



SALE CHANNELS FOR FRUITS AND VEGETABLES IN BULGARIA

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ABSTRACT

The purpose of this research is to identify channels for selling of fruits and vegetables in Bulgaria; examine participants in the processes of production and sale; identify types of sale channels and their specific features, drawing some conclusions about their set up.

Key words: marketing, distribution, distribution channels, sale channels, markets

INTRODUCTION

Any company specializing in the production and marketing of fruits and vegetables is seeking to sell quickly and profitably its products in the market in view of achievement of the planned profit.

Management of activities of an individual company in a market economy historically involves various concepts, approaches, methods, forms and means of implementation. Among these marketing as an alternative for interaction between the company and market takes an active place. Marketing itself as a concept comes from the English language and is derived from the category "market", which has allowed the identification of marketing with sale or marketing activities as a whole for many years. [3, p.12; 1, p.17]

Marketing of fruits and vegetables involves production and sale of a wide range of fruits and vegetables, characterized by different conditions of supply, consumption trends and market requirements.

The purpose of this research is to consider marketing as a form of transfer, management and satisfaction of demand through the process of exchange, and to identify the main types of channels for selling of fruits and vegetables in Bulgaria and their specific features.

Product sale is the ultimate goal of the activity of each business entity. It provides positive financial results and enables new investment in means of production, and therefore to expand

this activity. As this goal is achieved through marketing strategy and distribution policy.

EXHIBITION

Marketing, as an integral part of the market economy, is a philosophy of production - from the emergence of ideas to their transformation into products.

For manufacturers and agents marketing is a means to achieve their business targets. Nowadays marketing is increasingly geared to meet existing market needs of consumers (buyers).

Today, marketing is seen as an art to make market policy in companies on the basis of which goods and services tailored to the needs, market and environment competitive situation are offered.

Dozens of definitions of the term marketing are known and each country, institution, or company has its own interpretation and approach to marketing. [4, p.13].

Marketing is business activity that is based on market research and sale of goods under the most favorable terms. It is carried out by means of market researches, forecast schemes, coordination of methods of action, and providing strict control at the same time.

For each manufacturer it is important to study the production and diversify the range of products offered. Often products are spatially distant from the place of production. To meet the needs of consumers it is necessary for products to be delivered where needed. This is

the main objective of each producer, through his distribution policy.

In its essence, distribution is an activity related to the physical transfer of products from producer to consumer. It includes transportation, storage of stocks, transactions, and also transfer of ownership of products to the participants in the sale channels.

Distribution policy is essential for the implementation of the marketing strategy and to adapt the product offered to the requirements of individual market segments, so that it shall be accessible to consumers and meet their particular needs. Transfer of products is done through channels of transfer of goods, including the organization and personnel engaged in transporting and exchanging products and considered as participants in the channels of suppliers or agents. [1, p.155; 5, p.55].

Distribution policy is the distribution of the product (distribution, targeting, physical transfer, sale, etc.), decisions to whom, how and under what conditions delivery and sale can be carried out.

Distribution refers to activities through which products are delivered to consumers wherever and whenever they want to buy them.

A major element of the distribution policy is the **sale channel**, known also as **distribution channel** - it outlines the path that the product passes to reach the end consumer. Distribution channels are organized by a group of individuals and companies, and the customer is a major driver in the distribution channel. And his desire determines the behavior of members of the channel.

The choice of distribution channels by a business entity is crucial to its market success. Goods are delivered at the right time, at the right place and in the right amount under contracts through the sale channel which provides services, transport and storage. The distribution of a product is not actually seen by consumers, but they assess the role of distribution by the availability of the product. Transfer of ownership of the product from seller to buyer is determined through the distribution channel.

The choice of an alternative method of supplying goods depends on the nature of the product, financial position of the producer, commercial agent or processing unit, market

features, traditional sale channels, channels used by competitors, and other factors.

