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DEVELOPMENT AND IMPLEMENTATION OF A RATIONAL MARKETING STRUCTURE OF PRODUCTION ENTERPRISES

Hanna Shevchuk¹

Abstract. The most important branch of the national economy of the country, designed to meet the needs of the population with fruits, berries, vegetables at affordable prices, is the fruit and vegetable industry. Compared with others, this industry faces more complex tasks associated not only with the need to produce products, but also as best as possible to preserve them, to make high quality food products with biologically active substances. The article is devoted to the role of marketing in the fruit and vegetable subcomplex. It has been determined that the implementation of marketing principles of doing business in the horticultural complex allows producers to respond faster to changes and increase competitiveness. The changes in the structure of filling the market of fruit and vegetable products by directions of production and marketing activities have been studied. Peculiarities of the influence of marketing communications are presented. Modern forms of marketing of fruit and vegetable industry enterprises are reflected. The paper presents the algorithm of marketing application for the fruit and vegetable industry. The *purpose* of scientific research is to develop a rational marketing model for the effective functioning of processing enterprises. *Methodology.* In the process of research and development of the rational marketing structure of production enterprises the following methods were used: methods of economic analysis, grouping, graphical method and method of comparison. *Results.* The article defines the main directions of building of effective functioning of competitive marketing potential of processing enterprises in market conditions. The article analyzes a number of studies of domestic scientists on the definition of the concept of "marketing of the enterprise". *Science novelty.* The article reveals its essence, defines the main elements of marketing potential and the importance of the need to manage the marketing potential at the processing enterprises. The main factors determining the policy of effective management of marketing potential at the enterprise have been revealed and the level of use of marketing potential at processing enterprises has been determined. The application of strategic approach to the management of marketing potential in processing enterprises is proposed. The necessity of creating cooperatives as one of the effective ways of entering the market of organically produced food to jointly solve production, social and other problems has been substantiated. *Value/originality.* The main scientific provisions of the article can be used in the work of enterprises involved in the processing industry.

Key words: marketing, processing enterprises, consulting, farming, cooperation, marketing mechanism, structure.

JEL Classification: M31, M11

1. Introduction

The development of marketing activities has many problems at the present stage. One of these problems is the rationalization of interaction between enterprises and small rural businesses in the industry in order to provide the latter with marketing services. Since agricultural enterprises, intermediaries, and other large suppliers are well aware of the state of the markets, therefore, in our opinion, marketing services are not necessary for all categories of suppliers. The consolidation of small agricultural producers into cooperatives, the reorganization of

enterprises, or the creation of a special department run by a single enterprise, all in order to establish marketing in the region, does require considerable effort.

Such foreign scientists as G. Armstrong, I. Ansoff, R. Lankar, M. Porter and others made a significant contribution into solving the problem of marketing implementation. Peculiarities of marketing activity in the field of industry are described in the works of domestic scientists, such as A. Pavlenko, L. Balabanova, V. Gerasymchuk, V. Bondarenko, Z. Varnaliy, V. Gatsura, M. Zhuravlyova and others.

Corresponding author:

¹ Vinnytsia National Agrarian University, Ukraine

E-mail: shevchukhv@gmail.com

ORCID: <https://orcid.org/0000-0001-6094-0414>

ResearcherID: <https://publons.com/researcher/3539580/hanna-shevchuk/>

Research of modern theoretical and practical problems of cooperation development can be found in the works of many Ukrainian scientists such as: G. Kaletnik, I. Goncharuk, Yu. Luzan, M. Malik, L. Bilyi and others.

The purpose of scientific research is to develop a rational marketing model for the effective functioning of processing enterprises.

The need of rural producers for marketing and other (e.g., logistical) services is growing every day. In modern conditions, information and knowledge about the production and sale of products that have market novelty is important. Today, this market niche in many regions of Ukraine remains unfilled.

Providing advisory services to farmers requires significant funds and specially selected specialists, because it is extremely important to establish a long-term and productive contact. Specialists from government agencies cannot solve this task, as they have a different goal. The processing business cannot cope with this task either, if its members want to organize such a structure by one company.

The main task of a consulting activity, consulting agency or business consultant is to help the client implement improvements to ensure the innovative development of their business.

