

ROLE OF MARKETING IN FOOD ECONOMY DEVELOPMENT STRATEGIES

J. SZWACKA-MOKRZYCKA,
Department of European Policy,
Public Finance and Marketing
Warsaw University of Life Sciences
E-mail: jesm54@wp.pl

Abstract. *The objective of this article is to present the role and significance of marketing in the process of development and implementation of the marketing strategy of an agribusiness enterprise. The article provides a review of various concepts of food economy and definitions of marketing in agribusiness. Existence of mutual substitutive and complementary relations between marketing instruments was indicated. It was concluded that the need to apply a different approach towards marketing of food products is mainly due to the specific characteristics and heterogeneity of various links of food economy. Moreover, a diagnosis was carried out to determine, which of the marketing instruments exert significant impact on creation, implementation and effectiveness of strategy of the entities engaged in the food economy system.*

Keywords: *agribusiness, marketing in agribusiness, substitutability and complementarity of marketing instruments, innovative strategies, marketing communication*

Introduction. The modern food economy is characterized by progressing globalization, which encourages searching for increasingly sophisticated methods of reaching clients in various spheres of market activity of an enterprise. Therefore, it is becoming increasingly important to be familiar with the way of functioning of the market mechanism and to be able to use marketing instruments under complex conditions. The marketing concept emerged as a result of significant socioeconomic changes in the sphere of production, turnover, market and consumption. It should also be underlined that the basic feature of marketing is a defined approach towards market phenomena. In this approach, the center of gravity is the market, and more precisely – the preferences and needs of the consumers. A systemic approach to marketing, based on a complex, interdisciplinary and integrated process of marketing activities, allows for identification of the food marketing subsystem.

The concept of food economy

Food economy is a system of mutually related sectors, involved in production, processing and distribution of agricultural and food products (see Davis, Goldberg 1957, Kohl, Uhl 1990). The system of relations between

individual links of agribusiness, referred to above, is complementary and compensatory. Food economy encompasses the following sectors:

- sector of procurement of agricultural inputs for agriculture;
- sector of agricultural production;
- sector of food processing;
- sector of distribution;
- sector of consumption;
- sector of institutions supporting activity in the field of food economy.

There are complementary and compensatory (substitutive) relations between the food economy sectors listed (Głowacki 1987).

Complementary relations are based on mutual adaptation of food economy links. Effectiveness and efficiency of these links depends on the degree and level of adaptation of all sectors. Thus every change in sectors related directly to others results in the necessity of changes in the remaining ones. On the other hand, compensatory (substitutive) relations between individual sectors of food economy are expressed in the possibility of frequent replacement of one of the links with another. In relation to sectors, between which there are strict relations, this allows for taking over of some of the link functions, characterized by low effectiveness, by the remaining ones.

The specific characteristics of agricultural and food products. The basis for food generation is provided by agricultural raw materials, which must be processed and preserved before they can reach the last level of trade.

The basic feature of agricultural products and foodstuffs is perishability, as a result of which they cannot be stored for a long period of time or require immediate special preservation.

Another feature of agricultural raw materials and foodstuffs is high volume. This results in a necessity of providing large storage space, special transport, special processing and adequate quality control. This feature generates high costs of logistics, processing and sanitary supervision.

Yet another characteristic of agricultural products is their heterogeneity (with regard to quality). Therefore, they are subjected to standardization. Both manufacturers and consumers benefit from this fact. The core of these benefits from the point of view of both parties can be summarized as generating of quality of products to meet the expectations of consumers. Specification of quality standards is necessary when concluding contracts before cultivation of a given agricultural product. Moreover, standardization serves as a basis for promotion of standardized products.

The core of marketing in agribusiness

Due to high diversity and specific nature of functions of individual links of the system of food economy, various interpretations of marketing in relation to this system can be encountered in literature. The most frequently presented approaches include:

- agricultural marketing;
- food marketing;

- marketing of food products;
- marketing of foodstuffs;
- agribusiness marketing.

