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## **Marketing of Direct Selling of Agricultural Products**

*Direct selling of agricultural products means selling of products directly to consumers away from a fixed retail location without using any other organization or company. The success of direct selling is determined by the factors such as distance of the company from the homes of customers, important is also transportation network, readiness of the company for this type of selling as well as following the given rules and legislation together with respecting market potential and marketing approach of the company. Extending the activities of the company in this direction is strongly connected with utilization of marketing tools within marketing conception. Success of this activity is influenced by recognition of motivation as well as other conditions for direct selling of agricultural products from original producer.*

### **Introduction**

Direct selling of agricultural products means selling these products directly to final consumers. The truth is, that not all farm products are suitable for direct sale. The rule is as follows: the less important is the need for processing the primary agricultural products before cooking, the more opportunities for their direct sell are available. Distribution channels for selling agricultural products directly to final consumers do have their own characteristics, which determine the benefits and success of this form of realization of production.

### **Material and Methods**

Methodology of submitted paper is based on the given objectives, which are determination and analysis of the factors of direct selling of agricultural products to the final consumer, and connected principles, forms, benefits and opportunities in the agri-food sector.

Processing is based on factual analysis of the conditions of direct selling in practice and the results of the questionnaire survey. This survey was taken by authors from March 2011 to March 2012 in area of Slovakia. Methodology respects the generally applicable principles of analysis and comparison of knowledge of the subject in question. The object of research are basic agricultural activities in the direct marketing of agri products.

### **Results and Discussion**

Absorption faculty of the market and the competitive environment encourage creative activities in the implementation phase of the production process. Producers are looking for adequate distribution channels of their produce which would satisfied requirements of customers and obtain a reasonable effect for producers as well. Direct

selling of agricultural products is a form of sales, which does not appear so frequently in the practice because of urgent need for industrial treatment of most agricultural products. Despite this fact, direct selling of agricultural products has its own unique economic, commercial and non-productive substantiation.<sup>1</sup>

At present, the direct selling of agricultural products is stimulated by factors as given in Table 1.

**Table 1: Direct selling of agricultural products and influencing factors**

<b>Factors influencing the direct selling of agricultural products</b>
1. Seeking the ways of selling the products if there is a problem with part of their implementation.
2. Creating a cash resources from direct selling.
3. Unfavorable price range, offered by wholesalers.
4. Supplying the region (village) with fresh food production.
5. Fulfilling of obligations to individuals.

Source: Research of authors.

Insignificant are also the other factors of advantage of direct selling, although in the current perception of agricultural producers these do not have the documented place (Table 2).

**Table 2: Factors of advantage of direct selling**

<b>Other factors of advantage of direct selling</b>
1. Deepening of relations and contacts among market participants (producer-consumer) and the subsequent unwinding of the company marketing plans based on the customer needs.
2. Opportunity for guidance and quality control of products sold by the manufacturer.
3. Possibility of setting the consumer prices.
4. Giving a part of the profit of sales organizations to producers.
5. Creating a company's image and awareness about primary producer among consumers.

Source: Research of authors.

As the results of the questionnaire survey proven, the basic premises of enterprise for direct monetization of products are business location, its distance from the village, settlement, as well as distance from roads and availability of the company. Territorial habitat directly affects the choice of distribution channels for different products. Those that are subject of frequent purchases and where the natural life-time is shorter (eg. milk,

<sup>1</sup> MURA, L. 2009. Current Situation of SMEs in the Selected Region.

eggs, some types of vegetable), could be sold to customers directly from the farms or the gardens which are available at a reasonable distance from the residence of a sufficient number of consumers.

More appropriate distribution channels are those, which moves producers closer to the customer location (own store in town, selling at the market, etc.). For products that are seasonal and their purchase by consumers is not regular (for example potatoes), the distance from residence of consumers significantly does not affect the success of their direct selling. When advantageous offer and in the case of a high quality of products, especially in the time of pre-winter supply, the consumers are willing to travel a longer distance to buy these kinds of products (according to our surveys up to 20 km).

Another factor influencing the requirements for direct monetization of products is readiness for this type of sales. This includes issues of organizational, personnel and technical nature. In large enterprises, the organizational and personnel matters are usually dealt by managers.

