

## **MARKETING OF AGRICULTURAL PRODUCTS AND AN INNOVATIVE METHOD OF "BLUE OCEAN"**

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**Abstract.** In the article an attempt was made to consider the possibility of applying marketing methods to agricultural products. Marketing methods have been reviewed, starting with 4P and 4C methods, reaching to the „Blue Ocean” strategy. The specifics of the market of agricultural products was also described, indicating the difference between this market and industrial goods markets. Then the tools used in the „Blue Ocean” method were specified, bringing closer the notions, which for many people are still unknown. They introduce the concept of strategy canvas, Eliminate-Reduce-Raise-Create Grid or Buyer Utility Map. It turns out that the learned methods can and are used in traditional markets. The following sections describe the differences in the operation of enterprises as a function of their size and specialization. Studies show that the marketing of the agricultural products is underdeveloped because of the specific conditions of the agricultural market, which have resulted in long-established patterns of action. However, there is also a room in this market for a wider introduction of marketing principles. Analysis of the methods used in the Blue Ocean Strategy shows that these methods can also be applied in the marketing of agricultural products. On the basis of the observation made, it can be assumed that farm activities may become more effective if even the simplest analyses are carried out and decisions are made on their basis.

**Key words:** marketing of agricultural products, Blue Ocean strategy, 4P and 4C methods.

**JEL code:** M310, Q130.

### **Introduction**

The market for agricultural products is a market which functions differently to the known traditional markets. There are a number of regulations that do not encourage his release. (Blaik 1996). Farmers receive subsidies, but also production limits. How should marketing tools function in such a market?

The pioneering marketing principles introduced by Philip Kotler and developed in new concepts can be useful in conducting business in the agricultural products market.

In 2005, W. Chan Kim and Renee Mauborgne published their ground-breaking book „Blue Ocean Strategy” (Kim W.Ch., Mauborgne R., 2005). This book redefined the ways in which many companies operate, its tools and examples turned out to be not so easy to implement in a specific business environment. Searching for „Blue Oceans” is a process, its creation and maintenance also.

The aim of this article is to diagnose the possibilities of using marketing methods in relation to agricultural products, including 4P and 4C methods, as well as the "Blue Ocean" rules (Dussel 2009). The article also attempts to indicate answers to research questions: does the market for agricultural products give the possibility of introducing this concept? The article assumes that marketing activities can be used on the market of agricultural products taking into account the concept of "Blue Ocean". The market for agricultural products has been characterized on the basis of a literature review, and an expert interview was conducted with a representative of a consulting company.

### **Market for agricultural products**

The market of agricultural products is a specific and very complex market, and its functioning is based on a number of regulations resulting from European law. In addition, this is the reason why it cannot be seen in the same way as other more competitive markets (Ermer 2015). To this end,

market research has been narrowed down to the micro area without analysing the market at international and national level.

The agricultural holding considered in the research process as a specific type of enterprise was adopted as a unit (Garbarski, Rutkowski, Wrzosek, 2000) However, the farm is very different from a typical enterprise. Apart from business-related aspects, such as the multiplicity of jobs and the reliance on self-employment and family work to a large extent (Dietl J. 2018), the flexibility of an agricultural enterprise is very low. The production cycle is at least one season, and decisions on the choice of such rather than other types of agricultural production must often be taken annually in advance. As Dietl shows, farmers' decisions are not based on calculations, but often are made on the basis on impulses, examples of their own positive or negative experience.

The current conditions allow us to obtain information from many sources, in an almost instantaneous time. However, for the farmer's decision making this has a definitely limited impact (Kaden 2008). A farmer may refrain from buying or selling certain products by observing price of fluctuations in different markets. (Bejer, Rutkowski, 1995). However, once a decision has been made concerning, for example, the sowing of an area with a particular type of cereal, or the commencement of liquidation of a flock of a given species is already a process that is spread over time.

Competition is an integral part of a company's operations. Wojcik (Wojcik G., 2019) defines the term competitiveness as a competition in pursuit of similar goals. He says that in order for farmers to be able to compete successfully, they need to act at many levels. Wojcik lists here the following activities (Wojcik G., 2019), which should be carried out by a farmer:

- 1) Launch new products on the market;
- 2) Upgrade production techniques (technology);
- 3) Open up new markets;
- 4) Acquire new, alternative sources of income;
- 5) Rapidly react to changing market economy conditions;
- 6) Continuously improve their knowledge in the field of production and promotion agricultural products;
- 7) Implement quality standards in line with European requirements.

