An analysis of Gobi corporations marketing strategy and its consumer perception


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Abstract:—Every war and every competition have their own strategies. If you cannot define your suitable strategy, you will be listed one of the unsuccessful company. Therefore, every company needs to define good marketing strategy. Our research findings indicate that Gobi corporations’ marketing strategy. The Gobi corporation is one of the top cashmere producing company in Mongolia. We collected 311 participations from Mongolian consumers and analyzed by competitive marketing strategy.

Index Terms—Marketing strategy, SWOT, PEST, product life cycle

I. INTRODUCTION

Mongolia, is the last land of the nomads which live in the traditional house, wearing natural processing clothes and eating bio natural foods. Our country almost 2000 years has been part of the human history. Therefore, our ancestors were wearing badge, cashmeres and other leather clothes. Thenceforth every famous historian said that Mongolian cashmere processing history has begun 2000 years before. In our paper to introduce Mongolian cashmere products marketing situation. The marketing is the newest thing of our market. Because, Mongolian People’s Republic was eventually moved to democratic present Mongolia in the 1990 and wrote new constitution. Since this revolution, market economy was reformed and transited to free market from centrally planned economy by slowly.

Cashmere wool is the main domestic product of Mongolia. But only one company can successfully enter in the Global market, because the Mongolian business marketing has been developing only for past 2 decades. Recently, marketing tools of Mongolian companies are rapidly developing. Many of them are still using traditional marketing tools such as Advertising and Promotion. But most companies cannot control the whole market. Only Advertising cannot help a brand to become famous. Each brand has its own image and personality.

Also, this paper divided by three parts. First part that introducing Mongolian cashmere market situation and Mongolian cashmere markets history. Second part presenting that some required literatures. Last part presenting that results of consumer survey, SWOT, PEST of Mongolian cashmere sector and defining some Marketing strategies.

1.1. Background of Important Factors, Affecting Mongolian Cashmere Sector

Service quality Mongolian cashmere market service is unsatisfied now. See graph 1 below. In 2017, We researched 311 customer’s satisfaction of cashmere sector service quality. The results of the research are shown as Graph 1 below.

![Graph 1: Employees Are Always Willing to Help Customer, Employees Understand Customers Specific Needs, The Behavior of Employees' In-Store Confidence in Customer, How Do You Rate the Customer Service of Companies](image)

Product price

Cashmere products are special products made from 100% natural raw materials. That is why, cashmere products always have been highly priced. In the Mongolian cashmere sector, their price wouldn’t be medium or low for Mongolian people. Medium price is 300 000 – 800 000 MNT (about 3000 - 10.000 NTD) (Mongolian marketing consulting group Cashmere sector survey, 2015). Mongolian average wage of Mongolian citizens is 700 000 – 880 000 MNT (NTD 9800 – 11,000) for women and 1 100 000 MNT (13,000 NTD) for men (Office, 2016). The
cashmere product price is half of an average wage of Mongolian customers. Though Mongolia has 60 million livestock, camels and goats make only a half of it; so, cashmere products cannot sell for the fair price to customers. Because of the high prices, Mongolian companies cannot become global companies.

**Product Quality** Mongolian cashmere product quality is excellent. The report of the Mongolian domestic product customer satisfaction research (Group, 2015) published in 2015, showed the Mongolian cashmere product High quality. 90% of the customers, who bought the Gobi LLC products were highly satisfied with them (Group, 2015).

### 1.2. Company Situation

**Competitors**

In the Mongolian cashmere sector, 7 big manufactures are producing (Industry, 2015). The GOBI Corporation is one of the best and biggest share of a cashmere sector. Its biggest competitor is the GOYO Corporation that also produces cashmere products. In 2016, GOBI LLC market share was 66%, and the GOYO LLC market share was 13%. But it is on the international market. On the local market, the GOBI Corporation market share constituted 38% and the GOYO Corporation market share was 30% of the local market place (Gobi, 2016)

**Suppliers of the Gobi Corporation**

The main supplier of the company is 500 thousand of Mongolian herders. Goats now comprise almost half of Mongolia’s total livestock population, and the population explosion has caused environmental stress, evidenced by overgrazing, pastureland degradation and desertification. At the same time, volatile international cashmere prices have pushed many herders to keep larger flocks as a hedge against falling prices. Last year, prices dropped 29 percent to 50,000 tugriks (about $37) per kilo (Industry, 2015).

**Company Target Market**

The cashmere is one of the high-end product of the world. The GOBI company is targeting to heighten the revenue of Mongolian people and their life-cycle, like in Europe (Group M. M., 2016).

