The implementation capabilities of the brand commercial network on the regional market of pasta

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Abstract. At the present time, there is an irregular demand for locally produced pasta products from consumers on the studied regional market. Besides, nowadays we can see the increased competition between food producers on the domestic market. One of the signs of greater competition is the emergence of new product brands and the release of modified products under their current names with similar quality parameters. For this reason, primarily manufacturing companies must build an effective system of network marketing through corporate trade to attract consumers to their products.

Despite the fact that pasta is an Italian dish, it is one of the most common foods in the food ration of consumers from many countries around the world. The global production of pasta per year is more than 12 million tons on average, and 37.7% of these products belong to the countries of the European Union. The leader in the field of pasta production is Italy. Russia is in fourth place in the world on this list. The pasta industry is one of the important sectors of the domestic food industry in our country; there are a lot of specialized enterprises and workshops in almost all regions of Russia.

The pasta market is a market that provides pasta products and their varieties. The modern pasta market is developing dramatically nowadays. Over the past eight years, the annual production of pasta produced by domestic enterprises exceeded 1 million tons.

![Figure 1. Volumes of pasta manufacture in Russia during the period 2011-2018.](image)
It should be mentioned that the dynamics of the pasta production is wave-like from 2011 to 2018. For example, in the 2011 year, 1,076,855 tons of pasta were produced. Then, in 2012 and 2013 there was a slight decline in manufacturing, and in 2014 and 2015, we can see the increasing production. In 2016, there was a decline in production on the market again, and then since 2017, we can see the increased production on the pasta market.

The geographical structure of pasta production in Russia covers the territory of all 9 Federal Districts. Central, Ural, Volga and Siberian districts became the leaders in the field of pasta production in 2017. (figure 2) [1].

Among the main leaders of the Russian pasta market, it is possible to identify the factory “Makfa” in Chelyabinsk and the factory “Extra M” in Moscow. According to various estimates, these enterprises occupy from 18 to 25% of the pasta market. ACS “Extra M” produces about 60 thousand tons of pasta products, that is over 30 different items every year, so it occupies more than 30% of the Moscow market [2]. The annual production of the “Makfa” pasta manufacture is more than 70 thousand tons per year. Trademarks “Makfa” and “Extra M” are both competing not only on the markets of large cities, especially on the capital market, but also on the regional markets. The second place is occupied by Krasnoyarsk CJSC “Aleiskzernoprodukt”, below in the list are the Moscow companies: CJSC “Infolink”, CJSC “Baysad”, OJSC “Extra M”. There are also some Altai manufactures: TD “Altan”, OJSC “Altai Macaroni” and OJSC “Shebekinsky” in the Belgorod region.

Federal networks are also entering local markets. These factories have their own trademarks in any large-scale city of Russia, so that is how local trademarks of pasta manufacturers appear.

**Figure 2.** The leaders of pasta production in Russia, %.

The Krasnoyarsk Region holds one of the leading positions by the number of enterprises producing pasta, which shows a high level of competition. According to one electronic catalogue of registered companies in the Krasnoyarsk Region, 53 factories are engaged in the production of pasta. In the Krasnoyarsk Region, there is a tendency of increasing the production of pasta products with improving
nutritional value and non-traditional natural supplements, also it provides pasta products of unusual forms and special formats.

The production of the pasta market in the Krasnoyarsk region is in great demand among consumers. Despite the fact that we can see a negative dynamics of pasta production in the Krasnoyarsk region during the period 2013-2017, there was a positive trend of retail sales of pasta during the 2015-2017 in the Krasnoyarsk region.

