

MARKETING CONCEPT IN TERMS OF AGRICULTURAL ENTERPRISES DEVELOPMENT IN TRANSITIONAL COUNTRIES¹

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Summary

A subject of the research in this paper are agricultural enterprises in transitional countries, their business orientation, as well as restructuring processes, aiming to adjust to new market and economic trends. The goal of the research is to analyse business changes in agricultural enterprises during the transitional period, as well as recognizing current characteristics and role of agricultural enterprises in agrarian reproduction process.

Privatization of public combines and food industry has disturbed previously set connections in value chain of agro-food products, while facing the economy globalization and harsh competition in the process of trade liberalization has led to new concepts and postulates in these enterprises' functioning. The agricultural enterprises should develop new concept of management and marketing, in order to develop a profitable business strategy and to provide growth of production and sale, based on new market and economic circumstances.

Key words: *agricultural enterprise, restructuring processes, marketing orientation.*

JEL: *Q13, Q10*

Introduction

In accordance to their characteristics, the agricultural enterprises and combines do not differ significantly from other enterprises. As well as other enterprises, the agricultural enterprises have a legal obligation to keep business books, to pay sales tax, property

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tax, realized profit, so, in that sense, their formal-legal position is far more unfavourable than the position of family agricultural husbandries.

What makes these enterprises different from the others are:

- Accent is on less work-intensive production lines and specialization level is relatively high within some production units,
- Development of agricultural infrastructure (irrigation/drainage systems, hail protection),
- High level of agro-technical measures application,
- Very complex and often too dissected organizational structure, caused by development and number of business functions, formal-legal position, production specialization, etc.

The complex agro-systems/combines were scarce, highly developed giants in transitional countries' agriculture, which has been, and still is, prevalently traditional and small. The complex business systems consist of more organizational units, for which have been characteristic relatively huge scope of independent business decision making. The most often, the complex business system has been made of more special economic entities, which have special legal and economic status. What connects these enterprises into a complex business system is ownership, i.e. controlling shareholders' interests. The enterprises within the complex business systems in agro-industry are mostly mutually connected in production-technological way and mainly organized after the strategic business units' principle, i.e. profit centres. In that case, a priority goal is not individual enterprises' profit, but maximal total profit at the complex system entirety level and it does not represent a simple sum of individual enterprises' maximized profits, due to synergetic connections which exist among them. As basic characteristics of the complex business systems in agro-industry could state the following (Novković, Šomodi, 2011: 144):

- Great value of engaged capital, production size and number of employees,
- Diversified production program and business activity, first of all, vertically,
- More owners, shareholders,
- Very complex and developed organizational structure,
- Developed management hierarchy.

Big agro-systems are a crowbar and an axle of modern agrarian sector in many countries, especially in USA. For example, during the YU combines birth (integration of production by vertical and horizontal line), almost the same processes have happened in the most developed world agriculture – in the USA. The combines in ex-SFRY republics were echo of what happened within the modern complex for production and distribution of food worldwide (Vujatović, Zakić, 2011:171). There from could be said with certainty that are superfluous dilemmas regarding needs of this type of enterprise existence, as a synonym of big agro-business, in transitional countries' agriculture. More serious

analyses, which would include also a genesis of big agro-systems making, could badly deny their survival's legitimacy.

Change of business orientation of agricultural enterprises

All agricultural enterprises and complex business systems (agro-combines) of transitional countries (period of socialism) have based their business on scale economy, which made conditions for applying modern technique and technology and setting up and development of seed production. As such, the enterprises were a stimulating factor for emergence and development of food industry in the same organizational frames of combine types. Through public/state property has been assigned to them a role of cheap products producers, and according to such concept of agriculture development, the enterprises had in that period a typical *production business orientation*. Agro-engineers and technical experts had a dominant position and role in the enterprise, and production was the most important function. Other functions of the enterprise have followed the production development, but without taking care of costs and financial effect of the production (Cvijanović, 1996:113).

If neglects ideology (under political and legal duress, the agricultural enterprises and cooperatives had been formed on confiscated and nationalized land), a role of agricultural enterprises and combines had reflected in the following (Novković, Šomođi, 2011: 67):

- Concentration of land and capital had led to using the effects of economy of scale;
- Economies of scope had provided the application of modern technique and technology and setting up and development of seed production,
- Concentration of professional staff had provided development of science and agro-technique and their transfer to rural husbandries,
- Agricultural enterprises were a trigger for appearance and development of food industry in the same organizational frames of combine type,
- State/public property, as a base for setting up the state impact on agricultural enterprises, has assigned them the role of cheap products producer in terms of basic agricultural products' self-sufficiency preservation, strategic stability of the country and social safety of population,
- Agriculture development concept, which had provided a direct administrative control of flows in agriculture, had given these enterprises the role of a mediator between rural husbandries, on one hand, and food industry inputs producers, on the other hand.

