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FORMULATING A STRATEGIC POSITION FOR SLOVAK NATIONAL SPECIALITIES ON THE FOREIGN MARKET

FORMULOVANIE STRATEGICKEJ TRHOVEJ POZÍCIE PRE SLOVENSKÉ NÁRODNÉ ŠPECIALITY NA ZAHRANIČNOM TRHU

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The work analyses current situation in export performance of the Slovak national specialities - sheep cheese and soft sheep cheese bryndza. The research covers a period of 1995 - 2000. The main attention is paid to a proposal of marketing strategy for soft sheep cheese bryndza with such key features as emphasizing national character of the product, using previous customer's experiences, in-store communication and Internet are. The requirements for common national strategy, state and institutional supports and integrated approach for the purposes of intensifying export activities of Slovak agrobusiness entities are also mentioned.

Key words: soft sheep cheese bryndza, export, foreign market, customer, marketing strategy, strategy of competitiveness

Ongoing tendencies of integration and globalisation lay stress on an intensive involvement of each country in the international business relationships. Within its production and trade portfolio each country looks for the products with a certain feature of competitiveness to be able to compete with them on local, regional or global bases. The problems of involvement of Slovak agrobusiness entities in the European integrated structures are solved in research of Gozora (1999) and Šimo (2000), Nagyová (2000) pays attention to specific issues of foreign agrarian trade and Horská (2000) analyses the main problem areas of international marketing for food.

The goal of this work is to analyse the export of national specialities produced from sheep milk, namely sheep cheese and soft sheep cheese bryndza, to evaluate their position in export of cheese products and to identify, using soft sheep cheese bryndza as an example, opportunities of intensifying the export of these commodities and making them more attractive to foreign consumers.

Material and Methods

The research is aimed at sheep cheese products (including the national speciality bryndza) as perspective export articles, their volumes, territorial structure and development trends in export of this category. A survey covers a period from 1995 through 2000. We obtained information from the statistical databases of the Ministry of Agriculture, the Research Institute of Agriculture and Food Economics in Bratislava and the Customs Statistics. The research task presented in the paper consists of two parts: analysis and synthesis. Analysis is devoted to the export of sheep cheese products in the observed period. Synthesis proposes ways of finding new markets and operating on them in terms of formulating an appropriate strategy of competitiveness and marketing mix, using soft sheep cheese bryndza as an example. We stemmed from the theory of the product life cycle (Kotler, 1998) and the decision model for territorial expansion (Cateora and Graham, 1999). SWOT analysis and statistical methods (indices) were also used.

Table 1 Export of fresh cheese, soft cheese and soft sheep cheese bryndza

Year(1)	Customs item (2) 04061020[1]		Customs item(2) 04061080[2]		Customs item(2) 04069001[3]		% share of total export of cheese(3)	
	Tons (4)	Ths.Sk (5)	Tons(4)	Ths.Sk (5)	Tons(4)	Ths.Sk (5)	Tons(4)	Ths. Sk (5)
1995	309.11	12 861	1 138.21	62 846	262.67	17 288	17.87	13.85
1996	589.72	27 404	1 513.34	76 190	361.58	22 725	22.47	15.73
1997	610.17	31 290	1 289.05	83 385	124.82	9 757	19.67	14.80
1998	553.24	35 475	1 703.84	119 680	119.01	10 710	24.17	18.34
1999	809.31	65 773	1 585.80	128 234	34.0	3 453	24.71	21.83
2000	450.11	49 179	1 417.86	119 279	0.485	62	17.02	17.26
2000/1995	1.45	3.82	1.24	1.89	0.00018	0.0035	0.95	1.24

Tabuľka 1 Export čerstvého syra, mäkkého syra a bryndze
Source: The Customs Statistics. Bratislava, 2001 (6)
Notes: 1Fresh cheese and soft cheese with fat less than 40 % (7)
2 Fresh cheese and soft cheese, others (8)
3 Other cheeses for further processing (9)
(1) rok, (2) položka colného sadzobníka, (3) percentuálny podiel na celkovom exporte syra, (4) v tonách, (5) v tis. Sk), (6) zdroj: Colný štatistický úrad, (7) čerstvý syr a mäkký syr s obsahom tuku menej ako 40%, (8) čerstvý a mäkký syr s iným obsahom tuku, (9) ostatné syry na ďalšie spracovanie