Wojcik believes that competitiveness means the ability to compete. Comparing with the concept of Kim's and Mauborgne's „Blue Ocean“, we can see clear differences in approach.

### **1. Classic marketing tools**

Among classic marketing tools, the most universal and common is the 4P Kotler method (Kotler P., 1994), however, this method does not take too much account of the customer's needs. Therefore, the 4C method has been introduced, which already takes a bit more elements into account to a greater extent. Below is a description of these commonly used methods, applying them to the agri-food industry.

**Product** – on the basis of market research, various focus meetings, product proposal are created, which should find buyers. At present, it is not enough to meet the needs of the market alone. They should be actively created and the so-called „suckling“ effect should be developed all the time, which causes the willingness to own a given product . On the B2B market /business to business/ this phenomenon does not occur on such a scale yet. This is where customer relations are more important. It may look similar on the agricultural market, where the holding may be treated as an enterprise. The acquisition of information on customer needs has moved to the Internet.

**Price** – Price is an element that is often used to gain a competitive advantage. In this day and age, when production takes place in countries with low production costs, a company wishing to gain a greater share of the market cake must bear this element in mind. On the other hand, the product is worth as much as the customer is able to pay for it. In industrial production, it is much more difficult to compare products and their parameters than in production for consumers. Therefore, price setting should be balanced so as not to lose income while at the same time maintaining adequate sales volumes. The agricultural sector is governed by other laws, on the one hand there are subsidies and on the other hand there are laws on supply and demand. Setting the right price is still a matter of regulating, introducing minimum or maximum prices. Dictatorship of recipients, e.g. collection points in a given area

**Place** – distribution is another element of the marketing jigsaw, the company should make a decision on how to sell its products. It can therefore sell itself, for example via an online shop, whether it will have a network of its own representatives and a sales office, or it will have sale sold intermediaries. Each of these sales methods has its advantages and disadvantages. For different products, it is possible to use different distribution channels. It should be noted that in the agricultural sector, distribution has another aspect – the need to ensure freshness of products or their good quality in the case of, for example, cereals or meat.

**Promotion** – on the B2B market is not as important as on the consumer market (Berkowitz E., 1994). Other channels of reaching customers are also used here, because these are different groups. If, in the case of B2C, television advertising or social media coverage may be the most effective. It is in the business market that only detailed information about product parameters, but also technical information, applied solutions, etc. is still important. That is why specialist press trade fairs and industry exhibitions are more appropriate ways of advertising. There is a noticeable increase in the position of the Internet, the use of both Facebook media and the ability to present technical solutions in the form of sheets with technical data. The agricultural sector benefits more than other fairs, exhibitions, because of the possibility of direct contact in such a traditional industry is very important.

A further development of the 4P method concept is the 4C method (Lauterborn R., 1990), in which more attention is paid to the customer, his needs and activities.

**Customer value** – instead of the product there is a value for the customer. This is important not only because the company owns and offers a product, but also because the product is important for the customer and represents the value of the customer. This can be considered an important change of understanding. Companies are looking for values that can be important for the customer. This means that the product or message has to be matched as values can be different for different groups. They must be recognized, created or guessed. And this is a task for the marketing department. What is then the value for recipient of agricultural products? This question must be answered by the agricultural entrepreneur himself. It will be important for the recipient of grain, intended for fodder or flour, it will be different for the owner of the restaurant, and it will be different for the recipient who buys products for his own needs.

**Cost** – instead of prices there is an accounting term. It doesn't matter how much the customer pays, but how much the product costs. The less, of course, the greater the profit for a company. This must not be done in such a way that the customer is convinced that he is buying cheaply or that the company is saving on it. It is again the task of marketing and appropriate construction of the message allowing for highlighting some elements and hiding others. It is also an element in ERRC grid of the

„Blue Ocean” concept, where the product is deprived of what is expensive and irrelevant for the majority of customers.

**Convenience** – means convenience in purchasing a product. The client cannot be condemned to a long and ineffective search. Waiting time cannot be counted in weeks, Today, days are important, and for some customers and products even hours. Specialized companies are able to deliver shipments from other end of Europe to the next day. This is an element that is gaining in importance in the current reality. On the shop shelves you can buy Italian herbs, which were collected the day before and delivered to the place.

