

STRATEGIC MARKETING RELATIONS IN THE BEEKEEPING SECTOR IN RUSE DISTRICT

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Abstract: Farms are facing a marketing problem (difficult realization and low competitiveness), which requires strategic relationship marketing at sectoral (beekeeping, etc.) and regional level - Ruse district, etc. The aim is to study the role and importance of vertical relationships for developing the beekeeping sector in Ruse district. The grounds for the formation of relationships in the beekeeping sector in Ruse district and the opportunities for their vertical development through B2C (business client) and B2B (business business) relationships are analyzed. The strategic relations at sectoral (beekeeping) and regional level (Ruse district) open access to markets, resources, know-how, etc., creating preconditions for increasing the national and international competitiveness and profitability of the sector and the region, as well as overcoming regional and sectoral problems. Beekeeping farms in Ruse region can be equal partners, incl. leaders in vertical marketing systems (VMS) of bee and other products, mainly through sectoral and regional relationships, which will provide them with stronger positions compared to other members of the distribution channels - suppliers, intermediaries, traders and others. They need to switch to vertical relationships for more profitable sales of their products, focusing on direct sales to end users and participation in VMS.

Keywords: B2B (business-business) relationships, B2C (business-client), VMS (vertical marketing systems).

JEL: M31; Q13.

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Introduction

Since the start of the K 100 ranking of the largest companies in Bulgaria, there is no representative of the national beekeeping, incl. that in Ruse region, in contrast to the enterprises in the industry and services sectors, which are solidly represented (www.capital.bg, 12.11.2021). National and regional beekeeping farms are family-type micro-enterprises, and even in the largest ones the average annual number of workers does not exceed one or two, with lower values of assets and turnover compared to those in the industry and services. Although the beekeeping farms in Ruse region are about 1000 and produce over 10% (Lyubenov, L., 2020) of the bee products in the country, they do not carry out joint and coordinated marketing activities, which is why they are less competitive and profitable than enterprises in the industry and services sectors – manufacturers, traders, etc.

The topicality of the problem with marketing strategies of agricultural and beekeeping farms is determined by the more competitive and more profitable enterprises from the industry and services sectors. Enterprises from the industry and services have higher annual turnover, number of employees and assets compared to the beekeeping farms. They are closer to the markets, their products have higher added value, and are easier to brand. Markets for industrial products are more stable than agricultural markets, which are much more volatile. This hinders the liquid and profitable market realization of bee products and causes a *typical marketing problem facing beekeeping farms* – difficult realization and low competitiveness.

Overcoming this marketing problem requires strategic relationship marketing at sectoral (beekeeping, etc.) and regional levels (Ruse district, etc.). The farms at the specified sectoral and regional levels are micro-enterprises, which are smaller than non-agricultural enterprises, due to which they are less competitive and profitable. The strategic relationship marketing of beekeeping in Ruse region should develop horizontal and vertical relationships, which will improve the profitability and competitiveness of the partners in these relationships at national and

international levels. The aim is to study the role and importance of vertical relationships for developing the beekeeping sector in Ruse region.

Strategic relationships are beneficial to beekeeping farms because they increase their market power and access to markets. The need for greater predictability of results and the reduction of risk forces bee farms to participate in various forms of relationships, even when their initiator is not a representative of the beekeeping sector, and has different goals and interests. The main reasons that give rise to the need for strategic relationships are dictated not only by the opportunities for subsidies and financing, but also by greater market power in negotiations with suppliers and control over the sale of beehives and other products, respectively, as well as by the possibility for product and market diversification.

Solid incentives for strategic relationship marketing of beekeeping in Ruse region are as follows: 1) high volatility of agricultural markets, 2) more competitive non-agricultural enterprises at their entrance and exit - manufacturers, traders, etc., 3) intensified price competition of national and international markets for bee raw materials and products. Not many Bulgarian studies on the strategic relationship marketing at sectoral (beekeeping) and regional levels (Ruse district) exist. Therefore, giving more information about them will improve the opportunities for developing regional beekeeping.

