



COMPETITIVENESS OF THE POULTRY BRANCH

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ABSTRACT

During my research I revealed the situation of the Hungarian poultry industry with the deep interview. I received replies to the following questions: in what situation the poultry section is in Hungary; how could the position of the companies be improved; how consumer habits have changed in the last decade; what characterises the marketing strategy of the sector

I will try to introduce the current situation of the Hungarian poultry industry, its major anxieties, problems and the possible alterations contributing to the improvement with the evaluation of the answers composed by my interviewee.

KEYWORDS:

Poultry, competitiveness, deep interview, marketing strategy

1. INTRODUCTION

The consumption of poultry has gradually increased in recent years - primarily at the expense of pork - which exceeded the quantity of 30 KGs/person last year (2) This tendency can be attributed to two reasons: one is the more health conscious nourishment of the population, the other is the relatively low price of poultry meat. Unfortunately the demand is moving toward the cheap mass products also in case of the further processed products, therefore the price is probably and decisively the most significant factor (4)

I lead my scientific research at the PhD Training of the University of Kaposvár, I examine the marketing-strategy and the consumer attitude on the market of the processed poultry products. The three main areas of my research are:

- Consumer focus group examination,
- Professional deep interviews,
- Representative consumer questionnaire.

I made the deep interviews with the managing director of the first 10 most significant - also producing processed poultry products - Hungarian poultry processing companies.

My interviewees were of the same opinion in most of the issues but in some other themes they disagreed. Therefore I decided to also ask for the opinion of an expert independent of the company.

One of the most important associations of the Hungarian poultry regulation is the Poultry Product Board established in 1991, which assembles those, which produce, process and trade with poultry products. The product council is an interest conciliating organization, which fulfils public duty, and its activity extends all over Hungary.

The objective of the organization is to promote self-regulation and reconciliation of the productive and marketing attitude of all participants of the product range. In order to achieve this, the product council continuously carries out data collection in the field of production and marketing procedures, and after processing these it makes suggestions and decisions (5).

Thus I asked one of the consultants of the product council for the interview who undertook the task with pleasure.

2. MEANS AND METHODS OF RESEARCH

Deep interview belongs to the methods of primary marketing research. The demoscopic research (terrain or primary) directly gathers information about the attitude and opinion of market participants. It can be further divided into two big groups: qualitative and quantitative procedures. The qualitative research - including deep interview - is a discovery one, it primarily wants to know the 'why' and the those reasons, motivations and opinions which determine the attitude and preference of the consumers (1.)

Generally deep interview is applied when the given theme is confidential, embarrassing or sensitive; when it is about questioning professionals or when competitors are interviewed (3).

The following themes were covered during the conversation:

- The current general situation of poultry industry,
- The outstandingly successful and bad periods of the past 10 years,
- The relationship of the processing companies to the trade,
- The changes after joining the European Union,
- The improvement of the position of poultry industry,
- The shaping of the consumer attitude,
- The change of the marketing-strategy of the sector,
- The marketing means and methods applied by the companies,

- Price and price calculation.

I intended to frame the questions in a way that would lead from the general situation to the marketing strategy, or rather, to its four main elements.

3. RESULTS AND THEIR EVALUATIONS

According to the judgement of my interviewee the current situation is not an advantageous one: the efficiency of the factories is lower than 12-14 years ago, though their production structures are more up-to-date. The proprietary structures of the poultry factories have been transformed: bigger co-operating organizations have been established (Hajdú-Bét, Bábolna, Carnex-group), this way these bigger groups can be regarded as competitors. As the consultant argues, the singular smaller companies either come up with a delicate production structure or try to make their livings behind the back of - in the shadow or side-water of - some bigger companies in one way or another. Later on, for them, the only chance will be to produce special: bio, natural or outdoor raised poultry products. According to his report, there is a great dispersion among the factories in terms of technological developments and the same extreme is characteristic of the standard of their food safety activity.

The consultant considers 1988 to be the most significant year, because the biggest production output took place in that year, and that level has not been reached since then yet. The beginning of the 1990s is considered to be a critical period, when the eastern market disappeared. The companies utilizing their capacities moved to the West, where they reduced their prices on the market themselves. As a consequence the companies had to face a series of financial problems. There was a slight mitigation until 1996, the market seemed to become consolidated, some processing factories failed, but all the processing capacity remained untouched. This carries the possibility of a continual war with itself. This is somewhat lessened by the formation of the previously mentioned groups.

In recent years the relationship of the trade and the manufacturers has changed a lot. In Hungary the role, and accordingly, the power of store chains are very significant. They fundamentally determine trade connections. The effective nature of the consumption in great masses forces the companies to link to store chains by all means, and trade chains willingly utilize this possibility, therefore prices are calculated very peculiarly. In the service of the retail shop system consumers make demands for a different production structure, different quality and different food safety.

The consultant also states that we cannot get into an advantageous position with the Hungarian supporting system after joining the European Union. About forty companies or so own union numbers within the sector, but they possess rather extreme capacities, therefore some of them will certainly be unable to operate after the accession. Thus one can imagine that those capacities which could not have been utilized so far, because of

the establishment of the quotas will now result in a more effective functioning in the surviving companies.

Hungary has some advantages that are not to be found in every member of the Union, for instance Hungary, besides soya, does not need any imported elementary substance for poultry raising. However, the extent of the integration is not as significant as that of Western countries, and this is an obvious disadvantage.

