

## МАРКЕТИНГ У СЕКТОРІ ПЕРВИННОГО ВИРОБНИЦТВА

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**Здійснено аналіз проблем використання маркетингових інструментів у польському сільському господарстві. Практичне застосування маркетингу у сільському господарстві стає все важливішою складовою діяльності у зв'язку з підвищенням конкуренції, інноваціями та глобалізацією у сучасному світі, що зумовило вибір теми роботи.**

**Ключові слова:** маркетинг, сільське господарство, маркетингові інструменти.

## MARKETING IN THE PRIMARY PRODUCTION SECTOR

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**The content of this paper is the analysis of the problems of use of marketing tools in Polish agriculture. Practical application of marketing in agriculture is increasingly important because of the competitiveness, innovation and globalization in the modern world, which determines the importance of the undertaken subject.**

**Key words:** marketing, agriculture, marketing tools.

**Problem formulation.** Sale of food products necessitates possession of knowledge of the many factors influencing the behavior of buyers, in terms of both, the selection and purchase of products. However farms have no influence on most of them. This is due to, among other things, the fact that most of the production goes to wholesale customers, and them, due to the forces of their participation in the creation of the agricultural market are not a group of buyers whose demand could be stimulated by the manufacturers. Due to the promoted by the European Union (EU) strategy to strengthen the competitive position of the farms through their affiliation in producer groups or formation of clusters, more and more talk is done about the actual implementation of marketing instruments in agriculture.

Thanks to the wide-ranging information and training action of the EU farmers are already aware that they may affect the market. Moreover, they know that one of the forms of such impact, affecting both sales and the economic performance of the farm, is exactly marketing. And here there is a problem because, in spite of their knowledge, the vast majority of Polish farmers can not or does not want to take action using marketing tools. Such attitudes are determined by many factors, both economic, social, or cultural. On the other hand farmers whose farms are already working according to the developed marketing strategies, often fail to take full advantage of the goodness that can come from the used by them marketing tools.

**Analysis of current research and publications.** The need to develop new areas of knowledge related to the use of various kinds and types of modern marketing concepts in agriculture is noted for several years. Professor E. Pudelkiewicz (WAU), for example, believes that the need to develop a new field referred to as the marketing in agribusiness mainly associated with the business nature, characteristics and specifics of the individual units of agribusiness. Moreover, he believes that the practical use of marketing in agribusiness becomes increasingly important due to competitiveness, innovation and globalization in the modern world [1, p 115]. Also, other representatives of management science, more and more often review the functioning of the agricultural enterprises in terms of marketing management, with particular emphasis on the specific Polish agricultural producer groups [2] and organic agriculture [3, pp. 160-168]. Moreover, the need to create specific marketing instruments for agricultural products is indicated in the reports by the Agricultural Advisory Centres, functioning as a unit “closest” to farmers, according to the subsidiarity principle [4].

**Article objectives.** The study aims to analyze the features of the phenomenon of use of marketing in the Polish primary production sector, presentation of the range of marketing tools and analysis of the factors determining this phenomenon. The study aims to analyze the specific phenomena of use of marketing in Polish agriculture, presentation of the range of used marketing tools and analysis of the determinants of this phenomenon. Execution of the set goal will be performed through the construction of the review including: theoretical considerations concerning marketing and agricultural marketing, discussion on available marketing tools in the context of the primary production sector, as well as the presentation of the conclusions of the analysis of the factors determining the scope and possibility of using of operational marketing tools in the Polish farms.

**Presentation of the main material.** The philosophy based on the belief that every created product may be sold is long outdated. The continuing evolution of the business environment forced enterprises to seek effective ways to adapt to new needs, demands and market opportunities. Also a change took place in the methods of operation. Step by step, the essential sales functions of market operations have evolved into a marketing function critical for success or failure. However, thinking according to the rules and principles of marketing has become a kind of philosophy that permeates the management process of a modern enterprise [5, p 19]. Already almost twenty years ago, it was noticed that the days when success was measured by the number of produced units was history, and then a staggering career was made by the word “marketing” which became a key to the new world [6, pp. 11-16].