The system of sale channels is an organized and managed combination of different types of units that a company sets up or uses under a contract or on other basis for the purpose of effective sale of its products.

Distribution channels are individuals or units, institutionalized in a certain way in terms of organization and management, through which products pass on their way from producer to consumer. And sale channels not only satisfy the demand by supplying goods exactly to the specified location, in the right quantity, quality and price, but they also stimulate the demand with promotional activities (sales promotion, advertising, etc.) of the business entities (i.e. retailers, wholesalers, brokers, agents, etc.) that form them.

Each sale channel starts with the producer and ends with the end users. Transfer of products (fruits and vegetables) can be direct, i.e. without their passing through intermediate units or indirect when mediated between producer and consumer through agents. [6].

The choice of channel is affected by many factors such as specific features of the market, product, agents, availability of alternatives, characteristics of the marketing environment. Sale channels in the agricultural business do not start from the farmer and in fact it is very difficult to determine from exactly. Except for the end consumer, each participant in the system is both buyer and seller, and most sellers have several customers.

Proper selection of the most suitable distribution channel increases and confirms the company's image, strengthens consumer's confidence in it, offering new horizons for the development of the company activities. With their decisions on marketing channels managers take upon himself and the company a huge responsibility. Two types of factors affect the set up and operation of distribution channels:

- Controllable - these factors include financial, manufacturing, technological, information, raw materials and human capabilities, nature of products.

- Uncontrollable - these factors include economic and political conditions, competition, business ethics.

Interdependence between farmers, processors, distributors and consumers requires coordination.

A producer of fruits, for example, uses a very short channel, if selling its produce directly in the field. But the producer can also deliver its products directly to the wholesaler, commodity exchange, shop network or restaurants.

Over 80% of people working in the area of agribusiness are mostly dealing with trade, not production. From history it is known that farmers used to take their produce they were not able to consume themselves to the nearby town. They sold it at a price that the buyer was willing to pay.

Today, the agricultural market includes many intermediate steps such as buying, collection at a specific location, preservation, packaging, storage, advertising, financing, transport, grading, processing, maintenance, wholesale, retail, risk taking, insurance, standardization, regulation, inspection and collection of market information.

In Europe market demand for fresh produce is determined primarily by the northern European markets, the Dutch auction system, large market cooperatives and wholesalers. Advantages and disadvantages of working directly with end consumers should be compared with alternatives for operation through one or other intermediaries.

To reduce losses, and also to maintain quality of perishable fruits and vegetables, it will be necessary for freshly picked produce to be transferred by farmers to end customers as soon as possible. Although today farmers receive only about one quarter of the money paid by consumers, as a whole the market is much more effective than it might otherwise. Consumers have access to greater quantity and variety of products at a lower unit price, farmers can sell more products at higher unit price, and the agricultural sector can hire more workers as demand for food and textiles and related services require the participation of more people.

The agricultural market system includes interactions both between producers and consumers, and between people, processes and various types of activities carried out between these two end points.

Agricultural channels are the roads which the agricultural goods follow from the "door" of farmers up to the "plate" of consumers. Numerous agencies can be observed between farmer and consumer, but the length of this path depends on the product and the market

looked for. This network of agents, wholesalers and retailers operate relatively efficiently to ensure the flow of supplies to consumers [9].

Production of fruits and vegetables requires a long and complex system of distribution and the presence of a significant number of agents that distribute products in different markets.

Production and consumption of most fruits and vegetables is seasonal, which is also reflected on marketing.

Fruits and vegetables can be stored for a short period of time. Their quality begins to deteriorate from the moment of gathering and continues so throughout the process of transfer within the marketing chain. The aim is to keep the gathered fruits or vegetable fresh, therefore they must be quickly processed or delivered to the consumer.

