RELATIONSHIP MARKETING IN THE AGRO-ALIMENTARY FIELD

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In their development process, the organizations from the agriculture field may choose either a vertical integration or a horizontal one. Regardless of the strategy chosen, the long time competitiveness is strongly influenced by the organization's capacity to initiate, maintain and develop lasting relationships with numerous categories of stakeholders (clients, suppliers, employees, shareholders etc.). This paper first presents the main characteristics of the relational approach in marketing theory and practice. Several authors consider that in the marketing's evolution, the transactional approach represented merely a stage generated by the development of mass production and that nowadays there's a tendency to return to the preindustrial relational practices. The particularities of the relationships that can be established in the agro-alimentary field are than analyzed, with reference to the to the six markets model developed by Christopher, Payne and Ballantyne. Christopher et al. consider that the organizations engage in relationships with their stakeholders on six markets: customer, referral, influence, recruitment, supplier/alliance and internal markets. We also underline the differences that might appear in the relational approach depending on the chosen development strategy (vertical or horizontal). Some examples from the Romanian market are offered. In the agro-alimentary field, the marketing relationships system presents several particularities related to the characteristics of the offer, the distribution channels, the supplier chain length, the government's degree of involvement, the financing possibilities and so on. The development of a modern agriculture involves an amplification of these relationships and an appropriate relationship management is essential to the efficiency and effectiveness of the organizations' actions.

***Keywords**: relationship marketing, agro-alimentary marketing, vertical integration, horizontal integration.*

Globalization and particularly the European integration process have a major impact on the business environment and the agro-alimentary field is not an exception. These changes raise various opportunities but also risks and obligations for Romanian firms. They now have access to a market of 500 millions consumers, but only if strict quality standards are met. The accession also involves free access to the Romanian market for the companies coming from the old member states and consequently an increase in competition.

In order to address these new challenges it is necessary to redefine the strategies for development and for attracting qualified staff, to use efficient technologies and production processes and last but not least, to apply modern management and marketing techniques. Long term competitiveness is conditioned both by vertical or horizontal growth of the activity and by the development of lasting partnerships within a set of networks of relationships established with different types of stakeholders (e.g. clients, suppliers or employees).

MATERIAL AND METHOD

The elaboration of this article is based on a systematic analysis of the specialized literature, documentary research and case studies. Among the materials used there were articles published in specialized journal and included in the Business Source Elite database, as well as books, press releases, reports of various national and international organizations.

RESULTS AND DISCUSSIONS

The changes on the agro-alimentary production market firstly affect the small enterprises that find it more difficult to adapt to the newly imposed quality standards and to the domestic or foreign competitive pressure. A higher volume of activity would bring them numerous advantages such as an increase in market share, higher negotiating power, scale economies, loyalty along the distribution channel etc.

The increase in the activity volume of these firms involves implementing strategies of concentration or vertical integration. The concentration refers either to the development of present products, through an increase in quality level and consequently in sales, or to the horizontal integration. A firm that is interested in a horizontal integration will invest in the development of its own production capacities or in acquiring other firms with similar business lines. Vertical integration involves the internalization of the exchange processes by expanding the business in the suppliers' or organizational buyers' fields of activity. [1, 6]

Analyzing the evolution of the largest national producers of processed meat, we can observe that their developing strategies have included both concentration and vertical integration. Over the time, these firms have invested in technology upgrades, in new production sections, in acquiring several raw materials suppliers or in distribution networks. Companies such as Aldis, Cris-Tim or Kosarom adopted upstream integration strategies by acquiring animal farms. They also developed downstream integration by ensuring the transport of the products to the distributors and by selling directly to consumers, in their own stores. The technology upgrades and the new manufacturing processes made it possible to obtain the quality certification that allows the sale of the production on the European Union's market (e.g. ISO 9001, ISO 22000:2005). [10, 11, 12]

Regardless of the development strategy chosen, the firms' long term success also depends on their marketing orientation. Analyzing the historical evolution of marketing in business practice, many authors argue that, over time, the dominant orientation was the relational one. The transactional orientation emerged during the industrial revolution and was aimed at solving the problems generated by the transition to mass production. However, the relational approach, continued to exist in the industrial era, especially in the business-to-business sector. The past few decades marked the beginning of a return the relational practices in various sectors of activity. There are several factors that favor such a change: the development of the new technologies, especially the information and communications ones (IT&C), the development of new management principles, the globalization and the changes that occurred at consumers' level. [4, 5, 9]

Relationship marketing involves the development of long term relationships between customers and suppliers, relationships that would bring benefits to all those involved and that would favor mutual value creation and not just a unilateral value distribution. This way the loyalty level and the retention rate increases, the clients' price sensitiveness decreases, and the costs might be reduced.

While performing their business activities, firms interact with various types of public and their competitiveness will depend on the ability to initiate, manage and enhance the relationships with these stakeholders. Christopher, Payne and Ballantyne identified six markets on which a company acts and within which it may develop relationships. The "six markets model" has been developed as a diagnostic instrument to enable managers to identify domains and stakeholders that are strategically important to them. The model includes the customer markets, the referral, influence and recruitment markets, the supplier/alliance markets and the internal ones. [2, 3]

Figure 1. **Six markets model [3]**

The customer markets include the prospective and existing final consumers as well as the intermediaries. The customers are placed at the center of this model. The marketing activity of a firm should focus on attracting and satisfying clients and on turning regular customers into loyal ones.