**Communication** – instead of promotion we talk about communication with the customer. The company communicates with the customer through its one-way communication, but this does not exhaust and does not close the whole communication. Today, the manufacturer should listen to what the customer has to say. It must listen to the needs that can be isolated, without statistical significance, they can be today, and in the near future this ability may turn into a major competitive advantage.

## 2. The Blue Ocean concept

In their ground-breaking book „Blue Ocean Strategy”, Chan Kim and Rene Mauborgne (Kim W. Chan, Mauborgne R., 2010) prove that competitiveness is not only the parameter determining success, and it is much more important, according to the authors, to distinguish oneself from the competition. This distinction does not mean a „simple” differentiation, but an advantage based on new tools that make competition irrelevant.

The elements that make up the „Blue Ocean” tools are as follows.

- The Canvas of Strategy is an innovative tool to compare its activities with the competition, but also to introduce new aspects that the competition does not have and which allow it to stand out drastically from the others. It is important that the distinction is not limited to one element only, as the competition can then easily copy it. If they are, for example, three elements, then you can count on success (Fig. 1).

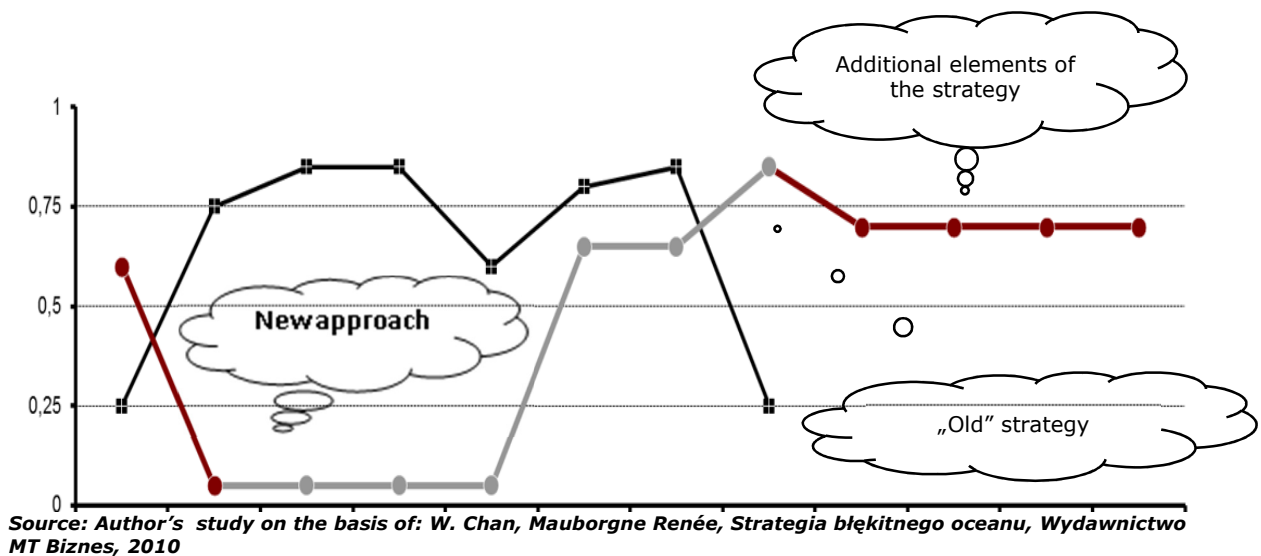
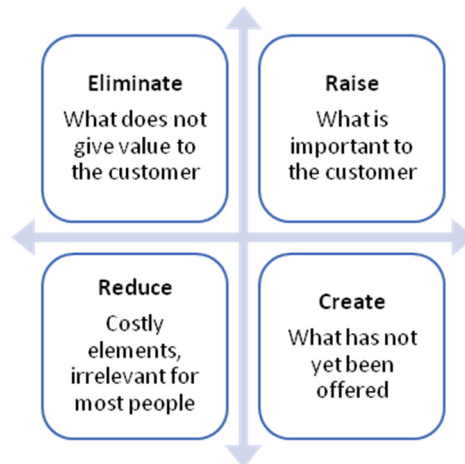


Fig. 1. Chart of the strategy canvas before and after the change

- The concept of non-customers, i.e. a group to which a product has not been directed so far, whether it is based on price or on assumptions that turned out not to be true. In „traditional” markets, such breakthrough was, for example the introduction of low-cost airlines, which

revolutionized the availability of a products such as flight. On the agricultural marked, before the introduction of subsidies, nobody would try to sell a tractor worth several hundred thousand zlotys to Polish farmers, while with the emergence of subsidies, the definition of customers for manufacturers of expensive agricultural machinery has changed.

