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Marketing Strategies in the Single European Market and the Global Market of Textile and Clothing Products

Abstract
The aim of this paper is the presentation of some marketing strategies for textiles and clothing products in the global and European Single Market. This presentation is based on conditions for the completion of the internal market with special reference to trade creation and trade diversion effects, and on the norms and standards related to quality, natural environment and consumer protection.

Key words: *textiles, clothing, marketing strategies, European Single Market, global market.*

Introduction

There are four major factors that shape the modern environment of enterprises:

1. The expanding globalisation of the economy, as expressed by the liberalisation of foreign trade in commodities and services as well as of capital movement, and the growing roles of international organisations (UN, WTO, IMF, WBG).
2. Globalisation-related and dynamically progressive technical and technological improvements.
3. The deregulation of the economy connected with many enterprises losing the monopolistic position they had previously enjoyed, especially in the area of power and telecommunications services.
4. The progressing privatisation of state-owned enterprises (SOE).

Furthermore, the past decade has witnessed a growth in the role of **quality, environmental and consumer protection standards** affecting the market of technologies, technological innovations and the international institutions which set industrial norms and standards. Enterprises that comply with international standards can retain and enhance their capability of competing in the global markets; therefore such compliance is a prerequisite to sustainable competitiveness (for details see [3]). Most market success is enjoyed by those enterprises whose market share is growing, which offer high quality products, which continuously adjust those products to the customers' needs (a process officially acknowledged by certificates), and enterprises which are open to product or process innovations (i.e. in the manufacturing processes) while ensuring a high level of customer care and communication with buyers in the target market.

Today, enterprises which are adjusting to the new requirements imposed by the dynamically changing market conditions are characterised by networking with other firms (clusters), outsourcing (using a number of suppliers), making improvements as a result of benchmarking, allowing their processes to be managed by international teams, orientation to markets and their segments (groups of customers) differentiated according to customer requirements, innovative approaches to the development of organisational and technological solutions, accelerated cycles of product development and implementation, and the creative formation of new market needs, new markets and new activities.

The most recent technologies that stimulate demand for innovations and R&D, for instance in the textile and clothing industry, are as follows: **new material technologies (mainly medical textiles, protective clothing made of new materials involving a high degree of technology), interior design, industrial design and its components** [4,5].

Effects of a Single Internal Market for Industrial Products

The Single Market stimulates the expansion of trading activities between the member states after the abolition of barriers to trade (trade creation). Then, depending on the relative importance they attribute to the existing external barriers, increased exchange between partners in the member states can also be expected, at the cost of transactions with third countries (trading shift or diversion).

Integration impacts on the structure of trading activities as well. The benefits from economic integration are of various kinds, and are related to the type of trading being made. Inter-industry trade offers advantages, but it also bears some implications for income redistribution and entails adjustment costs, as production will be continued by the most efficient producers only, while others will have to withdraw. On the other hand, intra-industry trade in similar products is beneficial for consumers, as it offers them a broader range of more differentiated products, the adjustment costs are lower and the geographical distribution of production does not change as dramatically. Finally, integration may also reorganise the manufacturing processes by affecting the location of demand, with the resulting readjustment of wealth distribution within an integrated area [6].

Trade Creation and Diversion

The Single European Market has contributed to the creation of internal trade by removing internal barriers within the European Union - internal import from member states replaces local produc-

