

MARKETING STRATEGIES OF BOTTLED WATER PRODUCING COMPANIES: THE CASE OF KOSOVO

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Abstract

One of the main functions within a company is the marketing area and as it is of the utmost importance and relevance of having an already established and well functioning department of marketing within the company, which would implement proper, just-in-time and a step-ahead of competition marketing strategies. Such an established and well functioning marketing department could potentially result in the company getting a better positioning in the market, will increase the company's market share and satisfy customer needs, wants and meet their demands. Thus, creation and implementation a successful marketing strategy in business is very crucial, especially when we deal with a business such as water production, still or sparkling. The purpose of the research is to analyze the implementation of marketing strategies by Kosovo producers of water and to provide clear recommendations for companies that do not use marketing strategies.

During the research we have found that water producers do not even have an already established marketing department, have not employed any marketing personal, nor they have a qualified sales person representing the company. According to our research of the existing water producing companies in Kosovo, only few of these companies, and in particular two out of ten have invested and established an already functioning marketing department, while others are planning to do so in the near future. One of the reasons we found out that they want to do that is for the purpose of imitating competition but not because they want a marketing department or personnel because it is believed as a core function of their activity. As a result most water producing companies invest and strategize more on production than on sales and/or marketing. The main tool they use to fight competition seems to remain the pricing strategy, which can be very beneficial for consumers in the short run, but might be harmful in

the long run if some companies might not be able to survive and as such in the long run the those that are left as water producers can compensate for the losses in the short run, by increasing the prices later on – and effectively becoming an oligopoly market structure. The other method that the water producers use, apart from the price competition, is product proliferation and differentiation, as well as product development.

However, there should be continuous insistence of manufacturing companies to advance marketing department, creating a special unit of market research and consumer care, as this paper argues.

In Kosovo there are 15 companies producing bottled water and our research was focused on 2/3 of companies which are the biggest producers of bottled water. The data for this research was collected through questionnaires in 10 water manufacturing companies. Methods used for research can be classified as descriptive, comparative, analytical, and the method of synthesis. The research instrument was a questionnaire while the technique was direct communication. The research was conducted between September and December 2012.

Keywords: Marketing, Strategy, Bottled water producers, Product, Customer, Competitive advantage, Imitation

Introduction

Bottled water production in Kosovo has become very popular after 1999, after the time when internationals came to Kosovo and brought with them new habits on drinking water. Before that, only an unimportant percentage of people used to drink still water in bottles. Mainly it was a habit of paying for drinking sparkling water or getting the water for drinking purposes from the main supply from city companies producing water for drinking. Since there was no tradition producing still water, it was imported from abroad and this was seen as a good opportunity from local companies to produce still water and supply the market on an increasing demand for this type of water, in order to substitute large amounts of imports and create very fast a part of market share that was dominated by international companies.

Today, there are several small and medium size companies that are producing goods and replacing imports, but only few of them are exporting into the markets of regional countries (mainly in Albania and Macedonia) and Western European market. But, there is still a lack of consistency in production, lack of knowledge on marketing and especially on marketing strategies. Water producers in Kosovo are concentrated more on producing goods by leaving on the side customers, tempting to produce qualitative goods which will bring new

customers and opening the window for export of goods into the region and beyond in the near future. There is still a mentality in the local business and water producers that the owner of company knows everything about business and he/she could manage with operations, accounting, marketing and other staff regarding, in an attempt to cover the company's overall duties and responsibilities. There is still a gap between the owners and managers which then reflects to the businesses by losing the opportunity for growth or foreseeing risks from external environment and socio-economic problems.

Whatever the goal of company is, each company should keep in mind that without a profit there is no meaning of existing in the market or in the business except in the cases that market is tighten up. If there is a profit, then chances for growth and expansion are high. Company should formulate proper strategies for their organization that will make them profitable. Effective strategies are those ways that help the company to achieve goals set by managers and stakeholders.

