THE INFLUENCE OF MARKETING COMMUNICATION ON THE MERCHANTABILITY OF FOOD PRODUCTS IN THE SLOVAK REPUBLIC

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Abstract

The food industry is one of the key industries in Slovakia, which decides about the strength of the economy, but this time there is a continuous decline remarked. Since 2006, the import of foreign food has increased markedly and the export and placing of Slovak products in the foreign market is becoming an exceptional phenomenon. Moreover, employment in this industry is declining in the food industry in Slovakia and the percentage of self-sufficiency of SR to produce their own food is below 50%. Besides consumers, manufacturers and retailers are those who decide what the share of Slovak food market is. To achieve success on the domestic market they should therefore be knowledgeable in a consumer behavior as well as the possibilities of its influence. Slovak food does not leg behind the quality, but in marketing. The Ministry of Agriculture and Rural Development focuses its attention on a production of quality agricultural products as it is visible that the effective use of marketing communication and the subsequent product labeling with the brand of quality help consumers to target their purchases. The paper analyzes the effectiveness of marketing communication of Slovak food products on merchantability in selected supermarkets.

Key words: marketing communication, merchantability, Slovak products, food industry

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Introduction

The process of transformation of the Slovak economy with preliminary negotiations with the EU was accompanied by the gradual liberalization of foreign trade. The countries of Central and Eastern Europe had already before joining the European Union (EU) had benefits from bilateral agreements and treaties with the EU. However, the degree of liberalization of agri-food trade in those agreements was limited. Joining theEuropean Union in 2004, Slovakia became the part of a fully liberalized market. Among other things it was concerned with agri-food commodities too, which are an essential input component for the food industry. The Slovak market was open to the EU member states, including members of the new member countries. Another result of the transformation of the Slovak economy was the entry of foreign retail chains to the Slovak retailing market. Their share is currently more than 80 percent of turnover of TOP 10 food companies.

On the one hand, the expansion of the activities of foreign retail chains improved shopping conditions of the inhabitants of Slovakia, on the other hand, negative trend started increasing. The share of domestic food started to be reduced on the counters. According to the survey of SPPK the share of Slovak products on the counters of stores varies from 47 to 67% depending on the concrete chain. In Poland, however, the share of domestically produced food, according to recent data of the statistical office of the European Union Eurostat is more than 85%, in the Czech Republic it is more than 72% and in Hungary more than 71%. It can therefore be noted that more than half of the food consumed in Slovakia comes from imports. Many of them could be easily produced in Slovakia. At the beginning of the transformation period, Slovakia used to have about 80-percent food self-sufficiency. Even more commodities - including pork - we also exported. Then, an uncontrolled number of foreign retail chains were allowed to enterprise on our market, so the domestic production was gradually driven out and replaced by cheap, but usually even less-quality food from imports. This is also reflected in the negative impact of the Slovak economy. The foreign trade in agri-food goods shows a very high liability and Slovak people are losing their working opportunities in a village. Since 2004, when we joined the EU, until 2010 around 30,000 people finished working agriculture and more than 8 thousand employees in the food industry. If the marketability of domestic products increased by only 10 percentage points, thus in comparison with our neighbors it is still a lower level, in the next 4-5 years, we would be able to employ in this industry at least 20 thousand people. For this purpose in 2008 started an initiative for the promotion of domestic production through integrated and sustainable promotional and informative campaign, which will be the subject of the next part of the present paper.

1 Slovak food retail

As it is documented by data in the table, the top 10 grocery stores in 2011 are presented by the turnover of foreign companies higher than 80%, what is 2 273, 6 million €. Domestic companies achieved the turnover around 547,9 million € what is only about 20% of the total turnover.