Under such conditions Polish companies were created, operated and evolved, which in order to survive had to gradually adapt their activities to the needs of the market on the one hand, on the other to the leading economic and organizational ideas. In an economy of real socialism there was no demand for marketing. It started to exist only in a free market economy due to the emerging need to strongly oppose foreign competition.

Marketing is a complex and wide concept, and its main idea is not easy to define, as evidenced by the number and variety of ways to describe it. U.S. Professor Ph. Kotler for example defines it briefly as a profitable meeting of the needs of customers, and deeper as a social and managerial process by which specific individuals and groups get what they need and want [7, p 6]. According to the PWN New Universal Encyclopedia, however, marketing includes activities both in the field of the sales, distribution, planning of production, as well as market research and advertising. Broad understanding of marketing is also reflected in the definition adopted by the American Marketing Association, which defines it as a process of planning and implementing of the concept of price, promotion and distribution of goods, services and ideas to bring them to an exchange, which gives satisfaction to the individual and meets the objectives of the organization [8, pp. 29].

Marketing effectiveness is determined by a clear definition of the target market and the diagnosis and optimal choice of instruments influencing the market. The characteristic principle of marketing is to influence conduct on the market not with different instruments, but their suitably shaped composition, called the marketing mix. It involves harmonious combining of valuable products with attractive pricing, distribution channels providing flexibility in terms of purchase and efficient and effective promotion. Thanks to the coordination of used tools it causes a synergy, resulting with the combined effect of the marketing mix being greater than the simple sum of the effects that can be obtained by independent use of the individual tools [9, p 34].

Marketing, as a field of knowledge used in the classic four-element formula (product, promotion, price, distribution) plays an increasingly important role in the agricultural sector. In the literature related to agriculture we see such concepts as: agricultural marketing, marketing of food products, food marketing, marketing of agricultural means of production, cooperative marketing, green marketing, marketing in agribusiness.

One of the definitions of marketing, most appropriate in relation to the primary production sector says, that it is execution of all business activities including movement of goods and services from the start of the agricultural production until they are in the hands of final consumers. [10, p 118].

The main reason the quoted definition is highly relevant for the primary production sector is that it can be used to determine which business activities can be properly linked to the market. It should be noted that the agricultural marketing is not completely beyond the reach of farmers. Although, the farmer often chooses such ways of conducting business in which he undertakes little or no marketing decisions.

Implementation of the principles of marketing in primary production sector is favored by the unique qualities of Polish products on a European scale. However, according to the theory [11, p 546], the very good product alone is not enough to succeed in the market. In addition to determining the appropriate price, the products must be delivered in an optimal way to the point of sale (distribution), and the buyer must be informed about its values and encouraged towards purchase (promotion). The distribution and promotion should be assigned the greatest importance in the agricultural marketing [12, p 74]. The main instruments that can and should be used in the marketing in the primary production sector include:

- In-depth analysis of the market
- Basing the strategy and operational marketing activities on the quality of the product,
- Look and packaging of the product inviting to purchase,
- Building of the brand and credibility of the supplier / manufacturer
- A national information and publicity campaign to explain the benefits and features of the Polish natural food products,
  - Professional promotion, including, where possible, advertising,
  - Involvement of manufacturers in the area of aiming the sales at the mass market,
  - Stimulation of creation of entities that organize the purchase and distribution,
  - The use of, next to specialist health food stores, grocery store chains, including supermarkets,
  - Consulting in retail stores – instruction to prepare the product for consumption and individual approach and partner relationship with the client,
  - Minimally higher price of the product in relation to the prices of imported products, psychologically creating the perception of Polish products as better quality and healthier, as well as compensating the cost of marketing.

For the success of the use of marketing tools by Polish farmers the most important is the awareness of farmers about the need to develop and implement the above marketing strategy [13, s. 167]. In constructing such a strategy it should be remembered that the success of the sale depends, among other things, on how he perceived the product (packaging) and its producer (brand, trust), as well as how strongly is felt the need to purchase a product with specific features (promotion and information). What is more, in such a strategy product sales must be characterized (wholesale and retail).