- ERRC Grid is a tool for creating new values for the customer, communicating them in a different way or reducing producing costs. They can be tried and combined (Fig. 2).



Source: Kim W. Chan, Mauborgne Renée, *Strategia błękitnego oceanu*, Wydawnictwo MT Biznes, 2010

Fig. 1. ERRC Grid

- UVP – Unique Value proposition – are features of a product or service, which are to distinguish a given product from the products of competition. This raises the question of whether the UVP should matter to the customer. The practice of „traditional markets shows that it is much more important than the UVP issue to communicate and convince customers of the uniqueness of a given product. It turns out that it does not matter to the customer what is true, but what counts is habit, comfort and even reflexes. Categorization of customers and creation of market segments is characteristic of classical marketing. Here customers sometimes prefer to spend more to provide a product that meets their requirements in a very wide range; whether it’s user-friendliness, safety, savings, and ending with the brand and prestige that comes from using specific, more expensive product. In the „blue ocean” strategy however it is the UVP or rather several elements of it, that are important to distinguish oneself from the competition when one is able to offer the customer an innovative product that gives the customer certain value.
- The Buyer Utility Map - This is another very interesting tool that allows you to look at the whole complex purchasing process that occurs at the customer. The supplier’s task is to make the customer aware of the benefits that can occur not only in the use phase of the product, but also sooner and later.

Chan and Mauborgne have created a matrix in which six phases of the buyer experience cycle can be distinguished in terms of six levers of usability (Table 1)

The result is 36 areas where it is possible to act in order to gain competitive edge and differentiate oneself from the competition. There are not many companies that are able to cope efficiently with filling in the whole matrix, thanks to which they could influence the customer through various aspects and in each phase of the buyer’s experience cycle.

Table 1

**The buyer utility map**

		The Six Stages of Buyers Experience Cycle					
		Purchase	Delivery	Use	Supplements	Maintenance	Disposal
The Six Utility Levers	Customer Productivity						
	Simplicity						
	Convenience						
	Risk						
	Fun and Image						
	Environmental Friendliness						

Source: Kim W. Chan, Mauborgne Renée, *Strategia błękitnego oceanu, Wydawnictwo MT Biznes, 2010*

Six roads opening up new value-added and cost-oriented borders.

- Look at alternative industries instead of focusing on competitors.
- Look at strategic groups within your industry instead of focusing on your own competitive position.
- Look at the purchasing chain and redefine the purchasing groups in the industry instead of focusing on a better service to the current purchasing group.
- Look at a comprehensive solution sought by the buyer instead of focusing on maximizing the value of the product offer.
- Think about a new functional-emotional orientation of your industry instead of focusing on improving the price and efficiency of the offered solution.
- Participate in shaping external trends that fundamentally affect the industry instead of focusing on adapting to external trends.

**Research results and discussion**

Research show that the agricultural market for a single enterprise can vary considerable depending on the type of agricultural production, the size of the holding itself and, finally, the existing economic conditions (Dietl J., 2018).

In existing market for agricultural products, there is a dominant diktat of consumer who are trying to take advantage of their position. If there is competition in the intermediary segment, then the farmer has much greater opportunities No to be subject to the conditions offered by intermediaries and their position weakens. However, these are typically external conditions, which seemingly are beyond the farmer’s control. Analysing this situation through the prism of classical marketing, i.e. 4P, one can clearly see the leading role of price, and in marketing 4C costs. Price is a major concern for intermediaries and farmers who are prevented from selling elsewhere are subject to this pressure. (Market Research Analysis, 2018).

Is the classic approach to marketing able to influence the competitive position and, in general, take over the market position of the agricultural producer?

However, how can the tools provided by the Blue Ocean Strategy be used, is this possible for the agricultural industries at all?

Analysing these two questions we can state that in agricultural production there is as much room as possible for marketing activities.

If a single holding is to be considered as an enterprise, its competitive position must be analyzed. Define who is the recipient, to which customer the message should be directed and what it should be.

