
Finding a Point of Growth For Domestic Producers: Focus on Food Products with a Short Shelf Life

Bondarenko V.A.¹, Remeta A.A.², Reva D.P.³, Suryanto T.⁴

Abstract:

The article proves the relevance of the production of food products with a short shelf life by domestic producers, analyzes the findings of theoretical works related to the study of consumer choice and the formation of consumer habits, presents examples of successful competition between regional producers in various regions of the country with federal players.

The significance of food production with a short shelf life as a point of growth for domestic business is substantiated and the opportunities and advantages of production of these types of products and the possibility of their promotion in various territories are shown.

Keywords: *Food products, a point of growth, a short shelf life, producers.*

¹Doctor of Science (Economics), Professor, Head of Chair of “Marketing and advertising”, Rostov State University of Economics, Rostov-on-Don, b14v@yandex.ru

²Applicant, Chair of “Commerz and logistics”, Rostov State University of Economics, Rostov-on-Don, tamara.remeta@rambler.ru

³Applicant, Chair of “Marketing and advertising”, Rostov State University of Economics, Rostov-on-Don, dmit-reva@yandex.ru

⁴PhD. In Accounting, UIN Raden Intan Lampung, Sukarame, Lampung, Indonesia

1. Introduction

Significance of food products with a short shelf life in the society and popularity among consumers are now constantly increasing and are the main competitive advantage of regional producers competing with large western companies and federal players. A similar situation is viewed at the federal level, where global multinational companies (MNEs) start losing to Russian companies on the domestic market. This is justified by the fact that the marketing model of western companies assumes a long shelf life of the product for its distribution within the country, its delivery to a large number of outlets, positioning of goods on the shelf and its merchandising, and the support of trademarks in consumers' minds at the expense of the media. The population in modern society is oriented to the maintenance of a healthy lifestyle, which increases the interest in organic products and products with a short shelf life, contributing to the growth of competitive advantages of domestic producers (Bondarenko, 2016).

2. Materials and methods

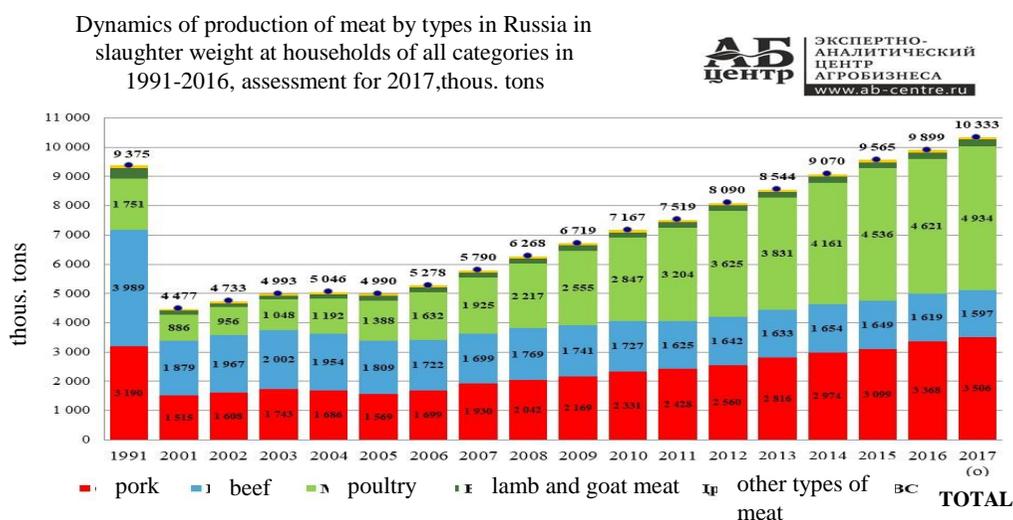
To fully consider the stated issue of research on the role of food products with a short shelf life as a possible growth point for domestic producers, it is necessary to develop the current situation with the use of factual materials and the analysis of the current and foreseeable circumstances of market dynamics.

The main advantage here is the usefulness of the product, the shorter the shelf life, the more useful the product is. The consumer understands this and is likely to purchase such products. The most striking example is the market of chilled poultry; if 10 years ago imports exceeded 40% of the total consumption in the country, and frozen chicken products in sales accounted for about 80%, now it is all on the contrary, due to a shorter shelf life and the installation of refrigeration equipment with temperature regimes 0 +8. Domestic producers such as "Prioskolie", "Cherkizovo", a group of companies "Resource" and others succeeded in defeating "Bush legs" with state help due to the logistics advantage, a chilled chicken from America failed to be delivered to Russia in 5-7 days.

This allowed us to reach the production volume of 5 million tons per year and fully provide the domestic market with this product, although only recently (in 2008), domestic commodity producers produced slightly more than 1.5 million tons per year. The production of pork in Russia has also increased significantly, twice as much for 10 years, to more than 3.5 million tons, and domestic production can cover 90% of the demand in this segment with this trend by 2019. The main players on it are such companies as "Miratorg", "Cherkizovo" and the group of companies "Agrobologorje" (Reva, 2017).