**Company Segmentation**

Many Gobi Corporation branch stores are in Zaisan, where businessmen, popular singers, top models, politicians, CEO’s live, and the main street of Ulaanbaatar (capital city of Mongolia). It is segmenting high value customers (Group M. M., 2016)

**Product Prices**

Below, the price scale of the GOBI corporation products is presented. GOBI’s average price is focusing on high revenue customers of the Mongolian market (Group M. M., 2016).

<table>
<thead>
<tr>
<th>№</th>
<th>Male</th>
<th>Female</th>
<th>Children</th>
<th>Accessories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sweaters (1870ntd-3800ntd)</td>
<td>Sweaters (1500ntd-3500ntd)</td>
<td>Sweaters (2000-3000ntd)</td>
<td>Scarfs (1000-8000ntd)</td>
</tr>
<tr>
<td>2</td>
<td>Pants (1500ntd-4500ntd)</td>
<td>Pants (1200-3500ntd)</td>
<td>Pants (1500-3500ntd)</td>
<td>Bags (400-10000ntd)</td>
</tr>
<tr>
<td>3</td>
<td>Overcoats (5000ntd-14000ntd)</td>
<td>Skirts (700-1500ntd)</td>
<td>Hats and scarfs (1800-2600ntd)</td>
<td>Bags (4000-10000ntd)</td>
</tr>
<tr>
<td>4</td>
<td>Hats and scarfs (800ntd-1500ntd)</td>
<td>Overcoats (4500-15000ntd)</td>
<td>Socks (500ntd)</td>
<td>Socks (100ntd-500ntd)</td>
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<td>5</td>
<td>Socks (100ntd-500ntd)</td>
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<td>6</td>
<td>Gloves (100ntd-500ntd)</td>
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Table 1. The Gobi Corporation Products’ Price List

### II. LITERATURES

Many industries contain one firm that is the acknowledged market leader. This firm has the largest market share in the relevant product market. It usually leads the other firms in price changes, new-product introductions, distribution coverage, and promotional intensity.

**Choosing a specific attack strategy**

The challenger must go beyond the five broad strategies and develop more specific strategies (Porter):

- **Price discount** The challenger can offer a comparable product at a lower price. This is the strategy of discount retailers. Three conditions must be fulfilled. First, the challenger must convince buyers that its product and service are comparable to the leader’s. Second, buyers must be price-sensitive. Third, the market leader must refuse to cut its price in spite of the competitor’s attack.

- **Cheaper goods** The challenger can offer an average- or low-quality product at a much lower price. Little Debbie snack cakes are lower in quality than Drake’s but sell at less than half the price. Firms that establish themselves through this strategy, however, can be attacked by firms whose prices are even lower.

- **Prestige goods** A market challenger can launch a higher-quality product and charge a higher price than the leader.
Mercedes gained on Cadillac in the U.S. market by offering a car of higher quality at a higher price.

- Product proliferation: The challenger can attack the leader by launching a larger product variety, thus giving buyers more choice. Baskin-Robbins achieved its growth in the ice cream business by promoting more flavors-31-than its larger competitors.
- Product innovation: The challenger can pursue product innovation. 3M typically enters new markets by introducing a product improvement or breakthrough.
- Improved services: The challenger can offer new or better services to customers. Avis’s famous attack on Hertz, “We’re only second. We try harder,” was based on promising and delivering cleaner cars and faster service than Hertz.
- Distribution innovation: A challenger might develop a new channel of distribution. Avon became a major cosmetics company by perfecting door-to-door selling instead of battling other cosmetic firms in conventional stores.
- Manufacturing cost reduction: The challenger might achieve lower manufacturing costs than its competitors through more efficient purchasing, lower labor costs, and/or more modern production equipment.
- Intensive advertising promotion: Some challengers attack the leader by increasing expenditures on advertising and promotion.

A challenger rarely improves its market share by relying on only one strategy. Its success depends on combining several strategies to improve its position over time.

Product life cycles
Most product life cycles are portrayed as bell-shaped curves, typically divided into four stages: introduction, growth, maturity and decline (Kotler, 2000).

Sales and Profit Life Cycles

Marketing strategies: Growth stage
The growth stage is market by a rapid climb in sales. Early adopters like the product, and additional consumers start buying it. New competitors enter, attracted by the opportunities. They introduce new product features and expand distribution. Prices stabilize or fall slightly, depending on how fast demand increases (Bartels, 1965).

