

LOCAL PRODUCERS AND THEIR PENETRATION IN THE MARKET OF KOSOVO

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Abstract

Penetration into a new market is obviously very complex issue and requires thorough analysis of a series of basic elements, ranging from market analysis, analysis of previous products, the demographic aspect, and the most importantly the economic development of that country.

The market of Kosovo parallel to local producers presents sufficient difficulties and problems that for a significant number of producers have been the cause of not being able to cope with and survive in the market. The most obvious problems that cause difficulties for newcomers in the market are; informal economy, inefficient legislation in relation to local producers, aggressive competition, and above all imported products that for a long time have occupied Kosovo market and with discriminating prices cause big problems to the local products.

The following research brings a detailed analysis of the Kosovo market, reflects the segmentation strategies and positioning that Kosovo manufacturers apply in the field, It also shows the dealing with competition and consumer along with products imported .

The paper work also presents the challenges that manufacturers face today in Kosovo as well as the recommendations as concluding section that give instructions to local producers how to overcome the problems and how to promote their products on the market.

Key words: market, production, product analysis, management, enterprise.

1. Introduction

Kosovo market is the space in which different products are sold and exposed to the tax system of the Republic of Kosovo. Internal market in Kosovo is unique and governed by the laws of the Republic of Kosovo. All persons carrying on commercial activities are treated equally without discrimination or privileges in accordance with the provisions of this law.¹

During the prewar period until the year 2000 the industrial market and green market were supplied with products manufactured abroad. Over the time and with Kosovo's economic recovery in this market there started to be sold domestically produced products. Because of the high cost of production (production price) which is associated with the sale price, the products manufactured in Kosovo launched on the market had a small percentage of space. Kosovo's post-war market has often been influenced by political developments related to the resolution of the Kosovo issue.

So for example after statements some Slovenian politicians in 2002 inhabitants of Kosovo for several months have been boycotting Slovenian products. This made the requests for these products and such statements fall to a minimum. Consumer uncertainty has also affected the increase in consumption of local products. So, with the progress of the general economic situation and the creation of local institutions during 2003-2006 the consumer uncertainty was transformed into a consumer safety.²

In December 2010 there appears an euphoria in Kosovo under the suspicion of the quality of some drinks that were imported from Serbia. LaVita products, Takovo, Hello, Fruvita, Verde, and Nectar, were found to be harmful to health. The Serbian Citizens were advised by the Serbian state itself not to drink these juices, produced in Serbia and had ordered people not to buy them. At the same time they ordered a complete removal of those drinks from the market. Consumer organizations based on laboratory tests had found that these juices seriously damage health due to

failure of the basic food requirements. These drinks were urgently required to be withdrawn from the market, in order to save citizens from suffering. Through a media campaign and a blockade that was made to these products, market places and market in Kosovo got empty, for no more than a few months, and similar products got back again in their previous places justifying that samples analyses made by Albanian experts proved to be not harmful.

However, not all other types of products had the same fate, the number of imports is getting higher each time, the market is getting more and more blighted by products which compete with local products which on the other hand do not guarantee quality for the consumers.

2. Concept of products and its portfolio

Local products are of a good quality. Many companies manufacturing drinks export drinks abroad. A quarter of the products manufactured from the factories that mainly deal with the production of juices are exported to the neighboring countries, and in Europe since 2006. This was confirmed by the fluid factory Laberion which is already present in Sweden, Switzerland, Norway, and in the region. However, according to Kosovo Business Alliance, there are numerous problems that producers deal with in Kosovo, such as blockade of some Kosovar products to enter some countries in the region, such as Serbia and Bosnia and Herzegovina, and Kosovo is not applying reciprocity policies. Reciprocity measures are difficult, but should consider CEFTA case, there should be mechanisms to enforce them, even though they are against the free market economy. Production portfolio implies all products produced, delivered or offered in the market. Wealth production portfolio depends in market achievements and scientific-technological progress.³

Product portfolio is a reflection of economic and technical-technological process of production, enterprise and economy as a whole. Its portfolio of production has its dimensions as:

¹ Law on internal trade of the Republic of Kosovo, 2010.

