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## MARKETING STUDY IN THE COMPETITIVE POSITIONS OF DAIRY INDUSTRY ENTERPRISES

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The paper deals with topical issues in marketing analysis of the competitive positions of dairy industry enterprises. Marketing features have been defined for the dairy products market. The performance of PJSC Kupianskyi Milk Canning Plant (KMCP) has been analysed from the viewpoint of the product range, product quality, markets and sales channels. The competitive positions of the enterprise have been analysed for the national and regional markets. The key advantages of the enterprise have been identified, and recommendations are given for reinforcing the competitive positions of PJSC Kupianskyi Milk Canning Plant in the dairy products market.

**Keywords:** competitiveness, marketing analysis, dairy industry, enterprise, competitive position.

**Problem statement.** An enterprise's need to adapt to the environment and rival competition, on the one hand, and rapid ageing of market information, on the other hand, dictate the need to develop new approaches to appraising the competitiveness of an enterprise. The competitiveness of an enterprise means its aptitude to effective business performance and to securing profitability in a competitive market environment. This is especially topical for the dairy products market – a critical sector of the food security of the national economy.

**Review of recent studies and publications.** The theoretical foundations and competition principles were explored in the works of the following recognised economists: G. Azoyev, I. Ansoff, V. Grosul, P. Kotler, J. Schumpeter, M. Porter, R. Fatkhutdinova, A. Yudanova, M. Chorna, and others. The methodological premises of marketing analysis have been set forth in research by D. Shtefanych, O. Bratko, O. Diachun, N. Lahotska, R. Okrepkyi and others.

**Identifying earlier unresolved parts of the general problem.** Giving credit to the research of leading scientists, it is worth mentioning that, under current business conditions, further research is needed in essential issues in marketing analysis of

competitive positions of enterprises with account of their specific business activities.

**The purpose of the paper.** The focus of the paper is to substantiate the methodical approach to and the performance of marketing analysis of an enterprise's competitive positions in the dairy products market.

**Presentation of the core research material.** Marketing in the dairy industry has the following specific features:

- companies perform business activities on different markets, procure raw materials from private households and from large agricultural milk producers;
- the range of processed dairy products is wide and deep (fresh milk products; tinned milk products; butter, spreads, margarines; cheeses and cheese products etc.);
- the market is characterized by wide consumption segmentation;
- sales policy depends on the channel – for further processing (B2B) or for end use (B2C);
- pricing policy depends on the product life cycle stage and governmental regulation in the industry.

The abovementioned specifics influence the way dairy companies build their competitive strategy and policy. One of the key elements of strategic marketing is consumer's requirements buying power. The choice of the efficient marketing strategy in the competitive environment is directly influenced by the goals of the company, which depend on a number of factors. Among them a special role belongs to the market attractiveness and company competitiveness. Tactical marketing is a logical extension of the selected marketing strategy, since each of its elements is directed on the fulfilment of the set objectives, i.e. their effective implementation.

The main elements of the competitive policy of a dairy company are a complex of factors, which encourage efficient implementation of the global marketing strategy. Implementation of the competitive strategy in the food company management system may be based on the classical M. Porter's model [1]. In this case its performance must include preparation of the data, used at all the stages of the strategy implementation; planning and programming decisions to be made; actually execution of the decisions and control.

The specifics of this model are in the fact that the content of the above elements varies depending on the changeability level of environment where the company operates. Therewith, changes in the action plan provide for two options: the first – changes during the strategy implementation do not involve principal review of the final quality level, but only the introduction of other combinations in the functional subsystems; the other – providing the identified strategic aim may not be achieved, the programme is reviewed on the whole according to the new specific content.

The object of the research is dairy company PJSC Kupyansk Milk Canning Factory (PJSC KMCP), which manufactures products under the trademark of Zarechye [2]. High food value and unique biological properties of milk enable to use the majority of its components for food purposes. This gives an opportunity to form a wide dairy product range to meet various tastes and preferences of consumers. Each dairy company is interested in the variety and wide range of dairy products. This range provides an opportunity to meet the needs of different consumers with varied type goods, offering different prices. The product is the first and most important elements of the market-

ing mi on the dairy market. Products are united into groups by their purpose, processing level, shelf life and price. To make goods sell well on the market, they are to meet two requirements – have consumer properties and be competitive.