Large-scales producers, be they cattle, pigs, roots crops or cereals, do not have much scope for searching for customers. As a rule, these are specialized intermediary companies, processing plants,

mills, etc. for which the only determinant of the attractiveness of the product is its price. In addition, the goods must meet certain quality requirements. The situation may change in the case of crop failures, in theory farmers should be in a better position and be affected by price increases. In practice, the intermediary often overestimates selling prices to producers at slightly higher prices than under normal conditions. There are known practices of buying raw materials outside the country if prices in the country were to reduce the profit of intermediaries. To sum up, in the case of large-capacity farms, the scale effect counts for the farmer-producer, the more products of a given type he sells and the more of them he sells when the price is lower than the competition. The competitive market of the so-called "red ocean" is clearly visible here. Producers who have specialized in a particular production can only try to reduce costs by increasing the scale of specialization. For their audiences the issues of communication or value propositions do not matter.

A certain solution for them is to create their own intermediary links, functioning on the basis of cooperatives or companies. The acquisition of this position may constitute a significant change, *inter alia*, in obtaining a better bargaining position for a group of large agricultural producers.

Smaller producers, on the other hand, may seek to target their production in such a way as to find buyers directly. They can specialize in the production of unique products, difficult to access, rare, difficult to cultivate or breed, providing specific health benefits or in line with existing trends in bio and eco-food. There are farms producing, for example, selected beef varieties, where slaughter is carried out as stress-free as possible for the animals. Prices for such beef may reach ceilings not available for large scale products.

Another emerging trend that can be used by farms of different sizes is the production of lawns in rolls. Here, in principle, there is direct sales between the manufacturer and the contractor. On the one hand, the price aspect is very important, while on the other hand, the end user and consumer can look for a specific product that is specialized, disease-resistant and provides specific benefits.

The current fashion for bio and eco products, and even now it is more of a lifestyle than fashion allows to sell products that were grown without artificial fertilizers, pesticides, medicines, enriched feeds, etc., but also to sell products that have been grown without artificial fertilizers, pesticides medicines, etc. There are retail chains that only sell 'healthy food' and practically every retail chain offers 'healthy products'. This trend can be successfully exploited by manufacturers, provided that they are able to ensure the production of their products in a specific way, in compliance with the requirements set by the customers.

Smaller farms should focus on direct sales as far as possible, without intermediaries to whom there is virtually no non-price argument.

Here is a place to use marketing methods based on the principles of the Blue Ocean". Due to the smaller size of the farms, they therefore have more flexibility. Applying these methods in practice requires specific knowledge. However, its acquisition is not unattainable, the tools provided by the creators of the method are simple and understandable. It may be beneficial for farmers to create various types of "clusters", ensuring the exchange of experience, as well as the creation of groups allowing the use of synergy effects and strengthening the impact. There is also room for the creation of new specialized marketing departments in agricultural advisory centers. Expanding the activities to include consulting in the field of marketing activities would be an interesting point of opportunity for both parties to develop. The "Blue Ocean" tool presented by the authors can be used to increase farmers chances, improve their competitive position and increase the profitability of their operations. However, even "classic" marketing activities can bring about an improvement in performance. Any

action that requires an in-depth analysis, whether it is the customer's needs or the behaviour of the customer, can contribute to more informed decisions that will influence the specific actions taken on the farm

## Conclusion

The study assumed that the market for agricultural products is a market in which marketing activities can operate, taking into account new concepts such as the "Blue Ocean".

The analysis, reviews and observations allow us to state that the agricultural market is a market which, admittedly, functions on different principles. Existing regulations at the European level have an obvious and significant impact on the functioning of almost every agricultural holding. However, due to the fact that all operate under the same conditions, other factors may decide about success.

Depending on the volume of production and the degree of specialization of individual farms, the application of marketing rules has a greater or lesser effect. The more flexible the farm is, i.e. the smaller, the more varied it can apply the rules of classical marketing more effectively. For large specialized farms there are other opportunities for development. Applying the rules of the "Blue Ocean methodology, having an appropriate farm size, they are able to either deal with the issue of buying their own products or act in a cluster in such a way as to increase the profitability of their production.

Smaller farms can specialize in increasingly popular products such as eco and bio and focus on shortening distribution or direct sales channels. Another form may be own companies or sales cooperatives.

Conducting marketing activities must be preceded by detailed analyses. Their implementation, albeit related to effort and costs, makes it possible to make much more rational decisions concerning the direction of development, the type of crop or breeding, the degree of specialization or the level of prices. It can be stated that marketing activities have a positive impact on the efficiency of a particular agricultural holding.

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