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DEVELOPMENT OF INTERNATIONAL MARKETING STRATEGIES FOR AGRARIAN COMPANIES IN SERBIA

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Abstract

The aim of this paper is to inform the employees of the agrarian sector in Serbia about the key elements necessary for the effective international marketing activities of the company. Namely, the previous period was dominated by a production orientation which had not respect for market requirements. Agricultural enterprises in Serbia lost the brand and traditional markets. A way out of crisis requires a constitution of market-oriented enterprises, implying a number of structural changes directed toward the improvement of business efficiency and adjustment to market requirements. Namely, the current volume and structure of agricultural production, its high extensiveness and fluctuation and low productivity, together with the inefficient organization of production and payment operations, and the inefficient strategies of all types of agriculture enterprises which insufficiently take market signals into account – are the basic factors that prevent domestic producers from becoming competitive in food and agriculture products. The paper shows that it is necessary to reexamine the existing and develop new business and international marketing strategies of the agricultural producers, based not only on developing the producers' capacities but also on the awareness of the consumer, new technologies, market approaches and other contemporary market principles. In doing so, the awareness of market approaches – the constant and intensive market changes – is the first and basic supposition on which it would be wise to base new strategies that are different from the competitors' in innovation, technology and quality. New strategies, conditionally, must also include the provision of critical money supply, as well as stimulating the agrarian policy, which enables us to keep up with the up-to-date market, technological and marketing trends.

Key words: agriculture, competitiveness, international marketing, marketing program, strategy.

INTRODUCTION

Insufficient competitiveness of the domestic producers and exporters is a result of many factors, of which the most important could be: the insufficient inflow of direct foreign investments, significant delay in accomplishing privatization, banking credits at high rate – all resulting in a negative effect upon productivity and investments, necessary for keeping pace with technical-technological and marketing progress in modern agriculture.

Conventional attitude to productivity and competitiveness resources puts in focus such external production factors as work, capital and natural resources. Therefore, the competition match will be won by those who have so-called comparative advantage, i.e. the advantage in costs based on the superior combination of production external effects. Globalization, however, relativizes the significance of the competitive advantages of external resources, therefore the essential development issue of

every national economy is becoming – making conditions for quick and sustainable productivity growth by using knowledge and other internal sources of competitive advantage, such as strategy and quality of business environment.

Although the competition based on the abundance of natural resources and cheap labour is a legitimate competitive strategy, the problem lies in the fact that this resource combination is easy to imitate and there is a great probability of new competitors' appearance, who can offer the same product at a lower price. It is more than obvious that this strategy cannot supersede the advantages of knowledge, new developmental strategies of enterprise and developed business environment.

All this determines the best for our country which has been persistent in the conventional comprehension of competitiveness (raw materials and semi-products, i.e. working and resource intensive products, dominate export in

general and agrarian export in particular) and which is not competitive on any grounds on the domestic and international market, especially not regarding prices. There should be emphasized that, in regard to our export structure, price is still a decisive factor of competitiveness (it partially loses its significance when it refers to products in the higher stage of final processing and products with a developed brand, i.e. recognition).

In its economic relations with foreign countries, Serbia records multi-year-lasting cumulation of negative tendencies concerning different aspects (coverage of import by export, export-import structure, i.e. local and export prices, regional export direction, technological production obsolescence, etc.). Cumulatively observed, the total trade deficit over the last couple of years has come near to our foreign debt and, if some radical turn does not make toward new competitive sources, economic growth and export growth will not enable the foreign debt repayment in the years to come. At the same time, without productivity increase and development of adequate marketing strategies, based on knowledge and innovations in the enterprise sector, and without the development of qualitative and stable business environment in macro-economy segment, the comparative advantage which Serbia has in the field of agriculture will remain only as unused export chance and developmental perspective.

MATERIAL AND METHOD OF WORK

In realization of our research work, we used a desk research of data which refer to the international marketing strategy applied by the Serbian enterprises in the agrarian sector. Such research implies a use of data from the official sources: data from the Republic's Statistical Office, materials from the Serbian Chamber of Commerce, etc; data from domestic and foreign literature; internal documentation. There were also used quantitative methods, primarily the time series analysis. The combination of the mentioned research methods can lead to a more dependable answer to the key questions, which impose the analysis of internationalization and marketing behaviour of the Serbian agrarian enterprises.