PJSC KMCP produces a wide range of traditional fresh and fermented dairy products, which includes over 35 SKUs, e.g. fresh milk, baked milk, kefir, fermented baked milk, pasteurized cream, butter, sour cream, yoghurts, long shelf life milk, cheese products. PJSC KMCP tinned milk products – sweetened condensed milk, whose product range includes 8 major SKUs, as well as condensed milk with natural coffee. The annual condensed milk production volume increases 8-10%, and nearly half is exported.

The tinned milk products of PJSC KMCP are generally recognized, well presented in retailers (especially in the eastern part of Ukraine), and are in high demand on foreign markets. The label is marked with the logotype of PJSC KMCP and Zarechye brand, the tin lid also bears the brand, which is 100% excludes falsification. Full cream sweetened condensed milk is a product certified in the UkrSEPRO system and in Kazakhstan.

Export has an important share in the volume of TM Zarechye sales. It is on average 52% of the total production. PJSC KMCP main markets of tinned dairy products include Kazakhstan (40%), Azerbaijan (10%), Armenia (8%), Georgia (7%), Algeria (5%), as well as Turkmenistan, Turkey, China, Tajikistan, Kyrgystan, Mongolia, Israel, UAE, Bulgaria, Moldova etc. (fig. 1).

PJSC KMCP sells about 4000 tons of these products in B2B. B2B factory customers that use condensed milk and butter provide a high score and appreciate their quality, considering them the basis of the quality production process for confectionary goods and ice cream. Company major customers are PJSC Craft Foods Ukraine, Trostyanets, PJC Biskvitna Fabryka, Kharkiv, PJSC AVK, Dnipropetrovsk, Malkom LLC, Kremenchug, Private Company Sental-Service, Kyiv, Private Company Lukas, Kremenchug and smaller regional confectionary production facilities.

As Private Label develops in the modern retail format, the factory offers a wide range of dairy products, which are of primary interest for this segment. Condensed milk, UHT milk, butter, and locally – fresh milk products for PL. For HoReCa and small confectionary facilities the company performs the five-in-one supplier model. The essence of the model is in the fact that one supplier provides a wide range of dairy products (industrially packed condensed milk, butter, milk powder products, cottage cheese, fermented milk products), manufactured on the same production site.

Seeing the rapid development of small businesses, and, in particular, small confectioneries both as independent producers and as departments of supermarkets, specialized enterprises, the industrially

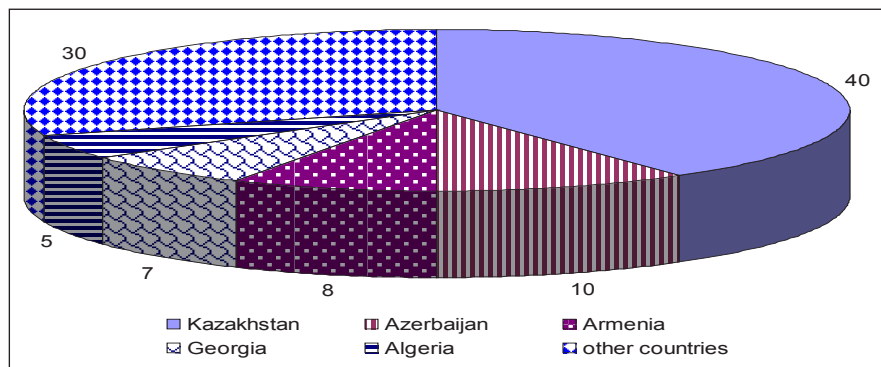


Fig. 1. Export structure of tinned dairy products of PJSC Kupyansk Milk Canning Factory

Source: developed by the authors based on data in [2]

large-packed condensed milk niche stayed opened. The factory began the production of condensed milk in the polymer packaging in the chubs of 4 kg and in Doy-Pack with the weight of 450 g. This way the consumers of this segment solved a number of problems: unavailability of returnable containers, the ability of procuring small volumes of condensed milk, no product remaining in the package, simplicity of used package disposal.

The quality leader is traditionally butter of TM Zarechye. The product range includes three SKUs: Selyanske butter, sweet cream butter, and Lyubitel'skoye butter. The butter growth rate is on average 115,2%. Some 27% of this product is exported and another 40% is sold in the B2B segment. Zarechye butter stands for stable, ensured quality; with no additives and preservatives; bright and attractive packaging. Besides, the company produces milk powder products: whole milk powder 25%, 26% fat content, skimmed milk powder, extra skimmed milk powder, whole milk powder substitute.

