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MARKETING STRATEGIES: MODELS FOR ASSESSING EFFICIENCY AND RISK LEVEL

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Abstract: *The relevance of this study is determined by the fact that any company's operations are associated with risks, which is why there is a need to create and utilize a marketing strategy within the competence of different departments. The experience of leading companies indicates that the successful development of a firm and its increased efficiency are impossible without correctly formulating a strategy as a set of measures aimed at achieving a goal. Modern business faces fierce competition. To make adequate decisions, one needs a thorough, comprehensive assessment of the situation and a reliable forecast. The study deals with the connection between marketing and risk management, the internal marketing environment of a company. The authors carry out a comparative analysis of the methods of risk evaluation in marketing. The efficiency and the degree of risk in a marketing strategy are evaluated. The authors analyze the methods of quantitative analysis of managerial decisions in terms of implementing the marketing strategies of industrial companies.*

Keywords*: marketing, business, strategy, risk, company.*

INTRODUCTION

Currently, a company's highly developed marketing undoubtedly plays a crucial role in determining its future. A good choice of marketing strategy will allow any company to become truly competitive. The issue of accurately assessing the efficiency and level of risk of a marketing strategy is particularly relevant today. For example, to determine the efficiency is to find the factors that influence the quality indicator of the marketing strategy, the connection between these factors, the degree and nature of the influence. It is important to conduct a qualitative analysis of the market, analyze the potential consumer, develop a strategy, develop an advertising campaign, etc.

Knowing the marketing risks, one can assess the extent of the company's losses, which will allow one to carefully calculate the possible costs under various circumstances and evaluate the possible obstacles to achieving the company's marketing goals. The approach to studying the company's risks must be very responsible because in this way one can minimize the company's losses, which plays an important part in saving business capital (Kiseleva, Iskadzhyan, 2017; Pesikov, 2003; Porter, 2015). In Russia, company owners often have problems in these matters, since it is very time-consuming to reliably assess the efficiency and risks of a strategy, and the market situation is constantly changing. The key to success is choosing the methods that are most suitable for a particular enterprise depending on its field of operation and product.

THE NOTION OF MARKETING STRATEGY

Marketing strategy is a plan for achieving commercial success: increasing conversion, sales, profits, entering new and protecting existing markets and increasing market share (Kolyada, 2014; Roganyan et al., 2017). Marketing strategy contains the definition of the trend of the firm's operations for the coming planning period. Strategic planning can also reveal market threats that a company is likely to consider providing long-term sustainability. Strategic planning does not create any assumptions that the company will continue to present the same products to the same customers in the long term. Instead, such planning identifies business opportunities that can be successful and evaluates the company's ability to use those opportunities.

There is an attempt to find a strategic gap; this is the difference between where the company's current position and the company's position required for stable long-term growth. Strategic planning is the process of developing and maintaining an acceptable balance between the goals, skills and resources of an organization and changing marketing opportunities. A strategy is a plan of action that serves two purposes: first, to market the business and, second, to promote the products and services. Marketing refers to how well a business is ingrained in the customers' minds and how quickly customers think about the business when making purchasing decisions.

The development of a company's marketing strategy is an ongoing process that must always be controlled, and that is what the marketing department does. The efficiency of the entire company depends on this. Such a strategy sets the vector for product promotion and maximizes the income and profit of the business in the long term. For the successful operation of the enterprise, one must choose the right marketing management strategy and carefully plan this process. Marketing aims to produce goods and services that satisfy the needs of the whole society. By analyzing the goals that the company has achieved, for example, increasing demand and income or expanding the range of goods that are needed by different consumers, one can assess the efficiency of the selected marketing concept (Marennyi, Egorova, 2004; Kotler, 2008; Engel, Blackwell, Miniard, 2001).

In a competitive environment, when companies emerge that offer similar goods or services, the relevance of marketing and the interest in efficient marketing management are significantly enhanced. Marketing and competitiveness are a system of continuous coordination of the services offered with the services that are in demand in the market and that the company can offer with maximum profit for itself and more efficiently than competitors do.

