

CHALLENGES FOR IMPROVING MARKETING ON LATVIAN FARMS

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Abstract. *Marketing plays an important role in realizing goods and services, yet consumers' opinions and suggestions for improving cooperation are not usually searched on agricultural farms. The problem is also observed on the farm Birzes, located in Kurzeme region and dealing with the production of agricultural products and the provision of services. Despite the fact it is one of the leading farms by the area of cultivated land and turnover in the district, until now Birzes has not had a detailed study of marketing opportunities for production and sales promoting for recognizing the farm. Taking into account the afore-mentioned, the aim of the research is to investigate the specifics of marketing activities of farms and evaluate the current situation on the farm Birzes. Analysis of literature, statistical data and internal documents are combined with the primary data gathering method – interviews with suppliers of clients of Birzes and content analysis. The research results show that personal contacts play a very important role in rural farms' marketing, at the same time customers propose to start using different information transfer channels, especially the communication possibilities offered by the Internet.*

Keywords: *agricultural farm, marketing communication, rural areas.*

Introduction

Agriculture is one of the most ancient sectors of the national economy. It is the major user of land, provider of food and one of the major employers in rural areas as well as the main element in maintaining the quality and conservation of the environment. In Latvia's agriculture, the role of two major sectors is becoming stronger with every year – cereal production and milk production. (Ministry of Agriculture, 2018.) Although slightly decreasing in numbers, agricultural holdings still play a considerable role in the economy and for promoting the production, marketing measures have to be realised on farms.

Consumers are accustomed to learn information about a product or service of interest in a quick and easy manner, and businesses have to be where their client is. This trend applies both in the world in general, and here - in Latvia.

This is evidenced by the latest TNS data – 45 % of Latvia's residents agree with the statement “When I look for information I use the Internet “(Kantar TNS, 2016).

Farms' most characteristic marketing communications in Latvia are not extensively studied, therefore, taking into account the above-mentioned, the aim

of the work is to investigate the specifics of marketing activities of farms and evaluate the current situation on the farm “Birzes”. The authors of the work have raised the following research question: What are the specifics of marketing activities by farms? The research study uses a mixed research strategy, including the primary data acquisition method (11 structured interviews with suppliers, partners and customers of the farm Birzes) as well secondary data analysis methods such as the theoretical study method, as well as the external and internal environment IFE, EFE, VRIO model. The research period is from 2013 to 2017.

Marketing Activities on Farms – Theoretical Concepts

A farm is a specific individual company producing agricultural products, the main means of production using land. Each farm differs in terms of available land area, activities and goals. (Dobele et al., 1999) One of the basic prerequisites for increasing the competitiveness of domestic agriculture is organizing production and marketing on family farms. (Nedanov & Žutinić, 2015) Based on the literature review performed, the authors of the work have summarised the most characteristic functions of farms.

Table 1 **Functions of Agricultural Farms** (summarised based on Dobele et al., 1999)

Feature	Characteristics
Food Production	Agricultural farm produces and supplies necessary raw materials for the industrial sector
Employer	Large part of Latvian employees are employed in agriculture and agricultural processing
Large and stable customer of industrial products and consumer	All machines, vehicles, equipment, building materials are manufactured by industry The costs of agricultural production are formed by fuel, fertilizer, spare parts, plant remedies - it means that agriculture stimulates the development of many other sectors
Cultural and rural landscape	The rural cultural environment and the landscape are built up with agricultural enterprise management and culture The common countryside is in close proximity interactions among the cultivated areas, forests, uncultivated areas, farmstead improvement, greenery and roads Clogged fences create a clean environment
Latvian people – lives, consciousness and moral upbringing	Historically, we cannot deny the importance of farming in establishing and strengthening the people's cultural life Guarding people's virtues and traditions are survived thanks to agriculture Farm is a peculiar demographic social cell of society - especially today, when the question of self-preservation of people is topical

The performance of enterprises is influenced by their marketing activities.