The company key accounts on the domestic fresh and long shelf life dairy market are distributors, which have gained reputation as reliable agents between the manufacturer and the end consumer. This operating mechanism, mutual understanding and cooperation enables to identify strengths and weaknesses of the marketing policy.

The main sales channels for the tinned products of PJSC KMCP include regional retail chains; international chains; national chains and large regional chains; food companies; traditional retail and organized outdoor markets. Currently PJSC KMCP cooperates with such national and local retail chains as ATB-Market, Intermarket, Fozzy Group, as well as with Metro Cash&Carry, «SPAR», Quiza Trade, Soyuz-Lider, Nash Krai, Klass, Rost, and Vostorg. The disadvantage in the promotion policy of PJSC KMCP products is unavailability of its branded retail chain, whose potential could be evaluated as high, since the company manufactures a wide product range of high quality goods and has its own brand that has had a positive image in the market.

Regarding the communication policy, PJSC KMCP actively participates in regional, national and international trade fairs. Presenting products at the quality contests and industrial tastings, the factory has won over 150 awards in tinned (dairy tinned, milk powder products), whole milk products, butter, and the production process awards (eco-friendly facilities, high production team professionalism).

The assessment of the company competitiveness is a complex multifactor task, which is in finding out the most significant competitiveness indicators. Most business competitiveness assessment methods are based on the application of different ratios for analyzing production activities, financial standing, investment effectiveness etc [2].

To assess the competitiveness of the company under consideration expert's assessment was used based on 3 competitive strengths analysis elements: the concept of company business activities; concept of 4Ps and M.Porter's model of five competitive forces. The procedure of PJSC KMCP analysis commenced with collecting information and market examination. At the second stage competitors

were singled out and all available information on their activities on the market was gathered. Then potential consumers' demands were studied. For the practical application and the simplicity of analysis according to each concept a quality 10-point scale was used, where the range conditions are limited by the best and the worst positions by specific criteria, respectively.

The main competitors of PJSC Kupyansk Milk Canning Factory on the regional market (TM Zarechye) are Romol (subdivision of Wimm-Bill-Dann Ukraine), and Zmiyivmoloko (TM Koropyvsky Hutir), and on the national level two national leaders – Unimilk Ukraine and Lactalis Ukraine were analyzed.

Upon the results of the performed assessment of business activities, it was found out that PJSC KMCP loses to PJSC Kharkiv Dairy Factory (trademark Romol), which is a part of Wimm-Bill-Dann, whose product range is much deeper and wider and loses to also both leaders of the national market in nearly all aspects. Special attention should be paid to improving the area of marketing and production process.

Upon the results of assessing the competitiveness of each of the 4P marketing mix it was found out that PJSC KMCP has quite a high competitiveness level, standard rating index is nearly 86%. However, it is 3,4% less than PJSC Kharkiv Dairy Factory, which is the main competitor on the regional market. PJSC KMCP has the advantage in product quality, the price level is somewhat lower, which determines higher value-for-money attractiveness for consumers. To strengthen competitive positions PJSC KMCP needs to expand its fresh milk product range, be more active in new product development. In addition, the products of PJSC Kharkiv Dairy Factory have better presence in the retail outlets. Its advantages also include the use and intensity of advertising, active promotions and other marketing activities. Thus, in order to reinforce competitive position on the regional market PJSC KMCP ought to develop a number of marketing activities to support its products on the market and promote demand.

On the national market the competitiveness of PJSC KMCP is considerably lower than that of the market leaders in nearly all marketing mix aspects. Undoubtable advantages of Unimilk Ukraine and Lactalis Ukraine are a wide and deep product range, the distribution policy under all the criteria that were under. At the final stage the study included the assessment of competitiveness of dairy companies on the local and national markets following M. Porter's concept. Thus, the analysis involved consideration of competition toughness among the existing companies; possible threats from potential players that are planning to enter the market; the forecast of substitute product impact, assessment of consumers' and suppliers' economic potential (table 1).

By the competitive strength on the regional level PJSC Kharkiv Dairy Factory has almost 100% leadership (table 1), and the standard rating index of PJSC KMCP is approximately 90%. The weakness of its position is determined by insufficient use of the potential to increase market share, gain price leadership, facilitate access to sales channels.