Table 2 Export of sheep cheese

Year(1)	Customs items(2) 040690311 040690332		Customs items(2) 040690503		Customs items(2) 040690994		% share of total export of cheese(3)	
	Tons(4)	Ths. Sk (5)	Tons(4)	Ths. Sk (5)	Tons(4)	Ths. Sk(5)	Tons(4)	Ths. Sk(5)
1995	327.40	25 073	86.12	5 208	633.13	52 648	10.94	12.35
1996	183.76	10 658	147.13	8 830	1 184.65	113 568	13.82	16.57
1997	161.71	11 404	70.15	6 383	1 081.93	120 657	12.77	16.47
1998	172.18	190 363	9.46	979	906.71	102 609	11.17	35.20
1999	365.71	39 549	0.005	1	860.26	103 489	12,47	15.81
2000	625.99	70 392	0.045	6	1 874.24	112 380	22.78	18.72
2000/1995	1.91	2.80	0.0005	0.0011	2.96	2.13	2.08	1.51

Table 2 Export ovčieho syra
Source: The Customs Statistics. Bratislava, 2001 (6)
Notes: 1 Sheep Feta in brine or sacks (7)
2 Sheep Feta, others (8)
3 Other sheep cheeses in brine or sacks (9)
4 Other cheeses (10)
(1) rok, (2) položka colného sadzobníka, (3) percentuálny podiel na celkovom exporte syra, (4) v tonách, (5) v tis. Sk.), (6) zdroj: Colný štatistický úrad, (7) ovčí syr Feta v slanom náleve alebo vo vreckách, (8) ostatné druhy ovčieho syra Feta, (9) ostatné druhy ovčieho syra v slanom náleve alebo vo vreckách, (10) ostatné druhy ovčieho syra

Research Results

1. Present situation and development trends in Export of Sheep cheese product category

Cheese products are in general among the commodities in which the Slovak Republic has reached the positive foreign trade balance from the long-term point of view. In this assortment, the specific position belongs to sheep cheese and a national specialty called bryndza (soft sheep cheese). Customs records showed that the export of soft sheep cheese bryndza is recorded under custom tariff items 04061020, 04061080, 04069001, which also include fresh cheese and soft cheese (Table 1). Analogously, the export of sheep cheese is recorded by several different customs items (Table 2).

The commodities observed are the most attractive for customers in Lebanon, Hungary and the Czech Republic (Tables 3, 4). As for Hungary and the Czech Republic, it follows from business and cultural similarities, as well as geographical neighbourhood. In case of Lebanon it is different (cultural and geographical distance) but an interest in the Near East markets follows in general from customer´s habits there

Table 3 Territorial structure of export of fresh cheese, soft cheese and soft sheep cheese bryndza[1] in % (selection of the biggest trade partners)

Target market (1)	1995	1996	1997	1998	1999	2000
Lebanon (2)	61.68	58.95	54.06	47.18	42.39	41.33
Hungary (3)	5.52	19.72	36.82	45.05	49.25	38.64
Czech Republic (4)	16.84	6.34	6.00	7.53	8.11	14.07
Austria (5)	3.4	3.20	2.90			
Germany (6)	9.3	42.7				
Ukraine (7)	0.0	0.11				
Romania (8)						5.15

Tabuľka 3 Teritoriálna štruktúra exportu čerstvého syra, mäkkého syra a bryndze v % (najväčší obchodní partneri)
Source: The Customs Statistics. Bratislava, 2001 (6)
Source: The Customs Statistics. Bratislava, 2001 (9)
[1]Includes customs items: 04061020, 04061080, 04069001 (10)
(1) cieľový trh , (2) Libanon, (3) Maďarsko, (4) Česká republika, (5) Rakúsko, (6) Nemecko, (7) Ukrajina, (8) Rumunsko, (9) zdroj: Colný štatistický úrad , (10) zahrnuté položky colného sadzobníka