“Strategy is linked with the effective usage of development potentials and results of an organization that reacts to adopt itself to the environmental changes”⁷. Each company should consider opportunities and threats coming from external environment and using as better as they could their internal strengths and reducing internal weaknesses.

Water producers in Kosovo have very good chances for growth and expansion, since there is an increasing demand on buying still water rather than sparkling water, but also they can capture market share from continues imports of produced and bottled still water. Today's Kosovo customer has a chance to choose between domestic production and imported goods. There is no more the feeling of economic patriotism. Customers are oriented towards the quality and the value they could get from the same or similar products, when they decide to buy. Water producing companies in Kosovo should try to strategize on this.

Literature review

Kotler and Armstrong (2012)⁸, defines the marketing as follows: *“Marketing is social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and value with others”*.

Philip Kotler and Kevin Lane Keller in their book *Marketing Management* (2012)⁹ have emphasized the importance of marketing for the 21st century, saying *“The first decade of the 21st century challenged firms to prosper financially and even survive in the face of an unforgiving economic environment. Marketing is playing a key role in addressing those*

⁷ Elmazi Liljana (Billa), *Strategjia Marketing*, Kumi, Tiranë, Albania, 2010, page 14

⁸ Kotler. Ph & Keller K. *Marketing Management*, 14th E., Prentice Hall, New Jersey, USA,2012, page.5

⁹ Ibid, page.3

challenges. Finance, operations, accounting, and other business functions won't really matter without sufficient demand for products and services so the firm can make a profit. In other words, there must be a top line for there to be a bottom line. Thus financial success often depends on marketing ability".

Ljiljana Elmazi in her book *Marketing Strategy* (2010)¹⁰ states that *"to be successful, every organization requires effective planning and a marketing strategy in order to achieve its goals and objectives and to satisfy customers. Successful organizations engage marketing strategic planning process to utilize their powers in order to provide goods and services that satisfy consumer needs and desires "(2010). Below, emphasizing the importance of the strategy, the author states, "The strategy is about effective use of the potential for development and the results of an organization that responds to adapt to environmental changes." (2010)¹¹*

Andrew Whalley, in the book *Strategic Marketing* (2010)¹² states that the process of strategic planning can be defined as: *"the process of planning a number of determinants that guide and direct the managers of an enterprise to achieve the desired long-term market position within a target market "*.

Richard Wilson & Colin Gilligan, *Strategic Marketing Management* (2005)¹³, state that: *"In practice, of course, differ in how organizations give managers freedom in creating and implementing strategies. Party organizations entitle managers to create and implement marketing strategies in the so-called bottom-up planning. And other organizations insist that they are involved in creating and implementing strategies in practice, top-down planning".*

Nataša Renko, in her book *marketing strategies* (2005)¹⁴, states: *"In modern business there is a need to establish a strategic approach to marketing as well as marketing approach in the strategy to create a marketing strategy, linking strategy marketing territories, in order to establish and marketing oriented strategy based on key marketing concepts".*

Methodology

The object of the research was to identify and assess marketing strategies of ten largest water producers in Kosovo. Initially a questionnaire based survey was prepared and

¹⁰ Elmazi L.(Billa), *Strategjia Marketing*, Kumi, Tiranë, Albania, 2010, page 33

¹¹ Ibid, page 14

¹² Whalley A., *Strategic Marketing*, Andrew Whalley & Ventus Publishing ApS, BookBoon, London 2010, quoting Luck, Ferrell& Lucas 1989 and Boyd &Walker1990, page 52

¹³ Wilson R.& Gilligan C., *Strategic Marketing Management*, third edition, Elsevier, London, UK, 2005, page 364

¹⁴ Renko, Nataša. *Strategije Marketinga*, Naklada Ljevak, Zagreb, Croatia, 2005, page 11

the results of which were analyzed in this research. Some of the most important questions are also part of this paper. Main methods which are used in this paper are the descriptive method, the method of comparing companies, analyses method, and the synthesis method.