Research methods are based on the use of the methods of analysis and synthesis, abstraction and generalization, graphical methods and those of description and comparison. In line with implementing the set goal, the study is logically structured in two parts, which examine: 1) the reasons requiring formation of relationships; 2) the vertical B2B (business-business) and B2C (business-client) relationships at sectoral (beekeeping) and regional levels - Ruse district.

1. Reasons forcing the formation of relationships

Strategic relationships between suppliers of raw materials, product manufacturers, participants in distribution channels and end users are determined by reasons such as gaining market access, increasing

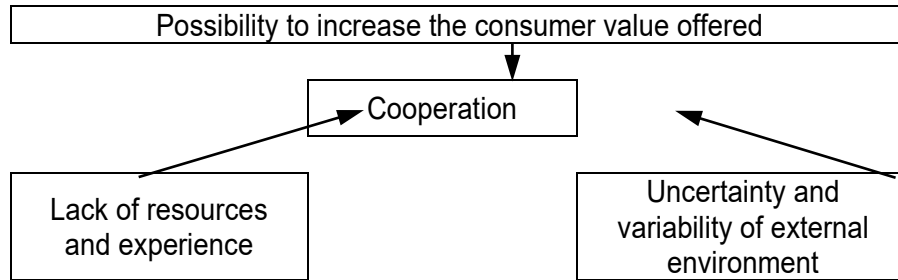
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consumer value, reducing the degree of risk associated with changes in external environment, mutual enrichment of management and technological skills or available resources. Similar relationships have always existed. However, today they are studied in more detail, as the structure of the external environment becomes more complicated and the degree of economic risk associated with global competition is constantly increasing, with limited resources and skills of individual organizations – trading partnerships, associations, farmers and others.

Strategic alliances, joint ventures and close cooperation between suppliers and manufacturers are examples of mutually beneficial cooperation between individual independent organizations. The creation of competitive advantage depends even more on mutually beneficial relations with other organizations, which open access to new technologies, increase the joint base of available resources, allow penetration of new markets, and increase labour productivity and product quality. Marketing strategies at sectoral (beekeeping, etc.) and regional levels - Ruse district, etc., should examine the relationships between organizations in horizontal and vertical terms.

In the past, relationships between organizations were mainly tactical in nature, such as cooperation for the purpose of expansion into secondary foreign markets. Today, cooperation is of strategic importance to organizations insofar as it affects the main components of their competitive advantage - technology, costs and marketing. Several factors determine the need to establish strategic relationships with other organizations. One part relates to the possibilities for increasing the offered consumer value, the uncertainty and the variability of the external environment, which shows tendencies towards globalization. Another part is related to the increasingly complex production technologies, the growing need for resources and the need for access to markets.

The reasons for establishing relationships between organizations can be divided into three main categories (Figure 1) - opportunities to increase user value by combining the key competence of two or more organizations, uncertainty and variability of the external environment, lack of resources and experience.



Source: (Cravens D. 2000.)

Figure 1. Reasons for establishing relationships between organizations

Today, a lot of markets offer organizations the opportunity to combine their key competence to create exceptional consumer value. Even when no objective reasons for partnership and cooperation exist between organizations the consumer value they offer can be increased. The approach giving the opportunity to combine product advantages and the processes of their production and distribution, provides preconditions for creating exceptional consumer value, as a result of the mutually increased key competence of partner organizations. The production of bee products with high added value imposes beekeeping farms from Ruse and other regions to unite their efforts with development units, intermediaries, etc.

Variability of the external environment affects both the structure of an organization itself and the nature of its relationships with other organizations. It reduces an organization's ability to respond quickly to customer needs, and to develop new products. The methods for eliminating the influence of this factor include establishing strategic relationships with other organizations and reorganizing the structure of an organization. Market-oriented organizations in the beekeeping sector must have an organizational structure (Lyubenov, L., 2021) that offers opportunities to respond quickly to consumer needs and develop new bee and other products.