The sale of fruit and vegetable produce is related to the following factors:

- Consumption of fruits and vegetables by the population;
- Fruits and vegetables are raw materials necessary for the canning industry;
- Provision of conditions for fair trade in well organized marketing channels of commodity exchanges and market places;
- Presence of possibility for export of fresh produce in the international markets.
- There are several sale channels for fruits and vegetables, the first three being of primary importance [2, 7 and 8]:
 - Marketplace
 - Collection markets
 - Retail markets
 - Commodity exchanges
 - Wholesale markets
 - Others (**Fig. 1.**)

Collection markets are usually organized within the production regions themselves. Their function is to collect small batches supplied by individual producers and turn them into large batches by carrying out certain activities for sorting, grading, packing and storage, and direct them to different markets.

Retail markets - trading of small batches of goods is carried out from producer to retailers. Retailing is the last step on transfer of goods from producers to end consumers and its intermediary function is performed by commercial establishments, which offer the products, such as the Metro chain stores.

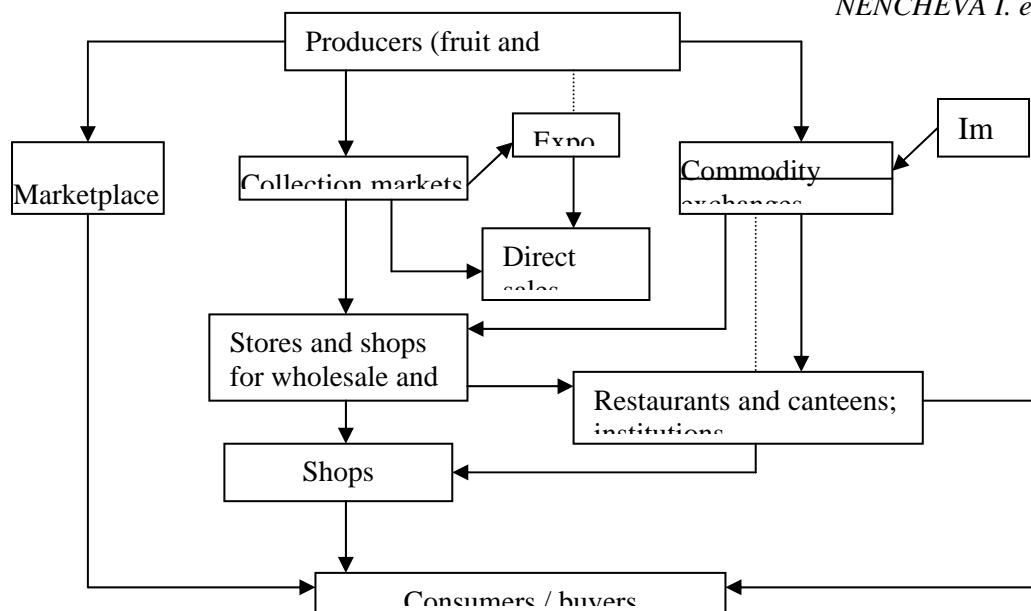


Fig. 1. Sale channels for fresh fruits and vegetables

Wholesale markets – trading of large batches of goods is carried out between producers and consumers. Wholesale trade covers a diverse combination of all types of transactions for purchase and sale where the goods subject to exchange pass through different exchange units until they reach the end consumer. In some cases intermediaries/agents can be used. The main feature that unites various agents is the lack of ownership of goods, that is, the object of agency.

Commodity exchanges - these are organized centralized markets for wholesale. They carry out wholesale of different groups of goods that can be stored for a longer period of time. Commodity exchanges also use intermediaries known as brokers who sell on behalf of the producer.

Marketplaces - from the world practice it is known that that marketplace (exchange) for fruits and vegetables is a meeting place for producers and buyers to sell and purchase goods. They are located around the larger centers of consumption. It is an organized place for wholesale of homogeneous, quality defined, primary, and durable available products. Trade is carried out against documents. Companies in these markets have or receive large batches of products from collection markets or abroad, arrange them in smaller batches and sell them to retailers, owners of hotels and restaurants, hospitals, canteens, and other institutional buyers. A marketplace must meet the following **requirements**: possibility of unhindered market presence of anyone willing to trade in fruits and vegetables; compliance with standard requirements for goods, their transportation and storage; no access to illegal

market entities that use unfair competition; no interference in pricing; quality control of products; organization of document exchange reflecting transfer of goods and change of ownership of goods.