Table 4 Territorial structure of export of sheep cheese1 in % (selection of the biggest trade partners)

Target market (1)	1995	1996	1997	1998	1999	2000
Czech Republic (2)	81.54	85.49	86.84	37.49	83.59	63.4
Hungary (3)	0.90	7.08	11.27	3.79	10.69	23.97
Lebanon (4)	6.71	3.88			0.94	0.42
Austria (5)	6.67		0.47	0.13		0.34
Saudi Arabia (6)	1.06	2.09	0.83			
Netherlands (7)						4.84

Tabuľka 4 Teritoriálna štruktúra exportu ovčieho syra (v %) (najväčší obchodní partneri)
Source: The Customs Statistics. Bratislava, 2001 (8)
1 Includes customs items: 04069031, 04069033,04069050,04069099 (9)
(1) cieľový trh, (2) Česká republika, (3) Maďarsko, (4) Libanon, (5) Rakúsko, (6) Saudská Arábia, (7) Holandsko, (8) zdroj: Colný štatistický úrad, (9) zahrnuté položky colného sadzobníka

Table 5 Export of sheep cheese and bryndza with export subsidies (except the Czech Republic) in tons

Item (1)	1995	1996	1997	1998	1999
Bryndza (2)	362	528	577	810	678
Sheep cheese in sacks (3)	55	20	40	40	20
Sheep cheese Kaškaval (4)	259	254	376	380	154
Sheep cheese Feta (5)	147	216	149	107	90
Total (6)	823	1 018	1 142	1 337	942

Tabuľka 5 Export ovčieho syra a bryndze so štátnou dotáciou (v tonách) (okrem exportu do Českej republiky)
Source: Slovak Ministry of Agriculture, Bratislava 2001 (7)
(1) tovar, (2) bryndza, (3) ovčí syr vo vreckách, (4) ovčí syr Kaškaval, (5) ovčí syr Feta, (6) celkom, (7) zdroj: Ministerstvo pôdohospodárstva SR, Bratislava 2001

(high consumption of salty sheep cheese). Also, there were some experimental exports of soft sheep cheese bryndza and different kinds of sheep cheese to Kuwait, Israel and the U.S. A.

Table 5 provides information on export subsidies for the exporters of sheep cheese and bryndza (except the export to the Czech Republic) as part of state support to exporters.

2. Building the Strategic Market Position for Soft Sheep Cheese Bryndza

Theory and practice of international marketing emphasize that a company entering the foreign market has to deal with several marketing problems and activities which include (Figure 1):

- marketing analysis including marketing research, which requires:
  - to evaluate internal suppositions of the company to enter the foreign market,
  - to recognise the most important features of foreign market from the viewpoint of political, economic, social and cultural environments;
- target market selection depending on present experience and the results of potential market monitoring;
- formulating a marketing strategy for the foreign market which includes:
  - to decide how to enter the market,
  - to select an appropriate alternative of competitiveness;
- formulating marketing mix for target market, which means:
  - to plan how to behave on the market (marketing mix),
  - to plan, organise and control marketing activities on the foreign market.

Figure 1 Building a strategic position on the foreign market
Obrázok 1 Budovanie strategickej pozície na zahraničnom trhu
(1) marketingová analýza, (2) analýza SWOT, (3) konkurenčná analýza, (4) marketingová stratégia, (5) celkové ciele, (6) výber cieľového trhu, (7) stratégia konkurencieschopnosti, (8) medzinárodný marketingový program, (9) realizácia, (10) štruktúra organizácie, (11) kontrola, (12) spätná väzba