RESULTS AND DISCUSSION

In the period January-December 2011, the total exchange of goods in Serbian agriculture with the world was 3,732.9 million USD, of which export was 2,696.6 and import 1,382.1 million USD. In this period, agriculture realized a surplus of 1,314.5 million USD in turnover with the world, which is 9.1% more than in the previous year. In regard to the same period in 2010, agrarian export was 20.3% higher while import simultaneously increased by 33.4%. The coverage of import by export in Serbian agriculture was 195.1%, while in the same period last year it was 216.2%. The best results, the higher surplus in exchange, were achieved for cereals and cereal preparations, 648.8 million USD, followed by vegetables and fruit, 356.6 million USD, and animal and vegetable oils and fats, 155.9 million USD [1]. In the calendar year 2011, Serbia exported around 240.000 tons of wheat, 146.000 tons of flour and 38.000 tons of seed wheat. At the same time, it exported 1.595.000 t of maize, 192.600 t of sugar and around 116.000 t of fresh apples (*Table 1*).

Table 1. The most important products in export and import in 2011

EXPORT	Tons	Million USD	IMPORT	Tons	Million USD
Maize, white	1,594,692	423.8	Coffee, roasted	32,466	102.5
Sugar, white	192,599	159.9	Cigarettes	5,851	62.8
Raspberry Roland	33,561	101.2	Bananas, fresh	53,010	38.4
Wheat	239,268	73.3	Food products, unmentioned	9,569	37.9
Sunflower oil	41,900	66.7	Oranges, fresh	48,291	28.7
Apple fresh	115,725	62.2	Tomato, fresh	25,094	18.5
Beer	80,965	59.6	Tobacco, dried	2,907	17.9
Soft drinks	103,603	56.9	Coffee based products	3,896	16.2
Sour cherry, Roland	26,050	54.5	Palm-tree oil	11,631	15.4
Soy oil	40,286	52.8	Other food products	787	15.1

Source: *The Republic's Statistical Office*, <http://webrzs.stat.gov.rs/axd/index.php>

According to the group of countries, the highest export of agrarian products was achieved in EU-27 countries in an amount of 1.3 milliards

USD, then in the countries of CEFTA region 1.2 billion USD and the rest in other countries (Table 2). On the import side, the most was also imported from the EU countries, in an amount of 757 million USD, then from the other countries 530 million USD and the rest from the countries of CEFTA region [1].

Table 2. The most significant countries in foreign trade exchange regarding Serbian agriculture in 2011

EXPORT/ COUNTRIES	Tons	Million USD	IMPORT/ COUNTRIES	Tons	Million USD
B&H	638,533	465.2	Macedonia	136,690	123.5
Romania	1,245,436	355.3	Germany	40,835	111.9
Montenegro	362,095	328.9	Croatia	100,637	110.6
Germany	110,231	192.3	Brasil	24,389	89.5
Macedonia	246,157	172.2	Italy	48,124	87.2
Russian Federation	188,633	165.7	B&H	71,630	66.1
Italija	366,353	152.5	Mađarska	52,408	56.0
Hrvatska	562,945	114.6	Grčka	64,905	55.6
Mađarska	185,197	100.3	Holandija	24,845	51.7

Source: The Republic's Statistical Office,
<http://webrzs.stat.gov.rs/axd/index.php>

At the same time, according to the data of the Serbian Republic's Statistical Office (Table 3), besides the continued decrease of share, the costs of food, beverage and tobacco, were still highly represented in the costs of family budget in Serbia [5].

