MARKET ORIENTATION OF TRADITIONAL FOODS

ORIENTAREA SPRE PIAȚĂ A ALIMENTELOR TRADIȚIONALE

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Abstract: *Traditional Hungarian foods get successfully to consumers if these products are sold on a special market. In our research we set a hypothesis that the decisions, what traditional food consumers make, are based on imperfect information. Place of purchase is an influential factor. Based on this assumption we examined the followings in a questionnaire survey: Where do customers like to buy these products?, Is there an appropriate market for these products?, What are the attributes of this market?*

Key words: *Market orientation of traditional foods*

1. INTRODUCTION

Food products often involve the general marketing approaches and techniques applied the marketing of other kinds of products and services. In food marketing, topics such as test marketing, segmentation, positioning, branding, targeting, consumer research, and market entry strategy, for example, are highly relevant. In addition, food marketing involves other kinds of challenges--such as dealing with a perishable product whose quality and availability varies as a function of current harvest conditions. The value chain--the extent to which sequential parties in the marketing channel add value to the product--is particularly important. Today, processing and new distribution options provide increasing increasing opportunities available to food marketers to provide the consumer with convenience. Markting, services, and processing added do, however, result in significantly higher costs. In the old days, for example, consumers might have baked their own bread from locally grown flour. Today, most households buy pre-manufactured bread, and it is estimated that the farmer receives only some 5% of the price paid by the consumer for the wheat.

2. MATERIAL AND METHOD

2.1. THE "FOUR PS" OF MARKETING

Marketers often refer to the "Four *P*s," or the marketing portfolio, as a way to describe resources available to market a product:

- *Product*. Firms can invest in the product by using high quality ingredients or doing extensive research and development to improve it. Both McDonald's and Burger King, for example, literally spend millions of dollars to perfect their French fries! In today's Western markets with varying tastes and preferences, it has generally been found that products that offer a specific benefit--e.g., a very tart taste in jam-tend to fare better than "me, too" products that merely imitate a competitor's products. Less is known about Eastern and developing countries.
- *Price***.** Different strategies may be taken with respect to price. Generically, there are two ways to make a profit-sell a lot and make a small margin on each unit or make a large margin on each unit and settle for lesser volumes. Firms in most markets are better off if the market is balanced-where some firms compete on price and others on other features (such as different taste preferences for different segments). The same idea applies at the retail level where some retailers compete on price (e.g., Food-4-Less and Wal-Mart) while others (such as Vons Pavillion) compete on service while charging higher prices.
- *Distribution*. Most supermarkets are offered more products than they have space for. Thus, many manufacturers will find it difficult to get their products into retail stores.
- *Promotion* involves the different tools that firms have to get consumers to buy more of their products, possibly at higher prices. Advertising is what we think of by default, but promotion also includes coupons, in-store price promotions, in-store demonstrations, or premiums

2.2. THE VALUE CHAIN

The A central issue in food marketing is the *value chain*, the process by which different parties in between the farmer and the consumer add value to the product. In an extreme case, the farmer only receives about five cents for every dollar ultimately charged for bread in the store. Part of the added cost results from other ingredients, but much of the value is added from processing (e.g., milling), manufacturing, distribution (transportation,

wholesaling, and retailing) and brand building. The value chain provides an opportunity for many firms to add value to a product. This, of course, pushes up the ultimate retail prices of foods. However, these added costs usually result from consumer demand where consumers are willing to pay for additional convenience. In recent years, for example, there has been a sharp increase in the demand for prepared foods-from supermarkets or from dine-in or take-out from restaurants. It is important to note that the value chain comes about in large part because a sequence of contributors allows each to specialize in what it does best or is most comfortable-and best qualified-to be doing. Farmers, for example, tend to be most interested in doing actual farming tasks and may be uncomfortable making deals with processors and manufacturers. Agents may specialize in this task. The costs of learning can be spread across many different farmers. The farmer may then be better off paying the agent and spend his or her time on farming instead . For the agent, having a large number of farmers as clients is profitable. Most farms would not have a sufficient volume to justify setting up milling operations, but large processors can take advantage of economies of scale by servicing many farmers.