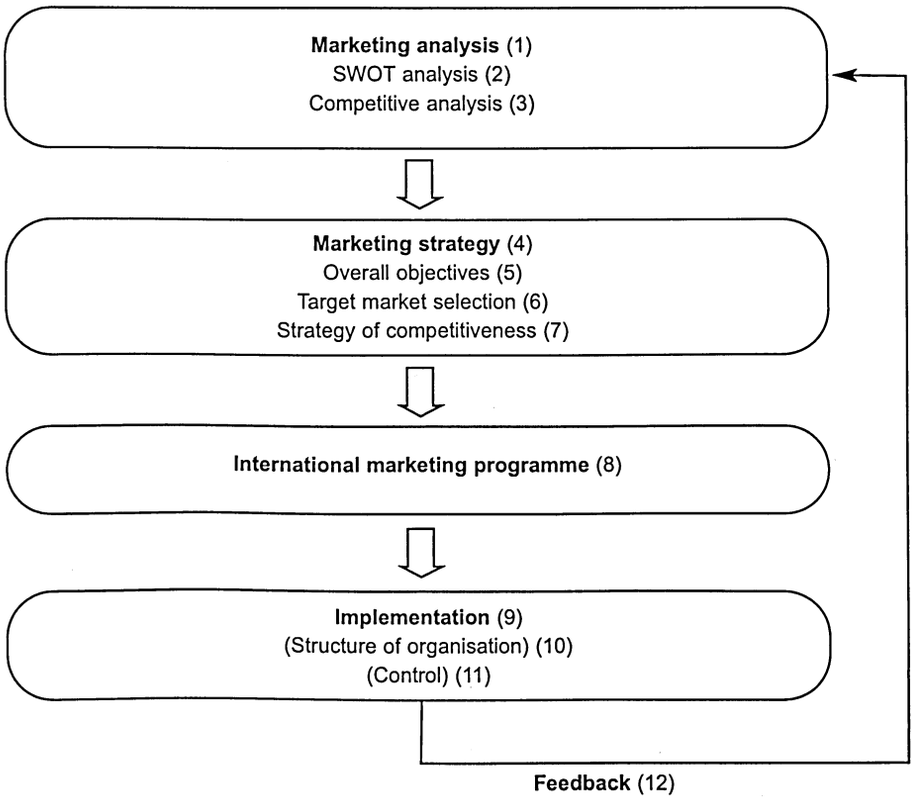
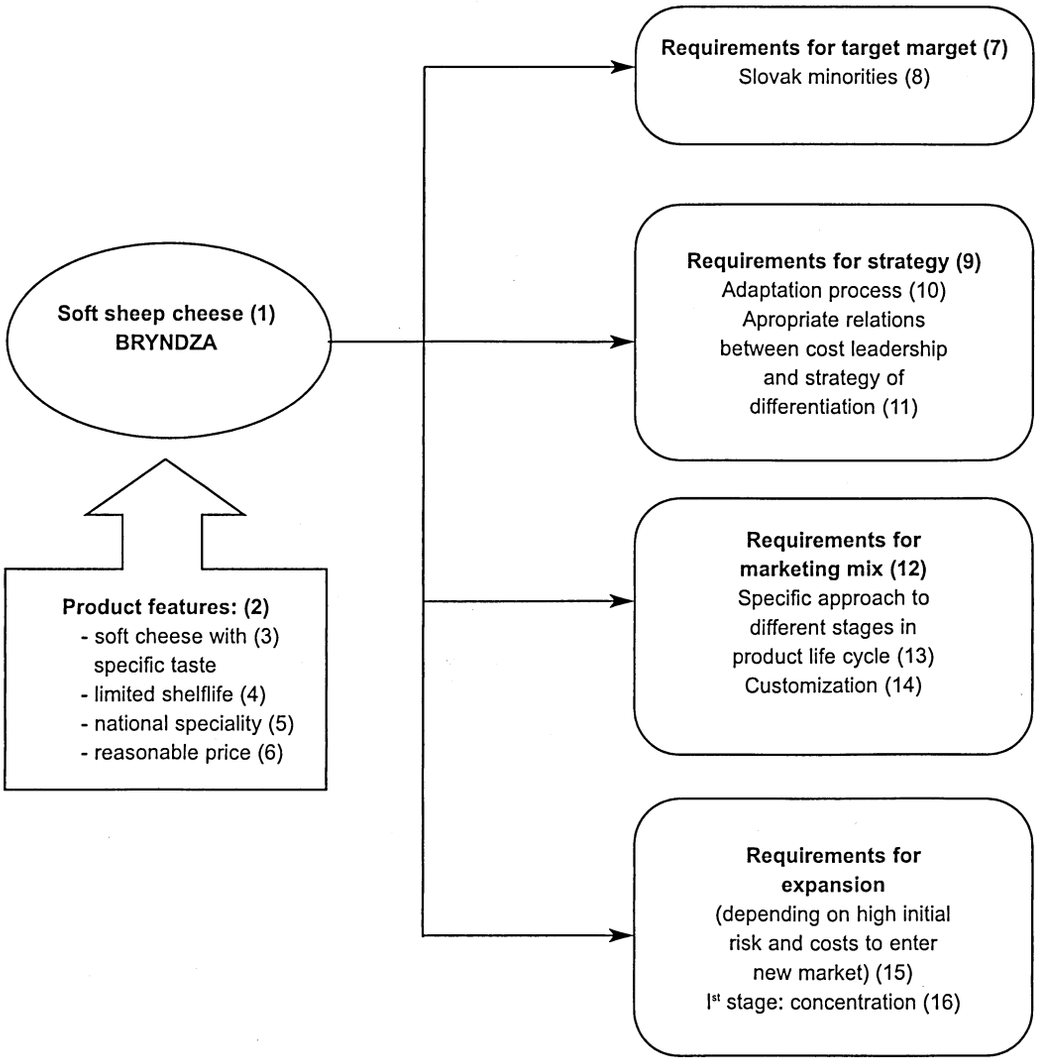


