

## **ABSTRACT**

### **CONTRIBUTIONS TO MARKETING IMPLEMENTATION WITHIN THE INTEGRATED AGRICULTURAL COMPANIES IN IASI COUNTY**

The role of marketing in a market economy is undeniable, since it merges the two functions of society - production and consumption- and directs the entire economic activity to meet the consumer's needs and desires. Marketing is intended to provide the information necessary for understanding the market economy, linking the firm's technological capabilities to the buyers requirements, further it allows the formation of credibility ties between the business and the environment, absolutely necessary for business success; it also allows the firm to transform society's needs into profitable business opportunities. (Niculescu - 2000)

Marketing means 'absolutely everything that helps you promote a business since its conception until the product or service is purchased and more, until the customer becomes dependent on you and uses your product or service regularly. (Levinson - 1993)

The marketing activity is considered to be at the base of any economic activity, of the market needs, the consumer's needs, and it's main purpose should be to fulfil these needs and because of this, the marketing activity can not be done without the research of these issues, without providing the information regarding the current and potential markets, qualitative and quantitative size of the consumer's needs (solvent and insolvent), their motivation, consumer behaviour, etc. Furthermore, investigations do not stop there, for they extend to other parts of the environment that can affect the company's activity, namely the demographic, cultural, social, and political factors.

The thesis entitled "CONTRIBUTIONS TO MARKETING IMPLEMENTATION WITHIN THE INTEGRATED AGRICULTURAL COMPANIES IN

IASI COUNTY” is structured in two parts containing six chapters. The first part contains a bibliographic study that account for approximately 30% of the work, whereas the second part, constituting our own research, accounts for 70% of the work.

**PART I – BIBLIOGRAPHICAL AND MONOGRAPHICAL STUDY ON THE RESEARCHED AREA** consists of two chapters, structured as follows:

**Chapter 1 - Studies and research of the domestic and foreign policy issues on the implementation of marketing approach in integrated agricultural units**, theoretically speaks about the following aspects: the marketing concept, the role and functions of the particular concept of agri-marketing, as well as about agri-business; it also describes in broad lines the consumers’ behaviour, the factors that influence consumption and the buyer, the marketing strategies and the marketing mix.

Beyond the local, national or regional features regarding food consumption behaviour of the population, resulting from the vertical transmission from generation to generation of some consumption habits, which requires the companies’ efforts to adapt to the local specific, the development of marketing within the agricultural and food sector is also largely generated by the phenomenon of shifting different consumption patterns, that can be explained by a horizontal loan phenomenon, the loan of purchase and consumption habits specific to other people or to other consumer segments, which triggers significant effects on the organization of the production and distribution sectors of the company.

Developing the economy and thereby improving living standards resulted in constantly increasing demands of the consumers. The consumers are increasingly concerned with the environmental issue, the sustainable development of the society as a whole, the desire to satisfy the current needs, without affecting the long-term welfare of society. In that context, agribusiness becomes, for an increasingly large number of companies, the marketing strategy destined to meet, best conditions provided, and the current and future needs of society.

Subscribing to the latest trend of “society marketing”, that blends both the theoretical marketing approach as well as the practical dimension, a growing number of agricultural and food companies are paying increased attention to achieving organic products and avoiding conflicts with the environment, starting from the agricultural production phase to processing it into food and delivering it to the customers.

As a result of the continuous adjustment process of food products to the growing consumers' demands, the modern tendency of the food industry is to take over more and more operations from the phase of processing the agricultural products, with a view to reducing

considerably the time consumers spend cooking, ensuring thus a varied offer of agricultural products that come to meet consumers' tastes and preferences.

Consumer behaviour is a system of activities and decision-making processes involved in selecting, purchasing and using different products or services.

After defining the objectives of a certain, given market (such as strengthening the position or winning a new market segment), comes setting-up a line of practical actions, and different strategies that refer to the product, price, distribution and promotion strategies. Combining these actions into an integrated whole and specifically within a certain span of time is called *marketing -mix*.

**Chapter 2 - Monographic Data on Kosarom Paşcani Group of Companies** presents data and information referring to the whereabouts of the research, also taking into consideration the rest of the other subunits that form the Kosarom Companies Group.

The Kosarom Companies Group includes four companies that operates in an integrated system; it is made up of units that supply the meat - raw materials (S.C. SUINPROD S.A. Roman, S.C. AVI TOP S.A. Iaşi) and also units specialised in the production of cereals and mixed fodder (S.C. AGRICOLA S.A. Tg. Frumos, FNC Roman, FNC Tomeşti). The Group also owns slaughterhouses, a distribution system of its own for the processed products and a large network of retail stores.

