

# Modern marketing in the business practice – the source of competitive advantage in the global market

## *Moderný marketing v činnosti podniku – zdroj konkurenčnej výhody na globálnom trhu*

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**Abstract:** The goal of the paper is to identify opportunities following from the use of theory of modern marketing in the business practice in terms to reach competitiveness in the global food market. The paper analyses in details the competitive advantages related to individual marketing tools as well as using some up-to-date marketing tactics with the goal to attract a customer. In addition to the most effective use of marketing tools, we define the role of marketing in the global market space and distinguish the local, regional and global extend of marketing activities.

**Key words:** marketing, market, competitive advantage, opportunity, customer, expansion

**Abstrakt:** Cieľom príspevku je identifikovať príležitosti vyplývajúce z uplatenia teórie moderného marketingu v praxi podniku v záujme dosiahnutia konkurencieschopnosti na globálnom trhu potravín. Príspevok detailne analyzuje konkurenčné výhody, viazané na jednotlivé nástroje marketingového mixu ako aj používanie niektorých taktík moderného marketingu v záujme zaujať zákazníka. Okrem snahy charakterizovať, ako čo najefektívnejšie využiť jednotlivé marketingové nástroje, definuje tiež úlohu marketingu v globálnom trhovom priestore a rozlišujeme medzi lokálnym, regionálnym a globálnym rozsahom uskutočňovania marketingových aktivít.

**Kľúčové slová:** marketing, trh, konkurenčná výhoda, príležitosť, zákazník, expanzia

## INTRODUCTION

The goal of a seller is to satisfy the customer's needs and to reach a competitive advantage against other participants of economic competition. A competitive advantage could be described as extraordinary resources or an extraordinary way how to use resources or some other specific activities that provide the advantage against competitors. The source of competitive advantage is in better satisfying customers or overcoming competitors or combination of both sources (Lesáková 2001). The final goal of competitive advantage is to reach the above average profit. The competitive advantage aims at establishing profitable and sustainable market position. Many authors consider marketing as a means how to increase effective relations between a company on one side and market on the other side (Horáková 2003, Kotler 1998, Kretter 2000). Marketing as a philosophy how to do business means creating the offer according to the exist demand from qualitative and quantitative point of view. Using marketing concept supposes also the offer of new solutions that create possibilities for alternative ways of satisfying need and

redefine markets and ways of future needs (Deshpandé 1999).

Accession of the Slovak Republic to the EU is a great challenge for the business sphere as well as its inhabitants. More than 80% of Slovak export is oriented at the markets of present enlarged Europe. Free foreign trade exchange brings the positive effects for the whole economy. The priority of the agrarian and food conception for the future period is supposed to be the efficient, progressive and competitive agriculture and food-processing industry producing healthy food of high quality and effective use of potential natural and human resources (Šimo 2003). Several authors (Bielik 2004; Pokrivčák, Bielik 2001; Podolák 2001; Horská 2002; Ubrežiová 2003) devote attention to the evaluation of present level of competitiveness of companies operating in the agro-food complex and identification of areas of the perspective growth. Slovak economy is at present an open economy with small internal market. For this reason, the Slovak economic efficiency and mostly the efficiency of agro-business sector is sensitive to the outside environment, it means to the global trends in the world economy and development in the European economic space.

## MATERIAL AND METHODS

The goal of the paper is to identify opportunities how to use progressive marketing methods in terms to gain competitive advantage against competitors and to reach competitive market position. We are following from the analysis of marketing management practice in the set of 30 agro-food enterprises within the period of years 2000–2004 based on the managed interview with representatives of the top management. In the paper, we also devote attention to the present development of external environment both from the local and global point of view as well as the quantitative and qualitative shift at the food market. We used the methods of analysis, synthesis and comparison of theoretical issues (Lesáková 2001; Čichovský 2002) with results of our research.

## RESULTS AND DISCUSSION

In the context with decision making processes on the top business management level, we can use strategic marketing (Horáková 2003) where searching for competitive advantage accounts to key points for marketing strategy formulation. Čichovský (2002) has used the term “marketing of competitiveness” that accounts to rational and theoretically approved strategies and tactics that are used by individual producers in terms to ensure market possibilities in a global market environment in conditions of active marketing wars with competitors in certain branch, function, time and space. Tichá (2001) states that the process of globalization increases competitiveness, creates new opportunities to use unique sources as knowledge at different markets is. Business ability to create wealth will be based on the abilities and skills of human resources.

