

Др Бранко Михаиловић,  
Др Владана Хамовић,  
Мр Весна Параушић,  
*Институт за економику пољопривреде, Београд*

### MARKET RESEARCH IN THE FUNCTION OF DEVELOPMENT OF MARKETING ACTIVITIES OF MEAT PROCESSING COMPANIES<sup>1</sup>

#### *Abstract*

*For years companies in Serbia have functioned according to non-market principles. This led to a growing imbalance between domestic and market economies. In fact, in modern market economies, and especially in those which seek to build a market, there is a need for timely, adequate and integrated market information. That need caused the development of certain approaches and methods of market research in the function of helping the company managers to solve emerging problems in business for which they lack competences, knowledge and management skills. Accordingly, the aim of this research is to inform the employess in meat processing industry in Serbia about key elements necessary for effective management of marketing activities of the company. Check was carried out according to the procedure by which relevant scientific conclusions were reached – by researching data in the field, specifically, by collecting relevant data in companies in meat processing industry in Serbia. Desk research was also carried out with the aim to present certain methodology of market researches to companies in meat processing industry, since, as empirical research shows, marketing activities in most companies are poorly developed. Therefore, successful business of companies in meat processing industry in Serbia requires availability of timely information about changes in the environment, especially on the market, in order to reduce risk and uncertainty.*

**Key words:** *marketing, meat processing industry, placement, market share.*

#### **Introduction**

Market research is an organized, objective way of gainig certain knowledge about other people– those who buy the products and/or services of the companies,

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or they could do it in the future. Companies that are actually managed by the market recognize the need to be informed at any time about what is going on in the market. Customer needs are constantly changing, often in a way which is not easy to understand. In some companies none of significant strategic decisions are made without previous market research [1].

Market research sector is quite extensive and it is estimated that its total value is over 19 billion dollars worldwide, 7.058 million euros in Europe. *Table 1.* gives details of the costs of worldwide marketing. Defining the boundaries of marketing research is not easy. Ordinary conversations with customers at shows or during sales visits can provide valuable information about customer requirements, competitor activities and future happenings in this sector. It is impossible to sell people something what they do not want, as nothing could be easier than selling products that the customers demand. Market research provides information about products and the market, so effective market and business strategies can be developed.

**Table 1. The costs of marketing research worldwide**

Country	Total sales in U.S. \$ millions	Expenditure per capita in U.S. \$
United Kingdom	1.997	33,80
Sweden	273	30,82
France	1.580	26,40
USA	6.660	22,80
Switzerland	162	22,55
Germany	1.805	21,90
Finland	113	21,72
Norway	90	19,94
Denmark	106	19,89
Australia	383	19,60
Netherlands	305	18,97
New Zealand	70	18,11
Belgium	164	15,90
Canada	477	15,26
Ireland	59	15,06
Italy	581	10,11
Singapore	39	9,44
Japan	1.164	9,13
Hong Kong	62	8,83
Luxembourg	4	8,33

*Source: [6]*

Market research is not a “one off” activity. It must be carried out on a continuing basis and in moments of making important business decisions. Usually market research has to be done: (1) before starting a new business; (2) when introducing a new product

or service; (3) when an effort is made to maintain existing business. Innovative ideas and business „instincts“ are not sufficient when the success of a given product or service should be predicted.

In other words, one must know the following: Is there a need for this product? Who will be potential buyers of the product? Are there enough such buyers in the local market where the company plans to work? How will you find the buyers? Whether the competition meets all market needs? If so, what will be the company's offer different for? How much are these potential buyers willing to pay? Whether the costs of discovering new buyers would be higher than the profit?

Success that is achieved today is no guarantee of success in the future. Changes on the market, among the competition, changes of technology and attitudes among the buyers mean that one should not sleep on his own laurels. It must be constantly monitored if the products keep pace with these changes.

## **Materials and methods**

Check was carried out according to the procedure by which relevant scientific conclusions were reached – by researching data in the field, specifically, by collecting relevant data in companies in meat processing industry in Serbia.

Market research survey was conducted by using three techniques: (1) telephone survey, (2) direct interviews and (3) electronically.

Desk research was also carried out with the aim to present certain methodology of market researches to companies in meat processing industry, since, as empirical research shows, marketing activities in most companies are poorly developed.

