

THE MARKETING PROBLEMS OF FOOD MARKETS IN GEORGIA

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In the presented article, the theoretical and practical aspects of food marketing are studied and analyzed. The food marketing advantages are identified and the tendencies in the sphere of food production in Georgia are evaluated. It is noted that Georgia, with its natural and climatic conditions, can produce environmentally friendly products in an amount that will almost entirely satisfy the home market demand, the part of it is possible to export. The State plays an important role in the development of the agricultural sector, but there is also the need to pay special attention to formation of the correct marketing strategies, in order to define the company's prospects for the development and provide the assessment of innovation potential.

Keywords: grocery market, food marketing, agribusiness, competitiveness, Georgia.

Fig.: 1. **Tbl.:** 1. **Bibl.:** 5.

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Мамуладзе Г. А. Маркетингові проблеми продовольчих ринків Грузії

У представленій статті вивчено та проаналізовано теоретичні та практичні аспекти продовольчого маркетингу. Виявлено переваги продовольчого маркетингу й оцінено тенденції, що існують у Грузії у сфері виробництва продовольства. Відзначено, що Грузія, виходячи зі своїх природно-кліматичних умов, може виробляти екологічний чисту продукцію в тій кількості, яка майже повністю задовольнить потреби внутрішнього ринку й, можливо, частину експортувати. На державу покладено значну роль у розвитку аграрного сектора, але при цьому необхідно особливу увагу приділити формуванню правильної маркетингової стратегії для того, щоб визначити перспективи розвитку компанії й оцінити її інноваційний потенціал.

Ключові слова: продовольчий ринок, продовольчий маркетинг, агробізнес, конкурентоспроможність, Грузія.

Рис.: 1. **Табл.:** 1. **Бібл.:** 5.

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Мамуладзе Г. А. Маркетинговые проблемы продовольственных рынков Грузии

В представленной статье изучены и проанализированы теоретические и практические аспекты продовольственного маркетинга. Выявлены преимущества продовольственного маркетинга и оценены тенденции, существующие в Грузии в сфере производства продовольствия. Отмечено, что Грузия, исходя из своих природно-климатических условий, может производить экологически чистую продукцию в том количестве, которое почти полностью удовлетворит потребности внутреннего рынка и, возможно, часть экспортировать. На государство возложена значительная роль в развитии аграрного сектора, но при этом необходимо особое внимание уделить формированию правильной маркетинговой стратегии с тем, чтобы определить перспективы развития компании и оценить её инновационный потенциал.

Ключевые слова: продовольственный рынок, продовольственный маркетинг, агробизнес, конкурентоспособность, Грузия.

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The main aim of food manufacturing companies in Georgia is to provide the population of the country with food products, and its achievement largely depends on the efficient organization of their production and sale. This issue is quite serious and is still a point of concern. The largest part of food products manufacturers either operate not at their full capacity or have ceased their operation at all. Due to this fact, the share of imported goods in the Georgian market largely exceeds the share of domestic products. It should be recognized that foreign products are quite popular and often more attractive for customers, though their quality is significantly lower than that of similar local ones. In Georgia it is possible to manufacture various types of products that can fully meet the requirements of the local market and be exported. Therefore, we need to create highly reputable companies-manufacturers of food products that will actively use modern marketing approaches, since they are one of the tools to gain advantages in a competitive market.

Although the issue under study is being widely discussed, we believe that its analysis is at the development stage, and it is still relevant. The *aim of the article* is to study and analyze marketing approaches to the current situation concerning food manufacturing companies and draw

the corresponding conclusions about the above mentioned problems.

Provision of the population of Georgia with food products largely depends on the right organization of their production and sale. In this regard in our country the situation is quite serious so far. The largest part of the manufacturing companies that are to supply food products at our request, either do not operate or operate not at their full capacity. The Georgian market is mainly occupied by imported goods while the share of domestic products is really small. Unfortunately, a popular product (a foreign one) is often more attractive for the customer, though its quality is significantly lower than that of the similar local product. It concerns various types of agricultural products (eggs, potatoes, cucumbers, tomatoes, etc.). It is also true for different kinds of fruit-flavored water, canned fruits and vegetables, as well as vegetable oils and animal fats, etc.