3. RESULTS AND DISCUSSION

3.1. FOOD MARKET DEVELOPMENT

Market development involves creating or expanding a market for new or existing products and/or increasing the value of these products. Few consumers today are aware of the prickly pear, however, but farmers who grow this cactus plant would like to market it as a way to decrease "bad," low-density cholesterol without reducing "good," high density cholesterol levels. Strategies, objectives, and the hierarchy of effects**.** The promotional activities needed for a given product will depend on factors such as its current stage in the product life cycle. For prickly pear growers, simply getting more people to know that their product exists will be a challenge. Once more people know, a significant challenge is going to get more people to actually try the product. This may be difficult to accomplish because of the high cost of the product and the vast number of choices of other products that consumers can consume. There is simply not enough time or money to try all. If a product category catches on, emphasis may then need to switch to brand differentiation and the firm may need to work on getting consumers

to hold favorable beliefs about their brand. In later stages of the product life cycle, where most consumers' opinions have largely been set, temporary sales increases, usually through price promotions, may be the only realistic objective. The strategic planning process **.** In order to make good investment decisions with respect to how much to spend on marketing and how to allocate this spending among opportunities available (e.g., advertising and price promotions), it is useful to go through a strategic planning process. This process involves several steps, but these steps are not rigidly separated and it may be necessary to return to previous stages as new considerations come up (Fig.1.).

3.2. SETTING MARKETING OBJECTIVES AND STRATEGY

The first step involves setting the most appropriate marketing objectives. These objectives need to be reasonably specific and manageable; thus, merely saying that the goal is to maximize profit is not enough. *How* will this be done? It is also important to make priorities. A firm might like to reduce costs, improve quality, increase distribution channels, increase awareness, and improve consumer percpetion of the product at the same time. However, some of these objectives, such as reducing cost and improving quality at the same time, may not be compatible. The firm may also not have the resources to pursue all the other objectives at the same time. Therefore, the firm must focus on where resources will be used most effectively (Fig.2.). Generically, some objectives may be:

- Get current users to use more
- Get more people to buy product
- Get product used for new purposes
- Develop preference relative to other products or brands; and
- Develop price insensitivity relative to other products or brands

3.3. TACTICS AND IMPLEMENTATION

Once a plan for the strategy has been made, decisions must be made on implementation. If a decision as been made to position a product as a premium brand through advertising, specific ads must be developed and tested and appropriate media and advertising schedules should be resolved. When implementation begins, results need to be monitored. Some problems may be addressed with fine-tuning, but if the campaign does not seem to

produce expected results, the strategy may need to be reconsidered. In the longter term, consumer response- such as purchase rates and beliefs held about the brand-can be assessed in more detail. The next test is then whether this consumer response -such as improved attitudes- actually results in increased market share or higher profits. (Fig.3).

4. CONCLUSIONS

In agricultural industries, however, genuine synergy potential does not appear to be frequent. There are also considerable potential downsides to vertical integration:

- The management will need to oversee investments in an industry where it has limited experience;
- Management attention is being spread between more industries, allowing less time to focus in each;
- High levels of leverage-if economic developments depress one industry, this may "ripple" through the value chain, compounding the problem;
- Lack of willingness of customers at one level to buy from a firm at which they may be competing at another level (e.g., other fast food restaurants where reluctant to buy Pepsi when the parent company also owned fast food restaurants);
- Potential conflicts of interest. If a food manufacturer also owns a bank that lends to farmers, farmers may feel pressure to make decisions on sales based on financing decisions or vice versa.