Theorists define marketing differently. One of the founders of marketing theory Philip Kotler (2006) notes that the marketing definitions can be divided into management and social ones. Based on social definitions, Kotler points out marketing is a social process in which groups and individuals acquire what they need and what they want. Based on the management's definition - marketing is a selling art. A contradictory marketing management definition is provided by the theorist of the management Peter Drucker (1973), who believes that the purpose of marketing is to create a situation in which there is no sale required.

To find out the particularities of farms' marketing, the authors have developed a table (see table 2).

Table 2 **Marketing on Farms** (based on Jončiks et al., 2013, Adanacioglu, 2017, Tudisca et al., 2015, Barnard et al., 2016)

Output Type	Advantages	Disadvantages	Questions
Farmers' Market	Opportunity to emerge in society Direct contact with the customer No products to be delivered on a regular basis and to a certain extent	Transportation costs A vendor is required Pay for a trade place	Which market is the most suitable? How do I attract customers for your trading venue all year long?
Shop on the farm the opportunity to harvest themselves	No transport or another extra expenditure Fresh products Ability to harvest gives yourself the opportunity of contact directly with buyer	Do the necessary trading point and employee (or rely on the customer honesty The landlord is responsible for insurance etc.	Where and how to set up a farm store and how much it will cost? Are there enough surroundings? Are there customers?
Local community supplies (for example, an order baskets)	Previously known what should be produced and what will be possible income Direct contact with the buyer	Need for order processing and packaging There is no guarantee that every buyer's favourite products will be available	How to prepack and deliver your product? What is the minimum amount delivered?
Online shop	A wide range of potential range of customers Not required store rooms Opportunities to expand business	Organize your product supply Need to order and to have the trading system on the Internet No direct contact with the buyer	Who will create and maintain the home page and how much will you pay?

Direct sales of such retailers as: restaurants, supermarkets, special food stores authorities, e.g. schools, hospitals	The farmer receives a wholesale price; Can be avoided order sorting / packaging; Easy to find out the final consumer reaction	An important thing may turn out to be good product appearance A pretty long time relationships with a sufficient number of retailers Sales volumes can be small It must be permanent supply A frequently set minimum delivery volume	How to secure the supply to restaurants whose requirements may vary and previously unpredictable?
Direct sales of such wholesalers as: farmer cooperatives wholesalers / distributors supermarket suppliers processing plants	Most likely sales volumes will be larger Marketing predominantly engaged themselves wholesalers	Transportation costs The farmer may not have many opportunities to influence the price; An important thing may turn out to be good product appearance A frequently set minimum	

The research performed in Turkey shows that owners of medium-sized farms are more interested in direct marketing. (Adanacioglu, 2017) Also a study in Romania proves that many farmers today adopt direct sales as an entrepreneurial strategy in order to achieve a competitive advantage. (Tudisca et al., 2015) Direct sales on farms is one of the most popular and characteristic sales promotion activities. Direct sales on farms mean that a farmer supplies products or services to customers without intermediaries. Selling this kind of product or service provides a closer contact with customers, allowing them to understand their desires and needs, as well as responding quickly to changing customer priorities. (Czubala, 2001) Direct sales play an important role in farm marketing communication, since the seller is in direct contact with the client and is able to apply communication according to the wishes of the client so that they are satisfied. For many farms, setting up and holding long-term customer relationship is one of the main goals of marketing. (Barnard et al., 2016), however, business executives can no longer afford to ignore modern consumer habits.

The number of shoppers who use websites and search programs to compare the product is growing. Competition on the Internet is beginning to grow, but

those companies that still need to survive must create the presence of their company on the Internet. (Gaile-Sarkane & Sceulov, 2010)

To provide more focused analysis, the next chapter will summarise the marketing opportunities and challenges for the farms in Latvia.

Marketing Opportunities and Challenges for Farms in Latvia

Marketing opportunities and challenges for farms in Latvia are analysed, based on the sample of Birzes, registered in 1992, with a total land area of 1698 ha (large part of it is the property of the owners), of which 1537 ha is land used in agriculture. There are 34 employees on Birzes and the farm has been ranked as the 79th largest farm in Latvia in 2016. Taking into account the afore-mentioned, the aspects related to the farm are important for other farms in Latvia as well.