THE CONNECTION BETWEEN MARKETING AND RISK MANAGEMENT

Most of the processes in entrepreneurial and business administration are associated with various risks. This fact suggests that a risk-adaptive system is essential. A high degree of uncertainty and the dynamics of changes in events determine the current state of the market economy, which means that risks always accompany any actions on the market (Domashchenko, Finogenova, 2010; Kosov et al., 2016; Bogoviz et al., 2019). In any business, there are risk management departments that are responsible for analyzing the internal and external factors that affect the efficiency of the enterprise. Such a management concept as marketing allows one to understand consumers and, simultaneously, achieve the best result for the enterprise, which meets the needs of a market economy. The main idea is for the company to be able to provide a higher level of customer relations compared to competitors.

Marketing activities significantly reduce the degree of uncertainty for a company. To be able to understand the client, notice their attitude to the product in time, see the growth points, the source of the company's main income, identify efficient advertising campaigns – all these are the main tasks of marketing (Kotler, Armstrong, Wang, 2015; McDonald, 2017). Unfortunately, a comprehensive study of marketing risks is currently overlooked, unless one needs to consider the specific issues that are most important. Most often, this is an analysis of various kinds of sampling errors during research and methods of correcting these errors, which in general can be ascribed to the tasks of risk management. Marketing is a kind of risk management tool since risk management and marketing are closely connected. This can be seen in the example of various marketing studies that are carried out to reduce the risks for an enterprise (Figure 1).

Figure 1. Connection between risk management and marketing

Let us consider the very definition of marketing risks to clarify the specifics of risk management in the marketing activities of the company. Risks in marketing are the risks that describe the likelihood that some event or certain consequences of events will occur that may interfere with the implementation of marketing plans and introduce unplanned changes while marketing strategy which will negatively affect any company's operations (Kleiner, 2014; Shapkin, Shapkin, 2014). In the field of marketing, there is a classification of risks as internal and external; it is most often used when assessing marketing risks. These risks are subdivided depending on the influencing factor. Thus, internal risks are specific to a particular company and may differ from another company's risks and external risks practically do not depend on the organization and are formed independently. Let us examine internal and external marketing risks (Figure 2).