Pork products account for 93.13% of the total quantity of products produced by the S.C. Kosarom S.A. Paşcani in 2007 and some 90.76% of the total production obtained in 2008.

S.C. AVI-TOP S.A. Iaşi is active in chicken meat production, in an integrated process (from rearing to processing meat). Thus, S.C. AVI-TOP S.A. Iasi obtains chicken by incubating chicken eggs, makes mixed fodder, breeds broilers, processes chicken meat and delivers the products on several retail markets. The incubation station operates with four hatcheries, which have a production capacity of 90,720 eggs each. Hatching efficiency is over 90%; the losses of about 635, 000 eggs were recovered by specialist operators.

S.C. SUINPROD S.A. Roman is a company specialized in breeding and fattening pigs, with a workforce of 300 employees. The latest estimates of the pig head show the company's total inventory at 40,000 head, with 3,400 sows and an annual turnover of 115,000 head. The company owns a factory of mixed fodder destined to provide the food for the animals. The main activity of the company is breeding and fattening pigs in closed circuit system. The estimated capacity of the complex is 40,000 head per year, with an annual production of over 5,800 tons of meat.

## **PART II - RESULTS AND INTERPRETATION** is divided into four chapters:

**Chapter 3 - Material and research methodology** presents the purpose of the work, the material and working methods, the organising scheme of the research and methods used for processing the results.

The starting point in the marketing activity is represented by the research. This is intended to provide the basis for all marketing decisions, whether it refers to building up a marketing strategy, the commercial launch of a new product (or service) or about penetrating a foreign market, opening a network service or sales promotions on certain market segments.

The marketing research process varies depending on the nature of the analysed problem, the financial resources, working tools that are used, the quality of the results that are expected. The success of the investigations depends on several factors: the strict definition of objectives, the correct use of the investigation techniques, and the existence of an adequate information system. (Niculescu - 2000).

The research methodology used for this PhD thesis includes collecting data and information, information processing, analyzing and interpreting data and results and extracting conclusions.

Statistical and bibliographic sources were used as main working methods and information was extracted from various documents and materials (books, papers, documents, journals).

**Chapter 4 - Analysis of the production and economic - financial results in integrated agricultural companies** presents the economic situation of S.C. Kosarom S.A. Pașcani within the span of time 2006-2009 and examines the key financial results of the company.

The economic and financial analyses study the mechanism of formation and modification of economic phenomena by breaking them into components, and by identifying the influence of different factors. The process follows several stages that go from simple to complex, with a view to identifying the finale causes that explain a certain level of performance or a certain development path.

In the case of S.C. Kosarom S.A. Pașcani, although the percentage dropped from 55.68% in 2007 to 50.89% in 2008 (as has been reported at different values), the raw material costs, as absolute values, increased from 47,197,514 lei to 58,595,007 lei, by 11,397,493 lei, which shows that in 2008 the amount of procurement of raw materials increased by 24.15% compared with 2007. For 1,000 lei operating income, the cost of raw materials dropped from 542.00 to 520.60 lei, by 3.95%. The substantial increase in property value, from 55,524,894 lei in 2007 to

76,980,707 lei in 2008, by 138.64%, was due to the massive investments made in service and ongoing.

Compared to 2007, 2008 witnessed a substantial increase in debt from 36,295,187 lei to 65,556,663 lei, or a percentage increase of 180.62%, of which short-term debt increased by 236,02% and the debt within a year suffered an increase of 143.38%.

In 2008 there was an economic decrease; no profit was made, resulting in a total loss of 1,375,343 lei compared with 2007. This was due to the exchange differences for the debts in foreign currency amounting to 3,302,123 lei as well as the interest on bank loans amounting to 2,765,421 lei.

The analysis of profit and loss statement, putting side by side the years 2007 and 2008, highlighted the following issues:

- Operating profit decreased by 17.59% in 2008;
- Operating income increased by 29.26% compared with 2007, whereas the operating expenses have increased by 32.36%, leading thus to a decrease in operating profit;
- the total revenues in 2008 increased by 30.31%, indicating an improvement in the business of selling products, though the expenses increased by 35.83%.

**Chapter 5 - Design of strategic alternatives regarding the implementation of the marketing mix in integrated agricultural companies** talks about the implementation methods of the marketing mix for S.C. Kosarom S.A. Pașcani. Activities are broken down into the four directions of the mix: product strategies, distribution strategies, pricing strategies and promotional strategies.