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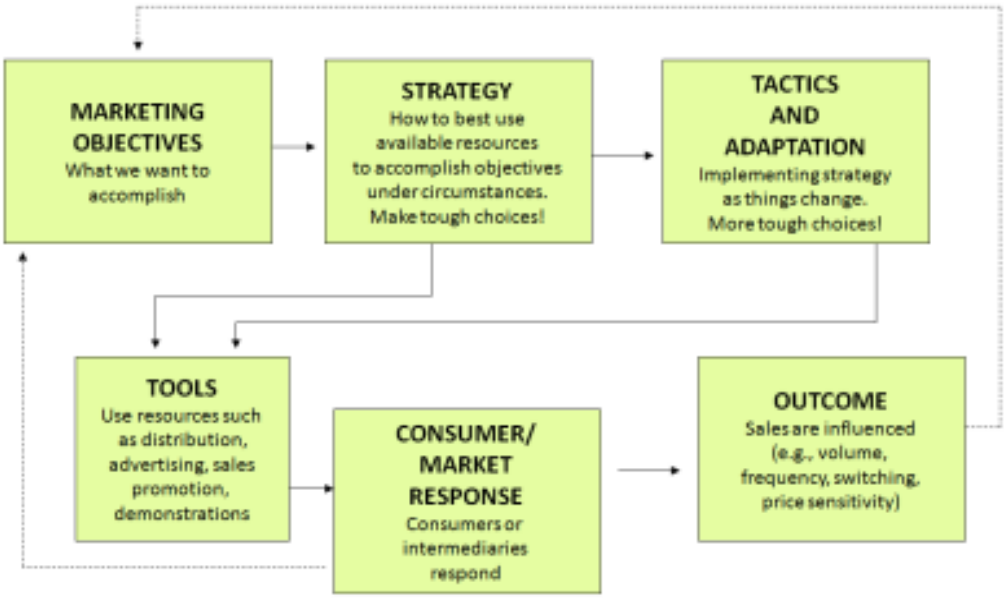


