

STRATEGIC MARKETING MANAGEMENT IN AGRICULTURAL FIRMS UNDER EUROPEAN INTEGRATION



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Abstract. The article attempts to explore marketing goals of agricultural enterprises. In the paper, priorities of strategic marketing in agricultural firms have been harmonized with its basic concepts. One of the paragraphs describes the determinants of internal and external environments which have a noticeable impact on managerial tools for strategic marketing of agricultural enterprises. Based on the approach of an American economist George Day to five basic concepts of strategic marketing, the author has developed a structure for strategic marketing management broken down by stages, taking into account industry specifics and European integration challenges. Besides, an aggregated structural model of strategic marketing management of agricultural enterprises under the conditions of European integration has been elaborated as well.

Keywords: *competitiveness, agricultural firms, marketing goals, institutional and economic mechanism, managerial tools, marketing research, marketing planning, strategic marketing communications.*

Introduction

Nowadays it appears that establishing fundamental organizational principles for streamlining the processes of strategic marketing management in agricultural enterprises is an important structural and functional aspect of improving their overall institutional and economic mechanism of competitiveness in the context of European integration. It is determined that the parameters of economic relations, that arise as a result of interaction between an agricultural firm and other subjects of market environment in the process of socioeconomic exchange are crucial for shaping its final set of competitive advantages. In general, a large scale and a high efficiency of agricultural enterprises could not always be regarded as a guarantee for maintaining a decent competitiveness level in dynamics. It largely depends on a combined influence of the following factors: sophistication of marketing communications, parameters of agricultural goods positioning on the market, image characteristics, reliability and guarantees regarding timely fulfillment of contractual obligations, distribution network development, advertising policy, sufficiency of logistics relationships, an ability to meet the needs of consumers in time and in accordance with changes in their tastes and preferences.

An overview of recent publications. Main issues of elaborating modern approaches to strategic marketing management of agricultural enterprises under European integration have been investigated by both domestic and foreign scholars, especially in the works of L.Berezin [1], V.Boyko [2], I.Vinichenko [3], L.Voynarenko [4], D. Day [5], L.Yevchuk [6], F.Kotler [7], L.Kruchko

[8], V.Pavlova [9], A.Slyvotzky [10], I.Yatsiv [11] and others.

Problem statement. It has been determined that strategic marketing management of domestic agricultural enterprises seems to be inconsistent. On the whole, it mostly focuses on obtaining some short-term market benefits rather than achieving strong competitive advantages in the long run. Consequently,

there is a need to harmonize priorities of strategic marketing with its basic concepts as well as depict an aggregated structural model of strategic marketing management of agricultural enterprises under the conditions of European integration.

Results. Marketing goals of agricultural firms are mainly set on the basis of specific market conditions during some period of time with a breakdown on separate food segments, which makes it impossible to ensure a high level of dynamic competitiveness of an enterprise. Besides, there is a lack of real practice in respect of developing a considerate and effective marketing strategy. It is primarily common for large-scale companies, e.g., powerful agricultural holdings. Insufficiency of theoretical, methodological and applied approaches to managing a strategic marketing of agricultural enterprises results from the next batch of factors: limited budgeting and resource constraints, a widespread violation of fair competition principles in the agro-industrial complex, unreasonable concentration on internal business processes, lack of strategic and market-oriented mindset of managers, absence of an adequate system responsible for reacting to the challenges of European integration of the agricultural market, prioritization of short-term objectives along with the goals of strategic marketing planning.

The challenges of European integration introduce the prerequisites for reviewing current inconsistent approaches to strategic marketing in agribusiness, based on modeling the parameters of internal and external market environments, bringing domestic service quality standards in line with European requirements and meeting the needs of

consumers respectively, observing institutional and applied regulatory aspects with regard to the European agrarian market functioning within the framework of the Common Agricultural Policy of the EU member states, adjusting to changes in market conditions, caused by the use of tariff and non-tariff instruments for restraining export and import activities as a result of concluding a bilateral «Association Agreement between Ukraine and the European Union», harmonization of domestic practices of strategic marketing management in agricultural enterprises with the best European practices.