The possibilities of improving the marketing activities of Birzes, 11 structured interviews with farm suppliers, customers and co-operation partners were conducted in order to clarify the information channels used for learning about Birzes, as well as the preferred communication channels to make it easier for consumers to find the information on the offered products and services.

The interviews did not offer specific answers, but the interviewees provided a comparative analysis of similar replies that could be categorized. The main results of the interviews are presented in Table 3.

Table 3 **The most significant results of interviews with suppliers and customers/ cooperation partners of Birzes** (source: Interview results, 2017)

No.	Question	Suppliers' opinion (answers)	Client / co-partner opinion (answers)
1	How did you get started with Birzes?	Databases (3x) Birzes found us (4x)	Article in the newspaper (1x) Personal contact (2x) Birzes found us (1x)
2	How would you describe the current co-operation with Birzes?	Very good (3x) Outstanding (1x) Great (1x) Stable (2x)	Satisfactory (1x) Positive (1x) Complex (2x)
3	What are the facilitating factors of co-operation?	Humanity (3x) Communication (3x) Honesty (1x) Loyalty (1x) Mutual trust (2x) Economic growth (1x)	Meeting (1x) Communication (3x) Need (1x) Competitive commodity prices (1x)

4	What are the fostering factors of co-operation?	There are no fostering factors (3x) Neighbouring Bank (1x) Economic growth (1x) Competitor (1x) Restricted service options (1x)	Need (1x) Low-quality work force (1x) Grain prices (1x) Communication (1x)
5	What would be possible improvements in cooperation?	Buy another technique (2x) Open accounts in more banks (1x) Frequently communication (1x) No improvements are required (3x)	Grain yield rise (2x) Purchase wall (1x) No need for improvement (1x)
6	What are the main differences of Birzes from other farms?	Positive attitude (1x) Management model (2x) Technical park (2x) Wide action profile (1x) No freelance accounting (1x)	Wide action profile (2x) Management model (1x) No difference (1) Communication with control (2x) Attitude to work (1x)
7	Would you prefer to receive information in a different way format in comparison with the current one?	No (5x) Yes (2x)	No (4x)
8	How do you learn about Birzes products and offered services?	Phone (2x) Email (2x) In a conversation with management (5x) The information is not actual (1x) Homepage (1x)	In a conversation with Birzes management (3x) Calling (1x)
9	What would be desirable information transfer channels for the Birzes offered products?	Word-to-mouth information (1x) Email (2x) SMS (1x) Social Networks (1x) Website (5x) Business card (1x) Swedbank Business Network (1x) Seminars (1x)	Website (3x) Satisfied info so far with the type of receipt (1x) Sponsorship (1x)

The interview results prove that personal contacts still play a very important role for farms. For example, the owner of the farm organizes regular meetings to tell the news about the farm, the future development plans and the plans to be implemented. Birzes management representatives often visit different seminars, conferences, courses where suppliers and co-operation partners also take part. It is also an opportunity to distribute information about the current events on the farm.

The partners are satisfied with the cooperation, however, they also stress the necessity to introduce more interactive tools of communication, the web-site being one of the main ones.

Taking into account the busy schedules of agricultural farms' management, the authors have summarised the main advantages and challenges of farms in owning a website.

Following the overall global trends, it will be of utmost importance for agricultural farms to start using websites. At the same time the personal contacts will still remain to be an essential part of Latvian farms' production promotion.

Conclusions

1. A classical marketing mix remains to be taken into account when forming marketing activities, and one of the main tools provided by farmers on rural farms for selling their production is direct sale.
2. The reputation of farms is mostly made up of people's feedback about the services it provides or products it sells - most often the success is the result of "word-to-mouth" information. Mutual communication, understanding and trust have been success factors for the past.
3. Meeting one of the representatives of the farm management is one of the most common ways to find information on the products and services. At the same time, suppliers, customers and co-operation partners consider the necessity to receive more information by the communication possibilities offered by the Internet.
4. There are both advantages and challenges for agricultural farms for promoting their production via the Internet, yet advantages do exceed the challenges and resources have to be allocated for promoting goods and services online.

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