According to Rhodes, agricultural marketing in the macro perspective consists of all business activities associated with flow of food products from farms to consumers. In the micro perspective, agricultural marketing constitutes business activity, which exerts direct impact on flow of products and services to consumers, supporting achievement of objectives of farmers or enterprises (Rhodes 1983, Gołębiowski 2003). On the other hand, Branson and Norvell introduce the concept of agricultural marketing (understood as sale of agricultural products to trading and processing companies, which purchase agricultural products) and agribusiness marketing.

They refer to the latter as activities carried out between entities purchasing agricultural products and end consumers (Branson; Norvell 1983). Branson and Norvell also made an attempt to combine these two concepts by introducing the term „agrimarketing”. The authors refer to agrimarketing as the sum of activities associated with agricultural production, purchase of agricultural products, processing and distribution to end buyers. Moreover, Branson and Norvell introduce the definition of a marketing system. In the light of this definition, ‘a marketing system is a sequence of business entities, participating in supply of food products to end consumers’ (Branson, Norvell 1983).

The next concept is „food marketing”, introduced by Kohls and Uhl. In the light of their views, food marketing acts as a bridge between specialized producers and consumers. It encompasses both physical and economic relations, allowing for flow and exchange of commodities between a farm and a consumer.

These authors also use the term “food marketing system”. It is a composition of alternative product flows, various companies and many kinds of business activity. According to the authors, decisions made in the marketing system influence the quality, diversity, cost and supply level of food (Kohls, Uhl 1990).

In Polish literature, there are various interpretations of food marketing as well. In the light of the definition provided by Kos and Szwacka-Salmonowicz, “food marketing consists of performance of business activity, including flow of agricultural and food products and services from agricultural production to consumers.” The definition, presented by the authors, underlines the fact that some functions of marketing are implemented already in the process of food production. Kos and Szwacka Salmonowicz indicate that in the context of the term „food marketing”, a „food marketing system” concept is developed, which points to the physical structure of the three main sectors, that is, agriculture (agricultural producers), food industry and retail trade in food (Kos, Szwacka-Salmonowicz 1997).

Some authors focus on approach to marketing from the perspective of enterprises functioning in food economy, pointing to the specific nature of marketing instruments, used on this market (Cholewicka-Goździk (ed.) 1997; Sznajder, Przepióra, Trębacz 1997; Urban 2008; Domański, Bryła 2010; Pilarczyk, Nestorowicz 2010; Łukasik 2008). There are also some interpretations of food marketing as the policy of enterprises functioning in distribution systems (Gołębiowski 2003; Karasiewicz 2001).

The core and stages of creation of a marketing strategy of an agribusiness enterprise. A business development strategy is directly associated with the strategic management process. This strategy allows for achievement of strategic objectives of the company, assuming that it provides an optimum definition of the relation: environment-enterprise-market segment. In the broad sense, it specifies the modes of achievement of objectives. It includes selection of the main directions of achievement of objectives and allocation of resources. A significant role in working out of a specific strategy for a given entity is played by assessment of its resources and the environment, in which it operates. The procedure of strategy development is strictly associated with use of internal and external factors. The internal factors of the highest significance include:

- long-term and current goals defined by the company management;
- human and financial resources of the enterprise.

Other factors include: technical factors, that is, means of production, technical measures, office equipment, infrastructure. In development of the strategy, it is also necessary to take into account the organizational structure and style of management of the enterprise and the product offer.

The external factors include:

- economic, legal and political factors;
- geographical, socio-demographic and cultural factors.

The factors presented constitute the basis for strategic decision-making in the enterprise.

The starting point in the business strategy development process is the mission. The mission defines the objective (domain of operation), for which the enterprise was established, and the role played by it in the environment. The mission is developed by the environment, in which the enterprise operates, its resources and visions of the management. The mission defines the long-term (10-20 years) directions of activity. It is assumed that the mission may be modified depending on the changes taking place in the environment and the trends in purchasing behaviors.