In order to improve the system of strategic marketing management for agricultural enterprises in the context of European integration, managers should focus on building sustainable competitive advantages that will ensure strong leading positions of enterprises in the long run, reacting to the challenges and threats of a fierce competition with agricultural producers of the European Union. Enhancing the management system of strategic marketing requires implementing a set of financial and economic, organizational and production, intellectual and human resources as well as socio-ecological arrangements. Presumably, the priorities for improving the system of strategic marketing management under European integration should be consistent with the basic concepts of marketing, introduced by F. Kotler (Figure 1).

Therefore, compliance with this approach will maximize the efficiency of management and enable a better level of business processes manageability in agricultural enterprises.

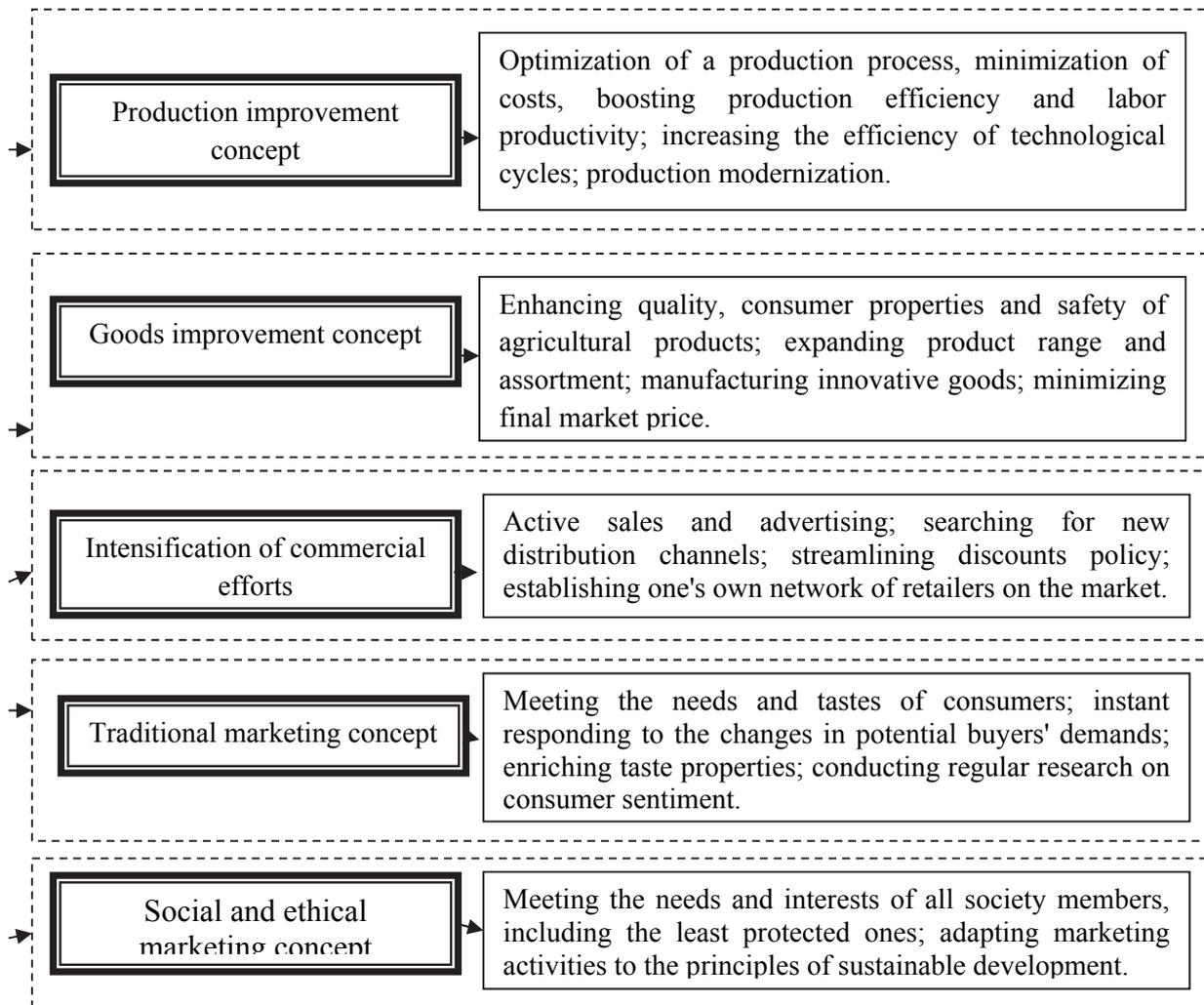


Fig. 1. Harmonization of strategic marketing priorities of agricultural firms with the basic concepts of marketing (based on the research results [7, p. 30-39])