Companies maintain marketing expenditures or raise them slightly to meet competition and continue to educate the market. Sales rise much faster than marketing expenditures, causing a welcome decline in the marketing-to-sales ratio. Profits increase as marketing costs are spread over a larger volume, and unit manufacturing costs fall faster than price declines, owing to the producer-learning effect. Firms must watch for a change to a decelerating rate of growth in order to prepare new strategies (Cravens, 19991).

To sustain rapid market share growth now, the firm:
- Improves product quality and adds new features and improved styling
- Adds new models and flanker products (of different sizes, flavors, and so forth) to protect the main product
- Enters new market segments
- Increases its distribution coverage and enters new distribution channels
- Shifts from awareness and trial communications to preference and loyalty communications
- Lowers prices to attract the next layer of price-sensitive buyers

Marketing strategies: Maturity stage
At some point, the rate of sales growth will slow, and the product will enter a stage of relative maturity. Most products are in this stage of the life cycle, which normally lasts longer than the preceding ones (Kotler, 2000).

The maturity stage divides into three phases: growth, stable, and decaying maturity. In the first, sales growth starts to slow. There are no new distribution channels to fill. New competitive forces emerge. In the second phase, sales per capita flatten because of market saturation. Most potential consumers have tried the product and, future sales depend on population growth and replacement demand. In the third phase, decaying maturity, the absolute level of sales starts to decline, and customers begin switching to other products (Kotler, 2000).

Marketing strategies: Decline stage
Sales decline for a number of reasons, including technological advances, shifts in consumer tastes, and increased domestic and foreign competition. All can lead to overcapacity, increased price cutting, and profit erosion. The decline might be slow, as for sewing machines and newspapers, or rapid, as it was for 5.25 floppy disks and eight-track cartridges. Sales may plunge to zero or petrify at a low level. These structural changes are different from a short-term decline resulting from a marketing crisis of some sort. “Marketing memo: Managing a marketing crisis” describes for a brand in temporary trouble.

As sales and profits decline, some firms withdraw. Those remaining may reduce the number of products they offer, exiting smaller segments and weaker trade channels,
cutting marketing budgets, and reducing prices further. Unless strong reasons for retention exist, carrying a weak product is often very costly.

III. METHODOLOGY

This research designed by core marketing concepts. Specially we defined companies market environment as SWOT and PEST, and defined marketing strategy by their product life cycle.

Research questions
1) What is the Gobi’s main strategy?
2) What is the Gobi’s position on product life cycle?
3) Who are the Gobi LLC consumers?
4) Where do they use cashmere products?

Hypotheses
In our research has 2 main analysis. First one is aims to describe Gobi’s marketing strategy using by SWOT, PEST and Competitive marketing strategies theory, second analyze is to find their consumer perception of Gobi’s brand image. It gives two big information that Gobi’s marketing strategy and Brand image. However, marketing strategy is being our big part of the paper.

A company’s positioning and differentiation strategy must change as its product, market, and competitors change over the product life cycle. To say a product has a life cycle is to assert four things:
1. Product have a limited life.
2. Product sales pass through distinct stage, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life-cycle stage.

Most product life cycle are portrayed as bell-shaped curves, typically divided into four stages: Introduction, Growth, Maturity and Decline

1. Introduction – A period of slow sales growth as the product is introduced in the market. Profits are nonexistent because of the heavy expenses of product introduction.
2. Growth – A period of rapid market acceptance and substantial profit improvement.
3. Maturity – A slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competitions.

4. Decline – Sales show a downward drift and profits erode.

However, we created following hypotheses from last chapter of literature review
H1: The Gobi’s product life cycle is locating on growth stage. Therefore, Gobi is may need to be use Competitive marketing strategies.
H2: The Gobi’s product life cycle is locating on maturity stage. Therefore, Gobi is may need to be use Market modification or Product modification.
H3: The Gobi’s product life cycle is locating decline stage. Therefore, Gobi is may use to be Eliminate weak products and Harvesting and Divesting

IV. RESULTS AND ANALYSIS

4.1. SWOT analysis

Strength
Main strength of Gobi Cashmere and wool product, it is made out of 100% natural raw textile. 80 % of the Gobi Kashmir is considered patronage good ness Cashmere with 16.5 micrometer and 35-37 mm duration. Compared to Cashmere of other companies which supplies most of world’s cashmere, Gobi cashmere is slightly midst, however, longer. This is briny senior high caliber of Mongolic cashmere.
• No negative affect to human sound box, 100% natural
• Senior high quality and durable
• Good design and colorful, can change design according to client’s request • Relatively cheaper than similar products in the world market
• Wool, cashmere and knitted products have /GSP+/ preferential terms of tax in the EU.
• Gobi company’s equipment and technology to produce cashmere products reached world standard
• Can offer discounts to large orders • Have representative offices and sales agents abroad and through them doings promotional campaigns.
• Pays good attention on grooming.