Figure 2 A proposal of strategic position for soft sheep cheese bryndza on the foreign market
Obrázok 2 Návrh strategickej pozície pre výrobok z ovčieho syra bryndza na zahraničnom trhu
(1) ovčí syr bryndza, (2) charakteristiky výrobku, (3) mäkký ovčí syr špecifickej chuti, (4) limitovaná životnosť, (5) národná špecialita, (6) rozumná cena, (7) požiadavky cieľového trhu, (8) menšiny Slovákov, (9) strategické požiadavky, (10) adaptačný proces, (11) primerané vzťahy medzi cenovým vodcovstvom a diferenciácie, (12) požiadavky na marketingový mix, (13) špecifický prístup k jednotlivým etapám životného cyklu výrobku, (14) prispôsobenie systému potrebám užívateľa, (15) požiadavky expanzie (závisia od vysokého počiatočného rizika a nákladov na vstup na nový trh), (16) 1. etapa: koncentrácia



Practical usage of the above outlined approach supposes that the key requirements are determined for each stage, both from the viewpoint of the company and expected external conditions. A brief proposal of strategic position for soft sheep cheese bryndza on the foreign market is shown in Figure 2.

Marketing analysis

In this stage we suggest to perform SWOT analysis to recognize internal suppositions of the company to operate on the foreign market as well as external opportunities and threats. Since there are several potential producers and exporters of the bryndza product in the Slovak market, we concentrated in this stage on the product SWOT analysis. The results of analysis are given in Table 6.

Marketing research: focus on foreign market

An international marketer is interested to recognize the features of foreign environment that in a decisive way affect establishment and development of active business contacts and explain purchasing and consumer behaviour of target customers.