2. Consulting as a modern management tool

When creating such organizations, a number of key points should be taken into account. These organizations can and should be created in various organizational and legal forms, which will lead to increased economic competition between them and, accordingly, improve the quality of the services offered. These types of organizations must be as free as possible from the pressures of the external environment to have the freedom to make management decisions and conduct business. Their internal environment should be designed in such a way as to encourage employees to work efficiently and increase their productivity.

The organization of consulting firms, especially for small rural businesses, requires certain and considerable efforts at the initial stage, especially in terms of resources. Their sources can be various. However, borrowed sources are too expensive, and also their owners can interfere in the activities of the created structure, and this degree of influence can be excessive. The most profitable source is the funds of the enterprises themselves. It seems to us that within several neighboring areas and natural-economic zones, for example, within the processing industry (as a system with established structures), it is advisable to interact with its subjects by sector (crop and livestock) to create and rationally organize the work of marketing structures. They will focus on researching the solvent

demand of buyers and will help small rural producers produce more and better quality products at lower costs and timely, profitable sales of goods and services.

A number of scientists and specialists believe that it is necessary to turn to other (specialized) organizations to solve such problems. In our opinion, it is more rational to use the base of processing enterprises. Cooperation has a positive effect on the activities of enterprises. T. Fliginskikh shares the opinion: "Cooperation should contribute to the intensive development of production, the establishment of equivalence of exchange at the intra-industry and intersectoral levels, increase competitiveness and efficiency, creating conditions for financial stabilization of enterprises" (Fliginskikh, 2005).

The effective functioning of cooperative marketing formations is impossible without a system of financial support (Fliginskikh, 2005). Financial support for the activities of marketing cooperatives is provided by the marketing cooperatives themselves. It should be noted that if participants lack effective internal incentives, and newly organized associations are not flexible and cannot easily adapt to rapidly changing environmental conditions – even financial investment and ideal physical infrastructure cannot produce the expected results.

Financial independence creates autonomy in the provision of resources (Satalkina, 2013). Of course, not all resources can be owned. But these organizations should strive for it, because the rural commodity market is a very tidbit for many competitors, and they have the necessary resources to work in it and are unlikely to share them. At the initial stage, the attraction of resources should take place through rental contracts, hiring people who own personal vehicles.

Work on the market of agricultural raw materials with its fierce competition requires a special organizational structure of enterprises. First, it should have a small management hierarchy, which will allow it to have the necessary flexibility, efficiency in making and implementing decisions. Second, the structure of the organization should be as simple as possible.

The nature of the market in which the companies will operate also affects the management system. In the author's opinion, it should be forward-looking, multifaceted and comprehensive. Management should cover the following areas: logistics, service production, innovations in service production and realization, service marketing, personnel, finance, and accounting.

Personnel are of great importance when creating an organization aimed at accomplishing such a task. Personnel are divided into core and support personnel. While the criteria for selecting support staff may not be so stringent, the core staff, that is, the people who will directly develop approaches and dialogue with small rural business clients, must be carefully selected. After all, the capacity of the organization depends

entirely on the effectiveness of their work. The staff should be, on the one hand, highly qualified and ready to learn professionals, and on the other hand, they should be communicative. And the latter quality should be most applicable to rural residents.

The complexity and economic danger of working in this sector of the commodities market requires companies to have a reliable organizational and legal form (Kuksov, 2002). Of course, the organizational-legal form must conform to the conditions and interests of the owners who have united to create it. However, ignoring this rule in conditions of fierce competition can have extremely negative consequences.

However, negative factors can easily be turned to the advantage of business owners. For example, when a company operates in a certain area, there is a limit at which it will be very difficult for it to compete (there will be a so-called competition limit), which will inevitably affect the supply of raw materials. But this situation is easily resolved. In this case, the cooperative will supply raw materials to the factories on the basis of their participation in it. It should be noted that this rule will be the main rule in the distribution of raw materials among the owners.

The complexity of competition creates requirements for such formations in a given area of one group of owners. The number of structures must be carefully thought out in accordance with the current situation in a given region or area of the commodity market, otherwise there will be competition between "their" structures, which is extremely unprofitable, because this will only disperse efforts for competition, when they must concentrate only in one direction – to win in competition with other market participants.

The cooperative marketing formations of processing enterprises should be strictly oriented to the samples of the quality of the services produced. For this purpose it is necessary to follow the development of competitors' experience in finding mistakes and to carry out constant quality control not only at the stage of preparation of services, but also in the process of implementation. When organizing cooperative agricultural marketing it is also important to consider the current objective conditions and peculiarities of its formation. Without taking into account these points, the developed proposals are unlikely to make processing more productive and efficient than it is now.