Variability of the external environment makes it difficult for consumers to access products and services that meet their needs and preferences. For this reason, organizations join forces to meet the needs of

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markets or gain access to new technologies. This integration takes forms of cooperation between suppliers of raw materials and manufacturers of products and services, which leads to the creation of strategic alliances and joint ventures between competitors, as well as to the creation of various trade and other organizations. Examples of similar unions in beekeeping are regional beekeepers associations, cooperatives, boards and clusters.

Many dangers for organizations exist in the external environment and they find it difficult to respond promptly to market changes. One of the methods for neutralizing these dangers is the establishment of partnerships with other organizations, allowing for avoiding the need for independent investment in sources of raw materials, production or creation of distribution channels. Sole governance of the entire value chain under conditions of variability and uncertainty of the external environment is often risky and inefficient for organizations. This requires an analysis of the options for forming a vertical network of regional farms by suppliers, distributors and others.

The need for resources, qualifications and experience imposed by technology in many industries, incl. for the production of bee products, significantly exceed the capacity of an individual organization. Even when an organization is able to increase the capacity it needs, it can do so much faster at the expense of building partnerships. From this point of view, the joint ownership of technologies and the sharing of economic risks are important reasons for establishing strategic partnerships. Factors contributing to the establishment of relationships between independent organizations include financial constraints, market access opportunities and the existence of effective information systems.

Farms with narrow specialization in the production of bee products outside the category of the most popular beekeeping product - honey, have a competitive advantage in specialized technologies, which allows them to reduce the time for production of bee glue, bee pollen, royal jelly and others. As a result, they are desirable partners of larger organizations - pharmaceuticals, food industries, etc. Access to technology or knowledge, the benefits of narrow specialization and the opportunities to increase the user value are important reasons for establishing relationships between

organizations. The structure of these relationships can be both vertical (supplier-manufacturer) and horizontal (members of one industry).

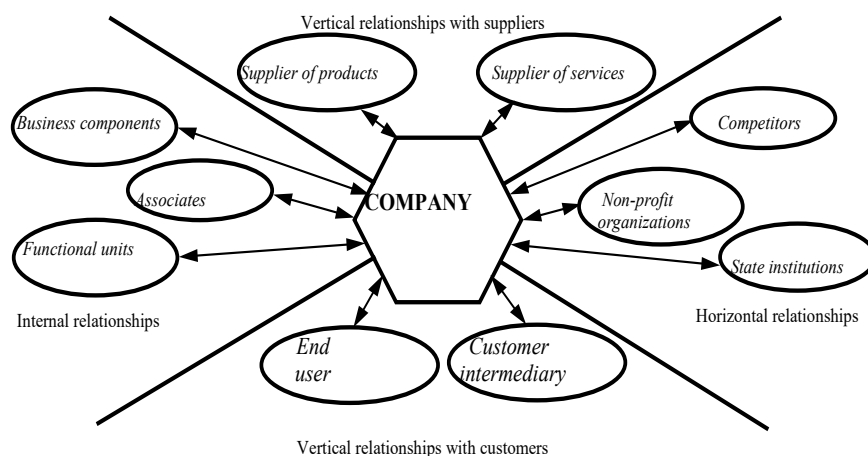
Competition on a global scale often causes financial needs that significantly exceed the capacity of individual organizations. Therefore, many organizations are forced to orient to the practice of establishing partnerships in order to obtain the insufficient resources to compete or to share the financial risk with their partners. Due to a number of characteristics of the agricultural sector, incl. the beekeeping sector, the state often enters into financial and other relationships with farms to ensure food security, environmental protection, rural development and the competitiveness of farms. The global honey market clearly illustrates the financial constraints on farms that want to compete on it.

Traditionally, products reach end users through vertical relationships with intermediaries - wholesalers and retailers. At the same time, 'horizontal' relationships emerge between competing organizations, which opens up access to global and some national markets that are not covered by vertical relationships. This practice expands the boundaries of the territorial scope of traditional distribution channels. Many organizations competing nationally and globally switch to building strategic alliances at sectoral and regional levels. Similar practice becomes an invariable condition for achieving competitiveness in industries with intensified competition. That is why in many industries there are alliances created to access markets.