The company “Eurodon” from Rostov-on-Don followed the same way launching the production of chilled turkey under the trademark “Indolina”. Now the company is the leader of the domestic turkey market with the production volume of more than 150,000 products per year in dynamics for 2018, although quite recently the entire volume of the market in Russia was less than 50,000 per year. After that, the company was the first in Russia to launch industrial production of duck under the trademark “Utolina” and is also the leader of the domestic market in this niche. Thus, we notice the replacement of imported products with a long shelf life with the domestic products with a short shelf life, and this trend is clearly illustrated in Figure 1.

Figure 1. Dynamics of meat production in Russia (compiled on the basis of AIAC, 2017).



It is advisable to apply the same strategy to other markets. As has been already mentioned, all large multinational companies (MNEs) can actively develop only in categories where the product turnover exceeds 30 days or more, their logistics model does not allow working with perishable products. Therefore, there are no large MNEs in pork production, in the production of sausages in the world. The purchase of the last major domestic producer in the dairy market “WBD” by “Pepsi” is rather an exception to the rules, the deal was more aimed at acquiring a juice sector to compete with “Coca-Cola”, and the dairy market turned out to be a new and original pilot project for them. The key to success of domestic producers is the production of products with a short shelf life up to 10-14 days. For example, Russia is the largest dairy importer in the world importing 6-7 million tons of milk powder per year. Domestic producers are not yet able to provide the domestic market with this product, there is a great potential for import substitution (more than 100 billion

rubles per year). Other capacious markets should be also mentioned, for instance, the beer market (Reva, 2017).

There is also a certain logistics disadvantage in this strategy — this business is 500-700 km from production. But it is quite enough for a payback with good profitability; as the example of the poultry market again shows, it is possible to introduce new production facilities in different territories. Natural products with a short shelf life are a worthy response of the domestic business to imported products (Reva, 2017).

3. Discussion

In the framework of the study of the raised problems, the works of western marketing specialists engaged in studying people's motives initiating purchases, Eyal, Sharp, Barden and Gourville, were analyzed. Their works confirm the assumptions that products with a higher buying frequency cause addiction to consumers having a higher level of confidence in such products; also switching to competitor brands is much less frequent.

“Addictive products change consumers' behavior, encourage them to use the products regularly. If consumers consider the product to be valuable for a long time, they are more likely to tell friends about it. Hooked customers become the company's mouthpieces and bring new customers almost (or completely) for free. Products which are often used also have a greater growth potential than competitive products” (Eyal, 2017).

It follows from the above that having learned to use the habits of their customers, companies get a significant market advantage, and their brands become more stable in the competition with competitors' goods. When companies introduce a new product to the market that is almost the same as those existing there, its chance to take their place becomes minimal. And the greater the number of loyal consumers and the wider the coverage area of existing brands, the fewer chances for new products are. The consumer always faces a lot of difficulties when switching from the product familiar to him/her to the new one, the level of utility of new products and their importance for him/her should be incomparably more than the existing analogues.

The classic work of Gourville, a marketer and professor at the Harvard Business School runs that “many innovations fail because consumers irrationally overvalue the old, while companies overvalue the new” (Gourville, 2006).

“Unusual behavior has a short “half-life period”, because our brain tends to return to a familiar way of thinking and acting. During experiments on laboratory animals, which were taught new actions, it became clear that over time they begin to behave as before” (Bouton, 2004). This helps explain why people try, but cannot break their

habits. Two thirds of alcoholics who have undergone the rehabilitation program return to drinking — and to old habits — during the first year” (Kirshenbaum, 2009). “According to the research, almost everyone who lost weight as a result of the diet, returned the weight they had lost for two years” (Jeffery, 2000). “To imprint unconventional actions, they must be frequent. In a recent study conducted on the basis of the medical college of the University of London, scientists watched the participants who tried to develop a habit of using dental floss. One of the conclusions drawn is that the more often new actions are taken, the stronger the addiction to them is” (Judah, 2013).

Therefore, the formation of new habits and the frequency of repeated purchases and consumer calls is so important. For example, the constant purchase of fresh baked goods in branded bakeries, chilled meat in meat shops near the house, pies and cakes in a branded confectionery, chilled fish in a specialized fish store, where a near-family level of service along with positive emotions will be offered apart from a quality product.

4. Results

Domestic companies in the sector in question need to assess the potential for addiction (to their useful products) and evaluate two factors: how often their product is purchased; whether their product is useful in the mind of the consumer in comparison with the products of competitors. If the answer is positive, then it is necessary to start building a promotion based on the concept of food with a short shelf life. The increase in the market share will be due to the growth of popularity; in other words, due to the acquisition of many new customers (all types), most of them classified as inactive, interested in this product from time to time.

Brands, even if they are differentiated, basically compete as if they are twins; however, they differ in popularity (hence, in terms of the market share). Competition and the growth of brands are largely due to the formation of two market assets: physical and mental accessibility. Brands that are easier to purchase — for more people and in a wider range of situations — have higher market share (Sharpe, 2017). A very important aspect here is both the opening of its own branded network and the development of distribution in its region.