The next stage in the process of formulation of the enterprise strategy is analysis and assessment of the underlying situation, conducted in the context of assessment of competitiveness of own resources and the current market position. Assessment of the underlying situation is conducted by determining the potential opportunities and threats to the enterprise, resulting from changes taking place in the environment. Various analytical methods are used, with particular emphasis on the SWOT/TOWS method. A significant role in building of the enterprise strategy is played by the marketing strategy. Development of the marketing strategy is associated with decisions made in terms of: selection of the target market, positioning, marketing instruments and the marketing budget.

The starting point for determination of the marketing strategy is selection of the target markets and determination, which and how many market segments will be the area of market activity of the enterprise. The next stage in designing of the marketing strategy is conducting of positioning of the

enterprise (its offer) in comparison with other competitors on the target market. Positioning is associated with specification for each product of the enterprise of a differentiating position in comparison with competitive offers from the perspective of the target market. The business strategy development process should also take into account the decisions associated with optimum use of marketing instruments.

Marketing instruments. As it has been mentioned, marketing instruments are used in implementation of the marketing strategy applied by the enterprise. According to the classical approach, these instruments include:

1. The product, distribution, the price and promotion. 2. On the food market, there are very visible, mutual substitutive and complementary relations between marketing instruments.

Particularly significant substitutive relations are observed between the product and distribution. Selection of distribution channels depends largely on the nature of the product. Application and durability of the product are decisive for whether a more or less direct channel will be proper, and how many links it should contain. Durability of food products is largely decisive for selection of the agent. Division of food products into durable and perishable creates the need for proper organization of supplies, storage and transport. Technological development, innovation (e. g. improvement of food products by extending their market durability allows for improvements in the distribution system).

Significant substitutive relations can also be observed between the product and promotion. Renowned product brands, with a well established market image, do not require intensive promotional activity.

As for complementary relations on the food market, these are particularly well visible between the product and the price and the product and promotion. The price of a food product is correlated strongly with the value perceived by the buyers. Moreover, introduction on the market of new food products under an individual brand, requires intensive promotional activity. Complementarity of the instruments indicated is of particular importance in self-service sales, where promotional techniques associated with merchandising activity play a substantial role (Szwacka-Mokrzycka 2012).

Specific characteristics of marketing instruments in an agribusiness company. From the perspective of their activity, agribusiness enterprises are diverse production entities. These include:

1. Manufacturers of machines, equipment and other means of production for agriculture.
2. Manufacturers of agricultural raw materials.
3. Food industry enterprises.
4. Distribution enterprises and service providers.
5. Support enterprises.

The presented characteristics of entities operating in agribusiness indicate that selection of marketing instruments used for implementation of the strategy should take into account the specific nature of the commodities

offered. Therefore, a sector-based approach should be applied, which combines the components of marketing of production and consumer goods and services (Szwacka-Mokrzycka 2012).

The specific characteristics of products offered for sale on the market of industrial goods determines to a great extent the scope of application and use of marketing instruments. The following issues have been assigned the highest significance on the market under concern:

- individual approach towards the buyer (precise specification of the institutional buyer profile);
- use of direct distribution;
- use of individualized forms of promotion (personal sales, mailing, semi-mass advertising).

Marketing of consumer goods, that is, those, which are consumed in a single act of consumption, is associated with marketing activity of enterprises in relation to the final buyer (consumer) or user of a given commodity. Basic consumer goods include food products, offered by distribution enterprises.

Selection of marketing instruments on this market is based on:

- product differentiation (according to the needs of individual market segments) or their mass character (without using the segmentation strategy);
- the pricing policy of enterprises adapted to the nature of the product and the phase of its market development;
- use mostly of indirect distribution;
- use of mass forms of promotion (through the mass media).

There is also a strict correlation between the specific characteristics of the product and the nature of marketing activity on the market of services. A service, in terms of marketing, is a product, which is ascribed many special features. Services are very diversified; usually, they are compositions of services and tangible assets, where the latter play a complementary role.