With all the variety of forms and types of cooperative marketing structures, these are primarily service formations. The objects of socialization in them are (or are not) the members of enterprises and the property of enterprises – fixed and circulating assets. The scale of such cooperation depends on the state of their resource endowment, available production infrastructure in the area and other factors. Unification of processing enterprises, which, for example, experience a shortage of some material and technical means and a certain

surplus of others, can correct this situation, improve the efficiency of resource potential.

Depending on the degree of socialization of property processors, delegation of management functions, coordination of potential participants in the further formation of economic interests, there are such models of cooperative marketing as legal entities: cooperatives, companies and societies (Sabluk, 2007). All of these models are independent and governed by democratic principles of formation, created on the basis of a voluntary association of processing enterprises.

The processes of development of cooperative marketing formations are accompanied by various issues of controversial nature, for example, the "non-commercial" development of these service formations (Sabluk, 2007). The paper proposes the author's own approach to solving this problem. Initially, the purpose of creating marketing formations is to meet the economic needs of processing enterprises. This will take place on a commercial basis, since marketing formations must provide themselves with resources, purchase raw materials and, finally, ensure expanded reproduction. However, these commercial principles should be regulated, because processing enterprises are the organizational and economic basis of this formation, and the latter is designed to achieve specific goals of the owners. In addition, in favor of justifying the impossibility of "non-commercial," it should be said that an established association can make a profit from the sale of raw materials to other consumers (not to owners). This is possible when the marketing structure fully satisfies the owners – processors, for example, if it is a small business.

Another issue that causes mixed opinions about the prospects of creating such organizations would be the so-called "suppression of economic interests" of small businesses in rural areas, which would lead to a lack of demand for services and, consequently, to the failure of the organization (Bondarenko, Shevchuk, 2018). The author believes that the practical application of this problem is not realistic, since, on the one hand, the consolidation in such a profitable market is the main goal of the creation of cooperative marketing structures, and on the other hand, it should be noted that the structures will not be monopolists in the market and will not be pioneers. There are enough participants in this market to have healthy competition, and any restriction on the common interests of consumers would simply be unprofitable business.

The economic situation in the country has noticeably improved, but the problems of processing enterprises have not abated (Bondarenko, Shevchuk, 2018). In such a situation, the need to organize cooperative marketing formations increases. However, the creation of a full-scale service system and its infrastructure due to objective (including economic) reasons is now unrealistic. In this situation, we offer fundamentally

new solutions for small rural businesses: the development of marketing cooperative services for industry application on the basis of the processing industry as the most well-established system, including procurement, processing of agricultural raw materials and sales. Not only does such interaction fit well into the envisioned system of serving small agricultural producers and processors, but it is likely to be the first step in its creation.

The norms of the Constitution of Ukraine regulate the basic provisions of the legal activity of processing enterprises, including cooperatives. This creates a holistic view of the essence of the cooperative, work with its organizations, including processing enterprises, formation of the legal framework. The Civil Code of Ukraine also states that relations related to the creation of cooperatives are also regulated by other normative acts and regional norms. In fact, most of the basic principles can be implemented in some other forms of mergers.

Basic principles of cooperation (Kaletnik, Honcharuk, 2015):

- voluntary participation in a society. Not less than two, but not more than fifty participants under a joint activity agreement may combine their efforts and act together to satisfy their own interests by achieving a goal not contrary to the law;
- the authorized capital of the company is formed on the basis of contributions of the participants. The amount of the contribution is formed on the basis of its value. The contribution can be anything that the participants themselves contribute to the common cause. It is not allowed to release a shareholder of a company from the obligation to make a contribution to the authorized capital, including by offsetting claims against a company. The amount of the authorized capital may not be less than a multiple of the minimum wage established by state law on the date of submission of documents for state registration of the company;
- the supreme governing body of the company is the general meeting of its members; the executive body (collegial and (or) sole executive body) accountable to the general meeting performs operational management. The supreme management body makes decisions only on the most important issues of business activities. Issues related to the exclusive competence of the general meeting may not be delegated by it to the executive body of the company and others.

