

ECONOMICAL AND MARKETING ANALYSIS OF PROCESSED TRADITIONAL PRODUCTS IN HUNGARY

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ABSTRACT:

The most popular traditional products, so called „Hungaricums” produced in Hungary, in the South Plain Region region: the apricot of Kecskemét, cherry of Kecel. An effort is made in the region to expand the range of traditional specialty products. In the world of globalisation the demand for traditional products is on the rise. This is why an effort is made in the South Plain Region to market special products specific to the region instead of the production of mass products. These unique products are competitive on the world market. We have chosen the SWOT analysis for the examination of the Hungaricums, which is supplemented with a self-evaluation. We are presenting a possible marketing strategy through the example the apricot of Kecskemét, cherry of Kecel. During our work we have studied the special processing technology of an unique Hungarian product the apricot from Kecskemét on the basis of the aspects of economy and marketing. In this essay we are talking about the activities and the effectiveness in the year of 2006 of a Hungarian enterprise dealing with processing technology of an unique Hungarian product the apricot from Kecskemét. We have highlighted a main product of the enterprise and have followed its producing technology. In the study we are aiming at the following points:

The processing technology of the product.

The quantity of the product sold and the acceptance price of the apricot jam.

Defining the processing costs, the income and the indices of resultiveness of the product.

Calculating the indices of resultativeness: Net cost, Effectiveness (economic), Profitability, Profit percentage.

Keywords: economical and marketing analysis, traditional specialty products, SWOT analysis

1. INTRODUCTION

After the accession to the European Union, "Hungaricums" (special products can be found and produced only in Hungary) have emphasised significance. Therefore the aim of our research was to perform marketing researches on the marketing possibilities of these Hungaricums and characteristics of consumers of these such as their buying habits, aims, motives and conception about prices.

In the market competition more and more attention has been paid for the consumers and the channels how consumers should be reached (Szeitz-Szabó- Farkas, 2004). The signs and symbols are considered as useful tools to communicate with the consumers. Those who know the motives of consumers behind buying decisions and know how these decisions can be influenced could acquire significant competition edge (Gályász-Pető, 2006).

2. MATERIALS

2.1. The traditional products in Hungary

The meaning of the word "Hungaricum" in Hungary: A product originating from and connected to Hungary, the Hungarian population, the Hungarian unique intellectual-

production activity, production culture as a result of a species, a plant variety, a food industrial procedure.

A product that has proved its belonging to Hungary for generations or in the recent past (Totth, 2005). It has become acknowledged and a notion tied to Hungary abroad as well. The production of the traditional product tied to a country can enhance the development of the given region besides improving the marketing chances of the product (Berde, 2003).

The most popular Hungarcums are the: Hungarian paprika powder (from Szeged, Kalocsa), ha Onion of Makó, or processed food like the Salamis, Sausages or the wines of Tokaj, and the Hungarian Pálinkas.

2.2. The enetrprise

This enterprise has been a part of the economy of the South-Alföld region for a long time. Since its establishment it has been changed and developed a lot. It generates living for several hundreds of families. Those who made contracts with this firm can have a safe market. This company soon realized that to produce good quality product and to stay on the market can only be in organized and regulated conditions. New product development has always been a top priority.

Canned fruit is mainly made from cherry of Kecel origin, in a smaller extent from peach. Jam is mainly made from apricot of Kecskemét origin, but also from plum and cherry. For making jam they do not use Hungaricum raw material, because special raw materials have no market importance.

60% of tomato is bought from small holders according to contract through vegetable integrators. They buy other fruits and vegetable on a free market, through forestaller according to the actual price. They buy bottles from domestic and foreign (Polish, German) producer. In the company's business plan the net income of sale is 7.799 million HUF, gross income 8.959 million HUF. They marketed 35.826 ton of goods, 65 % of it, that is 23.437 ton was sold abroad in 2006, while 12.386 ton was sold on the domestic market and was directly exported.

Selling strategy is determined by bank liquidity. On the Russian market good cooperation is needed in the future and no financial strict need to be applied. Now there are fewer but more reliable partners. The main goal is to increase export on the Scandinavian and western markets. On the domestic market the main goal is to stay independent.