Other forms of trading in agricultural goods are also imposing themselves in the Bulgarian market. These are known as "producer markets". In essence, they are on a temporary (weekly) or permanent basis. So far these markets are disorganized and without rules. This kind of trade must comply with the laws of organized free trade. These markets should be regulated and controlled by the municipal administration which has the legal rights. These markets can be an intermediate unit for the trade in fruits and vegetables.

Although the majority of fresh fruits and vegetables are delivered first to the collection markets and marketplaces, yet increasingly most of them are sold directly to consumers at major transport intersections - usually near roads and highways, at market places of producers in the cities or directly from the field and garden. This type of trade requires the producer/farmer to take a more active role in sales and to perform the functions of a retailer.

Direct sales of agricultural products (fruits and vegetables) are continually expanding nationwide and worldwide because of the following two main reasons:

- Buying of large quantities of cheap and fresh agricultural products (mostly fruits, vegetables, potatoes, etc.) directly from producers avoiding

retail outlets and local markets due to widespread use of refrigerators. This makes the purchase and storage of large quantities of products more profitable.

- Opportunity for consumers to make direct purchases from producers during travel (tourism).

The most common forms of direct sale of agricultural products are:

- Street markets (permanent and weekly) - they are organized in a particular place at a certain village or town where farmers offer their produce for sale.

- Sale at the back door - making occasional sales of agricultural products. In this form of direct selling there is no risk of unsold goods, as producers do not rely on this method to sell the main portion of their produce.

- Farm shops inside or outside the farm - this is a more complex way of direct marketing in which producers enter the area of retail trade, which involves compliance with a number of laws and regulations. There are also a number of additional costs for buildings, equipment, personnel costs, keeping of records, and others. There comes the needs to maintain a constant range of products (own and outside). In this form of trade the farmer achieves profit.

- Through the "gather yourself" system - this method of sale is mainly applied to fruits and vegetables. When using this form of trade a farmer takes a number of risks: the risk of damage to crops and fruit trees caused by buyers; no control of direct consumption of products during gathering (loss increase).

This direct sale system requires certain investments (for scales, picking containers, parking lot, offices, etc.) and compliance with certain standards in the growing of fruits and vegetables.

Competition between the marketplaces (exchanges) and supermarket chains which buy directly from producers and are engaged in wholesale trade is very strong. In order to increase competitiveness companies presented in marketplaces make some changes in their operations:

- Diversified range of services provided.
- Wholesalers improve the quality of their services by offering additional services - pre-packaging in consumer packaging, repackaging, ease of payment and more.
- Many marketplaces intend to improve their infrastructure and location for better satisfaction of customer requirements.
- In addition to the above sale channels, a portion of fruits and vegetables are directly

supplied by farmers to end customers. They have their own warehouses and offices in major centers of consumption.

CONCLUSIONS

In the set up of sale channels for fruits and vegetables it is necessary to consider the following aspects:

1. The choice of channel has to be made depending on the nature of production and market specifics.
2. Partnership has to be developed and lasting relationships created in the channel on the basis of understanding and trust.
3. Flexible channels has to be set up for adequate response to the market situation.
4. Producers have to control the channels through which their products are transferred.
5. To improve the marketing of fresh fruits and vegetables losses from spoiling have to be limited.
6. Improving the commercial appearance of fruits and vegetables and preserving their quality characteristics by preliminary placing of products in consumer packs inside preparation workshops.
7. The specifics of the marketing sale channels is formed under the influence of the following factors such as geographic specialization in production, perish ability and massiveness of the raw product, seasonal nature of production, significant fluctuations in supply and price.

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