And if the examples of successful food producers with a shorter life are increasing, and their branded stores are increasing, then the level of marketing in Russian companies is considerably less than in foreign companies and here qualitative changes are needed that are related to the level of service, branding of outlets and the products themselves, they should be more vivid and memorable, with a clear message to the consumer. The level of product quality control should be at the highest level. Product design should be in a uniform manner according to the previously developed brand books. It is very important for marketers to identify the need for a client in advance, analyze existing offers on the market, offer a more

interesting and demanded product by the market. Offers, price discounts, gifts for purchases, tastings, mascots, all promotional programs as well as the marketing budget should be developed and applied on a monthly basis. The more focus activities are targeted at a pre-determined target audience, the more buyers and customers will purchase the product every day and the more brand loyalists will appear that will ensure the stable development of companies operating in this segment of the market for many years.

Consumers can easily recognize the brands they know. Recognition is based on signals that have the greatest diagnostic value, for example, a stable sign of the chair is four legs and a backrest, if you remove the backrest, you will get a stool. Thanks to the features containing most of the information, we recognize old friends, even if they are otherwise dressed or have changed their hairstyle. The overall picture can change a lot, but while key diagnostic features are present, we are able to recognize familiar objects. Memory does not work on the principle of identifying pictures. The ability of a person to recognize familiar objects is based on signals carrying important diagnostic information (Barden, 2014).

Therefore, it is so important to stand out in the consumer's mind as a producer of useful and tasty products. It is also important to be associated with the positive emotions that the customer receives when entering the branded sales network and communicating with affable sellers, and not with the lifeless store shelves of large federal networks, where the goods of federal players are mainly sold. Successful sales networks and regional players producing products with a short shelf life that successfully compete with federal players include the following branded networks: *VkusVill* (Moscow); "Agrocomplex" (Yug Rusi, Moscow); PC "Serishevskiy" (Far East); "Tavr meat shops" (Yug Rusi); Kanevskoy (Krasnodar Krai); "Golden Spike" (Rostov Region); "Khadyzhi" (Krasnodar Krai); "Khlebnitsa" (the western part of Russia).

The main competitive advantages of food with a short shelf life include: logistic advantages; emotional advantages; the usefulness of the product; loyalty of the local buyer; a constant feedback from consumers; affordable prices; freshness and naturalness of the product; cozy atmosphere (if you have your own branded network); demanded assortment; uniqueness; accessible location; great import substitution potential; large food groups; high turnover.

5. Conclusion

Proceeding from the above, it can be assumed that the transformation of the Russian consumer market will continue in the near future and strong local producers of food products with a short shelf life will appear in each large region, make a worthy competition for both federal players and western companies. To do this, they will need to actively promote and popularize their products, significantly improve the

quality of marketing and sales, develop their branded trading network and master the principles of the customer loyalty formation.

The development of this market will positively affect both manufacturers increasing production of products in demand and buyers who will receive a useful, high-quality product at affordable prices. Domestic producers and customers form the same goals, so it will not take too long to see success. Products with a short shelf life are a new point of growth on the Russian consumer market.

References:

- Bondarenko, V.A., Mirgorodskaya, O.N. 2016. Marketing research of consumer preferences in the acquisition of sausage products at the present stage. № 2 (228), 31-35.
- Bouton, M.E. 2004. Context and Behavioral Processes in Extinction. Available online: <https://www.ncbi.nlm.nih.gov/pubmed/15466298>
- Barden, Ph. 2014. Decoded. The Science Behind Why We Buy. Moscow, Publishing house Mann, Ivanov and Ferber, 304 p.
- Judah, G., Gardner, B., Aunger, R. 2013. "Forming a Flossing Habit: An Explorator Study of the Psychological Determinants of Habit Formation." *British Journal of Health Psychology* 18: 338–353.
- Jeffery, R.W., Leonard, H. Epstein, G. Terence, ADrewnowski, Albert J. Stunkard, and Rena R. Wing. 2000. "Longterm Maintenance of Weight Loss: Current Status." *Health Psychology* 19, no.1, Suppl.
- Gourville, J.T. 2006. Eager Sellers and Stony Buyers: Understanding the Psychology of New-Product Adoption. Available online: <https://hbr.org/2006/06/eager-sellers-and-stony-buyers-understanding-the-psychology-of-new-product-adoption>
- Kirshenbaum, A.P., Olsen D.M., Bickel W.K. 2009. A Quantitative Review of the Ubiquitous Relapse Curve. *Journal of Substance Abuse Treatment*, Vol. 36, no.1.
- Reva, D.P. 2017. Points of growth. Consumer market of the South of Russia, 160 p.
- Sharp, B. 2017. How brands grow. What Marketers Don't Know, Moscow: Publishing house Mann, Ivanov and Ferber, 272 p.
- AIAC. 2017. Agribusiness information and analytical centre. Available online: <http://ab-centre.ru/news/proizvodstvo-myasa-po-vidu-v-rossii-v-1991-2016-gg-prognozna2017-god>
- Eyal, N. 2017. Hooked: How to Build Habit-Forming Products. Moscow, Publishing house Mann, Ivanov and Ferber, 272 p.