

ECONOMICS AND BUSINESS ADMINISTRATION (according to the economic activity types)

UDC 338.439:339.138
JEL M31, L66

DOI 10.26906/EiR.2021.1(80).2239

MARKETING ANALYSIS OF SALES CHANNELS OF ORGANIC PRODUCTS

Iryna Chychkalo-Kondratska*, Doctor of Sciences (Economics), Professor
Iryna Novytska**, PhD Student
Dariia Kondratska, Student
National University «Yuri Kondratyuk Poltava Polytechnic»

* ORCID 0000-0003-3123-841X

** ORCID 0000-0001-7068-8320

© Chychkalo-Kondratska I., 2021.

© Novytska I., 2021.

© Kondratska D., 2021.

Стаття отримана редакцією 11.03.2021 р.

The article was received by editorial board on 11.03.2021

Introduction. As of today, one of the most dynamic markets in the world is the market of organic products. Prerequisites for this are the growing consumer demands for environmentally friendly and safe for human health food. In Ukraine, the development of organic production in the agri-food system, despite the existing problems, is promising and can be progressing for our country with the skillful use of fertile black soils and due to strong traditions of agricultural production in harmony with nature. One of the important conditions for the development of the domestic market of organic products is the formation of sustainable and reliable marketing sources for such products.

Analysis of recent research sources and publications. The study of theoretical and methodological foundations of marketing in the market of organic products, the use of marketing methods and instruments to form domestic demand for organic products is distinguished in the works by scientists S. V. Kovalchuk, S. Illiashenko, N. Vynohradka, O. Shchubravska, T. Zaichuk, T.V. Borovyk, O.T. Dudar and T.H. Dudar, T.O. Zaichuk, O.V. Rudnytska, Yu. S. Berezhna et al. However, the issues related to the definition of the main sales channels of domestic products of organic agricultural production and the implementation of specific marketing strategies for the agri-food system in the market of organic products remain problematic and insufficiently covered.

Purpose. The purpose of the study is to highlight the main sales channels of organic products, consider their advantages and disadvantages, to make suggestions for the implementation of certain marketing strategies for the production of various groups of goods and their positioning in the market.

Results. The movement of goods is carried out on the basis of the functioning of many subsystems: procurement, processing, warehousing, packaging, transportation and storage, financial and regulatory support, etc. The activity of the above subsystems allows to obtain raw materials, semi-finished and finished products of agricultural production and procurers of natural resources, processing and catering, wholesale and retail trade, which supply goods to consumers of domestic and foreign food markets.

That is, functionally, the infrastructure of the entire market system consists of four subsystems, «corresponding to a particular aspect of the process of social reproduction»:

- resource-creating sphere (production of agricultural raw materials and procurement of natural food resources – as stages of production and distribution in the reproduction process;
- production infrastructure (network of processing enterprises) – as a production link in the reproduction system;
- sphere of commodity and money circulation (network of wholesale and retail trade enterprises and mass catering enterprises) – as a sphere of exchange in social reproduction;
- sphere of consumption (consumption by a specific consumer of the final product of the reproduction system) [1].

As for the distribution of organic food products, here we see quite asymmetric information. It is absolutely fair, in our opinion, to say that the scheme of movement of goods in the market of organic agri-food products is generally identical to the scheme of movement of goods in the general agri-food market (Figure 1). This is due to the fact that the food market of agricultural organic products is one of the segments of the agri-food market.