The role of purchase and distribution units can be fulfilled by producer groups or cooperatives grouping farm owners. Further development of sales, however, requires the use of different distribution channels, and so in addition to direct sales on farms, at markets, subscription home delivery or sale in specialized stores, it needs to use the network of food stores [14, pp. 167-168].

Agriculture has a special place in the theory and practice of marketing, especially because of the farms aiming at the production of goods, including the fact that the actual implementation of marketing tools takes place in specialized medium and large farms in Poland. Low production farms producing in fact for their own needs are generally not interested in the implementation of marketing tools.

In summary, on the level of the farm, marketing can be defined as any, deliberately taken by the farmer activity sending their products to previously selected areas of the market to maximize, or at least optimize profit [15, p 119]. So, theoretically speaking, if in agriculture as in other sectors of the economy, someone wants to succeed one should assume a marketing orientation. Accordingly to the above, each farm, regardless of size, must adjust their production to requirements of the market in which it operates. One should also define his goals and market orientation, as well as establish and maintain an appropriate development strategy. Therefore it could be concluded that the essence of marketing in agriculture is not much different from marketing being carried out in enterprises of other industries. Indeed it is a need for precise knowledge of the market and consumers, production of goods and services fulfilling the needs of consumers, as well as the development of appropriate distribution channels. This raises at this point the question: what is the difference between agricultural marketing and the marketing carried out in other sectors of the economy? Where did the idea to develop primary sector-specific marketing tools come from?

Answers to the questions should be sought in the specifics of the functioning of the sector and its socio – cultural environment. Agricultural production depends in fact on many specific factors, strongly determining the scope of marketing instruments likely to be used by agricultural producers [16]. These factors have been presented and described in Table 1

*Table 1*

**Factors determining the scope of marketing instruments used  
in the primary production sector**

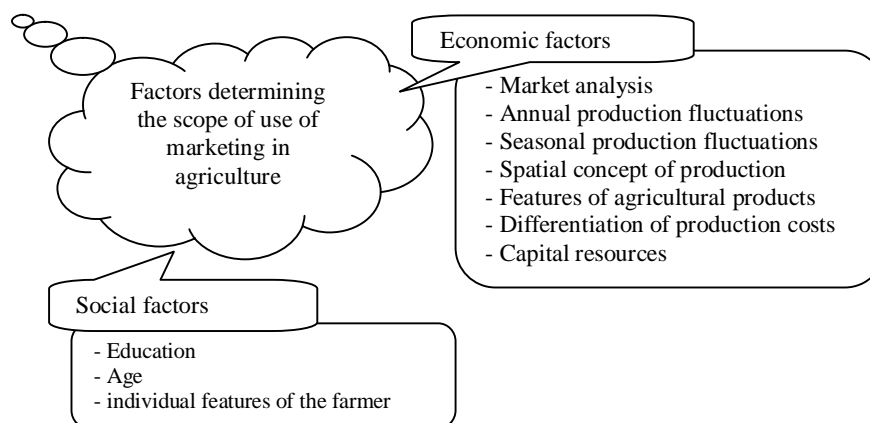
Feature	Characteristics and impact
Annual fluctuations in production	Cyclical fluctuations (Fluctuations from year to year) are one of the basic features of primary production. The fluctuations cover all branches of agricultural production, but they mainly concern farmers and agricultural enterprises specializing in a narrow range of products. Annual fluctuations in production are closely associated with the risk of uncertainty, reduction of which leads the formation of relationships between farmers and producers offering marketing services.
Seasonal fluctuations in production	These fluctuations are directly related to the seasonal nature of use of products and take place in a relatively short and well-defined period of time. The seasonal fluctuations in production are related to the problem of storage, preservation and transport, which is reflected in the cost of marketing operations.
The spatial concept of the production	In each country a specific concentration can be observed for specific types of production in various regions. In Poland, for example in the regions of Grójec or Nowy Sacz dominates the production of fruit.
Features of agricultural products	The main features of agricultural and food products include: susceptibility to spoilage, biological conditions and seasonality of supply.
Differentiation of the costs of production	Costs of farm production are determined by many factors s including: climate, qualifications and skills of the agricultural producer, the technology or the size of the farm. However, an important role is played here by the size of the farm. Typically, the most effective are large farms, as they benefit from the production scale. A large amount of purchased and sold agricultural products, is bound to additional benefits in marketing activities. However, one can not forget here about the performance – because in the primary production sector it is possible to get the benefits of large-scale production even by medium-sized farms, provided that they are highly specialized and professionally managed.
Capital resources	It is well known that the development of the marketing concept and its implementation is associated with a relatively high cost. Farmers usually do not have the appropriate skills and knowledge to develop strategies for farms themselves, so they must ask specialized units for help (some help farmers, as far as possible, for example voluntarily, the Agricultural Advisory Centres, the Local Action Groups, while others provide such services for a fee).