tion. The Single Market produces the same effects by diverting trade, so long as the maintenance of barriers external to the EU leads to the replacement of imports from third countries with EU imports. On the other hand, we observed the creation of and a subsequent shift in external trade when the removal of internal barriers within the EU was combined with the introduction of lower external barriers in those member states where external tariff and non-tariff barriers had been higher prior to the introduction of the Single Market provisions; as a result, their domestic production and intra-Community import have been replaced by imports from outside the EU. Finally, the trade suppression effect may occur when the Single Market allows some enterprises to take advantage of the economy of scale, and thus to expand the production of imports sold both within the Community and outside. Even though the above effects result from the direct impact of the prices of imports on transaction flows, in theory it is relatively easy to extend an analysis to include the effects of scale and the dynamic effects of the Single European Market in the model of the trade changes resulting from competition. Theoretical outcomes of the model of international trade under imperfect competition suggest that other changes in the trade model may appear, when a growing market strengthens competition between enterprises, allows advantage to be taken of a large scale of production, and/or modifies the degree of diversity of sale in each industrial sector. Abolishing the non-tariff barriers may increase intra-Community trade inasmuch as the liberalisation 'reduces' price and cost margins within the EU and leads to larger scale of production, but a smaller number of firms.

The opinion on trade diversion is more explicit. It is believed that reduced price & cost margins, together with a larger scale of production, improve the competitiveness of enterprises focusing on the EU market, and then result in trade diversion. However, the dynamic effects which are mainly derived from the development of the endogenous growth theory produce integration effects with regard to savings, investments, expansion and flows of trade [7-9]. Assuming that integration leads to higher incomes, savings and investment in the EU, then both intra- and extra-Community trade will expand.

Intra- and Inter-industry Trade

Since the early 1960s, we have been able to observe a growing exchange between countries that trade in similar products (intra-industry trade). This phenomenon questioned the traditional theory of international trade based on the inter-industry exchange model, and contributed to a development of studies on the comparative advantage in trade under imperfect competition. From the standpoint of the theory of economic integration under imperfect competition, the Single European Market leads to a higher volume of intra-industry trade between the member states. As regards trade, the effects of the Single European Market and economic integration are comprehensive. According to the traditional analysis of international trade, the Single Market should result in higher specialisation of the member states as a result of their respective comparative advantages. In this case, the single market should support enlargement of volumes of the inter-industry trade in every member state that specialises in those sectors where it was initially the most effective. However, under imperfect competition and product differentiation, the Single European market promotes intra-industry trade, that is, parallel import and export of similar products between member states (for instance cars exchanged for cars) [10].

Finally, the new economic architecture leads to the concentration of economic activities in countries that initially held a comparative advantage in inter-industry trade. The benefits from economic integration are different for inter- and intra-industry trade. Inter-industry trade allows member states to profit from trade in these areas of production where they held the comparative advantage, whereas consumers in the member states benefit from lower prices and access to more differentiated products. This means a more distinct specialisation between the less and greater developed member states; in each country some sectors of production collapse, while others expand (for instance, the clothing industry shrinks in countries with high labour costs, as do high-tech industries in countries with less qualified labour). In this case, the implications for redistribution are important and the adjustment process is costly.

On the other hand, intra-industry trade is beneficial for consumers, who gain access to more differentiated products, whereas producers incur lower adjustment costs. Adjustments take place between enterprises within industries rather than between industries. Therefore, when the industrial structures of the member states become relatively similar, the European Union as a whole becomes more diversified and thus less sensitive to specific sectoral shocks, such as higher oil prices, etc. Shock effects do not differ significantly depending on a member state (non-asymmetric shocks). This is particularly important in the environment of monetary union.

Location and Geographical Specialisation

The effects of the new economic architecture may result in a concentration of enterprises in an initially advantaged country, as a consequence of relatively easy access to the resources meeting a given sector's demand, which allows a comparative advantage to be gained.

The spatial makeup of the whole production process is determined by the available technologies which make it possible to take advantage of the economy of scale, by the location of the demand, by the availability and prices of the production factors in various locations, and by the structure of markets [11].

The central problem is the influence of integrated products, services and factors of production on the liberalisation of economic activities. In both the neo-classical model and the Heckscher-Ohlin-Samuelson model, the cost of the factors of production and their profitability results in convergence when barriers are removed. However, the results of these models are particularly sensitive to the assumption that markets are efficient and barriers to flows (movements) do not exist. From this standpoint, a comparative analysis of capital and labour costs and their evolution across the member states gains a special importance.