We could maintain the good position on the Union market with those Hungarian products, such as meat, oaten, fattened goose, with which we have a competitive advantage.

My conversation partner can see several solutions to improve the current not too favourable situation. Firstly, the technique and technology of the fattening and raising farms within the cultivating sectors must be raised to the level that fits into the European standard. Foreign models should be followed in term of trade, where the representatives of huge trade chains are members of the product developing, monetary and economic committees of some processing factories. Thus they have a suitable knowledge of the costs needed for the production of the particular product. They have a great role in deciding the direction of future developments, too. This kind of co-operation is much better than revealing certain facts on the market, for example: the product is unusable, it is not good and it does not comply with the expectations made out by the store chains.

In connection with the attitude changing of the consumer the consultant experienced the following: the consumer demand has clearly moved toward the fresh poultry products and this seems to reach slowly the Western-European scale. One has to count with the continuous maintenance of the low category product trade, because of the Hungarian income conditions, and with the fact that the most valuable parts of poultry will be exported further on. Of course there has been a growing demand for higher quality products, but this falls behind both in value and quantity compared to lower price category products. Unfortunately there is still only little demand for the so-called natural or bio products in Hungary. This claim is already in existence, but this is not yet observable in relation to the products of poultry and meat industry, but mainly in the baking industry, because of flour-allergy, for example.

The marketing strategy in the industrial sector has gone through significant changes. As my interviewee put it, the marketing strategy of the companies has changed the most which transformed from national companies into share companies. The most important reason for this was that the Eastern markets imported poultry in one hundred thousand tons of magnitude from Hungary, until the end of the 1980s, but at the same time this quantity meant a quality level of mass product requirements. It was easy to select the special quality requirement products from this great quantity. However, this tendency ceased to exist at the beginning of the 1990s and there was a firm launching of the application of food-safety and quality assurance systems first only in the processing factories, later in

the producing factories as well. What constitutes the problem is that all this happens to the responsibility of the processing factories: the quality assurance system is supposed to be controlled by the processing factories and not by the producing ones. The modification of the marketing strategy was supposed to take place with such an uncertain background. This was primarily attempted in case of the processed products, but, as the consultant thinks, a marketing strategy is to comprehend the entire production structure of a company.

He mentioned another very important factor in the change of the marketing strategy: the companies undoubtedly apply the techniques and methods of the Western-European marketing, and they make steps that play a great role in the formation of the strategies toward a direction which fits into the Western-European product structure.

The next question concerned the marketing means and methods applied by the companies. As the consultant sees it, nowadays the companies own some level of a marketing organization, but generally these are of one-person and are only related to the national sales, and if they intend to show some kind of a more serious marketing programme to the consumer, they will have it made by an adequate external organization.

Mainly short-term programmes are typical which are either aimed at one particular group of products. The marketing procedure is dominated by commercials and propaganda. The characteristics of these marketing means are that they are separated, and tied to the companies. The Poultry Product Board has established the trademark "Safe Hungarian Poultry", which was revealed by a former problem at the beginning of last year (Chinese chicken scandal). The expert hopes, that a marketing means like this will promote the national prejudice in the European Union, which will result in consuming our own products with pleasure. If it fulfils this task too, it can put our market in a more profitable position after joining the EU.

In relation to price calculating, my interviewee made the following statements: "Generally manufacturers try to sell "packages" and instead of one lonely product they present themselves with a diverse product range with which they would like to cover their production structure. There is a possibility to vary prices within one package: the manufacturer is obliged to accept lower prices in case of the products that qualified as marketable from the point of view of the stores, but the manufacturer has the opportunity to gain the loss back with higher prices of the rest of the offered package product".

The other main characteristic is that the factories try to use cheaper products to be the base material of their processed products, because the price sensitivity is much lower there. If the consumer is accustomed to, and is the regular buyer of e.g. a breaded, frozen, semi-manufactured product, stuffed with cheese and ham, he will not feel the change of the price as much as in the case of a pre-cooled chicken breast.

4. CONCLUSIONS/SUMMARY

The field of my research is the examination of marketing-strategy and consumer attitude in relation to the processed poultry products. In my research I made a deep interview with the expert, who is one of the consultants of the Poultry Product Board.

I came to the following conclusions based on his answers:

- Nowadays the poultry section is not in a favourable situation. Firstly, it cannot utilize its capacity, secondly, there is a great difference between the technical and hygienic levels of the factories, and thirdly, the trade chains have a significant superiority.
- The number of the processing companies will probably decrease after joining the EU, which in turn will reduce the competition. However, subsidy is necessary to gain advantageous position on the markets.
- The trademark of the Poultry Product Council serves as a solution for the improvement of the current situation, which urges the consumer to buy the Hungarian poultry. The relationship with trade chains could be settled, if their representatives, following foreign models, would take part in the processing procedure of the factories.
- Consumer attitude has gone through significant changes in the last decade: the demand for fresh, pre-cooled products has increased. Also a health-conscious layer of society is taking shape, preferring bio-products.
- Although the marketing-strategy and the applied marketing means have not reached the Western-European level yet, the companies are on the right track.
- The application of product packages is a good solution in case of price calculation, with the help of which the processing companies also have the opportunity to fix prices.

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