Technical matters of direct selling are usually associated with the need of investment costs of different size or at least with the most equipment items needed for the implementation of products sales.

The success of any business largely depends on market demand. Anyone who wants to be successful on the market, has to know this market. Companies have to know who will buy their products, how large is the potential clientele, what the customers want to buy and what would be the quantity of bought products. Market analysis and knowledge of the market trends is a base from which also derives the success of direct selling of products.

It is important to understand also the purchase motives and patterns of customers.

The direct selling of agricultural products dominates the consumer demands as shown in Table 3.

**Table 3: Consumer demands for agricultural product**

1. Freshness of the product
2. Quality characteristics (nutritional value, taste, smell, etc.)
3. Low price (generally consumer price for direct selling is about 10 to 20% lower than in the retail trade)
4. Wholesomeness of food (growing plants without chemical treatment, etc.)
5. Convenience when purchasing (smooth attainability)
6. Contact on the agri-environment

Source: Research of authors.

Our market analysis highlighted also the strengths of the company offering in relation to market requirements. They are determined and supported by quality products, pricing actions, as well as active sale promotion (products tasting, farm visiting, harvest by customers and others).

Market, although with respect to his liberal principles, is affected by the legislative framework. Legislation is an important component of determining the performance of direct selling.<sup>2</sup> Because the direct selling of the agricultural products means selling the food this is subject to strict adherence to hygiene regulations. This question is particularly relevant not only in sales of sliced meat, but also in the processing of agricultural products prepared for consumption.<sup>3</sup> Part of the regulations concerns the labeling of goods, conditions of products storage, location and equipment of the stores. Finally, it is necessary to know the principles of recording and documenting the origin of goods, especially when own product range expands and goods are bought from other suppliers - the tax law (VAT and others).

Direct selling of products to consumers intensifies the need for planning, developing and marketing plan of company. Linked to this is strategy of direct selling marketing. This includes activities that are associated with clear target ideas, high degree of creativity in planning, as well as the availability and use of marketing tools to achieve objectives.

Direct selling from the farms in the Slovak Republic contributes to the total revenues for the agricultural production capacity from 6% to 7%.<sup>4</sup> Direct selling is more intensive in the companies selling fruit and vegetables, where the volume of direct sales reaches 10% to 15% share of sales. Although direct selling is the just additional distribution way, it is appropriate to choose a strategy that respects the manufacturing offer of the company and the economy of the sales.

**This regard, we recommend the choice of following three strategies:**

1. **Strategy of specialization:** applied in company with a narrow product assortment of fruits, respectively vegetables. Profiling options of seller are the quality of products, their originality, in emphasizing that offer are local specialties, and varietal characteristics. Convenience of purchase for the consumer is also connected with the reasonable price that is usually lower by 10% to 20% in consumer prices than in retail.
2. **Strategy of assortment variety:** is suitable for company with a wider range of products for direct selling. To provide full range of products from one company is sometimes difficult and therefore it is necessary to supplement the range of purchases from other companies, mainly for selling in the own shops of company or in the stall in the marketplace. Purchase of the product in addition to benefits such as complete range of products, getting more customers and others can not lead to position, that customer will perceive the farm as retail, which is similar to other shops in the area.
3. **Strategy of occasional sales:** business strategy that applies only when other sales channels are failing to realize the whole production. It has a complementary nature, occurs at irregular intervals. Since the elaboration of direct sales marketing is developed systematically, it is necessary to align the operational application of all the marketing tools in the direction of its effective use.

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<sup>2</sup> KRETTTER, A. et al. 2010. Marketing.

<sup>3</sup> NAGYOVÁ, I. 2010. Consumer Behaviour.

<sup>4</sup> KRETTTER, A. 2008. Marketing of Agricultural Enterprises and Direct Selling of Their Products.

On the level of use of marketing mix in the practice, the most important for direct selling are tools of product policy . The direct selling of agricultural products is concentrated mainly on traditional agricultural products or their processed food products. In doing so, the dominant is quality of sold product. Quality of the product influences directly image of the product as well as the groups of customers of direct selling.<sup>5</sup>

Therefore, improvement of product quality is the most important activity in the marketing area. In most cases, we assume that the quality is clearly defined and it is aimed at improving the material properties, such as technology, health and sensory factors.