3. METHODS

3.1. SWOT analysis

We have selected the SWOT analysis for the examination and the market position analysis of specific horticultural products, which is suitable for the mapping of the opportunities and the dangers related to the external environment, and can identify the weaknesses and the strengths with the examination of the internal conditions. A questionnaire was also used for assessment. Primary examinations were done in the autumn term of 2005 in College of Kecskemét (Horticultural and industrial specification) and the Food Industry Faculty of Corvinus University of Budapest among the students and several shops (e.g. in the Palinka's House, Budapest). All of them have a nationwide attraction-zone, so the sample is almost representative. The questionnaire reached all regions of Hungary, and ensured the distribution in age, qualification, occupation and residence. The sample was about 800.

3.2. PROFITABILITY INDEXES IN OUR METHODS

The methods in the study: Defining the processing costs, the income and the indices of resultiveness of the product. The indices of resultativeness are:

Economy. The production is economic when the large product quantity is manufactured by using low level of living labor and dead labor (say manufacturing resources). This means, the costs for the unit of produce or service are low. This shows if the manufacturing of the product is cheap or expensive. In general, the economy may be represented with the formula below. In this correlation, we get to the first-cost of the product or service.

Productivity. This index is only related to the living labor. It is expressing, whether in what quantity or production value the product (service) is manufactured within a unit of time (e.g. working hour). This index may be related also to wages paid.

Efficiency. This index is relating to the asset utilization. It shows, what quantity of product can be produced (expressed in quantity or production value) with the used invested and operating funds (quantity or production value). Provided the assets are considered upon the quantity used, we talk about natural efficiency. Provided the assets are considered upon the production value, we talk about economic or manufacturing efficiency.

Profitability. With the help of this index the profit reached is related to the total (entire) cost. This index is expressing, what cost usage has been necessary to achieve a unit of cost. This index serves for the comparability of the profit of our activity and the several departments. The index can be expressed for area unit, also for working time.

4. RESULTS AND DISCUSSION

4.1. The economic evaluation of canned cherry from Kecel region

In 2006 the examined enterprise produced 117.990 bottles. This volume was due to the good vegetation climate of that year that made the purchase of a big good quality volume possible. This was also explained by the fact that the marked these traditional products character on the label thus guarantee the special taste character. The cost structure of the production is show on Table 1 and Figure 1.

Table 1: The costs of Kecel cherry product

Cost factor	Costs (thousand Ft)
Material cost	10156
Direct cost of energy	6900
Cost of machinery	732
Labour cost and Social insurance	1108
Depreciation	2581
Other cost	50
Direct costs	21527
Value of by products	0
General cost	2691
Total cost	24218

Source: own calculation

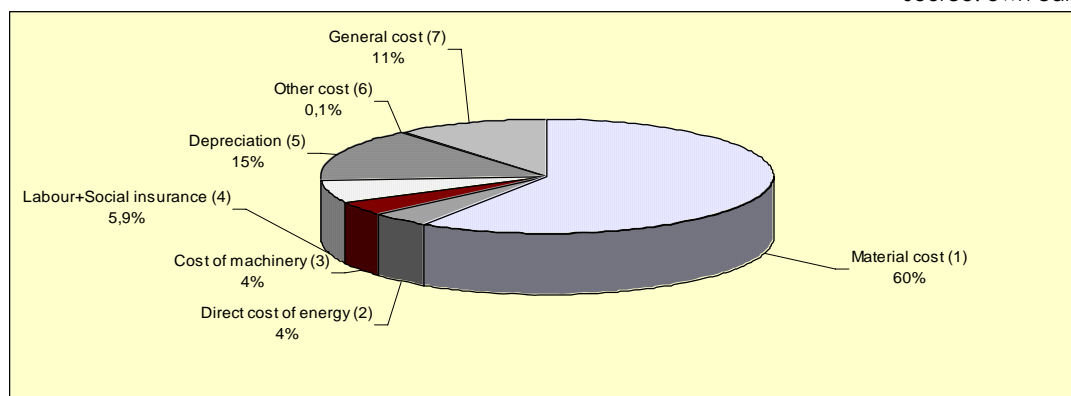


Fig.1. The cost structure of the production of Kecel canned cherry

The most significant cost is material cost that is the cost of fruit. Good quality can only be produced from high quality fruit which has a higher price. The procurement price is increased if the product is a Hungaricum. From the cost structure it can be seen that depreciation is very high, which is due to the modern processing line and the new buildings. The cost of labor is also noticeable, because workers at the line have an extra wage.

4.2. The revenue and profit of Kecel canned cherry

The development of sales revenue and profit of bottled sour cherry of Kecel is shown in Table 2. The Profitability indexes of Kecel bottled sour cherry is shown in Table 3.