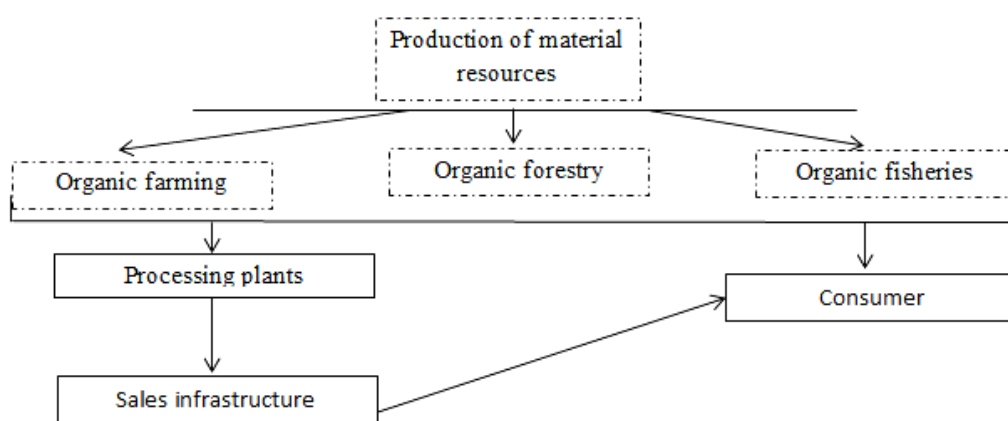


Fig. 1. The scheme of movement of goods in the market of organic products

In the distribution of organic products: with the help of small specialized departments in supermarkets, network and specialized retail stores, as well as direct sales from the manufacturer and online sales. For example, a study of the behavior of consumers of organic food in Canada, conducted by T. V. Borovyk, showed that the target audience of customers prefers supermarkets, grocery stores and health food stores, and those customers who regularly consume ecoproduct, prefer to shop in supermarkets, grocery stores and directly from the manufacturer [2]. Examples of distribution schemes in individual European countries are presented in Table 1.

Table 1

Sales channels of organic products in European countries

Country name	Most popular organic products	Share of sales through, %				
		Retail network	Direct sales: enterprises and markets	Specialty stores	Restaurants and cafes	Notes
Austria	Cereals, meat and dairy products	70	15	15		-
Denmark	Cereals, milk and dairy products, eggs, fruits and vegetables	89	7	4		15
France	Wide range of products	42	-	28	30	75
Germany	Bread and baked goods, dairy products, tofu products, eggs, vegetables and fruit, meat.	-	-	90	-	38
Sweden	Wide range of products	91	7	-	-	20-30
Netherlands	Wide range of products	42,3	16,9	40,8	-	-
Great Britain	Wide range of products	90	-	-	-	50

However, by 2019 the situation has changed, and the key distribution instrument has been the direct sale of organic food from the farmer through sales to consumers directly on the farm, in the farms' own branded stores and through the online delivery system.

The results of domestic research [3] demonstrate the following main trends in the market of organic agricultural products in Ukraine:

- the growing need of the population for healthy products, but the lack of distribution channels;
- the results of research by the US Foreign Agricultural Service [4] revealed a wide network of distribution channels for organic products, which has a steady growth rate of distribution (Tables 1&2).

Table 2

Sales channels of organic products in Ukraine, %

Sales channels name	2015	2016	2017	2018	2019
Sales with storage points:	95.0	95.0	94.7	94.0	93.7
Retail trade:	33.1	30.2	30	30.5	33.6
Hypermarkets	1.2	2.4	3.2	4.7	6.7
Supermarkets	29.9	26.1	25	24.1	24.4
Discounters	–	–	–	–	–
Convenience stores	–	–	–	–	–
Other types of retail trade	61.9	64.8	64.7	63.5	60.1
Other grocery stores:	61.9	64.8	64.7	63.5	60.1
Sales without storage points:	5.0	5.0	5.3	6.0	6.3
Vending	–	–	–	–	–
Home shopping	–	–	–	–	–
Internet commerce	5.0	5.0	5.3	6.0	6.3
Direct sales	–	–	–	–	–
Total	100	100	100	100	100

However, some researchers [8, 9] note that the distribution of organic products in Ukraine through large specialized supermarkets (e.g., elite eco-supermarkets «Alphabet of Taste», «Globus Gourmet» and regular eco-supermarkets ECO Market, Retail Group (Velmart, Velyka Kyshenia, VK Express), Novus, Billa, Furshet, Metro Cash & Carry) is ineffective.

In this regard, there are recommendations to open small specialty stores with an area of 200 – 500 square meters (for example, «Meat and Milk», «Natur Boutique», «Lavka»).