The current level of development of information systems and technologies allows for establishing effective, in terms of loss of resources and time, relationships between organizations. The technological breakthrough in the field of information systems and technologies has allowed an increase in the efficiency of communications both within organizations and between them. Many communication barriers that prevented organizations from attracting intellectual and other resources were removed, which made the development of new products more efficient. Information systems and technologies provide effective communication between organizations, at sectoral, regional and international levels. These systems significantly improve communication and trust between partners.

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Vertical (supplier-consumer), horizontal (competitor-competitor) and internal relationships exist – see Figure 2. When examining relationships, it is important to determine whether they are horizontal or vertical. The study focuses on the possibilities for forming vertical relationships between regional beekeeping farms with end customers and with consumer organizations. The internal relations caused by the structure of the organization and those in a horizontal aspect² for the creation of various strategic alliances (associations and cooperatives, boards and clusters) and policies at sectoral (beekeeping) and regional levels - Ruse district will not be analyzed.



Source: (Cravens D. 2000)

Figure 2. Types of relationships

² These issues are studied in other publications of the author such as Lyubenov L. (2020). For marketing board of beekeeping from Ruse region. Proceedings of university of Ruse - 2020, volume 59, book 5.1, ISSN 1311-3321; Lyubenov L. (2021). Struktura na pazarna organizatsiya v pchelarstvoto na oblast Ruse, Proceedings of the annual conference of the Faculty of Economics at "St. Cyril and St. Methodius" University of Veliko Tarnovo, V. Tarnovo, Volume 5, etc.

2. Vertical relationships

The value chain includes a group of vertically interconnected organizations that increase the value of the product by moving from raw material suppliers to manufacturers, intermediaries and end users, thus forming a distribution channel. The creation of effective channels provides organizations with an important strategic advantage over competitors. The ways in which an organization will communicate with its target markets depend on the distribution strategy. Some manufacturers offer their products directly to end users and concurrently use intermediary channels. Various independent intermediaries (wholesalers and retailers) implement their functions in marketing channels to increase the value of bee and other products.

Choosing the right distribution channel is crucial to the success of any organization. A thorough analysis of the existing distribution channel versions is needed to determine their optimal structure. A significant number of organizations use the services of intermediaries partially or fully to gain access to a given market. There are also organizations that create channels for direct contact with consumers, which do not necessarily aim at competition with intermediaries, on the contrary, they can even provide them with assistance and support. There are manufacturers who offer product development at individual request of end users, by using a website, e-mail and more. They reduce distribution costs by optimizing staff, logistics, etc.

An efficient distribution network is a significant competitive advantage for any organization. That is why organizations often build alliances for collective distribution, create strategic partnerships for market access and marketing coordination. The benefits of this cooperation lie in the reduction of capital and other costs, greater market coverage, better customer service, etc. The existence of alliances in all economic activities shows their important role, incl. in the distribution strategy. They help to increase the value in the distribution channels. However, there are also factors that determine the direct contact with end users.

The main types of distribution channels are traditional distribution channels and Vertical Marketing Systems (VMS). Both types involve intermediaries - mainly wholesalers and retailers. They have a wide range of products and can fund channel participants. They have highly productive facilities and equipment, and carry out a number of marketing activities - market research, advertising, establishing the image of a manufacturer and others. Undoubtedly, carrying out joint activities with them also causes problems such as limited opportunities for control by manufacturers,

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moving away from markets, breaking off the direct contact with end users and competing with manufacturers.

Table. 2 (Peter & Donnelly, 1989) shows an attempt to present an optimal version of the interaction between intermediaries and manufacturers.

Traditional distribution channels are a group of vertically interconnected independent organizations pursuing their own interests, rather than the overall efficiency of the channel. The relationships between the participants in these channels are informal, while the nature of relationships is characterized by a high degree of freedom. The organizations forming a similar channel interact with each other as sellers and buyers, rather than as partners. The current distribution channels of bee products in Bulgaria are of this type. The relationships between the beekeeping farms, such as producers of honey and other bee products with wholesalers are not partnerships, but are based on market principles and prices. Relationships with retailers are similar.