² Ismaili Shaban, 2011 News paper Bota Sot, Local productions have high quality.

³ Data from the institutes for advanced study – GAP, 2011.

- Width
- Depth
- Sustainability extent

The width of product portfolio is determined by the number of product types that an enterprise produces and sells.

The depth of product portfolio shows the average number of products within a product assortment (e.g: production of various types of liquids).

The degree of consistency (stability) of production portfolio is measured by reciprocal influential links of the production portfolio in terms of consumption, production, distribution and other related aspects.⁴ Small and medium enterprises in the field of trade have had a dynamic development. However, most of these companies work with a wide range of assortment and with no specialization.

- Commercial enterprises in Kosovo in order to ensure a successful business, must go towards a connection and greater cooperation, which would be expressed in the creation of associations to:
- Vertical Integration,
- Horizontal Integration.

In the initial phase of trade integration of Kosovo, as vertical integration, which can be realized soon, is the integration contractor. With this integration relations between the members are regulated by contract. In the contract are presented and defined all the rights and obligations of any manufacturing enterprise. Horizontal trade integration would mean the creation of associations of enterprises producing at the same level, in order to best use the different priorities of companies and business market. Within this integration, manufacturing enterprises can join on a temporary or permanent basis, but they can also create a new enterprise. These associations will help trade development. They will be more easily achieved through information technology. Manufacturing enterprises in Kosovo must make an efficient market research, to enhance their competitive skills and a better choice of product portfolio, to create an efficient management information system. It should be emphasized that within the Ministry of Trade and Industry exists the Investment Promotion Agency that promotes Kosovo and its production across the globe. While the goal of producers and the business community is that all together along with relevant resorts do more in order to raise awareness of domestic product consumption and promoting foreign investment in the country.

3. Strategies of products positioning in kosovo market

Market segmentation strategy provides crucial guidance of the product towards market segmentation or target selected. It should be noted in advance that by defining the target segment, we also determined the product positioning in the market. Therefore we can conclude that the strategy of market segmentation leads to product positioning in the

market. Indeed, the result of segmentation brings into expression conditions of full market competition, the use of analytic forms of segmentation and their exchange into strategy, as customers are choose the company itself and offers its products generated by it.⁵ Companies manufacturing soft drinks in the Kosovo market, possess very effective segmentation strategy and positioning. Although the number of manufacturing enterprises of drinks is growing as a result of free market competition. They try settle in their places through their products' attributions, always aiming at a better position in the market. Currently Kosovo manufacturers, in particular those of food sector are focused on improving the quality of products, meeting international standards such as ISO and HASAP, but through the form of replacement technology, by installing the most modern ones. Manufacturing companies in Kosovo, aim the final price of their products, even for those with high and average quality and through advanced strategies for price compilation bring into the market a profitable final price, always based upon the difficult economic situation in Kosovo. So the main aim of Kosovo producers remains high or average quality and lower prices in the market. Most manufacturing companies in Kosovo, have pretty good coverage in the market. They already enjoy credibility (goodwill) by consumers, all because of promotional campaigns, then general public awareness done by independent associations for consumer protection, but also by the Chamber of Commerce and Kosovo Business Alliance, for consumption of local products, which have repeatedly convinced consumers that local products are of good quality and meet most of the necessary standards for consumption.

Disruptive or disadvantage in most cases when it comes to positioning products of Kosovo producers represent imported products which often do not have a known exact origin, declarations are not reliable, but use the "brand" of a well known product with higher prices, which for the customer in most cases "high price represents quality", and in the case of Kosovo such thing proves the contrary.