At the same time, there are positive trends.

Online stores have also begun to develop in Ukraine selling natural rural / farming and other organic products throughout the country with home delivery. For example, such well-known companies that work 10-15 years or more:

- «ecoclub» distributes certified ecological products supplied from Europe, USA and Ukraine;
- American company «iHerb», which supplies Ukraine with certified organic products of a wide range (including food products);
- online stores that have a wide range of different health products, including organic food products directly from manufacturers: «e-komora»;

It should be noted that to the extent of demand for agricultural organic food products, such online stores becomes more and more in Ukraine.

Finally, many authors [11] also note the possibility of using “mixed channels” of goods movement, which uses Internet technologies (for example, catering departments), as well as the involvement of consultants of nutritionists, offline meetings with customers (environmental festivals, conferences, interest clubs, evenings recreation, etc.), etc. The use of mixed channels can significantly reduce sales costs and increase the influx of new customers. In addition, there are proposals for various types of associations of producers of agricultural organic products (associations and non-commercial production of producers [12], cooperatives, etc.), which will increase sales and the number of consumers loyal to it. For example, Yu. S. Berezha emphasizes to the fact that since «... currently the producers of organic and environmentally friendly products are mostly small farms, a promising direction for the development of infrastructure of the market of organic agri-food products may be their voluntary association in consumer cooperatives of

different functional orientation, first of all, machine-technological, processing, sales and supply-sales. By types of products it can be: vegetable, fruit and berry, meat, dairy and egg cooperatives» [7].

Based on the analysis of the advantages and disadvantages of indirect, direct and mixed distribution channels, as well as the results of research by Ukrainian and foreign authors on consumer preferences for the place of purchase of agricultural organic products, we have clarified and supplemented options for possible sales channels (Table 3) [13,14,15].

1. Direct channels. These are sales based on deliveries by producers to consumers:

- farmer's markets;
- «sales from the field»;
- sales in government agencies (schools, colleges, universities, etc.);
- hotels, restaurants, cafes;
- specialty stores and «health shops»;
- specialized kiosks and / or departments in the markets («green supermarket»).

2. Indirect channels. These are sales through intermediary structures:

- vending, or sale by means of the automated systems-vending machines (vending machines);
- network retail networks (international, federal, regional and local);
- hypermarkets;
- supermarkets near the house;
- service cooperatives.

3. Mixed channels – consultations with nutritionists:

- ecological and agrarian tourism;
- conducting offline meetings with customers (festivals, conferences, interest clubs, leisure evenings, etc.).

Table 3

Distribution channels

Distribution channel name			
	Direct channels	Indirect channels	Mixed channels
Positive features «+»	1. Allow small producers to compete successfully with retailers. 2. Ability to quickly form consumer loyalty. 3. Ability to respond quickly to market demands.	1. The possibility of cooperation, various forms of association and centralization of procurement and distribution of products. This will allow the sale of organic agricultural food products directly to retailers. 2. The possibility of selling products of manufacturers under their own brands (private labels) retail. This will facilitate the promotion of agricultural organic food	1. Lack of working capital. 2. Development problems without special state support.
Negative features «-»	1. Lack of working capital. 2. Development problems without special state support	1. Lack of working capital. 2. Development problems without special state support. 3. Concentration in the retail sector increases barriers to market access for small producers. 4. Difficulties in ensuring the continuity of supply, taking into account the seasonality of sales of a number of agricultural organic food products.	

A state-cooperative wholesale and retail system that maximally protects the economic interests of small and medium-sized farms can be considered a fairly effective channel for the distribution of agricultural organic food products. The effectiveness of the cooperative system of food sales is evidenced by more than a century of sales of civilized countries. Unfortunately, there is no such system in Ukraine yet, although belated attempts to create it are found in some regions of the country.

Here it is important to maintain the stability of supply of food products, including organic, through the wholesale and retail mechanism to the final consumer. Given that cleaner agricultural products can actually be produced on personal farms, which do not usually use chemical fertilizers and pesticides, their cooperation can play an important role in the distribution process. However, even with this variant, it will be inevitably necessary to solve the problem of rhythmic supply of organic food products produced by them, in

order to constantly adhere to the optimal ratio of supply and demand in the food market of organic agricultural products.