Table 2
Manufacturers and intermediaries – a perfectly working interaction

<i>Perfect intermediaries</i>	
1.	Have access to the market that manufacturers want to reach
2.	Sell goods adequate to a manufacturer's products and a satisfactory range of other products
3.	Have an effective programme for market penetration – advertising, personal sales, opportunities for exhibitions, presentations and more. The communication activities required by manufacturers are compatible with what a manufacturer intends to do
4.	Offer customer services – credit, delivery, installation, service and provide warranty terms and conditions for a product
5.	Pay their bills on time and manage in a qualified way
<i>Perfect manufacturers</i>	
1.	Provide the desired range of products – with good design, appropriate prices, attractive packaging, timely delivery and in adequate quantities
2.	Create the demand for these products through promoting them
3.	Provide assistance to their intermediaries with market penetration
4.	Provide assistance to their intermediaries in the field of management
5.	Provide product warranties and provide services in the field of services
<i>The perfect combination</i>	
1.	Probably does not exist ³

³ The author speculates that partnerships are closest to it.

The created national, incl. in Ruse region, distribution channels for honey, etc. bee products are traditional. Wholesalers and retailers have stronger market positions, which is why predominantly small bee farms are forced to sell at minimum prices. These channels of the traditional type do not provide manufacturers of bee products with balanced prices and risk reduction. Organic bee products are bought at prices that are very close to those of conventional bee products. Bee farms have little opportunity to get a higher price for their products, as they do not actually participate in the creation of added value, and the price is determined by the monopoly power of traders.

Due to the above considerations, beekeeping farms in Ruse region should move to direct relationships with end users and those oriented to VMS.

2.1. 'Business-client' relationships (B2C)

The reasons why organizations seek to establish relationships with end users lie in the chance to increase the ability to meet their needs and to adapt to the rapidly changing conditions in the external environment. Therefore, more and more organizations focus their activities on products according to the end customers' desires, creating consumer clubs and various forms of partnerships with customers. This approach to gaining competitive advantage is becoming increasingly popular, and organizations are increasingly targeting their end users, seeking to discover their needs on the basis of which to make purchasing decisions.

The necessity to understand the needs and preferences of consumers encourages organizations to establish long-term relationships with them. This necessity can be explained by the fact that consumers have the opportunity to choose from several suppliers of the product they need. The variety of needs and preferences of users complicates the tasks facing each organization. Therefore, consumer orientation presupposes that organizations cultivate values and ideas that are important to consumers and their market priorities. In customer-oriented organizations, marketing is leading. Organizations have to evaluate the effectiveness of working with clients. The staff in an organization must be oriented to the most important values for consumers.

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Manufacturers of bee products are to some extent privileged over wholesalers and retailers because they have the opportunity to sell their products directly to end users through their own commercial apparatus, as well as to apply to their services. They can choose between three options to distribute their products - direct distribution to end users, use of intermediary services and a combined distribution strategy, as a combination of the previous two options. Factors determining the choice of one or another option include (Cravens, 2000) the characteristics of the product and consumer preferences, financial costs and the degree of control.

The characteristics of bee products and consumer preferences are very important. Bee honey, which is the main product of beekeeping, is one of the most imitated products, which is why honey consumers and other bee products keep in direct contact with producers. Bee products outside the category of honey (bee pollen, bee glue, royal jelly, etc.) are significantly less than honey in terms of quantities produced. They have different production and processing technology, as well as a lower shelf life. This requires additional investments and competence by farms, as well as taking greater risk, which makes the production at a direct consumer request appropriate and preferred.