Table 3. Macroeconomic indicators of Serbian agriculture

	Unit	2005	2006	2007	2008
Share of agriculture, forestry and fishery					
In GDP	%	10.3	9.6	8.7	
in employment (ARS)	%	23.2	20.5	20.8	21.4
Share of food industry, beverages and tobacco in GDP		4.4	4.7	4.4	
Total		95	100	92	108
Plant production		94	97	82	123
Livestock breeding		101	97	100	97
Share of food, beverage and tobacco in family budget costs	%	41.7	43.4	45.1	45.8
Trade of agricultural-food products	mil. €	1,353.7	1,713.1	2,035.5	2,327.1
Export	mil. €	731.7	991.9	1,217.9	1,327.3
Import	mil. €	622.0	721.1	817.6	999.8
Foreign trade balance	mil. €	109.7	270.8	400.2	327.5
Share of agricultural-food products in:					
Total export	%	20.3	19.4	18.9	31.3
Total import	%	7.4	6.9	6.1	6.4

Source: The Republic's Statistical Office – various publications

This share was amounted 54.0% in 2000, and 45.8% in 2008. Such state points out to the still low life standard and therefore insufficient life quality, regarding that small amount of assets is

left over for the satisfaction of other needs of non-existential character.

In the field of agriculture and food industry, the level of company sophistication (technical-technological equipment, high-educated personnel) differs, and this difference has been caused by the privatization method and the capital investments' amount by their owners. In accordance to the National Program of Rural Development (2011-2013), only few enterprises in the field of primary agriculture and food industry are highly sophisticated (there single out those enterprises in the field of oil industry, beer, milk, industry for water processing), while most enterprises depart from the modern tendencies regarding significant technology and personnel.

The low sophistication of business operations and strategies of companies in agribusiness are most often reflected in the following indicators: 1) low innovation level in technological and marketing development of products and business processes; 2) orientation toward raw materials production or products of low added value; 3) low export orientation of companies; 4) slow introduction of necessary quality and management standards (ISO 9000, ISO 14000, HACCP quality system, GLOBAL GAP); 5), lack of high-specialized and trained personnel, etc. The low sophistication in business of companies and family agricultural husbandries is a result of undeveloped and non-stimulating macro and micro business environment.

Experience shows that, in the countries with emphasized problems within the purview of economic relations with abroad, the application of basic postulates and concepts of international marketing are often missing, such as the modern concept of creating and realizing the competitive advantage and market success in international and world proportion. This reminds us of our country, where the application of international marketing is still in infancy, linked to many problems and challenges. The reasons for engagement of enterprises on the international market are numerous [4]: production, market, technological, competitive, and financial. It is interesting that, for our enterprises in the field of agriculture, the main reason for export is

financial, while the marketing and technological ones are almost unidentified.

International marketing can be identified as market direction and coordination of business activities regarding, as more successful as possible, internationalization of business entities and their more adequate fitting in foreign environment. From the viewpoint of enterprises, the international marketing strategy provides direction of marketing activities in a way that contributes to the achievement of the goals taken into consideration during decision-making on international engagement of enterprises. On the national economy level, the concept of international marketing strategy means realizing surplus in exchange of goods. The process of creating the international marketing strategy for enterprises implies making many planned decisions of strategic character:

- Analysis of international environment; In international marketing, it is necessary to retrospect the environment from the political point of view (specific legal issues, influence of legal regulatory rules on marketing instruments, problem of bribe and corruption, etc.); socio-cultural dimensions (problems of different cultures, languages, significance of religion, etc.);
- Selection of foreign markets;
- Orientation of the internationalization frame and selection of enterprises' performance on the foreign market;
- Selection of optimal combination of marketing instruments, i.e. the decision on marketing mix;
- Making adequate organization of the international marketing activity.

During drafting of agricultural-food products' international marketing, the research of Philip Kotler on the **marketing challenges the enterprises nowadays face with** is extremely useful. That is to say, in his seminars, Philip Kotler received answers from numerous managers, on how they saw modern customers, and which could also be useful for perceiving new market trends in international placement of agrarian products.

Some of the answers are [2]:

- customers are more and more sophisticated and susceptible to price;
- do not have time and seek for greater conveniences;
- aware that increases the products equality from supplier to supplier;
- less susceptible to production brand and more and more accept the brand of middleman and generic products.

Accordingly, the decision on the marketing mix must be made also for distribution channels and final users. The marketing program of agricultural products should provide orientation toward real and anticipated needs of inhabitants as consumers, economy and society, and the efficient sale of products on domestic and international market. The characteristics of agricultural products and their purposes, as well as characteristics of supply and demand have an effect of these products' marketing activities program to be significantly specific.