In recent years, food products manufactured in Georgia comprise an insignificant share in the local market. Today, the situation is not so promising in this respect. According to the data published by the National Statistics Office of Georgia, in the 2nd quarter of 2017, the largest share in Gross Domestic Product (GDP) belongs to industry (16.7%) and trade (15.2%). They are followed by agriculture and fisheries

(9.9%), transport and communications (9.8%), construction (9.4%), public administration (8.5 %), real estate activities (6.6%), health and social assistance (5.8%) (Fig. 1).

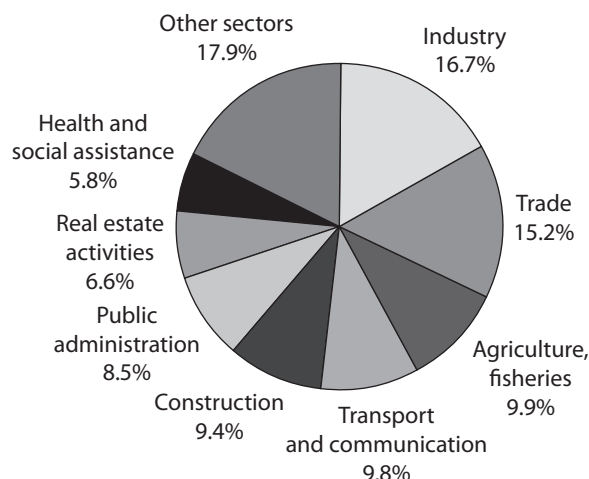


Fig. 1. Sectoral structure of gross domestic product in the 2nd quarter of 2017

If we compare the data on Gross Domestic Product for the 2nd quarter of 2017 with the indicator for the same period of 2016, it is clear that the real GDP growth was observed in the following sectors: construction (16.4%), hotel and restaurant business (12.9%), mining and quarrying (7.4%), real estate, lease, customer service (7.2%), transport (7.0%), financial activity (6.4%), communications (4.8%), public administration (4.5%). The decline is observed in agriculture, with a significant share of food products (-2.4%),

and the sector of electricity, gas and water production (-0.9%) (Tbl. 1).

If we look at the situation with production of food products in foreign countries, the picture is radically different. For example, in Kazakhstan, the volume of food production has grown by 8% by 2017¹. According to the data of the first 5 months of 2017, this figure increased by 8.3% compared to the same period of the previous year. This is the most important change in the last five years in terms of food production. The cost of the products manufactured in 2017 amounted to KZT 517.8 bln in January-May, which is by 1.8% higher than in the same period of the previous year. In the food industry structure, the companies engaged in fruit and vegetable processing, and canning operate more effectively. Their production increased by 24.3% in January – May, 2017 compared to the same period of 2016.

The reason for the decrease in agricultural production in Georgia is simple. Increasing imports gradually reduces the production of national products and local agricultural products are gradually losing their competitiveness. Various countries export their agricultural products (vegetables and fruits) that contain high concentration of nitrates, but in spite of the fact, consumers buy the commodities that are less expensive in price due to their low purchasing power.

It should also be noted that the manufacturing of food products has never actually been market-oriented in Georgia. The current equipment is ineffective and outdated to produce potentially profitable food products. The state plays an

¹ <http://www.agroinvestor.ru/markets/news/28154-v-rossii-rastut-proizvodstvo-i-prodazhi-produktov-pitaniya/>

Table 1

Real GDP growth for the corresponding period of the previous year (percent)

Economic activity type	II quarter 2016	II quarter 2017
Agriculture, Hunting and forestry; Fishing, fisheries	-1.1	-2.4
Mining industry	22.2	7.4
Manufacturing industry	9.5	1.0
Production and distribution of electricity, gas and water	0.4	-0.9
Production and product by the household	1.6	0.5
Construction	12.2	16.4
Trade: Repair of automobiles, household goods and personal belongings	-2.2	3.7
Hotels and restaurants	10.8	12.9
Transport	-4.1	7.0
Communications	0.6	4.8
Financial activity	9.4	6.4
Operations with real estate, lease and customer service	3.4	7.2
Conditional rent to use own home	3.5	3.6
State governance	4.5	4.5
Education	2.8	1.3
Healthcare and social assistance	0.2	1.2
Render other utilities, social and personal services	6.6	2.0
Home work and household activity related to the production of goods and services for their own use	9.5	9.6
Indirect assessment of financial services	9.8	5.7

important role in the development of the food sector, which is in formulating a good strategy involving the introduction of quality control in food processing production, creation of a competitive environment for primary production, assessment of the need for certification and regulation.