It is important to emphasize that, within big agricultural enterprises and complex business systems in agriculture and agro-industry have been done numerous businesses in **cooperation with individual agricultural husbandries**, of mutual interest. These cooperation activities were extensive and significant, so they were, in organizational sense, often separated into a special business function (organization of cattle service fattening, turnover and repurchase of finished products, purchase and distribution of seed, fertilizers, subsistence production crediting, storage service, drying and veterinarian services).

With segregation of food industry enterprises from agricultural enterprises and combines⁵, with privatization processes (ownership restructuring and later every other restructuring), trade liberalization and world economy globalization, with accelerated technical-technological progress, the agricultural enterprises of transitional countries have indispensably changed, and gradually have accepted a marketing business orientation.

The marketing business orientation basically means putting an accent at recognizing consumers' needs and desires, which strive to satisfy along with the lowest costs. The marketing business orientation is determined by the market with high competition level. Leaders in agricultural enterprises direct their activity toward finding enough buyers and markets, and in this business orientation is very strong connection between scientists, agricultural engineers, financiers and marketing experts. Together with accepting the marketing business strategy, in agricultural enterprises and combines, comes to introduction of a marketing research concept. Collecting information on a target market, according to which is possible to plan agricultural production, is marketing research. All collected data must adequately process, submit to adequate managers promptly, in order to make right business decisions. The collected data, after the adequate analysis, are kept in marketing information system of agricultural enterprise.

Adopting the marketing business concept was not able to reduce negative tendencies, which have gone along with the privatization and enterprises restructuring during the transitional period. Most of agricultural enterprises in transitional economies, especially the enterprises in ex-SFRY, today also have unfavourable business performances and unfavourable results regarding the privatization course and results (often new owners had no clear vision of enterprises development and ended their activity). In some privatized enterprises, the new owners have big problems to keep the production profitability level, to service a capital which origin from bank credits and to invest in development and capacity strengthening.

Except the transitional requirements that enterprises and business practice be compatible with market economies, there is necessary further restructuring of agricultural enterprises and combines in direction of:

- **finishing proprietary restructuring** transformation of social/public capital into a stock capital);
- **market restructuring** which represents market redefining on which enterprise performs, aiming to improve sale and business of enterprise; for successful market restructuring is necessary to dispose with appropriate information on changes in the environment, primarily on the market of agro-food products, in order to minimize risk and uncertainty,
- **organizational restructuring**, i.e. change of enterprise's organizational model and functioning concept; in this restructuring dimension is necessary analysis, i.e. a condition diagnosis in organization and adequate intervention strategy,
- **business restructuring**, which should result by significant changes in businesses

5 Significant part of food industry during the transition had been privatized and, in organizational and ownership sense, had separated from the agricultural enterprises and combines' structure.

done by agricultural enterprise: finishing some businesses and starting the others, fusion and merging of enterprises, interventions in the field of production and technology; all interventions goal is to increase economic value of agricultural enterprise and to improve its negotiating powers on the market; successful business restructuring implies the analysis of various methods of combining market and agro-food products, as basic potentials for agricultural enterprise

- **Financial restructuring** which implies change in enterprise's capital structure, by which changes relation among ownership and debt; the agricultural enterprises have disturbed financial balance, inappropriate structure of assets resources, as well as high debiting; in non-privatized agricultural enterprises could go for debt settlement and reprogram, and in privatized agricultural enterprises, the financial restructuring refers to shares operations.

The quoted restructuring directions represent the activities necessary for agricultural enterprises, in order to improve their performances and to create a permanent turning point toward profitable businesses. There can expect that the agricultural enterprises, after restructuring, will enter the period of efficient business, when they will be qualified for adjusting to modern market trends.

Marketing orientation of agricultural enterprise

The marketing business orientation is not easy to introduce to the agricultural enterprise, and often the management by itself is a significant hindrance. As a rule, the marketing business orientation introduces gradually, step by step. There should keep and increase a size of production and sale short-term, while in long-term sense observed, should develop the operational marketing, the marketing planning, realization and control.