Table 1

## Consolidated results of full competitive force assessment of PJSC Kupyansk Milk Canning Factory

Company	Rating index by business activity concept	Rating index by 4Ps concept	Rating index by M. Porter's concept
Regional market			
PJSC KMCP	83,3	85,9	89,1
PJSC Kharkiv Dairy Factory	86,7	89,4	99,1
Zmiiyvmoloko	70,0	63,5	77,3
National market			
PJSC KMCP	63,3	67,1	76,4
Unimilk Ukraine	93,3	90,6	97,3
Lactalis Ukraine	91,7	85,9	94,5

Source: developed by the authors based on data in [2-7]

Much more attention is to be paid to the search of the ways of studying and meeting the needs of consumers, especially in the conditions of changes in the consumption patterns, increased price-sensitivity factor when purchasing foods. Some disadvantages in the work with suppliers, unavailability of integration with farmers and milk producers for the company sustainability and stable supply with high quality milk raw materials also weaken the competitiveness of PJSC KMCP on the regional market. Regarding the national market, the position of PJSC KMCP from the standpoint of the five force concept is the worst among the companies under consideration.

PJSC KMCP cedes to the leader of the regional market PJSC Kharkiv Dairy Factory in all aspects of assessment. Similar situation was found on the national market compared to Unimilk Ukraine and Lactalis Ukraine, which are not only national but also international leaders.

At the same time it was determined out that PJSC KMCP has certain advantages and the potential to strengthen its competitive positions not only on the regional market, but also to increase and reinforce them on the national level. The competitive advantages include high level of staff qualification, proximity to the raw materials, favourable geographical location, provision with power resources,

potentially strong regional market and an opportunity of further production diversification.

**Conclusions and proposals.** With account of the features of the commercial activities of dairy industry enterprises, the proposal is to perform marketing analysis of competitive positions by using the integrated approach. It is implemented by an expert appraisal based on the following analysis: business performance of PJSC KMCP, the 4 P's marketing concept, and M. Porter's competition model of five forces.

The research effort has established the need to increase the competitive level of the investigated enterprise on the regional and national levels. PJSC KMCP has been found to have distinct advantages and a potential of reinforcing its competitive positions. The beneficial advantages are as follows: a high level of qualification of the production workers, a suitable advanced production technology, and closeness to the raw materials base, an advantageous geographical location, an adequate level of energy supply, a potentially strong domestic regional market, and the capability of further production diversification. However, realising this potential will call for consistent efforts in developing and implementing a marketing competitive strategy built around continuously benchmarking market leaders and monitoring demand.

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## **МАРКЕТИНГОВЕ ДОСЛІДЖЕННЯ КОНКУРЕНТНИХ ПОЗИЦІЙ ПІДПРИЄМСТВ МОЛОЧНОЇ ПРОМИСЛОВОСТІ**

### **Анотація**

Стаття присвячена актуальним питанням маркетингового аналізу конкурентних позицій підприємств молокопереробної промисловості. Визначено особливості маркетингу на ринку молокопереробної продукції. Досліджено результати діяльності ПАТ «Куп'янський молочноконсервний комбінат» з позиції асортименту продукції, її якості, ринків та каналів збуту. Здійснено аналіз конкурентних позицій підприємства на національному та регіональному ринках. Виявлено основні переваги та надано рекомендації щодо зміцнення конкурентних позицій ПАТ «Куп'янський молочноконсервний комбінат» на ринку молокопереробної продукції.

**Ключові слова:** конкурентоспроможність, маркетинговий аналіз, молокопереробна промисловість, підприємство, конкурентна позиція.

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## **МАРКЕТИНГОВОЕ ИССЛЕДОВАНИЕ КОНКУРЕНТНЫХ ПОЗИЦИЙ ПРЕДПРИЯТИЙ МОЛОЧНОЙ ПРОМЫШЛЕННОСТИ**

### **Аннотация**

Статья посвящена актуальным вопросам маркетингового анализа конкурентных позиций предприятий молокоперерабатывающей промышленности. Определены особенности маркетинга на рынке молокоперерабатывающей продукции. Исследованы результаты деятельности ПАО «Купянский молочноконсервный комбинат» с позиции ассортимента продукции, ее качества, рынков и каналов сбыта. Осуществлен анализ конкурентных позиций предприятия на национальном и региональном рынках. Выявлены основные преимущества и даны рекомендации по укреплению конкурентных позиций ПАО «Купянский молочноконсервный комбинат» на рынке молокоперерабатывающей продукции.

**Ключевые слова:** конкурентоспособность, маркетинговий аналіз, молокоперерабатывающая промышленность, предприятие, конкурентная позиция.