Marketing is an important element of successful realization of food products (as well as all manufactured products and services), both in the domestic and foreign markets. It is noteworthy that the manufacturing of food products and their successful realization requires new approaches to determining markets to sell Georgian goods. With consideration for the above mentioned, mastering modern marketing methods and techniques by all field managers and specialists is a necessary condition for the production and sale of food products in our agricultural practices, because one cannot perform successfully without knowing the market situation. A marketing specialist should be well acquainted with the issues of conjuncture, commodities, effectiveness, profit and management. In the business sphere he/she should have full economic information that the suppliers own. He/she should know the technology of manufacturing the product and keep track of its perfection. Thorough knowledge of the key issues by a seller makes it easier to understand a certain situations created in the market and carry out respective marketing activities. Many companies that have a necessary technological potential for manufacturing quality products cannot effectively operate in the market. It is partly caused by the fact that an enterprise does not have the right strategy that is focused on a specific target group of consumers, competitive advantages and existing opportunities.

In terms of quality-oriented and ecological production Georgia is able to satisfy the domestic market requirements, as well as become a food exporter. The companies "GG&MW" (Georgian Glass & Mineral Water) and "Big" can be considered very serious manufacturers. In the Georgian mineral water market the major share is occupied by "GG&MW". This company's management is working successfully, first of all, due to its effective marketing. At present, Borjomi, with its packaging and prices acceptable for the market, is not its largest part and that is why the company's marketing department should do more work to overcome the problems. Here marketing management implies management of demand, mineral water bottling, and measures on expanding exports, a number of activities that need to be developed, and whose purpose is the increase of the volume of mineral water bottling, development of packaging and design improvements, which will allow increasing the export potential.

A company's success in the market is based on its competitive advantage and rationality, that is, ability to think and act more quickly and effectively than competitors, so it is necessary that the manufacturer provide a better supply of goods to consumers than the competitor. Managers should work in this direction and carry out analysis of the company's activity in the market using all methods of market research to find answers to the questions of what explains the competitiveness of other goods, in what form the purchase of goods happens, etc. As a result, it determines

the success of the key issues, factors, which are the basis for achieving the competitive advantage of the company. It is necessary to work out a specific plan of actions and consider strategic issues, such as strategies of new product development; pricing policy; sales and distribution policy, etc.

In recent years, the level of competition has increased in Georgia, as foreign companies often come to the country to compete in the local market with companies producing similar goods and services. The low trade tariffs, organized transport systems and high quality modern technologies make it easy for new competitors to enter the Georgian market. Under conditions of globalization and increasing competition, competitive advantage is becoming more and more important for modern companies.

The price issue, which is part of a marketing program, is very important because the correct price policy significantly affects competitiveness and, at the same time, is a sales risk guarantee. All goods have their own consumer but products of the same quality and of the same price category can be offered to us by different companies simultaneously. If a buyer is a connoisseur of the product, on entering the store he/she predominantly focuses on the price. But the price may not be crucial if it is the same for the same goods. The information about the quality, of course, remains unknown for the purchaser of this product. Thus, these are two components, which mostly affect the consumer's decision to buy a particular product.

Quality, its high level and constant improvement is a significant factor in improving the competitiveness of goods and increasing the profit. It should be noted that in determining the quality, needs of a person, his/her material and spiritual wellbeing is important. That's why everything – food, clothes, apartments, books and so on, should fully meet the highest demand. It is important to remember that quality is multi-dimensional. It is impossible to assess the quality of all goods by certain methods. For example, there is no tool to measure tea flavor. It is necessary to use experts and tasters. This is an expert method. This assessment is based on the intuition, taste, or collective experience of the expert. However, the greatest experts are consumers, whose needs vary according to different marks.