The information and communications technologies play an important role on these markets. The management of the relationships with the organizational customers is facilitated by the implementation of ERP systems (Enterprise Resource Planning) and by an effective communication. These may lead to the development of just-in-time systems that eliminate intermediaries and ensure that the client receives the quantities he needs at the right time. [9] The producers of processed meat mentioned above, take over the risks and costs associated with the delivery by performing this activity with their own means and resources. When the customer knows that he can trust the supplier to deliver the products in the demanded quantities and at the right time, he will became more loyal, less sensitive to price and more reluctant to changing suppliers.

On a fast moving consumer goods market, as is the case of agro-alimentary products, the interaction between the producer and final consumers is mainly transactional. Yet, facilitating of the communication from consumer to producer is essential. The past few decades brought several significant changes to customers' preferences. The companies must be aware of these preferences and they have to adapt accordingly. These new demands may involve the product itself (for example the orientation to "healthy foods") or other aspects such as the corporate responsibility (protecting the environment along the production process, raising the animals in good conditions etc.). The technology plays a central role in this case as well: customer databases and integrated communication systems are used so that the client receives a quick and consistent answer to his solicitations, regardless of the communication channel chosen. Producers that develop their business down-stream and open their own retail stores have the advantage of a direct contact with consumers. Consequently, they can react more rapidly than their horizontally developed competitors to the changes in their clients' preferences.

The referral markets consist of two main categories – existing clients who recommend their supplier to others, and non-clients that recommend a certain supplier for various reasons. These non-clients may include collaborators, equipment suppliers, firms to which some activities have been externalized (accountancy, law consultancy etc). The way they will present the firm depends directly on the quality of the established relationships.

The influence markets include those factors that can influence the business environment in which the organization operates – financial analysts, specialized press, the government, consumers' organizations, the competitors. Within these markets the relationships are fostered especially at top management level or through various associations of firms from a particular field of activity. Such organizations may lobby, for example, for adopting a favorable legislation. Consumers' organizations may have a positive attitude when there is a facile communication and when they are correctly and periodically informed about the firm's preoccupation for the consumers' needs. Collaboration relationships may be established with potential competitors as well. An example is that of the tomatoes producers in the United Kingdom. On this market there are only a few large firms and a lot of small producers. This fragmentation makes it difficult for the retailers to find the supplies they need. To be sure that the necessary quantity will be available at the right time, traders must have a portfolio of suppliers. A solution was the creation of centralized structures that collect the production from the small firms. These structures, generally developed around a dominant producer, take over the responsibilities related to quality control, information management, strategies development or logistical problems. [8] This association may be considered a form of horizontal integration, in which every firm maintains its independence, and only those activities that would be managed inefficiently at a local level are transferred to the central structures.

Recruitment markets are composed of all the potential employees and of the third parties that provide labor force intermediation. Christopher et al. consider that the success of an organization depends on its capacity of attracting a sufficient number of motivated and qualified employees. A study from 2006 of The National Institute for Scientific Research in Labor and Social Protection Field (Institutul Naţional de Cercetare Ştiinţifică în Domeniul Muncii şi Protecţiei Sociale) [7] reveals the fact that there is a great jobs deficit for qualified workers in agriculture, fishing and forestry. Yet, firms from the agro-alimentary field are confronted with problems in attracting and retaining highly qualified labor force. Recruitment is a more difficult process for vertically integrated firms as they need for staff with very diverse qualifications.

The supplier and alliance markets include the traditional suppliers and various organizations with which the firm has strategic alliances. Generally, these allies offer competences, capabilities and know-how. By developing cooperation relationships with suppliers the focus shifts from obtaining the lowest possible price to obtaining stability, quality, on time deliveries, delivery flexibility, cost cuts and so on. Producers from agro-alimentary field often obtain the raw material from a large number of small suppliers. These are generally price sensitive firms and developing mutually beneficial relationships is essential to keep them loyal. Such suppliers must know that having a commercial relationship with only one client does not put them in a risky situation. The client may support them with information and know-how necessary for the development of their business or for implementing new quality standards. He can also maintain a stable price offer even in the situations when the market prices are temporary low.

Internal markets include the organization with its staff and its internal departments. The employees are explicitly recognized as internal customers and the importance of developing relationships with them is underlined. Good relationships with the employees increase the retention rate and may turn them into firm’s advocates even after they change the employer.

CONCLUSIONS

Many companies understood that ensuring long term competitiveness does not depend only on the production technologies used or on the volume of activity. Initiating, managing and continuously enhancing the relationships between the company and its different types of stakeholders has a key role. The business activities should customer oriented, with his satisfaction and loyalty in mind. Thus it is necessary to change the way the customer is viewed, by establishing a two-way communication with him, by gaining his trust, by treating him as a partner that can contribute to value creation. The marketing orientation must become a preoccupation for the organization as a whole and not just for a single department.

In customer-supplier relationships, the collaboration may reach a deep level resulting in a blur of companies' boundaries. Mixed teams may work together to deal with delivery issues and it is also possible to implement cross-companies logistic processes. The resulting situation is similar to that of a vertical integration, the difference being that the partners maintain their independence.

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