The specific characteristics of a service as the subject of marketing leads to a situation, in which determination of the marketing strategy requires application of the so-called marketing mix, referred to as the 7P. The “7 Ps” include:

1. Product.
2. Price.
3. Place.
4. Promotion.
5. Participants.
6. Physical evidence.
7. Process (Kotler 1994).

The role of marketing in shaping of development of food economy

Due to complexity of the food economy system, diversity of its links and entities functioning in different links, the role and significance of marketing is diversified. Relatively the highest impact on building of marketing strategies in

agribusiness is exerted by activities undertaken in the area of introduction of new technologies, techniques of manufacturing of products and activities associated with packaging of products and development of their market image. Thus, we can refer to a special role in the process of marketing management of two marketing instruments: the product and promotion. Activities associated with the broadly understood product vary in terms of their dimensions depending on the food economy link. Thus, in the sphere of agricultural production and supply of means of production for agriculture, the leading role is played by innovation associated with introduction of new production methods and new technologies.

On the other hand, in the sphere of food processing and trade, particular emphasis is put by enterprises on introduction of innovations in the field of new production methods, development of the product and service range, new distribution channels. It should be noted that promotional activities of agricultural producers are usually group-based and organized by groups of producers. Promotion activity of food processors and distributors consists of individual activities, associated mainly with building of brand value, consumer awareness and loyalty, where the highest importance is attached to advertising and public relations.

Summary. Currently, on the food market, which is characterized by a high level of competitiveness, there is a growing need for familiarity with the rules of functioning of the market mechanism and for the ability to use marketing instruments, depending on the conditions of activity of the enterprise. Complexity of marketing instruments is associated strictly with the nature of the market, in which the enterprise aims to operate.

The analysis, presented in this article, indicates that regardless of various approaches to interpretation of food economy, consensus has been reached in the academic world with regard to the need for use of marketing instruments, which are typical for this market, in the process of development and implementation of the strategy.

References

1. Adamczyk, J. (1999). Marketing i zarządzanie w agrobiznesie, Oficyna Wydawnicza Politechniki w Rzeszowie, Rzeszów.
2. Baker, J. (1993). Marketing rolniczy, Wydawnictwo Akademii Rolniczej w Poznaniu, Poznań.
3. Branson, R. E., Norvell, D. G. (1983). Introduction to agricultural marketing, McGraw –Hill Book Company, New York.
4. Cholewicka – Goździk, K. (ed.) (1997). Marketing produktów rolno – żywnościowych, FAPA, Warszawa.
5. Domański ,T., Bryła, P. (2010). Marketing produktów żywnościowych, Polskie Wydawnictwo Ekonomiczne, Warszawa.
6. Głowacki, R. (1987). Przedsiębiorstwo na rynku, Polskie Wydawnictwo Ekonomiczne, Warszawa.
7. Gołębiowski, J. (2003). Marketing żywnościowy na tle zmian w systemach dystrybucji. (w:) Marketing w strategiach rozwoju sektora rolno-spożywczego, Wydawnictwo SGGW, Warszawa.
8. Kapusta, F. (2008). Agrobiznes, Difin, Warszawa.

9. Karasiewicz, G. (2001). Systemy dystrybucji artykułów rolno-spożywczych na rynku polskim, Wydawnictwa Naukowe Wydziału Zarządzania Uniwersytetu Warszawskiego, Warszawa.
10. Kohls, R. L., Uhl, J. N. (1990). Marketing of agricultural products, MacMillan Publishing Company, New York.
11. Kos, A., Szwacka-Salmonowicz, J. (1997). Marketing produktów żywnościowych, PWRiL, Warszawa.
12. Małysz, J. (1998). Łańcuch żywnościowy (w:) Encyklopedia agrobiznesu, Fundacja Innowacja, Warszawa.
13. Morawski, W. (2001). Socjologia ekonomiczna, PWN, Warszawa.
14. Pilarczyk, B., Nestorowicz, R. (2010). Marketing ekologicznych produktów żywnościowych, Oficyna a Walters Kluwer Business, Warszawa.
15. Rhodes, V. J. (1983). The agricultural marketing system, John Wiley and Sons, New York.
16. Safin, K. (2007). Przedsiębiorstwo rodzinne – istota i zachowania strategiczne, Wyd. Akademia Ekonomiczna, Wrocław.
17. Sznajder, M., Przepióra, A., Trębacz, A. (1997). Marketing produktów rolno – spożywczych, Top Druk s.c., Poznań.
18. Szwacka-Mokrzycka, J. (2012). Marketing – mechanizmy gry rynkowej, Wyd. SGGW w Warszawie, Warszawa.
19. Tomczak, F. (2004). Od rolnictwa do agrobiznesu. Transformacja gospodarki rolno –żywnościowej Stanów Zjednoczonych Ameryki Północnej, SGH w Warszawie, Warszawa.
20. Urban, R. (2008). Marketing produktów spożywczych, Wyd. Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław.
21. Woś, A. (1996). Agrobiznes. Makroekonomika, t.1, wyd. Key Text, Warszawa.
22. Woś, A. (ed.) (1998). Agrobiznes. Mikroekonomia (t. 2), Wyd. Key Text, Warszawa.