To do this, there is a need to create in each rural area of small stocks of the most popular in the food market of agricultural organic products, subject to the conditions of its storage. From district storage facilities, these products are delivered to cooperative wholesale food markets in cities using appropriate vehicles within the allowable (minimum) costs.

The problem is solved on the basis of the known model of optimization of transportation of different cargoes by different types of transport. In this case, we mean different types of agricultural organic food products, which are delivered to the cooperative wholesale markets directly from agriculture by their sales cooperatives or from district storage points.

Restrictions should be supplemented by compliance with the actual and regulatory time spent on the delivery of agricultural organic food products to the locations of wholesale food markets and especially to retail organizations in cities. Delivery must be made on time, due to the safety of the quality of the transported products. In this regard, the delivery of agricultural organic products to wholesale food markets should be performed, as in civilized countries, at night, and to the shops – in the early morning to avoid traffic jams. They usually have a high saturation of exhaust gases from cars, which violates the environmental friendliness of products and shortens its shelf life.

Conclusion. Thus, taking into account foreign experience, one of the factors for the long-term development of the domestic market of organic products is the implementation of effective marketing activities of economic entities in the agri-food system of Ukraine, which depends on balanced distribution of sales channels and the choice of marketing strategy for different product groups. The study of the motivational factors of the process of buying organic products by potential consumers will allow the company to effectively organize its marketing activities. Prospects for further research are to determine the most effective marketing tools to ensure the competitiveness of organic products in the Ukrainian market.

REFERENCES:

1. Shkuratov O. I., Chudovska V. A., Vdovichenko A. B. (2015). *Organic agriculture: ecological and economic imperatives of development*. Kyiv: DIA. 248 p.
2. Borovyk T. V. (n. d.). *Marketing support of the market of organic products in terms of economic transformation*. Retrieved from: <http://www.pdaa.edu.ua/sites/default/files/nppdaa/4.1/024.pdf>
3. Shevchenko M. (2008). Development of marketing activities in the agrarian market system. *Economist*. No 9. p. 28-30.
4. Soloviov I. O. (2008). *Agromarketing: system methodology, implementation of the concept*: monograph. Kherson: Oldy-plus. 344 p.
5. Byra A.S., Kovalchuk S.V. (2012). Problems of marketing management in modern business conditions. *Bulletin of Khmelnytskyi National University. Economic sciences*. No 4. T. 3. p. 290-294.
6. Berezhna Yu. S. (2010). Sales channels of organic products: international aspect and domestic practice. *Bulletin of Khmelnytskyi National University*. No 4. T. 4. p. 198-202.
7. Yakubovska N. V. (2011). Development of agromarketing as a basic concept of market activity of agricultural enterprises. *Bulletin of Khmelnytskyi National University. Economic sciences*. No 3. p. 180-183.
8. Lazarenko V.I. (2019). Marketing analysis of the organic market of agro-food products in the EU and Ukraine. *Economics of agro-industrial complex*. No 5. p. 106.
9. Orhanika v Ukraini [Organic in Ukraine]. (2013). Federatsiia organichnoho ruhu Ukrainy. Retrieved from: <http://organic.com.ua> [In Ukrainian].
10. Organichne vyrobnytstvo: maie shans podolati holod i hlobalne poteplinnia [Organic production: it has a chance to overcome hunger and global warming]. (2013). *Ukrainskyj orhanik zhurnal "Organic UA"*. Retrieved from: <http://organic.ua> [In Ukrainian].
11. Shkuratov, O.I. (2012). *Vykorystannia instrumentiv ekolohichnoho marketynhu v hospodarskii diialnosti ahrarnykh pidpriemstv* [Use of environmental marketing tools in economic activity of agrarian enterprises]. Kyiv: "IESP NANU" [In Ukrainian].
12. Kovtuneneko N. (2014). Sales channels for organic products. *Goods and markets*. No 1. p. 26-36.
13. Krasnorutskyi O. O. (2013). Principles of construction of sales systems and distribution of products of agricultural enterprises. *Bulletin of Kharkiv V.V. Dokuchaev National Agrarian University. Ser.: Economic Sciences*. No 5. p. 56-66.