Georgian companies are thinking less of product packaging, their main objectives are to produce cheaper products at a minimal cost and sell them. High quality Georgian products are often not paid attention by consumers, because the packaging doesn't look as attractive as that of imported ones, but in many cases the quality of local products is better because they are made of natural raw materials. According to various studies, in about 80 % of cases the purchasers' choice of the unknown product is influenced by the packaging. When the consumer comes to the store, it should attract to the product visually, and the decision on what product to buy is usually made based on the quality of the packaging, especially when there is a great choice of competitive products. For example, the success of the "Kula" company in the market to some extent is caused by the fact that 40% of the "Kula" product cost is the packaging. The company advertises either a new product or an existing one in the case of re-branding. And new labels

and packaging materials are selected. 65% of its products are exported to the United States, Germany, Israel and the Post-Soviet countries². Thus, it is necessary to meet all the market criteria in terms of product packaging.

A company's success in the market also largely depends on its promotional activities, the annual expenditure on which in the world at present exceeds USD 4 bln. In Georgia, the activities of this type are in the process of formation. Food products are mostly offered by small and medium-sized companies. For this reason, it is difficult to find information about their work. Their customers are only a narrow circle of relatives, friends and acquaintances and someone just heard that somewhere there is excellent pastry at favorable prices and a wide range of specialized grocery stores. The quality and type of goods or services that are offered to the public and stimulate the demand is an indicator of the advertising effectiveness, though an advertising strategy works well as long as the goods look attractive for consumers. However, in development of a marketing strategy the quality of goods is still of top priority.

Boosting the role of promotional activities, it is necessary to pay special attention to improvement of planning and organization, since the current stage of the innovative approach to advertising is almost impossible without the efficient functioning of the market and increasing of the competitiveness level. Any stimulating event gives the desired result only when it is preceded by one of the mandatory conditions – a thorough study of consumer demand and identification of the competitors' possibilities.

CONCLUSIONS

Consequently, in order to maintain their position in the market and gain competitive advantage, manufacturers of food products should pay attention to some theoretical issues and the following recommendations:

- ✦ a necessary condition for successful realization of a food product is that all managers and specialists of the company should master modern marketing methods and techniques, since it cannot be successful without knowledge of the market situation;
- ✦ food products realization is influenced by many factors, among which the most important one is price, which is the key to the marketing program, because an effective pricing policy has a positive influence on the competitiveness and at the same time is the commercial risk guarantee. Quality is another important factor that influences realization of products, but, compared to the price, the information about the quality, of course, remains unknown prior to the purchase of this product. Thus, these two components affect the consumer's decision to buy a particular product most of all.
- ✦ Georgian companies do not think of the product packaging, their main objective is to manufacture products at a minimal cost and sell them. Georgian products may not have a visual form as striking

² <http://commersant.ge/>

as that of imported ones due to their packaging, but in many cases their quality is better, because they are made of natural raw materials. However, customers mostly decide which product to buy paying attention, first of all, to how it is packed. That is why product packaging is important, and it should meet all the market criteria;

- ✦ the company's success largely depends on the market as well as on its promotional activity that is in the process of formation in Georgia. The current stage of the innovative approach to advertising is almost impossible without the efficient functioning of the market and increasing of the level of the company's competitiveness;
- ✦ market success is determined by competitive advantage. This requires that a special attention should be paid to marketing strategies. For this purpose it is necessary to conduct a strategic marketing analysis, determine the company's prospects for the development and marketing of innovative potential. To do this, managers should work out a specific plan of actions and consider strategic issues, such as strategies of new product development; pricing policy; sales and distribution policy, etc.

Finally, food products manufacturers should always think about getting the maximum from the consumer using marketing and what they need to do this. Therefore, they should think about what value is to be created for consumers to simplify their life and make it more comfortable by the products provided by them. Every company should be aware that good relations with each customer are the most important asset in achieving long-term results. ■

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