РОЛЬ МАРКЕТИНГУ В РОЗВИТКУ СТРАТЕГІЙ ПРОДОВОЛЬЧОЇ ЕКОНОМІКИ

Д. Швацька-Мокрицька

Анотація. Мета даної статті – показати роль і значення маркетингу в процесі розробки та реалізації маркетингової стратегії підприємства агробізнесу. Дано огляд різних концепцій продовольчої економіки й визначення маркетингу в агробізнесі. Зокрема, подано визначення продовольчої економіки як системи відносин між окремими ланками АПК.

Визначено, що продовольча економіка включає в себе такі напрями: сектор закупівель сільськогосподарських ресурсів для сільського господарства; сектор сільськогосподарського виробництва; сектор переробки харчових продуктів; сектор розподілу; сектор споживання; сектор установ, що підтримують діяльність у галузі харчової економіки.

Було відзначено існування взаємозамінних і взаємодоповнюючих відносин між маркетинговими інструментами. Доведено, що процедура

розробки стратегії чітко асоціюється з використанням внутрішніх і зовнішніх факторів. Зроблено висновок про те, що необхідно застосовувати інший підхід до маркетингу харчових продуктів, переважно через специфічні особливості й неоднорідності різних ланок продовольчої економіки.

До того ж, проведено діагностику для визначення маркетингових інструментів, які істотно впливають на створення, впровадження та ефективність стратегії суб'єктів, що беруть участь в системі продовольчої економіки.

Ключові слова: агропромисловий комплекс, маркетинг в АПК, взаємозамінність і взаємодоповнюваність маркетингових інструментів, інноваційні стратегії, маркетингові комунікації

РОЛЬ МАРКЕТИНГА В РАЗВИТИИ СТРАТЕГИЙ ПРОДОВОЛЬСТВЕННОЙ ЭКОНОМИКИ

Д. Швацка-Мокрицка

Аннотация. Цель данной статьи – представить роль и значение маркетинга в процессе разработки и реализации маркетинговой стратегии агропромышленного предприятия. Представлен обзор различных концепций продовольственной экономики и определений маркетинга в агробизнесе. В частности, даны определения продовольственной экономики как системы отношений между отдельными звеньями АПК.

Определено, что продовольственная экономика включает в себя следующие направления: сектор закупок сельскохозяйственных ресурсов для сельского хозяйства; сектор сельскохозяйственного производства; сектор переработки пищевых продуктов; сектор распределения; сектор потребления; сектор учреждений, поддерживающих деятельность в области пищевой экономики.

Было указано на существование взаимозамещающих и взаимодополняющих связей между маркетинговыми инструментами. Доказано, что процедура разработки стратегии четко ассоциируется с использованием внутренних и внешних факторов. Сделан вывод о том, что необходимость применения иного подхода к маркетингу пищевых продуктов обусловлена, главным образом, специфическими особенностями и неоднородностью различных звеньев продовольственной экономики.

Кроме того, была проведена диагностика для определения маркетинговых инструментов, оказывающих существенное влияние на создание, реализацию и эффективность стратегии субъектов, занятых в системе продовольственного хозяйства.

Ключевые слова: агробизнес, маркетинг в агробизнесе, взаимозаменяемость и взаимодополняемость маркетинговых инструментов, инновационные стратегии, маркетинговые коммуникации