Weakness
Gobi produces the commodities according to counterfeit of trade and this minimizes risks. In plebe way, unfavorable stand point of this control is become absent-minded Gobi equipment their trade to intermediaries for utterly cheap price. Mongolian funds are very up to snuff to wintry germaneto and assets command up wool read someone the riot act is durable and can easily be refreshed.
• Carpet and carpet products are not competitive in the world market in terms of color, quality. These products have many stitches.
• Knitted products do not enjoy preferential tax terms of EU.
• After-sales services are not good.
• Dependent on cashmere and wool yarns
• High production cost
• Does not put forward plan and goals
• Equipment and machineries of the carpet factories are lagging behind world standards
• Quality of raw materials is inconsistent.
• Lacks systematic information about target market
• Financially, it is difficult to conduct survey and analysis of the foreign markets
• Few sales channels
• Transportation cost of products that are transported across land is high and transit transport tax is high.

Opportunities
World over, consumers are abnegation actinic articles and adopt to blot ecologically authentic products. This is abundant befalling for not alone cashmere and woollen articles but as well for accomplished Mongolia. Use of “natural” products, abnormally cashmere articles tend to access in boiling and algid North America and Western European countries. Through conception of new sales channels in adopted markets, it is accessible to access sales. In apple market, consumers adopt cashmere affection and cloths over cashmere knitted products. Cashmere cottons are produced out of aphotic cashmere. About 60% of the cashmere able by Gobi is dark. Gobi JSC was awarded all-embracing accepted affidavit for its articles in 1996 and this shows that is it absolutely accessible to get acceptance in this area for Mongolian products.
World demand for natural products is increasing.
• Markets of Western European and Scandinavian countries for wool, cashmere products can be expanded due to their climate, living standards etc.
• Can open new sales channels and expand existing sales channels.
• Interest to use cashmere products and cashmere cotton products are increasing in the world market.

Threats
Natural disasters could cause curtailment of raw abstracts and advance of assorted livestock beastly ache and can bind consign of articles originated from animals. Herdsmen are growing herds of goats added due to accumulation and assets of cashmere. They pay added absorption to the weight of cashmere and these approaches access abnormally in the cashmere quality.

Quality of raw materials is deteriorating every year.
• Herd composition is lost.
• Price hike of raw materials and supplies
• Customs tax and Transit transport tax of Russian federation is high
• Far from major carpet markets

4.2. PEST Analysis
Political environment: Politics of Mongolia takes place in a framework of a semi-presidential representative democratic republic, and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and parliament. The United States values Mongolia's contribution to stability in a volatile part of the world, as well as its positive example in promoting economic reform and democracy. Mongolia stands well across several governance indicators. The Economist political stability index suggests that Mongolia fares above average in the world. The cashmere industry has less threat to the political sector. As the industry is making the most out of it, the political noises are not getting into it.

Economic Environment: World cashmere market can be generally divided into raw cashmere and finished cashmere product segments. In the world market of raw cashmere, the main players are China supplying about 67% (10.000 tons) and Mongolia with about 21% (3.000 tons), and countries such as Iran, Afghanistan etc. supply about 12% of the annual output (SECO Sector Consulting). Size of micron and color of Chinese cashmere is far the best, which is one of the biggest strengths of Chinese industry; however the length of fiber in Mongolian cashmere is longer and considered to be most suitable for spinning.
Social environment: The majority of the population in Mongolia follows Tibetan Buddhism as their religion, and the majority of the state’s citizens are of Mongol ethnicity, although Kazakhs, Tuvans, and other minorities also live in the country, especially in the west. As many of the people are related with the cashmere industry, so the social environment is in a good condition. The employees are interrelated and know each other. The gradual international involvement is also appreciable in making social contacts. Gobi has completely changed the management board with all intelligent people and successfully turned around the whole company since 2008. Currently Gobi’s P/E ratio is 13%, and it’s the best time to invest. As a suggestion, don’t pay attention to the past performance, but pay attention to who takes over the company and pay attention to the management team. Gobi Corporation strives to do environmental friendly practices in our operations and will promote care for societies and environment as a whole.
**Technological Environment:** In Mongolia, it is obvious that scientific and technological activities need to be changed with other sectors in order develop them in front of other countries. Although Mongolia has a comparatively strong science and technology base, including human resources and institutions, its scientific capacity is largely centralized in the capital. In addition, as the economic transition progresses to a more advanced stage, such resources are in danger of being underutilized, dissipated or even lost.

