

# **THE IMPORTANCE OF MARKETING IN HELPING COMPANIES WITH THEIR GROWTH STRATEGIES: THE CASE OF FOOD INDUSTRY IN KOSOVO**

*Ejup Fejza, Mr.Sc., PhD Candidate*

*Alban Asllani, MSc, PhD Candidate*

Business and Management Department, Universum College, Kosovo

---

## **Abstract**

Marketing is one of the main departments within an organization and its duty is to identify customer needs and wants and to produce or modify products in attempt to respond to market demand. Often it is found that the marketing department will work with the management in order to meet the market demand, create new markets and in many cases satisfy consumers' wants. It can be considered as the bridge between satisfying consumers and the management in attempt to create profit for the company. The main purpose of the research is to analyze the growth strategies of food producers in Kosovo and to provide clear recommendations for companies in developing their products, penetrate or develop new markets or niches.

During the research the paper finds that most of the producers we have analyzed have not yet developed nor established a marketing department, and in many case most of them are missing a marketing or sales personnel. According to our data, only 45% of companies, (thirteen out of thirty, part of this study), have an established marketing department or have hired someone to work as head of marketing. This is a sign that food producers still do not see marketing as core function in their activities. They think more about productivity than sales and marketing. We find that the behavior of most companies is geared towards productivity and not so much towards marketing. Of course productivity is important, but marketing can help in increasing the sales, which could directly result to additional productivity needs.

We also find out that there seems to be little courage in entering and exploring new markets; investing in offering new products to the market; or improving the design and quality of the products; and/or adding value to the existing products. Their growth strategies in terms of the above are still undeveloped. Therefore, there should be continuous insistence of

manufacturing companies to advance marketing department, creating a special unit of market research that will help them to develop new markets and new products and make their company profitable by taking a larger market share and benefiting from diversification and proliferation. The data for research was collected through a questionnaire in thirty food manufacturing companies. Methods used for research have been descriptive, comparative, analytical and inductive. The research instrument was a questionnaire with the technique of direct communication.

---

**Keywords:** Growth strategies, market penetration, product development, diversification, market research, new markets

### **Introduction**

Food industry in Kosovo has become a very good part of production capacities of Kosovo production scale, which is established mainly after the Kosovo crisis of 1999 and 2000. Mostly, products have been imported from abroad and this was seen as a good opportunity from the domestic side of producers, to start producing goods that will substitute imports of a very large scale. The producers saw the demand and learned from imported goods and their design and began their productivity. Today, there are many 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 (such as Albania, Macedonia, Montenegro and Serbia) and the Western European market. Still there is a lack of consistency in production, lack of knowledge on marketing and especially there seems to be lack of marketing strategies which would help companies to further penetrate the local and perhaps the regional market.

The food industry in Kosovo is concentrated more on productivity in an attempt to produce large scale, but in many occasions not paying much attention to the quality and the design of their products. Producing large quantities and concentrating on productivity can have its benefits however, such companies benefiting from economies of scale and scope, but on the other hand, concentrating on the design and the quality of the products as well as being able to use marketing strategies in bringing new customers is almost equally important. This could also result in the opening up of new markets and growing demand for exports in the mid run. There seems to be a producer's mentality that the owner of company knows everything and he/she could manage with operations, accounting, marketing and other staff regarding the company overall duties and responsibilities. There is still an overlap of responsibilities between owners and managers which then reflects negatively to the business by losing the opportunity for growth or foreseeing risks from the external environment, and/or seizing new opportunities.

“Companies need growth if they are to compete more effectively, satisfy their stakeholders, and attract top talent”<sup>161</sup>. Based on this definition of Kotler about growth strategy, Kosovo food manufacturing companies need growth through profit or as it is called profitable growth, which means growing through improvement of existing products; developing and inventing new products and trying to increase their sales in existing or completely new markets. The Kosovo food industry has very good chances for growth since there is a huge demand on buying food products rather than luxury. The food industry in Kosovo could benefit substantially from the possibility of consumers switching their preferences towards the locally produced products. Furthermore, the majority of consumers in Kosovo are looking to maximize their utility by buying necessities and food products (by satisfying their elementary needs) rather than having the purchasing power to buy luxury items. Another important factor is that most households in Kosovo cook and eat at home, which means that the demand for food products is still relatively strong in relation to the size of the population.