Another factor determining the choice of a direct channel is the preferences of consumers for regional and fresh bee-products. This implies creating a channel for direct contact with consumers through different types of tourism - ecological, rural, culinary, api (bee) and others. The completeness of the product range offered by manufacturers also facilitates immediate distribution, because consumers have more choices and opportunities to meet their needs. In addition, the larger product range is more economically sustainable for beekeepers because it reduces marketing costs and stimulates the diversification of farms towards tourism in the beekeeping sector and other products and services.

Considering the possibility of immediate distribution to end users, beekeeping farms must assess the amount of costs and the potential profit of this option. The Internet provides good opportunities for reducing marketing costs, interactive communications with users, personalization and targeting. However, it requires investment in hardware, software, IT

professionals, etc. Online users require different or new marketing tools than offline users. Direct sales, incl. online, allow manufacturers to significantly control the distribution process, as opposed to the use of independent intermediaries, where control options are negligible.

Direct contact with end users allows the formation of loyal customers, which are the basis for sustainable business development. The global COVID-19 pandemic, which caused turbulence and shook most sectors of the world economy, proved that loyal customers are becoming the most important indicator of sustainable business. The Internet offers very good opportunities for web-based loyalty programmes. Web-based platforms allow stimulating repeated purchases by end customers, and rewarding them for their loyalty. Customer cards which accumulate funds after each purchase can also be used. Customers can use the accumulated funds in the cards for online and offline purchases of products from organizations.

Direct contact with end users of bee products and related services provides manufacturers with customer feedback. It informs about the needs and requirements of consumers for new products and services. It also determines the specific shortcomings of bee products and customer preferences for the quantities and qualities offered. It allows beekeeping farms to achieve greater adaptability to market changes, as well as to find loyal customers. It also diversifies and expands the product range of farms, and identifies attractive products and services in the early stages of their life cycle. The direct distribution enables beekeeping farms to realize significant competitive advantages.

2.2. 'Business-business relationships' (B2B)

Vertical relationships in the value chain exist between beekeepers and intermediaries (wholesalers and retailers) that provide manufacturers with access to end users. These relationships can be both casual (from transaction to transaction) and based on long-term cooperation. Close and long-term relationships are inherent in organizations forming a vertical marketing system, the so-called VMS. Similar systems are managed by one of the participants in the channel - a wholesaler, retailer or

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manufacturer. Practice shows that cooperation in VMS is characterized by greater depth than traditional relationships formed by mechanisms of dominance and dependencies.

VMSs are a coordinated set of organizations that build a distribution channel. The main feature of VMS is that the management function of such channels or their coordination is most often controlled by one of the participants. The rules and principles of operation of the channel specify the functions and obligations of each participant. The assistance and support of the participants in the channel are provided by the organization managing the channel. The coordination of the VMS may be carried out by the organization connecting the other participants in the channel on a contractual basis, by an organization having influence in the channel and the functions of its management or jointly by all participants in the distribution channel.

Until recently, literature defined three main types of VMS corporate, contractual and administered. In the last two decades, another VMS based on cooperation has become more widespread (Cravens, 2000). A characteristic feature of the first three is that they are managed and coordinated by one of the participants in the channel. The organization managing the channel is not necessarily a manufacturer, it is often a retailer or a wholesaler. Collaborative VMSs are distinguished by the fact that none of the organizations has a significant influence on the other participants in the channel. On the contrary, the relationships of the organizations forming the channel presuppose close cooperation and exchange of information. This type of VMS is characterized by a minimum number of levels.

Corporate VMS compared to the other types are more adaptable to changes in markets and the external environment. They have become the most widespread on the basis of cooperation between the participants in the channel. This option is characterized by a lower degree of control over the channel by its coordinator, which allows eliminating the shortcomings inherent in the corporate VMS. The regional integration of beekeeping farms from Ruse region contributes to the formation of a corporate VMS. For example, organizing a corporate auction, in its capacity of a VMS. The trademark owner is most often the coordinator of contractual VMS.

Availability of other legally protected intellectual products - patents, licenses, domain name, etc., also contribute to their formation.