## **Results and discussion**

*Share of the companies in domestic and international market and development of marketing activities.* Lack of competitiveness of domestic companies and exporters is the result of numerous factors, of which as the most important could be stated the following: insufficient inflow of foreign direct investments, long delay in completing the process of privatization, expensive bank loans – which all together make negative effect on productivity and investments, that are necessary for monitoring the technical, technological and marketing improvements in modern agriculture [2].

Companies that cover most of domestic market are the following 5 companies: „Topola“, „Juhor“, „Matijević“, „Carnex“, „Neoplanta“. Of 16 surveyed companies, 3 companies („Topola“, „Juhor“, „Matijević“) have large production capacities and high market share, while other companies have smaller production capacities and much lower percentage of domestic market coverage. The main channels of placement in domestic market are:

- (1) supermarkets (for companies: „Topola“, „Juhor“, „Zlatiborac“, „Agroživ“);
- (2) development of own distribution network („Imes“, „Matijević“, „Banat“) or
- (3) placement across the butcher. Most surveyed companies say that their market position is not affected by foreign competition.

Tariff protection (on average 30%) still secures protection to domestic producers of meat and meat products. Since the lowering of these tariffs in the next 6 years is expected within the SAA with the EU, big reconstruction of this sector is necessary in the future period (enlargement of production, meeting the standards of production), in order to increase the level of competitiveness of domestic producers (cheaper and higher quality products in terms of health and safety products).

Of all 16 surveyed companies only 4 are licensed to export pork and beef products to the EU market („Topola“, „Kolbis“, „Big Bull“, „Juhor“). Despite the license, the companies direct extremely small percentage of their placement to this market (France, Sweden and Switzerland are usually stated as export markets), and the highest proportion of products is directed towards the market of the countries in the region (Bosnia and Herzegovina, Macedonia, Montenegro) and the Russian market.

Even 9 companies or 56% of the total number of the companies direct placement of their products to the market of surrounding countries (Bosnia and Herzegovina, Macedonia, Montenegro). Placement only on the domestic market and lack of capacity to export are registered in 6 companies (or 37,5%).

Marketing activities in most companies are poorly developed. Exception are the following companies, which succeeded to develop some brand products from their assortment: IM „Topola“, „Juhor“, „Zlatiborac“, „Agrimes“. Most companies say that high costs of advertising ( television, billboards) and lack of funds limit their higher investments in marketing. In exchange for aggressive advertising campaigns that are missing, the companies are usually focused on the form of promotions through discounts, promoters, food tasting etc. in their own retail stores or in hypermarkets.

According to these results of empirical research, access and methods of market research are analyzed below, with the aim to affirm marketing logic in everyday business operations and in all business functions for companies in meat processing industry in Serbia.

*Approach and methods of market research.* In contemporary business conditions almost all management decisions are based on adequate and timely market information, which market research provides. Information obtained by market research help management decision makers to adapt to the market risk and simultaneously to achieve optimal business results. In other words, in market economy the company cannot ignore the results of market research.

What makes the market research necessary is the fact that the risk can never be completely eliminated from the system of market economy, however, by obtaining appropriate information the risk in business decisions becomes smaller, and in certain cases it is even eliminated.

One of the most effective ways of reducing the risk is market research, since most of the risk comes from changes in market conditions. The product of market research are information necessary for making the optimal decisions about tactics and strategy of the company.

Market research projects should serve as analytical-documentation and analytical-projection material for assessment of market propulsiveness of particular business venture. Consequently, the primary objectives of market research are: analysis of supply and demand in the domestic market, determining the assortment structure of consumption, consideration of foreign trade flows, identifying the main segments of

consumers, establishing distribution channels that are used, determining the possibility of placement.

Different types of market research are presented in *Table 2*. in the example of Great Britain. Primary place have personal interviews, followed by telephone interviews, consumer panels and focus groups, while online interviews have negligible contribution.