14. Kucher O. V., Hoffman M.O. (2015). Formation of principles of marketing sales policy of enterprises. *Bulletin of the Kamyanets-Podilsky National University named after Ivan Ogienko. Economic sciences*. Vyp. 10. p. 174-178.
15. Rossokha V. V. (2016). Management of economic activity of agrarian enterprises and its sales policy. *Economics of agro-industrial complex*. No 8. p. 71-79.
16. Terentieva N. V. (2016). Principles and functions of sales. *Bulletin of Zaporizhia National University*. No 1 (29). p. 127-138.
17. Kovalchuk S. V., Zaburmekha E. M. (2017). Digital marketing technologies in research. *Marketing and digital technologies*. No 1. p. 34-51.

UDC 338.439:339.138

JEL M31, L66

Чичкало-Кондрацька Ірина Борисівна, доктор економічних наук, професор. **Новицька Ірина Василівна**, аспірантка. **Кондрацька Дарія Сергіївна**, студентка. Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Маркетинговий аналіз каналів збуту органічної продукції**. На сучасному етапі розвитку ринку органічної продукції забезпечення її ефективного збуту набуває особливого значення. Саме вдосконалення збуту органічної продукції серед виробників у регіонах та ефективна організація обміну й товарного обігу, оптимальна їх територіальна організація є найважливішими чинниками стабілізації органічного виробництва та важливою передумовою насичення продовольчого ринку країни, джерелом задоволення щоденних потреб населення у споживанні екологічно чистих продуктів харчування. Основу дослідження становлять фундаментальні положення економічної теорії, наукові праці українських і зарубіжних учених з питань вдосконалення збуту органічної продукції. Методологічною основою дослідження є діалектичний метод пізнання, сучасні концепції організації та управління каналами збуту органічної продукції, загальнонаукові прийоми і методи, зокрема: абстрактно-логічний; історико-економічний; статистико-економічний; системно-структурний. У роботі використаний системний підхід, який полягає у комплексному дослідженні каналів збуту органічної продукції. Розглянуто різноманітні джерела збуту органічної продукції, їхні переваги та недоліки. Наведено розподіл різних каналів збуту органічної продукції в розвинутих європейських країнах. Приділено увагу мотиваційним факторам здійснення купівлі органічної продукції у різних точках продажу й запропоновано впровадження конкретних маркетингових заходів для суб'єктів агропродовольчої системи на ринку органічних продуктів.

Ключові слова: органічна продукція, канали збуту органічної продукції, маркетингові стратегії, маркетингова діяльність.

UDC 338.439:339.138

JEL M31, L66

Chychkalo-Kondratska Iryna, Doctor of Sciences (Economics), Professor. **Novytska Iryna**, PhD Student, Assistant. **Kondratska Dariia**, Student. National University «Yuri Kondratyuk Poltava Polytechnic». **Marketing Analysis of Sales Channels of Organic Products**. There are various sources of sales of organic products, their advantages and disadvantages are considered in the article. The distribution of different sales channels of such products is developed European countries is given. The main attention is paid to the motivational factors of the purchase of organic products at different points of sale and the implementation of specific marketing strategies for the agri-food system in the market of organic products is proposed. It is the development of sales of organic products among producers in the regions and effective organization of exchange and trade, their optimal territorial organization are the most important factors in stabilizing organic production and an important prerequisite for saturation of the food market. The methodological basis of the study is the dialectical method of cognition, modern concepts of organization and management of sales channels of organic products, general scientific techniques and methods, in particular: abstract-logical; historical and economic; statistical and economic; system-structural. The system approach is used in the work, which consists in a complex research of sales channels of organic products.

Key words: organic products, sales channels of organic products, marketing strategies, marketing activities.