Kita (2000) describes the changes that marketing management has to reflect in its decisions and emphasizes the shift from the goal oriented marketing to the time oriented one. Strategic marketing management of agro-business has the goal to use its potential not only for existence but also for further expansion and development. Besides the disposable resources, there is a great task for human factor that is expressed in the resolution to achieve successful position in the competitive environment, in a systematic approach, complex, market oriented activities and effective marketing programs with a feature of quality, perfection, respecting conditions of integrated markets. The systematic approach to identify opportunities and threats of current market position supposes to analyze factors of external environment in different scale depending on internal resources availability, their effective use and external factors influence. There is a task for business management to solve and eliminate the impact of threats identified both in local environment, as well as regional and global environment.

Strategic marketing management is a fundamental factor of strategic business management where a business

success depends on sustainable target market position. It defines:

- the product form and purpose that will be used for,
- the target market,
- the appropriate strategy and tactics (Bielik et al. 2003).

Marketing strategy follows from the mission and business goals, respecting results of situation analysis. Marketing tools (product, price, place, promotion) create supply that the company tries to place in the market. The company position and its development are influenced with certain factors that are in the stage of development:

- present situation in the branch, positional target of the company, character of target market,
- business results and position development of competitive companies (including new players in a market and producer substitutions),
- new situation in the branch, changes on target market,
- modification of the position targets of the company.

Development is also observed at each of five competitive powers of the Porter model (Kotler 1998). The company is able to influence market, both the quantitative and qualitative structure of competitive powers. The expressive marketing communication targeted sales promotion, change in brand image, new etiquette or price is able to change the power structure in the branch. In the structure of information tools, we emphasize the position of market research and benchmarking. Marketing research provides information on situation at the market and analyses the consumer behavior and consumer preferences.

### Creating the competitive advantage

A customer is willing to buy a product because of its value for him. The term “value” is a relative one because sometimes it accounts for a real value and sometime only for the “perceived value.” There are at least 2 factors influencing the way of consumer behavior at the food market:

- to save the money and effort to decrease the expenditure for food,
- price is not of the greatest importance – there are other factors of greater importance, as the convenience of food buying, the effort to eat a healthy food, life styles and social motives.

The reasons mentioned above are classified based on the strategies of competitiveness (cost leadership, strategy of differentiation, targeting) (Kotler 1998).

In the text below, we describe the competitive advantages related to different attributes of marketing mix as follow:

- competitive advantages related to price
- competitive advantages related to quality and image
- competitive advantages related to a packing
- competitive advantages related to distribution mix
- competitive advantages related to communication mix.

#### *Competitive advantages related to price*

- *Penetration price* used mainly in consumer goods and food.
- *Action prices* account short-term advantage for customer. Reaction of customers is high in the category of food products what leads to the household stock creation and less demand for competitive products, not only during the price action, but also after that.
- *Price and luxury* mean an adequate high price for luxurious products because a low price leads to doubts on quality.
- *Price and new products* – this situation could be solved by two ways. On one hand, the high technological level of a product is a reason for higher price. On the other hand, a low introductory price is a really great reason to buy.
- *Payment conditions* in which we could combine the price discount, quantitative discounts, sales promotion, etc.

#### *Competitive advantages related to quality and image*

- *ISO certificate* as the highest certified level of quality. Awards and prize from the official institutions, at the food fairs, etc, provide another advantage.
- *A hand made products* (sweets, bakery, ornaments, decorative products).
- *A product and name of producer* means a relation between producer image and product quality.
- *Product and country of origin* means a relation between the country image and product quality. It is of great importance for the global customer who distinguishes among different products based on own experience, positive references and public opinion.
- *Product and producer tradition* are connected for example with regional products.
- *Product and product brand* means that the product and also producer are both on high qualitative level. There is a question of brand management leading to image building.
- *Product, durability, reliability* also influence the customer satisfaction.
- *Product and its ecological features* point at the harmony with global sustainable development and environmental protection.
- *Product and services*. Services as an additional value connected with a product are valuable from the long-term point of view.

#### *Competitive advantages related to packing*

- *Packing as a product protection* and supposition for better manipulation and storing
- *Packing for secondary use*
- *Packing as a factor of luxury*
- *Packing as a communication tool* (sales promotion, information).

#### *Competitive advantages related to distribution mix*

- *Availability of product* that means “just in time” delivery. Hron (2001) includes this factor into the model “Big 6” that sets 6 principles for managerial systems

(Just in Time, Management by Fact, Business Process Re-engineering, Learning Organization, Total Quality Management, Theory of Constraints).