Source: own elaboration

The analysis, however, would be incomplete if not supplemented by the social and cultural factors. According to the author, they are extremely important because of the specific features of the rural communities in Poland. Factors in this category include, in particular: the level of education, age and individual abilities and willingness to innovate. It was observed that with increasing levels of education, especially in the field of farm management, increases the level of completeness and effectiveness of the use of marketing tools. This factor is very strongly correlated with the other two determinants, namely the age of the farmer and his individual personality traits. Because the younger, the farmer the more likely he is to educate and more willing to implement organizational innovations on the farm.

**Conclusions and perspectives for further research.** Practical application of marketing in the primary production sector is increasingly important because of increasing competition, the progressive liberalization of trade, innovation and globalization in the modern world. The marketing efforts undertaken in agriculture should of course be based on the fundamental laws of economics, the economic calculus, the principles of business organization and management, and above all on the assumptions of the axiological socio-economic concept of agricultural development, which shows that any action taken in agriculture is to serve the mankind [17, pp. 127-128], that is both the producer and the consumer.

Agricultural Marketing has a bright future. However, it will be determined by the strongest strategies of agricultural market participants. However, this does not diminish the role of small and medium-sized agricultural producers who, through the selection of the optimal composition of marketing tools will be able to influence the local market. However, the development of such strategies must take into account the many factors that determine the possibility and extent of use of different instruments. The figure below presents a concise summary of these factors.



*Fig 1. Factors determining the extent of the use of marketing in the Polish sector of primary production*

*Source: own*

The use of innovative marketing tools in agriculture will also largely depend on the professionalism of marketing agencies. Indeed, many of the farmers who are aware of the need to implement the basic principles of management, including marketing, are more and more often choosing to take the advantage of using professional consulting services. Admittedly, it is still a marginal phenomenon and applies only to very large and highly specialized farms, but this form of support for primary production in the future will be more and more common.

However, Polish farmers need time to understand that the modern approach to marketing at the same time considers it an art and knowledge. As an art, it requires imagination and deep understanding. As knowledge at the same time – planning, analysis and discipline. Thus, in the future, for the farm to be able to achieve success, and get the the most from its potential, farmers need to acquire the ability to combine and balance art and knowledge.

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## ПРИВАТНА ТОРГОВА МАРКА НА ПРОДУКТОВОМУ РИНКУ У ПОЛЬЩІ

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**Визначено зростаюче значення приватних торгових марок роздрібних продавців як відповідь великих торговельних мереж на індивідуальні потреби споживача. Проаналізовано сегмент нових приватних преміум-торгових марок та оцінено стратегічне становище їх преміум-брендів.**

**Ключові слова:** приватна торгова марка, приватна преміум-торгова марка.

## PRIVATE LABEL ON FOOD MARKET IN POLAND

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**This paper indicates the increasing importance of private label retailers as a response of large retail chains to individual consumer needs. New private labels of premium segment are discussed and the strategic position of their premium brands is evaluated.**

**Key words:** private label, retail chains, premium private label.

**Problem formulation.** The changes of the modern world, globalization, economic crisis, while individualisation of consumer needs are forcing major retailers to introduce different methods of management strategies appropriate for its own brand of FMCG products. Hence the attempt to evaluate the methods used by the operator's own premium brand positioning.

The changes which took place in the modern world concern all areas of life; has its economic, political, and social dimension. The relationship between economic and social factors translate into