Tab. 1: Top 10 grocery stores in 2011

Number	Company	Name	Number of chains	% of food	Turnover for food in mil.€
1	Tesco Stores SR	Tesco	130	66	851,4
2	Kaufland SR	Kaufland	44	80	564
3	Billa	Billa	117	90	455,4
4	Lidl SR	Lidl	119	70	273
5	CBA Slovakia	CBA	327	90	156,8
6	Labaš	Labaš	21	74	142,1
7	Ahold Retail SK	Hypernova, Albert	26	59	129,8
8	COOP Jednota Krupina	COOP Jednota	168	87	84,9
9	COOP Jednota NZ	COOP Jednota	113	81	82,3
10	Terno Slovensko	terno	25	75	81,8

Source : Terno – survey market agency in Bratislava, february 2012

In 2011, more than ever, consumers started criticizing the quality of some foods sold. Although there are enough laws and regulations that guard their quality and sales in Slovakia, there were some deficiencies in the quality of production, processing, packaging and sales occurring. It was caused by ever stronger competitive struggle for the consumer, who was very sensitive to the price of food range. Efforts to reduce price compared to the competition led virtually all businesses and their chains to a small independent shop to offer goods, without a dominate priority criterion of high quality, but so-called gastronomic functionality of food. These trends led to the adoption of subsequent measures that focused on increasing the level of consumer protection in the internal market of the Slovak Republic. A store as the last element in the distribution chain is often perceived by customers as responsible for the quality, safety, price level and structure of product range of all sold products and services.

The center of attention in the trade in commodities especially food products - is to focus attention on food products from domestic production. This requirement has long echoes not only from government, media, but especially from the professional public. There are still stronger requirements resonating to increase the share of domestic agricultural and food products on retail counters. Gradually, there are themes to go back and increase domestic production and consequently to increase the share of domestic production sales in retail. For this purpose, the initiative to support the sales of Slovak products was arose.

2 Marketing communication in the form of educational project

Increasing the share of domestic products in the market and improving macroeconomic indicators of Slovakia is the main objective of the project Quality from our regions whose auspices is the Association of Commerce and Tourism of Slovakia and the head is Ing. Bohumila Tauchmannová. While its birth, this brand was determined to popularize products from Slovak producers.

One of the aims of the project was to strengthen the synergy of mutual efforts of all market participants in a joint effort to build a civil approach to public things. The project Quality of our regions was during two years of its existence joined by all parts of the market starting by business chains, through manufacturers, producers, media, government, associations, and other authorities. During this short time, in Slovakia was built a strong confidence in the quality trademark Quality from our regions. The confidence of a consumer should commit to the joint efforts of all project partners to be looking for some new ways to convince citizens about the content and sincerity of the project objectives.

Fig. 1: Visualisation of the trademark

Quality from our regions

Source: kvalitaznasichregionov.sk

The survey with the sample of 525 consumers organizes by the company Incoma following the full-area project showed that the amount of income is linked to the perception of the country of origin of foods, namely the higher the household income is, the more the consumer follows the origin of the food product. After launching marketing campaign Quality from our regions, the motivation of consumers to buy Slovak products with this trademark increased by 100%, with all other campaigns it was vice versa and consumers showed a greater incentive to purchase Slovak products before starting each campaign, than after them.

Up to 61.4% of consumers surveyed would like to see one same logo for all food products. The satisfaction with the quality of the logo mentioned showed 92% of consumers. 81.7% of consumers stated that advertising motivated them to buy a product, the most it was at consumers-men about 40-54 years old whose income varies over 2,300 €, the least it was among consumers with household income below 800 €.

Most motivated to buy by advertising are consumers in Nitra, Prešov, Košice and Žilina districts. 77, 6% of respondents indicated that consumer education by marketing communication and extensive marketing campaigns was suitable for them. 89 respondents stated another way of learning to buy domestic products, 27% of them would encourage a lower price.

This survey was followed by another one, where under the form of the symposium the sample of 11,184 respondents was surveyed on the server azet.sk. 47% of them said they could discern the Slovak foreign products always, but 50% have problems with recognizing Slovak products. 85% of respondents declared an interest in knowing which products come from Slovakia and up to 75% of consumers are willing to pay extra for Slovak products, while 93% think it is important to explain to consumers that by purchasing Slovak products they support Slovak economy and thus themselves . 99% think it would be good to check all products made in Slovakia by one symbol for easier reference when shopping. 90% was met with the indication of the Quality from our regions during their purchases in the past.

2.1 News in implementing marketing communication in the project Quality from our regions

To support sales and control project rules, there was developed a special application designed for smartphones determined to Slovak consumers.

The application called Quality from our regions can be simply and free downloaded by each consumer in AppStore, or GooglePlay, or through QR codes.