The product is a very important instrument in the program of marketing activities. Therefore, it is important to make a difference between the products meant for direct consumption, which are not exposed to processing, except removing shells, sorting and packing (for example fruits, vegetables, eggs) and other groups, made of the products meant for industrial processing as raw material (for example, cereals, sugar beet, livestock etc.). Numerous products belong to both categories, because they are used for direct consumption of households and big consumers, as well as raw material for industrial processing. Briefly, a **specificity of products in marketing mix of agricultural products** results from the peculiarities of the agricultural production, which are the consequence of its biological character. That is to say, the production program of the agricultural producers is mostly conditioned by land character, crop rotation, climate, existence of vegetation season in plant and livestock production; thus, by respecting everything previously mentioned factors, it is necessary to adjust the products to the market needs. Besides, in regard that agricultural products are substantially homogeneous, there are small chances for product differentiation, and especially the differentiation of those products – inputs for food industry. For those

agricultural products which sell on green markets and/or via supermarkets, there are certain possibilities for differentiation, primarily through two essential features of the product: **packing and labeling**.

For example, apples can have a special type of packaging, meaning that each is coated individually with cotton or plastic network, which protects it, but at the same time an instrument which provides the diversity of supply [3]. The relation between the consumer and packaging significantly varies from one country to another, as a result of different socio-economic and cultural factors. Therefore, the consumers in developed countries are increasingly sensitive to the visually-esthetic experience of packaging. Here we should emphasize also that the **placement of our fruit on the European market** is precisely limited not by quality, but by the non-fulfillment of strict procedures of gathering, freezing, packaging, shipment and transport. The quality of our fruit (plums, raspberries) is without equal on the rigorous European market, but the price is often lower due to bad packing and disrespect of some elements clearly stipulated in contracts (e.g. delivery terms). Therefore, due to top-class packaging and regularly gathered fruit, plums from Poland, Czech Republic, Hungary, Turkey, are sold at a higher price despite the fact that their quality lags behind Serbian plums considerably.

Labeling the products is an important feature of packaging, or characteristic of agricultural products (it is about groceries affecting people's health, liable to spoilage, etc.). Labeling the products (trade marks, declaration of product's origin and quality) significantly contributes to product differentiation which can be made differently from the autochthonous point of view, from aspect of healthy, organic food etc. Labeling the products has a crucial role resulting from the increasing presence of the genetically modified food (soy, sweet-corn sort BT 11, which is allowed for distribution only within the EU, but not for growing). Since April 2004, an obligation has been in force in the EU-25, which stipulated the marking of the genetically modified food, aimed to partly protect the consumers; but only the pocketful ones. The poorer consumers will still choose

according to the price, while even health criteria will be neglected for some others, along with the EU "blessing".

Concerning **the price competitiveness of agricultural products**, Serbia has different characteristics. Owing to its fragmented property, it has more production costs regarding basic wheat sorts which also cause price non-competitiveness in these products exchange. On the other side, due to the relatively cheap labour, favourable climatic circumstances and high quality, Serbia is competitive regarding fruit and vegetables, baby beef and lamb meat (meat of specific, more accurate high quality of young animals, which is placed on the markets of Greece and Italy, providing charging of higher export prices than the average world prices).

Generally, a possibility of influence the prices of agricultural products is less than the prices of industrial products. Fundamentally speaking, for many agricultural products there is a complete competition market. Both on supply and demand sides there are more participants in exchange process, and the product is homogenous. Linked to the price influences, in theory and practice two types of actors stand out on the market of agricultural products: firstly, those who have possibilities to affect significantly their products' market price (price searchers) and secondly, those who, by their activity character (mostly regarding stock products – wheat, industrial plants), do not have that possibility (price takers, take it or leave it).

In regard that many agricultural products have stock market prices, it is clear that the international competition based on prices is more intensive. In that sense, since for them it is impossible to achieve the price competitiveness of those products, Serbian producers and exporters must turn to the export of agro-food products, which require higher-processing phases and where there are possibilities for differentiation, whether through the autochthonous nature of the product, high quality and/or ecological correctness. In the export of agro-food products from Serbia, the important competitiveness element in the future will be just the development and improvement of the non-price aspects of competitiveness:

quality, innovations, design, packing, reliability and swiftness of delivery, trade mark, ability of satisfying the specific requirements of the consumers and similar other issues.