A company does not have the right to make a decision on the distribution of its profits in the following cases: before the full payment of the authorized capital of the company; before the payment of the actual value of the share (part of the share) of member companies in cases provided by the Law "On Limited Liability Companies" (Law of Ukraine, 2012); if at the time of taking such decision the company meets the signs of insolvency (bankruptcy) in accordance with the

legislation of the state on insolvency (bankruptcy) or if these signs appear with the company as a result of taking such decision; in other cases stipulated by the legislation of the state.

Since a limited liability company from the economic point of view is a centralized association of the efforts of several participants, some other principles of the cooperative, extremely important at the current stage of economic development, apply to it. For example, upon withdrawal from the company, a participant is entitled to receive a part of the property corresponding to his share in the charter capital; a participant of the company is interested in increasing the capital of the company, since part of the profit is distributed as dividends, in proportion to the shares in the charter capital; each participant of the company participates in management through the general meeting. The choice of a limited liability company is justified, of course, not only by a certain set of principles in its creation, but also by the positive aspects of the processing business (for example, opportunities of a logistical, financial and other nature). Thus, the basic principles of creating cooperatives in accordance with modern requirements to the structures of processing business can be implemented in a limited liability company with a rational organization. And the rational type of cooperative marketing is based on obtaining by its participants the necessary benefits at minimum costs.

The established structure will organize interaction with farmers (farms). When organizing such interaction to serve farmers and private subsidiary farms, we proceeded from the fact that the structure unites, first of all, managerial, organizational abilities, capital, not excluding personal labor of the participants for maximum use of resource potential of processing enterprises in the interests of small commodity producers in rural areas. For this purpose it is necessary to systematize the interaction of such structures and producers of raw materials on the basis of establishing bilateral obligations, and not only on the basis of a contract. Business relations between them should not be ad hoc, spontaneous, but long-term, based on mutually beneficial interests. Such an approach allows each party to plan their work more confidently, at least for the near future.

Organizing marketing services for representatives of the agricultural raw material market is a benefit not only for the processing business, but also for the raw material producers themselves. After all, successful sales of products depend not only on the price set by the parties, but also on guaranteed purchases and other services, up to and including logistics. Of course, in the early stages of the development of marketing formations, the possibility of logistical assistance is unlikely. However, as the organization develops and strengthens, it will have reserves that should be used

for these purposes, since this is a significant contribution to the development of competition.

Science and practice show that the production activity of any organization is desirable to begin with the analysis of market conditions, i.e., with the intensification of marketing. However, the specificity and focus of the services provided by cooperative marketing formations implies a partial abandonment of these aspirations. Here the sale of services, that is, marketing activities should not precede, but be inextricably linked and at the same time associated with their production. After all, there are many options for bringing services to the consumer, and it is impossible to process and prepare all of them only at the marketing stage.

Now that Ukrainian shelves are filled with imported goods and quality domestic products remain in warehouses, it is especially important to help buyers and sellers find each other. And it should be noted that wholesale markets serve as an effective channel to promote agricultural products from producers to consumers.

Domestic experience shows that successful implementation of many initiatives requires a mixed approach of movements "from above" (with the help of representatives of the government and other initiative structures) and "from below" (the market participants themselves). Organizers need to correctly determine the ratio between these two movements – they need to be able to form a marketing structure.

3. Rational marketing structure of the processing industry enterprises

Of course, when properly applied, marketing can be a very useful tool. However, most of those who have high hopes for the formation of the marketing cooperative movement, especially after an all too promising start, may have to be somewhat reassured by the emergence of numerous problems that reduce the effectiveness of the process.

The existence and development of any organization is impossible without the provision of resources. Their formation should take place on a contractual basis. The size of the provision can be different: everything depends on the scale of marketing formations, which, accordingly, are generated by success in the market. But in any case, it should be noted that the implementation of marketing services should be carried out between processors and representatives of the rural market. This is due to the fact that the raw material for the industry requires preservation, and therefore transporting it a hundred or two kilometers would be extremely risky and too expensive (Goncharuk, Shevchuk, 2020).

For the structure to work successfully, the focus must be on meeting clear and real needs, consistent

with the agreements. Each service must pay for itself, or the performance of the investment must be very close to the cost, or the organization may go bankrupt. In the future, according to the level of development of the organization, the volume of services must be increased, but their quality must not decrease. This is the only way to successfully compete in a market that is both profitable and difficult at the same time.