In the process of the marketing orientation introduction, the managers should create a critical mass of collaborators, not only followers, where must be clear and decisive action in conducting the marketing business orientation (Cvijanović, et al., 1994:72). During introduction of marketing concept of business, it is important to have in mind production-market peculiarities, which is very complex production and requires realization of all requirements by control, inspection, certification houses, then choosey buyers on domestic and especially foreign market, etc.

The marketing concept has originated from the market practice, as a new orientation in business, which starts from buyers, consumers, users of products or services, i.e. from needs and interests of consumers for some product or a service. In its interest's focus, the marketing business orientation puts the market, i.e. buyers' needs.

The application of this business orientation in agricultural enterprise implies that all of its functions are comparably subordinated to the market requirements and that all employees are aware that a profit realization is functional depending on the extent in which were revealed, and then successfully satisfied the consumers' needs. The modern marketing concept has several business activities: market research, i.e. marketing, marketing

management, development of products, economic propaganda, sale, distribution, purchase, marketing organization, etc. The marketing research is a fundamental function of the marketing concept, as well as planning or development of a new product.

The market of agro-food products is very specific, while the buyers of these products are very heterogeneous by their requirements. At the same time, the agricultural production is specific by its character, and agro-food products have different usability and different categories of buyers. Some of agricultural products are in researching phase (secondary raw materials processing), some in introduction phase (some crop cultures processing), some products are in growing phase (meat and sugar processing) and some in maturity phase (livestock and crop products). The agro-food products in saturation phase are in minority. But, due to a real income decrease, many agro-industrial products are in phase of, so called, saturation – because there are no buyers or they buy in small amounts. In case of market saturation with some products, the marketing sector works on the market research and buyers' requirements and aspires to reveal new needs of buyers and efficiently „meet their needs“.

The marketing business orientation is committed itself by the market with high level of competition, and it means that the main problem is to sell, not to produce. In the agricultural enterprise, the main job of a manager is to find enough buyers, which must be more satisfied with products in regard to the competition. The enterprise tests needs and desires of buyers, in order to improve its supply and find new products, which the buyers would like potentially to buy. In this business orientation is strong connection among scientists, agricultural engineers, financiers and marketing experts, who research the market, determine the production strategy, have effect on design, price, distribution channels and all other activities for sale improvement.

Creating the marketing business orientation in the agricultural enterprise is very tough job for the managers in the enterprise. As a rule, the finances are limiting factor for the market research, for a new product development and/or improvement of the existing one, for an advertising campaign, etc. In order for the agricultural enterprise to pass from the existing production and/or sales onto the marketing orientation, there must be the whole management's hard decision.

The marketing sector is a basic function and a place for managing and control of the total marketing activities of every agricultural enterprise. The basic tasks of the agricultural enterprise's marketing sector are:

- Analysis of market possibilities,
- Research and selection of target markets,
- Marketing strategy development,
- Marketing strategy planning,
- Apply and control of marketing action,
- Operational marketing (purchase and sale).

Marketing information system

It is impossible to conduct an objective market analysis, marketing planning and to make right business decisions without having data on buyers, competition, suppliers, market condition and all other factors linked to the business. Collecting the data (registered facts) on some phenomenon, process and relation, in order to get known with a specific system functioning, is important function of the enterprise's marketing sector. Transforming those data into information we get specific meaning and values for the one who should use the information. The data are inputs and the information is outputs, while that data processing and transforming into the information represents the information production. The information should be: appropriate, timely, correct, to reduce uncertainty and to include an element of surprise (Hanić, 2008:277).

One of the market characteristics is a constant change, so the marketing, in fact, is a constant process of making different business decisions – which are, in fact, a reaction to the changes in micro and macro environment. The information, which managers gets, must be: correct (true, reliable and precise picture of reality), sufficient number (a number of available information by which explains a specific situation), relevant (specific information must be connected to the specific situation), simple (to be understandable), prompt (available at any time), adjusted (to communicate). The information prepared in that way determines also a quality of manager's decision, who manages the enterprise. The information are efficient and useful if their benefit during decision-making is higher than the costs, appeared during their collection.

Regardless that a buyer is always in focus of the research, the marketing research can be of internal and external type. A first research level refers to the research, which the enterprise undertakes in order to get high quality information on a product, i.e. market reactions to all characteristics, on prices and factors which affect them, connected to own product on distribution and promotion of a product and market to which is intended the entire marketing effort of the enterprise. A second level of the marketing research is the macro environment research, conjuncture, competition, technological researches and demand research.