- *Payment and delivery conditions*.
- *Merchandising as the communication tool* on sales point, attraction of the sales point.

#### *Competitive advantages related to communication mix*

- *Communication message*.
- *Sales promotion and immediate benefit*.
- *Public opinion* that is created by the each activity which connects the firm and its customers.
- *Integrated communication* through the all-existing channels. Also marketing research is included in the integrated communication because the communication accounts the bilateral flow of information.

### **Some aspects of modern marketing in the business practice**

New competitiveness does not account only products offered to customers but also the value added in terms of services, advertisement, customer services, finance, payment and delivery terms and all other factors that are valuable for customers.

We can mention here the category management, branch management, quality management, experience marketing, event marketing, life style marketing, etc. as it is shown in the Figure 1.

Integration processes and globalization trends create new possibilities for enterprises. On the other side, these phenomena impose new demands in terms of flexibility and ability to respond to changes. New economy alters the ways of “doing business” in the market. Globalization is defined as the qualitative changes in the world economy enabled by the development in the information, communication and computer technologies (Wild et al. 2000). Multinational companies are doing business in the whole world and the country of origin is becoming of less importance. Interdependence of national economies is still deeper and includes different aspect of economic, political and social life. The integration process within the European region is characterized by processes of enlargement of the existing economic union with the effect of trade creation as well as trade diversion depending on the business position of the country in the trade agreements.

Consequences of the globalization processes have different forms. On one side, they create labour opportunities, re-allocation of production centers towards to the geographical regions with cheaper inputs. On the other side, globalization has been creating the unification of consumption, culture and thinking. In the process of liberalization, there are winners on the side of bigger players with the great economic power. In despite of the globalization process, there has been developing the process of regionalisation and enlargement of regional economic integration unions. Following from

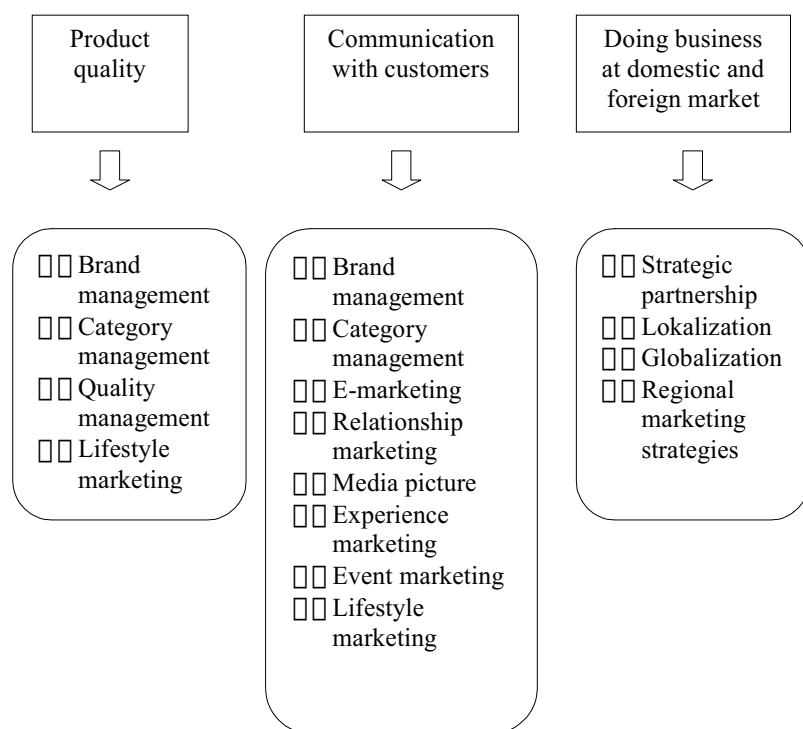


Figure 1. Modern marketing in the business practice

the analysis of all trends accruing in the world, we can state the marketing strategy could use combination of three different approaches as localization versus adaptation, globalization versus standardization and regionalisation are.

## CONCLUSION

Marketing, trade and enterprising tend to the creative business development in competitive conditions of market economy, long-term sustainable and successful market position and sustainable flows of capital. Decisions on marketing strategy suppose the knowledge of the marketing principles, searching conditions in external marketing environment and taking into consideration the most appropriate way how to use business resources. Marketing action has to be a flexible reaction to the actual situation in the market.

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