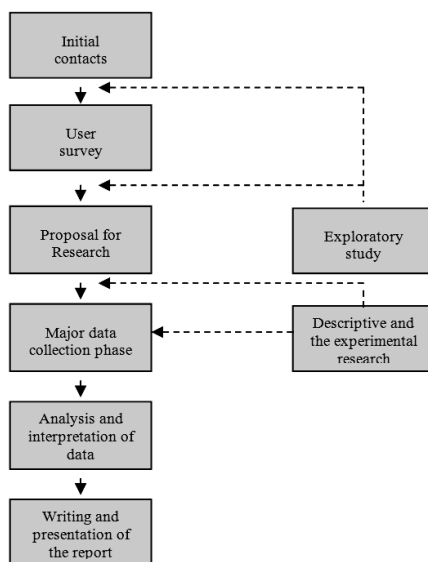
**Table 2. Different types of marketing research in Great Britain**

Type of marketing research	Share in total research
Personal interviews	26,9
Telephone interviews	22,0
Consumer panel	11,0
Focus groups	10,0
Interceptor tests	7,8
Questionnaires mailed	7,5
In-depth interviews	3,3
Mysterious paintings	3,2
Internet interviews	0,6

*Figure 1*. describes a typical process of market research. Each of the shown phases is considered in detail.

**Initial contact.** The process usually begins when the company finds out that it needs information to solve some marketing problem. Marketing management can contact internal staff responsible for marketing research or an external agency. Let us start from the assumption that the research requires help of market research agency. Meeting is arranged to consider the essence of the problem and the client's needs in relation to the research. The relationship between the manager of the client and the researcher is similar to the relationship between the lawyer and his client [3].

**Figure 1. Process of market research [1]**



**Guidelines for research.** During the meeting at which it is decided what will be the form of research, the client explains his marketing problem and presents the basic objectives of research. The client should deliver to the agency guidelines for research in written form. They can be delivered before the meeting, which may lead to their changes. However, in any case, guidelines should be communicated to the agency before it comes out with a proposal for research.

**Proposal for research.** Same as guidelines for research, the proposal should be in written form in order not to produce any misunderstandings. The client expects the following items to be included in the proposal: formulation of objectives, description of research project, time frame and costs. In assessing proposal, the client must be sure that the proposal is precisely presented, without obscure terms, and that it includes all the essential questions. Before the phase in which the main qualitative data are collected, exploratory research is conducted, which aims to carry out preliminary examination of research area. All or some of the activities of exploratory research can be involved in the project: secondary research, qualitative research (group discussions and in-depth interviews); observation.

**Phase of data collecting.** After exploratory research is conducted, the planning of procedures for major data collecting is carried out. This approach involves implementation of researches which aim is to describe beliefs, attitudes, affections and behaviour of the consumers. The research plan should be based on: the process of sampling; the method of sampling and questionnaire design. The process begins by defining the population – i.e. group which represents the subject of research in particular survey. The aim of survey is to provide results which are typical for that group. When choosing a method of survey four options are at their disposal: personal interviews, telephone interviews, mail survey and online survey. As for creating questionnaires, it is necessary to fulfill three conditions to get the right answer to the question: respondents must understand the question, they must be able to provide the requested information and must be willing to give them.

**Analysis and interpretation of data.** At this stage of marketing research computers are used, almost without exception, to perform quantitative analysis of data received by filling out questionnaires. Basic marketing analysis can be carried out by using software packages for analysis, such as SNAP and MARQUIS on PC.

**Writing and presentation of report.** In literature it is suggested that the main elements of the report are the following [4]: cover page, contents, introduction – presentation of agreed guidelines, objectives, scope and methods of research, brief overview of conclusions and recommendations, previous similar researches; how previous researches influenced this research, method of research, results of research, appendices. The report of conducted research should be written in a language that the reader will understand, avoiding jargon [5].

## Conclusion

Successful business of companies in meat processing industry in Serbia requires availability of appropriate information about changes in the environment, especially on the market, in order to reduce risk and uncertainty.

Market risk cannot be eliminated, but through market research it can be recognized and significantly reduced. Market research enables us to observe size and attractiveness of certain market segments and niches. Through these analyses it is possible to identify perspective areas and market niches, as well as to define the global trends of market restructuring of the company.

In such projects the research must be planned and structured, as the analysed approach shows.

Based on the know-how and information provided by market research, the market risk, which is constantly present, is reduced. Information about market trends help the companies to redefine existing markets, to recognize possibilities of their return into the lost markets, and also to estimate the attractiveness of gaining new ones. Consequently, market research enables the companies to effectively solve problems emerged from their business.

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