Case Study: Product Positioning Map of soft drinks in Kosovo market: PFANNER juice manufacturing company (Company A) has occupied the top position with high quality and high prices from its products assortment. BIBITA company (Company B) is positioned as a company which produces average quality and average prices. LABERION company (Company C) sells a product with a quality below average and low price. But NECTAR company (Company D) perceived as an "thief artist" that sells a low quality product for a high price abusing consumers who have no information about that product.

This positioning map is based on two important elements of the product; in quality and price showing the perceived offers of four competitors and a potential positioning of the company. Of course that would not make sense if it is positioned in A because it would be fighting with a well

⁴ Buble Marin, Menaxhmenti Strategjik pg.450

⁵ Veseli Nexhbi, Veseli Teuta, 2010, Menaxhimi i Marketingut, pg.263.

positioned enterprise, but however it must fight the weaknesses of competitors. Company "X" will pay serious attention to grasp a high quality position for itself but an

average price. This way he will fill a gap in the market, aiming position of the A company.

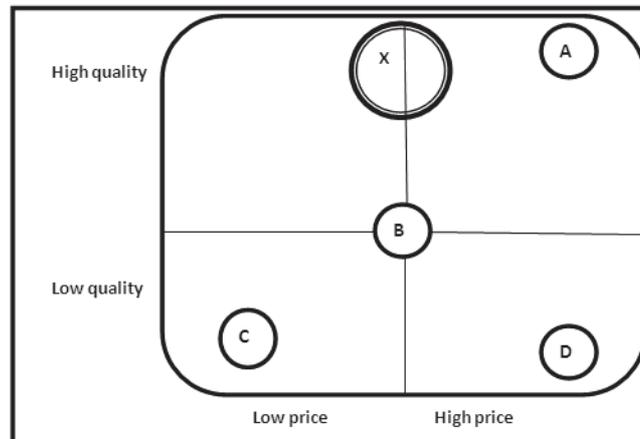


Fig. 1. The product positioning of soft drinks in Kosovo market

During this part of research we have identified the particular importance of market segmentation. We examined the action of the enterprise in a given market and how it can buyers be in a market.

4. Analysis of competitive environment

Marketing management begins with a complete analysis of the situation of the enterprise. The enterprise must analyze the market and its environment, to find attractive opportunities to avoid risks that come from this environment. It should analyze the strengths and weaknesses of the enterprise as well as to analyze the opportunities it can use in the future. Marketing provides data for other management functions too.¹ Enterprises usually operate in a complex marketing environment, which consists of uncontrollable forces, which the company must fit. Environment provides favorable and unfavorable situations for the company. The enterprise should carefully analyze its environment, in order to easily avoid threatening risks, and to better use the opportunities offered.²

Analysis of competition as part of the situation analysis, the a continuation of the category analysis, by separating the activities of category into individual brands and companies. This analysis seeks answers in questions like:

- What are the strongest brands in the market ?
- Why are they strong ?
- In what areas are these brands weak; packaging, communication, distribution ?
- How much do they spend on communication and what do they use more ?
- What are their strategies of price and distribution ?³

Local manufacturers in the Kosovo market develop their activities in a competitive environment which, besides the spirit of a free competition that what this environment offers even legally, on the other hand does not exclude

cases of monopoly and oligopoly which are prohibited by law in Kosovo.

When we talk about the competitive environment, in this case for Kosovo manufacturers, then the Kosovo products already occupy a favorable position in the market in many sectors. They are distinguished by favorable pricing which makes these products competitive in most cases, although there are cases when local products have even higher prices than imported products, then the ever-rising quality of products which has already begun to be the advantage for Kosovo products always based on imported products which are a direct but also indirectly competitor, when we mention competitors it should be noted that the prevalence of strong competition in front of Kosovo products continue to have the products imported mainly from the region of southeast Europe, Serbia, Macedonia, Albania, not forgetting the products imported from European countries like Italy France, Germany, etc.