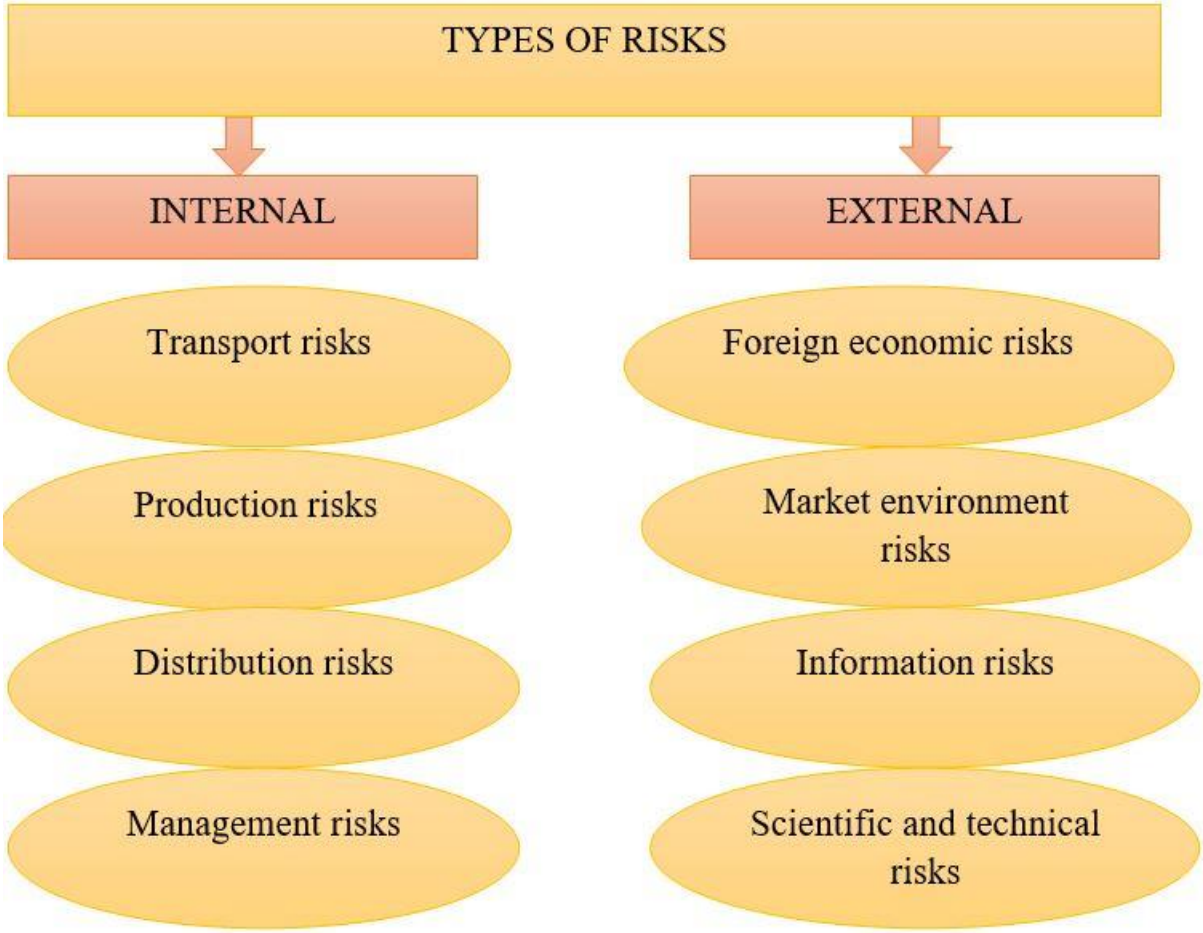

Figure 2. Classification of risks in marketing

To summarize, risk management in marketing is the most important aspect that allows one to increase the marketing performance of the company and raise the company's productivity. Risk assessment should occur at every stage of planning a marketing strategy, since it is initially impossible to consider all risks, it is important to be able to respond in time to any changes in the performance of the enterprise and correctly assess the current and relevant risks.

RISK ASSESSMENT METHODS IN MARKETING

When assessing risks in marketing, companies constantly face a lack of information for research, so various methods of quantitative risk assessment are often utilized. Let us consider some of these methods.

1. The "Decision tree" method is a fairly popular visual method for solving classification and forecasting problems' it allows one to evaluate any management decisions and make an optimal decision. The structure of the decision tree contains nodes which are key events and branches connecting the nodes, that is, actions to implement the project (Figure 3).

2. The method of statistical decisions is a method based on statistical data, the processing, analysis of the data. In this case, the data can be factual or artificially simulated. For example, sequential analysis allows, based on some hypotheses that are tested in advance, to make any marketing decisions, and the Monte Carlo method (statistical test method) consists in modeling random variables to calculate the characteristics of their distributions, while the model is repeatedly calculated. The latter method is used to solve optimization problems.