In Serbia, the producers of agricultural products have **limited selection of alternative sale channels** on the domestic market. Numerous agricultural producers sell their products directly to consumers and/or to tradesmen (middlemen) on the nearest local market, and some to manufacturers. In our country, this marketing area represents a great problem. That is to say, the lack of well organized repurchase system, efficient trade network and traffic infrastructure disable mobilization of all available market surpluses in all surplus areas and, at the same time, pose limitation in realizing two main goals, uniting supply for export and balance, i.e. reduction of prices on domestic market. The peculiarities of agricultural production and agricultural products (uneven spatially disposed agricultural production, seasonal character, products liable to spoilage) cause significant problems of distribution, more accurate sales channels, transport and storage (stocks) of agricultural products in the developed countries, too. Therefore, the role of commodity stock market in turnover of agricultural products is very developed in the world.

Finally, **promotion in international extent** has also additional form, which could be marked as the promotion of national identity, i.e. the national export promotion. Enterprises in many countries seriously count on the government's support (informative, financial and promotional) during their entry onto the international market; producers and exporters of agricultural products from Serbia could expect this support, as well. In this context, the image improvement of the origin country - "Made in Serbia" (image improvement of ecologically clean country, areas without genetically produced food, etc.) is very significant, because it directly influences the image of specific products (wine, meat, fruit, etc.).

CONCLUSIONS

The comparative advantage which Serbia has in the field of agriculture, primarily in the form of natural resources, cheap labour and built processing capacities, modern market conditions and world economy globalization is not enough, and, as practice in some countries shows, it is not even necessary for providing competitive performance on the international market. The modern market trends and economy globalization relativize the significance of competitive advantage's external resources, so the central competitiveness issue of each national economy and business entities lies in providing conditions for fast and sustainable productivity growth – by using knowledge, strategies (based on visions, innovations, investments) and a qualitative business environment.

Respecting the modern conception of competitiveness, and starting from the current performances of domestic agriculture and low potential of agricultural products market, the general conclusion of the paper is brought down to a remark that, for using the comparative advantages and tradition which Serbia has in the field of agricultural production, there are necessary processes of domestic agriculture transformation, as well as all forms of economy entities in this activity. These transformation processes must go in a way of reassessing the current and development of new business and marketing strategies of agricultural producers, based on the producers' developmental capabilities and power, but also on the recognition of consumers' preferences, new technologies, marketing approaches and other modern market postulates of economy. Therefore, respecting the market approach, i.e. the constant and intensive changes on the market represent the first and basic assumption on which it would be rational to formulate new marketing strategies, different from competitiveness by their inventiveness, technology and quality. Conditionally speaking, the new strategies must also imply the provision of financial assets critical mass (from privatization, credit arrangements, foreign direct investments, cooperation with foreign investors), as well as stimulating agrarian

policy, without which it is impossible to follow the modern market, technological and marketing trends. Although the competition based on the abundance of natural resources and cheap labour is a legitimate competitive strategy, the problem lies in the easy imitation of this resource combination and there is great probability of new competitors' appearance, which can offer the same product after lower price. It is also more than obvious that this strategy cannot replace the advantages of knowledge, new developmental strategies of enterprise and developed business environment. In this context, analyzing previous competitive performance of Serbian producers and exporters, resting upon the conventional competitiveness, we can conclude that the modern conception of competitiveness (accentuating strategies, knowledge, innovations and quality of business environment) is the basic assumption of successful use of comparative advantages which Serbia has in agriculture and, simultaneously, the main driving factor of development and export of agrarian sector and economy as a whole. Essentially, the application of the international marketing strategy, as the assumption of agricultural producers and exporters competitiveness on the world market, basically means the selection of optimal combination of market segmentation strategy and products' differentiation, most often used simultaneously.

Finally, the implementation of the marketing strategies by agricultural producers and exporters, based on modern conception of competitiveness factors, implies significant investments and will be greatly hastened by the creation and development of clusters and other forms of association which contribute to the business environment quality.

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