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EXPORT MARKETING OF CRETAN PRODUCTS

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Abstract:
This paper refers to the preliminaly results of a research conducted in former European countries (Bulgaria, Albania, Hungary) intending to obtain a clear picture of their market structure. Further scope is to illustrate new markets for the Cretan Agricultural Products. Methodology employed is direct observation as well as secondary sources of information.

Keywords:
BULGARIA, ALBANIA, HUNGARY, EXPORTS, CRETAN PRODUCTS.

The following presentation refers to some preliminary findings derived from a research conducted in capturing new markets for the Cretan Agricultural products especially oranges, lemons, olive oil, in the former Eastern European market.

The target of the first trip in each country was to obtain a "real" picture of the importers, distributors, warehouses, refrigerator facilities, mini-markets for food products. Secondary sources of information, are employed in order to select data concerning the micro as well as and macro-economic environment.

The volatility of the food market in these countries (change of the legal framework, import quotas, custom duties, etc) had to be identified and tabulated in order to prepare our "selling package" according to the needs of each particular market-country.

In the second and third trip the scope will be to "screen out" importers and distributors and to initiate actual sales, along with the arrangement of contacts between them and the Cretan producers-exporters.

The preliminary results of the Applied Marketing Effort, are summarised bellow.

Until now visited three out of the four countries, in research have been visited; first stop was Bulgaria.

In Bulgaria, as in the other ex-Eastern countries the situation is quite volatile. There is no clear framework for the foreign entrepreneur in regard to the legal framework, the intentions of the government towards the privatisation process and the commercial laws.

Three months ago the government imposed an import tax on all products in order to preserve the Bulgarian industry, however such measures cannot transform a closed economy into an open market economy. Last year Bulgaria's GDP declined by 6 points, due to the absence of traditional markets for the Bulgarian products, such as the former Soviet Union and the other ex-Eastern Europe countries. The conducted field research, showed that the problems the Bulgarian economy faces are not only a "heritage" of the old regime but are also originated to the fact that Bulgarian businessmen are not familiar with the procedures of a free market; they don't know what they should produce, how to produce it, and how to distribute it.

In regard to the distribution channels, the following are concluded. A lot of small mini-markets exist; the majority of them don' t exceed the area of 100 square meters. There is a lack of variety in the products offered in these shops and their organisational structure is rather primitive, on the other.

The distribution of the products in Bulgaria takes place in a different way than in Western countries; the retailer goes to the Wholesaler-Distributer or the importer and buys the products. It is the retailer not the distributor who has to find the trucks to transport the merchandise. All payments are made in cash, since there is no assurance of credibility for other methods of payment.
Two large hyper-markets, that belong to the German company ASKO were visited, during my trip in Sofia. A department for Bulgarian wines can be found in both of them; but on the other side, a food department exists only in one of them.
During my stay in Bulgaria I made several contacts with persons related with the food market. I contacted the director of the company INIMEX, Mr Entchef who organises commercial exhibitions. Mr. Voudouris, the Greek commercial, gave me a very descriptive and analytical view of the Bulgarian economy and the business climate in the country.
Another contact was made with the advertising agency ETERNA,that is specialised in product campaigns.

In regard to the legal framework, the legal adviser of the Chamber of Commerce of Sofia, Ms Alexandrova informed me on legal aspects of trade between Bulgarian firms and foreigners.

In the following trips to Bulgaria the intention is to intentify the appropriate wholesalers and distributors and to arrange some contacts with Cretan producers.

What follows are the secondary data included in my first report delivered to M.A.I.Ch.

1. The banking system and its operation in Bulgaria (English).
2. Law for the economic activity of foreigners and the protection of the foreign investment (English).
3. The outlook of the Bulgarian economy for the first half of 1992. (Greek)
4. Several reports regarding the agricultural production of Bulgaria for the products that we want to export (Greek).

5. Tax Law for the foreign firms (English).
6. Tax Law for the foreign investment (English).
7. Law refered to the privatisation and the modernisation of the economy (English).
8. Table with the products that need licence for import-export in Bulgaria (English).
9. Report for the performance of the Bulgarian Economy (Greek).

Next stop was Albania. Albania is the poorest country in Europe. It' s isolation, for a long time from the other countries is evident.
The inflation rate today raises up to 120 % while the production sector is as stagnant as it was never in the past. This country needs tremendous structural changes. The industry has paralysed while large farms are abandoned from every cultivating process letting the country faced a very hard winter and even the prospect of starvation for the majority of the Albanian population.

Although the absence of official data ,the level of unemployment is high, estimated at 35% since the whole government machine has paralysed.

Despite these disappointing facts, Albanias' future seems more prosperous than Bulgaria's because the government of Albania has appealed rather decisive in proceeding with the necessary changes, in order to bring the country in a more advanced level.
This summer the Central Bank of Albania liberated the exchange market, and equalized the value of the Albanian LEK with the US dollar.

In the field of privatisation, things proceed fast, but not fast enough. Despite the orientation of the government to get rid of all these enterprises that strangle the budget with their deficits the process is slow since there is no interest by serious potential buyers.
Right now in Albania the demand for foods is high and is forecasted that Albanians will spend more money in the food consumption for the forthcoming years. However Albania could not be characterised as a very strong market. It is a regional market with rather optimum potentials but it should be examined with attention.