Table 2. Development of sales revenue and profit of bottled sour cherry of Kecel

Designation	Value
Average sales price	264 Ft / piece
Income	31150 thousand Ft
Total cost	24218 thousand Ft
Profit	6932 thousand Ft
Asset value	20419 thousand Ft
Living labour cost	1108 thousand Ft

Source: own calculation

Table 3. Profitability indexes of bottled sour cherry of Kecel

Profitability indexes	Value
Economy	4,9 produced quantity / thousand Ft
First cost	205 Ft/ piece
Efficiency (natural)	5,8 piece/ Ft asset value
Efficiency (economic)	153 Ft gross production value / 100 Ft asset value
Productivity (to living labour)	28 Ft gross production value / 1 Ft living labour
Profitability %	28,6 %

Source: own calculation

The gross production value equals income because all the products were sold. We can point it out that this product generates very good profitability indexes. The gross production value per 100 HUF labor and means was outstanding due to the modern technology, the introduction of interest, productivity and efficiency.

The profitability indexes of processed product were very favorable. The unit cost was very low while the production valued produced by one unit of labor was very good.

The efficiency index shows that the technology is modern, the introduction of interest resulted good productivity and efficiency. The 28,6 % profitability rate assumes a long term profitable production.

4.3. The economic evaluation of Kecskemét apricot jam

The production costs of Kecskemét apricot jam. The examined enterprise produced 172.204 bottle jam in 2006. The raw material is originated from Kecskemét region which assured the high quality and good flavour. The enterprise purchases only 1st class fruit, and the price is the same as that of the export apricot price. Selling apricot jam was no tat all a big deal, moreover the buyers' demand could not be satisfied with this amount. The Hungaricum character was marked on the label, thus they garanted the special flavour. The production cost structure of Kecskemét apricot jam is show non Table 4 and Figure 3.

Table 4. The cost structure of Kecskemét apricot jam

Cost factor	Costs (thousand Ft)
Material cost	14696
Direct cost of energy	864
Cost of machinery	361
Labour cost and Social insurance	1841
Depreciation	2680
Other cost	69
Direct costs	20511
Value of by products	893
General cost	2564
Total cost	22182

Source: own calculation

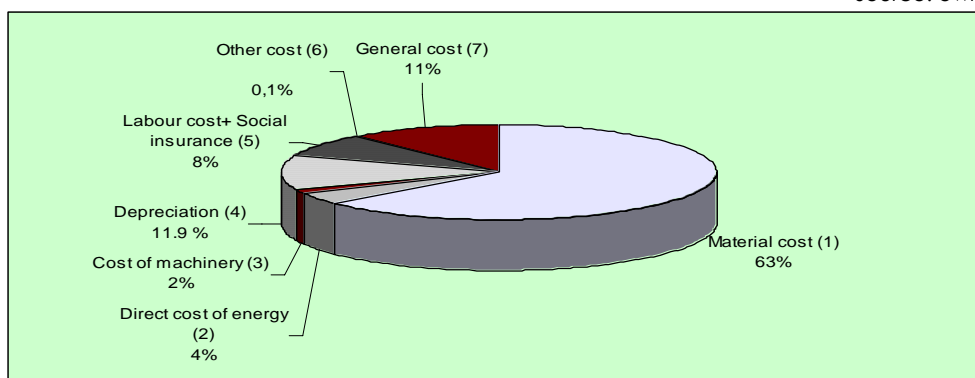


Fig. 2. The production cost structure of Kecskemét apricot jam

4.4. Development of sales revenue and profit of apricot jam from Kecskemét

The development of sales revenue and profit of apricot jam shown in Table 5. The Profitability indexes of apricot jam from Kecskemét is shown in Table 6.

Table 5. Development of sales revenue and profit of apricot jam from Kecskemét

Designation	Value
Average sales price	152 Ft / piece
Income	26175 thousand Ft
Total cost	22182 thousand Ft
Profit	3993 thousand Ft
Asset value	18680 thousand Ft
Living labour cost	1841 thousand Ft

Source: own calculation

Table 6. Profitability indexes of apricot jam from Kecskemét

Profitability indexes	Value
Economy	7,7 produced quantity / thousand Ft
First cost	129 Ft/ piece
Efficiency (natural)	9,2 piece/ Ft asset value
Efficiency (economic)	140 Ft gross production value / 100 Ft asset value
Productivity (to living labour)	14 Ft gross production value / 1 Ft living labour
Profitability %	18 %

Source: own calculation

The gross production value equals the income as all the products were sold. The relatively good profitability indexes are explained by the reasonable production cost and selling price. Unfortunately, the selling price was not high despite the excellent quality, but the large quantity sale pushed the price down. The company is satisfied with the 18% profitability. Similar to the canned cherry the effectiveness is good that is due to the application of modern machines and up-to-date technology.