Based on present export experiences, cultural similarity, geographical position and the requirements of the Slovak

Table 6 Results of SWOT analysis

Strengths (1)	Opportunities (7)
• soft cheese with specific taste (2) • appropriate product quality (3) • „originality" of the product (4) • reasonable price (5) • no, or minimum trade barriers and technical obstacles on the foreign market (6)	• to find new markets (8) • to use Slovak minorities abroad in product introduction into the market (9) • to learn consumers to use bryndza in cookery (10) • to establish distribution or marketing alliance to ensure a steady sale during year and increase export (11)
Weaknesses (12)	**Threats (17)**
• requirements for air conditioned storing (13) • unknown product (in some segments) (14) • limited shelflife (15) • requirements for keeping high quality of the production process to ensure the product safety (risk of bacteria *Listeria monocytogenes* occurrence) (16)	• unbalanced product quality level at different producers (18) • implementation of trade or other technical obstacles in foreign trade area (19)

Tabuľka 6 Výsledky analýzy výrobku metódou SWOT

(1) silné stránky výrobku, (2) mäkky syr so špecifickou chuťou, (3) zodpovedajúca kvalita, (4) originalita výrobku, (5) rozumná cena, (6) žiadne alebo minimálne obchodné bariéry a technické prekážky na zahraničnom trhu, (7) príležitosti, (8) nájsť nové trhy, (9) využiť existenciu slovenských menšín pri uvádzaní výrobku na trh, (10) naučiť spotrebiteľov používať bryndzu pri varení, (11) vybudovať distribučné alebo marketingové spojenie s cieľom zabezpečiť stály predaj počas roka a zvýšiť export, (12) slabé stránky , (13) potreba klimatizovaného skladovania, (14) neznámy výrobok, (15) limitovaná trvanlivosť, (16) potreba dodržiavať vysokú kvalitu výrobného procesu kvôli bezpečnosti výrobku (riziko výskytu baktérie *Listeria monocytogenes*), (17) hrozby, (18) nerovnaká kvalita výrobku od rôznych výrobcov, (19) implementácia obchodných alebo technických prekážok v oblasti zahraničného obchodu

people in foreign countries, we take into consideration two target markets: the Czech Republic and Hungary. On the other hand, there is also the U.S. market, chosen on the experimental basis and because of the minorities of Slovak people living in several regions there.

Target market: Czech Republic

The Czech Republic has a population of over 10 million, of which the Slovak minority accounts approximately 3.1 % (310 ths. inhabitants). We suppose the Czech market to be easier to enter in comparison with other markets, as there are no tariff barriers within the Customs Union at present. Also, there are geographical, historical and business similarities between the Czech and Slovak Republics.

The requirements for labelling have already been harmonized with the EU regulations. Importers or distributors are fully responsible for right labelling. Since 1997 there has been implemented the Act on Technical Requirements for Products and Conformity Evaluation which determines the testing procedure of products.

Target market: Hungary

Hungary and Slovakia are two neighbouring states which enhance their business co-operation within the CEFTA and both of which are preparing to join the EU. Hungary has a population of more than 10 million, the Slovak minority accounting about 0.4% (40 ths. inhabitants).

From technical business obstacles it is necessary to mention particularly a difficult and long lasting certification process and the Food Act ensuring high product quality and a high level information for consumers.

Similarity of the social and economic development in Slovakia and Hungary determines certain common aspects of purchasing behaviour in the food market. Slovak and Hungarian customers consider health as the most important value but their consumer behaviour does not always correspond with this expression of theirs and often reflects different social and economic conditions. From this point of view the quality of food is a very important aspect which is not supported by sufficient purchasing power. Younger, more educated consumers look for nutritional, low-fat and low-energy food products and they are much more flexible in accepting new, unknown and non-traditional food. Older consumers, often regardless their physical health, prefer traditional food with a higher fat and energy content.

The present experience shows the sheep cheese bryndza is best sold in Budapest (2 mil. inhabitants). With territorial expansion, we also suppose to export it to other big cities (Debrecen, Miskolc) or the localities with Slovak minorities (Szeged, Békéscsaba).

Target market: USA

The market in the USA (275 million inhabitants) is characterized by high ethnic diversification, including the Slovak minorities in several areas inclusive of large cities (Chicago, Pittsburg, New York City, etc.) and states (New York State, etc.).