Using the application any consumer can verify if the product bears the mark of the Quality from our regions legitimately. If the product is authorized to use the trademark Quality from our regions, the a display of the smartphone shows to consumers interesting information about the product. It is just needed to capture the bar code of goods, which is trademarked by Quality from our regions. Through application that provides a new, digital marketing space, every user can read more about product. This space is designed to advertise and promote the sale of goods bearing the mark of Quality from our regions.

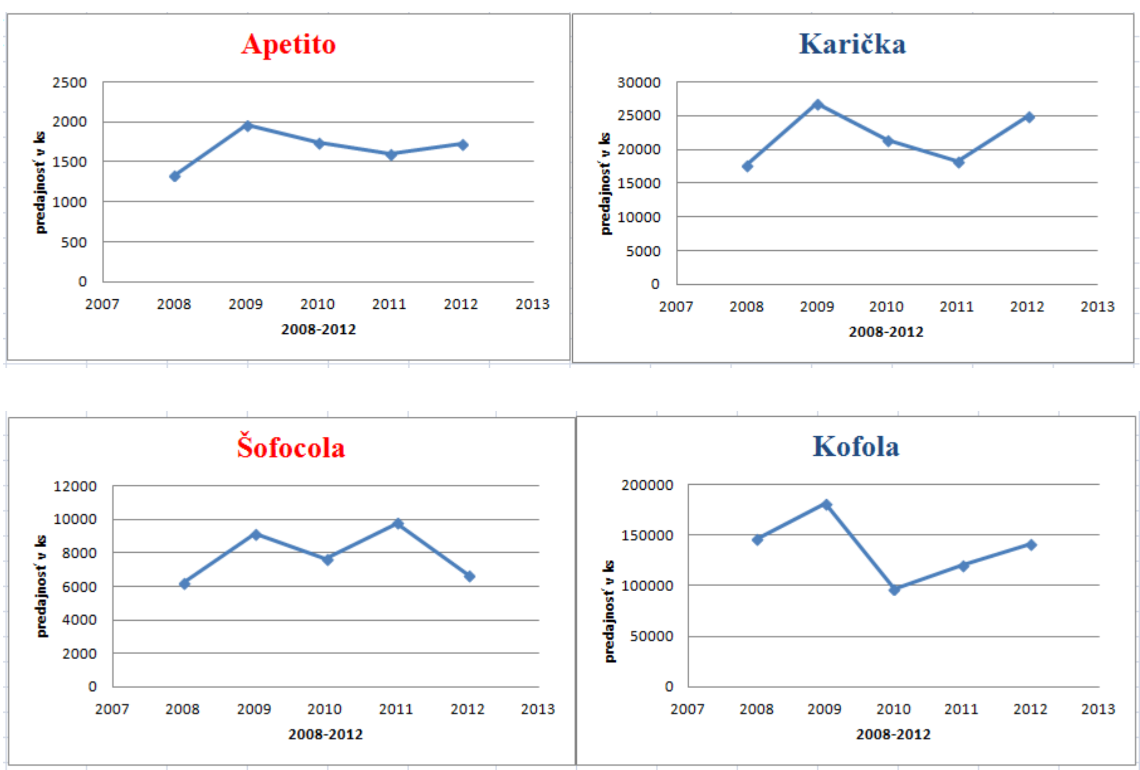
If the consumer finds any irregularities in the use of the mark Quality from our regions, this fact can be reported through applications in the part "Report of unauthorized use." Using applications can each citizen (after reaching the age of majority) or organization online sign up Civic association QUALITY FROM OUR REGIONS.

3 The effectiveness of advertising campaigns on selected examples

To verify the effectiveness of advertising campaigns we resorted to four basic categories of assortment species. It was "cheese and cheese products", "lemonade and flavored beverages", "Spirits" and "Mineral Water". In each of the categories were included products that bear the trademark KZNR and products that meet the price and size of the package, but were not labeled by the logo KZNR. For the purposes of our research we were investigating the time series 64 months in weekly intervals the development of unit sales of a chosen product in six selected retail stores in Slovakia. Comparatively we analyzed the evolution of the commodity in months, quarters and years respectively in the western, central and eastern Slovakia. The database for western Slovakia were retail stores in Pezinok and Považská Bystrica, for central Slovakia it was Liptovský Mikuláš and Ružomberok and the east are based on marketability in Michalovce and Poprad. The database is presented for 2008-2012, quarterly we described the 1st quarter 2013 as well.