From the customer perspective, the quality of the product is specified by amount of properties that determine its value.<sup>6</sup> Quality is not determined just by one variable, but a set of characteristics. These are the technical data of physical parameters that are quantifiable, as well as subjective perception of signs of a qualitative assessment. Product quality is a continuous structure and can be understood as something absolute, but must relate to actual needs and demands of consumers.

In addition to an adequate supply should be the direct selling of agricultural products reasonably priced also for the customer - the end consumer. In this context, the current issue is the extent in which is this advantage offered to the consumer.

Previous sales experience suggests that the selling price of the product in direct selling would be lower at least by 10% to 15% than the price of this product in retail stores.

**Activation of direct selling of agricultural products supports the choice of different forms of selling. The most frequently applied are:**

- a) sales from the farm,
- b) sales from field,
- c) sales from the garden,
- d) sales customer in person can pick up anything that we has been growing on the farm,
- e) sale from the mobile shop,
- f) sales in the market stall,
- g) sales in the own shop,
- h) custom-made order with import to customer.

Each of these forms has certain advantages but also disadvantages. Applied to most forms of marketing such as direct selling from the farm are positives small business investment and low transport costs, the possibility of selling own products and other ancillary products and image acquisition, important is also the direct contact with consumers. For direct selling at a market advantage are exactly given distribution channels, high turnover in a short time, high frequency of customers, stimulation and maintaining the high quality of products in comparison with competition.

Within direct selling of agricultural products is important to use the tools of communication policy, such as advertising, sales promotion and public relations. The application is bound by a relatively circumscribed area of the territory in which the

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<sup>5</sup> ŪRGEOVÁ, J.-HORSKÁ, E. 2009. Consumer Preferences and Retail Market and Positioning.

<sup>6</sup> KRETTNER, A. 2007. Direct Selling of agricultural products and factors of its determination.

company appeals to consumers. In doing so insignificant for customer information are the simple means of communication such as signs, posters, guidelines from the main road to the place of sale, advertisements in regional newspapers etc.

## Conclusion

Direct selling of agricultural products is such a distribution way by which is the product received directly by consumers without using intermediary activities, processing and marketing organizations. Although direct selling of agricultural products does not represent its crucial distribution channel, in practice has its economic, but also commercial mission. The success of direct selling is influenced by several factors, including the distance from settlements and public transport routes, business readiness for this form of marketing, legislation, market potential and others. Extension of business functions in this direction is associated with purposeful deployment of marketing tools in the marketing concept and its implementation. The success of this activity is also related to the knowledge and development of motivation and basic conditions for the direct selling of agricultural products.

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## Summary

Paper points at importance of direct selling of agricultural products based on own questionnaire research. To get as close as possible to final consumers with fresh products and selling these products directly to consumers away from a fixed retail location are the most important points. Producers are constantly looking for adequate distribution

channels for their produce which would satisfied requirements of customers and obtain a reasonable effect for producers as well. Direct selling of agricultural products is a form of sales, which does not appear so frequently in the practice because of urgent need for industrial treatment of most agricultural products. Despite this fact, direct selling of agricultural products has its own unique economic, commercial and non-productive substantiation. For direct selling is the most important to use the tools of product policy . The direct selling of agricultural products is concentrated mainly on traditional agricultural products or their processed food products - dominant is quality of sold product. Quality of the product influences directly image of the product as well as the groups of customers of direct selling. Direct selling from the farms in the Slovak Republic contributes to the total revenues for the agricultural production capacity from 6% to 7%. Direct selling is more intensive in the companies selling fruit and vegetables, where the volume of direct sales reaches 10% to 15% share of sales. Although direct selling is the just additional distribution way, it is appropriate to choose a strategy that respects the manufacturing offer of the company and the economy of the sales. Within direct selling of agricultural products, there is also a need to use the tools of communication policy, such as advertising, sales promotion and public relations to get closer to the target customer.

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