In Kosovo there are 15 companies producing bottled water and our research was focused on 2/3 of companies which are the biggest producers of bottled water. The size of companies, based on number of employees is medium and large companies, employing 20-50 employers. Survey questionnaire was used as the main research instrument, consisted on 7 questions made to 10 companies, while direct contact with company management was made at the beginning of the research. The survey was conducted between September and December 2012.

Delimitations: In this study are not included sparkling water producers.

Hypothesis

- H0- Some of the water producers in Kosovo are implementing marketing strategies based on strategic planning.
- H1- Some of water producers in Kosovo are implementing marketing strategies as an imitation of competition, following market leaders.

Results

First question made to water producers was about existence or not of marketing department as a separate function within their companies and the results, as shown in the Table 1 below, are that only two out of ten companies do have a marketing department while others declared they have sales department or have a marketing person responsible for marketing and sales.

Table1. Do you have marketing department?

a) Yes	2
b) No	8
Total	10

On our question who decides about the marketing strategy within the company, only two companies (those that have marketing department) declared that decision makers are marketing managers; three companies declared finance manager is also responsible for marketing and sales, while 50% of them or five companies, declared that the owner of the company is responsible for decisions about overall strategy of company but not necessarily the marketing strategy on its own. This is shown in the table 2, below.

Table2. Who decides about marketing strategy in your company?

a) Marketing manager	2
b) Finance manager	3
c) The owner	5

Total	10
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Following the question to define in what they base their strategy on, shown in the table 3 below, three companies base their marketing strategy on the company's strategic plan, six companies follow competitor's strategy – thus imitating the competition which does not bring any new ideas or innovation to the business. Another company follows annual plans, which means they design plans on annual basis without a long or mid-term strategy.

Table3. Your marketing strategy is based on?

a) Company strategic plan	3
b) Following strategy of competitors	6
c) Company annual plans	1
Total	10

Six out of ten companies declared they increased their market share in 2011, two companies did not increase market share and declared they are in the same position they have been in the previous year, while two other companies are not sure they increased or not because they do not have data about overall market size. This is shown in table 4, below.

Table4. Did you increase your market share last year?

a) Yes	6
b) No	2
c) I am not sure	2
Total	10

On another important question whether the water producing companies introduced new products into the market last year (2011) (new products include also modification of existing products), two of the companies questioned have introduced new products by adding new sizes of packaging into the market, four companies did not introduced any product and four other companies are in a process of launching new products, adding different flavor to the water – market proliferation. This is shown in the table 5, below.

Table5. Did you introduce new product in the market last year?

a) Yes	2
b) No	4
c) In a process of launching	4
Total	10

On a next question about developing new markets, even eight companies have developed neighboring markets, four companies have developed markets into the EU countries and one company entered the market out of EU, in United Arab Emirates, exporting their water.

Table6. Which foreign markets you developed?

a) Neighboring countries	8
b) EU countries	4
c) Others	1
Total	13¹⁵

Last question given to companies was about identifying diversification strategy applied by water producers, if there was any such strategy. One company declared they entered in a business which is out of the main core business – they have entered in production of cheese, seven companies did not enter in any business out of their main core business and two companies intend to enter into new businesses, but they did not want to share that information with us about the nature of business they wanted to enter into. This is shown in a table 7, below.