The decision of choosing an optimal concept of strategic marketing should ground on the peculiarities of a particular enterprise, its resource capacities, ethics and marketing policy fundamentals, compliance of existing management standards with the requirements of the EU. At the same time, focusing solely on one of these marketing concepts seems misleading, since such a choice significantly limits the resource capabilities of a potential strategic marketing system. As an alternative, it is recommended to combine the priorities of all strategic marketing concepts and strive to attain them depending on a market position of an agricultural firm, the stage of an agricultural product lifecycle, and current market conditions in the context of separate segments of the agricultural market.

Determinants of internal and external environments have a noticeable impact on managerial tools for strategic marketing of agricultural enterprises. Internal determinants

are directly administered and controlled by managers of an enterprise. Thus, the destructive influence of these determinants indicates a systemic inconsistency of (mostly) practical approaches to the organization of strategic marketing. In turn, an impact of external environment determinants on managerial tools relies on the interaction between an agricultural firm and other subjects of market environment, as well as its adaptability and reaction to the changes in parameters of the agrarian market. The cumulative effect of internal and external factors designates a strategic mission of an enterprise on the market as well as corresponding tactical and operational measures.

An American economist George Day regards the concept of strategic marketing through the lens of his five basic terms, i.e.: arena (segments and niches of a consumer market), advantage (consumer value of a

proposed product), access (ways to reach a market), activities (scale of production and product assortment), adaptation (adjusting business processes of strategic marketing to market needs) [5]. This approach assists in developing a structure for strategic marketing management by stages, taking into account industry specifics and the challenges of European integration. It includes the next components:

1) marketing research aimed at identifying key interests, needs and tastes of consumers on domestic and foreign agricultural markets as well as differentiating the preferences of Ukrainian and the EU buyers, specifying the directions for development of a food market, modelling the parameters of solvent demand of potential buyers, clarifying the strengths and weaknesses of main market competitors, studying the impact of seasonality on sales volumes, exploring the influence of market speculation threats on the competitiveness of agricultural enterprises. When arranging a market research, it is advised to focus on practical aspects, especially conducting a direct sociological survey of consumers. This survey have to be comprehensive, systemic and consistent. The above mentioned aspects could be achieved with the use of a pre-formed set of questions for potential respondents within a questionnaire. Initially, it must pass a pilot test and involve certain experts (managers, marketers, scientists, etc.). Afterwards, its final layout may be approved. Obviously, marketing research requires some amount of investment and resource costs related to the organization of the interviewing process, choosing a reliable statistical sample, minimizing statistical errors, processing of input information (using mathematical and statistical apparatus, establishing connections and interdependencies, writing conclusions). Consequently, independent marketing research appears to be feasible only for large and medium-sized agricultural firms, whereas small ones would rather cooperate with the former on resource capacities or hire research institutions and consulting companies so as to conduct the survey.

2) strategic marketing planning, which involves setting directions for establishing an industry structure and a product specialization of agricultural enterprises, verifying conceptual and practical principles of their positioning on the agricultural market,

segmenting the market environment and concentrating on the priority niches of a food market in accordance with the results of marketing research. Strategic planning of marketing activities should be responsible for identifying the sources and mechanisms of resource support in order to reach its marketing goals; budgeting of strategic marketing; construing alternative variants of a current market situation, including the factors of competition tightening as a result of European integration processes; preparing clear procedural regulations and algorithms for making managerial decisions in the event of force majeure, monopolization of individual segments of a market, violation of fair competition rules, growing market speculations; determining a time frame for marketing objectives; searching for opportunities of expanding a foreign economic activity of agricultural enterprises and bolstering its presence on the EU markets, taking into account the prospects of increasing export quotas for domestic agricultural producers within a bilateral «Association Agreement between Ukraine and the European Union». Practical implementation of a strategic marketing plan should be supported by concrete tactical and operational arrangements, coordination of long-term, medium-term and short-term goals of an enterprise, effective tools for a step-by-step adaptation to the European economic standards;