4.3. *Product Life cycle*

We analyzed that Gobi’s sales income. The cashmere product is seasonally using product. Therefore, Gobi’s sales is decreasing from 5 to 9th month of each years. But look at the graph below.

![Gobi's Sales Graph](image)

In 2017, Gobi is introducing new collection and enter the Global market such as China and Russia. The sales revenue is constantly increasing. The Gobi’s new collection is locating on the Growth market stage and they need to be use competitive marketing strategies.

**V. RECOMMENDATIONS AND CONCLUSIONS**

5.1. *Recommendations*

Ecological balance is a worldwide pressing issue and there are approaches to decrease production and consumption of chemical products. This tendency contains great opportunities of the development for woolen and cashmere garments of Mongolia. It is necessary to open the door to utilize these opportunities. At that time wool and cashmere processing sector which will be an export face and Mongolia can be internationally recognized and can prosper and develop. But besides this issue, overgrazing of pastureland and desertification have been pressing and difficult issues for Mongolia. Particularly, herds of goats, source of the world-famous qualified cashmere are one of the main factors of desertification. Therefore, the state needs to pay special attention to how to increase the proper ratio of herd structure, numbers of livestock and yield. There have following complications in the export activities of the wool and cashmere processing industries.

1. Yield of livestock animal husbandry and quality of herd structure of Mongolia have been deteriorating. Micron of the world-famous cashmere of Mongolia has been widening and its length has been shorter, content of fleece has increased, and cashmere quality has been worsening.

2. Domestic wool and cashmere processing industries work on the raw material preparation mobilizing all the power every year, but they have been losing raw materials to Chinese procurers. To collect raw materials is really a difficult and complicated issue for domestic industries competing with Chinese procurers who take special concession and support from their Government.

3. It is more difficult to get familiar and expand the foreign market, and find clients and partners in the foreign market. Lack of financing, human resources of Mongolian small factories is the root cause of this.

4. Transportation issue is very problematic for producers. Cashmere products are light, unit price is more expensive and so the products are transported by air cargo. Size of woolen products is bigger, and these ones are comparatively cheaper and so it is possible to transport them overland and waterway. Therefore, transportation cost of woolen products is higher and in addition, customs tax and transit transportation cost of the Russian Federation are higher. Due to these reasons the opportunities to deliver products to the main markets of European Union and sell products in the market rate are very restricted.

**From Government of Mongolia:** It is impossible that just an organization or industry solves above mentioned complicated issues and all the counterparts of the market should cooperate to solve these problems and the government should implement definite policy on it. In order to solve all these complicated issues there are needs of support and assistance as follows:

1. There are needs to determine state policy on protecting of yield of livestock, herd structure under the state protection of Mongolia and conduct activities to achieve the definite effects. Particularly, it includes maintaining number of goats, tax and incentives, geographical issue, producing of new products and felt made heat-isolating materials.
2. To render assistance to create the procurement system of raw materials. To control the quality, improve and develop kinds of raw materials through price policy.

3. It is necessary to make negotiation to decrease customs tax of the Russian Federation and People’s Republic of China and transit transportation tax. In this way it is possible that our woolen and cashmere garments are valued in the market price in the market of Western Europe.

4. To improve domestic and foreign control of the industries, pay tax as less as possible in cooperation with foreign investors and partners, find activities to eliminate negative things including undervalue employees and raw material suppliers.

5.2. Conclusion
Gobi has completely changed the management board with all intelligent people and successfully turned around the whole company since 2008. Currently Gobi’s P/E ratio is 13%, and it’s the best time to invest. As a suggestion, don’t pay attention to the past performance, but pay attention to who takes over the company and pay attention to the management team.

Gobi, already a part of Mongolian culture, has always been synonymous with quality and elegance. Established in 1981 by the Mongolian government, we are the first Mongolian luxury knitwear brand to break into European, Japanese and the US market during the last century. Since then Gobi has been consistently earning more recognition in luxury knitwear and fashion industry than ever before. After almost 30 years as a government owned company Gobi started a fresh chapter in July 2007. Its government owned stocks were sold and started operating under private owners. A new campaign was set out, with a vision dedicated to introducing the brand on new grounds and to continue the tradition of innovation, authenticity and glamour. Our manufacturing methods based on latest technologies and our continuously inspiring quality and design give us an edge over the competition. Under the same campaign the Gobi Corporation will keep leading the way in luxury knitwear industry and inspire many competitors to improvement.

VI. REFERENCES


