

Case study steelco essay



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The so-called I-beams are a standard element in modern construction used to build e. g. bridges, stadiums and super high-rise buildings. The I-beam market can be further segmented into small size beams up to 14-inches, in which a number of firms are active and a kind of perfect competition is taking place. As for the 14-inch to 24-inch range only Steelco and USX remain in an oligopoly. Above 24-inches though, USX holds a monopoly. Looking at the steel wide-flange beams in the US as a whole, one can see that Steelco and USX are the two major oligopolists.

With Steelco pushing into the large range sector, ideally it can gain a comparatively large amount of market share from USX, as well as being able to exploit the over 36-inch segment in which it would hold a monopoly. Its lead-time would also be great since converting plants and production is costly and time consuming. The large size I-beams might actually be a breakthrough in modern construction enabling the construction of larger and more sophisticated buildings that could e. g. include unsupported overhangs. After the disastrous launch of Steelco's new product, the question is where lies the mistake?

The report will focus on two possible causes: 1. Evaluation concerning the product 2. Promotional issues Analysis The basic framework of analysing new products is to analyse the external environment, customers, competition, resources & capabilities, segment, target, position (STP), and the 4Ps. As the external environment, inter-industry relationships and STP have been covered above, investigating the 4Ps is the main concern. Looking at product and promotion issues makes good sense since there is no ambiguity related to either the place or the price in Steelco's marketing mix.

The reason for this being that the channels used in the steel industry are set in the sense that steel mills sell to fabricators that in turn sell on to constructors. However, the product demand is heavily dependent on the constructors' demand. It is not unheard of that steel mills practise direct marketing with constructors, but it is risky since a contractor would always want a one-stop service: fabricators can always satisfy the need of various materials, but Steelco has only beams to offer.

In addition, vertical integration in this industry is cost intensive and requires a large amount of information and processing capabilities, which Steelco lacks. For that reason one can say that the marketing channels are set and cannot be easily changed. As for the price, even the firms' very own sales people are concerned that the current price of the new large beams is much too low to justify the relevant expenses. But since Steelco will have a monopoly in the large range I-beams, it can to a certain point adjust prices in its favour.

That leaves the product open for analysis. As mentioned above the use of steel I-beams is a standard procedure in modern construction works. The argument can be made that buildings can be finished with existing "standard" sized beams. However, that does not mean the use of above 36-inch beams would not make it easier. Especially, since steel beams are sold by weight and not by size. (Although there are differences between the big size beams and the small ones, it is relatively small).

In other words, there is no reason why large size I-beams should not have a market in the US, a country that is prone to building ever bigger and more

complex buildings and structures. Since none of the three other “ Ps” of Steelco’s marketing mix seems to be defective, the key problem seems to be lying with the promotion. Promotional activities have been pursued, but since there has been zero demand for a functioning product with a market, the failure must be connected to either the way of promotion or the wrong recipient of the promotion or both.

Since there was absolutely no advertising, only some general information via email and explanations at shows to fabricators, it can be seen that both the promotional means and the recipients are wrong, since fabricators do not drive demand in this industry, but the constructors and the consumers that hire constructors. The main challenge for a new product in this industry is that the end consumer needs to be persuaded and convinced that the product will add value to him/her. If the customer perceives it as valuable there will be demand.

Steelco did try to persuade its direct customer, the fabricators, of its product, but since the fabricators are only the intermediaries between the product and the end-customer, the constructor, the effort is largely futile.

Recommendation Although some information given to fabricators can be useful to the extent that they can prepare for the new large size beams, it is the constructor that needs to be awed by the possibilities and advantages of the product since it is absolutely new to the market with no demand.

Therefore, it is reasonable to send out some general information via email or some Steelco representatives to fabricators, but focus on end-customers’ (i. e. constructors, architecture and engineering firms) needs to be the top

priority. This is best done by personal selling, as well as sales promotion of some sort to directly connect with the end-customer. Basically, the situation Steelco facing now is kind of product-oriented marketing, meaning company sell what they can produce.

Since the new product is ready to be produced and we believe the market of above 36-inch beams actually exist, so the important thing is to promote the product to consumers. An ordinary suggestion would be to form a team and go to the contractors, which is kind of one-to-one marketing. The purpose of one-to-one marketing is to chase the constituency share. And by doing so, Steelco can have some loyalty customers. And because it is what the customers want determine what fabricators buy, and also because fabricators don't have strong power in the market, so we need to firstly attract customers.

For that reason, it is recommended to Steelco to keep the general and technological information exchange with fabricators, but also and especially directly promote to contractors. To draw extra attention from the industry, it is recommended that Steelco holds a design competition using the new product to emphasise its application and possibilities. As a marketing plan, three steps are laid out for successful implementation: 1. Form well educated teams to go and provide information to major constructors and possibly some government agency; 2.

Hold a competition for the best design using the new over 36-inch beams; 3. Hold a public summit and invite representatives of construction firms to attend to present further information and let them evaluate the designs from

the competition. These steps will ensure interest of end-consumers and even though it will be cost intensive, (since organizing the event, prize to the winner of the competition etc.) the gain will be comparatively high. With interest secured, product demand will start and the initial flop of the product will be overcome in near future.

However it needs to be remembered that product-oriented marketing is not an ideal marketing style. Steelco needs to consider consumer needs more in the future when launching new products, especially, if there is ambiguity concerning possible but not definite industry breakthroughs, which determine success and failure of the product. In other words, a hit-or-miss marketing needs to be avoided at all cost! To ensure this Steelco is recommended to do a more thorough research and follow STP strictly before coming up with a new product.