The following graphs show the results of sales of cheese and flavored water.

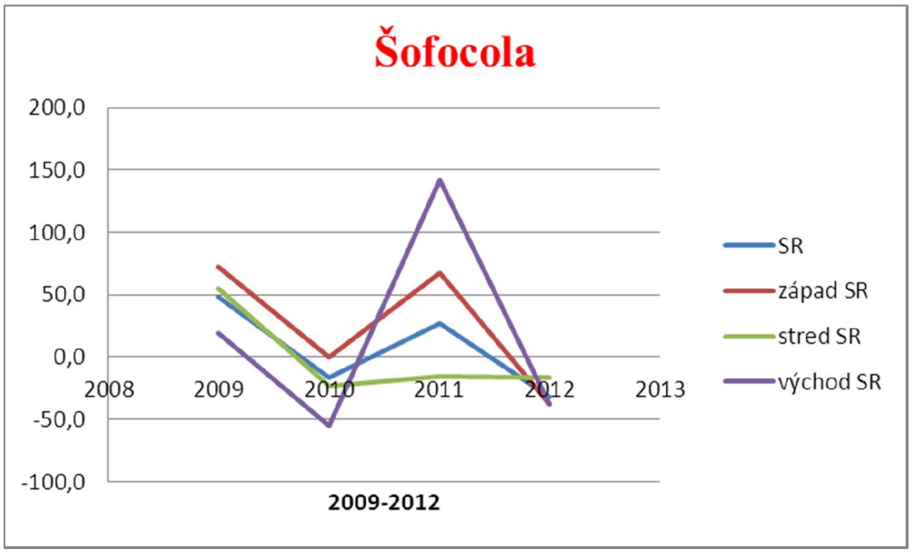
Fig. 2: Marketability of cheese products from 2008-2018 in unit



Source: own processing

In case of sale of cheese Apetito, which is marked by KZNR can be observed that since 2011, when the project was officially launched, there was a gradual increase in the number of units sold, except stores in the Central region.

Fig. 3: Marketability of Šofocola in different Slovak regions



Source: own processing

At Šofocola drinks can be monitored at the start of the campaign the increase of the marketability of the product, but gradually there was a reduction of sales. Šofokola is not competitive enough compared to Kofola. In the first quarter 2013, even marketability of Kofola increased by almost 214%. Kofola was found at the beginning of the 60th of 20th century in the Czech-Slovak pharmaceutical plant Galena during the research aimed at finding potential uses for excess caffeine, produced when roasting coffee. The result was a dark, sweet and sour syrup Kofo that has become an essential component of the new soft drink Kofola, which was launched in 1962.

Thus, the consumer perceives Kofola as a typical Czech-Slovak product as Kofola is on the market for several years, it has gained the trust of consumers over Šofocola, which despite labeling "Slovak product" does not reach such marketability as Kofola. Šofocola is a premium line of products manufactured under its own unique recipe. Drinks of this brand are characterized by its unique taste and aroma. They are specific Cole beverages whose taste recall Kofola. The numbers of merchantability may conclude that some products do not need to be labeled as Slovak for their marketability to be increasing constantly. It is sufficient when a costumer subconsciously perceives them as typical Slovak products and trust to the long-acting brand on the food market.

Conclusion

Despite efforts to prove the validity of the opinion that marketing communication causes an increased marketability of products our intention was not fully realized. The reason that we focused on food range and within it on four different commodities in, it was not possible to unambiguously confirm the presumed facts. While in cheese has been an increasing number of units sold under the impact of their advertising campaign, the increase of marketability of flavored waters Šofokola was only temporary.

With regard to these observations, it is needed to note that it is necessary to increasingly emphasize the consumer education towards a healthy lifestyle and also to favor regional products that bring multiplication effects in the form of increased employment, domestic production and its representation in the Slovak retail net. However, there is a significant role played by marketing and the ability to apply appropriate communication activities aimed at specific target audiences. There are some provisions in this area reported in Slovak practice, which results in a lower attractiveness of products of domestic production.

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