The economic theory presents arguments for increasing or decreasing the convergence of the costs of production factors between countries. On the one hand, the growing international consolidation of goods and services markets results in the equalisation of incomes drawn from factors such as wages and capital costs. On the other hand, labour

movement is limited by cultural, institutional and spatial factors, whereas the flow of capital is unobstructed according to the implemented directives about free flow of capital.

Trade regionalisation is measured by the proportion of trading activities taking place within an integrated area in total trading activities; relative growth in such internal trade proves growing integration.

Types of Marketing Strategies on Foreign Markets

On the single European market, the development of a company marketing strategy should be preceded by a market research to identify the following elements: the potential capacity of selected segments of the market for a relevant industry, consumers' tastes and needs, appropriate methods for entering a market (including identification of the methods employed by major competitors), as well as the necessary degree of product standardisation and differentiation.

The marketing strategy means setting a long-term objective for an enterprise, as well as identifying the instruments, methods and measures for its achievement. In the classic approach, M. Porter distinguished three major market competition theories, that is, strategy of low prices, strategy of differentiation and strategy of concentration [12-14].

1. The strategy of low prices is employed by companies with a cost advantage resulting from their controlling a large market share of usually standardised products manufactured in large volumes (effect of scale). On the Single European Market this strategy is pursued, for instance, by many clothing companies that manufacture standardised articles sold through large chain stores or by mail-order houses.
2. The strategy of differentiation consists in giving special features to products or services sold by a company, which will distinguish them from the other goods offered on the market. In the Single European Market, this strategy may also translate into the adjustment of goods to the requirements of selected national or regional market segments. This strategy makes it possible for a company to earn higher profit margins and gain a dominant position in selected market segments. If successful, the strategy triggers the imitation effect among major competitors, as a result of which the position held by market leaders may be undermined. One barrier to this strategy may be the relatively low absorption of a market.
3. The strategy of concentration attempts to target a predefined group of buyers, selected group of goods or geographical market (regional or local).

In order to identify a market strategy on the European or global market, the so-called Ansoff matrix can be used [15]. According to this matrix, strategies can be divided into four types:
- market penetration,
- market development,
- product development,
- innovation.

Market penetration means intensified activities to increase the sales of a given product on the existing market. The market is well-known, the demand unmet and it is possible to reach potential buyers.

The **market development** strategy attempts to introduce an existing product into new markets. An enterprise may go beyond the domestic market and win foreign markets. In this way its activities become internationalised. An enterprise may also use this strategy after a long period of operation on foreign markets, for instance (as has already been observed) when shifting from a double concentration strategy to a segment concentration strategy, or from domestic concentration to the double diversification strategy.

The **product development** strategy consists in product modification (e.g. its packaging, colour) and the creation of a new product to sell on the existing market. This may be a domestic as well as a foreign market.

The strategy of **innovation** aims at placing new products on new markets. It requires large outlays on product research and surveys of new markets, among which foreign markets are quite frequent. However, this strategy bears the highest risk, resulting from the uncertain success of the intended sales of the new product and of its performance on the new market.
Some similarities can be found among the strategies identified using the Ansoff matrix and those relating to market segments and particular foreign markets. A shift from a double concentration strategy to a segment concentration strategy corresponds to the penetration strategy and also partly to the market development strategy (the same product for similar buyers on different foreign markets). On the other hand, shifting from a double concentration strategy to a domestic concentration strategy equals a product development strategy (modified or upgraded products for new groups of buyers on the same foreign market).

A departure from a segment concentration strategy towards a double diversification strategy results in a product development or innovation strategy (upgraded or new products are offered to new segments in the same foreign markets). Replacing a domestic concentration strategy with a double diversification strategy resembles a market development strategy (going out from one country's segments to similar segments in many countries).