In regard to the distribution channels, two large distributors has been indentified during my visit in Tirana. The first one is the company with the name "PERPARIMI" which by now owns a chain of 12 stores and expands very rapidly.
The owner of the company Mr. Petrit seems very active and I believe that in a short time he will become the strongest distributor in Albania.

I would like to add here that this contact it was made at the 27 of September, and today I learned that a Greek corporation will cooperate with the company "PERPARIMI" in order to export 10000 tons of oranges to Albania.

The other distributor is the company "REA" formed by 7 members, is a new company in the market but it has strong ties with the government and as a result it can find quite easy storing facilities and transportation means.

During the trip in Albania several contacts were made; I had a meeting with Mr. Facmer Musa who is the director for the company EVIMAGRA, which although is a company state owned it is still operational in importing foodstuffs and olive oil.
Also a meeting was arranged with Mr. Kohla who was legal adviser for the company "REA", and also was in the past director in the national agency for foreign investment, and consultant for the Albanian government in foreign investment.

Albania is a promising country even if its market share is small. The distributors have already started to expand and learn the mechanisms of the free market despite that the market is small and they are proceeding very fast. Along with the determination of the Albanian government towards the liberalisation of the economy it gives a positive prospect for this market, although it needs great attention and consideration in every transaction.

What follows are the secondary data that were collected and are included in my first report delivered to M.A.I.Ch.

1. Regulation for the import-export of goods in Albania.
2. List of the product subject to licence for import-export in Albania.
3. Law for the Banking system of Albania.
4. Law for the foreign investment in Albania.
5. Regulations for the operations of foreign banking institutions in Albania.
6. Decree for the protection of foreign investments in Albania.
7. Decree for the economic activity of the foreign enterprises.
8. Guide to the register of the trade marks in Albania.
9. Decree on the insurance of products, transportation, and an company's assets in Albania.

All the above findings are written in English.

My last trip was to Hungary, that impressed me in the field of the procedures in the mechanisms of the free market.
Hungary's achievements in the field of micro and macro economic indicators could be characterized as contradictory; some of the main economic indicators did' t behave as projected while some others performed very well especially in the field of international trade.
Hungary's GDP fell by 8% from 1991, a clear consequence of the collapse of the eastern bloc internal trade. The inflation rate today in Hungary is 25-30% and according to a Wall Street's Journal company predictions, by the end of the year it will end up at 20-24%
A factor affected the rate of inflation in Hungary is the increase of the public deficit which reached very high levels, during the last year.

In regard to the unemployment, today according to the Hungarian government the number of unemployed reaches 9% of the total work force of the country or 800,000 people.

In the field of agriculture, the situation is not very optimistic but it can not be characterised as disappointing, either. The production in many farms has reached very low levels although Hungary did' t face shortages in any product. A factor that stretches the agricultural sector in Hungary, today is the high interest rate, which restrain the flow of funds in this sector of economy.

Governments' intentions in the field of the privatisation, and ownership are very decisive and clear. 75% of the state fields has already liberalised, while two laws it has been imposed as regulations for the operation of the former farm cooperatives.

A decrease of unemployment in the agricultural sector by 80,000, are expected to be the result of these interventions in the field of agriculture.

In regard to the channels of distribution in Hungary, several large companies exist but no one is specialised in distribution process. Most of them used to distribute their own products in the country. These are in their majority state owned companies and many of them are in the liquidation process. Also a large super market chain, count 12 stores, exists in Budapest owned by an Austrian businessman named Julius Mein. It seems a strong firm that expanded very rapidly. Competitive products related to wine can be found in it' s stores; nothing serious regarding olive oil, however.
Wine consumption in Hungary, since the cultivation of grapes in the country began centuries ago.

The Ministry of Agriculture gives a great emphasis in the promotion of the consumption of wines and especially the local ones. Beginning this September and for every year a 7 days celebration with main theme the wine takes place in Budapest. This celebration includes fair of wine producers, testing of wine, conferences, parades, and other events.

In regard to the oranges and lemons Hungary can be characterised as a very promising market since the consumption of oranges is excessive. Hungary imports many tons of oranges every year in order to satisfy domestic demand. However, still there are quotas in the import of oranges (although the Hungarian government is very elastic in the strict application of them).

During my visit to Budapest I made several contacts. The Greek commercial attache¢ Mrs Sotirakou who informed me about the general icon that the Hungarian economy presents today.

Also contacts were made with executives from companies that deal with the trade of foods and especially lemons, and oranges. The deputy director of the MIRELITE company was contacted and gave me information about the big companies that trade foods in Hungary, he also identified the best of them and those that specialize in the sector of our interest.

HUNGAROFRUCT is a very large company specialized in the trade of fruits, and has a very large network of distribution in the country.
SKALA world trade specialise in the distribution of foods and especially in citrus fruits.
DELKER is one of the biggest in the field fruits trade, but right now is in the liquidation process.

A very competitive company that deals with the production and distribution of wines is the MINIMPEX company state owned and is scheduled for privatisation.

Also the Chamber of Commerce of Budapest was visited and several secondary data were collected in regard to the imports of goods in Hungary in the previous years and especially in the field of olive oil and citrus fruits.

What follows are the secondary data that were collected and are included in my first report that was delivered to M.A.I.Ch.

1. List of all products subject to licensing for importing in Hungary (English).
2. Data related to the trade balance between Hungary and Greece (Greek).
3. List of all the Hungarian companies that deal with the trade and distribution of foods, and agricultural products (English).
4. Guide of doing business in Hungary (covering all procedures for the import of goods in the country) (English).