The proposed organization of marketing services has a number of other positive properties as well. Firstly, the proposed scheme of creating marketing cooperatives differs from the traditional schemes of purchasing raw materials, which consist of buying them only by one's own efforts; secondly, it solves the most important production problem of many farmers – its marketing and, thirdly, it provides some support, which is also very important for rural areas. The proposed system of marketing services for farmers, in addition, provides interaction between partners, which does not limit, but rather supports the interests of the parties to further strengthen their competitiveness.

As is known, small agricultural enterprises have disadvantages, the elimination of which contributes to their interests. These are difficulties in attracting large capital, disadvantages of specialized management, unlimited liability for debts, the need to be an expert in many areas, the risk of losing all their personal savings and property. These disadvantages are characteristic of individual entrepreneurs. Cooperative marketing formations are the best solution, as they are stronger financially and in other areas.

Cooperative marketing formations are staffed by specialists who specialize not only in marketing, but also in other areas of activity related to achieving the organization's goals. But the most important quality of the structures proposed for the organization is, of course, the implementation of activities needed by both sides: both processors and small agricultural businesses. Some people want to procure and process raw materials, others want to produce them and sell them profitably.

The work of the organization is structured as follows. The activity of created cooperative organizations must be controlled: a supervisory board consisting of representatives of enterprises and management is created, which is done by the general meeting of members. These bodies carry out their activities throughout the life of the organization and monitor the implementation of the set long-term plans. The current and tactical planning and management of the marketing structure is created by the director, who is appointed by the members of the cooperative and to whom all services (departments) of the organization report.

The number of functions performed by the departments can vary depending on the need. The head of the marketing department reports to the head

of the organization (director), he is constantly on the scene and receives operational and information through various channels from manufacturers and other sources, and then passes it on to specialists and employees. One department marketer forms the pricing policy, and the other acts as a consultant on the proper and effective delivery of services to consumers for those marketers who work directly in the countryside. When necessary (illness, etc.) one replaces the other. The remaining marketers serve producers in their area (consisting of several localities).

Their job is to analyze markets, customers, competitors, products, plan, and negotiate. They form demand, ensure the purchase and transportation of agricultural products to processing plants and enterprises. The work of lower-level marketers is also based on the principle of interchangeability.

Depending on the size, number of producers, and list of products, it is advisable to have up to 18-20 specialists in each structure. The size of the staff depends on the scale of the organization. It is not economically beneficial to have too many employees. If this is the case, the principle of combining their functions in one person should be used to reduce the number of employees. That is, one employee should be entrusted with the tasks of several professions, such as two (accountant-economist) or three (driver-loader-marketer). A large combination of professional tasks for one person makes no sense,

as it will only lead to overload and, consequently, to job dissatisfaction.

Backyard farms, farmers produce in planned, agreed-upon quantities and of the highest quality. Marketers take their products from them on the spot. For this, the marketers themselves decide the organizational issues (destination and others). Of course, they need to be resourced to carry out their activities. They need to have the full financial means to, for example, rent a vehicle if they need one, or deal with other such issues.

The information obtained in the implementation process is transmitted to the head of the marketing department for analysis, and then to the processors to adjust production plans for the agricultural period, and the purchased raw materials go to the receiving department of processing enterprises. Interaction between the consulting firm and processors on the main activity is carried out on the basis of contractual relations.

Then, at the next meeting at the end of the period, marketers and growers finally agree on the volumes, terms and other parameters of production and sign (or not sign, if the partners have a close trusting relationship and one of the parties is personal/donor) documents for the next period. The interaction period may have different duration for any raw material producers.

The variant of agricultural marketing organization proposed in the work, presented in the scheme of