Today’s Kosovo consumers have a chance to choose between domestic production and imported goods. There does not seem to be much feeling of economic patriotism, despite the fact that a lot of non-governmental organizations, institutes and a dedicated political party try to encourage local product consumption rather than imported goods consumption. Consumers are oriented towards the quality and the value they could get from the same or similar products, when making their purchasing decisions.

There is also a very good chance on diversification, especially concentric diversification since there is a vacuum of new or substitute products in the market. Therefore marketing should serve as a bridge between products and consumers, as an intra force to push products to markets by evaluating consumers’ needs and preferences and making efforts to fulfill those needs and preferences in an attempt to benefit from seizing market share of imported goods. Making profitable growth could also mean seeking after cutting the costs of production or market differentiation through package, design or added value to products that will attract consumers to buy domestic products instead of imported goods. There is however, some evidence that companies producing food products will benefit from growth in the future. This can be based on the facts that during our direct contact with food producers in Kosovo, we found out that their production technology and know-how is well advanced, which could lower their production costs and increase productivity further. Therefore, what these

---

<sup>161</sup> Kotler. Ph. and Amstron G. *Principles of marketing*, Ninth Edition, Prentice Hall International, Inc, New Jersey, USA,2001, page 57

companies need is a marketing department and sales personnel in an attempt to boost sales in the local market, create new markets by introducing new products and designs via product differentiation and proliferation, and create a branding image that will attract exports as well. In this paper we argue that marketing is an important department in achieving this.

### **Growth strategies**

Every company should set goals or create a strategic plan in order to grow in the market. We start from the macroeconomic theory that defines that the main reason for a firm's existence is to make profit. Making profit, reducing costs and increasing productivity by growing the business are positively related. It is also worth mentioning that a good number of companies focus in assuring the survival in the market, by increasing their profitability or by growing their market share. Whatever the goal of the company and their strategic plan is, all companies should pursue ways in improving their products, engaging actively in market research in an attempt to measure the market needs and preferences and then acting upon that accordingly. This approach could potentially secure larger market share for the company. A company should formulate proper strategies for their organization that will make them profitable. Strategies are the ways showing the company how they will achieve goals set by managers, for the interest of most stakeholders.

*“Strategy is linked with the effective usage of development potentials and results of an organisation that reacts to adopt itself to the environmental changes”*<sup>162</sup>. Each company should consider opportunities and threats coming from external environment and using them to better themselves by empowering their internal strengths and reducing internal weaknesses.

Growth strategies have been proposed by Ansoff (1957)<sup>163</sup>, through the product - market matrix. The product–market matrix provides a useful framework for considering as well as analyzing the relationship between strategic direction of the company and their marketing strategy. The four cell matrix considers various combinations of product–market options. Each cell in the Ansoff matrix presents distinct opportunities, threats, resource requirements, and returns and risks<sup>164</sup>. These will be briefly discussed below.

---

<sup>162</sup> Elmazi L.(Billa), *Strategjia Marketing (Marketing Strategy)*, Kumi, Tirana, 2010, page.14

<sup>163</sup> Brassington F. and Pettitt S., *Essentials of Marketing*, Pearson education Limited, Harlow, England, 2005, page 411

<sup>164</sup> *Ibid*, page 411

		Product	
		Current	New
Market	Current	Market Penetration	Product Development
	New	Market Development	Diversification

**Figure 1:** The product–market matrix Ansoff.<sup>165</sup>

- *Market Penetration*- is the growth strategy which consists on selling more existing products (in an attempt to increase sales revenue) to existing customers.
- *Market development*- is the growth strategy consisting on increasing sales of current products to new markets or new market segments.
- *Product development*- is the growth strategy for the company consisting on selling new or improved products to existing or current markets or market segments.
- *Diversification*- is the growth strategy whereby the company will enter new markets with new or modified/improved products.

### Research Methodology

This research consisted of interviewing thirty food producers in Kosovo through questionnaires and direct contact. Out of these thirty food producers there were: seven bread manufacturing companies, seven bottled drinking water manufacturing companies, seven juice production companies, and nine others, such as milk and dairy manufacturing companies, French fries and chips producing companies, ketchup and spices producing companies, as well as a coffee processing company and the chocolate and biscuits producers.