4.5. SWOT analysis of products

SWOT analysis of Kecel sour cherry. *Strength* of the product is its earliness, since it is available as soon as in the early summer months. Given the wide processing range of the product, its added value can be augmented. Fresh fruit has favorable health effects. Every part of the product – its flesh, stone and stem – has beneficial medical effects to the sensory organs and heart muscle. Apart from fresh consumption, jam, pulp, juice, canned fruit, alcoholic drinks can be produced from the fruit, but the confectionery use is also very significant (e.g. cognac cherry).

Weakness of the product is that the „Hungaricum” feature is not appropriately communicated towards consumers, its origin and sort can not be easily distinguished when in processed form because the size of the fruit is hardly perceivable. Fresh product deteriorates very quickly, its transportation can be carried out only with great care and equipment.

Threats are presented by the concurrent and replacing products as the „mass product” sour cherries and sour fruits.

As for the *Opportunities*, the new marketing channels must be exploited. Our export markets and volumes can be increased by products of excellent quality. Recommended marketing tools could be local, small regional programs, better communication of product specialty, and to design such kind of packaging which is available to bear product information.

SWOT analysis of Apricot of Kecskemét. *Strength* of the product: The fruit has an aesthetic appearance and is excellent for the decoration of cold cuts, fruit salads and desserts. Due to the harmonious composition of the flavor developed in the unique production area high quality processed foods are produced from it. It is consumed fresh, dried and preserved and in the form of purees, jams, pulps and juices. The value added depends on the type of processing. The apricot of Kecskemét owes its worldwide fame primarily to the brandy produced from the fruit, but the jam produced from it is also a Hungaricum. Their export has no quotas. This provides an opportunity for the advancement of the popularity and the differentiation of the product and for the strengthening of its market position.

A *weakness* of the product is that it can only be stored for a short period when fresh. Its flavor develops by the time it is ripe, but its transport at this time requires great care. The

quantity of the yield fluctuates. Late frost damage represents the greatest risk. If the seed is used during the processing, it must not be forgotten that the seed pulp of some varieties contains toxic cyanide. During the sales activity the quality and the origin are not properly communicated to the consumer, therefore the packaging and the brand identification must be improved. The emergence of foreign competition represents a *threat*.

Apricot production takes place on a great area in Spain. Fruit picking starts at the end of June in Turkey and Greece. Due to its excellent quality the Turkish apricot is competitive on the puree market. A few years ago plum cot appeared on the world market as a substitute product. This fruit is a hybrid between plum and apricot which is exported by Chile in significant volumes. After the assessment of the threats the *opportunities* must be identified, so that any possible advantages can be exploited against the competition. Due to the seasonal nature of the fresh product it enters the markets, the local food stores and the export markets in cases.

4.6. Evaluation of SWOT analysis of tested the traditional products

The identification of the resources available to us, the search for newer resources, the elimination of threats and the expansion of relationships are among the basic tasks. It is very important to evaluate the external environmental effects. The opportunities we will actually realize and the threats we will be able to prevent are to be seen after our internal resources are revealed. Generally it is practical to repeat the SWOT analysis every 2-3 years, or more frequently as needed, and to compare it to the previous examination results. Specific tasks: To increase the popularity and the market revenues of the traditional products noted, and to simultaneously enhance the situation of the producers and the processors associated with the products. The processing of the products by preserving the Hungaricum nature to increase the added value that is recognized on the market.

5. CONCLUSIONS

The Hungarian foodstuff economy is one of the most important areas of the national economy (Juhász–Berde, 2006). Higher and higher ratio of agricultural products is reaching their consumers via processing. The level and advancement of its foodstuff industry is determining the market possibilities of a country's agriculture, as well as the competitiveness of the agricultural products (Gályász, 2003). Amongst the historical measure changes in national economy, the most specific ones are the series of changes realized in the agriculture. The privatization has completely transformed the property structure of the foodstuff industry.

It may be presumed that, from the extremely high number of economic participants dealing with agricultural production, there will be that group growing out in the course of the coming years, who will manage family enterprises being competitive even in West-European sense as well, and they will provide a determinant ratio of the Hungarian agricultural production (Józsa-Deli, 2003).

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