Fig. 1. Asses and re-evaluate

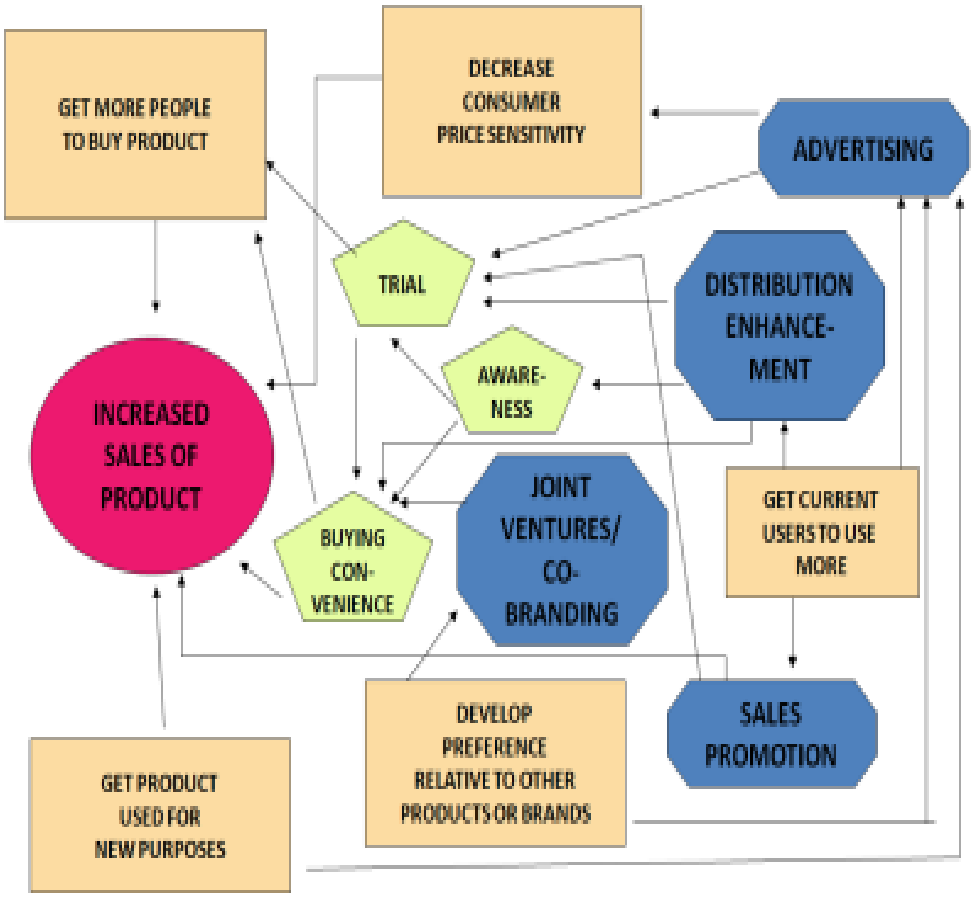


Fig. 2. Several criteria of evaluating strategy

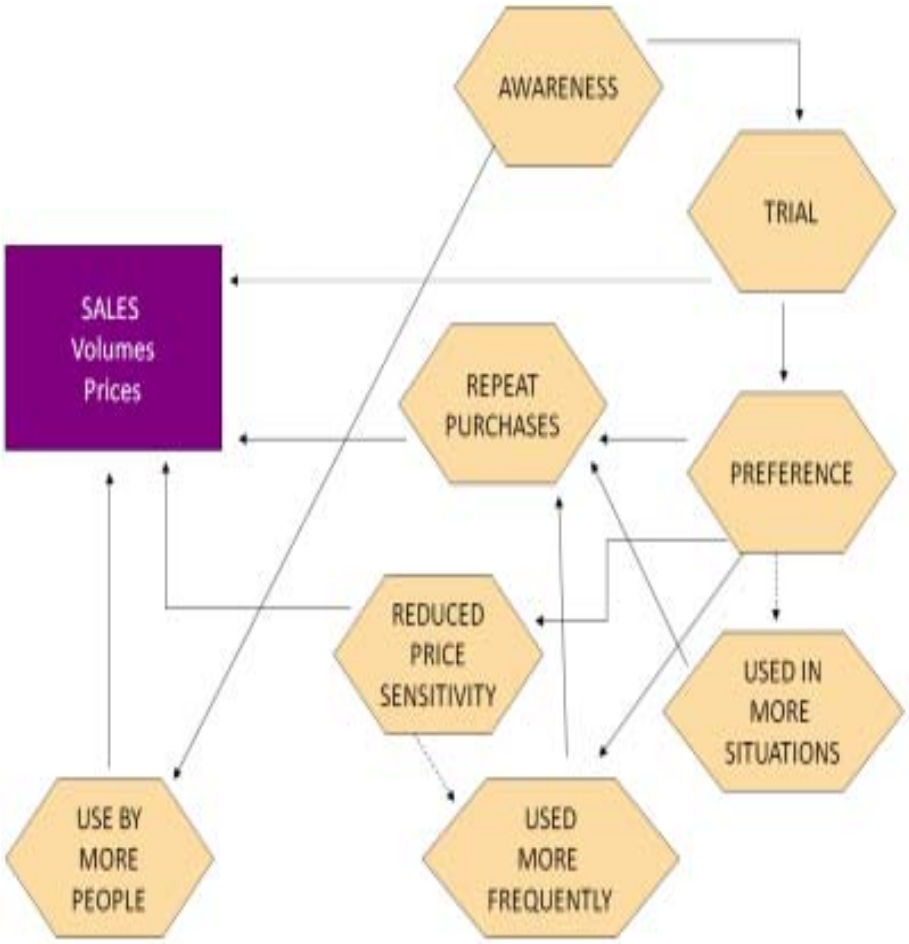


Fig. 3. The effects to sales, to volumes, to prices