Besides, the **objectives of company operations** allow several strategies to be identified [16,17].
- expansion,
- defending the position,
- selective development.

The first of these aims at enhancing sales, profits and the market position. Yet it is difficult to implement, as an enterprise must have large disposable funds, the competition cannot be too strong and there must be an unmet demand for the enterprise's products. It is also necessary to precisely examine the market of an enterprise's operations and to make investments whose value must largely exceed those carried out under other strategies. All this exposes the activities to a high risk.

The strategy of attempting to defend the existing position is quite frequent, as it is less costly than the strategy of expansion. It aims to conserve the existing market share and the good reputation of its products against those of its competitors.

An enterprise also follows this strategy when some unfavourable events occur in its environment, such as building up competition, when the strategy of expansion is too risky, or when the prospects for growing profits and sales are slim.

Under the selective development strategy, enterprises concentrate on selected market segments and products. This strategy is employed when an enterprise has limited resources and cannot react to competitors' actions promptly and flexibly. Consequently, a favourable market position can only be achieved by focusing on a selected market segment or group of products. But then, market surveys which might indicate profitable segments for the enterprise are also necessary.

Marketing strategies can also be classified according to the market share held by an enterprise. Here strategies such as the **market leader strategy, challenger strategy, follower strategy and market niche seeker** can be distinguished.

A *market leader* is a company that holds the largest share in the sales of a given product. It typically intends to retain its market position for a longer period of time. This goal may be achieved when an enterprise employs various marketing instruments to seek new groups of buyers for its products. Such an approach corresponds to the market penetration strategy or market development strategy (when completely new market segments are being won). The undertakings of the market leader typically present some kind of model, to be copied by other enterprises.

Enterprises that follow the *challenger* strategy name its key competitor and clearly set the marketing objective. Typically, such an objective is to enlarge a market share by attacking the competitor. Various marketing instruments are used for the purpose, but the major tool is promotional sales, frequently comparison-based, or promotional actions to boost sales.

Regarding the *follower* strategy, enterprises try to trail the leader. They either imitate all of its actions or limit their imitation to some selected and defined market segments. This type of strategy is applied by enterprises whose market shares are relatively modest and which cannot threaten the position of the market leader.

Market niche strategies are pursued by enterprises with small market shares and scarce resources which do not allow them to operate on all market segments. Hence, they attempt to dominate a small part of a market which has been unnoticed or ignored by the market leader, and specialise in providing services to this market segment only (for details see [18]).

Subject to the market share, the aforementioned types of marketing strategies can be, and actually are, applied by enterprises on foreign markets. This concerns both large (market leader or challenger strategy) as well as medium- and small-sized organisations (follower and market niche strategies).

Product Strategy on Foreign Markets with Regard to the Marketing Mix - Conclusions

On foreign markets, the aforementioned strategies are pursued using various combinations of marketing instruments including product, price, place and promotion (marketing mix). A product, i.e. any article subject to market exchange, is integrally connected with its price, the level of which directly translates into incomes from the sale of the product. Therefore, it should be offered at the right place and the right time, and enhanced by accompanying promotional activities. Consequently, the instruments mentioned above have to be closely coordinated and integrated. If this is not done, we do not have a marketing-mix strategy, but rather tactical and accidental actions. Before a product is sold, the following strategies are formulated:

- The strategy of technological modification changes the manufacturing technologies; such a modification is a novelty in the eyes of the manufacturer, but the product does not acquire any new traits observable by the customers, as its basic functionality has not been changed. Indeed, such an approach is actually a product improvement.
- The strategy of imitation is based on introducing products similar to those offered by competitors. Variants of this strategy have been discussed above (e.g. creative imitation or early imitation).
- The strategy of innovation (when a completely new product is developed) aims at supplying products which either meet new or currently unmet needs, or which satisfy already met needs in a different way. This corresponds to the innovative leadership strategy presented above [19].

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