5. Risk analysis and case planning

We currently live in a world where nothing is safe. A successful decision-making is one that recognizes the risk. Risk analysis involves determining the potential adverse outcomes resulting from a decision or action, and assessing the possibility of occurrence of these adverse events.

It is an information needed by any manager or a planner to make a decision.⁴ A careful manager should compare the percentage of risk to the percentage of profit, provided that favorable results have a higher percentage. Contingency plans are administrative plans that can be used in case if events do not occur as anticipated. They are preparation to undertake some action, when and if an event or situation occurs that is not included in strategic plans. There are advantages of case planning:

- It helps firms not to be found unprepared to events
- Reduce uncertainty in case of an unexpected event.
- Firm responds to unexpected events

¹ Kotler Philip, 2009, "Marketing Management", pg 128.

² Mooradian Todd, Matzler Kurt, "Strategic Marketing" pg,124.

³ Reshidi Nail, Menaxhimi i Marketingut, pg.118

⁴ Reshidi Nail, Menaxhimi i Marketingut, pg.92

The key elements of case planning are:

- Identify appropriate events
- What would happen if ?
- What are the subtle points ?

Currently the environment in which enterprises operate in Kosovo is very cumbersome and discouraging for their work while the risk to develop the activity in this case the production sector is considered to be in a fairly high percentage.

In Kosovo there is not yet drawn a precise strategy for development of small and medium enterprises, which will be a challenge for Kosovo institutions respectively for the ministries. The creation of this strategy, the implementation of trade agreements, and completion of the legislation are three key elements which should protect, support and stimulate the domestic production, products which are currently disadvantaged as a result of unfair competition caused in Kosovo marketplace. Most local producers launch their products in the Kosovo market. Based on the price analysis of domestic products, provided by MTI about 80% of Kosovo products have a higher price than those imported. This is because of the high cost of local production arising as a result of: application of high customs rates in importing raw material, working means and equipment, lack of electricity and the lack of raw materials.

Production market in the Republic of Kosovo, by the independent economic organizations and by experts of the economy, is estimated to be in the spirit of free competition, by not ignoring the problems that domestic producers have indicated by imported products that destabilize this environment as well as by high customs fees which also represent a disadvantage for Kosovo producers.

6. Conclusion

Besides the free market economy, existing opportunities available to local producers, many problems which were mentioned in this research require a solution in many aspects. Definitely the government institutions, are recommended to adopt the promising strategy as soon as

possible in support to domestic producers, which must necessarily include the abolition of customs payments for raw materials, which will also abolish the existing monopoly in this segment. It is also recommended the abolition of customs payments, or reduce it in 1-2%, as a part of European states do for production and processing technology.

Taking into account the losses caused to Kosovo the "non application" of the CEFTA Agreement by Serbia and Bosnia & Herzegovina, imposing rebalancing provisional measures has become a must for achieving a sustainable agreement with Serbia and Bosnia. Also, the Republic of Kosovo should temporarily increase customs duties on products from Serbia and Bosnia. This would temporarily rebalance losses caused by these two countries. Increased customs duties should happen after Kosovo had previously informed the Joint Committee and the authorities in Serbia and Bosnia Herzegovina.

On the other hand the application of quotas is a very significant opportunity. Kosovo government should establish some quotas to protect domestic products, which will provide and will make these products more competitive in the local market to the imported ones

.Considering the portfolio of Kosovo producers (food sector), we see that we are dealing with the production of uniform products to which is recommended the extension of manufacturing fields, and differentiation in its products portfolio.

Apart from ISO and HASAP standards, it should be applied the standard for Environmental Protection. Through this form, many companies could benefit donations from international environmental organizations, both in advanced technology and in donations for economic propaganda, which will positively impact the image of the company as well as its products.

Participation in international fairs, either for advanced manufacturing technology, packaging, design (labeling), etc. Such activities would help the manufacturing companies to be on time, and would enable leaders of Kosovo companies various contacts and cooperation with world renowned brands.

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