Initially, a questionnaire based survey, consisting of 15 questions, was prepared, while direct contact with company management was made at the beginning of the research. The results of this questionnaire are part of this paper and form the basis of our analysis. Main methods which are used in this paper are: descriptive method, comparison method, analytical method, and the synthesis method. The data gathered has been processed through SPSS package. The survey was conducted between June and November 2012 with the hypothesis that:

*Hypotheses 0* - food producers in Kosovo do not follow successful growth strategies

<sup>165</sup> Source: Ansoff (1957). Adapted and reprinted by permission of *Harvard Business Review*. Exhibit 1 on p. 114 from ‘*Strategies of Diversification*’ by Ansoff, H.I. Issue No. 25 (5), Sept/Oct 1957, pp. 113–25, Copyright © 1957 the Harvard Business School Publishing Corporation; all rights reserved.

*Hypothese 1-* food producers in Kosovo do implement and follow very well growth strategies.

**Results**

Research has shown that food producers in Kosovo still are having problems on dividing ownership from management side. This is shown on the table 1 below. Answers received from respondents show that almost 50% of interviewed companies (fifteen of them) have declared that the decision makers in the company are also the owners of the company and they are the developers and determinants of business strategy in their organization. We have also found out that the Finance Managers are very much engaged on developing strategies. In our case, in nine out of thirty companies, finance managers are the main developers of business strategies in the company, whereas only six companies have established this role to Marketing Managers. Results are shown in Table 1, below.

**Table1. Business strategy developers**

<i>1. Who is responsible for determination of business strategy in your company?</i>	<i>Marketing manager</i>	6
	<i>Finance manager</i>	9
	<i>Owner</i>	15

To identify the market penetration strategy, we have designed the next question, Table 2 below, where respondents have been asked a question regarding the sales of products in new markets or new market segments. Eighteen companies declared that they have succeeded to increase their sales into the existing markets with existing/current products; ten companies declared that they have not succeeded to do that, whereas two companies do not know or are not sure if they succeeded to sell more current products to current markets.

**Table2. Market Penetration strategy**

<i>2. Have you succeeded to increase your sales, into current markets with current products, last year?</i>	<i>YES</i>	18
	<i>No</i>	10
	<i>Not Sure</i>	2

On the next question, trying to find out how food manufacturing companies have developed market development strategy, we realized that these companies have developed to a satisfactory level this growth strategy. But it is important to notice that even companies that implemented this strategy, and said YES on their answers (fourteen companies), have developed new market segments within Kosovo market, and only three of them have developed markets by entering markets in Albania and Macedonia, while sixteen companies did not achieved to develop this strategy at all. This is shown in Table 3, below.

**Table3. Market development strategy**

3. Did you sell any existing products to the new markets, within last year?	Yes	14
	No	16

Growth strategy and the product development strategy, has been implemented by nine companies whereas fifteen companies did not introduce to the market any new product or did not modify their existing products. However, there are six companies in the launching phase of new products to the market. These companies will introduce in the market new products through adding/ extending production offer, by changing the size of product, packaging or by entering completely new products via product proliferation. This is shown in the Table 4, below.

**Table4. Product development strategy**

4. Do you added new products or improved existing ones to your market offer?	Yes	9
	No	15
	In a launching process	6

The growth strategy and the diversification strategy were implemented only by four companies interviewed; twenty companies declared that they did not implement such a strategy, whereas six companies intend to do such a strategy in the near future. Companies that declared that they will implement this strategy, are mainly focused on concentric diversification. This means entering into the new markets with products that are similar to their existing products, e.g. water producers declared they will enter in production of juices with the ultimate aim of entering in the markets of Albania, Macedonia, Montenegro and Bosnia and Herzegovina.

**Table5. Diversification strategy**

5. Did you entered into new businesses out of the main business and into new markes?	YES	4
	NO	20
	Intention to do that	6

**Discussion**

Food manufacturing companies in Kosovo are still lacking the sense of a proper marketing strategy, and based on that, lacking the long term goals for structured growth and strategic planning. Our findings reveal that companies that have marketing departments on their organizational structure, and have the sense to produce toward the market needs and wants, are in a very good position to find the best strategy for growth and new market penetration as well as increasing their already established market share. Most of these companies are in a stage of growth, 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*”<sup>166</sup>. This should serve to all companies interested to grow their business by “tidying up” itself with market needs.