The marketing mix is an essential concept of the modern theory of marketing and it can be defined as "all the controllable, tactical marketing tools that the company combines in order to produce the desired response in the target market". (Kotler - 2008)

The product is the essential component of the marketing mix, the other three elements being strictly determined by it, because the product is being distributed and promoted and the price is fixed for it. The product is the one that satisfies the multiple needs of consumers and therefore the manufacturer, in order to achieve the ultimate goal - a high profit - should determine the multidimensional nature of consumer's demand and produce only those goods that are requested by the buyers. Today it is widely accepted the fact that the ultimate success of a firm, estimated in the total profit, depends heavily on its product policy.

Products sold by S.C. Kosarom S.A. Pașcani are divided into 12 ranges: sausages, salami, frankfurters, poultry specialties, specialties, thick sausages, ham, dried products, fresh products, vegetable products, smoked products, traditional products.

Distribution is the process by which products come from the producer to the consumer or user. In order to be purchased, the products must be in the right place, at the time desired by the buyer, usually the goods being transported through distribution channels. The distribution channels are groups of independent organizations that are targeted on placing the products or services to consumers or industrial users.

Kosarom products are present in 1,150 outlets, grouped into four categories: the company's own retail outlets, franchise outlets, Key - Accounts, large retail stores.

Agricultural prices are significantly influenced by the seasonal nature of the agricultural production, especially in what the crop production is concerned. Price changes throughout a year are determined by the time the product is available on the market, the abundance or scarcity of the product, the ability of storage, the seasonal nature of consumption for certain product categories, to say nothing of the fact that prices are also affected by the existence of substitutes in consumption.

The prices at S.C. Kosarom S.A. Pașcani are above average on the meat products market in Romania, since the brand was positioned from the outset on a premium level. Thus, price strategy complements promotion strategies (and vice versa).

S.C. Kosarom S.A. Pașcani is endorsed as a premium brand, offering high quality products (good flavour, natural ingredients, modern production methods, great concern for health and hygiene, etc.). The prices that they charge support these advantages and this aspect provides us with a profile of the buyer - people who are careful about what they eat (concerned about their health and their family's) and who are willing to pay more in order to top-notch quality products.

Advertising is one of the elements typically used for presenting in a compelling manner the product or service for the purchaser or user. For many of those involved as beneficiaries of advertising, advertisers or consumers, advertising is the main communication element of the marketing mix. In fact, advertising is the most obvious element and can be easily identified.

Over recent years, S.C. Kosarom S.A. Pașcani has initiated a series of actions involving advertising and TV commercials. In 2008, the advertising activity was exclusively focused on the Iasi county market. With the re-branding in the summer of 2008, came the decision of the company to promote the brand nationally. Thus, the company invested in a consistent advertising campaign, whose main product was broadcast for two months on five major TV channels with national coverage.

**Chapter 6 - Conclusions and recommendations** summarizes the most important information presented throughout the PhD thesis and proposes a series of recommendations meant to improve agri-marketing activity.

Whatever the scope of the work, marketing meets four general functions:

- investigating the market as well as the consumers' needs;
- company's adaptability to the external environment dynamics;
- as full satisfaction of the consumers' needs;
- maximize profits / economic efficiency.

In Romania, we find a relatively high fragmentation of the agricultural and food marketing, creating great difficulties for food processors and traders, that account for a real need to integrate production processes and marketing of agricultural products and foodstuffs, which would help reduce imports and re-launch the Romanian agriculture.

Selecting the marketing mix (product, price, placement, and promotion) should be consistent with the influence of exogenous and endogenous factors, which requires knowledge, understanding and alignment to their development.

The increasing range of methods and techniques designed to study and predict market changes, logistics and promotional techniques, supports the idea that agri-marketing can become an institution that is able to guide the structure of the agricultural and food production according to consumers' needs and, at the same time, it is able to recommend the moments, places and methods for the capitalization of production under the best conditions for both the producers as well as the processors, let alone the current and potential consumers.

Over the coming years, S.C. Kosarom S.A. Pașcani should adopt a policy and a market strategy designed to increase the market share nationally and locally (the Moldavian area), and, by paying attention to product quality and safety, the company should also focus on penetrating different European market segments.

As a result of the thorough analysis of the technical, economic and financial indicators, S.C. Kosarom S.A. Pașcani should strengthen its organizational and informational system regarding database compiling, allowing access to the integrator pole and the integrated firms at any time.

The promotional activities of S.C. KOSAROM S.A. Pașcani will have to diversify, which requires designing a promotional budget that would eventually lead to increased sales and hence economic profitability.

To achieve the objectives of advertising, S.C. Kosarom S.A. Pașcani must invest more in specific marketing activities because meat products are perceived by consumers as being similar one to another; therefore, the differentiation is accomplished either by price or by promotion. Since the reference market is the premium target - market, where prices are at the same level, marketing strategies are the only efficient method for product differentiation.