3) strategic coordination of an enterprise's production parameters and market needs, which requires an overhaul of capacities and business processes so as to match consumer demands, establishing a subsystem of a prompt responding to challenges and changes in the market environment, elaborating measures of prevention and counteraction to potential market threats, offsetting weaknesses and underlining the strengths of a company, enhancing its links with other subjects of market exchange, shaping more high-quality market advantages of an enterprise compared to its main competitors over target segments, organizing a subsystem of balancing the factors of internal and external environments. Reconciling production parameters of an enterprise with market needs depends upon the flexibility of firm's internal organizational and managerial structures, business processes and marketing interconnections. This fact allows counterbalancing a managerial impact aimed at the

redesign of production capacities and minimization of potential losses resulting from a destruction of its established economic relations at the level of human resources, contractors and consumers. Moreover, it aids in finding the most rational structure for a strategic marketing model of dynamic positioning of agricultural enterprises on the market under European integration and liberalization of trade relations at the international level;

4) arranging a strategic set of a product-market portfolio of an agricultural enterprise, which will reconcile the volumes of agrarian production, its assortment, range and product structure with consumer needs, harmonizing the scale of a firm's output and a real capacity of a food market, bringing an existing solvent market demand in line with a life cycle of a product, considering a residual balance of agricultural products (in terms of main food groups) and conventional marginal consumption rates for the population in accordance with food safety indicators at state and regional levels over a marketing year, modeling export and import flows of food and their impact on market conditions, focusing on new types of agricultural products with unique consumer properties. At this stage, strategic marketing management deals with expanding a product-market portfolio of an enterprise, monitoring food quality and safety, controlling production processes, observing the norms for agricultural products storage, occupying a services segment on the agrarian market, invading non-agricultural sectors. It is critical for agricultural enterprises to adhere to a social function of strategic marketing, as they provide a population with food, which satisfies human physiological needs and contributes to the food security system on the basis of guaranteeing physical and economic

availability of food products, especially for the poorest social groups;

5) establishing strategic marketing communications for agricultural enterprises, which encompasses sales promotion, active product advertising and organizing an effective cooperation of distribution divisions and direct consumers based on the optimization of logistics management and product flows (management of inventories, diversification of supply directions, raising the efficiency of product delivery to an end user, etc.); minimization of unnecessary links in distribution channels, development of distributive and dealer networks of an enterprise, evolving marketing competencies of sales staff, promoting direct sales by demonstrating product competitive advantages; sales cooperation of agricultural enterprises in the context of intensifying their foreign economic activity and lobbying commercial interests through representation and participation in various associations of agricultural producers; upgrades of packaging (development of an ergonomic and user-friendly wrapping) and labeling its compliance with current international standardization and certification systems (ISO, HACCP - Hazard Analysis and Critical Control Point); advertising and spreading products on the market, explaining its competitive advantages to final consumers, enterprise branding and establishing its positive image, as well as presenting products of a company at international fairs and exhibitions; pricing policy optimization through the tools of discounts; continuous improvements in consumer service standards, accentuating the peculiarities of their thinking, social mentality and potential changes in market behavior.

Interpretation of an aggregated structural model of strategic marketing management of agricultural enterprises is presented in Fig. 2.