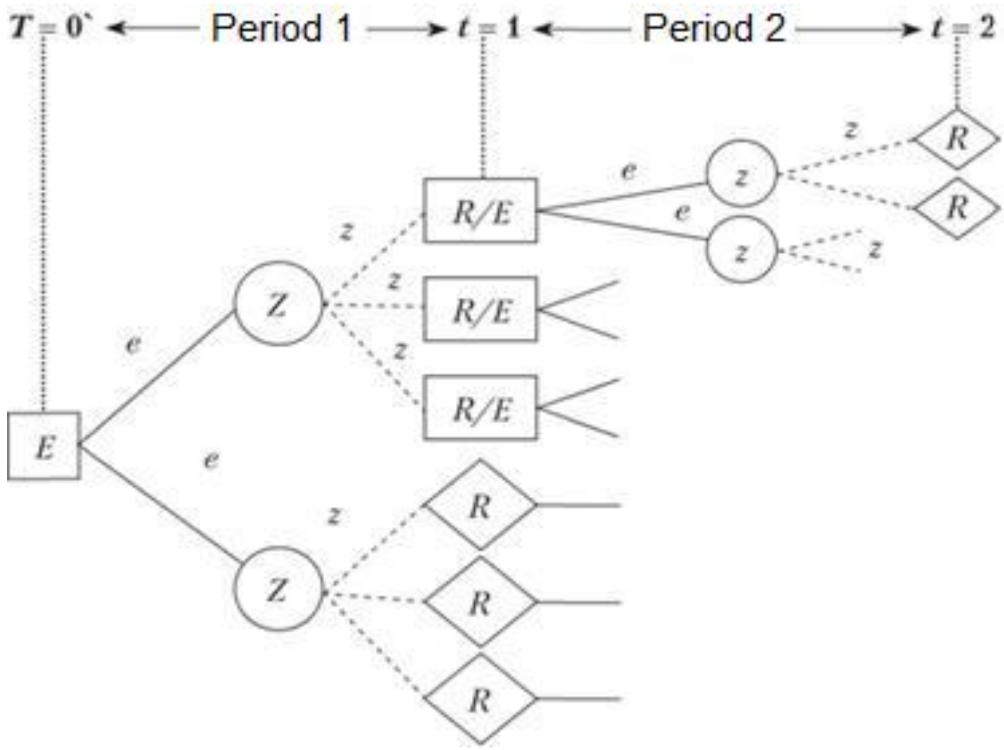

Figure 3. The "Decision tree" method

3. Stochastic programming methods are methods used when making decisions on optimization in complex economic and technical systems. These methods allow one to notice the uncertainty in optimization models when the nature of the data is random. The need to consider the influence of random factors in such problems has led to the emergence of a wide range of different problem statements in the theory of stochastic programming. Let us consider the types of solutions to such problems. The first one is replacing random parameters with their average values, that is, their mathematical

expectations, which allows solving the problem without specific initial values. The second method is to study two-stage linear programming problems with random data: at the first stage, random demand values are determined by the mathematical expectation and at the next stage, the optimal production control vector for a fixed demand for these products is found. The last way to solve existing problems is through programming with chance constraints.

RISK MANAGEMENT MODELS

It is good practice to apply optimization models, setting the level of risk that the company is ready to take on, considering the costs, or vice versa – minimize the level of risk based on the allowed costs. Sometimes risk reduction is a disadvantageous procedure for a company, often unprofitable, so it is important to understand how serious the need for specific solutions is. Various factors affect the cost of a product or service. Let us present in the figure the factors of the company's internal environment (Figure 4).