It is necessary to take into account that the U.S. market is distant, both from the geographical and business aspects. In the food market it is necessary to accept the rules of food testing and labelling and the regulation prohibiting an import of milk products from unpasterized milk. Due to limited shelflife of soft sheep cheese bryndza, we propose to find an importer in the area with "a relatively high density" of the people of Slovak nationality (New York, Chicago) and harmonize effectively the time of delivery, distribution and consumption.

Approach to strategy selection

Appropriate strategy selection follows from the strategic objective that resides with n introduction (re-introduction) of soft sheep cheese bryndza into foreign markets and establishing the perspective and permanent business and market relationships.

As mentioned above, we consider soft sheep cheese bryndza as the specific product with a reasonable price, which corresponds to the appropriate relations between cost leadership and strategy of differentiation. With regard to the communication with a foreign customer our proposal proceeds from the principles of adaptation of marketing strategy, depending on product characteristics and cultural gaps between the nations. Also, we find it very useful to use the previous customers' experiences with the product.

Marketing mix and product life cycle

The following objectives and marketing activities are proposed within different stages of the bryndza life cycle on the foreign market:

Introduction:

- *Objective:* To introduce (or re-introduce) the product into the the foreign market emphasizing its character as „the national speciality".
- *Target group:* Slovak minorities in larger cities. Older people with strong Slovak roots who remember traditional Slovak cookery and could play a role of the „opinion leader" within family relationships.
- *Specific features of marketing mix:* To start with basic modification of the product in regular packages for an introductory price. Tasting the product in supermarkets and hypermarkets in big cities. Business to business communication and in-store communication using advertising and promotional tools (e.g. posters).

Growth:

- *Objective:* To increase a sale of the product.
- *Target group:* To expand from the target group of Slovak minorities to another group of consumers, the so called pioneers accepting new products and being willing to experiment. They often play a role of the „opinion leader" within social relationships.
- *Specific features of marketing mix:* To introduce some recipes how to use soft sheep cheese bryndza in cooking. To modify national recipes, e. g. „túrós csusza" in Hungary. To introduce the Internet web site on Slovakia´s „point of interest", including a list of recipes. Motivation via consumer competitions in the media. Advertising in magazines for women.

Maturity:

- *Objective:* To enlarge assortment.
- *Target group:* Loyal consumers and new ones.
- *Specific features of marketing mix:* To introduce a more expensive modification of the product and different flavours. Tasting the product in supermarkets and hypermarkets. Permanent development of business to consumer communication via the Internet web site.

In our proposal we do not take into account a stage of decline because we consider communication with customer adequate to the educational process leading to the creation of new habits and behaviour on the market. From this point of view soft sheep cheese bryndza is one of the instruments for establishment of other products with the Slovak trademark origin abroad.

Conclusions

The increase in export performance plays an important role in solving the problem of negative trade balance in foreign agrarian trade in Slovakia. In addition to the products with a feature of price competitiveness, it is necessary to intensify the export of products with a feature of certain differentiation. Establishing successful business and the market relationship requires:

- to decide on „right" foreign market,
- to select „the best" product for foreign customers,
- to decide on „right" strategy of competitiveness,
- to plan, organize and control marketing activities on the foreign market,
- to integrate the effort of producers and create common national strategy with the goal to intensify and support export activities of Slovak business entities.

Súhrn

Analyzuje sa súčasná exportná výkonnosť v oblasti slovenských národných špecialít, ktorými sú ovčí syr a bryndza, a to za obdobie rokov 1995 - 2000. Hlavná pozornosť sa venuje návrhu marketingovej stratégie pre produkt bryndza s kľúčovými prvkami, akými sú zdôrazňovanie národného charakteru produktu, využitie predchádzajúcich skúseností zákazníkov, komunikácia priamo v predajných priestoroch a využitie internetu. V závere sú uvedené požiadavky na spoločnú národnú stratégiu, štátnu a inštitucionálnu podporu a integrovaný prístup pre zefektívnenie exportných aktivít slovenských agropodnikateľských subjektov.

Kľúčové slová: bryndza, export, zahraničný trh, zákazník, marketingová stratégia, stratégia konkurencieschopnosti

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