The information about sales revenue of businesses selling pasta in Krasnoyarsk for 2017 is presented in table 1.

| Name of the company       | Sales revenue, th rubles | Share, % |
|---------------------------|--------------------------|----------|
| JSC «Makfa»               | 6 320 050                | 30,75%   |
| TD «Rollton»              | 3 414 966                | 16,61%   |
| LTD «Harrys CIS»          | 3 108 202                | 15,12%   |
| JSC «Extra M»             | 2 160 250                | 10,51%   |
| JSC «Aleiskzernoproduct»  | 2 045 394                | 9,95%    |
| JSC «Europe Foods GB»     | 1 839 978                | 8,95%    |
| Holding «Altai»           | 607 883                  | 2,96%    |
| JSC «Melnic»              | 147 000                  | 0,72%    |
| JSC «Kraskon»             | 145 934                  | 0,71%    |
| «Infolink»                | 66 647                   | 0,32%    |

Thus, among the presented companies which are engaged in the sale of pasta, the largest amount of sales (6,320,050 thousand rubles) for the 2017 year was received by the “Makfa” company. The smallest amount of revenue during the given year was found in JSC “Kraskon” (145,934 thousand rubles) and in the “Infolink” company (66,647 thousand rubles).

The Joint Stock Company of the confectionery and pasta factory “Kraskon” (JSC “Kraskon”) is the largest producer of confectionery and pasta in the Krasnoyarsk Region.

The productive activities of the JSC “Kraskon” enterprise is undertaken under the conditions of risk. Here are the main risks, which prevent the realization of the enterprise ability on the regional market of pasta manufacturing: the strengthening of product quality control by standardizing and certifying of the production; the change of the tax legislation and the cancellation of the protection policy for the production sector by local government; receiving negative results from the contacts with partners and suppliers; human errors because staff members do not have the skill to act in a crisis situation; production failures; reduction in sales of pasta, cost escalation; the inability to maintain usual income level on invested capital; natural disasters, which can affect yield; the inability of the pasta production or a decline in sales; fall in demand; loss of quality of the offered production.

The analysis of the current distribution system within the enterprise showed that one of the reasons for the decrease in demand is inefficient interaction with enterprises of the firm trade. The “Kraskon” factory has its own brand trade, which is represented in Krasnoyarsk by 3 stores. This fact gives to the factory certain competitive advantages on the market. However, the analysis of the interaction technology between the “Kraskon” company and its company shops showed the following facts. Firstly, this interaction is carried out only in the distribution of the production, which means that shops are used as sales points for factory production. Secondly, it is carried out in the distribution of agreements of sale and purchase, which, in essence, is a contractual relationship. (figure 4) [4].

The current interaction is long-term because it is an exclusive form of transaction. However, it is not a partnership interaction, as available resources for the establishment of the marketing information system and marketing communications mix for the impact on consumers are not used in conjunction.
The functions of corporate trade slightly differ from the functions of the retail trade. This reduces the effectiveness of the interaction with consumers and leads to the loss of sales of not only the factory production but also the company shops production. The current practice of interaction between JSC “Kraskon” and its company stores primarily requires the modernization [4].

Recently, the concept of relationship management has become widespread, as well as the idea of relationship marketing, which is a direction of this concept [5-6]. In order to achieve the goal of increasing sales of products by the company’s trading network and tapping the potential of the regional pasta market, factors affecting the pasta demand of JSC “Kraskon” should be taken into account:

- Consumer preferences: pasta of the “low” and “middle” price segments, the taste of the product, quality and material of the packaging, brand and manufacturer attitude, etc.;
- Modern equipment for manufacture, and, as a result, the improvement of the composition of the product;
- Changes in the levels of income of the population;
- Changes in the price level of the product;
- Population growth;
- Seasonality (the amount of market supply, depending on the yield - grain).

In conclusion, it should be noted that the pasta market is saturated. It is an old, well-developed market. The market growth takes place mainly due to the extensive development of companies. While it is a small growth, the impact of the crisis and restrictions continues to affect the market. Nevertheless, in such a situation there are preconditions for growth. The study of the consumer demand on the market through the model of interaction between JSC “Kraskon” and corporate trade in the value chain on the pasta market in Krasnoyarsk is becoming the primary task for its operation.

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