprises in the cookies market of Belgorod region

Enterprise	Variance from minimal value of normalized sales					Z	SU
	2008 г.	2009 г.	2010 г.	2011 г.	2012 г.		
PC "CF "Belogorye"	0,00	774,39	441,04	0,00	161,56	1377,00	0,40
PC "Bryankonfi"	399,40	0,00	0,00	146,03	0,00	545,43	1,00
Confectionary company "Knyazev" (Voronezh)	3628,20	3778,61	3655,93	2180,09	3651,58	16894,41	0,03
Confectionary fabric "KDV Yashkino"	1525,50	1771,92	1931,30	2086,77	3051,08	10366,57	0,05

Table 6: Calculation of positional market stability of the enterprises in the cookies market of Belgorod region

Enterprise	Variation coefficient of normalized sales	PU
PC "CF "Belogorye"	0,062	1,00
PC "Bryankonfi"	0,079	0,79
Confectionary company "Knyazev" (Voronezh)	0,287	0,22
Confectionary fabric "KDV Yashkino"	0,175	0,35

Table 7: Evaluation of performance of marketing potential realization in PC "Confectionary fabric "Belogorye"

Market stability drivers	Current year	Past year	Transformation speed		
			-T _{dyn} (current year/past year)	Planned index	
				Transformation speed	
				-T _{stat} (current year/planned index)	
Share of market, %	31	27	1,168	40	0,778
Loyalty, %	72	68	1,059	80	0,900
Share of new customers, %	9	7	1,286	12	0,750
Level of customer retention, %	57	54	1,056	60	0,950
Consumer Satisfaction, %	86	82	1,049	95	0,905
Index of commercial-technological flexibility, %	78	76	1,026	80	0,975
Brand publicity, %	91	84	1,083	95	0,958
Average transformation speed	-	-	1,104	-	0,888

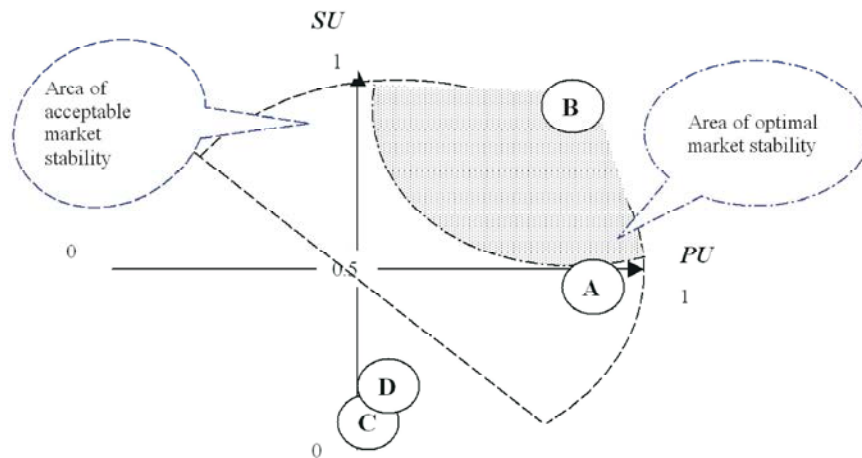


Fig. 1: Matrix of market stability of the enterprises in the cookies market of Belgorod region
 Note. A - PC "CF "Belogorye", B - PC "Bryankonfi", C - Confectionary company "Knyazev" (Voronezh), D- Confectionary fabric "KDV Yashkino".

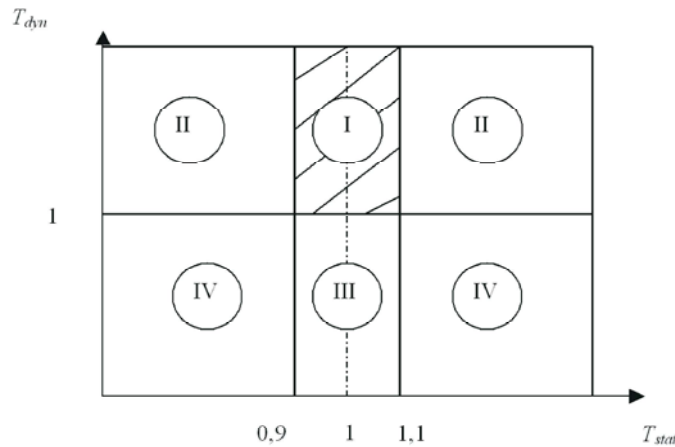


Fig. 2: Matrix of effectiveness of marketing potential realization of the enterprise

While the average transformation speed of the same indexes which is determined on basis of comparison of factual values with planned values reflects the static effectiveness. The results of calculation can be put down into the matrix of effectiveness of marketing potential realization (Fig. 2).