Kosovo has signed CEFTA<sup>167</sup> and is a full member. In many cases this has made it easier for domestic producers, especially food manufacturing producers, to import raw materials without paying for customs tax from member states of CEFTA and are able to export into these countries without customs tax. Their of course reduces their transactions costs and makes it more feasible for food manufacturing companies to enter new markets in the member states which are signatory to this agreement.

As our research showed, there is still a good number of food producing companies on which the main decision maker is still the owner of company. There is no strict division of ownership and management. We consider this to be a major lack of constructive strategic planning for growth, where there seems to be potential as discussed in the beginning of the paper. The deviation of labor and responsibilities clearly among staff and departments is very important in order to establish a normal process of production. This also helps in targeting consumers’ needs and preferences.

Food producers are not paying much attention on existing market possibilities and opportunities, but are seeking to enter new markets, with the aim in growing their business, without well-establishing their core business in the local market. It is also of paramount importance that before entering new markets in the region these companies should pay more attention to the quality and the design of their products, as well as highlighting clearly the benefits offered to customers. This we believe can be achieved with an effective marketing strategy implemented by the marketing department within a manufacturing company. As far as quality of products is concerned, a good number of the producers have obtained internationally recognized quality certification such as the ISO and/or HACCP certification that show they are producing high level standards as their competition from abroad.

Nine companies have launched new products to the market and are very well positioned in the market. This has helped them to increase market share and develop new markets. Some of the new products derived from these companies are: line extension, brand extension or completely new products that are not related to existing products. This shows that some degree of product diversification. Vertical integration was undergone in two companies, such as the producers of bread by buying mills which will enable

---

<sup>166</sup> Fifield Paul. *Strategic Marketing, The difference between marketing and markets*, Elsevier, Oxford, UK, 2007, page.16

<sup>167</sup> Central European Free Trade Agreement



them to cut costs for at least 20%. This is a good growing strategy and can result in economies of scale for these companies.

With the fear of entering in the new markets with new products, diversification strategy has been developed in only four interviewed companies. These companies have the chance to enter new markets through the concentric diversification mainly, by adding new products that are almost similar to leader products. Such a case was with water producing company, where they will introduce in the market new products such as fruit juice with the hope of entering the local market as well as the markets in the region such as Albania, Macedonia, Montenegro, and Bosnia & Herzegovina.

### **Recommendations**

Food producers in Kosovo should further improve their strategies if they are aiming to grow their business and solve the problem of survival into the market. Our main recommendations for food producers are:

- To divide ownership from management. This could make it easier for the decision making process and will let managers to take decisions for business strategy better which would be beneficiary for the long run.
- Consistency in production is another recommendation that is very crucial to producers. If they do not keep consistency on production, consumers will lose the faith on their products and will become less loyal to their brands.
- Try to enter market segments within Kosovo that are not explored yet enough and later through improvements on quality and design, to target foreign markets in the region and beyond;
- To modify existing products, if needed, and adapt towards the market needs and preferences;
- Employ a marketing manager within their organizations in an attempt to bridge the needs and preferences of consumers and the production capabilities of the company.
- Establish market research unit within marketing departments, if there exist one, and start performing market research in order to identify consumers' needs and preferences. The marketing department alongside other departments should then work together to analyze and evaluate these results and act upon them.

### **References:**

- Kotler. Ph. & Amstrong G. *Principles of Marketing*, 9th E, Prentice Hall International. Inc, New Jercey, USA, 2001
- Kotler.Ph. & Keller K. *Marketing Management*, 14<sup>th</sup> E, Prentice Hall, New Jersey, USA, 2012

American Marketing Association, *Marketing News*, March 1, 1985

Elmazi L.(Billa), *Strategjia Marketing (Strategic Marketing)*, Kumi, Tiranë, 2010

Brassington F. and Pettitt S., *Essentials of Marketing*, Pearson education Limited, Harlow, England, 2005,

Drucker,Peter.: *The Practice of Management*, Harper & Row, New York, 1954

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