Table7. Did you entered in a business out of your main business and into new markets?

a) Yes	1
b) No	7
c) We intend	2
Total	10

Discussion

Water producer companies in Kosovo are still lacking the sense of a proper marketing strategy and based on that, lacking the long term objectives and strategic planning. Companies that have marketing department on their organizational structure, and have the sense to produce toward the market needs and wants, are in a very good way to find the best strategy for growth. Most of these companies are currently or are in a stage of launching products or in the stage of growth and expansion, and finding the best strategy for their growth is more than important. “*Marketing strategy is the process by which organization links itself with the market which wants to serve*”¹⁶. Marketing strategy should help all companies interested to grow their business by making sure that their business and production activities are related to market needs. This argument justifies the ‘Hypotheses 0’ that only few companies (in our study only two), base their marketing strategy on strategic planning and both companies have department of marketing as separate function within their organizational structure, referring to answers on question number one and question number three above in this paper. Other companies base their strategy on what their competitors,

¹⁵ Same companies entered into different markets, e.g. one company could enter neighboring countries market and at the same time it developed markets in EU countries and out of EU

¹⁶ Fifield Paul. *Strategic Marketing, The difference between marketing and markets*, Elsevier, Oxford, UK, 2007, page.16

leaders in the market do and follow them – in a way they imitate the competition, or they follow a ‘Champion’ or ‘Model the way’ in a Leadership competition structure.

This contributes to our ‘Hypotheses 1’, referring to the answers got on questions one and question three listed above. Water producers, part of this study paper, have increased their market share, but none of them provided data on what they base their answer. This can be explained as these companies were reluctant to share such data and information with the study because they feared imitation from competitors, and as such they would lose their market competitive advantage.

We consider that companies did a good job on “refreshing” market with new products, improving/modifying existing products and differentiating products for different customers, such the replacement of plastic PVC packaging to glass bottles and making different sizes available, from 500 ml. to 250 ml. for hotels and restaurants. Some of the water producing companies was quick in market responses in order to meet new demands and tastes. Kosovo water producers also succeeded to develop foreign markets targeting mainly neighboring countries markets, eight of them did so, and few of them were also targeting some European Union countries’ market. One producer was also exporting water to the United Arab Emirates. The toughest strategy to be implemented based on product/markets strategy is diversification strategy which is being implemented by a producer which introduced completely new and different product, cheese, and is selling not only into the Kosovo market but also in the region.

There can be done much more regarding the marketing strategy employed by the water producers in Kosovo. But the good sign is that, during the discussion with companies that are part of this study, they are aware of the role of marketing and changes they should do to succeed and grow into the market. In the near future, they promised to establish department of marketing on their organization scheme.

Conclusion and recommendations

Water producers in Kosovo should improve their strategies if they are aiming to survive in a very competitive environment. This is a very competitive market because the easy of entry into this market makes it so. One company wanting to set up a business in the industry can easily do so with needing much financial capital to start off. Apart from having good marketing strategies, for these companies it is necessary to expand the business by expanding into new markets and introducing new or modified products, as well as responding quickly to market needs and consumer taste changes. Therefore, we would propose these recommendations for bottled water producers in Kosovo:

- Establishment of marketing department on large companies while employing a marketing manager in medium size companies.
- Companies should base their marketing strategy on mid- and long-term strategic plan and not rely on imitating market leaders and other competition within rivalry among them, as this might be too late for getting the benefits of first mover advantages and gaining a competitive advantage.
- Companies should attempt to identify market needs and wants and try to fulfill those needs and wants;
- Companies should delegate the responsibility to marketing managers and give them a freedom on decision making;
- Companies should avoid expanding their business through trying to export and leave the domestic market without fulfilling market demand;
- Companies must always conduct market analyses for identifying main competitors in the market and knowing what do they offer to customers;
- Companies should continuously modify their products toward the market needs by adding flavors to the water as customers demand;
- Companies should attempt to benefit from horizontal and vertical integration strategy as much as it is possible in an attempt to lowering their costs of production, by gaining from economies of scale.

The main duty to other researchers of this field will remain to analyze sales data of these producers and do a detailed research on potential demand in the market, as well as find out what are the market shares of each producer. Such data we believe would help these companies in analyzing what they should improve in their company products. Based on this, these companies then would be able to produce not what they can produce, but what are market needs and benefits as well as the values they will deliver to the market with the main aim, to be a step ahead of their main competitors.

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