Administered VMSs are characterized by the fact that one of the participants in the channel has power over all others. This power is not based on ownership or contract. The most powerful participant (manufacturer or trader) imposes their role of a leader on others. This position of power can be based on financial opportunities, brand image, development of key competences - product innovation, marketing and more. Collaborative VMSs are typical of large and complex organizations such as boards, clusters, and value chain alliances. They are based on mutually beneficial partnerships and cost-effective relationships for all parties, by personalizing their assets and reducing transaction costs.

Beekeeping farms, as small manufacturers, are most often suppliers of bee products (mainly raw materials) in the vertical marketing systems of the first three types - corporate, contractual and administered. They can become leaders in similar VMSs only when they build strong competitive advantage – by their own brand, by offering significant quantities of honey and other bee products for the market, and by having the capacity to fund other participants. This is possible mainly through horizontal integration between them. As small and unrelated manufacturers, they would not be able to build and maintain a leading role in any integrated marketing system, incl. in one based on cooperation, due to their much weaker positions compared to the other participants.

Who should play a leading role in the channel? Some believe that manufacturers or owners of a brand should coordinate the channel (Peter & Donnelly, 1989). The argument is that manufacturers or owners of a brand: 1) can lose the most if the system malfunctions and fails; 2) have the greatest technical experience; 3) in all cases have more resources than any other member of the channel. According to others, retailers should coordinate the channel, as they are closest to consumers and therefore can best assess their needs and desires. Others believe that wholesalers must fight for control over the distribution channel or that control should be at the level of the highest competition.

The above mentioned indicates that in order to be able to play a priority role in the channels for selling bee products, beekeeping farms in

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Ruse region must first be integrated horizontally through industry unions and cooperatives, a regional board and a cluster to increase their marketing and production resources and experience, which will enable them to achieve stronger positions compared to other members of the channel. This will promote the formation of bee products with high added value, i.e. creating your own brand, web platform for online trade, etc. The horizontal and vertical integration of beekeeping farms will expand their product range, access to new markets, and will strengthen and confirm their market positions.

Conclusion

As a result of the study on the strategic relationship marketing at sectoral and regional levels, conclusions can be drawn in the following directions:

First with regard to the strategic relationship marketing in the beekeeping sector in Ruse region:

- the need for strategic relationship marketing in the beekeeping sector is determined by the high volatility of agricultural markets; the more competitive non-agricultural enterprises at the entrance and exit of the beekeeping farms - processors, traders, etc.; intensified price competition on national and international markets for bee raw materials and products.

- the need to form strategic relationships in the beekeeping sector results from the possibility of increasing the consumer value, lack of resources and experience in beekeeping farms in Ruse region, as well as the uncertainty and variability of the external environment and national and international markets.

- strategic relationships at sectoral (beekeeping) and regional level (Ruse district) open access to markets, resources, know-how, etc., creating preconditions for increasing the national and international competitiveness and profitability of their participants, as a consequence of the goals set for solving regional and sectoral problems.

Second with regard to the vertical relationships in the beekeeping sector in Ruse region:

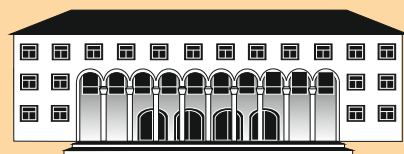
- established relationships in the distribution channels of regional bee products are of a traditional type. They are not partnerships, but are based on market prices, which are determined by the monopoly power of traders. Regional beekeeping farms have little opportunity to get a higher price for their products because they do not participate in creating added value;
- beekeeping farms in Ruse region should move to relationships in distribution channels through which to sell their products more profitably. Their vertical relationships should focus on the direct distribution to end users and participation in vertical marketing systems (VMS);
- direct distribution enables regional beekeeping farms to realize significant competitive advantage such as greater adaptability to market changes and formation of loyal customers. It identifies attractive products and services in the early stages of their life cycle, diversifies and expands the product range of farms;
- beekeeping farms in Ruse region can be equal partners, incl. leaders in the VMS of bee and other products, mainly through sectoral and regional relationships, which will provide stronger positions compared to other members of the distribution channels - suppliers, intermediaries, traders and others.

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