In order to collect and analyse the data, systematically and continuously, and then present the information for making prompt marketing decisions, it is necessary to form a marketing information system (MIS). The MIS represents one of the most important dynamic parts of the enterprise, which connects different functions of the enterprise in unique way, by which provides rational functioning of the enterprise and efficient management of the entire system. The whole MIS operates through three different information flows: a) input information – they collect in the environment on customers, sales channels, competition, economic policy measures, b) internal course of information are information which collect within the enterprise, from services in charge for data collecting, c) output information – information which the enterprise sends to consumers and public- its social and business environment.

Conclusion

The agricultural enterprises and complex business systems/agro-combines provide higher production, using the effects of economy of scale, better application of scientific solutions and technical-technological inventions. A need for their existence has not been especially proven, because it is more than clear in empirical and theoretical researches that big agricultural systems, if they have been well managed by their management and if they do business in stimulating and arranged business environment, they provide economic and profitable agricultural production.

In transitional countries, the agricultural enterprises, although ruined, with numerous organizational-financial problems, still dispose with certain facilities for storing and finishing the agricultural products. That is to say, if major part of food industry has separated, in organizational sense, from the agricultural enterprises structure into the special business systems, certain part of facilities for storing and finishing and primary processing of agricultural products have still retained within the agricultural enterprises and combines.

Reviving the agricultural production in the transitional countries has been unbreakable connected to these enterprises/combines restructuring and with their reorganization, in accordance with market trends and scientific assumptions of modern system of integral management and marketing. The agricultural enterprises and combines still can be productive and export force of the national agricultural production, but only if it would be guided by the skilful management and if it would get necessary financial and political support for development.

One of the elements of the agricultural enterprises reorganization is introduction of the marketing business orientation in agricultural enterprises, which basically means that the enterprise, while planning its activities and development, puts in focus the market research and buyers' needs. The modern marketing orientation is the only business orientation which can give to the managers a real picture of their enterprise condition, if their products are competitive in regard to the same or similar products, where are they in regard to competition, in regard to suppliers and in which direction should develop their enterprise in the future.

Whether or not introduce the marketing orientation in agricultural enterprises is not a dilemma, but how and in what way to introduce this business orientation, which ensures beneficial development of the enterprise and high profit. As a rule, the marketing business orientation introduces gradually, step by step, along with tough decision and consensus of the entire management.

Generally, the marketing business orientation is not easy to introduce into the agricultural enterprise, and often the management by itself is the restraint. This business orientation implements very slowly for several reasons. Primarily, the managers do not wish to comprehend the advantages of this business orientation in regard to the production and sale, because they are afraid of changing condition, loosing positions, etc. Great influence on the agricultural enterprises and combines business has the state and politicians, which,

by making unfavourable business environment/business climate, maintain the current condition in enterprises and stop every change. Besides these limits, the finances are also a limiting factor: lack of financial resources for the market research, for development of new product and/or improvement of the existing one, for advertising campaigns, etc.

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MARKETING KONCEPT U FUNKCIJI RAZVOJA POLJOPRIVREDNIH PREDUZEĆA U TRANZICIONIM ZEMLJAMA

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Rezime

Predmet istraživanja u ovom radu jesu poljoprivredna preduzeća u tranzicionim zemljama, njihova poslovna orijentacija, kao i procesi restrukturiranja, koji su u cilju prilagođavanja novim tržišnim i ekonomskim trendovima. Cilj istraživanja jeste analiziranje poslovnih promena u poljoprivrednim preduzećima tokom tranzicionog perioda, kao i sagledavanje sadašnjih karakteristika i uloge poljoprivrednih preduzeća u procesu agrarne reprodukcije.

Privatizacija državnih kombinata i prehrambene industrije narušila je ranije uspostavljene veze u lancu vrednosti poljoprivredno prehrambenih proizvoda, a sučavanje sa globalizacijom privrede i oštrom konkurencijom u procesu trgovinske liberalizacije, dovelo je do novih koncepata i postulata u funkcionisanju ovih preduzeća. Poljoprivredna preduzeća morala su da razviju nov koncept menadžmenta i marketinga, kako bi na osnovu novih tržišnih i ekonomskih okolnosti, mogla da razviju profitabilnu strategiju poslovanja i obezbede rast proizvodnje i prodaje.

Ključne reči: *poljoprivredno preduzeće, procesi restrukturiranja, marketing orijentacija.*

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