For static effectiveness index the area of admissible transformation variance of effectiveness indexes is in the range from 0.9 to 1.1. In this case we proceed from the consideration that considerable variance of factual indexes around planned argues the stability disturbance, the imbalance in management of marketing resources even if there is a divergence for the better. In turn any divergence of dynamic effectiveness index for better is considered as a positive divergence.

The integral index of market stability is difficult to determine on account of the criteria difference of the reference of changes to positive. Therefore it was worked

out a matrix in what there are some zones: I-zone of high efficiency of marketing potential realization; II-zone of insufficient efficiency of marketing potential realization; III-zone of low efficiency of marketing potential realization.

Evidently PC "CF" Belogorye" is positioned on zone II (insufficient efficiency) of marketing potential realization.

Consequence: The described method allows to determine the organization level of activity on using of opportunities and resources in area of marketing with the purpose of increasing of market stability and adaptability of the enterprise. Besides with its help one can see what aspect of marketing process organization has problems. In the examined example it is necessary to stress the planning in the perfection of the functions. For example, one can propose for PC "CF" Belogorye" the following: 1)

to raise the conformity of the assortment with market requirement structure; 2) to increase the advertising activity; 3) to up-grade the quality and to systematize the working of a marketing plan; 4) to carry out complex marketing investigations; 5) to intensify the work on assessment of marketing programs; 6) to bring the structure of marketing department structure to conformity with the specific character of business (business is diversified, so one should realize the integral marketing concept instead of working at the moment sale concept).

CONCLUSIONS

By the results of investigation one can make the following conclusions:

- The analysis showed that dynamism of economic transformations is often a cause of destabilization of enterprise potential in whole and of marketing opportunities in particular what influences negatively upon competitive capacity. Under the influence of crisis events the enterprises, as a rule, reduce marketing costs and thereby decrease marketing potential and opportunities of its use. The trading companies, which decreased the marketing work content to a greater extent than manufacturing firms and representatives of human services, react most strongly to the onset of the crisis. Among the industrial enterprises there is the lowest flexibility as to the changes of economic conditions, possibly because of their stagnancy. At the same time the significance of marketing potential raising in an effort to increase market stability enhances because of Russia's entry into WTO.
- The analysis of literary sources permitted us to single out a number of stability aspects. The enterprise stability is considered as the ability of enterprise to restore the balance after the fluctuation. The main prerequisites of stability building at the enterprise which acts in market environment are: existence of a strategy; adequacy of enterprise marketing plans to the condition of external environment and to the proper opportunities; speed of the enterprise reaction on market changes on account of marketing potential accumulation; permanence of the efforts to the consolidation of competitive advantage; systematic character of market situation monitoring for the fixation of early signals of disbalance between customer's demand and commodity supply of the enterprise.
- Critical analysis of exiting approaches to solving of the problem of enterprise market stability determination showed that the category "market stability" is rather widespread, but one cannot consider the treatment of its content as universal and that all researchers have the unified treatment of it. Some models can be applied only for monitoring of the company internal environment stability in answer to changes from the outside, though it requires to determine the stability of company position in sale region. The others stress just some aspects as for instance information connections and environment. It seems to us that the most exact approach is that which determines the market stability on basis of variation coefficients, but it also needs some additions because in the work there is a thesis about the call to mark out the strategic and positional market stability. In the work there are represented approaches to the assessment of both stability kinds. The strategic stability of the enterprise in the market is assessed on basis of tracing of cleared of market dynamics sales of some similar producers in physical terms for the years of time. While assessing the positional stability one uses the variation index of normalized sales. On basis of calculated data one builds a matrix of enterprise market stability in which there are the areas of satisfactory and optimal stability; being in these areas is a positive fact.
- As the resources availability doesn't guarantee the getting of extra effect then it requires assessing the effectiveness of actions by marketing potential organization defining the practicability of the increasing of marketing opportunities. We made a conclusion that in this case the effectiveness must be measured on basis of comparison of obtained rates not only with planned rates but also with the rates of the past periods. The market stability and adaptability of the enterprise, which can be followed through data of output sales, are the total indexes of effectiveness of market potential realization. But for the forming of a fuller idea of marketing management quality one should rate the drivers which forming the market stability and fall under influence of development degree of enterprise marketing power.

The average speed of the transformation of marketing drivers of stability and adaptability which is determined on basis of data comparison of the current and the past year reflects, in our opinion, the dynamic effectiveness of marketing potential realization. And the average speed of transformation of the same rates which is determined on basis of comparison of factual values with planned values reflects the static effectiveness.

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