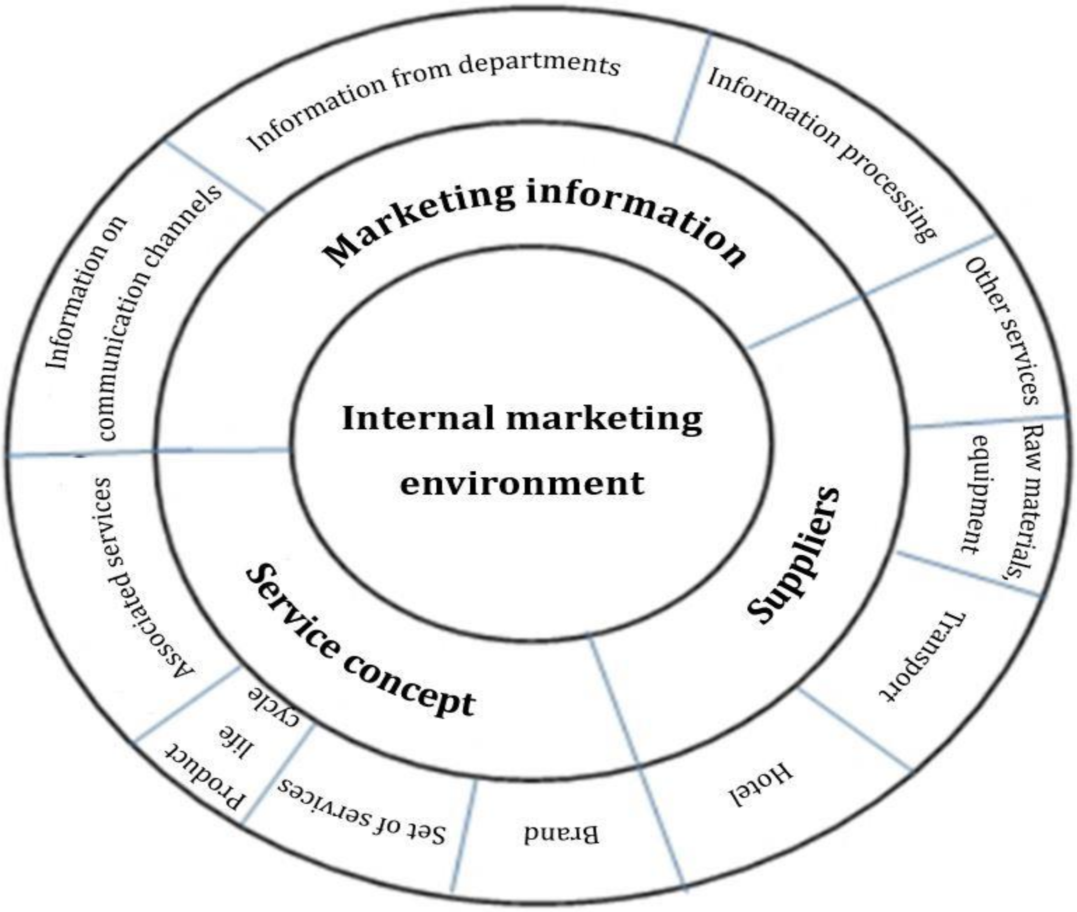

Figure 4. A company's internal marketing environment

There are a lot of such factors that are monitored by the company's marketing departments. Based on these factors, marketing decisions are made on possible product improvement, resource optimization. Company costs, pricing – everything depends on these factors. Marketing specialists track the costs associated with collecting information and its further processing and take various measures to optimize the above costs (Weatherford, Kimes, 2003; Lambin, 1996).

Marketing departments strive to achieve a high level of control over the factors of the internal marketing environment, as this leads to the success of the pricing strategy in the firm. With active market competition, this issue is very urgent. Some enterprise's strategies are short-term and long-term. For example, the strategy of profit growth in the short term is applied subject to the introduction of innovations that have a large consumer demand, and, in the long term, profit growth is one of the main goals of any company. If the company introduces any new ways of service, then the goals here are to increase the market share and the company's income. Often companies use discoveries that will potentially have a large consumer demand, in which case the company seeks to ensure high profitability at the initial stages.

Various market processes affect the competition of suppliers that determines changes in prices for raw materials, equipment and transportation costs and can also affect cost reduction. However, additional profit can be generated by the rate-setting policy, which in general can remain unchanged. Pricing management can lead to success only if marketing specialists consider the importance and role of all factors: internal, external, governmental (which affect the dynamics and structure of market rates in a particular field of activity). In marketing, there are features of risk management which also include consumer risk – the subjective risk that the buyer or user assumes. There is a need to consider the potential demand of average consumers, their expectations and wishes. However, the business must take into account that consumers, in turn, have only limited information on a product or service, since the consumers may first come across the product or service, which is why it is impossible for the consumer to accurately assess the risks (Kameneva, Polyakov, 2016; Granina, 2014).

This concept enables marketing specialists to evaluate the opinion of the consumer, explain their behavior, predict wishes, which will greatly help in developing an optimal marketing strategy, and study the quantitative supply and demand. Consumers primarily want to reduce risks when choosing a product but also maximize the usefulness of their consumption. Determining customer-perceived risks plays an important role in obtaining an efficient marketing strategy, helps to correctly distribute the company's budget, timely adjust financial spending, investments in specific products and analyze real consumer demand. Consumer risks must be commensurate with the client's benefit and to a greater extent reduced; this is the main principle based on which a particular product is selected (Thompson, 2009; Teichert et al., 2015; Cross, Higbie, Cross, 2009).

CONCLUSION

Analysis of the marketing strategy from the perspective of efficiency and risks allows companies to reach a new level of development, significantly increase profits and form a risk-adaptive marketing system. Risk research and assessment increase the overall performance of the company. Marketing departments assess risks using various methods. For example, when some numerical data are incomplete or missing, the method of stochastic programming, the method of "decision tree" and the methods of statistical decisions are used. In practice, a more accurate analysis is used – the Monte Carlo method which makes it possible to comprehensively assess and investigate various characteristics of risk, for example, probability distribution, mathematical expectation, standard deviation, etc., is also successfully used in marketing research risk management.

In this case, it is possible to determine the minimum level of risk at a previously established efficiency and, on the contrary, select the most efficient strategy at a set limit value of risk. In conclusion, the current risk analysis of marketing strategies is the most important part of building a profitable business. It is necessary to qualitatively introduce risk analysis into the work of marketing departments of every company in modern conditions of decreasing consumer demand and in connection with significant uncertainty in consumer behavior.

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