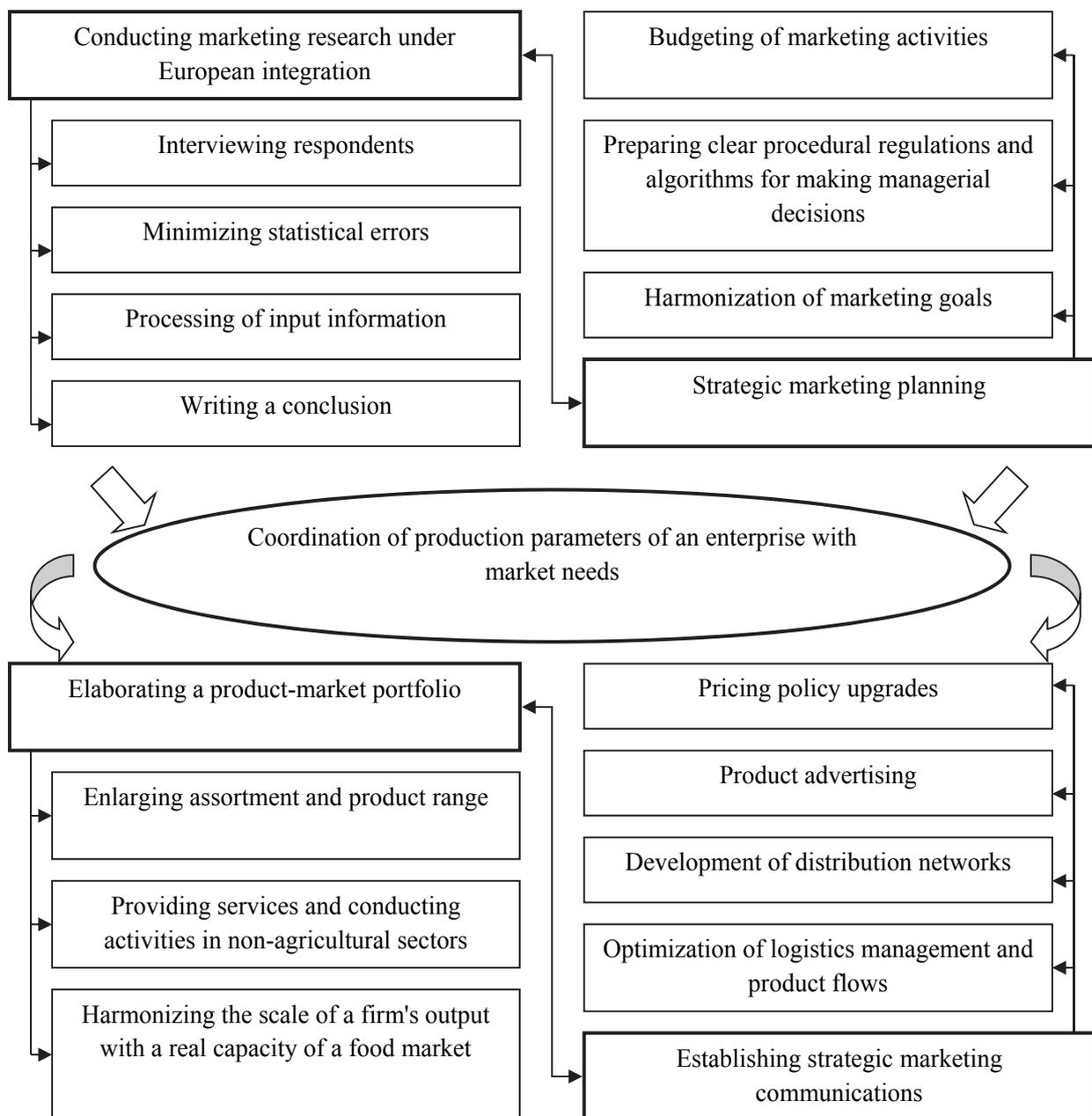


Fig. 2. An aggregated structural model of strategic marketing management of agricultural enterprises under the conditions of European integration (developed by the author)

Conclusions

The process of establishing a complex of organizational and economic measures of strategic marketing management regarding agricultural enterprises should ground on a set of social and psychological factors that determines the most general patterns of consumer behaviour on a food market, i.e., an objective physical need to compensate for daily energy expenditures of a person, the ratio of price, quality and safety of commodities, taste properties of food products, physical availability of agrarian goods to a final consumer and their real representation on the market, a low elasticity of demand for a prime necessity food (bread and bakery, oil, flour products, dairies, etc.), a tendency of population to accumulate private food stocks, seasonal fluctuations of price, a supply-demand correlation, manipulation and speculation on the market, use of unfair competition tools that

leads to a deformation of a rational consumer behavior, expectations of buyers and the amount of a deferred demand, well-established traditions and ethics of food consumption among the population.

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