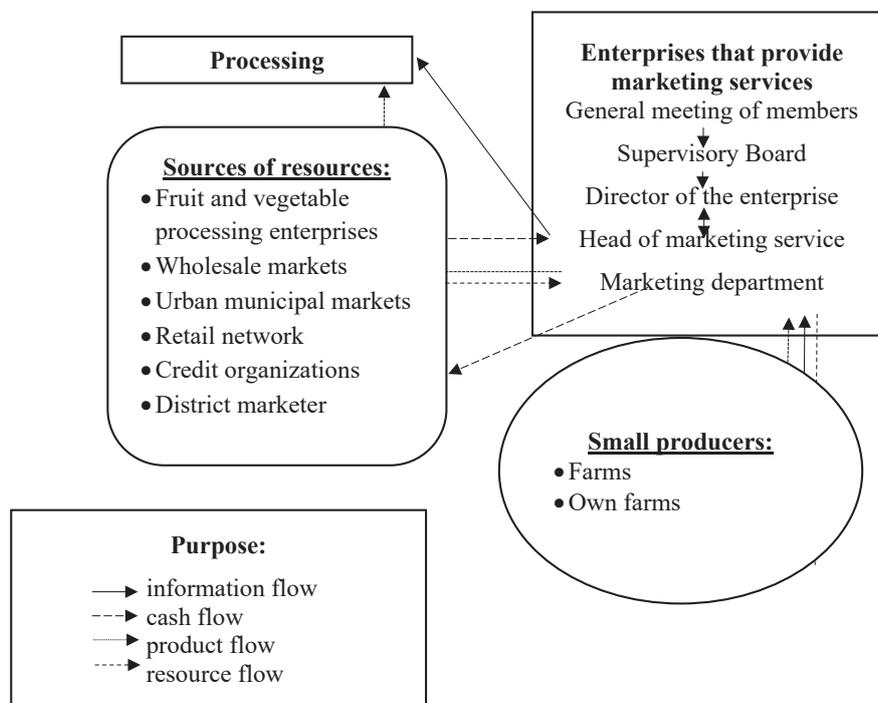


Figure 1. Scheme of flow of information, products and funds in marketing services of small rural processing enterprises

Source: developed by the author

flow of information, products and funds in marketing services of small agricultural producers by processing enterprises, is shown in Figure 1.

The labor of employees involved in the production and realization of marketing services, i.e., key personnel, should be paid decently. Since the effectiveness of their work depends not only on professional knowledge, but also on luck, so relying only on the quantitative sign of its performance, as can be seen, makes no sense. Practice shows that the most effective will be a system of remuneration consisting of two parts: basic and cumulative. The basic part of the salary should be constant and not depend on the results of the employee's work in the amount above the subsistence minimum of the population in the region in the range of 15-20%.

The cumulative part will depend entirely on the performance of the employee. As a result, the remuneration of the main personnel should be higher than that of the auxiliary personnel, and at the same time should not exceed the discriminatory barrier. This principle of wage formation leads to a fuller incentive for the employee. In addition, such a system attracts professional staff, as it allows the latter to fully use their knowledge and skills and receive appropriate material remuneration.

In the proposed structure, in addition to the main personnel, there are service or support personnel (e.g., accountant, lawyer, and others), whose work should also be paid. Of course, the amount of salary here will depend on the effective work of the "core" staff. However, it should be noted that in order to interest employees in their work, their salaries should also be built from the two parts mentioned above. And the basic part will be determined by the subsistence minimum of the population in the region, and the funded part should vary depending on the success of the main personnel.

Of course, the success and value of any organization lies in its employees, so in order to keep them from staff turnover, it is necessary to create a special fund. The funds of this fund will be used primarily for staff training, improvement of working conditions, social programs, as well as to finance the main part of the salary in the event that for some reason the income from

the results of the organization will be small (this may be due to the seasonality of raw material purchases). In addition to this fund, it is preferable to create other specialized funds, such as a savings fund. Their number and purpose may vary and depends on the management of the organization.

4. Conclusions

Consulting services are an important tool for implementing the policy of development of enterprises of the agricultural sector. The volume of output needs to be coordinated with the demand for it, and with this in mind to reduce or increase the production capacity of the enterprise. Information and analytical subsystem is a chain that combines the infrastructure of the agrarian market, production and agro-service formation, creating conditions for meeting consumer demand and ensuring the profitability of the enterprise.

The given scheme of movement of information, products and money at marketing service of rural manufacturers is not rational enough. Therefore, the main task was to create a scheme in such a way that it would be based on the combination of efforts of processing enterprises by branch ownership, located within several adjacent areas.

Equally important for the improvement of fruit and vegetable enterprises is the need for advisory activities, the creation of agricultural cooperatives, the availability of highly qualified personnel and the improvement of domestic practices.

So, summing up, it should be noted that organizational-legal forms, internal environment and variants of interaction of marketing formations, built on the principles of cooperation of processing enterprises efforts, can be different. Everything depends on specific interests, aspirations of participants, their possibilities, as well as on the market conditions of agricultural raw materials, which are different in different regions and even districts.

However, communication with the heads of agricultural and processing business in Ukraine shows that the proposed developments can be implemented in the practice of enterprises, although not in all regions of the country without exception.

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